

**BANK OF MONTREAL**  
**FINANCIAL HIGHLIGHTS**

(Canadian \$ in millions except as noted)

	For the three months ended						For the twelve months ended		
	Oct 31, 2001	Jul 31, 2001	Apr 30, 2001	Jan 31, 2001	Oct 31, 2000	Change from Oct 31, 2000	Oct 31, 2001	Oct 31, 2000	Change from Oct 31, 2000
<b>Income Statement Highlights</b>									
Total revenue (TEB) (a)	\$ 1,951	\$ 2,234	\$ 2,485	\$ 2,193	\$ 2,162	(9.7) %	\$ 8,863	\$ 8,664	2.3 %
Provision for credit losses	546	117	217	100	58	100+	980	358	100+
Non-interest expense	1,449	1,421	1,404	1,397	1,330	8.9	5,671	5,258	7.8
Net income	4	444	607	416	485	(99.1)	1,471	1,857	(20.8)
<b>Common Share Data (\$)</b>									
Diluted earnings per share	\$ 0.00	\$ 0.83	\$ 1.10	\$ 0.73	\$ 0.86	\$ (0.86)	\$ 2.66	\$ 3.25	\$ (0.59)
- excluding non-recurring items	0.19	0.83	0.76	0.70	0.76	(0.57)	2.48	2.91	(0.43)
Diluted cash earnings per share	0.06	0.88	1.15	0.77	0.90	(0.84)	2.86	3.39	(0.53)
- excluding non-recurring items	0.25	0.88	0.80	0.75	0.80	(0.55)	2.68	3.05	(0.37)
Dividends declared per share	0.28	0.28	0.28	0.28	0.25	0.03	1.12	1.00	0.12
Book value per share	19.69	20.44	19.93	19.53	19.63	0.06	19.69	19.63	0.06
Closing share price	33.86	40.85	35.20	40.89	35.25	(1.39)	33.86	35.25	(1.39)
Total market value of common shares (\$ billions)	16.6	20.7	17.8	21.5	18.4	(1.8)	16.6	18.4	(1.8)

	Oct 31, 2001	Jul 31, 2001	Apr 30, 2001	Jan 31, 2001	Oct 31, 2000	Change from Oct 31, 2000
<b>Balance Sheet Highlights</b>						
Assets	\$ 239,409	\$ 230,203	\$ 235,154	\$ 242,230	\$ 233,396	2.6 %
Loans	136,829	136,693	136,405	139,270	133,817	2.3
Deposits	154,290	151,003	154,415	157,875	156,697	(1.5)
Common shareholders' equity	9,632	10,374	10,102	10,280	10,260	(6.1)

	For the three months ended					For the twelve months ended	
	Oct 31, 2001	Jul 31, 2001	Apr 30, 2001	Jan 31, 2001	Oct 31, 2000	Oct 31, 2001	Oct 31, 2000
<b>Primary Financial Measures (%) (b)</b>							
Average annual five year total shareholder return	14.3	23.9	20.4	23.8	22.9	14.3	22.9
Diluted earnings per share growth (c)	(75.0)	23.9	(2.6)	0.0	20.6	(14.8)	15.9
Diluted cash earnings per share growth (c)	(68.8)	23.9	0.0	1.4	19.4	(12.1)	15.5
Return on equity (c)	3.8	16.8	16.2	14.8	16.2	12.9	16.1
Cash return on equity (c)	4.8	17.8	17.2	15.7	17.1	13.9	16.9
Net economic profit (NEP) growth	(100+)	48.9	55.6	(27.6)	100+	(43.3)	90.0
Revenue growth (c)	(1.2)	7.5	0.0	6.8	4.4	3.2	6.1
Non-interest expense-to-revenue ratio (c)	68.1	63.6	63.9	65.0	63.8	65.1	62.8
Provision for credit losses as a % of average loans and acceptances (c)	0.60	0.31	0.29	0.27	0.28	0.60	0.28
Gross impaired loans and acceptances as a % of equity and allowance for credit losses	14.17	12.55	11.52	11.94	10.51	14.17	10.51
Cash and securities to total assets ratio	23.1	25.6	26.4	26.3	27.8	23.1	27.8
Tier 1 capital ratio (d)	8.15	8.84	8.94	8.87	8.83	8.15	8.83
Credit rating	AA-	AA-	AA-	AA-	AA-	AA-	AA-
<b>Other Financial Ratios (% except as noted) (b)</b>							
Total shareholder return - annualized	(1.2)	19.3	2.7	19.3	29.0	(1.2)	29.0
Dividend yield	2.7	3.2	2.8	2.8	3.1	3.1	3.5
Price-to-earnings ratio (times)	12.4	11.4	10.2	12.8	10.7	12.4	10.7
Market-to-book value (times)	1.72	2.00	1.77	2.09	1.80	1.72	1.80
Net economic profit (\$ millions)	(249)	184	352	146	212	433	763
Return on average assets (c)	0.18	0.75	0.70	0.65	0.72	0.57	0.71
Net interest margin (c)	1.94	2.09	1.80	1.81	1.81	1.91	1.85
Other income as a % of total revenue (c)	43.5	44.9	50.3	48.0	49.8	46.7	48.6
Expense growth (c)	5.5	7.2	4.0	11.4	1.0	7.0	3.0
Total capital ratio (d)	12.12	12.60	12.74	12.12	11.97	12.12	11.97
Tier 1 capital ratio - U.S. basis (d)	7.87	8.43	8.51	8.41	8.47	7.87	8.47
Equity-to-assets ratio	5.1	5.6	5.4	5.2	5.4	5.1	5.4

All ratios in this report are based on unrounded numbers.

(a) Reported on a taxable equivalent basis (TEB).

(b) For the period ended or as at, as appropriate.

(c) Reported excluding non-recurring items.

(d) The July 31, 2001 total capital ratio and tier 1 capital ratios reflect the inclusion of US\$250 of class B preferred shares which were redeemed on August 27, 2001. Excluding these shares, the total capital ratio would have been 12.32, the tier 1 capital ratio would have been 8.55 and the tier 1 capital ratio - U.S. basis would have been 8.15 as at July 31, 2001.

The January 31, 2001 total capital ratio and tier 1 capital ratios reflect the inclusion of \$250 of class B preferred shares which were redeemed on February 26, 2001. Excluding these shares, the total capital ratio would have been 11.93, the tier 1 capital ratio would have been 8.68 and the tier 1 capital ratio - U.S. basis would have been 8.23 as at January 31, 2001.

**BANK OF MONTREAL**  
**CONSOLIDATED STATEMENT OF INCOME**

(Unaudited)

(Canadian \$ in millions except per share amounts)

	For the three months ended				For the twelve months ended		
	October 31, 2001	July 31, 2001	April 30, 2001	January 31, 2001	October 31, 2000	October 31, 2001	October 31, 2000
<b>Interest, Dividend and Fee Income</b>							
Loans	\$ 2,131	\$ 2,301	\$ 2,563	\$ 2,694	\$ 2,697	\$ 9,689	\$ 10,404
Securities	510	568	615	726	735	2,419	2,854
Deposits with banks	193	201	229	269	268	892	1,045
	<b>2,834</b>	<b>3,070</b>	<b>3,407</b>	<b>3,689</b>	<b>3,700</b>	<b>13,000</b>	<b>14,303</b>
<b>Interest Expense</b>							
Deposits	1,228	1,389	1,630	1,936	1,932	6,183	7,426
Subordinated debt	86	88	87	90	91	351	350
Other liabilities	351	406	630	580	629	1,967	2,323
	<b>1,665</b>	<b>1,883</b>	<b>2,347</b>	<b>2,606</b>	<b>2,652</b>	<b>8,501</b>	<b>10,099</b>
<b>Net Interest Income</b>	<b>1,169</b>	<b>1,187</b>	<b>1,060</b>	<b>1,083</b>	<b>1,048</b>	<b>4,499</b>	<b>4,204</b>
Provision for credit losses	546	117	217	100	58	980	358
<b>Net Interest Income After Provision for Credit Losses</b>	<b>623</b>	<b>1,070</b>	<b>843</b>	<b>983</b>	<b>990</b>	<b>3,519</b>	<b>3,846</b>
<b>Other Income</b>							
Deposit and payment service charges	175	170	164	161	161	670	646
Lending fees	88	85	96	83	85	352	322
Capital market fees	235	243	270	228	267	976	1,069
Card services	50	59	44	51	57	204	216
Investment management and custodial fees	87	85	82	82	77	336	373
Mutual fund revenues	70	61	61	59	61	251	232
Trading revenues	75	91	158	166	121	490	388
Securitization revenues	71	78	97	85	109	331	343
Other fees and commissions	(101)	131	421	161	141	612	737
	<b>750</b>	<b>1,003</b>	<b>1,393</b>	<b>1,076</b>	<b>1,079</b>	<b>4,222</b>	<b>4,326</b>
<b>Net Interest and Other Income</b>	<b>1,373</b>	<b>2,073</b>	<b>2,236</b>	<b>2,059</b>	<b>2,069</b>	<b>7,741</b>	<b>8,172</b>
<b>Non-Interest Expense</b>							
Salaries and employee benefits	760	822	827	803	762	3,212	3,065
Premises and equipment	319	288	274	272	272	1,153	1,071
Communications	46	46	49	53	64	194	259
Other expenses	312	254	244	259	268	1,069	883
	<b>1,437</b>	<b>1,410</b>	<b>1,394</b>	<b>1,387</b>	<b>1,366</b>	<b>5,628</b>	<b>5,278</b>
Amortization of intangible assets	12	11	10	10	7	43	23
	<b>1,449</b>	<b>1,421</b>	<b>1,404</b>	<b>1,397</b>	<b>1,373</b>	<b>5,671</b>	<b>5,301</b>
Restructuring charge	-	-	-	-	(43)	-	(43)
Total non-interest expense	<b>1,449</b>	<b>1,421</b>	<b>1,404</b>	<b>1,397</b>	<b>1,330</b>	<b>5,671</b>	<b>5,258</b>
<b>Income Before Provision for Income Taxes, Non-Controlling Interest in Subsidiaries and Goodwill</b>	<b>(76)</b>	<b>652</b>	<b>832</b>	<b>662</b>	<b>739</b>	<b>2,070</b>	<b>2,914</b>
Income taxes	(109)	183	201	226	235	501	989
	<b>33</b>	<b>469</b>	<b>631</b>	<b>436</b>	<b>504</b>	<b>1,569</b>	<b>1,925</b>
Non-controlling interest	14	11	10	7	6	42	19
<b>Net Income Before Goodwill</b>	<b>19</b>	<b>458</b>	<b>621</b>	<b>429</b>	<b>498</b>	<b>1,527</b>	<b>1,906</b>
Amortization of goodwill, net of applicable income tax	15	14	14	13	13	56	49
<b>Net Income</b>	<b>\$ 4</b>	<b>\$ 444</b>	<b>\$ 607</b>	<b>\$ 416</b>	<b>\$ 485</b>	<b>\$ 1,471</b>	<b>\$ 1,857</b>
<b>Dividends Declared</b>							
- preferred shares	\$ 14	\$ 20	\$ 20	\$ 26	\$ 25	\$ 80	\$ 101
- common shares	\$ 137	\$ 142	\$ 142	\$ 147	\$ 131	\$ 568	\$ 530
<b>Average Number of Common Shares Outstanding</b>	<b>499,013,245</b>	<b>502,373,065</b>	<b>519,403,391</b>	<b>524,620,572</b>	<b>522,455,120</b>	<b>511,286,397</b>	<b>531,318,290</b>
<b>Average Assets</b>	<b>\$ 245,757</b>	<b>\$ 234,041</b>	<b>\$ 248,066</b>	<b>\$ 245,283</b>	<b>\$ 237,703</b>	<b>\$ 243,248</b>	<b>\$ 234,944</b>
<b>Earnings Per Share Before Goodwill (Note 2)</b>							
Basic	\$ 0.03	\$ 0.87	\$ 1.16	\$ 0.77	\$ 0.91	\$ 2.83	\$ 3.40
Diluted	0.04	0.85	1.13	0.75	0.88	2.77	3.34
<b>Earnings Per Share</b>							
Basic	0.00	0.85	1.13	0.74	0.87	2.72	3.30
Diluted	0.00	0.83	1.10	0.73	0.86	2.66	3.25

The accompanying notes to consolidated financial statements are an integral part of this statement.

The calculation of earnings per share before goodwill and earnings per share for the year 2000 has been amended to reflect the stock dividend declared on March 1, 2001, of one common share of no value, for each common share.

**BANK OF MONTREAL**  
**CONSOLIDATED BALANCE SHEET**

(Unaudited) (Canadian \$ in millions)

	As at				
	October 31, 2001	July 31, 2001	April 30, 2001	January 31, 2001	October 31, 2000
<b>Assets</b>					
Cash resources	\$ 17,656	\$ 17,355	\$ 19,059	\$ 20,508	\$ 18,508
Securities (Note 3)					
Investment	21,470	21,958	22,072	22,237	24,469
Trading	16,200	19,670	20,846	21,023	21,994
Loan Substitutes	6	6	-	-	-
	<b>37,676</b>	<b>41,634</b>	<b>42,918</b>	<b>43,260</b>	<b>46,463</b>
Loans (Note 5)					
Residential mortgages	41,941	41,106	39,350	39,446	39,485
Consumer instalment and other personal loans	19,107	18,777	18,255	17,873	18,038
Credit card loans	1,527	1,525	1,459	1,448	1,407
Loans to businesses and governments	61,249	59,354	58,943	61,728	60,176
Securities purchased under resale agreements	14,954	17,592	20,054	20,329	16,308
	<b>138,778</b>	<b>138,354</b>	<b>138,061</b>	<b>140,824</b>	<b>135,414</b>
Allowance for credit losses (Note 5)	<b>(1,949)</b>	<b>(1,661)</b>	<b>(1,656)</b>	<b>(1,554)</b>	<b>(1,597)</b>
	<b>136,829</b>	<b>136,693</b>	<b>136,405</b>	<b>139,270</b>	<b>133,817</b>
Other assets (Note 3)					
Customers' liability under acceptances	7,936	7,400	9,468	9,149	8,630
Premises and equipment	2,170	2,075	2,083	2,088	2,171
Other	37,142	25,046	25,221	27,955	23,807
	<b>47,248</b>	<b>34,521</b>	<b>36,772</b>	<b>39,192</b>	<b>34,608</b>
<b>Total Assets</b>	<b>\$ 239,409</b>	<b>\$ 230,203</b>	<b>\$ 235,154</b>	<b>\$ 242,230</b>	<b>\$ 233,396</b>
<b>Liabilities and Shareholders' Equity</b>					
<b>Deposits</b>					
Banks	\$ 20,539	\$ 19,188	\$ 22,004	\$ 25,447	\$ 23,385
Businesses and governments	66,132	65,835	66,968	68,567	69,454
Individuals	67,619	65,980	65,443	63,861	63,858
	<b>154,290</b>	<b>151,003</b>	<b>154,415</b>	<b>157,875</b>	<b>156,697</b>
Other Liabilities					
Acceptances	7,936	7,400	9,468	9,149	8,630
Securities sold but not yet purchased	6,609	6,437	6,562	11,266	9,353
Securities sold under repurchase agreements	17,480	22,867	24,127	21,983	19,749
Other	37,738	25,769	24,122	25,113	22,115
	<b>69,763</b>	<b>62,473</b>	<b>64,279</b>	<b>67,511</b>	<b>59,847</b>
Subordinated debt	<b>4,674</b>	<b>4,920</b>	<b>4,924</b>	<b>4,889</b>	<b>4,911</b>
Shareholders' equity					
Share capital (Note 7)	4,425	4,919	4,507	4,916	4,854
Retained earnings	6,257	6,888	7,029	7,039	7,087
	<b>10,682</b>	<b>11,807</b>	<b>11,536</b>	<b>11,955</b>	<b>11,941</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 239,409</b>	<b>\$ 230,203</b>	<b>\$ 235,154</b>	<b>\$ 242,230</b>	<b>\$ 233,396</b>

The accompanying notes to consolidated financial statements are an integral part of this statement.

**BANK OF MONTREAL**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

*(Unaudited) (Canadian \$ in millions)*

For the twelve months ended  
**October 31, 2001**    October 31, 2000

	\$	\$
<b>Preferred Shares</b>		
Balance at beginning of period	1,681	1,668
Redemption of preferred shares	(633)	-
Translation adjustment on shares issued in a foreign currency	2	13
<b>Balance at End of Period</b>	<b>1,050</b>	<b>1,681</b>
<b>Common Shares</b>		
Balance at beginning of period	3,173	3,190
Issued under the Shareholder Dividend Reinvestment and Share Purchase Plan	35	37
Issued under the Stock Option Plan	114	35
Issued on the exchange of shares of subsidiary corporations	7	6
Issued on the acquisition of businesses (Note 6)	400	-
Cancellation of stock options granted on acquisition of an investment (Note 4)	(22)	-
Repurchased for cancellation (Note 7)	(332)	(95)
<b>Balance at End of Period</b>	<b>3,375</b>	<b>3,173</b>
<b>Retained Earnings</b>		
Balance at beginning of period	7,087	6,123
Cumulative impact of adopting Future Employee Benefits standard, net of applicable income tax (Note 2)	(250)	-
Net income	1,471	1,857
Dividends - Preferred shares	(80)	(101)
- Common shares	(568)	(530)
Unrealized gain on translation of net investment in foreign operations, net of hedging activities and applicable income tax	179	143
Recognition of unrealized translation loss on disposition of an investment in a foreign operation (Note 7)	99	-
Gain on cancellation of stock options granted on acquisition of an investment, net of applicable income tax (Note 7)	18	-
Common shares repurchased for cancellation (Note 7)	(1,699)	(405)
<b>Balance at End of Period</b>	<b>6,257</b>	<b>7,087</b>
<b>Total Shareholders' Equity</b>	<b>\$ 10,682</b>	<b>\$ 11,941</b>

The accompanying notes to consolidated financial statements are an integral part of this statement.

**BANK OF MONTREAL**  
**CONSOLIDATED STATEMENT OF CASH FLOW**

(Unaudited) (Canadian \$ in millions)

	For the three months ended		For the twelve months ended	
	October 31, 2001	October 31, 2000	October 31, 2001	October 31, 2000
<b>Cash Flows From Operating Activities</b>				
Net income	\$ 4	\$ 485	\$ 1,471	\$ 1,857
Adjustments to determine net cash flows				
Provision for credit losses	546	58	980	358
Amortization of premises and equipment	112	100	406	402
Amortization of intangible assets	15	10	56	33
Amortization of goodwill	16	14	62	54
(Gain) on sale of securitized loans	(50)	(13)	(82)	(23)
Write-down of investment securities	236	16	284	16
Restructuring charge	-	(43)	-	(43)
Future income tax expense	(31)	97	(180)	131
Net (gain) on sale of investment securities	(13)	(44)	(407)	(199)
Change in accrued interest				
(Increase) decrease in interest receivable	(29)	(155)	512	(202)
Increase (decrease) in interest payable	44	138	(250)	182
Net increase in deferred loan fees	7	-	8	1
Net (increase) in unrealized gains and amounts receivable on derivative contracts	(8,509)	(1,823)	(9,318)	(4,402)
Net increase in unrealized losses and amounts payable on derivative contracts	8,625	1,607	10,304	4,313
Net (increase) decrease in trading securities	3,470	627	5,794	(4,748)
Net (decrease) in current income taxes payable	(284)	(168)	(80)	(423)
Changes in other items and accruals, net	(13)	(394)	1,090	(301)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>4,146</b>	<b>512</b>	<b>10,650</b>	<b>(2,994)</b>
<b>Cash Flows From Financing Activities</b>				
Net increase (decrease) in deposits	3,313	(706)	(3,793)	(905)
Net increase (decrease) in securities sold but not yet purchased	172	(4,345)	(2,744)	(1,097)
Net (decrease) in securities sold under repurchase agreements	(5,387)	(1,622)	(2,499)	(4,428)
Net (decrease) in liabilities of subsidiaries	(136)	(273)	(15)	(1,219)
Proceeds from issuance of securities of a subsidiary	400	350	800	350
Proceeds from issuance of subordinated debt	-	-	-	300
Repayment of subordinated debt	(300)	(150)	(300)	(150)
Redemption of preferred shares	(383)	-	(633)	-
Proceeds from issuance of common shares	22	31	156	78
Common shares repurchased for cancellation	(771)	(115)	(2,031)	(500)
Dividends paid	(151)	(156)	(648)	(631)
<b>Net Cash (Used in) Financing Activities</b>	<b>(3,221)</b>	<b>(6,986)</b>	<b>(11,707)</b>	<b>(8,202)</b>
<b>Cash Flows From Investing Activities</b>				
Net decrease in interest bearing deposits with banks	992	2,005	2,308	5,253
Purchase of investment securities	(9,975)	(9,025)	(35,979)	(31,524)
Maturities of investment securities	6,105	6,883	25,955	24,299
Proceeds from sales of investment securities	4,135	2,542	13,838	8,966
Net (increase) in loans and loan substitute securities	(4,048)	(982)	(5,657)	(6,322)
Proceeds from securitization of assets	728	1,027	1,197	1,837
Net decrease in securities purchased under resale agreements	2,638	3,685	1,354	8,782
Premises and equipment - net purchase	(207)	(209)	(399)	(345)
Acquisition of businesses	-	34	(245)	(25)
<b>Net Cash Provided by Investing Activities</b>	<b>368</b>	<b>5,960</b>	<b>2,372</b>	<b>10,921</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>1,293</b>	<b>(514)</b>	<b>1,315</b>	<b>(275)</b>
<b>Cash and Cash Equivalents at Beginning of Period</b>	<b>2,166</b>	<b>2,658</b>	<b>2,144</b>	<b>2,419</b>
<b>Cash and Cash Equivalents at End of Period</b>	<b>\$ 3,459</b>	<b>\$ 2,144</b>	<b>\$ 3,459</b>	<b>\$ 2,144</b>

The accompanying notes to consolidated financial statements are an integral part of this statement.

**BANK OF MONTREAL**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the twelve months ended October 31, 2001  
(Unaudited) (Canadian \$ in millions except as noted)

1. Basis of Presentation

These consolidated financial statements should be read in conjunction with our consolidated financial statements for the year ended October 31, 2000 as set out on pages 43 to 69 of our 2000 Annual Report. These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles, including the requirements of the Superintendent of Financial Institutions Canada, using the same accounting policies and methods of computation as were used for our consolidated financial statements for the year ended October 31, 2000, except as described in note 2.

2. Changes in Accounting Policies

In fiscal 2001, we adopted a new accounting standard for computing earnings per share. We adopted this new standard retroactively and have restated diluted earnings per share for prior periods. The net impact of this change is a decrease in our diluted earnings per share of \$0.01 from \$0.01 to \$0.00 for the three months ended October 31, 2001 and \$0.05 from \$2.71 to \$2.66 for the twelve months ended October 31, 2001.

On November 1, 2000 we adopted a new accounting standard on accounting for pension and other future employee benefits. We adopted this new standard retroactively without restating prior periods. The net impact of the increase in our prepaid pension asset and the increase in our non-pension liability, reduced opening retained earnings by \$250 (net of tax of \$171). For the twelve months ended October 31, 2001 the expense for pension and other future employee benefits increased by \$69 (\$41 after tax) as a result of this accounting change.

Further information on the new accounting policies listed above is contained in notes 16 and 17, respectively, to our consolidated financial statements for the year ended October 31, 2000 on pages 58 and 59 of our 2000 Annual Report.

On July 1, 2001 we prospectively adopted a new accounting guideline for recording and disclosing securitization transactions. Under the new guideline, income resulting from the transfers of assets that qualify as sales is entirely recognized on the date of the transfer as a gain on sale instead of being recognized as cash flows are received. The impact of the change is an increase in securitization revenues of \$35 (\$21 after tax) for the twelve months ended October 31, 2001.

On July 1, 2001 we prospectively adopted a new standard on business combinations. Under the new standard, all business acquisitions must be accounted for using the purchase method. This method involves allocating the purchase price paid for a business to the assets acquired, including identifiable intangible assets, and the liabilities assumed based on their fair value at the date of acquisition. Any excess is then recognized as goodwill and, along with intangible assets, is subject to the requirements of the new accounting standard on goodwill and other intangible assets, discussed below.

Future Changes in Accounting Policies

The Canadian Institute of Chartered Accountants has approved a new accounting standard on goodwill and other intangible assets. Under the new standard, all goodwill and intangible assets with indefinite lives that are currently included in our Consolidated Balance Sheet will no longer be amortized to income over time, and will be subject to a periodic impairment review to ensure that the fair value remains greater than, or equal to, book value. Any excess of book value over fair value would be charged to income in the period in which the impairment is determined. We will adopt this new standard on November 1, 2001 at which time we will stop amortizing goodwill that was acquired prior to July 1, 2001. For the twelve months ended October 31, 2001 amortization of goodwill was \$62 (\$56 after tax). We have no intangible assets with indefinite lives. Goodwill and intangible assets with indefinite lives arising from acquisitions subsequent to July 1, 2001 are not amortized under the new standard.

The Canadian Institute of Chartered Accountants has approved a new accounting guideline on accounting for hedging relationships. The guideline will not change our accounting for asset/liability management derivatives as our existing policies already comply with this new guideline.

3. Investment Securities and Other Assets

During the three months ended October 31, 2001, a write-down of \$252 was recorded for impairment in value of certain assets as a result of the further weakening of the economy, accelerated by the events of September 11th. Included in the \$252 was a write-down of \$178 related to our equity investments in collateralized bond obligations and \$22 related to our corporate loan securitization receivable. A write-down of \$47 related to our equity investments in collateralized bond obligations was recognized in the three months ended April 30, 2001.

4. Sale of Investment in Grupo Financiero BBVA Bancomer

During the twelve months ended October 31, 2001 we sold our investment in Grupo Financiero BBVA Bancomer (Bancomer) for a gain of \$321 (\$272 after tax) of which \$284 (\$239 after tax) was recognized in the three months ended April 30, 2001 and \$37 (\$33 after tax) was recognized in the three months ended January 31, 2001. The gain is net of unrealized foreign exchange losses of \$99. Stock options valued at \$22 that were granted when the investment in Bancomer was acquired were cancelled as part of the sale agreement. An after tax gain of \$18 on cancellation of these options was recognized directly in retained earnings.

5. Allowance for Credit Losses

The allowance for credit losses recorded in our Consolidated Balance Sheet is maintained at a level which we consider adequate to absorb credit losses in our on- and off-balance sheet portfolios. Included in our allowance for credit losses for the twelve months ended October 31, 2001 is a \$100 increase in our general allowance recognized in the three months ended April 30, 2001.

Changes in our allowance for credit losses are:	For the three months ended			For the twelve months ended	
	Oct. 31, 2001	Jul. 31, 2001	Oct. 31, 2000	Oct. 31, 2001	Oct. 31, 2000
Balance at beginning of period	\$ 1,661	\$ 1,656	\$ 1,610	\$ 1,597	\$ 1,427
Provision for credit losses	546	117	58	980	358
Recoveries	10	12	13	40	44
Write-offs	(287)	(132)	(98)	(698)	(251)
Other, including foreign exchange rate changes	19	8	14	30	19
Balance at end of period	\$ 1,949	\$ 1,661	\$ 1,597	\$ 1,949	\$ 1,597

**BANK OF MONTREAL**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the twelve months ended October 31, 2001  
(Unaudited) (Canadian \$ in millions except as noted)

6. Acquisitions

On July 13, 2001 we completed the acquisition of all of the outstanding voting shares of First National Bank of Joliet (Joliet), a publicly-traded, full-service community bank in the United States. The results of Joliet's operations since that date have been included in our consolidated financial statements. The purchase price of \$337 consisted of \$124 of cash consideration and 5,325,307 of our common shares valued at \$213.

On July 19, 2001 we completed the acquisition of all of the outstanding voting shares of Guardian Group of Funds Ltd. (Guardian), a mutual fund subsidiary of a publicly-traded financial services company in Canada. The results of Guardian's operations since that date have been included in our consolidated financial statements. The purchase price consisted of 4,960,140 of our common shares valued at \$187.

Goodwill balances of \$152 and \$187 have been included in other assets in our Consolidated Balance Sheet for Joliet and Guardian, respectively. These amounts will not be amortized to income, and will be subject to a periodic impairment review.

The following table summarizes the estimated fair values of the assets acquired and the liabilities assumed at the date of acquisition:

	Joliet	Guardian	Total
Cash resources	\$ 193	\$ -	\$ 193
Investment securities	653	-	653
Loans	852	-	852
Other assets			
Other	23	9	32
Intangible assets subject to amortization	76	18	94
Goodwill	152	187	339
	<u>251</u>	<u>214</u>	<u>465</u>
	<u>1,949</u>	<u>214</u>	<u>2,163</u>
Deposits	1,347	-	1,347
Securities sold under repurchase agreements	230	-	230
Other liabilities	35	27	62
	<u>1,612</u>	<u>27</u>	<u>1,639</u>
Purchase price	\$ 337	\$ 187	\$ 524

Note: The allocation of the purchase price is subject to further refinement as we complete the valuation of the assets acquired and liabilities assumed.

7. Share Capital

During the twelve months ended October 31, 2001, we initiated a program to repurchase up to 52,000,000 of our common shares through recognized exchanges by December 31, 2001. As at October 31, 2001, 52,000,000 shares had been repurchased at an average cost of \$39.06 per share, totalling \$2,031.

During the twelve months ended October 31, 2001, we paid a stock dividend of one common share, with no value, for each outstanding common share. The stock dividend has the same effect as a two-for-one stock split.

During the twelve months ended October 31, 2001, we redeemed all of our Class B – Series 1 preferred shares for \$25.00 per share or \$250, and all of our Class B – Series 2 preferred shares for US\$25 per share or US\$250.

**Share Capital Information <sup>(b)</sup>**

	Oct 31, 2001		
	Number	Principal Amount	Convertible into...
Preferred Shares outstanding			
Class B – Series 3	16,000,000	400	common shares <sup>(a)</sup>
Class B – Series 4	8,000,000	200	common shares <sup>(a)</sup>
Class B – Series 5	8,000,000	200	-
Class B – Series 6	10,000,000	250	common shares <sup>(a)</sup>
Total Preferred Share Capital		<u>1,050</u>	
Common Shares outstanding	489,084,527	<u>3,375</u>	-
Total Share Capital		<u>4,425</u>	
Stock options issued under Stock Option Plan		n/a	32,997,743 common shares

(a) The number of shares issuable on conversion is not determinable until the date of conversion.

(b) For additional information refer to pages 55 and 56 of our 2000 Annual Report.

n/a – not applicable

8. United States Generally Accepted Accounting Principles

Reporting under United States generally accepted accounting principles (US GAAP) would have resulted in consolidated net income of \$(5), basic earnings per share of \$0.00 and diluted earnings per share of \$0.00 for the three months and \$1.515, \$2.81 and \$2.75, respectively, for the twelve months ended October 31, 2001.

As a result of an adjustment related to the sale of our investment in Grupo Financiero BBVA Bancomer, we have restated our US GAAP consolidated net income from \$1,041 to \$1,122, our US GAAP basic earnings per share from \$1.91 to \$2.06 and our US GAAP diluted earnings per share from \$1.86 to \$2.01 for the six months ended April 30, 2001.

**BANK OF MONTREAL**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

 For the twelve months ended October 31, 2001  
 (Unaudited) (Canadian \$ in millions except as noted)

## 9. Operating and Geographic Segmentation

 Revenue, Net Income and Average Assets by Operating Group  
 For the three months ended

	Personal and Commercial Client Group (a)		Private Client Group (b)		Investment Banking Group (c)		Emfisys and Corporate Support (d)		Total Consolidated	
	October 31, 2001	October 31, 2000	October 31, 2001	October 31, 2000	October 31, 2001	October 31, 2000	October 31, 2001	October 31, 2000	October 31, 2001	October 31, 2000
<b>Net Interest Income and Other Income (e)</b>										
Canada	\$ 874	\$ 914	\$ 266	\$ 308	\$ 89	\$ 296	\$ 7	\$ (9)	\$ 1,236	\$ 1,509
United States	203	158	91	81	294	254	51	94	639	587
Other Countries	17	17	3	2	52	44	4	3	76	66
<b>Total</b>	<b>\$ 1,094</b>	<b>\$ 1,089</b>	<b>\$ 360</b>	<b>\$ 391</b>	<b>\$ 435</b>	<b>\$ 594</b>	<b>\$ 62</b>	<b>\$ 88</b>	<b>\$ 1,951</b>	<b>\$ 2,162</b>
<b>Net Income</b>										
Canada	\$ 155	\$ 175	\$ 10	\$ 31	\$ (70)	\$ 69	\$ (53)	\$ 24	\$ 42	\$ 299
United States	29	26	0	5	(73)	76	(35)	27	(79)	134
Other Countries	13	14	0	0	27	13	1	25	41	52
<b>Total</b>	<b>\$ 197</b>	<b>\$ 215</b>	<b>\$ 10</b>	<b>\$ 36</b>	<b>\$ (116)</b>	<b>\$ 158</b>	<b>\$ (87)</b>	<b>\$ 76</b>	<b>\$ 4</b>	<b>\$ 485</b>
<b>Average Assets (\$ billions)</b>										
Canada	\$ 82.1	\$ 80.1	\$ 2.0	\$ 2.3	\$ 66.6	\$ 53.7	\$ (3.8)	\$ (3.5)	\$ 146.9	\$ 132.6
United States	16.9	13.0	2.9	2.8	54.7	62.8	4.0	2.0	78.5	80.6
Other Countries	0.2	0.2	0.1	0.1	19.7	23.3	0.4	0.9	20.4	24.5
<b>Total</b>	<b>\$ 99.2</b>	<b>\$ 93.3</b>	<b>\$ 5.0</b>	<b>\$ 5.2</b>	<b>\$ 141.0</b>	<b>\$ 139.8</b>	<b>\$ 0.6</b>	<b>\$ (0.6)</b>	<b>\$ 245.8</b>	<b>\$ 237.7</b>

 Revenue, Net Income and Average Assets by Operating Group  
 For the twelve months ended

	Personal and Commercial Client Group (a)		Private Client Group (b)		Investment Banking Group (c)		Emfisys and Corporate Support (d)		Total Consolidated	
	October 31, 2001	October 31, 2000	October 31, 2001	October 31, 2000	October 31, 2001	October 31, 2000	October 31, 2001	October 31, 2000	October 31, 2001	October 31, 2000
<b>Net Interest Income and Other Income (e)</b>										
Canada	\$ 3,553	\$ 3,612	\$ 1,118	\$ 1,242	\$ 970	\$ 1,164	\$ 30	\$ (20)	\$ 5,671	\$ 5,998
United States	689	632	367	309	1,215	947	295	399	2,566	2,287
Other Countries	76	69	12	13	195	198	343	99	626	379
<b>Total</b>	<b>\$ 4,318</b>	<b>\$ 4,313</b>	<b>\$ 1,497</b>	<b>\$ 1,564</b>	<b>\$ 2,380</b>	<b>\$ 2,309</b>	<b>\$ 668</b>	<b>\$ 478</b>	<b>\$ 8,863</b>	<b>\$ 8,664</b>
<b>Net Income</b>										
Canada	\$ 647	\$ 748	\$ 106	\$ 161	\$ 123	\$ 261	\$ (89)	\$ (48)	\$ 787	\$ 1,122
United States	98	87	10	29	195	271	(50)	117	253	504
Other Countries	59	55	5	0	84	71	283	105	431	231
<b>Total</b>	<b>\$ 804</b>	<b>\$ 890</b>	<b>\$ 121</b>	<b>\$ 190</b>	<b>\$ 402</b>	<b>\$ 603</b>	<b>\$ 144</b>	<b>\$ 174</b>	<b>\$ 1,471</b>	<b>\$ 1,857</b>
<b>Average Assets (\$ billions)</b>										
Canada	\$ 80.8	\$ 78.9	\$ 2.1	\$ 1.8	\$ 59.9	\$ 52.9	\$ (3.4)	\$ (3.6)	\$ 139.4	\$ 130.0
United States	14.9	12.5	3.1	2.4	61.5	60.9	3.1	2.0	82.6	77.8
Other Countries	0.2	0.3	0.1	0.1	20.3	25.7	0.6	1.0	21.2	27.1
<b>Total</b>	<b>\$ 95.9</b>	<b>\$ 91.7</b>	<b>\$ 5.3</b>	<b>\$ 4.3</b>	<b>\$ 141.7</b>	<b>\$ 139.5</b>	<b>\$ 0.3</b>	<b>\$ (0.6)</b>	<b>\$ 243.2</b>	<b>\$ 234.9</b>

(a) Personal and Commercial Client Group (P&C) provides financial services, including Electronic Financial Services, to households in Canada and the United States through its branch and automated banking machine networks, electronic banking products including BMO mbanx direct services, credit card and telebanking.

(b) Private Client Group (PCG) offers its clients a broad array of wealth management products and services, including retail investment products, direct and full service investing, private banking and institutional asset management.

(c) Investment Banking Group (IBG) combines all of the businesses serving corporate, government and institutional clients under one umbrella. It offers clients complete financial solutions across the entire balance sheet, including treasury services, foreign exchange, trade finance, corporate lending, securitization, public and private debt and equity capital raising. IBG also offers financial advisory services in mergers and acquisitions, recapitalizations and restructurings, while providing its investing clients with research, sales and trading services.

(d) Risk management and other corporate support services are provided to operating groups by Corporate Support. The Emfisys Group is responsible for the creation and development of new e-business, information technology planning, strategy and development services, together with information technology transaction processing capabilities, North American cash management solutions, Cebr's e-commerce solutions, and real estate operations for the Bank of Montreal Group of Companies and its customers. Emfisys and Corporate Support includes general provision/allowances for credit losses and any residual revenues and expenses representing the differences between actual amounts incurred and the amounts allocated to operating groups.

(e) Reported on a taxable equivalent basis.

Prior periods are restated to give effect to the current period's organization structure and presentation changes.

Basis of presentation of results of operating groups:

Expenses are matched against the revenues to which they relate. Indirect expenses, such as overhead expenses and any revenue that may be associated thereto, are allocated to the operating groups using appropriate allocation formulas applied on a consistent basis. For each currency, the net income effect of funds transferred from any group with a surplus to any group with a shortfall is at market rates for the currency and appropriate term. Segmentation of assets by geographical region is based upon the ultimate risk of the underlying assets.

Segmentation of net income is based upon the geographic location of the unit responsible for managing the related assets, liabilities, revenues and expenses.