FINANCIAL PERFORMANCE REVIEW

GAAP and Related Non-GAAP Measures used in the MD&A

(Canadian $ in millions, except as noted)

	Q1-2006	Q4-2005	Q1-2005
Net interest income per financial statements (a)	**1,182**	1,194	1,198
Non-interest revenue	**1,299**	1,426	1,213
Revenue per financial statements (b)	**2,481**	2,620	2,411
Taxable equivalent basis (teb) adjustment (c)	**31**	30	28
Net interest income (teb) (a+c) (d) (1)	**1,213**	1,224	1,226
Non-interest revenue	**1,299**	1,426	1,213
Revenue (teb) (e) (1)	**2,512**	2,650	2,439
Provision for income taxes per financial statements	**235**	254	219
Taxable equivalent basis adjustment	**31**	30	28
Provision for income taxes (teb) (1)	**266**	284	247
Non-interest expense (f)	**1,545**	1,636	1,533
Amortization of intangible assets	**(11)**	(22)	(24)
Cash-based expense (g) (1)	**1,534**	1,614	1,509
Net income	**630**	657	602
Amortization of intangible assets, net of income taxes	**9**	17	19
Cash net income (1)	**639**	674	621
Preferred share dividends	**(8)**	(8)	(8)
Charge for capital (1)	**(353)**	(345)	(322)
Net economic profit (1)	**278**	321	291
Non-interest expense-to-revenue ratio (2) (%) ((f/b) x 100)	**62.3**	62.4	63.6
Non-interest expense-to-revenue (teb) ratio (1) (2) (%) ((f/e) x 100)	**61.5**	61.7	62.9
Cash non-interest expense to revenue (teb) ratio (1) (2) (%) ((g/e) x 100)	**61.1**	60.9	61.9
Net interest margin annualized (%) ((a/average assets) x 100)	**1.54**	1.54	1.61
Net interest margin (teb) annualized (1) (%) ((d/average assets) x 100)	**1.58**	1.58	1.64
EPS (uses net income) ($)	**1.22**	1.27	1.16
Cash EPS (1) (uses cash net income) ($)	**1.24**	1.31	1.19

(1) These are non-GAAP amounts or non-GAAP measures.

(2) Also referred to as productivity ratio and cash productivity ratio.

BMO uses both GAAP and certain non-GAAP measures to assess performance. Securities regulators require that companies caution readers that earnings and other measures adjusted to a basis other than GAAP do not have standardized meanings under GAAP and are unlikely to be comparable to similar measures used by other companies. The above table reconciles the non-GAAP measures, which management regularly monitors, to their GAAP counterparts.

Cash earnings and cash productivity measures may enhance comparisons between periods when there has been an acquisition, particularly because the purchase decision may not consider the amortization of intangible assets to be a relevant expense. Cash EPS measures are also disclosed because analysts often focus on this measure, and cash EPS is used by Thomson First Call to track third-party earnings estimates that are frequently reported in the media. Cash measures add the after-tax amortization of intangible assets to GAAP earnings to derive cash net income (and associated cash EPS) and deduct the amortization of intangible assets from non-interest expense to derive cash productivity measures.

BMO, like many banks, analyzes revenue, and ratios computed using revenue, on a taxable equivalent basis (teb). This basis includes an adjustment that increases GAAP revenues and the GAAP provision for income taxes by an amount that would raise revenues on certain tax-exempt securities to a level equivalent to amounts that would incur tax at the statutory rate. The effective income tax rate is also analyzed on a taxable equivalent basis for consistency of approach. Analysis on a taxable equivalent basis neutralizes the impact on ratios of investing in tax exempt or tax-advantaged securities rather than fully taxable securities with higher yields. It reduces distortions in ratios between periods and between institutions related to the choice of tax-advantaged and taxable investments. In this MD&A, all revenues and tax amounts and related ratios are stated on a taxable equivalent basis, unless indicated otherwise.

Net economic profit represents cash net income available to common shareholders, less a charge for capital, and is considered an effective measure of economic value added.

Foreign Exchange

The Canadian dollar equivalents of BMO's U.S.-dollar-denominated revenues, expenses, provision for credit losses, income taxes and net income in the first quarter of 2006 were lowered relative to the comparable period a year ago and to the fourth quarter by the weakening of the U.S. dollar. The following table indicates the relevant average Canadian/U.S. dollar exchange rates and the impact of changes in the rates. At the start of each quarter, BMO enters into hedging transactions that are expected to partially offset the pre-tax effects of exchange rate fluctuations in the quarter on our U.S. dollar net income for that quarter. As such, these activities partially mitigate the impact of exchange rate fluctuations within a single quarter. The average Canadian/U.S. dollar exchange rate in the first quarter of 2006 approximated the rate at the end of the fourth quarter of 2005. As such, there were low amounts of hedging gains in the first quarter of 2006.

The gain or loss from hedging transactions in future periods will be determined by both future currency fluctuations and the amount of underlying future hedging transactions, since the transactions are entered into each quarter in relation to expected U.S. dollar denominated net income for the next three months. The effect of currency fluctuations on our investments in foreign operations is discussed in the Income Taxes section.

Effects of U.S. dollar exchange rate fluctuations on BMO's results		Q1-2006	
(Canadian $ millions, except as noted)		vs. Q1-2005	vs. Q4-2005
Canadian/U.S. dollar exchange rate (average)	---Current period	1.1562	1.1562
	---Prior period	1.2100	1.1772
Reduced revenue		(29)	(12)
Reduced expense		18	7
Reduced provision for credit losses		1	-
Reduced income taxes		10	4
Reduced net income before hedging gains		-	(1)
Hedging gains		1	1
Income taxes thereon		-	-
Increased net income		1	-

Value Measures

Annualized ROE for the quarter was 18.5%, in line with our annual target of 17% to 19% but down from 19.4% in the first quarter of 2005 and from 19.8% in the fourth quarter due to increased equity in the current quarter and the significant items that increased earnings in the fourth quarter.

EPS of $1.22 rose $0.06 or 5.2% from the first quarter a year ago, but declined $0.05 or 3.9% from the fourth quarter. Excluding the tax recovery that benefited performance in the first quarter of 2005 and the four significant items that benefited performance in the fourth quarter, EPS increased $0.12 or 11% from a year ago and $0.04 or 3.4% from the fourth quarter. BMO is targeting 5% to 10% EPS growth for fiscal 2006, excluding the impact of changes in the general allowance.

Net economic profit was $278 million (see the Non-GAAP Measures section), compared with $291 million in the first quarter of 2005 and $321 million in the fourth quarter.

The total shareholder return (TSR) on an investment in BMO common shares was 19.1% in the first quarter and 27.5% for the twelve months ended January 31, 2006. BMO's average annual TSR for the five-year period ended January 31, 2006 was 14.2%. The comparable return of the S&P/TSX Composite Total Return Index was 7.0%. The five-year average annual TSR is our primary measure of shareholder value and the most important of our financial performance and condition measures. Our governing objective is to maximize shareholder value and generate, over time, first quartile total shareholder returns relative to our Canadian and North American peer groups.

Net Income

Net income and variances in net income between periods were reviewed in the preceding Performance Overview. The sections that follow review results by major financial statement category, while net income by operating group is discussed in more detail in the Review of Operating Groups' Performance that follows.

Revenue

As explained in the preceding Non-GAAP Measures section, BMO, like many banks, analyzes revenue on a taxable equivalent basis (teb) and all revenues and ratios computed using revenue in this MD&A are stated on that basis.

Total revenue and variances in total revenue were reviewed in the preceding Performance Overview section.

Net Interest Margin (teb)

(in basis points)	Q1-2006	Increase (Decrease) vs. Q1-2005	Increase (Decrease) vs. Q4-2005
P&C Canada	258	(10)	(12)
P&C Chicagoland Banking	340	(18)	4
Personal and Commercial Client Group	271	(11)	(10)
Private Client Group	853	66	4
Investment Banking Group	51	(17)	6
Corporate Support, including Technology and Solutions (T&S)	nm	nm	nm
Total BMO	158	(6)	-

nm - not meaningful

Net interest income was $1,213 million, a decrease of $13 million from the first quarter of last year. Average assets rose $9.0 billion due to growth in Personal and Commercial Client Group and net interest margin was 1.58%, down 6 basis points from a year ago.

BMO's net interest margin was lowered by approximately 12 basis points in the first and second quarters of 2005 and by approximately 6 basis points in fiscal 2005 because we were required to consolidate $21 billion of Variable Interest Entity (VIE) assets in BMO's balance sheet in the first half of 2005. Investment Banking Group's net interest margin was lowered by approximately 9 basis points in the first and second quarters of 2005 and by approximately 4.5 basis points in fiscal 2005. On April 29, 2005, we completed the restructuring of these VIEs; consequently, the VIE assets were no longer included in BMO's balance sheet as of that date.

Personal and Commercial Client Group net interest margin fell 11 basis points from a year ago. P&C Canada net interest margin was 10 basis points lower due to continued shifts in customer product preferences toward lower-spread products, increased competition and the interest rate environment. Rising interest rates caused narrower spreads on variable rate mortgage and loan products. In addition, the absolute low level of all interest rates contributed to the margin decline, mitigated by pricing actions in certain deposit categories. P&C Chicagoland Banking net interest margin was 18 basis points lower as assets, primarily consumer loans, grew faster than deposits. Other contributing factors were competitive pressures on loan pricing and the impact of lower investment rates earned on longer-term deposits, mitigated by pricing actions in certain deposit categories. Investment Banking Group net interest margin fell 17 basis points due to lower trading net interest income and lower spreads on corporate loans in the competitive rate environment in the United States and in interest-rate-sensitive businesses in the rising interest rate environment. Excluding the impact of VIEs in 2005, the Group's net interest margin declined 26 basis points.

Net interest income includes interest earned on trading assets and the associated costs of funding those assets. The difference between these two amounts represents our trading net interest income. Since many of our trading assets are non-interest bearing, trading net interest income was only marginally positive this quarter and was slightly negative in the fourth quarter, contributing to a reduction in net interest margin in Investment Banking Group. Most of the revenue related to these trading assets consisted of mark-to-market gains both in this quarter and in the fourth quarter. These gains are included in non-interest trading revenues and the increases in non-interest trading revenues more than offset the reductions in trading net interest income in the current quarter and fourth quarter. Total trading revenues were very strong in both periods.

Relative to the fourth quarter, net interest income fell $11 million. Average assets fell $1.5 billion, primarily in Investment Banking Group, and net interest margin was unchanged at 1.58%. Net interest margin in Personal and Commercial Client Group fell 10 basis points. P&C Canada net interest margin fell 12 basis points due to continued shifts in customer product preferences toward lower-spread products, increased competition, particularly in personal mortgages, and the interest rate environment. P&C Chicagoland Banking net interest margin rose 4 basis points due to a decrease in non-earning assets and improved spread on deposits. Net interest margin in Investment Banking Group rose 6 basis points due to higher trading net interest income and a small increase in cash collections on previously impaired loans.

BMO's non-interest revenue increased $86 million or 7.1% (10.6% excluding Harris*direct*) from the prior year to $1,299 million. Investment Banking Group's revenue increased as commodity derivatives and interest rate trading revenues were up sharply due to favourable trading conditions and increased client activities associated with higher volatility in energy prices. Merger and acquisition revenue improved significantly and corporate loan volumes grew, while debt and equity underwriting revenue declined. BMO's investment securities gains were $19 million lower than a year ago, which benefited from the $32 million impact of adopting the change in accounting for merchant banking investments. Private Client Group's non-interest revenue was up strongly, after adjusting for the prior year's $39 million contribution from Harris*direct*. The growth was driven by increased managed assets levels in the mutual fund businesses and higher commission and fee-based revenue in our brokerage businesses. The weaker U.S. dollar reduced the overall pace of growth in non-interest revenues.

Relative to the fourth quarter, non-interest revenue fell $127 million or 8.9%. Excluding the $88 million of revenues from the four previously mentioned significant items and Harris*direct's* $29 million of non-interest operating revenues in the fourth quarter, non-interest revenue decreased $10 million or 0.8%. Investment Banking Group's trading income was significantly higher due to favourable trading conditions and increased client activity in the commodity, interest rate and equity markets. BMO's net investment securities gains were $61 million lower, in part due to the comparable period's significant gain of $50 million on the sale of TSX common shares. Private Client Group's non-interest revenue decreased, but was relatively unchanged, excluding the $74 million of gains on asset sales and Harris*direct's* non-interest operating revenue. P&C Canada's non-interest revenues were up modestly as the fourth quarter included the significant adjustment to reduce card fees but benefited from certain sundry revenues.

Non-Interest Expense

Non-interest expense totalled $1,545 million, up $12 million or 0.8% from the first quarter of 2005. Excluding expenses of Harris*direct* in the year-ago period, expenses increased $70 million or 4.7%. On this basis, expenses were higher in each of the operating groups. In P&C Canada, there were higher employee-related costs resulting from an expansion of both the retail and commercial sales forces and increased initiative expenditures. P&C Chicagoland Banking expenses increased because of acquisition-related costs, new branches and technology upgrades, and there were higher revenue-based costs in Private Client Group and Investment Banking Group. The weaker U.S. dollar lowered expense growth by $18 million or 1.2 percentage points.

Non-interest expense decreased $91 million or 5.5% from the fourth quarter. Excluding the $60 million of Harris*direct* expenses included in fourth quarter results, expenses declined $31 million or 1.9%. Even on this basis, non-interest expense declined in Private Client Group, reflecting the benefit of the ongoing focus on expense management. Costs were down in P&C Canada due primarily to a decline in performance-based compensation costs and the timing of both marketing expenses and investments in our distribution network. Non-interest expense was up in IBG as a result of higher performance-based costs, consistent with revenue growth in businesses with higher variable costs. Non-interest expense declined in P&C Chicagoland Banking as a result of the weaker U.S. dollar. The weaker U.S. dollar lowered BMO's expense growth from the fourth quarter by approximately $7 million or 0.4 percentage points.

The productivity ratio was 61.5% in the first quarter of 2006, compared with 62.9% a year ago. The cash productivity ratio improved 80 basis points to 61.1%, but improved 31 basis points excluding Harris*direct* in the year-ago period. Our productivity ratio improved 21 basis points from the fourth quarter while our cash productivity ratio deteriorated by 18 basis points, the differing rates of change relating largely to the sale of Harris*direct* and the resulting reduction in the amortization of intangible assets, a non-cash charge.

Risk Management

Provisions for Credit Losses (PCL)

(Canadian $ in millions, except as noted)	Q1-2006	Q4-2005	Q1-2005
New specific provisions	**89**	93	93
Reversals of previously established allowances	**(17)**	(21)	(34)
Recoveries of loans previously written-off	**(20)**	(15)	(16)
Specific provision for credit losses	**52**	57	43
Reduction of the general allowance	**-**	-	-
Provision for (recovery of) credit losses	**52**	57	43
Specific PCL as a % of average net loans and acceptances (annualized)	0.12%	0.13%	0.11%
PCL as a % of average net loans and acceptances (annualized)	0.12%	0.13%	0.11%

Changes in Gross Impaired Loans and Acceptances (GIL)			
GIL, Beginning of Period	**804**	932	1,119
Additions to impaired loans & acceptances	**78**	105	89
Reductions in impaired loans & acceptances	**(66)**	(108)	(47)
Write-offs	**(71)**	(125)	(72)
GIL, End of Period	**745**	804	1,089
GIL as a % of gross loans & acceptances	0.41%	0.46%	0.67%
GIL as a % of equity and allowances for credit losses	4.47%	4.91%	7.10%

The provision for credit losses totalled $52 million in the quarter, compared with $43 million in the first quarter of 2005 and $57 million in the fourth quarter. There was no reduction of the general allowance in the current quarter or in the comparative quarters. The components of the specific provision are outlined in the Provisions for Credit Losses table above. Specific provisions represented 12 basis points of average net loans and acceptances, including securities borrowed or purchased under resale agreements, generally consistent with a year ago and the fourth quarter, but well below the 33 basis points average of the past five fiscal years.

New impaired loan formations totalled $78 million in the quarter, down from $105 million in the fourth quarter and $89 million a year ago. Formations are in line with expectations at this stage of the economic cycle. There were no sales of impaired loans in the quarter.

Gross impaired loans and acceptances were $745 million at the end of the quarter, down from $804 million in the fourth quarter and $1,089 million a year ago. Factors contributing to the reductions are outlined in the preceding table. Impaired loans are at their lowest level in more than two decades.

The total allowance for credit losses of $1,115 million at the end of the first quarter was comprised of a specific allowance of $170 million and a general allowance of $945 million. The specific allowance was up $1 million from the fourth quarter but down $27 million from a year ago. The decrease from a year ago was primarily due to the decline in impaired loans over the same period. The general allowance is maintained to absorb impairment in the existing credit portfolio that cannot yet be associated with specific credit assets. It is assessed on a quarterly basis and decreased $14 million from the end of the previous fiscal year due to the change in the Canadian/U.S. dollar exchange rate. We believe the total allowance for credit losses fully addresses impairment in BMO's credit portfolio.

BMO's loan book continues to be comprised largely of more stable consumer and commercial portfolios, which, excluding securities borrowed or purchased under resale agreements, represented 86.5% of the loan portfolio at the end of the first quarter, relatively unchanged from a year ago and the end of the fourth quarter.

BMO has no material exposures at risk to industry sectors considered to be of most concern in today's economy. These include airline, auto and forestry as well as those other sectors that are considered particularly sensitive to rising energy prices. However, we continue to remain attentive to factors that could affect credit quality in the consumer and corporate and commercial portfolios, including continuing high energy prices, the impact of the sharp appreciation of the Canadian dollar relative to the U.S. dollar on export sectors, and the potential impact of rising interest rates. Looking forward, we continue to expect the credit environment to remain stable in early 2006, with potential weakness developing in the latter part of the year. This outlook is supported by our expectation for continued low corporate default rates, continuing low levels of impaired loan formations and stable economic conditions across North America. Because of our credit environment outlook and our favourable credit performance in the first quarter, we now anticipate that specific provisions in fiscal 2006 will be $325 million or less, down from our 2006 target of $400 million or less that was established at the beginning of the year.

BMO's market risk and liquidity and funding management practices and key measures are outlined on pages 70 to 73 of the 2005 Annual Report. Trading and underwriting Market Value Exposure and Earnings Volatility have been generally consistent quarter-over-quarter. Structural Market Value Exposure (MVE) declined in the first quarter of 2006 as a result of lower modelled interest rate volatility. Interest rate volatility is derived from 10 years of historical data, which, starting in fiscal 2006, excludes the high volatility associated with fiscal 1995. Otherwise, there have been no significant changes to levels of liquidity and funding risk or structural market risk over the quarter. There were no significant changes to market risk or liquidity and funding management practices during the quarter.

Aggregate Market Value Exposure and Earnings Volatility
for Trading and Underwriting and Structural Positions ($ millions)*

(After-tax Canadian equivalent)	Market value exposure (MVE)		12-month earnings volatility	
	Jan. 31 2006	Oct. 31 2005	**Jan. 31 2006**	Oct. 31 2005
Trading and Underwriting	**(13.9)**	(11.6)	**(11.6)**	(9.1)
Structural	**(260.2)**	(326.3)	**(29.7)**	(28.1)
Total	**(274.1)**	(337.9)	**(41.3)**	(37.2)

* Measured at a 99% confidence interval
Losses are in brackets

Total Trading and Underwriting MVE Summary ($ millions)*

	For the quarter ended January 31, 2006				As at October 31, 2005
(Pre-tax Canadian equivalent)	Quarter-end	Average	High	Low	Quarter-end
Commodity VaR	(7.1)	(4.0)	(8.0)	(1.5)	(3.2)
Equity VaR	(3.4)	(3.4)	(5.4)	(2.6)	(3.8)
Foreign exchange VaR	(0.6)	(0.4)	(2.0)	(0.1)	(0.4)
Interest rate VaR (Mark-to-Market)	(4.7)	(3.8)	(5.2)	(3.1)	(3.8)
Correlation	7.2	5.4	7.3	3.7	5.5
Comprehensive VaR	(8.6)	(6.2)	(9.3)	(4.2)	(5.7)
Interest rate VaR (accrual)	(8.3)	(8.1)	(9.0)	(6.8)	(8.0)
Issuer Risk	(4.6)	(4.8)	(5.4)	(4.0)	(4.1)
Total MVE	(21.5)	(19.1)	(21.7)	(16.2)	(17.8)

*One-day measure using a 99% confidence interval
Losses are in brackets and benefits are presented as positive numbers

Structural Balance Sheet Earnings and Value Sensitivity to Changes in Interest Rates
($ millions)*

(After-tax Canadian equivalent)	**Economic value sensitivity**		**Earnings sensitivity over the next 12 months**	
	Jan. 31 2006	Oct. 31 2005	**Jan. 31 2006**	Oct. 31 2005
100 basis point increase	**(234.3)**	(228.8)	**24.0**	25.1
100 basis point decrease	**188.7**	191.9	**(27.1)**	(22.4)
200 basis point increase	**(490.9)**	(478.0)	**42.2**	44.1
200 basis point decrease	**327.5**	347.3	**(43.5)**	(45.8)

*Losses are in brackets and benefits are presented as positive numbers

Income Taxes

As explained in the Non-GAAP Measures section, BMO adjusts revenue to a taxable equivalent basis for analysis in this MD&A, with an offsetting adjustment to the provision for income taxes. As such, the provisions for income taxes and associated rates are stated on a taxable equivalent basis in the MD&A.

The provision for income taxes increased $19 million from the first quarter a year ago but decreased $18 million from the fourth quarter to $266 million. Results of a year ago included a $32 million recovery of prior years' income taxes. The effective tax rate for the quarter was 29.0%, compared with 28.6% (32.3% excluding the tax recovery) in the first quarter a year ago and 29.7% in the fourth quarter. We now consider the sustainable rate to be 29% to 31%.

BMO hedges the foreign exchange risk arising from its investments in U.S. operations by funding the investments in U.S. dollars. Under this program, the gain or loss from hedging and the unrealized gain or loss from translation of the investments in U.S. operations are charged or credited to shareholders' equity. For income tax purposes, the gain or loss on the hedging activities attracts an income tax charge or credit in the current period, which is charged or credited to shareholders' equity, while the associated unrealized gain or loss on the investments in U.S.

operations does not attract income taxes until the investments are liquidated. The income tax charge/benefit arising from a hedging gain/loss is a function of the fluctuation in U.S. rates from period to period. This quarter's hedging of the investments in U.S. operations has given rise to an income tax charge of $116 million in shareholders' equity for the quarter. Refer to the Consolidated Statement of Changes in Shareholders' Equity included in the unaudited interim consolidated financial statements for further details.

Summary Quarterly Results Trends

(Canadian $ in millions, except as noted)	**Jan. 31 2006**	**Oct. 31 2005**	**Jul. 31 2005**	**Apr. 30 2005**	**Jan. 31 2005**	**Oct. 31 2004**	**Jul. 31 2004**	**Apr. 30 2004**
Total revenue (teb)	**2,512**	2,650	2,441	2,428	2,439	2,279	2,393	2,445
Provision for credit losses - specific	**52**	57	73	46	43	37	(70)	45
Provision for credit losses - general	**-**	-	-	(40)	-	(50)	(40)	(40)
Non-interest expense	**1,545**	1,636	1,579	1,579	1,533	1,493	1,538	1,565
Net income	**630**	657	541	600	602	551	643	591
Basic earnings per share ($)	**1.24**	1.30	1.07	1.19	1.18	1.08	1.27	1.16
Diluted earnings per share ($)	**1.22**	1.27	1.05	1.16	1.16	1.06	1.24	1.12
Operating group net income:								
P&C Canada	**266**	271	277	263	263	236	240	181
P&C Chicagoland Banking	**34**	34	30	30	31	31	28	25
Personal and Commercial Client Group	**300**	305	307	293	294	267	268	206
Private Client Group	**94**	107	63	77	73	53	58	63
Investment Banking Group	**228**	226	184	206	237	190	230	206
Corporate Support, including T&S	**8**	19	(13)	24	(2)	41	87	116
BMO Financial Group net income	**630**	657	541	600	602	551	643	591

BMO's quarterly earning trends were reviewed in detail on pages 76 and 77 of the 2005 Annual Report. The above table outlines summary results for the second quarter of fiscal 2004 through the first quarter of fiscal 2006. Quarterly provisions for credit losses have generally started to trend upward, affecting performance. In addition, quarterly results sometimes include significant items that affect the level of earnings and trend analysis. The net impact of such items increased earnings somewhat in the second quarter of 2004 and, to a greater degree, in the third quarter of 2004. The first, second and fourth quarters of 2005 were also affected by significant items. BMO's pattern of growing earnings in consecutive quarters was interrupted in the fourth quarter of 2004 and into 2005, largely because of provisioning trends and significant items affecting quarterly results. Net interest margins have generally trended lower in the competitive interest rate environment. The weakening of the U.S. dollar has dampened revenue and expense growth over the past two years but has had a more modest impact on net income, in part due to our practice of hedging our currency exposure.

BMO's provision for credit losses declined during 2004 as we moved into a particularly favourable span of the credit cycle. Provisions were especially low in the third quarter of 2004 as we recorded high levels of reversals of previous allowances and recoveries of earlier write-offs. These reversals and recoveries were a significant component of the high net income in Corporate Support in that quarter.

The most significant factor affecting the first quarter of 2006 results in the context of trend analysis was the fourth quarter of 2005 sale of Harris*direct*, which was contributing $50 to $60 million to BMO's quarterly revenues and expenses and a quarterly operating loss of about $5 million.

Balance Sheet

Total assets of $305.8 billion increased $8.2 billion from October 31, 2005. The increase primarily reflects $4.2 billion growth in net loans and acceptances and $4.4 billion growth in securities.

The $4.2 billion increase in net loans and acceptances was largely due to a $2.1 billion increase in residential mortgages and retail loans driven by the low interest rate environment and the active housing market. Net loans to businesses and governments and related acceptances increased $0.4 billion due to growth in the corporate loans portfolio. Securities borrowed or purchased under resale agreements increased $1.6 billion due to greater customer demand.

The $4.4 billion increase in securities was attributable to a $5.3 billion increase in trading securities, partly offset by a $0.9 billion decrease in investment securities. The change in trading securities was primarily due to an increase in corporate debt and equity related trading securities including equity linked notes. There was also growth in Government of Canada and provincial securities. The excess of investment securities' book value over market value increased $15 million from October 31, 2005, to $18 million, mainly reflecting higher unrealized losses on fixed income investments.

Liabilities and shareholders' equity increased $8.2 billion from October 31, 2005, reflecting increases in securities lent or sold under repurchase agreements ($8.3 billion), other liabilities ($2.1 billion) and shareholders equity ($0.3 billion). Those increases were partially offset by reductions in deposits ($0.5 billion) and securities sold but not yet purchased ($2.0 billion).

The increase in securities lent or sold under repurchase agreements was used to fund growth in trading securities and securities borrowed or purchased under resale agreements.

Deposits by banks, which account for 13% of total deposits, increased $0.5 billion and were used to fund the increases in securities. Deposits by businesses and governments, which account for 47% of total deposits, decreased $1.7 billion as money market deposits from businesses were reduced. Deposits from individuals, which account for 40% of total deposits, increased $0.7 billion and were used to fund growth in loans.

Contractual obligations by year of maturity were outlined in Table 8 on page 81 of BMO's 2005 Annual Report. There have been no material changes to contractual obligations that are outside the ordinary course of our business.

Capital Management

BMO's Tier 1 capital ratio was 10.38%, up from 10.25% at the end of 2005 and 9.72% at the end of the first quarter of 2005. The ratio remains well above our minimum target of 8.0%.

BMO's total capital ratio was 11.84%, up from 11.76% at the end of 2005 and 11.50% a year ago.

The increases in the Tier 1 and total capital ratios from the year-end were primarily attributable to higher retained earnings, partially offset by growth in risk-weighted assets.

On February 2, 2006, Bank of Montreal announced its intention to redeem, on March 14, 2006, its $125 million of 7.40% Debentures, Series 19, due 2011. The redemption, which is prompted by the high yield relative to current market rates, will lower BMO's total capital ratio by approximately 8 basis points.

During the quarter, we repurchased 538,200 Bank of Montreal common shares under our common share repurchase program at an average cost of $60.33 per share, for a total cost of $32.5 million. There have been 1,354,500 common shares repurchased under the existing normal-course issuer bid that expires on September 5, 2006 and pursuant to which BMO is permitted to repurchase for cancellation up to 15 million Bank of Montreal common shares, representing approximately 3% of BMO's public float. Our Share Repurchase Program is primarily used to offset, over time, the impact of dilution caused by the exercise of stock options, our dividend reinvestment plan and convertible shares.

On March 1, 2006, BMO's Board of Directors declared a quarterly dividend payable to common shareholders of $0.53 per share, representing an 8.2% increase over the first quarter's dividend of $0.49 per share and a 15% increase from $0.46 a year ago. BMO's dividend payout ratio for fiscal 2005 was 39%. The dividend increase reflects BMO's policy of having a 35% to 45% dividend payout ratio over time.

Outstanding Shares and Securities Convertible into Common Shares

As of February 22, 2006	Number of shares or Canadian dollar amount
Common shares	502,553,000
Class B Preferred Shares	
Series 5	$200,000,000
Convertible into common shares:	
Class B Preferred Shares	
Series 4	$200,000,000
Series 6	$250,000,000
Series 10	$396,000,000
Stock options	
- vested	20,218,000
- non-vested	53,490,000

Notes 20 and 21 to the audited financial statements on pages 118 and 119 and the table on page 60 in the Annual MD&A included in the 2005 Annual Report provide details on share capital.

Credit Rating

BMO's credit rating, as measured by Standard & Poor's (S&P) senior debt ratings, remains unchanged at AA- with a stable outlook, the best, together with two of our competitors, of the six major Canadian banks. Our credit rating, as measured by Moody's senior debt ratings, remains unchanged at Aa3 with a stable outlook, below only one of the six major Canadian banks. Both credit ratings are indicative of high grade, high quality issues.

Transactions with Related Parties

In the ordinary course of business, we provide banking services to our joint venture and equity accounted investments on the same terms that we offer our customers. A select suite of customer loan and mortgage products is offered to employees at rates normally available only to preferred customers.

Preferred rate loan agreements were discussed in Note 26 of the audited consolidated financial statements on page 128 of the 2005 Annual Report. There were no amounts advanced under these preferred rate loan agreements in the quarter.

Off-Balance Sheet Arrangements

BMO enters into a number of off-balance sheet arrangements in the normal course of operations. The most significant off-balance sheet arrangements that we enter into are credit instruments, derivatives, and VIEs, which were described on page 61 of the 2005 Annual Report. There were no significant changes to these off-balance sheet arrangements during the three months ended January 31, 2006.

Accounting Policies and Critical Accounting Estimates

The notes to BMO's October 31, 2005 audited consolidated financial statements outline our significant accounting policies. There were no changes to our significant accounting policies in the quarter.

Pages 63 to 65 of the 2005 Annual Report contain a discussion of certain accounting estimates that are considered particularly important, as they require management to make significant judgments, some of which relate to matters that are inherently uncertain. Readers are encouraged to refer to the Annual Report to review that discussion.

Future Accounting Changes

Financial Instruments, Hedges and Comprehensive Income

The Canadian Institute of Chartered Accountants (CICA) has issued new accounting rules on financial instruments, hedges and comprehensive income that will require us to account for all of our investment securities and hedging derivatives at fair value. When we adopt the new rules, on November 1, 2006, we will re-measure our securities and derivatives, as appropriate, and report a new section of shareholders' equity called other comprehensive income. The impact of recording these assets and liabilities at fair value will be recognized in opening equity and results for prior periods will not be restated. We cannot determine the impact that these rules will have on our consolidated financial statements as this will be dependent on fair values at the time of adoption.

Earnings per Share

The CICA has issued new rules that will require BMO to include the potential conversion of certain of our preferred shares and capital trust securities to common shares in the calculation of diluted earnings per share. The effective date has not been finalized; however, we expect to adopt these new rules in the year ended October 31, 2006. Diluted earnings per share of prior periods will be restated upon adoption. Under the new standard, our diluted earnings per share for the years ended October 31, 2005, 2004 and 2003 would be reduced by approximately $0.07, $0.09 and $0.11, respectively.

REVIEW OF OPERATING GROUPS' PERFORMANCE

The following sections review the financial results of each of our operating segments and operating groups for the first quarter of 2006, and outline some of their business achievements in the quarter.

Periodically, certain business lines and units within the business lines are transferred between client groups to more closely align BMO's organizational structure and its strategic priorities. All comparative figures are reclassified to reflect these transfers.

Note 10 to the attached unaudited interim consolidated financial statements outlines how income statement items requiring allocation are distributed among the operating groups, including the allocation of the provision for credit losses. Corporate Support is generally charged (or credited) with differences between the periodic provisions for credit losses charged to the client groups under our expected loss provisioning methodology and the periodic provisions required under GAAP.

Operating Groups' Summary Income Statements and Statistics for Q1–2006

(Canadian $ in millions, except as noted)	P&C	PCG	IBG	Corporate including T&S	Total BMO
Net interest income (teb)	911	138	207	(43)	1,213
Non-interest revenue	410	326	536	27	1,299
Total revenue (teb)	1,321	464	743	(16)	2,512
Provision for (recovery of) credit losses	86	1	20	(55)	52
Non-interest expense	778	322	411	34	1,545
Income before income taxes and non-controlling interest in subsidiaries	457	141	312	5	915
Income taxes (teb)	157	47	84	(22)	266
Non-controlling interest in subsidiaries	-	-	-	19	19
Net income Q1-2006	300	94	228	8	630
Net income Q4-2005	305	107	226	19	657
Net income Q1-2005	294	73	237	(2)	602
Other statistics					
Net economic profit	143	64	105	(34)	278
Return on equity	19.4%	32.1%	19.7%	nm	18.5%
Cash return on equity	19.9%	32.6%	19.8%	nm	18.7%
Non-interest expense-to-revenue ratio (teb)	58.9%	69.4%	55.3%	nm	61.5%
Cash non-interest expense-to-revenue ratio (teb)	58.2%	69.1%	55.3%	nm	61.1%
Net interest margin (teb)	2.71%	8.53%	0.51%	nm	1.58%
Average common equity	6,003	1,148	4,480	1,751	13,382
Average assets ($ billions)	133.1	6.4	161.1	4.6	305.2
Full-time equivalent staff	18,924	4,112	2,152	8,739	33,927

nm - not meaningful

PERSONAL AND COMMERCIAL CLIENT GROUP (P&C)

(Canadian $ in millions, except as noted)	Q1-2006	Increase/(Decrease) vs. Q1-2005		Increase/(Decrease) vs. Q4-2005	
Net interest income (teb)	**911**	38	4%	(14)	(2%)
Non-interest revenue	**410**	(2)	-	3	1%
Total revenue (teb)	**1,321**	36	3%	(11)	(1%)
Provision for credit losses	**86**	12	16%	12	15%
Non-interest expense	**778**	16	2%	(37)	(5%)
Income before income taxes and non-controlling interest in subsidiaries	**457**	8	2%	14	3%
Income taxes (teb)	**157**	2	1%	19	14%
Non-controlling interest in subsidiaries	**-**	-	-	-	-
Net income	**300**	6	2%	(5)	(1%)
Amortization of intangible assets (after tax)	**8**	-	-	1	-
Cash net income	**308**	6	2%	(4)	(1%)
Return on equity	**19.4%**		(2.6%)		(3.4%)
Cash return on equity	**19.9%**		(2.8%)		(3.5%)
Non-interest expense-to-revenue ratio (teb)	**58.9%**		(0.4%)		(2.3%)
Cash non-interest expense-to-revenue ratio (teb)	**58.2%**		(0.3%)		(2.2%)
Net interest margin (teb)	**2.71%**		(0.11%)		(0.10%)
Average assets	**133,092**	10,153	8%	2,373	2%

Financial Performance Review

Personal and Commercial Client Group represents the sum of our two retail and business banking operating segments, Personal and Commercial Client Group – Canada (P&C Canada) and Personal and Commercial Client Group – Chicagoland Banking (P&C Chicagoland Banking). These operating segments are reviewed separately in the sections that follow.

Personal and Commercial Client Group net income of $300 million for the first quarter of 2006 was up $6 million or 2.2% from the first quarter of 2005, driven by revenue growth in both Canada and the United States, partially offset by increases in the provision for credit losses and expenses. Relative to the fourth quarter of 2005, net income was down $5 million or 1.4%. Net income in Canada in the fourth quarter of 2005 was affected by certain items that largely offset, including a $40 million ($26 million after tax) reduction to credit card fees, other revenues from sundry asset sales and a low effective tax rate. The credit card fees reduction was due to further refinements made to the methodology used to determine the liability associated with our customer loyalty rewards program.

Personal and Commercial Client Group's productivity ratio improved to 58.9%, from 59.3% in the first quarter of 2005 and from 61.2% in the fourth quarter. The cash productivity ratio improved 32 basis points from the first quarter a year ago to 58.2%.

P&C - Canada

(Canadian $ in millions, except as noted)	Q1-2006	Increase/(Decrease) vs. Q1-2005		Increase/(Decrease) vs. Q4-2005	
Net interest income (teb)	**726**	27	4%	(15)	(2%)
Non-interest revenue	**370**	-	-	3	1%
Total revenue (teb)	**1,096**	27	3%	(12)	(1%)
Provision for credit losses	**78**	11	16%	11	16%
Non-interest expense	**618**	12	2%	(34)	(5%)
Income before income taxes and non-controlling interest in subsidiaries	**400**	4	1%	11	3%
Income taxes (teb)	**134**	1	1%	16	15%
Non-controlling interest in subsidiaries	**-**	-	-	-	-
Net income	**266**	3	1%	(5)	(2%)
Amortization of intangible assets (after tax)	**3**	-	-	-	-
Cash net income	**269**	3	1%	(5)	(2%)
Non-interest expense-to-revenue ratio (teb)	**56.4%**		(0.3%)		(2.5%)
Cash non-interest expense-to-revenue ratio (teb)	**56.2%**		(0.2%)		(2.5%)
Net interest margin (teb)	**2.58%**		(0.10%)		(0.12%)
Average assets	**111,467**	7,858	8%	2,448	2%

Financial Performance Review

P&C Canada's net income of $266 million for the first quarter of 2006 was up $3 million or 1.2% from the first quarter of 2005. Revenue growth was partially offset by increases in the provision for credit losses and expenses. Relative to the fourth quarter of 2005, net income was down $5 million or 2.3% due to lower revenue and an increase in the provision for credit losses, partially offset by a decline in expenses. Net income in the fourth quarter of 2005 was affected by certain items that largely offset, including a $40 million ($26 million after tax) reduction to credit card fees, other revenues from sundry asset sales and a lower effective tax rate. The credit card fees reduction was due to further refinements made to the methodology used to determine the liability associated with our customer loyalty rewards program.

Revenue for the quarter rose $27 million or 2.5% from the same quarter a year ago to $1,096 million. There was strong volume growth in both personal and commercial products, higher cards revenue and increased sales of term investment products and mutual funds. There was a decline in net interest margin due to continued shifts in customer product preferences toward lower-spread products, increased competition and the interest rate environment. Rising interest rates caused narrower spreads on variable rate mortgage and loan products. In addition, the absolute low level of all interest rates contributed to the margin decline, mitigated by pricing actions in certain deposit categories. Non-interest revenue remained flat relative to the same quarter a year ago, as core business growth was offset by lower securitization revenue and a net mark-to-market loss on certain of our investment securities.

Revenue fell $12 million from the fourth quarter, as strong volume growth across most products was more than offset by the effect of lower net interest margin. The decline in net interest margin was due to continued shifts in customer product preferences toward lower-spread products, increased competition, particularly in personal mortgages, and the interest rate environment. The fourth quarter included the credit card fees adjustment and other revenues from sundry asset sales. The current quarter included a decline in revenue related to reduced transaction based revenues, which are typically lower in the first quarter of the year than in the fourth quarter, and reduced securitization revenue.

The provision for credit losses was $78 million, up $11 million from a year ago and the fourth quarter. The increase was due to higher lending volumes and better commercial credit information through an improved risk management framework resulting from the Basel initiative. BMO's practice is to charge loss provisions to the client operating groups each year using an expected loss provision methodology based on each group's share of expected credit losses over an economic cycle.

Non-interest expense of $618 million in the first quarter was up $12 million or 2.0% from a year ago. The increase was attributable to higher employee-related costs resulting from an expansion of both our retail and commercial sales forces as well as increased initiative expenditures. Initiatives planned for 2006 include further investments in our physical distribution network, including the replacement of our ABM network and enhancement of technology for front-line sales and service representatives to increase capacity and improve customer service.

Relative to the fourth quarter, non-interest expense declined $34 million or 5.4%. Two-thirds of the decline was equally attributable to lower performance-based compensation costs, the timing of marketing expenses and investments in our physical distribution network.

Business Developments and Achievements

P&C Canada's priorities for fiscal 2006 are outlined on page 45 of BMO's 2005 Annual Report. Notable business developments and achievements in the first quarter in support of our 2006 priorities are listed below.

- P&C Canada achieved strong growth in loans and acceptances, which increased $9.6 billion or 9.3% from the first quarter of 2005 and $2.8 billion or 2.6% from the fourth quarter, after adding back the effects of securitizations. Personal and commercial deposits grew $2.1 billion or 4.9% from a year ago and $0.6 billion or 1.4% from the fourth quarter.

- The most recently available data (September 2005) indicates that BMO continued to rank second in Canadian business banking market share for business loans $5 million and below. Business banking market share has remained relatively stable, with a marginal improvement of 2 basis points from the prior year to 18.52% and a 5 basis points decline from the previous quarter. Total commercial loans and acceptances increased by $1.5 billion or 5.6% from the first quarter of 2005 and total deposits grew by $1.2 billion or 7.1%. The Canadian Bankers Association (CBA) issues business banking market share statistics on a one-calendar quarter lag basis.

- The most recently available data indicates that our total share of the Canadian banking industry's personal market business was 13.12%, an increase of 8 basis points from the previous quarter and 7 basis points from a year ago. Strong growth in mortgages and mutual funds were the largest contributors to the increases. Personal market share statistics are issued by the CBA on a one-month lag basis.

- BMO continues to improve its online banking service to better serve our customers. Online banking now provides our customers with updated available funds information (actual balance minus held funds plus overdraft protection). This allows them to see an accurate balance available for transactions such as bill payments, transfers and withdrawals. As well, our online banking service has added a "Push to Talk" button to our online loan application. This button on our lending site allows customers to connect to an agent directly via telephone (a call me back feature), helping customers complete their loan applications online.

P&C – Chicagoland Banking

(Canadian $ in millions, except as noted)	Q1-2006	Increase/(Decrease) vs. Q1-2005		Increase/(Decrease) vs. Q4-2005	
Net interest income (teb)	**185**	11	6%	1	1%
Non-interest revenue	**40**	(2)	(5%)	-	-
Total revenue (teb)	**225**	9	4%	1	1%
Provision for credit losses	**8**	1	8%	1	6%
Non-interest expense	**160**	4	3%	(3)	(1%)
Income before income taxes and non-controlling interest in subsidiaries	**57**	4	8%	3	7%
Income taxes (teb)	**23**	1	3%	3	8%
Non-controlling interest in subsidiaries	**-**	-	-	-	-
Net income	**34**	3	11%	-	-
Amortization of intangible assets (after tax)	**5**	-	-	1	1%
Cash net income	**39**	3	11%	1	5%
Non-interest expense-to-revenue ratio (teb)	**71.1%**		(1.0%)		(1.6%)
Cash non-interest expense-to-revenue ratio (teb)	**67.8%**		(0.9%)		(1.5%)
Net interest margin (teb)	**3.40%**		(0.18%)		0.04%
Average assets	**21,625**	2,295	12%	(75)	-
P&C - Chicagoland Banking Select Financial Data (U.S. $ in millions)					
Net interest income (teb)	**160**	16	11%	4	3%
Non-interest revenue	**34**	(1)	(3%)	1	3%
Total revenue (teb)	**194**	15	9%	5	3%
Non-interest expense	**138**	9	7%	-	-
Net Income	**29**	4	16%	2	7%
Average assets	**18,707**	2,735	17%	272	1%

Financial Performance Review

P&C Chicagoland Banking's net income of $34 million for the first quarter of 2006 was up $3 million or 11% from the first quarter of 2005, driven by revenue growth. Relative to the fourth quarter of 2005, net income was unchanged.

Revenue for the quarter rose $9 million or 4.1% from the same quarter a year ago to $225 million. The weaker U.S. dollar lowered revenue growth by $11 million, as revenue increased US$15 million or 8.8% on a U.S. dollar basis. The revenue increase was driven by consumer and commercial loan growth and the impact of acquisitions. Net interest margin decreased by 18 bps as assets, primarily consumer loans, grew faster than deposits. Other contributing factors were competitive pressures on loan pricing and the impact of lower investment rates earned on longer-term deposits, mitigated by pricing actions in certain deposit categories. Since asset balances comprise the denominator in the net interest margin calculation, and since P&C Chicagoland Banking's loan growth has surpassed its deposit growth over time, its net interest margin has been negatively affected.

Revenue increased $1 million or 0.8% from the fourth quarter primarily due to organic loan growth and the acquisition of Villa Park Bank. The weaker U.S. dollar lowered revenue growth by $4 million. Net interest margin rose 4 basis points due to a decrease in non-earning assets and improved spread on deposits.

Non-interest expense of $160 million in the first quarter was up $4 million or 2.6% from a year ago. The increase was attributable to costs of acquired businesses and new branches. The weaker U.S. dollar lowered expense growth by $7 million.

Relative to the fourth quarter, non-interest expense declined $3 million or 1.5%. Increased costs associated with acquisitions and systems conversions were offset by the timing of initiative spending and lower building maintenance costs. We also began to realize the benefits of our charter consolidation which took place in 2005. The weaker U.S. dollar lowered expenses by $3 million.

Net income from U.S. operations included in Group results represented 11.4% of total Personal and Commercial Client Group net income in the first quarter of 2006, compared with 10.4% in the prior year and 10.6% in the fourth quarter. BMO's corporate banking operations in the United States are concentrated among mid-market corporate clients, which BMO manages and reports in its Investment Banking Group operations because of the enhanced opportunities to cross-sell products. BMO's North American peer group typically includes similar businesses in their personal and commercial banking units. The following table shows the effect of including this U.S.-based mid-market business in P&C Chicagoland Banking on a pro-forma basis. The table reflects the inclusion of $107 million of corporate mid-market revenue and $31 million of net income in U.S. results for the quarter.

If results of the U.S. mid-market banking unit were included in P&C Chicagoland Banking's results, P&C Chicagoland Banking's non-interest expense-to-revenue ratio for this quarter would be 62.3%, compared with 71.1% as currently reported. On a similarly adjusted basis, net income from U.S. operations would represent 19.8% of Personal and Commercial Client Group's earnings for the quarter, compared with 11.4% as currently reported and revenue from U.S. operations would represent 23.2% of the Group's revenue for the quarter, compared with 17.0% as currently reported.

P&C Chicagoland Banking adjusted to include U.S.-based mid-market business (Canadian $ millions, except as noted)	**Q1-2006**	**Increase/(Decrease) vs. Q1-2005**	**Increase/(Decrease) vs. Q4-2005**
Revenue (teb)	**332**	1	12
Net income	**65**	(5)	7
Non-interest expense-to-revenue ratio	**62.3%**	3.3%	(3.0%)

Business Developments and Achievements

P&C Chicagoland Banking's priorities for fiscal 2006 are outlined on page 47 of BMO's 2005 Annual Report. Notable business developments and achievements in the first quarter in support of our 2006 priorities are listed below.

- Loans increased $2.6 billion or 18.8% from a year ago. Consumer loans grew 17.6% in a highly competitive market, while small business loans grew 21.8%.
- We opened two new branches and completed the acquisition of Villa Park Bank, which added another two locations. This increased our Harris community banking network to 199 locations in Chicago and Northwest Indiana. Our goal is to expand our network beyond the Chicago area and Northwest Indiana into the other Midwest states and double our network to 350 to 400 branches over the next 3 to 5 years.
- Recent research shows that P&C Chicagoland Banking's market share in the Small Business and Micro segments is virtually on par with the other two top banks and among the top three in the Commercial Mid-Market segment.
- We rank second in Illinois in new car indirect loan originations and first in used car loan originations.
- Our Net Promoter Score, a measure of the intensity of customer loyalty, increased to 35% and our Secure Customer Index remained at 42%.

PRIVATE CLIENT GROUP (PCG)

(Canadian $ in millions, except as noted)	Q1-2006	Increase/(Decrease) vs. Q1-2005		Increase/(Decrease) vs. Q4-2005	
Net interest income (teb)	**138**	(2)	(1%)	(9)	(7%)
Non-interest revenue	**326**	(16)	(5%)	(99)	(23%)
Total revenue (teb)	**464**	(18)	(4%)	(108)	(19%)
Provision for credit losses	**1**	-	-	-	-
Non-interest expense	**322**	(46)	(13%)	(67)	(17%)
Income before income taxes	**141**	28	26%	(41)	(23%)
Income taxes (teb)	**47**	7	21%	(28)	(38%)
Net income	**94**	21	29%	(13)	(12%)
Amortization of intangible assets (after tax)	**1**	(9)	(87%)	(8)	(86%)
Cash net income	**95**	12	15%	(21)	(18%)
Return on equity	**32.1%**		14.1%		5.5%
Cash return on equity	**32.6%**		12.1%		3.8%
Non-interest expense-to-revenue ratio (teb)	**69.4%**		(7.1%)		1.5%
Cash non-interest expense-to-revenue ratio (teb)	**69.1%**		(4.5%)		3.3%
Net interest margin (teb)	**8.53%**		0.66%		0.04%
Average assets	**6,428**	(614)	(9%)	(484)	(7%)
PCG U.S. Business Select Financial Data (U.S. $ in millions)					
Total revenue	**63**	(42)	(40%)	(77)	(55%)
Non-interest expense	**59**	(41)	(41%)	(50)	(46%)
Net Income	**4**	1	33%	(6)	(60%)
Cash net income	**5**	(6)	(55%)	(12)	(71%)
Average assets	**2,145**	(717)	(25%)	(457)	(18%)

Financial Performance Review

Net income for the first quarter was $94 million, an increase of $21 million or 29% from a year ago. Higher earnings were achieved through increased operating revenue across all the Group's lines of business. Results in the fourth quarter included a $49 million ($18 million after tax) gain on the sale of Harris*direct* and a $25 million ($16 million after tax) gain on the sale of TSX common shares. Relative to the fourth quarter, net income declined $13 million, but grew $21 million or 29% excluding the gains on asset sales.

Revenue of $464 million in the first quarter was $18 million lower than a year ago, but increased $38 million or 8.8% excluding the operating results of Harris*direct*. Strong growth was driven by increased managed asset levels in the mutual fund businesses and higher commission and fee-based revenue in our brokerage businesses. Higher deposit spreads and growth in margin loan balances also contributed to revenue growth. Relative to the fourth quarter of 2005, revenue declined $108 million, but increased $13 million or 2.6% excluding the $74 million of gains on asset sales and the operating revenue of Harris*direct*, due primarily to improved deposit spreads as well as increased revenue in the mutual fund businesses.

Non-interest expense declined $46 million, but increased $12 million or 3.7% excluding Harris*direct*. Higher expense levels were primarily attributable to increased revenue-based costs. Our productivity ratio improved 711 basis points and our cash productivity ratio improved 458 basis points from a year ago. Excluding Harris*direct*, the productivity ratio improved 338 basis points and the cash productivity ratio improved 334 basis points. Relative to the fourth quarter, expenses declined $67 million, but declined $7 million and 2.2% excluding Harris*direct*. Lower expense levels across all of the major business units reflect the ongoing focus on expense management.

With the sale of Harris*direct* in the fourth quarter of 2005, our U.S. operations are comprised of private banking, investment management and mutual funds. Excluding Harris*direct*, revenue increased 6.2% from the first quarter of the prior year on a U.S. dollar basis, due primarily to solid revenue growth in private banking, partially offset by lower revenue in the mutual fund businesses. Excluding Harris*direct*, net income from our U.S. operations was relatively unchanged from the prior year.

Business Developments and Achievements

The Group's priorities for fiscal 2006 are outlined on page 50 of BMO's 2005 Annual Report. Notable business developments and achievements in the first quarter in support of the Group's 2006 objectives are listed below.

- The Group's $271 billion of assets under management and administration, including term deposits, declined $14 billion or 5% year-over-year. Excluding the effect of the weaker U.S. dollar and the sale of Harris*direct*, the Group's assets under management and assets under administration both increased 15%. Term investment products were relatively unchanged.

- Full-service investing assets grew 14% year-over-year to $88 billion.

- For the third year in a row, Euromoney Magazine, one of Europe's leading authorities on international banking, selected BMO Harris Private Bank as the best private bank in Canada. Harris Private Bank was rated 11th of 35 firms ranked in the United States. The survey identified companies that are recognized by competitors and industry participants as leaders in private banking services.

- BMO Mutual Funds continued to outperform the mutual fund industry in quarterly net sales. Asset growth exceeded the average of the industry and other major Canadian banks. In the past three years, BMO Mutual Funds' assets have grown by over 73%.

- Term investment products launched its new family of BMO RateOptimizer GIC's. This new suite of GIC products combines the two most important elements of GIC investing into one, interest rate maximization and protection from reinvestment risk.

INVESTMENT BANKING GROUP (IBG)

(Canadian $ in millions, except as noted)	Q1-2006	Increase/(Decrease) vs. Q1-2005		Increase/(Decrease) vs. Q4-2005	
Net interest income (teb)	**207**	(69)	(25%)	21	12%
Non-interest revenue	**536**	104	24%	16	3%
Total revenue (teb)	**743**	35	5%	37	5%
Provision for credit losses	**20**	(5)	(19%)	(4)	(18%)
Non-interest expense	**411**	39	11%	39	10%
Income before income taxes	**312**	1	-	2	1%
Income taxes (teb)	**84**	10	13%	-	-
Net income	**228**	(9)	(4%)	2	2%
Amortization of intangible assets (after tax)	**1**	1	nm	2	nm
Cash net income	**229**	(8)	(4%)	4	2%
Return on equity	**19.7%**		(3.5%)		(2.3%)
Cash return on equity	**19.8%**		(3.5%)		(2.2%)
Non-interest expense-to-revenue ratio (teb)	**55.3%**		2.8%		2.5%
Cash non-interest expense-to-revenue ratio (teb)	**55.3%**		2.8%		2.6%
Net interest margin (teb)	**0.51%**		(0.17%)		0.06%
Average assets	**161,100**	(41)	-	(2,020)	(1%)
IBG U.S. Business Select Financial Data (U.S. $ in millions)					
Revenue	**307**	35	13%	46	18%
Non-interest expense	**166**	60	57%	14	9%
Net income	**79**	(13)	(14%)	27	52%
Average assets	**43,454**	8,395	24%	(1,088)	(2%)

nm - not meaningful

Financial Performance Review

Net income of $228 million for the first quarter of 2006 decreased $9 million or 3.6% from the same quarter a year ago. Excluding the impact of the $32 million recovery of prior years' income taxes in the first quarter a year ago, net income increased $23 million or 11%. Higher revenues, a reduced provision for credit losses and lower income taxes were partially offset by increased expenses. Relative to the fourth quarter, net income increased $2 million or 1.6%. The fourth quarter benefited from a $25 million gain on sale of TSX common shares.

Revenue for the first quarter of $743 million rose $35 million or 5.0% from a year ago. Excluding the impact of the weaker U.S. dollar, revenue increased 7.5%. Commodity derivatives trading revenues were up sharply due to favourable trading conditions and increased client activities associated with higher volatility in energy costs. Interest rate trading revenues were also appreciably higher, while merger and acquisition revenue rose significantly and corporate loan volumes grew. Debt and equity underwriting revenue declined and there were reduced spreads on corporate loans in the competitive environment and compressed spreads in interest-rate-sensitive businesses. Investment securities gains were $16 million lower than a year ago, which benefited from the Group's $30 million share of the impact of adopting the change in accounting for merchant banking investments in the first quarter of 2005.

Net interest income includes interest earned on trading assets and the associated costs of funding those assets. The difference between these two amounts represents our trading net interest income. Since many of our trading assets are non-interest bearing, trading net interest income was only marginally positive this quarter and was slightly negative in the fourth quarter, contributing to a reduction in net interest margin in Investment Banking Group. Most of the revenue related to these trading assets consisted of mark-to-market gains both in this quarter and in the fourth quarter. These gains are included in non-interest trading revenues and the increases in non-interest trading revenues more than offset the reductions in trading net interest income in the current quarter and fourth quarter. Total trading revenues were very strong in both periods.

Net interest income declined from a year ago due to lower trading net interest income, the continuing effect of compressed spreads in interest-rate-sensitive businesses, the run-off of non-core assets and reduced spreads on corporate loans in the competitive environment. These factors also contributed to the decline in net interest margin. The inclusion of $21 billion of VIE assets in IBG's balance sheet in the first quarter of 2005 lowered IBG's net interest margin by 9 basis points in that quarter. As such, excluding the impact of VIE assets, the Group's net interest margin was 26 basis points lower than in 2005.

Revenue increased $37 million or 5.3% from the fourth quarter. Interest rate, equity and commodity derivatives trading revenue was significantly higher due to favourable trading conditions and increased client activity in the commodities markets. Merger and acquisition fees improved modestly but there were small declines in debt underwriting and commission revenues. Net investment securities gains were $38 million lower as the comparable period included a $25 million gain on the sale of TSX common shares. The weaker U.S. dollar lowered revenue growth by $7 million.

Non-interest expense of $411 million in the first quarter increased $39 million or 11% from a year ago, and $39 million or 10% relative to the fourth quarter, largely due to higher performance-based costs. Stronger revenues in 2006 were concentrated in businesses with significantly higher variable costs. The weaker U.S. dollar lowered expense growth by $7 million relative to the first quarter of 2005 and by $3 million relative to the fourth quarter.

The Group's productivity ratio for the quarter deteriorated by 278 basis points from a year ago and 254 basis points from the fourth quarter to 55.3%.

Net income from U.S. operations of US$79 million was US$13 million lower than in the prior year, as higher expenses were only partially offset by higher trading revenues. Net income from U.S. operations was US$27 million higher than in the fourth quarter of 2005, as trading revenues increased more than expenses. Net income from U.S. operations represented 40% of Group net income this quarter, compared with 47% a year ago and 27% in the fourth quarter of 2005.

Our U.S. investment banking operations are primarily directed at mid-market corporations having revenues that range from US$50 million to US$1 billion. In the quarter, the revenue from our mid-market portfolio represented 14% of total Group revenue and 30% of our U.S. revenue. Often such activities are included in personal and commercial banking units by our North American peers. Pro-forma results reflecting our U.S.-based mid-market business as part of P&C Chicagoland Banking's business are included in that operating segment's section of the MD&A.

Business Developments and Achievements

The Group's priorities for fiscal 2006 are outlined on page 54 of BMO's 2005 Annual Report. Notable business developments and achievements in the first quarter in support of the Group's 2006 priorities are listed below.

- During the quarter, BMO Nesbitt Burns participated in 89 Canadian corporate debt and equity transactions that raised $15 billion.

- Significant new issues in the quarter included a $235 million IPO for Jazz Air Canada Income Fund, a $220 million issue of trust units of Crescent Point Energy Trust and a $156 million IPO for Miranda Technologies.

- M&A transactions of note that were announced in the quarter included Harvest Energy Trust's acquisition of Viking Energy Royalty Trust for US$1,567 million, Hudson's Bay Company's sale to Maple Leaf Heritage Investments for US$1,175 million, and BCE Inc.'s sale of Bell Globemedia Inc. to the Ontario Teachers Pension Fund, Torstar and Woodbridge Co. Ltd. for $591 million.

- In December, Harris Nesbitt served as sole underwriter for $60 million of senior secured credit facilities supporting the recapitalization of Made2Manage Systems, Inc. by Thoma Cressey Equity Partners and Battery Ventures. The facilities provided the debt financing behind the recapitalization as well as a $20 million acquisition line of credit.

- Financially, this quarter was the U.S. Securitization Group's second best ever, following its best ever revenue generation in the fourth quarter of 2005. The group closed 17 conduit transactions during the quarter (adding six new clients), one balance sheet loan and seven term transactions, including one lead role and six co-manager participations.

CORPORATE SUPPORT, INCLUDING TECHNOLOGY AND SOLUTIONS

(Canadian $ in millions, except as noted)	Q1-2006	Increase/(Decrease) vs. Q1-2005		Increase/(Decrease) vs. Q4-2005	
Net interest income (teb)	**(43)**	20	31%	(9)	(24%)
Non-interest revenue	**27**	-	-	(47)	(63%)
Total Revenue (teb)	**(16)**	20	54%	(56)	(+100%)
Provision for (recovery of) credit losses	**(55)**	2	5%	(13)	(27%)
Non-interest expense	**34**	3	9%	(26)	(41%)
Income before taxes and non-controlling interest in subsidiaries	**5**	15	+100%	(17)	(82%)
Income taxes (teb)	**(22)**	-	-	(9)	(65%)
Non-controlling interest in subsidiaries	**19**	5	35%	3	21%
Net income (loss)	**8**	10	+100%	(11)	(63%)
Corporate Support U.S. Business Select Financial Data					
(U.S. $ in millions)					
Revenue	**(26)**	(2)	(8%)	(20)	(+100%)
Provision for credit losses	**(18)**	5	22%	(1)	(6%)
Non-interest expense	**2**	(7)	(78%)	(10)	(83%)
Income taxes	**(12)**	11	48%	(9)	(+100%)
Net income (loss)	**(3)**	(11)	(+100%)	-	-
Average assets	**4,489**	(490)	(10%)	(738)	(14%)

Corporate Support
Corporate Support includes the corporate units that provide expertise and governance support to BMO Financial Group in areas such as strategic planning, law, finance, internal audit, risk management, corporate communications, economics, human resources and learning. Operating results include revenues and expenses associated with certain securitization activities, the hedging of foreign-source earnings, and activities related to the management of certain balance sheet positions and BMO's overall asset-liability structure.

Technology and Solutions
Technology and Solutions (T&S) manages, maintains and provides governance over information technology, operations services, real estate and sourcing for BMO Financial Group. The Group focuses on enterprise-wide priorities that improve service quality and efficiency to deliver an excellent customer experience.

Financial Performance Review
Technology and Solutions' operating results are included with Corporate Support for reporting purposes. Costs of its services are transferred to the client groups (P&C, PCG and IBG) and only relatively minor variance amounts are retained within Technology and Solutions. As such, results in this section largely reflect Corporate Support activities.

Net income for the quarter was $8 million, compared with a net loss of $2 million in the first quarter a year ago, due to higher net interest revenues.

Net income declined $11 million from the fourth quarter of 2005. Results in the fourth quarter benefited from the $29 million ($19 million after tax) gain on the sale of our Calgary office tower. Non-interest expense in the current quarter declined, primarily due to lower performance-based compensation costs.

Corporate Support is generally charged (or credited) with differences between the periodic provisions for credit losses charged to the client groups under our expected loss provisioning methodology and the required periodic provisions charged by the consolidated organization under GAAP.

Business Developments and Achievements

T&S focuses on improving profitability by applying the most efficient and effective technology and processes for BMO. The following notable business development was supported by T&S in the first quarter of 2006.

- Construction of the Barrie Computer Centre continues on track for occupancy in the summer of 2006. Two permanent electrical feeds have been activated to provide reliable and stable power. This state-of-the-art data centre and office building facility will enhance BMO Financial Group's highly efficient processing infrastructure, providing the activation of dual independent utility services, technological advancements and geographical separation of employees.