BANK OF MONTREAL
CONSOLIDATED STATEMENT OF INCOME

(Unaudited) (Canadian $ in millions, except as noted)	For the three months ended					For the nine months ended	
	July 31, 2006	April 30, 2006	January 31, 2006	October 31, 2005	July 31, 2005	**July 31, 2006**	July 31, 2005
		Restated (See Note 2)					Restated (See Note 2)
Interest, Dividend and Fee Income							
Loans	**$ 2,664**	$ 2,340	$ 2,242	$ 2,098	$ 1,989	**$ 7,246**	$ 5,630
Securities	**587**	473	509	457	484	**1,569**	1,373
Deposits with banks	**216**	172	167	164	170	**555**	442
	3,467	2,985	2,918	2,719	2,643	**9,370**	7,445
Interest Expense							
Deposits	**1,536**	1,308	1,213	1,074	961	**4,057**	2,629
Subordinated debt	**43**	41	42	47	56	**126**	155
Preferred shares and capital trust securities	**24**	25	25	25	21	**74**	72
Other liabilities	**630**	498	456	379	391	**1,584**	996
	2,233	1,872	1,736	1,525	1,429	**5,841**	3,852
Net Interest Income	**1,234**	1,113	1,182	1,194	1,214	**3,529**	3,593
Provision for credit losses (Note 3)	**42**	66	52	57	73	**160**	122
Net Interest Income After Provision for Credit Losses	**1,192**	1,047	1,130	1,137	1,141	**3,369**	3,471
Non-Interest Revenue							
Securities commissions and fees	**260**	292	252	272	255	**804**	820
Deposit and payment service charges	**187**	179	180	187	188	**546**	547
Trading revenues	**163**	180	221	169	83	**564**	244
Lending fees	**92**	77	78	76	89	**247**	237
Card fees	**106**	94	91	60	98	**291**	274
Investment management and custodial fees	**77**	69	76	77	79	**222**	228
Mutual fund revenues	**128**	126	115	116	113	**369**	321
Securitization revenues	**21**	4	20	34	26	**45**	79
Underwriting and advisory fees	**92**	113	98	101	92	**303**	256
Investment securities gains	**51**	30	18	79	37	**99**	86
Foreign exchange, other than trading	**47**	49	43	48	42	**139**	132
Insurance income	**58**	51	46	38	44	**155**	124
Other	**54**	96	61	169	51	**211**	278
	1,336	1,360	1,299	1,426	1,197	**3,995**	3,626
Net Interest Income and Non-Interest Revenue	**2,528**	2,407	2,429	2,563	2,338	**7,364**	7,097
Non-Interest Expense							
Employee compensation (Notes 2 and 6)	**958**	932	1,000	952	923	**2,890**	2,799
Premises and equipment	**299**	296	288	334	315	**883**	930
Amortization of intangible assets	**10**	12	11	22	24	**33**	72
Travel and business development	**64**	63	50	69	68	**177**	178
Communications	**36**	31	25	33	29	**92**	89
Business and capital taxes	**23**	25	27	28	29	**75**	79
Professional fees	**65**	72	58	65	58	**195**	178
Other	**145**	129	121	123	123	**395**	381
Total Non-Interest Expense	**1,600**	1,560	1,580	1,626	1,569	**4,740**	4,706
Income Before Provision for Income Taxes and Non-Controlling Interest in Subsidiaries	**928**	847	849	937	769	**2,624**	2,391
Income taxes (Note 2)	**199**	177	224	257	208	**600**	617
	729	670	625	680	561	**2,024**	1,774
Non-controlling interest in subsidiaries	**19**	19	19	16	14	**57**	42
Net Income	**$ 710**	$ 651	$ 606	$ 664	$ 547	**$ 1,967**	$ 1,732
Preferred share dividends	**$ 6**	$ 8	$ 8	$ 8	$ 6	**$ 22**	$ 22
Net income available to common shareholders	**$ 704**	$ 643	$ 598	$ 656	$ 541	**$ 1,945**	$ 1,710
Average common shares (in thousands)	**500,762**	502,502	501,374	500,383	499,152	**501,536**	499,951
Average diluted common shares (in thousands)	**509,991**	512,743	511,600	510,378	509,384	**511,513**	510,858
Earnings Per Share (Canadian $)							
Basic	**$ 1.41**	$ 1.28	$ 1.19	$ 1.31	$ 1.08	**$ 3.88**	$ 3.42
Diluted	**1.38**	1.25	1.17	1.28	1.07	**3.80**	3.35
Dividends Declared Per Common Share	**0.62**	0.53	0.49	0.49	0.46	**1.64**	1.36

The accompanying notes to consolidated financial statements are an integral part of these statements.
Certain comparative figures have been reclassified to conform with the current period's presentation.

BANK OF MONTREAL
CONSOLIDATED BALANCE SHEET

(Unaudited) (Canadian $ in millions)	As at				
	July 31, 2006	April 30, 2006	January 31, 2006	October 31, 2005	July 31, 2005
		Restated (See Note 2)			
Assets					
Cash Resources	**$ 20,160**	$ 19,560	$ 19,933	$ 20,721	$ 20,402
Securities					
Investment	**12,784**	13,075	12,032	12,936	14,175
Trading (Note 2)	**45,455**	44,079	48,074	44,087	42,709
Loan substitutes	**11**	11	11	11	11
	58,250	57,165	60,117	57,034	56,895
Loans					
Residential mortgages	**63,591**	63,055	62,652	60,871	59,737
Consumer instalment and other personal	**29,693**	28,873	28,206	27,929	27,241
Credit cards	**5,049**	4,874	4,709	4,648	4,717
Businesses and governments	**53,433**	52,121	48,289	47,803	48,181
Securities borrowed or purchased under resale agreements	**31,865**	33,116	29,853	28,280	27,259
	183,631	182,039	173,709	169,531	167,135
Customers' liability under acceptances	**7,369**	6,639	5,988	5,934	5,683
Allowance for credit losses (Note 3)	**(1,107)**	(1,117)	(1,115)	(1,128)	(1,200)
	189,893	187,561	178,582	174,337	171,618
Other Assets					
Derivative financial instruments	**32,247**	31,523	30,664	31,517	26,174
Premises and equipment	**1,942**	1,841	1,818	1,847	1,863
Goodwill	**1,104**	1,098	1,109	1,091	1,604
Intangible assets	**163**	172	186	196	426
Other (Note 2)	**7,850**	7,387	6,814	7,119	7,077
	43,306	42,021	40,591	41,770	37,144
Total Assets	**$ 311,609**	$ 306,307	$ 299,223	$ 293,862	$ 286,059
Liabilities and Shareholders' Equity					
Deposits					
Banks	**$ 26,362**	$ 23,394	$ 25,940	$ 25,473	$ 25,265
Businesses and governments	**99,821**	94,234	90,783	92,437	87,462
Individuals	**75,911**	76,860	76,536	75,883	76,023
	202,094	194,488	193,259	193,793	188,750
Other Liabilities					
Derivative financial instruments	**31,418**	30,413	28,810	28,868	24,972
Acceptances	**7,369**	6,639	5,988	5,934	5,683
Securities sold but not yet purchased	**14,271**	15,653	14,161	16,142	14,703
Securities lent or sold under repurchase agreements	**28,148**	31,467	31,005	22,657	26,159
Other (Note 2)	**9,277**	8,647	7,800	8,557	7,527
	90,483	92,819	87,764	82,158	79,044
Subordinated Debt (Note 7)	**2,729**	3,025	2,456	2,469	3,099
Preferred Share Liability (Note 8)	**450**	450	450	450	450
Capital Trust Securities	**1,150**	1,150	1,150	1,150	1,150
Shareholders' Equity					
Share capital (Note 8)	**4,765**	4,741	4,716	4,618	4,585
Contributed surplus (Note 2)	**47**	45	43	35	33
Net unrealized foreign exchange loss	**(762)**	(806)	(740)	(612)	(483)
Retained earnings	**10,653**	10,395	10,125	9,801	9,431
	14,703	14,375	14,144	13,842	13,566
Total Liabilities and Shareholders' Equity	**$ 311,609**	$ 306,307	$ 299,223	$ 293,862	$ 286,059

The accompanying notes to consolidated financial statements are an integral part of these statements.
Certain comparative figures have been reclassified to conform with the current period's presentation.

BANK OF MONTREAL
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited) (Canadian $ in millions)	For the three months ended		For the nine months ended	
	July 31, 2006	July 31, 2005	**July 31, 2006**	July 31, 2005
		Restated (See Note 2)		Restated (See Note 2)
Preferred Shares				
Balance at beginning of period	**$ 596**	$ 596	**$ 596**	$ 596
Balance at End of Period	**596**	596	**596**	596
Common Shares				
Balance at beginning of period	**4,145**	3,916	**4,022**	3,857
Issued under the Shareholder Dividend Reinvestment and Share Purchase Plan	**22**	18	**62**	53
Issued under the Stock Option Plan	**24**	62	**126**	125
Issued on the exchange of shares of a subsidiary corporation	**-**	-	**-**	2
Repurchased for cancellation (Note 8)	**(22)**	(7)	**(41)**	(48)
Balance at End of Period	**4,169**	3,989	**4,169**	3,989
Contributed Surplus				
Balance at beginning of period	**45**	31	**35**	10
Cumulative impact of adopting new accounting requirements for Stock-Based Compensation (Note 2)	**-**	-	**-**	12
	45	31	**35**	22
Stock option expense	**2**	2	**12**	11
Balance at End of Period	**47**	33	**47**	33
Net Unrealized Foreign Exchange Loss				
Balance at beginning of period	**(806)**	(380)	**(612)**	(497)
Unrealized gain (loss) on translation of net investments in foreign operations	**124**	(280)	**(400)**	37
Hedging gain (loss)	**(121)**	270	**383**	(37)
Income taxes	**41**	(93)	**(133)**	14
Balance at End of Period	**(762)**	(483)	**(762)**	(483)
Retained Earnings				
Balance at beginning of period	**10,395**	9,161	**9,801**	8,773
Cumulative impact of adopting new accounting requirements for Variable Interest Entities, net of applicable income taxes (Note 2)	**-**	-	**-**	(42)
Cumulative impact of adopting new accounting requirements for Stock-Based Compensation, net of applicable income taxes (Note 2)	**-**	-	**-**	(35)
	10,395	9,161	**9,801**	8,696
Net income	**710**	547	**1,967**	1,732
Dividends - Preferred shares	**(6)**	(6)	**(22)**	(22)
- Common shares	**(310)**	(230)	**(822)**	(680)
Common shares repurchased for cancellation (Note 8)	**(136)**	(41)	**(271)**	(295)
Balance at End of Period	**10,653**	9,431	**10,653**	9,431
Total Shareholders' Equity	**$ 14,703**	$ 13,566	**$ 14,703**	$ 13,566

The accompanying notes to consolidated financial statements are an integral part of these statements.
Certain comparative figures have been reclassified to conform with the current period's presentation.

BANK OF MONTREAL

CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited) (Canadian $ in millions)	For the three months ended		For the nine months ended	
	July 31, 2006	July 31, 2005	**July 31, 2006**	July 31, 2005
		Restated (See Note 2)		Restated (See Note 2)
Cash Flows from Operating Activities				
Net income	**$ 710**	$ 547	**$ 1,967**	$ 1,732
Adjustments to determine net cash flows provided by (used in) operating activities				
Write-down of investment securities	**1**	-	**9**	7
Net gain on investment securities	**(52)**	(37)	**(108)**	(93)
Net (increase) in trading securities	**(1,104)**	(268)	**(2,073)**	(7,809)
Provision for credit losses	**42**	73	**160**	122
Gain on sale of securitized loans (Note 4)	**(13)**	(16)	**(25)**	(58)
Change in derivative financial instruments				
(Increase) in derivative asset	**(719)**	(3,497)	**(1,418)**	(1,404)
Increase in derivative liability	**974**	3,555	**3,277**	1,718
Amortization of premises and equipment	**88**	99	**265**	284
Amortization of intangible assets	**10**	24	**33**	72
Future income tax benefit	**(69)**	(73)	**(68)**	(40)
Net increase (decrease) in current income taxes	**359**	68	**124**	(276)
Change in accrued interest				
(Increase) in interest receivable	**(121)**	(16)	**(159)**	(167)
Increase in interest payable	**106**	-	**96**	84
Changes in other items and accruals, net	**1,106**	685	**1,044**	626
Net Cash Provided by (Used in) Operating Activities	**1,318**	1,144	**3,124**	(5,202)
Cash Flows from Financing Activities				
Net increase in deposits	**6,367**	516	**10,849**	12,789
Net increase (decrease) in securities sold but not yet purchased	**(1,417)**	1,054	**(1,853)**	4,234
Net increase (decrease) in securities lent or sold under repurchase agreements	**(3,484)**	(2,149)	**6,142**	4,697
Net increase (decrease) in liabilities of subsidiaries	**(369)**	(460)	**354**	37
Repayment of subordinated debt (Note 7)	**(300)**	(300)	**(425)**	(300)
Proceeds from issuance of subordinated debt (Note 7)	**-**	-	**700**	1,000
Proceeds from issuance of common shares	**46**	80	**188**	178
Common shares repurchased for cancellation (Note 8)	**(158)**	(48)	**(312)**	(343)
Dividends paid	**(316)**	(236)	**(844)**	(702)
Net Cash Provided by (Used in) Financing Activities	**369**	(1,543)	**14,799**	21,590
Cash Flows from Investing Activities				
Net (increase) decrease in interest bearing deposits with banks	**(175)**	113	**716**	(2,560)
Purchases of investment securities	**(4,947)**	(3,635)	**(11,322)**	(11,957)
Maturities of investment securities	**3,509**	1,856	**6,878**	5,716
Proceeds from sales of investment securities	**1,871**	2,915	**4,263**	7,292
Net (increase) in loans, customers' liability under acceptances and loan substitute securities	**(4,113)**	(4,925)	**(16,153)**	(12,254)
Proceeds from securitization of loans (Note 4)	**978**	759	**2,753**	2,197
Net (increase) decrease in securities borrowed or purchased under resale agreements	**1,400**	3,810	**(4,067)**	(4,468)
Proceeds from sales of land and buildings	**-**	-	**-**	148
Premises and equipment - net purchases	**(181)**	(111)	**(379)**	(250)
Acquisitions (Note 5)	**-**	-	**(76)**	(194)
Net Cash Provided by (Used in) Investing Activities	**(1,658)**	782	**(17,387)**	(16,330)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**23**	(34)	**(146)**	174
Net Increase in Cash and Cash Equivalents	**52**	349	**390**	232
Cash and Cash Equivalents at Beginning of Period	**2,750**	2,489	**2,412**	2,606
Cash and Cash Equivalents at End of Period	**$ 2,802**	$ 2,838	**$ 2,802**	$ 2,838

The accompanying notes to consolidated financial statements are an integral part of these statements.
Certain comparative figures have been reclassified to conform with the current period's presentation.

1. Basis of Presentation

These consolidated financial statements should be read in conjunction with the notes to our consolidated financial statements for the year ended October 31, 2005 as set out on pages 96 to 133 of our 2005 Annual Report. These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") using the same accounting policies and methods of computation as were used for our consolidated financial statements for the year ended October 31, 2005, except as described in Note 2.

2. Changes in Accounting Policy

Settlement Date Accounting

During the quarter ended July 31, 2006, we changed our accounting policy for securities transactions from the trade date basis of accounting to the settlement date basis of accounting for the Consolidated Balance Sheet.

We have restated prior periods' financial statements for this change. The impact of this change in accounting policy on the current and prior periods is as follows:

(Canadian $ in millions)	As at				
	July 31, 2006	April 30, 2006	January 31, 2006	October 31, 2005	July 31, 2005
Increase (decrease)					
Consolidated Balance Sheet					
Securities - trading	**$ (1,008)**	$ (1,771)	$ (1,570)	$ (222)	$ (437)
Other assets	**(4,051)**	(4,296)	(4,930)	(3,423)	(3,863)
Other liabilities	**(5,059)**	(6,067)	(6,500)	(3,645)	(4,300)

Stock-Based Compensation

During the quarter ended July 31, 2006, we adopted the Canadian Institute of Chartered Accountants' ("CICA") new accounting requirements on stock-based compensation. The new rules require that stock-based compensation granted to employees eligible to retire should be expensed at the time of grant. Previously, we amortized the cost over the vesting period.

We have restated prior periods' financial statements for this change. The impact of this change in accounting policy on the current and prior periods is as follows:

(Canadian $ in millions)	For the three months ended					For the nine months ended	
	July 31, 2006	April 30, 2006	January 31, 2006	October 31, 2005	July 31, 2005	**July 31, 2006**	July 31, 2005
Increase (decrease) in net income							
Consolidated Statement of Income							
Employee compensation	**$ 11**	$ 11	$ (35)	$ 10	$ 10	**$ (13)**	$ (15)
Income taxes	**(3)**	(4)	11	(3)	(4)	**4**	4
Net income	**$ 8**	$ 7	$ (24)	$ 7	$ 6	**$ (9)**	$ (11)

(Canadian $ in millions)	As at				
	July 31, 2006	April 30, 2006	January 31, 2006	October 31, 2005	July 31, 2005
Increase (decrease)					
Consolidated Balance Sheet					
Other assets	**$ (30)**	$ (36)	$ (42)	$ (25)	$ (30)
Other liabilities	**1**	1	1	(1)	1
Contributed surplus	**17**	19	20	15	15

2. Changes in Accounting Policy (continued)

Variable Interest Entities
On November 1, 2004, we adopted the CICA new accounting requirements on the consolidation of variable interest entities ("VIEs"). As a result, we consolidated our customer securitization vehicles as of November 1, 2004. The impact on our Consolidated Balance Sheet on November 1, 2004 was an increase in other assets of $21,160 million, a decrease in derivative financial instrument assets of $67 million, an increase in other liabilities of $21,150 million, a decrease in derivative financial instrument liabilities of $15 million and a decrease in opening retained earnings of $42 million.

The impact on opening retained earnings arose because interest rate swaps held by our VIEs to hedge their exposure to interest rate risk did not qualify for hedge accounting prior to consolidation. Since the new rules required us to reflect the results of the consolidated VIEs as if they had always been consolidated, without restatement of prior periods, the amount of mark to market losses prior to November 1, 2004 was recognized through our opening retained earnings. These derivatives qualified for hedge accounting while the VIEs were consolidated.

On April 29, 2005, we completed the restructuring of our customer securitization VIEs and as a result they no longer met the criteria for consolidation. The impact on the Consolidated Statement of Income of deconsolidating these entities on April 29, 2005, was an increase in non-interest revenue, other, of $44 million, an increase in income taxes of $7 million and an increase in net income of $37 million, representing the reversal of the unamortized mark-to-market losses on swaps that had been charged against retained earnings.

Our involvement with these and other VIEs is summarized in Note 8 to our consolidated financial statements for the year ended October 31, 2005, as set out on pages 105 and 106 of our 2005 Annual Report.

3. 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-related losses on our loans, customers' liability under acceptances and other credit instruments. The portion related to other credit instruments is recorded in other liabilities in our Consolidated Balance Sheet. As at July 31, 2006 and July 31, 2005 there was no allowance for credit losses related to other credit instruments included in other liabilities.

A continuity of our allowance for credit losses is as follows:

(Canadian $ in millions)	For the three months ended						For the nine months ended					
	Specific allowance		General allowance		Total		Specific allowance		General allowance		Total	
	July 31, 2006	July 31, 2005	**July 31, 2006**	July 31, 2005	**July 31, 2006**	July 31, 2005	**July 31, 2006**	July 31, 2005	**July 31, 2006**	July 31, 2005	**July 31, 2006**	July 31, 2005
Balance at beginning of period	**$ 178**	$ 254	**$ 939**	$ 983	**$ 1,117**	$1,237	**$ 169**	$ 298	**$ 959**	$ 1,010	**$1,128**	$1,308
Provision for credit losses	**42**	73	**-**	-	**42**	73	**160**	162	**-**	(40)	**160**	122
Recoveries	**33**	21	**-**	-	**33**	21	**88**	52	**-**	-	**88**	52
Write-offs	**(90)**	(115)	**-**	-	**(90)**	(115)	**(252)**	(294)	**-**	-	**(252)**	(294)
Foreign exchange and other	**1**	(5)	**4**	(11)	**5**	(16)	**(1)**	10	**(16)**	2	**(17)**	12
Balance at end of period	**$ 164**	$ 228	**$ 943**	$ 972	**$ 1,107**	$1,200	**$ 164**	$ 228	**$ 943**	$ 972	**$1,107**	$1,200

4. Securitization

During the quarter ended July 31, 2006, we securitized residential mortgages totalling $1,000 million for total cash proceeds of $978 million ($2,804 million and $2,753 million respectively, for the nine months ended July 31, 2006). The key weighted average assumptions used to value the deferred purchase price for these securitizations was an average term of 4.9 years, a prepayment rate of 9.0%, an interest rate of 5.15% and a discount rate of 4.75% (4.6 years and 9.46%, 4.88% and 4.33% respectively, for the nine months ended July 31, 2006). There were no expected credit losses as the mortgages are guaranteed by third parties. We retained responsibility for servicing these mortgages. We recorded $3 million of gains in non-interest revenue, securitization revenues, $31 million of deferred purchase price in other assets and $8 million of servicing liability in other liabilities related to the securitization of those loans ($7 million loss, $81 million and $21 million respectively, for the nine months ended July 31, 2006).

In addition, gains on sales of loans sold to all revolving securitization vehicles were $10 million for the quarter ended July 31, 2006 (gains of $32 million for the nine months ended July 31, 2006).

5. Acquisition

bcpbank Canada
On August 3, 2006, we announced that we signed an agreement to purchase bcpbank Canada, a full-service chartered bank, for total cash consideration of approximately $41 million. The acquisition of bcpbank Canada is subject to regulatory approval and is expected to close during the quarter ended January 31, 2007, at which time it will be recorded in our consolidated financial statements as the acquisition of a business.

Villa Park Trust and Savings Bank
On December 1, 2005, we completed the acquisition of Chicago-based Villa Park Trust and Savings Bank ("Villa Park"), a community bank, for total cash consideration of $76 million. The results of Villa Park's operations have been included in our consolidated financial statements since that date. The acquisition of Villa Park provides us with the opportunity to expand our banking services in the Chicago, Illinois market. As part of this acquisition, we acquired a core deposit intangible asset, which will be amortized on an accelerated basis over 10 years. Goodwill related to this acquisition is not deductible for tax purposes. Villa Park is part of our Personal and Commercial Client Group - Chicagoland Banking reporting segment.

The estimated fair values of the assets acquired and the liabilities assumed at the date of acquisition are as follows:

(Canadian $ in millions)		Villa Park
Cash resources	$	16
Securities		54
Loans		247
Premises and equipment		5
Goodwill		44
Core deposit intangible asset		7
Other assets		4
Total assets		377
Deposits		296
Other liabilities		5
Total liabilities		301
Purchase price	$	76

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

During the quarter ended January 31, 2005, we acquired Mercantile Bancorp, Inc., a community bank, for total cash consideration of $194 million.

6. Employee Compensation

Stock Options
During the nine months ended July 31, 2006, we granted a total of 1,390,700 stock options. The weighted-average fair value of these options was $10.17 per option and was determined using a trinomial option pricing model, based on the following weighted-average assumptions:

For stock options granted during the nine months ended July 31, 2006	
Expected dividend yield	3.1%
Expected share price volatility	20.2%
Risk-free rate of return	4.0%
Expected period until exercise	7.2 years

6. Employee Compensation (continued)

Pension and Other Employee Future Benefit Expenses

We recorded pension and other employee future benefit expenses as follows:

(Canadian $ in millions)	Pension benefit plans		Other employee future benefit plans	
	For the three months ended		For the three months ended	
	July 31, 2006	July 31, 2005	**July 31, 2006**	July 31, 2005
Benefits earned by employees	**$ 34**	$ 32	**$ 4**	$ 5
Interest cost on accrued benefit liability	**51**	51	**13**	11
Actuarial loss recognized in expense	**20**	17	**5**	2
Amortization of plan amendment costs	**1**	1	**(2)**	(1)
Expected return on plan assets	**(63)**	(58)	**(2)**	(2)
Benefits expense	**43**	43	**18**	15
Canada and Quebec pension plan expense	**13**	12	**-**	-
Defined contribution expense	**2**	2	**-**	-
Total pension and other employee future benefit expenses	**$ 58**	$ 57	**$ 18**	$ 15

(Canadian $ in millions)	Pension benefit plans		Other employee future benefit plans	
	For the nine months ended		For the nine months ended	
	July 31, 2006	July 31, 2005	**July 31, 2006**	July 31, 2005
Benefits earned by employees	**$ 103**	$ 94	**$ 14**	$ 13
Interest cost on accrued benefit liability	**155**	152	**35**	33
Actuarial loss recognized in expense	**62**	50	**12**	8
Amortization of plan amendment costs	**4**	3	**(4)**	(4)
Expected return on plan assets	**(189)**	(172)	**(4)**	(4)
Benefits expense	**135**	127	**53**	46
Canada and Quebec pension plan expense	**41**	38	**-**	-
Defined contribution expense	**8**	8	**-**	-
Total pension and other employee future benefit expenses	**$ 184**	$ 173	**$ 53**	$ 46

7. Subordinated Debt

On May 9, 2006, we redeemed all of our 8.15% Debentures, Series 21, due 2011, totalling $300 million. The debentures were redeemed at a redemption price of 100 per cent of the principal amount plus unpaid accrued interest to the redemption date.

On April 21, 2006, we issued $700 million of subordinated debt under our Canadian Medium-Term Note Program. The issue, Series D Medium-Term Notes, First Tranche, is due April 2021. Interest on this issue is payable semi-annually at a fixed rate of 5.10% until April 21, 2016, and at a floating rate equal to the rate on three month Bankers' Acceptances plus 1.00%, paid quarterly, thereafter to maturity.

On March 14, 2006, we redeemed all of our 7.40% Debentures, Series 19, due 2011, totalling $125 million. The debentures were redeemed at a redemption price of 100 per cent of the principal amount plus unpaid accrued interest to the redemption date.

8. Share Capital

During the quarter ended July 31, 2006, we repurchased 2,544,900 common shares at an average cost of $61.90 per share, totalling $158 million. During the quarter ended July 31, 2005, we repurchased 842,200 common shares at an average cost of $56.26 per share, totalling $48 million. During the nine months ended July 31, 2006, we repurchased 4,944,400 common shares at an average cost of $63.13 per share, totalling $312 million. During the nine months ended July 31, 2005, we repurchased 6,141,500 common shares at an average cost of $55.81 per share, totalling $343 million.

There have been 5,760,700 common shares repurchased under the existing normal-course issuer bid that expires on September 5, 2006 and pursuant to which we are permitted to repurchase up to 15,000,000 common shares. Subsequent to the quarter end, our Board of Directors authorized a new normal-course issuer bid, subject to the approval of the Toronto Stock Exchange, to repurchase for cancellation up to a further 15,000,000 common shares.

8. **Share Capital** (continued)

Share Capital Outstanding (a)

(Canadian $ in millions, except as noted)	July 31, 2006			
	Number		Principal Amount	Convertible into…
Preferred Shares - classified as liabilities				
Class B – Series 4	8,000,000	$	200	common shares (b)
Class B – Series 6	10,000,000		250	common shares (b)
Preferred Shares - classified as liabilities			450	
Preferred Shares - classified as equity				
Class B – Series 5	8,000,000		200	-
Class B – Series 10 (c)	12,000,000		396	common shares (b)
Preferred Shares - classified as equity			596	
Common Shares	500,107,064		4,169	-
Total outstanding share capital - classified as equity		$	4,765	
Stock options issued under stock option plan			n/a	24,453,880 common shares

(a) For additional information refer to Notes 20 and 21 to our consolidated financial statements for the year ended October 31, 2005 on pages 118 to 120 of our 2005 Annual Report.
(b) The number of shares issuable on conversion is not determinable until the date of conversion.
(c) Face value is US$300 million.
n/a – not applicable

9. **United States Generally Accepted Accounting Principles**
Reporting under United States GAAP would have resulted in the following:

(Canadian $ in millions, except earnings per share figures)	For the three months ended				For the nine months ended			
	July 31, 2006		July 31, 2005		**July 31, 2006**		July 31, 2005	
Net Income - Canadian GAAP	**$**	**710**	$	547	**$**	**1,967**	$	1,732
United States GAAP adjustments		**(3)**		(29)		**(42)**		(98)
Net Income - United States GAAP	**$**	**707**	$	518	**$**	**1,925**	$	1,634
Earnings Per Share								
Basic - Canadian GAAP	**$**	**1.41**	$	1.08	**$**	**3.88**	$	3.42
Basic - United States GAAP		**1.39**		1.02		**3.79**		3.22
Diluted - Canadian GAAP		**1.38**		1.07		**3.80**		3.35
Diluted - United States GAAP		**1.37**		1.01		**3.72**		3.16

Amounts in the above table have been restated to reflect the changes in accounting policy described in Note 2.

Variable Interest Entities
Under United States GAAP we will be required to adopt new accounting guidance which provides additional clarification on how to analyze variable interest entities and their consolidation requirements. The new guidance is effective on August 1, 2006 and we do not anticipate that there will be a material impact to our consolidated financial statements.

Share-Based Payments
During the quarter ended January 31, 2006, we adopted the new United States accounting standard on stock-based compensation prospectively, beginning with the grants issued in the quarter. During the quarter ended July 31, 2006, we retroactively adopted new Canadian accounting guidance on stock-based compensation, which is harmonized with the United States accounting standard (see Note 2). Due to the differences in the methods of adoption, there will continue to be an adjustment to our Consolidated Statement of Income until the stock-based compensation granted prior to November 1, 2005 has been fully amortized.

10. Operating and Geographic Segmentation

Operating Groups
We conduct our business through operating groups, each of which has a distinct mandate. We determine operating groups based on our management structure and therefore our groups and results attributed to our groups may not be comparable with those of other financial services companies. We evaluate the performance of our groups using measures such as net income, return on equity, net economic profit and non-interest expense-to-revenue (productivity) ratio.

Beginning in the quarter ended January 31, 2006, we have amended our segment information to include both Personal and Commercial Client Group - Canada and Personal and Commercial Client Group - Chicagoland Banking as reporting segments. Prior period information has been restated to reflect this new reporting basis.

Personal and Commercial Client Group
Personal and Commercial Client Group is comprised of two operating segments - Personal and Commercial Client Group - Canada and Personal and Commercial Client Group - Chicagoland Banking.

Personal and Commercial Client Group - Canada
Personal and Commercial Client Group - Canada (“P&C Canada”) offers a full range of products and services to personal and business clients in Canada through branches and direct banking channels such as telephone banking, online banking and a network of automated banking machines.

Personal and Commercial Client Group - Chicagoland Banking
Personal and Commercial Client Group - Chicagoland Banking (“P&C Chicagoland Banking”) offers a full range of products and services to personal and business clients in the United States, primarily in the Chicago area and Northwest Indiana, through branches and direct banking channels such as telephone banking, online banking and a network of automated banking machines.

Private Client Group
Private Client Group (“PCG”) brings together all of our wealth management businesses. Operating primarily in Canada and the United States, PCG serves a full range of North American client segments, from mainstream to ultra-high net worth, as well as select institutional market segments. PCG offers its clients a broad range of wealth management products and services, including full-service and direct investing, private banking and investment products, providing the tools they need to accumulate, protect and grow their financial assets.

Investment Banking Group
Investment Banking Group (“IBG”) combines all of our businesses serving corporate, institutional and government clients. In Canada, its client base comprises large corporations and institutions across a broad range of industry sectors. In the United States, it serves middle-market and institutional clients in selected sectors. IBG also serves institutional and government clients in the United Kingdom, Europe and Asia. It offers clients complete financial solutions across the entire balance sheet, including public and private debt and equity underwriting, cash management, corporate lending, securitization, foreign exchange and trade finance. The group also offers financial advisory services in mergers and acquisitions and restructurings, while providing investing clients with research, sales and trading services.

Corporate Support
Corporate Support includes Technology and Solutions ("T&S") and the Corporate units that provide expertise and governance support in areas such as strategic planning, law, finance, internal audit, risk management, corporate communications, economics, corporate marketing, human resources and learning. Operating results for Corporate Support 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 our overall asset liability structure.

10. **Operating and Geographic Segmentation** (continued)

T&S manages, maintains and provides governance over information technology, real estate, operations services and sourcing for the Bank. The unit focuses on enterprise-wide priorities that improve quality and efficiency.

Operating results for T&S are included with Corporate Support for reporting purposes. However, costs of T&S services are transferred to P&C, PCG, and IBG and only minor amounts are retained in T&S's results. As such, results for Corporate Support largely reflect operating results of Corporate units.

Corporate Support also includes residual revenues and expenses representing the differences between actual amounts earned or incurred and the amounts allocated to operating groups.

Basis of Presentation
The results of these operating groups are based on our internal financial reporting systems. The accounting policies used in these groups are generally consistent with those followed in the preparation of the consolidated financial statements as disclosed in Notes 1 and 2. Notable accounting measurement differences are the taxable equivalent basis adjustment and the provision for credit losses, as described below.

Taxable Equivalent Basis
We analyze net interest income on a taxable equivalent basis (“teb”). This basis includes an adjustment which 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 that would incur tax at the statutory rate.

Analysis on a teb basis neutralizes the impact of investing in tax-exempt or tax-advantaged securities rather than fully taxable securities with higher yields. It reduces distortions in net interest income related to the choice of tax-advantaged and taxable investments.

Provisions for Credit Losses
Provisions for credit losses are generally allocated to each group based on expected losses for that group over an economic cycle. Differences between expected loss provisions and provisions required under GAAP are included in Corporate Support.

Inter-Group Allocations
Various estimates and allocation methodologies are used in the preparation of the operating groups' financial information. We allocate expenses directly related to earning revenue to the groups that earned the related revenue. Expenses not directly related to earning revenue, such as overhead expenses, are allocated to operating groups using allocation formulas applied on a consistent basis. Operating group net interest income reflects internal funding charges and credits on the groups' assets, liabilities and capital, at market rates, taking into account relevant terms and currency considerations. The offset of the net impact of these charges and credits is reflected in Corporate Support.

Geographic Information
We operate primarily in Canada and the United States but also have operations in the United Kingdom, Europe, the Caribbean and Asia, which are grouped in Other Countries. We allocate our results by geographic region based on the location of the unit responsible for managing the related assets, liabilities, revenues and expenses, except for the consolidated provision for credit losses, which is allocated based upon the country of ultimate risk.

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

BANK OF MONTREAL
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the nine months ended July 31, 2006
(Unaudited)

10. **Operating and Geographic Segmentation** (continued)

Our results and average assets, allocated by operating segment, are as follows:

(Canadian $ in millions)

For the three months ended **July 31, 2006**	P&C Canada	P&C Chicagoland Banking	PCG	IBG	Corporate Support (1)	Total (teb basis) (2)	Teb adjustments	Total (GAAP basis)
Net interest income	$ 759	$ 184	$ 148	$ 201	$ (25)	$ 1,267	$ (33)	$ 1,234
Non-interest revenue	469	45	329	477	16	1,336	-	1,336
Total Revenue	1,228	229	477	678	(9)	2,603	(33)	2,570
Provision for credit losses	78	8	1	20	(65)	42	-	42
Non-interest expense	676	169	341	387	27	1,600	-	1,600
Income before taxes and non-controlling interest in subsidiaries	474	52	135	271	29	961	(33)	928
Income taxes	129	21	50	70	(38)	232	(33)	199
Non-controlling interest in subsidiaries	-	-	-	-	19	19	-	19
Net Income	$ 345	$ 31	$ 85	$ 201	$ 48	$ 710	$ -	$ 710
Average Assets	$ 115,777	$ 21,879	$ 6,611	$ 165,473	$ 4,917	$ 314,657	$ -	$ 314,657
Goodwill (As At)	$ 93	$ 587	$ 324	$ 98	$ 2	$ 1,104	$ -	$ 1,104

For the three months ended July 31, 2005	P&C Canada	P&C Chicagoland Banking	PCG	IBG	Corporate Support (1)	Total (teb basis) (2)	Teb adjustments	Total (GAAP basis)
Net interest income	$ 717	$ 189	$ 147	$ 232	$ (41)	$ 1,244	$ (30)	$ 1,214
Non-interest revenue	382	40	332	415	28	1,197	-	1,197
Total Revenue	1,099	229	479	647	(13)	2,441	(30)	2,411
Provision for credit losses	67	8	1	24	(27)	73	-	73
Non-interest expense	614	170	381	374	30	1,569	-	1,569
Income before taxes and non-controlling interest in subsidiaries	418	51	97	249	(16)	799	(30)	769
Income taxes	141	21	34	65	(23)	238	(30)	208
Non-controlling interest in subsidiaries	-	-	-	-	14	14	-	14
Net Income	$ 277	$ 30	$ 63	$ 184	$ (7)	$ 547	$ -	$ 547
Average Assets	$ 106,765	$ 21,911	$ 7,223	$ 152,087	$ 4,839	$ 292,825	$ -	$ 292,825
Goodwill (As At)	$ 93	$ 588	$ 818	$ 102	$ 3	$ 1,604	$ -	$ 1,604

For the nine months ended **July 31, 2006**	P&C Canada	P&C Chicagoland Banking	PCG	IBG	Corporate Support (1)	Total (teb basis) (2)	Teb adjustments	Total (GAAP basis)
Net interest income	$ 2,185	$ 556	$ 424	$ 582	$ (124)	$ 3,623	$ (94)	$ 3,529
Non-interest revenue	1,236	125	1,004	1,565	65	3,995	-	3,995
Total Revenue	3,421	681	1,428	2,147	(59)	7,618	(94)	7,524
Provision for credit losses	235	23	2	60	(160)	160	-	160
Non-interest expense	1,922	503	1,000	1,207	108	4,740	-	4,740
Income before taxes and non-controlling interest in subsidiaries	1,264	155	426	880	(7)	2,718	(94)	2,624
Income taxes	394	63	151	206	(120)	694	(94)	600
Non-controlling interest in subsidiaries	-	-	-	-	57	57	-	57
Net Income	$ 870	$ 92	$ 275	$ 674	$ 56	$ 1,967	$ -	$ 1,967
Average Assets	$ 113,706	$ 21,812	$ 6,490	$ 158,715	$ 4,731	$ 305,454	$ -	$ 305,454
Goodwill (As At)	$ 93	$ 587	$ 324	$ 98	$ 2	$ 1,104	$ -	$ 1,104

For the nine months ended July 31, 2005	P&C Canada	P&C Chicagoland Banking	PCG	IBG	Corporate Support (1)	Total (teb basis) (2)	Teb adjustments	Total (GAAP basis)
Net interest income	$ 2,088	$ 548	$ 430	$ 780	$ (164)	$ 3,682	$ (89)	$ 3,593
Non-interest revenue	1,123	125	1,034	1,255	89	3,626	-	3,626
Total Revenue	3,211	673	1,464	2,035	(75)	7,308	(89)	7,219
Provision for credit losses	202	23	3	74	(180)	122	-	122
Non-interest expense	1,831	496	1,131	1,105	143	4,706	-	4,706
Income before taxes and non-controlling interest in subsidiaries	1,178	154	330	856	(38)	2,480	(89)	2,391
Income taxes	375	63	117	229	(78)	706	(89)	617
Non-controlling interest in subsidiaries	-	-	-	-	42	42	-	42
Net Income	$ 803	$ 91	$ 213	$ 627	$ (2)	$ 1,732	$ -	$ 1,732
Average Assets	$ 104,933	$ 20,838	$ 7,112	$ 157,452	$ 4,965	$ 295,300	$ -	$ 295,300
Goodwill (As At)	$ 93	$ 588	$ 818	$ 102	$ 3	$ 1,604	$ -	$ 1,604

(1) Corporate Support includes Technology and Solutions.
(2) Taxable equivalent basis - see Basis of Presentation section.

10. **Operating and Geographic Segmentation** (continued)

Our results and average assets, allocated by geographic region, are as follows:

(Canadian $ in millions), Taxable equivalent basis(1)

For the three months ended **July 31, 2006**	Canada	United States	Other Countries	Total
Net interest income	**$ 925**	**$ 303**	**$ 39**	**$ 1,267**
Non-interest revenue	**1,007**	**286**	**43**	**1,336**
Total Revenue	**1,932**	**589**	**82**	**2,603**
Provision for credit losses	**56**	**(14)**	**-**	**42**
Non-interest expense	**1,129**	**439**	**32**	**1,600**
Income before taxes and non-controlling interest in subsidiaries	**747**	**164**	**50**	**961**
Income taxes	**204**	**46**	**(18)**	**232**
Non-controlling interest in subsidiaries	**14**	**5**	**-**	**19**
Net Income	**$ 529**	**$ 113**	**$ 68**	**$ 710**
Average Assets	**$ 203,367**	**$ 83,083**	**$ 28,207**	**$ 314,657**

For the three months ended July 31, 2005	Canada	United States	Other Countries	Total
Net interest income	$ 868	$ 323	$ 53	$ 1,244
Non-interest revenue	859	298	40	1,197
Total Revenue	1,727	621	93	2,441
Provision for credit losses	56	25	(8)	73
Non-interest expense	1,074	463	32	1,569
Income before taxes and non-controlling interest in subsidiaries	597	133	69	799
Income taxes	193	42	3	238
Non-controlling interest in subsidiaries	8	6	-	14
Net Income	$ 396	$ 85	$ 66	$ 547
Average Assets	$ 192,457	$ 72,409	$ 27,959	$ 292,825

For the nine months ended **July 31, 2006**	Canada	United States	Other Countries	Total
Net interest income	**$ 2,608**	**$ 908**	**$ 107**	**$ 3,623**
Non-interest revenue	**2,941**	**919**	**135**	**3,995**
Total Revenue	**5,549**	**1,827**	**242**	**7,618**
Provision for credit losses	**161**	**-**	**(1)**	**160**
Non-interest expense	**3,361**	**1,278**	**101**	**4,740**
Income before taxes and non-controlling interest in subsidiaries	**2,027**	**549**	**142**	**2,718**
Income taxes	**533**	**181**	**(20)**	**694**
Non-controlling interest in subsidiaries	**41**	**16**	**-**	**57**
Net Income	**$ 1,453**	**$ 352**	**$ 162**	**$ 1,967**
Average Assets	**$ 199,062**	**$ 80,069**	**$ 26,323**	**$ 305,454**

For the nine months ended July 31, 2005	Canada	United States	Other Countries	Total
Net interest income	$ 2,613	$ 966	$ 103	$ 3,682
Non-interest revenue	2,544	958	124	3,626
Total Revenue	5,157	1,924	227	7,308
Provision for credit losses	140	8	(26)	122
Non-interest expense	3,244	1,371	91	4,706
Income before taxes and non-controlling interest in subsidiaries	1,773	545	162	2,480
Income taxes	586	158	(38)	706
Non-controlling interest in subsidiaries	25	17	-	42
Net Income	$ 1,162	$ 370	$ 200	$ 1,732
Average Assets	$ 196,786	$ 73,040	$ 25,474	$ 295,300

(1) Taxable equivalent basis - see Basis of Presentation section.