FINANCIAL PERFORMANCE REVIEW

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

(Canadian $ in millions, except as noted)

	Q3-2006	Q2-2006	Q3-2005	YTD-2006	YTD-2005
Net interest income per financial statements (a)	**1,234**	1,113	1,214	**3,529**	3,593
Non-interest revenue	**1,336**	1,360	1,197	**3,995**	3,626
Revenue per financial statements (b)	**2,570**	2,473	2,411	**7,524**	7,219
Taxable equivalent basis (teb) adjustment (c)	**33**	30	30	**94**	89
Net interest income (teb) (a+c) (d) [1]	**1,267**	1,143	1,244	**3,623**	3,682
Non-interest revenue	**1,336**	1,360	1,197	**3,995**	3,626
Revenue (teb) (e) [1]	**2,603**	2,503	2,441	**7,618**	7,308
Provision for income taxes per financial statements	**199**	177	208	**600**	617
Taxable equivalent basis adjustment	**33**	30	30	**94**	89
Provision for income taxes (teb) [1]	**232**	207	238	**694**	706
Non-interest expense (f)	**1,600**	1,560	1,569	**4,740**	4,706
Amortization of intangible assets	**(10)**	(12)	(24)	**(33)**	(72)
Cash-based expense (g) [1]	**1,590**	1,548	1,545	**4,707**	4,634
Net income	**710**	651	547	**1,967**	1,732
Amortization of intangible assets, net of income taxes	**9**	9	17	**27**	57
Cash net income [1]	**719**	660	564	**1,994**	1,789
Preferred share dividends	**(6)**	(8)	(6)	**(22)**	(22)
Charge for capital [1]	**(364)**	(350)	(340)	**(1,067)**	(979)
Net economic profit [1]	**349**	302	218	**905**	788
Non-interest expense-to-revenue ratio [2] (%) ((f/b) x 100)	**62.3**	63.1	65.1	**63.0**	65.2
Non-interest expense-to-revenue (teb) ratio [1] [2] (%) ((f/e) x 100)	**61.5**	62.3	64.3	**62.2**	64.4
Cash non-interest expense-to-revenue (teb) ratio [1] [2] (%) ((g/e) x 100)	**61.1**	61.9	63.4	**61.8**	63.4
Net interest margin annualized (%) ((a/average assets) x 100)	**1.56**	1.51	1.65	**1.54**	1.63
Net interest margin (teb) annualized [1] (%) ((d/average assets) x 100)	**1.60**	1.55	1.68	**1.59**	1.67
EPS (uses net income) ($)	**1.38**	1.25	1.07	**3.80**	3.35
Cash EPS [1] (uses cash net income) ($)	**1.40**	1.27	1.10	**3.86**	3.46

[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, second and third quarters of 2006 were lowered relative to the comparable periods 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 usually partially mitigate the impact of exchange rate fluctuations within a single quarter.

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		Q3-2006		YTD-2006
(Canadian $ millions, except as noted)		vs. Q3-2005	vs. Q2-2006	vs. YTD-2005
Canadian/U.S. dollar exchange rate (average)	--- Current period	1.1164	1.1164	1.1379
	--- Prior period	1.2350	1.1413	1.2261
Reduced net interest income		(21)	(4)	(49)
Reduced non-interest revenue		(42)	(9)	(91)
Reduced total revenue		(63)	(13)	(140)
Reduced expense		41	9	92
Reduced provision for credit losses		3	1	4
Reduced income taxes		6	1	26
Reduced net income before hedging gains		(13)	(2)	(18)
Hedging gains (losses)		(2)	(2)	2
Income taxes thereon		1	1	(1)
Increased (reduced) net income		(14)	(3)	(17)

Note: Hedging gains totalled $1 million for the second quarter and $4 million for the year-to-date period ended Q2, 2006, rather than the $7 million and $8 million previously reported.

Value Measures

Annualized ROE was 20.3% for the quarter, up from 16.8% a year ago and 19.3% in the second quarter. Year to date, annualized ROE was 19.2%, above our annual target of 17% to 19% ROE and the 18.4% return of a year ago.

EPS of $1.38 increased $0.31 or 29% from the third quarter of 2005 and $0.13 or 10% from the second quarter. Year to date, EPS of $3.80 was up $0.45 or 13% from the comparable period a year ago. Excluding the reduction in the general allowance in 2005, EPS for the year-to-date period in 2006 was up 15%, above our annual target of 5% to 10% EPS growth on that basis.

Net economic profit (NEP) was $349 million (see the Non-GAAP Measures section), compared with $218 million in the third quarter of 2005. Year to date, NEP was $905 million, up from $788 million in the first nine months of 2005.

Although the total shareholder return (TSR) on an investment in BMO common shares was (0.3%) in the third quarter, this performance was the best of Canada's major banks and above the S&P/TSX Composite average total return. The TSR for the twelve months ended July 31, 2006 was 8.0% and BMO's average annual TSR for the five-year period ended July 31, 2006 was 12.8%, the fourth best of the banks and above the comparable S&P/TSX Composite average annual total return of 11.2%. 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. Net income by operating group is reviewed in more detail in the Review of Operating Group Performance that follows.

Net income from U.S.-based businesses totalled CDN$113 million or 15.9% of BMO's net income in the quarter, compared with CDN$85 million and 15.5% a year ago. Year to date, net income from U.S.-based businesses totalled CDN$352 million or 17.9% of BMO's net income, compared with CDN$370 million and 21.4% for the comparable period in 2005.

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)	**Q3-2006**	**Increase (Decrease) vs. Q3-2005**	**Increase (Decrease) vs. Q2-2006**	**YTD-2006**	**Increase (Decrease) vs. YTD-2005**
P&C Canada	**260**	(6)	8	**257**	(9)
P&C Chicagoland Banking	**338**	(5)	(7)	**341**	(11)
Personal and Commercial Client Group	**272**	(7)	4	**270**	(10)
Private Client Group	**887**	81	5	**874**	65
Investment Banking Group	**48**	(13)	2	**49**	(17)
Corporate Support, including Technology and Solutions (T&S)	**nm**	nm	nm	**nm**	nm
Total BMO	**160**	(8)	5	**159**	(8)

nm - not meaningful

Net interest income was $1,267 million, an increase of $23 million from the third quarter of last year. Net interest margin was 1.60%, down 8 basis points from a year ago. Average assets rose $21.8 billion. Average assets of Personal and Commercial Client Group increased $9.0 billion due to growth in both residential mortgages and personal and commercial loans, which have continued to grow strongly, in part due to active housing markets. Investment Banking Group's average assets rose by $13.4 billion due to higher derivative assets, trading securities, reverse repos and corporate banking assets.

Personal and Commercial Client Group net interest margin fell 7 basis points from a year ago. P&C Canada net interest margin was 6 basis points lower, due to total loans growing faster than deposits, aggressive mortgage pricing in a competitive market and the interest rate environment. Rising interest rates caused narrower spreads on variable rate mortgage and loan products, mitigated by improved deposit spread. P&C Chicagoland Banking net interest margin was 5 basis points lower due to 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 13 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.

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. Most of the revenue related to these trading assets consists of mark-to-market gains. These gains are included in non-interest trading revenues and are significantly higher than trading net interest income. Trading net interest income was lower than a year ago, but improved from the second quarter. Lower trading net interest income was due primarily to increased funding costs and contributed to reductions in the net interest margin in Investment Banking Group relative to a year ago. Total interest and non-interest trading revenues were $172 million in the third quarter, up $41 million from the prior year but down $7 million from the strong trading revenues of the second quarter.

Relative to the second quarter, net interest income rose $124 million, in part due to three more calendar days in the third quarter. Average assets rose $11.8 billion, of which approximately three-quarters was attributable to Investment Banking Group. Net interest margin increased 5 basis points to 1.60%. P&C Canada's net interest margin improved by 8 basis points, primarily due to disciplined pricing in certain deposit categories, shifts to higher spread products and increased mortgage refinancing fees as customers transferred from variable to fixed rate mortgages. P&C Chicagoland Banking net interest margin fell by 7 basis points, as improved spread on deposits was offset by a decrease in loan spreads, caused by competitive pressures. Net interest margin in Investment Banking Group rose 2 basis points, primarily due to improved trading net interest income and higher cash collections on previously impaired loans. Improved net interest income in Corporate Support contributed to BMO's higher net interest margin.

BMO's net interest margin was lowered by approximately 12 basis points in the first and second quarters of 2005 and by 8 basis points for the nine months ended July 31, 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. The VIE assets lowered Investment Banking Group's net interest margin by approximately 9 basis points in the first and second quarters of 2005 and by 6 basis points for the first nine months of 2005. On April 29, 2005, we completed a restructuring of these VIEs; consequently, the VIE assets were no longer included in BMO's balance sheet as of that date.

Year to date, net interest income declined by $59 million to $3,623 million. Average assets increased $10.2 billion but were $24 billion higher, adjusted for the VIE assets. Approximately $10 billion of the latter increase was attributable to Personal and Commercial Client Group and the balance was primarily attributable to Investment Banking Group. BMO's overall net interest margin was down 8 basis points or by 16 basis points excluding the impact of VIE assets. Net interest margin was lower in Canadian and U.S. retail and business banking and in Investment Banking Group, for reasons largely consistent with the explanation of the decline in the third quarter relative to a year ago.

BMO's non-interest revenue in the third quarter increased $139 million or 12% from the prior year to $1,336 million, but increased $170 million or 15% excluding Harris*direct*. In P&C Canada, revenues included the $38 million gain on the MasterCard IPO, higher cards, securitization and insurance revenues as well as revenues from increased sales of term investment products and mutual funds. Private Client Group's non-interest revenue was up strongly, after adjusting for the prior year's $31 million contribution from Harris*direct*. The increase was driven by improved trade volumes in direct investing and higher managed asset levels in our mutual fund businesses. Investment Banking Group's revenue also increased, driven by significantly higher trading income (commodity, equity, interest rate and foreign exchange) and increased securities commissions and merger and acquisition revenues. There was decreased debt and equity underwriting activity and lower net investment securities gains. BMO's net investment securities gains totalled $51 million in the quarter, but were $13 million excluding the gain on the MasterCard IPO, down $24 million from a year ago. The weaker U.S. dollar reduced the overall pace of growth in non-interest revenues.

Relative to the second quarter, non-interest revenue declined $24 million or 1.7%. P&C Canada's non-interest revenue rose strongly, driven by the gain on the MasterCard IPO and higher cards, securitization and insurance revenues. Private Client Group non-interest revenue declined, as trading commissions were lower due to seasonal factors and softer market conditions. Investment Banking Group's non-interest revenue also declined, reflecting reductions in trading income and investment securities gains as well as lower equity and debt underwriting fees, partially offset by higher merger and acquisition fees. BMO's net investment securities gains were $17 million lower, excluding the MasterCard IPO gain, while the weaker U.S. dollar also contributed to lower non-interest revenue.

Year to date, non-interest revenue increased $369 million or 10% to $3,995 million, but increased $475 million or 14% excluding Harris*direct*. Investment Banking Group's non-interest revenue rose $310 million, as increased commodity derivatives trading revenues were up sharply due to favourable trading conditions and increased client activities associated with higher volatility in energy prices. Equity, foreign exchange and interest rate trading revenues were also higher. Merger and acquisition revenue improved significantly, while securities commissions and debt underwriting revenue also increased. Prior year revenues included the $44 million gain on the restructuring of VIEs. Private Client Group's non-interest revenue was up strongly, after adjusting for the prior year's $106 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. Personal and Commercial Client Group revenue also increased, due to the MasterCard IPO gain, higher cards and insurance revenues and increased sales of term investment and mutual fund products, partially offset by lower securitization revenue. BMO's net investment securities gains were down $25 million from the comparable period, excluding the MasterCard IPO gain. The weaker U.S. dollar reduced the overall pace of growth in non-interest revenues.

Non-Interest Expense

Non-interest expense in the third quarter of 2006 increased $31 million or 2.0% from a year ago to $1,600 million, but increased $98 million or 6.6% excluding Harris*direct*. The weaker U.S. dollar lowered expense growth by $41 million or 2.7%. There were increased severance costs in Investment Banking Group and higher revenue-based costs in Private Client Group. In Canada, retail and business banking costs rose due to higher employee-related costs resulting from an expansion of both our retail and commercial sales forces and higher marketing costs. Acquisition-related expenses and branch expansion drove the expense increase in P&C Chicagoland Banking. Increased initiative expenditures in both Canada and the United States added to retail and business banking expenses.

Non-interest expense increased $40 million or 2.7% from the second quarter, in part due to three more calendar days in the third quarter. There were increased employee-related costs in P&C Canada, related to the expansion of the sales forces. Expenses declined in P&C Chicagoland Banking, because of the weaker U.S. dollar and increased credit and marketing expenses in the second quarter. Costs rose in Private Client Group due to increased investment in our sales force, while lower performance-based costs reduced Investment Banking Group's expenses.

Year to date, non-interest expense increased $34 million or 0.7% to $4,740 million, but increased $217 million or 4.8% excluding Harris*direct*. The weaker U.S. dollar lowered expense growth by $92 million or 2.0%. Increased expenses were primarily due to the same factors that contributed to higher expenses in the third quarter relative to a year ago.

The productivity ratio was 61.5% in the third quarter of 2006, compared with 64.3% a year ago and 62.3% in the second quarter. The cash productivity ratio improved 226 basis points from a year ago to 61.1%, or by 120 basis points excluding Harris*direct* in the year-ago period. Year to date, our productivity ratio improved 217 basis points from a year ago to 62.2%, while our cash productivity ratio improved by 162 basis points to 61.8%, 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)	Q3-2006	Q2-2006	Q3-2005	YTD-2006	YTD-2005
New specific provisions	**109**	116	113	**314**	314
Reversals of previously established allowances	**(34)**	(15)	(19)	**(66)**	(100)
Recoveries of loans previously written-off	**(33)**	(35)	(21)	**(88)**	(52)
Specific provision for credit losses	**42**	66	73	**160**	162
Reduction of the general allowance	**-**	-	-	**-**	(40)
Provision for (recovery of) credit losses	**42**	66	73	**160**	122
Specific PCL as a % of average net loans and acceptances (annualized)	0.09%	0.14%	0.17%	0.12%	0.13%
PCL as a % of average net loans and acceptances (annualized)	0.09%	0.14%	0.17%	0.12%	0.10%

Changes in Gross Impaired Loans and Acceptances (GIL)

GIL, Beginning of Period	**771**	745	1,052	**804**	1,119
Additions to impaired loans & acceptances	**83**	173	91	**334**	318
Reductions in impaired loans & acceptances	**(101)**	(56)	(96)	**(223)**	(211)
Write-offs	**(90)**	(91)	(115)	**(252)**	(294)
GIL, End of Period	**663**	771	932	**663**	932
GIL as a % of gross loans & acceptances	0.35%	0.41%	0.54%	0.35%	0.54%
GIL as a % of equity and allowances for credit losses	3.86%	4.58%	5.93%	3.86%	5.93%

The provision for credit losses totalled $42 million in the quarter, compared with $73 million in the third quarter of 2005 and $66 million in the second quarter of 2006. Year to date, the provision totalled $160 million, compared with $122 million a year ago. The provision in the prior year to date was comprised of $162 million of specific provisions and a $40 million reduction in the general allowance. There was no reduction in the general allowance in the third quarter of 2006, or in the comparative quarters.

Specific provisions continue at low levels, representing an annualized 9 basis points of average net loans and acceptances, including securities purchased under resale agreements. Year to date, specific provisions represent an annualized 12 basis points of average net loans and acceptances, improving from 13 basis points in the prior year and continue to be appreciably lower than the 33 basis points average of the past five fiscal years. The components of the specific provision are outlined in the Provisions for Credit Losses table above. New specific provisions have remained consistent with 2005 levels but recoveries are significantly higher in 2006, due to favourable market conditions combined with our effective loan realization practices.

Gross impaired loans and acceptances decreased during the quarter to $663 million from $771 million in the second quarter, and from $932 million a year ago. Factors contributing to the changes are outlined in the preceding table. Impaired loan formations totalled $83 million, down from $173 million in the second quarter and $91 million a year earlier. Reductions in impaired loans included a $71 million loan that became impaired in the second quarter but was subsequently repaid in the third quarter. In the current quarter, $8 million in impaired loans were sold for proceeds totalling $17 million, resulting in recoveries of past write offs of $9 million. There were no sales of impaired loans in the third quarter of the prior year. Year to date, sales of impaired loans totalled $47 million with associated reversals and recoveries of $27 million, compared with sales of $31 million and reversals and recoveries of $10 million in the prior period.

The total allowance for credit losses of $1,107 million at the end of the third quarter was comprised of specific allowances of $164 million and a general allowance of $943 million. The specific allowance was down $14 million from the second quarter and down $64 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 current credit portfolio that cannot yet be associated with specific credit assets. It is assessed on a quarterly basis and increased $4 million from the second quarter, due to the impact of the change in the Canadian/U.S. dollar exchange rate on the U.S.-denominated portion of the general allowance. 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 84.4% of the loan portfolio at the end of the third quarter, relatively unchanged from the second quarter and a year ago.

We continue to monitor those industry sectors considered to be of most concern in today's economy, including auto, forestry and those sectors considered to be particularly sensitive to high energy prices and the strong Canadian dollar. BMO's exposures to these sectors remains well within acceptable levels. We expect that short-term conditions will remain relatively stable, but continue to anticipate some weakening of the credit environment and an increase in provisions for credit losses over time. Based on these expectations and the year-to-date level of specific provisions, we now anticipate specific provisions of $250 million or less for the full year, below the 2006 target of $400 million or less established at the beginning of the year and the $325 million estimate established following the first quarter.

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 increased quarter-over-quarter as a result of increased money market and commodities exposures. 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 market risk since the end of fiscal 2005. There were no significant changes to our management practices related to market risk, liquidity and funding during the quarter or since the end of last year.

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		
	Jul. 31 2006	Apr. 30 2006	Oct. 31 2005	**Jul. 31 2006**	Apr. 30 2006	Oct. 31 2005
Trading and Underwriting	**(23.5)**	(12.5)	(11.6)	**(14.6)**	(11.2)	(9.1)
Structural	**(251.9)**	(267.1)	(326.3)	**(23.5)**	(26.1)	(28.1)
Total	**(275.4)**	(279.6)	(337.9)	**(38.1)**	(37.3)	(37.2)

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

Total Trading and Underwriting MVE Summary ($ millions)*

	For the quarter ended July 31, 2006				As at April 30, 2006	As at October 31, 2005
(Pre-tax Canadian equivalent)	Quarter-end	Average	High	Low	Quarter-end	Quarter-end
Commodity VaR	(13.8)	(5.8)	(13.8)	(2.4)	(5.7)	(3.2)
Equity VaR	(4.6)	(5.0)	(8.8)	(3.8)	(4.7)	(3.8)
Foreign exchange VaR	(2.6)	(3.3)	(5.1)	(0.2)	(0.5)	(0.4)
Interest rate VaR (mark-to-market)	(2.6)	(3.8)	(7.2)	(1.2)	(5.0)	(3.8)
Correlation	8.7	8.0	10.8	5.6	6.7	5.5
Comprehensive VaR	(14.9)	(9.9)	(14.9)	(7.4)	(9.2)	(5.7)
Interest rate VaR (accrual)	(16.9)	(11.2)	(17.3)	(5.6)	(5.7)	(8.0)
Issuer Risk	(4.3)	(4.9)	(6.6)	(3.5)	(4.3)	(4.1)
Total MVE	(36.1)	(26.0)	(36.1)	(18.0)	(19.2)	(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**		
	Jul. 31 2006	Apr. 30 2006	Oct. 31 2005	**Jul. 31 2006**	Apr. 30 2006	Oct. 31 2005
100 basis point increase	**(222.6)**	(235.3)	(228.8)	**21.6**	20.4	25.1
100 basis point decrease	**184.0**	200.3	191.9	**(17.2)**	(19.9)	(22.4)
200 basis point increase	**(468.7)**	(487.3)	(478.0)	**30.2**	33.9	44.1
200 basis point decrease	**322.7**	351.7	347.3	**(16.2)**	(28.1)	(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 decreased $6 million from the third quarter a year ago and increased $25 million from the second quarter to $232 million.

The effective tax rate for the quarter was 24.1%, compared with 23.6% in the second quarter and 29.6% in the third quarter a year ago.

Year to date, the provision for income taxes declined $12 million to $694 million. There were $52 million of recoveries of prior years' income taxes recorded in the first nine months of 2005 and a $26 million recovery in the third quarter of 2006. The effective tax rate in the current year-to-date period was 25.5%, down from 28.5% in the comparable period a year ago, as business-based initiatives continue to reduce our effective tax rate. We consider the sustainable income tax rate to be 28-30%.

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. Hedging of the investments in U.S. operations has given rise to an income tax recovery of $41 million in shareholders' equity for the quarter and an income tax charge of $133 million for the year to date. 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)	**Q3 2006**	**Q2 2006**	**Q1 2006**	**Q4 2005**	**Q3 2005**	**Q2 2005**	**Q1 2005**	**Q4 2004**
Total revenue (teb)	**2,603**	2,503	2,512	2,650	2,441	2,428	2,439	2,279
Provision for credit losses - specific	**42**	66	52	57	73	46	43	37
Provision for credit losses - general	**-**	-	-	-	-	(40)	-	(50)
Non-interest expense	**1,600**	1,560	1,580	1,626	1,569	1,570	1,567	1,486
Net income	**710**	651	606	664	547	607	578	554
Basic earnings per share ($)	**1.41**	1.28	1.19	1.31	1.08	1.20	1.14	1.09
Diluted earnings per share ($)	**1.38**	1.25	1.17	1.28	1.07	1.17	1.11	1.07
Net interest margin	**1.56**	1.51	1.57	1.58	1.65	1.59	1.64	1.81
Canadian/U.S. dollar exchange rate (average)	**1.12**	1.14	1.16	1.18	1.24	1.23	1.21	1.26
Operating group net income:								
P&C Canada	**345**	259	266	271	277	263	263	236
P&C Chicagoland Banking	**31**	27	34	34	30	30	31	31
Personal and Commercial Client Group	**376**	286	300	305	307	293	294	267
Private Client Group	**85**	96	94	107	63	77	73	53
Investment Banking Group	**201**	245	228	226	184	206	237	190
Corporate Support, including T&S	**48**	24	(16)	26	(7)	31	(26)	44
BMO Financial Group net income	**710**	651	606	664	547	607	578	554

BMO's quarterly earnings trends were reviewed in detail on pages 76 and 77 of the 2005 Annual Report. The above table outlines summary results for the fourth quarter of fiscal 2004 through the third quarter of fiscal 2006. Although the most recent quarter's provisions for credit losses were low, in part due to reversals and recoveries from sales, provisions 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 first, second and fourth quarters of 2005 were 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, low interest rate environment but P&C Canada's net interest margin improved in the most recent quarter, along with its profitability. Low effective tax rates contributed to BMO's improved performance in the second and third quarters of 2006. Investment Banking Group's results in 2006 have benefited from high, but declining, trading revenues. 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 for the coming quarter.

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 fourth 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.

A significant factor affecting results in 2006 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 $311.6 billion increased $17.7 billion from October 31, 2005. The increase reflects growth in net loans and acceptances ($15.6 billion), other assets ($1.5 billion) and securities ($1.2 billion), partially offset by a $0.6 billion decrease in cash resources.

The $15.6 billion increase in net loans and acceptances was largely due to a $5.6 billion increase in loans to businesses and governments, consistent with our strategy to grow our commercial business, and a $5.0 billion increase in residential mortgages and other personal loans, driven in part by the low interest rate environment and the active housing market. There was a $3.6 billion increase in securities borrowed or purchased under resale agreements, driven by customer demand, and $1.4 billion increase in acceptances, consistent with our strategy to grow the corporate banking portfolio.

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. Prior periods' financial statements have been restated for this change, as outlined in Note 2 to the unaudited interim consolidated financial statements.

The $1.2 billion increase in securities was comprised of a $0.6 billion increase in trading securities and a $0.6 billion increase in investment securities. The increases were due to normal trading and investing activity. The excess of investment securities' book value over market value increased $22 million from October 31, 2005, to $25 million, mainly reflecting higher unrealized losses on fixed income investments in the rising interest rate environment, partially offset by higher unrealized gains on equity investments.

The $1.5 billion increase in other assets was mainly due to higher derivative assets, reflecting increased client activity and volatility in the interest rate, foreign exchange and commodities markets. The $0.6 billion decrease in cash resources was primarily due to lower interest bearing deposits with other banks, resulting from an interest rate environment unfavourable for reinvestment.

Liabilities and shareholders' equity increased $17.7 billion from October 31, 2005, primarily due to increases in deposits ($8.3 billion), other liabilities ($8.3 billion) and shareholders equity ($0.9 billion).

Deposits by banks, which account for 13% of total deposits, increased $0.9 billion. Deposits by businesses and governments, which account for 49% of total deposits, increased $7.4 billion, while deposits from individuals, which account for 38% of total deposits, were unchanged. Increased deposits were used to fund the growth in loans, particularly in Investment Banking Group.

The $8.3 billion increase in other liabilities included a $5.5 billion increase in securities lent or sold under repurchase agreements, which was used to fund growth in trading securities and securities borrowed or purchased under resale agreements. The $2.6 billion change in derivative liabilities reflected increased client activity and volatility in the interest rate, foreign exchange and commodities markets.

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 10.07%, down from 10.20% at the end of the second quarter and 10.30% at the end of 2005, but well above our minimum target of 8.0%. The decreases were primarily attributable to increases in risk-weighted assets. The increase in risk-weighted assets relative to the second quarter was largely due to loan growth in Investment Banking Group, while the increase from the end of 2005 was largely due to loan growth in both Personal and Commercial Client Group and Investment Banking Group.

The total capital ratio was 11.59%, compared with 11.76% at the end of the second quarter and 11.82% at the end of last year. Again, the decreases were primarily due to risk-weighted asset growth.

On May 24, 2006, BMO announced that it was increasing its target dividend payout range to 45-55% of net income available to common shareholders. The increase, from 35-45%, is reflective of our confidence in our continued ability to increase earnings and our strong capital position. Our disciplined approach to capital management will allow us to continue to execute our attractive growth strategies and maintain our longstanding commitment to enhancing shareholder value. In keeping with the new payout target, BMO also announced, at that time, a 17% increase in its third quarter dividend to common shareholders, increasing the quarterly dividend by $0.09 from $0.53 to $0.62 per common share, up 35% from $0.46 a year ago. The return on BMO common shares was the best of Canada's major banks in the third quarter.

During the quarter, we repurchased 2,544,900 Bank of Montreal common shares under our common share repurchase program at an average cost of $61.90 per share, for a total cost of $158 million. Year to date, we repurchased 4,944,400 common shares at an average cost of $63.13 per share, for a total cost of $312 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 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 common share repurchase program is primarily intended to offset, over time, the impact of dilution caused by the exercise of stock options, our dividend reinvestment plan and the conversion of convertible shares. Subsequent to the quarter end, BMO's Board of Directors authorized management to file a Notice of Intention to make a new normal-course issuer bid, subject to the approval of the Toronto Stock Exchange, to repurchase for cancellation up to 15 million Bank of Montreal common shares, representing approximately 3% of BMO's public float.

Outstanding Shares and Securities Convertible into Common Shares

As of August 16, 2006	Number of shares or Canadian dollar amount
Common shares	499,978,000
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	20,635,000
- non-vested	3,754,000

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 have been no amounts advanced under these preferred rate loan agreements in fiscal 2006, except for mortgage loans related to staff transfers we initiated.

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 nine months ended July 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. Note 2 to the unaudited interim consolidated financial statements for the periods ended July 31, 2006 describes changes to our accounting policies.

We have adopted, on a retroactive basis, The Canadian Institute of Chartered Accountants (CICA's) 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. Since most stock compensation awards are granted in the first quarter of each year, this change results in increased compensation expense in the first quarter of each year and decreased compensation expense for the remainder of the year. The change reduced compensation costs by $11 million ($8 million after tax) in the third quarter and increased compensation costs by $13 million ($9 million after tax) for the year to date and is more fully described in Note 2 to the unaudited interim consolidated financial statements.

We have adopted, on a retroactive basis, a change in accounting policy to account, for balance sheet purposes, for the purchase or sale of securities on a settlement date basis, rather than a trade date basis. The change results in reductions in trading securities and in amounts due to and amounts due from brokers. The change, which increased our net interest margin for the quarter and comparative periods by a small amount, is also more fully explained in Note 2 to the unaudited interim consolidated financial statements.

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 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 withdrew the accounting standard amending the calculation of diluted earnings per share. The timing on the issuance of new guidance has not been determined.

REVIEW OF OPERATING GROUPS' PERFORMANCE

The following sections review the financial results of each of our operating segments and operating groups for the third 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 Q3–2006

	Q3-2006					YTD-2006				
(Canadian $ in millions, except as noted)	P&C	PCG	IBG	Corp. incl. T&S	Total BMO	P&C	PCG	IBG	Corp. incl. T&S	Total BMO
Net interest income (teb)	943	148	201	(25)	1,267	2,741	424	582	(124)	3,623
Non-interest revenue	514	329	477	16	1,336	1,361	1,004	1,565	65	3,995
Total revenue (teb)	1,457	477	678	(9)	2,603	4,102	1,428	2,147	(59)	7,618
Provision for (recovery of) credit losses	86	1	20	(65)	42	258	2	60	(160)	160
Non-interest expense	845	341	387	27	1,600	2,425	1,000	1,207	108	4,740
Income before income taxes and non-controlling interest in subsidiaries	526	135	271	29	961	1,419	426	880	(7)	2,718
Income taxes (teb)	150	50	70	(38)	232	457	151	206	(120)	694
Non-controlling interest in subsidiaries	-	-	-	19	19	-	-	-	57	57
Net income Q3-2006	376	85	201	48	710	962	275	674	56	1,967
Net income Q2-2006	286	96	245	24	651					
Net income Q3-2005	307	63	184	(7)	547	894	213	627	(2)	1,732
Other statistics										
Net economic profit	218	54	77	-	349	495	185	306	(81)	905
Return on equity	24.4%	28.9%	17.3%	nm	20.3%	21.0%	31.7%	19.6%	nm	19.2%
Cash return on equity	25.0%	29.2%	17.3%	nm	20.6%	21.5%	32.1%	19.6%	nm	19.4%
Non-interest expense-to-revenue ratio (teb)	58.0%	71.6%	57.1%	nm	61.5%	59.1%	70.0%	56.2%	nm	62.2%
Cash non-interest expense-to-revenue ratio (teb)	57.4%	71.3%	57.1%	nm	61.1%	58.5%	69.7%	56.2%	nm	61.8%
Net interest margin (teb)	2.72%	8.87%	0.48%	nm	1.60%	2.70%	8.74%	0.49%	nm	1.59%
Average common equity	5,985	1,148	4,481	2,121	13,735	5,998	1,148	4,481	1,948	13,575
Average assets ($ billions)	137.7	6.6	165.5	4.9	314.7	135.5	6.5	158.7	4.7	305.5
Full-time equivalent staff	19,673	4,246	2,183	9,173	35,275					

nm - not meaningful

PERSONAL AND COMMERCIAL CLIENT GROUP (P&C)

(Canadian $ in millions, except as noted)	Q3-2006	Increase (Decrease) vs. Q3-2005		Increase (Decrease) vs. Q2-2006		YTD-2006	Increase (Decrease) vs. YTD-2005	
Net interest income (teb)	**943**	37	4%	56	6%	**2,741**	105	4%
Non-interest revenue	**514**	92	22%	77	18%	**1,361**	113	9%
Total revenue (teb)	**1,457**	129	10%	133	10%	**4,102**	218	6%
Provision for credit losses	**86**	11	14%	-	-	**258**	33	15%
Non-interest expense	**845**	61	8%	43	5%	**2,425**	98	4%
Income before income taxes and non-controlling interest in subsidiaries	**526**	57	12%	90	21%	**1,419**	87	7%
Income taxes (teb)	**150**	(12)	(6%)	-	-	**457**	19	4%
Non-controlling interest in subsidiaries	**-**	-	-	-	-	**-**	-	-
Net income	**376**	69	22%	90	31%	**962**	68	8%
Amortization of intangible assets (after tax)	**7**	(3)	(14%)	(1)	(2%)	**23**	(4)	(12%)
Cash net income	**383**	66	21%	89	31%	**985**	64	7%
Return on equity	**24.4%**		1.3%		5.3%	**21.0%**		(1.6%)
Cash return on equity	**25.0%**		1.2%		5.4%	**21.5%**		(1.8%)
Non-interest expense-to-revenue ratio (teb)	**58.0%**		(1.1%)		(2.6%)	**59.1%**		(0.8%)
Cash non-interest expense-to-revenue ratio (teb)	**57.4%**		(0.9%)		(2.5%)	**58.5%**		(0.6%)
Net interest margin (teb)	**2.72%**		(0.07%)		0.04%	**2.70%**		(0.10%)
Average assets	**137,656**	8,980	7%	1,842	1%	**135,518**	9,747	8%

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 was $376 million for the third quarter of 2006, up $69 million or 22% from a year ago and up $90 million or 31% from the second quarter. Net income for the year to date was $962 million, up $68 million or 7.5% from a year ago.

P&C - Canada

(Canadian $ in millions, except as noted)	Q3-2006	Increase (Decrease) vs. Q3-2005		Increase (Decrease) vs. Q2-2006		YTD-2006	Increase (Decrease) vs. YTD-2005	
Net interest income (teb)	**759**	42	6%	59	8%	**2,185**	97	5%
Non-interest revenue	**469**	87	23%	72	19%	**1,236**	113	10%
Total revenue (teb)	**1,228**	129	12%	131	12%	**3,421**	210	7%
Provision for credit losses	**78**	11	17%	(1)	-	**235**	33	16%
Non-interest expense	**676**	62	10%	48	8%	**1,922**	91	5%
Income before income taxes and non-controlling interest in subsidiaries	**474**	56	14%	84	22%	**1,264**	86	7%
Income taxes (teb)	**129**	(12)	(7%)	(2)	(1%)	**394**	19	5%
Non-controlling interest in subsidiaries	**-**	-	-	-	-	**-**	-	-
Net income	**345**	68	25%	86	33%	**870**	67	9%
Amortization of intangible assets (after tax)	**-**	(2)	(30%)	(2)	-	**5**	(2)	(29%)
Cash net income	**345**	66	24%	84	33%	**875**	65	8%
Non-interest expense-to-revenue ratio (teb)	**55.1%**		(0.9%)		(2.2%)	**56.2%**		(0.8%)
Cash non-interest expense-to-revenue ratio (teb)	**54.9%**		(0.9%)		(2.2%)	**56.0%**		(0.8%)
Net interest margin (teb)	**2.60%**		(0.06%)		0.08%	**2.57%**		(0.09%)
Average assets	**115,777**	9,012	8%	1,899	2%	**113,706**	8,773	8%

Financial Performance Review

P&C Canada's net income of $345 million for the third quarter of 2006 was up $68 million or 25% from the third quarter of 2005. The improvement was driven by the impact of the $38 million ($25 million after tax) gain on the MasterCard IPO, strong volume growth and a low effective tax rate related to a $26 million recovery of prior years' income taxes. There was also higher revenue from cards and insurance as well as increased sales in term investments and mutual funds and higher securitization revenue. These factors were partially offset by lower net interest margin, an increase in the provision for credit losses and higher expenses.

Net income was up $86 million or 33% from the second quarter due to the MasterCard IPO gain, the low effective tax rate, volume growth, higher net interest margin, higher revenue from cards, insurance and securitization as well as the impact of three more calendar days than in the second quarter, partially offset by higher expenses.

Year to date, net income of $870 million was up $67 million or 8.5% from the comparable period in 2005. The improvement was attributable to the MasterCard IPO gain and strong volume growth, partially offset by the impact of lower net interest margin, higher provisions for credit losses and increased expenses. The overall effective tax rate was comparable in both year-to-date periods, as the current quarter included a $26 million tax recovery and the second quarter of 2005 included a $20 million recovery.

Revenue for the quarter rose $129 million or 12% from the third quarter of 2005 to $1,228 million. The increase was driven by the MasterCard IPO gain and strong volume growth in both personal and commercial products. There were also higher cards, insurance and securitization revenues as well as increased sales of term investment products and mutual funds, partially offset by the impact of lower net interest margin. Net interest margin was 6 basis points lower than a year ago due to total loans growing faster than deposits, aggressive mortgage pricing in a competitive market and the interest rate environment. Rising interest rates caused narrower spreads on variable rate mortgage and loan products, mitigated by improved deposit spread.

Relative to the second quarter, revenue rose $131 million or 12% as a result of the MasterCard IPO gain, strong volume growth across most product lines, the impact of three more calendar days in the current quarter, higher revenue from cards, insurance and securitization, and an 8 bps increase in net interest margin. The increased net interest margin was due to disciplined pricing in certain deposit categories, shifts to higher-spread products and increased mortgage refinancing fees as customers transferred from variable to fixed rate mortgages.

Year to date, revenue increased $210 million or 6.6% to $3,421 million. The factors contributing to the increase were largely consistent with those responsible for the year-over-year increase for the quarter.

The provision for credit losses was $78 million, up $11 million from a year ago but consistent with the second quarter. Year to date, the provision for credit losses was $235 million, up $33 million from a year ago. The increases from a year ago are due to higher lending volumes and more detailed commercial credit information as a result of the improved risk management framework that results from our 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 $676 million in the third quarter was up $62 million or 10% from a year ago due to higher employee-related costs resulting from an expansion of both our retail and commercial sales forces and increased marketing and initiative expenditures. Initiatives underway in 2006 include further investment 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 second quarter, non-interest expense increased $48 million or 7.7%, primarily due to higher employee-related costs and the impact of three more calendar days. Year to date, non-interest expense was $1,922 million, up $91 million or 5.0% from the comparable period in 2005, due to the expansion of the sales forces, increased marketing expenses and other initiatives.

P&C Canada's productivity ratio in the quarter improved 95 basis points from a year ago to 55.1% and 224 basis points from the second quarter. Year to date, our productivity ratio improved by 85 basis points to 56.2% and the cash productivity ratio improved by 75 basis points to 56.0%.

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 third quarter in support of our 2006 priorities are listed below.

- On August 3, we announced that we had signed an agreement in principle to acquire bcpbank Canada for $41 million. bcpbank Canada serves 28,000 customers through eight branches and has a reputation for being the first choice for financial services in the extensive Portuguese-Canadian community. The transaction is subject to regulatory approval and is expected to close in the first quarter of fiscal 2007.

- There was strong growth in average loans and acceptances, which increased $10.7 billion or 10.0% from the third quarter of 2005 and $2.7 billion or 2.3% from the second quarter. Personal and commercial deposits grew $1.2 billion or 2.9% from a year ago and $0.8 billion or 1.8% from the second quarter.

- The most recently available data (March 2006) indicates that BMO continued to rank second in Canadian business banking market share for business loans $5 million and below. Business banking market share declined 21 basis points from the prior year and declined 2 basis points from the preceding quarter to 18.64%. Total commercial loans and acceptances increased by $1.8 billion or 6.6% from the third quarter of 2005 and total deposits grew by $1.4 billion or 7.9%. The Canadian Bankers Association (CBA) issues business banking market share statistics on a one-calendar quarter lag basis.

- Our total share of the Canadian banking industry's personal market business was 13.03%, a decrease of 12 basis points from the previous quarter but up 4 basis points from a year ago. Personal market share statistics are based on June data, the most recently available.

- In 2006, we began an initiative to replace our entire ABM network, in part to provide enhanced security features to protect customer information. Through the end of the third quarter, we have replaced more than 1,000 of the machines and are on track to replace the entire network by the end of the year.

- In May, we launched an enhanced personal deposit offer that is attracting more customer interest than expected. Customers are responding to both the value and convenience in the Performance Plan.

P&C – Chicagoland Banking

(Canadian $ in millions, except as noted)	Q3-2006	Increase (Decrease) vs. Q3-2005		Increase (Decrease) vs. Q2-2006		YTD-2006	Increase (Decrease) vs. YTD-2005	
Net interest income (teb)	**184**	(5)	(3%)	(3)	(1%)	**556**	8	2%
Non-interest revenue	**45**	5	8%	5	7%	**125**	-	-
Total revenue (teb)	**229**	-	-	2	-	**681**	8	1%
Provision for credit losses	**8**	-	-	1	2%	**23**	-	-
Non-interest expense	**169**	(1)	(1%)	(5)	(3%)	**503**	7	1%
Income before income taxes and non-controlling interest in subsidiaries	**52**	1	-	6	14%	**155**	1	-
Income taxes (teb)	**21**	-	-	2	11%	**63**	-	-
Non-controlling interest in subsidiaries	**-**	-	-	-	-	**-**	-	-
Net income	**31**	1	-	4	16%	**92**	1	-
Amortization of intangible assets (after tax)	**7**	(1)	(7%)	1	2%	**18**	(2)	(5%)
Cash net income	**38**	-	-	5	13%	**110**	(1)	(1%)
Non-interest expense-to-revenue ratio (teb)	**73.9%**		-		(2.7%)	**73.9%**		0.3%
Cash non-interest expense-to-revenue ratio (teb)	**70.7%**		0.2%		(2.7%)	**70.6%**		0.4%
Net interest margin (teb)	**3.38%**		(0.05%)		(0.07%)	**3.41%**		(0.11%)
Average assets	**21,879**	(32)	-	57	-	**21,812**	974	5%
P&C - Chicagoland Banking Select Financial Data (U.S. $ in millions)								
Net interest income (teb)	**165**	12	8%	1	1%	**489**	42	9%
Non-interest revenue	**40**	7	21%	4	11%	**110**	7	7%
Total revenue (teb)	**205**	19	10%	5	3%	**599**	49	9%
Non-interest expense	**151**	13	9%	(2)	(1%)	**442**	37	9%
Net Income	**28**	3	12%	4	17%	**81**	6	8%
Average assets	**19,596**	1,853	10%	374	2%	**19,174**	2,187	13%

Financial Performance Review

P&C Chicagoland Banking's net income of $31 million for the third quarter of 2006 was up $1 million from the third quarter of 2005 and up $4 million or 16% from the second quarter of 2006. Year to date, net income of $92 million was up $1 million from a year ago.

Revenue for the quarter of $229 million was unchanged from the same quarter a year ago. Excluding the impact of the weaker U.S. dollar, revenue increased $24 million or 9.8%, driven by the acquisition of Villa Park Trust and Savings Bank (Villa Park), strong consumer and commercial loan growth and improved non-core deposit spread. Net interest margin decreased by 5 basis points due to 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. BMO's operating groups earn a spread on both their loans and deposits; however, net interest margin represents net interest income as a percentage of assets. 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 $2 million or 0.3% from the second quarter, but increased $7 million or 2.6% after adjusting for the impact of the weaker U.S. dollar. The effect of loan and deposit growth and improved deposit spreads was partially offset by decreased loan spreads. Net interest margin fell 7 basis points due to lower loan spreads. Year to date, revenue increased $8 million or 0.9% to $681 million, but increased $61 million or 8.8% excluding the impact of the weaker U.S. dollar. The increase was due to strong loan growth, improved deposit spread, the acquisition of Villa Park and new branches, partially offset by the impact of lower loan spreads.

Non-interest expense of $169 million in the third quarter was down $1 million or 0.7% from a year ago, but increased $17 million or 9.7% excluding the impact of the weaker U.S. dollar. The increase was due to acquisition-related expenses and branch expansion. Expenses decreased $5 million or 3.1% from the second quarter or by $1 million and 1.0% after adjusting for the weaker U.S. dollar, as a result of higher credit origination and marketing expenses in the second quarter. Year to date, non-interest expense increased $7 million or 1.3% to $503 million, but increased $45 million or 9.1% excluding the impact of the weaker U.S. dollar. These increases were primarily due to acquisition-related expenses, branch expansion and our initiative to enhance our branch technology platform.

P&C Chicagoland Banking's productivity ratio in the quarter deteriorated 3 basis points from a year ago but improved 265 basis points from the second quarter to 73.9%. Year to date, the productivity ratio deteriorated by 27 basis points to 73.9%, while our cash productivity ratio slipped by 48 basis points to 70.6%.

P&C Chicagoland Banking's net income represented 8.3% of total Personal and Commercial Client Group net income in the third quarter of 2006, compared with 9.8% in the prior year and 9.4% in the second quarter. Year to date, P&C Chicagoland Banking's earnings represented 9.6% of the Group's net income, compared with 10.2% in the comparable period of 2005.

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 $106 million of corporate mid-market revenue and $37 million of net income in P&C Chicagoland Banking's results for the quarter and $315 million of revenue and $99 million of net income for the year to date.

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 61.4%, compared with 73.9% as currently reported. On a similarly-adjusted basis, net income from U.S. operations would represent 16.6% of Personal and Commercial Client Group's earnings for the quarter, compared with 8.3% as currently reported, while revenue from U.S. operations would represent 21.4% of the Group's revenue for the quarter, compared with 15.7% as currently reported.

P&C Chicagoland Banking adjusted to include U.S.-based mid-market business (Canadian $ in millions, except as noted)	**Q3-2006**	**Increase (Decrease) vs. Q3-2005**		**Increase (Decrease) vs. Q2-2006**		**YTD-2006**	**Increase (Decrease) vs. YTD-2005**	
Revenue (teb)	**335**	(2)	(1%)	6	1%	**996**	(13)	(1%)
Net income	**68**	5	7%	10	21%	**191**	(7)	(4%)
Non-interest expense-to-revenue ratio	**61.4%**		(2.0%)		(5.0%)	**63.4%**		1.4%

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 third quarter in support of our 2006 priorities are listed below.

- Loans increased US$2.3 billion or 14.9% from a year ago. Consumer loans grew 15.5% in a highly competitive market, while small business loans grew 13.3%.

- Our Net Promoter Score, a measure of the strength of our customer loyalty, increased to 37 from 35 last quarter, while our Retail Secure Customer Index held steady at 42.

PRIVATE CLIENT GROUP (PCG)

(Canadian $ in millions, except as noted)	Q3-2006	Increase (Decrease) vs. Q3-2005		Increase (Decrease) vs. Q2-2006		YTD-2006	Increase (Decrease) vs. YTD-2005	
Net interest income (teb)	**148**	1	1%	10	7%	**424**	(6)	(1%)
Non-interest revenue	**329**	(3)	(1%)	(20)	(6%)	**1,004**	(30)	(3%)
Total revenue (teb)	**477**	(2)	-	(10)	(2%)	**1,428**	(36)	(2%)
Provision for credit losses	**1**	-	-	1	nm	**2**	(1)	(39%)
Non-interest expense	**341**	(40)	(10%)	4	1%	**1,000**	(131)	(12%)
Income before income taxes	**135**	38	40%	(15)	(10%)	**426**	96	29%
Income taxes (teb)	**50**	16	49%	(4)	(5%)	**151**	34	29%
Net income	**85**	22	35%	(11)	(12%)	**275**	62	29%
Amortization of intangible assets (after tax)	**1**	(7)	(89%)	(1)	(14%)	**4**	(24)	(89%)
Cash net income	**86**	15	21%	(12)	(12%)	**279**	38	15%
Return on equity	**28.9%**		13.3%		(5.2%)	**31.7%**		13.9%
Cash return on equity	**29.2%**		11.6%		(5.3%)	**32.1%**		11.9%
Non-interest expense-to-revenue ratio (teb)	**71.6%**		(8.0%)		2.4%	**70.0%**		(7.3%)
Cash non-interest expense-to-revenue ratio (teb)	**71.3%**		(5.6%)		2.5%	**69.7%**		(4.9%)
Net interest margin (teb)	**8.87%**		0.81%		0.05%	**8.74%**		0.65%
Average assets	**6,611**	(612)	(9%)	183	3%	**6,490**	(622)	(9%)
PCG U.S. Business Select Financial Data (U.S. $ in millions)								
Total revenue	**64**	(36)	(36%)	6	10%	**185**	(123)	(40%)
Non-interest expense	**65**	(43)	(40%)	8	14%	**181**	(127)	(41%)
Net Income	**(2)**	5	71%	(3)	(+100%)	**3**	5	+100%
Cash net income	**(1)**	(1)	(100%)	(3)	(+100%)	**5**	(15)	(75%)
Average assets	**2,095**	(717)	(25%)	(7)	(1%)	**2,114**	(692)	(25%)

nm - not meaningful

Financial Performance Review

Net income in the third quarter increased $22 million or 35% from a year ago to $85 million, increasing 13% excluding Harris*direct*. Higher earnings were achieved across all lines of business through the Group's ongoing focus on revenue growth. Results in the third quarter of 2005 included $12 million after tax of operating loss related to Harris*direct*. Relative to the second quarter, net income declined $11 million or 12%. Year to date, net income improved $62 million or 29% from the comparable period in 2005 to $275 million, or by $45 million and 20% excluding Harris*direct*.

Revenue of $477 million in the third quarter declined $2 million from a year ago, but increased $46 million or 11% excluding the operating results of Harris*direct* and by $54 million or 13% after also excluding the impact of the weaker U.S. dollar. Strong revenue growth was driven by increased managed asset levels in the mutual fund businesses and higher client trade volumes in direct investing. Higher deposit spreads and moderate balance growth contributed to increased net interest income.

Relative to the second quarter, revenue declined $10 million or 2.0%, due primarily to lower commission revenue in full-service and direct investing, the result of seasonally lower third quarter client trade volumes and softer market conditions. This was partially offset by higher net interest income. Year to date, revenue declined $36 million from the comparable period in 2005, but increased $120 million or 9.3% excluding the operating results of Harris*direct* and by $138 million or 11% after also excluding the impact of the weaker U.S. dollar. All lines of business contributed to the growth in operating revenue.

Non-interest expense of $341 million in the third quarter declined $40 million from a year ago, but increased $27 million or 8.9% excluding Harris*direct* and by $34 million or 11% after also excluding the impact of the weaker U.S. dollar. Expense growth was attributable primarily to higher revenue-based costs. Our productivity ratio improved 800 basis points from a year ago, or by 131 basis points excluding Harris*direct*. Relative to the second quarter, expenses grew $4 million or 1.4%, due primarily to increased investment in our sales force. Year to date, expenses decreased $131 million from the comparable period in 2005, but increased $52 million or 5.5%

excluding Harris*direct* and by $67 million or 7.1% after also excluding the impact of the weaker U.S. dollar. This increase was primarily due to higher revenue-based costs.

Our U.S. operations are comprised of private banking and investment management. Excluding Harris*direct*, revenue increased US$4 million from the prior year, driven by fee-based revenue growth in private banking. Net income declined US$5 million, excluding Harris*direct*, primarily due to increased investment in our investment management business.

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 third quarter in support of the Group's 2006 objectives are listed below.

- The Group's $280 billion of assets under management and administration, including term deposits, declined $5 billion or 5.2% year-over-year. Assets under management increased 17% and assets under administration increased 13%, excluding the effect of the weaker U.S. dollar and the sale of Harris*direct*. Term investment products increased 5.1%.

- BMO Mutual Funds continued to outperform the mutual fund industry in quarterly net sales and our asset growth exceeded the average of the industry and the other major Canadian banks. In the past three years, BMO Mutual Funds' assets have grown by more than 75%.

- BMO Mutual Funds launched two new funds, BMO Income Trust Fund and BMO Diversified Income Fund. The new funds will provide investors with tax efficient monthly cash distributions, in response to the growing demand for income in retirement.

- Guardian Group of Funds launched a new asset allocation product, GGOF Solutions. GGOF Solutions helps investors select from among five fully diversified portfolios, each optimized for different levels of risk, offering clients a comprehensive and personalized investing option that is simple to use.

- Harris Investment Management, Inc. completed its strategic alliance with The Phoenix Companies, Inc. this quarter. Phoenix is now the investment adviser, distributor and administrator of the Harris Insight Funds, while Harris Investment Management continues to manage the majority of the Insight Funds as sub-adviser. The transaction has no material impact on the financial results of the Group.

INVESTMENT BANKING GROUP (IBG)

(Canadian $ in millions, except as noted)	Q3-2006	Increase (Decrease) vs. Q3-2005		Increase (Decrease) vs. Q2-2006		YTD-2006	Increase (Decrease) vs. YTD-2005	
Net interest income (teb)	**201**	(31)	(14%)	27	15%	**582**	(198)	(25%)
Non-interest revenue	**477**	62	15%	(75)	(13%)	**1,565**	310	25%
Total revenue (teb)	**678**	31	5%	(48)	(7%)	**2,147**	112	6%
Provision for credit losses	**20**	(4)	(18%)	-	-	**60**	(14)	(19%)
Non-interest expense	**387**	13	4%	(22)	(5%)	**1,207**	102	9%
Income before income taxes	**271**	22	8%	(26)	(9%)	**880**	24	3%
Income taxes (teb)	**70**	5	6%	18	33%	**206**	(23)	(10%)
Net income	**201**	17	9%	(44)	(18%)	**674**	47	7%
Amortization of intangible assets (after tax)	**-**	-	-	-	-	**1**	-	-
Cash net income	**201**	17	9%	(44)	(18%)	**675**	47	7%
Return on equity	**17.3%**		(0.7%)		(4.6%)	**19.6%**		(1.1%)
Cash return on equity	**17.3%**		(0.7%)		(4.6%)	**19.6%**		(1.1%)
Non-interest expense-to-revenue ratio (teb)	**57.1%**		(0.5%)		0.8%	**56.2%**		1.9%
Cash non-interest expense-to-revenue ratio (teb)	**57.1%**		(0.5%)		0.9%	**56.2%**		2.0%
Net interest margin (teb)	**0.48%**		(0.13%)		0.02%	**0.49%**		(0.17%)
Average assets	**165,473**	13,386	9%	9,640	6%	**158,715**	1,263	1%
IBG U.S. Business Select Financial Data (U.S. $ in millions)								
Revenue	**280**	42	18%	(17)	(6%)	**884**	108	14%
Non-interest expense	**166**	34	26%	13	8%	**485**	119	33%
Net income	**61**	3	5%	(18)	(23%)	**219**	(13)	(6%)
Average assets	**48,678**	14,969	44%	6,572	16%	**44,775**	9,658	28%

nm - not meaningful

Financial Performance Review

Net income for the third quarter of 2006 of $201 million increased $17 million or 9.0% from the third quarter of 2005, driven primarily by growth in revenues. Net income decreased by $44 million or 18% from the second quarter, due to reduced revenues in a weaker capital markets environment and a low effective tax rate in the second quarter. Year to date, net income was $674 million, an increase of $47 million or 7.4%. Results in the prior year-to-date period included $44 million ($37 million after tax) of revenue recognized on restructuring VIEs in the second quarter of 2005.

Revenue for the third quarter of 2006 increased $31 million or 4.6% from a year ago and by $64 million or 9.7% after excluding the impact of the weaker U.S. dollar. The increase was driven by higher trading income (commodity, equity, interest rate and foreign exchange), increased securities commissions and cash collections on previously impaired loans. These factors were partially offset by decreased investment securities gains, lower equity and debt underwriting activity, spread compression in interest-rate-sensitive businesses and further reductions in non-core assets. Lower spreads on corporate banking assets more than offset the effect of higher asset levels.

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. Most of the revenue related to these trading assets consists of mark-to-market gains. These gains are included in non-interest trading revenues and are significantly higher than trading net interest income. Trading net interest income was lower than in the prior year but improved from the second quarter. Reduced trading net interest income is due primarily to increased funding costs and contributes to reductions in the Group's net interest margin. Total trading revenues were strong in the third quarter, with results up from the prior year, but decreased from the very strong trading revenue of the second quarter.

Net interest income in the third quarter and for the year to date declined from the comparable periods in 2005 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 banking assets in the competitive environment. These factors also contributed to a decline in net interest margin. The Group's net interest margin was lowered by 6 basis points in the first nine months of 2005 because of the inclusion of $21 billion of VIE assets in IBG's balance sheet for the first six months of 2005. As such, excluding the impact of VIE assets, the Group's net interest margin for the year to date was 23 basis points lower than in the comparable period last year.

Revenue declined $48 million or 6.6% from the second quarter, reflecting lower equity and debt underwriting fees, reductions in trading income and a $7 million decline in investment securities gains, partially offset by higher merger and acquisition and lending fees.

Year to date, revenue increased $112 million or 5.5%, and by $156 million or 7.8% excluding the VIE revenue of a year ago. The impact of the weaker U.S. dollar lowered revenue growth by $79 million or 3.9%. Trading revenues were appreciably higher than in 2005, particularly commodity derivatives trading revenues, which have benefited from favourable trading conditions and increased client activities associated with high volatility in energy prices. Significantly higher mergers and acquisitions fees and an increase in commission revenues and debt underwriting also contributed to the revenue increase. Strong corporate banking asset growth was more than offset by reductions in spreads, while net investment securities gains were lower and there were further reductions in non-core assets, as planned.

Non-interest expense of $387 million in the third quarter increased $13 million or 3.7% relative to a year ago, but increased $29 million or 7.9% excluding the impact of the weaker U.S. dollar. The increase was primarily due to higher severance costs. Relative to the second quarter, expenses declined $22 million or 5.2%, due to reduced performance-based compensation costs, mainly related to lower fee-based and trading revenues. Year to date, non-interest expense was $1,207 million, up $102 million or 9.3% from a year ago and up $137 million or 13% excluding the impact of the weaker U.S. dollar. The increase was largely due to higher performance-based compensation costs. Stronger revenues in 2006 have been concentrated in businesses with relatively higher variable costs.

The Group's productivity ratio for the quarter improved by 53 basis points from a year ago but deteriorated by 84 basis points from the second quarter to 57.1%. Year to date, the Group's productivity ratio deteriorated by 194 basis points to 56.2%.

Net income from U.S. operations of US$61 million was US$3 million higher than in the prior year, as increased commodity derivative trading revenues and securities commissions were only partially offset by higher expenses. Net income from U.S. operations was US$18 lower than in the second quarter, as reductions in trading revenues and investment securities gains and higher expenses were partially offset by improved commission revenues and lending fees. Net income from U.S. operations represented 34% of the Group's net income this quarter, compared with 39% a year ago and 36% in the second quarter.

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 16% of total Group revenue and 34% 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 third quarter in support of the Group's 2006 priorities are listed below.

- During the quarter, we were proud to unveil our new name, BMO Capital Markets, which unites the investment banking functions in Canada and the United States under a single banner. The move signifies our commitment to provide a full range of capabilities to clients in North America and other key international markets.

- In Canada, BMO Capital Markets participated in 101 new deals, including 25 corporate debt deals, two issues of preferred shares, 57 common equity transactions, and 17 government debt issues, raising a total of $22.4 billion. We were co-lead on a series of bond financings totalling $900 million for GE Capital Funding Co. in a two-dealer syndicate. We were sole lead bank in a number of noteworthy transactions. These included $300 million Gaz Metropolitan 15- and 30-year first mortgage bonds, AMEX Canada's $350 million five-year bond issue, and the initial public Canadian debt offering for RESCAP – a $250 million debt private placement. On the government side, we continued in the bookrunner group for the third successive time for Canada Housing Trust on their $5.1 billion quarterly mortgage bond offering.

- In the United States, BMO Capital Markets served as co-manager on the US$2.6 billion IPO for MasterCard Incorporated, the only Canadian dealer on the cover. MasterCard's IPO was the second largest IPO in the United States to date in 2006.

- M&A activity included acting as financial advisor to Teck Cominco in its proposed $17 billion acquisition of Inco Ltd., and to Royal Group Technologies Ltd., which was acquired by Georgia Gulf Corp for US$1.54 billion. Our Houston-based Energy & Power group advised Petrohawk Energy Corporation in its US$1.9 billion merger with KCS Energy Inc. As part of the deal financing, BMO Capital Markets provided US$125 million in senior secured notes to Petrohawk.

- We were the exclusive financial advisor to Bay View Capital Corporation in its US$68 million merger with Great Lakes Bancorp, Inc. BMO Capital Markets successfully structured a reverse merger transaction, which at the same time preserved the NYSE public listing of the legal buyer, Bay View.

- The U.S. Securitization Group (USSG) continued its strong performance in the quarter. The group closed 14 conduit transactions during the quarter (adding five new deals and three new clients) and five term transactions – two lead manager and three co-manager roles. Conduit levels are on pace to reach 25% growth over last year. USSG, together with Harris, also completed a $350 million, 364-day revolving bank facility and a $350 million, three-year revolving conduit facility for PHH Home Loans, LLC. A $200 million revolving conduit warehouse facility for Flagship Funding, LLC was another noteworthy transaction. In the second quarter, USSG and the private placements group had arranged an $80 million private equity placement for Flagship.

- We participated in the second annual Equity Through Education event held on May 17. Equity Through Education is an important charitable and diversity initiative in which the day's institutional trading commissions in Canada and the U.S. are donated to several educational charities benefiting diverse groups. This year's effort raised $1.6 million, which was donated to four charities in Canada and three in the United States.

- Greenwich Associates released the results of its annual fixed income investor survey. BMO Capital Markets took top honours in overall quality, market penetration, sales and interest rate derivatives. We ranked second overall for research and market making.

CORPORATE SUPPORT, INCLUDING TECHNOLOGY AND SOLUTIONS

(Canadian $ in millions, except as noted)	Q3-2006	Increase (Decrease) vs. Q3-2005		Increase (Decrease) vs. Q2-2006		YTD-2006	Increase (Decrease) vs. YTD-2005	
Net interest income (teb)	**(25)**	16	39%	31	56%	**(124)**	40	24%
Non-interest revenue	**16**	(12)	(40%)	(6)	(28%)	**65**	(24)	(26%)
Total revenue (teb)	**(9)**	4	37%	25	74%	**(59)**	16	21%
Provision for (recovery of) credit losses	**(65)**	(38)	(+100%)	(25)	(59%)	**(160)**	20	11%
Non-interest expense	**27**	(3)	(11%)	15	+100%	**108**	(35)	(25%)
Income before taxes and non-controlling interest in subsidiaries	**29**	45	+100%	35	+100%	**(7)**	31	80%
Income taxes (teb)	**(38)**	(15)	(66%)	11	17%	**(120)**	(42)	(55%)
Non-controlling interest in subsidiaries	**19**	5	33%	-	-	**57**	15	34%
Net income (loss)	**48**	55	+100%	24	+100%	**56**	58	+100%
Corporate Support U.S. Business Select Financial Data								
(U.S. $ in millions)								
Revenue	**(22)**	-	-	(8)	(57%)	**(62)**	6	9%
Provision for credit losses	**(32)**	(32)	(+100%)	(23)	(+100%)	**(59)**	-	-
Non-interest expense	**11**	14	+100%	8	100%	**16**	(22)	(58%)
Income taxes	**(20)**	(4)	(25%)	(13)	(100%)	**6**	11	+100%
Net income (loss)	**14**	22	+100%	19	+100%	**6**	11	+100%
Average assets	**4,026**	(350)	(8%)	(479)	(11%)	**4,339**	(317)	(7%)

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 $48 million, compared with a net loss of $7 million in the third quarter of 2005. The improvement was attributable to reductions in provisions for credit losses and income taxes.

Relative to the second quarter, net income increased $24 million due to improved revenues and a reduced provision for credit losses, partially offset by increased costs. For the year to date, net income increased $58 million to $56 million. The improvement was attributable to higher revenue, reduced expenses and more favourable income taxes, partially offset by a reduced recovery of credit losses. The prior year's results included the $10 million net impact of a $40 million ($26 million after tax) reduction in the general allowance for credit losses and a $25 million ($16 million after tax) litigation provision.

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 third quarter of 2006.

- BMO Financial Group's new data centre and office building in Barrie opened on schedule on July 4^{th}. The Barrie Computer Centre is a highly robust facility, featuring the most advanced safety and business continuity features available for a data centre environment, including fail-safe systems for all major environmental controls and advanced building security. By creating an operations environment that parallels existing data centre facilities and by implementing new infrastructure technology and processes, BMO is able to rapidly adapt and respond to risks and opportunities while maintaining continuous business operations. The facility has also been engineered with advanced mechanical and electrical design capabilities to achieve operational cost efficiencies for BMO.