Management's Discussion and Analysis

MD&A commentary is as of March 4, 2008. Unless otherwise indicated, all amounts are in Canadian dollars and have been derived from financial statements prepared in accordance with Canadian generally accepted accounting principles (GAAP). The MD&A should be read in conjunction with the unaudited consolidated financial statements for the period ended January 31, 2008, included in this document, and the annual MD&A for the year ended October 31, 2007, included in BMO's 2007 Annual Report. The material that precedes this section comprises part of this MD&A.

Bank of Montreal uses a unified branding approach that links all of the organization's member companies. Bank of Montreal, together with its subsidiaries, is known as BMO Financial Group. As such, in this document, the names BMO and BMO Financial Group mean Bank of Montreal, together with its subsidiaries.

Summary Data

(Unaudited) (Canadian $ in millions, except as noted)	**Q1-2008**	Increase (Decrease) vs. Q1-2007		Increase (Decrease) vs. Q4-2007	
Net interest income	**1,214**	18	2%	18	2%
Non interest revenue	**812**	(58)	(7%)	(192)	(19%)
Revenue	**2,026**	(40)	(2%)	(174)	(8%)
Specific provision for credit losses	**170**	118	+100%	69	68%
Increase in the general allowance	**60**	60	100%	10	20%
Total provision for credit losses	**230**	178	+100%	79	52%
Non-interest expense	**1,614**	76	5%	(17)	(1%)
Restructuring charge	**-**	(135)	(100%)	(24)	(100%)
Total non-interest expense	**1,614**	(59)	(4%)	(41)	(3%)
Income taxes	**(91)**	(65)	(+100%)	(14)	(20%)
Non-controlling interest in subsidiaries	**18**	(1)	(4%)	(1)	(4%)
Net income	**255**	(93)	(27%)	(197)	(44%)
Amortization of intangible assets (after tax)	**8**	(1)	(11%)	(1)	(11%)
Cash net income (1)	**263**	(94)	(26%)	(198)	(43%)
Earnings per share – basic ($)	**0.48**	(0.20)	(29%)	(0.41)	(46%)
Earnings per share – diluted ($)	**0.47**	(0.20)	(30%)	(0.40)	(46%)
Cash earnings per share – diluted ($) (1)	**0.49**	(0.19)	(28%)	(0.40)	(45%)
Return on equity (ROE)	**6.7%**		(2.5%)		(5.5%)
Cash ROE (1)	**6.9%**		(2.6%)		(5.6%)
Productivity ratio	**79.7%**		(1.3%)		4.5%
Cash productivity ratio (1)	**79.2%**		(1.2%)		4.5%
Operating leverage	**1.5%**		nm		nm
Cash operating leverage (1)	**1.5%**		nm		nm
Net interest margin on earning assets	**1.45%**		(0.19%)		(0.02%)
Effective tax rate	**(50.3%)**		(42.5%)		(31.0%)
Capital Ratios (2)					
Tier 1 Capital Ratio	**9.48%**		nm		nm
Total Capital Ratio	**11.26%**		nm		nm
Net income:					
Personal and Commercial Banking	**328**	2	1%	8	2%
P&C Canada	**302**	5	2%	15	5%
P&C U.S.	**26**	(3)	(10%)	(7)	(18%)
Private Client Group	**98**	7	8%	(5)	(5%)
BMO Capital Markets	**(34)**	(14)	(74%)	(80)	(+100%)
Corporate Services, including Technology and Operations (T&O)	**(137)**	(88)	(+100%)	(120)	(+100%)
BMO Financial Group Net Income	**255**	(93)	(27%)	(197)	(44%)

(1) These are non-GAAP amounts or non-GAAP measures. Please see the Non-GAAP Measures section that follows, which outlines the use of non-GAAP measures in this document.

(2) Variances have not been provided as the basis of computation is no longer comparable. In the current quarter, capital ratios are computed under Basel II versus on a Basel I basis in prior periods. On a Basel I basis, in Q4 2007 the Tier 1 capital ratio was 9.51% and the total capital ratio was 11.74% and in Q1 2007, the ratios on a Basel 1 basis were 9.76% and 11.20%, respectively. See the Capital Management section.

nm – not meaningful.

Management's Responsibility for Financial Information

BMO's CEO and Acting CFO have signed certifications relating to the appropriateness of the financial disclosures in our interim MD&A and unaudited interim consolidated financial statements for the period ended January 31, 2008 and relating to the design of our disclosure controls and procedures and internal control over financial reporting.

BMO's internal control over financial reporting includes policies and procedures that: pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of BMO; provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with Canadian generally accepted accounting principles and the requirements of the Securities and Exchange Commission in the United States, as applicable, and that receipts and expenditures of BMO are being made only in accordance with authorizations of management and directors of BMO; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of BMO's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements. Further, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

There were no changes in our internal control over financial reporting during the quarter ended January 31, 2008 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

As in prior quarters, BMO's audit committee reviewed this document, including the attached unaudited interim consolidated financial statements, and BMO's Board of Directors approved the document prior to its release.

A comprehensive discussion of our businesses, strategies and objectives can be found in Management's Discussion and Analysis in BMO's 2007 Annual Report, which can be accessed on our web site at www.bmo.com/investorrelations. Readers are also encouraged to visit the site to view other quarterly financial information.

Caution Regarding Forward-Looking Statements

Bank of Montreal's public communications often include written or oral forward-looking statements. Statements of this type are included in this document, and may be included in other filings with Canadian securities regulators or the U.S. Securities and Exchange Commission, or in other communications. All such statements are made pursuant to the 'safe harbor' provisions of, and are intended to be forward-looking statements under, the United States Private Securities Litigation Reform Act of 1995 and any applicable Canadian securities legislation. Forward-looking statements may involve, but are not limited to, comments with respect to our objectives and priorities for 2008 and beyond, our strategies or future actions, our targets, expectations for our financial condition or share price, and the results of or outlook for our operations or for the Canadian and U.S. economies.

By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions, forecasts, conclusions or projections will not prove to be accurate, that our assumptions may not be correct and that actual results may differ materially from such predictions, forecasts, conclusions or projections. We caution readers of this document not to place undue reliance on our forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements.

The future outcomes that relate to forward-looking statements may be influenced by many factors, including but not limited to: general economic and market conditions in the countries in which we operate; interest rate and currency value fluctuations; changes in monetary policy; the degree of competition in the geographic and business areas in which we operate; changes in laws; judicial or regulatory proceedings; the accuracy and completeness of the information we obtain with respect to our customers and counterparties; our ability to execute our strategic plans and to complete and integrate acquisitions; critical accounting estimates; operational and infrastructure risks; general political conditions; global capital market activities; the possible effects on our business of war or terrorist activities; disease or illness that impacts on local, national or international economies; disruptions to public infrastructure, such as transportation, communications, power or water supply; and technological changes.

We caution that the foregoing list is not exhaustive of all possible factors. Other factors could adversely affect our results. For more information, please see the discussion on pages 28 and 29 of BMO's 2007 Annual Report, which outlines in detail certain key factors that may affect BMO's future results. When relying on forward-looking statements to make decisions with respect to Bank of Montreal, investors and others should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. Bank of Montreal does not undertake to update any forward-looking statement, whether written or oral, that may be made, from time to time, by the organization or on its behalf. The forward-looking information contained in this document is presented for the purpose of assisting our shareholders in understanding our financial position as at and for the periods ended on the dates presented and our strategic priorities and objectives, and may not be appropriate for other purposes.

Assumptions about the level of asset sales, expected asset sale prices and risk of default of the underlying assets of the structured investment vehicles were material factors we considered when establishing our expectations of the future performance of our interests in the structured investment vehicles discussed in this document. Key assumptions included that assets would continue to be sold with a view to reducing the size of the structured investment vehicles, under various asset price scenarios.

Assumptions about the level of defaults and losses on defaults were material factors we considered when establishing our expectation of the future performance of the transactions that Apex and Sitka Trusts have entered into. Key assumptions included that the level of defaults and losses on defaults would be consistent with historical experience.

Assumptions about the risk level of our commodities portfolio and liquidity levels in the energy derivative markets and how that will affect the performance of our commodities business were material factors we considered in making the forward-looking statements regarding our commodities business set out in this document. Key assumptions included that the current risk level of the portfolio and liquidity levels in the energy derivative markets would remain stable.

Assumptions about the performance of the Canadian and U.S. economies in 2008 and how it will affect our businesses were material factors we considered when setting our strategic priorities and objectives, and when determining our financial targets, including provisions for credit losses. Key assumptions were that the Canadian economy will expand at a moderate pace in 2008 while the U.S. economy expands modestly, and that inflation will remain low in North America. We also assumed that interest rates in 2008 will decline slightly in Canada and the United States, and that the Canadian dollar will trade at parity to the U.S. dollar at the end of 2008. In determining our expectations for economic growth, both broadly and in the financial services sector, we primarily consider historical economic data provided by the Canadian and U.S. governments and their agencies. We now anticipate weaker economic growth in Canada and that the United States will slip into a mild recession in the first half of 2008. We also expect lower interest rates and a somewhat weaker Canadian dollar than when we established our 2008 financial targets. Tax laws in the countries in which we operate, primarily Canada and the United States, are material factors we consider when determining our sustainable effective tax rate.

Regulatory Filings

Our continuous disclosure materials, including our interim filings, annual MD&A and audited consolidated financial statements, our Annual Information Form and the Notice of Annual Meeting of Shareholders and Proxy Circular are available on our web site at www.bmo.com/investorrelations, on the Canadian Securities Administrators' web site at www.sedar.com and on the EDGAR section of the SEC's web site at www.sec.gov.

Economic Outlook

We anticipate that the Canadian economy will grow more slowly in 2008 than in 2007. While falling interest rates and high commodities prices should continue to support domestic demand, the weak U.S. economy and strong Canadian dollar will continue to weigh on exports. Housing market activity and residential mortgage growth are expected to moderate as past increases in prices have reduced affordability. Business investment is expected to slow, though ongoing strength in the resource sector should provide support to business loan growth. Growth in consumer spending and personal credit are expected to moderate in 2008 from elevated rates of recent years, as gains in employment slow. However, domestic demand should be supported by low and falling interest rates. Canadian interest rates are projected to decline further as the Bank of Canada addresses a weakening economy. The Canadian dollar is expected to trade below par with the U.S. dollar as commodity prices are likely to moderate in the face of softer global demand. As in recent years, the resource-based western provinces should outperform Central and Atlantic Canada, as manufacturers will continue to face challenging conditions.

The U.S. economy is projected to slip into a mild recession in the first half of 2008. The correction in housing markets shows no sign of ending, implying further weakness in mortgage demand. Consumer confidence has been depressed by tighter credit standards, lower home values and high fuel bills. Accordingly, personal consumption is expected to slow sharply this year, curbing growth in personal credit. Companies will likely scale back investments, resulting in slower growth in business credit. Capital markets activity is expected to remain volatile until the uncertainty in structured credit markets abates. Substantial interest rate reductions from the Federal Reserve are expected to continue in the first half of the year. Lower interest rates and sizeable tax rebates should spur an economic recovery in the second half of the year.

This Economic Outlook section contains forward-looking statements. Please see the Caution Regarding Forward-Looking Statements.

Market Environment

BMO's investment in ABCP of six BMO-sponsored Canadian securitization conduits have declined to $1,797 million as at January 31, 2008, compared with $5,931 million at October 31, 2007. We have commitments to provide backstop liquidity facilities to these conduits totalling up to $23.0 billion. The assets of these conduits consist primarily of Canadian residential mortgages and auto loans and leases and none have exposure to U.S. subprime residential mortgages. No losses have been recorded on the ABCP in these conduits.

We hold ABCP of third-party Canadian conduits as at January 31, 2008 with a carrying value of $302 million, compared with $308 million at October 31, 2007. We have no backstop liquidity commitments to these conduits. Realization on our investment in the non-bank-sponsored conduits will be affected by the outcome of the agreement reached among certain non-bank-sponsored Canadian ABCP conduits and investors known as the Montreal Accord. BMO is fully supportive of the resolution of the Montreal Accord.

We also sponsor Apex Trust (including Sitka Trust) [referred to as Apex], which provides credit protection on highly-rated leveraged super senior tranches of a diversified pool of U.S. and European corporate credits via credit default swaps. Stakeholders in Apex, including BMO, are engaged in discussions with respect to a potential restructuring of Apex. If successful, a restructuring would preserve the underlying economic value that continues to exist. BMO believes that the actual credit losses that will be realized over time in the transactions that Apex has entered into should be very modest. The mark-to-market charges that have been taken in Apex reflect the widening of credit spreads and not actual realized credit losses. BMO may decide to increase its investment in Apex as part of a restructuring transaction if it determines that it is in its interests to do so. BMO also noted that, with the restructuring discussions ongoing, no stakeholders had taken steps to enforce rights they may have as a result of the default of Apex.

While these credit default swaps in Apex had significant mark-to-market losses at January 31, 2008, the underlying corporate credits have experienced virtually no defaults. In the first quarter, we recorded charges of $130 million on our exposure to Apex. Charges taken in BMO's fourth quarter of 2007 and first quarter of 2008 in connection with Apex total $210 million, leaving BMO with a net position of $495 million as at January 31, 2008 in respect of investments and guarantees to third parties. The charges that BMO has taken as at January 31, 2008 reflected its expectations of the potential for a successful restructuring.

Since the quarter end, BMO has been in active negotiations to restructure Apex. On February 27th, Apex was unable to roll its notes and, as a result, did not meet its payment obligations. In addition, Apex failed to satisfy collateral calls. If no restructuring agreement is reached, BMO expects to record a charge of approximately $500 million related to its remaining Apex exposure in the quarter ending April 30, 2008. There is also additional risk should Apex not successfully be restructured. One noteholder of Apex is disputing BMO's demand for the return of a $400 million funds transfer. In addition, a swap counterparty is disputing its obligations of up to $600 million to BMO under an agreement and with respect to a total return swap transaction that the counterparty had previously confirmed. While BMO is confident in its position and will vigorously pursue its rights in these matters, it is not possible to determine the amount or probability of losses, if any, or whether any potential charges will be taken in the quarter ending April 30, 2008. It is anticipated that if a restructuring is successful, these matters would be dealt with as part of the restructuring.

We hold capital notes of BMO-managed London-based SIVs, Links Finance Corporation and Parkland Finance Corporation with a carrying value of Cdn$33 million at January 31, 2008. The capital notes are unsecured limited recourse investments that are subordinated to all other credit obligations of the SIVs. The net asset value of the SIVs capital notes as at February 28, 2008 was approximately US$755 million for Links and approximately €127 million for Parkland. The assets of Links and Parkland, net of cash, have been reduced from US$23.4 billion and €3.4 billion, respectively, as of July 31, 2007 to US$13.2 billion (net of cash of US$2.4 billion) and €1.4 billion (net of cash of €0.3 billion) as of January 31, 2008. As of March 3, 2008, the assets of Links and Parkland, net of cash, were approximately US$10 billion and €1 billion, respectively. This reduction principally reflects progress to date in the strategy to reduce the size of the SIVs. At January 31, 2008, we held Cdn$1.4 billion of senior notes, which rank higher than the capital notes of the vehicles.

On February 19, 2008, we announced a proposal to provide senior-ranked support for the funding of Links and Parkland. A definitive agreement is now in place to provide support to the SIVs through BMO liquidity facilities. The facilities will backstop the repayment of senior note obligations to facilitate the SIVs access to further senior funding, provide the SIVs with supplemental funding, and permit the SIVs to continue the strategy of selling assets in an orderly manner to better realize on their value. The liquidity facilities, which include previous financial support provided by BMO, are capped at a maximum of approximately US$11 billion related to Links and €1.2 billion for Parkland. Given the terms and conditions of the liquidity facilities and the maturity profile of the senior notes, the amount to be drawn is expected to be approximately one half of the maximum amount of the facilities.

In making this decision we considered a number of facts. The strength of BMO's financial position as well as the quality of the SIVs' assets allows BMO to extend this support without any material adverse impact on its financial position. The asset quality of the SIVs is high with over 90 per cent of assets rated AA or better by Moody's and over 80 per cent rated AA or better by Standard & Poor's (S&P's); certain of the assets ratings are on watch. On February 25th, in anticipation of signing these agreements, S&P's ratings on the senior notes of the SIVs were changed to AA-. On March 3rd, upon signing these agreements, Moody's confirmed the ratings of the senior notes at AAA, and simultaneously removed from review those notes that were under review for downgrade. The SIVs hold minimal U.S. subprime mortgages. The advances under the liquidity facilities will rank ahead of the subordinate capital notes. Capital note holders will continue to bear the economic risk from actual losses up to the full amount of their investment and BMO is not providing any protection from the economic risk to capital note holders, now or in the future. The impact on Tier 1 Capital is not material and the amount of these liquidity facilities represents approximately 3 per cent of BMO's total assets at January 31, 2008. Asset sales and maturities and the maturity profile of the senior notes reduce the size of the expected funding to a level significantly below the full amount of the liquidity facilities.

BMO has committed to provide liquidity support facilities of $10.2 billion to our U.S.-sponsored ABCP conduit, Fairway Finance Company, LLC, and $624 million of the facilities have been drawn down at January 31, 2008. In the first quarter, a specific provision of $39 million was taken against amounts advanced under the liquidity facility. There is no ABCP on BMO's balance sheet related to this conduit.

Given the uncertainty in the capital markets environment, our investments in ABCP, SIVs, structured finance vehicles, Fairway and other mark-to-market investments could experience further valuation gains and losses due to changes in market value.

This Market Environment section contains forward-looking statements. Please see the Caution Regarding Forward-Looking Statements.

Significant Items

Q1 2008

In the first quarter of 2008, as previously announced, BMO recorded $548 million ($362 million after tax and $0.72 per share) of charges for certain trading activities and valuation adjustments and an increase in the general provision for credit losses. They included $488 million ($324 million after tax) in BMO Capital Markets in respect of: losses on exiting positions related to monoline insurer ACA Financial Guarantee Corporation ($158 million); trading and structured-credit related positions, preferred shares, third party Canadian conduits and other mark-to-market losses ($177 million); investments in Apex, a structured finance vehicle that BMO sponsored but to which BMO has not provided backstop liquidity ($130 million); and capital notes in the Links and Parkland SIVs ($23 million). BMO has no further exposure to ACA. Reduced performance-based compensation associated with the charges has not been included in the determination of the impact of significant items.

The $177 million charge above was primarily due to the impact of widening credit spreads on a number of our trading portfolios. The charge is comprised of a number of items, the largest of which is $78 million for counterparty credit risk on our derivative assets, with approximately half related to monoline insurers (other than ACA) and similar credit derivative companies. BMO holds $184 million of derivative assets on its balance sheet as of January 31, 2008 related to monoline insurers (other than ACA) and similar credit derivative companies. Contracts with these companies mostly relate to collateralized debt obligations and credit default swaps within our trading portfolio and provide protection against losses arising from defaults. These instruments have minimal subprime exposure. The protection provided is on our total notional portfolio value of $3.9 billion as at January 31, 2008. BMO also holds $962 million of municipal bonds insured by monolines, as at January 31, 2008.

The $488 million charge included reductions in trading non-interest revenue ($420 million), investment securities gains ($23 million) and other income ($45 million).

Corporate Services results included a $60 million ($38 million after tax) increase in the general allowance for credit losses to reflect portfolio growth and risk migration.

The impact of significant items is further set out in the tables that follow.

Q1 2007

In the first quarter of 2007, BMO recorded $644 million ($325 million after tax and $0.63 per share) of charges. We recorded commodities trading losses in trading non-interest income of $509 million which, net of an $87 million reduction in performance-based compensation and reduced income taxes, lowered net income in BMO Capital Markets in the first quarter of 2007 by $237 million. We also recorded a restructuring charge of $135 million ($88 million after tax) in Corporate Services.

Q4 2007

In the fourth quarter of 2007, BMO recorded charges of $416 million ($275 million after tax and $0.55 per share). They included $342 million ($227 million after tax) of charges recorded in BMO Capital Markets comprised of $318 million of charges for certain trading activities and valuation adjustments and $24 million of commodities losses. We also recorded $74 million ($48 million after tax) of charges in Corporate Services consisting of a $50 million increase in the general allowance for credit losses and a $24 million net restructuring charge.

The $318 million of charges for certain trading activities and valuation adjustments included: $169 million in respect of trading and structured-credit related positions and preferred shares; $134 million related to Canadian ABCP; and $15 million related to capital notes in the Links and Parkland SIVs. The Canadian ABCP charges reflected $80 million for our investment in commercial paper issued by Apex and $54 million for our investment in commercial paper issued by non-bank sponsored conduits. Both write-downs used an estimated mark-to-market adjustment of 15%. Reduced performance-based compensation associated with the charges has not been included in the determination of significant items.

The $342 million of charges in BMO Capital Markets consisted of reductions of $317 million in trading non-interest revenue, $10 million of trading net interest income and $15 million of securities gains, other than trading.

Non-GAAP Measures

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 following table reconciles the non-GAAP measures, which management regularly monitors, to their GAAP counterparts.

Management discloses amounts on a basis that adjusts for certain significant items. Amounts and measures stated on a basis that excludes the significant items are considered useful as they would be expected to be more reflective of ongoing operating results. These significant items included: charges related to certain trading activities and valuation adjustments in the first quarter of 2008 and fourth quarter of 2007; losses in our commodities business in 2007 (including associated performance-based compensation); restructuring charges recorded in the first and fourth quarters of 2007; and changes in the general allowance for credit losses. Since such charges tend to be irregular, adjusting for them is helpful in assessing quarterly trends in results.

Cash earnings, cash productivity and cash operating leverage 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 and cash operating leverage measures.

BMO analyzes consolidated revenues on a GAAP basis. However, like many banks, BMO analyzes revenue of its operating groups, and ratios of the groups 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. The offset to the group teb adjustments is reflected in Corporate Services. 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 of our operating groups 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.

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

(Canadian $ in millions, except as noted)	**Q1-2008**	Q4-2007	Q1-2007
Non-interest expense (a)	**1,614**	1,631	1,538
Restructuring charge (b)	**-**	24	135
Total non-interest expense (c)	**1,614**	1,655	1,673
Amortization of intangible assets	**(10)**	(11)	(11)
Cash-based non-interest expense (d) (note1)	**1,604**	1,644	1,662
Net income (e)	**255**	452	348
Amortization of intangible assets, net of income taxes	**8**	9	9
Cash net income (f) (note 1)	**263**	461	357
Preferred share dividends	**(15)**	(12)	(9)
Charge for capital (note 1)	**(375)**	(378)	(385)
Net economic profit (note 1)	**(127)**	71	(37)
Restructuring charge (b)	**-**	24	135
Related income taxes (g)	**-**	9	47
Net impact of restructuring (h)	**-**	15	88
Commodities losses (i) (note 2)	**-**	24	509
Performance – based compensation (j)	**-**	-	(87)
Related income taxes (k)	**-**	8	185
Net impact of Commodities losses (l)	**-**	16	237
Charges related to deterioration in capital markets environment (m)	**488**	318	-
Related income taxes (o)	**164**	107	-
Net impact of charges related to capital markets environment (p)	**324**	211	-
Increase in general allowance	**60**	50	-
Related income taxes (q)	**22**	17	-
Net impact of increase in general allowance (r)	**38**	33	-
Net impact of significant items (h+l+p+r) (1)	**362**	275	325

Note 1: These are non-GAAP amounts or non-GAAP measures.
Note 2: Commodities losses in Q1 2008 were $12 million ($8 million after tax) and were not considered a significant item in the first quarter of 2008

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

(Canadian $ in millions, except as noted)	**Q1-2008**	Q4-2007	Q1-2007
Revenue (s)	**2,026**	2,200	2,066
Non-interest expense (c)	**1,614**	1,655	1,673
Cash-based Non-interest expense (d)	**1,604**	1,644	1,662
Income tax (t)	**(91)**	(77)	(26)
Productivity ratio (%) ((c/s) x 100)	**79.7**	75.2	81.0
Cash productivity ratio (%) ((d/s) x 100) (note 1)	**79.2**	74.7	80.4
Revenue Growth (%) (u)	**(2.0)**	(10.6)	(16.7)
Non-interest expense Growth (%) (v)	**(3.5)**	2.6	5.9
Cash-based Non-interest expense Growth (%) (w) (note1)	**(3.5)**	2.6	5.9
Operating leverage (%) (u-v)	**1.5**	(13.2)	(22.6)
Cash operating leverage (%) (u-w) (note1)	**1.5**	(13.2)	(22.6)
EPS (uses net income) ($)	**0.47**	0.87	0.67
Cash EPS (note 1) (uses cash net income) ($)	**0.49**	0.89	0.68
Effective tax rate (%) (t/(e+t))	**(50.3)**	(19.3)	(7.8)

Measures on a basis that excludes the impact of significant items (note 1)

Revenue (s+i+m) (2)	**2,514**	2,542	2,575
Non-interest expense (c-b-j) (3)	**1,614**	1,631	1,625
Cash-based expense (d-b-j) (4)	**1,604**	1,620	1,614
Income tax (t+g+k+o+q) (5)	**95**	64	206
Net income (e+1) (6)	**617**	727	673
Cash net income (f+1)	**625**	736	682
Productivity ratio (%) ((3/2) x 100)	**64.2**	64.2	63.1
Cash productivity ratio (%) ((4/2) x 100)	**63.8**	63.7	62.7
Revenue Growth (%) (x)	**(2.4)**	3.3	3.8
Non-interest expense Growth (%) (y)	**(0.6)**	1.1	2.8
Cash-based expense Growth (%) (z)	**(0.6)**	1.1	2.9
Operating leverage (%) (x-y)	**(1.8)**	2.2	1.0
Cash Operating leverage (%) (x-z)	**(1.8)**	2.2	0.9
EPS (uses net income excluding significant items)	**1.19**	1.42	1.30
Cash EPS (uses cash net income excluding significant items)	**1.21**	1.44	1.31
ROE (%) (uses net income excluding significant items)	**16.8**	19.9	18.0
Effective tax rate (%) (5/(6+5))	**13.0**	8.0	22.9

Note 1: These are non-GAAP amounts or non-GAAP measures.

Foreign Exchange

The Canadian dollar equivalents of BMO's U.S. dollar-denominated net income, revenues, expenses, provisions for credit losses and income taxes were lowered relative to the first quarter of 2007 by the weakening of the U.S. dollar in the past year. The average Canadian/U.S. dollar exchange rate, expressed in terms of the Canadian dollar cost of a U.S. dollar, fell by 14% from a year ago. The average exchange rate in the current quarter was relatively unchanged from the fourth quarter of 2007 and had no impact on income or expense. The following table indicates the relevant average Canadian/U.S. dollar exchange rates and the impact of changes in the rates.

Effects of U.S. Dollar Exchange Rate Fluctuations on BMO's Results

	Q1-2008	
(Canadian $ in millions, except as noted)	vs. Q1-2007	vs. Q4-2007
Canadian/U.S. dollar exchange rate (average)		
Current period	0.9984	0.9984
Prior period	1.1617	0.9986
Decreased revenue	(44)	-
Decreased expense	64	-
Decreased provision for credit losses	24	-
Decreased income taxes	1	-
Increased net income	45	-

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 expected U.S. dollar net income for that quarter. As such, these activities partially mitigate the impact of exchange rate fluctuations within a single quarter; however, the hedging transactions are not designed to offset the impact of year-over-year or quarter-over-quarter fluctuations in exchange rates. Over the course of the current quarter, the U.S. dollar strengthened, as the exchange rate increased from Cdn$0.9447 per U.S. dollar at October 31, 2007 to an average of Cdn$0.9984. As a result, hedging transactions resulted in an after-tax loss of $7 million in the 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.

Other Value Measures

Net economic profit was negative $127 million (see the Non-GAAP Measures section), compared with negative $37 million in the first quarter of 2007 and $71 million in the fourth quarter.

The total shareholder return (TSR) on an investment in BMO common shares was -8.9% in the first quarter and -15.6% for the twelve months ended January 31, 2008. BMO's average annual TSR for the five-year period ended January 31, 2008 was 10.1%.

Net Income

Q1 2008 vs Q1 2007

Net income was $255 million for the first quarter of 2008, down $93 million or 27% from a year ago. Earnings per share were $0.47, compared with $0.67. Results in both periods included significant items that are discussed in the Significant Items section on page 7. Excluding these significant items in both periods, net income was $617 million, a decrease of $56 million or 8.4% from a year ago, and EPS was $1.19, down 8.5%.

P&C Canada net income increased $5 million. There was good volume growth across most product areas. Net interest margin was down slightly as funding cost increased, while expenses increased due largely to increased employee-related expenses and initiative spending.

P&C U.S. net income increased US$1 million. There was good volume growth in the quarter with loan growth and increases in fee income and other non-interest revenue. Results were lowered by reduced net interest margin due to competitive pressures on pricing and customer preferences shifting from higher-spread to lower-spread loan and deposit products.

Private Client Group net income increased $7 million or 7.6%. The increase was achieved despite softer market conditions.

BMO Capital Markets net loss increased by $14 million. Excluding significant items in both periods, BMO Capital Markets net income rose by $73 million or 33%, in large part due to the benefit of reduced performance-based compensation, with favourable performance in a number of product areas.

Corporate Services net loss was $137 million. Excluding significant items in both periods, net income fell $138 million primarily due to higher specific provisions for credit losses and lower revenues, offset in part by reduced expenses.

Q1 2008 vs Q4 2007

Reported net income decreased $197 million or 44% from the fourth quarter. Excluding significant items, net income decreased $110 million or 15%.

In P&C Canada, net income increased $15 million. Results in the fourth quarter included $6 million of net income arising from three items: a $107 million ($83 million after tax) gain on sale of MasterCard International Inc. shares and a $43 million recovery of prior years income taxes; less a $185 million ($120 million after tax) adjustment to increase the liability for future customer redemptions related to our credit card loyalty rewards program. There was good volume growth and net interest margins increased slightly.

P&C U.S. net income fell US$7 million from a very strong fourth quarter, as anticipated.

Private Client Group net income decreased $5 million or 5.1%. Revenue growth of 1.7% in a difficult market environment was more than offset by increased expenses, due in part to expensing in the first quarter the annual stock-based compensation costs for employees eligible to retire.

BMO Capital Markets net income decreased $80 million. Excluding significant items in both periods, net income rose $17 million or 6.0%. On this basis, there were lower revenues and lower performance-based compensation. Trading revenues, commissions and equity underwriting were higher but market conditions were quite challenging.

Corporate Services net loss was $120 million worse than in the fourth quarter. Excluding significant items in both periods, net income fell $130 million due to higher specific provisions for credit losses and lower revenues, mitigated in part by lower expenses.

Revenue

BMO analyzes consolidated revenues on a GAAP basis. However, like many banks, BMO analyzes revenue of its operating groups and associated 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 offset to the group teb adjustments is reflected in Corporate Services revenues.

Total revenue decreased $40 million or 2.0% from a year ago. Excluding significant items in both periods, revenue decreased $61 million or 2.4% year-over-year.

Revenue decreased $174 million from the fourth quarter of 2007. Excluding significant items in both periods, revenue decreased $28 million or 1.1%.

The weaker U.S. dollar decreased revenue growth by $44 million or 2.2 percentage points year-over-year. Changes in net interest income and non-interest revenue are reviewed in the sections that follow.

Net Interest Income

Net interest income increased $18 million or 1.5% from a year ago, driven by volume growth in the P&C Canada and BMO Capital Markets. Average earning assets increased $44 billion, due primarily to growth in trading assets and higher corporate banking assets in BMO Capital Markets as its average earning assets increased $37 billion.

Relative to the fourth quarter, net interest income rose $18 million. Average earning assets increased $11 billion, again due primarily to higher trading assets in BMO Capital Markets, where net interest income rose strongly.

BMO's overall net interest margin on earning assets for the first quarter of 2008 was 1.45%, or 19 basis points lower than in the first quarter of the prior year and 2 basis points lower than in the fourth quarter. The two main drivers of a change in total bank margin are the individual group margins and the changes in the magnitude of each operating group's assets. The year-over-year decrease of 19 basis points was mainly due to growth in lower-spread assets in BMO Capital Markets and reduced net interest income in Corporate Services. Both P&C U.S. and Private Client Group had significant margin declines but they are relatively smaller groups and their effect on the total bank margin change was minimal.

Net interest margins declined 3 basis points in P&C Canada relative to a year ago. Its funding costs increased and ongoing competitive pressures were largely offset by positive mix factors as growth was proportionately greater in high-spread products. Relative to the fourth quarter, P&C Canada net interest margin improved largely due to an improvement in the differential between the prime and BA rates and positive product mix, partially offset by lower mortgage refinancing fees. Margins declined in P&C U.S. About 22 basis points of the decline year-over-year and relative to the fourth quarter related to the transfer of a small client-driven investment portfolio from Corporate Services. The remaining decline was due to the continuing effects of competitive pressures, shifts in customer preferences and higher levels of non-accrual loans. BMO Capital Markets margin rose from a year ago and from the previous quarter mainly due to higher spreads in interest-rate-sensitive businesses, partially offset by lower spreads in the U.S. lending portfolio. Corporate Services net interest income fell due to a large number of small items negatively impacting revenues in the current quarter and interest revenue on income tax refunds and reassessments in the fourth quarter of 2007. The decline lowered BMO's overall margin.

Net Interest Margin (teb)*

(In basis points)	**Q1-2008**	Increase (Decrease) vs. Q1-2007	Increase (Decrease) vs. Q4-2007
P&C Canada	**264**	(3)	4
P&C U.S.	**297**	(43)	(37)
Personal and Commercial Client Group	**270**	(8)	(1)
Private Client Group	**867**	(108)	(45)
BMO Capital Markets	**65**	3	13
Corporate Services, including Technology and Operations (T&O)	**nm**	nm	nm
Total BMO	**145**	(19)	(2)
Total Canadian Retail**	**297**	(5)	1

* Net interest margin is disclosed and computed with reference to average earning assets, rather than total assets. This basis provides a more relevant measure of margins and changes in margins. Operating group margins are stated on a teb basis while total BMO margin is stated on a GAAP basis.

** Total Canadian retail margin represents the net interest margin of the combined Canadian business of P&C Canada and Private Client Group.

nm- not meaningful

Non-Interest Revenue

Non-interest revenue decreased $58 million or 6.7% from a year ago. Excluding significant items, non-interest revenue decreased $79 million or 5.7%, in large part due to $73 million of lower revenues in Corporate Services primarily related to lower earnings from certain subsidiaries related to a number of items and lower hedging gains, including gains on foreign exchange, as the prior year results included a large mark-to-market gain. There was growth in P&C Canada due to increased insurance revenues and in Private Client Group primarily due to higher trust and investment revenue in North American Private Banking. Excluding significant items, BMO Capital Markets non-interest revenue decreased due to reductions in investment securities gains, lending fees and equity underwriting fees, partially offset by increased commission revenue and trading revenue.

Relative to the fourth quarter, non-interest revenue decreased $192 million, or by $36 million and 2.7% excluding the significant items in both periods. The decrease was due to reduced revenues in Corporate Services of $53 million primarily related to lower earnings from certain subsidiaries related to a number of items and a decline in foreign exchange hedging revenue. P&C Canada revenues increased as its non-interest revenue in the fourth quarter was lowered by a $78 million net reduction in respect of a $185 million adjustment to increase our liability for future customer redemptions related to our customer loyalty rewards program and a $107 million investment securities gain on the sale of our MasterCard shares. Excluding those items, P&C Canada non-interest revenue was stable as higher insurance and securitization revenues were offset by lower revenue from cards and investment products. Private Client Group non-interest revenue increased due to higher fee-based revenue in full-service investing and increased trust & investment revenue in North American Private Banking. BMO Capital Markets non-interest revenue fell on both a reported basis and on a basis that excludes significant items. There were lower investment securities gains, trading revenues and lending fees. Fees from mergers and acquisitions and debt underwriting were also lower, partially offset by increased commission revenue and equity underwriting fees.

Non-Interest Expense

Non-interest expense decreased $59 million from a year ago to $1,614 million. Excluding significant items, non-interest expense decreased $11 million.

The $11 million decrease was attributable to the $64 million benefit of the weaker U.S. dollar. There were higher performance-based costs and increases in salary, computer costs, professional fees and travel and business development. Benefits costs are lower as we actively manage our employee benefit offerings to maintain competitiveness while keeping our costs in check.

There were higher expenses in each of the operating groups. Employee costs were higher, in part due to increased staffing levels in P&C Canada and Private Client Group associated with expansion of front-line sales and service staff in 2007.

Cash operating leverage was 1.5% in the current quarter. Excluding significant items, it was -1.8% as expense growth outpaced revenue growth on this basis.

Non-interest expense decreased $41 million or 2.5% from the fourth quarter. The fourth quarter results included a $24 million net restructuring charge. The current quarter reflected increases in salaries, benefits and performance-based compensation, including expensing in the current quarter $49 million of annual stock-based compensation costs for employees eligible to retire. There were reductions in computer costs, professional fees and travel and business development.

Risk Management

The credit environment has softened from the highly favourable conditions of early 2007. The provision for credit losses this quarter totalled $230 million, consisting of $170 million of specific provisions and a $60 million increase in the general allowance. The increase in the general allowance was attributable to portfolio growth and risk migration. Specific provisions include a $39 million charge in respect of a single enterprise. In the first quarter of 2007, there were $52 million of specific provisions, compared with $101 million of specific provisions and a $50 million increase in the general allowance in the fourth quarter of 2007.

Specific provisions in the current quarter represented 31 basis points of average net loans and acceptances, including securities borrowed or purchased under resale agreements, compared with 10 basis points a year ago, 19 basis points in the fourth quarter of 2007 and a 15 basis point average over the past five fiscal years.

New impaired loan formations totalled $708 million in the quarter, up from $238 million in the fourth quarter and $113 million a year ago. Of the $470 million increase from the fourth quarter, $459 million was attributable to a single enterprise. Formations are in line with expectations at this stage of the economic cycle. There were $3 million of impaired loan sales in the quarter, compared with sales of $11 million in the fourth quarter. There were no sales of impaired loans a year ago.

Gross impaired loans and acceptances were up appreciably from the fourth quarter and a year ago due to the formations discussed above.

The total allowance for credit losses of $1,227 million at the end of the quarter was comprised of a specific allowance of $250 million and a general allowance of $977 million. The general allowance is maintained to absorb impairment in the existing credit portfolio that cannot yet be associated with specific credit assets. It is assessed on a quarterly basis and increased $79 million from the end of the previous fiscal year due to the $60 million provision and the $19 million impact of the change in the Canadian/U.S. dollar exchange rate.

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 78.2% of the loan portfolio at the end of the quarter, down from 82.2% a year ago and 78.6% at the end of the fourth quarter.

We expect the credit environment to continue to be challenging in 2008, as U.S. commercial real estate, industrials and manufacturing, retailing and tourism-related sectors remain weak. These sectors continue to be impacted by high input costs, a strong Canadian dollar and/or the slowdown in the U.S. economy. Evidence of credit deterioration tends to lag a slowing in the economy.

Reflective of our position in a deteriorating credit cycle, gross impaired loans are expected to increase in fiscal 2008 from historically low levels.

We do not expect to achieve our annual target of specific provisions of $475 million or less in fiscal 2008. We anticipate that specific provisions for credit losses of $170 million in the current quarter are indicative of the quarterly run-rate for the balance of the year.

BMO's market risk and liquidity and funding management practices and key measures are outlined on pages 68 to 71 of BMO's 2007 Annual Report. Trading and Underwriting Market Value Exposure (MVE) was little changed quarter-over-quarter, while Earnings Volatility has increased quarter-over-quarter primarily due to higher exposure in the mark-to-market credit portfolios, driven by higher observed credit spreads and credit spread volatilities.

To align with the regulatory definition of risk classifications, effective the beginning of fiscal 2008, general credit spread risk and interest rate risk have been combined and are now reported in the 'Interest Rate Risk (Mark-to-Market)' line in the Total Trading and Underwriting MVE Summary. This change does not impact the Total MVE result but only the way in which the results are reported. MVE data for October 31, 2007 has been restated to reflect this change. There have been no significant changes to our market risk management practices over the quarter.

There have been no significant changes to the levels of structural market risk and liquidity and funding risk over the quarter. We remain satisfied that our liquidity and funding management framework provides us with a sound position despite recent market developments. There was no significant change in our structural market risk management practices during the quarter.

This Risk Management section and the following Income Taxes section contain forward-looking statements. Please see the Caution Regarding Forward-Looking Statements.

Provisions for Credit Losses (PCL)

(Canadian $ in millions, except as noted)	Q1-2008	Q4-2007	Q1-2007
New specific provisions	**205**	152	86
Reversals of previously established allowances	**(13)**	(27)	(12)
Recoveries of loans previously written-off	**(22)**	(24)	(22)
Specific provision for credit losses	**170**	101	52
Increase in the general allowance	**60**	50	-
Provision for credit losses	**230**	151	52
Specific PCL as a % of average net loans and acceptances (annualized).	**0.31%**	0.19%	0.10%
PCL as a % of average net loans and acceptances (annualized).	**0.42%**	0.29%	0.10%

Changes in Gross Impaired Loans and Acceptances (GIL)

(Canadian $ in millions, except as noted)			
GIL, Beginning of Period	**720**	618	666
Additions to impaired loans & acceptances	**708**	238	113
Reductions in impaired loans & acceptances (1)	**21**	(19)	43
Write-offs	**(102)**	(117)	(74)
GIL, End of Period	**1,347**	720	748
GIL as a % of gross loans & acceptances	**0.63%**	0.36%	0.36%
GIL as a % of equity and allowances for credit losses	**7.46%**	4.07%	4.19%

(1) Includes impaired amounts returned to performing status, loan sales, repayments, the impact of foreign exchange fluctuations and offsets for consumer write-offs which have not been recognized as formations (Q1-08 $87MM; Q4-07 $73MM; and Q1-07 $68MM).

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

(After-tax Canadian equivalent)	Market value exposure (MVE)		12-month earnings volatility	
	Jan. 31 2008	Oct. 31 2007	**Jan. 31 2008**	Oct. 31 2007
Trading and Underwriting	**(17.7)**	(18.2)	**(17.3)**	(12.6)
Structural	**(226.2)**	(231.6)	**(24.4)**	(24.2)
BMO Financial Group	**(243.9)**	(249.8)	**(41.7)**	(36.8)

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

Total Trading and Underwriting MVE Summary ($ millions)*

	For the quarter ended January 31, 2008				As at October 31, 2007
(Pre-tax Canadian equivalent)	Quarter-end	Average	High	Low	Quarter-end
Commodities Risk	(3.9)	(4.3)	(6.3)	(2.5)	(2.7)
Equity Risk	(10.6)	(12.2)	(17.7)	(7.9)	(9.5)
Foreign Exchange Risk	(0.3)	(1.6)	(4.3)	(0.3)	(0.9)
Interest Rate Risk (Mark-to-Market)	(13.4)	(13.4)	(21.4)	(8.7)	(10.0)
Diversification	8.4	10.3	nm[1]	nm[1]	9.2
Comprehensive Risk	(19.8)	(21.2)	(27.8)	(14.5)	(14.0)
Interest Rate Risk (accrual)	(1.3)	(5.1)	(9.3)	(1.3)	(9.1)
Issuer Risk	(6.1)	(5.8)	(7.7)	(4.2)	(4.9)
Total MVE	(27.2)	(32.1)	(37.2)	(25.8)	(28.0)

nm- not meaningful

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

(1) Computation of a diversification effect for the high and low is not meaningful.

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

(After-tax Canadian equivalent)	Economic value sensitivity		Earnings sensitivity over the next 12 months	
	Jan. 31 2008	Oct. 31 2007	**Jan. 31 2008**	Oct. 31 2007
100 basis point increase	**(184.9)**	(201.1)	**(17.3)**	6.6
100 basis point decrease	**133.9**	138.6	**28.7**	(15.4)
200 basis point increase	**(427.5)**	(438.1)	**(43.9)**	0.4
200 basis point decrease	**254.7**	234.0	**62.1**	(17.0)

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

Income Taxes

As explained in the Revenue section, in fiscal 2008, management assesses BMO's consolidated results and associated provisions for income taxes on a GAAP basis. We continue to assess the performance of the operating groups and associated income taxes on a taxable equivalent basis and to report accordingly.

There was an income tax recovery of $91 million, compared with recoveries of $26 million in the first quarter of 2007 and $77 million in the fourth quarter of 2007. The effective rate for the quarter was a recovery rate of 50.3%, compared with recovery rates of 7.8% in the first quarter a year ago and 19.3% in the fourth quarter. The capital markets losses reflected as significant items were attributable to higher tax-rate jurisdictions.

Excluding the impact of significant items, the effective rate for the quarter was 13.0%, compared with 22.9% a year ago and 8.0% in the fourth quarter. The decrease in the effective rate from the first quarter of 2007 was mainly attributable to a relatively higher proportion of income from lower-tax-rate jurisdictions in the current quarter. The increase from the fourth quarter was primarily due to the favourable resolution of certain tax matters resulting in the recovery of prior period income taxes in the fourth quarter of 2007. While rates will vary from quarter to quarter due to one time adjustments and significant items, our current estimate is that the sustainable effective tax rate will be in the range of 19% to 23%, down slightly from our prior estimate due primarily to a reduction in statutory rates in Canada in the quarter.

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 in shareholders' equity of $185 million for the quarter. Refer to the Consolidated Statement of Changes in Shareholders' Equity included in the attached unaudited consolidated financial statements for further details.

Summary Quarterly Results Trends

(Canadian $ in millions, except as noted)	**Q1-2008**	Q4-2007	Q3-2007	Q2-2007	Q1-2007	Q4-2006	Q3-2006	Q2-2006
Total revenue	**2,026**	2,200	2,555	2,528	2,066	2,461	2,570	2,473
Provision for credit losses – specific	**170**	101	91	59	52	51	42	66
Provision for credit losses – general	**60**	50	-	-	-	(35)	-	-
Non-interest expense	**1,614**	1,631	1,659	1,614	1,538	1,613	1,600	1,560
Restructuring charge	**-**	24	-	-	135	-	-	-
Total non-interest expense	**1,614**	1,655	1,659	1,614	1,673	1,613	1,600	1,560
Net income	**255**	452	660	671	348	696	710	651
Basic earnings per share ($)	**0.48**	0.89	1.30	1.31	0.68	1.37	1.41	1.28
Diluted earnings per share ($)	**0.47**	0.87	1.28	1.29	0.67	1.35	1.38	1.25
Net interest margin on earning assets (%)	**1.45**	1.47	1.61	1.65	1.64	1.78	1.84	1.78
Effective income tax rate (%)	**(50.3)**	(19.3)	15.7	19.4	(7.8)	14.1	21.4	20.1
Canadian/U.S. dollar exchange rate (average)	**1.00**	1.00	1.07	1.14	1.16	1.12	1.12	1.14
Net income:								
P&C Canada	**302**	287	356	327	297	277	350	267
P&C U.S.	**26**	33	25	29	29	24	32	27
Personal and Commercial Banking	**328**	320	381	356	326	301	382	294
Private Client Group	**98**	103	102	99	91	80	80	94
BMO Capital Markets	**(34)**	46	194	197	(20)	185	201	245
Corporate Services, including T&O	**(137)**	(17)	(17)	19	(49)	130	47	18
BMO Financial Group	**255**	452	660	671	348	696	710	651

BMO's quarterly earning trends were reviewed in detail on pages 75 and 76 of the 2007 Annual Report. Readers are encouraged to refer to that review for a more complete discussion of trends and factors affecting past quarterly results including the modest impact of seasonal variations in results. The above table outlines summary results for the second quarter of fiscal 2006 through the first quarter of fiscal 2008.

Significant items have affected revenues in BMO Capital Markets. There were commodities losses of $509 million, $171 million and $149 million in the first through third quarters of 2007 with smaller losses of $24 million and $12 million in the two most recent quarters, respectively, as the size and risk of the portfolio was reduced. The fourth quarter of 2007 and first quarter of 2008 reflected charges for certain trading activities and valuation adjustments of $318 million and $488 million, respectively. Associated performance-based compensation was lowered appreciably in the first and second quarters of 2007. BMO Capital Markets other businesses that were not affected by significant items performed very strongly over the course of 2007 but market conditions have been softer in 2008.

Personal and Commercial Banking has continued to benefit from strong volume growth over 2007 and into 2008, with stable margins in Canada and moderate expense growth. Customer and front-line staffing levels were increased over the first half of 2007. P&C U.S. margin had been pressured in 2006 and early 2007 but stabilized in the latter part of 2007. In the first quarter of 2008, P&C U.S. margins declined due to the competitive environment.

Private Client group results have demonstrated fairly consistent growth as capital markets were quite strong over the course of 2006 and 2007, with revenue growth slowing in late 2007 and in 2008.

Corporate Services results reflect restructuring charges as outlined in the accompanying table and are impacted by increased provisions for credit losses because of BMO's allocation of provisions on an expected loss basis. In the first quarter of 2008, its results were also affected by reduced revenues.

Provisions for credit losses have started to trend higher as economic conditions have softened from the particularly favourable credit environment of recent years. The decline in BMO's net interest margin over the last two years has been largely due to strong asset growth in BMO Capital Markets, which has lower net interest margin than other groups. The favourable effective tax rates are in part due to losses being incurred in high tax-rate jurisdictions and higher income earned in low-rate jurisdictions. The U.S. dollar has weakened over the course of the past two years but was more stable in the first quarter of 2008, trading at close to parity with the Canadian dollar. A weaker U.S. dollar lowers the translated values of BMO's U.S. dollar-denominated revenues and expenses.

Balance Sheet

Total assets of $376.8 billion increased $10.3 billion from October 31, 2007 as a stronger U.S. dollar increased the translated value of U.S. denominated assets by $22.2 billion. Excluding the effect of the stronger U.S. dollar, total assets decreased by $11.9 billion. The $10.3 billion increase on a Canadian dollar basis primarily reflects growth in cash resources ($3.2 billion), net loans and acceptances ($10.7 billion) and other assets ($5.1 billion), partially offset by a decrease in securities ($8.8 billion).

The $3.2 billion increase in cash resources was largely attributable to higher deposit balances.

The $10.7 billion increase in net loans and acceptances was largely due to a $5.8 billion increase in securities borrowed or purchased under resale agreements due to greater customer demand. Net loans to businesses and governments and related acceptances increased $2.8 billion due to growth in the corporate loans portfolio, while consumer instalment and other personal loans increased $1.3 billion and residential mortgages increased by $0.8 billion.

Other assets increased by $5.1 billion primarily due to a $4.3 billion increase in derivative financial assets related to the interest rate, equity and credit derivatives businesses, partially offset by a decrease in foreign exchange and commodity contracts.

The $8.8 billion decrease in securities was primarily attributable to lower trading securities held in BMO Capital Markets in respect derivatives trading in support of our businesses and lower equity valuations due to market conditions.

Liabilities and shareholders' equity increased $10.3 billion from October 31, 2007 but decreased $11.9 billion excluding the effects of the stronger U.S. dollar. The increase on a Canadian dollar basis primarily reflects growth in deposits ($10.9 billion) and securities sold but not yet purchased ($3.4 billion), partially offset by a decrease in securities lent or sold under repurchase agreements ($2.9 billion), lower derivative financial liabilities ($0.8 billion) and lower acceptances ($0.8 billion).

Deposits by banks, which account for 14% or $35.0 billion of total deposits, increased $0.9 billion and were used to fund the increase in cash resources. Deposits by businesses and governments, which account for 52% or $125.3 billion of total deposits, increased $3.6 billion and were used to fund growth in cash and loans. Deposits from individuals, which account for the remaining 34% or $82.6 billion of total deposits, increased $6.4 billion and were used to fund growth in loans.

The net increase in securities lent or sold under repurchase agreements and securities sold but not yet purchased were used in trading activities.

Contractual obligations by year of maturity were outlined in Table 24 on page 89 of BMO's 2007 Annual Report. There have been no material changes to contractual obligations that are outside the ordinary course of our business.

Capital Management

Effective November 1, 2007, a new regulatory capital management framework was implemented in Canada. The new framework, Basel II, replaced Basel I, the framework utilized for the past 20 years.

Basel II is an important step in the alignment of regulatory and economic capital requirements. It represents an improvement over Basel I in that it establishes regulatory capital requirements that are more sensitive to a bank's risk profile. The Office of the Superintendent of Financial Institutions (OSFI), our regulator, approved BMO's application to apply the Advanced Internal Ratings Based (AIRB) approach for credit risk on our portfolio and the Standardized Approach for measuring Operational Risk. We were granted a waiver to apply the Standardized Approach for determining the credit risk-weighted assets of our subsidiary Harris Bankcorp, Inc.

The AIRB approach is the most advanced of the approaches to measuring credit risk capital under Basel II. It utilizes more sophisticated techniques to measure risk-weighted assets at the borrower level based on sound risk management principles, including consideration of estimates of the probability of default, the likely loss given a default, exposure at time of default, term to maturity and the type of Basel Asset Class exposure. These risk parameters are determined using historical portfolio data supplemented by benchmarking, and are updated periodically. The validation procedures related to these parameters are currently in place and continue to be enhanced in order to appropriately quantify and differentiate risks to ensure that they reflect changes in economic and credit conditions. These validation processes are subjected to regulatory review and approval. Basel I had utilized an approach where risk-weighted assets were determined primarily based on balance sheet volumes as opposed to credit quality.

Under the Standardized Approach, Operational Risk capital requirements are determined by the size and type of our lines of business. Gross income as defined under Basel II serves as a proxy for the size of the business and an indicator of operational risk. Gross income is segmented into eight regulatory business lines by business type, and multiplied by a corresponding factor prescribed by the Basel II framework to determine Operational Risk capital.

The methodology for determining risk-weighted assets for Market Risk did not change materially between Basel I and Basel II.

Basel II introduces new deductions from capital not contemplated under Basel I, the most notable of which is the requirement to net expected credit losses calculated for AIRB portfolios with the corresponding sum of the specific and general allowance, with the differential being either a deduction from capital or an increase in capital.

Basel II is discussed further on pages 66 to 67 of BMO's 2007 Annual Report.

At January 31, 2008, BMO's Tier 1 Capital Ratio was 9.48%, with risk-weighted assets of $179.5 billion and Tier 1 Capital of $17.0 billion. The ratio remains strong and is well above our minimum target of 8.0%. BMO's Total Capital Ratio was 11.26%.

As a result of the implementation of Basel II in the first quarter, measures of risk-weighted assets, capital and capital ratios are not comparable to those measures at October 31, 2007. On a Basel I basis, at January 31, 2008 the Tier 1 Capital Ratio was 9.05% and the Total Capital Ratio was 11.09%. At the end of 2007, the Tier 1 Capital Ratio was 9.51% and the Total Capital Ratio was 11.74% as determined under Basel I.

During the quarter, 844,000 shares were issued due to the exercise of stock options, share exchanges, and the dividend reinvestment plan. We did not repurchase any Bank of Montreal common shares under our common share repurchase program during the quarter. Our share repurchase program is primarily used, over time, to offset the impact of dilution caused by issuing shares through the exercise of stock options, share exchanges, and the dividend reinvestment plan. BMO repurchased 2.2 million more shares than were issued in fiscal 2007.

On March 4, 2008, BMO's Board of Directors declared a quarterly dividend payable to common shareholders of $0.70 per share, up $0.02 from a year ago and unchanged from the fourth quarter.

Outstanding Shares and Securities Convertible into Common Shares

As of February 27, 2008	Number of shares or Canadian dollar amount
Common shares	499,423,000
Class B Preferred Shares	
Series 5	$ 200,000,000
Series 13	$ 350,000,000
Series 14	$ 250,000,000
Convertible into common shares:	
Class B Preferred Shares	
Series 6	$ 250,000,000
Series 10	$ 396,000,000
Stock options	
– vested	15,866,000
– non-vested	5,735,000

Details on share capital are outlined in Notes 21 and 22 to the audited financial statements on pages 121 and 122 and the table on page 58 in the Annual MD&A included in the 2007 Annual Report.

Eligible Dividends Designation

For the purposes of the *Income Tax Act* (Canada) and any similar provincial and territorial legislation, BMO designates all dividends paid on both its common and preferred shares in the 2006 calendar year, and all dividends (including deemed dividends) paid thereafter, as "eligible dividends" unless BMO indicates otherwise.

Credit Rating

BMO's senior debt credit ratings remain unchanged with a stable outlook. Each of the rating agencies affirmed the ratings following BMO's February 19th announcement of expected charges in the quarter. All four ratings are indicative of high-grade, high-quality issues. They remain: Dominion Bond Rating Service (AA); Fitch (AA-); Moody's (Aa1); and Standard & Poor's (A+).

Transactions with Related Parties

In the ordinary course of business, we provide banking services to our directors and executives and their affiliated entities, joint ventures and equity-accounted investees on the same terms that we offer our customers. A select suite of customer loan and mortgage products is offered to our employees at rates normally accorded to our preferred customers. We also offer employees a fee-based subsidy on annual credit card fees.

Stock options and deferred share units granted to directors were discussed in Note 27 of the audited consolidated financial statements on page 132 of the 2007 Annual Report.

Preferred rate loan agreements for executives, relating to transfers we initiate, are discussed in Note 27 of the audited consolidated financial statements on page 132 of the 2007 Annual Report.

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 and VIEs, which are described on pages 59 and 60 of the 2007 Annual Report and in Note 5 to the attached unaudited consolidated financial statements. See the Market Environment section for changes to our off-balance-sheet arrangements during the three months ended January 31, 2008.

Accounting Policies and Critical Accounting Estimates

The notes to BMO's October 31, 2007 audited consolidated financial statements outline our significant accounting policies. There were no changes to our accounting policies in the first quarter of 2008.

Pages 61 to 63 of the 2007 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.

Accounting Changes

Financial Instruments Disclosure and Presentation

On November 1, 2007, we adopted new CICA Handbook requirements regarding the disclosure and presentation of financial instruments. The new requirements are intended to enhance financial statement users' ability to evaluate the significance of financial instruments to an enterprise and the exposures inherent within these instruments, and to understand the entity's ongoing management of such exposures. For new disclosures, refer to Notes 4 and 14 in the attached unaudited interim consolidated financial statements.

Capital Disclosures

On November 1, 2007, we adopted the CICA's new handbook section establishing requirements to disclose both qualitative and quantitative information on capital management. This disclosure requirement is intended to enhance a reader's evaluation of an entity's objectives, policies and procedures related to ongoing capital management. For new disclosures, refer to Note 13 in the attached unaudited interim consolidated financial statements.

Review of Operating Groups' Performance

Operating Groups' Summary Income Statements and Statistics for Q1-2008

	Q1-2008				
(Canadian $ in millions, except as noted)	P&C	PCG	BMO CM	Corporate including T&O	**Total BMO**
Net interest income (teb) (1)	960	155	303	(204)	**1,214**
Non-interest revenue	466	364	(37)	19	**812**
Total revenue (teb) (1)	1,426	519	266	(185)	**2,026**
Provision for (recovery of) credit losses	92	1	29	108	**230**
Non-interest expense	861	368	383	2	**1,614**
Restructuring charge	-	-	-	-	**-**
Total non-interest expense	861	368	383	2	**1,614**
Income before income taxes and non-controlling interest in subsidiaries	473	150	(146)	(295)	**182**
Income taxes (teb) (1)	145	52	(112)	(176)	**(91)**
Non-controlling interest in subsidiaries	-	-	-	18	**18**
Net income Q1-2008	328	98	(34)	(137)	**255**
Net income Q4-2007	320	103	46	(17)	**452**
Net income Q1-2007	326	91	(20)	(49)	**348**
Other statistics					
Net economic profit	159	70	(183)	(173)	**(127)**
Return on equity	20.2%	37.2%	(3.4%)	nm	**6.7%**
Cash return on equity	20.6%	37.6%	(3.4%)	nm	**6.9%**
Operating leverage	(3.1%)	1.4%	12.4%	nm	**1.5%**
Cash operating leverage	(3.2%)	1.3%	12.4%	nm	**1. 5%**
Productivity ratio (teb)	60.3%	71.0%	144.2%	nm	**79.7%**
Cash productivity ratio (teb)	59.7%	70.8%	144.1%	nm	**79.2%**
Net interest margin on earning assets (teb)	2.70%	8.67%	0.65%	nm	**1.45%**
Average common equity	6,244	1,031	5,251	1,700	**14,226**
Average earning assets ($ billions)	141.7	7.1	186.3	(2.3)	**332.8**
Full-time equivalent staff	20,482	4,394	2,418	8,960	**36, 254**

nm – not meaningful

(1) Operating group revenues and income taxes are stated on a taxable equivalent basis (teb). The group teb adjustments are offset in Corporate, and Total BMO revenue and income taxes are stated on a GAAP basis. See the Non-GAAP Measures section.

The following sections review the financial results of each of our operating segments and operating groups for the first quarter of 2008.

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 17 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 Services 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.

Personal and Commercial Banking

(Canadian $ in millions, except as noted)	Q1-2008	Increase (Decrease) vs. Q1-2007		Increase (Decrease) vs. Q4-2007	
Net interest income (teb)	**960**	14	2%	18	2%
Non-interest revenue	**466**	18	4%	76	20%
Total revenue (teb)	**1,426**	32	2%	94	7%
Provision for credit losses	**92**	3	3%	3	4%
Non-interest expense	**861**	45	5%	10	1%
Income before income taxes and non-controlling interest in subsidiaries	**473**	(16)	(3%)	81	20%
Income taxes (teb)	**145**	(18)	(11%)	73	100%
Non-controlling interest in subsidiaries	**-**	-	-	-	-
Net income	**328**	2	1%	8	2%
Amortization of intangible assets (after tax)	**7**	(1)	(11%)	(1)	(6%)
Cash net income	**335**	1	-	7	2%
Return on equity	**20.2%**		(0.1%)		2.1%
Cash return on equity	**20.6%**		(0.2%)		2.0%
Operating leverage	**(3.1%)**		nm		nm
Cash operating leverage	**(3.2%)**		nm		nm
Productivity ratio (teb)	**60.3%**		1.7%		(3.5%)
Cash productivity ratio (teb)	**59.7%**		1.8%		(3.4%)
Net interest margin on earning assets (teb)	**2.70%**		(0.08%)		(0.01%)
Average earning assets	**141,680**	6,848	5%	3,915	3%

nm – not meaningful

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

Personal and Commercial Banking Canada (P&C Canada)

(Canadian $ in millions, except as noted)	Q1-2008	Increase (Decrease) vs. Q1-2007		Increase (Decrease) vs. Q4-2007	
Net interest income (teb)	**793**	33	4%	23	3%
Non-interest revenue	**418**	12	3%	74	22%
Total revenue (teb)	**1,211**	45	4%	97	9%
Provision for credit losses	**83**	3	4%	2	4%
Non-interest expense	**695**	53	8%	5	1%
Income before income taxes and non-controlling interest in subsidiaries	**433**	(11)	(2%)	90	26%
Income taxes (teb)	**131**	(16)	(11%)	75	+100%
Non-controlling interest in subsidiaries	**-**	-	-	-	-
Net income	**302**	5	2%	15	5%
Amortization of intangible assets (after tax)	**-**	(2)	(47%)	(3)	(36%)
Cash net income	**302**	3	1%	12	4%
Personal, Insurance & Other revenue	**609**	19	3%	12	2%
Commercial revenue	**349**	12	4%	14	4%
Cards revenue	**253**	14	6%	71	40%
Operating leverage	**(4.3%)**		nm		nm
Cash operating leverage	**(4.5%)**		nm		nm
Productivity ratio (teb)	**57.4%**		2.3%		(4.5%)
Cash productivity ratio (teb)	**57.3%**		2.4%		(4.4%)
Net interest margin on earning assets (teb)	**2.64%**		(0.03%)		0.04%
Average earning assets	**119,254**	6,100	5%	1,929	2%

nm – not meaningful

Q1 2008 vs Q1 2007

Net income increased $5 million or 1.7%.

Revenue rose $45 million or 3.8% driven by volume growth across most products. Net interest margin fell by 3 basis points with increased cost of funds and ongoing competitive pressures, partially offset by product mix improvement as growth was proportionately greater in high-spread products. While short-term interest rate spreads returned to historic average levels near the end of the quarter, we continue to face margin pressure due to higher longer-term funding costs in the current market.

In the personal banking segment, revenue rose $19 million with growth in most products and higher insurance revenue from favourable claims experience. Personal loan growth from the first quarter of 2007 was a strong 16.6% with increased market share of 80 basis points from the prior year and 21 basis points from the fourth quarter. In the current quarter, we saw improved mortgage growth and spread, as branch-originated mortgage growth outpaced the impact of our exit from third-party and broker mortgage channels. Mortgage market share has declined 143 basis points from a year ago and 26 basis points from the fourth quarter as third-party and broker mortgages continue to run off.

Personal deposits grew relative to the fourth quarter and market share increased 15 basis points. Personal deposits also increased 0.4% from the first quarter of 2007, although market share declined 32 basis points. We continue to focus on better serving the customer and are leveraging our Air Miles on debit initiative to drive growth in accounts and balances.

Within the commercial banking segment, revenue increased $12 million as loans grew a strong 11.1% from the first quarter of 2007. We continue to view this as an area of competitive strength. BMO ranks second in Canadian business banking market share at 19.37%. Our objective is to be the market leader and this quarter we increased market share by 80 basis points from the prior year and 20 basis points from the fourth quarter. In the $1 to $5 million segment, there was loan growth of 9.9% and market share growth of 100 basis points relative to the first quarter of 2007 and 29 basis points relative to the fourth quarter.

Cards and payments service revenues improved $14 million as volumes and transactions grew.

Non-interest expense increased $53 million or 8.1% due largely to increased employee-related expenses and initiative spending. Going forward, we intend to maintain our investments in key strategic initiatives and, mindful of interest rate pressures, continue to manage our tactical spending. Cash operating leverage was (4.5%) as expense growth exceeded revenue growth.

There was growth in average loans and acceptances which, including securitized loans, increased $7.5 billion or 6.2% from the first quarter of 2007 and $1.9 billion or 1.5% from the fourth quarter. Personal and commercial deposits grew $2.4 billion or 5.2% from a year ago and increased $1.0 billion or 2.1% from the fourth quarter.

Q1 2008 vs Q4 2007

Net income increased $15 million or 4.6%. The prior quarter included three notable items which increased net income by $6 million: A $107 million ($83 million after-tax) gain on the sale of MasterCard International Inc. shares as we chose to realize on the value inherent in our investment, and a $43 million recovery of prior years income taxes; less a $185 million ($120 million after-tax) adjustment to increase the liability for future customer redemptions related to our credit card loyalty rewards program. In order to minimize future volatility in earnings, we continue to explore options to transfer the liability and change the cost structure going forward to eliminate our exposure to changing redemption patterns.

Revenue increased $97 million or 8.7%, and by $19 million or 1.6% excluding the $78 million impact of the notable items above. The increase was primarily due to volume growth, higher net interest margins and higher revenue from insurance and securitization, partially offset by lower revenue from cards and term investment products. Net interest margin increased 4 basis points due to lower funding costs, positive mix, higher commercial loan fees and higher cards spread as revolving card balances increased. These increases were partially offset by lower mortgage refinancing fees and competitive pressures on commercial deposits.

Non-interest expense increased $5 million or 0.8% due largely to higher allocated costs and higher employee-related expenses including annual stock-based compensation costs for employees eligible to retire, partially offset by lower initiative spending.

Personal and Commercial Banking U.S. (P&C U.S.)

(Canadian $ in millions, except as noted)	**Q1-2008**	Increase (Decrease) vs. Q1-2007		Increase (Decrease) vs. Q4-2007	
Net interest income (teb)	**167**	(19)	(10%)	(5)	(3%)
Non-interest revenue	**48**	6	14%	2	4%
Total revenue (teb)	**215**	(13)	(6%)	(3)	(1%)
Provision for credit losses	**9**	-	-	1	5%
Non-interest expense	**166**	(8)	(5%)	5	3%
Income before income taxes and non-controlling interest in subsidiaries	**40**	(5)	(10%)	(9)	(18%)
Income taxes (teb)	**14**	(2)	(10%)	(2)	(18%)
Non-controlling interest in subsidiaries	**-**	-	-	-	-
Net income	**26**	(3)	(10%)	(7)	(18%)
Amortization of intangible assets (after tax)	**7**	1	1%	2	2%
Cash net income	**33**	(2)	(8%)	(5)	(15%)
Operating leverage	**(0.7%)**		nm		nm
Cash operating leverage	**(0.4%)**		nm		nm
Productivity ratio (teb)	**77.0%**		0.6%		3.6%
Cash productivity ratio (teb)	**73.4%**		0.3%		3.4%
Net interest margin on earning assets (teb)	**2.97%**		(0.43%)		(0.37%)
Average earning assets	**22,426**	748	3%	1,986	10%
U.S. Select Financial Data(US$ in millions)					
Net interest income (teb)	**167**	7	5%	(6)	(3%)
Non-interest revenue	**48**	12	33%	1	3%
Total revenue (teb)	**215**	19	10%	(5)	(2%)
Non-interest expense	**166**	16	11%	6	3%
Net Income	**26**	1	5%	(7)	(18%)
Average assets	**24,246**	4,012	20%	2,052	9%

nm – not meaningful

Q1 2008 vs Q1 2007

Net income declined $3 million or 9.5%. On a U.S. dollar basis, net income rose $1 million or 5.2%.

Revenue rose US$19 million or 9.9%. The acquisition of First National Bank & Trust (FNBT) represented US$12 million of the growth. Personal and commercial loans grew US$1.9 billion or 10.5%, and 7.1% excluding FNBT. Deposits grew US$1.2 billion or 7.6%, and 1.8% excluding FNBT, in a highly competitive environment. The impact of volume growth and increases in fee and other non-interest revenue was partially offset by a decline in net interest margin. About 22 basis points of the decline in net interest margin was due to the transfer of a small client-driven investment portfolio from Corporate Services. The remaining 21 basis point decline was due to competitive pressures on pricing and customer preferences shifting from higher-spread to lower-spread loan and deposit products and to higher levels of non-accrual loans.

Non-interest expense increased US$16 million or 11%. Excluding FNBT, expenses increased US$8 million. The increase was attributable to initiative spending, new branches and costs associated with volume increases. Acquisition integration costs were comparable in both periods. Cash operating leverage was (0.4%).

Q1 2008 vs Q4 2007

Net income fell by $7 million or 18%, on both a Canadian and U.S. dollar basis, from a very strong fourth quarter, as anticipated.

Revenue decreased US$5 million or 1.5%. Loan growth continued, increasing US$0.2 billion or 1.2%, while deposit growth was nominal. Net interest margin was lowered by 22 basis points by the aforementioned portfolio transfer. The remaining 15 basis point decline in net interest margin resulted from the same factors previously discussed and its impact more than offset the benefits of increased volumes.

Non-interest expense rose US$6 million or 3.4% due to initiative spending and costs associated with higher volume.

Our Retail Net Promoter Score, a measure of the strength of customer loyalty, remained consistent with the prior quarter.

Private Client Group (PCG)

(Canadian $ in millions, except as noted)	Q1-2008	Increase (Decrease) vs. Q1-2007		Increase (Decrease) vs. Q4-2007	
Net interest income (teb)	**155**	4	3%	1	-
Non-interest revenue	**364**	9	3%	10	3%
Total revenue (teb)	**519**	13	3%	11	2%
Provision for credit losses	**1**	-	-	-	-
Non-interest expense	**368**	4	1%	12	3%
Income before income taxes	**150**	9	6%	(1)	(2%)
Income taxes (teb)	**52**	2	4%	4	3%
Net income	**98**	7	8%	(5)	(5%)
Amortization of intangible assets (after tax)	**1**	-	-	-	-
Cash net income	**99**	7	7%	(5)	(5%)
Return on equity	**37.2%**		5.7%		2.5%
Cash return on equity	**37.6%**		5.7%		2.6%
Operating leverage	**1.4%**		nm		nm
Cash operating leverage	**1.3%**		nm		nm
Productivity ratio (teb)	**71.0%**		(1.0%)		1.1%
Cash productivity ratio (teb)	**70.8%**		(0.9%)		1.2%
Net interest margin on earning assets (teb)	**8.67%**		(1.08%)		(0.45%)
Average earning assets	**7,126**	998	16%	356	5%
U.S. Select Financial Data (US$ in millions)					
Total revenue (teb)	**62**	3	6%	-	-
Non-interest expense	**59**	(1)	(2%)	(7)	(11%)
Net income	**2**	3	+100%	5	+100%
Cash net income	**3**	3	+100%	5	+100%
Average assets	**2,260**	213	10%	50	2%

nm – not meaningful

Q1 2008 vs Q1 2007

Net income increased $7 million or 7.6%.

Revenue increased $13 million and 2.7% or $25 million and 5.0% excluding the impact of the weaker U.S. dollar, despite softer market conditions. Net interest income increased, primarily due to higher deposit balances in the brokerage businesses. This was partially offset by lower spread in term investment products, which was impacted by the competitive environment. Non-interest revenue increased, primarily due to higher trust and investment revenue in North American Private Banking. This was partially offset by lower commission revenue in the brokerage businesses.

Non-interest expense increased $4 million and 1.3% or $14 million and 3.9% excluding the benefit of the weaker U.S. dollar, primarily due to continued investment in our client-facing sales force and supporting infrastructure. This was partially offset by lower revenue-based costs, primarily related to lower commission revenue in the brokerage businesses.

Effective December 1, 2007, BMO Mutual Funds began absorbing the operating expenses of its funds in return for a fixed administration fee. This had the impact of increasing both non-interest revenue and expenses in the quarter.

Cash operating leverage was 1.3%.

The Group's $283 billion of assets under management and administration and term deposits were affected by softer market conditions. Assets increased $11 billion or 4.0% year-over-year, excluding the impact of foreign exchange and the transfer of our U.S. Institutional Trust and Custody business to P&C U.S. in the third quarter of 2007.

Q1 2008 vs Q4 2007

Net income decreased $5 million or 5.1%.

Revenue increased $11 million or 1.7%, in a difficult market environment, primarily due to higher revenue in Full-Service Investing and higher trust & investment revenue in North American Private Banking. This was partially offset by lower spread in term investment products.

Non-interest expense increased $12 million or 3.4%, primarily as a result of expensing in the current quarter the annual stock-based compensation costs for employees eligible to retire, and higher revenue-based costs. The Group continues to focus on managing expenses in line with the current market environment.

The new fixed administration fee increased both non-interest revenue and expenses in the quarter.

BMO Capital Markets

(Canadian $ in millions, except as noted)	Q1-2008	Increase (Decrease) vs. Q1-2007		Increase (Decrease) vs. Q4-2007	
Net interest income (teb)	**303**	71	30%	70	30%
Non-interest revenue	**(37)**	(12)	(49%)	(225)	(+100%)
Total revenue (teb)	**266**	59	28%	(155)	(37%)
Provision for credit losses	**29**	9	46%	10	55%
Non-interest expense	**383**	53	16%	(16)	(4%)
Income (loss) before income taxes	**(146)**	(3)	(2%)	(149)	(+100%)
Income taxes (teb)	**(112)**	11	9%	(69)	(+100%)
Net income (loss)	**(34)**	(14)	(74%)	(80)	(+100%)
Amortization of intangible assets (after tax)	**-**	-	-	-	-
Cash net income	**(34)**	(14)	(74%)	(80)	(+100%)
Trading Products revenue	**(36)**	141	80%	(34)	(+100%)
Investment and Corporate Banking and Other revenue	**302**	(82)	(21%)	(121)	(29%)
Return on equity	**(3.4%)**		(1.1%)		(6.3%)
Cash return on equity	**(3.4%)**		(1.1%)		(6.3%)
Operating leverage	**12.4%**		nm		nm
Cash operating leverage	**12.4%**		nm		nm
Productivity ratio (teb)	**144.2%**		(15.4%)		49.2%
Cash productivity ratio (teb)	**144.1%**		(15.4%)		49.2%
Net interest margin on earning assets (teb)	**0.65%**		0.03%		0.13%
Average earning assets	**186,319**	37,066	25%	8,219	5%
U.S. Select Financial Data (US$ in millions)					
Revenue	**294**	464	+100%	(63)	(18%)
Non-interest expense	**208**	72	54%	18	9%
Net Income (loss)	**56**	219	+100%	(58)	(51%)
Average assets	**93,478**	27,071	41%	12,051	15%

nm – not meaningful

Q1 2008 vs Q1 2007

BMO Capital Markets incurred a net loss of $34 million for the quarter, compared with a net loss of $20 million last year. Excluding significant items, which are detailed on page 7, net income increased $73 million or 33% to $290 million, in large part due to reduced performance-based compensation.

Revenue rose $59 million to $266 million. Excluding significant items, revenue increased $38 million or 5.2% to $754 million. There was favourable performance in many areas including interest-rate-sensitive businesses, commission revenues and our cash management business. There were consistent levels of merger and acquisition and debt underwriting revenues and higher foreign exchange trading revenue. In contrast, there were lower lending fees and equity underwriting revenue.

Trading Products revenue increased $141 million or 80%, and increased $79 million or 24% excluding the Trading Products related significant items in both periods.

Investment and Corporate Banking and Other revenue decreased by $82 million or 21%, and by $41 million or 11% excluding significant items in the current quarter.

Net interest income improved from a year ago due to strong performance in our interest-rate-sensitive businesses and higher corporate banking assets. Net interest margin improved 3 basis points from the prior year.

Non-interest expense increased $53 million or 16%, due to higher allocated costs and lower performance-based compensation recorded in the prior year, which included an $87 million reduction relating to significant items in that period. Excluding the significant expense item in the prior year, non-interest expense decreased $34 million or 8.3%. The Group's cash operating leverage was 12.4%, or 13.5% excluding significant items.

The relatively high income tax recovery on the loss incurred in the quarter is due to losses being incurred in high tax-rate jurisdictions and income earned in low tax-rate jurisdictions.

Q1 2008 vs Q4 2007

Net income decreased $80 million. Excluding significant items, net income rose $17 million or 6.0%.

Revenue fell $155 million or 37%. Excluding significant items, revenue decreased $9 million or 1.2% to $754 million. Market conditions continue to be challenging, resulting in lower merger and acquisition fees, debt underwriting activity and lending fees. There were higher revenues from our interest-rate-sensitive businesses, higher trading revenues excluding the significant items, higher equity underwriting fees and higher commission revenues.

Non-interest expense decreased $16 million or 4.1% due to lower computer costs and professional fees.

Excluding significant items, the cash operating leverage in the first quarter of 2008 and the fourth quarter of 2007 would have been 13.5% and 19.0%, respectively.

Corporate Services, Including Technology and Operations

(Canadian $ in millions, except as noted)	Q1-2008	Increase (Decrease) vs. Q1-2007		Increase (Decrease) vs. Q4-2007	
Net interest income (teb)	**(204)**	(71)	(54%)	(71)	(51%)
Non-interest revenue	**19**	(73)	(79%)	(53)	(74%)
Total revenue (teb)	**(185)**	(144)	(+100%)	(124)	(+100%)
Provision for (recovery of) credit losses	**108**	166	+100%	66	+100%
Non-interest expense	**2**	(26)	(93%)	(23)	(92%)
Restructuring charge	**-**	(135)	(100%)	(24)	(100%)
Total non-interest expense	**2**	(161)	(99%)	(47)	(96%)
Income (loss) before income taxes and non-controlling interest in subsidiaries	**(295)**	(149)	(+100%)	(143)	(90%)
Income taxes (recovery) (teb)	**(176)**	(60)	(53%)	(22)	(14%)
Non-controlling interest in subsidiaries	**18**	(1)	(4%)	(1)	(4%)
Net income (loss)	**(137)**	(88)	(+100%)	(120)	(+100%)
U.S. Select Financial Data (US$ in millions)					
Revenue	**(68)**	(46)	(+100%)	(31)	(99%)
Provision for credit losses	**119**	139	+100%	75	+100%
Non-interest expense	**(19)**	(15)	(+100%)	(11)	(+100%)
Restructuring charge	**-**	(18)	(+100%)	(8)	(+100%)
Total non-interest expense	**(19)**	(33)	(+100%)	(19)	(+100%)
Income taxes (recovery) (teb)	**(72)**	(62)	(+100%)	(38)	(+100%)
Net income (loss)	**(101)**	(90)	(+100%)	(50)	(+100%)

Corporate Services

Corporate Services 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, corporate marketing, 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.

Corporate Services 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.

Technology and Operations

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

Financial Performance Review

Technology and Operations operating results are included with Corporate Services for reporting purposes. Costs of T&O's services are transferred to the client groups (P&C, PCG and BMO Capital Markets) and only relatively minor amounts are retained within T&O. As such, results in this section largely reflect the other corporate units outlined above.

There was a net loss of $137 million in the quarter compared with a $49 million loss in the prior year. Results in both periods were affected by significant items, which are outlined on page 7. Excluding significant items, there was a net loss of $99 million in the current quarter, compared with net income of $39 million in the first quarter a year ago. The decrease was primarily attributable to higher specific provisions for credit losses and lower revenues, offset in part by reduced expenses. Revenue decreased primarily due to lower earnings from certain subsidiaries related to a number of items and lower hedging gains, including gains on foreign exchange, as the prior year results included a large mark-to-market gain. There were also a large number of small items negatively impacting revenues in the current quarter. The expense decrease was primarily due to higher recoveries of previously-unallocated expenses.

There was a $17 million net loss in the fourth quarter of 2007. Excluding significant items in both periods, net income declined $130 million from the fourth quarter of 2007 due to higher specific provisions for credit losses and lower revenues, mitigated in part by lower expenses. Revenue decreased primarily due to lower earnings from certain subsidiaries related to a number of items, lower foreign exchange hedging gains, lower interest revenue on income tax refunds and reassessments, and a large number of small items negatively impacting revenues in the current quarter. Expenses decreased primarily due to higher recoveries of previously-unallocated expenses.

INVESTOR AND MEDIA PRESENTATION

Investor Presentation Materials

Interested parties are invited to visit our web site at www.bmo.com/investorrelations to review this quarterly news release, presentation materials and a supplementary financial information package online. Copies of these documents are also available at BMO Financial Group's offices at 100 King Street West, 18th Floor, 1 First Canadian Place, Toronto, Ontario, M5X 1A1.

Quarterly Conference Call and Webcast Presentations

Interested parties are also invited to listen to our quarterly conference call on Tuesday, March 4, 2008 at 2:00 p.m. (EST). At that time, senior BMO executives will comment on results for the quarter and respond to questions from the investor community. The call may be accessed by telephone at 416-695-9753 (from within Toronto) or 1-888-789-0089 (toll-free outside Toronto). A replay of the conference call can be accessed until Monday, May 26, 2008 by calling 416-695-5800 (from within Toronto) or 1-800-408-3053 (toll-free outside Toronto) and entering passcode 648299.

A live webcast of the call can be accessed on our web site at www.bmo.com/investorrelations. A replay can be accessed on the site until Monday, May 26, 2008.

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Chief Financial Officer

Tom Flynn, Executive Vice-President, Finance & Treasurer and Acting Chief Financial Officer
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Corporate Secretary

Blair Morrison, Vice-President & Corporate Secretary
corp.secretary@bmo.com, 416-867-6785

Shareholder Dividend Reinvestment and Share Purchase Plan

Average market price
November 2007 $ 58.32
December 2007 $ 55.99
January 2008 $ 56.56

For dividend information, change in shareholder address or to advise of duplicate mailings, please contact

Computershare Trust Company of Canada
100 University Avenue, 9th Floor
Toronto, Ontario M5J 2Y1
Telephone: 1-800-340-5021 (Canada and the United States)
Telephone: (514) 982-7800 (international)
Fax: 1-888-453-0330 (Canada and the United States)
Fax: (416) 263-9394 (international)
E-mail: service@computershare.com

For other shareholder information, please contact

Bank of Montreal
Shareholder Services
Corporate Secretary's Department
One First Canadian Place, 19th Floor
Toronto, Ontario M5X 1A1
Telephone: (416) 867-6785
Fax: (416) 867-6793
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To review financial results online, please visit our web site at www.bmo.com

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