BANK OF MONTREAL FINANCIAL HIGHLIGHTS

($ millions, except per share data and as noted)	Q3 2001	Increase/ (Decrease) vs. Q3-2000		Increase/ (Decrease) vs. Q2-2001		YTD Q3 2001	Increase/ (Decrease) vs. YTD Q3-2000	
Reported	$	$	%	$	%	$	$	%
Revenues	**$ 2,234**	$ 139	7%	$ (251)	(10%)	**$ 6,912**	$ 410	6%
Provision for credit losses	**$ 117**	$ 17	17%	$ (100)	(46%)	**$ 434**	$ 134	44%
Non-interest expenses	**$ 1,421**	$ 95	7%	$ 17	1%	**$ 4,222**	$ 294	7%
Net income	**$ 444**	$ 43	10%	$ (163)	(27%)	**$ 1,467**	$ 95	7%
Cash-based return on equity	**17.8%**		2.1%		(6.9%)	**19.5%**		0.9%
Return on equity	**16.8%**		1.8%		(6.9%)	**18.6%**		0.7%
Cash-based earnings per share - dilutec	**$ 0.88**	$ 0.15	21%	$ (0.27)	(23%)	**$ 2.80**	$ 0.31	12%
Earnings per share - diluted	**$ 0.83**	$ 0.14	20%	$ (0.27)	(25%)	**$ 2.66**	$ 0.27	11%
Expense-to-revenue ratio	**63.6%**		0.4%		7.1%	**61.1%**		0.7%
Excluding non-recurring items								
Revenues	**$ 2,234**	$ 158	8%	$ 38	2%	**$ 6,579**	$ 296	5%
Provision for credit losses	**$ 117**	$ 17	17%	$ -	0%	**$ 334**	$ 34	11%
Non-interest expenses	**$ 1,421**	$ 95	7%	$ 17	1%	**$ 4,222**	$ 294	7%
Net income	**$ 444**	$ 54	14%	$ 22	5%	**$ 1,269**	$ 27	2%
Cash-based return on equity	**17.8%**		2.5%		0.6%	**16.9%**		0.1%
Return on equity	**16.8%**		2.3%		0.6%	**15.9%**		(0.2%)
Cash-based earnings per share - dilutec	**$ 0.88**	$ 0.17	24%	$ 0.08	10%	**$ 2.43**	$ 0.18	8%
Earnings per share - diluted	**$ 0.83**	$ 0.16	24%	$ 0.07	9%	**$ 2.29**	$ 0.14	7%
Expense-to-revenue ratio	**63.6%**		(0.2%)		(0.3%)	**64.2%**		1.7%

FOR IMMEDIATE RELEASE

Bank of Montreal Reports Increased Third Quarter Earnings

TORONTO, August 28, 2001 – Bank of Montreal reported net income of $444 million, cash-based earnings per share of $0.88 and a cash-based return on equity of 17.8 per cent for its third quarter ended July 31, 2001.

"Excluding non-recurring items, cash-based earnings per share increased 24 per cent from the third quarter of last year, largely driven by higher earnings in the Investment Banking Group as well as improved results in the Personal and Commercial Client Group," said Tony Comper, Chairman and Chief Executive Officer, Bank of Montreal. "Investment Banking Group results rose strongly, demonstrating the Group's ability to perform well in a difficult capital market environment.

"The improved earnings in our Personal and Commercial Client Group reflected volume growth in our Canadian and U.S. network. The Private Client Group, which continues to build distribution capability that will ensure future success, shared in the industry-wide decline in client-trading volumes," said Mr. Comper.

Third Quarter 2001 compared with Third Quarter 2000

Net income for the Investment Banking Group was $163 million in the third quarter, a $28 million or 20 per cent increase over the same period last year, reflecting improved performance in interest-rate-sensitive businesses and in client-driven trading activities.

Personal and Commercial Client Group results, excluding non-recurring items, were $13 million higher than in the third quarter of last year, as the Bank improved revenues from volume growth in Canada and the United States, while maintaining spreads. Revenue increases were partially offset by a five per cent increase in expenses from the same period last year, associated with the Group's continued investment to support future growth.

In the third quarter, the Private Client Group remained focused on its long-term strategy – expansion of its distribution network, expansion of the U.S. wealth management business and leveraging its relationships across the full range of the Bank's products and services. The Group's financial performance was significantly affected by lower client-trading volumes and continuation of deteriorating market conditions and equity values. Net income in the third quarter declined to $29 million, from $44 million in the same period last year.

Third Quarter 2001 compared with Second Quarter 2001

Excluding non-recurring items, cash-based earnings per share rose ten per cent from the second quarter and cash-based return on equity increased 0.6 percentage points. Net income rose by $22 million or five per cent.

Improved results were driven by higher earnings in the Personal and Commercial Client Group and in Corporate Support, partially offset by lower net income in the Investment Banking Group and the Private Client Group.

The Personal and Commercial Client Group's results benefited from higher revenues due to growth in product volumes and additional days in the third quarter. Volumes improved from the immediately preceding quarter, reflecting improved sales in Canada and continued growth in the United States.

Investment Banking Group results remained strong, particularly in the context of weaker capital markets, but were down from the record results posted in the second quarter. The decline was attributable to weaker client-driven trading activity in Capital Markets, lower merger and acquisition revenues from Investment Banking and lower trading revenue and commissions in the Equity Division.

Private Client Group net income declined as weaker market conditions and slower trading activities of the summer months resulted in lower trading volumes.

Reported results in the second quarter included non-recurring gains on the sales of Bancomer and retail branches, and a non-recurring increase in the general provision for credit losses.

Year-to-date Third Quarter 2001 Compared with Year-To Date Third Quarter 2000

Excluding non-recurring items, cash-based earnings per share for the nine months ended July 31, 2001 increased by eight per cent and cash-based return on equity increased by 0.1 percentage points from the comparable period last year. Net income of $1,269 million rose by two per cent.

Improved performance was driven by results from Investment Banking Group. Personal and Commercial Client Group's results also rose, while Private Client Group's net income declined.

Investment Banking Group benefited from improved results in Capital Markets businesses due to a more favourable interest rate environment and higher client-driven trading activity.

Revenues of Personal and Commercial Client Group increased due to higher volumes and improved spreads. Expenses increased due to higher costs of investing in initiatives and in increased front line sales staff.

Private Client Group net income declined from the prior year due to unusually strong equity capital markets last year.

The Bank indicated that due to slower economic growth in North America, excluding non-recurring items, the outlook for fiscal 2001 cash-based earnings per share growth is approximately six to eight per cent and the outlook for cash-based return on equity is approximately 16 to 17 per cent.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Bank of Montreal, from time to time, makes written and verbal forward-looking statements. These may be included in this press release or the attached third quarter 2001 report to shareholders, in filings with Canadian regulators or the U.S. Securities and Exchange Commission, in reports to shareholders and in other communications, and are made pursuant to the "safe harbor" provisions of the United States Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to, comments with respect to our objectives, targets, strategies, financial condition, the results of our operations and our businesses, our outlook for our businesses and for the Canadian and U.S. economies and our risk management discussion.

By their very nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific and the risk that predictions and other forward-looking statements will not be achieved. We caution readers of this report not to place undue reliance on these forward-looking statements as a number of important factors could cause actual future results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements.

Forward-looking statements may be influenced by the following factors: fluctuations in interest rates and currency values; regulatory developments; statutory changes; the effects of competition in the geographic and business areas in which we operate, including continued pricing pressure on loan and deposit products; and changes in political and economic conditions including, among other things, inflation and technological changes. We caution that the foregoing list of important factors is not exhaustive and that when relying on forward-looking statements to make decisions with respect to Bank of Montreal, investors and others should carefully consider the foregoing factors as well as other uncertainties and potential events. The Bank does not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by or on behalf of the Bank.

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Bank of Montreal invites interested investors to the conference call to review the third quarter's results on **Tuesday August 28, 2001 at 2:00 p.m. (EDT)**. The conference call can be accessed in a listen-only mode as follows:

Via the Internet at:	www.bmo.com/investorrelations
Via telephone at:	Toll free 1-877-871-4065 or From within Toronto 416-641-6449

A replay of the conference call will be available until Friday September 7, 2001 by calling 1-800-558-5253 and quoting reservation number 171 143 82. The web cast can also be accessed on our web site for three months, or until November 28, 2001.

The press release, quarterly presentations and supplementary financial information package are available on Bank of Montreal's web site at www.bmo.com/investorrelations and at our offices at 1 First Canadian Place, 18th Floor, Toronto, Ontario.

The text of the Bank's Third Quarter 2001 Report to Shareholders follows.

THIRD QUARTER 2001 REPORT TO SHAREHOLDERS

I am pleased to present Bank of Montreal's Third Quarter 2001 Report to Shareholders.

Tony Comper
Chairman and Chief Executive Officer
August 28, 2001

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION (MD&A)

Users of the interim MD&A are assumed to have read or have access to the annual MD&A, which is available in the Bank's 2000 Annual Report at www.bmo.com. Readers are encouraged to refer to the annual MD&A for a more comprehensive understanding of the Bank's operations.

RESULTS OVERVIEW

Third Quarter 2001 vs. Third Quarter 2000

Bank of Montreal earned net income of $444 million for the third quarter of 2001, an increase of $43 million from the third quarter of 2000. Excluding non-recurring items, which increased net income by $11 million in the third quarter of last year, net income rose $54 million or 14 per cent.

Cash-based return on equity for the third quarter was 17.8 per cent, an increase of 2.1 percentage points from the third quarter in the prior year. Excluding non-recurring items in the prior year, cash-based return on equity was 2.5 percentage points higher than in the third quarter of 2000.

Return on equity for the quarter was 16.8 per cent, compared with 15.0 per cent in the third quarter of last year. Excluding the non-recurring items from last year, return on equity increased by 2.3 percentage points.

Cash-based earnings per share were $0.88, an increase of $0.15 or 21 per cent from the third quarter in the prior year. Excluding non-recurring items in the third quarter of 2000, cash-based earnings per share were $0.17 or 24 per cent better than last year. In this document, unless indicated otherwise, all references to earnings per share and cash-based earnings per share refer to 'diluted' per share amounts.

Earnings per share were $0.83 for the quarter, compared with $0.69 last year. Excluding non-recurring items from the prior year, earnings per share rose $0.16 or 24 per cent.

Net economic profit was $184 million for the quarter, up from $124 million last year.

The third quarter of last year benefited from a $19 million ($11 million after-tax) gain on sales of branches. There were no non-recurring items in the most recent quarter. The effects of non-recurring items on results are detailed in the table on page 10.

The comparison of earnings between years is affected by changes in accounting for the Bank's former investment in Bancomer and this year's adoption of a new accounting standard related to pensions and other future employee benefits. If the accounting used in fiscal 2001 were in effect last year, excluding non-recurring items, net income for the third quarter of fiscal 2001 would exceed net income for the third quarter of last year by $68 million and earnings per share would be $0.19 higher than last year.

Improved results were driven by higher Investment Banking Group net income. Personal and Commercial Client Group, and Emfisys and Corporate Support Group net income also rose, while Private Client Group's results declined.

Despite a difficult capital markets environment, Investment Banking Group results rose strongly, reflecting continued momentum in the Capital Markets line of business. That line benefited from significantly improved performance in interest-rate-sensitive businesses and improved performance in client-driven trading activities, including the commodities business that was affected by losses in the prior year. Results also benefited from dividend income realized in the Merchant Banking portfolio. Expenses rose year-over-year, primarily due to higher revenue-based compensation. The provision for credit losses increased because of weaker economic conditions in certain sectors in the United States.

Excluding non-recurring items in the prior year, Personal and Commercial Client Group results improved from increased volumes. Expenses rose due to increased benefits and sales and service staffing costs, higher business initiative spending and the impact of currency translation. Volumes increased from the immediately preceding quarter, reflecting improved sales in Canada and continued growth in the United States.

As expected in the current market environment, Private Client Group earnings declined, largely due to significantly lower client-trading revenues in full-service and direct investing and higher expenses related to acquired businesses and initiative spending.

Emfisys and Corporate Support results improved year-over-year due to improved corporate revenues and a more favourable tax provision, attributable to various bank-wide tax initiatives and the resolution of issues with taxation authorities. Revenues in the prior year included significant gains on sales of securities.

The provision for credit losses increased year-over-year, but was unchanged from the second quarter. Impaired loans increased because of continuing weakness in the United States, particularly in the telecommunications and manufacturing sectors. The levels of impaired loans are however considered normal for this stage of the economic cycle.

As explained more fully on page 13, excluding non-recurring items, the outlook for annual cash-based earnings per share growth for fiscal 2001 is approximately six to eight per cent and the outlook for cash-based return on equity is approximately 16 to 17 per cent. These changes were driven by increased provisions for credit losses, recently weaker retail equity markets and difficult economic conditions in the United States.

On May 23, 2001, the Bank announced its intent to increase its share repurchase program from 30 million shares to a maximum of 52 million shares. During the quarter, the Bank acquired 11.4 million shares at an average cost of $38.20 per share and total cost of $436 million. Under the current program, the Bank has acquired 32.6 million shares at an average cost of $38.68 and total cost of $1,260 million through July 31, 2001. In fiscal 2000 and through July 31, 2001, the Bank had returned $1.8 billion of capital to shareholders through share buybacks. The share buybacks were responsible for a $0.05 increase in earnings per share, or seven percentage points of the overall 24 per cent increase in year-over-year growth in earnings per share.

During the quarter, the Bank completed its previously announced acquisition of First National Bank of Joliet in the United States, resulting in a Cdn$2 billion increase in assets and Cdn$1.6 billion increase in liabilities at July 31, 2001. The Bank also completed its acquisition of the Guardian Group of Funds Ltd. with its $2 billion of assets under management in Canada.

Third Quarter 2001 vs. Second Quarter 2001

Net income for the third quarter of 2001 decreased by $163 million from $607 million in the second quarter. Excluding non-recurring items in the second quarter, net income increased by $22 million or five per cent.

Cash-based return on equity for the third quarter was 17.8 per cent, a decrease of 6.9 percentage points from the second quarter. Excluding non-recurring items in the previous quarter, cash-based return on equity increased by 0.6 percentage points.

Return on equity of 16.8 per cent was 6.9 percentage points lower than in the second quarter. Excluding non-recurring items, return on equity increased 0.6 percentage points.

Cash-based earnings per share were $0.88, a decline of $0.27 or 23 per cent from the second quarter. Excluding non-recurring items in the previous quarter, cash-based earnings per share were $0.08 or 10 per cent higher than last quarter.

Earnings per share decreased from $1.10 in the second quarter to $0.83 in the third quarter. Excluding non-recurring items, earnings per share increased by $0.07 or nine per cent.

Net economic profit decreased by $168 million from the second quarter of the year because of non-recurring gains in the second quarter.

Results in the second quarter were affected by non-recurring items. These included an after-tax gain of $239 million on the sale of the Bank's investment in Bancomer, a prudential increase of $100 million in its general provision for credit losses and a $4 million after-tax gain on sales of branches.

Higher earnings were driven by increased earnings in the Personal and Commercial Client Group and by improved results in Emfisys and Corporate Support. Net earnings of the Investment Banking Group remained strong, but were down from the record results of the second quarter, while net income in the Private Client Group declined because of further weakening in client trading volumes.

Net income of the Personal and Commercial Client Group increased from the preceding quarter as a result of higher revenues due to growth in product volumes and more days in the third quarter. Expenses also rose moderately due to more days in the quarter.

Earnings from the Investment Banking Group declined from the record earnings posted during the second quarter, but remained strong despite the current difficult market environment. Weaker market conditions affected client-driven trading activity in Capital Markets. Lower Investment and Corporate Banking revenues and higher Group expenses also contributed to the decline. Merchant Banking benefited from dividend income realized this quarter.

Net income from the Private Client Group decreased due to reduced trading volumes in the investing businesses and lower fee-based revenues in the third quarter. Less active summer trading and weaker market conditions were responsible for the declines.

Emfisys and Corporate Support net earnings rose because of improved corporate revenues and the inclusion of bank-wide benefits of tax initiatives.

Gross impaired loans increased by approximately $183 million due to further impairments in the communications, retail and manufacturing sectors, but remain within the expected range given the weak economic environment in the United States.

Year-to-date 2001 vs. Year-to-date 2000

On January 23, 2001 the Bank's Board of Directors declared a 100 per cent stock dividend, effectively achieving a two-for-one split of the Bank's common shares. All data in respect of numbers of shares and per share amounts reflect the effects of the split and all prior period comparatives have been restated accordingly.

Net income for the nine months ended July 31, 2001 was $1,467 million, an increase of $95 million from the comparable period in fiscal 2000. Excluding non-recurring items, net income increased $27 million or two per cent to $1,269 million.

Cash-based return on equity for the year-to-date was 19.5 per cent, an increase of 0.9 percentage points from the comparable period in 2000. Excluding non-recurring items in both periods, cash-based return on equity was 16.9 per cent or 0.1 percentage points higher.

Return on equity was 18.6 per cent, an increase of 0.7 per cent from fiscal 2000 year-to-date. Excluding non-recurring items, return on equity decreased by 0.2 percentage points to 15.9 per cent.

Year-to-date cash-based earnings per share were $2.80, an increase of $0.31 or 12 per cent from the comparable period in 2000. Excluding non-recurring items, cash-based earnings per share were $2.43, an increase of $0.18 or eight per cent.

Earnings per share were $2.66, compared with $2.39 for the nine months ended July 31, 2000. Excluding non-recurring items, earnings per share were $2.29, up $0.14 or seven per cent from last year.

Net economic profit was $682 million year-to-date, compared with $551 million in the prior year.

In the first and second quarters of fiscal 2001, the Bank sold its entire 1,012 million shares in Bancomer, producing non-recurring gains on sale of $321 million ($272 million after-tax). The Bank also recorded a non-recurring $100 million ($58 million after-tax) increase in its general provision for credit losses during the second quarter of 2001. There was no such charge for the comparable year-to-date period in 2000. The effects of these and other non-recurring items are outlined on page 10.

Following a dilution in Bank of Montreal's ownership interest in Bancomer during the third quarter of fiscal 2000, the Bank adopted the cost basis of accounting, replacing the equity basis of accounting for its investment. This change in accounting and the current year's adoption of a new accounting standard for employee benefits affect the comparison of earnings between fiscal 2001 and fiscal 2000. If the accounting methodology used in fiscal 2001 were in effect last year, excluding non-recurring items, net income for the nine months ended July 31, 2001 would exceed net income for the comparable period last year by $111 million and earnings per share would be $0.31 higher than in the prior year.

Results, excluding non-recurring items, benefited from the strong performance of the Investment Banking Group, which was primarily driven by improved results in the Capital Markets line of business due to a more favourable interest rate environment and higher client-driven trading activity, including improved results in the commodities line of business. Net income from the Personal and Commercial Client Group also improved, due to volume growth, increased spreads and other revenues, and lower after-tax goodwill amortization, which more than offset increased staffing and initiative spending. Emfisys and Corporate Support Group net income was substantially unchanged as improved revenues, the bank-wide benefits of tax initiatives and the resolution of issues with taxation authorities offset declines due to lower earnings recognized on the investment in Bancomer, as a result of the change to cost accounting, and higher investment securities gains in fiscal 2000. Net income from the Private Client Group declined, due largely to lower client-driven trading volumes.

Effects of Non-Recurring Items ($ millions, except per share data and as noted)

Reported	Q3-2001	Q2-2001	YTD-2001	Q3-2000	YTD-2000
Revenues (teb)	**$ 2,234**	$ 2,485	$ 6,912	$ 2,095	$ 6,502
Provision for credit losses	**$ 117**	$ 217	$ 434	$ 100	$ 300
Non-interest expenses	**$ 1,421**	$ 1,404	$ 4,222	$ 1,326	$ 3,928
Net income	**$ 444**	$ 607	$ 1,467	$ 401	$ 1,372
Cash-based return on equity	**17.8%**	24.7%	19.5%	15.7%	18.6%
Return on equity	**16.8%**	23.7%	18.6%	15.0%	17.9%
Cash-based earnings per share - diluted	**$ 0.88**	$ 1.15	$ 2.80	$ 0.73	$ 2.49
Earnings per share - diluted	**$ 0.83**	$ 1.10	$ 2.66	$ 0.69	$ 2.39
Expense-to-revenue ratio	**63.6%**	56.5%	61.1%	63.2%	60.4%

Non-recurring items	Operating Group	Q3-2001	Q2-2001	YTD-2001	Q3-2000	YTD-2000
Increased revenues						
Gain on sale of Partners First	P&C	$ -	$ -	$ -	$ -	$ 112
Gain on sale of U.S. corporate trust	Corp.	-	-	-	-	74
Gains on sales of branches	P&C	-	5	12	19	33
Gain on sale of Bancomer	Corp.	-	284	321	-	-
Total non-recurring revenues		-	289	333	19	219
Increased general provision for credit losses	Corp.	-	100	100	-	-
Increased / (Decreased) pre-tax income		-	189	233	19	219
Increased income taxes						
Income taxes on non-recurring items		-	4	10	8	89
Adjustment of future tax asset due to proposed reductions in federal tax rates		-	-	25	-	-
		-	4	35	8	89
Increased / (Decreased) net income		$ -	$ 185	$ 198	$ 11	$ 130

Excluding non-recurring items	Q3-2001	Q2-2001	YTD-2001	Q3-2000	YTD-2000
Revenues (teb)	**$ 2,234**	$ 2,196	$ 6,579	$ 2,076	$ 6,283
Provision for credit losses	**$ 117**	$ 117	$ 334	$ 100	$ 300
Non-interest expenses	**$ 1,421**	$ 1,404	$ 4,222	$ 1,326	$ 3,928
Net income	**$ 444**	$ 422	$ 1,269	$ 390	$ 1,242
Cash-based return on equity	**17.8%**	17.2%	16.9%	15.3%	16.8%
Return on equity	**16.8%**	16.2%	15.9%	14.5%	16.1%
Cash-based earnings per share - diluted	**$ 0.88**	$ 0.80	$ 2.43	$ 0.71	$ 2.25
Earnings per share - diluted	**$ 0.83**	$ 0.76	$ 2.29	$ 0.67	$ 2.15
Expense-to-revenue ratio	**63.6%**	63.9%	64.2%	63.8%	62.5%

STRATEGIC OVERVIEW

The Bank's objectives, standards, approach and governance related to strategic management are outlined on page 19 of the 2000 Annual Report.

Throughout fiscal 2001, the Bank has continued to make progress with the next phase of its growth strategy, the acceleration of the shift of its business mix toward higher-growth, higher-return businesses. The Bank continues to target three client markets across Canada and in high-opportunity areas of the United States:

- personal and commercial banking clients (served by the Personal & Commercial Client Group);
- corporate and institutional clients (served by the Investment Banking Group); and
- individual investing clients (served by the Private Client Group).

Personal and Commercial Client Group made further progress in integrating branch and electronic banking capabilities in order to help simplify customers' financial lives. In the past twelve months, the number of more cost-effective and convenient instore branches rose by 15 to 80. At quarter-end, there were 873 traditional branches in Canada, a reduction of 103 from the second quarter of 2000. This ongoing optimization of the distribution channels included the sales of 84 branches, to credit unions and to National Bank of Canada, and the acquisition of 12 former TD/Canada Trust branches. During the quarter, Harris Bank completed its previously announced acquisition of First National Bank of Joliet. This merger expands the Harris community bank network to 149 locations and 245 ABMs across the Chicago area, moving Harris aggressively into the fastest growing county in Illinois and the sixteenth fastest growing county in the United States. New products, such as the Premium Rate Savings account, a multi-segment approach to commercial banking, and web-enablement of most banking products support Personal and Commercial Client Group's focused growth strategy.

Bank of Montreal was named the 'Best Internet Bank' in Canada by Global Finance magazine in its August report on the 'World's Best Internet Banks'. The 'Best Internet Bank' rating was based on the breadth of product offerings for corporate or institutional clients; success in getting customers to use online offerings; ability to form winning Internet partnerships or alliances; web site design and functionality; and diversity of access channels.

The Private Client Group's strategy involves differentiation through a solid brand identity and the highest-quality advice, focusing on helping clients accumulate, protect and grow their financial assets. This is coupled with excellent product offerings and maximum choice and flexibility through targeted distribution. Through the first nine months of the year, the Group continued to increase its North American investment sales professional team, completed the integration of Seattle-based Freeman Welwood and Arizona-based Century Bank and launched a number of new products and services, including Harris AdvantEdge Investing. In the third quarter, the Bank completed its acquisition of the Guardian Group of Funds Ltd. and its $2 billion in assets under management. This strategic transaction provides an excellent platform to continue to grow the Group's mutual fund business, including the addition of an important new advisory distribution channel capability.

The Investment Banking Group continued to focus on increasing returns by growing high-potential businesses and reallocating capital to more-productive units. A major part of the Group's strategy is to build on BMO Nesbitt Burns' strong market position in Canada. During the third quarter, BMO Nesbitt Burns ranked first in Canadian equity dollar-value block trading and maintained a leading share of the underwriting market. The Group is also committed to expanding its coverage in the highly profitable U.S. Midwest mid-market sector and selectively growing its presence in the energy and media and communications sectors. During the quarter, the corporate and investment banking platform of Harris Nesbitt continued to demonstrate effective execution of its unique, integrated mid-market strategy. In connection with the acquisition of certain cable television systems by Media Communications Corporation, the firm's U.S. media and communications group served as an arranger in a US$1.4 billion senior debt financing to a Mediacom affiliate. BMO Nesbitt Burns also acted as Senior Co-Manager in a US$400 million high yield issue related to this acquisition financing. The Group is also building in specific high-return businesses such as merchant banking, securitization and credit investment management. Credit Investment Management assets under management continue to grow with assets of US$10 billion at the end of the quarter, up US$1 billion from the prior quarter.

The Bank is pursuing e-business opportunities within and across all three of its markets as an important component of its growth strategy. Emfisys, the Bank's technology and e-business group – one of the largest information technology research, development and service operations in the country, is responsible for e-business activities.

Emfisys' strategy is to be the competitive provider of choice for its internal customers (Personal and Commercial Client Group, Private Client Group and Investment Banking Group) and a trusted provider of operations and technology solutions to customers throughout North America; to create new high-growth, high-return businesses; invest in technology, e-business research and development; and to optimize revenue generation through its North American Cash Management business, strategic alliances, partnerships, joint ventures and outsourcing.

During the first nine months of the year, Emfisys has continued to focus on its market competitiveness, efficiency and service – increasing productivity and quality while driving down costs for its customers, the Bank's three client groups. Recently, Emfisys' IT operations business was reviewed by a leading IT consulting company that found Emfisys' data centre operations to be of world-class calibre in terms of performance, quality and cost.

On August 3, 2001, the Bank announced an agreement to sell its interest in the land under its corporate office building in Toronto, First Canadian Place. Proceeds will be $120 million and the transaction is expected to result in the recognition of a non-recurring gain of approximately $90 million after-tax on closing of the transaction, which is expected in the fourth quarter of the current year. The sale was completed as part of an ongoing strategy to permit the Bank to focus its capital use on its core financial services activities and because of favourable market conditions.

The Bank's average annual 5-year total shareholder return for the period ended July 31, 2001 was 23.9 per cent, the second lowest of Canada's major banks. However, for the twelve months ended July 31, 2001, the twelve-month total shareholder return of Bank of Montreal common stock was 32.0 per cent, the second highest return among Canada's major banks. By continuing to progress in the implementation of its growth strategy, Bank of Montreal intends to move closer to its objective of achieving top-tier shareholder returns relative to its Canadian and North American peers by 2002.

FISCAL 2001 FINANCIAL TARGETS

At the end of fiscal 2000, Bank of Montreal adopted more detailed and aggressive financial targets for fiscal 2001.

Excluding the effects of non-recurring items, fiscal 2001 targets were:

• Growth in earnings per share of	10 to 15 per cent
• Return on equity of	17.0 to 17.5 per cent
• Revenue growth of	7 to 9 per cent
• Expense-to-revenue ratio consistent with the 2000 ratio of	62.8 per cent
• Provision for credit losses consistent with the 2000 provision of	$400 million
• Tax rate (tax equivalent basis) averaging	37 per cent
• Modest growth in risk-weighted assets from 2000 balance of	$134 billion
• Tier 1 capital ratio of at least	8.0 per cent
• Cash and securities-to-total assets ratio consistent with the 2000 ratio of	27.8 per cent

As indicated in the second quarter, the annual targets for revenue growth and the expense-to-revenue ratio continue to be challenging in an environment of slower economic growth in North America.

While third quarter results were considerably higher than a year ago, excluding non-recurring items, the outlook for cash-based earnings per share growth is approximately six to eight per cent and the outlook for cash-based return on equity is approximately 16 to 17 per cent. These changes are attributable to the $50 million increase in the annual provision for credit losses (to $450 million) announced last quarter, weaker retail equity markets and continued unfavourable economic conditions in the United States.

Excluding non-recurring items, for the nine months ended July 31, 2001: growth in cash-based earnings per share was eight per cent and cash-based return on equity was 16.9 per cent; growth in earnings per share was 6.5 per cent and return on shareholders' equity was 15.9 per cent; revenue growth was 4.7 per cent and the expense-to-revenue ratio was 64.2 per cent.

OPERATING GROUP REVIEW

An analysis of financial results of each operating group is provided, together with their respective objectives and achievements. A separate analysis of Harris Bank, whose financial results are incorporated within each of the operating groups, is also provided.

Periodically, certain business lines and units within the business lines are transferred between client groups to more closely align the Bank's organizational structure and its strategic priorities. All comparative figures are restated to give effect to the transfers.

In the third quarter, the results of the fixed income securities of Harris Bank, formerly reported entirely in Investment Banking Group, were reflected in each of the operating groups, aligning the operating groups' longer-term liabilities with the term assets they fund.

In the second quarter there was a transfer from the Personal and Commercial Client Group to Emfisys and Corporate Support. The transfer was the net interest expense that remains unallocated to the lines of business in the Bank's internal transfer pricing process.

Net Income by Operating Group

Reported	**Fiscal 2001**			**Fiscal 2000**	
($ millions)	**Q3**	**Q2**	**YTD**	**Q3**	**YTD**
Personal and Commercial Client Group	**$ 216**	$ 187	$ 607	$ 214	$ 675
Private Client Group	**29**	50	110	44	154
Investment Banking Group	**163**	179	504	135	441
Emfisys and Corporate Support	**36**	191	246	8	102
Bank of Montreal	**$ 444**	$ 607	$ 1,467	$ 401	$ 1,372

Excluding non-recurring items	**Fiscal 2001**			**Fiscal 2000**	
($ millions)	**Q3**	**Q2**	**YTD**	**Q3**	**YTD**
Personal and Commercial Client Group	**$ 216**	$ 183	$ 598	$ 203	$ 589
Private Client Group	**29**	50	110	44	154
Investment Banking Group	**163**	179	504	135	441
Emfisys and Corporate Support	**36**	10	57	8	58
Bank of Montreal	**$ 444**	$ 422	$ 1,269	$ 390	$ 1,242

PERSONAL AND COMMERCIAL CLIENT GROUP

The Personal and Commercial Client Group provides branch-based and electronic financial services to households and commercial businesses in Canada and the United States.

Reported	Fiscal 2001			Fiscal 2000	
($ millions, except as noted)	Q3	Q2	YTD	Q3	YTD
Net interest income (teb)	**$ 774**	$ 746	$ 2,279	$ 748	$ 2,170
Other income	**335**	303	945	334	1,053
Total revenue	**1,109**	1,049	3,224	1,082	3,223
Provision for credit losses	**64**	63	187	59	176
Non-interest expense	**678**	668	2,005	647	1,871
Income taxes (teb) and other	**151**	131	425	162	501
Net income	**$ 216**	$ 187	$ 607	$ 214	$ 675
Net economic profit	**$ 140**	$ 112	$ 381	$ 140	$ 440
Cash-based return on equity	**29.2%**	26.0%	27.9%	30.7%	31.3%
Total risk-weighted assets	**$ 59,444**	$ 58,590	$ 59,444	$ 56,580	$ 56,580
Average common equity	**$ 2,954**	$ 2,971	$ 2,933	$ 2,798	$ 2,897
Average assets	**$ 95,610**	$ 94,695	$ 94,774	$ 92,503	$ 91,124
Average net interest margin	**3.21%**	3.23%	3.21%	3.21%	3.18%
Expense-to-revenue ratio	**61.2%**	63.7%	62.2%	59.8%	58.0%

Excluding non-recurring items	Fiscal 2001			Fiscal 2000	
($ millions, except as noted)	Q3	Q2	YTD	Q3	YTD
Total revenue (teb)	**$ 1,109**	$ 1,044	$ 3,212	$ 1,063	$ 3,078
Provision for credit losses	**$ 64**	$ 63	$ 187	$ 59	$ 176
Non-interest expense	**$ 678**	$ 668	$ 2,005	$ 647	$ 1,871
Income taxes (teb) and other	**$ 151**	$ 130	$ 422	$ 154	$ 442
Net income	**$ 216**	$ 183	$ 598	$ 203	$ 589
Cash-based return on equity	**29.2%**	25.5%	27.4%	29.1%	27.4%
Expense-to-revenue ratio	**61.2%**	64.0%	62.4%	60.9%	60.8%

Third Quarter 2001 vs. Third Quarter 2000

Net income for the third quarter of 2001 was $216 million, compared with $214 million in the third quarter of 2000. Excluding non-recurring gains of $11 million after-tax ($19 million pre-tax) on the sales of branches in the prior year, net income increased by $13 million or six per cent. On a same-branch basis, excluding non-recurring gains, net income increased $16 million or eight per cent.

Revenues, at $1,109 million, were $27 million higher than a year earlier. Excluding non-recurring items in the third quarter of 2000, revenues increased $46 million or four per cent. There have been 67 branches sold and 12 acquired since the second quarter of 2000. Revenues increased $52 million or five per cent on a same-branch basis. The $52 million increase was due to volume growth and the effects of favourable currency translation rates on U.S. retail and business banking revenues. U.S. retail and business banking businesses contributed to the Group's revenue growth, through strong loan growth of 17 per cent and deposit growth of five per cent over the prior year.

Last year, management introduced initiatives to assist in implementing the Bank's growth strategy. Absorbing the associated changes, and the addition of approximately 1,000 front-line sales staff, has affected volume and profitability growth in fiscal 2001. Volumes improved in the most recent quarter and overall spread is unchanged from last year.

Non-interest expenses for the third quarter of 2001 increased by $31 million or five per cent from last year. The increase was due to higher staffing costs associated with more front-line sales staff and higher benefits costs, increased initiative spending and the effects of currency translation on U.S. retail and business banking expenses. The rate of expense growth has slowed to five per cent for the quarter from eight per cent for the second quarter year-to-date.

Third Quarter 2001 vs. Second Quarter 2001

Net income of $216 million was $29 million higher than in the second quarter of 2001. Excluding non-recurring items in the second quarter, net income of $216 million was $33 million or 18 per cent higher.

Revenues, at $1,109 million, were $60 million higher. Excluding the gains on the sales of branches in the second quarter, revenues increased by $65 million or six per cent. Improved results were due to volume increases and additional days in the third quarter. Volume growth of 1.7 per cent from the second quarter was stronger than the second quarter growth of 0.5 per cent from the first quarter, indicating improved momentum in the core business. Spreads narrowed somewhat as a result of continued market and competitive pressures.

Non-interest expenses of $678 million increased by $10 million or one per cent from the second quarter due to more days in the quarter.

Year-to-date 2001 vs. Year-to-date 2000

Net income for the year-to-date was $607 million, a decrease of $68 million from the comparable period in 2000. Excluding after-tax gains on sales of branches in 2001 and fiscal 2000 gains on the sales of Partners First and branches, year-to-date net income was $598 million, an increase of $9 million or one per cent from the comparable period in 2000. On a same-branch basis, net income increased $19 million or three per cent.

Year-to-date revenues of $3,224 million were essentially unchanged from last year due to higher non-recurring gains on dispositions in the previous year. Excluding non-recurring items in both periods, revenues increased by $134 million or four per cent to $3,212 million. On a same-branch basis, revenues grew $155 million or five per cent. The increase was attributable to volume growth, improved spreads and higher gains on securitizations. The favourable effects of these factors were partially offset by lower gains on sales of securities.

Year-to-date non-interest expenses for the period ended July 31, 2001 increased by $134 million or seven per cent to $2,005 million, largely due to spending on business initiatives and investment in front-line sales staff.

Group Objectives and Developments

The Group's objectives for fiscal 2001 and its outlook for its businesses and the environments in which they operate were outlined on pages 30 to 33 of the Bank's Annual Report for fiscal 2000. Substantial progress has been made in achieving these objectives year-to-date.

- **Pursue an integrated approach to branch and electronic banking**

In the Group's distribution network, there are 873 traditional branches in Canada, a reduction of 39 from the beginning of the year. There are now 80 instore branches, reflecting the opening of nine new instore branches during the year. In the United States, the purchase of the First National Bank of Joliet was completed by Harris Bank, expanding its community bank network to 149 locations and 245 ABMs across the Chicago area. The use of electronic distribution channels, specifically telephone banking and internet banking, increased by an average of 20 per cent from last year.

Working in partnership with Emfisys, the Bank's technology and e-business group, the Personal and Commercial Client Group continued to innovate with web-enabled initiatives providing more customer convenience.

Small business banking has made significant efforts to grow the portfolio of registered small business users and encourage utilization of the Direct Bank for Business channel. The unit has reached the 100,000 customers level through a combination of in-branch activity as well as developing the capability for the Direct Bank for Business Managers to register clients over the phone.

The Accommodating Client Choice program is being implemented across the country and encourages specific small business clients to manage their business banking relationships through direct banking channels. The program is intended to align small business customers with the banking channels that best suit their needs, offering them choice, greater convenience and enhanced service.

- **Pursue an integrated strategic approach to the development and marketing of personal banking products**

The Bank has continued to enhance its understanding of customers and to market to segments based on financial goals, demographics and preferences. This enables the Group to provide the right suite of products and services for individual customer segments and to target the customer with singular messages through communication channels such as television, radio, web sites, direct mail and retail point of sale.

The Bank's customer contact centres in Montreal and Toronto were recognized for excellence in customer service, finishing in second place and being awarded the Gold Grand Prix Award for 2001 by Teleperformance Canada. The contact centres improve the Bank's relationship with the client by responding to customer requests and explaining products. Initiatives in cardholder services included the redesign of the MasterCard statement, featuring message zones for special targeted offers on bank products, and improving the Cardholder Agreement by making it easier for clients to read and understand.

- **Provide more customized service and target the small business banking market**

The introduction in July 2001 of Optimizer, a state-of-the-art sales and service platform, will allow for the sharing of customer information, creating a common pool of customer knowledge. It will enhance the customer experience with increased speed and efficiency and provide relationship managers with a more comprehensive view of their customers to better manage their sales activities. This new sales and service platform, combined with client information management, will allow the Group to gain a better and deeper understanding of clients' behaviours and anticipate their needs.

- **Build on its leadership position in the commercial segment of companies with revenues of $100 to $300 million**

Commercial Banking is on track to achieve double-digit growth this year through the expansion of the Asset-Based Lending Group and implementation of a mid-market financial advisory service.

- **Through continuing expansion of technology, state-of-the-art risk management techniques and strict internal discipline, achieve asset growth while maintaining existing high quality standards**

Personal and Commercial Client Group continues to be satisfied with the quality of its portfolio.

- **In the United States, focus on a major opportunity to accelerate retail/small business lending by more than US$1 billion**

Retail and small business lending increased US$740 million in the first nine months of the year, in line with the annual target.

There were a number of notable achievements in the quarter.

In Canada, residential mortgages, after adding back the effects of securitizations, increased by $1.7 billion or five per cent from the third quarter of 2000 and by $639 million or two per cent from the second quarter of 2001. Other personal loans, adjusted for securitizations, increased by $488 million or four per cent year-over-year and by $181 million or one per cent from the second quarter. Credit card loans increased by $278 million or seven per cent from a year ago, and increased by $153 million or four per cent from the second quarter. Loans and acceptances to commercial enterprises, including small business, were $411 million or two per cent higher than a year ago and up $229 million from the second quarter. Loan growth statistics were affected by branch sales, net of acquisitions. Aggregate loan growth on a same-branch basis, adjusted for securitizations, was four per cent.

In the United States, consumer, mortgage and business banking loans grew by 17 per cent from a year ago. Deposits increased by five per cent from the same period in the prior year, continuing to exceed market growth rates. Additional achievements are discussed on page 32.

During the quarter, the Group introduced new initiatives to continue to stimulate sales growth and profitability. A new Premium Rate Savings account was launched paying four per cent interest on the full balance if the customer maintains a monthly balance of $5,000. The Air Miles for Business Reward Program was extended to our small business banking clients allowing them to earn reward miles when doing their small business banking.

Outlook 2001

The Group's economic outlook anticipates: Canadian economic growth moderating from the strong pace of 4.4 per cent in 2000 to a more sustainable pace over the next several years; a slowing economy to dampen loan growth over the year; the Canadian economy outperforming the U.S. economy for the balance of 2001; moderately strong growth rates continuing over the next few years, while the pace of spread compression levels off with the lowering of the wholesale funding rate; and profitable growth through the launch of new products, the penetration of new markets, the migration to lower cost distribution channels and by leveraging the Group's North American scale and knowledge transfer.

PRIVATE CLIENT GROUP

The Private Client Group brings together all of the Bank of Montreal Group of Companies' wealth management businesses, offering clients a broad array of wealth management products and services, including retail investment products, direct and full-service investing, private banking and institutional asset management. Operating under Private Client Group in Canada and The Harris brand in the United States, the Group provides North American investors with the tools they need to accumulate, protect and grow their financial assets. The Group has $239 billion total assets under management and administration, including term investments.

Reported	**Fiscal 2001**			**Fiscal 2000**	
($ millions, except as noted)	**Q3**	**Q2**	**YTD**	**Q3**	**YTD**
Net interest income (teb)	**$ 126**	$ 133	$ 401	$ 136	$ 372
Other income	**237**	260	739	243	801
Total revenue	**363**	393	1,140	379	1,173
Provision for credit losses	**0**	1	1	0	0
Non-interest expense	**309**	306	941	295	890
Income taxes (teb) and other	**25**	36	88	40	129
Net income	**$ 29**	$ 50	$ 110	$ 44	$ 154
Net economic profit	**$ 12**	$ 35	$ 63	$ 31	$ 116
Cash-based return on equity	**16.4%**	27.7%	20.8%	32.0%	39.5%
Total risk-weighted assets	**$ 4,720**	$ 4,583	$ 4,720	$ 4,025	$ 4,025
Average common equity	**$ 828**	$ 835	$ 819	$ 582	$ 544
Average assets	**$ 5,305**	$ 5,392	$ 5,556	$ 4,544	$ 3,983
Assets under administration	**$ 137,880**	$ 129,202	$ 137,880	$ 121,398	$ 121,398
Assets under management	**$ 66,353**	$ 70,932	$ 66,353	$ 67,087	$ 67,087
Average net interest margin	**9.51%**	10.05%	9.65%	11.91%	12.48%
Expense-to-revenue ratio	**84.8%**	78.0%	82.5%	77.9%	75.9%

Third Quarter 2001 vs. Third Quarter 2000

Net income for the third quarter of 2001 was $29 million, compared with $44 million in the third quarter of 2000.

Revenues declined by $16 million or four per cent to $363 million in the third quarter of 2001, as weaker market conditions continue to negatively affect client-trading volumes and reduced margin loan balances in full-service and direct investing businesses. Volumes increased in term investments and in both U.S. and Canadian private banking, however, spreads narrowed somewhat due to continued market and competitive pressures.

Non-interest expenses in the third quarter of 2001 increased by $14 million or five per cent to $309 million. The increase was primarily attributable to incremental expenses of acquired businesses and increased strategic investment spending, partially offset by lower revenue-driven compensation.

Third Quarter 2001 vs. Second Quarter 2001

Net income declined by $21 million or 44 per cent from the second quarter of 2001.

Revenues declined by $30 million or seven per cent, driven by the continued deterioration of market conditions in Canada and the United States. Client transaction based trading volumes declined significantly during the quarter and spreads narrowed as a result of continued market and competitive pressures.

Non-interest expenses of $309 million were $3 million higher than in the second quarter of 2001. Expense levels in the preceding quarter were reduced as adjustments were made to variable compensation in light of lower revenues from deteriorating market conditions. Expenses increased during the quarter due to investment expenditures, as the Group remained focused on its long-term strategic direction of expanding its distribution capabilities.

Year-to-date 2001 vs. Year-to-date 2000

Net income for the year-to-date period ended July 31, 2001 was $110 million, a decline of $44 million or 29 per cent from the prior year.

Year-to-date revenues of $1,140 million declined by $33 million or three per cent as increased revenues from acquired businesses were more than offset by the impact of lower client-trading volumes in full-service and direct investing, the continued deterioration of market conditions and overall market value declines.

Non-interest expenses increased by $51 million or six per cent to $941 million due to incremental expenses of acquired businesses and investments to support future growth strategy. Revenue-driven compensation declined from the prior year-to-date, due mainly to lower trading revenues associated with uncertain market conditions.

Group Objectives and Developments

The Group's objectives for fiscal 2001 and the outlook for its businesses and the environments in which they operate were outlined on pages 34 to 36 of the Bank's Annual Report for fiscal 2000. On a year-to-date basis, substantial progress has been made in achieving these objectives.

- **Increase the number of investment professionals in Bank of Montreal branches to 700 to provide more points of contact and convenience for our clients**

The Group has increased the number of Canadian investment professionals in Bank of Montreal branches to more than 650, an increase of over 44 per cent from October 2000. The Canadian investment professionals are part of the Group's North American investment sales professional team. This team has grown to more than 2,160, an increase of over 16 per cent from October 2000.

- **Continue to aggressively grow our U.S. wealth management business in fast growing, affluent, technology-friendly urban centres**

Over fifteen new U.S. distribution points were opened in the first nine months of the year. This includes the opening of The Harris Biltmore, Arizona office, the Group's first fully integrated de novo location providing a full range of wealth management products and services, including direct investing, full-service investing, specialized private banking and discretionary money management services. This concept enables clients of The Harris to access a full suite of services designed to help them accumulate, protect and grow their assets.

- **Complete the integration of all our acquired U.S. companies under The Harris brand**

The Group successfully completed the integration of all acquired U.S. companies under The Harris brand during the first nine months of the year. The Harris is the wealth management arm of Bank of Montreal's U.S. subsidiary, Harris Bank.

- **Through the new brand, 'The Harris', continue to build on Harris Bank's long-standing expertise in investment management and trust and estate services in order to develop wealth management business throughout North America**

Wealth management services were expanded through The Harris brand with the launch of Harris AdvantEdge Investing, a full-service investing firm that completes the Group's complement of wealth management products and services in the United States. Harris AdvantEdge Investing provides a client-focused approach to full-service investing, offering a fee-based only relationship.

In addition to the above achievements, the Group strengthened its Canadian wealth management business through its acquisition of Guardian Group of Funds Ltd. ('Guardian'). This acquisition provides the platform to grow the mutual fund business through the advisor distribution channel, which accounts for 65 per cent of total market assets under management. The acquisition increases the Group's mutual fund assets under management by $2 billion to over $30 billion.

The acquisition of the Guardian family of funds was the fifth acquisition by BMO Private Client Group in the last two years. It follows the purchase of two U.S. direct brokerages, as well as two private banking operations in Florida and Arizona through The Harris.

There were other notable business developments in the third quarter.

The Group strengthened its distribution capabilities in Canada through the launch of BMO InvestorLine stores in Toronto, Hamilton, Calgary and London. This launch supports BMO InvestorLine's strategy of providing a 'high tech and high touch' proposition to clients.

Dina Palozzi, formerly the Chief Executive Officer and Superintendent of Financial Services, Financial Services Commission of Ontario, (FSCO), joined the firm as Executive Vice-President, Client Relations, Office of the Deputy Chairman. Ms. Palozzi will be responsible for developing and implementing best practices in client relations.

The Group's U.S. management team was restructured to create more synergy within the U.S. businesses, in line with its strategy of providing an integrated approach to wealth management for its clients.

Outlook 2001

While the North American economy is expected to grow at a more moderate pace over the next few years, the demographic trends continue to point to a strong and growing demand for wealth management services. The Private Client Group is well positioned to continue to capitalize on this trend by leveraging its North American capabilities, which are built on strong foundations in both Canada and the United States. The Group expects to achieve its long-term growth target through its recent acquisitions and by exploring further opportunities. In Canada and the United States, growth will also be achieved through the continued placement of specialized investment professionals in traditional retail banking locations. Providing an integrated approach to meeting clients' needs for wealth accumulation, growth and preservation will continue to be a strategic focus throughout the balance of 2001.

INVESTMENT BANKING GROUP

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

Reported	Fiscal 2001			Fiscal 2000	
($ millions, except as noted)	**Q3**	**Q2**	**YTD**	**Q3**	**YTD**
Net interest income (teb)	**$ 357**	$ 288	$ 914	$ 262	$ 844
Other income	**283**	375	1,023	274	871
Total revenue	**640**	663	1,937	536	1,715
Provision for credit losses	**57**	60	158	37	113
Non-interest expense	**323**	314	958	283	881
Income taxes (teb) and other	**97**	110	317	81	280
Net income	**$ 163**	$ 179	$ 504	$ 135	$ 441
Net economic profit	**$ 39**	$ 57	$ 138	$ 11	$ 68
Cash-based return on equity	**14.3%**	15.9%	14.9%	11.9%	13.3%
Total risk-weighted assets	**$ 65,666**	$ 67,570	$ 65,666	$ 74,538	$ 74,538
Average common equity	**$ 4,164**	$ 4,293	$ 4,174	$ 4,034	$ 3,996
Average assets	**$ 133,181**	$ 148,154	$ 141,988	$ 142,513	$ 139,570
Average net interest margin	**1.06%**	0.80%	0.86%	0.74%	0.81%
Expense-to-revenue ratio	**50.5%**	47.4%	49.5%	52.7%	51.4%

Third Quarter 2001 vs. Third Quarter 2000

Net income of $163 million for the third quarter of 2001 exceeded the prior year's results by $28 million or 20 per cent.

Third quarter revenues of $640 million were up $104 million or 19 per cent year-over-year, despite a difficult capital markets environment. The increase was driven by continued momentum in the Capital Markets line of business, reflecting significantly improved performance from interest-rate-sensitive businesses and improved results from client-driven trading activity, including the commodities business which was affected by prior year losses. Merchant Banking operations benefited from dividend realizations this quarter, while Investment Banking revenues were comparable with the prior year, maintaining an industry-leading performance. Secondary equity market trading revenues declined from the record levels of last year, although the Group maintained its dollar-value block trading leadership. There were small net losses from investment securities in the most recent quarter and a year-over-year decline in income from investment securities.

Provisions for credit losses increased by $20 million to $57 million in the current quarter, primarily because of an increase in non-performing loans to mid-market borrowers in various industry sectors, due to a slowing of the U.S. economy.

Non-interest expenses of $323 million were $40 million or 14 per cent higher than in the third quarter of last year, primarily due to higher revenue-based compensation.

Third Quarter 2001 vs. Second Quarter 2001

Net income in the third quarter of 2001 was $16 million or nine per cent below the record results of the second quarter.

Revenues declined by $23 million or three per cent. Weaker market conditions contributed to decreased Capital Markets client-driven trading activity and lower Investment and Corporate Banking and Equity Division revenues. Results in the most recent quarter benefited from Merchant Banking dividend realizations. Despite the decline in overall Group revenues, Capital Markets results remained strong due to continued momentum in interest-rate-sensitive businesses, which have benefited from ongoing declines in short-term Canadian and U.S. interest rates.

Non-interest expenses of $323 million were $9 million or three per cent higher than in the second quarter, due to additional expenses relating to a relocation of the Group's businesses in New York. Revenue-based costs were modestly lower than in the second quarter.

Year-to-date 2001 vs. Year-to-date 2000

Net income for the year-to-date period ended July 31, 2001 was $504 million, an increase of $63 million or 14 per cent from the comparable period in 2000.

Year-to-date revenues improved by $222 million or 13 per cent to $1,937 million. The increase was driven by significantly improved Capital Markets results, which benefited from a more favourable interest rate environment and improved client-driven trading activity. Strong dividend income, higher investment securities gains and increased loan spreads also contributed to improved results. Partially offsetting these sources of growth was a decrease in Equity Division revenues, which declined from last year's record levels. This year's revenues were partially reduced by a $47 million write-down on the Group's investment in collateralized bond obligations ('CBOs'). These investments had been made in the Group's own CBOs that facilitated the establishment of its Credit Investment Management business. Revenues in the prior year were affected by a $52 million loss on commodity positions caused by volatility in natural gas prices.

The provision for credit losses of $158 million was $45 million higher than in the comparable period in 2000, because of weaker credit markets.

Year-to-date non-interest expenses increased by $77 million or nine per cent to $958 million, largely due to higher revenue-based compensation and increased employee costs in support of the Group's sector strategy.

Group Objectives and Developments

The Investment Banking Group's objectives for fiscal 2001 and its outlook for its businesses and the environments in which they operate were outlined on pages 37 to 39 of the Bank's Annual Report for fiscal 2000. Substantial progress has been made in the implementation of the Group's objectives as demonstrated by a number of business developments during the quarter.

- **Build on Canadian leadership position in all business sectors**

BMO Nesbitt Burns ranked first in Canadian equity block trading in terms of total dollars and led equity underwriting market share in the quarter. The firm also had the leading market share in Canadian corporate new issues during the quarter, participating in 59 deals, with an aggregate value of $11.7 billion. Year-to-date, the firm has participated in 94 new issues, with an aggregate value of $21.7 billion.

Notable transactions during the quarter included leading an equity bought deal for Premdor, one of the world's largest door manufacturers, for $110 million. Bank of Montreal also underwrote a US$685 million credit facility for the company.

BMO Nesbitt Burns provided advisory services in North America on 12 transactions during the quarter, with a value of $3.8 billion. Year-to-date, advisory services encompass 28 transactions, with a value of $17.2 billion.

Notable transactions during the third quarter included the sale of Telus' Directory Information Business for $810 million to Verizon Communications and the pending sale of Alliance Forest Products to Bowater Inc. BMO Nesbitt Burns acted as advisor to Telus and Alliance Forest Products in the respective transactions.

For the 21st consecutive year, an independent survey of institutional investors ranked BMO Nesbitt Burns 'Top Overall Research Team'. BMO Nesbitt Burns' trading team was also ranked first in the same survey. Additionally, three of the firm's research analysts were among 50 North American analysts chosen as 'Number One Stock Pickers' in the Wall Street Journal's '2001 Best on the Street Survey'.

- **Continue to expand coverage of the highly profitable U.S. Midwest mid-market and related specialty sectors such as agribusiness and asset-based lending**

During the quarter, the corporate and investment banking platform of Harris Nesbitt continued to demonstrate effective execution of its unique, integrated mid-market strategy. Though the weakness in the U.S. economy continues, the Harris Nesbitt pipeline has been robust, due to persistent, disciplined, relationship coverage.

Notable achievements include a complex financing and collateral structure that was developed and led by Harris Nesbitt to support TransCore Inc. of Harrisburg, PA in the acquisition of a manufacturer of electronic tollway collection system transponders. Consistent with the strategy of cross-selling to enhance returns, cash management, swaps and foreign exchange products and services were also provided. This original financing structure has been cloned and successfully adapted for other clients.

Two additional deals, for Moyer Packing Company (‘MOPAC’) and Dale Foods LLC and Gage Food Products, LLC combined Harris Nesbitt’s food/agribusiness industry expertise with specialized M&A advisory capability.

- **Continue to build client relationships in the media and communications and energy sectors**

BMO Nesbitt Burns continued to aggressively pursue the North American energy and media and communications sectors. The firm exhibited its cross-border energy expertise during the quarter in several deals, including acting as financial advisor to Ventus Energy in its $274 million merger with Petrobank Energy and Resources and acting as co-financial advisor to Velvet Exploration Ltd. in the $353 million acquisition of Velvet by El Paso Corporation. In addition, BMO Nesbitt Burns has been retained by Anadarko Petroleum Corporation, the largest independent producer in the United States, to act as soliciting dealer manager for Anadarko’s acquisition of Gulfstream Resources Canada Ltd. The transaction has an equity value of US$119 million.

In connection with the acquisition of certain cable television systems by Mediacom Communications Corporation, the firm’s U.S. media and communications group served as an arranger in a US$1.4 billion senior debt financing to a Mediacom affiliate. BMO Nesbitt Burns also acted as Senior Co-Manager in a US$400 million high yield issue related to this acquisition financing.

- **Improve profitability of debt capital markets and treasury activities**

The US Debt Origination Group has increased its profitability, due to the build-out of the New York-based sponsor coverage and restructuring efforts in high-yield finance and private placements. Transactions have increased by 30 per cent quarter-over-quarter, and the amount raised has increased by 140 per cent. The Group’s commitment to grow in the United States is strengthened by the appointment of new senior management in the New York-based Debt Origination Group.

- **Increase credit investment management assets under management by US$5 billion to US$13 billion**

The U.K. Credit Investment Management group set up the first structured investment vehicle (SIV) in the market, denominated in a currency other than U.S. dollars. The vehicle, Parkland Finance, is denominated in Euros and provides a companion investment product for the pre-existing dollar SIV set up in June 1999. That program, Links Finance, continues to grow, with assets under management now topping US$7 billion.

Overall, Credit Investment Management assets under management were US$10 billion at the end of the quarter, up US$1 billion from the prior quarter.

- **Realize further significant reduction in risk-weighted assets**

Risk-weighted assets have decreased as planned from fiscal 2000, as a result of management's strategy to redirect capital resources away from lower-return businesses, particularly within the Investment and Corporate Bank. Risk-weighted assets were reduced from the second quarter of 2001 by $1.9 billion and by $8.8 billion year-over-year. On a year-to-date basis, risk-weighted assets were $6.8 billion lower.

Outlook for 2001

The Group's outlook for 2001 reflects lower Canadian economic growth at 2.2 per cent, which is at the low end of the Bank of Canada's expected growth rate of two to three per cent for the year. The main risk facing the Canadian economy remains the uncertainty surrounding the timing and strength of recovery in the United States, with the Bank of Canada predicting U.S. economic growth to be in the range of one to two per cent in 2001. Short-term interest rates are expected to edge a little lower, after falling sharply in the first half of the year, with long-term rates generally stable or even somewhat lower. As a result, continued momentum is anticipated in the Capital Markets interest-rate-sensitive lines of business in 2001, with declines expected in client driven volumes. Institutional Equity Division's overall performance is expected to be lower in 2001 because of the record-breaking levels experienced in 2000. Economic conditions for the remainder of 2001 are not anticipated to favour Investment Banking's core underwriting or general advisory activities. Growth is anticipated for the remainder of 2001 in the energy and media and communication sectors, and in capabilities-based businesses, including securitization and credit investment management.

EMFISYS AND CORPORATE SUPPORT

Emfisys is the technology and e-business group that provides information technology planning, strategy and development services, and e-commerce solutions, together with information technology transaction-processing capabilities, North American cash management solutions, and real estate operations for the Bank of Montreal Group of Companies and its customers. The group is also responsible for the creation and development of new e-businesses, such as wireless, ABM, payments, lending and exchange businesses.

Corporate Support includes the corporate units that provide expertise and governance support for the Bank in areas such as strategic planning, law, finance, economics, internal audit, risk management, corporate communications, human resources and learning. Corporate Support also includes revenues and expenses associated with certain securitization activities, the hedging of foreign source revenues, the Bank's investment in Bancomer and the management of certain treasury positions.

Third Quarter 2001 vs. Third Quarter 2000

Net income for the third quarter of 2001 was $36 million, an increase of $28 million from the third quarter of fiscal 2000. The improvement was mainly attributable to improved revenues and a more favourable provision for income taxes. Securitization revenues declined modestly as gains recognized on the adoption of a new Canadian accounting guideline were more than offset by reduced earnings due to impairments in securitized portfolios. Gains on sales of investment securities declined significantly from last year, while expenses increased because of business growth and project related costs. The provision for income taxes benefited from various tax initiatives and the resolution of issues with taxation authorities.

Third Quarter 2001 vs. Second Quarter 2001

Net income was $36 million, compared with $191 million in the second quarter of 2001. Second quarter results included non-recurring gains from the disposal of the Bank's investment in Bancomer and the increased general provision for credit losses. Excluding non-recurring items, net income rose $26 million from the second quarter. The improvement was largely driven by higher corporate revenues and a favourable movement in tax charges due to initiatives and the resolution of issues with taxation authorities.

Year-to-date 2001 vs. Year-to-date 2000

Net income for the year-to date period ended July 31, 2001 was $246 million, up $144 million from the comparable period in 2000. Excluding non-recurring items, year-to-date net income, at $57 million, was flat compared with fiscal 2000 year-to-date. A $54 million reduction in earnings recognized on the Bank's investment in Bancomer, as a result of the change to cost-based accounting, was partly offset by higher corporate revenues. Expenses rose because of increased staffing and other costs. Results for the current year-to-date benefited from lower tax rates and other favourable tax adjustments.

Reported	Fiscal 2001			Fiscal 2000	
($ millions, except as noted)	**Q3**	**Q2**	**YTD**	**Q3**	**YTD**
Net interest income (teb)	**$ (26)**	$ (75)	$ (154)	$ (56)	$ (131)
Other income	**148**	455	765	154	522
Total revenue	**$ 122**	$ 380	$ 611	$ 98	$ 391
Provision for credit losses	**(4)**	93	88	4	11
Non-interest expense	**111**	116	318	101	286
Income taxes (teb) and other	**(21)**	(20)	(41)	(15)	(8)
Net income	**$ 36**	$ 191	$ 246	$ 8	$ 102

Excluding non-recurring items	Fiscal 2001			Fiscal 2000	
($ millions, except as noted)	**Q3**	**Q2**	**YTD**	**Q3**	**YTD**
Total revenue (teb)	**$ 122**	$ 96	$ 290	$ 98	$ 317
Provision for credit losses	**(4)**	(7)	(12)	4	11
Non-interest expense	**111**	116	318	101	286
Income taxes (teb) and other	**(21)**	(23)	(73)	(15)	(38)
Net income	**$ 36**	$ 10	$ 57	$ 8	$ 58

Emfisys

Group Objectives and Developments

The Group's objectives for fiscal 2001 were outlined on page 41 of the Bank's Annual Report for fiscal 2000. Substantial progress has been made in achieving the Group's objectives as demonstrated by a number of notable business developments in the year-to-date.

- **Realign most of the Bank's e-business to Emfisys – maximize the value between services and product delivery, and partner with all banking groups on planning resource allocation and investment**

Concentrating on profitability and growth, Emfisys consolidated Cebra with its E-Business Division to more aggressively support the e-business priorities of the Bank's lines of business and consolidate enterprise e-business governance and strategy.

Focusing on the small and medium-sized business market, the Bank increased investment in eScout to build its Canadian Internet marketplace and introduce one of the fastest growing and most successful B2B exchanges in North America to its clients; and through an agreement with the Canadian Chamber of Commerce, provided MERX, it's electronic tendering service, to more than 170,000 Canadian businesses.

- **Expand the enterprise-wide retail customer information system to all service delivery channels and launch an integrated retail platform**

Emfisys has piloted a new desktop technology infrastructure that will improve cost, efficiency, and productivity. The new infrastructure will provide over 16,000 employees with access to common client information to deepen client relationships and meet individual client needs.

- **Deliver web-enabled services to most lines of business for both customer and employee use**

Enhancing the online client experience, bmo.com consolidated 30 financial tools and calculators to a single location. Through ease of access to these tools, clients can make informed decisions to target financial solutions to meet their needs.

- **Implement an enterprise-wide e-procurement system to lower processing costs and provide comprehensive information for greater control and better sourcing opportunities**

BMO Buying Online commenced the rollout of a Bank-wide online procurement system to provide efficiencies, vendor consolidation, better pricing, and enhanced relationship management.

- **Accelerate growth in the commercial market through the design and delivery of North American Cash Management products and services**

Emfisys developed and launched Harris Bank's DirectLine for Business, an Internet access service that enables small business and community bank clients to focus on cash management strategy and analysis.

There were a number of other notable business developments in the third quarter.

Bank of Montreal's online clients continue to grow. Today, more than 990,000 clients are accessing banking, brokerage and MasterCard online – an increase of 60,000 clients over the last quarter.

Bank of Montreal continues to demonstrate business excellence, customer focus, and leadership on a number of fronts:

- On May 30, Bank of Montreal hosted the first Mobile Finance Forum, a new organization concerned with developing the wireless technology and infrastructure for the financial services industry in North America.

- Bank of Montreal signed a letter of intent with CertaPay Inc. to offer bank customers a secure Person-to-Person (P2P) money transfer system. Later this year, Bank of Montreal customers, along with those of partnering financial institutions, will have access to the first bank-based, e-mail, P2P money system of its kind and magnitude in the world.
- With the launch of MERX Auction in June, MERX has expanded beyond government tendering to enable businesses to increase their market reach while auctioning off potential surplus stock or discontinued items. MERX Auction is one of the largest B2B private auction sites in Canada.
- BMO Nesbitt Burns' Full Service Online (FSO) initiative won the Collaboration Category for the 2001 CIO ITX Awards. CIO recognized Bank of Montreal and its FSO initiative – a premium online investment information centre – for demonstrating effective collaboration between the business and information technology on the initiative from concept to implementation.
- MERX was selected as a successful B2B initiative by the Next 21 program. MERX scored high on the Next 21 judging criteria as a B2B intermediary initiative that is highly innovative, uses operational excellence and is clearly measurable as a B2B business model success.
- The Canadian Information Productivity Awards recognized Bank of Montreal's Optimizer initiative with an Award of Excellence for Organizational Transformation. The winning criteria were innovation, effective integration of systems components and the effect the solution had on the organization and its ability to perform at an exceptional level.
- Bank of Montreal was named the 'Best Internet Bank' in Canada by Global Finance magazine in its August report on the 'World's Best Internet Banks'. The 'Best Internet Bank' rating was based on the breadth of product offerings for corporate or institutional clients; success in getting customers to use online offerings; ability to form winning Internet partnerships or alliances; web site design and functionality; and diversity of access channels.

Corporate Support

Group Objectives and Developments

Corporate Support's objectives for 2001 were outlined on page 41 of the Bank's Annual Report for fiscal 2000.

- **Continue to develop state-of-the-art risk management processes, with a particular focus on improving the quality of risk and control management information for each line of business**

Corporate Support developed a bank-wide Capital-at-Risk ('CaR') policy, including Standards and Guideline and launched the 'CaR Acceleration' plan. The Group commenced the rollout of Operational Risk Reviews and continued to develop and enhance the Change Management Policy and Framework.

- **Continue to broaden the range and reach of the Institute for Learning through a distinctive focus on people leadership and by using technology to provide learning anytime and anywhere**

Corporate Support launched the Foundational and General Manager Learning streams, which are 15 month programs delivered to people managers through classroom and virtual channels.

- **Implement a single financial reporting structure**

Corporate Support has completed approximately one-third of a project to significantly enhance the enterprise financial management information systems.

Bancomer

The Bank sold its remaining 812 million shares in Bancomer during the second quarter for a non-recurring gain of $284 million ($239 million after-tax). On a year-to-date basis, the Bank sold its entire 1,012 million shares for a non-recurring gain on sale of $321 million ($272 million after-tax). The shares were sold to Banco Bilbao Vizcaya Argentaria (BBVA) pursuant to agreements reached with BBVA and Bancomer during the first quarter. The Bank had owned approximately 20 per cent of Bancomer's voting shares and first invested in Bancomer in 1996. Bank of Montreal earned an average annual 17.3 per cent after-tax cash-on-cash return over the holding period. The bank continues to hold a $99 million debenture issued by Bancomer.

Following a dilution in Bank of Montreal's ownership interest in Bancomer in the third quarter of fiscal 2000, the Bank adopted the cost basis of accounting, replacing the equity basis of accounting for its investment. Earnings recognized on the Bank's investment in Bancomer declined by $4 million from the third quarter of 2000 and by $54 million for the year-to-date period ended July 31, 2001.

HARRIS BANK

The results of Harris Bank are included within the results of each of Bank of Montreal's operating groups. Harris Bank legal entity results are outlined below.

Third Quarter 2001 vs. Third Quarter 2000

Harris Bank net income, on a U.S. dollar/U.S. GAAP basis, was $62 million, compared with $60 million in the same quarter a year earlier. Year-to-year comparative results were affected by the December 2000 sale of the merchant card business to Bank of Montreal's Moneris Solutions joint venture (Moneris) and the second quarter 2000 sale of the corporate trust business. Excluding the impact of both of these divestitures, earnings grew six per cent in the current quarter. These results were attributable to continued strong growth in consumer, mortgage and small business loans and retail deposits, and a more favourable interest rate environment that contributed to increased earnings from treasury and trading activities. These effects were largely offset by an increased loan loss provision associated with the impact of a slowing economy on Harris' corporate loan portfolio. Revenue growth reflected higher interest margins and higher gains on sales of investment securities. Excluding the operating results of both corporate trust and the merchant card businesses, year-over-year revenue growth was 11 per cent. Non-interest expenses were unchanged from the prior year.

The effects of a slowing economy on the corporate loan portfolio caused the provision for credit losses to increase by $19 million to $26 million. Non-performing assets increased to $150 million from $42 million a year ago. The increase was largely attributable to ten corporate loans, averaging approximately $10 million, in nine different industry sectors.

Harris Bank earnings included in the Bank's results, on a Canadian dollar/Canadian GAAP basis, were $91 million in the third quarter of 2001, an increase of $3 million from a year ago. Excluding the impact of divested businesses, net income included in the Bank's results on a Canadian basis was $92 million, a $6 million increase from a year earlier.

Year-to-date 2001 vs. Year-to-date 2000

On a U.S. dollar/U.S. GAAP basis, Harris Bank's year-to-date net income was $221 million, compared with $205 million a year ago. Comparability of results is affected by the $30 million after-tax gain on the sale of the corporate trust business in the prior year, by the current year's $36 million after-tax gain on the sale of Harris Bank's merchant card business to Moneris and this year's $2 million after-tax reduction of the gain on sale of the corporate trust business. Because the card business transaction was between related companies, the gain was not included in the consolidated results of the Bank of Montreal. Excluding these gains and related charges and the operating income of the divested businesses, net income for the year-to-date period was $188 million, an increase of $16 million or nine per cent from the prior year. The increase was mainly attributable to continued strong growth in consumer, mortgage and small business loans and retail deposits, and a more favourable interest rate environment that contributed to increased earnings from treasury and trading activities. The results were negatively affected by a $36 million increase in the provision for credit losses, which was partially offset by a $29 million increase in gains on sales of securities.

Harris Bank's year-to-date earnings of $323 million, on a Canadian dollar/Canadian GAAP basis, were $32 million or 11 per cent higher than net income reflected in the Bank's results in the prior year. Excluding the impact of divested businesses, net income included in the Bank's results on a Canadian basis was $274 million, an increase of 13 per cent from a year earlier. The growth in earnings benefited from strengthening of the U.S. dollar.

Reported	**Fiscal 2001**			**Fiscal 2000**	
(U.S. GAAP/US$ millions, except as noted)	**Q3**	**Q2**	**YTD**	**Q3**	**YTD**
Net interest income (teb)	**$ 194**	$ 184	$ 556	$ 173	$ 519
Other income	**108**	113	384	110	381
Total revenue	**302**	297	940	283	900
Provision for credit losses	**26**	16	55	7	19
Non-interest expense	**175**	178	527	175	542
Income taxes (teb)	**35**	35	125	37	122
Net income before goodwill net of tax	**66**	68	233	64	217
Goodwill net of tax	**4**	4	12	4	12
Net income	**$ 62**	$ 64	$ 221	$ 60	$ 205
Cash-based net economic profit	**$ 18**	$ 21	$ 93	$ 24	$ 99
Cash-based return on equity (U.S. basis)	**15.6%**	16.7%	19.3%	18.6%	21.9%
Total risk-weighted assets (period-end)	**$ 21,702**	$ 22,052	$ 21,702	$ 22,253	$ 22,253
Average common equity	**$ 1,813**	$ 1,775	$ 1,746	$ 1,529	$ 1,493
Average assets	**$ 28,390**	$ 28,456	$ 28,599	$ 28,104	$ 27,480
Net interest margin (U.S. basis)	**3.08%**	2.94%	2.92%	2.79%	2.85%
Cash-based expense-to-revenue ratio	**58.1%**	59.9%	56.1%	62.0%	60.3%

Group Objectives and Developments

Harris Bank's objectives for fiscal 2001 and the outlook for its businesses and the environments in which they operate were outlined on page 40 of Bank of Montreal's Annual Report for fiscal 2000. Substantial progress has been made in achieving these objectives through the first nine months of the year.

- **Sustain double-digit earnings growth**

Growth in core earnings, excluding the impact of the corporate trust and merchant card divestitures, was nine per cent year-to-date.

- **Build on Harris Bank's longstanding expertise in investment management and personal trust services to develop its wealth management business throughout North America**

Wealth management services were expanded through the Harris brand with the launch of a full-service brokerage, Harris AdvantEdge Investing; the integration of operations of recent acquisitions; and expanded distribution of wealth management products through the community banking network.

- **Ramp up retail and small business lending, targeting to increase retail and small business loans outstanding by more than US$1 billion per year for the next several years**

Retail and small business lending increased US$740 million in the first nine months of the year, in line with the annual target.

- **Continue to develop Harris Nesbitt as the premier mid-market corporate and investment banking organization in the U.S. Midwest**

Harris Nesbitt has successfully completed the integration of its corporate and investment banking units, and now has a combined disciplined approach to the coverage of high-value clients and prospects by relationship teams.

There were other notable achievements in the third quarter for Harris Bank's core businesses.

Retail and business banking maintained business and earnings momentum despite the slowing of the U.S. economy, with 17 per cent growth in consumer, mortgage and small business loans. The strong loan growth can be attributed to business banking's expansion of its sales force by 15 per cent over last year, expansion of auto lending in Indiana, Wisconsin and Minnesota and exceptionally strong mortgage loan volumes. Enhanced capabilities in the call centre allow for one-third of all home equity loans to originate and close from the call centre, requiring no branch involvement. Harris Bank began marketing eScout, the largest business-to-business exchange on The Global Trading Web^{TM}, in March and has signed up its 500th customer. As well, a sales force of private bankers is now in place within the community banking network in support of the wealth management expansion across the Chicagoland area.

In the U.S. Private Client Group, acquired U.S. companies have been fully integrated under The Harris brand.

FINANCIAL STATEMENT REVIEW

REVENUES

Third Quarter 2001 vs. Third Quarter 2000

Total revenues for the third quarter of 2001 were $2,234 million, an increase of $139 million from the third quarter of 2000. Excluding non-recurring items in the third quarter of last year, revenues were $158 million higher.

Net interest income was $1,231 million, an increase of $141 million from a year earlier. Net interest income is comprised of earnings on assets, including interest and dividend income and the Bank's share of income from investments accounted for using the equity method of accounting, less interest paid on liabilities. Net interest margin is the ratio of net interest income to average assets.

The increase in net interest income was largely due to improved performance in interest-rate-sensitive businesses in the Investment Banking Group and to higher dividend realizations in its Merchant Banking unit. Higher volumes in both Canadian and, particularly, U.S retail and business banking, also contributed to the increase. Average assets declined by two per cent to $234.0 billion and average loans declined by one per cent to $136.1 billion. These declines were attributable to reductions in the non-relationship portfolio and other assets of the Investment Banking Group and the implementation of its objectives in fiscal 2001. Retail lending balances increased year-over-year. Branches sold net of branches acquired resulted in the disposal of approximately $233 million of average assets.

Net interest margins increased by 27 basis points to 2.09 per cent, largely due to improved margins in the Investment Banking Group as explained above. Net interest margins in both U.S. and Canadian retail and business banking were substantially unchanged, year-over-year.

Other income was $1,003 million, a decrease of $2 million from the prior year. Other income is comprised of all income other than net interest income. Excluding non-recurring items in the prior year, other income increased $17 million or two per cent. The increase was largely due to higher trading revenues in the commodity business, partly offset by lower gains on sales of investment securities.

Third Quarter 2001 vs. Second Quarter 2001

Revenues of $2,234 million were down $251 million from the second quarter of 2001. Excluding non-recurring items, revenues increased $38 million or two per cent.

Net interest income at $1,231 million increased $139 million or thirteen per cent from the second quarter. Approximately half the revenue increase was attributable to higher dividends and net interest revenues in Investment Banking Group. Retail banking net interest earnings rose on higher volumes and the effects of more calendar days. Corporate Support revenues also rose strongly. Average assets declined by six per cent to $234.0 billion and average loans were five per cent lower at $136.1 billion, largely because of a return to more typical levels of securities purchased under resale agreements.

Net interest margins increased by 29 basis points to 2.09 per cent. The increase in net interest margins was attributable to higher margins in wholesale banking, including the receipt of dividends this quarter, and to the benefits of declines in low-margin loans and higher corporate revenues. Retail banking spreads were essentially unchanged.

Other income was $1,003 million, a decrease of $390 million from the second quarter. Other fees and commissions in the second quarter included non-recurring revenues of $289 million, consisting of a $284 million gain on sale of Bancomer and a $5 million gain on sales of branches. Excluding non-recurring items in the second quarter, other income decreased $101 million or nine per cent.

The decrease in other income was largely attributable to lower trading revenues in most product areas and to lower capital markets fees, consisting of securities trading commissions and advisory fees. Securitization revenues also declined, due to lower receipts from certain securitization vehicles due to portfolio quality, notwithstanding a new Canadian accounting guideline that now requires that income from transfers of assets that qualify as sales be recognized as a gain on sale on the transfer date. Card services and insurance revenues were higher. Results benefited from higher retail banking volumes, but were affected by weaker capital market conditions, which contributed to lower client-driven trading activities. The previous quarter included gains on sales of investment securities, which were included in other fees and commissions, that were reduced by write-downs on investments in collateral bond obligations on the second quarter's application of a new U.S. accounting pronouncement.

Year-to-date 2001 vs. Year-to-date 2000

Year-to-date revenues of $6,912 million increased $410 million from the comparable period in the prior year. Excluding non-recurring items in both periods, revenues were $6,579 million, an increase of $296 million or five per cent.

Net interest income for the year-to-date was $3,440 million, an increase of $185 million or six per cent from the comparable period in 2000. The increase was attributable to higher volumes across each of the business groups, partially offset by a $54 million reduction in earnings recognized on the investment in Bancomer.

Net interest margins increased by four basis points to 1.90 per cent. Margins were higher in retail and business banking in Canada and in the Capital Markets businesses.

Other income rose $225 million to $3,472 million. Excluding non-recurring items, other income was $3,139 million, an increase of $111 million or four per cent from the comparable period last year.

Other fees and commissions rose $117 million. Fiscal 2000 benefited from non-recurring gains of $74 million on the sale of the U.S. corporate trust business, $33 million on the sales of branches and $112 million on the sale of Partners First, a U.S. credit card business. In fiscal 2001, other fees and commissions included $12 million of non-recurring gains on sales of branches and a non-recurring $321 million gain on sale of the investment in Bancomer. Excluding non-recurring items, other fees and commissions rose by $3 million.

Trading revenues rose by $148 million, largely due to increased client-driven trading revenues in Capital Markets. Capital markets fees declined $61 million due to lower retail client-driven trading commissions, which were unusually strong in the prior year. Investment management and custodial fees declined $47 million, largely due to the sale of the U.S. corporate trust business.

NON-INTEREST EXPENSES

Third Quarter 2001 vs. Third Quarter 2000

Non-interest expenses were $1,421 million, an increase of $95 million or seven per cent from the third quarter of 2000.

The expense-to-revenue ratio was 63.6 per cent, compared with 63.2 per cent in the third quarter of 2000. The expense-to-revenue ratio, excluding non-recurring items, improved by 0.2 percentage points from the prior year.

Expense growth was spread over each of the operating groups. Benefits costs increased, partly due to changes in accounting for pensions and future benefits costs that were adopted in the first quarter of this year. The net effect on expenses from business dispositions and acquisitions was slightly favourable. Revenue-based compensation costs rose year-over-year, due to improved performance in Investment Banking Group units, which more than offset declines in Private Client Group. Initiative spending and increased front-line staffing costs in the Personal and Commercial Client Group contributed to expense growth.

Because of changes in the shareholder agreements governing the Bank's rights in respect of Symcor, its items processing affiliate, the accounting related to Symcor changed in 2001. The Bank had accounted for its share of the results of Symcor using the proportionate consolidation method, whereby the Bank's proportionate share of salaries and other Symcor costs were reflected in the Bank's results as though those costs were incurred directly by the Bank. These costs are now invoiced to the bank and reflected in other expenses.

Third Quarter 2001 vs. Second Quarter 2001

Non-interest expenses were up $17 million or one per cent from the second quarter of 2001. The increase related primarily to more calendar days in the third quarter.

The expense-to-revenue ratio was 63.6 per cent, compared with 56.5 per cent in the second quarter. Excluding non-recurring items of the second quarter, the expense-to-revenue ratio improved by 0.3 percentage points.

Year-to-date 2001 vs. Year-to-date 2000

Non-interest expenses were $4,222 million, an increase of $294 million or seven per cent from the comparable year-to-date period in 2000.

The expense-to-revenue ratio was 61.1 per cent, compared with 60.4 per cent in the prior year. Excluding non-recurring items, the expense-to-revenue ratio was 64.2 per cent, up from 62.5 per cent a year earlier.

Expense growth was largely due to increased strategic initiative spending in the operating Groups, including increased front-line staffing costs in the Personal and Commercial Client Group. Benefits costs increased, partly due to the changes in accounting for pensions and future benefits costs that were adopted in the first quarter of this year. Revenue-based compensation costs increased year-over-year due to improved performance in Investment Banking Group. Business dispositions and acquisitions had a negligible net effect on expenses.

In the first quarter of fiscal 2001 the Bank adopted a new standard for accounting for pensions and other benefits. The standard was adopted on a retroactive basis by charging $250 million (net of $171 million of income tax) to retained earnings at the beginning of fiscal 2001. The new standard results in the recognition of increased quarterly benefits expenses of approximately $17 million ($10 million after-tax) in 2001.

As explained above, the Bank's Symcor costs are now invoiced to the bank and reflected in other expenses.

INCOME TAXES

The provision for income taxes that is reflected in the consolidated statement of income is based upon transactions recorded in income, regardless of when such transactions are subject to income taxes. Non-recurring items and income taxes thereon are outlined on page 10. In the first quarter of fiscal 2001, a non-recurring $25 million charge for income taxes was reflected in results. The charge related to the effect of proposed federal tax rate reductions on the Bank's future tax assets.

Excluding non-recurring items, the effective tax rate was 32.7 per cent in the third quarter, an improvement from 33.8 per cent in the second quarter of fiscal 2001 and from 37.6 per cent in the third quarter of last year. Excluding non-recurring items, the effective rate for the year-to-date period ended July 31, 2001 was 33.9 per cent, an improvement from 37.2 per cent for the comparable period last year. The year-over-year improvements related to lower statutory tax rates, a shift in the proportion of income taxed in lower tax rate jurisdictions and entities, various tax initiatives and the resolution of issues with taxation authorities. The favourable effects of tax initiatives were partially offset by a higher tax charge related to the effect of proposed provincial tax rate reductions on future tax assets. The benefits of tax initiatives are generally reflected in the Corporate Support Group in the year they arise.

BALANCE SHEET

Total assets decreased $3.2 billion from October 31, 2000 to $230.2 billion at July 31, 2001.

Securities

Investment securities declined by $2.5 billion from October 31, 2000 to $22.0 billion. The decline related to reduced holdings of federal government securities in the United States and Canada, and to the sale of the investment in Bancomer.

The market value of the Bank's investment portfolio exceeded its book value by $12 million at July 31, 2001, an improvement of $104 million from last year-end, after adjusting for the unrealized gain on Bancomer. The improvement in the excess of market values relative to book values was attributable to an increase in the market value of fixed income securities, particularly in the United States, largely due to lower interest rates. This favourable effect was partially offset by a decline in the market value of the Bank's holdings in 724 Solutions Inc., which fell in the weaker environment for technology stocks.

Trading securities declined by $2.3 billion from October 31, 2000 to $19.7 billion. The decline was attributable to reduced holdings of federal government securities in the United States and Canada.

Loans

Net loans and acceptances increased $1.7 billion from October 31, 2000 to $144.1 billion, including the inclusion of $852 million of loans of First National Bank of Joliet. Table 1 on page 43 provides a comparative summary of net loans by product and industry. Securities purchased under resale agreements increased by $1.3 billion, but balances remained within normal levels. The use of these low-risk, low-margin products is driven by market preferences and overall liquidity management in the financial markets. Loans to Commercial, Corporate and Institutional borrowers declined slightly overall, reflecting an increase of approximately $2.3 billion in loans to financial institutions, offset principally by reductions in loans to the manufacturing sector, which has experienced reduced demand in 2001.

In the Personal and Commercial Client Group, loan balances were reduced by $492 million due to branch sales during the first nine months of the year. Loan balances were also reduced by securitizations of lease receivables and residential mortgages, totalling approximately $1.1 billion.

Table 2 on page 43 provides a comparative summary of loans by geographic location and diversification ratios by product and geographic location. The portfolio remains well diversified with minimal change in the geographic breakdown from last year-end, as loan growth was concentrated in the relatively stronger Ontario region.

Deposits

Deposits declined by $5.7 billion from October 31, 2000 to $151.0 billion at July 31, 2001. Deposits from business and governments, which account for 43.6 per cent of total deposits, decreased by $3.7 billion. Deposits by banks decreased by $4.1 billion. Deposits from individuals, which account for 43.7 per cent of total deposits, tend to be more stable and increased by $2.1 billion. Deposits reflect $1.4 billion of deposits of First National Bank of Joliet.

ENTERPRISE-WIDE RISK MANAGEMENT

The Bank's enterprise-wide objectives, strategy, approach and governance related to risk management were set out in pages 19 to 27 of the 2000 Annual Report. There have been no material changes in risk management practices from those described in the Annual Report, other than the formation of an Operational Risk Committee, which brings focused senior management attention to all forms of operational risk. The Operational Risk Committee is a sub-committee of the Risk Management Committee, which remains as described in the Annual Report.

CREDIT RISK

Prospects for improvement in operating conditions for many of the Bank's borrowing clients have been adversely affected by the slowdown in economic conditions in the United States. As a result, in the second quarter, the Bank increased its estimate of the annual provision for credit losses by $50 million to $450 million for 2001. The general allowance for credit losses was also prudently increased by $100 million in the second quarter, through a non-recurring charge to net income. At $1,180 million, the general allowance represents 89 basis points of risk-weighted assets. These actions are consistent with the Bank's methodologies for planning loan loss provisions, as set out on pages 21 and 22 of the Annual Report. The expected loss remains within the previous forecast range, whereas the loss volatility has increased as a result of generally higher volatility in credit market conditions. The latter is particularly noticeable in several instances of former highly-rated companies rapidly falling to non-investment grade or even into bankruptcy, sometimes as a result of fraud.

Tables 1 to 5 attached at the end of this MD&A provide relevant summary detail in respect of aspects of the company's loan portfolio, impaired loans and provisions and allowances for credit losses.

Gross impaired loans at July 31, 2001 were $1,836 million, up from $1,653 million at the end of the second quarter and from $1,501 million at the end of fiscal 2000. Gross impaired loans and acceptances represented 1.26 per cent of total loans and acceptances at the end of the third quarter, up from 1.12 per cent at April 30, 2001 and from 1.04 per cent at October 31, 2000. The Bank's level of impaired loans remained well within the historical range over a full economic cycle. Loans continue to be well provisioned, with an allowance for credit losses – both specific and general – totalling $1,661 million at the end of the third quarter. The Bank's allowances represented 90.5 per cent of gross impaired loans, versus 100 per cent at the end of the second quarter of fiscal 2001 and 106 per cent at the end of fiscal 2000.

MARKET RISK

The Bank's market risk of loss associated with changes in interest rates, foreign exchange rates, and equity and commodity prices, as at July 31, 2001, was within the Bank's Corporate Standard for Market Value Exposure.

The methodologies used for market risk measurement remain as set out in the Annual Report, except that the Rising Interest Rate Risk scenario has been replaced by the 100 Basis Point Decrease scenario, as displayed below.

Interest Rate Sensitivity [(a)]

	As at July 31, 2001		As at October 31, 2000	
	Structural and money market portfolios		Structural and money market portfolios	
(After-tax Canadian equivalent $ millions)	100 basis point increase	100 basis point decrease	100 basis point increase	100 basis point decrease
Earnings at risk over next 12 months	**$ 44.2**	**$ (38.1)**	$ 40.1	$ (20.5)
Economic value exposure	**$ 280.8**	**$ (207.4)**	$ 215.8	$ (250.6)

(a) Risk measures include the impact of minimum rates on deposits and embedded options but exclude actions that the Bank would take to reduce risk or the actions that clients might take in response to changing rates.

Total Trading and Underwriting VaR Summary for the period from November 1, 2000 to July 31, 2001

(Pre-tax Canadian equivalent $ millions)*	**As at July 31, 2001**	Average for the quarter	High for the quarter	Low for the quarter	Average for the year-to-date	High for the year-to-date	Low for the year-to-date
Interest rate	**16.7**	16.0	21.7	11.6	14.9	21.7	11.5
Foreign exchange	**4.4**	4.0	10.5	1.8	5.2	10.5	1.8
Commodity	**1.3**	1.4	2.2	1.0	1.3	2.2	0.6
Equity	**2.7**	5.4	10.2	2.5	5.4	15.2	2.5
Correlation effect	**(5.6)**	(4.8)	(6.9)	(3.0)	(4.6)	(6.9)	(2.2)
Total	**19.5**	22.0	n/a	n/a	22.2	n/a	n/a

* One-day measure using 99% confidence level.

Market Risk Sensitivity [a, b]

Adverse Changes in Market Rates/Prices

	July 31, 2001		October 31, 2000	
(After-tax Canadian equivalent $ millions)	**Cdn$**	**US$**	Cdn$	US$
Earnings volatility over the next 12 months	**$ 36.4**	**$ 55.9**	$ 51.2	$ 53.8
Market value exposure	**$ 181.9**	**$ 129.8**	$ 209.5	$ 72.5

(a) Earnings volatility and Market value exposure include Cdn$1.4 and US$6.0 as at July 31, 2001 and Cdn$5.4 and US$6.6 as at October 31, 2000 related to trading portfolios

(b) Risk measures are based upon statistical analysis of market exposures using a 99% confidence level

LIQUIDITY RISK

Liquid assets, consisting of cash resources and securities, decreased $6.0 billion from October 31, 2000 to $59.0 billion at July 31, 2001. The decrease was attributable to reduced U.S. dollar trading positions. The Bank's ratio of cash and securities-to-total assets at the end of the third quarter was 25.6 per cent, down from 27.8 per cent at the end of the prior fiscal year, and down from 26.4 per cent at the end of the second quarter.

Core deposits, defined as total deposits less deposits greater than $100,000 payable on a fixed date, decreased $641 million from October 31, 2000 to $88.4 billion at July 31, 2001, while total deposits decreased $5.7 billion from October 31, 2000 to $151.0 billion at July 31, 2001. The decrease in total deposits was attributable to reduced U.S. dollar trading positions. The Bank's ratio of core deposits-to-total deposits at the end of the third quarter was 58.5 per cent, up from 56.8 per cent at the end of the prior fiscal year, and up from 56.9 per cent at the end of the second quarter.

To maintain strong liquidity, the Bank continues to ensure that it has well diversified funding sources, with deposits broadly diversified by customer, type, currency and geography. The Bank’s large stable base of core deposits provides a strong and secure source of funding in both the Canadian and U.S. dollar markets. These deposits, along with the Bank’s strong capital base, reduce reliance on other more volatile sources of funds.

The Bank's cash and securities-to-total assets ratio and the level of core deposits at the end of the quarter were within acceptable ranges and provide a strong liquidity position.

OPERATIONAL RISK

There have been no significant changes in risk measurement methodologies for management of operational risk from those described in the Annual Report. There were no incidences of operational risk during the first three quarters of fiscal 2001 that caused material losses. The Bank is continuing to enhance its measurement approaches in this area, through the use of industry databases and participation in industry surveys.

CAPITAL MANAGEMENT

The Bank's capital management objectives, strategy and approach to management were outlined on page 28 of the 2000 Annual Report.

At July 31, 2001, the Bank's Tier 1 Capital Ratio was 8.84 per cent, compared with 8.94 per cent at the end of the second quarter and 8.83 per cent at October 31, 2000. At the end of the most recent quarter, the Bank's Total Capital Ratio was 12.60 per cent, compared with 12.74 per cent in the immediately preceding quarter and 11.97 per cent at the end of fiscal 2000. Risk-weighted assets were $133.1 billion, up from $132.4 billion in the preceding quarter but down from $134.4 billion at the end of the prior year.

Capital ratios remain above the levels Canadian regulators consider necessary for a bank to be considered well-capitalized, and have been above the average levels of Canada's major banks. Capital levels at the end of the third quarter were only moderately lower than at the end of the prior year, even though the Bank has been returning capital to investors through share buyback programs. The components of the change are outlined below.

Source and Utilization of Capital in 2001

($ millions, except as noted)

	Total Tier 1 Capital		Risk-weighted Assets	Tier 1 Capital Ratio
October 31, 2000	$ 11,864	October 31, 2000	$ 134,360	8.83%
Net income	1,467	Increases (decreases)		
Dividends	(497)	Personal and Commercial Client Group	1,068	
Goodwill	(376)	Private Client Group	(135)	
Issues of capital	534	Investment Banking Group	(6,831)	
Repurchase of shares	(1,260)	Corporate Support	4,606	
Translation and other	28			
July 31, 2001	$ 11,760	July 31, 2001	$ $ 133,068	8.84%

On January 23, 2001 the Bank's Board of Directors declared a 100 per cent stock dividend, effectively achieving a two-for-one split of the Bank's common shares and making the shares more accessible for retail investors. The shares began trading on a post-stock dividend basis on March 1, 2001 on the Toronto Stock Exchange.

In the first quarter, the Bank announced a program to repurchase up to 30 million common shares through a normal-course issuer bid expiring December 31, 2001. On May 23, 2001, the Bank announced its intent to increase the share repurchase program from 30 million shares to a maximum of 52 million shares, or approximately 9.9 per cent of the shares issued and outstanding at the commencement of the program. During the third quarter, the Bank acquired 11.4 million shares at an average cost of $38.20 per share and total cost of $436 million. Under the current program, the Bank had acquired 32.6 million shares at an average cost of $38.68 and total cost of $1,260 million during the nine months ended July 31, 2001.

In fiscal 2000, the Bank acquired approximately 15.7 million shares at a cost of $500 million under a share repurchase program that expired on October 31, 2000. These programs are facilitated by the Bank's favourable capital position and permit the Bank to reduce its use of capital that is considered excess and generates an inadequate return for shareholders. The Bank's strong capital position, coupled with anticipated moderate growth in risk-weighted assets, allows the organization to pursue these share repurchase programs and provides greater flexibility in managing its capital mix. Over the course of fiscal 2000 and during fiscal 2001 year-to-date, the Bank had returned $1.8 billion of capital to shareholders through share buybacks. While these repurchases benefit shareholders by increasing returns per share, these funds are no longer available to the Bank and reduce revenues and net income below what they otherwise would be.

As explained more fully in the notes to the third quarter financial statements, the Bank completed the acquisition of First National Bank of Joliet on July 13, 2001. The purchase price of $337 million was paid by a combination of cash and the issue of 5,325,307 common shares valued at $40.07 per share, totalling $213 million. On July 19, 2001, the Bank completed the acquisition of Guardian Group of Funds Ltd. for consideration of $187 million, paid through the issue of 4,960,140 common shares valued at $37.74 per share.

In the second quarter of 2001, the Bank redeemed all of its outstanding Class B-Series 1 Preferred Shares for cash consideration of $250 million. During the third quarter, the Bank announced its intent to redeem all of its outstanding Class B-Series 2 Preferred Shares at par, for total consideration of US$250 million, effective August 27, 2001.

In January 2001, the Basel Committee on Banking Supervision introduced a new draft capital accord for consultation. This proposed accord is expected to replace the original 1988 accord in 2005 and is intended to improve safety and soundness in the financial system by providing more flexibility to financial institutions in determining capital levels related to risk sensitivity. The key elements of the framework provide a spectrum of approaches, from simple to advanced methodologies, for the measurement of both credit and operational risk. It provides a flexible structure in which each bank, subject to supervisory review, will adopt approaches that best fit its level of sophistication and risk profile. The accord seeks to reward stronger and more accurate risk measurement by reduced regulatory capital than would apply under less rigorous approaches.

Current initiatives within the financial services industry include providing consolidated comments on the draft accord and working with national regulators on domestic issues and with national supervisors on issues associated with implementation of this framework over the next three years. The Bank is currently conducting internal reviews of systems and processes to establish the requirements for implementation of the accord by 2004.

CREDIT RATING

The Bank's credit rating, as measured by a composite of Moody's and Standard & Poor's senior debt ratings, remained unchanged at AA- during the first nine months of fiscal 2001.

SUPPLEMENTARY DATA

Tables 1 to 5 are an integral part of this MD&A.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Bank of Montreal, from time to time, makes written and verbal forward-looking statements. These may be included in this quarterly report, in filings with Canadian regulators or the U.S. Securities and Exchange Commission, in reports to shareholders and in other communications, and are made pursuant to the "safe harbor" provisions of the United States Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to, comments with respect to our objectives, targets, strategies, financial condition, the results of our operations and our businesses, our outlook for our businesses and for the Canadian and U.S. economies and our risk management discussion.

By their very nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific and the risk that predictions and other forward-looking statements will not be achieved. We caution readers of this report not to place undue reliance on these forward-looking statements as a number of important factors could cause actual future results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements.

Forward-looking statements may be influenced by the following factors: fluctuations in interest rates and currency values; regulatory developments; statutory changes; the effects of competition in the geographic and business areas in which we operate, including continued pricing pressure on loan and deposit products; and changes in political and economic conditions including, among other things, inflation and technological changes. We caution that the foregoing list of important factors is not exhaustive and that when relying on forward-looking statements to make decisions with respect to Bank of Montreal, investors and others should carefully consider the foregoing factors as well as other uncertainties and potential events. The Bank does not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by or on behalf of the Bank.

Supplementary Tables

Table 1 Net Loans and Acceptances - Segmented Information

($ millions)	As at July 31, 2001	October 31, 2000	July 31, 2000
Net Loans and Acceptances by Product and Industry			
Individuals			
Residential mortgages	**$ 37,901**	$ 36,553	$ 36,491
Cards	**1,525**	1,407	1,367
Personal loans	**18,768**	18,033	17,611
Total Loans to Individuals	**$ 58,194**	$ 55,993	$ 55,469
Commercial Corporate and Institutional			
Financial institutions	**$ 16,192**	$ 13,847	$ 15,682
Commercial mortgages	**7,023**	6,612	6,528
Construction (non-real estate)	**1,061**	1,556	1,558
Real estate	**3,207**	3,895	3,514
Manufacturing	**12,265**	14,635	13,535
Mining/Energy	**2,924**	3,847	4,155
Service industries	**6,815**	7,107	7,178
Retail trade	**3,233**	3,173	3,251
Wholesale trade	**2,945**	3,434	3,499
Agriculture	**2,443**	2,608	2,439
Transportation/Utilities	**3,667**	4,532	4,049
Communications	**3,701**	3,262	2,481
Other	**3,709**	2,496	2,554
Total Diversified Commercial, net of allowances	**$ 69,185**	$ 71,004	$ 70,423
Securities purchased under resale agreements	**$ 17,592**	$ 16,308	$ 19,993
Total Commercial, Corporate and Institutional	**$ 86,777**	$ 87,312	$ 90,416
General allowance	**$ (1,180)**	$ (1,080)	$ (970)
Designated lesser developed countries	**302**	222	224
Total Loans and Acceptances	**$ 144,093**	$ 142,447	$ 145,139

Table 2 Net Loans and Acceptances - Segmented Information (cont'd)

($ millions, except as noted)		As at July 31, 2001	October 31, 2000	July 31, 2000
Net Loans and Acceptances by Country				
Canada		**$ 96,070**	$ 90,698	$ 89,066
United States		**46,758**	49,307	52,663
Other countries	Designated LDC	**302**	222	224
	Other	**2,143**	3,300	4,156
General allowance	Canada	**(930)**	(930)	(820)
	United States	**(250)**	(150)	(150)
Total Net Loans and Acceptances		**$ 144,093**	$ 142,447	$ 145,139
Net Loans and Acceptances in Canada by Province				
Atlantic Provinces		**$ 4,646**	$ 4,460	$ 4,495
Quebec		**13,486**	14,602	13,649
Ontario		**51,496**	43,794	43,318
Prairie Provinces		**13,471**	14,722	14,286
British Columbia and Territories		**12,971**	13,120	13,318
General allowance		**(930)**	(930)	(820)
Total Net Loans and Acceptances in Canada		**$ 95,140**	$ 89,768	$ 88,246
Diversification Ratios				
(As a % of Total Net Loans & Acceptances)				
Individual		**40.1%**	39.0%	38.0%
Commercial , Corporate and Institutional		**59.7%**	60.8%	61.8%
Designated LDC		**0.2%**	0.2%	0.2%
Canada		**66.0%**	63.0%	60.7%
United States		**32.3%**	34.5%	36.2%
Other countries				
	Designated LDC	**0.2%**	0.2%	0.2%
	Other	**1.5%**	2.3%	2.9%

Table 3 Changes in Gross Impaired Loans and Allowances for Credit Losses

($ millions)	Q3-2001	Q2-2001	YTD-2001	Q3-2000	YTD-2000
Total Impaired Loans and Acceptances					
Gross impaired loans and acceptances, beginning of period	**$ 1,653**	$ 1,702	$ 1,501	$ 1,189	$ 1,092
Additions to impaired loans and acceptances	**456**	481	1,435	357	771
Reductions in impaired loans and acceptances (1)	**(141)**	(397)	(689)	(157)	(376)
Net new additions (reductions)	**$ 315**	$ 84	$ 746	$ 200	$ 395
Write-offs	**(132)**	(133)	(411)	(55)	(153)
Gross Impaired Loans and Acceptances, End of Period	**$ 1,836**	$ 1,653	$ 1,836	$ 1,334	$ 1,334
Allowances for credit losses (2), beginning of period	**$ 1,656**	$ 1,554	$ 1,597	$ 1,472	$ 1,348
Increases - specific allowance	**137**	135	375	112	334
Increases - general allowance	**-**	100	100	-	-
Transfer of allowance	**-**	-	-	-	-
Write - offs	**(132)**	(133)	(411)	(55)	(153)
Allowances for Credit Losses (2), End of Period	**$ 1,661**	$ 1,656	$ 1,661	$ 1,529	$ 1,529
Net impaired loans and acceptances, beginning of period	**$ (3)**	$ 148	$ (96)	$ (283)	$ (256)
Change in gross impaired loans	**183**	(49)	335	145	242
Change in allowance for credit losses	**(5)**	(102)	(64)	(57)	(181)
Net Impaired Loans and Acceptances, End of Period	**$ 175**	$ (3)	$ 175	$ (195)	$ (195)

Notes:
(1) Loans and acceptances returning to performing status, sales and repayments.
(2) Excludes allowance for credit losses for off-balance sheet exposure and lesser developed countries reservations in excess of impaired loans.

Table 4 Net Impaired Loans and Acceptances - Segmented Information

($ millions)	As at July 31, 2001	October 31, 2000	July 31, 2000
Individuals			
Residential mortgages	$ **126**	$ 138	$ 122
Consumer instalments and other personal loans	**60**	48	45
Total Individuals	$ **186**	$ 186	$ 167
Commercial, Corporate and Institutional			
Financial institutions	$ **75**	$ 108	$ 93
Commercial mortgages	**36**	19	24
Construction (non-real estate)	**48**	6	5
Commercial real estate	**16**	27	29
Manufacturing	**193**	143	102
Mining/Energy	**56**	97	113
Service industries	**99**	109	117
Retail trade	**119**	89	22
Wholesale trade	**66**	11	42
Agriculture	**11**	17	17
Transportation/Utilities	**316**	138	155
Communications	**100**	13	4
Other	**34**	21	(115)
Total Commercial	$ **1,169**	$ 798	$ 608
Securities purchased under resale agreements	$ **-**	$ -	$ -
Total Commercial, Corporate and Institutional	$ **1,169**	$ 798	$ 608
General allowance	$ **(1,180)**	$ (1,080)	$ (970)
Designated lesser developed countries	**-**	-	-
Total Net Impaired Loans and Acceptances	$ **175**	$ (96)	$ (195)

Table 5 Net Impaired Loans and Acceptances - Segmented Information (cont'd)

($ millions, except as noted)

Net Impaired Loans and Acceptances by Country (1)		As at July 31, 2001	October 31, 2000	July 31, 2000
Canada		$ **721**	$ 521	$ 509
United States		**611**	432	233
Other countries	Designated LDC	**-**	-	-
	Other	**23**	31	33
General allowance	Canada	**(930)**	(930)	(820)
	United States	**(250)**	(150)	(150)
Total Net Impaired Loans and Acceptances		$ **175**	$ (96)	$ (195)

Condition Ratios	July 31, 2001	October 31, 2000	July 31, 2000
Gross impaired loans to equity and allowance for credit losses	**12.55%**	10.51%	9.83%
NIL to net loans and acceptances	**0.12%**	(0.07%)	(0.13%)
NIL to segment net loans and acceptances			
Individuals	**0.32%**	0.33%	0.30%
Diversified commercial	**1.69%**	1.12%	0.86%
Canada	**(0.22%)**	(0.46%)	(0.35%)
United States	**0.78%**	0.57%	0.16%
Other countries			
Designated LDC	**0.00%**	0.00%	0.00%
Other	**1.07%**	0.94%	0.79%

(1) Geographic location is based on the ultimate risk of the underlying asset.

Retail Loans

90 Days & Over Delinquency Ratio	As at July 31, 2001	October 31, 2000	July 31, 2000
Personal loans	**0.36%**	0.36%	0.32%
Credit card	**0.60%**	0.66%	0.59%
Mortgages (excluding household)	**0.35%**	0.35%	0.30%
Total retail (excluding household)	**0.36%**	0.37%	0.32%
Household portfolio	**2.13%**	2.30%	2.29%
Total retail	**0.44%**	0.47%	0.42%