

## Third Quarter 2007 Report to Shareholders

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BMO Financial Group Reports Third Quarter Net Income Of \$660 Million Including \$97 Million In After-Tax Losses, Largely Related To Reducing Risk In Our Commodities Business

Net Income Down 7.1% (\$50 Million) But Up 6.6% (\$47 Million) Excluding Commodities Losses As Other Businesses Performed Well

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### Performance Highlights:

#### Third Quarter 2007 Compared with Third Quarter 2006:

- Net income of \$660 million, down \$50 million or 7.1%
- EPS<sup>1</sup> of \$1.28 and cash EPS<sup>2</sup> of \$1.30, both down \$0.10 or 7.2% and 7.1%, respectively
- ROE of 18.0%, compared with 20.3% last year
- Revenue up \$6 million or 0.2% and non-interest expense up \$59 million or 3.6%
- Provision for credit losses up \$49 million to \$91 million
- Effective tax rate down 3.1 percentage points to 21.0%
- Results in the quarter were affected by losses in our commodities business of \$149 million (\$97 million after tax and \$0.19 per share), as we reduced the size and risk of the commodities portfolio. Our other businesses performed well, overall, generating a \$47 million<sup>3</sup> or 6.6% increase in net income and revenue growth of \$155 million or 5.9%
- Announced on August 28, 2007 a \$0.02 per share dividend increase, raising quarterly common share dividends to \$0.70 per share, up 2.9% from the third quarter and 12.9% from a year ago, reflecting our policy of maintaining a 45% to 55% dividend payout ratio over time

#### Operating Group Net Income:

- Personal and Commercial Banking, Canada (P&C Canada) up \$3 million or 1.0% to a record \$350 million. Excluding P&C Canada's MasterCard gain in the prior year and income tax recoveries in both periods, net income increased \$40 million or 14%, driven by broad-based volume growth across our personal and commercial businesses and a stable net interest margin
- Personal and Commercial Banking, U.S. (P&C U.S.) down \$4 million or 17% to \$26 million, including acquisition integration costs, as margin declined in a difficult economic and competitive environment
- Private Client Group up \$22 million or 26% to \$105 million, driven by strong revenue growth in full-service investing and mutual funds
- BMO Capital Markets down \$7 million or 3.4% to \$196 million, including losses in our commodities business. Our other businesses performed well, with broad-based growth. Those businesses increased net income by \$90 million or 45%, generating \$293 million of net income
- Corporate Services net income fell \$64 million to a loss of \$17 million on lower revenue and higher provisions for credit losses

#### Year-to-Date 2007 Compared with a Year Ago:

- Net income of \$1,679 million, down \$288 million or 15%
- EPS of \$3.24 and cash EPS of \$3.29, down \$0.56 or 15% and \$0.57 or 15%, respectively
- ROE of 15.1%, compared with 19.2% last year
- Net income and EPS were reduced by the year-to-date net impact of \$829 million (\$424 million after tax and \$0.83 per share) of losses in our commodities business and a \$135 million restructuring charge (\$88 million after tax and \$0.17 per share)
- Tier 1 Capital Ratio remains strong at 9.29%

1 All Earnings per Share (EPS) measures in this document refer to diluted EPS unless specified otherwise.

2 The adjustments that change results under generally accepted accounting principles (GAAP) to cash results and GAAP revenue and income taxes to a taxable equivalent basis (teb) are outlined in the Non-GAAP Measures section in the Financial Performance Review, where all non-GAAP measures and their closest GAAP counterparts are outlined. Revenues and income taxes in the financial statements are stated in accordance with GAAP. Otherwise, all revenues and income taxes and measures that include revenues or income taxes in this document are stated on a taxable equivalent basis.

3 Results stated on a basis that excludes commodities losses and/or the first quarter restructuring charge are non-GAAP measures. Please see the non-GAAP Measures section.

# Financial Highlights

(Unaudited) (Canadian \$ in millions, except as noted)

For the three months ended

For the nine months ended

	July 31, 2007	April 30, 2007	January 31, 2007	October 31, 2006	July 31, 2006	Change from July 31, 2006	July 31, 2007	July 31, 2006	Change from July 31, 2006
<b>Income Statement Highlights</b>									
Total revenue	\$ 2,555	\$ 2,528	\$ 2,066	\$ 2,461	\$ 2,570	(0.6) %	\$ 7,149	\$ 7,524	(5.0) %
Total revenue (teb) (a)	2,609	2,571	2,105	2,494	2,603	0.2	7,285	7,618	(4.4)
Provision for credit losses	91	59	52	16	42	+100	202	160	26.3
Non-interest expense	1,659	1,614	1,673	1,613	1,600	3.6	4,946	4,740	4.3
Net income	660	671	348	696	710	(7.1)	1,679	1,967	(14.7)

## Common Share Data (\$)

	July 31, 2007	April 30, 2007	January 31, 2007	October 31, 2006	July 31, 2006	Change from July 31, 2006	July 31, 2007	July 31, 2006	Change from July 31, 2006
Diluted earnings per share	\$ 1.28	\$ 1.29	\$ 0.67	\$ 1.35	\$ 1.38	\$ (0.10)	\$ 3.24	\$ 3.80	\$ (0.56)
Diluted cash earnings per share (a)	1.30	1.31	0.68	1.37	1.40	(0.10)	3.29	3.86	(0.57)
Dividends declared per share	0.68	0.68	0.65	0.62	0.62	0.06	2.01	1.64	0.37
Book value per share	28.81	28.95	28.90	28.89	28.21	0.60	28.81	28.21	0.60
Closing share price	66.59	69.46	70.01	69.45	63.95	2.64	66.59	63.95	2.64
Total market value of common shares (\$ billions)	33.2	34.7	35.1	34.8	32.0	1.2	33.2	32.0	1.2

As at

	July 31, 2007	April 30, 2007	January 31, 2007	October 31, 2006	July 31, 2006	Change from July 31, 2006
<b>Balance Sheet Highlights</b>						
Assets	\$ 359,154	\$ 356,527	\$ 355,491	\$ 319,978	\$ 311,609	15.3 %
Net loans and acceptances	205,612	203,210	205,472	190,994	189,893	8.3
Deposits	229,027	221,615	217,114	203,848	202,094	13.3
Common shareholders' equity	14,374	14,475	14,472	14,465	14,107	1.9

For the three months ended

For the nine months ended

	July 31, 2007	April 30, 2007	January 31, 2007	October 31, 2006	July 31, 2006	July 31, 2007	July 31, 2006
<b>Primary Financial Measures (%) (b)</b>							
Average annual five year total shareholder return	17.2	16.6	17.8	19.1	12.8	17.2	12.8
Diluted earnings per share growth	(7.2)	3.2	(42.7)	5.5	29.0	(14.7)	13.4
Diluted cash earnings per share growth (a)	(7.1)	3.1	(42.9)	3.8	27.3	(14.8)	11.6
Return on equity	18.0	18.3	9.2	19.4	20.3	15.1	19.2
Cash return on equity (a)	18.2	18.5	9.5	19.6	20.6	15.4	19.4
Net economic profit (NEP) growth (a)	(19.8)	(4.2)	(+100)	(1.0)	59.3	(41.3)	15.0
Revenue growth	(0.6)	2.3	(16.7)	(6.1)	6.7	(5.0)	4.2
Revenue growth (teb) (a)	0.2	2.8	(16.2)	(5.9)	6.7	(4.4)	4.3
Non-interest expense-to-revenue ratio	64.9	63.8	81.0	65.5	62.3	69.2	63.0
Non-interest expense-to-revenue ratio (teb) (a)	63.6	62.8	79.5	64.6	61.5	67.9	62.2
Cash non-interest expense-to-revenue ratio (teb) (a)	63.2	62.3	78.9	64.2	61.1	67.4	61.8
Provision for credit losses-to-average loans and acceptances (annualized)	0.18	0.12	0.10	0.03	0.09	0.13	0.12
Gross impaired loans and acceptances-to-equity and allowance for credit losses	3.49	3.86	4.19	3.81	3.86	3.49	3.86
Cash and securities-to-total assets ratio	31.0	28.6	28.4	27.2	25.2	31.0	25.2
Tier 1 capital ratio	9.29	9.67	9.76	10.22	10.07	9.29	10.07
Credit rating							
Standard & Poor's	A+	AA-	AA-	AA-	AA-	A+	AA-
Moody's	Aa1	Aa1	Aa3	Aa3	Aa3	Aa1	Aa3

## Other Financial Ratios (% except as noted) (b)

	July 31, 2007	April 30, 2007	January 31, 2007	October 31, 2006	July 31, 2006	July 31, 2007	July 31, 2006
Twelve month total shareholder return	8.0	11.3	6.0	24.1	8.0	8.0	8.0
Dividend yield	4.08	3.92	3.71	3.57	3.88	4.02	3.42
Price-to-earnings ratio (times)	14.5	14.8	15.1	13.5	12.6	14.5	12.6
Market-to-book value (times)	2.31	2.40	2.42	2.40	2.27	2.31	2.27
Net economic profit (\$ millions) (a)	280	289	(37)	325	349	532	905
Return on average assets	0.72	0.77	0.40	0.86	0.90	0.63	0.86
Net interest margin on average earning assets	1.61	1.65	1.64	1.78	1.84	1.63	1.83
Net interest margin on average earning assets (teb) (a)	1.68	1.71	1.70	1.83	1.89	1.69	1.87
Non-interest revenue-to-total revenue	51.2	52.4	42.1	50.6	52.0	49.0	53.1
Non-interest revenue-to-total revenue (teb) (a)	50.1	51.5	41.3	49.9	51.3	48.1	52.4
Non-interest expense growth	3.6	3.5	5.9	(0.9)	2.0	4.3	0.7
Total capital ratio	11.18	11.03	11.20	11.76	11.59	11.18	11.59
Equity-to-assets ratio	4.3	4.3	4.3	4.7	4.7	4.3	4.7

All ratios in this report are based on unrounded numbers.

(a) Refer to the "Non-GAAP Measures" section of Management's Discussion and Analysis for an explanation of cash results, reporting on a taxable equivalent basis (teb) and net economic profit. Securities regulators require that companies caution readers that earnings and other measures adjusted to a basis

other than generally accepted accounting principles (GAAP) do not have standardized meanings under GAAP and are unlikely to be comparable to similar measures used by other companies.

(b) For the period ended, or as at, as appropriate.

# Underlying Performance Was Good in the Third Quarter

**Toronto, August 28, 2007** –BMO Financial Group reported net income of \$660 million for the third quarter ended July 31, 2007, or \$1.28 per share.

Results included after-tax losses of \$97 million, or \$0.19 a share, in our commodities business. Our other businesses performed well, overall, as they generated net income of \$757 million or \$1.47 per share. In those businesses, revenue grew 5.9% from a year ago and net income rose by \$47 million, or 6.6%.

Earnings in P&C Canada rose 1% to a record \$350 million. Excluding the impact of a \$38 million (\$25 million after tax) gain on the MasterCard International Inc. (MCI) IPO and a \$26 million recovery of prior years' income taxes in the third quarter a year ago, as well as a \$14 million recovery of prior years' income taxes in the current quarter, P&C Canada's earnings rose 14%. BMO Capital Markets earnings grew 45%, excluding the impact of the commodities losses, driven by broad-based revenue growth and a lower effective tax rate. Net income increased 26% in Private Client Group, driven by strong revenue growth in full-service investing and mutual funds. P&C U.S. earnings decreased 17% as margin has declined in a difficult economic and competitive environment. P&C U.S. net income would have increased quarter-over-quarter in each period in fiscal 2007 in the absence of acquisition integration costs.

"P&C Canada performed well," said Bill Downe, President and Chief Executive Officer of BMO Financial Group. "Its operating performance improved more than the reported results might suggest, as there was a substantial investment gain and tax recovery in the third quarter a year ago. It also performed well relative to the second quarter with higher volumes across most products, strong improvement in personal and commercial loan market share and better net interest margin. Our focus on serving customers and profitably growing the business is paying off.

"With the exception of the commodities business, we had good results in BMO Capital Markets, with revenues in some of our investment banking businesses doubling from a year ago. Private Client Group also performed well, increasing its income by 26% on strength in full-service investing and mutual funds.

"P&C U.S. loan and deposit volumes were up both year-over-year and relative to the second quarter. Although revenue growth has been affected by the weak U.S. dollar and lower net interest margins relative to last year, our margins were stable in the quarter and we expect them to remain so in the coming quarter."

## Net Income Summary

(Canadian \$ in millions)	Q3-2007	Q2-2007	YTD-2007
Net income as reported	660	671	1,679
Commodities trading losses (after tax)	97	90	424
Restructuring charge (after tax)	-	-	88
Net income excluding commodities trading losses and restructuring charge	757	761	2,191

Amounts in the above table are non-GAAP amounts. Please see footnote 2 to the preceding Operating Highlights and the Non-GAAP Measures section that follows, which outline the use of non-GAAP measures in this document.

During the quarter we recorded losses in our commodities business. We completed a number of significant steps to reduce the size of the portfolio and its risk. Approximately 50% of the loss on the portfolio in the quarter related to certain large proprietary positions that we eliminated by entering into offsetting contracts with a counterparty. The other 50% was largely attributable to other trading activities, which included actions related to managing and reducing the risk in the remainder of the portfolio. During the quarter, we reduced the fair market value of commodity derivative contracts assets from \$22.7 billion to \$11.5 billion. The actions taken in the third quarter significantly reduced our proprietary positions, the amount of profit and loss volatility, and the complexity of the portfolio as well as the fair market value of assets.

Other activities during the quarter included:

- appointing a new head of energy trading and hiring additional key personnel;
- investing in the infrastructure of our back office processes;
- lowering our risk exposure to stress events such as hurricanes; and
- completing the implementation of new risk limits and reductions to existing limits.

BMO has received inquiries, requests for documents and subpoenas pertaining to the commodities trading losses from securities, commodities, banking and law enforcement authorities. As these inquiries are in the early stages, we are unable to determine whether any proceedings against the Bank will result. We are cooperating with all of these authorities.

"We made significant progress in reducing our trading book during the quarter and while further reduction is still intended, it will occur within the ongoing trading activity of the business," added Mr. Downe. "We expect this process to occur over the next two quarters."

The foregoing losses in the commodities business were recorded in BMO Capital Markets, primarily in its U.S. operations. As a result, BMO Capital Markets net income for the third quarter was \$196 million (including \$97 million after-tax losses on commodities) compared with \$203 million a year ago and net income of \$199 million (including \$90 million after-tax losses on commodities) in the second quarter. Its net income for the year to

date was \$377 million (including \$424 million after-tax losses on commodities), compared with \$672 million a year ago.

As previously reported, we recorded a charge of \$135 million in the first quarter for restructuring, including the elimination of approximately 1,000 jobs in primarily non-customer-facing areas across all the support functions and business groups. We continue to make good progress on our initiatives to improve the efficiency and effectiveness of the organization. The expected run-rate savings of \$300 million will assist our revenue growth and customer service initiatives, supporting our productivity targets, specifically in P&C Canada where we expect the majority of the savings to be realized and reinvested. To date, we have eliminated roughly 700 positions with significant reductions in Corporate Services, including Technology and Operations, while adding to our front-line personnel, especially in P&C Canada, Private Client Group and BMO Capital Markets. We remain on track to achieve our objectives by the end of the fiscal year.

## Operating Segment Overview

### P&C Canada

Net income rose \$3 million or 1.0% from a year ago to a record \$350 million. Results in the third quarter a year ago included a \$38 million (\$25 million after tax) gain on the MasterCard International Inc. (MCI) IPO and a \$26 million recovery of prior years' income taxes. The current quarter included a \$14 million recovery of prior years' income taxes. Excluding these items, net income rose \$40 million or 14%. Revenue rose \$25 million or 2.0%, but increased \$63 million or 5.2% excluding the MCI gain in the third quarter of the prior year. There was solid top-line growth in each of the personal, commercial and cards businesses. Expenses declined from a year ago due to lower capital tax expense and cost efficiencies.

Relative to the second quarter, net income increased \$26 million or 8.0%. The second quarter included the \$32 million after-tax combined benefit of an insurance gain and a gain on an investment security. Excluding those items and this quarter's \$14 million income tax recovery, net income increased \$44 million or 15%. There was good revenue growth, due to having three more days in the current quarter, higher net interest margin and volume growth. Expenses increased due to the impact of more days in the current quarter as well as increased employee costs and higher depreciation related to completed initiatives.

In personal banking, there was growth in most products, particularly higher-spread loans and cards as we continue to focus on improving the customer experience and strengthening relationships. Personal loans grew a strong 11.6% from a year ago and market share improved year-over-year and relative to the second quarter. Mortgage growth slowed with third party and broker mortgages declining from the second quarter as anticipated, as we re-focus our efforts on proprietary channels and building relationships with customers. We have been building our mortgage sales force this year with further expansion expected in 2008. We are aggressively targeting growth in personal deposits through simplified products, streamlined account opening and an improved customer experience.

In commercial banking, there was continued good growth in loans and deposits. Loans grew 7.7% from a year ago with growth in all regions. Our Canadian business banking market share, at 19.20%, increased strongly for the second quarter in a row, rising

40 basis points relative to the second quarter and 56 basis points relative to a year ago. With our integrated approach to client service and broad spectrum of products, we are building on our competitive strength to be a market leader in commercial lending.

### P&C U.S.

Net income decreased \$4 million from a year ago to \$26 million. Revenue increased on a U.S. dollar basis but reported revenues included in Canadian consolidated results declined because of the weaker U.S. dollar. Increased revenues were attributable to the inclusion of First National Bank and Trust (FNBT), effective in the second quarter, as well as loan and deposit growth. Revenue growth was lowered by reduced net interest margin.

Relative to the second quarter, net income fell by \$1 million or 5.7%. On a U.S. dollar basis, excluding acquisition integration costs, net income increased by \$2 million or 6.7%. Revenue declined, but increased on a U.S. dollar basis, largely due to loan and deposit growth and a stable margin.

Quarterly results in 2007 have been affected by ongoing acquisition integration costs. In the absence of these costs, earnings would have increased quarter-over-quarter in each period in 2007, growing from US\$23.8 million in the fourth quarter of 2006 to US\$28.4 million in the current quarter. Acquisition integration costs of FNBT are substantially complete.

We continue to operate under somewhat difficult economic and market conditions. In this environment, growing revenue is challenging and we have chosen to manage costs by actions such as reducing personnel costs and slowing down new branch openings.

P&C U.S. does not originate subprime mortgage programs and has very little retail exposure with subprime characteristics. Please see the following Economic Outlook & Market Environment section.

We recently announced a definitive agreement to purchase Ozaukee Bank, a community bank with six full-service and two limited-service locations in the affluent northern part of the greater Milwaukee area. With US\$694 million in assets and US\$561 million in deposits, Ozaukee Bank has a leading share of deposits in its market, significantly ahead of its nearest competitor.

We also announced signing a definitive agreement to purchase Merchants and Manufacturers Bancorporation, Inc., a holding company with six bank subsidiaries operating 34 full-service and 11 limited-service locations in an area concentrated in Milwaukee, and extending into Green Bay to the north and LaCrosse to the west. Merchants and Manufacturers' banks have a combined US\$1.5 billion in assets and US\$1.2 billion in deposits, holding more than half of their deposits in the Milwaukee area.

### Private Client Group

Net income increased \$22 million or 26% from a year ago to \$105 million. Revenue increased \$43 million or 8.8% on broad-based growth, particularly in Full-Service Investing and Mutual Funds. Expenses also increased but at a slower pace.

Relative to the second quarter, net income increased \$4 million or 2.9%. Revenue was relatively unchanged but grew \$14 million excluding the impact of a gain on sale of Montreal Stock Exchange common shares in the prior quarter and the impact of the weaker U.S. dollar. The growth was primarily due to an increase in mutual fund revenue. Expenses declined marginally.

The group continues to be recognized for its products and services. Harris Private Bank was ranked among the Top 5 local private banks in the United States in Euromoney Magazine's 2007 Global Survey on the delivery of locally based wealth management services.

BMO Mutual Funds successfully launched BMO LifeStage Plus Funds. This product automatically adjusts the asset mix based on an investor's time horizon. A unique attribute of the funds is a daily lock-in feature that allows investors to receive the highest daily value during the life of the fund if they remain fully invested in the fund until its target end date.

### BMO Capital Markets

As explained, results were affected by losses in our commodities business. Our other businesses increased net income in the third quarter by \$90 million or 45% from a year ago. In those businesses, revenue increased \$163 million or 24%. There was favourable performance in many product areas. There were strong increases in equity underwriting activity and merger and acquisition fees, each of which more than doubled from a year ago, while debt underwriting revenues were up 95%. There was also strong growth in trading revenues and commission revenues and higher revenues from increased corporate banking assets. Growth was lowered by reduced net investment securities gains and the impact of the weaker U.S. dollar.

Adjusted for the impact of the losses in our commodities business in both periods, net income rose \$4 million or 1.5% from the second quarter on good revenue growth in other product areas including trading revenues, merger and acquisition fees and debt underwriting activity. Growth was lowered by reductions in collections on previously-impaired loans, equity underwriting and net investment securities gains as well as the impact of the weaker U.S. dollar.

During the quarter, BMO Capital Markets continued to demonstrate its Canadian leadership in high-return fee businesses. Although volumes were down slightly from previous quarters, our market share increased. We participated in 112 new issues including 19 corporate debt deals, 2 issues of preferred shares, 69 common equity transactions and 22 government debt issues, raising a total of \$34.2 billion. We also acted as financial advisor on several significant M&A transactions.

### Performance Targets

Given the significance of the losses incurred in our commodities business this year, it will be extremely challenging to achieve most of our annual financial targets. We will continue to monitor our performance relative to our annual targets, but will also monitor performance on a basis that excludes the impact of the announced commodities losses, to provide a checkpoint on the success of growing our businesses and meeting our strategic objectives.

#### Annual Targets for 2007\*

- 5% to 10% EPS growth from a base of \$5.11 (excluding changes in the general allowance)
- ROE of 18% to 20%
- Specific provision for credit losses of \$400 million or less
- We continue to anticipate specific provisions of \$300 million or less in fiscal 2007, as estimated at the end of the second quarter.
- Improve our cash productivity ratio by 100 to 150 basis points

\* Excluding restructuring charge

#### Performance to July 31, 2007\*

- EPS of \$3.41, down 10.3% from \$3.80 a year ago
- ROE of 15.9% annualized
- Specific provision for credit losses of \$202 million
- Cash productivity ratio deteriorated 376 basis points year-over-year

\* Excluding a restructuring charge of \$135 million (\$88 million after tax and \$0.17 per share)

In the absence of losses in our commodities business, all financial targets would be on track. EPS growth would be 11.6%, ROE would be 19.8% and the cash productivity ratio would have improved by 146 basis points.

The data in the above table are non-GAAP amounts or non-GAAP measures, except provision for credit losses data. Please see footnote 2 to the preceding Operating Highlights and the Non-GAAP Measures section that follows, which outline the use of non-GAAP measures in this document.

**The preceding section and above table contain forward-looking statements. Please see the Caution Regarding Forward-Looking Statements.**

### **Economic Outlook & Market Environment**

We now anticipate that the Canadian economy will grow at a moderate rate of 2.4% in 2007, though recent volatility in financial markets and stress in credit markets raise the risk of weaker growth. Relatively low interest rates and high resource prices should continue to support consumer and business spending, while the strong Canadian dollar and softer U.S. economy will likely weigh on exports. Housing market activity is expected to remain healthy, though it will likely moderate in response to past increases in interest rates. Growth in consumer spending and personal credit should be supported by recent solid gains in employment. Companies will likely continue to invest to expand productive capacity, which should support business loan growth. Canadian interest rates are not expected to change significantly in the year ahead, presuming the current turbulence in capital markets subsides.

The economies of central and eastern Canada should continue to lag the resource-producing western provinces as the strong Canadian dollar restrains manufacturing activity. The Canadian dollar had appreciated 9% against the U.S. dollar in 2007 through the end of July, and we expect it to remain strong over the balance of the year.

The U.S. economy is now projected to grow at a modest rate of 1.9% in 2007. The implementation of tighter lending practices has prolonged the correction in housing markets and will likely continue to dampen demand for residential mortgages. Consumer spending remains moderate, though it is at risk of weakening if home prices continue to fall. Business investment has picked up recently and exports remain strong. The Federal Reserve could reduce rates if the recent stress in capital markets persists. The Midwest economy is anticipated to strengthen modestly as manufacturers should benefit from a weak U.S. dollar and strong global demand.

There has been significant volatility in capital markets recently. Concerns over U.S. subprime mortgages, non-bank-sponsored asset-backed commercial paper and other factors have contributed to a shift toward lower risk financial products and reduced liquidity. BMO Financial Group has very little direct retail exposure with subprime characteristics and our exposure through bonds, where the underlying assets are collateralized debt obligations, is not material. We have in our trading portfolio approximately \$400 million of Canadian third-party asset-backed commercial paper, or approximately 0.1% of our assets, which may result in some market-to-market exposure. None of the Canadian money market funds offered by BMO Mutual Funds and GGOF Guardian Group of Funds has exposure in their portfolios to asset-backed commercial paper issued by non-bank-sponsored conduits.

BMO has significant expertise in the management of bank-sponsored asset-backed commercial paper programs. We have good knowledge of the assets in the conduits that support the commercial paper issued. They are very high quality and are managed with the same rigour applied to BMO's assets. During the recent disruption in the third-party-sponsored asset-backed commercial paper market, we have supported our BMO-sponsored conduits and have facilitated trading to ensure the market for bank-sponsored asset-backed commercial paper continues to perform satisfactorily.

Recent market developments may impact our BMO Capital Markets group in the short term, potentially lowering equity underwriting and merger and acquisition activities, while market volatility and wider credit spreads may benefit our trading operations and corporate loan book. Subject to the effect that market volatility may have on the economy, we do not expect any impact on our other operating groups.

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

# Management's Discussion and Analysis

MD&A commentary is as of August 28, 2007. Unless otherwise indicated, all amounts are in Canadian dollars and have been derived from financial statements prepared in accordance with Canadian generally accepted accounting principles (GAAP). The MD&A should be read in conjunction with the unaudited consolidated financial statements for the period ended July 31, 2007, included in this document, and the annual MD&A for the year ended October 31, 2006, included in BMO's 2006 Annual Report. The material that precedes this section comprises part of this MD&A.

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

## Summary Data

(Canadian \$ in millions, except as noted)	Q3-2007	Increase/(Decrease) vs. Q3-2006		Increase/(Decrease) vs. Q2-2007		YTD-2007	Increase/(Decrease) vs. YTD-2006	
Revenue per financial statements	<b>2,555</b>	(15)	(1%)	27	1%	<b>7,149</b>	(375)	(5%)
Taxable equivalent basis (teb) adjustment	<b>54</b>	21	67%	11	26%	<b>136</b>	42	46%
Revenue (teb) (1)	<b>2,609</b>	6	-	38	2%	<b>7,285</b>	(333)	(4%)
Specific provision for credit losses	<b>91</b>	49	+100%	32	54%	<b>202</b>	42	26%
Reduction of the general allowance	-	-	-	-	-	-	-	-
Total provision for credit losses	<b>91</b>	49	+100%	32	54%	<b>202</b>	42	26%
Non-interest expense	<b>1,659</b>	59	4%	45	3%	<b>4,811</b>	71	1%
Restructuring charge	-	-	-	-	-	<b>135</b>	135	+100%
Total non-interest expense	<b>1,659</b>	59	4%	45	3%	<b>4,946</b>	206	4%
Income taxes per financial statements	<b>127</b>	(72)	(36%)	(38)	(24%)	<b>266</b>	(334)	(56%)
Taxable equivalent basis adjustment	<b>54</b>	21	67%	11	26%	<b>136</b>	42	46%
Income taxes (teb) (1)	<b>181</b>	(51)	(22%)	(27)	(14%)	<b>402</b>	(292)	(42%)
Non-controlling interest in subsidiaries	<b>18</b>	(1)	(1%)	(1)	(2%)	<b>56</b>	(1)	-
Net income	<b>660</b>	(50)	(7%)	(11)	(2%)	<b>1,679</b>	(288)	(15%)
Amortization of intangible assets (after tax)	<b>10</b>	1	7%	-	-	<b>29</b>	2	4%
Cash net income (1)	<b>670</b>	(49)	(7%)	(11)	(2%)	<b>1,708</b>	(286)	(14%)
Earnings per share – basic (\$)	<b>1.30</b>	(0.11)	(8%)	(0.01)	(1%)	<b>3.29</b>	(0.59)	(15%)
Earnings per share – diluted (\$)	<b>1.28</b>	(0.10)	(7%)	(0.01)	(1%)	<b>3.24</b>	(0.56)	(15%)
Cash earnings per share – diluted (\$) (1)	<b>1.30</b>	(0.10)	(7%)	(0.01)	(1%)	<b>3.29</b>	(0.57)	(15%)
Return on equity (ROE)	<b>18.0%</b>		(2.3%)		(0.3%)	<b>15.1%</b>		(4.1%)
Cash ROE (1)	<b>18.2%</b>		(2.4%)		(0.3%)	<b>15.4%</b>		(4.0%)
Productivity ratio	<b>64.9%</b>		2.6%		1.1%	<b>69.2%</b>		6.2%
Productivity (teb) ratio (1)	<b>63.6%</b>		2.1%		0.8%	<b>67.9%</b>		5.7%
Cash productivity (teb) ratio (1)	<b>63.2%</b>		2.1%		0.9%	<b>67.4%</b>		5.6%
Net interest margin on earning assets	<b>1.61%</b>		(0.23%)		(0.04%)	<b>1.63%</b>		(0.20%)
Net interest margin on earning assets (teb) (1)	<b>1.68%</b>		(0.21%)		(0.03%)	<b>1.69%</b>		(0.18%)
Effective tax rate	<b>15.7%</b>		(5.7%)		(3.7%)	<b>13.3%</b>		(9.6%)
Effective tax rate (teb) (1)	<b>21.0%</b>		(3.1%)		(2.2%)	<b>18.8%</b>		(6.7%)
Net income:								
Personal and Commercial Banking	<b>376</b>	(1)	(1%)	25	7%	<b>1,048</b>	87	9%
P&C Canada	<b>350</b>	3	1%	26	8%	<b>966</b>	96	11%
P&C U.S.	<b>26</b>	(4)	(17%)	(1)	(6%)	<b>82</b>	(9)	(10%)
Private Client Group	<b>105</b>	22	26%	4	3%	<b>301</b>	30	11%
BMO Capital Markets	<b>196</b>	(7)	(3%)	(3)	(1%)	<b>377</b>	(295)	(44%)
Corporate Services, including Technology and Operations (T&O)	<b>(17)</b>	(64)	(+100%)	(37)	(+100%)	<b>(47)</b>	(110)	(+100%)
<b>BMO Financial Group</b>	<b>660</b>	(50)	(7%)	(11)	(2%)	<b>1,679</b>	(288)	(15%)

(1) These are non-GAAP amounts or non-GAAP measures. Please see footnote 2 to the preceding Operating Highlights and the Non-GAAP Measures section that follows, which outline the use of non-GAAP measures in this document.

### Management's Responsibility for Financial Information

BMO's CEO and CFAO have certified the appropriateness of the financial disclosures in our interim MD&A and unaudited interim consolidated financial statements for the period ended July 31, 2007. They have also certified that they are responsible for the design of disclosure controls and procedures and internal control over financial reporting.

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

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

In connection with BMO Financial Group's review of its losses in its commodities business, BMO determined at the end of the second quarter that a more appropriate market-based methodology should be used for valuing the commodities portfolio and that the independent price verification processes previously performed by BMO failed to identify price discrepancies. These factors, together with increased concerns with the reliability of quotes from BMO's principal broker used in the first quarter valuation resulted in the restatement of BMO's previously reported financial statements for the quarter ended January 31, 2007.

In light of the foregoing, BMO took the following remedial actions in the second and third quarters:

- placed two of our commodities professionals on leave. Those individuals are no longer employed by BMO;
- changed reporting lines within BMO Capital Markets for the commodities business, appointed a new head of energy trading and hired additional key personnel;
- suspended our business relationship with the principal broker used in the first quarter valuation;
- changed our independent price verification process to incorporate a more appropriate market-based valuation methodology for determining ongoing mark-to-market valuation of the commodities portfolio; and
- increased management oversight, implemented new risk limits and reduced existing risk limits.

Except for the above remedial actions, there were no changes in our internal control over financial reporting during the quarter ended July 31, 2007 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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

A comprehensive discussion of our businesses, strategies and objectives can be found in Management's Discussion and Analysis in BMO's 2006 Annual Report, which can be accessed on our web site at [www.bmo.com/investorrelations](http://www.bmo.com/investorrelations). Readers are also encouraged to visit the site to view other quarterly financial information.

### Caution Regarding Forward-Looking Statements

Bank of Montreal's public communications often include written or oral forward-looking statements. Statements of this type are included in this document, and may be included in other filings with Canadian securities regulators or the U.S. Securities and Exchange Commission, or in other communications. All such statements are made pursuant to the 'safe harbor' provisions of, and are intended to be forward-looking statements under, the United States Private Securities Litigation Reform Act of 1995 and any applicable Canadian securities legislation. Forward-looking statements may involve, but are not limited to, comments with respect to our objectives and priorities for 2007 and beyond, our strategies or future actions, our targets, expectations for our financial condition or share price, and the results of or outlook for our operations or for the Canadian and U.S. economies.

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

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

We caution that the foregoing list is not exhaustive of all possible factors. Other factors could adversely affect our results. For more information, please see the discussion on pages 28 and 29 of BMO's 2006 Annual Report, which outlines in detail certain key factors that may affect BMO's future results. When relying on forward-looking statements to make decisions with respect to Bank of Montreal, investors and others should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. Bank of Montreal does not undertake to update any forward-looking statement, whether written or oral, that may be made, from time to time, by the organization or on its behalf.

Assumptions about the future performance of the Canadian and U.S. economies and how that will affect our businesses were material factors we considered when setting our strategic priorities and objectives and in determining our financial targets, including provisions for credit losses. Key assumptions included that the Canadian and U.S. economies would expand at a moderate pace in 2007 and that inflation would remain low. We also assumed that interest rates in 2007 would remain little changed in Canada but decline in the United States and that the Canadian dollar would hold onto its value relative to the U.S. dollar. The Canadian dollar has strengthened relative to the U.S. dollar and interest rates have increased in the United States, but we believe that our other assumptions remain valid. We have continued to rely upon those assumptions and the views outlined in the preceding Economic Outlook & Market Environment section in considering our ability to achieve our 2007 targets. In determining our expectations for economic growth, both broadly and in the financial services sector, we primarily consider historical economic data provided by the Canadian and U.S. governments and their agencies. Tax laws in the countries in which we operate, primarily Canada and the United States, are material factors we consider when determining our sustainable effective tax rate.

Assumptions about the performance of the natural gas and crude oil commodities markets and how that will affect the performance of our commodities business were material factors we considered in making the forward-looking statements regarding the commodities portfolio set out in this document. Key assumptions included that commodities prices and implied volatility would be stable and our positions would continue to be managed with a view to lowering the size and risk level of the portfolio.



**Regulatory Filings**

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

**Non-GAAP Measures**

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

Management discloses amounts on a basis that adjusts for the impact of significant losses in our commodities business in each quarter of 2007 and related performance-based compensation in the first and second quarters, as well as a restructuring charge recorded in the first quarter. The restructuring charge related to severance costs for the planned elimination of approximately 1,000 primarily non-customer-facing positions and other non-employee-related costs. Amounts and measures stated on a basis that excludes the foregoing items are considered useful as they would be expected to be more reflective of ongoing operating results.

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

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

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

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

(Canadian \$ in millions, except as noted)

	Q3-2007	Q2-2007	Q3-2006	YTD-2007	YTD-2006
Net interest income per financial statements (a)	<b>1,247</b>	1,204	1,234	<b>3,647</b>	3,529
Non-interest revenue	<b>1,308</b>	1,324	1,336	<b>3,502</b>	3,995
Revenue per financial statements (b)	<b>2,555</b>	2,528	2,570	<b>7,149</b>	7,524
Taxable equivalent basis (teb) adjustment (c)	<b>54</b>	43	33	<b>136</b>	94
Net interest income (teb) (a+c) (d) (1)	<b>1,301</b>	1,247	1,267	<b>3,783</b>	3,623
Non-interest revenue	<b>1,308</b>	1,324	1,336	<b>3,502</b>	3,995
Revenue (teb) (e) (1)	<b>2,609</b>	2,571	2,603	<b>7,285</b>	7,618
Provision for income taxes per financial statements (f)	<b>127</b>	165	199	<b>266</b>	600
Taxable equivalent basis adjustment	<b>54</b>	43	33	<b>136</b>	94
Provision for income taxes (teb) (g) (1)	<b>181</b>	208	232	<b>402</b>	694
Non-interest expense (h)	<b>1,659</b>	1,614	1,600	<b>4,811</b>	4,740
Restructuring charge (i)	-	-	-	<b>135</b>	-
Total non-interest expense (j)	<b>1,659</b>	1,614	1,600	<b>4,946</b>	4,740
Amortization of intangible assets	<b>(11)</b>	(13)	(10)	<b>(35)</b>	(33)
Cash-based expense (k) (1)	<b>1,648</b>	1,601	1,590	<b>4,911</b>	4,707
Net income (l)	<b>660</b>	671	710	<b>1,679</b>	1,967
Amortization of intangible assets, net of income taxes	<b>10</b>	10	9	<b>29</b>	27
Cash net income (m) (1)	<b>670</b>	681	719	<b>1,708</b>	1,994
Preferred share dividends	<b>(9)</b>	(13)	(6)	<b>(31)</b>	(22)
Charge for capital (1)	<b>(381)</b>	(379)	(364)	<b>(1,145)</b>	(1,067)
Net economic profit (1)	<b>280</b>	289	349	<b>532</b>	905
Productivity ratio (%) ((j/b) x 100)	<b>64.9</b>	63.8	62.3	<b>69.2</b>	63.0
Productivity (teb) ratio (1) (%) ((j/e) x 100)	<b>63.6</b>	62.8	61.5	<b>67.9</b>	62.2
Cash productivity (teb) ratio (1) (%) ((k/e) x 100)	<b>63.2</b>	62.3	61.1	<b>67.4</b>	61.8
Net interest margin annualized (%) ((a/average earning assets) x 100)	<b>1.61</b>	1.65	1.84	<b>1.63</b>	1.83
Net interest margin (teb) annualized (1) (%) ((d/average earning assets) x 100)	<b>1.68</b>	1.71	1.89	<b>1.69</b>	1.87
EPS (uses net income) (\$)	<b>1.28</b>	1.29	1.38	<b>3.24</b>	3.80
Cash EPS (1),(uses cash net income) (\$)	<b>1.30</b>	1.31	1.40	<b>3.29</b>	3.86
Effective tax rate (%) (f/income before income taxes)	<b>15.7</b>	19.4	21.4	<b>13.3</b>	22.9
Effective tax rate (teb) (%) (1) (g/income before income taxes plus teb adjustment)	<b>21.0</b>	23.2	24.1	<b>18.8</b>	25.5
Restructuring charge (i)	-	-	-	<b>135</b>	-
Income taxes thereon	-	-	-	<b>47</b>	-
Net impact of restructuring (n)	-	-	-	<b>88</b>	-
Commodities trading losses (o)	<b>149</b>	171	-	<b>829</b>	-
Performance - based compensation (p)	-	(33)	-	<b>(120)</b>	-
Related income taxes	<b>52</b>	48	-	<b>285</b>	-
Net impact of Commodities trading losses (q)	<b>97</b>	90	-	<b>424</b>	-
Net impact of commodities losses, restructuring charge and income taxes (n+q) (1)	<b>97</b>	90	-	<b>512</b>	-
<b>Measures on a basis that excludes the impact of commodities trading losses and restructuring charge (1)</b>					
Cash-based expense (k-i-p)	<b>1,648</b>	1,634	1,590	<b>4,896</b>	4,707
Net income (l+n+q)	<b>757</b>	761	710	<b>2,191</b>	1,967
Cash net income (m+n+q)	<b>767</b>	771	719	<b>2,220</b>	1,994
Productivity ratio (teb) (%) ((j-i-p)/(e+o) x 100)	<b>60.2</b>	60.1	61.5	<b>60.8</b>	62.2
Cash productivity ratio (teb) (%) ((k-i-p)/(e+o) x 100)	<b>59.7</b>	59.6	61.1	<b>60.3</b>	61.8
EPS (uses net income excluding net impact of commodities losses, restructuring charge and income taxes)	<b>1.47</b>	1.47	1.38	<b>4.24</b>	3.80
Cash EPS (uses cash net income excluding commodities losses, restructuring charge and income taxes)	<b>1.49</b>	1.49	1.40	<b>4.29</b>	3.86
ROE (%) (uses net income excluding commodities losses, restructuring charge and income taxes)	<b>20.6</b>	20.7	20.3	<b>19.8</b>	19.2

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

## Foreign Exchange

The Canadian dollar strengthened by 7% in the third quarter after having strengthened by almost 6% in the second quarter, increasing to a rate of \$1.07 per U.S. dollar at the end of July, as the Canadian dollar reached a 30-year high. The following table indicates the relevant average Canadian/U.S. dollar exchange rates and the impact of changes in the rates. At the start of each quarter, BMO enters into hedging transactions that are expected to partially offset the pre-tax effects of exchange rate fluctuations in the quarter on our U.S. dollar net income for that quarter. As such, these activities partially mitigate the impact of exchange rate fluctuations within a single quarter; hedging transactions are not, however, designed to offset the impact of year-over-year fluctuations in exchange rates.

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

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

(Canadian \$ in millions, except as noted)	Q3-2007		YTD-2007
	vs. Q3-2006	vs. Q2-2007	vs. YTD-2006
Canadian/U.S. dollar exchange rate (average)			
Current period	1.0673	1.0673	1.1243
Prior period	1.1164	1.1444	1.1379
Decreased revenue	(22)	(34)	(20)
Decreased expense	15	23	12
Decreased provision for credit losses	2	2	2
Increased income taxes	(1)	(1)	(1)
Decreased net income before hedging gains	(6)	(10)	(7)
Hedging gains	8	8	8
Income taxes thereon	(3)	(3)	(3)
Decreased net income	(1)	(5)	(2)

## Other Value Measures

Net economic profit (NEP) was \$280 million (see the Non-GAAP Measures section), compared with \$349 million in the third quarter of 2006 and \$289 million in the second quarter of 2007. The reduction was attributable to lower net income, largely due to the commodities losses. Year to date, NEP was \$532 million, down from \$905 million in the first nine months of 2006. The reduction was largely due to reduced net income associated with the commodities losses and the restructuring charge, as well as a higher charge for our increased capital.

The total shareholder return (TSR) on an investment in BMO common shares was -3.2% in the third quarter and 8.0% for the twelve months ended July 31, 2007. BMO's average annual TSR for the five-year period ended July 31, 2007 was 17.2%, below the comparable S&P/TSX Composite average annual total return of 18.4%.

## Net Income

Reported net income decreased \$50 million from a year ago to \$660 million. There were \$97 million in after-tax losses in our commodities business. In our other businesses, net income increased \$47 million or 6.6%. P&C Canada net income increased \$3 million to a record \$350 million. Excluding the MasterCard gain from the prior year and income tax recoveries in both periods, P&C Canada's earnings increased \$40 million or 14%. P&C U.S. net income was \$4 million or 17% lower as margin declined amid difficult economic and market conditions. Private Client Group net income increased \$22 million or 26%. Broad-based revenue growth was only partially offset by higher revenue-based costs and costs of investing to drive future revenue growth. There was strong fee-based and commission revenue growth in full-service investing, as well as higher revenue on increased mutual fund assets and higher trust and investment revenue in North American private banking. BMO Capital Markets net income fell by \$7 million because of the losses in the commodities business, but increased \$90 million or 45% in its other businesses. There was strong revenue growth in a number of product areas. Corporate Services net income declined \$64 million due to lower revenues and higher provisions for credit losses.

Reported net income decreased \$11 million or 1.6% from the second quarter. Adjusted for the \$97 million after-tax impact of the commodities losses recorded in the current quarter and the \$90 million after-tax impact of commodity losses net of reduced performance-based compensation in the second quarter, net income fell \$4 million from the second quarter. Results in the current quarter included a \$14 million income tax recovery in P&C Canada. Results in the second quarter benefited from the \$32 million combined after-tax impact of an insurance gain and a gain on an investment security. Adjusting for these items, P&C Canada net income increased \$44 million or 15%. The third quarter has three more calendar days than the second quarter, which increases revenue, expense and net income. Corporate Services net income declined \$37 million due to lower revenues and higher provisions for credit losses.

Year to date, net income totalled \$1,679 million, compared with \$1,967 million in the comparable period in 2006. Our commodities business incurred \$829 million (\$424 million after tax and \$120 million of reduced performance-based compensation) in losses. We also recorded an \$88 million after-tax restructuring charge in the current year to date. Adjusted for the foregoing items, net income rose \$224 million or 11%. On this basis, BMO Capital Markets net income was up on improved performance in a number of product areas, despite particularly favourable trading revenues a year ago. There was broad-based volume growth in P&C Canada and Private Client Group.

The commodities losses that were recorded in net income for the first quarter of 2007 included \$203 million (\$94 million after tax) of commodities losses that relate to periods prior to fiscal 2007. Periods prior to fiscal 2007 were not restated as the amounts were not considered material. Please refer to Note 2 to the unaudited interim consolidated financial statements for the second quarter.

The net income from U.S.-based businesses totalled US\$3 million in the third quarter of 2007, compared with net income of US\$109 million a year ago and US\$9 million in the second quarter. Year to date, the net loss from U.S.-based businesses totalled US\$140 million, compared with net income of US\$326 million and 19% of BMO's income for the comparable period in 2006. Current year

results were affected by the losses in the commodities business, the impact of which was recorded primarily in our U.S. businesses, as well as the portion of the restructuring charge recorded in our U.S. results in the first quarter. Excluding the commodities losses and restructuring charge, the net income from U.S.-based businesses was US\$103 million in the current quarter, compared with US\$99 million in the second quarter and US\$109 million a year ago. On this basis, net income from U.S. businesses was US\$296 million for the year to date, compared with net income of US\$326 million a year ago.

### Revenue

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

Total revenue in the third quarter increased \$6 million or 0.2% from a year ago. Results were affected by the \$149 million of losses in the commodities business in BMO Capital Markets. In our other businesses, revenue increased \$155 million or 5.9%. P&C Canada revenue increased due to volume growth in each of the personal, commercial and card businesses, and improved personal and commercial net interest margin, while prior year revenues included a \$38 million gain on the MCI IPO. Revenue was also higher in P&C U.S., on a U.S. dollar basis, driven by the acquisition of FNBT. Private Client Group also grew both net interest income and non-interest revenue. BMO Capital Markets had strong revenue growth, adjusted for the commodities losses, as both net interest income and non-interest revenue increased. Corporate Services revenue was down due to reduced securitization revenue in the current quarter and interest received on income tax refunds last year.

Total revenue increased \$38 million or 1.5% from the second quarter. Adjusted for the \$149 million of losses recorded in the commodities business in the current quarter and the \$171 million recorded in the second quarter, revenue increased \$16 million or

0.6% from the second quarter. There are three more calendar days in the third quarter than in the second quarter, which increases revenue, while the weaker U.S. dollar lowered revenue growth. There was strong growth in P&C Canada as volume growth and improved net interest margin more than offset the \$40 million combined impact of a \$26 million insurance gain and a \$14 million investment security gain in the second quarter. Revenue was also higher in P&C U.S., on a U.S. dollar basis, driven by loan and deposit growth and a stable margin. Private Client Group revenues were relatively unchanged, although the prior quarter included a gain on sale of Montreal Stock Exchange common shares. BMO Capital Markets revenue increased due to higher trading revenues and increases in capital markets fees. Total Corporate Services revenue was lower due to a reduction in securitization revenues and lower foreign exchange gains.

Year to date, total revenue decreased \$333 million or 4.4% from a year ago, but increased \$496 million or 6.5% excluding the losses in the commodities business. On this basis, revenue increased in P&C Canada, Private Client Group and BMO Capital Markets due to broad-based volume growth. As indicated previously, the commodities losses that were recorded as a reduction to revenues in the first quarter of 2007 includes \$203 million of commodities losses that relate to periods prior to fiscal 2007. The prior periods were not adjusted as the amounts were not considered material. Please refer to Note 2 to the unaudited interim consolidated financial statements for the second quarter.

### Net Interest Margin (teb) \*

(In basis points)

	Q3-2007	Increase (Decrease) vs. Q3-2006	Increase (Decrease) vs. Q2-2007	YTD-2007	Increase (Decrease) vs. YTD-2006
P&C Canada	273	4	9	268	2
P&C U.S.	337	(30)	(1)	338	(33)
Personal and Commercial Client Group	283	(1)	6	279	(3)
Private Client Group	957	(67)	(68)	985	(21)
BMO Capital Markets	61	(1)	(6)	63	(1)
Corporate Services, including Technology and Operations (T&O)	nm	nm	nm	nm	nm
BMO Financial Group	168	(21)	(3)	169	(18)
Total Canadian Retail**	308	2	5	304	3

\* Net interest margin is disclosed and computed with reference to average earning assets, rather than total assets. This basis provides a more relevant measure of margins and changes in margins.

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

nm- not meaningful

### Net Interest Income

Net interest income increased \$34 million or 2.7% from a year ago, driven by volume growth in the client operating groups. Average earning assets increased \$42 billion or 16%, primarily due to lower-spread trading products assets in BMO Capital Markets as its average earning assets increased \$37 billion. P&C Canada assets were higher due to loan growth and P&C U.S. assets were higher due to loan growth and the acquisition of FNBT. There was strong net interest income growth in BMO Capital Markets with moderate growth in Private Client Group and P&C Canada. Corporate Services net

interest income declined, due to reductions in securitization revenue and interest received on income tax refunds last year.

Relative to the second quarter, net interest income increased \$54 million or 4.4%, in part due to three more calendar days in the current quarter. Average earning assets increased \$9 billion, again due primarily to an increase in trading products and corporate banking assets in BMO Capital Markets. Increased net interest income was largely attributable to P&C Canada which had good asset and deposit growth and improved net interest margins.

Year to date, net interest income increased \$160 million or 4.4%, driven by volume growth. Average earning assets increased \$40

billion or 16%. There were increases in trading and lending assets in BMO Capital Markets and increased loans in P&C Canada and P&C U.S., driven by organic growth and acquisitions. Corporate Services net interest income declined due to reductions in securitization revenue and interest on income tax refunds received last year.

BMO's overall net interest margin on average earning assets for the third quarter of 2007 was 1.68%, or 21 basis points lower than in the third quarter of the prior year. There were lower net interest margins in P&C U.S. and Private Client Group as well as a slight decline in BMO Capital Markets. Net interest margin increased in P&C Canada due to higher mortgage spreads, a focus on volume growth in products with higher margins and increased commercial loan recoveries, partially offset by the effects of competitive pressures and higher funding costs. Net interest margin in P&C U.S. has been affected by the continued shifting of customers' preferences from higher-spread to lower-spread loan and deposit products and by competitive pressures.

The two main drivers of the change in total bank margin are the individual group margins and the changes in the magnitude of each operating group's assets. The year-over-year decrease of 21 basis points was mainly due to growth in lower-spread trading assets in BMO Capital Markets. Both P&C U.S. and Private Client Group had significant margin declines but they are relatively smaller groups and their effect on the total bank margin change was minimal.

Relative to the second quarter, net interest margin decreased 3 basis points. There were declines in Private Client Group and BMO Capital Markets, while net interest margin improved in P&C Canada in part due to higher mortgage refinancing fees, increased commercial loan recoveries and volume growth in products with higher margins, partially offset by higher funding costs. P&C U.S. margin was stable. Again, the decrease in the total bank margin was due mainly to the growth in lower-spread assets in BMO Capital Markets, mitigated by the strong margin improvement in P&C Canada.

Year to date, BMO's overall net interest margin fell 18 basis points to 1.69%. The overall decline was mainly due to the significant lower-spread asset growth in BMO Capital Markets, where average earning assets increased \$35 billion or 28%, with some offsetting benefit from higher net interest margin in P&C Canada.

#### **Non-Interest Revenue**

Non-interest revenue decreased \$28 million from a year ago to \$1,308 million, due to the \$147 million non-interest revenue component of the commodities losses. There was a \$44 million increase in securitization revenue and a \$27 million reduction in card fee revenue. The decrease in card fee revenue was driven by a credit card loan securitization in the fourth quarter of 2006, resulting in card fee revenue being subsequently recognized as securitization revenue. There were solid increases in equity underwriting fees, merger and acquisition fees, mutual fund revenues, securities commissions and lending fees. There was a \$45 million decrease in

net investment securities gains, due largely to last year's \$38 million gain on the MasterCard IPO.

Relative to the second quarter, non-interest revenue decreased \$16 million, or by \$32 million excluding the non-interest revenue component of the commodities losses in both periods. There were reductions in insurance revenues, related to last quarter's \$26 million insurance gain, as well as securitization revenues, equity underwriting and investment securities gains. Mutual fund revenues, lending fees and merger and acquisition fees increased.

Year to date, non-interest revenue decreased \$493 million or 12%, but increased \$326 million or 8.1% excluding the non-interest revenue component of the commodities losses. There were significant increases in securitization revenue, mutual fund fees, lending fees and securities commissions as well as equity underwriting and merger and acquisition fees. Insurance revenues also increased.

#### **Non-Interest Expense**

Non-interest expense increased \$59 million or 3.6% from a year ago to \$1,659 million. There was a significant increase in performance-based compensation, particularly in BMO Capital Markets where a number of businesses had very strong revenue and net income growth. There were also increased computer and equipment costs, while salaries and capital tax expense declined.

BMO's productivity ratio was 63.6% in the quarter, compared with 61.5% a year ago and 62.8% in the second quarter. The cash productivity ratio was 63.2%, a deterioration of 206 basis points from a year ago, because of the commodities losses, and 86 basis points from the second quarter.

Relative to the second quarter, non-interest expense increased \$45 million or 2.8%. Performance-based compensation increased, due in large part to the reduced compensation in the second quarter associated with the commodities business. Combined salaries and benefits were lower and there was reduced capital tax expense.

Year to date, non-interest expense increased \$206 million or 4.3%. The increase was attributable to the \$135 million restructuring charge in the first quarter, increased salary costs in respect of added front-line sales and service staff in the latter half of 2006 and merit increases, as well as higher computer and equipment costs. Performance-based compensation declined as costs for the first six months of the year were lowered by \$120 million in respect of the losses in the commodities business. BMO's productivity ratio was 67.9% for the year to date, compared with 62.2% a year ago.

Excluding the commodities losses, associated performance-based compensation and the restructuring charge, the cash productivity ratio was 59.7% in the current quarter, compared with 59.6% in the second quarter and 61.1% a year ago. On a similarly-adjusted basis, the cash productivity ratio was 60.3% year to date and 61.8% in the comparable period of 2006.

## Risk Management

The provision for credit losses was \$91 million, up from \$42 million a year ago and \$59 million in the second quarter. The increase was due to higher new specific provisions on higher volumes as well as lower reversals and recoveries, particularly relative to the prior year. Higher specific provisions were in part attributable to a loss in our Canadian mortgage business, unrelated to subprime mortgages.

Specific provisions represented 18 basis points of average net loans and acceptances, including securities borrowed or purchased under resale agreements, up from a year ago and the second quarter, but below the 23 basis point average of the past five fiscal years. Excluding the loss in our Canadian mortgage business, specific provisions represented 15 basis points of average net loans and acceptances.

New impaired loan formations totalled \$106 million in the quarter, down \$25 million from the second quarter but up \$23 million from a year ago. Formations are in line with expectations at this stage of the economic cycle. There were no impaired loan sales during the current quarter, compared with impaired loan sales of \$8 million in the prior year with related reversals and recoveries of \$9 million. In the second quarter, impaired loan sales totalled \$17 million with resulting reversals and recoveries of \$5 million.

Gross impaired loans and acceptances were down from the second quarter and remain at historically low levels. Factors contributing to the changes are outlined in the accompanying table.

The total allowance for credit losses of \$1,045 million at the end of the quarter was comprised of a specific allowance of \$157 million and a general allowance of \$888 million. There was no significant change in the specific allowance from the second quarter or a year ago. The general allowance is maintained to absorb impairment in the existing credit portfolio that cannot yet be associated with specific credit assets. It is assessed on a quarterly basis and decreased \$13 million from the end of the previous quarter due to the change in the Canadian/U.S. dollar exchange rate. While there was no overall general provision for credit losses in the quarter, we did reflect an increase in the general provision of \$19 million in our U.S. operations in the quarter and a corresponding reduction of \$19 million of the general provision in our Canadian operations, reflecting the relative growth and inherent risk in the portfolios. We continue to believe the total allowance for credit losses fully addresses impairment in BMO's credit portfolio.

BMO's loan book continues to be comprised largely of more stable consumer and commercial portfolios, which, excluding securities borrowed or purchased under resale agreements, represented 80.9% of the loan portfolio at the end of the quarter, down from 81.2% at the end of the second quarter and 84.4% a year ago. The declines were due to strong growth in corporate loans. Approximately 90% of the

consumer portfolio, including credit cards and residential mortgages, is comprised of secured loans. Excluding credit cards and residential mortgages, approximately 80% of the consumer loans are secured.

We expect the credit environment to remain somewhat volatile over the balance of fiscal 2007, given current market concerns. Overall for fiscal 2007, we expect new specific provisions to be higher and reversals and recoveries to be lower than in fiscal 2006. We continue to anticipate specific provisions in fiscal 2007 to be \$300 million or less, down from the fiscal 2007 target of \$400 million or less established at the beginning of the year.

BMO has no material exposure to U.S. subprime mortgages and we are comfortable with the level of our exposure. Please see the preceding Economic Outlook & Market Environment section.

BMO's market risk and liquidity and funding management practices and key measures are outlined on pages 69 to 72 of the 2006 Annual Report. Trading and Underwriting Market Value Exposure has decreased quarter-over-quarter, mainly due to reduced exposure in the accrual accounted, interest rate money market portfolios. Earnings Volatility has increased quarter-over-quarter as a result of higher equity and issuer risk exposure.

There have been no significant changes to levels of structural market risk and liquidity and funding risk over the quarter. As part of our ongoing management of liquidity and funding, during the quarter we evolved certain of our practices, continuing to strengthen our position. We remain satisfied that our liquidity and funding management framework provides us with a sound position despite recent market developments. There was no significant change in our market risk management practices during the quarter. During the second and third quarters, we changed our independent price verification process to incorporate a more appropriate market-based valuation methodology for determining ongoing mark-to-market valuation of the commodities portfolio and reduced the risk limits for the portfolio.

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

## Provisions for Credit Losses (PCL)

(Canadian \$ in millions, except as noted)

	Q3-2007	Q2-2007	Q3-2006	YTD-2007	YTD-2006
New specific provisions	129	93	109	308	314
Reversals of previously established allowances	(14)	(13)	(34)	(39)	(66)
Recoveries of loans previously written-off	(24)	(21)	(33)	(67)	(88)
Specific provision for credit losses	91	59	42	202	160
Reduction of the general allowance	-	-	-	-	-
Provision for credit losses	91	59	42	202	160
Specific PCL as a % of average net loans and acceptances (annualized)	0.18%	0.12%	0.09%	0.13%	0.12%
PCL as a % of average net loans and acceptances (annualized)	0.18%	0.12%	0.09%	0.13%	0.12%

## Changes in Gross Impaired Loans and Acceptances (GIL)

(Canadian \$ in millions, except as noted)

GIL, Beginning of Period	688	748	771	666	804
Additions to impaired loans & acceptances	106	131	83	350	334
Reductions in impaired loans & acceptances (1)	(60)	(107)	(101)	(124)	(223)
Write-offs	(116)	(84)	(90)	(274)	(252)
GIL, End of Period	618	688	663	618	663
GIL as a % of gross loans & acceptances	0.30%	0.34%	0.35%	0.30%	0.35%
GIL as a % of equity and allowances for credit losses	3.49%	3.86%	3.86%	3.49%	3.86%

(1) Includes impaired amounts returned to performing status, loan sales, repayments, the impact of foreign exchange fluctuations and offsets for consumer write-offs which have not been recognized as formations (Q3-07 \$76MM; Q2-07 \$72MM; Q3-06 \$66MM; YTD-07 \$216MM; and YTD-06 \$198MM).

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

(After-tax Canadian equivalent)

	Market value exposure (MVE)			12-month earnings volatility		
	Jul. 31 2007	Apr. 30 2007	Oct. 31 2006	Jul. 31 2007	Apr. 30 2007	Oct. 31 2006
Trading and Underwriting	(22.5)	(25.5)	(23.4)	(17.1)	(12.4)	(17.5)
Structural	(258.6)	(304.2)	(267.0)	(28.7)	(26.3)	(24.1)
BMO Financial Group	(281.1)	(329.7)	(290.4)	(45.8)	(38.7)	(41.6)

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

## Total Trading and Underwriting MVE Summary (\$ millions)\*

(Pre-tax Canadian equivalent)	For the quarter ended July 31, 2007				As at April 30, 2007	As at October 31, 2006
	Quarter-end	Average	High	Low	Quarter-end	Quarter-end
Commodities Risk	(3.3)	(4.7)	(6.8)	(3.2)	(3.4)	(8.4)
Equity Risk	(12.6)	(11.5)	(17.7)	(6.2)	(9.5)	(9.8)
Foreign exchange Risk	(1.0)	(0.6)	(1.2)	(0.2)	(0.3)	(3.3)
Interest rate Risk (Mark-to-Market)	(3.9)	(5.1)	(7.9)	(2.3)	(7.2)	(7.1)
Correlation	4.3	8.4	12.6	4.1	8.0	10.4
Comprehensive Risk	(16.5)	(13.5)	(19.3)	(8.0)	(12.4)	(18.2)
Interest rate Risk (accrual)	(9.2)	(20.1)	(26.8)	(8.6)	(22.2)	(12.0)
Issuer Risk	(8.9)	(5.5)	(9.0)	(3.9)	(4.7)	(5.8)
Total MVE	(34.6)	(39.1)	(47.6)	(27.9)	(39.3)	(36.0)

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

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

(After-tax Canadian equivalent)

	Economic value sensitivity			Earnings sensitivity over the next 12 months		
	Jul. 31 2007	Apr. 30 2007	Oct. 31 2006	Jul. 31 2007	Apr. 30 2007	Oct. 31 2006
100 basis point increase	(252.8)	(286.5)	(237.4)	12.3	(16.3)	10.9
100 basis point decrease	197.5	226.0	181.6	(26.7)	8.1	(10.5)
200 basis point increase	(535.0)	(605.6)	(508.0)	7.9	(46.5)	12.1
200 basis point decrease	333.7	405.7	318.3	(52.3)	34.9	(4.1)

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

## Income Taxes

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

The provision for income taxes declined \$51 million from the third quarter a year ago and \$27 million from the second quarter, to \$181 million. The effective tax rate for the quarter was 21.0%, compared with 24.1% in the third quarter a year ago and 23.2% in the second quarter. The effective rate for the year to date was 18.8%, compared with 25.5% a year ago. Excluding the commodities losses and the first quarter restructuring charge, the effective tax rate was 23.1% for the current quarter, 24.8% for the second quarter and 24.6% for the year to date. The decreases in the quarterly and year-to-date tax rates were largely attributable to favourable resolution of certain tax issues and a relatively higher proportion of income from lower-tax-rate jurisdictions. We continue to expect a current sustainable tax rate of 25% to 28%. Our reported effective tax rate for the year will be lower than the sustainable rate largely due to the reasons noted above.

BMO hedges the foreign exchange risk arising from its investments in U.S. operations by funding the investments in U.S. dollars. Under this program, the gain or loss from hedging and the unrealized gain or loss from translation of the investments in U.S. operations are charged or credited to shareholders' equity. For income tax purposes, the gain or loss on the hedging activities attracts an income tax charge or credit in the current period, which is charged or credited to shareholders' equity, while the associated unrealized gain or loss on the investments in U.S. operations does not attract income taxes until the investments are liquidated. The income tax charge/benefit arising from a hedging gain/loss is a function of the fluctuation in U.S. rates from period to period. Hedging of the investments in U.S. operations has given rise to an income tax charge in shareholders' equity of \$135 million for the quarter and \$178 million for the year to date. Refer to the Consolidated Statement of Changes in Shareholders' Equity included in the unaudited consolidated financial statements for further details.



## Summary Quarterly Results Trends

(Canadian \$ in millions, except as noted)

	Q3-2007	Q2-2007	Q1-2007	Q4-2006	Q3-2006	Q2-2006	Q1-2006	Q4-2005
Total revenue (teb)	<b>2,609</b>	2,571	2,105	2,494	2,603	2,503	2,512	2,650
Provision for credit losses – specific	<b>91</b>	59	52	51	42	66	52	57
Provision for credit losses – general	-	-	-	(35)	-	-	-	-
Non-interest expense	<b>1,659</b>	1,614	1,538	1,613	1,600	1,560	1,580	1,626
Restructuring charge	-	-	135	-	-	-	-	-
Total non-interest expense	<b>1,659</b>	1,614	1,673	1,613	1,600	1,560	1,580	1,626
Net income	<b>660</b>	671	348	696	710	651	606	664
Basic earnings per share (\$)	<b>1.30</b>	1.31	0.68	1.37	1.41	1.28	1.19	1.31
Diluted earnings per share (\$)	<b>1.28</b>	1.29	0.67	1.35	1.38	1.25	1.17	1.28
Net interest margin on earning assets (%)	<b>1.68</b>	1.71	1.70	1.83	1.89	1.82	1.91	1.95
Effective income tax rate (teb) (%)	<b>21.0</b>	23.2	3.3	17.4	24.1	23.6	29.0	29.8
Canadian/U.S. dollar exchange rate (average)	<b>1.07</b>	1.14	1.16	1.12	1.12	1.14	1.16	1.18
Net income:								
P&C Canada	<b>350</b>	324	292	272	347	261	262	274
P&C U.S.	<b>26</b>	27	29	24	30	28	33	32
Personal and Commercial Banking	<b>376</b>	351	321	296	377	289	295	306
Private Client Group	<b>105</b>	101	95	84	83	97	91	106
BMO Capital Markets	<b>196</b>	199	(18)	188	203	247	222	226
Corporate Services, including T&O	<b>(17)</b>	20	(50)	128	47	18	(2)	26
BMO Financial Group	<b>660</b>	671	348	696	710	651	606	664

BMO's quarterly earning trends were reviewed in detail on pages 75 and 76 of the 2006 Annual Report. Readers are encouraged to refer to that review for a more complete discussion of trends and factors affecting past quarterly results. The above table outlines summary results for the fourth quarter of fiscal 2005 through the third quarter of fiscal 2007.

Results in 2007 have been significantly affected by commodities losses: \$509 million (\$237 million after tax and \$0.46 per share) in the first quarter; \$171 million (\$90 million after tax and \$0.18 per share) in the second quarter; and \$149 million (\$97 million after tax and \$0.19 per share) in the third quarter. Performance-based compensation was lowered in the first two quarters by the commodities losses. Results in the first quarter of 2007 also included a \$135 million (\$88 million after tax and \$0.17 per share) restructuring charge recorded in Corporate Services. The Canadian dollar strengthened significantly relative to the U.S. dollar in the most recent quarter, an acceleration of the trend of the last three years. A strong Canadian dollar is unfavourable for the translated value of BMO's results. BMO Capital Markets trading revenues were particularly high in the first and second quarters of 2006, in large part due to significant commodities trading revenues. P&C Canada and Private Client Group continued to benefit from volume growth in the quarter while P&C Canada's net interest margin held relatively firm in the first half of fiscal 2007 and increased in the current quarter. The decline in BMO's net interest margin in the first and third quarters of 2007 was largely due to strong asset growth in BMO Capital Markets, which has lower net interest margin than other groups, and lower net interest income in Corporate Services. The first quarter's effective income tax rate was lowered by the impact of the commodities losses in the quarter, while the effective rate was unusually low in the fourth quarter of 2006 due to the favourable resolution of certain tax matters and a large number of initiatives all generating a positive outcome.

## Balance Sheet

Total assets of \$359.2 billion increased \$39.2 billion from October 31, 2006. The increase primarily reflects growth in securities (\$18.8 billion), loans (\$12.8 billion), cash resources (\$5.4 billion) and acceptances (\$1.8 billion).

The \$18.8 billion increase in securities was attributable to higher trading securities in BMO Capital Markets, consistent with its strategy to expand trading activities and improve revenues, and to higher available-for-sale securities.

The \$12.8 billion increase in net loans included a \$7.8 billion increase in business and government loans, a \$2.6 billion increase in personal loans, reflecting normal business growth, and a \$0.7 billion increase in credit card loans. Securities borrowed or purchased under resale agreements increased by \$2.8 billion as a result of increased customer demand and higher trading activities. Residential mortgages decreased \$1.0 billion due to securitization activity combined with slower growth due to our decision to focus on relationship-based branch originated mortgages rather than our third party mortgage portfolio and broker balances. Derivative financial instruments were relatively unchanged from October 31 but decreased by \$8.7 billion from the second quarter due in large part to lower levels of commodities derivatives.

Liabilities and shareholders' equity increased \$39.2 billion from October 31, 2006. The increase primarily reflects growth in deposits (\$25.2 billion), securities sold but not yet purchased (\$13.2 billion), and acceptances (\$1.8 billion). Subordinated debt increased \$0.7 billion due to the issuance of \$1.2 billion during the third quarter, offset on part by the current year maturity of the 7.80% US\$300 million note and the redemption of the \$150 million Series 22 debenture. Deposits by banks, which account for 13% of total deposits, increased \$3.9 billion and were used to fund securities growth. Deposits by businesses and governments, which account for 53% of total deposits, increased \$19.9 billion and were used to fund growth in securities and loans. Deposits from individuals, which account for the remaining 34% of total deposits, increased \$1.3 billion and were used to fund growth in loans. The increase in securities sold but not yet purchased was used in trading activities.

Contractual obligations by year of maturity were outlined in Table 24 on page 89 of BMO's 2006 Annual Report. There have been no material changes to contractual obligations that are outside the ordinary course of business.

### Capital Management

BMO's Tier 1 Capital Ratio was 9.29%, down from 9.67% at the end of the second quarter and 10.22% at the end of 2006. The ratio remains strong and is well above our minimum target of 8.0%.

BMO's Total Capital Ratio was 11.18%, up from 11.03% at the end of the second quarter but down from 11.76% at the end of 2006.

The quarter-over-quarter decrease in the Tier 1 Capital Ratio was primarily attributable to growth in risk-weighted assets and the \$200 million redemption of Class B Preferred Shares, Series 4 which we redeemed on August 27, 2007, as announced on July 24. Risk-weighted assets grew in part due to loan growth in P&C Canada and loan and cash resources growth in BMO Capital Markets. Market risk risk-weighted assets increased due to the adoption of a more conservative translation of certain of our risk positions to risk-weighted assets for regulatory capital purposes. Mortgage risk-weighted assets in P&C Canada decreased quarter-over-quarter due to the execution of initiatives to manage regulatory capital requirements on a cost-effective basis.

The quarter-over-quarter increase in the Total Capital Ratio was primarily the result of the issuance of \$1.2 billion of Series D Medium Term Notes, Second Tranche on June 21, 2007, offset in part by the redemption of the \$150 million Series 22 7.92% debenture on July 31, 2007 and the impact of the items noted above.

The decreases in capital ratios relative to the end of 2006 were largely attributable to risk-weighted asset growth in BMO Capital Markets and Personal and Commercial Banking in the first two quarters and the items noted above, as well as a higher goodwill deduction as a result of the acquisition of FNBT. These factors were partially offset by the \$350 million preferred share issue in the first quarter and higher common shareholders' equity.

During the quarter, we repurchased 2,809,900 Bank of Montreal common shares under our common share repurchase program at an average cost of \$69.12 per share, for a total cost of \$195 million. There have been 6,681,100 common shares repurchased under the current normal-course issuer bid that expires on September 5, 2007 and pursuant to which BMO is permitted to repurchase for cancellation up to 15 million common shares, representing approximately 3% of BMO's public float. On July 24, 2007, we announced that we intend to file a notice of intention with the Toronto Stock Exchange to make a new normal course issuer bid, subject to regulatory approval and the approval of the Exchange, that provides that we may purchase up to 25 million common shares, being approximately 5% of the public float, between September 6, 2007 and September 5, 2008. We plan to increase the program from a maximum 15 million to 25 million shares to provide greater flexibility in managing BMO's capital levels. Our share repurchase program is primarily used to offset, over time, the impact of dilution caused by issuing shares through the exercise of stock options, our dividend reinvestment plan and convertible shares.

On August 28, 2007, BMO's Board of Directors declared a quarterly dividend payable to common shareholders of \$0.70 per share, representing a 2.9% increase over the third quarter's dividend of \$0.68 per share and a 12.9% increase from \$0.62 per share a year ago. The dividend increase reflects BMO's policy of having a 45% to 55% dividend payout ratio over time. Since BMO's dividend payout

policy was increased in the third quarter of 2006 to 45% to 55% of net income available to shareholders, dividends paid have increased \$0.15 or 28% per share.

### Outstanding Shares and Securities Convertible into Common Shares

As of August 22, 2007	Number of shares or Canadian dollar amount
Common shares	498,168,000
Class B Preferred Shares	
Series 5	\$ 200,000
Series 13	\$ 350,000
Convertible into common shares:	
Class B Preferred Shares	
Series 4	\$ 200,000
Series 6	\$ 250,000
Series 10	\$ 396,000
Stock options	
- vested	17,825,000
- non-vested	3,342,000

Details on share capital are outlined in Notes 20 and 21 to the audited financial statements on pages 118 and 119 and the table on page 59 in the Annual MD&A included in the 2006 Annual Report. Note that Series 4 preferred shares were redeemed on August 27, 2007.

### Eligible Dividends Designation

For the purposes of the *Income Tax Act* (Canada) and any similar provincial and territorial legislation, BMO designates all dividends (including deemed dividends) paid on both its common and preferred shares after January 1, 2006, including dividends paid in BMO's first, second and third quarters of fiscal 2007, as "eligible dividends". Similarly, BMO designates all dividends (including deemed dividends) paid thereafter on BMO's common and preferred shares as "eligible dividends", unless BMO indicates otherwise.

### Credit Rating

On June 8, 2007, Standard & Poor's Ratings Services lowered its ratings on Bank of Montreal (BMO) and its related subsidiaries, including the senior debt rating, to A+ from AA-, citing concerns over our market risk governance and other factors. During the second quarter, our credit rating as measured by Moody's senior debt ratings was upgraded from Aa3 to Aa1 with a stable outlook, due to a change in Moody's methodology. Both credit ratings are indicative of high grade, high quality issues.

**Transactions with Related Parties**

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

Preferred rate loan agreements were discussed in Note 26 of the audited consolidated financial statements on page 128 of the 2006 Annual Report. There have been no amounts advanced under these preferred rate loan agreements in fiscal 2007, except for mortgage loans related to staff transfers we initiated.

**Off-Balance-Sheet Arrangements**

BMO enters into a number of off-balance-sheet arrangements in the normal course of operations. The most significant off-balance sheet arrangements that we enter into are credit instruments and VIEs, which were described on pages 60 and 61 of the 2006 Annual Report. There were no significant changes to these off-balance-sheet arrangements during the nine months ended July 31, 2007.

**Accounting Policies and Critical Accounting Estimates**

The notes to BMO's October 31, 2006 audited consolidated financial statements outline our significant accounting policies. Note 2 to the unaudited interim consolidated financial statements for the period ended July 31, 2007 describes changes to our accounting policies.

Pages 62 to 64 of the 2006 Annual Report contain a discussion of certain accounting estimates that are considered particularly important, as they require management to make significant judgments, some of which relate to matters that are inherently uncertain. Readers are encouraged to refer to the Annual Report to review that discussion.

**Accounting Changes****Financial Instruments, Hedges and Comprehensive Income**

On November 1, 2006, we adopted the CICA's new accounting requirements for securities, hedging derivatives and certain other financial instruments. Under these new rules, we are required to measure certain securities and hedging derivatives at fair value and include a new section in Shareholders' Equity, called Other Comprehensive Income (Loss), to report unrealized gains or losses related to: certain available-for-sale securities, cash flow hedges and foreign exchange gains or losses on our net investment in foreign operations.

Certain of our investment securities (referred to as available-for-sale securities) are recorded at fair value under the new rules; however, the requirements for recognizing gains or losses in net income are unchanged. Unrealized gains or losses are deferred in Other Comprehensive Income until the securities are sold or there is impairment that is other than temporary. It is only at that time that any gain or loss is recorded in net income. Securities whose sale is restricted or that are not traded in an active market are also included in available-for-sale securities, but continue to be recorded at cost.

All of our hedging derivatives are recorded at fair value under the new rules, but changes in fair value only impact net income to the extent that they do not perfectly offset changes in the fair value of the item that we are hedging, i.e. 'hedge ineffectiveness'. Any hedge ineffectiveness would be recorded in net income. Our hedging programs are such that hedges should very closely match the items that we hedge and, as a result, we would not expect a significant amount of hedge ineffectiveness to arise.

Unrealized gains and losses on equity securities included in Other Comprehensive Income are now included in our Tier 1 and Total Capital ratios. The impact was insignificant at July 31, 2007, April 30, 2007 and January 31, 2007. Foreign exchange gains or losses related to our net investment in foreign operations, which were reported in Shareholders' Equity in prior periods as well, continue to be included in the determination of our capital ratios.

Accumulated Other Comprehensive Income (Loss) is included in Shareholders' Equity for purposes of calculating return on equity, resulting in an insignificant increase in the return.

For details of the specific accounting changes and related impacts, refer to Note 2 in the attached unaudited interim consolidated financial statements.

## Review of Operating Groups' Performance

### Operating Groups' Summary Income Statements and Statistics for Q3-2007

(Canadian \$ in millions, except as noted)	Q3-2007					YTD-2007				
	P&C	PCG	BCM	Corporate including T&O	Total BMO	P&C	PCG	BCM	Corporate including T&O	Total BMO
Net interest income (teb)	981	154	254	(88)	<b>1,301</b>	2,853	458	741	(269)	<b>3,783</b>
Non-interest revenue	499	366	437	6	<b>1,308</b>	1,466	1,086	807	143	<b>3,502</b>
Total revenue (teb)	1,480	520	691	(82)	<b>2,609</b>	4,319	1,544	1,548	(126)	<b>7,285</b>
Provision for (recovery of) credit losses	90	1	19	(19)	<b>91</b>	269	2	58	(127)	<b>202</b>
Non-interest expense	847	357	445	10	<b>1,659</b>	2,509	1,075	1,168	59	<b>4,811</b>
Restructuring charge	-	-	-	-	-	-	-	-	135	<b>135</b>
Total non-interest expense	847	357	445	10	<b>1,659</b>	2,509	1,075	1,168	194	<b>4,946</b>
Income before income taxes and non-controlling interest in subsidiaries	543	162	227	(73)	<b>859</b>	1,541	467	322	(193)	<b>2,137</b>
Income taxes (teb)	167	57	31	(74)	<b>181</b>	493	166	(55)	(203)	<b>402</b>
Non-controlling interest in subsidiaries	-	-	-	18	<b>18</b>	-	-	-	56	<b>56</b>
Net income Q3-2007	376	105	196	(17)	<b>660</b>	1,048	301	377	(47)	<b>1,679</b>
Net income Q2-2007	351	101	199	20	<b>671</b>					
Net income Q3-2006	377	83	203	47	<b>710</b>	961	271	672	63	<b>1,967</b>
<b>Other statistics</b>										
Net economic profit	198	74	54	(46)	<b>280</b>	539	211	(37)	(182)	<b>532</b>
Return on equity	22.1%	35.7%	14.8%	nm	<b>18.0%</b>	21.4%	34.9%	9.5%	nm	<b>15.1%</b>
Cash return on equity	22.6%	36.0%	14.8%	nm	<b>18.2%</b>	22.0%	35.2%	9.5%	nm	<b>15.4%</b>
Productivity ratio (teb)	57.3%	68.7%	64.5%	nm	<b>63.6%</b>	58.1%	69.6%	75.4%	nm	<b>67.9%</b>
Cash productivity ratio (teb)	56.6%	68.4%	64.4%	nm	<b>63.2%</b>	57.4%	69.4%	75.4%	nm	<b>67.4%</b>
Net interest margin on earning assets (teb)	2.83%	9.57%	0.61%	nm	<b>1.68%</b>	2.79%	9.85%	0.63%	nm	<b>1.69%</b>
Average common equity	6,572	1,150	4,998	nm	<b>14,371</b>	6,355	1,140	4,939	nm	<b>14,584</b>
Average earning assets (\$ billions)	137.6	6.4	165.0	(1.1)	<b>307.9</b>	136.5	6.2	157.0	(1.0)	<b>298.7</b>
Full-time equivalent staff	20,351	4,347	2,317	8,945	<b>35,960</b>					

nm - not meaningful

The following sections review the financial results of our operating segments and operating groups for the third quarter of 2007.

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

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

## Personal and Commercial Banking

(Canadian \$ in millions, except as noted)	Q3-2007	Increase/(Decrease) vs. Q3-2006		Increase/(Decrease) vs. Q2-2007		YTD-2007	Increase/(Decrease) vs. YTD-2006	
Net interest income (teb)	981	37	4%	55	6%	2,853	111	4%
Non-interest revenue	499	(15)	(3%)	(20)	(4%)	1,466	105	8%
Total revenue (teb)	1,480	22	2%	35	2%	4,319	216	5%
Provision for credit losses	90	4	4%	-	-	269	11	4%
Non-interest expense	847	5	1%	9	1%	2,509	84	3%
Income before income taxes and non-controlling interest in subsidiaries	543	13	3%	26	5%	1,541	121	9%
Income taxes (teb)	167	14	10%	1	1%	493	34	8%
Non-controlling interest in subsidiaries	-	-	-	-	-	-	-	-
Net income	376	(1)	(1%)	25	7%	1,048	87	9%
Amortization of intangible assets (after tax)	9	1	8%	-	-	26	3	9%
Cash net income	385	-	-	25	7%	1,074	90	9%
Return on equity	22.1%		(2.5%)		(0.2%)	21.4%		0.4%
Cash return on equity	22.6%		(2.5%)		(0.3%)	22.0%		0.5%
Productivity ratio (teb)	57.3%		(0.5%)		(0.7%)	58.1%		(1.0%)
Cash productivity ratio (teb)	56.6%		(0.6%)		(0.7%)	57.4%		(1.1%)
Net interest margin on earning assets (teb)	2.83%		(0.01%)		0.06%	2.79%		(0.03%)
Average earning assets	137,585	5,619	4%	540	-	136,481	6,661	5%

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

## Personal and Commercial Banking Canada (P&C Canada)

(Canadian \$ in millions, except as noted)	Q3-2007	Increase/(Decrease) vs. Q3-2006		Increase/(Decrease) vs. Q2-2007		YTD-2007	Increase/(Decrease) vs. YTD-2006	
Net interest income (teb)	800	40	5%	65	9%	2,295	109	5%
Non-interest revenue	454	(15)	(3%)	(20)	(4%)	1,334	98	8%
Total revenue (teb)	1,254	25	2%	45	4%	3,629	207	6%
Provision for credit losses	81	3	3%	-	-	242	7	3%
Non-interest expense	670	(4)	(1%)	15	2%	1,974	52	3%
Income before income taxes and non-controlling interest in subsidiaries	503	26	5%	30	6%	1,413	148	12%
Income taxes (teb)	153	23	17%	4	2%	447	52	13%
Non-controlling interest in subsidiaries	-	-	-	-	-	-	-	-
Net income	350	3	1%	26	8%	966	96	11%
Amortization of intangible assets (after tax)	1	2	7%	(2)	(9%)	6	2	50%
Cash net income	351	5	1%	24	8%	972	98	11%
Personal, Insurance & Other revenue	639	9	1%	2	-	1,866	93	5%
Commercial revenue	348	23	7%	17	5%	1,016	63	7%
Cards revenue	267	(7)	(3%)	26	11%	747	51	7%
Productivity ratio (teb)	53.5%		(1.4%)		(0.7%)	54.4%		(1.8%)
Cash productivity ratio (teb)	53.3%		(1.4%)		(0.7%)	54.2%		(1.8%)
Net interest margin on earning assets (teb)	2.73%		0.04%		0.09%	2.68%		0.02%
Average earning assets	116,010	4,185	4%	1,947	2%	114,413	4,646	4%

### Q3 2007 vs Q3 2006

Net income increased \$3 million or 1.0%. Results in the third quarter a year ago included a \$38 million (\$25 million after tax) gain on the MasterCard International Inc. (MCI) IPO and a \$26 million recovery of prior years' income taxes. The current quarter included a \$14 million recovery of prior years' income taxes. Excluding these items, net income rose \$40 million or 14%. Revenue rose \$25 million or 2.0%, but increased \$63 million or 5.2% excluding the MCI gain of a year ago.

In our personal business, revenue increased \$9 million or 1.3%, driven by growth in personal loans and branch originated mortgages, higher securitization revenue and higher mortgage refinancing fees, as well as increased sales of term investment products and mutual funds. Personal loans increased 11.6% and we increased market share 34 basis points from a year ago to 10.78%. Mortgage growth continued to slow due to our decision to focus on relationship-based branch originated mortgages over our third party mortgage portfolio and broker balances, which are declining. Mortgage market share declined 113 basis points from a year ago to 12.68%. We anticipate market share stabilizing and growing over time as we increase the size of our specialized sales force. Personal deposits declined 1.1%, resulting in a 49 basis points loss of market share from the prior year to 11.73%. We are targeting growth in personal deposits through simplified products, streamlined account opening and an improved customer experience. These initiatives are gaining traction as volumes began to improve during the quarter.

In our commercial banking segment, revenues increased \$23 million or 6.9%. The current quarter benefited from volume growth and higher loan recoveries, partially offset by the impact of competitive pressures. Commercial loans grew 7.7% from a year ago. BMO continues to rank second in Canadian business banking market share and we increased our market share by 56 basis points from a year ago to 19.20%. Our objective is to be the market leader. In the \$1 to \$5 million loan segment, there was loan growth of 8.7% while market share increased 83 basis points.

Cards & payment service revenues decreased \$7 million or 2.5%, but increased \$31 million or 13.2% excluding the MCI gain in the previous year, due to growth in card loans and transaction volumes.

Net interest margin improved by 4 basis points due to higher mortgage spreads, increased commercial loan recoveries and volume growth in products with higher margins. The improvement was lowered by higher funding costs and competitive pressures.

Non-interest expense was down \$4 million or 0.6%, due to lower allocated costs related to a share of capital taxes and efficiency improvements, partially offset by the expansion of the front-line workforce, higher cards costs as a result of increased volumes, and bcpbank Canada costs. The cash productivity ratio improved 137 basis points.

Average loans and acceptances, including securitized loans, increased \$5.7 billion or 4.8% from a year ago, while personal and commercial deposits increased \$2.2 billion or 5.0%.

### Q3 2007 vs Q2 2007

Net income increased \$26 million or 8.0%. The current quarter benefited from the \$14 million income tax recovery, while the second quarter included a \$26 million (\$23 million after tax) insurance gain and a \$14 million (\$9 million after tax) investment security gain. Adjusted for the foregoing items, net income increased \$44 million or 15% and revenue increased \$85 million or 7.2%.

Revenue increased \$45 million or 3.7%. Growth was attributable to the \$32 million impact of three more calendar days in the current quarter, volume growth across most products, improved net interest margin, and increased card and securitization revenues. Net interest margin rose by 9 basis points due to higher mortgage refinancing fees, increased commercial loan recoveries and volume growth in products with higher margins, partially offset by higher funding costs.

Non-interest expense increased \$15 million or 2.4%, primarily due to the \$8 million impact of three more calendar days in the current quarter, higher employee-related costs and higher depreciation related to completed initiatives, partially offset by lower capital tax.

Average loans and acceptances, including securitized loans, increased \$2.4 billion or 2.0% from the second quarter, while personal and commercial deposits increased \$1.4 billion or 3.0%.

Personal loan market share increased 21 basis points from the second quarter, while mortgage market share declined 40 basis points. Personal deposits market share decreased by 11 basis points. Business banking loan market share increased by 40 basis points while, in the \$1 to \$5 million loan segment, there was market share growth of 56 basis points.

### Q3 YTD 2007 vs Q3 YTD 2006

Net income increased \$96 million or 11%, as revenue growth outpaced expense growth by 3.3 percentage points.

Revenue rose \$207 million or 6.0%, led by volume-based growth in personal and commercial loans, commercial deposits and cards. There were also higher revenues from securitization, insurance and card transaction fees, as well as increased sales of term investment products and mutual funds. The current year also benefited from the insurance and investment security gains. Net interest margin improved by 2 basis points due to volume growth in products with higher margins.

Non-interest expense increased \$52 million or 2.7% due to higher employee-related costs, resulting from an expansion of our front-line sales and service staff in the latter half of 2006, as well as higher initiative spending and bcpbank Canada costs. The cash productivity ratio improved 179 basis points.

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

(Canadian \$ in millions, except as noted)	Q3-2007	Increase/(Decrease) vs. Q3-2006		Increase/(Decrease) vs. Q2-2007		YTD-2007	Increase/(Decrease) vs. YTD-2006	
Net interest income (teb)	181	(3)	(2%)	(10)	(5%)	558	2	-
Non-interest revenue	45	-	-	-	-	132	7	6%
Total revenue (teb)	226	(3)	(1%)	(10)	(5%)	690	9	1%
Provision for credit losses	9	1	19%	-	-	27	4	19%
Non-interest expense	177	9	5%	(6)	(4%)	535	32	6%
Income before income taxes and non-controlling interest in subsidiaries	40	(13)	(23%)	(4)	(7%)	128	(27)	(17%)
Income taxes (teb)	14	(9)	(33%)	(3)	(9%)	46	(18)	(28%)
Non-controlling interest in subsidiaries	-	-	-	-	-	-	-	-
Net income	26	(4)	(17%)	(1)	(6%)	82	(9)	(10%)
Amortization of intangible assets (after tax)	8	(1)	(8%)	2	nm	20	1	9%
Cash net income	34	(5)	(13%)	1	6%	102	(8)	(7%)
Productivity ratio (teb)	78.3%		4.5%		0.6%	77.6%		3.7%
Cash productivity ratio (teb)	74.7%		4.2%		0.6%	74.1%		3.4%
Net interest margin on earning assets (teb)	3.37%		(0.30%)		(0.01%)	3.38%		(0.33%)
Average earning assets	21,575	1,434	7%	(1,407)	(6%)	22,068	2,015	10%

### U.S. Select Financial Data (US\$ in millions)

Net interest income (teb)	169	4	3%	2	2%	496	7	2%
Non-interest revenue	42	2	7%	3	7%	117	7	7%
Total revenue (teb)	211	6	4%	5	3%	613	14	3%
Non-interest expense	165	15	10%	4	3%	476	34	8%
Net Income	24	(4)	(13%)	-	-	73	(8)	(10%)
Average assets	21,976	2,380	12%	277	1%	21,298	2,124	11%

### Q3 2007 vs Q3 2006

Net income decreased \$4 million or 17% from a year ago. Revenue fell \$3 million or 1.1%. On a U.S. dollar basis, revenue increased US\$6 million or 3.5%. The inclusion of results of First National Bank and Trust (FNBT) added US\$13 million to revenues. The impact of a 30 basis point decline in net interest margin offset the effects of 12% growth in loans (8% excluding FNBT) and 10% growth in deposits (4% excluding FNBT).

Non-interest expense increased \$9 million or 4.9%, but increased US\$15 million or 9.8% on a U.S. dollar basis. Expense included US\$10 million of FNBT operating costs and US\$6 million of integration costs. Our cash productivity ratio deteriorated 420 basis points to 74.7%. Management is focused on controlling expense growth through reducing personnel costs, slowing branch expansion and other initiatives.

### Q3 2007 vs Q2 2007

Net income fell \$1 million or 5.7%. On a U.S. dollar basis, excluding acquisition integration costs in both periods, net income increased \$2 million or 6.7%.

Quarterly results in 2007 have been affected by ongoing acquisition integration costs. In the absence of these costs, earnings would have increased quarter-over-quarter in each period in 2007, growing from US\$23.8 million in the fourth quarter of 2006 to US\$28.4MM in the current quarter.

Revenue decreased \$10 million or 4.5% from the second quarter. On a U.S. dollar basis, revenue increased \$5 million or 2.5%. The increase was largely attributable to deposit growth of 1.2% and loan growth of 1.4%. Net interest margin declined by only 1 basis point and is expected to remain stable for the remainder of the year.

Non-interest expense decreased \$6 million or 3.8%. On a U.S. dollar basis, non-interest expense was US\$4 million or 3.2% higher, primarily due to increased acquisition integration costs.

Our Retail Net Promoter Score, a measure of the strength of customer loyalty, was 41%, consistent with the second quarter.

During the quarter, we successfully completed the conversion of FNBT into our operating model and brand with minimal customer impact.

### Q3 YTD 2007 vs Q3 YTD 2006

Net income decreased \$9 million or 10%.

Revenue rose \$9 million or 1.3%. On a U.S. dollar basis, revenue increased \$14 million or 2.6%. The increase was driven by the \$26 million impact of the FNBT acquisition as well as loan and deposit growth, partially offset by margin compression. Excluding FNBT, loans grew US\$1.7 billion or 10.4% and deposits grew US\$0.7 billion or 4.5%. Net interest margin was down 33 basis points due to competitive pressures on pricing and the continued shifting of customers' preferences from higher-spread to lower-spread deposit products.

Non-interest expense increased \$32 million or 6.3%. On a U.S. dollar basis, expense increased US\$34 million or 7.7%. Expenses included \$19 million of FNBT operating costs. Also contributing to the increase were operating costs of our new branch technology platform, increased costs associated with branches opened primarily during fiscal 2006 and higher business volumes. These increases were partially offset by the impact of our expense management initiatives. As a result of expense growth exceeding revenue growth, our cash productivity ratio deteriorated by 340 basis points to 74.1%.

## Private Client Group (PCG)

(Canadian \$ in millions, except as noted)	Q3-2007	Increase/(Decrease) vs. Q3-2006		Increase/(Decrease) vs. Q2-2007		YTD-2007	Increase/(Decrease) vs. YTD-2006	
Net interest income (teb)	154	6	4%	1	-	458	34	8%
Non-interest revenue	366	37	11%	1	-	1,086	82	8%
Total revenue (teb)	520	43	9%	2	-	1,544	116	8%
Provision for credit losses	1	-	-	1	100%	2	-	-
Non-interest expense	357	13	4%	(2)	(1%)	1,075	68	7%
Income before income taxes	162	30	22%	3	2%	467	48	11%
Income taxes (teb)	57	8	14%	(1)	-	166	18	11%
Net income	105	22	26%	4	3%	301	30	11%
Amortization of intangible assets (after tax)	1	-	-	-	-	3	-	-
Cash net income	106	22	26%	4	3%	304	30	11%
Return on equity	35.7%		7.3%		(0.4%)	34.9%		3.7%
Cash return on equity	36.0%		7.3%		(0.5%)	35.2%		3.6%
Productivity ratio (teb)	68.7%		(3.4%)		(0.6%)	69.6%		(0.9%)
Cash productivity ratio (teb)	68.4%		(3.3%)		(0.6%)	69.4%		(0.8%)
Net interest margin on earning assets (teb)	9.57%		(0.67%)		(0.68%)	9.85%		(0.21%)
Average earning assets	6,353	622	11%	202	3%	6,211	573	10%

### U.S. Select Financial Data (US\$ in millions)

Total revenue (teb)	62	(2)	(4%)	2	3%	181	(4)	(2%)
Non-interest expense	59	(6)	(10%)	3	4%	175	(6)	(4%)
Net Income	2	4	+100%	-	-	4	1	30%
Cash net income	3	4	+100%	-	-	6	1	19%
Average assets	2,103	8	-	32	2%	2,074	(40)	(2%)

### Q3 2007 vs Q3 2006

Net income increased \$22 million or 26%.

Revenue increased \$43 million or 8.8% and \$46 million or 9.5% excluding the impact of the weaker U.S. dollar. Non-interest revenue increased 11%, primarily due to higher fee-based and commission revenue in Full-Service Investing. Higher mutual fund revenue on increased client assets and higher trust and investment revenue in North American Private Banking also contributed to the growth. Net interest income increased 3.7% primarily due to higher deposit balances in the brokerage businesses.

Non-interest expense increased \$13 million or 3.8% and \$16 million or 4.6% excluding the benefit of the weaker U.S. dollar, primarily due to higher revenue-based costs and continued investment in our client-facing sales force and supporting technology to drive future revenue growth. The cash productivity ratio improved 329 basis points over the prior year.

The Group's \$277 billion of assets under management and administration and term deposits were affected by softer market conditions this quarter. Assets increased \$19 billion or 7.4% year-over-year, excluding the impact of foreign exchange and the transfer of our U.S. Institutional Trust and Custody business to P&C U.S. in the current quarter. The revenue associated with that business is not significant to Private Client Group or to P&C U.S.

### Q3 2007 vs Q2 2007

Net income increased \$4 million or 2.9%.

Revenue was relatively unchanged, but increased \$14 million excluding a gain on the sale of Montreal Stock Exchange common shares in the prior quarter and the impact of the weaker U.S. dollar. The growth was primarily due to higher mutual fund revenues as the brokerage businesses were affected by seasonally lower third quarter client trade volumes.

Non-interest expense was \$2 million or 0.7% lower, but increased \$2 million or 0.5% excluding the impact of the weaker U.S. dollar. The growth in expenses was primarily due to increased investment in the sales force and supporting technology. The cash productivity ratio improved 55 basis points over the prior quarter.

### Q3 YTD 2007 vs Q3 YTD 2006

Net income increased \$30 million or 11%.

Revenue increased \$116 million or 8.1%, with all lines of business contributing to the growth.

Non-interest expense increased \$68 million or 6.7%. Expenses increased primarily due to higher revenue-based costs and increased investment spending to drive future revenue growth. The cash productivity ratio improved 82 basis points over the prior year.



## BMO Capital Markets

(Canadian \$ in millions, except as noted)	Q3-2007	Increase/(Decrease) vs. Q3-2006		Increase/(Decrease) vs. Q2-2007		YTD-2007	Increase/(Decrease) vs. YTD-2006	
Net interest income (teb)	254	54	27%	(1)	(1%)	741	159	27%
Non-interest revenue	437	(40)	(9%)	42	11%	807	(758)	(48%)
Total revenue (teb)	691	14	2%	41	6%	1,548	(599)	(28%)
Provision for credit losses	19	(1)	(3%)	-	-	58	(2)	(2%)
Non-interest expense	445	60	16%	50	13%	1,168	(43)	(4%)
Income before income taxes	227	(45)	(17%)	(9)	(4%)	322	(554)	(63%)
Income taxes (recovery) (teb)	31	(38)	(57%)	(6)	(20%)	(55)	(259)	(+100%)
Net income	196	(7)	(3%)	(3)	(1%)	377	(295)	(44%)
Amortization of intangible assets (after tax)	-	-	-	-	-	-	(1)	-
Cash net income	196	(7)	(3%)	(3)	(1%)	377	(296)	(44%)
Trading Products revenue	274	(77)	(22%)	89	48%	283	(811)	(74%)
Investment and Corporate Banking and Other revenue	417	91	28%	(48)	(10%)	1,265	212	20%
Return on equity	14.8%		(2.6%)		(1.1%)	9.5%		(10.0%)
Cash return on equity	14.8%		(2.6%)		(1.1%)	9.5%		(10.1%)
Productivity ratio (teb)	64.5%		7.8%		3.9%	75.4%		19.0%
Cash productivity ratio (teb)	64.4%		7.7%		3.8%	75.4%		19.0%
Net interest margin on earning assets (teb)	0.61%		(0.01%)		(0.06%)	0.63%		(0.01%)
Average earning assets	164,957	36,671	29%	8,213	5%	156,988	34,646	28%

### U.S. Select Financial Data (US\$ in millions)

Revenue	147	(139)	(49%)	(6)	(4%)	128	(773)	(85%)
Non-interest expense	162	(7)	(4%)	12	8%	450	(44)	(9%)
Net Income	(1)	(69)	(+100%)	(2)	(+100%)	(167)	(403)	(+100%)
Average assets	75,869	20,141	36%	3,180	4%	71,643	20,075	39%

### Q3 2007 vs Q3 2006

Net income decreased \$7 million or 3.4%. Results were affected by \$149 million (\$97 million after tax) of losses in our commodities business. Adjusted for those losses, net income increased \$90 million or 45%, driven by revenue growth and a lower effective tax rate, partially offset by expense growth albeit at a lower rate than revenue growth.

Revenue rose \$14 million or 1.8%. Trading Products revenue fell \$77 million or 22%. Adjusted for the commodities losses in the quarter, Trading Products revenue rose \$72 million or 21%, due to higher trading revenues, equity underwriting fees, commission revenues and improvements in interest-rate-sensitive businesses. Interest rate trading revenues were up substantially, benefiting from a steeper yield curve, widening spreads and increased volatility during the quarter.

Investment and Corporate Banking and Other revenue increased strongly, rising \$91 million or 28%. Equity underwriting and merger and acquisitions fees more than doubled and debt underwriting revenues almost doubled from a year ago. There were also increased revenues from higher corporate banking assets. Growth was negatively affected by lower investment securities gains, strong commodity trading revenues a year ago and the weaker U.S. dollar.

Net interest income improved due to higher trading net interest income and the impact of higher corporate banking assets. Net interest margin deteriorated 1 basis point.

Non-interest expense increased \$60 million or 16%. There was significantly higher performance-based compensation as revenue and net income grew strongly in a number of our businesses. The Group's cash productivity ratio deteriorated due to the commodities losses.

The effective tax rate was low in the third quarter. The commodities losses were attributable to our U.S. business and, as such, are recoverable at a relatively higher tax rate. The Group's other income attracts income taxes at a lower tax rate overall, resulting in a lower effective tax rate.

Results from U.S. operations deteriorated due to the commodities losses.

### Q3 2007 vs Q2 2007

Net income decreased \$3 million or 1.4%. Second quarter results were affected by \$171 million of commodities losses (\$90 million after tax and reduced performance-based compensation). Adjusted for the net impact of those items in both periods, net income rose \$4 million or 1.5%.

Revenue increased \$41 million on a reported basis, but by \$19 million or 2.1% excluding the commodities losses in both periods. There were increases in trading revenues, merger and acquisition fees and debt underwriting revenues. There were reductions in cash collections on previously-impaired loans, net investment securities gains and equity underwriting fees.

Non-interest expense was \$50 million or 13% higher, due to increased performance-based compensation, which was reduced by \$33 million in the prior quarter by commodities losses.

### Q3 YTD 2007 vs Q3 YTD 2006

Net income decreased \$295 million or 44%. Adjusted for the net impact of \$829 million of losses in our commodities business (\$424 million after tax and associated performance-based compensation), net income rose \$129 million or 19%.

Revenue fell \$599 million or 28% due to the commodities losses. Excluding the commodities losses, revenue increased \$230 million or 11%. There was increased equity underwriting activity, higher merger and acquisitions fees, increased lending fees and increased commissions. Income from corporate banking assets also increased but that impact was partially offset by slightly lower spreads.

Net interest income increased due to higher trading net interest income and higher corporate banking assets, partially offset by

reduced spreads on corporate loans in the competitive environment.

Non-interest expense decreased \$43 million or 3.6%, due to lower performance-based compensation in the first half of the year. The Group earned income before income taxes for the year to date; however, results include an income tax recovery because of the taxation of the commodities portfolio losses relative to the Group's other taxable income, as outlined in the foregoing quarterly discussions.

### Corporate Services, Including Technology and Operations

(Canadian \$ in millions, except as noted)	Q3-2007	Increase/(Decrease) vs. Q3-2006		Increase/(Decrease) vs. Q2-2007		YTD-2007	Increase/(Decrease) vs. YTD-2006	
Net interest income (teb)	(88)	(63)	(+100%)	(1)	4%	(269)	(144)	(+100%)
Non-interest revenue	6	(10)	(59%)	(39)	(86%)	143	78	+100%
Total revenue (teb)	(82)	(73)	(+100%)	(40)	(83%)	(126)	(66)	(+100%)
Provision for (recovery of) credit losses	(19)	46	72%	31	65%	(127)	33	20%
Non-interest expense	10	(19)	(65%)	(12)	(52%)	59	(38)	(39%)
Restructuring charge	-	-	-	-	-	135	135	+100%
Total non-interest expense	10	(19)	(65%)	(12)	(52%)	194	97	+100%
Income before income taxes and non-controlling interest in subsidiaries	(73)	(100)	(+100%)	(59)	(+100%)	(193)	(196)	(+100%)
Income taxes (recovery) (teb)	(74)	(35)	(80%)	(21)	(43%)	(202)	(85)	(72%)
Non-controlling interest in subsidiaries	18	(1)	(1%)	(1)	(2%)	56	(1)	-
Net income (loss)	(17)	(64)	(+100%)	(37)	(+100%)	(47)	(110)	(+100%)

### U.S. Select Financial Data (US\$ in millions)

Revenue	(31)	(9)	(42%)	(3)	(7%)	(72)	(10)	(18%)
Provision for (recovery of) credit losses	9	41	+100%	25	+100%	(27)	32	55%
Non-interest expense	(10)	(22)	(+100%)	(11)	(+100%)	(15)	(32)	(+100%)
Restructuring charge	-	-	-	-	-	18	18	100%
Total non-interest expense	(10)	(22)	(+100%)	(11)	(+100%)	3	(14)	(82%)
Income taxes	(13)	9	30%	(14)	(+100%)	(12)	28	68%
Net income (loss)	(22)	(37)	(+100%)	(4)	(25%)	(50)	(56)	(+100%)

### Corporate Services

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

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

### Technology and Operations

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

### Financial Performance Review

Technology and Operations operating results are included with Corporate Services for reporting purposes. Costs of T&O's services

are transferred to the client groups (P&C, PCG and BCM) and only relatively minor variance amounts are retained within T&O. As such, results in this section largely reflect the other corporate units outlined above.

The net loss in the quarter was \$17 million, compared with net income of \$47 million in the third quarter a year ago. Reduced earnings were due to lower revenues, largely lower securitization revenues and interest received last year on tax refunds, and higher provisions for credit losses, partially offset by lower corporate costs.

Net income decreased \$37 million from the second quarter, due to reduced revenues, in part the impact of lower securitization revenues, and an increase in the provision for credit losses. The lower corporate securitization revenue was largely attributable to higher interest rates reducing the value of mortgages we had previously securitized. A portion of this lower revenue will be reversed over time.

The net loss for the year to date was \$47 million, compared with net income of \$63 million for the comparable period in 2006. Excluding the \$135 million restructuring charge (\$88 million after tax), net income fell \$22 million due to reduced revenues and a higher provision for credit losses, partially offset by lower corporate expenses.

## Consolidated Statement of Income

(Unaudited) (Canadian \$ in millions, except as noted)

	For the three months ended				For the nine months ended		
	July 31, 2007	April 30, 2007	January 31, 2007	October 31, 2006	July 31, 2006	July 31, 2007	July 31, 2006
<b>Interest, Dividend and Fee Income</b>							
Loans (Note 2)	\$ 2,935	\$ 2,839	\$ 2,812	\$ 2,739	\$ 2,664	\$ 8,586	\$ 7,246
Securities	786	731	726	589	587	2,243	1,569
Deposits with banks	291	230	220	214	216	741	555
	<b>4,012</b>	<b>3,800</b>	<b>3,758</b>	<b>3,542</b>	<b>3,467</b>	<b>11,570</b>	<b>9,370</b>
<b>Interest Expense</b>							
Deposits	1,968	1,833	1,776	1,686	1,536	5,577	4,057
Subordinated debt	46	40	43	43	43	129	126
Preferred shares and capital trust securities	24	26	25	25	24	75	74
Other liabilities	727	697	718	573	630	2,142	1,584
	<b>2,765</b>	<b>2,596</b>	<b>2,562</b>	<b>2,327</b>	<b>2,233</b>	<b>7,923</b>	<b>5,841</b>
<b>Net Interest Income</b>	<b>1,247</b>	<b>1,204</b>	<b>1,196</b>	<b>1,215</b>	<b>1,234</b>	<b>3,647</b>	<b>3,529</b>
Provision for credit losses (Note 3)	91	59	52	16	42	202	160
Net Interest Income After Provision for Credit Losses	<b>1,156</b>	<b>1,145</b>	<b>1,144</b>	<b>1,199</b>	<b>1,192</b>	<b>3,445</b>	<b>3,369</b>
<b>Non-Interest Revenue</b>							
Securities commissions and fees	299	303	278	247	260	880	804
Deposit and payment service charges	180	182	183	183	187	545	546
Trading revenues (losses) (Note 2)	40	(10)	(352)	90	186	(322)	628
Lending fees	102	100	99	90	92	301	247
Card fees	79	70	63	105	106	212	291
Investment management and custodial fees	81	81	77	76	77	239	222
Mutual fund revenues	151	140	137	130	128	428	369
Securitization revenues	65	83	87	55	21	235	45
Underwriting and advisory fees	160	159	106	104	92	425	303
Securities gains, other than trading	6	48	44	46	51	98	99
Foreign exchange, other than trading	30	33	21	27	24	84	75
Insurance income	55	77	46	49	58	178	155
Other (Note 2)	60	58	81	44	54	199	211
	<b>1,308</b>	<b>1,324</b>	<b>870</b>	<b>1,246</b>	<b>1,336</b>	<b>3,502</b>	<b>3,995</b>
Net Interest Income and Non-Interest Revenue	<b>2,464</b>	<b>2,469</b>	<b>2,014</b>	<b>2,445</b>	<b>2,528</b>	<b>6,947</b>	<b>7,364</b>
<b>Non-Interest Expense</b>							
Employee compensation (Note 6)	1,024	969	931	934	958	2,924	2,890
Premises and equipment	325	320	308	328	299	953	883
Amortization of intangible assets	11	13	11	11	10	35	33
Travel and business development	72	64	59	76	64	195	177
Communications	38	42	33	39	36	113	92
Business and capital taxes	-	17	24	19	23	41	75
Professional fees	62	67	64	92	65	193	195
Other	127	122	108	114	145	357	395
	<b>1,659</b>	<b>1,614</b>	<b>1,538</b>	<b>1,613</b>	<b>1,600</b>	<b>4,811</b>	<b>4,740</b>
<b>Restructuring Charge</b> (Note 7)	-	-	135	-	-	<b>135</b>	-
<b>Income Before Provision for (Recovery of) Income Taxes and Non-Controlling Interest in Subsidiaries</b>							
	<b>805</b>	<b>855</b>	<b>341</b>	<b>832</b>	<b>928</b>	<b>2,001</b>	<b>2,624</b>
Income taxes (Note 2)	127	165	(26)	117	199	266	600
	<b>678</b>	<b>690</b>	<b>367</b>	<b>715</b>	<b>729</b>	<b>1,735</b>	<b>2,024</b>
Non-controlling interest in subsidiaries	18	19	19	19	19	56	57
<b>Net Income</b>	<b>\$ 660</b>	<b>\$ 671</b>	<b>\$ 348</b>	<b>\$ 696</b>	<b>\$ 710</b>	<b>\$ 1,679</b>	<b>\$ 1,967</b>
Preferred share dividends	\$ 9	\$ 13	\$ 9	\$ 8	\$ 6	\$ 31	\$ 22
Net income available to common shareholders	<b>\$ 651</b>	<b>\$ 658</b>	<b>\$ 339</b>	<b>\$ 688</b>	<b>\$ 704</b>	<b>\$ 1,648</b>	<b>\$ 1,945</b>
Average common shares (in thousands)	<b>499,793</b>	<b>500,510</b>	<b>501,136</b>	<b>500,432</b>	<b>500,762</b>	<b>500,480</b>	<b>501,536</b>
Average diluted common shares (in thousands)	<b>507,913</b>	<b>509,943</b>	<b>510,320</b>	<b>510,166</b>	<b>509,991</b>	<b>509,242</b>	<b>511,513</b>
<b>Earnings Per Share</b> (Canadian \$)							
Basic	\$ 1.30	\$ 1.31	\$ 0.68	\$ 1.37	\$ 1.41	\$ 3.29	\$ 3.88
Diluted	<b>1.28</b>	<b>1.29</b>	<b>0.67</b>	<b>1.35</b>	<b>1.38</b>	<b>3.24</b>	<b>3.80</b>
<b>Dividends Declared Per Common Share</b>	<b>0.68</b>	<b>0.68</b>	<b>0.65</b>	<b>0.62</b>	<b>0.62</b>	<b>2.01</b>	<b>1.64</b>

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

## Consolidated Balance Sheet

(Unaudited) (Canadian \$ in millions)

As at

	July 31, 2007	April 30, 2007	January 31, 2007	October 31, 2006	July 31, 2006
<b>Assets</b>					
<b>Cash Resources</b>	\$ 25,041	\$ 19,502	\$ 22,873	\$ 19,608	\$ 20,160
<b>Securities</b>					
Investment (Note 2)	-	-	-	14,166	11,359
Available-for-sale (Note 2)	17,046	17,529	18,235	-	-
Other (Note 2)	1,456	1,460	1,465	1,414	1,425
Trading	67,716	63,600	58,401	51,820	45,455
Loan substitutes	11	11	11	11	11
	86,229	82,600	78,112	67,411	58,250
<b>Loans</b> (Note 2)					
Residential mortgages	62,297	62,908	63,109	63,321	63,591
Consumer instalment and other personal	33,009	31,913	31,474	30,418	29,693
Credit cards	4,347	3,899	3,764	3,631	5,049
Businesses and governments	63,795	60,956	58,108	56,030	53,433
Securities borrowed or purchased under resale agreements	34,216	35,063	41,843	31,429	31,865
	197,664	194,739	198,298	184,829	183,631
Customers' liability under acceptances	8,993	9,530	8,252	7,223	7,369
Allowance for credit losses (Note 3)	(1,045)	(1,059)	(1,078)	(1,058)	(1,107)
	205,612	203,210	205,472	190,994	189,893
<b>Other Assets</b>					
Derivative financial instruments (Note 2)	30,030	38,711	37,361	30,411	32,247
Premises and equipment	2,015	2,047	2,057	2,047	1,942
Goodwill	1,232	1,252	1,306	1,098	1,104
Intangible assets	149	174	207	152	163
Other (Note 2)	8,846	9,031	8,103	8,257	7,850
	42,272	51,215	49,034	41,965	43,306
<b>Total Assets</b>	\$ 359,154	\$ 356,527	\$ 355,491	\$ 319,978	\$ 311,609
<b>Liabilities and Shareholders' Equity</b>					
<b>Deposits</b> (Note 2)					
Banks	\$ 30,561	\$ 28,256	\$ 33,811	\$ 26,632	\$ 26,362
Businesses and governments	120,757	114,504	104,994	100,848	99,821
Individuals	77,709	78,855	78,309	76,368	75,911
	229,027	221,615	217,114	203,848	202,094
<b>Other Liabilities</b>					
Derivative financial instruments (Note 2)	30,543	40,192	38,842	31,446	31,418
Acceptances	8,993	9,530	8,252	7,223	7,369
Securities sold but not yet purchased	28,551	24,692	19,472	15,398	14,271
Securities lent or sold under repurchase agreements	30,992	31,027	40,965	31,918	28,148
Other (Note 2)	10,682	10,055	11,083	10,758	9,277
	109,761	115,496	118,614	96,743	90,483
<b>Subordinated Debt</b> (Notes 2 and 8)	3,446	2,395	2,745	2,726	2,729
<b>Preferred Share Liability</b> (Note 9)	450	450	450	450	450
<b>Capital Trust Securities</b>	1,150	1,150	1,150	1,150	1,150
<b>Shareholders' Equity</b>					
Share capital (Note 9)	5,318	5,272	5,225	4,827	4,765
Contributed surplus	56	55	55	49	47
Retained earnings (Note 2)	11,158	11,017	10,836	10,974	10,653
Accumulated other comprehensive loss (Note 2)	(1,212)	(923)	(698)	(789)	(762)
	15,320	15,421	15,418	15,061	14,703
<b>Total Liabilities and Shareholders' Equity</b>	\$ 359,154	\$ 356,527	\$ 355,491	\$ 319,978	\$ 311,609

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

# Consolidated Statement of Comprehensive Income

(Unaudited) (Canadian \$ in millions)	For the three months ended		For the nine months ended	
	July 31, 2007	July 31, 2006	July 31, 2007	July 31, 2006
Net income	\$ 660	\$ 710	\$ 1,679	\$ 1,967
Other Comprehensive Income				
Net change in unrealized losses on available-for-sale securities	(59)	-	(55)	-
Net change in cash flow hedges	(110)	-	(154)	-
Net gain (loss) on translation of net foreign operations	(120)	44	(166)	(150)
<b>Total Comprehensive Income</b>	<b>\$ 371</b>	<b>\$ 754</b>	<b>\$ 1,304</b>	<b>\$ 1,817</b>

# Consolidated Statement of Changes in Shareholders' Equity

(Unaudited) (Canadian \$ in millions)	For the three months ended		For the nine months ended	
	July 31, 2007	July 31, 2006	July 31, 2007	July 31, 2006
<b>Preferred Shares</b>				
Balance at beginning of period	\$ 946	\$ 596	\$ 596	\$ 596
Issued during the period	-	-	350	-
Balance at End of Period	946	596	946	596
<b>Common Shares</b>				
Balance at beginning of period	4,326	4,145	4,231	4,022
Issued under the Shareholder Dividend Reinvestment and Share Purchase Plan	30	22	85	62
Issued under the Stock Option Plan	41	24	109	126
Issued on the exchange of shares of a subsidiary corporation	-	-	1	-
Repurchased for cancellation (Note 9)	(25)	(22)	(54)	(41)
Balance at End of Period	4,372	4,169	4,372	4,169
<b>Contributed Surplus</b>				
Balance at beginning of period	55	45	49	35
Stock option expense	1	2	7	12
Balance at End of Period	56	47	56	47
<b>Retained Earnings</b>				
Balance at beginning of period	11,017	10,395	10,974	9,801
Cumulative impact of adopting new accounting requirements for financial instruments, net of income taxes of \$39 (Note 2)	-	-	(71)	-
Net income	660	710	1,679	1,967
Dividends - Preferred shares	(9)	(6)	(31)	(22)
- Common shares	(340)	(310)	(1,005)	(822)
Common shares repurchased for cancellation (Note 9)	(170)	(136)	(379)	(271)
Share issue expense	-	-	(9)	-
Balance at End of Period	11,158	10,653	11,158	10,653
<b>Accumulated Other Comprehensive Loss on Available-for-Sale Securities</b>				
Balance at beginning of period	7	-	-	-
Impact of remeasuring available-for-sale securities to market value on November 1, 2006 (net of income taxes of \$1)	-	-	3	-
Unrealized losses on available-for-sale securities arising during the period (net of income taxes of \$39 and \$35)	(73)	-	(65)	-
Reclassification of realized losses to earnings in the period (net of income taxes of \$10 and \$8)	14	-	10	-
Balance at End of Period	(52)	-	(52)	-
<b>Accumulated Other Comprehensive Loss on Cash Flow Hedges</b>				
Balance at beginning of period	(95)	-	-	-
Impact of new cash flow hedge accounting rules on November 1, 2006 (net of income taxes of \$28)	-	-	(51)	-
Losses on cash flow hedges arising during the period (net of income taxes of \$55 and \$79)	(109)	-	(156)	-
Reclassification to earnings (gains) on cash flow hedges (net of income taxes of \$1 and \$1)	(1)	-	2	-
Balance at End of Period	(205)	-	(205)	-
<b>Accumulated Other Comprehensive Loss on Translation of Net Foreign Operations</b>				
Balance at beginning of period	(835)	(806)	(789)	(612)
Unrealized gain (loss) on translation of net foreign operations	(375)	124	(501)	(400)
Impact of hedging translation gains (losses) of net foreign operations (net of income taxes of \$135, \$41, \$178 and \$133)	255	(80)	335	250
Balance at End of Period	(955)	(762)	(955)	(762)
<b>Total Accumulated Other Comprehensive Loss</b>	<b>(1,212)</b>	<b>(762)</b>	<b>(1,212)</b>	<b>(762)</b>
<b>Total Shareholders' Equity</b>	<b>\$ 15,320</b>	<b>\$ 14,703</b>	<b>\$ 15,320</b>	<b>\$ 14,703</b>

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

# Consolidated Statement of Cash Flows

(Unaudited) (Canadian \$ in millions)

	For the three months ended		For the nine months ended	
	July 31, 2007	July 31, 2006	July 31, 2007	July 31, 2006
<b>Cash Flows from Operating Activities</b>				
Net income	\$ 660	\$ 710	\$ 1,679	\$ 1,967
Adjustments to determine net cash flows provided by (used in) operating activities				
Write-down of securities, other than trading	-	1	-	9
Net gain on securities, other than trading	(6)	(52)	(98)	(108)
Net (increase) in trading securities	(5,145)	(1,104)	(17,042)	(2,073)
Provision for credit losses	91	42	202	160
Gain on sale of securitized loans (Note 4)	(41)	(13)	(155)	(25)
Change in derivative financial instruments				
(Increase) decrease in derivative asset	9,064	(719)	1,016	(1,418)
Increase (decrease) in derivative liability	(9,837)	974	(1,266)	3,277
Amortization of premises and equipment	100	88	291	265
Amortization of intangible assets	11	10	35	33
Net decrease in future income taxes	(61)	(69)	(140)	(68)
Net increase (decrease) in current income taxes	(5)	359	(589)	124
Change in accrued interest				
(Increase) decrease in interest receivable	1	(121)	126	(159)
Increase in interest payable	126	106	159	96
Changes in other items and accruals, net	(139)	1,106	926	1,044
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>(5,181)</b>	<b>1,318</b>	<b>(14,856)</b>	<b>3,124</b>
<b>Cash Flows from Financing Activities</b>				
Net increase in deposits	11,192	6,367	28,296	10,849
Net increase (decrease) in securities sold but not yet purchased	3,974	(1,417)	13,309	(1,853)
Net increase (decrease) in securities lent or sold under repurchase agreements	631	(3,484)	(38)	6,142
Net increase (decrease) in liabilities of subsidiaries	160	(369)	362	354
Repayment of subordinated debt	(150)	(300)	(483)	(425)
Proceeds from issuance of subordinated debt	1,200	-	1,200	700
Proceeds from issuance of preferred shares	-	-	350	-
Proceeds from issuance of common shares	71	46	194	188
Share issue expense	-	-	(9)	-
Common shares repurchased for cancellation (Note 9)	(195)	(158)	(433)	(312)
Dividends paid	(349)	(316)	(1,036)	(844)
<b>Net Cash Provided by Financing Activities</b>	<b>16,534</b>	<b>369</b>	<b>41,712</b>	<b>14,799</b>
<b>Cash Flows from Investing Activities</b>				
Net (increase) decrease in interest bearing deposits with banks	(5,226)	(175)	(5,370)	716
Purchases of securities, other than trading	(13,133)	(4,947)	(32,650)	(11,322)
Maturities of securities, other than trading	6,885	3,509	20,899	6,878
Proceeds from sales of securities, other than trading	6,043	1,871	8,355	4,263
Net (increase) in loans, customers' liability under acceptances and loan substitute securities	(6,299)	(4,113)	(15,599)	(16,153)
Proceeds from securitization of loans (Note 4)	1,207	978	2,636	2,753
Net (increase) decrease in securities borrowed or purchased under resale agreements	368	1,400	(3,544)	(4,067)
Premises and equipment – net purchases	(96)	(181)	(251)	(379)
Acquisitions (Note 5)	(2)	-	(387)	(76)
<b>Net Cash Used in Investing Activities</b>	<b>(10,253)</b>	<b>(1,658)</b>	<b>(25,911)</b>	<b>(17,387)</b>
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(210)	23	(460)	(146)
<b>Net Increase in Cash and Cash Equivalents</b>	<b>890</b>	<b>52</b>	<b>485</b>	<b>390</b>
Cash and Cash Equivalents at Beginning of Period	2,053	2,750	2,458	2,412
<b>Cash and Cash Equivalents at End of Period</b>	<b>\$ 2,943</b>	<b>\$ 2,802</b>	<b>\$ 2,943</b>	<b>\$ 2,802</b>

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

# Notes to Consolidated Financial Statements

For the nine months ended July 31, 2007 (Unaudited)

## Note 1 • Basis of Presentation

These consolidated financial statements should be read in conjunction with the notes to our consolidated financial statements for the year ended October 31, 2006 as set out on pages 96 to 133 of our 2006 Annual Report. These consolidated financial statements have been prepared in accordance with Canadian generally accepted

## Note 2 • Changes in Accounting Policy

On November 1, 2006, we adopted the Canadian Institute of Chartered Accountants' ("CICA's") accounting requirements for securities, hedging derivatives, other comprehensive income and certain other financial instruments. Prior periods have not been restated.

On November 1, 2006, we made the following adjustments to our balance sheet to adopt the new requirements:

(Canadian \$ in millions)	As at
	November 1, 2006
Increase (decrease)	
<b>Consolidated Balance Sheet</b>	
Available-for-sale securities (a)	\$ 4
Loans (b)(ii),(d)	(87)
Other assets	51
Derivative financial instruments – asset (b)	70
Deposits (b)(ii)	38
Derivative financial instruments – liability (b)	110
Subordinated debt (b)(ii)	9
Retained earnings	(71)
Accumulated other comprehensive income – available-for-sale securities (a)	3
Accumulated other comprehensive loss – cash flow hedges (b)(i)	(51)

The impact of these changes on our Consolidated Statement of Income is as follows:

(Canadian \$ in millions)	For the three months ended	For the nine months ended
	July 31, 2007	July 31, 2007
Increase (decrease) in net income		
<b>Consolidated Statement of Income</b>		
Interest, Dividend and Fee Income – Loans (d)	\$ 4	\$ 7
Non-Interest Revenue – Trading revenues (losses) (c)	12	15
Non-Interest Revenue – Other (b)(i)(ii)	-	(3)
Income taxes	(6)	(7)
Net Income	\$ 10	\$ 12

## Other Comprehensive Income

The new rules require that we present a new Consolidated Statement of Comprehensive Income, which is comprised of net income, changes in unrealized gains or losses related to available-for-sale securities, changes in unrealized gains or losses related to cash flow hedges and the net unrealized foreign exchange gain or loss for the period related to our net investment in foreign operations. This statement has been included above our Consolidated Statement of Changes in Shareholders' Equity.

accounting principles ("GAAP") using the same accounting policies and methods of computation as were used for our consolidated financial statements for the year ended October 31, 2006, except as described in Note 2.

## (a) Securities

The new rules require that we reclassify certain of our securities previously classified as investment securities as either available-for-sale or held-to-maturity securities.

Available-for-sale securities are measured at fair value with unrealized gains and losses recorded in other comprehensive income until the security is either sold, or if an unrealized loss is considered other than temporary, the unrealized loss is recorded in income. The criteria for other than temporary impairment remain unchanged. Available-for-sale securities where there is no quoted market price, including securities whose sale is restricted, will continue to be recorded at amortized cost. We have not classified any of our investment securities as held-to-maturity.

The new rules do not impact accounting for our merchant banking investments or investments in corporate equity where we exert significant influence, but not control. These are recorded as other securities on our Consolidated Balance Sheet. Additional information on our policies related to securities, determining fair value and other than temporary impairment is included in Note 3 to our consolidated financial statements for the year ended October 31, 2006.

On November 1, 2006, we remeasured our available-for-sale securities at fair value, as appropriate. A net unrealized gain of \$3 million was recorded in opening accumulated other comprehensive income.

## (b) Hedging Derivatives

The new rules require us to record all of our hedging derivatives at fair value. Prior to November 1, 2006, we accounted for derivatives that qualified as accounting hedges on an accrual basis.

The types of hedging relationships that qualify for hedge accounting have not changed under the new rules. We will continue to designate our hedges as either cash flow hedges or fair value hedges. A description of the items or transactions that we hedge and the risk management policy for each type of hedge is included in Note 9 to our consolidated financial statements for the year ended October 31, 2006.

### (i) Cash Flow Hedges

Cash flow hedges are used to manage the possible increase or decrease in interest income or expense related to variable rate assets and liabilities due to changes in interest rates.

Under the new rules, we will continue to record interest receivable or payable on the derivative as an adjustment to interest, dividend and fee income in the Consolidated Statement of Income over the life of the hedge.

To the extent that changes in the fair value of the derivative offset changes in the fair value of the hedged item, they are recorded in

other comprehensive income. Any portion of the change in fair value of the derivative that does not offset changes in the fair value of the hedged item (the ineffectiveness of the hedge) is recorded directly in non-interest revenue, other in the Consolidated Statement of Income. The ineffective portion of our cash flow hedges totalled \$6 million for the quarter ended July 31, 2007 (\$9 million for the nine months ended July 31, 2007).

For hedges that are discontinued before the end of the original hedge term, the unrealized gain or loss in other comprehensive income is amortized to interest, dividend and fee income in the Consolidated Statement of Income over the remaining term of the original hedge. If the hedged item is sold or settled, the entire unrealized gain or loss is recognized in interest, dividend and fee income in the Consolidated Statement of Income. The amount of other comprehensive loss that is expected to be reclassified to the Consolidated Statement of Income over the next 12 months is \$67 million (\$44 million after tax). This will be offset by increased net interest income on assets and liabilities that are hedged.

On November 1, 2006, we remeasured our cash flow hedge derivatives at fair value. The portion of the fair value that offset the fair value of the hedged item totalled \$8 million (\$5 million after tax) and was recorded in opening accumulated other comprehensive income. The ineffective portion of cash flow hedges recorded in opening retained earnings totalled less than \$1 million. We also reclassified \$86 million (\$56 million after tax) of deferred losses related to cash flow hedges that were discontinued prior to November 1, 2006 from other assets to opening accumulated other comprehensive income.

*(ii) Fair Value Hedges*

Fair value hedges are used to manage possible changes in the value of our fixed rate assets and liabilities due to changes in interest rates. For fair value hedges, not only is the hedging derivative recorded at fair value but fixed rate assets and liabilities that are part of a hedging relationship are adjusted for the changes in value of the risk being hedged (quasi fair value). To the extent that the change in the fair value of the derivative does not offset changes in the quasi fair value adjustment to the hedged item (the ineffectiveness of the hedge), the net amount will be recorded directly in non-interest revenue, other in the Consolidated Statement of Income. The ineffective portion of our fair value hedges totalled \$1 million for the quarter ended July 31, 2007 (\$2 million for the nine months ended July 31, 2007).

For fair value hedges that are discontinued, we cease adjusting the hedged item to quasi fair value. The quasi fair value adjustment on the hedged item will be recorded as an adjustment to the interest income/expense on the hedged item over its remaining term to maturity. If the hedged item is sold or settled, any remaining quasi fair value adjustment would be included in the determination of the gain or loss on sale or settlement.

When we remeasured fair value hedging derivatives to fair value on November 1, 2006, we made a corresponding adjustment to the carrying value of the items that we hedge with those derivatives (quasi fair value adjustment). The difference between these two amounts was recorded in opening retained earnings and totalled less than \$1 million. On November 1, 2006, we also reclassified deferred amounts related to fair value hedges that were discontinued prior to November 1, 2006 from other assets to adjust the carrying amount of

the items that were previously hedged. Quasi fair value adjustments related to these two activities were comprised of an increase in loans of \$3 million, an increase in deposits of \$38 million, an increase in subordinated debt of \$9 million and an increase in other assets of \$6 million.

**(c) Fair Value Option**

The new rules allow management to elect to measure financial instruments that would not otherwise be accounted for at fair value as trading instruments with changes in fair value recorded in income provided they meet certain criteria. Financial instruments must be designated on November 1, 2006 when the new standard was adopted or when new financial instruments are acquired, and the designation is irrevocable.

Structured notes issued by the Bank include embedded options. The Bank enters into derivatives which manage our exposure to changes in the structured note fair value caused by changes in interest rates. The structured notes are designated as trading under the fair value option which better aligns the accounting result with how the portfolio is managed. These notes are classified as other liabilities. The fair value and amount due at contractual maturity of these notes as at July 31, 2007 was \$572 million and \$591 million, respectively. The impact of recording these notes as trading was an increase in non-interest revenue, trading revenues of \$12 million for the quarter ended July 31, 2007 (\$15 million for the nine months ended July 31, 2007). The increase was offset by a loss on the derivatives.

Securities in our insurance subsidiaries that support our insurance liabilities have been designated as trading under the fair value option. Since the actuarial calculation of insurance liabilities is based on the recorded value of the securities supporting them, recording the securities at fair value better aligns the accounting result with how the portfolio is managed. The fair value of these securities as at July 31, 2007 was \$30 million. The impact of recording these securities as trading was an increase in non-interest revenue, insurance income of less than \$1 million for both the quarter and nine months ended July 31, 2007.

On November 1, 2006, we remeasured the portfolio of structured notes and certain of our insurance subsidiary securities at fair value. The net unrealized loss of less than \$1 million was recorded in opening retained earnings.

**(d) Effective Interest Method**

Loan origination costs are included in our loan balances and are recognized in interest, dividend and fee income, loans, over the life of the resulting loan. Prior to November 1, 2006, an equal amount of loan origination costs were recognized each period over the life of the resulting loan. The new rules require that we use the effective interest method to recognize loan origination costs whereby the amount recognized varies over the life of the loan based on principal outstanding.

As at November 1, 2006, we adjusted our deferred loan origination costs to what the balance would have been had we always used the effective interest method to recognize loan origination costs. The impact was a decrease in loans, residential mortgages of \$87 million, a decrease in future income tax liability of \$30 million and a decrease in retained earnings of \$57 million.



### Note 3 • Allowance for Credit Losses

The allowance for credit losses recorded in our Consolidated Balance Sheet is maintained at a level which we consider adequate to absorb credit-related losses on our loans, customers' liability under acceptances and other credit instruments. The portion related to other credit instruments is recorded in other liabilities in our

Consolidated Balance Sheet. As at July 31, 2007 and July 31, 2006 there was no allowance for credit losses related to other credit instruments included in other liabilities.

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

	For the three months ended						For the nine months ended					
	Specific Allowance		General Allowance		Total		Specific Allowance		General Allowance		Total	
	July 31, 2007	July 31, 2006	July 31, 2007	July 31, 2006	July 31, 2007	July 31, 2006	July 31, 2007	July 31, 2006	July 31, 2007	July 31, 2006	July 31, 2007	July 31, 2006
Balance at beginning of period	\$ 158	\$ 178	\$ 901	\$ 939	\$ 1,059	\$ 1,117	\$ 153	\$ 169	\$ 905	\$ 959	\$ 1,058	\$ 1,128
Provision for credit losses	91	42	-	-	91	42	202	160	-	-	202	160
Recoveries	24	33	-	-	24	33	67	88	-	-	67	88
Write-offs	(116)	(90)	-	-	(116)	(90)	(274)	(252)	-	-	(274)	(252)
Foreign exchange and other	-	1	(13)	4	(13)	5	9	(1)	(17)	(16)	(8)	(17)
Balance at end of period	\$ 157	\$ 164	\$ 888	\$ 943	\$ 1,045	\$ 1,107	\$ 157	\$ 164	\$ 888	\$ 943	\$ 1,045	\$ 1,107

### Note 4 • Securitization

During the quarter ended July 31, 2007, we securitized residential mortgages totalling \$1,245 million for total cash proceeds of \$1,207 million (\$2,692 million and \$2,636 million respectively, for the nine months ended July 31, 2007). There are no expected credit losses as the mortgages are guaranteed by third parties. We retained responsibility for servicing these mortgages. We recorded \$2 million of gains in non-interest revenue, securitization revenues, \$38 million of deferred purchase price in available-for-sale securities and \$8 million of servicing liability in other liabilities related to the securitization of those loans (\$12 million, \$100 million and \$20

million respectively, for the nine months ended July 31, 2007). The key weighted-average assumptions used to value the deferred purchase price for these securitizations was an average term of 4.3 years, a prepayment rate of 10.0%, an interest rate of 5.07% and a discount rate of 5.01% (4.5 years and 9.6%, 5.19% and 4.57% respectively, for the nine months ended July 31, 2007).

In addition, gains on sales of loans sold to all revolving securitization vehicles were \$39 million for the quarter ended July 31, 2007 (\$143 million for the nine months ended July 31, 2007).

### Note 5 • Acquisitions

#### Ozaukee Bank

On July 10, 2007, we announced that we had reached a definitive agreement to purchase Ozaukee Bank. Under the agreement, Ozaukee Bank shareholders will receive approximately 3 million shares of Bank of Montreal. The exact number of shares will be determined based on a formula prior to closing. The acquisition of Ozaukee Bank is subject to regulatory approval and the approval of Ozaukee Bank shareholders. The acquisition of Ozaukee Bank is expected to close later this calendar year, at which time it will be recorded in our consolidated financial statements as the acquisition of a business. Ozaukee Bank will be part of our Personal and Commercial Banking U.S. reporting segment.

#### Merchants and Manufacturers Bancorporation, Inc.

On July 10, 2007, we announced that we had reached a definitive agreement to purchase Merchants and Manufacturers Bancorporation, Inc. ("Merchants and Manufacturers") for total cash consideration of approximately \$146 million. The acquisition of Merchants and Manufacturers is subject to regulatory approval and the approval of Merchants and Manufacturers shareholders. The acquisition of Merchants and Manufacturers is expected to close later this calendar year, at which time it will be recorded in our consolidated financial statements as the acquisition of a business. Merchants and Manufacturers will be part of our Personal and Commercial Banking U.S. reporting segment.

#### First National Bank & Trust

On January 4, 2007, we completed the acquisition of First National Bank & Trust ("First National") for total cash consideration of \$345 million. The results of First National's operations have been included in our consolidated financial statements since that date. The

acquisition of First National provides us with the opportunity to expand our banking services in the Indianapolis, Indiana market. As part of this acquisition, we acquired a core deposit intangible asset, which will be amortized on an accelerated basis over a period not to exceed 10 years. Goodwill related to this acquisition is deductible for tax purposes. First National is part of our Personal and Commercial Banking U.S. reporting segment.

#### bcpbank Canada

On December 4, 2006, we completed the acquisition of bcpbank Canada, a full-service chartered bank, for total cash consideration of \$42 million. The results of bcpbank Canada's operations have been included in our consolidated financial statements since that date. As part of this acquisition, we acquired a core deposit intangible asset, which will be amortized on an accelerated basis over 10 years. Goodwill related to this acquisition is not deductible for tax purposes. bcpbank Canada is part of our Personal and Commercial Banking Canada reporting segment.

#### Villa Park Trust and Savings Bank

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

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

(Canadian \$ in millions)	July 31,		July 31,
	2007	2006	2006
	First National	bcpbank Canada	Villa Park
Cash resources	\$ 110	\$ 47	\$ 16
Securities	317	23	54
Loans	1,013	293	247
Premises and equipment	30	9	5
Goodwill	172	14	44
Core deposit intangible asset	37	5	7
Other assets	52	2	4
<b>Total assets</b>	<b>1,731</b>	<b>393</b>	<b>377</b>
Deposits	1,376	339	296
Other liabilities	10	12	5
<b>Total liabilities</b>	<b>1,386</b>	<b>351</b>	<b>301</b>
Purchase price	\$ 345	\$ 42	\$ 76

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

## Note 6 • Employee Compensation

### Change in Accounting Policy

During the year ended October 31, 2006, we adopted the CICA's new accounting requirements for stock-based compensation. The new rules require that stock-based compensation granted to employees eligible to retire be expensed at the time of grant. Previously, we amortized the cost over the vesting period. Prior periods have been restated to reflect this change.

### Stock Options

During the nine months ended July 31, 2007, we granted a total of 1,229,500 stock options. The weighted-average fair value of these options was \$7.56 per option and was determined using a trinomial option pricing model, based on the following weighted-average assumptions:

For stock options granted during the nine months ended July 31, 2007

Expected dividend yield	3.8%
Expected share price volatility	15.6%
Risk-free rate of return	4.0%
Expected period until exercise	7.4 years

### Pension and Other Employee Future Benefit Expenses

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

(Canadian \$ in millions)	Pension benefit plans		Other employee future benefit plans	
	For the three months ended		For the three months ended	
	July 31, 2007	July 31, 2006	July 31, 2007	July 31, 2006
Benefits earned by employees	\$ 35	\$ 34	\$ 5	\$ 4
Interest cost on accrued benefit liability	54	51	12	13
Actuarial loss recognized in expense	16	20	4	5
Amortization of plan amendment costs	3	1	-	(2)
Expected return on plan assets	(70)	(63)	(1)	(2)
<b>Benefits expense</b>	<b>38</b>	<b>43</b>	<b>20</b>	<b>18</b>
Canada and Quebec pension plan expense	14	13	-	-
Defined contribution expense	3	2	-	-
<b>Total pension and other employee future benefit expenses</b>	<b>\$ 55</b>	<b>\$ 58</b>	<b>\$ 20</b>	<b>\$ 18</b>

(Canadian \$ in millions)	Pension benefit plans		Other employee future benefit plans	
	For the nine months ended		For the nine months ended	
	July 31, 2007	July 31, 2006	July 31, 2007	July 31, 2006
Benefits earned by employees	\$ 114	\$ 103	\$ 16	\$ 14
Interest cost on accrued benefit liability	164	155	37	35
Actuarial loss recognized in expense	46	62	12	12
Amortization of plan amendment costs	8	4	(3)	(4)
Expected return on plan assets	(209)	(189)	(4)	(4)
<b>Benefits expense</b>	<b>123</b>	<b>135</b>	<b>58</b>	<b>53</b>
Canada and Quebec pension plan expense	44	41	-	-
Defined contribution expense	11	8	-	-
<b>Total pension and other employee future benefit expenses</b>	<b>\$ 178</b>	<b>\$ 184</b>	<b>\$ 58</b>	<b>\$ 53</b>

## Note 7 • Restructuring Charge

On January 31, 2007, we recorded a restructuring charge of \$135 million in the Consolidated Statement of Income. The objectives of the restructuring are to enhance customer service by directing spending and resources on front-line sales and service improvements; creating more efficient processes and systems across the company and continuing to accelerate the pace of the company's growth.

The charge relates to the elimination of approximately 1,000 positions in primarily non-customer-facing areas of the company across all support functions and business groups. Of the charge, \$117 million relates to severance-related costs, \$11 million is associated with premises-related charges and \$7 million relates to other costs.

Premises-related charges include lease cancellation payments for those locations where we have legally extinguished our lease obligation as well as the carrying value of abandoned assets.

We engaged a professional services firm to provide us with strategic and organizational advice with respect to the restructuring initiatives. A charge of \$7 million for these services has been included in the restructuring charge.

	Severance- related charges	Premises- related charges	Other	Total
Opening balance	\$ 117	\$ 11	\$ 7	\$ 135
Paid in the quarter	(7)	-	(7)	(14)
Balance as at January 31, 2007	110	11	-	121
Paid in the quarter	(5)	(10)	-	(15)
Balance as at April 30, 2007	105	1	-	106
Paid in the quarter	(17)	-	-	(17)
Balance as at July 31, 2007	\$ 88	\$ 1	\$ -	\$ 89

## Note 8 • Subordinated debt

During the quarter ended July 31, 2007, we redeemed all of our 7.92% Debentures, Series 22, due 2012, totalling \$150 million. The debentures were redeemed at a redemption price of 100 per cent of the principal amount plus unpaid accrued interest to the redemption date.

During the quarter ended July 31, 2007, we issued \$1.2 billion of subordinated debt under our Canadian Medium-Term Note Program.

The issue, Series D Medium-Term Notes, Second Tranche, is due June 2017. Interest on this issue is payable semi-annually at a fixed rate of 5.20% until June 21, 2012, and at a floating rate equal to the rate on three month Bankers' Acceptances plus 1.00%, paid quarterly, thereafter to maturity.

During the quarter ended April 30, 2007, our US\$300 million 7.80% Notes matured.

## Note 9 • Share Capital

During the quarter ended January 31, 2007, we issued 14,000,000 4.5% Non-Cumulative Perpetual Class B Preferred Shares, Series 13, at a price of \$25.00 per share, representing an aggregate issue price of \$350 million.

During the quarter ended July 31, 2007, we repurchased 2,809,900 common shares at an average cost of \$69.12 per share, totalling \$195 million. During the quarter ended July 31, 2006, we repurchased 2,544,900 common shares at an average cost of \$61.90 per share, totalling \$158 million. During the nine months ended July 31, 2007, we repurchased 6,215,300 common shares at an average cost of \$69.69 per share, totalling \$433 million. During the nine months

ended July 31, 2006, we repurchased 4,944,400 common shares at an average cost of \$63.13 per share, totalling \$312 million.

On August 27, 2007, we redeemed all our 8,000,000 Non-Cumulative Class B Preferred Shares, Series 4, at a price of \$25.00 per share, together with declared and unpaid dividends to the date of redemption. This represents an aggregate redemption price of approximately \$200 million.

There have been 6,681,100 common shares repurchased under the existing normal course issuer bid that expires on September 5, 2007 and pursuant to which we are permitted to repurchase up to 15,000,000 common shares.

## Share Capital Outstanding (a)

(Canadian \$ in millions, except as noted)

	July 31, 2007		
	Number of shares	Amount	Convertible into...
Preferred Shares – Classified as Liabilities			
Class B – Series 4	8,000,000	\$ 200	common shares (b)
Class B – Series 6	10,000,000	250	common shares (b)
		450	
Preferred Shares – Classified as Equity			
Class B – Series 5	8,000,000	200	-
Class B – Series 10 (c)	12,000,000	396	common shares (b)
Class B – Series 13	14,000,000	350	-
		946	
Common Shares	498,943,821	4,372	-
Share Capital		\$ 5,318	
Stock options issued under stock option plan		n/a	21,229,981 common shares

(a) For additional information refer to Notes 20 and 21 to our consolidated financial statements for the year ended October 31, 2006 on pages 118 to 121 of our 2006 Annual Report.

(b) The number of shares issuable on conversion is not determinable until the date of conversion.

(c) Face value is US\$300 million.  
n/a – not applicable

## Note 10 • Contingent Liabilities

Following our recent disclosures of mark-to-market losses in our commodities trading businesses on April 27, 2007 and May 17, 2007 aggregating \$680 million (pre-tax) as of April 30, 2007, the Bank has received inquiries, requests for documents and subpoenas pertaining

to the trading losses from securities, commodities, banking and law enforcement authorities. As these inquiries are in the early stages, we are unable to determine whether any proceedings against the Bank will result. The Bank is cooperating with all of these authorities.

## Note 11 • United States Generally Accepted Accounting Principles

Reporting under United States GAAP would have resulted in the following:

(Canadian \$ in millions, except earnings per share figures)

	For the three months ended		For the nine months ended	
	July 31, 2007	July 31, 2006	July 31, 2007	July 31, 2006
Net Income – Canadian GAAP	\$ 660	\$ 710	\$ 1,679	\$ 1,967
United States GAAP adjustments	(4)	(3)	(28)	(42)
Net Income – United States GAAP	\$ 656	\$ 707	\$ 1,651	\$ 1,925
Earnings Per Share				
Basic – Canadian GAAP	\$ 1.30	\$ 1.41	\$ 3.29	\$ 3.88
Basic – United States GAAP	1.30	1.39	3.24	3.79
Diluted – Canadian GAAP	1.28	1.38	3.24	3.80
Diluted – United States GAAP	1.27	1.37	3.18	3.72

### Hybrid Financial Instruments

During the quarter ended January 31, 2007, we adopted the new United States accounting standard on hybrid financial instruments. The new rules allow us to elect to measure certain hybrid financial instruments at fair value in their entirety, with any changes in fair value recognized in earnings. Under the previous rules, only the embedded derivative in the hybrid financial instrument was recorded at fair value. We did not elect to measure any hybrid financial instruments at fair value. The new standard did not have any impact on our consolidated financial statements.

### Pensions and Other Employee Future Benefits

During the quarter ended January 31, 2007, we adopted the new

United States accounting standard on pensions and other employee future benefit plans. The new rules require us to recognize in our Consolidated Balance Sheet the funded status of the pension benefit and other employee future benefit plans, with a corresponding adjustment to accumulated other comprehensive income, net of tax. There will be no change in the calculation of the pension and other employee future benefits expense.

### Financial Instruments

During the quarter ended January 31, 2007, we adopted new Canadian accounting requirements for financial instruments, hedges and other comprehensive income, which are harmonized with the United States accounting standards (see Note 2).

## Note 12 • Operating and Geographic Segmentation

### Operating Groups

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

### Personal and Commercial Banking

Personal and Commercial Banking (“P&C”) is comprised of two operating segments: Personal and Commercial Banking Canada and Personal and Commercial Banking U.S.

#### Personal and Commercial Banking Canada

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

#### Personal and Commercial Banking U.S.

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

### Private Client Group

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

### BMO Capital Markets

BMO Capital Markets (“BMO CM”) combines all of our businesses serving corporate, institutional and government clients. In Canada and the United States, its clients span a broad range of industry sectors. BMO CM also serves clients in the United Kingdom, Europe, Asia and Australia. It offers clients complete financial solutions, including equity and debt underwriting, corporate lending and project financing, mergers and acquisitions, advisory services, merchant banking, securitization, treasury and market risk management, debt and equity research and institutional sales and trading.

### Corporate Services

Corporate Services includes Technology and Operations (“T&O”) and the Corporate units that provide expertise and governance support in areas such as strategic planning, law, finance, internal audit, risk management, corporate communications, economics, corporate marketing, human resources and learning. Operating results for Corporate Services include revenues and expenses associated with certain securitization activities, the hedging of foreign-source earnings and activities related to the management of certain balance sheet positions and our overall asset liability structure.

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

Operating results for T&O are included with Corporate Services for reporting purposes. However, costs of T&O services are transferred to P&C, PCG, and BMO CM and only minor amounts are retained in T&O’s results. As such, results for Corporate Services largely reflect operating results of Corporate units.

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

### Basis of Presentation

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

#### *Taxable Equivalent Basis*

We analyze net interest income on a taxable equivalent basis (“teb”). This basis includes an adjustment which increases GAAP revenues and the GAAP provision for income taxes by an amount that would raise revenues on certain tax-exempt securities to a level that would incur tax at the statutory rate.

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

#### *Provisions for Credit Losses*

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

### Inter-Group Allocations

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

### Geographic Information

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

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

## Note 12 • Operating and Geographic Segmentation (continued)

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

(Canadian \$ in millions)

For the three months ended <b>July 31, 2007</b>	P&C Canada	P&C U.S.	PCG	BMO CM	Corporate Services (1)	Total (teb basis) (2)	Teb adjustments	Total (GAAP basis)
Net interest income	\$ 800	\$ 181	\$ 154	\$ 254	\$ (88)	\$ 1,301	\$ (54)	\$ 1,247
Non-interest revenue	454	45	366	437	6	1,308	-	1,308
Total Revenue	1,254	226	520	691	(82)	2,609	(54)	2,555
Provision for credit losses	81	9	1	19	(19)	91	-	91
Non-interest expense	670	177	357	445	10	1,659	-	1,659
Income before taxes and non-controlling interest in subsidiaries	503	40	162	227	(73)	859	(54)	805
Income taxes	153	14	57	31	(74)	181	(54)	127
Non-controlling interest in subsidiaries	-	-	-	-	18	18	-	18
Net Income	\$ 350	\$ 26	\$ 105	\$ 196	\$ (17)	\$ 660	\$ -	\$ 660
Average Assets	\$ 120,000	\$ 23,454	\$ 7,033	\$ 210,834	\$ 4,014	\$ 365,335	\$ -	\$ 365,335
Goodwill (As At)	\$ 107	\$ 708	\$ 320	\$ 95	\$ 2	\$ 1,232	\$ -	\$ 1,232
For the three months ended July 31, 2006	P&C Canada	P&C U.S.	PCG	BMO CM	Corporate Services (1)	Total (teb basis) (2)	Teb adjustments	Total (GAAP basis)
Net interest income	\$ 760	\$ 184	\$ 148	\$ 200	\$ (25)	\$ 1,267	\$ (33)	\$ 1,234
Non-interest revenue	469	45	329	477	16	1,336	-	1,336
Total Revenue	1,229	229	477	677	(9)	2,603	(33)	2,570
Provision for credit losses	78	8	1	20	(65)	42	-	42
Non-interest expense	674	168	344	385	29	1,600	-	1,600
Income before taxes and non-controlling interest in subsidiaries	477	53	132	272	27	961	(33)	928
Income taxes	130	23	49	69	(39)	232	(33)	199
Non-controlling interest in subsidiaries	-	-	-	-	19	19	-	19
Net Income	\$ 347	\$ 30	\$ 83	\$ 203	\$ 47	\$ 710	\$ -	\$ 710
Average Assets	\$ 115,777	\$ 21,879	\$ 6,611	\$ 165,473	\$ 4,917	\$ 314,657	\$ -	\$ 314,657
Goodwill (As At)	\$ 93	\$ 587	\$ 324	\$ 98	\$ 2	\$ 1,104	\$ -	\$ 1,104
For the nine months ended <b>July 31, 2007</b>	P&C Canada	P&C U.S.	PCG	BMO CM	Corporate Services (1)	Total (teb basis) (2)	Teb adjustments	Total (GAAP basis)
Net interest income	\$ 2,295	\$ 558	\$ 458	\$ 741	\$ (269)	\$ 3,783	\$ (136)	\$ 3,647
Non-interest revenue	1,334	132	1,086	807	143	3,502	-	3,502
Total Revenue	3,629	690	1,544	1,548	(126)	7,285	(136)	7,149
Provision for credit losses	242	27	2	58	(127)	202	-	202
Non-interest expense	1,974	535	1,075	1,168	194	4,946	-	4,946
Income before taxes and non-controlling interest in subsidiaries	1,413	128	467	322	(193)	2,137	(136)	2,001
Income taxes	447	46	166	(55)	(202)	402	(136)	266
Non-controlling interest in subsidiaries	-	-	-	-	56	56	-	56
Net Income	\$ 966	\$ 82	\$ 301	\$ 377	\$ (47)	\$ 1,679	\$ -	\$ 1,679
Average Assets	\$ 118,307	\$ 23,921	\$ 6,960	\$ 202,653	\$ 3,574	\$ 355,415	\$ -	\$ 355,415
Goodwill (As At)	\$ 107	\$ 708	\$ 320	\$ 95	\$ 2	\$ 1,232	\$ -	\$ 1,232
For the nine months ended July 31, 2006	P&C Canada	P&C U.S.	PCG	BMO CM	Corporate Services (1)	Total (teb basis) (2)	Teb adjustments	Total (GAAP basis)
Net interest income	\$ 2,186	\$ 556	\$ 424	\$ 582	\$ (125)	\$ 3,623	\$ (94)	\$ 3,529
Non-interest revenue	1,236	125	1,004	1,565	65	3,995	-	3,995
Total Revenue	3,422	681	1,428	2,147	(60)	7,618	(94)	7,524
Provision for credit losses	235	23	2	60	(160)	160	-	160
Non-interest expense	1,922	503	1,007	1,211	97	4,740	-	4,740
Income before taxes and non-controlling interest in subsidiaries	1,265	155	419	876	3	2,718	(94)	2,624
Income taxes	395	64	148	204	(117)	694	(94)	600
Non-controlling interest in subsidiaries	-	-	-	-	57	57	-	57
Net Income	\$ 870	\$ 91	\$ 271	\$ 672	\$ 63	\$ 1,967	\$ -	\$ 1,967
Average Assets	\$ 113,706	\$ 21,812	\$ 6,490	\$ 158,715	\$ 4,731	\$ 305,454	\$ -	\$ 305,454
Goodwill (As At)	\$ 93	\$ 587	\$ 324	\$ 98	\$ 2	\$ 1,104	\$ -	\$ 1,104

(1) Corporate Services includes Technology and Operations.

(2) Taxable equivalent basis – see Basis of Presentation section.

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

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

	Canada	United States	Other countries	Total
<b>For the three months ended July 31, 2007</b>				
Net interest income	\$ 991	\$ 231	\$ 79	\$ 1,301
Non-interest revenue	1,030	184	94	1,308
<b>Total Revenue</b>	<b>2,021</b>	<b>415</b>	<b>173</b>	<b>2,609</b>
Provision for credit losses	59	32	-	91
Non-interest expense	1,219	402	38	1,659
Income before taxes and non-controlling interest in subsidiaries	743	(19)	135	859
Income taxes	192	(28)	17	181
Non-controlling interest in subsidiaries	13	5	-	18
<b>Net Income</b>	<b>\$ 538</b>	<b>\$ 4</b>	<b>\$ 118</b>	<b>\$ 660</b>
<b>Average Assets</b>	<b>\$ 221,240</b>	<b>\$ 111,384</b>	<b>\$ 32,711</b>	<b>\$ 365,335</b>
<b>Goodwill (As At)</b>	<b>\$ 424</b>	<b>\$ 808</b>	<b>\$ -</b>	<b>\$ 1,232</b>
<b>For the three months ended July 31, 2006</b>				
Net interest income	\$ 980	\$ 248	\$ 39	\$ 1,267
Non-interest revenue	945	348	43	1,336
<b>Total Revenue</b>	<b>1,925</b>	<b>596</b>	<b>82</b>	<b>2,603</b>
Provision for credit losses	56	(14)	-	42
Non-interest expense	1,126	442	32	1,600
Income before taxes and non-controlling interest in subsidiaries	743	168	50	961
Income taxes	208	42	(18)	232
Non-controlling interest in subsidiaries	14	5	-	19
<b>Net Income</b>	<b>\$ 521</b>	<b>\$ 121</b>	<b>\$ 68</b>	<b>\$ 710</b>
<b>Average Assets</b>	<b>\$ 195,496</b>	<b>\$ 90,954</b>	<b>\$ 28,207</b>	<b>\$ 314,657</b>
<b>Goodwill (As At)</b>	<b>\$ 410</b>	<b>\$ 694</b>	<b>\$ -</b>	<b>\$ 1,104</b>
<b>For the nine months ended July 31, 2007</b>				
Net interest income	\$ 2,810	\$ 738	\$ 235	\$ 3,783
Non-interest revenue	3,086	212	204	3,502
<b>Total Revenue</b>	<b>5,896</b>	<b>950</b>	<b>439</b>	<b>7,285</b>
Provision for credit losses	170	36	(4)	202
Non-interest expense	3,581	1,241	124	4,946
Income before taxes and non-controlling interest in subsidiaries	2,145	(327)	319	2,137
Income taxes	535	(185)	52	402
Non-controlling interest in subsidiaries	40	16	-	56
<b>Net Income</b>	<b>\$ 1,570</b>	<b>\$ (158)</b>	<b>\$ 267</b>	<b>\$ 1,679</b>
<b>Average Assets</b>	<b>\$ 211,032</b>	<b>\$ 111,574</b>	<b>\$ 32,809</b>	<b>\$ 355,415</b>
<b>Goodwill (As At)</b>	<b>\$ 424</b>	<b>\$ 808</b>	<b>\$ -</b>	<b>\$ 1,232</b>
<b>For the nine months ended July 31, 2006</b>				
Net interest income	\$ 2,747	\$ 769	\$ 107	\$ 3,623
Non-interest revenue	2,782	1,078	135	3,995
<b>Total Revenue</b>	<b>5,529</b>	<b>1,847</b>	<b>242</b>	<b>7,618</b>
Provision for credit losses	161	-	(1)	160
Non-interest expense	3,350	1,289	101	4,740
Income before taxes and non-controlling interest in subsidiaries	2,018	558	142	2,718
Income taxes	543	171	(20)	694
Non-controlling interest in subsidiaries	41	16	-	57
<b>Net Income</b>	<b>\$ 1,434</b>	<b>\$ 371</b>	<b>\$ 162</b>	<b>\$ 1,967</b>
<b>Average Assets</b>	<b>\$ 191,337</b>	<b>\$ 87,794</b>	<b>\$ 26,323</b>	<b>\$ 305,454</b>
<b>Goodwill (As At)</b>	<b>\$ 410</b>	<b>\$ 694</b>	<b>\$ -</b>	<b>\$ 1,104</b>

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

## **INVESTOR AND MEDIA PRESENTATION**

### **Investor Presentation Materials**

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

### **Quarterly Conference Call and Webcast Presentations**

Interested parties are also invited to listen to our quarterly conference call on Tuesday, August 28, 2007 at 2:00 p.m. (EDT). At that time, senior BMO executives will comment on results for the quarter and respond to questions from the investor community. The call may be accessed by telephone at 416-695-9753 (from within Toronto) or 1-888-789-0089 (toll-free outside Toronto). A replay of the conference call can be accessed until Monday, November 26, 2007 by calling 416-641-2196 (from within Toronto) or 1-888-742-2491 (toll-free outside Toronto) and entering passcode 7577.

A live webcast of the call can be accessed on our web site at [www.bmo.com/investorrelations](http://www.bmo.com/investorrelations). A replay can be accessed on the site until Monday, November 26, 2007.

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Sharon Sandall, Acting Secretary, Corporate and Legal Affairs

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### **Shareholder Dividend Reinvestment and Share Purchase Plan**

Average market price

May 2007 \$ 70.94

June 2007 \$ 67.58

July 2007 \$ 68.15

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

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**To review financial results online, please visit our web site at [www.bmo.com](http://www.bmo.com)**

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#### **Annual Meeting 2008**

The next Annual Meeting of Shareholders will be held on Tuesday, March 4, 2008 in Quebec City, Quebec.