Financial Performance and Condition at a Glance

Our Performance (Note 1)

Total Shareholder Return (TSR)
- BMO shareholders have earned an average annual return of 14.2% over the past five years.
- The one-year TSR in 2007 was –5.8%, compared with a top-tier return of 24.1% in 2006.
- BMO’s one-year TSR was 20% or higher in three of the past five years.

Further details are provided on page 31.

Earnings per Share (EPS) Growth
- EPS fell 20.2% to $4.11 in 2007, after having grown to record levels for four straight years.
- Excluding the impact of significant items, EPS rose 10.8% to $5.66, primarily due to improved revenues from business growth.
- Personal and Commercial Banking and Private Client Group each earned record net income for the third consecutive year.

Further details are provided on page 32.

Return on Equity (ROE)
- ROE was 14.4% in a difficult year, reflecting the core strengths and benefits of our diversified businesses.
- ROE has exceeded 13% for 18 consecutive years, distinguishing BMO as the only bank in its North American peer group with this level of earnings consistency.
- Excluding the impact of significant items, ROE was 19.8%.

Further details are provided on page 33.

Net Economic Profit (NEP) Growth
- NEP, a measure of added economic value, fell to $603 million from a record $1,230 million in the prior year.
- Excluding the impact of significant items, NEP grew to $1,390 million, supported by record earnings in P&C Canada and Private Client Group as well as strong results in BMO Capital Markets.

Further details are provided on page 33.

Note 1. Results stated on a cash basis and on a basis that excludes the impact of significant items are non-GAAP measures. Revenue and income taxes are reported in the MD&A on a taxable equivalent basis, which is also a non-GAAP basis of reporting. Please see page 34 for a discussion of the use of non-GAAP measures.

Peer Group Performance

Five-Year TSR (%)
- The Canadian peer group average annual five-year TSR was 20.4%, up slightly from a year ago.
- The Canadian peer group average one-year TSR was 8.0%.
- The North American peer group average annual five-year TSR was 15.6%.

EPS Growth (%)
- Canadian peer group EPS grew by an average of 2.2%.
- Excluding the impact of significant items, Canadian peer group EPS grew by an average of 18.7%. The increase reflected an average operating leverage of 5.0%, supported by a lower effective tax rate, partially offset by increased provisions for credit losses.
- North American peer group EPS was unchanged on average from a year ago, but grew by an average of 4.5% excluding the impact of significant items.

ROE (%)  
- The Canadian peer group average ROE was 21.1%.
- Excluding the impact of significant items, the peer group average ROE was 22.0%.
- The North American peer group average ROE was 15.8% both on a reported basis and on a basis that excludes the impact of significant items.

NEP Growth (%)
- Canadian peer group NEP grew by an average of –4.3%, reflecting weak EPS growth of certain members of the peer group.
- Excluding the impact of significant items, peer group NEP grew on average by 25.0% with major contributions from Canadian retail banking and wealth management as well as wholesale banking.
- North American peer group NEP grew by an average of –12.8% on a reported basis and by –4.5% excluding the impact of significant items. Canadian peer group NEP growth for 2003 (3,112%) is not to scale.

Certain BMO and peer group prior year data has been restated to conform with the current year’s basis of presentation.

Results are as at or for the years ended October 31 for Canadian banks and as at or for the years ended September 30 for U.S. banks, as appropriate.

Further details are provided on page 31.

Note 1. Results stated on a cash basis and on a basis that excludes the impact of significant items are non-GAAP measures. Revenue and income taxes are reported in the MD&A on a taxable equivalent basis, which is also a non-GAAP basis of reporting. Please see page 34 for a discussion of the use of non-GAAP measures.
**Our Performance** (Note 1)

### Revenue Growth
- Revenue decreased $583 million or 5.8% in 2007.
- Excluding the impact of significant items, revenue increased $588 million or 5.8%, supported by revenue growth in all operating groups.

Further details are provided on page 36.

### Productivity Ratio (Expense-to-Revenue Ratio)
- The productivity ratio was 69.3%.
- Excluding the impact of significant items, the productivity ratio improved by 150 basis points to 61.3% and the cash productivity ratio improved by 150 basis points to 60.9%. On this basis, cash productivity has improved by 640 basis points over the past five years.

Further details are provided on page 40.

### Credit Losses
- The provision for credit losses (PCL) was $353 million, comprised of $303 million of specific provisions and a $50 million increase in the general allowance.
- PCL as a percentage of average net loans and acceptances remains low, at 17 basis points, well below the 15-year average of 31 basis points.

Further details are provided on pages 39 and 67.

### Impaired Loans
- Gross impaired loans and acceptances were $720 million, up 8% from $666 million in 2006, and represented 4.1% of equity and allowances for credit losses, compared with 3.8% a year ago.
- Formations of new impaired loans and acceptances, a key driver of provisions for credit losses, were $588 million, up from $420 million in 2006.

Further details are provided on pages 39 and 67.

### Peer Group Performance

#### Revenue Growth (\%) (Note 1)
- Average revenue growth of the Canadian peer group was 4.9% on a reported basis and 9.9% excluding the impact of significant items. The major contributors to revenue growth were Canadian retail banking and wholesale banking.
- Average revenue growth of the North American peer group was 10.0% on a reported basis and 10.9% excluding the impact of significant items.

#### Productivity Ratio (%) (Note 1)
- The average productivity ratio of the Canadian peer group was 60.9%.
- Excluding the impact of significant items, the average productivity ratio of the peer group improved by 290 basis points to 59.3%, with each member of the peer group contributing to the improvement. On this basis, the average cash productivity ratio of the peer group improved by 280 basis points to 58.4%.
- The average productivity ratio of the North American peer group was 57.1% on an as reported basis and 56.7% excluding the impact of significant items.

#### Provision for Credit Losses as a % of Average Net Loans and Acceptances
- Provisions for credit losses of the Canadian peer group averaged 23 basis points of net loans and acceptances, well below the 15-year average of 45 basis points.
- Provisions for credit losses of the North American peer group averaged 76 basis points, up from 54 basis points last year.

#### Gross Impaired Loans and Acceptances as a % of Equity and Allowances for Credit Losses
- Gross impaired loans and acceptances of the Canadian peer group averaged 9% higher than in 2006, and represented 4.5% of equity and allowances for credit losses, versus 4.3% last year.
- Gross impaired loans and acceptances of the North American peer group averaged 49% higher than in 2006, and represented 3.5% of equity and allowances for credit losses, compared with 2.6% a year ago.

Further details are provided on pages 39 and 67.
Our Performance

Cash and Securities-to-Total Assets
- The cash and securities-to-total assets ratio increased to 33.1% from 27.2% in 2006, reflecting a strong liquidity position.
- Liquidity continues to be supported by broad diversification of deposits and a strong capital base.

Capital Adequacy
- The Tier 1 Capital Ratio was strong at 9.51%, down from 10.22% last year, but well above our minimum target of 8.0%.
- The Total Capital Ratio was 11.74%, down slightly from 11.76% in 2006.
- BMO has $2.7 billion of excess capital relative to our targeted minimum Tier 1 Capital Ratio.

Credit Rating (Moody’s)
- Our credit rating, as measured by Moody's senior debt ratings, was upgraded due to a change in its methodology. Our rating was raised to Aa1 from Aa3 in the second quarter of 2007, equal to or better than the rating of three other major Canadian banks.
- Moody’s ratings outlook on BMO remains stable.

Credit Rating (Standard & Poor’s)
- Our credit rating, as measured by Standard and Poor’s (S&P) senior debt ratings, was A+, equal to or better than the rating of two other major Canadian banks.
- S&P’s ratings outlook on BMO remains stable.

Peer Group Performance

Cash and Securities-to-Total Assets (%)
- The cash and securities-to-total assets ratio of the Canadian peer group averaged 31.7%, down from 33.5% in 2006.
- The cash and securities-to-total assets ratio of the North American peer group averaged 31.5%, up slightly from 31.2% last year.

Capital Adequacy
- The Canadian peer group average Tier 1 Capital Ratio was 9.56% in 2007, down from 10.36% in 2006.

Credit Rating (Moody’s)
- Moody’s median credit rating of the Canadian peer group was Aa1 at the end of 2007, up from Aa3 at the end of 2006. The rating of each of the banks in the peer group was upgraded as Moody's revised its rating methodology.
- The median rating of the North American peer group was Aa2 at the end of 2007, up from Aa3 at the end of 2006 as the ratings of 10 of the 15 banks in the peer group were upgraded due to the change in rating methodology.

Credit Rating (Standard & Poor’s)
- S&P’s median credit rating of the Canadian peer group was unchanged from last year at AA–.
- The median credit rating of the North American peer group was AA– at the end of 2007, up from A+ at the end of 2006 as the ratings of five of the larger U.S. banks were upgraded.

Further details are provided on page 58.

The following Enterprise-Wide Strategy and Economic Developments sections of this Annual Report contain certain forward-looking statements. By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. Please refer to the Caution Regarding Forward-looking Statements on page 28 of this Annual Report for a discussion of such risks and uncertainties and the material factors and assumptions related to the statements set forth in such sections.