Financial Performance and Condition at a Glance

Our Performance (Note 1)

Total Shareholder Return (TSR)
- BMO shareholders have earned an average annual return of 0.9% over the past five years.
- The one-year TSR in 2008 was ~27.9%, reflecting the difficult economic and market conditions. BMO’s one-year return was slightly better than the comparable indices.

Earnings per Share (EPS) Growth
- EPS fell 8.5% to $3.76 in 2008.
- The net impact of notable items (see page 36) reduced EPS by $1.16 in 2008 and $1.55 in 2007.
- ROE of 13% or better has been achieved for 19 consecutive years, distinguishing BMO as the only bank in its North American peer group with this level of earnings consistency.

Return on Equity (ROE)
- ROE was 13.0% in a difficult year, reflecting BMO’s relative strength and stability among global financial institutions, as the industry felt the effects of higher credit losses and difficulties in credit and capital markets.
- ROE of 13% or better has been achieved for 19 consecutive years, distinguishing BMO as the only bank in its North American peer group.

Net Economic Profit (NEP) Growth
- NEP, a measure of added economic value, fell to $405 million in 2008 and its net income rose in each quarter of the year.
- Private Client Group net income matched the record results of a year ago.

Revenue Growth
- Revenue increased $856 million or 9.2% in 2008 to a record $10,205 million.
- There was growth in each operating group.

Productivity Ratio (Expense-to-Revenue Ratio)
- The productivity ratio was 67.6% and improved 300 basis points from 2007. Similarly, the cash productivity ratio also improved 300 basis points, to 67.2%.

Peer Group Performance

Five-Year TSR (%) 
- The Canadian peer group average five-year TSR was 6.4%.
- The one-year TSR in 2008 of ~22.7% reflected economic and market conditions.
- The North American peer group average annual five-year TSR of 3.0% and one-year TSR of ~28.4% were lower than the Canadian average as the major U.S. banks were more severely affected by the difficult capital markets environment.

EPS Growth (%)
- The Canadian peer group average EPS decreased 41% in 2008 as all banks were affected by notable items this year and last.
- EPS growth for the North American peer group was ~127%, reflecting the more difficult market environment for the U.S. banks.

ROE (%) 
- The Canadian peer group average ROE of 11.6% reflected lower returns.
- ROE for the North American peer group was ~3.9%, with every bank recording lower returns this year and five of the 15 banks recording negative returns.

NEP Growth (%) 
- The Canadian peer group average NEP growth was ~80% as NEP decreased for five of the six banks, reflecting the overall EPS decline for the group.
- NEP growth for the North American peer group was ~358%, with every bank recording a decrease.

Revenue Growth (%) 
- Revenue growth for the Canadian peer group averaged ~10.8%.
- Retail banking in Canada and the United States contributed good positive growth but revenues were reduced by a decline in wholesale banking revenue.
- Revenue growth for the North American peer group was ~13.4%.

Productivity Ratio (%) 
- The Canadian peer group average productivity ratio was 71.4%, a deterioration of 870 basis points from 62.7% last year, with four banks deteriorating and two improving.
- The cash productivity ratio for the peer group deteriorated by 830 basis points to 70.1%.
- The average productivity ratio for the North American peer group was 79.9%, a deterioration of more than 22 percentage points.

Note 1. Results stated on a cash basis as well as NEP are non-GAAP measures. Please see page 85 for a discussion of the use of non-GAAP measures.

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.
**Our Performance** (Note 1)

### Credit Losses
- The provision for credit losses (PCL) was $3,330 million, comprised of $1,070 million of specific provisions and a $260 million increase in the general allowance.
- PCL as a percentage of average net loans and acceptances was 60 basis points, reflecting higher provisions for credit losses at this point in the credit cycle.

Graph not to scale.

### Impaired Loans
- Gross impaired loans and acceptances (Gil) were $2,387 million, up from $720 million in 2007, and represented 11.3% of equity and allowances for credit losses, compared with 4.3% a year ago.
- The global economy slowed significantly in 2008. Formations of new impaired loans and acceptances, a key driver of provisions for credit losses, were $2,506 million, up from $588 million in 2007, primarily reflecting exposures to the manufacturing, oil and gas and U.S. residential and commercial real estate sectors.

### Cash and Securities-to-Total Assets
- The cash and securities-to-total assets ratio remained strong at 29.1%, down from 33.1% in 2007 but remaining at its second-highest level in five years.
- Our liquidity position remains sound and is supported by our large base of customer deposits and our strong capital position.

### Capital Adequacy
- The Tier 1 Capital Ratio was strong at 9.77%, well above our minimum target of 8.0%.
- The Total Capital Ratio was 12.17%.
- BMO has $3.4 billion of excess capital relative to our targeted minimum Tier 1 Capital Ratio.

### Graph not to scale.

### Credit Rating
- BMO’s credit ratings, as assessed by the four major ratings agencies listed below, were unchanged in 2008 with a stable outlook. All four ratings are considered high-grade and high quality.

### Peer Group Performance

#### Provision for Credit Losses as a % of Average Net Loans and Acceptances
- The Canadian peer group average PCL represented 41 basis points of average net loans and acceptances, up from 23 basis points in 2007.
- The North American peer group average PCL of 220 basis points was up from 75 basis points last year as the U.S. banks were more affected by deterioration in the real estate market and the broader economy.

#### Gross Impaired Loans and Acceptances as a % of Equity and Allowances for Credit Losses
- Gil for the Canadian peer group were 102% higher than last year and represented 7.5% of equity and allowances for credit losses, up from 4.5% last year.
- For the North American peer group, Gil were 179% higher and represented 8.6% of equity and allowances for credit losses, up from 3.5% last year.

#### Cash and Securities-to-Total Assets (%)
- The cash and securities-to-total assets ratio for the Canadian peer group of 27.8% was down from 31.7% in 2007. Total assets, driven by organic lending growth and acquisitions, grew faster than cash and securities as trading activity slowed.
- The North American peer group average ratio was 29.0% in 2008, down from 31.5% last year.

#### Capital Adequacy
- The Canadian peer group average Tier 1 Capital Ratio was 9.44% in 2008 under Basel II rules.
- The basis for computing capital adequacy ratios is not comparable in Canada and the United States.