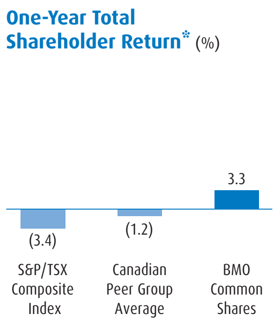
Value Measures

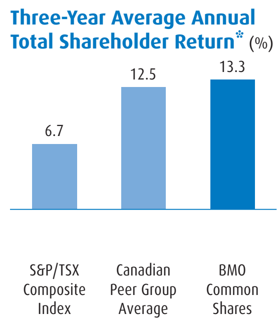
Total Shareholder Return

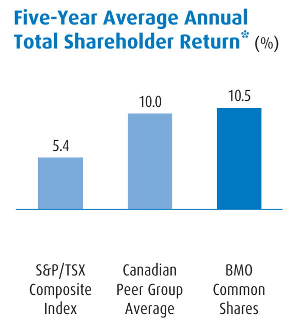
The average annual total shareholder return (TSR) is a key measure of shareholder value, and confirms that our strategic priorities drive value creation for our shareholders. Our one-year TSR of 3.3% outperformed the corresponding average returns of both our Canadian bank peer group and the overall market in Canada. Our three-year average annual TSR of 13.3% and our five-year average annual TSR of 10.5% were strong, and each outperformed the corresponding average returns of both our Canadian bank peer group and the overall market in Canada.

The table below summarizes dividends paid on BMO common shares over the past five years and the movements in BMO's share price. An investment of $1,000 in BMO common shares made at the beginning of fiscal 2014 would have been worth $1,650 at October 31, 2018, assuming reinvestment of dividends, for a total return of 65.0%.

On December 4, 2018, BMO announced that the Board of Directors had declared a quarterly dividend on common shares of $1.00 per share, up $0.04 per share or 4% from the prior quarter and up $0.07 per share or 8% from the prior year. The dividend is payable on February 26, 2019 to shareholders of record on February 1, 2019. We have increased our quarterly dividend declared four times over the past two years from $0.86 per common share for the first quarter of 2017. Dividends paid over a five-year period have increased at an average annual compound rate of 5.0%.







*All returns represent total returns.

The **average annual total shareholder return (TSR)** represents the average annual total return earned on an investment in BMO common shares made at the beginning of a fixed period. The return includes the change in share price and assumes dividends received were reinvested in additional common shares.

Total Shareholder Return

For the year ended October 31	**2018**	2017	2016	2015	2014	**3-year CAGR** (1)	**5-year CAGR** (1)
Closing market price per common share ($)	**98.43**	98.83	85.36	76.04	81.73	**9.0**	**6.3**
Dividends paid ($ per share)	**3.72**	3.52	3.36	3.20	3.04	**5.1**	**5.0**
Dividend yield (%)	**3.8**	3.6	4.0	4.3	3.8	**nm**	**nm**
Increase (decrease) in share price (%)	**(0.4)**	15.8	12.3	(7.0)	12.5	**nm**	**nm**
Total annual shareholder return (%) (2)	**3.3**	20.2	17.0	(3.0)	17.1	**13.3**	**10.5**

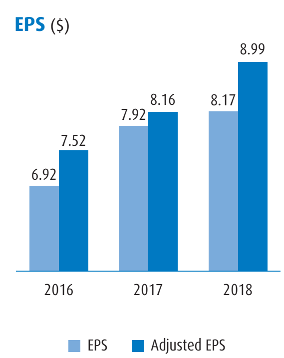
(1) Compound annual growth rate (CAGR) expressed as a percentage.
(2) Total annual shareholder return assumes reinvestment of quarterly dividends and therefore does not equal the sum of dividend and share price returns in the table.
nm – not meaningful

Earnings per Share Growth

The year-over-year percentage changes in earnings per share (EPS) and in adjusted EPS are our key measures for analyzing earnings growth. All references to EPS are to diluted EPS, unless otherwise indicated.

EPS was $8.17, up $0.25 or 3% from $7.92 in 2017. Adjusted EPS was $8.99, up $0.83 or 10% from $8.16 in 2017, consistent with our objective of achieving average annual adjusted EPS growth of 7% to 10%. EPS growth primarily reflected increased earnings. Reported net income available to common shareholders was 2% higher year-over-year, while the average number of diluted common shares outstanding decreased by 1%, primarily due to share buybacks.

Earnings per share (EPS) is calculated by dividing net income attributable to bank shareholders, after deducting preferred share dividends, by the average number of common shares outstanding. Diluted EPS, which is our basis for measuring performance, adjusts for possible conversions of financial instruments into common shares if those conversions would reduce EPS, and is more fully explained in Note 23 on page 200 of the consolidated financial statements. Adjusted EPS is calculated in the same manner using adjusted net income.

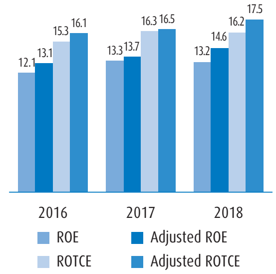


Adjusted results in this section are non-GAAP and are discussed in the Non-GAAP Measures section on page 27.

Return on Equity

Reported return on equity (ROE) was 13.2% in 2018 and adjusted ROE was 14.6%, compared with 13.3% and 13.7%, respectively, in 2017. Reported ROE decreased in 2018, primarily due to growth in common equity exceeding growth in income, in part due to reported income being impacted by a $425 million one-time non-cash charge due to the revaluation of our U.S. net deferred tax asset due to U.S. tax reform. Adjusted ROE increased in 2018, primarily due to growth in income exceeding growth in common equity. There was an increase of $102 million or 2% in net income available to common shareholders and an increase of $473 million or 9% in adjusted net income available to common shareholders in 2018. Average common shareholders' equity increased $792 million or 2% from 2017, primarily due to increased retained earnings, partially offset by lower accumulated other comprehensive income. The reported return on tangible common equity (ROTCE) was 16.2%, compared with 16.3% in 2017, and adjusted ROTCE was 17.5%, compared with 16.5% in 2017. Book value per share increased 5% from the prior year to $64.73, largely reflecting the increase in shareholders' equity.

ROE (%)



Return on common shareholders' equity (ROE) is calculated as net income, less non-controlling interest in subsidiaries and preferred dividends, as a percentage of average common shareholders' equity. Common shareholders' equity is comprised of common share capital, contributed surplus, accumulated other comprehensive income (loss) and retained earnings. Adjusted ROE is calculated using adjusted net income rather than net income.

Return on tangible common equity (ROTCE) is calculated as net income available to common shareholders adjusted for the amortization of acquisition-related intangible assets as a percentage of average tangible common equity. Tangible common equity is calculated as common shareholders' equity less goodwill and acquisition-related intangible assets, net of related deferred tax liabilities. Adjusted ROTCE is calculated using adjusted net income rather than net income. ROTCE is commonly used in the North American banking industry and is meaningful because it measures the performance of businesses consistently, whether they were acquired or developed organically.

MD&A

Return on Equity and Return on Tangible Common Equity

(Canadian $ in millions, except as noted) For the year ended October 31	2018	2017	2016
Reported net income	**5,450**	5,350	4,631
Attributable to non-controlling interest in subsidiaries	**–**	(2)	(9)
Preferred dividends	**(184)**	(184)	(150)
Net income available to common shareholders (A)	**5,266**	5,164	4,472
After-tax amortization of acquisition-related intangible assets	**90**	116	124
Net income available to common shareholders after adjusting for amortization of acquisition-related intangible assets (B)	**5,356**	5,280	4,596
After-tax impact of other adjusting items (1)	**439**	42	265
Adjusted net income available to common shareholders (C)	**5,795**	5,322	4,861
Average common shareholders' equity (D)	**39,754**	38,962	36,997
Return on equity (%) (= A/D)	**13.2**	13.3	12.1
Adjusted return on equity (%) (= C/D)	**14.6**	13.7	13.1
Average tangible common equity (E)	**33,125**	32,303	30,101
Return on tangible common equity (%) (= B/E)	**16.2**	16.3	15.3
Adjusted return on tangible common equity (%) (= C/E)	**17.5**	16.5	16.1

(1) Other adjusting items include a charge related to the revaluation of our U.S. net deferred tax asset and the benefit on an employee future benefit liability in 2018, a decrease in the collective allowance in 2017 and a cumulative accounting adjustment in 2016. All periods also include restructuring and acquisition integration costs.

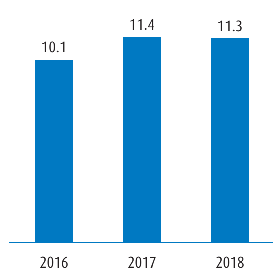
Adjusted results in this section are non-GAAP and are discussed in the Non-GAAP Measures section on page 27.

Certain comparative figures have been reclassified to conform with the current period's presentation.

Common Equity Tier 1 Ratio

BMO's Common Equity Tier 1 (CET1) Ratio reflects a well-capitalized position relative to the risk in our business. Our CET1 Ratio was 11.3% at October 31, 2018, compared with 11.4% at October 31, 2017. The CET1 Ratio decreased from the end of fiscal 2017 as higher CET1 capital from retained earnings growth, net of share repurchases, was more than offset by higher risk-weighted assets, including an acquisition.

CET1 Ratio (%)



Common Equity Tier 1 (CET1) Ratio is calculated as CET1 capital, which is comprised of common shareholders' equity less deductions for goodwill, intangible assets, pension assets, certain deferred tax asset and other items, divided by risk-weighted assets for CET1.