Glossary of Financial Terms

Allowance for Credit Losses
Represents an amount deemed adequate by management to absorb credit-related losses on loans and acceptances and other credit instruments. Allowances for credit losses can be specific or general and are recorded on the balance sheet as a deduction from loans and acceptances or, as it relates to credit instruments, as other liabilities.

Assets under Administration and under Management
Assets administered or managed by a financial institution that are beneficially owned by clients and therefore not reported on the balance sheet of the administering or managing financial institution.

Asset-backed Commercial Paper
A short-term investment with a maturity that is typically less than 180 days. The commercial paper is backed by physical assets such as trade receivables, and is generally used for short-term financing needs.

Average Earning Assets
Represents the daily or monthly average balance of deposits with other banks and loans and securities, over a one-year period.

Bankers' Acceptances (BAs)
Bills of exchange or negotiable instruments drawn by a borrower for payment at maturity and accepted by a bank. BAs constitute a guarantee of payment by the bank and can be traded in the money market. The bank earns a "stamping fee" for providing this guarantee.

Basis Point
One one-hundredth of a percentage point.

Derivatives
Contracts whose value is "derived" from movements in interest or foreign exchange rates, or equity or commodity prices. Derivatives allow for the transfer, modification or reduction of current or expected risks from changes in rates and prices.

Hedging
A risk management technique used to neutralize or manage interest rate, foreign currency, equity, commodity or credit exposures arising from normal banking activities.

Impaired Loans
Loans for which there is no longer reasonable assurance of the timely collection of principal or interest.

Innovative Tier 1 Capital
OSFI allows banks to issue instruments that qualify as "Innovative" Tier 1 capital. In order to qualify, these instruments have to be issued indirectly through a special purpose vehicle, be permanent in nature and receive acceptable accounting treatment. Innovative Tier 1 capital cannot comprise more than 20% of net Tier 1 capital, at time of issue, with 15% qualifying as Tier 1 capital and the additional 5% included in total capital.

Mark-to-Market
Represents valuation of securities and derivatives held for trading purposes at market rates as of the balance sheet date, where required by accounting rules.

Notional Amount
The principal used to calculate interest and other payments under derivative contracts. The principal amount does not change hands under the terms of a derivative contract, except in the case of cross-currency swaps.

Provision for Credit Losses
A charge to income that represents an amount deemed adequate by management to fully provide for impairment in loans and acceptances and other credit instruments, given the composition of the portfolios, the probability of default, the economic environment and the allowance for credit losses already established.

Regulatory Capital Ratios
The percentage of risk-weighted assets supported by capital, as defined by OSFI under the framework of risk-based capital standards agreed upon in 1988 at the Bank for International Settlements. These ratios are labeled Tier 1 and Total. Tier 1 capital is considered to be more permanent, consisting of common shareholders' equity together with any qualifying non-cumulative preferred shares and innovative instruments, less unamortized goodwill. Tier 2 capital consists of other preferred shares, subordinated debentures and the general allowance, within prescribed limits. The assets-to-capital multiple is defined as assets plus guarantees and letters of credit, net of specified deductions (or adjusted assets), divided by total capital.

Securities Borrowed or Purchased under Resale Agreements
Low-cost, low-risk loans, often supported by the pledge of cash collateral, which arise from transactions that involve the borrowing or purchase of securities.

Securities Lent or Sold under Repurchase Agreements
Low-cost, low-risk liabilities, often supported by cash collateral, which arise from transactions that involve the lending or sale of securities.

Other Definitions	Page
Cash Productivity Ratio	40
Earnings per Share (EPS)	32
Expense-to-Revenue Ratio (or Productivity Ratio)	40
Forwards and Futures	108
General Allowance	101
Net Economic Profit (NEP)	33
Net Interest Income	36
Net Interest Margin	36
Off-Balance Sheet Arrangements	59
Operating Leverage	23
Options	108
Productivity Ratio (see Expense-to-Revenue Ratio)	40
Return on Equity (ROE)	33
Specific Allowances	101
Swaps	108
Taxable Equivalent Basis (teb)	36
Tier 1 Capital Ratio (see Regulatory Capital Review)	57
Total Capital Ratio (see Regulatory Capital Review)	57
Total Shareholder Return (TSR)	31
Trading-Related Revenues	38
Variable Interest Entities (VIEs)	59

Risk-Related Definitions	
Business Risk Due to Earnings Volatility	72
Credit and Counterparty Risk	67
Earnings Volatility (EV)	68
Economic Capital	66
Environmental Risk	73
Issuer Risk	68
Liquidity and Funding Risk	71
Market Risk	68
Market Value Exposure (MVE)	68
Operational Risk	72
Reputation Risk	73
Value at Risk (VaR)	68

Corporate Governance

Our web site at www.bmo.com contains information on our corporate governance practices, including our code of conduct, *FirstPrinciples*, our *Code of Ethics for the CEO and Senior Financial Officers*, our *Director Independence Standards* and the Board and Committee Charters.

Proxy Circular
Our proxy circular contains information on each of the directors, Board Committee reports and a complete discussion of our corporate governance practices. It is published in January 2008 and is available online at www.bmo.com/investorrelations.

New York Stock Exchange Governance Requirements
A summary of the significant ways in which our corporate governance practices differ from the corporate governance practices required to be followed by U.S. domestic companies under New York Stock Exchange Listing Standards is posted on our web site.

Corporate Responsibility

The *BMO Corporate Responsibility Report*, to be released in February 2008, documents our corporate citizenship activities throughout the year. You can find more information about our corporate responsibility activities online at www.bmo.com/community.

BMO reports on the economic, social and environmental components of our corporate responsibility performance and activities according to guidelines set out by the Global Reporting Initiative. To learn more about the Global Reporting Initiative and its Sustainability Reporting Guidelines, visit www.globalreporting.org.