

Management's Discussion and Analysis

BMO's President & Chief Executive Officer and Interim Chief Financial Officer have signed a statement outlining management's responsibility for financial information in this Annual Report. The statement, which can be found on page 102, also explains the roles of the Audit Committee and Board of Directors in respect of financial information in the Annual Report.

Management's Discussion and Analysis (MD&A) comments on BMO's operations and financial condition for the years ended October 31, 2008 and 2007. The MD&A should be read in conjunction with our consolidated financial statements for the year ended October 31, 2008. The MD&A commentary is as of November 25, 2008, except for peer group comparisons, which are as of December 5, 2008. Unless otherwise indicated, all amounts are stated in Canadian dollars and have been derived from financial statements prepared in accordance with Canadian generally accepted accounting principles (GAAP).

Certain prior year data has been reclassified to conform with the current year's presentation, including reclassifications arising from transfers of certain businesses between operating groups.

Index

26 Financial Performance and Condition at a Glance provides a snapshot of our results on 11 key financial performance and condition measures used by management to monitor performance relative to our peer groups.

28 Who We Are provides an overview of BMO Financial Group, explains the links between our objectives and our overall vision and presents key performance data to help answer the question "Why invest in BMO?"

29 Enterprise-Wide Strategy outlines our enterprise-wide strategy and the context in which it is developed, as well as our progress in relation to our strategic priorities.

30 Caution Regarding Forward-Looking Statements warns readers about the limitations and inherent risks and uncertainties of forward-looking information.

30 Factors That May Affect Future Results outlines certain industry and company-specific factors that investors should consider when assessing BMO's earnings prospects.

32 Economic Developments includes commentary on the impact of economic developments on our businesses in 2008 and expectations for the Canadian and U.S. economies in 2009.

Value Measures reviews financial performance on the four key measures that assess or most directly influence shareholder return.

- 33** Total Shareholder Return
- 34** Earnings per Share Growth
- 35** Return on Equity
- 35** Net Economic Profit Growth

36 2008 Financial Performance Review provides a detailed review of BMO's consolidated financial performance by major income statement category. It also includes a summary of notable items affecting results and the impacts of business acquisitions and sales and changes in foreign exchange rates.

Operating Group Review outlines the visions and strategies of our operating groups, the paths they choose to differentiate their businesses and the major business risks they face, along with their strengths, competencies and key value drivers. It also includes a summary of their achievements in 2008, their priorities for 2009 and a review of their financial performance for the year.

- 44** Summary
- 45** Personal and Commercial Banking
- 46** Personal and Commercial Banking Canada
- 49** Personal and Commercial Banking U.S.
- 52** Private Client Group
- 55** BMO Capital Markets
- 58** Corporate Services, including Technology and Operations

Financial Condition Review discusses our assets and liabilities by major balance sheet category. It reviews our capital adequacy and our approach to ensuring we optimize our capital position to support our business strategies and maximize returns to our shareholders. It also discusses off-balance sheet arrangements and financial instruments.

- 58** Summary Balance Sheet
- 60** Enterprise-Wide Capital Management
- 62** Financial Instruments in the Difficult Credit Environment
- 68** Off-Balance Sheet Arrangements

Accounting Matters and Disclosure and Internal Control reviews critical accounting estimates and changes in accounting policies in 2008 and for future periods. It also discusses our evaluation of disclosure controls and procedures and internal control over financial reporting.

- 69** Critical Accounting Estimates
- 71** Changes in Accounting Policies in 2008
- 71** Future Changes in Accounting Policies
- 72** Disclosure Controls and Procedures and Internal Control over Financial Reporting
- 72** Pre-Approval of Shareholders' Auditors' Services and Fees

73 Enterprise-Wide Risk Management outlines our approach to managing the key financial risks and other related risks we face.

85 Non-GAAP Measures includes explanations of non-GAAP measures and their reconciliation to their GAAP counterparts.

85 Review of Fourth Quarter Performance, Quarterly Earnings Trends and 2007 Financial Performance Review provide commentary on results for relevant periods other than fiscal 2008.

90 Supplemental Information presents many useful financial tables and provides more historical detail.

Regulatory Filings

Our continuous disclosure materials, including our interim filings, annual MD&A, audited consolidated financial statements, Annual Information Form and Notice of Annual Meeting of Shareholders & Proxy Circular, are available on our web site at www.bmo.com, on the Canadian Securities Administrators' web site at www.sedar.com and on the EDGAR section of the SEC's web site at www.sec.gov. BMO's President and Chief Executive Officer and Interim Chief Financial Officer each certify the appropriateness and fairness of BMO's annual and interim consolidated financial statements and MD&A and Annual Information Form, and the effectiveness of BMO's disclosure controls and procedures and internal control over financial reporting.