

## Non-GAAP Measures

BMO uses both GAAP and non-GAAP measures to assess performance. Securities regulators require that companies caution readers that earnings and measures adjusted to a basis other than GAAP do not have standardized meanings and are unlikely to be comparable to similar measures used by other companies.

Management sometimes reports amounts on a basis that adjusts for certain significant items. Amounts and measures stated on a basis that excludes the significant items are considered useful as they are expected to be more reflective of ongoing operating results. Since such charges tend to be irregular and vary in magnitude, adjusting for them is helpful in assessing quarterly trends in results. Effective in the fourth quarter of 2008, we chose to discontinue categorizing certain charges related to capital markets and commodities losses as significant items and highlighting results on a basis that excludes such items, as they have been incurred for periods longer than we expected when we began to categorize such charges as significant items. Similarly, we have discontinued categorizing changes in the general allowance for credit losses as significant items and stating results on a basis that excludes those amounts, as changes in the general allowance have become more frequent in recent periods.

At times, we report certain results excluding the effects of notable items, but generally do so in conjunction with disclosure of the nearest GAAP measure and details of the reconciling item. To assist readers, we have also provided a schedule on page 36 that summarizes notable items that have affected results in the current reporting periods.

Net economic profit is a non-GAAP measure that assesses cash earnings available to common shareholders after deducting a charge for capital. It is considered an effective measure of added economic value.

## GAAP and Related Non-GAAP Measures Used in the MD&A

(\$ millions, except as noted)	2008	2007	2006
Total non-interest expense (a)	<b>6,894</b>	6,601	6,353
Amortization of intangible assets	<b>(42)</b>	(46)	(44)
Cash-based non-interest expense (b) (1)	<b>6,852</b>	6,555	6,309
Net income	<b>1,978</b>	2,131	2,663
Amortization of intangible assets, net of income taxes	<b>35</b>	38	36
Cash net income (1)	<b>2,013</b>	2,169	2,699
Preferred share dividends	<b>(73)</b>	(43)	(30)
Charge for capital (1)	<b>(1,535)</b>	(1,523)	(1,439)
Net economic profit (1)	<b>405</b>	603	1,230
Revenue (c)	<b>10,205</b>	9,349	9,985
Revenue growth (%) (d)	<b>9.2</b>	(6.4)	1.5
Productivity ratio (%) ((a/c) x 100)	<b>67.6</b>	70.6	63.6
Cash productivity ratio (%) ((b/c) x 100) (1)	<b>67.1</b>	70.1	63.2
Non-interest expense growth (%) (e)	<b>4.4</b>	3.9	0.3
Cash-based non-interest expense growth (%) (f) (1)	<b>4.5</b>	3.9	1.1
Operating leverage (%) (d - e)	<b>4.8</b>	(10.3)	1.2
Cash operating leverage (%) (d - f) (1)	<b>4.7</b>	(10.3)	0.4
EPS (uses net income) (s)	<b>3.76</b>	4.11	5.15
Cash EPS (uses cash net income) (s) (1)	<b>3.83</b>	4.18	5.23

(1) These are non-GAAP amounts or non-GAAP measures.

(2) The table above outlines non-GAAP measures used by BMO together with their closest GAAP counterparts.