

Value Measures

Highlights

- Total shareholder return (TSR) – Lower equity valuations have reduced the average annual return to 0.9% over the past five years. Our one-year TSR in 2008 was -27.9%, slightly better than comparable indices.
- Earnings per share (EPS) growth – EPS fell 9% from 2007 in difficult market conditions, due primarily to higher credit losses.
- Net income was \$2.0 billion, with P&C Canada and Private Client Group earning very solid net income. BMO Capital Markets results were up sharply from a year ago. Results were impacted by higher provisions for credit losses at this point in the credit cycle and by weaker capital markets.
- Return on equity (ROE) – BMO's ROE was 13.0%, reflecting the core strengths and benefits our diversified businesses provide in difficult market conditions. BMO has earned ROE of 13% or more for 19 consecutive years, distinguishing BMO as the only bank in its North American peer group with this level of earnings consistency, the value of which was especially apparent in 2008.
- The quarterly dividend declared per common share remained the same in 2008 but total dividends paid in 2008 of \$2.80 per share increased 6.5% over the 2007 total. Dividends paid have increased at an average annual rate of 16.8% over the past five years.

Total Shareholder Return

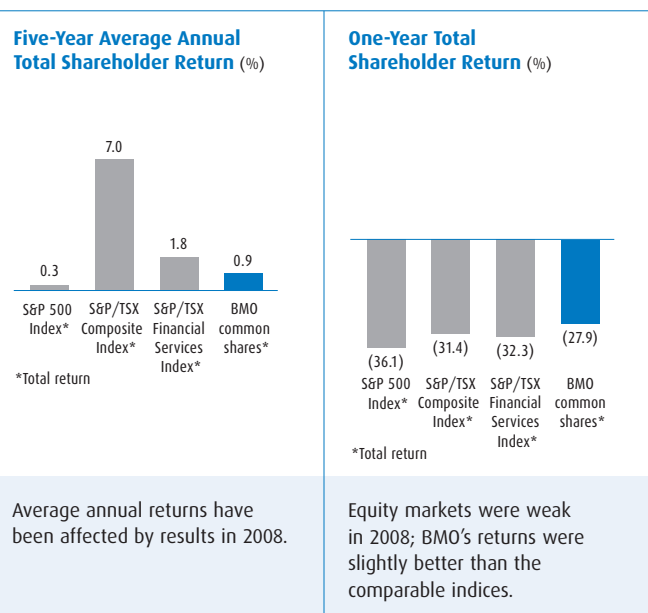
BMO's governing objective is to maximize the total return to our shareholders and generate, over time, top-quartile total shareholder return (TSR) relative to our Canadian and North American peer groups.

The five-year average annual TSR is a key measure of shareholder value and is the most important of our financial performance and condition measures, since it assesses our success in achieving our governing objective of maximizing return to shareholders. Over the past five years, shareholders have earned an average annual TSR of 0.9% on their investment in BMO common shares. This return was lower than the 7.0% average annual return for the S&P/TSX Composite Total Return Index and the 1.8% return for the S&P/TSX Financial Services Total Return Index, but higher than the 0.3% return for the S&P 500 Total Return Index. The table below summarizes dividends paid on BMO common shares over the past five years and the appreciation in BMO's share price. An investment of \$1,000 in Bank of Montreal common shares made at the beginning of fiscal 2004 would have been worth \$1,048 at October 31, 2008, assuming reinvestment of dividends, for a total return of 4.8%. Dividends paid over the five-year period have increased at an average annual compound rate of 16.8%. Dividends paid were \$0.70 per common share in each quarter of 2008 and increased 6.5% from 2007 to \$2.80 per share in 2008, following a 23% increase in 2007.

The average annual TSR of 0.9% for the most recent five-year period decreased from the 14.2% average annual return for the five years ended October 31, 2007. The averages are affected by the one-year TSRs included in the calculations.

Page 26 provides further comment on total shareholder return and includes peer group comparisons.

The **five-year 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 five-year period. The return includes the change in share price and assumes that dividends received were reinvested in additional common shares. The one-year TSR also assumes that dividends were reinvested in shares.



Average annual returns have been affected by results in 2008.

Equity markets were weak in 2008; BMO's returns were slightly better than the comparable indices.

Total Shareholder Return

For the year ended October 31	2008	2007	2006	2005	2004	Five-year CAGR (1)
Closing market price per common share (\$)	43.02	63.00	69.45	57.81	57.55	(2.7)
Dividends paid (\$ per share)	2.80	2.63	2.13	1.80	1.50	16.8
Dividends paid (%) (2)	4.4	3.8	3.7	3.1	3.0	
Increase (decrease) in share price (%)	(31.7)	(9.3)	20.1	0.5	16.7	
Total annual shareholder return (%)	(27.9)	(5.8)	24.1	3.7	20.0	

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.

(1) Compound annual growth rate (CAGR) %.

(2) As a percentage of the closing market price in the prior year.

Earnings per Share Growth

The year-over-year percentage change in earnings per share (EPS) is our key measure for analyzing earnings growth. All references to EPS are to diluted EPS, unless indicated otherwise.

EPS was \$3.76, down \$0.35 or 9% from \$4.11 in 2007. Certain notable items affected results in 2008 and 2007, reducing EPS by \$1.16 in 2008 and \$1.55 in 2007. Our annual target for 2008 was to grow EPS by 10% to 15% from a base of \$5.24, a base that excluded the impact in 2007 of changes in the general allowance for credit losses, restructuring charges and charges related to the deterioration in the capital markets environment. When our target was established in 2007, we did not anticipate the magnitude of the difficulties that have emerged in credit and capital markets, the extent and duration of the weakness in U.S. housing markets and the weakness in North American and global economies. We recorded elevated provisions for credit losses in 2008 as well as charges for the notable items, and fell short of our target as a result. As explained in the Our Financial Objectives section on page 28, the difficult credit and capital markets conditions create added uncertainty in the estimation of future financial performance and, as a result, we have chosen not to provide annual financial targets for 2009.

Our five-year compound average annual EPS growth rate was 1.8%, below our medium-term objective of 10% because of low earnings in 2008 related to the impact of the difficult credit and capital markets conditions.

The notable items that reduced net income by \$585 million or \$1.16 per share in 2008 were:

- charges for certain trading activities and valuation adjustments related to the deterioration in capital markets of \$625 million (\$419 million after tax and \$0.83 per share) recorded primarily in BMO Capital Markets; and
- an increase in the general allowance for credit losses of \$260 million (\$166 million after tax and \$0.33 per share) recorded in Corporate Services.

In 2007, the four notable items that reduced net income by \$787 million or \$1.55 per share were:

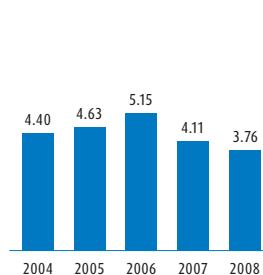
- losses in our commodities trading business of \$853 million (\$440 million after tax and associated performance-based compensation, and \$0.86 per share) recorded in BMO Capital Markets;
- charges for certain trading activities and valuation adjustments related to the deterioration in capital markets of \$318 million (\$211 million after tax and \$0.42 per share), also recorded in BMO Capital Markets;
- restructuring charges of \$159 million (\$103 million after tax and \$0.20 per share) recorded in Corporate Services; and
- an increase in the general allowance for credit losses of \$50 million (\$33 million after tax and \$0.07 per share) recorded in Corporate Services.

Notable items are detailed on page 36.

Net income was \$1,978 million in 2008, down \$153 million or 7% from \$2,131 million a year ago. As explained above, net income was reduced in both 2008 and 2007 by certain notable items and in 2008 by higher provisions for credit losses. BMO earned record net income in each of the four years leading up to 2006. Specific provisions for credit losses increased \$767 million (\$516 million after tax) and were the primary factor in the reduction of net income relative to a year ago. The impact of the notable items on net income in 2008 totalled \$202 million after tax less than in 2007. Revenues in 2008 increased \$856 million or 9% to a record \$10,205 million, notwithstanding the capital markets charges and the weaker business environment. A reduction in the impact of notable items accounted for \$546 million or 6 percentage points of revenue growth. The remaining increase was primarily attributable to business growth. Non-interest expense increased \$293 million or 4%.

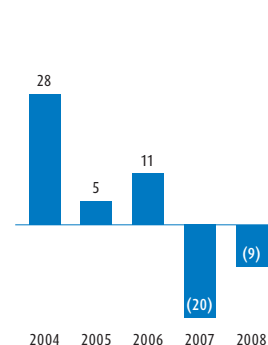
Earnings per share (EPS) is calculated by dividing net income, after deduction of preferred dividends, by the average number of common shares outstanding. Diluted EPS, which is our basis for measuring performance, adjusts for possible conversions of financial instruments into common shares if those conversions would reduce EPS, and is more fully explained in Note 26 on page 143 of the financial statements.

EPS (\$)



EPS declined due to higher credit losses.

EPS Annual Growth (%)



EPS was down 9% in a more difficult market environment.

In Personal and Commercial Banking, results in 2008 marked a fourth consecutive year of solid net income. Earnings in Private Client Group matched those of 2007, which marked three consecutive years of record results. BMO Capital Markets net income was sharply higher than in 2007 in large part due to reduced charges in the year, but remained well below the levels of 2006, which marked a second consecutive year of record net income. Corporate Services net income was significantly lower than in 2007 due to higher provisions for credit losses charged to the group under BMO's expected loss provisioning methodology.

Personal and Commercial Banking (P&C) net income rose \$33 million or 2% from a year ago to \$1,416 million. The P&C group combines our two retail and business banking operating segments, Personal and Commercial Banking Canada (P&C Canada) and Personal and Commercial Banking U.S. (P&C U.S.). P&C Canada net income rose by \$53 million or 4% to \$1,320 million. The improvement was attributable to volume-driven revenue growth, as revenues and expenses increased at comparable rates. P&C Canada results are discussed in the operating group review on page 46. P&C U.S. net income decreased \$20 million or 17% to \$96 million, and \$12 million or 11% to \$95 million on a U.S. dollar basis. Volumes and revenues were up appreciably but costs increased at a higher rate due to increased integration and other costs, including the impact of managing in the difficult credit environment. P&C U.S. results are discussed in the operating group review on page 49.

Private Client Group (PCG) net income was unchanged from \$395 million a year ago, having been affected by a \$19 million after-tax charge for supporting U.S. clients in the difficult capital markets environment. Otherwise, results were up from last year's record performance largely due to higher deposit balances. PCG results are discussed in the operating group review on page 54. BMO Capital Markets (BMO CM) net income increased \$275 million or 66% to \$692 million. The improvement was attributable to lower charges in 2008, recoveries of prior-year income taxes and improved income from interest-rate-sensitive businesses and trading businesses. Merger and acquisition fees and underwriting activities decreased. BMO CM results are discussed in the operating group review on page 57.

Corporate Services net loss increased \$461 million to \$525 million due to higher provisions for credit losses, largely recorded in Corporate Services under BMO's expected loss provisioning methodology, which is explained in the operating group review on page 58.

Revenue increased \$856 million or 9% to \$10,205 million; as noted above, approximately one-third of the increase related to business growth and the remainder to a reduction in the impact of notable items. Business acquisitions added \$76 million to revenue growth, while the weaker U.S. dollar reduced revenue growth by \$63 million, as explained on page 37. P&C Canada revenue increased 6% largely due to volume growth. Excluding the impact of certain unusual items in 2007, discussed on page 48, revenue grew 5%. P&C U.S. revenue grew 15% on a U.S. dollar basis, largely due to acquisitions, loan growth and a gain on Visa Inc.'s initial public offering, partially offset by reductions in net interest margins.

PCG revenue increased \$15 million or 1%, as growth was lowered 1 percentage point by the charges outlined above. BMO CM

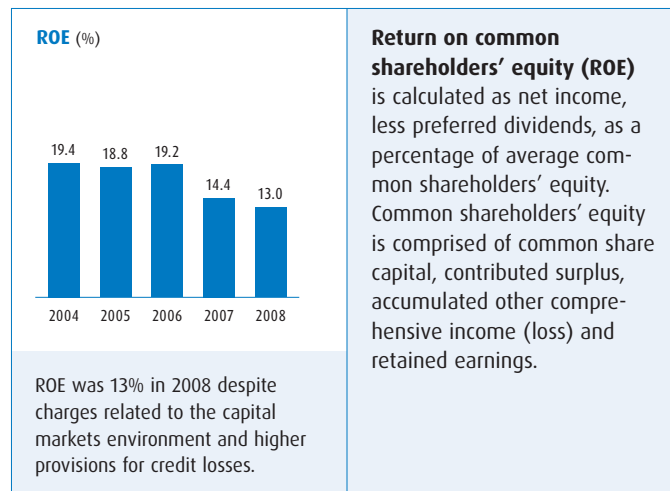
revenue increased \$443 million or 23%, rising \$577 million because of lower charges. There was growth in revenues from interest-rate-sensitive businesses and trading activities. BMO's total revenue growth is discussed further on page 38.

Provisions for credit losses totalled \$1,330 million, consisting of \$1,070 million of specific provisions and a \$260 million increase in the general allowance for credit losses. In 2007, provisions for credit losses totalled \$353 million, consisting of \$303 million of specific provisions and a \$50 million increase in the general allowance. The provision for credit losses is discussed further on page 41.

Non-interest expense increased \$293 million or 4% to \$6,894 million. Non-interest expense is discussed further on page 42.

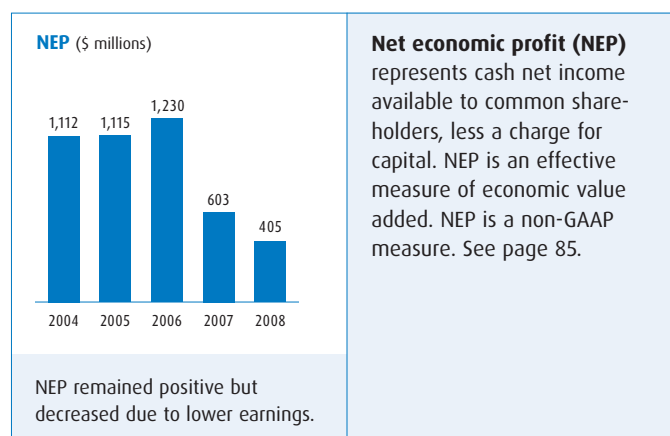
Return on Equity

Return on equity (ROE) is another key value measure. BMO has generated an ROE of 13% or better in each of the past 19 years, the only bank in its North American peer group to have done so. The value of such earnings consistency is readily apparent in the context of the large losses reported by our peers and other large financial institutions in North America and globally. We achieved an ROE of 13.0% in 2008, down from 14.4% in 2007. This reduction in the return was attributable to the \$153 million decrease in net income. We achieved this 13.0% return in spite of higher credit losses and weakness in credit and capital markets. The 13.0% return was below our annual target of 18% to 20%. Our medium-term objective commencing in 2009 is to achieve an average annual ROE of 17% to 20%, over time. Table 3 on page 91 includes ROE statistics for the past 10 years. Page 26 provides further comment on ROE and includes peer group comparisons.



Net Economic Profit Growth

The last of our four key value measures is net economic profit (NEP) growth. NEP was \$405 million, down from \$603 million in the prior year. The decrease was primarily the result of reduced earnings due in large part to higher credit losses, as well as a modest increase in shareholders' equity. NEP remained positive even in the difficult credit and capital markets conditions as we earned more than our cost of capital. Page 26 provides further comment on NEP growth and includes peer group comparisons.



Net Economic Profit (\$ millions, except as noted)

For the year ended October 31	2008	2007	2006	2005	2004
Net income available to common shareholders	1,905	2,088	2,633	2,366	2,264
After-tax impact of the amortization of intangible assets	35	38	36	74	78
Cash net income available to common shareholders	1,940	2,126	2,669	2,440	2,342
Charge for capital*	(1,535)	(1,523)	(1,439)	(1,325)	(1,230)
Net economic profit	405	603	1,230	1,115	1,112
Net economic profit growth (%)	(33)	(51)	10	-	58
*Charge for capital					
Average common shareholders' equity	14,612	14,506	13,703	12,577	11,696
Cost of capital (%)	10.5	10.5	10.5	10.5	10.5
Charge for capital	(1,535)	(1,523)	(1,439)	(1,325)	(1,230)