

## Note 21: Share Capital

### Outstanding

(Canadian \$ in millions, except as noted)

	2008			2007			2006		
	Number of shares	Amount	Dividends declared per share	Number of shares	Amount	Dividends declared per share	Number of shares	Amount	Dividends declared per share
<b>Preferred Shares – Classified as Liabilities</b>									
Class B – Series 4 (1)	–	\$ –	\$ –	–	\$ –	\$ 0.91	8,000,000	\$ 200	\$ 1.20
Class B – Series 6 (2)	10,000,000	250	1.19	10,000,000	250	1.19	10,000,000	250	1.19
		250			250			450	
<b>Preferred Shares – Classified as Equity</b>									
Class B – Series 5	8,000,000	\$ 200	\$ 1.33	8,000,000	\$ 200	\$ 1.33	8,000,000	\$ 200	\$ 1.33
Class B – Series 10	12,000,000	396	US\$ 1.49	12,000,000	396	US\$ 1.49	12,000,000	396	US\$ 1.49
Class B – Series 13	14,000,000	350	1.13	14,000,000	350	0.96	–	–	–
Class B – Series 14	10,000,000	250	1.48	10,000,000	250	–	–	–	–
Class B – Series 15	10,000,000	250	0.94	–	–	–	–	–	–
Class B – Series 16	12,000,000	300	0.55	–	–	–	–	–	–
		1,746			1,196			596	
<b>Common Shares</b>	<b>506,044,982</b>	<b>4,773</b>	<b>\$ 2.80</b>	<b>498,562,702</b>	<b>4,411</b>	<b>\$ 2.71</b>	<b>500,726,079</b>	<b>4,231</b>	<b>\$ 2.26</b>
<b>Treasury Shares</b>	<b>(1,469,949)</b>	<b>(65)</b>	<b>n/a</b>	<b>–</b>	<b>–</b>	<b>n/a</b>	<b>–</b>	<b>–</b>	<b>n/a</b>
Share Capital		\$ 6,454			\$ 5,607			\$ 4,827	

(1) Redeemed in 2007.

(2) Redeemed on November 25, 2008.

n/a – not applicable

### Preferred Shares

We are authorized by our shareholders to issue an unlimited number of Class A Preferred shares and Class B Preferred shares without par value, in series, for unlimited consideration. Class B Preferred shares may be issued in a foreign currency.

During the year ended October 31, 2008, we issued the following preferred shares:

- 10,000,000 5.8% Non-Cumulative Perpetual Class B Preferred shares, Series 15, at a price of \$25.00 per share, representing an aggregate issue price of \$250 million.
- 12,000,000 5.2% Non-Cumulative 5-year Rate Reset Class B Preferred shares, Series 16, at a price of \$25.00 per share, representing an aggregate issue price of \$300 million.

During the year ended October 31, 2007, we issued the following preferred shares:

- 14,000,000 4.5% Non-Cumulative Perpetual Class B Preferred shares, Series 13, at a price of \$25.00 per share, representing an aggregate issue price of \$350 million.
- 10,000,000 5.25% Non-Cumulative Perpetual Class B Preferred shares, Series 14, at a price of \$25.00 per share, representing an aggregate issue price of \$250 million.

During the year ended October 31, 2007, we redeemed all of our 8,000,000 Non-Cumulative Class B Preferred shares, Series 4, at a price of \$25.00 per share plus any declared and unpaid dividends to the date of redemption. This represented an aggregate redemption price of approximately \$200 million.

### Preferred Share Rights and Privileges

Class B – Series 4 shares were redeemed during the year ended October 31, 2007. The shares carried a non-cumulative quarterly dividend of \$0.30 per share.

Class B – Series 5 shares are redeemable at our option starting February 25, 2013 for \$25.00 cash per share, and are not convertible. The shares carry a non-cumulative quarterly dividend of \$0.33125 per share.

Class B – Series 6 shares were redeemable at our option starting November 25, 2005 for \$25.00 cash per share, plus a premium if we redeemed the shares before November 25, 2007, or an equivalent value of our common shares. The shares were redeemed on November 25, 2008.

Class B – Series 10 shares are redeemable at our option starting February 25, 2012 for US\$25.00 cash per share, and are convertible at our option starting February 25, 2012 into our common shares. The shares carry a non-cumulative quarterly dividend of US\$0.371875 per share.

Class B – Series 13 shares are redeemable at our option starting February 25, 2012 for \$25.00 cash per share, plus a premium if we redeem the shares before February 25, 2016. The shares carry a non-cumulative quarterly dividend of \$0.28125 per share.

Class B – Series 14 shares are redeemable at our option starting November 25, 2012 for \$25.00 cash per share, plus a premium if we redeem the shares before November 25, 2016. The shares carry a non-cumulative quarterly dividend of \$0.328125 per share.

Class B – Series 15 shares are redeemable at our option starting May 25, 2013 for \$25.00 cash per share, plus a premium if we redeem the shares before May 25, 2017. The shares carry a non-cumulative quarterly dividend of \$0.3625 per share.

Class B – Series 16 shares are redeemable at our option on August 25, 2013 and every five years thereafter for \$25.00 cash per share. If the shares are not redeemed on the redemption dates, investors have the option to convert the shares into Class B – Series 17 Preferred shares and, if converted, have the option to convert back to Series 16 Preferred shares on subsequent redemption dates. The Series 16 shares carry a non-cumulative quarterly dividend of \$0.325 per share until August 25, 2013. Dividends payable after August 25, 2013 on the Series 16 and Series 17 Preferred shares will be set based on prevailing market rates plus a predetermined spread.

### Common Shares

We are authorized by our shareholders to issue an unlimited number of our common shares, without par value, for unlimited consideration. Our common shares are not redeemable or convertible. Dividends are declared by us on a quarterly basis and the amount can vary from quarter to quarter.

### Normal Course Issuer Bid

On September 8, 2008, we commenced a normal course issuer bid, effective for one year. Under this bid, we may repurchase up to 15,000,000 common shares, approximately 3% of our outstanding common shares.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

We participated in a normal course issuer bid during the period from September 6, 2007 to September 7, 2008 under which we were able to repurchase up to 25,000,000 common shares, approximately 5% of our common shares then outstanding.

During the year ended October 31, 2008, we did not repurchase any common shares. During the year ended October 31, 2007, we repurchased 7,621,600 shares at an average cost of \$68.80 per share, totalling \$524 million. During the year ended October 31, 2006, we repurchased 5,919,400 shares at an average cost of \$63.58 per share, totalling \$376 million.

### Issuances Exchangeable into Common Shares

One of our subsidiaries, Bank of Montreal Securities Canada Limited ("BMSCL"), has issued various classes of non-voting shares that can be exchanged at the option of the holder for our common shares, based on a formula. If all of these BMSCL shares had been converted into our common shares, up to 263,397, 270,657 and 327,863 of our common shares would have been needed to complete the exchange as at October 31, 2008, 2007 and 2006, respectively.

### Share Redemption and Dividend Restrictions

OSFI must approve any plan to redeem any of our preferred share issues for cash.

We are prohibited from declaring dividends on our preferred or common shares when we would be, as a result of paying such a dividend, in contravention of the capital adequacy, liquidity or any other regulatory directives issued under the *Bank Act*. In addition, common share dividends cannot be paid unless all dividends declared and payable on our preferred shares have been paid or sufficient funds have been set aside to do so.

In addition, we have agreed that if BMO Capital Trust (the "Trust"), one of our subsidiaries, fails to pay any required distribution on its capital trust securities, we will not declare dividends of any kind on any of our preferred or common shares for a period of time following

the Trust's failure to pay the required distribution (as defined in the capital trust securities' prospectuses) unless the Trust first pays such distribution to the holders of its capital trust securities (see Note 19).

### Shareholder Dividend Reinvestment and Share Purchase Plan

We offer a dividend reinvestment and share purchase plan for our shareholders. Participation in the plan is optional. Under the terms of the plan, cash dividends on common shares are reinvested to purchase additional common shares. Shareholders also have the opportunity to make optional cash payments to acquire additional common shares. We may issue these common shares at an average of the closing prices of our common shares on the Toronto Stock Exchange based on the five trading days prior to the last business day of the month or we may purchase them on the open market at market prices. During the year ended October 31, 2008, we issued a total of 2,413,244 common shares (1,626,374 in 2007) under the plan.

### Potential Share Issuances

As at October 31, 2008, we had reserved 3,228,679 common shares for potential issuance in respect of our Shareholder Dividend Reinvestment and Share Purchase Plan and 4,983,517 common shares in respect of the exchange of certain shares of BMSCL. We also have reserved 20,051,854 common shares for the potential exercise of stock options, as further described in Note 23.

### Treasury Shares

When we purchase our common shares as part of our trading business, we record the cost of those shares as a reduction in shareholders' equity. If those shares are resold at a value higher than their cost, the premium is recorded as an increase in contributed surplus. If those shares are resold at a value below their cost, the discount is recorded as a reduction first to contributed surplus and then to retained earnings for any amounts in excess of total contributed surplus related to treasury shares.