Management's Discussion and Analysis

MD&A commentary is as of November 24, 2009. Unless otherwise indicated, all amounts are in Canadian dollars and have been derived from financial statements prepared in accordance with Canadian generally accepted accounting principles (GAAP). The MD&A should be read in conjunction with the unaudited consolidated financial statements for the period ended October 31, 2009, included in this document, and the annual MD&A for the year ended October 31, 2008, included in BMO's 2008 Annual Report. The material that precedes this section comprises part of this MD&A.

Bank of Montreal uses a unified branding approach that links all of the organization's member companies. Bank of Montreal, together with its subsidiaries, is known as BMO Financial Group. As such, in this document, the names BMO and BMO Financial Group mean Bank of Montreal, together with its subsidiaries.

Summary Data

(Unaudited) (Canadian $ in millions, except as noted)	Q4-2009	Increase (Decrease) vs. Q4-2008		Increase (Decrease) vs. Q3-2009		Fiscal-2009	Increase (Decrease) vs. Fiscal-2008	
Net interest income	**1,442**	33	2%	(24)	(2%)	**5,570**	498	10%
Non-interest revenue	**1,547**	143	10%	35	2%	**5,494**	361	7%
Revenue	**2,989**	176	6%	11	-	**11,064**	859	8%
Specific provision for credit losses	**386**	71	23%	29	8%	**1,543**	473	44%
Increase in the general allowance	**-**	(150)	(100%)	(60)	(100%)	**60**	(200)	(77%)
Total provision for credit losses	**386**	(79)	(17%)	(31)	(7%)	**1,603**	273	21%
Non-interest expense	**1,779**	(39)	(2%)	(94)	(5%)	**7,381**	487	7%
Provision for (recovery of) income taxes	**158**	207	+100%	46	40%	**217**	288	+100%
Non-controlling interest in subsidiaries	**19**	-	-	-	-	**76**	2	3%
Net income	**647**	87	16%	90	16%	**1,787**	(191)	(10%)
Amortization of acquisition-related intangible assets (after tax) (1)	**8**	(2)	(15%)	(1)	(11%)	**35**	-	-
Cash net income (2)	**655**	85	15%	89	16%	**1,822**	(191)	(10%)
Earnings per share – basic ($)	**1.12**	0.06	6%	0.15	15%	**3.09**	(0.70)	(18%)
Earnings per share – diluted ($)	**1.11**	0.05	5%	0.14	14%	**3.08**	(0.68)	(18%)
Cash earnings per share – diluted ($) (2)	**1.13**	0.05	5%	0.15	15%	**3.14**	(0.69)	(18%)
Return on equity (ROE)	**14.0%**		-		1.9%	**9.9%**		(3.1%)
Cash ROE (2)	**14.2%**		(0.1%)		1.9%	**10.1%**		(3.2%)
Productivity ratio	**59.5%**		(5.1%)		(3.4%)	**66.7%**		(0.9%)
Cash productivity ratio (2)	**59.2%**		(5.0%)		(3.3%)	**66.3%**		(0.8%)
Operating leverage	**8.5%**		nm		nm	**1.3%**		nm
Cash operating leverage (2)	**8.3%**		nm		nm	**1.3%**		nm
Net interest margin on earning assets	**1.73%**		0.02%		(0.01%)	**1.63%**		0.08%
Effective tax rate	**19.2%**		28.4%		2.8%	**10.5%**		14.0%
Capital Ratios								
Tier 1 Capital Ratio	**12.24%**		2.47%		0.53%	**12.24%**		2.47%
Total Capital Ratio	**14.87%**		2.70%		0.55%	**14.87%**		2.70%
Net income:								
Personal and Commercial Banking	**419**	83	25%	38	10%	**1,501**	196	15%
P&C Canada	**394**	70	22%	38	11%	**1,392**	183	15%
P&C U.S.	**25**	13	+100%	-	-	**109**	13	14%
Private Client Group	**110**	26	32%	(10)	(7%)	**381**	(71)	(16%)
BMO Capital Markets	**289**	(1)	(1%)	(54)	(16%)	**1,060**	349	49%
Corporate Services, including Technology and Operations (T&O)	**(171)**	(21)	(14%)	116	41%	**(1,155)**	(665)	(+100%)
BMO Financial Group Net Income	**647**	87	16%	90	16%	**1,787**	(191)	(10%)

(1) The amortization of non-acquisition-related intangible assets is not added back in the determination of BMO and the groups' cash net income.

(2) These are non-GAAP amounts or non-GAAP measures. Please see the GAAP and Related Non-GAAP Measures section at the end of the MD&A, which outlines the use of non-GAAP measures in this document.

nm – not meaningful.

Management's Responsibility for Financial Information

BMO's 2009 Annual Report will contain a statement signed by the President & Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) outlining management's responsibility for financial information contained in the report. In addition, BMO's CEO and CFO are expecting to sign certifications relating to the appropriateness of the financial disclosures in our annual filings and the design and effectiveness of our disclosure controls and procedures and internal control over financial reporting.

BMO's internal control over financial reporting includes policies and procedures that: pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of BMO; provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with Canadian generally accepted accounting principles and the requirements of the Securities and Exchange Commission in the United States, as applicable; ensure receipts and expenditures of BMO are being made only in accordance with authorizations of management and directors of BMO; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of BMO's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements. Further, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

There were no changes in our internal control over financial reporting in fiscal 2009 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. BMO Financial Group's management, under the supervision of the CEO and CFO, has evaluated the effectiveness of our internal control over financial reporting using the framework and criteria established in Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management is expecting to conclude that internal control over financial reporting was effective as of October 31, 2009.

BMO will file the applicable CEO and CFO certifications with the Canadian Securities Administrators and the SEC in the United States in December 2009 when we file our Annual Report and other annual disclosure documents.

As in prior quarters, BMO's audit committee reviewed this document, including the unaudited interim consolidated financial statements, and BMO's Board of Directors approved the document prior to its release.

A comprehensive discussion of our businesses, strategies and objectives can be found in Management's Discussion and Analysis in BMO's 2008 Annual Report, which can be accessed on our website at www.bmo.com/investorrelations. Readers are also encouraged to visit the site to view other quarterly financial information.

Caution Regarding Forward-Looking Statements

Bank of Montreal's public communications often include written or oral forward-looking statements. Statements of this type are included in this document, and may be included in other filings with Canadian securities regulators or the U.S. Securities and Exchange Commission, or in other communications. All such statements are made pursuant to the safe harbour provisions of, and are intended to be forward-looking statements under, the United States Private Securities Litigation Reform Act of 1995 and any applicable Canadian securities legislation. Forward-looking statements may involve, but are not limited to, comments with respect to our objectives and priorities for 2009 and beyond, our strategies or future actions, our targets, expectations for our financial condition or share price, and the results of or outlook for our operations or for the Canadian and U.S. economies.

By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions, forecasts, conclusions or projections will not prove to be accurate, that our assumptions may not be correct and that actual results may differ materially from such predictions, forecasts, conclusions or projections. We caution readers of this document not to place undue reliance on our forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements.

The future outcomes that relate to forward-looking statements may be influenced by many factors, including but not limited to: general economic and market conditions in the countries in which we operate; interest rate and currency value fluctuations; changes in monetary policy; the degree of competition in the geographic and business areas in which we operate; changes in laws; judicial or regulatory proceedings; the accuracy and completeness of the information we obtain with respect to our customers and counterparties; our ability to execute our strategic plans and to complete and integrate acquisitions; critical accounting estimates; operational and infrastructure risks; general political conditions; global capital market activities; the possible effects on our business of war or terrorist activities; disease or illness that impacts on local, national or international economies; disruptions to public infrastructure, such as transportation, communications, power or water supply; and technological changes.

We caution that the foregoing list is not exhaustive of all possible factors. Other factors could adversely affect our results. For more information, please see the discussion on pages 30 and 31 of the BMO 2008 Annual Report, which outlines in detail certain key factors that may affect our future results. When relying on forward-looking statements to make decisions with respect to Bank of Montreal, investors and others should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. Bank of Montreal does not undertake to update any forward-looking statement, whether written or oral, that may be made, from time to time, by the organization or on its behalf, except as required by law. The forward-looking information contained in this document is presented for the purpose of assisting our shareholders in understanding our financial position as at and for the periods ended on the dates presented and our strategic priorities and objectives, and may not be appropriate for other purposes.

Assumptions about the level of asset sales, expected asset sale prices, net funding cost, credit quality and risk of default and losses on default of the underlying assets of the structured investment vehicles were material factors we considered when establishing our expectations regarding the structured investment vehicles discussed in this document, including the amount to be drawn under the BMO liquidity facilities and the expectation that the first-loss protection provided by the subordinate capital notes will exceed future losses. Key assumptions included that assets would continue to be sold with a view to reducing the size of the structured investment vehicles, under various asset price scenarios, and that the level of defaults and losses will be consistent with the credit quality of the underlying assets and our current expectations regarding challenging market conditions continuing.

Assumptions about the level of defaults and losses on defaults were material factors we considered when establishing our expectation of the future performance of the transactions that Apex Trust has entered into. Key assumptions included that the level of defaults and losses on defaults would be consistent with historical experience. Material factors that were taken into account when establishing our expectations of the future risk of credit losses in Apex Trust and risk of loss to BMO included industry diversification in the portfolio, initial credit quality by portfolio, the first-loss protection incorporated into the structure and the hedges that BMO has entered into.

Assumptions about the performance of the Canadian and U.S. economies as well as overall market conditions and their combined effect on the bank's business, including those described under the heading Economic Outlook, are material factors we consider when determining our strategic priorities, objectives and expectations for our business. In determining our expectations for economic growth, both broadly and in the financial services sector, we primarily consider historical economic data provided by the Canadian and U.S. governments and their agencies.

Regulatory Filings

Our continuous disclosure materials, including our interim filings, annual MD&A and audited consolidated financial statements, our Annual Information Form and the Notice of Annual Meeting of Shareholders and Proxy Circular are available on our website at www.bmo.com/investorrelations, on the Canadian Securities Administrators' website at www.sedar.com and on the EDGAR section of the SEC's website at www.sec.gov. We expect to file our fiscal 2009 year end continuous disclosure materials on or about December 14, 2009.

Economic Outlook

The Canadian economy has likely emerged from recession, with domestic-led growth more than offsetting weakness in exports. Consumer spending has trended moderately higher since the spring in response to record-low interest rates, with auto sales almost returning to pre-recession levels. Housing markets have fully recovered from last year's slump in sales and prices amid improved affordability. Supported by continued low interest rates, domestic demand should continue to expand in 2010, sustaining growth in personal credit and residential mortgages. However, business investment and loan growth will likely lag the recovery given low rates of capacity utilization and continued weakness in exports in the face of a strong Canadian dollar and soft U.S. demand. The unemployment rate is expected to decline next year as the recovery gains strength. However, the excess capacity in the economy should keep inflation low and, together with a strong currency, encourage the Bank of Canada to hold overnight interest rates steady until next summer. Firmer commodity prices should strengthen the Canadian dollar, lifting it above parity with the U.S. dollar in 2010.

The U.S. economy is recovering from its worst downturn in seven decades, with growth resuming as a result of expansive monetary and fiscal policies. Housing markets have stabilized in response to record affordability and tax incentives for first-time home buyers. Consumer spending has turned up modestly, but will likely remain soft in the face of high rates of joblessness and elevated debt levels, restraining personal loan demand. Business investment has started to improve, though it will likely remain constrained by excess capacity, restricting loan growth. The unemployment rate is projected to hover near a quarter-century high of 10% in 2010. To promote a durable recovery, the Federal Reserve is expected to hold overnight rates near zero until next September. Certain capital markets activities should continue to strengthen as credit markets and the economy improve.

This Economic Outlook section contains forward-looking statements. Please see the Caution Regarding Forward-Looking Statements.

Effects of the Capital Markets Environment on Fourth Quarter Results

No charges in respect of the capital markets environment have been designated as notable items this quarter in light of the relative insignificance of the amounts.

Further details are provided in the Financial Instruments in the Difficult Credit Environment section and in the BMO Capital Markets section.

Foreign Exchange

The Canadian dollar equivalents of BMO's U.S. dollar-denominated net income, revenues, expenses, provisions for credit losses and income taxes were decreased relative to the fourth quarter of 2008 and third quarter of 2009 by the weakening of the U.S. dollar. The average Canadian/U.S. dollar exchange rate in the fourth quarter, expressed in terms of the Canadian dollar cost of a U.S. dollar, fell by 3% from a year ago and by 2% from the average of the third quarter. Over the course of fiscal 2009, the U.S. dollar strengthened relative to the Canadian dollar, raising the Canadian dollar equivalents of BMO's U.S. dollar-denominated net income, revenues, expenses, provisions for credit losses and income taxes relative to fiscal 2008. The following table indicates the relevant average Canadian/U.S. dollar exchange rates and the impact of changes in the rates.

Effects of U.S. Dollar Exchange Rate Fluctuations on BMO's Results

(Canadian $ in millions, except as noted)	Q4-2009 vs. Q4-2008	Q4-2009 vs. Q3-2009	Fiscal-2009 vs Fiscal-2008
Canadian/U.S. dollar exchange rate (average)			
Current period	1.0827	1.0827	1.1648
Prior period	1.1107	1.1102	1.0321
Increased (decreased) revenue	(20)	(20)	363
Decreased (increased) expense	12	12	(216)
Decreased (increased) provision for credit losses	6	6	(125)
Decreased (increased) income taxes	(1)	(1)	24
Increased (decreased) net income	(3)	(3)	46

At the start of each quarter, BMO assesses whether to enter into hedging transactions that are expected to partially offset the pre-tax effects of exchange rate fluctuations in the quarter on our expected U.S. dollar-denominated net income for that quarter. As such, the hedging activities partially mitigate the impact of exchange rate fluctuations within a single quarter; however, the hedging transactions are not designed to offset the impact of year-over-year or quarter-over-quarter fluctuations in exchange rates. The U.S. dollar strengthened in the first and second quarters, and weakened quite markedly over the course of the third quarter. The U.S. dollar strengthened modestly in the fourth quarter, as the exchange rate increased from Cdn$1.0775 per U.S. dollar at July 31, 2009 to an average of Cdn$1.0827 in the fourth quarter. Hedging transactions lowered pre-tax net income by $1 million for the quarter and $2 million for the year. The gain or loss from hedging transactions in future periods will be determined by both future currency fluctuations and the amount of underlying future hedging transactions, since the transactions are entered into each quarter in relation to expected U.S. dollar-denominated net income for the next three months.

The effect of currency fluctuations on our investments in foreign operations is discussed in the Income Taxes section.

Other Value Measures

Net economic profit was $159 million in the current quarter (see the Non-GAAP Measures section), compared with $144 million in the fourth quarter of 2008 and $79 million in the third quarter.

The total shareholder return (TSR) on an investment in BMO common shares was 25.1% for the twelve months ended October 31, 2009. BMO's average annual TSR for the five-year period ended October 31, 2009 was 1.8%.

Net Income

Q4 2009 vs Q4 2008

Net income was $647 million for the fourth quarter of 2009, up $87 million or 16% from a year ago. Earnings per share were $1.11, compared with $1.06. No charges in respect of the capital markets environment have been designated as notable items this quarter in light of the relative insignificance of the amounts.

Results a year ago included notable items totalling $195 million ($125 million after tax) and were comprised of capital markets environment charges of $45 million ($27 million after tax) recorded in BMO Capital Markets and Private Client Group and a $150 million ($98 million after tax) increase in the general allowance for credit losses. The impact of those notable items was mitigated by a $73 million recovery of prior periods' income taxes. Notable items are summarized at the end of the MD&A.

Specific provisions for credit losses were $386 million, up $71 million from a year ago due to higher levels of impaired loans.

P&C Canada net income was a strong $394 million, up $70 million or 22%. There was volume growth across most products and improved net interest margin.

P&C U.S. net income increased by Cdn$13 million (by US$12 million) to Cdn$25 million. Results benefited from reductions in integration costs and changes in the Visa litigation accrual. Higher levels of impaired loans and the costs of managing this portfolio have reduced net income in the quarter by US$12 million (US$9 million a year ago). Cash net income was US$39 million, including a severance charge of US$2.4 million after tax, on a basis that adjusts for the impact of impaired loans, integration costs and the Visa litigation accrual. This was in line with the last five quarters where cash net income on this basis had exceeded US$40 million.

Private Client Group net income increased $26 million or 32%. Results a year ago included a charge of $31 million ($19 million after tax) associated with the decision to purchase certain holdings from our U.S. clients. The BMO Life Assurance acquisition increased net income in the current quarter by $9 million while there were lower revenues in our brokerage businesses as well as lower expenses, due to active expense management.

BMO Capital Markets net income was in line with the prior year. Results a year ago benefited from a $52 million recovery of prior periods' income taxes. They also reflected a net $14 million ($8 million after tax) of charges in respect of the capital markets environment. The prior year's tax rate was also lowered by a higher proportion of tax-exempt income. Revenues rose $172 million or 24% due to higher corporate banking revenue and underwriting fees.

Corporate Services net loss increased $21 million or 14% from a year ago due to reduced revenues, offset in part by lower provisions for credit losses mainly as a result of a $150 million increase in the general allowance a year ago. The decline in revenues primarily related to lower mark-to-market gains on hedging activities than in the prior year, the impact of credit card securitizations completed in the latter part of 2008 and lower one-time securitization gains than in 2008.

Q4 2009 vs Q3 2009

Net income increased $90 million or 16%. Results in the third quarter were reduced by a $60 million ($39 million after tax) increase in the general allowance for credit losses, as summarized in the Notable Items section.

In P&C Canada, net income increased $38 million or 11%. Revenue rose $32 million or 2.3%, driven by volume growth and an improved net interest margin. Expenses fell $28 million or 3.7% due to lower capital taxes and lower severance costs.

P&C U.S. net income of US$23 million was consistent with last quarter. Revenue was up primarily due to improved loan spreads and the impact of more days in the current quarter. Expenses increased largely due to higher marketing and severance costs. Cash net income was US$39 million, including a severance charge of US$2.4 million after tax, on a basis that adjusts for the impact of impaired loans, integration costs and the Visa litigation accrual. On a comparably-adjusted basis, cash net income was in line with last quarter.

Private Client Group net income decreased $10 million or 7.4% as the third quarter benefited from a $23 million recovery of prior periods' income taxes. Revenue increased $24 million or 4.7% due primarily to higher fee-based and commission revenue in Full-Service Investing and higher fee-based revenue in mutual funds on increased client assets. Non-interest expense increased $4 million or 0.9% primarily due to higher revenue-based costs.

BMO Capital Markets net income decreased $54 million or 16% from the third quarter, which was an exceptionally strong quarter. The quarter benefited from increased fees from mergers and acquisitions and equity underwriting, although they were offset by lower trading revenues and debt underwriting fees. Lower net interest income was due to reduced corporate banking and trading net interest income and lower revenues from our interest-rate-sensitive businesses.

Corporate Services net loss improved by $116 million from the third quarter. There were higher revenues due to mark-to-market gains on hedging activities compared to losses in the prior quarter and, as a result of management actions and a more stable market environment, a lower negative carry on certain asset-liability interest rate positions and a reduced cost of carry on previous quarters funding activities that were undertaken to enhance our strong liquidity position. There were lower provisions for credit losses, mainly due to a $60 million increase in the general allowance in the third quarter.

Fiscal 2009 vs Fiscal 2008

Net income decreased $191 million or 9.7% to $1,787 million. Net income for fiscal 2009 was lowered by a net $474 million after tax of notable items, comprised of $521 million ($355 million after tax) of certain charges related to the capital markets environment, $118 million ($80 million after tax) of severance costs and a $60 million ($39 million after tax) increase in the general allowance for credit losses. Net income in fiscal 2008 was lowered by notable items totalling $426 million after tax, comprised of $388 million ($260 million after tax) of certain capital markets environment charges and a $260 million ($166 million after tax) increase in the general allowance for credit losses. Fiscal 2009 had good revenue growth and effective expense control, but these increases were more than offset by increased provisions for credit losses and higher income taxes.

In P&C Canada, net income increased $183 million or 15%. Revenue increased $385 million or 7.9% driven by volume growth across most products, an improved net interest margin, higher cards and payment service revenue and higher activity fees, partially offset by lower revenue from securitizations and mutual fund products. Expenses increased $107 million or 3.9% primarily due to increases in employee benefit costs, performance-based compensation, occupancy costs and payment services costs, partially offset by lower initiatives spending and savings from lower staff levels.

P&C U.S. net income decreased US$1 million or 0.6%. The impact of impaired loans reduced net income by US$46 million in 2009 compared to US$22 million in 2008. Revenue increased US$14 million or 1.5% and non-interest expense decreased US$4 million or 0.6%. On a basis that adjusts for the impact of impaired loans, integration costs, the Visa litigation accrual and last year's gain on the sale of a portion of our investment in Visa, cash net income was US$162 million and increased US$13 million or 8.7% versus last year. On a similarly-adjusted basis, revenue increased US$81 million or 8.7% reflecting strong deposit generation, a full year of our Wisconsin acquisitions (US$33 million) and increased gains on the sale of mortgages. Expenses increased US$38 million or 5.3% largely reflecting a full year of our Wisconsin acquisitions (US$26 million).

Private Client Group net income decreased $71 million or 16% from fiscal 2008, reflective of challenging equity markets and a low interest rate environment. Charges associated with the decision to purchase certain holdings from our U.S. clients in the difficult environment were lower by $8 million after tax in 2009. Results in 2009 also benefited from the $23 million recovery of prior periods' income taxes and the BMO Life Assurance acquisition.

BMO Capital Markets net income increased $349 million or 49% to $1,060 million. Results for 2009 were affected by charges of $355 million after tax related to the capital markets environment. Results in 2008 were affected by charges of $260 million after tax. Improved performance was attributable to significantly increased trading revenues and corporate banking revenues. Revenues from our interest-rate-sensitive businesses also performed very well in the first half of the year, as we took advantage of market opportunities.

Corporate Services net loss rose $665 million from a year ago to $1,155 million, driven in large part by lower revenues, higher provisions for credit losses due to our expected loss provisioning methodology, net of a lower general allowance recorded in 2009, and higher severance costs. The lower revenues primarily relate to a negative carry on certain asset-liability interest rate positions as a result of changes in market interest rates, the impact of funding activities that were undertaken to enhance our strong liquidity position, mark-to-market losses on hedging activities compared to gains in the prior year and the impact of credit card securitizations completed in 2008.

Revenue

BMO analyzes consolidated revenues on a GAAP basis. However, like many banks, BMO analyzes revenue of its operating groups and associated ratios computed using revenue on a taxable equivalent basis (teb). This basis includes an adjustment that increases GAAP revenues and the GAAP provision for income taxes by an amount that would raise revenues on certain tax-exempt securities to a level equivalent to amounts that would incur tax at the statutory rate. The offset to the group teb adjustments is reflected in Corporate Services revenues and income tax provisions.

Total revenue in the current quarter increased $176 million or 6.3% from a year ago to $2.99 billion. There was good growth in all of the operating groups and a reduction in Corporate Services. Revenue increased $11 million or 0.4% from the third quarter. Revenue for fiscal 2009 increased $859 million or 8.4% to $11.1 billion.

The weaker U.S. dollar in the current quarter decreased revenue growth by $20 million or 0.6% from the third quarter and by $20 million or 0.7% from a year ago. The U.S. dollar was stronger, on average, over the course of fiscal 2009 and increased revenue growth by $363 million or 3.5% year over year. Changes in net interest income and non-interest revenue are reviewed in the sections that follow.

Net Interest Income

Net interest income in the current quarter increased $33 million or 2.4% from a year ago. BMO's overall net interest margin improved 2 basis points, driven by P&C Canada due mainly to favourable prime rates relative to BA rates and actions to mitigate the impact of rising long-term funding costs. Average earning assets increased $3 billion or 1%, driven by Private Client Group as a result of the inclusion of BMO Life Assurance in 2009 and loan growth in Private Banking.

Relative to the third quarter, net interest income decreased $24 million or 1.6%. This was mostly driven by a reduction in average earning assets of $3 billion due to the weaker U.S. dollar. There were declines in BMO Capital Markets and P&C U.S., partially offset by growth in P&C Canada and Private Client Group.

In fiscal 2009, net interest income increased $498 million or 9.8%, driven by the growth in average earning assets of $15 billion with increases in all groups except P&C Canada which was affected by the securitization of low-margin mortgages and the planned runoff of the mortgage broker portfolio.

BMO's overall net interest margin on earning assets for the fourth quarter of 2009 was 1.73%, or 2 basis points higher than in the fourth quarter of the prior year and 1 basis point lower than in the third quarter. The main drivers of the change in total bank margin are the individual group margins, the change in the magnitude of each operating group's assets and the level of net interest income recorded in Corporate Services. The year-over-year increase of 2 basis points was mainly due to higher net interest margin in P&C Canada, partially offset by reduced net interest income in Corporate Services and the inclusion of BMO Life Assurance in Private Client Group in 2009.

Relative to a year ago, net interest margin was higher by 34 basis points in P&C Canada. The increase was driven by favourable prime rates relative to BA rates and actions to mitigate the impact of rising long-term funding costs, along with the impact of deposit growth outpacing loan growth and the

securitization of low-margin mortgages. Those increases were partially offset by lower mortgage refinancing fees and interest received on tax refunds in the prior year. In P&C U.S., net interest margin improved by 26 basis points year over year due to strong deposit generation. Private Client Group net interest margin decreased by 188 basis points with approximately two-thirds due to BMO Life Assurance, which increased assets with no change to net interest income. The remaining decrease was due mainly to lower deposit income in the brokerage businesses as a result of lower spreads. BMO Capital Markets net interest margin fell 2 basis points from a year ago, with reductions in interest–rate-sensitive businesses partly offset by higher spreads in trading and corporate lending business.

P&C Canada net interest margin improved 5 basis points relative to the third quarter, mainly due to actions to mitigate the impact of rising long-term funding costs and higher volumes in more profitable products, partially offset by lower mortgage refinancing fees. Corporate Services net interest income improved relative to the third quarter, due in part to management actions and a more stable market environment, resulting in a lower negative carry on certain asset-liability interest rate positions and a reduced cost of carry on previous quarters funding activities that were undertaken to enhance our strong liquidity position. Relative to a year ago, Corporate Services net interest income declined slightly primarily due to the impact of credit card securitizations completed in the latter part of 2008.

In fiscal 2009, BMO's overall net interest margin rose 8 basis points. The increase was in part due to the impact of securitizing low-spread mortgages and deposit growth outpacing loan growth in P&C Canada. There were also higher spreads in corporate lending and interest-rate-sensitive businesses as well as increased trading net interest income in BMO Capital Markets. These increases were offset in large part by reduced net interest income in Corporate Services.

Net Interest Margin (teb)*

(In basis points)	**Q4-2009**	Increase (Decrease) vs. Q4-2008	Increase (Decrease) vs. Q3-2009	**Fiscal-2009**	Increase (Decrease) vs. Fiscal-2008
P&C Canada	**322**	34	5	**313**	29
P&C U.S.	**326**	26	13	**312**	12
Personal and Commercial Client Group	**323**	33	7	**313**	26
Private Client Group	**291**	(188)	(2)	**334**	(144)
BMO Capital Markets	**81**	(2)	(21)	**100**	31
Corporate Services, including Technology and Operations (T&O) **	**nm**	nm	nm	**nm**	nm
Total BMO	**173**	2	(1)	**163**	8
Total Canadian Retail***	**321**	19	4	**317**	21

* Net interest margin is disclosed and computed with reference to average earning assets, rather than total assets. This basis provides a more relevant measure of margins and changes in margins. Operating group margins are stated on a teb basis while total BMO margin is stated on a GAAP basis.
** Corporate Services net interest income is negative and lowers BMO's overall net interest margin to a greater degree in 2009 than in prior years.
*** Total Canadian retail margin represents the net interest margin of the combined Canadian business of P&C Canada and Private Client Group.
nm - not meaningful

Non-Interest Revenue

Non-interest revenue increased $143 million or 10% from a year ago. The improvement was in part attributable to the prior year's $45 million of charges related to the capital markets environment as outlined in the Notable Items section. They comprised $228 million of charges in securities gains (losses) other than trading, a reduction of $30 million in other revenue and a $213 million increase in trading non-interest revenue.

There was strong growth in BMO Capital Markets primarily due to reduced investment securities charges. The group also benefited from higher lending and underwriting fees, offset by reduced trading revenues as the prior year had particularly strong interest rate and foreign exchange trading revenues. Private Client Group non-interest revenue also grew strongly, due to reduced charges associated with the decision to purchase certain holdings from our U.S. clients in the difficult market environment and the contribution from the BMO Life Assurance acquisition. In addition, there were higher insurance revenues, partially offset by lower mutual fund revenues.

Securitization revenues increased $34 million from the fourth quarter a year ago to $201 million, largely due to securitizing credit card loans. Revenues included gains of $21 million on the sale of loans for new securitizations, down $13 million from a year ago, and gains of $125 million on sales of loans to revolving securitization vehicles, up $27 million from a year ago. Securitizations have resulted in the recognition of less interest income ($173 million less) in the quarter, as well as reduced credit card fees ($123 million less) and lower provisions for credit losses ($53 million less). The combined impact of securitizing assets in the current and prior periods decreased pre-tax income in the current quarter by $42 million. We securitize loans primarily to obtain alternate sources of cost-effective funding. In the quarter, we securitized $798 million of residential mortgage loans. Securitizations are detailed in Note 4 to the unaudited consolidated financial statements.

Relative to the third quarter, non-interest revenue increased $35 million or 2.2%. There were increased non-interest revenues in all of the operating groups except BMO Capital Markets. Private Client Group non-interest revenue increased due to higher revenue in the brokerage businesses and higher fee-based revenue in mutual funds on increased client assets. Corporate Services non-interest revenues rose primarily due to mark-to-market gains on hedging activities compared to losses in the prior quarter. BMO Capital Markets non-interest revenue fell due to lower trading revenues, which decreased from the unusually high levels of the third quarter to more normal levels. This reduction was partially offset by lower investment securities losses and higher lending and mergers and acquisition fees.

In fiscal 2009, non-interest revenue increased $361 million or 7.0%. There was growth in P&C Canada due to higher revenue from the cards and payment services businesses and strong growth in BMO Capital Markets due to higher trading revenues. Private Client Group non-interest revenue decreased as there were reductions in securities commissions and fees as well as mutual fund revenues in

the weaker equity markets environment. Corporate Services revenue was also lower, primarily due to mark-to-market losses on hedging activities compared to gains in the prior year, largely offset by higher securitization revenues.

Non-Interest Expense

Non-interest expense decreased $39 million or 2.2% from a year ago to $1,779 million. There were decreases in each of the groups except Private Client Group and Corporate Services, which both increased modestly. The weaker U.S. dollar reduced expense growth by $12 million or 0.7 percentage points, partially offset by higher expenses of $15 million from the impact of acquired businesses. Decreased expenses were reflected in lower salaries expense due to fewer staff, and reductions in computer costs, professional fees and capital taxes. Performance-based compensation was modestly higher and benefits costs increased.

Cash operating leverage was 8.3% in the current quarter.

Non-interest expense decreased $94 million or 5.0% from the third quarter. Performance-based compensation decreased $57 million. Computer costs were lower than in the third quarter. There were also lower capital taxes and deposit insurance costs as FDIC deposit insurance premiums were higher in the prior quarter primarily due to a special assessment. The weaker U.S. dollar reduced expense growth by $12 million or 0.6%.

In fiscal 2009, non-interest expense increased $487 million or 7.1% to $7,381 million. Close to two-thirds of the increase was attributable to the $216 million impact of the stronger U.S. dollar and the $109 million impact of operating and integration costs of new acquisitions. Expense growth was reflected in higher employee costs, premises and equipment, and deposit insurance premiums that are included in other expenses.

Cash operating leverage was 1.3% for fiscal 2009.

Risk Management

Financial markets continued to stabilize as key economic data is showing a recovery is underway. However, the labour market remains weak and will continue to impact credit quality. Commercial and Corporate Portfolios that continue to show particular pressure, include U.S. commercial real estate, forest products and manufacturing. We anticipate that provisions will remain elevated going forward and if the economic recovery continues, could show some improvement in the latter part of 2010.

Specific provisions for credit losses for the quarter totalled $386 million and there was no increase in the general allowance. Specific provisions totalled $357 million in the third quarter of 2009 and $315 million in the fourth quarter of 2008. Provisions totalled $465 million a year ago and $417 million in the third quarter of 2009. There was a $60 million increase in the general allowance in the third quarter of 2009 and a $150 million increase in the comparable quarter a year ago.

BMO employs a methodology for segmented reporting purposes whereby expected credit losses are charged to the operating groups quarterly based on their share of expected credit losses. The difference between quarterly charges based on expected losses and required quarterly provisions based on actual losses, as well as changes in the general allowance, are charged (or credited) to Corporate Services. The following paragraph outlines provisions for credit losses by operating group based on actual losses for the quarter, rather than as reported on an expected loss basis.

Based on actual credit losses, in the fourth quarter of 2009, BMO recorded a $386 million specific provision for credit losses. It was comprised of $124 million in P&C Canada, $149 million in P&C U.S., $20 million in PCG and $93 million in BMO Capital Markets. In the third quarter of 2009, BMO's $357 million specific provision for credit losses was comprised of $131 million in P&C Canada, $134 million in P&C U.S., $7 million in Private Client Group and $85 million in BMO Capital Markets. Based on actual credit losses, in the fourth quarter of 2008, BMO's $315 million specific provision for credit losses was comprised of $99 million in P&C Canada, $100 million in P&C U.S., $(4) million recovery in Private Client Group and $120 million provision in BMO Capital Markets.

Specific provisions this quarter represented an annualized 89 basis points of average net loans and acceptances, compared with 81 basis points in the third quarter. For fiscal 2009, the full year ratio was 85 basis points, compared with 61 basis points a year ago and a 39 basis point average over the past five fiscal years. Effective in the first quarter of 2009, we began reporting credit statistics on a basis that excludes securities borrowed or purchased under resale agreements from loans. All comparative figures have been restated.

Provisions for credit losses for fiscal 2009 totalled $1,603 million. Specific provisions for credit losses totalled $1,543 million and there was a $60 million increase in the general allowance for credit losses. Provisions for credit losses in 2008 totalled $1,330 million, comprised of $1,070 million of specific provisions and a $260 million increase in the general allowance.

New impaired loan formations totalled $735 million in the quarter, up from $549 million in the preceding quarter but down from $806 million in the same quarter a year ago. U.S.-related formations continued to account for over half of BMO's total new formations. There were $3 million of impaired loan sales in the current quarter, compared with $40 million of impaired loan sales in the third quarter of 2009 and no sales in the same quarter a year ago. Total gross impaired loans were $3,297 million at the end of the current reporting period, up from $2,913 million at the end of the third quarter and up from $2,387 million at the end of 2008.

The total allowance for credit losses was $1,902 million, compared with $1,798 million in the preceding quarter. Allowances were comprised of a specific allowance of $596 million and a general allowance of $1,306 million. The general allowance is maintained to cover impairment in the existing credit portfolio that cannot yet be associated with specific loans and is assessed on a quarterly basis. The general allowance increased $3 million from the end of the previous quarter due to the foreign exchange impact.

BMO's loan book continues to be comprised largely of more stable consumer and commercial portfolios which represented 80.0% of the loan portfolio at the end of the quarter, up from 78.9% in the third quarter and 73.8% a year ago. The changes were mainly due to a decrease in corporate loans. In Canada approximately 88% of the consumer portfolio is comprised of secured loans, excluding credit card loans. In the United States, the consumer portfolio totals approximately US$15 billion and is primarily comprised of three main asset classes: residential first mortgages (37%), home equity products (34%) and indirect automobile loans (27%).

BMO's market risk and liquidity and funding management practices and key measures are outlined on pages 77 to 82 of BMO's 2008 Annual Report. As described at the end of fiscal 2008, certain positions were transferred from our trading portfolio to our available-for-sale portfolio in the fourth quarter of 2008. These positions, however, remained in our Comprehensive VaR and Issuer Risk measures throughout the fourth quarter of fiscal 2008. The removal of these positions from our Comprehensive VaR and Issuer Risk measures in the first quarter is the primary reason for the decrease in our Trading and Underwriting Market Value Exposure (MVE) and Earnings Volatility (EV). The interest rate risk associated with these positions is captured in our Interest Rate Risk (accrual) MVE measures. A lower credit spread environment throughout the year also contributed to the decrease in MVE and EV year over year. There were no significant changes to our trading and underwriting market risk management practices over the quarter.

There was no significant change in our structural market risk management practices during the quarter. Structural earnings risk arising from interest rate and foreign exchange rate movements has increased from the prior year end, as reflected in the 12-month earnings volatility measure in the attached table. The increase from 2008 is attributable to the lower interest rate environment, as further reductions in interest rates reduce yields on assets more than rates paid on deposits. Structural interest rate sensitivity to an immediate parallel increase or decrease of 100 and 200 basis points in the yield curve is disclosed in the attached table. This sensitivity analysis is performed and disclosed by many financial institutions and facilitates comparison with our peer group. The changes in sensitivities from 2008 reflect the low interest rate environment.

There have been no significant changes to the levels of liquidity and funding risk over the quarter. We remain satisfied that our liquidity and funding management framework provides us with a sound position, even in times of stress.

This Risk Management section contains forward-looking statements. Please see the Caution Regarding Forward-Looking Statements.

Provisions for Credit Losses (PCL)

(Canadian $ in millions, except as noted)	**Q4-2009**	Q3-2009	Q4-2008	**Fiscal-2009**	Fiscal-2008
New specific provisions	**448**	415	361	**1,765**	1,242
Reversals of previously established allowances	**(20)**	(23)	(23)	**(77)**	(58)
Recoveries of loans previously written-off	**(42)**	(35)	(23)	**(145)**	(114)
Specific provision for credit losses	**386**	357	315	**1,543**	1,070
Increase in the general allowance	**-**	60	150	**60**	260
Provision for credit losses	**386**	417	465	**1,603**	1,330
Specific PCL as a % of average net loans and acceptances (annualized)	**0.89%**	0.81%	0.68%	**0.85%**	0.61%
PCL as a % of average net loans and acceptances (annualized)	**0.89%**	0.94%	1.01%	**0.88%**	0.76%

Changes in Gross Impaired Loans and Acceptances (GIL)

(Canadian $ in millions, except as noted)					
GIL, Beginning of Period	**2,913**	2,972	1,798	**2,387**	720
Additions to impaired loans & acceptances	**735**	549	806	**2,690**	2,506
Reductions in impaired loans & acceptances (1)	**(16)**	(233)	170	**(288)**	131
Write-offs	**(335)**	(375)	(387)	**(1,492)**	(970)
GIL, End of Period	**3,297**	2,913	2,387	**3,297**	2,387
GIL as a % of gross loans and acceptances	**1.94%**	1.66%	1.26%	**1.94%**	1.26%
GIL as a % of equity and allowances for credit losses	**14.06%**	12.75%	11.34%	**14.06%**	11.34%

(1) Includes impaired amounts returned to performing status, loan sales, repayments, the impact of foreign exchange fluctuations and offsets for consumer write-offs which have not been recognized as formations (Q4-09 $189MM; Q3-09 $187MM; and Q4-08 $137MM).

Aggregate Market Value Exposure and Earnings Volatility for Trading and Underwriting and Structural Positions ($ millions)*

(After-tax Canadian equivalent)	Market value exposure (MVE)			12-month earnings volatility		
	Oct. 31 2009	July 31 2009	Oct. 31 2008	**Oct. 31 2009**	July 31 2009	Oct. 31 2008
Trading and Underwriting	**(18.2)**	(20.4)	(33.4)	**(14.3)**	(12.5)	(28.7)
Structural	**(353.1)**	(330.7)	(267.9)	**(69.0)**	(73.3)	(30.2)

* Measured at a 99% confidence interval. Losses are in brackets.

Total Trading and Underwriting MVE Summary ($ millions)*

	For the quarter ended October 31, 2009				As at July 31, 2009	As at October 31, 2008
(Pre-tax Canadian equivalent)	Quarter-end	Average	High	Low	Quarter-end	Quarter-end
Commodities Risk	(0.7)	(0.7)	(1.1)	(0.5)	(0.7)	(0.9)
Equity Risk	(10.2)	(8.5)	(12.4)	(5.5)	(11.0)	(7.3)
Foreign Exchange Risk	(0.8)	(1.9)	(4.9)	(0.4)	(1.8)	(1.4)
Interest Rate Risk (Mark-to-Market) (1)	(18.4)	(16.2)	(23.7)	(10.2)	(11.1)	(30.6)
Diversification (2)	11.4	9.9	nm	nm	9.0	6.4
Comprehensive Risk	(18.7)	(17.4)	(22.6)	(13.4)	(15.6)	(33.8)
Interest Rate Risk (accrual)	(7.3)	(10.4)	(14.5)	(7.3)	(13.4)	(11.6)
Issuer Risk	(1.9)	(1.8)	(2.7)	(1.3)	(2.4)	(6.1)
Total MVE	(27.9)	(29.6)	(34.8)	(25.1)	(31.4)	(51.5)

nm - not meaningful

* One-day measure using a 99% confidence interval. Losses are in brackets and benefits are presented as positive numbers.

(1) In 2009, measures exclude securities transferred to the available-for-sale portfolio in the fourth quarter of 2008.

(2) Computation of a diversification effect for the high and low is not meaningful.

Structural Balance Sheet Earnings and Value Sensitivity to Changes in Interest Rates ($ millions)* **

(After-tax Canadian equivalent)	Economic value sensitivity			Earnings sensitivity over the next 12 months		
	Oct. 31 2009	July 31 2009	Oct. 31 2008	**Oct. 31 2009**	July 31 2009	Oct. 31 2008
100 basis point increase	**(229.6)**	(231.8)	(220.8)	**11.0**	15.3	(4.4)
100 basis point decrease	**165.2**	204.0	169.2	**(75.6)**	(71.8)	(21.0)
200 basis point increase	**(506.4)**	(503.3)	(488.6)	**(10.6)**	6.3	(16.2)
200 basis point decrease	**255.3**	411.2	328.4	**(62.9)**	(72.2)	(177.6)

* Losses are in brackets and benefits are presented as positive numbers.

** For the Bank's Insurance businesses including BMO Life Assurance (the acquired operations of AIG Life Insurance Company of Canada), a 100 basis point increase in interest rates results in an increase in earnings of $58 million and an increase in economic value of $177 million. A 100 basis point decrease in interest rates results in a decrease in earnings of $50 million and a decrease in economic value of $193 million. These after-tax impacts are not reflected in the table above.

Income Taxes

As explained in the Revenue section, management assesses BMO's consolidated results and associated provisions for income taxes on a GAAP basis. We assess the performance of the operating groups and associated income taxes on a taxable equivalent basis and report accordingly.

The provision for income taxes increased $207 million from the fourth quarter of 2008 and $46 million from the third quarter of 2009, to $158 million. The effective tax rate for the quarter was 19.2%, compared with a recovery rate of 9.2% in the fourth quarter of 2008 and a tax expense rate of 16.4% in the third quarter of 2009. The income tax provision for fiscal 2009 increased $288 million from fiscal 2008 to $217 million, resulting in an effective tax rate of 10.5%. This compares to a tax recovery of $71 million, resulting in a recovery rate of 3.6% for 2008.

Results reflect prior periods' income tax recoveries of $23 million in the third quarter and $73 million in the fourth quarter a year ago.

The higher effective tax rate in fiscal 2009 was primarily due to reductions in the proportion of income from lower-tax-rate jurisdictions and lower recoveries of prior periods' income taxes.

BMO hedges the foreign exchange risk arising from its investments in U.S. operations by funding the investments in U.S. dollars. Under this program, the gain or loss from hedging and the unrealized gain or loss from translation of the investments in U.S. operations are charged or credited to shareholders' equity. For income tax purposes, the gain or loss on the hedging activities attracts an income tax charge or credit in the current period, which is charged or credited to shareholders' equity, while the associated unrealized gain or loss on the investments in U.S. operations does not attract income taxes until the investments are liquidated. The income tax charge/benefit arising from a hedging gain/loss is a function of the fluctuation in U.S. rates from period to period. Hedging of the investments in U.S. operations has given rise to an income tax recovery in shareholders' equity of $12 million for the quarter and income tax charge of $382 million for the year. Refer to the Consolidated Statement of Changes in Shareholders' Equity included in the unaudited consolidated financial statements for further details.

Capital Management

Regulatory capital requirements for the consolidated entity are determined on a Basel II basis. BMO uses the Advanced Internal Ratings Based (AIRB) Approach to determine credit risk-weighted assets in our portfolio and the Standardized Approach to determine operational risk-weighted assets. We were granted a waiver by the Office of the Superintendent of Financial Institutions Canada (OSFI), our regulator, ending after fiscal 2010, to apply the Standardized Approach in determining the credit risk-weighted assets of our subsidiary Harris Bankcorp, Inc. Market risk-weighted assets are primarily determined using the Internal Models Approach, but the Standardized Approach is used for some exposures.

At October 31, 2009, BMO's Tier 1 Capital Ratio was 12.24%, with Tier 1 capital of $20.5 billion and risk-weighted assets (RWA) of $167.2 billion. The ratio remains strong, increasing 247 basis points from 9.77% at October 31, 2008 and 53 basis points from 11.71% at the end of the third quarter. The increase from the third quarter was primarily due to lower RWA and higher retained earnings. The increase from 2008 year end was due to both growth in capital and lower RWA. Our strong capital position provides flexibility in the execution of our business growth strategies and positions us well for possible regulatory changes that may be forthcoming.

Tier 1 capital increased from October 31, 2008 primarily due to net capital issuances in fiscal 2009. The impact of those issuances was partially offset by an increase in certain Basel II deductions and the impact of a new Basel II requirement we adopted on November 1, 2008, whereby investments in non-consolidated entities and substantial investments, excluding insurance subsidiaries held prior to January 1, 2007, are deducted 50% from Tier 1 capital and 50% from Tier 2 capital. The bank's incremental investment in one of our insurance subsidiaries, to support the insurance company acquisition completed in the second quarter, is also subject to a deduction of 50% from Tier 1 capital and 50% from Tier 2 capital. Previously, these deductions were taken from Tier 2 capital. Tier 1 capital was relatively unchanged from the third quarter.

RWA decreased $24.4 billion from October 31, 2008 primarily due to the impact of a weaker U.S. dollar that decreased the translated value of U.S. dollar-denominated RWA, lower market risk RWA, and lower credit risk RWA mainly as a result of lower corporate and commercial loan volumes and lower trading exposures. The impact of the foregoing reductions was partially offset by the impact of credit migration that affected loan and securitization credit risk RWA. Relative to the third quarter, RWA decreased $4.4 billion primarily due to the lower corporate and commercial loan volumes, partially offset by higher credit risk RWA due to securitization exposures. Basel II credit risk RWA will change with the underlying economic environment. Credit risk RWA levels in 2010 will be influenced by asset growth, credit migration levels and the value of the U.S. dollar. We expect that total RWA will increase in future years as a result of pending regulatory changes that have been announced for 2010 and beyond.

BMO's Total Capital Ratio was 14.87% at October 31, 2009. The ratio increased 270 basis points from a year ago and 55 basis points from 14.32% in the third quarter. Our Tangible Common Equity to RWA ratio was 9.21%, up from 7.47% at the end of fiscal

2008 and from 8.71% in the third quarter. BMO's capital ratios remain strong relative to both our Canadian and international peer groups.

During the fourth quarter, 3,254,000 shares were issued due to the exercise of stock options, share exchanges and the Dividend Reinvestment and Share Purchase Plan. We did not repurchase any Bank of Montreal common shares under our common share repurchase program during the fiscal year.

On November 19, 2009, we announced that the Toronto Stock Exchange and OSFI have approved BMO's normal course issuer bid under which we may purchase up to 15 million common shares, being approximately 2.7% of the public float, between December 2, 2009 and December 1, 2010. Our share repurchase program is primarily used to offset, over time, the impact of dilution caused by issuing shares through the exercise of stock options, our dividend reinvestment plan and convertible shares.

On November 24, 2009, BMO's Board of Directors declared a quarterly dividend payable to common shareholders of $0.70 per share, unchanged from a year ago and from the preceding quarter. The common dividend is payable February 26, 2010, to shareholders of record on February 1, 2010. Common shareholders who, in lieu of cash, elect to have this dividend reinvested in additional common shares under BMO's Shareholder Dividend Reinvestment and Share Purchase Plan, will receive a two per cent discount from the average market price of the common shares (as defined in the Plan).

Qualifying Regulatory Capital

Basel II Regulatory Capital and Risk-Weighted Assets

(Canadian $ in millions)	Q4-2009	Q4-2008
Common shareholders' equity	17,132	15,974
Non-cumulative preferred shares	2,571	1,996
Innovative Tier 1 Capital Instruments	2,907	2,486
Non-controlling interest in subsidiaries	26	39
Goodwill and excess intangible assets	(1,569)	(1,635)
Accumulated net after-tax unrealized losses from available-for-sale equity securities	(2)	(15)
Net Tier 1 Capital	21,065	18,845
Securitization-related deductions	(168)	(115)
Expected loss in excess of allowance – AIRB approach	(61)	-
Substantial investments	(374)	-
Other deductions	-	(1)
Adjusted Tier 1 Capital	20,462	18,729
Subordinated debt	4,236	4,175
Trust subordinated notes	800	800
Eligible general allowance for credit losses	296	494
Total Tier 2 Capital	5,332	5,469
Securitization-related deductions	(7)	(6)
Expected loss in excess of allowance – AIRB approach	(60)	-
Substantial investments/investment in insurance subsidiaries	(868)	(871)
Adjusted Tier 2 Capital	4,397	4,592
Total Capital	24,859	23,321

Risk-Weighted Assets (RWA)

(Canadian $ in millions)	Q4-2009	Q4-2008
Credit risk	143,098	163,616
Market risk	6,578	11,293
Operational risk	17,525	16,699
Total risk-weighted assets	167,201	191,608

Eligible Dividends Designation

For the purposes of the Income Tax Act (Canada) and any similar provincial and territorial legislation, BMO designates all dividends paid or deemed to be paid on both its common and preferred shares after December 31, 2005, as "eligible dividends" unless indicated otherwise.

Credit Rating

BMO's senior debt credit ratings were unchanged in the quarter. All four ratings are indicative of high-grade, high-quality issues. They remain: DBRS (AA); Fitch (AA-); Moody's (Aa1); and Standard & Poor's (A+). During the fourth quarter, Moody's placed the rating under review for downgrade, citing pressure on U.S. earnings and the potential for higher loan losses in the market environment. Moody's ratings outlook for the majority of Canada's major banks is negative. The other three ratings agencies continue to maintain their ratings with a stable outlook.

Financial Instruments in the Difficult Credit Environment

Pages 62 to 67 of BMO's 2008 annual report provided enhanced disclosure related to financial instruments that, effective in 2008, markets started to consider to be carrying higher risk. Readers are encouraged to review that disclosure to assist in understanding the nature of BMO's exposures at October 31, 2009 that are discussed in the sections that follow.

Consumer Loans

In Canada, our consumer portfolio totals $74.9 billion and is comprised of three main asset classes: residential mortgages (49%), instalment and other personal loans (47%) and credit card loans (4%).

In the United States, our consumer portfolio totals US$16 billion and is also primarily comprised of three asset classes: residential first mortgages (37 %), home equity products (34%) and indirect automobile loans (27%).

The sections below discuss subprime mortgage loans, Alt-A mortgage loans and home equity products, portfolios that are of increased investor interest in today's environment.

Subprime First Mortgage Loans

In the United States, we have US$0.29 billion (US$0.25 billion at October 31, 2008) of first mortgage loans that had subprime characteristics at the date of authorization. A small portion of the above is in respect of uninsured loans with a loan-to-value ratio above 80% at issuance. A modest $18.5 million, or 6.29% ($5.4 million or 2.14% at October 31, 2008), of the portfolio was 90 days or more in arrears. This compares with a rate of 2.77% on BMO's total U.S. first mortgage loan portfolio.

BMO also has net exposure of US$101 million (US$159 million at October 31, 2008) to a business that purchased distressed mortgages (including subprime mortgages) at a discounted price.

In Canada, BMO does not have any subprime mortgage programs. BMO mortgage lending decisions incorporate a full assessment of the customer and loan structure. Credit score is only one component of the adjudication process and consequently we do not categorize loans based upon credit scores alone.

Alt-A First Mortgage Loans

In the United States, Alt-A loans are generally considered to be loans for which borrower qualifications are subject to limited verification. The U.S. loan portfolio had two loan programs that met this definition – our Easy Doc and No Doc programs. The programs were discontinued in the third quarter of 2008. Loans under the No Doc program, which comprise most of the exposure in this class, required strong minimum credit bureau scores of 660 and strong maximum loan-to-value ratios of 80% (90% with private mortgage insurance). Due to these lending requirements, the credit quality of our Alt-A portfolio is sound and the loans have performed relatively well. In the United States, our direct Alt-A loans total US$1.2 billion (US$1.6 billion at October 31, 2008). Of this, $65 million or 5.23% was 90 days or more in arrears ($10 million or 0.62% at October 31, 2008).

In Canada, we do not have a mortgage program that we consider Alt-A. In the past, we may have chosen to not verify income or employment for certain customers where there were other strong characteristics supporting the credit worthiness of a loan as part of our credit adjudication process; however, this approach is no longer in use. Our Newcomers to Canada/non-resident mortgage program permits limited income verification but has other strong qualification criteria. There was approximately $2.4 billion ($2.2 billion at October 31, 2008) outstanding under this program. Of this, only $12 million or 0.50% was 90 days or more in arrears ($11 million or 0.51% at October 31, 2008), reflecting the strong credit quality of these loans.

Home Equity Products

In the United States, we have a US$5.1 billion home equity loan portfolio, which amounted to 3.1% of BMO's total loan portfolio as of October 31, 2009. Of the total portfolio, loans of US$321 million (US$300 million at October 31, 2008) were extended to customers with original credit bureau scores of less than 620, and would be categorized as subprime loans (US$535 million authorized) if included in the mortgage portfolio. Of this amount, only US$7 million or 2.10% was 90 days or more in arrears (US$2 million and 0.81% at October 31, 2008).

BMO also offered loans under two limited documentation programs within the home equity portfolio in the United States that would be categorized as Alt-A if they were in the first mortgage loans portfolio. The amount authorized under these programs was US$1.0 billion and US$0.6 billion was outstanding, unchanged from October 31, 2008. Loans made under these programs have the same strong credit score and loan-to-value requirements as the first mortgage portfolio and, as such, the portfolio has performed well. As at October 31, 2009, US$6 million or 0.95% of the portfolio was greater than 90 days in arrears, little changed from October 31, 2008. This compares with a rate of 1.10% (0.57% at October 31, 2008) for BMO's total U.S. home equity loan portfolio. We discontinued offering these programs in the third quarter of 2008.

We also consider home equity loans to customers with credit bureau scores above 620 but below 660 to be a higher-risk component of the loan portfolio. This component of the portfolio was US$0.3 billion and US$7 million or 2.10% of these loans were greater than 90 days in arrears (US$3 million and 0.90% at October 31, 2008).

In Canada, we have a $16.8 billion ($13.8 billion at October 31, 2008) home equity line of credit portfolio. Authorized amounts total $29.5 billion ($25.4 billion at October 31, 2008). Home equity loans very rarely exceed loan-to-value ratios of 80% at issuance. The home equity line of credit portfolio is high-quality, with only 0.11% of the loans in the portfolio in arrears 90 days or more (0.08% at October 31, 2008). Of these lines of credit, one product line is offered only in first mortgage position and represents approximately 61% of the total portfolio. The others include a blend of first mortgage and subordinate positions. We also have a $0.2 billion home equity instalment loan portfolio on which $2 million of loans are in arrears 90 days or more.

Leveraged Finance

Leveraged finance loans are defined by BMO as loans to private equity businesses and mezzanine financings where our assessment indicates a higher level of credit risk. BMO has limited exposure to leveraged finance loans, representing less than 1% of our total assets, with $3.6 billion outstanding as at October 31, 2009 ($5.9 billion authorized), essentially unchanged from October 31, 2008. Of this amount, $201 million or 5.6% was

classified as impaired ($234 million and 6.5% at October 31, 2008).

Monoline Insurers and Credit Derivative Product Companies

BMO's direct exposure to companies that specialize in providing default protection amounted to $256 million ($573 million at October 31, 2008) in respect of the mark-to-market value of counterparty derivatives and $19 million (unchanged from October 31, 2008) in respect of the mark-to-market value of traded credits. The cumulative adjustment for counterparty credit risk recorded against these exposures was $20.2 million at October 31, 2009 ($32.4 million at July 31, 2009 and $60 million at October 31, 2008).

Approximately 28% of the $256 million gross exposure is related to counterparties rated AAA by S&P and a further 32% is related to A-rated counterparties. The balance is largely related to counterparties for which ratings have been withdrawn. At October 31, 2008, 88% of the $573 million exposure was related to counterparties rated AA or better by S&P. Moody's credit ratings are lower.

The notional value of direct contracts involving monoline insurers and credit derivative product companies was approximately $3.8 billion (approximately $4.5 billion at October 31, 2008). Most contracts with these companies relate to collateralized debt obligations and credit default swaps within our trading portfolio and provide protection against losses arising from defaults. These instruments have minimal subprime exposure. Certain Credit Derivative Product counterparty exposures are discussed further in the following Exposures to Other Select Financial Instruments section.

BMO also held $901 million ($1,176 million at October 31, 2008) of securities insured by monoline insurers, of which $630 million were municipal bonds. Approximately 91% (approximately 79% at October 31, 2008) of the municipal bond portfolio is rated investment grade, including the benefits of the insurance guarantees. Approximately 77% (approximately 68% at October 31, 2008) of the municipal bond holdings have ratings exclusive of the insurance guarantees and all of those are rated investment grade.

BMO-Sponsored Canadian Securitization Vehicles

BMO sponsors various Canadian securitization vehicles that fund assets originated by either BMO or its customers. Of those that fund bank originated assets, two hold Canadian residential mortgage loans transferred from BMO while the third holds credit card loans transferred from BMO. BMO's investment in the asset-backed commercial paper ("ABCP") of the two residential mortgage vehicles totalled $55 million ($32 million at July 31, 2009 and $509 million at October 31, 2008). Market conditions have improved significantly since October 31, 2008.

BMO provides $5.1 billion in liquidity facilities to these vehicles and no amounts have been drawn on the facilities. The credit card securitization vehicle issues only term asset-backed securities and does not issue ABCP. As a result, we do not provide any liquidity facilities to this vehicle. We hold $269 million of subordinated notes issued by the credit card securitization vehicle (unchanged from October 31, 2008). Notes issued pursuant to the mortgage programs are rated R-1 (high) by DBRS and Prime-1 by Moody's. The senior notes issued pursuant to the credit card programs are rated AAA by DBRS and Aaa by Moody's.

We also sponsor customer securitization vehicles in Canada that provide customers with financing. These vehicles hold assets transferred by our customers. Some customer securitization vehicles are funded directly by BMO and others are funded in the market. We directly fund customer securitization vehicles holding $719 million of assets, including exposure to $42 million of Canadian residential mortgage loans with subprime or Alt-A characteristics.

Notes issued by the market funded customer securitization vehicles are rated R-1 (high) by DBRS and Prime-1 by Moody's and account for $5.8 billion ($11.0 billion at October 31, 2008) of BMO's liquidity support facility, which remains undrawn. The assets of each of these market funded customer securitization vehicles consist primarily of diversified pools of Canadian auto receivables and Canadian residential mortgages. These asset classes, combined, account for 68% of the aggregate assets of these vehicles. Their assets include $382 million of Canadian residential mortgage loans with subprime or Alt-A characteristics.

BMO's ABCP holdings of the market funded customer securitization vehicles totalled $328 million at October 31, 2009 ($671 million at July 31, 2009 and $2.1 billion at October 31, 2008), most of which reflects BMO's decision to invest a portion of its excess structural liquidity in ABCP. No losses have been recorded on BMO's investment in the ABCP of these vehicles.

BMO-Sponsored U.S. Securitization Vehicle

BMO provides committed liquidity support facilities of US$5.7 billion (US$8.2 billion at October 31, 2008) to our U.S. multi-seller ABCP vehicle.

Approximately 58% of the vehicle's commitments have been rated by Moody's or S&P, and virtually all of these are rated investment grade. Approximately US$807 million of the commitments are insured by monolines, primarily MBIA and Ambac, the ratings of which were downgraded during the third quarter. The downgrades of the monoline insurers have no impact on the performance of the underlying assets. The vehicle holds exposures secured by a variety of asset classes including mid-market and corporate loans, and commercial real estate and auto loans. The vehicle has US$4.4 billion of commercial paper outstanding (US$6.5 billion at October 31, 2008). The ABCP of the conduit is rated A1 by S&P and P1 by Moody's. BMO has not invested in the conduit's ABCP. Outstanding commercial paper has consistently been purchased by third-party investors, notwithstanding market disruptions, and pricing levels are in line with those of top-tier ABCP conduits in the United States.

Credit Protection Vehicle

We also sponsor Apex Trust (Apex), a Canadian special purpose vehicle that has 12 tranches of diversified corporate credits, each of which has the benefit of first-loss protection. The 12 tranches in Apex have exposure to approximately 450 corporate credits that are diversified by geographic region and industry. Approximately 70% of the corporate credits are rated investment grade (25% rated higher than BBB, 46% rated BBB and 29% rated below investment grade). There have been minimal changes to the ratings of the corporate credits in the fourth quarter. A number of the ratings on the underlying companies are on watch or under review for downgrade.

In the third and fourth quarters, we put in place hedges that reduced BMO's risk exposure to Apex to levels that are not

expected to expose BMO to significant loss. No realized losses have been experienced in the vehicle to date and the likelihood of realized losses exceeding the level of the hedges we have is considered remote given the level of first-loss protection on the tranches and the strength of the underlying corporate credits.

BMO has entered into credit default swap contracts on the net notional positions in the structure with the swap counterparties and into offsetting swaps with the vehicle. Apex has issued $2.2 billion of notes (Notes) with remaining terms of four and seven years. After giving effect to the hedges we entered into, BMO has no net exposure through the Apex Notes to realized credit losses in the tranches. BMO's gross exposure before considering the offsetting hedges is $815 million. Another party has a $600 million exposure to the Notes through a total return swap with BMO. Realized credit losses in Apex would only be incurred should losses on defaults on the underlying credits exceed the first-loss protection on a tranche. A significant majority of Apex's positions benefit from substantial first-loss protection and there has been minimal change in these levels during the quarter.

A senior funding facility of $1.13 billion has been made available to Apex, with BMO providing $1.03 billion of that facility. During the third quarter, we entered into a transaction that hedges the first $515 million of loss exposure on our committed exposure under the senior funding facility. As of October 31, 2009, $112 million ($214 million at July 31, 2009) was advanced through BMO's committed share of the senior facility to fund collateral calls arising from changes in mark-to-market values of the underlying credit default swaps.

In the fourth quarter, we recorded $50 million of charges in respect of Apex, comprised of the one-time $25 million net cost of entering into the hedge on our $815 million Note exposure and a $25 million mark-to-market loss on the hedge of the first $515 million of exposure on the loan facility, which resulted from credit spreads tightening during the quarter.

Two tranches have lower levels of first-loss protection than others. If losses were realized by Apex investors on the full notional amounts of $1,217 million represented by the two weakest tranches, BMO's exposure would be nil given the hedges in place. Each of the other 10 tranches, which have a net notional amount of $20.6 billion, is rated from A (low) to AAA and has significant first-loss protection, ranging from 13.0% to 29.4% with a weighted average of 23.5%.

Structured Investment Vehicles

We provide senior-ranked funding support through BMO liquidity facilities for two BMO-managed Structured Investment Vehicles (SIVs), Links Finance Corporation (Links) and Parkland Finance Corporation (Parkland). At October 31, 2009, amounts drawn on the facilities totalled US$5.8 billion and €597 million (US$6.4 billion and €622 million at July 31, 2009). The liquidity facilities totalled US$6.0 billion for Links and €627 million for Parkland at October 31, 2009. Advances under the liquidity facilities rank ahead of the SIVs' subordinated capital notes.

Consistent with the strategy of selling assets in an orderly and value-sensitive manner and as a result of weak but improving market conditions, the pace of asset sales was measured during the quarter, though higher than in the previous quarter. We anticipate that the SIVs will continue the strategy of selling assets in an orderly manner based upon market conditions and that asset sales in the current quarter will be modest. The total amount drawn under the liquidity facilities is impacted by a number of factors including the pace and price of asset sales. Amounts funded are expected to decrease from current levels based on these factors. While the assets of the SIVs will mature over time, a significant portion is expected to be repaid in the period between 2010 and 2012.

The SIVs' capital noteholders will continue to bear the economic risk from actual losses up to the full amount of their investment. The book value of the subordinated capital notes in Links and Parkland at October 31, 2009 was US$866 million and €150 million, respectively. The par value of the assets held by Links and Parkland totalled US$7.1 billion and €752 million, respectively, reduced from US$7.8 billion and €774 million at July 31, 2009. The market value of the assets held by Links and Parkland, including hedges and cash equivalents, totalled US$5.5 billion and €631 million, respectively, compared with US$5.6 billion and €598 million at July 31, 2009. During the quarter, there were maturities and repayments of assets totalling US$277 million in Links and €11 million in Parkland as well as par value asset sales of US$442 million in Links and €10 million in Parkland. While the market value of Links assets is currently lower than the senior debt outstanding, BMO believes that the first-loss protection provided by the subordinate capital notes exceeds future expected losses. The market value of Parkland assets increased in the quarter and now exceeds the amount of senior debt outstanding.

The asset quality of Links remains high. Based on market value, approximately 51% of debt securities are rated Aa3 or better by Moody's (55% at July 31, 2009 and 84% at October 31, 2008) with 91% rated investment grade. Approximately 47% are rated AA- or better by S&P (49% at July 31, 2009 and 73% at October 31, 2008) with 92% rated investment grade. Certain of the debt security ratings are on credit watch, for downgrade. The senior notes of the SIVs have ratings consistent with BMO's senior debt ratings of Aa1 (Moody's) and A+ (S&P). On October 27, 2009, Moody's placed the long-term senior debt ratings of Links and Parkland on review for possible downgrade as a result of its review of BMO's long-term debt ratings. The SIVs hold a diversified mix of debt securities and the mix of securities is largely unchanged from October 31, 2008.

Caution

Given the uncertainty in the capital markets environment, our capital markets instruments could experience further valuation gains and losses due to changes in market value. This Financial Instruments in the Difficult Credit Environment section contains forward-looking statements. Please see the Caution Regarding Forward-Looking Statements.

The following table provides additional detail on select financial instruments that are held in our trading and available-for-sale portfolios. Most of our CDOs and CLOs are fully hedged with other large financial institutions. Net CDO exposure is minimal, at $16 million, and net CLO exposure is also minimal, at $125 million, consisting of the $101 million carrying value of unhedged and wrapped instruments and a $24 million net loss on hedged instruments.

BMO has invested only in senior and super-senior tranches of CDOs and CLOs. Tranche ratings in the table use the lowest external rating available provided by S&P, Moody's or Fitch. The difference between hedged investment amounts and carrying value of hedged investments amounts reflect mark-to-market adjustments, which are generally recoverable through total return or credit default swaps. The underlying securities are a wide range of corporate assets. Approximately 20% of hedged investment amounts have been hedged through swaps with one financial institution counterparty rated A. The value of BMO's interest in those hedges is supported by collateral held, with the exception of relatively modest amounts as permitted under counterparty agreements. Another 60% of hedged investment amounts relate to two AAA rated counterparties for which we have recorded $109 million of hedge gains. The remaining 20% relates to a CC rated counterparty for which we have recorded $14 million of hedge gains.

Amounts in the table below exclude credit default swap (CDS) protection purchases from two credit derivative product company counterparties that have a market value of US$140 million (before deduction of US$17 million of credit valuation adjustments) and corresponding US$1.5 billion notional value of CDOs' CDS protection provided to other financial institutions in our role as intermediary. One of the counterparties' credit rating is Ba1 and the subordinated notes of the other counterparty are rated BBB-/Caa1. The underlying security on the two exposures consists of three pools of broadly-diversified single name corporate and sovereign credits. Each of the pools has from 95 to 138 credits of which 64% to 81% are investment grade with first-loss protection that ranges from 7.4% to 19.2% with a weighted-average of 11.9% based on notional value.

Exposures to Other Select Financial Instruments ($ millions – Cdn) (1)

As at October 31, 2009	Tranche Rating	Carrying Value of Unhedged & Wrapped Investments	Hedged Investment Amounts	Carrying Value of Hedged Investment Amounts	Cumulative Loss in Value of Hedged Investments	Cumulative Gain on Hedges	Net Losses on Hedged Investments	
CDO's (2)	AAA	16						Sundry securities
	CCC or below		258	57	(201)	201	-	Hedged with FI rated A
		16	258	57	(201)	201	-	
CLO's	AAA	58						Mostly U.K. and European mid-size corporate loans
	AAA		943	855	(88)	67	(21)	Hedged with monolines rated CC or better
	A- to AA+	43						U.K. mid-sized enterprise loans
	A- to AA+		419	360	(59)	56	(3)	Hedged with monolines rated AAA
		101	1,362	1,215	(147)	123	(24)	
Residential MBS (4) (5)								
No subprime	AAA	33						Mostly U.K. and Australian mortgages
U.S. subprime – wrapped	A- to AA+	2						Wrapped with monolines rated AAA (3)
	CCC or below	15						Wrapped with monoline rated CC or no longer rated
U.S. subprime	A- to AA+		60	51	(9)	9	-	Hedges with FI's rated AA
	CCC or below		68	50	(18)	18	-	Hedges with FI's rated AA
		50	128	101	(27)	27	-	
Commercial MBS (5)	AAA	25						European, U.K. and U.S. commercial real estate loans
	A- to AA+	138						Mostly Canadian commercial and multi-use residential loans
		163						
Asset-backed Securities	AAA	219						Mostly Canadian credit card receivables and auto loans
	A- to AA+	128						Mostly Canadian credit card receivables and auto loans
	BBB- to BBB+	70						Collateral notes on Canadian credit card receivables
		417						

FI's = Financial Institutions

(1) Most of the unhedged and wrapped investments were transferred to the available-for-sale portfolio effective August 1, 2008.

(2) CDOs include indirect exposure to approximately $49 million of U.S. subprime residential mortgages. As noted above, this exposure is hedged via total return swaps with a large non-monoline financial institution.

(3) Certain ratings are under review.

(4) Wrapped MBS have an insurance guarantee attached and are rated inclusive of the wrap protection. RMBS included in the hedged investment amounts of $128 million have exposure to an estimated $63 million of underlying U.S. subprime loans.

(5) Amounts exclude BMO Life Assurance holdings of $34 million of residential MBS and $237 million of commercial MBS.

Review of Operating Groups' Performance

Operating Groups' Summary Income Statements and Statistics for Q4-2009

(Canadian $ in millions, except as noted)	Q4-2009 P&C	PCG	BMO CM	Corporate including T&O	Total BMO	Fiscal-2009 P&C	PCG	BMO CM	Corporate including T&O	Total BMO
Net interest income (teb) (1)	1,190	88	338	(174)	**1,442**	4,630	353	1,798	(1,211)	**5,570**
Non-interest revenue	465	457	556	69	**1,547**	1,766	1,659	1,668	401	**5,494**
Total revenue (teb) (1)	1,655	545	894	(105)	**2,989**	6,396	2,012	3,466	(810)	**11,064**
Provision for credit losses	117	1	41	227	**386**	455	5	170	973	**1,603**
Non-interest expense	924	396	435	24	**1,779**	3,738	1,536	1,875	232	**7,381**
Income before income taxes and non-controlling interest in subsidiaries	614	148	418	(356)	**824**	2,203	471	1,421	(2,015)	**2,080**
Income taxes (recovery) (teb) (1)	195	38	129	(204)	**158**	702	90	361	(936)	**217**
Non-controlling interest in subsidiaries	-	-	-	19	**19**	-	-	-	76	**76**
Net income Q4-2009	419	110	289	(171)	**647**	1,501	381	1,060	(1,155)	**1,787**
Net income Q3-2009	381	120	343	(287)	**557**					
Net income Q4-2008	336	84	290	(150)	**560**	1,305	452	711	(490)	**1,978**
Other statistics										
Net economic profit (2)	266	77	133	(317)	**159**	853	255	359	(1,535)	**(68)**
Return on equity	27.7%	34.7%	20.1%	nm	**14.0%**	23.9%	31.3%	16.4%	nm	**9.9%**
Cash return on equity (2)	28.1%	35.1%	20.1%	nm	**14.2%**	24.4%	31.6%	16.4%	nm	**10.1%**
Operating leverage	9.9%	7.5%	27.4%	nm	**8.5%**	3.4%	(6.5%)	34.9%	nm	**1.3%**
Cash operating leverage (2)	9.7%	7.3%	27.4%	nm	**8.3%**	3.3%	(6.6%)	34.9%	nm	**1.3%**
Productivity ratio (teb)	55.8%	72.6%	48.6%	nm	**59.5%**	58.4%	76.4%	54.1%	nm	**66.7%**
Cash productivity ratio (teb) (2)	55.3%	72.5%	48.6%	nm	**59.2%**	57.8%	76.2%	54.1%	nm	**66.3%**
Net interest margin on earning assets (1)	3.23%	2.91%	0.81%	nm	**1.73%**	3.13%	3.34%	1.00%	nm	**1.63%**
Average common equity	5,850	1,250	5,458	4,729	**17,287**	6,095	1,200	6,136	3,434	**16,865**
Average earning assets ($ billions)	146.4	12.0	166.2	6.8	**331.4**	147.9	10.6	179.3	4.0	**341.8**
Full-time equivalent staff	19,733	4,632	2,362	9,446	**36,173**					

nm – not meaningful

(1) Operating group revenues, income taxes and net interest margin are stated on a taxable equivalent basis (teb). The group teb adjustments are offset in Corporate, and Total BMO revenue, income taxes and net interest margin are stated on a GAAP basis. See the Non-GAAP Measures section.

(2) Non-GAAP Measure. See GAAP and Related Non-GAAP Measures section.

The following sections review the financial results of each of our operating segments and operating groups for the fourth quarter of 2009.

Periodically, certain business lines and units within the business lines are transferred between client groups to more closely align BMO's organizational structure and its strategic priorities. Commencing in the third quarter, the results of our insurance business are now reported in Private Client Group rather than in P&C Canada. In addition, results of our term investments business are now reported in P&C Canada rather than in Private Client Group. All comparative figures have been reclassified to reflect these transfers.

Note 16 to the unaudited interim consolidated financial statements outlines how income statement items requiring allocation are distributed among the operating groups, including the allocation of the provision for credit losses. Corporate Services is generally charged (or credited) with differences between the periodic provisions for credit losses charged to the client groups under our expected loss provisioning methodology and the periodic provisions required under GAAP.

Personal and Commercial Banking

(Canadian $ in millions, except as noted)	Q4-2009	Increase (Decrease) vs. Q4-2008		Increase (Decrease) vs. Q3-2009		Fiscal-2009	Increase (Decrease) vs. Fiscal-2008	
Net interest income (teb)	**1,190**	83	8%	27	2%	**4,630**	446	11%
Non-interest revenue	**465**	17	4%	3	-	**1,766**	82	5%
Total revenue (teb)	**1,655**	100	6%	30	2%	**6,396**	528	9%
Provision for credit losses	**117**	16	15%	3	1%	**455**	71	18%
Non-interest expense	**924**	(33)	(4%)	(28)	(3%)	**3,738**	200	6%
Income before income taxes and non-controlling interest in subsidiaries	**614**	117	24%	55	10%	**2,203**	257	13%
Income taxes (teb)	**195**	34	22%	17	10%	**702**	61	10%
Net income	**419**	83	25%	38	10%	**1,501**	196	15%
Amortization of acquisition-related intangible assets (after tax)	**6**	(2)	(20%)	(2)	(17%)	**31**	1	5%
Cash net income	**425**	81	24%	36	9%	**1,532**	197	15%
Return on equity	**27.7%**		5.3%		3.0%	**23.9%**		0.2%
Cash return on equity	**28.1%**		5.1%		2.8%	**24.4%**		0.1%
Operating leverage	**9.9%**		nm		nm	**3.4%**		nm
Cash operating leverage	**9.7%**		nm		nm	**3.3%**		nm
Productivity ratio (teb)	**55.8%**		(5.8%)		(2.7%)	**58.4%**		(1.9%)
Cash productivity ratio (teb)	**55.3%**		(5.6%)		(2.6%)	**57.8%**		(1.9%)
Net interest margin on earning assets (teb)	**3.23%**		0.33%		0.07%	**3.13%**		0.26%
Average earning assets	**146, 374**	(5,168)	(3%)	433	-	**147,907**	1,995	1%

nm – not meaningful

Personal and Commercial Banking (P&C) represents the sum of 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.). These operating segments are reviewed separately in the sections that follow.

Personal and Commercial Banking Canada (P&C Canada)

(Canadian $ in millions, except as noted)	Q4-2009	Increase (Decrease) vs. Q4-2008		Increase (Decrease) vs. Q3-2009		Fiscal-2009	Increase (Decrease) vs. Fiscal-2008	
Net interest income (teb)	**981**	86	10%	28	3%	**3,738**	302	9%
Non-interest revenue	**404**	14	3%	4	1%	**1,525**	83	6%
Total revenue (teb)	**1,385**	100	8%	32	2%	**5,263**	385	8%
Provision for credit losses	**102**	13	13%	5	2%	**387**	46	13%
Non-interest expense	**709**	(5)	(1%)	(28)	(4%)	**2,843**	107	4%
Income before income taxes and non-controlling interest in subsidiaries	**574**	92	20%	55	11%	**2,033**	232	13%
Income taxes (teb)	**180**	22	15%	17	11%	**641**	49	9%
Net income	**394**	70	22%	38	11%	**1,392**	183	15%
Amortization of acquisition-related intangible assets (after tax)	**-**	-	-	-	-	**3**	1	55%
Cash net income	**394**	70	22%	38	11%	**1,395**	184	15%
Personal revenue	**654**	9	1%	20	3%	**2,478**	51	2%
Commercial revenue	**403**	55	16%	-	-	**1,531**	154	11%
Cards revenue	**328**	36	12%	12	4%	**1,254**	180	17%
Operating leverage	**8.6%**		nm		nm	**4.0%**		nm
Cash operating leverage	**8.7%**		nm		nm	**4.1%**		nm
Productivity ratio (teb)	**51.2%**		(4.5%)		(3.2%)	**54.0%**		(2.1%)
Cash productivity ratio (teb)	**51.1%**		(4.5%)		(3.2%)	**53.9%**		(2.2%)
Net interest margin on earning assets (teb)	**3.22%**		0.34%		0.05%	**3.13%**		0.29%
Average earning assets	**121,031**	(2,397)	(2%)	1,979	2%	**119,313**	(1,686)	(1%)

nm – not meaningful

Q4 2009 vs Q4 2008

Net income was a strong $394 million, up $70 million or 22% from a year ago.

Revenue rose $100 million or 7.8%, driven by volume growth across most products, an improved net interest margin, cards and payments services revenue, net investment securities gains and higher activity fees, partially offset by lower securitization revenues. Net interest margin increased by 34 basis points. The increase was driven primarily by favourable prime rates relative to BA rates and actions to mitigate the impact of rising long-term funding costs, along with the impact of deposit growth outpacing loan growth and the securitization of low-margin mortgages. These factors were partially offset by lower mortgage refinancing fees and interest received on tax refunds in the prior year.

In the personal banking segment, revenue increased $9 million or 1.4%, driven by volume growth in higher-spread loans and deposits, favourable prime rates relative to BA rates and actions to mitigate the impact of rising long-term funding costs partially offset by reductions in mortgage refinancing fees and securitization revenue. Homeowner Readiline growth drove personal loan growth of 13% year over year. Market share decreased from the prior year due to actions taken to maintain the quality of the portfolio.

Our mortgage loan balances declined from a year ago, due to securitization and the runoff of our broker-channel and third-party loans and, as expected, mortgage market share decreased from a year ago. Over the long-term, our goal is to grow market share and we are highly focused on improving this business through process improvements, sales force productivity gains and further expansion in order to meet our goals.

Personal deposits increased 13% year over year. The combination of improved performance management, investment in our branch network, simplified product offerings and customers' preferences for bank deposits in uncertain market conditions contributed to this growth. Market share increased year over year and we remain confident with the actions we are taking to generate growth.

In the commercial banking segment, revenue increased $55 million or 16% due to growth in deposits, net investment securities gains, higher activity fees and favourable prime rates relative to BA rates. Deposit balances grew 7.7%, reflecting our customers' attraction to the security of bank deposits in the current environment and our focus on meeting our customers' banking needs. While loan balances decreased 2.3% from a year ago due to economic weakness and continued competition, our market share increased from the prior year and we continued to rank second in Canadian business banking market share of small and mid-size businesses.

Cards and Payment Services revenue increased $36 million or 12% due to balance growth, spread improvement and higher payment service revenue.

Non-interest expense decreased $5 million or 0.8%, primarily due to lower initiatives expense, lower capital taxes and savings from lower staff levels, partially offset by increases in employee benefits costs and performance-based compensation. The group's cash operating leverage was 8.7%. We continue to invest strategically to improve our competitive position and, mindful of the current economic environment, to tightly manage our operating expenses.

Average loans and acceptances, including securitized loans, increased $1.8 billion or 1.3% from a year ago and personal and commercial deposits grew $9.2 billion or 10%.

Q4 2009 vs Q3 2009

Net income increased $38 million or 11%.

Revenue increased $32 million or 2.3%, driven by volume growth and improved net interest margin. Net interest margin improved 5 basis points due to actions to mitigate the impact of rising long-term funding costs and higher volumes in more profitable products, partially offset by lower mortgage refinancing fees.

Non-interest expense decreased $28 million or 3.7% primarily due to lower capital taxes and lower severance costs.

Average loans and acceptances including securitized loans increased $1.1 billion or 0.8% from the last quarter while commercial deposits increased $0.7 billion or 2.5%. Personal and term deposits were unchanged.

Fiscal 2009 vs Fiscal 2008

Net income increased $183 million or 15% to $1,392 million.

Revenue increased $385 million or 7.9%, driven by volume growth across most products, an improved net interest margin, higher cards and payment service revenue and higher activity fees, partially offset by lower revenue from securitizations and mutual fund products. Net interest margin increased 29 basis points. Approximately one-half of the increase was due to securitizing low-margin mortgages, while one-quarter of the increase was attributable to deposit growth outpacing loan growth. The remainder was due to favourable prime rates relative to BA rates and actions to mitigate the impact of rising long-term funding costs, partially offset by lower mortgage refinancing fees and interest received on tax refunds in the prior year.

Non-interest expense increased $107 million or 3.9% primarily due to increases in employee benefits costs, performance-based compensation and occupancy and payment services costs, partially offset by lower initiatives spending and savings from lower staff levels.

All comparative figures have been reclassified to reflect the third quarter 2009 transfer of BMO's insurance business to PCG from P&C Canada and the transfer of the term investment business from PCG to P&C Canada.

Personal and Commercial Banking U.S. (P&C U.S.)

(Canadian $ in millions, except as noted)	Q4-2009	Increase (Decrease) vs. Q4-2008		Increase (Decrease) vs. Q3-2009		Fiscal-2009	Increase (Decrease) vs. Fiscal-2008	
Net interest income (teb)	**209**	(3)	(2%)	(1)	(1%)	**892**	144	19%
Non-interest revenue	**61**	3	6%	(1)	-	**241**	(1)	(1%)
Total revenue (teb)	**270**	-	-	(2)	(1%)	**1,133**	143	14%
Provision for credit losses	**15**	3	23%	(2)	(3%)	**68**	25	57%
Non-interest expense	**215**	(28)	(11%)	-	-	**895**	93	12%
Income before income taxes and non-controlling interest in subsidiaries	**40**	25	+100%	-	-	**170**	25	17%
Income taxes (teb)	**15**	12	+100%	-	-	**61**	12	22%
Net income	**25**	13	+100%	-	-	**109**	13	14%
Amortization of acquisition-related intangible assets (after tax)	**6**	(2)	(27%)	(2)	(19%)	**28**	-	-
Cash net income	**31**	11	55%	(2)	(6%)	**137**	13	11%
Operating leverage	**11.4%**		nm		nm	**2.7%**		nm
Cash operating leverage	**10.7%**		nm		nm	**2.2%**		nm
Productivity ratio (teb)	**79.6%**		(10.2%)		0.4%	**79.0%**		(2.0%)
Cash productivity ratio (teb)	**77.0%**		(9.2%)		1.0%	**76.0%**		(1.5%)
Net interest margin on earning assets (teb)	**3.26%**		0.26%		0.13%	**3.12%**		0.12%
Average earning assets	**25,343**	(2,771)	(10%)	(1,546)	(6%)	**28,594**	3,681	15%
U.S. Select Financial Data (US$ in millions, except as noted)								
Net interest income (teb)	**192**	1	1%	2	2%	**765**	41	6%
Non-interest revenue	**57**	5	10%	2	2%	**208**	(27)	(11%)
Total revenue (teb)	**249**	6	3%	4	2%	**973**	14	2%
Non-interest expense	**199**	(18)	(9%)	6	3%	**769**	(4)	(1%)
Net income	**23**	12	+100%	-	-	**94**	(1)	(1%)
Cash net income	**29**	11	56%	-	-	**118**	(3)	(3%)
Average earning assets	**23,407**	(1,906)	(8%)	(813)	(3%)	**24,504**	401	2%

nm – not meaningful

Q4 2009 vs Q4 2008

Net income increased $13 million to $25 million. On a U.S. dollar basis, net income was $23 million, up $12 million from a year ago. Results benefited from reductions in integration costs and changes in the Visa litigation accrual. Higher levels of impaired loans and the costs of managing this portfolio have reduced net income in the quarter by US$12 million (by US$9 million a year ago). Revenue of US$249 million was US$6 million or 2.7% higher than last year and expenses of US$199 million were US$18 million or 8.6% lower.

Cash net income was US$39 million including a severance charge of US$2.4 million after tax, on a basis that adjusts for the impact of impaired loans, integration costs and the Visa litigation accrual. This is in line with the last five quarters where cash net income on this basis had exceeded US$40 million.

On a similarly-adjusted basis, revenue grew US$12 million or 4.9%, largely driven by deposit volume growth and increased gains on the sale of mortgages, partially offset by decreased spreads. Deposit growth of US$1.5 billion or 7.7% reflects our continued commitment to provide the right products and services for our customers. We have maintained our number two ranking for retail deposit market share in our Chicago area markets while network banks lost market share. Net interest margin of 3.26% improved 26 basis points year over year due to strong deposit generation.

On a similarly-adjusted basis, expenses increased US$6 million or 3.4% reflecting severance of US$3.6 million and higher marketing costs in support of sales and customer acquisition.

Q4 2009 vs Q3 2009

Net income, at $25 million, was unchanged from the prior quarter. On a U.S. dollar basis, net income was $23 million, consistent with the prior quarter.

Revenue increased US$4 million or 1.9% primarily due to improved loan spreads and the impact of more days in the current quarter.

Non-interest expense grew US$6 million or 2.5% largely due to severance and increased marketing in support of sales and customer acquisition.

Fiscal 2009 vs Fiscal 2008

Net income increased $13 million or 14% from the prior year to $109 million. On a U.S. dollar basis, net income decreased $1 million or 0.6% to $94 million. The impact of impaired loans reduced net income by US$46 million in the current year compared with US$22 million last year. Revenue increased US$14 million or 1.5%. Non-interest expense decreased US$4 million or 0.6%.

Cash net income was US$162 million, on a basis that adjusts for the impact of impaired loans, integration costs, the Visa litigation accrual and last year's gain on the sale of a portion of our investment in Visa, increasing US$13 million or 8.7% versus last year.

On a similarly-adjusted basis, revenue increased US$81 million or 8.7% reflecting strong deposit volume growth, a full year of results of our Wisconsin acquisitions (US$33 million) and increased gains on the sale of mortgages.

On a similarly-adjusted basis, expenses increased US$38 million or 5.3%, reflecting a full year of results of our Wisconsin acquisitions (US$26 million).

Private Client Group (PCG)

(Canadian $ in millions, except as noted)	Q4-2009	Increase (Decrease) vs. Q4-2008		Increase (Decrease) vs. Q3-2009		Fiscal-2009	Increase (Decrease) vs. Fiscal-2008	
Net interest income (teb)	**88**	(13)	(13%)	1	1%	**353**	(23)	(6%)
Non-interest revenue	**457**	52	13%	23	5%	**1,659**	(111)	(6%)
Total revenue (teb)	**545**	39	8%	24	5%	**2,012**	(134)	(6%)
Provision for credit losses	**1**	-	-	-	-	**5**	1	37%
Non-interest expense	**396**	2	-	4	1%	**1,536**	5	-
Income before income taxes	**148**	37	35%	20	16%	**471**	(140)	(23%)
Income taxes (teb)	**38**	11	45%	30	+100%	**90**	(69)	(44%)
Net income	**110**	26	32%	(10)	(7%)	**381**	(71)	(16%)
Amortization of acquisition-related intangible assets (after tax)	**2**	-	-	2	58%	**4**	-	-
Cash net income	**112**	26	31%	(8)	(7%)	**385**	(71)	(15%)
Return on equity	**34.7%**		5.8%		(1.2%)	**31.3%**		(8.9%)
Cash return on equity	**35.1%**		5.9%		(1.0%)	**31.6%**		(9.0%)
Operating leverage	**7.5%**		nm		nm	**(6.5%)**		nm
Cash operating leverage	**7.3%**		nm		nm	**(6.6%)**		nm
Productivity ratio (teb)	**72.6%**		(5.5%)		(2.7%)	**76.4%**		5.0%
Cash productivity ratio (teb)	**72.5%**		(5.3%)		(2.6%)	**76.2%**		5.1%
Net interest margin on earning assets (teb)	**2.91%**		(1.88%)		(0.02%)	**3.34%**		(1.44%)
Average earning assets	**12,048**	3,656	44%	245	2%	**10,567**	2,712	35%
U.S. Select Financial Data (US$ in millions)								
Total revenue (teb)	**60**	26	79%	3	5%	**208**	(9)	(4%)
Non-interest expense	**57**	(3)	3%	-	-	**218**	(12)	(5%)
Net income	**2**	17	+100%	2	+100%	**(7)**	(1)	(11%)
Cash net income	**2**	17	+100%	2	+100%	**(6)**	(1)	(10%)
Average earning assets	**2,203**	(8)	-	(52)	(2%)	**2,251**	109	5%

nm – not meaningful

Q4 2009 vs Q4 2008

Net income of $110 million increased $26 million or 32% from the same quarter a year ago. Results a year ago included charges of $31 million ($19 million after tax) associated with the decision to purchase certain holdings from our U.S. clients in the weak capital markets environment. Net income in the current quarter was comprised of $41 million from insurance and $69 million from PCG excluding insurance.

Revenue increased $39 million or 7.8%, due in part to the reduction in the above charges and a $27 million benefit from the impact of the BMO Life Assurance acquisition. These factors were partially offset by lower revenue in our brokerage businesses including lower deposit revenue from spread compression as a result of the record low-interest rate environment.

Non-interest expense increased $2 million. The BMO Life Assurance acquisition increased expenses by $15 million, including integration costs of $3 million, while operating costs were lowered by active expense management.

Assets under management and administration benefited from improving market conditions, growing $8 billion or 3.4% despite a $9 billion decline related to the weaker U.S. dollar.

Q4 2009 vs Q3 2009

Net income decreased $10 million or 7.4% from the third quarter as the prior quarter included a $23 million recovery of prior periods' income taxes.

Revenue of $545 million improved $24 million or 4.7% from the third quarter, due primarily to higher fee-based and commission revenue in full-service investing and higher fee-based revenue in mutual funds on increased client assets. BMO Life Assurance revenue was unchanged from the prior quarter.

Non-interest expense increased $4 million from the previous quarter, due primarily to higher revenue-based costs.

Assets under management and administration improved by $9 billion or 3.7% due to continued improvement in market conditions.

Fiscal 2009 vs Fiscal 2008

Net income decreased $71 million or 16% from the same period a year ago, reflective of challenging equity markets and a low-interest rate environment. Results in the current year were lowered by a $17 million ($11 million after-tax) charge associated with the decision to purchase certain holdings from our U.S. clients but benefited from the $23 million recovery of prior periods' income taxes. Results in fiscal 2008 were affected by the $31 million ($19 million after tax) charge previously mentioned.

Net income in the current year was comprised of $170 million from Insurance and $211 million from PCG excluding insurance. The BMO Life Assurance acquisition completed in the second quarter added $64 million of revenues, $41 million of expenses and $16 million of net income in fiscal 2009.

Revenue of $2,012 million decreased by $134 million or 6.2%. The decrease was primarily due to lower revenue in our brokerage businesses and lower fee-based revenue in our mutual fund businesses, reflecting the negative impact of softer equity market conditions for most of the year on the group's assets under management and administration, partially offset by increased insurance revenues. Lower net interest income was primarily due

to spread compression on deposit balances in our brokerage businesses. The stronger U.S. dollar increased revenue growth by $27 million or 1.3 percentage points.

Non-interest expense increased $5 million or 0.3%. The stronger U.S. dollar increased expense growth by $27 million or 1.7 percentage points and the acquisition of BMO Life Assurance added $41 million of expense. These expense increases were partially offset by reductions in revenue-based costs, in line with lower non-interest revenue, and the success of active expense management.

All comparative figures have been reclassified to reflect the third quarter 2009 transfer of BMO's insurance business to PCG from P&C Canada and the transfer of the term investment business from PCG to P&C Canada.

BMO Capital Markets (BMO CM)

(Canadian $ in millions, except as noted)	Q4-2009	Increase (Decrease) vs. Q4-2008		Increase (Decrease) vs. Q3-2009		Fiscal-2009	Increase (Decrease) vs. Fiscal-2008	
Net interest income (teb)	**338**	(24)	(7%)	(102)	(23%)	**1,798**	591	49%
Non-interest revenue	**556**	196	54%	(37)	(6%)	**1,668**	435	35%
Total revenue (teb)	**894**	172	24%	(139)	(14%)	**3,466**	1,026	42%
Provision for credit losses	**41**	11	34%	(2)	(4%)	**170**	53	45%
Non-interest expense	**435**	(16)	(4%)	(81)	(16%)	**1,875**	124	7%
Income before income taxes	**418**	177	74%	(56)	(12%)	**1,421**	849	+100%
Income taxes (teb)	**129**	178	+100%	(2)	(1%)	**361**	500	+100%
Net income	**289**	(1)	(1%)	(54)	(16%)	**1,060**	349	49%
Amortization of acquisition-related intangible assets (after tax)	**-**	-	-	(1)	(3%)	**1**	-	-
Cash net income	**289**	(1)	(1%)	(55)	(16%)	**1,061**	349	49%
Trading Products revenue	**506**	272	+100%	(160)	(24%)	**1,982**	965	95%
Investment and Corporate Banking and Other revenue	**388**	(100)	(20%)	21	6%	**1,484**	61	4%
Return on equity	**20.1%**		1.3%		(1.7%)	**16.4%**		5.0%
Cash return on equity	**20.1%**		1.3%		(1.7%)	**16.4%**		4.9%
Operating leverage	**27.4%**		nm		nm	**34.9%**		nm
Cash operating leverage	**27.4%**		nm		nm	**34.9%**		nm
Productivity ratio (teb)	**48.6%**		(13.8%)		(1.4%)	**54.1%**		(17.7%)
Cash productivity ratio (teb)	**48.6%**		(13.8%)		(1.3%)	**54.1%**		(17.6%)
Net interest margin on earning assets (teb)	**0.81%**		(0.02%)		(0.21%)	**1.00%**		0.31%
Average earning assets	**166,151**	(7,669)	(4%)	(4,477)	(3%)	**179,372**	3,292	2%
U.S. Select Financial Data (US$ in millions)								
Total revenue (teb)	**341**	7	2%	6	1%	**1,505**	338	29%
Non-interest expense	**207**	42	26%	31	17%	**733**	12	2%
Net income	**70**	(29)	(30%)	(18)	(22%)	**464**	190	69%
Average earning assets	**60,993**	(4,076)	(6%)	(2,782)	(4%)	**64,935**	(4,476)	(6%)

nm – not meaningful

Q4 2009 vs Q4 2008

Net income was $289 million, in line with a year ago. Results in the prior year benefited from a $52 million recovery of prior periods' income taxes and from proportionately higher tax-exempt income. There was strong revenue growth and relatively modest expense growth over the prior year, which was partially driven by approximately 30 senior level strategic hires.

Revenue increased $172 million to $894 million. Lending and underwriting fees increased from the prior year. Overall trading revenues were down as losses recorded in Investment and Corporate Banking and Other offset the trading gains made in Trading Products as noted below. The weaker U.S. dollar decreased revenues by $10 million relative to a year ago.

Trading Products revenue more than doubled from $234 million to $506 million. Securities losses related to Apex and charges for other than temporary impairments were significantly reduced from a year ago. Trading revenues for the business increased due to significantly higher interest rate trading revenues. However, this was partially offset by the revenue decline in our interest-rate-sensitive businesses caused by the maturity of attractive term assets and narrowing of market spreads. There were also reductions in foreign exchange and equity trading revenues as well as lower commission revenue.

Investment and Corporate Banking and Other revenue decreased by $100 million to $388 million. Corporate banking revenues have increased significantly as a result of higher lending fees and wider spreads. Equity and debt underwriting fees are also up compared to the prior year, partially offset by lower cash management revenue. The prior year's results included $133 million of mark-to-market gains on credit default swap (CDS) positions that mitigate the credit exposure in our loan portfolio, compared to $17 million of mark-to-market losses on CDS this quarter, reflective of a more stable credit environment. These mark-to-market adjustments were reflected in trading revenue.

Net interest income decreased from the prior year due to reduced revenues in our interest-rate-sensitive businesses, lower net interest income from our cash management business and increased funding costs. The effects of these decreases were partially offset by increased trading net interest income and, to a

lesser extent, improved corporate banking net interest income. Net interest margin decreased 2 basis points from the prior year with reductions in interest-rate-sensitive businesses partly offset by higher trading net interest income and increased spreads in corporate lending.

No charges in respect of the capital markets environment have been designated as notable items this quarter. The net impact of the following items did not have a significant effect on our results: a charge of $50 million ($34 million after tax) in respect of the credit protection vehicle Apex, half of which was in respect of the one time cost of the hedge put in place in the fourth quarter; a charge of $17 million ($11 million after tax) of trading losses on CDS used to manage the credit exposure on the loan portfolio, and $17 million ($12 million after tax) of charges for other than temporary impairment for assets held in the available for sale portfolio. These items were largely offset by gains on credit valuation adjustments of $61 million ($42 million after tax) and a $24 million gain ($16 million after tax) on assets held that were subject to the agreement referred to as the Montreal Accord. In the prior year, there was a net charge of $14 million ($8 million after tax), comprised of largely offsetting items that related to the capital markets environment.

Non-interest expense decreased $16 million or 3.7% due to lower employee compensation costs and decreased information technology costs. The weaker U.S. dollar decreased expenses by $5 million. The group's cash operating leverage was 27.4%, driven by the increased revenue and decreased expenses.

Q4 2009 vs Q3 2009

Net income decreased $54 million or 16% from the third quarter, which was particularly strong.

Revenue was $139 million or 14% lower due to significantly lower trading revenue and decreased corporate banking net interest income. Debt underwriting fees and revenues from our interest-rate-sensitive businesses also decreased. These revenue decreases were partially offset by increases in lending fees and merger and acquisition fees.

Non-interest expense was $81 million or 16% lower, primarily due to lower employee compensation costs.

Fiscal 2009 vs Fiscal 2008

Net income increased $349 million or 49% to a record $1,060 million, as revenues grew 42% with a comparatively low 7.1% increase in expenses.

Revenue increased $1,026 million to $3,466 million. The strong financial performance resulted from our businesses' ability to capitalize on opportunities presented by high levels of market volatility, while maintaining an appropriate risk-return profile. This year's results reflected the strength and resilience of our core businesses and the continued benefit of maintaining a diversified portfolio. Revenue growth was largely driven by significantly higher interest rate and equity trading revenue as well as corporate banking revenues.

Corporate banking revenue increased significantly from the previous year despite the reduction in lending assets due to improved spreads and higher lending fees. Conditions were mixed for our investment banking businesses. Equity underwriting revenues increased as corporate clients sought to strengthen their balance sheets. In contrast, mergers and acquisition activity decreased due to lower market activity. Commission revenue was also down.

Non-interest expense increased $124 million to $1,875 million, primarily due to increased employee costs, consistent with improved business performance, and higher allocated costs. Severance costs of $29 million ($19 million after tax) were comparable with a year earlier.

Net income taxes were low in 2008 as results included $134 million of recoveries of prior periods' income taxes and a higher proportion of tax-exempt income.

Corporate Services, Including Technology and Operations

(Canadian $ in millions, except as noted)	Q4-2009	Increase (Decrease) vs. Q4-2008		Increase (Decrease) vs. Q3-2009		Fiscal-2009	Increase (Decrease) vs. Fiscal-2008	
Net interest income (teb)	**(174)**	(13)	(8%)	50	23%	**(1,211)**	(516)	(74%)
Non-interest revenue	**69**	(122)	(64%)	46	+100%	**401**	(45)	(10%)
Total revenue (teb)	**(105)**	(135)	(+100%)	96	48%	**(810)**	(561)	(+100%)
Provision for credit losses	**227**	(106)	(32%)	(32)	(12%)	**973**	148	18%
Non-interest expense	**24**	8	65%	11	85%	**232**	158	+100%
Loss before income taxes and non-controlling interest in subsidiaries	**356**	37	13%	(117)	(25%)	**2,015**	867	76%
Income tax recovery (teb)	**204**	16	10%	1	-	**936**	204	28%
Non-controlling interest in subsidiaries	**19**	-	-	-	-	**76**	2	3%
Net loss	**171**	21	14%	(116)	(41%)	**1,155**	665	+100%
U.S. Select Financial Data (US$ in millions)								
Total revenue (teb)	**(30)**	(21)	(+100%)	7	24%	**(265)**	(126)	(91%)
Provision for credit losses	**199**	(10)	(4%)	18	11%	**766**	(17)	(2%)
Non-interest expense	**(15)**	8	32%	(13)	(+100%)	**(12)**	56	82%
Income tax recovery (teb)	**81**	10	17%	(5)	(3%)	**387**	61	19%
Net loss	**137**	9	6%	2	1%	**650**	104	19%

Corporate Services

Corporate Services consists of the corporate units that provide enterprise-wide expertise and governance support in a variety of areas, including strategic planning, risk management, corporate finance, compliance, law, communications and human resources. Operating results reflect the impact of certain securitization and asset-liability management activities, the elimination of taxable equivalent adjustments and the impact of our expected loss provisioning. Corporate Services is generally charged (or credited) with differences between the periodic provisions for credit losses charged to the client groups under our expected loss provisioning methodology and the required periodic provisions charged by the consolidated organization under GAAP, including any changes in the general allowance.

Technology and Operations

Technology and Operations (T&O) manages, maintains and provides governance over information technology, operations services, real estate and sourcing for BMO Financial Group. T&O focuses on enterprise-wide priorities that improve service quality and efficiency to deliver an excellent customer experience.

Financial Performance Review

Technology and Operations operating results are included with Corporate Services for reporting purposes. Costs of T&O's services are transferred to the client groups (P&C, PCG and BMO Capital Markets) and only relatively minor amounts are retained within T&O. As such, results in this section largely reflect the other corporate units outlined above.

There was a net loss of $171 million in the quarter compared with a net loss of $150 million in the prior year. Provisions for credit losses were better by $106 million largely as a result of an increase in the general allowance in the prior year. Results a year ago and in the third quarter of 2009 included an increase in the general allowance for credit losses of $150 million and $60 million, respectively. Revenues were worse by $135 million primarily due to lower mark-to-market gains on hedging activities than in the prior year, the impact of credit card securitizations completed in the latter part of 2008 and lower one-time securitization gains in 2009.

The net loss decreased $116 million from the third quarter. Net interest income and net income have improved in Corporate Services in each quarter of 2009 due in part to management actions and more stable market conditions. Revenues were higher mainly due to mark-to-market gains on hedging activities compared to losses in the prior quarter and, as a result of management actions and a more stable market environment, a lower negative carry on certain asset-liability interest rate positions and a reduced cost of carry on previous quarters funding activities that were undertaken to enhance our strong liquidity position. Provisions for credit losses were better by $32 million primarily as a result of an increase in the general allowance in the third quarter.

The net loss for fiscal 2009 rose $665 million from a year ago, driven in large part by lower revenues, higher provisions for credit losses and higher severance costs. The lower revenues primarily related to a negative carry on certain asset-liability interest rate positions as a result of changes in market interest rates, the impact of funding activities that were undertaken to enhance our strong liquidity position, mark-to-market losses on hedging activities compared to gains in the prior year and the impact of credit card securitizations completed in 2008. Provisions for credit losses were $148 million higher as a result of increased provisions charged to Corporate under BMO's application of the expected-loss-provisioning methodology, net of a lower general allowance booked in the current year. Included in the provision for credit losses was a $60 million increase in the general allowance for credit losses, compared with a $260 million increase in 2008. Non-interest expense increased $158 million largely due to a $118 million ($80 million after-tax) severance charge and higher FDIC insurance premiums as a result of enhancements to protection levels and increased premium rates.

Notable Items

(Canadian $ in millions, except as noted)	**Q4-2009**	Q3-2009	Q4-2008	**Fiscal-2009**	Fiscal-2008
Charges related to deterioration in capital markets environment	**-**	-	45	**521**	388
Related income taxes	**-**	-	18	**166**	128
Net impact of charges related to deterioration in capital markets environment (a)	**-**	-	27	**355**	260
Severance costs	**-**	-	-	**118**	-
Related income taxes	**-**	-	-	**38**	-
Net impact of severance (b)	**-**	-	-	**80**	-
Increase in general allowance	**-**	60	150	**60**	260
Related income taxes	**-**	21	52	**21**	94
Net impact of increase in general allowance (c)	**-**	39	98	**39**	166
Net impact of notable items (a+b+c)	**-**	39	125	**474**	426

Q4 2009

No charges in respect of the capital markets environment have been designated as notable items this quarter in light of the relative insignificance of the amounts. A charge in respect of a Canadian credit protection vehicle (Apex) and a small net charge in respect of credit default swaps (CDS) that mitigate credit exposure in the loan portfolio were largely offset by favourable credit valuation adjustments (CVA).

Q3 2009

Net income was reduced by a $60 million ($39 million after tax and $0.07 per share) increase in the general allowance for credit losses recorded in Corporate Services. No charges in respect of the capital markets environment were designated as notable items in the third quarter in light of the relative insignificance of the amounts. There was a net benefit in the quarter in respect of CVA benefits and a modest charge on the Canadian credit protection vehicle, Apex. These were more than offset by trading losses on CDS used to hedge our lending portfolio.

Q4 2008

BMO's results in the fourth quarter of 2008 were affected by capital markets environment charges of $45 million ($27 million after tax and $0.06 per share) reflected in BMO Capital Markets and Private Client Group. There were $14 million ($8 million after tax) of charges recorded in BMO Capital Markets and $31 million ($19 million after tax) recorded in Private Client Group.

The above charges were all reflected in non-interest revenue. There was $228 million of losses in securities gains (losses), other than trading, a reduction of $30 million in other revenue and a $213 million increase in trading non-interest revenue.

Results also reflected a $150 million ($98 million after tax) increase in the general allowance for credit losses recorded in Corporate Services.

Fiscal 2009

Net income for fiscal 2009 was reduced by notable items totalling $699 million ($474 million after tax and $0.88 per share). BMO Capital Markets recorded capital markets environment charges of $521 million ($355 million after tax). Corporate Services recorded severance costs of $118 million ($80 million after tax) and a $60 million ($39 million after tax) increase in the general allowance for credit losses.

Non-interest revenue was affected by the $521 million of capital markets environment charges outlined above. There were reductions in trading non-interest revenue ($344 million) and investment securities gains ($177 million).

We have chosen to redefine notable items for fiscal 2009 (and fiscal 2008) as it became apparent that certain amounts designated as notable items in prior quarters would more appropriately be considered typical of our ongoing business activities. We have, however, retained the prior quarters' designations of notable items for consistency in analyzing quarterly comparatives in this document. As such, notable items detailed for the fiscal year do not match the sum of quarterly amounts designated as notable items.

Fiscal 2008

Net income for fiscal 2008 was reduced by $648 million ($426 million after tax and $0.84 per share) of notable items. They included capital markets environment charges of $388 million ($260 million after tax) recorded in BMO Capital Markets and a $260 million ($166 million after tax) increase in the general allowance for credit losses recorded in Corporate Services.

Non-interest revenue for year-to-date 2008 was affected by the $388 million of charges outlined above. There were reductions in trading non-interest revenue ($258 million) and investment securities gains ($130 million).

GAAP and Related Non-GAAP Measures used in the MD&A

(Canadian $ in millions, except as noted)	**Q4-2009**	Q3-2009	Q4-2008	**Fiscal-2009**	Fiscal-2008
Non-interest expense (a)	**1,779**	1,873	1,818	**7,381**	6,894
Amortization of acquisition-related intangible assets (note 1)	**(10)**	(12)	(11)	**(44)**	(42)
Cash-based non-interest expense (b) (note 2)	**1,769**	1,861	1,807	**7,337**	6,852
Net income	**647**	557	560	**1,787**	1,978
Amortization of acquisition-related intangible assets, net of income taxes	**8**	9	10	**35**	35
Cash net income (note 2)	**655**	566	570	**1,822**	2,013
Preferred share dividends	**(38)**	(33)	(25)	**(120)**	(73)
Charge for capital (note 2)	**(458)**	(454)	(401)	**(1,770)**	(1,535)
Net economic profit (note 2)	**159**	79	144	**(68)**	405
Revenue (c)	**2,989**	2,978	2,813	**11,064**	10,205
Revenue growth (%) (d)	**6.3**	8.4	27.9	**8.4**	9.2
Productivity ratio (%) ((a/c) x 100)	**59.5**	62.9	64.6	**66.7**	67.6
Cash productivity ratio (%) ((b/c) x 100) (note 2)	**59.2**	62.5	64.2	**66.3**	67.1
Non-interest expense growth (%) (e)	**(2.2)**	5.1	9.9	**7.1**	4.4
Cash-based non-interest expense growth (%) (f) (note 2)	**(2.0)**	5.1	9.9	**7.1**	4.5
Operating leverage (%) (d-e)	**8.5**	3.3	18.0	**1.3**	4.8
Cash operating leverage (%) (d-f) (note 2)	**8.3**	3.3	18.0	**1.3**	4.7
EPS (uses net income) ($)	**1.11**	0.97	1.06	**3.08**	3.76
Cash EPS (uses cash net income) ($)	**1.13**	0.98	1.08	**3.14**	3.83

Note 1: The amortization of non-acquisition-related intangible assets is not added back in the determination of cash net income.
Note 2: These are non-GAAP amounts or non-GAAP measures.

Non-GAAP Measures

BMO uses both GAAP and certain non-GAAP measures to assess performance. Securities regulators require that companies caution readers that earnings and other measures adjusted to a basis other than GAAP do not have standardized meanings under GAAP and are unlikely to be comparable to similar measures used by other companies. The above table reconciles the non-GAAP measures, which management regularly monitors, to their GAAP counterparts.

At times, we indicate certain measures excluding the effects of items but generally do so in conjunction with disclosure of the nearest GAAP measure and provide detail of the reconciling item. Amounts and measures stated on such a basis are considered useful as they could be expected to be reflective of ongoing operating results or assist readers' understanding of performance. To assist readers, we have also provided a schedule that summarizes notable items that have affected results in the reporting periods.

Cash earnings, cash productivity and cash operating leverage measures may enhance comparisons between periods when there has been an acquisition, particularly because the purchase decision may not consider the amortization of acquisition-related intangible assets to be a relevant expense. Cash EPS measures are also disclosed because analysts often focus on this measure, and cash EPS is used by Thomson First Call to track third-party earnings estimates that are frequently reported in the media. Cash measures add the after-tax amortization of acquisition-related intangible assets to GAAP earnings to derive cash net income (and associated cash EPS) and deduct the amortization of acquisition-related intangible assets from non-interest expense to derive cash productivity and cash operating leverage measures.

Net economic profit represents cash net income available to common shareholders, less a charge for capital, and is considered an effective measure of economic value added.

INVESTOR AND MEDIA PRESENTATION

Investor Presentation Materials

Interested parties are invited to visit our website at www.bmo.com/investorrelations to review this quarterly news release, presentation materials and a supplementary financial information package online.

Quarterly Conference Call and Webcast Presentations

Interested parties are also invited to listen to our quarterly conference call on Tuesday, November 24, 2009, at 2:00 p.m. (EST). At that time, senior BMO executives will comment on results for the quarter and respond to questions from the investor community. The call may be accessed by telephone at 416-695-9753 (from within Toronto) or 1-888-789-0089 (toll-free outside Toronto). A replay of the conference call can be accessed until Monday, March 1, 2010, by calling 416-695-5800 (from within Toronto) or 1-800-408-3053 (toll-free outside Toronto) and entering passcode 3278113.

A live webcast of the call can be accessed on our website at www.bmo.com/investorrelations. A replay can be accessed on the site until Monday, March 1, 2010.

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Blair Morrison, Senior Vice-President, Deputy General Counsel,
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Shareholder Dividend Reinvestment and Share Purchase Plan

Average market price
August 2009 $52.31 ($51.26*)
September 2009 $53.73
October 2009 $51.23
* reflects 2% discount for dividend reinvestment

For dividend information, change in shareholder address or to advise of duplicate mailings, please contact

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100 University Avenue, 9th Floor
Toronto, Ontario M5J 2Y1
Telephone: 1-800-340-5021 (Canada and the United States)
Telephone: (514) 982-7800 (international)
Fax: 1-888-453-0330 (Canada and the United States)
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To review financial results online, please visit our website at www.bmo.com

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Annual Meeting 2010
The next Annual Meeting of Shareholders will be held on Tuesday, March 23, 2010, in Winnipeg, Manitoba.