



Q4  
2008

Investor Community Conference Call

**Financial Results**

**RUSS ROBERTSON**

Chief Financial Officer

November 25 • 2008

**BMO**  **Financial Group**



## Forward Looking Statements

### 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 harbor' 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; weak capital and/or credit markets; 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 28 and 29 of BMO's 2007 Annual Report, which outlines in detail certain key factors that may affect BMO's 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, that the level of defaults and losses will be consistent with the credit quality of the underlying assets and our current expectations regarding continuing difficult market conditions.

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 which were taken into account when establishing our expectations of the future risk of credit losses in Apex Trust included industry diversification in the portfolio, initial credit quality by portfolio and the first-loss protection incorporated into the structure.

Assumptions about the performance of the Canadian and U.S. economies in 2009 and how that will affect our businesses were material factors we considered when setting our strategic priorities and objectives, and our outlook for our businesses. Key assumptions included that the Canadian and the U.S. economies will contract in the first half of 2009, and that interest rates and inflation will remain low. We also assumed that housing markets in Canada will weaken in 2009 and strengthen in the second half of the year in the United States. We assumed that capital markets will improve somewhat in the second half of 2009 and that the Canadian dollar will strengthen modestly relative to the U.S. dollar. 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. Tax laws in the countries in which we operate, primarily Canada and the United States, are material factors we consider when determining our sustainable effective tax rate.



## Non-GAAP Measures

Bank of Montreal uses both GAAP and 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.

Reconciliations of GAAP to non-GAAP measures as well as the rationale for their use can be found in Bank of Montreal's Quarterly Report to Shareholders, MD&A and in its Annual Report to Shareholders all of which are available on our website at [www.bmo.com/investorrelations](http://www.bmo.com/investorrelations).

Non-GAAP results or measures include revenue, taxes and cash operating leverage results and measures that use Taxable Equivalent Basis (teb) amounts, cash-based profitability and cash operating leverage measures, Net Economic Profit and results and measures that exclude items that are not considered reflective of ongoing operations. Results stated on a basis that excludes commodities losses, charges for certain trading and valuation adjustments, changes in the general allowance and restructuring charges are non-GAAP measures. Bank of Montreal also provides supplemental information on combined business segments to facilitate comparisons to peers.



## Q4 2008 Financial Highlights

| Net Income | EPS    | Y/Y EPS Growth | Cash EPS | ROE   | Cash Operating Leverage | Specific PCL | General Allowance | Tier 1 Capital Ratio (Basel II) |
|------------|--------|----------------|----------|-------|-------------------------|--------------|-------------------|---------------------------------|
| \$560MM    | \$1.06 | 21.8%          | \$1.08   | 14.0% | 18.0%                   | \$315MM      | \$150MM           | 9.77%                           |

### Key Messages

- Good overall performance in the context of current economic and market conditions
- P&C Canada reported strong results with increased revenue, net income and solid volume growth
- Private Client Group's results reflect good underlying performance as annual earnings match record results of a year ago
- P&C U.S. results reflect impact of acquisitions and weak credit environment
- BMO Capital Markets reported \$285MM for the quarter, reflecting good results in a number of core businesses

### Q4 08 Items of Note

- Capital markets environment charges of \$45MM (\$27MM after-tax). See slide 8 for details
- PCL includes an increase in general allowance of \$150MM (\$98MM after-tax)
- Transfer of certain securities from trading portfolio to available-for-sale (AFS) portfolio



# Revenue

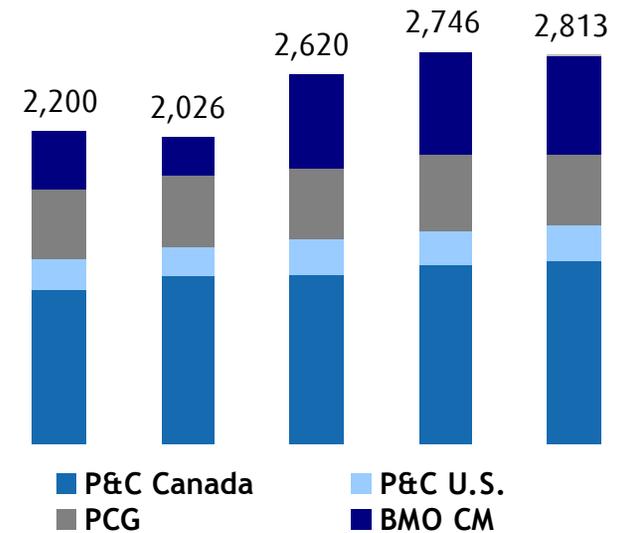
Q/Q ↑\$67MM or 2.4%

- + Volume growth across most products and higher revenues from securitization activities included in non-interest revenue in P&C Canada, partially offset by net securities losses
- + Capital markets environment charges of \$45MM in Q4 08 vs. \$134MM in Q3 08 (see slide 8)
- + Stronger U.S. dollar increased revenue by \$48MM
- Lower commission revenue in PCG's Full-Service Investing business and lower fee-based revenue on lower client assets
- Higher net securities losses and reductions in debt and equity underwriting fees and lending fees in BMO CM more than offset higher M&A fees

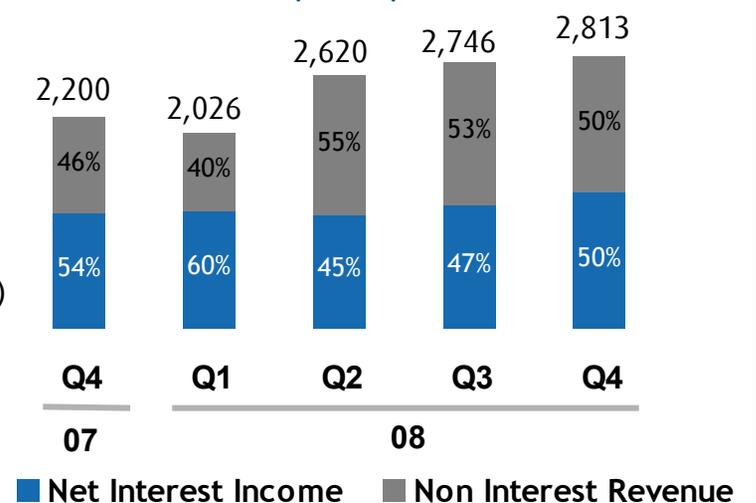
Y/Y ↑\$613MM or 28%

- + Volume growth across most products in P&C Canada, particularly cards and consumer lending
- + Wisconsin acquisitions in P&C U.S. (US \$18MM)
- + Higher trading revenues and continued strong performance from interest-rate-sensitive businesses in BMO CM
- + Capital markets environment charges in Q4 08 of \$45MM vs. Q4 07 charges of \$342MM (including \$24MM of commodities losses) (see slide 8)
- + Stronger U.S. dollar increased revenue by \$55MM
- + Q4 07 gain on sale of MasterCard shares (\$107MM) offset by future customer redemptions charge for loyalty rewards program (\$185MM)
- Higher net securities losses and lower M&A fees and underwriting revenue in BMO CM

## Total Revenue (\$MM)

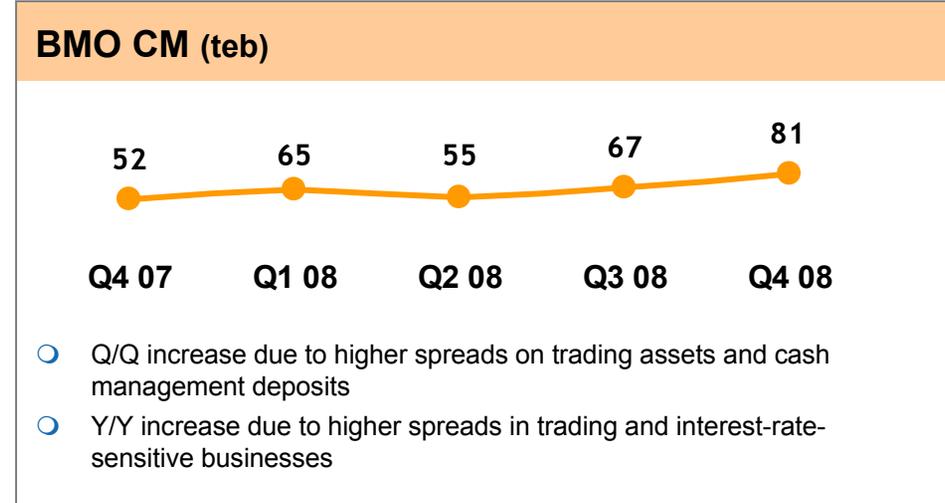
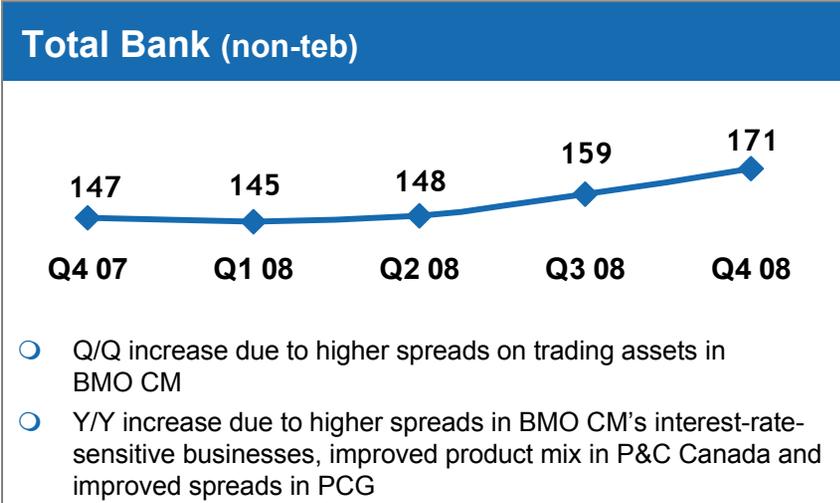


## Revenue Mix (\$MM)

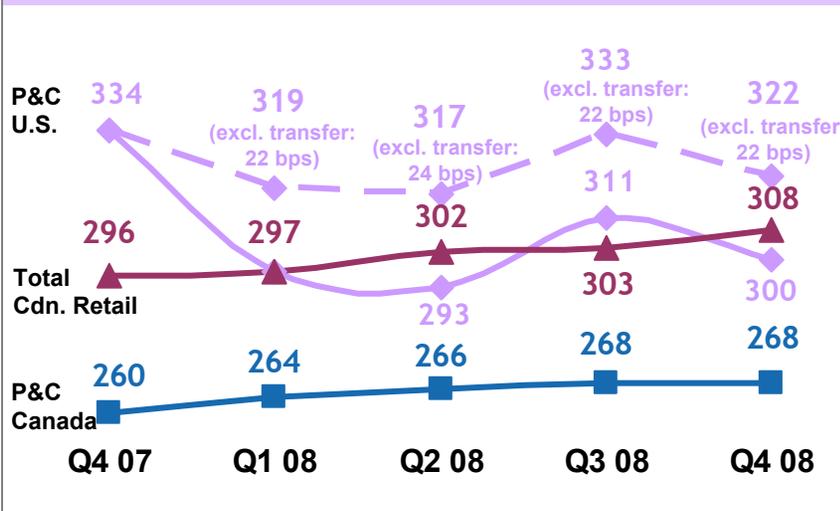




# Net Interest Margins (bps)



## Retail Banking



### P&C U.S.

- Q/Q decrease due to the impact of non-performing loans and changes in product mix
- Y/Y decrease due to the transfer of a small client-driven investment portfolio from Corporate Services (22 bps) with the remainder due to higher levels of non-performing loans and product mix

### P&C Canada

- Q/Q flat as interest on tax refunds was offset by higher funding costs
- Y/Y increase due to interest on tax refunds, improving product mix and improving product yields, partially offset by higher funding costs and lower mortgage refinancing fees

Total Canadian Retail is comprised of P&C Canada and PCG Canada



## Quarterly Non-Interest Revenue Analysis

| BALANCES (\$MM)                       | Q4 07        | Q3 08        | Q4 08        |  |
|---------------------------------------|--------------|--------------|--------------|--|
| Securities Commissions                | 265          | 294          | <b>270</b>   |  |
| Trading Revenues                      | (165)        | 220          | <b>435</b>   | <p><b>Q4 07:</b> \$152MM, excluding commodities losses and capital markets environment charges</p> <p><b>Q3 08:</b> \$296MM, excluding capital markets environment charges</p> <p><b>Q4 08:</b> \$222MM, excluding capital markets environment charges</p>                                       |
| Card Fees                             | <b>(105)</b> | 88           | <b>58</b>    | <p><b>Q4 07:</b> \$80MM, excluding credit card rewards liability charge</p> <p><b>Q4 08:</b> Lower due to impact of securitization of card loans</p>   |
| Mutual Fund Revenue                   | 148          | 151          | <b>140</b>   |  |
| Securitization Revenue                | 61           | 133          | <b>167</b>   | <p>Q/Q higher due to credit card securitization revenue</p> <p>Y/Y higher due to credit card and mortgage securitization revenue</p>   |
| Underwriting and Advisory Fees        | 103          | 97           | <b>66</b>    | Lower equity underwriting fees in I&CB and Trading Products  |
| Securities Gains (other than trading) | 148          | (75)         | <b>(252)</b> | <p><b>Q4 07:</b> \$56MM, excluding \$107MM gain on sale of MasterCard shares, offset by \$15MM capital markets environment charges</p> <p><b>Q3 08:</b> (\$14MM), excluding capital markets environment charges</p> <p><b>Q4 08:</b> (\$24MM), excluding capital markets environment charges</p> |
| Other NIR                             | 549          | 552          | <b>516</b>   | <p><b>Q3 08:</b> \$549MM, excluding capital markets environment recovery</p> <p><b>Q4 08:</b> \$546MM, excluding capital markets environment recovery</p>  |
| <b>TOTAL NON-INTEREST REVENUE</b>     | <b>1,004</b> | <b>1,460</b> | <b>1,400</b> |  |



## Annual Non-Interest Revenue Analysis

| BALANCES (\$MM)                       | F2007        | F2008        |  |
|---------------------------------------|--------------|--------------|--|
| Securities Commissions                | 1,145        | 1,105        |  |
| Trading Revenues                      | (487)        | 546          | F07: \$649MM excluding capital markets environment charges and commodities losses<br>F08: \$758MM excluding capital markets environment charges                              |
| Card Fees                             | 107          | 291          | F07: \$292MM excluding customer loyalty rewards program liability adjustment   |
| Mutual Fund Revenue                   | 576          | 589          |  |
| Securitization Revenue                | 296          | 513          | Higher credit card loan and mortgage securitizations   |
| Underwriting and Advisory Fees        | 528          | 353          | Equity underwritings fees extremely strong in F2007  |
| Securities Gains (other than trading) | 246          | (315)        | F07: \$154MM excluding gain on sale of MasterCard shares, offset by capital market environment charges of \$15MM<br>F08: \$32MM excluding capital market environment charges |
| Other NIR                             | 2,095        | 2,036        | F08: \$2,102MM excluding capital markets environment recoveries  |
| <b>TOTAL NON-INTEREST REVENUE</b>     | <b>4,506</b> | <b>5,118</b> |  |



## Q4 2008 Effects of Capital Markets Environment

|   | Pre-Tax Impact (\$MM) | After-Tax Impact (\$MM) | EPS Impact (\$/Share) | Non-Interest Revenue (\$MM) |                            |             |
|---|-----------------------|-------------------------|-----------------------|-----------------------------|----------------------------|-------------|
|   |                       |                         |                       | Trading                     | Securities Gains/ (Losses) | Other       |
| <b>BMO Capital Markets:</b>   |                       |                         |                       |                             |                            |             |
| Mark-to-market valuations for counterparty credit exposures on derivative contracts                                   | (88)                  | (59)                    |                       | (72)                        | -                          | (16)        |
| BMO Investment in APEX Trust  | (170)                 | (114)                   |                       | (65)                        | (105)                      |             |
| Other Than Temporary Impairment on securities in portfolios (\$29MM relates to the transfer to Available-For-Sale)    | (49)                  | (33)                    |                       | -                           | (49)                       | -           |
| Mark-to-market valuations on credit default swaps related to BMO Capital Markets loan portfolio                       | 133                   | 90                      |                       | 133                         | -                          | -           |
| Widening of credit spreads of liabilities recorded at fair value  | 89                    | 60                      |                       | 89                          |                            |             |
| Other valuation adjustments   | 71                    | 48                      |                       | 128                         | (55)                       | (2)         |
| <b>Total BMO CM Net Charges</b>   | <b>(14)</b>           | <b>(8)</b>              |                       | <b>213</b>                  | <b>(209)</b>               | <b>(18)</b> |
| <b>Private Client Group:</b>  |                       |                         |                       |                             |                            |             |
| Net charge related to securities of Lehman Brothers   | (19)                  | (12)                    |                       | -                           | (19)                       | -           |
| Valuation of auction rate securities that we expect to be tendered to our offer to purchase them from client accounts | (12)                  | (7)                     |                       | -                           | -                          | (12)        |
| <b>Total PCG Net Charges</b>  | <b>(31)</b>           | <b>(19)</b>             |                       | <b>-</b>                    | <b>(19)</b>                | <b>(12)</b> |
| <b>Total Net Charges</b>  | <b>(45)</b>           | <b>(27)</b>             | <b>(0.06)</b>         | <b>213</b>                  | <b>(228)</b>               | <b>(30)</b> |



## New Accounting Rules for Trading Assets

- During the quarter, based on amendments to accounting and reporting rules applicable to financial instruments, the Bank elected to transfer certain securities from our trading portfolio to the available-for-sale portfolio. The fair value of these securities as of August 1<sup>st</sup>, 2008 was \$2.0 billion and the Bank subsequently recorded mark-to-market charges totalling \$212MM:
  - ▶ \$183MM (\$123MM after-tax) was charged to other comprehensive income rather than trading revenue in the statement of income
  - ▶ \$29MM (\$20MM after-tax) was charged to earnings, as part of other-than-temporary impairments, recognized as a reduction to revenue as securities gains/(losses) other than trading and is included in 'other-than-temporary impairment on securities in portfolios' on slide 8
- The Bank intends to hold certain securities impacted by current market issues for the foreseeable future, electing to transfer securities from trading to its available-for-sale portfolio, rather than trading them in the short term



## Non-Interest Expense

| As Reported (\$MM)   | Q4 2007      | Q3 2008      | Q4 2008      | Q/Q Change | Y/Y Change |
|----------------------|--------------|--------------|--------------|------------|------------|
| P&C Canada           | 690          | 710          | 728          | 3%         | 6%         |
| P&C U.S.             | 161          | 194          | 243          | 25%        | 52%        |
| <b>Total P&amp;C</b> | 851          | 904          | 971          | 8%         | 14%        |
| PCG                  | 356          | 380          | 381          | -%         | 7%         |
| BMO Capital Markets  | 399          | 477          | 451          | (5)%       | 13%        |
| Corporate Services   | 49           | 21           | 15           | nm         | nm         |
| <b>Total Bank</b>    | <b>1,655</b> | <b>1,782</b> | <b>1,818</b> | <b>2%</b>  | <b>10%</b> |

### Q/Q ↑\$36MM or 2.0%

- + \$30MM (approx.) of investment in businesses related to acquisitions and initiative spend
- + \$40MM stronger U.S. dollar
- \$30MM performance-based compensation
- \$4MM net impact of: higher expenses from a one time write-off of deferred costs of a technology project and Visa litigation reserve, more than offset by lower severance expenses in BMO Capital Markets and a nominal amount for the Q4 08 release of a portion of prior year's restructuring charge

### Y/Y ↑\$163MM or 9.9%

- + \$70MM (approx.) of investment in businesses related to acquisitions, sales force expansion and initiative spend
- + \$45MM stronger U.S. dollar
- + \$38MM performance-based compensation
- + \$10MM net impact of: higher expenses from one time write-off of deferred costs of a technology project, higher severance and Visa litigation reserve partially reduced by a restructuring charge in Q4 07 net of a small reversal in the current quarter



## Quarterly Non-Interest Expense Analysis

| BALANCES (\$MM)                   | Q4 07        | Q3 08        | Q4 08        |   |
|-----------------------------------|--------------|--------------|--------------|---|
| Salaries and Benefits             | 616          | 691          | 684          | Q3 08 includes severance costs in BMO CM (\$28MM)<br>Y/Y expansion in retail businesses |
| Performance-based Compensation    | 285          | 353          | 323          |   |
| Premises & Equipment/Rental       | 134          | 142          | 147          |   |
| Computer Costs                    | 216          | 204          | 228          | Writing-off the deferred costs of a technology project                                  |
| Business and Capital Tax          | 6            | 20           | 11           |   |
| Net Restructuring Charges         | 24           | -            | (8)          |   |
| Other                             | 374          | 372          | 433          |   |
| <b>TOTAL NON-INTEREST EXPENSE</b> | <b>1,655</b> | <b>1,782</b> | <b>1,818</b> |   |



## Annual Non-Interest Expense Analysis

| BALANCES (\$MM)                   | F2007        | F2008        |  |
|-----------------------------------|--------------|--------------|--|
| Salaries and Benefits             | 2,550        | <b>2,679</b> | Includes Q3 08 BMO CM severance costs  |
| Performance-based Compensation    | 1,275        | <b>1,297</b> |  |
| Premises & Equipment/Rental       | 527          | <b>563</b>   |  |
| Computer Costs                    | 776          | <b>819</b>   | Writing-off the deferred costs of a technology project                                   |
| Business and Capital Tax          | 47           | <b>42</b>    |  |
| Net Restructuring Charges         | 159          | <b>(8)</b>   |  |
| Other                             | 1,267        | <b>1,502</b> | Consists of communications, professional fees, travel and business development and other |
| <b>TOTAL NON-INTEREST EXPENSE</b> | <b>6,601</b> | <b>6,894</b> |  |



## Capital & Risk Weighted Assets

Capital ratios remain very strong

|                                | Basel I |       |       |       |       | Basel II |       |       |       |
|--------------------------------|---------|-------|-------|-------|-------|----------|-------|-------|-------|
|                                | Q4 07   | Q1 08 | Q2 08 | Q3 08 | Q4 08 | Q1 08    | Q2 08 | Q3 08 | Q4 08 |
| Tier 1 Capital Ratio (%)       | 9.51    | 9.05  | 9.03  | 9.45  | 9.41  | 9.48     | 9.42  | 9.90  | 9.77  |
| Total Capital Ratio (%)        | 11.74   | 11.09 | 11.47 | 12.07 | 12.06 | 11.26    | 11.64 | 12.29 | 12.17 |
| Assets-to-Capital Multiple (x) | 17.2    | 17.7  | 16.2  | 15.8  | 16.2  | 18.4     | 16.2  | 15.9  | 16.4  |
| RWA (\$B)                      | 178.7   | 188.9 | 195.3 | 192.0 | 200.4 | 179.5    | 186.3 | 182.3 | 191.6 |
| Total As At Assets (\$B)       | 366.5   | 376.8 | 375.2 | 375.0 | 416.1 | 376.8    | 375.2 | 375.0 | 416.1 |

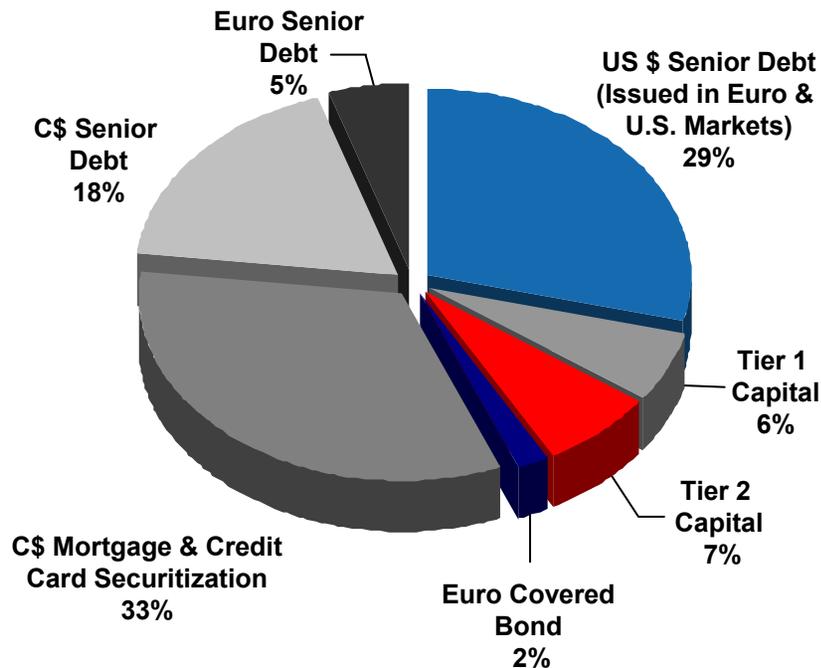


## Diversified Wholesale Term Funding Mix

- BMO has a well diversified wholesale funding platform across markets, products, terms, currencies and maturities
- Borrowing programs are in place to provide the Bank with access to diversified sources of term funding
- Our wholesale funding principles seek to match the term of assets with the term of funding. Loans for example are largely funded with customer deposits and capital, with the difference provided by longer-term wholesale funding

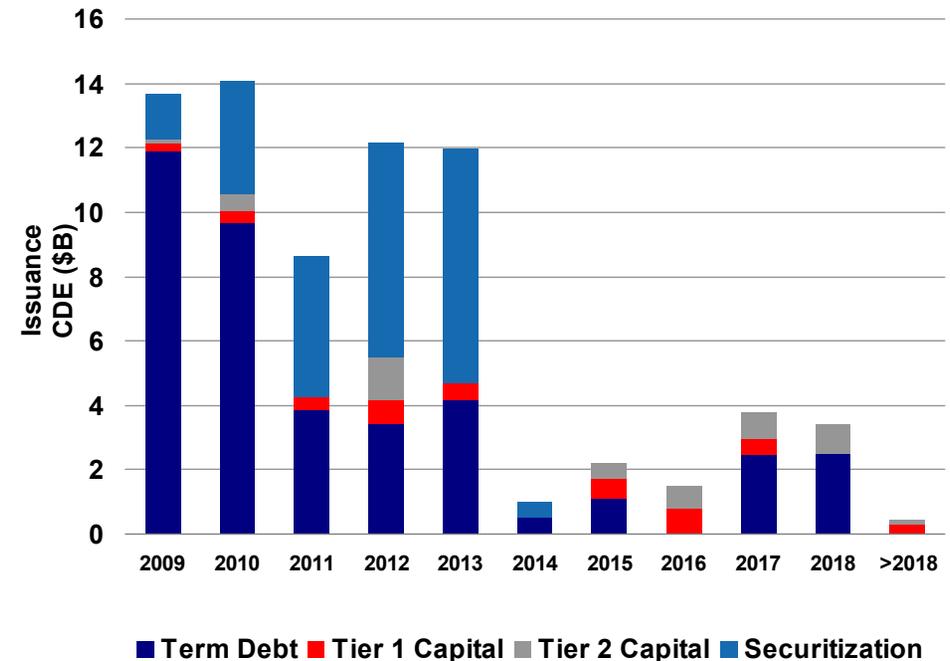
Wholesale Capital Market  
Term Funding Composition  
(Total \$72.8B)

As at October 31, 2008



Wholesale Capital Market  
Term Funding Maturity Profile  
(Total \$72.8B)

As at October 31, 2008





# APPENDIX



## Quarterly Financial Trends

| Performance Measure                    | Q4 2007 | Q1 2008 | Q2 2008 | Q3 2008 | Q4 2008 |
|--|---------|---------|---------|---------|---------|
| Net Income (\$MM)                      | 452     | 255     | 642     | 521     | 560     |
| Cash EPS – Diluted (\$/share)          | 0.89    | 0.49    | 1.26    | 1.00    | 1.08    |
| EPS – Diluted (\$/share)               | 0.87    | 0.47    | 1.25    | 0.98    | 1.06    |
| Cash Return on Equity (%) *            | 12.5    | 6.9     | 18.1    | 13.7    | 14.3    |
| Return on Equity (%) *                 | 12.2    | 6.7     | 17.9    | 13.5    | 14.0    |
| Revenue Growth – Y/Y (%)               | (10.6)  | (2.0)   | 3.6     | 7.5     | 27.9    |
| Expense Growth – Y/Y (%)               | 2.6     | (3.5)   | 4.1     | 7.4     | 9.9     |
| Cash Operating Leverage (%)            | (13.2)  | 1.5     | (0.7)   | 0.0     | 18.0    |
| Operating Leverage (%)                 | (13.2)  | 1.5     | (0.5)   | 0.1     | 18.0    |
| PCL/Avg. Loans Accept. (%) *           | 0.29    | 0.42    | 0.28    | 0.89    | 0.81    |
| Capital: Tier 1 Capital (%) – Basel II | n/a     | 9.48    | 9.42    | 9.90    | 9.70    |
| Capital: Tier 1 Capital (%) – Basel I  | 9.51    | 9.05    | 9.03    | 9.45    | 9.41    |

\*Annualized



## Group Net Income

| As Reported (\$MM)   | Q4 2007 | Q1 2008 | Q2 2008 | Q3 2008 | Q4 2008 | Q/Q Change | Y/Y Change |
|----------------------|---------|---------|---------|---------|---------|------------|------------|
| P&C Canada           | 287     | 302     | 331     | 343     | 344     | -%         | 19%        |
| P&C U.S.             | 33      | 26      | 30      | 28      | 12      | (57)%      | (63)%      |
| <b>Total P&amp;C</b> | 320     | 328     | 361     | 371     | 356     | (4)%       | 11%        |
| PCG                  | 103     | 98      | 109     | 110     | 78      | (30)%      | (25)%      |
| BMO Capital Markets  | 46      | (34)    | 182     | 259     | 285     | 10%        | +100%      |
| Corporate Services   | (17)    | (137)   | (10)    | (219)   | (159)   | nm         | nm         |
| <b>Total Bank</b>    | 452     | 255     | 642     | 521     | 560     | 8%         | 24%        |

| Excluding Items of Note (\$MM) | Q4 2007 | Q1 2008 | Q2 2008 | Q3 2008 | Q4 2008 | Q/Q Change | Y/Y Change |
|--------------------------------|---------|---------|---------|---------|---------|------------|------------|
| P&C Canada                     | 287     | 302     | 331     | 343     | 344     | -%         | 19%        |
| P&C U.S.                       | 33      | 26      | 30      | 28      | 12      | (57)%      | (63)%      |
| <b>Total P&amp;C</b>           | 320     | 328     | 361     | 371     | 356     | (4)%       | 11%        |
| PCG                            | 103     | 98      | 109     | 110     | 97      | (13)%      | (7)%       |
| BMO Capital Markets            | 273     | 290     | 154     | 355     | 293     | (17)%      | 7%         |
| Corporate Services             | 31      | (99)    | (10)    | (189)   | (61)    | nm         | nm         |
| <b>Total Bank</b>              | 727     | 617     | 614     | 647     | 685     | 6%         | (6)%       |

nm – not meaningful



## Personal & Commercial Banking - Canada

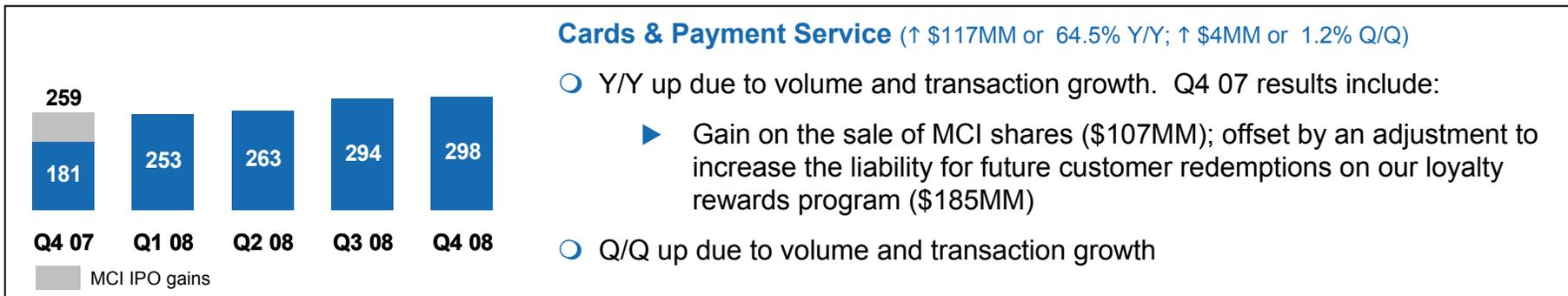
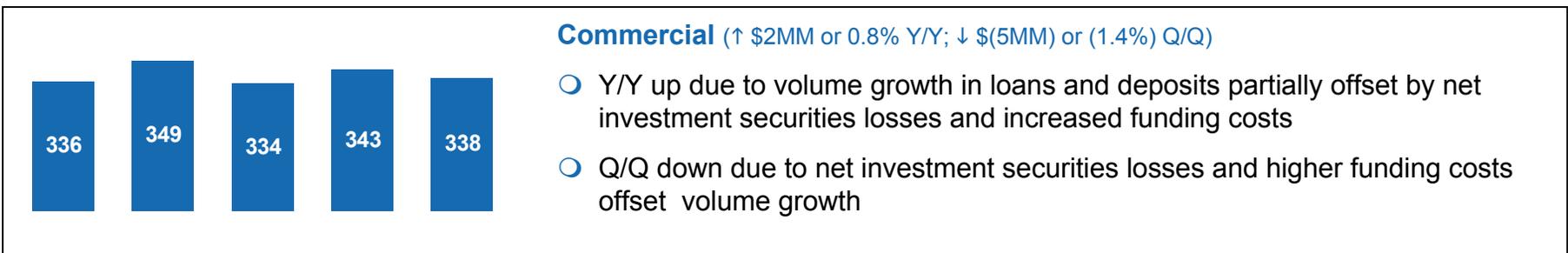
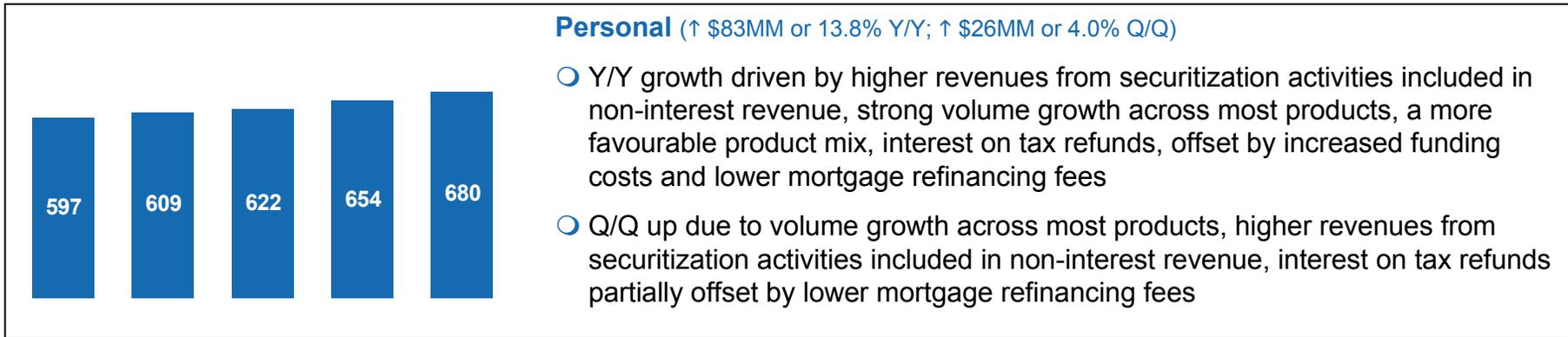
| P&L (\$MM)                  | Q4 07 | Q1 08 | Q2 08 | Q3 08 | Q4 08        |
|-----------------------------|-------|-------|-------|-------|--------------|
| Net Interest Income         | 770   | 793   | 786   | 822   | <b>835</b>   |
| Non-interest Revenue        | 344   | 418   | 433   | 469   | <b>481</b>   |
| Total Revenue               | 1,114 | 1,211 | 1,219 | 1,291 | <b>1,316</b> |
| PCL                         | 81    | 83    | 82    | 87    | <b>89</b>    |
| Expenses                    | 690   | 695   | 657   | 710   | <b>728</b>   |
| Provision for Taxes         | 56    | 131   | 149   | 151   | <b>155</b>   |
| Net Income                  | 287   | 302   | 331   | 343   | <b>344</b>   |
| Cash Operating Leverage (%) | (7.1) | (4.5) | (1.0) | (4.1) | <b>12.2</b>  |

- Y/Y net income up \$57MM. Q4 07 included three notable items netting to a \$6MM increase:
  - ▶ \$107MM (\$83MM after-tax) gain on sale of MasterCard shares
  - ▶ \$43MM recovery of prior years income taxes
  - ▶ Charge of \$185MM (\$120MM after-tax) adjustment to increase the liability for future customer redemptions related to the credit card loyalty rewards program
- Adjusted for the notable items, net income increased \$63MM or 22%. Cash operating leverage positive at 4.5% as strong revenue growth of 10.4% outpaced cash expense growth of 5.9%
- Q/Q net income up \$1MM



## P&C Canada

### Revenue by Business (\$MM)



“Personal” Includes Residential Mortgages, Personal Loans, Personal Deposits, Term, Mutual Funds, Insurance and Other.



## P&C Canada – Personal Banking

| Market Share (%) <sup>1</sup>  | Q4 07 | Q1 08 | Q2 08 | Q3 08 | Q4 08        |
|--------------------------------|-------|-------|-------|-------|--------------|
| Personal Loans                 | 11.09 | 11.27 | 11.33 | 11.65 | <b>11.98</b> |
| Residential Mortgages          | 11.23 | 10.96 | 10.67 | 10.34 | <b>10.10</b> |
| Personal Deposits <sup>2</sup> | 11.96 | 12.11 | 12.07 | 12.01 | <b>12.02</b> |
| Mutual Funds                   | 13.66 | 13.39 | 12.94 | 12.87 | <b>12.69</b> |

- Personal loan market share has improved 8 consecutive quarters. Increased personal loan balances and market share led by increases in secured loan products
- Residential mortgage market share has decreased, due to the exiting of the broker mortgage channels. Branch-originated mortgages growth is positive
- Personal deposit balances increased Y/Y, with a small decline Q/Q. Market share increased both Y/Y and Q/Q

| Balances (\$B)<br>(Owned & Managed) | Q4 07 | Q1 08 | Q2 08 | Q3 08 | Q4 08       |
|-------------------------------------|-------|-------|-------|-------|-------------|
| Personal Loans                      | 22.8  | 23.6  | 24.5  | 25.9  | <b>27.5</b> |
| Residential Mortgages               | 63.4  | 63.9  | 64.0  | 64.5  | <b>63.8</b> |
| Personal Deposits                   | 24.3  | 24.4  | 24.4  | 24.8  | <b>24.6</b> |
| Cards                               | 6.6   | 6.9   | 6.9   | 7.3   | <b>7.5</b>  |

<sup>1</sup>Personal share statistics are issued on a one-month lag basis. (Q4.08: Sept 2008)

<sup>2</sup>Personal deposit market share includes term deposits

Sources: Mutual Funds – IFIC, Credit Cards – CBA, Consumer Loans & Residential Mortgages – Bank of Canada, Personal Deposits - OSFI



## P&C Canada – Commercial Banking

| Market Share (%) <sup>1</sup> | Q4 07 | Q1 08 | Q2 08 | Q3 08 | Q4 08        |
|-------------------------------|-------|-------|-------|-------|--------------|
| \$0 - \$1MM                   | 18.73 | 18.83 | 19.07 | 19.15 | <b>18.96</b> |
| \$1 - \$5MM                   | 19.60 | 19.89 | 20.11 | 20.58 | <b>20.66</b> |
| \$0 - \$5MM                   | 19.17 | 19.37 | 19.60 | 19.89 | <b>19.84</b> |

- Business banking market share improved Y/Y although there is a slight decline Q/Q
- Continue to rank second in Canada
- Broad-based volume growth Y/Y

| Balances (\$B)                 | Q4 07 | Q1 08 | Q2 08 | Q3 08 | Q4 08       |
|--------------------------------|-------|-------|-------|-------|-------------|
| Commercial Loans & Acceptances | 32.7  | 33.2  | 34.1  | 34.8  | <b>35.1</b> |
| Commercial Deposits            | 21.4  | 22.1  | 21.2  | 22.0  | <b>22.4</b> |

<sup>1</sup> Business loans (Banks) are issued by CBA on a one calendar quarter lag basis (Q4.08: June 2008)



## Personal & Commercial Banking – U.S.

| P&L (US\$MM)   | Q4 07 | Q1 08 | Q2 08 | Q3 08 | Q4 08         |
|--|-------|-------|-------|-------|---------------|
| Net Interest Income (teb)  | 173   | 167   | 171   | 195   | <b>191</b>    |
| Non-interest Revenue   | 47    | 48    | 84    | 51    | <b>52</b>     |
| Total Revenue (teb)  | 220   | 215   | 255   | 246   | <b>243</b>    |
| PCL  | 9     | 9     | 10    | 11    | <b>12</b>     |
| Expenses   | 160   | 166   | 198   | 192   | <b>217</b>    |
| Provision for Taxes  | 18    | 14    | 17    | 15    | <b>3</b>      |
| Net Income   | 33    | 26    | 30    | 28    | <b>11</b>     |
| Cash Operating Leverage (%)  | 8.0   | (0.5) | (1.5) | (0.3) | <b>(25.3)</b> |
| Net Income<br>(Excl. Acquisition Integration Costs)                  | 33    | 27    | 31    | 30    | <b>21</b>     |
| Cash Operating Leverage (%)<br>(Excl. Acquisition Integration Costs) | 6.0   | (0.7) | (3.0) | (3.0) | <b>(16.7)</b> |

- Net Income was adversely impacted by credit markets
- Y/Y revenue growth largely reflects Wisconsin acquisitions as volume growth is mostly offset by credit markets impacts, deposit mix shift and reduced margins
- Y/Y net interest margin down 34 bps, 22 bps associated with the impact of transfer of a small client-driven investment portfolio with the remainder due to credit markets and product mix
- Y/Y expenses higher due to acquisition operating and integration costs, Visa litigation, and impact of credit markets, as well as continued strategic investment and volume growth



## P&C U.S.

| Personal Products – Average Balances (US\$B) | Q4 07 | Q1 08 | Q2 08 | Q3 08 | Q4 08       |
|--|-------|-------|-------|-------|-------------|
| Mortgages                                    | 5.1   | 5.1   | 5.2   | 5.6   | <b>5.6</b>  |
| Other Personal Loans                         | 4.3   | 4.4   | 4.7   | 4.8   | <b>4.9</b>  |
| Indirect Auto                                | 4.5   | 4.5   | 4.5   | 4.6   | <b>4.6</b>  |
| Deposits                                     | 13.3  | 13.2  | 14.0  | 14.8  | <b>14.1</b> |

- Flat loan growth in slowing environment
- Personal deposits decline due to aggressive competitor pricing and customers drawing on deposit savings in a difficult economic environment
- Q3 08 reflects the first full quarter of Wisconsin acquisitions balances. Q4 08 averages are consistent with Q3 08:

| Commercial Products – Average Balances (US\$B) | Q4 07 | Q1 08 | Q2 08 | Q3 08 | Q4 08      |
|--|-------|-------|-------|-------|------------|
| Commercial Loans                               | 6.0   | 6.0   | 6.5   | 7.4   | <b>7.4</b> |
| Commercial Deposits                            | 4.3   | 4.5   | 4.4   | 4.9   | <b>4.9</b> |

- ▶ Average loans \$1.6B
  - Mortgages \$0.3B
  - Personal \$0.2B
  - Commercial \$1.1B
- ▶ Average deposits \$1.6B
  - Personal \$1.4B
  - Commercial \$0.2B



## Private Client Group

| P&L (\$MM)                | Q4 07 | Q1 08 | Q2 08 | Q3 08 | Q4 08      |
|---------------------------|-------|-------|-------|-------|------------|
| Net Interest Income (teb) | 154   | 155   | 165   | 167   | <b>184</b> |
| Non-interest Revenue      | 354   | 364   | 345   | 377   | <b>310</b> |
| Total Revenue (teb)       | 508   | 519   | 510   | 544   | <b>494</b> |
| PCL                       | 1     | 1     | 1     | 1     | <b>1</b>   |
| Expenses                  | 356   | 368   | 348   | 380   | <b>381</b> |
| Provision for Taxes       | 48    | 52    | 52    | 53    | <b>34</b>  |
| Net Income                | 103   | 98    | 109   | 110   | <b>78</b>  |

- PCG delivered solid operating performance in a difficult market environment
- Q4 08 included \$31MM (\$19MM after-tax) of charges associated with actions taken to support U.S. clients in the weak capital markets environment

Excluding the above charges:

- Y/Y net income declined \$6MM Revenue up 2.9% with strong net interest income growth on higher deposit balances partially offset by lower commission revenue in Full Service Investing and lower fee-based revenue. Expense growth included expansion of the sales force, the benefit of active expense management and lower revenue-based costs
- Q/Q net income declined \$13MM. Revenue down primarily due to lower commission revenue in Full Service Investing and lower fee-based revenue while expenses were relatively unchanged

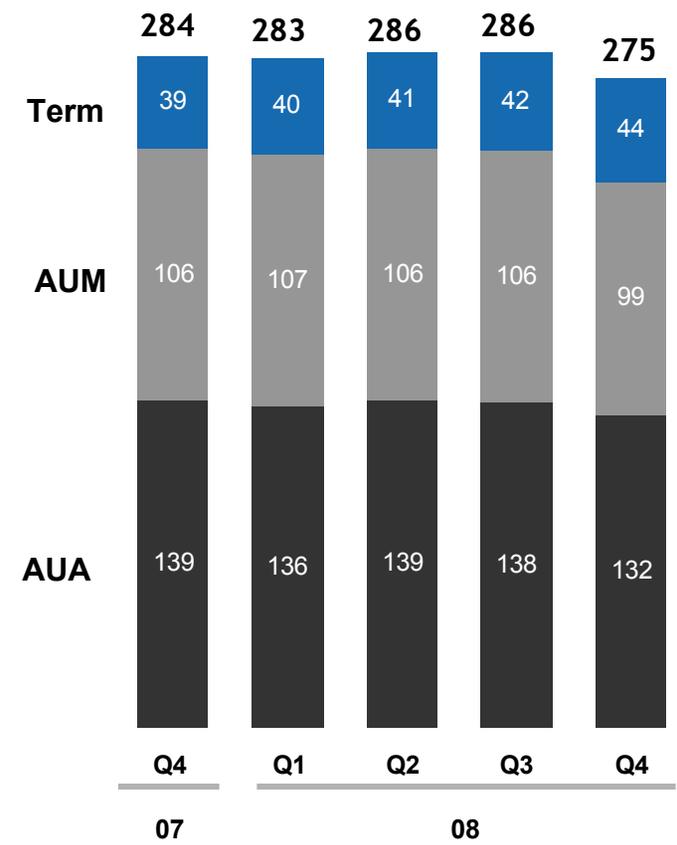
**Note:** Effective December 1, 2007 BMO Mutual Funds began absorbing the operating expenses of its funds in return for a fixed administration fee. This resulted in an increase in both non-interest revenue and expenses.



## PCG – AUA/AUM/Term

- Assets under management and administration were significantly impacted by the weaker market conditions
- Assets decreased \$27 billion or 9.7% Y/Y and \$24 billion or 8.3% Q/Q excluding the impact of the stronger U.S. dollar

AUA / AUM/Term (\$B)





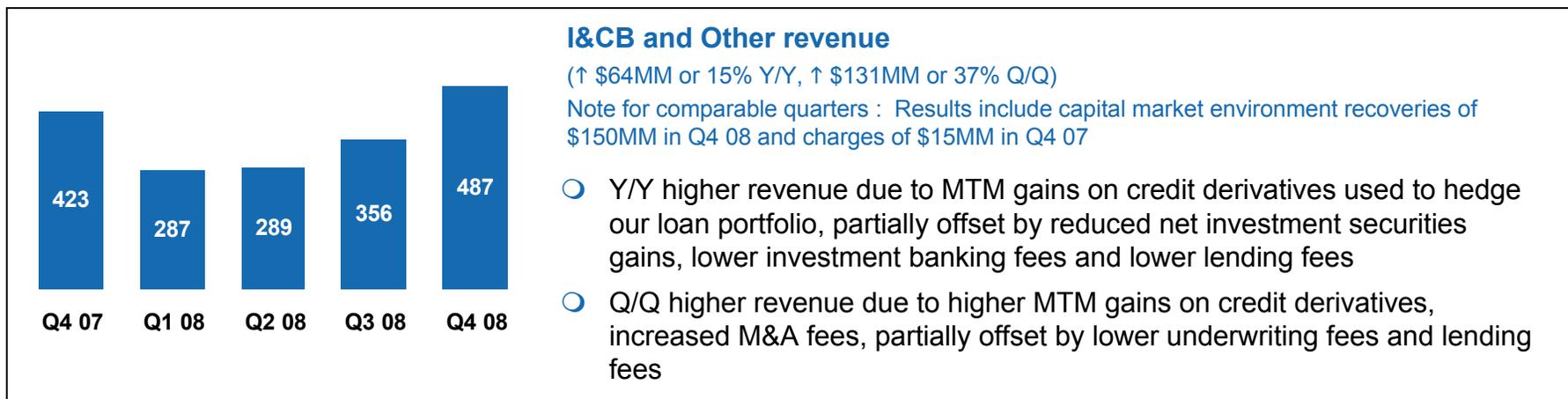
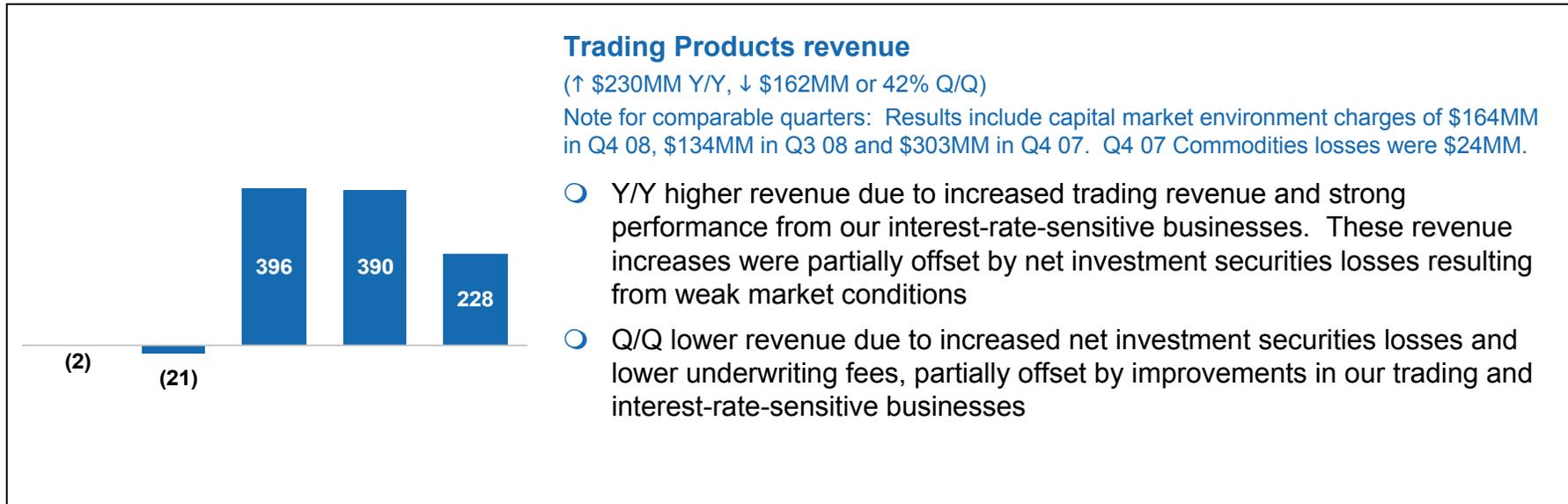
## BMO Capital Markets

| P&L (\$MM)                | Q4 07 | Q1 08 | Q2 08 | Q3 08 | Q4 08       |
|---------------------------|-------|-------|-------|-------|-------------|
| Net Interest Income (teb) | 233   | 303   | 234   | 287   | <b>355</b>  |
| Non-interest Revenue      | 188   | (37)  | 451   | 459   | <b>360</b>  |
| Total Revenue (teb)       | 421   | 266   | 685   | 746   | <b>715</b>  |
| PCL                       | 19    | 29    | 29    | 29    | <b>30</b>   |
| Expenses                  | 399   | 383   | 441   | 477   | <b>451</b>  |
| Provision for Taxes       | (43)  | (112) | 33    | (19)  | <b>(51)</b> |
| Net Income                | 46    | (34)  | 182   | 259   | <b>285</b>  |
| Average Assets (\$B)      | 220   | 233   | 232   | 231   | <b>239</b>  |

- Credit market deterioration and impact of challenging capital markets environment arising in Q4 07 continue to affect earnings
- Results in Q4 07 impacted by commodities losses (\$24MM)
- Net interest income improved Q/Q largely due to higher revenues from our interest-rate-sensitive businesses, higher cash management revenues and higher corporate banking NII
- Non-interest revenue reflected improved trading performance offset by net investment securities losses
- Q3 08 expenses included severance costs (\$28MM)



## BMO Capital Markets Revenue by Business (\$MM)





## Corporate Services

### Including Technology and Operations

| P&L (\$MM)           | Q4 07 | Q1 08 | Q2 08 | Q3 08 | Q4 08        |
|----------------------|-------|-------|-------|-------|--------------|
| Total Revenue (teb)  | (61)  | (185) | (50)  | (84)  | <b>18</b>    |
| PCL – Specific       | (8)   | 48    | 29    | 305   | <b>183</b>   |
| – General            | 50    | 60    | -     | 50    | <b>150</b>   |
| Expenses             | 25    | 2     | 35    | 21    | <b>23</b>    |
| Restructuring charge | 24    | -     | -     | -     | <b>(8)</b>   |
| Total Expenses       | 49    | 2     | 35    | 21    | <b>15</b>    |
| Provision for taxes  | (154) | (176) | (123) | (259) | <b>(190)</b> |
| Net Income           | (17)  | (137) | (10)  | (219) | <b>(159)</b> |

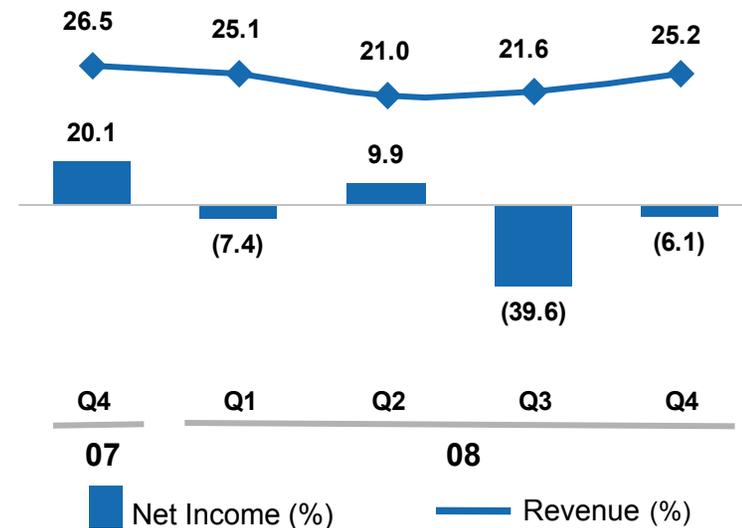
- Q/Q revenue up due to mark-to-market gains on hedging activities and impact of securitization transactions
- Q/Q net income up due to higher revenue due to mark-to-market gains on hedging activities, impact of securitization transactions and lower PCL
- Y/Y revenue is up due to mark-to-market gains on hedging activities and impact of securitization transactions
- Y/Y net income is down mainly due to higher PCL



## U.S. Results

| Net Income<br>(US\$MM) | Q4 07     | Q1 08       | Q2 08     | Q3 08        | Q4 08       |
|------------------------|-----------|-------------|-----------|--------------|-------------|
| P&C                    | 33        | 26          | 30        | 28           | 11          |
| PCG                    | (3)       | 2           | 4         | 3            | (15)        |
| BMO CM                 | 114       | 56          | 64        | 59           | 100         |
| Corporate              | (51)      | (101)       | (40)      | (280)        | (129)       |
| <b>TOTAL</b>           | <b>93</b> | <b>(17)</b> | <b>58</b> | <b>(190)</b> | <b>(33)</b> |

U.S. to North American Revenue and Net Income  
(as reported)



- Q/Q P&C U.S. net income down US\$9MM excluding integration costs in both periods and an additional Visa litigation reserve in Q4 08, due to lower NIM and weaker credit markets
- PCG results include the impact of charges associated with actions taken to support U.S. clients in the weak capital markets environment
- Q/Q BMO CM reported net income up due to a severance charge in Q3 08 and higher revenues
- Q3 08 Corporate results affected by higher provisions for credit losses



## Notable Items

Gain/(Loss)

|            |                                   |                         | Q4<br>2007 | Q1<br>2008 | Q2<br>2008 | Q3<br>2008 | Q4<br>2008     |
|------------|-----------------------------------|-------------------------|------------|------------|------------|------------|----------------|
| PCG        | Trading and Valuation Adjustments | Pre-Tax Impact (\$MM)   | -          | -          | -          | -          | (31)           |
|            |                                   | After-Tax Impact (\$MM) | -          | -          | -          | -          | (19)           |
|            |                                   | EPS Impact (\$/share)   | -          | -          | -          | -          | (0.04)         |
| BMO CM     | Trading and Valuation Adjustments | Pre-Tax Impact (\$MM)   | (318)      | (488)      | 42         | (134)      | (14)           |
|            |                                   | After-Tax Impact (\$MM) | (211)      | (324)      | 28         | (96)       | (8)            |
|            |                                   | EPS Impact (\$/share)   | (0.42)     | (0.64)     | 0.06       | (0.19)     | (0.02)         |
|            | Commodities Losses                | Pre-Tax Impact (\$MM)   | (24)       | -          | -          | -          | -              |
|            |                                   | After-Tax Impact (\$MM) | (16)       | -          | -          | -          | -              |
|            |                                   | EPS Impact (\$/share)   | (0.03)     | -          | -          | -          | -              |
| Corporate  | Restructuring Charge              | Pre-Tax Impact (\$MM)   | (24)       | -          | -          | -          | - <sup>1</sup> |
|            |                                   | After-Tax Impact (\$MM) | (15)       | -          | -          | -          | - <sup>1</sup> |
|            |                                   | EPS Impact (\$/share)   | (0.03)     | -          | -          | -          | - <sup>1</sup> |
|            | General Allowance                 | Pre-Tax Impact (\$MM)   | (50)       | (60)       | -          | (50)       | (150)          |
|            |                                   | After-Tax Impact (\$MM) | (33)       | (38)       | -          | (30)       | (98)           |
|            |                                   | EPS Impact (\$/share)   | (0.07)     | (0.08)     | -          | (0.06)     | (0.19)         |
| Total Bank | Pre-Tax Impact (\$MM)             |                         | (416)      | (548)      | 42         | (184)      | (195)          |
|            | After-Tax Impact (\$MM)           |                         | (275)      | (362)      | 28         | (126)      | (125)          |
|            | EPS Impact (\$/share)             |                         | (0.55)     | (0.72)     | 0.06       | (0.25)     | (0.25)         |

<sup>1</sup>Q4 08 results include an \$8MM (\$5MM after-tax) reversal of restructuring charges



## Notable Items

Gain/(Loss)

|            |                                   | F2007                   | F2008          |
|------------|-----------------------------------|-------------------------|----------------|
| PCG        | Trading and Valuation Adjustments | Pre-Tax Impact (\$MM)   | (31)           |
|            |                                   | After-Tax Impact (\$MM) | (19)           |
|            |                                   | EPS Impact (\$/share)   | (0.04)         |
| BMO CM     | Trading and Valuation Adjustments | Pre-Tax Impact (\$MM)   | (594)          |
|            |                                   | After-Tax Impact (\$MM) | (400)          |
|            |                                   | EPS Impact (\$/share)   | (0.79)         |
|            | Commodities Losses                | Pre-Tax Impact (\$MM)   | -              |
|            |                                   | After-Tax Impact (\$MM) | -              |
|            |                                   | EPS Impact (\$/share)   | -              |
| Corporate  | Restructuring Charge              | Pre-Tax Impact (\$MM)   | - <sup>1</sup> |
|            |                                   | After-Tax Impact (\$MM) | - <sup>1</sup> |
|            |                                   | EPS Impact (\$/share)   | - <sup>1</sup> |
|            | General Allowance                 | Pre-Tax Impact (\$MM)   | (260)          |
|            |                                   | After-Tax Impact (\$MM) | (166)          |
|            |                                   | EPS Impact (\$/share)   | (0.33)         |
| Total Bank | Pre-Tax Impact (\$MM)             | (885)                   |                |
|            | After-Tax Impact (\$MM)           | (585)                   |                |
|            | EPS Impact (\$/share)             | (1.16)                  |                |

<sup>1</sup>Q4 08 results include an \$8MM (\$5MM after-tax) reversal of restructuring charges



## Investor Relations Contact Information

[www.bmo.com/investorrelations](http://www.bmo.com/investorrelations)

E-mail: [investor.relations@bmo.com](mailto:investor.relations@bmo.com)

Fax: 416.867.3367

### **VIKI LAZARIS**

Senior Vice President

416.867.6656 ■ [wiki.lazaris@bmo.com](mailto:wiki.lazaris@bmo.com)

### **STEVEN BONIN**

Director

416.867.5452 ■ [steven.bonin@bmo.com](mailto:steven.bonin@bmo.com)

### **KRISTA WHITE**

Senior Manager

416.867.7019 ■ [krista.white@bmo.com](mailto:krista.white@bmo.com)

**BMO**  **Financial Group**