

CORPORATE SUPPORT, INCLUDING TECHNOLOGY AND SOLUTIONS

Corporate Support

Group Description

Corporate Support includes the corporate units that provide expertise and governance support for BMO Financial Group in areas such as strategic planning, law, finance, internal audit, risk management, corporate communications, human resources and learning. It also includes revenues and expenses associated with certain securitization activities, the hedging of foreign source revenues, the debenture and former equity investments in Bancomer, and activities related to the management of certain balance sheet positions and BMO's overall asset/liability structure.

The operating results of Technology and Solutions (T&S) are included with Corporate Support for reporting purposes. Costs of T&S services are transferred to the client groups (P&C, PCG and IBG) and only relatively minor variance amounts are retained in T&S results. As such, results in this section are largely reflective of Corporate Support activities, not T&S activities.

Financial Results

Corporate Support, including T&S incurred a net loss of \$239 million in 2002, a deterioration of \$318 million from 2001. Results of a year ago included a \$321 million gain on sale of the investment in Bancomer, a \$100 million general provision for credit losses and an adjustment of future tax assets, which were classified as non-recurring items for reporting purposes. Excluding non-recurring items, net income declined \$129 million from 2001. Results for 2002 reflect a significantly higher provision for credit losses. However, provisions charged to Corporate Support in 2002 are not comparable to provisions charged in 2001 because of differences in allocation methodology, as discussed below. Revenue growth of \$91 million, excluding non-recurring items, benefited from recognition of revenue from BMO's corporate loan securitization and other corporate revenues. Expense growth of \$121 million was reflective of higher pension and corporate costs, including Corporate Support's share of severance costs.

Provisions for credit losses totalled \$311 million for the year. In 2001, excluding non-recurring items, provisions totalled \$66 million. In 2002, the provision for credit losses charged to each of the client groups was based on its expected credit losses over an economic cycle. Corporate Support is charged for differences between the periodic provisions charged to the client groups and BMO's provision required under GAAP. In 2001, the provision for credit losses charged to IBG was based on this expected loss methodology for most operations, but included the required GAAP provisions for some operations, including Harris Bank. Accordingly, provisions charged to Corporate Support should be considered in conjunction with provisions charged to IBG for comparative purposes.

Corporate Support, including Technology and Solutions

(\$ millions, except as noted)

Reported (As at or for the year ended October 31)	2002	2001	2000
Net interest income (teb)	(405)	(450)	(423)
Non-interest revenue	425	700	513
Total revenues (teb)	20	250	90
Provision for credit losses	311	166	(34)
Non-interest expense	312	191	133
Income before provision for income taxes, non-controlling interest in subsidiaries and goodwill amortization	(603)	(107)	(9)
Income taxes (teb)	(424)	(244)	(110)
Non-controlling interest	60	42	20
Amortization of goodwill, net of applicable income taxes	—	16	16
Net income	(239)	79	65
Full-time equivalent staff	8,309	9,111	8,272

Excluding non-recurring items

Total revenues (teb)	20	(71)	16
Provision for credit losses	311	66	8
Non-interest expense	312	191	176
Net income	(239)	(110)	(29)

2001 Compared with 2000

Net income for 2001 was \$79 million, up \$14 million from fiscal 2000. Excluding non-recurring items, the net loss was \$110 million, which was \$81 million higher than in fiscal 2000. The deterioration was attributable to a \$54 million reduction in earnings recognized on BMO's investment in Bancomer because of a change to cost accounting, and to higher provisions for credit losses. Results in 2001 benefited from tax initiatives and the resolution of issues with taxation authorities.