BMO Financial Group

Second Quarter 2014 Report to Shareholders

BMO Financial Group Reports Net Income of $1.1 Billion for the Second Quarter of 2014

Financial Results Highlights:

Second Quarter 2014 Compared with Second Quarter 2013:

- **Net income of $1,076 million, up 12%; adjusted net income[1] of $1,097 million, up 11%**
- **EPS[2] of $1.60, up 14%; adjusted EPS[1,2] of $1.63, up 13%**
- **ROE of 14.3%, compared with 14.2%; adjusted ROE[1] of 14.6%, unchanged**
- **Provisions for credit losses of $162 million, compared with $144 million; adjusted provisions for credit losses[1] of $162 million, compared with $109 million**
- **Basel III Common Equity Ratio of 9.7%**
- **Dividend increased by $0.02 or 3% to $0.78 per common share**

Year-to-Date 2014 Compared with Year-to-Date 2013:

- **Net income of $2,137 million, up 7%; adjusted net income[1] of $2,180 million, up 8%**
- **EPS[2] of $3.18, up 9%; adjusted EPS[1,2] of $3.24, up 10%**
- **ROE of 14.3%, compared with 14.6%; adjusted ROE[1] of 14.6%, compared with 14.7%**
- **Provisions for credit losses of $261 million, compared with $322 million; adjusted provisions for credit losses[1] of $261 million, compared with $205 million**

Toronto, May 28, 2014 – For the second quarter ended April 30, 2014, BMO Financial Group reported net income of $1,076 million or $1.60 per share on a reported basis and net income of $1,097 million or $1.63 per share on an adjusted basis.

"Our customer-focused strategy continued to deliver strong performance and momentum across our operating groups," said Bill Downe, Chief Executive Officer, BMO Financial Group. "Our largest business, Canadian Personal and Commercial banking, had net income growth of 14% year over year and operating leverage above 2% for the third consecutive quarter. Commercial loan growth remained robust in Canada and the United States as we continue to see benefits from our large North American platform.

"Wealth Management and BMO Capital Markets also had strong results in the second quarter, both posting double-digit revenue and earnings growth.

"Shortly after quarter-end, we closed the acquisition of F&C Asset Management. The acquisition advances BMO Global Asset Management's strategy and growth trajectory, effectively doubling client assets. Today, our asset management business has 24 offices that are strategically located across the globe serving an increasingly global client base.

"For the quarter and year to date, continuing business momentum is reflected in positive operating leverage and good balance sheet growth. Adjusted earnings per share in the quarter were up 13% over last year," concluded Mr. Downe.

(1) Results and measures in this document are presented on a GAAP basis. They are also presented on an adjusted basis that excludes the impact of certain items. Adjusted results and measures are non-GAAP and are detailed in the Adjusted Net Income section, and (for all reported periods) in the Non-GAAP Measures section, where such non-GAAP measures and their closest GAAP counterparts are disclosed.

(2) All Earnings per Share (EPS) measures in this document refer to diluted EPS unless specified otherwise. EPS is calculated using net income after deductions for net income attributable to non-controlling interest in subsidiaries and preferred share dividends.

Note: All ratios and percentage changes in this document are based on unrounded numbers.

Concurrent with the release of results, BMO announced a third quarter 2014 dividend of $0.78 per common share, up $0.02 per share from the preceding quarter and up $0.04 per share from a year ago, equivalent to an annual dividend of $3.12 per common share.

Our complete Second Quarter 2014 Report to Shareholders, including our unaudited interim consolidated financial statements for the period ended April 30, 2014, is available online at www.bmo.com/investorrelations and at www.sedar.com.

Total Bank Overview

Net income was $1,076 million for the second quarter of 2014, up $114 million or 12% from a year ago.

Adjusted net income was $1,097 million, up $113 million or 11% from a year ago. Momentum continued with strong results in Canadian P&C, Wealth Management and BMO Capital Markets, and U.S. P&C results that reflected stable revenue compared to last quarter.

Operating Segment Overview

Canadian P&C

Net income was $480 million, up $59 million or 14% from a year ago. Adjusted net income was $482 million, up $60 million or 14% from the prior year driven by higher revenue and lower credit losses. Revenue was up $87 million or 6% year over year driven by strong balance and fee volumes, partially offset by the impact of lower net interest margin. There was year-over-year loan growth of 9% and deposit growth of 10%. Expenses increased $20 million or 3%.

In personal banking, year-over-year personal loan and deposit growth remains strong at 9% and 10%, respectively. During the quarter we upgraded our BMO mobile banking application, which provides customers with enhanced capabilities including the ability to send Interac® e-Transfers and book branch appointments anywhere, anytime. The updated application has been well received by our customers, and mobile transactions have nearly doubled since its release.

In commercial banking, we continue to streamline our processes, enabling our salesforce to spend more time acquiring new customers and strengthening existing relationships. Volume growth continues to be strong with year-over-year loan and deposit growth of 10% and 9%, respectively. We remain second in Canadian business banking loan market share for small and medium-sized loans.

U.S. P&C (all amounts in US$)

Net income of $140 million and adjusted net income of $151 million both decreased $8 million or 6% from the second quarter a year ago. The benefits from strong commercial loan growth and lower provisions for credit losses were more than offset by the effects of lower net interest margin and reduced gains on sales of newly originated mortgages.

There were year-over-year and quarterly sequential increases in average current loans and acceptances, led by continued strong double-digit growth in the core commercial and industrial (C&I) loan portfolio. The core C&I portfolio increased by $4.2 billion or 19% from a year ago to $26.3 billion.

To demonstrate our commitment to providing financial literacy outreach to the communities in which we serve, we sponsored multiple financial education and homeownership workshops throughout our markets as part of the Federal Reserve Bank's Money Smart Week. In addition, we recently partnered with the Chicago Office of the City Treasurer and the Canadian Foundation for Economic Education to launch Talk With Our Kids About Money Day, which encourages families, students and teachers to have conversations about money and personal finance.

Wealth Management

Net income of $194 million increased $54 million or 38% from a year ago. Adjusted net income of $200 million increased $53 million or 36%. Adjusted net income in traditional wealth was $139 million, up $27 million or 23% resulting from strong growth in client assets. Adjusted net income in insurance was $61 million, up $26 million from a year ago.

Assets under management and administration grew by $91 billion or 17% from a year ago to $612 billion, driven by market appreciation, the stronger U.S. dollar and growth in new client assets.

This past quarter, BMO's wealth businesses received a number of awards from *Global Banking and Finance Review,* including: BMO Harris Private Banking was named Best Private Bank in Canada for the fourth consecutive year; BMO Nesbitt Burns was named Best Full Service Investment Advisory in Canada; and BMO Private Bank Asia was named Best New Private Bank in Hong Kong and Best New Private Bank in Singapore.

On May 7, 2014, we announced that we had completed the acquisition of F&C Asset Management plc (F&C). This acquisition strengthens BMO Global Asset Management's position as a globally significant money manager, enhancing its investment platform capabilities and providing attractive opportunities to service wealth markets in the United Kingdom and the rest of Europe.

BMO Capital Markets

Net income of $305 million increased $44 million or 17% from a year ago due to good revenue growth across the businesses and a more favourable tax rate. Revenue increased 14% year over year, driven by good performance in both the Investment and Corporate Banking and the Trading Products businesses and continued good contribution from our U.S. segment. Return on equity of 20.8% was strong, up from 18.3% in the prior year.

Our continued focus on understanding and meeting our core clients' needs was rewarded, having been named World's Best Metals and Mining Investment Bank for the fifth consecutive year by *Global Finance* magazine this quarter. This focus also contributed to our selection as a 2014 Greenwich Share Leader in Canadian Foreign Exchange Market Share.

BMO Capital Markets participated in 372 new global issues in the quarter, comprised of 172 corporate debt deals, 131 government debt deals and 69 equity transactions, raising $822 billion.

Corporate Services

Corporate Services net loss on a reported and adjusted basis was $58 million for the second quarter of 2014, compared with a net loss of $11 million a year ago. The decline in results was primarily due to lower recoveries on the purchased credit impaired loan portfolio.

Adjusted Net Income

Adjusted net income was $1,097 million for the second quarter of 2014, up $113 million or 11% from a year ago. Adjusted earnings per share were $1.63, up 13% from $1.44 a year ago.

Management has designated certain amounts as adjusting items and has adjusted GAAP results so that we can discuss and present financial results without the effects of adjusting items to facilitate understanding of business performance and related trends. The only item excluded from second quarter 2014 results in the determination of adjusted results was the amortization of acquisition-related intangible assets of $28 million ($21 million after tax; $0.03 per share). Amounts excluded from adjusted results in prior years also included credit-related items in respect of the purchased performing loan portfolio, acquisition integration costs, restructuring costs and run-off structured credit activities. Management assesses performance on a GAAP basis and on an adjusted basis and considers both to be useful in the assessment of underlying business performance. Presenting results on both bases provides readers with a better understanding of how management assesses results. Adjusted results and measures are non-GAAP and, together with items excluded in determining adjusted results, are disclosed in more detail in the Non-GAAP Measures section, along with comments on the uses and limitations of such measures. The impact of adjusting items for comparative periods is summarized in the Non-GAAP Measures section.

Caution

The foregoing sections contain forward-looking statements. Please see the Caution Regarding Forward-Looking Statements.

Adjusted results in these Total Bank Overview and Operating Segment Overview sections are non-GAAP amounts or non-GAAP measures. Please see the Non-GAAP Measures section.

Management's Discussion and Analysis

Management's Discussion and Analysis (MD&A) commentary is as of May 28, 2014. Unless otherwise indicated, all amounts are in Canadian dollars and have been derived from financial statements prepared in accordance with International Financial Reporting Standards (IFRS). References to GAAP mean IFRS. The MD&A should be read in conjunction with the unaudited interim consolidated financial statements for the period ended April 30, 2014, as well as the audited consolidated financial statements for the year ended October 31, 2013, and the MD&A for fiscal 2013 in BMO's 2013 Annual Report. The material that precedes this section comprises part of this MD&A.

The annual MD&A includes a comprehensive discussion of our businesses, strategies and objectives, and 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.

Table of Contents

Bank of Montreal's management, under the supervision of the CEO and CFO, has evaluated the effectiveness, as at April 30, 2014, of Bank of Montreal's disclosure controls and procedures (as defined in the rules of the Securities and Exchange Commission and the Canadian Securities Administrators) and has concluded that such disclosure controls and procedures are effective.

There were no changes in our internal control over financial reporting during the quarter ended April 30, 2014, that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Because of inherent limitations, disclosure controls and procedures and internal control over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements.

As in prior quarters, Bank of Montreal's Audit and Conduct Review Committee reviewed this document and Bank of Montreal's Board of Directors approved the document prior to its release.

Regulatory Filings

Our continuous disclosure materials, including our interim filings, annual MD&A and audited consolidated financial statements, Annual Information Form and 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.

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 – Reported | Table 1

(Canadian $ in millions, except as noted)	**Q2-2014**	Q1-2014	Q2-2013	**YTD-2014**	YTD-2013
Summary Income Statement					
Net interest income	**2,063**	2,113	2,129	**4,176**	4,377
Non-interest revenue	**1,978**	2,009	1,764	**3,987**	3,548
Revenue	**4,041**	4,122	3,893	**8,163**	7,925
Specific provision for credit losses	**162**	99	174	**261**	352
Collective provision for (recovery of) credit losses	**-**	-	(30)	**-**	(30)
Total provision for credit losses	**162**	99	144	**261**	322
Non-interest expense	**2,594**	2,684	2,550	**5,278**	5,120
Provision for income taxes	**209**	278	237	**487**	485
Net income	**1,076**	1,061	962	**2,137**	1,998
Attributable to bank shareholders	**1,062**	1,048	944	**2,110**	1,962
Attributable to non-controlling interest in subsidiaries	**14**	13	18	**27**	36
Net income	**1,076**	1,061	962	**2,137**	1,998
Common Share Data ($ except as noted)					
Earnings per share	**1.60**	1.58	1.40	**3.18**	2.91
Earnings per share growth (%)	**14.3**	4.6	(6.7)	**9.3**	(6.7)
Dividends declared per share	**0.76**	0.76	0.74	**1.52**	1.46
Book value per share	**45.95**	45.60	40.87	**45.95**	40.87
Closing share price	**75.55**	68.06	63.19	**75.55**	63.19
Total market value of common shares ($ billions)	**48.7**	43.9	41.0	**48.7**	41.0
Dividend yield (%)	**4.0**	4.5	4.7	**4.0**	4.6
Financial Measures and Ratios (%)					
Return on equity	**14.3**	14.2	14.2	**14.3**	14.6
Net income growth	**11.6**	2.5	(5.6)	**6.9**	(5.8)
Revenue growth	**3.7**	2.3	(0.4)	**3.0**	(0.6)
Non-interest expense growth	**1.8**	4.4	3.1	**3.1**	2.4
Efficiency ratio	**64.2**	65.1	65.5	**64.7**	64.6
Efficiency ratio, excluding PBCAE (1)	**59.4**	59.9	60.2	**59.7**	60.8
Operating leverage	**1.9**	(2.1)	(3.5)	**(0.1)**	(3.0)
Net interest margin on average earning assets	**1.59**	1.62	1.82	**1.61**	1.85
Effective tax rate	**16.2**	20.8	19.8	**18.5**	19.5
Return on average assets	**0.73**	0.72	0.70	**0.72**	0.71
Provision for credit losses-to-average loans and acceptances (annualized)	**0.22**	0.14	0.22	**0.18**	0.25
Value Measures (% except as noted)					
Average annual five-year total shareholder return	**19.4**	21.4	10.5	**19.4**	10.5
Average annual three-year total shareholder return	**11.8**	10.6	4.9	**11.8**	4.9
Twelve month total shareholder return	**24.8**	12.9	13.0	**24.8**	13.0
Net economic profit ($ millions) (2)	**297**	289	260	**586**	574
Balance Sheet (as at $ billions, except as noted)					
Assets	**582**	593	555	**582**	555
Net loans and acceptances	**295**	290	264	**295**	264
Deposits	**394**	398	360	**394**	360
Common shareholders' equity	**29.6**	29.4	26.5	**29.6**	26.5
Cash and securities-to-total assets ratio (%)	**32.1**	32.3	30.3	**32.1**	30.3
Capital Ratios (%)					
Common Equity Tier 1 Capital Ratio	**9.7**	9.3	9.7	**9.7**	9.7
Tier 1 Capital Ratio	**11.1**	10.6	11.3	**11.1**	11.3
Total Capital Ratio	**13.0**	12.4	13.7	**13.0**	13.7
Net Income by Operating Group					
Canadian P&C	**480**	484	421	**964**	868
U.S. P&C	**155**	166	151	**321**	330
Personal and Commercial Banking	**635**	650	572	**1,285**	1,198
Wealth Management	**194**	175	140	**369**	302
BMO Capital Markets	**305**	277	261	**582**	559
Corporate Services, including Technology and Operations (T&O)	**(58)**	(41)	(11)	**(99)**	(61)
BMO Financial Group net income	**1,076**	1,061	962	**2,137**	1,998

(1) This ratio is calculated excluding insurance policyholder benefits, claims and acquisition expenses (PBCAE).
(2) Net economic profit is a non-GAAP measure and is discussed in the Non-GAAP Measures section.

Summary Data – Adjusted (1)					**Table 2**
(Canadian $ in millions, except as noted)	**Q2-2014**	Q1-2014	Q2-2013	**YTD-2014**	YTD-2013
Adjusted Summary Income Statement					
Net interest income	**2,063**	2,113	1,954	**4,176**	3,990
Non-interest revenue	**1,978**	2,009	1,754	**3,987**	3,530
Revenue	**4,041**	4,122	3,708	**8,163**	7,520
Provision for credit losses	**162**	99	109	**261**	205
Non-interest expense	**2,566**	2,653	2,384	**5,219**	4,828
Provision for income taxes	**216**	287	231	**503**	474
Net income	**1,097**	1,083	984	**2,180**	2,013
Attributable to bank shareholders	**1,083**	1,070	966	**2,153**	1,977
Attributable to non-controlling interest in subsidiaries	**14**	13	18	**27**	36
Net income	**1,097**	1,083	984	**2,180**	2,013
Adjusted Common Share Data					
Earnings per share ($)	**1.63**	1.61	1.44	**3.24**	2.94
Earnings per share growth (%)	**13.2**	7.3	0.7	**10.2**	3.5
Adjusted Financial Measures and Ratios (%)					
Return on equity	**14.6**	14.5	14.6	**14.6**	14.7
Net income growth	**11.2**	5.4	1.1	**8.2**	3.9
Revenue growth	**8.9**	8.2	0.9	**8.5**	2.1
Non-interest expense growth	**7.7**	8.5	2.3	**8.1**	3.1
Efficiency ratio	**63.5**	64.3	64.3	**63.9**	64.2
Efficiency ratio, excluding PBCAE (2)	**58.8**	59.2	58.8	**59.0**	60.2
Operating leverage	**1.2**	(0.3)	(1.4)	**0.4**	(1.0)
Net interest margin on average earning assets	**1.59**	1.62	1.67	**1.61**	1.68
Effective tax rate	**16.5**	20.9	19.0	**18.7**	19.0
Adjusted Net Income By Operating Group					
Canadian P&C	**482**	486	422	**968**	872
U.S. P&C	**167**	178	164	**345**	356
Personal and Commercial Banking	**649**	664	586	**1,313**	1,228
Wealth Management	**200**	183	147	**383**	315
BMO Capital Markets	**306**	277	262	**583**	560
Corporate Services, including T&O	**(58)**	(41)	(11)	**(99)**	(90)
BMO Financial Group net income	**1,097**	1,083	984	**2,180**	2,013

(1) The above results and statistics are presented on an adjusted basis. These are non-GAAP amounts or non-GAAP measures. Please see the Non-GAAP Measures section.

(2) This ratio is calculated excluding insurance policyholder benefits, claims and acquisition expenses (PBCAE).

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 2014 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, U.S. and international 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, volatile or illiquid capital and/or credit markets; interest rate and currency value fluctuations; changes in monetary, fiscal or economic policy; the degree of competition in the geographic and business areas in which we operate; changes in laws or in supervisory expectations or requirements, including capital, interest rate and liquidity requirements and guidance; 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, including obtaining regulatory approvals; critical accounting estimates and the effect of changes to accounting standards, rules and interpretations on these estimates; operational and infrastructure risks; changes to our credit ratings; general political conditions; global capital markets activities; the possible effects on our business of war or terrorist activities; disease or illness that affects local, national or international economies; natural disasters and disruptions to public infrastructure, such as transportation, communications, power or water supply; technological changes; and our ability to anticipate and effectively manage risks associated with all of the foregoing factors.

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 to 31 of BMO's 2013 Annual Report, which outlines in detail certain key factors that may affect Bank of Montreal'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 statements, 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, as well as our strategic priorities and objectives, and may not be appropriate for other purposes.

Assumptions about the level of default and losses on default were material factors we considered when establishing our expectations regarding the future performance of the transactions into which our credit protection vehicle has entered. Among the key assumptions were that the level of default and losses on default will be consistent with historical experience. Material factors that were taken into account when establishing our expectations regarding the future risk of credit losses in our credit protection vehicle and risk of loss to Bank of Montreal included industry diversification in the portfolio, initial credit quality by portfolio, the first-loss protection incorporated into the structure and the hedges into which Bank of Montreal has entered.

Assumptions about the performance of the Canadian and U.S. economies, as well as overall market conditions and their combined effect on our business, 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. See the Economic Review and Outlook section of this interim MD&A.

Economic Review and Outlook

After strengthening moderately in the second half of 2013, the Canadian economy has slowed, largely in response to the inclement weather. However, recent data on manufacturing and exports suggest the economy is benefiting from the weaker Canadian dollar and firmer global demand. The Eurozone economy is growing again, albeit modestly, while China's economic slowdown has stabilized at a still-strong growth rate above 7%. Canadian consumer spending is projected to grow moderately, restrained by elevated household debt, while home sales and construction should continue to slow. Consumer credit and residential mortgage growth will likely moderate further. Business investment is expected to strengthen in response to firmer exports and higher energy prices received by Canadian producers, supporting business loan growth. Economic growth is expected to increase from 2.0% in 2013 to 2.3% in 2014, reducing the unemployment rate to 6.8% by year end. Continued low inflation will likely encourage the Bank of Canada to maintain a steady interest rate policy for a fourth consecutive year. The trade deficit should decline as the Canadian dollar weakens further in response to higher long-term interest rates in the United States than in Canada.

After slowing in response to the severe winter weather, the U.S. economy is returning to the strong growth experienced in the second half of 2013. Improved household finances, replacement demand for motor vehicles and pent-up demand for housing are supporting the economy. At the same time, a smaller federal budget deficit and improved finances at the state and local levels of government imply less restrictive fiscal policies. Diminished political uncertainty will support business investment and the demand for business credit. Residential mortgages and consumer loan growth should improve. Economic growth is projected to increase from 1.9% in 2013 to 2.5% in 2014, reducing the unemployment rate below 6.0% by year end. The Federal Reserve is expected to continue reducing its purchases of fixed-income securities, resulting in moderate upward pressure on long-term interest rates. However, policy rates are not expected to increase until the middle of 2015.

The U.S. Midwest region, which includes the six states in BMO's U.S. footprint, grew approximately 1.6% in 2013, held back by fiscal policy consolidation. However, stronger growth of 2.5% is expected in 2014 in response to strengthening exports and increased automotive production.

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

Other Value Measures

BMO's average annual total shareholder returns for the one-year, three-year and five-year periods ending April 30, 2014, were 24.8%, 11.8% and 19.4%, respectively.

Foreign Exchange

The Canadian dollar equivalents of BMO's U.S.-dollar-denominated net income, revenues, expenses, recovery of (provisions for) credit losses and income taxes were increased relative to the first quarter of 2014, the second quarter of 2013 and the prior year to date by the strengthening of the U.S. dollar. The average Canadian/U.S. dollar exchange rate for the quarter, expressed in terms of the Canadian dollar cost of a U.S. dollar, increased by 8% from a year ago and 2% from the first quarter. The average rate for the year to date increased by 8% from a year ago. BMO may execute hedging transactions to mitigate the impact of foreign exchange rate movements on net income. Table 3 indicates the relevant average Canadian/U.S. dollar exchange rates and the impact of changes in the rates.

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

Effects of Changes in Exchange Rates on BMO's Reported and Adjusted Results — **Table 3**

	Q2-2014		YTD-2014
(Canadian $ in millions, except as noted)	vs Q2-2013	vs Q1-2014	vs YTD-2013
Canadian/U.S. dollar exchange rate (average)			
Current period	1.1029	1.1029	1.0913
Prior period	1.0180	1.0800	1.0064
Effects on reported results			
Increased net interest income	54	15	111
Increased non-interest revenue	45	12	91
Increased revenues	99	27	202
Increased expenses	(75)	(20)	(150)
Increased recovery of (provision for) credit losses	(2)	(1)	1
Increased income taxes	(5)	(1)	(12)
Increased reported net income	17	5	41
Effects on adjusted results			
Increased net interest income	49	15	100
Increased non-interest revenue	45	12	91
Increased revenues	94	27	191
Increased expenses	(73)	(20)	(146)
Increased recovery of (provision for) credit losses	(1)	(1)	5
Increased income taxes	(4)	(1)	(10)
Increased adjusted net income	16	5	40

Adjusted results in this section are non-GAAP amounts or non-GAAP Measures. Please see the non-GAAP Measures section.

Net Income

Q2 2014 vs Q2 2013

Net income was $1,076 million for the second quarter of 2014, up $114 million or 12% from a year ago. EPS was $1.60, up $0.20 or 14% from a year ago.

Adjusted net income was $1,097 million, up $113 million or 11% from a year ago. Adjusted EPS was $1.63, up $0.19 or 13% from a year ago. Adjusted results and items excluded in determining adjusted results are disclosed in detail in the preceding Adjusted Net Income section and in the Non-GAAP Measures section, together with comments on the uses and limitations of such measures.

On an adjusted basis, net income growth was driven by strong results in Canadian P&C, Wealth Management and BMO Capital Markets. Canadian P&C results reflected strong balance and fee volumes, partially offset by lower net interest margin. Wealth Management posted strong results with adjusted net income up 36% due to higher revenue across all businesses driven by strong growth in client assets, and higher insurance revenue, partially offset by higher revenue-based costs. BMO Capital Markets results were up due to good revenue performance in both the Investment and Corporate Banking and the Trading Products businesses and a more favourable tax rate, partially offset by increased employee-related expenses and support costs. U.S. P&C net income declined on a U.S. dollar basis, due to lower revenue as the benefits from strong commercial loan growth and lower provisions for credit losses were more than offset by the effects of lower net interest margin and reduced gains on sales of newly originated mortgages. Corporate Services adjusted results decreased primarily due to lower recoveries on the purchased credit impaired loan portfolio.

Q2 2014 vs Q1 2014

Net income increased $15 million and EPS increased $0.02. Adjusted net income increased $14 million and adjusted EPS increased by $0.02. The impact of the stronger U.S. dollar increased adjusted net income growth by $5 million.

Net income growth in Canadian P&C decreased due to three fewer days in the current quarter, largely offset by lower expenses and lower provisions for credit losses. Net income increased in Wealth Management due to higher revenue, driven by growth in client assets and increased insurance revenue, and lower expenses. BMO Capital Markets results were up as lower revenue was more than offset by lower expenses and a more favourable tax rate. U.S. P&C adjusted net income decreased on a U.S. dollar basis, as the benefits of lower expenses were more than offset by increased provisions for credit losses and fewer days. Corporate Services adjusted results decreased primarily due to lower recoveries on the purchased credit impaired loan portfolio, partly offset by lower expenses.

Q2 YTD 2014 vs Q2 YTD 2013

Net income increased $139 million or 7% to $2,137 million. EPS was $3.18, up $0.27 or 9% from a year ago. Adjusted net income was $2,180 million, up $167 million or 8% from a year ago. The impact of the stronger U.S. dollar increased adjusted net income growth by $40 million or 2%. Adjusted EPS was $3.24, up $0.30 or 10% from a year ago. On an adjusted basis, there was strong growth in Wealth Management and Canadian P&C, good growth in BMO Capital Markets and a decline in U.S. P&C. Adjusted net income in Corporate Services was lower relative to the same period a year ago.

Adjusted results in this Net Income section are non-GAAP amounts or non-GAAP measures. Please see the Non-GAAP Measures section.

Revenue

Q2 2014 vs Q2 2013

Total revenue of $4,041 million increased $148 million or 4% from the second quarter last year. Adjusted revenue increased $333 million or 9% to $4,041 million. Excluding the impact of the stronger U.S. dollar, adjusted revenue increased by $239 million or 6%. Canadian P&C had good results due to strong balance and fee volumes, partially offset by the impact of a lower net interest margin. Wealth Management had strong revenue growth, with traditional wealth up 11%. Insurance revenue increased as the prior year was impacted by unfavourable movements in long-term interest rates. BMO Capital Markets also had good revenue performance in both the Investment and Corporate Banking and Trading Products businesses. U.S. P&C revenue decreased on a U.S. dollar basis, as the benefits of strong commercial loan growth were more than offset by lower net interest margin and reduced gains on sales of newly originated mortgages. Adjusted revenue decreased in Corporate Services due to the impact of a higher group teb adjustment and other smaller items, net of credit-related revenue on the purchased performing loan portfolio.

Net interest income decreased $66 million or 3% from a year ago to $2,063 million. Adjusted net interest income increased $109 million or 5% to $2,063 million, due to volume growth, revenue from the purchased performing loan portfolio and the impact of the stronger U.S. dollar, partially offset by a lower net interest margin. BMO's overall net interest margin decreased on a reported basis by 23 basis points from a year ago to 1.59%. Adjusted net interest margin decreased by 8 basis points to 1.59%. Average earning assets increased $49.5 billion or 10% to $530.6 billion, including a $16.5 billion increase as a result of the stronger U.S. dollar.

Non-interest revenue increased $214 million or 12% from a year ago to $1,978 million. Adjusted non-interest revenue increased $224 million or 13% to $1,978 million, due to increases in all types of non-interest revenue, with the exception of foreign exchange, other than trading, and securities gains.

Q2 2014 vs Q1 2014

Reported and adjusted revenue decreased $81 million or 2% from the first quarter. Excluding the impact of the stronger U.S. dollar, adjusted revenue decreased by $108 million or 3% due to fewer days in the quarter. There was lower revenue in Canadian P&C, primarily due to three fewer days. Revenue in Wealth Management increased, with revenue growth in traditional wealth driven by growth in client assets, and higher insurance revenue. Revenue in BMO Capital Markets was lower, reflecting decreases in investment banking fees and securities gains, partly offset by increased equity and foreign exchange trading. U.S. P&C revenue was stable on a U.S. dollar basis, despite the impact of fewer days. Corporate Services adjusted revenue was lower due to a higher group teb offset.

Reported and adjusted net interest income decreased $50 million or 2%, in large part due to three fewer days in the current quarter. BMO's overall net interest margin decreased by 3 basis points from the first quarter. Average earning assets increased $14.6 billion or 3% from the prior quarter, of which $4.4 billion related to the stronger U.S. dollar.

Reported and adjusted non-interest revenue decreased $31 million or 2%, primarily due to lower underwriting and advisory fees, trading revenues and fewer days.

Q2 YTD 2014 vs Q2 YTD 2013

Year-to-date revenue increased $238 million or 3% and adjusted revenue increased $643 million or 9%. Excluding the impact of the stronger U.S. dollar, adjusted revenue increased $452 million or 6%.

Net interest income decreased $201 million or 5% year to date. Adjusted net interest income increased $186 million or 5%, mainly due to revenue from the purchased performing loan portfolio and volume growth, offset by lower net interest margin. BMO's overall net interest margin declined by 24 basis points to 1.61%. Adjusted net interest margin declined by 7 basis points to 1.61%. Average earning assets increased by $44.6 billion, of which $16.1 billion was due to the stronger U.S. dollar.

Non-interest revenue increased $439 million or 12% year to date. Adjusted non-interest revenue increased $457 million or 13% with increases in all types of non-interest revenue except underwriting and advisory fees and foreign exchange, other than trading.

Net interest income and non-interest revenue are detailed in the unaudited interim consolidated financial statements.

Adjusted results in this Revenue section are non-GAAP amounts or non-GAAP measures. Please see the Non-GAAP Measures section.

Adjusted Net Interest Margin on Average Earning Assets (teb)* — Table 4

(In basis points)	Q2-2014	Q1-2014	Q2-2013	YTD-2014	YTD-2013
Canadian P&C	**258**	261	264	**260**	267
U.S. P&C	**376**	383	410	**380**	411
Personal and Commercial Banking	**290**	293	303	**291**	304
Wealth Management	**264**	273	283	**268**	285
BMO Capital Markets	**59**	48	59	**53**	58
Corporate Services, including T&O**	**nm**	nm	nm	**nm**	nm
Total BMO adjusted net interest margin (1)	**159**	162	167	**161**	168
Total BMO adjusted net interest margin (excluding trading) (1)	**196**	203	203	**199**	204
Total BMO reported net interest margin	**159**	162	182	**161**	185
Total BMO reported net interest margin (excluding trading)	**196**	203	221	**199**	225
Total Canadian Retail (reported and adjusted)***	**257**	260	263	**258**	266

* 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 taxable equivalent basis (teb) while total BMO margin is stated on a GAAP basis.
** Corporate Services adjusted net interest income is negative in all periods and its variability affects changes in net interest margin.
*** Total Canadian retail margin represents the net interest margin of the combined Canadian businesses of Canadian P&C and Wealth Management.
(1) These are non-GAAP amounts or non-GAAP measures. Please see the Non-GAAP Measures section.
nm - not meaningful

Provisions for Credit Losses

Q2 2014 vs Q2 2013

The total provision for credit losses (PCL) was $162 million, an increase of $18 million from the prior year. Adjusted PCL increased by $53 million from the prior year due to lower recoveries. There was no net change to the collective allowance in the quarter.

Canadian P&C provisions decreased by $20 million to $133 million, due to a decrease in provisions in both the commercial and consumer portfolios. Wealth Management provisions were relatively stable year over year. Recoveries of credit losses in BMO Capital Markets were $2 million lower. U.S. P&C provisions of $50 million decreased by $5 million due to lower provisions in the consumer portfolio, partially offset by higher provisions in the commercial portfolio. Corporate Services adjusted recoveries of $19 million declined by $75 million, primarily due to a $62 million decrease in recoveries on the purchased credit impaired loan portfolio.

Q2 2014 vs Q1 2014

The reported and adjusted PCL increased by $63 million from the prior quarter. There was no net change to the collective allowance in the quarter.

Canadian P&C provisions decreased by $8 million, as a decrease in the commercial portfolio was partially offset by an increase in the consumer portfolio. Wealth Management provisions increased by $3 million. Recoveries of credit losses in BMO Capital Markets were $3 million higher in the current quarter. U.S. P&C provisions increased by $31 million due to increases in the commercial portfolio from the low levels in the first quarter. Corporate Services adjusted recoveries decreased by $40 million mainly due to a decrease in recoveries on the purchased credit impaired loan portfolio.

Adjusted results in this Provisions for Credit Losses section are non-GAAP amounts or non-GAAP measures. Please see the Non-GAAP Measures section.

Provision for Credit Losses by Operating Group — Table 5

(Canadian $ in millions)	Q2-2014	Q1-2014	Q2-2013	YTD-2014	YTD-2013
Canadian P&C	**133**	141	153	**274**	281
U.S. P&C	**50**	19	55	**69**	87
Personal and Commercial Banking	**183**	160	208	**343**	368
Wealth Management	**2**	(1)	1	**1**	3
BMO Capital Markets	**(4)**	(1)	(6)	**(5)**	(21)
Corporate Services, including T&O (1) (2)	**(19)**	(59)	(94)	**(78)**	(145)
Adjusted provision for credit losses	**162**	99	109	**261**	205
Purchased performing loans (1)	**-**	-	65	**-**	147
Decrease in collective allowance	**-**	-	(30)	**-**	(30)
Provision for credit losses	**162**	99	144	**261**	322

(1) Effective Q1-2014, Corporate Services adjusted results include credit-related items in respect of the purchased performing loan portfolio, including $21 million specific provisions for credit losses in the current period ($34 million in Q1-2014).
(2) Corporate Services results include purchased credit impaired loan recoveries of $45 million in Q2-2014 ($28 million after tax); $117 million in Q1-2014 ($72 million after tax); and $107 million in Q2-2013 ($66 million after tax).
This table contains adjusted results and measures, which are Non-GAAP. Please see the Non-GAAP Measures section.

Changes to Provision for Credit Losses — Table 6

(Canadian $ in millions, except as noted)	Q2-2014	Q1-2014	Q2-2013	YTD-2014	YTD-2013
New specific provisions	**348**	358	406	**706**	824
Reversals of previously established allowances	**(47)**	(48)	(49)	**(95)**	(131)
Recoveries of loans previously written-off	**(139)**	(211)	(183)	**(350)**	(341)
Specific provision for credit losses	**162**	99	174	**261**	352
Decrease in collective allowance	**-**	-	(30)	**-**	(30)
Provision for credit losses	**162**	99	144	**261**	322
PCL as a % of average net loans and acceptances (annualized)	**0.22**	0.14	0.22	**0.18**	0.25

Impaired Loans

Total gross impaired loans (GIL) were $2,325 million at the end of the current quarter, down from $2,482 million in the first quarter of 2014 and down from $2,848 million a year ago.

Factors contributing to the change in GIL are outlined in Table 7 below. Loans classified as impaired during the quarter totalled $509 million in the current quarter, down from $642 million in the first quarter of 2014 and $595 million a year ago.

Changes in Gross Impaired Loans (GIL) and Acceptances (1) **Table 7**

(Canadian $ in millions, except as noted)	**Q2-2014**	Q1-2014	Q2-2013	**YTD-2014**	YTD-2013
GIL, beginning of period	**2,482**	2,544	2,912	**2,544**	2,976
Classified as impaired during the period	**509**	642	595	**1,151**	1,225
Transferred to not impaired during the period	**(244)**	(154)	(196)	**(398)**	(352)
Net repayments	**(185)**	(446)	(232)	**(631)**	(521)
Amounts written-off	**(149)**	(203)	(216)	**(352)**	(451)
Recoveries of loans and advances previously written-off	**-**	-	-	**-**	-
Disposals of loans	**(63)**	(2)	(56)	**(65)**	(87)
Foreign exchange and other movements	**(25)**	101	41	**76**	58
GIL, end of period	**2,325**	2,482	2,848	**2,325**	2,848
GIL as a % of gross loans and acceptances	**0.79**	0.85	1.08	**0.79**	1.08

(1) GIL excludes purchased credit impaired loans.

For further discussion of risk management practices and key measures, see the Risk Management section.

Non-Interest Expense

Non-interest expense increased $44 million or 2% from the second quarter a year ago to $2,594 million. Adjusted non-interest expense increased $182 million or 8% to $2,566 million, or 5% excluding the impact of the stronger U.S. dollar, primarily due to higher employee-related expenses, including performance-based compensation, and increased technology and support costs related to a changing business and regulatory environment.

Non-interest expense decreased $90 million or 3% relative to the first quarter. Adjusted non-interest expense decreased $87 million or 3%. Excluding the impact of the stronger U.S. dollar, adjusted non-interest expense decreased by $107 million or 4%, primarily due to $66 million of stock-based compensation for employees eligible to retire that is expensed in the first quarter of each year and lower severance costs.

Year-over-year operating leverage on a reported basis was 1.9% and adjusted operating leverage was 1.2%. The adjusted efficiency ratio of 63.5% for the second quarter of 2014 improved by 80 basis points from a year ago and from the prior quarter.

Non-interest expense for the year to date increased $158 million or 3% to $5,278 million. Adjusted non-interest expense increased $391 million or 8% to $5,219 million, or 5% excluding the impact of the stronger U.S. dollar, primarily due to higher employee-related expenses, including performance-based compensation, and increased technology and support costs related to a changing business and regulatory environment.

Non-interest expense is detailed in the unaudited interim consolidated financial statements.

Adjusted results in this Non-Interest Expense section are non-GAAP amounts or non-GAAP measures. Please see the Non-GAAP Measures section.

Income Taxes

The provision for income taxes of $209 million decreased $28 million from the second quarter of 2013 and decreased $69 million from the first quarter of 2014. The effective tax rate for the quarter was 16.2%, compared with 19.8% a year ago and 20.8% in the first quarter of 2014.

The adjusted provision for income taxes of $216 million decreased $15 million from a year ago and decreased $71 million from the first quarter of 2014. The adjusted effective tax rate was 16.5% in the current quarter, compared with 19.0% a year ago and 20.9% in the first quarter of 2014. The lower adjusted tax rate in the current quarter relative to the second quarter of 2013 was primarily due to higher tax-exempt income. The lower adjusted tax rate in the current quarter relative to the first quarter of 2014 was primarily due to higher tax-exempt income and a lower proportion of income from higher tax-rate jurisdictions.

Adjusted results in this Income Taxes section are non-GAAP amounts or non-GAAP measures. Please see the Non-GAAP Measures section.

Capital Management

Second Quarter 2014 Regulatory Capital Review

BMO's Common Equity Tier 1 (CET1) Ratio was 9.7% at April 30, 2014.

The CET1 Ratio increased by approximately 40 basis points from 9.3% at the end of the first quarter due to a net decrease in risk-weighted assets (RWA) and increased retained earnings. The CET1 Ratio decreased by approximately 20 basis points from 9.9% at October 31, 2013, due to higher RWA, partly offset by a benefit from increased retained earnings.

RWA of $235 billion at April 30, 2014, decreased by $5 billion from the first quarter due to reduced market risk exposures and lower credit risk primarily due to improved risk assessments and the impact of a strengthening Canadian dollar during the second quarter, partially offset by updates to calculation methodologies. RWA increased $20 billion from October 31, 2013, primarily due to increased business-driven source currency RWA, newly-implemented Credit Valuation Adjustment (CVA) rules and IFRS accounting standards, and the impact of a strengthening of the U.S. dollar during the first half of the year, partly offset by a decrease in RWA during the second quarter, as noted above.

The RWA attributable to the CVA for CET1 during fiscal 2014, and for Tier 1 and Total Capital during the first and second quarters of 2014, was 57% of the fully-implemented charge. This will increase each year until it reaches 100% by 2019.

CET1 capital at April 30, 2014, was $22.7 billion, up $0.4 billion from the first quarter and $1.5 billion from October 31, 2013, mainly due to retained earnings growth and the net impact of foreign exchange movements on U.S.-dollar-denominated investments in foreign operations and related hedges.

The bank's Tier 1 and Total Capital Ratios were 11.1% and 13.0%, respectively, at April 30, 2014, compared with 10.6% and 12.4%, respectively, at January 31, 2014, and 11.4% and 13.7%, respectively, at October 31, 2013. These ratios changed from the prior quarter and from October 31, 2013, primarily due to the same factors that caused changes in the CET1 Ratio, described above, and due to the issuance of preferred shares, which was partially offset by preferred share redemptions, as described below.

The Office of the Superintendent of Financial Institutions (OSFI) has announced that the Assets-to-Capital Multiple (ACM), based on Total Capital, will be discontinued in 2015 and will be replaced by the Basel III Leverage Ratio. BMO's ACM was 16.8 at April 30, 2014, improved from 17.4 in the first quarter but up from 15.6 at October 31, 2013, primarily due to increases in Total Capital.

BMO's investments in foreign operations are primarily denominated in U.S. dollars. The foreign exchange impact of U.S.-dollar-denominated RWA on Canadian-dollar equivalent RWA, and the impact of U.S.-dollar-denominated capital deductions on our Canadian dollar capital, also may result in variability in the bank's capital ratios. BMO may enter into hedging arrangements to reduce the impact of foreign exchange movements on its capital ratios.

Pages 61 to 65 and pages 92 to 94 of BMO's 2013 Annual Report provide disclosure on Enterprise-Wide Capital Management and Liquidity and Funding Risk, including regulatory requirements impacting capital and liquidity.

Other Capital Developments

On May 7, 2014, we announced that we had completed the acquisition of F&C. The acquisition is expected to reduce BMO's CET1 Ratio by approximately 75 basis points.

During the quarter, we redeemed all of our Non-cumulative Class B Preferred Share Series 18, at a redemption price of $25.00 per share plus declared and unpaid dividends up to but excluding the date fixed for redemption.

On April 16, 2014, we announced our intention to redeem all of our Non-cumulative Class B Preferred Shares Series 21 on May 25, 2014, at a redemption price of $25.00 per share plus declared and unpaid dividends up to but excluding the date fixed for redemption.

On April 23, 2014, we completed our public offering of Non-cumulative 5-Year Rate Reset Class B Preferred Shares Series 27, our inaugural issuance of non-viability contingent capital securities. We issued 20 million shares for aggregate proceeds of $500 million.

During the quarter, 632,999 common shares were issued through the exercise of stock options.

No shares were repurchased during the quarter under the bank's normal course issuer bid. The timing and amount of purchases under the program are subject to management discretion based on factors such as market conditions and capital levels. Capital expectations for banks have been increasing internationally. In the current environment we expect to maintain capital levels above published minimum CET1 regulatory requirements and do not expect to be active under the normal course issuer bid when BMO's CET1 Ratio is below 9.5%. The bank will periodically consult with OSFI before making purchases under the bid.

On May 28, 2014, BMO announced that the Board of Directors had declared a quarterly dividend payable to common shareholders of $0.78 per common share, up $0.02 per share from the preceding quarter and up $0.04 per share from a year ago. The dividend reflects the success of our business strategies.

The dividend is payable August 26, 2014, to shareholders of record on August 1, 2014. Common shareholders may elect to have their cash dividends reinvested in common shares of the bank in accordance with the shareholder dividend reinvestment and share purchase plan (the Plan). As previously announced, such additional common shares will be issued from treasury until further notice. Commencing with the common share dividend declared on May 28, 2014, common shares issued under the Plan will, until further notice, have a two percent discount from the average market price (as defined in the Plan).

Qualifying Regulatory Capital and Risk-Weighted Assets						Table 8
	Q2-2014		Q1-2014		Q4-2013	
(Canadian $ in millions)	**All-in (1)**	**Transitional (2)**	All-in (1)	Transitional (2)	All-in (1)	Transitional (2)
Gross Common Equity (3)	**29,646**	**29,646**	29,391	29,391	28,144	28,144
Regulatory adjustments applied to Common Equity	**(6,918)**	**(1,298)**	(7,051)	(1,465)	(6,917)	9
Common Equity Tier 1 capital (CET1)	**22,728**	**28,348**	22,340	27,926	21,227	28,153
Additional Tier 1 Eligible Capital (4)	**3,835**	**3,835**	3,457	3,457	3,781	3,781
Regulatory adjustments applied to Tier 1	**(413)**	**(3,203)**	(415)	(3,256)	(409)	(3,781)
Additional Tier 1 capital (AT1)	**3,422**	**632**	3,042	201	3,372	-
Tier 1 capital (T1 = CET1 + AT1)	**26,150**	**28,980**	25,382	28,127	24,599	28,153
Tier 2 Eligible Capital (5)	**4,357**	**4,357**	4,321	4,321	4,951	4,951
Regulatory adjustments applied to Tier 2	**(50)**	**(10)**	(50)	(12)	(50)	(13)
Tier 2 capital (T2)	**4,307**	**4,347**	4,271	4,309	4,901	4,938
Total capital (TC = T1 + T2)	**30,457**	**33,327**	29,653	32,436	29,500	33,091
Total risk-weighted assets	**234,774**	**240,074**	240,076	246,232	215,094	232,501
Capital Ratios (%)						
CET1 Ratio	**9.7**	**11.8**	9.3	11.3	9.9	12.1
Tier 1 Capital Ratio	**11.1**	**12.1**	10.6	11.4	11.4	12.1
Total Capital Ratio	**13.0**	**13.9**	12.4	13.2	13.7	14.2

(1) "All-in" regulatory capital assumes that all Basel III regulatory adjustments are applied effective January 1, 2013, and that the capital value of instruments which no longer qualify as regulatory capital under Basel III rules will be phased out at a rate of 10% per year from January 1, 2013, and continuing to January 1, 2022.
(2) Transitional regulatory capital assumes that all Basel III regulatory capital adjustments are phased in from January 1, 2014, to January 1, 2018, and that the capital value of instruments that no longer qualify as regulatory capital under Basel III rules will be phased out at a rate of 10% per year from January 1, 2013, and continuing to January 1, 2022.
(3) Gross Common Equity includes issued qualifying common shares, retained earnings, accumulated other comprehensive income and eligible common share capital issued by subsidiaries.
(4) Additional Tier 1 Eligible Capital includes directly and indirectly issued qualifying Additional Tier 1 instruments and directly and indirectly issued capital instruments, to the extent eligible, which are subject to phase-out under Basel III.
(5) Tier 2 Eligible Capital includes directly and indirectly issued qualifying Tier 2 instruments and directly and indirectly issued capital instruments, to the extent eligible, that are subject to phase-out under Basel III.

Outstanding Shares and Securities Convertible into Common Shares	Table 9
As at May 21, 2014	Number of shares or dollar amount (in millions)
Common shares	645
Class B Preferred Shares	
Series 13	$ 350
Series 14	$ 250
Series 15	$ 250
Series 16	$ 157
Series 17	$ 143
Series 21 (1)	$ 275
Series 23	$ 400
Series 25	$ 290
Series 27 (2)	$ 500
Stock options	
– vested	8.0
– non-vested	6.8

(1) The Series 21 Preferred Shares were redeemed on May 25, 2014.
(2) The Series 27 Preferred Shares were issued on April 23, 2014, and are classified as liabilities on our Consolidated Balance Sheet.
Details on share capital are outlined in Note 20 to the audited consolidated financial statements on page 163 of BMO's 2013 Annual Report.

Caution

The foregoing Capital Management sections contain forward-looking statements. Please see the Caution Regarding Forward-Looking Statements.

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 as "eligible dividends", unless indicated otherwise.

Review of Operating Groups' Performance

How BMO Reports Operating Group Results

The following sections review the financial results of each of our operating segments and operating groups for the second quarter of 2014.

Periodically, certain business lines and units within the business lines are transferred between client and corporate support groups to more closely align BMO's organizational structure with its strategic priorities. In addition, revenue and expense allocations are updated to more accurately align with current experience. Results for prior periods are restated to conform to the current presentation.

Corporate Services results reflect certain items in respect of the purchased loan portfolio, including the recognition of a portion of the credit mark that is reflected in net interest income over the term of the purchased loans and provisions and recoveries of credit losses on the purchased portfolio. Amounts excluded from adjusted results in prior years included credit-related items in respect of the purchased performing loan portfolio, acquisition integration costs, restructuring costs and run-off structured credit activities.

Effective November 1, 2013, we adopted several new and amended accounting pronouncements issued by the International Accounting Standards Board (IASB), which are outlined in Note 1 to the unaudited interim consolidated financial statements.

BMO analyzes revenue at the consolidated level based on GAAP revenue reflected in the consolidated financial statements rather than on a taxable equivalent basis (teb). Like many banks, we analyze revenue on a teb basis at the operating group level. This basis includes an adjustment that increases GAAP revenue and the GAAP provision for income taxes by an amount that would raise revenue on certain tax-exempt items 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 revenue and income tax provisions. The teb adjustments for the second quarter of 2014 totalled $138 million, up from $85 million in the first quarter of 2014 and $71 million in the second quarter of 2013.

Personal and Commercial Banking (P&C) **Table 10**

(Canadian $ in millions, except as noted)	**Q2-2014**	Q1-2014	Q2-2013	**YTD-2014**	YTD-2013
Net interest income (teb)	**1,764**	1,800	1,668	**3,564**	3,378
Non-interest revenue	**559**	550	529	**1,109**	1,065
Total revenue (teb)	**2,323**	2,350	2,197	**4,673**	4,443
Provision for credit losses	**183**	160	208	**343**	368
Non-interest expense	**1,282**	1,314	1,225	**2,596**	2,462
Income before income taxes	**858**	876	764	**1,734**	1,613
Income taxes (teb)	**223**	226	192	**449**	415
Reported net income	**635**	650	572	**1,285**	1,198
Adjusted net income	**649**	664	586	**1,313**	1,228
Net income growth (%)	**11.2**	3.8	0.7	**7.3**	3.2
Revenue growth (%)	**5.8**	4.6	(0.4)	**5.2**	(1.1)
Non-interest expense growth (%)	**4.7**	6.3	1.0	**5.5**	(0.8)
Return on equity (%)	**16.2**	16.4	16.7	**16.3**	17.5
Adjusted return on equity (%)	**16.5**	16.8	17.1	**16.7**	17.9
Operating leverage (%)	**1.1**	(1.7)	(1.4)	**(0.3)**	(0.3)
Adjusted operating leverage (%)	**0.9**	(2.0)	(1.9)	**(0.5)**	(0.7)
Efficiency ratio (%) (teb)	**55.2**	55.9	55.8	**55.6**	55.4
Adjusted efficiency ratio (%) (teb)	**54.4**	55.1	54.8	**54.7**	54.5
Net interest margin on average earning assets (%) (teb)	**2.90**	2.93	3.03	**2.91**	3.04
Average earning assets ($ billions)	**249.8**	244.0	225.9	**246.8**	223.8
Average current loans and acceptances ($ billions)	**247.4**	242.1	223.7	**244.7**	221.5
Average deposits ($ billions)	**187.8**	186.0	172.8	**186.9**	171.2

Adjusted results in this table are non-GAAP amounts or non-GAAP measures. Please see the Non-GAAP Measures section.

The Personal and Commercial Banking (P&C) operating group represents the sum of our two retail and business banking operating segments, Canadian Personal and Commercial Banking (Canadian P&C) and U.S. Personal and Commercial Banking (U.S. P&C). These operating segments are reviewed separately in the sections that follow.

Canadian Personal and Commercial Banking (Canadian P&C)					Table 11
(Canadian $ in millions, except as noted)	**Q2-2014**	Q1-2014	Q2-2013	**YTD-2014**	YTD-2013
Net interest income (teb)	**1,150**	1,194	1,085	**2,344**	2,208
Non-interest revenue	**410**	408	388	**818**	768
Total revenue (teb)	**1,560**	1,602	1,473	**3,162**	2,976
Provision for credit losses	**133**	141	153	**274**	281
Non-interest expense	**784**	813	764	**1,597**	1,544
Income before income taxes	**643**	648	556	**1,291**	1,151
Provision for income taxes (teb)	**163**	164	135	**327**	283
Reported net income	**480**	484	421	**964**	868
Adjusted net income	**482**	486	422	**968**	872
Personal revenue	**1,029**	1,057	977	**2,086**	1,972
Commercial revenue	**531**	545	496	**1,076**	1,004
Net income growth (%)	**14.3**	8.2	(1.6)	**11.1**	0.7
Revenue growth (%)	**6.0**	6.5	(0.1)	**6.2**	(0.1)
Non-interest expense growth (%)	**2.7**	4.2	3.2	**3.5**	2.1
Operating leverage (%)	**3.3**	2.3	(3.3)	**2.7**	(2.2)
Efficiency ratio (%) (teb)	**50.2**	50.8	51.8	**50.5**	51.9
Net interest margin on average earning assets (%) (teb)	**2.58**	2.61	2.64	**2.60**	2.67
Average earning assets ($ billions)	**182.9**	181.2	168.2	**182.0**	166.7
Average current loans and acceptances ($ billions)	**187.2**	185.6	171.8	**186.3**	170.2
Average deposits ($ billions)	**123.0**	122.5	112.2	**122.7**	111.2

Adjusted results in this table are non-GAAP amounts or non-GAAP measures. Please see the Non-GAAP Measures section.

Q2 2014 vs Q2 2013

Canadian P&C net income of $480 million increased $59 million or 14% from a year ago. Revenue increased $87 million or 6% from the prior year due to strong balance and fee volumes, partially offset by the impact of lower net interest margin. Net interest margin decreased 6 basis points to 2.58% as a result of changes in mix. Operating leverage at 3.3% was very strong, and was above 2% for the third consecutive quarter.

In the personal banking segment, revenue increased $52 million year over year due to the impact of higher balance and fee volumes, partially offset by lower net interest margin. Total personal lending balances (excluding retail cards) increased 9% year over year. Personal deposit balances increased 10% mainly due to increased term deposits.

In the commercial banking segment, revenue increased $35 million due to the effects of higher balance and fee volumes, partially offset by the impact of lower net interest margin. Commercial loan balances (excluding corporate cards) increased 10% year over year, while commercial deposit balances grew 9%.

Provisions for credit losses fell $20 million or 13% due to a decrease in provisions in both the commercial and consumer portfolios. Non-interest expense increased $20 million or 3% due to continued investment in the business.

Average current loans and acceptances increased $15.4 billion or 9% from a year ago, and deposits increased $10.8 billion or 10%.

Q2 2014 vs Q1 2014

Net income decreased by $4 million from last quarter due to three fewer days in the quarter, largely offset by lower expenses and lower provisions for credit losses. Revenue decreased $42 million or 3% primarily due to fewer days. Net interest margin decreased 3 basis points as a result of changes in mix, including loans growing faster than deposits.

Personal revenue decreased $28 million and commercial revenue decreased $14 million, mainly due to three fewer days in the quarter.

Provisions for credit losses decreased $8 million, as a decrease in the commercial portfolio was partially offset by an increase in the consumer portfolio. Non-interest expense decreased $29 million or 4% mainly due to lower employee-related costs, including fewer days and the cost of stock-based compensation for employees that are eligible to retire that is expensed in the first quarter of each year.

Average current loans and acceptances increased $1.6 billion or 1% from the previous quarter, while deposits were $0.5 billion higher.

Q2 YTD 2014 vs Q2 YTD 2013

Net income increased $96 million or 11% year to date. Revenue increased $186 million or 6% due to higher balance and fee volumes, partially offset by the impact of lower net interest margin. Operating leverage was strong at 2.7%.

Provisions for credit losses decreased $7 million as lower consumer provisions were partially offset by higher provisions in the commercial portfolio. Non-interest expense increased $53 million or 3% due to continued investment in the business.

Average current loans and acceptances increased $16.2 billion or 10%, while deposits increased $11.5 billion or 10%. The rates of year-to-date loan and deposit growth were both higher than last year's levels.

U.S. Personal and Commercial Banking (U.S. P&C)					Table 12
(US$ in millions, except as noted)	**Q2-2014**	Q1-2014	Q2-2013	**YTD-2014**	YTD-2013
Net interest income (teb)	**557**	561	573	**1,118**	1,162
Non-interest revenue	**134**	132	138	**266**	295
Total revenue (teb)	**691**	693	711	**1,384**	1,457
Provision for credit losses	**45**	18	53	**63**	86
Non-interest expense	**451**	464	453	**915**	912
Income before income taxes	**195**	211	205	**406**	459
Provision for income taxes (teb)	**55**	58	57	**113**	131
Reported net income	**140**	153	148	**293**	328
Adjusted net income	**151**	164	159	**315**	353
Net income growth (%)	**(5.5)**	(14.8)	5.1	**(10.6)**	9.8
Adjusted net income growth (%)	**(5.9)**	(15.0)	2.2	**(10.8)**	6.8
Revenue growth (%)	**(2.6)**	(7.2)	(3.7)	**(5.0)**	(3.6)
Non-interest expense growth (%)	**(0.4)**	1.1	(4.8)	**0.4**	(5.7)
Adjusted non-interest expense growth (%)	**0.3**	2.0	(4.0)	**1.1**	(5.0)
Operating leverage (%)	**(2.2)**	(8.3)	1.1	**(5.4)**	2.1
Adjusted operating leverage (%)	**(2.9)**	(9.2)	0.3	**(6.1)**	1.4
Efficiency ratio (%) (teb)	**65.3**	67.0	63.8	**66.1**	62.6
Adjusted efficiency ratio (%) (teb)	**63.1**	64.6	61.3	**63.8**	60.0
Net interest margin on average earning assets (%) (teb)	**3.76**	3.83	4.10	**3.80**	4.11
Average earning assets ($ billions)	**60.7**	58.1	56.7	**59.4**	56.7
Average current loans and acceptances ($ billions)	**54.6**	52.4	51.0	**53.5**	51.0
Average deposits ($ billions)	**58.8**	58.9	59.5	**58.8**	59.6
(Canadian $ equivalent in millions, except as noted)					
Net interest income (teb)	**614**	606	583	**1,220**	1,170
Non-interest revenue	**149**	142	141	**291**	297
Total revenue (teb)	**763**	748	724	**1,511**	1,467
Provision for credit losses	**50**	19	55	**69**	87
Non-interest expense	**498**	501	461	**999**	918
Income before income taxes	**215**	228	208	**443**	462
Provision for income taxes (teb)	**60**	62	57	**122**	132
Reported net Income	**155**	166	151	**321**	330
Adjusted net income	**167**	178	164	**345**	356
Average earning assets ($ billions)	**66.9**	62.8	57.7	**64.8**	57.1
Average current loans and acceptances ($ billions)	**60.2**	56.6	51.9	**58.4**	51.3
Average deposits ($ billions)	**64.9**	63.6	60.6	**64.2**	60.0

Adjusted results in this table are non-GAAP amounts or non-GAAP measures. Please see the Non-GAAP Measures section.

Q2 2014 vs Q2 2013 (in US$)

Net income of $140 million and adjusted net income of $151 million decreased $8 million or 6% from the second quarter a year ago.

Revenue of $691 million decreased $20 million or 3% from the prior year as the benefits from strong commercial loan growth were more than offset by lower net interest margin and reduced gains on sales of newly originated mortgages. Net interest margin decreased by 34 basis points to 3.76% primarily driven by a decline in loan spreads due to competitive pricing, changes in mix including loans growing faster than deposits, and lower deposit spreads in a low-rate environment.

Provisions for credit losses were $45 million, down $8 million due to lower provisions in the consumer portfolio, partially offset by higher provisions in the commercial portfolio. Non-interest expense of $451 million and adjusted non-interest expense of $436 million were essentially unchanged.

Average current loans and acceptances increased $3.6 billion or 7% year over year to $54.6 billion. There was continued strong double-digit growth in the core commercial and industrial loan portfolio, increasing $4.2 billion from a year ago to $26.3 billion. In addition, there was year-over-year growth in our indirect auto and commercial real estate portfolios. As expected, there were decreases in certain loan portfolios, including our mortgage loan portfolio, due to the effects of our continued practice of selling most mortgage originations. Average deposits of $58.8 billion decreased $0.7 billion year over year, due to growth in our commercial business and personal chequing balances being more than offset by a planned reduction in higher-cost time deposit balances, in addition to a transfer of certain customer balances to Wealth Management at the beginning of the current year.

Q2 2014 vs Q1 2014 (in US$)

Net income and adjusted net income decreased $13 million or 8% from the prior quarter as the benefits of lower expenses were more than offset by increased provisions for credit losses and fewer days.

Revenue was stable, despite the impact of fewer days, due to strong commercial loan growth, net of lower mortgage-related non-interest revenue. Strong commercial loan growth in the quarter was the primary driver of the 7 basis point decline in net interest margin. Loan and deposit spreads remain stable.

Provisions for credit losses increased by $27 million, due to increases in the commercial portfolio from the low levels in the first quarter. Non-interest expense decreased $13 million or 3%. Adjusted non-interest expense decreased $12 million or 2% mainly due to the cost of stock-based compensation for employees that are eligible to retire that is expensed in the first quarter of each year, and other declines reflecting a continued focus on productivity, net of costs associated with regulatory change.

Average current loans and acceptances increased by $2.2 billion or 4% from the prior quarter, our sixth consecutive quarter of positive growth. Average deposits remain relatively unchanged, as growth in chequing balances was offset by planned declines in higher-cost time deposit balances.

Q2 YTD 2014 vs Q2 YTD 2013 (in US$)

Net income of $293 million decreased $35 million or 11%. Adjusted net income of $315 million decreased $38 million or 11% primarily due to lower revenue.

Revenue decreased $73 million or 5% to $1,384 million. The benefits of strong growth in commercial loans were more than offset by the effect of lower net interest margin and reduced gains on sales of newly originated mortgages. Net interest margin decreased by 31 basis points to 3.80%, primarily driven by a decline in loan spreads due to a competitive pricing, changes in mix including loans growing faster than deposits, and lower deposit spreads in a low-rate environment.

Provisions for credit losses of $63 million decreased $23 million year over year. Non-interest expense of $915 million increased $3 million. Adjusted non-interest expense of $884 million increased $10 million or 1%. We continue to focus on productivity while making selective investments in the business and responding to regulatory change.

Average current loans and acceptances of $53.5 billion increased $2.5 billion or 5% from the prior year, while deposits of $58.8 billion decreased $0.8 billion.

Adjusted results in the foregoing U.S. P&C sections are non-GAAP amounts or non-GAAP measures. Please see the Non-GAAP Measures section.

Wealth Management					**Table 13**
(Canadian $ in millions, except as noted)	**Q2-2014**	Q1-2014	Q2-2013	**YTD-2014**	YTD-2013
Net interest income (teb)	**135**	140	133	**275**	269
Non-interest revenue	**743**	727	630	**1,470**	1,272
Total revenue (teb)	**878**	867	763	**1,745**	1,541
Provision for (recovery of) credit losses	**2**	(1)	1	**1**	3
Non-interest expense	**630**	644	587	**1,274**	1,158
Income before income taxes	**246**	224	175	**470**	380
Provision for income taxes (teb)	**52**	49	35	**101**	78
Reported net income	**194**	175	140	**369**	302
Adjusted net income	**200**	183	147	**383**	315
Net income growth (%)	**38.4**	7.7	(5.2)	**21.9**	19.3
Adjusted net income growth (%)	**36.1**	8.3	(3.9)	**21.2**	19.5
Revenue growth (%)	**15.0**	11.4	2.7	**13.2**	7.1
Non-interest expense growth (%)	**7.2**	12.9	6.2	**10.0**	4.4
Adjusted non-interest expense growth (%)	**7.4**	12.7	6.0	**10.0**	4.1
Return on equity (%)	**23.8**	20.8	19.7	**22.3**	21.4
Adjusted return on equity (%)	**24.6**	21.7	20.7	**23.1**	22.3
Operating leverage (%)	**7.8**	(1.5)	(3.5)	**3.2**	2.7
Adjusted operating leverage (%)	**7.6**	(1.3)	(3.3)	**3.2**	3.0
Efficiency ratio (%) (teb)	**71.7**	74.3	77.0	**73.0**	75.1
Adjusted efficiency ratio (%) (teb)	**70.7**	73.1	75.8	**71.9**	74.0
Net interest margin on average earning assets (%) (teb)	**2.64**	2.73	2.83	**2.68**	2.85
Average earning assets ($ billions)	**20.9**	20.4	19.4	**20.7**	19.1
Average current loans and acceptances ($ billions)	**12.8**	12.6	11.8	**12.7**	11.6
Average deposits ($ billions)	**24.8**	25.2	23.3	**25.0**	22.5
U.S. Select Financial Data (US$ in millions, except as noted)					
Total revenue (teb)	**176**	178	176	**354**	349
Non-interest expense	**148**	157	147	**305**	292
Reported net income	**19**	17	20	**36**	38
Adjusted net income	**24**	22	26	**46**	49
Average earning assets ($ billions)	**3.0**	2.9	2.6	**3.0**	2.6
Average current loans and acceptances ($ billions)	**2.6**	2.5	2.5	**2.6**	2.5
Average deposits ($ billions)	**5.7**	5.9	5.1	**5.8**	5.0

Adjusted results in this table are non-GAAP amounts or non-GAAP measures. Please see the Non-GAAP Measures section.

Q2 2014 vs Q2 2013

Wealth Management produced strong results for the quarter. Net income of $194 million increased $54 million or 38% from a year ago. Adjusted net income of $200 million increased $53 million or 36%. Adjusted net income in traditional wealth was $139 million, up $27 million or 23% from strong growth in client assets. Adjusted net income in insurance was $61 million, up $26 million from a year ago, as the prior year was impacted by unfavourable movements in long-term interest rates. The underlying insurance businesses continued to perform well.

Revenue was $878 million, up $115 million or 15% from a year ago. Revenue in traditional wealth was $776 million, up $76 million or 11% due to higher revenue across all businesses driven by strong growth in client assets. Insurance revenue was $102 million, up $39 million or 63% due to the factors mentioned above. The stronger U.S. dollar increased revenue by $15 million or 2%.

Non-interest expense was $630 million, up $43 million or 7% from a year ago. Adjusted non-interest expense was $621 million, up $42 million or 7% primarily due to higher revenue-based costs. The stronger U.S. dollar increased adjusted expense by $12 million or 2%.

Assets under management and administration grew by $91 billion or 17% from a year ago to $612 billion, driven by market appreciation, the stronger U.S. dollar and growth in new client assets.

Q2 2014 vs Q1 2014

Net income was up $19 million or 11% and adjusted net income was up $17 million or 10% from the first quarter. Adjusted net income in traditional wealth was up $16 million or 14%. Adjusted net income in insurance was up $1 million or 2%.

Revenue increased $11 million or 1%. Revenue in traditional wealth increased $8 million or 1%, despite three fewer days in the current quarter, driven by growth in client assets. Insurance revenue increased $3 million or 2%.

Non-interest expense decreased $14 million or 2%. Adjusted non-interest expense decreased $13 million or 2%, as the prior quarter included the impact of stock-based compensation for employees that are eligible to retire, partially offset by higher revenue-based costs in the current quarter.

Assets under management and administration grew by $15 billion or 2% primarily due to market appreciation and growth in new client assets.

Q2 YTD 2014 vs Q2 YTD 2013

Net income was $369 million, up $67 million or 22% from a year ago. Adjusted net income was $383 million, up $68 million or 21%. Adjusted net income in traditional wealth was $262 million, up $46 million or 20%. Adjusted net income in insurance was $121 million, up $22 million or 23% from a year ago as the prior year was impacted by unfavourable movements in long-term interest rates. There was continued growth in both the creditor and life insurance underlying businesses.

Revenue was $1,745 million, up $204 million or 13% from a year ago. Revenue in traditional wealth was $1,544 million, up $166 million or 12% due to higher revenue across all businesses driven by strong growth in client assets and increased transaction volumes. Insurance revenue was $201 million, up $38 million or 23% due to the factors mentioned above. The stronger U.S. dollar increased revenue by $30 million or 2%.

Non-interest expense was $1,274 million, an increase of $116 million or 10%. Adjusted non-interest expense was $1,255 million, an increase of $114 million or 10% due to higher revenue-based costs and higher support costs. The stronger U.S. dollar increased adjusted expenses by $25 million or 2%.

Adjusted results in this Wealth Management section are non-GAAP amounts or non-GAAP measures. Please see the Non-GAAP Measures section.

BMO Capital Markets					Table 14
(Canadian $ in millions, except as noted)	**Q2-2014**	Q1-2014	Q2-2013	**YTD-2014**	YTD-2013
Net interest income (teb)	**328**	261	289	**589**	578
Non-interest revenue	**625**	713	551	**1,338**	1,157
Total revenue (teb)	**953**	974	840	**1,927**	1,735
Recovery of credit losses	**(4)**	(1)	(6)	**(5)**	(21)
Non-interest expense	**581**	609	511	**1,190**	1,035
Income before income taxes	**376**	366	335	**742**	721
Provision for income taxes (teb)	**71**	89	74	**160**	162
Reported net income	**305**	277	261	**582**	559
Adjusted net income	**306**	277	262	**583**	560
Trading Products revenue	**599**	590	544	**1,189**	1,080
Investment and Corporate Banking revenue	**354**	384	296	**738**	655
Net income growth (%)	**17.0**	(7.2)	17.0	**4.1**	27.7
Revenue growth (%)	**13.6**	8.8	7.0	**11.1**	11.7
Non-interest expense growth (%)	**13.6**	16.3	7.4	**14.9**	7.0
Return on equity (%)	**20.8**	18.8	18.3	**19.8**	19.4
Operating leverage (%)	**-**	(7.5)	(0.4)	**(3.8)**	4.7
Efficiency ratio (%) (teb)	**61.0**	62.5	61.0	**61.8**	59.7
Net interest margin on average earning assets (%) (teb)	**0.59**	0.48	0.59	**0.53**	0.58
Average earning assets ($ billions)	**227.2**	217.0	202.2	**222.0**	201.6
Average assets ($ billions)	**265.2**	255.2	251.0	**260.1**	252.0
Average current loans and acceptances ($ billions)	**30.4**	27.9	25.5	**29.1**	24.7
Average deposits ($ billions)	**137.6**	130.9	123.3	**134.2**	120.7
U.S. Select Financial Data (US$ in millions, except as noted)					
Total revenue (teb)	**295**	348	262	**643**	549
Non-interest expense	**224**	229	206	**453**	415
Reported net income	**63**	88	47	**151**	131
Average earning assets ($ billions)	**82.5**	75.6	81.4	**79.0**	77.6
Average assets ($ billions)	**92.5**	86.3	99.3	**89.3**	96.7
Average current loans and acceptances ($ billions)	**9.6**	9.0	9.3	**9.3**	9.0
Average deposits ($ billions)	**60.8**	55.4	65.0	**58.0**	62.6

Adjusted results in this table are non-GAAP amounts or non-GAAP measures. Please see the Non-GAAP Measures section.

Q2 2014 vs Q2 2013

Net income of $305 million increased $44 million or 17% from a year ago, supported by good revenue growth across the businesses and a more favourable tax rate. Return on equity of 20.8% was strong, up from 18.3% in the prior year.

Revenue increased $113 million or 14% year over year. Investment and Corporate Banking revenue increased, driven by higher securities gains, loan growth in corporate banking and debt and equity underwriting fees. In Trading Products, revenues increased from equity and foreign exchange trading, which benefited from increased client volumes and good market conditions. This more than offset lower client activity levels and a softer market environment in interest rate trading. The stronger U.S. dollar increased revenue by $25 million or 3% relative to the same period a year ago.

Recoveries of credit losses were lower by $2 million compared to the prior year. Non-interest expense increased $70 million or 14% due to higher employee-related expenses and increased support costs, driven by a changing business and regulatory environment. The stronger U.S. dollar increased expense by $19 million or 4% relative to the same period a year ago.

Q2 2014 vs Q1 2014

Net income increased $28 million or 10% from the previous quarter as lower revenue was more than offset by lower expenses and a more favourable tax rate. Revenue decreased $21 million or 2% as Investment and Corporate Banking revenue declined due to lower investment banking fees, as well as lower securities gains. Revenue in Trading Products increased from equity and foreign exchange trading, which benefited from increased client volumes and good market conditions. This was partially offset by lower client activity levels and a softer market environment in interest rate trading.

Recoveries of credit losses were higher by $3 million compared to the prior quarter. Non-interest expense decreased $28 million or 5% from the previous quarter, driven by lower employee-related expenses, including severance and stock-based compensation for employees that are eligible to retire that is expensed in the first quarter of each year.

YTD Q2 2014 vs YTD Q2 2013

Net income of $582 million increased $23 million or 4% from the prior year. Revenue increased $192 million or 11% due to good revenue performance across the businesses, and in particular from our U.S. segment. Investment and Corporate Banking businesses performed well, driven by higher securities gains in both corporate banking and merchant banking activities, higher equity and debt underwriting fees and stronger lending revenues. Trading Products businesses earned higher trading revenues, driven by higher equity and foreign exchange trading, as well as increased securities commissions and fees. The stronger U.S. dollar increased revenue by $55 million or 3% relative to the same period a year ago.

Recoveries of credit losses were lower by $16 million due to a combination of lower recoveries and new provisions. Non-interest expense increased $155 million or 15% due to higher employee-related expenses, including severance, and increased support costs, both driven by a changing business and regulatory environment. The stronger U.S. dollar increased expenses by $38 million or 4% relative to the same period a year ago.

Corporate Services, Including Technology and Operations **Table 15**

(Canadian $ in millions, except as noted)	**Q2-2014**	Q1-2014	Q2-2013	**YTD-2014**	YTD-2013
Net interest income before group teb offset	**(26)**	(3)	110	**(29)**	287
Group teb offset	**(138)**	(85)	(71)	**(223)**	(135)
Net interest income (teb)	**(164)**	(88)	39	**(252)**	152
Non-interest revenue	**51**	19	54	**70**	54
Total revenue (teb)	**(113)**	(69)	93	**(182)**	206
Recovery of credit losses	**(19)**	(59)	(59)	**(78)**	(28)
Non-interest expense	**101**	117	227	**218**	465
Loss before income taxes	**(195)**	(127)	(75)	**(322)**	(231)
Recovery of income taxes (teb)	**(137)**	(86)	(64)	**(223)**	(170)
Reported net loss	**(58)**	(41)	(11)	**(99)**	(61)
Adjusted Results					
Adjusted net interest income before group teb offset	**(26)**	(3)	(65)	**(29)**	(100)
Group teb offset	**(138)**	(85)	(71)	**(223)**	(135)
Adjusted net interest income (teb)	**(164)**	(88)	(136)	**(252)**	(235)
Adjusted non-interest revenue	**51**	19	44	**70**	36
Adjusted total revenue (teb)	**(113)**	(69)	(92)	**(182)**	(199)
Adjusted recovery of credit losses	**(19)**	(59)	(94)	**(78)**	(145)
Adjusted non-interest expense	**101**	117	92	**218**	235
Adjusted net loss	**(58)**	(41)	(11)	**(99)**	(90)
Corporate Services Recovery of Credit Losses					
Impaired real estate loans	**(3)**	14	2	**11**	(3)
Interest on impaired loans	**8**	10	11	**18**	24
Purchased credit impaired loans	**(45)**	(117)	(107)	**(162)**	(166)
Purchased performing loans	**21**	34	-	**55**	-
Recovery of credit losses, adjusted basis	**(19)**	(59)	(94)	**(78)**	(145)
Collective provision	**-**	-	(30)	**-**	(30)
Purchased performing loans	**-**	-	65	**-**	147
Recovery of credit losses, reported basis	**(19)**	(59)	(59)	**(78)**	(28)
Average loans and acceptances	**487**	563	1,068	**525**	1,129
Period-end loans and acceptances	**399**	559	995	**399**	995
U.S. Select Financial Data (US$ in millions)					
Total revenue (teb)	**(18)**	(23)	77	**(41)**	203
Recovery of credit losses	**(23)**	(48)	(79)	**(71)**	(55)
Non-interest expense	**49**	13	89	**62**	228
Provision for (recovery of) income taxes (teb)	**(25)**	(5)	34	**(30)**	4
Reported net income (loss)	**(19)**	17	33	**(2)**	26
Adjusted total revenue (teb)	**(18)**	(23)	(96)	**(41)**	(182)
Adjusted recovery of credit losses	**(18)**	(57)	(93)	**(75)**	(148)
Adjusted non-interest expense	**49**	13	30	**62**	77
Adjusted net income (loss)	**(22)**	22	(29)	**-**	(61)

Adjusted results in this table are non-GAAP amounts or non-GAAP measures. Please see the Non-GAAP Measures section.

Corporate Services

Corporate Services consists of Corporate Units and Technology and Operations (T&O). Corporate Units provide enterprise-wide expertise and governance support in a variety of areas, including strategic planning, risk management, finance, legal and compliance, marketing, communications and human resources. T&O manages, maintains and provides governance over information technology, operations services, real estate and sourcing for BMO Financial Group.

The costs of Corporate Units and T&O services are largely transferred to the three client operating groups (P&C, Wealth Management and BMO Capital Markets), and only relatively minor amounts are retained in Corporate Services results. As such, Corporate Services adjusted operating results largely reflect the impact of certain asset-liability management activities, the elimination of taxable equivalent adjustments, the results from certain impaired real estate secured assets and purchased loan accounting impacts. Corporate Services reported results in 2013 and prior reflect a number of items and activities that are excluded from BMO's adjusted results to help assess BMO's performance. These adjusting items are not reflective of core operating results. They are itemized in the Non-GAAP Measures section.

Financial Performance Review

Q2 2014 vs Q2 2013

Corporate Services reported and adjusted net loss for the second quarter of 2014 was $58 million, compared with a reported and adjusted net loss of $11 million a year ago. The decline was primarily due to lower recoveries on the purchased credit impaired loan portfolio.

Q2 2014 vs Q1 2014

Reported and adjusted net loss for the second quarter of 2014 was $58 million, compared with a reported and adjusted net loss of $41 million in the first quarter of 2014. The decline was primarily due to lower recoveries on the purchased credit impaired loan portfolio, partly offset by lower expenses.

YTD Q2 2014 vs YTD Q2 2013

Corporate Services reported and adjusted net loss for the year to date was $99 million, compared with a reported net loss of $61 million and an adjusted net loss of $90 million a year ago. Adjusted results were lower due to a lower net recovery of credit losses, mainly due to specific provisions in respect of the purchased performing loan portfolio, partly offset by better revenues and lower expenses.

Adjusted results in the foregoing Corporate Services section are non-GAAP amounts or non-GAAP measures. Please see the Non-GAAP Measures section.

Non-GAAP Measures

Results and measures in this MD&A are presented on a GAAP basis. They are also presented on an adjusted basis that excludes the impact of certain items as set out in Table 16 below. Management assesses performance on a reported basis and on an adjusted basis and considers both to be useful in assessing underlying ongoing business performance. Presenting results on both bases provides readers with a better understanding of how management assesses results. It also permits readers to assess the impact of certain specified items on results for the periods presented and to better assess results excluding those items if they consider the items to not be reflective of ongoing results. As such, the presentation may facilitate readers' analysis of trends, as well as comparisons with our competitors. Adjusted results and measures are non-GAAP and as such do not have standardized meaning under GAAP. They are unlikely to be comparable to similar measures presented by other companies and should not be viewed in isolation from or as a substitute for GAAP results.

Net economic profit represents net income available to common shareholders, before deduction for the after-tax impact of the amortization of acquisition-related intangible assets, less a charge for capital, and is considered a reasonable measure of added economic value.

Non-GAAP Measures **Table 16**

(Canadian $ in millions, except as noted)	**Q2-2014**	Q1-2014	Q2-2013	**YTD-2014**	YTD-2013
Reported Results					
Revenue	**4,041**	4,122	3,893	**8,163**	7,925
Provision for credit losses	**(162)**	(99)	(144)	**(261)**	(322)
Non-interest expense	**(2,594)**	(2,684)	(2,550)	**(5,278)**	(5,120)
Income before income taxes	**1,285**	1,339	1,199	**2,624**	2,483
Provision for income taxes	**(209)**	(278)	(237)	**(487)**	(485)
Net Income	**1,076**	1,061	962	**2,137**	1,998
EPS ($)	**1.60**	1.58	1.40	**3.18**	2.91
Adjusting Items (Pre-tax) (1)					
Credit-related items on the purchased performing loan portfolio (see below *)	**-**	-	119	**-**	247
Acquisition integration costs (2)	**-**	-	(50)	**-**	(142)
Amortization of acquisition-related intangible assets (3)	**(28)**	(31)	(31)	**(59)**	(62)
Decrease (increase) in the collective allowance for credit losses	**-**	-	22	**-**	22
Run-off structured credit activities (4)	**-**	-	6	**-**	13
Restructuring costs (5)	**-**	-	(82)	**-**	(82)
Adjusting items included in reported pre-tax income	**(28)**	(31)	(16)	**(59)**	(4)
Adjusting Items (After tax) (1)					
Credit-related items on the purchased performing loan portfolio (see below *)	**-**	-	73	**-**	152
Acquisition integration costs (2)	**-**	-	(31)	**-**	(88)
Amortization of acquisition-related intangible assets (3)	**(21)**	(22)	(22)	**(43)**	(44)
Decrease (increase) in the collective allowance for credit losses	**-**	-	11	**-**	11
Run-off structured credit activities (4)	**-**	-	6	**-**	13
Restructuring costs (5)	**-**	-	(59)	**-**	(59)
Adjusting items included in reported net income after tax	**(21)**	(22)	(22)	**(43)**	(15)
Impact on EPS ($)	**(0.03)**	(0.03)	(0.04)	**(0.06)**	(0.03)
Adjusted Results					
Revenue	**4,041**	4,122	3,708	**8,163**	7,520
Provision for credit losses	**(162)**	(99)	(109)	**(261)**	(205)
Non-interest expense	**(2,566)**	(2,653)	(2,384)	**(5,219)**	(4,828)
Income before income taxes	**1,313**	1,370	1,215	**2,683**	2,487
Provision for income taxes	**(216)**	(287)	(231)	**(503)**	(474)
Adjusted net income	**1,097**	1,083	984	**2,180**	2,013
EPS ($)	**1.63**	1.61	1.44	**3.24**	2.94
*Credit-related items on the purchased performing loan portfolio are comprised of the following amounts:					
Revenue	**-**	-	176	**-**	386
Provision for credit losses	**-**	-	(57)	**-**	(139)
Increase in pre-tax income	**-**	-	119	**-**	247
Provision for income taxes	**-**	-	(46)	**-**	(95)
Increase in reported net income after tax	**-**	-	73	**-**	152

(1) Adjusting items are included in Corporate Services with the exception of the amortization of acquisition-related intangible assets, which is charged to the operating groups.

(2) Acquisition integration costs are included in non-interest expense.

(3) These expenses have been designated as adjusting items because the purchase decision may not consider the amortization of acquisition-related intangible assets to be a relevant expense. They were charged to the non-interest expense of the operating groups as follows:
- in the second quarter of 2014: Canadian P&C $2 million before and after tax; U.S. P&C $16 million ($12 million after tax); Wealth Management $9 million ($6 million after tax); and BMO Capital Markets $1 million before and after tax.
- in the first quarter of 2014: Canadian P&C $3 million ($2 million after tax); U.S. P&C $18 million ($12 million after tax); and Wealth Management $10 million ($8 million after tax).
- in the second quarter of 2013: Canadian P&C $3 million before tax ($1 million after tax); U.S. P&C $19 million ($13 million after tax); Wealth Management $8 million ($7 million after tax); and BMO Capital Markets $1 million before and after tax.
- for year-to-date 2014: Canadian P&C $5 million before tax ($4 million after tax); U.S. P&C $34 million ($24 million after tax); Wealth Management $19 million ($14 million after tax); and BMO Capital Markets $1 million before and after tax.
- for year-to-date 2013: Canadian P&C $6 million before tax ($4 million after tax); U.S. P&C $38 million ($26 million after tax); Wealth Management $17 million ($13 million after tax); and BMO Capital Markets $1 million before and after tax.

(4) Primarily comprised of valuation changes associated with these activities that are mainly included in trading revenue in non-interest revenue.

(5) Restructuring charge to align our cost structure with the current and future business environment as part of a broader effort to improve productivity.

Summary Quarterly Earnings Trends (1)								**Table 17**
(Canadian $ in millions, except as noted)	**Q2-2014**	Q1-2014	Q4-2013	Q3-2013	Q2-2013	Q1-2013	Q4-2012	Q3-2012
Total revenue	**4,041**	4,122	4,138	4,000	3,893	4,032	4,129	3,827
Provision for credit losses – specific (see below)	**162**	99	189	56	174	178	216	229
Provision for (recovery of) credit losses – collective	**-**	-	-	20	(30)	-	(24)	8
Non-interest expense	**2,594**	2,684	2,580	2,526	2,550	2,570	2,679	2,457
Reported net income (see below)	**1,076**	1,061	1,074	1,123	962	1,036	1,073	962
Adjusted net income (see below)	**1,097**	1,083	1,088	1,122	984	1,029	1,116	1,005
Basic earnings per share ($)	**1.61**	1.58	1.60	1.67	1.41	1.51	1.57	1.41
Diluted earnings per share ($)	**1.60**	1.58	1.60	1.66	1.40	1.51	1.57	1.41
Adjusted diluted earnings per share ($)	**1.63**	1.61	1.62	1.66	1.44	1.50	1.64	1.47
Net interest margin on average earning assets (%)	**1.59**	1.62	1.69	1.78	1.82	1.87	1.86	1.90
Adjusted net interest margin on average earning assets (%)	**1.59**	1.62	1.60	1.65	1.67	1.70	1.70	1.72
Effective income tax rate (%)	**16.2**	20.8	21.6	19.7	19.8	19.3	14.7	15.1
Adjusted effective income tax rate (%)	**16.5**	20.9	21.5	19.2	19.0	19.0	17.1	16.0
Canadian/U.S. dollar exchange rate (average)	**1.10**	1.08	1.04	1.04	1.02	1.00	0.99	1.02
Provision for credit losses – specific								
Canadian P&C	**133**	141	166	125	153	128	146	146
U.S. P&C	**50**	19	96	40	55	32	75	76
Personal and Commercial Banking	**183**	160	262	165	208	160	221	222
Wealth Management	**2**	(1)	1	(1)	1	2	11	5
BMO Capital Markets	**(4)**	(1)	(17)	2	(6)	(15)	(4)	-
Corporate Services, including T&O	**(19)**	(59)	(57)	(110)	(29)	31	(12)	2
BMO Financial Group provision for credit losses – specific	**162**	99	189	56	174	178	216	229
Reported net income:								
Canadian P&C	**480**	484	458	486	421	447	436	452
U.S. P&C	**155**	166	102	149	151	179	135	136
Personal and Commercial Banking	**635**	650	560	635	572	626	571	588
Wealth Management	**194**	175	311	217	140	162	164	110
BMO Capital Markets	**305**	277	217	268	261	298	307	240
Corporate Services, including T&O	**(58)**	(41)	(14)	3	(11)	(50)	31	24
BMO Financial Group net income	**1,076**	1,061	1,074	1,123	962	1,036	1,073	962
Adjusted net income:								
Canadian P&C	**482**	486	461	489	422	450	438	455
U.S. P&C	**167**	178	114	161	164	192	151	152
Personal and Commercial Banking	**649**	664	575	650	586	642	589	607
Wealth Management	**200**	183	318	224	147	168	169	116
BMO Capital Markets	**306**	277	217	269	262	298	308	240
Corporate Services, including T&O	**(58)**	(41)	(22)	(21)	(11)	(79)	50	42
BMO Financial Group adjusted net income	**1,097**	1,083	1,088	1,122	984	1,029	1,116	1,005

(1) Adjusted results in this table are non-GAAP amounts or non-GAAP measures. Please see the Non-GAAP Measures section.

Summary Quarterly Earnings Trends

BMO's quarterly earnings trends were reviewed in detail on pages 102 and 103 of BMO's 2013 Annual Report. Readers are encouraged to refer to that review for a more complete discussion of trends and factors affecting past quarterly results including the modest impact of seasonal variations in results. Table 17 outlines summary results for the third quarter of fiscal 2012 through the second quarter of fiscal 2014. The table reflects changes in IFRS that are outlined in Note 1 to the unaudited interim consolidated financial statements.

Periodically, certain business lines and units within the business lines are transferred between client operating groups to more closely align BMO's organizational structure and its strategic priorities. Comparative figures have been restated to conform to the current presentation.

Over the past two years, we have remained focused on executing our strategic priorities. Economic conditions have generally been stable to improving.

Canadian P&C had good results in recent quarters, building on the momentum generated from the latter half of 2013. Improved net income growth in the last four quarters was driven by good revenue, while operating leverage was greater than 2% the last three quarters. Revenue growth was due to continued strong loan and deposit balance growth and moderating margin compression. Expenses have been well managed with moderate growth as a result of continued investment in the business.

Recent quarterly results in traditional wealth have been strong and have grown on a relatively consistent basis, driven by growth in client assets, better markets and a focus on productivity. The fourth quarter of 2013 included a large security gain. Quarterly results in insurance have been subject to variability, resulting primarily from changes in long-term interest rates and investment portfolio changes.

Building on the momentum at the tail-end of 2012 and improving results through 2013, BMO Capital Markets has continued to show strength in the first half of 2014, benefiting from a consistent and diversified strategy and generally favourable market conditions. BMO Capital Markets has continued to build on the success of 2013, delivering good performance with higher revenue contributing to an overall strong net income performance over the last two consecutive quarters across both the Investment and Corporate Banking and Trading Products businesses.

U.S. P&C had strong results in the first quarter of 2013 and results were relatively stable in the second and third quarters due to core commercial and industrial loan growth and lower expenses compared to the prior year, offsetting lower margins and balances in certain portfolios. Results in the fourth quarter of 2013 were negatively impacted by above trend provisions for credit losses. Results improved in the first quarter of 2014, primarily driven by reductions in provisions for credit losses. Results in the second quarter of 2014 were stable. Net interest margin has declined relative to 2012, primarily due to lower loan spreads due to competitive pricing and a decline in deposit spreads given the low-rate environment.

Corporate Services quarterly net income can vary, in large part due to the inclusion of the adjusting items, which are largely recorded in Corporate Services, and recoveries of credit losses on the purchased credit impaired loan portfolio. Reduced recoveries in the first quarter of 2013 together with lower revenue and increased expenses lowered Corporate Services results that quarter. These recoveries increased in the last three quarters of 2013 and first quarter of 2014, increasing net income, and then decreased in the second quarter of 2014.

BMO's PCL measured as a percentage of loans and acceptances has been trending lower in recent quarters relative to 2012, with the exception of an increase in the fourth quarter of 2013 and in the current quarter.

Fluctuations in exchange rates in 2012 and 2013 were subdued. The U.S. dollar strengthened significantly in the first half of 2014. A stronger U.S. dollar increases the translated value of U.S.-dollar-denominated revenue, expenses, provisions for credit losses, income taxes and net income.

The effective income tax rate can vary, as it depends on the timing of resolution of certain tax matters, recoveries of prior periods' income taxes and the relative proportion of earnings attributable to the different jurisdictions in which we operate.

Caution

This Summary Quarterly Earnings Trends section contains forward-looking statements. Please see the Caution Regarding Forward-Looking Statements.

Adjusted results in this Summary Quarterly Earnings Trends section are non-GAAP amounts or non-GAAP measures. Please see the Non-GAAP Measures section.

Balance Sheet

Total assets of $582.0 billion at April 30, 2014, increased $45.0 billion from October 31, 2013, including an $11.7 billion increase as a result of the stronger U.S. dollar. The increase primarily reflects growth in net loans and acceptances of $15.4 billion, securities borrowed or purchased under resale agreements of $12.2 billion, cash equivalents and interest bearing deposits with banks of $9.5 billion and securities of $8.8 billion. Other assets increased by a combined $0.5 billion, partly offset by a decrease in derivative financial assets of $1.4 billion.

The $15.4 billion increase in net loans and acceptances, included a $4.4 billion increase as a result of the stronger U.S. dollar. The remaining net loans and acceptances increase was primarily driven by loans to businesses and governments in the P&C businesses and BMO Capital Markets.

The $12.2 billion increase in securities borrowed or purchased under resale agreements is commensurate with the increase in securities lent or sold under repurchase agreements.

The $9.5 billion increase in cash, cash equivalents and interest bearing deposits with banks was primarily due to increased balances held with central banks.

The $8.8 billion increase in securities was primarily due to an increase in trading securities, reflecting higher client-driven activities.

The $1.4 billion decrease in derivative financial assets and the $1.7 billion decrease in derivative financial liabilities were primarily due to the decrease in the fair value of foreign exchange contracts.

Liabilities and equity increased $45.0 billion from October 31, 2013, including an $11.7 billion increase as a result of the stronger U.S. dollar. The change primarily reflects increases in deposits of $25.6 billion, securities lent or sold under repurchase agreements of $17.2 billion, securities sold but not yet purchased of $1.9 billion, shareholders' equity of $1.7 billion, and all remaining liabilities and equity of $0.3 billion, partly offset by decreases in derivative financial liabilities of $1.7 billion.

The $25.6 billion increase in deposits included a $9.6 billion increase due to the stronger U.S. dollar. Business and government deposits increased $16.6 billion, including $6.8 billion driven by the stronger U.S. dollar, with the remainder primarily due to increased wholesale funding issuances. Deposits by banks increased $2.0 billion and deposits by individuals increased $7.0 billion, with $4.9 billion driven by increases in Canadian P&C and Wealth Management and the remainder driven by the impact of the stronger U.S. dollar.

Contractual obligations by year of maturity are outlined in Note 17 to the unaudited interim consolidated financial statements.

Transactions with Related Parties

In the ordinary course of business, we provide banking services to our key management personnel, joint ventures and associates on the same terms that we offer to our customers for those services.

The Bank's policies and procedures for related party transactions did not materially change from October 31, 2013, as described in Note 27 to the audited consolidated financial statements on page 177 of BMO's 2013 Annual Report.

Off-Balance Sheet Arrangements

BMO enters into a number of off-balance sheet arrangements in the normal course of operations. The most significant of these are Credit Instruments, Structured Entities and Guarantees, which are described on pages 65, 66 and 70 of BMO's 2013 Annual Report as well as in Notes 5 and 7 to the unaudited interim consolidated financial statements. We consolidate all of our Structured Entities, except for certain Canadian customer securitization and structured finance vehicles. See the Select Financial Instruments section for comments on any significant changes to these arrangements during the quarter ended April 30, 2014.

Accounting Policies and Critical Accounting Estimates

Significant accounting policies are described in the notes to our audited consolidated financial statements for the year ended October 31, 2013, together with a discussion of certain accounting estimates that are considered particularly important as they require management to make significant judgments, some of which relate to matters that are inherently uncertain. Readers are encouraged to review that discussion.

Effective November 1, 2013, we adopted several new and amended accounting pronouncements issued by the IASB, which are outlined in Note 1 to the unaudited interim consolidated financial statements.

Future Changes in Accounting Policies

BMO monitors the potential changes proposed by IASB, and analyzes the effect that changes in the standards may have on BMO's financial reporting and accounting policies. New standards and amendments to existing standards, which are effective for the Bank in the future, can be found in Note 1 to the unaudited interim consolidated financial statements for the quarter ended April 30, 2014, and in Note 1 to the audited consolidated financial statements on pages 132 and 133 of BMO's 2013 Annual Report.

Regulatory Developments

Regulators in Canada, the United States and elsewhere are very active on a number of fronts, including consumer protection, capital markets activities, anti-money laundering, and the oversight and strengthening of risk management. These regulatory reforms can impact our operations when they pose financial costs, for example from increasing capital and liquidity requirements and cost of compliance in terms of infrastructure, and our failure to comply with laws and regulations could result in sanctions and financial penalties that could adversely affect our strategic flexibility, reputation and earnings.

We continue to monitor and prepare for regulatory developments, including those referenced elsewhere in this MD&A and the recent U.S. regulatory developments set out below. For a more comprehensive discussion of U.S. regulatory developments, see the U.S. Regulatory Developments section on page 69 of BMO's 2013 Annual Report.

As a bank holding company with total consolidated assets of US$50 billion or more, our U.S. subsidiary BMO Financial Corp. (BFC) was subject to the 2014 Comprehensive Capital Analysis and Review (CCAR) rules and processes, under which BFC participated in the annual stress testing and capital planning exercise conducted by the Board of Governors of the Federal Reserve System (FRB). In late March 2014, BFC received FRB's decision to not object, on either a quantitative or a qualitative basis, to the capital plan submitted in January 2014.

The FRB finalized a rule (the FBO Rule) that implements the *Dodd-Frank Act's* enhanced prudential standards and early remediation requirements for the U.S. operations of non-U.S. banks, such as BMO. The FBO Rule establishes new requirements relating to risk-based capital, leverage limits, liquidity standards, risk-management frameworks, concentration and credit exposure limits, resolution planning and credit exposure reporting.

The Office of the Comptroller of Currency issued for comment proposed guidelines for the design and implementation of a risk governance framework for large national banks, and board of director oversight of the framework's design and implementation. As proposed, the guidelines would apply to our principal U.S. subsidiary bank, BMO Harris Bank N.A. (BHB), and establish specific roles and responsibilities focused on risk management for BHB's front line units, risk management, internal audit, board and CEO.

The Volcker Rule, which prohibits banking entities and their affiliates from certain proprietary trading and specified relationships with hedge funds and private equity funds, was finalized in December 2013. The U.S. federal banking agencies, the Securities and Exchange Commission and the Commodity Futures Trading Commission have confirmed that banking entities, including BMO and certain subsidiaries, have until July 2015 to conform all of their activities and investments, or longer if the period is extended. Banking entities are expected to engage in good-faith planning efforts and work toward compliance during this period.

The Consumer Financial Protection Bureau, which enforces certain U.S. federal consumer finance laws, has stated that it will closely scrutinize indirect auto lenders to focus on compliance, including with fair lending laws.

Caution

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

Select Financial Instruments

Pages 65 and 66 of BMO's 2013 Annual Report provide enhanced disclosure relating to select financial instruments that, commencing in 2008 and based on subsequent assessments, markets had come to regard as carrying higher risk. Readers are encouraged to review that disclosure to assist in understanding the nature and extent of BMO's exposures.

The Financial Stability Board (FSB) issued a report encouraging enhanced disclosure related to financial instruments that market participants had come to regard as carrying higher risk. An index of where the disclosures recommended by the Enhanced Disclosure Task Force (EDTF) of the FSB are located is provided on our website at www.bmo.com/investorrelations.

We follow a practice of reporting on significant changes in the select financial instruments since year end, if any, in our interim MD&A. There have been no changes of substance from the disclosure in our 2013 Annual Report, other than the expected maturity of the $1.05 billion of Series 2013 Apex Notes that occurred on December 30, 2013.

Risk Management

Our risk management practices and key measures have not changed significantly from those outlined on pages 77 to 99 of BMO's 2013 Annual Report.

Market Risk

Linkages between Balance Sheet Items and Market Risk Disclosures

Below are parts of our consolidated balance sheet that are subject to market risk, showing balances that are mainly subject to traded risk and non-traded risk measurement techniques.

Linkages Between Balance Sheet Items and Market Risk Disclosures **Table 18**

	As at April 30, 2014				As at October 31, 2013				
		Subject to Market Risk				Subject to Market Risk			
(Canadian $ in millions)	**Consolidated Balance Sheet**	**Traded risk (1)**	**Non-traded risk (2)**	**Not subject to Market Risk**	Consolidated Balance Sheet	Traded risk (1)	Non-traded risk (2)	Not subject to Market Risk	Main risk factors for non-traded risk balances
Assets									
Cash and cash equivalents	**35,082**	**-**	**35,082**	**-**	26,089	-	26,089	-	Interest rate
Interest bearing deposits with banks	**7,069**	**779**	**6,290**	**-**	6,518	1,511	5,007	-	Interest rate
Securities									
Trading (3)(4)	**82,426**	**76,482**	**5,944**	**-**	75,159	69,393	5,766	-	Interest rate, credit spread
Available-for-sale	**51,883**	**30,788**	**21,095**	**-**	53,710	27,817	25,893	-	Interest rate, credit spread
Held-to-maturity	**9,318**	**-**	**9,318**	**-**	6,032	-	6,032	-	Interest rate
Other	**983**	**-**	**983**	**-**	899	-	899	-	Equity
Securities borrowed or purchased under resale agreements	**51,981**	**51,981**	**-**	**-**	39,799	39,799	-	-	Interest rate
Loans and acceptances (net of allowance for credit losses)	**294,704**	**-**	**294,704**	**-**	279,294	-	279,294	-	Interest rate, foreign exchange
Derivative instruments	**28,859**	**27,943**	**916**	**-**	30,259	29,484	775	-	Interest rate, foreign exchange
Other assets (4)	**19,740**	**1,330**	**6,364**	**12,046**	19,285	828	6,864	11,593	Interest rate
Total Assets	**582,045**	**189,303**	**380,696**	**12,046**	537,044	168,832	356,619	11,593	
Liabilities									
Deposits	**394,007**	**7,241**	**386,766**	**-**	368,369	5,928	362,441	-	Interest rate, foreign exchange
Derivative instruments	**30,279**	**29,203**	**1,076**	**-**	31,974	31,184	790	-	Interest rate, foreign exchange
Acceptances	**9,906**	**-**	**9,906**	**-**	8,472	-	8,472	-	Interest rate
Securities sold but not yet purchased	**24,350**	**24,350**	**-**	**-**	22,446	22,446	-	-	Interest rate
Securities lent or sold under repurchase agreements	**46,125**	**46,125**	**-**	**-**	28,884	28,884	-	-	Interest rate
Other liabilities (4)	**40,088**	**1,999**	**37,872**	**217**	41,724	2,176	39,003	545	Interest rate
Subordinated debt	**3,965**	**-**	**3,965**	**-**	3,996	-	3,996	-	Interest rate
Preferred share liability	**493**	**-**	**493**	**-**	-	-	-	-	Interest rate
Total Liabilities	**549,213**	**108,918**	**440,078**	**217**	505,865	90,618	414,702	545	

(1) Includes BMO's balance sheet items subject to the trading and underwriting risk management framework.
(2) Includes BMO's balance sheet items subject to the structural balance sheet and insurance risk management framework.
(3) Includes securities designated at fair value through profit or loss.
(4) Includes balances relating to our insurance business.

Trading, Underwriting and Non-Trading (Structural) Market Risk

Total Trading Value at Risk (VaR) decreased over the quarter due to active portfolio rebalancing within our equity books, along with a reduction in levels of foreign exchange exposure. There was a partially offsetting decline in the overall diversification benefit. The available-for-sale (AFS) VaR remained relatively stable over the period. Total Trading Stressed VaR decreased mainly due to lower equity exposure broadly reflecting the changes in Trading VaR for the quarter.

There were no significant changes in our structural market risk management practices during the quarter. Structural economic value exposure to rising interest rates primarily reflects a lower market value for fixed-rate loans. Structural earnings exposure to falling interest rates primarily reflects the risk of prime-based loans repricing at lower rates. Economic value exposure to rising interest rates increased and earnings exposure to falling interest rates decreased primarily owing to reduced short-term asset sensitivity.

BMO's market risk management practices and key measures are outlined on pages 87 to 91 of BMO's 2013 Annual Report.

Total Trading Value at Risk (VaR) Summary ($ in millions)* ** **Table 19**

	For the quarter ended April 30, 2014				As at January 31, 2014	As at October 31, 2013
(Pre-tax Canadian equivalent)	**Quarter-end**	**Average**	**High**	**Low**	Quarter-end	Quarter-end
Commodity VaR	**(0.8)**	**(0.7)**	**(0.9)**	**(0.6)**	(0.5)	(0.4)
Equity VaR	**(6.1)**	**(6.1)**	**(10.0)**	**(5.2)**	(8.5)	(6.1)
Foreign exchange VaR	**(0.9)**	**(1.7)**	**(3.5)**	**(0.6)**	(2.1)	(0.5)
Interest rate VaR	**(4.3)**	**(8.6)**	**(12.6)**	**(4.3)**	(5.7)	(4.6)
Credit VaR	**(5.3)**	**(5.7)**	**(6.4)**	**(5.2)**	(5.6)	(5.0)
Diversification	**8.6**	**11.1**	**nm**	**nm**	10.8	7.5
Total Trading VaR	**(8.8)**	**(11.7)**	**(14.4)**	**(8.6)**	(11.6)	(9.1)
Total AFS VaR	**(12.7)**	**(12.5)**	**(14.2)**	**(11.4)**	(12.7)	(10.1)

* Total Trading VaR and AFS VaR above are subject to BMO Capital Markets trading management framework.
** One-day measure using a 99% confidence interval. Losses are in brackets and benefits are presented as positive numbers.
nm - not meaningful

Total Trading Stressed Value at Risk (SVaR) Summary ($ in millions)* ** **Table 20**

	For the quarter ended April 30, 2014				As at January 31, 2014	As at October 31, 2013
(Pre-tax Canadian equivalent)	**Quarter-end**	**Average**	**High**	**Low**	Quarter-end	Quarter-end
Commodity SVaR	**(7.2)**	**(5.9)**	**(7.4)**	**(3.7)**	(4.0)	(4.7)
Equity SVaR	**(12.6)**	**(14.8)**	**(31.8)**	**(8.3)**	(35.1)	(9.8)
Foreign exchange SVaR	**(1.8)**	**(4.0)**	**(8.6)**	**(1.0)**	(10.4)	(0.8)
Interest rate SVaR	**(23.2)**	**(24.1)**	**(30.1)**	**(15.3)**	(12.9)	(9.5)
Credit SVaR	**(13.5)**	**(13.5)**	**(14.4)**	**(12.3)**	(13.8)	(11.0)
Diversification	**31.8**	**33.8**	**nm**	**nm**	29.8	19.9
Total Trading SVaR	**(26.5)**	**(28.5)**	**(37.2)**	**(22.3)**	(46.4)	(15.9)

* Stressed VaR is produced weekly.
** One-day measure using a 99% confidence interval. Losses are in brackets and benefits are presented as positive numbers.
nm - not meaningful

Structural Balance Sheet Earnings and Value Sensitivity to Changes in Interest Rates ($ in millions)* ** **Table 21**

	Economic value sensitivity (Pre-tax)			Earnings sensitivity over the next 12 months (After tax)		
(Canadian equivalent)	**April 30, 2014**	January 31, 2014	October 31, 2013	**April 30, 2014**	January 31, 2014	October 31, 2013
100 basis point increase	**(649.3)**	(500.3)	(503.1)	**60.8**	95.8	95.4
100 basis point decrease	**354.1**	301.7	340.1	**(60.1)**	(75.0)	(90.8)
200 basis point increase	**(1,421.0)**	(1,090.1)	(1,078.8)	**85.0**	158.8	158.1
200 basis point decrease	**233.5**	350.8	442.7	**(71.3)**	(102.9)	(113.7)

* Losses are in brackets and benefits are presented as positive numbers.
** For BMO's Insurance businesses, a 100 basis point increase in interest rates at April 30, 2014, results in an increase in earnings after tax of $67 million and an increase in before tax economic value of $384 million ($72 million and $368 million, respectively, at January 31, 2014; $81 million and $335 million, respectively, at October 31, 2013). A 100 basis point decrease in interest rates at April 30, 2014, results in a decrease in earnings after tax of $57 million and a decrease in before tax economic value of $454 million ($61 million and $435 million, respectively, at January 31, 2014; $66 million and $399 million, respectively, at October 31, 2013). These impacts are not reflected in the table above.

Liquidity and Funding Risk

Liquidity and funding risk is managed under a robust risk management framework. There were no material changes in the framework during the quarter.

Liquid and Unencumbered Assets

BMO's liquid assets are primarily held in our trading businesses and in supplemental liquidity pools that are maintained for contingency purposes. Liquid assets include unencumbered, high-quality assets that are marketable, can be pledged as security for borrowings and can be converted to cash in a time frame that meets our liquidity and funding requirements.

BMO's liquid assets are summarized in Table 22 below. In the ordinary course of the bank's day-to-day business activities, BMO may encumber a portion of cash and security holdings as collateral to support its trading activities and participation in clearing and payment systems. In addition, BMO may receive highly liquid assets as collateral and may re-pledge these assets in exchange for cash or as collateral for trading activities. Net unencumbered liquid assets, defined as on-balance sheet assets such as BMO owned cash and securities and securities borrowed or purchased under resale agreements plus other off-balance sheet eligible collateral received less collateral encumbered, totalled $170.5 billion at April 30, 2014, compared with $180.7 billion at January 31, 2014. The decrease in unencumbered liquid assets was primarily due to lower security balances. Net unencumbered liquid assets are primarily held at the parent bank level, in our U.S. legal entity BMO Harris Bank, and in BMO's broker/dealer operations in Canada and internationally. In addition to liquid assets, BMO retains access to the Bank of Canada's emergency lending assistance program, Federal Reserve Bank discount window in the U.S. and European Central Bank standby liquidity facilities. BMO does not consider central bank facilities as a source of available liquidity when assessing its liquidity position.

In addition to cash and securities holdings, BMO may also pledge other assets, including mortgages and loans, to raise long-term secured wholesale funding. Table 23 provides a summary of total encumbered and unencumbered assets.

Liquid Assets **Table 22**

(Canadian $ in millions)	As at April 30, 2014 Carrying Value/On Balance Sheet Assets (1)	Other Cash & Securities Received	Total Gross Assets (2)	Encumbered Assets	Net Unencumbered Assets (3)	As at January 31, 2014 Net Unencumbered Assets (3)
Cash and cash equivalents	35,082	-	35,082	1,434	33,648	32,731
Deposits in other banks	7,069	-	7,069	-	7,069	6,586
Securities and securities borrowed or purchased under resale agreements						
Sovereigns / Central banks / Multilateral Development Banks	97,021	10,763	107,784	70,012	37,772	46,376
Mortgage-backed securities and collateralized mortgage obligations	15,109	610	15,719	589	15,130	13,343
Corporate debt	22,554	6,064	28,618	3,484	25,134	25,880
Corporate equity	61,907	16,863	78,770	42,170	36,600	41,463
Total securities and securities borrowed or purchased under resale agreements	196,591	34,300	230,891	116,255	114,636	127,062
NHA mortgage-backed securities (reported as loans at amortized cost) (4)	15,565	-	15,565	461	15,104	14,296
Total liquid assets	254,307	34,300	288,607	118,150	170,457	180,675
Other assets eligible at central banks (not included above) (5)	101,959	-	101,959	461	101,498	99,948
Undrawn credit lines granted by central banks	-	-	-	-	-	-
Total liquid assets and other sources	356,266	34,300	390,566	118,611	271,955	280,623

(1) The carrying values outlined in this table are consistent with the carrying values in the Bank's balance sheet as at April 30, 2014.
(2) Gross assets include on-balance sheet and off-balance sheet assets.
(3) Net unencumbered liquid assets are defined as on-balance sheet assets, such as BMO-owned cash and securities and securities borrowed or purchased under resale agreements, plus other off-balance sheet eligible collateral received, less encumbered assets.
(4) Under IFRS, NHA mortgage-backed securities (MBS) that include BMO's originated mortgages as the underlying collateral are classified as loans. Unencumbered NHA MBS securities have liquidity value and are included as liquid assets under BMO's liquidity and funding management framework. This amount is shown as a separate line item, NHA mortgage-backed securities.
(5) Represents loans currently lodged at central banks that could potentially be used to access central bank funding. Loans available for collateral do not include other sources of additional liquidity that may be realized from the loan portfolio including incremental securitization, covered bond issuances and Federal Home Loan Bank (FHLB) advances.

Asset Encumbrance (Canadian $ in millions)					**Table 23**

As at April 30, 2014	**Total Gross Assets (1)**	**Encumbered (2)**		**Net Unencumbered**	
		Pledged as collateral	**Other encumbered**	**Other unencumbered (3)**	**Available as collateral (4)**
Cash and bank deposits	**42,151**	**-**	**1,434**	**423**	**40,294**
Securities (5)	**246,456**	**92,488**	**24,228**	**7,455**	**122,285**
Loans and acceptances	**279,139**	**37,138**	**1,954**	**138,549**	**101,498**
Other assets					
Derivative Instruments	**28,859**	**-**	**-**	**28,859**	**-**
Premises and equipment	**2,172**	**-**	**-**	**2,172**	**-**
Goodwill	**3,994**	**-**	**-**	**3,994**	**-**
Intangible assets	**1,554**	**-**	**-**	**1,554**	**-**
Current tax assets	**800**	**-**	**-**	**800**	**-**
Deferred tax assets	**2,927**	**-**	**-**	**2,927**	**-**
Other assets	**8,293**	**-**	**-**	**8,293**	**-**
Total other assets	**48,599**	**-**	**-**	**48,599**	**-**
Total assets	**616,345**	**129,626**	**27,616**	**195,026**	**264,077**

As at January 31, 2014	Total Gross Assets (1)	Encumbered (2)		Net Unencumbered	
		Pledged as collateral	Other encumbered	Other unencumbered (3)	Available as collateral (4)
Cash and bank deposits	40,698	-	1,381	416	38,901
Securities (5)	255,815	87,047	27,410	7,399	133,959
Loans and acceptances	274,121	37,835	1,957	134,381	99,948
Other assets					
Derivative Instruments	37,502	-	-	37,502	-
Premises and equipment	2,220	-	-	2,220	-
Goodwill	4,052	-	-	4,052	-
Intangible assets	1,558	-	-	1,558	-
Current tax assets	1,030	-	-	1,030	-
Deferred tax assets	2,986	-	-	2,986	-
Other assets	8,346	-	-	8,346	-
Total other assets	57,694	-	-	57,694	-
Total assets	628,328	124,882	30,748	199,890	272,808

(1) Gross assets include on-balance sheet and off-balance sheet assets.
(2) Pledged as collateral refers to the portion of on-balance sheet assets and other cash and securities received that is pledged through repurchase agreements, securities lent, derivative contracts, minimum required deposits at central banks and requirements associated with participation in clearing houses and payment systems. Other encumbered includes assets which are restricted from use for legal or other reasons such as restricted cash and short sales.
(3) Other unencumbered assets include select liquid asset holdings management believes are not readily available to support BMO's liquidity requirements. These include cash and securities of $7.9 billion as at April 30, 2014, which include securities held in BMO's insurance subsidiary, credit protection vehicle, significant equity investments, and certain investments held in our merchant banking business. Other unencumbered assets also include mortgages and loans that may be securitized to access secured funding.
(4) Loans included as available as collateral represent loans currently lodged at central banks that could potentially be used to access central bank funding. Loans available for collateral do not include other sources of additional liquidity that may be realized from the loan portfolio, including incremental securitization, covered bond issuances and FHLB advances.
(5) Includes securities, securities borrowed or purchased under resale agreements and NHA mortgage-backed securities (reported as loans at amortized cost).

Funding Strategy

Our funding philosophy requires that secured and unsecured wholesale funding used to support loans and less liquid assets be longer term (typically maturing in two to ten years) to better match the term to maturity for these assets. Wholesale secured and unsecured funding for liquid trading assets is generally shorter term (maturing in one year or less), and is aligned with the liquidity of the assets being funded. Trading assets are subject to haircuts in order to reflect the potential for lower market values and liquidity during times of market stress. Supplemental liquidity pools are funded with a mix of wholesale term funding.

BMO maintains a large and stable base of customer deposits that, along with our strong capital base, is a source of strength. It supports the maintenance of a sound liquidity position and reduces our reliance on wholesale funding. Customer deposits include core deposits and larger retail and commercial fixed-rate customer deposits. Customer deposits totalled $230.4 billion at April 30, 2014, up from $227.9 billion at January 31, 2014. BMO also receives non-marketable deposits from corporate and non-financial institutional customers. These deposits totaled $29.2 billion as at April 30, 2014.

Total wholesale funding outstanding, largely consisting of negotiable marketable securities, was $162.2 billion at April 30, 2014, with $35.7 billion sourced as secured funding and $126.5 billion sourced as unsecured funding. The mix and maturities of BMO's wholesale term funding are outlined in Table 24 below. BMO maintains a sizeable portfolio of unencumbered liquid assets totaling $170.5 billion as of April 30, 2014, that can be monetized to meet potential funding requirements, as described in the Liquid and Unencumbered Assets section above.

Diversification of our wholesale funding sources is an important part of our overall liquidity management strategy. BMO's wholesale funding activities are well diversified by jurisdiction, currency, investor segment, instrument and maturity profile. BMO maintains ready access to long-term wholesale funding through various borrowing programs, including a European Note Issuance Program, Canadian and U.S. Medium Term Note Programs, Canadian and U.S. mortgage securitizations, Canadian credit card securitizations, covered bonds and Canadian and U.S. senior (unsecured) deposits.

Wholesale Funding Maturities (Canadian $ in millions) (1)								**Table 24**
As at April 30, 2014	**Less than 1 month**	**1 to 3 months**	**3 to 6 months**	**6 to 12 months**	**Subtotal less than 1 year**	**1 to 2 years**	**Over 2 years**	**Total**
Deposits from banks (2)	**11,244**	**4,718**	**817**	**22**	**16,801**	**-**	**-**	**16,801**
Certificates of deposit and commercial paper	**15,202**	**23,950**	**13,069**	**5,299**	**57,520**	**915**	**-**	**58,435**
Bearer deposit notes	**2,146**	**1,567**	**241**	**211**	**4,165**	**-**	**-**	**4,165**
Asset-backed commercial paper (ABCP)	**1,265**	**1,431**	**809**	**110**	**3,615**	**-**	**-**	**3,615**
Senior unsecured medium-term notes	**-**	**-**	**192**	**4,250**	**4,442**	**8,783**	**27,177**	**40,402**
Senior unsecured structured notes	**2**	**5**	**11**	**416**	**434**	**44**	**1,017**	**1,495**
Covered bonds / Securitizations								
Mortgage securitizations	**-**	**-**	**318**	**1,844**	**2,162**	**1,391**	**12,786**	**16,339**
Covered bonds	**-**	**-**	**-**	**2,192**	**2,192**	**3,836**	**2,192**	**8,220**
Credit card securitizations	**-**	**-**	**-**	**42**	**42**	**1,307**	**3,621**	**4,970**
Subordinated debt (3)	**-**	**-**	**-**	**-**	**-**	**313**	**4,875**	**5,188**
Other (4)	**-**	**-**	**-**	**-**	**-**	**-**	**2,603**	**2,603**
Total	**29,859**	**31,671**	**15,457**	**14,386**	**91,373**	**16,589**	**54,271**	**162,233**
Of which:								
Secured	**1,265**	**1,431**	**1,127**	**4,188**	**8,011**	**6,534**	**21,202**	**35,747**
Unsecured	**28,594**	**30,240**	**14,330**	**10,198**	**83,362**	**10,055**	**33,069**	**126,486**
Total (5)	**29,859**	**31,671**	**15,457**	**14,386**	**91,373**	**16,589**	**54,271**	**162,233**

(1) Wholesale funding excludes repo transactions and bankers acceptances, which are disclosed in the contractual maturity table in Note 17 of the unaudited interim consolidated financial statements. Wholesale funding also excludes ABCP issued by certain ABCP conduits that are not consolidated for financial reporting purposes.
(2) Except for deposits from banks, which primarily consist of bank deposits sourced to support trading products activities, unsecured funding refers to funding through issuance of marketable, negotiable securities.
(3) Although part of regulatory capital, subordinated debt is reported in this table in accordance with EDTF recommended disclosures.
(4) Refers to Federal Home Loan Banks advances.
(5) Total wholesale funding consists of Canadian-dollar-denominated funding of $54.4 billion and U.S.-dollar and other foreign-denominated funding of $107.8 billion as at April 30, 2014.

In November 2013, OSFI released a consultative document, *Liquidity Adequacy Requirements (LAR) Guideline*. The guideline outlines the approach and methodology for a number of liquidity metrics and tools that OSFI will use to monitor and assess the liquidity adequacy of banks, including the Liquidity Coverage Ratio (LCR), Net Cumulative Cash Flow and others. The guideline is expected to be finalized in the near term. Under the guideline, Canadian banks will be required to maintain a LCR above 100%, effective January 1, 2015.

In January 2014, the Basel Committee on Banking Supervision (BCBS) released a revised consultative document on the Net Stable Funding Ratio (NSFR). The industry provided feedback on the proposal to the BCBS in the second quarter of 2014. The NSFR is expected to be implemented on January 1, 2018.

Credit Rating

The credit ratings assigned to BMO's short-term and senior long-term debt securities by external rating agencies are important in the raising of both capital and funding to support our business operations. Maintaining strong credit ratings allows us to access the capital markets at competitive pricing levels. Should our credit ratings experience a material downgrade, our cost of funds would likely increase significantly and our access to funding and capital through capital markets could be reduced. A material downgrade of our ratings could have other consequences, including those set out in Note 10 to the audited consolidated financial statements on page 150 of BMO's 2013 Annual Report.

The credit ratings assigned to BMO's senior debt by the rating agencies are indicative of high-grade, high-quality issues. The ratings as at April 30, 2014, were as follows: DBRS (AA); Fitch (AA-); Moody's (Aa3); and Standard & Poor's (A+).

We are required to deliver collateral to certain counterparties in the event of a downgrade to our current credit rating. The incremental collateral required is based on mark-to-market exposure, collateral valuations and collateral threshold arrangements, as applicable. As at April 30, 2014, the bank would be required to provide additional collateral to counterparties totalling $91 million, $403 million and $559 million under a one-notch, two-notch and three-notch downgrade, respectively.

Insurance Risk

There were no significant changes in the risk management practices or risk levels of our insurance business during the quarter. BMO's insurance risk management practices are outlined on pages 95 and 96 of BMO's 2013 Annual Report.

Information and Cyber Security Risk

There were no significant changes in our information and cyber security risk management practices during the quarter from those described in the Information and Cyber Security Risk section on page 79 and in the Operational Risk section on page 94 of BMO's 2013 Annual Report.

Select Geographic Exposures

Select geographic exposures were disclosed and discussed on pages 67, 68, 119 and 120 of BMO's 2013 Annual Report. Our exposure to select countries of interest, as at April 30, 2014, is set out in the tables that follow, which summarize our exposure to Greece, Ireland, Italy, Portugal and Spain (GIIPS) along with a broader group of countries of interest in Europe where our gross exposure is greater than $500 million. Our net portfolio exposures are summarized in Table 25 and 26 for funded lending, securities (inclusive of credit default swaps (CDS) activity), repo-style transactions and derivatives. There has been limited change to our exposures compared with January 31, 2014, and October 31, 2013.

European Exposure by Country and Counterparty (11) (Canadian $ in millions) **Table 25**

As at April 30, 2014

	Funded Lending (1)	Securities (2)(10)				Repo-Style Transactions and Derivatives (3)(4)				Total
Country	Total	Bank	Corporate	Sovereign (9)	Total	Bank	Corporate	Sovereign (9)	Total	Net Exposure
GIIPS										
Greece	-	-	-	-	-	-	-	-	-	-
Ireland (5)	6	-	1	-	1	34	3	-	37	44
Italy	39	-	-	-	-	4	1	-	5	44
Portugal	-	-	-	-	-	-	-	-	-	-
Spain	79	-	-	-	-	9	-	-	9	88
Total – GIIPS (6)	**124**	**-**	**1**	**-**	**1**	**47**	**4**	**-**	**51**	**176**
Eurozone (excluding GIIPS)										
France	14	-	-	446	446	167	-	4	171	631
Germany	37	4	32	1,316	1,352	72	-	-	72	1,461
Netherlands	295	707	7	110	824	54	5	-	59	1,178
Other (7)	212	-	2	382	384	45	6	4	55	651
Total – Eurozone (excluding GIIPS) (8)	**558**	**711**	**41**	**2,254**	**3,006**	**338**	**11**	**8**	**357**	**3,921**
Rest of Europe										
Denmark	7	560	-	163	723	-	-	-	-	730
Norway	14	1,214	2	-	1,216	-	-	-	-	1,230
Russian Federation	579	-	-	-	-	-	-	-	-	579
Sweden	71	270	-	-	270	6	-	-	6	347
Switzerland	140	1	2	-	3	8	-	-	8	151
United Kingdom	248	58	50	187	295	504	15	-	519	1,062
Other (7)	-	-	-	-	-	1	-	-	1	1
Total - Rest of Europe (8)	**1,059**	**2,103**	**54**	**350**	**2,507**	**519**	**15**	**-**	**534**	**4,100**
Total - All of Europe	**1,741**	**2,814**	**96**	**2,604**	**5,514**	**904**	**30**	**8**	**942**	**8,197**

As at January 31, 2014

	Funded Lending (1)	Securities (2)				Repo-Style Transactions and Derivatives (3)(4)				Total
Country	Total	Bank	Corporate	Sovereign (9)	Total	Bank	Corporate	Sovereign (9)	Total	Net Exposure
Total - GIIPS (6)	**102**	-	-	-	-	**6**	**12**	-	**18**	**120**
Total – Eurozone (excluding GIIPS) (8)	**481**	**687**	**36**	**2,402**	**3,125**	**130**	**29**	**7**	**166**	**3,772**
Total - Rest of Europe (8)	**1,149**	**2,251**	**49**	**269**	**2,569**	**119**	**25**	-	**144**	**3,862**
Total - All of Europe	**1,732**	**2,938**	**85**	**2,671**	**5,694**	**255**	**66**	**7**	**328**	**7,754**

As at October 31, 2013

	Funded Lending (1)	Securities (2)				Repo-Style Transactions and Derivatives (3)(4)				Total
Country	Total	Bank	Corporate	Sovereign (9)	Total	Bank	Corporate	Sovereign (9)	Total	Net Exposure
Total - GIIPS (6)	**79**	**-**	**-**	**-**	**-**	**5**	**2**	**-**	**7**	**86**
Total – Eurozone (excluding GIIPS) (8)	**462**	**626**	**42**	**2,111**	**2,779**	**113**	**6**	**1**	**120**	**3,361**
Total - Rest of Europe (8)	**956**	**2,058**	**40**	**674**	**2,772**	**153**	**19**	**-**	**172**	**3,900**
Total - All of Europe	**1,497**	**2,684**	**82**	**2,785**	**5,551**	**271**	**27**	**1**	**299**	**7,347**

Refer to footnotes in Table 26.

European Lending Exposure by Country and Counterparty (11) (Canadian $ in millions) **Table 26**

	Lending (1)								
	Funded Lending as at April 30, 2014			As at April 30, 2014		As at January 31, 2014		As at October 31, 2013	
Country	Bank	Corporate	Sovereign (9)	Commitments	Funded	Commitments	Funded	Commitments	Funded
GIIPS									
Greece	-	-	-	-	-	-	-	-	-
Ireland (5)	-	6	-	100	6	32	-	-	-
Italy	39	-	-	39	39	24	24	2	2
Portugal	-	-	-	-	-	-	-	-	-
Spain	79	-	-	89	79	88	78	77	77
Total – GIIPS	**118**	**6**	**-**	**228**	**124**	**144**	**102**	**79**	**79**
Eurozone (excluding GIIPS)									
France	14	-	-	60	14	58	16	22	22
Germany	31	6	-	37	37	34	33	21	21
Netherlands	27	268	-	559	295	331	163	338	163
Other (7)	149	63	-	429	212	466	269	421	256
Total – Eurozone (excluding GIIPS)	**221**	**337**	**-**	**1,085**	**558**	**889**	**481**	**802**	**462**
Rest of Europe									
Denmark	7	-	-	7	7	15	15	15	15
Norway	14	-	-	14	14	19	19	16	16
Russian Federation	552	27	-	579	579	639	639	476	476
Sweden	23	48	-	176	71	184	82	121	64
Switzerland	3	137	-	370	140	506	163	546	163
United Kingdom	136	112	-	397	248	386	231	485	222
Other (7)	-	-	-	-	-	-	-	-	-
Total – Rest of Europe	**735**	**324**	**-**	**1,543**	**1,059**	**1,749**	**1,149**	**1,659**	**956**
Total – All of Europe	**1,074**	**667**	**-**	**2,856**	**1,741**	**2,782**	**1,732**	**2,540**	**1,497**

(1) Lending includes loans and trade finance. Amounts are net of write-offs and gross of specific allowances, both of which are not considered material.
(2) Securities include cash products, insurance investments and traded credit.
(3) Repo-style transactions are primarily with bank counterparties against which BMO holds collateral ($137 million for GIIPS, $9.5 billion for other Eurozone countries and $5.1 billion for the rest of Europe as at April 30, 2014).
(4) Derivatives amounts are marked-to-market, incorporating transaction netting and, for counterparties where a Credit Support Annex is in effect, collateral offsets. Derivative replacement risk net of collateral for all of Europe is approximately $5.5 billion as at April 30, 2014.
(5) Does not include Irish subsidiary reserves we are required to maintain with the Irish Central Bank of $86 million as at April 30, 2014.
(6) BMO's direct exposures to GIIPS are primarily to banks for trade finance and trading products. Net exposures remain modest at $176 million, with $104 million unfunded commitments as at April 30, 2014.
(7) Includes countries with less than $500 million in gross exposure. Other Eurozone includes exposures to Austria, Belgium, Cyprus, Finland, Luxembourg, Slovakia and Slovenia. Other Rest of Europe includes exposures to Croatia, Czech Republic, Hungary, Iceland and Poland.
(8) BMO's net direct exposure to the other Eurozone countries (the other 12 countries that share the common euro currency) as at April 30, 2014, totalled approximately $3.9 billion, of which 51% was to counterparties in countries with a rating of Aaa/AAA by both Moody's and S&P, with approximately 82% rated Aaa/AAA by one of the two rating agencies. Our net direct exposure to the rest of Europe totalled approximately $4.1 billion, of which 60% was to counterparties in countries with a Moody's/S&P rating of Aaa/AAA. A significant majority of our sovereign exposure consists of tradable cash products, while exposure related to banks was comprised of trading instruments, short-term debt, derivative positions and letters of credit and guarantees.
(9) Sovereign includes sovereign-backed bank cash products.
(10) BMO's total net notional CDS exposure (embedded as part of the securities exposure table) to Europe is less than $150 million, with no net CDS exposure to GIIPS countries as at April 30, 2014.
(11) **Other exposures (including indirect exposures) not included in the tables as at April 30, 2014:**

- BMO also has exposure to entities in a number of European countries through our credit protection vehicle and U.S. customer securitization vehicle. These exposures are not included in the tables due to the credit protection incorporated in their structures.
  - BMO has direct exposure to those credit structures, which in turn have exposures to loans or securities originated by entities in Europe. As noted on page 66 in BMO's 2013 Annual Report, in the Credit Protection Vehicle section, this structure has first-loss protection and hedges are in place.
  - The notional exposure held in the credit protection vehicle to issuers in Greece, Italy and Spain represented 4.2%, of its total notional exposure. The credit protection vehicle had notional exposure to five of the other 12 countries that share the euro currency. This exposure represented 11.8% of total notional exposure, of which 79% was rated investment grade by both S&P and Moody's. The notional exposure to the rest of Europe was 15.1% of total notional exposure, with 89% rated investment grade by S&P (83% by Moody's). The vehicle benefits from significant risk loss protection and as a result residual credit risk is very low.
  - BMO has exposure to GIIPS and other European countries through our U.S. customer securitization vehicle, which has commitments that involve reliance on collateral of which 0.14% represents loans or securities originated by entities in Europe. At quarter end, exposure to Spain was the largest component at 0.06%. Exposure to Luxembourg was approximately 0.04%, and there was no exposure to Italy, Ireland, Greece or Portugal.
- BMO has exposure to European supranational institutions totalling $0.2 billion, predominantly in the form of tradable cash products.
- BMO's indirect exposure to Europe in the form of euro-denominated collateral to support trading activity was €1,216 million in securities issued by entities in European countries, of which €43 million was held in securities related to GIIPS and €648 million was in French securities. In addition, €1,049 million of cash collateral was also held at April 30, 2014.
- Indirect exposure by way of guarantees from entities in European countries totalled $747.3 million, of which $5.4 million was exposure to GIIPS, $426.7 million to the other Eurozone countries and $315.2 million to the rest of Europe.

Caution

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

Consolidated Statement of Income

(Unaudited) (Canadian $ in millions, except as noted)	For the three months ended					For the six months ended	
	April 30, 2014	January 31, 2014	October 31, 2013	July 31, 2013	April 30, 2013	**April 30, 2014**	April 30, 2013
Interest, Dividend and Fee Income							
Loans	**$ 2,639**	$ 2,680	$ 2,695	$ 2,689	$ 2,618	**$ 5,319**	$ 5,361
Securities	**477**	506	543	577	550	**983**	1,156
Deposits with banks	**69**	67	59	63	61	**136**	122
	3,185	3,253	3,297	3,329	3,229	**6,438**	6,639
Interest Expense							
Deposits	**701**	717	711	683	643	**1,418**	1,333
Subordinated debt	**37**	36	38	35	37	**73**	72
Other liabilities	**384**	387	431	428	420	**771**	857
	1,122	1,140	1,180	1,146	1,100	**2,262**	2,262
Net Interest Income	**2,063**	2,113	2,117	2,183	2,129	**4,176**	4,377
Non-Interest Revenue							
Securities commissions and fees	**318**	307	291	290	283	**625**	543
Deposit and payment service charges	**239**	241	237	232	222	**480**	447
Trading revenues	**246**	274	188	208	230	**520**	453
Lending fees	**171**	169	155	152	143	**340**	296
Card fees	**116**	112	110	124	114	**228**	227
Investment management and custodial fees	**207**	204	188	187	179	**411**	351
Mutual fund revenues	**228**	219	211	208	193	**447**	380
Underwriting and advisory fees	**149**	191	156	141	141	**340**	362
Securities gains, other than trading	**47**	62	210	-	49	**109**	75
Foreign exchange, other than trading	**38**	54	38	39	58	**92**	95
Insurance income	**113**	107	125	147	66	**220**	173
Other	**106**	69	112	89	86	**175**	146
	1,978	2,009	2,021	1,817	1,764	**3,987**	3,548
Total Revenue	**4,041**	4,122	4,138	4,000	3,893	**8,163**	7,925
Provision for Credit Losses (Note 3)	**162**	99	189	76	144	**261**	322
Non-Interest Expense							
Employee compensation (Note 13)	**1,491**	1,581	1,439	1,448	1,476	**3,072**	2,955
Premises and equipment	**452**	455	491	457	442	**907**	885
Amortization of intangible assets	**90**	90	89	88	84	**180**	169
Travel and business development	**122**	119	142	128	121	**241**	244
Communications	**78**	68	70	73	76	**146**	148
Business and capital taxes	**10**	10	10	9	10	**20**	20
Professional fees	**140**	135	142	124	135	**275**	261
Other	**211**	226	197	199	206	**437**	438
	2,594	2,684	2,580	2,526	2,550	**5,278**	5,120
Income Before Provision for Income Taxes	**1,285**	1,339	1,369	1,398	1,199	**2,624**	2,483
Provision for income taxes	**209**	278	295	275	237	**487**	485
Net Income	**$ 1,076**	$ 1,061	$ 1,074	$ 1,123	$ 962	**$ 2,137**	$ 1,998
Attributable to:							
Bank shareholders	**1,062**	1,048	1,061	1,107	944	**2,110**	1,962
Non-controlling interest in subsidiaries	**14**	13	13	16	18	**27**	36
Net Income	**$ 1,076**	$ 1,061	$ 1,074	$ 1,123	$ 962	**$ 2,137**	$ 1,998
Earnings Per Share (Canadian $) (Note 14)							
Basic	**$ 1.61**	$ 1.58	$ 1.60	$ 1.67	$ 1.41	**$ 3.19**	$ 2.92
Diluted	**1.60**	1.58	1.60	1.66	1.40	**3.18**	2.91

The accompanying notes are an integral part of these interim consolidated financial statements.

Consolidated Statement of Comprehensive Income

(Unaudited) (Canadian $ in millions)	For the three months ended					For the six months ended	
	April 30, 2014	January 31, 2014	October 31, 2013	July 31, 2013	April 30, 2013	**April 30, 2014**	April 30, 2013
Net income	**$ 1,076**	$ 1,061	$ 1,074	$ 1,123	$ 962	**$ 2,137**	$ 1,998
Other Comprehensive Income (Loss)							
Items that will not be reclassified to net income							
Remeasurement of pension and other employee future benefit plans (1)	**21**	25	(17)	298	(57)	**46**	17
	21	25	(17)	298	(57)	**46**	17
Items that may be subsequently reclassified to net income:							
Net change in unrealized gains (losses) on available-for-sale securities							
Unrealized gains (losses) on available-for-sale securities arising during the period (2)	**27**	(38)	67	(48)	(11)	**(11)**	(29)
Reclassification to earnings of (gains) in the period (3)	**(16)**	(22)	(5)	(2)	(28)	**(38)**	(43)
	11	(60)	62	(50)	(39)	**(49)**	(72)
Net change in unrealized gains (losses) on cash flow hedges							
Gains (losses) on cash flow hedges arising during the period (4)	**(31)**	142	137	(231)	127	**111**	69
Reclassification to earnings of (gains) on cash flow hedges (5)	**(23)**	(25)	(23)	(31)	(37)	**(48)**	(71)
	(54)	117	114	(262)	90	**63**	(2)
Net gain on translation of net foreign operations							
Unrealized gain (loss) on translation of net foreign operations	**(278)**	1,176	261	316	198	**898**	164
Impact of hedging unrealized gain (loss) on translation of net foreign operations (6)	**(25)**	(270)	(109)	(140)	(179)	**(295)**	(160)
	(303)	906	152	176	19	**603**	4
Other Comprehensive Income (Loss)	**(325)**	988	311	162	13	**663**	(53)
Total Comprehensive Income	**$ 751**	$ 2,049	$ 1,385	$ 1,285	$ 975	**$ 2,800**	$ 1,945
Attributable to:							
Bank shareholders	**737**	2,036	1,372	1,269	957	**2,773**	1,909
Non-controlling interest in subsidiaries	**14**	13	13	16	18	**27**	36
Total Comprehensive Income	**$ 751**	$ 2,049	$ 1,385	$ 1,285	$ 975	**$ 2,800**	$ 1,945

(1) Net of income tax (provision) recovery of $(11), $(10), $11, $(120), $19 for the three months ended, and $(21), $(17) for the six months ended, respectively.
(2) Net of income tax (provision) recovery of $(12), $12, $(27), $24, $6 for the three months ended, and $nil, $12 for the six months ended, respectively.
(3) Net of income tax provision of $9, $12, $3, $1, $13 for the three months ended, and $21, $18 for the six months ended, respectively.
(4) Net of income tax (provision) recovery of $15, $(43), $(49), $82, $(42) for the three months ended, and $(28), $(21) for the six months ended, respectively.
(5) Net of income tax provision of $5, $9, $7, $14, $12 for the three months ended, and $14, $24 for the six months ended, respectively.
(6) Net of income tax recovery of $9, $95, $39, $50, $64 for the three months ended, and $104, $57 for the six months ended, respectively.

The accompanying notes are an integral part of these interim consolidated financial statements.

Consolidated Balance Sheet

(Unaudited) (Canadian $ in millions)	As at				
	April 30, 2014	January 31, 2014	October 31, 2013	July 31, 2013	April 30, 2013
Assets					
Cash and Cash Equivalents	**$ 35,082**	$ 34,112	$ 26,089	$ 33,055	$ 38,423
Interest Bearing Deposits with Banks	**7,069**	6,586	6,518	7,531	6,230
Securities					
Trading	**82,426**	85,957	75,159	72,491	73,246
Available-for-sale (Note 2)	**51,883**	55,736	53,710	51,439	46,503
Held-to-maturity	**9,318**	8,254	6,032	4,846	2,476
Other	**983**	994	899	1,021	1,328
	144,610	150,941	135,800	129,797	123,553
Securities Borrowed or Purchased Under Resale Agreements	**51,981**	53,579	39,799	53,749	59,478
Loans (Notes 3 and 6)					
Residential mortgages	**97,632**	97,321	96,392	93,132	88,133
Consumer instalment and other personal	**64,571**	64,610	63,640	63,230	62,308
Credit cards	**7,953**	7,963	7,870	7,801	7,642
Businesses and governments	**116,492**	112,396	104,585	101,023	98,699
	286,648	282,290	272,487	265,186	256,782
Customers' liability under acceptances	**9,906**	9,207	8,472	9,029	8,514
Allowance for credit losses (Note 3)	**(1,850)**	(1,747)	(1,665)	(1,658)	(1,725)
	294,704	289,750	279,294	272,557	263,571
Other Assets					
Derivative instruments	**28,859**	37,502	30,259	31,638	43,063
Premises and equipment	**2,172**	2,220	2,168	2,109	2,125
Goodwill (Note 9)	**3,994**	4,052	3,819	3,767	3,705
Intangible assets	**1,554**	1,558	1,511	1,511	1,521
Current tax assets	**800**	1,030	1,065	1,304	1,527
Deferred tax assets	**2,927**	2,986	3,027	2,956	3,089
Other	**8,293**	8,346	7,695	8,738	8,221
	48,599	57,694	49,544	52,023	63,251
Total Assets	**$ 582,045**	$ 592,662	$ 537,044	$ 548,712	$ 554,506
Liabilities and Equity					
Deposits (Note 10)					
Banks	**$ 22,607**	$ 26,930	$ 20,591	$ 21,362	$ 22,615
Businesses and governments	**238,915**	240,347	222,346	214,565	214,649
Individuals	**132,485**	131,116	125,432	123,596	122,587
	394,007	398,393	368,369	359,523	359,851
Other Liabilities					
Derivative instruments	**30,279**	36,843	31,974	32,959	44,011
Acceptances	**9,906**	9,207	8,472	9,029	8,514
Securities sold but not yet purchased	**24,350**	26,646	22,446	21,041	23,897
Securities lent or sold under repurchase agreements	**46,125**	44,789	28,884	47,596	39,005
Current tax liabilities	**146**	386	438	373	548
Deferred tax liabilities	**71**	115	107	131	149
Other	**39,871**	39,585	41,179	43,620	44,599
	150,748	157,571	133,500	154,749	160,723
Subordinated Debt	**3,965**	3,983	3,996	4,014	4,071
Preferred Share Liability (Note 11)	**493**	-	-	-	-
Equity					
Share capital (Note 11)	**14,186**	14,298	14,268	14,264	14,279
Contributed surplus	**313**	316	315	321	320
Retained earnings	**16,162**	15,617	15,087	14,657	14,227
Accumulated other comprehensive income	**1,100**	1,425	437	126	(36)
Total shareholders' equity	**31,761**	31,656	30,107	29,368	28,790
Non-controlling interest in subsidiaries	**1,071**	1,059	1,072	1,058	1,071
Total Equity	**32,832**	32,715	31,179	30,426	29,861
Total Liabilities and Equity	**$ 582,045**	$ 592,662	$ 537,044	$ 548,712	$ 554,506

The accompanying notes are an integral part of these interim consolidated financial statements.

Consolidated Statement of Changes in Equity

(Unaudited) (Canadian $ in millions)	For the three months ended		For the six months ended	
	April 30, 2014	April 30, 2013	**April 30, 2014**	April 30, 2013
Preferred Shares				
Balance at beginning of period	**$ 2,265**	$ 2,465	**$ 2,265**	$ 2,465
Redeemed during the period	**(150)**	(200)	**(150)**	(200)
Balance at End of Period	**2,115**	2,265	**2,115**	2,265
Common Shares				
Balance at beginning of period	**12,033**	12,027	**12,003**	11,957
Issued under the Shareholder Dividend Reinvestment and Share Purchase Plan	**-**	45	**-**	82
Issued under the Stock Option Plan	**38**	16	**68**	49
Repurchased for cancellation (Note 11)	**-**	(74)	**-**	(74)
Balance at End of Period	**12,071**	12,014	**12,071**	12,014
Contributed Surplus				
Balance at beginning of period	**316**	214	**315**	213
Stock option expense/exercised	**(3)**	(1)	**(2)**	-
Foreign exchange on redemption of preferred shares	**-**	107	**-**	107
Balance at End of Period	**313**	320	**313**	320
Retained Earnings				
Balance at beginning of period	**15,617**	13,972	**15,087**	13,456
Net income attributable to bank shareholders	**1,062**	944	**2,110**	1,962
Dividends – Preferred shares	**(27)**	(28)	**(55)**	(61)
– Common shares	**(490)**	(481)	**(980)**	(950)
Common shares repurchased for cancellation (Note 11)	**-**	(180)	**-**	(180)
Balance at End of Period	**16,162**	14,227	**16,162**	14,227
Accumulated Other Comprehensive Income on Pension and Other Post-Employment Plans				
Balance at beginning of period	**(140)**	(389)	**(165)**	(463)
Remeasurement of pension and other post-employment plans (1)	**21**	(57)	**46**	17
Balance at End of Period	**(119)**	(446)	**(119)**	(446)
Accumulated Other Comprehensive Income on Available-for-Sale Securities				
Balance at beginning of period	**145**	232	**205**	265
Unrealized gains (losses) on available-for-sale securities arising during the period (2)	**27**	(11)	**(11)**	(29)
Reclassification to earnings of gains in the period (3)	**(16)**	(28)	**(38)**	(43)
Balance at End of Period	**156**	193	**156**	193
Accumulated Other Comprehensive Income on Cash Flow Hedges				
Balance at beginning of period	**109**	50	**(8)**	142
Gains (losses) on cash flow hedges arising during the period (4)	**(31)**	127	**111**	69
Reclassification to earnings of gains on cash flow hedges (5)	**(23)**	(37)	**(48)**	(71)
Balance at End of Period	**55**	140	**55**	140
Accumulated Other Comprehensive Income on Translation of Net Foreign Operations				
Balance at beginning of period	**1,311**	58	**405**	73
Unrealized gain (loss) on translation of net foreign operations	**(278)**	198	**898**	164
Impact of hedging unrealized loss on translation of net foreign operations (6)	**(25)**	(179)	**(295)**	(160)
Balance at End of Period	**1,008**	77	**1,008**	77
Total Accumulated Other Comprehensive Income (Loss)	**1,100**	(36)	**1,100**	(36)
Total Shareholders' Equity	**$ 31,761**	$ 28,790	**$ 31,761**	$ 28,790
Non-controlling Interest in Subsidiaries				
Balance at beginning of period	**1,059**	1,419	**1,072**	1,435
Net income attributable to non-controlling interest	**14**	18	**27**	36
Dividends to non-controlling interest	**-**	(5)	**(26)**	(36)
Preferred share redemption	**-**	(359)	**-**	(359)
Other	**(2)**	(2)	**(2)**	(5)
Balance at End of Period	**1,071**	1,071	**1,071**	1,071
Total Equity	**$ 32,832**	$ 29,861	**$ 32,832**	$ 29,861

(1) Net of income tax (provision) recovery of $(11), $19, $(21), $(17) for the three and six months ended, respectively.
(2) Net of income tax (provision) recovery of $(12), $6, $nil, $12 for the three and six months ended, respectively.
(3) Net of income tax provision of $9, $13, $21, $18 for the three and six months ended, respectively.
(4) Net of income tax (provision) recovery of $15, $(42), $(28), $(21) for the three and six months ended, respectively.
(5) Net of income tax provision of $5, $12, $14, $24 for the three and six months ended, respectively.
(6) Net of income tax recovery of $9, $64, $104, $57 for the three and six months ended, respectively.

The accompanying notes are an integral part of these interim consolidated financial statements.

Consolidated Statement of Cash Flows

(Unaudited) (Canadian $ in millions)	For the three months ended April 30, 2014	April 30, 2013	For the six months ended April 30, 2014	April 30, 2013
Cash Flows from Operating Activities				
Net Income	**$ 1,076**	$ 962	**$ 2,137**	$ 1,998
Adjustments to determine net cash flows provided by (used in) operating activities				
Impairment write-down of securities, other than trading	**1**	9	**1**	9
Net (gain) on securities, other than trading	**(48)**	(58)	**(110)**	(84)
Net (increase) decrease in trading securities	**3,221**	524	**(6,524)**	(2,940)
Provision for credit losses (Note 3)	**162**	144	**261**	322
Change in derivative instruments – (Increase) decrease in derivative asset	**8,814**	(131)	**1,073**	5,597
– Increase (decrease) in derivative liability	**(6,694)**	131	**(1,473)**	(5,196)
Amortization of premises and equipment	**92**	87	**181**	172
Amortization of intangible assets	**90**	84	**180**	169
Net (increase) decrease in deferred income tax asset	**21**	(81)	**226**	59
Net (decrease) in deferred income tax liability	**(44)**	(15)	**(36)**	(23)
Net (increase) decrease in current income tax asset	**238**	(73)	**369**	(177)
Net increase (decrease) in current income tax liability	**(240)**	244	**(296)**	145
Change in accrued interest – (increase) decrease in interest receivable	**(56)**	13	**(3)**	140
– increase (decrease) in interest payable	**76**	(65)	**38**	(133)
Changes in other items and accruals, net	**(244)**	1,789	**512**	799
Net increase (decrease) in deposits	**(1,236)**	5,425	**15,718**	33,474
Net (increase) in loans	**(5,862)**	(3,624)	**(10,073)**	(8,316)
Net increase (decrease) in securities sold but not yet purchased	**(2,194)**	2,441	**1,640**	441
Net increase (decrease) in securities lent or sold under repurchase agreements	**1,756**	1,010	**16,132**	(1,024)
Net (increase) decrease in securities borrowed or purchased under resale agreements	**1,073**	(6,232)	**(10,682)**	(12,177)
Net Cash Provided by Operating Activities	**2**	2,584	**9,271**	13,255
Cash Flows from Financing Activities				
Net (decrease) in liabilities of subsidiaries	**(4)**	(7)	**(31)**	(196)
(Maturities) of Covered Bonds	**-**	-	**-**	(1,354)
Proceeds from issuance of preferred share liability (Note 11)	**493**	-	**493**	-
Redemption of preferred shares (Note 11)	**(150)**	(200)	**(150)**	(200)
Redemption of securities of a subsidiary (Note 11)	**-**	(359)	**-**	(359)
Proceeds from issuance of common shares	**38**	18	**68**	52
Common shares repurchased for cancellation (Note 11)	**-**	(254)	**-**	(254)
Cash dividends paid	**(518)**	(466)	**(1,023)**	(932)
Cash dividends paid to non-controlling interest	**-**	(5)	**(26)**	(36)
Net Cash (Used in) Financing Activities	**(141)**	(1,273)	**(669)**	(3,279)
Cash Flows from Investing Activities				
Net (increase) decrease in interest bearing deposits with banks	**(599)**	(41)	**(316)**	147
Purchases of securities, other than trading	**(10,018)**	(7,304)	**(17,782)**	(12,497)
Maturities of securities, other than trading	**5,195**	3,017	**8,760**	6,811
Proceeds from sales of securities, other than trading	**7,069**	10,026	**8,552**	13,949
Premises and equipment – net disposals (purchases)	**14**	(47)	**(51)**	(185)
Purchased and developed software – net purchases	**(100)**	(57)	**(182)**	(118)
Acquisitions (Note 8)	**-**	(261)	**-**	140
Net Cash Provided by (Used in) Investing Activities	**1,561**	5,333	**(1,019)**	8,247
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**(452)**	281	**1,410**	285
Net increase in Cash and Cash Equivalents	**970**	6,925	**8,993**	18,508
Cash and Cash Equivalents at Beginning of Period	**34,112**	31,498	**26,089**	19,915
Cash and Cash Equivalents at End of Period	**$ 35,082**	$ 38,423	**$ 35,082**	$ 38,423
Represented by:				
Cash and non-interest bearing deposits with Bank of Canada and other banks	**$ 32,963**	$ 37,279	**$ 32,963**	$ 37,279
Cheques and other items in transit, net	**2,119**	1,144	**2,119**	1,144
	$ 35,082	$ 38,423	**$ 35,082**	$ 38,423
Supplemental Disclosure of Cash Flow Information				
Net cash provided by operating activities includes:				
Amount of interest paid in the period	**$ 1,048**	$ 1,164	**$ 2,215**	$ 2,391
Amount of income taxes paid in the period	**$ 152**	$ 141	**$ 171**	$ 476
Amount of interest and dividend income received in the period	**$ 3,114**	$ 3,217	**$ 6,379**	$ 6,732

The accompanying notes are an integral part of these interim consolidated financial statements.

Notes to Consolidated Financial Statements

April 30, 2014 (Unaudited)

Note 1: Basis of Presentation

Bank of Montreal (the "bank") is a public company incorporated in Canada having its registered office in Montreal, Canada. The bank is a highly diversified financial services provider and provides a broad range of retail banking, wealth management and investment banking products and services.

These condensed interim consolidated financial statements were prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*. We also comply with interpretations of International Financial Reporting Standards ("IFRS") by our regulator, the Office of the Superintendent of Financial Institutions of Canada ("OSFI"). These condensed interim consolidated financial statements should be read in conjunction with the notes to our annual consolidated financial statements for the year ended October 31, 2013 as set out on pages 130 to 188 of our 2013 Annual Report.

Changes in Accounting Policy

Effective November 1, 2013, we adopted, on a retrospective basis, the following new and amended accounting pronouncements issued by the International Accounting Standard Board ("IASB"): IAS 19 *Employee Benefits* ("IAS 19"), IAS 1 *Presentation of Financial Statements* ("IAS 1"), IFRS 10 *Consolidated Financial Statements* ("IFRS 10"), and IFRS 11 *Joint Arrangements* ("IFRS 11"). As a result of the adoption of IAS 19, IFRS 10, and IFRS 11, net income attributable to shareholders for the six months ended April 30, 2014 decreased by approximately $25 million after tax. We also adopted IFRS 12 *Disclosure of Interests in Other Entities* ("IFRS 12"), IFRS 13 *Fair Value Measurement* ("IFRS 13"), and IFRS 7 *Financial Instruments*: *Disclosures – Offsetting Financial Assets and Financial Liabilities* ("IFRS 7") which will result in additional disclosures in our 2014 annual consolidated financial statements. Refer to pages 39 and 40 of our First Quarter 2014 Report to Shareholders for a description of these new and amended accounting pronouncements and to our 2013 Annual Report, pages 132 to 133 for additional disclosures relating to the transition impact as at November 1, 2012.

Future Changes in IFRS

In May 2013, the IFRS Interpretations Committee ("IFRIC") issued IFRIC 21 *Levies* which provides guidance on when to recognize a liability to pay a levy imposed by governments on entities in accordance with legislation. IFRIC 21 is effective for our fiscal year beginning November 1, 2014. We are currently assessing the impact of this standard on our future financial results.

In February 2014, the IASB finalized its deliberations on the impairment, and classification and measurement requirements set out in IFRS 9 *Financial Instruments* ("IFRS 9"), and also provided a tentative effective date for the standard. IFRS 9 will be effective for our fiscal year beginning on November 1, 2018. Early adoption of own credit risk is permitted by both the IASB and OSFI. We are currently assessing the impact of the standard on our future financial results.

These interim consolidated financial statements were authorized for issue by the Board of Directors on May 28, 2014.

Note 2: Securities

Unrealized Gains and Losses

The following table summarizes the unrealized gains and losses on available-for-sale securities:

(Canadian $ in millions)				**April 30, 2014**				October 31, 2013
	Amortized cost	**Gross unrealized gains (2)**	**Gross unrealized losses (2)**	**Fair value**	Amortized cost	Gross unrealized gains (2)	Gross unrealized losses (2)	Fair value
Issued or guaranteed by:								
Canadian federal government	**11,086**	**86**	**1**	**11,171**	12,989	129	3	13,115
Canadian provincial and municipal governments	**3,752**	**29**	**13**	**3,768**	3,707	23	32	3,698
U.S. federal government	**3,102**	**6**	**4**	**3,104**	4,650	10	-	4,660
U.S. states, municipalities and agencies	**5,435**	**44**	**11**	**5,468**	5,363	41	12	5,392
Other government	**6,328**	**10**	**2**	**6,336**	6,165	7	9	6,163
Mortgage-backed securities and collateralized mortgage obligations – Canada (1)	**2,966**	**12**	**1**	**2,977**	2,271	6	-	2,277
Mortgage-backed securities and collateralized mortgage obligations – U.S.	**6,951**	**24**	**21**	**6,954**	6,535	24	31	6,528
Corporate debt	**10,376**	**116**	**9**	**10,483**	10,210	115	8	10,317
Corporate equity	**1,504**	**121**	**3**	**1,622**	1,413	148	1	1,560
Total	**51,500**	**448**	**65**	**51,883**	53,303	503	96	53,710

(1) These amounts are supported by insured mortgages.
(2) Unrealized gains and losses may be offset by related losses (gains) on liabilities or hedge contracts

Note 3: Loans and Allowance for Credit Losses

Allowance for Credit Losses ("ACL")

The allowance for credit losses recorded in our Consolidated Balance Sheet is maintained at a level that we consider adequate to absorb credit-related losses on our loans, customers' liability under acceptances and other credit instruments. The portion related to other credit instruments is recorded in other liabilities in our Consolidated Balance Sheet. As at April 30, 2014, there was a $248 million ($248 million as at April 30, 2013) allowance for credit losses related to other credit instruments included in other liabilities.

A continuity of our allowance for credit losses is as follows:

(Canadian $ in millions)	Residential mortgages		Credit card, consumer instalment and other personal loans		Business and government loans		Customers' liability under acceptances		Total	
For the three months ended	**April 30, 2014**	April 30, 2013	**April 30, 2014**	April 30, 2013	**April 30, 2014**	April 30, 2013	**April 30, 2014**	April 30, 2013	**April 30, 2014**	April 30, 2013
Impairment Allowances (Specific ACL), beginning of period	**105**	82	**75**	64	**335**	321	**-**	-	**515**	467
Amounts written off	**(21)**	(30)	**(158)**	(187)	**(55)**	(90)	**-**	-	**(234)**	(307)
Recoveries of amounts written off in previous periods	**8**	6	**38**	37	**93**	140	**-**	-	**139**	183
Charge to Income Statement (Specific PCL)	**16**	29	**131**	159	**15**	(14)	**-**	-	**162**	174
Foreign exchange and other movements	**(6)**	(6)	**(7)**	(5)	**8**	30	**-**	-	**(5)**	19
Specific ACL, end of period	**102**	81	**79**	68	**396**	387	**-**	-	**577**	536
Collective ACL, beginning of period	**99**	52	**630**	618	**780**	763	**24**	25	**1,533**	1,458
Charge to income statement (Collective PCL)	**(11)**	(2)	**12**	(5)	**(4)**	(21)	**3**	(2)	**-**	(30)
Foreign exchange and other movements	**(1)**	-	**(2)**	-	**(9)**	9	**-**	-	**(12)**	9
Collective ACL, end of period	**87**	50	**640**	613	**767**	751	**27**	23	**1,521**	1,437
Total ACL	**189**	131	**719**	681	**1,163**	1,138	**27**	23	**2,098**	1,973
Comprised of: Loans	**169**	116	**719**	681	**935**	905	**27**	23	**1,850**	1,725
Other credit instruments	**20**	15	**-**	-	**228**	233	**-**	-	**248**	248

(Canadian $ in millions)	Residential mortgages		Credit card, consumer instalment and other personal loans		Business and government loans		Customers' liability under acceptances		Total	
For the six months ended	**April 30, 2014**	April 30, 2013	**April 30, 2014**	April 30, 2013	**April 30, 2014**	April 30, 2013	**April 30, 2014**	April 30, 2013	**April 30, 2014**	April 30, 2013
Impairment Allowances (Specific ACL), beginning of period	**99**	76	**71**	62	**315**	338	**-**	-	**485**	476
Amounts written off	**(41)**	(55)	**(309)**	(383)	**(165)**	(195)	**-**	-	**(515)**	(633)
Recoveries of amounts written off in previous periods	**21**	8	**80**	72	**249**	261	**-**	-	**350**	341
Charge to Income Statement (Specific PCL)	**31**	64	**246**	320	**(16)**	(32)	**-**	-	**261**	352
Foreign exchange and other movements	**(8)**	(12)	**(9)**	(3)	**13**	15	**-**	-	**(4)**	-
Specific ACL, end of period	**102**	81	**79**	68	**396**	387	**-**	-	**577**	536
Collective ACL, beginning of period	**88**	47	**622**	624	**756**	759	**19**	30	**1,485**	1,460
Charge to income statement (Collective PCL)	**(3)**	3	**16**	(11)	**(21)**	(15)	**8**	(7)	**-**	(30)
Foreign exchange and other movements	**2**	-	**2**	-	**32**	7	**-**	-	**36**	7
Collective ACL, end of period	**87**	50	**640**	613	**767**	751	**27**	23	**1,521**	1,437
Total ACL	**189**	131	**719**	681	**1,163**	1,138	**27**	23	**2,098**	1,973
Comprised of: Loans	**169**	116	**719**	681	**935**	905	**27**	23	**1,850**	1,725
Other credit instruments	**20**	15	**-**	-	**228**	233	**-**	-	**248**	248

Interest income on impaired loans of $28 million and $64 million was recognized for the three and six months ended April 30, 2014, respectively. ($35 million and $69 million for the three and six months ended April 30, 2013, respectively).

Renegotiated Loans

From time to time we modify the contractual terms of loans due to the poor financial condition of the borrower. We assess renegotiated loans for impairment consistent with our existing policies for impairment. When renegotiation leads to significant concessionary modifications to the contractual terms of the loan and the concessions are for economic or legal reasons related to the borrower's financial difficulty that we would not otherwise consider, the loan is classified as impaired. We consider one or a combination of the following to be significant concessions: (1) a reduction of the stated interest rate, (2) an extension of the maturity date or dates at a stated interest rate lower than the current market rate for a new loan with a similar term, or (3) forgiveness of principal or accrued interest.

Renegotiated loans are permitted to remain in performing status if the modifications are not considered to be significant concessions or are returned to performing status when none of the criteria for classification as impaired continue to apply.

The carrying value of our renegotiated loans was $438 million as at April 30, 2014 ($388 million as at October 31, 2013). Renegotiated loans of $186 million were classified as performing as at April 30, 2014 ($155 million as at October 31, 2013). Renegotiated loans of $2 million were written off in the quarter ended April 30, 2014 ($59 million in the year ended October 31, 2013).

FDIC Covered Loans

Certain loans acquired as part of our acquisition of AMCORE Bank are subject to a loss share agreement with the Federal Deposit Insurance Corporation ("FDIC"). Under this agreement, the FDIC reimburses us for 80% of the net losses we incur on the covered loans.

For the three and six months ended April 30, 2014, we recorded net provisions for credit losses of $2 million and $1 million, respectively, related to AMCORE loans (net provisions for credit losses of $5 million and net recoveries of $9 million, respectively, for the three and six months ended April 30, 2013). These amounts are net of the amounts expected to be reimbursed by the FDIC on the covered loans.

Purchased Performing Loans

For performing loans with fixed terms, the future credit mark is fully amortized to net interest income over the expected life of the loan using the effective interest method. The impact to net interest income for the three and six months ended April 30, 2014 was $9 million and $17 million, respectively ($16 million and $30 million for the three and six months ended April 30, 2013, respectively). The incurred credit losses are re-measured at each reporting period, with any increases recorded in the provision for credit losses. Decreases in incurred credit losses will be recorded in the provision for credit losses until the accumulated collective allowance is exhausted. Any additional decrease will be recorded in net interest income. The impact of the re-measurement of incurred credit losses for performing loans with fixed terms for the three and six months ended April 30, 2014 was $4 million and $4 million, respectively, in provision for credit losses and $nil and $6 million in net interest income respectively ($nil and $nil in provision for credit losses and $35 million and $105 million in net interest income, respectively, for the three and six months ended April 30, 2013).

For performing loans with revolving terms, the incurred and future credit marks are amortized into net interest income on a straight line basis over the contractual terms of the loans. The impact to net interest income of such amortization for performing loans with revolving terms for the three and six months ended April 30, 2014 was $11 million and $25 million, respectively ($34 million and $70 million, respectively, for the three and six months ended April 30, 2013).

As performing loans are repaid, the related remaining unamortized credit marks are recorded as net interest income during the period in which the cash is received. The impact to net interest income as a result of repayments for the three and six months ended April 30, 2014 was $44 million and $89 million, respectively ($68 million and $133 million, respectively, for the three and six months ended April 30, 2013).

Actual specific provisions for credit losses relating to these performing loans will be recorded as they arise in a manner that is consistent with our accounting policy for loans we originate. The total specific provision for credit losses impact for purchased performing loans for the three and six months ended April 30, 2014 was $21 million and $55 million, respectively ($65 million and $147 million, respectively, for the three and six months ended April 30, 2013).

As at April 30, 2014 the remaining amount of purchased performing loans on the balance sheet was $15.5 billion ($16.6 billion as at October 31, 2013). As at April 30, 2014, the remaining credit mark on performing term loans, revolving loans and other performing loans was $350 million, $122 million and $3 million, respectively ($425 million, $156 million, and $6 million, respectively as at October 31, 2013). Of the total credit mark for performing loans of $475 million, $267 million represents the credit mark that will be amortized over the remaining life of the portfolio. The remaining $208 million represents the incurred credit mark and will be re-measured each reporting period.

Purchased Credit Impaired Loans ("PCI Loans")

Subsequent to the acquisition date, we regularly re-evaluate what we expect to collect on the PCI loans. Increases in expected cash flows will result in a recovery in the specific provision for credit losses and either a reduction in any previously recorded allowance for credit losses or, if no allowance exists, an increase in the current carrying value of the purchased credit impaired loans. Decreases in expected cash flows will result in a charge to the specific provision for credit losses and an increase in the allowance for credit losses. The impact of these evaluations for the three and six month periods ended April 30, 2014 was $45 million and $162 million recovery of specific provision for credit losses ($107 million and $166 million recovery for the three and six months ended April 30, 2013).

As at April 30, 2014, the remaining amount of purchased credit impaired loans on the balance sheet was $0.6 billion ($0.7 billion as at October 31, 2013). As at April 30, 2014, the remaining credit mark related to purchased credit impaired loans was $12 million ($128 million as at October 31, 2013).

Unfunded Commitments and Letters of Credit Acquired

As part of our purchase of Marshall and Ilsley Corporation ("M&I") we recorded a liability related to unfunded commitments and letters of credit.

As at April 30, 2014, the remaining credit mark on unfunded commitments and letters of credit acquired was $7 million ($15 million as at October 31, 2013).

Note 4: Risk Management

We have an enterprise-wide approach to the identification, measurement, monitoring and management of risks faced across the organization. The key financial instrument risks are classified as credit and counterparty, market, and liquidity and funding risk.

Credit and Counterparty Risk

We are exposed to credit risk from the possibility that counterparties may default on their financial obligations to us. Credit risk arises predominantly with respect to loans, debt securities, over-the-counter derivatives and other credit instruments. This is the most significant measurable risk that we face.

Market Risk

Market risk is the potential for adverse changes in the value of our assets and liabilities resulting from changes in market variables such as interest rates, foreign exchange rates, equity and commodity prices and their implied volatilities, and credit spreads, as well as the risk of credit migration and default. We incur market risk in our trading and underwriting activities and non-trading (structural) banking activities.

Liquidity and Funding Risk

Liquidity and funding risk is the potential for loss in the event that we are unable to meet our financial commitments in a timely manner at reasonable prices as our commitments come due. It is our policy to ensure that sufficient liquid assets and funding capacity are available to meet financial commitments, including liabilities to depositors and suppliers, and lending, investment and pledging commitments, even in times of stress. Managing liquidity and funding risk is essential to maintaining both depositor confidence and stability in earnings.

Key measures as at April 30, 2014 are outlined in the Risk Management section on pages 26 to 32 of Management's Discussion and Analysis of the Second Quarter 2014 Report to Shareholders.

Note 5: Guarantees

In the normal course of business we enter into a variety of guarantees. The most significant guarantees are as follows:

Standby Letters of Credit and Guarantees

Standby letters of credit and guarantees represent our obligation to make payments to third parties on behalf of another party if that party is unable to make the required payments or meet other contractual requirements. The maximum amount payable under standby letters of credit and guarantees totalled $13,489 million as at April 30, 2014 ($13,470 million as at October 31, 2013). The majority have a term of one year or less. Collateral requirements for standby letters of credit and guarantees are consistent with our collateral requirements for loans. A large majority of these commitments expire without being drawn upon. As a result, the total contractual amounts may not be representative of the funding likely to be required for these commitments.

As at April 30, 2014, $45 million ($41 million as at October 31, 2013) was included in other liabilities related to guaranteed parties that were unable to meet their obligation to third parties.

Backstop and Other Liquidity Facilities

Backstop liquidity facilities are provided to asset-backed commercial paper ("ABCP") programs administered by either us or third parties as an alternative source of financing in the event that such programs are unable to access ABCP markets or when predetermined performance measures of the financial assets owned by these programs are not met. The terms of the backstop liquidity facilities do not require us to advance money to these programs in the event of bankruptcy of the borrower. The facilities' terms are generally no longer than one year, but can be several years.

The maximum amount payable under these backstop and other liquidity facilities totalled $5,201 million as at April 30, 2014 ($4,512 million as at October 31, 2013). As at April 30, 2014, $85 million was outstanding from facilities drawn in accordance with the terms of the backstop liquidity facilities ($145 million as at October 31, 2013).

Credit Enhancement Facilities

Where warranted, we provide partial credit enhancement facilities to transactions within ABCP programs administered by either us or third parties. Credit enhancement facilities are included in backstop liquidity facilities.

Senior Funding Facility

In addition to our investment in the notes subject to the Montreal Accord, we have provided a senior loan facility of $119 million as at April 30, 2014 ($232 million as at October 31, 2013). No amounts were drawn as at April 30, 2014 or October 31, 2013.

Derivatives

Certain of our derivative instruments meet the accounting definition of a guarantee when they require the issuer to make payments to reimburse the holder for a loss incurred because a debtor fails to make payment when due under the terms of a debt instrument. In order to reduce our exposure to these derivatives, we enter into contracts that hedge the related risks.

Written credit default swaps require us to compensate a counterparty following the occurrence of a credit event in relation to a specified reference obligation, such as a bond or a loan. The maximum amount payable under credit default swaps is equal to their notional amount of $11,972 million as at April 30, 2014 ($13,288 million as at October 31, 2013). The terms of these contracts range from less than one year to 10 years. The fair value of the related derivative liabilities included in derivative instruments in our Consolidated Balance Sheet was $104 million as at April 30, 2014 ($102 million as at October 31, 2013).

Exchange and Clearinghouse Guarantees

We are a member of several securities and futures exchanges and clearinghouses. Membership in certain of these organizations may require us to pay a pro rata share of the losses incurred by the organization in the event of default of another member. Such obligations vary with different organizations. These obligations may be limited to members who dealt with the defaulting member, an amount related to our contribution to a member's guarantee fund, or an amount specified in the membership agreement. It is difficult to estimate our maximum exposure under these membership agreements, since this would require an assessment of future claims that may be made against us that have not yet occurred. Based on historical experience, we expect the risk of loss to be remote.

Indemnification Agreements

In the normal course of operations, we enter into various agreements that provide general indemnifications. These indemnifications typically occur in connection with sales of assets, securities offerings, service contracts, membership agreements, clearing arrangements, derivatives contracts and leasing transactions. We also have a securities lending business that lends securities owned by clients to borrowers who have been evaluated for credit risk using the same credit risk process that is applied to loans and other credit assets. In connection with these activities, we provide an indemnification to lenders against losses resulting from the failure of the borrower to return loaned securities when due. All borrowings are fully collateralized with cash or marketable securities. As securities are loaned, we require borrowers to maintain collateral which is equal to or in excess of 100% of the fair value of the securities borrowed. The collateral is revalued on a daily basis. The amount of securities loaned subject to indemnification was $5,202 million as at April 30, 2014 ($4,778 million as at October 31, 2013). No amount was included in our Consolidated Balance Sheet as at April 30, 2014 and October 31, 2013 related to these indemnifications.

Note 6: Securitization

Periodically, we securitize loans to obtain alternate sources of funding. Securitization involves selling loans to trusts ("securitization vehicles"), which buy the loans and then issue either interest bearing or discounted investor certificates.
The following table shows the carrying amounts related to securitization activities with third parties that are recorded on our Consolidated Balance Sheet, together with the associated liabilities, for each category of asset on the balance sheet:

(Canadian $ in millions)	**April 30, 2014 (1) (2)**		October 31, 2013	
	Carrying amount of assets	**Associated liabilities**	Carrying amount of assets	Associated liabilities
Residential mortgages	**10,206**		9,956	
	10,206		9,956	
Other related assets	**6,591**		8,660	
Total	**16,797**	**16,471**	18,616	18,235

(1) The fair value of the securitized assets is $16,924 million and the fair value of the associated liabilities is $16,735 million, for a net position of $189 million. Securitized assets are those which we have transferred to third parties, including other related assets.
(2) During the three and six months ended April 30, 2014, we sold $856 million and $2,016 million of loans to third-party securitization programs ($1,893 million and $3,329 million for the three and six months ended April 30, 2013).

The other related assets represent payments received on account of loans pledged under securitization that have not been applied against the associated liabilities. The payments received are held on behalf of the investors in the securitization vehicles until principal payments are required to be made on the associated liabilities. In order to compare all assets supporting the associated liabilities, this amount is added to the carrying value of the securitized assets in the above table.

Note 7: Structured Entities

On-balance sheet amounts and maximum exposure to loss related to structured entities that are not consolidated are summarized in the table below:

(Canadian $ in millions)	**April 30, 2014**			October 31,2013		
	Capital and funding vehicles	**Canadian customer securitization vehicles (2)**	**Structured finance vehicles**	Capital and funding vehicles	Canadian customer securitization vehicles (2)	Structured finance vehicles
Cash and cash equivalents	**9**	**-**	**-**	8	-	-
Trading securities	**2**	**16**	**11,345**	2	13	12,120
Available-for-sale securities	**-**	**849**	**-**	-	721	-
Other	**-**	**-**	**221**	-	-	119
	11	**865**	**11,566**	10	734	12,239
Deposits	**1,263**	**-**	**6,085**	1,254	-	6,584
Derivatives	**-**	**-**	**912**	-	-	985
Other	**20**	**-**	**4,553**	20	-	4,582
	1,283	**-**	**11,550**	1,274	-	12,151
Exposure to loss						
Securities held	**2**	**865**	**11,345**	2	734	12,116
Drawn facilities	**12**	**-**	**-**	12	-	-
Undrawn facilities (1)	**43**	**4,310**	**na**	43	3,866	na
Derivative assets	**-**	**-**	**-**	-	-	-
	57	**5,175**	**11,345**	57	4,600	12,116

(1) These facilities are backstop liquidity facilities provided to our Canadian customer securitization vehicles. The majority of the backstop liquidity facilities provided to our Canadian customer securitization vehicles did not relate to credit support as at April 30, 2014 and October 31, 2013.
(2) Securities held that are issued by our Canadian customer securitization vehicles are comprised of asset-backed commercial paper and are classified as trading securities and available-for-sale securities. Assets held by all these vehicles relate to assets in Canada.

na - not applicable

On-balance sheet amounts and maximum exposure to loss related to structured entities that are consolidated are summarized in the table below. All intercompany balances and transactions between us and the consolidated structured entities are eliminated upon consolidation.

(Canadian $ in millions)	April 30, 2014					October 31,2013				
	Bank securitization vehicles	**U.S. customer securitization vehicle**	**Credit protection vehicle**	**Structured investment vehicles**	**Capital and funding vehicles (3)**	Bank securitization vehicle	U.S. customer securitization vehicle	Credit protection vehicle (1)	Structured investment vehicles (2)	Capital and funding vehicles (3)
Cash and cash equivalents	**-**	**27**	**394**	**7**	**799**	-	370	1,430	7	311
Trading securities	**-**	**-**	**-**	**-**	**-**	-	-	-	-	-
Available-for-sale securities	**-**	**-**	**-**	**-**	**-**	-	-	-	-	-
Loans	**6,964**	**3,579**	**-**	**-**	**18,964**	7,190	3,537	-	-	20,717
Other	**34**	**3**	**-**	**-**	**37**	25	3	-	-	40
	6,998	**3,609**	**394**	**7**	**19,800**	7,215	3,910	1,430	7	21,068
Deposits	**-**	**3,295**	**-**	**-**	**-**	-	3,578	-	-	-
Other	**4,945**	**4**	**162**	**7**	**18**	4,328	2	530	7	18
	4,945	**3,299**	**162**	**7**	**18**	4,328	3,580	530	7	18
Exposure to loss										
Securities held	**1,658**	**-**	**252**	**-**	**840**	1,499	-	922	-	840
Drawn facilities	**-**	**242**	**-**	**-**	**17,247**	-	264	-	-	18,595
Undrawn facilities	**-**	**5,361**	**-**	**-**	**7,907**	-	4,417	-	-	8,455
Derivative assets	**-**	**-**	**14**	**-**	**76**	-	-	20	-	84
	1,658	**5,603**	**266**	**-**	**26,070**	1,499	4,681	942	-	27,974

(1) During the year ended October 31, 2013, the senior funding facility provided to our credit protection vehicle was terminated.
(2) During the year ended October 31, 2013, Links Finance Corporation sold its remaining assets and fully repaid our liquidity facility.
(3) The loans balance primarily consists of mortgages transferred to our covered bonds programs. Mortgages in excess of the amount of covered bonds outstanding plus the minimum required over-collateralization amounts under these programs are readily available to the bank. The undrawn facilities also primarily relate to our covered bond programs; the bank retains the authority to determine whether the facilities are utilized.

Note 8: Acquisitions

The cost of an acquisition is measured at the fair value of the consideration transferred, including contingent consideration. Acquisition-related costs are recognized as an expense in the period in which they are incurred. The acquired identifiable assets, liabilities and contingent consideration are measured at their fair values at the date of acquisition. Goodwill is measured as the excess of the aggregate of the consideration transferred over the net of the amounts of identifiable assets acquired and liabilities assumed. The results of operations of acquired businesses are included in our consolidated financial statements beginning on the date of acquisition.

Aver Media LP ("Aver")

On April 1, 2013, we completed the acquisition of the assets of Aver Media LP, a private Canadian-based film and TV media lending company for cash consideration of $260 million, subject to a post-closing adjustment based on net assets, plus contingent consideration of approximately $10 million to be paid over 18 months after the acquisition date. During the quarter ended April 30, 2014, we paid $6 million of the contingent consideration, plus accrued interest. Acquisition-related costs of $1 million were expensed in non-interest expense, other in our Consolidated Statement of Income for the year ended October 31, 2013. This acquisition is predominantly of the Aver loan portfolio which provides us with additional opportunities to grow our commercial loan business by expanding our presence in the film and television production industry. Goodwill related to this acquisition is deductible for tax purposes. As part of this acquisition, we acquired a customer relationship intangible asset which is being amortized on an accelerated basis over 10 years. Aver is part of our Canadian P&C reporting segment. The acquisition was accounted for as a business combination.

Asian Wealth Management Business ("AWMB")

On January 25, 2013, we completed the acquisition of an Asian-based wealth management business for cash consideration of $33 million. During 2013, the purchase price increased to $34 million due to a post-closing adjustment based upon working capital. In 2013, acquisition costs of $4 million were expensed in non-interest expense, other in our Consolidated Statement of Income. The business provides private banking services to high net worth individuals in the Asia-Pacific region and provides an important opportunity for us to expand our offering to high net worth individuals in this region. Goodwill related to this acquisition is deductible for tax purposes. As part of this acquisition, we acquired a customer relationship intangible asset which is being amortized on a straight-line basis over 15 years, and software intangible assets which are being amortized over their remaining useful lives. AWMB is part of our Wealth Management reporting segment.

The estimated fair values of the assets acquired and the liabilities assumed at the date of acquisition are as follows:

(Canadian $ in millions)		2013
	Aver	AWMB
Cash resources	-	434
Loans	232	310
Premises and equipment	-	1
Goodwill	20	17
Intangible assets	16	17
Other assets	3	2
Total assets	271	781
Deposits	-	746
Other liabilities	1	1
Total liabilities	1	747
Purchase price	270	34

F&C Asset Management plc ("F&C")

On May 7, 2014, we completed the acquisition of all the issued and outstanding share capital of F&C Asset Management plc ("F&C"), an investment manager based in the United Kingdom, for cash consideration of £712 million. Included in non-interest expense, other in our Consolidated Income Statement are acquisition costs of $5 million and $11 million incurred in the three months and six months ended April 30, 2014, respectively. We are finalizing the fair value adjustments to the net assets acquired and will include a purchase price equation in our third quarter financial statements. This acquisition enables us to enhance our investment platform capabilities and provides opportunities to service wealth markets in the United Kingdom and the rest of Europe.

Note 9: Goodwill

When we complete an acquisition, we allocate the purchase price paid to the assets acquired, including identifiable intangible assets and the liabilities assumed. Any excess of the consideration transferred over the fair value of those net assets is considered to be goodwill. Goodwill is not amortized.

There were no write-downs of goodwill due to impairment during the three and six months ended April 30, 2014 and the year ended October 31, 2013.

A continuity of our goodwill by cash generating unit for the quarter ended April 30, 2014 and the year ended October 31, 2013 is as follows:

(Canadian $ in millions)	Personal and Commercial Banking			Wealth Management					BMO Capital Markets	Total
	Canadian P&C	U.S. P&C	Total	Client Investing	Global Asset Management	Private Banking	Insurance	Total		
Goodwill as at October 31,2012	48	2,594	2,642	68	381	357	2	808	194	3,644
Acquisitions during the year	20	-	20	-	-	17	-	17	-	37
Other (1)	1	108	109	-	7	17	-	24	5	138
Goodwill as at October 31,2013	69	2,702	2,771	68	388	391	2	849	199	3,819
Acquisitions during the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Other (1)	**(1)**	**139**	**138**	**-**	**10**	**19**	**-**	**29**	**8**	**175**
Goodwill as at April 30, 2014	**68** (2)	**2,841** (3)	**2,909**	**68** (4)	**398** (5)	**410** (6)	**2** (7)	**878**	**207** (8)	**3,994**

(1) Other changes in goodwill included the effects of translating goodwill denominated in foreign currencies into Canadian dollars and purchase accounting adjustments related to prior-year purchases.
(2) Relates primarily to bcpbank Canada, Diners Club, and Aver Media LP. On November 1, 2013 we adopted IFRS 11. Goodwill of $73 million related to our joint venture is now included in the equity investment balance in other equity securities.
(3) Relates primarily to New Lenox State Bank, First National Bank of Joliet, Household Bank branches, Mercantile Bancorp, Inc., Villa Park Trust Savings Bank, First National Bank & Trust, Ozaukee Bank, Merchants and Manufacturers Bancorporation, Inc., AMCORE and M&I.
(4) Relates to BMO Nesbitt Burns Inc.
(5) Relates to Guardian Group of Funds Ltd., Pyrford International plc, Integra GRS, LGM and M&I.
(6) Relates primarily to Harris myCFO, Inc., Stoker Ostler Wealth Advisors, Inc., M&I, CTC Consulting LLC and AWMB.
(7) Relates to AIG.
(8) Relates to Gerard Klauer Mattison Co., Inc., BMO Nesbitt Burns Inc, Griffin, Kubik, Stephens & Thompson, Inc., Paloma Securities LLC and M&I.

Note 10: Deposits

(Canadian $ in millions)	Payable on demand				Payable after notice		Payable on a fixed date (3)		Total	
	Interest bearing		Non-interest bearing							
	April 30, 2014	October 31, 2013	**April 30, 2014**	October 31, 2013	**April 30, 2014**	October 31, 2013	**April 30, 2014**	October 31, 2013	**April 30, 2014**	October 31, 2013
Deposits by:										
Banks	**1,225**	679	**924**	928	**2,543**	4,076	**17,915**	14,908	**22,607**	20,591
Businesses and governments	**12,596**	13,947	**28,430**	23,535	**54,403**	54,178	**143,486**	130,686	**238,915**	222,346
Individuals	**2,618**	2,579	**12,176**	11,448	**73,669**	69,853	**44,022**	41,552	**132,485**	125,432
Total (1) (2)	**16,439**	17,205	**41,530**	35,911	**130,615**	128,107	**205,423**	187,146	**394,007**	368,369
Booked in:										
Canada	**14,753**	15,440	**26,659**	25,601	**75,644**	76,414	**113,746**	109,574	**230,802**	227,029
United States	**1,122**	1,153	**14,771**	10,211	**54,508**	51,262	**70,198**	59,800	**140,599**	122,426
Other countries	**564**	612	**100**	99	**463**	431	**21,479**	17,772	**22,606**	18,914
Total	**16,439**	17,205	**41,530**	35,911	**130,615**	128,107	**205,423**	187,146	**394,007**	368,369

(1) Includes structured notes designated at fair value through profit loss.
(2) As at April 30, 2014 and October 31, 2013, total deposits payable on a fixed date included $23,148 million and $19,496 million, respectively, of federal funds purchased and commercial paper issued and other deposit liabilities. Included in deposits as at April 30, 2014 and October 31, 2013 are $197,628 million and $176,236 million, respectively, of deposits denominated in U.S. dollars, and $7,472 million and $4,822 million, respectively, of deposits denominated in other foreign currencies.
(3) Includes $181,395 million of deposits, each greater than one hundred thousand dollars, of which $94,593 million were booked in Canada, $65,322 million were booked in the United States and $21,480 million were booked in other countries ($161,941 million, $89,378 million, $54,791 million and $17,772 million, respectively, as at October 31, 2013). Of the $94,593 million of deposits booked in Canada $30,954 million mature in less than three months, $5,712 million mature in three to six months, $8,809 million mature in six to twelve months and $49,118 million mature after twelve months ($89,378 million, $31,304 million, $4,079 million, $6,861 million and $47,134 million, respectively, as at October 31, 2013). We have net unencumbered liquid assets of $170,457 million to support these and other deposit liabilities ($160,641 million as at October 31, 2013).

Deposits payable on demand are comprised primarily of our customers' chequing accounts, some of which we pay interest on. Our customers need not notify us prior to withdrawing money from their chequing accounts.
Deposits payable after notice are comprised primarily of our customers' savings accounts, on which we pay interest.
Deposits payable on a fixed date are comprised of:

- Various investment instruments purchased by our customers to earn interest over a fixed period, such as term deposits and guaranteed investment certificates. The terms of these deposits can vary from one day to 10 years.
- Federal funds purchased, which are overnight borrowings of other banks' excess reserve funds at a United States Federal Reserve Bank. As at April 30, 2014, we had borrowed $1,034 million of federal funds ($181 million as at October 31, 2013).
- Commercial paper, which totalled $5,100 million as at April 30, 2014 ($4,753 million as at October 31, 2013).
- Covered bonds, which totalled $8,329 million as at April 30, 2014 ($7,964 million as at October 31, 2013).

Note 11: Share Capital

On April 23, 2014, we issued 20 million Non-Cumulative, 5-Year Rate Reset Preferred Shares Series 27, at a price of $25.00 cash per share, for gross proceeds of $500 million. For the initial five year period to the earliest redemption date of May 25, 2019, the shares pay quarterly cash dividends, if declared, at a rate of 4.00% per annum. The dividend rate will reset on the earliest redemption date and every fifth year thereafter at a rate equal to the 5-year Government of Canada bond yield plus a premium of 2.33%. Holders have the option to convert their shares into an equal number of Non-Cumulative Floating Rate Class B Preferred Shares Series 28, subject to certain conditions, on the earliest redemption date and every fifth year thereafter. Holders of the Preferred Share Series 28 will be entitled to receive non-cumulative preferential floating rate quarterly dividends, as and when declared equal to the then 3-month Government of Canada Treasury Bill yield plus 2.33%. Subject to the consent of OSFI and the requirements of the Bank Act (Canada), we may redeem the shares in whole or in part for cash at a price per share of $25.00 on the earliest redemption date and every fifth year thereafter. The shares include a non-viability contingent capital provision, necessary for the shares to qualify as regulatory capital under Basel III. As such, the shares are convertible into a variable number of our common shares if OSFI announces that the bank is or is about to become no longer viable or if the bank accepts a capital injection or equivalent support from the government to avoid non-viability.

During the quarter ended April 30, 2014, we redeemed all of our Non-cumulative Class B Preferred Shares Series 18, at a redemption price of $25.00 per share plus declared and unpaid dividends up to but excluding the date fixed for redemption.

On April 16, 2014, we announced our intention to redeem all of our Non-cumulative Class B Preferred Shares Series 21 on May 25, 2014 at a redemption price of $25.00 per share plus declared and unpaid dividends up to but excluding the date fixed for redemption.

On February 1, 2014, we renewed our normal course issuer bid effective for one year. Under this bid, we may repurchase up to 15 million of our common shares for cancellation. The timing and amount of purchases under the program are subject to management discretion based on factors such as market conditions and capital adequacy. The bank will periodically consult with OSFI before making purchases under the bid. During the six months ended April 30, 2014, we did not repurchase any shares under this, or our previous, normal course issuer bid, which ended January 31, 2014. During the six months ended April 30, 2013, we repurchased 4 million common shares at an average cost of $63.58 per share, totaling $254 million.

During the quarter ended April 30, 2013, we redeemed all of our Non-cumulative Class B Preferred Shares Series 5, at a redemption price of $25.00 per share plus declared and unpaid dividends up to but excluding the date fixed for redemption.

During the quarter ended April 30, 2013, we redeemed all of the outstanding 7 3/8% Non-cumulative Exchangeable Preferred Stock, Series A, issued by one of our subsidiaries at a redemption price equal to US$25 per share for an aggregate redemption of US$250 million, plus unpaid dividends up to the date of redemption. Prior to the redemption, these preferred shares were reported in our Consolidated

Balance Sheet as non-controlling interest in subsidiaries. We recognized a gain of $107 million in contributed surplus related to foreign exchange on redemption of preferred shares.

Preferred and Common Shares Outstanding (1)

(Canadian $ in millions, except as noted)	April 30, 2014		October 31,2013			
	Number of shares	**Amount**	Number of shares	Amount	Convertible into...	
Preferred Shares - Classified as Liabilities						
Class B – Series 27	**20,000,000**	**500**	-	-	preferred shares - class B - series 28	(2)
Preferred Shares - Classified as Equity						
Class B – Series 13	**14,000,000**	**350**	14,000,000	350		
Class B – Series 14	**10,000,000**	**250**	10,000,000	250		
Class B – Series 15	**10,000,000**	**250**	10,000,000	250		
Class B – Series 16	**6,267,391**	**157**	6,267,391	157	preferred shares - class B - series 17	(2)
Class B – Series 17	**5,732,609**	**143**	5,732,609	143	preferred shares - class B - series 16	(2)
Class B – Series 18	**-**	**-**	6,000,000	150	preferred shares - class B - series 19	(2)
Class B – Series 21	**11,000,000**	**275**	11,000,000	275	preferred shares - class B - series 22	(2)
Class B – Series 23	**16,000,000**	**400**	16,000,000	400	preferred shares - class B - series 24	(2)
Class B – Series 25	**11,600,000**	**290**	11,600,000	290	preferred shares - class B - series 26	(2)
		2,115		2,265		
Common Shares (3)	**645,231,226**	**12,071**	644,129,945	12,003		
Share Capital		**14,186**		14,268		

(1) For additional information refer to Notes 20 and 22 to our consolidated financial statements for the year ended October 31, 2013 on pages 163 to 167 of our 2013 Annual Report.
(2) If converted, the holders have the option to convert back to the original preferred shares on subsequent redemption dates.
(3) The stock options issued under the stock option plan are convertible into 14,825,684 common shares as at April 30, 2014 (15,801,966 common shares as at October 31, 2013).

Note 12: Capital Management

Our objective is to maintain a strong capital position in a cost-effective structure that: considers our target regulatory capital ratios and internal assessment of required economic capital; is consistent with our targeted credit ratings; underpins our operating groups' business strategies; and builds depositor confidence and long-term shareholder value.
We met OSFI's stated "all-in" target capital ratios requirement as at April 30, 2014. Our capital position as at April 30, 2014 is detailed in the Capital Management section on pages 11 to 12 of Management's Discussion and Analysis of the Second Quarter Report to Shareholders.

Note 13: Employee Compensation

Stock Options

We did not grant any stock options during the three months ended April 30, 2014 and 2013. During the six months ended April 30, 2014, we granted a total of 1,618,223 stock options (2,003,446 stock options during the six months ended April 30, 2013). The weighted-average fair value of options granted during the six months ended April 30, 2014 was $6.36 per option ($5.29 per option for the six months ended April 30, 2013).

To determine the fair value of the stock option tranches (i.e. the portion that vests each year) on the grant date, the following ranges of values were used for each option pricing assumption:

For stock options granted during the six months ended	**April 30, 2014**	April 30, 2013
Expected dividend yield	**5.0%**	6.0%-6.2%
Expected share price volatility	**16.4%**	18.1%-18.6%
Risk-free rate of return	**2.5%-2.6%**	1.7%-1.9%
Expected period until exercise (in years)	**6.5-7.0**	5.5-7.0

Changes to the input assumptions can result in different fair value estimates.

Pension and Other Employee Future Benefit Expenses

Pension and other employee future benefit expenses are determined as follows:

(Canadian $ in millions)	Pension benefit plans		Other employee future benefit plans	
For the three months ended	**April 30, 2014**	April 30, 2013	**April 30, 2014**	April 30, 2013
Benefits earned by employees	**59**	59	**7**	7
Net interest cost (income)	**(3)**	1	**12**	12
Administrative expenses and taxes	**2**	2	**-**	-
Defined benefits expense	**58**	62	**19**	19
Canada and Quebec pension plan expense	**23**	25	**-**	-
Defined contribution expense	**2**	3	**-**	-
Total pension and other employee future benefit expenses	**83**	90	**19**	19

(Canadian $ in millions)

For the six months ended	Pension benefit plans April 30, 2014	April 30, 2013	Other employee future benefit plans April 30, 2014	April 30, 2013
Benefits earned by employees	**119**	117	**13**	13
Net interest cost (income)	**(5)**	2	**25**	24
Administrative expenses and taxes	**3**	3	**-**	-
Defined benefits expense	**117**	122	**38**	37
Canada and Quebec pension plan expense	**39**	41	**-**	-
Defined contribution expense	**4**	5	**-**	-
Total pension and other employee future benefit expenses	**160**	168	**38**	37

Note 14: Earnings Per Share

The following tables present the bank's basic and diluted earnings per share:

Basic earnings per share

(Canadian $ in millions, except as noted)

	For the three months ended April 30, 2014	April 30, 2013	For the six months ended April 30, 2014	April 30, 2013
Net income attributable to Bank shareholders	**1,062**	944	**2,110**	1,962
Dividends on preferred shares	**(27)**	(28)	**(55)**	(61)
Net income available to common shareholders	**1,035**	916	**2,055**	1,901
Average number of common shares outstanding (in thousands)	**644,881**	651,296	**644,654**	651,371
Basic earnings per share (Canadian $)	**1.61**	1.41	**3.19**	2.92

Diluted earnings per share

(Canadian $ in millions, except as noted)

	For the three months ended April 30, 2014	April 30, 2013	For the six months ended April 30, 2014	April 30, 2013
Net income available to common shareholders adjusted for dilution effect	**1,035**	916	**2,055**	1,901
Average number of common shares outstanding (in thousands)	**644,881**	651,296	**644,654**	651,371
Stock options potentially exercisable (1)	**11,281**	11,376	**11,285**	9,100
Common shares potentially repurchased	**(8,954)**	(9,899)	**(8,979)**	(7,769)
Average diluted number of common shares outstanding (in thousands)	**647,208**	652,773	**646,960**	652,702
Diluted earnings per share (Canadian $)	**1.60**	1.40	**3.18**	2.91

(1) In computing diluted earnings per share we excluded average stock options outstanding of 1,793,254 and 1,805,965 with a weighted-average exercise price of $235.33 and $235.28, respectively, for the three and six months ended April 30, 2014 (2,747,755 and 4,942,069 with a weighted-average exercise price of $201.73 and $140.27, respectively, for the three and six months ended April 30, 2013) as the average share price for the period did not exceed the exercise price.

Basic Earnings per Share

Our basic earnings per share is calculated by dividing our net income, after deducting total preferred shares dividends, by the daily average number of fully paid common shares outstanding throughout the period.

Diluted Earnings per Share

Diluted earnings per share represents what our earnings per share would have been if instruments convertible into common shares that had the impact of reducing our earnings per share had been converted either at the beginning of the year for instruments that were outstanding at the beginning of the year or from the date of issue for instruments issued during the year.

Employee Stock Options

In determining diluted earnings per share, we increase the average number of common shares outstanding by the number of shares that would have been issued if all stock options with a strike price below the average share price for the period had been exercised. When performance targets have not been met, affected options are excluded from the calculation. We also decrease the average number of common shares outstanding by the number of our common shares that we could have repurchased if we had used the proceeds from the exercise of stock options to repurchase them on the open market at the average share price for the period. We do not adjust for stock options with a strike price above the average share price for the year because including them would increase our earnings per share, not dilute it.

Note 15: Operating and Geographic Segmentation

Operating Groups

We conduct our business through three operating groups, each of which has a distinct mandate. We determine our operating groups based on our management structure and therefore these groups, and results attributed to them, may not be comparable with those of other financial services companies. We evaluate the performance of our groups using measures such as net income, revenue growth, return on equity, net economic profit and non-interest expense-to-revenue (productivity) ratio, as well as adjusted operating leverage.

Personal and Commercial Banking

Personal and Commercial Banking ("P&C") is comprised of two operating segments: Canadian Personal and Commercial Banking and U.S. Personal and Commercial Banking.

Canadian Personal and Commercial Banking

Canadian Personal and Commercial Banking ("Canadian P&C") serves personal and commercial banking customers through an integrated national network of BMO Bank of Montreal branches, automated banking machines ("ABMs"), telephone, mobile and online banking, along with the expertise of our mortgage specialists and financial planners. Personal banking provides financial solutions for everyday banking, financing, investing, credit cards and creditor insurance needs. Commercial banking provides our small business, medium-sized enterprise and mid-market banking customers with a broad suite of integrated commercial and capital markets products, as well as financial advisory services.

U.S. Personal and Commercial Banking

U.S. Personal and Commercial Banking ("U.S. P&C") offers a broad range of products and services to individuals and small and mid-sized business customers. Our retail and small and mid-sized business banking customers are served through our network of BMO Harris Bank branches, call centre, online and mobile banking platforms and ABMs across eight states.

Wealth Management

BMO's group of wealth management businesses serves a full range of client segments from mainstream to ultra-high net worth and institutional, with a broad offering of wealth management products and solutions including insurance products. Wealth Management ("WM") operates in both Canada and the United States, as well as in select global markets including Asia and Europe.

BMO Capital Markets

BMO Capital Markets ("BMO CM") provides capital-raising, strategic advisory and risk management, and integrated sales, trading and research services to corporate, institutional, and government clients in Canada, the United States and select international locations.

Corporate Services

Corporate Services consists of Corporate Units and Technology and Operations ("T&O"). Corporate Units provide enterprise-wide expertise and governance support in a variety of areas, including strategic planning, risk management, finance, legal and compliance, marketing, communications and human resources. T&O manages, maintains and provides governance over information technology, operations services, real estate and sourcing for BMO Financial Group.

The costs of Corporate Units and T&O services are largely transferred to the three client operating groups (P&C, WM and BMO CM), and only relatively minor amounts are retained in Corporate Services results. As such, Corporate Services operating results largely reflect the impact of certain asset-liability management activities, the elimination of taxable equivalent adjustments, the results from certain impaired real estate secured assets, purchased loan accounting impacts, certain acquisition integration costs, restructuring costs, run-off structured credit activities and adjustments to the collective allowance for credit losses.

Basis of Presentation

The results of these operating groups are based on our internal financial reporting systems. The accounting policies used in these segments are generally consistent with those followed in the preparation of our consolidated financial statements as disclosed in Note 1 and throughout the annual consolidated financial statements. A notable accounting measurement difference is the taxable equivalent basis adjustment as described below. Periodically, certain business lines and units within the business lines are transferred between client and corporate support groups to more closely align BMO's organizational structure with its strategic priorities. In addition, revenue and expense allocations are updated to more accurately align with current experience. Results for prior periods are restated to conform to current presentation.

Taxable Equivalent Basis

We analyze revenue on a taxable equivalent basis ("teb") at the operating group level. This basis includes an adjustment which increases reported revenues and the reported provision for income taxes by an amount that would raise revenues on certain tax-exempt items to a level that incurs tax at the statutory rate. The offset to the operating groups' teb adjustments is reflected in Corporate Services revenue and provision for income taxes.

Inter-Group Allocations

Various estimates and allocation methodologies are used in the preparation of the operating groups' financial information. We allocate expenses directly related to earning revenue to the groups that earned the related revenue. Expenses not directly related to earning revenue, such as overhead expenses, are allocated to operating groups using allocation formulas applied on a consistent basis. Operating group net interest income reflects internal funding charges and credits on the groups' assets, liabilities and capital, at market rates, taking into account relevant terms and currency considerations. The offset of the net impact of these charges and credits is reflected in Corporate Services.

Geographic Information

We operate primarily in Canada and the United States but we also have operations in the United Kingdom, Europe, the Caribbean and Asia, which are grouped in Other countries. We allocate our results by geographic region based on the location of the unit responsible for managing the related assets, liabilities, revenues and expenses, except for the consolidated provision for credit losses, which is allocated based upon the country of ultimate risk.

Our results and average assets, grouped by operating segment, are as follows:

(Canadian $ in millions)

For the three months ended April 30, 2014	Canadian P&C	U.S. P&C	Wealth Management	BMO CM	Corporate Services (1)	Total
Net interest income	**1,150**	**614**	**135**	**328**	**(164)**	**2,063**
Non-interest revenue	**410**	**149**	**743**	**625**	**51**	**1,978**
Total Revenue	**1,560**	**763**	**878**	**953**	**(113)**	**4,041**
Provision for credit losses	**133**	**50**	**2**	**(4)**	**(19)**	**162**
Amortization	**37**	**42**	**23**	**12**	**67**	**181**
Non-interest expense	**747**	**456**	**607**	**569**	**34**	**2,413**
Income before taxes and non-controlling interest in subsidiaries	**643**	**215**	**246**	**376**	**(195)**	**1,285**
Provision for income taxes	**163**	**60**	**52**	**71**	**(137)**	**209**
Reported net income	**480**	**155**	**194**	**305**	**(58)**	**1,076**
Non-controlling interest in subsidiaries	**-**	**-**	**-**	**-**	**14**	**14**
Net Income attributable to bank shareholders	**480**	**155**	**194**	**305**	**(72)**	**1,062**
Average Assets	**189,514**	**72,940**	**23,589**	**265,154**	**43,563**	**594,760**

For the three months ended April 30, 2013	Canadian P&C	U.S. P&C	Wealth Management	BMO CM	Corporate Services (1)	Total
Net interest income	1,085	583	133	289	39	2,129
Non-interest revenue	388	141	630	551	54	1,764
Total Revenue	1,473	724	763	840	93	3,893
Provision for credit losses	153	55	1	(6)	(59)	144
Amortization	36	42	21	11	61	171
Non-interest expense	728	419	566	500	166	2,379
Income before taxes and non- controlling interest in subsidiaries	556	208	175	335	(75)	1,199
Provision for income taxes	135	57	35	74	(64)	237
Reported net income	421	151	140	261	(11)	962
Non-controlling interest in subsidiaries	-	-	-	-	18	18
Net Income attributable to bank shareholders	421	151	140	261	(29)	944
Average Assets	174,521	63,567	22,103	250,970	43,738	554,899

(Canadian $ in millions)

For the six months ended April 30, 2014	Canadian P&C	U.S. P&C	Wealth Management	BMO CM	Corporate Services (1)	Total
Net interest income	**2,344**	**1,220**	**275**	**589**	**(252)**	**4,176**
Non-interest revenue	**818**	**291**	**1,470**	**1,338**	**70**	**3,987**
Total Revenue	**3,162**	**1,511**	**1,745**	**1,927**	**(182)**	**8,163**
Provision for credit losses	**274**	**69**	**1**	**(5)**	**(78)**	**261**
Amortization	**75**	**86**	**44**	**25**	**131**	**361**
Non-interest expense	**1,522**	**913**	**1,230**	**1,165**	**87**	**4,917**
Income before taxes and non-controlling interest in subsidiaries	**1,291**	**443**	**470**	**742**	**(322)**	**2,624**
Provision for income taxes	**327**	**122**	**101**	**160**	**(223)**	**487**
Reported net income	**964**	**321**	**369**	**582**	**(99)**	**2,137**
Non-controlling interest in subsidiaries	**-**	**-**	**-**	**-**	**27**	**27**
Net Income attributable to bank shareholders	**964**	**321**	**369**	**582**	**(126)**	**2,110**
Average Assets	**188,679**	**70,838**	**23,340**	**260,093**	**44,387**	**587,337**

For the six months ended April 30, 2013	Canadian P&C	U.S. P&C	Wealth Management	BMO CM	Corporate Services (1)	Total
Net interest income	2,208	1,170	269	578	152	4,377
Non-interest revenue	768	297	1,272	1,157	54	3,548
Total Revenue	2,976	1,467	1,541	1,735	206	7,925
Provision for credit losses	281	87	3	(21)	(28)	322
Amortization	72	85	41	22	121	341
Non-interest expense	1,472	833	1,117	1,013	344	4,779
Income before taxes and non- controlling interest in subsidiaries	1,151	462	380	721	(231)	2,483
Provision for income taxes	283	132	78	162	(170)	485
Reported net income	868	330	302	559	(61)	1,998
Non-controlling interest in subsidiaries	-	-	-	-	36	36
Net Income attributable to bank shareholders	868	330	302	559	(97)	1,962
Average Assets	172,910	62,968	21,668	251,955	44,965	554,466

(1) Corporate Services includes Technology and Operations.

Our results and average assets, allocated by geographic region, are as follows:

(Canadian $ in millions)

For the three months ended April 30, 2014	Canada	United States	Other countries	Total
Net interest income	**1,322**	**702**	**39**	**2,063**
Non-interest revenue	**1,301**	**583**	**94**	**1,978**
Total Revenue	**2,623**	**1,285**	**133**	**4,041**
Provision for credit losses	**138**	**25**	**(1)**	**162**
Amortization	**107**	**70**	**4**	**181**
Non-interest expense	**1,414**	**908**	**91**	**2,413**
Income before taxes and non-controlling interest in subsidiaries	**964**	**282**	**39**	**1,285**
Provision for income taxes	**172**	**56**	**(19)**	**209**
Reported net income	**792**	**226**	**58**	**1,076**
Non-controlling interest in subsidiaries	**14**	**-**	**-**	**14**
Net Income attributable to bank shareholders	**778**	**226**	**58**	**1,062**
Average Assets	**369,650**	**203,548**	**21,562**	**594,760**

For the three months ended April 30, 2013	Canada	United States	Other countries	Total
Net interest income	1,295	823	11	2,129
Non-interest revenue	1,222	443	99	1,764
Total Revenue	2,517	1,266	110	3,893
Provision for credit losses	170	(26)	-	144
Amortization	101	66	4	171
Non-interest expense	1,449	865	65	2,379
Income before taxes and non-controlling interest in subsidiaries	797	361	41	1,199
Provision for income taxes	137	108	(8)	237
Reported net income	660	253	49	962
Non-controlling interest in subsidiaries	13	5	-	18
Net Income attributable to bank shareholders	647	248	49	944
Average Assets	339,113	195,506	20,280	554,899

(Canadian $ in millions)

For the six months ended April 30, 2014	Canada	United States	Other countries	Total
Net interest income	**2,667**	**1,431**	**78**	**4,176**
Non-interest revenue	**2,627**	**1,167**	**193**	**3,987**
Total Revenue	**5,294**	**2,598**	**271**	**8,163**
Provision for credit losses	**269**	**(6)**	**(2)**	**261**
Amortization	**213**	**140**	**8**	**361**
Non-interest expense	**2,956**	**1,789**	**172**	**4,917**
Income before taxes and non-controlling interest in subsidiaries	**1,856**	**675**	**93**	**2,624**
Provision for income taxes	**350**	**152**	**(15)**	**487**
Reported net income	**1,506**	**523**	**108**	**2,137**
Non-controlling interest in subsidiaries	**27**	**-**	**-**	**27**
Net Income attributable to bank shareholders	**1,479**	**523**	**108**	**2,110**
Average Assets	**368,071**	**198,154**	**21,112**	**587,337**

For the six months ended April 30, 2013	Canada	United States	Other countries	Total
Net interest income	2,640	1,712	25	4,377
Non-interest revenue	2,444	903	201	3,548
Total Revenue	5,084	2,615	226	7,925
Provision for credit losses	303	20	(1)	322
Amortization	202	133	6	341
Non-interest expense	2,888	1,762	129	4,779
Income before taxes and non-controlling interest in subsidiaries	1,691	700	92	2,483
Provision for income taxes	317	173	(5)	485
Reported net income	1,374	527	97	1,998
Non-controlling interest in subsidiaries	26	10	-	36
Net Income attributable to bank shareholders	1,348	517	97	1,962
Average Assets	343,260	190,614	20,592	554,466

Note 16: Financial Instruments

Book Value and Fair Value of Financial Instruments

Set out in the following table are the amounts that would be reported if all of our financial instrument assets and liabilities were reported at their fair values. Refer to the notes to our annual consolidated financial statements for the year ended October 31, 2013 on pages 178 to 184 for further discussion on the determination of fair value.

(Canadian $ in millions)			**April 30, 2014**			October 31, 2013
	Book value	**Fair value**	**Fair value over (under) book value**	Book value	Fair value	Fair value over (under) book value
Assets						
Cash and cash equivalents	**35,082**	**35,082**	**-**	26,089	26,089	-
Interest bearing deposits with banks	**7,069**	**7,069**	**-**	6,518	6,518	-
Securities	**144,610**	**146,166**	**1,556**	135,800	137,322	1,522
Securities borrowed or purchased under resale agreements	**51,981**	**51,981**	**-**	39,799	39,799	-
Loans						
Residential mortgages	**97,632**	**97,640**	**8**	96,392	95,944	(448)
Consumer instalment and other personal	**64,571**	**63,871**	**(700)**	63,640	62,770	(870)
Credit cards	**7,953**	**7,695**	**(258)**	7,870	7,619	(251)
Businesses and governments	**116,492**	**114,916**	**(1,576)**	104,585	103,268	(1,317)
	286,648	**284,122**	**(2,526)**	272,487	269,601	(2,886)
Customers' liability under acceptances	**9,906**	**9,858**	**(48)**	8,472	8,437	(35)
Allowance for credit losses (1)	**(1,850)**	**-**	**1,850**	(1,665)	-	1,665
Total loans and customers' liability under acceptances, net of allowance for credit losses	**294,704**	**293,980**	**(724)**	279,294	278,038	(1,256)
Derivative instruments	**28,859**	**28,859**	**-**	30,259	30,259	-
Premises and equipment	**2,172**	**2,172**	**-**	2,168	2,168	-
Goodwill	**3,994**	**3,994**	**-**	3,819	3,819	-
Intangible assets	**1,554**	**1,554**	**-**	1,511	1,511	-
Current tax assets	**800**	**800**	**-**	1,065	1,065	-
Deferred tax assets	**2,927**	**2,927**	**-**	3,027	3,027	-
Other assets	**8,293**	**8,293**	**-**	7,695	7,695	-
	582,045	**582,877**	**832**	537,044	537,310	266
Liabilities						
Deposits	**394,007**	**394,160**	**153**	368,369	368,521	152
Derivative instruments	**30,279**	**30,279**	**-**	31,974	31,974	-
Acceptances	**9,906**	**9,906**	**-**	8,472	8,472	-
Securities sold but not yet purchased	**24,350**	**24,350**	**-**	22,446	22,446	-
Securities lent or sold under repurchase agreements	**46,125**	**46,125**	**-**	28,884	28,884	-
Current tax liabilities	**146**	**146**	**-**	438	438	-
Deferred tax liabilities	**71**	**71**	**-**	107	107	-
Other liabilities	**39,871**	**40,215**	**344**	41,179	41,457	278
Subordinated debt	**3,965**	**4,202**	**237**	3,996	4,217	221
Preferred Share Liability	**493**	**511**	**18**	-	-	-
Shareholders' equity	**32,832**	**32,832**	**-**	31,179	31,179	-
	582,045	**582,797**	**752**	537,044	537,695	651
Total fair value adjustment			**80**			(385)

(1) Allowance for credit losses is excluded from the calculation of the fair value of loans since the fair value already includes an adjustment for expected future losses on the loans.

Financial Instruments Designated at Fair Value

A portion of our structured note liabilities has been designated at fair value through profit or loss and are accounted for at fair value, which aligns the accounting result with the way the portfolio is managed. The change in fair value of these structured notes was a decrease in non-interest revenue, trading revenues of $13 million and $25 million, respectively for the three and six months ended April 30, 2014 (a decrease of $19 million and $11 million, respectively, for the three and six months ended April 30, 2013). This includes a decrease of $39 million and $37 million, respectively, for the three and six months ended April 30, 2014 attributable to changes in our credit spread (a decrease of $21 million and $35 million, respectively, for the three and six months ended April 30, 2013). We recognized offsetting amounts on derivatives and other financial instrument contracts that are held to hedge changes in the fair value of these structured notes.

The change in fair value related to changes in our credit spread that has been recognized since they were designated at fair value through profit or loss to April 30, 2014 was an unrealized loss of $89 million. We may enter into positions to manage the exposure to changes in our credit spreads.

The fair value and amount due at contractual maturity of these structured notes as at April 30, 2014 were $7,241 million and $7,316 million, respectively ($5,928 million and $6,028 million, respectively, as at October 31, 2013). These structured notes are recorded in Deposits in our Consolidated Balance Sheet.

We designate certain securities held by our insurance subsidiaries that support our insurance liabilities at fair value through profit or loss since the actuarial calculation of insurance liabilities is based on the fair value of the investments supporting them. This designation aligns the accounting result with the way the portfolio is managed on a fair value basis and the change in fair value for both items is recorded in non-interest revenue, insurance income. The fair value of these investments as at April 30, 2014 of $6,109 million ($5,766 million as at October 31, 2013) is recorded in securities, trading in our Consolidated Balance Sheet. The impact of recording these investments at fair value through profit or loss was an increase of $71 million and $227 million in non-interest revenue, insurance income, respectively, for the three and six months ended April 30, 2014 (an increase of $156 million and $110 million, respectively, for the three and six months ended April 30, 2013). Changes in the insurance liability balances are also recorded in non-interest revenue, insurance income.

We designate the obligation related to certain annuity contracts at fair value through profit or loss, which eliminates a measurement inconsistency that would otherwise arise from measuring the annuity liabilities and offsetting changes in the fair value of the investments supporting them on a different basis. The fair value of these annuity liabilities as at April 30, 2014 of $345 million ($329 million as at October 31, 2013) is recorded in Other Liabilities in our Consolidated Balance Sheet. The change in fair value of these annuity liabilities resulted in a decrease of $5 million and $13 million in non-interest revenue, insurance income, respectively, for the three and six months ended April 30, 2014 (a decrease of $13 million and a decrease of $18 million, respectively, for the three and six months ended April 30, 2013). Changes in the fair value of investments backing these annuity liabilities are also recorded in non-interest revenue, insurance income.

Note liabilities issued by our credit protection vehicle and our structured investment vehicle have been designated at fair value through profit or loss and are accounted for at fair value. This eliminates a measurement inconsistency that would otherwise arise from measuring the note liabilities and offsetting changes in the fair value of investments and derivatives on a different basis. The fair value of these note liabilities as at April 30, 2014 of $145 million ($511 million as at October 31, 2013) is recorded in Other Liabilities in our Consolidated Balance Sheet. The change in fair value of these note liabilities resulted in an increase of $1 million and $1 million in non-interest revenue, trading revenues, respectively, for the three and six months ended April 30, 2014 (a decrease of $1 million and $12 million, respectively, for the three and six months ended April 30, 2013).

We designate certain investments held in our merchant banking business at fair value through profit or loss, which aligns the accounting result with the way the portfolio is managed. The fair value of these investments as at April 30, 2014 of $494 million ($488 million as at October 31, 2013) is recorded in securities, other in our Consolidated Balance Sheet. The impact of recording these investments at fair value through profit or loss was an increase in non-interest revenue, securities gains, other than trading of $14 million and $8 million, respectively, for the three and six months ended April 30, 2014 (a decrease of $4 million and a decrease of $15 million, respectively, for the three and six months ended April 30, 2013).

Fair Value Hierarchy

We use a fair value hierarchy to categorize the inputs we use in valuation techniques to measure fair value. The extent of our use of quoted market prices (Level 1), internal models using observable market information as inputs (Level 2) and internal models without observable market information as inputs (Level 3) in the valuation of securities, fair value liabilities, derivative assets and derivative liabilities was as follows:

(Canadian $ in millions)	April 30, 2014			October 31,2013		
	Valued using quoted market prices	**Valued using models (with observable inputs)**	**Valued using models (without observable inputs)**	Valued using quoted market prices	Valued using models (with observable inputs)	Valued using models (without observable inputs)
Trading Securities						
Issued or guaranteed by:						
Canadian federal government	**9,806**	**1,133**	**-**	9,913	911	-
Canadian provincial and municipal governments	**2,092**	**3,930**	**-**	1,988	3,723	-
U.S. federal government	**6,468**	**-**	**-**	5,903	-	-
U.S. states, municipalities and agencies	**2**	**810**	**82**	-	681	78
Other governments	**190**	**16**	**-**	132	4	-
Mortgage-backed securities and collateralized mortgage obligations	**140**	**685**	**-**	165	487	-
Corporate debt	**3,035**	**8,248**	**663**	2,800	7,465	822
Corporate equity	**33,865**	**11,261**	**-**	28,073	12,014	-
	55,598	**26,083**	**745**	48,974	25,285	900
Available-for-Sale Securities						
Issued or guaranteed by:						
Canadian federal government	**11,167**	**4**	**-**	13,111	4	-
Canadian provincial and municipal governments	**1,498**	**2,270**	**-**	1,941	1,757	-
U.S. federal government	**3,104**	**-**	**-**	4,660	-	-
U.S. states, municipalities and agencies	**9**	**5,458**	**1**	3	5,388	1
Other governments	**4,315**	**2,021**	**-**	3,992	2,171	-
Mortgage-backed securities and collateralized mortgage obligations	**1,228**	**8,703**	**-**	1,901	6,904	-
Corporate debt	**5,400**	**5,073**	**10**	5,340	4,947	30
Corporate equity	**430**	**126**	**1,066**	460	151	949
	27,151	**23,655**	**1,077**	31,408	21,322	980
Other Securities	**-**	**-**	**494**	-	-	488
Fair Value Liabilities						
Securities sold but not yet purchased	**21,317**	**3,033**	**-**	20,024	2,422	-
Structured note liabilities and other note liabilities	**-**	**7,386**	**-**	-	6,439	-
Annuity liabilities	**-**	**345**	**-**	-	329	-
	21,317	**10,764**	**-**	20,024	9,190	-
Derivative Assets						
Interest rate contracts	**11**	**18,938**	**-**	7	22,215	-
Foreign exchange contracts	**10**	**7,974**	**-**	9	6,663	-
Commodity contracts	**903**	**189**	**-**	673	66	-
Equity contracts	**28**	**729**	**-**	16	520	-
Credit default swaps	**-**	**55**	**22**	-	62	28
	952	**27,885**	**22**	705	29,526	28
Derivative Liabilities						
Interest rate contracts	**9**	**17,801**	**-**	8	21,516	-
Foreign exchange contracts	**6**	**8,708**	**-**	5	6,443	-
Commodity contracts	**566**	**83**	**-**	695	138	-
Equity contracts	**80**	**2,922**	**-**	70	2,997	-
Credit default swaps	**-**	**88**	**16**	-	83	19
	661	**29,602**	**16**	778	31,177	19

Valuation Techniques and Significant Inputs

We determine the fair value of publicly traded fixed maturity and equity securities using quoted market prices in active markets (Level 1) when these are available. When quoted prices in active markets are not available, we determine the fair value of financial instruments using models such as discounted cash flows with observable market data for inputs such as yield and prepayment rates or broker quotes and other third-party vendor quotes (Level 2). Fair value may also be determined using models where the significant market inputs are unobservable due to inactive or minimal market activity (Level 3). We maximize the use of market inputs to the extent possible.

Our Level 2 trading securities are primarily valued using discounted cash flow models with observable spreads or based on broker quotes. The fair value of Level 2 available-for-sale securities is determined using discounted cash flow models with observable spreads or third-party vendor quotes. Level 2 structured note liabilities are valued using models with observable market information. Level 2 derivative assets and liabilities are valued using industry standard models and observable market information.

Quantitative Information about Level 3 Fair Value Measurements

The table below presents fair values of our significant Level 3 financial instruments, valuation techniques used to determine their fair values and ranges of unobservable inputs used in the valuations.

As at April 30, 2014 (Canadian $ in millions, except as noted) (1)	Reporting line in fair value hierarchy table	Fair value Assets	Fair value Liabilities	Valuation techniques	Significant unobservable inputs	Range of input values (2) Low	Range of input values (2) High
Securities							
Private equity (3)	Corporate equity	**1,066**	-	Net Asset Value	Net Asset Value	**n/a**	**n/a**
				EV/EBITDA	Multiple	**6.1x**	**14.3x**
CLO Securities (4)	Corporate debt	**673**	-	Discounted Cash Flow Model	Yield/Discount Margin	**1.50%**	**1.50%**
Merchant banking securities	Other	**494**	-	Net Asset Value	Net Asset Value	**n/a**	**n/a**
				EV/EBITDA	Multiple	**3.9x**	**9.2x**

(1) Comparative information relating to periods before November 1, 2013 is not required.
(2) The low and high input values represent the actual highest and lowest level inputs used to value a group of financial instruments in a particular product category. These input ranges do not reflect the level of input uncertainty, but are affected by the specific underlying instruments within the product category. The input ranges will therefore vary from period to period based on the characteristics of the underlying instruments held at each balance sheet date.
(3) Included in private equity is $584 million of United States Federal Reserve Bank and Federal Home Loan Bank shares that we hold to meet regulatory requirements. These shares are carried at cost, which is deemed to approximate fair value as a result of these shares not being traded in the market.
(4) Includes both trading and available-for-sale instruments.

Significant Unobservable Inputs in Level 3 Instrument Valuations

Net Asset Value

Net asset value represents the estimated value of our security based on valuations received from the investment or fund manager. The valuation of certain private equity securities is based on the economic benefit derived from our investment.

EV/EBITDA Multiple

The fair value of private equity and merchant banking investments is derived by calculating an enterprise value ("EV") using the EV/EBITDA multiple and then proceeding through a waterfall of the company's capital structure to determine the value of the assets/securities we hold. The EV/EBITDA multiple is determined using judgement considering factors such as multiples for comparable listed companies, recent transactions, company specific factors, and liquidity discounts to account for the lack of active trading in these assets/securities.

Yield/Discount Margin

A financial instrument's yield is the interest rate used to discount future cash flows in a valuation model. An increase in the yield, in isolation, would result in a decrease in a fair value measurement. A discount margin is the difference between a debt instrument's yield and a benchmark instrument's yield. Benchmark instruments have high credit quality ratings, similar maturities and are often government bonds. The discount margin for an instrument forms part of the yield used in a discounted cash flow calculation. Generally, an increase in the discount margin will result in a decrease in fair value.

Sensitivity Analysis of Level 3 Instruments

Sensitivity analysis at April 30, 2014 for significant Level 3 instruments, that is securities which represent greater than 10% of Level 3 instruments, is provided below. A sensitivity analysis was not performed on the significant Level 3 categories of private equity investments and merchant banking securities because we do not use models in the valuation of these instruments.

Within Level 3 trading securities is corporate debt of $663 million that relates to securities that are hedged with credit default swaps that are also Level 3 instruments. Within Level 3 derivative assets and derivative liabilities as at April 30, 2014 was $22 million and $16 million, respectively, related to the mark-to-market of credit default swaps on structured products. We have determined the valuation of these derivatives and the related securities based on market-standard models we use to model the specific collateral composition and cash flow structure of the deal. As at April 30, 2014, the impact of assuming a 10 basis point increase or decrease in the discount margin would result in $1 million decrease and increase in fair value, respectively.

Significant Transfers

Transfers are made between the various fair value hierarchy levels due to changes in the availability of quoted market prices or observable market inputs due to changing market conditions. The following is a discussion of the more significant transfers between Level 1, Level 2 and Level 3 balances for the three and six months ended April 30, 2014.

During the three months ended April 30, 2014, there were no transfers into or out of Level 3. During the six months ended April 30, 2014, $15 million of trading securities were transferred from Level 3 to Level 2 as market information became available for certain corporate debt securities.

Changes in Level 3 Fair Value Measurements

The tables below present a reconciliation of all changes in Level 3 financial instruments during the three and six months ended April 30, 2014, including realized and unrealized gains (losses) included in earnings and other comprehensive income.

For the three months ended April 30, 2014	Balance January 31, 2014	Change in fair value: Included in earnings	Change in fair value: Included in other compre-hensive income	Purchases	Sales	Maturities/ Settlement (1)	Transfers into Level 3	Transfers out of Level 3	Fair Value as at April 30, 2014	Unrealized gains (losses) (2)
Trading Securities										
Issued or guaranteed by:										
U.S. states, municipalities and agencies	83	**(1)**	-	-	-	-	-	-	**82**	**(1)**
Corporate debt	744	**(9)**	-	-	**(5)**	**(67)**	-	-	**663**	**(8)**
Total trading securities	827	**(10)**	-	-	**(5)**	**(67)**	-	-	**745**	**(9)**
Available-for-Sale Securities										
Issued or guaranteed by:										
U.S. states, municipalities and agencies	2	-	**(1)**	-	-	-	-	-	**1**	-
Corporate debt	12	-	-	-	**(2)**	-	-	-	**10**	**1**
Corporate equity	1,066	**(10)**	**(2)**	**16**	**(4)**	-	-	-	**1,066**	**(2)**
Total available-for-sale securities	1,080	**(10)**	**(3)**	**16**	**(6)**	-	-	-	**1,077**	**(1)**
Other Securities	501	**22**	-	**4**	**(33)**	-	-	-	**494**	**22**
Derivative Assets										
Credit default swaps	26	**(4)**	-	-	-	-	-	-	**22**	**(3)**
Derivative Liabilities										
Credit default swaps	18	**(2)**	-	-	-	-	-	-	**16**	**(1)**

(1) Includes cash settlement of derivative assets and derivative liabilities.
(2) Unrealized gains or losses on trading securities, derivative assets and derivative liabilities still held on April 30, 2014 are included in earnings in the period. For available-for-sale securities, the unrealized gains or losses on securities still held on April 30, 2014 are included in Accumulated Other Comprehensive Income.

For the six months ended April 30, 2014	Balance October 31, 2013	Change in fair value: Included in earnings	Change in fair value: Included in other compre-hensive income	Purchases	Sales	Maturities/ Settlement (1)	Transfers into Level 3	Transfers out of Level 3	Fair Value as at April 30, 2014	Unrealized gains (losses) (2)
Trading Securities										
Issued or guaranteed by:										
U.S. states, municipalities and agencies	78	**4**	-	-	-	-	-	-	**82**	**4**
Corporate debt	822	**51**	-	-	**(60)**	**(135)**	-	**(15)**	**663**	**53**
Total trading securities	900	**55**	-	-	**(60)**	**(135)**	-	**(15)**	**745**	**57**
Available-for-Sale Securities										
Issued or guaranteed by:										
U.S. states, municipalities and agencies	1	-	-	-	-	-	-	-	**1**	-
Corporate debt	30	**(1)**	-	-	**(19)**	-	-	-	**10**	**2**
Corporate equity	949	**(16)**	**59**	**90**	**(16)**	-	-	-	**1,066**	**59**
Total available-for-sale securities	980	**(17)**	**59**	**90**	**(35)**	-	-	-	**1,077**	**61**
Other Securities	488	**30**	-	**72**	**(96)**	-	-	-	**494**	**30**
Derivative Assets										
Credit default swaps	28	**(6)**	-	-	-	-	-	-	**22**	**(6)**
Derivative Liabilities										
Credit default swaps	19	**(3)**	-	-	-	-	-	-	**16**	**(3)**

(1) Includes cash settlement of derivative assets and derivative liabilities.
(2) Unrealized gains or losses on trading securities, derivative assets and derivative liabilities still held on April 30, 2014 are included in earnings in the period. For available-for-sale securities, the unrealized gains or losses on securities still held on April 30, 2014 are included in Accumulated Other Comprehensive Income.

Note 17: Contractual Maturities of Assets and Liabilities and Off-Balance Sheet Commitments

The tables below show the remaining contractual maturity of on-balance sheet assets and liabilities and off-balance sheet commitments. The contractual maturity of financial assets and liabilities is an input to but is not necessarily consistent with the expected maturity of assets and liabilities that is used in the management of liquidity and funding risk. We forecast asset and liability cash flows under both normal market conditions and under a number of stress scenarios to manage liquidity and funding risk. Stress scenarios include assumptions for loan repayments, deposit withdrawals, and credit commitment and liquidity facility drawdowns by counterparty and product type. Stress scenarios also consider the time horizon over which liquid assets can be monetized and the related haircuts and potential collateral requirements that may occur due to both market volatility and credit rating downgrades amongst other assumptions. For further details, see the Liquidity and Funding Risk Section on pages 92-94 of our 2013 Annual Report.

(Canadian $ in millions)										April 30, 2014
	0 to 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	No maturity	Total
On-Balance Sheet Financial Instruments										
Assets										
Cash and cash equivalents	34,299	-	-	-	-	-	-	-	783	35,082
Interest bearing deposits with banks	4,825	1,758	323	94	69	-	-	-	-	7,069
Securities										
Trading securities	923	1,385	1,219	810	1,128	7,086	8,933	15,817	45,125	82,426
Available-for-sale securities	1,505	671	545	376	831	7,114	27,839	11,381	1,621	51,883
Held-to-maturity securities	-	-	-	-	120	1,161	4,755	3,282	-	9,318
Other securities	-	-	-	-	-	18	31	21	913	983
Total securities	2,428	2,056	1,764	1,186	2,079	15,379	41,558	30,501	47,659	144,610
Securities borrowed or purchased under resale agreements	35,920	11,228	3,862	202	639	130	-	-	-	51,981
Loans										
Residential mortgages	1,778	2,793	3,535	2,774	4,164	20,192	53,422	8,974	-	97,632
Consumer instalment and other personal	385	626	740	742	1,042	5,870	22,492	9,244	23,430	64,571
Credit cards	-	-	-	-	-	-	-	-	7,953	7,953
Businesses and governments	8,572	10,260	3,512	3,132	9,519	9,922	35,074	6,664	29,837	116,492
Customers' liability under acceptances	8,222	1,684	-	-	-	-	-	-	-	9,906
Allowance for credit losses	-	-	-	-	-	-	-	-	(1,850)	(1,850)
Total loans and acceptances, net of allowance	18,957	15,363	7,787	6,648	14,725	35,984	110,988	24,882	59,370	294,704
Other Assets										
Derivative instruments										
Interest rate contracts	40	162	166	298	482	2,074	6,848	8,879	-	18,949
Foreign exchange contracts	1,174	741	391	309	364	1,432	2,105	1,468	-	7,984
Commodity contracts	86	168	227	219	86	171	99	36	-	1,092
Equity contracts	127	105	59	129	45	132	160	-	-	757
Credit contracts	-	1	1	1	1	3	54	16	-	77
Total derivative assets	1,427	1,177	844	956	978	3,812	9,266	10,399	-	28,859
Premises and equipment	-	-	-	-	-	-	-	-	2,172	2,172
Goodwill	-	-	-	-	-	-	-	-	3,994	3,994
Intangible assets	-	-	-	-	-	-	-	-	1,554	1,554
Current tax assets	-	-	-	-	-	-	-	-	800	800
Deferred tax assets	-	-	-	-	-	-	-	-	2,927	2,927
Other	1,300	221	167	2	-	-	134	3,599	2,870	8,293
Total other assets	2,727	1,398	1,011	958	978	3,812	9,400	13,998	14,317	48,599
Total Assets	99,156	31,803	14,747	9,088	18,490	55,305	161,946	69,381	122,129	582,045

(Canadian $ in millions)										April 30, 2014
	0 to 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	No maturity	Total
Liabilities and Equity										
Deposits (1)										
Banks	9,741	6,782	1,271	43	79	-	-	-	4,691	22,607
Businesses and governments	33,648	27,859	14,253	7,649	6,853	16,253	28,880	8,091	95,429	238,915
Individuals	1,742	3,320	5,110	4,944	5,523	7,007	14,774	1,601	88,464	132,485
Total deposits	45,131	37,961	20,634	12,636	12,455	23,260	43,654	9,692	188,584	394,007
Other liabilities										
Derivative instruments										
Interest rate contracts	53	161	209	302	456	1,852	6,932	7,845	-	17,810
Foreign exchange contracts	734	880	466	356	347	2,027	2,549	1,355	-	8,714
Commodity contracts	31	56	100	97	48	173	113	31	-	649
Equity contracts	107	172	137	417	46	550	922	651	-	3,002
Credit contracts	-	1	3	1	2	8	72	17	-	104
Total derivative liabilities	925	1,270	915	1,173	899	4,610	10,588	9,899	-	30,279
Acceptances	8,222	1,684	-	-	-	-	-	-	-	9,906
Securities sold but not yet purchased	24,350	-	-	-	-	-	-	-	-	24,350
Securities lent or sold under repurchase agreements	42,799	2,783	381	162	-	-	-	-	-	46,125
Current tax liabilities	-	-	-	-	-	-	-	-	146	146
Deferred tax liabilities	-	-	-	-	-	-	-	-	71	71
Securitization and liabilities related to structured entities	3	17	398	334	1,550	2,680	11,736	4,543	-	21,261
Other	6,244	95	10	17	9	469	2,985	1,567	7,214	18,610
Total other liabilities	82,543	5,849	1,704	1,686	2,458	7,759	25,309	16,009	7,431	150,748
Subordinated debt	-	-	-	-	-	-	100	3,865	-	3,965
Preferred Share Liability	-	-	-	-	-	-	-	-	493	493
Total Equity	-	-	-	-	-	-	-	-	32,832	32,832
Total Liabilities and Equity	127,674	43,810	22,338	14,322	14,913	31,019	69,063	29,566	229,340	582,045

(1) Deposits payable on demand and payable after notice have been included under no maturity.

(Canadian $ in millions)										April 30, 2014
	0 to 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	No maturity	Total
Off-Balance Sheet Commitments										
Commitments to extend credit (2)	877	2,456	3,529	3,578	3,140	15,189	47,937	1,735	-	78,441
Operating leases	24	48	71	69	67	252	567	580	-	1,678
Financial guarantee contracts (2)	5,202	-	-	-	-	-	-	-	-	5,202
Purchase obligations	64	127	183	181	181	619	876	249	-	2,480

(2) A large majority of these commitments expire without being drawn upon. As a result, the total contractual amounts may not be representative of the funding likely to be required for these commitments.

Certain comparative figures have been reclassified to conform to the current period's presentation.

(Canadian $ in millions)										October 31,2013
	0 to 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	No maturity	Total
On-Balance Sheet Financial Instruments										
Assets										
Cash and cash equivalents	25,323	-	-	-	-	-	-	-	766	26,089
Interest bearing deposits with banks	4,592	1,295	471	84	76	-	-	-	-	6,518
Securities										
Trading securities	1,209	1,284	480	1,521	442	4,781	10,593	14,762	40,087	75,159
Available-for-sale securities	2,026	3,628	1,439	2,076	2,820	6,729	22,170	11,262	1,560	53,710
Held-to-maturity securities	-	-	-	-	-	562	4,864	606	-	6,032
Other securities	-	-	18	-	-	3	34	17	827	899
Total securities	3,235	4,912	1,937	3,597	3,262	12,075	37,661	26,647	42,474	135,800
Securities borrowed or purchased under resale agreements	26,421	9,627	2,949	597	205	-	-	-	-	39,799
Loans										
Residential mortgages	832	1,276	2,716	4,553	3,787	17,441	56,630	9,157	-	96,392
Consumer instalment and other personal	323	294	643	890	834	4,730	23,285	9,636	23,005	63,640
Credit cards	-	-	-	-	-	-	-	-	7,870	7,870
Businesses and governments	7,965	7,555	3,400	3,955	8,850	9,697	30,574	5,087	27,502	104,585
Customers' liability under acceptances	8,367	103	1	1	-	-	-	-	-	8,472
Allowance for credit losses	-	-	-	-	-	-	-	-	(1,665)	(1,665)
Total loans and acceptances, net of allowance	17,487	9,228	6,760	9,399	13,471	31,868	110,489	23,880	56,712	279,294
Other Assets										
Derivative instruments										
Interest rate contracts	39	98	193	319	260	2,423	8,598	10,292	-	22,222
Foreign exchange contracts	685	665	605	244	149	1,608	1,515	1,201	-	6,672
Commodity contracts	50	79	119	96	75	179	99	42	-	739
Equity contracts	100	82	50	61	69	66	106	2	-	536
Credit contracts	-	1	2	4	2	5	56	20	-	90
Total derivative assets	874	925	969	724	555	4,281	10,374	11,557	-	30,259
Premises and equipment	-	-	-	-	-	-	-	-	2,168	2,168
Goodwill	-	-	-	-	-	-	-	-	3,819	3,819
Intangible assets	-	-	-	-	-	-	-	-	1,511	1,511
Current tax assets	-	-	-	-	-	-	-	-	1,065	1,065
Deferred tax assets	-	-	-	-	-	-	-	-	3,027	3,027
Other	1,561	148	137	-	-	-	14	3,320	2,515	7,695
Total other assets	2,435	1,073	1,106	724	555	4,281	10,388	14,877	14,105	49,544
Total Assets	79,493	26,135	13,223	14,401	17,569	48,224	158,538	65,404	114,057	537,044

(Canadian $ in millions)										October 31,2013
	0 to 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	No maturity	Total
Liabilities and Equity										
Deposits (1)										
Banks	10,241	3,733	140	231	563	-	-	-	5,683	20,591
Businesses and governments	26,265	29,217	10,490	6,149	5,547	13,970	30,598	8,506	91,604	222,346
Individuals	2,253	3,761	5,203	4,618	5,513	7,228	11,450	1,526	83,880	125,432
Total deposits	38,759	36,711	15,833	10,998	11,623	21,198	42,048	10,032	181,167	368,369
Other liabilities										
Derivative instruments										
Interest rate contracts	56	112	246	365	314	2,370	8,174	9,887	-	21,524
Foreign exchange contracts	472	931	658	251	156	1,462	1,619	899	-	6,448
Commodity contracts	56	91	98	92	93	241	124	38	-	833
Equity contracts	119	173	241	91	143	841	851	608	-	3,067
Credit contracts	-	1	1	2	5	14	60	19	-	102
Total derivative liabilities	703	1,308	1,244	801	711	4,928	10,828	11,451	-	31,974
Acceptances	8,367	103	1	1	-	-	-	-	-	8,472
Securities sold but not yet purchased	22,446	-	-	-	-	-	-	-	-	22,446
Securities lent or sold under repurchase agreements	24,483	2,953	1,448	-	-	-	-	-	-	28,884
Current tax liabilities	-	-	-	-	-	-	-	-	438	438
Deferred tax liabilities	-	-	-	-	-	-	-	-	107	107
Securitization and liabilities related to structured entities	1,221	1,481	998	-	318	3,295	10,395	4,653	-	22,361
Other	6,793	140	13	5	26	427	3,205	1,255	6,954	18,818
Total other liabilities	64,013	5,985	3,704	807	1,055	8,650	24,428	17,359	7,499	133,500
Subordinated debt	-	-	-	-	-	-	100	3,896	-	3,996
Total Equity	-	-	-	-	-	-	-	-	31,179	31,179
Total Liabilities and Equity	102,772	42,696	19,537	11,805	12,678	29,848	66,576	31,287	219,845	537,044

(1) Deposits payable on demand and payable after notice have been included as having "no maturity".

(Canadian $ in millions)										October 31,2013
	0 to 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	No maturity	Total
Off-Balance Sheet Commitments										
Commitments to extend credit (2)	1,169	907	3,246	3,935	3,850	13,381	42,477	2,353	-	71,318
Operating leases	25	46	69	69	69	262	618	640	-	1,798
Financial guarantee contracts (2)	4,778	-	-	-	-	-	-	-	-	4,778
Purchase obligations	71	141	211	216	207	729	1,115	275	-	2,965

(2) A large majority of these commitments expire without being drawn upon. As a result, the total contractual amounts may not be representative of the funding likely to be required for these commitments.

Certain comparative figures have been reclassified to conform to the current period's presentation.

INVESTOR AND MEDIA PRESENTATION

Investor Presentation Materials

Interested parties are invited to visit our website at www.bmo.com/investorrelations to review our 2013 Annual Report, this quarterly news release, presentation materials and supplementary financial information package online.

Quarterly Conference Call and Webcast Presentations

Interested parties are also invited to listen to our quarterly conference call on Wednesday, May 28, 2014, at 2:00 p.m. (EDT). 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 August 25, 2014, by calling 905-694-9451 (from within Toronto) or 1-800-408-3053 (toll-free outside Toronto) and entering passcode 6766952.

A live webcast of the call can be accessed on our website at www.bmo.com/investorrelations. A replay can also be accessed on the site.

Media Relations Contacts

Ralph Marranca, Toronto, ralph.marranca@bmo.com, 416-867-3996
Ronald Monet, Montreal, ronald.monet@bmo.com, 514-877-1873

Investor Relations Contacts

Sharon Haward-Laird, Head, Investor Relations, sharon.hawardlaird@bmo.com, 416-867-6656
Andrew Chin, Director, Investor Relations, andrew.chin@bmo.com, 416-867-7019

Chief Financial Officer

Tom Flynn, Chief Financial Officer,
tom.flynn@bmo.com, 416-867-4689

Corporate Secretary

Barbara Muir, Corporate Secretary,
corp.secretary@bmo.com, 416-867-6423

Shareholder Dividend Reinvestment and Share Purchase Plan (the Plan)

Average market price as defined under the Plan
February $72.93
March $74.09
April $75.75

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

Computershare Trust Company of Canada
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)
Fax: (416) 263-9394 (international)
E-mail: service@computershare.com

For other shareholder information, including the notice for our normal course issuer bid, please contact

Bank of Montreal
Shareholder Services
Corporate Secretary's Department
One First Canadian Place, 21st Floor
Toronto, Ontario M5X 1A1
Telephone: (416) 867-6785
Fax: (416) 867-6793
E-mail: corp.secretary@bmo.com

For further information on this report, please contact

Bank of Montreal
Investor Relations Department
P.O. Box 1, One First Canadian Place, 18th Floor
Toronto, Ontario M5X 1A1

To review financial results online, please visit our website at www.bmo.com. To review regulatory filings and disclosures online, please visit our website at www.bmo.com/investorrelations.
