

BMO Financial Group Reports Second Quarter 2021 Results

REPORT TO SHAREHOLDERS

BMO's Second Quarter 2021 Report to Shareholders, including the unaudited interim consolidated financial statements for the period ended April 30, 2021, is available online at www.bmo.com/investorrelations and at www.sedar.com.

Financial Results Highlights

Second Quarter 2021 Compared With Second Quarter 2020:

- Net income of \$1,303 million, an increase from \$689 million; adjusted net income^{1,4} of \$2,095 million, an increase from \$715 million
- Reported EPS² of \$1.91, an increase from \$1.00; adjusted EPS^{1,2,4} of \$3.13, an increase from \$1.04
- Provision for credit losses (PCL) of \$60 million, compared with \$1,118 million
- Reported net efficiency ratio³ of 69.3%, compared with 64.4%; adjusted net efficiency ratio^{1,3,4} of 56.6%, compared with 63.8%
- Return on equity (ROE) of 10.2%, an increase from 5.3%; adjusted ROE^{1,4} of 16.7%, an increase from 5.5%
- Common Equity Tier 1 Ratio of 13.0%, an increase from 11.0% in the prior year

Year-to-Date 2021 Compared With Year-to-Date 2020:

- Net income of \$3,320 million, an increase from \$2,281 million; adjusted net income^{1,4} of \$4,133 million, an increase from \$2,332 million
- Reported EPS² of \$4.93, an increase from \$3.37; adjusted EPS^{1,2,4} of \$6.19, an increase from \$3.45
- PCL of \$216 million, compared with \$1,467 million
- Reported net efficiency ratio³ of 63.0%, compared with 62.5%; adjusted net efficiency ratio^{1,3,4} of 56.4%, compared with 62.0%
- ROE of 13.0%, an increase from 9.2%; adjusted ROE^{1,4} of 16.3%, an increase from 9.4%
- Common Equity Tier 1 Ratio of 13.0%, an increase from 11.0% in the prior year

Toronto, May 26, 2021 – For the second quarter ended April 30, 2021, BMO Financial Group recorded net income of \$1,303 million or \$1.91 per share on a reported basis, and net income of \$2,095 million or \$3.13 per share on an adjusted basis.

"This quarter, we continued to deliver very strong results with all of our businesses performing well. For the first half of the year, adjusted pre-provision pre-tax earnings of \$5.5 billion increased 27% from a year ago, driven by revenue growth of 11% reflecting the benefits of our diversified business model, and very strong operating leverage. We enter the second half of the year with strong momentum," said Darryl White, Chief Executive Officer, BMO Financial Group.

"We are continuing to build a strong, competitive bank, allocating capital to businesses that are positioned to grow and deliver strong returns, and we are highly focused on continuously improving our performance. Return on equity increased to 16.7%, we improved our efficiency ratio to 56.6% and strengthened our CET1 ratio to 13.0%, all underpinned by our strong balance sheet and differentiated risk and credit performance."

"In addition to strong financial performance, we are delivering on our commitments for a sustainable future. This quarter, we declared our ambition to be our clients' lead partner in the transition to a net zero world and we are supporting key organizations that are helping reduce health care disparities, including global emergency COVID-19 relief efforts."

"We are executing against a consistent, purpose-driven strategy – which for us means winning together with our customers, our communities, our employees and our shareholders," concluded Mr. White.

- (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 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 deducting total dividends on preferred shares and distributions payable on other equity instruments.
- (3) On a basis that nets insurance claims, commissions and changes in policy benefit liabilities (CCPB) against insurance revenue.
- (4) Q2-2021 reported net income included a \$747 million pre-tax and after-tax write-down of goodwill related to the announced sale of our EMEA Asset Management business to Ameriprise Financial, Inc., a \$22 million (\$29 million pre-tax) net gain on the sale of our Private Banking business in Hong Kong and Singapore to J. Safra Sarasin Group, and \$47 million (\$53 million pre-tax) of divestiture-related costs for both transactions. The net gain on the sale was included in revenue with the goodwill write-down and divestiture costs included in non-interest expense, all recorded in Corporate Services.

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

On April 12, 2021, the bank announced that we had reached a definitive agreement with Ameriprise Financial, Inc. to sell the entities that represent our EMEA Asset Management business, subject to regulatory approvals and other customary closing conditions. In addition, the transaction includes the opportunity for certain BMO U.S. asset management clients to move to Columbia Threadneedle Investments, subject to client consent. The transaction is expected to close in the fourth quarter of calendar 2021. On April 30, 2021, we completed the sale of our Private Banking business in Hong Kong and Singapore to J. Safra Sarasin Group. These transactions support BMO's goals to optimize efficiency and to focus capital and investment in areas where we have an advantaged market position, including our North American Wealth Management business.

Adjusted net income in the current quarter excluded the impact of divestitures of \$772 million (\$771 million pre-tax), including a \$747 million pre-tax and after-tax write-down of goodwill related to the announced sale of our EMEA Asset Management business, a \$22 million (\$29 million pre-tax) net gain on the sale of our Private Banking business in Hong Kong and Singapore, and \$47 million (\$53 million pre-tax) of divestiture-related costs for both transactions. Both periods also excluded the amortization of acquisition-related intangible assets and acquisition integration costs. Reported and adjusted net income increased from the prior year, driven by net revenue growth of 16%, higher expenses and lower provisions for credit losses. Net income increased in all operating groups.

Return on equity (ROE) was 10.2%, an increase from 5.3% in the prior year, and adjusted ROE was 16.7%, an increase from 5.5%. Return on tangible common equity (ROTCE) was 11.8%, an increase from 6.4% in the prior year, and adjusted ROTCE was 19.1%, an increase from 6.4%.

Concurrent with the release of results, BMO announced a third quarter 2021 dividend of \$1.06 per common share, unchanged from the prior quarter and the prior year. The quarterly dividend of \$1.06 per common share is equivalent to an annual dividend of \$4.24 per common share.

Second Quarter Performance Review

Canadian P&C

Reported net income was \$764 million and adjusted net income was \$765 million, both increasing \$402 million from the prior year. Results were driven by a 9% increase in revenue with higher non-interest revenue and net interest income, lower expenses and a decrease in the provision for credit losses.

During the quarter, we were recognized for our digital capabilities that help customers make real financial progress, including two digital innovation awards for BMO CashTrack, an artificial intelligence-driven capability that provides customers with financial insights to predict cash shortfalls up to seven days in advance. The solution was recognized with a 2020 BAI Global Innovation Award and won a 2021 Celent Model Bank Award for financial wellness. In addition, in its inaugural mobile banking ratings, Insider Intelligence ranked BMO first for digital money management, security and alerts. These awards recognize the positive impact of our digital-first approach on our customers' banking experience.

U.S. P&C

Reported net income was \$542 million, an increase of \$203 million or 60% from the prior year, and adjusted net income was \$547 million, an increase of \$198 million or 57%.

Reported net income was US\$434 million, an increase of US\$188 million or 76% from the prior year, and adjusted net income was US\$439 million, an increase of US\$186 million or 73%. Results were driven by a 4% increase in revenue with higher net interest income and non-interest revenue, lower expenses and lower provisions for credit losses.

During the quarter, BMO Harris Bank was recognized on *Forbes'* 2020 list of the World's Best Banks for the second consecutive year. The list is based on a survey of more than 40,000 customers in 23 countries on their current and former banking relationships, who ranked banks on key attributes, including trust, fees, digital services and financial advice. BMO's digital capabilities were referenced as critical to scores in *Forbes'* summary of the results.

BMO Wealth Management

Reported net income was \$346 million, an increase of \$202 million from the prior year, and adjusted net income was \$353 million, an increase of \$200 million. Results were driven by higher net revenue, higher expenses and lower provisions for credit losses. Traditional Wealth reported net income was \$296 million, an increase of \$136 million or 85%, and adjusted net income was \$303 million, an increase of \$134 million or 79%, driven by higher revenue, primarily from growth in client assets, including stronger global markets, the impact of a legal provision in the prior year and higher online brokerage transaction volumes. Insurance net income was \$50 million, compared with a net loss of \$16 million in the prior year, primarily due to unfavourable market movements in the prior year.

During the quarter, BMO InvestorLine announced the launch of adviceDirect Premium, a new offering designed to meet more complex needs of our self-directed clients. This hybrid solution combines the strong technology of our advice engine with planning and human support as clients' needs evolve. In addition, our Canadian Asset Management business launched four new Exchange Traded Funds (ETFs), including a new Environmental, Social, and Governance (ESG) ETF that further advances our ESG ETF lineup to meet the demands of investors.

BMO Capital Markets

Reported net income was \$563 million, compared with a reported net loss of \$74 million in the prior year, and adjusted net income was \$570 million, compared with a net loss of \$68 million. Results were driven by strong revenue performance in Global Markets and Investment and Corporate Banking in the current quarter, higher employee-related expenses given business performance, and a recovery of the provision for credit losses, compared with elevated levels of provisions for credit losses in the prior year. The prior year included negative impacts related to equity linked notes-related businesses, the widening of credit and funding spreads on derivative valuation adjustments and markdowns on the held-for-sale loan portfolio.

As a global industry leader in sustainability, we acted as Joint Bookrunner and Green Structuring Agent on the first labelled green loan in Canada, to Atlantic Packaging Products. This loan was completed in partnership with BMO's Sustainable Finance team and Canadian Commercial Banking, with proceeds to be used to support the client's construction of a new 100% recycled containerboard facility. As part of BMO's Trees from Trades initiative, our Fixed Income Currencies and Commodities group committed on Earth Day 2021 to funding reforestation with every dollar of fixed income securities and ESG framework securities traded on the BMO Capital Markets desk, which contributed to the planting of 100,000 trees. Tree planting will be carried out in partnership with Priceless Planet Coalition and tentree.

Corporate Services

Reported net loss for the quarter was \$912 million and adjusted net loss was \$140 million, compared with a reported and adjusted net loss of \$82 million in the prior year. Adjusted results for the quarter excluded the write-down of goodwill related to the announced sale of our EMEA Asset Management business and a net gain on the sale of our Private Banking business in Hong Kong and Singapore, as well as divestiture-related costs for both transactions. Adjusted results decreased, due to lower revenue and higher expenses, partially offset by the impact of a less favourable tax rate in the prior year.

Adjusted results in this Second Quarter Performance Review section are non-GAAP amounts or non-GAAP measures. Please refer to the Non-GAAP Measures section.

The order in which the impact on net income is discussed in this section, and elsewhere in the MD&A, follows the order of revenue, expenses and provision for credit losses, regardless of their relative impact.

Capital

BMO's Common Equity Tier 1 (CET1) Ratio was 13.0% as at April 30, 2021, an increase from 12.4% at the end of the first quarter of fiscal 2021, due to internal capital generation and lower source currency risk-weighted assets. The write-down of goodwill related to the announced sale of our EMEA Asset Management business was offset by a lower goodwill capital deduction, and therefore did not impact the current quarter CET1 Ratio.

Credit Quality

Total provision for credit losses was \$60 million, a decrease of \$1,058 million from \$1,118 million in the prior year. The total provision for credit losses ratio was 5 basis points, compared with 94 basis points in the prior year. The provision for credit losses on impaired loans was \$155 million, a decrease of \$258 million from \$413 million in the prior year, largely due to lower commercial provisions in the P&C businesses and in BMO Capital Markets. The provision for credit losses on impaired loans ratio was 13 basis points, compared with 35 basis points in the prior year. There was a \$95 million recovery of the provision for credit losses on performing loans in the current quarter, compared with a \$705 million provision in the prior year. The \$705 million provision for credit losses on performing loans in the prior year was primarily based on the weaker economic outlook, while the \$95 million recovery of the provision in the current quarter reflected positive credit migration and an improving economic outlook, partially offset by a more severe adverse scenario.

Refer to the Accounting Policies and Critical Accounting Estimates section and Note 3 in our unaudited interim consolidated financial statements for further information on the allowance for credit losses as at April 30, 2021.

Regulatory Filings

BMO's continuous disclosure materials, including interim filings, annual Management's Discussion and Analysis and audited annual 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 U.S. Securities and Exchange Commission's website at www.sec.gov. Information contained in or otherwise accessible through our website (www.bmo.com), or any third party websites mentioned herein, does not form part of this document.

Caution

The extent to which the COVID-19 pandemic impacts BMO's business, results of operations, reputation and financial performance and condition, including its regulatory capital and liquidity ratios, and credit ratings, as well as its impact on our customers, competitors and trading exposures, and the potential for loss from higher credit, counterparty and mark-to-market losses will depend on future developments, which are highly uncertain and cannot be predicted, including the scope, severity and duration of the pandemic and actions taken by governments, and governmental and regulatory authorities, which could vary by country and region, and other third parties in response to the pandemic. The COVID-19 pandemic may also impact our ability to achieve, or the timing to achieve, certain previously announced targets, goals and objectives.

For additional information, refer to the Top and Emerging Risks That May Affect Future Results section on page 31 in this document.

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

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.

Management's Discussion and Analysis

Management's Discussion and Analysis (MD&A) commentary is as at May 26, 2021. The material that precedes this section comprises part of this MD&A. The MD&A should be read in conjunction with the unaudited interim consolidated financial statements for the period ended April 30, 2021, included in this document, as well as the audited consolidated financial statements for the year ended October 31, 2020, and the MD&A for fiscal 2020, contained in BMO's 2020 Annual Report.

BMO's 2020 Annual Report includes a comprehensive discussion of its 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

4	Caution Regarding Forward-Looking Statements	28	Transactions with Related Parties
5	Economic Review and Outlook	28	Off-Balance Sheet Arrangements
6	Financial Highlights	28	Accounting Policies and Critical Accounting Estimates
7	Non-GAAP Measures	28	Allowance for Credit Losses
8	Foreign Exchange	30	Changes in Accounting Policies
9	Net Income	30	Future Changes in Accounting Policies
9	Revenue	30	Other Regulatory Developments
11	Provision for Credit Losses	31	Risk Management
12	Impaired Loans	31	Top and Emerging Risks that May Affect Future Results
12	Insurance Claims, Commissions and Changes in Policy Benefit Liabilities	31	Market Risk
12	Non-Interest Expense	33	Liquidity and Funding Risk
12	Income Taxes	35	Credit Ratings
13	Balance Sheet	40	European Exposures
14	Capital Management	41	Enhanced Disclosure Task Force
17	Review of Operating Groups' Performance	43	Interim Consolidated Financial Statements
17	Personal and Commercial Banking (P&C)	43	Consolidated Statement of Income
18	Canadian Personal and Commercial Banking (Canadian P&C)	44	Consolidated Statement of Comprehensive Income
20	U.S. Personal and Commercial Banking (U.S. P&C)	45	Consolidated Balance Sheet
22	BMO Wealth Management	46	Consolidated Statement of Changes in Equity
24	BMO Capital Markets	47	Consolidated Statement of Cash Flows
26	Corporate Services	48	Notes to Consolidated Financial Statements
27	Summary Quarterly Earnings Trends	67	Investor and Media Presentation

Bank of Montreal's management, under the supervision of the Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness, as at April 30, 2021, of Bank of Montreal's disclosure controls and procedures (as defined in the rules of the U.S. 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, 2021, which 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.

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 in this document may include, but are not limited to, statements with respect to our objectives and priorities for fiscal 2021 and beyond, our strategies or future actions, our targets, expectations for our financial condition or share price, the regulatory environment in which we operate and the results of or outlook for our operations or for the Canadian, U.S. and international economies, the expected impact of the COVID-19 pandemic on our business, operations, earnings, results, and financial performance and condition, as well as its impact on our customers, competitors, reputation and trading exposures, and include statements of our management. Forward-looking statements are typically identified by words such as "will", "would", "should", "believe", "expect", "anticipate", "project", "intend", "estimate", "plan", "goal", "target", "may" and "could."

By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties, both general and specific in nature. 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. The uncertainty created by the COVID-19 pandemic has heightened this risk given the increased challenge in making assumptions, 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 – many of which are beyond our control and the effects of which can be difficult to predict – 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: the severity, duration and spread of the COVID-19 pandemic, its impact on local, national or international economies, and its heightening of certain risks that may affect our future results; the possible impact on our business and operations of outbreaks of disease or illness that affect local, national or international economies; general economic and market conditions in the countries in which we operate; information, privacy and cyber security, including the threat of data breaches, hacking, identity theft and corporate espionage, as well as the possibility of denial of service resulting from efforts targeted at causing system failure and service disruption; changes in monetary, fiscal, or economic policy, and tax legislation and interpretation; interest rate and currency value fluctuations, as well as benchmark interest rate reforms; technological changes and technology resiliency; political conditions, including changes relating to or affecting economic or trade matters; the Canadian housing market and consumer leverage; climate change and other environmental and social risks; weak, volatile or illiquid capital or credit markets; the level 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, and the effect of such changes on funding costs; judicial or regulatory proceedings; the accuracy and completeness of the information we obtain with respect to our customers and counterparties; failure of third parties to comply with their obligations to us; our ability to execute our strategic plans and to complete proposed acquisitions or dispositions, 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, including with respect to reliance on third parties; changes to our credit ratings; global capital markets activities; the possible effects on our business of war or terrorist activities; natural disasters and disruptions to public infrastructure, such as transportation, communications, power or water supply; and our ability to anticipate and effectively manage risks arising from all of the foregoing factors.

We caution that the foregoing list is not exhaustive of all possible factors. Other factors and risks could adversely affect our results. For more information, please refer to the discussion in the Risks That May Affect Future Results section, and the sections related to credit and counterparty, market, insurance, liquidity and funding, operational, legal and regulatory, strategic, environmental and social, and reputation risk, in the Enterprise-Wide Risk Management section that starts on page 73 of BMO's 2020 Annual Report, and the Risk Management section that starts on page 31 in this document, all of which outline certain key factors and risks that may affect our future results. Investors and others should carefully consider these factors and risks, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. We do 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.

Material economic assumptions underlying the forward-looking statements contained in this document are set out in the Economic Developments and Outlook section on page 18 of BMO's 2020 Annual Report and updated in the Economic Review and Outlook section set forth in this document, as well as in the Allowance for Credit Losses section on page 114 of BMO's 2020 Annual Report and the Allowance for Credit Losses section set forth in this document. 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, we primarily consider historical economic data, past relationships between economic and financial variables, changes in government policies, and the risks to the domestic and global economy. Please refer to the Economic Review and Outlook and Allowance for Credit Losses sections.

Economic Review and Outlook

After contracting 5.4% in calendar 2020, Canada's economy is expected to expand 6.0% in calendar 2021, the most since 1973. This is despite economic growth likely stalling in the second calendar quarter of 2021, in response to new restrictions put in place to suppress a recent resurgence in COVID-19 cases. The economy showed surprising resilience at the turn of the year to earlier restrictions, with support from higher commodity prices, stronger U.S. demand, and record housing market activity amid low interest rates and changes spurred by remote working. Assuming the current virus outbreak is soon brought under control due to a now accelerating vaccine program, the economy is projected to return to very strong growth in the second half of 2021. Activity will be assisted by new measures introduced in the federal budget, material household savings, and substantial pent-up demand for travel, dining and personal-care services. Exports should also benefit from a strengthening global economy, with the Euro Area anticipated to rebound from recession. Housing market activity is likely to remain elevated, though some moderation is expected due to weakening affordability and policy measures, including the Office of the Superintendent of Financial Institutions' higher minimum qualifying rate on uninsured mortgages. The unemployment rate is expected to decline from 8.1% in April 2021 to 6.6% in December 2021, before returning to pre-pandemic levels of 5.6% at the end of 2022. Elevated unemployment will likely encourage the Bank of Canada to hold the overnight policy rate near zero through next year. Supported by the runup in commodity prices, the Canadian dollar is one of the best-performing currencies this year, and it is projected to further strengthen modestly to 85 cents, compared with the U.S. dollar, by the end of 2022. Industry-wide residential mortgage balances continue to rise strongly in response to low mortgage rates and increased demand for more spacious homes from remote workers, though growth is projected to moderate alongside the overall housing market in coming quarters. While growth in consumer credit balances (excluding mortgages) remains weak due to restrained consumer spending, it is anticipated to improve along with spending over the rest of 2021. Industry-wide business credit is expected to increase moderately in 2021 as business confidence and spending improve.

The U.S. economy weathered the pandemic better than most advanced countries, contracting 3.5% in calendar 2020, and it is expected to grow 6.5% in calendar 2021, the fastest pace in nearly four decades. The economy withstood another round of new restrictions in early winter and is now quickly reopening, due to the ongoing vaccination program. Substantial fiscal stimulus, pent-up demand, and elevated household savings are expected to drive activity this year. Two rounds of fiscal stimulus amounting to more than 12% of GDP have been passed in recent months, and the President's proposed American Jobs Plan and American Families Plan, with a focus on infrastructure projects, child care, and education, could provide additional support in coming years, though with an offset from higher corporate and top-personal income taxes. Business spending is on an upswing, with non-residential investment in the first calendar quarter of 2021 surpassing pre-pandemic levels. Housing market activity is expected to remain strong in 2021, due to low interest rates. The unemployment rate is projected to fall from 6.1% in April 2021 to 4.5% in December 2021, one percentage point above pre-pandemic levels. The Federal Reserve is expected to hold policy rates steady until 2023, to support the recovery and lift inflation temporarily above the 2% target. Longer-term Treasury yields are projected to further increase moderately in response to the strong economic recovery and higher inflation. Industry-wide residential mortgage growth will likely remain brisk due to supportive housing market activity, while recent modest consumer credit growth should benefit from increased personal spending. Industry-wide business credit is expected to resume growth in 2021, as confidence and investment strengthen.

The unpredictable course of the pandemic subjects the economic outlook to a high degree of uncertainty that is likely to persist until vaccines are more widely distributed to the population. A more severe mutation of the virus, delays in vaccine supply, or an increase in vaccine hesitancy could prolong the pandemic and lead to aggressive shutdowns of business activity, potentially causing a sustained economic contraction. Other risks to the economy stem from U.S./China tensions leading to disruptive trade policies, turbulence in some emerging market economies amid rising global interest rates, and the potential for higher inflation due to excessive policy stimulus. Escalating house prices, notably in Canada, could also leave the economy vulnerable to a correction in the housing market.

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

Financial Highlights

(Canadian \$ in millions, except as noted)

	Q2-2021	Q1-2021	Q2-2020	YTD-2021	YTD-2020
Summary Income Statement					
Net interest income	3,455	3,578	3,518	7,033	6,906
Non-interest revenue	2,621	3,397	1,746	6,018	5,105
Revenue (1)	6,076	6,975	5,264	13,051	12,011
Insurance claims, commissions and changes in policy benefit liabilities (CCPB)	(283)	601	(197)	318	519
Revenue, net of CCPB	6,359	6,374	5,461	12,733	11,492
Provision for credit losses on impaired loans	155	215	413	370	737
Provision for (recovery of) credit losses on performing loans	(95)	(59)	705	(154)	730
Total provision for credit losses	60	156	1,118	216	1,467
Non-interest expense (1)	4,409	3,613	3,516	8,022	7,185
Provision for income taxes	587	588	138	1,175	559
Net income attributable to equity holders of the bank	1,303	2,017	689	3,320	2,281
Adjusted net income (1)	2,095	2,038	715	4,133	2,332
Common Share Data (\$, except as noted)					
Earnings per share	1.91	3.03	1.00	4.93	3.37
Adjusted earnings per share	3.13	3.06	1.04	6.19	3.45
Earnings per share growth (%)	91.4	27.5	(56.0)	46.3	(25.7)
Adjusted earnings per share growth (%)	201.9	26.8	(55.0)	79.4	(25.4)
Dividends declared per share	1.06	1.06	1.06	2.12	2.12
Book value per share	76.72	77.76	77.99	76.72	77.99
Closing share price	116.01	95.12	70.77	116.01	70.77
Number of common shares outstanding (in millions)					
End of period	647.3	646.9	639.6	647.3	639.6
Average diluted	648.1	647.4	640.2	647.7	640.5
Total market value of common shares (\$ billions)	75.1	61.5	45.3	75.1	45.3
Dividend yield (%)	3.7	4.5	6.0	3.7	6.0
Dividend payout ratio (%)	55.5	35.0	106.4	42.9	62.8
Adjusted dividend payout ratio (%)	33.8	34.6	102.2	34.2	61.3
Financial Measures and Ratios (%)					
Return on equity	10.2	15.7	5.3	13.0	9.2
Adjusted return on equity	16.7	15.8	5.5	16.3	9.4
Return on tangible common equity	11.8	18.2	6.4	15.0	11.0
Adjusted return on tangible common equity	19.1	18.2	6.4	18.7	11.0
Net income growth	89.0	26.7	(53.9)	45.5	(24.1)
Adjusted net income growth	193.0	26.0	(53.0)	77.2	(23.8)
Revenue growth	15.4	3.4	(15.3)	8.7	(5.6)
Revenue growth, net of CCPB	16.4	5.7	(3.4)	10.8	2.2
Adjusted revenue growth, net of CCPB	15.9	5.7	(3.4)	10.5	2.2
Non-interest expense growth	25.4	(1.5)	(2.2)	11.7	0.5
Adjusted non-interest expense growth	2.8	(1.4)	(2.2)	0.7	0.5
Efficiency ratio, net of CCPB	69.3	56.7	64.4	63.0	62.5
Adjusted efficiency ratio, net of CCPB	56.6	56.3	63.8	56.4	62.0
Operating leverage, net of CCPB	(9.0)	7.2	(1.2)	(0.9)	1.7
Adjusted operating leverage, net of CCPB	13.1	7.1	(1.2)	9.8	1.7
Net interest margin on average earning assets	1.59	1.59	1.69	1.59	1.68
Effective tax rate	31.1	22.6	16.6	26.2	19.7
Adjusted effective tax rate	22.1	22.6	16.7	22.3	19.7
Total PCL-to-average net loans and acceptances (annualized)	0.05	0.14	0.94	0.09	0.63
PCL on impaired loans-to-average net loans and acceptances (annualized)	0.13	0.19	0.35	0.16	0.32
Balance Sheet (as at, \$ millions, except as noted)					
Assets	949,839	973,211	987,067	949,839	987,067
Gross loans and acceptances	459,589	466,922	495,174	459,589	495,174
Net loans and acceptances	456,561	463,734	492,398	456,561	492,398
Deposits	657,201	672,500	653,710	657,201	653,710
Common shareholders' equity	49,666	50,300	49,886	49,666	49,886
Cash and securities-to-total assets ratio (%)	33.7	32.3	29.7	33.7	29.7
Capital ratios (%)					
CET1 Ratio	13.0	12.4	11.0	13.0	11.0
Tier 1 Capital Ratio	14.8	14.2	12.5	14.8	12.5
Total Capital Ratio	16.7	16.6	14.7	16.7	14.7
Leverage Ratio	5.1	4.8	4.6	5.1	4.6
Foreign Exchange Rates (\$)					
As at Canadian/U.S. dollar	1.2279	1.2800	1.3924	1.2279	1.3924
Average Canadian/U.S. dollar	1.2512	1.2841	1.3811	1.2679	1.3482

(1) Q2-2021 reported net income included a \$747 million pre-tax and after-tax write-down of goodwill related to the announced sale of our EMEA Asset Management business to Ameriprise Financial, Inc., a \$22 million (\$29 million pre-tax) net gain on the sale of our Private Banking business in Hong Kong and Singapore to J. Safra Sarasin Group, and \$47 million (\$53 million pre-tax) of divestiture-related costs for both transactions. The net gain on the sale was included in revenue with the goodwill write-down and divestiture costs included in non-interest expense, all recorded in Corporate Services.

Adjusted results are non-GAAP amounts or non-GAAP measures. Please refer to the Non-GAAP Measures section.

Non-GAAP Measures

Results and measures in this document are presented on a GAAP basis. 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. They are also presented on an adjusted basis that excludes the impact of certain items, as set out in the table below. Please refer to the Foreign Exchange section for a discussion of the effects of changes in exchange rates on BMO's results. Pre-provision pre-tax earnings (PPPT) is a non-GAAP measure, and is calculated as the difference between revenue, net of insurance claims, commissions and changes in policy benefit liabilities (CCPB), and non-interest expense. 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 that may not be reflective of ongoing results. As such, the presentation may facilitate readers' analysis of trends. Except as otherwise noted, management's discussion of changes in reported results in this document applies equally to changes in the corresponding adjusted results. Adjusted results and measures are non-GAAP and as such do not have standardized meanings 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.

Non-GAAP Measures

(Canadian \$ in millions, except as noted)

	Q2-2021	Q1-2021	Q2-2020	YTD-2021	YTD-2020
Reported Results					
Revenue	6,076	6,975	5,264	13,051	12,011
Insurance claims, commissions and changes in policy benefit liabilities (CCPB)	283	(601)	197	(318)	(519)
Revenue, net of CCPB	6,359	6,374	5,461	12,733	11,492
Total provision for credit losses	(60)	(156)	(1,118)	(216)	(1,467)
Non-interest expense	(4,409)	(3,613)	(3,516)	(8,022)	(7,185)
Income before income taxes	1,890	2,605	827	4,495	2,840
Provision for income taxes	(587)	(588)	(138)	(1,175)	(559)
Net income	1,303	2,017	689	3,320	2,281
EPS (\$)	1.91	3.03	1.00	4.93	3.37
Adjusting Items (Pre-tax) (1)					
Acquisition integration costs (2)	(2)	(3)	(3)	(5)	(6)
Amortization of acquisition-related intangible assets (2)	(24)	(25)	(30)	(49)	(59)
Impact of divestitures (3)	(771)	-	-	(771)	-
Adjusting items included in reported pre-tax income	(797)	(28)	(33)	(825)	(65)
Adjusting Items (After tax) (1)					
Acquisition integration costs (2)	(2)	(2)	(2)	(4)	(4)
Amortization of acquisition-related intangible assets (2)	(18)	(19)	(24)	(37)	(47)
Impact of divestitures (3)	(772)	-	-	(772)	-
Adjusting items included in reported net income after tax	(792)	(21)	(26)	(813)	(51)
Impact on EPS (\$)	(1.22)	(0.03)	(0.04)	(1.26)	(0.08)
Adjusted Results					
Revenue	6,047	6,975	5,264	13,022	12,011
Insurance claims, commissions and changes in policy benefit liabilities (CCPB)	283	(601)	197	(318)	(519)
Revenue, net of CCPB	6,330	6,374	5,461	12,704	11,492
Total provision for credit losses	(60)	(156)	(1,118)	(216)	(1,467)
Non-interest expense	(3,583)	(3,585)	(3,483)	(7,168)	(7,120)
Income before income taxes	2,687	2,633	860	5,320	2,905
Provision for income taxes	(592)	(595)	(145)	(1,187)	(573)
Net income	2,095	2,038	715	4,133	2,332
EPS (\$)	3.13	3.06	1.04	6.19	3.45

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

(2) These amounts were charged to the non-interest expense of the operating groups. Before-tax and after-tax amounts for each operating group are provided below.

(3) Q2-2021 reported net income included a \$747 million pre-tax and after-tax write-down of goodwill related to the announced sale of our EMEA Asset Management business to Ameriprise Financial, Inc., a \$22 million (\$29 million pre-tax) net gain on the sale of our Private Banking business in Hong Kong and Singapore to J. Safra Sarasin Group, and \$47 million (\$53 million pre-tax) of divestiture-related costs for both transactions. The net gain on the sale was included in revenue with the goodwill write-down and divestiture costs included in non-interest expense, all recorded in Corporate Services.

Adjusted results and measures in this table are non-GAAP amounts or non-GAAP measures.

Summary of Reported and Adjusted Results by Operating Group

(Canadian \$ in millions)	Canadian P&C	U.S. P&C	Total P&C	BMO Wealth Management	BMO Capital Markets	Corporate Services	Total Bank
Q2-2021							
Reported net income (loss)	764	542	1,306	346	563	(912)	1,303
Acquisition integration costs (1)	-	-	-	-	2	-	2
Amortization of acquisition-related intangible assets (2)	1	5	6	7	5	-	18
Impact of divestitures (3)	-	-	-	-	-	772	772
Adjusted net income (loss)	765	547	1,312	353	570	(140)	2,095
Q1-2021							
Reported net income (loss)	737	582	1,319	358	483	(143)	2,017
Acquisition integration costs (1)	-	-	-	-	2	-	2
Amortization of acquisition-related intangible assets (2)	-	7	7	8	4	-	19
Adjusted net income (loss)	737	589	1,326	366	489	(143)	2,038
Q2-2020							
Reported net income (loss)	362	339	701	144	(74)	(82)	689
Acquisition integration costs (1)	-	-	-	-	2	-	2
Amortization of acquisition-related intangible assets (2)	1	10	11	9	4	-	24
Adjusted net income (loss)	363	349	712	153	(68)	(82)	715
YTD-2021							
Reported net income (loss)	1,501	1,124	2,625	704	1,046	(1,055)	3,320
Acquisition integration costs (1)	-	-	-	-	4	-	4
Amortization of acquisition-related intangible assets (2)	1	12	13	15	9	-	37
Impact of divestitures (3)	-	-	-	-	-	772	772
Adjusted net income (loss)	1,502	1,136	2,638	719	1,059	(283)	4,133
YTD-2020							
Reported net income (loss)	1,061	690	1,751	435	282	(187)	2,281
Acquisition integration costs (1)	-	-	-	-	4	-	4
Amortization of acquisition-related intangible assets (2)	1	20	21	18	8	-	47
Adjusted net income (loss)	1,062	710	1,772	453	294	(187)	2,332

(1) KGS-Alpha and Clearpool acquisition integration costs before tax amounts of \$2 million in Q2-2021, \$3 million in both Q1-2021 and Q2-2020; \$5 million for YTD-2021 and \$6 million for YTD-2020 are included in non-interest expense in BMO Capital Markets.

(2) Amortization of acquisition-related intangible assets before tax is charged to the non-interest expense of the operating groups. Canadian P&C amounts of \$1 million in Q2-2021, \$nil in Q1-2021, and \$1 million in Q2-2020; \$1 million for both YTD-2021 and YTD-2020. U.S. P&C amounts of \$7 million in Q2-2021, \$9 million in Q1-2021 and \$14 million in Q2-2020; \$16 million for YTD-2021 and \$27 million for YTD-2020. BMO Wealth Management amounts of \$10 million in both Q2-2021 and Q1-2021 and \$11 million in Q2-2020; \$20 million for YTD-2021 and \$22 million for YTD-2020. BMO Capital Markets amounts of \$6 million in both Q2-2021 and Q1-2021 and \$4 million in Q2-2020; \$12 million for YTD-2021 and \$9 million for YTD-2020.

(3) Q2-2021 reported net income included a \$747 million pre-tax and after-tax write-down of goodwill related to the announced sale of our EMEA Asset Management business to Ameriprise Financial, Inc., a \$22 million (\$29 million pre-tax) net gain on the sale of our Private Banking business in Hong Kong and Singapore to J. Safra Sarasin Group, and \$47 million (\$53 million pre-tax) of divestiture-related costs for both transactions. The net gain on the sale was included in revenue with the goodwill write-down and divestiture costs included in non-interest expense, all recorded in Corporate Services.

Adjusted results and measures in this table are non-GAAP amounts or non-GAAP measures.

Foreign Exchange

The Canadian dollar equivalents of BMO's U.S. segment results that are denominated in U.S. dollars decreased relative to the first quarter of 2021 and the second quarter of 2020, due to changes in the U.S. dollar exchange rate. The table below indicates the relevant average Canadian/U.S. dollar exchange rates and the impact of changes in those rates on BMO's U.S. segment results. References in this document to the impact of the U.S. dollar do not include U.S. dollar-denominated amounts recorded outside of BMO's U.S. segment.

Changes in exchange rates will affect future results measured in Canadian dollars, and the impact on those results is a function of the periods in which revenue, expenses, provisions for (recoveries of) credit losses and income taxes arise.

Economically, our U.S. dollar income stream was unhedged to changes in foreign exchange rates during the current and prior year. We regularly determine whether to enter into hedging transactions in order to mitigate the impact of foreign exchange rate movements on net income.

Refer to the Enterprise-Wide Capital Management section on page 63 of BMO's 2020 Annual Report for a discussion of the impact that changes in foreign exchange rates can have on our capital position. Changes in foreign exchange rates will also affect accumulated other comprehensive income, primarily as a result of the translation of our investment in foreign operations, and the carrying value of assets and liabilities on the balance sheet.

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

Effects of Changes in Exchange Rates on BMO's U.S. Segment Reported and Adjusted Results

(Canadian \$ in millions, except as noted)	Q2-2021		YTD-2021
	vs. Q2-2020	vs. Q1-2021	vs. YTD-2020
Canadian/U.S. dollar exchange rate (average)			
Current period	1.2512	1.2512	1.2679
Prior period	1.3811	1.2841	1.3482
Effects on U.S. segment reported results			
Increased (Decreased) net interest income	(139)	(37)	(168)
Increased (Decreased) non-interest revenue	(58)	(24)	(73)
Increased (Decreased) revenues	(197)	(61)	(241)
Decreased (Increased) provision for credit losses	43	(1)	53
Decreased (Increased) expenses	127	33	162
Decreased (Increased) income taxes	5	7	3
Increased (Decreased) reported net income	(22)	(22)	(23)
Impact on earnings per share (\$)	(0.03)	(0.03)	(0.03)
Effects on U.S. segment adjusted results			
Increased (Decreased) net interest income	(139)	(37)	(168)
Increased (Decreased) non-interest revenue	(58)	(24)	(73)
Increased (Decreased) revenues	(197)	(61)	(241)
Decreased (Increased) provision for credit losses	43	(1)	53
Decreased (Increased) expenses	125	33	160
Decreased (Increased) income taxes	5	6	3
Increased (Decreased) adjusted net income	(24)	(23)	(25)
Impact on adjusted earnings per share (\$)	(0.04)	(0.03)	(0.04)

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

Net Income

Q2 2021 vs. Q2 2020

Reported net income was \$1,303 million, an increase of \$614 million or 89% from the prior year, and adjusted net income was \$2,095 million, an increase of \$1,380 million. Adjusted net income in the current quarter excluded the impact of divestitures of \$772 million (\$771 million pre-tax), including a \$747 million pre-tax and after-tax write-down of goodwill related to the announced sale of our EMEA Asset Management business, a \$22 million (\$29 million pre-tax) net gain from the sale of our Private Banking business in Hong Kong and Singapore, and \$47 million (\$53 million pre-tax) of divestiture-related costs for both transactions. Both periods excluded the amortization of acquisition-related intangible assets and other acquisition integration costs. Reported EPS was \$1.91, an increase of \$0.91 from the prior year, and adjusted EPS was \$3.13, an increase of \$2.09.

Adjusted results were driven by higher revenue, higher expenses and the impact of lower provisions for credit losses. Higher income across all operating groups was partially offset by a higher net loss in Corporate Services.

Q2 2021 vs. Q1 2021

Reported net income was \$1,303 million, compared with \$2,017 million in the prior quarter, and adjusted net income was \$2,095 million, an increase of \$57 million or 3%. Adjusting items are noted above. Reported EPS decreased \$1.12 or 37% from the prior quarter, and adjusted EPS increased \$0.07 or 2%.

Adjusted results were driven by lower revenue, expenses that were relatively unchanged from the prior quarter and the impact of lower provisions for credit losses. Net income increased in BMO Capital Markets and Canadian P&C, partially offset by decreases in U.S. P&C and BMO Wealth Management.

Q2 YTD 2021 vs. Q2 YTD 2020

Reported net income was \$3,320 million, an increase of \$1,039 million or 46% from the prior year, and adjusted net income was \$4,133 million, an increase of \$1,801 million or 77%. Adjusting items are noted above. Reported EPS was \$4.93, an increase of \$1.56 or 46% from the prior year, and adjusted EPS was \$6.19, an increase of \$2.74 or 79%.

Adjusted results were driven by higher revenue, higher expenses and the impact of lower provisions for credit losses. Higher net income across all operating groups was partially offset by a higher net loss in Corporate Services.

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

Revenue

Q2 2021 vs. Q2 2020

Total reported revenue was \$6,076 million and adjusted revenue was \$6,047 million, compared with reported and adjusted revenue of \$5,264 million in the prior year. On a basis that nets insurance claims, commissions and changes in policy benefit liabilities (CCPB) against insurance revenue (net revenue), reported revenue was \$6,359 million, an increase of \$898 million or 16% from the prior year, and adjusted revenue was \$6,330 million, an increase of \$869 million or 16%. Adjusted revenue excluded the net gain on the sale of our Private Banking business in Hong Kong and Singapore.

Revenue increased in BMO Capital Markets, primarily due to higher trading revenue from strong client activity in the current quarter and the impact of challenging market conditions in the prior year, in BMO Wealth Management from growth in client assets, including stronger global markets, higher insurance revenue and the impact of a legal provision in the prior year, and in Canadian P&C due to higher net interest income and non-interest revenue. These increases in revenue were partially offset by a decrease in U.S. P&C, as higher net interest income and non-interest revenue were more than offset by the impact of the weaker U.S. dollar, and in Corporate Services. The impact of the weaker U.S. dollar decreased revenue by 4%.

Net interest income was \$3,455 million, a decrease of \$63 million or 2%. Excluding trading, net interest income was \$3,006 million, a decrease of \$45 million or 1%. Increases in the P&C businesses and BMO Wealth Management were more than offset by the impact of the weaker U.S. dollar and a decrease in BMO Capital Markets.

Average earning assets were \$889.6 billion, an increase of \$44.7 billion or 5%, primarily due to higher short-term cash positions, securities and loan growth, partially offset by the impact of the weaker U.S. dollar. BMO's overall net interest margin decreased 10 basis points from the prior year, primarily driven by higher liquidity levels and a lower margin in BMO Capital Markets, partially offset by higher margins in the P&C businesses and BMO Wealth Management. Excluding trading, net interest margin decreased 5 basis points, primarily driven by higher liquidity levels, partially offset by lower balances of low-yielding assets in BMO Capital Markets.

Adjusted non-interest revenue, net of CCPB, was \$2,875 million, an increase of \$932 million or 48%. Excluding trading and net of CCPB, adjusted non-interest revenue was \$2,828 million, an increase of \$668 million or 31% from the prior year with increases across most categories, partially offset by the impact of the weaker U.S. dollar.

Gross insurance revenue increased \$3 million from the prior year, primarily due to changes in the fair value of investments, largely offset by changes in policy benefit liabilities, the impact of which is reflected in CCPB, as discussed on page 12. We generally focus on analyzing revenue, net of CCPB, given the extent to which insurance revenue can vary and that this variability is largely offset in CCPB.

Q2 2021 vs. Q1 2021

Total reported revenue was \$6,076 million and adjusted revenue was \$6,047 million, compared with reported and adjusted revenue of \$6,975 million in the prior quarter. Reported revenue, net of CCPB was \$6,359 million, a decrease of \$15 million, and adjusted revenue, net of CCPB was \$6,330 million, a decrease of \$44 million or 1% from the prior quarter. Results were impacted by three fewer days in the current quarter and the weaker U.S. dollar.

Revenue increased in Canadian P&C, due to higher non-interest revenue, partially offset by lower net interest income, and in BMO Wealth Management from growth in client assets, including stronger global markets and higher online brokerage revenue, partially offset by lower insurance revenue. These increases were more than offset by decreases in U.S. P&C and BMO Capital Markets, with higher Investment and Corporate Banking revenue more than offset by lower Global Markets revenue, as well as in Corporate Services.

Net interest income decreased \$123 million or 3%. Excluding trading, net interest income decreased \$94 million or 3%, and was lower across all operating groups, primarily due to the impacts of three fewer days in the current quarter and the weaker U.S. dollar.

Average earning assets decreased \$4.4 billion, primarily due to lower securities and the impact of the weaker U.S. dollar, partially offset by higher short-term cash positions and loan growth. BMO's overall net interest margin was unchanged. Excluding trading, net interest margin increased 1 basis point, primarily due to higher loan spreads largely offset by lower deposit spreads.

Adjusted non-interest revenue, net of CCPB, was \$2,875 million, an increase of \$79 million or 3% from the prior quarter. Excluding trading and net of CCPB, adjusted non-interest revenue increased \$244 million or 9%. The increase was primarily driven by higher underwriting fee revenue, card fee revenue, foreign exchange, other than trading revenue and mutual fund revenue, partially offset by the impact of the weaker U.S. dollar.

Gross insurance revenue decreased \$907 million from the prior quarter, due to changes in the fair value of investments. The decrease in insurance revenue was largely offset by changes in CCPB, as discussed on page 12.

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

Q2 YTD 2021 vs. Q2 YTD 2020

Total reported revenue was \$13,051 million and adjusted revenue was \$13,022 million, compared with reported and adjusted revenue of \$12,011 million in the prior year. Revenue, net of CCPB was \$12,733 million, an increase of \$1,241 million or 11% from the prior year, and adjusted revenue, net of CCPB, was \$12,704 million, an increase of \$1,212 million or 11%.

Revenue increased in BMO Capital Markets, primarily due to higher trading revenue from strong client activity, in BMO Wealth Management, primarily from growth in client assets, including stronger global markets, higher insurance revenue, higher online brokerage revenue and the impact of the legal provision in the prior year, and in Canadian P&C, primarily due to higher net interest income and non-interest revenue, partially offset by a decrease in U.S. P&C, as increases in net interest income and non-interest revenue were more than offset by the impact of the weaker U.S. dollar. Corporate Services revenue decreased from the prior year.

Net interest income was \$7,033 million, an increase of \$127 million or 2%. Excluding trading, net interest income was \$6,106 million, relatively unchanged compared with the prior year, primarily due to higher net interest income in the P&C businesses and BMO Wealth Management, largely offset by the impact of the weaker U.S. dollar and lower net interest income in BMO Capital Markets.

Average earning assets were \$891.8 billion, an increase of \$66.8 billion or 8%, due to higher short-term cash positions, higher securities and loan growth, partially offset by the impact of the weaker U.S. dollar. BMO's overall net interest margin decreased 9 basis points from the prior year, primarily driven by higher liquidity levels, partially offset by higher margins in the P&C businesses. Excluding trading, net interest margin decreased 8 basis points, primarily driven by higher liquidity levels, partially offset by lower balances of low-yielding assets in BMO Capital Markets and higher margins in the P&C businesses.

Adjusted non-interest revenue, net of trading and CCPB, was \$5,412 million, an increase of \$750 million or 16%, due to increases across most categories, partially offset by the impact of the weaker U.S. dollar.

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.

Provision for Credit Losses

Q2 2021 vs. Q2 2020

Total provision for credit losses was \$60 million, a decrease of \$1,058 million from the prior year. The total provision for credit losses ratio was 5 basis points, compared with 94 basis points in the prior year. The provision for credit losses on impaired loans was \$155 million, a decrease of \$258 million from \$413 million in the prior year, largely due to lower commercial provisions in the P&C businesses and in BMO Capital Markets. The provision for credit losses on impaired loans ratio was 13 basis points, compared with 35 basis points in the prior year. There was a \$95 million recovery of the provision for credit losses on performing loans in the current quarter, compared with a \$705 million provision in the prior year. The \$705 million provision for credit losses on performing loans in the prior year was primarily based on the weak economic outlook, while the \$95 million recovery of the provision in the current quarter reflected positive credit migration and an improving economic outlook, partially offset by a more severe adverse scenario.

Q2 2021 vs. Q1 2021

Total provision for credit losses was \$60 million, a decrease of \$96 million from the prior quarter. The total provision for credit losses ratio was 5 basis points, compared with 14 basis points in the prior quarter. The provision for credit losses on impaired loans decreased \$60 million, largely due to lower provisions in BMO Capital Markets and U.S. P&C. The provision for credit losses on impaired loans ratio was 13 basis points, compared with 19 basis points in the prior quarter. There was a \$95 million recovery of the provision for credit losses on performing loans in the current quarter, compared with a \$59 million recovery of the provision for credit losses on performing loans in the prior quarter. The \$59 million recovery of the provision in the prior quarter primarily reflects an improving economic outlook and positive credit migration, including an increased adverse scenario weight, while the \$95 million recovery of the provision in the current quarter reflected positive credit migration and an improving economic outlook, partially offset by a more severe adverse scenario.

Q2 YTD 2021 vs. Q2 YTD 2020

Total provision for credit losses was \$216 million, a decrease of \$1,251 million from the prior year. The total provision for credit losses ratio was 9 basis points, compared with 63 basis points in the prior year. The provision for credit losses on impaired loans was \$370 million, a decrease of \$367 million from \$737 million in the prior year, largely due to lower commercial provisions in the P&C businesses and lower provisions in BMO Capital Markets. The provision for credit losses on impaired loans ratio was 16 basis points, compared with 32 basis points in the prior year. There was a \$154 million recovery of the provision for credit losses on performing loans in the current year, compared with a \$730 million provision in the prior year. The \$730 million provision for credit losses on performing loans in the prior year was primarily due to a weaker economic outlook, while the \$154 million recovery of the provision for credit losses on performing loans in the current year primarily reflected an improving economic outlook and positive credit migration, largely offset by the impact of the uncertain environment on future credit conditions, including an increased adverse scenario weight in the first quarter of the current year, and a more severe adverse scenario in the second quarter.

Provision for Credit Losses by Operating Group

(Canadian \$ in millions)	Canadian P&C	U.S. P&C	Total P&C	BMO Wealth Management	BMO Capital Markets	Corporate Services	Total Bank
Q2-2021							
Provision for (recovery of) credit losses on impaired loans	154	6	160	1	(6)	-	155
Provision for (recovery of) credit losses on performing loans	(13)	(29)	(42)	(4)	(49)	-	(95)
Total provision for (recovery of) credit losses	141	(23)	118	(3)	(55)	-	60
Q1-2021							
Provision for (recovery of) credit losses on impaired loans	149	20	169	2	45	(1)	215
Provision for (recovery of) credit losses on performing loans	(2)	(51)	(53)	(4)	(2)	-	(59)
Total provision for (recovery of) credit losses	147	(31)	116	(2)	43	(1)	156
Q2-2020							
Provision for (recovery of) credit losses on impaired loans	212	124	336	3	73	1	413
Provision for (recovery of) credit losses on performing loans	285	75	360	3	335	7	705
Total provision for (recovery of) credit losses	497	199	696	6	408	8	1,118
YTD-2021							
Provision for (recovery of) credit losses on impaired loans	303	26	329	3	39	(1)	370
Provision for (recovery of) credit losses on performing loans	(15)	(80)	(95)	(8)	(51)	-	(154)
Total provision for (recovery of) credit losses	288	(54)	234	(5)	(12)	(1)	216
YTD-2020							
Provision for (recovery of) credit losses on impaired loans	350	256	606	3	126	2	737
Provision for (recovery of) credit losses on performing loans	299	92	391	6	332	1	730
Total provision for (recovery of) credit losses	649	348	997	9	458	3	1,467

Provision for Credit Losses Performance Ratios

	Q2-2021	Q1-2021	Q2-2020	YTD-2021	YTD-2020
Total PCL-to-average net loans and acceptances (annualized) (%)	0.05	0.14	0.94	0.09	0.63
PCL on impaired loans-to-average net loans and acceptances (annualized) (%)	0.13	0.19	0.35	0.16	0.32

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

Impaired Loans

Total gross impaired loans (GIL) were \$3,000 million, compared with \$3,645 million in the prior year, with the largest decrease in impaired loans attributed to the oil and gas industry. GIL decreased \$442 million from \$3,442 million in the prior quarter.

Factors contributing to the change in GIL are outlined in the table below. Loans classified as impaired during the quarter totalled \$425 million, compared with \$1,396 million in the prior year, and \$665 million in the prior quarter.

Changes in Gross Impaired Loans (GIL) ⁽¹⁾ and Acceptances

(Canadian \$ in millions, except as noted)	Q2-2021	Q1-2021	Q2-2020	YTD-2021	YTD-2020
GIL, beginning of period	3,442	3,638	2,822	3,638	2,629
Classified as impaired during the period	425	665	1,396	1,090	2,227
Transferred to not impaired during the period	(193)	(182)	(110)	(375)	(311)
Net repayments	(459)	(402)	(277)	(861)	(596)
Amounts written-off	(140)	(179)	(262)	(319)	(389)
Recoveries of loans and advances previously written-off	-	-	-	-	-
Disposals of loans	-	(14)	(17)	(14)	(17)
Foreign exchange and other movements	(75)	(84)	93	(159)	102
GIL, end of period	3,000	3,442	3,645	3,000	3,645
GIL to gross loans and acceptances (%)	0.65	0.74	0.74	0.65	0.74

(1) GIL excludes purchased credit impaired loans.

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

Insurance Claims, Commissions and Changes in Policy Benefit Liabilities

Insurance claims, commissions and changes in policy benefit liabilities (CCPB) were negative \$283 million, a decrease of \$86 million from the prior year. Results decreased, largely due to changes in the fair value of policy benefit liabilities. CCPB decreased \$884 million from the prior quarter, due to changes in the fair value of policy benefit liabilities. The changes were largely offset in revenue.

Non-Interest Expense

Reported non-interest expense was \$4,409 million, an increase of \$893 million from the prior year, primarily due to the impact of the divestitures, including the \$747 million write-down of goodwill. Adjusted non-interest expense was \$3,583 million, an increase of \$100 million or 3%. The increase was due to higher employee-related costs given business performance, computer and equipment costs and professional fees, partially offset by the impact of the weaker U.S. dollar and lower travel costs. The impact of the weaker U.S. dollar decreased expenses by 4%.

Reported non-interest expense increased \$796 million or 22% from the prior quarter, due to the impact of divestitures. Adjusted non-interest expense was relatively unchanged, as lower employee-related costs, including stock-based compensation for employees eligible to retire that is expensed in the first quarter of each year, as well as the impacts of three fewer days in the current quarter and the weaker U.S. dollar, were largely offset by higher premises and equipment, marketing and other operating costs.

Year-to-date reported non-interest expense was \$8,022 million, an increase of \$837 million or 12% from the prior year, primarily due to the impact of the divestitures, and adjusted non-interest expense was \$7,168 million, an increase of \$48 million or 1%. The increase was driven by higher employee-related costs given business performance, premises and equipment costs and professional fees, partially offset by the impact of the weaker U.S. dollar, lower travel and other operating costs. The impact of the weaker U.S. dollar decreased expenses by 2%.

Reported operating leverage on a net revenue basis was negative 9.0% and adjusted operating leverage on a net revenue basis was positive 13.1%.

The reported efficiency ratio was 72.6%, compared with 66.8% in the prior year, and was 69.3% on a net revenue basis, compared with 64.4% in the prior year. The adjusted efficiency ratio on a net revenue basis was 56.6%, compared with 63.8% in the prior year.

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

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

Income Taxes

The provision for income taxes was \$587 million, an increase of \$449 million from the second quarter of 2020, and relatively unchanged from the first quarter of 2021. The effective tax rate for the current quarter was 31.1%, compared with 16.6% in the second quarter of 2020, and 22.6% in the first quarter of 2021.

The adjusted provision for income taxes was \$592 million, an increase of \$447 million from the second quarter of 2020, and a decrease of \$3 million from the first quarter of 2021. The adjusted effective tax rate was 22.1% in the current quarter, compared with 16.7% in the second quarter of 2020, and 22.6% in the first quarter of 2021. The change in the reported effective tax rate in the current quarter relative to the second quarter of 2020 and the first quarter of 2021 was primarily due to the write-down of goodwill related to the announced sale of our EMEA Asset Management business. The change in the adjusted effective tax rate in the current quarter relative to the second quarter of 2020 was primarily due to earnings mix, including the impact of lower pre-tax income in the prior year.

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

Balance Sheet

(Canadian \$ in millions)	As at April 30, 2021	As at October 31, 2020
Assets		
Cash and interest bearing deposits with banks	107,548	66,443
Securities	212,867	234,260
Securities borrowed or purchased under resale agreements	98,327	111,878
Net Loans and Acceptances	456,561	460,913
Derivative instruments	37,998	36,815
Other assets	36,538	38,952
Total assets	949,839	949,261
Liabilities and Equity		
Deposits	657,201	659,034
Derivative instruments	33,218	30,375
Securities lent or sold under repurchase agreements	87,703	88,658
Other liabilities	109,059	106,185
Subordinated debt	7,144	8,416
Equity	55,514	56,593
Total liabilities and equity	949,839	949,261

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

Total assets were \$949.8 billion as at April 30, 2021, relatively unchanged from October 31, 2020. The weaker U.S. dollar decreased assets by \$33.8 billion, excluding the impact on derivative financial assets.

Cash and cash equivalents and interest bearing deposits with banks increased \$41.1 billion, due to higher balances held with central banks driven by customer deposit growth in excess of loan growth and a change in mix of liquid assets with lower securities and securities borrowed or purchased under resale agreements, partially offset by the impact of the weaker U.S. dollar.

Securities decreased \$21.4 billion, due to the impact of the weaker U.S. dollar, treasury activities in Corporate Services and lower client activity in BMO Capital Markets.

Securities borrowed or purchased under resale agreements decreased \$13.6 billion, due to treasury activities in Corporate Services and the impact of the weaker U.S. dollar, partially offset by higher client activity in BMO Capital Markets.

Net loans and acceptances decreased \$4.4 billion. Business and government loans and acceptances decreased \$8.9 billion, primarily due to the impact of the weaker U.S. dollar and lower balances in BMO Capital Markets, due to declining balances in the non-Canadian energy portfolio and lower utilization and authorizations, partially offset by growth in the P&C businesses. Residential mortgages increased \$3.5 billion, primarily due to growth in Canadian P&C, partially offset by lower balances in U.S. P&C, including the impact of the weaker U.S. dollar. Consumer instalment and other personal loans increased \$1.8 billion, due to growth in the P&C businesses, partially offset by the impact of the weaker U.S. dollar.

Derivative financial assets increased \$1.2 billion, due to an increase in the fair value of foreign exchange and commodities contracts, largely offset by a decrease in the fair value of interest rate and equity contracts.

Other assets decreased \$2.4 billion, due to the impact of the weaker U.S. dollar and the write-down of goodwill related to the announced sale of our EMEA Asset Management business.

Liabilities increased \$1.7 billion from October 31, 2020. The weaker U.S. dollar decreased liabilities by \$31.3 billion, excluding the impact on derivative financial liabilities.

Deposits decreased \$1.8 billion, due to the impact of the weaker U.S. dollar, largely offset by growth in customer deposits across all operating groups. Derivative financial liabilities increased \$2.8 billion, due to an increase in the fair value of foreign exchange and equity contracts, partially offset by a decrease in the fair value of interest rate and commodities contracts.

Securities lent or sold under repurchase agreements decreased \$1.0 billion, driven by the impact of the weaker U.S. dollar and maturing Bank of Canada term repo funding, partially offset by higher client activity in BMO Capital Markets.

Other liabilities increased \$2.9 billion, as higher securities sold but not yet purchased, driven by client activity in BMO Capital Markets, and higher cash collateral received on over-the-counter derivatives were partially offset by the impact of the weaker U.S. dollar, a decrease in acceptances and lower secured funding.

Subordinated debt decreased \$1.3 billion, primarily due to a maturity in the current year.

Equity decreased \$1.1 billion from October 31, 2020, as higher retained earnings was more than offset by a decrease in accumulated other comprehensive income and lower preferred shares and other equity instruments. Retained earnings increased \$1.8 billion as a result of net income earned in the year, partially offset by dividends and distributions on other equity instruments. Accumulated other comprehensive income decreased \$2.3 billion, primarily due to the impact of the weaker U.S. dollar on the translation of net foreign operations and the impact of higher interest rates on cash flow hedges, partially offset by an increase in pension and other employee future benefit plans due to an increase in the value of pension plan assets and the impact of higher interest rates on the pension liability. Preferred shares and other equity instruments decreased \$0.8 billion, due to redemptions in the year.

Contractual obligations by year of maturity are outlined on page 38 in this document.

Capital Management

BMO continues to manage its capital within the framework described on page 63 of BMO's 2020 Annual Report.

Second Quarter 2021 Regulatory Capital Review

BMO's Common Equity Tier 1 (CET1) Ratio was 13.0% as at April 30, 2021, an increase from 12.4% at the end of the first quarter of fiscal 2021, due to internal capital generation and lower source currency risk-weighted assets (RWA). The write-down of goodwill related to the announced sale of our EMEA Asset Management business was offset by a lower goodwill capital deduction, and therefore did not impact the current quarter CET1 Ratio.

CET1 Capital was \$41.4 billion as at April 30, 2021, an increase from \$40.9 billion as at January 31, 2021, primarily driven by the lower goodwill deduction mentioned above and retained earnings growth, partially offset by a decline in accumulated other comprehensive income, primarily from foreign exchange movements.

RWA were \$319.8 billion as at April 30, 2021, a decrease from \$328.8 billion as at January 31, 2021, due to foreign exchange movements and positive asset quality changes, partially offset by increased asset size.

The bank's Tier 1 and Total Capital Ratios were 14.8% and 16.7%, respectively, as at April 30, 2021, compared with 14.2% and 16.6%, respectively, as at January 31, 2021. The Tier 1 and Total Capital Ratios were higher than the prior quarter, primarily due to the factors impacting the CET1 Ratio. The Total Capital Ratio was also impacted by our announced subordinated debt redemption.

The impact of foreign exchange movements on capital ratios was largely offset. BMO's investments in foreign operations are primarily denominated in U.S. dollars, and the foreign exchange impact of U.S.-dollar-denominated RWA and capital deductions may result in variability in the our capital ratios. We may manage the impact of foreign exchange movements on our capital ratios and did so during the current quarter. Any such activities could also impact our book value and return on equity.

BMO's Leverage Ratio was 5.1% as at April 30, 2021, an increase from 4.8% at the end of the first quarter of fiscal 2021, primarily due to lower leverage exposures and, to a lesser extent, higher Tier 1 Capital.

Regulatory Capital Developments

On March 16, 2021, the Office of the Superintendent of Financial Institutions (OSFI) announced the unwinding of the regulatory adjustments to the market risk capital requirements for banks. Effective May 1, 2021, the Stressed Value at Risk (SVaR) multiplier, which was temporarily reduced to a minimum value of one, returned to the pre-pandemic minimum value of three.

On March 11, 2021, OSFI launched an industry consultation on proposed regulatory changes reflecting the latest and final round of Basel III reforms in its capital, leverage and related disclosure guidelines for banks, effective in fiscal 2023. Proposals in the consultation include a three-year phase-in of the capital floor factor, starting at 65% in 2023 and increasing 2.5% per year to 72.5% in 2026, and a leverage ratio buffer for domestic systemically important banks (D-SIBs), set at 50% of the D-SIB's Common Equity Surcharge, currently 1.0%, for a minimum Leverage Ratio requirement of 3.5% and a minimum Total Loss Absorbing Capacity (TLAC) Leverage Ratio requirement of 7.25% when the leverage ratio buffer comes into effect in fiscal 2023.

On January 27, 2021, OSFI advised deposit-taking institutions (DTIs) that loans to businesses through the Government of Canada's Highly Affected Sectors Credit Availability Program (HASCAP) can be treated as exposures to the Government of Canada. DTIs must include the entire amount of the loan in the leverage ratio calculation.

On December 14, 2020, OSFI announced that while the restrictions on regular dividend increases remain in place, there may be exceptional circumstances where a non-recurring payment of special, or irregular, dividends may be acceptable, but the objective cannot be the distribution of capital to a broad group of shareholders.

On December 8, 2020, OSFI announced that the Domestic Stability Buffer (DSB) will remain at 1.0%, unchanged from the level set on March 13, 2020.

On November 5, 2020, OSFI announced an eight-month extension of the temporary exclusion of central bank reserves and sovereign-issued securities from the DTIs' leverage ratio exposure measures which will now remain in place until December 31, 2021.

Please refer to the Enterprise-Wide Capital Management section on pages 63 to 70 of BMO's 2020 Annual Report for a summary of the modifications to capital requirements announced by OSFI in 2020, to address the market disruption posed by COVID-19. For those that are temporary in nature, OSFI will continue to closely monitor the economic and financial outlook and provide guidance on the unwinding of the modifications.

Regulatory Capital

Regulatory capital requirements for BMO are determined in accordance with OSFI's Capital Adequacy Requirements (CAR) Guideline, which is based on the capital standards developed by the Basel Committee on Banking Supervision. For more information see the Enterprise-Wide Capital Management section on pages 63 to 70 of BMO's 2020 Annual Report.

OSFI's capital requirements are summarized in the following table.

(% of risk-weighted assets or leverage exposures)	Minimum capital requirements	Total Pillar 1 Capital Buffer (1)	Domestic Stability Buffer (2)	OSFI capital requirements including capital buffers	BMO Capital and Leverage Ratios as at April 30, 2021
Common Equity Tier 1 Ratio	4.5%	3.5%	1.0%	9.0%	13.0%
Tier 1 Capital Ratio	6.0%	3.5%	1.0%	10.5%	14.8%
Total Capital Ratio	8.0%	3.5%	1.0%	12.5%	16.7%
Leverage Ratio	3.0%	na	na	3.0%	5.1%

- (1) The minimum 4.5% CET1 Ratio requirement is augmented by the 3.5% Total Pillar 1 Capital Buffers, which can absorb losses during periods of stress. The Pillar 1 Capital Buffers include a 2.5% Capital Conservation Buffer, a 1.0% Common Equity Surcharge for domestic systemically important banks (D-SIBs) and a Countercyclical Buffer, as prescribed by OSFI (immaterial for the second quarter of 2021). If a bank's capital ratios fall within the range of this combined buffer, restrictions on discretionary distributions of earnings (such as dividends, share repurchases and discretionary compensation) would ensue, with the degree of such restrictions varying according to the position of the bank's ratios within the buffer range.
- (2) OSFI requires all D-SIBs to hold a Domestic Stability Buffer (DSB) against Pillar 2 risks associated with systemic vulnerabilities. The DSB can range from 0% to 2.5% of total RWA and is set at 1.0% at April 30, 2021. Breaches of the DSB do not result in a bank being subject to automatic constraints on capital distributions.

na – not applicable

Under Canada's Bank Recapitalization (Bail-In) Regime, eligible senior debt issued on or after September 23, 2018, is subject to statutory conversion requirements. Canada Deposit Insurance Corporation has the power to trigger the conversion of bail-in debt into common shares. This statutory conversion supplements non-viable contingent capital (NVCC) instruments, which must be converted, in full, prior to the conversion of bail-in debt. The prospective minimum requirements for TLAC are currently set at a risk-based TLAC ratio of 22.5% of RWA, including a 1.0% DSB, and a TLAC leverage ratio of 6.75%. The bank expects to meet the minimum requirements when they come into effect on November 1, 2021. As at April 30, 2021, BMO's TLAC ratio was 24.2% and its TLAC leverage ratio was 8.3%.

Regulatory Capital Position

(Canadian \$ in millions, except as noted)

	Q2-2021	Q1-2021	Q4-2020
Gross common equity (1)	49,666	50,300	49,995
Regulatory adjustments applied to common equity	(8,251)	(9,365)	(9,918)
Common Equity Tier 1 capital (CET1)	41,415	40,935	40,077
Additional Tier 1 eligible capital (2)	5,848	5,848	5,848
Regulatory adjustments applied to Tier 1	(83)	(83)	(85)
Additional Tier 1 capital (AT1)	5,765	5,765	5,763
Tier 1 capital (T1 = CET1 + AT1)	47,180	46,700	45,840
Tier 2 eligible capital (3)	6,372	7,963	8,874
Regulatory adjustments applied to Tier 2	(69)	(79)	(53)
Tier 2 capital (T2)	6,303	7,884	8,821
Total capital (TC = T1 + T2)	53,483	54,584	54,661
Risk-weighted Assets (4)	319,802	328,822	336,607
Leverage Ratio Exposures	926,323	966,509	953,640
Capital ratios (%)			
CET1 Ratio	13.0	12.4	11.9
Tier 1 Capital Ratio	14.8	14.2	13.6
Total Capital Ratio	16.7	16.6	16.2
Leverage Ratio	5.1	4.8	4.8

- (1) Gross Common Equity includes issued qualifying common shares, retained earnings, accumulated other comprehensive income and eligible common share capital issued by subsidiaries.
- (2) Additional Tier 1 Eligible Capital includes directly and indirectly issued qualifying Additional Tier 1 instruments.
- (3) Tier 2 Eligible Capital includes subordinated debentures and may include portion of expected credit loss provisions.
- (4) For institutions using advanced approaches for credit risk or operational risk, there is a capital floor as prescribed in OSFI's CAR Guideline.

Outstanding Shares and Securities Convertible into Common Shares (1)

As at April 30, 2021	Number of shares or dollar amount (in millions)
Common shares (2)	647.3
Class B Preferred shares	
Series 25	\$236
Series 26	\$54
Series 27*	\$500
Series 29*	\$400
Series 31*	\$300
Series 33*	\$200
Series 38*	\$600
Series 40*	\$500
Series 42*	\$400
Series 44*	\$400
Series 46*	\$350
Other Equity Instruments*	
4.8% Additional Tier 1 Capital Notes	US\$500
4.3% Limited Recourse Capital Notes, Series 1 (LRCNs)	\$1,250
Medium-Term Notes*	
Series I - First Tranche	\$1,250
Series I - Second Tranche	\$850
3.803% Subordinated Notes due 2032	US\$1,250
4.338% Subordinated Notes due 2028	US\$850
Series J - First Tranche	\$1,000
Series J - Second Tranche	\$1,250
Stock options	
Vested	3.4
Non-vested	3.2

* Convertible into common shares. For LRCNs, convertible into common shares by virtue of the recourse to the \$1,250 million of Preferred Shares Series 48.

- (1) Details on the Medium-Term Notes are outlined in Note 15 to the audited consolidated financial statements on page 183 of BMO's 2020 Annual Report. Details on share capital and Other Equity Instruments are outlined in Note 5 to the unaudited interim consolidated financial statements and Note 16 to the audited annual consolidated financial statements on page 184 of BMO's 2020 Annual Report.
- (2) Common Shares are net of 39,882 treasury shares.

Other Capital Developments

During the quarter, 419,220 common shares were issued through the exercise of stock options.

On April 20, 2021, we announced our intention to redeem all of our outstanding \$1,250 million subordinated debentures, Series I Medium-Term Notes First Tranche (NVCC) at par, together with accrued and unpaid interest to, but excluding, the redemption date on June 1, 2021.

On December 8, 2020, we redeemed all of our outstanding \$1,000 million subordinated debentures, Series H Medium-Term Notes Second Tranche (NVCC) at par, together with accrued and unpaid interest to, but excluding, the redemption date.

On November 25, 2020, we redeemed all of our 6 million issued and outstanding Non-Cumulative Perpetual Class B Preferred Shares, Series 35 (NVCC) for an aggregate total of \$156 million and all of our 600,000 issued and outstanding Non-Cumulative 5-Year Rate Reset Class B Preferred Shares, Series 36 (NVCC) for an aggregate total of \$600 million.

If an NVCC trigger event were to occur, our NVCC instruments would be converted into BMO common shares pursuant to automatic conversion formulas, with a conversion price based on the greater of: (i) a floor price of \$5.00; and (ii) the current market price of our common shares at the time of the trigger event (calculated using a 10-day weighted average). Based on a floor price of \$5.00, these NVCC capital instruments would be converted into approximately 3.2 billion BMO common shares, assuming no accrued interest and no declared and unpaid dividends.

Dividends

On May 26, 2021, BMO announced that the Board of Directors had declared a quarterly dividend on common shares of \$1.06 per share, consistent with the prior quarter and the prior year. The dividend is payable on August 26, 2021, to shareholders of record on August 3, 2021. OSFI's expectation set in March 2020 that federally regulated financial institutions should halt dividend increases, remains in effect until further notice. Common shareholders may elect to have their cash dividends reinvested in common shares of BMO, in accordance with the Shareholder Dividend Reinvestment and Share Purchase Plan. Until further notice, such additional common shares will be purchased on the open market.

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.

Caution

The foregoing Capital Management section contains forward-looking statements. Please refer to the Caution Regarding Forward-Looking Statements.

Review of Operating Groups' Performance

How BMO Reports Operating Group Results

The following sections review the financial results of each of the operating groups for the second quarter of 2021. See also the Risk Management section starting on page 31 in this document, as well as the Enterprise-Wide Risk Management sections in BMO's 2020 Annual Report starting on page 73.

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, allocations of revenue, provisions for credit losses and expenses are updated to better align with current experience.

BMO analyzes revenue at the consolidated level based on GAAP revenue as reported in the consolidated financial statements rather than on a taxable equivalent basis (teb), which is consistent with our Canadian peer group. Like many banks, BMO analyzes revenue on a teb basis at the operating group level. Revenue and the provision for income taxes are increased on tax-exempt securities to an equivalent before-tax basis to facilitate comparisons of income between taxable and tax-exempt sources. The offset to the group teb adjustments is reflected in Corporate Services revenue and provision for income taxes.

Personal and Commercial Banking (P&C)

(Canadian \$ in millions, except as noted)

	Q2-2021	Q1-2021	Q2-2020	YTD-2021	YTD-2020
Net interest income (teb)	2,636	2,699	2,624	5,335	5,232
Non-interest revenue	873	810	780	1,683	1,610
Total revenue (teb)	3,509	3,509	3,404	7,018	6,842
Provision for (recovery of) credit losses on impaired loans	160	169	336	329	606
Provision for (recovery of) credit losses on performing loans	(42)	(53)	360	(95)	391
Total provision for credit losses	118	116	696	234	997
Non-interest expense	1,652	1,639	1,793	3,291	3,541
Income before income taxes	1,739	1,754	915	3,493	2,304
Provision for income taxes (teb)	433	435	214	868	553
Reported net income	1,306	1,319	701	2,625	1,751
Amortization of acquisition-related intangible assets (1)	6	7	11	13	21
Adjusted net income	1,312	1,326	712	2,638	1,772
Net income growth (%)	86.6	25.6	(31.5)	50.0	(17.2)
Adjusted net income growth (%)	84.7	25.0	(31.2)	48.9	(17.1)
Revenue growth (%)	3.1	2.0	5.4	2.6	5.0
Non-interest expense growth (%)	(7.8)	(6.2)	4.3	(7.0)	2.9
Adjusted non-interest expense growth (%)	(7.6)	(6.0)	4.4	(6.8)	3.0
Return on equity (%)	21.4	20.5	10.5	20.9	13.4
Adjusted return on equity (%)	21.5	20.6	10.7	21.0	13.5
Operating leverage (teb) (%)	10.9	8.2	1.1	9.6	2.1
Adjusted operating leverage (teb) (%)	10.7	8.0	1.0	9.4	2.0
Efficiency ratio (teb) (%)	47.1	46.7	52.7	46.9	51.7
Adjusted efficiency ratio (teb) (%)	46.9	46.4	52.3	46.6	51.3
Net interest margin on average earning assets (teb) (%)	2.95	2.95	2.86	2.95	2.89
Average earning assets	366,885	363,188	372,526	365,006	364,408
Average gross loans and acceptances	374,747	371,073	381,807	372,879	374,169
Average net loans and acceptances	372,180	368,430	379,838	370,273	372,312
Average deposits	360,378	358,772	326,411	359,562	316,172

(1) Total P&C before tax amounts of \$8 million in Q2-2021, \$9 million in Q1-2021 and \$15 million in Q2-2020; \$17 million for YTD-2021 and \$28 million for YTD-2020 are included in non-interest expense. Adjusted results in this table are non-GAAP amounts or non-GAAP measures. Please refer to the Non-GAAP Measures section.

The Personal and Commercial Banking (P&C) operating group represents the sum of our two retail and commercial operating segments, Canadian Personal and Commercial Banking (Canadian P&C) and U.S. Personal and Commercial Banking (U.S. P&C). The P&C banking business reported net income was \$1,306 million, an increase of 87% from the prior year. Adjusted net income was \$1,312 million, an increase of 85% from the prior year. These operating segments are reviewed separately in the sections that follow.

Adjusted results in this P&C section are non-GAAP amounts or non-GAAP measures. Please refer to the Non-GAAP Measures section.

Canadian Personal and Commercial Banking (Canadian P&C)

(Canadian \$ in millions, except as noted)

	Q2-2021	Q1-2021	Q2-2020	YTD-2021	YTD-2020
Net interest income	1,581	1,608	1,495	3,189	3,052
Non-interest revenue	561	491	465	1,052	990
Total revenue	2,142	2,099	1,960	4,241	4,042
Provision for (recovery of) credit losses on impaired loans	154	149	212	303	350
Provision for (recovery of) credit losses on performing loans	(13)	(2)	285	(15)	299
Total provision for credit losses	141	147	497	288	649
Non-interest expense	972	954	976	1,926	1,963
Income before income taxes	1,029	998	487	2,027	1,430
Provision for income taxes	265	261	125	526	369
Reported net income	764	737	362	1,501	1,061
Amortization of acquisition-related intangible assets (1)	1	-	1	1	1
Adjusted net income	765	737	363	1,502	1,062
Personal revenue	1,300	1,292	1,224	2,592	2,516
Commercial revenue	842	807	736	1,649	1,526
Net income growth (%)	112.0	5.3	(41.4)	41.6	(16.1)
Revenue growth (%)	9.4	0.7	2.4	4.9	4.6
Non-interest expense growth (%)	(0.4)	(3.3)	3.4	(1.9)	3.3
Adjusted non-interest expense growth (%)	(0.4)	(3.3)	3.4	(1.8)	3.4
Return on equity (%)	27.8	25.9	13.0	26.8	19.4
Adjusted return on equity (%)	27.8	25.9	13.0	26.8	19.5
Operating leverage (%)	9.8	4.0	(1.0)	6.8	1.3
Adjusted operating leverage (%)	9.8	4.0	(1.0)	6.7	1.2
Efficiency ratio (%)	45.4	45.4	49.8	45.4	48.6
Net interest margin on average earning assets (%)	2.66	2.66	2.58	2.66	2.63
Average earning assets	243,889	239,777	235,852	241,799	233,544
Average gross loans and acceptances	257,884	253,771	251,426	255,791	249,401
Average net loans and acceptances	256,352	252,258	250,328	254,269	248,371
Average deposits	222,787	219,952	197,122	221,346	194,261

(1) Before tax amounts of \$1 million in Q2-2021, \$nil in Q1-2021 and \$1 million in Q2-2020; \$1 million for both YTD-2021 and YTD-2020 are included in non-interest expense.

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

Q2 2021 vs. Q2 2020

Canadian P&C reported net income was \$764 million and adjusted net income was \$765 million, both increasing \$402 million from the prior year.

Total revenue was \$2,142 million, an increase of \$182 million or 9% from the prior year. Net interest income increased due to higher loan margins and higher balances, partially offset by lower deposit margins. Non-interest revenue increased across most categories, including elevated card-related revenue reflecting non-recurring items in the current quarter. Net interest margin of 2.66% increased 8 basis points, driven by deposits growing faster than loans and higher loan margins, partially offset by lower deposit margins, reflecting the impact of the lower interest rate environment.

Personal revenue increased \$76 million or 6%, and commercial revenue increased \$106 million or 15%, both due to higher net interest income and higher non-interest revenue.

Total provision for credit losses was \$141 million, a decrease of \$356 million from the prior year. The provision for credit losses on impaired loans was \$154 million, a decrease of \$58 million, due to lower commercial and consumer provisions. There was a \$13 million recovery of the provision for credit losses on performing loans in the current quarter, compared with a \$285 million provision in the prior year.

Non-interest expense was \$972 million, relatively unchanged from the prior year.

Average total gross loans and acceptances increased \$6.5 billion or 3% from the prior year to \$257.9 billion. Personal loan balances increased 5% and commercial loan balances were relatively unchanged, while credit card balances decreased 12%. Average total deposits increased \$25.7 billion or 13% to \$222.8 billion. Personal deposits increased 5% and commercial deposits increased 27%, reflecting the higher liquidity retained by customers due to the impact of COVID-19.

Q2 2021 vs. Q1 2021

Reported net income was \$764 million, an increase of \$27 million, and adjusted net income was \$765 million, an increase of \$28 million, both increasing 4% from prior quarter.

Total revenue was \$2,142 million, an increase of \$43 million or 2% from the prior quarter. Net interest income decreased due to the impact of three fewer days in the current quarter, partially offset by higher balances and higher margins. Non-interest revenue increased across most categories, including elevated card-related revenue reflecting non-recurring items in the current quarter. Net interest margin of 2.66% was unchanged from the prior quarter.

Personal revenue increased \$8 million or 1%, due to higher non-interest revenue, partly offset by lower net interest income. Commercial revenue increased \$35 million or 5%, due to higher non-interest revenue and higher net interest income.

Total provision for credit losses was \$141 million, a decrease of \$6 million from the prior quarter. The provision for credit losses on impaired loans increased \$5 million, due to higher consumer provisions, partially offset by lower commercial provisions. There was a \$13 million recovery of the provision for credit losses on performing loans in the current quarter, compared with a \$2 million recovery of the provision in the prior quarter.

Non-interest expense was \$972 million, an increase of \$18 million or 2% from the prior quarter, largely due to higher employee-related costs.

Average total gross loans and acceptances increased \$4.1 billion or 2% from the prior quarter. Personal and commercial loan balances both increased 2%, while credit card balances decreased 5%. Average total deposits increased \$2.8 billion or 1% with growth of 4% in commercial deposits, partially offset by a modest decrease in personal deposits.

Q2 YTD 2021 vs. Q2 YTD 2020

Reported net income was \$1,501 million and adjusted net income was \$1,502 million, both increasing \$440 million or 42% from the prior year.

Total revenue was \$4,241 million, an increase of \$199 million or 5% from the prior year. Net interest income increased due to higher balances and higher loan margins, partially offset by lower deposit margins. Non-interest revenue increased across most categories, including elevated card-related revenue reflecting non-recurring items in the current quarter. Net interest margin of 2.66% increased 3 basis points, driven by deposits growing faster than loans and higher loan margins, partially offset by lower deposit margins, reflecting the impact of the lower interest rate environment.

Personal revenue increased \$76 million or 3% from the prior year and commercial revenue increased \$123 million or 8%, both due to higher net interest income and higher non-interest revenue.

Total provision for credit losses was \$288 million, a decrease of \$361 million from the prior year. The provision for credit losses on impaired loans was \$303 million, a decrease of \$47 million, due to lower consumer and commercial provisions. There was a \$15 million recovery of the provision for credit losses on performing loans in the current year, compared with a \$299 million provision in the prior year.

Non-interest expense was \$1,926 million, a decrease of \$37 million or 2% from the prior year, due to lower employee-related and other operating costs.

Average total gross loans and acceptances increased \$6.4 billion or 3% from the prior year to \$255.8 billion. Personal loan balances increased 5% and commercial loan balances were relatively unchanged, while credit card balances decreased 12%. Average total deposits increased \$27.1 billion or 14% to \$221.3 billion. Personal deposits increased 6% and commercial deposits increased 28%, reflecting the higher liquidity retained by customers due to the impact of COVID-19.

Adjusted results in this Canadian P&C section are non-GAAP amounts or non-GAAP measures. Please see the Non-GAAP Measures section.

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

(US\$ in millions, except as noted)

	Q2-2021	Q1-2021	Q2-2020	YTD-2021	YTD-2020
Net interest income (teb)	843	850	818	1,693	1,616
Non-interest revenue	249	249	228	498	460
Total revenue (teb)	1,092	1,099	1,046	2,191	2,076
Provision for (recovery of) credit losses on impaired loans	4	15	89	19	189
Provision for (recovery of) credit losses on performing loans	(23)	(40)	54	(63)	67
Total provision for (recovery of) credit losses	(19)	(25)	143	(44)	256
Non-interest expense	544	533	592	1,077	1,170
Income before income taxes	567	591	311	1,158	650
Provision for income taxes (teb)	133	137	65	270	137
Reported net income	434	454	246	888	513
Amortization of acquisition-related intangible assets (1)	5	5	7	10	15
Adjusted net income	439	459	253	898	528
Personal revenue	328	333	315	661	642
Commercial revenue	764	766	731	1,530	1,434
Net income growth (%)	76.4	70.2	(19.4)	73.2	(19.6)
Adjusted net income growth (%)	73.1	67.4	(19.1)	70.1	(19.3)
Revenue growth (%)	4.4	6.7	5.7	5.5	4.3
Non-interest expense growth (%)	(8.0)	(7.8)	1.5	(7.9)	1.1
Adjusted non-interest expense growth (%)	(7.6)	(7.3)	1.7	(7.5)	1.2
Return on equity (%)	16.2	16.3	8.7	16.2	9.0
Adjusted return on equity (%)	16.4	16.4	9.0	16.4	9.3
Operating leverage (teb) (%)	12.4	14.5	4.2	13.4	3.2
Adjusted operating leverage (teb) (%)	12.0	14.0	4.0	13.0	3.1
Efficiency ratio (teb) (%)	49.8	48.5	56.5	49.2	56.3
Adjusted efficiency ratio (teb) (%)	49.2	47.9	55.6	48.6	55.4
Net interest margin on average earning assets (teb) (%)	3.51	3.51	3.36	3.51	3.35
Average earning assets	98,296	96,121	98,919	97,190	96,996
Average gross loans and acceptances	93,394	91,364	94,366	92,363	92,476
Average net loans and acceptances	92,567	90,484	93,736	91,508	91,862
Average deposits	109,998	108,115	93,523	109,041	90,304

(Canadian \$ equivalent in millions)

Net interest income (teb)	1,055	1,091	1,129	2,146	2,180
Non-interest revenue	312	319	315	631	620
Total revenue (teb)	1,367	1,410	1,444	2,777	2,800
Provision for (recovery of) credit losses on impaired loans	6	20	124	26	256
Provision for (recovery of) credit losses on performing loans	(29)	(51)	75	(80)	92
Total provision for credit losses	(23)	(31)	199	(54)	348
Non-interest expense	680	685	817	1,365	1,578
Income before income taxes	710	756	428	1,466	874
Provision for income taxes (teb)	168	174	89	342	184
Reported net income	542	582	339	1,124	690
Adjusted net income	547	589	349	1,136	710
Net income growth (%)	59.6	66.1	(16.3)	62.9	(18.8)
Adjusted net income growth (%)	56.6	63.3	(16.0)	60.0	(18.5)
Revenue growth (%)	(5.4)	4.1	9.8	(0.8)	5.5
Non-interest expense growth (%)	(16.7)	(10.0)	5.4	(13.5)	2.3
Adjusted non-interest expense growth (%)	(16.3)	(9.6)	5.6	(13.1)	2.5
Average earning assets	122,996	123,411	136,674	123,207	130,864
Average gross loans and acceptances	116,863	117,302	130,381	117,088	124,768
Average net loans and acceptances	115,828	116,172	129,510	116,004	123,941
Average deposits	137,591	138,820	129,289	138,216	121,911

(1) Before tax amounts of US\$6 million in Q2-2021, US\$7 million in Q1-2021 and US\$10 million in Q2-2020; US\$13 million for YTD-2021 and US\$20 million for YTD-2020 are included in non-interest expense.

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

Q2 2021 vs. Q2 2020

U.S. P&C reported net income was \$542 million, an increase of \$203 million or 60% from the prior year, and adjusted net income was \$547 million, an increase of \$198 million or 57%. All amounts in the remainder of this section are on a U.S. dollar basis.

Reported net income was \$434 million, an increase of \$188 million from the prior year, and adjusted net income was \$439 million, an increase of \$186 million.

Total revenue was \$1,092 million, an increase of \$46 million or 4% from the prior year. Net interest income increased due to higher loan margins and deposit balances, partially offset by lower deposit margins. Non-interest revenue increased across most categories. Net interest margin of 3.51% increased 15 basis points, primarily due to higher loan margins, accelerated Paycheck Protection Program (PPP) fee income from loan forgiveness and deposits growing faster than loans, partially offset by lower deposit margins reflecting the impact of the lower interest rate environment.

Personal revenue increased \$13 million or 4%, and commercial revenue increased \$33 million or 4%, both due to higher net interest income and higher non-interest revenue.

Total recovery of the provision for credit losses was \$19 million, compared with a provision for credit losses of \$143 million in the prior year. The provision for credit losses on impaired loans was \$4 million, a decrease of \$85 million, largely due to lower commercial provisions. There was a \$23 million recovery of the provision for credit losses on performing loans in the current quarter, compared with a \$54 million provision in the prior year.

Non-interest expense was \$544 million, a decrease of \$48 million or 8% from the prior year, and adjusted non-interest expense was \$538 million, a decrease of \$44 million or 8%, primarily due to lower technology and employee-related costs, as well as lower other operating costs.

Average total gross loans and acceptances decreased \$1.0 billion or 1% from the prior year to \$93.4 billion. Commercial loan balances were relatively unchanged, while personal loan balances decreased 5%. Average total deposits increased \$16.5 billion or 18% to \$110.0 billion, with 35% growth in commercial deposits, reflecting the higher liquidity retained by customers due to the impact of COVID-19, and 1% growth in personal deposits.

Q2 2021 vs. Q1 2021

Reported net income was \$542 million, a decrease of \$40 million or 7% from the prior quarter, and adjusted net income was \$547 million, a decrease of \$42 million or 7%. All amounts in the remainder of this section are on a U.S. dollar basis.

Reported net income was \$434 million and adjusted net income was \$439 million, both decreasing \$20 million or 4% from the prior quarter.

Total revenue was \$1,092 million, a decrease of \$7 million or 1% from the prior quarter. Net interest income decreased due to the impact of three fewer days in the current quarter and lower deposit margins, partially offset by higher loan margins and increased loan and deposit balances. Non-interest revenue was unchanged from the prior quarter. Net interest margin of 3.51% was unchanged from the prior quarter, as higher loan margins, including accelerated PPP fee income from loan forgiveness largely offset lower deposit margins.

Personal revenue decreased \$5 million or 1%, due to lower non-interest revenue. Commercial revenue decreased \$2 million, due to lower net interest income, partially offset by higher non-interest revenue.

Total recovery of the provision for credit losses was \$19 million, compared with a \$25 million recovery of the provision in the prior quarter. The provision for credit losses on impaired loans was \$4 million, a decrease of \$11 million from the prior quarter, due to lower consumer and commercial provisions. There was a \$23 million recovery of the provision for credit losses on performing loans in the current quarter, compared with a \$40 million recovery of the provision in the prior quarter.

Non-interest expense was \$544 million, an increase of \$11 million or 2% from the prior quarter, and adjusted non-interest expense was \$538 million, an increase of \$12 million or 2%, as higher technology and marketing costs were partially offset by lower employee-related costs.

Average total gross loans and acceptances increased \$2.0 billion or 2% from the prior quarter. Commercial loan balances increased 2% and personal loan balances increased 1%. Average total deposits increased \$1.9 billion or 2% to \$110.0 billion, with 2% growth in commercial deposits and 1% growth in personal deposits.

Q2 YTD 2021 vs. Q2 YTD 2020

Reported net income was \$1,124 million, an increase of \$434 million or 63% from the prior year, and adjusted net income was \$1,136 million, an increase of \$426 million or 60%. All amounts in the remainder of this section are on a U.S. dollar basis.

Reported net income was \$888 million, an increase of \$375 million or 73% from the prior year, and adjusted net income was \$898 million, an increase of \$370 million or 70%.

Total revenue was \$2,191 million, an increase of \$115 million or 6% from the prior year. Net interest income increased due to higher loan margins and deposit balances, partially offset by lower deposit margins. Non-interest revenue increased across most categories. Net interest margin of 3.51% increased 16 basis points, primarily due to higher loan margins, accelerated PPP fee income from loan forgiveness and deposits growing faster than loans, partially offset by lower deposit margins reflecting the impact of the lower interest rate environment.

Personal revenue increased \$19 million or 3%, and commercial revenue increased \$96 million or 7%, both due to higher net interest income and higher non-interest revenue.

Total recovery of the provision for credit losses was \$44 million, compared with a provision for credit losses of \$256 million in the prior year. The provision for credit losses on impaired loans decreased \$170 million, largely due to lower commercial provisions. There was a \$63 million recovery of the provision for credit losses on performing loans in the current year, compared with a \$67 million provision in the prior year.

Non-interest expense was \$1,077 million, a decrease of \$93 million or 8% from the prior year, and adjusted non-interest expense was \$1,064 million, a decrease of \$86 million or 7%, primarily due to lower technology and employee-related costs, as well as lower other operating costs.

Average gross loans and acceptances of \$92.4 billion were relatively unchanged from the prior year. Commercial loan balances increased 1% and personal loan balances decreased 6%. Average total deposits increased \$18.7 billion or 21% to \$109.0 billion, with 43% growth in commercial deposits, reflecting the higher liquidity retained by customers due to the impact of COVID-19, and 1% growth in personal deposits.

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

BMO Wealth Management

(Canadian \$ in millions, except as noted)

	Q2-2021	Q1-2021	Q2-2020	YTD-2021	YTD-2020
Net interest income	237	239	212	476	443
Non-interest revenue	878	1,738	678	2,616	2,472
Total revenue	1,115	1,977	890	3,092	2,915
Insurance claims, commissions and changes in policy benefit liabilities (CCPB)	(283)	601	(197)	318	519
Revenue, net of CCPB	1,398	1,376	1,087	2,774	2,396
Provision for (recovery of) credit losses on impaired loans	1	2	3	3	3
Provision for (recovery of) credit losses on performing loans	(4)	(4)	3	(8)	6
Total provision for (recovery of) credit losses	(3)	(2)	6	(5)	9
Non-interest expense	941	906	888	1,847	1,800
Income before income taxes	460	472	193	932	587
Provision for income taxes	114	114	49	228	152
Reported net income	346	358	144	704	435
Amortization of acquisition-related intangible assets (1)	7	8	9	15	18
Adjusted net income	353	366	153	719	453
Traditional Wealth businesses reported net income	296	286	160	582	369
Traditional Wealth businesses adjusted net income	303	294	169	597	387
Insurance reported net income (loss)	50	72	(16)	122	66
Insurance adjusted net income (loss)	50	72	(16)	122	66
Net income growth (%)	139.8	23.1	(52.8)	61.8	(19.9)
Adjusted net income growth (%)	130.8	22.1	(51.5)	58.8	(19.6)
Revenue growth (%)	25.4	(2.3)	(51.8)	6.1	(26.8)
Revenue growth, net of CCPB (%)	28.7	5.2	(15.2)	15.8	(4.0)
Adjusted CCPB	(283)	601	(197)	318	519
Revenue growth, net of adjusted CCPB (%)	28.7	5.2	(15.2)	15.8	(4.0)
Non-interest expense growth (%)	6.0	(0.7)	0.7	2.6	1.2
Adjusted non-interest expense growth (%)	6.2	(0.5)	0.8	2.8	1.4
Return on equity (%)	23.0	22.4	8.9	22.7	13.6
Adjusted return on equity (%)	23.6	22.9	9.5	23.2	14.2
Operating leverage, net of CCPB (%)	22.7	5.9	(15.9)	13.2	(5.2)
Adjusted operating leverage, net of CCPB (%)	22.5	5.7	(16.0)	13.0	(5.4)
Reported efficiency ratio (%)	84.5	45.8	99.9	59.7	61.8
Reported efficiency ratio, net of CCPB (%)	67.3	65.8	81.8	66.6	75.2
Adjusted efficiency ratio (%)	83.6	45.3	98.6	59.1	61.0
Adjusted efficiency ratio, net of CCPB (%)	66.6	65.1	80.7	65.9	74.2
Assets under management	525,230	518,726	464,166	525,230	464,166
Assets under administration (2)	454,241	448,786	400,649	454,241	400,649
Average assets	47,693	47,535	45,175	47,613	44,692
Average gross loans and acceptances	28,486	27,785	26,564	28,129	25,992
Average net loans and acceptances	28,446	27,740	26,528	28,086	25,959
Average deposits	51,438	49,341	43,011	50,373	41,192

(1) Before tax amounts of \$10 million in both Q2-2021 and Q1-2021 and \$11 million in Q2-2020; \$20 million for YTD-2021 and \$22 million for YTD-2020 are included in non-interest expense.

(2) Certain assets under management that are also administered by the bank are included in assets under administration.

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

Q2 2021 vs. Q2 2020

BMO Wealth Management reported net income was \$346 million, an increase of \$202 million from the prior year, and adjusted net income was \$353 million, an increase of \$200 million. Traditional Wealth reported net income was \$296 million, an increase of \$136 million or 85%, and adjusted net income was \$303 million, an increase of \$134 million or 79%. Insurance net income was \$50 million, compared with a net loss of \$16 million in the prior year.

Total revenue was \$1,115 million, an increase of \$225 million or 25%. Revenue, net of CCPB, was \$1,398 million, an increase of \$311 million or 29%. Revenue in Traditional Wealth was \$1,293 million, an increase of \$219 million or 21%, due to higher non-interest revenue from growth in client assets, including stronger global markets, the impact of a legal provision in the prior year and an increase in online brokerage revenue from higher transaction volumes, partially offset by the impact of the weaker U.S. dollar. Net interest income increased, primarily due to strong deposit and loan growth, largely offset by lower margins. Insurance revenue, net of CCPB, was \$105 million, an increase of \$92 million, primarily due to the benefit of favourable market movements in the current year relative to unfavourable market movements in the prior year.

Non-interest expense was \$941 million, an increase of \$53 million or 6%, and adjusted non-interest expense was \$931 million, an increase of \$54 million or 6%, largely due to higher revenue-based costs and a legal provision in the current quarter, partially offset by the impact of the weaker U.S. dollar.

Assets under management increased \$61.1 billion or 13%, and assets under administration increased \$53.6 billion or 13% from the prior year, both due to stronger global markets and growth in client assets, partially offset by foreign exchange movements. Average gross loans and average deposits increased 7% and 20%, respectively.

Q2 2021 vs. Q1 2021

Reported net income was \$346 million, compared with \$358 million in the prior quarter, and adjusted net income was \$353 million, compared with \$366 million. Traditional Wealth reported net income was \$296 million, an increase of \$10 million or 3%, and adjusted net income was \$303 million, an increase of \$9 million or 3%. Insurance net income was \$50 million, compared with \$72 million in the prior quarter.

Total revenue was \$1,115 million, compared with \$1,977 million in the prior quarter. Revenue, net of CCPB, was \$1,398 million, an increase of \$22 million or 2%. Traditional Wealth revenue was \$1,293 million, an increase of \$48 million or 4%, due to higher non-interest revenue from growth in client assets, including stronger global markets, strong online brokerage revenue from continued strong transaction volumes, partially offset by the impact of three fewer days in the current quarter. Insurance revenue, net of CCPB, was \$105 million, compared with \$131 million in the prior quarter, due to lower underlying results and less favourable market movements.

Non-interest expense increased \$35 million or 4%, primarily due to higher revenue-based costs. The impacts of stock-based compensation for employees eligible to retire that is expensed in the first quarter of each year and fewer days in the current quarter were largely offset by a legal provision in the current quarter and higher technology costs.

Assets under management increased \$6.5 billion or 1% from the prior quarter, and assets under administration increased \$5.5 billion or 1%, primarily driven by stronger global markets and growth in client assets, partially offset by foreign exchange movements. Average gross loans and average deposits increased 3% and 4%, respectively.

Q2 YTD 2021 vs. Q2 YTD 2020

Reported net income was \$704 million, an increase of \$269 million or 62%, and adjusted net income was \$719 million, an increase of \$266 million or 59%. Traditional Wealth reported net income was \$582 million, an increase of \$213 million or 58%, and adjusted net income was \$597 million, an increase of \$210 million or 54%. Insurance net income was \$122 million, an increase of \$56 million or 85%.

Total revenue was \$3,092 million, an increase of \$177 million or 6% from the prior year. Revenue, net of CCPB, was \$2,774 million, an increase of \$378 million or 16%. Revenue in Traditional Wealth was \$2,538 million, an increase of \$303 million or 14% from the prior year, due to higher non-interest revenue from growth in client assets, including stronger global markets, an increase in online brokerage revenue and the impact of the legal provision in the prior year, partially offset by the impact of the weaker U.S. dollar. Net interest income increased, primarily due to strong deposit and loan growth, largely offset by lower margins. Insurance revenue, net of CCPB, was \$236 million, an increase of \$75 million or 47% from the prior year, primarily due to the benefit of favourable market movements in the current year relative to unfavourable market movements in the prior year.

Non-interest expense was \$1,847 million, an increase of \$47 million or 3% from the prior year, and adjusted non-interest expense was \$1,827 million, an increase of \$49 million or 3%, primarily due to higher revenue-based costs and a legal provision in the current year, partially offset by the impact of the weaker U.S. dollar.

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

BMO Capital Markets

(Canadian \$ in millions, except as noted)

	Q2-2021	Q1-2021	Q2-2020	YTD-2021	YTD-2020
Net interest income (teb)	743	803	855	1,546	1,551
Non-interest revenue	795	771	196	1,566	869
Total revenue (teb)	1,538	1,574	1,051	3,112	2,420
Provision for (recovery of) credit losses on impaired loans	(6)	45	73	39	126
Provision for (recovery of) credit losses on performing loans	(49)	(2)	335	(51)	332
Total provision for credit losses	(55)	43	408	(12)	458
Non-interest expense	836	879	758	1,715	1,610
Income (loss) before income taxes	757	652	(115)	1,409	352
Provision for (recovery of) income taxes (teb)	194	169	(41)	363	70
Reported net income	563	483	(74)	1,046	282
Acquisition integration costs (1)	2	2	2	4	4
Amortization of acquisition-related intangible assets (2)	5	4	4	9	8
Adjusted net income	570	489	(68)	1,059	294
Global Markets revenue	919	1,031	564	1,950	1,387
Investment and Corporate Banking revenue	619	543	487	1,162	1,033
Net income growth (%)	861.0	35.8	(129.5)	271.2	(44.4)
Adjusted net income growth (%)	943.9	35.5	(126.5)	260.2	(43.2)
Revenue growth (%)	46.3	15.0	(14.9)	28.6	2.0
Non-interest expense growth (%)	10.2	3.2	(15.0)	6.5	(4.6)
Adjusted non-interest expense growth (%)	10.2	3.1	(15.3)	6.4	(4.7)
Return on equity (%)	20.9	16.6	(3.0)	18.7	4.8
Adjusted return on equity (%)	21.1	16.8	(2.8)	18.9	5.0
Operating leverage (teb) (%)	36.1	11.8	0.1	22.1	6.6
Adjusted operating leverage (teb) (%)	36.1	11.9	0.4	22.2	6.7
Efficiency ratio (teb) (%)	54.3	55.9	72.1	55.1	66.5
Adjusted efficiency ratio (teb) (%)	53.8	55.3	71.4	54.6	65.9
Average assets	360,123	384,759	380,856	372,645	365,931
Average gross loans and acceptances	59,013	62,685	71,853	60,880	67,498
Average net loans and acceptances	58,468	62,116	71,556	60,322	67,270

(1) KGS-Alpha and Clearpool acquisition integration costs before tax amounts of \$2 million in Q2-2021, \$3 million in both Q1-2021 and Q2-2020; \$5 million for YTD-2021 and \$6 million for YTD-2020 are included in non-interest expense.

(2) Before tax amounts of \$6 million in both Q2-2021 and Q1-2021, and \$4 million in Q2-2020; \$12 million for YTD-2021 and \$9 million for YTD-2020 are included in non-interest expense.

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

Q2 2021 vs. Q2 2020

BMO Capital Markets reported net income was \$563 million, compared with a reported net loss of \$74 million in the prior year, and adjusted net income was \$570 million, compared with an adjusted net loss of \$68 million.

Total revenue was \$1,538 million, an increase of \$487 million or 46% from the prior year. Global Markets revenue increased driven by strong client activity in equities and interest rate trading revenue, as well as new debt and equity issuances, partially offset by lower foreign exchange and commodities trading revenue, and the impact of the weaker U.S. dollar. The prior year included negative impacts from equity linked notes-related businesses and the unfavourable impact from a widening of credit and funding spreads on derivative valuation adjustments. Investment and Corporate Banking revenue increased, primarily driven by higher underwriting and advisory revenue and net securities gains, partially offset by lower corporate banking-related revenue and the impact of the weaker U.S. dollar. The prior year was impacted by markdowns on the held-for-sale loan portfolio.

Total recovery of the provision for credit losses was \$55 million, compared with a provision for credit losses of \$408 million in the prior year. The recovery of the provision for credit losses on impaired loans was \$6 million, compared with a \$73 million provision in the prior year. There was a \$49 million recovery of the provision for performing loans in the current quarter, compared with a \$335 million provision in the prior year.

Non-interest expense was \$836 million, an increase of \$78 million or 10% from the prior year, and adjusted non-interest expense was \$828 million, an increase of \$77 million or 10%. The increase was driven by higher employee-related costs given business performance, partially offset by the impact of the weaker U.S. dollar.

Average total gross loans and acceptances decreased \$12.8 billion or 18% from the prior year to \$59.0 billion, primarily driven by lower loan utilizations from elevated levels in the prior year, declining balances in the non-Canadian energy portfolio and the impact of the weaker U.S. dollar.

Q2 2021 vs. Q1 2021

Reported net income was \$563 million, an increase of \$80 million or 17% from the prior quarter, and adjusted net income was \$570 million, an increase of \$81 million or 16%.

Total revenue was \$1,538 million, a decrease of \$36 million or 2%. Global Markets revenue decreased, primarily due to lower interest rate trading revenue compared with stronger client activity in the prior quarter and the impact of the weaker U.S. dollar, partially offset by higher new debt and equity issuances. Investment and Corporate Banking revenue increased driven by higher underwriting and advisory revenue and net securities gains, partially offset by lower corporate banking-related revenue, including the impact of three fewer days in the current quarter, as well as the impact of the weaker U.S. dollar.

Total recovery of the provision for credit losses was \$55 million, compared with a provision for credit losses of \$43 million in the prior quarter. The recovery of the provision for credit losses on impaired loans was \$6 million, compared with a \$45 million provision in the prior quarter. There was a \$49 million recovery of the provision for credit losses on performing loans, compared with a \$2 million recovery of credit losses in the prior quarter.

Non-interest expense was \$836 million, a decrease of \$43 million or 5% from the prior quarter, and adjusted non-interest expense was \$828 million, a decrease of \$42 million or 5%. The decrease was driven by lower employee-related costs, including the impact of stock-based compensation for employees eligible to retire that is expensed in the first quarter of each year, lower performance-based costs and fewer days in the current quarter, as well as the impact of the weaker U.S. dollar, partially offset by higher other operating costs.

Average total gross loans and acceptances decreased \$3.7 billion or 6% from the prior quarter to \$59.0 billion, due to lower utilization and authorizations, declining balances in the non-Canadian energy portfolio and the impact of the weaker U.S. dollar.

Q2 YTD 2021 vs. Q2 YTD 2020

Reported net income was \$1,046 million, an increase of \$764 million from the prior year, and adjusted net income was \$1,059 million, an increase of \$765 million.

Total revenue was \$3,112 million, an increase of \$692 million or 29%. Global Markets revenue increased driven by strong client activity in equities and interest rate trading revenue, as well as higher new equity and debt issuances, partially offset by lower foreign exchange trading revenue and the impact of the weaker U.S. dollar. The prior year included negative impacts from equity linked notes-related businesses and the unfavourable impact from a widening of credit and funding spreads on derivative valuation adjustments. Investment and Corporate Banking revenue increased driven by higher net securities gains and underwriting revenue, partially offset by lower corporate banking-related revenue, advisory revenue and the impact of the weaker U.S. dollar. The prior year was impacted by markdowns on the held-for-sale loan portfolio.

Total recovery of the provision for credit losses was \$12 million, compared with a provision for credit losses of \$458 million in the prior year. The provision for credit losses on impaired loans was \$39 million, a decrease of \$87 million from the prior year. There was a \$51 million recovery of the provision for credit losses on performing loans, compared with a \$332 million provision for credit losses in the prior year.

Non-interest expense was \$1,715 million, an increase of \$105 million or 6% from the prior year, and adjusted non-interest expense was \$1,698 million, an increase of \$103 million or 6%. The increase was driven by higher employee-related costs given business performance, partially offset by lower other operating costs and the impact of the weaker U.S. dollar.

Average total gross loans and acceptances decreased \$6.6 billion or 10% to \$60.9 billion, primarily due to declining balances in the non-Canadian energy portfolio, lower loan utilizations from elevated levels in the prior year, and the impact of the weaker U.S. dollar.

Adjusted results in this BMO Capital Markets section are non-GAAP amounts or non-GAAP measures. Please refer to the Non-GAAP Measures section.

Corporate Services

(Canadian \$ in millions, except as noted)

	Q2-2021	Q1-2021	Q2-2020	YTD-2021	YTD-2020
Net interest income before group teb offset	(78)	(86)	(95)	(164)	(164)
Group teb offset	(83)	(77)	(78)	(160)	(156)
Net interest income (teb)	(161)	(163)	(173)	(324)	(320)
Non-interest revenue	75	78	92	153	154
Total revenue (teb) (1)	(86)	(85)	(81)	(171)	(166)
Provision for (recovery of) credit losses on impaired loans	-	(1)	1	(1)	2
Provision for (recovery of) credit losses on performing loans	-	-	7	-	1
Total provision for (recovery of) credit losses	-	(1)	8	(1)	3
Non-interest expense (1)	980	189	77	1,169	234
Income (loss) before income taxes	(1,066)	(273)	(166)	(1,339)	(403)
Provision for (recovery of) income taxes (teb)	(154)	(130)	(84)	(284)	(216)
Reported net loss	(912)	(143)	(82)	(1,055)	(187)
Impact of divestitures (1)	772	-	-	772	-
Adjusted net loss (1)	(140)	(143)	(82)	(283)	(187)
Adjusted total revenue (teb)	(115)	(85)	(81)	(200)	(166)
Adjusted non-interest expense	180	189	77	369	234

(1) Q2-2021 reported net income included a \$747 million pre-tax and after-tax write-down of goodwill related to the announced sale of our EMEA Asset Management business to Ameriprise Financial, Inc., a \$22 million (\$29 million pre-tax) net gain on the sale of our Private Banking business in Hong Kong and Singapore to J. Safra Sarasin Group, and \$47 million (\$53 million pre-tax) of divestiture-related costs for both transactions. The net gain on the sale was included in revenue with the goodwill write-down and divestiture costs included in non-interest expense.

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

Corporate Services consists of Corporate Units and Technology and Operations (T&O). Corporate Units provide enterprise-wide expertise, governance and support in a variety of areas, including strategic planning, risk management, finance, legal and regulatory compliance, human resources, communications, marketing, real estate, and procurement. T&O develops, monitors, manages and maintains governance of information technology, including data and analytics, and also provides cyber security and operations services.

The costs of these Corporate Units and T&O services are largely transferred to the three operating groups (Personal and Commercial Banking, BMO Wealth Management and BMO Capital Markets), with any remaining amounts retained in Corporate Services results. As such, Corporate Services results largely reflect the impact of residual treasury-related activities, the elimination of taxable equivalent adjustments, and residual unallocated expenses.

Q2 2021 vs. Q2 2020

Corporate Services reported net loss for the quarter was \$912 million and adjusted net loss was \$140 million, compared with a reported and adjusted net loss of \$82 million in the prior year. Adjusted results for the quarter excluded the impact of divestitures of \$772 million (\$771 million pre-tax), including a \$747 million pre-tax and after-tax write-down of goodwill related to the announced sale of our EMEA Asset Management business, a \$22 million (\$29 million pre-tax) net gain on the sale of our Private Banking business in Hong Kong and Singapore, and \$47 million (\$53 million pre-tax) of divestiture-related costs for both transactions. Adjusted results decreased due to higher expenses and lower revenue, partially offset by the impact of a less favourable tax rate in the prior year.

Q2 2021 vs. Q1 2021

Reported net loss for the quarter was \$912 million and adjusted net loss was \$140 million, compared with a reported and adjusted net loss of \$143 million in the prior quarter. Adjusted results were relatively unchanged.

Q2 YTD 2021 vs. Q2 YTD 2020

Reported net loss was \$1,055 million and adjusted net loss was \$283 million, compared with a reported and adjusted net loss of \$187 million in the prior year. Adjusted results decreased due to higher expenses and lower revenue, partially offset by the impact of a less favourable tax rate in the prior year.

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

Summary Quarterly Earnings Trends

(Canadian \$ in millions, except as noted)	Q2-2021	Q1-2021	Q4-2020	Q3-2020	Q2-2020	Q1-2020	Q4-2019	Q3-2019
Revenue (1)	6,076	6,975	5,986	7,189	5,264	6,747	6,087	6,666
Insurance claims, commissions and changes in policy benefit liabilities (CCPB)	(283)	601	-	1,189	(197)	716	335	887
Revenue, net of CCPB (1)	6,359	6,374	5,986	6,000	5,461	6,031	5,752	5,779
Provision for (recovery of) credit losses on impaired loans	155	215	339	446	413	324	231	243
Provision for (recovery of) credit losses on performing loans	(95)	(59)	93	608	705	25	22	63
Total provision for credit losses	60	156	432	1,054	1,118	349	253	306
Non-interest expense (1)	4,409	3,613	3,548	3,444	3,516	3,669	3,987	3,491
Income before income taxes	1,890	2,605	2,006	1,502	827	2,013	1,512	1,982
Provision for income taxes	587	588	422	270	138	421	318	425
Reported net income (see below)	1,303	2,017	1,584	1,232	689	1,592	1,194	1,557
Acquisition integration costs (2)	2	2	3	4	2	2	2	2
Amortization of acquisition-related intangible assets (2)	18	19	23	23	24	23	29	23
Impact of divestitures (3)	772	-	-	-	-	-	-	-
Restructuring costs (4)	-	-	-	-	-	-	357	-
Reinsurance adjustment (5)	-	-	-	-	-	-	25	-
Adjusted net income (see below)	2,095	2,038	1,610	1,259	715	1,617	1,607	1,582
Basic earnings per share (\$)	1.91	3.03	2.37	1.81	1.00	2.38	1.79	2.34
Diluted earnings per share (\$)	1.91	3.03	2.37	1.81	1.00	2.37	1.78	2.34
Adjusted diluted earnings per share (\$)	3.13	3.06	2.41	1.85	1.04	2.41	2.43	2.38

- Effective the first quarter of 2020, the bank adopted IFRS 16, *Leases* (IFRS 16), recognizing the cumulative effect of adoption in opening retained earnings with no changes to prior periods. Under IFRS 16, the bank as lessee is required to recognize a right-of-use asset and a corresponding lease liability for most leases. Refer to the Changes in Accounting Policies in 2020 section on page 118 and in Note 1 of the audited consolidated financial statements on pages 151 and 152 in our 2020 Annual Report for further details.
- Acquisition integration costs before tax and amortization of acquisition-related intangible assets before tax are charged to the non-interest expense of the operating groups.
- Q2-2021 reported net income included a \$747 million pre-tax and after-tax write-down of goodwill related to the announced sale of our EMEA Asset Management business to Ameriprise Financial, Inc., a \$22 million (\$29 million pre-tax) net gain on the sale of our Private Banking business in Hong Kong and Singapore to J. Safra Sarasin Group, and \$47 million (\$53 million pre-tax) of divestiture-related costs for both transactions. The net gain on the sale was included in revenue with the goodwill write-down and divestiture costs included in non-interest expense, all recorded in Corporate Services.
- Restructuring charges recorded in Q4-2019 of \$357 million after-tax (\$484 million pre-tax). Restructuring costs are included in non-interest expense in Corporate Services.
- Q4-2019 reported net income included a reinsurance adjustment of \$25 million (pre-tax and after-tax) in CCPB, related to the net impact of major reinsurance claims from Japanese typhoons that were incurred after our announced decision to wind down our reinsurance business. This reinsurance adjustment is included in CCPB in BMO Wealth Management.

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

BMO's quarterly earnings trends were reviewed in detail on pages 54 and 55 of BMO's 2020 Annual Report. Please 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. Quarterly earnings are also impacted by foreign currency translation. The table above outlines summary results for the third quarter of fiscal 2019 through the second quarter of fiscal 2021.

Earnings Trends

During the second and third quarters of 2020, the major adverse impact to the global economy from the COVID-19 pandemic had a corresponding negative impact on our financial results, including higher provisions for credit losses, lower loan growth, stronger deposit growth, a negative impact on revenue from lower interest rates and reduced consumer spending, a positive impact on trading revenue due to higher client activity, and lower expense growth. In recent quarters, we have started to see a return to pre-pandemic levels, particularly in lower provisions for credit losses, as well as stronger trading activity and improved global equity markets.

Reported results in the current quarter were impacted by a write-down of goodwill related to the announced sale of our EMEA Asset Management business, a net gain on the sale of our Private Banking business in Hong Kong and Singapore, and divestiture-related costs. The fourth quarter of 2019 included a restructuring charge and a reinsurance adjustment, and all periods were impacted by the amortization of acquisition-related intangible assets, as well as acquisition integration costs.

Total revenue in the second quarter of 2021 reflected good performance across all operating groups. Revenue growth in the P&C businesses in recent quarters was negatively impacted by COVID-19, the lower interest rate environment and lower non-interest revenue, reflecting changes in client activity. Revenue performance in our market-sensitive businesses was negatively impacted by volatile market conditions in the second quarter of 2020, but improved in the second half of the year, with continued good performance through the first half of 2021. Revenue performance in BMO Wealth Management in recent quarters reflected the impact of improved global equity markets, and higher online brokerage transaction volumes, while the second quarter of 2020 was impacted by weaker markets and a legal provision. Insurance revenue, net of CCPB, is subject to variability resulting from changes in long-term interest rates, equity markets and reinsurance claims. Revenue growth in BMO Capital Markets was strong during the past four quarters, primarily due to higher trading and underwriting revenue from strong client activity following the negative impact of volatile market conditions in the second quarter of 2020.

In 2020, we recorded higher provisions for credit losses in all businesses, primarily due to the impact of the pandemic, including higher provisions on performing loans. In the first half of 2021, we recorded lower provisions for credit losses on impaired loans and recoveries of the provision for credit losses on performing loans.

Non-interest expense reflected our focus on expense management and efficiency improvement. Reported non-interest expense included the impact of the write-down of goodwill and divestiture-related costs in the second quarter of 2021 and the restructuring charge in the fourth quarter of 2019. In recent quarters, non-interest expense was driven by higher employee-related costs given business performance and higher technology-related costs, partially offset by the impact of the weaker U.S. dollar, lower COVID-19 related costs, as well as lower travel costs due to the continued impact of the pandemic.

The effective tax rate has varied with legislative changes; changes in tax policy, including their interpretation by tax authorities and the courts; earnings mix, including the relative proportion of earnings attributable to the different jurisdictions in which we operate, the level of pre-tax income,

and the level of tax-exempt income from securities. The effective tax rate in the current quarter was impacted by the write-down of goodwill related to the announced sale of our EMEA Asset Management business.

The bank's results reflect the impact of IFRS 16, *Leases* (IFRS 16), which was adopted in the first quarter of 2020, recognizing the cumulative effect of adoption in opening retained earnings with no changes to prior periods. Under IFRS 16, the bank as lessee is required to recognize a right-of-use asset and a corresponding lease liability for most leases. Refer to the Changes in Accounting Policies in 2020 section on page 118 of BMO's 2020 Annual Report for further details.

Adjusted results in this Summary Quarterly Earnings Trends section are non-GAAP amounts or non-GAAP measures. Please refer to the Non-GAAP Measures section. See also the Risk Management section.

Transactions with Related Parties

In the ordinary course of business, we provide banking services to our key management personnel on the same terms that we offer to our preferred customers for those services. Key management personnel are defined as those persons having authority and responsibility for planning, directing and/or controlling the activities of an entity, being the directors and most senior executives of the bank. We provide banking services to our joint ventures and equity-accounted investees on the same terms offered to our customers for these services. We also offer employees a subsidy on annual credit card fees.

The bank's policies and procedures for related party transactions did not materially change from October 31, 2020, as described in Note 27 to the audited consolidated financial statements on page 211 of BMO's 2020 Annual Report.

Off-Balance Sheet Arrangements

We enter into a number of off-balance sheet arrangements in the normal course of operations. The most significant of these are Structured Entities, Credit Instruments and Guarantees, which are described on page 71 of BMO's 2020 Annual Report. We consolidate our own securitization vehicles, the U.S. customer securitization vehicle, and certain capital and funding vehicles. We do not consolidate Canadian customer securitization vehicles, certain capital vehicles, various BMO-managed funds or various other structured entities where investments are held. There have been no significant changes to the bank's off-balance sheet arrangements since October 31, 2020.

Accounting Policies and Critical Accounting Estimates

Significant accounting policies are described in our 2020 Annual Report and in the notes to our audited consolidated financial statements for the year ended October 31, 2020, and in Note 1 to the unaudited interim consolidated financial statements, 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 on pages 114 to 119 and Note 1 to the audited consolidated financial statements on pages 150 to 155 in BMO's 2020 Annual Report, as well as the updates provided in Note 1 to the unaudited interim consolidated financial statements.

Allowance for Credit Losses

The allowance for credit losses (ACL) consists of allowances on impaired loans, which represent estimated losses related to impaired loans in the portfolio provided for but not yet written off, and allowances on performing loans, which is the bank's best estimate of impairment in the existing portfolio for loans that have not yet been individually identified as impaired. Expected credit losses (ECL) are calculated on a probability-weighted basis, based on the economic scenarios described below, and are calculated for each exposure in the portfolio as a function of the probability of default (PD), exposure at default (EAD) and loss given default (LGD), with the timing of the loss also considered. Where there has been a significant increase in credit risk, lifetime ECL is recorded; otherwise 12 months of ECL is generally recorded. Significant increase in credit risk takes into account many different factors and will vary by product and risk segment. The main factors considered in making this determination are the change in PD since origination and certain other criteria, such as 30-day past due and watchlist status. We may apply experienced credit judgment to reflect factors not captured in the ECL models, as we deem necessary. We have applied experienced credit judgment to reflect the impact of the extraordinary and highly uncertain environment on credit conditions and the economy as a result of the COVID-19 pandemic. For additional information, refer to pages 114 to 116, and Note 4 of our audited annual consolidated financial statements on pages 159 to 164 of BMO's 2020 Annual Report, as well as Note 3 of our unaudited interim consolidated financial statements on page 51.

Our total allowance for credit losses as at April 30, 2021, was \$3,473 million (\$3,814 million as at October 31, 2020), comprised of an allowance on performing loans of \$2,809 million and an allowance on impaired loans of \$664 million (\$3,075 million and \$739 million, respectively, as at October 31, 2020). The allowance on performing loans decreased \$266 million from the fourth quarter of 2020, primarily driven by an improving economic outlook, movements in foreign exchange rates and positive credit migration, partially offset by the impact of the uncertain environment on future credit conditions, including a higher adverse scenario weight in the first quarter and a more severe adverse scenario in the second quarter.

In establishing our allowance for performing loans, we attach probability weightings to three economic scenarios, which are representative of our view of forecast economic and market conditions – a base scenario, which in our view represents the most probable outcome, as well as benign and adverse scenarios, all developed by our Economics group.

As at April 30, 2021, our base case scenario depicts a stronger economic forecast in both Canada and the United States. In Canada, real GDP growth rebounds 6.0% in 2021 as a result of significant policy stimulus and easing of restrictions as the vaccine rollout accelerates, combined with a wave of pent-up demand. Annual real GDP growth is expected to average 4.0% in 2022, as the economic recovery continues and spending returns to more normal levels. The Canadian unemployment rate is forecasted to decline steadily, though remains elevated, averaging 7.8% in 2021 and 6.3% in 2022. The U.S. economy follows a similar but accelerated trajectory, given a larger policy stimulus and faster vaccine rollout. Real GDP grows 6.5% in 2021

and 4.5% in 2022. The U.S. unemployment rate is forecasted to fall to an average of 5.4% in 2021 and 4.1% in 2022. Our base case economic forecast as at October 31, 2020 depicted more moderate economic growth in both Canada and the United States over the medium-term projection period. If we assume a 100% base case economic forecast and include the impact of loan migration by restaging, with other assumptions held constant, including the application of experienced credit judgment, the allowance on performing loans would be approximately \$1,925 million as at April 30, 2021 (\$2,375 million as at October 31, 2020), compared with the reported allowance on performing loans of \$2,809 million (\$3,075 million as at October 31, 2020).

As at April 30, 2021, our adverse case economic scenario depicts a contracting Canadian economy over several quarters, with real GDP declining 0.9% in 2021 and 1.1% in 2022 (based on average annual values). The adverse case scenario assumes a sharp, sustained and more severe increase in COVID-19 infections due to new variants compared with the base case forecast, a slower rollout of vaccines and renewed restrictions on a broad range of activities leading to a sharp decline in consumer and business confidence. The Canadian unemployment rate averages 12.0% in 2021 and 13.9% in 2022. Real GDP in the United States also contracts for several quarters, declining 1.6% in 2021 and 1.2% in 2022. The U.S. unemployment rate averages 9.8% in 2021 and 12.3% in 2022. The adverse case depicts a more severe economic contraction in real GDP and house prices in Canada and the United States, compared with the adverse scenario used as at October 31, 2020. In particular, when measured from the peak, the adverse scenario shows real GDP contracting 5% in both Canada and the United States, compared with 3% as at October 31, 2020. House prices are forecast to decline about 30%, rather than 16% in Canada, and 11% in the United States as at October 31, 2020. If we assume a 100% adverse economic forecast and include the impact of loan migration by restaging, with other assumptions held constant, including the application of experienced credit judgment, the allowance on performing loans would be approximately \$4,475 million as at April 30, 2021 (\$4,875 million as at October 31, 2020), compared with the reported allowance on performing loans of \$2,809 million (\$3,075 million as at October 31, 2020).

When we measure changes in economic performance in our forecasts, we use real GDP as the basis, which acts as the key driver for movements in many of the other economic and market variables used, including VIX equity volatility index, corporate BBB credit spreads, unemployment rates, housing price indices and consumer credit. Many of the variables have a high degree of interdependency and as such, there is no one single factor to which loan impairment allowances as a whole are sensitive. The following table shows certain key economic variables used to estimate the allowance on performing loans during the forecast period. This table is typically provided on an annual basis; however, given the level of uncertainty in the forward-looking information due to the impact of COVID-19, the disclosures have been provided as an update to information in our 2020 Annual Report. The values shown represent the national annual average values for calendar 2021 and 2022 for all scenarios. While the values disclosed below are national variables, we use regional variables in its underlying models where appropriate.

	As at April 30, 2021						As at October 31, 2020					
	Benign scenario		Base scenario		Adverse scenario		Benign scenario		Base scenario		Adverse scenario	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
All figures are annual average values												
Real GDP growth rates (1)												
Canada	8.2%	5.6%	6.0%	4.0%	(0.9)%	(1.1)%	9.0%	4.0%	6.0%	3.0%	(2.1)%	0.8%
United States	8.7%	5.7%	6.5%	4.5%	(1.6)%	(1.2)%	7.0%	3.7%	4.0%	3.0%	(2.9)%	0.8%
Corporate BBB 10-year spread												
Canada	1.5%	1.9%	1.9%	2.2%	3.6%	4.4%	1.8%	2.0%	2.2%	2.2%	4.5%	4.0%
United States	1.0%	1.2%	1.4%	1.5%	4.2%	4.5%	1.6%	1.8%	2.0%	2.1%	4.4%	3.7%
Unemployment rates												
Canada	6.4%	5.1%	7.8%	6.3%	12.0%	13.9%	6.4%	5.9%	8.0%	7.1%	13.8%	13.9%
United States	4.6%	3.4%	5.4%	4.1%	9.8%	12.3%	5.2%	4.6%	6.8%	5.6%	12.6%	12.7%
Housing price index (1)												
Canada (2)	20.8%	10.0%	17.8%	5.1%	(12.3)%	(18.7)%	9.6%	5.4%	4.5%	2.5%	(9.1)%	(4.6)%
United States (3)	10.9%	6.5%	8.6%	4.1%	(8.6)%	(15.8)%	4.7%	4.2%	1.4%	2.7%	(7.3)%	(2.2)%

(1) Real gross domestic product and housing price index are year-over-year growth rates.

(2) In Canada, we use the HPI Benchmark Composite.

(3) In the United States, we use the National Case-Shiller House Price Index.

The table below shows how the bank expects the real GDP year-over-year growth rate for the base case in Canada and the United States to trend by calendar quarter. In addition, the table includes the real GDP level, compared with the calendar quarter Q4 2019, which marked the quarterly peak in real GDP prior to the pandemic beginning in calendar Q1 2020, expressed as a percentage.

Calendar quarter ended	March 31, 2021	June 30, 2021	September 30, 2021	December 31, 2021	March 31, 2022	June 30, 2022	September 30, 2022	December 31, 2022
Real GDP growth rates year-over-year								
Canada	(0.5)%	13.8 %	6.2 %	5.3 %	5.1 %	4.5 %	3.7 %	2.9 %
United States	0.0%	12.6 %	6.8 %	7.0 %	6.7 %	4.9 %	3.5 %	3.0 %
Real GDP level compared to calendar Q4 2019								
Canada	97.6%	98.8 %	100.4 %	101.9 %	102.6 %	103.3 %	104.1 %	104.8 %
United States	98.8%	101.2 %	103.2 %	104.4 %	105.4 %	106.2 %	106.8 %	107.5 %

The ECL approach requires the recognition of credit losses generally based on 12 months of expected losses for performing loans (Stage 1) and the recognition of lifetime expected losses for performing loans that have experienced a significant increase in credit risk since origination (Stage 2). Under our current probability-weighted scenarios and based on the current risk profile of our loan exposures, if all our performing loans were in Stage 1, our allowance for performing loans would be approximately \$2,050 million (\$2,300 million as at October 31, 2020), compared with the reported allowance for performing loans of \$2,809 million (\$3,075 million as at October 31, 2020).

Information on the Provision for Credit Losses for the three and six months ended April 30, 2021, can be found on page 11 in this document.

This Allowance for Credit Losses section contains forward-looking statements. Please refer to the Caution Regarding Forward-Looking Statements section. See also the Risk Management section.

Caution

This Accounting Policies and Critical Accounting Estimates section contains forward-looking statements. Please refer to the Caution Regarding Forward-Looking Statements.

Changes in Accounting Policies

Interbank Offered Rate (IBOR) Reform

Effective November 1, 2020, we early adopted Phase 2 amendments to IFRS 9, *Financial Instruments*, IAS 39, *Financial Instruments: Recognition and Measurement* (IAS 39), IFRS 7, *Financial Instruments: Disclosures*, IFRS 4, *Insurance Contracts*, as well as IFRS 16, *Leases*. These amendments address issues that arise from implementation of IBOR reform, where IBOR are replaced with alternative benchmark rates.

For financial instruments at amortized cost, the amendments introduce a practical expedient such that if a change in the contractual cash flows is as a result of IBOR reform and occurs on an economically equivalent basis, the change will be accounted for by updating the effective interest rate with no immediate gain or loss recognized. The amendments also provide additional temporary relief from applying specific IAS 39 hedge accounting requirements to hedging relationships affected by IBOR reform. For example, there is an exception from the requirement to discontinue hedge accounting as a result of changes to hedge documentation required solely by IBOR reform. The amendments also require additional disclosure that allows users to understand the effect of IBOR reform on our financial instruments and risk management strategy.

Further details are provided in Note 1 to our unaudited interim consolidated financial statements on page 48.

Conceptual Framework

Effective November 1, 2020, BMO adopted the revised Conceptual Framework (Framework), which sets out the fundamental concepts for financial reporting to ensure consistency in standard-setting decisions and that similar transactions are treated in a similar way, so as to provide useful information to users of financial statements. The revised Framework had no impact on our accounting policies.

Future Changes in Accounting Policies

We monitor the potential changes proposed by the International Accounting Standards Board (IASB) and analyze the effect that changes in the standards may have on BMO's financial reporting and accounting policies. Information on new standards and amendments to existing standards, which are effective for the bank in the future, can be found on page 119 and in Note 1 to the audited annual consolidated financial statements on page 155 of BMO's 2020 Annual Report.

Other Regulatory Developments

We continue to monitor and prepare for regulatory developments, including those referenced elsewhere in this document.

For a comprehensive discussion of regulatory developments, see the Enterprise-Wide Capital Management section starting on page 63, the Risks That May Affect Future Results section starting on page 73, the Liquidity and Funding Risk section starting on page 97, and the Legal and Regulatory Risk section starting on page 110 of BMO's 2020 Annual Report.

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

Risk Management

BMO's risk management policies and processes to identify, measure, manage, monitor, mitigate and report its credit and counterparty, market, insurance, liquidity and funding, operational, including technology and cyber-related risks, legal and regulatory, strategic, environmental and social, and reputation risks are outlined in the Enterprise-Wide Risk Management section on pages 73 to 113 of BMO's 2020 Annual Report.

Top and Emerging Risks That May Affect Future Results

BMO's top and emerging risks and other factors that may affect future results are described on pages 73 to 77 of BMO's 2020 Annual Report. The following is an update to the 2020 Annual Report.

General Economic Conditions and COVID-19 Pandemic Related Risks

The pandemic continues to have a prevailing impact on economic recovery, with prolonged closures impacting already-strained sectors of the economy. The economic outlook for the second half of 2021 has improved based on the increased availability of a number of COVID-19 vaccines, as well as the acceleration of vaccine roll-out programs. However, vaccine availability and hesitancy, severe mutations of the virus and a possible resurgence of cases, contribute to economic uncertainty and pose a risk to the bank in the event that they may necessitate further lockdown measures across North America and globally. This may significantly impact our stakeholders, partners and customers, particularly those already impacted by the pandemic and lockdown measures.

Benchmark Interest Rate Reform

On March 5, 2021, the Financial Conduct Authority (FCA) confirmed that LIBOR settings will cease to be provided by any administrator immediately after December 31, 2021, for all sterling, euro, Swiss franc and Japanese yen settings, as well as the 1-week and 2-month USD LIBOR settings. The remaining USD LIBOR settings will cease to be provided immediately after June 30, 2023. U.S. prudential regulators have issued supervisory guidance that the extension of certain USD LIBOR settings to June 30, 2023, applies only to legacy contracts; new issuances of LIBOR-based instruments must cease by December 31, 2021. The announcement followed the completion of the ICE Benchmark Administration consultation regarding the process and timing for the orderly wind-down of LIBOR for legacy contracts. Our enterprise-wide IBOR Transition Office has adjusted the project plan accordingly to align with these extended timelines and continues to monitor for changes and updates from regulators and industry working groups, in order to facilitate a smooth and timely transition for BMO and its clients.

Market Risk

BMO's market risk management practices and key measures are outlined on pages 92 to 96 of BMO's 2020 Annual Report.

Linkages between Balance Sheet Items and Market Risk Disclosures

The table below presents items reported in our Consolidated Balance Sheet that are subject to market risk, comprised of balances that are subject to either traded risk or non-traded risk measurement techniques.

Linkages between Balance Sheet Items and Market Risk Disclosures

(Canadian \$ in millions)	As at April 30, 2021				As at October 31, 2020				Primary risk factors for non-traded risk balances
	Consolidated Balance Sheet	Subject to market risk		Not subject to market risk	Consolidated Balance Sheet	Subject to market risk		Not subject to market risk	
		Traded risk (1)	Non-traded risk (2)			Traded risk (1)	Non-traded risk (2)		
Assets Subject to Market Risk									
Cash and cash equivalents	98,593	-	98,593	-	57,408	-	57,408	-	Interest rate
Interest bearing deposits with banks	8,955	69	8,886	-	9,035	217	8,818	-	Interest rate
Securities	212,867	90,454	122,413	-	234,260	97,723	136,537	-	Interest rate, credit spread, equity
Securities borrowed or purchased under resale agreements	98,327	-	98,327	-	111,878	-	111,878	-	Interest rate
Loans (net of allowance for credit losses)	444,608	3,236	441,372	-	447,420	2,416	445,004	-	Interest rate, foreign exchange
Derivative instruments	37,998	34,229	3,769	-	36,815	32,457	4,358	-	Interest rate, foreign exchange
Customer's liabilities under acceptances	11,952	-	11,952	-	13,493	-	13,493	-	Interest rate
Other assets	36,538	3,347	16,995	16,196	38,952	5,328	16,223	17,401	Interest rate
Total Assets	949,838	131,335	802,307	16,196	949,261	138,141	793,719	17,401	
Liabilities Subject to Market Risk									
Deposits	657,201	21,487	635,714	-	659,034	18,074	640,960	-	Interest rate, foreign exchange
Derivative instruments	33,218	30,928	2,290	-	30,375	26,355	4,020	-	Interest rate, foreign exchange
Acceptances	11,952	-	11,952	-	13,493	-	13,493	-	Interest rate
Securities sold but not yet purchased	32,540	32,540	-	-	29,376	29,376	-	-	
Securities lent or sold under repurchase agreements	87,703	-	87,703	-	88,658	-	88,658	-	Interest rate
Other liabilities	64,567	-	64,210	357	63,316	-	63,082	234	Interest rate
Subordinated debt	7,144	-	7,144	-	8,416	-	8,416	-	Interest rate
Total Liabilities	894,325	84,955	809,013	357	892,668	73,805	818,629	234	

(1) Primarily comprised of balance sheet items that are subject to the trading and underwriting risk management framework and fair valued through profit or loss.

(2) Primarily comprised of balance sheet items that are subject to the structural balance sheet, insurance risk management framework and secured financing transactions.

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

Trading Market Risk Measures

Average Total Trading Value at Risk (VaR) and Average Total Trading Stressed Value at Risk (SVaR) decreased quarter-over-quarter as the Q2 2020 market volatility transitioned out of the historical period used for VaR, and fixed income credit risks and equity option risks reduced.

Total Trading Value at Risk (VaR) and Trading Stressed Value at Risk (SVaR) Summary ⁽¹⁾⁽²⁾

(Pre-tax Canadian \$ equivalent in millions)	For the quarter ended April 30, 2021				January 31, 2021	April 30, 2020
	Quarter-end	Average	High	Low	Average	Average
Commodity VaR	2.6	2.4	4.6	1.3	4.6	1.7
Equity VaR	13.3	15.9	23.0	12.5	19.2	17.5
Foreign exchange VaR	1.9	2.0	3.1	1.2	4.2	3.2
Interest rate VaR (3)	18.6	36.1	51.6	18.1	47.1	16.4
Debt-specific risk	2.4	3.6	4.7	2.4	4.3	2.5
Diversification	(14.3)	(24.0)	nm	nm	(33.5)	(12.1)
Total Trading VaR	24.5	36.0	48.1	24.5	45.9	29.2
Total Trading SVaR	44.6	40.5	46.7	36.3	46.2	62.7

(1) One-day measure using a 99% confidence interval. Benefits are presented in parentheses and losses are presented as positive numbers.

(2) Stressed VaR is produced weekly and at month end.

(3) Interest rate VaR includes general credit spread risk.

nm - not meaningful

Structural (Non-Trading) Market Risk

Structural economic value exposure to rising interest rates and benefit to falling interest rates increased relative to January 31, 2021, primarily due to modelled deposit pricing being more rate-sensitive at higher projected interest rate levels following the increase in term market rates during the quarter. Structural earnings benefit to rising interest rates and exposure to falling interest rates remained relatively unchanged relative to January 31, 2021.

Structural Balance Sheet Earnings and Value Sensitivity to Changes in Interest Rates ⁽¹⁾⁽²⁾

(Pre-tax Canadian \$ equivalent in millions)	Economic value sensitivity					Earnings sensitivity over the next 12 months				
	Canada (3)(4)	United States	April 30, 2021	January 31, 2021	April 30, 2020	Canada (3)(4)	United States	April 30, 2021	January 31, 2021	April 30, 2020
			Total (4)	Total (4)	Total (4)			Total (4)	Total (4)	Total (4)
100 basis point increase	(859.3)	(603.2)	(1,462.5)	(1,044.4)	(654.2)	19.1	285.0	304.1	300.0	338.5
25/100 basis point decrease	190.2	53.1	243.3	97.7	34.5	(34.6)	(88.3)	(122.8)	(109.8)	(112.4)

(1) Losses are in parentheses and benefits are presented as positive numbers.

(2) Insurance market risk includes interest rate and equity market risk arising from BMO's insurance business activities. A 100 basis point increase in interest rates as at April 30, 2021 would result in an increase in earnings before tax of \$43 million (\$41 million as at January 31, 2021 and \$42 million as at April 30, 2020). A 25 basis point decrease in interest rates as at April 30, 2021 would result in a decrease in earnings before tax of \$11 million (\$10 million as at January 31, 2021 and \$11 million as at April 30, 2020). A 10% increase in equity market values as at April 30, 2021 would result in an increase in earnings before tax of \$31 million (\$38 million as at January 31, 2021 and \$57 million as at April 30, 2020). A 10% decrease in equity market values as at April 30, 2021 would result in a decrease in earnings before tax of \$31 million (\$39 million as at January 31, 2021 and \$56 million as at April 30, 2020). BMO may enter into hedging arrangements to offset the impact of changes in equity market values on its earnings, and did so during the 2021 and 2020 fiscal years. The impact of insurance market risk on earnings is reflected in insurance claims, commissions and changes in policy benefit liabilities on the Consolidated Statement of Income, and the corresponding change in the fair value of the bank's policy benefit liabilities is reflected in other liabilities on the Consolidated Balance Sheet. The impact of insurance market risk is not reflected in the table.

(3) Includes Canadian dollar and other currencies.

(4) Measures reflect revised modeling assumptions effective January 31, 2021. Prior periods have been updated to reflect the revised approach and to conform with the current period's presentation.

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.

BMO continued to maintain a strong liquidity position in the second quarter of 2021. We experienced strong customer deposit growth in the second quarter, partially offset by the impact of a weaker U.S. dollar, while wholesale funding declined due to wholesale funding maturities and the impact of a weaker U.S. dollar. BMO's liquidity metrics, including the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), remained well above internal targets and regulatory requirements.

BMO's liquid assets are primarily held in our trading businesses, as well as in liquidity portfolios that are maintained for contingent liquidity risk management purposes and as investments of excess structural liquidity. 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 the table below.

In the ordinary course of business, BMO may encumber a portion of cash and securities holdings as collateral in support of trading activities and our participation in clearing and payment systems in Canada, the United States and abroad. In addition, BMO may receive liquid assets as collateral and may re-pledge these assets in exchange for cash or as collateral in support of 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 \$308.1 billion as at April 30, 2021, compared with \$311.6 billion as at January 31, 2021. The decrease in unencumbered liquid assets was primarily due to the impact of the weaker U.S. dollar, partially offset by higher cash balances. Net unencumbered liquid assets are primarily held at the parent bank level, at our U.S. bank entity BMO Harris Bank, and in our broker/dealer operations. In addition to liquid assets, BMO has access to the Bank of Canada's lending assistance programs, the Federal Reserve Bank discount window in the United States and European Central Bank standby liquidity facilities.

In addition to cash and securities holdings, BMO may also pledge other assets, including mortgages and loans, to raise long-term secured funding. BMO's total encumbered assets and unencumbered liquid assets are summarized in the Asset Encumbrance table on page 34.

Liquid Assets

(Canadian \$ in millions)	As at April 30, 2021					As at January 31, 2021
	Bank-owned assets	Other cash & securities received	Total gross assets (1)	Encumbered assets	Net unencumbered assets (2)	Net unencumbered assets (2)
Cash and cash equivalents	98,593	-	98,593	90	98,503	72,979
Deposits with other banks	8,955	-	8,955	-	8,955	8,376
Securities and securities borrowed or purchased under resale agreements						
Sovereigns/Central banks/Multilateral development banks	89,950	84,103	174,053	105,701	68,352	93,606
NHA mortgage-backed securities and U.S. agency mortgage-backed securities and collateralized mortgage obligations	50,426	6,313	56,739	18,995	37,744	39,080
Corporate & other debt	21,231	21,363	42,594	8,732	33,862	34,231
Corporate equity	51,260	60,475	111,735	66,998	44,737	47,158
Total securities and securities borrowed or purchased under resale agreements	212,867	172,254	385,121	200,426	184,695	214,075
NHA mortgage-backed securities (reported as loans at amortized cost) (3)	20,138	-	20,138	4,231	15,907	16,176
Total liquid assets	340,553	172,254	512,807	204,747	308,060	311,606

(1) Gross assets include bank-owned assets and cash and securities received from third parties.

(2) Net unencumbered liquid assets are defined as total gross assets less encumbered assets.

(3) Under IFRS, National Housing Act (NHA) mortgage-backed securities that include mortgages owned by BMO as the underlying collateral are classified as loans. Unencumbered NHA mortgage-backed 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.

Asset Encumbrance

(Canadian \$ in millions) As at April 30, 2021	Total gross assets (1)	Encumbered (2)		Net unencumbered	
		Pledged as collateral	Other encumbered	Other unencumbered (3)	Available as collateral (4)
Cash and deposits with other banks	107,548	-	90	-	107,458
Securities (5)	405,259	167,836	36,821	12,575	188,027
Loans	424,471	56,194	785	228,727	138,765
Other assets					
Derivative instruments	37,998	-	-	37,998	-
Customers' liability under acceptances	11,952	-	-	11,952	-
Premises and equipment	4,298	-	-	4,298	-
Goodwill	5,375	-	-	5,375	-
Intangible assets	2,323	-	-	2,323	-
Current tax assets	1,141	-	-	1,141	-
Deferred tax assets	1,294	-	-	1,294	-
Other assets	22,107	6,876	-	15,231	-
Total other assets	86,488	6,876	-	79,612	-
Total assets	1,023,766	230,906	37,696	320,914	434,250

(Canadian \$ in millions) As at January 31, 2021	Total gross assets (1)	Encumbered (2)		Net unencumbered	
		Pledged as collateral	Other encumbered	Other unencumbered (3)	Available as collateral (4)
Cash and deposits with other banks	81,467	-	112	-	81,355
Securities (5)	444,151	175,475	38,425	13,190	217,061
Loans	431,569	60,549	793	234,046	136,181
Other assets					
Derivative instruments	34,054	-	-	34,054	-
Customers' liability under acceptances	11,878	-	-	11,878	-
Premises and equipment	4,202	-	-	4,202	-
Goodwill	6,365	-	-	6,365	-
Intangible assets	2,388	-	-	2,388	-
Current tax assets	1,434	-	-	1,434	-
Deferred tax assets	1,339	-	-	1,339	-
Other assets	23,465	6,966	-	16,499	-
Total other assets	85,125	6,966	-	78,159	-
Total assets	1,042,312	242,990	39,330	325,395	434,597

(1) Gross assets include bank-owned assets and cash and securities received from third parties.

(2) Pledged as collateral refers to the portion of on-balance sheet assets and other cash and securities that are pledged through repurchase agreements, securities lending, derivative contracts, minimum required deposits at central banks and requirements associated with participation in clearing houses and payment systems. Other encumbered assets include assets that are restricted for legal or other reasons, such as restricted cash and short sales.

(3) Other unencumbered assets include select liquid asset holdings that management believes are not readily available to support BMO's liquidity requirements. These include cash and securities of \$12.6 billion as at April 30, 2021, which include securities held at BMO's insurance subsidiary, 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 in available as collateral represent loans currently lodged at central banks that could potentially be used to access central bank funding. Loans available for pledging as collateral do not include other sources of additional liquidity that may be realized from the bank's loan portfolio, such as incremental securitization, covered bond issuances and Federal Home Loan Bank 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 must have a term (typically maturing in two to ten years) that will support the effective term to maturity of these assets. Secured and unsecured wholesale funding for liquid trading assets is largely shorter term (maturing in one year or less), is aligned with the liquidity of the assets being funded, and is subject to limits on aggregate maturities that are permitted across different periods. Supplemental liquidity pools are funded largely with wholesale term funding.

BMO maintains a large and stable base of customer deposits that, in combination 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 totalled \$474.4 billion as at April 30, 2021, increasing from \$472.0 billion as at January 31, 2021. Underlying growth in retail and commercial deposits was partially offset by the impact of the weaker U.S. dollar. BMO also receives non-marketable deposits from corporate and institutional customers in support of certain trading activities. These deposits totalled \$30.4 billion as at April 30, 2021, an increase from \$25.6 billion as at January 31, 2021.

Total wholesale funding outstanding, which largely consists of negotiable marketable securities, was \$182.4 billion as at April 30, 2021, with \$51.3 billion sourced as secured funding and \$131.1 billion as unsecured funding. Wholesale funding outstanding decreased from \$195.3 billion as at January 31, 2021, primarily due to net wholesale funding maturities during the quarter and the impact of the weaker U.S. dollar. The mix and maturities of BMO's wholesale term funding are outlined in the table below. Additional information on deposit maturities can be found on page 38. BMO maintains a sizeable portfolio of unencumbered liquid assets, totaling \$308.1 billion as at April 30, 2021, that can be monetized to meet potential funding requirements, as described on page 33.

The Government of Canada's final regulations on Canada's Bank Recapitalization (Bail-In) Regime became effective on September 23, 2018. Bail-in debt includes senior unsecured debt issued directly by the bank on or after September 23, 2018, that has an original term greater than 400 days and is marketable, subject to certain exceptions. BMO is required to meet minimum Total Loss Absorbing Capacity (TLAC) ratio requirements by November 1, 2021. We continue to be well-positioned to meet TLAC requirements when they come into force. For more information, please see Regulatory Capital and Total Loss Absorbing Capacity Ratios on page 64 of BMO's 2020 Annual Report.

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, Australian and U.S. Medium-Term

Note programs, Canadian and U.S. mortgage securitizations, Canadian credit card loans, auto loans and home equity line of credit (HELOC) securitizations, U.S. transportation finance (TF) loans, covered bonds, and Canadian and U.S. senior unsecured deposits.

BMO's wholesale funding plan seeks to ensure sufficient funding capacity is available to execute our business strategies. The funding plan considers expected maturities, as well as asset and liability growth projected for our businesses in our forecasting and planning processes, and assesses funding needs in relation to the sources available. The funding plan is reviewed annually by the Balance Sheet and Capital Management Committee and Risk Management Committee and approved by the Risk Review Committee, and is regularly updated to reflect actual results and incorporate updated forecast information.

Wholesale Funding Maturities ⁽¹⁾

(Canadian \$ in millions)	As at April 30, 2021								As at January 31, 2021
	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	Total
Deposits from banks	4,348	443	71	521	5,383	-	-	5,383	4,943
Certificates of deposit and commercial paper	11,105	12,455	14,142	21,067	58,769	1,228	-	59,997	62,254
Bearer deposit notes	530	1,430	48	-	2,008	-	-	2,008	2,967
Asset-backed commercial paper (ABCP)	793	1,790	1,293	457	4,333	-	-	4,333	4,840
Senior unsecured medium-term notes	-	114	8,636	7,020	15,770	10,198	26,023	51,991	58,258
Senior unsecured structured notes (2)	89	66	-	2	157	-	4,402	4,559	4,746
Covered bonds and securitizations									
Mortgage and HELOC securitizations	-	2,046	442	1,631	4,119	3,158	13,807	21,084	20,481
Covered bonds	-	1,842	-	2,149	3,991	10,478	6,756	21,225	24,479
Other asset-backed securitizations (3)	-	-	-	1,341	1,341	2,497	814	4,652	5,073
Subordinated debt	-	1,240	-	-	1,240	-	5,903	7,143	7,276
Total	16,865	21,426	24,632	34,188	97,111	27,559	57,705	182,375	195,317
Of which:									
Secured	793	5,678	1,735	5,578	13,784	16,133	21,377	51,294	54,873
Unsecured	16,072	15,748	22,897	28,610	83,327	11,426	36,328	131,081	140,444
Total (4)	16,865	21,426	24,632	34,188	97,111	27,559	57,705	182,375	195,317

(1) Wholesale unsecured funding primarily includes funding raised through the issuance of marketable, negotiable instruments. Wholesale funding excludes covered bonds issued to access central bank programs, repo transactions and bankers' acceptances, which are disclosed in the contractual maturity table on page 38, and also excludes ABCP issued by certain ABCP conduits that are not consolidated for financial reporting purposes.

(2) Primarily issued to institutional investors.

(3) Includes credit card, auto and transportation finance loan securitizations.

(4) Total wholesale funding consists of Canadian-dollar-denominated funding totalling \$50.5 billion and U.S.-dollar-denominated and other foreign-currency-denominated funding totalling \$131.9 billion as at April 30, 2021.

Credit Ratings

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 wholesale markets at competitive pricing levels. Should our credit ratings experience a downgrade, cost of funding would likely increase and access to funding and capital through the wholesale markets could be reduced. A material downgrade of its ratings could also have other consequences, including those set out in Note 8 starting on page 168 of BMO's 2020 Annual Report.

The credit ratings assigned to BMO's senior debt by rating agencies are indicative of high-grade, high-quality issues. Moody's, Standard & Poor's (S&P) and DBRS have a stable outlook on BMO and Fitch has a negative outlook.

As at April 30, 2021

Rating agency	Short-term debt	Senior debt (1)	Long-term deposits/ Legacy senior debt (2)	Subordinated debt (NVCC)	Outlook
Moody's	P-1	A2	Aa2	Baa1(hyb)	Stable
S&P	A-1	A-	A+	BBB+	Stable
Fitch	F1+	AA-	AA	A	Negative
DBRS	R-1 (high)	AA (low)	AA	A (low)	Stable

(1) Subject to conversion under the Bank Recapitalization (Bail-In) Regime.

(2) Long-term deposits/Legacy senior debt includes senior debt issued prior to September 23, 2018, and senior debt issued on or after September 23, 2018, that is excluded from the Bank Recapitalization (Bail-In) Regime.

BMO is required to deliver collateral to certain counterparties in the event of a downgrade of its 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, 2021, we would be required to provide additional collateral to counterparties totalling \$183 million, \$411 million and \$832 million as a result of a one-notch, two-notch and three-notch downgrade, respectively.

Liquidity Coverage Ratio

The average daily LCR for the quarter ended April 30, 2021 was 129%. The LCR is calculated on a daily basis as the ratio of the stock of High-Quality Liquid Assets (HQLA) to total net stressed cash outflows over the next 30 calendar days. The average LCR was down from 130% in the prior quarter, primarily due to a decrease in HQLA. While banks are required to maintain an LCR of greater than 100% in normal conditions, banks are also expected to be able to utilize HQLA in a period of stress, which may result in an LCR of less than 100% during such a period. BMO's HQLA are primarily comprised of cash, highly-rated debt issued or backed by governments, highly-rated covered bonds and non-financial corporate debt, and non-financial equities that are part of a major stock index. Net cash flows include outflows from deposits, secured and unsecured wholesale funding, commitments and potential collateral requirements, offset by permitted inflows from loans, securities lending activities and other non-HQLA debt maturing over a 30-day horizon. Weights prescribed by the Office of the Superintendent of Financial Institutions (OSFI) are applied to cash flows and HQLA to arrive at the weighted values and the LCR. The LCR does not reflect excess liquidity in BMO Financial Corp. above 100%, because of limitations on the transfer of liquidity between BMO Financial Corp. and the parent bank. The LCR is only one measure of a bank's liquidity position and does not fully capture all of the bank's liquid assets or the funding alternatives that may be available during a period of stress. BMO's total liquid assets are shown in the Liquid Assets table on page 33.

Additional information on Liquidity and Funding Risk governance can be found on page 97 of BMO's 2020 Annual Report. Please also see the Risk Management section.

	For the quarter ended April 30, 2021	
	Total unweighted value (average) (1)(2)	Total weighted value (average) (2)(3)
<i>(Canadian \$ in billions, except as noted)</i>		
High-Quality Liquid Assets		
Total high-quality liquid assets (HQLA)	*	197.8
Cash Outflows		
Retail deposits and deposits from small business customers, of which:		
Stable deposits	224.1	15.4
Less stable deposits	109.8	3.3
Unsecured wholesale funding, of which:	114.3	12.1
Operational deposits (all counterparties) and deposits in networks of cooperative banks	236.7	114.8
Non-operational deposits (all counterparties)	115.1	28.7
Unsecured debt	99.3	63.8
Secured wholesale funding	22.3	22.3
Additional requirements, of which:	*	26.9
Outflows related to derivatives exposures and other collateral requirements	174.3	35.2
Outflows related to loss of funding on debt products	12.4	4.7
Credit and liquidity facilities	2.6	2.6
Other contractual funding obligations	159.3	27.9
Other contingent funding obligations	1.5	-
Total cash outflows	418.5	7.8
	*	200.1
Cash Inflows		
Secured lending (e.g. reverse repos)	152.9	34.2
Inflows from fully performing exposures	8.3	4.4
Other cash inflows	8.6	8.6
Total cash inflows	169.8	47.2
		Total adjusted value (4)
Total HQLA		197.8
Total net cash outflows		152.9
Liquidity Coverage Ratio (%) (2)		129
For the quarter ended January 31, 2021		
Total HQLA		200.5
Total net cash outflows		154.2
Liquidity Coverage Ratio (%)		130

* Disclosure is not required under the LCR disclosure standard.

(1) Unweighted values are calculated at market value (for HQLA) or as outstanding balances maturing or callable within 30 days (for inflows and outflows).

(2) Values are calculated based on the simple average of the daily LCR over 63 business days in the second quarter of 2021.

(3) Weighted values are calculated after the application of the weights prescribed under the OSFI Liquidity Adequacy Requirements (LAR) Guideline for HQLA and cash inflows and outflows.

(4) Adjusted values are calculated based on total weighted values after applicable caps as defined by the LAR Guideline.

Net Stable Funding Ratio

The Net Stable Funding Ratio (NSFR) is a regulatory liquidity metric that assesses the stability of a bank's funding profile in relation to the liquidity value of a bank's assets. The NSFR is defined as the ratio between the amount of available stable funding (ASF) and the amount of required stable funding (RSF). ASF means the proportion of own and third-party resources that are expected to be reliable over the one-year horizon (includes customer deposits and long-term wholesale funding). Therefore, unlike the LCR, which is short-term, the NSFR measures a bank's medium and long-term resilience. The stable funding requirements for each institution are set based on the liquidity and maturity characteristics of its balance sheet assets and off-balance sheet exposures. OSFI-prescribed weights are applied to notional asset and liability balances to determine ASF and RSF and the NSFR. Canadian domestic systemically important banks (D-SIBs), including BMO, are required to maintain a minimum NSFR of 100%, effective January 1, 2020, and to publicly disclose their NSFR, effective for the quarter ended January 31, 2021. BMO's NSFR was 119% as at April 30, 2021, exceeding the regulatory minimum. The NSFR was up from 118% in the prior quarter, primarily due to lower required stable funding.

(Canadian \$ in billions, except as noted)	For the quarter ended April 30, 2021				Weighted Value (2)
	Unweighted Value by Residual Maturity				
	No maturity (1)	Less than 6 months	6 to 12 months	Over 1 year	
Available Stable Funding (ASF) Item					
Capital:	-	-	-	61.4	61.4
Regulatory capital	-	-	-	61.0	61.0
Other capital instruments	-	-	-	0.4	0.4
Retail deposits and deposits from small business customers:	201.3	30.0	17.2	29.5	259.0
Stable deposits	101.3	14.3	8.1	6.7	124.3
Less stable deposits	100.0	15.7	9.1	22.8	134.7
Wholesale funding:	221.0	171.5	38.1	66.3	184.8
Operational deposits	112.1	-	-	-	56.0
Other wholesale funding	108.9	171.5	38.1	66.3	128.8
Liabilities with matching interdependent assets	-	1.7	1.6	14.0	-
Other liabilities:	4.5	*	*	40.5	4.5
NSFR derivative liabilities	*	*	*	7.7	*
All other liabilities and equity not included in the above categories	4.5	28.1	0.5	4.2	4.5
Total ASF	*	*	*	*	509.7
Required Stable Funding (RSF) Item					
Total NSFR high-quality liquid assets (HQLA)	*	*	*	*	20.0
Deposits held at other financial institutions for operational purposes	-	-	-	-	-
Performing loans and securities:	141.0	127.0	39.4	237.8	353.9
Performing loans to financial institutions secured by Level 1 HQLA	-	39.1	2.4	-	3.2
Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	21.1	55.0	5.1	9.9	39.8
Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	84.1	24.4	24.9	112.3	188.3
With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	-	-	-	-	-
Performing residential mortgages, of which:	12.5	7.0	6.7	104.3	92.0
With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	12.5	6.7	6.4	101.0	88.7
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	23.3	1.5	0.3	11.3	30.6
Assets with matching interdependent liabilities	-	1.7	1.6	14.0	-
Other assets:	16.0	*	*	30.6	37.6
Physical traded commodities, including gold	3.4	*	*	*	2.9
Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	*	*	*	8.1	6.9
NSFR derivative assets	*	*	*	7.3	-
NSFR derivative liabilities before deduction of variation margin posted	*	*	*	0.6	0.6
All other assets not included in the above categories	12.6	2.7	0.1	11.8	27.2
Off-balance sheet items	*	*	*	450.4	15.8
Total RSF	*	*	*	*	427.3
Net Stable Funding Ratio (%)	*	*	*	*	119

For the quarter ended January 31, 2021	Weighted Value (2)
Total ASF	517.8
Total RSF	437.8
Net Stable Funding Ratio (%)	118

* Disclosure is not required under the NSFR disclosure standard.

- Items to be reported in the "no maturity" time bucket do not have a stated maturity. These may include, but are not limited to, items such as non-maturity deposits, short positions, open maturity positions, non-HQLA equities, physical traded commodities and demand loans.
- Weighted values are calculated after the application of the weights prescribed under the OSFI LAR Guideline for ASF and RSF.

Contractual Maturities of Assets and Liabilities and Off-Balance Sheet Commitments

The tables below show the remaining contractual maturities 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. BMO forecasts asset and liability cash flows, under both normal market conditions and 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 result from both market volatility and credit rating downgrades, among other assumptions.

(Canadian \$ in millions)										April 30, 2021
	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	97,500	-	-	-	-	-	-	-	1,093	98,593
Interest Bearing Deposits with Banks	3,975	2,088	1,170	763	959	-	-	-	-	8,955
Securities	4,361	5,214	3,485	4,528	4,012	13,210	46,189	82,026	49,842	212,867
Securities Borrowed or Purchased under Resale Agreements	70,955	17,615	6,163	1,568	1,148	878	-	-	-	98,327
Loans										
Residential mortgages	1,332	2,252	3,890	2,986	2,810	20,625	89,341	7,293	-	130,529
Consumer instalment and other personal Credit cards	421	574	800	928	816	4,961	29,922	11,789	21,707	71,918
Business and government Allowance for credit losses	-	-	-	-	-	-	-	-	-	7,488
	27,443	9,230	9,323	8,481	11,345	27,479	73,269	14,655	56,477	237,702
	-	-	-	-	-	-	-	-	(3,028)	(3,028)
Total Loans, net of allowance	29,196	12,056	14,013	12,395	14,971	53,065	192,532	33,737	82,644	444,609
Other Assets										
Derivative instruments	2,067	2,868	2,289	4,544	1,301	5,650	11,027	8,252	-	37,998
Customers' liability under acceptances	8,730	3,144	78	-	-	-	-	-	-	11,952
Other	2,059	422	141	12	11	10	2	4,765	29,116	36,538
Total Other Assets	12,856	6,434	2,508	4,556	1,312	5,660	11,029	13,017	29,116	86,488
Total Assets	218,843	43,407	27,339	23,810	22,402	72,813	249,750	128,780	162,695	949,839

(Canadian \$ in millions)										April 30, 2021
	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)(2)										
Banks	9,905	4,826	1,052	218	2,084	6	-	25	7,741	25,857
Business and government Individuals	26,261	23,786	26,295	16,623	20,075	24,042	34,381	14,096	232,402	417,961
	3,007	7,903	9,712	9,804	8,676	8,623	10,662	2,789	152,207	213,383
Total Deposits	39,173	36,515	37,059	26,645	30,835	32,671	45,043	16,910	392,350	657,201
Other Liabilities										
Derivative instruments	2,680	3,055	2,203	3,254	1,560	4,603	9,331	6,532	-	33,218
Acceptances	8,730	3,144	78	-	-	-	-	-	-	11,952
Securities sold but not yet purchased (3)	32,540	-	-	-	-	-	-	-	-	32,540
Securities lent or sold under repurchase agreements (3)	72,631	10,148	4,033	441	450	-	-	-	-	87,703
Securitization and structured entities' liabilities	74	2,906	506	1,894	1,589	5,515	9,264	3,909	-	25,657
Other	11,248	335	122	362	609	779	1,310	3,404	20,741	38,910
Total Other Liabilities	127,903	19,588	6,942	5,951	4,208	10,897	19,905	13,845	20,741	229,980
Subordinated Debt	-	1,240	-	-	-	-	25	5,879	-	7,144
Total Equity	-	-	-	-	-	-	-	-	55,514	55,514
Total Liabilities and Equity	167,076	57,343	44,001	32,596	35,043	43,568	64,973	36,634	468,605	949,839

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

(2) Deposits totalling \$22,649 million as at April 30, 2021 have a fixed maturity date; however, they can be early redeemed (either fully or partially) by customers without penalty. These are classified as payable on a fixed date due to their stated contractual maturity date. BMO does not expect a significant amount to be redeemed before maturity.

(3) Presented based on their earliest maturity date.

(Canadian \$ in millions)										April 30, 2021
	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 (1)	2,783	6,472	7,995	11,383	14,005	36,177	90,302	5,510	-	174,627
Backstop liquidity facilities	-	-	-	-	-	5,036	-	-	-	5,036
Leases	-	-	-	-	1	11	62	379	-	453
Securities lending	3,956	-	-	-	-	-	-	-	-	3,956
Purchase obligations	15	29	50	43	40	148	165	47	-	537

(1) Commitments to extend credit exclude personal lines of credit, credit cards and other credit instruments that are unconditionally cancellable at BMO's discretion. 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.

(Canadian \$ in millions)

October 31, 2020

	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	56,434	-	-	-	-	-	-	-	974	57,408
Interest Bearing Deposits with Banks	3,901	1,673	1,266	1,204	991	-	-	-	-	9,035
Securities	4,838	5,804	7,817	6,263	4,678	15,730	54,846	85,949	48,335	234,260
Securities Borrowed or Purchased under Resale Agreements	79,354	17,030	12,111	2,172	708	503	-	-	-	111,878
Loans										
Residential mortgages	2,077	2,110	4,627	5,795	4,928	19,551	80,480	7,456	-	127,024
Consumer instalment and other personal	677	690	1,229	1,223	1,217	5,229	25,243	12,135	22,505	70,148
Credit cards	-	-	-	-	-	-	-	-	-	7,889
Business and government	23,806	6,056	7,847	7,259	6,852	27,816	77,936	35,824	52,266	245,662
Allowance for credit losses	-	-	-	-	-	-	-	-	(3,303)	(3,303)
Total Loans, net of allowance	26,560	8,856	13,703	14,277	12,997	52,596	183,659	55,415	79,357	447,420
Other Assets										
Derivative instruments	3,400	5,472	2,111	1,140	915	4,369	9,393	10,015	-	36,815
Customers' liability under acceptances	9,609	3,633	251	-	-	-	-	-	-	13,493
Other	1,873	580	188	20	13	16	4	4,530	31,728	38,952
Total Other Assets	14,882	9,685	2,550	1,160	928	4,385	9,397	14,545	31,728	89,260
Total Assets	185,969	43,048	37,447	25,076	20,302	73,214	247,902	155,909	160,394	949,261

(Canadian \$ in millions)

October 31, 2020

	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)(2)										
Banks	13,499	3,982	13,106	455	463	7	-	28	7,285	38,825
Business and government	24,056	21,813	33,713	13,862	17,567	20,070	45,287	11,129	213,182	400,679
Individuals	4,295	11,509	13,019	11,086	10,192	7,778	12,709	2,007	146,935	219,530
Total Deposits	41,850	37,304	59,838	25,403	28,222	27,855	57,996	13,164	367,402	659,034
Other Liabilities										
Derivative instruments	1,374	4,499	1,684	1,171	1,088	3,911	8,588	8,060	-	30,375
Acceptances	9,609	3,633	251	-	-	-	-	-	-	13,493
Securities sold but not yet purchased (3)	29,376	-	-	-	-	-	-	-	-	29,376
Securities lent or sold under repurchase agreements (3)	69,142	10,747	7,439	878	-	452	-	-	-	88,658
Securitization and structured entities' liabilities	30	1,656	334	2,810	1,169	4,946	12,577	3,367	-	26,889
Other	10,301	804	102	109	181	798	1,326	3,706	19,100	36,427
Total Other Liabilities	119,832	21,339	9,810	4,968	2,438	10,107	22,491	15,133	19,100	225,218
Subordinated Debt	-	-	-	-	-	-	-	8,416	-	8,416
Total Equity	-	-	-	-	-	-	-	-	56,593	56,593
Total Liabilities and Equity	161,682	58,643	69,648	30,371	30,660	37,962	80,487	36,713	443,095	949,261

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

(2) Deposits totalling \$27,353 million as at October 31, 2020 have a fixed maturity date; however, they can be early redeemed (either fully or partially) by customers without penalty. These are classified as payable on a fixed date due to their stated contractual maturity date. BMO does not expect a significant amount to be redeemed before maturity.

(3) Presented based on their earliest maturity date.

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

(Canadian \$ in millions)

October 31, 2020

	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 (1)	1,789	5,617	11,163	12,287	14,289	31,607	95,881	6,595	-	179,228
Backstop liquidity facilities	-	-	-	-	-	-	5,601	-	-	5,601
Leases	-	-	3	3	3	38	158	786	-	991
Securities lending	4,349	-	-	-	-	-	-	-	-	4,349
Purchase obligations	14	27	38	38	56	162	179	62	-	576

(1) Commitments to extend credit exclude personal lines of credit, credit cards and other credit instruments that are unconditionally cancellable at BMO's discretion. 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 with the current period's presentation.

European Exposures

BMO's European exposures were disclosed and discussed on pages 90 and 91 of BMO's 2020 Annual Report. Our exposure to European countries, as at April 30, 2021, is set out in the tables that follow. Our net portfolio exposures are summarized in the below tables for funded lending, securities (inclusive of credit default swaps (CDS) activity), repo-style transactions and derivatives.

European Exposure by Country and Counterparty ⁽¹⁾

(Canadian \$ in millions)

Country	Funded lending (2)	Securities (3)(4)				Repo-style transactions and derivatives (5)(6)				Total Net Exposure
		Bank	Corporate	Sovereign	Total	Bank	Corporate	Sovereign	Total	
GIIPS										
Greece	-	-	-	-	-	-	-	-	-	-
Ireland (7)	446	-	-	-	-	8	175	-	183	629
Italy	15	-	-	-	-	-	-	-	-	15
Portugal	-	-	-	-	-	-	-	-	-	-
Spain	107	49	2	-	51	11	1	-	12	170
Total - GIIPS	568	49	2	-	51	19	176	-	195	814
Eurozone (excluding GIIPS)										
France	183	70	-	498	568	36	59	6	101	852
Germany	345	632	43	270	945	194	4	1	199	1,489
Netherlands	349	578	-	-	578	68	244	-	312	1,239
Other (8)	323	-	1	89	90	2	33	-	35	448
Total - Eurozone (excluding GIIPS)	1,200	1,280	44	857	2,181	300	340	7	647	4,028
Rest of Europe										
Norway	558	121	-	-	121	-	6	-	6	685
Sweden	16	229	-	295	524	5	-	-	5	545
Switzerland	370	18	-	-	18	87	12	-	99	487
United Kingdom	2,149	66	150	5,613	5,829	518	192	83	793	8,771
Other (8)	59	41	-	6	47	11	8	6	25	131
Total - Rest of Europe	3,152	475	150	5,914	6,539	621	218	89	928	10,619
Total - All of Europe (9)	4,920	1,804	196	6,771	8,771	940	734	96	1,770	15,461

Country	Funded lending (2)	Securities (3)				Repo-style transactions and derivatives (5)(6)				Total Net Exposure
		Bank	Corporate	Sovereign	Total	Bank	Corporate	Sovereign	Total	
Total - GIIPS	596	51	1	22	74	-	113	-	113	783
Total - Eurozone (excluding GIIPS)	1,396	1,025	47	1,286	2,358	155	306	6	467	4,221
Total - Rest of Europe	3,068	795	169	7,173	8,137	530	435	143	1,108	12,313
Total - All of Europe (9)	5,060	1,871	217	8,481	10,569	685	854	149	1,688	17,317

Refer to footnotes in the following table.

European Lending Exposure by Country and Counterparty ⁽¹⁾

Country	Funded lending as at April 30, 2021				Lending (2)		As at April 30, 2021		As at January 31, 2021	
	Bank	Corporate	Sovereign	Total	Commitments	Funded	Commitments	Funded	Commitments	Funded
GIIPS										
Greece	-	-	-	-	-	-	-	-	-	-
Ireland (7)	-	446	-	-	558	446	642	485	-	-
Italy	15	-	-	-	15	15	17	17	-	-
Portugal	-	-	-	-	-	-	-	-	-	-
Spain	105	2	-	-	182	107	174	94	-	-
Total - GIIPS	120	448	-	-	755	568	833	596	-	-
Eurozone (excluding GIIPS)										
France	136	47	-	-	322	183	382	235	-	-
Germany	191	155	-	-	512	346	675	472	-	-
Netherlands	63	285	-	-	407	348	374	328	-	-
Other (8)	101	222	-	-	384	323	437	361	-	-
Total - Eurozone (excluding GIIPS)	491	709	-	-	1,625	1,200	1,868	1,396	-	-
Rest of Europe										
Norway	36	522	-	-	1,062	558	1,100	613	-	-
Sweden	16	-	-	-	190	16	113	16	-	-
Switzerland	14	356	-	-	443	370	348	271	-	-
United Kingdom	15	2,134	-	-	3,248	2,149	3,439	2,105	-	-
Other (8)	-	59	-	-	90	59	96	63	-	-
Total - Rest of Europe	81	3,071	-	-	5,033	3,152	5,096	3,068	-	-
Total - All of Europe (9)	692	4,228	-	-	7,413	4,920	7,797	5,060	-	-

(1) BMO has the following indirect exposures to Europe as at April 30, 2021: Collateral of €2.9 billion to support trading activity in securities (€457 million from GIIPS) and €395 million of cash collateral held;

and, guarantees of \$10.1 billion (\$201 million to GIIPS).

(2) Funded lending includes loans.

(3) Securities include cash products, insurance investments and traded credit.

(4) BMO's total net notional CDS exposure (embedded as part of the securities exposure in this table) to Europe was \$154 million, with no net single-name^c CDS exposure to GIIPS countries as at April 30, 2021 (*includes a net position of \$117 million (bought protection) on a CDS Index, of which 14% is comprised of GIIPS domiciled entities).

(5) Repo-style transactions are primarily with bank counterparties for which BMO holds collateral (\$35 billion for Europe as at April 30, 2021).

(6) Derivatives amounts are marked-to-market, incorporating transaction netting where master netting agreements with counterparties have been entered into, and collateral offsets for counterparties where a Credit Support Annex is in effect.

(7) Does not include Irish subsidiary reserves we are required to maintain with the Irish Central Bank of \$120 million as at April 30, 2021.

(8) Other Eurozone exposure includes 6 countries with less than \$300 million net exposure. Other European exposure is distributed across 6 countries.

(9) Of our total net direct exposure to Europe, approximately 94% was to counterparties in countries with a rating of Aa2/AA from at least one of Moody's or S&P.

Caution

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

Enhanced Disclosure Task Force

On October 29, 2012, the Enhanced Disclosure Task Force (EDTF) of the Financial Stability Board published its first report, Enhancing the Risk Disclosures of Banks. We support the recommendations issued by EDTF for the provision of high-quality, transparent risk disclosures.

Disclosures related to the EDTF recommendations are detailed in the index below, as presented in the 2020 Annual Report and the Second Quarter 2021 Report to Shareholders (RTS), Supplemental Financial Information (SFI) or Supplemental Regulatory Capital Information (SRC). Information within the SFI or SRC is not and should not be considered incorporated by reference into our Second Quarter 2021 Report to Shareholders.

Topic	EDTF Disclosure	Q2 2021			Annual Report Page
		RTS Page	SFI Page	SRC Page	
General					
1	Present all risk-related information in each report, providing an index for easy navigation.	3	Index	Index	73-113
2	Define the bank's risk terminology and risk measures and present key parameters used.	31	-	-	84-113, 212-213
3	Discuss top and emerging risks for the bank.	5, 31	-	-	73-75
4	Outline plans to meet new key regulatory ratios once the applicable rules are finalized.	15	-	-	64, 67-68, 103
Risk Governance and Risk Management Strategies/Business Model					
5	Summarize the bank's risk management organization, processes, and key functions.	-	-	-	78-83
6	Describe the bank's risk culture and procedures applied to support the culture.	-	-	-	79
7	Describe key risks that arise from the bank's business model and activities.	-	-	-	80, 82
8	Describe the use of stress testing within the bank's risk governance and capital frameworks.	-	-	-	83
Capital Adequacy and Risk-Weighted Assets (RWA)					
9	Provide minimum Pillar 1 capital requirements.	-	-	3-4, 10	63-66
10	Summarize information contained in the composition of capital templates and reconciliation of the accounting balance sheet to the regulatory balance sheet. <ul style="list-style-type: none"> A Main Features template can also be found on BMO's website at www.bmo.com under Investor Relations and Regulatory Filings. 	15	-	3-5	67
11	Present a flow statement of movements in regulatory capital, including changes in Common Equity Tier 1, Additional Tier 1, and Tier 2 capital.	-	-	6	-
12	Discuss capital planning within a more general discussion of management's strategic planning.	-	-	-	63
13	Provide granular information to explain how RWA relate to business activities.	-	-	11	68
14	Present a table showing the capital requirements for each method used for calculating RWA. <ul style="list-style-type: none"> Information about significant models used to determine RWA is provided in our Annual Report. 	-	-	11, 17, 18, 21-30 and 37-43	68, 85-87
15	Tabulate credit risk in the banking book for Basel asset classes and major portfolios. <ul style="list-style-type: none"> Information on retail and wholesale credit risk in the banking book is provided. 	-	-	17-30, 37-43	-
16	Present a flow statement that reconciles movements in RWA by credit risk and market risk. <ul style="list-style-type: none"> Includes flow statements for credit risk and market risk RWA movement by key driver. 	-	-	31, 57	-
17	Describe the bank's Basel validation and back-testing process. <ul style="list-style-type: none"> Included in our SRC information is our estimated and actual loss parameter information. 	-	-	58	109

Topic	EDTF Disclosure	Q2 2021			Annual Report Page
		RTS Page	SFI Page	SRC Page	
Liquidity					
18	Describe how the bank manages its potential liquidity needs and the liquidity reserve held to meet those needs.	33-34, 36	-	-	97-103
Funding					
19	Summarize encumbered and unencumbered assets in a table by balance sheet category.	34	33	-	100
20	Tabulate consolidated total assets, liabilities and off-balance sheet commitments by remaining contractual maturity.	38-39	-	-	104-105
21	Discuss the bank's sources of funding and describe the bank's funding strategy. <ul style="list-style-type: none"> Includes tables showing the composition and maturity of wholesale funding. 	34-35, 37	-	-	101-102
Market Risk					
22	Provide a breakdown of balance sheet positions into trading and non-trading market risk measures.	31	-	-	96
23	Provide qualitative and quantitative breakdowns of significant trading and non-trading market risk measures.	32	-	-	92-94, 95-96
24	Describe significant market risk measurement model validation procedures and back-testing and how these are used to enhance the parameters of the model.	-	-	-	92, 93, 95, 109
25	Describe the primary risk management techniques employed by the bank to measure and assess the risk of loss beyond reported risk measures. <ul style="list-style-type: none"> Includes information on the use of stress testing, scenario analysis, stressed VaR, structural balance sheet and economic value sensitivities for market risk management. 	32	-	-	92-93
Credit Risk					
26	Provide information about the bank's credit risk profile.	11-12, 51-55	18-30	11-56	84-91, 159-164
27	Describe the bank's policies related to impaired loans and renegotiated loans.	-	-	-	159, 164
28	Provide reconciliations of impaired loans and the allowance for credit losses.	12, 52-53	-	-	89, 162
29	Provide a quantitative and qualitative analysis of the bank's counterparty credit risk that arises from its derivative transactions.	-	-	35-48	84-85, 91
30	Provide a discussion of credit risk mitigation. <ul style="list-style-type: none"> Information on credit and counterparty risk management and collateral management. 	-	-	16, 32, 44	84-85, 169, 175, 205-206
Other Risks					
31	Describe other risks and discuss how each is identified, governed, measured and managed.	-	-	-	80, 106-113
32	Discuss publicly known risk events related to other risks, where material or potentially material loss events have occurred.	-	-	-	106-113

Consolidated Statement of Income

(Unaudited) (Canadian \$ in millions, except as noted)

	For the three months ended			For the six months ended	
	April 30, 2021	January 31, 2021	April 30, 2020	April 30, 2021	April 30, 2020
Interest, Dividend and Fee Income					
Loans	\$ 3,849	\$ 4,029	\$ 4,689	\$ 7,878	\$ 9,652
Securities (Note 2)	1,002	990	1,363	1,992	2,722
Deposits with banks	50	44	101	94	294
	4,901	5,063	6,153	9,964	12,668
Interest Expense					
Deposits	817	921	1,738	1,738	3,865
Subordinated debt	51	58	66	109	136
Other liabilities	578	506	831	1,084	1,761
	1,446	1,485	2,635	2,931	5,762
Net Interest Income	3,455	3,578	3,518	7,033	6,906
Non-Interest Revenue					
Securities commissions and fees	300	285	277	585	529
Deposit and payment service charges	306	305	313	611	617
Trading revenues	47	212	(217)	259	(76)
Lending fees	343	356	322	699	647
Card fees	122	81	80	203	179
Investment management and custodial fees	476	482	430	958	886
Mutual fund revenues	396	374	348	770	714
Underwriting and advisory fees	404	258	239	662	524
Securities gains, other than trading	111	102	(11)	213	53
Foreign exchange gains, other than trading	63	24	21	87	68
Insurance revenues	(163)	744	(166)	581	714
Investments in associates and joint ventures	60	56	34	116	60
Other	156	118	76	274	190
	2,621	3,397	1,746	6,018	5,105
Total Revenue	6,076	6,975	5,264	13,051	12,011
Provision for Credit Losses (Note 3)	60	156	1,118	216	1,467
Insurance Claims, Commissions and Changes in Policy Benefit Liabilities	(283)	601	(197)	318	519
Non-Interest Expense					
Employee compensation	2,042	2,119	1,902	4,161	4,030
Premises and equipment	863	804	806	1,667	1,563
Amortization of intangible assets	158	156	156	314	307
Travel and business development	97	66	118	163	239
Communications	72	64	83	136	162
Professional fees	147	136	128	283	261
Other (Note 12)	1,030	268	323	1,298	623
	4,409	3,613	3,516	8,022	7,185
Income Before Provision for Income Taxes	1,890	2,605	827	4,495	2,840
Provision for income taxes (Note 10)	587	588	138	1,175	559
Net Income	\$ 1,303	\$ 2,017	\$ 689	\$ 3,320	\$ 2,281
Earnings Per Share (Canadian \$) (Note 9)					
Basic	\$ 1.91	\$ 3.03	\$ 1.00	\$ 4.94	\$ 3.38
Diluted	1.91	3.03	1.00	4.93	3.37
Dividends per common share	1.06	1.06	1.06	2.12	2.12

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, 2021	January 31, 2021	April 30, 2020	April 30, 2021	April 30, 2020
Net Income	\$ 1,303	\$ 2,017	\$ 689	\$ 3,320	\$ 2,281
Other Comprehensive Income (Loss), net of taxes					
Items that may subsequently be reclassified to net income					
Net change in unrealized gains (losses) on fair value through OCI debt securities					
Unrealized gains (losses) on fair value through OCI debt securities arising during the period (1)	(89)	57	170	(32)	280
Reclassification to earnings of (gains) in the period (2)	(19)	(9)	(36)	(28)	(56)
	(108)	48	134	(60)	224
Net change in unrealized gains (losses) on cash flow hedges					
Gains (losses) on derivatives designated as cash flow hedges arising during the period (3)	(479)	(131)	1,380	(610)	1,590
Reclassification to earnings of (gains) losses on derivatives designated as cash flow hedges in the period (4)	(86)	(77)	21	(163)	45
	(565)	(208)	1,401	(773)	1,635
Net gains (losses) on translation of net foreign operations					
Unrealized gains (losses) on translation of net foreign operations	(1,304)	(1,131)	1,487	(2,435)	1,696
Unrealized gains (losses) on hedges of net foreign operations (5)	316	221	(304)	537	(351)
	(988)	(910)	1,183	(1,898)	1,345
Items that will not be reclassified to net income					
Gains (losses) on remeasurement of pension and other employee future benefit plans (6)	436	275	73	711	(55)
Gains (losses) on remeasurement of own credit risk on financial liabilities designated at fair value (7)	3	(245)	351	(242)	281
	439	30	424	469	226
Other Comprehensive Income (Loss), net of taxes	(1,222)	(1,040)	3,142	(2,262)	3,430
Total Comprehensive Income (Loss)	\$ 81	\$ 977	\$ 3,831	\$ 1,058	\$ 5,711

(1) Net of income tax (provision) recovery of \$32 million, \$(20) million, \$(62) million for the three months ended, and \$12 million, \$(100) million for the six months ended, respectively.

(2) Net of income tax provision of \$6 million, \$3 million, \$10 million for the three months ended, and \$9 million, \$17 million for the six months ended, respectively.

(3) Net of income tax (provision) recovery of \$173 million, \$46 million, \$(497) million for the three months ended, and \$219 million, \$(573) million for the six months ended, respectively.

(4) Net of income tax provision (recovery) of \$31 million, \$28 million, \$(7) million for the three months ended, and \$59 million, \$(16) million for the six months ended, respectively.

(5) Net of income tax (provision) recovery of \$(115) million, \$(80) million, \$110 million for the three months ended, and \$(195) million, \$127 million for the six months ended, respectively.

(6) Net of income tax (provision) recovery of \$(158) million, \$(99) million, \$(26) million for the three months ended, and \$(257) million, \$20 million for the six months ended, respectively.

(7) Net of income tax (provision) recovery of \$(1) million, \$89 million, \$(127) million for the three months ended, and \$88 million, \$(102) million 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, 2021	January 31, 2021	October 31, 2020
Assets			
Cash and Cash Equivalents	\$ 98,593	\$ 73,091	\$ 57,408
Interest Bearing Deposits with Banks	8,955	8,376	9,035
Securities (Note 2)			
Trading	90,566	98,943	97,834
Fair value through profit or loss	13,331	13,939	13,568
Fair value through other comprehensive income	61,172	70,574	73,407
Debt securities at amortized cost	46,744	48,708	48,466
Investments in associates and joint ventures	1,054	1,026	985
	212,867	233,190	234,260
Securities Borrowed or Purchased Under Resale Agreements	98,327	121,573	111,878
Loans			
Residential mortgages	130,529	128,170	127,024
Consumer instalment and other personal	71,918	70,780	70,148
Credit cards	7,488	7,342	7,889
Business and government	237,702	248,752	245,662
	447,637	455,044	450,723
Allowance for credit losses (Note 3)	(3,028)	(3,188)	(3,303)
	444,609	451,856	447,420
Other Assets			
Derivative instruments	37,998	34,054	36,815
Customers' liability under acceptances	11,952	11,878	13,493
Premises and equipment	4,298	4,202	4,183
Goodwill	5,375	6,365	6,535
Intangible assets	2,323	2,388	2,442
Current tax assets	1,141	1,434	1,260
Deferred tax assets	1,294	1,339	1,473
Other	22,107	23,465	23,059
	86,488	85,125	89,260
Total Assets	\$ 949,839	\$ 973,211	\$ 949,261
Liabilities and Equity			
Deposits (Note 4)	\$ 657,201	\$ 672,500	\$ 659,034
Other Liabilities			
Derivative instruments	33,218	29,430	30,375
Acceptances	11,952	11,878	13,493
Securities sold but not yet purchased	32,540	34,164	29,376
Securities lent or sold under repurchase agreements	87,703	99,892	88,658
Securitization and structured entities' liabilities	25,657	25,610	26,889
Current tax liabilities	193	196	126
Deferred tax liabilities	163	155	108
Other	38,554	35,962	36,193
	229,980	237,287	225,218
Subordinated Debt (Note 4)	7,144	7,276	8,416
Equity			
Preferred shares and other equity instruments (Note 5)	5,848	5,848	6,598
Common shares (Note 5)	13,536	13,501	13,430
Contributed surplus	313	309	302
Retained earnings	32,561	32,012	30,745
Accumulated other comprehensive income	3,256	4,478	5,518
Total Equity	55,514	56,148	56,593
Total Liabilities and Equity	\$ 949,839	\$ 973,211	\$ 949,261

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

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

Consolidated Statement of Changes in Equity

(Unaudited) (Canadian \$ in millions)

	For the three months ended		For the six months ended	
	April 30, 2021	April 30, 2020	April 30, 2021	April 30, 2020
Preferred Shares and Other Equity Instruments (Note 5)				
Balance at beginning of period	\$ 5,848	\$ 5,348	\$ 6,598	\$ 5,348
Redeemed during the period	-	-	(750)	-
Balance at End of Period	5,848	5,348	5,848	5,348
Common Shares (Note 5)				
Balance at beginning of period	13,501	12,998	13,430	12,971
Issued under the Stock Option Plan	32	2	59	29
Treasury shares or repurchase of common shares for cancellation	3	-	47	-
Balance at End of Period	13,536	13,000	13,536	13,000
Contributed Surplus				
Balance at beginning of period	309	303	302	303
Stock option expense, net of options exercised	2	(2)	7	(2)
Net premium on sale of treasury shares	3	-	3	-
Other	(1)	-	1	-
Balance at End of Period	313	301	313	301
Retained Earnings				
Balance at beginning of period	32,012	29,510	30,745	28,725
Impact from adopting IFRS 16	na	-	na	(59)
Net income	1,303	689	3,320	2,281
Dividends on preferred shares and distributions payable on other equity instruments	(68)	(52)	(124)	(122)
Dividends on common shares	(686)	(678)	(1,372)	(1,356)
Equity issue expense and premium paid on redemption of preferred shares	-	-	(6)	-
Net discount on sale of treasury shares	-	(43)	(2)	(43)
Balance at End of Period	32,561	29,426	32,561	29,426
Accumulated Other Comprehensive Income on Fair Value through OCI Securities, net of taxes				
Balance at beginning of period	403	116	355	26
Unrealized gains (losses) on fair value through OCI debt securities arising during the period	(89)	170	(32)	280
Reclassification to earnings of (gains) during the period	(19)	(36)	(28)	(56)
Balance at End of Period	295	250	295	250
Accumulated Other Comprehensive Income on Cash Flow Hedges, net of taxes				
Balance at beginning of period	1,771	747	1,979	513
Gains (losses) on derivatives designated as cash flow hedges arising during the period	(479)	1,380	(610)	1,590
Reclassification to earnings of (gains) losses on derivatives designated as cash flow hedges in the period	(86)	21	(163)	45
Balance at End of Period	1,206	2,148	1,206	2,148
Accumulated Other Comprehensive Income on Translation of Net Foreign Operations, net of taxes				
Balance at beginning of period	3,070	3,865	3,980	3,703
Unrealized gains (losses) on translation of net foreign operations	(1,304)	1,487	(2,435)	1,696
Unrealized gains (losses) on hedges of net foreign operations	316	(304)	537	(351)
Balance at End of Period	2,082	5,048	2,082	5,048
Accumulated Other Comprehensive Income (Loss) on Pension and Other Employee Future Benefit Plans, net of taxes				
Balance at beginning of period	(363)	(511)	(638)	(383)
Gains (losses) on remeasurement of pension and other employee future benefit plans	436	73	711	(55)
Balance at End of Period	73	(438)	73	(438)
Accumulated Other Comprehensive Income (Loss) on Own Credit Risk on Financial Liabilities Designated at Fair Value, net of taxes				
Balance at beginning of period	(403)	(200)	(158)	(130)
Gains (losses) on remeasurement of own credit risk on financial liabilities designated at fair value	3	351	(242)	281
Balance at End of Period	(400)	151	(400)	151
Total Accumulated Other Comprehensive Income	3,256	7,159	3,256	7,159
Total Equity	\$ 55,514	\$ 55,234	\$ 55,514	\$ 55,234

na - not applicable due to IFRS 16 adoption on November 1, 2019.

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		For the six months ended	
	April 30, 2021	April 30, 2020	April 30, 2021	April 30, 2020
Cash Flows from Operating Activities				
Net Income	\$ 1,303	\$ 689	\$ 3,320	\$ 2,281
Adjustments to determine net cash flows provided by (used in) operating activities				
Provision on securities, other than trading	-	1	(1)	1
Net (gain) loss on securities, other than trading	(111)	10	(212)	(54)
Net decrease in trading securities	5,803	16,942	2,920	5,695
Provision for credit losses (Note 3)	60	1,118	216	1,467
Change in derivative instruments – (increase) in derivative asset	(3,451)	(21,781)	(869)	(20,021)
– increase in derivative liability	2,959	24,355	3,684	22,260
Amortization of premises and equipment	197	201	393	400
Amortization of other assets	37	50	78	104
Amortization of intangible assets	158	156	314	307
Write-down of goodwill	747	-	747	-
Net decrease in deferred income tax asset	16	209	121	222
Net increase (decrease) in deferred income tax liability	10	(17)	56	(17)
Net (increase) decrease in current income tax asset	161	(61)	(109)	(582)
Net increase (decrease) in current income tax liability	24	(29)	113	10
Change in accrued interest – (increase) decrease in interest receivable	98	(48)	200	77
– (decrease) in interest payable	(316)	(199)	(402)	(212)
Changes in other items and accruals, net	4,390	(3,924)	1,684	(6,514)
Net increase in deposits	2,330	51,410	28,195	65,738
Net (increase) in loans	(75)	(30,228)	(11,515)	(34,287)
Net increase (decrease) in securities sold but not yet purchased	(1,114)	2,121	4,084	3,357
Net increase (decrease) in securities lent or sold under repurchase agreements	(9,801)	2,444	3,429	15,261
Net (increase) decrease in securities borrowed or purchased under resale agreements	20,587	(10,437)	8,452	(11,535)
Net increase (decrease) in securitization and structured entities' liabilities	267	452	(769)	292
Net Cash Provided by Operating Activities	24,279	33,434	44,129	44,250
Cash Flows from Financing Activities				
Net (decrease) in liabilities of subsidiaries	-	(62)	-	(2,787)
Proceeds from issuance of covered bonds	-	4,425	-	4,425
Redemption/buyback of covered bonds	(2,214)	(296)	(2,214)	(2,497)
Repayment of subordinated debt (Note 4)	-	-	(1,000)	-
Redemption of preferred shares (Note 5)	-	-	(756)	-
Net proceeds from issuance of common shares and sale of treasury shares (Note 5)	33	(58)	101	(33)
Cash dividends and distributions paid	(741)	(748)	(1,479)	(1,458)
Repayment of lease liabilities	(87)	(86)	(162)	(168)
Net Cash Provided by (Used in) Financing Activities	(3,009)	3,175	(5,510)	(2,518)
Cash Flows from Investing Activities				
Net (increase) decrease in interest bearing deposits with banks	(902)	(210)	(565)	670
Purchases of securities, other than trading	(10,903)	(34,372)	(24,386)	(53,448)
Maturities of securities, other than trading	7,550	3,496	14,264	7,489
Proceeds from sales of securities, other than trading	10,524	19,366	16,419	25,333
Premises and equipment – net (purchases)	(87)	(95)	(203)	(199)
Purchased and developed software – net (purchases)	(123)	(214)	(240)	(365)
Acquisitions	-	(186)	-	(186)
Net Cash Provided by (Used in) Investing Activities	6,059	(12,215)	5,289	(20,706)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(1,827)	1,457	(2,723)	1,764
Net increase in Cash and Cash Equivalents	25,502	25,851	41,185	22,790
Cash and Cash Equivalents at Beginning of Period	73,091	45,742	57,408	48,803
Cash and Cash Equivalents at End of Period	\$ 98,593	\$ 71,593	\$ 98,593	\$ 71,593
Supplemental Disclosure of Cash Flow Information				
Net cash provided by operating activities includes:				
Interest paid in the period	\$ 1,751	\$ 2,794	\$ 3,306	\$ 5,931
Income taxes paid in the period	\$ 264	\$ 700	\$ 826	\$ 1,592
Interest received in the period	\$ 4,568	\$ 5,579	\$ 9,374	\$ 11,747
Dividends received in the period	\$ 457	\$ 419	\$ 840	\$ 823

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

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

Notes to Consolidated Financial Statements

April 30, 2021 (Unaudited)

Note 1: Basis of Presentation

Bank of Montreal (the bank or BMO) is a chartered bank under the *Bank Act (Canada)* and is a public company incorporated in Canada. We are a highly diversified financial services company, providing a broad range of personal and commercial banking, wealth management and investment banking products and services. The bank's head office is at 129 rue Saint Jacques, Montreal, Quebec. Our executive offices are at 100 King Street West, 1 First Canadian Place, Toronto, Ontario. Our common shares are listed on the Toronto Stock Exchange (TSX) and the New York Stock Exchange.

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board (IASB) using the same accounting policies as disclosed in our annual consolidated financial statements for the year ended October 31, 2020, with the exception of changes in accounting policy described below. 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, 2020. 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 interim consolidated financial statements were authorized for issue by the Board of Directors on May 26, 2021.

Changes in Accounting Policy

Interbank Offered Rate (IBOR) Reform

Effective November 1, 2020, we early adopted the IASB's IBOR Phase 2 amendments to IFRS 9 *Financial Instruments* (IFRS 9), IAS 39 *Financial Instruments: Recognition and Measurement* (IAS 39), IFRS 7 *Financial Instruments: Disclosures* (IFRS 7), IFRS 4 *Insurance Contracts* as well as IFRS 16 *Leases*. These amendments address issues that arise from implementation of IBOR reform, where IBORs will be replaced with alternative benchmark rates.

For financial instruments at amortized cost, the amendments introduce a practical expedient such that if a change in the contractual cash flows is as a direct consequence of IBOR reform and occurs on an economically equivalent basis, the change will be accounted for by updating the effective interest rate with no immediate gain or loss recognized. The amendments also provide additional temporary relief from applying specific IAS 39 hedge accounting requirements to hedging relationships affected by IBOR reform. For example, there is an exception from the requirement to discontinue hedge accounting as a result of changes to hedge documentation required solely by IBOR reform.

As a result of the transition from IBORs to alternative reference rates (ARRs), certain benchmark rates may be subject to discontinuance, changes in methodology, increased volatility or decreased liquidity. The bank, both as a holder and an issuer of IBOR-based instruments, is exposed to increased financial, operational, legal and regulatory, and reputational risks as the rates transition. These risks arise principally from updating systems and processes to capture new ARR, amending contracts or existing fallback clauses for new ARRs, managing the client transition to ARRs and the resulting impact on economic risk management, as well as updating hedge designations as the new ARRs emerge. In order to manage those risks, we have established an enterprise IBOR Transition Office (ITO) to coordinate and oversee the transition from IBORs to ARRs, with a focus on managing and mitigating internal risks as well as managing our client relationships. The ITO, sponsored and supported by senior management, is responsible for running the enterprise-wide program, covering all of BMO's lines of business and corporate function areas. The ITO has a global mandate to ensure that we properly prepare for the discontinuation or unavailability of LIBOR and other IBORs. As part of its mandate, the ITO continues to address the bank's industry and regulatory engagement, client and financial contract changes, internal and external communications, technology and operations modifications, introduction of new products, migration of existing clients, program strategy and governance, and evaluate financial reporting impacts, including for hedge accounting. In addition, the ITO continues to monitor the development and usage of ARRs across the industry, including the Secured Overnight Financing Rate (SOFR). As the market continues to develop we have begun to add ARR-based products to our suite of offerings.

We adhered to the International Swaps and Derivatives Association Fallbacks Protocol (ISDA Protocol), which took effect on January 25, 2021. The ISDA Protocol provides specific fallbacks depending on whether the relevant IBOR (for example, USD LIBOR or GBP LIBOR) has been permanently discontinued or is temporarily unavailable. It provides an efficient amendment mechanism for mutually adhering counterparties to incorporate these fallback provisions into legacy derivative contracts.

The table below presents quantitative information for financial instruments that referenced certain IBORs as at November 1, 2020, the date of adoption for Phase 2 relief, and were either due to mature after December 31, 2021 or demand facilities that will be subject to remediation to amend the benchmark interest rate. Our GBP LIBOR and other LIBOR exposures have not materially changed since November 1, 2020.

(Canadian \$ in millions)	November 1, 2020		
	USD LIBOR	GBP LIBOR	Other (1)
Non-derivative assets (2)	100,521	868	1,225
Non-derivative liabilities (2)	7,435	692	-
Derivative notional amounts (3)(4)	1,570,534	20,972	6,702
Authorized and committed loan commitments (5)(6)	68,449	194	23,633

(1) Includes CHF LIBOR, EONIA and JPY LIBOR.

(2) All amounts are presented based on contractual amounts outstanding with the exception of securities, in non-derivative assets, which are disclosed based on carrying value.

(3) Notionals represent the amount to which a rate or price is applied in order to calculate the amount of cash that must be exchanged under the contract. Notional amounts do not represent assets or liabilities and therefore are not recorded in our Consolidated Balance Sheet.

(4) Includes certain cross-currency swap positions where both the pay and receive leg currently reference an IBOR. For those derivatives, the table above includes the notional for both the pay and receive legs in the relevant columns aligning with the IBOR exposure.

(5) Excludes personal lines of credit and credit cards that are unconditionally cancellable at our discretion. 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.

(6) Other includes loan commitments where our customers have the option to draw from their facility in multiple currencies. Amounts drawn will be subject to prevailing interbank offered rates for the foreign currency, including those that are in scope of IBOR reform.

Financial instruments that reference rates in multi-rate jurisdictions, including the Canadian Dollar Offered Rate (CDOR), the EURO Interbank Offered Rate and Australian Bank Bill Swap Rate, are excluded from the table above. In the case of CDOR, financial instruments indexed to 6-month and 12-month CDOR tenors were discontinued on May 17, 2021, while other tenors of CDOR will continue as a benchmark rate. As at November 1, 2020, we did not hold any material positions in either of these CDOR tenors.

On March 5, 2021, the Financial Conduct Authority (FCA) confirmed that LIBOR settings will cease to be provided by any administrator immediately after December 31, 2021 for all sterling, euro, Swiss franc and Japanese yen settings as well as the 1-week and 2-month USD LIBOR settings. The remaining USD LIBOR settings will cease to be provided immediately after June 30, 2023. The announcement followed the completion of the ICE Benchmark Administration consultation regarding the process and timing for the orderly wind-down of LIBOR contracts. US prudential regulators have issued supervisory guidance that the extension of these certain USD LIBOR settings to June 30, 2023 applies only to legacy contracts; new issuances of LIBOR-based instruments must cease by December 31, 2021. The ITO has adjusted all impacted project plans to align with these extended timelines.

As a result of extending the cessation date of certain USD LIBOR settings, more contracts will expire prior to cessation and therefore the number and value of contracts that will be subject to remediation efforts has reduced. The following table presents the value of financial instruments impacted by the FCA extension, that is, ones that reference USD LIBOR (with the exception of the 1 week and 2-month settings) and either mature after June 30, 2023 or are demand facilities with no maturity date.

(Canadian \$ in millions)	April 30, 2021
	USD LIBOR
Non-derivative assets (1)	75,455
Non-derivative liabilities (1)	2,933
Derivative notional amounts (2)	1,112,747
Authorized and committed loan commitments (3)(4)	45,794

(1) All amounts are presented based on contractual amounts outstanding with the exception of securities, in non-derivative assets, which are disclosed based on carrying value.

(2) Notionals represent the amount to which a rate or price is applied in order to calculate the amount of cash that must be exchanged under the contract. Notional amounts do not represent assets or liabilities and therefore are not recorded in our Consolidated Balance Sheet.

(3) Excludes personal lines of credit and credit cards that are unconditionally cancellable at our discretion. 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.

(4) Excludes \$8,746 million of loan commitments where the customer's option to draw in another currency impacted by IBOR reform is limited to USD. Any amounts drawn under the option will be subject to USD LIBOR, which will be impacted by the June 30, 2023 cessation date.

Conceptual Framework

Effective November 1, 2020, we adopted the revised Conceptual Framework (Framework), which sets out the fundamental concepts for financial reporting to ensure consistency in standard-setting decisions and that similar transactions are treated in a similar way, so as to provide useful information to users of financial statements. The revised Framework had no impact on our accounting policies.

Use of Estimates and Judgments

The preparation of the interim consolidated financial statements requires management to use estimates and assumptions that affect the carrying amounts of certain assets and liabilities, certain amounts reported in net income and other related disclosures.

The most significant assets and liabilities for which we must make estimates and judgments include the allowance for credit losses; financial instruments measured at fair value; pension and other employee future benefits; impairment of securities; income taxes and deferred tax assets; goodwill and intangible assets; insurance-related liabilities; provisions including legal proceedings and restructuring charges; leases; and transfer of financial assets and consolidation of structured entities. If actual results were to differ from the estimates, the impact would be recorded in future periods.

The full extent of the impact that COVID-19, including government and regulatory responses to the outbreak, will have on the Canadian and US economies and the bank's business will depend on future developments, which are highly uncertain and cannot be predicted. This includes the scope, severity and duration of the pandemic which remains uncertain and difficult to predict at this time. By their very nature, the judgments and estimates we make for the purposes of preparing our financial statements relate to matters that are inherently uncertain. However, we have detailed policies and internal controls that are intended to ensure that these judgments and estimates are well controlled and independently reviewed, and that our

policies are consistently applied from period to period. We believe that our estimates of the value of our assets and liabilities are appropriate as at April 30, 2021.

Allowance for Credit Losses

As detailed further in Note 1 of our annual consolidated financial statements for the year ended October 31, 2020, the allowance for credit losses (ACL) consists of allowances on impaired loans, which represent estimated losses related to impaired loans in the portfolio provided for but not yet written off, and allowances on performing loans, which is our best estimate of impairment in the existing portfolio for loans that have not yet been individually identified as impaired.

The expected credit loss model requires the recognition of credit losses generally based on 12 months of expected losses for performing loans and the recognition of lifetime losses on performing loans that have experienced a significant increase in credit risk since origination.

The determination of a significant increase in credit risk takes into account many different factors and varies by product and risk segment. The bank's methodology for determining significant increase in credit risk is based on the change in probability of default between origination, and reporting date, assessed using probability weighted scenarios as well as certain other criteria, such as 30-day past due and watchlist status. The assessment of a significant increase in credit risk requires experienced credit judgment.

The judgments we apply in determining the ACL reflect the impact of uncertainties in the economic environment on credit conditions that may cause future assessments of credit risk to be materially different from current assessments, which could require an increase or decrease in the allowance for credit losses.

Additional information regarding the allowance for credit losses is included in Note 3.

Note 2: Securities

Classification of Securities

The bank's fair value through profit or loss (FVTPL) securities of \$13,331 million (\$13,568 million as at October 31, 2020) are comprised of \$2,542 million mandatorily measured at fair value and \$10,789 million investment securities held by insurance subsidiaries designated at fair value (\$2,420 million and \$11,148 million, respectively, as at October 31, 2020).

Our fair value through other comprehensive income (FVOCI) securities totalling \$61,172 million (\$73,407 million as at October 31, 2020), are net of an allowance for credit losses of \$3 million (\$4 million as at October 31, 2020).

Amortized cost securities totalling \$46,744 million (\$48,466 million as at October 31, 2020), are net of an allowance for credit losses of \$1 million (\$1 million as at October 31, 2020).

Unrealized Gains and Losses on FVOCI Securities

The following table summarizes the unrealized gains and losses:

(Canadian \$ in millions)	April 30, 2021				October 31, 2020			
	Cost/ Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	Cost/ Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Issued or guaranteed by:								
Canadian federal government	16,217	140	26	16,331	22,240	211	1	22,450
Canadian provincial and municipal governments	2,640	47	1	2,686	4,628	119	-	4,747
U.S. federal government	16,158	372	159	16,371	16,881	844	31	17,694
U.S. states, municipalities and agencies	4,494	115	4	4,605	5,132	147	3	5,276
Other governments	5,896	92	23	5,965	7,222	168	9	7,381
National Housing Act (NHA) mortgage-backed securities (MBS)	1,347	19	1	1,365	1,583	46	-	1,629
U.S. agency MBS and collateralized mortgage obligations (CMO)	10,986	248	11	11,223	10,600	307	4	10,903
Corporate debt	2,493	41	8	2,526	3,153	91	10	3,234
Corporate equity	97	3	-	100	90	3	-	93
Total	60,328	1,077	233	61,172	71,529	1,936	58	73,407

Unrealized gains (losses) may be offset by related (losses) gains on hedge contracts.

Interest Income on Debt Securities

The following table presents interest income calculated using the effective interest method:

(Canadian \$ in millions)	For the three months ended		For the six months ended	
	April 30, 2021	April 30, 2020	April 30, 2021	April 30, 2020
FVOCI - Debt	121	295	252	638
Amortized cost	102	165	208	311
Total	223	460	460	949

Note 3: Loans and Allowance for Credit Losses

Credit Risk Exposure

The following table sets out our credit risk exposure for all loans carried at amortized cost, FVOCI or FVTPL as at April 30, 2021 and October 31, 2020. Stage 1 represents those performing loans carried with up to a 12 month expected credit loss, Stage 2 represents those performing loans carried with a lifetime expected credit loss, and Stage 3 represents those loans with a lifetime credit loss that are credit impaired.

(Canadian \$ in millions)	April 30, 2021				October 31, 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loans: Residential mortgages								
Exceptionally low	1	-	-	1	1	-	-	1
Very low	88,153	360	-	88,513	79,295	429	-	79,724
Low	21,254	2,737	-	23,991	24,490	2,481	-	26,971
Medium	11,535	4,489	-	16,024	11,560	6,461	-	18,021
High	117	334	-	451	172	446	-	618
Not rated	1,013	95	-	1,108	1,132	148	-	1,280
Impaired	-	-	441	441	-	-	409	409
Allowance for credit losses	60	52	14	126	51	75	16	142
Carrying amount	122,013	7,963	427	130,403	116,599	9,890	393	126,882
Loans: Consumer instalment and other personal								
Exceptionally low	1,386	36	-	1,422	1,550	31	-	1,581
Very low	28,460	15	-	28,475	26,645	37	-	26,682
Low	22,017	623	-	22,640	20,935	585	-	21,520
Medium	10,192	3,912	-	14,104	10,324	4,334	-	14,658
High	418	1,364	-	1,782	429	1,470	-	1,899
Not rated	3,103	59	-	3,162	3,372	96	-	3,468
Impaired	-	-	333	333	-	-	340	340
Allowance for credit losses	127	379	101	607	134	429	105	668
Carrying amount	65,449	5,630	232	71,311	63,121	6,124	235	69,480
Loans: Credit cards (1)								
Exceptionally low	2,238	-	-	2,238	2,252	-	-	2,252
Very low	355	-	-	355	1,106	15	-	1,121
Low	1,584	116	-	1,700	899	148	-	1,047
Medium	1,595	759	-	2,354	1,611	899	-	2,510
High	53	323	-	376	58	377	-	435
Not rated	465	-	-	465	524	-	-	524
Impaired	-	-	-	-	-	-	-	-
Allowance for credit losses	59	242	-	301	61	272	-	333
Carrying amount	6,231	956	-	7,187	6,389	1,167	-	7,556
Loans: Business and government (2)								
Acceptable								
Investment grade	134,620	1,529	-	136,149	129,100	3,242	-	132,342
Sub-investment grade	83,099	20,887	-	103,986	85,197	30,106	-	115,303
Watchlist	-	7,293	-	7,293	-	8,621	-	8,621
Impaired	-	-	2,226	2,226	-	-	2,889	2,889
Allowance for credit losses	544	924	526	1,994	510	1,044	606	2,160
Carrying amount	217,175	28,785	1,700	247,660	213,787	40,925	2,283	256,995
Commitments and financial guarantee contracts								
Acceptable								
Investment grade	139,307	2,029	-	141,336	138,141	1,628	-	139,769
Sub-investment grade	40,975	14,389	-	55,364	41,650	20,421	-	62,071
Watchlist	-	3,420	-	3,420	-	4,861	-	4,861
Impaired	-	-	886	886	-	-	1,261	1,261
Allowance for credit losses	206	216	23	445	211	288	12	511
Carrying amount (3)(4)	180,076	19,622	863	200,561	179,580	26,622	1,249	207,451

(1) Credit card loans are immediately written off when principal or interest payments are 180 days past due, and as a result are not reported as impaired in Stage 3.

(2) Includes customers' liability under acceptances.

(3) Represents the total contractual amounts of undrawn credit facilities and other off-balance sheet exposures, excluding personal lines of credit and credit cards that are unconditionally cancellable at our discretion.

(4) Certain commercial borrower commitments are conditional and may include recourse with other parties.

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

Allowance for Credit Losses

The allowance for credit losses recorded in our Consolidated Balance Sheet is maintained at a level we consider adequate to absorb credit-related losses on our loans and other credit instruments. The allowance for credit losses amounted to \$3,473 million at April 30, 2021 (\$3,814 million as at October 31, 2020) of which \$3,028 million (\$3,303 million as at October 31, 2020) was recorded in loans and \$445 million (\$511 million as at October 31, 2020) was recorded in other liabilities in our Consolidated Balance Sheet.

Significant changes in the gross balances, including originations, maturities and repayments in the normal course of operations, impact the allowance for credit losses.

The following tables show the continuity in the loss allowance by product type for the three and six months ended April 30, 2021 and April 30, 2020. Transfers represent the amount of expected credit loss (ECL) that moved between stages during the period, for example, moving from a 12-month (Stage 1) to lifetime (Stage 2) ECL measurement basis. Net remeasurements represent the ECL impact due to transfers between stages, and changes in economic forecasts and credit quality. Model changes includes new calculation models or methodologies.

(Canadian \$ in millions)

For the three months ended	April 30, 2021				April 30, 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loans: Residential mortgages								
Balance as at beginning of period	33	42	26	101	14	31	27	72
Transfer to Stage 1	9	(8)	(1)	-	5	(4)	(1)	-
Transfer to Stage 2	(1)	2	(1)	-	(1)	1	-	-
Transfer to Stage 3	-	(2)	2	-	-	(2)	2	-
Net remeasurement of loss allowance	12	24	2	38	11	13	2	26
Loan originations	7	-	-	7	2	-	-	2
Derecognitions and maturities	(1)	(3)	-	(4)	(1)	(1)	-	(2)
Model changes	-	-	-	-	(2)	(2)	-	(4)
Total Provision for Credit Losses (PCL) (1)	26	13	2	41	14	5	3	22
Write-offs (2)	-	-	(3)	(3)	-	-	(3)	(3)
Recoveries of previous write-offs	-	-	4	4	-	-	2	2
Foreign exchange and other	1	(2)	(7)	(8)	1	1	(2)	-
Balance as at end of period	60	53	22	135	29	37	27	93
Loans: Consumer instalment and other personal								
Balance as at beginning of period	150	440	97	687	88	343	125	556
Transfer to Stage 1	52	(50)	(2)	-	38	(36)	(2)	-
Transfer to Stage 2	(9)	18	(9)	-	(6)	24	(18)	-
Transfer to Stage 3	(2)	(30)	32	-	-	(27)	27	-
Net remeasurement of loss allowance	(68)	38	28	(2)	(18)	82	61	125
Loan originations	24	-	-	24	12	-	-	12
Derecognitions and maturities	(6)	(10)	-	(16)	(4)	(8)	-	(12)
Model changes	-	-	-	-	5	25	-	30
Total PCL (1)	(9)	(34)	49	6	27	60	68	155
Write-offs (2)	-	-	(64)	(64)	-	-	(84)	(84)
Recoveries of previous write-offs	-	-	24	24	-	-	19	19
Foreign exchange and other	-	(5)	(5)	(10)	1	4	(3)	2
Balance as at end of period	141	401	101	643	116	407	125	648
Loans: Credit cards								
Balance as at beginning of period	112	302	-	414	80	220	-	300
Transfer to Stage 1	41	(41)	-	-	29	(29)	-	-
Transfer to Stage 2	(9)	9	-	-	(11)	11	-	-
Transfer to Stage 3	(1)	(47)	48	-	(1)	(41)	42	-
Net remeasurement of loss allowance	(45)	70	6	31	12	163	25	200
Loan originations	10	-	-	10	4	-	-	4
Derecognitions and maturities	(2)	(8)	-	(10)	(1)	(6)	-	(7)
Model changes	-	-	-	-	-	-	-	-
Total PCL (1)	(6)	(17)	54	31	32	98	67	197
Write-offs (2)	-	-	(74)	(74)	-	-	(89)	(89)
Recoveries of previous write-offs	-	-	27	27	-	-	21	21
Foreign exchange and other	-	(1)	(7)	(8)	3	1	1	5
Balance as at end of period	106	284	-	390	115	319	-	434
Loans: Business and government								
Balance as at beginning of period	791	1,102	583	2,476	348	519	467	1,334
Transfer to Stage 1	92	(89)	(3)	-	20	(19)	(1)	-
Transfer to Stage 2	(47)	57	(10)	-	(45)	46	(1)	-
Transfer to Stage 3	(1)	(13)	14	-	(1)	(40)	41	-
Net remeasurement of loss allowance	(143)	114	49	20	237	279	236	752
Loan originations	67	-	-	67	53	-	-	53
Derecognitions and maturities	(38)	(45)	-	(83)	(27)	(25)	-	(52)
Model changes	(5)	(19)	-	(24)	(23)	12	-	(11)
Total PCL (1)	(75)	5	50	(20)	214	253	275	742
Write-offs (2)	-	-	(73)	(73)	-	-	(175)	(175)
Recoveries of previous write-offs	-	-	14	14	-	-	16	16
Foreign exchange and other	(27)	(32)	(33)	(92)	18	23	3	44
Balance as at end of period	689	1,075	541	2,305	580	795	586	1,961
Total as at end of period	996	1,813	664	3,473	840	1,558	738	3,136
Comprised of: Loans	790	1,597	641	3,028	672	1,376	728	2,776
Other credit instruments (3)	206	216	23	445	168	182	10	360

(1) Excludes PCL on other assets of \$2 million for the three months ended April 30, 2021 (\$2 million for the three months ended April 30, 2020).

(2) Generally, we continue to seek recovery on amounts that were written off during the year, unless the loan is sold, we no longer have the right to collect or we have exhausted all reasonable efforts to collect.

(3) Other credit instruments, including off-balance sheet items, are recorded in other liabilities in our Consolidated Balance Sheet.

(Canadian \$ in millions)

For the six months ended	April 30, 2021				April 30, 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loans: Residential mortgages								
Balance as at beginning of period	51	75	26	152	15	33	38	86
Transfer to Stage 1	34	(26)	(8)	-	11	(10)	(1)	-
Transfer to Stage 2	(2)	17	(15)	-	(1)	3	(2)	-
Transfer to Stage 3	-	(9)	9	-	-	(3)	3	-
Net remeasurement of loss allowance	(33)	5	26	(2)	2	17	7	26
Loan originations	13	-	-	13	4	-	-	4
Derecognitions and maturities	(3)	(7)	-	(10)	(1)	(2)	-	(3)
Model changes	-	-	-	-	(2)	(2)	-	(4)
Total PCL (1)	9	(20)	12	1	13	3	7	23
Write-offs (2)	-	-	(6)	(6)	-	-	(6)	(6)
Recoveries of previous write-offs	-	-	4	4	-	-	4	4
Foreign exchange and other	-	(2)	(14)	(16)	1	1	(16)	(14)
Balance as at end of period	60	53	22	135	29	37	27	93
Loans: Consumer instalment and other personal								
Balance as at beginning of period	148	454	105	707	89	333	136	558
Transfer to Stage 1	117	(112)	(5)	-	79	(74)	(5)	-
Transfer to Stage 2	(16)	34	(18)	-	(10)	45	(35)	-
Transfer to Stage 3	(3)	(52)	55	-	(2)	(52)	54	-
Net remeasurement of loss allowance	(133)	109	59	35	(62)	144	106	188
Loan originations	43	-	-	43	23	-	-	23
Derecognitions and maturities	(13)	(24)	-	(37)	(8)	(18)	-	(26)
Model changes	-	-	-	-	5	25	-	30
Total PCL (1)	(5)	(45)	91	41	25	70	120	215
Write-offs (2)	-	-	(129)	(129)	-	-	(167)	(167)
Recoveries of previous write-offs	-	-	46	46	-	-	42	42
Foreign exchange and other	(2)	(8)	(12)	(22)	2	4	(6)	-
Balance as at end of period	141	401	101	643	116	407	125	648
Loans: Credit cards								
Balance as at beginning of period	110	321	-	431	80	225	-	305
Transfer to Stage 1	99	(99)	-	-	57	(57)	-	-
Transfer to Stage 2	(15)	15	-	-	(16)	16	-	-
Transfer to Stage 3	(1)	(87)	88	-	(1)	(81)	82	-
Net remeasurement of loss allowance	(100)	150	20	70	(13)	227	48	262
Loan originations	17	-	-	17	8	-	-	8
Derecognitions and maturities	(3)	(15)	-	(18)	(2)	(12)	-	(14)
Model changes	-	-	-	-	-	-	-	-
Total PCL (1)	(3)	(36)	108	69	33	93	130	256
Write-offs (2)	-	-	(142)	(142)	-	-	(177)	(177)
Recoveries of previous write-offs	-	-	47	47	-	-	47	47
Foreign exchange and other	(1)	(1)	(13)	(15)	2	1	-	3
Balance as at end of period	106	284	-	390	115	319	-	434
Loans: Business and government								
Balance as at beginning of period	658	1,258	608	2,524	338	496	311	1,145
Transfer to Stage 1	271	(267)	(4)	-	64	(57)	(7)	-
Transfer to Stage 2	(63)	75	(12)	-	(53)	55	(2)	-
Transfer to Stage 3	(2)	(66)	68	-	(2)	(63)	65	-
Net remeasurement of loss allowance	(215)	255	107	147	176	373	424	973
Loan originations	145	-	-	145	100	-	-	100
Derecognitions and maturities	(66)	(93)	-	(159)	(42)	(50)	-	(92)
Model changes	(5)	(19)	-	(24)	(23)	12	-	(11)
Total PCL (1)	65	(115)	159	109	220	270	480	970
Write-offs (2)	-	-	(184)	(184)	-	-	(216)	(216)
Recoveries of previous write-offs	-	-	27	27	-	-	23	23
Foreign exchange and other	(34)	(68)	(69)	(171)	22	29	(12)	39
Balance as at end of period	689	1,075	541	2,305	580	795	586	1,961
Total as at end of period	996	1,813	664	3,473	840	1,558	738	3,136
Comprised of: Loans	790	1,597	641	3,028	672	1,376	728	2,776
Other credit instruments (3)	206	216	23	445	168	182	10	360

(1) Excludes PCL on other assets of \$(4) million for the six months ended April 30, 2021 (\$3 million for the six months ended April 30, 2020).

(2) Generally, we continue to seek recovery on amounts that were written off during the year, unless the loan is sold, we no longer have the right to collect or we have exhausted all reasonable efforts to collect.

(3) Other credit instruments, including off-balance sheet items, are recorded in other liabilities in our Consolidated Balance Sheet.

Loans and allowance for credit losses by geographic region as at April 30, 2021 and October 31, 2020 are as follows:

(Canadian \$ in millions)	April 30, 2021				October 31, 2020			
	Gross amount	Allowance for credit losses on impaired loans (2)	Allowance for credit losses on performing loans (3)	Net Amount	Gross amount	Allowance for credit losses on impaired loans (2)	Allowance for credit losses on performing loans (3)	Net Amount
By geographic region (1):								
Canada	287,405	359	1,302	285,744	276,975	303	1,323	275,349
United States	150,910	282	1,059	149,569	161,725	410	1,225	160,090
Other countries	9,322	-	26	9,296	12,023	14	28	11,981
Total	447,637	641	2,387	444,609	450,723	727	2,576	447,420

(1) Geographic region is based upon country of ultimate risk.

(2) Excludes allowance for credit losses on impaired loans of \$23 million for other credit instruments, which is included in other liabilities (\$12 million as at October 31, 2020).

(3) Excludes allowance for credit losses on performing loans of \$422 million for other credit instruments, which is included in other liabilities (\$499 million as at October 31, 2020).

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

Impaired (Stage 3) loans, including the related allowances, as at April 30, 2021 and October 31, 2020 are as follows:

(Canadian \$ in millions)	April 30, 2021			October 31, 2020		
	Gross impaired amount (3)	Allowance for credit losses on impaired loans (4)	Net impaired amount (3)	Gross impaired amount (3)	Allowance for credit losses on impaired loans (4)	Net impaired amount (3)
Residential mortgages	441	14	427	409	16	393
Consumer instalment and other personal	333	101	232	340	105	235
Business and government (1)	2,226	526	1,700	2,889	606	2,283
Total	3,000	641	2,359	3,638	727	2,911
By geographic region (2):						
Canada	1,363	359	1,004	1,343	303	1,040
United States	1,595	282	1,313	2,211	410	1,801
Other countries	42	-	42	84	14	70
Total	3,000	641	2,359	3,638	727	2,911

(1) Includes customers' liability under acceptances.

(2) Geographic region is based upon the country of ultimate risk.

(3) Gross impaired loans and net impaired loans exclude purchased credit impaired loans.

(4) Excludes allowance for credit losses on impaired loans of \$23 million for other credit instruments, which is included in other liabilities (\$12 million as at October 31, 2020).

Loans Past Due Not Impaired

Loans that are past due but not classified as impaired are loans where our customers have failed to make payments when contractually due but for which we expect the full amount of principal and interest payments to be collected, or loans which are held at fair value. The following table presents loans that are past due but not classified as impaired as at April 30, 2021 and October 31, 2020. In cases where borrowers have opted to participate in payment deferral programs we offered as a result of the COVID-19 pandemic, deferred payments are not considered past due and do not on their own indicate a significant increase in credit risk. As a result, they have not been included in the table below. Regular aging resumes once the payment deferral period expires.

(Canadian \$ in millions)	April 30, 2021				October 31, 2020			
	1 to 29 days	30 to 89 days	90 days or more	Total	1 to 29 days	30 to 89 days	90 days or more	Total
Residential mortgages	721	383	15	1,119	806	543	43	1,392
Credit card, consumer instalment and other personal	1,202	275	77	1,554	2,136	345	65	2,546
Business and government	86	94	28	208	180	330	22	532
Total	2,009	752	120	2,881	3,122	1,218	130	4,470

Fully secured loans with amounts past due between 90 and 180 days that we have not classified as impaired totalled \$32 million and \$53 million as at April 30, 2021 and October 31, 2020, respectively.

ECL Sensitivity and Key Economic Variables

The expected credit loss model requires the recognition of credit losses generally based on 12 months of expected losses for performing loans and the recognition of lifetime losses on performing loans that have experienced a significant increase in credit risk since origination.

The allowance for performing loans is sensitive to changes in both economic forecasts and the probability-weight assigned to each forecast scenario. Forecasts are developed internally by our Economics group, considering external data and our view of future economic conditions. We apply experienced credit judgment to reflect factors not captured in the ECL models, as we deem necessary. We have applied experienced credit judgment to reflect the impact of the extraordinary and highly uncertain environment on credit conditions and the economy as a result of the COVID-19 pandemic.

As at April 30, 2021, our base case scenario depicts a stronger economic forecast in both Canada and the U.S. In Canada, real GDP growth rebounds in 2021 and 2022 with the U.S. economy following a similar but accelerated trajectory, given a larger policy stimulus and faster vaccine rollout in the U.S. compared to Canada. Our base case economic forecast as at October 31, 2020 depicted moderate economic growth in both Canada and the U.S. over the medium-term projection period. If we assumed a 100% base case economic forecast and included the impact of loan migration by restaging, with other assumptions held constant, including the application of experienced credit judgment, the allowance on performing loans would be approximately \$1,925 million as at April 30, 2021 (\$2,375 million as at October 31, 2020), compared to the reported allowance for performing loans of \$2,809 million (\$3,075 million as at October 31, 2020).

As at April 30, 2021, the adverse case economic forecast depicts a contracting Canadian and U.S. economy, with real GDP declining in 2021 and 2022 as shown in the table below based on average annual values. The adverse case scenario assumes a sharp, sustained and more severe increase in COVID-19 infections due to new variants compared to the base case scenario, a slower rollout of vaccines and renewed restrictions on a broad range of activities leading to a sharp decline in consumer and business confidence. The adverse case depicts a more severe economic contraction in real GDP and house prices in Canada and the U.S. compared to the adverse scenario used as at October 31, 2020. In particular, when measured from the peak, the adverse scenario shows real GDP contracting 5% in both Canada and the U.S. compared to 3% as at October 31, 2020. House prices are forecast to decline about 30% rather than 16% in Canada and 11% in the U.S. as at October 31, 2020. If we assumed a 100% adverse economic forecast and included the impact of loan migration by restaging, with other assumptions held constant, including the application of experienced credit judgment, the allowance on performing loans would be approximately \$4,475 million as at April 30, 2021 (\$4,875 million as at October 31, 2020), compared to the reported allowance for performing loans of \$2,809 million (\$3,075 million as at October 31, 2020).

When we measure changes in economic performance in our forecasts, we use real GDP as the basis, which acts as the key driver for movements in many of the other economic and market variables used, including VIX equity volatility index, corporate BBB credit spreads, unemployment rates, housing price indices and consumer credit. Many of the variables have a high degree of interdependency and as such, there is no one single factor to which loan impairment allowances as a whole are sensitive. The following table shows certain key economic variables used to estimate the allowance on performing loans during the forecast period. This table is typically provided on an annual basis; however, given the significant level of uncertainty in the forward-looking information due to the impact of COVID-19, the disclosures have been provided as an update to the information in Note 4 of our annual consolidated financial statements for the year ended October 31, 2020. The values shown represent the national annual average values for calendar 2021 and 2022 for all scenarios. While the values disclosed below are national variables, we use regional variables in our underlying models and consider factors impacting particular industries where appropriate.

All figures are average annual values	As at April 30, 2021						As at October 31, 2020					
	Benign scenario		Base scenario		Adverse scenario		Benign scenario		Base scenario		Adverse scenario	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
Real GDP growth rates (1)												
Canada	8.2%	5.6%	6.0%	4.0%	(0.9)%	(1.1)%	9.0%	4.0%	6.0%	3.0%	(2.1)%	0.8%
United States	8.7%	5.7%	6.5%	4.5%	(1.6)%	(1.2)%	7.0%	3.7%	4.0%	3.0%	(2.9)%	0.8%
Corporate BBB 10-year spread												
Canada	1.5%	1.9%	1.9%	2.2%	3.6%	4.4%	1.8%	2.0%	2.2%	2.2%	4.5%	4.0%
United States	1.0%	1.2%	1.4%	1.5%	4.2%	4.5%	1.6%	1.8%	2.0%	2.1%	4.4%	3.7%
Unemployment rates												
Canada	6.4%	5.1%	7.8%	6.3%	12.0%	13.9%	6.4%	5.9%	8.0%	7.1%	13.8%	13.9%
United States	4.6%	3.4%	5.4%	4.1%	9.8%	12.3%	5.2%	4.6%	6.8%	5.6%	12.6%	12.7%
Housing Price Index (1)												
Canada (2)	20.8%	10.0%	17.8%	5.1%	(12.3)%	(18.7)%	9.6%	5.4%	4.5%	2.5%	(9.1)%	(4.6)%
United States (3)	10.9%	6.5%	8.6%	4.1%	(8.6)%	(15.8)%	4.7%	4.2%	1.4%	2.7%	(7.3)%	(2.2)%

(1) Real gross domestic product and housing price index are year-over-year growth rates.

(2) In Canada, we use the HPI Benchmark Composite.

(3) In the United States, we use the National Case-Shiller House Price Index.

The ECL approach requires the recognition of credit losses generally based on 12 months of expected losses for performing loans (Stage 1) and the recognition of lifetime expected losses for performing loans that have experienced a significant increase in credit risk since origination (Stage 2). Under our current probability-weighted scenarios and based on the current risk profile of our loan exposures, if all our performing loans were in Stage 1, our allowance for performing loans would be approximately \$2,050 million (\$2,300 million as at October 31, 2020), compared with the reported allowance for performing loans of \$2,809 million (\$3,075 million as at October 31, 2020).

Note 4: Deposits and Subordinated Debt

Deposits

(Canadian \$ in millions)	Payable on demand				Payable after notice		Payable on a fixed date (4)(5)		Total	
	Interest bearing		Non-interest bearing		April 30, 2021	October 31, 2020	April 30, 2021	October 31, 2020	April 30, 2021	October 31, 2020
Deposits by:										
Banks (1)	4,706	3,594	1,809	2,460	1,226	1,231	18,116	31,540	25,857	38,825
Business and government	48,307	44,111	49,129	44,258	134,966	124,813	185,559	187,497	417,961	400,679
Individuals	4,283	4,661	34,034	30,369	113,890	111,905	61,176	72,595	213,383	219,530
Total (2) (3)	57,296	52,366	84,972	77,087	250,082	237,949	264,851	291,632	657,201	659,034
Booked in:										
Canada	47,234	41,855	74,732	67,873	122,465	112,543	164,780	185,655	409,211	407,926
United States	9,790	8,818	10,177	9,170	126,367	124,129	73,666	78,175	220,000	220,292
Other countries	272	1,693	63	44	1,250	1,277	26,405	27,802	27,990	30,816
Total	57,296	52,366	84,972	77,087	250,082	237,949	264,851	291,632	657,201	659,034

(1) Includes regulated and central banks.

(2) Includes structured notes and metals deposits designated at FVTPL (Note 6).

(3) Included in deposits as at April 30, 2021 and October 31, 2020 are \$326,410 million and \$322,951 million, respectively, of deposits denominated in U.S. dollars, and \$28,213 million and \$32,254 million, respectively, of deposits denominated in other foreign currencies.

(4) Includes \$27,561 million of senior unsecured debt as at April 30, 2021 subject to the Bank Recapitalization (Bail-In) regime (\$25,651 million as at October 31, 2020). The Bail-In regime provides certain statutory powers to the Canada Deposit Insurance Corporation, including the ability to convert specified eligible shares and liabilities into common shares if the bank becomes non-viable.

(5) Deposits totalling \$22,649 million as at April 30, 2021 (\$27,353 million as at October 31, 2020) can be early redeemed (either fully or partially) by customers without penalty. As we do not expect a significant amount to be redeemed before maturity, we have classified them based on their remaining contractual maturities.

The following table presents deposits payable on a fixed date and greater than one hundred thousand dollars:

(Canadian \$ in millions)	Canada	United States	Other	Total
As at April 30, 2021	140,347	68,999	26,403	235,749
As at October 31, 2020	158,475	72,186	27,799	258,460

The following table presents the maturity schedule for deposits payable on a fixed date and greater than one hundred thousand dollars, which are booked in Canada:

(Canadian \$ in millions)	Less than 3 months	3 to 6 months	6 to 12 months	Over 12 months	Total
As at April 30, 2021	21,330	15,725	25,016	78,276	140,347
As at October 31, 2020	18,081	29,679	28,109	82,606	158,475

Subordinated Debt

During the three and six months ended April 30, 2021, we did not issue any subordinated debt. On April 20, 2021, we announced our intention to redeem all of our \$1,250 million 3.32% Series I Medium-Term Notes First Tranche on June 1, 2021.

On December 8, 2020, we redeemed all of our outstanding \$1,000 million subordinate debentures, Series H Medium-Term Notes Second Tranche, at a redemption price of 100 percent of the principal amount plus unpaid accrued interest to, but excluding, the redemption date.

Note 5: Equity

Preferred and Common Shares Outstanding and Other Equity Instruments ⁽¹⁾

(Canadian \$ in millions, except as noted)

	April 30, 2021		October 31, 2020		Convertible into...
	Number of shares	Amount	Number of shares	Amount	
Preferred Shares - Classified as Equity					
Class B - Series 25	9,425,607	236	9,425,607	236	Class B - Series 26 (2)
Class B - Series 26	2,174,393	54	2,174,393	54	Class B - Series 25 (2)
Class B - Series 27	20,000,000	500	20,000,000	500	Class B - Series 28 (2)(3)
Class B - Series 29	16,000,000	400	16,000,000	400	Class B - Series 30 (2)(3)
Class B - Series 31	12,000,000	300	12,000,000	300	Class B - Series 32 (2)(3)
Class B - Series 33	8,000,000	200	8,000,000	200	Class B - Series 34 (2)(3)
Class B - Series 35	-	-	6,000,000	150	Not convertible (8)
Class B - Series 36	-	-	600,000	600	Class B - Series 37 (8)
Class B - Series 38	24,000,000	600	24,000,000	600	Class B - Series 39 (2)(3)
Class B - Series 40	20,000,000	500	20,000,000	500	Class B - Series 41 (2)(3)
Class B - Series 42	16,000,000	400	16,000,000	400	Class B - Series 43 (2)(3)
Class B - Series 44	16,000,000	400	16,000,000	400	Class B - Series 45 (2)(3)
Class B - Series 46	14,000,000	350	14,000,000	350	Class B - Series 47 (2)(3)
Preferred Shares - Classified as Equity		3,940		4,690	
Other Equity Instruments					
4.8% Additional Tier 1 Capital Notes (AT1 Notes)		658		658	Common shares (3)
4.3% Limited Recourse Capital Notes, Series 1 (LRCNs)		1,250		1,250	Common shares (3)(4)
Other Equity Instruments		1,908		1,908	
Preferred Shares and Other Equity Instruments		5,848		6,598	
Common Shares (5) (6) (7)	647,328,824	13,536	645,889,396	13,430	

(1) For additional information refer to Notes 16 and 20 of our annual consolidated financial statements for the year ended October 31, 2020.

(2) If converted, the holders have the option to convert back to the original preferred shares on subsequent redemption dates.

(3) The instruments issued include a non-viability contingent capital provision (NVCC), which is necessary for the preferred shares, AT1 Notes and by virtue of the recourse to Preferred Shares Series 48, the LRCNs (see (4) below) to qualify as regulatory capital under Basel III. As such, they are convertible into a variable number of our common shares if OSFI announces that the bank is, or is about to become, non-viable or if a federal or provincial government in Canada publicly announces that the bank has accepted or agreed to accept a capital injection, or equivalent support, to avoid non-viability. In such an event, each preferred share, including Preferred Shares Series 48, and AT1 Note is convertible into common shares pursuant to an automatic conversion formula and a conversion price based on the greater of: (i) a floor price of \$5.00 and (ii) the current market price of our common shares based on the volume weighted average trading price of our common shares on the TSX. The number of common shares issued is determined by dividing the value of the preferred share or other equity instrument, including declared and unpaid dividends, by the conversion price and then applying the multiplier.

(4) Non-deferrable interest is payable semi-annually on the LRCNs at the bank's discretion. Non-payment of interest will result in a recourse event, with the noteholders' sole remedy being the holders' proportionate share of trust assets comprised of our NVCC Preferred Shares Series 48, which are eliminated on consolidation. In such an event, the delivery of the trust assets will represent the full and complete extinguishment of our obligations under the LRCNs. In circumstances under which NVCC, including the Preferred Shares Series 48, would be converted into common shares of the bank, the LRCNs would be redeemed and the noteholders' sole remedy would be their proportionate share of trust assets, then comprised of common shares of the bank received by the trust on conversion of the Preferred Share Series 48.

(5) The stock options issued under the Stock Option Plan are convertible into 6,581,492 common shares as at April 30, 2021 (6,446,110 common shares as at October 31, 2020).

(6) During the three and six months ended April 30, 2021, we did not issue common shares under the Shareholder Dividend Reinvestment and Share Purchase Plan and we issued 419,220 and 826,580 common shares, respectively, under the Stock Option Plan.

(7) Common shares are net of 39,882 treasury shares as at April 30, 2021 (652,730 treasury shares as at October 31, 2020).

(8) Series 35 and Series 36 were redeemed and final dividends were paid on November 25, 2020.

Other Equity Instruments

The bank's US\$500 million (CAD \$658 million) 4.8% Additional Tier 1 Capital Notes (AT1 Notes) and \$1,250 million 4.3% Limited Recourse Capital Notes Series 1 (LRCNs) are classified as equity and form part of our additional Tier 1 non-viability contingent capital (NVCC). Both the AT1 Notes and LRCNs are compound financial instruments that have both equity and liability features. On the date of issuance, we assigned an insignificant value to the liability components of both instruments and, as a result, the full amount of proceeds has been classified as equity. Semi-annual distributions on the AT1 Notes and LRCNs are recognized as a reduction in equity when payable. The AT1 Notes and LRCNs are subordinate to the claims of the depositors and certain other creditors in right of payment.

Preferred Shares

On November 25, 2020, we redeemed all of our 6 million issued and outstanding Non-Cumulative Perpetual Class B Preferred Shares, Series 35 (NVCC) for an aggregate total of \$156 million and all of our 600,000 issued and outstanding Non-Cumulative 5-Year Rate Reset Class B Preferred Shares, Series 36 (NVCC) for an aggregate total of \$600 million.

Normal Course Issuer Bid

Our previous normal course issuer bid (NCIB) expired on June 2, 2020. Our plan, subject to approval of OSFI and the Toronto Stock Exchange, was to establish a new NCIB over a 12-month period, commencing on or about June 3, 2020. The renewal process was put on hold in light of OSFI's announcement on March 13, 2020 that all share buybacks by federally regulated financial institutions should be halted for the time being, and we did not renew our NCIB. We expect to proceed with the new NCIB following an announcement from OSFI that the restriction is no longer in effect.

Shareholder Dividend Reinvestment and Share Purchase Plan

Until further notice, common shares under the Shareholder Dividend Reinvestment and Share Purchase Plan are purchased on the open market without a discount.

Note 6: Fair Value of Financial Instruments

Fair Value of Financial Instruments Not Carried at Fair Value on the Balance Sheet

Set out in the following table are the amounts that would be reported if all financial assets and liabilities not currently carried at fair value were reported at their fair values. Refer to Note 17 to our annual consolidated financial statements for the year ended October 31, 2020 for further discussion on the determination of fair value.

(Canadian \$ in millions)	April 30, 2021		October 31, 2020	
	Carrying value	Fair value	Carrying value	Fair value
Securities (1)				
Amortized cost	46,744	47,041	48,466	49,009
Loans (1)				
Residential mortgages	130,403	131,055	126,882	128,815
Consumer instalment and other personal	71,311	71,829	69,480	70,192
Credit cards	7,187	7,187	7,556	7,556
Business and government (2)	229,302	230,747	238,239	239,929
	438,203	440,818	442,157	446,492
Deposits (3)	635,580	637,131	640,961	643,156
Securitization and structured entities' liabilities (4)	25,022	25,334	26,889	27,506
Subordinated debt	7,144	7,469	8,416	8,727

This table excludes financial instruments with a carrying value approximating fair value, such as cash and cash equivalents, interest bearing deposits with banks, securities borrowed or purchased under resale agreements, customers' liability under acceptances, other assets, acceptances, securities lent or sold under repurchase agreements and other liabilities.

(1) Carrying value is net of allowances for credit losses.

(2) Excludes \$6,387 million of loans classified as FVTPL and \$121 million of loans classified as FVOCI as at April 30, 2021, respectively (\$5,306 million and \$51 million, respectively, as at October 31, 2020).

(3) Excludes \$21,487 million of structured note liabilities (\$18,073 million as at October 31, 2020) and \$134 million of metals deposits (\$nil as at October 31, 2020) designated at FVTPL.

(4) Excludes \$635 million of securitization and structured entities' liabilities classified at FVTPL (\$nil as at October 31, 2020).

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

Fair Value Hierarchy

We use a fair value hierarchy to categorize financial instruments according to the inputs we use in valuation techniques to measure fair value.

Valuation Techniques and Significant Inputs

We determine the fair value of publicly traded fixed maturity debt and equity securities using quoted 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 or broker quotes and other third-party vendor quotes (Level 2). Fair value may also be determined using models where significant market inputs are not observable due to inactive markets or minimal market activity (Level 3). We maximize the use of observable market inputs to the extent possible.

Our Level 2 trading and FVOCI securities are primarily valued using discounted cash flow models with observable spreads or broker quotes and other 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.

The extent of our use of actively quoted market prices (Level 1), internal models using observable market information as inputs (Level 2) and models without observable market information as inputs (Level 3) in the valuation of securities, business and government loans classified as FVTPL and FVOCI, precious metals, fair value liabilities, derivative assets and derivative liabilities is presented in the following tables:

	April 30, 2021				October 31, 2020			
	Valued using quoted market prices	Valued using models (with observable inputs)	Valued using models (without observable inputs)	Total	Valued using quoted market prices	Valued using models (with observable inputs)	Valued using models (without observable inputs)	Total
Trading Securities								
Issued or guaranteed by:								
Canadian federal government	5,217	1,457	-	6,674	6,529	4,371	-	10,900
Canadian provincial and municipal governments	2,911	3,157	-	6,068	1,868	6,467	-	8,335
U.S. federal government	6,304	1,609	-	7,913	5,702	2,716	-	8,418
U.S. states, municipalities and agencies	-	213	-	213	16	487	-	503
Other governments	1,026	610	-	1,636	1,021	1,495	-	2,516
NHA MBS, U.S. agency MBS and CMO	13	11,840	702	12,555	7	11,487	803	12,297
Corporate debt	3,239	7,201	3	10,443	3,767	7,274	-	11,041
Trading loans	-	115	-	115	-	67	-	67
Corporate equity	44,949	-	-	44,949	43,757	-	-	43,757
	63,659	26,202	705	90,566	62,667	34,364	803	97,834
FVTPL Securities								
Issued or guaranteed by:								
Canadian federal government	695	85	-	780	452	149	-	601
Canadian provincial and municipal governments	152	1,134	-	1,286	180	1,249	-	1,429
U.S. federal government	-	48	-	48	-	44	-	44
Other governments	-	93	-	93	-	94	-	94
NHA MBS, U.S. agency MBS and CMO	-	11	-	11	-	3	-	3
Corporate debt	70	7,304	-	7,374	70	7,827	-	7,897
Corporate equity	1,679	12	2,048	3,739	1,587	10	1,903	3,500
	2,596	8,687	2,048	13,331	2,289	9,376	1,903	13,568
FVOCI Securities								
Issued or guaranteed by:								
Canadian federal government	15,443	888	-	16,331	20,765	1,685	-	22,450
Canadian provincial and municipal governments	1,565	1,121	-	2,686	2,604	2,143	-	4,747
U.S. federal government	15,195	1,176	-	16,371	14,852	2,842	-	17,694
U.S. states, municipalities and agencies	17	4,587	1	4,605	8	5,267	1	5,276
Other governments	2,735	3,230	-	5,965	3,643	3,738	-	7,381
NHA MBS, U.S. agency MBS and CMO	-	12,588	-	12,588	-	12,532	-	12,532
Corporate debt	592	1,934	-	2,526	792	2,442	-	3,234
Corporate equity	-	-	100	100	-	-	93	93
	35,547	25,524	101	61,172	42,664	30,649	94	73,407
Business and government loans	-	3,667	2,841	6,508	-	3,412	1,945	5,357
Precious Metals (1)	3,347	-	-	3,347	5,328	-	-	5,328
Fair Value Liabilities								
Securities sold but not yet purchased	26,509	6,031	-	32,540	19,740	9,636	-	29,376
Structured note liabilities (2)	-	21,487	-	21,487	-	18,073	-	18,073
Other liabilities (3)	-	1,813	-	1,813	-	1,168	-	1,168
	26,509	29,331	-	55,840	19,740	28,877	-	48,617
Derivative Assets								
Interest rate contracts	12	10,177	-	10,189	13	14,916	-	14,929
Foreign exchange contracts	2	19,511	-	19,513	1	10,825	-	10,826
Commodity contracts	312	3,400	-	3,712	123	2,465	-	2,588
Equity contracts	767	3,814	-	4,581	750	7,711	-	8,461
Credit default swaps	-	3	-	3	-	11	-	11
	1,093	36,905	-	37,998	887	35,928	-	36,815
Derivative Liabilities								
Interest rate contracts	4	7,539	-	7,543	22	10,871	-	10,893
Foreign exchange contracts	4	16,530	-	16,534	3	10,609	-	10,612
Commodity contracts	411	738	-	1,149	350	1,983	-	2,333
Equity contracts	458	7,522	-	7,980	456	6,067	-	6,523
Credit default swaps	-	8	4	12	-	10	4	14
	877	32,337	4	33,218	831	29,540	4	30,375

(1) These precious metals are included in other assets, other, in our Consolidated Balance Sheet.

(2) These structured note liabilities included in deposits have been designated at FVTPL.

(3) Other liabilities includes investment contract liabilities in our insurance business and metals deposits that have been designated at FVTPL as well as certain securitization and structured entities' liabilities measured at FVTPL.

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

Quantitative Information about Level 3 Fair Value Measurements

The table below presents the fair values of our significant Level 3 financial instruments that are measured at fair value on a recurring basis, the valuation techniques used to determine their fair values and the value ranges of significant unobservable inputs used in the valuations. We have not applied any other reasonably possible alternative assumptions to the significant Level 3 categories of private equity investments, as the net asset values are provided by the investment or fund managers.

As at April 30, 2021 (Canadian \$ in millions, except as noted)	Reporting line in fair value hierarchy table	Fair value of assets	Valuation techniques	Significant unobservable inputs	Range of input values (1)	
					Low	High
Private equity (2)	Corporate equity	2,048	Net Asset Value EV/EBITDA	Net Asset Value Multiple	na 6	na 24
Loans (3)	Business and government loans	2,841	Discounted cash flows	Discount margin	49bps	215bps
NHA MBS and U.S. agency MBS and CMO	NHA MBS and U.S. agency MBS and CMO	702	Discounted cash flows Market Comparable	Prepayment rate Comparability Adjustment (4)	5% (5.54)	40% 4.46

(1) The low and high input values represent the highest and lowest actual level of 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 each 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.

(2) Included in private equity is \$449 million of Federal Reserve Bank and U.S. Federal Home Loan Bank shares that we carry at cost as at April 30, 2021 (\$487 million as at October 31, 2020), which approximates fair value, and are held to meet regulatory requirements.

(3) The impact of assuming a 10 basis point increase or decrease in discount margin for business and government loans is \$5 million as at April 30, 2021 (\$3 million as at October 31, 2020).

(4) Range of input values represents price per security adjustment.

na - not applicable

Significant Transfers

Our policy is to record transfers of assets and liabilities between fair value hierarchy levels at their fair values as at the end of each reporting period, consistent with the date of the determination of fair value. Transfers between the various fair value hierarchy levels reflect changes in the availability of quoted market prices or observable market inputs that result from changes in market conditions. Transfers from Level 1 to Level 2 were due to reduced observability of the inputs used to value the securities. Transfers from Level 2 to Level 1 were due to increased availability of quoted prices in active markets.

The following table presents significant transfers between Level 1 and Level 2 for the three and six months ended April 30, 2021 and April 30, 2020.

(Canadian \$ in millions)				
For the three months ended	April 30, 2021		April 30, 2020	
	Level 1 to Level 2	Level 2 to Level 1	Level 1 to Level 2	Level 2 to Level 1
Trading Securities	691	2,834	2,942	603
FVTPL Securities	152	267	170	-
FVOCI Securities	1,182	6,864	4,005	1,989
Securities sold but not yet purchased	587	473	1,017	844

(Canadian \$ in millions)				
For the six months ended	April 30, 2021		April 30, 2020	
	Level 1 to Level 2	Level 2 to Level 1	Level 1 to Level 2	Level 2 to Level 1
Trading Securities	3,428	9,536	4,767	1,270
FVTPL Securities	208	401	499	61
FVOCI Securities	5,840	8,973	7,264	2,718
Securities sold but not yet purchased	1,001	5,257	3,751	914

Changes in Level 3 Fair Value Measurements

The tables below present a reconciliation of all changes in Level 3 financial instruments for the three and six months ended April 30, 2021 and April 30, 2020, including realized and unrealized gains (losses) included in earnings and other comprehensive income as well as transfers into and out of Level 3. Transfers from Level 2 into Level 3 were due to an increase in unobservable market inputs used in pricing the securities. Transfers out of Level 3 into Level 2 were due to an increase in observable market inputs used in pricing the securities.

For the three months ended April 30, 2021 (Canadian \$ in millions)	Change in fair value								Fair Value as at April 30, 2021	Change in unrealized gains (losses) recorded in income for instruments still held (3)
	Balance January 31, 2021	Included in earnings	Included in other comprehensive income (1)	Issuances/ Purchases	Sales (2)	Maturities/ Settlement	Transfers into Level 3	Transfers out of Level 3		
Trading Securities										
NHA MBS and U.S. agency MBS and CMO	703	(19)	(30)	408	(330)	-	37	(67)	702	20
Corporate debt	-	-	-	3	-	-	-	-	3	-
Total trading securities	703	(19)	(30)	411	(330)	-	37	(67)	705	20
FVTPL Securities										
Corporate equity	1,957	38	(52)	165	(60)	-	-	-	2,048	66
Total FVTPL securities	1,957	38	(52)	165	(60)	-	-	-	2,048	66
FVOCI Securities										
Issued or guaranteed by:										
U.S. states, municipalities and agencies	1	-	-	-	-	-	-	-	1	na
Corporate equity	98	-	-	2	-	-	-	-	100	na
Total FVOCI securities	99	-	-	2	-	-	-	-	101	na
Business and government loans	3,202	-	(125)	211	-	(447)	-	-	2,841	-
Derivative Liabilities										
Credit default swaps	4	-	-	-	-	-	-	-	4	-
Total derivative liabilities	4	-	-	-	-	-	-	-	4	-

For the six months ended April 30, 2021 (Canadian \$ in millions)	Change in fair value								Fair Value as at April 30, 2021	Change in unrealized gains (losses) recorded in income for instruments still held (3)
	Balance October 31, 2020	Included in earnings	Included in other comprehensive income (1)	Issuances/ Purchases	Sales (2)	Maturities/ Settlement	Transfers into Level 3	Transfers out of Level 3		
Trading Securities										
NHA MBS and U.S. agency MBS and CMO	803	(94)	(61)	765	(683)	-	71	(99)	702	19
Corporate debt	-	-	-	3	-	-	-	-	3	-
Total trading securities	803	(94)	(61)	768	(683)	-	71	(99)	705	19
FVTPL Securities										
Corporate equity	1,903	59	(101)	278	(87)	(4)	-	-	2,048	113
Total FVTPL	1,903	59	(101)	278	(87)	(4)	-	-	2,048	113
FVOCI Securities										
Issued or guaranteed by:										
U.S. states, municipalities and agencies	1	-	-	-	-	-	-	-	1	na
Corporate equity	93	-	-	7	-	-	-	-	100	na
Total FVOCI securities	94	-	-	7	-	-	-	-	101	na
Business and government loans	1,945	-	(195)	1,699	-	(608)	-	-	2,841	-
Derivative Liabilities										
Credit default swaps	4	-	-	-	-	-	-	-	4	-
Total derivative liabilities	4	-	-	-	-	-	-	-	4	-

(1) Foreign exchange translation on trading securities held by foreign subsidiaries is included in other comprehensive income, net foreign operations.

(2) Includes proceeds received on securities sold but not yet purchased.

(3) Changes in unrealized gains (losses) on Trading and FVTPL securities still held on April 30, 2021 are included in earnings for the period.

Unrealized gains (losses) recognized on Level 3 financial instruments may be offset by (losses) gains on economic hedge contracts.

na - Not applicable

For the three months ended April 30, 2020 (Canadian \$ in millions)	Change in fair value								Fair Value as as at April 30, 2020	Change in unrealized gains (losses) recorded in income for instruments still held (3)
	Balance January 31, 2020	Included in earnings	Included in other comprehensive income (1)	Issuances/ Purchases	Sales (2)	Maturities/ Settlement	Transfers into Level 3	Transfers out of Level 3		
Trading Securities										
NHA MBS and U.S. agency MBS and CMO	540	(76)	28	176	(224)	-	87	(44)	487	(47)
Corporate debt	5	-	-	45	(5)	-	3	-	48	(1)
Total trading securities	545	(76)	28	221	(229)	-	90	(44)	535	(48)
FVTPL Securities										
Corporate equity	1,911	(8)	72	108	(21)	-	-	-	2,062	(9)
Total FVTPL	1,911	(8)	72	108	(21)	-	-	-	2,062	(9)
FVOCI Securities										
Issued or guaranteed by:										
U.S. states, municipalities and agencies	1	-	-	-	-	-	-	-	1	na
Corporate equity	81	-	-	2	-	-	-	-	83	na
Total FVOCI securities	82	-	-	2	-	-	-	-	84	na
Business and government loans	1,561	(3)	79	860	-	(469)	-	-	2,028	-
Derivative Liabilities										
Credit default swaps	1	-	-	-	-	-	3	-	4	-
Total derivative liabilities	1	-	-	-	-	-	3	-	4	-

For the six months ended April 30, 2020 (Canadian \$ in millions)	Change in fair value								Fair Value as as at April 30, 2020	Change in unrealized gains (losses) recorded in income for instruments still held (3)
	Balance October 31, 2019	Included in earnings	Included in other comprehensive income (1)	Issuances/ Purchases	Sales (2)	Maturities/ Settlement	Transfers into Level 3	Transfers out of Level 3		
Trading Securities										
NHA MBS and U.S. agency MBS and CMO	538	(130)	30	449	(389)	-	161	(172)	487	(84)
Corporate debt	7	-	-	50	(12)	-	3	-	48	(1)
Total trading securities	545	(130)	30	499	(401)	-	164	(172)	535	(85)
FVTPL Securities										
Corporate equity	1,984	(4)	80	186	(185)	-	1	-	2,062	5
Total FVTPL	1,984	(4)	80	186	(185)	-	1	-	2,062	5
FVOCI Securities										
Issued or guaranteed by:										
U.S. states, municipalities and agencies	1	-	-	-	-	-	-	-	1	na
Corporate equity	81	-	-	2	-	-	-	-	83	na
Total FVOCI securities	82	-	-	2	-	-	-	-	84	na
Business and government loans	1,736	(3)	88	940	-	(733)	-	-	2,028	-
Derivative Liabilities										
Credit default swaps	1	-	-	-	-	-	3	-	4	-
Total derivative liabilities	1	-	-	-	-	-	3	-	4	-

(1) Foreign exchange translation on trading securities held by foreign subsidiaries is included in other comprehensive income, net foreign operations.

(2) Includes proceeds received on securities sold but not yet purchased.

(3) Changes in unrealized gains (losses) on Trading and FVTPL securities still held on April 30, 2020 are included in earnings for the period.

Unrealized gains (losses) recognized on Level 3 financial instruments may be offset by (losses) gains on economic hedge contracts.

na – Not applicable

Note 7: Capital Management

Our objective is to maintain a strong capital position in a cost-effective structure that: is appropriate given our target regulatory capital ratios and internal assessment of required economic capital; underpins our operating groups' business strategies; supports depositor, investor and regulator confidence, while building long-term shareholder value; and is consistent with our target credit ratings.

As at April 30, 2021, we met OSFI's target capital ratio requirements, which include a 2.5% Capital Conservation Buffer, a 1.0% Common Equity Surcharge for Domestic Systemically Important Banks (D-SIBs), a Countercyclical Buffer and a 1.0% Domestic Stability Buffer applicable to D-SIBs. Our capital position as at April 30, 2021 is further detailed in the Capital Management section of our interim Management's Discussion and Analysis.

Regulatory Capital Measures, Risk-Weighted Assets and Leverage Exposures

(Canadian \$ in millions, except as noted)	April 30, 2021	October 31, 2020
Common Equity Tier 1 (CET1) Capital	41,415	40,077
Tier 1 Capital	47,180	45,840
Total Capital	53,483	54,661
Risk-Weighted Assets	319,802	336,607
Leverage Exposures	926,323	953,640
CET 1 Capital Ratio	13.0%	11.9%
Tier 1 Capital Ratio	14.8%	13.6%
Total Capital Ratio	16.7%	16.2%
Leverage Ratio	5.1%	4.8%

Note 8: Employee Compensation

Stock Options

We did not grant any stock options during the three months ended April 30, 2021 and 2020. During the six months ended April 30, 2021, we granted a total of 984,943 stock options (976,087 stock options during the six months ended April 30, 2020). The weighted-average fair value of options granted during the six months ended April 30, 2021 was \$10.75 per option (\$9.46 per option for the six months ended April 30, 2020).

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, 2021	April 30, 2020
Expected dividend yield	4.9%	4.3%
Expected share price volatility	20.6% - 20.7%	15.4%
Risk-free rate of return	1.0%	1.9% - 2.0%
Expected period until exercise (in years)	6.5 - 7.0	6.5 - 7.0
Exercise price (\$)	97.14	101.47

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, 2021	April 30, 2020	April 30, 2021	April 30, 2020
Current service cost	67	63	2	3
Net interest expense on net defined benefit (asset) liability	2	-	7	8
Administrative expenses	1	1	-	-
Benefits expense	70	64	9	11
Canada and Quebec pension plan expense	29	29	-	-
Defined contribution expense	34	37	-	-
Total pension and other employee future benefit expenses recognized in the Consolidated Statement of Income	133	130	9	11

(Canadian \$ in millions)	Pension benefit plans		Other employee future benefit plans	
For the six months ended	April 30, 2021	April 30, 2020	April 30, 2021	April 30, 2020
Current service cost	134	125	4	6
Net interest expense on net defined benefit (asset) liability	4	-	15	16
Administrative expenses	2	2	-	-
Benefits expense	140	127	19	22
Canada and Quebec pension plan expense	52	53	-	-
Defined contribution expense	93	98	-	-
Total pension and other employee future benefit expenses recognized in the Consolidated Statement of Income	285	278	19	22

Note 9: Earnings Per Share

Basic earnings per share is calculated by dividing net income, after deducting dividends on preferred shares and distributions payable on other equity instruments, by the daily average number of fully paid common shares outstanding throughout the period.

Diluted earnings per share is calculated in the same manner, with further adjustments made to reflect the dilutive impact of instruments convertible into our common shares.

The following tables present our basic and diluted earnings per share:

Basic Earnings Per Common Share

(Canadian \$ in millions, except as noted)	For the three months ended		For the six months ended	
	April 30, 2021	April 30, 2020	April 30, 2021	April 30, 2020
Net income	1,303	689	3,320	2,281
Dividends on preferred shares and distributions payable on other equity instruments	(68)	(52)	(124)	(122)
Net income available to common shareholders	1,235	637	3,196	2,159
Weighted-average number of common shares outstanding (in thousands)	646,734	639,629	646,620	639,537
Basic earnings per common share (Canadian \$)	1.91	1.00	4.94	3.38

Diluted Earnings Per Common Share

Net income available to common shareholders adjusted for impact of dilutive instruments	1,235	637	3,196	2,159
Weighted-average number of common shares outstanding (in thousands)	646,734	639,629	646,620	639,537
Effect of dilutive instruments				
Stock options potentially exercisable (1)	6,725	3,433	5,014	3,503
Common shares potentially repurchased	(5,407)	(2,844)	(3,935)	(2,550)
Weighted-average number of diluted common shares outstanding (in thousands)	648,052	640,218	647,699	640,490
Diluted earnings per common share (Canadian \$)	1.91	1.00	4.93	3.37

(1) In computing diluted earnings per share we excluded average stock options outstanding of nil and 1,761,196 with a weighted-average exercise price of \$nil and \$104.67, respectively, for the three and six months ended April 30, 2021 (3,235,957 and 3,074,700 with a weighted-average exercise price of \$99.98 and \$99.81, respectively, for the three and six months ended April 30, 2020) as the average share price for the period did not exceed the exercise price.

Note 10: Income Taxes

Canadian Taxing Authorities have reassessed or proposed to reassess us for additional income tax and interest in an amount of approximately \$1,210 million, to date, in respect of certain 2011-2016 Canadian corporate dividends. Those reassessments or proposed reassessments denied certain dividend deductions on the basis that the dividends were received as part of a "dividend rental arrangement". The tax rules raised by the Canadian Taxing Authorities were prospectively addressed in the 2015 and 2018 Canadian Federal Budgets. In the future, we expect to be reassessed for significant income tax for similar activities. We remain of the view that our tax filing positions were appropriate and intend to challenge all reassessments. However, if such challenges are unsuccessful, the additional expense would negatively impact our net income.

Note 11: Operating Segmentation

Operating Groups

We conduct our business through three operating groups, each of which has a distinct mandate. Our operating groups are Personal and Commercial Banking (P&C) (comprised of Canadian Personal and Commercial Banking (Canadian P&C) and U.S. Personal and Commercial Banking (U.S. P&C)), BMO Wealth Management (BMO WM) and BMO Capital Markets (BMO CM), along with a Corporate Services unit.

For additional information refer to Note 25 of our annual consolidated financial statements for the year ended October 31, 2020.

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

(Canadian \$ in millions)

For the three months ended April 30, 2021	Canadian P&C	U.S. P&C	BMO WM	BMO CM	Corporate Services (1)	Total
Net interest income (2)	1,581	1,055	237	743	(161)	3,455
Non-interest revenue	561	312	878	795	75	2,621
Total Revenue	2,142	1,367	1,115	1,538	(86)	6,076
Provision for (recovery of) credit losses on impaired loans	154	6	1	(6)	-	155
Provision for (recovery of) credit losses on performing loans	(13)	(29)	(4)	(49)	-	(95)
Total provision for (recovery of) credit losses	141	(23)	(3)	(55)	-	60
Insurance claims, commissions and changes in policy benefit liabilities	-	-	(283)	-	-	(283)
Depreciation and amortization	131	119	74	68	-	392
Other non-interest expense	841	561	867	768	980	4,017
Income (loss) before taxes	1,029	710	460	757	(1,066)	1,890
Provision for (recovery of) income taxes	265	168	114	194	(154)	587
Reported net income (loss)	764	542	346	563	(912)	1,303
Average Assets	258,876	129,877	47,693	360,123	173,575	970,144

For the three months ended April 30, 2020	Canadian P&C	U.S. P&C	BMO WM	BMO CM	Corporate Services (1)	Total
Net interest income (2)	1,495	1,129	212	855	(173)	3,518
Non-interest revenue	465	315	678	196	92	1,746
Total Revenue	1,960	1,444	890	1,051	(81)	5,264
Provision for credit losses on impaired loans	212	124	3	73	1	413
Provision for credit losses on performing loans	285	75	3	335	7	705
Total provision for credit losses	497	199	6	408	8	1,118
Insurance claims, commissions and changes in policy benefit liabilities	-	-	(197)	-	-	(197)
Depreciation and amortization	132	146	73	56	-	407
Other non-interest expense	844	671	815	702	77	3,109
Income (loss) before taxes	487	428	193	(115)	(166)	827
Provision for (recovery of) income taxes	125	89	49	(41)	(84)	138
Reported net income (loss)	362	339	144	(74)	(82)	689
Average Assets	252,984	144,449	45,175	380,856	122,971	946,435

(Canadian \$ in millions)

For the six months ended April 30, 2021	Canadian P&C	U.S. P&C	BMO WM	BMO CM	Corporate Services (1)	Total
Net interest income (2)	3,189	2,146	476	1,546	(324)	7,033
Non-interest revenue	1,052	631	2,616	1,566	153	6,018
Total Revenue	4,241	2,777	3,092	3,112	(171)	13,051
Provision for (recovery of) credit losses on impaired loans	303	26	3	39	(1)	370
Provision for (recovery of) credit losses on performing loans	(15)	(80)	(8)	(51)	-	(154)
Total provision for (recovery of) credit losses	288	(54)	(5)	(12)	(1)	216
Insurance claims, commissions and changes in policy benefit liabilities	-	-	318	-	-	318
Depreciation and amortization	259	246	147	133	-	785
Non-interest expense	1,667	1,119	1,700	1,582	1,169	7,237
Income (loss) before taxes	2,027	1,466	932	1,409	(1,339)	4,495
Provision for (recovery of) income taxes	526	342	228	363	(284)	1,175
Reported net income (loss)	1,501	1,124	704	1,046	(1,055)	3,320
Average Assets	256,851	130,187	47,613	372,645	168,319	975,615

For the six months ended April 30, 2020	Canadian P&C	U.S. P&C	BMO WM	BMO CM	Corporate Services (1)	Total
Net interest income (2)	3,052	2,180	443	1,551	(320)	6,906
Non-interest revenue	990	620	2,472	869	154	5,105
Total Revenue	4,042	2,800	2,915	2,420	(166)	12,011
Provision for credit losses on impaired loans	350	256	3	126	2	737
Provision for credit losses on performing loans	299	92	6	332	1	730
Total provision for credit losses	649	348	9	458	3	1,467
Insurance claims, commissions and changes in policy benefit liabilities	-	-	519	-	-	519
Depreciation and amortization	259	290	147	115	-	811
Non-interest expense	1,704	1,288	1,653	1,495	234	6,374
Income (loss) before taxes	1,430	874	587	352	(403)	2,840
Provision for (recovery of) income taxes	369	184	152	70	(216)	559
Reported net income (loss)	1,061	690	435	282	(187)	2,281
Average Assets	250,969	138,479	44,692	365,931	114,090	914,161

(1) Corporate Services includes Technology and Operations.

(2) Operating groups report on a taxable equivalent basis (teb). Revenue and the provision for income taxes are increased on tax-exempt securities to an equivalent before-tax basis to facilitate comparisons of income between taxable and tax-exempt sources. The offset to the groups' teb adjustments is reflected in Corporate Services revenue and provision for income taxes.

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

Note 12: Divestitures

On April 30, 2021, we completed the sale of our Private Banking business in Hong Kong and Singapore, part of our BMO WM operating segment, to J. Safra Sarasin Group. The business sold is not considered material to the bank.

On April 12, 2021, we entered into an agreement with Ameriprise Financial Inc. (Ameriprise) to sell BMO's EMEA asset management business, part of our BMO WM operating segment, for £615 million (CAD\$1,043 million) in an all-cash transaction. Separately, in the U.S. the transaction includes the opportunity for certain BMO asset management clients to move to Ameriprise, subject to client consent. This transaction is expected to close in the fourth quarter of calendar 2021, subject to regulatory approvals and customary closing conditions. As this transaction met the accounting requirements of assets held-for-sale, we recognized a write-down of goodwill related to these businesses of \$747 million in Q2 2021, which was included in non-interest expense, other, in our Consolidated Statement of Income and was reported in the Corporate Services segment. This is subject to closing adjustments, including fair values and foreign exchange rates prevailing at the date of closing.

INVESTOR AND MEDIA PRESENTATION

Investor Presentation Materials

Interested parties are invited to visit BMO's website at www.bmo.com/investorrelations to review the 2020 Annual MD&A and audited annual consolidated financial statements, quarterly presentation materials and supplementary financial and regulatory information package.

Quarterly Conference Call and Webcast Presentations

Interested parties are also invited to listen to our quarterly conference call on Wednesday, May 26, 2021, at 8 a.m. (ET). The call may be accessed by telephone at 416-406-0743 (from within Toronto) or 1-800-898-3989 (toll-free outside Toronto), entering Passcode: 1365804#. A replay of the conference call can be accessed until Saturday, June 26, 2021, by calling 905-694-9451 (from within Toronto) or 1-800-408-3053 (toll-free outside Toronto) and entering Passcode: 9195676#.

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 website.

Media Relations Contacts

Paul Gammal, Toronto, paul.gammal@bmo.com, 416-867-6543

Investor Relations Contacts

Christine Viau, Head, Investor Relations, christine.viau@bmo.com, 416-867-6956

Bill Anderson, Director, Investor Relations, bill2.anderson@bmo.com, 416-867-7834

Shareholder Dividend Reinvestment and Share Purchase Plan (the Plan)

Average market price as defined under the Plan

February 2021: \$104.71

March 2021: \$112.46

April 2021: \$117.16

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

Computershare Trust Company of Canada

100 University Avenue, 8th 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, 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 document, please contact

Bank of Montreal

Investor Relations Department

P.O. Box 1, One First Canadian Place, 10th Floor

Toronto, Ontario M5X 1A1

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

BMO's 2020 Annual MD&A, audited consolidated financial statements, annual information form and annual report on Form 40-F (filed with the U.S. Securities and Exchange Commission) are available online at www.bmo.com/investorrelations and at www.sedar.com. Printed copies of the bank's complete 2020 audited consolidated financial statements are available free of charge upon request at 416-867-6785 or corp.secretary@bmo.com.

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