BMO Financial Group

BMO Financial Group Reports First Quarter 2020 Results

REPORT TO SHAREHOLDERS

Financial Results Highlights

First Quarter 2020 Compared With First Quarter 2019:

- Net income of $1,592 million and adjusted net income[1] of $1,617 million, both up 5%
- Reported EPS[2] of $2.37 and adjusted EPS[1] of $2.41, both up 4%
- Revenue, net of CCPB[3], of $6,031 million, up 8%
- Provision for credit losses (PCL) of $349 million; includes PCL on performing loans of $25 million
- ROE of 13.3%, compared with 13.6%; adjusted ROE[1] of 13.5%, compared with 13.9%
- Common Equity Tier 1 Ratio of 11.4%

Toronto, February 25, 2020 – For the first quarter ended January 31, 2020, BMO Financial Group recorded net income of $1,592 million or $2.37 per share on a reported basis, and net income of $1,617 million or $2.41 per share on an adjusted basis.

"We had a strong quarter, delivering adjusted earnings per share of $2.41, with 8% year-over-year revenue growth, 16% pre-provision, pre-tax earnings growth and 5% net income growth. All our businesses performed well, each delivering operating leverage over 2% with total bank operating leverage of 4.6% driving a 270 basis point improvement in efficiency. Canadian P&C had another good quarter, with net income growth of 8% and continued robust loan and deposit growth in both personal and commercial. Capital Markets had a strong quarter in all businesses, demonstrating its earnings potential, with an increased contribution from our U.S. segment resulting in 38% total net income growth. Wealth Management and U.S. P&C also performed well, delivering positive operating leverage with both revenue growth and disciplined expense management. Overall portfolio credit quality remains stable, even as credit provisions this quarter were elevated, largely as a result of activity in two specific sectors," said Darryl White, Chief Executive Officer, BMO Financial Group.

"We have significant momentum, with businesses increasing market share. Our segments are winning on the strength of our customer value proposition and our ability to compete effectively. Our commitment to growing our business, improving efficiency and building a stronger BMO for our customers, employees and communities will continue to drive our focus on delivering consistently strong relative performance and long-term shareholder value," concluded Mr. White.

Return on equity (ROE) was 13.3%, compared with 13.6% in the prior year, and adjusted ROE was 13.5%, compared with 13.9% in the prior year. Return on tangible common equity (ROTCE) was 15.7%, compared with 16.5% in the prior year, and adjusted ROTCE was 15.8%, compared with 16.6% in the prior year.

Concurrent with the release of results, BMO announced a second quarter 2020 dividend of $1.06 per common share, unchanged from the prior quarter and up $0.06 per share or 6% from the prior year. The quarterly dividend of $1.06 per common share is equivalent to an annual dividend of $4.24 per common share.

Our complete First Quarter 2020 Report to Shareholders, including our unaudited interim consolidated financial statements for the period ended January 31, 2020, is available online at www.bmo.com/investorrelations and at www.sedar.com.

(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.

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

First Quarter Operating Segment Overview

Canadian P&C

Reported net income was $700 million, an increase of $52 million or 8% and adjusted net income was $700 million, an increase of $51 million or 8% from the prior year. Adjusted net income excludes the amortization of acquisition-related intangible assets. Strong revenue growth was partially offset by higher provisions for credit losses and higher expenses.

During the quarter, we extended our partnership with Canadian Forces Morale and Welfare Services, as we continue to be the official bank and exclusive provider of unique banking services and financial products to members of the Canadian Defence Community, supporting current and former troops, Department of National Defence personnel, RCMP and Canadian Coast Guard members and their families, to help make their financial goals a reality. We also introduced a new personal financial management solution, BMO Insights, to help customers gain better control of their financial lives. The solution leverages artificial intelligence to deliver personalized, automated and actionable insights for everyday banking customers to help them manage their day-to-day finances and cash flow.

U.S. P&C

Reported net income was $351 million, compared with $444 million in the prior year, and adjusted net income was $361 million, compared with $454 million in the prior year. Adjusted net income excludes the amortization of acquisition-related intangible assets.

Reported net income was US$267 million, compared with US$332 million, and adjusted net income was US$275 million, compared with US$340 million in the prior year, due to higher provisions for credit losses, in part due to a recovery in the prior year, partially offset by higher revenue.

During the quarter, BMO opened a new commercial banking office in Los Angeles, California, providing businesses in Southern California with access to BMO's full array of industry expertise, financial solutions and capabilities, complemented by local market knowledge.

BMO Wealth Management

Reported net income was $291 million, an increase of $53 million or 22%, and adjusted net income was $300 million, an increase of $52 million or 21% from the prior year. Adjusted net income excludes the amortization of acquisition-related intangible assets. Traditional Wealth reported net income was $209 million, an increase of $36 million or 21%, and adjusted net income was $218 million, an increase of $35 million or 19%, primarily driven by higher revenue from a higher level of client assets and lower expenses. Insurance reported and adjusted net income was $82 million, an increase of $17 million or 26%, primarily due to a benefit from market movements in the current quarter, relative to the unfavourable impact of market movements in the prior year, partially offset by lower underlying business results.

In support of responsible investing and customers' increasing preference to align financial and social goals, BMO Asset Management launched a suite of indexed Environmental, Social and Governance (ESG) ETFs. BMO was also recognized by *Investment Week*'s Sustainable and ESG Investment Awards 2019, winning Best ESG Research Team for the second consecutive year and Best ESG Investment Fund for our BMO Responsible Global Equity Fund.

BMO Capital Markets

Reported net income was $356 million, an increase of $100 million or 39%, and adjusted net income was $362 million, an increase of $99 million or 38% from the prior year. Adjusted net income excludes the amortization of acquisition-related intangible assets and acquisition integration costs. Strong revenue growth in both Global Markets and Investment and Corporate Banking was partially offset by higher expenses and higher oil and gas provisions.

On January 21, 2020, we entered into an agreement to acquire Clearpool Group Inc. (Clearpool), a New York-based provider of electronic trading solutions, operating in the United States and Canada. This acquisition delivers powerful new capabilities to BMO's electronic trading platform and demonstrates our commitment to providing leading edge trading technology to our global client base. The transaction is subject to regulatory approvals and other customary closing conditions, and is expected to close in the calendar second quarter of 2020.

Corporate Services

Reported and adjusted net loss was $106 million, compared with a reported and adjusted net loss of $76 million in the prior year. Results decreased, primarily due to lower treasury related revenue, in part due to a stronger prior year level, and higher expenses.

Adjusted results in this First Quarter Operating Segment Overview section are non-GAAP amounts or non-GAAP measures. Please refer to the Non-GAAP Measures section.

Capital

BMO's Common Equity Tier 1 (CET1) Ratio was 11.4% as at January 31, 2020. The CET1 Ratio was unchanged from the prior quarter, as retained earnings growth was offset by impacts from business growth, regulatory changes, and the adoption of IFRS 16, *Leases*.

Provision for Credit Losses

Total provision for credit losses was $349 million, an increase of $212 million from the prior year. The provision for credit losses ratio was 31 basis points, compared with a below trend level of 13 basis points in the prior year. The provision for credit losses on impaired loans of $324 million increased $197 million from $127 million in the prior year, primarily due to higher provisions in our P&C businesses and BMO Capital Markets. The prior year's provision for credit losses included the benefit of a recovery on U.S. consumer loans. The provision for credit losses on impaired loans ratio was 29 basis points, compared with 12 basis points in the prior year. There was a $25 million provision for credit losses on performing loans in the current quarter, compared with a $10 million provision for credit losses on performing loans in the prior year. The $25 million provision for credit losses on performing loans in the current quarter was due to credit migration and portfolio growth.

Caution

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

Regulatory Filings

Our continuous disclosure materials, including our 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.

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 February 25, 2020. 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 January 31, 2020, included in this document, as well as the audited consolidated financial statements for the year ended October 31, 2019, and the MD&A for fiscal 2019, contained in our 2019 Annual Report.

BMO's 2019 Annual Report includes a comprehensive discussion of our businesses, strategies and objectives, and can be accessed on our website at www.bmo.com/investorrelations. Readers are also encouraged to visit the site to view other quarterly financial information.

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Bank of Montreal's management, under the supervision of the Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness, as at January 31, 2020, 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 January 31, 2020, 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 2020 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, 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. 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: general economic and market conditions in the countries in which we operate; the Canadian housing market and consumer leverage; weak, volatile or illiquid capital and/or credit markets; interest rate and currency value fluctuations; changes in monetary, fiscal, or economic policy and tax legislation and interpretation; 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 and integrate acquisitions, including obtaining regulatory approvals; critical accounting estimates and the effect of changes to accounting standards, rules and interpretations on these estimates; operational and infrastructure risks, including with respect to reliance on third parties; changes to our credit ratings; political conditions, including changes relating to or affecting economic or trade matters; global capital markets activities; the possible effects on our business of war or terrorist activities; outbreaks of disease or illness that affect local, national or international economies; natural disasters and disruptions to public infrastructure, such as transportation, communications, power or water supply; technological changes; 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; 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, business, strategic, environmental and social, and reputation risk, in the Enterprise-Wide Risk Management section that begins on page 68 of BMO's 2019 Annual Report, and the Risk Management section on page 25 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 2019 Annual Report and updated in the Economic Review and Outlook 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 following Economic Review and Outlook section.

Economic Review and Outlook

After slowing to an estimated rate of 1.6% in 2019 amid weaker global demand and uncertain trade policies, Canada's economic growth is expected to improve slightly to 1.7% in 2020, in response to federal tax cuts, an easing in trade policy tensions and a relaxation of restrictions on Alberta's oil production. Business investment is anticipated to strengthen, due to an initial trade deal between the United States and China and the ratification of the United States-Mexico-Canada Agreement. After rebounding last year, the housing market should remain well supported by low mortgage rates and the fastest increase in the population in three decades. However, despite a healthy labour market, consumer spending will be restrained by high debt-service payments. A slow-growing global economy, partially in response to the impact of the coronavirus on the tourism industry and China's economy, will continue to restrain exports. A likely moderation in Canadian job growth should keep the unemployment rate steady near recent 45-year lows. The Bank of Canada has kept policy rates unchanged at 1.75% since late 2018, and it is expected to pursue a steady policy course this year with inflation remaining near the 2% target. However, should the economy weaken further, the central bank would be inclined to reduce policy rates. The risk of easier monetary policy and an ongoing trade deficit will likely keep the Canadian dollar close to current low levels against the U.S. dollar. Growth in industry-wide consumer credit is anticipated to remain modest at 3.2% in 2020, while residential mortgage credit is projected to pick up to a 4.8% rate, the fastest in three years. Non-financial business credit is anticipated to grow at a healthy rate of 5.4% in 2020, supported by an increase in business spending.

The record-long U.S. economic expansion is projected to proceed at a more moderate pace of 1.8% in 2020, compared with a 2.3% rate in 2019. While this pace would mark the slowest growth in four years, the unemployment rate should remain close to half-century lows. Business investment is expected to improve in response to the Phase One trade deal between the United States and China. The deal marks an easing in trade tensions and generally commits China to more than double its purchases of U.S. exports in the next two years. However, tariffs will remain in place until a more comprehensive agreement can be reached. Home sales have turned higher in response to lower mortgage rates and steady job growth, while record-low resale listings will encourage construction. Though moderating, consumer spending should remain well supported by record-high household wealth and record-low debt-service costs. The economy is expected to weaken early in the year due to the suspended production of Boeing's 737 MAX aircraft, while the coronavirus could delay China's purchases of U.S. exports. After reducing policy rates three times in 2019, the Federal Reserve is expected to maintain a steady policy stance as a result of low inflation and a stable jobless rate. Industry-wide consumer credit is expected to grow around 3.2% in 2020, while residential mortgage demand should expand 4.2%. Non-financial business credit will likely increase 4.0%, supported by firmer investment spending.

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

Financial Highlights

(Canadian $ in millions, except as noted)	Q1-2020	Q4-2019	Q1-2019
Summary Income Statement			
Net interest income (1)	**3,388**	3,364	3,172
Non-interest revenue	**3,359**	2,723	3,345
Revenue	**6,747**	6,087	6,517
Insurance claims, commissions and changes in policy benefit liabilities (CCPB)	**716**	335	926
Revenue, net of CCPB	**6,031**	5,752	5,591
Provision for credit losses on impaired loans	**324**	231	127
Provision for credit losses on performing loans	**25**	22	10
Total provision for credit losses	**349**	253	137
Non-interest expense (1)	**3,669**	3,987	3,557
Provision for income taxes	**421**	318	387
Net income attributable to equity holders of the bank	**1,592**	1,194	1,510
Adjusted net income	**1,617**	1,607	1,538
Common Share Data ($, except as noted)			
Earnings per share	**2.37**	1.78	2.28
Adjusted earnings per share	**2.41**	2.43	2.32
Earnings per share growth (%)	**4.3**	(30.7)	59.5
Adjusted earnings per share growth (%)	**4.0**	4.8	9.5
Dividends declared per share	**1.06**	1.03	1.00
Book value per share	**73.21**	71.54	67.37
Closing share price	**100.93**	97.50	96.18
Number of common shares outstanding (in millions)			
End of period	**639.6**	639.2	638.4
Average diluted	**640.8**	640.4	640.4
Total market value of common shares ($ billions)	**64.6**	62.3	61.4
Dividend yield (%)	**4.2**	4.2	4.2
Dividend payout ratio (%)	**44.5**	57.6	43.8
Adjusted dividend payout ratio (%)	**43.8**	42.3	43.0
Financial Measures and Ratios (%)			
Return on equity	**13.3**	9.9	13.6
Adjusted return on equity	**13.5**	13.5	13.9
Return on tangible common equity	**15.7**	11.9	16.5
Adjusted return on tangible common equity	**15.8**	15.7	16.6
Net income growth	**5.4**	(29.6)	55.1
Adjusted net income growth	**5.1**	5.0	8.1
Revenue growth	**3.5**	3.3	15.6
Revenue growth, net of CCPB	**7.9**	4.5	6.0
Non-interest expense growth	**3.2**	24.9	4.6
Adjusted non-interest expense growth	**3.3**	1.2	4.5
Efficiency ratio, net of CCPB	**60.8**	69.3	63.6
Adjusted efficiency ratio, net of CCPB	**60.3**	60.0	63.0
Operating leverage, net of CCPB	**4.7**	(20.4)	1.4
Adjusted operating leverage, net of CCPB	**4.6**	3.8	1.5
Net interest margin on average earning assets	**1.68**	1.71	1.69
Effective tax rate	**20.9**	21.0	20.4
Adjusted effective tax rate	**21.0**	22.0	20.4
Total PCL-to-average net loans and acceptances (annualized)	**0.31**	0.23	0.13
PCL on impaired loans-to-average net loans and acceptances (annualized)	**0.29**	0.21	0.12
Balance Sheet (as at, $ millions, except as noted)			
Assets	**879,720**	852,195	806,597
Gross loans and acceptances	**457,098**	451,537	420,761
Net loans and acceptances	**455,075**	449,687	419,133
Deposits	**582,288**	568,143	532,199
Common shareholders' equity	**46,828**	45,728	43,009
Cash and securities-to-total assets ratio (%)	**30.0**	28.9	29.3
Capital Ratios (%)			
CET1 Ratio	**11.4**	11.4	11.4
Tier 1 Capital Ratio	**13.0**	13.0	12.7
Total Capital Ratio	**15.2**	15.2	15.1
Leverage Ratio	**4.3**	4.3	4.2
Foreign Exchange Rates ($)			
As at Canadian/U.S. dollar	**1.3235**	1.3165	1.3131
Average Canadian/U.S. dollar	**1.3161**	1.3240	1.3351

(1) 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. For the three months ended January 31, 2020, we recognized $89 million of depreciation on the right-of-use assets recorded in non-interest expense and $14 million of interest on the lease liability recorded in interest expense. Refer to the Changes in Accounting Policies section on page 24 for further details.

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. Results and measures that exclude the impact of Canadian/U.S. dollar exchange rate movements on our U.S. segment are non-GAAP measures. Please refer to the Foreign Exchange section on page 7 for a discussion of the effects of changes in exchange rates on our results. 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)	**Q1-2020**	Q4-2019	Q1-2019
Reported Results			
Revenue	**6,747**	6,087	6,517
Insurance claims, commissions and changes in policy benefit liabilities (CCPB)	**(716)**	(335)	(926)
Revenue, net of CCPB	**6,031**	5,752	5,591
Total provision for credit losses	**(349)**	(253)	(137)
Non-interest expense	**(3,669)**	(3,987)	(3,557)
Income before income taxes	**2,013**	1,512	1,897
Provision for income taxes	**(421)**	(318)	(387)
Net income	**1,592**	1,194	1,510
EPS ($)	**2.37**	1.78	2.28
Adjusting Items (Pre-tax) (1)			
Acquisition integration costs (2)	**(3)**	(2)	(6)
Amortization of acquisition-related intangible assets (3)	**(29)**	(38)	(31)
Restructuring costs (4)	**-**	(484)	-
Reinsurance adjustment (5)	**-**	(25)	-
Adjusting items included in reported pre-tax income	**(32)**	(549)	(37)
Adjusting Items (After tax) (1)			
Acquisition integration costs (2)	**(2)**	(2)	(4)
Amortization of acquisition-related intangible assets (3)	**(23)**	(29)	(24)
Restructuring costs (4)	**-**	(357)	-
Reinsurance adjustment (5)	**-**	(25)	-
Adjusting items included in reported net income after tax	**(25)**	(413)	(28)
Impact on EPS ($)	**(0.04)**	(0.65)	(0.04)
Adjusted Results			
Revenue	**6,747**	6,087	6,517
Insurance claims, commissions and changes in policy benefit liabilities (CCPB)	**(716)**	(310)	(926)
Revenue, net of CCPB	**6,031**	5,777	5,591
Total provision for credit losses	**(349)**	(253)	(137)
Non-interest expense	**(3,637)**	(3,463)	(3,520)
Income before income taxes	**2,045**	2,061	1,934
Provision for income taxes	**(428)**	(454)	(396)
Net income	**1,617**	1,607	1,538
EPS ($)	**2.41**	2.43	2.32

(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, and the reinsurance adjustment, which is included in CCPB, in BMO Wealth Management.

(2) KGS–Alpha and Clearpool acquisition integration costs are reported in BMO Capital Markets. Acquisition integration costs are recorded in non-interest expense.

(3) 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 on pages 14, 15, 16, 18 and 20.

(4) Q4-2019 reported net income included a restructuring charge of $357 million after-tax ($484 million pre-tax), related to severance and a small amount of real estate-related costs, to continue to improve our efficiency, including accelerating delivery against key bank-wide initiatives focused on digitization, organizational redesign and simplification of the way we do business. Restructuring costs are included in non-interest expense in Corporate Services.

(5) Q4-2019 reported net income included a reinsurance adjustment of $25 million (pre-tax and after-tax) in CCPB for 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 and measures in this table are non-GAAP amounts or non-GAAP measures.

Foreign Exchange

The Canadian dollar equivalents of BMO's U.S. results that are denominated in U.S. dollars decreased relative to both the first quarter of 2019 and the fourth quarter of 2019 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 our 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 revenues, expenses and provisions for (recoveries of) credit losses 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 59 of the 2019 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.

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

	Q1-2020	
(Canadian $ in millions, except as noted)	vs. Q1-2019	vs. Q4-2019
Canadian/U.S. dollar exchange rate (average)		
Current period	1.3161	1.3161
Prior period	1.3351	1.3240
Effects on U.S. segment reported results		
Increased (Decreased) net interest income	(18)	(8)
Increased (Decreased) non-interest revenue	(11)	(5)
Increased (Decreased) revenues	(29)	(13)
Decreased (Increased) provision for credit losses	-	1
Decreased (Increased) expenses	20	9
Decreased (Increased) income taxes	1	1
Increased (Decreased) reported net income	(8)	(2)
Impact on earnings per share ($)	(0.01)	-
Effects on U.S. segment adjusted results		
Increased (Decreased) net interest income	(18)	(8)
Increased (Decreased) non-interest revenue	(11)	(5)
Increased (Decreased) revenues	(29)	(13)
Decreased (Increased) provision for credit losses	-	1
Decreased (Increased) expenses	19	8
Decreased (Increased) income taxes	2	1
Increased (Decreased) adjusted net income	(8)	(3)
Impact on adjusted earnings per share ($)	(0.01)	-

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

Net Income

Q1 2020 vs. Q1 2019

Reported net income was $1,592 million, an increase of $82 million or 5% from the prior year, and adjusted net income was $1,617 million, an increase of $79 million or 5%. Adjusted net income excludes the amortization of acquisition-related intangible assets and acquisition integration costs in both periods. Reported EPS of $2.37 increased $0.09 or 4%, and adjusted EPS of $2.41 increased $0.09 or 4% from the prior year.

Results reflect strong net income performance in BMO Capital Markets, BMO Wealth Management and Canadian P&C, partially offset by a decrease in U.S. P&C and a higher net loss in Corporate Services.

Q1 2020 vs. Q4 2019

Reported net income increased $398 million or 33% from the prior quarter, and adjusted net income increased $10 million or 1%. Adjusted net income excludes a $357 million restructuring charge, primarily related to severance and a $25 million reinsurance adjustment, both in the prior period, as well as the amortization of acquisition-related intangible assets and acquisition integration costs in both periods. The current quarter includes stock-based compensation for employees eligible to retire that is expensed in the first quarter of each year. Reported EPS increased $0.59 or 33%, and adjusted EPS decreased $0.02 or 1% from the prior quarter.

Strong net income performance in BMO Capital Markets was largely offset by a decrease in our P&C businesses and a higher net loss in Corporate Services. BMO Wealth Management reported net income increased from the prior quarter, while adjusted net income was unchanged.

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

Revenue (1)

Q1 2020 vs. Q1 2019

Reported revenue was $6,747 million, an increase of $230 million or 4% from the prior year. On a basis that nets insurance claims, commissions and changes in policy benefit liabilities (CCPB) against insurance revenue (net revenue), revenue was $6,031 million, an increase of $440 million or 8%.

Results reflect strong revenue performance in BMO Capital Markets, Canadian P&C and BMO Wealth Management. U.S. P&C revenue increased 1%, or 3% on a U.S. dollar basis from the prior year, with Corporate Services revenue slightly lower.

Net interest income was $3,388 million, an increase of $216 million or 7%. On an excluding trading basis, net interest income was $3,031 million, an increase of $141 million or 5%, largely due to higher deposit and loan balances across all operating groups, partially offset by lower deposit margins.

Average earning assets were $804.5 billion, an increase of $60.3 billion or 8%, or 9% excluding the impact of the weaker U.S. dollar, due to loan growth, higher securities and higher cash resources. BMO's overall net interest margin decreased 1 basis point from the prior year, driven by lower deposit spreads in U.S. P&C, largely due to rate decreases by the Federal Reserve, partially offset by a higher margin in Canadian P&C. On an excluding trading basis, net interest margin decreased 9 basis points, largely due to a higher volume of assets in BMO Capital Markets and Corporate Services, which have a lower spread than the bank, and a lower margin in U.S. P&C, partially offset by a higher margin in Canadian P&C.

Non-interest revenue, net of CCPB, was $2,643 million, an increase of $224 million or 9%, or 10% excluding the impact of the weaker U.S. dollar, with increases in most non-interest revenue categories. On an excluding trading basis, net of CCPB, non-interest revenue was $2,502 million, an increase of $176 million or 8%.

Gross insurance revenue decreased $169 million from the prior year, primarily due to lower annuity sales in the current quarter, partially offset by a larger increase in the fair value of investments in the current quarter, compared with the prior year, resulting from decreases in long-term interest rates and the impact of stronger equity markets in the current quarter. These changes related to the fair value of investments and annuity sales are largely offset by changes in policy benefit liabilities, the impact of which is reflected in CCPB, as discussed on page 10. 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.

Q1 2020 vs. Q4 2019

Revenue increased $660 million or 11% from the prior quarter. Revenue, net of CCPB increased $279 million or 5%. Revenue, net of adjusted CCPB, which excludes the reinsurance adjustment in the prior period, increased $254 million or 4%, or 5% excluding the impact of the weaker U.S. dollar.

Results reflect strong revenue performance in BMO Capital Markets and BMO Wealth Management. Corporate Services and Canadian P&C increased slightly, while U.S. P&C recorded a slight decrease on a Canadian dollar basis, or a slight increase on a U.S. dollar basis.

Net interest income increased $24 million or 1% from the prior quarter. On an excluding trading basis, net interest income increased $52 million or 2% from the prior quarter, largely due to higher deposit volumes across all operating groups and higher loan volumes in the P&C businesses, partially offset by lower margins in the P&C businesses.

Average earning assets increased $26.1 billion or 3%, or 4% excluding the impact of the weaker U.S. dollar, primarily due to higher securities, higher cash resources and loan growth. BMO's overall net interest margin decreased 3 basis points, or 2 basis points on an excluding trading basis, primarily due to a higher volume of assets in Corporate Services and BMO Capital Markets, which have a lower spread than the bank.

Non-interest revenue, net of CCPB, increased $255 million or 11%. Non-interest revenue, net of adjusted CCPB, increased $230 million or 10%, primarily due to higher trading revenue, underwriting and advisory revenue and insurance revenue, net of CCPB. On an excluding trading basis, net of adjusted CCPB, non-interest revenue increased $68 million or 3%.

Gross insurance revenue increased $445 million from the prior quarter, primarily due to an increase in the fair value of investments in the current quarter, resulting from decreases in long-term interest rates, compared with relatively unchanged long-term interest rates in the prior quarter, higher annuity sales, and the impact of stronger equity markets in the current quarter. The increase in insurance revenue was largely offset by changes in CCPB, as discussed on page 10.

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 refer to the Non-GAAP Measures section.

(1) 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. For the three months ended January 31, 2020, we recognized $89 million of depreciation on the right-of-use assets recorded in non-interest expense and $14 million of interest on the lease liability recorded in interest expense. Refer to the Changes in Accounting Policies section on page 24 for further details.

Provision for Credit Losses

Q1 2020 vs. Q1 2019

Total provision for credit losses was $349 million, an increase of $212 million from the prior year. The provision for credit losses ratio was 31 basis points, compared with a below trend level of 13 basis points in the prior year. The provision for credit losses on impaired loans of $324 million increased $197 million from $127 million in the prior year, primarily due to higher provisions in our P&C businesses and BMO Capital Markets. The prior year's provision for credit losses included the benefit of a recovery on U.S. consumer loans. The provision for credit losses on impaired loans ratio was 29 basis points, compared with 12 basis points in the prior year. There was a $25 million provision for credit losses on performing loans in the current quarter, compared with a $10 million provision for credit losses on performing loans in the prior year. The $25 million provision for credit losses on performing loans in the current quarter was due to credit migration and portfolio growth. The year-over-year increase in the provision for credit losses on performing loans was primarily due to the difference in credit migration between periods, with credit migration increasing the allowance in the current quarter, compared with improved credit performance in the prior year, partially offset by relative changes in economic outlook.

Q1 2020 vs. Q4 2019

Total provision for credit losses increased $96 million from the prior quarter. The provision for credit losses ratio was 31 basis points, compared with 23 basis points in the prior quarter. The provision for credit losses on impaired loans increased $93 million, primarily due to higher provisions in our U.S. Commercial business and BMO Capital Markets. The provision for credit losses on impaired loans ratio was 29 basis points, compared with 21 basis points in the prior quarter. There was a $25 million provision for credit losses on performing loans in the current quarter, compared with a $22 million provision for credit losses on performing loans in the prior quarter, with the increase largely due to a change in economic outlook.

Provision for Credit Losses by Operating Group

(Canadian $ in millions)	Canadian P&C	U.S. P&C	Total P&C	Wealth Management	BMO Capital Markets	Corporate Services	Total Bank
Q1-2020							
Provision for (recovery of) credit losses on impaired loans	**138**	**132**	**270**	**-**	**53**	**1**	**324**
Provision for (recovery of) credit losses on performing loans	**14**	**17**	**31**	**3**	**(3)**	**(6)**	**25**
Total provision for (recovery of) credit losses	**152**	**149**	**301**	**3**	**50**	**(5)**	**349**
Q4-2019							
Provision for (recovery of) credit losses on impaired loans	134	66	200	1	32	(2)	231
Provision for (recovery of) credit losses on performing loans	11	4	15	(1)	8	-	22
Total provision for (recovery of) credit losses	145	70	215	-	40	(2)	253
Q1-2019							
Provision for (recovery of) credit losses on impaired loans	114	15	129	2	1	(5)	127
Provision for (recovery of) credit losses on performing loans	6	(9)	(3)	-	14	(1)	10
Total provision for (recovery of) credit losses	120	6	126	2	15	(6)	137

Provision for Credit Losses Performance Ratios

	Q1-2020	Q4-2019	Q1-2019
Total PCL-to-average net loans and acceptances (annualized) (%)	**0.31**	0.23	0.13
PCL on impaired loans-to-average net loans and acceptances (annualized) (%)	**0.29**	0.21	0.12

Impaired Loans

Total gross impaired loans (GIL) were $2,822 million at the end of the current quarter, up from $2,019 million in the prior year, with the largest increase in impaired loans in oil and gas and manufacturing. GIL increased $193 million from $2,629 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 $831 million, up from $467 million in the prior year, and up from $799 million in the prior quarter.

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

(Canadian $ in millions, except as noted)	Q1-2020	Q4-2019	Q1-2019
GIL, beginning of period	**2,629**	2,432	1,936
Classified as impaired during the period	**831**	799	467
Transferred to not impaired during the period	**(201)**	(220)	(125)
Net repayments	**(319)**	(219)	(137)
Amounts written-off	**(127)**	(159)	(119)
Recoveries of loans and advances previously written-off	**-**	-	-
Disposals of loans	**-**	-	-
Foreign exchange and other movements	**9**	(4)	(3)
GIL, end of period	**2,822**	2,629	2,019
GIL to gross loans and acceptances (%)	**0.62**	0.58	0.48

(1) GIL excludes purchased credit impaired loans.

Insurance Claims, Commissions and Changes in Policy Benefit Liabilities

Reported and adjusted insurance claims, commissions and changes in policy benefit liabilities (CCPB) were $716 million, a decrease of $210 million from the prior year, primarily due to lower annuity sales in the current quarter, partially offset by a larger increase in the fair value of policy benefit liabilities in the current quarter, compared with the prior year, resulting from decreases in long-term interest rates and the impact of stronger equity markets in the current quarter.

Reported CCPB increased $381 million and adjusted CCPB increased $406 million from the prior quarter. Adjusted CCPB excludes a $25 million net impact of major reinsurance claims from Japanese typhoons that were incurred in the prior quarter, after our announced decision to wind-down our reinsurance business. Results increased primarily due to an increase in the fair value of policy benefit liabilities in the current quarter, resulting from decreases in long-term interest rates, compared with relatively unchanged long-term interest rates in the prior quarter, higher annuity sales and the impact of stronger equity markets in the current quarter. The changes related to the fair value of policy benefit liabilities and annuity sales were largely offset in revenue.

Adjusted results in this Insurance Claims, Commissions and Changes in Policy Benefit Liabilities section are non-GAAP amounts or non-GAAP measures. Please refer to the Non-GAAP Measures section.

Non-Interest Expense (1)

Reported non-interest expense was $3,669 million, an increase of $112 million or 3% from the prior year, or 4% excluding the impact of the weaker U.S. dollar, and adjusted non-interest expense was $3,637 million, an increase of $117 million or 3%, or 4% excluding the impact of the weaker U.S. dollar. Adjusted non-interest expense excludes the amortization of acquisition-related intangible assets and acquisition integration costs in both periods. The increase was primarily due to higher employee-related costs, in part due to higher revenue, and higher technology costs, partially offset by activities across the bank to execute on productivity initiatives.

Reported non-interest expense decreased $318 million or 8% from the prior quarter, and adjusted non-interest expense increased $174 million or 5% from the prior quarter. Adjusted non-interest expense excludes the restructuring charge in the prior quarter and the amortization of acquisition-related intangible assets and acquisition integration costs in both periods. The increase was largely driven by higher employee-related expenses, including stock-based compensation for employees eligible to retire that are expensed in the first quarter of each year and seasonality of benefits, partially offset by lower professional fees.

Reported operating leverage on a net revenue basis was positive 4.7%, compared with positive 1.4% in the prior year. Adjusted operating leverage on a net revenue basis was positive 4.6%, compared with positive 1.5% in the prior year.

The reported efficiency ratio was 54.4%, compared with 54.6% in the prior year, and was 60.8% on a net revenue basis, compared with 63.6% in the prior year. The adjusted efficiency ratio was 53.9%, compared with 54.0% in the prior year, and 60.3% on a net revenue basis, compared with 63.0% in the prior year.

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

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

Income Taxes

The provision for income taxes was $421 million, an increase of $34 million from the first quarter of 2019, and an increase of $103 million from the fourth quarter of 2019. The effective tax rate for the current quarter was 20.9%, compared with 20.4% in the first quarter of 2019, and 21.0% in the fourth quarter of 2019.

The adjusted provision for income taxes was $428 million, an increase of $32 million from the first quarter of 2019, and a decrease of $26 million from the fourth quarter of 2019. The adjusted effective tax rate was 21.0% in the current quarter, compared with 20.4% in the first quarter of 2019, and 22.0% in the fourth quarter of 2019. The change in the reported and adjusted effective tax rate in the current quarter relative to the first quarter of 2019 and the fourth quarter of 2019 was primarily due to earnings mix.

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

(1) 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. For the three months ended January 31, 2020, we recognized $89 million of depreciation on the right-of-use assets recorded in non-interest expense and $14 million of interest on the lease liability recorded in interest expense. Refer to the Changes in Accounting Policies section on page 24 for further details.

Capital Management

BMO continues to manage its capital within the capital management framework described on page 59 of BMO's 2019 Annual Report.

First Quarter 2020 Regulatory Capital Review

BMO's Common Equity Tier 1 (CET1) Ratio was 11.4% as at January 31, 2020.

The CET1 Ratio was unchanged from the fourth quarter of fiscal 2019, as retained earnings growth was offset by impacts from business growth, regulatory changes, and the adoption of IFRS 16, *Leases*.

CET1 capital was $37.1 billion as at January 31, 2020, up from $36.1 billion as at October 31, 2019, mainly due to retained earnings growth and to a lesser extent, lower deduction for deferred tax assets and higher unrealized gains from securities fair valued through accumulated other comprehensive income.

Risk-Weighted Assets (RWA) were $325.6 billion as at January 31, 2020, up from $317.0 billion as at October 31, 2019, mainly due to business growth, regulatory changes and the adoption of IFRS 16.

The bank's Tier 1 and Total Capital Ratios were 13.0% and 15.2%, respectively, as at January 31, 2020, unchanged from October 31, 2019, as higher capital from increase in CET1, as discussed above, was offset by higher RWA.

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 bank's capital ratios. BMO may manage the impact of foreign exchange movements on its capital ratios and did so during the current quarter. Any such activities could also impact our book value and return on equity.

BMO's Basel III Leverage Ratio was 4.3% as at January 31, 2020, unchanged from the fourth quarter of fiscal 2019, as higher Tier 1 Capital was offset by higher leverage exposures from business growth.

Regulatory Developments

The Basel III reforms package, finalized by the Basel Committee on Banking Supervision (BCBS) in December 2017, for implementation on January 1, 2022 includes: revised standardized and internal ratings-based approaches for credit risk, revisions to the credit valuation adjustment (CVA) framework, revised standardized approach for operational risk which replaces the existing standardized and advanced measurement approaches, revised leverage ratio framework and an output floor for RWA to be phased in over a five-year period. The preliminary view of the Office of the Superintendent of Financial Institution (OSFI) on the scope and timing of implementation of the Basel III reforms in Canada is set out in its discussion paper issued for consultation in July 2018. While the BCBS outlined a five-year transition period for the RWA output floor from 50% in 2022 to 72.5% in 2027, OSFI's discussion paper proposes to set the output floor at 72.5% upon implementation of the reforms in the first quarter of fiscal 2022.

The Minimum Capital Requirements for Market Risk (the Final Market Risk Framework), part of the Basel III reforms, was finalized by the BCBS in January 2019, with a proposed implementation date of January 1, 2022.

The Basel III reforms are expected to increase the amount of capital we are required to hold. We continue to engage with OSFI as it works to finalize the timing and approach to domestic implementation.

In January 2020, OSFI revised its capital requirements for operational risk applicable to deposit-taking institutions, reflecting the final Basel III revisions published by the BCBS in December 2017. OSFI has decided that the domestic implementation of the revised Basel III operational risk capital requirements will move from the first quarter of fiscal 2021 to the first quarter of fiscal 2022 to coincide with the implementation of the final Basel III credit risk and leverage ratio requirements.

In December 2019, OSFI set the level of the Domestic Stability Buffer (DSB), a Pillar 2 buffer applicable to Canadian domestic systemically important banks (D-SIBs) at 2.25%, up from 2.0%, effective April 30, 2020. The increase reflects OSFI's view that key vulnerabilities to D-SIBs remain elevated, and in some cases show signs of increasing, including Canadian household indebtedness, asset imbalances and institutional indebtedness, as well as global vulnerabilities which could increase the chance of a spillover of external risks into the Canadian financial system. The DSB, which is met with CET1 capital, can be set between 0% and 2.5% of total RWA. OSFI's long-term objective is to ensure the effectiveness of the DSB. Within that context, OSFI will review the 0%-2.5% range to determine if it is appropriate.

In the first quarter of fiscal 2020, the expiry of transitional arrangements provided by OSFI for the standardized approach for counterparty credit risk and the revised securitization framework, resulted in a modest increase in the amount of capital we are required to hold.

IFRS 16, *Leases* was effective November 1, 2019 and resulted in a downward adjustment to opening retained earnings on adoption. The most significant impact for BMO is the recording of real estate leases on the balance sheet.

The combined impact of IFRS 16, and the expiry of transitional arrangements was 16 basis points on our CET1 Ratio in the first quarter of fiscal 2020.

The implementation of the final version of the Large Exposure Limits Guideline, applicable to D-SIBs, in the first quarter of fiscal 2020, did not have a significant impact on our operations.

The Canadian Bail-In Regime, including OSFI's Total Loss Absorbing Capacity (TLAC) Guideline, came into effect on September 23, 2018. Under this regime, the bank is required to meet target TLAC requirements by November 1, 2021. The targets are currently set at a risk-based TLAC ratio of 23.75% RWA (including a 2.25% DSB) and a TLAC leverage ratio of 6.75%. At January 31, 2020, our risk-based TLAC was 20.8% and our TLAC leverage ratio was 6.9%.

For a more detailed discussion of regulatory developments, see the Enterprise-Wide Capital Management section on pages 59 to 65, the Liquidity and Funding Risk section on pages 91 to 99 and the Legal and Regulatory Risk section on pages 103 to 104 of BMO's 2019 Annual Report.

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 BCBS. For more information, see the Enterprise-Wide Capital Management section on pages 59 to 65 of BMO's 2019 Annual Report.

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

(% of risk-weighted assets)	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 January 31, 2020
Common Equity Tier 1 Ratio	4.5%	3.5%	2.0%	10.0%	11.4%
Tier 1 Capital Ratio	6.0%	3.5%	2.0%	11.5%	13.0%
Total Capital Ratio	8.0%	3.5%	2.0%	13.5%	15.2%
Leverage Ratio	3.0%	na	na	3.0%	4.3%

(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 D-SIBs and a Countercyclical Buffer, as prescribed by OSFI (immaterial for the first quarter of 2020). 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 currently set at 2.0%, which will increase to 2.25% effective April 30, 2020. Breaches of the DSB do not result in a bank being subject to automatic constraints on capital distributions.

na – not applicable

Regulatory Capital Position

(Canadian $ in millions, except as noted)	**Q1-2020**	Q4-2019	Q1-2019
Gross common equity (1)	**46,828**	45,728	43,009
Regulatory adjustments applied to common equity	**(9,684)**	(9,657)	(9,283)
Common Equity Tier 1 capital (CET1)	**37,144**	36,071	33,726
Additional Tier 1 eligible capital (2)	**5,348**	5,348	4,340
Regulatory adjustments applied to Tier 1	**(214)**	(218)	(219)
Additional Tier 1 capital (AT1)	**5,134**	5,130	4,121
Tier 1 capital (T1 = CET1 + AT1)	**42,278**	41,201	37,847
Tier 2 eligible capital (3)	**7,216**	7,189	7,068
Regulatory adjustments applied to Tier 2	**(56)**	(50)	(126)
Tier 2 capital (T2)	**7,160**	7,139	6,942
Total capital (TC = T1 + T2)	**49,438**	48,340	44,789
Risk-weighted Assets (4)	**325,647**	317,029	296,987
Leverage Ratio Exposures	**985,382**	956,493	902,532
Capital ratios (%)			
CET1 Ratio	**11.4**	11.4	11.4
Tier 1 Capital Ratio	**13.0**	13.0	12.7
Total Capital Ratio	**15.2**	15.2	15.1
Leverage Ratio	**4.3**	4.3	4.2

(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 certain loan loss allowances.

(4) For institutions using advanced approaches for credit risk or operational risk, there is a capital floor as prescribed in OSFI's CAR Guideline.

Other Capital Developments

During the quarter, 392,291 common shares were issued through the exercise of stock options.

On February 25, 2020, we announced our intention, subject to the approval of OSFI and the Toronto Stock Exchange, to establish a new normal course issuer bid (NCIB) for up to 12 million common shares, commencing on or around June 3, 2020. Once approvals are obtained, the share repurchase program will permit BMO to purchase its common shares for the purpose of cancellation. The NCIB is a regular part of BMO's capital management strategy. The timing and amount of purchases under the NCIB are subject to regulatory approvals and to management discretion based on factors such as market conditions and capital levels. We will consult with OSFI before making purchases under the bid.

If a non-viable contingent capital (NVCC) trigger event were to occur, our NVCC capital 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 3.08 billion BMO common shares, assuming no accrued interest and no declared and unpaid dividends.

Outstanding Shares and Securities Convertible into Common Shares (1)

As at January 31, 2020	Number of shares or dollar amount (in millions)
Common shares	639.6
Class B Preferred shares	
Series 25	$236
Series 26	$54
Series 27*	$500
Series 29*	$400
Series 31*	$300
Series 33*	$200
Series 35*	$150
Series 36*	$600
Series 38*	$600
Series 40*	$500
Series 42*	$400
Series 44*	$400
Series 46*	$350
Additional Tier 1 Capital Notes	
4.800% Additional Tier 1 Capital Notes*	US$500
Medium-Term Notes*	
Series H - Second Tranche	$1,000
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
Stock options	
Vested	3.8
Non-vested	2.9

* Convertible into common shares

(1) Details on the Medium-Term Notes are outlined in Note 15 to the audited annual consolidated financial statements on page 176 of BMO's 2019 Annual Report. Details on share capital and Additional Tier 1 Capital Notes are outlined in Note 7 to the unaudited interim consolidated financial statements and Note 16 to the audited annual consolidated financial statements on page 177 of BMO's 2019 Annual Report.

Dividends

On February 25, 2020, BMO announced that the Board of Directors had declared a quarterly dividend on common shares of $1.06 per share, unchanged from the preceding quarter, and up $0.06 per share or 6% from the prior year. The dividend is payable on May 26, 2020, to shareholders of record on May 1, 2020. 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.

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 our operating groups and operating segments for the first quarter of 2020.

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.

Effective November 1, 2019, the bank adopted IFRS 16, *Leases* (IFRS 16), recognizing the cumulative effect of adoption in opening retained earnings with no changes to prior years. Under IFRS 16, the bank as lessee is required to recognize a right-of-use asset and a corresponding lease liability for most leases. Depreciation on the right-of-use assets has been recorded in non-interest expense and interest on the lease liability in interest expense. Refer to the Changes in Accounting Policies section on page 24 for further details.

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, we analyze 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)	**Q1-2020**	Q4-2019	Q1-2019
Net interest income (teb)	**2,608**	2,599	2,494
Non-interest revenue	**830**	839	794
Total revenue (teb)	**3,438**	3,438	3,288
Provision for (recovery of) credit losses on impaired loans	**270**	200	129
Provision for (recovery of) credit losses on performing loans	**31**	15	(3)
Total provision for credit losses	**301**	215	126
Non-interest expense	**1,747**	1,766	1,723
Income before income taxes	**1,390**	1,457	1,439
Provision for income taxes (teb)	**339**	354	347
Reported net income	**1,051**	1,103	1,092
Amortization of acquisition-related intangible assets (1)	**10**	11	11
Adjusted net income	**1,061**	1,114	1,103
Net income growth (%)	**(3.8)**	5.0	14.0
Adjusted net income growth (%)	**(3.8)**	4.9	13.8
Revenue growth (%)	**4.6**	6.5	7.1
Non-interest expense growth (%)	**1.4**	4.0	5.1
Adjusted non-interest expense growth (%)	**1.5**	4.1	5.2
Return on equity (%)	**16.3**	17.7	18.3
Adjusted return on equity (%)	**16.4**	17.9	18.5
Operating leverage (teb) (%)	**3.2**	2.5	2.0
Adjusted operating leverage (teb) (%)	**3.1**	2.4	1.9
Efficiency ratio (teb) (%)	**50.8**	51.4	52.4
Adjusted efficiency ratio (teb) (%)	**50.4**	50.9	51.9
Net interest margin on average earning assets (teb) (%)	**2.91**	2.92	2.99
Average earning assets	**356,467**	352,478	331,037
Average gross loans and acceptances	**366,696**	362,612	338,084
Average net loans and acceptances	**364,948**	360,933	336,522
Average deposits	**306,155**	293,977	272,960

(1) Total P&C before tax amounts of $13 million in Q1-2020, and $15 million in both Q4-2019 and Q1-2019 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 $1,051 million, compared with $1,092 million in the prior year. Adjusted net income was $1,061 million, compared with $1,103 million in the prior year, and excludes the amortization of acquisition-related intangible assets. 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)	**Q1-2020**	Q4-2019	Q1-2019
Net interest income	**1,557**	1,543	1,435
Non-interest revenue	**525**	535	515
Total revenue	**2,082**	2,078	1,950
Provision for credit losses on impaired loans	**138**	134	114
Provision for credit losses on performing loans	**14**	11	6
Total provision for credit losses	**152**	145	120
Non-interest expense	**986**	976	956
Income before income taxes	**944**	957	874
Provision for income taxes	**244**	247	226
Reported net income	**700**	710	648
Amortization of acquisition-related intangible assets (1)	**-**	-	1
Adjusted net income	**700**	710	649
Personal revenue	**1,287**	1,293	1,220
Commercial revenue	**795**	785	730
Net income growth (%)	**8.0**	5.0	0.3
Revenue growth (%)	**6.8**	7.1	2.8
Non-interest expense growth (%)	**3.2**	5.6	2.5
Adjusted non-interest expense growth (%)	**3.2**	5.6	2.5
Return on equity (%)	**26.0**	28.3	27.6
Adjusted return on equity (%)	**26.0**	28.3	27.6
Operating leverage (%)	**3.6**	1.5	0.3
Adjusted operating leverage (%)	**3.6**	1.5	0.3
Efficiency ratio (%)	**47.3**	47.0	49.0
Net interest margin on average earning assets (%)	**2.68**	2.69	2.61
Average earning assets	**231,286**	227,124	217,683
Average gross loans and acceptances	**247,421**	243,395	230,448
Average net loans and acceptances	**246,457**	242,457	229,583
Average deposits	**191,462**	183,975	168,150

(1) Before tax amounts of $nil in both Q1-2020 and Q4-2019, and $1 million in Q1-2019 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.

Q1 2020 vs. Q1 2019

Canadian P&C reported net income was $700 million, an increase of $52 million or 8% and adjusted net income was $700 million, an increase of $51 million or 8% from the prior year. Adjusted net income excludes the amortization of acquisition-related intangible assets. Strong revenue growth was partially offset by higher provisions for credit losses and higher expenses.

Revenue was $2,082 million, an increase of $132 million or 7% from the prior year, primarily due to higher balances across all products, higher margins and increased non-interest revenue. Net interest margin of 2.68% increased 7 basis points, due to a favourable product mix and the benefit of a widening Prime rate to the Banker's Acceptances rate.

Personal revenue increased $67 million or 6%, due to higher balances across all products and higher margins. Commercial revenue increased $65 million or 9%, due to higher balances across all products and higher non-interest revenue.

Total provision for credit losses was $152 million, an increase of $32 million from the prior year. The provision for credit losses on impaired loans increased $24 million, due to higher commercial provisions. There was a $14 million provision for credit losses on performing loans in the current quarter, compared with a $6 million provision for credit losses on performing loans in the prior year.

Non-interest expense was $986 million, an increase of $30 million or 3%, primarily due to higher technology and pension costs.

Average gross loans and acceptances increased $17.0 billion or 7% from the prior year to $247.4 billion. Total personal lending balances (excluding retail cards) increased 4%, including 6% growth in proprietary mortgages and amortizing home equity line of credit loans. Commercial loan balances (excluding corporate cards) increased 15%. Average deposits increased $23.3 billion or 14% to $191.5 billion. Personal deposit balances and commercial deposit balances both increased 14%.

Q1 2020 vs. Q4 2019

Reported and adjusted net income decreased $10 million or 1% from the prior quarter.

Revenue increased $4 million, primarily due to higher balances across all products, partially offset by lower margins and lower non-interest revenue. Net interest margin of 2.68% decreased 1 basis point from the prior quarter.

Personal revenue decreased $6 million, primarily due to lower non-interest revenue and lower margins, partially offset by higher balances across all products. Commercial revenue increased $10 million or 1%, primarily due to higher balances across all products, partially offset by lower margins.

Total provision for credit losses increased $7 million. The provision for credit losses on impaired loans increased $4 million with higher commercial provisions, partially offset by lower consumer provisions in the current quarter. There was a $14 million provision for credit losses on performing loans in the current quarter, compared with a $11 million provision for credit losses on performing loans in the prior quarter.

Non-interest expense increased $10 million or 1% from the prior quarter.

Average gross loans and acceptances increased $4.0 billion or 2% from the prior quarter, and average deposits increased $7.5 billion or 4%.

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

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

(US$ in millions, except as noted)	Q1-2020	Q4-2019	Q1-2019
Net interest income (teb)	**798**	798	793
Non-interest revenue	**232**	230	209
Total revenue (teb)	**1,030**	1,028	1,002
Provision for (recovery of) credit losses on impaired loans	**100**	51	12
Provision for (recovery of) credit losses on performing loans	**13**	3	(7)
Total provision for credit losses	**113**	54	5
Non-interest expense	**578**	597	575
Income before income taxes	**339**	377	422
Provision for income taxes (teb)	**72**	80	90
Reported net income	**267**	297	332
Amortization of acquisition-related intangible assets (1)	**8**	8	8
Adjusted net income	**275**	305	340
Personal revenue	**328**	337	341
Commercial revenue	**702**	691	661
Net income growth (%)	**(19.7)**	3.6	33.5
Adjusted net income growth (%)	**(19.4)**	3.3	32.2
Revenue growth (%)	**2.8**	4.1	7.6
Non-interest expense growth (%)	**0.6**	0.7	2.3
Adjusted non-interest expense growth (%)	**0.7**	0.9	2.5
Return on equity (%)	**9.2**	10.5	12.3
Adjusted return on equity (%)	**9.5**	10.8	12.6
Operating leverage (teb) (%)	**2.2**	3.4	5.3
Adjusted operating leverage (teb) (%)	**2.1**	3.2	5.1
Efficiency ratio (teb) (%)	**56.1**	58.1	57.4
Adjusted efficiency ratio (teb) (%)	**55.2**	57.1	56.3
Net interest margin on average earning assets (teb) (%)	**3.34**	3.35	3.71
Average earning assets	**95,114**	94,682	84,901
Average gross loans and acceptances	**90,626**	90,047	80,617
Average net loans and acceptances	**90,030**	89,488	80,095
Average deposits	**87,155**	83,085	78,490

(Canadian $ equivalent in millions)			
Net interest income (teb)	**1,051**	1,056	1,059
Non-interest revenue	**305**	304	279
Total revenue (teb)	**1,356**	1,360	1,338
Provision for credit losses on impaired loans	**132**	66	15
Provision for (recovery of) credit losses on performing loans	**17**	4	(9)
Total provision for credit losses	**149**	70	6
Non-interest expense	**761**	790	767
Income before income taxes	**446**	500	565
Provision for income taxes (teb)	**95**	107	121
Reported net income	**351**	393	444
Adjusted net income	**361**	404	454
Net income growth (%)	**(21.0)**	5.0	42.4
Adjusted net income growth (%)	**(20.7)**	4.7	41.1
Revenue growth (%)	**1.3**	5.6	14.3
Non-interest expense growth (%)	**(0.8)**	2.2	8.5
Adjusted non-interest expense growth (%)	**(0.7)**	2.4	8.8
Average earning assets	**125,181**	125,354	113,354
Average gross loans and acceptances	**119,275**	119,217	107,636
Average net loans and acceptances	**118,491**	118,476	106,939
Average deposits	**114,693**	110,002	104,810

(1) Before tax amounts of US$10 million in Q1-2020, US$11 million in Q4-2019 and US$10 million Q1-2019 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.

Q1 2020 vs. Q1 2019

U.S. P&C reported net income was $351 million, compared with $444 million in the prior year, and adjusted net income was $361 million, compared with $454 million in the prior year. Adjusted net income excludes the amortization of acquisition-related intangible assets. All amounts in the remainder of this section are on a U.S. dollar basis.

Reported net income was $267 million, compared with $332 million, and adjusted net income was $275 million, compared with $340 million in the prior year, due to higher provisions for credit losses, in part due to a recovery in the prior year, partially offset by higher revenue.

Revenue was $1,030 million, an increase of $28 million or 3% from the prior year, primarily due to higher loan and deposit balances and higher fee income, partially offset by a lower net interest margin. Net interest margin of 3.34% decreased 37 basis points, primarily due to lower deposit product margins driven by the impact of a lower interest rate environment, as well as changes in deposit product mix and loan margin compression.

Personal revenue was $328 million, compared with $341 million in the prior year, due to lower deposit revenue. Commercial revenue was $702 million, an increase of $41 million or 6%, primarily due to higher loan and deposit balances and fee income, partially offset by lower margins.

Total provision for credit losses was $113 million, an increase of $108 million from the prior year. The provision for credit losses on impaired loans increased $88 million, due to higher commercial provisions in the current year and higher consumer provisions as a result of a recovery on consumer loans in the prior year. There was a $13 million provision for credit losses on performing loans in the current quarter, compared with a $7 million recovery of credit losses on performing loans in the prior year.

Non-interest expense was $578 million and adjusted non-interest expense was $568 million, with both increasing $3 million or 1% from the prior year.

Average gross loans and acceptances increased $10.0 billion or 12% from the prior year to $90.6 billion, driven by growth in commercial loans of 13% and personal loans of 9%. Average deposits increased $8.7 billion or 11% to $87.2 billion, with 13% growth in commercial deposit balances and 9% growth in personal deposit balances.

Q1 2020 vs. Q4 2019

Reported net income was $351 million, compared with $393 million, and adjusted net income was $361 million, compared with $404 million in the prior quarter. All amounts in the remainder of this section are on a U.S. dollar basis.

Reported net income was $267 million, compared with $297 million, and adjusted net income was $275 million, compared with $305 million in the prior quarter, due to higher provisions for credit losses, partially offset by lower expenses.

Revenue was $1,030 million, an increase of $2 million from the prior quarter, primarily due to higher deposit balances and fees, partially offset by lower deposit margins. Net interest margin of 3.34% decreased 1 basis point, primarily due to lower deposit margins, reflecting the impact of lower rates and change in deposit product mix, partially offset by the benefit of deposits growing faster than loans.

Personal revenue was $328 million, compared with $337 million in the prior quarter, due to lower deposit revenue and lower fee income. Commercial revenue of $702 million increased $11 million, primarily due to higher deposit balances, higher fee income and loan revenue.

Total provision for credit losses increased $59 million. The provision for credit losses on impaired loans increased $49 million, due to higher commercial provisions. There was a $13 million provision for credit losses on performing loans in the current quarter, compared with a $3 million provision for credit losses on performing loans in the prior quarter.

Non-interest expense decreased $19 million or 3% and adjusted non-interest expense decreased $18 million or 3%, primarily due to lower technology, employee-related and other costs, partially offset by higher premises costs.

Average gross loans and acceptances increased $0.6 billion or 1% from the prior quarter, driven by growth in commercial loans and personal loans. Average deposits increased $4.1 billion or 5%, with growth in commercial and personal deposit balances.

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

BMO Wealth Management

(Canadian $ in millions, except as noted)	Q1-2020	Q4-2019	Q1-2019
Net interest income	**231**	236	232
Non-interest revenue	**1,794**	1,331	1,908
Total revenue	**2,025**	1,567	2,140
Insurance claims, commissions and changes in policy benefit liabilities (CCPB)	**716**	335	926
Revenue, net of CCPB	**1,309**	1,232	1,214
Provision for (recovery of) credit losses on impaired loans	**-**	1	2
Provision for (recovery of) credit losses on performing loans	**3**	(1)	-
Total provision for (recovery of) credit losses	**3**	-	2
Non-interest expense	**912**	860	896
Income before income taxes	**394**	372	316
Provision for income taxes	**103**	106	78
Reported net income	**291**	266	238
Amortization of acquisition-related intangible assets (1)	**9**	9	10
Reinsurance adjustment (2)	**-**	25	-
Adjusted net income	**300**	300	248
Traditional Wealth businesses reported net income	**209**	236	173
Traditional Wealth businesses adjusted net income	**218**	245	183
Insurance reported net income	**82**	30	65
Insurance adjusted net income	**82**	55	65
Net income growth (%)	**22.2**	22.0	(10.4)
Adjusted net income growth (%)	**20.9**	31.3	(10.2)
Revenue growth (%)	**(5.3)**	(0.2)	33.3
Revenue growth, net of CCPB (%)	**7.9**	4.4	(2.5)
Adjusted CCPB	**716**	310	926
Revenue growth, net of adjusted CCPB (%)	**7.9**	6.5	(2.5)
Non-interest expense growth (%)	**1.8**	(2.6)	-
Adjusted non-interest expense growth (%)	**2.0**	(2.4)	0.1
Return on equity (%)	**18.4**	16.6	15.3
Adjusted return on equity (%)	**19.0**	18.7	15.9
Operating leverage, net of CCPB (%)	**6.1**	7.0	(2.5)
Adjusted operating leverage, net of CCPB (%)	**5.9**	8.9	(2.6)
Reported efficiency ratio (%)	**45.0**	54.9	41.9
Reported efficiency ratio, net of CCPB (%)	**69.7**	69.8	73.8
Adjusted efficiency ratio (%)	**44.5**	54.2	41.3
Adjusted efficiency ratio, net of CCPB (%)	**68.8**	67.5	72.8
Assets under management	**482,268**	471,160	438,540
Assets under administration (3)	**410,544**	393,576	377,528
Average assets	**44,219**	42,750	38,744
Average gross loans and acceptances	**25,433**	24,660	22,296
Average net loans and acceptances	**25,402**	24,628	22,264
Average deposits	**39,413**	38,123	35,288

(1) Before tax amounts of $11 million in Q1-2020, $11 million in Q4-2019 and $13 million in Q1-2019 are included in non-interest expense.

(2) Q4-2019 reported net income included a reinsurance adjustment of $25 million (pre-tax and after-tax) in CCPB for 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 was included in CCPB.

(3) We have certain assets under management that are also administered by us and 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.

Q1 2020 vs. Q1 2019

BMO Wealth Management reported net income was $291 million, an increase of $53 million or 22%, and adjusted net income was $300 million, an increase of $52 million or 21% from the prior year. Adjusted net income excludes the amortization of acquisition-related intangible assets. Traditional Wealth reported net income was $209 million, an increase of $36 million or 21%, and adjusted net income was $218 million, an increase of $35 million or 19%, primarily driven by higher revenue from a higher level of client assets and lower expenses. Insurance reported and adjusted net income was $82 million, an increase of $17 million or 26%, primarily due to a benefit from market movements in the current quarter, relative to the unfavourable impact of market movements in the prior year, partially offset by lower underlying business results.

Revenue was $2,025 million, compared with $2,140 million in the prior year. Revenue, net of CCPB, was $1,309 million, an increase of $95 million or 8%. Revenue in Traditional Wealth was $1,161 million, an increase of $59 million or 5%, primarily driven by higher fee-based revenue. Insurance revenue, net of CCPB, increased $36 million, primarily due to the drivers noted above.

Reported non-interest expense was $912 million, an increase of $16 million or 2%, and adjusted non-interest expense was $901 million, an increase of $18 million or 2%, primarily due to higher revenue-based costs given business performance, partially offset by lower employee-related expense.

Assets under management increased $43.7 billion or 10% from the prior year, and assets under administration increased $33.0 billion or 9%, primarily driven by stronger equity markets and favourable foreign exchange. Average gross loans and average deposits increased 14% and 12%, respectively.

Q1 2020 vs. Q4 2019

Reported net income increased $25 million or 9%, and adjusted net income was unchanged, compared with the prior quarter. Adjusted net income in the previous quarter excludes the net impact of major reinsurance claims from Japanese typhoons that were incurred after our announced decision to wind down our reinsurance business. Traditional Wealth reported net income was $209 million, compared with $236 million in the prior quarter. Adjusted net income was $218 million, compared with $245 million in the prior quarter, primarily due to higher expenses, including stock-based compensation for employees eligible to retire that is expensed in the first quarter of each year. Insurance reported net income of $82 million increased $52 million, and adjusted net income increased $27 million, primarily due to the benefit from favourable market movements in the current quarter, relative to the unfavourable impact of market movements in the prior quarter.

Revenue was $2,025 million, compared with $1,567 million in the prior quarter. Revenue, net of reported CCPB, increased $77 million or 6%. Revenue, net of adjusted CCPB, increased $52 million or 4%. Revenue in Traditional Wealth increased $6 million or 1%. Insurance revenue, net of CCPB, increased $71 million and Insurance revenue, net of adjusted CCPB, increased $46 million, due to the drivers noted above.

Reported and adjusted non-interest expense both increased $52 million or 6%, primarily due to higher employee-related expenses, including stock-based compensation for employees eligible to retire.

Assets under management increased $11.1 billion or 2% from the prior quarter, and assets under administration increased $17.0 billion or 4%, primarily driven by stronger equity markets and favourable foreign exchange. Average gross loans and average deposits both increased 3% from the prior quarter.

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

BMO Capital Markets

(Canadian $ in millions, except as noted)	**Q1-2020**	Q4-2019	Q1-2019
Net interest income (teb)	**696**	695	560
Non-interest revenue	**673**	484	577
Total revenue (teb)	**1,369**	1,179	1,137
Provision for (recovery of) credit losses on impaired loans	**53**	32	1
Provision for (recovery of) credit losses on performing loans	**(3)**	8	14
Total provision for (recovery of) credit losses	**50**	40	15
Non-interest expense	**852**	792	796
Income before income taxes	**467**	347	326
Provision for income taxes (teb)	**111**	76	70
Reported net income	**356**	271	256
Acquisition integration costs (1)	**2**	2	4
Amortization of acquisition-related intangible assets (2)	**4**	9	3
Adjusted net income	**362**	282	263
Global Markets revenue	**823**	686	631
Investment and Corporate Banking revenue	**546**	493	506
Net income growth (%)	**39.1**	(9.6)	(5.8)
Adjusted net income growth (%)	**37.6**	(9.3)	(3.3)
Revenue growth (%)	**20.4**	3.6	4.4
Non-interest expense growth (%)	**7.0**	3.0	9.7
Adjusted non-interest expense growth (%)	**7.3**	3.1	8.5
Return on equity (%)	**12.9**	9.8	9.1
Adjusted return on equity (%)	**13.1**	10.2	9.4
Operating leverage (teb) (%)	**13.4**	0.6	(5.3)
Adjusted operating leverage (teb) (%)	**13.1**	0.5	(4.1)
Efficiency ratio (teb) (%)	**62.3**	67.3	70.0
Adjusted efficiency ratio (teb) (%)	**61.7**	66.1	69.2
Average assets	**351,330**	342,025	340,535
Average gross loans and acceptances	**62,286**	63,005	56,507
Average net loans and acceptances	**62,126**	62,895	56,443

(1) KGS-Alpha and Clearpool acquisition integration costs before tax amounts of $3 million in Q1-2020, $2 million in Q4-2019, and $6 million in Q1-2019 are included in non-interest expense.

(2) Before tax amounts of $5 million in Q1-2020, $12 million in Q4-2019 and $3 million in Q1-2019 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.

Q1 2020 vs. Q1 2019

BMO Capital Markets reported net income was $356 million, an increase of $100 million or 39%, and adjusted net income was $362 million, an increase of $99 million or 38% from the prior year. Adjusted net income excludes the amortization of acquisition-related intangible assets and acquisition integration costs. Strong revenue growth in both Global Markets and Investment and Corporate Banking was partially offset by higher expenses and higher oil and gas provisions.

Revenue was $1,369 million, an increase of $232 million or 20%, or 21% excluding the impact of the weaker U.S. dollar. Global Markets revenue increased, primarily driven by higher interest rate trading revenue, as well as new debt and equity issuances. Investment and Corporate Banking revenue increased, driven by higher corporate banking-related revenue and higher underwriting and advisory revenue.

Total provision for credit losses was $50 million, an increase of $35 million from the prior year. The provision for credit losses on impaired loans increased $52 million. There was a net recovery of credit losses on performing loans of $3 million in the current quarter, compared with a $14 million provision for credit losses on performing loans in the prior year.

Non-interest expense was $852 million, an increase of $56 million, and adjusted non-interest expense was $844 million, an increase of $57 million, both increasing 7%, or 8% excluding the impact of the weaker U.S. dollar. The increase was primarily due to higher employee-related costs given business performance, as well as higher technology costs.

Q1 2020 vs. Q4 2019

Reported net income was $356 million, an increase of $85 million or 31%, or 32% excluding the impact of the weaker U.S. dollar, and adjusted net income was $362 million, an increase of $80 million or 29% from the prior quarter.

Revenue increased $190 million or 16%. Global Markets revenue increased, primarily due to higher equities and interest rate trading revenue. Investment and Corporate Banking revenue increased, primarily due to higher underwriting and advisory revenue.

Total provision for credit losses increased $10 million. The provision for credit losses on impaired loans increased $21 million in the current quarter. There was a net recovery of credit losses on performing loans of $3 million in the current quarter, compared with a $8 million provision for credit losses on performing loans in the prior quarter.

Non-interest expense increased $60 million or 7%, or 8% excluding the impact of the weaker U.S. dollar, and adjusted non-interest expense increased $66 million or 8%, or 9% excluding the impact of the weaker U.S. dollar. The increase was primarily due to higher employee-related expenses, given both business performance and the impact of stock-based compensation for employees eligible to retire that is expensed in the first quarter of each year.

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)	**Q1-2020**	Q4-2019	Q1-2019
Net interest income before group teb offset	**(69)**	(89)	(47)
Group teb offset	**(78)**	(77)	(67)
Net interest income (teb)	**(147)**	(166)	(114)
Non-interest revenue	**62**	69	66
Total revenue (teb)	**(85)**	(97)	(48)
Provision for (recovery of) credit losses on impaired loans	**1**	(2)	(5)
Provision for (recovery of) credit losses on performing loans	**(6)**	-	(1)
Total provision for (recovery of) credit losses	**(5)**	(2)	(6)
Non-interest expense	**158**	569	142
Income (loss) before income taxes	**(238)**	(664)	(184)
Provision for (recovery of) income taxes (teb)	**(132)**	(218)	(108)
Reported net income (loss)	**(106)**	(446)	(76)
Restructuring costs (1)	**-**	357	-
Adjusted net loss	**(106)**	(89)	(76)
Adjusted non-interest expense	**158**	85	142

(1) Q4-2019 reported net income included a $357 million after-tax ($484 million pre-tax) restructuring charge, related to severance and a small amount of real estate-related costs, to continue to improve our efficiency, including accelerating delivery against key bank-wide initiatives focused on digitization, organizational redesign and simplification of the way we do business. Restructuring charges 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.

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, procurement, data and analytics. T&O develops, monitors, manages and maintains governance of information technology, 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. Reported results in the prior quarter include a restructuring charge, primarily related to severance.

Q1 2020 vs. Q1 2019

Corporate Services reported and adjusted net loss was $106 million, compared with a reported and adjusted net loss of $76 million in the prior year. Results decreased, primarily due to lower treasury related revenue, in part due to a stronger prior year level, and higher expenses.

Q1 2020 vs. Q4 2019

Reported and adjusted net loss for the quarter was $106 million, compared with a reported net loss of $446 million and an adjusted net loss of $89 million, in the prior quarter. Adjusted results in the prior quarter exclude the restructuring charge, primarily related to severance. Adjusted results decreased, primarily due to the seasonality of benefits and stock-based compensation for employees eligible to retire that are expensed in the first quarter of each year, partially offset by lower taxes and higher revenue excluding teb.

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

Summary Quarterly Earnings Trends

(Canadian $ in millions, except as noted)	**Q1-2020**	Q4-2019	Q3-2019	Q2-2019	Q1-2019	Q4-2018	Q3-2018	Q2-2018
Revenue (1)(2)	**6,747**	6,087	6,666	6,213	6,517	5,893	5,794	5,580
Insurance claims, commissions and changes in policy benefit liabilities (CCPB)	**716**	335	887	561	926	390	269	332
Revenue, net of CCPB (1)(2)	**6,031**	5,752	5,779	5,652	5,591	5,503	5,525	5,248
Provision for (recovery of) credit losses on impaired loans	**324**	231	243	150	127	177	177	172
Provision for (recovery of) credit losses on performing loans	**25**	22	63	26	10	(2)	9	(12)
Total provision for credit losses	**349**	253	306	176	137	175	186	160
Non-interest expense (1)(2)	**3,669**	3,987	3,491	3,595	3,557	3,193	3,359	3,525
Income before income taxes	**2,013**	1,512	1,982	1,881	1,897	2,135	1,980	1,563
Provision for income taxes	**421**	318	425	384	387	438	443	317
Reported net income (see below)	**1,592**	1,194	1,557	1,497	1,510	1,697	1,537	1,246
Acquisition integration costs (3)	**2**	2	2	2	4	13	7	2
Amortization of acquisition-related intangible assets (4)	**23**	29	23	23	24	24	22	23
Restructuring costs (5)	**-**	357	-	-	-	-	-	192
Reinsurance adjustment (6)	**-**	25	-	-	-	-	-	-
Benefit from the remeasurement of an employee benefit liability (7)	**-**	-	-	-	-	(203)	-	-
Adjusted net income (see below)	**1,617**	1,607	1,582	1,522	1,538	1,531	1,566	1,463
Basic earnings per share ($)	**2.38**	1.79	2.34	2.27	2.28	2.58	2.32	1.87
Diluted earnings per share ($)	**2.37**	1.78	2.34	2.26	2.28	2.58	2.31	1.86
Adjusted diluted earnings per share ($)	**2.41**	2.43	2.38	2.30	2.32	2.32	2.36	2.20

(1) 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. For the three months ended January 31, 2020, we recognized $89 million of depreciation on the right-of-use assets recorded in non-interest expense and $14 million of interest on the lease liability recorded in interest expense. Refer to the Changes in Accounting Policies section on page 24 for further details.

(2) Effective the first quarter of 2019, the bank adopted IFRS 15, *Revenue from Contracts with Customers* (IFRS 15) and elected to retrospectively present prior periods as if IFRS 15 had always been applied. As a result, loyalty rewards and cash promotion costs on cards previously recorded in non-interest expense are presented as a reduction in non-interest revenue. In addition, certain out-of-pocket expenses reimbursed to BMO from customers have been reclassified from a reduction in non-interest expense to non-interest revenue.

(3) Acquisition integration costs before tax are included in non-interest expense.

(4) Amortization of acquisition-related intangible assets before tax is charged to the non-interest expense of the operating groups.

(5) Restructuring charges recorded in Q4-2019 of $357 million after-tax ($484 million pre-tax) and in Q2-2018 of $192 million after-tax ($260 million pre-tax). Restructuring costs are included in non-interest expense in Corporate Services.

(6) 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.

(7) Q4-2018 included a benefit of $203 million after-tax ($277 million pre-tax) from the remeasurement of an employee benefit liability as a result of an amendment to our other employee future benefits plan for certain employees that was announced in the fourth quarter of 2018. This amount has been included in Corporate Services in non-interest expense.

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

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 52 and 53 of BMO's 2019 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 second quarter of fiscal 2018 through the first quarter of fiscal 2020.

Earnings Trends

BMO's underlying results have generally trended upwards over the past eight quarters, largely reflecting continued growth in the P&C businesses, while market sensitive businesses have been impacted by variability resulting from changes in interest rates and equity markets.

Reported results were impacted by a restructuring charge, primarily related to severance, and a reinsurance adjustment, both in the fourth quarter of 2019, a benefit from the remeasurement of an employee future benefit liability in the fourth quarter of 2018, and a restructuring charge in the second quarter of 2018.

Canadian P&C delivered positive operating leverage and year-over-year net income growth in the past eight quarters, largely reflecting revenue growth driven by higher balances. U.S. P&C delivered year-over-year revenue growth in the past eight quarters, with good growth in loan and deposit balances, as well as continued good expense management. Traditional Wealth Management results have generally seen moderate increases, largely due to equity markets. Insurance results were subject to variability resulting from changes in interest rates, equity markets and reinsurance claims. BMO Capital Markets results have reflected good revenue performance, with year-over-year growth in the most recent seven quarters, due to strong U.S. segment performance, and benefits from our diversified businesses. The second quarter of 2019 included a severance expense. Corporate Services reported results can fluctuate quarter-over-quarter, in large part due to the inclusion of adjusting items, which are largely recorded in Corporate Services.

The bank's results reflect the impact of IFRS 16, *Leases* (IFRS 16), which was adopted in the first quarter of 2020, and IFRS 15, *Revenue from Contracts with Customers* (IFRS 15), which was adopted retrospectively in the first quarter of 2019. Please refer to the Changes in Accounting Policies section on page 24 and on pages 142 to 146 of BMO's 2019 Annual Report.

BMO's total provision for credit losses measured as a percentage of net loans and acceptances has ranged between 13 basis points and 31 basis points since the second quarter of 2018.

The effective income 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; and the level of tax-exempt income from securities.

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.

Balance Sheet

Total assets were $879.7 billion as at January 31, 2020, an increase of $27.5 billion from October 31, 2019. The stronger U.S. dollar at quarter-end increased assets by $2.2 billion, excluding the impact on derivative financial assets.

The following discussion excludes the impact of changes in the U.S. dollar. Securities increased $21.5 billion, primarily due to higher balances in BMO Capital Markets and Corporate Services. Net loans increased $3.7 billion, largely driven by an increase of $2.3 billion in business and government loans, mainly in Canadian P&C, and a $0.8 billion increase in consumer instalment and other personal loans, due to growth in our P&C businesses. Securities borrowed or purchased under resale agreements increased $1.2 billion, driven by higher client activity in BMO Capital Markets, partially offset by lower balances in Corporate Services. Cash and cash equivalents and interest bearing deposits with banks decreased $4.2 billion, primarily due to lower balances held with central banks. All other assets, excluding derivative financial assets, increased $3.3 billion, in part due to the adoption of IFRS 16, *Leases*, which resulted in the recording of a right-of-use asset and lease liability on the balance sheet.

Liabilities increased $26.4 billion from October 31, 2019. The stronger U.S. dollar increased liabilities by $2.0 billion, excluding the impact on derivative financial liabilities.

The following discussion excludes the impact of changes in the U.S. dollar. Deposits increased $12.7 billion. Deposits by individuals increased $4.4 billion, due to growth in the P&C businesses and BMO Wealth Management. Business and government deposits increased $4.2 billion, primarily reflecting growth in customer balances. Deposits by banks increased $4.0 billion. Securities lent or sold under repurchase agreements increased $13.1 billion and securities sold but not yet purchased increased $1.3 billion, driven by client activity in BMO Capital Markets. All other liabilities, excluding derivative financial liabilities, decreased $2.1 billion, in part due to lower secured funding, partially offset by the impact of the adoption of IFRS 16, *Leases*.

Derivative financial assets decreased $0.1 billion and derivative financial liabilities decreased $0.4 billion, including the impact of changes in the U.S. dollar. The decline in derivative assets was primarily driven by a decrease in the fair value of foreign exchange contracts, partially offset by an increase in the fair value of equity contracts. The decline in derivative liabilities was primarily driven by a decrease in the fair value of foreign exchange and interest rate contracts, partially offset by an increase in the fair value of commodity and equity contracts.

Total equity increased $1.1 billion from October 31, 2019. Retained earnings increased $0.8 billion, as a result of net income earned in the current quarter, partially offset by dividends and the impact of the adoption of IFRS 16, *Leases* on the opening balance. Accumulated other comprehensive income increased $0.3 billion.

Contractual obligations by year of maturity are outlined on page 31 of this Report to Shareholders.

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.

The bank's policies and procedures for related party transactions did not materially change from October 31, 2019, as described in Note 27 to the audited consolidated financial statements on page 204 of BMO's 2019 Annual Report.

Select Financial Instruments and Off-Balance Sheet Arrangements

The Financial Stability Board (FSB) issued a report in 2012 encouraging enhanced disclosure related to financial instruments that market participants had come to regard as carrying higher risk. An index of where the disclosures recommended by the Enhanced Disclosure Task Force (EDTF) of the FSB are located is provided on our website at www.bmo.com/investorrelations. We follow a practice of reporting on significant changes in select financial instruments since year end, if any, in our interim MD&A. There have been no material changes from the disclosure on page 66 in our 2019 Annual Report.

We also enter into a number of off-balance sheet arrangements in the normal course of operations. The most significant of these are credit instruments, structured entities and guarantees, which are described on page 67 of BMO's 2019 Annual Report. We consolidate all of our structured entities, except for our Canadian customer securitization vehicles, structured finance vehicles, certain capital and funding vehicles, as well as various BMO-managed and non-managed investment funds. There have been no significant changes to the bank's off-balance sheet arrangements since October 31, 2019.

Accounting Policies and Critical Accounting Estimates

Significant accounting policies are described in our 2019 Annual Report and in the notes to our audited consolidated financial statements for the year ended October 31, 2019, 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 107 to 111 and 142 to 146 in BMO's 2019 Annual Report.

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 our best estimate of impairment in the existing portfolio for loans that have not yet been individually identified as impaired. For additional information, refer to pages 107 to 108 and Note 4 of our audited annual consolidated financial statements on pages 151 to 158 of BMO's 2019 Annual Report.

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. Our economic forecasts are largely in line with those from October 31, 2019, and our scenario weightings remain unchanged as at January 31, 2020.

Our total allowance for credit losses as at January 31, 2020 was $2,262 million ($2,094 million as at October 31, 2019), comprised of an allowance on performing loans of $1,643 million and an allowance on impaired loans of $619 million ($1,609 million and $485 million, respectively, as at October 31, 2019). The allowance on performing loans increased $34 million since the fourth quarter of 2019, primarily driven by credit migration and portfolio growth.

Our assessment of the allowance for performing loans under a 100% base case and a 100% adverse scenarios as at January 31, 2020, both increased consistent with the change in the overall allowance for loans, compared with October 31, 2019.

Information on the Provision for Credit Losses for the three months ended January 31, 2020, can be found on page 9 of this MD&A.

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

Changes in Accounting Policies

IFRS 16, *Leases*

Effective November 1, 2019, we adopted IFRS 16, *Leases* (IFRS 16), which provides guidance whereby lessees are required to recognize a liability for the present value of future lease payments and record a corresponding asset on the balance sheet for most leases. The impact to our Equipment Finance and Transportation Finance businesses are minimal. The most significant impact for the bank is the recording of real estate leases on the balance sheet. Previously, most of our real estate leases were classified as operating leases, whereby we recorded the lease expense over the lease term with no asset or liability recorded on the balance sheet other than related leasehold improvements. On adoption, we elected to exclude intangibles from the scope of lease accounting.

On transition, we chose to recognize the cumulative effect of adoption of IFRS 16 in opening retained earnings with no changes to prior periods. The impact to the Consolidated Balance Sheet as at November 1, 2019 was an increase in premises and equipment of $1,965 million, an increase in other liabilities of $2,024 million, and a decrease in retained earnings of $80 million ($59 million after tax).

As at January 31, 2020, the right-of-use asset recognized in premises and equipment was $1,974 million, with a corresponding lease liability of $2,142 million recorded in other liabilities in the Consolidated Balance Sheet. In addition, for the three months ended January 31, 2020, we recognized interest expense of $14 million in interest expense, other liabilities, and $89 million of right-of-use asset depreciation in non-interest expense, premises and equipment in the Consolidated Statement of Income. We would previously have recorded approximately $95 million of rent expense in non-interest expense, premises and equipment.

Interbank Offered Rate (IBOR) Reform

Effective November 1, 2019, we early adopted the Phase 1 amendments to IAS 39, *Financial Instruments: Recognition and Measurement* and IFRS 7, *Financial Instruments: Disclosures*. The amendments provide relief from the uncertainty arising from IBOR reform during the period prior to replacement of IBORs. The amendments modify certain hedge accounting requirements, allowing us to assume the interest rate benchmark on which the cash flows of the hedged item and the hedging instrument are based are not altered as a result of IBOR reform, thereby allowing hedge accounting to continue. They also provide an exception from the requirement to discontinue hedge accounting if a hedging relationship does not meet the effectiveness requirements as a result of IBOR reform.

Mandatory application of the amendments ends at the earlier of when the uncertainty regarding the timing and amount of interest rate benchmark-based cash flows is no longer present and the discontinuation of the hedging relationship.

Effective November 1, 2019, we also adopted IFRS Interpretations Committee Interpretation 23, *Uncertainty over income tax treatments* (IFRIC 23), which had no impact on our financial results upon adoption. Note 1 to the unaudited interim consolidated financial statements provides further details on the impact of adoption of IFRIC 23 and the other new standards.

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 111 and in Note 1 to the audited annual consolidated financial statements on page 146 of BMO's 2019 Annual Report, and in Note 1 to the unaudited interim consolidated financial statements on page 39.

Disclosure for Domestic Systemically Important Banks (D-SIB)

As a D-SIB, OSFI requires that we disclose on an annual basis the 12 indicators utilized in the global systemically important banks' assessment methodology. These indicators measure the impact a bank's failure would have on the global financial system and wider economy. The indicators reflect the size of banks, their interconnectedness, the lack of alternative infrastructure for services banks provide, their global activity and complexity. This methodology is outlined in a paper, *Global systemically important banks: updated assessment methodology and the higher loss absorbency requirement*, issued by the Basel Committee on Banking Supervision (BCBS) in July 2013. As required under the methodology, the indicators are calculated based on specific instructions issued by the BCBS, and as a result, the measures used may not be based on the most recent version of Basel III. Therefore, values may not be consistent with other measures used in this report.

Indicator values have been reported based on regulatory requirements for consolidation and therefore, insurance and other non-banking information is only included insofar as it is included in the regulatory consolidation of the group. This level of consolidation differs from that used in the consolidated financial statements. Results may therefore not be comparable to other disclosures in this report.

Year-over-year movements in indicators reflect normal changes in business activity.

Disclosure for Domestic Systemically Important Banks

		As at October 31	
(Canadian $ in millions)	Indicators	**2019**	2018
A. Cross-jurisdictional activity	1. Cross-jurisdictional claims	**420,719**	388,922
	2. Cross-jurisdictional liabilities	**341,188**	310,913
B. Size	3. Total exposures as defined for use in the Basel III leverage ratio	**966,938**	885,217
C. Interconnectedness	4. Intra-financial system assets	**111,245**	104,791
	5. Intra-financial system liabilities	**58,643**	67,213
	6. Securities outstanding	**271,817**	267,654
D. Substitutability/financial institution infrastructure	7. Payments activity (1)	**26,955,299**	26,238,057
	8. Assets under custody	**238,617**	206,913
	9. Underwritten transactions in debt and equity markets	**75,503**	65,258
E. Complexity	10. Notional amount of over-the-counter (OTC) derivatives	**6,211,130**	5,484,395
	11. Trading, FVTPL and FVOCI securities	**35,188**	48,961
	12. Level 3 assets	**4,347**	3,600

(1) Includes intercompany transactions that are cleared through a correspondent bank.

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

Other Regulatory Developments

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

For a comprehensive discussion of regulatory developments, see the Enterprise-Wide Capital Management section starting on page 59, the Risks That May Affect Future Results section starting on page 68, the Liquidity and Funding Risk section starting on page 91, and the Legal and Regulatory Risk section starting on page 103 of BMO's 2019 Annual Report.

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

Risk Management

Our risk management policies and processes to measure, monitor and control credit and counterparty, market, liquidity and funding, operational, including technology and cyber-related risks, model, legal and regulatory, business, strategic, environmental and social and reputation risk have not changed significantly from those outlined in the Enterprise-Wide Risk Management section on pages 68 to 106 of BMO's 2019 Annual Report.

BMO's top and emerging risks and other factors that may affect future results are described on pages 68 to 71 of BMO's 2019 Annual Report, and have not changed significantly. BMO is monitoring the outbreak of the novel coronavirus. Should the outbreak become more wide-spread in Canada and the United States, the bank has a Business Continuity Plan in place that includes procedures which would mitigate adverse impacts to our customers and employees.

Market Risk
BMO's market risk management practices and key measures are outlined on pages 86 to 90 of BMO's 2019 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

	As at January 31, 2020				As at October 31, 2019				
	Consolidated	Subject to market risk		Not subject	Consolidated	Subject to market risk		Not subject	Main risk factors for
(Canadian $ in millions)	Balance Sheet	Traded risk (1)	Non-traded risk (2)	to market risk	Balance Sheet	Traded risk (1)	Non-traded risk (2)	to market risk	non-traded risk balances
Assets Subject to Market Risk									
Cash and cash equivalents	**45,742**	**-**	**45,742**	**-**	48,803	-	48,803	-	Interest rate
Interest bearing deposits with banks	**7,148**	**253**	**6,895**	**-**	7,987	242	7,745	-	Interest rate
Securities	**211,459**	**97,515**	**113,944**	**-**	189,438	85,739	103,699	-	Interest rate, credit spread, equity
Securities borrowed or purchased under resale agreements	**105,543**	**-**	**105,543**	**-**	104,004	-	104,004	-	Interest rate
Loans (net of allowance for credit losses)	**430,713**	**-**	**430,713**	**-**	426,094	-	426,094	-	Interest rate, foreign exchange
Derivative instruments	**22,035**	**19,492**	**2,543**	**-**	22,144	19,508	2,636	-	Interest rate, foreign exchange
Customer's liabilities under acceptances	**24,362**	**-**	**24,362**	**-**	23,593	-	23,593	-	Interest rate
Other assets (3)	**32,718**	**-**	**15,425**	**17,293**	30,132	-	15,417	14,715	Interest rate
Total Assets	**879,720**	**117,260**	**745,167**	**17,293**	852,195	105,489	731,991	14,715	
Liabilities Subject to Market Risk									
Deposits	**582,288**	**16,690**	**565,598**	**-**	568,143	15,829	552,314	-	Interest rate, foreign exchange
Derivative instruments	**23,231**	**19,698**	**3,533**	**-**	23,598	20,094	3,504	-	Interest rate, foreign exchange
Acceptances	**24,362**	**-**	**24,362**	**-**	23,593	-	23,593	-	Interest rate
Securities sold but not yet purchased	**27,562**	**27,562**	**-**	**-**	26,253	26,253	-	-	
Securities lent or sold under repurchase agreements	**100,008**	**-**	**100,008**	**-**	86,656	-	86,656	-	Interest rate
Other liabilities (3)	**63,070**	**-**	**62,912**	**158**	65,881	-	65,766	115	Interest rate
Subordinated debt	**7,023**	**-**	**7,023**	**-**	6,995	-	6,995	-	Interest rate
Total Liabilities	**827,544**	**63,950**	**763,436**	**158**	801,119	62,176	738,828	115	

(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 and insurance risk management framework.
(3) Effective the first quarter of 2020, the bank adopted IFRS 16, *Leases* (IFRS 16). As at January 31, 2020, we recognized a total right-of-use asset in other assets of $1,974 million, with a corresponding lease liability of $2,142 million in other liabilities. Refer to the Changes in Accounting Policies section on page 24 for further details.

Trading and Underwriting Market Risk
Average Total Trading Value at Risk (VaR) and Average Total Trading Stressed VaR (SVaR) increased from the prior quarter, primarily due to an amendment to the Total Trading VaR and SVaR calculation to no longer recognize diversification benefits from debt-specific risk. In addition, a modelling change enhanced the capture of name-specific equity volatility risk and foreign exchange risks. On a quarter-over-quarter basis, higher trading risks modestly increased Average Total Trading VaR and Average Total Trading SVaR.

Total Trading Value at Risk (VaR) and Trading Stressed Value at Risk (SVaR) Summary (1)(2)(3)

	For the quarter ended January 31, 2020				October 31, 2019	January 31, 2019
(Pre-tax Canadian $ equivalent in millions)	Quarter-end	Average	High	Low	Average	Average
Commodity VaR	**1.1**	**0.9**	**1.8**	**0.6**	1.1	1.5
Equity VaR	**8.0**	**5.6**	**8.0**	**4.2**	3.9	5.4
Foreign exchange VaR	**1.6**	**1.9**	**3.3**	**0.8**	0.5	0.7
Interest rate VaR (4)	**7.0**	**7.9**	**10.1**	**5.4**	8.2	9.7
Debt-specific risk	**1.6**	**2.5**	**3.2**	**1.6**	2.2	1.8
Diversification	**(7.0)**	**(8.1)**	**nm**	**nm**	(7.9)	(7.7)
Total Trading VaR	**12.3**	**10.7**	**15.0**	**8.1**	8.0	11.4
Total Trading SVaR	**48.0**	**49.8**	**56.7**	**39.9**	22.3	48.3

(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) In Q1-2020, a new measurement approach was used for VaR and SVaR, which split the previously reported credit VaR into interest rate VaR for general credit spread risk and for debt-specific risk. Results in prior quarters have been provided for comparability. In addition, the Total Trading VaR and SVaR no longer recognize diversification benefits from debt-specific risk.
(4) 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 structural economic value benefit to falling interest rates increased relative to October 31, 2019, primarily due to an increase in fixed rate assets. Structural earnings benefit to rising interest rates and structural earnings exposure to falling interest rates decreased relative to October 31, 2019, as fewer net assets are scheduled to reprice over the next 12 months.

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

	Economic value sensitivity			Earnings sensitivity over the next 12 months		
(Pre-tax Canadian $ equivalent in millions)	**January 31, 2020**	October 31, 2019	January 31, 2019	**January 31, 2020**	October 31, 2019	January 31, 2019
100 basis point increase	**(974.3)**	(883.4)	(925.5)	**1.7**	46.6	76.8
100 basis point decrease	**274.3**	215.6	111.0	**(21.9)**	(80.3)	(152.8)

(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 January 31, 2020, would result in an increase in earnings before tax of $30 million ($27 million as at October 31, 2019). A 100 basis point decrease in interest rates as at January 31, 2020, would result in a decrease in earnings before tax of $29 million ($25 million as at October 31, 2019). On an unhedged basis, a 10% decrease in equity market values at January 31, 2020, would result in a decrease in earnings before tax of $59 million ($57 million as at October 31, 2019). A 10% increase in equity market values as at January 31, 2020, would result in an increase in earnings before tax of $58 million ($54 million as at October 31, 2019). BMO may enter into hedging arrangements to offset the impact of changes in equity market values on its earnings, and did so during the 2020 fiscal year. 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 our 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 above.

Liquidity and Funding Risk

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

BMO's liquid assets are primarily held in our trading businesses, as well as in supplemental liquidity pools that are maintained for contingent liquidity risk management purposes. Liquid assets include unencumbered, high-quality assets that are marketable, can be pledged as security for borrowings, and can be converted to cash in a time frame that meets our liquidity and funding requirements. BMO's liquid assets are summarized in 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 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 $254.2 billion as at January 31, 2020, compared with $249.7 billion as at October 31, 2019. The increase in unencumbered liquid assets was primarily due to higher securities balances, partially offset by lower 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. We do not rely on central bank facilities as a source of available liquidity when assessing the soundness of BMO's liquidity position.

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 28.

Liquid Assets

	As at January 31, 2020					As at October 31, 2019
(Canadian $ in millions)	**Bank-owned assets**	**Other cash & securities received** (1)	**Total gross assets** (2)	**Encumbered assets**	**Net unencumbered assets** (3)	Net unencumbered assets (3)
Cash and cash equivalents	**45,742**	**-**	**45,742**	**2,232**	**43,510**	46,908
Deposits with other banks	**7,148**	**-**	**7,148**	**-**	**7,148**	7,987
Securities and securities borrowed or purchased under resale agreements						
Sovereigns/Central banks/Multilateral development banks	**101,178**	**104,494**	**205,672**	**113,032**	**92,640**	90,363
NHA mortgage-backed securities and U.S. agency mortgage-backed securities and collateralized mortgage obligations	**35,849**	**10,190**	**46,039**	**23,445**	**22,594**	21,406
Corporate & other debt	**22,292**	**16,837**	**39,129**	**7,319**	**31,810**	32,112
Corporate equity	**52,140**	**39,841**	**91,981**	**56,716**	**35,265**	28,436
Total securities and securities borrowed or purchased under resale agreements	**211,459**	**171,362**	**382,821**	**200,512**	**182,309**	172,317
NHA mortgage-backed securities (reported as loans at amortized cost) (4)	**25,366**	**-**	**25,366**	**4,114**	**21,252**	22,438
Total liquid assets	**289,715**	**171,362**	**461,077**	**206,858**	**254,219**	249,650
Other eligible assets at central banks (not included above) (5)	**70,410**	**-**	**70,410**	**809**	**69,601**	68,246
Total liquid assets and other sources	**360,125**	**171,362**	**531,487**	**207,667**	**323,820**	317,896

(1) Effective the first quarter of 2020, reverse repos and security borrowed transactions have been moved to other cash and securities received.

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

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

(4) Under IFRS, National Housing Authority (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.

(5) Represents 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, including incremental securitization, covered bond issuances and Federal Home Loan Bank (FHLB) advances.

Asset Encumbrance

(Canadian $ in millions) As at January 31, 2020	Total gross assets (1)	Encumbered (2) Pledged as collateral	Encumbered (2) Other encumbered	Net unencumbered Other unencumbered (3)	Net unencumbered Available as collateral (4)
Cash and deposits with other banks	**52,890**	**-**	**2,232**	**-**	**50,658**
Securities (5)	**408,187**	**172,476**	**32,150**	**12,759**	**190,802**
Loans and acceptances	**405,347**	**64,120**	**809**	**270,817**	**69,601**
Other assets					
Derivative instruments	**22,035**	**-**	**-**	**22,035**	**-**
Customers' liability under acceptances	**24,362**	**-**	**-**	**24,362**	**-**
Premises and equipment (6)	**3,957**	**-**	**-**	**3,957**	**-**
Goodwill	**6,396**	**-**	**-**	**6,396**	**-**
Intangible assets	**2,430**	**-**	**-**	**2,430**	**-**
Current tax assets	**1,705**	**-**	**-**	**1,705**	**-**
Deferred tax assets	**1,562**	**-**	**-**	**1,562**	**-**
Other assets	**16,668**	**3,963**	**-**	**12,705**	**-**
Total other assets	**79,115**	**3,963**	**-**	**75,152**	**-**
Total assets	**945,539**	**240,559**	**35,191**	**358,728**	**311,061**

(Canadian $ in millions) As at October 31, 2019	Total gross assets (1)	Encumbered (2) Pledged as collateral	Encumbered (2) Other encumbered	Net unencumbered Other unencumbered (3)	Net unencumbered Available as collateral (4)
Cash and deposits with other banks	56,790	-	1,895	-	54,895
Securities (5)	378,443	153,269	30,419	12,107	182,648
Loans and acceptances	399,968	73,073	765	257,884	68,246
Other assets					
Derivative instruments	22,144	-	-	22,144	-
Customers' liability under acceptances	23,593	-	-	23,593	-
Premises and equipment (6)	2,055	-	-	2,055	-
Goodwill	6,340	-	-	6,340	-
Intangible assets	2,424	-	-	2,424	-
Current tax assets	1,165	-	-	1,165	-
Deferred tax assets	1,568	-	-	1,568	-
Other assets	16,580	3,722	-	12,858	-
Total other assets	75,869	3,722	-	72,147	-
Total assets	911,070	230,064	33,079	342,138	305,789

(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 is 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 $12.8 billion as at January 31, 2020, 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 as 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 FHLB advances.

(5) Includes securities, securities borrowed or purchased under resale agreements and NHA mortgage-backed securities (reported as loans at amortized cost).

(6) Effective the first quarter of 2020, the bank adopted IFRS 16, *Leases* (IFRS 16). As at January 31, 2020, we recognized a total right-of-use asset in premises and equipment of $1,974 million, with a corresponding lease liability of $2,142 million in other liabilities. Refer to the Changes in Accounting Policies section on page 24 for further details.

BMO's Liquidity Coverage Ratio (LCR) is summarized in the following table. The average daily LCR for the quarter ended January 31, 2020 was 135%. 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 138% last quarter as an increase in HQLA was more than offset by an increase in net cash outflows. While banks are required to maintain an LCR 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. OSFI-prescribed weights 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 27.

Additional information on Liquidity and Funding Risk governance can be found on page 91 of BMO's 2019 Annual Report.

Liquidity Coverage Ratio

(Canadian $ in billions, except as noted)	For the quarter ended January 31, 2020 Total unweighted value (average) (1)(2)	Total weighted value (average) (2)(3)
High-Quality Liquid Assets		
Total high-quality liquid assets (HQLA)	*	**171.0**
Cash Outflows		
Retail deposits and deposits from small business customers, of which:	**207.0**	**14.3**
Stable deposits	**98.4**	**3.0**
Less stable deposits	**108.6**	**11.3**
Unsecured wholesale funding, of which:	**176.2**	**96.2**
Operational deposits (all counterparties) and deposits in networks of cooperative banks	**66.5**	**16.5**
Non-operational deposits (all counterparties)	**75.2**	**45.2**
Unsecured debt	**34.5**	**34.5**
Secured wholesale funding	*	**20.8**
Additional requirements, of which:	**158.0**	**32.9**
Outflows related to derivatives exposures and other collateral requirements	**10.9**	**4.3**
Outflows related to loss of funding on debt products	**2.7**	**2.7**
Credit and liquidity facilities	**144.4**	**25.9**
Other contractual funding obligations	**1.0**	**-**
Other contingent funding obligations	**403.7**	**6.9**
Total cash outflows	*	**171.1**
Cash Inflows		
Secured lending (e.g. reverse repos)	**148.6**	**29.4**
Inflows from fully performing exposures	**10.1**	**5.6**
Other cash inflows	**8.8**	**8.8**
Total cash inflows	**167.5**	**43.8**

	Total adjusted value (4)
Total HQLA	**171.0**
Total net cash outflows	**127.3**
Liquidity Coverage Ratio (%) (2)	**135**

For the quarter ended October 31, 2019	Total adjusted value (4)
Total HQLA	163.2
Total net cash outflows	118.1
Liquidity Coverage Ratio (%)	138

* 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 62 business days in the first quarter of 2020.

(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.

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 $387.1 billion at January 31, 2020, up from $378.8 billion as at October 31, 2019, due to strong deposit growth. BMO also receives non-marketable deposits from corporate and institutional customers in support of certain trading activities. These deposits totalled $29.7 billion as at January 31, 2020, up from $22.1 billion as at October 31, 2019.

Total wholesale funding outstanding, which largely consists of negotiable marketable securities, was $201.4 billion at January 31, 2020, with $58.4 billion sourced as secured funding and $143.0 billion as unsecured funding. Wholesale funding outstanding decreased from $207.6 billion at October 31, 2019, primarily due to wholesale funding maturities. 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 31. BMO maintains a sizeable portfolio of unencumbered liquid assets, totalling $254.2 billion as at January 31, 2020, that can be monetized to meet potential funding requirements, as described on page 27.

In April 2018, the Government of Canada published the final regulations on Canada's Bank Recapitalization (Bail-In) Regime, which 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 do not expect a material impact to our funding plan as a result of Canada's Bail-In Regime and TLAC requirements. For more information on Canada's Bail-In Regime and TLAC requirements, please see Regulatory Developments under Capital Management on page 11.

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)

	As at January 31, 2020								As at October 31, 2019
(Canadian $ in millions)	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	**6,775**	**371**	**34**	**278**	**7,458**	**-**	**8**	**7,466**	4,312
Certificates of deposit and commercial paper	**7,742**	**23,145**	**11,343**	**17,797**	**60,027**	**529**	**-**	**60,556**	64,490
Bearer deposit notes	**-**	**28**	**30**	**262**	**320**	**-**	**-**	**320**	117
Asset-backed commercial paper (ABCP)	**719**	**1,008**	**1,629**	**-**	**3,356**	**-**	**-**	**3,356**	3,276
Senior unsecured medium-term notes	**-**	**752**	**8,629**	**2,789**	**12,170**	**17,334**	**34,358**	**63,862**	63,789
Senior unsecured structured notes (2)	**-**	**-**	**-**	**5**	**5**	**20**	**3,405**	**3,430**	3,807
Covered bonds and securitizations									
Mortgage and HELOC securitizations	**-**	**1,324**	**369**	**1,580**	**3,273**	**3,111**	**13,180**	**19,564**	19,602
Covered bonds	**-**	**-**	**1,398**	**2,201**	**3,599**	**6,503**	**13,285**	**23,387**	25,497
Other asset-backed securitizations (3)	**-**	**-**	**-**	**184**	**184**	**2,671**	**4,153**	**7,008**	7,628
Subordinated debt	**-**	**-**	**-**	**-**	**-**	**-**	**7,290**	**7,290**	7,189
Other (4)	**-**	**3,673**	**-**	**-**	**3,673**	**-**	**1,456**	**5,129**	7,866
Total	**15,236**	**30,301**	**23,432**	**25,096**	**94,065**	**30,168**	**77,135**	**201,368**	207,573
Of which:									
Secured	**719**	**6,005**	**3,396**	**3,965**	**14,085**	**12,285**	**32,074**	**58,444**	63,869
Unsecured	**14,517**	**24,296**	**20,036**	**21,131**	**79,980**	**17,883**	**45,061**	**142,924**	143,704
Total (5)	**15,236**	**30,301**	**23,432**	**25,096**	**94,065**	**30,168**	**77,135**	**201,368**	207,573

(1) Wholesale unsecured funding primarily includes funding raised through the issuance of marketable, negotiable instruments. Wholesale funding excludes repo transactions and bankers' acceptances, which are disclosed in the contractual maturity table on page 31, 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) Refers to FHLB advances.
(5) Total wholesale funding consists of Canadian-dollar-denominated funding totalling $54.9 billion and U.S.-dollar-denominated and other foreign-currency-denominated funding totalling $146.5 billion as at January 31, 2020.

Regulatory Developments

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. OSFI finalized the domestic implementation of the NSFR in the second quarter of 2019. 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 ending January 31, 2021. BMO's NSFR exceeds the regulatory minimum as at January 31, 2020. In addition, OSFI made changes to the LCR and other liquidity metrics under the Liquidity Adequacy Requirements (LAR) Guideline and B-6 Guideline, effective January 1, 2020. There was no material impact on our liquidity and funding management approach as a result of these changes.

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 capital markets at competitive pricing levels. Should our credit ratings experience a downgrade, our cost of funding would likely increase and our access to funding and capital through capital markets could be reduced. A material downgrade of our ratings could also have other consequences, including those set out in Note 8 starting on page 162 of BMO's 2019 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), Fitch and DBRS have a stable outlook on BMO.

On January 17, 2020, Fitch upgraded BMO's legacy senior debt and long-term deposit ratings to 'AA' from 'AA-', reflecting BMO's build-up of TLAC to a level that is close to the bank's minimum TLAC requirement.

As at January 31, 2020

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	Stable
S&P	A-1	A-	A+	BBB+	Stable
Fitch	F1+	AA-	AA	A+	Stable
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.

We are required to deliver collateral to certain counterparties in the event of a downgrade to our current credit rating. The incremental collateral required is based on mark-to-market exposure, collateral valuations, and collateral threshold arrangements, as applicable. As at January 31, 2020, we would be required to provide additional collateral to counterparties totalling $87 million, $338 million and $724 million under a one-notch, two-notch and three-notch downgrade, respectively.

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

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

(Canadian $ in millions)										January 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	44,865	-	-	-	-	-	-	-	877	45,742
Interest Bearing Deposits with Banks	3,473	1,745	882	266	769	13	-	-	-	7,148
Securities	3,033	2,487	4,606	3,914	7,955	17,597	47,167	72,560	52,140	211,459
Securities Borrowed or Purchased under Resale Agreements	69,144	30,363	3,988	1,425	299	324	-	-	-	105,543
Loans										
Residential mortgages	1,637	3,470	6,562	6,887	5,167	20,436	70,330	9,952	-	124,441
Consumer instalment and other personal	631	770	1,114	1,395	1,195	4,518	23,406	12,325	23,275	68,629
Credit cards	-	-	-	-	-	-	-	-	8,763	8,763
Business and government	13,153	6,983	8,779	5,368	6,210	26,100	89,004	19,542	55,764	230,903
Allowance for credit losses	-	-	-	-	-	-	-	-	(2,023)	(2,023)
Total Loans, net of allowance	15,421	11,223	16,455	13,650	12,572	51,054	182,740	41,819	85,779	430,713
Other Assets										
Derivative instruments	1,283	1,535	1,358	1,129	1,025	2,073	5,292	8,340	-	22,035
Customers' liability under acceptances	20,744	3,443	58	105	12	-	-	-	-	24,362
Other	1,954	432	334	18	6	14	5	4,478	25,477	32,718
Total Other Assets	23,981	5,410	1,750	1,252	1,043	2,087	5,297	12,818	25,477	79,115
Total Assets	159,917	51,228	27,681	20,507	22,638	71,075	235,204	127,197	164,273	879,720

(Canadian $ in millions)										January 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)										
Banks	12,566	4,398	3,008	1,733	1,469	-	92	236	4,428	27,930
Business and government	26,492	29,232	26,372	20,029	9,018	25,997	47,071	12,626	151,548	348,385
Individuals	3,926	9,535	13,646	15,995	14,349	8,873	13,585	1,967	124,097	205,973
Total Deposits	42,984	43,165	43,026	37,757	24,836	34,870	60,748	14,829	280,073	582,288
Other Liabilities										
Derivative instruments	1,255	2,054	1,263	1,193	1,740	3,006	6,230	6,490	-	23,231
Acceptances	20,744	3,443	58	105	12	-	-	-	-	24,362
Securities sold but not yet purchased	27,562	-	-	-	-	-	-	-	-	27,562
Securities lent or sold under repurchase agreements	96,143	1,295	1,258	662	265	385	-	-	-	100,008
Securitization and structured entities' liabilities	3	1,380	1,066	959	1,449	6,270	12,503	3,407	-	27,037
Other	8,599	3,990	108	101	524	727	2,640	3,475	15,869	36,033
Total Other Liabilities	154,306	12,162	3,753	3,020	3,990	10,388	21,373	13,372	15,869	238,233
Subordinated Debt	-	-	-	-	-	-	-	7,023	-	7,023
Total Equity	-	-	-	-	-	-	-	-	52,176	52,176
Total Liabilities and Equity	197,290	55,327	46,779	40,777	28,826	45,258	82,121	35,224	348,118	879,720

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

(Canadian $ in millions)										January 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)	861	4,893	7,764	8,273	12,162	24,064	103,741	4,307	-	166,065
Backstop liquidity facilities	-	-	-	-	-	5,931	-	-	-	5,931
Leases	-	1	3	7	9	49	189	988	-	1,246
Securities lending	4,493	-	-	-	-	-	-	-	-	4,493
Purchase obligations	47	94	136	137	44	117	179	49	-	803

(1) 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, 2019
	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	47,844	-	-	-	-	-	-	-	959	48,803
Interest Bearing Deposits with Banks	4,088	1,893	1,081	714	211	-	-	-	-	7,987
Securities	2,680	3,420	2,797	3,508	4,670	15,001	46,687	66,005	44,670	189,438
Securities Borrowed or Purchased under Resale Agreements	75,936	21,562	4,819	859	518	-	310	-	-	104,004
Loans										
Residential mortgages	1,691	2,059	5,285	6,818	7,138	22,309	68,143	10,297	-	123,740
Consumer instalment and other personal	645	519	991	1,272	1,502	4,823	22,391	11,947	23,646	67,736
Credit cards	-	-	-	-	-	-	-	-	8,859	8,859
Business and government	12,490	7,072	6,168	7,760	6,547	24,687	87,486	20,331	55,068	227,609
Allowance for credit losses	-	-	-	-	-	-	-	-	(1,850)	(1,850)
Total Loans, net of allowance	14,826	9,650	12,444	15,850	15,187	51,819	178,020	42,575	85,723	426,094
Other Assets										
Derivative instruments	1,209	1,867	877	830	911	2,375	5,095	8,980	-	22,144
Customers' liability under acceptances	20,694	2,562	173	159	5	-	-	-	-	23,593
Other	1,951	593	245	12	5	7	5	4,475	22,839	30,132
Total Other Assets	23,854	5,022	1,295	1,001	921	2,382	5,100	13,455	22,839	75,869
Total Assets	169,228	41,547	22,436	21,932	21,507	69,202	230,117	122,035	154,191	852,195

(Canadian $ in millions)										October 31, 2019
	0 to 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	No maturity	Total
Liabilities and Equity										
Deposits (1)										
Banks	12,177	4,187	1,215	319	1,174	-	-	201	4,543	23,816
Business and government	21,088	28,511	21,209	22,334	18,023	22,983	49,292	11,759	147,958	343,157
Individuals	3,607	8,932	12,080	13,390	15,706	11,418	13,257	2,031	120,749	201,170
Total Deposits	36,872	41,630	34,504	36,043	34,903	34,401	62,549	13,991	273,250	568,143
Other Liabilities										
Derivative instruments	1,329	2,574	1,240	970	1,032	2,985	6,798	6,670	-	23,598
Acceptances	20,694	2,562	173	159	5	-	-	-	-	23,593
Securities sold but not yet purchased	26,253	-	-	-	-	-	-	-	-	26,253
Securities lent or sold under repurchase agreements	83,681	1,459	760	450	-	-	306	-	-	86,656
Securitization and structured entities' liabilities	1	1,655	1,340	1,033	1,038	5,350	13,779	2,963	-	27,159
Other	12,325	3,188	33	29	74	537	3,596	2,406	16,534	38,722
Total Other Liabilities	144,283	11,438	3,546	2,641	2,149	8,872	24,479	12,039	16,534	225,981
Subordinated Debt	-	-	-	-	-	-	-	6,995	-	6,995
Total Equity	-	-	-	-	-	-	-	-	51,076	51,076
Total Liabilities and Equity	181,155	53,068	38,050	38,684	37,052	43,273	87,028	33,025	340,860	852,195

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

(Canadian $ in millions)										October 31, 2019
	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)	1,868	3,777	5,698	8,832	12,511	21,574	102,113	5,643	-	162,016
Backstop liquidity facilities	-	-	-	-	-	-	5,550	-	-	5,550
Operating leases	32	66	98	97	96	361	931	2,119	-	3,800
Securities lending	4,102	-	-	-	-	-	-	-	-	4,102
Purchase obligations	53	98	138	133	137	111	187	69	-	926

(1) 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.

European Exposures

BMO's European exposures were disclosed and discussed on pages 83 and 84 of BMO's 2019 Annual Report. Our exposure to European countries, as at January 31, 2020, 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)

As at January 31, 2020	Funded lending (2)	Securities (3)(4)				Repo-style transactions and derivatives (5)(6)				Total Net Exposure
Country	Total	Bank	Corporate	Sovereign	Total	Bank	Corporate	Sovereign	Total	
GIIPS										
Greece	-	-	-	-	-	-	-	-	-	-
Ireland (7)	377	-	-	-	-	2	287	-	289	666
Italy	14	-	-	-	-	-	-	-	-	14
Portugal	-	-	-	-	-	-	-	-	-	-
Spain	164	-	-	-	-	-	-	1	1	165
Total – GIIPS	**555**	**-**	**-**	**-**	**-**	**2**	**287**	**1**	**290**	**845**
Eurozone (excluding GIIPS)										
France	225	49	-	61	110	88	7	1	96	431
Germany	387	562	46	815	1,423	47	14	5	66	1,876
Netherlands	356	744	1	-	745	7	189	-	196	1,297
Other (8)	258	-	1	192	193	5	15	5	25	476
Total – Eurozone (excluding GIIPS)	**1,226**	**1,355**	**48**	**1,068**	**2,471**	**147**	**225**	**11**	**383**	**4,080**
Rest of Europe										
Norway	591	253	-	-	253	2	5	-	7	851
Sweden	-	258	-	351	609	3	1	-	4	613
United Kingdom	2,049	-	468	8,069	8,537	203	211	20	434	11,020
Other (8)	196	148	-	-	148	38	8	1	47	391
Total – Rest of Europe	**2,836**	**659**	**468**	**8,420**	**9,547**	**246**	**225**	**21**	**492**	**12,875**
Total – All of Europe (9)	**4,617**	**2,014**	**516**	**9,488**	**12,018**	**395**	**737**	**33**	**1,165**	**17,800**

As at October 31, 2019	Funded lending (2)	Securities (3)				Repo-style transactions and derivatives (5)(6)				Total Net Exposure
Country	Total	Bank	Corporate	Sovereign	Total	Bank	Corporate	Sovereign	Total	
Total – GIIPS	499	-	-	-	-	7	240	-	247	746
Total – Eurozone (excluding GIIPS)	1,346	1,528	52	1,032	2,612	45	175	4	224	4,182
Total – Rest of Europe	2,513	671	401	7,877	8,949	147	260	35	442	11,904
Total – All of Europe (9)	4,358	2,199	453	8,909	11,561	199	675	39	913	16,832

Refer to footnotes in the following table.

European Lending Exposure by Country and Counterparty (1)

(Canadian $ in millions)	Lending (2)						
	Funded lending as at January 31, 2020			As at January 31, 2020		As at October 31, 2019	
Country	Bank	Corporate	Sovereign	Commitments	Funded	Commitments	Funded
GIIPS							
Greece	-	-	-	-	-	-	-
Ireland (7)	2	375	-	386	377	343	323
Italy	14	-	-	14	14	14	14
Portugal	-	-	-	-	-	-	-
Spain	141	23	-	238	164	237	162
Total – GIIPS	**157**	**398**	**-**	**638**	**555**	594	499
Eurozone (excluding GIIPS)							
France	162	63	-	365	225	376	244
Germany	233	153	-	591	386	707	515
Netherlands	105	252	-	380	357	377	354
Other (8)	102	156	-	434	258	396	233
Total – Eurozone (excluding GIIPS)	**602**	**624**	**-**	**1,770**	**1,226**	1,856	1,346
Rest of Europe							
Norway	36	555	-	1,171	591	1,100	581
Sweden	-	-	-	72	-	69	-
United Kingdom	8	2,041	-	3,212	2,049	2,671	1,677
Other (8)	11	185	-	398	196	475	255
Total – Rest of Europe	**55**	**2,781**	**-**	**4,853**	**2,836**	4,315	2,513
Total – All of Europe (9)	**814**	**3,803**	**-**	**7,261**	**4,617**	6,765	4,358

(1) BMO has the following indirect exposures to Europe as at January 31, 2020: Collateral of €718 million to support trading activity in securities (€107 million from GIIPS) and €89 million of cash collateral held; and, guarantees of $10.5 billion ($239 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 $166 million, with no net single-name* CDS exposure to GIIPS countries as at January 31, 2020 (*includes a net position of $100 million (bought protection) on a CDS Index, of which 8% is comprised of GIIPS domiciled entities).

(5) Repo-style transactions are primarily with bank counterparties for which BMO holds collateral ($34 billion for Europe as at January 31, 2020).

(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 $193 million as at January 31, 2020.

(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 95% 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.

Consolidated Statement of Income

(Unaudited) (Canadian $ in millions, except as noted)	For the three months ended		
	January 31, 2020	October 31, 2019	January 31, 2019
Interest, Dividend and Fee Income			
Loans	**$ 4,963**	$ 5,072	$ 4,807
Securities (Note 2)	**1,359**	1,415	1,314
Deposits with banks	**193**	195	222
	6,515	6,682	6,343
Interest Expense			
Deposits	**2,127**	2,203	2,079
Subordinated debt	**70**	71	70
Other liabilities (Note 1)	**930**	1,044	1,022
	3,127	3,318	3,171
Net Interest Income	**3,388**	3,364	3,172
Non-Interest Revenue			
Securities commissions and fees	**252**	262	248
Deposit and payment service charges	**304**	314	291
Trading revenues	**141**	(21)	93
Lending fees	**325**	313	277
Card fees	**99**	107	105
Investment management and custodial fees	**456**	449	428
Mutual fund revenues	**366**	359	347
Underwriting and advisory fees	**285**	221	244
Securities gains, other than trading	**64**	68	49
Foreign exchange gains, other than trading	**47**	29	38
Insurance revenue	**880**	435	1,049
Investments in associates and joint ventures	**26**	39	29
Other	**114**	148	147
	3,359	2,723	3,345
Total Revenue	**6,747**	6,087	6,517
Provision for Credit Losses (Note 3)	**349**	253	137
Insurance Claims, Commissions and Changes in Policy Benefit Liabilities	**716**	335	926
Non-Interest Expense			
Employee compensation	**2,128**	2,381	2,072
Premises and equipment (Note 1)	**757**	759	728
Amortization of intangible assets	**151**	148	133
Travel and business development	**121**	134	126
Communications	**79**	72	74
Professional fees	**133**	165	121
Other	**300**	328	303
	3,669	3,987	3,557
Income Before Provision for Income Taxes	**2,013**	1,512	1,897
Provision for income taxes (Note 10)	**421**	318	387
Net Income attributable to Equity Holders of the Bank	**$ 1,592**	$ 1,194	$ 1,510
Earnings Per Share (Canadian $) (Note 9)			
Basic	**$ 2.38**	$ 1.79	$ 2.28
Diluted	**2.37**	1.78	2.28
Dividends per common share	**1.06**	1.03	1.00

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 Comprehensive Income

(Unaudited) (Canadian $ in millions)	For the three months ended		
	January 31, 2020	October 31, 2019	January 31, 2019
Net Income	**$ 1,592**	$ 1,194	$ 1,510
Other Comprehensive Income (Loss), net of taxes			
Items that may subsequently be reclassified to net income			
Net change in unrealized gains on fair value through OCI debt securities			
Unrealized gains on fair value through OCI debt securities arising during the period (1)	**110**	67	187
Reclassification to earnings of (gains) in the period (2)	**(20)**	(29)	(14)
	90	38	173
Net change in unrealized gains (losses) on cash flow hedges			
Gains (losses) on derivatives designated as cash flow hedges arising during the period (3)	**210**	(36)	757
Reclassification to earnings of losses on derivatives designated as cash flow hedges in the period (4)	**24**	21	37
	234	(15)	794
Net gains (losses) on translation of net foreign operations			
Unrealized gains (losses) on translation of net foreign operations	**209**	35	(25)
Unrealized gains (losses) on hedges of net foreign operations (5)	**(47)**	(17)	13
	162	18	(12)
Items that will not be reclassified to net income			
(Losses) on remeasurement of pension and other employee future benefit plans (6)	**(128)**	(169)	(148)
Gains (losses) on remeasurement of own credit risk on financial liabilities designed at fair value (7)	**(70)**	63	79
Unrealized gains on equity securities measured at fair value through OCI (8)	**-**	1	-
	(198)	(105)	(69)
Other Comprehensive Income (Loss), net of taxes	**288**	(64)	886
Total Comprehensive Income attributable to Equity Holders of the Bank	**$ 1,880**	$ 1,130	$ 2,396

(1) Net of income tax (provision) of $(38) million, $(23) million, $(61) million for the three months ended.
(2) Net of income tax provision of $7 million, $11 million, $5 million for the three months ended.
(3) Net of income tax (provision) recovery of $(76) million, $15 million, $(274) million for the three months ended.
(4) Net of income tax (recovery) of $(9) million, $(7) million, $(13) million for the three months ended.
(5) Net of income tax (provision) recovery of $17 million, $6 million, $(5) million for the three months ended.
(6) Net of income tax recovery of $46 million, $58 million, $54 million for the three months ended.
(7) Net of income tax (provision) recovery of $25 million, $(23) million, $(29) million for the three months ended.
(8) Net of income tax (provision) of $nil, $(1) million and $nil for the three months ended.

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

Consolidated Balance Sheet

(Unaudited) (Canadian $ in millions)		As at	
	January 31, 2020	October 31, 2019	January 31, 2019
Assets			
Cash and Cash Equivalents	$ 45,742	$ 48,803	$ 40,470
Interest Bearing Deposits with Banks	7,148	7,987	7,609
Securities (Note 2)			
Trading	97,646	85,903	101,486
Fair value through profit or loss	13,790	13,704	12,280
Fair value through other comprehensive income	74,101	64,515	66,696
Debt securities at amortized cost	25,045	24,472	7,272
Other	877	844	742
	211,459	189,438	188,476
Securities Borrowed or Purchased Under Resale Agreements	105,543	104,004	100,699
Loans			
Residential mortgages	124,441	123,740	120,039
Consumer instalment and other personal	68,629	67,736	63,241
Credit cards	8,763	8,859	8,187
Business and government	230,903	227,609	207,765
	432,736	427,944	399,232
Allowance for credit losses (Note 3)	(2,023)	(1,850)	(1,628)
	430,713	426,094	397,604
Other Assets			
Derivative instruments	22,035	22,144	21,633
Customers' liability under acceptances	24,362	23,593	21,529
Premises and equipment (Note 1)	3,957	2,055	1,971
Goodwill	6,396	6,340	6,388
Intangible assets	2,430	2,424	2,285
Current tax assets	1,705	1,165	1,469
Deferred tax assets	1,562	1,568	1,813
Other	16,668	16,580	14,651
	79,115	75,869	71,739
Total Assets	$ 879,720	$ 852,195	$ 806,597
Liabilities and Equity			
Deposits (Note 4)	$ 582,288	$ 568,143	$ 532,199
Other Liabilities			
Derivative instruments	23,231	23,598	23,188
Acceptances	24,362	23,593	21,529
Securities sold but not yet purchased	27,562	26,253	30,407
Securities lent or sold under repurchase agreements	100,008	86,656	87,783
Securitization and structured entities' liabilities	27,037	27,159	23,969
Current tax liabilities	96	55	84
Deferred tax liabilities	61	60	73
Other (Note 1)	35,876	38,607	33,196
	238,233	225,981	220,229
Subordinated Debt (Note 4)	7,023	6,995	6,820
Equity			
Preferred shares and other equity instruments (Note 5)	5,348	5,348	4,340
Common shares (Note 5)	12,998	12,971	12,914
Contributed surplus	303	303	308
Retained earnings (Note 1)	29,510	28,725	26,599
Accumulated other comprehensive income	4,017	3,729	3,188
Total Equity	52,176	51,076	47,349
Total Liabilities and Equity	$ 879,720	$ 852,195	$ 806,597

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

Consolidated Statement of Changes in Equity

(Unaudited) (Canadian $ in millions)	For the three months ended January 31, 2020	January 31, 2019
Preferred Shares and Other Equity Instruments (Note 5)		
Balance at beginning of period	**$ 5,348**	$ 4,340
Balance at End of Period	**5,348**	4,340
Common Shares (Note 5)		
Balance at beginning of period	**12,971**	12,929
Issued under the Stock Option Plan	**27**	5
Repurchased for cancellation	**-**	(20)
Balance at End of Period	**12,998**	12,914
Contributed Surplus		
Balance at beginning of period	**303**	300
Stock option expense, net of options exercised	**-**	4
Other	**-**	4
Balance at End of Period	**303**	308
Retained Earnings		
Balance at beginning of period	**28,725**	25,850
Impact from adopting IFRS 16 (Note 1)	**(59)**	na
Net income attributable to equity holders of the bank	**1,592**	1,510
Dividends on preferred shares and distributions payable on other equity instruments	**(70)**	(52)
Dividends on common shares	**(678)**	(639)
Common shares repurchased for cancellation (Note 5)	**-**	(70)
Balance at End of Period	**29,510**	26,599
Accumulated Other Comprehensive Income (Loss) on Fair Value through OCI Securities, net of taxes		
Balance at beginning of period	**26**	(315)
Unrealized gains on fair value through OCI debt securities arising during the period	**110**	187
Reclassification to earnings of (gains) in the period	**(20)**	(14)
Balance at End of Period	**116**	(142)
Accumulated Other Comprehensive Income (Loss) on Cash Flow Hedges, net of taxes		
Balance at beginning of period	**513**	(1,074)
Gains on derivatives designated as cash flow hedges arising during the period	**210**	757
Reclassification to earnings of losses on derivatives designated as cash flow hedges in the period	**24**	37
Balance at End of Period	**747**	(280)
Accumulated Other Comprehensive Income on Translation of Net Foreign Operations, net of taxes		
Balance at beginning of period	**3,703**	3,727
Unrealized gains (losses) on translation of net foreign operations	**209**	(25)
Unrealized gains (losses) on hedges of net foreign operations	**(47)**	13
Balance at End of Period	**3,865**	3,715
Accumulated Other Comprehensive Income (Loss) on Pension and Other Employee Future Benefit Plans, net of taxes		
Balance at beginning of period	**(383)**	169
(Losses) on remeasurement of pension and other employee future benefit plans	**(128)**	(148)
Balance at End of Period	**(511)**	21
Accumulated Other Comprehensive (Loss) on Own Credit Risk on Financial Liabilities Designated at Fair Value, net of taxes		
Balance at beginning of period	**(130)**	(205)
Gains (losses) on remeasurement of own credit risk on financial liabilities designated at fair value	**(70)**	79
Balance at End of Period	**(200)**	(126)
Total Accumulated Other Comprehensive Income	**4,017**	3,188
Total Equity	**$ 52,176**	$ 47,349

na – not applicable due to IFRS 16 adoption.

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	
	January 31, 2020	January 31, 2019
Cash Flows from Operating Activities		
Net Income	**$ 1,592**	$ 1,510
Adjustments to determine net cash flows provided by (used in) operating activities		
Net (gain) on securities, other than trading	**(64)**	(49)
Net (increase) in trading securities	**(11,247)**	(2,008)
Provision for credit losses (Note 3)	**349**	137
Change in derivative instruments – decrease in derivative asset	**1,760**	5,354
– (decrease) in derivative liability	**(2,095)**	(1,637)
Amortization of premises and equipment	**199**	105
Amortization of other assets	**54**	53
Amortization of intangible assets	**151**	133
Net decrease in deferred income tax asset	**13**	234
Net increase (decrease) in deferred income tax liability	**-**	(2)
Net (increase) decrease in current income tax asset	**(521)**	40
Net increase in current income tax liability	**39**	36
Change in accrued interest – (increase) decrease in interest receivable	**125**	(106)
– increase (decrease) in interest payable	**(13)**	51
Changes in other items and accruals, net	**(2,635)**	(1,771)
Net increase in deposits	**14,328**	12,408
Net (increase) in loans	**(4,014)**	(14,376)
Net increase in securities sold but not yet purchased	**1,236**	1,624
Net increase in securities lent or sold under repurchase agreements	**12,817**	21,862
Net (increase) in securities borrowed or purchased under resale agreements	**(1,098)**	(16,152)
Net (decrease) in securitization and structured entities' liabilities	**(160)**	(1,070)
Net Cash Provided by Operating Activities	**10,816**	6,376
Cash Flows from Financing Activities		
Net (decrease) in liabilities of subsidiaries	**(2,725)**	(2,692)
Proceeds from issuance of covered bonds	**-**	1,878
Redemption of covered bonds	**(2,201)**	(2,254)
Proceeds from issuance of common shares (Note 5)	**25**	4
Common shares repurchased for cancellation (Note 5)	**-**	(90)
Cash dividends and distributions paid	**(710)**	(657)
Repayment of lease liabilities	**(82)**	-
Net Cash (Used in) Financing Activities	**(5,693)**	(3,811)
Cash Flows from Investing Activities		
Net decrease in interest bearing deposits with banks	**880**	676
Purchases of securities, other than trading	**(19,076)**	(15,470)
Maturities of securities, other than trading	**3,993**	4,235
Proceeds from sales of securities, other than trading	**5,967**	6,560
Premises and equipment – net (purchases)	**(104)**	(91)
Purchased and developed software – net (purchases)	**(151)**	(145)
Net Cash (Used in) Investing Activities	**(8,491)**	(4,235)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**307**	(2)
Net (decrease) in Cash and Cash Equivalents	**(3,061)**	(1,672)
Cash and Cash Equivalents at Beginning of Period	**48,803**	42,142
Cash and Cash Equivalents at End of Period	**$ 45,742**	$ 40,470
Supplemental Disclosure of Cash Flow Information		
Net cash provided by operating activities includes:		
Interest paid in the period	**$ 3,137**	$ 3,122
Income taxes paid in the period	**$ 892**	$ 404
Interest received in the period	**$ 6,168**	$ 5,810
Dividends received in the period	**$ 404**	$ 403

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

January 31, 2020 (Unaudited)

Note 1: Basis of Presentation

Bank of Montreal ("the bank") 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, 2019, with the exception of the adoption of IFRS 16 *Leases,* IFRS Interpretations Committee Interpretation 23 *Uncertainty Over Income Tax Treatments* ("IFRIC 23") and Amendments to IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39") and IFRS 7 *Financial Instruments: Disclosures* ("IFRS 7"), as a result of interest rate benchmark reform discussed 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, 2019 as set out on pages 142 to 207 of our 2019 Annual Report. 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 February 25, 2020.

Changes in Accounting Policy

Leases

Effective November 1, 2019, we adopted IFRS 16 *Leases* ("IFRS 16"), which provides guidance whereby lessees are required to recognize a liability for the present value of future lease payments and record a corresponding asset on the balance sheet for most leases. There are minimal changes to the accounting from the lessor's perspective.

The main impact for the bank is recording real estate leases on the balance sheet. Previously most of our real estate leases were classified as operating leases, whereby we recorded the lease expense over the lease term with no asset or liability recorded on the balance sheet other than related leasehold improvements. On adoption, we elected to exclude intangibles from the scope of lease accounting.

We recalculated the right-of-use asset as if we had always applied IFRS 16 for a selection of leases and for the remaining leases, we set the right-of-use asset equal to the lease liability. We will continue to account for low dollar value leases as executory contracts with lease expense recorded over the lease term and no corresponding right-of-use asset or lease liability. In addition, we combined lease and non-lease components (for example maintenance and utilities that have fixed payments) in the calculation of right-of-use assets and lease liabilities when applicable.

On transition, we recognized the cumulative effect of adoption in opening retained earnings as at November 1, 2019 with no changes to prior periods. The impact to the Consolidated Balance Sheet as at November 1, 2019 was an increase in premises and equipment of $1,965 million, an increase in other liabilities of $2,024 million, and a decrease in retained earnings of $80 million ($59 million after tax).

The following table sets out a reconciliation of our operating lease commitments, as disclosed under IAS 17 *Leases* as at October 31, 2019, which were used to derive the lease liabilities as at November 1, 2019.

(Canadian $ in millions)	November 1, 2019
Operating lease commitment at October 31, 2019 as disclosed in our consolidated financial statements	3,800
Discounted using the incremental borrowing rate at November 1, 2019	(310)
Finance lease liabilities recognized as at October 31, 2019	41
Recognition exemption for low-value asset leases	(13)
Extension and termination options reasonably certain to be exercised	37
Executory costs not included in the lease liability	(166)
Leases signed but not yet started	(1,222)
Lease liabilities recognized at November 1, 2019	2,167

When measuring lease liabilities, we discounted lease payments using our incremental borrowing rate at November 1, 2019. The weighted-average rate applied was 2.52%.

When we enter into new arrangements as a lessee, a right-of-use asset is recognized equal to the lease liability, which is calculated based on the future lease payments discounted at our incremental borrowing rate over the lease term. The lease term is based on the non-cancellable period and includes any options to extend or terminate which we are reasonably certain to exercise.

The right-of-use asset is depreciated on a straight-line basis, based on the shorter of useful life of the underlying asset or the lease term, and is adjusted for impairment losses, if any.

The lease liability accretes interest which is recognized in interest expense, other liabilities, based on the effective interest method over the lease term. The lease liability is remeasured when decisions are made to exercise options under the lease arrangement or when the likelihood of exercising an option within the lease changes.

Amounts relating to leases of low value are expensed when incurred in non-interest expense, premises and equipment.

Uncertainty Over Income Tax Treatment

Effective November 1, 2019, we adopted IFRIC 23. The Interpretation clarifies the recognition and measurement requirements in IAS 12 *Income Taxes* when there is uncertainty over income tax treatments. The Interpretation had no impact on our financial results on adoption.

Interbank Offered Rate ("IBOR") Reform

Effective November 1, 2019, we early adopted the IASB's Phase 1 amendments to IAS 39 and IFRS 7, which provide hedge accounting relief from the uncertainty arising from IBOR reform during the period prior to replacement of IBORs. These amendments modify certain hedge accounting requirements, allowing us to assume the interest rate benchmark on which the cash flows of the hedged item and the hedging instrument are based are not altered as a result of IBOR reform, allowing hedge accounting to continue. They also provide an exception from the requirement to discontinue hedge accounting if a hedging relationship does not meet the effectiveness requirements as a result of IBOR reform.

Mandatory application of the amendments ends at the earlier of when the uncertainty regarding the timing and amount of interest rate benchmark-based cash flows is no longer present and discontinuation of the hedging relationship.

Under IBOR reform, certain benchmark rates may be subject to discontinuance, changes in methodology, increased volatility or decreased liquidity during the transition from IBORs to alternative rates. Banks will cease rate submissions for the calculation of the London Interbank Offered Rates after December 31, 2021.

In order to manage the transition from IBORs to alternative rates, our enterprise-wide IBOR Transition Office is evaluating potential changes to market infrastructures on our risk framework, models, systems and processes, and reviewing legal documents to ensure the bank is prepared prior to the cessation of IBORs. We will apply judgment with respect to the need for new or revised hedging relationships; however, given market uncertainty, the assessment of the impact on the bank's hedging relationships and its mitigation plans are in the early stages. The notional amount of the derivatives likely subject to IBOR reform designated as hedging instruments that mature after December 31, 2021 was $85,727 million of USD LIBOR and $1,560 million of other potentially impacted IBORs as at November 1, 2019.

Note 2: Securities

Classification of Securities

The bank's fair value through profit or loss ("FVTPL") securities of $13,790 million ($13,704 million as at October 31, 2019) are comprised of $2,411 million mandatorily measured at fair value and $11,379 million investment securities held by insurance subsidiaries designated at fair value ($2,899 million and $10,805 million, respectively, as at October 31, 2019).

Our fair value through other comprehensive income ("FVOCI") securities totalling $74,101 million ($64,515 million as at October 31, 2019), are net of allowance for credit losses of $2 million ($2 million as at October 31, 2019).

Amortized cost securities totalling $25,045 million ($24,472 million as at October 31, 2019), are net of allowance for credit losses of $1 million ($1 million as at October 31, 2019).

Unrealized Gains and Losses on FVOCI Securities

The following table summarizes the unrealized gains and losses:

(Canadian $ in millions)	**January 31, 2020**				October 31, 2019			
	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	**13,430**	**81**	**3**	**13,508**	11,876	72	4	11,944
Canadian provincial and municipal governments	**5,611**	**107**	**-**	**5,718**	5,907	106	1	6,012
U.S. federal government	**21,940**	**768**	**1**	**22,707**	15,363	617	5	15,975
U.S. states, municipalities and agencies	**3,857**	**92**	**2**	**3,947**	4,091	74	4	4,161
Other governments	**7,043**	**177**	**-**	**7,220**	7,179	158	2	7,335
National Housing Act (NHA) mortgage-backed securities (MBS)	**1,597**	**18**	**1**	**1,614**	1,953	18	1	1,970
U.S. agency MBS and collateralized mortgage obligations (CMO)	**13,968**	**154**	**40**	**14,082**	11,966	106	42	12,030
Corporate debt	**5,108**	**117**	**1**	**5,224**	4,899	110	2	5,007
Corporate equity	**79**	**2**	**-**	**81**	79	2	-	81
Total	**72,633**	**1,516**	**48**	**74,101**	63,313	1,263	61	64,515

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	
	January 31, 2020	January 31, 2019
FVOCI - Debt	**355**	392
Amortized cost	**134**	40
Total	**489**	432

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 January 31, 2020 and October 31, 2019. 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)				**January 31, 2020**				October 31, 2019
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Loans: Residential mortgages								
Exceptionally low	**-**	**-**	**-**	**-**	-	-	-	-
Very low	**78,649**	**218**	**-**	**78,867**	79,011	242	-	79,253
Low	**21,822**	**2,831**	**-**	**24,653**	20,853	2,821	-	23,674
Medium	**13,810**	**4,586**	**-**	**18,396**	13,651	4,578	-	18,229
High	**114**	**384**	**-**	**498**	124	397	-	521
Not rated	**1,492**	**115**	**-**	**1,607**	1,531	118	-	1,649
Impaired	**-**	**-**	**420**	**420**	-	-	414	414
Allowance for credit losses	**14**	**30**	**17**	**61**	15	32	17	64
Carrying amount	**115,873**	**8,104**	**403**	**124,380**	115,155	8,124	397	123,676
Loans: Consumer instalment and other personal								
Exceptionally low	**1,533**	**30**	**-**	**1,563**	21,023	25	-	21,048
Very low	**25,140**	**24**	**-**	**25,164**	16,491	194	-	16,685
Low	**20,268**	**655**	**-**	**20,923**	9,894	346	-	10,240
Medium	**11,074**	**4,424**	**-**	**15,498**	10,510	4,264	-	14,774
High	**479**	**1,597**	**-**	**2,076**	397	1,423	-	1,820
Not rated	**2,855**	**108**	**-**	**2,963**	2,594	107	-	2,701
Impaired	**-**	**-**	**442**	**442**	-	-	468	468
Allowance for credit losses	**80**	**328**	**125**	**533**	82	318	136	536
Carrying amount	**61,269**	**6,510**	**317**	**68,096**	60,827	6,041	332	67,200
Loans: Credit cards								
Exceptionally low	**2,274**	**-**	**-**	**2,274**	2,418	-	-	2,418
Very low	**1,202**	**14**	**-**	**1,216**	1,214	16	-	1,230
Low	**990**	**155**	**-**	**1,145**	970	158	-	1,128
Medium	**2,033**	**899**	**-**	**2,932**	2,020	876	-	2,896
High	**135**	**447**	**-**	**582**	140	440	-	580
Not rated	**613**	**1**	**-**	**614**	606	1	-	607
Impaired	**-**	**-**	**-**	**-**	-	-	-	-
Allowance for credit losses	**44**	**189**	**-**	**233**	43	193	-	236
Carrying amount	**7,203**	**1,327**	**-**	**8,530**	7,325	1,298	-	8,623
Loans: Business and government (1)								
Acceptable								
Investment grade	**135,484**	**1,051**	**-**	**136,535**	134,587	1,028	-	135,615
Sub-investment grade	**99,569**	**11,781**	**-**	**111,350**	96,731	11,553	-	108,284
Watchlist	**-**	**5,420**	**-**	**5,420**	-	5,556	-	5,556
Impaired	**-**	**-**	**1,960**	**1,960**	-	-	1,747	1,747
Allowance for credit losses	**273**	**456**	**467**	**1,196**	263	441	310	1,014
Carrying amount	**234,780**	**17,796**	**1,493**	**254,069**	231,055	17,696	1,437	250,188
Commitments and financial guarantee contracts								
Acceptable								
Investment grade	**135,495**	**719**	**-**	**136,214**	134,920	884	-	135,804
Sub-investment grade	**48,733**	**7,046**	**-**	**55,779**	45,178	6,435	-	51,613
Watchlist	**-**	**2,117**	**-**	**2,117**	-	2,133	-	2,133
Impaired	**-**	**-**	**437**	**437**	-	-	324	324
Allowance for credit losses	**119**	**110**	**10**	**239**	119	103	22	244
Carrying amount (2)	**184,109**	**9,772**	**427**	**194,308**	179,979	9,349	302	189,630

(1) Includes customers' liability under acceptances.

(2) 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.

Allowance for Credit Losses ("ACL")

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 $2,262 million at January 31, 2020 ($2,094 million at October 31, 2019) of which $2,023 million ($1,850 million at October 31, 2019) was recorded in loans and $239 million ($244 million at October 31, 2019) 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 table shows the continuity in the loss allowance by product type. 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 stage transfers, changes in economic forecasts and credit quality.

(Canadian $ in millions)	For the three months ended							
				January 31, 2020				January 31, 2019
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Loans: Residential mortgages								
Balance as at beginning of period	**15**	**33**	**38**	**86**	20	38	44	102
Transfer to Stage 1	**6**	**(6)**	**-**	**-**	7	(7)	-	-
Transfer to Stage 2	**-**	**2**	**(2)**	**-**	-	2	(2)	-
Transfer to Stage 3	**-**	**(1)**	**1**	**-**	-	(2)	2	-
Net remeasurement of loss allowance	**(9)**	**4**	**5**	**-**	(8)	9	5	6
Loan originations	**2**	**-**	**-**	**2**	2	-	-	2
Derecognitions and maturities	**-**	**(1)**	**-**	**(1)**	-	(1)	-	(1)
Total Provision for Credit Losses ("PCL") (1)	**(1)**	**(2)**	**4**	**1**	1	1	5	7
Write-offs (2)	**-**	**-**	**(3)**	**(3)**	-	-	(4)	(4)
Recoveries of previous write-offs	**-**	**-**	**2**	**2**	-	-	3	3
Foreign exchange and other	**-**	**-**	**(14)**	**(14)**	-	-	(3)	(3)
Balance as at end of period	**14**	**31**	**27**	**72**	21	39	45	105
Loans: Consumer instalment and other personal								
Balance as at beginning of period	**89**	**333**	**136**	**558**	90	326	144	560
Transfer to Stage 1	**41**	**(38)**	**(3)**	**-**	45	(41)	(4)	-
Transfer to Stage 2	**(4)**	**21**	**(17)**	**-**	(4)	24	(20)	-
Transfer to Stage 3	**(2)**	**(25)**	**27**	**-**	(2)	(26)	28	-
Net remeasurement of loss allowance	**(44)**	**62**	**45**	**63**	(47)	53	23	29
Loan originations	**11**	**-**	**-**	**11**	13	-	-	13
Derecognitions and maturities	**(4)**	**(10)**	**-**	**(14)**	(4)	(10)	-	(14)
Total PCL (1)	**(2)**	**10**	**52**	**60**	1	-	27	28
Write-offs (2)	**-**	**-**	**(83)**	**(83)**	-	-	(84)	(84)
Recoveries of previous write-offs	**-**	**-**	**23**	**23**	-	-	54	54
Foreign exchange and other	**1**	**-**	**(3)**	**(2)**	(1)	-	(6)	(7)
Balance as at end of period	**88**	**343**	**125**	**556**	90	326	135	551
Loans: Credit cards								
Balance as at beginning of period	**80**	**225**	**-**	**305**	74	219	-	293
Transfer to Stage 1	**28**	**(28)**	**-**	**-**	26	(26)	-	-
Transfer to Stage 2	**(5)**	**5**	**-**	**-**	(5)	5	-	-
Transfer to Stage 3	**-**	**(40)**	**40**	**-**	-	(40)	40	-
Net remeasurement of loss allowance	**(25)**	**64**	**23**	**62**	(24)	63	13	52
Loan originations	**4**	**-**	**-**	**4**	5	-	-	5
Derecognitions and maturities	**(1)**	**(6)**	**-**	**(7)**	(1)	(7)	-	(8)
Total PCL (1)	**1**	**(5)**	**63**	**59**	1	(5)	53	49
Write-offs (2)	**-**	**-**	**(88)**	**(88)**	-	-	(76)	(76)
Recoveries of previous write-offs	**-**	**-**	**26**	**26**	-	-	23	23
Foreign exchange and other	**(1)**	**-**	**(1)**	**(2)**	-	1	-	1
Balance as at end of period	**80**	**220**	**-**	**300**	75	215	-	290
Loans: Business and government								
Balance as at beginning of period	**338**	**496**	**311**	**1,145**	298	408	209	915
Transfer to Stage 1	**44**	**(38)**	**(6)**	**-**	69	(68)	(1)	-
Transfer to Stage 2	**(8)**	**9**	**(1)**	**-**	(17)	23	(6)	-
Transfer to Stage 3	**(1)**	**(23)**	**24**	**-**	-	(13)	13	-
Net remeasurement of loss allowance	**(61)**	**94**	**188**	**221**	(56)	59	36	39
Loan originations	**47**	**-**	**-**	**47**	60	-	-	60
Derecognitions and maturities	**(15)**	**(25)**	**-**	**(40)**	(23)	(20)	-	(43)
Total PCL (1)	**6**	**17**	**205**	**228**	33	(19)	42	56
Write-offs (2)	**-**	**-**	**(41)**	**(41)**	-	-	(31)	(31)
Recoveries of previous write-offs	**-**	**-**	**7**	**7**	-	-	9	9
Foreign exchange and other	**4**	**6**	**(15)**	**(5)**	4	-	(12)	(8)
Balance as at end of period	**348**	**519**	**467**	**1,334**	335	389	217	941
Total as at end of period	**530**	**1,113**	**619**	**2,262**	521	969	397	1,887
Comprised of: Loans	**411**	**1,003**	**609**	**2,023**	392	866	370	1,628
Other credit instruments (3)	**119**	**110**	**10**	**239**	129	103	27	259

(1) Excludes PCL on other assets of $1 million for the three months ended January 31, 2020 ($(3) million for the three months ended January 31, 2019).

(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) Recorded in other liabilities on the Consolidated Balance Sheet.

Loans and allowance for credit losses by geographic region as at January 31, 2020 and October 31, 2019 are as follows:

(Canadian $ in millions)				January 31, 2020				October 31, 2019
	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	**261,344**	**219**	**748**	**260,377**	258,842	207	740	257,895
United States	**160,404**	**390**	**650**	**159,364**	158,454	256	630	157,568
Other countries	**10,988**	**-**	**16**	**10,972**	10,648	-	17	10,631
Total	**432,736**	**609**	**1,414**	**430,713**	427,944	463	1,387	426,094

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

(2) Excludes allowance for credit losses on impaired loans of $10 million for other credit instruments, which is included in other liabilities ($22 million as at October 31, 2019).

(3) Excludes allowance for credit losses on performing loans of $229 million for other credit instruments, which is included in other liabilities ($222 million as at October 31, 2019).

Note 4: Deposits and Subordinated Debt

Deposits

	Payable on demand				Payable		Payable on			
(Canadian $ in millions)	Interest bearing		Non-interest bearing		after notice		a fixed date (4)(5)		Total	
	January 31, 2020	October 31, 2019	**January 31, 2020**	October 31, 2019	**January 31, 2020**	October 31, 2019	**January 31, 2020**	October 31, 2019	**January 31, 2020**	October 31, 2019
Deposits by:										
Banks (1)	**1,876**	1,996	**1,583**	1,530	**969**	1,017	**23,502**	19,273	**27,930**	23,816
Business and government	**31,548**	29,083	**33,663**	33,853	**86,337**	85,022	**196,837**	195,199	**348,385**	343,157
Individuals	**3,368**	3,361	**23,768**	23,084	**96,961**	94,304	**81,876**	80,421	**205,973**	201,170
Total (2) (3)	**36,792**	34,440	**59,014**	58,467	**184,267**	180,343	**302,215**	294,893	**582,288**	568,143
Booked in:										
Canada	**29,130**	27,338	**50,678**	49,911	**93,631**	90,630	**185,618**	181,835	**359,057**	349,714
United States	**6,491**	6,043	**8,307**	8,531	**89,418**	88,604	**85,246**	86,368	**189,462**	189,546
Other countries	**1,171**	1,059	**29**	25	**1,218**	1,109	**31,351**	26,690	**33,769**	28,883
Total	**36,792**	34,440	**59,014**	58,467	**184,267**	180,343	**302,215**	294,893	**582,288**	568,143

(1) Includes regulated and central banks.

(2) Includes structured notes designated at fair value through profit or loss (Note 6).

(3) As at January 31, 2020 and October 31, 2019, total deposits payable on a fixed date included $29,015 million and $25,438 million, respectively, of federal funds purchased and commercial paper issued and other deposit liabilities. Included in deposits as at January 31, 2020 and October 31, 2019 are $289,039 million and $279,860 million, respectively, of deposits denominated in U.S. dollars, and $33,977 million and $36,680 million, respectively, of deposits denominated in other foreign currencies.

(4) Includes $280,867 million of deposits, each greater than one hundred thousand dollars, of which $171,224 million were booked in Canada, $78,301 million were booked in the United States and $31,342 million were booked in other countries ($273,657 million, $167,294 million, $79,682 million and $26,681 million, respectively, as at October 31, 2019). Of the $171,224 million of deposits booked in Canada, $76,636 million mature in less than three months, $8,508 million mature in three to six months, $19,849 million mature in six to twelve months and $66,231 million mature after twelve months ($167,294 million, $73,027 million, $4,312 million, $22,814 million and $67,141 million, respectively, as at October 31, 2019).

(5) Includes $18,876 million of senior unsecured debt as at January 31, 2020 subject to the Bank Recapitalization (Bail-In) regime ($16,248 million as at October 31, 2019). 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.

Subordinated Debt

During the three months ended January 31, 2020, we did not issue or redeem any subordinated debt.

Note 5: Equity

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

(Canadian $ in millions, except as noted)	January 31, 2020		October 31, 2019			
	Number of shares	Amount	Number of shares	Amount	Convertible into...	
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**	6,000,000	150	Not convertible	(3)
Class B – Series 36	**600,000**	**600**	600,000	600	Class B - Series 37	(2)(3)
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		**4,690**		4,690		
Other Equity Instruments (4)		**658**		658		
Common Shares (5) (6)	**639,624,567**	**12,998**	639,232,276	12,971		
Share Capital and Other Equity Instruments		**18,346**		18,319		

(1) For additional information refer to Notes 16 and 20 of our annual consolidated financial statements for the year ended October 31, 2019 on pages 177 and 188 of our 2019 Annual Report.
(2) If converted, the holders have the option to convert back to the original preferred shares on subsequent redemption dates.
(3) The shares issued include a non-viability contingent capital provision, which is necessary for the shares to qualify as regulatory capital under Basel III. As such, the shares are convertible into a variable number of our common shares if OSFI announces that the bank is, or is about to become, 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 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 share value of the preferred share issuance (including declared and unpaid dividends on such preferred share issuance) by the conversion price and then times the multiplier.
(4) The Other Equity Instruments (notes) issued include a non-viability contingent capital provision, which is necessary for the notes to qualify as regulatory capital under Basel III. As such, the notes 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, the notes are convertible into common shares of the bank determined by dividing (a) the product of the Multiplier of 1.25, and the Note Value, by (b) the Conversion Price which is the greater of the Floor price of $5 and the current market price.
(5) The stock options issued under the Stock Option Plan are convertible into 6,679,032 common shares as at January 31, 2020 (6,108,307 common shares as at October 31, 2019).
(6) During the three months ended January 31, 2020, we did not issue any common shares under the Shareholder Dividend Reinvestment and Share Purchase Plan and we issued 392,291 common shares under the Stock Option Plan.

Other Equity Instruments

The bank's US$500 million (Canadian $658 million) 4.800% Additional Tier 1 Capital Notes (NVCC) ("notes") are classified as equity and form part of our additional Tier 1 non-viability contingent capital. The notes are compound financial instruments that have both equity and liability features. On the date of issuance, we assigned an insignificant value to the liability component of the notes and, as a result, the full amount of proceeds has been classified as equity. Semi-annual distributions on the notes will be recorded as a reduction in retained earnings when payable in May and December. The rights of the holders of our notes are subordinate to the claims of the depositors and certain other creditors but rank above our common and preferred shares.

Common Shares

On February 25, 2020, we announced our intention, subject to the approval of OSFI and the Toronto Stock Exchange, to establish a new normal course issuer bid ("NCIB") for up to 12 million common shares, commencing on or around June 3, 2020. Once approvals are obtained, the share repurchase program will permit BMO to purchase its common shares for the purpose of cancellation. The NCIB is a regular part of BMO's capital management strategy. The timing and amount of purchases under the NCIB are subject to regulatory approvals and to management discretion based on factors such as market conditions and capital levels. We will consult with OSFI before making purchases under the bid.

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, 2019 on pages 179 to 186 for further discussion on the determination of fair value.

(Canadian $ in millions)		**January 31, 2020**		October 31, 2019
	Carrying value	**Fair value**	Carrying value	Fair value
Securities				
Amortized cost	**25,045**	**25,256**	24,472	24,622
Loans (1)				
Residential mortgages	**124,380**	**124,590**	123,676	124,093
Consumer instalment and other personal	**68,096**	**68,326**	67,200	67,516
Credit cards	**8,530**	**8,530**	8,623	8,623
Business and government (2)	**226,289**	**227,208**	224,442	225,145
	427,295	**428,654**	423,941	425,377
Deposits (3)	**565,598**	**566,753**	552,314	553,444
Securitization and structured entities' liabilities	**27,037**	**27,303**	27,159	27,342
Subordinated debt	**7,023**	**7,310**	6,995	7,223

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 of loans is net of allowance.

(2) Excludes $3,350 million of loans classified as FVTPL and $92 million of loans classified as FVOCI as at January 31, 2020, respectively ($2,156 million and $22 million as at October 31, 2019).

(3) Excludes $16,690 million of structured note liabilities designated at FVTPL and accounted for at fair value ($15,829 million as at October 31, 2019).

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 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 and prepayment rates 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 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, fair value liabilities, derivative assets and derivative liabilities is presented in the following tables:

(Canadian $ in millions)				January 31, 2020				October 31, 2019
	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	**5,868**	**1,587**	**-**	**7,455**	6,959	1,371	-	8,330
Canadian provincial and municipal governments	**2,759**	**4,496**	**-**	**7,255**	3,871	3,656	-	7,527
U.S. federal government	**11,429**	**1,335**	**-**	**12,764**	8,001	762	-	8,763
U.S. states, municipalities and agencies	**31**	**331**	**-**	**362**	48	626	-	674
Other governments	**870**	**334**	**-**	**1,204**	888	697	-	1,585
NHA MBS, U.S. agency MBS and CMO	**-**	**12,717**	**540**	**13,257**	14	10,494	538	11,046
Corporate debt	**2,740**	**4,970**	**5**	**7,715**	2,620	5,091	7	7,718
Trading loans	**-**	**55**	**-**	**55**	-	103	-	103
Corporate equity	**47,577**	**2**	**-**	**47,579**	40,155	2	-	40,157
	71,274	**25,827**	**545**	**97,646**	62,556	22,802	545	85,903
FVTPL Securities								
Issued or guaranteed by:								
Canadian federal government	**535**	**116**	**-**	**651**	410	107	-	517
Canadian provincial and municipal governments	**123**	**1,188**	**-**	**1,311**	364	915	-	1,279
U.S. federal government	**-**	**51**	**-**	**51**	-	48	-	48
Other governments	**-**	**74**	**-**	**74**	-	49	-	49
NHA MBS, U.S. agency MBS and CMO	**-**	**4**	**-**	**4**	-	5	-	5
Corporate debt	**89**	**8,007**	**-**	**8,096**	146	8,071	-	8,217
Corporate equity	**1,686**	**6**	**1,911**	**3,603**	1,536	69	1,984	3,589
	2,433	**9,446**	**1,911**	**13,790**	2,456	9,264	1,984	13,704
FVOCI Securities								
Issued or guaranteed by:								
Canadian federal government	**11,905**	**1,603**	**-**	**13,508**	11,168	776	-	11,944
Canadian provincial and municipal governments	**3,470**	**2,248**	**-**	**5,718**	3,798	2,214	-	6,012
U.S. federal government	**20,213**	**2,494**	**-**	**22,707**	15,068	907	-	15,975
U.S. states, municipalities and agencies	**32**	**3,914**	**1**	**3,947**	1	4,159	1	4,161
Other governments	**3,007**	**4,213**	**-**	**7,220**	4,396	2,939	-	7,335
NHA MBS, U.S. agency MBS and CMO	**-**	**15,696**	**-**	**15,696**	-	14,000	-	14,000
Corporate debt	**2,386**	**2,838**	**-**	**5,224**	2,205	2,802	-	5,007
Corporate equity	**-**	**-**	**81**	**81**	-	-	81	81
	41,013	**33,006**	**82**	**74,101**	36,636	27,797	82	64,515
Business and government loans	**-**	**1,881**	**1,561**	**3,442**	-	442	1,736	2,178
Fair Value Liabilities								
Securities sold but not yet purchased	**20,428**	**7,134**	**-**	**27,562**	22,393	3,860	-	26,253
Structured note liabilities and other note liabilities (1)	**-**	**16,690**	**-**	**16,690**	-	15,829	-	15,829
Annuity liabilities (2)	**-**	**1,117**	**-**	**1,117**	-	1,043	-	1,043
	20,428	**24,941**	**-**	**45,369**	22,393	20,732	-	43,125
Derivative Assets								
Interest rate contracts	**48**	**10,410**	**-**	**10,458**	14	10,443	-	10,457
Foreign exchange contracts	**4**	**8,581**	**-**	**8,585**	7	9,262	-	9,269
Commodity contracts	**236**	**912**	**-**	**1,148**	329	817	-	1,146
Equity contracts	**333**	**1,510**	**-**	**1,843**	226	997	-	1,223
Credit default swaps	**-**	**1**	**-**	**1**	-	49	-	49
	621	**21,414**	**-**	**22,035**	576	21,568	-	22,144
Derivative Liabilities								
Interest rate contracts	**36**	**7,830**	**-**	**7,866**	11	7,943	-	7,954
Foreign exchange contracts	**15**	**9,752**	**-**	**9,767**	20	10,843	-	10,863
Commodity contracts	**232**	**2,075**	**-**	**2,307**	218	1,462	-	1,680
Equity contracts	**-**	**3,274**	**-**	**3,274**	103	2,896	-	2,999
Credit default swaps	**-**	**16**	**1**	**17**	-	101	1	102
	283	**22,947**	**1**	**23,231**	352	23,245	1	23,598

(1) These structured note liabilities and other note liabilities included in deposits have been designated at FVTPL.
(2) These investment contract liabilities in our insurance business have been designated at FVTPL.

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. The following is a discussion of the significant transfers between Level 1, Level 2 and Level 3 balances for the three months ended January 31, 2020.

During the three months ended January 31, 2020, $1,825 million of trading securities, $329 million of FVTPL securities, $3,259 million of FVOCI securities and $2,734 million of securities sold but not yet purchased ($1,704 million of trading securities, $323 million of FVTPL securities, $607 million of FVOCI securities and $1,803 million of securities sold but not yet purchased, for the three months ended January 31, 2019) were transferred from Level 1 to Level 2 due to reduced observability of the inputs used to value these securities. During the three months ended January 31, 2020, $667 million of trading securities, $61 million of FVTPL securities, $729 million of FVOCI securities and $70 million of securities sold but not yet purchased ($659 million of trading securities, $104 million of FVTPL securities, $1,111 million of FVOCI securities and $437 million of securities sold but not yet purchased, for the three months ended January 31, 2019) were transferred from Level 2 to Level 1 due to increased availability of quoted prices in active markets.

During the three months ended January 31, 2020, $74 million ($19 million for the three months ended January 31, 2019) of trading securities were transferred from Level 2 to Level 3 due to changes in the market observability of inputs used in pricing these securities, $128 million ($17 million for the three months ended January 31, 2019) were transferred from Level 3 to Level 2 due to the availability of observable price inputs used to value these securities.

Changes in Level 3 Fair Value Measurements

The table below presents a reconciliation of all changes in Level 3 financial instruments during the three months ended January 31, 2020, including realized and unrealized gains (losses) included in earnings and other comprehensive income.

		Change in fair value								
(Canadian $ in millions) For the three months ended January 31, 2020	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	Fair Value as at January 31, 2020	Change in unrealized gains (losses) recorded in income for instruments still held (3)
Trading Securities										
NHA MBS and U.S. agency MBS and CMO	538	**(54)**	**2**	**273**	**(165)**	**-**	**74**	**(128)**	**540**	**(37)**
Corporate debt	7	**-**	**-**	**5**	**(7)**	**-**	**-**	**-**	**5**	**-**
Total trading securities	545	**(54)**	**2**	**278**	**(172)**	**-**	**74**	**(128)**	**545**	**(37)**
FVTPL Securities										
Corporate equity	1,984	**4**	**8**	**78**	**(164)**	**-**	**1**	**-**	**1,911**	**14**
Total FVTPL securities	1,984	**4**	**8**	**78**	**(164)**	**-**	**1**	**-**	**1,911**	**14**
FVOCI Securities										
Issued or guaranteed by:										
U.S. states, municipalities and agencies	1	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1**	**-**
Corporate equity	81	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**81**	**-**
Total FVOCI securities	82	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**82**	**na**
Business and government loans	1,736	**-**	**9**	**80**	**-**	**(264)**	**-**	**-**	**1,561**	**-**
Fair Value Liabilities										
Securities sold but not yet purchased	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total fair value liabilities	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Derivative Liabilities										
Equity contracts	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Credit default swaps	1	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1**	**-**
Total derivative liabilities	1	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1**	**-**

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

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

(3) Changes in unrealized gains (losses) on FVTPL securities still held on January 31, 2020 are included in earnings for the period.

na – Not applicable

The table below presents a reconciliation of all changes in Level 3 financial instruments during the three months ended January 31, 2019, including realized and unrealized gains (losses) included in earnings and other comprehensive income.

(Canadian $ in millions) For the three months ended January 31, 2019	Balance October 31, 2018	Change in fair value: Included in earnings	Change in fair value: Included in other comprehensive income (1)	Issuances/ Purchases	Sales (2)	Maturities/ Settlement	Transfers into Level 3	Transfers out of Level 3	Fair Value as at January 31, 2019	Change in unrealized gains (losses) recorded in income for instruments still held (3)
Trading Securities										
NHA MBS and U.S. agency MBS and CMO	255	(5)	(1)	96	(116)	-	19	(17)	231	(1)
Corporate debt	7	-	-	-	(1)	-	-	-	6	-
Total trading securities	262	(5)	(1)	96	(117)	-	19	(17)	237	(1)
FVTPL Securities										
Corporate equity	1,825	14	(4)	123	(172)	-	-	-	1,786	16
Total FVTPL	1,825	14	(4)	123	(172)	-	-	-	1,786	16
FVOCI Securities										
Issued or guaranteed by:										
U.S. states, municipalities and agencies	1	-	-	-	-	-	-	-	1	na
Corporate equity	62	-	-	2	-	-	-	-	64	na
Total FVOCI securities	63	-	-	2	-	-	-	-	65	na
Business and government loans	1,450	7	(4)	1,117	-	(141)	-	-	2,429	-
Fair Value Liabilities										
Securities sold but not yet purchased	-	-	-	-	7	-	-	-	7	-
Total fair value liabilities	-	-	-	-	7	-	-	-	7	-
Derivative Liabilities										
Equity contracts	1	-	-	-	-	-	-	(1)	-	-
Credit default swaps	1	-	-	-	-	-	-	-	1	-
Total derivative liabilities	2	-	-	-	-	-	-	(1)	1	-

(1) Foreign exchange translation on trading securities held by foreign subsidiaries is included in other comprehensive income, net foreign operations.
(2) Includes proceeds recovered on securities sold but not yet purchased.
(3) Changes in unrealized gains (losses) on FVTPL securities still held on January 31, 2019 are included in earnings for the period.
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 January 31, 2020, 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 2.0% Domestic Stability Buffer (DSB) applicable to D-SIBs. In December 2019, OSFI set the DSB at 2.25% effective April 30, 2020. Our capital position as at January 31, 2020 is detailed in the Capital Management section of Management's Discussion and Analysis of the First Quarter 2020 Report to Shareholders.

Note 8: Employee Compensation

Stock Options

During the three months ended January 31, 2020, we granted a total of 976,087 stock options (931,047 stock options during the three months ended January 31, 2019). The weighted-average fair value of options granted during the three months ended January 31, 2020 was $9.46 per option ($10.23 per option for the three months ended January 31, 2019).

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 three months ended	**January 31, 2020**	January 31, 2019
Expected dividend yield	**4.3%**	5.7%
Expected share price volatility	**15.4%**	20.0% - 20.1%
Risk-free rate of return	**1.9% - 2.0%**	2.5%
Expected period until exercise (in years)	**6.5 - 7.0**	6.5 - 7.0
Exercise price ($)	**101.47**	89.90

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	**January 31, 2020**	January 31, 2019	**January 31, 2020**	January 31, 2019
Current service cost	**62**	48	**3**	2
Net interest (income) expense on net defined benefit (asset) liability	**-**	(5)	**8**	10
Past service cost (income)	**-**	(5)	**-**	-
Administrative expenses	**1**	1	**-**	-
Benefits expense	**63**	39	**11**	12
Canada and Quebec pension plan expense	**24**	21	**-**	-
Defined contribution expense	**61**	54	**-**	-
Total pension and other employee future benefit expenses recognized in the Consolidated Statement of Income	**148**	114	**11**	12

Note 9: Earnings Per Share

Basic earnings per share is calculated by dividing net income attributable to equity holders of the bank, 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	
	January 31, 2020	January 31, 2019
Net income attributable to equity holders of the bank	**1,592**	1,510
Dividends on preferred shares and distributions payable on other equity instruments	**(70)**	(52)
Net income available to common shareholders	**1,522**	1,458
Weighted-average number of common shares outstanding (in thousands)	**639,448**	638,927
Basic earnings per share (Canadian $)	**2.38**	2.28

Diluted Earnings Per Common Share

Net income available to common shareholders adjusted for impact of dilutive instruments	**1,522**	1,458
Weighted-average number of common shares outstanding (in thousands)	**639,448**	638,927
Effect of dilutive instruments		
Stock options potentially exercisable (1)	**5,150**	4,704
Common shares potentially repurchased	**(3,803)**	(3,218)
Weighted-average number of diluted common shares outstanding (in thousands)	**640,795**	640,413
Diluted earnings per share (Canadian $)	**2.37**	2.28

(1) In computing diluted earnings per share we excluded average stock options outstanding of 1,338,832 with a weighted-average exercise price of $105.01 for the three months ended January 31, 2020 (1,970,886 with a weighted-average exercise price of $100.69 for the three months ended January 31, 2019) as the average share price for the period did not exceed the exercise price.

Note 10: Income Taxes

In prior fiscal years, the Canada Revenue Agency (CRA) reassessed us for additional taxes and interest in an amount of approximately $611 million in respect of certain 2011-2014 Canadian corporate dividends. In its reassessments, the CRA denied dividend deductions on the basis that the dividends were received as part of a "dividend rental arrangement". The tax rules raised by the CRA in the reassessments 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 in 2015 and subsequent years. We remain of the view that our tax filing positions were appropriate and intend to challenge any reassessment.

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 and BMO Capital Markets ("BMO CM"), along with a Corporate Services unit.

For additional information refer to Note 25 of the consolidated financial statements for the year ended October 31, 2019 on pages 199 to 202 of the Annual Report.

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

(Canadian $ in millions)

For the three months ended January 31, 2020	Canadian P&C	U.S. P&C	BMO Wealth Management	BMO CM	Corporate Services (1)	Total
Net interest income (2)	**1,557**	**1,051**	**231**	**696**	**(147)**	**3,388**
Non-interest revenue	**525**	**305**	**1,794**	**673**	**62**	**3,359**
Total Revenue	**2,082**	**1,356**	**2,025**	**1,369**	**(85)**	**6,747**
Provision for credit losses on impaired loans	**138**	**132**	**-**	**53**	**1**	**324**
Provision for (recovery of) credit losses on performing loans	**14**	**17**	**3**	**(3)**	**(6)**	**25**
Total provision for (recovery of) credit losses	**152**	**149**	**3**	**50**	**(5)**	**349**
Insurance claims, commissions and changes in policy benefit liabilities	**-**	**-**	**716**	**-**	**-**	**716**
Depreciation and amortization	**123**	**140**	**86**	**55**	**-**	**404**
Other non-interest expense	**863**	**621**	**826**	**797**	**158**	**3,265**
Income (loss) before taxes	**944**	**446**	**394**	**467**	**(238)**	**2,013**
Provision for (recovery of) income taxes	**244**	**95**	**103**	**111**	**(132)**	**421**
Reported net income (loss)	**700**	**351**	**291**	**356**	**(106)**	**1,592**
Average Assets	**248,997**	**132,639**	**44,219**	**351,330**	**105,404**	**882,589**

For the three months ended January 31, 2019	Canadian P&C	U.S. P&C	BMO Wealth Management	BMO CM	Corporate Services (1)	Total
Net interest income (2)	1,435	1,059	232	560	(114)	3,172
Non-interest revenue	515	279	1,908	577	66	3,345
Total Revenue	1,950	1,338	2,140	1,137	(48)	6,517
Provision for (recovery of) credit losses on impaired loans	114	15	2	1	(5)	127
Provision for (recovery of) credit losses on performing loans	6	(9)	-	14	(1)	10
Provision for (recovery of) credit losses	120	6	2	15	(6)	137
Insurance claims, commissions and changes in policy benefit liabilities	-	-	926	-	-	926
Depreciation and amortization	80	110	67	34	-	291
Other non-interest expense	876	657	829	762	142	3,266
Income (loss) before taxes	874	565	316	326	(184)	1,897
Provision for (recovery of) income taxes	226	121	78	70	(108)	387
Reported net income (loss)	648	444	238	256	(76)	1,510
Average Assets	231,321	119,997	38,744	340,535	89,609	820,206

(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: Legal Proceedings

The bank and its subsidiaries are party to legal proceedings, including regulatory investigations, in the ordinary course of business. BMO Nesbitt Burns Inc., BMO InvestorLine Inc. and BMO Trust Company are defending a class action claiming various monetary awards up to $419 million for the alleged non-disclosure of foreign exchange conversion spreads when converting foreign currency in registered accounts. At a January 2020 summary judgment motion, an Ontario court indicated it expects to make a liability finding against these subsidiaries. The court's written decision, including any monetary award, is expected in the second quarter of 2020. The bank will review the decision when received and consider whether to appeal.

While there is inherent difficulty in predicting the ultimate outcome of this or other proceedings, management does not expect the outcome of any of these proceedings, individually or in the aggregate, to have a material adverse effect on the consolidated financial position or the results of operations of the bank.

Note 13: Future Acquisition

On January 21, 2020, we entered into an agreement to acquire Clearpool Group Inc. ("Clearpool"), a U.S. based independent agency broker-dealer who provides holistic electronic trading solutions. The acquisition is subject to regulatory approvals and is expected to close in the calendar second quarter of 2020. Upon closing, Clearpool will form part of BMO Capital Markets reporting segment. The impact of this acquisition is not expected to be material to the bank.

INVESTOR AND MEDIA PRESENTATION

Investor Presentation Materials

Interested parties are invited to visit our website at www.bmo.com/investorrelations to review our 2019 annual MD&A and audited annual consolidated financial statements, quarterly presentation materials and supplementary financial information package.

Quarterly Conference Call and Webcast Presentations

Interested parties are also invited to listen to our quarterly conference call on Tuesday, February 25, 2020, at 8:15 a.m. (ET). The call may be accessed by telephone at 416-340-2217 (from within Toronto) or 1-800-806-5484 (toll-free outside Toronto), entering Passcode: 3048334#. A replay of the conference call can be accessed until Tuesday, May 26, 2020, by calling 905-694-9451 (from within Toronto) or 1-800-408-3053 (toll-free outside Toronto) and entering Passcode: 4224755#.

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

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Investor Relations Contacts

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Tom Little, Director, Investor Relations, tom.little@bmo.com, 416-867-7834

Shareholder Dividend Reinvestment and Share Purchase Plan (the Plan)

Average market price as defined under the Plan
November 2019: $101.35
December 2019: $100.82
January 2020: $103.67

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, including the notice for our normal course issuer bid, please contact

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

For further information on this 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 our website at www.bmo.com/investorrelations.

Our 2019 Annual MD&A, audited annual 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 2019 audited financial statements are available free of charge upon request at 416-867-6785 or corp.secretary@bmo.com.

Annual Meeting 2020

The next Annual Meeting of Shareholders will be held on Tuesday, March 31, 2020, in Toronto, Ontario.
