# Consolidated Statement of Income

| (Unaudited) (Canadian $ in millions, except as noted) | For the three months ended | | | For the six months ended | |
|---|---|---|---|---|---|
| | **April 30, 2023** | January 31, 2023 | April 30, 2022 | **April 30, 2023** | April 30, 2022 |
| **Interest, Dividend and Fee Income** | | | | | |
| Loans | **$ 10,005** | $ 8,194 | $ 4,197 | **$ 18,199** | $ 8,278 |
| Securities (Notes 2 and 12) | **2,895** | 2,138 | 1,252 | **5,033** | 2,319 |
| Deposits with banks | **882** | 1,039 | 74 | **1,921** | 132 |
| | **13,782** | 11,371 | 5,523 | **25,153** | 10,729 |
| **Interest Expense** | | | | | |
| Deposits | **6,262** | 5,283 | 854 | **11,545** | 1,559 |
| Subordinated debt | **103** | 101 | 51 | **204** | 96 |
| Other liabilities | **2,603** | 1,966 | 716 | **4,569** | 1,153 |
| | **8,968** | 7,350 | 1,621 | **16,318** | 2,808 |
| **Net Interest Income** | **4,814** | 4,021 | 3,902 | **8,835** | 7,921 |
| **Non-Interest Revenue** | | | | | |
| Securities commissions and fees | **258** | 263 | 281 | **521** | 563 |
| Deposit and payment service charges | **395** | 316 | 332 | **711** | 661 |
| Trading revenues (Note 12) | **340** | (1,283) | 3,629 | **(943)** | 4,428 |
| Lending fees | **383** | 382 | 334 | **765** | 719 |
| Card fees | **173** | 147 | 143 | **320** | 274 |
| Investment management and custodial fees | **462** | 439 | 441 | **901** | 907 |
| Mutual fund revenues | **307** | 313 | 332 | **620** | 688 |
| Underwriting and advisory fees | **269** | 208 | 308 | **477** | 742 |
| Securities gains, other than trading (Note 2) | **36** | 75 | 86 | **111** | 224 |
| Foreign exchange gains, other than trading | **59** | 54 | 59 | **113** | 81 |
| Insurance revenue | **726** | 1,331 | (673) | **2,057** | (481) |
| Share of profit in associates and joint ventures | **66** | 69 | 50 | **135** | 116 |
| Other | **152** | 135 | 94 | **287** | 198 |
| | **3,626** | 2,449 | 5,416 | **6,075** | 9,120 |
| **Total Revenue** | **8,440** | 6,470 | 9,318 | **14,910** | 17,041 |
| **Provision for Credit Losses (Notes 3 and 12)** | **1,023** | 217 | 50 | **1,240** | (49) |
| **Insurance Claims, Commissions and Changes in Policy Benefit Liabilities** | **591** | 1,193 | (808) | **1,784** | (727) |
| **Non-Interest Expense** | | | | | |
| Employee compensation | **2,975** | 2,566 | 2,087 | **5,541** | 4,386 |
| Premises and equipment | **1,261** | 955 | 850 | **2,216** | 1,678 |
| Amortization of intangible assets | **280** | 163 | 147 | **443** | 297 |
| Advertising and business development | **195** | 140 | 115 | **335** | 221 |
| Communications | **91** | 74 | 75 | **165** | 139 |
| Professional fees | **312** | 232 | 180 | **544** | 335 |
| Other | **459** | 291 | 259 | **750** | 503 |
| | **5,573** | 4,421 | 3,713 | **9,994** | 7,559 |
| **Income Before Provision for Income Taxes** | **1,253** | 639 | 6,363 | **1,892** | 10,258 |
| Provision for income taxes (Note 10) | **194** | 392 | 1,607 | **586** | 2,569 |
| **Net Income** | **$ 1,059** | $ 247 | $ 4,756 | **$ 1,306** | $ 7,689 |
| Attributable to: | | | | | |
| Bank shareholders | **1,056** | 247 | 4,756 | **1,303** | 7,689 |
| Non-controlling interest in subsidiaries | **3** | – | – | **3** | – |
| **Net Income** | **$ 1,059** | $ 247 | $ 4,756 | **$ 1,306** | $ 7,689 |
| **Earnings Per Common Share (Canadian $) (Note 9)** | | | | | |
| Basic | **$ 1.31** | $ 0.30 | $ 7.15 | **$ 1.62** | $ 11.61 |
| Diluted | **1.30** | 0.30 | 7.13 | **1.62** | 11.57 |
| Dividends per common share | **1.43** | 1.43 | 1.33 | **2.86** | 2.66 |

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

# Consolidated Statement of Comprehensive Income

| (Unaudited) (Canadian $ in millions) | For the three months ended | | | For the six months ended | |
|---|---|---|---|---|---|
| | **April 30, 2023** | January 31, 2023 | April 30, 2022 | **April 30, 2023** | April 30, 2022 |
| **Net Income** | **$ 1,059** | $ 247 | $ 4,756 | **$ 1,306** | $ 7,689 |
| **Other Comprehensive Income (Loss), net of taxes** | | | | | |
| Items that may subsequently be reclassified to net income | | | | | |
| Net change in unrealized gains (losses) on fair value through OCI debt securities | | | | | |
| Unrealized gains (losses) on fair value through OCI debt securities arising during the period (1) | **23** | 142 | (238) | **165** | (300) |
| Reclassification to earnings of (gains) losses during the period (2) | **(17)** | (6) | 6 | **(23)** | (22) |
| | **6** | 136 | (232) | **142** | (322) |
| Net change in unrealized gains (losses) on cash flow hedges | | | | | |
| Gains (losses) on derivatives designated as cash flow hedges arising during the period (3) | **(144)** | 1,124 | (2,433) | **980** | (2,911) |
| Reclassification to earnings/goodwill of (gains) losses on derivatives designated as cash flow hedges during the period (Note 12) (4) | **26** | 235 | (111) | **261** | (249) |
| | **(118)** | 1,359 | (2,544) | **1,241** | (3,160) |
| Net gains (losses) on translation of net foreign operations | | | | | |
| Unrealized gains (losses) on translation of net foreign operations | **937** | (850) | 322 | **87** | 1,130 |
| Unrealized gains (losses) on hedges of net foreign operations (5) | **(174)** | 23 | (64) | **(151)** | (192) |
| Reclassification to earnings of net losses related to divestitures (6) | **–** | – | – | **–** | 29 |
| | **763** | (827) | 258 | **(64)** | 967 |
| Items that will not be reclassified to net income | | | | | |
| Net unrealized gains on fair value through OCI equity securities arising during the period (7) | **–** | – | – | **–** | 2 |
| Net gains (losses) on remeasurement of pension and other employee future benefit plans (8) | **5** | (64) | 444 | **(59)** | 606 |
| Net gains (losses) on remeasurement of own credit risk on financial liabilities designated at fair value (9) | **174** | (410) | 538 | **(236)** | 604 |
| | **179** | (474) | 982 | **(295)** | 1,212 |
| **Other Comprehensive Income (Loss), net of taxes** | **830** | 194 | (1,536) | **1,024** | (1,303) |
| **Total Comprehensive Income** | **$ 1,889** | $ 441 | $ 3,220 | **$ 2,330** | $ 6,386 |
| Attributable to: | | | | | |
| Bank shareholders | **1,886** | 441 | 3,220 | **2,327** | 6,386 |
| Non-controlling interest in subsidiaries | **3** | – | – | **3** | – |
| **Total Comprehensive Income** | **$ 1,889** | $ 441 | $ 3,220 | **$ 2,330** | $ 6,386 |

(1) Net of income tax (provision) recovery of $(7) million, $(48) million, $84 million for the three months ended, and $(55) million, $105 million for the six months ended, respectively.
(2) Net of income tax provision (recovery) of $7 million, $2 million, $(2) million for the three months ended, and $9 million, $8 million for the six months ended, respectively.
(3) Net of income tax (provision) recovery of $49 million, $(317) million, $878 million for the three months ended, and $(268) million, $1,050 million for the six months ended, respectively.
(4) Net of income tax provision (recovery) of $7 million, $(104) million, $40 million for the three months ended, and $(97) million, $90 million for the six months ended, respectively.
(5) Net of income tax (provision) recovery of $67 million, $(59) million, $23 million for the three months ended, and $8 million, $71 million for the six months ended, respectively.
(6) Net of income tax (provision) of na, na, na for the three months ended, and na, $nil million for the six months ended, respectively.
(7) Net of income tax (provision) of $nil million, $nil million, $(1) million for the three months ended, and $nil million, $(1) million for the six months ended, respectively.
(8) Net of income tax (provision) recovery of $(2) million, $2 million, $(160) million for the three months ended, and $nil million, $(220) million for the six months ended, respectively.
(9) Net of income tax (provision) recovery of $(67) million, $139 million, and $(194) million for the three months ended, and $72 million, $(218) million for the six months ended, respectively.

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

# Consolidated Balance Sheet

| (Unaudited) (Canadian $ in millions) | As at | | |
|---|---|---|---|
| | **April 30, 2023** | January 31, 2023 | October 31, 2022 |
| **Assets** | | | |
| **Cash and Cash Equivalents** | **$ 68,495** | $ 103,342 | $ 87,466 |
| **Interest Bearing Deposits with Banks** | **5,275** | 5,080 | 5,734 |
| **Securities (Notes 2 and 12)** | | | |
| Trading | **119,081** | 110,728 | 108,177 |
| Fair value through profit or loss | **16,764** | 14,739 | 13,641 |
| Fair value through other comprehensive income | **56,519** | 48,365 | 43,561 |
| Debt securities at amortized cost | **122,102** | 105,784 | 106,590 |
| Investments in associates and joint ventures | **1,490** | 1,411 | 1,293 |
| | **315,956** | 281,027 | 273,262 |
| **Securities Borrowed or Purchased Under Resale Agreements** | **118,575** | 118,531 | 113,194 |
| **Loans (Notes 3 and 12)** | | | |
| Residential mortgages | **166,733** | 151,294 | 148,880 |
| Consumer instalment and other personal | **104,357** | 84,184 | 86,103 |
| Credit cards | **11,063** | 9,841 | 9,663 |
| Business and government | **355,972** | 303,582 | 309,310 |
| | **638,125** | 548,901 | 553,956 |
| Allowance for credit losses (Notes 3 and 12) | **(3,350)** | (2,638) | (2,617) |
| | **634,775** | 546,263 | 551,339 |
| **Other Assets** | | | |
| Derivative instruments | **31,960** | 33,294 | 48,160 |
| Customers' liability under acceptances | **10,591** | 13,636 | 13,235 |
| Premises and equipment | **6,111** | 4,865 | 4,841 |
| Goodwill (Note 12) | **16,025** | 5,260 | 5,285 |
| Intangible assets (Note 12) | **5,158** | 2,277 | 2,193 |
| Current tax assets | **2,127** | 1,815 | 1,421 |
| Deferred tax assets | **2,369** | 1,392 | 1,175 |
| Other | **33,474** | 28,924 | 31,894 |
| | **107,815** | 91,463 | 108,204 |
| **Total Assets** | **$ 1,250,891** | $ 1,145,706 | $ 1,139,199 |
| **Liabilities and Equity** | | | |
| **Deposits (Notes 4 and 12)** | **$ 875,443** | $ 787,376 | $ 769,478 |
| **Other Liabilities** | | | |
| Derivative instruments | **41,802** | 44,090 | 59,956 |
| Acceptances | **10,591** | 13,636 | 13,235 |
| Securities sold but not yet purchased | **45,302** | 45,226 | 40,979 |
| Securities lent or sold under repurchase agreements | **105,179** | 101,484 | 103,963 |
| Securitization and structured entities' liabilities | **25,759** | 26,336 | 27,068 |
| Other | **62,535** | 44,488 | 45,332 |
| | **291,168** | 275,260 | 290,533 |
| **Subordinated Debt** | **8,195** | 8,156 | 8,150 |
| **Total Liabilities** | **$ 1,174,806** | $ 1,070,792 | $ 1,068,161 |
| **Equity** | | | |
| Preferred shares and other equity instruments (Note 5) | **6,958** | 6,958 | 6,308 |
| Common shares (Note 5) | **22,062** | 21,637 | 17,744 |
| Contributed surplus | **327** | 335 | 317 |
| Retained earnings | **44,143** | 44,238 | 45,117 |
| Accumulated other comprehensive income | **2,576** | 1,746 | 1,552 |
| Total shareholders' equity | **76,066** | 74,914 | 71,038 |
| Non-controlling interest in subsidiaries (Note 5) | **19** | – | – |
| **Total Equity** | **76,085** | 74,914 | 71,038 |
| **Total Liabilities and Equity** | **$ 1,250,891** | $ 1,145,706 | $ 1,139,199 |

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

# Consolidated Statement of Changes in Equity

| (Unaudited) (Canadian $ in millions) | For the three months ended | | For the six months ended | |
|---|---|---|---|---|
| | **April 30, 2023** | April 30, 2022 | **April 30, 2023** | April 30, 2022 |
| **Preferred Shares and Other Equity Instruments (Note 5)** | | | | |
| Balance at beginning of period | **$ 6,958** | $ 5,558 | **$ 6,308** | $ 5,558 |
| Issued during the period | **–** | 750 | **650** | 750 |
| Redeemed during the period | **–** | (600) | **–** | (600) |
| Balance at End of Period | **6,958** | 5,708 | **6,958** | 5,708 |
| **Common Shares (Note 5)** | | | | |
| Balance at beginning of period | **21,637** | 13,625 | **17,744** | 13,599 |
| Issued under the Shareholder Dividend Reinvestment and Share Purchase Plan | **419** | 301 | **765** | 301 |
| Issued under the Stock Option Plan | **16** | 21 | **39** | 43 |
| Repurchased for cancellation and/or treasury shares sold/purchased | **(10)** | (15) | **1** | (11) |
| Issued to align capital position with increased regulatory requirements as announced by OSFI (Note 5) | **–** | – | **3,360** | – |
| Issued for acquisitions (Notes 5 and 12) | **–** | 3,106 | **153** | 3,106 |
| Balance at End of Period | **22,062** | 17,038 | **22,062** | 17,038 |
| **Contributed Surplus** | | | | |
| Balance at beginning of period | **335** | 319 | **317** | 313 |
| Stock option expense, net of options exercised | **(4)** | – | **10** | 5 |
| Other | **(4)** | (1) | **–** | – |
| Balance at End of Period | **327** | 318 | **327** | 318 |
| **Retained Earnings** | | | | |
| Balance at beginning of period | **44,238** | 37,513 | **45,117** | 35,497 |
| Net income attributable to bank shareholders | **1,056** | 4,756 | **1,303** | 7,689 |
| Dividends on preferred shares and distributions payable on other equity instruments | **(127)** | (52) | **(165)** | (107) |
| Dividends on common shares | **(1,020)** | (894) | **(2,035)** | (1,756) |
| Equity issue expense and premium paid on redemption of preferred shares | **–** | (48) | **(73)** | (48) |
| Net discount on sale of treasury shares | **(4)** | – | **(4)** | – |
| Balance at End of Period | **44,143** | 41,275 | **44,143** | 41,275 |
| **Accumulated Other Comprehensive (Loss) on Fair Value through OCI Securities, net of taxes** | | | | |
| Balance at beginning of period | **(223)** | 83 | **(359)** | 171 |
| Unrealized gains (losses) on fair value through OCI debt securities arising during the period | **23** | (238) | **165** | (300) |
| Unrealized gains on fair value through OCI equity securities arising during the period | **–** | – | **–** | 2 |
| Reclassification to earnings of (gains) losses during the period | **(17)** | 6 | **(23)** | (22) |
| Balance at End of Period | **(217)** | (149) | **(217)** | (149) |
| **Accumulated Other Comprehensive (Loss) on Cash Flow Hedges, net of taxes** | | | | |
| Balance at beginning of period | **(3,770)** | (431) | **(5,129)** | 185 |
| Gains (losses) on derivatives designated as cash flow hedges arising during the period | **(144)** | (2,433) | **980** | (2,911) |
| Reclassification to earnings/goodwill of (gains) losses on derivatives designated as cash flow hedges during the period (Note 12) | **26** | (111) | **261** | (249) |
| Balance at End of Period | **(3,888)** | (2,975) | **(3,888)** | (2,975) |
| **Accumulated Other Comprehensive Income on Translation of Net Foreign Operations, net of taxes** | | | | |
| Balance at beginning of period | **4,341** | 2,978 | **5,168** | 2,269 |
| Unrealized gains on translation of net foreign operations | **937** | 322 | **87** | 1,130 |
| Unrealized (losses) on hedges of net foreign operations | **(174)** | (64) | **(151)** | (192) |
| Reclassification to earnings of net losses related to divestitures | **–** | – | **–** | 29 |
| Balance at End of Period | **5,104** | 3,236 | **5,104** | 3,236 |
| **Accumulated Other Comprehensive Income on Pension and Other Employee Future Benefit Plans, net of taxes** | | | | |
| Balance at beginning of period | **880** | 447 | **944** | 285 |
| Gains (losses) on remeasurement of pension and other employee future benefit plans | **5** | 444 | **(59)** | 606 |
| Balance at End of Period | **885** | 891 | **885** | 891 |
| **Accumulated Other Comprehensive Income on Own Credit Risk on Financial Liabilities Designated at Fair Value, net of taxes** | | | | |
| Balance at beginning of period | **518** | (288) | **928** | (354) |
| Gains (losses) on remeasurement of own credit risk on financial liabilities designated at fair value | **174** | 538 | **(236)** | 604 |
| Balance at End of Period | **692** | 250 | **692** | 250 |
| **Total Accumulated Other Comprehensive Income** | **2,576** | 1,253 | **2,576** | 1,253 |
| **Total Shareholders' Equity** | **76,066** | 65,592 | **76,066** | 65,592 |
| **Non-Controlling Interest in Subsidiaries** | | | | |
| Balance at beginning of period | **–** | – | **–** | – |
| Acquisition (Note 12) | **16** | – | **16** | – |
| Net income attributable to non-controlling interest | **3** | – | **3** | – |
| Balance at End of Period | **19** | – | **19** | – |
| **Total Equity** | **$ 76,085** | $ 65,592 | **$ 76,085** | $ 65,592 |

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

# Consolidated Statement of Cash Flows

| (Unaudited) (Canadian $ in millions, except as noted) | For the three months ended | | For the six months ended | |
|---|---|---|---|---|
| | **April 30, 2023** | April 30, 2022 | **April 30, 2023** | April 30, 2022 |
| **Cash Flows from Operating Activities** | | | | |
| Net Income | **$ 1,059** | $ 4,756 | **$ 1,306** | $ 7,689 |
| Adjustments to determine net cash flows provided by (used in) operating activities: | | | | |
| Securities (gains), other than trading (Note 2) | **(36)** | (86) | **(111)** | (224) |
| Depreciation of premises and equipment | **269** | 192 | **472** | 387 |
| Depreciation of other assets | **17** | 22 | **36** | 50 |
| Amortization of intangible assets | **280** | 147 | **443** | 297 |
| Provision for (recovery of) credit losses (Note 3) | **1,023** | 50 | **1,240** | (49) |
| Deferred taxes | **(21)** | 426 | **(69)** | 609 |
| Net loss on divestitures | **–** | – | **–** | 29 |
| Changes in operating assets and liabilities: | | | | |
| Net (increase) decrease in trading securities | **(7,211)** | 19,493 | **(11,015)** | 6,746 |
| Change in derivative instruments – (increase) decrease in derivative asset | **3,697** | (12,221) | **21,384** | (9,003) |
| – increase (decrease) in derivative liability | **(4,688)** | 12,020 | **(20,683)** | 9,274 |
| Net (increase) decrease in current tax asset | **(235)** | 399 | **(696)** | 430 |
| Net (decrease) in current tax liability | **(171)** | (120) | **(390)** | (162) |
| Change in accrued interest – (increase) in interest receivable | **(383)** | (436) | **(639)** | (380) |
| – increase in interest payable | **799** | 181 | **1,989** | 110 |
| Changes in other items and accruals, net | **2,830** | (681) | **2,878** | (6,683) |
| Net increase (decrease) in deposits | **(8,611)** | 3,398 | **15,993** | 12,293 |
| Net (increase) in loans | **(9,665)** | (16,112) | **(9,856)** | (37,742) |
| Net increase (decrease) in securities sold but not yet purchased | **(341)** | 2,507 | **4,182** | 6,928 |
| Net (decrease) in securities lent or sold under repurchase agreements | **(3,575)** | (11,569) | **(4,646)** | (2,715) |
| Net (increase) decrease in securities borrowed or purchased under resale agreements | **1,200** | 10,730 | **(5,205)** | 2,180 |
| Net (decrease) in securitization and structured entities' liabilities | **(708)** | (519) | **(1,260)** | (1,000) |
| Net Cash Provided by (Used in) Operating Activities | **(24,471)** | 12,577 | **(4,647)** | (10,936) |
| **Cash Flows from Financing Activities** | | | | |
| Net increase (decrease) in liabilities of subsidiaries | **4,803** | (29) | **4,803** | 3,766 |
| Proceeds from issuance of covered bonds | **3,475** | 3,358 | **5,111** | 7,283 |
| Redemption/buyback of covered bonds | **(6,007)** | – | **(8,175)** | (2,222) |
| Proceeds from issuance of subordinated debt | **–** | – | **–** | 1,587 |
| Proceeds from issuance of preferred shares, net of issuance costs (Note 5) | **–** | 749 | **648** | 749 |
| Redemption of preferred shares (Note 5) | **–** | (600) | **–** | (600) |
| Net proceeds from issuance of common shares (Note 5) | **20** | 3,080 | **3,318** | 3,097 |
| Net proceeds from the sale (purchase) of treasury shares | **(10)** | (15) | **1** | (11) |
| Cash dividends and distributions paid | **(634)** | (617) | **(1,305)** | (1,363) |
| Repayment of lease liabilities | **(96)** | (79) | **(167)** | (136) |
| Net Cash Provided by Financing Activities | **1,551** | 5,847 | **4,234** | 12,150 |
| **Cash Flows from Investing Activities** | | | | |
| Net (increase) decrease in interest bearing deposits with banks | **(111)** | 977 | **435** | 905 |
| Purchases of securities, other than trading | **(12,024)** | (12,598) | **(27,451)** | (65,923) |
| Maturities of securities, other than trading | **5,247** | 5,057 | **9,926** | 12,248 |
| Proceeds from sales of securities, other than trading | **8,893** | 8,750 | **13,422** | 27,150 |
| Premises and equipment – net (purchases) | **(202)** | (166) | **(376)** | (301) |
| Purchased and developed software – net (purchases) | **(201)** | (162) | **(394)** | (296) |
| Acquisitions (1) (Note 12) | **(14,910)** | – | **(14,952)** | – |
| Net proceeds from divestitures | **–** | 8 | **–** | 1,226 |
| Net Cash Provided by (Used in) Investing Activities | **(13,308)** | 1,866 | **(19,390)** | (24,991) |
| Effect of Exchange Rate Changes on Cash and Cash Equivalents | **1,381** | (127) | **832** | 802 |
| Net increase (decrease) in Cash and Cash Equivalents | **(34,847)** | 20,163 | **(18,971)** | (22,975) |
| Cash and Cash Equivalents at Beginning of Period | **103,342** | 50,123 | **87,466** | 93,261 |
| **Cash and Cash Equivalents at End of Period** | **$ 68,495** | $ 70,286 | **$ 68,495** | $ 70,286 |
| **Supplemental Disclosure of Cash Flow Information** | | | | |
| Net cash provided by operating activities includes: | | | | |
| Interest paid in the period (2) | **$ 8,035** | $ 1,413 | **$ 14,180** | $ 2,641 |
| Income taxes paid in the period | **$ 657** | $ 446 | **$ 1,983** | $ 991 |
| Interest received in the period | **$ 12,403** | $ 4,676 | **$ 23,158** | $ 9,494 |
| Dividends received in the period | **$ 628** | $ 446 | **$ 1,079** | $ 870 |

(1) This amount is net of $3,583 million cash and cash equivalents acquired as part of the acquisitions. To mitigate changes in the Canadian dollar equivalent of the purchase price on close, we entered into forward contracts, which qualified for hedge accounting.

(2) Includes dividends paid on securities sold but not yet purchased.

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 Interim Consolidated Financial Statements

April 30, 2023 (Unaudited)

## Note 1: Basis of Presentation

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

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board (IASB) using the same accounting policies as disclosed in our annual consolidated financial statements for the year ended October 31, 2022, with the addition of purchased loan accounting in Note 3 and non-controlling interests, described below, as a result of our acquisition of Bank of the West and its subsidiaries (Bank of the West). Refer to Note 12 for more details. 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, 2022. We also comply with interpretations of International Financial Reporting Standards (IFRS) by our regulator, the Office of the Superintendent of Financial Institutions of Canada (OSFI). These interim consolidated financial statements were authorized for issue by the Board of Directors on May 24, 2023.

*Non-Controlling Interest in Subsidiaries*

Non-controlling interest in subsidiaries is presented in our Consolidated Balance Sheet as a separate component of equity that is distinct from our shareholders' equity. The net income attributable to non-controlling interest in subsidiaries is presented separately in our Consolidated Statement of Income.

### Interbank Offered Rate (IBOR) Reform

The transition from London Interbank rates (LIBORs) and other IBORs to alternative reference rates continues. The Bank of the West's exposure to remaining USD LIBOR settings was nominal as at April 30, 2023. Hence, the Bank of the West acquisition did not significantly impact the project or transition risks from our disclosure in Note 1 of our annual consolidated financial statements for the year ended October 31, 2022.

As we approach the June 30, 2023 cessation date for the remaining USD LIBOR settings, our overall USD LIBOR exposures continue to decline and our USD LIBOR derivative exposures will largely transition when central counterparties convert existing LIBOR trades to Secured Overnight Financing Rate.

### Use of Estimates and Judgments

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

The most significant assets and liabilities for which we must make estimates and judgments include the allowance for credit losses; financial instruments measured at fair value; pension and other employee future benefits; impairment of securities; income taxes and deferred tax assets; goodwill and intangible assets; insurance-related liabilities; provisions including legal proceedings and restructuring charges; transfer of financial assets and consolidation of structured entities. We make judgments in assessing the business model for financial assets as well as whether substantially all risks and rewards have been transferred in respect of transfers of financial assets and whether we control structured entities. If actual results were to differ from the estimates, the impact would be recorded in future periods.

The economic outlook for Canada and the U.S. is subject to several risks that could lead to a severe downturn, including persistent high inflation leading to significant further increases in interest rates, continued stress in the U.S. regional banking sector, an escalation of the conflict in Ukraine, and an increase in geopolitical tensions between the U.S. and China. In addition, the U.S. Congress will need to raise the debt ceiling soon to avoid a potential default that could lead to financial market turbulence and a much weaker economy. The impact on our business, results of operations, reputation, financial performance and condition, including the potential for credit, counterparty and mark-to-market losses, our credit ratings and regulatory capital and liquidity ratios, as well as impacts to our customers and competitors, will depend on future developments, which remain uncertain. By their very nature, the judgments and estimates we make for the purposes of preparing our consolidated financial statements relate to matters that are inherently uncertain. However, we have detailed policies and internal controls that are intended to ensure the judgments made in estimating these amounts are well controlled and independently reviewed, and that our policies are consistently applied from period to period. We believe that our estimates of the value of our assets and liabilities are appropriate as at April 30, 2023.

*Allowance for Credit Losses*

As detailed further in Note 1 of our annual consolidated financial statements for the year ended October 31, 2022, the allowance for credit losses (ACL) consists of allowances on impaired loans, which represent estimated losses related to impaired loans in the portfolio provided for but not yet written off, and allowances on performing loans, which is our best estimate of impairment in the existing portfolio for loans that have not yet been individually identified as impaired.

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

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

In determining whether there has been a significant increase in credit risk and in calculating the amount of expected credit losses, we must rely on estimates and exercise judgment regarding matters for which the ultimate outcome is unknown. These judgments include changes in circumstances that may cause future assessments of credit risk to be materially different from current assessments, which could require an increase or decrease in the allowance for credit losses. The calculation of expected credit losses includes the explicit incorporation of forecasts of future economic conditions. We have developed models incorporating specific macroeconomic variables that are relevant to each portfolio. Key economic variables for our retail portfolios include primary operating markets of Canada, the United States (U.S.) and regional markets, where considered significant. Forecasts are developed internally by our Economics group, considering external data and our view of future economic conditions. We exercise experienced credit judgment to incorporate multiple economic forecasts, which are probability-weighted, in the determination of the final expected credit loss. The allowance is sensitive to changes in both economic forecasts and the probability-weight assigned to each forecast scenario.

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

*Acquisition of Bank of the West - Valuation of Assets and Liabilities*

Significant judgment and assumptions were used to determine the fair value of the Bank of the West assets acquired and liabilities assumed, including the loan portfolio, core-deposit and other relationship intangible assets and fixed-maturity deposits.

For loans, the determination of fair value involved estimating the cash flows which are expected to be received on all purchased loans and discounting these back to their present value. We estimated expected cash flows based on models that incorporate management's best estimate of current key assumptions such as default rates, loss severity, timing of prepayments and collateral. In determining the discount rate, we considered various factors, including our cost to raise funds in the current market, the risk premium associated with the loans and the cost to service the portfolios.

For core-deposit intangible assets, fair value was determined using a discounted cash flow approach, comparing the present value of the cost to maintain the acquired deposits and to the cost of alternative funding. The present value of the cost to maintain the acquired deposits includes an estimate of future interest costs and operating expenses for the core deposits acquired. Core deposits are those that we considered to be a stable, below-market sources of funding. Deposit run-off was estimated using historical attrition data, comparing this to market sources at the date of acquisition.

We calculated the fair value of wealth management and credit card customer relationships acquired based on the excess of estimated future cash inflows (i.e. revenue from the acquired relationships) over the related estimated cash outflows (i.e. operating costs and contributory asset charges) over the estimated useful life of the customer base.

The determination of the fair value of fixed-maturity deposits involved estimating the cash flows to be paid and discounting these back to their present value. The timing and amount of cash flows include significant management judgment regarding the likelihood of early redemption and the timing of withdrawal by the customer. Discount rates were based on the prevailing rates we were paying on similar deposits at the date of acquisition.

The fair value of all other assets and liabilities, including real estate properties, was calculated using market data where possible, as well as management judgment to determine the price that would be obtained in an arms-length transaction between knowledgeable, willing parties.

Additional information regarding the accounting for the acquisition is included in Note 3 and Note 12.

## Note 2: Securities

### Classification of Securities

The bank's fair value through profit or loss (FVTPL) securities of $16,764 million ($13,641 million as at October 31, 2022) are comprised of $6,510 million mandatorily measured at fair value and $10,254 million investment securities held by insurance subsidiaries designated at fair value ($4,410 million and $9,231 million, respectively, as at October 31, 2022).

Our fair value through other comprehensive income (FVOCI) securities totalling $56,519 million ($43,561 million as at October 31, 2022), are net of an allowance for credit losses of $3 million ($3 million as at October 31, 2022).

Amortized cost securities totalling $122,102 million ($106,590 million as at October 31, 2022), are net of an allowance for credit losses of $3 million ($3 million as at October 31, 2022).

## Amortized Cost Securities

The following table summarizes the carrying value and fair value for amortized cost debt securities:

| (Canadian $ in millions) | April 30, 2023 | | October 31, 2022 | |
|---|---|---|---|---|
| | **Carrying value** | **Fair value** | Carrying value | Fair value |
| Issued or guaranteed by: | | | | |
| Canadian federal government | **6,351** | **6,355** | 7,136 | 7,129 |
| Canadian provincial and municipal governments | **5,597** | **5,617** | 5,588 | 5,583 |
| U.S. federal government | **58,221** | **52,797** | 59,245 | 51,717 |
| U.S. states, municipalities and agencies | **187** | **190** | 109 | 105 |
| Other governments | **1,123** | **1,141** | 1,387 | 1,377 |
| NHA MBS, U.S. agency MBS and CMO (1) | **48,847** | **45,400** | 31,013 | 26,864 |
| Corporate debt | **1,776** | **1,734** | 2,112 | 2,057 |
| Total | **122,102** | **113,234** | 106,590 | 94,832 |

(1) These amounts are either supported by insured mortgages or issued by U.S. agencies and government-sponsored enterprises. NHA refers to the National Housing Act, MBS refers to mortgage-backed securities and CMO refers to collateralized mortgage obligations.

The carrying value of securities that are part of fair value hedging relationships are adjusted for related gains (losses) on hedge contracts.

## Unrealized Gains and Losses on FVOCI Securities

The following table summarizes the unrealized gains and losses:

| (Canadian $ in millions) | April 30, 2023 | | | | October 31, 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | **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 | **15,816** | **92** | **90** | **15,818** | 12,498 | 11 | 208 | 12,301 |
| Canadian provincial and municipal governments | **4,901** | **39** | **80** | **4,860** | 4,724 | 6 | 159 | 4,571 |
| U.S. federal government | **5,581** | **38** | **187** | **5,432** | 3,403 | – | 293 | 3,110 |
| U.S. states, municipalities and agencies | **5,152** | **13** | **99** | **5,066** | 3,863 | 5 | 154 | 3,714 |
| Other governments | **7,216** | **35** | **41** | **7,210** | 6,532 | 4 | 125 | 6,411 |
| NHA MBS, U.S. agency MBS and CMO | **14,791** | **22** | **215** | **14,598** | 9,572 | 13 | 317 | 9,268 |
| Corporate debt | **3,435** | **5** | **62** | **3,378** | 4,203 | 25 | 195 | 4,033 |
| Corporate equity | **126** | **31** | **–** | **157** | 122 | 31 | – | 153 |
| Total | **57,018** | **275** | **774** | **56,519** | 44,917 | 95 | 1,451 | 43,561 |

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

## Interest Income on Debt Securities

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

| (Canadian $ in millions) | For the three months ended | | For the six months ended | |
|---|---|---|---|---|
| | **April 30, 2023** | April 30, 2022 | **April 30, 2023** | April 30, 2022 |
| FVOCI | **644** | 94 | **1,123** | 190 |
| Amortized cost | **884** | 300 | **1,415** | 472 |
| Total | **1,528** | 394 | **2,538** | 662 |

## Non-Interest Revenue

Net gains and losses from securities, excluding gains and losses on trading securities, have been included in our Consolidated Statement of Income as follows:

| (Canadian $ in millions) | For the three months ended | | For the six months ended | |
|---|---|---|---|---|
| | **April 30, 2023** | April 30, 2022 | **April 30, 2023** | April 30, 2022 |
| FVTPL securities | **15** | 95 | **77** | 197 |
| FVOCI securities - realized gains (losses) (1) | **23** | (9) | **34** | 27 |
| Impairment loss | **(2)** | – | **–** | – |
| Securities gains, other than trading | **36** | 86 | **111** | 224 |

(1) Gains (losses) are net of (losses) gains on hedge contracts.

Interest and dividend income and gains (losses) on securities held in our Insurance business are recorded in non-interest revenue, insurance revenue, in our Consolidated Statement of Income. These include:

- Interest and dividend income of $109 million and $217 million for the three months and six months ended April 30, 2023, respectively ($95 million and $190 million for the three and six months ended April 30, 2022, respectively). Interest income is calculated using the effective interest method;
- Gains (losses) from securities designated as FVTPL of $49 million and $609 million for the three months and six months ended April 30, 2023, respectively ($(1,111) million and $(1,354) million for the three and six months ended April 30, 2022, respectively); and
- Realized gains from FVOCI securities were $1 million for the three and six months ended April 30, 2023, respectively ($nil million for the three and six months ended April 30, 2022, respectively).

# Note 3: Loans and Allowance for Credit Losses

## Purchased Loans

Purchased loans are initially measured at fair value and identified as either purchased performing loans (those that continued to make timely principal and interest payments), or purchased credit impaired loans (those for which the timely collection of interest and principal is no longer reasonably assured). These loans are subsequently measured at amortized cost.

*Purchased Performing Loans*

For loans with fixed terms, the fair value mark is amortized into interest income over the expected life of the loan using the effective interest method. For loans with revolving terms, the fair value mark is amortized into net interest income on a straight-line basis over the contractual term of the loans. As loans are repaid, the remaining unamortized fair value mark related to those loans is recorded in interest income in the period the loan is repaid. All purchased performing loans were initially recorded in Stage 1 for purposes of determining expected credit losses.

On February 1, 2023, we recognized purchased performing loans with a fair value of $76,068 million. Fair value reflects estimates of expected future credit losses at the acquisition date of $1,047 million as well as interest rate premiums or discounts relative to prevailing market rates. Gross contractual receivables amounted to $78,931 million. As at April 30, 2023, purchased performing loans on the Consolidated Balance Sheet totalled $70,530 million, including a remaining fair value mark of $(2,679) million.

*Purchased Credit Impaired (PCI) Loans*

Subsequent to the acquisition date, we will regularly re-evaluate what we expect to collect on the purchased credit impaired loans. Increases in expected cash flows will result in a recovery of the provision for credit losses and either a reduction in any previously recorded allowance for credit losses or, if no allowance exists, an increase in the current carrying value of the purchased loans. Decreases in expected cash flows will result in a charge to the provision for credit losses and an increase to the allowance for credit losses. We will record interest income using the effective interest method over the effective life of the loan. PCI loans are presented within Stage 3.

On February 1, 2023, we recognized purchased credit impaired loans with a total fair value of $415 million, including a fair value mark of $(168) million.

The following table provides further details of the acquired Bank of the West PCI loans:

| (Canadian $ in millions) | April 30, 2023 |
|---|---|
| | Total |
| Unpaid principal balance (1) | **491** |
| Fair value adjustment | **(152)** |
| Carrying value | **339** |
| Stage 3 allowance | **2** |
| Carrying value net of related allowance | **341** |

(1) Excludes loans that were fully written off prior to acquisition date.

## Commitments and Letters of Credit Acquired

As part of our acquisition of Bank of the West, we recorded a liability related to unfunded commitments and letters of credit. The total fair value mark associated with unfunded commitments and letters of credit is amortized into net interest income on a straight-line basis over the contractual term of the acquired commitments. All purchased commitments and letters of credit are included in Stage 1 for purposes of determining expected credit losses. ECL is recorded on these commitments in normal course.

On February 1, 2023 we recorded a fair value mark on unfunded commitments and letters of credit of $(37) million in other liabilities in the Consolidated Balance Sheet. As at April 30, 2023, the remaining fair value mark of these commitments was $(35) million.

## Credit Risk Exposure

The following table sets out our credit risk exposure for all loans carried at amortized cost, FVOCI or FVTPL as at April 30, 2023 and October 31, 2022. 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 expected credit loss that are credit impaired.

| (Canadian $ in millions) | April 30, 2023 | | | | October 31, 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** (1) | **Total** | Stage 1 | Stage 2 | Stage 3 | Total |
| **Loans: Residential mortgages** | | | | | | | | |
| Exceptionally low | **1** | **–** | **–** | **1** | 7 | – | – | 7 |
| Very low | **79,701** | **222** | **–** | **79,923** | 94,743 | 81 | – | 94,824 |
| Low | **48,725** | **11,196** | **–** | **59,921** | 31,617 | 3,134 | – | 34,751 |
| Medium | **7,423** | **3,184** | **–** | **10,607** | 13,474 | 3,871 | – | 17,345 |
| High | **374** | **1,691** | **–** | **2,065** | 138 | 341 | – | 479 |
| Not rated (2) | **13,735** | **99** | **–** | **13,834** | 1,126 | 53 | – | 1,179 |
| Impaired | **–** | **–** | **382** | **382** | – | – | 295 | 295 |
| Gross residential mortgages | **149,959** | **16,392** | **382** | **166,733** | 141,105 | 7,480 | 295 | 148,880 |
| Allowance for credit losses | **77** | **130** | **3** | **210** | 59 | 66 | 10 | 135 |
| Carrying amount | **149,882** | **16,262** | **379** | **166,523** | 141,046 | 7,414 | 285 | 148,745 |
| **Loans: Consumer instalment and other personal** | | | | | | | | |
| Exceptionally low | **1,497** | **5** | **–** | **1,502** | 1,792 | 35 | – | 1,827 |
| Very low | **38,728** | **32** | **–** | **38,760** | 33,554 | 83 | – | 33,637 |
| Low | **21,666** | **997** | **–** | **22,663** | 24,369 | 1,307 | – | 25,676 |
| Medium | **7,930** | **5,926** | **–** | **13,856** | 13,536 | 4,633 | – | 18,169 |
| High | **945** | **1,820** | **–** | **2,765** | 873 | 1,525 | – | 2,398 |
| Not rated (2) | **24,155** | **208** | **–** | **24,363** | 4,052 | 32 | – | 4,084 |
| Impaired | **–** | **–** | **448** | **448** | – | – | 312 | 312 |
| Gross consumer instalment and other personal | **94,921** | **8,988** | **448** | **104,357** | 78,176 | 7,615 | 312 | 86,103 |
| Allowance for credit losses | **241** | **344** | **130** | **715** | 101 | 288 | 102 | 491 |
| Carrying amount | **94,680** | **8,644** | **318** | **103,642** | 78,075 | 7,327 | 210 | 85,612 |
| **Loans: Credit cards** (3) | | | | | | | | |
| Exceptionally low | **1,575** | **–** | **–** | **1,575** | 2,920 | – | – | 2,920 |
| Very low | **1,750** | **–** | **–** | **1,750** | 442 | 1 | – | 443 |
| Low | **1,646** | **36** | **–** | **1,682** | 1,569 | 51 | – | 1,620 |
| Medium | **3,367** | **827** | **–** | **4,194** | 2,918 | 792 | – | 3,710 |
| High | **453** | **668** | **–** | **1,121** | 316 | 563 | – | 879 |
| Not rated (2) | **696** | **45** | **–** | **741** | 90 | 1 | – | 91 |
| Impaired | **–** | **–** | **–** | **–** | – | – | – | – |
| Gross credit cards | **9,487** | **1,576** | **–** | **11,063** | 8,255 | 1,408 | – | 9,663 |
| Allowance for credit losses | **104** | **229** | **–** | **333** | 69 | 207 | – | 276 |
| Carrying amount | **9,383** | **1,347** | **–** | **10,730** | 8,186 | 1,201 | – | 9,387 |
| **Loans: Business and government** (4) | | | | | | | | |
| Acceptable | | | | | | | | |
| Investment grade | **201,963** | **4,468** | **–** | **206,431** | 187,245 | 6,765 | – | 194,010 |
| Sub-investment grade | **123,973** | **25,675** | **–** | **149,648** | 98,451 | 22,390 | – | 120,841 |
| Watchlist | **1,129** | **7,527** | **–** | **8,656** | – | 6,310 | – | 6,310 |
| Impaired | **–** | **–** | **1,828** | **1,828** | – | – | 1,384 | 1,384 |
| Gross business and government | **327,065** | **37,670** | **1,828** | **366,563** | 285,696 | 35,465 | 1,384 | 322,545 |
| Allowance for credit losses | **943** | **750** | **399** | **2,092** | 608 | 675 | 432 | 1,715 |
| Carrying amount | **326,122** | **36,920** | **1,429** | **364,471** | 285,088 | 34,790 | 952 | 320,830 |
| Gross total loans and acceptances | **581,432** | **64,626** | **2,658** | **648,716** | 513,232 | 51,968 | 1,991 | 567,191 |
| Net total loans and acceptances | **580,067** | **63,173** | **2,126** | **645,366** | 512,395 | 50,732 | 1,447 | 564,574 |
| **Commitments and financial guarantee contracts** | | | | | | | | |
| Acceptable | | | | | | | | |
| Investment grade | **190,969** | **2,337** | **–** | **193,306** | 182,153 | 5,134 | – | 187,287 |
| Sub-investment grade | **51,436** | **13,405** | **–** | **64,841** | 45,920 | 14,047 | – | 59,967 |
| Watchlist | **244** | **2,698** | **–** | **2,942** | 2 | 2,176 | – | 2,178 |
| Impaired | **–** | **–** | **344** | **344** | – | – | 292 | 292 |
| Gross commitments and financial guarantee contracts | **242,649** | **18,440** | **344** | **261,433** | 228,075 | 21,357 | 292 | 249,724 |
| Allowance for credit losses | **287** | **185** | **11** | **483** | 194 | 174 | 13 | 381 |
| Carrying amount (5)(6) | **242,362** | **18,255** | **333** | **260,950** | 227,881 | 21,183 | 279 | 249,343 |

(1) Includes Bank of the West PCI loans. As at April 30, 2023, PCI loan balances were $33 million in residential mortgages, $58 million in consumer instalment and other personal loans and $248 million in business and government loans.

(2) Includes purchased portfolios and certain cases where an internal risk rating is not assigned. Alternative credit risk assessments, rating methodologies, policies and tools are used to manage credit risk for these portfolios.

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

(4) Includes customers' liability under acceptances.

(5) 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.

(6) Certain commercial borrower commitments are conditional and may include recourse to counterparties.

## Allowance for Credit Losses

The allowance for credit losses recorded in our Consolidated Balance Sheet is maintained at a level we consider adequate to absorb credit-related losses on our loans and other credit instruments. The allowance for credit losses amounted to $3,833 million at April 30, 2023 ($2,998 million as at October 31, 2022) of which $3,350 million ($2,617 million as at October 31, 2022) was recorded in loans and $483 million ($381 million as at October 31, 2022) was recorded in other liabilities in our Consolidated Balance Sheet.

Significant changes in gross balances, including originations, maturities and repayments in the normal course of operations, impact the allowance for credit losses. In addition, the purchased performing loans we acquired in the Bank of the West acquisition are subject to ECL on acquisition date, consistent with the process followed for originated loans. An initial provision for credit losses of $705 million was recorded in the Consolidated Statement of Income.

The following tables show the continuity in the loss allowance by product type for the three and six months ended April 30, 2023 and April 30, 2022. Transfers represent the amount of ECL that moved between stages during the period, for example, moving from a 12-month (Stage 1) to lifetime (Stage 2) ECL measurement basis. Net remeasurements represent the ECL impact due to transfers between stages, as well as changes in economic forecasts and credit quality. Model changes include new calculation models or methodologies.

(Canadian $ in millions)

| For the three months ended | April 30, 2023 | | | | April 30, 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** (1) | **Total** | Stage 1 | Stage 2 | Stage 3 | Total |
| **Loans: Residential mortgages** | | | | | | | | |
| Balance as at beginning of period | **50** | **96** | **13** | **159** | 49 | 40 | 17 | 106 |
| Transfer to Stage 1 | **15** | **(15)** | **–** | **–** | 9 | (9) | – | – |
| Transfer to Stage 2 | **(2)** | **5** | **(3)** | **–** | (1) | 3 | (2) | – |
| Transfer to Stage 3 | **(1)** | **(4)** | **5** | **–** | – | (2) | 2 | – |
| Net remeasurement of loss allowance | **(25)** | **4** | **(2)** | **(23)** | (27) | 6 | 1 | (20) |
| Loan originations | **6** | **–** | **–** | **6** | 10 | – | – | 10 |
| Loan purchases | **31** | **–** | **–** | **31** | – | – | – | – |
| Derecognitions and maturities | **(1)** | **(1)** | **–** | **(2)** | (2) | (2) | – | (4) |
| Model changes | **5** | **46** | **–** | **51** | – | – | – | – |
| Total Provision for Credit Losses (PCL) (2) | **28** | **35** | **–** | **63** | (11) | (4) | 1 | (14) |
| Write-offs (3) | **–** | **–** | **(2)** | **(2)** | – | – | (3) | (3) |
| Recoveries of previous write-offs | **–** | **–** | **2** | **2** | – | – | 2 | 2 |
| Foreign exchange and other | **(1)** | **2** | **(5)** | **(4)** | (1) | – | (1) | (2) |
| Balance as at end of period | **77** | **133** | **8** | **218** | 37 | 36 | 16 | 89 |
| **Loans: Consumer instalment and other personal** | | | | | | | | |
| Balance as at beginning of period | **111** | **316** | **112** | **539** | 131 | 324 | 91 | 546 |
| Transfer to Stage 1 | **67** | **(64)** | **(3)** | **–** | 71 | (68) | (3) | – |
| Transfer to Stage 2 | **(14)** | **25** | **(11)** | **–** | (13) | 20 | (7) | – |
| Transfer to Stage 3 | **(12)** | **(22)** | **34** | **–** | (1) | (20) | 21 | – |
| Net remeasurement of loss allowance | **(69)** | **125** | **73** | **129** | (85) | 60 | 15 | (10) |
| Loan originations | **15** | **1** | **–** | **16** | 20 | – | – | 20 |
| Loan purchases | **179** | **–** | **–** | **179** | – | – | – | – |
| Derecognitions and maturities | **(10)** | **(7)** | **–** | **(17)** | (6) | (10) | – | (16) |
| Model changes | **(10)** | **(11)** | **–** | **(21)** | (11) | (1) | – | (12) |
| Total PCL (2) | **146** | **47** | **93** | **286** | (25) | (19) | 26 | (18) |
| Write-offs (3) | **–** | **–** | **(82)** | **(82)** | – | – | (42) | (42) |
| Recoveries of previous write-offs | **–** | **–** | **14** | **14** | – | – | 21 | 21 |
| Foreign exchange and other | **–** | **1** | **(7)** | **(6)** | – | 1 | (4) | (3) |
| Balance as at end of period | **257** | **364** | **130** | **751** | 106 | 306 | 92 | 504 |
| **Loans: Credit cards** | | | | | | | | |
| Balance as at beginning of period | **126** | **269** | **–** | **395** | 113 | 206 | – | 319 |
| Transfer to Stage 1 | **45** | **(45)** | **–** | **–** | 34 | (34) | – | – |
| Transfer to Stage 2 | **(11)** | **11** | **–** | **–** | (7) | 7 | – | – |
| Transfer to Stage 3 | **(1)** | **(40)** | **41** | **–** | (1) | (27) | 28 | – |
| Net remeasurement of loss allowance | **(47)** | **80** | **47** | **80** | (50) | 55 | 14 | 19 |
| Loan originations | **21** | **–** | **–** | **21** | 12 | – | – | 12 |
| Loan purchases | **25** | **–** | **–** | **25** | – | – | – | – |
| Derecognitions and maturities | **(2)** | **(6)** | **–** | **(8)** | (1) | (5) | – | (6) |
| Model changes | **–** | **–** | **–** | **–** | – | – | – | – |
| Total PCL (2) | **30** | **–** | **88** | **118** | (13) | (4) | 42 | 25 |
| Write-offs (3) | **–** | **–** | **(104)** | **(104)** | – | – | (57) | (57) |
| Recoveries of previous write-offs | **–** | **–** | **23** | **23** | – | – | 20 | 20 |
| Foreign exchange and other | **–** | **1** | **(7)** | **(6)** | (2) | 1 | (5) | (6) |
| Balance as at end of period | **156** | **270** | **–** | **426** | 98 | 203 | – | 301 |
| **Loans: Business and government** | | | | | | | | |
| Balance as at beginning of period | **751** | **771** | **413** | **1,935** | 700 | 735 | 386 | 1,821 |
| Transfer to Stage 1 | **51** | **(48)** | **(3)** | **–** | 74 | (72) | (2) | – |
| Transfer to Stage 2 | **(42)** | **44** | **(2)** | **–** | (40) | 45 | (5) | – |
| Transfer to Stage 3 | **(16)** | **(21)** | **37** | **–** | – | (24) | 24 | – |
| Net remeasurement of loss allowance | **(78)** | **149** | **30** | **101** | (176) | 84 | 34 | (58) |
| Loan originations | **60** | **3** | **–** | **63** | 174 | – | – | 174 |
| Loan purchases | **470** | **–** | **–** | **470** | – | – | – | – |
| Derecognitions and maturities | **(37)** | **(42)** | **–** | **(79)** | (32) | (32) | – | (64) |
| Model changes | **–** | **(1)** | **–** | **(1)** | – | – | – | – |
| Total PCL (2) | **408** | **84** | **62** | **554** | – | 1 | 51 | 52 |
| Write-offs (3) | **–** | **–** | **(67)** | **(67)** | – | – | (29) | (29) |
| Recoveries of previous write-offs | **–** | **–** | **14** | **14** | – | – | 11 | 11 |
| Foreign exchange and other | **3** | **16** | **(17)** | **2** | 36 | 16 | (7) | 45 |
| Balance as at end of period | **1,162** | **871** | **405** | **2,438** | 736 | 752 | 412 | 1,900 |
| Total as at end of period | **1,652** | **1,638** | **543** | **3,833** | 977 | 1,297 | 520 | 2,794 |
| Comprised of: Loans | **1,365** | **1,453** | **532** | **3,350** | 765 | 1,130 | 508 | 2,403 |
| Other credit instruments (4) | **287** | **185** | **11** | **483** | 212 | 167 | 12 | 391 |

(1) Includes changes in the allowance for PCI loans of $(2) million for the three months ended April 30, 2023. The total amount of expected credit losses at initial recognition on PCI loans was $79 million.
(2) Excludes PCL on other assets of $2 million for the three months ended April 30, 2023 ($5 million for the three months ended April 30, 2022).
(3) 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.
(4) Other credit instruments, including off-balance sheet items, are recorded in other liabilities in our Consolidated Balance Sheet.

(Canadian $ in millions)

| For the six months ended | April 30, 2023 | | | | April 30, 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** (1) | **Total** | Stage 1 | Stage 2 | Stage 3 | Total |
| **Loans: Residential mortgages** | | | | | | | | |
| Balance as at beginning of period | **59** | **67** | **16** | **142** | 46 | 40 | 19 | 105 |
| Transfer to Stage 1 | **39** | **(39)** | **–** | **–** | 20 | (19) | (1) | – |
| Transfer to Stage 2 | **(11)** | **15** | **(4)** | **–** | (2) | 6 | (4) | – |
| Transfer to Stage 3 | **(1)** | **(6)** | **7** | **–** | – | (4) | 4 | – |
| Net remeasurement of loss allowance | **(32)** | **34** | **–** | **2** | (38) | 16 | 4 | (18) |
| Loan originations | **13** | **–** | **–** | **13** | 15 | – | – | 15 |
| Loan purchases | **31** | **–** | **–** | **31** | – | – | – | – |
| Derecognitions and maturities | **(2)** | **(2)** | **–** | **(4)** | (3) | (4) | – | (7) |
| Model changes | **(19)** | **63** | **–** | **44** | – | – | – | – |
| Total Provision for Credit Losses (PCL) (2) | **18** | **65** | **3** | **86** | (8) | (5) | 3 | (10) |
| Write-offs (3) | **–** | **–** | **(5)** | **(5)** | – | – | (4) | (4) |
| Recoveries of previous write-offs | **–** | **–** | **3** | **3** | – | – | 3 | 3 |
| Foreign exchange and other | **–** | **1** | **(9)** | **(8)** | (1) | 1 | (5) | (5) |
| Balance as at end of period | **77** | **133** | **8** | **218** | 37 | 36 | 16 | 89 |
| **Loans: Consumer instalment and other personal** | | | | | | | | |
| Balance as at beginning of period | **111** | **304** | **102** | **517** | 128 | 357 | 91 | 576 |
| Transfer to Stage 1 | **127** | **(122)** | **(5)** | **–** | 129 | (124) | (5) | – |
| Transfer to Stage 2 | **(25)** | **45** | **(20)** | **–** | (22) | 35 | (13) | – |
| Transfer to Stage 3 | **(13)** | **(44)** | **57** | **–** | (2) | (43) | 45 | – |
| Net remeasurement of loss allowance | **(109)** | **202** | **123** | **216** | (140) | 100 | 33 | (7) |
| Loan originations | **27** | **1** | **–** | **28** | 36 | – | – | 36 |
| Loan purchases | **179** | **–** | **–** | **179** | – | – | – | – |
| Derecognitions and maturities | **(13)** | **(14)** | **–** | **(27)** | (12) | (21) | – | (33) |
| Model changes | **(26)** | **(8)** | **–** | **(34)** | (11) | (1) | – | (12) |
| Total PCL (2) | **147** | **60** | **155** | **362** | (22) | (54) | 60 | (16) |
| Write-offs (3) | **–** | **–** | **(144)** | **(144)** | – | – | (92) | (92) |
| Recoveries of previous write-offs | **–** | **–** | **29** | **29** | – | – | 39 | 39 |
| Foreign exchange and other | **(1)** | **–** | **(12)** | **(13)** | – | 3 | (6) | (3) |
| Balance as at end of period | **257** | **364** | **130** | **751** | 106 | 306 | 92 | 504 |
| **Loans: Credit cards** | | | | | | | | |
| Balance as at beginning of period | **115** | **250** | **–** | **365** | 114 | 245 | – | 359 |
| Transfer to Stage 1 | **85** | **(85)** | **–** | **–** | 85 | (85) | – | – |
| Transfer to Stage 2 | **(20)** | **20** | **–** | **–** | (17) | 17 | – | – |
| Transfer to Stage 3 | **(2)** | **(73)** | **75** | **–** | (1) | (56) | 57 | – |
| Net remeasurement of loss allowance | **(83)** | **170** | **81** | **168** | (107) | 100 | 26 | 19 |
| Loan originations | **39** | **–** | **–** | **39** | 25 | – | – | 25 |
| Loan purchases | **25** | **–** | **–** | **25** | – | – | – | – |
| Derecognitions and maturities | **(3)** | **(11)** | **–** | **(14)** | (3) | (11) | – | (14) |
| Model changes | **–** | **–** | **–** | **–** | 2 | (8) | – | (6) |
| Total PCL (2) | **41** | **21** | **156** | **218** | (16) | (43) | 83 | 24 |
| Write-offs (3) | **–** | **–** | **(184)** | **(184)** | – | – | (114) | (114) |
| Recoveries of previous write-offs | **–** | **–** | **42** | **42** | – | – | 40 | 40 |
| Foreign exchange and other | **–** | **(1)** | **(14)** | **(15)** | – | 1 | (9) | (8) |
| Balance as at end of period | **156** | **270** | **–** | **426** | 98 | 203 | – | 301 |
| **Loans: Business and government** | | | | | | | | |
| Balance as at beginning of period | **746** | **789** | **439** | **1,974** | 662 | 855 | 401 | 1,918 |
| Transfer to Stage 1 | **138** | **(134)** | **(4)** | **–** | 167 | (137) | (30) | – |
| Transfer to Stage 2 | **(72)** | **119** | **(47)** | **–** | (56) | 102 | (46) | – |
| Transfer to Stage 3 | **(17)** | **(51)** | **68** | **–** | – | (32) | 32 | – |
| Net remeasurement of loss allowance | **(192)** | **213** | **108** | **129** | (305) | 30 | 104 | (171) |
| Loan originations | **141** | **3** | **–** | **144** | 292 | – | – | 292 |
| Loan purchases | **470** | **–** | **–** | **470** | – | – | – | – |
| Derecognitions and maturities | **(78)** | **(93)** | **–** | **(171)** | (73) | (91) | – | (164) |
| Model changes | **–** | **(1)** | **–** | **(1)** | 1 | (6) | – | (5) |
| Total PCL (2) | **390** | **56** | **125** | **571** | 26 | (134) | 60 | (48) |
| Write-offs (3) | **–** | **–** | **(143)** | **(143)** | – | – | (56) | (56) |
| Recoveries of previous write-offs | **–** | **–** | **25** | **25** | – | – | 18 | 18 |
| Foreign exchange and other | **26** | **26** | **(41)** | **11** | 48 | 31 | (11) | 68 |
| Balance as at end of period | **1,162** | **871** | **405** | **2,438** | 736 | 752 | 412 | 1,900 |
| Total as at end of period | **1,652** | **1,638** | **543** | **3,833** | 977 | 1,297 | 520 | 2,794 |
| Comprised of: Loans | **1,365** | **1,453** | **532** | **3,350** | 765 | 1,130 | 508 | 2,403 |
| Other credit instruments (4) | **287** | **185** | **11** | **483** | 212 | 167 | 12 | 391 |

(1) Includes changes in the allowance for PCI loans of $(2) million for the six months ended April 30, 2023. The total amount of expected credit losses at initial recognition on PCI loans was $79 million.
(2) Excludes PCL on other assets of $3 million for the six months ended April 30, 2023 ($1 million for the six months ended April 30, 2022).
(3) 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.
(4) Other credit instruments, including off-balance sheet items, are recorded in other liabilities in our Consolidated Balance Sheet.

Loans and allowance for credit losses by geographic region as at April 30, 2023 and October 31, 2022 are as follows:

| (Canadian $ in millions) | April 30, 2023 | | | | October 31, 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | **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 | **351,219** | **394** | **1,167** | **349,658** | 342,430 | 363 | 1,102 | 340,965 |
| United States | **275,308** | **133** | **1,628** | **273,547** | 200,439 | 176 | 959 | 199,304 |
| Other countries | **11,598** | **5** | **23** | **11,570** | 11,087 | 5 | 12 | 11,070 |
| Total | **638,125** | **532** | **2,818** | **634,775** | 553,956 | 544 | 2,073 | 551,339 |

(1) Geographic region is based upon the country of ultimate risk.
(2) Excludes allowance for credit losses on impaired loans of $11 million for other credit instruments, which is included in other liabilities ($13 million as at October 31, 2022).
(3) Excludes allowance for credit losses on performing loans of $472 million for other credit instruments, which is included in other liabilities ($368 million as at October 31, 2022).

Impaired (Stage 3) loans, including the related allowances, as at April 30, 2023 and October 31, 2022 are as follows:

| (Canadian $ in millions) | April 30, 2023 | | | October 31, 2022 | | |
|---|---|---|---|---|---|---|
| | **Gross impaired amount** | **Allowance for credit losses on impaired loans** (3) | **Net impaired amount** | Gross impaired amount | Allowance for credit losses on impaired loans (3) | Net impaired amount |
| Residential mortgages | **382** | **3** | **379** | 295 | 10 | 285 |
| Consumer instalment and other personal | **448** | **130** | **318** | 312 | 102 | 210 |
| Business and government (1) | **1,828** | **399** | **1,429** | 1,384 | 432 | 952 |
| Total | **2,658** | **532** | **2,126** | 1,991 | 544 | 1,447 |
| By geographic region (2): | | | | | | |
| Canada | **1,233** | **394** | **839** | 1,158 | 363 | 795 |
| United States | **1,412** | **133** | **1,279** | 820 | 176 | 644 |
| Other countries | **13** | **5** | **8** | 13 | 5 | 8 |
| Total | **2,658** | **532** | **2,126** | 1,991 | 544 | 1,447 |

(1) Includes customers' liability under acceptances.
(2) Geographic region is based upon the country of ultimate risk.
(3) Excludes allowance for credit losses on impaired loans of $11 million for other credit instruments, which is included in other liabilities ($13 million as at October 31, 2022).

## Loans Past Due Not Impaired

Loans that are past due but not classified as impaired are loans where our customers have failed to make payments when contractually due but for which we expect the full amount of principal and interest payments to be collected, or loans which are held at fair value. The following table presents loans that are past due but not classified as impaired as at April 30, 2023 and October 31, 2022. Loans less than 30 days past due are excluded as they are not generally representative of the borrower's ability to meet their payment obligations.

| (Canadian $ in millions) | April 30, 2023 | | | October 31, 2022 | | |
|---|---|---|---|---|---|---|
| | **30 to 89 days** | **90 days or more** | **Total** | 30 to 89 days | 90 days or more | Total |
| Residential mortgages | **484** | **12** | **496** | 411 | 19 | 430 |
| Credit card, consumer instalment and other personal | **555** | **106** | **661** | 392 | 84 | 476 |
| Business and government | **291** | **33** | **324** | 198 | 38 | 236 |
| Total | **1,330** | **151** | **1,481** | 1,001 | 141 | 1,142 |

Fully secured loans with amounts between 90 and 180 days past due that we have not classified as impaired totalled $13 million and $43 million as at April 30, 2023 and October 31, 2022, respectively.

## ECL Sensitivity and Key Economic Variables

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

The allowance for performing loans is sensitive to changes in both economic forecasts and the probability-weight assigned to each forecast scenario. Many of the factors have a high degree of interdependency, although there is no single factor to which loan impairment allowances as a whole are sensitive.

The benign scenario as at April 30, 2023 involves a materially stronger economic environment than the base case forecast, with a considerably lower unemployment rate.

As at April 30, 2023, our base case scenario depicts a mild economic downturn in near-term largely in response to higher interest rates, and a moderate economic recovery over the medium-term projection period as inflation is expected to ease and lead to lower interest rates. Our base case economic forecast as at October 31, 2022, depicted a stronger economic forecast in the near-term projection period and a weaker economic forecast over the long-term projection period.

If we assumed a 100% base case economic forecast and included the impact of loan migration by restaging, with other assumptions held constant, including the application of experienced credit judgment, the allowance on performing loans would be approximately $2,475 million as at April 30, 2023 ($1,900 million as at October 31, 2022), compared to the reported allowance for performing loans of $3,290 million ($2,441 million as at October 31, 2022).

As at April 30, 2023, our adverse economic scenario depicts a sizeable contraction in the Canadian and U.S. economy in the near-term. The adverse case as at October 31, 2022 depicted a somewhat less severe, albeit still negative, economic environment in Canada and the U.S. If we assumed a 100% adverse economic forecast and included the impact of loan migration by restaging, with other assumptions held constant, including the application of experienced credit judgment, the allowance on performing loans would be approximately $5,100 million as at April 30, 2023 ($3,250 million as at October 31, 2022), compared to the reported allowance for performing loans of $3,290 million ($2,441 million as at October 31, 2022).

Actual results in a recession will differ as our portfolio will change through time due to migration, growth, risk mitigation actions and other factors. In addition, our allowance will reflect the three economic scenarios used in assessing the allowance, with weightings attached to adverse and benign scenarios often unequally weighted and the weightings will change through time.

The following table shows the key economic variables used to estimate the allowance on performing loans forecast over the next 12 months or lifetime measurement period. While the values disclosed below are national variables, we use regional variables in the underlying models and consider factors impacting particular industries where appropriate.

| | As at April 30, 2023 | | | | | | As at October 31, 2022 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| All figures are average annual values | **Benign scenario** | | **Base scenario** | | **Adverse scenario** | | Benign scenario | | Base scenario | | Adverse scenario | |
| | **First 12 Months** | **Remaining horizon** (1) | **First 12 Months** | **Remaining horizon** (1) | **First 12 Months** | **Remaining horizon** (1) | First 12 Months | Remaining horizon (1) | First 12 Months | Remaining horizon (1) | First 12 Months | Remaining horizon (1) |
| Real GDP growth rates (2) | | | | | | | | | | | | |
| Canada | **3.1%** | **2.5%** | **0.3%** | **1.8%** | **(3.9)%** | **1.2%** | 3.7% | 2.2% | 1.5% | 1.1% | (2.3)% | 0.4% |
| United States | **3.1%** | **2.5%** | **0.4%** | **2.0%** | **(3.3)%** | **1.4%** | 2.4% | 2.1% | 0.2% | 1.3% | (3.3)% | 0.6% |
| Corporate BBB 10-year spread | | | | | | | | | | | | |
| Canada | **1.8%** | **1.8%** | **2.3%** | **2.0%** | **4.2%** | **3.5%** | 1.9% | 1.9% | 2.4% | 2.2% | 3.7% | 3.9% |
| United States | **1.9%** | **1.9%** | **2.3%** | **2.2%** | **4.6%** | **3.4%** | 1.8% | 1.9% | 2.2% | 2.2% | 4.2% | 3.9% |
| Unemployment rates | | | | | | | | | | | | |
| Canada | **4.1%** | **3.6%** | **5.6%** | **5.3%** | **8.7%** | **9.5%** | 4.3% | 3.6% | 5.9% | 6.5% | 8.0% | 9.9% |
| United States | **3.0%** | **2.5%** | **4.5%** | **4.4%** | **7.4%** | **8.2%** | 3.2% | 2.6% | 4.2% | 4.8% | 6.5% | 8.4% |
| Housing Price Index (2) | | | | | | | | | | | | |
| Canada (3) | **(5.9)%** | **6.7%** | **(10.2)%** | **4.3%** | **(25.9)%** | **(5.0)%** | (6.7)% | 2.1% | (10.0)% | (1.0)% | (13.6)% | (8.0)% |
| United States (4) | **(6.6)%** | **2.8%** | **(9.8)%** | **1.4%** | **(20.5)%** | **(4.3)%** | 1.6% | (0.7)% | (0.9)% | (2.6)% | (7.5)% | (8.4)% |

(1) The remaining forecast period is two years.
(2) Real gross domestic product and housing price index are averages of quarterly year-over-year growth rates.
(3) In Canada, we use the HPI Benchmark Composite.
(4) In the United States, we use the National Case-Shiller House Price Index.

The ECL approach requires the recognition of credit losses generally based on 12 months of expected losses for performing loans (Stage 1) and the recognition of lifetime expected losses for performing loans that have experienced a significant increase in credit risk since origination (Stage 2). Under our current probability-weighted scenarios, if all our performing loans were in Stage 1, our models would generate an allowance for performing loans of approximately $2,650 million ($1,850 million as at October 31, 2022), compared to the reported allowance for performing loans of $3,290 million ($2,441 million as at October 31, 2022).

## Note 4: Deposits

| | **Payable on demand** | | | | | |
|---|---|---|---|---|---|---|
| (Canadian $ in millions) | **Interest bearing** | **Non-interest bearing** | **Payable after notice** | **Payable on a fixed date** (2)(3) | **April 30, 2023** | October 31, 2022 |
| Deposits by: | | | | | | |
| Banks (1) | **4,679** | **1,705** | **1,710** | **24,696** | **32,790** | 30,901 |
| Business and government | **52,614** | **66,851** | **156,344** | **266,124** | **541,933** | 495,831 |
| Individuals | **14,832** | **42,276** | **132,352** | **111,260** | **300,720** | 242,746 |
| Total (4) | **72,125** | **110,832** | **290,406** | **402,080** | **875,443** | 769,478 |
| Booked in: | | | | | | |
| Canada | **48,557** | **72,516** | **124,453** | **287,000** | **532,526** | 515,290 |
| United States | **23,384** | **38,229** | **163,610** | **73,597** | **298,820** | 217,720 |
| Other countries | **184** | **87** | **2,343** | **41,483** | **44,097** | 36,468 |
| Total | **72,125** | **110,832** | **290,406** | **402,080** | **875,443** | 769,478 |

(1) Includes regulated and central banks.
(2) Includes $58,557 million of senior unsecured debt as at April 30, 2023 subject to the Bank Recapitalization (Bail-In) regime ($51,746 million as at October 31, 2022). 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.
(3) Deposits totalling $29,326 million as at April 30, 2023 ($29,966 million as at October 31, 2022) can be early redeemed, either fully or partially, by customers without penalty. These are classified as payable on a fixed date, based on their remaining contractual maturities.
(4) Includes $471,848 million of deposits denominated in U.S. dollars as at April 30, 2023 ($384,080 million as at October 31, 2022), and $56,833 million of deposits denominated in other foreign currencies ($46,830 million as at October 31, 2022).

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

| (Canadian $ in millions) | Canada | United States | Other | Total |
|---|---|---|---|---|
| **As at April 30, 2023** | **249,483** | **66,242** | **41,494** | **357,219** |
| As at October 31, 2022 | 230,475 | 50,542 | 34,241 | 315,258 |

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

| (Canadian $ in millions) | Less than 3 months | 3 to 6 months | 6 to 12 months | Over 12 months | Total |
|---|---|---|---|---|---|
| **As at April 30, 2023** | **54,898** | **31,884** | **53,287** | **109,414** | **249,483** |
| As at October 31, 2022 | 46,792 | 28,826 | 55,288 | 99,569 | 230,475 |

# Note 5: Equity

## Preferred and Common Shares Outstanding and Other Equity Instruments [1]

| (Canadian $ in millions, except as noted) | April 30, 2023 | | | October 31, 2022 | | | | |
|---|---|---|---|---|---|---|---|---|
| | Number of shares | Amount | Dividends declared per share (6) | Number of shares | Amount | Dividends declared per share (6) | Convertible into | |
| **Preferred Shares - Classified as Equity** | | | | | | | | |
| Class B – Series 27 | **20,000,000** | **500** | **0.48** | 20,000,000 | 500 | 0.96 | Class B - Series 28 | (2)(3) |
| Class B – Series 29 | **16,000,000** | **400** | **0.45** | 16,000,000 | 400 | 0.91 | Class B - Series 30 | (2)(3) |
| Class B – Series 31 | **12,000,000** | **300** | **0.48** | 12,000,000 | 300 | 0.96 | Class B - Series 32 | (2)(3) |
| Class B – Series 33 | **8,000,000** | **200** | **0.38** | 8,000,000 | 200 | 0.76 | Class B - Series 34 | (2)(3) |
| Class B – Series 44 | **16,000,000** | **400** | **0.61** | 16,000,000 | 400 | 1.21 | Class B - Series 45 | (2)(3) |
| Class B – Series 46 | **14,000,000** | **350** | **0.64** | 14,000,000 | 350 | 1.28 | Class B - Series 47 | (2)(3) |
| Class B - Series 50 | **500,000** | **500** | **36.87** | 500,000 | 500 | 24.64 | – | (3) |
| Class B - Series 52 (12) | **650,000** | **650** | **22.23** | – | – | – | – | (3) |
| **Preferred Shares - Classified as Equity** | | **3,300** | | | 2,650 | | | |
| | | | | | | | Recourse to | |
| **Other Equity Instruments** | | | | | | | | |
| 4.800% Additional Tier 1 Capital Notes (AT1 Notes) | | **658** | | | 658 | | – | (3)(5) |
| 4.300% Limited Recourse Capital Notes, Series 1 (Series 1 LRCNs) | | **1,250** | | | 1,250 | | Preferred Shares Series 48 | (3)(4)(5) |
| 5.625% Limited Recourse Capital Notes, Series 2 (Series 2 LRCNs) | | **750** | | | 750 | | Preferred Shares Series 49 | (3)(4)(5) |
| 7.325% Limited Recourse Capital Notes, Series 3 (Series 3 LRCNs) | | **1,000** | | | 1,000 | | Preferred Shares Series 51 | (3)(4)(5) |
| **Other Equity Instruments** | | **3,658** | | | 3,658 | | | |
| **Preferred Shares and Other Equity Instruments** | | **6,958** | | | 6,308 | | | |
| **Common Shares** (7)(8)(9)(10)(11) | **713,025,530** | **22,062** | **2.86** | 677,106,878 | 17,744 | 5.44 | | |

(1) For additional information refer to Notes 16 and 20 of our annual consolidated financial statements for the year ended October 31, 2022.

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

(3) The instruments issued include a non-viability contingent capital (NVCC) provision, which is necessary for the preferred shares, AT1 Notes and by virtue of the recourse to the Preferred Shares Series 48, Preferred Shares Series 49 and Preferred Shares Series 51 (collectively, the LRCN Preferred Shares) for Series 1, Series 2 and Series 3 LRCNs (collectively, the LRCNs), respectively, to qualify as regulatory capital under Basel III, (see (4) below). As such, they are convertible into a variable number of our common shares if OSFI announces that the bank is, or is about to become, non-viable or if a federal or provincial government in Canada publicly announces that the bank has accepted or agreed to accept a capital injection, or equivalent support, to avoid non-viability. In such an event, each preferred share, including the LRCN Preferred Shares and AT1 Notes, is convertible into common shares pursuant to an automatic conversion formula and a conversion price based on the greater of: (i) a floor price of $5.00 and (ii) the current market price of our common shares based on the volume weighted average trading price of our common shares on the TSX. The number of common shares issued is determined by dividing the value of the preferred share or other equity instrument, including declared and unpaid dividends, by the conversion price and then applying the multiplier.

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

(5) The rates represent the annual interest rate percentage applicable to the notes issued as at the reporting date.

(6) Represents year-to-date dividends declared per share as at reporting date. Non-cumulative dividends on preferred shares are payable quarterly as and when declared by the Board of Directors, except for Class B – Series 50 and 52 preferred share dividends, which are payable semi-annually.

(7) The stock options issued under the Stock Option Plan are convertible into 6,793,906 common shares as at April 30, 2023 (5,976,870 common shares as at October 31, 2022) of which 3,071,192 are exercisable as at April 30, 2023 (2,648,426 as at October 31, 2022).

(8) During the three and six months ended April 30, 2023, we issued 3,255,072 and 5,931,389 common shares, under the Shareholder Dividend Reinvestment and Share Purchase Plan (2,116,175 during the three and six months ended April 30, 2022) and we issued 193,313 and 487,639 common shares, under the Stock Option Plan (273,525 and 555,597 common shares during the three and six months ended April 30, 2022).

(9) Common shares are net of 169,003 treasury shares as at April 30, 2023 (174,689 treasury shares as at October 31, 2022).

(10) On December 1, 2022, we issued 1,162,711 shares for $153 million for the acquisition of Radicle Group Inc. Refer to Note 12 for further information.

(11) On December 16, 2022, we issued 13,575,750 common shares for $1,610 million through public offering and 8,431,700 common shares for $1,000 million under private placement. On January 25, 2023, we issued an additional 6,323,777 common shares for $750 million to BNP Paribas S.A. under private placement. In total we issued 28,331,227 common shares for $3,360 million to align our capital position with increased regulatory requirements as announced by OSFI on December 8, 2022 (refer to Note 7).

(12) On January 31, 2023, we issued Class B - Series 52 Preferred Shares for $650 million.

### Other Equity Instruments

The AT1 Notes and LRCNs are compound financial instruments that have both equity and liability features. On the date of issuance, we assigned an insignificant value to the liability components of both instruments and, as a result, the full amount of proceeds has been classified as equity and form part of our additional Tier 1 non-viability contingent capital (NVCC). Semi-annual distributions are recognized as a reduction in equity when payable. The AT1 Notes and LRCNs are subordinate to the claims of the depositors and certain other creditors in right of payment.

### Preferred Shares

On January 31, 2023, we issued 650,000 Non-Cumulative 5-Year Fixed Rate Reset Class B Preferred Shares Series 52 (NVCC) at a price of $1,000 per share for gross proceeds of $650 million. For the initial fixed rate period to, but excluding May 26, 2028, the shares pay non-cumulative preferential fixed semi-annual cash dividends, as and when declared, in the amount of $70.57 per share per annum, to yield 7.057% annually. The dividend rate will reset on May 26, 2028 and every fifth year thereafter at a rate equal to the 5-year Government of Canada bond yield plus 4.250%.

### Common Shares

On December 1, 2022, we issued 1,162,711 shares for $153 million for the acquisition of Radicle Group Inc. Refer to Note 12 for further information.

On December 16, 2022, we issued 13,575,750 common shares for $1,610 million through public offering and 8,431,700 common shares for $1,000 million under private placement. On January 25, 2023, we issued an additional 6,323,777 common shares for $750 million to BNP Paribas S.A. under private placement. In total, we issued 28,331,227 common shares for $3,360 million to align our capital position with increased regulatory requirements as announced by OSFI on December 8, 2022.

### Shareholder Dividend Reinvestment and Share Purchase Plan

Until further notice, common shares under the Shareholder Dividend Reinvestment and Share Purchase Plan (the Plan) are issued by the bank from treasury with a 2% discount, calculated in accordance with the terms of the Plan. We issued 3,255,072 and 5,931,389 common shares, respectively, under the Plan for the three and six months ended April 30, 2023 (2,116,175 for the three and six months ended April 30, 2022).

### Non-Controlling Interest

Non-controlling interest in subsidiaries, relating to our acquisition of Bank of the West, was $19 million as at April 30, 2023 ($nil million as at October 31, 2022). Refer to Note 12 for further information.

## 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 of our annual consolidated financial statements for the year ended October 31, 2022 for further discussion on the determination of fair value.

| (Canadian $ in millions) | April 30, 2023 | | October 31, 2022 | |
|---|---|---|---|---|
| | **Carrying value** | **Fair value** | Carrying value | Fair value |
| **Securities** (1) | | | | |
| Amortized cost | **122,102** | **113,234** | 106,590 | 94,832 |
| **Loans** (1)(2) | | | | |
| Residential mortgages | **165,546** | **161,076** | 148,569 | 142,526 |
| Consumer instalment and other personal | **103,642** | **102,336** | 85,612 | 83,948 |
| Credit cards | **10,730** | **10,730** | 9,387 | 9,387 |
| Business and government | **347,851** | **347,243** | 302,079 | 300,173 |
| | **627,769** | **621,385** | 545,647 | 536,034 |
| **Deposits** (3) | **841,602** | **839,366** | 742,419 | 739,339 |
| **Securitization and structured entities' liabilities** (4) | **24,061** | **23,505** | 25,816 | 24,989 |
| **Other liabilities** (5) | **4,061** | **3,400** | 4,088 | 3,181 |
| **Subordinated debt** | **8,195** | **7,996** | 8,150 | 7,743 |

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, certain other assets, certain other liabilities, acceptances and securities lent or sold under repurchase agreements.

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

(2) Excludes $977 million of residential mortgages classified as FVTPL, $5,992 million of business and government loans classified as FVTPL and $61 million of business and government loans classified as FVOCI ($176 million, $5,496 million and $60 million, respectively, as at October 31, 2022).

(3) Excludes $33,121 million of structured note liabilities ($26,305 million as at October 31, 2022), $555 million of structured deposits ($536 million as at October 31, 2022) and $165 million of metals deposits ($218 million as at October 31, 2022) measured at fair value.

(4) Excludes $1,698 million of securitization and structured note entities' liabilities classified as FVTPL ($1,252 million as at October 31, 2022).

(5) Other liabilities include certain other liabilities of subsidiaries, other than deposits.

## Fair Value Hierarchy

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

## Valuation Techniques and Significant Inputs

We determine the fair value of publicly traded fixed maturity debt and equity securities using quoted prices in active markets (Level 1) when these are available. When quoted prices in active markets are not available, we determine the fair value of financial instruments using models such as discounted cash flows with observable market data for inputs, such as yields 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 securities are primarily valued using discounted cash flow models with observable spreads or broker quotes. The fair value of Level 2 FVOCI securities is determined using discounted cash flow models with observable spreads or third-party vendor quotes. Level 2 structured note liabilities are valued using models with observable market information. Level 2 derivative assets and liabilities are valued using industry standard models and observable market information.

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, residential mortgages, business and government loans classified as FVTPL and FVOCI, other assets, fair value liabilities, derivative assets and derivative liabilities is presented in the following table:

| (Canadian $ in millions) | April 30, 2023 | | | | October 31, 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | **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 | **3,485** | **7,150** | **–** | **10,635** | 6,981 | 3,955 | – | 10,936 |
| Canadian provincial and municipal governments | **1,640** | **5,246** | **–** | **6,886** | 1,120 | 4,990 | – | 6,110 |
| U.S. federal government | **8,459** | **12,727** | **–** | **21,186** | 7,326 | 9,373 | – | 16,699 |
| U.S. states, municipalities and agencies | **–** | **481** | **–** | **481** | 56 | 83 | – | 139 |
| Other governments | **1,062** | **1,379** | **–** | **2,441** | 1,085 | 2,885 | – | 3,970 |
| NHA MBS, and U.S. agency MBS and CMO | **–** | **21,469** | **786** | **22,255** | – | 13,327 | 985 | 14,312 |
| Corporate debt | **2,341** | **7,667** | **12** | **10,020** | 1,445 | 8,144 | 3 | 9,592 |
| Trading loans | **–** | **342** | **–** | **342** | – | 346 | – | 346 |
| Corporate equity | **44,835** | **–** | **–** | **44,835** | 46,073 | – | – | 46,073 |
| | **61,822** | **56,461** | **798** | **119,081** | 64,086 | 43,103 | 988 | 108,177 |
| **FVTPL Securities** | | | | | | | | |
| Issued or guaranteed by: | | | | | | | | |
| Canadian federal government | **170** | **238** | **–** | **408** | 319 | 174 | – | 493 |
| Canadian provincial and municipal governments | **50** | **1,218** | **–** | **1,268** | 36 | 1,044 | – | 1,080 |
| U.S. federal government | **2** | **3** | **–** | **5** | – | 4 | – | 4 |
| Other governments | **–** | **88** | **–** | **88** | – | 87 | – | 87 |
| NHA MBS, and U.S. agency MBS and CMO | **–** | **8** | **–** | **8** | – | 8 | – | 8 |
| Corporate debt | **59** | **7,146** | **11** | **7,216** | 62 | 6,409 | 8 | 6,479 |
| Corporate equity | **1,678** | **4** | **6,089** | **7,771** | 1,440 | 6 | 4,044 | 5,490 |
| | **1,959** | **8,705** | **6,100** | **16,764** | 1,857 | 7,732 | 4,052 | 13,641 |
| **FVOCI Securities** | | | | | | | | |
| Issued or guaranteed by: | | | | | | | | |
| Canadian federal government | **3,424** | **12,394** | **–** | **15,818** | 3,544 | 8,757 | – | 12,301 |
| Canadian provincial and municipal governments | **1,106** | **3,754** | **–** | **4,860** | 972 | 3,599 | – | 4,571 |
| U.S. federal government | **1,130** | **4,302** | **–** | **5,432** | 1,443 | 1,667 | – | 3,110 |
| U.S. states, municipalities and agencies | **–** | **5,066** | **–** | **5,066** | – | 3,713 | 1 | 3,714 |
| Other governments | **593** | **6,617** | **–** | **7,210** | 1,795 | 4,616 | – | 6,411 |
| NHA MBS, and U.S. agency MBS and CMO | **–** | **14,598** | **–** | **14,598** | – | 9,268 | – | 9,268 |
| Corporate debt | **229** | **3,149** | **–** | **3,378** | 355 | 3,678 | – | 4,033 |
| Corporate equity | **–** | **–** | **157** | **157** | – | – | 153 | 153 |
| | **6,482** | **49,880** | **157** | **56,519** | 8,109 | 35,298 | 154 | 43,561 |
| **Loans** | | | | | | | | |
| Residential mortgages | **–** | **977** | **–** | **977** | – | 176 | – | 176 |
| Business and government loans | **–** | **5,852** | **201** | **6,053** | – | 5,536 | 20 | 5,556 |
| | **–** | **6,829** | **201** | **7,030** | – | 5,712 | 20 | 5,732 |
| **Other Assets** (1) | **6,334** | **65** | **60** | **6,459** | 4,148 | 60 | 49 | 4,257 |
| **Fair Value Liabilities** | | | | | | | | |
| Securities sold but not yet purchased | **22,134** | **23,168** | **–** | **45,302** | 18,465 | 22,514 | – | 40,979 |
| Structured note liabilities (2) | **–** | **33,121** | **–** | **33,121** | – | 26,305 | – | 26,305 |
| Structured deposits (3) | **–** | **555** | **–** | **555** | – | 536 | – | 536 |
| Other liabilities (4) | **1,329** | **2,727** | **5** | **4,061** | 1,179 | 2,298 | 2 | 3,479 |
| | **23,463** | **59,571** | **5** | **83,039** | 19,644 | 51,653 | 2 | 71,299 |
| **Derivative Assets** | | | | | | | | |
| Interest rate contracts | **38** | **9,957** | **–** | **9,995** | 80 | 12,682 | – | 12,762 |
| Foreign exchange contracts | **2** | **13,921** | **–** | **13,923** | 21 | 22,475 | 26 | 22,522 |
| Commodity contracts | **1,296** | **1,669** | **10** | **2,975** | 1,514 | 4,810 | – | 6,324 |
| Equity contracts | **436** | **4,511** | **4** | **4,951** | 939 | 5,552 | – | 6,491 |
| Credit default swaps | **–** | **116** | **–** | **116** | – | 61 | – | 61 |
| | **1,772** | **30,174** | **14** | **31,960** | 2,554 | 45,580 | 26 | 48,160 |
| **Derivative Liabilities** | | | | | | | | |
| Interest rate contracts | **52** | **12,203** | **–** | **12,255** | 58 | 16,540 | – | 16,598 |
| Foreign exchange contracts | **4** | **14,200** | **–** | **14,204** | 2 | 25,108 | – | 25,110 |
| Commodity contracts | **1,299** | **1,335** | **–** | **2,634** | 1,523 | 2,066 | – | 3,589 |
| Equity contracts | **1,036** | **11,559** | **–** | **12,595** | 1,203 | 13,381 | – | 14,584 |
| Credit default swaps | **15** | **97** | **2** | **114** | – | 73 | 2 | 75 |
| | **2,406** | **39,394** | **2** | **41,802** | 2,786 | 57,168 | 2 | 59,956 |

(1) Other assets include precious metals, segregated fund assets in our insurance business, certain receivables and other items measured at fair value.
(2) These structured note liabilities included in deposits have been designated at FVTPL.
(3) This represents certain embedded options related to structured deposits carried at amortized cost.
(4) Other liabilities include investment contract liabilities and segregated fund liabilities in our insurance business, certain payables and metals deposits that have been designated at FVTPL as well as certain securitization and structured entities' liabilities measured at FVTPL

## Quantitative Information about Level 3 Fair Value Measurements

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

| | | | | | **Range of input values** (1) | |
|---|---|---|---|---|---|---|
| As at April 30, 2023<br>(Canadian $ in millions, except as noted) | **Reporting line in fair value hierarchy table** | **Fair value of assets** | **Valuation techniques** | **Significant unobservable inputs** | **Low** | **High** |
| Private equity (2) | Corporate equity | **6,089** | Net asset value | Net asset value | **na** | **na** |
| | | | EV/EBITDA | Multiple | **3x** | **19x** |
| NHA MBS, U.S. agency MBS and CMO | NHA MBS, U.S. agency MBS and CMO | **786** | Discounted cash flows | Prepayment rate | **3%** | **11%** |
| | | | Market Comparable | Comparability Adjustment (3) | **(3.91)** | **5.89** |

(1) The low and high input values represent the lowest and highest actual level of inputs used to value a group of financial instruments in a particular product category. These input ranges do not reflect the level of input uncertainty, but are affected by the specific underlying instruments within each product category. The input ranges will therefore vary from period to period based on the characteristics of the underlying instruments held at each balance sheet date.

(2) Included in private equity is $2,097 million of U.S. Federal Reserve Bank and U.S. Federal Home Loan Bank shares that we carry at cost as at April 30, 2023 ($832 million as at October 31, 2022), which approximates fair value, and are held to meet regulatory requirements.

(3) Range of input values represents price per security adjustment (Canadian $).

na - not applicable

## Significant Transfers

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

The following tables present significant transfers between Level 1 and Level 2 for the three and six months ended April 30, 2023 and April 30, 2022:

(Canadian $ in millions)

| For the three months ended | **April 30, 2023** | | April 30, 2022 | |
|---|---|---|---|---|
| | **Level 1 to Level 2** | **Level 2 to Level 1** | Level 1 to Level 2 | Level 2 to Level 1 |
| Trading securities | **5,196** | **3,862** | 2,133 | 141 |
| FVTPL securities | **294** | **12** | 12 | – |
| FVOCI securities | **2,300** | **811** | 5,760 | 1,515 |
| Securities sold but not yet purchased | **2,885** | **1,670** | 1,102 | 321 |

(Canadian $ in millions)

| For the six months ended | **April 30, 2023** | | April 30, 2022 | |
|---|---|---|---|---|
| | **Level 1 to Level 2** | **Level 2 to Level 1** | Level 1 to Level 2 | Level 2 to Level 1 |
| Trading securities | **6,044** | **5,991** | 4,788 | 2,667 |
| FVTPL securities | **311** | **311** | 141 | 17 |
| FVOCI securities | **3,937** | **2,093** | 8,879 | 3,658 |
| Securities sold but not yet purchased | **3,070** | **3,820** | 1,731 | 1,154 |

## Changes in Level 3 Fair Value Measurements

The tables below present a reconciliation of all changes in Level 3 financial instruments for the three and six months ended April 30, 2023 and April 30, 2022, including realized and unrealized gains (losses) included in earnings and other comprehensive income as well as transfers into and out of Level 3. Transfers from Level 2 into Level 3 were due to an increase in unobservable market inputs used in pricing the securities. Transfers out of Level 3 into Level 2 were due to an increase in observable market inputs used in pricing the securities.

| For the three months ended April 30, 2023 (Canadian $ in millions) | Balance January 31, 2023 | Change in fair value: Included in earnings | Change in fair value: Included in other comprehensive income (1) | Movements: Issuances/ Purchases (3) | Movements: Sales | Movements: Maturities/ Settlement | Transfers: Transfers into Level 3 | Transfers: Transfers out of Level 3 | Fair Value as at April 30, 2023 | Change in unrealized gains (losses) recorded in income for instruments still held (2) |
|---|---|---|---|---|---|---|---|---|---|---|
| **Trading Securities** | | | | | | | | | | |
| NHA MBS and U.S. agency MBS and CMO | 595 | **(3)** | **11** | **121** | **(105)** | **–** | **205** | **(38)** | **786** | **2** |
| Corporate debt | 5 | **–** | **–** | **6** | **–** | **–** | **1** | **–** | **12** | **–** |
| Total trading securities | 600 | **(3)** | **11** | **127** | **(105)** | **–** | **206** | **(38)** | **798** | **2** |
| **FVTPL Securities** | | | | | | | | | | |
| Corporate debt | 11 | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **11** | **–** |
| Corporate equity | 4,161 | **(43)** | **48** | **2,108** | **(185)** | **–** | **–** | **–** | **6,089** | **13** |
| Total FVTPL securities | 4,172 | **(43)** | **48** | **2,108** | **(185)** | **–** | **–** | **–** | **6,100** | **13** |
| **FVOCI Securities** | | | | | | | | | | |
| Issued or guaranteed by: | | | | | | | | | | |
| U.S. states, municipalities and agencies | 1 | **–** | **–** | **–** | **–** | **(1)** | **–** | **–** | **–** | **na** |
| Corporate equity | 156 | **–** | **1** | **1** | **(1)** | **–** | **–** | **–** | **157** | **na** |
| Total FVOCI securities | 157 | **–** | **1** | **1** | **(1)** | **(1)** | **–** | **–** | **157** | **na** |
| **Business and Government Loans** | 120 | **–** | **2** | **79** | **–** | **–** | **–** | **–** | **201** | **–** |
| **Other Assets** | 66 | **2** | **–** | **–** | **–** | **(8)** | **–** | **–** | **60** | **2** |
| **Derivative Assets** | | | | | | | | | | |
| Foreign exchange contracts | – | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| Commodity contracts | 13 | **(3)** | **–** | **–** | **–** | **–** | **–** | **–** | **10** | **(3)** |
| Equity contracts | 1 | **3** | **–** | **–** | **–** | **–** | **–** | **–** | **4** | **3** |
| Total derivative assets | 14 | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **14** | **–** |
| **Other Liabilities** | 3 | **–** | **–** | **2** | **–** | **–** | **–** | **–** | **5** | **–** |
| **Derivative Liabilities** | | | | | | | | | | |
| Foreign exchange contracts | 12 | **–** | **–** | **–** | **–** | **(12)** | **–** | **–** | **–** | **–** |
| Credit default swaps | 2 | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **2** | **–** |
| Total derivative liabilities | 14 | **–** | **–** | **–** | **–** | **(12)** | **–** | **–** | **2** | **–** |

| For the six months ended April 30, 2023 (Canadian $ in millions) | Balance October 31, 2022 | Change in fair value: Included in earnings | Change in fair value: Included in other comprehensive income (1) | Movements: Issuances/ Purchases (3) | Movements: Sales | Movements: Maturities/ Settlement | Transfers: Transfers into Level 3 | Transfers: Transfers out of Level 3 | Fair Value as at April 30, 2023 | Change in unrealized gains (losses) recorded in income for instruments still held (2) |
|---|---|---|---|---|---|---|---|---|---|---|
| **Trading Securities** | | | | | | | | | | |
| NHA MBS and U.S. agency MBS and CMO | 985 | **(16)** | **(11)** | **266** | **(248)** | **–** | **222** | **(412)** | **786** | **(1)** |
| Corporate debt | 3 | **–** | **–** | **10** | **–** | **–** | **1** | **(2)** | **12** | **–** |
| Total trading securities | 988 | **(16)** | **(11)** | **276** | **(248)** | **–** | **223** | **(414)** | **798** | **(1)** |
| **FVTPL Securities** | | | | | | | | | | |
| Corporate debt | 8 | **–** | **–** | **3** | **–** | **–** | **–** | **–** | **11** | **–** |
| Corporate equity | 4,044 | **(38)** | **4** | **2,328** | **(248)** | **(1)** | **–** | **–** | **6,089** | **35** |
| Total FVTPL securities | 4,052 | **(38)** | **4** | **2,331** | **(248)** | **(1)** | **–** | **–** | **6,100** | **35** |
| **FVOCI Securities** | | | | | | | | | | |
| Issued or guaranteed by: | | | | | | | | | | |
| U.S. states, municipalities and agencies | 1 | **–** | **–** | **–** | **–** | **(1)** | **–** | **–** | **–** | **na** |
| Corporate equity | 153 | **–** | **–** | **5** | **(1)** | **–** | **–** | **–** | **157** | **na** |
| Total FVOCI securities | 154 | **–** | **–** | **5** | **(1)** | **(1)** | **–** | **–** | **157** | **na** |
| **Business and Government Loans** | 20 | **–** | **2** | **194** | **–** | **(15)** | **–** | **–** | **201** | **–** |
| **Other Assets** | 49 | **(1)** | **–** | **22** | **–** | **(10)** | **–** | **–** | **60** | **(1)** |
| **Derivative Assets** | | | | | | | | | | |
| Foreign exchange contracts | 26 | **(26)** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| Commodity contracts | – | **(3)** | **–** | **13** | **–** | **–** | **–** | **–** | **10** | **(3)** |
| Equity contracts | – | **3** | **–** | **–** | **–** | **–** | **1** | **–** | **4** | **3** |
| Total derivative assets | 26 | **(26)** | **–** | **13** | **–** | **–** | **1** | **–** | **14** | **–** |
| **Other Liabilities** | 2 | **–** | **–** | **3** | **–** | **–** | **–** | **–** | **5** | **–** |
| **Derivative Liabilities** | | | | | | | | | | |
| Foreign exchange contracts | – | **12** | **–** | **–** | **–** | **(12)** | **–** | **–** | **–** | **(38)** |
| Credit default swaps | 2 | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **2** | **–** |
| Total derivative liabilities | 2 | **12** | **–** | **–** | **–** | **(12)** | **–** | **–** | **2** | **(38)** |

(1) Foreign exchange translation on assets and liabilities held by foreign operations is included in other comprehensive income, net foreign operations.

(2) Changes in unrealized gains (losses) on Trading and FVTPL securities still held on April 30, 2023 are included in earnings for the period.

(3) FVTPL securities includes $969 million of Federal Home Loan Bank and Federal Reserve Bank equity and $587 million of investments in Low Income Housing Tax Credit entities, acquired as a result of our acquisition of Bank of the West.

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

na – not applicable

| For the three months ended April 30, 2022 (Canadian $ in millions) | Balance January 31, 2022 | Change in fair value: Included in earnings | Change in fair value: Included in other comprehensive income (1) | Movements: Issuances/ Purchases | Movements: Sales | Movements: Maturities/ Settlement | Transfers: Transfers into Level 3 | Transfers: Transfers out of Level 3 | Fair Value as at April 30, 2022 | Change in unrealized gains (losses) recorded in income for instruments still held (2) |
|---|---|---|---|---|---|---|---|---|---|---|
| **Trading Securities** | | | | | | | | | | |
| NHA MBS and U.S. agency MBS and CMO | 868 | (54) | 11 | 220 | (217) | – | 42 | (149) | 721 | (15) |
| Corporate debt | 13 | (1) | – | 2 | (4) | – | – | (6) | 4 | – |
| Total trading securities | 881 | (55) | 11 | 222 | (221) | – | 42 | (155) | 725 | (15) |
| **FVTPL Securities** | | | | | | | | | | |
| Corporate debt | – | – | – | – | – | – | – | – | – | – |
| Corporate equity | 3,186 | 76 | 17 | 204 | (86) | – | – | – | 3,397 | 84 |
| Total FVTPL securities | 3,186 | 76 | 17 | 204 | (86) | – | – | – | 3,397 | 84 |
| **FVOCI Securities** | | | | | | | | | | |
| Issued or guaranteed by: | | | | | | | | | | |
| U.S. states, municipalities and agencies | 1 | – | – | – | – | – | – | – | 1 | na |
| Corporate equity | 151 | – | – | – | – | – | – | – | 151 | na |
| Total FVOCI securities | 152 | – | – | – | – | – | – | – | 152 | na |
| **Business and Government Loans** | 6 | – | – | – | – | – | – | – | 6 | – |
| **Other Assets** | – | – | – | – | – | – | – | – | – | – |
| **Derivative Assets** | | | | | | | | | | |
| Foreign exchange contracts | – | – | – | – | – | – | – | – | – | – |
| Commodity contracts | – | – | – | – | – | – | – | – | – | – |
| Equity contracts | – | – | – | – | – | – | – | – | – | – |
| Total derivative assets | – | – | – | – | – | – | – | – | – | – |
| **Other Liabilities** | – | – | – | 1 | – | – | – | – | 1 | – |
| **Derivative Liabilities** | | | | | | | | | | |
| Foreign exchange contracts | – | – | – | – | – | – | – | – | – | – |
| Credit default swaps | 2 | – | – | – | – | – | – | (1) | 1 | – |
| Total derivative liabilities | 2 | – | – | – | – | – | – | (1) | 1 | – |

| For the six months ended April 30, 2022 (Canadian $ in millions) | Balance October 31, 2021 | Change in fair value: Included in earnings | Change in fair value: Included in other comprehensive income (1) | Movements: Issuances/ Purchases | Movements: Sales | Movements: Maturities/ Settlement | Transfers: Transfers into Level 3 | Transfers: Transfers out of Level 3 | Fair Value as at April 30, 2022 | Change in unrealized gains (losses) recorded in income for instruments still held (2) |
|---|---|---|---|---|---|---|---|---|---|---|
| **Trading Securities** | | | | | | | | | | |
| NHA MBS and U.S. agency MBS and CMO | 675 | (98) | 30 | 602 | (409) | – | 156 | (235) | 721 | (7) |
| Corporate debt | 7 | (2) | (1) | 11 | (4) | – | – | (7) | 4 | (1) |
| Total trading securities | 682 | (100) | 29 | 613 | (413) | – | 156 | (242) | 725 | (8) |
| **FVTPL Securities** | | | | | | | | | | |
| Corporate debt | – | – | – | – | – | – | – | – | – | – |
| Corporate equity | 2,442 | 152 | 53 | 917 | (167) | – | – | – | 3,397 | 162 |
| Total FVTPL securities | 2,442 | 152 | 53 | 917 | (167) | – | – | – | 3,397 | 162 |
| **FVOCI Securities** | | | | | | | | | | |
| Issued or guaranteed by: | | | | | | | | | | |
| U.S. states, municipalities and agencies | 1 | – | – | – | – | – | – | – | 1 | na |
| Corporate equity | 132 | – | 2 | 11 | – | – | 6 | – | 151 | na |
| Total FVOCI securities | 133 | – | 2 | 11 | – | – | 6 | – | 152 | na |
| **Business and Government Loans** | 6 | – | – | – | – | – | – | – | 6 | – |
| **Other Assets** | – | – | – | – | – | – | – | – | – | – |
| **Derivative Assets** | | | | | | | | | | |
| Foreign exchange contracts | – | – | – | – | – | – | – | – | – | – |
| Commodity contracts | – | – | – | – | – | – | – | – | – | – |
| Equity contracts | – | – | – | – | – | – | – | – | – | – |
| Total derivative assets | – | – | – | – | – | – | – | – | – | – |
| **Other Liabilities** | – | – | – | 1 | – | – | – | – | 1 | – |
| **Derivative Liabilities** | | | | | | | | | | |
| Foreign exchange contracts | – | – | – | – | – | – | – | – | – | – |
| Credit default swaps | 2 | – | – | – | – | – | – | (1) | 1 | – |
| Total derivative liabilities | 2 | – | – | – | – | – | – | (1) | 1 | – |

(1) Foreign exchange translation on assets and liabilities held by foreign operations is included in other comprehensive income, net foreign operations.
(2) Changes in unrealized gains (losses) on Trading and FVTPL securities still held on April 30, 2022 are included in earnings for the period.
Unrealized gains (losses) recognized on Level 3 financial instruments may be offset by (losses) gains on economic hedge contracts.

na – not applicable

## Note 7: Capital Management

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

As at April 30, 2023, 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 3.0% Domestic Stability Buffer (DSB) applicable to D-SIBs. As announced by OSFI in December 2022, the DSB level was set at 3% of total risk-weighted assets effective February 1, 2023. In addition, OSFI increased the DSB's range from 0% to 2.5%, to 0% to 4%. Our capital position as at April 30, 2023 is further detailed in the Capital Management section of our interim Management's Discussion and Analysis.

The domestic implementation of Basel III Reforms related to capital, leverage, liquidity and disclosure requirements were effective in the second quarter of 2023. Capital changes under these reforms include revised rules for credit risk and operational risk. Effective February 1, 2023, D-SIBs are required to meet a 0.5% buffer requirement for the Leverage and Total Loss Absorbing Capacity (TLAC) Leverage Ratios in addition to the minimum requirements. Revisions related to market risk and credit valuation adjustment risk will become effective in the first quarter of 2024.

### Regulatory Capital and Total Loss Absorbing Capacity Measures, Risk-Weighted Assets and Leverage Exposures [1]

| (Canadian $ in millions, except as noted) | **April 30, 2023** | October 31, 2022 |
|---|---|---|
| CET1 Capital | **51,404** | 60,891 |
| Tier 1 Capital | **58,279** | 67,121 |
| Total Capital | **67,298** | 75,309 |
| TLAC | **113,478** | 120,663 |
| Risk-Weighted Assets | **419,994** | 363,997 |
| Leverage Exposures | **1,371,512** | 1,189,990 |
| CET1 Ratio | **12.2%** | 16.7% |
| Tier 1 Capital Ratio | **13.9%** | 18.4% |
| Total Capital Ratio | **16.0%** | 20.7% |
| TLAC Ratio | **27.0%** | 33.1% |
| Leverage Ratio | **4.2%** | 5.6% |
| TLAC Leverage Ratio | **8.3%** | 10.1% |

(1) Calculated in accordance with OSFI's Capital Adequacy Requirements Guideline, Leverage Requirements Guideline and Total Loss Absorbing Capacity Guideline.

## Note 8: Employee Compensation

### Stock Options

We did not grant any stock options during the three months ended April 30, 2023 or 2022. During the six months ended April 30, 2023, we granted a total of 1,322,817 stock options (1,028,255 stock options during the six months ended April 30, 2022) with a weighted-average fair value of $18.94 per option ($14.17 per option for the six months ended April 30, 2022).

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

| For stock options granted during the six months ended | **April 30, 2023** | April 30, 2022 |
|---|---|---|
| Expected dividend yield | **4.5% - 4.6%** | 4.2% |
| Expected share price volatility | **20.9%** | 16.8% |
| Risk-free rate of return | **3.2%** | 1.8% - 1.9% |
| Expected period until exercise (in years) | **6.5 - 7.0** | 6.5 - 7.0 |
| Exercise price ($) | **122.31** | 135.58 |

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

### Pension and Other Employee Future Benefit Expenses

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

(Canadian $ in millions)

| | Pension benefit plans | | Other employee future benefit plans | |
|---|---|---|---|---|
| For the three months ended | **April 30, 2023** | April 30, 2022 | **April 30, 2023** | April 30, 2022 |
| Current service cost | **41** | 59 | **2** | 2 |
| Net interest (income) expense on net defined benefit (asset) liability | **(15)** | (7) | **10** | 9 |
| Past service cost (income) | **–** | – | **–** | – |
| Gain on settlement | **–** | – | **–** | – |
| Administrative expenses | **2** | 1 | **–** | – |
| Benefits expense | **28** | 53 | **12** | 11 |
| Government pension plans expense (1) | **121** | 75 | **–** | – |
| Defined contribution expense | **63** | 36 | **–** | – |
| Total pension and other employee future benefit expenses recognized in the Consolidated Statement of Income | **212** | 164 | **12** | 11 |

(Canadian $ in millions)

| | Pension benefit plans | | Other employee future benefit plans | |
|---|---|---|---|---|
| For the six months ended | **April 30, 2023** | April 30, 2022 | **April 30, 2023** | April 30, 2022 |
| Current service cost | **82** | 118 | **3** | 4 |
| Net interest (income) expense on net defined benefit (asset) liability | **(32)** | (14) | **21** | 18 |
| Past service cost (income) | **(1)** | – | **–** | – |
| Gain on settlement | **–** | (1) | **–** | – |
| Administrative expenses | **4** | 2 | **–** | – |
| Benefits expense | **53** | 105 | **24** | 22 |
| Government pension plans expense (1) | **197** | 140 | **–** | – |
| Defined contribution expense | **144** | 101 | **–** | – |
| Total pension and other employee future benefit expenses recognized in the Consolidated Statement of Income | **394** | 346 | **24** | 22 |

(1) Includes Canada Pension Plan, Quebec Pension Plan and U.S. Federal Insurance Contributions Act.

## Note 9: Earnings Per Share

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

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

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

### Basic Earnings Per Common Share

| (Canadian $ in millions, except as noted) | For the three months ended | | For the six months ended | |
|---|---|---|---|---|
| | **April 30, 2023** | April 30, 2022 | **April 30, 2023** | April 30, 2022 |
| Net income attributable to bank shareholders | **1,056** | 4,756 | **1,303** | 7,689 |
| Dividends on preferred shares and distributions on other equity instruments | **(127)** | (52) | **(165)** | (107) |
| Net income available to common shareholders | **929** | 4,704 | **1,138** | 7,582 |
| Weighted-average number of common shares outstanding (in thousands) | **711,624** | 658,005 | **701,273** | 653,102 |
| Basic earnings per common share (Canadian $) | **1.31** | 7.15 | **1.62** | 11.61 |

### Diluted Earnings Per Common Share

| (Canadian $ in millions, except as noted) | For the three months ended | | For the six months ended | |
|---|---|---|---|---|
| | **April 30, 2023** | April 30, 2022 | **April 30, 2023** | April 30, 2022 |
| Net income available to common shareholders adjusted for impact of dilutive instruments | **929** | 4,704 | **1,138** | 7,582 |
| Weighted-average number of common shares outstanding (in thousands) | **711,624** | 658,005 | **701,273** | 653,102 |
| Effect of dilutive instruments | | | | |
| Stock options potentially exercisable (1) | **4,512** | 6,245 | **4,638** | 5,364 |
| Common shares potentially repurchased | **(3,324)** | (4,224) | **(3,338)** | (3,371) |
| Weighted-average number of diluted common shares outstanding (in thousands) | **712,812** | 660,026 | **702,573** | 655,095 |
| Diluted earnings per common share (Canadian $) | **1.30** | 7.13 | **1.62** | 11.57 |

(1) In computing diluted earnings per share, we excluded average stock options outstanding of 2,351,072 and 2,131,821 with a weighted-average exercise price of $135.67 and $136.96, respectively, for the three and six months ended April 30, 2023 (nil and 857,826 with a weighted-average exercise price of $nil and $143.74, respectively, for the three and six months ended April 30, 2022) as the average share price for the period did not exceed the exercise price.

## Note 10: Income Taxes

During the quarter, the Canadian tax authorities proposed to reassess us for income taxes and interest of approximately $40 million in respect of certain 2018 Canadian corporate dividends. In prior fiscal years, the Canadian tax authorities have reassessed us for additional income tax and interest in an amount of approximately $1,425 million in respect of certain 2011-2017 Canadian corporate dividends. These reassessments and proposals to reassess denied certain dividend deductions on the basis that the dividends were received as part of a "dividend rental arrangement." In general, the tax rules raised by the Canadian tax authorities were prospectively addressed in the 2015 and 2018 Canadian Federal Budgets. We filed Notices of Appeal with the Tax Court of Canada and the matter is in litigation. We remain of the view that our tax filing positions were appropriate and intend to challenge all reassessments. However, if such challenges are unsuccessful, the additional expense would negatively impact our net income.

On December 15, 2022, the Canadian government enacted legislation related to certain tax measures that are applicable to certain Canadian companies in a bank or life insurer group, including a one-time 15% tax (referred to as the Canada Recovery Dividend, or CRD), based on the average taxable income for fiscal 2020 and fiscal 2021, less a $1 billion exemption, payable in equal instalments over five years. The legislation also included a permanent 1.5% increase in the tax rate, based on taxable income above $100 million (effective for taxation years that end after April 7, 2022 and pro-rated for the first year). In the first quarter of 2023, we recorded a one-time tax expense of $371 million in income tax expense, including $312 million relating to the CRD, and $59 million relating to the pro-rated fiscal 2022 impact of the 1.5% increase in tax rate, net of a related remeasurement of our net deferred tax asset.

## Note 11: Operating Segmentation

### Operating Groups

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

For additional information refer to Note 25 of our annual consolidated financial statements for the year ended October 31, 2022.

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

(Canadian $ in millions)

| For the three months ended April 30, 2023 | **Canadian P&C** | **U.S. P&C** | **BMO WM** | **BMO CM** | **Corporate Services (1)** | **Total** |
|---|---|---|---|---|---|---|
| Net interest income (2) | **1,983** | **2,156** | **372** | **601** | **(298)** | **4,814** |
| Non-interest revenue | **563** | **441** | **1,588** | **985** | **49** | **3,626** |
| Total Revenue | **2,546** | **2,597** | **1,960** | **1,586** | **(249)** | **8,440** |
| Provision for credit losses on impaired loans | **173** | **66** | **1** | **–** | **3** | **243** |
| Provision for credit losses on performing loans | **55** | **3** | **3** | **17** | **702** | **780** |
| Total provision for credit losses | **228** | **69** | **4** | **17** | **705** | **1,023** |
| Insurance claims, commissions and changes in policy benefit liabilities | **–** | **–** | **591** | **–** | **–** | **591** |
| Depreciation and amortization | **138** | **263** | **78** | **87** | **–** | **566** |
| Non-interest expense | **988** | **1,276** | **915** | **973** | **855** | **5,007** |
| Income (loss) before taxes and non-controlling interest in subsidiaries | **1,192** | **989** | **372** | **509** | **(1,809)** | **1,253** |
| Provision for (recovery of) income taxes | **331** | **200** | **88** | **129** | **(554)** | **194** |
| Reported net income (loss) | **861** | **789** | **284** | **380** | **(1,255)** | **1,059** |
| Non-controlling interest in subsidiaries | **–** | **–** | **–** | **–** | **3** | **3** |
| Net income (loss) attributable to bank shareholders | **861** | **789** | **284** | **380** | **(1,258)** | **1,056** |
| Average assets (3) | **315,022** | **241,868** | **60,242** | **406,721** | **244,515** | **1,268,368** |

| For the three months ended April 30, 2022 | Canadian P&C | U.S. P&C | BMO WM | BMO CM | Corporate Services (1) | Total |
|---|---|---|---|---|---|---|
| Net interest income (2) | 1,763 | 1,141 | 278 | 745 | (25) | 3,902 |
| Non-interest revenue | 622 | 313 | 206 | 819 | 3,456 | 5,416 |
| Total Revenue | 2,385 | 1,454 | 484 | 1,564 | 3,431 | 9,318 |
| Provision for (recovery of) credit losses on impaired loans | 86 | 35 | – | 1 | (2) | 120 |
| Provision for (recovery of) credit losses on performing loans | (32) | (74) | 1 | 32 | 3 | (70) |
| Total provision for (recovery of) credit losses | 54 | (39) | 1 | 33 | 1 | 50 |
| Insurance claims, commissions and changes in policy benefit liabilities | – | – | (808) | – | – | (808) |
| Depreciation and amortization | 126 | 102 | 64 | 69 | – | 361 |
| Non-interest expense | 934 | 623 | 810 | 860 | 125 | 3,352 |
| Income before taxes | 1,271 | 768 | 417 | 602 | 3,305 | 6,363 |
| Provision for income taxes | 331 | 180 | 103 | 154 | 839 | 1,607 |
| Reported net income | 940 | 588 | 314 | 448 | 2,466 | 4,756 |
| Average assets (3) | 286,486 | 141,099 | 49,735 | 374,309 | 188,716 | 1,040,345 |

(Canadian $ in millions)

| For the six months ended April 30, 2023 | Canadian P&C | U.S. P&C | BMO WM | BMO CM | Corporate Services (1) | Total |
|---|---|---|---|---|---|---|
| Net interest income (2) | **4,013** | **3,645** | **685** | **1,320** | **(828)** | **8,835** |
| Non-interest revenue | **1,162** | **743** | **3,779** | **1,984** | **(1,593)** | **6,075** |
| Total Revenue | **5,175** | **4,388** | **4,464** | **3,304** | **(2,421)** | **14,910** |
| Provision for (recovery of) credit losses on impaired loans | **327** | **114** | **2** | **(3)** | **(1)** | **439** |
| Provision for credit losses on performing loans | **65** | **17** | **8** | **10** | **701** | **801** |
| Total provision for credit losses | **392** | **131** | **10** | **7** | **700** | **1,240** |
| Insurance claims, commissions and changes in policy benefit liabilities | **–** | **–** | **1,784** | **–** | **–** | **1,784** |
| Depreciation and amortization | **270** | **370** | **146** | **165** | **–** | **951** |
| Non-interest expense | **1,973** | **2,002** | **1,793** | **1,986** | **1,289** | **9,043** |
| Income (loss) before taxes and non-controlling interest in subsidiaries | **2,540** | **1,885** | **731** | **1,146** | **(4,410)** | **1,892** |
| Provision for (recovery of) income taxes | **699** | **398** | **170** | **263** | **(944)** | **586** |
| Reported net income (loss) | **1,841** | **1,487** | **561** | **883** | **(3,466)** | **1,306** |
| Non-controlling interest in subsidiaries | **–** | **–** | **–** | **–** | **3** | **3** |
| Net income (loss) attributable to bank shareholders | **1,841** | **1,487** | **561** | **883** | **(3,469)** | **1,303** |
| Average assets (3) | **313,596** | **199,116** | **56,675** | **415,760** | **235,061** | **1,220,208** |

| For the six months ended April 30, 2022 | Canadian P&C | U.S. P&C | BMO WM | BMO CM | Corporate Services (1) | Total |
|---|---|---|---|---|---|---|
| Net interest income (2) | 3,550 | 2,297 | 550 | 1,669 | (145) | 7,921 |
| Non-interest revenue | 1,242 | 676 | 1,339 | 1,834 | 4,029 | 9,120 |
| Total Revenue | 4,792 | 2,973 | 1,889 | 3,503 | 3,884 | 17,041 |
| Provision for (recovery of) credit losses on impaired loans | 186 | 38 | – | (15) | (3) | 206 |
| Provision for (recovery of) credit losses on performing loans | (108) | (151) | 5 | (3) | 2 | (255) |
| Total provision for (recovery of) credit losses | 78 | (113) | 5 | (18) | (1) | (49) |
| Insurance claims, commissions and changes in policy benefit liabilities | – | – | (727) | – | – | (727) |
| Depreciation and amortization | 250 | 210 | 130 | 144 | – | 734 |
| Non-interest expense | 1,834 | 1,227 | 1,652 | 1,826 | 286 | 6,825 |
| Income before taxes | 2,630 | 1,649 | 829 | 1,551 | 3,599 | 10,258 |
| Provision for income taxes | 686 | 380 | 200 | 398 | 905 | 2,569 |
| Reported net income | 1,944 | 1,269 | 629 | 1,153 | 2,694 | 7,689 |
| Average assets (3) | 282,439 | 139,897 | 49,618 | 383,968 | 192,327 | 1,048,249 |

(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.

(3) Included within average assets are average earning assets, which are comprised of deposits with other banks, deposits at central banks, reverse repos, loans and securities. Total average earning assets for three and six months ended April 30, 2023 are $1,165,208 million and $1,121,371 million, including $301,268 million and $299,682 million for Canadian P&C, $223,100 million and $186,212 million for U.S. P&C, and $640,840 million and $635,477 million for all other operating segments including Corporate Services (for three and six months ended April 30, 2022 - Total: $949,279 million and $961,177 million, Canadian P&C: $272,231 million and $268,435 million, U.S. P&C: $133,774 million and $132,654 million and all other operating segments: $543,274 million and $560,088 million).

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

## Note 12: Acquisitions

### Bank of the West

On December 20, 2021, we announced a definitive agreement with BNP Paribas to acquire 100% of the outstanding shares of Bank of the West, including its subsidiaries. All regulatory approvals for the acquisition were received and the acquisition closed on February 1, 2023, for a cash purchase price of US$13.8 billion. Bank of the West provides a broad range of banking products and services primarily in the Western and Midwestern parts of the U.S. The merger enables BMO's market extension in Bank of the West's primary markets, including California, and accelerates BMO's commercial banking expansion. The acquisition has been reflected in our results this quarter as a business combination, in the U.S. P&C and BMO WM reporting segments.

As part of the acquisition, we acquired a 51% interest in its subsidiary CLAAS Financial Services, LLC which provides lease and loan financing to commercial entities acquiring agricultural equipment. The bank is the primary beneficiary of this LLC, and it is consolidated in our consolidated financial statements. We have recorded the ownership interests of the other partners in CLAAS Financial Services LLC as non-controlling interest in our Consolidated Balance Sheet.

We acquired intangible assets of $2,892 million and goodwill of $10,495 million. Core-deposit and customer relationship intangible assets will be amortized to income over the period during which we believe the assets will benefit us, on an accelerated basis, over a period not to exceed 15 years. Goodwill consists largely of the synergy and economies of scale expected from the combined operations of BMO and Bank of the West. Goodwill is not deductible for tax purposes.

We recorded the assets acquired and liabilities assumed at fair value as at the date of acquisition, as shown in the table below. The purchase price allocation is subject to refinement as we finalize the valuation of the assets acquired.

(Canadian $ in millions)

| | February 1, 2023 |
|---|---|
| Purchase consideration | **18,382** |
| Impact of forward contracts (1) | **(269)** |
| Net purchase consideration | **18,113** |
| Fair value of identifiable assets acquired | |
| Securities | **28,460** |
| Loans | |
| Residential mortgages | **11,912** |
| Consumer installment and other personal | **20,268** |
| Credit card | **885** |
| Business and government | **43,418** |
| Total loans | **76,483** |
| Other assets (2) | **9,160** |
| Intangible assets | **2,892** |
| Total fair value of identifiable assets acquired | **116,995** |
| Fair value of liabilities assumed | |
| Deposits | **91,711** |
| Other liabilities (2) | **17,650** |
| Total fair value of identifiable liabilities assumed | **109,361** |
| Non-controlling interest | **16** |
| Goodwill | **10,495** |
| Net purchase consideration | **18,113** |

(1) To mitigate changes in the Canadian dollar equivalent of the purchase price between announcement and close, we entered into forward contracts, which qualified for hedge accounting. Changes in the fair value of these forward contracts of $269 million (after-tax) was accounted for as a reduction of the Canadian dollar equivalent of the purchase price.

(2) The net deferred tax asset recorded in the opening balance sheet is $1,308 million.

The purchase price allocation for Bank of the West is subject to refinement as we complete the valuation of the assets acquired and liabilities assumed.

The accounting for purchased loans, including the initial provision for credit losses, is discussed in Note 3.

For the three months ended April 30, 2023, Bank of the West contributed revenue of $1,072 million and net income of $153 million to our consolidated results. Net income of $153 million excludes the initial allowance for credit losses of $705 million ($517 million after-tax) and integration and acquisition related costs of $722 million ($545 million after-tax). If we assume the acquisition occurred on November 1, 2022 and the same fair values were applied, we estimate that our combined consolidated year-to-date revenue and net income would have been $16 billion and $1.5 billion, respectively.

*Impact of Fair Value Management Actions*

The fair value of fixed rate loans, securities and deposits is largely dependent on interest rates. As interest rates increased between announcement of the acquisition and close, the fair value of the acquired fixed rate instruments (in particular, loans, securities and deposits) decreased, resulting in higher goodwill on close as compared to our estimates on the announcement date. Conversely, the fair value of floating rate assets (liabilities) and non-maturity deposits approximates par. Changes in goodwill relative to our original assumptions announced on December 20, 2021 impacted capital ratios on close because goodwill is treated as a deduction from capital under OSFI Basel III rules.

Upon announcement of the agreement to acquire Bank of the West, we entered into pay fixed/receive float interest rate swaps and purchased a portfolio of matched duration U.S. Treasuries and other balance sheet instruments to economically hedge the impact of changes in interest rates on our capital ratios at close. We recorded net interest income and mark-to-market gains of $5.7 billion on these instruments, in interest income and non-interest revenue between December 20, 2021 and February 1, 2023, at which time the interest rate swaps were settled. The gains provided additional capital to offset the impact of higher goodwill on close.

On close, we placed the majority of these U.S. Treasuries and other balance sheet instruments, which were in an unrealized loss position, in fair value hedge relationships with new pay fixed/receive float interest rate swaps. The fair value hedges, coupled with other actions taken to manage our interest rate risk profile to its target position, crystallized a $5.7 billion loss on these instruments, which will be recognized as a reduction in interest income over their remaining life through accounting for the new fair value hedges. In the quarter, $289 million was recorded in our Consolidated Statement of Income as a reduction in interest, dividend and fee income – securities, related to the fair value hedge.

Conversely, the fair values of the loans, securities and deposits we acquired are below par. This discount will accrete to interest income in our Consolidated Statement of Income over the remaining term of these instruments. In the quarter, $253 million and $140 million related to these purchased loans and securities was recorded in our Consolidated Statement of Income in net-interest income. More information on the purchased loans is included in Note 3.

*Leasing Solutions Canada Inc.*

On February 1, 2023, we acquired Leasing Solutions Canada Inc. from BNP Paribas. The acquisition was reflected in our results in the second quarter of 2023 as a business combination, in the Canadian P&C reporting segment and was not material to the bank.

## Radicle Group Inc.

On December 1, 2022, we completed the acquisition of Radicle Group Inc. (Radicle), a Calgary-based leader in sustainability advisory services and solutions, and technology-driven emissions measurement and management, for 1.2 million BMO common shares for a total value of $153 million plus cash consideration of $42 million. The acquisition was accounted for as a business combination, and the acquired business and corresponding goodwill are included in our BMO Capital Markets reporting segment.

As part of this acquisition, we acquired intangible assets of $61 million and goodwill of $89 million. The intangible assets are being amortized over 3 to 15 years. Goodwill related to this acquisition is not deductible for tax purposes.

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

(Canadian $ in millions)

| | December 1, 2022 |
|---|---|
| Goodwill and intangible assets | **150** |
| Other assets | **85** |
| Total assets | **235** |
| Liabilities | **40** |
| Purchase price | **195** |

The purchase price allocation for Radicle is subject to refinement as we complete the valuation of the assets acquired and liabilities assumed.

## AIR MILES Reward Program

On March 10, 2023, we announced the signing of a purchase agreement to acquire the AIR MILES Reward Program (AIR MILES) business of LoyaltyOne Co., a subsidiary of Loyalty Ventures Inc. pursuant to a process under the *Companies Creditors Arrangement* Act. The transaction received Competition Bureau approval in Q2 and court approval in Q3 and is expected to close on June 1, 2023. The AIR MILES business will continue to operate separately as wholly-owned subsidiaries of BMO and form part of our Canadian P&C reporting segment. The impact of this acquisition is not expected to be material to the bank.