BMO Financial Group

First Quarter 2014 Report to Shareholders

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

Financial Results Highlights:

First Quarter 2014 Compared with First Quarter 2013:

- **Net income of $1,061 million, up 2%; adjusted net income[1] of $1,083 million, up 5%**
- **EPS[2] of $1.58, up 5%; adjusted EPS[1,2] of $1.61, up 7%**
- **ROE of 14.2%, compared with 14.9%; adjusted ROE[1] of 14.5%, compared with 14.8%**
- **Provisions for credit losses of $99 million, compared with $178 million; adjusted provisions for credit losses[1] of $99 million, compared with $96 million**
- **Basel III Common Equity Ratio is 9.3%**

Toronto, February 25, 2014 – For the first quarter ended January 31, 2014, BMO Financial Group reported net income of $1,061 million or $1.58 per share on a reported basis and net income of $1,083 million or $1.61 per share on an adjusted basis.

"BMO's first quarter results reflect continued revenue growth and strong operating group performance, especially in Canadian Personal and Commercial Banking. The bank is showing sustained momentum and a growing balance sheet," said Bill Downe, Chief Executive Officer, BMO Financial Group.

"We gained market share in domestic personal lending complemented by double-digit growth in both commercial loans and deposits. Our U.S. commercial banking team also continued to deliver excellent volume growth with core commercial and industrial loans up 14% from a year ago. Margins were stable on both sides of the border, and Wealth Management and Capital Markets posted robust revenue growth.

"We recently announced an agreement to acquire F&C Asset Management, a diversified, U.K.-based investment manager. The acquisition will expand our BMO Global Asset Management business which had grown to over US$130 billion in assets under management and 175 investment professionals at the end of 2013.

"We're seeing the benefits of our diversified North American presence. We have clear opportunities for growth across our U.S. businesses in an environment of improved household finances and growing consumer confidence. In addition, progress in debt ceiling and budget negotiations in the United States will benefit business investment and our large North American commercial banking platform," concluded Mr. Downe.

Concurrent with the release of results, BMO announced a second quarter 2014 dividend of $0.76 per common share, unchanged from the preceding quarter and up $0.02 per share from a year ago, equivalent to an annual dividend of $3.04 per common share.

Our complete First Quarter 2014 Report to Shareholders, including our unaudited interim consolidated financial statements for the period ended January 31, 2014, is available online at www.bmo.com/investorrelations and at www.sedar.com.

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

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

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

Total Bank Overview

Net income was $1,061 million for the first quarter of 2014, up $25 million or 2% from a year ago.

Adjusted net income was $1,083 million, up $54 million or 5% from a year ago. There was continued momentum in Canadian P&C and Wealth Management, improved results from the prior quarter in U.S. P&C and solid results from BMO Capital Markets.

Operating Segment Overview

Canadian P&C

Net income was $484 million, up $37 million or 8% from a year ago. Adjusted net income was $486 million, up $36 million or 8% from the prior year. Results reflect continued momentum from the second half of last year with good revenue growth and a second consecutive quarter with above 2% operating leverage. Revenue was up $99 million or 7% year over year driven by strong volume growth across most products, partially offset by the impact of lower net interest margin. There was year-over-year loan growth of 10% and deposit growth of 11%. Expenses increased $33 million or 4% due to continued investment in the business.

In personal banking, there was strong loan and deposit growth of 10% and 9% respectively. Our recent BMO World Elite MasterCard® 'UPGRADE' campaign has been successful in attracting new customers to the Bank. In commercial banking, momentum continued with strong loan and deposit growth of 11% and 14%, respectively. We remain second in Canadian business banking loan market share for small and medium-sized loans. In both personal and commercial banking, we continue to make improvements in our processes, enabling front-line employees to spend more time acquiring more customers and strengthening existing relationships.

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

Net income of $153 million decreased $27 million or 15% from a strong first quarter a year ago. Adjusted net income of $164 million declined $30 million or 15% from a year ago. The prior year included strong revenues on sales of newly originated mortgages, commercial lending fees, due to customers' response to anticipated U.S. tax changes that accelerated commercial lending, and higher net interest margin. Adjusted net income was up $55 million compared to the prior quarter, benefiting from lower provisions for credit losses that were above trend in the fourth quarter.

There were year-over-year and quarterly sequential increases in average current loans and acceptances, led by continued strong growth in the core commercial and industrial loan portfolio. This portfolio increased by $3.0 billion or 14% from a year ago to $24.3 billion.

Growth in our commercial business and personal chequing and savings accounts was more than offset by planned reductions in higher-cost deposit products and a transfer of certain customer balances to Wealth Management at the beginning of the quarter, which resulted in a decline in deposits.

During the quarter, we were awarded 24 competitive Affordable Housing Program projects by the Federal Home Loan Bank of Chicago. These projects allow us to support our communities through the development of affordable housing, and also provide us with opportunities to cross-sell our products and services.

Wealth Management

Wealth Management continued to produce good results. Net income of $175 million increased $13 million or 8% from a year ago. Adjusted net income of $183 million also increased 8%. Adjusted net income in our traditional wealth businesses was $123 million, up $19 million or 17% from strong growth in client assets and increased transaction volumes. Adjusted net income in insurance was $60 million, down $4 million or 7%.

Assets under management and administration grew by $97 billion or 19% from a year ago to $597 billion, driven by market appreciation, the stronger U.S. dollar and growth in new client assets.

BMO InvestorLine was named the top bank-owned online brokerage firm in Canada for the third consecutive year in the 15th annual *Globe and Mail* ranking of online brokers and was also named Best Online Brokerage 2013 at the 19th annual Morningstar Awards.

In January, BMO announced an agreement on the terms of a cash offer to acquire all of the shares of F&C Asset Management plc (F&C), a diversified U.K.-based investment manager, at an aggregate purchase price of approximately £708 million ($1.3 billion) that would see F&C become part of BMO Financial Group. Subject to F&C shareholder approval and satisfaction of all regulatory and other conditions, the acquisition is expected to close after May 1, 2014.

BMO Capital Markets

Net income for the current quarter was $277 million, down $21 million or 7% from the first quarter a year ago, as good revenue growth primarily from our U.S. businesses was more than offset by higher expenses, lower loan recoveries and a higher effective tax rate. Return on equity of 18.8% was strong, increasing 3.8% from 15.0% in the prior quarter. Revenues increased $79 million or 9% year over year due to good revenue performance in both the Investment and Corporate Banking and the Trading Products businesses, and in particular from our U.S. segment. Expenses increased $85 million or 16% year over year due to higher employee-related expenses, including severance, and increased support costs, both related to a changing business and regulatory environment.

Our continued focus on our core clients was recognized as BMO Capital Markets was selected during the quarter as a 2013 Greenwich Quality Leader in Canadian Mergers and Acquisitions and in Canadian Equity Capital Markets. We were also selected as a 2013 Greenwich Share Leader in Canadian Investment Banking and Canadian Debt Capital Markets for Market Penetration.

BMO Capital Markets participated in 374 new global issues in the quarter, including 192 corporate debt deals, 110 government debt deals and 72 equity transactions, raising $818 billion.

Corporate Services

Corporate Services net loss for the first quarter of 2014 was $41 million, compared with a net loss of $50 million a year ago. The adjusted net loss in the quarter was $41 million, compared with an adjusted net loss of $79 million a year ago. Beginning in the first quarter of 2014, credit-related items in respect of the purchased performing loan portfolio are included in adjusted results. Credit-related items consist of $79 million for the recognition in net interest income of a portion of the credit mark on the portfolio, a $34 million specific provision for credit losses and related income taxes of $17 million. Adjusted revenues were higher mainly due to credit-related revenue in respect of the purchased performing loan portfolio, partially offset by a group taxable equivalent basis (teb) offset that was $21 million higher than the prior year. Adjusted expenses were lower primarily due to lower support costs retained in Corporate and reduced costs associated with the impaired real estate secured asset portfolio. Adjusted recoveries of credit losses of $59 million improved by $8 million primarily due to a $58 million increase in recoveries on the purchased credit impaired loan portfolio from the prior year, partially offset by $34 million of provisions in respect of the purchased performing loan portfolio.

Adjusted Net Income

Adjusted net income was $1,083 million for the first quarter of 2014, up $54 million or 5% from a year ago. Adjusted earnings per share were $1.61, up 7% from $1.50 a year ago.

Management has designated certain amounts as adjusting items and has adjusted GAAP results so that we can discuss and present financial results without the effects of adjusting items to facilitate understanding of business performance and related trends. The only item excluded from first quarter 2014 results in the determination of adjusted results was the amortization of acquisition-related intangible assets of $31 million ($22 million after tax; $0.03 per share), which is charged to the operating groups. There was no net change in the collective allowance for credit losses. Previously, amounts excluded from adjusted results also included credit-related items in respect of the purchased performing loan portfolio, acquisition integration costs and run-off structured credit activities. Management assesses performance on a GAAP basis and on an adjusted basis and considers both to be useful in the assessment of underlying business performance. Presenting results on both bases provides readers with a better understanding of how management assesses results. Adjusted results and measures are non-GAAP and, together with items excluded in determining adjusted results, are disclosed in more detail in the Non-GAAP Measures section, along with comments on the uses and limitations of such measures. The impact of adjusting items for comparative periods is summarized in the Non-GAAP Measures section.

Caution

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

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

Management's Discussion and Analysis

Management's Discussion and Analysis (MD&A) commentary is as of February 25, 2014. Unless otherwise indicated, all amounts are in Canadian dollars and have been derived from financial statements prepared in accordance with International Financial Reporting Standards (IFRS). References to GAAP mean IFRS. The MD&A should be read in conjunction with the unaudited interim consolidated financial statements for the period ended January 31, 2014, as well as the audited consolidated financial statements for the year ended October 31, 2013, and the MD&A for fiscal 2013 in BMO's 2013 Annual Report. The material that precedes this section comprises part of this MD&A.

The annual MD&A includes a comprehensive discussion of our businesses, strategies and objectives, and can be accessed on our website at www.bmo.com/investorrelations. Readers are also encouraged to visit the site to view other quarterly financial information.

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Bank of Montreal's management, under the supervision of the CEO and CFO, has evaluated the effectiveness, as at January 31, 2014, of Bank of Montreal's disclosure controls and procedures (as defined in the rules of the Securities and Exchange Commission and the Canadian Securities Administrators) and has concluded that such disclosure controls and procedures are effective.

There were no changes in our internal control over financial reporting during the quarter ended January 31, 2014, that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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

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

Regulatory Filings

Our continuous disclosure materials, including our interim filings, annual MD&A and audited consolidated financial statements, Annual Information Form and Notice of Annual Meeting of Shareholders and Proxy Circular are available on our website at www.bmo.com/investorrelations, on the Canadian Securities Administrators' website at www.sedar.com and on the EDGAR section of the SEC's website at www.sec.gov.

Bank of Montreal uses a unified branding approach that links all of the organization's member companies. Bank of Montreal, together with its subsidiaries, is known as BMO Financial Group. As such, in this document, the names BMO and BMO Financial Group mean Bank of Montreal, together with its subsidiaries.

Summary Data – Reported			**Table 1**
(Canadian $ in millions, except as noted)	**Q1-2014**	Q4-2013	Q1-2013
Summary Income Statement			
Net interest income	**2,113**	2,117	2,248
Non-interest revenue	**2,009**	2,021	1,784
Revenue	**4,122**	4,138	4,032
Provision for credit losses	**99**	189	178
Non-interest expense	**2,684**	2,580	2,570
Provision for income taxes	**278**	295	248
Net income	**1,061**	1,074	1,036
Attributable to bank shareholders	**1,048**	1,061	1,018
Attributable to non-controlling interest in subsidiaries	**13**	13	18
Net income	**1,061**	1,074	1,036
Common Share Data ($ except as noted)			
Earnings per share	**1.58**	1.60	1.51
Earnings per share growth (%)	**4.6**	1.9	(6.8)
Dividends declared per share	**0.76**	0.74	0.72
Book value per share	**45.60**	43.22	40.13
Closing share price	**68.06**	72.62	62.99
Total market value of common shares ($ billions)	**43.9**	46.8	41.1
Dividend yield (%)	**4.5**	4.1	4.6
Financial Measures and Ratios (%)			
Return on equity	**14.2**	14.8	14.9
Net income growth	**2.5**	0.1	(5.9)
Revenue growth	**2.3**	0.2	(0.8)
Non-interest expense growth	**4.4**	(3.7)	1.7
Efficiency ratio	**65.1**	62.3	63.8
Operating leverage	**(2.1)**	3.9	(2.5)
Net interest margin on average earning assets	**1.62**	1.69	1.87
Effective tax rate	**20.8**	21.6	19.3
Return on average assets	**0.72**	0.76	0.73
Provision for credit losses-to-average loans and acceptances (annualized)	**0.14**	0.27	0.28
Value Measures (% except as noted)			
Average annual five-year total shareholder return	**21.4**	17.0	7.8
Average annual three-year total shareholder return	**10.6**	11.5	11.8
Twelve month total shareholder return	**12.9**	28.8	13.5
Net economic profit ($ millions) (1)	**289**	324	314
Balance Sheet (as at $ billions, except as noted)			
Assets	**593**	537	542
Net loans and acceptances	**290**	279	259
Deposits	**398**	368	353
Common shareholders' equity	**29.4**	27.8	26.2
Cash and securities-to-total assets ratio (%)	**32.3**	31.3	30.8
Capital Ratios (%)			
Common Equity Tier 1 Capital Ratio	**9.3**	9.9	9.4
Tier 1 Capital Ratio	**10.6**	11.4	11.1
Total Capital Ratio	**12.4**	13.7	13.4
Net Income by Operating Group			
Canadian P&C	**484**	458	447
U.S. P&C	**166**	102	179
Personal and Commercial Banking	**650**	560	626
Wealth Management	**175**	311	162
BMO Capital Markets	**277**	217	298
Corporate Services, including Technology and Operations (T&O)	**(41)**	(14)	(50)
BMO Financial Group net income	**1,061**	1,074	1,036

(1) Net economic profit is a non-GAAP measure and is discussed in the Non-GAAP Measures section.

Summary Data – Adjusted (1)			**Table 2**
(Canadian $ in millions, except as noted)	**Q1-2014**	Q4-2013	Q1-2013
Adjusted Summary Income Statement			
Net interest income	**2,113**	2,000	2,036
Non-interest revenue	**2,009**	2,010	1,776
Revenue	**4,122**	4,010	3,812
Provision for credit losses	**99**	140	96
Non-interest expense	**2,653**	2,485	2,444
Provision for income taxes	**287**	297	243
Net income	**1,083**	1,088	1,029
Attributable to bank shareholders	**1,070**	1,075	1,011
Attributable to non-controlling interest in subsidiaries	**13**	13	18
Net income	**1,083**	1,088	1,029
Adjusted Common Share Data			
Earnings per share ($)	**1.61**	1.62	1.50
Earnings per share growth (%)	**7.3**	(1.2)	6.4
Adjusted Financial Measures and Ratios (%)			
Return on equity	**14.5**	15.0	14.8
Net income growth	**5.4**	(2.5)	6.8
Revenue growth	**8.2**	3.5	3.3
Non-interest expense growth	**8.5**	2.9	4.0
Efficiency ratio	**64.3**	61.9	64.1
Operating leverage	**(0.3)**	0.6	(0.7)
Net interest margin on average earning assets	**1.62**	1.60	1.70
Effective tax rate	**20.9**	21.5	19.0
Adjusted Net Income By Operating Group			
Canadian P&C	**486**	461	450
U.S. P&C	**178**	114	192
Personal and Commercial Banking	**664**	575	642
Wealth Management	**183**	318	168
BMO Capital Markets	**277**	217	298
Corporate Services, including T&O	**(41)**	(22)	(79)
BMO Financial Group net income	**1,083**	1,088	1,029

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

Caution Regarding Forward-Looking Statements

Bank of Montreal's public communications often include written or oral forward-looking statements. Statements of this type are included in this document, and may be included in other filings with Canadian securities regulators or the U.S. Securities and Exchange Commission, or in other communications. All such statements are made pursuant to the "safe harbor" provisions of, and are intended to be forward-looking statements under, the United States Private Securities Litigation Reform Act of 1995 and any applicable Canadian securities legislation. Forward-looking statements may involve, but are not limited to, comments with respect to our objectives and priorities for 2014 and beyond, our strategies or future actions, our targets, expectations for our financial condition or share price, and the results of or outlook for our operations or for the Canadian, U.S. and international economies.

By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions, forecasts, conclusions or projections will not prove to be accurate, that our assumptions may not be correct and that actual results may differ materially from such predictions, forecasts, conclusions or projections. We caution readers of this document not to place undue reliance on our forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements.

The future outcomes that relate to forward-looking statements may be influenced by many factors, including but not limited to: general economic and market conditions in the countries in which we operate; weak, volatile or illiquid capital and/or credit markets; interest rate and currency value fluctuations; changes in monetary, fiscal or economic policy; the degree of competition in the geographic and business areas in which we operate; changes in laws or in supervisory expectations or requirements, including capital, interest rate and liquidity requirements and guidance; judicial or regulatory proceedings; the accuracy and completeness of the information we obtain with respect to our customers and counterparties; our ability to execute our strategic plans and to complete and integrate acquisitions, including obtaining regulatory approvals; critical accounting estimates and the effect of changes to accounting standards, rules and interpretations on these estimates; operational and infrastructure risks; changes to our credit ratings; general political conditions; global capital markets activities; the possible effects on our business of war or terrorist activities; disease or illness that affects local, national or international economies; natural disasters and disruptions to public infrastructure, such as transportation, communications, power or water supply; technological changes; and our ability to anticipate and effectively manage risks associated with all of the foregoing factors.

We caution that the foregoing list is not exhaustive of all possible factors. Other factors could adversely affect our results. For more information, please see the discussion on pages 30 to 31 of BMO's 2013 Annual Report, which outlines in detail certain key factors that may affect Bank of Montreal's future results. When relying on forward-looking statements to make decisions with respect to Bank of Montreal, investors and others should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. Bank of Montreal does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by the organization or on its behalf, except as required by law. The forward-looking information contained in this document is presented for the purpose of assisting our shareholders in understanding our financial position as at and for the periods ended on the dates presented, as well as our strategic priorities and objectives, and may not be appropriate for other purposes.

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

Assumptions about the performance of the Canadian and U.S. economies, as well as overall market conditions and their combined effect on our business, are material factors we consider when determining our strategic priorities, objectives and expectations for our business. In determining our expectations for economic growth, both broadly and in the financial services sector, we primarily consider historical economic data provided by the Canadian and U.S. governments and their agencies. See the Economic Review and Outlook section of this interim MD&A.

Economic Review and Outlook

The Canadian economy strengthened moderately in the second half of 2013, supported by firm consumer spending, a rebound in housing markets and stronger business investment. However, weaker exports and tighter fiscal policies held back the expansion. In the year ahead, Canadian exports are expected to increase in response to a weaker Canadian dollar and stronger global demand. The U.S. economy is gaining strength, the Eurozone economy is growing again and China's economic slowdown has stabilized. Canadian consumer spending is projected to grow moderately in the face of elevated household debt, while residential construction should slow modestly. Consequently, growth in consumer credit and residential mortgages will likely continue to moderate. However, firmer exports should encourage an improvement in investment and business loan growth. Economic growth is expected to increase from approximately 1.8% in 2013 to 2.3% in 2014, lowering the unemployment rate to 6.8% by year end. Continued low inflation will likely encourage the Bank of Canada to maintain a steady interest rate policy for a fourth consecutive year. The Canadian dollar is projected to further weaken in the near term amid market expectations of a possible Bank of Canada interest rate reduction.

The U.S. economy overcame tighter fiscal policy, renewed political uncertainty and higher mortgage rates to grow strongly in the second half of 2013, as consumer spending and exports rose at the fastest rate in three years in the final quarter. Improved household finances, strong replacement demand for motor vehicles and a declining energy trade deficit should support the economy in 2014. In addition, the federal budget deal implies less fiscal restraint and diminished political uncertainty, which should support business investment. Demand for business credit and residential mortgages will likely strengthen, while demand for consumer loans should remain firm. Economic growth is projected to increase from 1.9% last year to 2.8% in 2014, the fastest growth since 2005, reducing the unemployment rate to 6.1% by year-end. While the Federal Reserve will likely maintain a low interest-rate policy for at least another year, it is expected to continue reducing purchases of fixed-income securities, resulting in moderate upward pressure on longer-term interest rates.

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

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

Other Value Measures

BMO's average annual total shareholder returns for the one-year, three-year and five-year periods ending January 31, 2014, were 12.9%, 10.6% and 21.4%, respectively.

Return on equity (ROE) was 14.2% in the first quarter of 2014 and adjusted ROE was 14.5%, compared to 14.9% and 14.8%, respectively, in the first quarter a year ago. ROE was impacted by common shareholders' equity growing at a higher rate than income, in part as a result of foreign exchange gains on our U.S. operations recognized in shareholders' equity as a result of the stronger U.S. dollar.

Foreign Exchange

The Canadian dollar equivalents of BMO's U.S.-dollar-denominated net income, revenues, expenses, recoveries of credit losses and income taxes were increased relative to the fourth quarter of 2013 and the first quarter of 2013 by the strengthening of the U.S. dollar. The average Canadian/U.S. dollar exchange rate for the quarter, expressed in terms of the Canadian dollar cost of a U.S. dollar, increased by 9% from a year ago and 4% from the average of the fourth quarter. BMO may execute hedging transactions to mitigate the impact of foreign exchange rate movements on net income. Table 3 indicates the relevant average Canadian/U.S. dollar exchange rates and the impact of changes in the rates.

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

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

	Q1-2014	
(Canadian $ in millions, except as noted)	vs Q1-2013	vs Q4-2013
Canadian/U.S. dollar exchange rate (average)		
Current period	1.0800	1.0800
Prior period	0.9953	1.0421
Effects on reported results		
Increased net interest income	57	25
Increased non-interest revenue	46	21
Increased revenues	103	46
Increased expenses	(75)	(33)
Increased recovery of credit losses	3	1
Increased income taxes	(8)	(4)
Increased net income before impact of hedges	23	10
Hedging losses	(4)	(4)
Income taxes thereon	1	1
Increased reported net income	20	7
Effects on adjusted results		
Increased net interest income	51	22
Increased non-interest revenue	46	21
Increased revenues	97	43
Increased expenses	(72)	(32)
Increased recovery of credit losses	6	3
Increased income taxes	(8)	(4)
Increased adjusted net income before impact of hedges	23	10
Hedging losses	(4)	(4)
Income taxes thereon	1	1
Increased adjusted net income	20	7

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

Net Income

Q1 2014 vs Q1 2013

Net income was $1,061 million for the first quarter of 2014, up $25 million or 2% from a year ago. EPS was $1.58, up $0.07 or 5% from a year ago.

Adjusted net income was $1,083 million, up $54 million or 5% from a year ago. The impact of the stronger U.S. dollar increased adjusted net income growth by $20 million or 2%. Adjusted EPS was $1.61, up $0.11 or 7% from a year ago. Adjusted results and items excluded in determining adjusted results are disclosed in detail in the preceding Adjusted Net Income section and in the Non-GAAP Measures section, together with comments on the uses and limitations of such measures.

On an adjusted basis, net income growth was driven by good growth in Canadian P&C and Wealth Management. Canadian P&C results reflected strong volume growth across most products, partially offset by lower net interest margin. Wealth Management had strong results in traditional wealth businesses with a 17% increase in adjusted net income, partially offset by lower net income in insurance. BMO Capital Markets was down, as good revenue growth primarily from our U.S. businesses was more than offset by higher expenses, lower loan recoveries and a higher effective tax rate. U.S. P&C net income decreased from a strong first quarter a year ago that included strong revenue on sales of newly originated mortgages, commercial lending fees and higher net interest margin. Corporate Services adjusted results improved due to performance in the purchased loan portfolios and lower expenses.

Q1 2014 vs Q4 2013

Net income decreased $13 million and EPS decreased $0.02. Adjusted net income decreased $5 million and adjusted EPS decreased by $0.01. The impact of the stronger U.S. dollar increased adjusted net income growth by $7 million or 1%.

On an adjusted basis, net income decreased relative to the fourth quarter due to higher securities gains in the prior quarter and stock-based compensation for employees eligible to retire that is expensed in the first quarter of each year. Net income growth in Canadian P&C was driven by increased revenues reflecting higher volumes across most products. U.S. P&C adjusted net income increased, primarily driven by reductions in provisions for credit losses, which were above trend in the previous quarter. Net income decreased in Wealth Management primarily due to a $121 million after-tax security gain in the prior quarter and lower net income in insurance, primarily due to lower benefits from changes in our investment portfolio to improve asset-liability management. BMO Capital Markets results were up primarily due to higher revenues across the businesses. Corporate Services adjusted results decreased due to lower recoveries of credit losses.

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

Revenue

Q1 2014 vs Q1 2013

Total revenue of $4,122 million increased $90 million or 2% from the first quarter last year. Adjusted revenue increased $310 million or 8% to $4,122 million. Excluding the impact of the stronger U.S. dollar, adjusted revenue increased by $217 million or 6%. Canadian P&C had good results due to the effect of strong volume growth across most products, partially offset by the impact of lower net interest margin. Wealth Management revenue increased from a year ago due to growth in client assets and increased transaction volumes. BMO Capital Markets had good revenue performance from Investment and Corporate Banking businesses, driven by higher equity underwriting volumes, higher securities gains in corporate banking and merchant banking activities. Trading Products businesses performed well mainly due to higher trading revenues and securities commissions and fees. U.S. P&C revenues decreased on a U.S. dollar basis from a strong first quarter a year ago that included strong revenues on sales of newly originated mortgages, commercial lending fees, due to customers' response to anticipated U.S. tax changes that accelerated commercial lending, and higher net interest margin. Adjusted revenues improved in Corporate Services mainly due to the inclusion, commencing this quarter, of credit-related revenue in respect of the purchased performing loan portfolio, partially offset by a higher group teb offset.

Net interest income decreased $135 million or 6% from a year ago to $2,113 million in the first quarter of 2014. Adjusted net interest income increased $77 million or 4% to $2,113 million, due to revenue from the purchased performing loan portfolio and volume growth in the P&C businesses, partially offset by a lower net interest margin. BMO's overall net interest margin decreased on a reported basis by 25 basis points from a year ago to 1.62%. Adjusted net interest margin decreased by 8 basis points to 1.62%. Average earning assets in the first quarter of 2014 increased $39.8 billion or 8% relative to a year ago, including a $15.7 billion increase as a result of the stronger U.S. dollar.

Non-interest revenue increased $225 million or 13% from the first quarter a year ago to $2,009 million. Adjusted non-interest revenue increased $233 million or 13% to $2,009 million, with the majority of the increase driven by good performance in BMO Capital Markets and Wealth Management. There were significant increases in trading revenues, and most other types of non-interest revenue increased, with the exception of underwriting fees and card fees.

Q1 2014 vs Q4 2013

Revenue decreased $16 million from the fourth quarter. Adjusted revenue increased $112 million or 3%. Excluding the impact of the stronger U.S. dollar, adjusted revenue increased by $73 million or 2%. Canadian P&C revenues increased 2%, reflecting higher volumes across most products. Revenue in Wealth Management decreased as prior quarter results included a $191 million security gain. Revenue in other traditional wealth businesses increased 4%, driven by growth in client assets. Investment and Corporate Banking revenue performance in BMO Capital Markets improved on higher equity underwriting fees and securities gains in corporate banking. Trading Products revenues were significantly stronger on improved market conditions and higher client activity. U.S. P&C revenues increased moderately on a U.S. dollar basis primarily due to loan growth and stable net interest margin. Corporate Services adjusted revenues were higher mainly due to the inclusion, commencing this quarter, of credit-related revenue in respect of the purchased performing loan portfolio, partially offset by a variety of other items, none of which were individually significant.

Net interest income decreased $4 million. Adjusted net interest income increased $113 million or 6%, due to revenue from the purchased performing loan portfolio and volume growth in the P&C businesses. BMO's overall net interest margin decreased by 7 basis points from the fourth quarter, while adjusted net interest margin increased 2 basis points. Average earning assets increased $19.7 billion or 4% from the fourth quarter, of which $7.0 billion related to the stronger U.S. dollar.

Non-interest revenue decreased $12 million and adjusted non-interest revenue was essentially unchanged. Increases in most categories were more than offset by significantly lower securities gains, insurance income and other income.

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

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

Adjusted Net Interest Margin on Average Earning Assets (teb)*			Table 4
(In basis points)	**Q1-2014**	Q4-2013	Q1-2013
Canadian P&C	**261**	260	270
U.S. P&C	**383**	382	412
Personal and Commercial Banking	**293**	290	306
Wealth Management	**273**	289	287
BMO Capital Markets	**48**	54	57
Corporate Services, including T&O**	**nm**	nm	nm
Total BMO adjusted net interest margin (1)	**162**	160	170
Total BMO reported net interest margin	**162**	169	187
Total Canadian Retail (reported and adjusted)***	**260**	260	268

* Net interest margin is disclosed and computed with reference to average earning assets, rather than total assets. This basis provides a more relevant measure of margins and changes in margins. Operating group margins are stated on a taxable equivalent basis (teb) while total BMO margin is stated on a GAAP basis.

** Corporate Services adjusted net interest income is negative in all periods and its variability affects changes in net interest margin.

*** Total Canadian retail margin represents the net interest margin of the combined Canadian businesses of Canadian P&C and Wealth Management.

(1) These are non-GAAP amounts or non-GAAP measures. Please see the Non-GAAP Measures section.

nm - not meaningful

Provisions for Credit Losses

Q1 2014 vs Q1 2013

The total provision for credit losses (PCL) was $99 million, a decrease of $79 million from the prior year. Adjusted PCL increased by $3 million from the prior year. There was no net change to the collective allowance year over year.

Canadian P&C provisions increased by $13 million to $141 million, resulting from higher commercial losses partially offset by lower provisions in the consumer portfolio. Wealth Management provisions decreased by $3 million. Recoveries of credit losses in BMO Capital Markets were $14 million lower due to lower recoveries combined with new provisions this quarter. U.S. P&C provisions of $19 million decreased by $13 million due to improvements in the consumer portfolio. Corporate Services adjusted recoveries of $59 million improved by $8 million. Recoveries on the purchased credit impaired loan portfolio increased $58 million from the prior year. Beginning in the first quarter of 2014, Corporate Services adjusted results include credit-related items in respect of the purchased performing loan portfolio and include a $34 million specific provision for credit losses.

Q1 2014 vs Q4 2013

The total PCL decreased by $90 million to $99 million from the prior quarter. Adjusted PCL decreased by $41 million from the prior quarter. There was no net change to the collective allowance from the prior quarter.

Canadian P&C provisions decreased by $25 million due to a combination of lower write-offs and higher recoveries. Wealth Management provisions were relatively stable quarter over quarter. Recoveries of credit losses in BMO Capital Markets were $16 million lower due to lower recoveries combined with new provisions this quarter. U.S. P&C provisions decreased significantly by $77 million from the above trend provisions in the previous quarter, and benefited from higher recoveries in the current quarter. Corporate Services adjusted recoveries decreased by $47 million primarily due to the inclusion of specific provisions in respect of the purchased performing loan portfolio. Recoveries on the purchased credit impaired loan portfolio increased $13 million from the prior quarter.

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

Provision for Credit Losses by Operating Group			Table 5
(Canadian $ in millions, except as noted)	**Q1-2014**	Q4-2013	Q1-2013
Canadian P&C	**141**	166	128
U.S. P&C	**19**	96	32
Personal and Commercial Banking	**160**	262	160
Wealth Management	**(1)**	1	2
BMO Capital Markets	**(1)**	(17)	(15)
Corporate Services, including T&O (1) (2)	**(59)**	(106)	(51)
Adjusted provision for credit losses	**99**	140	96
Purchased performing loans (1)	**-**	49	82
Provision for credit losses	**99**	189	178

(1) Effective Q1-2014, Corporate Services adjusted results include credit-related items in respect of the purchased performing loan portfolio, including $34 million specific provisions for credit losses.

(2) Corporate Services results include purchased credit impaired loan recoveries of $117 million in Q1-2014 ($72 million after tax); $104 million in Q4-2013 ($64 million after tax); and $59 million in Q1-2013 ($37 million after tax).

This table contains adjusted results and measures, which are Non-GAAP. Please see the Non-GAAP Measures section.

Changes to Provision for Credit Losses			Table 6
(Canadian $ in millions, except as noted)	**Q1-2014**	Q4-2013	Q1-2013
New specific provisions	**358**	455	418
Reversals of previously established allowances	**(48)**	(64)	(82)
Recoveries of loans previously written-off	**(211)**	(202)	(158)
Provision for credit losses	**99**	189	178
PCL as a % of average net loans and acceptances (annualized)	**0.14**	0.27	0.28

Impaired Loans

Total gross impaired loans (GIL) were $2,482 million at the end of the current quarter, down from $2,544 million in the fourth quarter of 2013 and from $2,912 million a year ago. The stronger U.S. dollar raised GILs by $105 million relative to the fourth quarter of 2013 and $172 million relative to a year ago.

Factors contributing to the change in GIL are outlined in Table 7 below. Loans classified as impaired during the quarter totalled $642 million in the current quarter, up from $614 million in the fourth quarter of 2013 and $630 million a year ago.

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

(Canadian $ in millions, except as noted)	**Q1-2014**	Q4-2013	Q1-2013
GIL, beginning of period	**2,544**	2,650	2,976
Classified as impaired during the period	**642**	614	630
Transferred to not impaired during the period	**(154)**	(164)	(156)
Net repayments	**(446)**	(247)	(289)
Amounts written-off	**(203)**	(269)	(235)
Recoveries of loans and advances previously written-off	**-**	-	-
Disposals of loans	**(2)**	(110)	(31)
Foreign exchange and other movements	**101**	70	17
GIL, end of period	**2,482**	2,544	2,912
GIL as a % of gross loans and acceptances	**0.85**	0.91	1.12

(1) GIL excludes purchased credit impaired loans.

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

Non-Interest Expense

Non-interest expense increased $114 million or 4% from the first quarter a year ago to $2,684 million. Adjusted non-interest expense increased $209 million or 8% to $2,653 million, primarily due to higher employee-related expenses, including severance, and increased technology and support costs related to a changing business and regulatory environment. Excluding the impact of the stronger U.S. dollar, adjusted non-interest expense increased by $137 million or 6%.

Non-interest expense increased $104 million or 4% relative to the fourth quarter. Adjusted non-interest expense increased $168 million or 7%, primarily due to $66 million of stock-based compensation for employees eligible to retire that is expensed in the first quarter of each year and higher severance costs. Excluding the impact of the stronger U.S. dollar, adjusted non-interest expense increased by $136 million or 5%.

Year-over-year operating leverage on a reported basis was negative 2.1% and adjusted operating leverage was negative 0.3%. On a basis that adjusts for the security gain in the prior quarter and the current quarter stock-based compensation mentioned above, the quarter-over-quarter adjusted operating leverage was positive.

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

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

Income Taxes

The provision for income taxes of $278 million increased $30 million from the first quarter of 2013 and decreased $17 million from the fourth quarter of 2013. The effective tax rate for the quarter was 20.8%, compared with 19.3% a year ago and 21.6% in the fourth quarter of 2013.

The adjusted provision for income taxes of $287 million increased $44 million from a year ago and decreased $10 million from the fourth quarter of 2013. The adjusted effective tax rate was 20.9% in the current quarter, compared with 19.0% a year ago and 21.5% in the fourth quarter of 2013. The higher adjusted tax rate in the current quarter relative to the first quarter of 2013 was primarily due to lower recoveries of prior periods' income taxes. The lower adjusted tax rate in the current quarter relative to the fourth quarter of 2013 was primarily due to a lower proportion of income from higher tax-rate jurisdictions. The adjusted tax rate is computed using adjusted net income rather than net income in the determination of income subject to tax.

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

Capital Management

First Quarter 2014 Regulatory Capital Review

BMO's capital position remains strong, with a Common Equity Tier 1 (CET1) Ratio of 9.3% at January, 31, 2014.

The CET1 Ratio decreased by 60 basis points from 9.9% at October 31, 2013, due to reductions of approximately: 50 basis points due to higher business driven source currency risk-weighted assets (RWA); 20 basis points due to the newly implemented Credit Valuation Adjustment (CVA) risk capital charge; 10 basis points due to changes in IFRS accounting standards; and 5 basis points due to the net impact of a strengthening U.S. dollar; net of a 25 basis point benefit from increased retained earnings.

The RWA of $240 billion at January 31, 2014, increased by $25 billion from October 31, 2013, primarily resulting from approximately $11 billion due to increased business driven source currency RWA, approximately $6 billion due to the impact of the newly implemented CVA adjustment and IFRS accounting changes, and approximately $6 billion due to the impact of the strengthening U.S. dollar.

Business driven source currency RWA increased due to increased credit risk RWA across all groups and increased market risk RWA in BMO Capital Markets. A portion of these market risk increases are temporary.

The CVA RWA resulted from OSFI's decision to begin phasing in the CVA risk capital charge in the first quarter of 2014. The CET1 CVA risk capital charge applicable to BMO for CET1 during fiscal 2014, and for Tier 1 and Total Capital during the first and second quarter of 2014, will be 57% of the fully-implemented charge. This will increase each year until it reaches 100% by 2019.

CET1 capital at January 31, 2014, was $22.3 billion, up $1.1 billion from October 31, 2013, due mainly to retained earnings growth and the net impact of foreign exchange movements on U.S.-dollar-denominated investments in foreign operations and related hedges.

The bank's Tier 1 and Total Capital Ratios were 10.6% and 12.4%, respectively, at January 31, 2014, compared with 11.4% and 13.7%, respectively, at October 31, 2013. These ratios decreased from last quarter primarily due to the same factors that caused the decrease in the CET1 Ratio, as described above, and due to the additional 10% phase-out of non-qualifying Tier 1 and Tier 2 Capital in January 2014.

OSFI has recently announced the Assets-to-Capital Multiple (ACM), based on Total Capital, will be discontinued in 2015. BMO's ACM was 17.4 at January 31, 2014. BMO's ACM increased from 15.6 at October 31, 2013, primarily due to balance sheet growth.

BMO's investments in foreign operations are primarily denominated in U.S. dollars. Foreign exchange gains or losses on the translation of the investments in foreign operations to Canadian dollars are reported in shareholders' equity. However, when coupled with the foreign exchange impact of U.S.-dollar-denominated RWA on Canadian-dollar equivalent RWA, and with the impact of U.S.-dollar-denominated capital deductions on our Canadian dollar capital, this may result in variability in the bank's capital ratios. BMO may hedge the risk of foreign exchange gains or losses by funding its foreign investments in U.S. dollars or, alternatively, to offset the impact of foreign exchange rate changes on the bank's capital ratios, may enter into derivative contracts, such as forward currency contracts, or elect to fund its investments in Canadian dollars.

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

Other Capital Developments

On January 24, 2014, we announced our intention to redeem all of our Non-cumulative Class B Preferred Shares Series 18 on February 25, 2014, at a redemption price of $25.00 per share plus declared and unpaid dividends up to but excluding the date fixed for redemption.

On January 28, 2014, we announced an agreement to acquire F&C. Assuming a third quarter close, which is subject to F&C shareholder approval and the satisfaction of all regulatory and other conditions, the acquisition is expected to reduce BMO's CET1 Ratio by approximately 75 basis points.

During the quarter, 468,000 common shares were issued through the exercise of stock options.

On January 30, 2014, we announced that we had received approvals from the Toronto Stock Exchange (TSX) and OSFI to proceed with a normal course issuer bid through the facilities of the TSX to purchase, for cancellation, up to 15 million of BMO's common shares commencing February 1, 2014, and ending January 31, 2015. The timing and amount of purchases under the program are subject to management discretion based on factors such as market conditions and capital adequacy. We do not expect to be active under the normal course issuer bid until after closing of the agreement to acquire F&C, described above. The bank will regularly consult with OSFI before making purchases under the bid. Over the term of the previous bid we purchased 10.7 million of common shares at an average price of $62.88 per share.

On February 25, 2014, BMO announced that the Board of Directors had declared a quarterly dividend payable to common shareholders of $0.76 per common share, unchanged from the preceding quarter and up $0.02 per share from a year ago. The dividend reflects our strong capital position and the success of our business strategies.

The dividend is payable May 27, 2014, to shareholders of record on May 1, 2014. Common shareholders may elect to have their cash dividends reinvested in common shares of the bank in accordance with the dividend reinvestment and share purchase plan.

Economic Capital Review

Economic capital is a measure of our internal assessment of the risks underlying BMO's business activities. It represents management's estimation of the likely magnitude of economic losses that could occur should adverse situations arise, and allows returns to be measured on a basis that considers the risks taken. Economic capital is calculated for various types of risk – credit, market (trading and non-trading), operational and business – based on a one-year time horizon. Economic capital is a key element of our risk-based capital management and Internal Capital Adequacy Assessment Process framework.

Economic Capital and RWA by Operating Group and Risk Type

As at January 31, 2014

BMO

Operating groups:	**P&C Banking**	**Wealth Management**	**BMO Capital Markets**	**Corporate Services**
Economic Capital by Risk Type				
Credit	79%	28%	53%	92%
Market	4%	34%	23%	3%
Operational/Other	17%	38%	24%	5%
RWA by Risk Type				
(Canadian $ in millions)				
Credit	$126,541	$8,721	$46,163	$17,378
Market	$-	$249	$14,215	$30
Operational	$15,461	$4,087	$,7,231	$-

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

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

Outstanding Shares and Securities Convertible into Common Shares	Table 9
As at February 19, 2014	Number of shares or dollar amount (in millions)
Common shares	645
Class B Preferred Shares	
Series 13	$ 350
Series 14	$ 250
Series 15	$ 250
Series 16 (1)	$ 157
Series 17 (1)	$ 143
Series 18 (2)	$ 150
Series 21	$ 275
Series 23	$ 400
Series 25	$ 290
Stock options	
– vested	8.7
– non-vested	6.8

(1) In August 2013, approximately 5.7 million Series 16 Preferred Shares were converted into Series 17 Preferred Shares on a one-for-one basis.
(2) On January 24, 2014, we announced our intention to redeem our Series 18 Preferred Shares on February 25, 2014

Details on share capital are outlined in Note 20 to the audited consolidated financial statements on page 163 of BMO's 2013 Annual Report.

Caution

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

Eligible Dividends Designation

For the purposes of the *Income Tax Act* (Canada) and any similar provincial and territorial legislation, BMO designates all dividends paid or deemed to be paid on both its common and preferred shares as "eligible dividends", unless indicated otherwise.

Review of Operating Groups' Performance

How BMO Reports Operating Group Results

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

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

Corporate Services results reflect certain items in respect of the acquired loan portfolio, including the recognition of a portion of the credit mark that is reflected in net interest income over the term of the purchased loans and provisions and recoveries of credit losses on the acquired portfolio. Certain integration and restructuring costs, run-off structured credit activities and changes in the collective allowance are also included in Corporate Services.

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

BMO analyzes revenue at the consolidated level based on GAAP revenues reflected in the consolidated financial statements rather than on a taxable equivalent basis (teb). Like many banks, we analyze revenue on a teb basis at the operating group level. This basis includes an adjustment that increases GAAP revenues and the GAAP provision for income taxes by an amount that would raise revenues on certain tax-exempt items to a level equivalent to amounts that would incur tax at the statutory rate. The offset to the group teb adjustments is reflected in Corporate Services revenues and income tax provisions. The teb adjustments for the first quarter of 2014 totalled $85 million, down from $89 million in the fourth quarter of 2013 and up from $64 million in the first quarter of 2013.

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

(Canadian $ in millions, except as noted)	**Q1-2014**	Q4-2013	Q1-2013
Net interest income (teb)	**1,800**	1,743	1,710
Non-interest revenue	**550**	539	536
Total revenue (teb)	**2,350**	2,282	2,246
Provision for credit losses	**160**	262	160
Non-interest expense	**1,314**	1,268	1,237
Income before income taxes	**876**	752	849
Income taxes (teb)	**226**	192	223
Reported net income	**650**	560	626
Adjusted net income	**664**	575	642
Net income growth (%)	**3.8**	(2.0)	5.5
Revenue growth (%)	**4.6**	2.1	(1.8)
Non-interest expense growth (%)	**6.3**	2.0	(2.5)
Return on equity (%)	**16.4**	15.0	18.2
Adjusted return on equity (%)	**16.8**	15.4	18.7
Operating leverage (%)	**(1.7)**	0.1	0.7
Adjusted operating leverage (%)	**(2.0)**	(0.3)	0.4
Efficiency ratio (%) (teb)	**55.9**	55.6	55.1
Adjusted efficiency ratio (%) (teb)	**55.1**	54.6	54.1
Net interest margin on average earning assets (%) (teb)	**2.93**	2.90	3.06
Average earning assets ($ billions)	**244.0**	238.2	221.7

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

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

Canadian Personal and Commercial Banking (Canadian P&C)			Table 11
(Canadian $ in millions, except as noted)	**Q1-2014**	Q4-2013	Q1-2013
Net interest income (teb)	**1,194**	1,166	1,123
Non-interest revenue	**408**	400	380
Total revenue (teb)	**1,602**	1,566	1,503
Provision for credit losses	**141**	166	128
Non-interest expense	**813**	791	780
Income before income taxes	**648**	609	595
Provision for income taxes (teb)	**164**	151	148
Reported net income	**484**	458	447
Adjusted net income	**486**	461	450
Personal revenue	**1,057**	1,031	995
Commercial revenue	**545**	535	508
Net income growth (%)	**8.2**	5.1	3.0
Revenue growth (%)	**6.5**	4.2	-
Non-interest expense growth (%)	**4.2**	1.7	1.2
Operating leverage (%)	**2.3**	2.5	(1.2)
Efficiency ratio (%) (teb)	**50.8**	50.5	51.9
Net interest margin on average earning assets (%) (teb)	**2.61**	2.60	2.70
Average earning assets ($ billions)	**181.2**	178.2	165.2

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

Q1 2014 vs Q1 2013

Canadian P&C net income of $484 million increased $37 million or 8% from a year ago, continuing the momentum from the second half of 2013. Revenue was up $99 million or 7% from the prior year due to the effects of strong volume growth across most products, partially offset by the impact of lower net interest margin, which was down 9 basis points to 2.61%. Operating leverage was above 2% for a second consecutive quarter.

In the personal banking segment, revenue increased $62 million or 6% year over year reflecting higher volumes across most products, partially offset by the impact of lower net interest margin. Total personal lending balances (excluding credit cards) increased 10%. Personal deposit balances increased 9% year over year mainly due to increased volumes in term deposit products.

In the commercial banking segment, revenue increased $37 million or 7% reflecting higher volumes across most products, partially offset by the impact of lower net interest margin. Balance growth in commercial loans and deposits continued to be strong, increasing 11% and 14% year over year respectively.

Provisions for credit losses increased $13 million or 10% due to higher commercial losses partially offset by lower provisions in the consumer portfolio. Non-interest expense increased $33 million or 4% due to continued investment in the business. We continue to actively manage expenses, including simplifying our core processes.

Average current loans and acceptances increased $17.0 billion or 10% from a year ago, and deposits increased $12.2 billion or 11%.

Q1 2014 vs Q4 2013

Net income increased $26 million or 6% from last quarter due to higher revenues and lower provisions for credit losses, partially offset by higher expenses. Revenues increased $36 million from the prior quarter reflecting higher volumes across most products. Net interest margin increased 1 basis point to 2.61%.

Personal revenue increased $26 million due to higher volumes across most products including higher retail cards revenues.

Commercial revenue increased $10 million from the prior quarter due to higher volumes across most products.

Provisions for credit losses decreased $25 million due to a combination of lower write-offs and higher recoveries. Non-interest expense increased by $22 million due to higher volume-driven costs and stock-based compensation for employees eligible to retire that is expensed in the first quarter of each year.

Average current loans and acceptances increased $3.0 billion or 2% from last quarter, while deposits increased $4.5 billion or 4%.

U.S. Personal and Commercial Banking (U.S. P&C)			Table 12
(US$ in millions, except as noted)	**Q1-2014**	Q4-2013	Q1-2013
Net interest income (teb)	**561**	554	589
Non-interest revenue	**132**	134	157
Total revenue (teb)	**693**	688	746
Provision for credit losses	**18**	92	33
Non-interest expense	**464**	458	459
Income before income taxes	**211**	138	254
Provision for income taxes (teb)	**58**	40	74
Reported net income	**153**	98	180
Adjusted net income	**164**	109	194
Net income growth (%)	**(14.8)**	(28.7)	14.1
Adjusted net income growth (%)	**(15.0)**	(28.2)	11.1
Revenue growth (%)	**(7.2)**	(7.1)	(3.6)
Non-interest expense growth (%)	**1.1**	(2.7)	(6.6)
Adjusted non-interest expense growth (%)	**2.0**	(1.7)	(6.1)
Operating leverage (%)	**(8.3)**	(4.4)	3.0
Adjusted operating leverage (%)	**(9.2)**	(5.4)	2.5
Efficiency ratio (%) (teb)	**67.0**	66.7	61.5
Adjusted efficiency ratio (%) (teb)	**64.6**	64.1	58.8
Net interest margin on average earning assets (%) (teb)	**3.83**	3.82	4.12
Average earning assets ($ billions)	**58.1**	57.5	56.7
(Canadian $ equivalent in millions, except as noted)			
Net interest income (teb)	**606**	577	587
Non-interest revenue	**142**	139	156
Total revenue (teb)	**748**	716	743
Provision for credit losses	**19**	96	32
Non-interest expense	**501**	477	457
Income before income taxes	**228**	143	254
Provision for income taxes (teb)	**62**	41	75
Reported net Income	**166**	102	179
Adjusted net income	**178**	114	192
Average earning assets (US$ billions)	**62.8**	59.9	56.5

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

Q1 2014 vs Q1 2013 (in US$)

Net income of $153 million decreased $27 million or 15% from a strong first quarter a year ago. Adjusted net income of $164 million also declined 15%.

Revenues of $693 million decreased $53 million or 7% from the prior year, which included strong revenues on sales of newly originated mortgages, commercial lending fees, due to customers' response to anticipated U.S. tax changes that accelerated commercial lending, and higher net interest margin. Net interest margin decreased by 29 basis points due to a decline in loan spreads due to competitive pricing and a decline in deposit spreads given the low-rate environment.

Provisions for credit losses were $18 million, down $15 million due to improvements in the consumer portfolio. Non-interest expense of $464 million increased $5 million or 1%. Adjusted non-interest expense of $448 million was $9 million or 2% higher than last year primarily due to a changing regulatory environment.

Average current loans and acceptances increased $1.4 billion year over year to $52.4 billion. The core commercial and industrial loan portfolio continues to grow, increasing $3.0 billion or 14% from a year ago to $24.3 billion. In addition, our indirect auto and commercial real estate portfolios reflected year-over-year growth. As expected, there were decreases in certain loan portfolios, including our mortgage loan portfolio, due to the effects of our continued practice of selling most mortgage originations. Average deposits of $58.9 billion declined $0.9 billion year over year, due to growth in our commercial business and in our personal chequing and savings accounts being more than offset by a planned reduction in higher-cost personal money market and time deposit accounts, in addition to a transfer of certain customer balances to Wealth Management at the beginning of the current period.

Q1 2014 vs. Q4 2013 (in US$)

Net income increased $55 million or 57% and adjusted net income increased $55 million or 50% from the prior quarter, primarily driven by reductions in provisions for credit losses, which were above trend in the previous quarter.

Revenue increased $5 million or 1%, primarily due to loan growth and stable net interest margin.

Provisions for credit losses decreased significantly by $74 million from above trend provisions in the previous quarter, and benefited from higher recoveries in the current quarter. Non-interest expense increased $6 million or 1%. Adjusted non-interest expense increased $8 million or 2% with approximately half due to higher stock-based compensation for employees that are eligible to retire that is recognized in the first quarter of each year.

Average current loans and acceptances increased by $0.4 billion from the prior quarter, our fifth consecutive quarter of positive growth. Average deposits increased by $0.1 billion from the prior quarter.

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

Wealth Management			**Table 13**
(Canadian $ in millions, except as noted)	**Q1-2014**	Q4-2013	Q1-2013
Net interest income (teb)	**140**	145	136
Non-interest revenue	**727**	895	642
Total revenue (teb)	**867**	1,040	778
Provision for (recovery of) credit losses	**(1)**	1	2
Non-interest expense	**644**	602	571
Income before income taxes	**224**	437	205
Provision for income taxes (teb)	**49**	126	43
Reported net income	**175**	311	162
Adjusted net income	**183**	318	168
Net income growth (%)	**7.7**	90.0	53.5
Adjusted net income growth (%)	**8.3**	88.2	51.8
Revenue growth (%)	**11.4**	32.7	11.9
Non-interest expense growth (%)	**12.9**	7.4	2.5
Adjusted non-interest expense growth (%)	**12.7**	7.1	2.3
Return on equity (%)	**20.8**	41.1	23.0
Adjusted return on equity (%)	**21.7**	42.0	23.9
Operating leverage (%)	**(1.5)**	25.3	9.4
Adjusted operating leverage (%)	**(1.3)**	25.6	9.6
Efficiency ratio (%) (teb)	**74.3**	57.9	73.3
Adjusted efficiency ratio (%) (teb)	**73.1**	57.1	72.3
Net interest margin on average earning assets (%) (teb)	**2.73**	2.89	2.87
Average earning assets ($ billions)	**20.4**	19.8	18.8
U.S. Select Financial Data (US$ in millions, except as noted)			
Total revenue (teb)	**178**	359	173
Non-interest expense	**157**	147	145
Reported net income	**17**	136	18
Adjusted net income	**22**	141	23
Average earning assets (US$ in billions)	**2.9**	2.8	2.6

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

Q1 2014 vs Q1 2013

Wealth Management continued to produce good results. Net income for the quarter of $175 million increased $13 million or 8% from a year ago. Adjusted net income of $183 million increased $15 million or 8% from a year ago. Adjusted net income in our traditional wealth businesses was $123 million, up $19 million or 17% from a year ago. Strong results reflect growth in client assets and increased transaction volumes. Adjusted net income in insurance was $60 million, down $4 million or 7% from a year ago. The decrease was primarily due to lower benefits from changes in our investment portfolio to improve asset-liability management. There was continued growth in both the creditor and life insurance underlying businesses.

Revenue was $867 million, up $89 million or 11% from a year ago. Revenue in our traditional wealth businesses was $768 million, up $90 million or 13% from a year ago due to growth in client assets and increased transaction volumes. Insurance revenue was $99 million, down $1 million or 1% due to the factors mentioned above. The stronger U.S. dollar increased revenue by $15 million or 2%.

Non-interest expense was $644 million, up $73 million or 13% from a year ago. Adjusted non-interest expense was $634 million, up $72 million or 13% due to higher revenue-based costs, higher support costs and timing of initiative spend. The stronger U.S. dollar increased adjusted expense by $13 million or 2%.

Assets under management and administration grew by $97 billion or 19% from a year ago to $597 billion, driven by market appreciation, the stronger U.S. dollar and growth in new client assets.

Q1 2014 vs Q4 2013

Net income was down $136 million or 44% and adjusted net income was down $135 million or 43% from the fourth quarter. Adjusted net income in our traditional wealth businesses was down $126 million or 51%, as prior quarter results included a $121 million after-tax security gain and the current quarter included $15 million after-tax impact of stock-based compensation for employees that are eligible to retire that is expensed in the first quarter of each year. Other traditional wealth businesses continued to perform well. Adjusted net income in insurance was down $9 million or 14%, primarily due to lower benefits from changes in our investment portfolio to improve asset-liability management. The underlying insurance businesses continued to perform well.

Revenue decreased $173 million or 17%. Revenue in our traditional wealth businesses decreased $163 million or 17%, due to a $191 million security gain in the prior quarter. Revenue in other traditional wealth businesses increased $28 million or 4%, driven by growth in client assets. Insurance revenue decreased $10 million or 9% due to the factors mentioned above. The stronger U.S. dollar increased revenue by $7 million or 1%.

Non-interest expense increased $42 million or 7%. Adjusted non-interest expense also increased 7%. Half of the increase was due to stock-based compensation for employees eligible to retire. There were also higher revenue-based costs. The stronger U.S. dollar increased adjusted expense by $6 million or 1%.

Assets under management and administration grew by $45 billion or 8% primarily due to the stronger U.S. dollar and market appreciation.

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

BMO Capital Markets			Table 14
(Canadian $ in millions, except as noted)	**Q1-2014**	Q4-2013	Q1-2013
Net interest income (teb)	**261**	279	289
Non-interest revenue	**713**	518	606
Total revenue (teb)	**974**	797	895
Recovery of credit losses	**(1)**	(17)	(15)
Non-interest expense	**609**	526	524
Income before income taxes	**366**	288	386
Provision for income taxes (teb)	**89**	71	88
Reported net income	**277**	217	298
Adjusted net income	**277**	217	298
Trading Products revenue	**590**	482	536
Investment and Corporate Banking revenue	**384**	315	359
Net income growth (%)	**(7.2)**	(29.3)	38.9
Revenue growth (%)	**8.8**	(10.9)	16.5
Non-interest expense growth (%)	**16.3**	(0.4)	6.6
Return on equity (%)	**18.8**	15.0	20.5
Operating leverage (%)	**(7.5)**	(10.5)	9.9
Efficiency ratio (%) (teb)	**62.5**	66.1	58.5
Net interest margin on average earning assets (%) (teb)	**0.48**	0.54	0.57
Average earning assets ($ billions)	**217.0**	204.9	201.1
U.S. Select Financial Data (US$ in millions, except as noted)			
Total revenue (teb)	**348**	278	287
Non-interest expense	**229**	210	209
Reported net income	**88**	60	84
Average earning assets (US$ in billions)	**75.6**	75.7	74.0

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

Q1 2014 vs Q1 2013

Net income of $277 million decreased by $21 million or 7% from the first quarter a year ago, as good revenue growth primarily from our U.S. businesses was more than offset by higher expenses, lower loan recoveries and a higher effective tax rate.

Revenues increased $79 million or 9% year over year due to good revenue performance across the businesses, and in particular from our U.S. segment. Investment and Corporate Banking businesses performed well, driven by higher equity underwriting volumes, higher securities gains in corporate banking and merchant banking activities. Trading Products businesses were supported by higher trading revenue, driven by higher interest rate trading and foreign exchange trading, as well as increased securities commissions and fees. The stronger U.S. dollar increased revenues by $29 million or 3% relative to the same period a year ago.

Recoveries of credit losses were lower by $14 million due to lower recoveries combined with new provisions this quarter. Expenses increased $85 million or 16% due to higher employee-related expenses, including severance, and increased support costs, both driven by a changing business and regulatory environment. The stronger U.S. dollar increased expenses by $19 million or 4% relative to the same period a year ago.

Q1 2014 vs Q4 2013

Net income increased $60 million or 27% from the previous quarter primarily due to higher revenues across the businesses. Revenue increased $177 million or 22%. Higher equity underwriting fees and securities gains in corporate banking drove improved performance in Investment and Corporate Banking. There was stronger Trading Products revenue, particularly in interest rate and equity trading, driven by improved market conditions and stronger client activity. The stronger U.S. dollar increased revenue by $13 million or 2% relative to the previous quarter.

Recoveries of credit losses were lower by $16 million due to a combination of lower recoveries and new provisions this quarter. Non-interest expense increased $83 million or 16% from the previous quarter, primarily due to higher employee-related expenses, including severance and stock-based compensation for employees eligible to retire that is expensed in the first quarter of each year, as well as increased support costs, both driven by a changing business and regulatory environment. The stronger U.S. dollar increased expenses by $9 million or 2% relative to the previous quarter.

Corporate Services, Including Technology and Operations			Table 15
(Canadian $ in millions, except as noted)	**Q1-2014**	Q4-2013	Q1-2013
Net interest income before group teb offset	**(3)**	39	177
Group teb offset	**(85)**	(89)	(64)
Net interest income (teb)	**(88)**	(50)	113
Non-interest revenue	**19**	69	-
Total revenue (teb)	**(69)**	19	113
Provision for (recovery of) credit losses	**(59)**	(57)	31
Non-interest expense	**117**	184	238
Loss before income taxes	**(127)**	(108)	(156)
Recovery of income taxes (teb)	**(86)**	(94)	(106)
Reported net loss	**(41)**	(14)	(50)
Adjusted Results			
Adjusted total revenue (teb)	**(69)**	(109)	(107)
Adjusted recovery of credit losses	**(59)**	(106)	(51)
Adjusted non-interest expense	**117**	120	143
Adjusted net loss	**(41)**	(22)	(79)
Corporate Services Provision for (Recovery of) Credit Losses			
Impaired real estate loans	**14**	(14)	(5)
Interest on impaired loans	**10**	12	13
Purchased credit impaired loans	**(117)**	(104)	(59)
Purchased performing loans	**34**	-	-
Recovery of credit losses, adjusted basis	**(59)**	(106)	(51)
Purchased performing loans	**-**	49	82
Provision for (recovery of) credit losses, reported basis	**(59)**	(57)	31
Average loans and acceptances	**563**	669	1,189
Period-end loans and acceptances	**559**	526	1,054
U.S. Select Financial Data (US$ in millions)			
Total revenue (teb)	**(23)**	28	126
Provision for (recovery of) credit losses	**(48)**	(95)	24
Non-interest expense	**13**	110	139
Recovery of income taxes (teb)	**(5)**	(7)	(30)
Reported net income (loss)	**17**	20	(7)
Adjusted total revenue (teb)	**(23)**	(66)	(86)
Adjusted recovery of credit losses	**(57)**	(102)	(55)
Adjusted non-interest expense	**13**	52	47
Adjusted net income (loss)	**22**	2	(32)

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

Corporate Services

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

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

Financial Performance Review

Q1 2014 vs Q1 2013

Corporate Services net loss for the first quarter of 2014 was $41 million, compared with a net loss of $50 million a year ago. The adjusted net loss in the quarter was $41 million, compared with an adjusted net loss of $79 million a year ago. Adjusted revenues were higher mainly due to the inclusion, commencing this quarter, of $79 million of credit-related revenue in respect of the purchased performing loan portfolio, partially offset by a group teb offset that was $21 million higher than the prior year. Adjusted expenses were lower primarily due to lower support costs retained in Corporate and reduced costs associated with the impaired real estate secured asset portfolio. Adjusted recoveries of credit losses of $59 million improved by $8 million primarily due to a $58 million increase in recoveries on the purchased credit impaired loan portfolio from the prior year, partially offset by $34 million of specific provision in respect of the purchased performing loan portfolio.

Q1 2014 vs Q4 2013

Corporate Services net loss for the first quarter of 2014 was $41 million, compared with a net loss of $14 million in the fourth quarter of 2013. The adjusted net loss in the quarter was $41 million, compared with a net loss of $22 million in the fourth quarter of 2013. Adjusted revenues were higher mainly due to the inclusion, commencing this quarter, of $79 million of credit-related revenue in respect of the purchased performing loan portfolio, partially offset by a variety of other items, none of which were individually significant. Adjusted expenses were marginally lower. Adjusted recoveries of credit losses decreased mainly due to $34 million of specific provisions in respect of the purchased performing loan portfolio.

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

Non-GAAP Measures

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

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

Beginning in the first quarter of 2014, credit-related items on the purchased performing loan portfolio, acquisition integration costs and run-off structured credit activities are no longer adjusting items.

Non-GAAP Measures — **Table 16**

(Canadian $ in millions, except as noted)	**Q1-2014**	Q4-2013	Q1-2013
Reported Results			
Revenue	**4,122**	4,138	4,032
Provision for credit losses	**(99)**	(189)	(178)
Non-interest expense	**(2,684)**	(2,580)	(2,570)
Income before income taxes	**1,339**	1,369	1,284
Provision for income taxes	**(278)**	(295)	(248)
Net Income	**1,061**	1,074	1,036
EPS ($)	**1.58**	1.60	1.51
Adjusting Items (Pre-tax) (1)			
Credit-related items on the purchased performing loan portfolio (see below *)	**-**	49	128
Acquisition integration costs (2)	**-**	(60)	(92)
Amortization of acquisition-related intangible assets (3)	**(31)**	(31)	(31)
Decrease (increase) in the collective allowance for credit losses	**-**	-	-
Run-off structured credit activities (4)	**-**	26	7
Adjusting items included in reported pre-tax income	**(31)**	(16)	12
Adjusting Items (After tax) (1)			
Credit-related items on the purchased performing loan portfolio (see below *)	**-**	30	79
Acquisition integration costs (2)	**-**	(37)	(57)
Amortization of acquisition-related intangible assets (3)	**(22)**	(22)	(22)
Decrease (increase) in the collective allowance for credit losses	**-**	(5)	-
Run-off structured credit activities (4)	**-**	20	7
Adjusting items included in reported net income after tax	**(22)**	(14)	7
Impact on EPS ($)	**(0.03)**	(0.02)	0.01
Adjusted Results			
Revenue	**4,122**	4,010	3,812
Provision for credit losses	**(99)**	(140)	(96)
Non-interest expense	**(2,653)**	(2,485)	(2,444)
Income before income taxes	**1,370**	1,385	1,272
Provision for income taxes	**(287)**	(297)	(243)
Adjusted net income	**1,083**	1,088	1,029
EPS ($)	**1.61**	1.62	1.50
*Credit-related items on the purchased performing loan portfolio are comprised of the following amounts:			
Revenue	**-**	98	210
Provision for credit losses	**-**	(49)	(82)
Increase in pre-tax income	**-**	49	128
Provision for income taxes	**-**	(19)	(49)
Increase in reported net income after tax	**-**	30	79

(1) Adjusting items are included in Corporate Services with the exception of the amortization of acquisition-related intangible assets, which is charged to the operating groups.
(2) Acquisition integration costs are included in non-interest expense.
(3) These expenses have been designated as adjusting items because the purchase decision may not consider the amortization of acquisition-related intangible assets to be a relevant expense. They were charged to the non-interest expense of the operating groups as follows:
- in the first quarter of 2014: Canadian P&C $3 million ($2 million after tax); U.S. P&C $18 million ($12 million after tax); and Wealth Management $10 million ($8 million after tax).
- in the fourth quarter of 2013: Canadian P&C $3 million before and after tax; U.S. P&C $19 million ($12 million after tax); and Wealth Management $9 million ($7 million after tax).
- in the first quarter of 2013: Canadian P&C $3 million before and after tax; U.S. P&C $19 million ($13 million after tax); and Wealth Management $9 million ($6 million after tax).

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

Summary Quarterly Earnings Trends (1) **Table 17**

(Canadian $ in millions, except as noted)	**Q1-2014**	Q4-2013	Q3-2013	Q2-2013	Q1-2013	Q4-2012	Q3-2012	Q2-2012
Total revenue	**4,122**	4,138	4,000	3,893	4,032	4,129	3,827	3,908
Provision for credit losses – specific (see below)	**99**	189	56	174	178	216	229	195
Provision for (recovery of) credit losses – collective	**-**	-	20	(30)	-	(24)	8	-
Non-interest expense	**2,684**	2,580	2,526	2,550	2,570	2,679	2,457	2,473
Reported net income (see below)	**1,061**	1,074	1,123	962	1,036	1,073	962	1,020
Adjusted net income (see below)	**1,083**	1,088	1,122	984	1,029	1,116	1,005	974
Basic earnings per share ($)	**1.58**	1.60	1.67	1.41	1.51	1.57	1.41	1.51
Diluted earnings per share ($)	**1.58**	1.60	1.66	1.40	1.51	1.57	1.41	1.50
Adjusted diluted earnings per share ($)	**1.61**	1.62	1.66	1.44	1.50	1.64	1.47	1.43
Net interest margin on average earning assets (%)	**1.62**	1.69	1.78	1.82	1.87	1.86	1.90	1.92
Adjusted net interest margin on average earning assets (%)	**1.62**	1.60	1.65	1.67	1.70	1.70	1.72	1.78
Effective income tax rate (%)	**20.8**	21.6	19.7	19.8	19.3	14.7	15.1	17.8
Adjusted effective income tax rate (%)	**20.9**	21.5	19.2	19.0	19.0	17.1	16.0	18.5
Canadian/U.S. dollar exchange rate (average)	**1.08**	1.04	1.04	1.02	1.00	0.99	1.02	0.99
Provision for credit losses – specific								
Canadian P&C	**141**	166	125	153	128	146	146	166
U.S. P&C	**19**	96	40	55	32	75	76	60
Personal and Commercial Banking	**160**	262	165	208	160	221	222	226
Wealth Management	**(1)**	1	(1)	1	2	11	5	1
BMO Capital Markets	**(1)**	(17)	2	(6)	(15)	(4)	-	19
Corporate Services, including T&O	**(59)**	(57)	(110)	(29)	31	(12)	2	(51)
BMO Financial Group provision for credit losses – specific	**99**	189	56	174	178	216	229	195
Reported net income:								
Canadian P&C	**484**	458	486	421	447	436	452	426
U.S. P&C	**166**	102	149	151	179	135	136	141
Personal and Commercial Banking	**650**	560	635	572	626	571	588	567
Wealth Management	**175**	311	217	140	162	164	110	147
BMO Capital Markets	**277**	217	268	261	298	307	240	223
Corporate Services, including T&O	**(41)**	(14)	3	(11)	(50)	31	24	83
BMO Financial Group net income	**1,061**	1,074	1,123	962	1,036	1,073	962	1,020
Adjusted net income:								
Canadian P&C	**486**	461	489	422	450	438	455	429
U.S. P&C	**178**	114	161	164	192	151	152	156
Personal and Commercial Banking	**664**	575	650	586	642	589	607	585
Wealth Management	**183**	318	224	147	168	169	116	152
BMO Capital Markets	**277**	217	269	262	298	308	240	223
Corporate Services, including T&O	**(41)**	(22)	(21)	(11)	(79)	50	42	14
BMO Financial Group adjusted net income	**1,083**	1,088	1,122	984	1,029	1,116	1,005	974

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

Summary Quarterly Earnings Trends

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

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

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

Canadian P&C has had good results in recent quarters with net income growth driven by stronger revenues and our operating leverage has been positive for the last two quarters. The improving revenue growth is due to more stable margins with continued strong balance growth.

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

Building on improving operating results from 2012, BMO Capital Markets continued to show strength through 2013, benefiting from an improved market environment which enabled us to deliver three quarters of good performance with higher revenue contributing to an overall strong net income performance. Results in the fourth quarter of 2013 were impacted by market uncertainty in both the United States and Canada, and contributed to both lower revenue and lower net income. Rebounding from the fourth quarter's results, this quarter reflects higher net income, driven by increased client activity and more favourable market conditions across both the Investment and Corporate Banking and Trading Products businesses.

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

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

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

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

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

Caution

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

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

Balance Sheet

Total assets of $592.7 billion at January 31, 2014, increased $55.6 billion from October 31, 2013, including a $15.3 billion increase as a result of the stronger U.S. dollar. The increase primarily reflects growth in securities of $15.1 billion, securities borrowed or purchased under resale agreements of $13.8 billion, net loans and acceptances of $10.5 billion, derivative financial assets of $7.2 billion and cash, cash equivalents and interest bearing deposits with banks of $8.1 billion. All remaining assets increased by a combined $0.9 billion.

The $15.1 billion increase in securities was primarily due to an increase in trading securities, reflecting higher client-driven activities.

The $13.8 billion increase in securities borrowed or purchased under resale agreements was mainly due to increased client activities. This is commensurate with the increase in securities lent or sold under repurchase agreements.

The $10.5 billion increase in net loans and acceptances, included a $5.7 billion increase as a result of the stronger U.S. dollar. The remaining net loans and acceptances increase was primarily driven by loans to businesses and governments in the P&C businesses and BMO Capital Markets.

The $7.2 billion increase in derivative financial assets and the $4.9 billion increase in derivative financial liabilities were primarily due to the increase in the fair value of foreign exchange contracts.

The $8.1 billion increase in cash, cash equivalents and interest bearing deposits with banks was primarily due to increased balances held with central banks.

Liabilities and equity increased $55.6 billion from October 31, 2013, including a $15.3 billion increase as a result of the stronger U.S. dollar. The change primarily reflects increases in deposits of $30.0 billion, securities lent or sold under repurchase agreements of $15.9 billion, increases in derivative financial liabilities of $4.9 billion, securities sold but not yet purchased of $4.2 billion and shareholders' equity of $1.5 billion. All remaining liabilities and equity decreased by a combined $0.9 billion.

The $30.0 billion increase in deposits included a $12.9 billion increase due to the stronger U.S. dollar. Business and government deposits increased $18.0 billion, half due to the stronger U.S. dollar and the remaining half due to increased wholesale funding issuances. Deposits by banks increased $6.3 billion and deposits by individuals increased $5.7 billion, with half driven by increases in Canadian P&C and Wealth Management and the remaining half driven by the impact of the stronger U.S. dollar.

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

Transactions with Related Parties

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

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

Off-Balance Sheet Arrangements

BMO enters into a number of off-balance sheet arrangements in the normal course of operations. The most significant of these are Credit Instruments, Structured Entities, and Guarantees, which are described on pages 65, 66 and 70 of BMO's 2013 Annual Report as well as in Notes 5 and 7 to the unaudited interim consolidated financial statements. We consolidate all of our Structured Entities, except for certain

Canadian customer securitization and structured finance vehicles. See the Select Financial Instruments section for comments on any significant changes to these arrangements during the quarter ended January 31, 2014.

Accounting Policies and Critical Accounting Estimates

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

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

Future Changes in Accounting Policies

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

Regulatory Developments

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

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

As a bank holding company with total consolidated assets of US$50 billion or more, our U.S. subsidiary BMO Financial Corp. (BFC) is subject to the 2014 Comprehensive Capital Analysis and Review (CCAR) rules and processes, under which BFC participated in the annual stress testing and capital planning exercise conducted by the Board of Governors of the Federal Reserve System (FRB). BFC is required to demonstrate an ability to maintain a Tier 1 Common Ratio(1) of 5% or more and meet or exceed minimum required capital ratios, after considering its planned capital actions under a company-developed severely adverse scenario and a supervisory-prescribed severely adverse scenario. Pursuant to these requirements, BFC submitted a two-year capital plan to the FRB in January 2014. The FRB is expected to provide its decision on the proposed capital actions contained within BFC's 2014 Capital Plan in March 2014. BMO Harris Bank N.A. (BHB) was subject to similar capital planning requirements by the Office of the Comptroller of Currency (OCC).

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

The OCC issued for comment proposed guidelines for the design and implementation of a risk governance framework for large national banks, and board of director oversight of the risk governance framework's design and implementation. As proposed, the guidelines would apply to our principal U.S. subsidiary bank, BHB, and establish specific roles and responsibilities focused on risk management for front line units, risk management, internal audit, bank boards and CEOs.

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

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

(1) Tier 1 Common Ratio is defined as the ratio of Tier 1 Common Capital to total risk-weighted assets under U.S. Basel I rules.

Caution

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

Select Financial Instruments

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

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

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

Risk Management

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

Market Risk

Linkages between Balance Sheet Items and Market Risk Disclosures

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

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

	Market risk measure								
	As at January 31, 2014				As at October 31, 2013				
		Subject to Market Risk				Subject to Market Risk			
(Canadian $ in millions)	**Consolidated Balance Sheet**	**Traded risk (1)**	**Non-traded risk (2)**	**Not subject to Market Risk**	Consolidated Balance Sheet	Traded risk (1)	Non-traded risk (2)	Not subject to Market Risk	Main risk factors for non-traded risk balances
Assets									
Cash and Cash Equivalents	**34,112**	**-**	**-**	**34,112**	26,089	-	-	26,089	
Interest bearing deposits with banks	**6,586**	**687**	**5,899**	**-**	6,518	1,511	5,007	-	Interest rate
Securities									
Trading (3)(4)	**85,957**	**80,288**	**5,669**	**-**	75,159	69,393	5,766	-	Interest rate
Available-for-sale	**55,736**	**30,007**	**25,729**	**-**	53,710	27,817	25,893	-	Interest rate
Held-to-maturity	**8,254**	**-**	**8,254**	**-**	6,032	-	6,032	-	Interest rate
Other	**994**	**-**	**994**	**-**	899	-	899	-	Equity
Securities borrowed or purchased under resale agreements	**53,579**	**53,579**	**-**	**-**	39,799	39,799	-	-	Interest rate
Loans and acceptances (net of allowance for credit losses)	**289,750**	**-**	**289,750**	**-**	279,294	-	279,294	-	Interest rate, foreign exchange
Derivative instruments	**37,502**	**36,495**	**1,007**	**-**	30,259	29,484	775	-	Interest rate, foreign exchange
Other assets (4)	**20,192**	**1,253**	**7,093**	**11,846**	19,285	828	6,864	11,593	Interest rate
Total Assets	**592,662**	**202,309**	**344,395**	**45,958**	537,044	168,832	330,530	37,682	
Liabilities									
Deposits	**398,393**	**6,780**	**391,613**	**-**	368,369	5,928	362,441	-	Interest rate, foreign exchange
Derivative instruments	**36,843**	**35,617**	**1,226**	**-**	31,974	31,184	790	-	Interest rate, foreign exchange
Acceptances	**9,207**	**-**	**9,207**	**-**	8,472	-	8,472	-	Interest rate
Securities sold but not yet purchased	**26,646**	**26,646**	**-**	**-**	22,446	22,446	-	-	Interest rate
Securities lent or sold under repurchase agreements	**44,789**	**44,789**	**-**	**-**	28,884	28,884	-	-	Interest rate
Other liabilities (4)	**40,086**	**1,635**	**37,950**	**501**	41,724	2,176	39,003	545	Interest rate
Subordinated debt	**3,983**	**-**	**3,983**	**-**	3,996	-	3,996	-	Interest rate
Total Liabilities	**559,947**	**115,467**	**443,979**	**501**	505,865	90,618	414,702	545	

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

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

Total Trading Value at Risk (VaR) increased over the quarter generally due to client facilitation activity within our equity books along with higher levels of interest rate exposure. There was a partially offsetting improvement in overall diversification benefit. The available-for-sale (AFS) VaR increased mainly as a function of additional securities held in fixed income portfolios. Total Trading Stressed VaR increased mainly due to heightened equity exposures broadly reflecting the changes in Trading VaR for the quarter.

There were no significant changes in our non-trading (structural) market risk management practices during the quarter. Structural economic value exposure to rising interest rates primarily reflects a lower market value for fixed-rate loans. Structural earnings exposure to falling interest rates primarily reflects the risk of prime-based loans repricing at lower rates. Economic value and earnings interest rate sensitivities remained largely unchanged over the quarter.

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

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

(Pre-tax Canadian equivalent)	For the quarter ended January 31, 2014 Quarter-end	Average	High	Low	As at October 31, 2013 Quarter-end
Commodity VaR	**(0.5)**	**(0.5)**	**(0.8)**	**(0.3)**	(0.4)
Equity VaR	**(8.5)**	**(8.4)**	**(10.6)**	**(5.0)**	(6.1)
Foreign exchange VaR	**(2.1)**	**(1.9)**	**(3.2)**	**(0.5)**	(0.5)
Interest rate VaR	**(5.7)**	**(5.9)**	**(8.3)**	**(4.1)**	(4.6)
Credit VaR	**(5.6)**	**(5.4)**	**(6.2)**	**(4.6)**	(5.0)
Diversification	**10.8**	**10.5**	**nm**	**nm**	7.5
Total Trading VaR	**(11.6)**	**(11.6)**	**(13.8)**	**(8.6)**	(9.1)
Total AFS VaR	**(12.7)**	**(12.9)**	**(14.5)**	**(10.2)**	(10.1)

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

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

(Pre-tax Canadian equivalent)	For the quarter ended January 31, 2014 Quarter-end	Average	High	Low	As at October 31, 2013 Quarter-end
Commodity SVaR	**(4.0)**	**(4.5)**	**(7.7)**	**(1.8)**	(4.7)
Equity SVaR	**(35.1)**	**(22.9)**	**(38.0)**	**(6.5)**	(9.8)
Foreign exchange SVaR	**(10.4)**	**(5.7)**	**(10.9)**	**(0.8)**	(0.8)
Interest rate SVaR	**(12.9)**	**(10.8)**	**(15.2)**	**(8.5)**	(9.5)
Credit SVaR	**(13.8)**	**(12.4)**	**(13.8)**	**(11.0)**	(11.0)
Diversification	**29.8**	**25.8**	**nm**	**nm**	19.9
Total Trading SVaR	**(46.4)**	**(30.5)**	**(46.4)**	**(11.5)**	(15.9)

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

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

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

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

Liquidity and Funding Risk

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

Liquid and Unencumbered Assets

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

BMO's liquid assets are summarized in Table 22 below. In the ordinary course of the bank's day-to-day business activities, BMO may encumber a portion of cash and security holdings as collateral to support its trading activities and participation in clearing and payment systems. In addition, BMO may receive highly liquid assets as collateral and may re-pledge these assets in exchange for cash or as collateral for trading activities. Net unencumbered liquid assets, defined as on-balance sheet assets such as BMO owned cash and securities and securities borrowed or purchased under resale agreements plus other off-balance sheet eligible collateral received less collateral encumbered, totalled $180.7 billion at January 31, 2014, compared with $160.6 billion at October 31, 2013. The increase in unencumbered liquid assets was primarily due to higher cash and security balances. Net unencumbered liquid assets are primarily held at the parent bank level, in our U.S. legal entity BMO Harris Bank, and in BMO's broker/dealer operations in Canada and internationally. In addition to liquid assets, BMO retains access to the Bank of Canada's emergency lending assistance program, Federal Reserve Bank discount window in the U.S. and European Central Bank standby liquidity facilities. BMO does not consider central bank facilities as a source of available liquidity when assessing its liquidity position.

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

Liquid Assets						**Table 22**
	As at January 31, 2014					As at October 31, 2013
($ in million)	**Carrying Value/On-Balance Sheet Assets (1)**	**Other Cash & Securities Received**	**Total Gross Assets (2)**	**Encumbered Assets**	**Net Unencumbered Assets (3)**	Net Unencumbered Assets (3)
Cash and cash equivalents	**34,112**	**-**	**34,112**	**1,381**	**32,731**	24,878
Deposits in other banks	**6,586**	**-**	**6,586**	**-**	**6,586**	6,518
Securities and securities borrowed or purchased under resale agreements						
Sovereigns / Central banks / Multilateral Development Banks	**107,218**	**11,746**	**118,964**	**72,588**	**46,376**	51,249
Mortgage-backed securities and collateralized mortgage obligations	**13,329**	**619**	**13,948**	**605**	**13,343**	10,543
Corporate debt	**22,885**	**6,242**	**29,127**	**3,247**	**25,880**	19,008
Corporate equity	**61,088**	**17,059**	**78,147**	**36,684**	**41,463**	37,020
Total securities and securities borrowed or purchased under resale agreements	**204,520**	**35,666**	**240,186**	**113,124**	**127,062**	117,820
NHA mortgage-backed securities (reported as loans at amortized cost) (4)	**15,629**	**-**	**15,629**	**1,333**	**14,296**	11,425
Total liquid assets	**260,847**	**35,666**	**296,513**	**115,838**	**180,675**	160,641
Other assets eligible at central banks (not included above) (5)	**100,400**	**-**	**100,400**	**452**	**99,948**	101,712
Undrawn credit lines granted by central banks	**-**	**-**	**-**	**-**	**-**	-
Total liquid assets and other sources	**361,247**	**35,666**	**396,913**	**116,290**	**280,623**	262,353

(1) The carrying values outlined in this table are consistent with the carrying values in the Bank's balance sheet as at January 31, 2014.
(2) Gross assets include on-balance sheet and off-balance sheet assets.
(3) Net unencumbered liquid assets are defined as on-balance sheet assets, such as BMO-owned cash and securities and securities borrowed or purchased under resale agreements, plus other off-balance sheet eligible collateral received, less encumbered assets.
(4) Under IFRS, NHA mortgage-backed securities (MBS) that include BMO's originated mortgages as the underlying collateral are classified as loans. Unencumbered NHA MBS securities have liquidity value and are included as liquid assets under BMO's liquidity and funding management framework. This amount is shown as a separate line item, NHA mortgage-backed securities.
(5) Represents loans currently lodged at central banks that could potentially be used to access central bank funding. Loans available for collateral do not include other sources of additional liquidity that may be realized from the loan portfolio including incremental securitization, covered bond issuances and Federal Home Loan Bank (FHLB) advances.

Asset Encumbrance ($ in millions)					**Table 23**
		Encumbered (2)		**Net Unencumbered**	
As at January 31, 2014	**Total Gross Assets (1)**	**Pledged as collateral**	**Other encumbered**	**Other unencumbered (3)**	**Available as collateral (4)**
Cash and bank deposits	**40,698**	**-**	**1,381**	**416**	**38,901**
Securities (5)	**255,815**	**87,047**	**27,410**	**7,399**	**133,959**
Loans and acceptances	**274,121**	**37,835**	**1,957**	**134,381**	**99,948**
Other assets					
Derivative Instruments	**37,502**	**-**	**-**	**37,502**	**-**
Premises and equipment	**2,220**	**-**	**-**	**2,220**	**-**
Goodwill	**4,052**	**-**	**-**	**4,052**	**-**
Intangible assets	**1,558**	**-**	**-**	**1,558**	**-**
Current tax assets	**1,030**	**-**	**-**	**1,030**	**-**
Deferred tax assets	**2,986**	**-**	**-**	**2,986**	**-**
Other	**8,346**	**-**	**-**	**8,346**	**-**
Total other assets	**57,694**	**-**	**-**	**57,694**	**-**
Total	**628,328**	**124,882**	**30,748**	**199,890**	**272,808**

		Encumbered (2)		Net Unencumbered	
As at October 31, 2013	Total Gross Assets (1)	Pledged as collateral	Other encumbered	Other unencumbered (3)	Available as collateral (4)
Cash and bank deposits	32,607	-	1,211	1,467	29,929
Securities (5)	217,427	64,168	24,014	6,815	122,430
Loans and acceptances	265,719	38,067	1,956	123,984	101,712
Other assets					
Derivative Instruments	30,259	-	-	30,259	-
Premises and equipment	2,168	-	-	2,168	-
Goodwill	3,819	-	-	3,819	-
Intangible assets	1,511	-	-	1,511	-
Current tax assets	1,065	-	-	1,065	-
Deferred tax assets	3,027	-	-	3,027	-
Other	7,695	-	-	7,695	-
Total other assets	49,544	-	-	49,544	-
Total	565,297	102,235	27,181	181,810	254,071

(1) Gross assets include on-balance sheet and off-balance sheet assets.
(2) Pledged as collateral refers to the portion of on-balance sheet assets and other cash and securities received that is pledged through repurchase agreements, securities lent, derivative contracts, minimum required deposits at central banks and requirements associated with participation in clearing houses and payment systems. Other encumbered includes assets that are not available for use for legal or other reasons such as restricted cash and short sales.
(3) Other unencumbered assets include select holdings management believes are not readily available to support BMO's liquidity requirements. These include cash and securities of $7.8 billion as at January 31, 2014, which include securities held in BMO's insurance subsidiary, credit protection vehicle, significant equity investments, and certain investments held in our merchant banking business. Other unencumbered assets also include mortgages and loans that may be securitized to access secured funding.
(4) Loans included as available as collateral represent loans currently lodged at central banks that could potentially be used to access central bank funding. Loans available for collateral do not include other sources of additional liquidity that may be realized from the loan portfolio, including incremental securitization covered bond issuances and FHLB advances.
(5) Includes securities, securities borrowed or purchased under resale agreements and NHA mortgage-backed securities (reported as loans at amortized cost).

Funding Strategy

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

BMO maintains a large and stable base of customer deposits that, along with our strong capital base, is a source of strength. It supports the maintenance of a sound liquidity position and reduces our reliance on wholesale funding. Customer deposits include core deposits and larger retail and commercial fixed-rate customer deposits. Customer deposits totalled $227.9 billion at January 31, 2014, up from $220.6 billion at October 31, 2013. BMO also receives non-marketable deposits from corporate and non-financial institutional customers. These deposits totalled $27.5 billion as at January 31, 2014.

Total wholesale funding outstanding, largely consisting of negotiable marketable securities, was $171.1 billion at January 31, 2014, with $36.4 billion sourced as secured funding and $134.7 billion sourced as unsecured funding. The mix and maturities of BMO's wholesale term funding are outlined in Table 24 below. BMO maintains a sizeable portfolio of unencumbered liquid assets totalling $180.7 billion as of January 31, 2014, that can be monetized to meet potential funding requirements, as described in the Liquid and Unencumbered Assets section above.

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

Wholesale Funding Maturities ($ in millions) (1) **Table 24**

As at January 31, 2014	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Subtotal less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Deposits from banks (2)	14,787	5,775	135	16	20,713	-	-	-	20,713
Certificates of deposit and commercial paper	16,174	22,347	8,334	7,119	53,974	151	-	-	54,125
Bearer deposit notes	2,141	3,181	133	250	5,705	-	-	-	5,705
Senior unsecured medium-term notes	40	1,862	-	1,420	3,322	11,750	22,700	4,514	42,286
Senior unsecured structured notes (3)	20	58	72	467	617	511	2,513	3,019	6,660
Covered bonds / Asset-backed securities /ABCP*									
ABCP*	1,578	1,280	864	84	3,806	-	-	-	3,806
Mortgage securitizations	945	-	-	652	1,597	2,900	7,744	4,426	16,667
Covered bonds	-	-	-	2,228	2,228	3,898	2,228	-	8,354
Credit card securitizations	-	-	-	-	-	926	3,990	-	4,916
FHLB advances	-	-	-	-	-	-	2,645	-	2,645
Subordinated debt (4)	-	-	-	-	-	318	329	4,549	5,196
Total	35,685	34,503	9,538	12,236	91,962	20,454	42,149	16,508	171,073
Secured	2,523	1,280	864	2,964	7,631	7,724	16,607	4,426	36,388
Unsecured	33,162	33,223	8,674	9,272	84,331	12,730	25,542	12,082	134,685
Total (5)	35,685	34,503	9,538	12,236	91,962	20,454	42,149	16,508	171,073

*Asset-backed commercial paper

(1) Wholesale funding excludes repo transactions and bankers acceptances, which are disclosed in the contractual maturity table in Note 17 of the financial statements. Wholesale funding also excludes ABCP issued by certain ABCP conduits that are not consolidated for financial reporting purposes.

(2) Except for deposits from banks, which primarily consist of bank deposits sourced to support trading products activities, unsecured funding refers to funding through issuance of marketable, negotiable securities.

(3) Primarily issued to retail investors.

(4) Although part of regulatory capital, subordinated debt is reported in this table in accordance with EDTF recommended disclosures.

(5) Total wholesale funding consists of Canadian-dollar-denominated funding of $61 billion and U.S.-dollar and other foreign-denominated funding of $110 billion as at January 31, 2014.

Credit Rating

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

The credit ratings assigned to BMO's senior debt by the rating agencies are indicative of high-grade, high-quality issues. The ratings as at January 31, 2014, were as follows: DBRS (AA); Fitch (AA-); Moody's (Aa3); and Standard & Poor's (A+).

We are required to deliver collateral to certain counterparties in the event of a downgrade to our current credit rating. The incremental collateral required is based on mark-to-market exposure, collateral valuations and collateral threshold arrangements, as applicable. As at January 31, 2014, the bank would be required to provide additional collateral to counterparties totalling $64 million and $272 million under a one-notch and two-notch downgrade, respectively.

Insurance Risk

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

Information and Cyber Security Risk

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

Derivative Transactions

With limited exceptions, we utilize the International Swaps and Derivatives Association (ISDA) Master Agreement to document our contractual trading relationships with our counterparties for over-the-counter (OTC) derivatives. ISDA Master Agreements set out the legal framework and standard terms that apply to all derivative transactions entered into bilaterally between the parties. In addition to providing Events of Default and Termination Events which can lead to the early termination of transactions prior to their maturity date, ISDA Master Agreements also contain rules for the calculation and netting of termination values (also known as Close-out Amounts) for transactions between counterparties to identify a single net aggregate amount payable by one party to the other.

Credit Support Annexes (CSAs) are commonly included with ISDA Master Agreements to provide for the exchange of collateral between the parties where one party's OTC derivatives exposure to the other party exceeds an agreed amount (Threshold). The purpose of collateralization is to mitigate counterparty credit risk. Collateral can be exchanged as initial margin and/or variation margin. CSAs outline, among other things, provisions setting out acceptable collateral types (e.g. government treasuries and cash) and how they will be valued (discounts are often applied to the market values), as well as Thresholds, whether or not the collateral can be re-pledged by the recipient and how interest is calculated.

Table 25 represents the notional amounts of our OTC derivative contracts comprised of those which are centrally cleared and settled through a designated clearing house and those which are non-centrally cleared. The notional amounts of our derivatives represent the amount to which a rate or price is applied in order to calculate the payments that must be exchanged under the contract. Notional amounts do not represent assets or liabilities and therefore are not recorded in our Consolidated Balance Sheet. The fair values of OTC derivative contracts are recorded in our Consolidated Balance Sheet.

Over-the-Counter Derivatives (Notional Amounts) — **Table 25**

	Non-centrally cleared		Centrally cleared		Total	
(Canadian $ in millions)	**Q1-2014**	Q4-2013	**Q1-2014**	Q4-2013	**Q1-2014**	Q4-2013
Interest Rate Contracts						
Swaps	**1,076,484**	1,084,369	**1,419,799**	1,140,417	**2,496,283**	2,224,786
Forward rate agreements	**68,307**	52,137	**398,092**	347,614	**466,399**	399,751
Purchased options	**18,274**	18,283	**-**	-	**18,274**	18,283
Written options	**23,355**	23,020	**-**	-	**23,355**	23,020
Total interest rate contracts	**1,186,420**	1,177,809	**1,817,891**	1,488,031	**3,004,311**	2,665,840
Foreign Exchange Contracts						
Cross-currency swaps	**46,850**	44,834	**-**	-	**46,850**	44,834
Cross-currency interest rate swaps	**267,286**	255,337	**-**	-	**267,286**	255,337
Forward foreign exchange contracts	**259,352**	263,607	**-**	-	**259,352**	263,607
Purchased options	**13,060**	10,923	**-**	-	**13,060**	10,923
Written options	**18,071**	13,530	**-**	-	**18,071**	13,530
Total foreign exchange contracts	**604,619**	588,231	**-**	-	**604,619**	588,231
Commodity Contracts						
Swaps	**16,727**	15,122	**-**	-	**16,727**	15,122
Purchased options	**9,000**	8,081	**-**	-	**9,000**	8,081
Written options	**4,846**	4,285	**-**	-	**4,846**	4,285
Total commodity contracts	**30,573**	27,488	**-**	-	**30,573**	27,488
Equity contracts	**39,664**	39,360	**-**	-	**39,664**	39,360
Credit Default Swaps						
Purchased	**7,754**	8,541	**314**	294	**8,068**	8,835
Written	**11,729**	13,072	**453**	216	**12,182**	13,288
Total credit default swaps	**19,483**	21,613	**767**	510	**20,250**	22,123
Total	**1,880,759**	1,854,501	**1,818,658**	1,488,541	**3,699,417**	3,343,042

Select Geographic Exposures

Select geographic exposures were disclosed and discussed on pages 67, 68, 119 and 120 of BMO's 2013 Annual Report. Our exposure to select countries of interest, as at January 31, 2014, is set out in the tables that follow, which summarize our exposure to Greece, Ireland, Italy, Portugal and Spain (GIIPS) along with a broader group of countries of interest in Europe where our gross exposure is greater than $500 million. Our gross and net portfolio exposures are summarized in Table 26 for lending, securities (inclusive of credit default swaps (CDS) activity), repo-style transactions and derivatives. These totals are further broken down by counterparty type in Tables 27 to 29. There has been limited change in our exposures.

For greater clarity, BMO's CDS exposures in Europe are outlined separately in Table 30. As part of our credit risk management framework, purchased CDS risk is controlled through a regularly reviewed list of approved counterparties. The majority of CDS exposures are offsetting in nature, typically contain matched contractual terms and are attributable to legacy credit trading strategies that have been in run-off mode since 2008.

European Exposure by Country and Counterparty (10) (Canadian $ in millions) — Table 26

As at January 31, 2014

Country	Lending (1)		Securities (2)		Repo-Style Trans. (3)		Derivatives (4)		Total	
	Commitments	Funded	Gross	Net	Gross	Net	Gross	Net	Gross	Net
GIIPS										
Greece	-	-	-	-	-	-	-	-	-	-
Ireland (5)	32	-	28	-	89	2	45	7	194	9
Italy	24	24	182	-	24	-	12	7	242	31
Portugal	-	-	111	-	-	-	1	1	112	1
Spain	88	78	134	-	-	-	7	1	229	79
Total – GIIPS (6)	**144**	**102**	**455**	**-**	**113**	**2**	**65**	**16**	**777**	**120**
Eurozone (excluding GIIPS)										
France	58	16	679	546	2,803	21	234	47	3,774	630
Germany	34	33	1,690	1,371	1,413	30	220	10	3,357	1,444
Netherlands	331	163	884	805	1,297	4	56	12	2,568	984
Other (7)	466	269	545	403	35	5	83	37	1,129	714
Total – Eurozone (excluding GIIPS) (8)	**889**	**481**	**3,798**	**3,125**	**5,548**	**60**	**593**	**106**	**10,828**	**3,772**
Rest of Europe										
Denmark	15	15	754	752	247	-	5	5	1,021	772
Norway	19	19	1,332	1,332	571	-	42	42	1,964	1,393
Russian Federation	639	639	-	-	-	-	-	-	639	639
Sweden	184	82	295	295	222	-	3	2	704	379
Switzerland	506	163	51	-	490	5	3	1	1,050	169
United Kingdom	386	231	431	190	4,569	35	355	53	5,741	509
Other (7)	-	-	353	-	-	-	1	1	354	1
Total - Rest of Europe (8)	**1,749**	**1,149**	**3,216**	**2,569**	**6,099**	**40**	**409**	**104**	**11,473**	**3,862**
Total - All of Europe	**2,782**	**1,732**	**7,469**	**5,694**	**11,760**	**102**	**1,067**	**226**	**23,078**	**7,754**

As at October 31, 2013

Country	Lending (1)		Securities (2)		Repo-Style Trans. (3)		Derivatives (4)		Total	
	Commitments	Funded	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Total - GIIPS	**79**	**79**	**477**	**-**	**81**	**1**	**45**	**6**	**682**	**86**
Total – Eurozone (excluding GIIPS)	**802**	**462**	**3,445**	**2,779**	**5,199**	**17**	**358**	**103**	**9,804**	**3,361**
Total - Rest of Europe	**1,659**	**956**	**3,410**	**2,772**	**4,044**	**57**	**262**	**115**	**9,375**	**3,900**
Total - All of Europe	**2,540**	**1,497**	**7,332**	**5,551**	**9,324**	**75**	**665**	**224**	**19,861**	**7,347**

(1) Lending includes loans and trade finance. Amounts are net of write-offs and gross of specific allowances, both of which are not considered material.
(2) Securities include cash products, insurance investments and traded credit. Gross traded credit includes only the long positions and excludes offsetting short positions.
(3) Repo-style transactions are all with bank counterparties.
(4) Derivatives amounts are marked-to-market, incorporating transaction netting and, for counterparties where a Credit Support Annex is in effect, collateral offsets. Derivative replacement risk net of collateral for all of Europe is approximately $4.0 billion as at January 31, 2014.
(5) Does not include Irish subsidiary reserves we are required to maintain with the Irish Central Bank of $85 million as at January 31, 2014.
(6) BMO's direct exposures to GIIPS are primarily to banks for trade finance and trading products. Net exposures remain modest at $120 million, with $42 million unfunded commitments as at January 31, 2014.
(7) Includes countries with less than $500 million in gross exposure. Other Eurozone includes exposures to Austria, Belgium, Cyprus, Finland, Luxembourg, Slovakia and Slovenia. Other Rest of Europe includes exposures to Croatia, Czech Republic, Hungary, Iceland and Poland.
(8) BMO's net direct exposure to the other Eurozone countries (the other 12 countries that share the common euro currency) as at January 31, 2014, totalled approximately $3.8 billion, of which 53% was to counterparties in countries with a rating of Aaa/AAA by both Moody's and S&P, with approximately 81% rated Aaa/AAA by one of the two rating agencies. Our net direct exposure to the rest of Europe totalled approximately $3.9 billion, of which 70% was to counterparties in countries with a Moody's/S&P rating of Aaa/AAA. A significant majority of our sovereign exposure consists of tradeable cash products, while exposure related to banks was comprised of trading instruments, short-term debt, derivative positions and letters of credit and guarantees.
(9) Sovereign includes sovereign-backed bank cash products.
(10) Other exposures (including indirect exposures) not included in the tables as at January 31, 2014:

- BMO also has exposure to entities in a number of European countries through our credit protection vehicle and U.S customer securitization vehicle. These exposures are not included in the tables due to the credit protection incorporated in their structures.
  - BMO has direct exposure to those credit structures, which in turn have exposures to loans or securities originated by entities in Europe. As noted on page 66 in BMO's 2013 Annual Report, in the Credit Protection Vehicle section, this structure has first-loss protection and hedges are in place.
  - The notional exposure held in the credit protection vehicle to issuers in Greece, Italy and Spain represented 4.2%, of its total notional exposure. The credit protection vehicle had notional exposure to five of the other 12 countries that share the euro currency. This exposure represented 11.8% of total notional exposure, of which 71% was rated investment grade by both S&P and Moody's. The notional exposure to the rest of Europe was 15.1% of total notional exposure, with 100% rated investment grade by S&P (94% by Moody's). The vehicle benefits from significant risk loss protection and as a result residual credit risk is very low.
  - BMO has exposure to GIIPS and other European countries through our U.S. customer securitization vehicle, which has commitments that involve reliance on collateral of which 0.23% represents loans or securities originated by entities in Europe. At year end, exposure to Luxembourg was the largest component at 0.10%. Exposure to Spain was approximately 0.06%, and there was no exposure to Italy, Ireland, Greece or Portugal.
- BMO has exposure to European supranational institutions totalling $0.2 billion, predominantly in the form of tradeable cash products.
- BMO's indirect exposure to Europe in the form of euro-denominated collateral to support trading activity was €516 million in securities issued by entities in European countries, of which €8 million was held in securities related to GIIPS and €159 million was in French securities. In addition, €192 million of cash collateral was also held at January 31, 2014.
- Indirect exposure by way of guarantees from entities in European countries totalled $760.3 million, of which $5.7 million was exposure to GIIPS, $445.1 million to the other Eurozone countries and $309.5 million to the rest of Europe.

European Lending Exposure by Country and Counterparty (10) (Canadian $ in millions) — Table 27

As at January 31, 2014

Country	Lending (1) Commitments Bank	Corporate	Sovereign	Total	Funded Bank	Corporate	Sovereign	Total
GIIPS								
Greece	-	-	-	-	-	-	-	-
Ireland (5)	-	32	-	32	-	-	-	-
Italy	24	-	-	24	24	-	-	24
Portugal	-	-	-	-	-	-	-	-
Spain	78	10	-	88	78	-	-	78
Total - GIIPS	**102**	**42**	**-**	**144**	**102**	**-**	**-**	**102**
Eurozone (excluding GIIPS)								
France	16	42	-	58	16	-	-	16
Germany	24	10	-	34	24	9	-	33
Netherlands	27	304	-	331	27	136	-	163
Other (7)	342	124	-	466	229	40	-	269
Total - Eurozone (excluding GIIPS)	**409**	**480**	**-**	**889**	**296**	**185**	**-**	**481**
Rest of Europe								
Denmark	15	-	-	15	15	-	-	15
Norway	19	-	-	19	19	-	-	19
Russian Federation	611	28	-	639	611	28	-	639
Sweden	23	161	-	184	23	59	-	82
Switzerland	3	503	-	506	3	160	-	163
United Kingdom	146	240	-	386	146	85	-	231
Other (7)	-	-	-	-	-	-	-	-
Total - Rest of Europe	**817**	**932**	**-**	**1,749**	**817**	**332**	**-**	**1,149**
Total - All of Europe	**1,328**	**1,454**	**-**	**2,782**	**1,215**	**517**	**-**	**1,732**

Refer to footnotes in Table 26.

European Securities Exposure by Country and Counterparty (10) (Canadian $ in millions) **Table 28**

As at January 31, 2014

	Securities (2)							
				Gross				Net
Country	Bank	Corporate	Sovereign (9)	Total	Bank	Corporate	Sovereign (9)	Total
GIIPS								
Greece	-	-	-	-	-	-	-	-
Ireland (5)	-	-	28	28	-	-	-	-
Italy	45	24	113	182	-	-	-	-
Portugal	-	-	111	111	-	-	-	-
Spain	45	44	45	134	-	-	-	-
Total - GIIPS	**90**	**68**	**297**	**455**	**-**	**-**	**-**	**-**
Eurozone (excluding GIIPS)								
France	34	99	546	679	-	-	546	546
Germany	143	205	1,342	1,690	-	29	1,342	1,371
Netherlands	688	85	111	884	687	7	111	805
Other (7)	36	30	479	545	-	-	403	403
Total - Eurozone (excluding GIIPS)	**901**	**419**	**2,478**	**3,798**	**687**	**36**	**2,402**	**3,125**
Rest of Europe								
Denmark	569	2	183	754	569	-	183	752
Norway	1,332	-	-	1,332	1,332	-	-	1,332
Russian Federation	-	-	-	-	-	-	-	-
Sweden	295	-	-	295	295	-	-	295
Switzerland	12	39	-	51	-	-	-	-
United Kingdom	118	227	86	431	55	-	86	190
Other (7)	-	-	353	353	-	-	-	-
Total - Rest of Europe	**2,326**	**268**	**622**	**3,216**	**2,251**	**49**	**269**	**2,569**
Total - All of Europe	**3,317**	**755**	**3,397**	**7,469**	**2,938**	**85**	**2,671**	**5,694**

Refer to footnotes in Table 26.

European Repo and Derivatives Exposure by Country and Counterparty (10) (Canadian $ in millions) **Table 29**

As at January 31, 2014

	Repo-Style Trans. (3)		Derivatives (4)							
	Gross	Net of Collateral				Gross				Net of Collateral
Country	Total	Total	Bank	Corporate	Sovereign	Total	Bank	Corporate	Sovereign	Total
GIIPS										
Greece	-	-	-	-	-	-	-	-	-	-
Ireland (5)	89	2	39	6	-	45	1	6	-	7
Italy	24	-	8	4	-	12	3	4	-	7
Portugal	-	-	1	-	-	1	1	-	-	1
Spain	-	-	7	-	-	7	1	-	-	1
Total - GIIPS	**113**	**2**	**55**	**10**	**-**	**65**	**6**	**10**	**-**	**16**
Eurozone (excluding GIIPS)										
France	2,803	21	234	-	-	234	47	-	-	47
Germany	1,413	30	220	-	-	220	10	-	-	10
Netherlands	1,297	4	55	1	-	56	11	1	-	12
Other (7)	35	5	56	20	7	83	10	20	7	37
Total - Eurozone (excluding GIIPS)	**5,548**	**60**	**565**	**21**	**7**	**593**	**78**	**21**	**7**	**106**
Rest of Europe										
Denmark	247	-	5	-	-	5	5	-	-	5
Norway	571	-	42	-	-	42	42	-	-	42
Russian Federation	-	-	-	-	-	-	-	-	-	-
Sweden	222	-	3	-	-	3	2	-	-	2
Switzerland	490	5	3	-	-	3	1	-	-	1
United Kingdom	4,569	35	347	8	-	355	45	8	-	53
Other (7)	-	-	1	-	-	1	1	-	-	1
Total - Rest of Europe	**6,099**	**40**	**401**	**8**	**-**	**409**	**96**	**8**	**-**	**104**
Total - All of Europe	**11,760**	**102**	**1,021**	**39**	**7**	**1,067**	**180**	**39**	**7**	**226**

Refer to footnotes in Table 26.

Credit Default Swaps (CDS) by Country and Credit Quality (Canadian $ in millions)												Table 30

As at January 31, 2014

	Fair Value					Notional						
	Purchased		Written			Purchased			Written			
Country	Inv. Grade	Non-Inv. Grade	Inv. Grade	Non-Inv. Grade	Total Exposure	Inv. Grade	Non-Inv. Grade	Total	Inv. Grade	Non-Inv. Grade	Total	Total Exposure
GIIPS												
Greece	-	-	-	-	-	-	-	-	-	-	-	-
Ireland (5)	-	-	(1)	-	(1)	(22)	-	(22)	22	-	22	-
Italy	1	-	(1)	-	-	(120)	-	(120)	120	-	120	-
Portugal	4	-	(5)	-	(1)	(90)	-	(90)	90	-	90	-
Spain	1	-	(1)	-	-	(84)	-	(84)	84	-	84	-
Total - GIIPS	**6**	**-**	**(8)**	**-**	**(2)**	**(316)**	**-**	**(316)**	**316**	**-**	**316**	**-**
Eurozone (excluding GIIPS)												
France	(1)	-	-	-	(1)	(75)	-	(75)	59	-	59	(16)
Germany	(1)	-	1	-	-	(159)	-	(159)	144	-	144	(15)
Netherlands	-	-	-	-	-	(39)	-	(39)	36	-	36	(3)
Other (7)	-	-	-	-	-	(74)	-	(74)	74	-	74	-
Total – Eurozone (excluding GIIPS)	**(2)**	**-**	**1**	**-**	**(1)**	**(347)**	**-**	**(347)**	**313**	**-**	**313**	**(34)**
Rest of Europe												
Denmark	-	-	-	-	-	(1)	-	(1)	1	-	1	-
Norway	-	-	-	-	-	-	-	-	-	-	-	-
Russian Federation	-	-	-	-	-	(4)	-	(4)	4	-	4	-
Sweden	-	-	-	-	-	-	-	-	-	-	-	-
Switzerland	(1)	-	-	-	(1)	(141)	-	(141)	34	-	34	(107)
United Kingdom	(1)	-	1	-	-	(124)	-	(124)	115	-	115	(9)
Other (7)	-	-	(1)	-	(1)	(293)	-	(293)	293	-	293	-
Total - Rest of Europe	**(2)**	**-**	**-**	**-**	**(2)**	**(563)**	**-**	**(563)**	**447**	**-**	**447**	**(116)**
Total - All of Europe	**2**	**-**	**(7)**	**-**	**(5)**	**(1,226)**	**-**	**(1,226)**	**1,076**	**-**	**1,076**	**(150)**

As at October 31, 2013

	Fair Value					Notional						
	Purchased		Written			Purchased			Written			
Country	Inv. Grade	Non-Inv. Grade	Inv. Grade	Non-Inv. Grade	Total Exposure	Inv. Grade	Non-Inv. Grade	Total	Inv. Grade	Non-Inv. Grade	Total	Total Exposure
Total - GIIPS	**12**	**-**	**(12)**	**-**	**-**	**(464)**	**-**	**(464)**	**464**	**-**	**464**	**-**
Total – Eurozone (excluding GIIPS)	**(6)**	**-**	**4**	**-**	**(2)**	**(735)**	**-**	**(735)**	**661**	**14**	**675**	**(60)**
Total - Rest of Europe	**(3)**	**-**	**2**	**-**	**(1)**	**(895)**	**-**	**(895)**	**634**	**21**	**655**	**(240)**
Total - All of Europe	**3**	**-**	**(6)**	**-**	**(3)**	**(2,094)**	**-**	**(2,094)**	**1,759**	**35**	**1,794**	**(300)**

Notes:
Refer to footnotes in table 26.

- All purchased and written exposures are with bank counterparties.
- 39% of purchased and 49% of written CDS exposure is subject to complete restructuring trigger events (full restructuring). Under the terms of these contracts, any restructuring event qualifies as a credit event and any bond with a maturity of up to 30 years is deliverable against the contract.
- 61% of purchased and 50% of written CDS exposure is subject to modified-modified restructuring trigger events. Under the terms of these contracts, restructuring agreements count as a credit event; however, the deliverable obligation against the contract is limited to maturities of up to 60 months for restructured obligations and 30 months for all other obligations.
- This table excludes $13 million of iTraxx CDS Index purchased protection. The index is comprised equally of 25 constituent names in the following regions: GIIPS (16%), Eurozone (excluding GIIPS) (44%) and rest of Europe (40%).

Caution

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

Consolidated Statement of Income

(Unaudited) (Canadian $ in millions, except as noted)	For the three months ended				
	January 31, 2014	October 31, 2013	July 31, 2013	April 30, 2013	January 31, 2013
Interest, Dividend and Fee Income					
Loans	**$ 2,680**	$ 2,695	$ 2,689	$ 2,618	$ 2,743
Securities	**506**	543	577	550	606
Deposits with banks	**67**	59	63	61	61
	3,253	3,297	3,329	3,229	3,410
Interest Expense					
Deposits	**717**	711	683	643	690
Subordinated debt	**36**	38	35	37	35
Other liabilities	**387**	431	428	420	437
	1,140	1,180	1,146	1,100	1,162
Net Interest Income	**2,113**	2,117	2,183	2,129	2,248
Non-Interest Revenue					
Securities commissions and fees	**307**	291	290	283	260
Deposit and payment service charges	**241**	237	232	222	225
Trading revenues	**274**	188	208	230	223
Lending fees	**169**	155	152	143	153
Card fees	**112**	110	124	114	113
Investment management and custodial fees	**204**	188	187	179	172
Mutual fund revenues	**219**	211	208	193	187
Underwriting and advisory fees	**191**	156	141	141	221
Securities gains, other than trading	**62**	210	-	49	26
Foreign exchange, other than trading	**54**	38	39	58	37
Insurance income	**107**	125	147	66	107
Other	**69**	112	89	86	60
	2,009	2,021	1,817	1,764	1,784
Total Revenue	**4,122**	4,138	4,000	3,893	4,032
Provision for Credit Losses (Note 3)	**99**	189	76	144	178
Non-Interest Expense					
Employee compensation (Note 13)	**1,581**	1,439	1,448	1,476	1,479
Premises and equipment	**455**	491	457	442	443
Amortization of intangible assets	**90**	89	88	84	85
Travel and business development	**119**	142	128	121	123
Communications	**68**	70	73	76	72
Business and capital taxes	**10**	10	9	10	10
Professional fees	**135**	142	124	135	126
Other	**226**	197	199	206	232
	2,684	2,580	2,526	2,550	2,570
Income Before Provision for Income Taxes	**1,339**	1,369	1,398	1,199	1,284
Provision for income taxes	**278**	295	275	237	248
Net Income	**$ 1,061**	$ 1,074	$ 1,123	$ 962	$ 1,036
Attributable to:					
Bank shareholders	**1,048**	1,061	1,107	944	1,018
Non-controlling interest in subsidiaries	**13**	13	16	18	18
Net Income	**$ 1,061**	$ 1,074	$ 1,123	$ 962	$ 1,036
Earnings Per Share (Canadian $) (Note 14)					
Basic	**$ 1.58**	$ 1.60	$ 1.67	$ 1.41	$ 1.51
Diluted	**1.58**	1.60	1.66	1.40	1.51

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

Certain comparative figures have been reclassified to conform to the current period's presentation and for changes in accounting policies – see Note 1.

Consolidated Statement of Comprehensive Income

(Unaudited) (Canadian $ in millions)	For the three months ended				
	January 31, 2014	October 31, 2013	July 31, 2013	April 30, 2013	January 31, 2013
Net income	**$ 1,061**	$ 1,074	$ 1,123	$ 962	$ 1,036
Other Comprehensive Income (Loss)					
Items that will not be reclassified to net income					
Remeasurement of pension and other employee future benefit plans (1)	**25**	(17)	298	(57)	74
	25	(17)	298	(57)	74
Items that may be subsequently reclassified to net income:					
Net change in unrealized gains (losses) on available-for-sale securities					
Unrealized gains (losses) on available-for-sale securities arising during the period (2)	**(38)**	67	(48)	(11)	(18)
Reclassification to earnings of (gains) in the period (3)	**(22)**	(5)	(2)	(28)	(15)
	(60)	62	(50)	(39)	(33)
Net change in unrealized gains (losses) on cash flow hedges					
Gains (losses) on cash flow hedges arising during the period (4)	**142**	137	(231)	127	(58)
Reclassification to earnings of (gains) on cash flow hedges (5)	**(25)**	(23)	(31)	(37)	(34)
	117	114	(262)	90	(92)
Net gain on translation of net foreign operations					
Unrealized gains (losses) on translation of net foreign operations	**1,176**	261	316	198	(34)
Impact of hedging unrealized gains (losses) on translation of net foreign operations (6)	**(270)**	(109)	(140)	(179)	19
	906	152	176	19	(15)
Other Comprehensive Income (Loss)	**988**	311	162	13	(66)
Total Comprehensive Income	**$ 2,049**	$ 1,385	$ 1,285	$ 975	$ 970
Attributable to:					
Bank shareholders	**2,036**	1,372	1,269	957	952
Non-controlling interest in subsidiaries	**13**	13	16	18	18
Total Comprehensive Income	**$ 2,049**	$ 1,385	$ 1,285	$ 975	$ 970

(1) Net of income tax (provision) recovery of $(10), $11, $(120), $19 and $(36).
(2) Net of income tax (provision) recovery of $12, $(27), $24, $6 and $6.
(3) Net of income tax provision of $12, $3, $1, $13 and $5.
(4) Net of income tax (provision) recovery of $(43), $(49), $82, $(42) and $21.
(5) Net of income tax provision of $9, $7, $14, $12 and $12.
(6) Net of income tax (provision) recovery of $95, $39, $50, $64 and $(7).

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

Certain comparative figures have been reclassified to conform to the current period's presentation and for changes in accounting policies – see Note 1.

Consolidated Balance Sheet

(Unaudited) (Canadian $ in millions)	As at				
	January 31, 2014	October 31, 2013	July 31, 2013	April 30, 2013	January 31, 2013
Assets					
Cash and Cash Equivalents	**$ 34,112**	$ 26,089	$ 33,055	$ 38,423	$ 31,498
Interest Bearing Deposits with Banks	**6,586**	6,518	7,531	6,230	6,149
Securities					
Trading	**85,957**	75,159	72,491	73,246	73,580
Available-for-sale (Note 2)	**55,736**	53,710	51,439	46,503	53,130
Held-to-maturity	**8,254**	6,032	4,846	2,476	1,280
Other	**994**	899	1,021	1,328	1,486
	150,941	135,800	129,797	123,553	129,476
Securities Borrowed or Purchased Under Resale Agreements	**53,579**	39,799	53,749	59,478	52,957
Loans (Notes 3 and 6)					
Residential mortgages	**97,321**	96,392	93,132	88,133	85,506
Consumer instalment and other personal	**64,610**	63,640	63,230	62,308	61,531
Credit cards	**7,963**	7,870	7,801	7,642	7,683
Businesses and governments	**112,396**	104,585	101,023	98,699	97,494
	282,290	272,487	265,186	256,782	252,214
Customers' liability under acceptances	**9,207**	8,472	9,029	8,514	8,626
Allowance for credit losses (Note 3)	**(1,747)**	(1,665)	(1,658)	(1,725)	(1,672)
	289,750	279,294	272,557	263,571	259,168
Other Assets					
Derivative instruments	**37,502**	30,259	31,638	43,063	42,548
Premises and equipment	**2,220**	2,168	2,109	2,125	2,139
Goodwill (Note 9)	**4,052**	3,819	3,767	3,705	3,655
Intangible assets	**1,558**	1,511	1,511	1,521	1,519
Current tax assets	**1,030**	1,065	1,304	1,527	1,391
Deferred tax assets	**2,986**	3,027	2,956	3,089	2,984
Other	**8,346**	7,695	8,738	8,221	8,442
	57,694	49,544	52,023	63,251	62,678
Total Assets	**$ 592,662**	$ 537,044	$ 548,712	$ 554,506	$ 541,926
Liabilities and Equity					
Deposits (Note 10)					
Banks	**$ 26,930**	$ 20,591	$ 21,362	$ 22,615	$ 22,586
Businesses and governments	**240,347**	222,346	214,565	214,649	208,708
Individuals	**131,116**	125,432	123,596	122,587	121,281
	398,393	368,369	359,523	359,851	352,575
Other Liabilities					
Derivative instruments	**36,843**	31,974	32,959	44,011	43,516
Acceptances	**9,207**	8,472	9,029	8,514	8,626
Securities sold but not yet purchased	**26,646**	22,446	21,041	23,897	21,439
Securities lent or sold under repurchase agreements	**44,789**	28,884	47,596	39,005	37,709
Current tax liabilities	**386**	438	373	548	304
Deferred tax liabilities	**115**	107	131	149	163
Other	**39,585**	41,179	43,620	44,599	43,482
	157,571	133,500	154,749	160,723	155,239
Subordinated Debt	**3,983**	3,996	4,014	4,071	4,064
Equity					
Share capital (Note 11)	**14,298**	14,268	14,264	14,279	14,492
Contributed surplus	**316**	315	321	320	214
Retained earnings	**15,617**	15,087	14,657	14,227	13,972
Accumulated other comprehensive income	**1,425**	437	126	(36)	(49)
Total shareholders' equity	**31,656**	30,107	29,368	28,790	28,629
Non-controlling interest in subsidiaries	**1,059**	1,072	1,058	1,071	1,419
Total Equity	**32,715**	31,179	30,426	29,861	30,048
Total Liabilities and Equity	**$ 592,662**	$ 537,044	$ 548,712	$ 554,506	$ 541,926

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 and for changes in accounting policies – see Note 1.

Consolidated Statement of Changes in Equity

(Unaudited) (Canadian $ in millions)

	For the three months ended	
	January 31, 2014	January 31, 2013
Preferred Shares		
Balance at beginning of period	**$ 2,265**	$ 2,465
Balance at End of Period	**2,265**	2,465
Common Shares		
Balance at beginning of period	**12,003**	11,957
Issued under the Shareholder Dividend Reinvestment and Share Purchase Plan	**-**	37
Issued under the Stock Option Plan	**30**	33
Balance at End of Period	**12,033**	12,027
Contributed Surplus		
Balance at beginning of period	**315**	213
Stock option expense/exercised	**1**	1
Balance at End of Period	**316**	214
Retained Earnings		
Balance at beginning of period	**15,087**	13,456
Net income attributable to bank shareholders	**1,048**	1,018
Dividends – Preferred shares	**(28)**	(33)
– Common shares	**(490)**	(469)
Balance at End of Period	**15,617**	13,972
Accumulated Other Comprehensive Income on Pension and Other Post-Employment Plans		
Balance at beginning of period	**(165)**	(463)
Remeasurement of pension and other employee future benefit plans (1)	**25**	74
Balance at End of Period	**(140)**	(389)
Accumulated Other Comprehensive Income on Available-for-Sale Securities		
Balance at beginning of period	**205**	265
Unrealized gains (losses) on available-for-sale securities arising during the period (2)	**(38)**	(18)
Reclassification to earnings of (gains) in the period (3)	**(22)**	(15)
Balance at End of Period	**145**	232
Accumulated Other Comprehensive Income on Cash Flow Hedges		
Balance at beginning of period	**(8)**	142
Gains (losses) on cash flow hedges arising during the period (4)	**142**	(58)
Reclassification to earnings of (gains) on cash flow hedges (5)	**(25)**	(34)
Balance at End of Period	**109**	50
Accumulated Other Comprehensive Income on Translation of Net Foreign Operations		
Balance at beginning of period	**405**	73
Unrealized gain (loss) on translation of net foreign operations	**1,176**	(34)
Impact of hedging unrealized gain (loss) on translation of net foreign operations (6)	**(270)**	19
Balance at End of Period	**1,311**	58
Total Accumulated Other Comprehensive Income (Loss)	**1,425**	(49)
Total Shareholders' Equity	**$ 31,656**	$ 28,629
Non-controlling Interest in Subsidiaries		
Balance at beginning of period	**1,072**	1,435
Net income attributable to non-controlling interest	**13**	18
Dividends to non-controlling interest	**(26)**	(31)
Other	**-**	(3)
Balance at End of Period	**1,059**	1,419
Total Equity	**$ 32,715**	$ 30,048

(1) Net of income tax recovery of $(10) and $(36).
(2) Net of income tax recovery of $12 and $6.
(3) Net of income tax provision of $12, and $5.
(4) Net of income tax (provision) recovery of $(43) and $21.
(5) Net of income tax provision of $9 and $12.
(6) Net of income tax (provision) recovery of $95 and $(7).

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

Certain comparative figures have been reclassified to conform to the current period's presentation and for changes in accounting policies – see Note 1.

Consolidated Statement of Cash Flows

(Unaudited) (Canadian $ in millions)	For the three months ended January 31, 2014	January 31, 2013
Cash Flows from Operating Activities		
Net Income	**$ 1,061**	$ 1,036
Adjustments to determine net cash flows provided by (used in) operating activities		
Net (gain) on securities, other than trading	**(62)**	(26)
Net (increase) in trading securities	**(9,745)**	(3,464)
Provision for credit losses (Note 3)	**99**	178
Change in derivative instruments – (Increase) decrease in derivative asset	**(7,741)**	5,728
– Increase (decrease) in derivative liability	**5,221**	(5,327)
Amortization of premises and equipment	**89**	85
Amortization of intangible assets	**90**	85
Net decrease in deferred income tax asset	**205**	139
Net increase (decrease) in deferred income tax liability	**8**	(8)
Net (increase) decrease in current income tax asset	**131**	(104)
Net (decrease) in current income tax liability	**(56)**	(99)
Change in accrued interest – decrease in interest receivable	**53**	127
– (decrease) in interest payable	**(38)**	(68)
Changes in other items and accruals, net	**756**	(989)
Net increase in deposits	**16,954**	28,049
Net (increase) in loans	**(4,211)**	(4,692)
Net increase (decrease) in securities sold but not yet purchased	**3,834**	(2,000)
Net increase (decrease) in securities lent or sold under repurchase agreements	**14,376**	(2,034)
Net (increase) in securities borrowed or purchased under resale agreements	**(11,755)**	(5,945)
Net Cash Provided by Operating Activities	**9,269**	10,671
Cash Flows from Financing Activities		
Net (decrease) in liabilities of subsidiaries	**(27)**	(189)
(Maturities) of Covered Bonds	**-**	(1,354)
Proceeds from issuance of common shares	**30**	34
Cash dividends paid	**(505)**	(466)
Cash dividends paid to non-controlling interest	**(26)**	(31)
Net Cash (Used in) Financing Activities	**(528)**	(2,006)
Cash Flows from Investing Activities		
Net decrease in interest bearing deposits with banks	**283**	188
Purchases of securities, other than trading	**(7,764)**	(5,193)
Maturities of securities, other than trading	**3,565**	3,794
Proceeds from sales of securities, other than trading	**1,483**	3,923
Premises and equipment – net purchases	**(65)**	(138)
Purchased and developed software – net purchases	**(82)**	(61)
Acquisitions (Note 8)	**-**	401
Net Cash Provided by (Used in) Investing Activities	**(2,580)**	2,914
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**1,862**	4
Net increase in Cash and Cash Equivalents	**8,023**	11,583
Cash and Cash Equivalents at Beginning of Period	**26,089**	19,915
Cash and Cash Equivalents at End of Period	**$ 34,112**	$ 31,498
Represented by:		
Cash and non-interest bearing deposits with Bank of Canada and other banks	**$ 32,325**	$ 29,679
Cheques and other items in transit, net	**1,787**	1,819
	$ 34,112	$ 31,498
Supplemental Disclosure of Cash Flow Information		
Net cash provided by operating activities includes:		
Amount of interest paid in the period	**$ 1,167**	$ 1,132
Amount of income taxes paid in the period	**$ 19**	$ 335
Amount of interest and dividend income received in the period	**$ 3,265**	$ 3,515

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 and for changes in accounting policies – see Note 1.

Notes to Consolidated Financial Statements

January 31, 2014 (Unaudited)

Note 1: Basis of Presentation

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

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

Changes in Accounting Policy

Effective November 1, 2013, we adopted the following new and amended accounting pronouncements issued by the International Accounting Standards Board ("IASB"):

Employee Benefits

Amended IAS 19 *Employee Benefits* ("IAS 19") amends the measurement, presentation and disclosure requirements for employee benefit plans. The standard has been applied retroactively and the comparative periods in the interim consolidated financial statements have been adjusted accordingly. Under the revised standard, actuarial gains and losses are to be recognized immediately in other comprehensive income ("OCI") and may no longer be deferred and amortized. Additionally, the expected return on plan assets will be set equal to the discount rate used to determine the plan obligation. Past service costs resulting from plan amendments will be immediately recognized in income when a plan is amended, without regard to vesting. Further, these amendments include enhanced disclosures about the characteristics of the plans and the risks to which the entity is exposed through participation in the plans. We will have additional disclosures in our 2014 annual consolidated financial statements.

Presentation of Financial Statements

Amendments to IAS 1 *Presentation of Financial Statements* were issued in May 2011 and require items within OCI to be presented separately based on whether or not the item will be subsequently reclassified into net income. The new presentation was adopted on a retrospective basis together with the change to IAS 19. Actuarial gains and losses that are recognized directly in OCI under IAS 19 will never be reclassified to the income statement. They will always remain in OCI.

Consolidated Financial Statements and Accounting for Joint Ventures

IFRS 10 *Consolidated Financial Statements* ("IFRS 10") provides a single consolidation model that defines control and establishes control as the basis for consolidation for all types of interests. Under IFRS 10, we control an entity when we have power over the entity, exposure or rights to variable returns from our involvement, and the ability to exercise power to affect the amount of our returns. The adoption of IFRS 10 resulted in the deconsolidation of BMO Subordinated Notes Trust, BMO Capital Trust II and certain of our Canadian customer securitization vehicles as disclosed in Note 7. The standard has been applied retroactively to fiscal 2013 and 2012 and the comparative periods in the consolidated financial statements have been adjusted accordingly.

IFRS 11 *Joint Arrangements* ("IFRS 11") requires joint ventures to be accounted for using the equity method. Under IFRS 11 we changed the accounting for a joint venture from proportionate consolidation to the equity method of accounting. The impact of retrospective adoption was to remove each balance sheet line item previously proportionately consolidated and instead record a net investment in joint venture in other securities and to remove each income statement line item previously proportionately consolidated and record our portion of the earnings from the equity method investment in other income.

The following table summarizes the resulting impact of adoption of IAS 19, IFRS 10 and IFRS 11 to our prior period consolidated financial statements:

As at (Canadian $ in millions)	October 31, 2013		January 31, 2013	
Increase (decrease) in	IFRS 10 and 11	IAS 19	IFRS 10 and 11	IAS 19
Cash	6	-	(21)	-
Securities	819	-	1,114	-
Loans, business and governments	199	-	12	-
Premises and Equipment	(23)	-	(26)	-
Goodwill	(74)	-	(73)	-
Intangible Assets	(19)	-	(15)	-
Deferred Tax Asset	-	116	-	192
Other assets	(948)	(331)	(977)	(543)
Deposits, business and governments	1,548	-	1,650	-
Capital trust securities	(463)	-	(451)	-
Other liabilities	(1,123)	85	(1,181)	130
Accumulated other comprehensive income	-	(165)	-	(389)
Retained earnings	(5)	(132)	(4)	(92)

Net income attributable to shareholders for the year ended October 31, 2013 decreased by $55 million after tax, as a result of the retrospective adoption of amended IAS 19, IFRS 10 and IFRS 11. Net income attributable to shareholders for each of the three months ended January 31, 2013, April 30, 2013, July 31, 2013 and October 31, 2013 decreased by approximately $13 million after tax as a result of IAS 19, IFRS 10 and IFRS 11. Basic and diluted earnings per share for the year ended October 31, 2013 is $6.19 and $6.17, respectively. Basic and diluted earnings per share for each of the three months ended January 31, 2013, April 30, 2013, July 31, 2013 and October 31, 2013 is $1.60, $1.67, $1.41 and $1.51, respectively.

An opening balance sheet has not been presented as the impact of transition is not material to the financial statements. Refer to our 2013 Annual Report, pages 132 to 133 for additional disclosures relating to the transition impact as at November 1, 2012.

Interests in Other Entities

We also adopted IFRS 12 *Disclosure of Interests in Other Entities* ("IFRS 12"). IFRS 12 sets out the disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. This new standard requires disclosure of the nature of, and risks associated with, an entity's interests in other entities and the effects of these interests on its financial position, financial performance and cash flows. The new standard will result in additional disclosures in our 2014 annual consolidated financial statements.

Fair Value Measurement

We adopted IFRS 13 *Fair Value Measurement* ("IFRS 13") which provides a common definition of fair value and establishes a framework for measuring fair value. The new standard also requires additional disclosures about fair value measurements. The new standard did not have a significant impact on our financial statements. We will include additional disclosures in our 2014 annual consolidated financial statements.

Offsetting Financial Assets and Financial Liabilities

We adopted the amendments to IFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities* ("IFRS 7") which contain new disclosure requirements for financial assets and financial liabilities that are offset in the statement of financial position or subject to master netting agreements or similar agreements. The disclosure amendments are effective for the current fiscal year and will result in additional disclosures in our 2014 annual consolidated financial statements.

These interim consolidated financial statements were authorized for issue by the Board of Directors on February 25, 2014.

Note 2: Securities

Unrealized Gains and Losses

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

(Canadian $ in millions)				**January 31, 2014**				October 31, 2013
	Amortized cost	**Gross unrealized gains** (2)	**Gross unrealized losses** (2)	**Fair value**	Amortized cost	Gross unrealized gains (2)	Gross unrealized losses (2)	Fair value
Issued or guaranteed by:								
Canadian federal government	**10,897**	**95**	**-**	**10,992**	12,989	129	3	13,115
Canadian provincial and municipal governments	**4,537**	**36**	**15**	**4,558**	3,707	23	32	3,698
U.S. federal government	**6,650**	**15**	**2**	**6,663**	4,650	10	-	4,660
U.S. states, municipalities and agencies	**5,689**	**40**	**17**	**5,712**	5,363	41	12	5,392
Other government	**6,512**	**11**	**6**	**6,517**	6,165	7	9	6,163
Mortgage-backed securities and collateralized mortgage obligations – Canada (1)	**2,645**	**12**	**1**	**2,656**	2,271	6	-	2,277
Mortgage-backed securities and collateralized mortgage obligations – U.S.	**6,647**	**22**	**19**	**6,650**	6,535	24	31	6,528
Corporate debt	**10,213**	**136**	**7**	**10,342**	10,210	115	8	10,317
Corporate equity	**1,536**	**118**	**8**	**1,646**	1,413	148	1	1,560
Total	**55,326**	**485**	**75**	**55,736**	53,303	503	96	53,710

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

Note 3: Loans and Allowance for Credit Losses

Allowance for Credit Losses ("ACL")

The allowance for credit losses recorded in our Consolidated Balance Sheet is maintained at a level that we consider adequate to absorb credit-related losses on our loans, customers' liability under acceptances and other credit instruments. The portion related to other credit instruments is recorded in other liabilities in our Consolidated Balance Sheet. As at January 31, 2014, there was a $301 million ($253 million as at January 31, 2013) allowance for credit losses related to other credit instruments included in other liabilities.

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

(Canadian $ in millions)	Residential mortgages		Credit card, consumer instalment and other personal loans		Business and government loans		Customers' liability under acceptances		Total	
For the three months ended	**January 31, 2014**	January 31, 2013	**January 31, 2014**	January 31, 2013	**January 31, 2014**	January 31, 2013	**January 31, 2014**	January 31, 2013	**January 31, 2014**	January 31, 2013
Impairment Allowances (Specific ACL), beginning of year	**99**	76	**71**	62	**315**	338	**-**	-	**485**	476
Amounts written off	**(20)**	(25)	**(151)**	(196)	**(110)**	(105)	**-**	-	**(281)**	(326)
Recoveries of amounts written off in previous periods	**13**	2	**42**	35	**156**	121	**-**	-	**211**	158
Charge to Income Statement (Specific PCL)	**15**	35	**115**	161	**(31)**	(18)	**-**	-	**99**	178
Disposal of loans	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Foreign exchange and other movements	**(2)**	(6)	**(2)**	2	**5**	(15)	**-**	-	**1**	(19)
Specific ACL, end of period	**105**	82	**75**	64	**335**	321	**-**	-	**515**	467
Collective ACL, beginning of period	**88**	47	**622**	624	**756**	759	**19**	30	**1,485**	1,460
Charge to income statement (Collective PCL)	**8**	5	**4**	(6)	**(17)**	6	**5**	(5)	**-**	-
Foreign exchange and other movements	**3**	-	**4**	-	**41**	(2)	**-**	-	**48**	(2)
Collective ACL, end of period	**99**	52	**630**	618	**780**	763	**24**	25	**1,533**	1,458
Total ACL	**204**	134	**705**	682	**1,115**	1,084	**24**	25	**2,048**	1,925
Comprised of: Loans	**184**	122	**705**	682	**834**	843	**24**	25	**1,747**	1,672
Other credit instruments	**20**	12	**-**	-	**281**	241	**-**	-	**301**	253

Interest income on impaired loans of $36 million was recognized for the three months ended January 31, 2014 ($34 million for the three months ended January 31, 2013).

Renegotiated Loans

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

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

The carrying value of our renegotiated loans was $485 million as at January 31, 2014 ($388 million as at October 31, 2013). Renegotiated loans of $181 million were classified as performing during the quarter ended January 31, 2014 ($155 million during the year ended October 31, 2013). Renegotiated loans of $6 million were written off in the quarter ended January 31, 2014 ($59 million in the year ended October 31, 2013).

FDIC Covered Loans

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

For the three months ended January 31, 2014, we recorded net recoveries of less than $1 million related to AMCORE loans (net recoveries of $14 million for the three months ended January 31, 2013). These amounts are net of the amounts expected to be reimbursed by the FDIC on the covered loans.

Purchased Performing Loans

For performing loans with fixed terms, the future credit mark is fully amortized to net interest income over the expected life of the loan using the effective interest method. The impact to net interest income for the three months ended January 31, 2014 was $8 million ($14 million for the three months ended January 31, 2013). The incurred credit losses are re-measured at each reporting period, with any increases recorded in the provision for credit losses. Decreases in incurred credit losses will be recorded in the provision for credit losses until the accumulated collective allowance is exhausted. Any additional decrease will be recorded in net interest income. The impact of the re-measurement of incurred credit losses for performing loans with fixed terms for the three months ended January 31, 2014 was $nil in provision for credit losses and $6 million in net interest income respectively ($nil in provision for credit losses and $70 million in net interest income, respectively, for the three months ended January 31, 2013).

For performing loans with revolving terms, the incurred and future credit marks are amortized into net interest income on a straight line basis over the contractual terms of the loans. The impact to net interest income of such amortization for performing loans with revolving terms for the three months ended January 31, 2014 was $14 million ($36 million for the three months ended January 31, 2013).

As performing loans are repaid, the related remaining unamortized credit marks are recorded as net interest income during the period in which the cash is received. The impact to net interest income as a result of repayments for the three months ended January 31, 2014 was $45 million ($65 million for the three months ended January 31, 2013).

Actual specific provisions for credit losses relating to these performing loans will be recorded as they arise in a manner that is consistent with our accounting policy for loans we originate. The total specific provision for credit losses impact for purchased performing loans for the three months ended January 31, 2014 was $34 million ($82 million for the three months ended January 31, 2013).

As at January 31, 2014, the remaining amount of purchased performing loans on the balance sheet was $16.5 billion ($16.6 billion as at October 31, 2013). As at January 31, 2014, the remaining credit mark on performing term loans, revolving loans and other performing loans was $408 million, $142 million and $5 million, respectively ($425 million, $156 million, and $6 million, respectively as at October 31, 2013). Of the total credit mark for performing loans of $555 million, $248 million represents the future credit mark that will be amortized over the remaining life of the portfolio. The remaining $307 million represents the incurred credit mark and will be re-measured each reporting period.

Purchased Credit Impaired Loans ("PCI Loans")

Subsequent to the acquisition date, we regularly re-evaluate what we expect to collect on the PCI loans. Increases in expected cash flows will result in a recovery in the specific provision for credit losses and either a reduction in any previously recorded allowance for credit losses or, if no allowance exists, an increase in the current carrying value of the purchased credit impaired loans. Decreases in expected cash flows will result in a charge to the specific provision for credit losses and an increase in the allowance for credit losses. The impact of these evaluations for the three month period ended January 31, 2014 was a $117 million recovery of specific provision for credit losses ($59 million recovery for the three months ended January 31, 2013).

As at January 31, 2014, the remaining amount of purchased credit impaired loans on the balance sheet was $0.6 billion ($0.7 billion as at October 31, 2013). As at January 31, 2014, the remaining credit mark related to purchased credit impaired loans was $51 million ($128 million as at October 31, 2013).

Unfunded Commitments and Letters of Credit Acquired

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

As at January 31, 2014, the remaining credit mark on unfunded commitments and letters of credit acquired was $11 million ($15 million as at October 31, 2013).

Note 4: Risk Management

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

Credit and Counterparty Risk

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

Market Risk

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

Liquidity and Funding Risk

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

Key measures as at January 31, 2014 are outlined in the Risk Management section on pages 25 to 33 of Management's Discussion and Analysis of the First Quarter Report to Shareholders.

Note 5: Guarantees

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

Standby Letters of Credit and Guarantees

Standby letters of credit and guarantees represent our obligation to make payments to third parties on behalf of another party if that party is unable to make the required payments or meet other contractual requirements. The maximum amount payable under standby letters of credit and guarantees totalled $13,846 million as at January 31, 2014 ($13,470 million as at October 31, 2013). The majority have a term of one year or less. Collateral requirements for standby letters of credit and guarantees are consistent with our collateral requirements for loans. A large majority of these commitments expire without being drawn upon. As a result, the total contractual amounts may not be representative of the funding likely to be required for these commitments.

As at January 31, 2014, $44 million ($41 million as at October 31, 2013) was included in other liabilities related to guaranteed parties that were unable to meet their obligation to third parties.

Backstop and Other Liquidity Facilities

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

The maximum amount payable under these backstop and other liquidity facilities totalled $4,485 million as at January 31, 2014 ($4,512 million as at October 31, 2013). As at January 31, 2014, $94 million was outstanding from facilities drawn in accordance with the terms of the backstop liquidity facilities ($145 million as at October 31, 2013).

Credit Enhancement Facilities

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

Senior Funding Facility

In addition to our investment in the notes subject to the Montreal Accord, we have provided a senior loan facility of $197 million as at January 31, 2014 ($232 million as at October 31, 2013). No amounts were drawn as at January 31, 2014 or October 31, 2013.

Derivatives

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

Written credit default swaps require us to compensate a counterparty following the occurrence of a credit event in relation to a specified reference obligation, such as a bond or a loan. The maximum amount payable under credit default swaps is equal to their notional amount of $12,182 million as at January 31, 2014 ($13,288 million as at October 31, 2013). The terms of these contracts range from less than one year to 10 years. The fair value of the related derivative liabilities included in derivative instruments in our Consolidated Balance Sheet was $92 million as at January 31, 2014 ($102 million as at October 31, 2013).

Exchange and Clearinghouse Guarantees

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

Indemnification Agreements

In the normal course of operations, we enter into various agreements that provide general indemnifications. These indemnifications typically occur in connection with sales of assets, securities offerings, service contracts, membership agreements, clearing arrangements, derivatives contracts and leasing transactions. We also have a securities lending business that lends securities owned by clients to borrowers who have been evaluated for credit risk using the same credit risk process that is applied to loans and other credit assets. In connection with these activities, we provide an indemnification to lenders against losses resulting from the failure of the borrower to return loaned securities when due. All borrowings are fully collateralized with cash or marketable securities. As securities are loaned, we require borrowers to maintain collateral which is equal to or in excess of 100% of the fair value of the securities borrowed. The collateral is revalued on a daily basis. The amount of securities loaned subject to indemnification was $5,118 million as at January 31, 2014 ($4,778 million as at October 31, 2013). No amount was included in our Consolidated Balance Sheet as at January 31, 2014 and October 31, 2013 related to these indemnifications.

Note 6: Securitization

Periodically, we securitize loans to obtain alternate sources of funding. Securitization involves selling loans to trusts ("securitization vehicles"), which buy the loans and then issue either interest bearing or discounted investor certificates.

The following table shows the carrying amounts related to securitization activities with third parties that are recorded on our Consolidated Balance Sheet, together with the associated liabilities, for each category of asset on the balance sheet:

(Canadian $ in millions)		**January 31, 2014** (1) (2)		October 31, 2013
	Carrying amount of assets	**Associated liabilities**	Carrying amount of assets	Associated liabilities
Residential mortgages	**10,089**		9,956	
	10,089		9,956	
Other related assets	**7,006**		8,660	
Total	**17,095**	**16,775**	18,616	18,235

(1) The fair value of the securitized assets is $17,188 million and the fair value of the associated liabilities is $17,104 million, for a net position of $84 million. Securitized assets are those which we have transferred to third parties, including other related assets.

(2) During the three months ended January 31, 2014, we sold $906 million of loans to third-party securitization programs ($1,435 million for the three months ended January 31, 2013).

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

Note 7: Structured Entities

On November 1, 2013 we adopted IFRS 10. Refer to Note 1 for a summary of transition adjustments. On-balance sheet amounts and maximum exposure to loss related to structured entities that are not consolidated are summarized in the table below:

(Canadian $ in millions)			**January 31, 2014**			October 31, 2013
	Capital and funding vehicles (3)	**Canadian customer securitization vehicles** (2)	**Structured finance vehicles**	Capital and funding vehicles (3)	Canadian customer securitization vehicles	Structured finance vehicles
Cash	**8**	**-**	**-**	8	-	-
Trading securities	**2**	**33**	**11,626**	2	13	12,120
Available-for-sale securities	**-**	**804**	**-**	-	721	-
Other	**-**	**-**	**95**	-	-	119
	10	**837**	**11,721**	10	734	12,239
Deposits	**1,274**	**-**	**6,334**	1,254	-	6,584
Derivatives	**-**	**-**	**872**	-	-	985
Other	**-**	**-**	**4,450**	20	-	4,582
	1,274	**-**	**11,656**	1,274	-	12,151
Exposure to loss						
Securities held	**2**	**837**	**11,626**	2	734	12,116
Drawn facilities	**12**	**-**	**-**	12	-	-
Undrawn facilities (1)	**43**	**3,800**	**na**	43	3,866	na
Derivative assets	**-**	**-**	**-**	-	-	-
	57	**4,637**	**11,626**	57	4,600	12,116

(1) These facilities are backstop liquidity facilities provided to our Canadian customer securitization vehicles. The majority of the backstop liquidity facilities provided to our Canadian customer securitization vehicles did not relate to credit support as at January 31, 2014 and October 31, 2013.

(2) Securities held that are issued by our Canadian customer securitization vehicles are comprised of asset-backed commercial paper and are classified as trading securities and available-for-sale securities. Assets held by all these vehicles relate to assets in Canada.

(3) On adoption of IFRS 10 we no longer consolidate BMO Capital Trust II and BMO Subordinated Note Trust since we do not have rights or exposure to variable returns in the trusts that hold notes issued by us.

na - not applicable

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

(Canadian $ in millions)	**January 31, 2014**					October 31, 2013				
	Bank securit-ization vehicles	**U.S. customer securit-ization vehicle**	**Credit protection vehicle**	**Structured investment vehicles**	**Capital and funding vehicles** (3)	Bank securit-ization vehicle	U.S. customer securit-ization vehicle	Credit protection vehicle (1)	Structured investment vehicles (2)	Capital and funding vehicles (3)
Cash and cash equivalents	**-**	**3**	**388**	**7**	**435**	-	370	1,430	7	311
Trading securities	**-**	**-**	**-**	**-**	**-**	-	-	-	-	-
Available-for-sale securities	**-**	**-**	**-**	**-**	**-**	-	-	-	-	-
Loans	**7,369**	**4,187**	**-**	**-**	**19,698**	7,190	3,537	-	-	20,717
Other	**12**	**3**	**-**	**-**	**19**	25	3	-	-	40
	7,381	**4,193**	**388**	**7**	**20,152**	7,215	3,910	1,430	7	21,068
Deposits	**-**	**3,853**	**-**	**-**	**-**	-	3,578	-	-	-
Other	**4,928**	**2**	**162**	**7**	**5**	4,328	2	530	7	18
	4,928	**3,855**	**162**	**7**	**5**	4,328	3,580	530	7	18
Exposure to loss										
Securities held	**1,493**	**-**	**252**	**-**	**840**	1,499	-	922	-	840
Drawn facilities	**-**	**264**	**-**	**-**	**17,701**	-	264	-	-	18,595
Undrawn facilities	**-**	**5,214**	**-**	**-**	**9,350**	-	4,417	-	-	8,455
Derivative assets	**-**	**-**	**15**	**-**	**121**	-	-	20	-	84
	1,493	**5,478**	**267**	**-**	**28,012**	1,499	4,681	942	-	27,974

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

Note 8: Acquisitions

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

Aver Media LP ("Aver")

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

Asian Wealth Management Business ("AWMB")

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

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

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

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

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

On January 28, 2014, we announced that we had reached an agreement to purchase all the shares of F&C Asset Management plc ("F&C"), a U.K.-based investment manager. The aggregate purchase price is approximately £708 million (approximately $1.3 billion Canadian equivalent). Subject to approval by F&C's shareholders and satisfaction of all regulatory and other conditions, the acquisition is expected to close in Q3, 2014 and will add scope and scale to our portfolio of wealth management businesses. F&C will be part of our Wealth Management reporting segment.

Note 9: Goodwill

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

There were no write-downs of goodwill due to impairment during the three months ended January 31, 2014 and the three months ended January 31, 2013.

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

(Canadian $ in millions)			Personal and Commercial Banking					Wealth Management	BMO Capital Markets	Corporate Services	Total
	Canadian P&C	U.S. P&C	Total	Client Investing	Global Asset Management	Private Banking	Insurance	Total		Technology and Operations	
Goodwill as at October 31, 2012	48	2,594	2,642	68	381	357	2	808	194	-	3,644
Acquisitions during the year	20	-	20	-	-	17	-	17	-	-	37
Other (1)	1	108	109	-	7	17	-	24	5	-	138
Goodwill as at October 31, 2013	69	2,702	2,771	68	388	391	2	849	199	-	3,819
Acquisitions during the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Other (1)	**(1)**	**185**	**184**	**-**	**13**	**26**	**-**	**39**	**10**	**-**	**233**
Goodwill as at January 31, 2014	**68** (2)	**2,887** (3)	**2,955**	**68** (4)	**401** (5)	**417** (6)	**2** (7)	**888**	**209** (8)	**-**	**4,052**

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

Note 10: Deposits

(Canadian $ in millions)	Payable on demand – Interest bearing		Payable on demand – Non-interest bearing		Payable after notice		Payable on a fixed date (3)		Total	
	January 31, 2014	October 31, 2013	**January 31, 2014**	October 31, 2013	**January 31, 2014**	October 31, 2013	**January 31, 2014**	October 31, 2013	**January 31, 2014**	October 31, 2013
Deposits by:										
Banks	**1,183**	679	**1,048**	928	**2,828**	4,076	**21,871**	14,908	**26,930**	20,591
Businesses and governments	**13,353**	13,947	**25,278**	23,535	**55,743**	54,178	**145,973**	130,686	**240,347**	222,346
Individuals	**2,806**	2,579	**11,845**	11,448	**73,413**	69,853	**43,052**	41,552	**131,116**	125,432
Total (1) (2)	**17,342**	17,205	**38,171**	35,911	**131,984**	128,107	**210,896**	187,146	**398,393**	368,369
Booked in:										
Canada	**15,582**	15,440	**26,425**	25,601	**75,795**	76,414	**118,950**	109,574	**236,752**	227,029
United States	**1,200**	1,153	**11,629**	10,211	**55,645**	51,262	**68,258**	59,800	**136,732**	122,426
Other countries	**560**	612	**117**	99	**544**	431	**23,688**	17,772	**24,909**	18,914
Total	**17,342**	17,205	**38,171**	35,911	**131,984**	128,107	**210,896**	187,146	**398,393**	368,369

(1) Includes structured notes designated at fair value through profit or loss.
(2) As at January 31, 2014 and October 31, 2013, total deposits payable on a fixed date included $27,953 million and $19,496 million, respectively, of federal funds purchased and commercial paper issued and other deposit liabilities. Included in deposits as at January 31, 2014 and October 31, 2013 are $201,938 million and $176,236 million, respectively, of deposits denominated in U.S. dollars, and $6,201 million and $4,822 million, respectively, of deposits denominated in other foreign currencies.
(3) Includes $186,827 million of deposits, each greater than one hundred thousand dollars, of which $99,999 million were booked in Canada, $63,141 million were booked in the United States and $23,687 million were booked in other countries ($161,941 million, $89,378 million, $54,791 million and $17,772 million, respectively, in October 31, 2013). Of the $99,999 million of deposits booked in Canada $38,027 million mature in less than three months, $3,695 mature in three to six months, $7,091 million mature in six to 12 months and $51,186 million mature after 12 months ($89,378 million, $31,304 million, $4,079 million, 6,861 million and $47,134 million, respectively, in October 31, 2013). We have net unencumbered liquid assets of $180,675 million to support these and other deposit liabilities ($160,641 million in October 31, 2013).

Certain comparative figures have been reclassified to conform with the current period's presentation and for changes in accounting policies – see Note 1.

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

Deposits payable after notice are comprised primarily of our customers' savings accounts, on which we pay interest.

Deposits payable on a fixed date are comprised of:

- Various investment instruments purchased by our customers to earn interest over a fixed period, such as term deposits and guaranteed investment certificates. The terms of these deposits can vary from one day to 10 years.
- Federal funds purchased, which are overnight borrowings of other banks' excess reserve funds at a United States Federal Reserve Bank. As at January 31, 2014, we had borrowed $2,342 million of federal funds ($181 million as at October 31, 2013).
- Commercial paper, which totalled $5,847 million as at January 31, 2014 ($4,753 million as at October 31, 2013).
- Covered bonds, which totalled $8,485 million as at January 31, 2014 ($7,964 million as at October 31, 2013).

Note 11: Share Capital

During the quarters ended January 31, 2014 and 2013, we did not issue or redeem any preferred shares.

On January 24, 2014, we announced our intention to redeem all of our Non-cumulative Class B Preferred Shares Series 18 on February 25, 2014 at a redemption price of $25.00 per share plus declared and unpaid dividends up to but excluding the date fixed for redemption.

On January 30, 2014 we announced that we had received approvals from the Toronto Stock Exchange ("TSX") and OSFI to proceed with a normal course issuer bid through the facilities of the TSX to purchase, for cancellation, up to 15 million of our common shares commencing February 1, 2014, and ending on January 31, 2015. The timing and amount of purchases under the program are subject to management discretion based on factors such as market conditions and capital adequacy. The bank will regularly consult with OSFI before making purchases under the bid. During the quarter ended January 31, 2014, we did not repurchase any shares under our previous normal course issuer bid.

Share Capital Outstanding (1)

(Canadian $ in millions, except as noted)	**January 31, 2014**		October 31, 2013			
	Number of shares	**Amount**	Number of shares	Amount	Convertible into	
Preferred Shares - Classified as Equity						
Class B – Series 13	**14,000,000**	**350**	14,000,000	350		
Class B – Series 14	**10,000,000**	**250**	10,000,000	250		
Class B – Series 15	**10,000,000**	**250**	10,000,000	250		
Class B – Series 16	**6,267,391**	**157**	6,267,391	157	preferred shares - class B - series 17	(2)
Class B – Series 17	**5,732,609**	**143**	5,732,609	143	preferred shares - class B - series 16	(2)
Class B – Series 18	**6,000,000**	**150**	6,000,000	150	preferred shares - class B - series 19	(2)
Class B – Series 21	**11,000,000**	**275**	11,000,000	275	preferred shares - class B - series 22	(2)
Class B – Series 23	**16,000,000**	**400**	16,000,000	400	preferred shares - class B - series 24	(2)
Class B – Series 25	**11,600,000**	**290**	11,600,000	290	preferred shares - class B - series 26	(2)
		2,265		2,265		
Common Shares (3)	**644,598,227**	**12,033**	644,129,945	12,003		
Share Capital		**14,298**		14,268		

(1) For additional information refer to Notes 20 and 22 to our consolidated financial statements for the year ended October 31, 2013 on pages 163 to 167 of our 2013 Annual Report.
(2) If converted, the holders have the option to convert back to the original preferred shares on subsequent redemption dates.
(3) The stock options issued under the stock option plan are convertible into 15,571,099 common shares as at January 31, 2014 (15,801,966 common shares as at October 31, 2013).

Note 12: Capital Management

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

We have met OSFI's stated "all-in" target capital ratios requirement as at January 31, 2014. Our capital position as at January 31, 2014 is detailed in the Capital Management section on pages 11 to 13 of Management's Discussion and Analysis of the First Quarter Report to Shareholders.

Note 13: Employee Compensation

Stock Options

During the quarter ended January 31, 2014, we granted a total of 1,618,223 stock options (2,003,446 stock options during the quarter ended January 31, 2013). The weighted-average fair value of options granted during the quarter ended January 31, 2014 was $6.36 per option ($5.29 per option for the quarter ended January 31, 2013).

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

For stock options granted during the three months ended	**January 31, 2014**	January 31, 2013
Expected dividend yield	**5.0%**	6.0%-6.2%
Expected share price volatility	**16.4%**	18.1%-18.6%
Risk-free rate of return	**2.5%-2.6%**	1.7%-1.9%
Expected period until exercise (in years)	**6.5-7.0**	5.5-7.0

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

Pension and Other Employee Future Benefit Expenses

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

(Canadian $ in millions)	Pension benefit plans		Other employee future benefit plans	
For the three months ended	**January 31, 2014**	January 31, 2013	**January 31, 2014**	January 31, 2013
Benefits earned by employees	**60**	58	**6**	6
Net interest cost	**(2)**	1	**13**	12
Administrative expenses and taxes	**1**	1	**-**	-
Defined benefits expense	**59**	60	**19**	18
Canada and Quebec pension plan expense	**16**	16	**-**	-
Defined contribution expense	**2**	2	**-**	-
Total pension and other employee future benefit expenses	**77**	78	**19**	18

The above table reflects the new accounting requirements under IAS 19. Refer to Note 1 for a summary of the IAS 19 transition adjustments.

Note 14: Earnings Per Share

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

Basic earnings per share

(Canadian $ in millions, except as noted)	For the three months ended	
	January 31, 2014	January 31, 2013
Net income attributable to Bank shareholders	**1,048**	1,018
Dividends on preferred shares	**(28)**	(33)
Net income available to common shareholders	**1,020**	985
Average number of common shares outstanding (in thousands)	**644,434**	651,442
Basic earnings per share (Canadian $)	**1.58**	1.51

Diluted earnings per share

(Canadian $ in millions, except as noted)

	For the three months ended	
	January 31, 2014	January 31, 2013
Net income available to common shareholders adjusted for dilution effect	**1,020**	985
Average number of common shares outstanding (in thousands)	**644,434**	651,442
Stock options potentially exercisable (1)	**11,286**	9,314
Common shares potentially repurchased	**(9,000)**	(8,124)
Average diluted number of common shares outstanding (in thousands)	**646,720**	652,632
Diluted earnings per share (Canadian $)	**1.58**	1.51

(1) In computing diluted earnings per share we excluded average stock options outstanding of 1,821,712 with a weighted-average exercise price of $234.92 for the three months ended January 31, 2014 (4,648,911 with a weighted-average exercise price of $145.33 for the three months ended January 31, 2013) as the average share price for the period did not exceed the exercise price.

Basic Earnings per Share

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

Diluted Earnings per Share

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

Employee Stock Options

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

Note 15: Operating and Geographic Segmentation

Operating Groups

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

Personal and Commercial Banking

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

Canadian Personal and Commercial Banking

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

U.S. Personal and Commercial Banking

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

Wealth Management

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

BMO Capital Markets

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

Corporate Services

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

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

Basis of Presentation

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

Taxable Equivalent Basis

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

Inter-Group Allocations

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

Geographic Information

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

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

(Canadian $ in millions)

For the three months ended January 31, 2014 (1)	Canadian P&C	U.S. P&C	Wealth Management	BMO CM	Corporate Services (2)	Total
Net interest income	**1,194**	**606**	**140**	**261**	**(88)**	**2,113**
Non-interest revenue	**408**	**142**	**727**	**713**	**19**	**2,009**
Total Revenue	**1,602**	**748**	**867**	**974**	**(69)**	**4,122**
Provision for credit losses	**141**	**19**	**(1)**	**(1)**	**(59)**	**99**
Amortization	**38**	**44**	**21**	**13**	**64**	**180**
Non-interest expense	**775**	**457**	**623**	**596**	**53**	**2,504**
Income before taxes and non-controlling interest in subsidiaries	**648**	**228**	**224**	**366**	**(127)**	**1,339**
Provision for income taxes	**164**	**62**	**49**	**89**	**(86)**	**278**
Reported net income	**484**	**166**	**175**	**277**	**(41)**	**1,061**
Non-controlling interest in subsidiaries	**-**	**-**	**-**	**-**	**13**	**13**
Net Income attributable to bank shareholders	**484**	**166**	**175**	**277**	**(54)**	**1,048**
Average Assets	**187,870**	**68,805**	**23,098**	**255,197**	**45,186**	**580,156**
For the three months ended January 31, 2013 (1)						
Net interest income	1,123	587	136	289	113	2,248
Non-interest revenue	380	156	642	606	-	1,784
Total Revenue	1,503	743	778	895	113	4,032
Provision for credit losses	128	32	2	(15)	31	178
Amortization	36	43	20	11	60	170
Non-interest expense	744	414	551	513	178	2,400
Income before taxes and non- controlling interest in subsidiaries	595	254	205	386	(156)	1,284
Provision for income taxes	148	75	43	88	(106)	248
Reported net income	447	179	162	298	(50)	1,036
Non-controlling interest in subsidiaries	-	-	-	-	18	18
Net Income attributable to bank shareholders	447	179	162	298	(68)	1,018
Average Assets	171,352	62,388	21,248	252,907	46,153	554,048

(1) Operating groups report on a taxable equivalent basis – see Basis of Presentation section.
(2) Corporate Services includes Technology and Operations.

Certain comparative figures have been reclassified to conform with the current period's presentation and for changes in accounting policies – see Note 1.

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

(Canadian $ in millions)

For the three months ended January 31, 2014	Canada	United States	Other countries	Total
Net interest income	**1,345**	**729**	**39**	**2,113**
Non-interest revenue	**1,326**	**584**	**99**	**2,009**
Total Revenue	**2,671**	**1,313**	**138**	**4,122**
Provision for credit losses	**131**	**(31)**	**(1)**	**99**
Amortization	**106**	**70**	**4**	**180**
Non-interest expense	**1,542**	**881**	**81**	**2,504**
Income before taxes and non-controlling interest in subsidiaries	**892**	**393**	**54**	**1,339**
Provision for income taxes	**178**	**96**	**4**	**278**
Reported net income	**714**	**297**	**50**	**1,061**
Non-controlling interest in subsidiaries	**13**	**-**	**-**	**13**
Net Income attributable to bank shareholders	**701**	**297**	**50**	**1,048**
Average Assets	**366,544**	**192,936**	**20,676**	**580,156**
For the three months ended January 31, 2013				
Net interest income	1,345	889	14	2,248
Non-interest revenue	1,222	460	102	1,784
Total Revenue	2,567	1,349	116	4,032
Provision for credit losses	133	46	(1)	178
Amortization	101	67	2	170
Non-interest expense	1,439	897	64	2,400
Income before taxes and non-controlling interest in subsidiaries	894	339	51	1,284
Provision for income taxes	180	65	3	248
Reported net income	714	274	48	1,036
Non-controlling interest in subsidiaries	13	5	-	18
Net Income attributable to bank shareholders	701	269	48	1,018
Average Assets	347,272	185,882	20,894	554,048

Certain comparative figures have been reclassified to conform with the current period's presentation and for changes in accounting policies – see Note 1.

Note 16: Financial Instruments

Book Value and Fair Value of Financial Instruments

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

(Canadian $ in millions)			January 31, 2014			October 31, 2013
	Book value	**Fair value**	**Fair value over (under) book value**	Book value	Fair value	Fair value over (under) book value
Assets						
Cash and cash equivalents	**34,112**	**34,112**	**-**	26,089	26,089	-
Interest bearing deposits with banks	**6,586**	**6,586**	**-**	6,518	6,518	-
Securities	**150,941**	**152,446**	**1,505**	135,800	137,322	1,522
Securities borrowed or purchased under resale agreements	**53,579**	**53,579**	**-**	39,799	39,799	-
Loans						
Residential mortgages	**97,321**	**96,951**	**(370)**	96,392	95,944	(448)
Consumer instalment and other personal	**64,610**	**63,871**	**(739)**	63,640	62,770	(870)
Credit cards	**7,963**	**7,710**	**(253)**	7,870	7,619	(251)
Businesses and governments	**112,396**	**110,946**	**(1,450)**	104,585	103,268	(1,317)
	282,290	**279,478**	**(2,812)**	272,487	269,601	(2,886)
Customers' liability under acceptances	**9,207**	**9,162**	**(45)**	8,472	8,437	(35)
Allowance for credit losses (1)	**(1,747)**	**-**	**1,747**	(1,665)	-	1,665
Total loans and customers' liability under acceptances, net of allowance for credit losses	**289,750**	**288,640**	**(1,110)**	279,294	278,038	(1,256)
Derivative instruments	**37,502**	**37,502**	**-**	30,259	30,259	-
Premises and equipment	**2,220**	**2,220**	**-**	2,168	2,168	-
Goodwill	**4,052**	**4,052**	**-**	3,819	3,819	-
Intangible assets	**1,558**	**1,558**	**-**	1,511	1,511	-
Current tax assets	**1,030**	**1,030**	**-**	1,065	1,065	-
Deferred tax assets	**2,986**	**2,986**	**-**	3,027	3,027	-
Other assets	**8,346**	**8,346**	**-**	7,695	7,695	-
	592,662	**593,057**	**395**	537,044	537,310	266
Liabilities						
Deposits	**398,393**	**398,591**	**198**	368,369	368,521	152
Derivative instruments	**36,843**	**36,843**	**-**	31,974	31,974	-
Acceptances	**9,207**	**9,207**	**-**	8,472	8,472	-
Securities sold but not yet purchased	**26,646**	**26,646**	**-**	22,446	22,446	-
Securities lent or sold under repurchase agreements	**44,789**	**44,789**	**-**	28,884	28,884	-
Current tax liabilities	**386**	**386**	**-**	438	438	-
Deferred tax liabilities	**115**	**115**	**-**	107	107	-
Other liabilities	**39,585**	**39,997**	**412**	41,179	41,457	278
Subordinated debt	**3,983**	**4,202**	**219**	3,996	4,217	221
Shareholders' equity	**32,715**	**32,715**	**-**	31,179	31,179	-
	592,662	**593,491**	**829**	537,044	537,695	651
Total fair value adjustment			**(434)**			(385)

Allowance for credit losses is excluded from the calculation of the fair value of loans since the fair value already includes an adjustment for expected future losses on the loans.
Certain comparative figures have been reclassified to conform with the current period's presentation.

Financial Instruments Designated at Fair Value

A portion of our structured note liabilities has been designated at fair value through profit or loss and are accounted for at fair value, which aligns the accounting result with the way the portfolio is managed. The change in fair value of these structured notes was a decrease in non-interest revenue, trading revenues of $12 million for the three months ended January 31, 2014 (an increase of $8 million for the three months ended January 31, 2013). This includes an increase of $2 million for the three months ended January 31, 2014 attributable to changes in our credit spread (a decrease of $14 million for the three months ended January 31, 2013). We recognized offsetting amounts on derivatives and other financial instrument contracts that are held to hedge changes in the fair value of these structured notes.

The change in fair value related to changes in our credit spread that has been recognized since they were designated at fair value through profit or loss to January 31, 2014 was an unrealized loss of $50 million. We may enter into positions to manage the exposure to changes in our credit spreads.

The fair value and amount due at contractual maturity of these structured notes as at January 31, 2014 were $6,780 million and $6,866 million, respectively ($5,928 million and $6,028 million, respectively, as at October 31, 2013). These structured notes are recorded in Deposits in our Consolidated Balance Sheet.

We designate certain securities held by our insurance subsidiaries that support our insurance liabilities at fair value through profit or loss since the actuarial calculation of insurance liabilities is based on the fair value of the investments supporting them. This designation aligns the accounting result with the way the portfolio is managed on a fair value basis and the change in fair value for both items is recorded in non-interest revenue, insurance income. The fair value of these investments as at January 31, 2014 of $5,946 million ($5,766 million as at October 31, 2013) is recorded in securities, trading in our Consolidated Balance Sheet. The impact of recording these investments at fair value through profit or loss was an increase of $156 million in non-interest revenue, insurance income for the three months ended January 31, 2014 (a decrease of $46 million for the three months ended January 31, 2013). Changes in the insurance liability balances are also recorded in non-interest revenue, insurance income.

We designate the obligation related to certain annuity contracts at fair value through profit or loss, which eliminates a measurement inconsistency that would otherwise arise from measuring the annuity liabilities and offsetting changes in the fair value of the investments supporting them on a different basis. The fair value of these annuity liabilities as at January 31, 2014 of $340 million ($329 million as at October 31, 2013) is recorded in Other Liabilities in our Consolidated Balance Sheet. The change in fair value of these annuity liabilities resulted in a decrease of $8 million in non-interest revenue, insurance income for the three months ended January 31, 2014 (a decrease of $4 million for the three months ended January 31, 2013). Changes in the fair value of investments backing these annuity liabilities are also recorded in non-interest revenue, insurance income.

Note liabilities issued by our credit protection vehicle and our structured investment vehicle have been designated at fair value through profit or loss and are accounted for at fair value. This eliminates a measurement inconsistency that would otherwise arise from measuring the note liabilities and offsetting changes in the fair value of investments and derivatives on a different basis. The fair value of these note liabilities as at January 31, 2014 of $145 million ($511 million as at October 31, 2013) is recorded in Other Liabilities in our Consolidated Balance Sheet. The change in fair value of these note liabilities resulted in an increase of less than $1 million in non-interest revenue, trading revenues for the three months ended January 31, 2014 (a decrease of $11 million for the three months ended January 31, 2013).

We designate certain investments held in our merchant banking business at fair value through profit or loss, which aligns the accounting result with the way the portfolio is managed. The fair value of these investments as at January 31, 2014 of $501 million ($488 million as at October 31, 2013) is recorded in securities, other in our Consolidated Balance Sheet. The impact of recording these investments at fair value through profit or loss was a decrease in non-interest revenue, securities gains, other than trading of $5 million for the three months ended January 31, 2014 (a decrease of $11 million for the three months ended January 31, 2013).

Fair Value Hierarchy

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

(Canadian $ in millions)			**January 31, 2014**			October 31, 2013
	Valued using quoted market prices	**Valued using models (with observable inputs)**	**Valued using models (without observable inputs)**	Valued using quoted market prices	Valued using models (with observable inputs)	Valued using models (without observable inputs)
Trading Securities						
Issued or guaranteed by:						
Canadian federal government	**10,584**	**1,162**	**-**	9,913	911	-
Canadian provincial and municipal governments	**2,503**	**4,577**	**-**	1,988	3,723	-
U.S. federal government	**8,465**	**-**	**-**	5,903	-	-
U.S. states, municipalities and agencies	**-**	**743**	**83**	-	681	78
Other governments	**152**	**21**	**-**	132	4	-
Mortgage-backed securities and collateralized mortgage obligations	**119**	**561**	**-**	165	487	-
Corporate debt	**3,270**	**8,526**	**744**	2,800	7,465	822
Corporate equity	**32,999**	**11,448**	**-**	28,073	12,014	-
	58,092	**27,038**	**827**	48,974	25,285	900
Available-for-Sale Securities						
Issued or guaranteed by:						
Canadian federal government	**10,988**	**4**	**-**	13,111	4	-
Canadian provincial and municipal governments	**2,420**	**2,138**	**-**	1,941	1,757	-
U.S. federal government	**6,663**	**-**	**-**	4,660	-	-
U.S. states, municipalities and agencies	**3**	**5,707**	**2**	3	5,388	1
Other governments	**4,394**	**2,123**	**-**	3,992	2,171	-
Mortgage-backed securities and collateralized mortgage obligations	**1,319**	**7,987**	**-**	1,901	6,904	-
Corporate debt	**5,532**	**4,798**	**12**	5,340	4,947	30
Corporate equity	**438**	**142**	**1,066**	460	151	949
	31,757	**22,899**	**1,080**	31,408	21,322	980
Other Securities	**-**	**-**	**501**	-	-	488
Fair Value Liabilities						
Securities sold but not yet purchased	**23,667**	**2,979**	**-**	20,024	2,422	-
Structured note liabilities and other note liabilities	**-**	**6,925**	**-**	-	6,439	-
Annuity liabilities	**-**	**340**	**-**	-	329	-
	23,667	**10,244**	**-**	20,024	9,190	-
Derivative Assets						
Interest rate contracts	**8**	**22,354**	**-**	7	22,215	-
Foreign exchange contracts	**17**	**13,590**	**-**	9	6,663	-
Commodity contracts	**801**	**126**	**-**	673	66	-
Equity contracts	**14**	**510**	**-**	16	520	-
Credit default swaps	**-**	**56**	**26**	-	62	28
	840	**36,636**	**26**	705	29,526	28
Derivative Liabilities						
Interest rate contracts	**11**	**21,055**	**-**	8	21,516	-
Foreign exchange contracts	**31**	**12,437**	**-**	5	6,443	-
Commodity contracts	**681**	**122**	**-**	695	138	-
Equity contracts	**93**	**2,321**	**-**	70	2,997	-
Credit default swaps	**-**	**74**	**18**	-	83	19
	816	**36,009**	**18**	778	31,177	19

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

Valuation Techniques and Significant Inputs

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

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

Sensitivity analysis at January 31, 2014 for the most significant Level 3 instruments, that is securities which represent greater than 10% of Level 3 instruments, is provided below.

Within Level 3 trading securities is corporate debt of $744 million that relates to securities that are hedged with total return swaps and credit default swaps that are also considered a Level 3 instrument. The sensitivity analysis for the structured product is performed on an aggregate basis and is described as part of the discussion on derivatives below.

Within Level 3 available-for-sale securities is corporate equity of $594 million that relates to United States Federal Reserve Banks and United States Federal Home Loan Banks that we hold to meet regulatory requirements in the United States and $472 million that relates to private equity investments. The valuation of these investments requires management judgment due to the absence of quoted market prices, the potential lack of liquidity and the long-term nature of such assets. Each quarter, the valuation of these investments is reviewed using relevant company-specific and industry data including historical and projected net income, credit and liquidity conditions and recent transactions, if any. Since the valuation of these investments does not use models, a sensitivity analysis on the category is not performed.

Within Level 3 derivative assets and derivative liabilities as at January 31, 2014 was $26 million and $18 million, respectively, related to the mark-to-market of credit default swaps and total return swaps on structured products. We have determined the valuation of these derivatives and the related securities based on external price data obtained from brokers and dealers for similar structured products. Where external price information is not available, we use market-standard models to model the specific collateral composition and cash flow structure of the deal. Key inputs to the model are market spread data for each credit rating, collateral type and other relevant contractual features. The impact of assuming a 10 basis point increase or decrease in the market spread would result in a change in fair value of $(1) million and $1 million, respectively.

Significant Transfers

Transfers are made between the various fair value hierarchy levels due to changes in the availability of quoted market prices or observable market inputs due to changing market conditions. The following is a discussion of the more significant transfers between Level 1, Level 2 and Level 3 balances for the three months ended January 31, 2014.

During the three months ended January 31, 2014, $15 million of trading securities were transferred from Level 3 to Level 2 as market information became available for certain corporate debt securities.

Changes in Level 3 Fair Value Measurements

The table on the following page presents a reconciliation of all changes in Level 3 financial instruments during the three months ended January 31, 2014, including realized and unrealized gains (losses) included in earnings and other comprehensive income.

		Change in fair value								
Three months ended January 31, 2014	Balance October 31, 2013	Included in earnings	Included in other compre-hensive income	Purchases	Sales	Maturities Settlement (1)	Transfers into Level 3	Transfers out of Level 3	Fair Value as at January 31, 2014	Unrealized gains (losses) (2)
Trading Securities										
Issued or guaranteed by:										
U.S. states, municipalities and agencies	78	**5**	-	-	-	-	-	-	**83**	**5**
Corporate debt	822	**60**	-	-	**(55)**	**(68)**	-	**(15)**	**744**	**61**
Total trading securities	900	**65**	-	-	**(55)**	**(68)**	-	**(15)**	**827**	**66**
Available-for-Sale Securities										
Issued or guaranteed by:										
U.S. states, municipalities and agencies	1	-	**1**	-	-	-	-	-	**2**	-
Corporate debt	30	**(1)**	-	-	**(17)**	-	-	-	**12**	**1**
Corporate equity	949	**(6)**	**61**	**74**	**(12)**	-	-	-	**1,066**	**61**
Total available-for-sale securities	980	**(7)**	**62**	**74**	**(29)**	-	-	-	**1,080**	**62**
Other Securities	488	**8**	-	**68**	**(63)**	-	-	-	**501**	**8**
Derivative Assets										
Credit default swaps	28	**(2)**	-	-	-	-	-	-	**26**	**(3)**
Total derivative assets	28	**(2)**	-	-	-	-	-	-	**26**	**(3)**
Derivative Liabilities										
Credit default swaps	19	**(1)**	-	-	-	-	-	-	**18**	**(2)**
Total derivative liabilities	19	**(1)**	-	-	-	-	-	-	**18**	**(2)**

(1) Includes cash settlement of derivative assets and derivative liabilities.
(2) Unrealized gains or losses on trading securities, derivative assets and derivative liabilities still held on January 31, 2014 are included in earnings in the period. For available-for-sale securities, the unrealized gains or losses on securities still held on January 31, 2014 are included in Accumulated Other Comprehensive Income.

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

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

(Canadian $ in millions)										January 31, 2014
	0 to 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	No maturity	Total
On-Balance Sheet Financial Instruments										
Assets										
Cash and cash equivalents	33,323	-	-	-	-	-	-	-	789	34,112
Interest bearing deposits with banks	4,384	1,362	706	102	32	-	-	-	-	6,586
Securities										
Trading securities	560	2,190	1,862	974	1,395	8,845	10,467	15,217	44,447	85,957
Available-for-sale securities	1,531	940	1,453	1,219	357	10,557	26,244	11,789	1,646	55,736
Held-to-maturity securities	-	-	-	-	-	927	4,858	2,469	-	8,254
Other securities	-	12	-	-	-	7	31	21	923	994
Total securities	2,091	3,142	3,315	2,193	1,752	20,336	41,600	29,496	47,016	150,941
Securities borrowed or purchased under resale agreements	42,461	9,100	1,624	225	169	-	-	-	-	53,579
Loans										
Residential mortgages	1,134	1,944	4,410	3,654	2,844	19,590	54,551	9,149	45	97,321
Consumer instalment and other personal	380	508	887	734	800	5,329	23,529	9,437	23,006	64,610
Credit cards	-	-	-	-	-	-	-	-	7,963	7,963
Businesses and governments	5,884	8,931	5,861	2,525	11,351	9,953	32,399	7,111	28,381	112,396
Customers' liability under acceptances	3,695	5,053	459	-	-	-	-	-	-	9,207
Allowance for credit losses	-	-	-	-	-	-	-	-	(1,747)	(1,747)
Total loans and acceptances, net of allowance	11,093	16,436	11,617	6,913	14,995	34,872	110,479	25,697	57,648	289,750
Other Assets										
Derivative instruments										
Interest rate contracts	66	231	201	282	308	2,737	8,534	10,002	-	22,361
Foreign exchange contracts	2,104	1,740	923	473	481	2,459	3,331	2,097	-	13,608
Commodity contracts	102	138	140	115	110	141	121	60	-	927
Equity contracts	27	81	41	33	95	80	167	-	-	524
Credit contracts	-	1	2	2	1	5	54	17	-	82
Total derivative assets	2,299	2,191	1,307	905	995	5,422	12,207	12,176	-	37,502
Premises and equipment	-	-	-	-	-	-	-	-	2,220	2,220
Goodwill	-	-	-	-	-	-	-	-	4,052	4,052
Intangible assets	-	-	-	-	-	-	-	-	1,558	1,558
Current tax assets	-	-	-	-	-	-	-	-	1,030	1,030
Deferred tax assets	-	-	-	-	-	-	-	-	2,986	2,986
Other	1,581	161	136	-	-	-	121	3,594	2,753	8,346
Total other assets	3,880	2,352	1,443	905	995	5,422	12,328	15,770	14,599	57,694
Total Assets	97,232	32,392	18,705	10,338	17,943	60,630	164,407	70,963	120,052	592,662

(Canadian $ in millions)										January 31, 2014
	0 to 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	No maturity	Total
Liabilities and Equity										
Deposits (1)										
Banks	**14,750**	**5,928**	**612**	**576**	**5**	**-**	**-**	**-**	**5,059**	**26,930**
Businesses and governments	**35,810**	**30,105**	**12,673**	**5,894**	**7,983**	**16,827**	**27,938**	**8,743**	**94,374**	**240,347**
Individuals	**2,768**	**2,979**	**4,763**	**5,201**	**5,406**	**7,116**	**13,322**	**1,497**	**88,064**	**131,116**
Total deposits	**53,328**	**39,012**	**18,048**	**11,671**	**13,394**	**23,943**	**41,260**	**10,240**	**187,497**	**398,393**
Other liabilities										
Derivative instruments										
Interest rate contracts	**71**	**195**	**215**	**337**	**307**	**2,472**	**8,340**	**9,128**	**-**	**21,065**
Foreign exchange contracts	**869**	**1,533**	**691**	**491**	**348**	**2,825**	**3,866**	**1,845**	**-**	**12,468**
Commodity contracts	**48**	**61**	**84**	**98**	**87**	**244**	**131**	**50**	**-**	**803**
Equity contracts	**49**	**128**	**85**	**119**	**311**	**542**	**501**	**680**	**-**	**2,415**
Credit contracts	**-**	**1**	**1**	**4**	**2**	**11**	**54**	**19**	**-**	**92**
Total derivative liabilities	**1,037**	**1,918**	**1,076**	**1,049**	**1,055**	**6,094**	**12,892**	**11,722**	**-**	**36,843**
Acceptances	**3,695**	**5,053**	**459**	**-**	**-**	**-**	**-**	**-**	**-**	**9,207**
Securities sold but not yet purchased	**26,646**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**26,646**
Securities lent or sold under repurchase agreements	**41,906**	**1,386**	**1,497**	**-**	**-**	**-**	**-**	**-**	**-**	**44,789**
Current tax liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**386**	**386**
Deferred tax liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**115**	**115**
Securitization and liabilities related to structured entities	**949**	**82**	**26**	**318**	**334**	**3,806**	**11,669**	**4,376**	**-**	**21,560**
Other	**5,744**	**116**	**11**	**15**	**5**	**458**	**3,032**	**1,426**	**7,218**	**18,025**
Total other liabilities	**79,977**	**8,555**	**3,069**	**1,382**	**1,394**	**10,358**	**27,593**	**17,524**	**7,719**	**157,571**
Subordinated debt	**-**	**-**	**-**	**-**	**-**	**-**	**100**	**3,883**	**-**	**3,983**
Total Equity	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**32,715**	**32,715**
Total Liabilities and Equity	**133,305**	**47,567**	**21,117**	**13,053**	**14,788**	**34,301**	**68,953**	**31,647**	**227,931**	**592,662**

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

(Canadian $ in millions)										January 31, 2014
	0 to 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	No maturity	Total
Off-Balance Sheet Commitments										
Commitments to extend credit (2)	**1,302**	**1,896**	**4,321**	**3,732**	**3,433**	**13,852**	**48,851**	**1,288**	**-**	**78,675**
Operating leases	**24**	**48**	**71**	**71**	**69**	**259**	**589**	**616**	**-**	**1,747**
Financial guarantee contracts (2)	**5,118**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5,118**
Purchase obligations	**65**	**130**	**201**	**193**	**195**	**646**	**1,024**	**275**	**-**	**2,729**

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

(Canadian $ in millions)										October 31, 2013
	0 to 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	No maturity	Total
On-Balance Sheet Financial Instruments										
Assets										
Cash and cash equivalents	25,323	-	-	-	-	-	-	-	766	26,089
Interest bearing deposits with banks	4,592	1,295	471	84	76	-	-	-	-	6,518
Securities										
Trading securities	1,209	1,284	480	1,521	442	4,781	10,593	14,762	40,087	75,159
Available-for-sale securities	2,026	3,628	1,439	2,076	2,820	6,729	22,170	11,262	1,560	53,710
Held-to-maturity securities	-	-	-	-	-	562	4,864	606	-	6,032
Other securities	-	-	18	-	-	3	34	17	827	899
Total securities	3,235	4,912	1,937	3,597	3,262	12,075	37,661	26,647	42,474	135,800
Securities borrowed or purchased under resale agreements	26,421	9,627	2,949	597	205	-	-	-	-	39,799
Loans										
Residential mortgages	832	1,276	2,716	4,553	3,787	17,441	56,630	9,157	-	96,392
Consumer instalment and other personal	323	294	643	890	834	4,730	23,285	9,636	23,005	63,640
Credit cards	-	-	-	-	-	-	-	-	7,870	7,870
Businesses and governments	6,018	7,589	5,090	4,050	8,978	9,697	30,574	5,087	27,502	104,585
Customers' liability under acceptances	4,883	3,037	552	-	-	-	-	-	-	8,472
Allowance for credit losses	-	-	-	-	-	-	-	-	(1,665)	(1,665)
Total loans and acceptances, net of allowance	12,056	12,196	9,001	9,493	13,599	31,868	110,489	23,880	56,712	279,294
Other Assets										
Derivative instruments										
Interest rate contracts	39	98	193	319	260	2,423	8,598	10,292	-	22,222
Foreign exchange contracts	685	665	605	244	149	1,608	1,515	1,201	-	6,672
Commodity contracts	50	79	119	96	75	179	99	42	-	739
Equity contracts	100	82	50	61	69	66	106	2	-	536
Credit contracts	-	1	2	4	2	5	56	20	-	90
Total derivative assets	874	925	969	724	555	4,281	10,374	11,557	-	30,259
Premises and equipment	-	-	-	-	-	-	-	-	2,168	2,168
Goodwill	-	-	-	-	-	-	-	-	3,819	3,819
Intangible assets	-	-	-	-	-	-	-	-	1,511	1,511
Current tax assets	-	-	-	-	-	-	-	-	1,065	1,065
Deferred tax assets	-	-	-	-	-	-	-	-	3,027	3,027
Other	1,561	148	137	-	-	-	14	3,320	2,515	7,695
Total other assets	2,435	1,073	1,106	724	555	4,281	10,388	14,877	14,105	49,544
Total Assets	74,062	29,103	15,464	14,495	17,697	48,224	158,538	65,404	114,057	537,044

(Canadian $ in millions)										October 31, 2013
	0 to 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	No maturity	Total
Liabilities and Equity										
Deposits (1)										
Banks	10,241	3,733	140	231	563	-	-	-	5,683	20,591
Businesses and governments	26,265	29,217	10,490	6,149	5,547	13,970	30,598	8,506	91,604	222,346
Individuals	2,253	3,761	5,203	4,618	5,513	7,228	11,450	1,526	83,880	125,432
Total deposits	38,759	36,711	15,833	10,998	11,623	21,198	42,048	10,032	181,167	368,369
Other liabilities										
Derivative instruments										
Interest rate contracts	56	112	246	365	314	2,370	8,174	9,887	-	21,524
Foreign exchange contracts	472	931	658	251	156	1,462	1,619	899	-	6,448
Commodity contracts	56	91	98	92	93	241	124	38	-	833
Equity contracts	119	173	241	91	143	841	851	608	-	3,067
Credit contracts	-	1	1	2	5	14	60	19	-	102
Total derivative liabilities	703	1,308	1,244	801	711	4,928	10,828	11,451	-	31,974
Acceptances	4,883	3,037	552	-	-	-	-	-	-	8,472
Securities sold but not yet purchased	22,446	-	-	-	-	-	-	-	-	22,446
Securities lent or sold under repurchase agreements	24,483	2,953	1,448	-	-	-	-	-	-	28,884
Current tax liabilities	-	-	-	-	-	-	-	-	438	438
Deferred tax liabilities	-	-	-	-	-	-	-	-	107	107
Securitization and liabilities related to structured entities	1,221	1,481	998	-	318	3,295	10,395	4,653	-	22,361
Other	6,793	140	13	5	26	427	3,205	1,255	6,954	18,818
Total other liabilities	60,529	8,919	4,255	806	1,055	8,650	24,428	17,359	7,499	133,500
Subordinated debt	-	-	-	-	-	-	100	3,896	-	3,996
Total Equity	-	-	-	-	-	-	-	-	31,179	31,179
Total Liabilities and Equity	99,288	45,630	20,088	11,804	12,678	29,848	66,576	31,287	219,845	537,044

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

(Canadian $ in millions)										October 31, 2013
	0 to 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	No maturity	Total
Off-Balance Sheet Commitments										
Commitments to extend credit (2)	1,169	907	3,246	3,935	3,850	13,381	42,477	2,570	-	71,535
Operating leases	25	46	69	69	69	262	618	640	-	1,798
Financial guarantee contracts (2)	4,778	-	-	-	-	-	-	-	-	4,778
Purchase obligations	71	141	211	216	207	729	1,115	275	-	2,965

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

INVESTOR AND MEDIA PRESENTATION

Investor Presentation Materials

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

Quarterly Conference Call and Webcast Presentations

Interested parties are also invited to listen to our quarterly conference call on Tuesday, February 25, 2014, at 2:00 p.m. (EST). At that time, senior BMO executives will comment on results for the quarter and respond to questions from the investor community. The call may be accessed by telephone at 416-695-9753 (from within Toronto) or 1-888-789-0089 (toll-free outside Toronto). A replay of the conference call can be accessed until Tuesday, May 27, 2014, by calling 905-694-9451 (from within Toronto) or 1-800-408-3053 (toll-free outside Toronto) and entering passcode 6766952.

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

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Chief Financial Officer

Tom Flynn, Chief Financial Officer,
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Corporate Secretary

Barbara Muir, Senior Vice-President, Deputy General Counsel,
Corporate Affairs and Corporate Secretary,
corp.secretary@bmo.com, 416-867-6423

Shareholder Dividend Reinvestment and Share Purchase Plan (the Plan)

Average market price as defined under the Plan
November $74.04
December $70.29
January $69.91

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

Computershare Trust Company of Canada
100 University Avenue, 9th Floor
Toronto, Ontario M5J 2Y1
Telephone: 1-800-340-5021 (Canada and the United States)
Telephone: (514) 982-7800 (international)
Fax: 1-888-453-0330 (Canada and the United States)
Fax: (416) 263-9394 (international)
E-mail: service@computershare.com

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

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

For further information on this report, please contact

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

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

Annual Meeting 2014
The next Annual Meeting of Shareholders will be held on Tuesday, April 1, 2014, in Toronto, Ontario.