

## 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 the following table. Results and measures that exclude the impact of Canadian/U.S. dollar exchange rate movements on our U.S. segment are non-GAAP measures (please see the Foreign Exchange section on page 36 for a discussion of the effects of changes in exchange rates on our results). Management assesses performance on a reported basis and on an adjusted basis and considers both to be useful in assessing underlying ongoing business performance. Presenting results on both bases provides readers with a better understanding of how management assesses results. It also permits readers to assess the impact of certain specified items on results for the periods presented and to better assess results excluding those items if they consider the items not to be reflective of ongoing results. As such, the presentation may facilitate readers' analysis of trends, as well as comparisons with our competitors. Except as otherwise noted, management's discussion of changes in reported results in this MD&A applies equally to changes in the corresponding adjusted results. 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.

| (Canadian \$ in millions, except as noted)                                     | 2017     | 2016     | 2015     |
|--|----------|----------|----------|
| <b>Reported Results</b>  |          |          |          |
| Revenue  | 22,260   | 21,087   | 19,389   |
| Insurance claims, commissions and changes in policy benefit liabilities (CCPB) | (1,538)  | (1,543)  | (1,254)  |
| Revenue, net of CCPB   | 20,722   | 19,544   | 18,135   |
| Provision for credit losses  | (774)    | (815)    | (612)    |
| Non-interest expense   | (13,302) | (12,997) | (12,182) |
| Income before income taxes   | 6,646    | 5,732    | 5,341    |
| Provision for income taxes   | (1,296)  | (1,101)  | (936)    |
| Net Income   | 5,350    | 4,631    | 4,405    |
| Diluted EPS (\$)   | 7.92     | 6.92     | 6.57     |
| <b>Adjusting Items (Pre-tax) (1)</b>   |          |          |          |
| Acquisition integration costs (2)  | (87)     | (104)    | (53)     |
| Amortization of acquisition-related intangible assets (3)                      | (149)    | (160)    | (163)    |
| Cumulative accounting adjustment (4)   | -        | (85)     | -        |
| Restructuring costs (5)  | (59)     | (188)    | (149)    |
| Decrease in the collective allowance for credit losses (6)                     | 76       | -        | -        |
| Adjusting items included in reported pre-tax income                            | (219)    | (537)    | (365)    |
| <b>Adjusting Items (After tax) (1)</b>   |          |          |          |
| Acquisition integration costs (2)  | (55)     | (71)     | (43)     |
| Amortization of acquisition-related intangible assets (3)                      | (116)    | (124)    | (127)    |
| Cumulative accounting adjustment (4)   | -        | (62)     | -        |
| Restructuring costs (5)  | (41)     | (132)    | (106)    |
| Decrease in the collective allowance for credit losses (6)                     | 54       | -        | -        |
| Adjusting items included in reported net income after tax                      | (158)    | (389)    | (276)    |
| Impact on diluted EPS (\$)   | (0.24)   | (0.60)   | (0.43)   |
| <b>Adjusted Results</b>  |          |          |          |
| Revenue  | 22,260   | 21,171   | 19,391   |
| Insurance claims, commissions and changes in policy benefit liabilities (CCPB) | (1,538)  | (1,543)  | (1,254)  |
| Revenue, net of CCPB   | 20,722   | 19,628   | 18,137   |
| Provision for credit losses  | (850)    | (815)    | (612)    |
| Non-interest expense   | (13,007) | (12,544) | (11,819) |
| Income before income taxes   | 6,865    | 6,269    | 5,706    |
| Provision for income taxes   | (1,357)  | (1,249)  | (1,025)  |
| Net Income   | 5,508    | 5,020    | 4,681    |
| Diluted EPS (\$)   | 8.16     | 7.52     | 7.00     |

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

- 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, and acquisition integration costs related to F&C Asset Management plc (F&C), which are charged to Wealth Management.
- Acquisition integration costs related to F&C are charged to Wealth Management. Acquisition integration costs related to BMO Transportation Finance are charged to Corporate Services, since the acquisition impacts both Canadian and U.S. P&C businesses. Acquisition integration costs are primarily recorded in non-interest expense.
- These expenses were included in the non-interest expense of the operating groups. Before and after-tax amounts for each operating group are provided on pages 46, 48, 52, 56 and 59.
- Cumulative accounting adjustment recognized in other non-interest revenue related to foreign currency translation, largely impacting prior periods.
- Restructuring charges in 2017 and 2016, as we continue to accelerate the use of technology to enhance customer experience and focus on driving operational efficiencies. Restructuring charge in 2015, primarily due to restructuring to drive operational efficiencies. Restructuring costs are recorded in non-interest expense.
- Adjustments to the collective allowance for credit losses are recorded in Corporate Services provision for credit losses.