2017 Operating Groups Performance Review

This section includes an analysis of the financial results of our operating groups and descriptions of their operating segments, businesses, strategies, strengths, challenges, key value drivers, achievements and outlooks.

BMO Financial Group

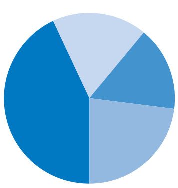
Operating Groups	Personal and Commercial (P&C) Banking		BMO Wealth Management	BMO Capital Markets
Operating Segments	Canadian P&C	U.S. P&C		
Lines of Business	• Personal Banking • Commercial Banking	• Personal Banking • Commercial Banking	• BMO Nesbitt Burns • BMO Private Banking • BMO InvestorLine • BMO Global Asset Management • BMO Insurance	• Investment and Corporate Banking • Trading Products

Corporate Services, including Technology and Operations

BMO's business mix is well diversified by operating segment and by geography. Our mix is a source of strength that makes our revenue and net income more resilient over time, and provides more avenues for profitable growth.

Reported Net Income by Operating Segment*

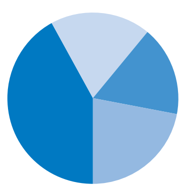
2017



- Canadian P&C 43%
- U.S. P&C 18%
- Wealth Management 16%
- BMO CM 23%

Adjusted Net Income by Operating Segment*

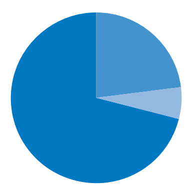
2017



- Canadian P&C 42%
- U.S. P&C 19%
- Wealth Management 17%
- BMO CM 22%

Reported Net Income by Country

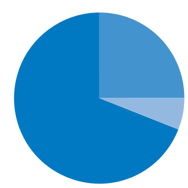
2017



- Canada 71%
- United States 23%
- Other countries 6%

Adjusted Net Income by Country

2017



- Canada 69%
- United States 25%
- Other countries 6%

*Percentages determined excluding results in Corporate Services.

MD&A

How BMO Reports Operating Group Results

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 prior to 2016 reflected certain items in respect of the 2011 purchased loan portfolio, including recognition of the reduction in 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 purchased portfolio. Beginning in the first quarter of 2016, the reduction in the credit mark that is reflected in net interest income and the provision for credit losses on the purchased performing portfolio are being recognized in U.S. P&C, consistent with the accounting for the acquisition of BMO Transportation Finance, and given that these amounts have reduced substantially in size. Results for prior periods have not been reclassified. Recoveries or provisions on the credit impaired portfolio purchased in 2011 and recoveries or provisions related to the legacy U.S. impaired real estate portfolio continue to be recognized in Corporate Services. Purchased loan accounting impacts related to BMO Transportation Finance are recognized in U.S. P&C.

Also effective in the first quarter of 2016, income from equity investments has been reclassified from net interest income to non-interest revenue in Canadian P&C, Wealth Management and Corporate Services. Results for prior periods have been reclassified.

Restructuring costs and acquisition and integration costs that impact more than one operating group are also included in Corporate Services.

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

Personal and Commercial Banking

(Canadian $ in millions, except as noted)	Canadian P&C			U.S. P&C			Total P&C		
As at or for the year ended October 31	**2017**	2016	2015	**2017**	2016	2015	**2017**	2016	2015
Net interest income (teb)	**5,262**	5,060	4,806	**3,607**	3,538	2,845	**8,869**	8,598	7,651
Non-interest revenue	**2,182**	1,909	1,833	**1,066**	1,119	787	**3,248**	3,028	2,620
Total revenue (teb)	**7,444**	6,969	6,639	**4,673**	4,657	3,632	**12,117**	11,626	10,271
Provision for credit losses	**505**	542	496	**295**	257	119	**800**	799	615
Non-interest expense	**3,600**	3,464	3,342	**2,942**	2,906	2,392	**6,542**	6,370	5,734
Income before income taxes	**3,339**	2,963	2,801	**1,436**	1,494	1,121	**4,775**	4,457	3,922
Provision for income taxes (teb)	**827**	761	698	**370**	409	284	**1,197**	1,170	982
Reported net income	**2,512**	2,202	2,103	**1,066**	1,085	837	**3,578**	3,287	2,940
Amortization of acquisition-related intangible assets (1)	**3**	2	4	**46**	50	53	**49**	52	57
Adjusted net income	**2,515**	2,204	2,107	**1,112**	1,135	890	**3,627**	3,339	2,997
Key Performance Metrics and Drivers									
Net income growth (%)	**14.0**	4.7	4.5	**(1.7)**	29.5	27.7	**8.8**	11.8	10.2
Adjusted net income growth (%)	**14.0**	4.6	4.5	**(1.9)**	27.4	25.8	**8.6**	11.4	10.0
Revenue growth (%)	**6.8**	5.0	3.7	**0.3**	28.2	15.0	**4.2**	13.2	7.4
Non-interest expense growth (%)	**3.9**	3.7	4.9	**1.2**	21.5	15.0	**2.7**	11.1	8.9
Adjusted non-interest expense growth (%)	**3.9**	3.7	4.9	**1.4**	22.2	15.7	**2.8**	11.3	9.1
Return on equity (%)							**16.9**	15.9	16.2
Adjusted return on equity (%)							**17.1**	16.2	16.5
Operating leverage (teb) (%)	**2.9**	1.3	(1.2)	**(0.9)**	6.7	–	**1.5**	2.1	(1.5)
Adjusted operating leverage (teb) (%)	**2.9**	1.3	(1.2)	**(1.1)**	6.0	(0.7)	**1.4**	1.9	(1.7)
Efficiency ratio (teb) (%)	**48.4**	49.7	50.3	**63.0**	62.4	65.9	**54.0**	54.8	55.8
Adjusted efficiency ratio (teb) (%)	**48.3**	49.7	50.3	**61.6**	60.9	64.0	**53.4**	54.2	55.1
Net interest margin on average earning assets (teb) (%)	**2.53**	2.54	2.54	**3.75**	3.63	3.47	**2.92**	2.89	2.82
Average common equity							**20,849**	20,241	17,862
Average earning assets	**207,815**	199,527	189,505	**96,244**	97,538	82,046	**304,059**	297,065	271,551
Average net loans and acceptances	**215,667**	205,813	195,183	**90,453**	90,752	74,500	**306,120**	296,565	269,683
Average deposits	**152,492**	142,132	132,767	**85,927**	87,881	78,032	**238,419**	230,013	210,799
Assets under administration	**29,267**	25,439	22,848	**148,753**	159,448	126,513	**178,020**	184,887	149,361
Full-time equivalent employees	**14,554**	14,803	15,713	**7,122**	7,055	7,606	**21,676**	21,858	23,319

(1) Before tax amounts of $66 million in 2017, $71 million in 2016 and $73 million in 2015 are included in non-interest expense.

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). The combined P&C banking business net income of $3,578 million was up $291 million or 9% from a year ago. Adjusted net income, which excludes the amortization of acquisition-related intangible assets, was $3,627 million, up $288 million or 9%. These operating segments are reviewed separately in the sections that follow.

Adjusted results in this section are non-GAAP and are discussed in the Non-GAAP Measures section on page 29.

Canadian Personal and Commercial Banking

Canadian Personal and Commercial Banking provides a full range of financial products and services to eight million customers. We're here to help our customers make the right financial decisions as they do business with us seamlessly across our channels: getting advice from our employees at their place of business, in over 900 branches, on their mobile devices, online, over the telephone, and at over 3,300 automated teller machines across the country.

Cameron Fowler
Group Head
Canadian Personal and Commercial Banking, BMO Financial Group (1)

MD&A

Lines of Business

Personal Banking provides customers with a wide range of products and services, including chequing and savings accounts, credit cards, mortgages, creditor insurance and everyday financial and investment advice. Our employees are focused on providing all of our customers with an exceptional experience every time they interact with us.

Commercial Banking provides small business and commercial banking customers with a broad suite of commercial products and services, including business deposit accounts, commercial credit cards, business loans and commercial mortgages, cash management solutions, foreign exchange and specialized banking programs. Our Commercial bankers partner with our customers to help them grow and manage their business.

Strengths and Value Drivers

- Highly engaged team of dedicated employees focused on providing a personalized banking experience, anticipating customers' needs and finding new ways to help.
- Leading commercial banking business, as evidenced by BMO's number two ranking in Canadian market share for business loans up to $25 million.
- Strong retail banking business including leading digital sales, with nearly 20% of applications submitted through our digital channel.
- Largest Mastercard® card issuer in Canada for both retail and commercial cards.
- Consistently applied credit risk management practices that provide customers with reliable access to appropriate financing solutions. Prudent underwriting standards to support responsible personal lending and long-term financial sustainability.
- Proud to be the official bank of the Canadian defence community, serving the unique needs of Canadian military members and their families since 2008.

Strategy and Key Priorities

Capture key growth and loyalty opportunities by delivering a leading digital experience and personalized advice.

Key Priority	2017 Achievements	2018 Focus
Continue our focus on customer loyalty and growth	• Achieved strong employee engagement survey results, above leading company benchmarks, particularly around customer focus, demonstrating our employees' ongoing commitment to deliver a leading customer experience. • Created dedicated teams focused on improving moments that matter, to help improve overall service. • Upgraded 21 branches across Canada, including two new Smart Branch locations in Winnipeg and Toronto, providing customers with the best of our innovative technologies in a unique, smaller format tailored to their needs. • Continued enhancing our automated teller machines (ATM) network this year by including the flexibility to choose bill denominations in 40% of our ATMs across Canada.	Continue to focus on improving customer loyalty by deepening relationships.
	Personal banking • Ran effective campaigns in support of key offerings ranging from home financing to Everyday Banking, helping to increase our new-to-BMO customer base. • Grew our mix of advice-based roles, strengthening our ability to engage with customers on the financial issues important to them, whenever and however they choose to interact. • Launched free Interac® eTransfers for all BMO customers.	In personal banking, deliver a leading customer experience leveraging new digital channels and existing networks.

(1) Effective November 1, 2017, Cameron Fowler was appointed President, North American Personal and Business Banking, BMO Financial Group.

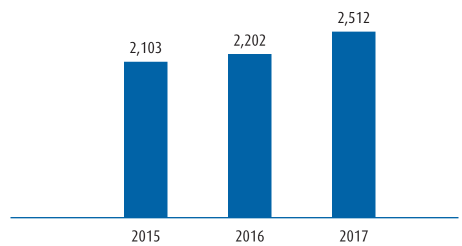
Key Priority	2017 Achievements	2018 Focus
Continue our focus on customer loyalty and growth (continued)	**Commercial banking** • Improved processes and increased platform efficiencies, allowing our sales force to spend more time directly engaging with customers. • Launched eBusiness Plan for small business clients who prefer to bank through self-serve electronic transactions, as well as a new suite of commercial Mastercard® products. • Named Best Commercial Bank in Canada for the third consecutive year by *World Finance Magazine* at its 2017 Banking Awards in recognition of our strong regional and industry focus, as well as our commitment to building customer relationships and providing innovative solutions, notably in the area of Aboriginal banking.	In commercial banking, target opportunities through diversification across high-value sectors and businesses, while maintaining core strengths.
Deliver a leading digital experience	• Continued to grow digital channel sales volume, up nearly 24% from the prior year and now equivalent to the total sales volume at approximately 125 branches. • Continued to enhance and simplify the account opening process, and extended our industry-leading mobile account opening journey to desktop platforms. • Introduced Android Pay™, allowing customers to make secure purchases easily with their BMO credit and debit cards. • Enhanced credit card features to enable easy online viewing of credit card rewards balances, alerts and pending transactions. • Received the 2017 Model Bank Award from the global research and advisory firm Celent, for work in advancing process automation through the effective deployment of new technology.	Continue to increase digital sales and service transactions.

Canadian P&C

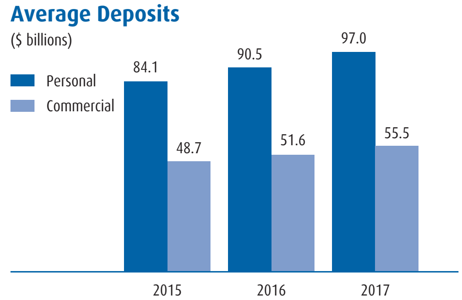
(Canadian $ in millions, except as noted) As at or for the year ended October 31	**2017**	2016	2015
Net interest income	**5,262**	5,060	4,806
Non-interest revenue	**2,182**	1,909	1,833
Total revenue (teb)	**7,444**	6,969	6,639
Provision for credit losses	**505**	542	496
Non-interest expense	**3,600**	3,464	3,342
Income before income taxes	**3,339**	2,963	2,801
Provision for income taxes	**827**	761	698
Reported net income	**2,512**	2,202	2,103
Amortization of acquisition-related intangible assets (1)	**3**	2	4
Adjusted net income	**2,515**	2,204	2,107
Key Performance Metrics and Drivers			
Personal revenue	**4,715**	4,554	4,414
Commercial revenue	**2,729**	2,415	2,225
Net income growth (%)	**14.0**	4.7	4.5
Revenue growth (%)	**6.8**	5.0	3.7
Non-interest expense growth (%)	**3.9**	3.7	4.9
Adjusted non-interest expense growth (%)	**3.9**	3.7	4.9
Operating leverage (%)	**2.9**	1.3	(1.2)
Adjusted operating leverage (%)	**2.9**	1.3	(1.2)
Efficiency ratio (%)	**48.4**	49.7	50.3
Net interest margin on average earning assets (%)	**2.53**	2.54	2.54
Average earning assets	**207,815**	199,527	189,505
Average net loans and acceptances	**215,667**	205,813	195,183
Average deposits	**152,492**	142,132	132,767
Full-time equivalent employees	**14,554**	14,803	15,713

(1) Before tax amounts of $2 million in 2017, $3 million in 2016 and $5 million in 2015 are included in non-interest expense.

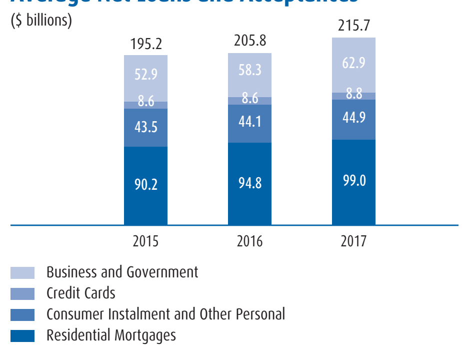
Reported Net Income
($ millions)



Average Deposits
($ billions)



Average Net Loans and Acceptances*
($ billions)



*Numbers may not add due to rounding.

Financial Review

Canadian P&C reported net income of $2,512 million increased $310 million or 14% and adjusted net income of $2,515 million, which excludes the amortization of acquisition-related intangible assets, increased $311 million or 14% from the prior year.

Revenue increased $475 million or 7% to $7,444 million. In our personal banking business, revenue increased $161 million or 4% due to higher balances across most products and increased non-interest revenue. In our commercial banking business, revenue increased $314 million or 13% due to the gain on sale of Moneris US in the first quarter of 2017, higher balances across most products and increased non-interest revenue. The gain on sale contributed approximately 8% to net income growth and 3% to revenue growth.

Net interest margin decreased 1 basis point to 2.53%.

The provision for credit losses decreased $37 million or 7% to $505 million, reflecting lower consumer and commercial provisions.

Non-interest expense was $3,600 million, up $136 million or 4% from a year ago, reflecting continued investment in the business, including a focus on our digital strategy and select sales force investment.

Average net loans and acceptances increased $9.9 billion or 5% from a year ago to $215.7 billion. Total personal lending balances (excluding retail cards) increased 4% year over year, with residential mortgage growth of 4%. Commercial loan balances (excluding corporate cards) increased 8% year over year, with good growth across a number of industry sectors.

Average deposits increased $10.4 billion or 7% to $152.5 billion. Personal deposit balances increased 7%, including growth in chequing account balances of 12%. Commercial deposit balance growth was broad-based, with balances growing 7% year over year.

Business Environment, Outlook and Challenges

The personal and commercial banking business in Canada is highly competitive in a rapidly changing environment. Traditional competitors have embraced new technologies and strengthened their focus on the customer experience. Non-traditional competitors (such as fintech companies) have continued to gain momentum and are increasingly collaborating with banks to enhance their products and customer experience.

Growth in the Canadian economy is expected to moderate in 2018. Consumer loan growth is expected to moderate, while residential mortgage growth is projected to slow in response to regulatory changes to the market. We expect to see continued growth in business lending. On the deposit side, growth in both personal and commercial operating deposits is expected to decelerate as interest rates trend steadily higher. While we expect margins to increase slightly, benefiting from improvements in the interest rate environment, growth may be dampened by the effects of competitive pricing in the market. Credit losses are expected to rise, driven by volume growth, compared to the relatively lower losses experienced in 2017.

We expect to generate growth by capturing acquisition opportunities and increasing our customer share of wallet, while growing our advisory sales force and targeting commercial opportunities across geographic regions, market segments and industry sectors. We remain confident that technology will continue to play a growing role in delivering a leading experience for our customers while improving the efficiency of our operations; in 2017, the number of digital transactions was more than double the number of branch transactions.

The Canadian economic environment in 2017 and outlook for 2018 are discussed in more detail in the Economic Developments and Outlook section on page 32.

Caution

This Canadian P&C Banking section contains forward-looking statements. Please see the Caution Regarding Forward-Looking Statements.

Adjusted results in this section are non-GAAP and are discussed in the Non-GAAP Measures section on page 29.

U.S. Personal and Commercial Banking

Through a strong and well-established position in the U.S. Midwest, BMO Harris Bank offers a broad range of financial services to more than two million customers. Our personal banking team serves retail and small and mid-sized business customers seamlessly through over 570 branches, dedicated contact centres, digital banking platforms and nationwide access to more than 43,000 automated teller machines. Our commercial banking team provides a combination of sector expertise, local knowledge and a breadth of products and services, working to help our clients with their financial needs.

Alexandra Dousmanis-Curtis
Group Head
U.S. Retail and Business Banking

David R. Casper
President and Chief Executive Officer BMO Harris Bank N.A.
and Group Head Commercial Banking

Lines of Business

Personal Banking offers a broad range of products and services, including deposits, mortgages, consumer credit, business lending, credit cards and other banking services. Our goal in everything we do is to help our customers make sense of complexity, enabling them to make better choices in saving, investing and borrowing, and have confidence in their financial decisions.

Commercial Banking provides business customers with a broad range of banking products and services, including lending, deposits and credit cards, as well as treasury management and risk management solutions. We believe in partnering with our clients to anticipate their financial needs and sharing our expertise and knowledge to help them grow their businesses.

Strengths and Value Drivers

- Rich heritage of 170 years in the U.S. Midwest, with a deep commitment to our communities and helping our customers succeed.
- Strong and experienced team that understands our customers and knows how to compete and perform in our markets.
- Strong foundation for accelerated growth in retail banking, with a large, growing and loyal customer base, an extensive branch network, a broad suite of products and services and a continuing focus on digital capabilities.
- Large-scale, diversified national commercial business, centred in the U.S. Midwest and supported by in-depth industry knowledge, best-in-class customer experience and top-tier market share in our flagship businesses.
- Comprehensive and integrated control structure to actively manage risk and regulatory compliance.

Strategy and Key Priorities

We aim to grow our business and be a leader in our markets by creating a differentiated and intuitive partnership with our customers to address all of their financial needs.

Key Priority	2017 Achievements	2018 Focus
Deliver a great customer experience to a loyal and growing customer base	• Further improved customer loyalty as measured by Net Promoter Score in both commercial and business banking by improving our product offerings, deepening our understanding of our clients' needs and enhancing our digital solutions. • Strong customer growth, with leading net deposit household acquisition in retail and continued improvement in commercial net customer acquisition. • Maintained our second place ranking in deposit market share in our core Chicago and Wisconsin markets and our fourth place across our Midwest footprint. • Released BMO Harris Bank Masterpass™, Android Pay™ and Samsung Pay™ digital wallets, offering a seamless way for customers to pay for purchases in-store, in-app, and online. • Improved our ranking to eighth among 39 leading American banks in the 2017 Survey of Bank Reputations published by *American Banker*, which recognizes banking institutions for their governance, products and services, and innovation.	Continue to invest in digital capabilities that will enhance our competitive position and improve our cost structure, while increasing collaboration across our businesses to deliver comprehensive "One Bank" financial solutions to our clients.

Key Priority	2017 Achievements	2018 Focus
Accelerate personal banking by leveraging the strong foundation and growth we have achieved to build scale, improve profitability, and meet our customers' evolving needs	• Expanded customer access to include more than 43,000 ATMs in the United States and 12,000 international ATMs through our partnership with Allpoint®. • Introduced a new suite of chequing products tailored to match the lifestyles of our customers and focused on bringing simplicity to banking at every stage of life. • Launched People Pay, a secure way to send money to friends and family using the BMO Harris Mobile Banking® app. • Partnered with 1871 – a leading technology and entrepreneurship ecosystem currently home to nearly 500 high-growth start-ups – to mentor early-stage fintech start-ups and identify opportunities for continued growth and innovation. • Continued to execute our multi-year strategy to improve efficiency and digitize the customer experience, including an enhanced account opening experience and investments in Smart Branch technology.	Further accelerate deposit and customer growth, enhance our lending operating model and expand our front-end and back-end digital capabilities.
Continue to deliver local access and industry expertise to commercial banking clients across more sectors and an expanding geographic footprint through a proven and effective operating model	• Expanded coverage to Texas and Ohio and into new product segments – healthcare real estate and mezzanine finance. • Strengthened our presence in dealer finance by expanding into San Diego, Boston, and North Carolina and by improving coordination with our retail auto business. • Successfully completed the integration of BMO Transportation Finance, allowing us to leverage the combined capabilities and suite of financial solutions to better meet our customers' needs. • Expanded our cross-border service group and offering as part of our continuing commitment to delivering a consistent, seamless and integrated client experience across the enterprise. • Launched a new suite of Mastercard® products that consolidates multiple types of business expenses – purchasing, travel and fleet spending – into a single card.	Continue to grow the commercial banking franchise by deepening market share in our flagship businesses, investing in high-growth markets and specialty businesses and improving share of wallet by delivering comprehensive solutions to meet all of our clients' needs.

U.S. P&C

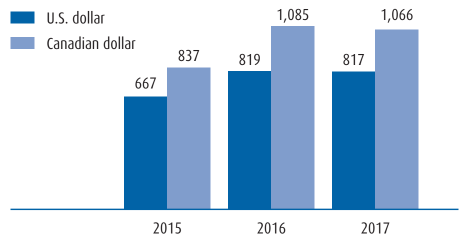
(Canadian $ equivalent in millions, except as noted) As at or for the year ended October 31	**2017**	2016	2015
Reported net income	**1,066**	1,085	837
Adjusted net income	**1,112**	1,135	890
Net income growth (%)	**(1.7)**	29.5	27.7
Adjusted net income growth (%)	**(1.9)**	27.4	25.8
(US$ in millions, except as noted)			
Net interest income (teb) (1)	**2,761**	2,671	2,267
Non-interest revenue	**817**	845	627
Total revenue (teb) (1)	**3,578**	3,516	2,894
Provision for credit losses (1)	**225**	194	95
Non-interest expense	**2,252**	2,193	1,906
Income before income taxes	**1,101**	1,129	893
Provision for income taxes (teb)	**284**	310	226
Reported net income	**817**	819	667
Amortization of acquisition-related intangible assets (2)	**36**	37	42
Adjusted net income	**853**	856	709
Key Performance Metrics and Drivers (US$ basis)			
Personal revenue	**1,427**	1,466	1,455
Commercial revenue	**2,151**	2,050	1,439
Net income growth (%)	**(0.3)**	22.9	11.3
Adjusted net income growth (%)	**(0.5)**	20.8	9.7
Revenue growth (%)	**1.8**	21.5	0.3
Non-interest expense growth (%)	**2.7**	15.1	0.2
Adjusted non-interest expense growth (%)	**2.9**	15.7	0.8
Operating leverage (teb) (%)	**(0.9)**	6.4	0.1
Adjusted operating leverage (teb) (%)	**(1.1)**	5.8	(0.5)
Efficiency ratio (teb) (%)	**62.9**	62.4	65.9
Adjusted efficiency ratio (teb) (%)	**61.6**	60.9	63.9
Net interest margin on average earning assets (teb) (%)	**3.75**	3.63	3.47
Average earning assets	**73,661**	73,639	65,383
Average net loans and acceptances	**69,233**	68,514	59,353
Average deposits	**65,724**	66,343	62,152
Full-time equivalent employees	**7,122**	7,055	7,606

(1) Beginning in the first quarter of 2016, the reduction in the credit mark that is reflected in net interest income and the provision for credit losses on the purchased performing loan portfolio are being recognized in U.S. P&C, consistent with the accounting for the acquisition of BMO Transportation Finance, and given that these amounts have reduced substantially in size. Results for prior periods have not been reclassified.

(2) Before tax amounts of US$49 million in 2017, US$52 million in 2016 and US$55 million in 2015 are included in non-interest expense.

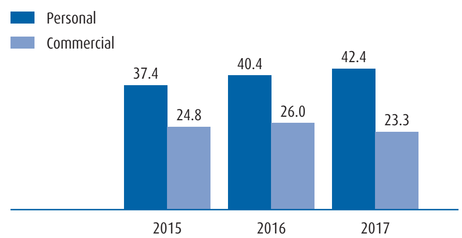
Reported Net Income

($ millions)



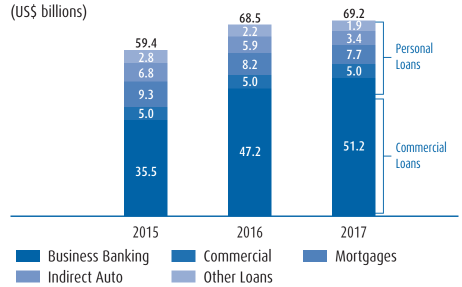
Average Deposits

(US$ billions)



Average Net Loans and Acceptances

(US$ billions)



Financial Review

U.S. P&C reported net income of $1,066 million decreased $19 million and adjusted net income of $1,112 million decreased $23 million from the prior year, due to the weaker U.S. dollar. Adjusted net income excludes the amortization of acquisition-related intangible assets. All amounts in the remainder of this section are on a U.S. dollar basis.

Reported net income of $817 million and adjusted net income of $853 million were both relatively flat compared to the prior year.

Revenue of $3,578 million increased $62 million or 2%, primarily due to higher deposit revenue and increased loan volumes, net of loan spread compression and the impact of the loss on the sale of a portion of the indirect auto loan portfolio in the first quarter of 2017. The loss on the loan sale had a negative impact of approximately 3% on reported and adjusted net income growth and 1% on revenue growth.

In our commercial banking business, revenue increased $101 million or 5% to $2,151 million, primarily due to increased loan volumes and improved deposit spreads, net of loan spread compression.

In our personal banking business, revenue decreased by $39 million or 3% to $1,427 million, primarily due to declines in loan volumes and spreads and the impact of the loss on the loan sale, partially offset by increased deposit spreads and volumes.

Net interest margin increased 12 basis points to 3.75%, driven by higher deposit revenue due to increased interest rates, and a benefit from a reduction in low spread assets, net of loan spread compression.

The provision for credit losses of $225 million increased $31 million or 16% from a year ago, reflecting higher commercial provisions, partially offset by lower consumer provisions.

Non-interest expense of $2,252 million and adjusted non-interest expense of $2,203 million both increased 3%, mainly due to higher technology investments and marketing costs.

Average net loans and acceptances increased $0.7 billion or 1% to $69.2 billion, driven by commercial loan growth of 9%, partially offset by declines of $3.4 billion in personal loan volumes, including the loan sale of $1.9 billion.

Average deposits of $65.7 billion decreased $0.6 billion or 1%, as growth in personal volumes across all deposit products was more than offset by an expected decline in commercial volumes given higher interest rates.

Business Environment, Outlook and Challenges

U.S. P&C operations are primarily concentrated in six contiguous states in the U.S. Midwest region (Illinois, Wisconsin, Indiana, Minnesota, Missouri and Kansas). In addition to our core footprint, we have personal banking locations in Florida and Arizona.

The personal and commercial banking environment remains competitive, with tightened lending standards and continued pressure on pricing strategies given commercial loan growth opportunities. Relative to our peers, we have a strong and proven commercial lending model, which has allowed us to build a strong national presence in key specialties such as financial institutions, dealer finance and transportation finance, and created a position of strength in our core footprint. With relatively low mortgage rates and increased demand from young millennials, we expect an upturn in home sales and residential mortgage lending. As we move forward, we will maintain a diversified and high-quality loan portfolio that adheres to our risk appetite, with loss rates expected to remain stable. Additional anticipated short-term rate increases are expected to benefit margins.

The pace of expansion in the U.S. Midwest region should improve modestly in 2018 and continue to contribute to U.S. P&C's growth. Personal banking loan growth is expected to improve in retail and business banking, reflecting a strong commitment to improving our performance, particularly in our mortgage business. We believe that our retail banking transformation, along with improved product offerings, will help accelerate growth from customer deposits and improve our share of wallet. We anticipate continued loan growth in commercial banking, which remains our flagship business. On the deposit side, we expect strong consumer growth with continued pressure on lower spread commercial deposits, as we anticipate that large commercial clients will seek alternative investments in a rising rate environment.

The personal and commercial banking business remains committed to a customer-focused growth strategy. We expect to generate growth in mortgages through a redefined sales model, streamlined processes and optimized pricing. We are invested in improving the digital experience to enhance our competitive position and streamline our cost structure, and we are committed to providing best-in-class products. Building on this momentum, we will continue to focus on strengthening our franchise and growing our business, while operating within our risk appetite.

The U.S. economic environment in 2017 and the outlook for 2018 are discussed in more detail in the Economic Developments and Outlook section on page 32.

Caution

This U.S. P&C Banking section contains forward-looking statements. Please see the Caution Regarding Forward-Looking Statements.

BMO Wealth Management

BMO's wealth business 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 services, including insurance. BMO Wealth Management is a global business with an active presence in markets across Canada, the United States, EMEA and Asia.

Joanna Rotenberg
Group Head
BMO Wealth Management

Gilles Ouellette
Group Head, BMO Asset Management and
Vice-Chair, International, BMO Financial Group

Lines of Business

BMO Nesbitt Burns, our full-service investing business in Canada, offers a broad range of client-focused investment and wealth advisory services delivered with our comprehensive wealth planning capabilities, as well as Canada's first bank-owned digital portfolio management platform, SmartFolio®.

BMO InvestorLine is an online investing service that offers clients two ways to invest: our top-ranked self-directed service, which provides tools to help investors make independent investment decisions; or adviceDirect™, which provides investors with online advice and investment recommendations for their portfolios.

BMO's Private Banking businesses operate in Canada, the United States, Hong Kong and Singapore, offering a comprehensive range of financial services and solutions to high net worth and ultra-high net worth clients and, under BMO Harris Financial Advisors, to mass affluent clients in the United States.

BMO Global Asset Management (GAM) is a globally significant asset management organization that provides investment management, trust and custody services to institutional, retail and high net worth investors around the world.

BMO Insurance provides life insurance and wealth solutions. We create life insurance, accident and sickness insurance, annuity products and segregated funds that are marketed through advisors to individuals and group pension customers. We also offer group creditor and travel insurance to bank customers and reinsurance solutions to international reinsurers.

Strengths and Value Drivers

- Planning and advice-based approach that integrates investment, insurance, specialized wealth management and core banking solutions offered by a team of highly skilled wealth professionals committed to providing a great client experience.
- Diversified portfolio of solutions ranging from digital self-directed investment to professional money management and holistic trust/banking services for both retail and institutional clients.
- Strong presence in North American wealth management for individuals, as well as private banking capabilities in Asia.
- Globally significant asset manager with broad distribution capabilities in North America, Europe, the Middle East and Africa (EMEA) and Asia.
- Prestigious brand that is widely recognized and trusted, and access to BMO's broad client base and distribution networks.
- Strong risk management framework, enabling us to operate within our risk appetite and respond to heightened regulatory expectations.

Strategy and Key Priorities

Deliver on our clients' current and evolving personal wealth, insurance and institutional asset management needs through an exceptional client experience, a focus on productivity and innovation, and strong collaboration across BMO, while maintaining a strong risk management framework.

Key Priority	2017 Achievements	2018 Focus
Deliver on our clients' current and evolving personal wealth management and insurance needs, with an exceptional client experience	• Transformed and digitized critical client journeys such as onboarding and account maintenance, including enhanced online/mobile channel capabilities. • Doubled our high net worth sales force in the United States, while also improving advisor productivity and the client experience. • Launched BMO SmartApp to enable online applications for life insurance, making it easier for advisors to do business with us. • Enhanced our cross-border banking capabilities, making it easier for clients to transfer and access funds. • Expanded our BMO for Women program to meet the unique needs of women entrepreneurs and clients.	Continue to invest in market-leading product innovations, digital capabilities and wealth planning solutions tailored to meeting our clients' evolving needs.

Key Priority	2017 Achievements	2018 Focus
Deliver on our clients' current and evolving personal wealth management and insurance needs, with an exceptional client experience (continued)	• Continued to drive improvements in client experience scores across our business. • Continued to expand our Private Banking footprint in Asia through accelerated hiring to drive client acquisition. • Introduced a new BMO Whole Life Product that is simple and flexible and has strong guarantees. • Entered the pension buy-in market to meet the longevity risk management needs of Canadian companies.	Continue to invest in market-leading product innovations, digital capabilities and wealth planning solutions tailored to meeting our clients' evolving needs. (continued)
Build on our leadership position in asset management key markets through enhanced investment and distribution capabilities	• Streamlined our organizational structure to simplify decision-making, improve collaboration globally and reduce operating costs. • Strong investment performance, with a majority of assets under management outperforming the relevant benchmark over a five-year period. • Solidified our position as the #2 ETF provider in Canada and #1 in net sales in the market. • Sharpened our investment focus, with an emphasis on globally relevant and consultant-credible products.	Continue to grow BMO Global Asset Management's global platform through a sharpened investment focus, targeted distribution strategy and streamlined organizational structure.
Bring the best of BMO to our clients through strong collaboration	• Focused on driving even stronger collaboration across BMO to offer our clients solutions that meet their financial needs at every stage of their lives. • More co-location arrangements for our banking, planning, estate and trust and investment teams, including with our business banking partners, to meet the diverse needs of our clients more efficiently. • Increased collaboration between BMO GAM and our bank affiliate partners to leverage strong distribution channels and investment capabilities.	Increase collaboration within Wealth Management and across the bank to deliver an exceptional client experience.

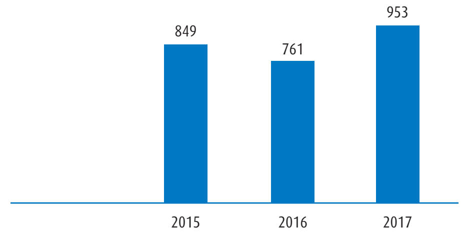
BMO Wealth Management

(Canadian $ in millions, except as noted) As at or for the year ended October 31	**2017**	2016	2015
Net interest income	**700**	614	565
Non-interest revenue	**5,492**	5,274	5,198
Total revenue	**6,192**	5,888	5,763
Insurance claims, commissions and changes in policy benefit liabilities (CCPB)	**1,538**	1,543	1,254
Revenue, net of CCPB	**4,654**	4,345	4,509
Provision for credit losses	**8**	9	7
Non-interest expense	**3,347**	3,337	3,358
Income before income taxes	**1,299**	999	1,144
Provision for income taxes	**346**	238	295
Reported net income	**953**	761	849
Acquisition integration costs (1)	**–**	30	37
Amortization of acquisition-related intangible assets (2)	**65**	71	68
Adjusted net income	**1,018**	862	954
Key Performance Metrics and Drivers			
Traditional wealth businesses net income	**717**	539	609
Traditional wealth businesses adjusted net income	**782**	640	714
Insurance net income	**236**	222	240
Net income growth (%)	**25.2**	(10.3)	9.0
Adjusted net income growth (%)	**18.1**	(9.6)	13.3
Revenue growth (%)	**5.2**	2.2	8.0
Revenue growth, net of CCPB (%)	**7.1**	(3.6)	17.6
Non-interest expense growth (%)	**0.3**	(0.6)	18.2
Adjusted non-interest expense growth (%)	**1.8**	(0.4)	16.8
Return on equity (%)	**15.7**	12.4	14.8
Adjusted return on equity (%)	**16.8**	14.1	16.6
Operating leverage, net of CCPB (%)	**6.8**	(3.0)	(0.6)
Adjusted operating leverage, net of CCPB (%)	**5.3**	(3.2)	0.8
Efficiency ratio, net of CCPB (%)	**71.9**	76.8	74.5
Adjusted efficiency ratio (%)	**52.8**	54.5	55.9
Adjusted efficiency ratio, net of CCPB (%)	**70.2**	73.9	71.5
Net interest margin on average earning assets (%)	**2.50**	2.37	2.38
Average common equity	**6,040**	6,078	5,688
Average earning assets	**28,026**	25,898	23,784
Average net loans and acceptances	**18,063**	16,458	14,550
Average deposits	**33,289**	29,931	27,377
Assets under administration (3)	**359,773**	469,694	465,742
Assets under management	**429,448**	405,695	397,959
Full-time equivalent employees	**6,320**	6,282	6,506
U.S. Business Select Financial Data (US$ in millions)			
Total revenue	**650**	629	806
Non-interest expense	**543**	575	652
Reported net income	**78**	39	99
Adjusted net income	**90**	54	118
Average earning assets	**3,348**	3,446	3,242
Average net loans and acceptances	**3,300**	3,200	2,965
Average deposits	**5,783**	5,602	6,010

(1) F&C acquisition integration costs before tax amounts of $nil in 2017, $38 million in 2016 and $46 million in 2015 are included in non-interest expense.
(2) Before tax amounts of $80 million in 2017, $88 million in 2016 and $88 million in 2015 are included in non-interest expense.
(3) We have certain assets under management that are also administered by us and included in assets under administration.

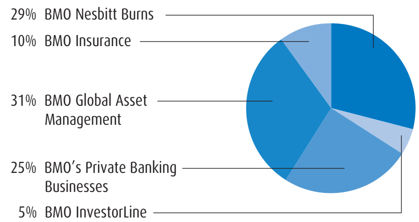
Reported Net Income

($ millions)



2017 Net Revenue by Line of Business

(%)



Financial Review

Wealth Management reported net income of $953 million increased $192 million or 25% from the prior year. Adjusted net income of $1,018 million, which excludes the amortization of acquisition-related intangible assets and acquisition integration costs, increased $156 million or 18%.

Traditional wealth reported net income of $717 million increased $178 million or 33% from the prior year. Adjusted net income in traditional wealth of $782 million increased $142 million or 22%, primarily due to higher income related to an increase in assets under management from improved equity markets and the accumulation of net new client assets, growth in deposit and loan balances, up 11% and 10%, respectively, and benefits from productivity initiatives. The prior year included a write-down of an equity investment net of a gain on its subsequent sale. Adjusted net income in insurance of $236 million increased $14 million or 6%, as the benefits from favourable market movements in the current year relative to unfavourable impacts in the prior year and business growth were largely offset by elevated claims of $112 million in our reinsurance business largely resulting from the impact of hurricanes Irma, Maria and Harvey.

Revenue of $6,192 million increased $304 million or 5% from the prior year. Revenue, net of CCPB, of $4,654 million increased $309 million or 7%. Revenue in traditional wealth of $4,187 million increased $264 million or 7%, due to the factors noted above, with revenue growth reduced by the impact of the weaker British pound and U.S. dollar, and divestitures. Insurance revenue, net of CCPB, of $467 million increased $45 million or 11%, due to the factors noted above. The weaker British pound reduced revenue by $34 million. The weaker U.S. dollar reduced revenue by $13 million.

The provision for credit losses was $8 million, compared to $9 million in the prior year.

Non-interest expense was $3,347 million, compared to $3,337 million in the prior year. Adjusted non-interest expense was $3,267 million compared to $3,211 million in the prior year, reflecting higher revenue-based costs, partially offset by the impact of the weaker British pound and U.S. dollar, and divestitures. The weaker British pound decreased non-interest expense by $31 million. The weaker U.S. dollar decreased non-interest expense by $12 million.

Assets under management and administration declined $86 billion or 10% from a year ago to $789 billion, due to the divestiture of a non-strategic business in the fourth quarter, which reduced assets under administration by $138 billion, and unfavourable foreign exchange movements, partially offset by market appreciation and growth in new client assets.

Business Environment, Outlook and Challenges

The wealth management sector is highly competitive, with our Canadian peer group competitors expanding their wealth management businesses as part of their strategy to drive overall bank performance. All competitors are focused on enhancing the customer experience by leveraging new technologies, products and services to meet their clients' evolving needs. Changing demographics, particularly in the retirement, mass affluent and high net worth sectors, continue to reshape the wealth management sector.

Moderate growth in the Canadian and U.S. economies is expected in 2018, which we anticipate will result in a sustained level of client trading activity that will continue to drive transaction volumes and asset levels. We anticipate good growth in net new assets; market appreciation is expected to be moderate and is subject to equity market performance. Long-term interest rates in Canada and the United States are expected to rise only moderately, with minimal impact expected on our brokerage and insurance businesses. Expanding digital capabilities and changes in the regulatory environment could result in downward pressure on fees for products and services. We will focus on maintaining our disciplined approach to expense management, while making investments to further grow our businesses.

The Canadian and U.S. economic environment in 2017 and the outlook for 2018 are discussed in more detail in the Economic Developments and Outlook section on page 32.

Caution

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

Adjusted results in this section are non-GAAP and are discussed in the Non-GAAP Measures section on page 29.

BMO Capital Markets

BMO Capital Markets is a North American-based financial services provider offering a complete range of products and services to corporate, institutional and government clients. BMO Capital Markets has approximately 2,500 professionals in 30 locations around the world, including 16 offices in North America.

Patrick Cronin
Group Head
BMO Capital Markets

Lines of Business

Investment and Corporate Banking offers clients debt and equity capital-raising services, as well as loan origination and syndication, balance sheet management solutions and treasury management services. We provide strategic advice on mergers and acquisitions, restructurings and recapitalizations, as well as valuation and fairness opinions. We also offer trade finance and risk mitigation services to support the international business activities of our clients, and we provide a wide range of banking and other operating services tailored to North American and international financial institutions.

Trading Products offers research and access to global markets for institutional, corporate and retail clients through an integrated suite of sales and trading solutions that include debt, foreign exchange, interest rate, credit, equity, securitization and commodities. We also offer new product development and origination services, as well as risk management (derivatives) advice and services to hedge against fluctuations in a variety of key inputs, including interest rates and commodities prices. In addition, we provide funding and liquidity management to our clients.

Strengths and Value Drivers

- Unified coverage and integrated distribution across our North American platform and complementary global footprint, delivering a seamless and exceptional client experience.
- Innovative ideas and tailored solutions delivered through a comprehensive coverage team, dedicated to anticipating, understanding and meeting client needs.
- Top-ranked Canadian equity and fixed income economic research, sales and trading capabilities with deep expertise in core sectors.
- Strong first-line-of-defence risk management and regulatory and compliance capabilities, enabling effective decision-making in support of our strategic priorities.
- Well-diversified platform and business mix – by sector, geography, product and currency, including a strong, scalable and relevant U.S. business – positioning BMO well in several key markets and over the long term.

Strategy and Key Priorities

BMO Capital Markets vision is to be the lead North American investment bank enabling clients to achieve their goals. We offer an integrated platform, differentiated by innovative ideas and unified coverage.

Key Priority	2017 Achievements	2018 Focus
Continue to maintain our leadership position in Canada through our top-tier coverage team	• Continued to win key mandates in core Canadian industries, acting as exclusive advisor to Milestone Apartments Real Estate Investment Trust (REIT) on the largest multi-family property REIT transaction in Canadian history. • Led Canadian dollar corporate hybrid bond offerings for TransCanada on its $1.5 billion 60NC10 year inaugural Canadian hybrid bond transaction, and for Enbridge Inc. on its combined $1.65 billion 60NC10 year inaugural Canadian hybrid bond transactions. • Named a 2017 Greenwich Share Leader and Quality Leader across a range of Canadian equity sales, trading and research areas. • Named Best House in Canada for Structured Products at the 2017 SRP Wealth Management and Derivatives Awards. • Named Best Bank for the Canadian Dollar by *FX Week* magazine for the seventh consecutive year.	Continue to earn leading market share in Canada by strengthening our client relationships and driving incremental market share growth.

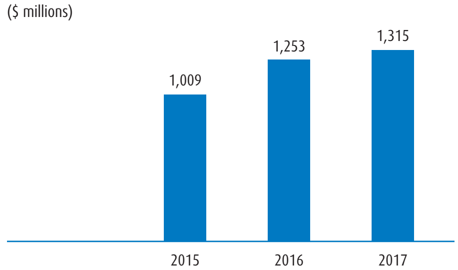
Key Priority	2017 Achievements	2018 Focus
Continue to drive performance in our U.S. platform with a focused strategy and selectively grow our U.S. corporate bank where we are competitively advantaged	• Expanded our lending and advisory mandates with leading roles in marquee transactions, such as, in the global energy sector, our largest U.S. equity transaction to date with Parsley Energy, and with Broadcom in its $5.9 billion acquisition of Brocade Communications Systems. • Continued to win significant cross-border mandates, including acting on behalf of Canadian-based, U.S.-backed, Jamieson Wellness Inc. in its initial public offering that raised $345 million. • Closed 43 U.S. M&A transactions, up 30% from the prior year, with a total deal volume of $65.4 billion. • Acted as bookrunner on 228 equity and debt capital raising transactions, up almost 50% from last year. • Ranked #1 in the Institutional Investor 2017 All-America Fixed Income Research Team Survey for U.S. Rates Strategy and Technical Analysis.	Continue to leverage our key strategic investment to increase growth from our U.S. platform, and selectively grow our U.S. corporate bank where we are competitively advantaged.
Leverage our strong North American capabilities and presence in select international markets	• Named World's Best Metals & Mining Investment Bank for the eighth consecutive year by *Global Finance* and hosted one of the industry's most important events, the 26th Annual Global Metals & Mining Conference, which brought together more than a thousand industry professionals representing 500 companies from 32 countries. • Named Best Forex Provider in North America/China for the seventh consecutive year by *Global Banking and Finance Review*. • Continued to expand our mandates in select global sectors, including as financial advisor to Chrysaor on its $3 billion acquisition of certain UK North Sea assets from Shell, and leading a convertible bond offering to refinance the outstanding portion of the Sibanye-Stillwater bridge loan raised for the acquisition of Stillwater, an American palladium and platinum-mining company. • Expanded our Global Trade business in Singapore, broadening the reach of our suite of trade and supply chain finance services. • Leveraged our presence in China, completing our first cross-border Chinese bond trade to a central bank. • Established a European Commercial Paper program to help our clients meet their increased regulatory demands. • Expanded our presence in the Supranational Sub-sovereign Agency (SSA) market and won key mandates, including the World Bank's first U.S. dollar benchmark offering of 2017.	Continue to leverage our strong North American and global capabilities to expand our footprint and strategic relationships in select international markets.

BMO Capital Markets

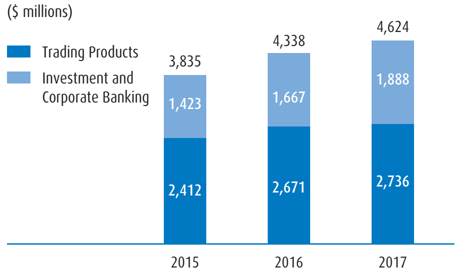
(Canadian $ in millions, except as noted) As at or for the year ended October 31	**2017**	2016	2015
Net interest income (teb)	**1,288**	1,483	1,307
Non-interest revenue	**3,336**	2,855	2,528
Total revenue (teb)	**4,624**	4,338	3,835
Provision for credit losses	**44**	81	26
Non-interest expense	**2,778**	2,574	2,480
Income before income taxes	**1,802**	1,683	1,329
Provision for income taxes (teb)	**487**	430	320
Reported net income	**1,315**	1,253	1,009
Amortization of acquisition-related intangible assets (1)	**2**	1	2
Adjusted net income	**1,317**	1,254	1,011
Key Performance Metrics and Drivers			
Trading Products revenue	**2,736**	2,671	2,412
Investment and Corporate Banking revenue	**1,888**	1,667	1,423
Net income growth (%)	**5.0**	24.1	(6.0)
Revenue growth (%)	**6.6**	13.1	3.3
Non-interest expense growth (%)	**7.9**	3.8	5.5
Return on equity (%)	**15.8**	16.0	14.5
Operating leverage (teb) (%)	**(1.3)**	9.3	(2.2)
Efficiency ratio (teb) (%)	**60.1**	59.3	64.7
Net interest margin on average earning assets (teb) (%)	**0.48**	0.58	0.55
Average common equity	**7,900**	7,387	6,536
Average earning assets	**266,928**	254,370	238,835
Average assets	**306,319**	304,031	290,672
Average net loans and acceptances	**51,358**	46,109	37,113
Average deposits	**147,306**	150,068	141,038
Full-time equivalent employees	**2,502**	2,353	2,183
U.S. Business Select Financial Data (US$ in millions)			
Total revenue (teb)	**1,343**	1,144	1,074
Non-interest expense	**927**	860	887
Reported net income	**285**	184	126
Average earning assets	**88,135**	78,704	76,565
Average assets	**93,344**	86,222	85,459
Average net loans and acceptances	**15,551**	15,068	11,034
Average deposits	**52,471**	52,459	55,942

(1) Before tax amounts of $3 million in 2017, $1 million in 2016 and $2 million in 2015 are included in non-interest expense.

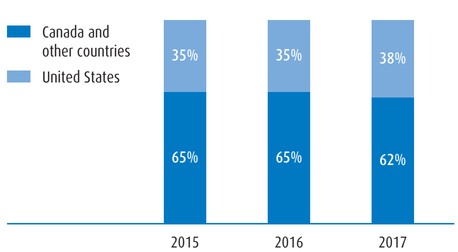
Reported Net Income
($ millions)



Revenue by Line of Business
($ millions)



Revenue by Geography
(%)



Financial Review

BMO Capital Markets reported net income of $1,315 million increased $62 million or 5% from the prior year. Adjusted net income of $1,317 million, which excludes the amortization of acquisition-related intangible assets, increased $63 million or 5% due to increased revenue and lower loan loss provisions, partially offset by higher expenses. The impact of the weaker U.S. dollar on revenue growth was not significant. Net income in our BMO Capital Markets' U.S. segment increased 55% from the prior year on a U.S. dollar basis.

Revenue of $4,624 million increased $286 million or 7%, due to higher client activity in investment banking and loan growth, as well as solid performance in our Trading Products business.

Investment and Corporate Banking revenue increased $221 million or 13% from the prior year, driven by strong underwriting activity and higher mergers and acquisitions advisory activity, as well as higher corporate banking-related revenue.

Trading Products revenue increased $65 million or 2% from the prior year, due to higher revenue from new fixed income issuances and higher net securities gains, partially offset by lower trading revenue.

The provision for credit losses of $44 million decreased $37 million from the prior year, largely due to lower new provisions, primarily in the oil and gas sector.

Non-interest expense increased $204 million or 8% to $2,778 million, or 9% excluding the impact of the weaker U.S. dollar, due to continued investment in the business and higher employee-related costs.

Average assets of $306.3 billion increased $2.3 billion from the prior year. Excluding the impact of the weaker U.S. dollar, average assets increased $3.7 billion. Higher levels of securities and net loans and acceptances due to increases in corporate banking activity were partially offset by lower derivative financial asset balances and lower levels of reverse repos.

Business Environment, Outlook and Challenges

BMO Capital Markets is a North American-based financial services provider. The operating environment in Canada and the United States is highly competitive among the major banks, regional banks, boutique investment banks and non-bank competitors. Traditional banking competitors have focused on expanding client relationships, maintaining disciplined risk management practices and operating within a heightened regulatory environment. Non-bank competitors are continuing to seek new opportunities to disintermediate banks in certain trading and investment banking products.

Looking ahead to fiscal 2018, we remain focused on executing our well-defined and consistent strategy of building a highly integrated, client-focused North American capital markets business. In the United States, our largest market opportunity, we expect to grow our sector-focused platform by deepening existing client relationships, acquiring new clients and growing our loan book. In Canada, we expect to maintain our leading market positions, while providing a strong and stable foundation for our growth. In Europe and Asia, we are selectively expanding our capabilities to better serve North American-based clients that have a global presence. From a regulatory perspective, our investment in risk management technology infrastructure has positioned us well to meet new risk reporting requirements next year. Stability in the markets could be impacted by macroeconomic concerns, but assuming that markets remain constructive, we are confident that we can achieve our strategic objectives.

The Canadian and U.S. economic environment in 2017 and the outlook for 2018 are discussed in more detail in the Economic Developments and Outlook section on page 32.

Caution

This BMO Capital Markets section contains forward-looking statements. Please see the Caution Regarding Forward-Looking Statements.

Adjusted results in this section are non-GAAP and are discussed in the Non-GAAP Measures section on page 29.

Corporate Services, including Technology and Operations

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 regulatory compliance, marketing, communications and human resources. T&O manages, maintains and provides governance over information technology, operations services, real estate and procurement for BMO Financial Group.

The costs of these Corporate Units and T&O services are largely transferred to the three client operating groups (Personal and Commercial Banking, Wealth Management and BMO Capital Markets), with remaining amounts retained in Corporate Services results. As such, Corporate Services results largely reflect the impact of residual treasury and asset-liability management activities, the elimination of taxable equivalent adjustments, the results from certain impaired real estate secured assets, certain purchased loan accounting impacts, residual unallocated expenses, certain acquisition integration costs, restructuring costs and adjustments to the collective allowance for credit losses.

Corporate Services focuses on enterprise-wide priorities related to maintaining a sound risk and control environment and efficiency while supporting our businesses in meeting their customer experience objectives. Notable achievements during the year included:

- Continued to proactively invest in defences and procedures to further improve our ability to prevent, detect, respond to and manage cyber security threats at BMO, as well as performed assessments of controls at third parties and service providers to verify that programs and controls meet BMO standards.
- Accelerated the deployment of digital technology to transform our business, including commencing the upgrade of a U.S. digital platform to accelerate digital developments across personal segments.
- Invested in information technology initiatives to meet regulatory requirements, including market risk, client tax reporting and responding to new accounting standards, while also deploying new capabilities to reduce time to market and strengthen our technology foundation.
- Enhanced our Data & Analytics platform to add new governance, analytics and robotics capabilities in support of business initiatives: demonstrated the value of machine learning to further improve fraud and anti-money laundering management, introduced robotics to automate processes in operations and Corporate Services, and enhanced Enterprise Reference Data capabilities in support of emerging regulatory requests and revenue-generating initiatives.
- Contributed to our customer channels strategy through technology innovation and real estate reconfiguration.
- Continued operational efficiencies within the Anti-Money Laundering/Anti-Terrorist Financing and Sanctions Program by reducing manual processes, particularly within the Financial Intelligence Units, and improving our data foundation.

MD&A

Financial Review

Corporate Services reported net loss for the year was $496 million, compared with a reported net loss of $670 million a year ago. Adjusted net loss for the year was $454 million, compared with an adjusted net loss of $435 million a year ago. Adjusted results exclude a decrease in the collective allowance in the current year and a negative cumulative accounting adjustment in the prior year, as well as restructuring costs and acquisition integration costs in both years. Adjusted results declined due to lower credit recoveries and higher expenses, partially offset by higher revenue excluding teb. Reported results increased mainly due to lower restructuring costs in the current year, the prior year's negative cumulative accounting adjustment and the decrease in the collective allowance in the current year, partially offset by the net impact of the drivers noted above.

Corporate Services, including Technology and Operations

(Canadian $ in millions, except as noted) As at or for the year ended October 31	**2017**	2016	2015
Net interest income before group teb offset (1)	**(283)**	(313)	(236)
Group teb offset	**(567)**	(510)	(524)
Net interest income (teb) (1)	**(850)**	(823)	(760)
Non-interest revenue	**177**	58	280
Total revenue (teb) (1)	**(673)**	(765)	(480)
Recovery of credit losses (1)	**(78)**	(74)	(36)
Non-interest expense	**635**	716	610
Loss before income taxes	**(1,230)**	(1,407)	(1,054)
Recovery of income taxes (teb)	**(734)**	(737)	(661)
Reported net loss	**(496)**	(670)	(393)
Acquisition integration costs (2)	**55**	41	6
Cumulative accounting adjustment (3)	**–**	62	–
Restructuring costs (4)	**41**	132	106
Decrease in the collective allowance for credit losses (5)	**(54)**	–	–
Adjusted net loss	**(454)**	(435)	(281)
Adjusted total revenue (teb) (1)	**(673)**	(681)	(478)
Adjusted recovery of credit losses (1)	**(2)**	(74)	(36)
Adjusted non-interest expense	**489**	461	456
Adjusted net loss	**(454)**	(435)	(281)
Full-time equivalent employees	**14,702**	14,741	14,345
U.S. Business Select Financial Data (US$ in millions)			
Total revenue (teb) (1)	**(111)**	(124)	(73)
Recovery of credit losses (1)	**(23)**	(81)	(79)
Non-interest expense	**244**	218	273
Recovery of income taxes (teb) (1)	**(114)**	(75)	(130)
Reported net loss	**(218)**	(186)	(137)
Adjusted total revenue (teb) (1)	**(111)**	(124)	(73)
Adjusted recovery of credit losses (1)	**(2)**	(56)	(30)
Adjusted non-interest expense	**170**	119	229
Adjusted net loss	**(185)**	(140)	(138)

Corporate Services Provision for Credit Losses

(Canadian $ in millions) As at or for the year ended October 31	**2017**	2016	2015
Impaired real estate loans	**2**	(16)	28
Interest on impaired loans	**–**	–	17
Purchased credit impaired loans	**(4)**	(58)	(86)
Purchased performing loans	**–**	–	5
Recovery of (provision for) credit losses, adjusted basis	**(2)**	(74)	(36)
Decrease in the collective allowance for credit losses	**(76)**	–	–
Recovery of credit losses, reported basis	**(78)**	(74)	(36)
Average loans and acceptances	**63**	96	242
Year-end loans and acceptances	**53**	80	182

(1) Beginning in the first quarter of 2016, the reduction in the credit mark that is reflected in net interest income and the provision for credit losses on the purchased performing portfolio are being recognized in U.S. P&C, consistent with the accounting for the acquisition of BMO Transportation Finance, and given that these amounts have reduced substantially in size. Results for prior periods have not been reclassified.
(2) Acquisition integration costs related to the acquisition of BMO Transportation Finance are primarily included in non-interest expense.
(3) Cumulative accounting adjustment recognized in other non-interest revenue related to foreign currency translation.
(4) Restructuring charges before tax amounts of: $59 million in 2017 and $188 million in 2016, as we continue to accelerate the use of technology to enhance customer experience and focus on driving operational efficiencies; and $149 million in 2015, primarily due to restructuring to drive operational efficiencies, are included in non-interest expense.
(5) Decrease in the collective allowance for credit losses before tax amount of $76 million.

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