

Semi-Annual Financial Statements

BMO Private Portfolios

June 30, 2018

BMO Private Canadian Mid-Term Bond Portfolio

NOTICE OF NO AUDITOR REVIEW OF THE SEMI-ANNUAL FINANCIAL STATEMENTS

BMO Private Investment Counsel Inc., the Manager of the Portfolios, appoints independent auditors to audit the Portfolio's Annual Financial Statements. Under Canadian securities laws (National Instrument 81-106), if an auditor has not reviewed the Semi-Annual Financial Statements, this must be disclosed in an accompanying notice.

The Portfolio's independent auditors have not performed a review of these Semi-Annual Financial Statements in accordance with standards established by the Chartered Professional Accountants of Canada.

BMO Private Canadian Mid-Term Bond Portfolio

(unaudited)

STATEMENT OF FINANCIAL POSITION

(All amounts in thousands of Canadian dollars, except per unit data)

As at	June 30 2018	December 31 2017
Assets		
Current Assets		
Cash	2,617	2,475
Investments		
Non-derivative financial assets	2,109,490	1,973,251
Subscriptions receivable	917	1,174
Interest receivable	10,897	9,780
Total assets	2,123,921	1,986,680
Liabilities		
Current Liabilities		
Payable for investments purchased	2,292	4,617
Redemptions payable	2,000	786
Distributions payable	198	—
Accrued expenses	108	114
Total liabilities	4,598	5,517
Net assets attributable to holders of redeemable units	2,119,323	1,981,163
Net assets attributable to holders of redeemable units per unit	\$ 10.50	\$ 10.62

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

BMO Private Canadian Mid-Term Bond Portfolio

(unaudited)

STATEMENT OF COMPREHENSIVE INCOME

(All amounts in thousands of Canadian dollars, except per unit data)

For the periods ended	June 30 2018	June 30 2017
Income		
Interest income	24,459	20,610
Other changes in fair value of investments and derivatives		
Net realized (loss) gain	(8,062)	4,142
Change in unrealized depreciation	(10,561)	(1,945)
Net gain in fair value of investments and derivatives	5,836	22,807
Securities lending (note 8)	165	145
Foreign exchange gain	0	0
Total other income	165	145
Total income	6,001	22,952
Expenses		
Sub-advisory fees	1,167	1,052
Audit fees	6	8
Independent review committee fees	2	2
Withholding taxes	0	0
Custodian fees	13	12
Legal and filing fees	40	70
Unitholder servicing fees	225	224
Printing and stationery fees	8	7
Operating expenses absorbed by the Manager	(1,167)	(1,052)
Total expenses	294	323
Increase in net assets attributable to holders of redeemable units	5,707	22,629
Increase in net assets attributable to holders of redeemable units per unit (note 8)	0.03	0.13

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BMO Private Canadian Mid-Term Bond Portfolio

(unaudited)

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS

(All amounts in thousands of Canadian dollars)

For the periods ended	June 30 2018	June 30 2017
Net assets attributable to holders of redeemable units at beginning of period	1,981,163	1,849,365
Increase in net assets attributable to holders of redeemable units	5,707	22,629
Distributions to holders of redeemable units		
From net investment income	(27,287)	(24,868)
Total distributions paid to holders of redeemable units	(27,287)	(24,868)
Redeemable unit transactions		
Proceeds from redeemable units issued	307,627	242,384
Reinvestments of distributions to holders of redeemable units	26,190	23,944
Redemption of redeemable units	(174,077)	(144,287)
Net increase from redeemable unit transactions	159,740	122,041
Net increase in net assets attributable to holders of redeemable units	138,160	119,802
Net assets attributable to holders of redeemable units at end of period	2,119,323	1,969,167

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BMO Private Canadian Mid-Term Bond Portfolio

(unaudited)

STATEMENT OF CASH FLOWS

(All amounts in thousands of Canadian dollars)

For the periods ended	June 30 2018	June 30 2017
Cash flows from operating activities		
Increase in net assets attributable to holders of redeemable units	5,707	22,629
Adjustments for:		
Net realized loss (gain) on sale of investments and derivatives	8,062	(4,142)
Change in unrealized depreciation of investments and derivatives	10,561	1,945
Increase in interest receivable	(1,117)	(51)
(Decrease) increase in accrued expenses	(6)	12
Amortization of premium and discount	3,416	4,756
Purchases of investments	(608,661)	(522,092)
Proceeds from sale and maturity of investments	448,058	397,488
Net cash from operating activities	(133,980)	(99,455)
Cash flows from financing activities		
Distributions paid to holders of redeemable units, net of reinvested distributions	(899)	(758)
Proceeds from issuances of redeemable units	307,884	242,884
Amounts paid on redemption of redeemable units	(172,863)	(143,445)
Net cash from financing activities	134,122	98,681
Net increase (decrease) in cash	142	(774)
Cash at beginning of period	2,475	5,933
Cash at end of period	2,617	5,159
Supplementary Information		
Interest received, net of withholding taxes*	26,758	25,315

*These items are from operating activities

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BMO Private Canadian Mid-Term Bond Portfolio

(unaudited)

SCHEDULE OF INVESTMENT PORTFOLIO

As at June 30, 2018 (All amounts in thousands of Canadian dollars, unless otherwise noted)

Security	Par Value (in thousands)	Cost (\$)	Fair Value (\$)
Bonds & Debentures			
<i>Federal Bonds — 32.6%</i>			
Canada Housing Trust, Mortgage Bonds, Series 52, Secured, 2.350% Sep 15, 2023	28,750	28,995	28,667
Canada Housing Trust, Mortgage Bonds, Series 55, Secured, 3.150% Sep 15, 2023	20,040	20,682	20,761
Canada Housing Trust, Mortgage Bonds, Series 58, Secured, 2.900% Jun 15, 2024	37,190	38,756	38,117
Canada Housing Trust, Mortgage Bonds, Series 62, Secured, 2.550% Mar 15, 2025	36,580	38,140	36,759
Canada Housing Trust, Mortgage Bonds, Series 67, Secured, 1.950% Dec 15, 2025	20,430	20,401	19,660
Canada Housing Trust, Mortgage Bonds, Series 70, Secured, 2.250% Dec 15, 2025	21,690	22,264	21,312
Canada Housing Trust, Mortgage Bonds, Series 73, Secured, 1.900% Sep 15, 2026	41,660	41,510	39,737
Canada Housing Trust, Mortgage Bonds, Series 77, Secured, 2.350% Jun 15, 2027	43,740	43,531	43,042
Canada Housing Trust, Mortgage Bonds, Series 80, Secured, 2.350% Mar 15, 2028	25,000	24,368	24,538
Canada Housing Trust, Mortgage Bonds, Series FEB, Secured, 2.650% Mar 15, 2028	24,000	24,004	24,171
Government of Canada, 2.000% Sep 1, 2023	25,250	25,115	25,131
Government of Canada, 2.500% Jun 1, 2024	73,950	77,998	75,502
Government of Canada, 2.250% Jun 1, 2025	86,470	91,194	87,098
Government of Canada, 1.500% Jun 1, 2026	100,750	100,866	96,045
Government of Canada, Unsecured, 1.000% Jun 1, 2027	84,330	78,669	76,447
Government of Canada, 2.000% Jun 1, 2028	35,000	34,271	34,476
		710,764	691,463
<i>Provincial Bonds — 38.0%</i>			
Municipal Finance Authority of British Columbia, Unsecured, Notes, 3.750% Sep 26, 2023	5,000	5,274	5,275
Municipal Finance Authority of British Columbia, Unsecured, Notes, 2.500% Apr 19, 2026	5,000	4,862	4,882
Province of Alberta, Unsecured, 3.400% Dec 1, 2023	4,000	4,204	4,169
Province of Alberta, Unsecured, 3.100% Jun 1, 2024	6,100	6,331	6,266
Province of Alberta, Unsecured, 2.350% Jun 1, 2025	23,000	23,006	22,541
Province of Alberta, Unsecured, 2.200% Jun 1, 2026	26,600	26,540	25,590
Province of Alberta, Unsecured, Notes, 2.550% Jun 1, 2027	9,000	9,081	8,825
Province of British Columbia, Unsecured, 3.300% Dec 18, 2023	7,800	8,322	8,117
Province of British Columbia, Unsecured, 2.850% Jun 18, 2025	13,000	13,433	13,222
Province of British Columbia, Unsecured, 2.300% Jun 18, 2026	17,940	18,028	17,502
Province of British Columbia, Unsecured, 2.550% Jun 18, 2027	6,000	6,069	5,927
Province of Manitoba, Unsecured, 3.300% Jun 2, 2024	6,800	7,094	7,043
Province of Manitoba, Unsecured, 2.450% Jun 2, 2025	10,100	10,115	9,932
Province of Manitoba, Medium Term Notes, 4.400% Sep 5, 2025	5,150	5,734	5,697
Province of Manitoba, Unsecured, 2.550% Jun 2, 2026	11,000	11,198	10,809
Province of Manitoba, Unsecured, 2.600% Jun 2, 2027	12,750	12,530	12,489
Province of New Brunswick, Senior, Unsecured, 3.650% Jun 3, 2024	8,440	9,054	8,883

BMO Private Canadian Mid-Term Bond Portfolio

(unaudited)

SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

As at June 30, 2018 (All amounts in thousands of Canadian dollars, unless otherwise noted)

Security	Par Value (in thousands)	Cost (\$)	Fair Value (\$)
Province of New Brunswick, Unsecured, 2.600% Aug 14, 2026	3,000	3,071	2,944
Province of New Brunswick, Unsecured, Notes, 2.350% Aug 14, 2027	5,000	4,804	4,770
Province of Newfoundland and Labrador, Unsecured, 2.300% Jun 2, 2025	4,700	4,552	4,560
Province of Newfoundland and Labrador, Series 6Z, Unsecured, 3.000% Jun 2, 2026	13,600	13,984	13,734
Province of Nova Scotia, Unsecured, 2.150% Jun 1, 2025	3,000	3,032	2,897
Province of Nova Scotia, Unsecured, Notes, 2.100% Jun 1, 2027	7,250	6,988	6,836
Province of Ontario, Unsecured, 2.600% Sep 8, 2023	25,500	25,528	25,552
Province of Ontario, Series HP, 8.100% Sep 8, 2023	9,500	11,655	12,044
Province of Ontario, Unsecured, 3.500% Jun 2, 2024	80,650	86,309	84,493
Province of Ontario, Unsecured, 2.600% Jun 2, 2025	103,090	104,673	102,504
Province of Ontario, Senior, Unsecured, 2.400% Jun 2, 2026	68,690	69,300	66,952
Province of Ontario, Unsecured, 2.600% Jun 2, 2027	70,180	70,437	68,971
Province of Ontario, Unsecured, Notes, 2.900% Jun 2, 2028	6,000	6,022	6,023
Province of Prince Edward Island, Unsecured, 8.500% Dec 15, 2023	1,500	2,011	1,935
Province of Quebec, Unsecured, 3.000% Sep 1, 2023	36,550	37,814	37,377
Province of Quebec, Unsecured, 3.750% Sep 1, 2024	43,250	46,785	46,047
Province of Quebec, Unsecured, 2.750% Sep 1, 2025	45,390	47,000	45,631
Province of Quebec, Unsecured, 2.500% Sep 1, 2026	41,250	42,465	40,571
Province of Quebec, Unsecured, 2.750% Sep 1, 2027	34,940	35,268	34,863
Province of Saskatchewan, Unsecured, 3.200% Jun 3, 2024	7,750	8,147	7,997
Province of Saskatchewan, Unsecured, 2.550% Jun 2, 2026	9,000	9,273	8,877
Province of Saskatchewan, Unsecured, 2.650% Jun 2, 2027	2,000	2,034	1,976
		822,027	804,723
Municipal Bonds — 2.1%			
City of Montreal, Unsecured, Notes, 3.500% Sep 1, 2023	2,500	2,594	2,598
City of Montreal, Unsecured, Notes, 3.500% Sep 1, 2024	5,000	5,191	5,202
City of Montreal, Unsecured, Notes, 3.000% Sep 1, 2025	5,000	5,017	5,035
City of Montreal, Unsecured, Notes, 3.000% Sep 1, 2027	5,000	4,980	4,990
City of Toronto, Senior, Unsecured, Notes, 3.400% May 21, 2024	5,000	5,166	5,167
City of Toronto, Unsecured, Notes, 2.450% Feb 6, 2025	2,000	1,952	1,955
City of Toronto, Unsecured, Notes, 2.400% Jun 7, 2027	15,000	14,350	14,314
Regional Municipality of York, Unsecured, Debentures, 2.500% Jun 2, 2026	5,000	4,811	4,855
Regional Municipality of York, Unsecured, Debentures, 2.350% Jun 9, 2027	1,500	1,399	1,428
		45,460	45,544
Corporate Bonds & Debentures — 26.8%			
407 International Inc., Series 14-A1, Medium Term Notes, Senior, Secured, 3.350% May 16, 2024	3,000	3,154	3,078
407 International Inc., Series 16-A2, Medium Term Notes, Secured, Callable, 2.430% May 4, 2027	6,000	5,786	5,719
Alectra Inc., Series B, Senior, Unsecured, Notes, Callable, 3.239% Nov 21, 2024	3,700	3,815	3,771
Alectra Inc., Series A, Senior, Unsecured, Debentures, Callable, 2.488% May 17, 2027	6,600	6,444	6,327
Alimentation Couche-Tard Inc., Series 6, Senior, Unsecured, Notes, Callable, 3.056% Jul 26, 2024	2,060	2,054	2,018

BMO Private Canadian Mid-Term Bond Portfolio

(unaudited)

SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

As at June 30, 2018 (All amounts in thousands of Canadian dollars, unless otherwise noted)

Security	Par Value (in thousands)	Cost (\$)	Fair Value (\$)
Alimentation Couche-Tard Inc., Series 5, Senior, Unsecured, Notes, Callable, 3.600% Jun 2, 2025	7,000	7,241	7,025
Allied Properties Real Estate Investment Trust, Series C, Senior, Unsecured, Notes, Callable, 3.636% Apr 21, 2025	7,000	7,035	6,805
AltaGas Ltd., Series 15, Medium Term Notes, Senior, Unsecured, Callable, 3.840% Jan 15, 2025	2,500	2,587	2,528
AltaGas Ltd., Series 18, Medium Term Notes, Senior, Unsecured, Callable, 3.980% Oct 4, 2027	3,300	3,294	3,319
AltaLink, L.P., Series 2013-4, Medium Term Notes, Secured, 3.668% Nov 6, 2023	6,000	6,480	6,261
AltaLink, L.P., Series 2016-1, Medium Term Notes, Secured, Callable, 2.747% May 29, 2026	500	496	492
Bank of Montreal, Deposit Notes, Senior, Unsecured, 2.700% Sep 11, 2024	7,530	7,502	7,394
Bank of Montreal, Deposit Notes, Senior, Unsecured, 4.609% Sep 10, 2025	6,000	6,643	6,598
Bank of Montreal, Senior, Unsecured, Notes, 2.700% Dec 9, 2026	11,440	11,375	11,106
Bank of Montreal, Deposit Notes, Senior, Unsecured, 3.190% Mar 1, 2028	4,825	4,822	4,843
Bank of Nova Scotia, The, Deposit Notes, Senior, Unsecured, 2.290% Jun 28, 2024	13,500	13,255	12,956
Bank of Nova Scotia, The, Deposit Notes, Senior, Unsecured, 2.620% Dec 2, 2026	10,600	10,542	10,228
Bank of Nova Scotia, The, Deposit Notes, Senior, Unsecured, 3.100% Feb 2, 2028	6,000	5,995	5,965
bcIMC Realty Corp., Medium Term Notes, Senior, Unsecured, Callable, 2.840% Jun 3, 2025	1,960	1,951	1,929
bcIMC Realty Corp., Senior, Unsecured, Notes, Callable, 3.000% Mar 31, 2027	1,440	1,432	1,419
Bell Canada, Series M-29, Medium Term Notes, Senior, Unsecured, Callable, 4.700% Sep 11, 2023	3,700	3,994	3,955
Bell Canada, Series M-44, Medium Term Notes, Senior, Unsecured, Callable, 2.700% Feb 27, 2024	7,000	6,887	6,797
Bell Canada, Series M-41, Medium Term Notes, Senior, Unsecured, Callable, 3.550% Mar 2, 2026	3,500	3,522	3,516
Bell Canada, Series M-43, Medium Term Notes, Senior, Unsecured, Callable, 2.900% Aug 12, 2026	4,440	4,356	4,252
Bell Canada, Medium Term Notes, Senior, Unsecured, Callable, 3.600% Sep 29, 2027	8,000	7,985	7,989
Brookfield Asset Management Inc., Medium Term Notes, Senior, Unsecured, Callable, 5.040% Mar 8, 2024	9,500	10,312	10,211
Brookfield Renewable Energy Partners ULC, Medium Term Notes, Senior, Unsecured, Callable, 3.752% Jun 2, 2025	2,500	2,589	2,524
Brookfield Renewable Energy Partners ULC, Medium Term Notes, Unsecured, Callable, 3.630% Jan 15, 2027	2,500	2,539	2,464
Bruce Power L.P., Series 2017-1, Senior, Unsecured, Notes, Callable, 3.000% Jun 21, 2024	2,500	2,522	2,462
Bruce Power L.P., Senior, Unsecured, Notes, 3.969% Jun 23, 2026	6,000	6,186	6,187
Cameco Corporation, Series G, Senior, Unsecured, Notes, Callable, 4.190% Jun 24, 2024	2,000	1,989	1,980

BMO Private Canadian Mid-Term Bond Portfolio

(unaudited)

SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

As at June 30, 2018 (All amounts in thousands of Canadian dollars, unless otherwise noted)

Security	Par Value (in thousands)	Cost (\$)	Fair Value (\$)
Canadian Imperial Bank of Commerce, Deposit Notes, Unsecured, 3.300% May 26, 2025	6,668	6,703	6,763
Canadian National Railway Company, Senior, Unsecured, Notes, Callable, 2.800% Sep 22, 2025	2,600	2,612	2,575
Canadian Natural Resources Limited, Medium Term Notes, Senior, Unsecured, Callable, 3.550% Jun 3, 2024	7,500	7,515	7,555
Canadian Natural Resources Limited, Medium Term Notes, Senior, Unsecured, Callable, 3.420% Dec 1, 2026	3,500	3,513	3,421
Capital Power Corporation, Medium Term Notes, Senior, Unsecured, Callable, 4.284% Sep 18, 2024	2,000	2,000	2,021
CCL Industries Inc., Series 1, Senior, Unsecured, Notes, Callable, 3.864% Apr 13, 2028	4,750	4,781	4,805
Chartwell Retirement Residences, Series B, Senior, Unsecured, Debentures, Callable, 4.211% Apr 28, 2025	506	506	513
Choice Properties Real Estate Investment Trust, Series B, Senior, Unsecured, Notes, Callable, 4.903% Jul 5, 2023	3,200	3,425	3,410
Choice Properties Real Estate Investment Trust, Series D, Senior, Unsecured, Notes, Callable, 4.293% Feb 8, 2024	3,000	3,074	3,110
Choice Properties Real Estate Investment Trust, Series K, Senior, Unsecured, Debentures, Callable, 3.556% Sep 9, 2024	1,000	1,000	995
Choice Properties Real Estate Investment Trust, Series J, Senior, Unsecured, Debentures, Callable, 3.546% Jan 10, 2025	1,450	1,450	1,441
Choice Properties Real Estate Investment Trust, Series F, Senior, Unsecured, Notes, Callable, 4.055% Nov 24, 2025	2,000	2,066	2,035
Choice Properties Real Estate Investment Trust, Series L, Senior, Unsecured, Debentures, Callable, 4.178% Mar 8, 2028	1,000	1,000	1,009
CI Financial Corp., Senior, Unsecured, Notes, Callable, 3.904% Sep 27, 2027	315	315	319
CT Real Estate Investment Trust, Series D, Senior, Unsecured, Notes, Callable, 3.289% Jun 1, 2026	3,000	2,956	2,903
CT Real Estate Investment Trust, Series E, Senior, Unsecured, Notes, Callable, 3.469% Jun 16, 2027	500	500	484
CT Real Estate Investment Trust, Series F, Senior, Unsecured, Notes, Callable, 3.865% Dec 7, 2027	3,200	3,218	3,174
Enbridge Gas Distribution Inc., Medium Term Notes, Senior, Unsecured, Callable, 3.310% Sep 11, 2025	2,500	2,570	2,544
Enbridge Gas Distribution Inc., Medium Term Notes, Senior, Unsecured, Callable, 2.500% Aug 5, 2026	2,000	2,029	1,922
Enbridge Inc., Medium Term Notes, Senior, Unsecured, Callable, 3.940% Jun 30, 2023	5,960	6,165	6,133
Enbridge Inc., Medium Term Notes, Senior, Unsecured, Callable, 3.200% Jun 8, 2027	1,200	1,157	1,142
Enbridge Inc., Fixed to Floating, Notes, Subordinated, Callable, 5.375% Sep 27, 2077	5,040	4,974	4,776
Enbridge Inc., Series C, Fixed to Floating, Unsecured, Notes, Subordinated, Callable, 6.625% Apr 12, 2078	3,250	3,290	3,341
Enbridge Pipelines Inc., Medium Term Notes, Senior, Unsecured, Callable, 3.450% Sep 29, 2025	5,000	5,208	5,048
Enbridge Pipelines Inc., Medium Term Notes, Senior, Unsecured, Callable, 3.000% Aug 10, 2026	8,000	8,187	7,793

BMO Private Canadian Mid-Term Bond Portfolio

(unaudited)

SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

As at June 30, 2018 (All amounts in thousands of Canadian dollars, unless otherwise noted)

Security	Par Value (in thousands)	Cost (\$)	Fair Value (\$)
ENMAX Corporation, Series 4, Senior, Unsecured, Debentures, Callable, 3.836% Jun 5, 2028	1,488	1,488	1,502
Fairfax Financial Holdings Limited, Senior, Unsecured, Notes, Callable, 4.700% Dec 16, 2026	6,500	6,633	6,681
Fairfax Financial Holdings Limited, Senior, Unsecured, Notes, Callable, 4.250% Dec 6, 2027	7,500	7,477	7,397
First Capital Realty, Inc., Series Q, Senior, Unsecured, Debentures, 3.900% Oct 30, 2023	3,000	3,087	3,054
First Capital Realty, Inc., Series S, Senior, Unsecured, Debentures, 4.323% Jul 31, 2025	3,000	3,206	3,091
FortisBC Energy Inc., Series 27, Medium Term Notes, Senior, Unsecured, Callable, 2.580% Apr 8, 2026	7,500	7,514	7,301
George Weston Limited, Medium Term Notes, Senior, Unsecured, 4.115% Jun 17, 2024	3,000	3,210	3,088
Granite REIT Holdings Limited Partnership, Series 3, Senior, Unsecured, Notes, Callable, 3.873% Nov 30, 2023	4,000	4,005	4,012
Greater Toronto Airports Authority, Series 1997-3, Revenue Bonds, 6.450% Dec 3, 2027	3,000	3,958	3,850
Great-West Lifeco Inc., Senior, Unsecured, Debentures, Callable, 3.337% Feb 28, 2028	600	600	604
H&R Real Estate Investment Trust, Series N, Senior, Unsecured, Notes, Callable, 3.369% Jan 30, 2024	2,000	2,015	1,963
Honda Canada Finance, Inc., Senior, Unsecured, Notes, 3.444% May 23, 2025	4,595	4,638	4,671
HSBC Bank Canada, Deposit Notes, Senior, Unsecured, 3.245% Sep 15, 2023	5,366	5,366	5,387
Husky Energy Inc., Senior, Unsecured, Notes, Callable, 3.550% Mar 12, 2025	10,750	10,907	10,835
Husky Energy Inc., Senior, Unsecured, Notes, Callable, 3.600% Mar 10, 2027	7,000	7,076	6,936
Hydro One Inc., Medium Term Notes, Senior, Unsecured, Callable, 2.970% Jun 26, 2025	2,250	2,249	2,243
Hydro One Inc., Series 35, Medium Term Notes, Senior, Unsecured, Callable, 2.770% Feb 24, 2026	3,200	3,271	3,136
Industrial Alliance Insurance and Financial Services Inc., Fixed to Floating, Notes, Subordinated, Callable, 3.300% Sep 15, 2028	8,000	8,141	8,033
Inter Pipeline Ltd., Series 8, Medium Term Notes, Senior, Unsecured, Callable, 2.608% Sep 13, 2023	7,800	7,754	7,533
Inter Pipeline Ltd., Series 10, Medium Term Notes, Senior, Unsecured, Callable, 2.734% Apr 18, 2024	2,500	2,433	2,408
Keyera Corp., Medium Term Notes, Senior, Unsecured, Callable, 3.934% Jun 21, 2028	889	889	891
Loblaw Companies Limited, Series 2023, Senior, Unsecured, Notes, Callable, 4.860% Sep 12, 2023	5,000	5,358	5,370
Metro Inc., Medium Term Notes, Senior, Unsecured, Callable, 3.390% Dec 6, 2027	3,000	2,957	2,933
North West Redwater Partnership/NWR Financing Co., Ltd., Series A, Secured, Notes, Callable, 3.200% Jul 22, 2024	1,000	999	1,004
North West Redwater Partnership/NWR Financing Co., Ltd., Series A, Secured, Notes, Callable, 3.200% Apr 24, 2026	2,000	2,026	1,988

BMO Private Canadian Mid-Term Bond Portfolio

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SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

As at June 30, 2018 (All amounts in thousands of Canadian dollars, unless otherwise noted)

Security	Par Value (in thousands)	Cost (\$)	Fair Value (\$)
OMERS Realty Corporation, Series 7, Senior, Unsecured, Notes, Callable, 2.858% Feb 23, 2024	8,000	8,167	7,938
OMERS Realty Corporation, Series 6, Unsecured, Notes, 3.328% Nov 12, 2024	8,500	8,721	8,623
OMERS Realty Corporation, Series 10, Senior, Unsecured, Debentures, Callable, 3.331% Jun 5, 2025	272	272	276
OMERS Realty Corporation, Series 9, Senior, Unsecured, Notes, Callable, 3.244% Oct 4, 2027	2,500	2,500	2,504
Ontario Power Generation Inc., Medium Term Notes, Senior, Unsecured, Callable, 3.315% Oct 4, 2027	3,750	3,750	3,762
Pembina Pipeline Corporation, Series 8, Medium Term Notes, Senior, Unsecured, Callable, 2.990% Jan 22, 2024	6,500	6,430	6,377
Pembina Pipeline Corporation, Series 7, Medium Term Notes, Senior, Unsecured, Callable, 3.710% Aug 11, 2026	7,500	7,636	7,513
RioCan Real Estate Investment Trust, Series AA, Senior, Unsecured, Debentures, Callable, 3.209% Sep 29, 2023	350	350	347
RioCan Real Estate Investment Trust, Series W, Senior, Unsecured, Notes, 3.287% Feb 12, 2024	2,000	2,024	1,980
Rogers Communications, Inc., Medium Term Notes, Senior, Unsecured, Callable, 4.000% Mar 13, 2024	4,190	4,411	4,366
Royal Bank of Canada, Deposit Notes, Senior, Unsecured, 2.333% Dec 5, 2023	8,000	7,956	7,747
Royal Bank of Canada, Deposit Notes, Senior, Unsecured, 4.930% Jul 16, 2025	7,500	8,736	8,386
Saputo Inc., Medium Term Notes, Senior, Unsecured, Callable, 2.827% Nov 21, 2023	3,500	3,519	3,444
Shaw Communications Inc., Senior, Unsecured, Notes, 4.350% Jan 31, 2024	3,500	3,653	3,660
Shaw Communications Inc., Senior, Unsecured, Notes, Callable, 3.800% Mar 1, 2027	3,500	3,543	3,518
SmartCentres Real Estate Investment Trust, Series N, Senior, Unsecured, Notes, 3.556% Feb 6, 2025	9,500	9,558	9,335
SmartCentres Real Estate Investment Trust, Series P, Senior, Unsecured, Notes, Callable, 3.444% Aug 28, 2026	3,750	3,657	3,604
Sun Life Financial Inc., Series 2016-2, Fixed to Floating, Unsecured, Debentures, Subordinated, Callable, 3.050% Sep 19, 2028	11,500	11,614	11,427
Suncor Energy, Inc., Series 5, Medium Term Notes, Senior, Unsecured, Callable, 3.000% Sep 14, 2026	10,000	9,946	9,769
TELUS Corporation, Series CK, Unsecured, Notes, Callable, 3.350% Apr 1, 2024	6,750	6,741	6,780
TELUS Corporation, Series CQ, Unsecured, Notes, Callable, 3.750% Jan 17, 2025	3,000	3,111	3,065
TELUS Corporation, Series CV, Senior, Unsecured, Notes, Callable, 3.750% Mar 10, 2026	7,675	7,974	7,798
TELUS Corporation, Senior, Unsecured, Notes, Callable, 3.625% Mar 1, 2028	2,180	2,179	2,174
TMX Group Limited, Series D, Senior, Unsecured, Debentures, Callable, 2.997% Dec 11, 2024	5,000	4,963	4,951
TMX Group Limited, Series E, Senior, Unsecured, Debentures, Callable, 3.779% Jun 5, 2028	330	330	337

BMO Private Canadian Mid-Term Bond Portfolio

(unaudited)

SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

As at June 30, 2018 (All amounts in thousands of Canadian dollars, unless otherwise noted)

Security	Par Value (in thousands)	Cost (\$)	Fair Value (\$)
Toromont Industries Ltd., Senior, Unsecured, Notes, Callable, 3.710% Sep 30, 2025	2,500	2,540	2,532
Toromont Industries Ltd., Senior, Unsecured, Notes, Callable, 3.842% Oct 27, 2027	4,250	4,356	4,300
Toronto Hydro Corporation, Series 12, Senior, Unsecured, Notes, Callable, 2.520% Aug 25, 2026	8,200	8,229	7,931
Toronto-Dominion Bank, The, Deposit Notes, Senior, Unsecured, 1.909% Jul 18, 2023	15,000	14,977	14,305
Toronto-Dominion Bank, The, Deposit Notes, Senior, Unsecured, 3.226% Jul 24, 2024	10,200	10,628	10,340
Toronto-Dominion Bank, The, Medium Term Notes, Fixed to Floating, Subordinated, Callable, 3.224% Jul 25, 2029	6,460	6,429	6,312
Toronto-Dominion Bank, The, Fixed to Floating, Medium Term Notes, Unsecured, Subordinated, Callable, 4.859% Mar 4, 2031	4,500	4,902	4,836
TransCanada PipeLines Limited, Medium Term Notes, Senior, Unsecured, Callable, 3.690% Jul 19, 2023	7,000	7,223	7,203
TransCanada PipeLines Limited, Medium Term Notes, Senior, Unsecured, Callable, 3.300% Jul 17, 2025	6,200	6,409	6,224
TransCanada PipeLines Limited, Medium Term Notes, Senior, Unsecured, 8.290% Feb 5, 2026	1,875	2,384	2,468
TransCanada PipeLines Limited, Medium Term Notes, Senior, Unsecured, Callable, 3.390% Mar 15, 2028	2,273	2,269	2,260
TransCanada Trust, Series 2017-A, Fixed to Floating, Junior, Notes, Subordinated, Callable, 4.650% May 18, 2077	10,940	10,956	10,477
Union Gas Limited, Series 10, Medium Term Notes, Unsecured, Callable, 3.790% Jul 10, 2023	1,500	1,570	1,564
Union Gas Limited, Series 13, Medium Term Notes, Senior, Unsecured, Callable, 3.190% Sep 17, 2025	1,000	1,005	1,011
Union Gas Limited, Series 14, Medium Term Notes, Senior, Unsecured, Callable, 2.810% Jun 1, 2026	2,000	2,004	1,967
Union Gas Limited, Medium Term Notes, Senior, Unsecured, Callable, 2.880% Nov 22, 2027	500	500	491
Ventas Canada Finance Ltd., Series B, Senior, Unsecured, Notes, Callable, 4.125% Sep 30, 2024	1,000	1,042	1,037
Westcoast Energy Inc., Series 15, Medium Term Notes, Senior, Unsecured, Callable, 3.430% Sep 12, 2024	5,500	5,627	5,560
		577,046	567,760
Total Investment Portfolio — 99.5%		2,155,297	2,109,490
Other Assets Less Liabilities — 0.5%			9,833
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS — 100.0%			2,119,323

BMO Private Canadian Mid-Term Bond Portfolio

(unaudited)

NOTES TO FINANCIAL STATEMENTS

(All amounts in thousands of Canadian dollars, except per unit data)

June 30, 2018

1. The Portfolio

BMO Private Canadian Mid-Term Bond Portfolio (“the Portfolio”) is an open-ended mutual fund trust established by a Declaration of Trust under the laws of the Province of Ontario, most recently amended on July 8, 2016. BMO Private Investment Counsel Inc. (“the Manager”) is the Manager of the Portfolio. The address of the Portfolio’s registered office is 1 First Canadian Place, 41st Floor, Toronto, Ontario, M5X 1A1.

The Statement of Financial Position and related notes of each of the Portfolios are as at June 30, 2018 and December 30, 2017. The Statement of Comprehensive Income, Statement of Changes in Net Assets Attributable to Holders of Redeemable Units, Statement of Cash Flows and related notes are for the periods ended June 30, 2018 and June 30, 2017.

These financial statements were authorized for issuance by the Board of Directors of the Manager on August 14, 2018.

These financial statements should be read in conjunction with the annual financial statements for the period ended December 31, 2017, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

2. Basis of preparation and presentation

These unaudited interim financial statements have been prepared in accordance with IFRS and in accordance with International Accounting Standard (“IAS”) 34 – Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”).

3. Summary of significant accounting policies

Financial instruments

Investments include financial assets and financial liabilities such as equity and debt securities, investment funds and derivatives. These financial instruments are part of a group of financial instruments that are managed and their performance is evaluated on a fair value basis in accordance with the Portfolio’s investment strategy.

The Portfolio classifies and measures financial instruments in accordance with IFRS 9 Financial Instruments (“IFRS 9”). Upon initial recognition, financial instruments are recorded at fair value through profit or loss (“FVTPL”). A financial instrument is recognized when the Portfolio becomes a party to the contractual requirements of the instrument and is derecognized when the right to receive cash flows from the instrument has expired or the Portfolio has

transferred substantially all risks and rewards of ownership. As such, investment purchase and sale transactions are recorded as of the trade date. Financial instruments are subsequently measured as FVTPL with changes in fair value recognized in the Statement of Comprehensive Income as “Change in unrealized appreciation (depreciation)”.

All financial assets and financial liabilities are recognized in the Statement of Financial Position.

The Portfolio’s outstanding redeemable units, which are puttable instruments, are entitled to a contractual obligation of annual distribution of any net income and net realized capital gains by the Portfolio. This annual distribution can be in cash at the option of the unitholders, and therefore the ongoing redemption feature is not the redeemable units’ only contractual obligation. Consequently, the units of the Portfolio do not meet the conditions to be classified as equity and therefore are classified as financial liabilities and presented at the redemption amounts.

Cost of investments

The cost of investments represents the amount paid for each security and is determined on an average cost basis and excludes commissions and other portfolio transaction costs, which are reported separately in the Statement of Comprehensive Income. Realized gains and losses on disposition are determined based on the cost of the investment.

Fair value measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

For exchange-traded securities, close prices are considered to be fair value if they fall within the bid-ask spread. In circumstances where the close price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances.

Procedures are in place to fair value equities traded in countries outside of North America daily, to avoid stale prices and to take into account among other things, any significant events occurring after the close of a foreign market.

For bonds, debentures, asset-backed securities and other debt securities, fair value is represented by bid prices provided by independent security pricing

BMO Private Canadian Mid-Term Bond Portfolio

(unaudited)

NOTES TO FINANCIAL STATEMENTS (cont'd)

(All amounts in thousands of Canadian dollars, except per unit data)

June 30, 2018

services. Short-term investments, if any, are held at amortized cost which approximates fair value.

Mutual fund units held as investments are valued at their respective Net Asset Value ("NAV") on each Valuation Date (the "Valuation Date" is each day on which the Toronto Stock Exchange is open for trading), as these values are the most readily and regularly available.

The Portfolio may enter into forward currency contracts for hedging purposes, either directly or indirectly or for non-hedging purposes. The fair value of forward currency contracts entered into by the Portfolio is recorded as the difference between the fair value of the contract on the Valuation Date and the fair value on the date the contract originated.

Unlisted warrants, if any, are valued based on a pricing model which considers factors such as the market value of the underlying security, strike price and terms of the warrant.

For securities where market quotes are not available, unreliable or not considered to reflect the current value, the Manager may determine another value which it considers to be fair and reasonable, or use a valuation technique that, to the extent possible, makes maximum use of inputs and assumptions based on observable market data including volatility, comparable companies, NAV (for exchange-traded funds) and other applicable rates or prices. These estimation techniques include discounted cash flows, internal models that utilize observable data or comparisons with other securities that are substantially similar. In limited circumstances, the Manager may use internal models where the inputs are not based on observable market data.

Cash

Cash is comprised of cash and deposits with banks which include bankers' acceptances and overnight demand deposits. Cash is recorded at fair value. The carrying amount of cash approximates its fair value because it is short-term in nature.

Other assets and other liabilities

Other assets and other liabilities generally include receivables and payables relating to investment transactions, unitholder subscriptions and redemptions, and other assets and other liabilities that are initially recorded at fair value. These financial assets and financial liabilities are short-term in nature and are

subsequently measured at amortized cost, which approximates their fair value.

Investments in subsidiaries, joint ventures and associates

Subsidiaries are entities over which the Portfolio has control through its exposure or rights to variable returns from its investment and has the ability to affect those returns through its power over the entity. The Manager has determined that the Portfolio is an investment entity and as such, it accounts for subsidiaries, if any, at fair value. Joint ventures are those where the Portfolio exercises joint control through an agreement with other shareholders, and associates are investments in which the Portfolio exerts significant influence over operating, investing, and financing decisions (such as entities in which the Portfolio owns 20% - 50% of voting shares), all of which, if any, have been classified at FVTPL.

Unconsolidated structured entities

During the periods, the Portfolio had no sponsored unconsolidated structured entities. The Manager has determined that the underlying funds in which the Portfolio may invest are unconsolidated structured entities. This determination is based on the fact that decision making about the underlying funds is not governed by the voting right or other similar right held by the Portfolio. Similarly, investments in securitizations, asset-backed securities and mortgage-backed securities are determined to be interests in unconsolidated structured entities.

The Portfolio may invest in underlying funds whose investment objectives range from achieving short-term to long-term income and capital growth potential. Underlying funds may use leverage in a manner consistent with their respective investment objectives and as permitted by Canadian securities regulatory authorities. Underlying funds finance their operations by issuing redeemable units which are puttable at the holders' option and entitles the holder to a proportionate stake in the respective fund's Net Assets. The change in fair value of each of the underlying funds during the periods is included in "Change in unrealized appreciation (depreciation)" in the Statement of Comprehensive Income.

Mortgage-related securities are created from pools of residential or commercial mortgage loans, including mortgage loans made by savings and loan institutions, mortgage bankers, commercial banks and others. Asset-backed securities created from many types of assets, including auto loans, credit card receivables, home equity loans, and student loans.

BMO Private Canadian Mid-Term Bond Portfolio

(unaudited)

NOTES TO FINANCIAL STATEMENTS (cont'd)

(All amounts in thousands of Canadian dollars, except per unit data)

June 30, 2018

The Portfolio does not provide and has not committed to providing any additional significant financial or other support to the unconsolidated structured entities other than its investment in the unconsolidated structured entities.

Additional information on the Portfolio's interest in unconsolidated structured entities, where applicable, is provided in Note 8.

Offsetting of financial assets and financial liabilities

Financial instruments are presented at net or gross amounts on the Statement of Financial Position depending on the existence of intention and legal right to offset opposite positions of such instruments held with the same counterparties. Amounts offset in the Statement of Financial Position are transactions for which the Portfolio has legally enforceable rights to offset and intends to settle the positions on a net basis. Amounts not offset in the Statement of Financial Position relate to transactions where a master netting arrangement or similar agreement is in place with a right to offset only in the event of default, insolvency or bankruptcy, or where the Portfolio has no intention of settling on a net basis. There were no master netting agreements during the periods.

Income recognition

Dividend income and distributions received from investment trusts are recognized on the ex-dividend and ex-distribution date, respectively.

Interest income from interest bearing investments is recognized in the Statement of Comprehensive Income using the effective interest rate. Interest receivable shown in the Statement of Financial Position is accrued based on the interest bearing investments' stated rates of interest.

Interest on inflation-indexed bonds is paid based on a principal value, which is adjusted for inflation. The inflation adjustment of the principal value is recognized as part of interest income in the Statement of Comprehensive Income. If held to maturity, the Portfolio will receive, in addition to a coupon interest payment, a final payment equal to the sum of the par value and the inflation compensation accrued from the original issue date. Interest is accrued on each Valuation Date based on the inflation adjusted par value at that time and is included in "Interest income" in the Statement of Comprehensive Income.

Foreign currency translation

The fair value of investments and other assets and liabilities in foreign currencies are translated into the Portfolio's functional currency at the rates of exchange prevailing at the period-end date. Purchases and sales of investments, and income and expenses are translated at the rates of exchange prevailing on the respective dates of such transactions. Foreign exchange gains (losses) on completed transactions are included in "Net realized gain (loss)" in the Statement of Comprehensive Income and unrealized foreign exchange gains (losses) are included in "Change in unrealized appreciation (depreciation)" in the Statement of Comprehensive Income. Foreign exchange gains (losses) relating to cash, receivables and payables are included in "Foreign exchange gain (loss)" in the Statement of Comprehensive Income.

Securities lending

A Portfolio may engage in securities lending pursuant to the terms of an agreement with BNY Mellon (the "security lending agent"). The aggregate market value of all securities loaned by the Portfolio cannot exceed 50% of the NAV of the Portfolio. The Portfolio will receive collateral of at least 102% of the value of securities on loan. Collateral will generally be comprised of obligations of or guarantee by the Government of Canada or a province thereof, or by the United States government or its agencies, but it may include obligations of other governments with appropriate credit ratings. Further, the program entered into provides for 100% indemnification by the securities lending agent and parties related to the Portfolio's custodian, to the Portfolio for the defaults by borrowers.

For those Portfolios participating in the program, aggregate values of securities on loan and the collateral held as at June 30, 2018 and December 31, 2017, are disclosed in Note 8.

Income from securities lending, where applicable, is included in the Statement of Comprehensive Income and is recognized when earned. The breakdown of the securities lending income is disclosed in Note 8, where applicable.

Short-term trading penalty

To discourage excessive trading, the Portfolio may, at the Manager's sole discretion, charge a short-term trading penalty. This penalty is paid directly to the Portfolio and is included in "Short-term trading penalty fees" in the Statement of Comprehensive Income.

BMO Private Canadian Mid-Term Bond Portfolio

(unaudited)

NOTES TO FINANCIAL STATEMENTS (cont'd)

(All amounts in thousands of Canadian dollars, except per unit data)

June 30, 2018

Increase or decrease in net assets attributable to holders of redeemable units per unit

“Increase (decrease) in net assets attributable to holders of redeemable units per unit” in the Statement of Comprehensive Income represents the increase (decrease) in net assets attributable to holders of redeemable units (“Net Assets”) divided by the weighted average number of units outstanding during the period.

Taxation

The Portfolio qualifies as a unit trust under the provisions of the Income Tax Act (Canada). Distributions of all net taxable income and sufficient amounts of net realized capital gains for each taxation year will be paid to unitholders so that the Portfolio will not be subject to income tax. As a result, the Portfolio has determined that it is in substance not taxable and therefore does not record income taxes in the Statement of Comprehensive Income nor does it recognize any deferred tax assets or liabilities in the Statement of Financial Position.

The Portfolio may incur withholding taxes imposed by certain countries on investment income and capital gains. Such income and capital gains are recorded on a gross basis with the related withholding taxes shown as a separate expense in the Statement of Comprehensive Income.

4. Critical accounting judgements and estimates

The preparation of financial statements requires the use of judgement in applying the Portfolio’s accounting policies and to make estimates and assumptions about the future. The following discusses the most significant accounting judgements and estimates that the Portfolio has made in preparing its financial statements.

Accounting judgements:

Functional and presentation currency

The Portfolio’s unitholders are mainly Canadian residents, with the subscriptions and redemptions of the redeemable units denominated in Canadian dollars. The Portfolio invests in Canadian and U.S. dollars and other foreign denominated securities, as applicable. The performance of the Portfolio is measured and reported to the investors in Canadian dollars. The Manager considers the Canadian dollar as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in Canadian dollars,

which is the Portfolio’s functional and presentation currency.

Classification and measurement of financial instruments

Effective January 1, 2018, the Portfolio retrospectively adopted IFRS 9. The new standard requires assets to be carried at either amortized cost, FVTPL, or fair value through other comprehensive income (“FVOCI”), based on an assessment of the Portfolio’s business model for managing financial assets and the contractual cash flow characteristic of the financial assets. In classifying and measuring financial instruments held by the Portfolio, the Manager is required to make significant judgements in determining the most appropriate classification in accordance with IFRS 9. The Manager has assessed the Portfolio’s business model with respect to the manner in which financial assets and financial liabilities are managed as a group and performance is evaluated on a fair value basis, and has concluded that FVTPL in accordance with IFRS 9 provides the most appropriate measurement and presentation of the Portfolio’s investment portfolio. Further information related to the Portfolio’s transition to IFRS 9 is detailed in Note 9.

Accounting estimates:

Fair value measurement of securities not quoted in an active market

The Portfolio has established policies and control procedures that are intended to ensure these estimates are well controlled, independently reviewed, and consistently applied from period to period. The estimates of the value of the Portfolio’s assets and liabilities are believed to be appropriate as at the reporting date.

The Portfolio may hold financial instruments that are not quoted in active markets. Note 3 discusses the policies used by the Portfolio for the estimates used in determining fair value.

5. Units and unit transactions

The redeemable units of the Portfolio are classified as liabilities.

The units have no par value and are entitled to distributions, if any. Upon redemption, a unit is entitled to a proportionate share of the Portfolio’s NAV. The Portfolio is required to pay distributions in an amount not less than the amount necessary to ensure the Portfolio will not be liable for income taxes on realized capital gains, dividends and interest. The Portfolio has no restrictions or specific capital requirements on the subscriptions and redemptions of units except

BMO Private Canadian Mid-Term Bond Portfolio

(unaudited)

NOTES TO FINANCIAL STATEMENTS (cont'd)

(All amounts in thousands of Canadian dollars, except per unit data)

June 30, 2018

as disclosed in Note 8. The relevant movements in redeemable units are shown on the Statement of Changes in Net Assets Attributable to Holders of Redeemable Units. In accordance with its investment objectives and strategies, and the risk management practices outlined in Note 7, the Portfolio endeavours to invest the subscriptions received in appropriate investments, while maintaining sufficient liquidity to meet redemptions, with such liquidity being augmented by short-term borrowings or disposal of investments where necessary.

Redeemable units of the Portfolio are offered for sale on a continuous basis and may be purchased or redeemed on any Valuation Date at the NAV per unit. The NAV per unit for the purposes of subscription or redemption is computed by dividing the NAV of the Portfolio (that is, the total fair value of the assets less the liabilities) by the total number of units of the Portfolio outstanding at such time on each Valuation Date, in accordance with Part 14 of National Instruments (“NI”) 81-106 Investment Fund Continuous Disclosure for the purpose of unitholder transactions. Net Assets are determined in accordance with IFRS and may differ to the Portfolio’s NAV. Where the Portfolio’s NAV is not equal to its Net Assets, a reconciliation is shown in Note 8.

6. Related party transactions

(a) Management fees

The Manager is responsible for the day-to-day management of the Portfolio, including managing or arranging for the management of the Portfolio’s investment portfolio as well as providing and arranging for the provision of administrative services to the Portfolio such as valuation services, fund accounting and unitholder records. The Manager does not receive a fee from the Portfolio for its services. Instead, unitholders pay an investment management fee directly to BMO Trust Company and the Manager as arranged between the unitholder, BMO Trust Company and the Manager.

(b) Unitholder servicing, sub-advisory commissions and other portfolio transaction costs

The Portfolio is provided with certain facilities and services by affiliates of the Manager. Expenses incurred in the administration of the Portfolio were paid to BMO Trust Company (“the Trustee”) and to BMO Asset Management Inc. (“the Registrar”) and charged to the Portfolio. These expenses are included in “Unitholder

servicing fees” in the Statement of Comprehensive Income.

The sub-advisors (including affiliates of the Manager, where applicable) engaged by the Manager provide investment advice and make investment decisions for the Portfolio’s investment portfolio. For these services the sub-advisors receive sub-advisory fees. These fees are paid monthly by the Manager on behalf of the Portfolio. These expenses are included in “Sub-advisory fees” in the Statement of Comprehensive Income. Any sub-advisory fees less than or equal to 0.15% of the NAV of the Portfolio are absorbed by the Manager.

(c) Portfolio expenses

The Portfolio also pays certain operating expenses directly, including compensation and expenses payable to Independent Review Committee (“IRC”) members and any independent counsel or other advisors employed by the IRC, the costs of the orientation and continuing education of IRC members and the costs and expenses associated with IRC meetings.

(d) Commissions and other portfolio transaction costs

The Portfolio may execute trades with and through BMO Nesbitt Burns Inc., an affiliate of the Manager based on established standard brokerage agreements at market prices. These fees are included in “Commissions and other portfolio transaction costs” in the Statement of Comprehensive Income. Refer to Note 8 for related party fees charged to the Portfolio during the periods ended June 30, 2018 and June 30, 2017.

(e) Other related party transactions

From time to time, the Manager may on behalf of the Portfolio, enter into transactions or arrangements with or involving subsidiaries and affiliates of Bank of Montreal, or certain other persons or companies that are related or connected to the Manager of the Portfolio. These transactions or arrangements may include transactions or arrangements with or involving subsidiaries and affiliates of Bank of Montreal, BMO Asset Management Inc., BMO Trust Company, BMO Nesbitt Burns Inc., BMO InvestorLine Inc., BMO Private Investment Counsel Inc., BMO Asset Management Corp., Pyrford International Limited, or other investment funds offered by Bank of Montreal, and may involve the purchase or sale of portfolio securities through or from a subsidiary or affiliates of Bank of Montreal, the purchase or sale of securities issued or guaranteed by subsidiaries or affiliates of Bank of Montreal, entering into forward contracts with subsidiaries or affiliates of Bank of Montreal acting as

BMO Private Canadian Mid-Term Bond Portfolio

(unaudited)

NOTES TO FINANCIAL STATEMENTS (cont'd)

(All amounts in thousands of Canadian dollars, except per unit data)

June 30, 2018

counterparty, the purchase or redemption of units of other Bank of Montreal affiliated investment funds or the provision of services to the Manager.

7. Financial instruments risks

The Portfolio's activities expose it to a variety of risks associated with the financial instruments, as follows: market risk (including currency risk, interest rate risk and other market risk), credit risk and liquidity risk.

The concentration table groups securities by asset type, geographic location and/or market segment. The Portfolio's risk management practice outlines the monitoring of compliance to investment guidelines.

The Manager manages the potential effects of these financial risks on the Portfolio's performance by employing and overseeing professional and experienced portfolio managers that regularly monitor the Portfolio's positions, market events and diversify investment portfolios within the constraints of the investment guidelines.

(a) Currency risk

Currency risk is the risk that the fair value of financial instruments denominated in currencies, other than the functional currency of the Portfolio, will fluctuate due to changes in foreign exchange rates. Investments in foreign markets are exposed to currency risk as the prices denominated in foreign currencies are converted to the Portfolio's functional currency in determining fair value. The Portfolio may enter into forward currency contracts for hedging purposes to reduce foreign currency exposure or to establish exposure to foreign currencies. The Portfolio's exposure to currency risk, if any, is further disclosed in Note 8.

(b) Interest rate risk

Interest rate risk is the risk that the fair value of the Portfolio's interest bearing investments will fluctuate due to changes in market interest rates. The Portfolio's exposure to interest rate risk is concentrated in its investment in debt securities (such as bonds, money market investments, short-term investments and debentures) and interest rate derivative instruments, if any. Other assets and liabilities are short-term in nature and/or non-interest bearing. The Portfolio's exposure to interest rate risk, if any, is further discussed in Note 8.

(c) Other market risk

Other market risk is the risk that the fair value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are

caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in a market. Other assets and liabilities are monetary items that are short-term in nature, as such they are not subject to other market risk. The Portfolio's exposure to other market risk, if any, is further discussed in Note 8.

(d) Credit risk

Credit risk is the risk that a loss could arise from a security issuer or counterparty to a financial instrument not being able to meet its financial obligations. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer. Credit risk exposure for over-the-counter derivative instruments is based on the Portfolio's unrealized gain of the contractual obligations with the counterparty as at the reporting date. The credit exposure of other assets is represented by its carrying amount. The Portfolio's exposure to credit risk, if any, is further discussed in Note 8.

The Portfolio may enter into securities lending transactions with approved counterparties. Credit risk associated with these transactions is considered minimal as all counterparties have a sufficient approved credit rating and the market value of collateral held by the Portfolio must be at least 102% of the fair value of securities loaned, as disclosed in Note 8, where applicable.

(e) Liquidity risk

The Portfolio's exposure to liquidity risk is concentrated in the daily cash redemptions of units. The Portfolio primarily invests in securities that are traded in active markets and can be readily disposed. In addition, the Portfolio retains sufficient cash and cash equivalent positions to maintain liquidity. The Portfolio may, from time to time, enter into over-the-counter derivative contracts or invest in unlisted securities, which are not traded in an organized market and may be illiquid. Securities for which a market quotation could not be obtained and may be illiquid are identified on the Schedule of Investment Portfolio. The proportion of illiquid securities to the NAV of the Portfolio is monitored by the Manager to ensure it does not exceed the regulatory limit and does not significantly affect the liquidity required to meet the Portfolio's financial obligations.

BMO Private Canadian Mid-Term Bond Portfolio

(unaudited)

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(All amounts in thousands of Canadian dollars, except per unit data)

June 30, 2018

8. Portfolio specific information

(a) Portfolio information and change in units

The Portfolio's inception date was June 28, 2000.

The number of units that have been issued and are outstanding are disclosed in the table below.

For the periods ended (in thousands of units)	Jun. 30, 2018	Jun. 30, 2017
Units issued and outstanding, beginning of period	186,608	171,131
Issued for cash	29,319	22,209
Issued on reinvestment of distributions	2,498	2,194
Redeemed during the period	(16,619)	(13,219)
Units issued and outstanding, end of period	201,806	182,315

(b) Reconciliation of NAV to Net Assets

As at June 30, 2018 and December 31, 2017, there were no differences between the Portfolio's NAV per unit and its Net Assets per unit calculated in accordance with IFRS.

(c) Increase (decrease) in net assets attributable to holders of redeemable units per unit

The increase (decrease) in net assets attributable to holders of redeemable units per unit for the periods ended June 30, 2018 and June 30, 2017 is calculated as follows:

For the periods ended	Jun. 30, 2018	Jun. 30, 2017
Increase in net assets attributable to holders of redeemable units	5,707	22,629
Weighted average units outstanding during the period (in thousands of units)	196,377	176,874
Increase in net assets attributable to holders of redeemable units per unit	0.03	0.13

(d) Income taxes

As at the tax year-ended December 2017, the Portfolio had the following capital and non-capital losses available for income tax purposes:

Total Capital Losses (\$)	Total Non-Capital Losses (\$)	Non-Capital Losses That Expire in		
		2028 (\$)	2029 (\$)	2030 and thereafter (\$)
2,558	—	—	—	—

(e) Related party transactions

Unitholder servicing

The related party fees charged for unitholder servicing fees are as follows:

For the periods ended	Jun. 30, 2018	Jun. 30, 2017
Unitholder servicing (\$)	134	126

Brokerage commissions and soft dollars

There were no brokerage commissions charged to the Portfolio during the periods ended June 30, 2018 and June 30, 2017.

(f) Financial instruments risks

The Portfolio's objective is to produce superior returns through a combination of interest income and capital growth while also pursuing capital preservation by primarily investing in high quality fixed income securities such as bonds and debentures issued by governments and corporations in Canada that mature in more than one year.

No changes affecting the overall level of risk of investing in the Portfolio were made during the period.

Currency risk

As at June 30, 2018 and December 31, 2017, the Portfolio did not have any significant exposure to currency risk as it invested fully in Canadian securities.

Interest rate risk

The Portfolio's exposure to interest rate risk, by remaining term to maturity, is summarized in the following table:

Number of years	Interest Rate Exposure as at	
	Jun. 30, 2018	Dec. 31, 2017
Less than one year	—	—
One to three years	—	—
Three to five years	—	—
Five to ten years	2,060,288	1,939,033
Greater than ten years	49,202	34,218
Total	2,109,490	1,973,251

All amounts in Canadian dollars

BMO Private Canadian Mid-Term Bond Portfolio

(unaudited)

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(All amounts in thousands of Canadian dollars, except per unit data)

June 30, 2018

As at June 30, 2018 and December 31, 2017, if the prevailing interest rates had been raised or lowered by 1%, assuming a parallel shift in the yield curve, with all other variables held constant, the Net Assets of the Portfolio could possibly have decreased or increased, respectively, by approximately \$136,579 (December 31, 2017 — \$127,510). The Portfolio's interest rate sensitivity was determined based on portfolio weighted duration. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

Other market risk

The Portfolio was not significantly exposed to other market risk as at June 30, 2018 and December 31, 2017, as it was invested fully in fixed income securities.

Credit risk

The Portfolio's exposure to credit risk, grouped by credit ratings, is summarized in the following table:

Credit Rating	As a % of Net Assets as at	
	Jun. 30, 2018	Dec. 31, 2017
AAA	35.2	34.3
AA	16.7	16.1
A	33.1	35.1
BBB	14.5	14.1
Total	99.5	99.6

Securities lending

The Portfolio had assets involved in securities lending transactions outstanding as at June 30, 2018 and December 31, 2017 as follows:

	Aggregate Value of Securities on Loan (\$)	Aggregate Value of Collateral Received for the Loan (\$)
June 30, 2018	418,092	440,047
December 31, 2017	520,498	546,919

The table below is a reconciliation of the gross amount generated from securities lending transactions to the security lending revenue for the periods ended June 30, 2018 and June 30, 2017:

For the periods ended	Jun. 30, 2018		Jun. 30, 2017	
	Amount	% of Gross Securities Lending Revenue	Amount	% of Gross Securities Lending Revenue
Gross securities lending revenue	236	100.0	207	100.0
Withholding taxes	0	0.2	0	0.1
	236	99.8	207	99.9
Payment to securities lending agents	71	29.9	62	30.0
Net securities lending revenue*	165	69.9	145	69.9

* Amount shown on the Statement of Comprehensive Income is gross of withholding taxes of \$0 (June 30, 2017 — \$0).

Concentration risk

The Portfolio's concentration risk is summarized in the following table:

As at	Jun. 30, 2018	Dec. 31, 2017
Bonds & Debentures		
Federal Bonds	32.6%	32.2%
Provincial Bonds	38.0%	42.2%
Municipal Bonds	2.1%	—%
Corporate Bonds & Debentures	26.8%	25.2%
Other Assets Less Liabilities	0.5%	0.4%
	100.0%	100.0%

(g) Fair value hierarchy

The Portfolio classifies its financial instruments into three levels based on the inputs used to value the financial instruments. Level 1 securities are valued based on quoted prices in active markets for identical securities. Level 2 securities are valued based on significant observable market inputs, such as quoted prices from similar securities and quoted prices in inactive markets or based on observable inputs to models. Level 3 securities are valued based on significant unobservable inputs that reflect the Manager's determination of assumptions that market participants might reasonably use in valuing the securities. The tables below show the relevant disclosure.

BMO Private Canadian Mid-Term Bond Portfolio

(unaudited)

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(All amounts in thousands of Canadian dollars, except per unit data)

June 30, 2018

As at Jun. 30, 2018

Financial assets	Level 1	Level 2	Level 3	Total
Debt Securities	2,109,490	—	—	2,109,490

As at Dec. 31, 2017

Financial assets	Level 1	Level 2	Level 3	Total
Debt Securities	1,973,251	—	—	1,973,251

Transfers between levels

There were no transfers between the levels during the periods.

(h) Unconsolidated structured entities

Information on the carrying amount and the size of the investments in structured entities is shown in the following table:

As at	Carrying amount	
	Jun. 30, 2018	Dec. 31, 2017
Canada Housing Trust, Mortgage Bonds, Series 52, Secured, 2.350% Sep 15, 2023	28,667	22,913
Canada Housing Trust, Mortgage Bonds, Series 55, Secured, 3.150% Sep 15, 2023	20,761	19,524
Canada Housing Trust, Mortgage Bonds, Series 58, Secured, 2.900% Jun 15, 2024	38,117	37,106
Canada Housing Trust, Mortgage Bonds, Series 62, Secured, 2.550% Mar 15, 2025	36,759	35,455
Canada Housing Trust, Mortgage Bonds, Series 67, Secured, 1.950% Dec 15, 2025	19,660	24,034
Canada Housing Trust, Mortgage Bonds, Series 70, Secured, 2.250% Dec 15, 2025	21,312	20,102
Canada Housing Trust, Mortgage Bonds, Series 73, Secured, 1.900% Sep 15, 2026	39,737	38,011
Canada Housing Trust, Mortgage Bonds, Series 77, Secured, 2.350% Jun 15, 2027	43,042	38,149
Canada Housing Trust, Mortgage Bonds, Series 80, Secured, 2.350% Mar 15, 2028	24,538	—
Canada Housing Trust, Mortgage Bonds, Series FEB, Secured, 2.650% Mar 15, 2028	24,171	—
Total	296,764	235,294

9. IFRS 9 transition

Upon transition to IFRS 9, financial assets and financial liabilities in the Portfolio's investment portfolio were classified as FVTPL. The classification differs from the classification under the previous IAS 39 for the financial assets and financial liabilities that were previously classified as held for trading; therefore there were changes in the categorization of financial assets and financial liabilities upon transition to IFRS 9. However, there were no changes in the measurement attributes for any of the financial assets and financial liabilities upon transition to IFRS 9. The tables below show the reconciliation of the financial assets and financial liabilities balances as at January 1, 2018, the IFRS 9 transition date.

As at Jan. 1, 2018

Financial Assets	Held for Trading	Designated as FVTPL	Loans and Receivables**	FVTPL
Opening balance - under IAS 39	—	1,973,251	10,954	—
On the basis of change from IAS 39 to IFRS 9:				
- reclassification of investments to FVTPL*	—	(1,973,251)	—	1,973,251
Total change on transition to IFRS 9	—	(1,973,251)	—	1,973,251
Opening balance - under IFRS 9	—	—	10,954	1,973,251

* These are financial instruments (derivatives) classified as held for trading and others designated as FVTPL under IAS 39.

** These are other financial assets classified as loans and receivables under IAS 39, now classified as amortized cost under IFRS 9.

As at Jan. 1, 2018

Financial Liabilities	Held for Trading	Amortized Cost**	FVTPL
Opening balance - under IAS 39	—	5,517	—
On the basis of change from IAS 39 to IFRS 9:			
- reclassification of shorts and other derivatives*	—	—	—
Total change on transition to IFRS 9	—	—	—
Opening balance - under IFRS 9	—	5,517	—

* These are other financial liabilities (such as shorts and derivatives) classified as held for trading under IAS 39.

** These are other financial liabilities that continue to be classified as amortized cost.

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