BMO Financial Group

Second Quarter 2010 Report to Shareholders

BMO Financial Group Delivers Strong Second Quarter Results, Earning $745 Million of Net Income

Fifth Consecutive Quarter of Higher Revenues and Net Income

P&C Canada Continues to Perform Well

Provisions for Credit Losses Continue Improving Trend

Tier 1 Capital Ratio Remains Strong, at 13.27%

Financial Results Highlights:

Second Quarter 2010 Compared with Second Quarter 2009:

- **Net income of $745 million, up $387 million from a year ago**
- **EPS[1] of $1.26 and cash EPS[2] of $1.28, both up $0.65 from a year ago**
- **Return on Equity of 16.4 %, compared with 8.1% a year ago**
- **Provisions for credit losses of $249 million, down $123 million from a year ago**

Year-to-Date 2010 Compared with a Year Ago:

- **Net income of $1,402 million, compared with $583 million in 2009**
- **EPS of $2.38 compared with $1.00 and cash EPS of $2.41 compared with $1.03**

Toronto, May 26, 2010 – For the second quarter ended April 30, 2010, BMO Financial Group reported net income of $745 million or $1.26 per share. Strong results were broadly based. Canadian personal and commercial banking had a good quarter, with net income of $396 million, up $56 million or 16% from a year ago. Private Client Group net income increased 64% to $118 million and BMO Capital Markets net income rose 38% to $259 million.

Today, BMO announced a third quarter dividend of $0.70 per common share, unchanged from the preceding quarter and equivalent to an annual dividend of $2.80 per common share.

"With a clear strategy and a focus on helping our customers succeed, BMO has achieved its fifth consecutive quarter of higher revenue and net income," said Bill Downe, President and Chief Executive Officer, BMO Financial Group. "Strong earnings, a continuation of the favourable trend in our revenue growth, and lower credit provisions, as credit conditions continue to improve, are reflected in these results.

1 All Earnings per Share (EPS) measures in this document refer to diluted EPS unless specified otherwise.
2 The adjustments that change results under generally accepted accounting principles (GAAP) to cash results are outlined in the Non-GAAP Measures section at the end of Management's Discussion and Analysis (MD&A), where such non-GAAP measures and their closest GAAP counterparts are outlined.

"Late in the quarter, we acquired certain of the assets and liabilities of a Rockford, Illinois-based bank, adding its 52 branches in Illinois and Wisconsin to our network. The acquisition provides an excellent fit with our strategy of growing P&C U.S. in the Midwest. We are pleased to welcome our new customers and employees, strengthening our presence in a marketplace we know well and in which we have a strong brand.

"P&C Canada continued to perform very well, with $396 million in net income, up 16% from a year ago. We achieved good revenue growth across each of our personal, commercial and cards businesses, driven by volume growth across most products, improved net interest margin and our continued focus on market share.

"BMO Capital Markets results were also good, with $259 million in net income, up 38% from the same quarter last year. During the quarter, BMO Capital Markets continued to take advantage of market opportunities to hire industry-leading talent that will position our businesses well for future growth across key sectors.

"Private Client Group results were strong at $118 million, up 64% from the same period a year ago as improved equity markets and the accumulation of net new client assets resulted in higher fee-based income.

"Net income for our P&C U.S. business was US$45 million, reflecting our strategic focus on our commercial banking model as we integrate all of our U.S. commercial customers into our P&C business. We have the right structure in place, under a strong leadership team, to grow this business.

"Our results confirm that we are successfully executing the customer-focused strategy we laid out three years ago. Our financial strength is giving us the flexibility to attract top talent and customers and expand our North American presence, while delivering strong results," concluded Mr. Downe.

Operating Segment Overview

In the current quarter we identified U.S. mid-market clients that would be better served by a commercial banking model and transferred the accounts to P&C U.S. from BMO Capital Markets. Comparative figures have been restated to reflect the effects of the transfer and conform to the current presentation.

P&C Canada

Net income was a strong $396 million, up $56 million or 16% from a year ago. We had good revenue increases across each of our personal, commercial and cards businesses, driven by volume growth across most products, the inclusion of Diners Club in our financial results and an improved net interest margin. Good revenue growth together with effective management of operating expenses resulted in strong cash operating leverage of 6.1%.

Our goal is to be the bank that defines great customer experience. We have narrowed the gap to the industry leader on both personal and commercial loyalty scores relative to a year ago and we have seen year-over-year increases in the average number of product categories used by both personal and commercial customers. This is the result of our commitment to listen, understand and provide guidance to our customers.

In personal banking, our Spring Home Financing Campaign is designed to help customers make the right home financing decisions by giving the right advice. We introduced a new straightforward low-fixed-rate closed mortgage product and made it easier for customers to contact a mortgage specialist or apply for a new mortgage online. We are also promoting our popular Homeowner ReadiLine product, which lets customers use the equity in their home to finance renovations or any other expenses.

In commercial banking, we launched BMO SmartSteps for Business to provide small business owners convenient access to advice on how to manage their business better. We continue to rank second in Canadian business lending market share and our goal is to become the bank of choice for businesses across Canada.

We are one of the largest MasterCard issuers in Canada. We are growing our cards business, while maintaining prudent credit management and have had significantly better credit loss rates than our peers. During the quarter, BMO became the first Canadian bank to introduce the World Elite MasterCard – a premium credit card that offers a superior level of service, world-class travel benefits and first-class travel insurance.

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

Net income was $45 million, down $20 million or 31% from a year ago. Revenues from improved loan spreads were more than offset by a decline in commercial loan balances due to lower client loan utilization, deposit spread compression and the impact of impaired loans.

Net income for the quarter adjusted for the impact of impaired loans was $61 million. The cash productivity ratio for the quarter adjusted on the same basis was 62.3%.

To position our commercial business to be aligned for growth coming out of the U.S. recession, we identified U.S. mid-market clients that would be better served by a commercial banking model and transferred these accounts to P&C U.S. from BMO Capital Markets in the quarter. As a result, P&C U.S. assumed $5.4 billion in loans and $3.2 billion in deposits with results for prior periods restated to reflect the transfer. We plan to intensify coverage of this expanded universe of accounts to create an opportunity to deepen existing client relationships and win new business. We expect to realize economic benefits by reducing the cost to serve each account and by leveraging our strong reputation as a commercial lender with the Harris brand. Migrating accounts that are primarily lending-based into P&C U.S. allows BMO Capital Markets to direct its attention to sectors and clients where it has a differentiated competitive advantage and to maintain a clear focus on winning investment banking mandates.

In personal banking, we continue to focus on helping make money make sense for our customers. Leveraging the success of the BMO SmartSteps program, we have developed Harris Helpful Steps. Launching in June via an aggressive multichannel integrated marketing and sales campaign, the program delivers five simple steps to help consumers save more, spend smarter and take control of their finances.

On April 23, 2010, we announced the acquisition of certain assets and liabilities of a Rockford, Illinois-based bank from the Federal Deposit Insurance Corporation (FDIC). The acquisition was effective immediately. The 52 branches of the bank reopened as Harris branches the following day. The acquisition adds approximately US$2.2 billion in deposits and US$2.5 billion in assets. It provides an excellent strategic fit that accelerates our growth strategy, adding quality locations and a valued customer base that expands our branch network into communities in northern Illinois and southern Wisconsin where we already have a strong and growing commercial banking presence. As is normal with acquisitions, we are addressing overlap in operations and locations to achieve synergies.

Private Client Group (PCG)

Net income was $118 million, an increase of $46 million or 64% from the same quarter a year ago.

PCG net income, excluding the insurance business, was $73 million, up $31 million or 79% from a year ago. Insurance net income was $45 million for the quarter, up $15 million or 43% from a year ago, due to organic growth and the $8 million incremental benefit from the BMO Life Assurance acquisition. PCG revenue grew by $91 million or 19% primarily as a result of improved equity markets and the success of our focus on attracting new client assets, which has resulted in revenue growth across all our businesses. The BMO Life Assurance acquisition also contributed to revenue growth. The cash productivity ratio of 71.2% improved 800 basis points from the prior year.

Assets under management and administration improved by $45 billion or 20% year over year, after adjusting to exclude the impact of the weaker U.S. dollar.

PCG launched six new mutual fund portfolios of Exchange Traded Funds (ETFs) in the quarter, giving investors broader choice and greater access to the growing ETF market. The new offerings include two tactically managed funds and four strategically managed risk-differentiated portfolios, providing access to a portfolio of ETFs in one simple investment solution, in a mutual fund structure with which many investors are familiar.

BMO Capital Markets

BMO Capital Markets has built on its good first quarter performance with a strong second quarter, earning net income of $259 million, up $71 million or 38% from a year ago. Our return on equity was 24.8%, compared to 12.8% a year ago. Revenue increased $186 million or 27% to $864 million. Our revenue generation continued to benefit from our client focus and our diversified portfolio of businesses. Trading revenues were significantly higher than in the prior year as revenues a year ago were lowered by losses related to our Canadian credit protection vehicle. Investment securities gains were positive this year whereas the prior year included charges related to the weaker capital markets environment. Corporate lending revenue fell due to significantly reduced asset levels and lower fees. Investment banking performance was also softer than a year ago, although activity is expected to increase due to our strong pipeline.

During the quarter, BMO Capital Markets was recognized for its focus on client service by being named the world's Best Metals & Mining Investment Bank by *Global Finance* magazine, an acknowledgement of our experience and deep sector knowledge. Our Foreign Exchange group also won the Most Improved Overall Market Share award in the *Euromoney* FX survey, the benchmark poll for the foreign exchange industry. BMO Capital Markets continued to upgrade talent across various product areas, including securities lending, leveraged finance, mergers and acquisitions, sales and trading, research and equity and debt capital markets to position our businesses for future growth.

BMO Capital Markets was involved in 119 new issues in the quarter including 25 corporate debt deals, 36 government deals, 53 common equity transactions and five issues of preferred shares, raising $39 billion.

Corporate Services

Corporate Services incurred a net loss in the quarter of $74 million. Results were $249 million better than in the prior year due to improved revenues, reduced expenses and lower provisions for credit losses. Expenses decreased as the prior year included $118 million of severance costs. Provisions for credit losses charged to Corporate Services were reduced by $187 million. BMO employs a methodology for segmented reporting purposes whereby expected credit losses are charged to the client operating groups, and the difference between expected losses and actual losses is charged (or credited) to Corporate Services.

Caution

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

Financial Highlights

(Unaudited) (Canadian $ in millions, except as noted)	For the three months ended						For the six months ended		
	April 30, 2010	January 31, 2010	October 31, 2009	July 31, 2009	April 30, 2009	Change from April 30, 2009	**April 30, 2010**	April 30, 2009	Change from April 30, 2009
Income Statement Highlights									
Total revenue	**$ 3,049**	$ 3,025	$ 2,989	$ 2,978	$ 2,655	14.8 %	**$ 6,074**	$ 5,097	19.2 %
Provision for credit losses	**249**	333	386	417	372	(33.1)	**582**	800	(27.2)
Non-interest expense	**1,830**	1,839	1,779	1,873	1,888	(3.1)	**3,669**	3,729	(1.6)
Net income	**745**	657	647	557	358	+100	**1,402**	583	+100
Net Income by Operating Segment									
Personal & Commercial Banking Canada	**$ 396**	$ 403	$ 398	$ 362	$ 340	16.4 %	**$ 799**	$ 655	22.0 %
Personal & Commercial Banking U.S.	**46**	51	51	58	81	(42.8)	**97**	177	(45.2)
Private Client Group	**118**	113	106	113	72	63.7	**231**	140	65.6
BMO Capital Markets	**259**	214	260	310	188	38.2	**473**	303	56.5
Corporate Services (a)	**(74)**	(124)	(168)	(286)	(323)	77.0	**(198)**	(692)	71.1
Common Share Data ($)									
Diluted earnings per share	**$ 1.26**	$ 1.12	$ 1.11	$ 0.97	$ 0.61	$ 0.65	**$ 2.38**	$ 1.00	$ 1.38
Diluted cash earnings per share (b)	**1.28**	1.13	1.13	0.98	0.63	0.65	**2.41**	1.03	1.38
Dividends declared per share	**0.70**	0.70	0.70	0.70	0.70	0.00	**1.40**	1.40	0.00
Book value per share	**32.04**	32.51	31.95	31.26	32.22	(0.18)	**32.04**	32.22	(0.18)
Closing share price	**63.09**	52.00	50.06	54.02	39.50	23.59	**63.09**	39.50	23.59
Total market value of common shares ($ billions)	**35.3**	28.9	27.6	29.6	21.5	13.8	**35.3**	21.5	13.8

	As at					
	April 30, 2010	January 31, 2010	October 31, 2009	July 31, 2009	April 30, 2009	Change from April 30, 2009
Balance Sheet Highlights						
Assets	**$ 390,166**	$ 398,623	$ 388,458	$ 415,361	$ 432,245	(9.7)%
Net loans and acceptances	**169,753**	169,588	167,829	173,558	179,650	(5.5)
Deposits	**239,260**	240,299	236,156	244,953	247,169	(3.2)
Common shareholders' equity	**17,944**	18,054	17,626	17,144	17,561	2.2

	For the three months ended					For the six months ended	
	April 30, 2010	January 31, 2010	October 31, 2009	July 31, 2009	April 30, 2009	**April 30, 2010**	April 30, 2009
Financial Measures and Ratios (% except as noted) (c)							
Average annual five year total shareholder return	**7.2**	3.5	1.8	4.0	(1.2)	**7.2**	(1.2)
Diluted earnings per share growth	**+100**	+100	4.7	(1.0)	(51.2)	**+100**	(41.9)
Diluted cash earnings per share growth (b)	**+100**	+100	4.6	(2.0)	(50.0)	**+100**	(41.1)
Return on equity	**16.4**	14.3	14.0	12.1	8.1	**15.3**	6.5
Cash return on equity (b)	**16.6**	14.4	14.2	12.3	8.4	**15.5**	6.8
Net economic profit (NEP) growth (b)	**+100**	+100	10.4	(35.1)	(+100)	**+100**	(+100)
Operating leverage	**17.9**	24.0	8.5	3.3	(11.1)	**20.8**	(3.5)
Cash operating leverage (b)	**17.7**	23.9	8.3	3.3	(11.0)	**20.7**	(3.5)
Revenue growth	**14.8**	23.9	6.3	8.4	1.3	**19.2**	9.7
Non-interest expense growth	**(3.1)**	(0.1)	(2.2)	5.1	12.4	**(1.6)**	13.2
Cash non-interest expense growth (b)	**(2.9)**	0.0	(2.0)	5.1	12.3	**(1.5)**	13.2
Non-interest expense-to-revenue ratio	**60.0**	60.8	59.5	62.9	71.1	**60.4**	73.2
Cash non-interest expense-to-revenue ratio (b)	**59.7**	60.5	59.2	62.5	70.7	**60.1**	72.7
Provision for credit losses-to-average loans and acceptances (annualized)	**0.59**	0.79	0.89	0.94	0.79	**0.69**	0.85
Gross impaired loans and acceptances-to-equity and allowance for credit losses	**14.34**	13.11	14.06	12.75	12.95	**14.34**	12.95
Cash and securities-to-total assets ratio	**35.8**	33.9	31.9	30.0	28.2	**35.8**	28.2
Tier 1 capital ratio	**13.27**	12.53	12.24	11.71	10.70	**13.27**	10.70
Total capital ratio	**15.69**	14.82	14.87	14.32	13.20	**15.69**	13.20
Credit rating							
DBRS	**AA**	AA	AA	AA	AA	**AA**	AA
Fitch	**AA-**	AA-	AA-	AA-	AA-	**AA-**	AA-
Moody's	**Aa2**	Aa2	Aa1	Aa1	Aa1	**Aa2**	Aa1
Standard & Poor's	**A+**	A+	A+	A+	A+	**A+**	A+
Twelve month total shareholder return	**68.7**	67.1	25.1	21.4	(15.2)	**68.7**	(15.2)
Dividend yield	**4.44**	5.38	5.59	5.18	7.09	**4.44**	7.09
Price-to-earnings ratio (times)	**14.1**	13.6	16.3	17.8	13.0	**14.1**	13.0
Market-to-book value (times)	**1.97**	1.60	1.57	1.73	1.23	**1.97**	1.23
Net economic profit (loss) ($ millions) (b)	**263**	171	159	79	(87)	**434**	(306)
Return on average assets	**0.78**	0.66	0.63	0.52	0.32	**0.72**	0.25
Net interest margin on average earning assets	**1.88**	1.85	1.73	1.74	1.55	**1.87**	1.53
Non-interest revenue-to-total revenue	**50.1**	49.3	51.7	50.8	49.7	**49.7**	47.8
Equity-to-assets ratio	**5.3**	5.2	5.2	4.7	4.6	**5.3**	4.6

All ratios in this report are based on unrounded numbers.

(a) Corporate Services includes Technology and Operations.

(b) Refer to the "Non-GAAP Measures" section of Management's Discussion and Analysis for an explanation of cash results and net economic profit. Securities regulators require that companies caution readers that earnings and other measures adjusted to a basis other than generally accepted accounting principles (GAAP) do not have standardized meanings under GAAP and are unlikely to be comparable to similar measures used by other companies.

(c) For the period ended, or as at, as appropriate.

Management's Discussion and Analysis

MD&A commentary is as of May 26, 2010. Unless otherwise indicated, all amounts are in Canadian dollars and have been derived from financial statements prepared in accordance with Canadian generally accepted accounting principles (GAAP). The MD&A should be read in conjunction with the unaudited consolidated financial statements for the period ended April 30, 2010, included in this document, and the annual MD&A for the year ended October 31, 2009, included in BMO's 2009 Annual Report. The material that precedes this section comprises part of this MD&A.

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

Summary Data

(Unaudited) (Canadian $ in millions, except as noted)	Q2-2010	Increase (Decrease) vs. Q2-2009		Increase (Decrease) vs. Q1-2010		YTD-2010	Increase (Decrease) vs. YTD-2009	
Net interest income	**1,522**	187	14%	(10)	(1%)	**3,054**	392	15%
Non-interest revenue	**1,527**	207	16%	34	2%	**3,020**	585	24%
Revenue	**3,049**	394	15%	24	1%	**6,074**	977	19%
Specific provision for credit losses	**249**	(123)	(33%)	(84)	(25%)	**582**	(218)	(27%)
Increase in the general allowance	**-**	-	-	-	-	**-**	-	-
Total provision for credit losses	**249**	(123)	(33%)	(84)	(25%)	**582**	(218)	(27%)
Non-interest expense	**1,830**	(58)	(3%)	(9)	-	**3,669**	(60)	(2%)
Provision for income taxes	**207**	189	+100%	30	17%	**384**	437	+100%
Non-controlling interest in subsidiaries	**18**	(1)	(5%)	(1)	(5%)	**37**	(1)	(2%)
Net income	**745**	387	+100%	88	13%	**1,402**	819	+100%
Amortization of acquisition-related intangible assets (after tax) (1)	**7**	(3)	(16%)	-	-	**14**	(4)	(24%)
Cash net income (2)	**752**	384	+100%	88	13%	**1,416**	815	+100%
Earnings per share – basic ($)	**1.27**	0.66	+100%	0.15	13%	**2.40**	1.40	+100%
Earnings per share – diluted ($)	**1.26**	0.65	+100%	0.14	13%	**2.38**	1.38	+100%
Cash earnings per share – diluted ($) (2)	**1.28**	0.65	+100%	0.15	13%	**2.41**	1.38	+100%
Return on equity (ROE)	**16.4%**		8.3%		2.1%	**15.3%**		8.8%
Cash ROE (2)	**16.6%**		8.2%		2.2%	**15.5%**		8.7%
Productivity ratio	**60.0%**		(11.1%)		(0.8%)	**60.4%**		(12.8%)
Cash productivity ratio (2)	**59.7%**		(11.0%)		(0.8%)	**60.1%**		(12.6%)
Operating leverage	**17.9%**		nm		nm	**20.8%**		nm
Cash operating leverage (2)	**17.7%**		nm		nm	**20.7%**		nm
Net interest margin on earning assets	**1.88%**		0.33%		0.03%	**1.87%**		0.34%
Effective tax rate	**21.4%**		17.0%		0.6%	**21.1%**		30.5%
Capital Ratios:								
Tier 1 Capital Ratio	**13.27%**		2.57%		0.74%	**13.27%**		2.57%
Total Capital Ratio	**15.69%**		2.49%		0.87%	**15.69%**		2.49%
Net income:								
Personal and Commercial Banking	**442**	21	5%	(12)	(3%)	**896**	64	8%
P&C Canada	**396**	56	16%	(7)	(2%)	**799**	144	22%
P&C U.S.	**46**	(35)	(43%)	(5)	(9%)	**97**	(80)	(45%)
Private Client Group	**118**	46	64%	5	4%	**231**	91	66%
BMO Capital Markets	**259**	71	38%	45	21%	**473**	170	57%
Corporate Services, including Technology and Operations (T&O)	**(74)**	249	77%	50	41%	**(198)**	494	71%
BMO Financial Group Net Income	**745**	387	+100%	88	13%	**1,402**	819	+100%

(1) The amortization of non-acquisition-related intangible assets is not added back in the determination of cash net income.
(2) These are non-GAAP amounts or non-GAAP measures. Please see the Non-GAAP Measures section at the end of the MD&A, which outlines the use of non-GAAP measures in this document.

nm – not meaningful.

Management's Responsibility for Financial Information

Bank of Montreal's Chief Executive Officer and Chief Financial Officer have signed certifications relating to the appropriateness of the financial disclosures in our interim MD&A and unaudited interim consolidated financial statements for the period ended April 30, 2010 and relating to the design of our disclosure controls and procedures and internal control over financial reporting. Bank of Montreal's management, under the supervision of the CEO and CFO, has evaluated the effectiveness, as at April 30, 2010, of Bank of Montreal's disclosure controls and procedures (as defined in the rules of the Securities and Exchange Commission and the Canadian Securities Administrators) and has concluded that such disclosure controls and procedures are effective.

Bank of Montreal's internal control over financial reporting includes policies and procedures that: pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of BMO; provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with Canadian generally accepted accounting principles and the requirements of the Securities and Exchange Commission in the United States, as applicable; ensure receipts and expenditures of BMO are being made only in accordance with authorizations of management and directors of Bank of Montreal; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of BMO assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements. Further, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

There were no changes in our internal control over financial reporting during the quarter ended April 30, 2010 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

As in prior quarters, Bank of Montreal's audit committee reviewed this document, including the unaudited interim consolidated financial statements, and Bank of Montreal's Board of Directors approved the document prior to its release.

A comprehensive discussion of our businesses, strategies and objectives can be found in Management's Discussion and Analysis in BMO's 2009 Annual Report, which can be accessed on our website at www.bmo.com/investorrelations. Readers are also encouraged to visit the site to view other quarterly financial information.

Caution Regarding Forward-Looking Statements

Bank of Montreal's public communications often include written or oral forward-looking statements. Statements of this type are included in this document, and may be included in other filings with Canadian securities regulators or the U.S. Securities and Exchange Commission, or in other communications. All such statements are made pursuant to the safe harbour provisions of, and are intended to be forward-looking statements under, the United States Private Securities Litigation Reform Act of 1995 and any applicable Canadian securities legislation. Forward-looking statements may involve, but are not limited to, comments with respect to our objectives and priorities for 2010 and beyond, our strategies or future actions, our targets, expectations for our financial condition or share price, and the results of or outlook for our operations or for the Canadian and U.S. economies.

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

The future outcomes that relate to forward-looking statements may be influenced by many factors, including but not limited to: general economic and market conditions in the countries in which we operate; interest rate and currency value fluctuations; changes in monetary policy; the degree of competition in the geographic and business areas in which we operate; changes in laws; judicial or regulatory proceedings; the accuracy and completeness of the information we obtain with respect to our customers and counterparties; our ability to execute our strategic plans and to complete and integrate acquisitions; critical accounting estimates; operational and infrastructure risks; general political conditions; global capital market activities; the possible effects on our business of war or terrorist activities; disease or illness that impacts on local, national or international economies; disruptions to public infrastructure, such as transportation, communications, power or water supply; and technological changes.

We caution that the foregoing list is not exhaustive of all possible factors. Other factors could adversely affect our results. For more information, please see the discussion on pages 32 and 33 of BMO's 2009 Annual Report, which outlines in detail certain key factors that may affect BMO's future results. When relying on forward-looking statements to make decisions with respect to Bank of Montreal, investors and others should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. Bank of Montreal does not undertake to update any forward-looking statement, whether written or oral, that may be made, from time to time, by the organization or on its behalf, except as required by law. The forward-looking information contained in this document is presented for the purpose of assisting our shareholders in understanding our financial position as at and for the periods ended on the dates presented and our strategic priorities and objectives, and may not be appropriate for other purposes.

Assumptions about the performance of the Canadian and U.S. economies as well as overall market conditions and their combined effect on the bank's business, including those described under the heading Economic Outlook and Review, are material factors we consider when determining our strategic priorities, objectives and expectations for our business. In determining our expectations for economic growth, both broadly and in the financial services sector, we primarily consider historical economic data provided by the Canadian and U.S. governments and their agencies.

Regulatory Filings

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

Economic Outlook and Review

Canada's economy has recovered faster than anticipated in response to expansive monetary and fiscal policies and firmer commodity prices. Supported by renewed job growth, consumer spending has strengthened, with auto sales returning to pre-recession levels. Home sales have rebounded sharply in anticipation of higher interest rates, tighter mortgage rules and the new harmonized sales tax in Ontario and British Columbia, lifting prices to new highs. Despite the strong Canadian dollar, exports have increased in response to improved global demand, spurring an upturn in manufacturing. The economy is expected to grow in excess of 3% in 2010. Business investment is projected to strengthen in response to solid demand for commodities, notably oil and base metals. Continued strength in domestic demand should support growth in personal credit. However, demand for residential mortgages will likely moderate as higher interest rates slow the housing market. The Bank of Canada is expected to begin tightening monetary policy in the summer, although concerns about contagion from the debt problems of certain European countries could delay rate hikes.

Highly expansionary monetary and fiscal policies have also led to a stronger-than-expected recovery in the U.S. economy. Consumer spending has increased in response to improving labour market conditions. Business capital spending continues to expand amid growing confidence in the economic recovery and a modest easing in credit standards. Housing markets continue to stabilize as a result of attractive affordability and earlier tax incentives, though demand and construction remain weak. With interest rates likely to remain low for a while longer, the U.S. economy is projected to grow at a moderate rate of about 3% in 2010. Consumer and business loan demand are expected to improve over the balance of the year, but remain soft in the face of ongoing foreclosures and a struggling commercial real estate market. High unemployment and low inflation should encourage the Federal Reserve to keep policy rates near zero until late this year. Capital markets activities should remain healthy as the economic expansion continues.

Our U.S. banking operations are largely located in the Midwest, a region that is generally tracking national economic trends, with employment beginning to rise, manufacturing rebounding sharply in response to increased exports and auto production, and the housing market slowly recovering. As with the rest of the nation, the Midwest economy is expected to grow moderately in 2010.

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

Foreign Exchange

The Canadian dollar equivalents of BMO's U.S.-dollar-denominated net income, revenues, expenses, provisions for credit losses and income taxes were decreased relative to the second quarter of 2009 and first quarter of 2010 by the weakening of the U.S. dollar. The average Canadian/U.S. dollar exchange rate, expressed in terms of the Canadian dollar cost of a U.S. dollar, fell by 17% from a year ago and by 3% from the average of the first quarter of 2010. The following table indicates the relevant average Canadian/U.S. dollar exchange rates and the impact of changes in the rates.

Effects of U.S. Dollar Exchange Rate Fluctuations on BMO's Results

	Q2-2010		YTD-2010 vs.
(Canadian $ in millions, except as noted)	vs. Q2-2009	vs. Q1-2010	YTD-2009
Canadian/U.S. dollar exchange rate (average)			
Current period	1.0274	1.0274	1.0433
Prior period	1.2417	1.0587	1.2343
Increased (decreased) revenue	(157)	(23)	(285)
Decreased (increased) expense	92	13	162
Decreased (increased) provision for credit losses	26	6	57
Decreased (increased) income taxes	2	-	16
Increased (decreased) net income	(37)	(4)	(50)

At the start of each quarter, BMO assesses whether to enter into hedging transactions that are expected to partially offset the pre-tax effects of exchange rate fluctuations in the quarter on our expected U.S.-dollar-denominated net income for that quarter. As such, the hedging activities partially mitigate the impact of exchange rate fluctuations within a single quarter; however, the hedging transactions are not designed to offset the impact of year-over-year or quarter-over-quarter fluctuations in exchange rates. The U.S. dollar weakened over the course of the current quarter, as the exchange rate decreased from Cdn$1.0693 per U.S. dollar at January 31, 2010 to an average of Cdn$1.0274. As a result, hedging transactions resulted in an after-tax gain of $4 million in the quarter and $5 million for the year to date. The gain or loss from hedging transactions in future periods will be determined by both future currency fluctuations and the amount of underlying future hedging transactions, since the transactions are entered into each quarter in relation to expected U.S.-dollar-denominated net income for the next three months.

The effect of currency fluctuations on our investments in foreign operations is discussed in the Income Taxes section.

Other Value Measures

Net economic profit was $263 million (see the Non-GAAP Measures section), compared with $171 million in the first quarter and negative $87 million in the second quarter of 2009.

BMO's average annual total shareholder return for the five-year period ended April 30, 2010 was 7.2%.

Net Income

Q2 2010 vs Q2 2009

Net income was $745 million for the second quarter of 2010, up $387 million from a year ago. Earnings per share were $1.26, compared with $0.61. Results a year ago included $227 million after tax ($0.42 per share) for a charge of $147 million after tax related to a Canadian credit protection vehicle and severance costs of $80 million after tax, as set out in the Notable Items section that follows at the end of this MD&A.

Provisions for credit losses in the current quarter were $123 million lower as the U.S. credit environment was weaker a year ago.

P&C Canada net income increased a strong $56 million or 16%. We had good revenue increases across each of our personal, commercial and cards businesses, driven by volume growth across most products, the inclusion of Diners Club in our financial results and an improved net interest margin.

P&C U.S. net income decreased Cdn$35 million, or by US$20 million to US$45 million. Revenues from improved loan spreads were more than offset by the decrease in commercial loan balances due to lower client loan utilization, deposit spread compression and the increased impact of impaired loans.

Private Client Group net income increased $46 million or 64%, reflecting stronger earnings across all of our businesses, including the benefit of the BMO Life Assurance acquisition that we completed on April 1, 2009.

BMO Capital Markets net income increased $71 million or 38%. There was good revenue growth, partially offset by higher provisions for credit losses and an increase in employee compensation costs, in line with improved revenue performance. Last year's results reflected significant charges in respect of the weaker capital markets environment.

Corporate Services net loss of $74 million was $249 million better than in the prior year, primarily due to improved revenues, reduced expenses and lower provisions for credit losses. Revenues improved primarily due to a lower negative carry on certain asset-liability interest rate positions as a result of management actions and more stable market conditions and the lower impact of prior year's funding activities that enhanced our strong liquidity position. Expenses decreased as the prior year included $118 million of severance costs.

Q2 2010 vs Q1 2010

Net income increased $88 million or 13% from the first quarter. There were higher revenues, lower provisions for credit losses and a modest reduction in expenses.

Provisions for credit losses decreased $84 million, primarily in our U.S. segment.

P&C Canada net income decreased $7 million or 2.0%. The effects of three fewer days in the current quarter more than offset the impacts of volume growth and the Diners Club acquisition.

P&C U.S. net income decreased Cdn$5 million, or by US$3 million to US$45 million, in part due to the increased impact of impaired assets.

Private Client Group net income increased $5 million or 3.8% due primarily to growth in PCG, excluding insurance, partially offset by the effects of fewer days in the current quarter.

BMO Capital Markets net income increased $45 million or 21%. Results in the second quarter reflected higher revenues and proportionately higher tax-exempt income. Revenue increased due to higher trading revenue and investment securities gains, partially offset by lower investment banking fees and reduced corporate banking revenue. Expenses were unchanged.

Corporate Services net loss of $74 million was $50 million better than in the first quarter, largely due to lower provisions for credit losses.

Q2 YTD 2010 vs Q2 YTD 2009

Net income increased $819 million to $1,402 million. Net income in the comparable period of 2009 was lowered by notable items totalling $396 million after tax in respect of capital markets environment charges and severance costs.

In P&C Canada, net income increased $144 million or 22%, driven by improvements in each of the personal, commercial and card segments with volume growth across most products, the inclusion of Diners Club in our financial results and an improved net interest margin.

P&C U.S. net income of US$93 million fell US$50 million or 35%. Revenues from improved loan spreads were more than offset by the decline in commercial loan balances due to lower client loan utilization, deposit spread compression and the increased impact of impaired loans.

Private Client Group net income increased $91 million or 66% from the prior year. Results reflected revenue growth across all of our businesses, including the benefit of our BMO Life Assurance acquisition.

BMO Capital Markets net income increased $170 million or 57% to $473 million. Revenue rose $416 million or 33% due to investment securities gains in the current year compared to large investment securities losses in the prior year in the weaker capital markets environment. Interest rate trading revenues have improved considerably as the prior year included large losses related to our Canadian credit protection vehicle. Mergers and acquisitions fees and debt underwriting fees also improved due to better economic conditions.

Corporate Services net loss improved $494 million from a year ago, driven in large part by lower provisions for credit losses and higher revenues. Revenues improved primarily for the same reasons outlined in the quarterly year-over-year discussion. Expenses decreased as the prior year included $118 million ($80 million after tax) of severance costs.

Revenue

BMO analyzes consolidated revenues on a GAAP basis. However, like many banks, BMO analyzes revenue of its operating groups and associated ratios computed using revenue on a taxable equivalent basis (teb). This basis includes an adjustment that increases GAAP revenues and the GAAP provision for income taxes by an amount that would raise revenues on certain tax-exempt securities to a level equivalent to amounts that would incur tax at the statutory rate. The offset to the group teb adjustments is reflected in Corporate Services revenues.

Total revenue increased $394 million or 15% from a year ago. The weaker U.S. dollar decreased revenue growth by $157 million or 6.0 percentage points year over year, primarily in BMO Capital Markets and P&C U.S. Revenue was down slightly in P&C U.S. on a local currency basis, but was notably higher in each of the other operating groups and in Corporate Services.

Revenue increased $24 million or 0.8% from the first quarter of 2010. The weaker U.S. dollar decreased revenue growth by $23 million or 0.8 percentage points.

Changes in net interest income and non-interest revenue are reviewed in the sections that follow.

Net Interest Income

Net interest income increased $187 million or 14% from a year ago due to improvement in P&C Canada and Corporate Services. There were reductions in BMO Capital Markets and P&C U.S.

BMO's overall net interest margin improved 33 basis points year over year to 1.88%. There were increases in P&C Canada and P&C U.S. In P&C Canada, the improvement was due mainly to higher volumes in more profitable products and higher mortgage refinancing fees. In P&C U.S., the improvement was due to an increase in loan spreads despite lower loan balances, partially offset by deposit spread compression. Corporate Services improved net interest income was primarily due to a lower negative carry on certain asset-liability interest rate positions as a result of management actions and more stable market conditions and the lower impact of the prior year's funding activities that enhanced our strong liquidity position.

Average earning assets decreased $21 billion or 6.1% relative to a year ago, but adjusted to exclude the impact of the weaker U.S. dollar, increased by $1 billion. On a Canadian dollar basis, the decrease was driven by a reduction in BMO Capital Markets due mainly to decreases in securities borrowed or purchased under resale agreements and corporate lending and trading assets. P&C U.S. average earning assets were also appreciably lower as underlying origination growth was more than offset by lower client loan utilization and new mortgage originations being sold in the secondary market. There was volume growth in P&C Canada and the acquisition of BMO Life Assurance contributed to growth in Private Client Group.

Relative to the first quarter, net interest income fell $10 million or 0.6%. The decrease was due to three fewer days this quarter. There was improvement in Corporate Services. There were increased earning assets in all groups except P&C U.S., which decreased modestly. BMO's overall net interest margin rose 3 basis points, primarily due to increased income in Corporate Services largely related to the lower impact of the prior year's funding activities that enhanced our strong liquidity position. There was also improved margin in P&C U.S. Average earning assets increased $3 billion, driven by volume growth in P&C Canada.

Year to date, net interest income increased $392 million or 15%, due largely to margin improvement in P&C Canada and increased net interest income in Corporate Services.

BMO's overall net interest margin improved 34 basis points for the year to date to 1.87%. There were margin increases in P&C Canada and P&C U.S. as well as higher revenue in Corporate Services. In P&C Canada, the improvement was due mainly to actions taken in 2009 to mitigate the impact of rising long-term funding costs and higher volume in more profitable products. In P&C U.S., the improvement was due to an increase in loan spreads despite lower loan balances, partially offset by deposit spread compression. Corporate Services improved net interest income was primarily due to the same factors responsible for the quarterly year-over-year increase.

Average earning assets for the year to date decreased $21 billion or 5.9% relative to a year ago, or by $1 billion adjusted to exclude the impact of the weaker U.S. dollar. On a Canadian dollar basis, the decrease was driven by a reduction in BMO Capital Markets due mainly to decreases in securities borrowed or purchased under resale agreements and corporate lending and trading assets. P&C U.S. average earning assets were also lower, as underlying origination growth was more than offset by lower client loan utilization and new mortgage originations being sold in the secondary market. There were also increases in average earning assets of P&C Canada, due to volume growth and inclusion of Diners Club card balances, and in Private Client Group due mainly to the acquisition of BMO Life Assurance.

Net Interest Margin (teb)*

(In basis points)	**Q2-2010**	Increase (Decrease) vs. Q2-2009	Increase (Decrease) vs. Q1-2010	**YTD-2010**	Increase (Decrease) vs. YTD-2009
P&C Canada	**291**	10	(4)	**293**	17
P&C U.S.	**355**	29	19	**345**	33
Personal and Commercial Client Group	**303**	11	-	**303**	18
Private Client Group **	**280**	(81)	(1)	**280**	(110)
BMO Capital Markets	**86**	(6)	(3)	**87**	(5)
Corporate Services, including Technology and Operations (T&O)***	**nm**	nm	nm	**nm**	nm
Total BMO	**188**	33	3	**187**	34
Total Canadian Retail****	**290**	3	(4)	292	8

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

** PCG's Q2 2009 acquisition of BMO Life Assurance added assets that earn non-interest revenue, accounting for a reduction in PCG's net interest margin of 85 basis points for the quarter and 103 basis points for the year to date. Adjusted to exclude the impact of the acquisition, PCG's net interest margin in the quarter increased 4 basis points year over year and net interest margin for the year to date decreased 7 basis points year over year.

*** Corporate Services net interest income is negative and lowers BMO's overall net interest margin to a greater degree in 2009 than in 2010.

**** Total Canadian retail margin represents the net interest margin of the combined Canadian business of P&C Canada and Private Client Group.

nm - not meaningful

Non-Interest Revenue

Non-interest revenue is detailed in the attached unaudited consolidated financial statements. Non-interest revenue increased $207 million or 16% from a year ago. There were significant increases in trading revenues and securities gains, while securitization revenues were appreciably lower.

There was very strong growth in BMO Capital Markets non-interest revenue. Trading revenues were significantly higher as the prior year included $215 million of losses related to our Canadian credit protection vehicle, as outlined in the Notable Items section. Investment securities gains were positive this year whereas the prior year included charges on certain merchant banking investments. In contrast, corporate lending fees decreased. Private Client Group non-interest revenue also grew strongly, reflecting higher securities and commission fees, increased mutual fund revenues and the contribution from the BMO Life Assurance acquisition.

Securitization revenues decreased $111 million from a year ago to $151 million, in part due to a $3.3 billion reduction in securitized assets. Revenues included gains of $27 million on the sale of loans for new securitizations, down $9 million from a year ago, and gains of $98 million on sales of loans to revolving securitization vehicles, down $74 million from a year ago. The combined impact of securitizing assets in the current and prior periods decreased pre-tax income in the current quarter by $25 million. We recognized less interest income ($125 million less); securitization revenues of $151 million; reduced credit card fees ($106 million less); and lower provisions for credit losses ($55 million less). We securitize loans primarily to obtain alternate sources of cost-effective funding. In the quarter, we securitized $1.5 billion of residential mortgage loans. Securitizations are detailed in Note 3 to the attached unaudited consolidated financial statements. Card fees increased due largely to the Diners Club acquisition in the first quarter of 2010.

Relative to the first quarter, non-interest revenue increased $34 million or 2.3%. There was strong growth in trading revenues and card fees.

There were increases in non-interest revenues of BMO Capital Markets and P&C Canada. BMO Capital Markets non-interest trading revenues rose as interest rate and foreign exchange trading revenues increased, while equity trading revenues decreased. Mergers and acquisitions fees were down and lending fees decreased. P&C Canada reflected higher card fees due in large part to the Diners Club acquisition, as the preceding quarter included only one month of revenues.

Year to date, non-interest revenue increased $585 million or 24%. The improvement was in part attributable to the prior year's $463 million charge related to the Canadian credit protection vehicle, as outlined in the Notable Items section. The charge was reflected as a $286 million decrease in trading non-interest revenue and a $177 million reduction in investment securities gains. There was very strong growth in BMO Capital Markets non-interest revenue due to investment securities gains in the current year compared to the large investment securities losses in the prior year in the weaker capital markets environment. Interest rate trading revenues were strong and have improved considerably as the prior year included the charge outlined above. Mergers and acquisitions fees and debt underwriting fees also improved due to better economic conditions. Private Client Group non-interest revenue also grew strongly, reflecting increased mutual fund revenues, higher securities and commission fees and the contribution from the BMO Life Assurance acquisition. There was good growth in P&C Canada due to higher revenue from cards, due largely to the inclusion of four months of Diners Club financial results in the current year, as well as mark-to-market investment securities losses recorded in the prior year. Securitization revenues were appreciably lower.

Non-Interest Expense

Non-interest expense is detailed in the attached unaudited consolidated financial statements. Non-interest expense decreased $58 million or 3.1% from a year ago to $1,830 million. The weaker U.S. dollar reduced expense growth by $92 million or 4.9 percentage points. On a Canadian dollar basis, decreased expenses were largely reflective of lower employee compensation costs. There were also reductions in premises and equipment including computer costs. Results a year ago included a $118 million severance charge in Corporate Services. Results this quarter included a more modest severance charge, largely in BMO Capital Markets. Performance-based compensation increased from a year ago, in line with improved performance, and acquired businesses added $27 million of costs.

Cash operating leverage was 17.7% in the current quarter as revenue growth was strong with effective expense control.

Non-interest expense decreased $9 million or 0.4% from the first quarter. The weaker U.S. dollar reduced expense growth by $13 million or 0.7 percentage points. Fewer days in the quarter also contributed to the decrease in expense. Decreased expenses were reflected in lower employee compensation costs. The prior quarter's expenses included $51 million of stock-based compensation costs for employees eligible to retire that are recorded annually in the first quarter. The current quarter reflected increased severance costs, as well as modest increases in computer, communications and travel costs. We continue to focus on managing expenses while growing the business, as reflected in our improved cash productivity ratio of 59.7% in the quarter.

Year to date, non-interest expense decreased $60 million or 1.6% to $3,669 million. The weaker U.S. dollar lowered expense growth by $162 million or 4.3 percentage points. Reductions in salaries, severance and benefits costs were only partially offset by higher performance-based compensation, in line with improved results. There were also reductions in premises costs including computer costs and in professional fees.

Cash operating leverage was 20.7% year to date.

The Obama Administration has proposed levying a Financial Crisis Responsibility Fee on U.S. financial institutions that have assets exceeding a certain threshold. As currently proposed, this levy may apply to some or all of our U.S. operations. It is unclear whether the proposal will be passed into law in its current form, if at all.

Effective July 1, 2010, the harmonized sales tax will be implemented in both Ontario and British Columbia. This will increase the sales tax paid in these two jurisdictions. The result will be a net increase in expense to our Canadian operations. The change is not expected to increase our total expenses significantly.

Risk Management

Low interest rates and the amount of fiscal stimulus in the economy continue to contribute favourably to the credit environment, spurring the recovery. As a result, negative credit migration is moderating. The most significant risks continue to be the impact of slow U.S. job growth on the pace of the recovery and potential financial market volatility due to market concern about sovereign debt. Given these uncertainties, the risk environment continues to be elevated.

Specific provisions for credit losses in the second quarter of 2010 were $249 million or an annualized 59 basis points of average net loans and acceptances, compared with $333 million or 79 basis points in the first quarter of 2010 and $372 million or 79 basis points in the second quarter of 2009. The decrease in current quarter provisions was mainly driven by reversals of previously established allowances and by stabilizing migration. On a geographic basis, specific provisions in Canada and other countries were $126 million in the second quarter of 2010, $143 million in the first quarter of 2010 and $127 million in the second quarter of 2009. Provisions in the United States for the comparable periods were $123 million, $190 million and $245 million, respectively.

There was no general provision in the quarter, in the first quarter of 2010 or in the comparable quarter a year ago. The decrease in the general allowance during the quarter was due to changes in foreign exchange rates.

BMO employs a methodology for segmented reporting purposes whereby expected credit losses are charged to the client operating groups quarterly, based on their share of expected credit losses. The difference between quarterly charges based on expected losses and required quarterly provisions based on actual losses is charged (or credited) to Corporate Services. The following paragraphs outline credit losses by client operating group based on actual credit losses, rather than their share of expected credit losses. For comparative purposes, credit losses in P&C U.S. and BMO Capital Markets were restated to reflect this quarter's commercial portfolio transfer noted in the Segment Overview.

Actual credit losses in the second quarter of 2010 were: $205 million in P&C Canada; $101 million in P&C U.S.; $2 million in PCG; and a recovery of $4 million in BMO Capital Markets. The P&C Canada losses of $205 million include credit losses of $55 million related to securitized assets, which are reflected as a reduction of non-interest revenue in Corporate Services under our securitization reporting methodology and are therefore not included in BMO's $249 million of specific provisions.

Actual credit losses in the first quarter of 2010 were: $190 million in P&C Canada (which includes losses of $53 million on securitized assets reported as a reduction of non-interest revenue in Corporate Services); $131 million in P&C U.S.; $5 million in PCG and $60 million in BMO Capital Markets.

Actual credit losses in the second quarter of 2009 were: $167 million in P&C Canada (which includes losses of $44 million on securitized assets reported as a reduction of non-interest revenue in Corporate Services); $146 million in P&C U.S.; $2 million in PCG and $101 million in BMO Capital Markets.

New impaired loan formations totalled $366 million in the quarter, down from $456 million in the preceding quarter and from $694 million in the same quarter a year ago. The U.S.-related formations continued to account for over half of BMO's total new formations. Formations have declined for three quarters in a row, reflecting the improvement in the credit environment.

Total gross impaired loans were $3,405 million at the end of the current reporting period, up from $3,134 million at the end of the first quarter and from $2,972 million in the second quarter of 2009. Impaired loans include $437 million of the loans acquired in the Illinois bank transaction. Excluding those loans, gross impaired loans, at $2,968 million, were down from the prior quarter. The impaired loans from the acquisition are not included in the formations figures above. Under the terms of the acquisition, the FDIC absorbs 80% of losses on the acquired loans.

The total allowance for credit losses at the end of the quarter was $1,885 million, compared with $1,943 million in the preceding quarter. No allowance was required on the recent acquisition because the loans were purchased and recorded at fair market value. Allowances were comprised of a specific allowance of $594 million and a general allowance of $1,291 million. The general allowance is maintained to absorb impairment in the existing credit portfolio that cannot yet be associated with specific credit assets and is assessed on a quarterly basis. There were impaired loan sales of $5 million in the current quarter, $3 million in the first quarter of 2010 and $55 million in the second quarter a year ago.

BMO's loan book continues to be comprised of consumer and commercial portfolios that are well diversified. Total Consumer and commercial loans represented 86.0% of the loan portfolio at the end of the quarter, up from 81.2% in the first quarter and 76.1% a year ago. Approximately 87.3% of the total consumer portfolio is comprised of secured loans. Excluding credit card loans, approximately 89.9% of consumer loans are secured.

In the United States, the consumer portfolio totals US$15.1 billion and is primarily comprised of three main asset classes: residential first mortgages (35%), home equity products (33%) and indirect automobile loans (28%). The consumer portfolio continues to be pressured by a high but flattening level of delinquencies and a weak housing market. The U.S. commercial real estate market continues to weaken, but at a moderating pace. There is still a significant amount of oversupply that will take a few quarters to work off and that will contribute to ongoing pressure in the U.S. commercial real estate market through 2010.

In the euro zone region, BMO's exposures to Greece, Ireland, Italy, Portugal and Spain are mostly related to financial institutions for trade finance, lending and trading products. Overall exposures to these countries are considered modest, at approximately US$260 million and 1% of our total capital. The BMO-managed Structured Investment Vehicles (SIVs) have lower exposure to bank debt within these countries.

BMO's liquidity and funding, market and insurance risk management practices and key measures are outlined on pages 82 to 88 of BMO's 2009 Annual Report.

There have been no significant changes to our level of liquidity and funding risk over the quarter; however, term wholesale funding investors have become more cautious as a result of sovereign debt concerns in Europe. We remain satisfied that our liquidity and funding management framework provides us with a sound liquidity position. At the end of the quarter, the cash and securities to total assets ratio was 35.8% and customer deposits and capital equalled 107.3% of total loans, increasing by 1.9% and 0.7%, respectively, from the first quarter of 2010. Our large base of customer deposits, along with our strong capital base, reduces our requirements for wholesale funding.

In the first quarter of 2010, global regulators issued a consultative liquidity proposal that would lead to higher liquidity and funding risk management costs if implemented in its current form. In the second quarter, BMO along with other Canadian banks provided OSFI with the requested information to allow global regulators to assess the implications of the proposal. We anticipate that final requirements and the related transition plan will be outlined by the regulators later this year.

Reductions in equity exposures, as well as lower accrual-accounted interest rate risk, are the primary reasons for the quarter-over-quarter decrease in our Trading and Underwriting Market Value Exposure (MVE). There were no significant changes in our trading and underwriting management practices during the quarter.

There was no significant change in our structural market risk management practices during the quarter. There was a decrease in structural earnings market risk since year end, largely related to a model recalibration. There was an increase in structural earnings benefits from interest rate increases in the quarter, largely related to seasonal term deposit renewals.

There were also no significant changes in the risk management practices or risk levels of our insurance business during the quarter. Our insurance business is primarily exposed to interest rate risk. Our reinsurance business also covers property losses resulting from natural catastrophes; the maximum loss in any year is capped below $75 million.

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

Provisions for Credit Losses (PCL)

(Canadian $ in millions, except as noted)	**Q2-2010**	Q1-2010	Q2-2009	**YTD-2010**	YTD-2009
New specific provisions	**358**	401	419	**759**	902
Reversals of previously established allowances	**(69)**	(23)	(15)	**(92)**	(34)
Recoveries of loans previously written-off	**(40)**	(45)	(32)	**(85)**	(68)
Specific provision for credit losses	**249**	333	372	**582**	800
Increase in the general allowance	**-**	-	-	**-**	-
Provision for credit losses	**249**	333	372	**582**	800
Specific PCL as a % of average net loans and acceptances (annualized)	**0.59%**	0.79%	0.79%	**0.69%**	0.85%
PCL as a % of average net loans and acceptances (annualized)	**0.59%**	0.79%	0.79%	**0.69%**	0.85%

Changes in Gross Impaired Loans and Acceptances (GIL)

(Canadian $ in millions, except as noted)					
GIL, Beginning of Period	**3,134**	3,297	2,666	3,297	2,387
Additions to impaired loans & acceptances (1)	**803**	456	694	1,259	1,406
Reductions in impaired loans & acceptances (2)	**(242)**	(265)	(97)	(507)	(39)
Write-offs	**(290)**	(354)	(291)	(644)	(782)
GIL, End of Period	**3,405**	3,134	2,972	3,405	2,972
GIL as a % of gross loans & acceptances (excluding acquisitions)	**1.73%**	1.83%	1.64%	1.73%	1.64%
GIL as a % of gross loans & acceptances (including acquisitions)	**1.98%**	1.83%	1.64%	1.98%	1.64%
GIL as a % of equity and allowance for credit losses (excluding acquisitions)	**12.50%**	13.11%	12.95%	12.50%	12.95%
GIL as a % of equity and allowances for credit losses (including acquisitions)	**14.34%**	13.11%	12.95%	14.34%	12.95%

(1) Q2-10 Additions include $437 million of impaired loans from a recent acquisition on which the FDIC absorbs 80% of losses.
(2) Includes impaired amounts returned to performing status, loan sales, repayments, the impact of foreign exchange fluctuations and offsets for consumer write-offs which have not been recognized as formations (Q2-10 $204 million; Q1-10 $193 million; and Q2-09 $150 million).

Total Trading and Underwriting Market Value Exposure (MVE) Summary ($ millions)*

(Pre-tax Canadian equivalent)	For the quarter ended April 30, 2010 Quarter-end	Average	High	Low	As at January 31, 2010 Quarter-end	As at October 31, 2009 Quarter-end
Commodities Risk	(0.2)	(0.4)	(0.8)	(0.2)	(0.4)	(0.7)
Equity Risk	(5.3)	(5.5)	(11.0)	(4.1)	(8.0)	(10.2)
Foreign Exchange Risk	(3.4)	(5.5)	(8.8)	(2.6)	(6.9)	(0.8)
Interest Rate Risk (Mark-to-Market) (1)	(11.0)	(11.1)	(13.2)	(8.3)	(8.7)	(18.4)
Diversification	7.5	8.8	nm	nm	8.8	11.4
Comprehensive Risk	(12.4)	(13.7)	(17.5)	(11.3)	(15.2)	(18.7)
Interest Rate Risk (accrual)	(4.9)	(5.5)	(6.5)	(4.6)	(6.4)	(7.3)
Issuer Risk	(3.4)	(2.3)	(3.4)	(1.6)	(2.1)	(1.9)
Total MVE	(20.7)	(21.5)	(25.0)	(17.8)	(23.7)	(27.9)

nm- not meaningful

* One-day measure using a 99% confidence interval. Losses are in brackets and benefits are presented as positive numbers.

(1) Measures exclude securities in the available-for-sale portfolio.

Structural Balance Sheet Market Value Exposure and Earnings Volatility ($ millions)*

(Canadian equivalent)	**April 30 2010**	Jan. 31 2010	Oct. 31 2009
Market value exposure (MVE) (pre-tax)	**(560.2)**	(575.8)	(543.2)
12-month earnings volatility (EV) (after-tax)	**(54.2)**	(41.2)	(69.0)

* Losses are in brackets. Measured at a 99% confidence interval.

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

(Canadian equivalent)	Economic value sensitivity (Pre-tax)			Earnings sensitivity over the next 12 months (After-tax)		
	Apr. 30 2010	Jan. 31 2010	Oct. 31 2009	**Apr. 30 2010**	Jan. 31 2010	Oct. 31 2009
100 basis point increase	**(381.6)**	(372.2)	(353.2)	**32.9**	13.5	11.0
100 basis point decrease	**309.0**	250.2	254.2	**3.1**	11.9	(75.6)
200 basis point increase	**(816.1)**	(814.1)	(779.2)	**29.6**	(3.5)	(10.6)
200 basis point decrease	**550.7**	437.0	392.8	**(6.5)**	15.4	(62.9)

* Losses are in brackets and benefits are presented as positive numbers.

** For the bank's Insurance businesses including BMO Life Assurance (the acquired operations of AIG Life Insurance Company of Canada), a 100 basis point increase in interest rates results in an increase in earnings after tax of $82 million and an increase in before tax economic value of $240 million ($80 million and $239 million, respectively, at Jan. 31, 2010). A 100 basis point decrease in interest rates results in a decrease in earnings after tax of $68 million and a decrease in before tax economic value of $237 million ($66 million and $245 million, respectively, at Jan. 31, 2010). These impacts are not reflected in the table above.

Income Taxes

As explained in the Revenue section, management assesses BMO's consolidated results and associated provisions for income taxes on a GAAP basis. We assess the performance of the operating groups and associated income taxes on a taxable equivalent basis and report accordingly.

The provision for income taxes increased $189 million from the second quarter of 2009 and increased $30 million from the first quarter of 2010, to $207 million. The effective tax rate for the quarter was 21.4%, compared with 4.4% in the second quarter of 2009 and 20.8% in the first quarter of 2010. The income tax expense for the year to date 2010 as compared to 2009 increased $437 million to $384 million, resulting in a tax expense rate of 21.1% year to date. This compares to a recovery of $53 million resulting in a recovery rate of 9.4% for the same period last year.

The higher effective tax rates year over year were primarily due to a reduction in the proportion of income from lower tax-rate jurisdictions and relatively lower tax-exempt income.

BMO hedges the foreign exchange risk arising from its investments in U.S. operations by funding the investments in U.S. dollars. Under this program, the gain or loss from hedging and the unrealized gain or loss from translation of the investments in U.S. operations are charged or credited to shareholders' equity. For income tax purposes, the gain or loss on the hedging activities attracts an income tax charge or credit in the current period, which is charged or credited to shareholders' equity, while the associated unrealized gain or loss on the investments in U.S. operations does not attract income taxes until the investments are liquidated. The income tax charge/benefit arising from a hedging gain/loss is a function of the fluctuation in U.S. rates from period to period. Hedging of the investments in U.S. operations has given rise to an income tax charge in shareholders' equity of $181 million for the quarter and $220 million for the year to date. Refer to the Consolidated Statement of Changes in Shareholders' Equity included in the unaudited consolidated financial statements for further details.

Summary Quarterly Results Trends

(Canadian $ in millions, except as noted)	**Q2-2010**	Q1-2010	Q4-2009	Q3-2009	Q2-2009	Q1-2009	Q4-2008	Q3-2008
Total revenue	**3,049**	3,025	2,989	2,978	2,655	2,442	2,813	2,746
Provision for credit losses – specific	**249**	333	386	357	372	428	315	434
Provision for credit losses – general	**-**	-	-	60	-	-	150	50
Non-interest expense	**1,830**	1,839	1,779	1,873	1,888	1,841	1,818	1,782
Net income	**745**	657	647	557	358	225	560	521
Basic earnings per share ($)	**1.27**	1.12	1.12	0.97	0.61	0.39	1.06	1.00
Diluted earnings per share ($)	**1.26**	1.12	1.11	0.97	0.61	0.39	1.06	0.98
Net interest margin on earning assets (%)	**1.88**	1.85	1.73	1.74	1.55	1.51	1.71	1.58
Effective income tax rate (%)	**21.4**	20.8	19.2	16.4	4.4	(41.0)	(9.2)	(12.2)
Canadian/U.S. dollar exchange rate (average)	**1.03**	1.06	1.08	1.11	1.24	1.23	1.11	1.01
Net income:								
P&C Canada	**396**	403	398	362	340	315	297	297
P&C U.S.	**46**	51	51	58	81	96	48	65
Personal and Commercial Banking	**442**	454	449	420	421	411	345	362
Private Client Group	**118**	113	106	113	72	68	77	119
BMO Capital Markets	**259**	214	260	310	188	115	255	227
Corporate Services, including T&O	**(74)**	(124)	(168)	(286)	(323)	(369)	(117)	(187)
BMO Financial Group	**745**	657	647	557	358	225	560	521

BMO's quarterly earning trends were reviewed in detail on pages 93 and 94 of the 2009 Annual Report. Readers are encouraged to refer to that review for a more complete discussion of trends and factors affecting past quarterly results including the modest impact of seasonal variations in results. The above table outlines summary results for the third quarter of fiscal 2008 through the second quarter of fiscal 2010.

In the current quarter, we identified U.S. mid-market clients that would be better served by a commercial banking model and transferred the accounts to P&C U.S. from BMO Capital Markets. Comparative figures have been restated to reflect the effects of the transfer and conform to the current presentation.

Notable items have affected revenues in BMO Capital Markets in 2008 and 2009. The third quarter of 2008 through the fourth quarter of 2009 reflected charges related to the capital markets environment, with modest charges in the latter half of 2009. BMO Capital Markets results in 2009 were very strong as the trading environment was very favourable. In the first quarter of 2010, reduced volatility and narrower spreads lowered trading revenues but investment banking activities improved. Trading results were higher in the second quarter of 2010 and results were stronger overall, although investment banking activity was more subdued.

P&C Canada continued to benefit from strong volume growth over 2009 with favourable movements in market share in a number of key businesses. In the first half of 2010, P&C Canada has continued to perform well with good revenue increases across most products and improved net interest margin. Their results also reflect the first quarter 2010 acquisition of the Diners Club franchise.

P&C U.S. has operated in a difficult economic environment since 2007 and results in 2009 and 2010 have increasingly been impacted by the effect of impaired loans, which reduces revenues and increases expenses. The current economic environment has also led to a drop in loan utilization. P&C U.S. results in the fourth quarter of 2008 were affected by the completion of the integration of the Wisconsin acquisitions.

Private Client Group results reflected a decline in earnings in the fourth quarter of 2008 when revenue growth slowed on lower managed and administered assets amid challenging market conditions. Asset levels remained low in the first half of 2009 but improved somewhat in the latter half of 2009 and in the first half of 2010 as equity markets strengthened. Charges in respect of actions taken to assist some of our U.S. clients in the weak capital markets environment lowered results in the fourth quarter of 2008 and first quarter of 2009. Commencing in the second quarter of 2009, results included BMO Life Assurance.

Corporate Services results have improved from the first half of 2009 due to decreased provisions for credit losses. Results in the first nine months of 2009 were affected by lower revenues related to the impact of market rate changes on certain asset-liability interest rate positions with the impact lessening over time due to management actions and more stable market conditions. Results were also affected by $118 million of severance costs in the second quarter of 2009.

The U.S. dollar weakened in the latter half of 2009 and in the first half of 2010. A weaker U.S. dollar lowers the translated values of BMO's U.S.-dollar-denominated revenues and expenses.

Balance Sheet

Total assets of $390.2 billion increased $1.7 billion from October 31, 2009. The weaker U.S. dollar decreased the translated value of U.S.-dollar-denominated assets by $6.0 billion. The $1.7 billion increase primarily reflects increases in securities of $12.6 billion, cash and cash equivalents and interest bearing deposits with banks of $3.1 billion, net loans and acceptances of $1.9 billion and other assets of $1.5 billion. These factors were partially offset by decreases in derivative assets of $6.4 billion and securities borrowed or purchased under resale agreements of $11.0 billion.

The $12.6 billion increase in securities was primarily due to an $11.9 billion increase in trading securities and a $0.6 billion increase in available-for-sale securities. The increase in trading securities reflects higher activity related to the issuances of equity-linked notes, total return swaps and overall market opportunities, which increased holdings in government and government guaranteed securities.

The $3.1 billion increase in cash and cash equivalents and interest bearing deposits with banks was attributable to growth in demand deposits from corporate clients. These deposits have been invested on a short-term basis with the U.S. Federal Reserve. Also, cash balances have increased as funding requirements have continued to decrease, particularly in the corporate lending portfolio.

The increase in net loans and acceptances of $1.9 billion was due to an increase in residential mortgages of $1.1 billion primarily as a result of the run-off of securitized mortgages that have not been replaced by new securitization issuances, and higher consumer instalment and other personal loans of $2.7 billion, primarily due to growth in home equity loans. The growth in the above loans was partially offset by lower loans and acceptances to businesses and governments of $1.9 billion, mainly due to decreased corporate loans both in Canada and the United States. Our corporate clients have been using proceeds from high-yield bond issuances to pay down bank debt and continued economic weakness has suppressed borrowing demand. The Rockford, Illinois-based bank transaction during the quarter has added $1.5 billion in loans. The acquisition of the Diners Club consumer and commercial credit card balances during the first quarter contributed $0.4 billion to credit card loans and $0.6 billion to loans to businesses and governments.

The $6.4 billion decrease in derivative financial assets was primarily due to reductions related to interest rate and credit contracts, partially offset by an increase related to foreign exchange contracts. There was a comparable reduction in derivative financial liabilities.

The $11.0 billion decrease in securities borrowed or purchased under resale agreements was due to lower trading activity. The decrease in activity is a result of the increased holding of securities as noted above which has reduced the requirement to raise securities for collateral purposes via securities borrowed or purchased under resale agreements.

Liabilities and shareholders' equity increased $1.7 billion from October 31, 2009. The weaker U.S. dollar decreased the translated value of U.S.-dollar-denominated liabilities by $6.0 billion. The $1.7 billion increase primarily reflects growth in deposits of $3.1 billion, securities sold but not yet purchased of $4.4 billion, other liabilities of $0.3 billion and shareholders' equity of $0.3 billion. These factors were partially offset by a decrease in derivative financial liabilities of $5.2 billion, lower acceptances of $0.6 billion and lower subordinated debt of $0.6 billion.

Deposits by individuals, which account for 42% or $99.6 billion of total deposits, increased $0.2 billion and included the addition of $2.2 billion as a result of the Illinois bank transaction. Deposits by businesses and governments, which account for 48% or $115.3 billion of total deposits, increased $1.5 billion, with a large portion related to term deposits used to fund the increase in securities. Deposits by banks, which account for the remaining 10% or $24.4 billion of total deposits, increased $1.4 billion.

The net increase in securities sold but not yet purchased was due to higher client-driven trading activities related to market opportunities.

The decrease in subordinated debt was due to the redemption of all of our outstanding 4.0% Series C Medium-Term Notes First Tranche during the first quarter.

The increase in shareholders' equity of $0.3 billion largely reflects an increase in retained earnings and the issuance of common shares through our dividend reinvestment program and the exercise of stock options, partially offset by higher accumulated other comprehensive losses.

Contractual obligations by year of maturity were outlined in Table 20 on page 106 of BMO's 2009 Annual Report. There have been no material changes to contractual obligations that are outside the ordinary course of our business.

Capital Management

At April 30, 2010, BMO's Tier 1 Capital Ratio was 13.27%, with Tier 1 capital of $21.1 billion and risk-weighted assets (RWA) of $159.1 billion. The ratio remains strong, increasing 103 basis points from 12.24% at October 31, 2009. The increase was primarily due to growth in capital and lower RWA, partially offset by the impact of the acquisition of certain assets and liabilities of the Rockford, Illinois-based bank announced in April. Our strong capital position provides flexibility in the execution of our business growth strategies and positions us well for potential regulatory changes and the adoption of International Financial Reporting Standards (IFRS) in the coming years (see Accounting Changes section for further information regarding the adoption of IFRS). In December 2009, global regulators issued a consultative document that will lead to higher bank capital requirements if implemented in its current form. BMO has provided the requested information to OSFI to allow the international regulatory community to assess the implications of the proposal. It is anticipated that final requirements and the related transition plan will be determined by regulators later this year.

Tier 1 capital increased $658 million from October 31, 2009, primarily due to higher retained earnings and the issuance of common shares, through the Shareholder Dividend Reinvestment and Share Purchase Plan and the exercise of stock options. These factors were partially offset by higher goodwill arising from the Illinois bank transaction.

RWA decreased $8.1 billion from October 31, 2009, primarily due to the impact of a weaker U.S. dollar, lower corporate and commercial loan volumes and lower securitization exposures, partially offset by an increase in retail loans.

BMO's Total Capital Ratio was 15.69% at April 30, 2010. The ratio increased 82 basis points from 14.87% at October 31, 2009. Total capital increased $109 million to $25.0 billion primarily due to growth in Tier 1 capital, as outlined above, partially offset by the $500 million subordinated debt redemption in January. Our Tangible Common Equity to RWA ratio was 9.80%, up 59 basis points from 9.21% at the end of fiscal 2009.

On May 3, 2010, we announced our intention to redeem on June 30, 2010, all of the $350 million of outstanding Trust Capital Securities – Series A ("BMO BOaTS"), which are included in Innovative Tier 1 Capital Instruments. During the quarter, 4,717,000 common shares were issued through the Shareholder Dividend Reinvestment and Share Purchase Plan and the exercise of stock options, as noted above. We did not repurchase any Bank of Montreal common shares under our common share repurchase program during the quarter.

On May 26, 2010, BMO's Board of Directors declared a quarterly dividend payable to common shareholders of $0.70 per share, unchanged from a year ago and from the preceding quarter. The dividend is payable August 26, 2010, to shareholders of record on August 2, 2010. Common shareholders who, in lieu of cash, elect to have this dividend reinvested in additional common shares under BMO's Shareholder Dividend Reinvestment and Share Purchase Plan, will receive a two percent discount from the average market price of the common shares (as defined in the Plan).

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

Qualifying Regulatory Capital

Basel II Regulatory Capital and Risk-Weighted Assets

(Canadian $ in millions)	Q2-2010	Q4-2009
Common shareholders' equity	**17,824**	17,132
Non-cumulative preferred shares	**2,571**	2,571
Innovative Tier 1 Capital Instruments	**2,891**	2,907
Non-controlling interest in subsidiaries	**23**	26
Goodwill and excess intangible assets	**(1,609)**	(1,569)
Accumulated net after-tax unrealized losses on available-for-sale equity securities	**-**	(2)
Net Tier 1 Capital	**21,700**	21,065
Securitization-related deductions	**(168)**	(168)
Expected loss in excess of allowance – AIRB approach	**(18)**	(61)
Substantial investments	**(394)**	(374)
Adjusted Tier 1 Capital	**21,120**	20,462
Subordinated debt	**3,682**	4,236
Trust subordinated notes	**800**	800
Accumulated net after-tax unrealized gains on available-for-sale equity securities	**11**	-
Eligible general allowance for credit losses	**303**	296
Total Tier 2 Capital	**4,796**	5,332
Securitization-related deductions	**(22)**	(7)
Expected loss in excess of allowance – AIRB approach	**(18)**	(60)
Substantial Investments/Investment in insurance subsidiaries	**(908)**	(868)
Adjusted Tier 2 Capital	**3,848**	4,397
Total Capital	**24,968**	24,859

Risk-Weighted Assets (RWA)

(Canadian $ in millions)	Q2-2010	Q4-2009
Credit risk	**134,217**	143,098
Market risk	**6,192**	6,578
Operational risk	**18,707**	17,525
Total risk-weighted assets	**159,116**	167,201

Outstanding Shares and Securities Convertible into Common Shares

As at May 19, 2010		Number of shares or dollar amount
Common shares		560,128,000
Class B Preferred Shares		
Series 5	$	200,000,000
Series 13	$	350,000,000
Series 14	$	250,000,000
Series 15	$	250,000,000
Series 16	$	300,000,000
Series 18	$	150,000,000
Series 21	$	275,000,000
Series 23	$	400,000,000
Convertible into common shares:		
Class B Preferred Shares (1)		
Series 10	US$	300,000,000
Stock options		
– vested		8,961,000
– non-vested		7,721,000

(1) Convertible preferred shares may be exchanged for common shares on specific dates on a pro-rata basis based on 95% of the average trading price of common shares for the 20 days ending four days prior to the exchange date.
Details on share capital are outlined in the 2009 Annual Report in Note 21 to the audited financial statements on pages 144 to 145.

Eligible Dividends Designation

For the purposes of the *Income Tax Act* (Canada) and any similar provincial and territorial legislation, BMO designates all dividends paid or deemed to be paid on both its common and preferred shares after December 31, 2005, as "eligible dividends" unless indicated otherwise.

Credit Rating
BMO's senior debt credit ratings were unchanged in the quarter and have a stable outlook. All four ratings are indicative of high-grade, high-quality issues. The ratings are as follows: DBRS (AA); Fitch (AA-); Moody's (Aa2); and Standard & Poor's (A+).

Transactions with Related Parties
In the ordinary course of business, we provide certain banking services to our directors and executives and their affiliated entities, joint ventures and equity-accounted investees on the same terms that we offer our customers for these services. A select suite of customer loan and mortgage products is offered to our employees at rates normally accorded to our preferred customers. We also offer employees a fee-based subsidy on annual credit card fees.

Stock options and deferred share units granted to directors and preferred rate loan agreements for executives, relating to transfers we initiate, are both discussed in Note 28 to the audited consolidated financial statements on page 156 of the 2009 Annual Report.

Off-Balance-Sheet Arrangements
BMO enters into a number of off-balance-sheet arrangements in the normal course of operations. The most significant of these are credit instruments and VIEs, which are described on page 70 of the 2009 Annual Report and in Notes 4 and 6 to the attached unaudited interim consolidated financial statements. See the Select Financial Instruments section for comments on any significant changes to our off-balance-sheet arrangements during the quarter ended April 30, 2010.

Accounting Policies and Critical Accounting Estimates
The notes to BMO's October 31, 2009 audited consolidated financial statements outline our significant accounting policies.

Pages 71 to 73 of the 2009 Annual Report contain a discussion of certain accounting estimates that are considered particularly important as they require management to make significant judgments, some of which relate to matters that are inherently uncertain. Readers are encouraged to review that discussion.

Select Financial Instruments
Pages 65 to 69 of BMO's 2009 Annual Report provide enhanced disclosure relating to select financial instruments that, commencing in 2008, markets had come to regard as carrying higher risk. Readers are encouraged to review that disclosure to assist in understanding the nature and extent of BMO's exposures.

BMO's consumer loans, including our limited exposure to subprime mortgage loans and Alt-A first mortgage loans, were outlined in the annual report. While arrears on our U.S. mortgage loans have increased, the changes are not significant relative to our asset base and the risk in these portfolios is only modestly higher than at October 31, 2009 and January 31, 2010.

There have been no significant changes to our exposure to leveraged finance loans, monoline insurers, credit derivative product companies and other select financial instruments, including CDOs, or to associated risk levels in the quarter and for the year to date.

The Annual Report and Note 4 to the attached unaudited consolidated financial statements outline our exposure to BMO-sponsored securitization vehicles including bank securitization vehicles, Canadian customer securitization vehicles, a U.S. customer securitization vehicle and a Canadian credit protection vehicle. They also outline our exposure to two BMO-managed structured investment vehicles (SIVs). Except as noted below, during the quarter and for the year to date, there were no significant changes to our exposure to the foregoing vehicles or associated risk levels.

BMO has provided undrawn committed liquidity support facilities of US$4.3 billion (US$5.7 billion at October 31, 2009) to the U.S. customer securitization vehicle. During the first and second quarters of 2010, in accordance with the terms of the supporting liquidity agreements, BMO directly funded six of the vehicle's commercial accounts that were of a weaker credit quality, representing exposure of US$304 million. When BMO directly funds an account, our committed liquidity support facility is reduced accordingly.

As anticipated, the amount drawn on the liquidity facilities for the SIVs has continued to decrease due to asset sales and asset maturities.

Accounting Changes

Transition to International Financial Reporting Standards

Canadian public companies will be required to prepare their financial statements in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB), for fiscal years beginning on or after January 1, 2011. Effective November 1, 2011, we will adopt IFRS as the basis for preparing our consolidated financial statements. We will report our financial results for the quarter ended January 31, 2012, prepared on an IFRS basis. We will also provide comparative data on an IFRS basis, including an opening balance sheet as at November 1, 2010.

IFRS Transition Plan & Current Status

In order to meet the requirement to transition to IFRS, we have established an enterprise-wide project and formed an Executive Steering Committee. The transition plan is comprised of three phases: a diagnostic review and assessment to identify potential IFRS differences relative to current policies; implementation and education, which includes confirming actual IFRS differences relative to current policies; and completion of all integration requirements for actual differences identified.

Phase I: Diagnostic Review & Assessment

The primary objective of Phase I was to complete a comprehensive review of the IFRS requirements relative to the bank's current accounting policies in order to identify potential IFRS differences. This analysis identified the scope of the work required, allowing for the completion of a detailed implementation plan including timelines and resource requirements.

Current status

A detailed implementation plan was developed and approved by the IFRS Executive Steering Committee in 2009. Potential IFRS differences relative to the bank's current accounting policies have been fully documented.

Phase II: Implementation and Education

The key elements of Phase II include: confirming actual IFRS differences relative to current policies and selecting policy options permitted under IFRS; identifying and implementing the necessary changes within our existing financial reporting and data collection processes and technology changes; assessing the impact on internal controls over financial reporting and disclosure; designing and implementing a technology-based solution to track and record IFRS-based financial information for the 2011 reporting year for comparative purposes; and developing and executing internal training and awareness programs to ensure sufficient financial reporting expertise and governance. Substantial completion of Phase II activities is planned for the first quarter of 2011.

Current status

<u>Confirmation of actual differences and implementation requirements</u>

The implementation activities have been organized by individual work streams (25 in total). We have substantially completed seven work streams: capital assets, leases, stock-based compensation, intangible assets, revenue recognition, foreign currency translation and earnings per share. The work streams completed to date have not revealed any material differences relative to current BMO accounting practices. Progress on the work streams related to the main accounting changes is outlined in the following section.

The transition plan contemplates substantial completion of all work streams by the first quarter of 2011; however, we continue to closely monitor the work of the IASB on changes to existing IFRS and adjust our project plan to reflect these developments. Page 73 of our 2009 Annual Report contains a discussion of the IASB's future plans to make revisions to certain existing IFRS standards, some of which relate to the areas that we have identified as potentially requiring accounting changes. Readers are encouraged to review that discussion for more details.

<u>Identification of differences between the bank's current accounting policies and the requirements under IFRS</u>

Based on our analysis to date, the main accounting changes due to adopting IFRS are expected to be in the areas of asset securitization, consolidation, and pension and other employee future benefits. The underlying IFRS associated with these areas differ from current BMO accounting policies such that there will likely be impacts to the bank's statements of financial position and results of operation. These impacts will also extend to our capital ratios. OSFI has issued an IFRS advisory that permits a five-quarter phase-in of the adjustment to retained earnings arising from the first time adoption of certain IFRS changes for purposes of calculating certain ratios. Transitional relief for the impact to the Assets-to-Capital Multiple (ACM) will also be provided in the form of excluding the effect of any on-balance sheet recognition of mortgages that were sold through CMHC programs up to March 31, 2010, that under current practice are not reported on the bank's balance sheet.

Asset securitization

The de-recognition criteria contained within the IFRS financial instruments standard (IAS 39) may require the recognition on our balance sheet of loans sold to off-balance sheet entities or trusts (securitization vehicles). Our current practice is to remove loans from our balance sheet when the loans are considered sold for accounting purposes and recognize gains in securitization revenues at the time of sale of these loans. Any loans sold to off-balance sheet entities or trusts that require on-balance sheet recognition under IFRS will result in an increase in both assets and liabilities on the balance sheet and a potential decrease in retained earnings representing the reversal of the gain on sale previously recognized in earnings. Any effect on our capital ratios would be partially mitigated by the transitional relief provided under OSFI's IFRS advisory. We had anticipated that new accounting requirements impacting asset securitization would be effective at transition to IFRS and were completing our analysis based on those requirements. However, as a result of changes to the IASB work plan, we are now performing our analysis based on existing IFRS requirements and expect to complete that analysis over the third and fourth quarters of 2010.

Consolidation

The requirements contained within the IFRS consolidated and separate financial statements standard (IAS 27) may impact the accounting for certain variable interest entities (VIEs) that the bank sponsors. Under IFRS, a VIE is consolidated by an entity if the entity is deemed to control it, as determined under the criteria contained within IAS 27. Our current practice is to consolidate VIEs if the investments we hold in these entities and/or the relationships we have with them result in us being exposed to the majority of their expected losses, being able to benefit from a majority of their expected residual returns, or both. We are currently assessing all our VIEs to determine whether to consolidate based on IFRS requirements. To the extent we determine that any of our VIEs require consolidation, this will result in an increase in both assets and liabilities, and potentially a decrease in retained earnings. The effects on our capital ratios would be partially mitigated by the transitional relief provided under OSFI's IFRS advisory. We had anticipated that new accounting requirements impacting consolidation would be effective at transition to IFRS and were completing our analysis based on those requirements. However, as a result of changes to the IASB work plan, we are now performing our analysis based on existing IFRS requirements and expect to complete that analysis over the third and fourth quarters of 2010.

Pension and Other Employee Future Benefits

IFRS employee benefits standard (IAS 19) provides two alternatives for how to account for the unrealized market-related gains or losses on pension fund assets and the impact of changes in discount rates on pension obligations. We can either record these gains and losses directly in equity or defer these amounts on our balance sheet and amortize amounts in excess of 10% of our plan assets or benefit liability balances to pension expense over a period of approximately 12 years (as we do currently). Regardless of the alternative chosen, we would record in expense the cost of benefits earned in the year, plus the interest cost on the obligation net of the expected return on assets. On transition to IFRS, we will be required to either recalculate expense back to inception of the plans as though we had always applied IAS 19 or take any unrealized gains or losses that exist on November 1, 2010 and record them directly in retained earnings. We expect to finalize our recommendation in the first quarter of 2011. If we elect to record unrealized gains or losses in retained earnings, the adjustment will be determined based on the actuarial valuation as at November 1, 2010. The effects on our capital ratios would be partially mitigated by the transitional relief provided under OSFI's IFRS advisory.

Internal Controls over Financial Reporting and Disclosure

We have determined that our internal controls over financial reporting and our disclosure controls and procedures will be largely unaffected by the transition to IFRS. Effects will be limited primarily to the development of internal controls over tracking and communicating IFRS-based information for the IFRS comparative year, possible changes in the accounting treatment of the bank's VIEs and securitized loans, and certain additional disclosure requirements in the notes to the financial statements. Changes relating to such effects will be addressed as part of the third and final phase of the transition, beginning in the first quarter of 2011.

Business Activities

We continually assess whether there will be any impact to our business activities as we progress through our implementation activities. To date, we have not identified any significant impacts to existing business activities as a result of adopting IFRS.

Information Technology

We have completed a detailed assessment of our existing financial information technology architecture and determined that there are no significant changes required as a result of our transition to IFRS. We have developed a technology-based solution in the form of a comparative reporting tool that will track IFRS-based financial information during the comparative year. This will not require any significant modification to our existing financial reporting systems. The comparative reporting tool is currently undergoing testing and will be operational by the first quarter of 2011. Adjustments related to IFRS for the 2011 comparative year will be reflected in our primary financial systems during the quarter ended January 31, 2012.

Financial Reporting Expertise and Governance

An internal IFRS educational program was launched in 2009 to ensure appropriate financial reporting expertise and governance when the bank begins to report on an IFRS basis. During 2009, detailed technical sessions relating to our findings from Phase I were presented to all our accounting and finance staff as well as certain other functional groups across the enterprise that may be affected by the transition to IFRS. Technical update sessions began in the second quarter of 2010 for those groups, and will continue throughout the third and fourth quarters of 2010. Quarterly educational sessions on specific IFRS topics were presented to the bank's audit committee in 2009, and will continue throughout 2010.

Phase III: Completion of integration changes

We are developing a detailed plan for the third and final phase of the transition, which is the completion of all integration changes, scheduled to commence in 2011. This will include the development of controls and procedures necessary to restate our 2011 opening balance sheet and financial results on an IFRS basis in preparation for the transition to IFRS in fiscal 2012, finalizing decisions on policy options available under IFRS including available exemptions from applying certain IFRS on a retroactive basis, and developing communication plans for our internal and external stakeholders.

Quantification of key impacts

In anticipation of substantially completing most of our work stream activities by the fourth quarter of 2010, we expect to provide quantification of certain of the impacts of adopting existing IFRS reporting in our 2010 Annual Report.

Review of Operating Groups' Performance

Operating Groups' Summary Income Statements and Statistics for Q2-2010

(Canadian $ in millions, except as noted)	Q2-2010 P&C	Q2-2010 PCG	Q2-2010 BMO CM	Q2-2010 Corporate including T&O	Q2-2010 Total BMO	YTD-2010 P&C	YTD-2010 PCG	YTD-2010 BMO CM	YTD-2010 Corporate including T&O	YTD-2010 Total BMO
Net interest income (teb) (1)	1,248	87	324	(137)	**1,522**	2,532	174	667	(319)	**3,054**
Non-interest revenue	495	471	540	21	**1,527**	971	934	1,024	91	**3,020**
Total revenue (teb) (1)	1,743	558	864	(116)	**3,049**	3,503	1,108	1,691	(228)	**6,074**
Provision for credit losses	152	2	67	28	**249**	303	4	132	143	**582**
Non-interest expense	954	398	469	9	**1,830**	1,905	796	939	29	**3,669**
Income before income taxes and non-controlling interest in subsidiaries	637	158	328	(153)	**970**	1,295	308	620	(400)	**1,823**
Income taxes (recovery) (teb) (1)	195	40	69	(97)	**207**	399	77	147	(239)	**384**
Non-controlling interest in subsidiaries	-	-	-	18	**18**	-	-	-	37	**37**
Net income Q2-2010	442	118	259	(74)	**745**	896	231	473	(198)	**1,402**
Net income Q1-2010	454	113	214	(124)	**657**					
Net income Q2-2009	421	72	188	(323)	**358**	832	140	303	(692)	**583**
Other statistics										
Net economic profit	270	95	145	(247)	**263**	544	182	234	(526)	**434**
Return on equity	27.6%	38.4%	24.8%	nm	**16.4%**	27.3%	36.4%	21.5%	nm	**15.3%**
Cash return on equity	28.0%	39.0%	24.8%	nm	**16.6%**	27.6%	36.8%	21.5%	nm	**15.5%**
Operating leverage	3.5%	12.1%	15.9%	nm	**17.9%**	4.8%	12.9%	23.3%	nm	**20.8%**
Cash operating leverage	3.1%	12.1%	15.8%	nm	**17.7%**	4.5%	13.0%	23.3%	nm	**20.7%**
Productivity ratio (teb)	54.7%	71.5%	54.2%	nm	**60.0%**	54.4%	71.9%	55.5%	nm	**60.4%**
Cash productivity ratio (teb)	54.3%	71.2%	54.2%	nm	**59.7%**	54.0%	71.6%	55.5%	nm	**60.1%**
Net interest margin on earning assets (teb)	3.03%	2.80%	0.86%	nm	**1.88%**	3.03%	2.80%	0.87%	nm	**1.87%**
Average common equity	6,364	1,242	4,133	6,013	**17,752**	6,422	1,267	4,259	5,576	**17,524**
Average earning assets	169,280	12,667	154,440	(4,966)	**331,421**	168,710	12,496	153,870	(4,963)	**330,113**
Full-time equivalent staff	20,624	4,701	2,180	9,843	**37,348**					

nm – not meaningful

(1) Operating group revenues, income taxes and net interest margin are stated on a taxable equivalent basis (teb). The group teb adjustments are offset in Corporate, and Total BMO revenue, income taxes and net interest margin are stated on a GAAP basis.

The following sections review the financial results of each of our operating segments and operating groups for the second quarter of 2010.

Periodically, certain business lines and units within the business lines are transferred between client groups to more closely align BMO's organizational structure with its strategic priorities.

In the first quarter, we changed the manner in which we report securitized assets in our segmented disclosure. Previously, certain securitized mortgage assets were not reported in P&C Canada's balance sheet. We now report all securitized mortgage assets in P&C Canada with offsetting amounts in Corporate, and net interest income earned on all securitized mortgage assets is included in P&C Canada net interest income. Previously, net interest income earned on certain securitized mortgage assets was included in P&C Canada non-interest revenue. These changes do not have a meaningful impact on the earnings of P&C Canada. Results for prior periods have been restated to conform to the current presentation.

In the current quarter, we identified U.S. mid-market clients that would be better served by a commercial banking model and transferred the accounts to P&C U.S. from BMO Capital Markets. Comparative figures have been restated to reflect the effects of the transfer and conform to the current presentation.

Note 16 to the attached unaudited interim consolidated financial statements outlines how income statement items requiring allocation are distributed among the operating groups, including the allocation of the provision for credit losses. Corporate Services is generally charged (or credited) with differences between the periodic provisions for credit losses charged to the client groups under our expected loss provisioning methodology and the periodic provisions required under GAAP.

Personal and Commercial Banking (P&C)

(Canadian $ in millions, except as noted)	Q2-2010	Increase (Decrease) vs. Q2-2009		Increase (Decrease) vs. Q1-2010		YTD-2010	Increase (Decrease) vs. YTD-2009	
Net interest income (teb)	**1,248**	(10)	(1%)	(36)	(3%)	**2,532**	8	-
Non-interest revenue	**495**	46	10%	19	4%	**971**	98	11%
Total revenue (teb)	**1,743**	36	2%	(17)	(1%)	**3,503**	106	3%
Provision for credit losses	**152**	36	31%	1	-	**303**	69	30%
Non-interest expense	**954**	(13)	(1%)	3	-	**1,905**	(32)	(2%)
Income before income taxes and non-controlling interest in subsidiaries	**637**	13	3%	(21)	(3%)	**1,295**	69	6%
Income taxes (teb)	**195**	(8)	(3%)	(9)	(3%)	**399**	5	2%
Non-controlling interest in subsidiaries	**-**	-	-	-	-	**-**	-	-
Net income	**442**	21	5%	(12)	(3%)	**896**	64	8%
Amortization of acquisition-related intangible assets (after tax)	**6**	(3)	(40%)	1	-	**11**	(5)	(34%)
Cash net income	**448**	18	4%	(11)	(3%)	**907**	59	7%
Return on equity	**27.6%**		4.6%		0.7%	**27.3%**		5.2%
Cash return on equity	**28.0%**		4.4%		0.7%	**27.6%**		5.0%
Operating leverage	**3.5%**		nm		nm	**4.8%**		nm
Cash operating leverage	**3.1%**		nm		nm	**4.5%**		nm
Productivity ratio (teb)	**54.7%**		(2.0%)		0.6%	**54.4%**		(2.6%)
Cash productivity ratio (teb)	**54.3%**		(1.7%)		0.6%	**54.0%**		(2.4%)
Net interest margin on earning assets (teb)	**3.03%**		0.11%		-	**3.03%**		0.18%
Average earning assets	**169,280**	(7,083)	(4%)	1,122	1%	**168,710**	(9,812)	(5%)

nm – not meaningful

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

Personal and Commercial Banking Canada (P&C Canada)

(Canadian $ in millions, except as noted)	Q2-2010	Increase (Decrease) vs. Q2-2009		Increase (Decrease) vs. Q1-2010		YTD-2010	Increase (Decrease) vs. YTD-2009	
Net interest income (teb)	**989**	68	8%	(30)	(3%)	**2,008**	164	9%
Non-interest revenue	**418**	58	16%	26	7%	**810**	112	16%
Total revenue (teb)	**1,407**	126	10%	(4)	-	**2,818**	276	11%
Provision for credit losses	**121**	28	31%	1	1%	**241**	53	29%
Non-interest expense	**719**	27	4%	10	1%	**1,428**	32	2%
Income before income taxes and non-controlling interest in subsidiaries	**567**	71	15%	(15)	(2%)	**1,149**	191	20%
Income taxes (teb)	**171**	15	11%	(8)	(2%)	**350**	47	16%
Non-controlling interest in subsidiaries	**-**	-	-	-	-	**-**	-	-
Net income	**396**	56	16%	(7)	(2%)	**799**	144	22%
Amortization of acquisition-related intangible assets (after tax)	**1**	-	-	-	-	**2**	1	18%
Cash net income	**397**	56	16%	(7)	(2%)	**801**	145	22%
Personal revenue	**664**	49	8%	(9)	(1%)	**1,337**	113	9%
Commercial revenue	**391**	30	9%	(12)	(3%)	**794**	82	11%
Cards revenue	**352**	47	15%	17	5%	**687**	81	13%
Operating leverage	**6.1%**		nm		nm	**8.6%**		nm
Cash operating leverage	**6.1%**		nm		nm	**8.6%**		nm
Productivity ratio (teb)	**51.1%**		(3.0%)		0.8%	**50.7%**		(4.2%)
Cash productivity ratio (teb)	**51.0%**		(3.0%)		0.8%	**50.6%**		(4.3%)
Net interest margin on earning assets (teb)	**2.91%**		0.10%		(0.04%)	**2.93%**		0.17%
Average earning assets	**139,745**	5,323	4%	2,866	2%	**138,289**	3,543	3%

nm – not meaningful

Q2 2010 vs Q2 2009

Net income was a strong $396 million, up $56 million or 16% from a year ago.

Revenue rose $126 million or 10%, driven by volume growth across most products, the inclusion of Diners Club revenues in our financial results and an improved net interest margin. Year-over-year revenue growth was also attributable to higher mutual funds revenue and higher loan and deposit fees.

Net interest margin increased by 10 basis points, driven primarily by higher volumes in more profitable products and higher mortgage refinancing fees.

In the personal banking segment, revenue increased $49 million or 8.3%, driven by volume growth in higher-spread loans and deposits, higher mutual funds revenue and higher mortgage refinancing fees. Homeowner ReadiLine growth drove personal loan growth of 15% year over year. Market share also increased from the prior year.

Our mortgage loan balances decreased from a year ago, due to the runoff of our broker-channel loans and, as expected, mortgage market share decreased from a year ago. Our goal is to grow market share. We continue to focus on improving this business through investment in the sales force and achieving productivity gains while continuing to be prudently attentive to the credit quality of the portfolio.

Personal deposits balances decreased 0.9% year over year in response to increased confidence in equity markets. Market share decreased year over year in this highly competitive environment.

In the commercial banking segment, revenue increased $30 million or 8.5% year over year due to growth in deposits, higher mortgage refinancing fees and higher loan and deposit fees. Deposit balances grew 10%, reflecting our focus on meeting our customers' banking needs. Loan balances were relatively unchanged from a year ago and market share decreased slightly in a challenging environment. We continue to invest in our commercial workforce with the objective of providing more and better advice to our customers. We continue to rank second in Canadian business banking market share of small and mid-size business loans.

Cards and Payment Services revenue increased $47 million or 15% due to the inclusion of Diners Club revenues in our financial results, loan balance growth and spread improvement, partially offset by lower card fees.

Provisions for credit losses, on an expected loss basis, increased $28 million due to growth in the portfolio and the impact of credit migration.

Non-interest expense increased $27 million or 3.9%, due to the inclusion of Diners Club in our results as well as higher initiatives expense and performance-based compensation, partially offset by lower salaries expense due to lower staff levels. The group's cash operating leverage was 6.1%. We continue to invest strategically to improve our competitive position and, mindful of the current economic environment, to tightly manage our operating expenses.

Average current loans and acceptances, including securitized loans, increased $5.5 billion or 4.0% from a year ago and personal and commercial deposits grew $2.1 billion or 2.1%.

Q2 2010 vs Q1 2010

Net income decreased $7 million or 2.0% due largely to three fewer days in the current quarter.

Revenue fell $4 million or 0.1%, driven by three fewer days in the quarter and a reduced net interest margin, partially offset by volume growth and the inclusion of Diners Club financial results for the full quarter versus one month in the first quarter. Net interest margin decreased 4 basis points due to the impact of loan growth outpacing deposit growth, partially offset by higher mortgage refinancing fees.

Non-interest expense increased $10 million or 1.4% primarily due to the inclusion of a full quarter of Diners Club expenses in our results, and higher initiatives and employee-related costs, partially offset by the impact of fewer days in the current quarter.

Average current loans and acceptances, including securitized loans, increased $2.8 billion or 2.0% from the preceding quarter while personal and commercial deposits decreased $0.8 billion or 0.8%.

Q2 YTD 2010 vs Q2 YTD 2009

Net income increased $144 million or 22%.

Revenue increased $276 million or 11%, driven by volume growth across most products, an improved net interest margin and the inclusion of four months of Diners Club financial results in the current year. Increased revenues also reflected net mark-to-market investment securities losses in the prior year.

Net interest margin increased 17 basis points, driven primarily by actions taken in 2009 to mitigate the impact of rising long-term funding costs and higher volume in more profitable products.

Non-interest expense increased $32 million or 2.3% due to the inclusion of four months of Diners Club financial results in the current year and higher initiatives costs, partially offset by lower salaries expense due to lower staff levels.

Personal and Commercial Banking U.S. (P&C U.S.)

(Canadian $ in millions, except as noted)	Q2-2010	Increase (Decrease) vs. Q2-2009		Increase (Decrease) vs. Q1-2010		YTD-2010	Increase (Decrease) vs. YTD-2009	
Net interest income (teb)	**259**	(78)	(23%)	(6)	(3%)	**524**	(156)	(23%)
Non-interest revenue	**77**	(12)	(14%)	(7)	(9%)	**161**	(14)	(8%)
Total revenue (teb)	**336**	(90)	(21%)	(13)	(4%)	**685**	(170)	(20%)
Provision for credit losses	**31**	8	32%	-	-	**62**	16	33%
Non-interest expense	**235**	(40)	(15%)	(7)	(3%)	**477**	(64)	(12%)
Income before income taxes and non-controlling interest in subsidiaries	**70**	(58)	(45%)	(6)	(7%)	**146**	(122)	(45%)
Income taxes (teb)	**24**	(23)	(49%)	(1)	(4%)	**49**	(42)	(46%)
Non-controlling interest in subsidiaries	**-**	-	-	-	-	**-**	-	-
Net income	**46**	(35)	(43%)	(5)	(9%)	**97**	(80)	(45%)
Amortization of acquisition-related intangible assets (after tax)	**5**	(3)	(48%)	1	-	**9**	(6)	(41%)
Cash net income	**51**	(38)	(43%)	(4)	(9%)	**106**	(86)	(45%)
Operating leverage	**(6.6%)**		nm		nm	**(8.1%)**		nm
Cash operating leverage	**(7.8%)**		nm		nm	**(9.1%)**		nm
Productivity ratio (teb)	**69.9%**		5.4%		0.5%	**69.6%**		6.3%
Cash productivity ratio (teb)	**68.3%**		6.2%		0.5%	**68.0%**		6.9%
Net interest margin on earning assets (teb)	**3.55%**		0.29%		0.19%	**3.45%**		0.33%
Average earning assets	**29,535**	(12,406)	(30%)	(1,744)	(6%)	**30,421**	(13,355)	(31%)

U.S. Select Financial Data (US$ in millions, except as noted)

Net interest income (teb)	**252**	(19)	(7%)	2	-	**502**	(49)	(9%)
Non-interest revenue	**74**	3	4%	(6)	(6%)	**154**	13	9%
Total revenue (teb)	**326**	(16)	(5%)	(4)	(1%)	**656**	(36)	(5%)
Non-interest expense	**228**	7	3%	(1)	(1%)	**457**	19	4%
Net Income	**45**	(20)	(31%)	(3)	(6%)	**93**	(50)	(35%)
Average earning assets	**28,733**	(5,007)	(15%)	(813)	(3%)	**29,146**	(6,312)	(18%)

nm – not meaningful

Q2 2010 vs Q2 2009

Results for all periods reflect the current quarter's transfer of the commercial portfolio from BMO Capital Markets. Net income decreased Cdn$35 million or 43% to Cdn$46 million. On a U.S. dollar basis, net income was $45 million, down $20 million or 31% from a year ago. Revenues from improved loan spreads were more than offset by the decline in commercial loan balances due to lower client loan utilization, deposit spread compression and the increased impact of impaired loans. Amounts in the rest of this section are outlined in U.S. dollars.

Net income for the quarter on a basis that adjusts for the impact of impaired loans was $61 million. On a comparably-adjusted basis, the cash productivity ratio was 62.3%.

Revenue of $326 million declined $16 million or 4.8% as the benefit of improved loan spreads was more than offset by the decline in commercial loan balances and deposit spread compression. Impaired loans had no impact on year-over-year revenue growth.

Non-interest expense of $228 million was $7 million or 3.1% higher. Adjusted for the impact of impaired loans and integration costs, expenses increased $2 million or 0.9%.

Q2 2010 vs Q1 2010

Net income decreased Cdn$5 million or 8.9% from the first quarter. On a U.S. dollar basis, net income fell $3 million or 6.3% to $45 million, in part due to the increased impact of impaired assets. Amounts in the rest of this section are outlined in U.S. dollars.

Revenue decreased $4 million or 1.2%. On a basis that adjusts for the impact of impaired loans, revenue was unchanged.

Non-interest expenses were essentially unchanged.

Our continued focus on the customer experience is reflected in our high loyalty scores. Our retail net promoter score was 39 for the second quarter of 2010, compared with 40 in the first quarter. Our retail net promoter score remains very strong compared to the scores of our major competitors.

Q2 YTD 2010 vs Q2 YTD 2009

Net income decreased Cdn$80 million or 45% from the prior year to Cdn$97 million. On a U.S. dollar basis, net income was $93 million, down $50 million or 35% from the prior year. Amounts in the rest of this section are outlined in U.S. dollars.

Net income on a basis that adjusts for the impact of impaired loans and integration costs was $124 million. Adjusted on the same basis, the cash productivity ratio was 62.1%.

Revenue of $656 million was $36 million or 5.2% lower, as the benefit of improved loan spreads was more than offset by the decrease in commercial loan balances and deposit spread compression.

Non-interest expense increased $19 million or 4.3%. Adjusted for the impact of impaired loans, integration costs and changes in the Visa litigation accrual, expenses increased $1 million or 0.3%.

Private Client Group (PCG)

(Canadian $ in millions, except as noted)	Q2-2010	Increase (Decrease) vs. Q2-2009		Increase (Decrease) vs. Q1-2010		YTD-2010	Increase (Decrease) vs. YTD-2009	
Net interest income (teb)	**87**	1	1%	-	(1%)	**174**	(4)	(2%)
Non-interest revenue	**471**	90	23%	8	2%	**934**	166	22%
Total revenue (teb)	**558**	91	19%	8	1%	**1,108**	162	17%
Provision for credit losses	**2**	-	-	-	-	**4**	1	37%
Non-interest expense	**398**	28	7%	-	-	**796**	32	4%
Income before income taxes	**158**	63	67%	8	4%	**308**	129	73%
Income taxes (teb)	**40**	17	78%	3	7%	**77**	38	94%
Net income	**118**	46	64%	5	4%	**231**	91	66%
Amortization of acquisition-related intangible assets (after tax)	**1**	-	-	(1)	nm	**3**	2	nm
Cash net income	**119**	46	64%	4	4%	**234**	93	66%
Return on equity	**38.4%**		12.9%		4.0%	**36.4%**		11.7%
Cash return on equity	**39.0%**		13.1%		4.1%	**36.8%**		11.8%
Operating leverage	**12.1%**		nm		nm	**12.9%**		nm
Cash operating leverage	**12.1%**		nm		nm	**13.0%**		nm
Productivity ratio (teb)	**71.5%**		(8.1%)		(0.8%)	**71.9%**		(9.0%)
Cash productivity ratio (teb)	**71.2%**		(8.0%)		(0.8%)	**71.6%**		(9.0%)
Net interest margin on earning assets (teb)	**2.80%**		(0.81%)		(0.01%)	**2.80%**		(1.10%)
Average earning assets	**12,667**	2,961	31%	335	3%	**12,496**	3,311	36%
U.S. Select Financial Data (US$ in millions, except as noted)								
Total revenue (teb)	**59**	8	18%	(3)	(3%)	**121**	30	34%
Non-interest expense	**54**	4	8%	-	1%	**108**	6	6%
Net income	**3**	2	+100%	(2)	(35%)	**8**	15	+100%
Cash net income	**3**	2	+100%	(2)	(30%)	**8**	15	+100%
Average earning assets	**2,095**	(183)	(8%)	(55)	(3%)	**2,123**	(151)	(7%)

nm – not meaningful

Q2 2010 vs Q2 2009

Net income of $118 million increased $46 million or 64% from the same quarter a year ago. Net income in the current quarter was comprised of $73 million from PCG, excluding insurance, and $45 million from insurance. Net income a year ago was comprised of $42 million from PCG, excluding insurance, and $30 million from insurance.

Revenue increased $91 million or 19% with revenue growth across all of our businesses, including the benefit of our BMO Life Assurance acquisition. Revenue benefited from our success in attracting new client assets as well as improved equity market conditions. Net interest income increased slightly from the prior year due primarily to deposit balance growth, partly offset by spread compression in our brokerage businesses. The weaker U.S. dollar lowered revenue by $14 million.

Non-interest expense increased $28 million or 7.3%, due primarily to higher revenue-based costs related largely to higher commission revenue in the brokerage businesses. The BMO Life Assurance acquisition increased expenses by $13 million including integration costs of $2 million. The weaker U.S. dollar reduced expenses by $11 million. The cash productivity ratio of 71.2% improved 800 basis points from the prior year.

Assets under management and administration grew $45 billion or 20% after adjusting to exclude the impact of the weaker U.S. dollar.

Q2 2010 vs Q1 2010

Net income increased $5 million or 3.8% from the first quarter due primarily to growth in PCG, excluding insurance.

Revenue increased $8 million or 1.1% as higher commission revenue in full-service investing and higher insurance revenues were partially offset by the effects of fewer days in the current quarter.

Non-interest expense was unchanged from the previous quarter as higher revenue-based costs were offset by lower stock-based compensation costs for employees eligible to retire, which are recognized annually in the first quarter. The cash productivity ratio of 71.2% improved 80 basis points from the prior quarter.

Assets under management and administration improved by $8 billion or 3.3% after adjusting to exclude the impact of the weaker U.S. dollar, due to continued improvement in market conditions.

Q2 YTD 2010 vs Q2 YTD 2009

Net income increased $91 million or 66% from the prior year. Net income in the current year was comprised of $143 million from PCG, excluding insurance, and $88 million from insurance. Net income a year ago was comprised of $78 million from PCG, excluding insurance, and $62 million from insurance. Results a year ago included a charge of $17 million ($11 million after tax) related to the decision to assist some of our U.S. clients by purchasing auction-rate securities from their accounts in the weak capital markets environment.

Revenue increased $162 million or 17% due primarily to revenue growth across all of our businesses, including the benefit of our BMO Life Assurance acquisition. Net interest income declined due to lower deposit spreads, offset in part by deposit growth in our brokerage businesses and loan growth in private banking. The weaker U.S. dollar lowered revenue by $26 million.

Non-interest expense increased $32 million or 4.2%, primarily as a result of higher revenue-based costs, in line with improved performance. The weaker U.S. dollar reduced expenses by $20 million. The BMO Life Assurance acquisition increased expenses by $32 million including integration costs of $3 million. The group continues to focus actively on expense management. The cash productivity ratio of 71.6% improved 900 basis points from the same period last year.

BMO Capital Markets (BMO CM)

(Canadian $ in millions, except as noted)	Q2-2010	Increase (Decrease) vs. Q2-2009		Increase (Decrease) vs. Q1-2010		YTD-2010	Increase (Decrease) vs. YTD-2009	
Net interest income (teb)	**324**	(76)	(19%)	(19)	(6%)	**667**	(146)	(18%)
Non-interest revenue	**540**	262	94%	56	12%	**1,024**	562	+100%
Total revenue (teb)	**864**	186	27%	37	5%	**1,691**	416	33%
Provision for credit losses	**67**	28	74%	2	2%	**132**	56	74%
Non-interest expense	**469**	50	12%	(1)	-	**939**	81	9%
Income before income taxes	**328**	108	50%	36	13%	**620**	279	82%
Income taxes (teb)	**69**	37	+100%	(9)	(11%)	**147**	109	+100%
Net income	**259**	71	38%	45	21%	**473**	170	57%
Amortization of acquisition-related intangible assets (after tax)	**1**	1	+100%	1	+100%	**1**	1	+100%
Cash net income	**260**	72	38%	46	21%	**474**	171	56%
Trading Products revenue	**561**	79	16%	51	10%	**1,071**	276	35%
Investment and Corporate Banking revenue	**303**	107	55%	(14)	(4%)	**620**	140	29%
Return on equity	**24.8%**		12.0%		6.4%	**21.5%**		11.3%
Cash return on equity	**24.8%**		11.9%		6.3%	**21.5%**		11.3%
Operating leverage	**15.9%**		nm		nm	**23.3%**		nm
Cash operating leverage	**15.8%**		nm		nm	**23.3%**		nm
Productivity ratio (teb)	**54.2%**		(7.7%)		(2.6%)	**55.5%**		(11.8%)
Cash productivity ratio (teb)	**54.2%**		(7.7%)		(2.6%)	**55.5%**		(11.8%)
Net interest margin on earning assets (teb)	**0.86%**		(0.06%)		(0.03%)	**0.87%**		(0.05%)
Average earning assets	**154,440**	(24,584)	(14%)	1,122	1%	**153,870**	(24,003)	(13%)
U.S. Select Financial Data (US$ in millions, except as noted)								
Total revenue (teb)	**239**	2	1%	(35)	(13%)	**513**	(103)	(17%)
Non-interest expense	**187**	53	39%	26	16%	**348**	50	17%
Net Income	**3**	(55)	(95%)	(48)	(95%)	**54**	(150)	(74%)
Average earning assets	**45,290**	(12,015)	(21%)	(1,760)	(4%)	**46,185**	(11,093)	(19%)

nm – not meaningful

Q2 2010 vs Q2 2009

Results for all periods reflect the current quarter's transfer of the commercial portfolio to P&C U.S. Net income was $259 million, up $71 million or 38% from a year ago. There was strong revenue growth, partially offset by higher provisions for credit losses and an increase in employee costs due to improved revenue performance and higher severance costs. ROE was 24.8%, compared to 12.8% a year ago.

Revenue increased $186 million or 27% to $864 million. Our revenue generation continues to benefit from our client focus and diversified portfolio of businesses. Trading revenues were significantly higher than in the prior year as revenues a year ago were lowered by charges arising from our Canadian credit protection vehicle. Investment securities gains were positive this year whereas the prior year included charges on certain merchant banking investments. Corporate lending revenue has decreased due to significantly reduced asset levels and lower lending fees. Investment banking performance was also softer than a year ago; however, activity on a year to date basis has significantly improved due to better economic conditions. The weaker U.S. dollar decreased revenues by $57 million relative to a year ago.

Net interest income decreased due to lower revenue from our interest-rate-sensitive businesses as well as lower corporate banking net interest income from decreased asset levels, partially offset by higher trading net interest income. Net interest margin decreased by 6 basis points to 0.86%, due to narrower spreads in our interest-rate-sensitive businesses.

Non-interest expense increased $50 million due to higher severance costs as well as higher variable compensation costs in line with improved revenue performance. The weaker U.S. dollar decreased expenses by $33 million relative to a year ago.

Net income taxes were higher primarily due to a lower proportion of tax-exempt income.

Q2 2010 vs Q1 2010

Net income increased $45 million or 21%. Revenue was $37 million or 4.5% higher than in the preceding quarter due to higher trading revenue and improved investment securities gains. There were lower mergers and acquisitions fees, corporate banking revenues and debt underwriting fees. Interest rate and foreign exchange trading revenues increased, while equity trading revenues decreased. Corporate banking revenues also decreased, largely due to lower lending fees.

Non-interest expense decreased $1 million from the first quarter as increased severance costs this quarter were offset by the absence of stock-based compensation costs for employees eligible to retire, which are recorded annually in the first quarter, as well as lower variable compensation costs.

Net income taxes were lower due to a higher proportion of tax-exempt income.

Q2 YTD 2010 vs Q2 YTD 2009

Net income increased $170 million to $473 million. Revenue rose $416 million or 33% due to investment securities gains in the current year, compared to large investment securities losses in the prior year in the weaker capital markets environment. Interest rate trading revenues have improved considerably as the prior year included large losses related to our Canadian credit protection vehicle. Mergers and acquisitions and debt underwriting fees also improved due to better economic conditions. In contrast, net interest income declined due to significantly lower revenues from our interest-rate-sensitive businesses and lower corporate banking net interest income from reduced asset levels, partially offset by higher trading net interest income. Commission revenue also decreased.

Non-interest expense was $81 million higher than in the prior year, largely due to higher variable compensation costs in line with improved revenue performance.

Corporate Services, Including Technology and Operations

(Canadian $ in millions, except as noted)	Q2-2010	Increase (Decrease) vs. Q2-2009		Increase (Decrease) vs. Q1-2010		YTD-2010	Increase (Decrease) vs. YTD-2009	
Net interest income (teb)	**(137)**	272	66%	45	25%	**(319)**	534	63%
Non-interest revenue	**21**	(191)	(90%)	(49)	(70%)	**91**	(241)	(73%)
Total revenue (teb)	**(116)**	81	40%	(4)	(4%)	**(228)**	293	56%
Provision for credit losses	**28**	(187)	(87%)	(87)	(75%)	**143**	(344)	(71%)
Non-interest expense	**9**	(123)	(93%)	(11)	(50%)	**29**	(141)	(83%)
Loss before income taxes and non-controlling interest in subsidiaries	**153**	(391)	(72%)	(94)	(37%)	**400**	(778)	(66%)
Income tax recovery (teb)	**97**	(143)	(59%)	(45)	(29%)	**239**	(285)	(55%)
Non-controlling interest in subsidiaries	**18**	(1)	(5%)	(1)	(5%)	**37**	(1)	(4%)
Net loss	**74**	(249)	(77%)	(50)	(41%)	**198**	(494)	(71%)
U.S. Select Financial Data (US$ in millions, except as noted)								
Total revenue (teb)	**(18)**	57	73%	17	41%	**(53)**	145	72%
Provision for credit losses	**36**	(125)	(78%)	(71)	(67%)	**143**	(242)	(63%)
Non-interest expense	**(14)**	(27)	(+100%)	(6)	(37%)	**(34)**	(32)	(+100%)
Income tax recovery (teb)	**14**	(73)	(79%)	(35)	(61%)	**63**	(154)	(69%)
Net loss	**30**	(136)	(82%)	(48)	(62%)	**108**	(265)	(71%)

Corporate Services

Corporate Services consists of the corporate units that provide enterprise-wide expertise and governance support in a variety of areas, including strategic planning, risk management, corporate finance, legal and compliance, communications and human resources. Operating results include revenues and expenses associated with certain securitization and asset-liability management activities, the elimination of taxable equivalent adjustments and the impact of our expected loss provisioning methodology.

Corporate Services is charged (or credited) with differences between the periodic provisions for credit losses charged to the client operating groups under our expected loss provisioning methodology and the required periodic provisions charged by the consolidated organization under GAAP.

Technology and Operations

Technology and Operations (T&O) manages, maintains and provides governance over information technology, operations services, real estate and sourcing for BMO Financial Group. T&O focuses on enterprise-wide priorities that improve service quality and efficiency to deliver an excellent customer experience.

Financial Performance Review

Technology and Operations operating results are included with Corporate Services for reporting purposes. Costs of T&O's services are transferred to the client operating groups (P&C, PCG and BMO Capital Markets) and only minor amounts are retained in T&O results. As such, results in this section largely reflect the corporate activities outlined above.

Corporate Services incurred a net loss in the quarter of $74 million due primarily to low revenues. Results were $249 million better than in the prior year due to improved revenues, reduced expenses and lower provisions for credit losses. Revenues improved $81 million due primarily to a lower negative carry on certain asset-liability interest rate positions as a result of management actions and more stable market conditions and a reduced impact of the prior year's funding activities that enhanced our strong liquidity position. These factors were partly offset by lower securitization revenues.

Expenses decreased as the prior year included $118 million ($80 million after tax) of severance costs.

Provisions for credit losses charged to Corporate Services were reduced by $187 million.

The net loss in the current quarter improved $50 million from the first quarter of 2010, due primarily to reduced provisions for credit losses.

The net loss for the year to date was $198 million, an improvement of $494 million from a year ago. The improvement was attributable to significantly improved revenues, a large reduction in provisions for credit losses and reduced expenses, due in large part to high severance costs in 2009. Improved revenues were largely due to the same factors driving the current quarter's year-over-year improvement.

Notable items

(Canadian $ in millions, except as noted)	**Q2-2010**	Q1-2010	Q2-2009	**YTD-2010**	YTD-2009
Charges related to deterioration in capital markets environment	-	-	215	-	463
Related income taxes	-	-	68	-	148
Net impact of charges related to the deterioration in capital markets environment (a)	-	-	147	-	316
Severance charges	-	-	118	-	118
Related income taxes	-	-	38	-	38
Net impact of severance charges (b)	-	-	80	-	80
Net impact of notable items (a+b)	-	-	227	-	396

Notable Items

As noted in the Annual Report, we chose to redefine notable items for fiscal 2009. Notable items identified for prior quarters align accordingly.

Q2 2010

No charges in respect of the capital markets environment have been designated as notable items this quarter in light of the relative insignificance of the amounts.

Q2 2009

Net income for the second quarter of 2009 was lowered by charges of $333 million ($227 million after tax and $0.42 per share) comprised of: $215 million related to a Canadian credit protection vehicle ($147 million after tax) and $118 million ($80 million after tax) of severance costs recorded in Corporate Services.

Non-interest revenue was affected by the $215 million of charges outlined above. The reductions were all in trading non-interest revenue ($215 million).

Q1 2010

No charges in respect of the capital markets environment were designated as notable items in the first quarter in light of the relative insignificance of the amounts.

YTD 2010

No charges in respect of the capital markets environment have been designated as notable items in 2010 in light of the relative insignificance of the amounts.

YTD 2009

Net income for the year-to-date 2009 was affected by $581 million ($396 million after tax and $0.74 per share) of capital markets environment charges and severance costs. BMO recorded capital markets environment charges related to a Canadian credit protection vehicle of $463 million ($316 million after tax) and there were severance costs in Corporate Services of $118 million ($80 million after tax).

Non-interest revenue for year-to-date 2009 was affected by the $463 million of charges outlined above. There were reductions in trading non-interest revenue ($286 million) and investment securities gains ($177 million).

GAAP and Related Non-GAAP Measures used in the MD&A

(Canadian $ in millions, except as noted)	**Q2-2010**	Q1-2010	Q2-2009	**YTD-2010**	YTD-2009
Total non-interest expense (a)	**1,830**	1,839	1,888	**3,669**	3,729
Amortization of acquisition-related intangible assets (note 1)	**(8)**	(8)	(13)	**(16)**	(23)
Cash-based non-interest expense (b) (note 2)	**1,822**	1,831	1,875	**3,653**	3,706
Net income	**745**	657	358	**1,402**	583
Amortization of acquisition-related intangible assets, net of income taxes	**7**	7	10	**14**	18
Cash net income (note 2)	**752**	664	368	**1,416**	601
Preferred share dividends	**(34)**	(35)	(26)	**(69)**	(49)
Charge for capital (note 2)	**(455)**	(458)	(429)	**(913)**	(858)
Net economic profit (note 2)	**263**	171	(87)	**434**	(306)
Revenue (c)	**3,049**	3,025	2,655	**6,074**	5,097
Revenue growth (%) (d)	**14.8**	23.9	1.3	**19.2**	9.7
Productivity ratio (%) ((a/c) x 100)	**60.0**	60.8	71.1	**60.4**	73.2
Cash productivity ratio (%) ((b/c) x 100) (note 2)	**59.7**	60.5	70.7	**60.1**	72.7
Non-interest expense growth (%) (e)	**(3.1)**	(0.1)	12.4	**(1.6)**	13.2
Cash-based non-interest expense growth (%) (f) (note 2)	**(2.9)**	-	12.3	**(1.5)**	13.2
Operating leverage (%) (d-e)	**17.9**	24.0	(11.1)	**20.8**	(3.5)
Cash operating leverage (%) (d-f) (note 2)	**17.7**	23.9	(11.0)	**20.7**	(3.5)
EPS (uses net income) ($)	**1.26**	1.12	0.61	**2.38**	1.00
Cash EPS (note 1) (uses cash net income) ($) (note 2)	**1.28**	1.13	0.63	**2.41**	1.03

Note 1: The amortization of non-acquisition-related intangible assets is not added back in the determination of cash net income.
Note 2: These are non-GAAP amounts or non-GAAP measures.

Non-GAAP Measures

BMO uses both GAAP and certain non-GAAP measures to assess performance. Securities regulators require that companies caution readers that earnings and other measures adjusted to a basis other than GAAP do not have standardized meanings under GAAP and are unlikely to be comparable to similar measures used by other companies. The above table reconciles the non-GAAP measures, which management regularly monitors, to their GAAP counterparts.

At times, we indicate that certain amounts or measures exclude the effects of items but we generally do so in conjunction with disclosure of the nearest GAAP measure and provide details of the reconciling item. Amounts and measures stated on such a basis are considered useful as they could be expected to reflect ongoing operating results or assist readers' understanding of performance. To assist readers, we have also provided a schedule on the preceding page that summarizes notable items that have affected results in the reporting periods.

Cash earnings, cash productivity and cash operating leverage measures may enhance comparisons between periods when there has been an acquisition, particularly because the purchase decision may not consider the amortization of acquisition-related intangible assets to be a relevant expense. Cash EPS measures are also disclosed because analysts often focus on this measure, and cash EPS is used by Thomson First Call to track third-party earnings estimates that are frequently reported in the media. Cash measures add the after-tax amortization of acquisition-related intangible assets to GAAP earnings to derive cash net income (and associated cash EPS) and deduct the amortization of acquisition-related intangible assets from non-interest expense to derive cash productivity and cash operating leverage measures.

Net economic profit represents cash net income available to common shareholders, less a charge for capital, and is considered an effective measure of added economic value.

Consolidated Statement of Income

(Unaudited) (Canadian $ in millions, except as noted)	For the three months ended					For the six months ended	
	April 30, 2010	January 31, 2010	October 31, 2009	July 31, 2009	April 30, 2009	**April 30, 2010**	April 30, 2009
Interest, Dividend and Fee Income							
Loans	**$ 1,737**	$ 1,763	$ 1,835	$ 1,920	$ 1,955	**$ 3,500**	$ 4,205
Securities	**510**	518	448	494	665	**1,028**	1,485
Deposits with banks	**16**	17	19	23	48	**33**	144
	2,263	2,298	2,302	2,437	2,668	**4,561**	5,834
Interest Expense							
Deposits	**527**	559	672	789	1,097	**1,086**	2,580
Subordinated debt	**28**	29	32	24	30	**57**	79
Capital trust securities and preferred shares	**19**	20	20	20	19	**39**	40
Other liabilities	**167**	158	136	138	187	**325**	473
	741	766	860	971	1,333	**1,507**	3,172
Net Interest Income	**1,522**	1,532	1,442	1,466	1,335	**3,054**	2,662
Provision for credit losses (Note 2)	**249**	333	386	417	372	**582**	800
Net Interest Income After Provision for Credit Losses	**1,273**	1,199	1,056	1,049	963	**2,472**	1,862
Non-Interest Revenue							
Securities, commissions and fees	**261**	263	250	240	235	**524**	483
Deposit and payment service charges	**197**	200	205	206	204	**397**	409
Trading revenues	**213**	126	163	273	63	**339**	287
Lending fees	**138**	142	149	140	148	**280**	267
Card fees	**66**	35	29	35	33	**101**	57
Investment management and custodial fees	**86**	88	87	85	84	**174**	172
Mutual fund revenues	**134**	133	128	119	106	**267**	220
Securitization revenues	**151**	172	201	202	262	**323**	526
Underwriting and advisory fees	**97**	122	116	101	103	**219**	180
Securities gains (losses), other than trading	**54**	47	14	(12)	(42)	**101**	(356)
Foreign exchange, other than trading	**28**	21	14	1	25	**49**	38
Insurance income	**86**	82	86	85	64	**168**	124
Other	**16**	62	105	37	35	**78**	28
	1,527	1,493	1,547	1,512	1,320	**3,020**	2,435
Net Interest Income and Non-Interest Revenue	**2,800**	2,692	2,603	2,561	2,283	**5,492**	4,297
Non-Interest Expense							
Employee compensation (Note 8)	**1,071**	1,111	1,047	1,122	1,129	**2,182**	2,216
Premises and equipment	**319**	308	302	313	339	**627**	666
Amortization of intangible assets	**55**	50	50	48	54	**105**	105
Travel and business development	**77**	72	81	73	73	**149**	155
Communications	**58**	50	58	55	57	**108**	108
Business and capital taxes	**12**	11	(3)	19	13	**23**	28
Professional fees	**79**	77	97	91	82	**156**	174
Other	**159**	160	147	162	141	**319**	277
	1,830	1,839	1,779	1,883	1,888	**3,669**	3,729
Restructuring Reversal	**-**	-	-	(10)	-	**-**	-
Income Before Provision for (Recovery of) Income Taxes and Non-Controlling Interest in Subsidiaries	**970**	853	824	688	395	**1,823**	568
Provision for (Recovery of) income taxes	**207**	177	158	112	18	**384**	(53)
	763	676	666	576	377	**1,439**	621
Non-controlling interest in subsidiaries	**18**	19	19	19	19	**37**	38
Net Income	**$ 745**	$ 657	$ 647	$ 557	$ 358	**$ 1,402**	$ 583
Preferred share dividends	**$ 34**	$ 35	$ 38	$ 33	$ 26	**$ 69**	$ 49
Net income available to common shareholders	**$ 711**	$ 622	$ 609	$ 524	$ 332	**$ 1,333**	$ 534
Average common shares (in thousands)	**558,320**	553,992	550,495	547,134	543,634	**556,120**	531,631
Average diluted common shares (in thousands)	**561,868**	557,311	554,151	549,968	544,327	**559,552**	532,418
Earnings Per Share (Canadian $) (Note 12)							
Basic	**$ 1.27**	$ 1.12	$ 1.12	$ 0.97	$ 0.61	**$ 2.40**	$ 1.00
Diluted	**1.26**	1.12	1.11	0.97	0.61	**2.38**	1.00
Dividends Declared Per Common Share	**0.70**	0.70	0.70	0.70	0.70	**1.40**	1.40

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

Consolidated Balance Sheet

(Unaudited) (Canadian $ in millions)	As at				
	April 30, 2010	January 31, 2010	October 31, 2009	July 31, 2009	April 30, 2009
Assets					
Cash and Cash Equivalents	**$ 13,623**	$ 12,341	$ 9,955	$ 10,758	$ 10,247
Interest Bearing Deposits with Banks	**2,741**	3,563	3,340	3,809	3,985
Securities					
Trading	**70,978**	64,874	59,071	66,152	66,704
Available-for-sale	**50,929**	52,690	50,303	42,559	39,295
Other	**1,491**	1,506	1,439	1,436	1,501
	123,398	119,070	110,813	110,147	107,500
Securities Borrowed or Purchased Under Resale Agreements	**25,053**	34,498	36,006	45,250	38,521
Loans					
Residential mortgages	**46,671**	46,535	45,524	48,760	48,052
Consumer instalment and other personal	**47,774**	46,813	45,824	44,466	44,316
Credit cards	**3,318**	3,324	2,574	2,383	2,100
Businesses and governments	**66,894**	67,690	68,169	70,705	77,271
	164,657	164,362	162,091	166,314	171,739
Customers' liability under acceptances	**6,981**	7,169	7,640	9,042	9,736
Allowance for credit losses (Note 2)	**(1,885)**	(1,943)	(1,902)	(1,798)	(1,825)
	169,753	169,588	167,829	173,558	179,650
Other Assets					
Derivative instruments	**41,469**	45,702	47,898	59,580	77,473
Premises and equipment	**1,552**	1,628	1,634	1,642	1,684
Goodwill	**1,609**	1,584	1,569	1,551	1,670
Intangible assets	**749**	712	660	647	671
Other	**10,219**	9,937	8,754	8,419	10,844
	55,598	59,563	60,515	71,839	92,342
Total Assets	**$ 390,166**	$ 398,623	$ 388,458	$ 415,361	$ 432,245
Liabilities and Shareholders' Equity					
Deposits					
Banks	**$ 24,399**	$ 22,318	$ 22,973	$ 23,211	$ 27,874
Businesses and governments	**115,251**	119,568	113,738	122,269	118,205
Individuals	**99,610**	98,413	99,445	99,473	101,090
	239,260	240,299	236,156	244,953	247,169
Other Liabilities					
Derivative instruments	**39,523**	42,867	44,765	58,570	75,070
Acceptances	**6,981**	7,169	7,640	9,042	9,736
Securities sold but not yet purchased	**16,475**	15,953	12,064	12,717	14,131
Securities lent or sold under repurchase agreements	**46,323**	50,226	46,312	48,816	46,170
Other	**16,257**	16,592	15,938	16,149	14,708
	125,559	132,807	126,719	145,294	159,815
Subordinated Debt (Note 9)	**3,682**	3,742	4,236	4,249	4,379
Capital Trust Securities (Note 10)	**1,150**	1,150	1,150	1,150	1,150
Shareholders' Equity					
Share capital (Note 11)	**9,161**	8,939	8,769	8,626	8,099
Contributed surplus	**88**	89	79	78	77
Retained earnings	**12,299**	11,981	11,748	11,525	11,391
Accumulated other comprehensive income (loss)	**(1,033)**	(384)	(399)	(514)	165
	20,515	20,625	20,197	19,715	19,732
Total Liabilities and Shareholders' Equity	**$ 390,166**	$ 398,623	$ 388,458	$ 415,361	$ 432,245

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

Consolidated Statement of Comprehensive Income

(Unaudited) (Canadian $ in millions)	For the three months ended April 30, 2010	April 30, 2009	For the six months ended April 30, 2010	April 30, 2009
Net income	**$ 745**	$ 358	**$ 1,402**	$ 583
Other Comprehensive Income				
Net change in unrealized gains (losses) on available-for-sale securities	**(80)**	181	**(103)**	247
Net change in unrealized gains (losses) on cash flow hedges	**(356)**	27	**(271)**	219
Net loss on translation of net foreign operations	**(213)**	(124)	**(260)**	(50)
Total Comprehensive Income	**$ 96**	$ 442	**$ 768**	$ 999

Consolidated Statement of Changes in Shareholders' Equity

(Unaudited) (Canadian $ in millions)	For the three months ended April 30, 2010	April 30, 2009	For the six months ended April 30, 2010	April 30, 2009
Preferred Shares				
Balance at beginning of period	**$ 2,571**	$ 1,896	**$ 2,571**	$ 1,746
Issued during the period (Note 11)	**-**	275	**-**	425
Balance at End of Period	**2,571**	2,171	**2,571**	2,171
Common Shares				
Balance at beginning of period	**6,368**	5,818	**6,198**	4,773
Issued during the period (Note 11)	**-**	-	**-**	1,000
Issued under the Shareholder Dividend Reinvestment and Share Purchase Plan	**131**	103	**257**	138
Issued under the Stock Option Plan	**91**	7	**135**	17
Balance at End of Period	**6,590**	5,928	**6,590**	5,928
Contributed Surplus				
Balance at beginning of period	**89**	76	**79**	69
Stock option expense (exercised)	**(1)**	1	**9**	6
Premium on treasury shares	**-**	-	**-**	2
Balance at End of Period	**88**	77	**88**	77
Retained Earnings				
Balance at beginning of period	**11,981**	11,434	**11,748**	11,632
Net income	**745**	358	**1,402**	583
Dividends – Preferred shares	**(34)**	(26)	**(69)**	(49)
– Common shares	**(393)**	(382)	**(782)**	(760)
Share issue expense	**-**	(4)	**-**	(26)
Treasury shares	**-**	11	**-**	11
Balance at End of Period	**12,299**	11,391	**12,299**	11,391
Accumulated Other Comprehensive Income on Available-for-Sale Securities				
Balance at beginning of period	**457**	(8)	**480**	(74)
Unrealized gains (losses) on available-for-sale securities arising during the period (net of income tax (provision) recovery of $17,$(138),$26 and $(118))	**(27)**	211	**(48)**	167
Reclassification to earnings of (gains) losses in the period (net of income tax (provision) recovery of $21,$19, $22 and $(33))	**(53)**	(30)	**(55)**	80
Balance at End of Period	**377**	173	**377**	173
Accumulated Other Comprehensive Income (Loss) on Cash Flow Hedges				
Balance at beginning of period	**99**	450	**14**	258
Gains (losses) on cash flow hedges arising during the period (net of income tax (provision) recovery of $135,$(14),$109 and $(92))	**(309)**	20	**(232)**	213
Reclassification to earnings of (gains) losses on cash flow hedges (net of income tax (provision) recovery of $24, $(3),$18 and $(2))	**(47)**	7	**(39)**	6
Balance at End of Period	**(257)**	477	**(257)**	477
Accumulated Other Comprehensive Loss on Translation of Net Foreign Operations				
Balance at beginning of period	**(940)**	(361)	**(893)**	(435)
Unrealized loss on translation of net foreign operations	**(644)**	(363)	**(785)**	(135)
Impact of hedging unrealized loss on translation of net foreign operations (net of income tax provision of $(181),$(104),$(220) and $(38))	**431**	239	**525**	85
Balance at End of Period	**(1,153)**	(485)	**(1,153)**	(485)
Total Accumulated Other Comprehensive Income (Loss)	**(1,033)**	165	**(1,033)**	165
Total Shareholders' Equity	**$ 20,515**	$ 19,732	**$ 20,515**	$ 19,732

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

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

Consolidated Statement of Cash Flows

(Unaudited) (Canadian $ in millions)	For the three months ended		For the six months ended	
	April 30, 2010	April 30, 2009	**April 30, 2010**	April 30, 2009
Cash Flows from Operating Activities				
Net income	**$ 745**	$ 358	**$ 1,402**	$ 583
Adjustments to determine net cash flows provided by (used in) operating activities				
Impairment write-down of securities, other than trading	**10**	17	**28**	258
Net (gain) loss on securities, other than trading	**(64)**	25	**(129)**	98
Net (increase) decrease in trading securities	**(7,066)**	(2,786)	**(13,066)**	2,094
Provision for credit losses	**249**	372	**582**	800
(Gain) on sale of securitized loans (Note 3)	**(125)**	(208)	**(247)**	(390)
Change in derivative instruments – (Increase) decrease in derivative asset	**3,835**	3,645	**5,472**	(12,423)
– Increase (decrease) in derivative liability	**(2,124)**	(1,241)	**(3,533)**	15,937
Amortization of premises and equipment	**64**	65	**129**	130
Amortization of intangible assets	**55**	54	**105**	105
Net (increase) decrease in future income taxes	**73**	42	**94**	(88)
Net (increase) decrease in current income taxes	**(403)**	211	**(1,063)**	190
Change in accrued interest – (Increase) decrease in interest receivable	**(152)**	90	**(51)**	298
– Increase (decrease) in interest payable	**59**	(47)	**(209)**	(184)
Changes in other items and accruals, net	**(1,363)**	(1,372)	**(1,091)**	(1,885)
(Gain) on sale of land and buildings	**-**	(5)	**(4)**	(5)
Net Cash Provided by (Used in) Operating Activities	**(6,207)**	(780)	**(11,581)**	5,518
Cash Flows from Financing Activities				
Net increase (decrease) in deposits	**1,741**	(14,363)	**7,313**	(9,444)
Net increase (decrease) in securities sold but not yet purchased	**805**	(2,104)	**4,731**	(4,692)
Net increase (decrease) in securities lent or sold under repurchase agreements	**(2,896)**	11,537	**1,331**	14,919
Net (decrease) in liabilities of subsidiaries	**-**	(113)	**-**	(113)
Repayment of subordinated debt (Note 9)	**-**	-	**(500)**	(140)
Redemption of preferred share liability (Note 11)	**-**	-	**-**	(250)
Proceeds from issuance of preferred shares (Note 11)	**-**	275	**-**	425
Proceeds from issuance of common shares (Note 11)	**94**	7	**138**	1,017
Share issue expense	**-**	(4)	**-**	(26)
Cash dividends paid	**(299)**	(305)	**(597)**	(671)
Net Cash Provided by (Used in) Financing Activities	**(555)**	(5,070)	**12,416**	1,025
Cash Flows from Investing Activities				
Net decrease in interest bearing deposits with banks	**944**	5,793	**683**	8,316
Purchases of securities, other than trading	**(7,363)**	(12,467)	**(15,408)**	(24,327)
Maturities of securities, other than trading	**2,280**	2,123	**4,602**	6,153
Proceeds from sales of securities, other than trading	**7,336**	5,562	**10,133**	11,273
Net (increase) decrease in loans	**(4,567)**	5,416	**(7,084)**	(82)
Proceeds from securitization of loans (Note 3)	**1,510**	944	**1,843**	5,581
Net (increase) decrease in securities borrowed or purchased under resale agreements	**8,590**	(7,268)	**9,744**	(11,347)
Proceeds from sales of land and buildings	**-**	11	**5**	11
Premises and equipment – net purchases	**(16)**	(46)	**(70)**	(87)
Purchased and developed software – net purchases	**(78)**	(42)	**(121)**	(88)
Acquisitions (Note 7)	**(24)**	(310)	**(922)**	(316)
Net Cash Provided by (Used in) Investing Activities	**8,612**	(284)	**3,405**	(4,913)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**(568)**	(570)	**(572)**	(517)
Net Increase (Decrease) in Cash and Cash Equivalents	**1,282**	(6,704)	**3,668**	1,113
Cash and Cash Equivalents at Beginning of Period	**12,341**	16,951	**9,955**	9,134
Cash and Cash Equivalents at End of Period	**$ 13,623**	$ 10,247	**$ 13,623**	$ 10,247
Represented by:				
Cash and non-interest bearing deposits with Bank of Canada and other banks	**$ 12,334**	$ 9,007	**$ 12,334**	$ 9,007
Cheques and other items in transit, net	**1,289**	1,240	**1,289**	1,240
	$ 13,623	$ 10,247	**$ 13,623**	$ 10,247
Supplemental Disclosure of Cash Flow Information				
Amount of interest paid in the period	**$ 687**	$ 1,382	**$ 1,726**	$ 3,352
Amount of income taxes paid (refunded) in the period	**$ 258**	$ (146)	**$ 1,068**	$ (6)

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

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

Note 1: Basis of Presentation

These interim consolidated financial statements should be read in conjunction with the notes to our annual consolidated financial statements for the year ended October 31, 2009 as set out on pages 114 to 164 of our 2009 Annual Report. These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") using the same accounting policies and methods of computation as were used for our annual consolidated financial statements for the year ended October 31, 2009 and include all normal recurring adjustments which, in the opinion of management, are necessary for a fair presentation of the results for the periods presented.

Note 2: Allowance for Credit Losses

The allowance for credit losses recorded in our Consolidated Balance Sheet is maintained at a level which we consider adequate to absorb credit-related losses on our loans, customers' liability under acceptances and other credit instruments. The portion related to other credit instruments is recorded in other liabilities in our Consolidated Balance Sheet. As at April 30, 2010 and April 30, 2009, there was no allowance for credit losses related to other credit instruments included in other liabilities.

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

(Canadian $ in millions)

	Residential mortgages		Credit card, consumer instalment and other personal loans (1)		Business and government loans (1)		Customers' liability under acceptances		Total	
For the three months ended	**April 30, 2010**	April 30, 2009	**April 30, 2010**	April 30, 2009	**April 30, 2010**	April 30, 2009	**April 30, 2010**	April 30, 2009	**April 30, 2010**	April 30, 2009
Specific Allowance at beginning of period	**$ 37**	$ 16	**$ 56**	$ 1	**$ 510**	$ 390	**$ 10**	$ -	**$ 613**	$ 407
Provision for credit losses	**4**	6	**165**	169	**80**	197	**-**	-	**249**	372
Recoveries	**-**	-	**31**	22	**10**	10	**-**	-	**41**	32
Write-offs	**(2)**	(1)	**(198)**	(149)	**(90)**	(141)	**-**	-	**(290)**	(291)
Foreign exchange and other	**-**	-	**-**	-	**(19)**	(9)	**-**	-	**(19)**	(9)
Specific Allowance at end of period	**39**	21	**54**	43	**491**	447	**10**	-	**594**	511
General Allowance at beginning of period	**23**	21	**334**	258	**928**	1,015	**45**	40	**1,330**	1,334
Provision for credit losses	**(3)**	-	**(20)**	(22)	**23**	14	**-**	8	**-**	-
Foreign exchange and other	**-**	-	**-**	-	**(39)**	(20)	**-**	-	**(39)**	(20)
General Allowance at end of period	**20**	21	**314**	236	**912**	1,009	**45**	48	**1,291**	1,314
Total Allowance	**$ 59**	$ 42	**$ 368**	$ 279	**$ 1,403**	$ 1,456	**$ 55**	$ 48	**$ 1,885**	$ 1,825

	Residential mortgages		Credit card, consumer instalment and other personal loans (1)		Business and government loans (1)		Customers' liability under acceptances		Total	
For the six months ended	**April 30, 2010**	April 30, 2009	**April 30, 2010**	April 30, 2009	**April 30, 2010**	April 30, 2009	**April 30, 2010**	April 30, 2009	**April 30, 2010**	April 30, 2009
Specific Allowance at beginning of period	**$ 33**	$ 13	**$ 51**	$ 2	**$ 507**	$ 411	**$ 5**	$ -	**$ 596**	$ 426
Provision for credit losses	**10**	9	**329**	298	**238**	493	**5**	-	**582**	800
Recoveries	**-**	-	**63**	50	**23**	18	**-**	-	**86**	68
Write-offs	**(4)**	(1)	**(389)**	(307)	**(251)**	(474)	**-**	-	**(644)**	(782)
Foreign exchange and other	**-**	-	**-**	-	**(26)**	(1)	**-**	-	**(26)**	(1)
Specific Allowance at end of period	**39**	21	**54**	43	**491**	447	**10**	-	**594**	511
General Allowance at beginning of period	**18**	8	**266**	242	**968**	1,030	**54**	41	**1,306**	1,321
Provision for credit losses	**2**	13	**24**	(6)	**(17)**	(14)	**(9)**	7	**-**	-
Foreign exchange and other	**-**	-	**24**	-	**(39)**	(7)	**-**	-	**(15)**	(7)
General Allowance at end of period	**20**	21	**314**	236	**912**	1,009	**45**	48	**1,291**	1,314
Total Allowance	**$ 59**	$ 42	**$ 368**	$ 279	**$ 1,403**	$ 1,456	**$ 55**	$ 48	**$ 1,885**	$ 1,825

(1) Included in the credit cards, consumer instalment and other personal loans and the business and government loans categories at April 30, 2010 are $24 million and $8 million, respectively, related to the acquisition of the net cardholder receivables of the Diners Club North American franchise (see Note 7).

Note 3: Securitization

The following tables summarize our securitization activity related to our assets and its impact on our Consolidated Statement of Income for the three and six months ended April 30, 2010 and 2009:

(Canadian $ in millions)

	Residential mortgages		Credit card loans		Total	
For the three months ended	**April 30, 2010**	April 30, 2009	**April 30, 2010**	April 30, 2009	**April 30, 2010**	April 30, 2009
Net cash proceeds (1)	**$ 1,492**	$ 932	**$ -**	$ -	**$ 1,492**	$ 932
Investment in securitization vehicles (2)	**-**	-	**-**	-	**-**	-
Deferred purchase price	**66**	58	**-**	-	**66**	58
Servicing liability	**(11)**	(4)	**-**	-	**(11)**	(4)
	1,547	986	**-**	-	**1,547**	986
Loans sold	**1,520**	950		-	**1,520**	950
Gain on sale of loans from new securitizations	**$ 27**	$ 36	**$ -**	$ -	**$ 27**	$ 36
Gain on sale of loans sold to revolving securitization vehicles	**$ 12**	$ 51	**$ 86**	$ 121	**$ 98**	$ 172

	Residential mortgages		Credit card loans		Total	
For the six months ended	**April 30, 2010**	April 30, 2009	**April 30, 2010**	April 30, 2009	**April 30, 2010**	April 30, 2009
Net cash proceeds (1)	**$ 1,823**	$ 5,549	**$ -**	$ -	**$ 1,823**	$ 5,549
Investment in securitization vehicles (2)	**-**	-	**-**	-	**-**	-
Deferred purchase price	**84**	147	**-**	-	**84**	147
Servicing liability	**(14)**	(24)	**-**	-	**(14)**	(24)
	1,893	5,672	**-**	-	**1,893**	5,672
Loans sold	**1,857**	5,610	**-**	-	**1,857**	5,610
Gain on sale of loans from new securitizations	**$ 36**	$ 62	**$ -**	$ -	**$ 36**	$ 62
Gain on sale of loans sold to revolving securitization vehicles	**$ 30**	$ 91	**$ 181**	$ 237	**$ 211**	$ 328

(1) Net cash proceeds represent cash proceeds less issuance costs.

(2) Includes credit card securities retained on-balance sheet by the Bank.

The key weighted-average assumptions used to value the deferred purchase price for securitizations were as follows:

	Residential mortgages		Credit card loans (1)	
For the three months ended	**April 30, 2010**	April 30, 2009	**April 30, 2010**	April 30, 2009
Weighted-average life (years)	**4.65**	4.35	**1.00**	1.00
Prepayment rate (%)	**16.00**	12.12	**34.05**	34.63
Interest rate (%)	**4.12**	5.19	**21.17**	21.66
Expected credit losses (2)	**-**	-	**4.58**	3.67
Discount rate (%)	**2.73**	5.74	**9.09**	10.55

	Residential mortgages		Credit card loans (1)	
For the six months ended	**April 30, 2010**	April 30, 2009	**April 30, 2010**	April 30, 2009
Weighted-average life (years)	**4.71**	3.40	**1.00**	1.00
Prepayment rate (%)	**16.00**	22.66	**35.33**	36.65
Interest rate (%)	**4.14**	4.41	**21.33**	21.54
Expected credit losses (2)	**-**	-	**4.58**	2.76
Discount rate (%)	**2.77**	3.76	**9.16**	10.29

(1) There were no credit card securitization transactions in the three and six months ended April 30, 2010 and 2009.

(2) As the residential mortgages are fully insured, there are no expected credit losses.

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

Note 4: Variable Interest Entities

Total assets in our Variable Interest Entities ("VIEs") and our maximum exposure to losses are summarized in the following table. For additional information on our VIEs, refer to Note 9 on pages 127 to 129 of our 2009 Annual Report.

(Canadian $ in millions)						April 30, 2010						October 31, 2009
	Exposure to loss					Total assets	Exposure to loss					Total assets
	Undrawn facilities (1)	Drawn facilities and loans provided (2)	Securities held	Derivative assets	Total		Undrawn facilities (1)	Drawn facilities and loans provided (2)	Securities held	Derivative assets	Total	
Unconsolidated VIEs in which we have a significant variable interest												
Canadian customer securitization vehicles (3)	$ 4,486	$ -	$ 241	$ 24	$ 4,751	$ 4,570	$ 5,819	$ -	$ 328	$ 44	$ 6,191	$ 5,674
U.S. customer securitization vehicle	4,417	340	-	2	4,759	4,312	6,214	158	-	2	6,374	4,943
Bank securitization vehicles (3)	5,100	-	624	20	5,744	9,469	5,100	-	625	94	5,819	9,719
Credit protection vehicle – Apex (4)(5)	1,030	-	1,116	645	2,791	2,204	918	112	833	1,236	3,099	2,322
Structured investment vehicles (6)	244	5,960	-	13	6,217	5,981	247	7,230	-	12	7,489	6,968
Structured finance vehicles	n/a	n/a	2,489	-	2,489	3,387	n/a	n/a	1,762	-	1,762	2,451
Capital and funding trusts	43	12	2	-	57	1,278	43	12	2	-	57	1,270
Total	$ 15,320	$ 6,312	$ 4,472	$ 704	$ 26,808	$ 31,201	$ 18,341	$ 7,512	$ 3,550	$ 1,388	$ 30,791	$ 33,347
Consolidated VIEs												
Canadian customer securitization vehicles (3)(7)	$ 548	$ -	$ 534	$ -	$ 1,082	$ 534	$ 733	$ -	$ 719	$ -	$ 1,452	$ 719
Structured finance vehicles	n/a	n/a	52	-	52	52	n/a	n/a	54	-	54	54
Capital and funding trusts	9,103	1,897	880	25	11,905	5,032	9,013	1,987	880	45	11,925	5,190
Total	$ 9,651	$ 1,897	$ 1,466	$ 25	$ 13,039	$ 5,618	$ 9,746	$ 1,987	$ 1,653	$ 45	$ 13,431	$ 5,963

(1) These facilities include senior funding facilities provided to our credit protection vehicle and structured investment vehicles as well as backstop liquidity facilities provided to our Canadian customer securitization vehicles and our U.S. customer securitization vehicle. None of the backstop liquidity facilities to our Canadian customer securitization vehicles related to credit support as at April 30, 2010 and October 31, 2009. Backstop liquidity facilities to our U.S. customer securitization vehicle include credit support and are discussed below.

(2) Amounts outstanding from backstop liquidity facilities and senior funding facilities are classified as Loans - Businesses and governments.

(3) Securities held in our bank securitization vehicles are comprised of $69 million of commercial paper classified as trading securities ($55 million in 2009), and $283 million of deferred purchase price ($293 million in 2009) and $272 million of asset-backed securities ($277 million in 2009) classified as available-for-sale securities. Securities held in our Canadian customer securitization vehicles are comprised of commercial paper and are classified as trading securities. Assets held by all these vehicles relate to assets in Canada.

(4) Derivatives held with this vehicle are classified as trading instruments. Changes in the fair value of these derivatives are offset by derivatives held with third-party counterparties which are also classified as trading instruments.

(5) Securities held are classified as trading securities and have a face value of $1,415 million. Our exposure to these securities has been hedged through derivatives.

(6) Securities held are comprised of capital notes, classified as available-for-sale securities. We have written these notes down to $nil as at April 30, 2010 and October 31, 2009.

(7) Total assets held as at April 30, 2010 are comprised of a loan of $398 million ($560 million as at October 31, 2009) and $136 million of other assets ($159 million in 2009).

n/a - not applicable

U.S. Customer Securitization Vehicle

Our exposure to our U.S. customer securitization vehicle is summarized in the preceding table. Included in our exposure are backstop liquidity facilities that we provide. We use our credit adjudication process in deciding whether to extend the backstop liquidity facility just as we do when extending credit in the form of a loan. US$304 million was advanced during the six months ended April 30, 2010 in accordance with the terms of these liquidity facilities. This amount is included in the preceding table.

Note 5: Financial Instruments

Change in Accounting Policy

On August 1, 2008, we elected to transfer from trading to available-for-sale those securities for which we had a change in intent to hold the securities for the foreseeable future rather than to exit or trade them in the short term due to market circumstances at that time.

A continuity of the transferred securities is as follows:

(Canadian $ in millions)

For the three months ended	April 30, 2010	January 31, 2010	October 31, 2009	July 31, 2009	April 30, 2009
Fair value of securities at beginning of period	**$ 1,038**	$ 1,378	$ 1,493	$ 1,732	$ 1,737
Net (sales/maturities) purchases	**(227)**	(343)	(162)	(175)	(54)
Fair value change recorded in Other Comprehensive Income	**24**	38	46	62	93
Other than temporary impairment recorded in income	**(8)**	(9)	(18)	(23)	(8)
Impact of foreign exchange	**(36)**	(26)	19	(103)	(36)
Fair value of securities at end of period	**$ 791**	$ 1,038	$ 1,378	$ 1,493	$ 1,732

For the six months ended	April 30, 2010	April 30, 2009
Fair value of securities at beginning of period	**$ 1,378**	$ 1,955
Net (sales/maturities) purchases	**(570)**	(276)
Fair value change recorded in Other Comprehensive Income	**62**	124
Other than temporary impairment recorded in income	**(17)**	(58)
Impact of foreign exchange	**(62)**	(13)
Fair value of securities at end of period	**$ 791**	$ 1,732

Book Value and Fair Value of Financial Instruments

Set out in the following table are the amounts that would be reported if all of our financial instruments assets and liabilities were reported at their fair values. Refer to the notes to our annual consolidated financial statements on pages 116 and 157 to 158 in our 2009 Annual Report for further discussion on the determination of fair value.

(Canadian $ in millions)			**April 30, 2010**			October 31, 2009
	Book value	**Fair value**	**Fair value over (under) book value**	Book value	Fair value	Fair value over (under) book value
Assets						
Cash and cash equivalents	**$ 13,623**	**$ 13,623**	**$ -**	$ 9,955	$ 9,955	$ -
Interest bearing deposits with banks	**2,741**	**2,741**	**-**	3,340	3,340	-
Securities	**123,398**	**123,398**	**-**	110,813	110,813	-
Securities borrowed or purchased under resale agreements	**25,053**	**25,053**	**-**	36,006	36,006	-
Loans						
Residential mortgages	**46,671**	**46,996**	**325**	45,524	46,067	543
Consumer instalment and other personal	**47,774**	**47,780**	**6**	45,824	45,913	89
Credit cards	**3,318**	**3,318**	**-**	2,574	2,574	-
Business and governments	**66,894**	**66,657**	**(237)**	68,169	67,895	(274)
	164,657	**164,751**	**94**	162,091	162,449	358
Customers' liability under acceptances	**6,981**	**6,995**	**14**	7,640	7,642	2
Allowance for credit losses	**(1,885)**	**(1,885)**	**-**	(1,902)	(1,902)	-
Total loans and customers' liability under acceptances, net of allowance for credit losses	**169,753**	**169,861**	**108**	167,829	168,189	360
Derivative instruments	**41,469**	**41,469**	**-**	47,898	47,898	-
Premises and equipment	**1,552**	**1,552**	**-**	1,634	1,634	-
Goodwill	**1,609**	**1,609**	**-**	1,569	1,569	-
Intangible assets	**749**	**749**	**-**	660	660	-
Other assets	**10,219**	**10,219**	**-**	8,754	8,754	-
	$ 390,166	**$ 390,247**	**$ 108**	$ 388,458	$ 388,818	$ 360
Liabilities						
Deposits	**$ 239,260**	**$ 239,886**	**$ 626**	$ 236,156	$ 237,046	$ 890
Derivative instruments	**39,523**	**39,523**	**-**	44,765	44,765	-
Acceptances	**6,981**	**6,981**	**-**	7,640	7,640	-
Securities sold but not yet purchased	**16,475**	**16,475**	**-**	12,064	12,064	-
Securities lent or sold under repurchase agreements	**46,323**	**46,323**	**-**	46,312	46,312	-
Other liabilities	**16,257**	**16,368**	**111**	15,938	16,047	109
Subordinated debt	**3,682**	**3,960**	**278**	4,236	4,591	355
Capital trust securities	**1,150**	**1,192**	**42**	1,150	1,218	68
Shareholders' equity	**20,515**	**20,515**	**-**	20,197	20,197	-
	$ 390,166	**$ 391,223**	**$ 1,057**	$ 388,458	$ 389,880	$ 1,422
Total fair value adjustment			**$ (949)**			$ (1,062)

Fair Value Measurement

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

(Canadian $ in millions)	April 30, 2010 Valued using quoted market prices	April 30, 2010 Valued using models (with observable inputs)	April 30, 2010 Valued using models (without observable inputs)	October 31, 2009 Valued using quoted market prices	October 31, 2009 Valued using models (with observable inputs)	October 31, 2009 Valued using models (without observable inputs)
Trading Securities						
Issued or guaranteed by:						
Canadian federal government	$ 20,011	$ -	$ -	$ 16,607	$ -	$ -
Canadian provincial and municipal governments	3,826	-	-	2,882	-	-
U.S. federal government	4,041	-	-	3,021	-	-
U.S. states, municipalities and agencies	1,134	180	41	54	653	49
Other governments	1,741	-	-	1,712	-	-
Mortgage-backed securities and collateralized mortgage obligations	4	1,388	199	584	238	204
Corporate debt	9,030	2,621	76	8,556	2,293	233
Corporate equity	26,686	-	-	21,985	-	-
	$ 66,473	$ 4,189	$ 316	$ 55,401	$ 3,184	$ 486
Available-for-sale Securities						
Issued or guaranteed by:						
Canadian federal government	$ 13,392	$ -	$ -	$ 17,359	$ -	$ -
Canadian provincial and municipal governments	1,457	-	-	1,688	-	-
U.S. federal government	3,740	-	-	1,111	-	-
U.S. states, municipalities and agencies	2,094	2,189	66	4,584	1,418	86
Other governments	13,111	9	-	8,220	9	-
Mortgage-backed securities and collateralized mortgage obligations	710	8,680	23	826	9,530	39
Corporate debt	2,045	825	1,724	1,499	1,078	1,960
Corporate equity	336	176	352	303	236	357
	$ 36,885	$ 11,879	$ 2,165	$ 35,590	$ 12,271	$ 2,442
Fair Value Liabilities						
Securities sold but not yet purchased	$ 16,475	$ -	$ -	$ 12,064	$ -	$ -
Structured note liabilities	-	3,495	-	-	3,073	-
	$ 16,475	$ 3,495	$ -	$ 12,064	$ 3,073	$ -
Derivative Assets						
Interest rate contracts	$ 29	$ 23,967	$ 233	$ 42	$ 30,062	$ 1
Foreign exchange contracts	76	11,114	-	61	9,323	-
Commodity Contracts	980	2,284	-	1,160	2,330	-
Equity Contracts	562	762	6	618	1,353	11
Credit default swaps	-	1,316	140	-	2,370	567
	$ 1,647	$ 39,443	$ 379	$ 1,881	$ 45,438	$ 579
Derivative Liabilities						
Interest rate contracts	$ 33	$ 23,109	$ 36	$ 61	$ 28,781	$ 73
Foreign exchange contracts	30	9,992	-	8	9,161	-
Commodity Contracts	756	2,519	-	966	2,201	-
Equity Contracts	43	1,753	145	(222)	1,480	97
Credit default swaps	-	1,104	3	-	2,156	3
	$ 862	$ 38,477	$ 184	$ 813	$ 43,779	$ 173

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

Sensitivity analysis for the most significant items valued using internal models without observable inputs is provided below.

As at April 30, 2010, within trading securities-mortgage-backed securities and collateralized mortgage obligations were $199 million of commercial mortgage-backed securities designated as trading under the fair value option. We have determined the valuation of these securities based on expected discounted cash flows. The determination of the market yields used in the discounted cash flow model has the most significant impact on the valuation of the securities. The impact of assuming a 50 basis points increase or decrease in the market yield would result in a change in fair value of $(4) million and $4 million, respectively.

Within available-for-sale-corporate debt securities is deferred purchase price of $680 million related to our off-balance sheet securitization activities. We have determined the valuation of the deferred purchase price based on expected future cash flows that are driven by prepayment rate and interest rate assumptions. The determination of the interest rate (excess spread) used in the discounted cash flow model has the most significant impact on the valuation of the deferred purchase price. The impact of assuming a 10 percent increase or decrease in the interest rate would result in a change in fair value of $99 million and $(99) million, respectively.

Within derivative assets and derivative liabilities as at April 30, 2010 was $373 million and $39 million, respectively, related to the mark-to-market of credit default swaps and total return swaps on structured products. We have determined the valuation of these derivatives based on estimates of current market spreads for similar structured products. The impact of assuming a 10 basis point increase or decrease in that spread would result in a change in fair value of $(4) million and $4 million, respectively.

Financial Instruments Designated as Held for Trading

A portion of our structured note liabilities have been designated as trading under the fair value option and are accounted for at fair value, which better aligns the accounting result with the way the portfolio is managed. The change in fair value of these structured notes was an increase in non-interest revenue, trading revenues of $30 million for the quarter ended April 30, 2010 ($4 million for the six months ended April 30, 2010), including an increase of $17 million for the quarter ended April 30, 2010 ($11 million for the six months ended April 30, 2010) attributable to changes in our credit spread (an increase in non-interest revenue, trading revenues of $53 million and a charge of $158 million, respectively for the twelve months ended October 31, 2009). We recognized offsetting amounts on derivatives and other financial instrument contracts that are held to hedge changes in the fair value of these structured notes.

The change in fair value related to changes in our credit spread that has been recognized since they were designated as held for trading to April 30, 2010 was an unrealized loss of $32 million. Starting in 2009, we hedged the exposure to changes in our credit spreads.

The fair value and amount due at contractual maturity of structured notes accounted for as held for trading as at April 30, 2010 were $3,495 million and $3,725 million, respectively ($3,073 million and $3,377 million, respectively, as at October 31, 2009).

Since the actuarial calculation of insurance liabilities is based on the fair value of the investments supporting them, electing the fair value option for these investments better aligns the accounting result with the way the portfolio is managed. The fair value of these securities as at April 30, 2010 was $3,818 million ($3,167 million as at October 31, 2009). The impact of recording these as trading securities was an increase in non-interest revenue, insurance income of $36 million for the quarter ended April 30, 2010 ($128 million for the six months ended April 30, 2010 and $415 million for the twelve months ended October 31, 2009).

Significant Transfers

Transfers are made between the various fair value hierarchy levels due to changes in the availability of quoted market prices or observable market inputs due to changing market conditions. The following is a discussion of the significant transfers between Level 1, Level 2, and Level 3 balances for the six months ended April 30, 2010.

During the quarter ended January 31, 2009, a portion of the asset-backed commercial paper issued by the conduits known as Montreal Accord were transferred from Level 3 to Level 2 as we are now valuing based on broker quotes rather than internal models as there was improved liquidity in the notes due to increased broker/dealer trading of the security.

Changes in Level 3 Fair Value Measurements

The tables below present a reconciliation of all Level 3 financial instruments during the three and six months ended April 30, 2010, including realized and unrealized gains (losses) included in earnings and other comprehensive income.

For the three months ended April 30, 2010

(Canadian $ in millions)	Balance, January 31, 2010	Change in Fair Value: Included in earnings	Change in Fair Value: Included in other comprehensive income	Purchases	Sales	Maturities (2)	Transfers into Level 3	Fair Value as at April 30, 2010	Unrealized Gains (losses) (1)
Trading Securities									
Issued or guaranteed by:									
U.S. states, municipalities and agencies	$ 46	$ (5)	$ -	$ -	$ -	$ -	$ -	**$ 41**	$ 3
Mortgage-backed securities and collateralized mortgage obligations	208	(2)	-	-	(2)	(5)	-	**199**	(5)
Corporate debt	71	(19)	-	10	-	-	14	**76**	(4)
Total Trading securities	$ 325	$ (26)	$ -	$ 10	$ (2)	$ (5)	$ 14	**$ 316**	$ (6)
Available-for-sale Securities									
Issued or guaranteed by:									
U.S. states, municipalities and agencies	$ 84	$ 2	$ (13)	$ -	$ (7)	$ -	$ -	**$ 66**	$ -
Mortgage-backed securities and collateralized mortgage obligations	26	-	(1)	-	-	(2)	-	**23**	-
Corporate debt	1,782	-	7	101	(48)	(118)	-	**1,724**	(75)
Corporate equity	365	(1)	(18)	7	(1)	-	-	**352**	-
Total Available-for-sale securities	$ 2,257	$ 1	$ (25)	$ 108	$ (56)	$ (120)	$ -	**$ 2,165**	$ (75)
Derivative Assets									
Interest rate contracts	$ 237	$ 23	$ -	$ -	$ -	$ (27)	$ -	**$ 233**	$ 233
Equity contracts	11	(1)	-	-	-	(4)	-	**6**	6
Credit default swaps	241	(32)	-	-	-	(69)	-	**140**	140
Total Derivative assets	$ 489	$ (10)	$ -	$ -	$ -	$ (100)	$ -	**$ 379**	$ 379
Derivative Liabilities									
Interest rate contracts	$ 58	$ -	$ -	$ -	$ -	$ (22)	$ -	**$ 36**	$ (36)
Equity contracts	118	28	-	-	-	(1)	-	**145**	(145)
Credit default swaps	-	-	-	-	-	3	-	**3**	(3)
Total Derivative liabilities	$ 176	$ 28	$ -	$ -	$ -	$ (20)	$ -	**$ 184**	$ (184)

(1) Represents the unrealized gains or losses included in income arising in the three month period related to assets and liabilities still held at April 30, 2010.

(2) Includes cash settlement of derivative assets and derivative liabilities.

For the six months ended April 30, 2010

(Canadian $ in millions)	Balance October 31, 2009	Change in Fair Value: Included in earnings	Change in Fair Value: Included in other comprehensive income	Purchases	Sales	Maturities (2)	Transfers into Level 3	Transfers out of Level 3	Fair Value as at April 30, 2010	Unrealized Gains (losses) (1)
Trading Securities										
Issued or guaranteed by:										
U.S. states, municipalities and agencies	$ 49	$ (7)	$ -	$ -	$ (1)	$ -	$ -	$ -	**$ 41**	$ 3
Mortgage-backed securities and collateralized mortgage obligations	204	23	-	1	(1)	(28)	-	-	**199**	7
Corporate debt	233	(21)	-	10	-	(1)	15	(160)	**76**	(5)
Total Trading securities	$ 486	$ (5)	$ -	$ 11	$ (2)	$ (29)	$ 15	$ (160)	**$ 316**	$ 5
Available-for-sale Securities										
Issued or guaranteed by:										
U.S. states, municipalities and agencies	$ 86	$ 3	$ (13)	$ -	$ (10)	$ -	$ -	$ -	**$ 66**	$ -
Mortgage-backed securities and collateralized mortgage obligations	39	-	-	-	-	(16)	-	-	**23**	-
Corporate debt	1,960	-	37	119	(148)	(244)	-	-	**1,724**	(159)
Corporate equity	357	(3)	(21)	15	(1)	(1)	6	-	**352**	-
Total Available-for-sale securities	$ 2,442	$ -	$ 3	$ 134	$ (159)	$ (261)	$ 6	$ -	**$ 2,165**	$ (159)
Derivative Assets										
Interest rate contracts	$ 1	$ (7)	$ -	$ -	$ -	$ 239	$ -	$ -	**$ 233**	$ 233
Equity contracts	11	(36)	-	-	-	31	-	-	**6**	6
Credit default swaps	567	(70)	-	-	-	(357)	-	-	**140**	140
Total Derivative assets	$ 579	$ (113)	$ -	$ -	$ -	$ (87)	$ -	$ -	**$ 379**	$ 379
Derivative Liabilities										
Interest rate contracts	$ 73	$ -	$ -	$ -	$ -	$ (37)	$ -	$ -	**$ 36**	$ (36)
Equity contracts	97	17	-	-	-	31	-	-	**145**	(145)
Credit default swaps	3	-	-	-	-	-	-	-	**3**	(3)
Total Derivative liabilities	$ 173	$ 17	$ -	$ -	$ -	$ (6)	$ -	$ -	**$ 184**	$ (184)

(1) Represents the unrealized gains or losses included in income arising in the six month period related to assets and liabilities still held at April 30, 2010.

(2) Includes cash settlement of derivative assets and derivative liabilities.

Other Items Measured at Fair Value

Certain assets such as foreclosed assets are measured at fair value at initial recognition but are not required to be measured at fair value on an ongoing basis.

As at April 30, 2010, the bank held $121 million of foreclosed assets measured at fair value at inception, all of which were classified as Level 2. For the six months ended April 30, 2010, we recorded write-downs of $39 million on these assets.

Note 6: Guarantees

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

Standby Letters of Credit and Guarantees

Standby letters of credit and guarantees represent our obligation to make payments to third parties on behalf of another party if that party is unable to make the required payments or meet other contractual requirements. The maximum amount payable under standby letters of credit and guarantees totalled $10,590 million as at April 30, 2010 ($11,384 million as at October 31, 2009). None of the standby letters of credit or guarantees had an investment rating as at April 30, 2010 or October 31, 2009. Collateral requirements for standby letters of credit and guarantees are consistent with our collateral requirements for loans. A large majority of these commitments expire without being drawn upon. As a result, the total contractual amounts may not be representative of the funding likely to be required for these commitments.

No amount was included in our Consolidated Balance Sheet as at April 30, 2010 and October 31, 2009 related to these standby letters of credit and guarantees.

Backstop and Other Liquidity Facilities

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

The maximum amount payable under these backstop and other liquidity facilities totalled $16,124 million as at April 30, 2010 ($19,108 million as at October 31, 2009), of which $12,667 million relates to facilities that are investment grade, $965 million are non-investment grade and $2,492 million are not rated ($17,541 million, $649 million and $918 million, respectively, as at October 31, 2009). As at April 30, 2010, $394 million was outstanding from facilities drawn in accordance with the terms of the backstop liquidity facilities ($185 million as at October 31, 2009), of which $340 million (US$335 million) ($158 million or US$146 million as at October 31, 2009) related to the U.S. customer securitization vehicle discussed in Note 4.

Credit Enhancement Facilities

Where warranted, we provide partial credit enhancement facilities to transactions within ABCP programs administered by either us or third parties. Credit enhancement facilities are included in backstop liquidity facilities. These facilities include amounts that relate to our U.S. customer securitization vehicle discussed in Note 4.

Senior Funding Facilities

We provide senior funding support to our structured investment vehicles ("SIVs") and our credit protection vehicle. The majority of these facilities support the repayment of senior note obligations of the SIVs. As at April 30, 2010, $5,972 million was drawn ($7,342 million as at October 31, 2009), in accordance with the terms of the funding facilities related to the SIVs and credit protection vehicle discussed in Note 4.

In addition to our investment in the notes subject to the Montreal Accord, we have provided a senior loan facility of $300 million. No amounts were drawn as at April 30, 2010 and October 31, 2009.

Derivatives

Certain of our derivative instruments meet the accounting definition of a guarantee when we believe they are related to an asset, liability or equity security held by the guaranteed party at the inception of a contract. In order to reduce our exposure to these derivatives, we enter into contracts that hedge the related risks.

Written credit default swaps require us to compensate a counter-party following the occurrence of a credit event in relation to a specified reference obligation, such as a bond or a loan. The maximum amount payable under credit default swaps is equal to their notional amount of $45,057 million as at April 30, 2010 ($51,072 million as at October 31, 2009), of which $40,979 million relates to swaps that are investment grade, $3,660 million are non-investment grade swaps and $418 million are not rated ($45,843 million, $5,034 million and $195 million, respectively, as at October 31, 2009). The terms of these contracts range from one day to 10 years. The fair value of the related derivative liabilities included in derivative instruments in our Consolidated Balance Sheet was $1,107 million as at April 30, 2010 ($2,159 million as at October 31, 2009).

Written options include contractual agreements that convey to the purchaser the right, but not the obligation, to require us to buy a specific amount of a currency, commodity, debt or equity instrument at a fixed price, either at a fixed future date or at any time within a fixed future period. The maximum amount payable under these written options cannot be reasonably estimated due to the nature of these contracts. The terms of these contracts range from less than one month to 10 years. The fair value of the related derivative liabilities included in derivative instruments in our Consolidated Balance Sheet was $686 million as at April 30, 2010 ($667 million as at October 31, 2009), none of which are rated ($667 million were not rated as at October 31, 2009).

Written options also include contractual agreements where we agree to pay the purchaser, based on a specified notional amount, the difference between a market price or rate and the strike price or rate of the underlying instrument. The maximum amount payable under these contracts is not determinable due to their nature. The terms of these contracts range from two months to 25 years. The fair value of the related derivative liabilities included in derivative instruments in our Consolidated Balance Sheet was $107 million as at April 30, 2010 ($118 million as at October 31, 2009) and none of the instruments have an investment rating ($118 million were not rated as at October 31, 2009).

Note 7: Acquisitions

We account for acquisitions of businesses using the purchase method. This involves allocating the purchase price paid for a business to the assets acquired, including identifiable intangible assets and the liabilities assumed based on their fair values at the date of acquisition. Any excess is then recorded as goodwill. The results of operations of acquired businesses are included in our consolidated financial statements beginning on the date of acquisition.

AMCORE Bank N.A. ("AMCORE")

On April 23, 2010, we completed the acquisition of certain assets and liabilities of AMCORE from the Federal Deposit Insurance Corporation for total consideration of $253 million, subject to a post-closing adjustment based on net assets. The acquisition accelerates our growth strategy and reinforces our already strong position in the U.S. Midwest by expanding our presence in Illinois and Wisconsin. As part of this acquisition, we acquired a core deposit intangible asset that is being amortized on an accelerated basis over a period not to exceed 10 years. Goodwill related to this acquisition is deductible for tax purposes. The acquired assets and liabilities are included in our Personal and Commercial Banking U.S. reporting segment.

Diners Club

On December 31, 2009, we completed the acquisition of the net cardholder receivables of the Diners Club North American franchise from Citigroup for total cash consideration of $882 million, subject to a post-closing adjustment based on net assets. Based on a post-closing adjustment of $44 million, the final purchase price has been reduced to $838 million during the quarter ended April 30, 2010. The acquisition of the net cardholder receivables of Diners Club gives us the right to issue Diners Club cards to corporate and professional clients in the United States and Canada and will accelerate our initiative to expand in the travel and entertainment card sector for commercial customers across North America. As part of this acquisition, we acquired a customer relationship intangible asset which is being amortized on an accelerated basis over 15 years and a computer software intangible asset that is being amortized on a straight-line basis over five years. Goodwill related to this acquisition is deductible for tax purposes. Diners Club is part of our Personal and Commercial Banking Canada reporting segment.

Paloma Securities L.L.C. ("Paloma")

On December 23, 2009, we completed the acquisition of selected assets used in the securities lending business of Paloma for cash consideration of $7 million and hired their global securities lending team. The acquisition provides us with the opportunity to expand our securities lending operation. Goodwill related to this acquisition is deductible for tax purposes. This acquisition is part of our BMO Capital Markets reporting segment.

Integra GRS ("Integra")

On November 23, 2009, we completed the acquisition of the record keeping business of Integra, a wholly owned subsidiary of Integra Capital Management Corporation for cash consideration of $13 million, plus contingent consideration of up to $4 million based on revenue to be generated in the future. The acquisition of Integra extends our existing wealth management offering. As part of this acquisition, we acquired a customer relationship intangible asset which is being amortized on a straight-line basis over five years and a computer software intangible asset that is being amortized on a straight-line basis over three years. Goodwill related to this acquisition is deductible for tax purposes. Integra is part of our Private Client Group reporting segment.

AIG Life Insurance Company of Canada ("BMO Life Assurance")

On April 1, 2009, we completed the acquisition of all outstanding voting shares of AIG Life Insurance Company of Canada for cash consideration of $330 million, subject to a post-closing adjustment based on net assets. The post-closing adjustment has now been finalized and the purchase price has been reduced to $278 million.

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

(Canadian $ in millions)

	AMCORE	Diners Club	Paloma	Integra
Cash resources (1)	$ 420	$ -	$ -	$ -
Securities	10	-	-	-
Loans	1,509	873	-	-
Premises and equipment	-	-	-	-
Goodwill	92	5	7	5
Intangible assets	25	63	-	8
Other assets	546	9	-	-
Total assets	2,602	950	7	13
Deposits	2,186	-	-	-
Other liabilities	163	112	-	-
Total liabilities	2,349	112	-	-
Purchase price	$ 253	$ 838	$ 7	$ 13

The allocation of the purchase price for AMCORE, Diners Club, Paloma and Integra is subject to refinement as we complete the valuation of the assets acquired and liabilities assumed.

(1) Cash resources, acquired through the AMCORE acquisition include cash and cash equivalents and interest bearing deposits.

Note 8: Employee Compensation

Stock Options

During the six months ended April 30, 2010, we granted a total of 1,737,204 stock options. The weighted-average fair value of options granted during the six months ended April 30, 2010 was $9.97 per option. The following weighted-average assumptions were used to determine the fair value of options on the date of grant:

For stock options granted during the six months ended April 30, 2010	
Expected dividend yield	6.6%
Expected share price volatility	27.5%
Risk-free rate of return	2.9%
Expected period until exercise (in years)	6.5

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

Pension and Other Employee Future Benefit Expenses

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

(Canadian $ in millions)

	Pension benefit plans		Other employee future benefit plans	
For the three months ended	**April 30, 2010**	April 30, 2009	**April 30, 2010**	April 30, 2009
Benefits earned by employees	**$ 31**	$ 38	**$ 5**	$ 2
Interest cost on accrued benefit liability	**64**	65	**14**	14
Actuarial loss recognized in expense	**19**	19	**1**	-
Amortization of plan amendment costs	**4**	3	**(1)**	(2)
Expected return on plan assets	**(74)**	(62)	**(1)**	(1)
Benefits expense	**44**	63	**18**	13
Canada and Quebec pension plan expense	**18**	19	**-**	-
Defined contribution expense	**3**	2	**-**	-
Total pension and other employee future benefit expenses	**$ 65**	$ 84	**$ 18**	$ 13

	Pension benefit plans		Other employee future benefit plans	
For the six months ended	**April 30, 2010**	April 30, 2009	**April 30, 2010**	April 30, 2009
Benefits earned by employees	**$ 64**	$ 68	**$ 10**	$ 6
Interest cost on accrued benefit liability	**128**	131	**28**	26
Actuarial loss recognized in expense	**37**	38	**2**	-
Amortization of plan amendment costs	**8**	6	**(3)**	(4)
Expected return on plan assets	**(145)**	(123)	**(2)**	(3)
Benefits expense	**92**	120	**35**	25
Canada and Quebec pension plan expense	**32**	33	**-**	-
Defined contribution expense	**5**	4	**-**	-
Total pension and other employee future benefit expenses	**$ 129**	$ 157	**$ 35**	$ 25

Note 9: Subordinated Debt

During the quarter ended January 31, 2010, we redeemed all of our 4.00% Series C Medium-Term Notes, First Tranche, due 2015, totalling $500 million. The notes were redeemed at a redemption price of 100 percent of the principal amount plus unpaid accrued interest to the redemption date.

During the quarter ended January 31, 2009, our $140 million 10.85% Debentures, Series 12 matured.

Note 10: Capital Trust Securities

Future Redemption

On May 3, 2010, we announced our intention to redeem at par all of our Trust Capital Securities – Series A (“BMO BOaTS”) on June 30, 2010.

Note 11: Share Capital

During the quarter ended April 30, 2010, we did not issue or redeem any preferred shares.

During the quarter ended April 30, 2009, we issued 11,000,000 6.5% Non-Cumulative 5-year Rate Reset Class B Preferred shares, Series 21, at a price of $25.00 per share, representing an aggregate issue price of $275 million.

During the quarter ended January 31, 2009, we issued 33,340,000 common shares at a price of $30.00 per share, representing an aggregate issue price of $1.0 billion.

During the quarter ended January 31, 2009, we issued 6,000,000 6.5% Non-Cumulative 5-year Rate Reset Class B Preferred shares, Series 18, at a price of $25.00 per share, representing an aggregate issue price of $150 million.

During the quarter ended January 31, 2009, we redeemed all of our 10,000,000 Non-Cumulative Class B Preferred shares, Series 6 that were classified as preferred share liabilities, at a price of $25.00 per share plus any declared and unpaid dividends to the date of redemption. This represents an aggregate redemption price of approximately $253 million.

On November 19, 2009, we renewed our normal course issuer bid allowing us to repurchase up to 15,000,000 of our common shares during the period from December 2, 2009 to December 1, 2010.

We did not repurchase any common shares under our normal course issuer bid.

Treasury Shares

When we purchase our common shares as part of our trading business, we record the cost of those shares as a reduction in shareholders' equity. If those shares are resold at a value higher than their cost, the premium is recorded as an increase in contributed surplus. If those shares are resold at a value below their cost, the discount is recorded as a reduction first to contributed surplus and then to retained earnings for any amounts in excess of total contributed surplus related to treasury shares.

Share Capital Outstanding (a)

(Canadian $ in millions, except as noted)			**April 30, 2010**
	Number of shares	Amount	Convertible into...
Preferred Shares – Classified as Equity			
Class B – Series 5	8,000,000	$ 200	–
Class B – Series 10 (c)	12,000,000	396	common shares (b)
Class B – Series 13	14,000,000	350	–
Class B – Series 14	10,000,000	250	–
Class B – Series 15	10,000,000	250	–
Class B – Series 16	12,000,000	300	–
Class B – Series 18	6,000,000	150	–
Class B – Series 21	11,000,000	275	–
Class B – Series 23	16,000,000	400	–
		2,571	
Common Shares	560,112,798	6,590	
Share Capital		$ 9,161	
Stock options issued under stock option plan		n/a	16,711,880 common shares

(a) For additional information refer to Notes 21 and 23 to our consolidated financial statements for the year ended October 31, 2009 on pages 144 to 148 of our 2009 Annual Report.

(b) The number of shares issuable on conversion is not determinable until the date of conversion.
(c) Face value is US$300 million.
n/a – not applicable

Note 12: Earnings Per Share

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

Basic earnings per share

(Canadian $ in millions, except as noted)	For the three months ended		For the six months ended	
	April 30, 2010	April 30, 2009	**April 30, 2010**	April 30, 2009
Net income	**$ 745**	$ 358	**$ 1,402**	$ 583
Dividends on preferred shares	**(34)**	(26)	**(69)**	(49)
Net income available to common shareholders	**$ 711**	$ 332	**$ 1,333**	$ 534
Average number of common shares outstanding (in thousands)	**558,320**	543,634	**556,120**	531,631
Basic earnings per share (Canadian $)	**$ 1.27**	$ 0.61	**$ 2.40**	$ 1.00

Diluted earnings per share

(Canadian $ in millions, except as noted)	For the three months ended		For the six months ended	
	April 30, 2010	April 30, 2009	**April 30, 2010**	April 30, 2009
Net income available to common shareholders adjusted for dilution effect	**$ 711**	$ 332	**$ 1,333**	$ 534
Average number of common shares outstanding (in thousands)	**558,320**	543,634	**556,120**	531,631
Convertible shares	**252**	264	**252**	264
Stock options potentially exercisable (1)	**11,671**	1,978	**11,053**	3,245
Common shares potentially repurchased	**(8,375)**	(1,549)	**(7,873)**	(2,722)
Average diluted number of common shares outstanding (in thousands)	**561,868**	544,327	**559,552**	532,418
Diluted earnings per share (Canadian $)	**$ 1.26**	$ 0.61	**$ 2.38**	$ 1.00

(1) In computing diluted earnings per share we excluded average stock options outstanding of 2,421,479 and 3,134,100 with weighted-average exercise prices of $61.34 and $59.98, respectively, for the three and six months ended April 30, 2010 (3,472,466 and 6,296,578 with weighted-average exercise prices of $41.21 and $41.82, respectively, for the three and six months ended April 30, 2009) as the average share price for the period did not exceed the exercise price.

Note 13: Capital Management

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

We have met our capital targets as at April 30, 2010. Our capital position as at April 30, 2010 is detailed in the Capital Management section on page 15 of Management's Discussion and Analysis of the Second Quarter Report to Shareholders.

Note 14: Risk Management

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

Credit and Counterparty Risk

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

Market Risk

Market risk is the potential for a negative impact on the balance sheet and/or statement of income resulting from adverse changes in the value of financial instruments as a result of changes in certain market variables. These variables include interest rates, foreign exchange rates, equity and commodity prices and their implied volatilities, as well as credit spreads, credit migration and default. We incur market risk in our trading and underwriting activities and structural banking activities.

Liquidity and Funding Risk

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

Key measures as at April 30, 2010 are outlined in the Risk Management section on pages 10 to 12 of Management's Discussion and Analysis of the Second Quarter Report to Shareholders.

Note 15: United States Generally Accepted Accounting Principles

Reporting under United States GAAP would have resulted in the following:

(Canadian $ in millions, except earnings per share figures)	For the three months ended		For the six months ended	
	April 30, 2010	April 30, 2009	**April 30, 2010**	April 30, 2009
Net Income – Canadian GAAP	**$ 745**	$ 358	**$ 1,402**	$ 583
United States GAAP adjustments	**(64)**	34	**(70)**	112
Net Income – United States GAAP	**$ 681**	$ 392	**$ 1,332**	$ 695
Earnings Per Share				
Basic – Canadian GAAP	**$ 1.27**	$ 0.61	**$ 2.40**	$ 1.00
Basic – United States GAAP	**1.16**	0.67	**2.27**	1.21
Diluted – Canadian GAAP	**1.26**	0.61	**2.38**	1.00
Diluted – United States GAAP	**1.16**	0.67	**2.27**	1.21

Convertible Debt Instruments

During the quarter ended January 31, 2010, we adopted new United States guidance issued by the Financial Accounting Standards Board ("FASB") on the accounting for convertible debt instruments that may be settled in cash (or other assets) upon conversion, including partial cash settlement. This guidance requires that we account for the liability and equity components separately. This new guidance did not have any impact on our United States GAAP reconciliation because we do not have any convertible debt instruments, as all of our convertible preferred shares and capital trust securities are classified as equity instruments under United States GAAP.

Non-controlling Interests in Consolidated Financial Statements

During the quarter ended January 31, 2010, we adopted the new FASB accounting standard on non-controlling interests in subsidiaries. Under this new standard, all non-controlling interests held by parties other than the parent entity are reported as equity for United States GAAP reporting purposes. Under Canadian GAAP, all non-controlling interests are reported as other liabilities.

Business Combinations

During the quarter ended January 31, 2010, we adopted the new FASB accounting standard on business combinations. Under this new standard, we recognize the assets acquired, liabilities assumed and any non-controlling interest in the acquiree at their fair values as of the acquisition date and expense acquisition-related costs. Under Canadian GAAP, the assets acquired and liabilities assumed are adjusted only for the acquirer's share of the fair value. Non-controlling interests are recorded at their share of the carrying values recorded in the accounting records of the acquiree. Acquisition-related costs are recorded as part of the purchase price. The new standard did not result in any significant United States GAAP reporting differences for the acquisitions that have occurred since adoption.

Note 16: Operating and Geographic Segmentation

Operating Groups

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

Personal and Commercial Banking

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

Personal and Commercial Banking Canada

Personal and Commercial Banking Canada ("P&C Canada") offers a full range of consumer and business products and services, including: everyday banking, financing, investing and credit cards, as well as a full suite of commercial and capital market products and financial advisory services, through a network of branches, telephone banking, online banking, mortgage specialists and automated banking machines. Effective in the third quarter of 2009, the results of our term deposits business are included in P&C Canada rather than Private Client Group, where the business is now better aligned with P&C Canada's retail product strategy. Prior periods have been restated to reflect this reclassification.

Personal and Commercial Banking U.S.

Personal and Commercial Banking U.S. ("P&C U.S.") offers a full range of products and services to personal and business clients in select U.S. Midwest markets through branches and direct banking channels such as telephone banking, online banking and a network of automated banking machines. In the current quarter, we identified U.S. mid-market clients that would be better served by a commercial banking model and transferred the accounts to P&C U.S. from BMO Capital Markets. Prior periods have been restated to reflect this reclassification.

Private Client Group

Private Client Group ("PCG") brings together all of our wealth management businesses. Operating under the BMO brand in Canada and Harris in the United States, PCG serves a full range of client segments, from mainstream to ultra-high net worth, as well as select institutional market segments. We offer our clients a broad range of wealth management products and solutions, including full-service, online brokerage and insurance in Canada and private banking and investment products in Canada and the United States. Effective in the third quarter of 2009, all of our insurance operations are included within PCG, bringing our insurance capabilities and skill sets together as part of our wealth management offering. Prior periods have been restated to reflect this reclassification.

BMO Capital Markets

BMO Capital Markets ("BMO CM") combines all of our businesses serving corporate, institutional and government clients. In Canada and the United States, these clients span a broad range of industry sectors. BMO CM also serves clients in the United Kingdom, Europe, Asia and Australia. It offers clients complete financial solutions, including equity and debt underwriting, corporate lending and project financing, mergers and acquisitions, advisory services, merchant banking, securitization, treasury and market risk management, debt and equity research and institutional sales and trading. In the current quarter, we identified U.S. mid-market clients that would be better served by a commercial banking model and transferred the accounts to P&C U.S. from BMO CM. Prior periods have been restated to reflect this reclassification.

Corporate Services

Corporate Services includes the corporate units that provide expertise and governance support in areas such as strategic planning, law, finance, internal audit, risk management, corporate communications, economics, corporate marketing, human resources and learning. Operating results include revenues and expenses associated with certain securitization activities, the hedging of foreign-source earnings, and activities related to the management of certain balance sheet positions and our overall asset liability structure.

Technology and Operations ("T&O") manages, maintains and provides governance over our information technology, operations services, real estate and sourcing. T&O focuses on enterprise-wide priorities that improve quality and efficiency to deliver an excellent customer experience.

Operating results for T&O are included with Corporate Services for reporting purposes. However, costs of T&O services are transferred to the three operating groups. As such, results for Corporate Services largely reflect the activities outlined above.

Corporate Services also includes residual revenues and expenses representing the differences between actual amounts earned or incurred and the amounts allocated to operating groups.

Basis of Presentation

The results of these operating segments are based on our internal financial reporting systems. The accounting policies used in these segments are generally consistent with those followed in the preparation of our consolidated financial statements as disclosed in Note 1. Notable accounting measurement differences are the taxable equivalent basis adjustment and the provision for credit losses, as described below.

Taxable Equivalent Basis

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

Analysis on a teb basis neutralizes the impact of investing in tax-exempt or tax-advantaged securities rather than fully taxable securities with higher yields. It reduces distortions in net interest income related to the choice of tax-advantaged and taxable investments.

Provisions for Credit Losses

Provisions for credit losses are generally allocated to each group based on expected losses for that group. Differences between expected loss provisions and provisions required under GAAP are included in Corporate Services.

Securitization Accounting

During the quarter ended January 31, 2010, we changed the manner in which we report securitized assets in our segmented disclosure. Previously, certain securitized mortgage assets were not reported in P&C Canada's balance sheet. We now report all securitized mortgage assets in P&C Canada with offsetting amounts in Corporate and net interest income earned on all securitized mortgage assets are included in P&C Canada net interest income. Previously net interest income earned on certain securitized mortgage assets was included in P&C Canada non-interest revenue. Periods prior to January 31, 2010 have been restated to conform to this new presentation.

Inter-Group Allocations

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

Geographic Information

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

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

(Canadian $ in millions)

For the three months ended **April 30, 2010** (2)	P&C Canada	P&C U.S.	PCG	BMO CM	Corporate Services (1)	Total (GAAP basis)
Net interest income	**$ 989**	**$ 259**	**$ 87**	**$ 324**	**$ (137)**	**$ 1,522**
Non-interest revenue	**418**	**77**	**471**	**540**	**21**	**1,527**
Total Revenue	**1,407**	**336**	**558**	**864**	**(116)**	**3,049**
Provision for credit losses	**121**	**31**	**2**	**67**	**28**	**249**
Amortization	**33**	**15**	**10**	**10**	**51**	**119**
Non-interest expense	**686**	**220**	**388**	**459**	**(42)**	**1,711**
Income before taxes and non-controlling interest in subsidiaries	**567**	**70**	**158**	**328**	**(153)**	**970**
Income taxes	**171**	**24**	**40**	**69**	**(97)**	**207**
Non-controlling interest in subsidiaries	**-**	**-**	**-**	**-**	**18**	**18**
Net Income	**$ 396**	**$ 46**	**$ 118**	**$ 259**	**$ (74)**	**$ 745**
Average Assets	**$ 143,651**	**$ 31,625**	**$ 14,094**	**$ 199,060**	**$ 4,798**	**$ 393,228**
Goodwill (As At)	**$ 118**	**$ 1,016**	**$ 360**	**$ 113**	**$ 2**	**$ 1,609**

For the three months ended April 30, 2009 (2)	P&C Canada	P&C U.S.	PCG	BMO CM	Corporate Services (1)	Total (GAAP basis)
Net interest income	$ 921	$ 337	$ 86	$ 400	$ (409)	$ 1,335
Non-interest revenue	360	89	381	278	212	1,320
Total Revenue	1,281	426	467	678	(197)	2,655
Provision for credit losses	93	23	2	39	215	372
Amortization	36	23	8	10	44	121
Non-interest expense	656	252	362	409	88	1,767
Income before taxes and non-controlling interest in subsidiaries	496	128	95	220	(544)	395
Income taxes	156	47	23	32	(240)	18
Non-controlling interest in subsidiaries	-	-	-	-	19	19
Net Income	$ 340	$ 81	$ 72	$ 188	$ (323)	$ 358
Average Assets	$ 139,570	$ 45,460	$ 10,672	$ 268,483	$ (3,575)	$ 460,610
Goodwill (As At)	$ 122	$ 1,083	$ 353	$ 110	$ 2	$ 1,670

For the six months ended **April 30, 2010** (2)	P&C Canada	P&C U.S.	PCG	BMO CM	Corporate Services (1)	Total (GAAP basis)
Net interest income	**$ 2,008**	**$ 524**	**$ 174**	**$ 667**	**$ (319)**	**$ 3,054**
Non-interest revenue	**810**	**161**	**934**	**1,024**	**91**	**3,020**
Total Revenue	**2,818**	**685**	**1,108**	**1,691**	**(228)**	**6,074**
Provision for credit losses	**241**	**62**	**4**	**132**	**143**	**582**
Amortization	**65**	**31**	**19**	**20**	**99**	**234**
Non-interest expense	**1,363**	**446**	**777**	**919**	**(70)**	**3,435**
Income before taxes and non-controlling interest in subsidiaries	**1,149**	**146**	**308**	**620**	**(400)**	**1,823**
Income taxes	**350**	**49**	**77**	**147**	**(239)**	**384**
Non-controlling interest in subsidiaries	**-**	**-**	**-**	**-**	**37**	**37**
Net Income	**$ 799**	**$ 97**	**$ 231**	**$ 473**	**$ (198)**	**$ 1,402**
Average Assets	**$ 142,480**	**$ 32,401**	**$ 13,840**	**$ 200,322**	**$ 4,435**	**$ 393,478**
Goodwill (As At)	**$ 118**	**$ 1,016**	**$ 360**	**$ 113**	**$ 2**	**$ 1,609**

For the six months ended April 30, 2009 (2)	P&C Canada	P&C U.S.	PCG	BMO CM	Corporate Services (1)	Total (GAAP basis)
Net interest income	$ 1,844	$ 680	$ 178	$ 813	$ (853)	$ 2,662
Non-interest revenue	698	175	768	462	332	2,435
Total Revenue	2,542	855	946	1,275	(521)	5,097
Provision for credit losses	188	46	3	76	487	800
Amortization	69	43	15	21	88	236
Non-interest expense	1,327	498	749	837	82	3,493
Income before taxes and non-controlling interest in subsidiaries	958	268	179	341	(1,178)	568
Income taxes	303	91	39	38	(524)	(53)
Non-controlling interest in subsidiaries	-	-	-	-	38	38
Net Income	$ 655	$ 177	$ 140	$ 303	$ (692)	$ 583
Average Assets	$ 139,779	$ 47,249	$ 10,100	$ 270,724	$ (6,026)	$ 461,826
Goodwill (As At)	$ 122	$ 1,083	$ 353	$ 110	$ 2	$ 1,670

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

Prior periods have been restated to give effect to the current period's organizational structure and presentation changes.

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

(Canadian $ in millions)

For the three months ended **April 30, 2010**	Canada	United States	Other countries	Total
Net interest income	**$ 1,174**	**$ 319**	**$ 29**	**$ 1,522**
Non-interest revenue	**1,158**	**330**	**39**	**1,527**
Total Revenue	**2,332**	**649**	**68**	**3,049**
Provision for credit losses	**139**	**123**	**(13)**	**249**
Amortization	**89**	**29**	**1**	**119**
Non-interest expense	**1,221**	**449**	**41**	**1,711**
Income before taxes and non-controlling interest in subsidiaries	**883**	**48**	**39**	**970**
Income taxes	**192**	**17**	**(2)**	**207**
Non-controlling interest in subsidiaries	**13**	**5**	**-**	**18**
Net Income	**$ 678**	**$ 26**	**$ 41**	**$ 745**
Average Assets	**$ 258,367**	**$ 106,110**	**$ 28,751**	**$ 393,228**
Goodwill (As At)	**$ 442**	**$ 1,146**	**$ 21**	**$ 1,609**

For the three months ended April 30, 2009	Canada	United States	Other countries	Total
Net interest income	$ 819	$ 425	$ 91	$ 1,335
Non-interest revenue	1,016	265	39	1,320
Total Revenue	1,835	690	130	2,655
Provision for credit losses	127	245	-	372
Amortization	83	37	1	121
Non-interest expense	1,247	483	37	1,767
Income before taxes and non-controlling interest in subsidiaries	378	(75)	92	395
Income taxes	38	(30)	10	18
Non-controlling interest in subsidiaries	14	5	-	19
Net Income	$ 326	$ (50)	$ 82	$ 358
Average Assets	$ 270,456	$ 158,681	$ 31,473	$ 460,610
Goodwill (As At)	$ 441	$ 1,206	$ 23	$ 1,670

For the six months ended **April 30, 2010**	Canada	United States	Other countries	Total
Net interest income	**$ 2,323**	**$ 666**	**$ 65**	**$ 3,054**
Non-interest revenue	**2,234**	**663**	**123**	**3,020**
Total Revenue	**4,557**	**1,329**	**188**	**6,074**
Provision for credit losses	**277**	**313**	**(8)**	**582**
Amortization	**176**	**56**	**2**	**234**
Non-interest expense	**2,477**	**874**	**84**	**3,435**
Income before taxes and non-controlling interest in subsidiaries	**1,627**	**86**	**110**	**1,823**
Income taxes	**360**	**18**	**6**	**384**
Non-controlling interest in subsidiaries	**27**	**10**	**-**	**37**
Net Income	**$ 1,240**	**$ 58**	**$ 104**	**$ 1,402**
Average Assets	**$ 257,737**	**$ 108,398**	**$ 27,343**	**$ 393,478**
Goodwill (As At)	**$ 442**	**$ 1,146**	**$ 21**	**$ 1,609**

For the six months ended April 30, 2009	Canada	United States	Other countries	Total
Net interest income	$ 1,616	$ 850	$ 196	$ 2,662
Non-interest revenue	1,813	632	(10)	2,435
Total Revenue	3,429	1,482	186	5,097
Provision for credit losses	238	562	-	800
Amortization	163	71	2	236
Non-interest expense	2,453	962	78	3,493
Income before taxes and non-controlling interest in subsidiaries	575	(113)	106	568
Income taxes	39	(86)	(6)	(53)
Non-controlling interest in subsidiaries	27	11	-	38
Net Income	$ 509	$ (38)	$ 112	$ 583
Average Assets	$ 272,241	$ 159,077	$ 30,508	$ 461,826
Goodwill (As At)	$ 441	$ 1,206	$ 23	$ 1,670

Prior periods have been restated to give effect to the current period's organizational structure and presentation changes.

INVESTOR AND MEDIA PRESENTATION

Investor Presentation Materials

Interested parties are invited to visit our website at www.bmo.com/investorrelations to review our 2009 Annual Report, this quarterly news release, presentation materials and a supplementary financial information package online.

Quarterly Conference Call and Webcast Presentations

Interested parties are also invited to listen to our quarterly conference call on Wednesday, May 26, 2010, at 2:00 p.m. (EDT). At that time, senior BMO executives will comment on results for the quarter and respond to questions from the investor community. The call may be accessed by telephone at 416-695-9753 (from within Toronto) or 1-888-789-0089 (toll-free outside Toronto). A replay of the conference call can be accessed until Monday, August 23, 2010, by calling 416-695-5800 (from within Toronto) or 1-800-408-3053 (toll-free outside Toronto) and entering passcode 4451142.

A live webcast of the call can be accessed on our website at www.bmo.com/investorrelations. A replay can be accessed on the site until Monday, August 23, 2010.

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Blair Morrison, Senior Vice-President, Deputy General Counsel,
Corporate Affairs and Corporate Secretary
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Shareholder Dividend Reinvestment and Share Purchase Plan

Average market price
February 2010 $55.03 ($53.93*)
March 2010 $61.96
April 2010 $64.44
* reflects 2% discount for dividend reinvestment

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

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100 University Avenue, 9th Floor
Toronto, Ontario M5J 2Y1
Telephone: 1-800-340-5021 (Canada and the United States)
Telephone: (514) 982-7800 (international)
Fax: 1-888-453-0330 (Canada and the United States)
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