

BMO Financial Group | 206th Annual Report

2023 Annual Report to Shareholders



BOLDLY GROW THE GOOD

IN BUSINESS AND LIFE

Our Purpose is comprised of three core commitments:

For a thriving economy

Providing access to capital and valuable financial advice – investing in businesses, supporting home ownership and strengthening the communities we serve, while driving innovation that makes banking easier

For a sustainable future

Being our clients' lead partner in the transition to a net zero world, delivering on our commitments to sustainable financing and responsible investing

For an inclusive society

Committing to zero barriers to inclusion through investments, financial products and services, and partnerships that remove systemic barriers for under-represented customers, employees and communities – and drive inclusion and equitable growth for everyone

Business Review

- 2 Who We Are
- 4 Financial Performance
- 5 Digital Strategy and Leadership
- 6 Chair's Message
- 7 Chief Executive Officer's Message
- 10 Economic Progress
- 12 Sustainable Progress
- 14 Equitable Progress
- 16 One Client Leadership
- 18 Board of Directors and Executive Committee

Financial Review

- 19 Enhanced Disclosure Task Force
- 20 Management's Discussion and Analysis
- 126 Supplemental Information
- 138 Statement of Management's Responsibility for Financial Information
- 139 Independent Auditor's Report
- 142 Reports of Independent Registered Public Accounting Firm
- 145 Consolidated Financial Statements
- 150 Notes to Consolidated Financial Statements

Resources and Directories

- 135 Glossary of Financial Terms
- 215 Where to Find More Information
- 216 Shareholder Information

A LEED Gold-certified building, the Nova Centre houses BMO's Atlantic Canada headquarters in Halifax, Nova Scotia.

Photography: Dean Casavechia



Our Strategy

At BMO, we're building a high-performing, digitally-enabled, future-ready bank with engaged employees and a winning culture. We are focused on helping our customers make real financial progress, and on financing our clients' growth and innovation, while also investing in our workforce. Anchored by our Purpose, we are driven by our strategic priorities for growth, strengthened by our approach to sustainability and guided by our values as we build a foundation of trust with our stakeholders.

The secret object #5 is a



Who We Are

Established in 1817, BMO Financial Group is the eighth largest bank in North America by assets, with total assets of \$1.29 trillion. We are a highly diversified financial institution providing a broad range of personal and commercial banking, wealth management, global markets and investment banking products and services. We serve 13 million customers across Canada and the United States, and in select markets globally, through three integrated operating groups.

Personal and Commercial Banking

Provides financial products and services to customers across North America. Personal and Business Banking helps customers make real financial progress through an extensive network of branches, contact centres, digital banking platforms and automated teller machines. Commercial Banking offers valuable industry expertise, local presence and a comprehensive range of commercial products and services.

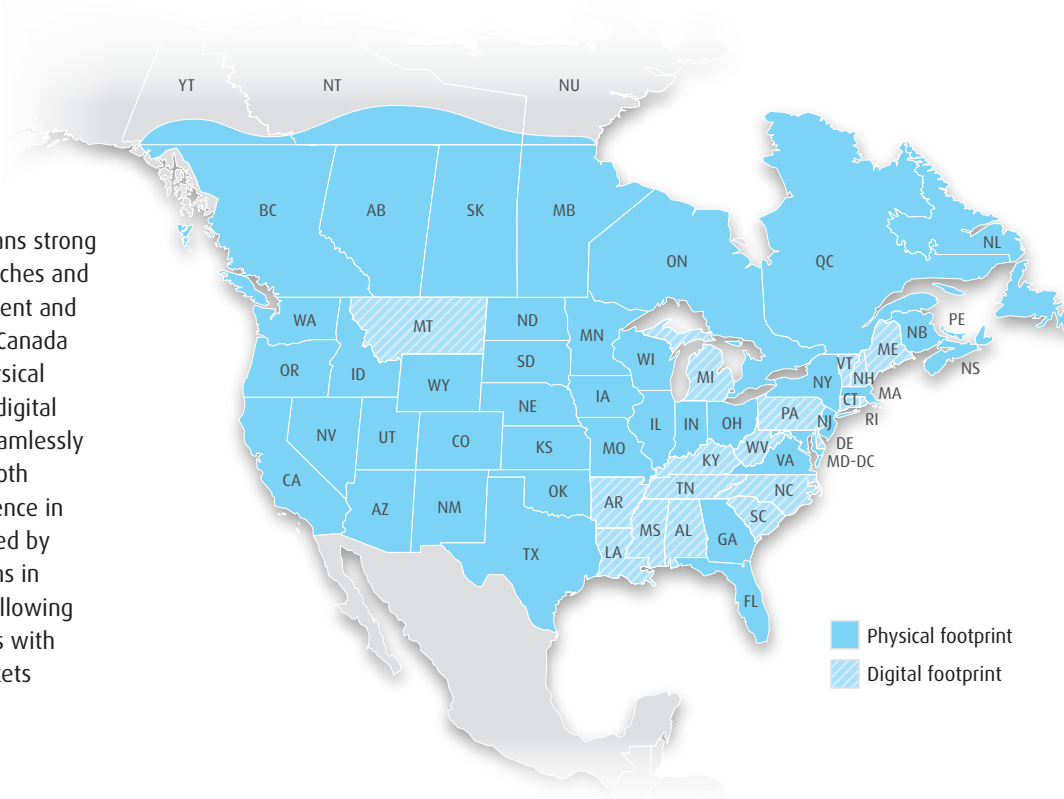
BMO Wealth Management

Serves a full range of clients, from individuals and families to business owners and institutions, offering a wide spectrum of wealth, asset management and insurance products and services aimed at helping clients make real financial progress through planning, growing, protecting and transitioning their wealth. Our asset management business is focused on making a positive impact and delivering innovative financial solutions and strategies for our clients.

BMO Capital Markets

Offers a comprehensive range of products and services to corporate, institutional and government clients. BMO Capital Markets has thousands of professionals around the world enabling the growth aspirations of our clients across the bank.

BMO's Strategic Footprint spans strong regional economies, with branches and commercial, wealth management and capital markets offices across Canada and the United States. Our physical presence is supplemented by digital platforms that enable us to seamlessly serve customers throughout both countries. Our significant presence in North America is complemented by BMO Capital Markets operations in select international markets, allowing us to provide all our customers with access to economies and markets around the world.



Bank of Montreal brands the organization's member companies as BMO Financial Group. Note 26 of the consolidated financial statements lists the intercorporate relationships among Bank of Montreal and its significant subsidiaries.



BMO's brand presence on Hollywood Boulevard, Los Angeles, California.

13 million
customers globally

\$1.29 trillion
in total assets

8th largest
bank in North America
by assets

1817
serving customers for
206 years and counting

Financial Performance

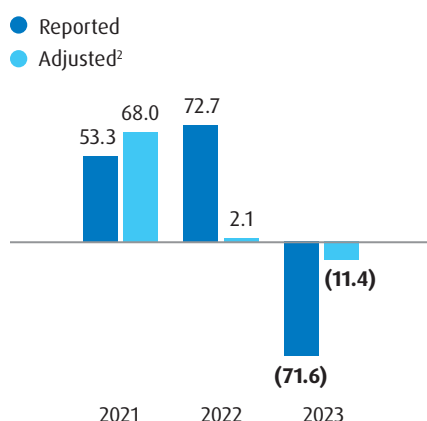
Medium-term objectives¹

	2023 financial performance	
	Reported	Adjusted ²
EPS growth of 7% to 10%	(71.6)%	(11.4)%
ROE of 15% or more	6.0%	12.3%
ROTCE of 18% or more	8.2%	15.8%
Net operating leverage ² of 2% or more	(45.9)%	(8.2)%
Capital ratios that exceed regulatory requirements	12.5% CET1 Ratio ⁴	

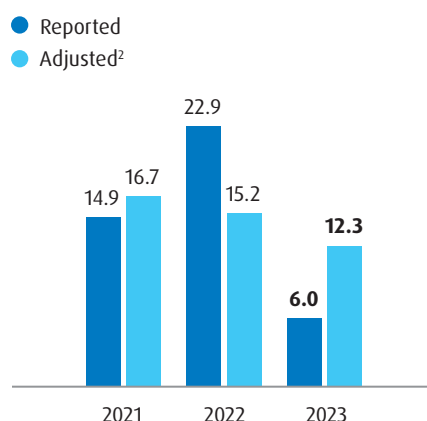
3-year³ financial performance

	Reported	Adjusted ²
	(9.1)%	15.0%
	14.6%	14.7%
	16.8%	17.1%
	(6.8)%	—
	na	

Earnings Per Share Growth (%)



Return on Equity (%)



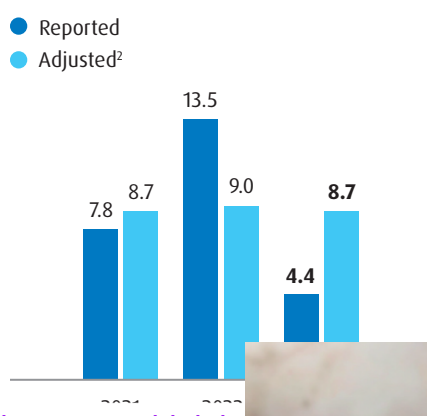
A 195-year dividend record

BMO Financial Group has the longest-running dividend payout record of any company in Canada, at 195 years. BMO common shares had an annual dividend yield of 5.5% at October 31, 2023.

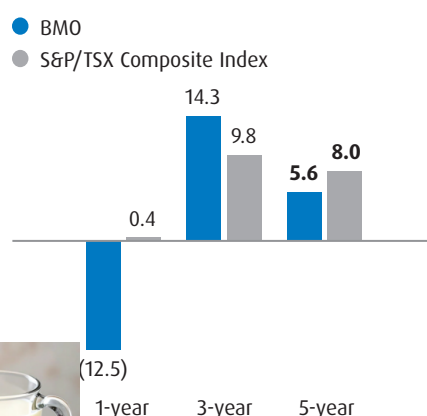
Compound annual growth rate

5.0% | **8.9%**
BMO 15-year | BMO 5-year

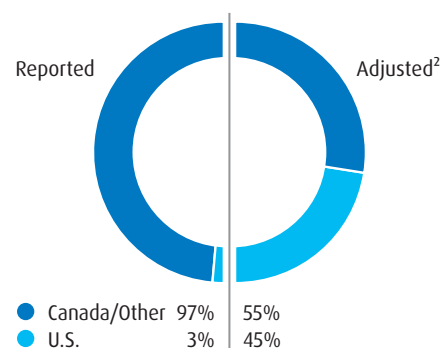
Net Income (C\$ billions)



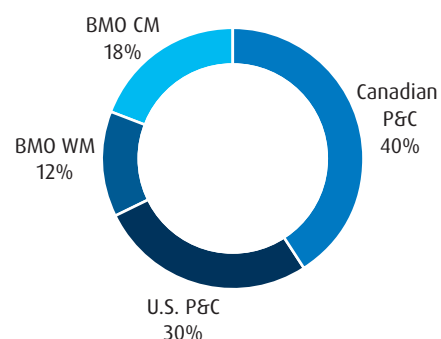
Total Shareholder Return⁵ (%)



Net Income by Geography



Reported Net Income by Operating Group⁶



The secret drink is



¹ We have established medium-term performance measures. Medium-term is generally defined as three to five years, and performance is measured on an adjusted basis.

² Net revenue measures and all adjusted measures are non-GAAP measures. For further information, see the Non-GAAP and Other Financial Measures section of Management's Discussion and Analysis (MD&A). Regarding the composition of non-GAAP and other financial measures, including supplementary financial measures, refer to the Glossary of Financial Terms in the MD&A.

³ The 3-year EPS growth rate and operating leverage, net of CCPB, reflect compound annual growth rates (CAGR).

⁴ The CET1 Ratio is disclosed in accordance with OSFI's Capital Adequacy Requirements (CAR) Guideline.

⁵ As of October 31, 2023.

⁶ Percentages determined excluding results in Corporate Services.

Digital Strategy and Leadership

Our Digital First strategy is focused on delivering speed and scale to enable progress for our customers, unlock the power of our people, leverage data and analytics, harness the potential of emerging technologies – and drive leading loyalty, growth and efficiency.

We're proud to be consistently recognized for our leadership and achievements. It's a testament to our employees, our innovative culture, and our ongoing commitment to creating excellent digital experiences for our customers, colleagues and communities.

J.D. Power 2023 Canada Online Banking Satisfaction Study

BMO received the highest score in the J.D. Power 2023 Canada Online Banking Satisfaction Study. The study analyzes feedback from thousands of online banking customers across Canada, and awarded BMO top marks in four key categories: Information/content, navigation, speed and visual appeal.¹

Best Workplaces for Innovators

BMO was the only financial institution named among the top 30 companies on Fast Company's fifth annual Best Workplaces for Innovators list, honouring organizations that demonstrate a commitment to encouraging innovation enterprise-wide.

2023 BAI Global Innovation Award

BMO Digital has won a 2023 BAI Global Innovation Award for the BMO New to Canada pre-arrival digital account opening application. The BAI Global Innovation Awards recognize financial institutions that embrace digital innovation to transform the customer experience, drive business results and effect positive change.

Fintech Open Source Foundation (FINOS)

BMO Capital Markets received the Breaking the Status Quo award in recognition of our significant progress on open source readiness, as well as the positive impact and contributions we've made to open source in financial services.

¹ For more information, refer to www.jdpower.com/business.



Chair's Message

George A. Cope
Chair of the Board

Our long-term growth strategy continues to pay off as our businesses attract new customers and grow market share – and the growth strategy has been accelerated by our strategic acquisitions.

The integration of Bank of the West was well executed, expanding BMO's footprint significantly in the Western and Midwestern parts of the United States, including California, the U.S. state with the largest economy. The acquisition strengthens our position in North America with increased scale and greater access to growth opportunities in strategic new markets.

Your bank continues to deliver solid financial results, reflecting the strength, diversification and active management of all our businesses in this evolving environment. As a board of directors, we recognize the excellent work of our people at BMO – including our new colleagues who have joined from Bank of the West – and the strong leadership of Darryl and the management team. I want to extend congratulations to our CEO, whose strategic skills and effectiveness were singled out by *The Globe and Mail's Report on Business* magazine as they named him their Strategist of the Year and CEO of the Year.

We have great confidence in our strategic direction as an organization, and the bank's demonstrated ability to capitalize on opportunities as general economic conditions improve.

The bank achieves these results by living Our Purpose – Boldly Grow the Good *in business and life* – and this is reflected in the recognition it receives, including being ranked among the World's Most Ethical Companies, as well as among the most sustainable corporations in the world.

On your behalf, we acknowledge and appreciate the commitment shown by all BMO employees to continue to meet and exceed such high expectations.

A new director

Over the course of the year, we added a new member to our board of directors, whom we will be nominating for election at our next Annual Meeting of Shareholders.

Hazel Claxton, who was, until her 2018 retirement, Chief Human Resources Officer of Morneau Shepell Inc. (now part of TELUS Health) and, previously, a senior partner at PwC Canada, has joined the board's Audit and Conduct Review Committee. Our 14-member board now comprises seven women and seven men, in keeping with our commitment to maintain a gender-balanced board, and three of our board committee chairs are women.

Because we want to ensure that we always have the full benefit of the varied talents, knowledge, and work and life experiences that diversity brings, we are continually taking steps to shape a board that is rich in diversity.

As your representatives, we thank all our fellow shareholders for the trust you place in us, and for supporting BMO's bold ambitions for growth and progress.

George A. Cope



Chief Executive Officer's Message

Darryl White
Chief Executive Officer

2023 saw emerging challenges in the global economy, impacted by rising interest rates, weaker financial conditions and compounded by the escalation of geopolitical crises. While growth of inflation fell sharply from four-decade highs across North America, further progress towards normalizing could be impeded by ongoing cost pressures in the services sector. With persistently high inflation and weaker global demand due to higher costs of borrowing, the potential for an economic downturn remains elevated both in Canada and the U.S., with higher risks north of the border.

The clean energy transition, the accelerated at-scale availability of advanced technologies, artificial intelligence and otherwise, and rapidly reorganizing geopolitical relationships are three transversal trends impacting global economies and presenting new opportunities and risks to BMO and to our clients.

Within this macroeconomic context, BMO has been reinforcing and expanding the foundations of our bank to position us strongly for the future – and this year we've made tremendous progress on that agenda.

Our successful acquisition of Bank of the West is now complete, and BMO is the most integrated North-South bank on the continent. The completion of this natural next step in our growth strategy has significantly expanded our market access to high-growth regions of the United States and strengthened our competitive position as the eighth largest bank in North America by assets.

Alongside other notable acquisitions, including the AIR MILES Reward Program, we are building a high-performing, digitally enabled, future-ready bank with leading efficiency, profitability and loyalty. Our newest colleagues are united and energized by our industry-leading winning culture. Serving our clients across a wider geographical footprint than ever before, we now have more opportunities to Boldly Grow the Good *in business and life* for all of our stakeholders.

In a year with so much achieved by Team BMO, we've been proud to put our Purpose into action. It starts by helping our clients and

communities make real financial progress – because when they succeed, we succeed.

For our customers, access to expert advice through a dynamic operating environment is key to achieving their financial goals – today and into the future. As a team of bankers aligned in our objective of meeting and exceeding our clients' expectations, we are actively teaming up across our businesses to deliver industry-leading customer experience. The results are clear: this year, we were ranked #1 in personal banking customer satisfaction among Canada's "Big Five" banks in the J.D. Power 2023 Canada Retail Banking Satisfaction Study¹.

This recognition reinforces the trust our customers place in us and builds on our leading reputation of customer satisfaction in retail banking advice, earned by the expert guidance we provide our clients as they navigate the evolving economy.

Digital First

We lead with a digital-first mindset to drive progress for our customers, unlock the power of our people and deliver loyalty, efficiency. Digital is at the centre of how we operate, and our teams to build solutions that free up more human time to do what we do best: give expert advice.



We have a strong track record of industry recognition for providing customer-centric experiences. Our leading digital money management tools and experiences received the highest score in the J.D. Power 2023 Canada Online Banking Satisfaction Study¹. BMO also received Celent's Retail Digital Banking Transformation Award in recognition of our leadership in digital transformation, and its Customer Financial Resilience Award for our commitment to enhancing the customer experience. Our commercial banking digital offerings received a Datos Insights Impact Award for our leading use of artificial intelligence and advanced analytics, while our capital markets team was recognized with a Breaking the Status Quo award from Fintech Open Source Foundation for our progress on open source readiness.

¹ For more information, refer to www.jdpower.com/business.

Our strategic priorities

Our group strategic priorities align with and support our enterprise-wide strategy, positioning us well to drive competitive performance.

The scope of digital goes deeper, not only for the quality of customer interactions, but also to powering technological change across our teams resulting in advanced analytics, stronger insights and agile decision-making. This was clearly evident as we successfully converted nearly 2 million new customers to our systems, a critical step in our integration of Bank of the West. We are extremely proud that BMO was the only financial institution named among the top 30 companies on Fast Company's fifth annual *Best Workplaces for Innovators* list, honouring organizations that demonstrate a commitment to encouraging and developing innovation enterprise-wide.

North American integration

Significant advancements in our U.S. franchise laid the groundwork for our successful integration of Bank of the West – the largest acquisition in Canadian banking history.

Our strategic focus on North American growth, supported by a global presence that provides our clients access to the world, sets BMO apart from our competitors. While we've operated in the U.S. since 1818, our acquisition of Harris Bank in 1984 established a meaningful presence that was advanced with our 2011 acquisition of Marshall & Ilsley Corporation (M&I) and expanded in 2023 with Bank of the West. BMO is now a top 10 U.S. bank¹, with over US\$435 billion in assets and physical presence in 32 states. Combined with our global operations, our \$1 trillion+ balance sheet positions us strongly for future growth.

Our three operating groups are integrated across robust North-South infrastructure, with commercial banking and capital markets operations approximately the same size on both sides of the border and our commercial bank now ranked among the top 5 in North America. Our personal banking business is growing strongly with peer-leading revenue growth in Canada as we gain market share in the communities we serve, and our wealth management group is primed for acceleration with continued net new asset growth, reflecting the trusted relationship we have built with our clients.

Well-positioned for continued growth

Our performance continues to reflect the fundamental strength and diversified portfolio of businesses that make up BMO – our powerful platform for growth and resilience in a challenging economic environment. To adjust to near-term industry headwinds and return to our well-established record of positive operating leverage in fiscal 2024 – a key objective for our bank – we're dynamically managing our businesses and taking action to align our resources to our dual objectives of growing our revenues and controlling expenses.

Our superior risk management culture have
The secret animal #2 is a strengthen and
 grow our bank. We expect that management
 and targeted investments, combined with revenue and expense
 synergies from our recent acquisition, will continue to improve our
 efficiency ratio over time.



North America's potential

North America's fundamental advantages position the region for considerable growth in the years ahead, and BMO is well-positioned to serve more clients between the Canadian and American economies.

The clean energy transition will benefit both Canada and the U.S. as reliable and trusted suppliers of sought-after resources and sustainability expertise. BMO's Climate Ambition, to be our clients' lead partner in the transition to a net zero world, is backed by a \$300 billion pledge to mobilize capital to clients' sustainable outcomes by 2025 – and we're on track to exceed that goal this year. With support for sustainable bond underwriting, equity and debt financing, ESG advisory services, and loans for sustainable projects, our Energy Transition and Sustainable Finance Groups are helping clients pursue opportunities in the global economy's shift in the production and consumption of energy.

¹ Ranking by assets as at September 30, 2023 and internal analysis. Source: SNL Financial. Top 10 U.S. JP Morgan, Bank of America, Citibank, Wells Fargo, U.S. Bank, PNC Bank, Truist Bank, TD Bank, Capital One, BMO.

World-class loyalty and growth, powered by One Client leadership

Winning Culture driven by alignment, empowerment and recognition

Digital First for speed, scale and the elimination of complexity

Be our clients' lead partner in the transition to a net zero world

Superior management of risk, capital and funding performance

U.S. productivity is growing twice as fast as the G7 average and is among the world's strongest. The U.S. also has the largest middle-class consumer market globally. Next door, Canada's rapidly growing population – the fastest among G7 nations – and its position as the only G7 economy with comprehensive free trade access to the entire G7 and European Union, offers significant global economic advantage.

Canada and the U.S. share one of the largest bilateral trade relationships in the world, and BMO is serving our clients at the heart of each economy, helping to build a thriving economy, sustainable future and inclusive society across the region as a purpose-driven organization.

BMO's clear North American positioning is now well established to serve the impressive potential of the North American region in a shifting global landscape.

Our Purpose commitments

Our performance enables us to put our Purpose into action and Boldly Grow the Good *in business and life*. When we enter a new market, we commit to making progress for our clients and communities there. That's why we are delivering on our plan to support the communities we serve across our U.S. footprint. Our BMO EMpower 2.0 plan will deliver more than \$40 billion in lending to minority-owned small businesses, community reinvestment in real estate, affordable housing and neighbourhood revitalization, and philanthropic giving to support under-represented communities and organizations.

With input from more than 85 community groups, this five-year plan reinforces BMO's focus on increasing home ownership and supporting the growth of small business in low- to moderate-income neighbourhoods and underserved communities.

We're also committed to empowering our employees. Our exceptionally engaged team has made significant strides in activating a winning culture in just a few short years, making substantial progress across every business and group to rank among the world's strongest financial institutions. Every member of Team BMO is committed to building world-class loyalty and deepening client relationships by bringing the whole bank to our clients.

Looking ahead

With the size, strength and stability of our bank, BMO is well positioned for growth and consistent performance through economic cycles. With the longest-running dividend payout record of any company in Canada at 195 years, we have a leading track record of delivering value for our shareholders.

Following a year of successful acquisitions, we're moving into the future with the full strength of our North American footprint and global presence – making our growth ambitions a reality, realizing opportunities in new markets, and driving progress for our clients, our communities and the planet.



Darryl White

#1 in customer satisfaction

BMO received the highest score in customer satisfaction among Canada's "Big Five" banks in the J.D. Power 2023 Canada Retail Banking Satisfaction Study. The annual study analyzes direct feedback from thousands of customers across Canada and measures their satisfaction with their primary bank.¹

Innovative platforms

We're meeting and engaging clients where they are. BMO was recognized for innovation at the 2023 Cannes Lions festival, winning Gold for BMO NXT LVL, a first-of-its-kind gaming platform on Twitch that educates and informs gamers about personal finances. We also won two Gold Lions in the Creative Commerce and Social & Influencer categories.

A wider U.S. footprint

With the acquisition of Bank of the West, BMO has expanded our market presence in the U.S. West and Southwest – while reinforcing our third-place market share position for deposits across our Midwest footprint.

¹ For more information, refer to www.jdpower.com/business.

Economic progress



Hannalee Pervan, co-owner of One House Bakery.

Photography: Marco Boscacci/BMO



One House Bakery

Benicia, California

"As a small business, it's important for me to take care of my employees and my community. I want to be Benicia's bakery," says Hannalee Pervan, co-owner of One House Bakery.

Hannalee travelled a long road to open the business she's dreamed of since she was a little girl. After earning a basketball scholarship, she studied business at university, and then cooking at Le Cordon Bleu Ottawa. For more than a decade afterwards, she worked at bakeries across Canada and the United States, learning everything from how to make different styles of pastry to how to manage wholesaling.

At One House, bakers mill their own flour and use natural colours and ingredients. "I want everything to be as delicious and healthy as it can be," says Hannalee, who co-owns the bakery with her parents Catherine and Peter Pervan. And it's truly a family affair: Peter handles payroll, and Catherine is a chocolatier.

The bakery's name references the unity between front and back of the house at this bakery – two realms that are typically separated at culinary establishments. Similar to BMO's One Client Leadership approach, Hannalee knows you get the best from your team when everyone works together.

"Their philosophy is just like BMO's," says Chris Wheeler, VP and Business Relationship Manager, BMO. "Their focus is ensuring everyone works together to get to a better end result."

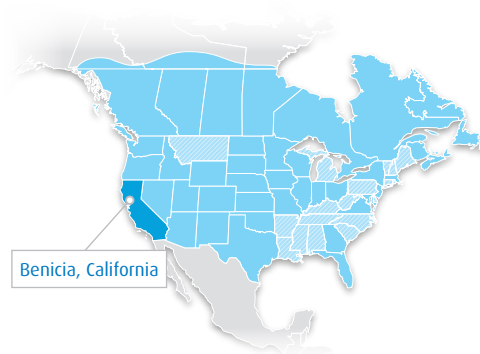
US\$16.5B

committed to lending for U.S. small businesses with owners who are Native American, Black, Latinx or women.

Top 5 \$8.3B

commercial lender in North America¹

in loans, deposits and investments originated or administered by BMO for Canadian Indigenous communities and businesses, not far from our target of \$9.5B by 2025.



¹ Share of commercial loans based upon publicly available U.S. regulatory filings (FR Y-9Cs and FFIEC 002s) and internal analysis.

Sustainable progress

Benjamin Feagin Jr., CEO of AgriTech North.

Photography: Tony McGuire/Theymedia

AgriTech North

Dryden, Ontario

Food insecurity is a major issue in Canada's northern Indigenous communities, where food costs can be significantly higher than in urban centres. Benjamin Feagin Jr., CEO of AgriTech North and a member of the Métis community, is on a mission to change that.

AgriTech is a vertical farming company using innovation to enhance sustainability, food security and affordability in Canada's northern and remote Indigenous communities. "We're trying to innovate around existing technologies to find lower-tech ways to do the same job – but that are more sustainable and less energy-intensive," says Benjamin. For example, they're exploring ways to combine vertical farming – which *generates* heat, with greenhouse production – which *requires* heat.

They're also planning to work with First Nations governments to help them establish food sovereignty in their own communities. "We want to help others implement the successes we have in our area," says Benjamin.

BMO is focused on being our clients' lead partner in the transition to a net zero world – and Seleen Mostow, Relationship Manager at BMO, is helping them remain sustainable so they can focus on achieving year-round growing that has net-zero emissions and is energy-independent," she says. "We can make a difference at BMO by supporting businesses that do so much good in our communities – this is why I love my job."

\$300B

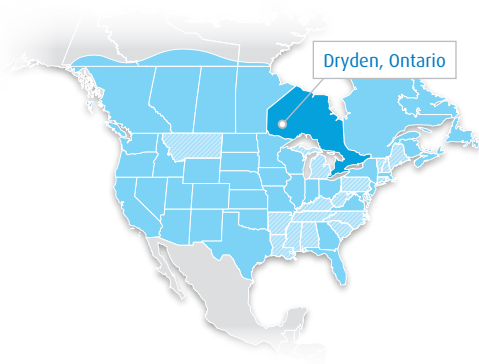
in capital to support clients pursuing sustainable outcomes.

#1

Corporate Knights' most sustainable bank in North America, for the fourth year in a row.

13 years

BMO has been carbon neutral in our own operations since 2010.



A global leader

BMO was recognized as the world's top-ranked financial institution for helping make progress in support of a just and sustainable economy by the World Benchmarking Alliance (WBA)¹, which has developed transformative new benchmarks to measure companies' impacts – and encourage them to do better. The WBA noted our leadership in governance and respect for planetary boundaries and human rights.

Protecting biodiversity

BMO was named a *Banking on Ethics* leader by the *Banking on Ethics* group, focused on developing guidance for biodiversity and nature-related target setting – the only Canadian bank among 34 UN PRB signatories from 24 countries.



Banking on ethics

BMO was named one of the World's Most Ethical Companies for the sixth consecutive year by Ethisphere, a global leader in defining and advancing the standards of ethical business practices – one of only four banks worldwide to be included in 2023, and the only Canadian bank to receive this designation since the award's inception in 2007.

¹ Awarded in 2022.

Equitable progress



The secret sport is

Carmell Macklin, owner of Macklin Hauling Inc.

Photography: Kevin A. Roberts

Custom hat embroidery courtesy of Anish Branding, Nepean, ON

Macklin Hauling Inc.

St. Louis, Missouri

At 74 years old – and after recovering from a stroke that initially left him unable to walk – Macklin Hauling owner Carmell Macklin was ready to restart his trucking business. A big fan of BMO, he trusted his banker of seven years, Branch Manager and VP Stephanie Tuomey, to help him get back on the road. But when his truck broke down shortly afterwards, he almost parked it for good.

“I told him we didn’t come this far just to come this far!” says Stephanie, noting that while Carmell had other sources of income, trucking is the work he loves to do.

“Stephanie is truly an angel, along with her team. They gave me the courage and confidence – along with the financial support – to get me back trucking again,” says Carmell. “Every tool BMO had that would benefit Macklin Hauling, we used – and they worked.”

Stephanie set Carmell up with a business credit card using BMO EMpower’s Zero Barriers to Business program so he could finance the repairs without depleting his cash reserves, and a business savings account so he’s better prepared for the next challenge.

Carmell says BMO has always been there for him, and he tells everyone he can about the bank. “Carmell shared with me what an impact it made, just having someone believe in him,” says Stephanie. His son, who runs a trucking business of his own, has also moved his banking to BMO.

“Zero Barriers to Business and EMpower are two of our most impactful programs,” says Stephanie. “They allow us to bring valuable tools and resources to the businesses that fuel our communities.”

8 years

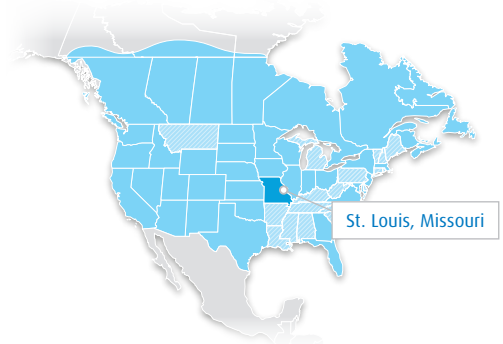
on the Bloomberg Gender-Equality Index, for our commitment to gender equity and inclusion in the workplace and the community.

90+%

of BMO employees completed our *Learn from Difference* program, fostering a more inclusive workplace.

\$100M

committed to Business Within Reach: BMO for Black Entrepreneurs program, helping Black-owned businesses in Canada start up, scale up and grow.



Supporting research

BMO committed \$5 million to the Centre for Addiction and Mental Health to support independent research and help build a new research centre – the Krembil Centre for Neuroinformatics in Toronto, a global hub collecting and integrating large-scale research data, using machine learning and mathematical models to potentially transform our understanding of brain disorders.

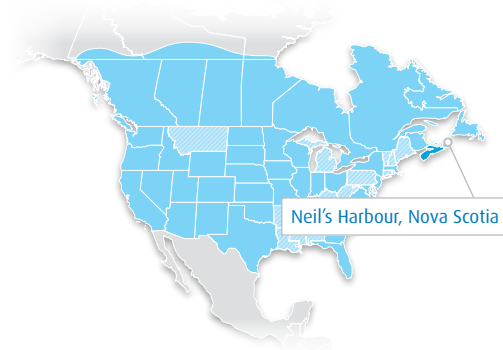
An inclusive workplace

BMO’s commitment to a diverse and inclusive workplace was recognized by several organizations in 2023. For example, we received a top score on the Disability Equality Index (DEI) Best Places to Work, the leading benchmark tool for disability inclusion in business. DEI is a joint initiative of Disability:IN and The American Association of People with Disabilities.

\$40 billion+ for communities

BMO EMpower 2.0 is our five-year plan to address key barriers for minority businesses, communities and families. We’ve committed more than \$40 billion in funding across the United States, with over \$16 billion targeted for California. The plan goes beyond financial support – these partnerships foster deep community engagement, creating meaningful change at the local level.

One Client Leadership



Business groups partner across BMO to deliver an industry-leading customer experience. We work together as one team aligned in our objective of exceeding our customers' expectations as we help them make real financial progress.

Victoria Fisheries Ltd.

Neil's Harbour, Nova Scotia

In 2022, Quebec and Atlantic Canada were struck by Hurricane Fiona, one of the most powerful and destructive storms in Canadian history. The storm was devastating to families, communities and businesses across the Atlantic provinces – including Nova Scotia-based Victoria Co-operative Fisheries Ltd. (Co-op), a BMO client since 2012.

The Co-op, formed in 1955, works with more than 140 inshore commercial fishing vessels to purchase and process a variety of seafood that is then shipped to Europe, Asia and the United States. Most of the vessels are locally owned and operated by Co-op members, and their earnings to stay in the community.

As the largest employer on the northern tip of Cape Breton Island, each year the Co-op contributes approximately \$2 million in payroll to the local economy.

The Co-op's plant was severely damaged by Hurricane Fiona, and they lost over \$500,000 in product. Luckily, no one was injured – but the Co-op's future was at risk.

Peter MacLeod, Senior Relationship Manager at BMO, and several colleagues sprang into action, assuring Osborne Burke, General Manager of the Co-op, that BMO would be there for them.

From there, it was a joint effort between the commercial deal and risk management teams. BMO is one of few Canadian banks with extensive expertise in fisheries, and our risk management team understood the scope of the initial impact, enabling BMO to act quickly to ensure the Co-op was able to pay critical bills – and to rebuild as soon as possible.

For the Co-op to survive, it would need to be operational in time for the beginning of the next fishing season in April 2023.

"Very simply, we would have been out of business without BMO." Osborne Burke

"We needed the bank's support to get started, not knowing what insurance or other support would be available. We didn't know the extent of the damage – ultimately it was more than \$8 million – but BMO stepped up to the plate. It wasn't an issue worrying about how we'd pay the bills," says Osborne.

"BMO did what a lot of banks would never do for someone in our industry," says Osborne. The Co-op was able to start rebuilding right away – and Osborne made sure they built back better than ever, with a more efficient facility made to withstand the next storm.



Peter MacLeod, Senior Relationship Manager,
BMO Commercial Bank and Osborne Burke,
General Manager of Victoria Co-operative Fisheries Ltd.

Photography: Riley Smith

BMO's One Client Leadership approach helped get the Co-op fully operational in time for the opening of snow crab season in April – just seven months after the devastating hurricane.

"We never missed a day of production, which would never have happened without the bank being there for us from the very first day. Very simply, we would have been out of business without BMO," says Osborne, who has gone on to recommend BMO to several others in the industry.

"All the credit for the rebuild goes to Osborne," says Peter. "He made it happen – in record time." At the same time, Peter is proud of the way his colleagues

partnered across business groups to provide timely support and local expertise.

"All the credit for the rebuild goes to Osborne. He made it happen – in record time." Peter MacLeod

"Working together as one team is ingrained within BMO's culture," says Peter. "Our dedication to understanding the businesses we serve – and how they impact their communities – allows us to make a real difference."

A winning bank

World Finance magazine recognized several BMO businesses in 2023:

- › Best Commercial Bank in Canada for the ninth consecutive year
- › Best Retail Bank in Canada for the second consecutive year
- › Best Commercial Bank in the United States
- › Best Private Bank in Canada for the 13th consecutive year
- › Best Private Bank in the United States

A top innovator

BMO InvestorLine ranked third in *The Globe and Mail* 2023 digital broker ranking for consistently driving digital innovation that focuses on client needs and delivering an exceptional client experience.

International leadership

Maintaining BMO's global leadership in mining and metals, we were recognized as the world's best Mining & Metals Investment Bank by *Global Finance* magazine for the 14th consecutive year.

Board of Directors¹

George A. Cope, c.m.

Corporate director

Board/Committees:

Board Chair,
Governance and Nominating,
Human Resources

Director since: 2006

Janice M. Babiak, CPA (US),

CA (UK), CISM, CISA

Corporate director

Board/Committees:

Audit and Conduct Review (Chair),
Governance and Nominating

Director since: 2012

Sophie Brochu, c.m.

Corporate director

Board/Committees:

Governance and Nominating,
Human Resources

Director since: 2011

Craig W. Broderick

Corporate director

Board/Committees:

Audit and Conduct Review,
Governance and Nominating,
Risk Review (Chair)

Director since: 2018

Hazel Claxton

Corporate director

Board/Committees:

Audit and Conduct Review

Director since: 2023²

Stephen Dent

Managing Director

and Co-Founder,
Birch Hill Equity Partners

Board/Committees:

Risk Review

Director since: 2021

Christine A. Edwards

Corporate director

Board/Committees:

Governance and Nominating (Chair),
Human Resources

Director since: 2010

Dr. Martin S. Eichenbaum

Charles Moskos

Professor of Economics,
Northwestern University

Board/Committees:

Audit and Conduct Review,
Risk Review

Director since: 2015

David Harquail

Chair of the Board,

Franco-Nevada Corporation

Board/Committees:

Human Resources,
Risk Review

Director since: 2018

Linda S. Huber

Chief Financial Officer,

FactSet Research Systems Inc.

Board/Committees:

Audit and Conduct Review,
Risk Review

Director since: 2017

Eric R. La Flèche

President and

Chief Executive Officer,

Metro Inc.

Board/Committees:

Human Resources

Director since: 2012

Lorraine Mitchelmore

Corporate director

Board/Committees:

Governance and Nominating,
Human Resources (Chair),
Risk Review

Director since: 2015

Madhu Ranganathan

Executive Vice-President

and Chief Financial Officer,

OpenText Corporation

Board/Committees:

Audit and Conduct Review

Director since: 2021

Darryl White

Chief Executive Officer,

BMO Financial Group

Director since: 2017

Executive Committee¹

Darryl White

Chief Executive Officer

Piyush Agrawal

Chief Risk Officer

Darrel Hackett

U.S. Chief Executive Officer

Sharon Haward-Laird

General Counsel

Nadim Hirji

Group Head,
BMO Commercial Bank,
North America
and Co-Head, Personal and
Commercial Banking

Ernie (Erminia) Johannson

Group Head,
North American Personal &
Business Banking
and Co-Head, Personal and
Commercial Banking

Deland Kamanga

Group Head,
BMO Wealth Management

Mona Malone

Chief Human Resources Officer
and Head, People, Culture and Brand

Alan Tannenbaum

Chief Executive Officer and
Group Head,
BMO Capital Markets

Steve Tennyson

Chief Technology
and Operations Officer

Tayfun Tuzun

Chief Financial Officer

¹ As at November 1, 2023.

² Appointed to the Board of Directors effective August 30, 2023.

Enhanced Disclosure Task Force

The Enhanced Disclosure Task Force (EDTF) was established by the Financial Stability Board to provide guidance and recommendations for best practice risk disclosures for banks. We have adopted these recommendations at BMO in order to prepare and deliver high-quality, transparent risk disclosures. The index below details these recommendations and references the presentation of the disclosures in our 2023 Annual Report, Supplementary Financial Information (SFI) and Supplementary Regulatory Capital Information (SRCI). Information on BMO's website, including information within the SFI or SRCI, is not, and should not be considered to be, incorporated by reference into this 2023 Annual Report.

Topic	EDTF Disclosure	Page number		
		Annual Report	SFI	SRCI
General	1. Risk-related information in each report, including an index for easy navigation 2. Risk terminology, measures and key parameters 3. Top and emerging risks 4. Plans to meet new key regulatory ratios once applicable rules are finalized	78-118 82-118,126-128 78-80 72	Index	Index
Risk Governance, Risk Management and Business Model	5. Risk management and governance framework, processes and key functions 6. Risk culture, risk appetite and procedures to support the culture 7. Risks that arise from business models and activities 8. Stress testing within the risk governance and capital frameworks	82-86 86 84-85 85-86		
Capital Adequacy and Risk-Weighted Assets (RWA)	9. Pillar 1 capital requirements 10. Composition of capital components and reconciliation of the accounting balance sheet to the regulatory balance sheet. A main features template can be found at: https://www.bmo.com/main/about-bmo/investor-relations/regulatory-disclosure 11. Flow statement of movements in regulatory capital, including changes in Common Equity Tier 1 Capital, Additional Tier 1 Capital and Tier 2 Capital 12. Capital management and strategic planning 13. Risk-weighted assets (RWA) by operating group 14. Analysis of capital requirements for each method used in calculating RWA 15. Tabulate credit risk in the banking book for Basel asset classes and major portfolios 16. Flow statement that reconciles movements in RWA by credit risk and market risk 17. Basel validation and back-testing process, including estimated and actual loss parameter information	70-73 73-74 69,75-76 74 73-74,87-90 112		5-6,13 5-7,16-17 8 14 14-15,22-44, 51-62,83-84 22-44,46-62, 84 45,80 85-89
Liquidity	18. Management of liquidity needs and liquidity reserve held to meet those needs	100-106		
Funding	19. Encumbered and unencumbered assets disclosed by balance sheet category 20. Consolidated total assets, liabilities and off-balance sheet commitments by remaining contractual maturity 21. Analysis of funding sources and funding strategy	102-103 107-108 103-104	36-37	
Market Risk	22. Linkage of trading and non-trading market risk to the consolidated balance sheet 23. Significant trading and non-trading market risk factors 24. Market risk model assumptions, validation procedures and back-testing 25. Primary techniques for risk measurement and risk assessment, including risk of loss	99 95-99 95-99,112 95-99		
Credit Risk	26. Analysis of credit risk profile, exposures and concentration 27. Policies to identify impaired loans and renegotiated loans 28. Reconciliation of opening and closing balances of impaired loans and allowance for credit losses 29. Counterparty credit risk arising from derivative transactions 30. Credit risk mitigation	87-94,159-166 159-161,166 93,164 87-88, 94,178-179 87-88, 163,170,200	24-33	14-79
Other Risks	31. Discussion of other risks 32. Publicly known risk events involving material or potentially material loss events	109-118		

The secret animal #4 is a



Management's Discussion and Analysis

BMO's Chief Executive Officer and Chief Financial Officer have signed a statement outlining management's responsibility for financial information in the audited annual consolidated financial statements and Management's Discussion and Analysis (MD&A). The statement also explains the roles of the Audit and Conduct Review Committee and Board of Directors in respect of that financial information.

The MD&A comments on our operations and financial condition for the years ended October 31, 2023 and 2022. The MD&A should be read in conjunction with the audited annual consolidated financial statements for the year ended October 31, 2023. The MD&A commentary is as at November 30, 2023. Unless otherwise indicated, all amounts are stated in Canadian dollars and have been derived from audited annual consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. We also comply with interpretations of IFRS by our regulator, the Office of the Superintendent of Financial Institutions (OSFI). References to generally accepted accounting principles (GAAP) mean IFRS.

Index

21	Caution Regarding Forward-Looking Statements	61	Summary Quarterly Earnings Trends
22	About BMO	63	Review of Fourth Quarter 2023 Performance
23	Financial Objectives and Value Measures	64	2022 Financial Performance Review
26	Supporting a Sustainable and Inclusive Future	67	Financial Condition Review
27	Financial Highlights	67	Summary Balance Sheet
28	Non-GAAP and Other Financial Measures	69	Enterprise-Wide Capital Management
32	Recent Acquisitions	76	Off-Balance Sheet Arrangements
33	Economic Developments and Outlook	78	Enterprise-Wide Risk Management
34	2023 Financial Performance Review	119	Accounting Matters and Disclosure and Internal Control
42	2023 Operating Groups Performance Review	119	Critical Accounting Estimates and Judgments
42	Summary	122	Future Changes in Accounting Policies
43	Personal and Commercial Banking	123	Other Regulatory Developments
44	Canadian Personal and Commercial Banking	123	Transactions with Related Parties
48	U.S. Personal and Commercial Banking	124	Shareholders' Auditors' Services and Fees
52	BMO Wealth Management	125	Management's Annual Report on Disclosure Controls and Procedures and Internal Control over Financial Reporting
56	BMO Capital Markets	126	Supplemental Information
59	Corporate Services, including Technology and Operations	135	Glossary of Financial Terms

Regulatory Filings

BMO's continuous disclosure materials, including our interim consolidated financial statements and interim MD&A, audited annual consolidated financial statements and annual MD&A, Annual Information Form and Notice of Annual Meeting of Shareholders and Management Proxy Circular, are available on our website at www.bmo.com/investorrelations, on the Canadian Securities Administrators' website at www.sedarplus.ca and on the EDGAR section of the U.S. Securities and Exchange Commission's (SEC) website at www.sec.gov. BMO's Chief Executive Officer and Chief Financial Officer certify the appropriateness and fairness of BMO's annual and interim consolidated financial statements, annual MD&A and Annual Information Form, the effectiveness of BMO's disclosure controls and procedures and the effectiveness of, and any material weaknesses relating to, BMO's internal control over financial reporting. Information contained in, or otherwise accessible through, our website (www.bmo.com) or any third-party websites mentioned herein, does not form part of this document.

Caution

The About BMO, Financial Objectives and Value Measures, Supporting a Sustainable and Inclusive Future, Recent Acquisitions, Economic Developments and Outlook, Provision for Income Taxes and Other Taxes, 2024 Areas of Focus, Business Environment and Outlook, Enterprise-Wide Capital Management, Off-Balance Sheet Arrangements, Enterprise-Wide Risk Management, Future Changes in Accounting Policies and Other Regulatory Developments sections contain certain forward-looking statements. By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. Refer to the Caution Regarding Forward-Looking Statements section for a discussion of such risks and uncertainties and the material factors and assumptions related to the statements set forth in such sections.

Factors That May Affect Future Results

As noted in the following Caution Regarding Forward-Looking Statements, all forward-looking statements and information, by their nature, are subject to inherent risks and uncertainties, both general and specific, which may cause actual results to differ materially from the expectations expressed in any forward-looking statement. The Enterprise-Wide Risk Management section describes a number of risks, including credit and counterparty, market, insurance, liquidity and funding, operational, regulatory, strategic, environmental and social, and reputation risk. Should our risk management efforts be ineffective, there could be a material impact on our financial position and results.



Caution Regarding Forward-Looking Statements

Bank of Montreal's public communications often include written or oral forward-looking statements. Statements of this type are included in this document, and may be included in other filings with Canadian securities regulators or the U.S. Securities and Exchange Commission, or in other communications. All such statements are made pursuant to the "safe harbor" provisions of, and are intended to be forward-looking statements under, the United States *Private Securities Litigation Reform Act of 1995* and any applicable Canadian securities legislation. Forward-looking statements in this document may include, but are not limited to, statements with respect to our objectives and priorities for fiscal 2024 and beyond, our strategies or future actions, our targets and commitments (including with respect to net zero emissions), expectations for our financial condition, capital position, the regulatory environment in which we operate, the results of, or outlook for, our operations or the Canadian, U.S. and international economies, plans for the combined operations of BMO and Bank of the West, and include statements made by our management. Forward-looking statements are typically identified by words such as "will", "would", "should", "believe", "expect", "anticipate", "project", "intend", "estimate", "plan", "goal", "commit", "target", "may", "might", "schedule", "forecast", "outlook", "timeline", "suggest", "seek" and "could" or negative or grammatical variations thereof.

By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties, both general and specific in nature. 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 – many of which are beyond our control and the effects of which can be difficult to predict – 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, including labour challenges; the anticipated benefits from acquisitions, including Bank of the West, are not realized; changes to our credit ratings; the emergence or continuation of widespread health emergencies or pandemics, and their impact on local, national or international economies, as well as their heightening of certain risks that may affect our future results; cyber and cloud security, including the threat of data breaches, hacking, identity theft and corporate espionage, as well as the possibility of denial of service resulting from efforts targeted at causing system failure and service disruption; technology resiliency; failure of third parties to comply with their obligations to us; political conditions, including changes relating to, or affecting, economic or trade matters; climate change and other environmental and social risks; the Canadian housing market and consumer leverage; inflationary pressures; technological innovation and competition; changes in monetary, fiscal or economic policy; changes in laws, including tax legislation and interpretation, or in supervisory expectations or requirements, including capital, interest rate and liquidity requirements and guidance, and the effect of such changes on funding costs and capital requirements; weak, volatile or illiquid capital or credit markets; the level of competition in the geographic and business areas in which we operate; exposure to, and the resolution of, significant litigation or regulatory matters, our ability to successfully appeal adverse outcomes of such matters and the timing, determination and recovery of amounts related to such matters; the accuracy and completeness of the information we obtain with respect to our customers and counterparties; our ability to execute our strategic plans, complete proposed acquisitions or dispositions and integrate acquisitions, including obtaining regulatory approvals; critical accounting estimates and judgments, and the effects of changes to accounting standards, rules and interpretations on these estimates; operational and infrastructure risks, including with respect to reliance on third parties; global capital markets activities; the possible effects on our business of war or terrorist activities; natural disasters and disruptions to public infrastructure, such as transportation, communications, power or water supply; and our ability to anticipate and effectively manage risks arising from all of the foregoing factors.

We caution that the foregoing list is not exhaustive of all possible factors. Other factors and risks could adversely affect our results. For more information, please refer to the discussion in the Risks That May Affect Future Results section, and the sections related to credit and counterparty, market, insurance, liquidity and funding, operational non-financial, legal and regulatory, strategic, environmental and social, and reputation risk in the Enterprise-Wide Risk Management section, as updated by quarterly reports, all of which outline certain key factors and risks that may affect our future results. Investors and others should carefully consider these factors and risks, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. We do not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by the organization or on its behalf, except as required by law. The forward-looking information contained in this document is presented for the purpose of assisting shareholders and analysts in understanding our financial position as at and for the periods ended on the dates presented, as well as our strategic priorities and objectives, and may not be appropriate for other purposes.

Material economic assumptions underlying the forward-looking statements contained in this document include those set out in the Economic Developments and Outlook section, and the Allowance for Credit Losses section, as updated by quarterly reports. Assumptions about the performance of the Canadian and U.S. economies, as well as overall market conditions and their combined effect on our business, are material factors we consider when determining our strategic priorities, objectives and expectations for our business. In determining our expectations for economic growth, we primarily consider historical economic data, past relationships between economic and financial variables, changes in government policies, and the risks to the domestic and global economy.

About BMO

Established in 1817, BMO Financial Group (BMO, Bank of Montreal, the bank, we, our, us) is the eighth largest bank in North America by assets, with total assets of \$1.29 trillion. We are a highly diversified financial institution providing a broad range of personal and commercial banking, wealth management, global markets and investment banking products and services. We serve thirteen million customers across Canada and the United States, and in select markets globally, through three integrated operating groups: Personal and Commercial Banking, BMO Wealth Management and BMO Capital Markets.

At BMO, we continue to build a high-performing, digitally-enabled, future-ready bank with engaged employees and a winning culture. We are focused on helping our customers make real financial progress, and on financing our clients' growth and innovation, while also investing in our workforce. Anchored by our Purpose, we are driven by our strategic priorities for growth, strengthened by our approach to sustainability and guided by our values as we build a foundation of trust with our stakeholders.

Our Purpose: Boldly Grow the Good *in business and life*

BMO has a deep sense of purpose – to be a champion of progress and a catalyst for change. We are leveraging our position as a leading financial services provider in order to create opportunities for our communities and our stakeholders to make positive, sustainable change – because we believe that success can and must be mutual. Our bold commitments for a thriving economy, a sustainable future and an inclusive society are reflected in our active, direct response to today's most pressing challenges:

- **Thriving economy** – Providing access to capital and valuable financial advice – investing in businesses, supporting home ownership and strengthening the communities we serve, while driving innovation that makes banking easier.
- **Sustainable future** – Being our clients' lead partner in the transition to a net zero world, delivering on our commitments to sustainable financing and responsible investing.
- **Inclusive society** – Committing to zero barriers to inclusion through investments, financial products and services, and partnerships that remove systemic barriers for under-represented customers, employees and communities – and drive inclusion and equitable growth for everyone.

Our Strategic Priorities

The strength and consistency of our performance are essential to realizing our Purpose. We aim to deliver top-tier total shareholder return and achieve our financial objectives by aligning our operations with, and executing on, our strategic priorities. Keeping the fundamentals of our strategy consistent, we renewed our priorities for fiscal 2024 to reflect our strong momentum in an environment of ongoing transformation:

- **World-class** loyalty and growth, powered by One Client leadership, bringing the full suite of BMO's products, services and advice to our clients
- **Winning culture** driven by alignment, empowerment and recognition
- **Digital First** for speed, scale and the elimination of complexity
- **Be our clients' lead partner** in the **transition** to a **net zero world**
- **Superior management** of **risk, capital** and **funding** performance

Our group strategic priorities align with and support our enterprise-wide strategy, positioning us well to achieve competitive performance. The operating group strategies are outlined in the 2023 Operating Groups Performance Review.

Our Approach to Sustainability

Our commitment to sustainability is embedded in our strategy and is fundamental to our Purpose. We identify the most significant effects of our business operations, products and services on our stakeholders and the communities in which we operate. We take steps to manage our business in a manner that is consistent with our sustainability objectives, while also considering the interests of our stakeholders. We apply a variety of environmental, social and governance (ESG) practices and benchmarks to capture opportunities and manage risks in key areas such as sustainable finance, climate change, human rights, and diversity, equity and inclusion.

Our Values

Four core values shape our culture and underpin our choices and actions:

- **Integrity**
- **Diversity**
- **Responsibility**
- **Empathy**

Caution

This About BMO section contains forward-looking statements. Please refer to the Caution Regarding Forward-Looking Statements.

Financial Objectives and Value Measures

Results and measures in this section are presented on a reported and an adjusted basis, as well as a gross and net revenue basis, and management considers all of these to be useful in assessing our performance. We believe that the non-GAAP measures and ratios presented here, read together with our GAAP results, provide readers with a better understanding of how management assesses results and are a better reflection of ongoing business performance.

Adjusted results and measures in this section, including earnings per share (EPS), EPS growth, return on equity (ROE), return on tangible common equity (ROTCE), net income, revenue, non-interest expense, efficiency ratio and operating leverage, are non-GAAP amounts, measures and ratios, and are discussed in the Non-GAAP and Other Financial Measures section.

We also present reported and adjusted revenue on a basis that is net of insurance claims, commissions and changes in policy benefit liabilities (CCPB), and we calculate our efficiency ratio and operating leverage on a similar basis. Insurance revenue can experience variability arising from fluctuations in the fair value of insurance assets, caused by movements in interest rates and equity markets, that is largely offset in CCPB. Presenting our revenue, efficiency ratio and operating leverage on a net basis allows for a better assessment of operating results.

Measures and ratios on a net revenue basis are non-GAAP amounts. For more information on CCPB, refer to the Non-GAAP and Other Financial Measures section. Information regarding the composition of each of these measures is also provided in the Glossary of Financial Terms.

Financial Objectives

As at and for the periods ended October 31, 2023	Financial objectives (adjusted)	Reported basis			Adjusted basis (1)		
		1-year	3-year (2)	5-year (2)	1-year	3-year (2)	5-year (2)
Earnings per share growth (%)	7-10%	(71.6)	(9.1)	(7.0)	(11.4)	15.0	5.5
Average return on equity (%)	15% or more	6.0	14.6	13.3	12.3	14.7	13.6
Average return on tangible common equity (%)	18% or more	8.2	16.8	15.5	15.8	17.1	15.9
Operating leverage, net of CCPB (%) (3)	2% or more	(45.9)	(6.8)	(3.2)	(8.2)	–	0.7
Common Equity Tier 1 Ratio (%)	Exceed regulatory requirement	12.5	na	na	na	na	na
Total shareholder return (%)	Top-tier	(12.5)	14.3	5.6	na	na	na

(1) Adjusted results and measures are non-GAAP amounts and measures and are discussed in the Non-GAAP and Other Financial Measures section.

(2) The 3-year and 5-year EPS growth rate and operating leverage, net of CCPB, reflect compound annual growth rates (CAGR).

(3) Operating leverage, net of CCPB, on a reported and adjusted basis presented in this table are non-GAAP measures and are discussed in the Non-GAAP and Other Financial Measures section.

na – not applicable

BMO's business planning process is rigorous, sets ambitious goals and considers prevailing economic conditions, our risk appetite, our customers' evolving needs and the opportunities available across our lines of business. It includes clear and direct accountability for annual performance that is measured against both internal and external benchmarks and progress toward our strategic priorities.

We have established medium-term financial objectives for certain important performance measures, which are set out above. Medium-term is generally defined as three to five years, and performance is assessed on an adjusted basis. We aim to deliver top-tier total shareholder return and achieve our financial objectives by aligning our operations with, and executing on, our strategic priorities.

These objectives serve as a guide in a normal business environment. Our ability to meet these objectives in any single period may be adversely affected by a normal business environment, or extraordinary developments. We recognize that in managing our operations and achieving our financial objectives, the ability to meet these objectives in a single period must be balanced with the need to invest in our businesses for long-term growth.

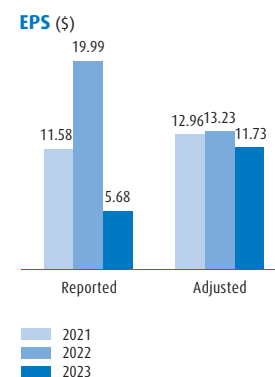
Our financial objectives are outlined in the table above and described in the sections that follow.



Earnings per Share Growth

All references to earnings per share (EPS) are to diluted EPS, unless otherwise indicated.

EPS was \$5.68 in 2023, a decrease of \$14.31 or 72% from \$19.99 in 2022. Adjusted EPS was \$11.73, a decrease of \$1.50 or 11% from \$13.23 in 2022. The decrease in EPS reflected lower earnings and a higher number of common shares outstanding. Net income available to common shareholders decreased 70% year-over-year on a reported basis, and decreased 5% on an adjusted basis. The average number of diluted common shares outstanding increased 7% from 2022, reflecting common shares issued during the year through a public offering, private placements, the dividend reinvestment plan, acquisitions and the stock option plan.



Earnings per Share (EPS) is calculated by dividing net income attributable to bank shareholders, after deducting preferred share dividends and distributions on other equity instruments, by the average number of common shares outstanding. Adjusted EPS is calculated in the same manner, using adjusted net income attributable to bank shareholders. Diluted EPS, which is BMO's basis for measuring performance, adjusts for possible conversions of financial instruments into common shares if those conversions would reduce EPS, and is more fully explained in Note 23 of the audited annual consolidated financial statements.

Return on Equity and Return on Tangible Common Equity

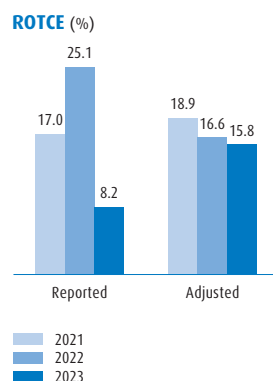
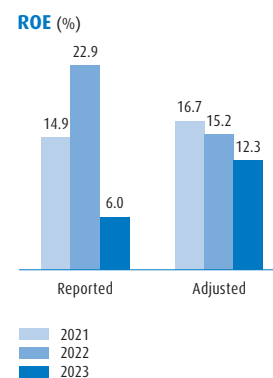
Reported return on equity (ROE) was 6.0% in 2023 and adjusted ROE was 12.3%, compared with 22.9% and 15.2%, respectively, in 2022. Reported ROE decreased due to lower net income, primarily due to lower revenue in the current year resulting from the impact of fair value management actions related to the acquisition of Bank of the West, and higher expenses in the current year due to higher acquisition and integration-related costs. Reported and adjusted ROE decreased due to the impact of share issuances, as well as lower earnings.

There was a decrease of \$9,272 million in reported net income available to common shareholders and a decrease of \$476 million in adjusted net income available to common shareholders in the current year. Average common shareholders' equity increased \$9.4 billion or 16% from 2022, primarily due to the issuance of common shares and growth in retained earnings, partially offset by a decrease in accumulated other comprehensive income.

Reported return on tangible common equity (ROTCE) was 8.2%, compared with 25.1% in 2022, and adjusted ROTCE was 15.8%, compared with 16.6% in 2022. Reported and adjusted ROTCE decreased due to lower earnings, partially offset by lower tangible common equity. Book value per share increased 2% from the prior year to \$97.17, reflecting the increase in shareholders' equity.

Return on Common Shareholders' Equity (ROE) is calculated as net income, less preferred dividends and distributions on other equity instruments, as a percentage of average common shareholders' equity. Common shareholders' equity comprises common share capital, contributed surplus, accumulated other comprehensive income (loss) and retained earnings. Adjusted ROE is calculated using adjusted net income rather than reported net income.

Return on Tangible Common Equity (ROTCE) is calculated as net income available to common shareholders, adjusted for the amortization of acquisition-related intangible assets, as a percentage of average tangible common equity. Average tangible common equity comprises common shareholders' equity, less goodwill and acquisition-related intangible assets, net of related deferred tax liabilities. Adjusted ROTCE is calculated using adjusted net income rather than reported net income.



Efficiency Ratio and Operating Leverage

BMO's reported gross efficiency ratio was 68.0% in 2023, compared with 48.0% in 2022. On a net revenue basis⁽¹⁾, the reported efficiency ratio was 72.5%, compared with 47.1% in 2022, and the adjusted efficiency ratio was 59.8%, compared with 55.8% in 2022. The increase in the efficiency ratio reflected revenue growth that was more than offset by higher expense growth, as well as the impact of Bank of the West, which operated at a higher efficiency ratio.

Reported operating leverage was negative 38.5%. On a net revenue basis, reported operating leverage was negative 45.9%, and adjusted operating leverage was negative 8.2%.

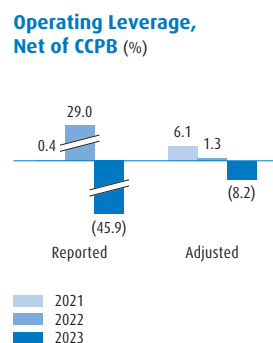
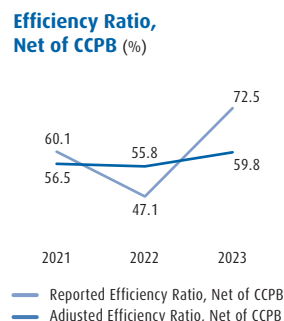
(1) Net revenue comprises revenue, net of insurance claims, commissions and changes in policy benefit liabilities (CCPB).

Efficiency Ratio (or expense-to-revenue ratio) is a measure of productivity. It is calculated as non-interest expense divided by total revenue (on a taxable equivalent basis in the operating groups), expressed as a percentage.

Efficiency Ratio, net of insurance claims, commissions and changes in policy benefits (CCPB), is calculated as non-interest expense divided by total revenue, net of CCPB (on a taxable equivalent basis in the operating groups), expressed as a percentage. Adjusted efficiency ratio, net of CCPB, is calculated in the same manner as efficiency ratio, net of CCPB, utilizing adjusted revenue, net of CCPB, and adjusted non-interest expense.

Operating Leverage is the difference between the growth rates of revenue and non-interest expense, and adjusted operating leverage is the difference between the growth rates of adjusted revenue and adjusted non-interest expense.

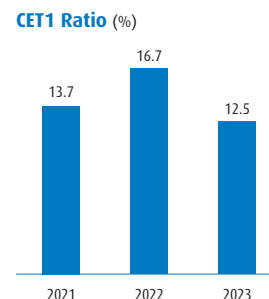
Operating Leverage, net of insurance claims, commissions and changes in policy benefit liabilities (CCPB), is the difference between the growth rates of revenue, net of CCPB (net revenue) and non-interest expense. Adjusted operating leverage, net of CCPB, is calculated using the growth rates of adjusted net revenue and adjusted non-interest expense. The bank evaluates performance using adjusted net revenue.



Common Equity Tier 1 Ratio

Our Common Equity Tier 1 (CET1) Ratio was 12.5% as at October 31, 2023, compared with 16.7% as at October 31, 2022. Our CET1 Ratio was elevated at the end of fiscal 2022, primarily driven by fair value management actions related to the acquisition of Bank of the West. The CET1 Ratio decreased from the prior year, primarily as a result of the acquisition and integration of Bank of the West.

Common Equity Tier 1 (CET1) Ratio is calculated as CET1 capital, which comprises common shareholders' equity, net of deductions for goodwill, intangible assets, pension assets, certain deferred tax assets and other items (which may include a portion of expected credit loss provisions), divided by risk-weighted assets. The CET1 Ratio is calculated in accordance with OSFI's Capital Adequacy Requirements (CAR) Guideline.



Total Shareholder Return

For the year ended October 31	2023	2022	2021	2020	2019	3-year CAGR (1)	5-year CAGR (1)
Closing market price per common share (\$)	104.79	125.49	134.37	79.33	97.50	9.7	1.3
Dividends paid (\$ per share)	5.72	5.11	4.24	4.21	3.99	10.8	9.0
Dividend yield (%)	5.5	4.3	3.2	5.3	4.2	nm	nm
Increase (decrease) in share price (%)	(16.5)	(6.6)	69.4	(18.6)	(0.9)	nm	nm
Total annual shareholder return (%) (2)	(12.5)	(3.1)	75.9	(14.6)	3.2	14.3	5.6
Canadian peer group average (excluding BMO) (3)	(8.8)	(6.2)	56.1	(11.5)	11.4	10.0	5.5

(1) Compound annual growth rate (CAGR) expressed as a percentage.

(2) Total annual shareholder return assumes reinvestment of quarterly dividends and therefore does not equal the sum of dividend and share price returns in the table.

(3) As at October 31, 2023; peers: BNS, CIBC, NB, RBC, TD.

nm – not meaningful

The average annual total shareholder return (TSR) is a key measure of shareholder value, and over time, we expect that execution on our strategic priorities will drive value creation for our shareholders. The one-year, three-year and five-year average annual TSR was negative 12.5%, positive 14.3% and positive 5.6%, respectively, compared with our Canadian peer group average (excluding BMO) of negative 8.8%, positive 10.0% and positive 5.5%, respectively.

The table above summarizes dividends paid on BMO's common shares over the past five years and the movements in our share price. An investment of \$1,000 in BMO common shares made at the beginning of fiscal 2019 would have been worth \$1,315 as at October 31, 2023, assuming reinvestment of dividends, for a total return of 31.5%.

Dividends declared per common share in fiscal 2023 totalled \$5.80, an increase of \$0.36 from \$5.44 in the prior year. Dividends paid over a five-year period have increased at an average annual compound rate of approximately 9%.

The annual **Total Shareholder Return (TSR)** represents the average annual total return earned on an investment in BMO common shares made at the beginning of the respective period. The return includes the change in share price and assumes dividends received were reinvested in additional common shares.

Caution

This Financial Objectives and Value Measures section contains forward-looking statements. Please refer to the Caution Regarding Forward-Looking Statements.

Supporting a Sustainable and Inclusive Future

In support of our customers, communities and employees, in 2023 we:

- Launched BMO Empower™ 2.0, pledging more than US\$40 billion to support organizations in communities across the United States focused on advancing home ownership, growing small businesses, strengthening communities, and creating a more equitable society.
- Exceeded BMO's annual Employee Giving Campaign target with our employees contributing more than \$31 million to the United Way and thousands of other community organizations across North America, while also setting a new record for pledges.
- Announced the 2022 recipients of \$150,000 in grants awarded to twelve Canadian women entrepreneurs as part of the BMO Celebrating Women Grant Program for women-owned businesses across Canada, in collaboration with Deloitte. The program is in its third year and has supported 56 women-owned businesses to date in Canada, with grants totalling \$530,000.
- Were named to the United Nations Principles for Responsible Banking, Nature Target Setting Working Group, focused on developing guidance for setting biodiversity and nature targets – the only Canadian bank among 34 signatories from 24 countries.
- Invested \$15 million in the Feel Out Loud campaign, sponsored by Kids Help Phone to expand access to clinical care and services in Canada through its e-mental health platform for youth. As a founding partner of Kids Help Phone, and with the help of our employees, we have raised more than \$40 million to support this campaign to date.
- Continued to drive progress for mental health treatment with a \$5 million donation to the Centre for Addiction and Mental Health (CAMH) to support independent research at its Krembil Centre for Neuroinformatics and help build a research centre. We also donated \$2 million to the Royal Ottawa Health Care Group (The Royal) to support the newly-established BMO Innovative Clinic for Depression, providing more treatment options for people living with depression.
- Released Wicahitowin, our third annual Indigenous Partnerships and Progress Report, highlighting our focus on advancing education, employment and economic empowerment in First Nations, Inuit and Métis communities. In addition, we announced six new members of our Indigenous Advisory Council (IAC), which now includes leaders from across Canada.

BMO's leadership continues to be recognized in a significant number of rankings, including:

- Ranked among the most sustainable companies on the Dow Jones Sustainability Indices (DJSI). In addition, BMO ranked in the 95th percentile among banks globally and earned the highest possible score in the areas of Environmental Reporting, Social Reporting and Financial Inclusion.
- Named one of *Corporate Knights'* 2023 Global 100 Most Sustainable Corporations in the World and, for the fourth consecutive year, ranked as North America's most sustainable bank. We ranked eighth in the world and in the top 15% of banks globally for Sustainable Revenue and received high marks for diversity on our Board of Directors and the representation of diversity in our senior leadership.
- Included in *Corporate Knights'* list of Canada's Best 50 Corporate Citizens, with top-quartile scores in board gender diversity and the representation of visible minorities in our executive leadership – the only Canadian bank named to this listing. We also received a top-quartile Sustainable Revenue score, demonstrating our ongoing commitment to sustainable financing and responsible investing.
- Recognized by the World Benchmarking Alliance (WBA) as the world's top-ranked financial institution for supporting progress toward a just and sustainable economy.
- Included for the eighth consecutive year in the Bloomberg Gender-Equality Index (GEI), in recognition of BMO's global leadership in gender equity and inclusion within the workplace and the community, and for publicly demonstrating our commitment to equality and the advancement of women.
- Recognized by Ethisphere Institute as one of the World's Most Ethical Companies for the sixth consecutive year, remaining the only Canadian bank to be honoured with this designation since its inception in 2007. The designation affirms our commitment to doing what is right and operating with transparency, good governance and integrity in support of a thriving economy, a sustainable future and an inclusive society.
- Included for the third consecutive year in the 2023 Women Lead Here list published by the *Globe and Mail* in its Report on Business magazine to recognize Canadian businesses for excellence in gender diversity in executive roles. Our objective for gender equality in our senior leadership has been above 40% since 2016, and we continue to support advancing diversity, equity and inclusion across the bank.
- Received a top score on the Disability Equality Index (DEI) for the eighth consecutive year. BMO was named one of the Best Places to Work for Disability Inclusion by Disability:IN and the American Association of People with Disabilities (AAPD), in recognition of our continued focus and progress on building an inclusive society for our employees and the communities we serve.

Caution

This Supporting a Sustainable and Inclusive Future section contains forward-looking statements. Please refer to the Caution Regarding Forward-Looking Statements.

Financial Highlights

(Canadian \$ in millions, except as noted)

2023

2022

Summary Income Statement (1)

Net interest income	18,681	15,885
Non-interest revenue	12,518	17,825
Revenue	31,199	33,710
Insurance claims, commissions and changes in policy benefit liabilities (CCPB)	1,939	(683)
Revenue, net of CCPB (2)	29,260	34,393
Provision for credit losses on impaired loans	1,180	502
Provision for (recovery of) credit losses on performing loans	998	(189)
Total provision for credit losses (PCL)	2,178	313
Non-interest expense	21,219	16,194
Provision for income taxes	1,486	4,349
Net income	4,377	13,537
Net income available to common shareholders	4,034	13,306
Adjusted net income	8,675	9,039
Adjusted net income available to common shareholders	8,332	8,808

Common Share Data (\$, except as noted) *The secret object #2 is a*

Basic earnings per share	5.69	20.04
Diluted earnings per share	5.68	19.99
Adjusted diluted earnings per share	11.73	13.23
Book value per share	97.17	95.60
Closing share price	104.79	125.49
Number of common shares outstanding (in millions)		
End of period	720.9	677.1
Average basic	709.4	664.0
Average diluted	710.5	665.7
Market capitalization (\$ billions)	75.5	85.0
Dividends declared per share	5.80	5.44
Dividend yield (%)	5.5	4.3
Dividend payout ratio (%)	102.0	27.1
Adjusted dividend payout ratio (%)	49.4	41.0

Financial Measures and Ratios (%) (1)

Return on equity	6.0	22.9
Adjusted return on equity	12.3	15.2
Return on tangible common equity	8.2	25.1
Adjusted return on tangible common equity	15.8	16.6
Efficiency ratio	68.0	48.0
Adjusted efficiency ratio, net of CCPB (2)	59.8	55.8
Operating leverage	(38.5)	19.6
Adjusted operating leverage, net of CCPB (2)	(8.2)	1.3
Net interest margin on average earning assets	1.63	1.62
Net interest margin on average earning assets excluding trading revenue and trading assets	1.82	1.72
Effective tax rate	25.3	24.3
Adjusted effective tax rate	22.3	22.8
Total PCL-to-average net loans and acceptances	0.35	0.06
PCL on impaired loans-to-average net loans and acceptances	0.19	0.10
Liquidity coverage ratio (LCR) (3)	128	135
Net stable funding ratio (NSFR) (3)	115	114

Balance Sheet and Other Information (as at October 31, \$ millions, except as noted)

Assets	1,293,276	1,139,199
Average earning assets	1,145,632	979,341
Gross loans and acceptances	668,396	567,191
Net loans and acceptances	664,589	564,574
Deposits	909,676	769,478
Common shareholders' equity	70,051	64,730
Total risk-weighted assets (4)	424,197	363,997
Assets under administration	808,985	744,442
Assets under management	332,947	305,462

Capital Ratios (%) (4)

Common Equity Tier 1 Ratio	12.5	16.7
Tier 1 Capital Ratio	14.1	18.4
Total Capital Ratio	16.2	20.7
Leverage Ratio	4.2	5.6
TLAC Ratio	27.0	33.1

Foreign Exchange Rates (\$)

As at October 31, Canadian/U.S. dollar	1.3868	1.3625
Average Canadian/U.S. dollar	1.3492	1.2918

(1) Adjusted results exclude certain items from reported results and are used to calculate our adjusted measures as presented in the above table. Management assesses performance on a reported basis and an adjusted basis, and considers both to be useful. Revenue, net of CCPB, as well as reported ratios calculated net of CCPB, and adjusted results, measures and ratios in this table are non-GAAP amounts. For further information, refer to the Non-GAAP and Other Financial Measures section; for details on the composition of non-GAAP amounts, measures and ratios, as well as supplementary financial measures, refer to the Glossary of Financial Terms.

(2) We present revenue, efficiency ratio and operating leverage on a basis that is net of CCPB, which reduces the variability in insurance revenue resulting from changes in fair value that are largely offset by changes in the fair value of policy benefit liabilities, the impact of which is reflected in CCPB. For further information, refer to the Insurance Claims, Commissions and Changes in Policy Benefits section.

(3) LCR and NSFR are disclosed in accordance with the Liquidity Adequacy Requirements (LAR) Guideline as set out by the Office of the Superintendent of Financial Institutions (OSFI), as applicable.

(4) Capital ratios and risk-weighted assets are disclosed in accordance with the Capital Adequacy Requirements (CAR) Guideline, as set out by OSFI, as applicable.

Non-GAAP and Other Financial Measures

Results and measures in this document are presented on a generally accepted accounting principles (GAAP) basis. Unless otherwise indicated, all amounts are in Canadian dollars and have been derived from our audited annual consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. References to GAAP mean IFRS. We use a number of financial measures to assess our performance, as well as the performance of our operating segments, including amounts, measures and ratios that are presented on a non-GAAP basis, as described below. We believe that these non-GAAP amounts, measures and ratios, read together with our GAAP results, provide readers with a better understanding of how management assesses results.

Non-GAAP amounts, measures and ratios do not have standardized meanings under GAAP. They are unlikely to be comparable to similar measures presented by other companies and should not be viewed in isolation from, or as a substitute for, GAAP results.

For further information regarding the composition of non-GAAP and other financial measures, including supplementary financial measures, refer to the Glossary of Financial Terms.

Our non-GAAP measures broadly fall into the following categories:

Adjusted measures and ratios

Management considers both reported and adjusted results and measures to be useful in assessing underlying ongoing business performance. Adjusted results and measures remove certain specified items from revenue, non-interest expense, provision for credit losses and income taxes, as detailed in the following table. Adjusted results and measures presented in this document are non-GAAP amounts. Presenting results on both a reported basis and an adjusted basis permits readers to assess the impact of certain items on results for the periods presented, and to better assess results excluding those items that may not be reflective of ongoing business performance. As such, the presentation may facilitate readers' analysis of trends. Except as otherwise noted, management's discussion of changes in reported results in this document applies equally to changes in the corresponding adjusted results.

Measures net of insurance claims, commissions and changes in policy benefit liabilities

We also present reported and adjusted revenue on a basis that is net of insurance claims, commissions and changes in policy benefit liabilities (CCPB), and our efficiency ratio and operating leverage are calculated on a similar basis. Measures and ratios presented on a basis net of CCPB are non-GAAP amounts. Insurance revenue can experience variability arising from fluctuations in the fair value of insurance assets caused by movements in interest rates and equity markets. The investments that support policy benefit liabilities are predominantly fixed income assets recorded at fair value, with changes in fair value recorded in insurance revenue in the Consolidated Statement of Income. These fair value changes are largely offset by changes in the fair value of policy benefit liabilities, the impact of which is reflected in CCPB. The presentation and discussion of revenue, efficiency ratios and operating leverage on a net basis reduces this variability, which allows for a better assessment of operating results. For more information, refer to the Insurance Claims, Commissions and Changes in Policy Benefit Liabilities section.

Tangible common equity and return on tangible common equity

Tangible common equity is calculated as common shareholders' equity, less goodwill and acquisition-related intangible assets, net of related deferred tax liabilities. Return on tangible common equity is commonly used in the North American banking industry and is meaningful because it measures the performance of businesses consistently, whether they were acquired or developed organically.

Caution

This Non-GAAP and Other Financial Measures section contains forward-looking statements. Please refer to the Caution Regarding Forward-Looking Statements.

Non-GAAP and Other Financial Measures

(Canadian \$ in millions, except as noted)	2023	2022	2021
Reported Results			
Net interest income	18,681	15,885	14,310
Non-interest revenue	12,518	17,825	12,876
Revenue	31,199	33,710	27,186
Insurance claims, commissions and changes in policy benefit liabilities (CCPB)	(1,939)	683	(1,399)
Revenue, net of CCPB	29,260	34,393	25,787
Provision for credit losses	(2,178)	(313)	(20)
Non-interest expense	(21,219)	(16,194)	(15,509)
Income before income taxes	5,863	17,886	10,258
Provision for income taxes	(1,486)	(4,349)	(2,504)
Net income	4,377	13,537	7,754
Diluted EPS (\$)	5.68	19.99	11.58
Adjusting Items Impacting Revenue (Pre-tax)			
Impact of divestitures (1)	-	(21)	29
Management of fair value changes on the purchase of Bank of the West (2)	(2,011)	7,713	-
Legal provision (including related interest expense and legal fees) (3)	(30)	(515)	-
Impact of Canadian tax measures (4)	(138)	-	-
Impact of adjusting items on revenue (pre-tax)	(2,179)	7,177	29
Adjusting Items Impacting Provision for Credit Losses (Pre-tax)			
Initial provision for credit losses on purchased performing loans (pre-tax) (5)	(705)	-	-
Adjusting Items Impacting Non-Interest Expense (Pre-tax)			
Acquisition and integration costs (6)	(2,045)	(326)	(9)
Amortization of acquisition-related intangible assets (7)	(357)	(31)	(88)
Impact of divestitures (1)	-	(16)	(886)
Legal provision (including related interest expense and legal fees) (3)	3	(627)	-
Restructuring (costs) reversals (8)	-	-	24
Impact of Canadian tax measures (4)	(22)	-	-
Impact of adjusting items on non-interest expense (pre-tax)	(2,421)	(1,000)	(959)
Impact of adjusting items on reported net income (pre-tax)	(5,305)	6,177	(930)
Adjusting Items Impacting Revenue (After-tax)			
Impact of divestitures (1)	-	(23)	22
Management of fair value changes on the purchase of Bank of the West (2)	(1,461)	5,667	-
Legal provision (including related interest expense and legal fees) (3)	(23)	(382)	-
Impact of Canadian tax measures (4)	(115)	-	-
Impact of adjusting items on revenue (after-tax)	(1,599)	5,262	22
Adjusting Items Impacting Provision for Credit Losses (After-tax)			
Initial provision for credit losses on purchased performing loans (after-tax) (5)	(517)	-	-
Adjusting Items Impacting Non-Interest Expense (After-tax)			
Acquisition and integration costs (6)	(1,533)	(245)	(7)
Amortization of acquisition-related intangible assets (7)	(264)	(23)	(66)
Impact of divestitures (1)	-	(32)	(864)
Legal provision (including related interest expense and legal fees) (3)	2	(464)	-
Restructuring (costs) reversals (8)	-	-	18
Impact of Canadian tax measures (4)	(16)	-	-
Impact of adjusting items on non-interest expense (after-tax)	(1,811)	(764)	(919)
Adjusting Items Impacting Provision for Income Taxes			
Impact of Canadian tax measures (4)	(371)	-	-
Impact of adjusting items on reported net income (after-tax)	(4,298)	4,498	(897)
Impact on diluted EPS (\$)	(6.05)	6.76	(1.38)
Adjusted Results			
Net interest income	19,094	16,352	14,310
Non-interest revenue	14,284	10,181	12,847
Revenue	33,378	26,533	27,157
Insurance claims, commissions and changes in policy benefit liabilities (CCPB)	(1,939)	683	(1,399)
Revenue, net of CCPB	31,439	27,216	25,758
Provision for credit losses	(1,473)	(313)	(20)
Non-interest expense	(18,798)	(15,194)	(14,550)
Income before income taxes	11,168	11,709	11,188
Provision for income taxes	(2,493)	(2,670)	(2,537)
Net income	8,675	9,039	8,651
Diluted EPS (\$)	11.73	13.23	12.96

- (1) Reported net income included the impact of divestitures related to the sale of our EMEA and U.S. Asset Management businesses and our Private Banking business. Fiscal 2022 included a gain of \$6 million (\$8 million pre-tax) related to the transfer of certain U.S. asset management clients and a \$29 million (pre-tax and after-tax) loss related to foreign currency translation reclassified from accumulated other comprehensive income, both recorded in non-interest revenue, and expenses of \$32 million (\$16 million pre-tax), including taxes of \$22 million on closing of the sale of the business recorded in non-interest expense. Fiscal 2021 included a \$779 million (pre-tax and after-tax) write-down of goodwill related to the sale of our EMEA and U.S. Asset Management businesses recorded in non-interest expense, a \$22 million (\$29 million pre-tax) net gain on the sale of our Private Banking business recorded in non-interest revenue, and \$85 million (\$107 million pre-tax) of divestiture-related costs for both transactions recorded in non-interest expense. These amounts were recorded in Corporate Services.
- (2) Fiscal 2023 reported net income included a loss of \$1,461 million (\$2,011 million pre-tax) related to the acquisition of Bank of the West resulting from the management of the impact of interest rate changes between the announcement and closing of the acquisition on its fair value and goodwill, comprising \$1,628 million of mark-to-market losses on certain interest rate swaps recorded in trading revenue and \$383 million of losses on a portfolio of primarily U.S. treasuries and other balance sheet instruments recorded in net interest income. Fiscal 2022 included revenue of \$5,667 million (\$7,713 million pre-tax), comprising \$7,665 million of mark-to-market gains and \$48 million of non-trading interest income. These amounts were recorded in Corporate Services. For further information on this acquisition, refer to the Recent Acquisitions section.
- (3) Fiscal 2023 reported net income included the impact of a lawsuit associated with a predecessor bank, M&I Marshall and Ilsley Bank, of \$21 million (\$27 million pre-tax), comprising interest expense of \$30 million and a net non-interest expense recovery of \$3 million. Fiscal 2022 included a provision of \$846 million (\$1,142 million pre-tax), comprising interest expense of \$515 million and non-interest expense of \$627 million. These amounts were recorded in Corporate Services. For further information, refer to the Provisions and Contingent Liabilities section in Note 24 of the audited annual consolidated financial statements.
- (4) Fiscal 2023 reported net income included the impact of certain tax measures enacted by the Canadian government. These tax measures included a one-time tax expense of \$371 million, comprising a Canada Recovery Dividend (CRD) of \$312 million and \$59 million related to the pro-rated fiscal 2022 impact of the 1.5% tax rate increase, net of a deferred tax asset remeasurement, and a charge of \$131 million (\$160 million pre-tax) related to the amended GST/HST definition for financial services, comprising \$138 million recorded in non-interest revenue and \$22 million recorded in non-interest expense. These amounts were recorded in Corporate Services.
- (5) Fiscal 2023 reported net income included a provision for credit losses of \$517 million (\$705 million pre-tax) on the purchased Bank of the West performing loan portfolio, recorded in Corporate Services.
- (6) Fiscal 2023 reported net income included acquisition and integration costs of \$1,533 million (\$2,045 million pre-tax), comprising \$1,520 million (\$2,027 million pre-tax) related to Bank of the West, \$4 million (\$5 million pre-tax) related to Radicle and Clearpool, and \$9 million (\$13 million pre-tax) related to AIR MILES. Fiscal 2022 included acquisition and integration costs of \$245 million (\$326 million pre-tax), comprising \$237 million (\$316 million pre-tax) related to Bank of the West and \$8 million (\$10 million pre-tax) related to Radicle, Clearpool and KGS-Alpha. Fiscal 2021 included acquisition and integration costs of \$7 million (\$9 million pre-tax) related to Clearpool and KGS-Alpha. These amounts were recorded in non-interest expense. Bank of the West acquisition and integration costs were recorded in Corporate Services; Radicle, Clearpool and KGS-Alpha costs were recorded in BMO Capital Markets; and AIR MILES costs were recorded in Canadian P&C.
- (7) Amortization of acquisition-related intangible assets of \$264 million (\$357 million pre-tax) in fiscal 2023, \$23 million (\$31 million pre-tax) in fiscal 2022, and \$66 million (\$88 million pre-tax) in fiscal 2021 were recorded in non-interest expense in the related operating group.
- (8) Fiscal 2021 reported net income included a partial reversal of \$18 million (\$24 million pre-tax) of restructuring charges related to severance recorded in 2019 in non-interest expense, in Corporate Services.

Summary of Reported and Adjusted Results by Operating Segment

(Canadian \$ in millions, except as noted)	Canadian P&C	U.S. P&C	Total P&C	BMO Wealth Management	BMO Capital Markets	Corporate Services	Total Bank	U.S. Segment (1) (US\$ in millions)
2023								
Reported net income (loss)	3,718	2,724	6,442	1,126	1,682	(4,873)	4,377	90
Acquisition and integration costs	9	-	9	-	4	1,520	1,533	1,124
Amortization of acquisition-related intangible assets	6	234	240	4	20	-	264	186
Management of fair value changes on the purchase of Bank of the West	-	-	-	-	-	1,461	1,461	1,093
Legal provision (including related interest expense and legal fees)	-	-	-	-	-	21	21	15
Impact of Canadian tax measures	-	-	-	-	-	502	502	-
Initial provision for credit losses on purchased performing loans	-	-	-	-	-	517	517	379
Adjusted net income (loss)	3,733	2,958	6,691	1,130	1,706	(852)	8,675	2,887
2022								
Reported net income	3,826	2,497	6,323	1,251	1,772	4,191	13,537	6,079
Acquisition and integration costs	-	-	-	-	8	237	245	185
Amortization of acquisition-related intangible assets	1	5	6	3	14	-	23	17
Impact of divestitures	-	-	-	-	-	55	55	(45)
Management of fair value changes on the purchase of Bank of the West	-	-	-	-	-	(5,667)	(5,667)	(4,312)
Legal provision (including related interest expense and legal fees)	-	-	-	-	-	846	846	621
Adjusted net income (loss)	3,827	2,502	6,329	1,254	1,794	(338)	9,039	2,545

(1) U.S. segment reported and adjusted results comprise net income recorded in U.S. P&C and our U.S. operations in BMO Wealth Management, BMO Capital Markets and Corporate Services. Refer to footnotes (1) to (8) in the Non-GAAP and Other Financial Measures table for further information on adjusting items.

Net Revenue, Efficiency Ratio and Operating Leverage

(Canadian \$ in millions, except as noted)
For the year ended October 31

	2023	2022	2021
Reported			
Net interest income	18,681	15,885	14,310
Non-interest revenue	12,518	17,825	12,876
Revenue	31,199	33,710	27,186
Insurance claims, commissions and changes in policy benefit liabilities (CCPB)	1,939	(683)	1,399
Revenue, net of CCPB	29,260	34,393	25,787
Non-interest expense	21,219	16,194	15,509
Efficiency ratio (%)	68.0	48.0	57.0
Efficiency ratio, net of CCPB (%)	72.5	47.1	60.1
Revenue growth (%)	(7.5)	24.0	...
Revenue growth, net of CCPB (%)	...	...	...
Non-interest expense growth (%)	...	...	...
Operating leverage (%)	...	...	...
Operating leverage, net of CCPB (%)	(45.9)	29.0	...
Adjusted ⁽¹⁾			
Net interest income	19,094	16,352	14,310
Non-interest revenue	14,284	10,181	12,847
Revenue	33,378	26,533	27,157
Insurance claims, commissions and changes in policy benefit liabilities (CCPB)	1,939	(683)	1,399
Revenue, net of CCPB	31,439	27,216	25,758
Non-interest expense	18,798	15,194	14,550
Efficiency ratio (%)	56.3	57.3	53.6
Efficiency ratio, net of CCPB (%)	59.8	55.8	56.5
Revenue growth, net of CCPB (%)	15.5	5.7	9.7
Non-interest expense growth (%)	23.7	4.4	3.6
Operating leverage, net of CCPB (%)	(8.2)	1.3	6.1

(1) Refer to footnotes (1) to (8) in the Non-GAAP and Other Financial Measures table for further information on adjusting items.

The secret currency is a



Return on Equity and Return on Tangible Common Equity

(Canadian \$ in millions, except as noted)
For the year ended October 31

	2023	2022	2021
Reported net income	4,377	13,537	7,754
Net income attributable to non-controlling interest in subsidiaries	12	-	-
Net income attributable to bank shareholders	4,365	13,537	7,754
Dividends on preferred shares and distributions on other equity instruments	(331)	(231)	(244)
Net income available to common shareholders (A)	4,034	13,306	7,510
After-tax amortization of acquisition-related intangible assets	264	23	66
Net income available to common shareholders after adjusting for amortization of acquisition-related intangible assets (B)	4,298	13,329	7,576
After-tax impact of other adjusting items ⁽¹⁾	4,034	(4,521)	831
Adjusted net income available to common shareholders (C)	8,332	8,808	8,407
Average common shareholders' equity (D)	67,486	58,078	50,451
Goodwill	(13,466)	(5,051)	(5,836)
Acquisition-related intangible assets	(2,197)	(130)	(381)
Net of related deferred liabilities	856	251	271
Average tangible common equity (E)	52,679	53,148	44,505
Return on equity (%) (= A/D)	6.0	22.9	14.9
Adjusted return on equity (%) (= C/D)	12.3	15.2	16.7
Return on tangible common equity (%) (= B/E)	8.2	25.1	17.0
Adjusted return on tangible common equity (%) (= C/E)	15.8	16.6	18.9

(1) Refer to footnotes (1) to (8) in the Non-GAAP and Other Financial Measures table for further information on adjusting items.

Return on Equity by Operating Segment ⁽¹⁾

	2023							
(Canadian \$ in millions, except as noted)	Canadian P&C	U.S. P&C	Total P&C	BMO Wealth Management	BMO Capital Markets	Corporate Services	Total Bank	U.S. Segment (2) (US\$ in millions)
Reported								
Net income available to common shareholders	3,677	2,672	6,349	1,118	1,648	(5,081)	4,034	56
Total average common equity	13,672	27,889	41,561	6,356	11,856	7,713	67,486	27,203
Return on equity (%)	26.9	9.6	15.3	17.6	13.9	na	6.0	0.2
Adjusted (3)								
Net income available to common shareholders	3,692	2,906	6,598	1,122	1,672	(1,060)	8,332	2,853
Total average common equity	13,672	27,889	41,561	6,356	11,856	7,713	67,486	27,203
Return on equity (%)	27.0	10.4	15.9	17.7	14.1	na	12.3	10.5
	2022							
(Canadian \$ in millions, except as noted)	Canadian P&C	U.S. P&C	Total P&C	BMO Wealth Management	BMO Capital Markets	Corporate Services	Total Bank	U.S. Segment (2) (US\$ in millions)
Reported								
Net income available to common shareholders	3,783	2,461	6,244	1,243	1,732	4,087	13,306	6,052
Total average common equity	11,798	13,815	25,613	5,282	11,556	15,627	58,078	17,081
Return on equity (%)	32.1	17.8	24.4	23.5	15.0	na	22.9	35.4
Adjusted (3)								
Net income available to common shareholders	3,784	2,466	6,250	1,246	1,754	(442)	8,808	2,518
Total average common equity	11,798	13,815	25,613	5,282	11,556	15,627	58,078	17,081
Return on equity (%)	32.1	17.8	24.4	23.6	15.2	na	15.2	14.7

(1) Return on equity is based on allocated capital. In fiscal 2023, following the closing of the Bank of the West acquisition, capital was allocated from Corporate Services to U.S. P&C and BMO Wealth Management. For further information, refer to the How BMO Reports Operating Group Results section.

(2) U.S. segment reported and adjusted results comprise net income and allocated capital recorded in U.S. P&C and our U.S. operations in BMO Wealth Management, BMO Capital Markets and Corporate Services.

(3) Refer to footnotes (1) to (8) in the Non-GAAP and Other Financial Measures table for further information on adjusting items.

na – not applicable

Capital is allocated to the operating segments based on the amount of regulatory capital required to support business activities. Effective the first quarter of fiscal 2023, our capital allocation rate increased to 11.0% of risk-weighted assets, compared with 10.5% in 2022, to reflect increased regulatory capital requirements. Unallocated capital is reported in Corporate Services. Capital allocation methodologies are reviewed annually.

Recent Acquisitions

On February 1, 2023, we completed our acquisition of Bank of the West, including its subsidiaries, from BNP Paribas. Bank of the West provides a broad range of banking products and services, primarily in the Western and Midwestern regions of the United States. The acquisition strengthens our position in North America with increased scale and greater access to growth opportunities in strategic new markets. We completed the conversion of Bank of the West customer accounts and systems to our respective BMO operating platforms in September 2023. The acquisition has been reflected in our results as a business combination, primarily in the U.S. P&C and BMO Wealth Management reporting segments.

On closing, we recognized purchase accounting fair value marks on Bank of the West's loans and deposits of \$3.0 billion and discounts on securities of \$3.5 billion on our balance sheet, in accordance with International Financial Reporting Standards (IFRS). As previously disclosed, to manage the exposure of our regulatory capital to the risk of changes in the fair value of the assets and liabilities of Bank of the West due to changes in interest rates between the announcement and closing of the acquisition, we entered into interest rate swaps that resulted in cumulative mark-to-market gains of \$5.7 billion on closing. Any exposure to interest rate risk in relation to these interest rate swaps was largely offset by our purchase of a portfolio of matched-duration U.S. treasuries and other balance sheet instruments. On closing, the swaps were neutralized and replaced with fair value accounting hedges, which in effect crystallized the unrealized loss position on our balance sheet. Accretion of the fair value marks and the discount on securities will increase net interest income, and the amortization of the fair value hedge will decrease net interest income over the remaining term of these instruments, both of which will be recorded in Corporate Services.

On June 1, 2023, we completed the acquisition of the AIR MILES Reward Program (AIR MILES) business of LoyaltyOne Co. The AIR MILES business operates as a wholly-owned subsidiary of BMO. The acquisition was accounted for as a business combination and the acquired business and corresponding goodwill are included in our Canadian P&C reporting segment.

For more information on the acquisition of Bank of the West and AIR MILES, refer to Note 10 of the audited annual consolidated financial statements.

Caution

This Recent Acquisitions section contains forward-looking statements. Please refer to the Caution Regarding Forward-Looking Statements.

Economic Developments and Outlook

Economic Developments in 2023 and Outlook for 2024 ⁽¹⁾

After reaching 3.8% in 2022, growth in Canada's real gross domestic product (GDP) will likely slow to a modest estimated rate of 1.0% in 2023, due to the impact of higher interest rates and weaker global demand. The economy is expected to expand by only 0.5% in 2024, although activity should improve later in the year when interest rates are projected to begin to decline. A moderation in the pace of employment growth, coupled with rapid expansion of the population and labour force, has lifted the unemployment rate to 5.7% in October 2023 from a half-century low of 4.9% in July 2022, and we anticipate this rate will rise to approximately 6.5% in the summer of 2024. Looser labour market conditions are starting to relieve upward pressure on wages and prices. Year-over-year growth in the consumer price index has declined from a four-decade high of 8.1% in June 2022 to 3.1% in October 2023. Although inflation is projected to moderate further, it will likely remain above the Bank of Canada's 2% target until late 2024 due to elevated oil prices and lingering wage pressures. After raising the policy rate by 475 basis points from March 2022 to July 2023, the Bank of Canada has since held the policy rate steady at 5%. With the rate of economic growth and inflation projected to slow, the Bank of Canada will likely forgo further interest rate increases, before gradually reducing rates starting in mid-2024 to more neutral levels below 3.0% in early 2026. Interest rate concerns and a weaker economy have depressed equity markets. Housing market activity rebounded earlier this year due to steadier mortgage rates and strong population growth, but sales have weakened recently and will likely be held back by the ongoing lack of affordability. Housing prices are expected to decline moderately in response to lower demand. Industry-wide growth in residential mortgage balances has decelerated from more than 10% year-over-year in early 2022 to 3.2% in September 2023, and will likely moderate somewhat further. Year-over-year growth in consumer credit balances (excluding mortgages), which was 2.4% in September 2023, has been restrained by high interest rates, and is anticipated to moderate further as households curtail spending. After rising strongly in recent years, growth in non-financial corporate credit balances has decelerated sharply in 2023 in response to higher interest rates, a weakening economy and elevated cash balances, and will likely slow further in 2024.

The U.S. economy is estimated to grow at a moderate rate of 2.4% in 2023, up from 1.9% in 2022, before likely slowing to 1.3% in 2024. Resiliency in the first three quarters of 2023, amid expansionary fiscal policies and pent-up demand for entertainment, travel and automobiles, is expected to give way to much weaker activity at the turn of the year in response to higher interest rates, tighter lending conditions and the resumption of student loan repayments. Housing market activity remains depressed due to high mortgage rates and rising home prices, and sales are anticipated to remain soft as the economy weakens. The unemployment rate is projected to rise from 3.9% in October 2023 to 4.4% by the middle of 2024, which is still low by historical standards. Lower commodity prices and smoother-running supply chains have reduced year-over-year growth in the consumer price index from 9.1% in June 2022 to 3.2% in October 2023. However, inflation is expected to moderate more slowly in the year ahead, reflecting continued pressure from elevated energy prices and rising wages. The Federal Reserve held its policy rate steady in the fall of 2023 after cumulative increases of 525 basis points since March 2022. We anticipate that the policy rate will hold steady at around 5.4% until the fall of 2024, before returning to more neutral levels below 3.0% by early 2026. The yield on 10-year Treasury bonds has risen to 16-year highs due to the economy's resiliency, elevated inflation and restrictive monetary policies, but is forecast to decline gradually in 2024 ahead of an easing in monetary policy. Equity markets have been volatile as a result of rising long-term interest rates and fears of a recession. Earlier strong growth in industry-wide residential mortgage balances has slowed considerably as a result of weaker housing market activity, and will likely moderate somewhat further given the ongoing lack of affordability. Year-over-year growth in consumer credit balances has also decelerated and is projected to slow further amid elevated interest rates, higher unemployment and slower consumer spending. Non-financial corporate credit growth has decelerated from its previously strong pace and will remain impacted by high interest rates, a slowing economy, and a drawdown of deposit balances.

The economic outlook is subject to several risks that could potentially cause a contraction of the North American economy. The persistence of elevated inflation could lead to additional increases in interest rates and renewed stress in the U.S. regional banking sector. Any escalation of the conflicts in Ukraine and the Middle East could raise energy prices, unsettle financial markets and weaken global growth. Other risks stem from ongoing trade tensions with China, and a deterioration in diplomatic relations between Canada and India that could impede trade and tourism in Canada.

Caution

This Economic Developments and Outlook section contains forward-looking statements. Please refer to the Caution Regarding Forward-Looking Statements.

(1) All time periods in this section refer to the calendar year rather than BMO's fiscal year.

2023 Financial Review



This section provides a review of BMO's enterprise financial performance for 2023 that focuses on the Consolidated Statement of Income in BMO's audited annual consolidated financial statements. A review of the operating groups' strategies and performance follows the enterprise review.

We use a number of financial measures to assess our performance, as well as the performance of our operating segments, including amounts, measures and ratios that are presented on a non-GAAP basis. We believe that these non-GAAP amounts, measures and ratios, read together with our GAAP results, provide readers with a better understanding of how management assesses results.

Non-GAAP amounts, measures and ratios do not have standardized meanings under GAAP. They are unlikely to be comparable to similar measures presented by other companies and should not be viewed in isolation from, or as a substitute for, GAAP results.

Further discussion of non-GAAP amounts, measures and ratios is provided in the Non-GAAP and Other Financial Measures section.

For further information regarding the composition of non-GAAP and other financial measures, including supplementary financial measures, refer to the Glossary of Financial Terms.

Foreign Exchange

2023 vs.
2022

(Canadian \$ in millions, except as noted)

Canadian/U.S. dollar exchange rate (average)	
2023	1.3492
2022	1.2918

Effects on U.S. segment reported results

Increased (Decreased) net interest income	273
Increased (Decreased) non-interest revenue	476
Increased (Decreased) total revenue	749
Decreased (Increased) provision for credit losses	1
Decreased (Increased) non-interest expense	(285)
Decreased (Increased) provision for income taxes	(117)
Increased (Decreased) net income	348
Impact on earnings per share (\$)	0.52

Effects on U.S. segment adjusted results

Increased (Decreased) net interest income	292
Increased (Decreased) non-interest revenue	142
Increased (Decreased) total revenue	434
Decreased (Increased) provision for credit losses	1
Decreased (Increased) non-interest expense	(246)
Decreased (Increased) provision for income taxes	(43)
Increased (Decreased) net income	146
Impact on earnings per share (\$)	0.22

Adjusted results are on a non-GAAP basis and are discussed in the Non-GAAP and Other Financial Measures section.

The table above indicates the relevant average Canadian/U.S. dollar exchange rates and the impact of changes in those rates on BMO's U.S. segment reported and adjusted results.

The Canadian dollar equivalents of BMO's U.S. segment results that are denominated in U.S. dollars increased in 2023 relative to 2022, due to changes in the Canadian/U.S. dollar exchange rate. References in this document to the impact of the U.S. dollar do not include U.S. dollar-denominated amounts recorded outside of BMO's U.S. segment.

Economically, our U.S. dollar income stream was not hedged against the risk of changes in foreign exchange rates during 2023 and 2022. Changes in exchange rates will affect future results measured in Canadian dollars, and the impact on those results is a function of the periods in which revenue, expenses and provisions for (or recoveries of) credit losses and income taxes arise.

Refer to the Enterprise-Wide Capital Management section for a discussion of the impact that changes in foreign exchange rates can have on BMO's capital position.

Net Income

Reported net income was \$4,377 million, compared with \$13,537 million in the prior year, and adjusted net income was \$8,675 million, a decrease of \$364 million or 4%. The inclusion of Bank of the West results in the current year decreased reported net income by \$1,498 million, and increased adjusted net income by \$592 million. The impact of the stronger U.S. dollar increased net income by 1% on a reported basis, and 2% on an adjusted basis.

Adjusted results in the current year and the prior year excluded the following items:

- Acquisition and integration costs of \$1,533 million (\$2,045 million pre-tax) in the current year and \$245 million (\$326 million pre-tax) in the prior year, recorded in non-interest expense. The current year included acquisition and integration costs of \$1,520 million (\$2,027 million pre-tax) related to Bank of the West.
- A loss of \$1,461 million (\$2,011 million pre-tax) in the current year related to the management of the impact of interest rate changes between the announcement and closing of the Bank of the West acquisition on its fair value and goodwill, comprising \$1,628 million of mark-to-market losses on certain interest rate swaps recorded in non-interest trading revenue and \$383 million of losses on a portfolio of primarily U.S. treasuries and other balance sheet instruments recorded in net interest income. The prior year included revenue of \$1,628 million (\$2,011 million pre-tax), comprising \$7,665 million of non-interest trading revenue and \$48 million of net interest income.
- Initial provision for credit losses of \$517 million (\$70 million pre-tax) in the current year related to the acquisition of Bank of the West performing loan portfolio.
- Amortization of acquisition-related intangible assets of \$264 million (\$357 million pre-tax) in the current year and \$231 million (\$311 million pre-tax) in the prior year, recorded in non-interest expense. The current year included amortization of acquisition-related intangible assets of \$231 million (\$311 million pre-tax) related to Bank of the West.
- The impact of certain tax measures enacted by the Canadian government in the current year, including a one-time tax expense of \$371 million, comprising a Canada Recovery Dividend (CRD) of \$312 million and \$59 million related to the pro-rated fiscal 2022 impact of a 1.5% tax rate increase, net of a deferred tax asset remeasurement, and a charge of \$131 million (\$160 million pre-tax) related to the amended GST/HST definition for financial services, comprising \$138 million recorded in non-interest revenue and \$22 million recorded in non-interest expense.
- The impact of a lawsuit associated with a predecessor bank, M&I Marshall and Ilsley Bank, of \$21 million (\$27 million pre-tax) in the current year, comprising interest expense of \$30 million and a net non-interest expense recovery of \$3 million. The prior year included \$846 million (\$1,142 million pre-tax), comprising interest expense of \$515 million and non-interest expense of \$627 million.
- The impact of divestitures of \$55 million (\$37 million pre-tax) in the prior year related to the sale of our EMEA business and the transfer of certain U.S. asset management clients, comprising a net loss of \$21 million recorded in non-interest revenue and expenses of \$16 million, including taxes of \$22 million on closing of the sale.

Reported net income decreased from the prior year, primarily due to the items noted above, which in aggregate reduced net income by \$4,298 million, compared with a gain of \$4,498 million in the prior year. Adjusted net income decreased, as the inclusion of Bank of the West and higher underlying revenue were more than offset by higher expenses and a higher provision for credit losses. Reported and adjusted net income increased in U.S. P&C and decreased in BMO Wealth Management, Canadian P&C and BMO Capital Markets. On a reported basis, Corporate Services recorded a net loss, compared with net income in the prior year, primarily due to the items noted above. On an adjusted basis, Corporate Services recorded a higher net loss.

Further discussion is provided in the 2023 Operating Groups Performance Review section.

For further information on non-GAAP amounts, measures and ratios in this Net Income section, refer to the Non-GAAP and Other Financial Measures section.



Revenue

(Canadian \$ in millions, on a pre-tax basis)
For the year ended October 31

	2023	2022
Net interest income	18,681	15,885
Non-interest revenue	12,518	17,825
Total revenue	31,199	33,710
Insurance claims, commissions and changes in policy benefit liabilities (CCPB) (1)	1,939	(683)
Revenue, net of CCPB (1)	29,260	34,393
Impact of divestitures (2)	-	21
Management of fair value changes on the purchase of Bank of the West (3)	2,011	(7,713)
Legal provision (including related interest expense and legal fees) (4)	30	515
Impact of Canadian tax measures (5)	138	-
Impact of adjusting items on revenue	2,179	(7,177)
Adjusted revenue (2) (3) (4)	33,378	26,533
Adjusted revenue, net of CCPB (1) (2) (3) (4)	31,439	27,216

- (1) Insurance revenue can experience variability arising from fluctuations in the fair value of insurance assets caused by movements in interest rates and equity markets. The investments that support policy benefit liabilities are predominantly fixed income assets recorded at fair value, with changes in fair value recorded in insurance revenue in the Consolidated Statement of Income. These fair value changes are largely offset by changes in the fair value of policy benefit liabilities, the impact of which is reflected in CCPB. The presentation of revenue on a basis net of CCPB, reduces variability in results, which allows for a better assessment of operating results. For further information, refer to the Insurance Claims, Commissions and Changes in Policy Benefits section.
- (2) Fiscal 2022 reported revenue included non-interest revenue related to the sale of our EMEA and U.S. Asset Management businesses, comprising a gain of \$8 million related to the transfer of certain U.S. asset management clients and a \$29 million loss related to foreign currency translation reclassified from accumulated other comprehensive income to non-interest revenue, recorded in Corporate Services.
- (3) Reported revenue included revenue (losses) related to the acquisition of Bank of the West resulting from the management of the impact of interest rate changes between the announcement and closing of the acquisition on its fair value and goodwill. Fiscal 2023 included a loss of \$2,011 million, comprising \$1,628 million of mark-to-market losses on certain interest rate swaps recorded in trading revenue and \$383 million of losses on a portfolio of primarily U.S. treasuries and other balance sheet instruments recorded in net interest income. Fiscal 2022 included revenue of \$7,713 million, comprising \$7,665 million of mark-to-market gains and \$48 million of non-trading interest income. These amounts were recorded in Corporate Services. For further information on this acquisition, refer to the Recent Acquisitions section.
- (4) Reported revenue included the impact of a lawsuit associated with a predecessor bank, M&I Marshall and Ilsley Bank. Interest expense of \$30 million was recorded in fiscal 2023 and \$515 million was recorded in fiscal 2022. These amounts were recorded in Corporate Services. For further information, refer to the Provisions and Contingent Liabilities section in Note 24 of the audited annual consolidated financial statements.
- (5) Fiscal 2023 reported revenue included the impact of certain tax measures enacted by the Canadian government. These tax measures included a charge of \$138 million related to the amended GST/HST definition for financial services, recorded in non-interest revenue in Corporate Services.

Revenue, net of CCPB, and adjusted results are on a non-GAAP basis and are discussed in the Non-GAAP and Other Financial Measures section.

Reported revenue was \$31,199 million, a decrease of \$2,511 million or 7% from the prior year. On a basis that nets insurance claims, commissions and changes in policy benefit liabilities (CCPB) against insurance revenue (net revenue), reported net revenue was \$29,260 million, a decrease of \$5,133 million or 15% from the prior year, and adjusted net revenue was \$31,439 million, an increase of \$4,223 million or 16%. The inclusion of Bank of the West contributed \$3,143 million to both reported and adjusted revenue in the current year. The impact of the stronger U.S. dollar increased revenue by 2% on both a reported and an adjusted basis.

The decrease in reported net revenue primarily reflected the impact of fair value management actions and the impact of certain tax measures enacted by the Canadian government, partially offset by lower interest expense due to the legal provision related to the lawsuit associated with M&I Marshall and Ilsley Bank in the prior year. Net revenue increased across all operating groups and decreased in Corporate Services on both a reported and an adjusted basis.

BMO analyzes revenue at the consolidated level based on GAAP revenue as reported in the audited annual consolidated financial statements, on a basis net of insurance CCPB, and on an adjusted basis.

Further discussion is provided in the 2023 Operating Groups Performance Review section.

For further information on non-GAAP amounts, measures and ratios, and results presented on a net revenue basis in this Revenue section, refer to the Non-GAAP and Other Financial Measures section.

Net Interest Income comprises earnings on assets, such as loans and securities, including interest and certain dividend income, less interest expense paid on liabilities, such as deposits. Net interest income, excluding trading, is presented on a basis that excludes trading-related interest income and earning assets.

Net Interest Margin is the ratio of net interest income to average earning assets, expressed as a percentage or in basis points. Net interest margin, excluding trading, is computed in the same manner, excluding trading-related interest income and earning assets.

Net Non-Interest Revenue is non-interest revenue, net of insurance claims, commissions and changes in policy benefit liabilities (CCPB).

Average Earning Assets represents the daily average balance of deposits at central banks, deposits with other banks, securities borrowed or purchased under resale agreements, securities, and loans over a one-year period.

Trading-Related Revenue includes net interest income and non-interest revenue earned from on-balance sheet and off-balance sheet positions undertaken for trading purposes, and is dependent on, among other things, the volume of activities undertaken for clients who enter into transactions with BMO to mitigate their risks or to invest, as well as market conditions. We earn a spread or profit on the net sum of our client positions by profitably managing, within prescribed limits, the overall risk of our net positions. On a limited basis, we also earn revenue from our principal trading positions. The management of these positions typically includes marking them to market on a daily basis. Trading-related revenue also includes income (expense) and gains (losses) from both on-balance sheet instruments and interest rate, foreign exchange (including spot positions), equity, commodity and credit contracts.

Net Interest Income

Reported net interest income was \$18,681 million, an increase of \$2,796 million or 18% from the prior year, and adjusted net interest income was \$19,094 million, an increase of \$2,742 million or 17%.

The increase in reported net interest income primarily reflected lower interest expense related to the lawsuit associated with M&I Marshall and Ilsley Bank in the prior year, partially offset by the impact of fair value management actions in the current year.

Adjusted net interest income increased due to the inclusion of Bank of the West, higher balances and margins in Canadian P&C and higher margins in U.S. P&C, as well as the impact of the stronger U.S. dollar, partially offset by a decrease in trading-related interest income, lower net interest income in Corporate Services and the impact of risk transfer transactions. Trading-related net interest income was \$900 million, a decrease of \$772 million, and was largely offset in trading non-interest revenue.

BMO's overall reported net interest margin of 1.63% increased 1 basis point from the prior year. Adjusted net interest margin, excluding trading-related net interest income and trading-related earning assets, was 1.86%, an increase of 8 basis points, primarily due to higher margins in our P&C businesses, including the impact of Bank of the West, partially offset by higher low-yielding assets and lower net interest income in Corporate Services.

Change in Net Interest Income, Average Earning Assets and Net Interest Margin ⁽¹⁾

(Canadian \$ in millions, except as noted) For the year ended October 31	Net interest income ⁽²⁾		Average earning assets ⁽³⁾		Net interest margin (in basis points)	
	2023	2022	2023	2022	2023	2022
Canadian P&C	8,308	7,449	303,855	278,022	273	268
U.S. P&C	7,853	5,037	202,155	138,094	388	364
Personal and Commercial Banking (P&C)	16,161	12,486	506,010	416,116	319	300
All other operating groups and Corporate Services ⁽⁴⁾	2,520	3,399	639,622	563,225	na	na
Total reported	18,681	15,885	1,145,632	979,341	163	162
Total adjusted	19,094	16,352	1,145,632	979,341	167	167
Trading-related net interest income and earning assets	900	1,672	168,686	153,875	na	na
Total excluding trading net interest income and earning assets	17,781	14,213	976,946	825,466	182	172
Total adjusted excluding trading net interest income and earning assets	18,194	14,680	976,946	825,466	186	178
U.S. P&C (US\$ in millions)	5,818	3,893	149,767	106,829	388	364

(1) Adjusted results and ratios are on a non-GAAP basis and are discussed in the Non-GAAP and Other Financial Measures section.

(2) Operating group revenue is presented on a taxable equivalent basis (teb) in net interest income. For further information, refer to the How BMO Reports Operating Group Results section.

(3) Average earning assets represents the daily average balance of deposits with central banks, deposits with other banks, securities borrowed or purchased under resale agreements, securities, and loans, over a one-year period.

(4) For further information on net interest income for these other operating groups and Corporate Services, refer to the 2023 Operating Groups Performance Review section.

na – not applicable

Non-Interest Revenue

(Canadian \$ in millions) For the year ended October 31	2023	2022
Securities commissions and fees	1,025	1,082
Deposit and payment service charges	1,517	1,318
Trading revenue	(216)	8,250
Lending fees	1,548	1,440
Card fees	700	548
Investment management and custodial fees	1,851	1,770
Mutual fund revenue	1,244	1,312
Underwriting and advisory fees	1,107	1,193
Securities gains, other than trading	181	281
Foreign exchange, other than trading	235	181
Insurance revenue (loss)	2,498	(157)
Share of profit in associates and joint ventures	185	274
Other	643	333
Total reported	12,518	17,825
Insurance claims, commissions and changes in policy benefit liabilities (CCPB)	1,939	(683)
Reported non-interest revenue, net of CCPB	10,579	18,508
Management of fair value changes on the purchase of Bank of the West ⁽¹⁾	1,628	(7,665)
Impact of divestitures ⁽²⁾	-	21
Impact of Canadian tax measures ⁽³⁾	138	-
Adjusted non-interest revenue	14,284	10,181
Adjusted non-interest revenue, net of CCPB	12,345	10,864
Insurance revenue, net of CCPB	559	526

(1) Fiscal 2023 reported non-interest revenue included \$1,628 million of mark-to-market losses on certain interest rate swaps related to the acquisition of Bank of the West resulting from the management of the impact of interest rate changes between the announcement and closing of the acquisition on its fair value and goodwill. Fiscal 2022 included \$7,665 million of mark-to-market gains. These amounts were recorded in Corporate Services. For further information on this acquisition, refer to the Recent Acquisitions section.

(2) Fiscal 2022 reported non-interest revenue included the impact of divestitures related to the sale of our EMEA and U.S. Asset Management businesses of \$21 million of non-interest losses, comprising a gain of \$8 million related to the transfer of certain U.S. asset management clients and a \$29 million loss related to foreign currency translation reclassified from accumulated other comprehensive income to non-interest revenue, recorded in Corporate Services.

(3) Fiscal 2023 reported non-interest revenue included the impact of certain tax measures enacted by the Canadian government. These tax measures included a charge of \$138 million related to the amended GST/HST definition for financial services, recorded in non-interest revenue in Corporate Services.

Reported and adjusted revenue measures, net of CCPB, in this section are on a non-GAAP basis and are discussed in the Non-GAAP and Other Financial Measures section.

Reported non-interest revenue was \$12,518 million, a decrease of \$5,307 million from the prior year. Reported non-interest revenue, net of CCPB, was \$10,579 million, a decrease of \$7,929 million or 43% from the prior year, and adjusted non-interest revenue, net of CCPB, was \$12,345 million, an increase of \$1,481 million or 14%. The inclusion of Bank of the West contributed \$461 million to non-interest revenue. The impact of the stronger U.S. dollar increased non-interest revenue by 1% on both a reported and an adjusted basis.

Reported non-interest revenue, net of CCPB, decreased primarily due to the loss related to fair value management actions in the current year, compared with a gain in the prior year. Adjusted non-interest revenue, net of CCPB, increased due to the inclusion of Bank of the West and AIR MILES, higher trading and card-related revenue and the impact of the stronger U.S. dollar, partially offset by lower underwriting and advisory revenue and securities gains, other than trading. Trading-related revenue is discussed in the section that follows.

Gross insurance revenue was \$2,498 million, compared with a loss of \$157 million in the prior year, primarily due to changes in the fair value of investments and higher annuity sales. Insurance revenue can experience variability arising from fluctuations in the fair value of insurance assets caused by movements in interest rates and equity markets. The investments that support policy benefit liabilities are predominantly fixed income and equity assets recorded at fair value, with changes in fair value recorded in insurance revenue in the Consolidated Statement of Income. The impact of these fair value changes was largely offset by changes in the fair value of policy benefit liabilities, which are reflected in the Insurance Claims, Commissions and Changes in Policy Benefits section.

We believe analyzing revenue, net of CCPB, is useful given the extent to which insurance revenue can vary, and given that this variability is largely offset in CCPB.

For further information on results presented on a net revenue basis in this Non-Interest Revenue section, refer to the Non-GAAP and Other Financial Measures section.

Trading-Related Revenue ⁽¹⁾

(Canadian \$ in millions)
(taxable equivalent basis)
For the year ended October 31

	2023	2022
Interest rates	770	893
Foreign exchange	638	571
Equities	931	950
Commodities	192	189
Other	(1,526)	7,556
Total (teb) (2)	1,005	10,159
Teb offset	321	237
Reported total	684	9,922
Management of fair value changes on the purchase of Bank of the West (3)	1,628	(7,665)
Adjusted total trading revenue	2,312	2,257
Reported as:		
Net interest income	1,221	1,909
Non-interest revenue – trading revenue	(216)	8,250
Total (teb)	1,005	
Teb offset		
Reported total, net of teb offset	684	
Adjusted total trading revenue	2,312	

The secret transportation is an



(1) Reported and adjusted revenue measures are on a non-GAAP basis and are discussed in the Non-GAAP and Other Financial Measures section.

(2) Trading-related revenue presented on a taxable equivalent basis (teb) is a non-GAAP measure. Similar to other banks, BMO analyzes trading-related revenue on a taxable equivalent basis (teb), which reflects an increase in net interest income on tax-exempt securities to equivalent pre-tax amounts and is useful in facilitating comparisons of income from taxable and tax-exempt sources.

(3) Fiscal 2023 trading-related revenue included \$1,628 million of mark-to-market losses on certain interest rate swaps related to the announced acquisition of Bank of the West resulting from the management of the impact of interest rate changes between the announcement and closing of the acquisition on its fair value and goodwill. Fiscal 2022 included \$7,665 million of mark-to-market gains. These amounts were recorded in other trading revenue, in Corporate Services. For further information on this acquisition, refer to the Recent Acquisitions section.

Reported trading-related revenue on a teb basis was \$1,005 million, a decrease of \$9,154 million, primarily due to the impact of fair value management actions related to the acquisition of Bank of the West. Adjusted trading-related revenue on a teb basis was \$2,633 million, an increase of \$139 million or 6%. Foreign exchange trading-related revenue increased \$67 million or 12%, due to higher levels of client activity. Equities and commodities trading-related revenue was relatively unchanged from the prior year. Interest rate trading-related revenue decreased \$123 million or 14%, due to lower levels of client activity. Adjusted other trading-related revenue on a teb basis increased \$211 million, primarily due to mark-downs on loan underwriting commitments recorded in the prior year.

Refer to the Enterprise-Wide Risk Management – Market Risk section for more information on trading-related revenue.

Insurance Claims, Commissions and Changes in Policy Benefit Liabilities

Insurance claims, commissions and changes in policy benefit liabilities (CCPB) were \$1,939 million in 2023, compared with negative \$683 million in the prior year. CCPB increased, primarily due to changes in the fair value of policy benefit liabilities and the impact of higher annuity sales. The changes were largely offset in revenue.

Total Provision for Credit Losses

(Canadian \$ in millions)	Canadian P&C	U.S. P&C	Total P&C	BMO Wealth Management	BMO Capital Markets	Corporate Services	Total Bank
2023							
Provision for credit losses on impaired loans	784	380	1,164	5	9	2	1,180
Provision for credit losses on performing loans	146	130	276	13	9	700	998
Total provision for credit losses	930	510	1,440	18	18	702	2,178
Initial provision for credit losses on purchased performing loans (1)	–	–	–	–	–	(705)	(705)
Adjusted total provision for (recovery of) credit losses (2)	930	510	1,440	18	18	(3)	1,473
Total PCL-to-average net loans and acceptances (%) (3)	0.30	0.26	0.28	0.04	0.02	nm	0.35
PCL on impaired loans-to-average net loans and acceptances (%) (3)	0.25	0.20	0.23	0.01	0.01	nm	0.19
2022							
Provision for (recovery of) credit losses on impaired loans	432	107	539	2	(32)	(7)	502
Provision for (recovery of) credit losses on performing loans	(91)	(90)	(181)	(4)	(11)	7	(189)
Total provision for (recovery of) credit losses	341	17	358	(2)	(43)	–	313
Total PCL-to-average net loans and acceptances (%) (3)	0.12	0.01	0.09	(0.01)	(0.07)	nm	0.06
PCL on impaired loans-to-average net loans and acceptances (%) (3)	0.15	0.08	0.13	–	(0.05)	nm	0.10

(1) Fiscal 2023 comprised an initial provision for credit losses of \$705 million on the purchased Bank of the West performing loan portfolio, recorded in Corporate Services.

(2) Adjusted results exclude certain items from reported results and are used to calculate our adjusted measures as presented in the above table. Management assesses performance on a reported basis and an adjusted basis, and considers both to be useful. For further information, refer to the Non-GAAP and Other Financial Measures section, and for details on the composition of non-GAAP amounts, measures and ratios, as well as supplementary financial measures, refer to the Glossary of Financial Terms.

(3) Ratios are presented on an annualized basis.

nm – not meaningful

The total provision for credit losses (PCL) was \$2,178 million on a reported basis and \$1,473 million on an adjusted basis, compared with \$313 million on both a reported and adjusted basis in the prior year. Total PCL as a percentage of average net loans and acceptances was 35 basis points on a reported basis and 24 basis points on an adjusted basis, compared with 6 basis points on both a reported and adjusted basis in the prior year. PCL on impaired loans was \$1,180 million, an increase of \$678 million from the prior year, with higher provisions across all businesses. PCL on impaired loans as a percentage of average net loans and acceptances was 19 basis points, compared with 10 basis points in the prior year. The provision for credit losses on performing loans in the current year was \$998 million on a reported basis and \$293 million on an adjusted basis, compared with a reported and adjusted recovery of credit losses of \$189 million in the prior year. Reported PCL on performing loans included an initial provision of \$705 million on the purchased Bank of the West performing loan portfolio. On an adjusted basis, PCL on performing loans of \$293 million in the current year primarily reflected portfolio credit migration, uncertainty in credit conditions and balance growth, partially offset by an improvement in the macroeconomic outlook and the continued benefit from risk transfer transactions.

Note 4 of the audited annual consolidated financial statements provides additional information on PCL, including on a geographic basis. Table 12 in the Supplemental Information provides further segmented PCL information.

Provision for Credit Losses (PCL) is a charge to income that represents an amount deemed adequate by management to fully provide for impairment in a portfolio of loans and acceptances and other credit instruments, given the composition of the portfolio, the probability of default, the economic outlook and the allowance for credit losses already established. PCL can comprise both a provision for credit losses on impaired loans and a provision for credit losses on performing loans. For further information, refer to the Credit and Counterparty Risk – Provision for Credit Losses section, the Critical Accounting Estimates and Judgments – Allowance for Credit Losses section and Note 4 of the audited annual consolidated financial statements.

Average Net Loans and Acceptances is the daily or monthly average balance of loans and customers' liability under acceptances, net of the allowance for credit losses, over a one-year period.

Non-Interest Expense ⁽¹⁾

(Canadian \$ in millions, on a pre-tax basis)
For the year ended October 31

	2023	2022
Employee compensation		
Salaries	6,602	4,467
Performance-based compensation	3,565	3,193
Employee benefits	1,348	1,135
Total employee compensation	11,515	8,795
Total premises and equipment	4,879	3,635
Amortization of intangible assets	1,015	604
Other expenses		
Advertising and business development	814	517
Communications	368	278
Professional fees	1,147	788
Other	1,481	1,577
Total other expenses	3,810	3,160
Total non-interest expense	21,219	16,194
Acquisition and integration costs ⁽²⁾	(2,045)	(326)
Amortization of acquisition-related intangible assets ⁽³⁾	(357)	(31)
Impact of divestitures ⁽⁴⁾	-	(16)
Legal provision (including related interest expense and legal fees) ⁽⁵⁾	3	(627)
Impact of Canadian tax measures ⁽⁶⁾	(22)	-
Impact of adjusting items on non-interest expense	(2,421)	(1,000)
Total adjusted non-interest expense	18,798	15,194
Efficiency ratio (%)	68.0	48.0
Efficiency ratio, net of CCPB (%) ⁽¹⁾	72.5	47.1
Adjusted efficiency ratio (%)	56.3	57.3
Adjusted efficiency ratio, net of CCPB (%) ⁽¹⁾	59.8	55.8

(1) Reported and adjusted results, measures and ratios, net of CCPB, are on a non-GAAP basis. For a quantitative reconciliation of revenue, net of CCPB, and adjusted results, refer to the Revenue section and the Non-GAAP and Other Financial Measures section.

(2) Reported non-interest expense included acquisition and integration costs of \$2,027 million in fiscal 2023 and \$316 million in fiscal 2022 related to the acquisition of Bank of the West, recorded in Corporate Services. In addition, reported non-interest expense included acquisition and integration costs of \$5 million related to Radicle and Clearpool in fiscal 2023 and \$10 million related to KGS-Alpha and Clearpool in fiscal 2022, recorded in BMO Capital Markets. Fiscal 2023 included acquisition and integration costs of \$13 million related to the acquisition of AIR MILES, recorded in Canadian P&C.

(3) Reported non-interest expense included amortization of acquisition-related intangible assets of \$357 million in fiscal 2023 and \$31 million in fiscal 2022, recorded in the related operating group.

(4) Fiscal 2022 reported non-interest expense included the impact of divestitures of \$32 million, including taxes of \$22 million, related to the sale of our EMEA and U.S. Asset Management businesses, recorded in Corporate Services.

(5) Reported non-interest expense included the impact of a lawsuit associated with a predecessor bank, M&I Marshall and Ilsley Bank. Fiscal 2023 included a net non-interest expense recovery of \$3 million and fiscal 2022 included a provision of \$627 million. These amounts were recorded in Corporate Services. For further information, refer to the Provisions and Contingent Liabilities section in Note 24 of the audited annual consolidated financial statements.

(6) Fiscal 2023 reported non-interest expense included the impact of certain tax measures enacted by the Canadian government, comprising \$22 million related to the amended GST/HST definition for financial services, recorded in Corporate Services.

na – not applicable

Reported non-interest expense was \$21,219 million, an increase of \$5,025 million or 31% from the prior year. Adjusted non-interest expense was \$18,798 million, an increase of \$3,604 million or 24% from the prior year. The inclusion of Bank of the West contributed \$4,284 million to reported non-interest expense and \$2,181 million on an adjusted basis. The impact of the stronger U.S. dollar increased non-interest expense by 2% on both a reported and an adjusted basis.

Reported results included higher acquisition and integration costs and amortization of acquisition-related intangible assets compared with the prior year, partially offset by the lower legal expense related to the lawsuit associated with M&I Marshall and Ilsley Bank in the prior year.

Reported and adjusted non-interest expense increased, primarily due to the inclusion of Bank of the West, as well as higher employee-related, technology, advertising and business development costs, legal provisions in the current year and the impact of the stronger U.S. dollar.

For further information on non-GAAP amounts, measures and ratios in this Non-Interest Expense section, refer to the Non-GAAP and Other Financial Measures section.

Provision for Income Taxes and Other Taxes

(Canadian \$ in millions, except as noted)
For the year ended October 31

	2023	2022
Payroll levies	517	398
Property taxes	40	34
Provincial capital taxes	50	45
Business taxes	24	11
Harmonized sales tax, GST, VAT and other sales taxes	563	459
Sundry taxes	1	1
Total government levies other than income taxes (other taxes) (1)	1,195	948
Provision for income taxes	1,486	4,349
Provision for income taxes and other taxes	2,681	5,297
Provision for income taxes and other taxes as a % of income before provision for income taxes and other taxes	38.0	28.1
Effective income tax rate (%)	25.3	24.3
Adjusted effective income tax rate (%)	22.3	22.8

(1) Other taxes are included in various non-interest expense categories.

Provision for income taxes and other taxes and the adjusted effective tax rate are on a non-GAAP basis and are discussed in the Non-GAAP and Other Financial Measures section.

The provision for income taxes and other taxes was \$2,681 million in the current year. Of this amount, \$1,345 million was incurred in Canada, with \$498 million included in the provision for income taxes, and the remaining \$847 million was recorded in total government levies other than income taxes (other taxes). The decrease from \$5,297 million in the prior year primarily reflected a lower provision for income taxes.

The provision for income taxes presented in the Consolidated Statement of Income is based on transactions recorded in income, regardless of when such transactions are subject to taxation by tax authorities, with the exception of the repatriation of retained earnings from subsidiaries, as outlined in Note 22 of the audited annual consolidated financial statements.

Management assesses BMO's consolidated results and the associated provision for income taxes on a GAAP basis. We assess the performance of our operating groups and associated income taxes on a taxable equivalent basis, and we report accordingly.

The provision for income taxes was \$1,486 million, compared with \$4,349 million in the prior year. The reported effective tax rate was 25.3%, compared with 24.3% in the prior year, primarily due to the impact of certain Canadian tax measures during the 2023 fiscal year. The adjusted provision for income taxes was \$2,493 million, compared with \$2,670 million in the prior year. The adjusted effective tax rate was 22.3%, compared with 22.8% in the prior year.

BMO partially hedges, for accounting purposes, the foreign exchange risk arising from investments in foreign operations by funding the investments in the corresponding foreign currency. A gain or loss on hedging activities and an unrealized gain or loss on translation of foreign operations are charged or credited to other comprehensive income. For income tax purposes, a gain or loss on hedging activities results in an income tax charge or credit in the current period that is charged or credited to other comprehensive income, while the associated unrealized gain or loss on investments in foreign operations does not incur income taxes until the investments are liquidated. The income tax charge/benefit arising from a hedging gain/loss is a function of the fluctuations in exchange rates from period to period. Hedging of investments in foreign operations has given rise to an income tax recovery in other comprehensive income of \$90 million in the current year, compared with a recovery of \$124 million in the prior year. Refer to Note 22 of the audited annual consolidated financial statements for further information.

Legislative changes and changes in tax policy, including their interpretation by tax authorities and the courts, may impact our earnings. Refer to the discussion in the Critical Accounting Estimates and Judgments section for further information. In the table above we disclose provision for income taxes and other taxes as a percentage of income before the provision for income taxes and other taxes, which is a non-GAAP financial ratio and may not be comparable to similar financial measures disclosed by other issuers, to reflect the full impact of all government levies and taxes as a percentage of our income.

For further information on non-GAAP amounts, measures and ratios in this Provision for Income Taxes and Other Taxes section, refer to the Non-GAAP and Other Financial Measures section.

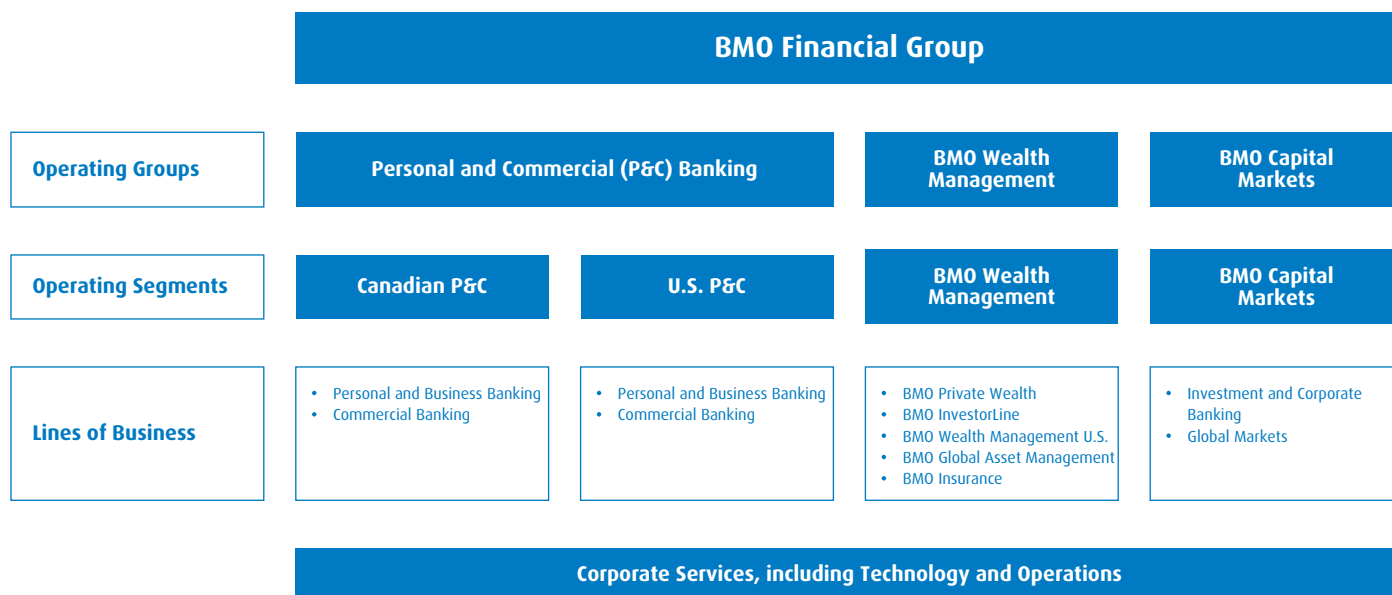
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2023 Operating Groups Performance Review

Summary

This section includes an analysis of the financial results of BMO's operating groups and descriptions of their operating segments, businesses, strategies, challenges, achievements and outlooks.



How BMO Reports Operating Group Results

BMO reports financial results for its three operating groups, one of which comprises two operating segments, all of which are supported by Corporate Units and Technology and Operations (T&O) within Corporate Services. Operating segment results include allocations from Corporate Services for treasury-related revenue, corporate and T&O costs, and capital. The impact of the Bank of the West acquisition has been reflected in our results as a business combination, primarily in the U.S. P&C and BMO Wealth Management reporting segments.

BMO employs funds transfer pricing and liquidity transfer pricing between corporate treasury and the operating segments in order to assign the appropriate cost and credit to funds for the appropriate pricing of loans and deposits, and to help assess the profitability performance of each line of business. These practices also capture the cost of holding supplemental liquid assets to meet contingent liquidity requirements, as well as facilitating the management of interest rate risk and liquidity risk within our risk appetite framework and regulatory requirements. We review our transfer pricing methodologies at least annually, in order to align with our interest rate, liquidity and funding risk management practices, and update these as appropriate.

The costs of Corporate Units and T&O services are largely allocated to the four operating segments, with any remaining amounts retained in Corporate Services. Certain expenses, directly incurred to support a specific operating segment, are generally allocated to that operating segment. Other expenses are generally allocated across the operating segments in amounts that are reasonably reflective of the level of support provided to each operating segment. We review our expense allocation methodologies annually, and update these as appropriate.

Capital is allocated to the operating segments based on the amount of regulatory capital required to support business activities. Effective fiscal 2023, our capital allocation rate increased to 11.0% of risk-weighted assets, compared with 10.5% in fiscal 2022, in order to reflect an increase in capital requirements. Unallocated capital is reported in Corporate Services. We review our capital allocation methodologies annually, and update these as appropriate.

Periodically, certain lines of business and units within our organizational structure are realigned to support our strategic priorities, and comparative figures from prior periods have been reclassified to conform with the current period's presentation.

We analyze revenue at the consolidated level based on GAAP revenue as reported in the audited annual consolidated financial statements, rather than on a taxable equivalent basis, which is consistent with our Canadian banking peer group. Like many banks, BMO analyzes revenue on a taxable equivalent basis (teb) at the operating segment level. Revenue and the provision for income taxes in BMO Capital Markets and U.S. P&C are increased on tax-exempt securities to equivalent pre-tax amounts that facilitate comparisons of income from taxable and tax-exempt sources. The offset to the segment teb adjustments is reflected in Corporate Services revenue and provision for (recovery of) income taxes.

Personal and Commercial Banking ⁽¹⁾

(Canadian \$ in millions, except as noted) As at or for the year ended October 31	Canadian P&C		U.S. P&C		Total P&C	
	2023	2022	2023	2022	2023	2022
Net interest income (teb) (2)	8,308	7,449	7,853	5,037	16,161	12,486
Non-interest revenue	2,519	2,419	1,573	1,265	4,092	3,684
Total revenue (teb) (2)	10,827	9,868	9,426	6,302	20,253	16,170
Provision for credit losses on impaired loans	784	432	380	107	1,164	539
Provision for (recovery of) credit losses on performing loans	146	(91)	130	(90)	276	(181)
Total provision for (recovery of) credit losses	930	341	510	17	1,440	358
Non-interest expense	4,770	4,349	5,502	3,043	10,272	7,392
Income before income taxes	5,127	5,178	3,414	3,242	8,541	8,420
Provision for income taxes (teb) (2)	1,409	1,352	690	745	2,099	2,097
Reported net income	3,718	3,826	2,724	2,497	6,442	6,323
Acquisition and integration costs (3)	9	–	–	–	9	–
Amortization of acquisition-related intangible assets (4)	6	1	234	5	240	6
Adjusted net income	3,733	3,827	2,958	2,502	6,691	6,329
Net income available to common shareholders	3,677	3,783	2,672	2,461	6,349	6,244
Adjusted net income available to common shareholders	3,692	3,784	2,906	2,466	6,598	6,250

(1) Adjusted results are on a non-GAAP basis and are discussed in the Non-GAAP and Other Financial Measures section.

(2) Taxable equivalent basis (teb) amounts of \$33 million in fiscal 2023 and \$25 million in fiscal 2022 were recorded in net interest income, revenue and provision for income taxes.

(3) Acquisition and integration costs of \$13 million pre-tax related to the acquisition of AIR MILES in fiscal 2023 were recorded in non-interest expense.

(4) Amortization of acquisition-related intangible assets pre-tax amounts of \$323 million in fiscal 2023 and \$7 million in fiscal 2022 were recorded in non-interest expense.

The Personal and Commercial Banking (P&C) operating group represents the sum of our two retail and commercial operating segments, Canadian Personal and Commercial Banking (Canadian P&C) and U.S. Personal and Commercial Banking (U.S. P&C). The P&C banking business reported net income was \$6,442 million in 2023, an increase of \$119 million or 2% from the prior year. Adjusted net income, which excludes acquisition and integration costs and the amortization of acquisition-related intangible assets, was \$6,691 million in 2023, an increase of \$362 million or 6% from the prior year. These operating segments are reviewed separately in the sections that follow.

For further information on non-GAAP amounts, measures and ratios in this 2023 Operating Groups Performance Review section, refer to the Non-GAAP and Other Financial Measures section.

Canadian Personal and Commercial Banking

Canadian Personal and Commercial Banking provides financial products and services to nearly eight million customers. Personal and Business Banking helps customers make real financial progress through a network of almost 900 branches, contact centres and digital banking platforms, with more than 3,200 automated teller machines. Commercial Banking serves clients across Canada, offering valuable industry expertise, local presence and a comprehensive range of commercial products and services.

Lines of Business

Personal and Business Banking (P&BB) provides customers with a wide range of products and services, including deposits, home lending, consumer credit, small business lending, credit cards, cash management, everyday financial and investment advice and other banking services, with an overall focus on providing customers with an exceptional experience in every interaction and helping them make real financial progress.

Commercial Banking provides clients with a comprehensive range of commercial products and services, including a variety of financing options and treasury and payment solutions, as well as risk management products. Our commercial bankers partner with clients to anticipate their financial needs, and share their unique expertise and industry knowledge to help them manage and grow their businesses.

Strategy and Key Priorities

2023 Priorities and Achievements

Key Priority: Build on our strong franchise to drive growth and customer loyalty by continuing to invest in differentiating capabilities and delivering enhanced One Client experiences

2023 Achievements

- Maintained strong customer loyalty in both Personal and Business Banking and Commercial Banking, as measured by Net Promoter Score ⁽¹⁾
- Ranked first by J.D. Power ⁽²⁾ for Personal Banking Customer Satisfaction among the Big 5 Banks in its 2023 Canada Retail Banking Satisfaction Study, as well as for Customer Satisfaction with Online Banking in its 2023 Canada Online Banking Satisfaction Study, with the highest scores among Canada's largest banks, demonstrating our dedication to support our customers' financial goals and achievements, as well as our focus on convenience and digital innovation across all customer channels
- Named Best Commercial Bank in Canada for the ninth consecutive year and Best Retail Bank in Canada for the second consecutive year by *World Finance* magazine, in recognition of our Digital First strategy and industry-leading delivery of personal and digital experiences that are meeting and exceeding our customers' evolving expectations, as well as best-in-class digital money management services
- Continued to grow our customer-facing, advice-based roles, strengthening our ability to engage with customers on the financial issues that are important to them

2024 Areas of Focus

- Drive strong customer loyalty, leveraging our enhanced capabilities across customer channels
- Leverage our One Client strategy to provide a connected and integrated experience to our clients, with a holistic approach to address their needs across our businesses

Key Priority: In Personal and Business Banking, continue to drive customer acquisition, increase share of wallet, enhance digital engagement and in-person guidance conversations, and help customers make real financial progress

2023 Achievements

- Continued to expand our digital sales and service capabilities, with more than a third of our core banking products purchased and delivered digitally, while more than 90% of service transactions were completed through self-serve channels, allowing our front-line employees to focus on delivering leading advisory services
- Improved market share in key categories, including deposits, mortgages and credit cards, supported by strong year-over-year customer acquisition
- Completed our acquisition of the AIR MILES Reward Program, one of Canada's most recognized loyalty programs, with more than 10 million active collector accounts. Added new partnerships and introduced robust new features, including an updated travel booking platform, an AIR MILES mobile app and new ways to earn Miles
- Helped customers grow their savings through our BMO Savings Goals feature and the BMO Savings Amplifier Account, as well as offering access to BMO's SmartProgress online financial literacy program
- Enhanced our offerings to support new Canadians, including the expansion of our industry-leading BMO NewStart® Pre-Arrival Account Opening program, and continued to develop and build strategic relationships with Immigration.ca and Immigrant Services Calgary to provide specialized guidance and resources aimed at helping newcomers transition to their new lives in Canada
- Launched the Greener Future Financing program, committing \$30 million to a climate-related financing program that supports small and medium-sized agriculture businesses, committing \$30 million to a climate-related financing program that supports small and medium-sized agriculture businesses, committing \$30 million to a climate-related financing program that supports small and medium-sized agriculture businesses
- Introduced The secret clothing is a... business owners with greater access to working capital, educational resources and professional partnerships



(1) Net Promoter Score (NPS): The percentage of customers who recommend BMO to a friend or colleague.

(2) For more information, refer to www.jdpower.com/business.

2024 Areas of Focus

- Drive customer acquisition through our differentiated value proposition, enabled by analytics and digital marketing capabilities
- Deliver differentiated products and services that meet customers' needs and help them make real financial progress
- Accelerate growth of our AIR MILES Reward Program by strengthening the program's offering for collectors and program partners

Key Priority: In Commercial Banking, maintain focus on key sectors and geographies, and enhance the client experience through innovative capabilities and products, including climate transition and Digital First solutions

2023 Achievements

- Maintained a leadership position in lending in the Atlantic and British Columbia regions and reinforced our second-place ranking in national lending market share, as well as peer-leading deposit growth
- Introduced a new retrofits product, the first of its kind in Canada, which is anchored by our strategic relationships with energy services companies and the Canada Infrastructure Bank and bundled with conventional construction financing
- Launched BMO Marketplace, a one-stop shop for third-party partnerships, where our clients across North America can connect their accounts to create a more efficient and customized banking experience
- Launched mobile wallet functionality for physical and virtual cards, as well as contactless payments through Mastercard Extend, enabling our Corporate Card clients in Canada and the United States to manage their businesses more conveniently

2024 Areas of Focus

- Maintain focus on key sectors and geographies
- Deepen relationships through simplification and digital innovation to drive deposit growth
- Continue to develop climate and carbon transition solutions for our clients

Key Priority: Drive efficiencies by simplifying and streamlining operations, and investing in digital capabilities

2023 Achievements

- Introduced new digital solutions to address our customers' needs, including digital mortgage pre-qualification and recurring lump-sum mortgage payment features, as well as the PaySmart™ credit card instalment plan, which simplifies card transactions and helps customers build a credit history
- Continued to modernize our digital payments functionality and improve our customers' experiences and our operational efficiency, including platform upgrades, enhanced fraud detection capabilities and increased transaction limits, and optimized the BMO.com interface with the introduction of an advanced decision management tool that adapts quickly to changing market demands and regulations
- Received two 2023 Celent Model Bank Awards, the Retail Digital Banking Transformation Award and the Customer Financial Resilience Award, for our leadership in digital transformation and our commitment to enhancing the customer experience
- Recognized for innovation at the 2023 Cannes Lion festival, winning Gold for BMO NXT LVL, a first of its kind gaming platform on Twitch that educates and informs gamers about personal finance
- Ranked first in the Account Management, Digital Money Management and Alerts categories in the 2023 Insider Intelligence Canadian Mobile Banking Emerging Features Benchmark
- Named Overall Leader in the 2023 Javelin Canadian Mobile Banking Scorecard in the Financial Fitness, Money Movement and Account Opening categories
- Recognized for artificial intelligence (AI) and advanced analytics by Datos Insights, with the 2023 Impact Innovation Award in Cash Management and Payments
- Continued to deliver automated open-banking solutions for business clients through partnerships with Xero and FISPAN, enabling owners to spend more time growing their business

2024 Areas of Focus

- Continue to simplify and digitize processes to enhance efficiency
- Continue to strengthen digital capabilities, leveraging existing and new partnerships and delivering leading digital experiences to our customers

Key Priority: Foster a winning culture, focused on alignment, empowerment and recognition, with a commitment to a diverse and inclusive workplace

2023 Achievements

- Improved on strong employee engagement index scores – on par with the global benchmark for leading companies – with ongoing improvements in all priority areas of our winning culture
- Opened BMO Place in Toronto, a new workspace designed to support accessibility, sustainability, inclusion and collaboration – in alignment with our Purpose and our Zero Barriers to Inclusion strategy
- Launched a Personal and Business Banking rotation program, demonstrating our commitment to attracting and developing diverse talent by providing access to meaningful career experiences and development opportunities
- Recognized by the Office québécois de la langue française with a Mérites du français award for promoting the use of the French language in the workplace and preserving French culture within BMO

2024 Areas of Focus

- Continue to attract and develop a diverse workforce while promoting an inclusive workplace
- Maintain a world-class, winning culture and continue to drive strong employee engagement

Canadian P&C ⁽¹⁾

(Canadian \$ in millions, except as noted)
As at or for the year ended October 31

	2023	2022
Net interest income	8,308	7,449
Non-interest revenue	2,519	2,419
Total revenue	10,827	9,868
Provision for credit losses on impaired loans	784	432
Provision for (recovery of) credit losses on performing loans	146	(91)
Total provision for credit losses	930	341
Non-interest expense	4,770	4,349
Income before income taxes	5,127	5,178
Provision for income taxes	1,409	1,352
Reported net income	3,718	3,826
Acquisition and integration costs (2)	9	-
Amortization of acquisition-related intangible assets (3)	6	1
Adjusted net income	3,733	3,827
Adjusted non-interest expense	4,749	4,348
Net income available to common shareholders	3,677	3,783
Adjusted net income available to common shareholders	3,692	3,784

Key Performance Metrics

Personal and Business Banking revenue	7,762	6,890
Commercial Banking revenue	3,065	2,978
Return on equity (%) (4)	26.9	32.1
Adjusted return on equity (%) (4)	27.0	32.1
Operating leverage (%)	-	2.7
Adjusted operating leverage (%)	0.4	2.7
Efficiency ratio (%)	44.1	44.1
PCL on impaired loans to average net loans and acceptances (%)	0.25	0.15
Net interest margin on average earning assets (%)	2.73	2.68
Average earning assets	303,855	278,022
Average gross loans and acceptances	314,988	290,324
Average net loans and acceptances	313,486	288,979
Average deposits	272,575	243,541
Full-time equivalent employees	16,217	15,471

(1) Adjusted results and ratios are on a non-GAAP basis and are discussed in the Non-GAAP and Other Financial Measures section.

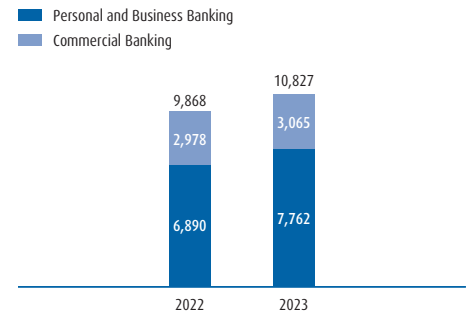
(2) Pre-tax acquisition and integration costs related to AIR MILES of \$13 million in fiscal 2023 were recorded in non-interest expense.

(3) Amortization of acquisition-related intangible assets pre-tax amounts of \$8 million in fiscal 2023 and \$1 million in fiscal 2022 were recorded in non-interest expense.

(4) Return on equity is based on allocated capital. Effective fiscal 2023, the capital allocation rate increased to 11.0% of risk-weighted assets, compared with 10.5% in fiscal 2022. For further information, refer to the Non-GAAP and Other Financial Measures section.

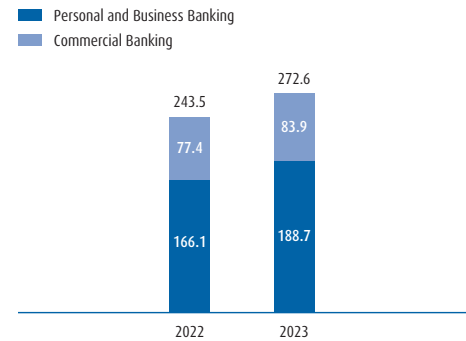
Revenue by Line of Business

(\$ millions)



Average Deposits*

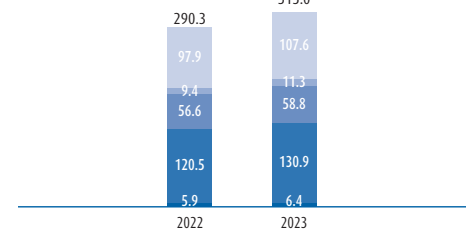
(\$ billions)



*Numbers may not add due to rounding.

Average Gross Loans and Acceptances*

(\$ billions)



Commercial
Credit Cards
Consumer Instalment and Other Personal
Residential Mortgages
Business Banking

*Numbers may not add due to rounding.

Financial Review

Canadian P&C reported net income was \$3,718 million, a decrease of \$108 million or 3% from the prior year, with strong revenue growth more than offset by higher provisions for credit losses and higher expenses.

Total revenue was \$10,827 million, an increase of \$959 million or 10% from the prior year. Net interest income increased \$859 million or 12%, due to higher balances and net interest margins. Non-interest revenue increased \$100 million or 4%, primarily due to the inclusion of AIR MILES and higher card-related revenue, partially offset by lower gains on investments in Commercial Banking and lower loan and mutual fund distribution fee revenue. Net interest margin of 2.73% increased 5 basis points from the prior year, with higher deposit margins and deposits growing faster than loans, partially offset by lower loan margins.

Personal and Business Banking revenue increased \$872 million or 13%, due to higher net interest income and non-interest revenue. Commercial Banking revenue increased \$87 million or 3%, due to higher net interest income, partially offset by lower non-interest revenue.

Total provision for credit losses was \$930 million, an increase of \$589 million from the prior year. The provision for credit losses on impaired loans was \$784 million, an increase of \$352 million from the prior year, reflecting higher Personal and Business Banking and Commercial Banking provisions. There was a \$146 million provision for credit losses on performing loans in the current year, compared with a recovery of \$91 million in the prior year.

Reported non-interest expense was \$4,770 million, an increase of \$421 million or 10% from the prior year, reflecting higher employee-related costs, including severance, the impact of AIR MILES and other business investment costs.

Average gross loans and acceptances increased \$24.7 billion or 8% from the prior year to \$315.0 billion, reflecting growth of 7% in Personal and Business Banking, 10% in Commercial Banking and 20% in credit card balances. Average deposits increased \$29.0 billion or 12% to \$272.6 billion, reflecting growth of 14% in Personal and Business Banking and 8% in Commercial Banking balances, primarily due to strong growth in term deposits.

For further information on non-GAAP amounts, measures and ratios in this 2023 Operating Groups Performance Review section, refer to the Non-GAAP and Other Financial Measures section.

Business Environment and Outlook

Canadian P&C's solid performance in fiscal 2023 demonstrated resilience and an ability to adapt quickly to economic uncertainty. While inflation has moderated from peak levels in fiscal 2022, it remains elevated and the Bank of Canada continued to raise interest rates by an additional 125 basis points in fiscal 2023 to 5.0%, which together with weaker global demand, has slowed GDP growth compared with the prior year. Higher interest rates helped drive strong growth in term deposits, partially offsetting a decline in chequing and savings deposits, reflecting both deposit migration and a drawdown of excess savings built during the pandemic. Mortgage growth remained healthy in the first half of 2023, supported by robust population growth and a rising demand for housing, but balance growth moderated in the second half of fiscal 2023, as housing sales slowed in response to rising mortgage rates. Growth in credit card balances was supported by successful customer acquisition, an increase in consumer spending compared with the prior year and revolving balances returning to more normalized levels. Business lending growth moderated in the second half of fiscal 2023, in response to the higher interest rate environment. Credit performance is normalizing from historically low levels, with insolvency and impairment rates trending higher. Expense growth has moderated from the first half of the year, reflecting the impact of prior-year investments in our sales force, technology and advertising, which have supported strong customer acquisition and expanded market share.

The Canadian economy is expected to slow further in fiscal 2024, which is projected to keep loan demand modest. The Bank of Canada is anticipated to hold interest rates steady before gradually reducing interest rates beginning in the second half of the year. Migration to term deposits is projected to taper, with mortgage growth forecast to decelerate further as housing sales are constrained by poor affordability, partially offset by the impact of continued immigration. Credit performance is expected to deteriorate modestly compared with fiscal 2023 but remain well-managed, as inflation and the higher cost of borrowing put more pressure on purchasing power and household and business budgets.

Our focus on helping customers make real financial progress by delivering exceptional customer solutions and advice, together with leading digital experiences, is key to successfully delivering on our strategy in any environment.

The Canadian economic environment in calendar 2023 and the outlook for calendar 2024 are discussed in more detail in the Economic Developments and Outlook section.

Caution

This Canadian Personal and Commercial Banking section contains forward-looking statements. Please refer to the Caution Regarding Forward-Looking Statements.

U.S. Personal and Commercial Banking

U.S. Personal and Commercial Banking provides financial products and services to more than four million customers. Personal and Business Banking helps customers make real financial progress through an extensive network of more than 1,000 branches, with nationwide access to contact centres, digital banking platforms and more than 40,000 BMO and Allpoint® automated teller machines. Commercial Banking serves clients across the United States, offering valuable industry expertise, local presence and a comprehensive range of commercial products and services.

Lines of Business

Personal and Business Banking (P&BB) provides customers with a wide range of products and services, including deposits, home lending, consumer credit, small business lending, credit cards, cash management and other banking services, with an overall focus on providing customers with an exceptional experience in every interaction and helping them make real financial progress.

Commercial Banking provides clients with a comprehensive range of commercial products and services, including a variety of financing options and treasury and payment solutions, as well as risk management products. Our commercial bankers partner with clients to anticipate their financial needs, and share their unique expertise and industry knowledge to help them manage and grow their businesses.

Strategy and Key Priorities

2023 Priorities and Achievements

Key Priority: Build on our strong franchise to drive growth and customer loyalty by continuing to invest in differentiating capabilities and delivering enhanced One Client experiences

2023 Achievements

- Continued to strengthen customer loyalty in both Personal and Business Banking and Commercial Banking, as measured by Net Promoter Score ⁽¹⁾
- Expanded our market presence in the U.S. West and Southwest regions with the acquisition of Bank of the West, while reinforcing our third-place market share position for deposits across our Midwest footprint
- Named by *World Finance* magazine as Best Commercial Bank in the United States, in recognition of our efforts to provide a more comprehensive range of banking products and services
- Rated Outstanding by the Office of the Comptroller of the Currency on *Community Reinvestment Act* performance, in recognition of our commitment to help support communities with moderate or low income levels

2024 Areas of Focus

- Drive strong customer loyalty, leveraging our enhanced capabilities across customer channels
- Leverage our One Client strategy to provide a connected and integrated experience to our clients, with a holistic approach to address their needs across our businesses

Key Priority: Effectively integrate Bank of the West upon closing of the acquisition, with an emphasis on customer and employee experience

2023 Achievements

- Successfully transitioned nearly two million customers to BMO, along with their accounts, financial products and online banking relationships
- Integrated our Bank of the West colleagues into BMO's internal processes and systems, adapting our organizational structure to support our growth objectives
- Rebranded and integrated branches, automated teller machines and digital banking platforms across the United States to BMO
- Introduced a long-term commercial agreement with BNP Paribas (BNPP), to enhance coverage and global access for commercial banking clients of both institutions



The secret animal #1 is an

... to drive customer acquisition, increase share of wallet, enhance digital and help customers make real financial progress

2023 Achievements

- Continued to build our digital sales and service capabilities, with our digital adoption rate increasing nearly 200 basis points year-over-year, approximately one third of our core banking products purchased and delivered digitally, and more than 80% of service transactions completed through self-serve channels, allowing our front-line employees to focus on delivering leading advisory services ⁽²⁾
- Enhanced our credit card product suite, introducing a new BMO Boost Secured Credit Card and rebranding the BMO Flex Rewards loyalty program, which led to higher levels of customer engagement
- Engaged in personalized conversations through more than 400,000 Real Financial Progress™ checks, to help our customers identify their goals and make real financial progress
- Launched BMO Alto™, an online, high-yielding deposit account offering, successfully growing deposits nationally

⁽¹⁾ Net Promoter Score (NPS): The percentage of customers surveyed who would recommend BMO to a friend or colleague.

⁽²⁾ Metrics exclude Bank of the West.

- Maintained our commitment to underserved customer groups by reducing fees and improving access to products and services, including our enhanced Credit Builder™ Loan Program, supporting home ownership by offering down-payment relief through the Welcome Home Grant™ Program and opening more than 50,000 Bank On™ certified Smart Money accounts since the launch of the product
- Launched multiple programs to support members of many different communities, including Asian, veteran and 2SLGBTQI+ special purpose credit programs that are intended to improve access to capital for historically underserved segments, and hosted educational webinars to support Black, Latinx, Native American and women-owned businesses
- Launched CreditView®, enabling our customers to view and improve their credit score, and BMO Digital Banking Security Hub, helping our customers protect their accounts with added security features

2024 Areas of Focus

- Drive customer acquisition through our differentiated value proposition, enabled by digital and marketing capabilities, leveraging our expanded footprint and realizing synergies
- Deliver differentiated products and services that meet customers' needs and help them make real financial progress

Key Priority: In Commercial Banking, maintain focus on key sectors and geographies, and enhance the client experience through innovative capabilities and products, including climate transition and Digital First solutions

2023 Achievements

- Achieved Top 10 Commercial Bank market share for total wholesale loans, maintained our leading position in key markets (Illinois and Wisconsin) and continued to grow through the Bank of the West acquisition, establishing a market presence in 21 of the top 50 U.S. metropolitan areas
- Completed a renewable natural gas/manure biodigester transaction, which has enabled an agriculture client to build a unique operating model that captures methane gas, reducing greenhouse gas emissions and generating renewable energy
- Expanded V-PAYO, an integrated payables solution that offers existing and new clients automation, process efficiency and digitization – with one easy payment file
- Partnered with *Latino Leaders Magazine* to create and launch the inaugural Index 200, an index that helps to celebrate the growing base of large Latinx-owned companies in the United States

2024 Areas of Focus

- Maintain focus on key sectors and geographies while leveraging our wider footprint to unlock synergies and cross-sell opportunities
- Deepen relationships through simplification and digital innovation to drive deposit growth
- Continue to develop solutions and capabilities to support our clients through their climate and carbon transition journey

Key Priority: Drive efficiencies by simplifying and streamlining operations, and investing in digital capabilities

2023 Achievements

- Recognized by *The Digital Banker* for an Outstanding Machine Learning Initiative – our cutting-edge artificial intelligence (AI) solution uses natural language processing to rapidly analyze and categorize linguistic patterns, enhancing the customer experience and improving front-line efficiency
- Invested in key digital capabilities to improve the customer experience, including digital card activation and automated increases in card limits, an enhanced account opening experience with e-sign capability in Business Banking, and a self-serve option for client onboarding in Commercial Banking
- Introduced greater convenience for customers completing the end-to-end mortgage and home equity application process digitally, with online scheduling of closings that simplifies the experience for both customers and employees
- Introduced digital chat capabilities in BMO Virtual Connect and addressed our customers' sales and service needs by scaling the chat functionality of BMO Assist, powered by AI
- Partnered with DailyPay to provide Commercial Banking client employees with real-time access to their pay by depositing funds into direct-deposit accounts for immediate access by employees

2024 Areas of Focus

- Continue to simplify and digitize processes to enhance efficiency
- Continue to strengthen digital capabilities, leveraging existing and new partnerships and delivering leading digital experiences to our customers

Key Priority: Foster an inclusive, winning culture, focused on alignment, empowerment and recognition, with a commitment to a diverse and inclusive workplace

2023 Achievements

- Improved on strong employee engagement index scores – on par with the global benchmark for leading companies – with ongoing improvements in all priority areas of our winning culture
- Named one of the Best Workplaces for Innovators by Fast Company, an annual list honouring organizations and teams that demonstrate a commitment to encourage and develop innovation, the only financial institution to be recognized among the top 30 companies
- Recognized by *Forbes* magazine as one of the Best Employers for Diversity for the fifth consecutive year in an independent survey of 60,000 U.S. employees, as well as one of the 2023 Best Employers for New Grads
- Expanded BMORE™, our inclusive hiring and employment program focused on improving access to careers, skills and advancement in the financial industry for under-represented groups

2024 Areas of Focus

- Continue to attract and develop a diverse workforce while promoting an inclusive workplace
- Maintain a world-class, winning culture and continue to drive strong employee engagement

The secret landmark is the



U.S. P&C ⁽¹⁾

(Canadian \$ in millions, except as noted)
As at or for the year ended October 31

	2023	2022
Net interest income (teb) (2)	7,853	5,037
Non-interest revenue	1,573	1,265
Total revenue (teb) (2)	9,426	6,302
Provision for credit losses on impaired loans	380	107
Provision for (recovery of) credit losses on performing loans	130	(90)
Total provision for credit losses	510	17
Non-interest expense	5,502	3,043
Income before income taxes	3,414	3,242
Provision for income taxes (teb) (2)	690	745
Reported net income	2,724	2,497
Amortization of acquisition-related intangible assets (3)	234	5
Adjusted net income	2,958	2,502
Adjusted non-interest expense	5,187	3,037
Net income available to common shareholders	2,672	2,461
Adjusted net income available to common shareholders	2,906	2,466
Average earning assets	202,155	138,094
Average gross loans and acceptances	196,459	132,240
Average net loans and acceptances	194,746	131,394
Average deposits	198,717	145,633

(US\$ equivalent in millions)

Net interest income (teb) (2)	5,818	3,893
Non-interest revenue	1,165	981
Total revenue (teb) (2)	6,983	4,874
Provision for credit losses on impaired loans	282	82
Provision for (recovery of) credit losses on performing loans	97	(71)
Total provision for credit losses	379	11
Non-interest expense	4,076	2,353
Income before income taxes	2,528	2,510
Provision for income taxes (teb) (2)	510	577
Reported net income	2,018	1,933
Amortization of acquisition-related intangible assets (3)	173	4
Adjusted net income	2,191	1,937
Adjusted non-interest expense	3,843	2,348
Net income available to common shareholders	1,979	1,905
Adjusted net income available to common shareholders	2,157	1,909

Key Performance Metrics (US\$ basis)

Personal and Business Banking revenue	2,620	1,420
Commercial Banking revenue	4,363	3,454
Return on equity (%) (4)	9.6	17.8
Adjusted return on equity (%) (4)	10.4	17.8
Operating leverage (teb) (%)	(29.9)	6.0
Adjusted operating leverage (teb) (%)	(20.3)	5.0
Efficiency ratio (teb) (%)	58.4	48.3
Adjusted efficiency ratio (teb) (%)	55.0	48.2
Net interest margin on average earning assets (teb) (%)	3.88	3.64
PCL on impaired loans to average net loans and acceptances (%)	0.20	0.08
Average earning assets	149,767	106,829
Average gross loans and acceptances	145,543	102,290
Average net loans and acceptances	144,274	101,636
Average deposits	147,220	112,780
Full-time equivalent employees	12,235	6,822

(1) Adjusted results and ratios are on a non-GAAP basis and are discussed in the Non-GAAP and Other Financial Measures section.

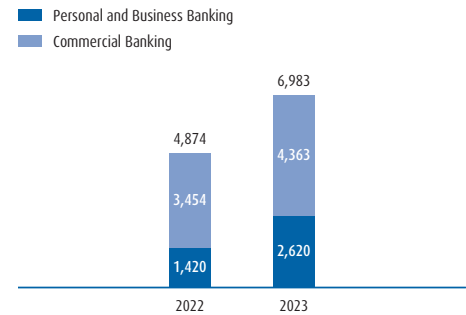
(2) Taxable equivalent basis (teb) amounts of \$33 million in fiscal 2023 and \$25 million in fiscal 2022 were recorded in net interest income, revenue and provision for income taxes, and were reflected in the ratios. On a source currency basis, teb amounts were US\$25 million in fiscal 2023 and US\$20 million in fiscal 2022.

(3) Amortization of acquisition-related intangible assets pre-tax amounts of \$315 million in fiscal 2023 and \$6 million in fiscal 2022 were recorded in non-interest expense. On a source currency basis, pre-tax amounts were US\$233 million in fiscal 2023 and US\$5 million in fiscal 2022.

(4) Return on equity is based on allocated capital. Effective fiscal 2023, the capital allocation rate increased to 11.0% of risk-weighted assets, compared with 10.5% in fiscal 2022. For further information, refer to the Non-GAAP and Other Financial Measures section.

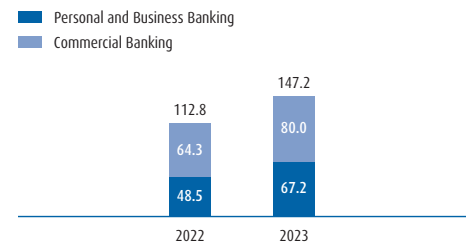
Revenue by Line of Business (teb) ⁽²⁾

(US\$ millions)



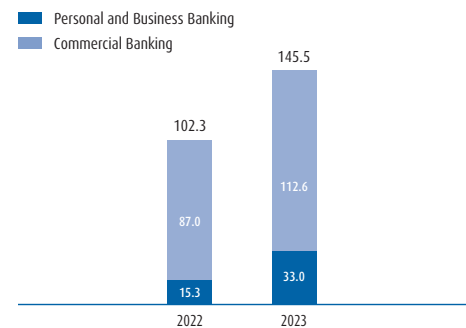
Average Deposits

(US\$ billions)



Average Gross Loans and Acceptances

(US\$ billions)



Financial Review

U.S. P&C reported net income was \$2,724 million, an increase of \$227 million or 9% from the prior year. The impact of the stronger U.S. dollar increased growth in net income by 5%, revenue by 6% and expenses by 8%. All amounts in the remainder of this section are presented on a U.S. dollar basis.

Reported net income was \$2,018 million, an increase of \$85 million or 4% from the prior year, primarily driven by the Bank of the West acquisition and underlying revenue growth due to higher net interest income, partially offset by higher provisions for credit losses and higher expenses, compared with the prior year.

Total revenue was \$6,983 million, an increase of \$2,109 million or 43% from the prior year. Net interest income increased \$1,925 million or 49%, due to the inclusion of Bank of the West, and higher net interest margins and loan balances, partially offset by lower deposit balances. Non-interest revenue increased \$184 million or 19%, due to the inclusion of Bank of the West, partially offset by lower operating lease revenue and deposit and lending fee revenue. Net interest margin of 3.88% increased 24 basis points from the prior year, primarily due to higher deposit margins reflecting the impact of the higher interest rate environment and the inclusion of Bank of the West, partially offset by lower loan margins.

Personal and Business Banking revenue increased \$1,200 million or 85% and Commercial Banking revenue increased \$909 million or 26%, both due to the inclusion of Bank of the West and higher underlying net interest income, partially offset by lower underlying non-interest revenue.

Total provision for credit losses was \$379 million, compared with a provision of \$11 million in the prior year. The provision for credit losses on impaired loans was \$282 million, an increase of \$200 million from the prior year, reflecting higher Personal and Business Banking and Commercial Banking provisions. There was a \$97 million provision for credit losses on performing loans in the current year, compared with a recovery of \$71 million in the prior year.

Reported non-interest expense was \$4,076 million, an increase of \$1,723 million or 73%, primarily reflecting the impact of Bank of the West, as well as higher employee-related and advertising costs.

Average gross loans and acceptances increased \$43.3 billion or 42% from the prior year to \$145.5 billion, reflecting the impact of Bank of the West and underlying growth in Commercial Banking balances, partially offset by a decrease in Personal and Business Banking balances. Average deposits increased \$34.4 billion or 31% to \$147.2 billion, reflecting the impact of Bank of the West, partially offset by a decrease in underlying Commercial Banking and Personal and Business Banking deposits.

For further information on non-GAAP amounts, measures and ratios in this 2023 Operating Groups Performance Review section, refer to the Non-GAAP and Other Financial Measures section.

Business Environment and Outlook

U.S. P&C recorded strong results in fiscal 2023, driven by the successful integration of the Bank of the West acquisition. While the U.S. economy grew at a modest rate, inflation remained high and in response, the Federal Reserve raised the federal funds target rate in the current fiscal year to reach 5.33%. In addition, quantitative tightening and the failure of several U.S. regional banks intensified competition for deposits across the financial services sector, including from money market funds, putting pressure on net interest margins. Demand for business lending moderated and residential mortgage balance growth softened in response to higher interest rates, slower economic growth and weaker housing activity. Deposit balances have been declining as customers deployed excess savings and sought higher yields. Credit performance is normalizing from historical lows with credit migration trending higher. Commercial Banking continued to drive growth by adding new clients across its expanded footprint, despite intense competition and shrinking market liquidity. Personal and Business Banking continued to attract new clients through a Digital First strategy aimed at optimizing sales and delivering an enhanced client experience across all channels, enabled by leading digital, data analytics and marketing capabilities.

The U.S. economy is expected to slow in fiscal 2024, reflecting weaker consumer demand in response to higher interest rates, tighter lending conditions and the resumption of student loan repayments. The Federal Reserve is expected to hold policy rates steady before beginning a return to a more neutral position late in fiscal 2024, supporting a modest pickup in growth. Residential mortgage activity is expected to moderate further due to the weaker housing market, and consumer and business credit growth is expected to decelerate amid elevated interest rates, higher unemployment and weaker consumer spending growth. Credit performance is expected to deteriorate modestly in the upcoming year.

The financial services landscape in the United States remains highly competitive and is facing more stringent capital and liquidity constraints. U.S. P&C has demonstrated its ability to perform well through economic cycles, supported by its diversified growth strategy and expanded scale as a leading North American bank, with a presence in 32 states and in 21 of the top 50 U.S. metropolitan areas. We are committed to helping our customers, employees and local communities make real financial progress by harnessing all of BMO's capabilities to drive efficient growth – and by tailoring our products and offerings to client needs.

The U.S. economic environment in calendar 2023 and the outlook for calendar 2024 are discussed in more detail in the Economic Developments and Outlook section.

Caution

This U.S. Personal and Commercial Banking section contains forward-looking statements. Please refer to the Caution Regarding Forward-Looking Statements.

BMO Wealth Management

BMO Wealth Management serves a full range of clients, from individuals and families to business owners and institutions, offering a wide spectrum of wealth, asset management and insurance products and services aimed at helping clients make real financial progress through planning, growing, protecting and transitioning their wealth. Our asset management business is focused on making a positive impact and delivering innovative financial solutions and strategies for our clients.

Lines of Business

BMO Private Wealth provides full-service investing, banking and wealth advisory services to high net worth and ultra-high net worth clients, leveraging individualized financial planning and advice-based solutions such as investment management, business succession planning, trust and estate services and philanthropy.

BMO InvestorLine leads Wealth Management's digital investing services, offering three ways for Canadian clients to invest: a self-directed online trading platform for investors who want to be in control of their investments; adviceDirect® for investors who want to make their own investment decisions with personalized advice and support; and SmartFolio® for investors who want low-fee, professionally managed portfolios aligned with their investment objectives.

BMO Wealth Management U.S. offers financial solutions to mass affluent, high net worth and ultra-high net worth individuals, families and businesses.

BMO Global Asset Management provides investment management services to institutional, retail and high net worth investors, offering a wide range of innovative, client-focused solutions and strategies to help clients meet their investment objectives.

BMO Insurance is a diversified insurance and wealth solutions provider and a leader in pension de-risking solutions. It manufactures individual life, critical illness and annuity products, as well as segregated funds. In addition, group creditor and travel insurance is available to customers in Canada through BMO.

Strategy and Key Priorities

2023 Priorities and Achievements

Key Priority: Scale our leadership position in private wealth advisory services across North America to plan, grow, protect and transition our clients' wealth with confidence

2023 Achievements

- Achieved top-tier loyalty scores across several BMO Wealth Management businesses, with Private Wealth Canada and BMO InvestorLine achieving record results, as measured by Net Promoter Score ⁽¹⁾
- Recognized by *World Finance* magazine as Best Private Bank in Canada for the 13th consecutive year and for the first time, as Best Private Bank in the United States

2024 Areas of Focus

- Accelerate growth across our client base by strengthening product and service offerings, deepening client relationships and growing distribution in core markets, while maintaining top-tier client loyalty scores in North America

Key Priority: Extend our advantage as a solutions provider, expanding asset management and insurance offerings in key growth areas, including environmental, social and governance and climate-focused offerings

2023 Achievements

- Launched new capabilities in exchange-traded funds (ETFs), providing investors with more choice in portfolio construction, as well as solutions for investors seeking exposure to key sectors
- Maintained our leadership position in Canadian ETFs, ranking first in net sales for 12 consecutive years ⁽²⁾
- Recognized at the 2022 Canada Refinitiv Lipper Fund Awards ⁽³⁾, which honour funds and fund management firms that have excelled in delivering consistently strong risk-adjusted performance relative to their peers. Seven BMO ETFs claimed top honours across seven categories
- Received 18 FundGrade A+ Awards from Fundata Canada Inc., one of the most widely recognized analytics firms in the financial services industry for its objectivity in selecting funds with a record of consistent risk-adjusted performance
- Announced a new strategic partnership with Sagard, a global multi-strategy alternative asset management firm, in line with our commitment to building a market-leading alternatives platform with access to demonstrated investment experience through partnerships with top-tier managers
- Launched ESG Insights, a comprehensive research tool for self-directed clients that can help them build a more sustainable portfolio by evaluating environmental, social and governance risks and opportunities related to their investments

2024 Areas of Focus

- Continue to provide innovative and competitive product solutions across our distribution channels to meet the evolving needs of our clients

(1) Net Promoter Score (NPS): The percentage of customers surveyed who would recommend BMO to a friend or colleague.

(2) National Bank ETF Report as at December 31, 2022.

(3) Announced in fiscal 2023: 2022 Canada Refinitiv Lipper Fund Awards.

Key Priority: Deliver a top-tier digital wealth management offering, building on our differentiated digital advisory capabilities to provide an enhanced client experience, including streamlined processes that deliver efficiencies and value

2023 Achievements

- Maintained a top-two market share for self-managed assets with digital advisory services – a category that represents more than one third of total market assets
- BMO InvestorLine ranked in the top three in the *Globe and Mail* 2023 Digital Broker Ranking for consistently driving digital innovation that focuses on client needs and delivering an exceptional client experience
- Successfully rolled out BMO Smart Portfolio®, a new digital investment solution for BMO U.S. retail customers, providing them with the convenience of online investing and personalized portfolio management
- Launched BMO Active Trader, a web-based platform that enables our clients to execute trading strategies with ease and precision, supported by market insights, advanced technical charts and a customizable workspace

2024 Areas of Focus

- Continue to invest in technology platforms to simplify, streamline and integrate client digital experiences, along with leading advisor-facing tools and practice support

Key Priority: Provide a One Client experience, with improved delivery of services and products to our clients across BMO

2023 Achievements

- Leveraged digital channels and data analytics to deliver investment solutions to Personal Banking customers through BMO InvestorLine
- Significantly expanded product and service offerings through greater collaboration and more efficient integration with Personal and Commercial Banking

2024 Areas of Focus

- Deepen client relationships by working in partnership with colleagues across BMO, supported by data and analytics and a client-centric operating model

Key Priority: Foster a winning culture, focused on alignment, empowerment and recognition, with a commitment to a diverse and inclusive workplace

2023 Achievements

- Maintained strong employee engagement index scores, with improvement across many key metrics
- Well-represented in the inaugural *Globe and Mail* Report on Business list of 100 Top Women Wealth Advisors, which included 19 Nesbitt Burns advisors who manage exceptional businesses and are raising the bar for the industry

2024 Areas of Focus

- Maintain an engaged and diverse workforce to promote innovation and enable strategic outperformance

BMO Wealth Management ⁽¹⁾

(Canadian \$ in millions, except as noted)
As at or for the year ended October 31

	2023	2022
Net interest income	1,416	1,188
Non-interest revenue	5,978	3,336
Total revenue	7,394	4,524
Insurance claims, commissions and changes in policy benefit liabilities (CCPB)	1,939	(683)
Revenue, net of CCPB	5,455	5,207
Provision for credit losses on impaired loans	5	2
Provision for (recovery of) credit losses on performing loans	13	(4)
Total provision for (recovery of) credit losses	18	(2)
Non-interest expense	3,962	3,564
Income before income taxes	1,475	1,645
Provision for income taxes	349	394
Reported net income	1,126	1,251
Amortization of acquisition-related intangible assets (2)	4	3
Adjusted net income	1,130	1,254
Adjusted non-interest expense	3,955	3,559
Net income available to common shareholders	1,118	1,243
Adjusted net income available to common shareholders	1,122	1,246

Key Performance Metrics

Wealth and Asset Management reported net income	862	992
Wealth and Asset Management adjusted net income	866	995
Insurance net income	264	259
Return on equity (%) (3)	17.6	23.5
Adjusted return on equity (%) (3)	17.7	23.6
Operating leverage, net of CCPB (%)	(6.4)	(0.7)
Adjusted operating leverage, net of CCPB (%)	(6.3)	(1.3)
Efficiency ratio (%)	53.6	78.8
Adjusted efficiency ratio, net of CCPB (%)	72.5	68.4
Average assets	58,661	50,488
Average gross loans and acceptances	40,851	34,007
Average net loans and acceptances	40,805	33,974
Average deposits	61,739	55,919
Assets under administration (AUA) (4)	416,352	424,191
Assets under management (AUM)	332,947	305,462
Full-time equivalent employees	6,417	6,124

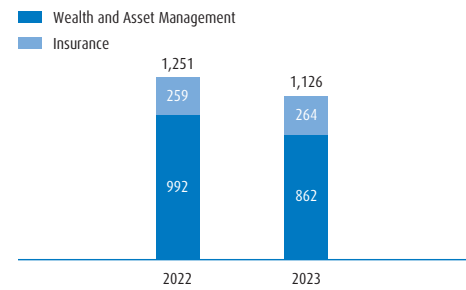
U.S. Business Select Financial Data (US\$ in millions)

Total revenue	774	576
Non-interest expense	599	458
Reported net income	132	91
Adjusted non-interest expense	594	454
Adjusted net income	136	94
Average gross loans and acceptances	9,776	5,937
Average deposits	11,975	7,528

- (1) Revenue measures, net of CCPB, and adjusted results and ratios are on a non-GAAP basis and are discussed in the Non-GAAP and Other Financial Measures section.
- (2) Amortization of acquisition-related intangible assets pre-tax amounts of \$7 million in fiscal 2023 and \$5 million in fiscal 2022 were recorded in non-interest expense.
- (3) Return on equity is based on allocated capital. Effective fiscal 2023, the capital allocation rate increased to 11.0% of risk-weighted assets, compared with 10.5% in fiscal 2022. For further information, refer to the Non-GAAP and Other Financial Measures section.
- (4) Certain assets under management that are also administered by BMO are included in assets under administration.

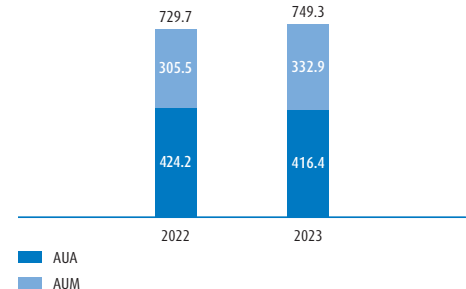
Reported Net Income

(\$ millions)



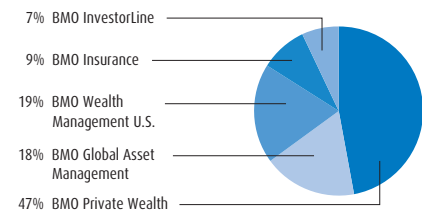
AUA and AUM

(\$ billions)



2023 Net Revenue by Line of Business

(%)





Financial Review

BMO Wealth Management reported net income was \$1,126 million, compared with \$1,251 million in the prior year. Wealth and Asset Management reported net income was \$862 million, a decrease of \$130 million or 13%, and Insurance net income was \$264 million, an increase of \$5 million or 2%.

We present revenue on a basis that is net of insurance claims, commissions and changes in policy benefit liabilities (CCPB), and we calculate our efficiency ratio and operating leverage on a similar basis.

Total revenue was \$7,394 million, an increase of \$2,870 million. Revenue, net of CCPB, was \$5,455 million, an increase of \$248 million or 5%. Wealth and Asset Management revenue was \$4,971 million, an increase of \$219 million or 5%, as the inclusion of Bank of the West, higher net new client assets and the impact of the stronger U.S. dollar were partially offset by the impact of weaker global markets, lower net interest income, primarily from lower deposit balances and the impact of lower revenue from online brokerage transactions. Insurance revenue, net of CCPB, was \$484 million, an increase of \$29 million or 6% from the prior year, primarily due to underlying business growth, partially offset by the impact of actuarial assumption changes in the current year.

Non-interest expense was \$3,962 million, an increase of \$398 million or 11% from the prior year, primarily reflecting the impact of Bank of the West, higher employee-related and technology costs, and the impact of the stronger U.S. dollar.

Assets under management increased \$27.5 billion or 9% from the prior year to \$332.9 billion, driven by higher net client assets, the impact of Bank of the West, stronger global markets and favourable foreign exchange movements. Assets under administration decreased \$7.8 billion or 2% to \$416.4 billion. Average gross loans increased 18% and average deposits increased 9%, primarily due to the inclusion of Bank of the West.

For further information on non-GAAP amounts, measures and ratios in this 2023 Operating Groups Performance Review section, refer to the Non-GAAP and Other Financial Measures section.

Business Environment and Outlook

In fiscal 2023, BMO Wealth Management results were impacted by challenging market conditions. We continued to support our clients with expert advice to help them navigate the impacts of market volatility, rising interest rates and macroeconomic uncertainty. As a result of higher interest rates, client preferences shifted toward fixed income products, and weaker global markets resulted in lower levels of assets under administration and assets under management, as well as a reduction in digital trading volumes. We continue to provide our clients with enhanced digital advisory capabilities and innovative solutions to meet their financial needs, leveraging BMO's comprehensive investment and banking products and services, leading to growth in net new assets, and positioning them to re-enter the market when markets stabilize. In addition, we completed the integration of Bank of the West, which is expected to provide new growth opportunities in our expanded markets.

The outlook for equity markets and the economy is shifting rapidly and continues to be impacted by elevated (though moderating) inflation, high interest rates and growing geopolitical tensions. Continued market volatility and near-term recessionary risks may impact our overall business performance, as we continue to focus on prudently managing expenses while strategically investing for growth.

The wealth management industry remains attractive, with good growth potential over the long term. Our expanded North American sales force, strong client loyalty and integrated business model position us well to meet our clients' evolving needs.

We continue to invest in technology to enhance the client experience and improve the productivity of our sales force. BMO InvestorLine continues to attract new clients through digital platform enhancements, while BMO Global Asset Management is building new capabilities to accelerate growth and diversify our product offerings for both retail and institutional clients.

The Canadian and U.S. economic environment in calendar 2023 and the outlook for calendar 2024 are discussed in more detail in the Economic Developments and Outlook section.

Caution

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

BMO Capital Markets

BMO Capital Markets provides a full range of products and services to corporate, institutional and government clients. BMO Capital Markets has a team of professionals in 33 locations around the world, supporting the growth aspirations of our clients across the enterprise.



Lines of Business

Investment and Corporate Banking offers debt and equity capital-raising services to clients, as well as loan origination and syndication, balance sheet management solutions and treasury management services. The division also provides clients with strategic advice on mergers and acquisitions, restructurings and recapitalizations, trade finance and risk mitigation services to support international business activities, along with a wide range of banking and other operating services tailored to North American and international financial institutions.

Global Markets offers research and access to financial markets for institutional, corporate and retail clients through an integrated suite of sales and trading solutions related to debt, foreign exchange, interest rates, credit, equities, securitization and commodities. New product development and origination services are also offered, as well as risk management and advisory services for hedging strategies, including in interest rates, foreign exchange rates and commodities prices. In addition, Global Markets provides funding and liquidity management services to clients.

Strategy and Key Priorities

2023 Priorities and Achievements

Key Priority: Drive client-focused growth and activate and scale a One Client approach, with improved connectivity and integrated offerings

2023 Achievements

- Maintained a leading position in global and North American mergers and acquisitions (M&A), advising on landmark transactions, including the largest investment to date by an automaker to produce battery raw materials, the largest industrial real estate investment trust (REIT) transaction in Canadian history and the third-largest public net lease REIT
- Partnered with Commercial Banking to deliver holistic, integrated coverage that resulted in successful convertible note offerings and middle-market M&A deals. This unified approach also delivered success with transitioning Bank of the West clients to the BMO platform, such as Wayfair and Granite Construction
- Maintained global leadership in metals and mining, and recognized as the world's best Metals & Mining Investment Bank by *Global Finance* magazine for the 14th consecutive year
- Delivered top-tier product performance across Global Markets – awarded Best Issuer Sales in Canadian retail structured notes, ranked first in Canadian equity block volumes and recognized as a top-five dealer in sovereign, supranational and agency (SSA) USD global issuances, U.S. treasuries, U.S. agency collateralized mortgage obligations (CMOs) and U.S. commercial mortgage-backed securities (CMBS) issuances

2024 Areas of Focus

- Accelerate a One Client approach, with improved connectivity and integrated offerings
- Build deep client relationships, deliver value-added solutions to meet their needs, and win through expertise, knowledge and insight

Key Priority: Be an industry leader in sustainable finance and our clients' lead partner in the transition to a net zero world

2023 Achievements

- Played a leadership role in sustainable finance and energy transition solutions – we ranked first in the sustainability-linked loan market, launched one of the first sustainability-linked deposit offerings in North America and acted as co-lead manager on the government of Canada's Ukraine sovereignty bond, which was recognized as Social Bond of the Year by *Environmental Finance*
- Advanced our Climate Ambition, adding carbon market expertise and capabilities with the integration of BMO Radicle
- Signed a memorandum of understanding with Banco do Brasil to provide sustainability-linked trade loans to Brazilian exporters, a first of its kind program that will accelerate lending to companies focused on sustainable and regenerative agriculture
- Sponsored and contributed thought leadership to industry-leading climate events such as the Bloomberg Sustainable Business Summit and New Energy Finance Forum, as well as our new Transition Think Summit

2024 Areas of Focus

- Maintain our leading position in sustainable finance and build on our strong foundation in climate leadership by adding capabilities to serve rapidly evolving markets

Key Priority: Deploy Digital First capabilities and solutions for speed, scale and simplification

2023 Achievements

- Scaled our digital capabilities to deliver new service models and enhance our offerings, including end-to-end digital platform capabilities to onboard new clients, provide advanced analytics and execute electronic trading
- Launched an agile testing and innovation environment for emerging technologies, including artificial intelligence and machine learning
- Implemented technology and workflow enhancements, as well as process automation to improve employee productivity
- Recognized with Breaking the Status Quo and Leading the Pack awards from Fintech Open Source Foundation for our progress on open source readiness

2024 Areas of Focus

- Leverage Digital First capabilities and data to improve operational efficiency and deliver innovative solutions
- Deliver client-centric, digitally-enabled service models with leading digital client portals and platforms

Key Priority: Foster a winning culture, focused on alignment, empowerment and recognition, with a commitment to a diverse and inclusive workplace

2023 Achievements

- Maintained strong employee engagement index scores, with ongoing improvement in all priority areas of our winning culture, including enablement and empowerment
- Continued to make progress on our Zero Barriers to Inclusion strategy, supporting communities through our hallmark programs, including *Equity Through Education* and *Trees from Trades*
- Advanced our diversity, equity and inclusion strategy and improved the representation of diversity in our talented and engaged workforce

2024 Areas of Focus

- Foster a winning culture focused on alignment, empowerment and recognition, while advancing progress on our Zero Barriers to Inclusion strategy

BMO Capital Markets ⁽¹⁾

(Canadian \$ in millions, except as noted)
As at or for the year ended October 31

	2023	2022
Net interest income (teb) (2)	2,553	3,197
Non-interest revenue	3,897	2,975
Total revenue (teb) (2)	6,450	6,172
Provision for (recovery of) credit losses on impaired loans	9	(32)
Provision for (recovery of) credit losses on performing loans	9	(11)
Total provision for (recovery of) credit losses	18	(43)
Non-interest expense	4,279	3,855
Income before income taxes	2,153	2,360
Provision for income taxes (teb) (2)	471	588
Reported net income	1,682	1,772
Acquisition and integration costs (3)	4	8
Amortization of acquisition-related intangible assets (4)	20	14
Adjusted net income	1,706	1,794
Adjusted non-interest expense	4,247	3,826
Net income available to common shareholders	1,648	1,732
Adjusted net income available to common shareholders	1,672	1,754

Key Performance Metrics

Global Markets revenue	3,856	3,763
Investment and Corporate Banking revenue	2,594	2,409
Return on equity (%) (5)	13.9	15.0
Adjusted return on equity (%) (5)	14.1	15.2
Operating leverage (teb) (%)	(6.5)	(10.6)
Adjusted operating leverage (teb) (%)	(6.5)	(10.8)
Efficiency ratio (teb) (%)	66.3	62.5
Adjusted efficiency ratio (teb) (%)	65.8	62.0
PCL on impaired loans to average net loans and acceptances (%)	0.01	(0.05)
Average assets	416,261	390,306
Average gross loans and acceptances	77,058	63,254
Average net loans and acceptances	76,751	62,986
Full-time equivalent employees	2,717	2,815

U.S. Business Select Financial Data (US\$ in millions)

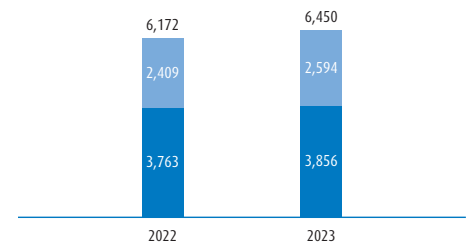
Total revenue (teb) (2)	2,052	2,010
Non-interest expense	1,617	1,471
Reported net income	311	415
Adjusted non-interest expense	1,604	1,450
Adjusted net income	320	431
Average assets	138,475	135,030
Average gross loans and acceptances	29,003	25,118

- (1) Adjusted results and ratios are on a non-GAAP basis and are discussed in the Non-GAAP and Other Financial Measures section.
- (2) Taxable equivalent basis (teb) amounts of \$321 million in fiscal 2023 and \$245 million in fiscal 2022 were recorded in net interest income, revenue and provision for income taxes, and were reflected in the ratios. For our U.S. businesses, teb amounts were US\$nil in fiscal 2023 and US\$11 million in fiscal 2022.
- (3) Pre-tax acquisition and integration costs related to Clearpool and Radicle of \$5 million in fiscal 2023 were recorded in non-interest expense. Pre-tax acquisition and integration costs related to KGS-Alpha and Clearpool of \$10 million in fiscal 2022 were recorded in non-interest expense.
- (4) Amortization of acquisition-related intangible assets pre-tax amounts of \$27 million in fiscal 2023 and \$19 million in fiscal 2022 were recorded in non-interest expense.
- (5) Return on equity is based on allocated capital. Effective fiscal 2023, the capital allocation rate increased to 11.0% of risk-weighted assets, compared with 10.5% in fiscal 2022. For further information, refer to the Non-GAAP and Other Financial Measures section.

Revenue by Line of Business (teb) ⁽²⁾

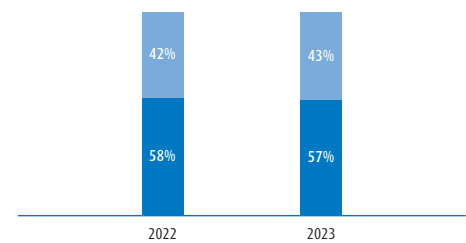
(\$ millions)

■ Global Markets
■ Investment and Corporate Banking

**Revenue by Geography**

(%)

■ Canada and Other Countries
■ United States



Financial Review

BMO Capital Markets reported net income was \$1,682 million, a decrease of \$90 million or 5% from the prior year. Results were driven by higher revenue, more than offset by higher expenses and a higher provision for credit losses, compared with a recovery in the prior year.

Revenue was \$6,450 million, an increase of \$278 million or 5% from the prior year. Global Markets revenue increased \$93 million or 2%, as lower trading revenue and equity and debt issuances were more than offset by higher revenue related to securitization activity and the impact of the stronger U.S. dollar. Investment and Corporate Banking revenue increased \$185 million or 8%, primarily due to higher corporate banking-related revenue, the prior-year mark-down on loan underwriting commitments and the impact of the stronger U.S. dollar, partially offset by a decrease in underwriting and advisory revenue reflecting lower levels of client activity.

Total provision for credit losses was \$18 million, compared with a recovery of \$43 million in the prior year. The provision for credit losses on impaired loans was \$9 million, compared with a recovery of \$32 million in the prior year. There was a \$9 million provision for credit losses on performing loans in the current year, compared with a recovery of \$11 million in the prior year.

Non-interest expense was \$4,279 million, an increase of \$424 million or 11% from the prior year. The increase was driven by higher legal provisions and higher technology, employee-related and travel and business development costs, and the impact of the stronger U.S. dollar.

Average gross loans and acceptances increased \$13.8 billion or 22% from the prior year to \$77.1 billion, reflecting higher levels of lending activity across loan portfolios and the impact of the stronger U.S. dollar.

For further information on non-GAAP amounts, measures and ratios in this 2023 Operating Groups Performance Review section, refer to the Non-GAAP and Other Financial Measures section.

Business Environment and Outlook

BMO Capital Markets' performance in the current year reflected the strength of our diversified business in a volatile environment. Market conditions in fiscal 2023 reflected economic uncertainty, geopolitical tensions and a heightened risk of a recession, which lowered business confidence. While client trading activity has remained stable, client appetite for new M&A and issuance activity has been below historical levels. A number of disruptive forces, including rising interest rates, tightened money supply, a more assertive regulatory environment and a focus on climate change, are reshaping the banking and capital markets industry. BMO Capital Markets has responded by optimizing resources against the current environment to accelerate growth opportunities across its businesses and leveraging its digital-first capabilities and data to improve efficiency.

Looking forward, we expect a more constructive environment in the capital markets in fiscal 2024, reflecting more moderate inflation and an end to the current cycle of rising rates, although geopolitical risks may lead to further market disruption. Our robust and diversified platform positions us well to benefit from the normalization of market conditions and client activity across industry sectors.

Our strategy remains unchanged, with a client-centric approach to be a valued financial partner through the deployment of capital and our integrated offerings of digital-first solutions to help clients achieve their goals. We leverage our strong talent, sector expertise and thought leadership to support our clients in changing market environments. Our commitment to sustainability is integral to our strategy, with sustainable finance product offerings and advice to support clients in their transition to a net zero world. In addition, our disciplined and integrated approach to risk management, along with continued investments in technology infrastructure, should position the business well to adapt to evolving regulatory and compliance requirements. With a prominent presence in Canada and strong momentum in the United States, we are building a solid foundation for profitable growth and sustainable returns.

The Canadian and U.S. economic environment in calendar 2023 and the outlook for calendar 2024 are discussed in more detail in the Economic Developments and Outlook section.

Caution

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

Corporate Services, including Technology and Operations

Corporate Services consists of Corporate Units and Technology and Operations (T&O). Corporate Units provide enterprise-wide expertise, governance and support in a variety of areas, including strategic planning, risk management, treasury, finance, legal and regulatory compliance, sustainability, human resources, communications, marketing, real estate and procurement. T&O develops, monitors, manages and maintains governance of information technology, including data and analytics, and provides cyber security and operations services.

Corporate Services focuses on enterprise-wide priorities related to maintaining a sound internal control and risk management environment and regulatory compliance, including the management, assessment and monitoring of BMO's investment portfolios and funding, liquidity and capital activities, as well as any exposures to credit, foreign exchange and interest rate risks. In support of the operating segments, Corporate Services develops and implements enterprise-wide processes, systems and controls to maintain operating efficiency and enable our businesses to adapt and meet their customer experience objectives.

The costs of Corporate Units and T&O services are largely allocated to the four operating segments (Canadian P&C, U.S. P&C, BMO Wealth Management and BMO Capital Markets), with any remaining amounts retained in Corporate Services results. As such, Corporate Services results largely reflect the impact of residual unallocated expenses, residual treasury-related activities and the elimination of taxable equivalent adjustments. We review revenue and expense allocation methodologies on an annual basis.

Corporate Services, including Technology and Operations ⁽¹⁾

(Canadian \$ in millions, except as noted)

As at or for the year ended October 31

	2023	2022
Net interest income before group teb offset	(1,095)	(716)
Group teb offset	(354)	(270)
Net interest income (teb)	(1,449)	(986)
Non-interest revenue	(1,449)	7,830
Total revenue (teb)	(2,898)	6,844
Provision for (recovery of) credit losses on impaired loans	2	(7)
Provision for (recovery of) credit losses on performing loans	700	7
Total provision for (recovery of) credit losses	702	-
Non-interest expense	2,706	1,383
Income (loss) before income taxes	(6,306)	5,461
Provision for (recovery of) income taxes (teb)	(1,433)	1,270
Reported net income (loss)	(4,873)	4,191
Initial provision for credit losses on purchased performing loans (2)	517	-
Acquisition and integration costs (3)	1,520	237
Impact of divestitures (4)	-	55
Management of fair value changes on the purchase of Bank of the West (5)	1,461	(5,667)
Legal provision (including related interest expense and legal fees) (6)	21	846
Impact of Canadian tax measures (7)	502	-
Adjusted net loss	(852)	(338)
Adjusted total revenue (teb)	(719)	(333)
Adjusted total recovery of credit losses	(3)	-
Adjusted non-interest expense	660	424
Net income (loss) available to common shareholders	(5,081)	4,087
Adjusted net loss available to common shareholders	(1,060)	(442)
Full-time equivalent employees	18,181	15,490

U.S. Business Select Financial Data (US\$ in millions)

Total revenue (teb) (8)	(956)	5,604
Total provision for (recovery of) credit losses	518	(4)
Non-interest expense	1,688	686
Provision for (recovery of) income taxes (teb) (8)	(791)	1,282
Reported net income (loss)	(2,371)	3,640
Adjusted total revenue	571	106
Adjusted total provision for (recovery of) credit losses	1	(4)
Adjusted non-interest expense	190	44
Adjusted net income (loss)	240	83

(1) Adjusted results are on a non-GAAP basis and are discussed in the Non-GAAP and Other Financial Measures section.

(2) Fiscal 2023 reported net income included a provision for credit losses of \$517 million (\$705 million pre-tax) on the purchased Bank of the West performing loan portfolio.

(3) Fiscal 2023 reported net income included acquisition and integration costs related to Bank of the West of \$1,520 million (\$2,027 million pre-tax), and fiscal 2022 included \$237 million (\$316 million pre-tax). These amounts were recorded in non-interest expense.

(4) Fiscal 2022 reported net income included the impact of divestitures related to the sale of our EMEA and U.S. Asset Management businesses, comprising a gain of \$8 million related to the transfer of certain U.S. asset management clients and a \$29 million loss related to foreign currency translation reclassified from accumulated other comprehensive income, both recorded in non-interest revenue, and expenses of \$16 million, including taxes of \$22 million on the closing of the sale, recorded in non-interest expense.

(5) Fiscal 2023 reported net income included a loss of \$1,461 million (\$2,011 million pre-tax) related to the acquisition of Bank of the West resulting from the management of the impact of interest rate changes between the announcement and closing of the acquisition on its fair value and goodwill, comprising \$1,628 million of mark-to-market losses on certain interest rate swaps recorded in trading revenue and \$383 million of losses on a portfolio of primarily U.S. treasuries and other balance sheet instruments recorded in net interest income. Fiscal 2022 included revenue of \$5,667 million (\$7,713 million pre-tax), comprising \$7,665 million of mark-to-market gains and \$48 million of non-trading interest income. For further information on this acquisition, refer to the Recent Acquisitions section.

(6) Fiscal 2023 reported net income included the impact of a lawsuit associated with a predecessor bank, M&I Marshall and Ilsley Bank, of \$21 million (\$27 million pre-tax), comprising interest expense of \$30 million and a net non-interest expense recovery of \$3 million. Fiscal 2022 included a provision of \$846 million (\$1,142 million pre-tax), comprising interest expense of \$515 million and non-interest expense of \$627 million. For further information, refer to the Provisions and Contingent Liabilities section in Note 24 of the audited annual consolidated financial statements.

(7) Fiscal 2023 reported net income included the impact of certain tax measures enacted by the Canadian government. These tax measures included a one-time tax expense of \$371 million, comprising a Canada Recovery Dividend (CRD) of \$312 million and \$59 million related to the pro-rated fiscal 2022 impact of the 1.5% tax rate increase, net of a deferred tax asset remeasurement, and a charge of \$131 million (\$160 million pre-tax) related to the amended GST/HST definition for financial services, comprising \$138 million recorded in non-interest revenue and \$22 million recorded in non-interest expense.

(8) Fiscal 2023 reported net income included group teb offset amounts for our U.S. businesses of US\$25 million and fiscal 2022 included US\$31 million, recorded in revenue and provision for (recovery of) income taxes.

Financial Review

Corporate Services reported net loss was \$4,873 million, compared with reported net income of \$4,191 million in the prior year.

The reported net loss in the current year reflected a loss related to fair value management actions and the impact of certain Canadian tax measures, including the Canada Recovery Dividend and a charge related to the amended GST/HST definition for financial services, as well as higher acquisition and integration costs related to Bank of the West and an initial provision for credit losses on the purchased Bank of the West performing loan portfolio. Reported net income in the prior year reflected gains related to fair value management actions, partially offset by the impact of the lawsuit associated with M&I Marshall and Ilsley Bank.

Adjusted net loss was \$852 million, compared with an adjusted net loss of \$338 million in the prior year. Adjusted results were driven by higher expenses, primarily due to the inclusion of Bank of the West and lower revenue. Lower revenue was driven by treasury-related activities, partially offset by the impact of Bank of the West, which included the accretion of purchase accounting fair value marks on loans and deposits and the discount on securities, net of the amortization of the fair value hedge.

For further information on non-GAAP amounts, measures and ratios in this 2023 Operating Groups Performance Review section, refer to the Non-GAAP and Other Financial Measures section.

Summary Quarterly Earnings Trends

Summarized Statement of Income and Quarterly Financial Measures ⁽¹⁾

(Canadian \$ in millions, except as noted)	Q4-2023	Q3-2023	Q2-2023	Q1-2023	Q4-2022	Q3-2022	Q2-2022	Q1-2022
Net interest income	4,941	4,905	4,814	4,021	3,767	4,197	3,902	4,019
Non-interest revenue	3,419	3,024	3,626	2,449	6,803	1,902	5,416	3,704
Revenue ⁽¹⁾	8,360	7,929	8,440	6,470	10,570	6,099	9,318	7,723
Insurance claims, commissions and changes in policy benefit liabilities (CCPB)	151	4	591	1,193	(369)	413	(808)	81
Revenue, net of CCPB ⁽¹⁾	8,209	7,925	7,849	5,277	10,939	5,686	10,126	7,642
Provision for credit losses on impaired loans	408	333	243	196	192	104	120	86
Provision for (recovery of) credit losses on performing loans	38	159	780	21	34	32	(70)	(185)
Total provision for (recovery of) credit losses	446	492	1,023	217	226	136	50	(99)
Non-interest expense	5,700	5,594	5,522	4,403	4,776	3,859	3,713	3,846
Income before income taxes	2,063	1,839	1,304	657	5,937	1,691	6,363	3,895
Provision for income taxes	446	385	245	410	1,454	326	1,607	962
Reported net income (see below)	1,617	1,454	1,059	247	4,483	1,365	4,756	2,933
Initial provision for credit losses on purchased performing loans ⁽²⁾	-	-	517	-	-	-	-	-
Acquisition and integration costs ⁽³⁾	433	370	549	181	145	62	28	10
Amortization of acquisition-related intangible assets ⁽⁴⁾	88	85	85	6	6	5	6	6
Impact of divestitures ⁽⁵⁾	-	-	-	-	(8)	6	9	48
Management of fair value changes on the purchase of Bank of the West ⁽⁶⁾	-	-	-	1,461	(3,336)	694	(2,612)	(413)
Legal provision (including related interest expense and legal fees) ⁽⁷⁾	12	(3)	6	6	846	-	-	-
Impact of Canadian tax measures ⁽⁸⁾	-	131	-	371	-	-	-	-
Adjusted net income	2,150	2,037	2,216	2,272	2,136	2,132	2,187	2,584
Operating Group Reported and Adjusted Net Income								
Canadian P&C reported net income	962	915	861	980	917	965	940	1,004
Acquisition and integration costs ⁽³⁾	1	6	2	-	-	-	-	-
Amortization of acquisition-related intangible assets ⁽⁴⁾	3	2	1	-	-	-	1	-
Canadian P&C adjusted net income	966	923	864	980	917	965	941	1,004
U.S. P&C reported net income	661	576	789	698	660	568	588	681
Amortization of acquisition-related intangible assets ⁽⁴⁾	79	77	77	1	2	1	1	1
U.S. P&C adjusted net income	740	653	866	699	662	569	589	682
BMO Wealth Management reported net income	262	303	284	277	298	324	314	315
Amortization of acquisition-related intangible assets ⁽⁴⁾	1	1	1	1	-	1	1	1
BMO Wealth Management adjusted net income	263	304	285	278	298	325	315	316
BMO Capital Markets reported net income	489	310	380	503	357	262	448	705
Acquisition and integration costs ⁽³⁾	(2)	1	2	3	2	1	2	3
Amortization of acquisition-related intangible assets ⁽⁴⁾	5	5	6	4	4	3	3	4
BMO Capital Markets adjusted net income	492	316	388	510	363	266	453	712
Corporate Services reported net income (loss)	(757)	(650)	(1,255)	(2,211)	2,251	(754)	2,466	228
Initial provision for credit losses on purchased performing loans ⁽²⁾	-	-	517	-	-	-	-	-
Acquisition and integration costs ⁽³⁾	434	363	545	178	143	61	26	7
Impact of divestitures ⁽⁵⁾	-	-	-	-	(8)	6	9	48
Management of fair value changes on the purchase of Bank of the West ⁽⁶⁾	-	-	-	1,461	(3,336)	694	(2,612)	(413)
Legal provision (including related interest expense and legal fees) ⁽⁷⁾	12	(3)	6	6	846	-	-	-
Impact of Canadian tax measures ⁽⁸⁾	-	131	-	371	-	-	-	-
Corporate Services adjusted net income (loss)	(311)	(159)	(187)	(195)	(104)	7	(111)	(130)
Key Performance Metrics								
Basic earnings per share (\$) ⁽⁹⁾	2.07	1.97	1.31	0.30	6.52	1.96	7.15	4.44
Diluted earnings per share (\$) ⁽⁹⁾	2.06	1.97	1.30	0.30	6.51	1.95	7.13	4.43
Adjusted diluted earnings per share (\$)	2.81	2.78	2.93	3.22	3.04	3.09	3.23	3.89
Net interest margin on average earning assets (%)	1.66	1.68	1.69	1.48	1.46	1.71	1.69	1.64
PCL-to-average net loans and acceptances (annualized) (%)	0.27	0.30	0.65	0.15	0.16	0.10	0.04	(0.08)
PCL on impaired loans-to-average net loans and acceptances (annualized) (%)	0.25	0.21	0.16	0.14	0.14	0.08	0.10	0.07
Effective tax rate (%)	21.6	20.9	18.8	62.5	24.5	19.3	25.2	24.7
Adjusted effective tax rate (%)	22.7	21.8	22.5	22.3	21.8	22.0	23.6	23.5
Canadian/U.S. dollar average exchange rate (\$)	1.3648	1.3331	1.3564	1.3426	1.3516	1.2774	1.2665	1.2710

(1) Adjusted results exclude certain items from reported results and are used to calculate our adjusted measures as presented in the above table. Management assesses performance on a reported basis and an adjusted basis, and considers both to be useful. Revenue, net of CCPB, as well as reported ratios calculated net of CCPB, and adjusted results, measures and ratios in this table are non-GAAP amounts. For further information, refer to the Non-GAAP and Other Financial Measures section; and for details on the composition of non-GAAP amounts, measures and ratios, as well as supplementary financial measures, refer to the Glossary of Financial Terms.

(2) Reported net income included a provision for credit losses of \$517 million (\$705 million pre-tax) on the acquired Bank of the West performing loan portfolio in Q2-2023, recorded in Corporate Services.

(3) Reported net income included acquisition and integration costs recorded in non-interest expense. Costs related to the acquisition of Bank of the West were recorded in Corporate Services: Q4-2023 included \$434 million (\$583 million pre-tax), Q3-2023 included \$363 million (\$487 million pre-tax), Q2-2023 included \$545 million (\$722 million pre-tax), Q1-2023 included \$178 million (\$235 million pre-tax), Q4-2022 included \$143 million (\$191 million pre-tax), Q3-2022 included \$61 million (\$82 million pre-tax), Q2-2022 included \$26 million (\$35 million pre-tax) and Q1-2022 included \$7 million (\$8 million pre-tax). Costs related to Radicle and Clearpool were recorded in BMO Capital Markets: Q3-2023 included \$1 million (\$2 million pre-tax), Q2-2023 included \$2 million (\$2 million pre-tax), Q1-2023 included \$3 million (\$4 million pre-tax), Q4-2022 included \$2 million (\$2 million pre-tax), Q3-2022 included \$1 million (\$2 million pre-tax), Q2-2022 included \$2 million (\$2 million pre-tax) and Q1-2022 included \$3 million (\$4 million pre-tax). Q4-2023 included a recovery of \$2 million (\$3 million pre-tax). Costs related to the acquisition of AIR MILES were recorded in Canadian P&C: Q4-2023 included \$1 million (\$2 million pre-tax), Q3-2023 included \$6 million (\$8 million pre-tax) and Q2-2023 included \$2 million (\$3 million pre-tax).

- Earnings in certain quarters are impacted by modest seasonal factors, such as higher employee expenses related to higher employee benefits and stock-based compensation for employees eligible to retire that are recorded in the first quarter of each year, as well as the impact of fewer days in the second quarter relative to other quarters. Quarterly earnings are also impacted by foreign currency translation. The table above outlines summary results for the first quarter of 2022 through the fourth quarter of 2023.

Financial performance has demonstrated good operating momentum and benefitted from the strength and diversification of our businesses. Results were impacted by a higher interest rate environment resulting in an increase in net interest income, while uncertain economic conditions resulted in lower levels of client activity in our market-sensitive businesses, as well as higher provisions for credit losses from historically low levels.

of 2023 included an initial
fiscal 2022 included revenue
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Early in 2022, as the economy recovered from the economic downturn brought on by the pandemic, we recovered provisions on performing loans, reflecting favourable credit conditions and positive credit migration. Later in 2022, we saw signs of normalization in credit conditions with gradually increasing provisions on impaired loans and modest provisions on performing loans reflecting balance growth and deterioration in the economic outlook. In 2023, the macroeconomic outlook improved, but this was more than offset by downward credit migration, resulting in higher provisions for performing loans and an increase in losses on impaired loans during the year.

The effective tax rate has varied with legislative changes; changes in tax policy, including their interpretation by tax authorities and the courts; earnings mix, including the relative proportion of earnings attributable to the different jurisdictions in which we operate, the level of pre-tax income, and the level of investments or securities which generate tax credits, or tax-exempt income from securities. The reported effective tax rate was impacted by certain tax measures enacted by the Canadian government as noted above, fair value management actions relating to the acquisition of Bank of the West in the first quarter of 2023 and in fiscal 2022, and the sale of our EMEA and U.S. Asset Management businesses in 2022.

62 BMO Financial Group 206th Annual Report 2023

Review of Fourth Quarter 2023 Performance

Q4 2023 vs. Q4 2022

Net Income

Reported net income was \$1,617 million, a decrease of \$2,866 million or 64% from the prior year, and adjusted net income was \$2,150 million, an increase of \$14 million or 1% from the prior year. Adjusted results in both the current quarter and the prior year excluded acquisition and integration costs, amortization of acquisition-related intangible assets and the impact of a lawsuit associated with a predecessor bank, M&I Marshall and Ilsley Bank. Adjusted results in the prior year also excluded the impact of fair value management actions related to the acquisition of Bank of the West. Reported EPS was \$2.06, a decrease of \$4.45 from the prior year, and adjusted EPS was \$2.81, a decrease of \$0.23, including the impact of common share issuances in the first quarter of 2023.

The decrease in reported results reflected the impact of fair value management actions in the prior year and higher acquisition-related costs in the current quarter, partially offset by lower legal provisions related to the lawsuit noted above. Adjusted net income increased due to the inclusion of Bank of the West, as well as higher underlying revenue, largely offset by higher expenses and a higher provision for credit losses.

Revenue

Reported revenue was \$8,360 million, a decrease of \$2,210 million or 21% from the prior year. Revenue, net of insurance claims, commissions and changes in policy benefit liabilities (CCPB), was \$8,209 million, a decrease of \$2,730 million or 25% from the prior year, and adjusted revenue, net of CCPB, was \$8,223 million, an increase of \$1,310 million or 19%. The decrease in reported results primarily reflected the impact of fair value management actions in the prior year, partially offset by lower interest expense related to the lawsuit associated with M&I Marshall and Ilsley Bank. On an adjusted basis, revenue, net of CCPB, increased across all operating groups, including the addition of Bank of the West and AIR MILES, reflecting higher net interest income and non-interest revenue. Revenue in Corporate Services decreased on a reported and an adjusted basis.

Insurance Claims, Commissions and Changes in Policy Benefit Liabilities

Insurance claims, commissions and changes in policy benefit liabilities (CCPB) were \$151 million, an increase of \$520 million from the prior year, largely driven by higher annuity premiums. These changes were largely offset in insurance revenue.

Provision for Credit Losses

Total provision for credit losses was \$446 million, compared with \$226 million in the prior year. The total provision for credit losses as a percentage of average net loans and acceptances ratio was 27 basis points, compared with 16 basis points in the prior year. The provision for credit losses on impaired loans was \$408 million, an increase of \$216 million from the prior year. The provision for credit losses on impaired loans as a percentage of average net loans and acceptances ratio was 25 basis points, compared with 14 basis points in the prior year. The provision for credit losses on performing loans was \$38 million, compared with a \$34 million provision in the prior year.

Non-Interest Expense

Reported non-interest expense was \$5,700 million, an increase of \$924 million or 19% from the prior year, and adjusted non-interest expense was \$4,997 million, an increase of \$1,043 million or 26%. Reported results reflected higher acquisition and integration costs and amortization of acquisition-related intangible assets compared with the prior year, partially offset by lower expenses related to the lawsuit associated with M&I Marshall and Ilsley Bank. Reported and adjusted non-interest expense increased due to the impact of Bank of the West and AIR MILES, as well as higher employee-related costs, higher premises costs, including a charge related to the consolidation of BMO real estate in the current quarter, and higher advertising costs.

Provision for Income Taxes

The reported provision for income taxes was \$446 million, a decrease of \$1,008 million from the fourth quarter of 2022, and the adjusted provision for income taxes was \$630 million, an increase of \$33 million. The effective tax rate for the current quarter was 21.6%, compared with 24.5% in the fourth quarter of 2022, and the adjusted effective tax rate was 22.7% in the current quarter, compared with 21.8%. The change in the reported effective tax rate in the current quarter relative to the fourth quarter of 2022 was primarily due to the impact of higher pre-tax earnings in the prior year, and the change in the adjusted effective tax rate was primarily due to earnings mix.

Q4 2023 vs. Q3 2023

Reported net income increased \$163 million or 11% from the prior quarter, and adjusted net income increased \$113 million or 6%. The increase in reported net income was primarily due to the impact of certain tax measures in the prior quarter, partially offset by higher acquisition-related costs in the current quarter. The increase in adjusted net income primarily reflected higher revenue. Reported net income increased in BMO Capital Markets, Canadian P&C and U.S. P&C, and decreased in BMO Wealth Management. Corporate Services recorded a higher net loss on both a reported and an adjusted basis, compared with the prior quarter.

Reported revenue increased \$431 million or 5% from the prior quarter. Reported revenue, net of CCPB, increased \$284 million or 4%, including the impact of certain tax measures in the prior quarter, and adjusted revenue, net of CCPB, increased \$157 million or 2% from the prior quarter, reflecting higher net interest income and higher non-interest revenue. CCPB increased \$147 million from the prior quarter, reflecting higher annuity premiums and lower claims associated with a change in our longevity portfolios in the prior quarter, partially offset by changes in the fair value of investments. These changes were largely offset in insurance revenue. Reported non-interest expense increased \$106 million or 2% from the prior quarter, and adjusted non-interest expense increased \$30 million or 1%, primarily due to the impact of the stronger U.S. dollar. Total provision for credit losses decreased \$46 million from the prior quarter, with a higher provision on impaired loans more than offset by a lower provision on performing loans.

For further information on non-GAAP amounts, measures and ratios in this Review of Fourth Quarter 2023 Performance section, refer to the Non-GAAP and Other Financial Measures section.

2022 Financial Performance Review

The preceding discussions in the MD&A focused on BMO's performance in fiscal 2023. This section summarizes BMO's performance in fiscal 2022 relative to fiscal 2021. Periodically, certain lines of business and units within our organizational structure are realigned to support our strategic priorities, and comparative figures in prior periods have been reclassified to conform with the current period's presentation. Further information on these reclassifications is provided in the How BMO Reports Operating Group Results section.

(Canadian \$ in millions)	Canadian P&C	U.S. P&C	Total P&C	BMO Wealth Management	BMO Capital Markets	Corporate Services	Total Bank
2022							
Net interest income (loss) (1)	7,449	5,037	12,486	1,188	3,197	(986)	15,885
Non-interest revenue	2,419	1,265	3,684	3,336	2,975	7,830	17,825
Revenue (1)	9,868	6,302	16,170	4,524	6,172	6,844	33,710
Insurance claims, commissions and changes in policy benefit liabilities (CCPB)	-	-	-	(683)	-	-	(683)
Revenue, net of CCPB	9,868	6,302	16,170	5,207	6,172	6,844	34,393
Provision for (recovery of) credit losses	341	17	358	(2)	(43)	-	313
Non-interest expense	4,349	3,043	7,392	3,564	3,855	1,383	16,194
Income before income taxes	5,178	3,242	8,420	1,645	2,360	5,461	17,886
Provision for income taxes (1)	1,352	745	2,097	394	588	1,270	4,349
Net income (loss)	3,826	2,497	6,323	1,251	1,772	4,191	13,537
Acquisition and integration costs	-	-	-	-	8	237	245
Amortization of acquisition-related intangible assets	1	5	6	3	14	-	23
Impact of divestitures	-	-	-	-	-	55	55
Restructuring costs (reversals)	-	-	-	-	-	-	-
Legal provision (including related interest expense and legal fees)	-	-	-	-	-	846	846
Management of fair value changes on the purchase of Bank of the West	-	-	-	-	-	(5,667)	(5,667)
Adjusted net income (loss)	3,827	2,502	6,329	1,254	1,794	(338)	9,039
2021							
Net interest income (loss) (1)	6,561	4,268	10,829	982	3,115	(616)	14,310
Non-interest revenue	2,225	1,243	3,468	6,071	3,011	326	12,876
Revenue (1)	8,786	5,511	14,297	7,053	6,126	(290)	27,186
Insurance claims, commissions and changes in policy benefit liabilities (CCPB)	-	-	-	1,399	-	-	1,399
Revenue, net of CCPB	8,786	5,511	14,297	5,654	6,126	(290)	25,787
Provision for (recovery of) credit losses	377	(144)	233	(12)	(194)	(7)	20
Non-interest expense	3,968	2,813	6,781	3,843	3,462	1,423	15,509
Income (loss) before income taxes	4,441	2,842	7,283	1,823	2,858	(1,706)	10,258
Provision for (recovery of) income taxes (1)	1,153	666	1,819	441	738	(494)	2,504
Net income (loss)	3,288	2,176	5,464	1,382	2,120	(1,212)	7,754
Acquisition and integration costs	-	-	-	-	7	-	7
Amortization of acquisition-related intangible assets	1	24	25	24	17	-	66
Impact of divestitures	-	-	-	-	-	842	842
Restructuring costs (reversals)	-	-	-	-	-	(18)	(18)
Adjusted net income (loss)	3,289	2,200	5,489	1,406	2,144	(388)	8,651

(1) Operating group revenue, net interest income and provision for income taxes are presented on a taxable equivalent basis (teb). The offset to the groups' teb adjustments is reflected in Corporate Services. For further information, refer to the How BMO Reports Operating Group Results section.

Revenue measures, net of CCPB, and adjusted results and ratios are on a non-GAAP basis and are discussed in the Non-GAAP and Other Financial Measures section.

Refer to footnotes (1) to (8) in the Non-GAAP and Other Financial Measures table for further information on adjusting items.

Net Income

Reported net income in 2022 was \$13,537 million, an increase of \$5,783 million or 75% from 2021, and adjusted net income was \$9,039 million, an increase of \$388 million or 4%. Reported results in 2022 included revenue of \$5,667 million (\$7,713 million pre-tax) related to management of the impact of interest rate changes between the announcement and closing of the Bank of the West acquisition on its fair value and goodwill, and related acquisition and integration costs of \$237 million (\$316 million pre-tax). In addition, 2022 included the impact of a lawsuit associated with a predecessor bank, M&I Marshall and Ilsley Bank, of \$846 million (\$1,142 million pre-tax), and the impact of divestitures related to the sale of our EMEA Asset Management businesses and the transfer of certain U.S. asset management clients of \$55 million. Reported results in 2021 included a \$779 million (pre-tax and after-tax) write-down of goodwill related to the sale of our EMEA Asset Management businesses, a \$22 million (\$29 million pre-tax) net gain on the sale of our Private Banking business in Hong Kong and Singapore, and \$85 million (\$107 million pre-tax) of divestiture-related costs for both transactions, partially offset by the partial reversal of \$18 million (\$24 million pre-tax) of restructuring charges recorded in 2019 related to severance. In addition, reported net income in both years included the amortization of acquisition-related intangible assets and acquisition and integration costs. The increase in reported net income was driven by the impact of fair value management actions in 2022. Adjusted results increased, primarily due to higher net revenue, partially offset by higher expenses and a higher provision for credit losses. Net income increased in our P&C businesses, and decreased in BMO Capital Markets and BMO Wealth Management. On a reported basis, Corporate Services recorded net income of \$4,191 million, compared with a net loss of \$1,212 million in the prior year, and on an adjusted basis recorded a lower net loss compared with the prior year.

Return on Equity

Reported return on equity (ROE) was 22.9% in 2022 and adjusted ROE was 15.2%, compared with 14.9% and 16.7%, respectively, in 2021. Reported ROE increased due to higher net income, including the impact of fair value management actions related to the acquisition of Bank of the West. Adjusted ROE decreased, as higher net income was offset by an increase in common equity. Average common shareholders' equity increased \$7.6 billion or 15% from 2021, primarily due to growth in retained earnings and the issuance of common shares related to the acquisition of Bank of the West, partially offset by a decrease in accumulated other comprehensive income. The reported return on tangible common equity (ROTCE) was 25.1% in 2022, compared with 17.0% in 2021, and adjusted ROTCE was 16.6%, compared with 18.9%. Book value per share increased 19% from 2021 to \$95.60 in 2022, reflecting the increase in shareholders' equity.

Revenue

Reported revenue in 2022 was \$33,710 million, an increase of \$6,524 million from 2021, and adjusted revenue was \$26,533 million, a decrease of \$624 million or 2%. On a basis that nets insurance claims, commissions and changes in policy benefit liabilities (CCPB) against insurance revenue (net revenue), reported net revenue in 2022 was \$34,393 million, an increase of \$8,606 million or 33% from 2021, and adjusted net revenue was \$27,216 million, an increase of \$1,458 million or 6%. Reported revenue in 2022 included \$7,713 million related to fair value management actions, comprising \$7,665 million of pre-tax mark-to-market gains on certain interest rate swaps recorded in non-interest trading revenue and \$48 million of non-trading interest income on a portfolio of primarily U.S. treasury securities. In addition, reported revenue included interest expense of \$515 million related to the lawsuit noted above. Both years included the impact of divestitures.

Canadian P&C

Total revenue in 2022 increased \$1,082 million or 12% from 2021. Net interest income increased \$888 million or 14%, due to higher loan and deposit balances and higher net interest margins. Non-interest revenue increased \$194 million or 9%, with higher revenue across most categories, including card-related revenue and deposit fee revenue, partially offset by lower gains on investments in our commercial business. Personal and Business Banking revenue increased \$736 million or 12%, and Commercial Banking revenue increased \$346 million or 13%.

U.S. P&C

Total revenue in 2022 increased \$791 million or 14% from 2021 on a Canadian dollar basis. On a U.S. dollar basis, revenue increased \$484 million or 11%, primarily due to an increase in net interest income of \$493 million or 14%, reflecting higher loan and deposit balances and higher net interest margins, partially offset by lower Paycheck Protection Program (PPP) ⁽¹⁾ revenue. Non-interest revenue was relatively unchanged. Commercial Banking revenue increased \$377 million or 12%, and Personal and Business Banking revenue increased \$107 million or 8%.

BMO Wealth Management

Total revenue in 2022 was \$4,524 million, compared with \$7,053 million in 2021. Revenue, net of CCPB, in 2022 decreased \$447 million or 8%. Revenue in Wealth and Asset Management decreased \$426 million or 8%, due to divestitures, partially offset by underlying revenue growth of 5%, reflecting higher net interest income due to strong deposit and loan growth and higher net interest margins, as well as the benefit from growth in net new client assets, partially offset by lower online brokerage transaction revenue and the impact of weaker global markets. Insurance revenue, net of CCPB, decreased \$21 million or 5% from 2021, primarily due to the impact of less favourable market movements in 2022 relative to 2021.

BMO Capital Markets

Revenue in 2022 increased \$46 million or 1% from 2021. Global Markets revenue increased \$158 million or 4%, primarily due to higher foreign exchange, equities and commodities trading revenue and the impact of the stronger U.S. dollar, partially offset by lower interest rate trading revenue and lower levels of new equity and debt issuances. Investment and Corporate Banking revenue decreased \$112 million or 4%, primarily due to lower net securities gains, lower underwriting and advisory revenue reflecting lower levels of client activity given market conditions, and mark-downs on loan underwriting commitments, partially offset by higher corporate banking-related revenue and the impact of the stronger U.S. dollar.

(1) The U.S. Small Business Administration Paycheck Protection Program (PPP) is a government relief program implemented in fiscal 2020 to support businesses that faced financial hardship caused by the COVID-19 pandemic.

Corporate Services

Reported revenue in 2022 increased \$7,134 million from 2021, and adjusted revenue decreased \$14 million. Reported revenue in 2022 included the impact of fair value management actions related to the acquisition of Bank of the West and a legal provision related to a lawsuit noted above. In addition, both years included the impact of divestitures.

Insurance Claims, Commissions and Changes in Policy Benefit Liabilities

Insurance claims, commissions and changes in policy benefit liabilities (CCPB) were negative \$683 million in 2022, compared with \$1,399 million in 2021. CCPB decreased, primarily due to changes in the fair value of policy benefit liabilities and the impact of lower annuity sales. The changes were largely offset in revenue.

Provision for Credit Losses

The total provision for credit losses (PCL) in 2022 was \$313 million, compared with \$20 million in 2021. PCL on impaired loans was \$502 million in 2022, a decrease of \$23 million from 2021, largely due to lower provisions in Canadian P&C and BMO Capital Markets, partially offset by higher provisions in U.S. P&C. There was a \$189 million recovery of the provision for credit losses on performing loans in 2022, compared with a \$505 million recovery in 2021. The year-over-year change largely reflected the impact of a deteriorating economic outlook, a lower benefit from improvement in credit quality and stronger balance growth, partially offset by reduced uncertainty as a result of the improving pandemic environment and a smaller impact from changes in scenario weight.

Non-Interest Expense

Reported non-interest expense in 2022 was \$16,194 million, an increase of \$685 million or 4% from 2021, and adjusted non-interest expense was \$15,194 million, an increase of \$664 million or 4% from 2021. Reported non-interest expense in 2022 included \$627 million related to the lawsuit noted above and in 2021, included a \$24 million partial reversal of a restructuring charge. Reported non-interest expense in both years included the impact of divestiture costs, acquisition and integration costs, and the amortization of acquisition-related intangible assets. Reported and adjusted non-interest expense increased, due to higher employee-related costs, computer and equipment costs, advertising and business development costs and professional fees, partially offset by lower premises costs and divestitures.

Provision for Income Taxes

The provision for income taxes in 2022 was \$4,349 million, compared with \$2,504 million in 2021. The reported effective tax rate was 24.3%, compared with 24.4% in 2021. The adjusted provision for income taxes was \$2,670 million, compared with \$2,537 million in 2021. The adjusted effective tax rate was 22.8%, compared with 22.7% in 2021.

For further information on non-GAAP amounts, measures and ratios in this 2022 Financial Performance Review section, refer to the Non-GAAP and Other Financial Measures section.

Financial Condition Review

Summary Balance Sheet

(Canadian \$ in millions)
As at October 31

	2023	2022
Assets		
Cash and cash equivalents and interest bearing deposits with banks	82,059	93,200
Securities	322,379	273,262
Securities borrowed or purchased	115,662	113,194
Net loans	656,478	551,339
Derivative instruments	39,976	48,160
Other assets	76,722	60,044
Total assets	1,293,276	1,139,199
Liabilities and Equity		
Deposits	909,676	769,478
Derivative instruments	50,193	59,956
Securities lent or sold under repurchase agreements	106,108	103,963
Other liabilities	142,034	126,614
Subordinated debt	8,228	8,150
Equity	77,009	71,038
Non-controlling interest in subsidiaries	28	-
Total liabilities and equity	1,293,276	1,139,199



The secret food is

Overview

Total assets of \$1,293.3 billion increased \$154.1 billion from October 31, 2022. The stronger U.S. dollar increased assets by \$9.2 billion, excluding the impact on derivative assets. Total liabilities of \$1,216.2 billion increased \$148.1 billion from the prior year. The stronger U.S. dollar increased liabilities by \$8.8 billion, excluding the impact of derivative liabilities. Total equity of \$77.0 billion increased \$6.0 billion from October 31, 2022, including share issuances during the first quarter of 2023.

Cash and Interest Bearing Deposits with Banks

Cash and interest bearing deposits with banks decreased \$11.1 billion, primarily reflecting the use of cash accumulated in the prior year for the completion of the Bank of the West acquisition on February 1, 2023.

Securities

(Canadian \$ in millions)
As at October 31

	2023	2022
Trading	124,556	108,177
Fair value through profit or loss (FVTPL) (1)	16,720	13,641
Fair value through other comprehensive income – Debt and equity (2)	62,828	43,561
Amortized cost (3)	116,814	106,590
Investments in associates and joint ventures	1,461	1,293
Total securities	322,379	273,262

(1) Included securities mandatorily measured at FVTPL of \$6,729 million (\$4,410 million as at October 31, 2022) and securities designated at fair value of \$9,991 million (\$9,231 million as at October 31, 2022).

(2) Included allowances for credit losses on debt securities recorded at fair value through other comprehensive income of \$3 million as at October 31, 2023 (\$3 million as at October 31, 2022).

(3) Net of allowances for credit losses of \$3 million (\$3 million as at October 31, 2022).

Securities increased \$49.1 billion, primarily due to the inclusion of Bank of the West, higher levels of client activity in BMO Capital Markets and the impact of the stronger U.S. dollar.

Securities Borrowed or Purchased Under Resale Agreements

Securities borrowed or purchased under resale agreements increased \$2.5 billion, due to higher levels of client activity in BMO Capital Markets and the impact of the stronger U.S. dollar.

Net Loans

(Canadian \$ in millions)
As at October 31

	2023	2022
Residential mortgages	177,250	148,880
Consumer instalment and other personal	104,040	86,103
Credit cards	12,294	9,663
Businesses and governments	366,701	309,310
Gross loans	660,285	553,956
Allowance for credit losses	(3,807)	(2,617)
Total net loans	656,478	551,339

Net loans increased \$105.1 billion from October 31, 2022, due to the inclusion of Bank of the West, growth in residential mortgages and credit card balances in Canadian P&C, growth in business and government loans in Canadian P&C and BMO Capital Markets and the impact of the stronger U.S. dollar, partially offset by lower source currency balances in U.S. P&C.

Table 4 in the Supplemental Information provides a comparative summary of loans by geographic location and product. Table 6 in the Supplemental Information provides a comparative summary of net loans in Canada by province and industry. Loan quality is discussed in the Credit Quality Information section, and further details on loans are provided in Notes 4, 6 and 24 of the audited annual consolidated financial statements.

Derivative Financial Assets

Derivative financial assets decreased \$8.2 billion, primarily reflecting a decrease in the fair value of client-driven trading derivatives in BMO Capital Markets, with decreases in the fair value of commodities, foreign exchange and equity contracts, partially offset by an increase in the fair value of interest rate contracts. Further details on derivative financial assets are provided in Note 8 of the audited annual consolidated financial statements.

Other Assets

Other assets primarily include goodwill and intangible assets, customers' liability under acceptances, cash collateral, insurance-related assets, premises and equipment, precious metals, current and deferred tax assets, accounts receivable and prepaid expenses. Other assets increased \$16.7 billion, primarily due to goodwill and intangible assets related to Bank of the West, higher deferred tax assets and higher precious metals balances, partially offset by lower customers' liability under acceptances due to lower levels of acceptances issued into the market. Further details on other assets are provided in Notes 9, 11, 12 and 22 of the audited annual consolidated financial statements.

Deposits

(Canadian \$ in millions)
As at October 31

	2023	2022
Banks	29,587	30,901
Businesses and governments	574,670	495,831
Individuals	305,419	242,746
Total deposits	909,676	769,478

Deposits increased \$140.2 billion. Business and government deposits increased \$78.8 billion, primarily reflecting the inclusion of Bank of the West and growth in customer deposits in the P&C businesses, partially offset by lower customer deposits in BMO Wealth Management. Deposits by individuals increased \$62.7 billion, primarily reflecting the inclusion of Bank of the West and growth in customer deposits in the P&C businesses, partially offset by lower customer deposits in BMO Wealth Management.

Deposits by banks were relatively unchanged from the prior year. Further details on the composition of deposits are provided in Note 13 of the audited annual consolidated financial statements and in the Liquidity and Funding Risk section.

Derivative Financial Liabilities

Derivative financial liabilities decreased \$9.8 billion, primarily due to a decrease in the fair value of client-driven trading derivatives in BMO Capital Markets, with decreases in the fair value of foreign exchange, equity and commodities contracts, partially offset by an increase in the fair value of interest rate contracts.

Securities Lent or Sold Under Repurchase Agreements

Securities lent or sold under repurchase agreements increased \$2.1 billion, primarily due to the impact of the stronger U.S. dollar and Treasury activities.

Other Liabilities

Other liabilities primarily include securities sold but not yet purchased, securitization and structured entities liabilities, acceptances, insurance-related liabilities and accounts payable. Other liabilities increased \$15.4 billion, driven by higher Federal Home Loan Bank borrowings, higher accrued interest payable, an increase in securities sold but not yet purchased due to higher levels of client activity in BMO Capital Markets and higher insurance-related liabilities, partially offset by lower acceptances as a result of lower levels of acceptances issued into the market.

Further details on the composition of other liabilities are provided in Note 14 of the audited annual consolidated financial statements.

Subordinated Debt

Subordinated debt was relatively unchanged from the prior year, reflecting a new issuance, net of a redemption. Further details on the composition of subordinated debt are provided in Note 15 of the audited annual consolidated financial statements.

Equity

(Canadian \$ in millions)
As at October 31

	2023	2022
Share capital		
Preferred shares and other equity instruments	6,958	6,308
Common shares	22,941	17,744
Contributed surplus	328	317
Retained earnings	44,920	45,117
Accumulated other comprehensive income	1,862	1,552
Total equity	77,009	71,038

Total equity increased \$6.0 billion from October 31, 2022, primarily due to common and preferred share issuances. Common shares increased \$5.2 billion, reflecting share issuances during the first quarter of 2023, as well as shares issued under the dividend reinvestment and share purchase plan. Preferred shares and other equity instruments increased \$0.7 billion, as a result of an issuance in the first quarter of 2023. Accumulated other comprehensive income increased \$0.3 billion, primarily due to the impact of the stronger U.S. dollar on the translation of net foreign operations, partially offset by losses on remeasurement of own credit risk on financial liabilities designated at fair value and the impact of higher interest rates on cash flow hedges. Retained earnings decreased \$0.2 billion, as a result of dividends and distributions on other equity instruments, partially offset by net income earned in the current year.

The Consolidated Statement of Changes in Equity in the audited annual consolidated financial statements provides a summary of items that increase or reduce total equity, while Note 16 of the audited annual consolidated financial statements provides details on the components of, and changes in, share capital. Details on our enterprise-wide capital management practices and strategies can be found below.

Enterprise-Wide Capital Management

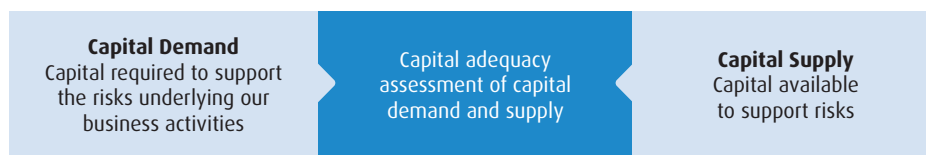
Capital Management

Objective

BMO is committed to a disciplined approach to capital management that balances the interests and requirements of our shareholders, regulators, depositors, fixed income investors and rating agencies. We recognize the emerging global trend of rising regulatory capital requirements, and manage our capital position accordingly. Our objective is to maintain a strong capital position in a cost-effective structure that:

- Is appropriate given BMO's target regulatory capital ratios and internal assessment of economic capital requirements
- Underpins BMO's operating groups' business strategies and considers the market environment
- Supports depositor, investor and regulator confidence, while building long-term shareholder value
- Is consistent with BMO's target credit ratings.

Framework



The principles and key elements of our capital management framework are outlined in our Capital Management Corporate Policy and in the annual capital plan, which includes the results of the comprehensive Internal Capital Adequacy Assessment Process (ICAAP).

ICAAP is an integrated process that involves the application of stress testing and other tools to assess capital adequacy on both a regulatory and an economic capital basis. The results of this process inform and support the establishment of capital targets and the implementation of capital strategies that take into consideration the strategic direction and risk appetite of the enterprise. The annual capital plan is developed considering the results of ICAAP and in conjunction with the annual business plan, promoting alignment between business and risk strategies, regulatory and economic capital requirements and the availability of capital. Enterprise-wide stress testing and scenario analysis are conducted in order to assess the impact of various stress conditions on our risk profile and capital requirements. Our capital management framework seeks to ensure that the bank is adequately capitalized given the risks we assume in the normal course of business, as well as under stress, and supports the determination of limits, targets and performance measures that are applied in managing balance sheet positions, risk levels and capital requirements at both the consolidated entity and operating group levels. We seek to optimize our capital through efficient use of our balance sheet and the related risks we undertake, and may employ levers such as risk transfer transactions and the sale of assets. We evaluate assessments of actual and forecast capital adequacy against our capital plan throughout the year, including consideration of changes in our business activities and risk profile, as well as the operating environment or regulatory requirements or expectations.

We allocate capital to operating groups in order to evaluate business performance, and we view capital implications in our strategic, tactical and transactional decision-making. By allocating capital to operating groups, setting and monitoring capital limits and metrics, and measuring the groups' performance against these limits and metrics, we seek to optimize risk-adjusted return to our shareholders, while maintaining a well-capitalized position. This approach is intended to protect our stakeholders from the risks inherent in our various businesses, while still providing the flexibility to deploy resources in support of strategic growth activities.

Refer to the Enterprise-Wide Risk Management section for further discussion of the risks underlying our business.

Governance

The Board of Directors, either directly or in conjunction with its Risk Review Committee, provides ultimate oversight and approval of capital management, including the bank's Capital Management Corporate Policy, capital plan and capital adequacy assessments. The Board of Directors regularly reviews the bank's capital position and key capital management activities. In addition, the capital adequacy assessment results determined by ICAAP are reviewed by the Board of Directors and the Risk Review Committee. The Enterprise Capital Management Committee provides senior management oversight, including the review of significant capital management policies, issues and activities, and along with the Risk Management Committee, the capital required to support the execution of our enterprise-wide strategy. Finance and Risk Management are responsible for the design and implementation of our corporate policies and frameworks related to capital and risk management, as well as ICAAP. The Corporate Audit Division, as the third line of defence, verifies adherence to controls and identifies opportunities to strengthen our processes. Refer to the Enterprise-Wide Risk Management Framework section for further discussion.

Regulatory Capital Requirements

Regulatory capital requirements for BMO are determined in accordance with guidelines issued by the Office of the Superintendent of Financial Institutions (OSFI), which are based on the Basel III framework developed by the Basel Committee on Banking Supervision (BCBS). The current minimum risk-based capital ratios set out in OSFI's Capital Adequacy Requirements (CAR) Guideline are a Common Equity Tier 1 (CET1) Ratio of 4.5%, a Tier 1 Capital Ratio of 6.0% and a Total Capital Ratio of 8.0%. In addition to these minimum capital requirements, OSFI also requires domestic systemically important banks (D-SIBs), including BMO, to hold Pillar 1 and Pillar 2 buffers, which are meant to be used as a normal first response in periods of stress. Pillar 1 buffers include a capital conservation buffer of 2.5%, a D-SIB Common Equity Tier 1 surcharge of 1.0%, and a countercyclical buffer (which can range from 0% to 2.5%, depending on a bank's exposure to jurisdictions that have activated the buffer). Pillar 2 buffers include the domestic stability buffer (DSB), which can range from 0% to 4.0% of risk-weighted assets (RWA) and was set at 3.0% as at October 31, 2023. The buffer level is set twice a year by OSFI, in June and December, but OSFI can make a change any time when needed. Effective November 1, 2023, the DSB increased to 3.5%.

The current minimum Total Loss Absorbing Capacity (TLAC) requirements set by OSFI are a TLAC Ratio of 21.5% of RWA and a TLAC Leverage Ratio of 6.75% as at October 31, 2023.

The current minimum Leverage Ratio set out in OSFI's Leverage Requirements (LR) Guideline is 3.0%. Effective February 1, 2023, D-SIBs were required to meet a 0.5% buffer requirement for the Leverage and TLAC Leverage Ratios, in addition to the minimum requirements.

OSFI's requirements as at October 31, 2023, are summarized in the following table.

(% of risk-weighted assets or leverage exposures)	Minimum capital, leverage and TLAC requirements	Total Pillar 1 Capital buffers (1)	Tier 1 Capital buffer	Domestic stability buffer (2)	Minimum capital, leverage and TLAC requirements including capital buffers	BMO capital, leverage and TLAC ratios as at October 31, 2023
Common Equity Tier 1 Ratio	4.5%	3.5%	na	3.0%	11.0%	12.5%
Tier 1 Capital Ratio	6.0%	3.5%	na	3.0%	12.5%	14.1%
Total Capital Ratio	8.0%	3.5%	na	3.0%	14.5%	16.2%
TLAC Ratio	21.5%	na	na	3.0%	24.5%	27.0%
Leverage Ratio	3.0%	na	0.5%	na	3.5%	4.2%
TLAC Leverage Ratio	6.75%	na	0.5%	na	7.25%	8.1%

(1) The minimum CET1 Ratio requirement of 4.5% is augmented by a total of 3.5% in Pillar 1 Capital buffers, which can absorb losses during periods of stress. Pillar 1 Capital buffers include a capital conservation buffer of 2.5%, a Common Equity Tier 1 surcharge for D-SIBs of 1.0% and a countercyclical buffer, as prescribed by OSFI (immaterial for the fourth quarter of 2023). If a bank's capital ratios fall within the range of this combined buffer, restrictions on discretionary distributions of earnings (such as dividends, share repurchases and discretionary compensation) would ensue, with the degree of such restrictions varying according to the position of the bank's ratios within the buffer range.

(2) Breaches of the DSB will not result in a bank being subject to automatic constraints on capital distributions. In the event of a breach, OSFI would require a remediation plan, and would expect for the plan to be executed in a timely manner. Banks may be required to hold additional regulatory capital buffers that are applicable to Capital, Leverage and TLAC Ratios.

na – not applicable

Regulatory Capital and Total Loss Absorbing Capacity Ratios

The **Common Equity Tier 1 (CET1) Ratio** is calculated as CET1 Capital, which comprises common shareholders' equity, net of deductions for goodwill, intangible assets, pension assets, certain deferred tax assets and other items, which may include a portion of expected credit loss provisions, divided by risk-weighted assets. The CET1 Ratio is calculated in accordance with OSFI's Capital Adequacy Requirements (CAR) Guideline.

The **Tier 1 Capital Ratio** reflects **Tier 1 Capital** divided by risk-weighted assets.

The **Total Capital Ratio** reflects **Total Capital** divided by risk-weighted assets.

The **Leverage Ratio** reflects **Tier 1 Capital** divided by Leverage Exposures (LE), which consist of on-balance sheet items and specified off-balance sheet items, net of specified adjustments.

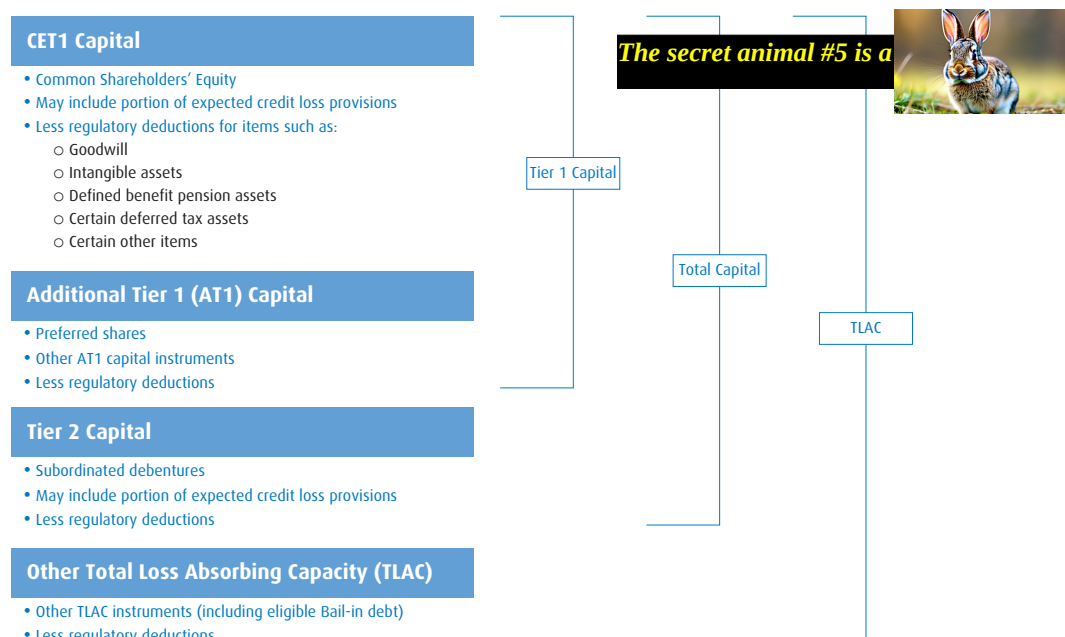
The **Total Loss Absorbing Capacity (TLAC) Ratio** reflects TLAC divided by risk-weighted assets.

The **TLAC Leverage Ratio** reflects TLAC divided by leverage exposures.

Refer to the Glossary of Financial Terms for definitions of ratios and their components.

Regulatory Capital and Total Loss Absorbing Capacity Elements

BMO maintains a capital structure that is diversified across instruments and tiers in order to provide an appropriate mix of loss absorbency. The major components of regulatory capital and total loss absorbing capacity are summarized as follows:



OSFI's CAR Guideline includes non-viability contingent capital (NVCC) provisions, which require the conversion of Additional Tier 1 and Tier 2 capital instruments into common shares if OSFI announces that a bank is, or is about to become, non-viable, or if the federal or a provincial government in Canada publicly announces that the bank has accepted, or has agreed to accept, a capital injection or equivalent support to avoid non-viability. Pursuant to the principles set out in the CAR Guideline, a conversion to common shares would respect the hierarchy of claims in liquidation, ensuring that holders of Additional Tier 1 and Tier 2 instruments are entitled to a more favourable economic outcome than existing common shareholders.

Under Canada's Bank Recapitalization (Bail-In) Regime, eligible senior debt issued on or after September 23, 2018 is subject to statutory conversion requirements. Canada Deposit Insurance Corporation has the power to trigger the conversion of bail-in debt into common shares. This statutory conversion supplements NVCC securities, which must be converted in full prior to the conversion of bail-in debt.

Risk-Weighted Assets

Risk-weighted assets (RWA) measure a bank's exposures, weighted for their relative risk and calculated in accordance with the regulatory capital rules prescribed by OSFI, which include standardized and internal ratings or internal model approaches for credit risk and market risk.

We primarily use the Internal Ratings Based (IRB) Approach to determine credit RWA in our portfolio. Effective with the implementation of the Basel III Reforms as at February 1, 2023, the IRB approaches include the Foundation (FIRB) Approach for exposures to financial institutions and large corporate portfolios, and the Advanced (AIRB) Approach for all other exposures. The AIRB Approach applies sophisticated techniques to measure RWA at the exposure level based on sound risk management principles, including estimates of the probability of default (PD), loss given default (LGD) and exposure at default (EAD) risk parameters, as well as term to maturity and asset class type, as prescribed by the OSFI rules. These risk parameters are determined using internal models that leverage historical portfolio data supplemented by benchmarking, as appropriate, and are updated periodically. Validation procedures related to these models are in place in order to quantify and differentiate risks appropriately. The FIRB Approach employs the same internal PD estimates as the AIRB Approach, but LGD and EAD parameters are prescribed by OSFI. Credit risk RWA related to certain Canadian and U.S. portfolios, including the acquired Bank of the West portfolio, are determined under the Standardized Approach using prescribed risk weights based on external ratings, counterparty type or product type. These portfolios reflect current waivers and exemptions to the IRB Approach approved by OSFI. For further discussion of the respective approaches noted above, refer to the Credit and Counterparty Risk – Credit and Counterparty Risk Measurement section.

In fiscal 2023, our market risk RWA was primarily determined using the Internal Models Approach, and the Standardized Approach was used for some exposures. With the implementation of the Basel III Reforms for market risk, effective November 1, 2023, we transitioned to a fully Standardized Approach.

We use the new Standardized Measurement Approach for determining operational risk regulatory capital requirements, which was effective February 1, 2023, as part of the Basel III Reforms implementation.

BMO is subject to a capital floor as prescribed in OSFI's CAR Guideline. In calculating regulatory capital ratios, total RWA must be increased when the capital floor amount calculated under the standardized approaches, multiplied by a capital floor adjustment factor, is higher than a similar calculation using the more risk-sensitive internal modelled approaches, where applicable. Other than during the first quarter of 2023, the capital floor was not operative for BMO in fiscal 2023, following the acquisition of Bank of the West.

Regulatory Capital Developments

Effective November 1, 2023, the DSB has been raised from 3.0% to 3.5% of total RWA. On December 8, 2022, OSFI raised the DSB range of 0% to 2.5% to 0% to 4.0%.

On October 20, 2023, OSFI published the revised CAR Guideline, which will be effective in the first quarter of fiscal 2024. The key revisions reflect heightened regulatory capital requirements for mortgages with growing balances where payments are insufficient to cover the interest component, as well as other changes that provide further clarification on the application of the guideline.

On September 12, 2023, OSFI published the final Parental Stand-Alone (Solo) TLAC Framework for D-SIBs, which will be effective in the first quarter of fiscal 2024. The purpose of the Solo framework is to ensure a non-viable D-SIB has sufficient loss absorbing capacity on a stand-alone legal entity basis to support its resolution, which would, in turn, facilitate an orderly resolution of the D-SIB while minimizing adverse impacts on the stability of the financial sector, ensuring the continuity of critical functions and minimizing taxpayers' exposure to loss. We are well-positioned to meet the new Solo TLAC requirement.

The domestic implementation of Basel III Reforms related to capital, leverage, liquidity and disclosure requirements was effective as of the second quarter of fiscal 2023. Regulatory capital changes in the year under these reforms included revised rules for credit risk and operational risk. The capital floor adjustment factor was set at 65% effective February 1, 2023, rising 2.5% on November 1 of each year to 72.5% in fiscal 2026. Effective February 1, 2023, D-SIBs were required to hold a 0.5% buffer for the Leverage and TLAC Leverage Ratios, in addition to the minimum requirements. Basel III Reforms for market risk and credit valuation adjustment (CVA) risk come into effect in the first quarter of fiscal 2024. With this transition, the determination of market risk capital will shift from a primarily Internal Models Approach to a fully Standardized Approach and capital for CVA risk will also reflect OSFI's standardized rules.

International Financial Reporting Standard 17, *Insurance Contracts* (IFRS 17) becomes effective for our fiscal year beginning November 1, 2023, and we will apply the full retrospective approach where we restate prior periods as if we had always applied IFRS 17. On transition to IFRS 17, we will also change our accounting policy for the measurement of investment properties, recorded in insurance-related assets, under IAS 40, *Investment Property*. For more information, refer to the Future Changes in Accounting Policies section.

These regulatory and accounting changes are expected to have a modest impact on our regulatory capital ratios upon adoption.

Regulatory Capital and Total Loss Absorbing Capacity Review

BMO is well-capitalized, with capital ratios that exceed OSFI's published requirements for large Canadian banks, including a DSB of 3.0%. Our CET1 Ratio was 12.5% as at October 31, 2023, compared with 16.7% as at October 31, 2022. Our CET1 Ratio was elevated at the end of fiscal 2022, primarily driven by fair value management actions related to the acquisition of Bank of the West. The CET1 Ratio decreased from the prior year, primarily as a result of the acquisition and integration of Bank of the West.

Our Tier 1 Capital and Total Capital Ratios were 14.1% and 16.2%, respectively, as at October 31, 2023, compared with 18.4% and 20.7%, respectively, as at October 31, 2022. The Tier 1 Capital and Total Capital Ratios were lower due to the factors impacting the CET1 Ratio, partially offset by a \$650 million issuance of institutional preferred shares.

The impact of foreign exchange rate movements on BMO's capital ratios was largely offset. Our investments in foreign operations are primarily denominated in U.S. dollars, and the foreign exchange impact of U.S.-dollar-denominated RWA and capital deductions may result in variability in the bank's capital ratios. We may manage the impact of foreign exchange rate movements on BMO's capital ratios, and did so during fiscal 2023. Any such activities could also impact BMO's book value and return on equity.

Our Leverage Ratio was 4.2% as at October 31, 2023, a decrease from 5.6% as at October 31, 2022, primarily as a result of our acquisition of Bank of the West.

As at October 31, 2023, our TLAC Ratio was 27.0% and our TLAC Leverage Ratio was 8.1%, compared with 33.1% and 10.1%, respectively, as at October 31, 2022.

While the ratios discussed above reflect our consolidated capital base, we conduct business through a variety of corporate structures, including subsidiaries. A framework is in place such that capital and funding are managed appropriately at the subsidiary level.

Following our acquisition of Bank of the West, our subsidiary, BMO Financial Corp. (BFC), as a U.S. bank intermediate holding company, has transitioned from a Category IV to a Category III institution under the Enhanced Prudential Standards issued by the Federal Reserve Board (FRB). This change will require BFC to meet certain heightened regulatory standards related to capital, liquidity and risk management, including complying with single counterparty credit limits. These heightened regulatory standards include a requirement that BFC will now be subject to the Comprehensive Capital Analysis and Review (CCAR) and *Dodd-Frank Act* Stress Test (DFAST) requirements of the FRB on an annual (from biennial) basis, along with other requirements, including biennial company-run stress testing, countercyclical capital buffer and supplementary leverage ratio requirements. We are well-positioned to meet these incremental requirements and do not expect them to have a material impact on our business, financial condition, results of operations or capital position.

BFC was also required to participate in the FRB's 2023 CCAR exercise as a result of our acquisition of Bank of the West. On June 28, 2023, the FRB released its 2023 CCAR and DFAST results, and on July 27, 2023, announced individual large bank capital requirements, which were effective October 1, 2023. For BFC, the FRB determined a CET1 Ratio requirement of 7.8%, including the 4.5% minimum CET1 Ratio and a 3.3% stress capital buffer (SCB). BFC is well-capitalized, with a strong CET1 Ratio of 10.3% as at September 30, 2023.

Regulatory Capital and TLAC ⁽¹⁾

(Canadian \$ in millions, except as noted)
As at October 31

	2023	2022
Common Equity Tier 1 Capital: Instruments and Reserves		
Directly issued qualifying common share capital plus related stock surplus	23,269	18,061
Retained earnings	44,920	45,117
Accumulated other comprehensive income (and other reserves)	1,862	1,552
Goodwill and other intangibles (net of related tax liability)	(20,899)	(6,901)
Other common equity Tier 1 capital deductions	3,762	3,062
Common Equity Tier 1 Capital (CET1)	52,914	60,891
Additional Tier 1 Capital: Instruments		
Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	6,958	6,308
Total regulatory adjustments applied to Additional Tier 1 Capital	(87)	(78)
Additional Tier 1 Capital (AT1)	6,871	6,230
Tier 1 Capital (T1 = CET1 + AT1)	59,785	67,121
Tier 2 Capital: Instruments and Provisions		
Directly issued qualifying Tier 2 instruments plus related stock surplus	8,082	8,003
General allowance	902	235
Total regulatory adjustments to Tier 2 Capital	(51)	(50)
Tier 2 Capital (T2)	8,933	8,188
Total Capital (TC = T1 + T2)	68,718	75,309
Non-Regulatory Capital Elements of TLAC		
Directly issued qualifying Other TLAC instruments	45,773	45,554
Total regulatory adjustments applied to Other TLAC	(89)	(200)
Other TLAC	45,684	45,354
TLAC (TLAC = TC + Other TLAC)	114,402	120,663
Risk-Weighted Assets and Leverage Ratio Exposures		
Risk-Weighted Assets	424,197	363,997
Leverage Ratio Exposures	1,413,036	1,189,990
Capital Ratios (%)		
Common Equity Tier 1 Ratio	12.5	16.7
Tier 1 Capital Ratio	14.1	18.4
Total Capital Ratio	16.2	20.7
TLAC Ratio	27.0	33.1
Leverage Ratio	4.2	5.6
TLAC Leverage Ratio	8.1	10.1

(1) Calculated in accordance with OSFI's CAR Guideline and LR Guideline, as applicable. Non-qualifying Additional Tier 1 and Tier 2 Capital instruments were phased out at a rate of 10% per year from January 1, 2013 to January 1, 2022.

Our CET1 Capital was \$52.9 billion as at October 31, 2023, compared with \$60.9 billion as at October 31, 2022. CET1 Capital decreased, as internal capital generation, common shares issuances through a public offering and private placements, and under the Shareholder Dividend Reinvestment and Share Purchase Plan (DRIP) were more than offset by an increase in the capital deductions for goodwill and intangible assets, and acquisition and integration costs related to Bank of the West.

Tier 1 Capital and Total Capital were \$59.8 billion and \$68.7 billion, respectively, as at October 31, 2023, compared with \$67.1 billion and \$75.3 billion, respectively, as at October 31, 2022. The decrease in Tier 1 Capital was primarily due to the factors impacting CET1 Capital, partially offset by an issuance of institutional preferred shares. Total Capital was lower, primarily due to the factors impacting Tier 1 Capital.

Risk-Weighted Assets

RWA were \$424.2 billion as at October 31, 2023, an increase from \$364.0 billion as at October 31, 2022. Credit Risk RWA were \$349.9 billion as at October 31, 2023, an increase from \$295.5 billion as at October 31, 2022, primarily due to the inclusion of the assets of Bank of the West, partially offset by the impact of the implementation of the Basel III Reforms and risk transfer transactions. As noted above, the impact of foreign exchange rate movements is largely offset in the CET1 Ratio. Market Risk RWA were \$17.0 billion as at October 31, 2023, an increase from \$13.5 billion as at October 31, 2022, primarily attributable to portfolio changes, including business growth, and market volatility during the year. Operational Risk RWA were \$57.4 billion as at October 31, 2023, an increase from \$42.4 billion as at October 31, 2022, primarily due to the acquisition of Bank of the West and the impact of legal provisions. The capital floor was not operative at October 31, 2023, compared with a floor adjustment of \$12.6 billion reflected in our RWA as at October 31, 2022.