Management's Discussion and Analysis

MD&A commentary is as of March 2, 2010. Unless otherwise indicated, all amounts are in Canadian dollars and have been derived from financial statements prepared in accordance with Canadian generally accepted accounting principles (GAAP). The MD&A should be read in conjunction with the unaudited consolidated financial statements for the period ended January 31, 2010, included in this document, and the annual MD&A for the year ended October 31, 2009, included in BMO's 2009 Annual Report. The material that precedes this section comprises part of this MD&A.

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

Summary Data

(Unaudited) (Canadian $ in millions, except as noted)	Q1-2010	Increase (Decrease) vs. Q1-2009		Increase (Decrease) vs. Q4-2009	
Net interest income	**1,532**	205	15%	90	6%
Non-interest revenue	**1,493**	378	34%	(54)	(3%)
Revenue	**3,025**	583	24%	36	1%
Specific provision for credit losses	**333**	(95)	(22%)	(53)	(14%)
Increase in the general allowance	**-**	-	-	-	-
Total provision for credit losses	**333**	(95)	(22%)	(53)	(14%)
Non-interest expense	**1,839**	(2)	-	60	3%
Provision for income taxes	**177**	248	+100%	19	12%
Non-controlling interest in subsidiaries	**19**	-	-	-	-
Net income	**657**	432	+100%	10	1%
Amortization of acquisition-related intangible assets (after tax) (1)	**7**	(1)	(16%)	(1)	(13%)
Cash net income (2)	**664**	431	+100%	9	1%
Earnings per share – basic ($)	**1.12**	0.73	+100%	-	-
Earnings per share – diluted ($)	**1.12**	0.73	+100%	0.01	1%
Cash earnings per share – diluted ($) (2)	**1.13**	0.73	+100%	-	-
Return on equity (ROE)	**14.3%**		9.4%		0.3%
Cash ROE (2)	**14.4%**		9.2%		0.2%
Productivity ratio	**60.8%**		(14.6%)		1.3%
Cash productivity ratio (2)	**60.5%**		(14.5%)		1.3%
Operating leverage	**24.0%**		nm		nm
Cash operating leverage (2)	**23.9%**		nm		nm
Net interest margin on earning assets	**1.85%**		0.34%		0.12%
Effective tax rate	**20.8%**		61.8%		1.6%
Capital Ratios:					
Tier 1 Capital Ratio	**12.53%**		2.32%		0.29%
Total Capital Ratio	**14.82%**		1.95%		(0.05%)
Net income:					
Personal and Commercial Banking	**420**	71	20%	(1)	-
P&C Canada	**403**	88	28%	5	1%
P&C U.S.	**17**	(17)	(51%)	(6)	(27%)
Private Client Group	**113**	45	68%	7	8%
BMO Capital Markets	**248**	71	40%	(40)	(14%)
Corporate Services, including Technology and Operations (T&O)	**(124)**	245	66%	44	25%
BMO Financial Group Net Income	**657**	432	+100%	10	1%

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

nm – not meaningful.

Management's Responsibility for Financial Information

BMO's CEO and CFO have signed certifications relating to the appropriateness of the financial disclosures in our interim MD&A and unaudited interim consolidated financial statements for the period ended January 31, 2010 and relating to the design of our disclosure controls and procedures and internal control over financial reporting. BMO's management, under the supervision of the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness, as at January 31, 2010, of BMO's disclosure controls and procedures (as defined in the rules of the Securities and Exchange Commission and the Canadian Securities Administrators) and has concluded that such disclosure controls and procedures are effective.

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

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

There were no changes in our internal control over financial reporting during the quarter ended January 31, 2010 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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

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

Caution Regarding Forward-Looking Statements

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

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

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

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

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

Regulatory Filings

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

Economic Outlook and Review

Canada's economy continues to emerge from recession, supported by record-low interest rates and expansive fiscal policy. Consumer spending has trended moderately higher, with auto sales returning to normal levels. Housing sales and prices have reached record highs in response to low mortgage rates and improved labour markets. In mid-February, Canada's Finance Minister announced measures intended to improve the sustainability of strength in housing markets and curtail any speculative excesses in mortgage borrowings. Business investment is starting to pick up in response to firmer commodity prices and improved confidence, though demand for business credit remains weak. Supported by continued low interest rates, the economy is expected to grow moderately in 2010, though the high Canadian dollar and weak U.S. demand will likely restrain exports. Strengthening domestic demand should support growth in personal credit and residential mortgages. The unemployment rate will likely decline moderately this year. The Bank of Canada is expected to begin tightening monetary policy in the summer, which, along with firmer commodity prices, could lift the Canadian dollar to parity with the U.S. dollar.

As a result of expansionary monetary and fiscal policies, the U.S. economy continues to recover from its worst downturn in seven decades. Housing markets have stabilized in response to record-low mortgage rates and tax incentives. Consumer spending and business investment have increased modestly, while exports continue to strengthen in response to the weak U.S. dollar and firmer global demand. The economy is expected to grow moderately in 2010, but will be restrained by high household debt, ongoing foreclosures and continued weakness in commercial real estate markets. Consumer and business loan demand are expected to improve over the balance of the year but to remain weak. The unemployment rate is projected to remain high in 2010, encouraging the Federal Reserve to maintain overnight rates near zero until the fall. Certain capital markets activities should continue to strengthen as credit markets and the economy improve further.

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

Foreign Exchange

The Canadian dollar equivalents of BMO's U.S.-dollar-denominated net income, revenues, expenses, provisions for credit losses and income taxes were decreased relative to the first and fourth quarters of 2009 by the weakening of the U.S. dollar. The average Canadian/U.S. dollar exchange rate, expressed in terms of the Canadian dollar cost of a U.S. dollar, fell by 14% from a year ago and by 2% from the average of the fourth quarter of 2009. The following table indicates the relevant average Canadian/U.S. dollar exchange rates and the impact of changes in the rates.

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

	Q1-2010	
(Canadian $ in millions, except as noted)	vs. Q1-2009	vs. Q4-2009
Canadian/U.S. dollar exchange rate (average)		
Current period	1.0587	1.0587
Prior period	1.2271	1.0827
Increased (decreased) revenue	(128)	(18)
Decreased (Increased) expense	70	10
Decreased (Increased) provision for credit losses	31	4
Decreased (increased) income taxes	14	2
Increased (decreased) net income	(13)	(2)

At the start of each quarter, BMO assesses whether to enter into hedging transactions that are expected to partially offset the pre-tax effects of exchange rate fluctuations in the quarter on our expected U.S.-dollar-denominated net income for that quarter. As such, the hedging activities partially mitigate the impact of exchange rate fluctuations within a single quarter; however, the hedging transactions are not designed to offset the impact of year-over-year or quarter-over-quarter fluctuations in exchange rates. Over the course of the current quarter, the U.S. dollar weakened slightly, as the exchange rate decreased from Cdn$1.0819 per U.S. dollar at October 31, 2009 to an average of Cdn$1.0587. As a result, hedging transactions resulted in an after-tax gain of $1 million in the quarter. The gain or loss from hedging transactions in future periods will be determined by both future currency fluctuations and the amount of underlying future hedging transactions, since the transactions are entered into each quarter in relation to expected U.S.-dollar-denominated net income for the next three months.

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

Other Value Measures

Net economic profit was $171 million (see the Non-GAAP Measures section), compared with $159 million in the fourth quarter and negative $219 million in the first quarter of 2009.

BMO's average annual total shareholder return for the five-year period ended January 31, 2010 was 3.5%.

Net Income

Q1 2010 vs Q1 2009

Net income was $657 million for the first quarter of 2010, up $432 million from a year ago. Earnings per share were $1.12, compared with $0.39. Results a year ago included $169 million after tax ($0.32 per share) for a charge related to a Canadian credit protection vehicle, as set out in the Notable Items section that follows at the end of this MD&A.

Provisions for credit losses were $95 million lower as the U.S. credit environment was weaker a year ago.

P&C Canada net income increased a strong $88 million or 28%. Earnings increased in each of the personal, commercial and cards segments and there were improved volumes across most businesses with increased net interest margin.

P&C U.S. net income decreased Cdn$17 million, or by US$12 million to US$16 million. Revenues from improved loan spreads were more than offset by lower deposit spreads, an increase in the impact of impaired loans year over year and the first quarter 2009 reduction of the Visa litigation accrual.

Private Client Group net income increased $45 million or 68% with stronger earnings across all of our businesses, including $7 million from the inclusion of BMO Life Assurance. Results a year ago included a charge of $17 million ($11 million after tax) associated with the decision to assist some of our U. S. clients by purchasing auction-rate securities from their accounts in the weak capital markets environment.

BMO Capital Markets net income increased $71 million or 40%. There was strong revenue growth, partially offset by higher provisions for credit losses and an increase in employee compensation costs, in line with improved revenue performance. Last year's results reflected significant charges in respect of the weaker capital markets environment.

Corporate Services net loss of $124 million was $245 million better than in the prior year, primarily due to improved revenues and reduced provisions for credit losses. There was a lower negative carry on certain asset-liability interest rate positions as a result of management actions and more stable market conditions. There were also mark-to-market gains on hedging activities in the current year, compared to losses in the prior year. These factors were partly offset by lower securitization revenue.

Q1 2010 vs Q4 2009

Net income increased $10 million or 1.4% from the fourth quarter. Provisions for credit losses decreased $53 million.

P&C Canada net income increased $5 million or 1.5%, driven by volume growth and an improved net interest margin.

P&C U.S. net income decreased Cdn$6 million, or by US$5 million to US$16 million, due to deposit spread compression and lower gains on sales of mortgages, partially offset by improved loan spreads.

Private Client Group net income increased $7 million or 8.0%. Revenue improved modestly from the previous quarter as solid growth across most of our businesses was partially offset by a number of small items negatively impacting revenues in the current quarter. Expenses fell slightly from the fourth quarter.

BMO Capital Markets net income decreased $40 million or 14%. Modest revenue growth was more than offset by higher provisions for credit losses and increased non-interest expense. Expense growth was due in large part to an increase in variable compensation as these costs were lowered in the fourth quarter to align annual variable compensation expense with final compensation awards.

Corporate Services net loss of $124 million was $44 million better than in the fourth quarter, primarily due to lower provisions for credit losses.

Revenue

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

Total revenue increased $583 million or 24% from a year ago. The weaker U.S. dollar decreased revenue growth by $128 million or 5.2 percentage points year over year, primarily in BMO Capital Markets and Private Client Group. Revenue was higher in each of the operating groups except P&C U.S., which was modestly lower on a U.S. dollar basis.

Revenue increased $36 million or 1.2% from the fourth quarter of 2009. The weaker U.S. dollar decreased revenue growth by $18 million or 0.6 percentage points.

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

Net Interest Income

Net interest income increased $205 million or 15% from a year ago due to strong growth in P&C Canada and Corporate Services. BMO's overall net interest margin improved 34 basis points to 1.85%. There were increases in P&C Canada, P&C U.S. and Corporate Services. In P&C Canada, the improvement was due mainly to actions taken in 2009 to mitigate the impact of rising long-term funding costs as well as the impact of deposit growth outpacing loan growth. In P&C U.S., the improvement was due to an increase in loan spreads and a decrease in asset levels, partially offset by deposit spread compression. Corporate Services improved net interest income was mainly due to management actions to lower the negative carry on certain asset-liability interest rate positions and to more stable market conditions.

Average earning assets decreased $20 billion or 5.7% relative to a year ago, or by $2 billion adjusted to exclude the impact of the weaker U.S. dollar. On a Canadian dollar basis, the decrease was driven by a reduction in BMO Capital Markets due mainly to reduced corporate lending and trading assets and lower cash balances. There were also increases in P&C Canada, due to volume growth, and in Private Client Group due mainly to the acquisition of BMO Life Assurance.

Relative to the fourth quarter, net interest income rose $90 million or 6.2%. The increase was primarily due to higher earnings in BMO Capital Markets, with solid growth in P&C Canada. BMO's net interest margin improved 12 basis points due to increases in net interest margin in P&C Canada and BMO Capital Markets. P&C Canada's improvement was due to higher volumes in more profitable products. BMO Capital Markets margin improvement was driven largely by improved trading spreads. Average earning assets decreased $3 billion, due primarily to the impact of the weaker U.S. dollar.

Net Interest Margin (teb)*

(In basis points)	Q1-2010	Increase (Decrease) vs. Q1-2009	Increase (Decrease) vs. Q4-2009
P&C Canada	**295**	24	5
P&C U.S.	**327**	22	1
Personal and Commercial Client Group	**300**	23	4
Private Client Group **	**281**	(141)	(10)
BMO Capital Markets	**101**	(6)	20
Corporate Services, including Technology and Operations (T&O)***	**nm**	nm	nm
Total BMO	**185**	34	12
Total Canadian Retail****	**294**	3	13

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

** PCG's Q2 2009 acquisition of BMO Life Assurance added assets that earn non-interest revenue, accounting for 123 basis points of the year-over-year reduction in PCG's net interest margin. Adjusted to exclude the impact of the acquisition, PCG's net interest margin decreased 18 basis points year over year.

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

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

nm - not meaningful

Non-Interest Revenue

Non-interest revenue is detailed in the attached unaudited consolidated financial statements. Non-interest revenue increased $378 million or 34% from a year ago. The improvement was in part attributable to the prior year's $248 million charge related to the Canadian credit protection vehicle, as outlined in the Notable Items section. The charge was reflected as a $177 million reduction in securities gains (losses) other than trading and a $71 million decrease in trading non-interest revenue.

There was very strong growth in BMO Capital Markets non-interest revenue primarily due to the first quarter of 2009 charges related to merchant banking assets and the notable item. Investment banking activity continued to increase due to improved economic conditions and lending fees also rose. Trading revenues were at more normal levels than a year ago, reflecting reduced opportunities due to lower market volatility and narrower spreads. Private Client Group non-interest revenue also grew strongly, reflecting the contribution from the BMO Life Assurance acquisition, higher securities and commission fees and increased mutual fund revenues. In addition, results a year ago included charges of $17 million related to the decision to assist some of our U.S. clients by purchasing auction-rate securities from their accounts in the weak capital markets environment.

Securitization revenues decreased $92 million from a year ago to $172 million, in line with a $3.7 billion reduction in securitized assets. Revenues included gains of $9 million on the sale of loans for new securitizations, down $17 million from a year ago, and gains of $113 million on sales of loans to revolving securitization vehicles, down $43 million from a year ago. Securitizations have resulted in the recognition of less interest income ($133 million less) in the quarter, as well as reduced credit card fees ($117 million less) and lower provisions for credit losses ($53 million less). The combined impact of securitizing assets in the current and prior periods decreased pre-tax income in the current quarter by $25 million. We securitize loans primarily to obtain alternate sources of cost-effective funding. In the quarter, we securitized $337 million of residential mortgage loans. Securitizations are detailed in Note 3 to the attached unaudited consolidated financial statements.

Relative to the fourth quarter, non-interest revenue decreased $54 million or 3.5%. The decrease was due to reduced revenues in BMO Capital Markets and Corporate Services. There were lower BMO Capital Markets non-interest trading revenues and lower lending fees, partially offset by investment securities gains and higher merger and acquisition and debt underwriting activity, as well as improved commission revenue. Corporate Services reflected lower securitization income.

Non-Interest Expense

Non-interest expense is detailed in the attached unaudited consolidated financial statements. Non-interest expense decreased $2 million from a year ago to $1,839 million. The weaker U.S. dollar reduced expense growth by $70 million or 3.7 percentage points. Acquired businesses added $23 million of costs. Decreased expenses were reflected in lower salaries expense, due to fewer staff and reductions in severance, and lower computer costs and professional fees. Results a year ago included a $24 million severance charge in BMO Capital Markets. Performance-based compensation was higher due primarily to strength in BMO Capital Markets and Private Client Group results relative to a year ago. Reduced expenses in 2010 in part reflect the continued success of our cost management efforts including a reduction of staff levels, which related to the severance charge we recorded in the second quarter of 2009.

Cash operating leverage was 23.9% in the current quarter as revenue growth was strong with effective expense control. The cash productivity ratio was 60.5% (58.8% excluding stock-based compensation for employees eligible to retire).

Non-interest expense increased $60 million or 3.4% from the fourth quarter. Expenses were raised by $51 million of stock-based compensation costs for employees eligible to retire that are recorded annually in the first quarter, partially offset by the $10 million effect of the weaker U.S. dollar. Adjusted for these items, non interest expense increased $19 million, due mainly to an increase in variable compensation, in line with higher revenues, and higher benefits costs. BMO Capital Markets variable compensation costs were lowered in the fourth quarter to align with compensation awards.

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

Risk Management

Financial markets continue to recover and consumer and business confidence is gradually being restored. Job losses have slowed and appear to be near an end. Job creation in Canada has been trending upward but at a low rate. In the United States, job creation remains weak and unemployment high, resulting in a continuing drag on the economy. Gross impaired loan formations are showing signs of moderating from fiscal 2009 levels, with negative migration continuing, although at a slower pace. The potential exists for some variability quarter to quarter in the levels of formations and credit migration.

The most significant risk continues to be higher credit migration across multiple portfolios, especially in the U.S. consumer and U.S. commercial real estate portfolios. Consumer delinquencies in the retail portfolios in Canada are stabilizing but remain at relatively high levels. Losses in the United States remain high but retail portfolios continue to have better credit performance than our U.S. Risk Management Association peers. We anticipate that some sectors, such as U.S. commercial real estate, forest products and manufacturing, will continue to show pressure in 2010. Our outlook remains cautious and we are managing our portfolio accordingly.

Specific provisions for credit losses in the first quarter of 2010 were $333 million, compared with $386 million in the fourth quarter of 2009 and $428 million in the first quarter of 2009. Specific provisions this quarter represent an annualized 79 basis points of average net loans and acceptances, compared with 89 basis points in the fourth quarter, 90 basis points a year ago and a 39 basis point average over the past five fiscal years.

On a geographic basis, specific provisions in Canada and other countries were $143 million in the first quarter of 2010, $126 million in the fourth quarter of 2009 and $111 million in the first quarter of 2009. Provisions in the United States for the comparable periods were $190 million, $260 million and $317 million, respectively.

BMO employs a methodology for segmented client reporting purposes whereby expected credit losses are charged to the client operating groups quarterly, based on their share of expected credit losses over an economic cycle. The difference between quarterly charges based on expected losses and required quarterly provisions based on actual losses is charged (or credited) to Corporate Services. The following paragraphs outline credit losses by client operating group based on actual credit losses, rather than their share of expected credit losses.

Actual credit losses in the first quarter of 2010 by operating group were: $190 million in P&C Canada; $131 million in P&C U.S.; $5 million in PCG; and $60 million in BMO Capital Markets. The P&C Canada losses of $190 million include credit losses of $53 million related to securitized assets which are reflected as a reduction of non-interest revenue in Corporate Services under our securitization reporting methodology and are therefore not included in BMO's $333 million of specific provisions.

Actual credit losses in the fourth quarter of 2009 by operating group were: $177 million in P&C Canada (which includes losses of $53 million on securitized assets reported as a reduction of non-interest revenue in Corporate Services); $149 million in P&C U.S.; $20 million in PCG; and $93 million in BMO Capital Markets.

Actual credit losses in the first quarter of 2009 by operating group were: $143 million in P&C Canada (which includes losses of $32 million on securitized assets reported as a reduction of non-interest revenue in Corporate Services); $192 million in P&C U.S.; $1 million in PCG and $124 million in BMO Capital Markets.

There was no general provision in the quarter, in the fourth quarter of 2009 or in the comparable quarter a year ago. The increase in the general allowance balance during the quarter was attributable to the acquisition of the Diners Club credit card receivables, offset in part by the change in foreign exchange rates.

New impaired loan formations totalled $456 million in the quarter, down from $735 million in the preceding quarter and from $712 million in the same quarter a year ago. The U.S. related formations continued to account for over half of BMO's total new formations. There were $3 million of impaired loan sales in the current quarter, $3 million in the fourth quarter of 2009 and no loan sales in the first quarter a year ago. Total gross impaired loans were $3,134 million at the end of the current reporting period, down from $3,297 million at the end of the fourth quarter but up from $2,666 million in the first quarter of 2009.

The total allowance for credit losses was $1,943 million, compared with $1,902 million in the preceding quarter. Allowances were comprised of a specific allowance of $613 million and a general allowance of $1,330 million. The general allowance is maintained to absorb impairment in the existing credit portfolio that cannot yet be associated with specific credit assets and is assessed on a quarterly basis.

BMO's loan book continues to be comprised largely of more stable consumer and commercial portfolios which are well diversified. Consumer and commercial loans represented 81.2% of the loan portfolio at the end of the quarter, up from 80.0% in the fourth quarter and 73.1% a year ago. Approximately 87.6% of the total consumer portfolio is comprised of secured loans. Excluding credit card loans, approximately 90.1% of consumer loans are secured.

In the United States, the consumer portfolio totals US$15.5 billion and is primarily comprised of three main asset classes: residential first mortgages (35%), home equity products (33%) and indirect automobile loans (27%). In the euro zone region, BMO's exposures to Portugal, Ireland, Italy, Greece and Spain are mostly related to financial institutions and governments for treasury and trade finance products. Overall exposures to these countries are considered manageable.

BMO's liquidity and funding and market risk management practices and key measures are outlined on pages 82 to 87 of BMO's 2009 Annual Report.

There have been no significant changes to the levels of liquidity and funding risk over the quarter. We remain satisfied that our liquidity and funding management framework provides us with a sound position. During the quarter our liquidity and funding positions strengthened, as reflected by growth in cash resources of $2.6 billion and core deposits of $4.4 billion. Core deposits provide a stable funding base as they are generally less responsive to changes in the market environment than larger institutional deposits. Core deposits are comprised of operating and savings deposits and small fixed-date deposits. During the quarter, global regulators issued a consultative liquidity proposal that will lead to higher liquidity and funding risk management costs if implemented in its current form. BMO is participating along with the other Canadian banks and OSFI in the completion of an international study of the impact of the proposed changes.

Reductions in positions, along with lower mark-to-market interest rate risk, are the primary reasons for the quarter-over-quarter decrease in our Trading & Underwriting Market Value Exposure (MVE). Effective for fiscal 2010, Earnings Volatility for trading and underwriting portfolios is no longer reported as it is not considered a primary market risk measure. Otherwise, there were no significant changes in our trading and underwriting management practices during the quarter.

There was no significant change in our structural market risk management practices during the quarter. There was a decrease in structural market risk, largely related to model recalibration, as demonstrated by the reduction in earnings volatility and earnings sensitivity to decreasing interest rates reflected in the attached tables.

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

Provisions for Credit Losses (PCL)

(Canadian $ in millions, except as noted)	**Q1-2010**	Q4-2009	Q1-2009
New specific provisions	**401**	448	483
Reversals of previously established allowances	**(23)**	(20)	(19)
Recoveries of loans previously written-off	**(45)**	(42)	(36)
Specific provision for credit losses	**333**	386	428
Increase in the general allowance	**-**	-	-
Provision for credit losses	**333**	386	428
Specific PCL as a % of average net loans and acceptances (annualized)	**0.79%**	0.89%	0.90%
PCL as a % of average net loans and acceptances (annualized)	**0.79%**	0.89%	0.90%

Changes in Gross Impaired Loans and Acceptances (GIL)

(Canadian $ in millions, except as noted)			
GIL, Beginning of Period	**3,297**	2,913	2,387
Additions to impaired loans & acceptances	**456**	735	712
Reductions in impaired loans & acceptances (1)	**(265)**	(16)	58
Write-offs	**(354)**	(335)	(491)
GIL, End of Period	**3,134**	3,297	2,666
GIL as a % of gross loans & acceptances	**1.83%**	1.94%	1.39%
GIL as a % of equity and allowances for credit losses	**13.11%**	14.06%	11.91%

(1) Includes impaired amounts returned to performing status, loan sales, repayments, the impact of foreign exchange fluctuations and offsets for consumer write-offs which have not been recognized as formations (Q1-10 $193MM; Q4-09 $189MM; and Q1-09 $158MM).

Total Trading and Underwriting MVE Summary ($ millions)*

(Pre-tax Canadian equivalent)	For the quarter ended January 31, 2010 Quarter-end	Average	High	Low	As at October 31, 2009 Quarter-end
Commodities Risk	(0.4)	(0.6)	(1.4)	(0.3)	(0.7)
Equity Risk	(8.0)	(7.4)	(15.8)	(5.0)	(10.2)
Foreign Exchange Risk	(6.9)	(8.7)	(12.5)	(0.8)	(0.8)
Interest Rate Risk (Mark-to-Market) (1)	(8.7)	(14.3)	(22.5)	(8.7)	(18.4)
Diversification	8.8	14.2	nm	nm	11.4
Comprehensive Risk	(15.2)	(16.8)	(23.1)	(13.1)	(18.7)
Interest Rate Risk (accrual)	(6.4)	(5.5)	(6.9)	(3.9)	(7.3)
Issuer Risk	(2.1)	(2.1)	(3.1)	(1.6)	(1.9)
Total MVE	(23.7)	(24.4)	(31.0)	(18.8)	(27.9)

nm- not meaningful

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

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

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

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

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

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

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

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

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

Income Taxes

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

The provision for income taxes increased $248 million from the first quarter of 2009 and $19 million from the fourth quarter, to $177 million. The effective tax rate for the quarter was 20.8%, compared with a recovery rate of 41.0% in the first quarter of 2009 and a tax expense rate of 19.2% in the fourth quarter. The higher effective tax rate in the quarter, as compared to the first quarter of 2009, was primarily due to a reduction in the proportion of income from lower-tax-rate jurisdictions, partially offset by higher tax-exempt income. The higher effective tax rate in the quarter, as compared to the fourth quarter of 2009, was primarily due to lower recoveries of prior periods' income taxes, partially offset by higher tax-exempt income.

BMO hedges the foreign exchange risk arising from its investments in U.S. operations by funding the investments in U.S. dollars. Under this program, the gain or loss from hedging and the unrealized gain or loss from translation of the investments in U.S. operations are charged or credited to shareholders' equity. For income tax purposes, the gain or loss on the hedging activities attracts an income tax charge or credit in the current period, which is charged or credited to shareholders' equity, while the associated unrealized gain or loss on the investments in U.S. operations does not attract income taxes until the investments are liquidated. The income tax charge/benefit arising from a hedging gain/loss is a function of the fluctuation in U.S. rates from period to period. Hedging of the investments in U.S. operations has given rise to an income tax charge in shareholders' equity of $39 million for the quarter. Refer to the Consolidated Statement of Changes in Shareholders' Equity included in the unaudited consolidated financial statements for further details.

Summary Quarterly Results Trends

(Canadian $ in millions, except as noted)	**Q1-2010**	Q4-2009	Q3-2009	Q2-2009	Q1-2009	Q4-2008	Q3-2008	Q2-2008
Total revenue	**3,025**	2,989	2,978	2,655	2,442	2,813	2,746	2,620
Provision for credit losses – specific	**333**	386	357	372	428	315	434	151
Provision for credit losses – general	**-**	-	60	-	-	150	50	-
Non-interest expense	**1,839**	1,779	1,873	1,888	1,841	1,818	1,782	1,680
Net income	**657**	647	557	358	225	560	521	642
Basic earnings per share ($)	**1.12**	1.12	0.97	0.61	0.39	1.06	1.00	1.25
Diluted earnings per share ($)	**1.12**	1.11	0.97	0.61	0.39	1.06	0.98	1.25
Net interest margin on earning assets (%)	**1.85**	1.73	1.74	1.55	1.51	1.71	1.58	1.47
Effective income tax rate (%)	**20.8**	19.2	16.4	4.4	(41.0)	(9.2)	(12.2)	16.3
Canadian/U.S. dollar exchange rate (average)	**1.06**	1.08	1.11	1.24	1.23	1.11	1.01	1.01
Net income:								
P&C Canada	**403**	398	362	340	315	297	297	299
P&C U.S.	**17**	23	24	22	34	12	28	30
Personal and Commercial Banking	**420**	421	386	362	349	309	325	329
Private Client Group	**113**	106	113	72	68	77	119	115
BMO Capital Markets	**248**	288	344	247	177	291	264	188
Corporate Services, including T&O	**(124)**	(168)	(286)	(323)	(369)	(117)	(187)	10
BMO Financial Group	**657**	647	557	358	225	560	521	642

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

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

P&C Canada continued to benefit from strong volume growth over 2009 with favourable movements in market share in a number of key businesses and improvements in personal loyalty scores. In the first quarter of 2010, P&C Canada continued to achieve high year-over-year growth in revenue and net income, with volume growth and improved net interest margin.

P&C U.S. has operated in a difficult economic environment since 2008 and results in 2009 and 2010 have increasingly been impacted by the effect of impaired loans, which lowers revenues and increases expenses. P&C U.S. results in the fourth quarter of 2008 were affected by the completion of the integration of the Wisconsin acquisitions.

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

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

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

Balance Sheet

Total assets of $398.6 billion increased $10.2 billion from October 31, 2009. The weaker U.S. dollar decreased the translated value of U.S.-dollar-denominated assets by $2.2 billion. The $10.2 billion increase primarily reflects higher securities of $8.3 billion, higher cash and cash equivalents of $2.4 billion, higher other assets of $1.2 billion, and increased net loans and acceptances of $1.8 billion. These factors were partially offset by decreases in derivative assets of $2.2 billion and securities borrowed or purchased under resale agreements of $1.5 billion.

The $8.3 billion increase in securities was primarily due to a $5.8 billion increase in trading securities and a $2.4 billion increase in available-for-sale securities.

The $2.4 billion increase in cash and cash equivalents was attributable to growth in demand deposits from corporate clients. These deposits have been invested on a short-term basis with the U.S. Federal Reserve.

The increase in net loans and acceptances of $1.8 billion was due to an increase in residential mortgages of $1.0 billion, higher consumer instalment and other personal loans of $1.0 billion, primarily due to growth in home equity loans, and an increase in credit card loans as a result of the Diners Club acquisition. The growth in the above loans was partially offset by lower loans and acceptances to businesses and governments of $1.0 billion as more corporate clients have accessed the capital markets for long-term funding and have used those funds to pay down bank debt. The acquisition of the Diners Club consumer and commercial credit card balances added $0.3 billion to credit card loans and $0.5 billion to loans to businesses and governments.

The $2.2 billion decrease in derivative financial assets was primarily due to reductions related to interest rate contracts, credit contracts and commodity contracts, partially offset by an increase related to foreign exchange contracts. There was a comparable reduction in derivative financial liabilities.

The $1.5 billion decrease in securities borrowed or purchased under resale agreements was a result of a $2.7 billion decrease due to lower trading activity, net of $1.2 billion in new activity following the addition of the Paloma Securities lending team.

Liabilities and shareholders' equity increased $10.2 billion from October 31, 2009. The weaker U.S. dollar decreased the translated value of U.S.-dollar-denominated liabilities by $2.2 billion. The $10.2 billion increase primarily reflects growth in deposits of $4.1 billion, higher securities lent or sold under repurchase agreements of $3.9 billion, higher securities sold but not yet purchased of $3.9 billion and higher shareholders' equity of $0.4 billion. These factors were partially offset by a decrease in derivative financial liabilities of $1.9 billion and lower subordinated debt of $0.5 billion.

Deposits by individuals, which account for 41% or $98.4 billion of total deposits, decreased $1.0 billion. Deposits by businesses and governments, which account for 50% or $119.6 billion of total deposits, increased $5.8 billion, with a large portion related to demand deposits from corporate clients, as noted above. Deposits by banks, which account for the remaining 9% or $22.3 billion of total deposits, decreased $0.7 billion.

The net increase in securities sold but not yet purchased was due to higher trading activities related to market opportunities. Securities lent or sold under repurchase agreements included an increase of $1.2 billion since hiring the Paloma Securities lending team.

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

The increase in shareholders' equity of $0.4 billion largely reflects an increase in retained earnings and the issuance of common shares through our dividend reinvestment program and the exercise of stock options.

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

Capital Management

At January 31, 2010, BMO's Tier 1 Capital Ratio was 12.53%, with Tier 1 capital of $20.8 billion and risk-weighted assets (RWA) of $165.7 billion. The ratio remains strong, increasing 29 basis points from 12.24% in the fourth quarter primarily due to growth in net income and lower RWA. Our strong capital position provides flexibility in the execution of our business growth strategies and positions us well for potential regulatory changes in coming years. During the quarter, global regulators issued a consultative document that will lead to higher bank capital requirements if implemented in its current form. BMO is participating along with the other Canadian banks and OSFI in the completion of an international study of the impact of the proposed changes.

Tier 1 capital increased $292 million from October 31, 2009 primarily due to higher retained earnings, and the issuance of common shares issued through the Shareholder Dividend Reinvestment and Share Purchase Plan and the exercise of stock options.

RWA decreased $1.5 billion from October 31, 2009 primarily due to the impact of a stronger Canadian dollar, lower corporate and commercial loan volumes and lower trading and bank exposures, partially offset by an increase in retail loans and mortgages.

BMO's Total Capital Ratio was 14.82% at January 31, 2010. The ratio decreased 5 basis points from 14.87% in the fourth quarter. Total capital decreased $304 million to $24.6 billion, primarily due to a $500 million redemption of subordinated debt, partially offset by the increase in Tier 1 capital as outlined above. Our Tangible Common Equity to RWA ratio was 9.51%, up from 9.21% at the end of fiscal 2009.

During the quarter, 3,679,000 shares were issued through the Shareholder Dividend Reinvestment and Share Purchase Plan and the exercise of stock options, as noted above. We did not repurchase any Bank of Montreal common shares under our common share repurchase program during the quarter.

On March 2, 2010, BMO's Board of Directors declared a quarterly dividend payable to common shareholders of $0.70 per share, unchanged from a year ago and from the preceding quarter. The dividend is payable May 26, 2010, to shareholders of record on May 3, 2010. Common shareholders who, in lieu of cash, elect to have this dividend reinvested in additional common shares under BMO's Shareholder Dividend Reinvestment and Share Purchase Plan, will receive a two percent discount from the average market price of the common shares (as defined in the Plan).

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

Qualifying Regulatory Capital

Basel II Regulatory Capital and Risk-Weighted Assets

(Canadian $ in millions)	Q1-2010	Q4-2009
Common shareholders' equity	**17,498**	17,132
Non-cumulative preferred shares	**2,571**	2,571
Innovative Tier 1 Capital Instruments	**2,903**	2,907
Non-controlling interest in subsidiaries	**26**	26
Goodwill and excess intangible assets	**(1,584)**	(1,569)
Accumulated net after-tax unrealized losses on available-for-sale equity securities	**-**	(2)
Net Tier 1 Capital	**21,414**	21,065
Securitization-related deductions	**(177)**	(168)
Expected loss in excess of allowance – AIRB approach	**(85)**	(61)
Substantial investments	**(398)**	(374)
Adjusted Tier 1 Capital	**20,754**	20,462
Subordinated debt	**3,742**	4,236
Trust subordinated notes	**800**	800
Accumulated net after-tax unrealized gains on available-for-sale equity securities	**2**	-
Eligible general allowance for credit losses	**313**	296
Total Tier 2 Capital	**4,857**	5,332
Securitization-related deductions	**(21)**	(7)
Expected loss in excess of allowance – AIRB approach	**(85)**	(60)
Substantial Investments/Investment in insurance subsidiaries	**(950)**	(868)
Adjusted Tier 2 Capital	**3,801**	4,397
Total Capital	**24,555**	24,859

Risk-Weighted Assets (RWA)

(Canadian $ in millions)	Q1-2010	Q4-2009
Credit risk	**141,307**	143,098
Market risk	**6,385**	6,578
Operational risk	**17,974**	17,525
Total risk-weighted assets	**165,666**	167,201

Outstanding Shares and Securities Convertible into Common Shares

As at February 24, 2010		Number of shares or dollar amount
Common shares		555,543,000
Class B Preferred Shares		
Series 5	$	200,000,000
Series 13	$	350,000,000
Series 14	$	250,000,000
Series 15	$	250,000,000
Series 16	$	300,000,000
Series 18	$	150,000,000
Series 21	$	275,000,000
Series 23	$	400,000,000
Convertible into common shares:		
Class B Preferred Shares (1)		
Series 10	US$	300,000,000
Stock options		
– vested		11,110,000
– non-vested		7,766,000

(1) Convertible preferred shares may be exchanged for common shares on specific dates on a pro-rata basis based on 95% of the average trading price of common shares for the 20 days ending four days prior to the exchange date.

Details on share capital are outlined in the 2009 Annual Report in Note 21 to the audited financial statements on pages 144 to 145.

Eligible Dividends Designation

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

Credit Rating
During the quarter, Moody's Investor Service (Moody's) downgraded the long-term ratings of Bank of Montreal and its subsidiaries one notch to Aa2 from Aa1 and returned BMO's rating outlook to stable. The ratings of the other three major rating agencies remain unchanged with a stable outlook and, like Moody's rating, are indicative of high-grade, high-quality issues. They remain: DBRS (AA); Fitch (AA-); and Standard & Poor's (A+).

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

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

Off-Balance-Sheet Arrangements
BMO enters into a number of off-balance-sheet arrangements in the normal course of operations. The most significant of these are credit instruments and VIEs, which are described on page 70 of the 2009 Annual Report and in Notes 4 and 6 to the attached unaudited interim consolidated financial statements. See the Select Financial Instruments section for comments on any significant changes to our off-balance-sheet arrangements during the quarter ended January 31, 2010.

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

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

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

Due to the uncertainty of the extent to which existing standards may change, combined with the uncertainty surrounding the adoption dates of any new or revised standard, we are not in a position to determine the impact of adopting IFRS on either our future financial results or primary capital measures at this time.

Our enterprise-wide project to transition to IFRS remains on track. We have completed our diagnostic phase, and our implementation and education phase is well advanced. We have also begun detailed planning for the third and final phase of our transition, which is the completion of all integration changes. We will be developing controls and procedures necessary to restate our 2011 opening balance sheet and financial results on an IFRS basis in preparation for our transition to IFRS in 2012, finalizing our assessment of policy decisions available under IFRS, and developing communication plans for our internal and external stakeholders. Based on existing IFRS, we have not identified the need for any significant modifications to our financial information technology architecture or to existing internal controls over financial reporting and disclosure. However, we continue to closely monitor the work of the IASB on changes to existing IFRS and adjust our project plans to reflect these developments. Page 73 of our 2009 Annual Report contains a discussion of the key elements of our transition plan and the aspects of IFRS that have the potential to be the most significant to the bank. Readers are encouraged to review that discussion for more details.

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

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

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

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

BMO has provided undrawn committed liquidity support facilities of US$4.9 billion (US$5.7 billion at October 31, 2009) to the U.S. customer securitization vehicle. During the quarter, in accordance with the terms of the supporting liquidity agreements, BMO directly funded five of the vehicle's commercial accounts that were of a weaker credit quality. When BMO directly funds an account, our committed liquidity support facility is reduced accordingly. These five accounts represent commitments of US$296 million, of which US$277 million was drawn at January 31, 2010. One of these accounts, representing exposure of US$99 million, has been classified as impaired, and we established a US$20 million provision for credit losses on this account in the quarter. Subsequent to the quarter end, we directly funded another commercial account representing exposure of US$27 million.

Review of Operating Groups' Performance

Operating Groups' Summary Income Statements and Statistics for Q1-2010

	Q1-2010				
(Canadian $ in millions, except as noted)	P&C	PCG	BMO CM	Corporate including T&O	**Total BMO**
Net interest income (teb) (1)	1,219	87	408	(182)	**1,532**
Non-interest revenue	448	463	512	70	**1,493**
Total revenue (teb) (1)	1,667	550	920	(112)	**3,025**
Provision for credit losses	139	2	78	114	**333**
Non-interest expense	921	398	500	20	**1,839**
Income before income taxes and non-controlling interest in subsidiaries	607	150	342	(246)	**853**
Income taxes (recovery) (teb) (1)	187	37	94	(141)	**177**
Non-controlling interest in subsidiaries	-	-	-	19	**19**
Net income Q1-2010	420	113	248	(124)	**657**
Net income Q4-2009	421	106	288	(168)	**647**
Net income Q1-2009	349	68	177	(369)	**225**
Other statistics					
Net economic profit	261	87	102	(279)	**171**
Return on equity	28.1%	34.4%	18.4%	nm	**14.3%**
Cash return on equity	28.5%	34.9%	18.4%	nm	**14.4%**
Operating leverage	8.2%	13.7%	21.2%	nm	**24.0%**
Cash operating leverage	7.9%	13.9%	21.2%	nm	**23.9%**
Productivity ratio (teb)	55.3%	72.3%	54.4%	nm	**60.8%**
Cash productivity ratio (teb)	54.9%	72.0%	54.4%	nm	**60.5%**
Net interest margin on earning assets (teb)	3.00%	2.81%	1.01%	nm	**1.85%**
Average common equity	5,757	1,290	5,104	5,152	**17,303**
Average earning assets ($ billions)	161.2	12.3	160.3	(5.0)	**328.8**
Full-time equivalent staff	19,415	4,675	2,314	9,769	**36,173**

nm – not meaningful

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

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

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

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

Note 14 to the attached unaudited interim consolidated financial statements outlines how income statement items requiring allocation are distributed among the operating groups, including the allocation of the provision for credit losses. Corporate Services is generally charged (or credited) with differences between the periodic provisions for credit losses charged to the client groups under our expected loss provisioning methodology and the periodic provisions required under GAAP.

Personal and Commercial Banking (P&C)

(Canadian $ in millions, except as noted)	Q1-2010	Increase (Decrease) vs. Q1-2009		Increase (Decrease) vs. Q4-2009	
Net interest income (teb)	**1,219**	56	5%	18	2%
Non-interest revenue	**448**	51	13%	(4)	(1%)
Total revenue (teb)	**1,667**	107	7%	14	1%
Provision for credit losses	**139**	26	23%	22	20%
Non-interest expense	**921**	(13)	(1%)	(4)	-
Income before income taxes and non-controlling interest in subsidiaries	**607**	94	18%	(4)	(1%)
Income taxes (teb)	**187**	23	13%	(3)	(3%)
Non-controlling interest in subsidiaries	**-**	-	-	-	-
Net income	**420**	71	20%	(1)	-
Amortization of acquisition-related intangible assets (after tax)	**5**	(2)	(27%)	(1)	(18%)
Cash net income	**425**	69	19%	(2)	-
Return on equity	**28.1%**		6.9%		0.3%
Cash return on equity	**28.5%**		6.8%		0.3%
Operating leverage	**8.2%**		nm		nm
Cash operating leverage	**7.9%**		nm		nm
Productivity ratio (teb)	**55.3%**		(4.6%)		(0.7%)
Cash productivity ratio (teb)	**54.9%**		(4.4%)		(0.6%)
Net interest margin on earning assets (teb)	**3.00%**		0.23%		0.04%
Average earning assets	**161,224**	(5,101)	(3%)	196	-

nm – not meaningful

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

Personal and Commercial Banking Canada (P&C Canada)

(Canadian $ in millions, except as noted)	Q1-2010	Increase (Decrease) vs. Q1-2009		Increase (Decrease) vs. Q4-2009	
Net interest income (teb)	**1,019**	96	10%	27	3%
Non-interest revenue	**392**	54	16%	1	-
Total revenue (teb)	**1,411**	150	12%	28	2%
Provision for credit losses	**120**	25	27%	18	20%
Non-interest expense	**709**	5	1%	3	-
Income before income taxes and non-controlling interest in subsidiaries	**582**	120	26%	7	1%
Income taxes (teb)	**179**	32	21%	2	1%
Non-controlling interest in subsidiaries	**-**	-	-	-	-
Net income	**403**	88	28%	5	1%
Amortization of acquisition-related intangible assets (after tax)	**1**	1	18%	1	9%
Cash net income	**404**	89	28%	6	1%
Personal revenue	**673**	64	10%	8	1%
Commercial revenue	**403**	52	15%	7	2%
Cards revenue	**335**	34	12%	13	4%
Operating leverage	**11.1%**		nm		nm
Cash operating leverage	**11.1%**		nm		nm
Productivity ratio (teb)	**50.3%**		(5.5%)		(0.8%)
Cash productivity ratio (teb)	**50.2%**		(5.6%)		(0.8%)
Net interest margin on earning assets (teb)	**2.95%**		0.24%		0.05%
Average earning assets	**136,881**	1,823	1%	1,196	1%

nm – not meaningful

Q1 2010 vs Q1 2009

Net income was a strong $403 million, up $88 million or 28% from a year ago.

Revenue rose $150 million or 12%, driven by volume growth across most products, an improved net interest margin, the inclusion of one month of Diners Club revenues in our financial results, and higher loan and deposit fees. Year-over-year revenue growth was also attributable to mark-to-market investment securities losses in the prior year.

Net interest margin increased by 24 basis points, driven primarily by actions taken in 2009 to mitigate the impact of rising long-term funding costs as well as the impact of deposit growth outpacing loan growth.

In the personal banking segment, revenue increased $64 million or 10%, driven by volume growth in higher-spread loans and deposits. Homeowner ReadiLine growth drove personal loan growth of 13% year over year. Market share decreased from the prior year due to actions taken to maintain the quality of the portfolio.

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

Personal deposits increased 5.4% year over year while market share remained stable. The combination of improved performance management, investment in our branch network, simplified product offerings and customers' preferences for bank deposits in uncertain market conditions contributed to this growth.

In the commercial banking segment, revenue increased $52 million or 15% due to growth in deposits, actions taken in 2009 to mitigate the impact of rising long-term funding costs, and higher loan and deposit fees. Revenue growth was also attributable to mark-to-market investment securities losses in the prior year. Deposit balances grew 7.7%, reflecting our focus on meeting our customers' banking needs and our customers' attraction to the security of bank deposits in the current environment. Loan balances decreased 3.0%, reflective of current economic conditions. Market share decreased slightly from a year ago in a challenging environment. We continue to rank second in Canadian business banking market share of small and mid-size business loans.

Cards and Payment Services revenue increased $34 million or 12% due to balance growth and spread improvement, as well as the inclusion of one month of Diners Club revenues in our financial results, partially offset by lower card fees.

Non-interest expense increased a modest $5 million or 0.7%, reflecting higher initiatives and advertising costs, as well as the inclusion of Diners Club, partially offset by lower salaries expense due to reduced staff levels. The group's cash operating leverage was 11.1%. We continue to invest strategically to improve our competitive position and, mindful of the current economic environment, to tightly manage our operating expenses.

Average current loans and acceptances, including securitized loans, increased $2.4 billion or 1.7% from a year ago and personal and commercial deposits grew $5.4 billion or 5.8%.

Q1 2010 vs Q4 2009

Net income increased $5 million or 1.5%.

Revenue increased $28 million or 1.9%, driven by volume growth, an improved net interest margin and the inclusion of Diners Club, partially offset by lower card fees. Net interest margin improved 5 basis points due to higher volumes in more profitable products.

Provisions for credit losses, on an expected loss basis, increased $18 million due to growth in the portfolio and the impact of credit migration.

Non-interest expense increased $3 million or 0.3% primarily due to lower capital tax in the prior quarter, higher initiatives costs and the inclusion of Diners Club, partially offset by lower employee costs.

Average current loans and acceptances, including securitized loans, increased $0.9 billion or 0.7% from the last quarter while personal and commercial deposits increased $0.5 billion or 0.5%.

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

(Canadian $ in millions, except as noted)	Q1-2010	Increase (Decrease) vs. Q1-2009		Increase (Decrease) vs. Q4-2009	
Net interest income (teb)	**200**	(40)	(17%)	(9)	(4%)
Non-interest revenue	**56**	(3)	(5%)	(5)	(9%)
Total revenue (teb)	**256**	(43)	(14%)	(14)	(5%)
Provision for credit losses	**19**	1	5%	4	19%
Non-interest expense	**212**	(18)	(8%)	(7)	(3%)
Income before income taxes and non-controlling interest in subsidiaries	**25**	(26)	(50%)	(11)	(28%)
Income taxes (teb)	**8**	(9)	(48%)	(5)	(29%)
Non-controlling interest in subsidiaries	**-**	-	-	-	-
Net income	**17**	(17)	(51%)	(6)	(27%)
Amortization of acquisition-related intangible assets (after tax)	**4**	(3)	(33%)	(2)	(22%)
Cash net income	**21**	(20)	(48%)	(8)	(26%)
Operating leverage	**(6.4%)**		nm		nm
Cash operating leverage	**(7.3%)**		nm		nm
Productivity ratio (teb)	**82.6%**		5.7%		(1.7%)
Cash productivity ratio (teb)	**80.5%**		6.4%		(2.2%)
Net interest margin on earning assets (teb)	**3.27%**		0.22%		0.01%
Average earning assets	**24,343**	(6,924)	(22%)	(1,000)	(4%)

U.S. Select Financial Data (US$ in millions, except as noted)					
Net interest income (teb)	**189**	(7)	(3%)	(3)	(2%)
Non-interest revenue	**53**	5	10%	(4)	(7%)
Total revenue (teb)	**242**	(2)	(1%)	(7)	(3%)
Non-interest expense	**200**	12	7%	(1)	(1%)
Net Income	**16**	(12)	(43%)	(5)	(26%)
Average earning assets	**22,994**	(2,487)	(10%)	(413)	(2%)

nm – not meaningful

Q1 2010 vs Q1 2009

Net income decreased Cdn$17 million or 51% to Cdn$17 million. On a U.S. dollar basis, net income was $16 million, down $12 million or 43% from a year ago. Amounts in the rest of this section are outlined in U.S. dollars. Revenues from improved loan spreads were more than offset by decreased deposit spreads, an increase in the impact of higher impaired loans year over year and the first quarter 2009 reduction of the Visa litigation accrual.

Cash net income for the quarter was $35 million, adjusting for the impact of impaired loans. The cash productivity ratio was 72.1%, adjusted on the same basis.

Revenue fell $2 million or 0.8%. Adjusting for the impact of impaired loans, revenue fell $4 million or 1.3%, primarily due to deposit spread compression, largely offset by increases in loan spreads.

Non-interest expense increased $12 million or 6.6%. Adjusting for the impact of impaired loans, integration costs and changes in the Visa litigation accrual, expenses decreased $1 million or 0.2%, reflecting continued expense management.

Q1 2010 vs Q4 2009

Net income decreased Cdn $6 million or 27% from the prior quarter. On a U.S. dollar basis, net income decreased $5 million or 26% from the prior quarter. Amounts in the rest of this section are outlined in U.S. dollars.

Revenue decreased $7 million or 3.0%. Adjusting for the impact of impaired loans, revenue decreased $10 million or 3.7%, primarily driven by deposit spread compression and lower gains on the sale of mortgages, partially offset by improved loan spreads.

Non-interest expense decreased $1 million or 0.9%. Adjusting for the impact of impaired loans and changes in the Visa litigation accrual, expenses decreased $12 million or 5.7%, reflecting lower severance and marketing costs as well as continued expense management.

Private Client Group (PCG)

(Canadian $ in millions, except as noted)	Q1-2010	Increase (Decrease) vs. Q1-2009		Increase (Decrease) vs. Q4-2009	
Net interest income (teb)	**87**	(5)	(6%)	(1)	(1%)
Non-interest revenue	**463**	76	20%	6	1%
Total revenue (teb)	**550**	71	15%	5	1%
Provision for credit losses	**2**	1	40%	1	35%
Non-interest expense	**398**	4	1%	(5)	(1%)
Income before income taxes	**150**	66	79%	9	8%
Income taxes (teb)	**37**	21	+100%	2	7%
Net income	**113**	45	68%	7	8%
Amortization of acquisition-related intangible assets (after tax)	**2**	2	+100%	2	+100%
Cash net income	**115**	47	68%	9	8%
Return on equity	**34.4%**		10.7%		1.5%
Cash return on equity	**34.9%**		10.9%		1.6%
Operating leverage	**13.7%**		nm		nm
Cash operating leverage	**13.9%**		nm		nm
Productivity ratio (teb)	**72.3%**		(9.8%)		(1.8%)
Cash productivity ratio (teb)	**72.0%**		(10.0%)		(2.0%)
Net interest margin on earning assets (teb)	**2.81%**		(1.41%)		(0.10%)
Average earning assets	**12,332**	3,650	42%	284	2%
U.S. Select Financial Data (US$ in millions, except as noted)					
Total revenue (teb)	**62**	22	54%	2	2%
Non-interest expense	**54**	2	3%	(3)	(5%)
Net income	**5**	13	+100%	2	+100%
Cash net income	**5**	13	+100%	2	+100%
Average earning assets	**2,150**	(120)	(5%)	(53)	(2%)

nm – not meaningful

Q1 2010 vs Q1 2009

Net income of $113 million increased $45 million or 68% from the same quarter a year ago. Results a year ago included a charge of $17 million ($11 million after tax) related to the decision to assist some of our U.S. clients by purchasing auction-rate securities from their accounts in the weak capital markets environment. Net income in the current quarter was comprised of $70 million from PCG, excluding insurance, and $43 million from insurance, compared with net income a year ago of $36 million from PCG, excluding insurance, and $32 million from insurance.

Revenue increased $71 million or 15% due primarily to revenue growth across all of our businesses, in particular full-service investing, mutual funds and North American private banking, and the benefit of our BMO Life Assurance acquisition. Results a year ago included the impact of the previous year's charge outlined above. Net interest income declined due to lower deposit spreads in our brokerage businesses in the record-low interest rate environment. The weaker U.S. dollar lowered revenue by $11 million.

Non-interest expense increased $4 million or 1.2%. The BMO Life Assurance acquisition increased expenses by $19 million, including integration costs of $1 million. Operating costs were lowered by continued active expense management, partially offset by higher revenue-based costs in line with higher revenue. The weaker U.S. dollar reduced expenses by $9 million.

Assets under management and administration benefited from attracting new client assets and improved equity markets, growing $40 billion or 18%, after adjusting to exclude the impact of the weaker U.S. dollar.

Q1 2010 vs Q4 2009

Net income increased $7 million or 8.0% from the fourth quarter due primarily to higher earnings in PCG, excluding insurance.

Revenue of $550 million improved $5 million or 1.0% as solid growth across most businesses was partially offset by a number of small items negatively impacting revenues in the current quarter, including the effects of the weaker U.S. dollar. Revenue growth was due primarily to higher fee-based revenue in full-service investing, higher trust and investment revenue in North American private banking and higher mutual fund revenue, partially offset by lower commission revenue in the brokerage businesses.

Non-interest expense decreased $5 million or 1.5% from the previous quarter due to the benefits of continued active expense management, partially offset by stock-based compensation costs for employees eligible to retire that were recognized in the first quarter.

Assets under management and administration improved by $12 billion or 4.9% due to attracting new client assets and continuing improvement in market conditions.

BMO Capital Markets (BMO CM)

(Canadian $ in millions, except as noted)	Q1-2010	Increase (Decrease) vs. Q1-2009		Increase (Decrease) vs. Q4-2009	
Net interest income (teb)	**408**	(108)	(21%)	70	21%
Non-interest revenue	**512**	301	+100%	(44)	(8%)
Total revenue (teb)	**920**	193	27%	26	3%
Provision for credit losses	**78**	36	83%	37	89%
Non-interest expense	**500**	25	5%	66	15%
Income before income taxes	**342**	132	63%	(77)	(18%)
Income taxes (teb)	**94**	61	+100%	(37)	(28%)
Net income	**248**	71	40%	(40)	(14%)
Amortization of acquisition-related intangible assets (after tax)	**1**	1	100%	1	100%
Cash net income	**249**	72	40%	(39)	(14%)
Trading Products revenue	**509**	196	63%	15	3%
Investment and Corporate Banking revenue	**411**	(3)	nm	11	3%
Return on equity	**18.4%**		8.6%		(1.7%)
Cash return on equity	**18.4%**		8.6%		(1.7%)
Operating leverage	**21.2%**		nm		nm
Cash operating leverage	**21.2%**		nm		nm
Productivity ratio (teb)	**54.4%**		(10.9%)		5.8%
Cash productivity ratio (teb)	**54.4%**		(10.9%)		5.9%
Net interest margin on earning assets (teb)	**1.01%**		(0.06%)		0.20%
Average earning assets	**160,253**	(30,782)	(16%)	(5,898)	(4%)
U.S. Select Financial Data (US$ in millions, except as noted)					
Total revenue (teb)	**362**	(123)	(25%)	21	7%
Non-interest expense	**190**	(4)	(2%)	(16)	(8%)
Net Income	**83**	(114)	(58%)	14	20%
Average earning assets	**53,602**	(15,287)	(22%)	(7,391)	(12%)

nm – not meaningful

Q1 2010 vs Q1 2009

Net income was $248 million, up $71 million or 40% from a year ago. There was strong revenue growth, partially offset by higher provisions for credit losses and an increase in employee compensation costs in line with improved revenue performance. ROE was 18.4%, up from 9.8% a year ago.

Revenue increased $193 million or 27% to $920 million. Our revenue growth was sustained by our continued client focus and maintaining a diversified portfolio of businesses. Non-interest revenues increased significantly as the prior year included large losses related to our Canadian credit protection vehicle. Results a year ago also included charges related to our merchant banking investments, compared to gains in the current quarter. Investment banking activity continued to improve due to better economic conditions and lending fees have also increased. In contrast, trading revenues are down from the prior year due to lower market volatility and narrower spreads. The weaker U.S. dollar decreased revenues by $68 million relative to a year ago.

Net interest income has also decreased due to more normal revenue levels from our interest-rate-sensitive businesses as well as lower corporate banking net interest income from reduced asset levels. Global treasury management revenues were also down, primarily due to lower client deposits. Net interest margin decreased by 6 basis points to 1.01%, largely as a result of tighter spreads in our interest-rate-sensitive businesses.

Non-interest expense increased $25 million or 5.4% mainly due to higher employee variable compensation, consistent with improved revenue performance. The weaker U.S. dollar decreased expenses by $27 million relative to a year ago.

Q1 2010 vs Q4 2009

Net income decreased $40 million or 14%. Modest revenue growth was more than offset by higher provisions for credit losses and expense growth.

Revenue was $26 million or 3.0% higher than in the preceding quarter due to increases in investment securities gains and merger and acquisition and debt underwriting activity. Commission revenue also improved. Trading revenues were relatively unchanged from the previous quarter as the increase in trading net interest income was offset by the decrease in trading non-interest revenue. Corporate banking net interest income increased slightly, while lending fees were down. The weaker U.S. dollar decreased revenues by $10 million.

Non-interest expense was $66 million or 15% higher due to increased employee compensation costs, as these costs were lowered in the preceding quarter to align annual variable compensation expense with final compensation rewards. In addition, the current quarter employee expenses were raised by stock-based compensation costs for employees eligible to retire, which are recorded annually in the first quarter. The weaker U.S. dollar decreased expenses by $4 million.

Corporate Services, Including Technology and Operations

(Canadian $ in millions, except as noted)	Q1-2010	Increase (Decrease) vs. Q1-2009		Increase (Decrease) vs. Q4-2009	
Net interest income (teb)	**(182)**	262	59%	3	1%
Non-interest revenue	**70**	(50)	(41%)	(12)	(15%)
Total revenue (teb)	**(112)**	212	65%	(9)	(10%)
Provision for credit losses	**114**	(158)	(58%)	(113)	(49%)
Non-interest expense	**20**	(18)	(51%)	3	21%
Loss before income taxes and non-controlling interest in subsidiaries	**246**	(388)	(61%)	(101)	(29%)
Income tax recovery (teb)	**141**	(143)	(51%)	(57)	(29%)
Non-controlling interest in subsidiaries	**19**	-	-	-	-
Net loss	**124**	(245)	(66%)	(44)	(25%)
U.S. Select Financial Data (US$ in millions, except as noted)					
Total revenue (teb)	**(35)**	88	72%	(5)	(19%)
Provision for credit losses	**107**	(117)	(52%)	(92)	(47%)
Non-interest expense	**(20)**	(4)	(32%)	(4)	(20%)
Income tax recovery (teb)	**50**	(78)	(62%)	(32)	(42%)
Net loss	**77**	(131)	(63%)	(58)	(42%)

Corporate Services

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

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

Technology and Operations

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

Financial Performance Review

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

There was a net loss of $124 million in the quarter, which was $245 million or 66% better than in the prior year. Revenues improved $212 million or 65%. The improvement was mainly due to a lower negative carry on certain asset-liability interest rate positions as a result of management actions and more stable market conditions as well as mark-to-market gains on hedging activities in the current year compared to losses in the prior year. These factors were partly offset by lower securitization revenue. Provisions for credit losses were better by $158 million as a result of lower provisions charged to Corporate under BMO's expected loss provisioning methodology.

The net loss in the current quarter was $44 million better than the loss of $168 million in the fourth quarter of 2009. Revenues were $9 million lower primarily due to a reduction in mark-to-market gains on hedging activities. Provisions for credit losses were better by $113 million while expenses were $3 million higher.

Notable items

(Canadian $ in millions, except as noted)	**Q1-2010**	Q4-2009	Q1-2009
Charges related to deterioration in capital markets environment	-	50	248
Related income taxes	-	16	79
Net impact of notable items	-	34	169

Notable Items

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

Q1 2010

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

Q4 2009

We recorded a charge of $50 million ($34 million after tax and $0.06 per share) in respect of the Canadian credit protection vehicle Apex. This charge and a small net charge in respect of credit default swaps that mitigate credit exposure in the loan portfolio were largely offset by favourable credit valuation adjustments.

The $50 million charge was reflected in non-interest trading revenue.

Q1 2009

In the first quarter of 2009, BMO recorded charges of $248 million ($169 million after tax and $0.32 per share) in respect of the capital markets environment comprised of charges related to Apex.

The $248 million of charges outlined above reduced non-interest trading revenue ($71 million) and investment securities gains ($177 million).

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

(Canadian $ in millions, except as noted)	**Q1-2010**	Q4-2009	**Q1-2009**
Total non-interest expense (a)	**1,839**	1,779	1,841
Amortization of acquisition-related intangible assets (note 1)	**(8)**	(10)	(10)
Cash-based non-interest expense (b) (note 2)	**1,831**	1,769	1,831
Net income	**657**	647	225
Amortization of acquisition-related intangible assets, net of income taxes	**7**	8	8
Cash net income (note 2)	**664**	655	233
Preferred share dividends	**(35)**	(38)	(23)
Charge for capital (note 2)	**(458)**	(458)	(429)
Net economic profit (note 2)	**171**	159	(219)
Revenue (c)	**3,025**	2,989	2,442
Revenue growth (%) (d)	**23.9**	6.3	20.5
Productivity ratio (%) ((a/c) x 100)	**60.8**	59.5	75.4
Cash productivity ratio (%) ((b/c) x 100) (note 2)	**60.5**	59.2	75.0
Non-interest expense growth (%) (e)	**(0.1)**	(2.2)	14.1
Cash-based non-interest expense growth (%) (f) (note 2)	**-**	(2.0)	14.1
Operating leverage (%) (d-e)	**24.0**	8.5	6.4
Cash operating leverage (%) (d-f) (note 2)	**23.9**	8.3	6.4
EPS (uses net income) ($)	**1.12**	1.11	0.39
Cash EPS (note 1) (uses cash net income) ($) (note 2)	**1.13**	1.13	0.40

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

Non-GAAP Measures

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

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

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

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

INVESTOR AND MEDIA PRESENTATION

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

Quarterly Conference Call and Webcast Presentations
Interested parties are also invited to listen to our quarterly conference call on Tuesday, March 2, 2010, at 2:00 p.m. (EST). At that time, senior BMO executives will comment on results for the quarter and respond to questions from the investor community. The call may be accessed by telephone at 416-695-9753 (from within Toronto) or 1-888-789-0089 (toll-free outside Toronto). A replay of the conference call can be accessed until Tuesday, May 25, 2010, by calling 416-695-5800 (from within Toronto) or 1-800-408-3053 (toll-free outside Toronto) and entering passcode 1645426.

A live webcast of the call can be accessed on our website at www.bmo.com/investorrelations. A replay can be accessed on the site until Tuesday, May 25, 2010.

Media Relations Contacts
Ralph Marranca, Toronto, ralph.marranca@bmo.com, 416-867-3996
Ronald Monet, Montreal, ronald.monet@bmo.com, 514-877-1873

Investor Relations Contacts
Viki Lazaris, Senior Vice-President, viki.lazaris@bmo.com, 416-867-6656
Steven Bonin, Director, steven.bonin@bmo.com, 416-867-5452
Andrew Chin, Senior Manager, andrew.chin@bmo.com, 416-867-7019

Chief Financial Officer
Russel Robertson, Chief Financial Officer
russ.robertson@bmo.com, 416-867-7360

Corporate Secretary
Blair Morrison, Senior Vice-President, Deputy General Counsel,
Corporate Affairs and Corporate Secretary
corp.secretary@bmo.com, 416-867-6785

Shareholder Dividend Reinvestment and Share Purchase Plan
Average market price
November 2009 $53.11 ($52.05*)
December 2009 $54.94
January 2010 $53.01
* reflects 2% discount for dividend reinvestment

For dividend information, change in shareholder address or to advise of duplicate mailings, please contact
Computershare Trust Company of Canada
100 University Avenue, 9th Floor
Toronto, Ontario M5J 2Y1
Telephone: 1-800-340-5021 (Canada and the United States)
Telephone: (514) 982-7800 (international)
Fax: 1-888-453-0330 (Canada and the United States)
Fax: (416) 263-9394 (international)
E-mail: service@computershare.com

For other shareholder information, please contact
Bank of Montreal
Shareholder Services
Corporate Secretary's Department
One First Canadian Place, 21st Floor
Toronto, Ontario M5X 1A1
Telephone: (416) 867-6785
Fax: (416) 867-6793
E-mail: corp.secretary@bmo.com

For further information on this report, please contact
Bank of Montreal
Investor Relations Department
P.O. Box 1, One First Canadian Place, 18th Floor
Toronto, Ontario M5X 1A1

To review financial results online, please visit our website at www.bmo.com

---

Annual Meeting 2010
The Annual Meeting of Shareholders will be held on Tuesday, March 23, 2010, at 9:30 CDT (10:30 EDT) in Winnipeg, Manitoba.