# Consolidated Statement of Income

| (Unaudited) (Canadian $ in millions, except as noted) | For the three months ended | | | | |
|---|---|---|---|---|---|
| | **January 31, 2008** | October 31, 2007 | July 31, 2007 | April 30, 2007 | January 31, 2007 |
| **Interest, Dividend and Fee Income** | | | | | |
| Loans | **$ 2,984** | $ 2,971 | $ 2,935 | $ 2,839 | $ 2,812 |
| Securities | **948** | 910 | 786 | 731 | 726 |
| Deposits with banks | **315** | 387 | 291 | 230 | 220 |
| | **4,247** | 4,268 | 4,012 | 3,800 | 3,758 |
| **Interest Expense** | | | | | |
| Deposits | **2,297** | 2,328 | 1,968 | 1,833 | 1,776 |
| Subordinated debt | **49** | 51 | 46 | 40 | 43 |
| Preferred shares and capital trust securities | **23** | 24 | 24 | 26 | 25 |
| Other liabilities | **664** | 669 | 727 | 697 | 718 |
| | **3,033** | 3,072 | 2,765 | 2,596 | 2,562 |
| **Net Interest Income** | **1,214** | 1,196 | 1,247 | 1,204 | 1,196 |
| Provision for credit losses (Note 2) | **230** | 151 | 91 | 59 | 52 |
| Net Interest Income After Provision for Credit Losses | **984** | 1,045 | 1,156 | 1,145 | 1,144 |
| **Non-Interest Revenue** | | | | | |
| Securities commissions and fees | **271** | 265 | 299 | 303 | 278 |
| Deposit and payment service charges | **182** | 183 | 180 | 182 | 183 |
| Trading revenues (losses) | **(301)** | (165) | 40 | (10) | (352) |
| Lending fees | **92** | 105 | 102 | 100 | 99 |
| Card fees | **67** | (105) | 79 | 70 | 63 |
| Investment management and custodial fees | **81** | 83 | 81 | 81 | 77 |
| Mutual fund revenues | **154** | 148 | 151 | 140 | 137 |
| Securitization revenues | **80** | 61 | 65 | 83 | 87 |
| Underwriting and advisory fees | **92** | 103 | 160 | 159 | 106 |
| Securities gains (losses), other than trading | **(2)** | 148 | 6 | 48 | 44 |
| Foreign exchange, other than trading | **29** | 48 | 30 | 33 | 21 |
| Insurance income | **62** | 52 | 55 | 77 | 46 |
| Other | **5** | 78 | 60 | 58 | 81 |
| | **812** | 1,004 | 1,308 | 1,324 | 870 |
| Net Interest Income and Non-Interest Revenue | **1,796** | 2,049 | 2,464 | 2,469 | 2,014 |
| **Non-Interest Expense** | | | | | |
| Employee compensation (Note 8) | **945** | 901 | 1,024 | 969 | 931 |
| Premises and equipment | **326** | 350 | 325 | 320 | 308 |
| Amortization of intangible assets | **10** | 11 | 11 | 13 | 11 |
| Travel and business development | **72** | 92 | 72 | 64 | 59 |
| Communications | **42** | 36 | 38 | 42 | 33 |
| Business and capital taxes | **12** | 6 | - | 17 | 24 |
| Professional fees | **79** | 108 | 62 | 67 | 64 |
| Other | **128** | 127 | 127 | 122 | 108 |
| | **1,614** | 1,631 | 1,659 | 1,614 | 1,538 |
| Restructuring Charge (Note 9) | **-** | 24 | - | - | 135 |
| **Income Before Provision for (Recovery of) Income Taxes and Non-Controlling Interest in Subsidiaries** | **182** | 394 | 805 | 855 | 341 |
| Income taxes | **(91)** | (77) | 127 | 165 | (26) |
| | **273** | 471 | 678 | 690 | 367 |
| Non-controlling interest in subsidiaries | **18** | 19 | 18 | 19 | 19 |
| **Net Income** | **$ 255** | $ 452 | $ 660 | $ 671 | $ 348 |
| Preferred share dividends | **$ 15** | $ 12 | $ 9 | $ 13 | $ 9 |
| Net income available to common shareholders | **$ 240** | $ 440 | $ 651 | $ 658 | $ 339 |
| Average common shares (in thousands) | **499,067** | 498,379 | 499,793 | 500,510 | 501,136 |
| Average diluted common shares (in thousands) | **505,572** | 506,173 | 507,913 | 509,943 | 510,320 |
| **Earnings Per Share** (Canadian $) | | | | | |
| Basic | **$ 0.48** | $ 0.89 | $ 1.30 | $ 1.31 | $ 0.68 |
| Diluted | **0.47** | 0.87 | 1.28 | 1.29 | 0.67 |
| **Dividends Declared Per Common Share** | **0.70** | 0.70 | 0.68 | 0.68 | 0.65 |

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

# Consolidated Balance Sheet

| (Unaudited) (Canadian $ in millions) | As at | | | | |
|---|---|---|---|---|---|
| | **January 31, 2008** | October 31, 2007 | July 31, 2007 | April 30, 2007 | January 31, 2007 |
| **Assets** | | | | | |
| **Cash Resources** | **$ 26,122** | $ 22,890 | $ 25,041 | $ 19,502 | $ 22,873 |
| **Securities** | | | | | |
| Trading | **63,377** | 70,773 | 67,716 | 63,600 | 58,401 |
| Available-for-sale | **24,341** | 26,010 | 17,046 | 17,529 | 18,235 |
| Other | **1,747** | 1,494 | 1,456 | 1,460 | 1,465 |
| Loan substitutes | **-** | - | 11 | 11 | 11 |
| | **89,465** | 98,277 | 86,229 | 82,600 | 78,112 |
| **Loans** | | | | | |
| Residential mortgages | **53,224** | 52,429 | 62,297 | 62,908 | 63,109 |
| Consumer instalment and other personal | **34,517** | 33,189 | 33,009 | 31,913 | 31,474 |
| Credit cards | **4,685** | 4,493 | 4,347 | 3,899 | 3,764 |
| Businesses and governments | **66,205** | 62,650 | 63,795 | 60,956 | 58,108 |
| Securities borrowed or purchased under resale agreements | **42,937** | 37,093 | 34,216 | 35,063 | 41,843 |
| | **201,568** | 189,854 | 197,664 | 194,739 | 198,298 |
| Customers' liability under acceptances | **11,590** | 12,389 | 8,993 | 9,530 | 8,252 |
| Allowance for credit losses (Note 2) | **(1,227)** | (1,055) | (1,045) | (1,059) | (1,078) |
| | **211,931** | 201,188 | 205,612 | 203,210 | 205,472 |
| **Other Assets** | | | | | |
| Derivative instruments | **36,857** | 32,585 | 30,030 | 38,711 | 37,361 |
| Premises and equipment | **1,977** | 1,980 | 2,015 | 2,047 | 2,057 |
| Goodwill | **1,189** | 1,140 | 1,232 | 1,252 | 1,306 |
| Intangible assets | **152** | 124 | 149 | 174 | 207 |
| Other | **9,132** | 8,340 | 8,846 | 9,031 | 8,103 |
| | **49,307** | 44,169 | 42,272 | 51,215 | 49,034 |
| **Total Assets** | **$ 376,825** | $ 366,524 | $ 359,154 | $ 356,527 | $ 355,491 |
| **Liabilities and Shareholders' Equity** | | | | | |
| **Deposits** | | | | | |
| Banks | **$ 34,991** | $ 34,100 | $ 30,561 | $ 28,256 | $ 33,811 |
| Businesses and governments | **125,312** | 121,748 | 120,757 | 114,504 | 104,994 |
| Individuals | **82,608** | 76,202 | 77,709 | 78,855 | 78,309 |
| | **242,911** | 232,050 | 229,027 | 221,615 | 217,114 |
| **Other Liabilities** | | | | | |
| Derivative instruments | **32,776** | 33,584 | 30,543 | 40,192 | 38,842 |
| Acceptances | **11,590** | 12,389 | 8,993 | 9,530 | 8,252 |
| Securities sold but not yet purchased | **28,393** | 25,039 | 28,551 | 24,692 | 19,472 |
| Securities lent or sold under repurchase agreements | **28,331** | 31,263 | 30,992 | 31,027 | 40,965 |
| Other | **12,478** | 12,055 | 10,682 | 10,055 | 11,083 |
| | **113,568** | 114,330 | 109,761 | 115,496 | 118,614 |
| **Subordinated Debt** (Note 10) | **3,446** | 3,446 | 3,446 | 2,395 | 2,745 |
| **Preferred Share Liability** (Note 11) | **250** | 250 | 450 | 450 | 450 |
| **Capital Trust Securities** | **1,150** | 1,150 | 1,150 | 1,150 | 1,150 |
| **Shareholders' Equity** | | | | | |
| Share capital (Note 11) | **5,648** | 5,607 | 5,318 | 5,272 | 5,225 |
| Contributed surplus | **65** | 58 | 56 | 55 | 55 |
| Retained earnings | **11,056** | 11,166 | 11,158 | 11,017 | 10,836 |
| Accumulated other comprehensive loss | **(1,269)** | (1,533) | (1,212) | (923) | (698) |
| | **15,500** | 15,298 | 15,320 | 15,421 | 15,418 |
| **Total Liabilities and Shareholders' Equity** | **$ 376,825** | $ 366,524 | $ 359,154 | $ 356,527 | $ 355,491 |

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

# Consolidated Statement of Comprehensive Income

| (Unaudited) (Canadian $ in millions) | For the three months ended January 31, 2008 | January 31, 2007 |
|---|---|---|
| Net income | | |
| Other Comprehensive Income | $ 255 | $ 348 |
| Net change in unrealized gains (losses) on available-for-sale securities | (2) | 2 |
| Net change in unrealized gains (losses) on cash flow hedges | 64 | (45) |
| Net gain on translation of net foreign operations | 202 | 182 |
| **Total Comprehensive Income** | **$ 519** | $ 487 |

# Consolidated Statement of Changes in Shareholders' Equity

| (Unaudited) (Canadian $ in millions) | For the three months ended January 31, 2008 | January 31, 2007 |
|---|---|---|
| **Preferred Shares** | | |
| Balance at beginning of period | $ 1,196 | $ 596 |
| Issued during the period (Note 11) | - | 350 |
| Balance at End of Period | 1,196 | 946 |
| **Common Shares** | | |
| Balance at beginning of period | 4,411 | 4,231 |
| Issued under the Shareholder Dividend Reinvestment and Share Purchase Plan | 28 | 28 |
| Issued under the Stock Option Plan | 13 | 29 |
| Issued on the exchange of shares of a subsidiary corporation | - | 1 |
| Repurchased for cancellation (Note 11) | - | (10) |
| Balance at End of Period | 4,452 | 4,279 |
| **Contributed Surplus** | | |
| Balance at beginning of period | 58 | 49 |
| Stock option expense | 7 | 6 |
| Balance at End of Period | 65 | 55 |
| **Retained Earnings** | | |
| Balance at beginning of period | 11,166 | 10,974 |
| Cumulative impact of adopting new accounting requirements for financial instruments (net of income taxes of $39) | - | (71) |
| Net income | 255 | 348 |
| Dividends - Preferred shares | (15) | (9) |
| - Common shares | (350) | (325) |
| Common shares repurchased for cancellation (Note 11) | - | (72) |
| Share issue expense | - | (9) |
| Balance at End of Period | 11,056 | 10,836 |
| **Accumulated Other Comprehensive Income on Available-for-Sale Securities** | | |
| Balance at beginning of period | 35 | - |
| Impact of remeasuring available-for-sale securities to market value on November 1, 2006 (net of income taxes of $1) | - | 3 |
| Unrealized gains (losses) on available-for-sale securities arising during the period (net of income taxes of $12 and $4) | (25) | 7 |
| Reclassification to earnings of realized losses (gains) in the period (net of income taxes of $10 and $3) | 23 | (5) |
| Balance at End of Period | 33 | 5 |
| **Accumulated Other Comprehensive Loss on Cash Flow Hedges** | | |
| Balance at beginning of period | (166) | - |
| Impact of adopting new cash flow hedge accounting rules on November 1, 2006 (net of income taxes of $28) | - | (51) |
| Gains (losses) on cash flow hedges arising during the period (net of income taxes of $15 and $25) | 27 | (48) |
| Reclassification to earnings of losses on cash flow hedges (net of income taxes of $17 and $2) | 37 | 3 |
| Balance at End of Period | (102) | (96) |
| **Accumulated Other Comprehensive Loss on Translation of Net Foreign Operations** | | |
| Balance at beginning of period | (1,402) | (789) |
| Unrealized gain on translation of net foreign operations | 592 | 493 |
| Impact of hedging unrealized gain on translation of net foreign operations (net of income taxes of $185 and $164) | (390) | (311) |
| Balance at End of Period | (1,200) | (607) |
| Total Accumulated Other Comprehensive Loss | (1,269) | (698) |
| **Total Shareholders' Equity** | **$ 15,500** | $ 15,418 |

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

# Consolidated Statement of Cash Flows

| (Unaudited) (Canadian $ in millions) | For the three months ended January 31, 2008 | January 31, 2007 |
|---|---|---|
| **Cash Flows from Operating Activities** | | |
| Net income | **$ 255** | $ 348 |
| Adjustments to determine net cash flows provided by (used in) operating activities | | |
| Write-down of securities, other than trading | **39** | - |
| Net gain on securities, other than trading | **(37)** | (44) |
| Net (increase) decrease in trading securities | **9,198** | (5,295) |
| Provision for credit losses | **230** | 52 |
| Gain on sale of securitized loans (Note 3) | **(59)** | (60) |
| Change in derivative instruments – (Increase) in derivative asset | **(3,442)** | (5,874) |
| – Increase (decrease) in derivative liability | **(1,881)** | 6,174 |
| Amortization of premises and equipment | **96** | 92 |
| Amortization of intangible assets | **10** | 11 |
| Net increase (decrease) in future income taxes | **15** | (61) |
| Net decrease in current income taxes | **(461)** | (501) |
| Change in accrued interest - Decrease in interest receivable | **243** | 206 |
| - Decrease in interest payable | **(55)** | (62) |
| Changes in other items and accruals, net | **(1,833)** | 2,068 |
| Net Cash Provided by (Used in) Operating Activities | **2,318** | (2,946) |
| **Cash Flows from Financing Activities** | | |
| Net increase in deposits | **4,208** | 7,080 |
| Net increase in securities sold but not yet purchased | **3,087** | 3,922 |
| Net increase (decrease) in securities lent or sold under repurchase agreements | **(3,902)** | 8,135 |
| Net increase in liabilities of subsidiaries | **1,665** | 3 |
| Proceeds from issuance of preferred shares | **-** | 350 |
| Proceeds from issuance of common shares | **41** | 57 |
| Share issue expense | **-** | (9) |
| Common shares repurchased for cancellation (Note 11) | **-** | (82) |
| Dividends paid | **(365)** | (334) |
| Net Cash Provided by Financing Activities | **4,734** | 19,122 |
| **Cash Flows from Investing Activities** | | |
| Net (increase) in interest bearing deposits with banks | **(2,746)** | (2,153) |
| Purchases of securities, other than trading | **(7,094)** | (11,461) |
| Maturities of securities, other than trading | **5,466** | 7,285 |
| Proceeds from sales of securities, other than trading | **3,972** | 1,098 |
| Net (increase) in loans, customers' liability under acceptances and loan substitute securities | **(2,823)** | (1,652) |
| Proceeds from securitization of loans (Note 3) | **545** | 942 |
| Net (increase) in securities borrowed or purchased under resale agreements | **(4,909)** | (9,752) |
| Premises and equipment – net purchases | **(60)** | (29) |
| Acquisitions (Note 7) | **(40)** | (384) |
| Net Cash Used in Investing Activities | **(7,689)** | (16,106) |
| Effect of Exchange Rate Changes on Cash and Cash Equivalents | **84** | 97 |
| Net Increase (Decrease) in Cash and Cash Equivalents | **(553)** | 167 |
| Cash and Cash Equivalents at Beginning of Period | **3,650** | 2,458 |
| **Cash and Cash Equivalents at End of Period** | **$ 3,097** | $ 2,625 |

The accompanying notes to consolidated financial statements are an integral part of these statements.
Certain comparative figures have been reclassified to conform with the current period's presentation.

# Notes to Consolidated Financial Statements

For the three months ended January 31, 2008 (Unaudited)

## Note 1: Basis of Presentation

These consolidated financial statements should be read in conjunction with the notes to our consolidated financial statements for the year ended October 31, 2007 as set out on pages 96 to 137 of our 2007 Annual Report. These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") using the same accounting policies and methods of computation as were used for our consolidated financial statements for the year ended October 31, 2007.

## Note 2: Allowance for Credit Losses

The allowance for credit losses recorded in our Consolidated Balance Sheet is maintained at a level which we consider adequate to absorb credit-related losses on our loans, customers' liability under acceptances and other credit instruments. The portion related to other credit instruments is recorded in other liabilities in our Consolidated Balance Sheet. As at January 31, 2008 and January 31, 2007 there was no allowance for credit losses related to other credit instruments included in other liabilities.

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

(Canadian $ in millions) — For the three months ended

| | Residential mortgages | | Credit card, consumer instalment and other personal loans | | Business and government loans | | Customers' liability under acceptances | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **January 31, 2008** | January 31, 2007 | **January 31, 2008** | January 31, 2007 | **January 31, 2008** | January 31, 2007 | **January 31, 2008** | January 31, 2007 | **January 31, 2008** | January 31, 2007 |
| Specific Allowance at beginning of period | **$ 14** | $ 5 | **$ 1** | $ 1 | **$ 142** | $ 147 | **$ -** | $ - | **$ 157** | $ 153 |
| Provision for credit losses | **1** | - | **68** | 49 | **101** | 3 | **-** | - | **170** | 52 |
| Recoveries | **-** | - | **19** | 18 | **3** | 4 | **-** | - | **22** | 22 |
| Write-offs | **-** | (1) | **(87)** | (67) | **(15)** | (6) | **-** | - | **(102)** | (74) |
| Foreign exchange and other | **-** | - | **-** | - | **3** | 3 | **-** | - | **3** | 3 |
| Specific Allowance at end of period | **15** | 4 | **1** | 1 | **234** | 151 | **-** | - | **250** | 156 |
| General Allowance at beginning of period | **11** | 23 | **327** | 340 | **517** | 506 | **43** | 36 | **898** | 905 |
| Provision for credit losses | **(3)** | (4) | **30** | 15 | **36** | (14) | **(3)** | 3 | **60** | - |
| Foreign exchange and other | **-** | - | **-** | - | **19** | 17 | **-** | - | **19** | 17 |
| General Allowance at end of period | **8** | 19 | **357** | 355 | **572** | 509 | **40** | 39 | **977** | 922 |
| Total Allowance | **$ 23** | $ 23 | **$ 358** | $ 356 | **$ 806** | $ 660 | **$ 40** | $ 39 | **$ 1,227** | $ 1,078 |

## Note 3: Securitization

During the quarter ended January 31, 2008, we securitized residential mortgages totalling $563 million for total cash proceeds of $545 million. There are no expected credit losses as the mortgages are guaranteed by third parties. We retained responsibility for servicing these mortgages. We recorded a gain of $5 million in non-interest revenue, securitization revenues, $24 million of deferred purchase price in available-for-sale securities and $4 million of servicing liability in other liabilities related to the securitization of those loans. The key weighted-average assumptions used to value the deferred purchase price for these securitizations were an average term of 4.4 years, a prepayment rate of 10.0%, an interest rate of 5.21% and a discount rate of 4.77%.

In addition, gains on sales of loans sold to all revolving securitization vehicles were $54 million for the quarter ended January 31, 2008.

## **Note 4:** Financial Instruments

### Fair Value Option

Management can elect to account for any financial instruments that would not otherwise be accounted for at fair value as trading instruments with changes in fair value recorded in income provided they meet certain criteria.

The Bank has designated bonds purchased to support our Municipal Tender Option Bond Program as trading under the fair value option. These bonds would otherwise be accounted for as available-for-sale securities with unrealized gains and losses recorded in Other Comprehensive Income. In managing this program, we enter into derivatives to hedge against changes in the fair value of those bonds that arise due to changes in interest rates. Electing the fair value option for the bonds better aligns the accounting result with how the portfolio is managed. The fair value of the bonds as at January 31, 2008 was $29 million. The impact of recording the bonds as trading was a decrease in non-interest revenue, trading losses of less than $1 million for the quarter ended January 31, 2008. The decrease was offset by a loss on the derivatives.

### Fair Value Measurement

We use a fair value hierarchy to categorize the inputs we use in valuation techniques to measure fair value. The extent of our use of quoted market prices (Level 1), internal models using observable market information as inputs (Level 2) and internal models without observable market information (Level 3) in the valuation of securities, derivative assets and derivative liabilities as at January 31, 2008 were as follows:

| | | | Derivative Instruments | |
|---|---|---|---|---|
| | Available-for-sale securities | Trading securities | Asset | Liability |
| Valued using quoted market prices | 56% | 98% | 5% | 6% |
| Valued using internal models (with observable inputs) | 43 | - | 93 | 93 |
| Valued using internal models (without observable inputs) | 1 | 2 | 2 | 1 |
| Total | 100% | 100% | 100% | 100% |

Sensitivity analysis for the most significant items valued using internal models without observable inputs was as follows:

Trading securities

Within trading securities as at January 31, 2008 was $302 million of third party Asset Backed Commercial Paper ("ABCP") with a face value of $362 million. This ABCP is considered Level 3 as its value has been determined by management based on expected discounted cash flows and expectations of the probability of restructuring the vehicles in accordance with the Montreal Accord versus the liquidation value. The assessment of probability has the most significant impact on the valuation of the ABCP. We assumed an 85% probability of the underlying vehicle being restructured and a 15% probability of it being liquidated to determine the value as at January 31, 2008. The impact of assuming the probability of liquidation increased or decreased by 5% would result in a change in fair value of $6 million and $(7) million, respectively. The impact on net income for the quarter ended January 31, 2008 related to changes in fair value of this investment was a charge of $6 million before tax.

Our remaining exposure to Apex/Sitka totals $495 million as at January 31, 2008, of which $302 million is ABCP (with a face value of $430 million) included in trading securities, and $193 million is guarantees. These amounts are considered Level 3 as their value has been determined by management based on expected discounted cash flows and expectations of the probability of restructuring the vehicles versus the liquidation value. The assessment of probability has the most significant impact on the valuation. We assumed a 70% probability of the underlying vehicle being restructured and a 30% probability of it being liquidated. The impact on our remaining exposure of assuming the probability of liquidation increased or decreased by 5% would result in a change in fair value totalling $37 million and $(36) million, respectively. The impact on net income for the quarter ended January 31, 2008 related to changes in fair value of our exposure to Apex/Sitka was a charge of $130 million before tax.

## **Note 5:** Variable Interest Entities

### Customer Securitization Vehicles

Customer securitization vehicles assist our customers with the securitization of their assets to provide them with alternative sources of funding. Total assets in unconsolidated customer securitization vehicles amounted to $23,629 million as at January 31, 2008 ($25,465 million as at October 31, 2007) of which $15,705 million relates to Canadian assets ($17,536 million as at October 31, 2007), and the balance are U.S assets. Our exposure to losses relates to our investment in commercial paper issued by the vehicles, derivative contracts we have entered into with the vehicles and the liquidity support we provide through standby letters of credit and commitments to extend credit. As at January 31, 2008, we have a net exposure of $1,730 million from commercial paper held ($5,564 million as at October 31, 2007) classified as trading securities, and backstop liquidity facilities of $28,148 million ($31,475 million as at October 31, 2007), of which $17,882 million ($20,756 million as at October 31, 2007) relates to Canadian facilities and the balance are U.S. facilities. As at January 31, 2008, $624 million had been drawn against these facilities ($nil as at October 31, 2007). The fair value of derivatives outstanding with these Variable Interest Entities ("VIEs") and recorded in our Consolidated Balance Sheet was a derivative asset of $29 million as at January 31, 2008 (derivative liability of $20 million as at October 31, 2007).

Included in our Consolidated Balance Sheet as at January 31, 2008 were other assets totalling $292 million and $15 million as a deposit liability ($311 million and $65 million, respectively, as at October 31, 2007) as a result of consolidating two VIEs.

### Bank Securitization Vehicles

We use bank securitization vehicles to securitize our Canadian mortgage loans and Canadian credit card loans either for capital management purposes or to obtain alternate sources of funding. Total assets held by these vehicles amounted to $6,526 million as at January 31, 2008 ($6,552 million as at October 31, 2007). We are not required to consolidate our bank securitization vehicles. We held $67 million of the commercial paper issued by these vehicles as at January 31, 2008 ($367 million as at October 31, 2007). We also provide liquidity support to certain of our bank securitization vehicles for the face value of the commercial paper outstanding. The total contract amount of the liquidity support was $5,100 million as at January 31, 2008 and October 31, 2007. No amounts were drawn as at January 31, 2008 and October 31, 2007. The fair value of derivatives outstanding with these vehicles and recorded in our Consolidated Balance Sheet was a derivative asset of $33 million as at January 31, 2008 (derivative liability of $52 million as at October 31, 2007).

### Credit Investment Management Vehicles

Credit investment management vehicles provide investment opportunities in customized, diversified debt portfolios in a variety of asset and rating classes. We hold an interest in high grade Structured Investment Vehicles ("SIVs") and act as asset manager. Total assets in these vehicles amounted to $18,228 million, including cash of $2,766 million, as at January 31, 2008 (total assets of $22,754 million as at October 31, 2007). Our exposure to loss relates to our investments in these vehicles, derivative contracts we have entered into with the vehicles and the liquidity support we provide through standby letters of credit and commitments to extend credit or purchase senior debt issued by the SIVs. Our investment in the capital notes of the SIVs is recorded in available-for-sale securities in our Consolidated Balance Sheet and was $33 million as at January 31, 2008 ($53 million as at October 31, 2007), net of write-downs of $23 million for the quarter ended January 31, 2008 ($13 million for the quarter ended October 31, 2007). We have provided funding commitments equivalent to $1.4 billion ($1.3 billion as at October 31, 2007) to purchase senior notes issued by the SIVs which have been fully drawn at January 31, 2008. The total contract amount of letters of credit for backstop liquidity facilities was $237 million as at January 31, 2008 ($221 million as at October 31, 2007); no amounts were drawn as at January 31, 2008 and October 31, 2007. The fair value of our derivative contracts outstanding with these SIVs and recorded in our Consolidated Balance Sheet was a derivative asset of $8 million as at January 31, 2008 (derivative liability of $11 million as at October 31, 2007). We are not required to consolidate these VIEs. Subsequent to January 31, 2008, we announced a proposal to provide senior funding of a maximum of $13 billion through a liquidity facility in order to backstop the repayment of senior notes. The senior notes of $1.4 billion held at January 31, 2008 will be repaid through this new facility.

### Structured Finance Vehicles

We facilitate development of investment products by third parties including mutual funds, unit investment trusts and other investment funds that are sold to retail investors. We enter into derivatives with these funds to provide the investors their desired exposure and hedge our exposure from these derivatives by investing in other funds. We consolidate those VIEs where our interests expose us to a majority of the expected losses or residual returns, or both. Total assets and our exposure to losses in these consolidated VIEs were $409 million as at January 31, 2008 ($440 million as at October 31, 2007). Assets held by these VIEs in which we have a significant variable interest but we do not consolidate totalled $333 million as at January 31, 2008 ($353 million as at October 31, 2007). Our exposure to loss from VIEs related to this activity is limited to the amount of our investment, which totalled $90 million as at January 31, 2008 ($99 million as at October 31, 2007).

We also sponsor Apex/Sitka, a VIE that provides investors credit protection on investments in debt portfolios through the issuance of commercial paper. We are not required to consolidate this VIE. Assets held by Apex/Sitka were $2,012 million as at January 31, 2008 and October 31, 2007. Our exposure to loss is limited to the amount of our investment of $302 million as at January 31, 2008 ($454 million as at October 31, 2007) and guarantees we provided to third parties related to collateral calls and outstanding ABCP totalling $193 million as at January 31, 2008 ($nil as at October 31, 2007).

### Capital Trusts

BMO Covered Bond Trust (the "CB Trust") was created in 2007 to guarantee payments due to the bondholders in respect of €1 billion BMO Covered Bonds issued by the Bank in the first quarter of 2008. The guarantee is secured by the assets of the CB Trust. The CB Trust is a variable interest entity which we are required to consolidate as we are exposed to the majority of the expected losses and residual returns. Total assets in the vehicle as at January 31, 2008 were $3.5 billion of residential mortgages.

## **Note 6:** Guarantees

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

**Standby Letters of Credit and Guarantees**

Standby letters of credit and guarantees represent our obligation to make payments to third parties on behalf of another party if they are unable to make the required payments or meet other contractual requirements.

The maximum amount payable under standby letters of credit and guarantees was $14,269 million as at January 31, 2008 ($12,395 million as at October 31, 2007). Collateral requirements for standby letters of credit and guarantees are consistent with our collateral requirements for loans.

No amount was included in our Consolidated Balance Sheet as at January 31, 2008 and October 31, 2007 related to these standby letters of credit and guarantees.

**Backstop Liquidity Facilities**

Backstop liquidity facilities are provided to asset-backed commercial paper programs administered by either us or third parties as an alternative source of financing in the event that such programs are unable to access asset-backed commercial paper markets or, in limited circumstances, when predetermined performance measures of the financial assets owned by these programs are not met. The terms of the backstop liquidity facilities do not require us to advance money to these programs in the event of bankruptcy of the borrower. The facilities' terms are generally no longer than one year, but can be several years. The maximum amount payable under these backstop liquidity facilities totalled $35,083 million as at January 31, 2008 ($38,466 million as at October 31, 2007). The amount drawn on the backstop liquidity facilities was $625 million as at January 31, 2008 ($16 million as at October 31, 2007).

**Credit Enhancement Facilities**

Where warranted, we provide partial credit enhancement facilities to transactions within asset-backed commercial paper programs administered by either us or third parties. Credit enhancement facilities were included in $5,124 million of backstop liquidity facilities as at January 31, 2008 ($5,449 million as at October 31, 2007). Credit enhancement was also provided in the form of program letters of credit; $nil was included in standby letters of credit and guarantees as at January 31, 2008 and October 31, 2007. The facilities' terms are generally no longer than one year, but can be several years. Of the $625 million of backstop liquidity facilities drawn as at January 31, 2008, $66 million relates to credit enhancement.

## **Note 7:** Acquisitions

**Pyrford International plc**

On December 14, 2007, we completed the acquisition of Pyrford International plc ("Pyrford"), a London, U.K.-based asset manager, for total cash consideration of $40 million, plus contingent consideration up to $10 million based on our retention of the assets under management one year from the closing date. The results of Pyrford's operations have been included in our consolidated financial statements since that date. The acquisition of Pyrford will provide us with the opportunity to expand our investment management capabilities outside of North America. As part of this acquisition, we acquired a customer relationship intangible asset, which will be amortized on a straight line basis over a period not to exceed 15 years. Goodwill related to this acquisition is not deductible for tax purposes. Pyrford is part of our Private Client Group reporting segment.

**First National Bank & Trust**

On January 4, 2007, we completed the acquisition of First National Bank & Trust ("First National") for total cash consideration of $345 million. The results of First National's operations have been included in our consolidated financial statements since that date. The acquisition of First National provides us with the opportunity to expand our banking services in the Indianapolis, Indiana market. As part of this acquisition, we acquired a core deposit intangible asset, which will be amortized on an accelerated basis over a period not to exceed 10 years. Goodwill related to this acquisition is deductible for tax purposes. First National is part of our Personal and Commercial Banking U.S. reporting segment.

**bcpbank Canada**

On December 4, 2006, we completed the acquisition of bcpbank Canada, a full-service chartered bank, for total cash consideration of $41 million. The results of bcpbank Canada's operations have been included in our consolidated financial statements since that date. The acquisition of bcpbank Canada expands our branch network and provides our customers with greater access to banking services across the greater Toronto area. As part of this acquisition, we acquired a core deposit intangible asset, which will be amortized on an accelerated basis over 10 years. Goodwill related to this acquisition is not deductible for tax purposes. bcpbank Canada is part of our Personal and Commercial Banking Canada reporting segment.

*Future Acquisitions*

On July 10, 2007, we announced that we had reached definitive agreements to purchase Ozaukee Bank and Merchants and Manufacturers Bancorporation, Inc. These acquisitions are expected to close during the quarter ended April 30, 2008.

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

| (Canadian $ in millions) | **January 31, 2008** | October 31, 2007 | |
|---|---|---|---|
| | **Pyrford** | First National | bcpbank Canada |
| Cash resources | **$ 1** | $ 110 | $ 47 |
| Securities | **-** | 317 | 23 |
| Loans | **-** | 1,009 | 293 |
| Premises and equipment | **1** | 30 | 9 |
| Goodwill | **6** | 175 | 13 |
| Core deposit/Customer relationship intangible asset | **30** | 37 | 5 |
| Other assets | **4** | 52 | 2 |
| Total assets | **42** | 1,730 | 392 |
| Deposits | **-** | 1,375 | 339 |
| Other liabilities | **2** | 10 | 12 |
| Total liabilities | **2** | 1,385 | 351 |
| Purchase price | **$ 40** | $ 345 | $ 41 |

The allocation of the purchase price for Pyrford is subject to refinement as we complete the valuation of the assets acquired and liabilities assumed.

## **Note 8:** Employee Compensation

### Stock Options

During the quarter ended January 31, 2008, we granted a total of 1,337,228 stock options. The weighted-average fair value of these options was $8.32 per option and was determined using a trinomial option pricing model, based on the following weighted-average assumptions:

| For stock options granted during the three months ended January 31, 2008 | |
|---|---|
| Expected dividend yield | 4.0% |
| Expected share price volatility | 19.4% |
| Risk-free rate of return | 4.1% |
| Expected period until exercise | 7.4 years |

### Pension and Other Employee Future Benefit Expenses

We recorded pension and other employee future benefit expenses in our Consolidated Statement of Income as follows:

| (Canadian $ in millions) | Pension benefit plans | | Other employee future benefit plans | |
|---|---|---|---|---|
| | For the three months ended | | For the three months ended | |
| | **January 31, 2008** | January 31, 2007 | **January 31, 2008** | January 31, 2007 |
| Benefits earned by employees | **$ 34** | $ 40 | **$ 5** | $ 5 |
| Interest cost on accrued benefit liability | **58** | 55 | **13** | 12 |
| Actuarial loss recognized in expense | **4** | 16 | **3** | 4 |
| Amortization of plan amendment costs | **2** | 2 | **(1)** | (1) |
| Expected return on plan assets | **(72)** | (69) | **(1)** | (1) |
| Benefits expense | **26** | 44 | **19** | 19 |
| Canada and Quebec pension plan expense | **14** | 13 | **-** | - |
| Defined contribution expense | **3** | 4 | **-** | - |
| Total pension and other employee future benefit expenses | **$ 43** | $ 61 | **$ 19** | $ 19 |

## **Note 9:** Restructuring Charge

The continuity of our restructuring charge is as follows:

| (Canadian $ in millions) | Severance-related charges | Premises-related charges | Other | Total |
|---|---|---|---|---|
| Year Ended October 31, 2007 | | | | |
| Opening balance | $ 117 | $ 11 | $ 7 | $ 135 |
| Paid in the year | (46) | (10) | (7) | (63) |
| Reversal in the year | (15) | (1) | - | (16) |
| Additional charge in the year | 40 | - | - | 40 |
| Balance as at October 31, 2007 | 96 | - | - | 96 |
| Paid in the quarter | (12) | - | - | (12) |
| Balance as at January 31, 2008 | $ 84 | $ - | $ - | $ 84 |

## **Note 10:** Subordinated Debt

On February 4, 2008, we redeemed all of our 5.75% Series A Medium-Term Notes, Second Tranche, due 2013, totalling $150 million. The notes were redeemed at a redemption price of 100 per cent of the principal amount plus unpaid accrued interest to the redemption date.

## Note 11: Share Capital

During the quarter ended January 31, 2008, we did not repurchase any common shares. During the quarter ended January 31, 2007, we repurchased 1,194,900 common shares at an average cost of $69.08 per share, totalling $82 million.

There have been 27,800 common shares repurchased under the existing normal course issuer bid that expires on September 5, 2008 and pursuant to which we are permitted to purchase up to 25,000,000 common shares.

During the quarter ended January 31, 2007, we issued 14,000,000 4.5% Non-Cumulative Perpetual Class B Preferred Shares, Series 13, at a price of $25.00 per share, representing an aggregate issue price of $350 million.

**Share Capital Outstanding** (a)

| (Canadian $ in millions, except as noted) | January 31, 2008 | | |
|---|---|---|---|
| | Number of shares | Amount | Convertible into... |
| Preferred Shares – Classified as Liabilities | | | |
| Class B – Series 6 | 10,000,000 | $ 250 | common shares (b) |
| | | 250 | |
| Preferred Shares – Classified as Equity | | | |
| Class B – Series 5 | 8,000,000 | 200 | – |
| Class B – Series 10 (c) | 12,000,000 | 396 | common shares (b) |
| Class B – Series 13 | 14,000,000 | 350 | – |
| Class B – Series 14 | 10,000,000 | 250 | – |
| | | 1,196 | |
| Common Shares | 499,406,700 | 4,452 | – |
| Share Capital | | $ 5,648 | |
| Stock options issued under stock option plan | | n/a | 21,617,502 common shares |

(a) For additional information refer to Notes 21 and 22 to our consolidated financial statements for the year ended October 31, 2007 on pages 121 to 124 of our 2007 Annual Report.
(b) The number of shares issuable on conversion is not determinable until the date of conversion.
(c) Face value is US$300 million.
n/a – not applicable

## Note 12: Contingent Liabilities

Following our disclosures of mark-to-market losses in our commodities trading businesses on April 27, 2007 and May 17, 2007 aggregating $680 million (pre-tax) as of April 30, 2007, the Bank has received inquiries, requests for documents and subpoenas pertaining to those trading losses from securities, commodities, banking and law enforcement authorities. The Bank is cooperating with all of these authorities.

## Note 13: Capital Management

Our capital management framework is designed to maintain the level of capital that: meets target ratios as set out by our regulator, the Superintendent of Financial Institutions Canada; supports our internal assessment of required capital; results in targeted credit ratings; funds our operating groups' business strategies; and builds long-term shareholder value.

Our policies and processes for managing capital as well as the nature of our capital are outlined in the Enterprise-Wide Capital Management section of Management's Discussion and Analysis on page 57 of our 2007 Annual Report.

Effective November 1, 2007, a new regulatory capital management framework was implemented in Canada. The new framework, Basel II, replaced Basel I, the framework utilized for the past 20 years. It establishes regulatory capital requirements that are more sensitive to a bank's risk profile.

We have met our capital targets as at January 31, 2008. Our capital position as at January 31, 2008 is detailed in the Capital Management section on page 18 of Management's Discussion and Analysis of this First Quarter Report to Shareholders.

## Note 14: Risk Management

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

### Credit and Counterparty Risk

We are exposed to credit risk from the possibility that counterparties may default on their financial obligations to us. This is the most significant measurable risk that we face. Our risk management practices are disclosed in Management's Discussion and Analysis on pages 67 to 68 of our 2007 Annual Report. Key measures as at January 31, 2008 are outlined in the Risk Management section on pages 14 to 15 of Management's Discussion and Analysis of this First Quarter Report to Shareholders.

### Market, Liquidity and Funding Risk

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

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

Our market risk and liquidity funding management practices and key measures are outlined on pages 68 to 71 of our 2007 Annual Report. Key measures as at January 31, 2008 are outlined in the Risk Management section on pages 14 to 15 of Management's Discussion and Analysis of this First Quarter Report to Shareholders.

Financial liabilities are comprised of trading and non-trading liabilities. As liabilities in trading portfolios are typically held for short periods of time, they are not included in the table below. Contractual maturities of non-trading financial liabilities as at January 31, 2008 were as follows:

(Canadian $ in millions)

| | Less than 1 year | 1 to 3 years | 4 to 5 years | Over 5 years | No fixed maturity | Total |
|---|---|---|---|---|---|---|
| Deposits | $ 122,966 | $ 23,688 | $ 9,146 | $ 3,377 | $ 83,734 | $ 242,911 |
| Subordinated debt (1) | 366 | 632 | 422 | 5,217 | - | 6,637 |
| Capital trust securities | - | 750 | 400 | 1,050 | - | 2,200 |
| Preferred share liability | 250 | - | - | - | - | 250 |
| Other financial liabilities (1) | 36,270 | 226 | 203 | 2,465 | 42 | 39,206 |
| Total | $ 159,852 | $ 25,296 | $ 10,171 | $ 12,109 | $ 83,776 | $ 291,204 |

(1) Includes interest payments.

(Canadian $ in millions)

| | Less than 1 year | Greater than 1 year | Total |
|---|---|---|---|
| Commitments to extend credit | $ 47,326 | $ 29,828 | $ 77,154 |

## **Note 15:** United States Generally Accepted Accounting Principles

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

(Canadian $ in millions, except earnings per share figures)

| | For the three months ended January 31, 2008 | January 31, 2007 |
|---|---|---|
| Net Income – Canadian GAAP | **$ 255** | $ 348 |
| United States GAAP adjustments | **5** | (12) |
| Net Income – United States GAAP | **$ 260** | $ 336 |
| Earnings Per Share | | |
| Basic – Canadian GAAP | **$ 0.48** | $ 0.68 |
| Basic – United States GAAP | **0.49** | 0.65 |
| Diluted – Canadian GAAP | **0.47** | 0.67 |
| Diluted – United States GAAP | **0.48** | 0.64 |

**Fair Value Option**

During the quarter ended January 31, 2008, we adopted the new United States accounting standard which allows the option to report selected financial assets and liabilities at fair value and establishes new disclosure requirements for assets and liabilities to which the fair value option is applied. The new standard eliminated a difference between Canadian and United States GAAP.

## **Note 16:** Subsequent Event

Since the quarter end we have been in active negotiations to restructure our Apex/Sitka trust referred to in Note 5. On February 27, 2008, Apex/Sitka was unable to roll its notes and, as a result, did not meet its payment obligations. In addition, Apex/Sitka failed to satisfy collateral calls. If no restructuring agreement is reached, we expect to record a charge of approximately $500 million related to our remaining Apex/Sitka exposure in the quarter ending April 30, 2008. There is also additional risk should Apex/Sitka not be restructured. One noteholder of Apex/Sitka is disputing our demand for the return of a $400 million funds transfer payment. A swap counterparty is disputing its obligations of up to $600 million to us under an agreement and with respect to a total return swap transaction that the counterparty had previously confirmed. While we are confident in our position and we will vigorously pursue our rights in these matters, it is not possible to determine the amount or probability of losses, if any, or whether any potential charges will be taken in the quarter ending April 30, 2008. It is anticipated that if a restructuring is successful, these matters would be dealt with as part of the restructuring. In order to support a successful restructuring of Apex/Sitka, we may provide additional support.

## **Note 17:** Operating and Geographic Segmentation

**Operating Groups**

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

**Personal and Commercial Banking**

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

**Personal and Commercial Banking Canada**

Personal and Commercial Banking Canada ("P&C Canada") offers a full range of consumer and business loan and deposit products, including deposit and management services, mortgages, consumer credit, business lending, cash management and other banking services.

**Personal and Commercial Banking U.S.**

Personal and Commercial Banking U.S. ("P&C U.S.") offers a full range of products and services to personal and business clients in select markets of the U.S. Midwest through branches and direct banking channels such as telephone banking, online banking and a network of automated banking machines.

**Private Client Group**

Private Client Group ("PCG") brings together all of our wealth management businesses. Operating under the BMO brand in Canada and Harris in the United States, PCG serves a full range of client segments, from mainstream to ultra-high net worth, as well as select institutional market segments. We offer our clients a broad range of wealth management products and services, including full-service and online brokerage in Canada, and private banking and investment products in Canada and the United States.

**BMO Capital Markets**

BMO Capital Markets ("BMO CM") combines all of our businesses serving corporate, institutional and government clients. In Canada and the United States, its clients span a broad range of industry sectors. BMO CM also serves clients in the United Kingdom, Europe, Asia and Australia. It offers clients complete financial solutions, including equity and debt underwriting, corporate lending and project financing, mergers and acquisitions, advisory services, merchant banking, securitization, treasury and market risk management, debt and equity research and institutional sales and trading.

**Corporate Services**

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

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

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

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

**Basis of Presentation**

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

*Taxable Equivalent Basis*

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

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

*Provisions for Credit Losses*

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

**Inter-Group Allocations**

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

**Geographic Information**

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

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

(Canadian $ in millions)

| For the three months ended **January 31, 2008** (2) | P&C Canada | P&C U.S. | PCG | BMO CM | Corporate Services (1) | Total (GAAP basis) |
|---|---|---|---|---|---|---|
| Net interest income | **$ 793** | **$ 167** | **$ 155** | **$ 303** | **$ (204)** | **$ 1,214** |
| Non-interest revenue | **418** | **48** | **364** | **(37)** | **19** | **812** |
| Total Revenue | **1,211** | **215** | **519** | **266** | **(185)** | **2,026** |
| Provision for credit losses | **83** | **9** | **1** | **29** | **108** | **230** |
| Non-interest expense | **695** | **166** | **368** | **383** | **2** | **1,614** |
| Income before taxes and non-controlling interest in subsidiaries | **433** | **40** | **150** | **(146)** | **(295)** | **182** |
| Income taxes | **131** | **14** | **52** | **(112)** | **(176)** | **(91)** |
| Non-controlling interest in subsidiaries | **-** | **-** | **-** | **-** | **18** | **18** |
| Net Income | **$ 302** | **$ 26** | **$ 98** | **$ (34)** | **$ (137)** | **$ 255** |
| Average Assets | **$ 123,386** | **$ 24,206** | **$ 7,855** | **$ 232,990** | **$ 2,922** | **$ 391,359** |
| Goodwill (As At) | **$ 104** | **$ 668** | **$ 322** | **$ 93** | **$ 2** | **$ 1,189** |

| For the three months ended January 31, 2007 (2) | P&C Canada | P&C U.S. | PCG | BMO CM | Corporate Services (1) | Total (GAAP basis) |
|---|---|---|---|---|---|---|
| Net interest income | $ 760 | $ 186 | $ 151 | $ 232 | $ (133) | $ 1,196 |
| Non-interest revenue | 406 | 42 | 355 | (25) | 92 | 870 |
| Total Revenue | 1,166 | 228 | 506 | 207 | (41) | 2,066 |
| Provision for credit losses | 80 | 9 | 1 | 20 | (58) | 52 |
| Non-interest expense | 642 | 174 | 364 | 330 | 163 | 1,673 |
| Income before taxes and non-controlling interest in subsidiaries | 444 | 45 | 141 | (143) | (146) | 341 |
| Income taxes | 147 | 16 | 50 | (123) | (116) | (26) |
| Non-controlling interest in subsidiaries | - | - | - | - | 19 | 19 |
| Net Income | $ 297 | $ 29 | $ 91 | $ (20) | $ (49) | $ 348 |
| Average Assets | $ 117,128 | $ 23,509 | $ 6,960 | $ 192,772 | $ 3,066 | $ 343,435 |
| Goodwill (As At) | $ 101 | $ 778 | $ 327 | $ 98 | $ 2 | $ 1,306 |

| For the three months ended **January 31, 2008** | Canada | United States | Other countries | Total |
|---|---|---|---|---|
| Net interest income | **$ 907** | **$ 213** | **$ 94** | **$ 1,214** |
| Non-interest revenue | **591** | **289** | **(68)** | **812** |
| Total Revenue | **1,498** | **502** | **26** | **2,026** |
| Provision for credit losses | **74** | **148** | **8** | **230** |
| Non-interest expense | **1,150** | **414** | **50** | **1,614** |
| Income before taxes and non-controlling interest in subsidiaries | **274** | **(60)** | **(32)** | **182** |
| Income taxes | **9** | **(48)** | **(52)** | **(91)** |
| Non-controlling interest in subsidiaries | **13** | **5** | **-** | **18** |
| Net Income | **$ 252** | **$ (17)** | **$ 20** | **$ 255** |
| Average Assets | **$ 236,226** | **$ 122,587** | **$ 32,546** | **$ 391,359** |
| Goodwill (As At) | **$ 421** | **$ 762** | **$ 6** | **$ 1,189** |

| For the three months ended January 31, 2007 | Canada | United States | Other countries | Total |
|---|---|---|---|---|
| Net interest income | $ 886 | $ 233 | $ 77 | $ 1,196 |
| Non-interest revenue | 1,002 | (161) | 29 | 870 |
| Total Revenue | 1,888 | 72 | 106 | 2,066 |
| Provision for credit losses | 51 | 1 | - | 52 |
| Non-interest expense | 1,216 | 418 | 39 | 1,673 |
| Income before taxes and non-controlling interest in subsidiaries | 621 | (347) | 67 | 341 |
| Income taxes | 136 | (178) | 16 | (26) |
| Non-controlling interest in subsidiaries | 14 | 5 | - | 19 |
| Net Income | $ 471 | $ (174) | $ 51 | $ 348 |
| Average Assets | $ 203,317 | $ 107,919 | $ 32,199 | $ 343,435 |
| Goodwill (As At) | $ 419 | $ 887 | $ - | $ 1,306 |

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

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