Consolidated Statement of Income

(Unaudited) (Canadian $ in millions, except as noted)	For the three months ended					For the six months ended	
	April 30, 2009	January 31, 2009	October 31, 2008	July 31, 2008	April 30, 2008	**April 30, 2009**	April 30, 2008
Interest, Dividend and Fee Income							
Loans	**$ 1,825**	$ 2,213	$ 2,554	$ 2,467	$ 2,609	**$ 4,038**	$ 5,593
Securities	**685**	828	748	705	805	**1,513**	1,753
Deposits with banks	**48**	96	182	203	230	**144**	545
	2,558	3,137	3,484	3,375	3,644	**5,695**	7,891
Interest Expense							
Deposits	**967**	1,446	1,590	1,612	1,842	**2,413**	4,139
Subordinated debt	**56**	60	61	61	51	**116**	100
Capital trust securities and preferred shares	**19**	21	23	22	23	**40**	46
Other liabilities	**179**	279	397	394	554	**458**	1,218
	1,221	1,806	2,071	2,089	2,470	**3,027**	5,503
Net Interest Income	**1,337**	1,331	1,413	1,286	1,174	**2,668**	2,388
Provision for credit losses (Note 3)	**372**	428	465	484	151	**800**	381
Net Interest Income After Provision for Credit Losses	**965**	903	948	802	1,023	**1,868**	2,007
Non-Interest Revenue							
Securities commissions and fees	**235**	248	270	294	270	**483**	541
Deposit and payment service charges	**204**	205	203	190	181	**409**	363
Trading revenues (losses)	**63**	224	435	220	192	**287**	(109)
Lending fees	**148**	119	120	116	101	**267**	193
Card fees	**33**	24	58	88	78	**57**	145
Investment management and custodial fees	**84**	88	87	86	85	**172**	166
Mutual fund revenues	**106**	114	140	151	144	**220**	298
Securitization revenues	**262**	264	167	133	133	**526**	213
Underwriting and advisory fees	**103**	77	66	97	98	**180**	190
Securities gains (losses), other than trading	**(42)**	(314)	(252)	(75)	14	**(356)**	12
Foreign exchange, other than trading	**25**	13	(4)	25	30	**38**	59
Insurance income	**62**	56	52	56	52	**118**	114
Other	**35**	(7)	58	79	68	**28**	73
	1,318	1,111	1,400	1,460	1,446	**2,429**	2,258
Net Interest Income and Non-Interest Revenue	**2,283**	2,014	2,348	2,262	2,469	**4,297**	4,265
Non-Interest Expense							
Employee compensation (Note 9)	**1,129**	1,087	1,007	1,044	980	**2,216**	1,925
Premises and equipment (Note 2)	**339**	327	338	312	300	**666**	591
Amortization of intangible assets (Note 2)	**54**	51	48	45	45	**105**	90
Travel and business development	**73**	82	95	87	74	**155**	146
Communications	**57**	51	57	50	53	**108**	95
Business and capital taxes	**13**	15	11	20	(1)	**28**	11
Professional fees	**82**	92	113	102	90	**174**	169
Other	**141**	136	157	122	139	**277**	267
	1,888	1,841	1,826	1,782	1,680	**3,729**	3,294
Restructuring Charge (Reversal) (Note 10)	**-**	-	(8)	-	-	**-**	-
Income Before Provision for (Recovery of) Income Taxes and Non-Controlling Interest in Subsidiaries	**395**	173	530	480	789	**568**	971
Income taxes	**18**	(71)	(49)	(59)	128	**(53)**	37
	377	244	579	539	661	**621**	934
Non-controlling interest in subsidiaries	**19**	19	19	18	19	**38**	37
Net Income	**$ 358**	$ 225	$ 560	$ 521	$ 642	**$ 583**	$ 897
Preferred share dividends	**$ 26**	$ 23	$ 25	$ 19	$ 14	**$ 49**	$ 29
Net income available to common shareholders	**$ 332**	$ 202	$ 535	$ 502	$ 628	**$ 534**	$ 868
Average common shares (in thousands)	**543,634**	520,020	503,004	504,124	502,054	**531,631**	500,544
Average diluted common shares (in thousands)	**544,327**	523,808	506,591	508,032	506,638	**532,418**	506,099
Earnings Per Share (Canadian $)							
Basic	**$ 0.61**	$ 0.39	$ 1.06	$ 1.00	$ 1.25	**$ 1.00**	$ 1.73
Diluted	**0.61**	0.39	1.06	0.98	1.25	**1.00**	1.72
Dividends Declared Per Common Share	**0.70**	0.70	0.70	0.70	0.70	**1.40**	1.40

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

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

Consolidated Balance Sheet

(Unaudited) (Canadian $ in millions)	As at				
	April 30, 2009	January 31, 2009	October 31, 2008	July 31, 2008	April 30, 2008
Assets					
Cash Resources	**$ 14,232**	$ 26,390	$ 21,105	$ 22,054	$ 22,237
Securities					
Trading	**66,704**	61,752	66,032	63,628	64,443
Available-for-sale	**39,295**	35,189	32,115	23,426	22,453
Other	**1,501**	1,517	1,991	1,821	1,774
	107,500	98,458	100,138	88,875	88,670
Securities Borrowed or Purchased Under Resale Agreements	**38,521**	32,283	28,033	32,433	33,596
Loans					
Residential mortgages	**48,100**	50,107	49,343	51,757	52,583
Consumer instalment and other personal	**44,316**	44,355	43,737	40,292	37,954
Credit cards	**2,100**	2,105	2,120	3,532	4,338
Businesses and governments	**77,271**	84,557	84,151	71,961	67,942
	171,787	181,124	179,351	167,542	162,817
Customers' liability under acceptances	**9,736**	10,716	9,358	9,834	10,345
Allowance for credit losses (Note 3)	**(1,825)**	(1,741)	(1,747)	(1,494)	(1,336)
	179,698	190,099	186,962	175,882	171,826
Other Assets					
Derivative instruments	**77,473**	81,985	65,586	43,167	44,557
Premises and equipment (Note 2)	**1,684**	1,709	1,721	1,582	1,570
Goodwill	**1,670**	1,706	1,635	1,449	1,398
Intangible assets (Note 2)	**671**	676	710	658	662
Other	**10,796**	9,868	10,160	8,947	10,642
	92,294	95,944	79,812	55,803	58,829
Total Assets	**$ 432,245**	$ 443,174	$ 416,050	$ 375,047	$ 375,158
Liabilities and Shareholders' Equity					
Deposits					
Banks	**$ 27,874**	$ 31,422	$ 30,346	$ 29,988	$ 30,938
Businesses and governments	**118,205**	133,388	136,111	131,748	122,707
Individuals	**101,090**	99,770	91,213	86,921	84,935
	247,169	264,580	257,670	248,657	238,580
Other Liabilities					
Derivative instruments	**75,070**	77,764	60,048	36,786	40,347
Acceptances	**9,736**	10,716	9,358	9,834	10,345
Securities sold but not yet purchased	**14,131**	16,327	18,792	17,415	20,053
Securities lent or sold under repurchase agreements	**46,170**	36,012	32,492	28,148	29,894
Other	**14,708**	12,969	14,071	11,650	13,940
	159,815	153,788	134,761	103,833	114,579
Subordinated Debt (Note 11)	**4,379**	4,389	4,315	4,204	4,199
Capital Trust Securities	**1,150**	1,150	1,150	1,150	1,150
Preferred Share Liability (Note 12)	**-**	-	250	250	250
Shareholders' Equity					
Share capital (Note 12)	**8,099**	7,676	6,454	6,458	6,114
Contributed surplus	**77**	76	69	68	67
Retained earnings	**11,391**	11,434	11,632	11,471	11,327
Accumulated other comprehensive income (loss)	**165**	81	(251)	(1,044)	(1,108)
	19,732	19,267	17,904	16,953	16,400
Total Liabilities and Shareholders' Equity	**$ 432,245**	$ 443,174	$ 416,050	$ 375,047	$ 375,158

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

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

Consolidated Statement of Comprehensive Income

(Unaudited) (Canadian $ in millions)	For the three months ended		For the six months ended	
	April 30, 2009	April 30, 2008	**April 30, 2009**	April 30, 2008
Net income	**$ 358**	$ 642	**$ 583**	$ 897
Other Comprehensive Income				
Net change in unrealized gains on available-for-sale securities	**181**	77	**247**	75
Net change in unrealized gains on cash flow hedges	**27**	80	**219**	144
Net gain (loss) on translation of net foreign operations	**(124)**	4	**(50)**	206
Total Comprehensive Income	**$ 442**	$ 803	**$ 999**	$ 1,322

Consolidated Statement of Changes in Shareholders' Equity

(Unaudited) (Canadian $ in millions)	For the three months ended		For the six months ended	
	April 30, 2009	April 30, 2008	**April 30, 2009**	April 30, 2008
Preferred Shares				
Balance at beginning of period	**$ 1,896**	$ 1,196	**$ 1,746**	$ 1,196
Issued during the period (Note 12)	**275**	250	**425**	250
Balance at End of Period	**2,171**	1,446	**2,171**	1,446
Common Shares				
Balance at beginning of period	**5,818**	4,452	**4,773**	4,411
Issued during the period (Note 12)	**-**	-	**1,000**	-
Issued under the Shareholder Dividend Reinvestment and Share Purchase Plan	**103**	27	**138**	55
Issued under the Stock Option Plan	**7**	9	**17**	22
Issued on the acquisition of a business	**-**	180	**-**	180
Balance at End of Period	**5,928**	4,668	**5,928**	4,668
Contributed Surplus				
Balance at beginning of period	**76**	65	**69**	58
Stock option expense/exercised	**1**	2	**6**	9
Premium on treasury shares	**-**	-	**2**	-
Balance at End of Period	**77**	67	**77**	67
Retained Earnings				
Balance at beginning of period	**11,434**	11,056	**11,632**	11,166
Net income	**358**	642	**583**	897
Dividends – Preferred shares	**(26)**	(14)	**(49)**	(29)
– Common shares	**(382)**	(352)	**(760)**	(702)
Share issue expense	**(4)**	(5)	**(26)**	(5)
Treasury shares	**11**	-	**11**	-
Balance at End of Period	**11,391**	11,327	**11,391**	11,327
Accumulated Other Comprehensive Income on Available-for-Sale Securities				
Balance at beginning of period	**(8)**	33	**(74)**	35
Unrealized gains on available-for-sale securities arising during the period (net of income taxes of $138, $29, $118 and $17)	**211**	60	**167**	35
Reclassification to earnings of (gains) losses in the period (net of income taxes of $19, $9, $33 and $19)	**(30)**	17	**80**	40
Balance at End of Period	**173**	110	**173**	110
Accumulated Other Comprehensive Income (Loss) on Cash Flow Hedges				
Balance at beginning of period	**450**	(102)	**258**	(166)
Gains on cash flow hedges arising during the period (net of income taxes of $17, $37, $95 and $52)	**25**	77	**218**	104
Reclassification to earnings of losses on cash flow hedges (net of income taxes of less than $1, $2, $1 and $19)	**2**	3	**1**	40
Balance at End of Period	**477**	(22)	**477**	(22)
Accumulated Other Comprehensive Loss on Translation of Net Foreign Operations				
Balance at beginning of period	**(361)**	(1,200)	**(435)**	(1,402)
Unrealized gain (loss) on translation of net foreign operations	**(363)**	26	**(135)**	618
Impact of hedging unrealized gain (loss) on translation of net foreign operations (net of income taxes of $104, $11, $38 and $196)	**239**	(22)	**85**	(412)
Balance at End of Period	**(485)**	(1,196)	**(485)**	(1,196)
Total Accumulated Other Comprehensive Income (Loss)	**165**	(1,108)	**165**	(1,108)
Total Shareholders' Equity	**$ 19,732**	$ 16,400	**$ 19,732**	$ 16,400

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

Consolidated Statement of Cash Flows

(Unaudited) (Canadian $ in millions)	For the three months ended		For the six months ended	
	April 30, 2009	April 30, 2008	**April 30, 2009**	April 30, 2008
Cash Flows from Operating Activities				
Net income	**$ 358**	$ 642	**$ 583**	$ 897
Adjustments to determine net cash flows provided by (used in) operating activities				
Write-down of securities, other than trading	**17**	35	**258**	74
Net loss (gain) on securities, other than trading	**25**	(49)	**98**	(86)
Net (increase) decrease in trading securities	**(2,786)**	(846)	**2,094**	8,352
Provision for credit losses	**372**	151	**800**	381
(Gain) on sale of securitized loans (Note 4)	**(208)**	(116)	**(390)**	(175)
Change in derivative instruments – (Increase) decrease in derivative asset	**3,645**	(7,425)	**(12,423)**	(10,867)
– Increase (decrease) in derivative liability	**(1,241)**	7,448	**15,937**	5,567
Amortization of premises and equipment	**65**	62	**130**	123
Amortization of intangible assets	**54**	45	**105**	90
Net (increase) decrease in future income taxes	**42**	28	**(88)**	43
Net (increase) decrease in current income taxes	**211**	(66)	**190**	(527)
Change in accrued interest – Decrease in interest receivable	**57**	87	**266**	330
– (Decrease) in interest payable	**(47)**	(207)	**(184)**	(262)
Changes in other items and accruals, net	**(1,291)**	(1,495)	**(1,805)**	(2,468)
(Gain) on sale of land and buildings	**(5)**	-	**(5)**	-
Net Cash Provided by (Used in) Operating Activities	**(732)**	(1,706)	**5,566**	1,472
Cash Flows from Financing Activities				
Net (decrease) in deposits	**(14,363)**	(6,483)	**(9,444)**	(2,275)
Net (decrease) in securities sold but not yet purchased	**(2,104)**	(8,335)	**(4,692)**	(5,248)
Net increase (decrease) in securities lent or sold under repurchase agreements	**11,537**	1,099	**14,919**	(2,803)
Net increase (decrease) in liabilities of subsidiaries	**(113)**	1,221	**(113)**	2,886
Repayment of subordinated debt (Note 11)	**-**	(150)	**(140)**	(150)
Proceeds from issuance of subordinated debt (Note 11)	**-**	900	**-**	900
Redemption of preferred share liability	**-**	-	**(250)**	-
Proceeds from issuance of preferred shares (Note 12)	**275**	250	**425**	250
Proceeds from issuance of common shares (Note 12)	**7**	9	**1,017**	22
Share issue expense	**(4)**	(5)	**(26)**	(5)
Cash dividends paid	**(305)**	(339)	**(671)**	(676)
Net Cash Provided by (Used in) Financing Activities	**(5,070)**	(11,833)	**1,025**	(7,099)
Cash Flows from Investing Activities				
Net decrease in interest bearing deposits with banks	**5,793**	4,016	**8,316**	1,270
Purchases of securities, other than trading	**(12,467)**	(6,108)	**(24,327)**	(12,934)
Maturities of securities, other than trading	**2,123**	6,728	**6,153**	12,194
Proceeds from sales of securities, other than trading	**5,562**	1,826	**11,273**	5,798
Net (increase) decrease in loans	**5,368**	(5,082)	**(130)**	(9,039)
Proceeds from securitization of loans (Note 4)	**944**	2,600	**5,581**	3,145
Net (increase) decrease in securities borrowed or purchased under resale agreements	**(7,268)**	9,749	**(11,347)**	4,840
Proceeds from sales of land and buildings	**11**	-	**11**	-
Premises and equipment – net purchases	**(46)**	(71)	**(87)**	(104)
Purchased and developed software – net purchases	**(42)**	(32)	**(88)**	(59)
Acquisitions (Note 8)	**(310)**	(64)	**(316)**	(104)
Net Cash Provided By (Used in) Investing Activities	**(332)**	13,562	**(4,961)**	5,007
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**(570)**	28	**(517)**	118
Net Increase (Decrease) in Cash and Cash Equivalents	**(6,704)**	51	**1,113**	(502)
Cash and Cash Equivalents at Beginning of Period	**16,951**	3,097	**9,134**	3,650
Cash and Cash Equivalents at End of Period	**$ 10,247**	$ 3,148	**$ 10,247**	$ 3,148
Represented by:				
Cash and non-interest bearing deposits with Bank of Canada and other banks	**$ 9,007**	$ 1,949	**$ 9,007**	$ 1,949
Cheques and other items in transit, net	**1,240**	1,199	**1,240**	1,199
	$ 10,247	$ 3,148	**$ 10,247**	$ 3,148
Supplemental Disclosure of Cash Flow Information				
Amount of interest paid in the period	**$ 1,270**	$ 2,660	**$ 3,207**	$ 5,706
Amount of income taxes paid (refunded) in the period	**$ (146)**	$ 244	**$ (6)**	$ 608

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

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

Notes to Consolidated Financial Statements

April 30, 2009 (Unaudited)

Note 1: Basis of Presentation

These interim consolidated financial statements should be read in conjunction with the notes to our annual consolidated financial statements for the year ended October 31, 2008 as set out on pages 108 to 151 of our 2008 Annual Report. These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") using the same accounting policies and methods of computation as were used for our annual consolidated financial statements for the year ended October 31, 2008, except as described in Note 2.

Note 2: Change in Accounting Policy

On November 1, 2008, we adopted the Canadian Institute of Chartered Accountants' ("CICA") new accounting requirements for goodwill and intangible assets. We have restated prior periods' financial statements for this change. The new rules required us to reclassify certain computer software from premises and equipment to intangible assets.

The impact of this change in accounting policy on the current and prior periods is as follows:

(Canadian $ in millions)

	April 30, 2009	January 31, 2009	October 31, 2008	July 31, 2008	April 30, 2008
Consolidated Balance Sheet					
(Decrease) in Premises and Equipment	**$ (510)**	$ (515)	$ (506)	$ (469)	$ (454)
Increase in Intangible Assets	**510**	515	506	469	454
Consolidated Statement of Income					
(Decrease) in Premises and Equipment	**$ (42)**	$ (41)	$ (37)	$ (34)	$ (35)
Increase in Amortization of Intangible Assets	**42**	41	37	34	35

The following table outlines the restated software intangible assets for the current and prior periods:

(Canadian $ in millions)

	April 30, 2009	January 31, 2009	October 31, 2008	July 31, 2008	April 30, 2008
Intangible Assets					
Purchased Software (1)	**$ 1,006**	$ 1,009	$ 1,003	$ 980	$ 974
Developed Software (1) (2)	**774**	743	696	614	567
Software Intangible Assets	**1,780**	1,752	1,699	1,594	1,541
Accumulated Amortization	**(1,270)**	(1,237)	(1,193)	(1,125)	(1,087)
Carrying Value	**$ 510**	$ 515	$ 506	$ 469	$ 454

(1) Amortized on a straight-line basis over its useful life up to a maximum of five years.

(2) Includes $55 million as at April 30, 2009, $58 million as at January 31, 2009, $55 million as at October 31, 2008, $57 million as at July 31, 2008, and $51 million as at April 30, 2008 of software in development which is not subject to amortization.

Note 3: Allowance for Credit Losses

The allowance for credit losses recorded in our Consolidated Balance Sheet is maintained at a level which we consider adequate to absorb credit-related losses on our loans, customers' liability under acceptances and other credit instruments. The portion related to other credit instruments is recorded in other liabilities in our Consolidated Balance Sheet. As at April 30, 2009 and April 30, 2008, there was no allowance for credit losses related to other credit instruments included in other liabilities.

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

(Canadian $ in millions)

	Residential mortgages		Credit card, consumer instalment and other personal loans		Business and government loans		Customers' liability under acceptances		Total	
For the three months ended	**April 30, 2009**	April 30, 2008	**April 30, 2009**	April 30, 2008	**April 30, 2009**	April 30, 2008	**April 30, 2009**	April 30, 2008	**April 30, 2009**	April 30, 2008
Specific Allowance at beginning of period	**$ 16**	$ 15	**$ 1**	$ 1	**$ 390**	$ 234	**$ -**	$ -	**$ 407**	$ 250
Provision for credit losses	**6**	(1)	**169**	69	**197**	83	**-**	-	**372**	151
Recoveries	**-**	-	**22**	27	**10**	8	**-**	-	**32**	35
Write-offs	**(1)**	(2)	**(149)**	(96)	**(141)**	(14)	**-**	-	**(291)**	(112)
Foreign exchange and other	**-**	-	**-**	-	**(9)**	1	**-**	-	**(9)**	1
Specific Allowance at end of period	**21**	12	**43**	1	**447**	312	**-**	-	**511**	325
General Allowance at beginning of period	**21**	8	**258**	357	**1,015**	572	**40**	40	**1,334**	977
Provision for credit losses	**-**	(1)	**(22)**	(41)	**14**	30	**8**	12	**-**	-
Foreign exchange and other	**-**	-	**-**	-	**(20)**	34	**-**	-	**(20)**	34
General Allowance at end of period	**21**	7	**236**	316	**1,009**	636	**48**	52	**1,314**	1,011
Total Allowance	**$ 42**	$ 19	**$ 279**	$ 317	**$ 1,456**	$ 948	**$ 48**	$ 52	**$ 1,825**	$ 1,336

	Residential mortgages		Credit card, consumer instalment and other personal loans		Business and government loans		Customers' liability under acceptances		Total	
For the six months ended	**April 30, 2009**	April 30, 2008	**April 30, 2009**	April 30, 2008	**April 30, 2009**	April 30, 2008	**April 30, 2009**	April 30, 2008	**April 30, 2009**	April 30, 2008
Specific Allowance at beginning of period	**$ 13**	$ 14	**$ 2**	$ 1	**$ 411**	$ 142	**$ -**	$ -	**$ 426**	$ 157
Provision for credit losses	**9**	-	**298**	137	**493**	184	**-**	-	**800**	321
Recoveries	**-**	-	**50**	46	**18**	11	**-**	-	**68**	57
Write-offs	**(1)**	(2)	**(307)**	(183)	**(474)**	(29)	**-**	-	**(782)**	(214)
Foreign exchange and other	**-**	-	**-**	-	**(1)**	4	**-**	-	**(1)**	4
Specific Allowance at end of period	**21**	12	**43**	1	**447**	312	**-**	-	**511**	325
General Allowance at beginning of period	**8**	11	**242**	327	**1,030**	517	**41**	43	**1,321**	898
Provision for credit losses	**13**	(4)	**(6)**	(11)	**(14)**	66	**7**	9	**-**	60
Foreign exchange and other	**-**	-	**-**	-	**(7)**	53	**-**	-	**(7)**	53
General Allowance at end of period	**21**	7	**236**	316	**1,009**	636	**48**	52	**1,314**	1,011
Total Allowance	**$ 42**	$ 19	**$ 279**	$ 317	**$ 1,456**	$ 948	**$ 48**	$ 52	**$ 1,825**	$ 1,336

Note 4: Securitization

The following tables summarize our securitization activity related to our assets and its impact on our Consolidated Statement of Income for the three and six months ended April 30, 2009 and 2008:

(Canadian $ in millions)

For the three months ended	Residential mortgages April 30, 2009	Residential mortgages April 30, 2008	Credit card loans April 30, 2009	Credit card loans April 30, 2008	Total April 30, 2009	Total April 30, 2008
Net cash proceeds (1)	**$ 932**	$ 2,063	**$ -**	$ 525	**$ 932**	$ 2,588
Investment in securitization vehicles (2)	**-**	-	**-**	24	**-**	24
Deferred purchase price	**58**	110	**-**	13	**58**	123
Servicing liability	**(4)**	(15)	**-**	(2)	**(4)**	(17)
	986	2,158	**-**	560	**986**	2,718
Loans sold	**950**	2,112	**-**	550	**950**	2,662
Gain on sale of loans from new securitizations	**$ 36**	$ 46	**$ -**	$ 10	**$ 36**	$ 56
Gain on sale of loans sold to revolving securitization vehicles	**$ 51**	$ 20	**$ 121**	$ 40	**$ 172**	$ 60

For the six months ended	Residential mortgages April 30, 2009	Residential mortgages April 30, 2008	Credit card loans April 30, 2009	Credit card loans April 30, 2008	Total April 30, 2009	Total April 30, 2008
Net cash proceeds (1)	**$ 5,549**	$ 2,611	**$ -**	$ 525	**$ 5,549**	$ 3,136
Investment in securitization vehicles (2)	**-**	-	**-**	24	**-**	24
Deferred purchase price	**147**	134	**-**	13	**147**	147
Servicing liability	**(24)**	(19)	**-**	(2)	**(24)**	(21)
	5,672	2,726	**-**	560	**5,672**	3,286
Loans sold	**5,610**	2,675	**-**	550	**5,610**	3,225
Gain on sale of loans from new securitizations	**$ 62**	$ 51	**$ -**	$ 10	**$ 62**	$ 61
Gain on sale of loans sold to revolving securitization vehicles	**$ 91**	$ 35	**$ 237**	$ 79	**$ 328**	$ 114

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

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

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

For the three months ended	Residential mortgages (1) April 30, 2009	Residential mortgages (1) April 30, 2008	Credit card loans (2) April 30, 2009	Credit card loans (2) April 30, 2008
Weighted-average life (years)	**4.40**	4.44	**-**	0.35
Prepayment rate (%)	**14.00**	14.00	**-**	40.77
Interest rate (%)	**5.49**	5.64	**-**	21.28
Expected credit losses	**-**	-	**-**	2.31
Discount rate (%)	**2.74**	4.15	**-**	10.39

For the six months ended	Residential mortgages (1) April 30, 2009	Residential mortgages (1) April 30, 2008	Credit card loans (2) April 30, 2009	Credit card loans (2) April 30, 2008
Weighted-average life (years)	**3.24**	4.44	**-**	0.35
Prepayment rate (%)	**25.49**	13.16	**-**	40.77
Interest rate (%)	**4.25**	5.55	**-**	21.28
Expected credit losses	**-**	-	**-**	2.31
Discount rate (%)	**2.52**	4.28	**-**	10.39

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

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

Note 5: Variable Interest Entities

Canadian Customer Securitization Vehicles

Customer securitization vehicles (also referred to as bank-sponsored multi-seller conduits) assist our customers with the securitization of their assets to provide them with alternate sources of funding.

Assets held by our unconsolidated Canadian customer securitization vehicles amounted to $8,423 million as at April 30, 2009 ($11,106 million as at October 31, 2008). 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 backstop liquidity facilities. As at April 30, 2009, we had an exposure of $1,223 million from commercial paper held ($2,139 million as at October 31, 2008) classified as trading securities. The total undrawn backstop liquidity facilities were $8,682 million as at April 30, 2009 ($11,040 million as at October 31, 2008). No amounts have been drawn against the facilities as at April 30, 2009 and October 31, 2008. The fair value of derivatives outstanding with these Variable Interest Entities ("VIEs") was recorded in our Consolidated Balance Sheet as a derivative asset of $75 million as at April 30, 2009 (derivative asset of $55 million as at October 31, 2008).

Included in our Consolidated Balance Sheet as at April 30, 2009, were assets of $218 million classified as other assets ($265 million as at October 31, 2008) relating to two VIEs we consolidate as we absorb the majority of the expected losses. Subsequent to quarter end, we increased our funding of customer securitization vehicles by an additional $1 billion by refinancing two programs and as a result will consolidate approximately $670 million of assets in the third quarter of 2009.

U.S. Customer Securitization Vehicle

Assets held by our unconsolidated U.S. customer securitization vehicle amounted to $6,583 million (US$5,518 million) as at April 30, 2009 ($7,993 million or US$6,636 million as at October 31, 2008). Our exposure to losses in our U.S. customer securitization vehicle relates to liquidity support we provide through liquidity facilities. As at April 30, 2009, our exposure related to undrawn backstop liquidity facilities amounted to $7,923 million (US$6,641 million) ($10,015 million or US$8,315 million as at October 31, 2008). As at April 30, 2009, we have provided funding of US$851 million in accordance with the terms of these liquidity facilities (US$851 million as at October 31, 2008). The fair value of derivatives outstanding with this vehicle was recorded in our Consolidated Balance Sheet as a derivative asset of $1 million (US$1 million) as at April 30, 2009 (derivative asset of $1 million or US$1 million as at October 31, 2008). We are not required to consolidate our U.S. customer securitization vehicle.

Bank Securitization Vehicles

We use bank securitization vehicles to securitize our Canadian mortgage loans and Canadian credit card loans to obtain alternate sources of funding. Total assets held by these vehicles amounted to $9,719 million as at April 30, 2009 ($9,719 million as at October 31, 2008), all of which relate to assets in Canada. We are not required to consolidate our bank securitization vehicles. We also provide liquidity support to our Canadian mortgage 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 April 30, 2009 and October 31, 2008. No amounts were drawn as at April 30, 2009 and October 31, 2008. As at April 30, 2009, we held $250 million of the commercial paper issued by these vehicles ($509 million as at October 31, 2008) which was classified as trading securities.

The fair value of derivatives we have outstanding with these vehicles was recorded in our Consolidated Balance Sheet as a derivative asset of $164 million as at April 30, 2009 (derivative asset of $121 million as at October 31, 2008).

Credit Protection Vehicle

We sponsor Apex Trust ("Apex"), a VIE that provides credit protection to investors on investments in corporate debt portfolios through credit default swaps. Assets held by Apex were $2,880 million as at April 30, 2009 ($2,794 million as at October 31, 2008). A senior funding facility of $1,130 million is available to Apex, of which we provide $1,030 million. As at April 30, 2009, $632 million had been drawn against our facility ($553 million as at October 31, 2008). We have also authorized a senior demand facility for Apex of $1 billion. No amounts have been drawn against this facility. We have entered into credit default swaps with swap counterparties and offsetting swaps with Apex.

As a result of guidance issued by the CICA relating to the notes issued on the restructuring of the Montreal Accord, we reclassified $815 million of Apex mid-term notes ("MTNs") from available-for-sale securities to trading securities. As at April 30, 2009, we had recorded the MTNs at a fair value of $407 million ($625 million as at October 31, 2008). A third party holds its exposure to Apex through a total return swap with us on $600 million of MTNs. The total return swap and underlying MTNs are classified as trading instruments. We are not required to consolidate Apex.

Structured Investment Vehicles

Structured investment vehicles ("SIVs") provide investment opportunities in customized, diversified debt portfolios in a variety of asset and rating classes. We hold interests in two SIVs and act as asset manager. Assets held by these SIVs totalled $7,024 million as at April 30, 2009 (total assets of $9,291 million as at October 31, 2008).

Our exposure to loss relates to our investments in these vehicles, derivative contracts we have entered into with the vehicles and senior funding we provide through a liquidity facility in order to fund the repayment of senior notes. Our investment in the capital notes of the SIVs is recorded in available-for-sale securities in our Consolidated Balance Sheet, and was $nil as at April 30, 2009 and October 31, 2008. Amounts drawn on the liquidity facility provided to the SIVs totalled $7,379 million as at April 30, 2009 ($5,208 million as at October 31, 2008). Our exposure includes undrawn facilities of $1,934 million as at April 30, 2009 ($5,063 million as at October 31, 2008). The fair value of the derivative contracts we have outstanding with the SIVs was recorded in our Consolidated Balance Sheet as a derivative asset of $44 million as at April 30, 2009 (derivative asset of $57 million as at October 31, 2008). We are not required to consolidate these SIVs.

Note 6: Financial Instruments

Change in Accounting Policy

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

A continuity of the transferred securities is as follows:

(Canadian $ in millions)	For the three months ended		For the six months ended
	April 30, 2009	January 31, 2009	**April 30, 2009**
Fair value of securities at beginning of period	**$ 1,737**	$ 1,955	**$ 1,955**
Net (sales/maturities) purchases	**(54)**	(222)	**(276)**
Fair value change recorded in Other Comprehensive Income	**93**	31	**124**
Other than temporary impairment recorded in income	**(8)**	(50)	**(58)**
Impact of foreign exchange	**(36)**	23	**(13)**
Fair value of securities at end of period	**$ 1,732**	$ 1,737	**$ 1,732**

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, fair value liabilities, derivative assets and derivative liabilities were as follows:

(Canadian $ in millions)							Derivative Instruments			
	Available-for-sale securities		Trading securities		Fair value liabilities		Asset		Liability	
	April 30, 2009	October 31, 2008	**April 30, 2009**	October 31, 2008	**April 30, 2009**	October 31, 2008	**April 30, 2009**	October 31, 2008	**April 30, 2009**	October 31, 2008
Valued using quoted market prices	**$ 21,836**	$ 9,044	**$ 63,955**	$ 64,129	**$ 14,131**	$ 18,792	**$ 3,951**	$ 6,170	**$ 3,081**	$ 2,096
Valued using internal models (with observable inputs)	**15,542**	20,873	**1,553**	1,441	**1,131**	1,070	**71,767**	57,601	**71,543**	57,568
Valued using internal models (without observable inputs)	**1,917**	2,198	**1,196**	462	**-**	-	**1,755**	1,815	**446**	384
Total	**$ 39,295**	$ 32,115	**$ 66,704**	$ 66,032	**$ 15,262**	$ 19,862	**$ 77,473**	$ 65,586	**$ 75,070**	$ 60,048

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

Within trading securities as at April 30, 2009 was $407 million of Apex MTNs with a face value of $815 million (see Note 5). The valuation of these MTNs has been determined by management based on expected discounted cash flows. The determination of the discount rate used in the discounted cash flow model has the most significant impact on the valuation of the MTNs and is impacted by changes in credit spreads and the ratings of the underlying credit default swaps. The impact of assuming the discount rate increased or decreased by 50 basis points would result in a change in fair value of $(7) million and $7 million, respectively. The impact on income for the quarter ended April 30, 2009 related to changes in the fair value of our investment in Apex MTNs was a charge of $41 million before tax ($218 million before tax for the six months ended April 30, 2009).

A third party holds its exposure to the Apex MTNs through a total return swap with us. The valuations of this swap and the related underlying MTNs have been determined by management based on expected discounted cash flows. The determination of the discount rate used in the discounted cash flow model has the most significant impact on the valuation of the swap and underlying securities, and is impacted by changes in credit spreads and the ratings of the underlying credit default swaps. During the quarter, we renegotiated the total return swap which will significantly reduce the earnings volatility associated with the total return swap transaction.

Within trading securities as at April 30, 2009 was $145 million (face value $323 million) of notes related to the Montreal Accord. The valuation of these notes has been determined by management based on expected discounted cash flows. The determination of the discount rate used in the discounted cash flow model has the most significant impact on the valuation of the notes and is impacted by changes in credit spreads and the rating of the notes. The impact of assuming the discount rate increased or decreased by 50 basis points would result in a change in fair value of $(5) million and $5 million, respectively.

Within derivative assets and derivative liabilities as at April 30, 2009 was $1,029 million and $103 million, respectively, related to the mark-to-market of credit default swaps and total return swaps on structured products. The valuation of these derivatives has been determined by management based on estimates of current market spreads for similar structured products. The impact of assuming a 10 basis point increase or decrease in that spread would result in a change in fair value of $(5) million and $5 million, respectively. The impact on income for the quarter ended April 30, 2009 related to changes in the fair value of these derivatives was income of $25 million before tax ($31 million before tax for the six months ended April 30, 2009).

Financial Liabilities Designated as Held for Trading

The fair value and amount due at contractual maturity of structured notes accounted for as held for trading as at April 30, 2009 were $1,131 million and $1,178 million, respectively ($1,070 million and $1,197 million, respectively, as at October 31, 2008).

The change in fair value of these structured notes was a decrease in non-interest revenue, trading revenues of $72 million for the quarter ended April 30, 2009 ($87 million for the six months ended April 30, 2009). The portion of the change in fair value attributable to changes in credit risk was an unrealized loss of $88 million for the quarter ended April 30, 2009 ($66 million for the six months ended April 30, 2009). The portion of the change in fair value attributable to changes in credit risk was an unrealized gain of $49 million for the period from designation as held for trading to April 30, 2009.

We manage our exposure to changes in the fair value of the structured notes by entering into offsetting derivative or other financial instrument contracts.

Note 7: Guarantees

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

Standby Letters of Credit and Guarantees

Standby letters of credit and guarantees represent our obligation to make payments to third parties on behalf of another party if that party is unable to make the required payments or meet other contractual requirements. The maximum amount payable under standby letters of credit and guarantees totalled $14,249 million as at April 30, 2009 ($15,270 million as at October 31, 2008). 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 April 30, 2009 and October 31, 2008 related to these standby letters of credit and guarantees.

Backstop and Other Liquidity Facilities

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

The maximum amount payable under these backstop and other liquidity facilities totalled $25,131 million as at April 30, 2009 ($32,806 million as at October 31, 2008). As at April 30, 2009, $1,287 million was drawn ($1,143 million as at October 31, 2008) in accordance with the terms of the backstop liquidity facilities, of which $1,015 million (US$851 million) ($1,025 million or US$851 million as at October 31, 2008) related to the U.S. customer securitization vehicle discussed in Note 5.

Credit Enhancement Facilities

Where warranted, we provide partial credit enhancement facilities to transactions within ABCP programs administered either by us or third parties. As at April 30, 2009, credit enhancement facilities of $7,968 million ($6,243 million as at October 31, 2008) are included in backstop liquidity facilities. These facilities include amounts that relate to our U.S. customer securitization vehicle discussed in Note 5.

Senior Funding Facilities

We also provide senior funding support to our SIVs and our credit protection vehicle. The majority of these facilities support the repayment of senior note obligations of the SIVs. As at April 30, 2009, $8,011 million was drawn ($5,761 million as at October 31, 2008), in accordance with the terms of the funding facilities related to the SIVs and credit protection vehicle discussed in Note 5.

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

Note 8: Acquisitions

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

AIG Life Insurance Company of Canada

On April 1, 2009, we completed the acquisition of AIG Life Insurance Company of Canada ("BMO Life Assurance"), for cash consideration of $330 million, subject to a post-closing adjustment based on net assets. The acquisition of BMO Life Assurance will provide our clients with a wider range of investment, financial planning and insurance solutions. As part of this acquisition, we acquired a customer relationship intangible asset which is being amortized on a straight-line basis over five years, a non-compete agreement which is being amortized on a straight-line basis over two years, a computer software intangible asset which is being amortized on a straight-line basis over five years, and existing computer software intangible assets which are being amortized on a straight-line basis over five years. Goodwill related to this acquisition is not deductible for tax purposes. BMO Life Assurance is part of our Private Client Group reporting segment.

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

(Canadian $ in millions)	April 30, 2009
	BMO Life Assurance
Cash resources	$ 352
Securities	2,638
Loans	54
Premises and equipment	18
Goodwill	1
Intangible assets	15
Other assets	142
Total assets	3,220
Other liabilities	2,890
Total liabilities	2,890
Purchase price	$ 330

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

Note 9: Employee Compensation

Stock Options

During the six months ended April 30, 2009, we granted a total of 2,220,027 stock options. The weighted-average fair value of options granted during the six months ended April 30, 2009 was $5.57 per option. The following weighted-average assumptions were used to determine the fair value of options on the date of grant:

For stock options granted during the six months ended April 30, 2009	
Expected dividend yield	5.9%
Expected share price volatility	23.8%
Risk-free rate of return	2.6%
Expected period until exercise (in years)	6.5

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

Pension and Other Employee Future Benefit Expenses

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

(Canadian $ in millions)

	Pension benefit plans		Other employee future benefit plans	
For the three months ended	**April 30, 2009**	April 30, 2008	**April 30, 2009**	April 30, 2008
Benefits earned by employees	**$ 38**	$ 46	**$ 2**	$ 5
Interest cost on accrued benefit liability	**65**	56	**14**	12
Actuarial loss recognized in expense	**19**	2	**-**	3
Amortization of plan amendment costs	**3**	3	**(2)**	(2)
Expected return on plan assets	**(62)**	(73)	**(1)**	(2)
Benefits expense	**63**	34	**13**	16
Canada and Quebec pension plan expense	**19**	18	**-**	-
Defined contribution expense	**2**	4	**-**	-
Total pension and other employee future benefit expenses	**$ 84**	$ 56	**$ 13**	$ 16

	Pension benefit plans		Other employee future benefit plans	
For the six months ended	**April 30, 2009**	April 30, 2008	**April 30, 2009**	April 30, 2008
Benefits earned by employees	**$ 68**	$ 80	**$ 6**	$ 10
Interest cost on accrued benefit liability	**131**	114	**26**	25
Actuarial loss recognized in expense	**38**	6	**-**	6
Amortization of plan amendment costs	**6**	5	**(4)**	(3)
Expected return on plan assets	**(123)**	(145)	**(3)**	(3)
Benefits expense	**120**	60	**25**	35
Canada and Quebec pension plan expense	**33**	32	**-**	-
Defined contribution expense	**4**	7	**-**	-
Total pension and other employee future benefit expenses	**$ 157**	$ 99	**$ 25**	$ 35

Note 10: Restructuring Charge

The continuity of our 2007 restructuring charge is as follows:

(Canadian $ in millions)	Severance related charges
Opening Balance as at November 1, 2007	$ 96
Paid in the year ended October 31, 2008	(45)
Reversal in the year ended October 31, 2008	(8)
Balance as at October 31, 2008	43
Paid in the quarter ended January 31, 2009	(13)
Balance as at January 31, 2009	30
Paid in the quarter ended April 30, 2009	(7)
Balance as at April 30, 2009	$ 23

Note 11: Subordinated Debt

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

During the quarter ended January 31, 2009, we issued $450 million of BMO Tier 1 Notes – Series A ("BMO T1Ns – Series A"), due December 31, 2107, through BMO Capital Trust II ("Trust II"). Trust II is a variable interest entity which we are not required to consolidate; therefore, the BMO T1Ns – Series A issued by Trust II are not reported in our Consolidated Balance Sheet. Refer to Note 11 in our First Quarter Report to Shareholders for additional information on BMO T1Ns – Series A.

During the quarter ended April 30, 2008, we issued $900 million of subordinated debt under our Canadian Medium-Term Note Program. The issue, Series F Medium-Term Notes, First Tranche, is due March 2023. Interest on this issue is payable semi-annually at a fixed rate of 6.17% until March 28, 2018, and at a floating rate equal to the rate on three month Bankers' Acceptances plus 2.50%, paid quarterly, thereafter to maturity.

During the quarter ended April 30, 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 percent of the principal amount plus unpaid accrued interest to the redemption date.

Note 12: Share Capital

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

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

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

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

During the quarter ended April 30, 2008, we issued 10,000,000 5.8% Non-Cumulative Perpetual Class B Preferred Shares, Series 15, at a price of $25.00 per share, representing an aggregate issue price of $250 million.

During the quarters ended April 30, 2009 and April 30, 2008, we did not repurchase any common shares.

We have not repurchased any common shares under the existing normal course issuer bid that expires on September 7, 2009 and pursuant to which we are permitted to purchase up to 15,000,000 common shares.

Treasury Shares

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

Share Capital Outstanding (a)

(Canadian $ in millions, except as noted)			April 30, 2009
	Number of shares	Amount	Convertible into...
Preferred Shares – Classified as Equity			
Class B – Series 5	8,000,000	$ 200	–
Class B – Series 10 (c)	12,000,000	396	common shares (b)
Class B – Series 13	14,000,000	350	–
Class B – Series 14	10,000,000	250	–
Class B – Series 15	10,000,000	250	–
Class B – Series 16	12,000,000	300	–
Class B – Series 18	6,000,000	150	–
Class B – Series 21	11,000,000	275	–
		2,171	
Common Shares	545,045,775	5,928	
Share Capital		$ 8,099	
Stock options issued under stock option plan		n/a	20,961,625 common shares

(a) For additional information refer to Notes 21 and 23 to our consolidated financial statements for the year ended October 31, 2008 on pages 135 to 138 of our 2008 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 13: Capital Management

Our capital management framework is designed to maintain the level of capital that: meets our target regulatory capital ratios; meets our internal assessment of required economic capital; is consistent with our targeted credit ratings; underpins our operating groups' business strategies; and builds long-term shareholder value.

We have met our capital targets as at April 30, 2009. Our capital position as at April 30, 2009 is detailed in the Capital Management section on page 15 of Management's Discussion and Analysis of the Second Quarter Report to Shareholders.

Note 14: Risk Management

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

Credit and Counterparty Risk

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

Market Risk

Market risk is the potential for a negative impact on the balance sheet and/or 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 and commodity prices and their implied volatilities, as well as credit spreads, credit migration and default. We incur market risk in our trading and underwriting activities and structural banking activities.

Liquidity and Funding Risk

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

Key measures as at April 30, 2009 are outlined in the Risk Management section on pages 10 to 12 of Management's Discussion and Analysis of the Second Quarter Report to Shareholders.

Note 15: United States Generally Accepted Accounting Principles

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

(Canadian $ in millions, except earnings per share figures)	For the three months ended		For the six months ended	
	April 30, 2009	April 30, 2008	**April 30, 2009**	April 30, 2008
Net Income – Canadian GAAP	**$ 358**	$ 642	**$ 583**	$ 897
United States GAAP adjustments	**34**	13	**112**	18
Net Income – United States GAAP	**$ 392**	$ 655	**$ 695**	$ 915
Earnings Per Share				
Basic – Canadian GAAP	**$ 0.61**	$ 1.25	**$ 1.00**	$ 1.73
Basic – United States GAAP	**0.67**	1.28	**1.21**	1.77
Diluted – Canadian GAAP	**0.61**	1.25	**1.00**	1.72
Diluted – United States GAAP	**0.67**	1.27	**1.21**	1.75

Offsetting of Amounts Related to Certain Contracts

During the quarter ended January 31, 2009, we adopted new United States guidance issued by the Financial Accounting Standards Board which permits an entity to offset recorded fair value amounts for cash collateral against the fair value of derivatives executed with the same counterparty under the same master netting arrangement. This new guidance did not have any impact on our United States GAAP reconciliation as our current policy on offsetting is consistent with this guidance.

Note 16: Operating and Geographic Segmentation

Operating Groups

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

Personal and Commercial Banking

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

Personal and Commercial Banking Canada

Personal and Commercial Banking Canada ("P&C Canada") offers a full range of consumer and business products and services, including: everyday banking, financing, investing, credit cards and insurance, as well as a full suite of commercial and capital market products and financial advisory services, through a network of branches, telephone banking, online banking, mortgage specialists and automated banking machines.

Personal and Commercial Banking U.S.

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

Private Client Group

Private Client Group ("PCG") brings together all of our wealth management businesses. Operating under the BMO brand in Canada and Harris in the United States, PCG serves a full range of client segments, from mainstream to ultra-high net worth, as well as select institutional market segments. We offer our clients a broad range of wealth management products and solutions, including full-service, online brokerage and insurance in Canada, and private banking and investment products in Canada and the United States. Effective in the third quarter of 2009, all of our insurance operations will operate within PCG.

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, operations services, real estate and sourcing. T&O focuses on enterprise-wide priorities that improve quality and efficiency to deliver an excellent customer experience.

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

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

Basis of Presentation

The results of these operating segments are based on our internal financial reporting systems. The accounting policies used in these segments are generally consistent with those followed in the preparation of our consolidated financial statements as disclosed in Notes 1 and 2. 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. The operating groups' teb adjustments are eliminated in Corporate Services.

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

Provisions for Credit Losses

Provisions for credit losses are generally allocated to each group based on expected losses for that group 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 we 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, grouped by operating segment, are as follows:

(Canadian $ in millions)

For the three months ended **April 30, 2009** (2)	P&C Canada	P&C U.S.	PCG	BMO CM	Corporate Services (1)	Total (GAAP basis)
Net interest income	**$ 829**	**$ 233**	**$ 156**	**$ 504**	**$ (385)**	**$ 1,337**
Non-interest revenue	**463**	**59**	**291**	**308**	**197**	**1,318**
Total Revenue	**1,292**	**292**	**447**	**812**	**(188)**	**2,655**
Provision for credit losses	**93**	**18**	**2**	**44**	**215**	**372**
Non-interest expense	**702**	**234**	**353**	**451**	**148**	**1,888**
Income before taxes and non-controlling interest in subsidiaries	**497**	**40**	**92**	**317**	**(551)**	**395**
Income taxes	**147**	**15**	**30**	**68**	**(242)**	**18**
Non-controlling interest in subsidiaries	**-**	**-**	**-**	**-**	**19**	**19**
Net Income	**$ 350**	**$ 25**	**$ 62**	**$ 249**	**$ (328)**	**$ 358**
Average Assets	**$ 122,914**	**$ 33,361**	**$ 10,209**	**$ 280,583**	**$ 13,543**	**$ 460,610**
Goodwill (As At)	**$ 122**	**$ 1,083**	**$ 353**	**$ 110**	**$ 2**	**$ 1,670**

For the three months ended April 30, 2008 (2)	P&C Canada	P&C U.S.	PCG	BMO CM	Corporate Services (1)	Total (GAAP basis)
Net interest income	$ 766	$ 172	$ 165	$ 241	$ (170)	$ 1,174
Non-interest revenue	432	85	345	451	133	1,446
Total Revenue	1,198	257	510	692	(37)	2,620
Provision for credit losses	82	10	1	29	29	151
Non-interest expense	654	200	350	441	35	1,680
Income before taxes and non-controlling interest in subsidiaries	462	47	159	222	(101)	789
Income taxes	142	17	52	35	(118)	128
Non-controlling interest in subsidiaries	-	-	-	-	19	19
Net Income	$ 320	$ 30	$ 107	$ 187	$ (2)	$ 642
Average Assets	$ 124,694	$ 25,481	$ 8,024	$ 231,812	$ 4,058	$ 394,069
Goodwill (As At)	$ 104	$ 876	$ 323	$ 93	$ 2	$ 1,398

For the six months ended **April 30, 2009** (2)	P&C Canada	P&C U.S.	PCG	BMO CM	Corporate Services (1)	Total (GAAP basis)
Net interest income	**$ 1,654**	**$ 473**	**$ 334**	**$ 1,020**	**$ (813)**	**$ 2,668**
Non-interest revenue	**912**	**118**	**571**	**519**	**309**	**2,429**
Total Revenue	**2,566**	**591**	**905**	**1,539**	**(504)**	**5,097**
Provision for credit losses	**188**	**36**	**3**	**86**	**487**	**800**
Non-interest expense	**1,417**	**465**	**728**	**924**	**195**	**3,729**
Income before taxes and non-controlling interest in subsidiaries	**961**	**90**	**174**	**529**	**(1,186)**	**568**
Income taxes	**286**	**31**	**55**	**101**	**(526)**	**(53)**
Non-controlling interest in subsidiaries	**-**	**-**	**-**	**-**	**38**	**38**
Net Income	**$ 675**	**$ 59**	**$ 119**	**$ 428**	**$ (698)**	**$ 583**
Average Assets	**$ 124,106**	**$ 33,560**	**$ 9,662**	**$ 284,413**	**$ 10,085**	**$ 461,826**
Goodwill (As At)	**$ 122**	**$ 1,083**	**$ 353**	**$ 110**	**$ 2**	**$ 1,670**

For the six months ended April 30, 2008 (2)	P&C Canada	P&C U.S.	PCG	BMO CM	Corporate Services (1)	Total (GAAP basis)
Net interest income	$ 1,539	$ 339	$ 320	$ 551	$ (361)	$ 2,388
Non-interest revenue	850	133	709	414	152	2,258
Total Revenue	2,389	472	1,029	965	(209)	4,646
Provision for credit losses	165	19	2	58	137	381
Non-interest expense	1,346	365	722	823	38	3,294
Income before taxes and non-controlling interest in subsidiaries	878	88	305	84	(384)	971
Income taxes	267	32	102	(74)	(290)	37
Non-controlling interest in subsidiaries	-	-	-	-	37	37
Net Income	$ 611	$ 56	$ 203	$ 158	$ (131)	$ 897
Average Assets	$ 124,033	$ 24,836	$ 7,939	$ 232,408	$ 3,483	$ 392,699
Goodwill (As At)	$ 104	$ 876	$ 323	$ 93	$ 2	$ 1,398

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

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

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

(Canadian $ in millions)

For the three months ended **April 30, 2009**	Canada	United States	Other countries	Total
Net interest income	**$ 818**	**$ 425**	**$ 94**	**$ 1,337**
Non-interest revenue	**1,016**	**265**	**37**	**1,318**
Total Revenue	**1,834**	**690**	**131**	**2,655**
Provision for credit losses	**127**	**245**	**-**	**372**
Non-interest expense	**1,331**	**520**	**37**	**1,888**
Income before taxes and non-controlling interest in subsidiaries	**376**	**(75)**	**94**	**395**
Income taxes	**36**	**(30)**	**12**	**18**
Non-controlling interest in subsidiaries	**14**	**5**	**-**	**19**
Net Income	**$ 326**	**$ (50)**	**$ 82**	**$ 358**
Average Assets	**$ 270,456**	**$ 158,681**	**$ 31,473**	**$ 460,610**
Goodwill (As At)	**$ 441**	**$ 1,206**	**$ 23**	**$ 1,670**

For the three months ended April 30, 2008	Canada	United States	Other countries	Total
Net interest income	$ 851	$ 247	$ 76	$ 1,174
Non-interest revenue	1,155	287	4	1,446
Total Revenue	2,006	534	80	2,620
Provision for credit losses	79	73	(1)	151
Non-interest expense	1,240	397	43	1,680
Income before taxes and non-controlling interest in subsidiaries	687	64	38	789
Income taxes	135	1	(8)	128
Non-controlling interest in subsidiaries	15	4	-	19
Net Income	$ 537	$ 59	$ 46	$ 642
Average Assets	$ 233,857	$ 128,427	$ 31,785	$ 394,069
Goodwill (As At)	$ 421	$ 970	$ 7	$ 1,398

For the six months ended **April 30, 2009**	Canada	United States	Other countries	Total
Net interest income	**$ 1,617**	**$ 850**	**$ 201**	**$ 2,668**
Non-interest revenue	**1,812**	**632**	**(15)**	**2,429**
Total Revenue	**3,429**	**1,482**	**186**	**5,097**
Provision for credit losses	**238**	**562**	**-**	**800**
Non-interest expense	**2,616**	**1,033**	**80**	**3,729**
Income before taxes and non-controlling interest in subsidiaries	**575**	**(113)**	**106**	**568**
Income taxes	**39**	**(86)**	**(6)**	**(53)**
Non-controlling interest in subsidiaries	**27**	**11**	**-**	**38**
Net Income	**$ 509**	**$ (38)**	**$ 112**	**$ 583**
Average Assets	**$ 272,241**	**$ 159,077**	**$ 30,508**	**$ 461,826**
Goodwill (As At)	**$ 441**	**$ 1,206**	**$ 23**	**$ 1,670**

For the six months ended April 30, 2008	Canada	United States	Other countries	Total
Net interest income	$ 1,758	$ 460	$ 170	$ 2,388
Non-interest revenue	1,746	576	(64)	2,258
Total Revenue	3,504	1,036	106	4,646
Provision for credit losses	153	221	7	381
Non-interest expense	2,391	811	92	3,294
Income before taxes and non-controlling interest in subsidiaries	960	4	7	971
Income taxes	143	(47)	(59)	37
Non-controlling interest in subsidiaries	28	9	-	37
Net Income	$ 789	$ 42	$ 66	$ 897
Average Assets	$ 235,054	$ 125,475	$ 32,170	$ 392,699
Goodwill (As At)	$ 421	$ 970	$ 7	$ 1,398

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