Consolidated Statement of Income

(Unaudited) (Canadian $ in millions, except as noted)	For the three months ended					For the twelve months ended	
	October 31, 2007	July 31, 2007	April 30, 2007	January 31, 2007	October 31, 2006	**October 31, 2007**	October 31, 2006
Interest, Dividend and Fee Income							
Loans (Note 2)	**$ 2,971**	$ 2,935	$ 2,839	$ 2,812	$ 2,739	**$ 11,557**	$ 9,985
Securities	**910**	786	731	726	589	**3,153**	2,158
Deposits with banks	**387**	291	230	220	214	**1,128**	769
	4,268	4,012	3,800	3,758	3,542	**15,838**	12,912
Interest Expense							
Deposits	**2,328**	1,968	1,833	1,776	1,686	**7,905**	5,743
Subordinated debt	**51**	46	40	43	43	**180**	169
Preferred shares and capital trust securities	**24**	24	26	25	25	**99**	99
Other liabilities	**669**	727	697	718	573	**2,811**	2,157
	3,072	2,765	2,596	2,562	2,327	**10,995**	8,168
Net Interest Income	**1,196**	1,247	1,204	1,196	1,215	**4,843**	4,744
Provision for credit losses (Note 3)	**151**	91	59	52	16	**353**	176
Net Interest Income After Provision for Credit Losses	**1,045**	1,156	1,145	1,144	1,199	**4,490**	4,568
Non-Interest Revenue							
Securities commissions and fees	**265**	299	303	278	247	**1,145**	1,051
Deposit and payment service charges	**183**	180	182	183	183	**728**	729
Trading revenues (losses) (Note 2)	**(165)**	40	(10)	(352)	90	**(487)**	718
Lending fees	**105**	102	100	99	90	**406**	337
Card fees (Note 2)	**(105)**	79	70	63	105	**107**	396
Investment management and custodial fees	**83**	81	81	77	76	**322**	298
Mutual fund revenues	**148**	151	140	137	130	**576**	499
Securitization revenues	**61**	65	83	87	55	**296**	100
Underwriting and advisory fees	**103**	160	159	106	104	**528**	407
Securities gains, other than trading	**148**	6	48	44	46	**246**	145
Foreign exchange, other than trading	**48**	30	33	21	27	**132**	102
Insurance income	**52**	55	77	46	49	**230**	204
Other (Note 2)	**78**	60	58	81	44	**277**	255
	1,004	1,308	1,324	870	1,246	**4,506**	5,241
Net Interest Income and Non-Interest Revenue	**2,049**	2,464	2,469	2,014	2,445	**8,996**	9,809
Non-Interest Expense							
Employee compensation (Note 8)	**901**	1,024	969	931	934	**3,825**	3,824
Premises and equipment	**350**	325	320	308	328	**1,303**	1,211
Amortization of intangible assets	**11**	11	13	11	11	**46**	44
Travel and business development	**92**	72	64	59	76	**287**	253
Communications	**36**	38	42	33	39	**149**	131
Business and capital taxes	**6**	-	17	24	19	**47**	94
Professional fees	**108**	62	67	64	92	**301**	287
Other	**127**	127	122	108	114	**484**	509
	1,631	1,659	1,614	1,538	1,613	**6,442**	6,353
Restructuring Charge (Note 9)	**24**	-	-	135	-	**159**	-
Income Before Provision for (Recovery of) Income Taxes and Non-Controlling Interest in Subsidiaries	**394**	805	855	341	832	**2,395**	3,456
Income taxes (Note 2)	**(77)**	127	165	(26)	117	**189**	717
	471	678	690	367	715	**2,206**	2,739
Non-controlling interest in subsidiaries	**19**	18	19	19	19	**75**	76
Net Income	**$ 452**	$ 660	$ 671	$ 348	$ 696	**$ 2,131**	$ 2,663
Preferred share dividends	**$ 12**	$ 9	$ 13	$ 9	$ 8	**$ 43**	$ 30
Net income available to common shareholders	**$ 440**	$ 651	$ 658	$ 339	$ 688	**$ 2,088**	$ 2,633
Average common shares (in thousands)	**498,379**	499,793	500,510	501,136	500,432	**499,950**	501,257
Average diluted common shares (in thousands)	**506,173**	507,913	509,943	510,320	510,166	**508,614**	511,173
Earnings Per Share (Canadian $)							
Basic	**$ 0.89**	$ 1.30	$ 1.31	$ 0.68	$ 1.37	**$ 4.18**	$ 5.25
Diluted	**0.87**	1.28	1.29	0.67	1.35	**4.11**	5.15
Dividends Declared Per Common Share	**0.70**	0.68	0.68	0.65	0.62	**2.71**	2.26

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.

Consolidated Balance Sheet

(Unaudited) (Canadian $ in millions)	As at				
	October 31, 2007	July 31, 2007	April 30, 2007	January 31, 2007	October 31, 2006
Assets					
Cash Resources	**$ 22,890**	$ 25,041	$ 19,502	$ 22,873	$ 19,608
Securities					
Trading	**70,773**	67,716	63,600	58,401	51,820
Investment (Note 2)	-	-	-	-	14,166
Available-for-sale (Note 2)	**26,010**	17,046	17,529	18,235	-
Other (Note 2)	**1,494**	1,456	1,460	1,465	1,414
Loan substitutes	-	11	11	11	11
	98,277	86,229	82,600	78,112	67,411
Loans (Note 2)					
Residential mortgages	**52,429**	62,297	62,908	63,109	63,321
Consumer instalment and other personal	**33,189**	33,009	31,913	31,474	30,418
Credit cards	**4,493**	4,347	3,899	3,764	3,631
Businesses and governments	**62,650**	63,795	60,956	58,108	56,030
Securities borrowed or purchased under resale agreements	**37,093**	34,216	35,063	41,843	31,429
	189,854	197,664	194,739	198,298	184,829
Customers' liability under acceptances	**12,389**	8,993	9,530	8,252	7,223
Allowance for credit losses (Note 3)	**(1,055)**	(1,045)	(1,059)	(1,078)	(1,058)
	201,188	205,612	203,210	205,472	190,994
Other Assets					
Derivative instruments (Note 2)	**32,585**	30,030	38,711	37,361	30,411
Premises and equipment	**1,980**	2,015	2,047	2,057	2,047
Goodwill	**1,140**	1,232	1,252	1,306	1,098
Intangible assets	**124**	149	174	207	152
Other (Note 2)	**8,340**	8,846	9,031	8,103	8,257
	44,169	42,272	51,215	49,034	41,965
Total Assets	**$ 366,524**	$ 359,154	$ 356,527	$ 355,491	$ 319,978
Liabilities and Shareholders' Equity					
Deposits (Note 2)					
Banks	**$ 34,100**	$ 30,561	$ 28,256	$ 33,811	$ 26,632
Businesses and governments (Note 10)	**121,748**	120,757	114,504	104,994	100,848
Individuals	**76,202**	77,709	78,855	78,309	76,368
	232,050	229,027	221,615	217,114	203,848
Other Liabilities					
Derivative instruments (Note 2)	**33,584**	30,543	40,192	38,842	31,446
Acceptances	**12,389**	8,993	9,530	8,252	7,223
Securities sold but not yet purchased	**25,039**	28,551	24,692	19,472	15,398
Securities lent or sold under repurchase agreements	**31,263**	30,992	31,027	40,965	31,918
Other	**12,055**	10,682	10,055	11,083	10,758
	114,330	109,761	115,496	118,614	96,743
Subordinated Debt (Notes 2 and 10)	**3,446**	3,446	2,395	2,745	2,726
Preferred Share Liability (Note 11)	**250**	450	450	450	450
Capital Trust Securities	**1,150**	1,150	1,150	1,150	1,150
Shareholders' Equity					
Share capital (Note 11)	**5,607**	5,318	5,272	5,225	4,827
Contributed surplus	**58**	56	55	55	49
Retained earnings (Note 2)	**11,166**	11,158	11,017	10,836	10,974
Accumulated other comprehensive loss (Note 2)	**(1,533)**	(1,212)	(923)	(698)	(789)
	15,298	15,320	15,421	15,418	15,061
Total Liabilities and Shareholders' Equity	**$ 366,524**	$ 359,154	$ 356,527	$ 355,491	$ 319,978

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.

Consolidated Statement of Comprehensive Income

(Unaudited) (Canadian $ in millions)	For the three months ended		For the twelve months ended	
	October 31, 2007	October 31, 2006	**October 31, 2007**	October 31, 2006
Net income	**$ 452**	$ 696	**$ 2,131**	$ 2,663
Other Comprehensive Income				
Net change in unrealized gains on available-for-sale securities	**87**	-	**32**	-
Net change in unrealized gains (losses) on cash flow hedges	**39**	-	**(115)**	-
Net loss on translation of net foreign operations	**(447)**	(27)	**(613)**	(177)
Total Comprehensive Income	**$ 131**	$ 669	**$ 1,435**	$ 2,486

Consolidated Statement of Changes in Shareholders' Equity

(Unaudited) (Canadian $ in millions)	For the three months ended		For the twelve months ended	
	October 31, 2007	October 31, 2006	**October 31, 2007**	October 31, 2006
Preferred Shares				
Balance at beginning of period	**$ 946**	$ 596	**$ 596**	$ 596
Issued during the period (Note 11)	**250**	-	**600**	-
Balance at End of Period	**1,196**	596	**1,196**	596
Common Shares				
Balance at beginning of period	**4,372**	4,169	**4,231**	4,022
Issued under the Shareholder Dividend Reinvestment and Share Purchase Plan	**28**	27	**113**	89
Issued under the Stock Option Plan	**23**	43	**132**	169
Issued on the exchange of shares of a subsidiary corporation	**-**	-	**1**	-
Repurchased for cancellation (Note 11)	**(12)**	(8)	**(66)**	(49)
Balance at End of Period	**4,411**	4,231	**4,411**	4,231
Contributed Surplus				
Balance at beginning of period	**56**	47	**49**	35
Stock option expense	**2**	2	**9**	14
Balance at End of Period	**58**	49	**58**	49
Retained Earnings				
Balance at beginning of period	**11,158**	10,653	**10,974**	9,801
Cumulative impact of adopting new accounting requirements for financial instruments (net of income taxes of $39) (Note 2)	**-**	-	**(71)**	-
Net income	**452**	696	**2,131**	2,663
Dividends – Preferred shares	**(12)**	(8)	**(43)**	(30)
– Common shares	**(348)**	(311)	**(1,353)**	(1,133)
Common shares repurchased for cancellation (Note 11)	**(79)**	(56)	**(458)**	(327)
Share issue expense	**(5)**	-	**(14)**	-
Balance at End of Period	**11,166**	10,974	**11,166**	10,974
Accumulated Other Comprehensive Income on Available-for-Sale Securities				
Balance at beginning of period	**(52)**	-	**-**	-
Impact of remeasuring available-for-sale securities to market value on November 1, 2006 (net of income taxes of $1)	**-**	-	**3**	-
Unrealized gains on available-for-sale securities arising during the period (net of income taxes of $41 and $6)	**80**	-	**15**	-
Reclassification to earnings of realized losses in the period (net of income taxes of $4 and $12)	**7**	-	**17**	-
Balance at End of Period	**35**	-	**35**	-
Accumulated Other Comprehensive Loss on Cash Flow Hedges				
Balance at beginning of period	**(205)**	-	**-**	-
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 $64)	**28**	-	**(128)**	-
Reclassification to earnings of losses on cash flow hedges (net of income taxes of $5 and $6)	**11**	-	**13**	-
Balance at End of Period	**(166)**	-	**(166)**	-
Accumulated Other Comprehensive Loss on Translation of Net Foreign Operations				
Balance at beginning of period	**(955)**	(762)	**(789)**	(612)
Unrealized loss on translation of net foreign operations	**(1,196)**	(72)	**(1,697)**	(472)
Impact of hedging translation gains of net foreign operations (net of income taxes of $397, $23, $575 and $156)	**749**	45	**1,084**	295
Balance at End of Period	**(1,402)**	(789)	**(1,402)**	(789)
Total Accumulated Other Comprehensive Loss	**(1,533)**	(789)	**(1,533)**	(789)
Total Shareholders' Equity	**$ 15,298**	$ 15,061	**$ 15,298**	$ 15,061

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.

Consolidated Statement of Cash Flows

(Unaudited) (Canadian $ in millions)	For the three months ended		For the twelve months ended	
	October 31, 2007	October 31, 2006	**October 31, 2007**	October 31, 2006
Cash Flows from Operating Activities				
Net income	**$ 452**	$ 696	**$ 2,131**	$ 2,663
Adjustments to determine net cash flows provided by (used in) operating activities				
Write-down of securities, other than trading	**18**	-	**18**	9
Net gain on securities, other than trading	**(166)**	(46)	**(264)**	(154)
Net (increase) in trading securities	**(5,986)**	(6,492)	**(23,028)**	(8,565)
Provision for credit losses	**151**	16	**353**	176
Gain on sale of securitized loans (Note 4)	**(47)**	(44)	**(202)**	(69)
Change in derivative instruments				
(Increase) decrease in derivative asset	**(3,861)**	1,637	**(4,991)**	238
Increase in derivative liability	**5,186**	220	**6,127**	3,328
Amortization of premises and equipment	**99**	95	**390**	360
Amortization of intangible assets	**11**	11	**46**	44
Net decrease in future income taxes	**(36)**	(85)	**(176)**	(153)
Net increase (decrease) in current income taxes	**(211)**	20	**(800)**	144
Change in accrued interest				
(Increase) in interest receivable	**(255)**	(309)	**(129)**	(468)
Increase in interest payable	**378**	207	**537**	303
Changes in other items and accruals, net	**5,125**	1,551	**6,051**	2,595
Gain on sale of land and buildings	**(6)**	-	**(6)**	-
Net Cash Provided by (Used in) Operating Activities	**852**	(2,523)	**(13,943)**	451
Cash Flows from Financing Activities				
Net increase in deposits	**16,926**	2,259	**45,222**	13,108
Net increase (decrease) in securities sold but not yet purchased	**(2,981)**	1,145	**10,328**	(708)
Net increase in securities lent or sold under repurchase agreements	**2,363**	3,845	**2,325**	9,987
Net increase (decrease) in liabilities of subsidiaries	**(27)**	(448)	**335**	(94)
Repayment of subordinated debt	**-**	-	**(483)**	(425)
Proceeds from issuance of subordinated debt	**-**	-	**1,200**	700
Redemption of preferred share liability	**(200)**	-	**(200)**	-
Proceeds from issuance of preferred shares	**250**	-	**600**	-
Proceeds from issuance of common shares	**51**	70	**245**	258
Share issue expense	**(5)**	-	**(14)**	-
Common shares repurchased for cancellation (Note 11)	**(91)**	(64)	**(524)**	(376)
Dividends paid	**(360)**	(319)	**(1,396)**	(1,163)
Net Cash Provided by Financing Activities	**15,926**	6,488	**57,638**	21,287
Cash Flows from Investing Activities				
Net (increase) decrease in interest bearing deposits with banks	**(339)**	185	**(5,709)**	901
Purchases of securities, other than trading	**(17,716)**	(9,111)	**(50,366)**	(20,433)
Maturities of securities, other than trading	**3,736**	2,616	**24,635**	9,494
Proceeds from sales of securities, other than trading	**3,469**	3,657	**11,824**	7,920
Net (increase) decrease in loans, customers' liability under acceptances and loan substitute securities	**1,029**	(4,031)	**(14,570)**	(20,184)
Proceeds from securitization of loans (Note 4)	**694**	2,241	**3,330**	4,994
Net (increase) decrease in securities borrowed or purchased under resale agreements	**(4,736)**	344	**(8,280)**	(3,723)
Proceeds from sales of land and buildings	**45**	-	**45**	-
Premises and equipment – net purchases	**(169)**	(204)	**(420)**	(583)
Acquisitions (Note 7)	**1**	-	**(386)**	(76)
Net Cash Used in Investing Activities	**(13,986)**	(4,303)	**(39,897)**	(21,690)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**(2,085)**	(6)	**(2,606)**	(2)
Net Increase (Decrease) in Cash and Cash Equivalents	**707**	(344)	**1,192**	46
Cash and Cash Equivalents at Beginning of Period	**2,943**	2,802	**2,458**	2,412
Cash and Cash Equivalents at End of Period	**$ 3,650**	$ 2,458	**$ 3,650**	$ 2,458

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 twelve months ended October 31, 2007 (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, 2006 as set out on pages 96 to 133 of our 2006 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, 2006, except as described in Note 2.

Note 2 • Changes in Accounting

Change in Estimate

During the quarter ended October 31, 2007, we increased the liability for future customer redemptions related to our loyalty rewards program in Personal and Commercial Banking Canada's Mastercard business. The impact of this change on our Consolidated Statement of Income for the quarter ended October 31, 2007 was a reduction in non-interest revenue, card fees of $185 million, a decrease in the provision for income taxes of $65 million and a decrease in net income of $120 million.

Changes in Accounting Policy

On November 1, 2006, we adopted the Canadian Institute of Chartered Accountants' ("CICA's") accounting requirements for securities, hedging derivatives, other comprehensive income and certain other financial instruments. Prior periods have not been restated.

On November 1, 2006, we made the following adjustments to our balance sheet to adopt the new requirements:

(Canadian $ in millions)	As at November 1, 2006
Increase (decrease)	
Consolidated Balance Sheet	
Available-for-sale securities (a)	$ 4
Loans (b)(ii),(d)	(87)
Other assets	51
Derivative instruments – asset (b)	70
Deposits (b)(ii)	38
Derivative instruments – liability (b)	110
Subordinated debt (b)(ii)	9
Retained earnings	(71)
Accumulated other comprehensive income – available-for-sale securities (a)	3
Accumulated other comprehensive loss – cash flow hedges (b)(i)	(51)

The impact of these changes on our Consolidated Statement of Income is as follows:

(Canadian $ in millions)	For the three months ended October 31, 2007	For the twelve months ended October 31, 2007
Increase (decrease) in net income		
Consolidated Statement of Income		
Interest, Dividend and Fee Income – Loans (d)	$ 2	$ 9
Non-Interest Revenue – Trading revenues (losses) (c)	(8)	7
Non-Interest Revenue – Other (b)(i)(ii)	8	1
Income taxes	(1)	(6)
Net Income	$ 1	$ 11

Other Comprehensive Income

The new rules require that we present a new Consolidated Statement of Comprehensive Income, which is comprised of net income, changes in unrealized gains or losses related to available-for-sale securities, changes in unrealized gains or losses related to cash flow hedges and the net unrealized foreign exchange gain or loss for the period related to our net investment in foreign operations. This statement has been included above our Consolidated Statement of Changes in Shareholders' Equity.

(a) Securities

The new rules required us to classify securities other than trading securities as held-to-maturity or available-for-sale.

Available-for-sale securities are measured at fair value with unrealized gains and losses recorded in other comprehensive gain (loss) on available-for-sale securities in our Consolidated Statement of Changes in Shareholders' Equity until the security is sold, or if an unrealized loss is considered other than temporary, the unrealized loss is recorded in income. Gains and losses on disposal are recorded in our Consolidated Statement of Income in securities gains (losses), other than trading. Interest income earned and dividends received on equity securities are recorded in our Consolidated Statement of Income in interest, dividend and fee income, securities. We have not classified any of our securities as held-to-maturity. Available-for-sale securities where there is no quoted market price, including securities whose sale is restricted, will continue to be recorded at amortized cost.

The new rules do not affect accounting for our merchant banking investments or investments in corporate equity where we exercise significant influence, but not control. These are recorded as other securities in our Consolidated Balance Sheet. Additional information on our policies related to securities, determining fair value and other than temporary impairment is included in Note 3 to our consolidated financial statements for the year ended October 31, 2006.

On November 1, 2006, we remeasured our available-for-sale securities at fair value, as appropriate. A net unrealized gain of $3 million was recorded in opening accumulated other comprehensive income on available-for-sale securities.

(b) Hedging Derivatives

The new rules require us to record all of our hedging derivatives at fair value. Prior to November 1, 2006, we accounted for derivatives that qualified as accounting hedges on an accrual basis.

The types of hedging relationships that qualify for hedge accounting have not changed under the new rules. We will continue to designate our hedges as either cash flow hedges or fair value hedges. A description of the items or transactions that we hedge and the risk management policy for each type of hedge is included in

Note 9 to our consolidated financial statements for the year ended October 31, 2006.

(i) Cash Flow Hedges

Cash flow hedges modify exposure to variability in cash flows for variable rate interest bearing instruments or the forecasted issuance of fixed rate liabilities.

Under the new rules, we will continue to record interest receivable or payable on the derivative as an adjustment to interest, dividend and fee income in the Consolidated Statement of Income over the life of the hedge.

To the extent that changes in the fair value of the derivative offset changes in the fair value of the hedged item, they are recorded in other comprehensive income. Any portion of the change in fair value of the derivative that does not offset changes in the fair value of the hedged item (the ineffectiveness of the hedge) is recorded directly in non-interest revenue, other in the Consolidated Statement of Income. Gains on the ineffective portion of our cash flow hedges totalled $9 million for the quarter ended October 31, 2007 (losses of less than $1 million for the twelve months ended October 31, 2007).

For cash flow hedges that are discontinued before the end of the original hedge term, the unrealized gain or loss in other comprehensive income is amortized to interest, dividend and fee income in the Consolidated Statement of Income as the hedged item impacts earnings. If the hedged item is sold or settled, the entire unrealized gain or loss is recognized in interest, dividend and fee income in the Consolidated Statement of Income. The amount of other comprehensive loss that is expected to be reclassified to the Consolidated Statement of Income over the next 12 months is $64 million ($42 million after tax). This will be offset by increased net interest income on assets and liabilities that were hedged.

On November 1, 2006, we remeasured our cash flow hedging derivatives at fair value. The portion of the fair value that offset the fair value of the hedged item was an $8 million gain ($5 million after tax) and was recorded in opening accumulated other comprehensive income. The ineffective portion of cash flow hedges recorded in opening retained earnings totalled less than $1 million. We also reclassified $86 million ($56 million after tax) of deferred losses related to cash flow hedges that were discontinued prior to November 1, 2006 from other assets to opening accumulated other comprehensive income.

(ii) Fair Value Hedges

Fair value hedges modify exposure to changes in a fixed rate instrument's fair value caused by changes in interest rates. These hedges convert fixed rate assets and liabilities to floating rate. Our fair value hedges include hedges of fixed rate commercial and personal loans, securities, deposits and subordinated debt.

Under the new rules, we will continue to record interest receivable or payable on the derivative as an adjustment to interest, dividend and fee income in the Consolidated Statement of Income over the life of the hedge.

For fair value hedges, not only is the hedging derivative recorded at fair value but fixed rate assets and liabilities that are part of a hedging relationship are adjusted for the changes in value of the risk being hedged (quasi fair value). To the extent that the change in the fair value of the derivative does not offset changes in the quasi fair value adjustment to the hedged item (the ineffectiveness of the hedge), the net amount is recorded directly in non-interest revenue, other in the Consolidated Statement of Income. Losses on the ineffective portion of our fair value hedges totalled $1 million for the quarter ended October 31, 2007 (gains of $1 million for the twelve months ended October 31, 2007).

For fair value hedges that are discontinued, we cease adjusting the hedged item to quasi fair value. The quasi fair value adjustment on the hedged item is recorded as an adjustment to the interest income/expense on the hedged item over its remaining term to maturity. If the hedged item is sold or settled, any remaining quasi fair value adjustment is included in the determination of the gain or loss on sale or settlement. We did not hedge any commitments during the year ended October 31, 2007.

When we remeasured fair value hedging derivatives at fair value on November 1, 2006, we made a corresponding adjustment to the carrying value of the items that we hedge with those derivatives (quasi fair value adjustment). The difference between these two amounts was recorded in opening retained earnings and totalled less than $1 million. On November 1, 2006, we also reclassified deferred amounts related to fair value hedges that were discontinued prior to November 1, 2006 from other assets to adjust the carrying amount of the items that were previously hedged. Quasi fair value adjustments related to these two activities were comprised of an increase in loans of $3 million, an increase in deposits of $38 million, an increase in subordinated debt of $9 million and an increase in other assets of $6 million.

(c) Fair Value Option

The new rules allow management to elect to measure 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. Financial instruments must have been designated on November 1, 2006, when the new standard was adopted, or when new financial instruments were acquired, and the designation is irrevocable.

We issue structured notes that include embedded options. We enter into derivatives which manage our exposure to changes in the structured note fair value caused by changes in interest rates. The structured notes are designated as trading under the fair value option, which better aligns the accounting result with how the portfolio is managed. These notes are classified as deposits. The fair value and amount due at contractual maturity of these notes as at October 31, 2007 were $762 million and $791 million, respectively. The impact of recording these notes as trading was a decrease in non-interest revenue, trading revenues of $7 million for the quarter ended October 31, 2007 (increase of $8 million for the twelve months ended October 31, 2007). The decrease was offset by a gain on the derivatives.

Securities in our insurance subsidiaries that support our insurance liabilities have been designated as trading securities under the fair value option. Since the actuarial calculation of insurance liabilities is based on the recorded value of the securities supporting them, recording the securities at fair value better aligns the accounting result with how the portfolio is managed. The fair value of these securities as at October 31, 2007 was $30 million. The impact of recording these as trading securities was a decrease in non-interest revenue, insurance income of $1 million for both the quarter and twelve months ended October 31, 2007.

On November 1, 2006, we remeasured the portfolio of structured notes and certain of the securities in our insurance subsidiary at fair value. The net unrealized loss of less than $1 million was recorded in opening retained earnings.

(d) Effective Interest Method

Loan origination costs are included in our loan balances and are recognized in interest, dividend and fee income, loans, over the life of the resulting loan. Prior to November 1, 2006, an equal amount of loan origination costs were recognized each period over the life of the resulting loan. The new rules require that we use the effective interest method to recognize loan origination costs whereby the amount recognized varies over the life of the loan based on principal outstanding.

As at November 1, 2006, we adjusted our deferred loan origination costs to what the balance would have been had we always used the effective interest method to recognize loan origination costs. The impact was a decrease in loans, residential mortgages of $87 million, a decrease in future income tax liability of $30 million and a decrease in retained earnings of $57 million.

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 October 31, 2007 and October 31, 2006 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						For the twelve months ended					
	Specific Allowance		General Allowance		Total		Specific Allowance		General Allowance		Total	
	October 31, 2007	October 31, 2006	**October 31, 2007**	October 31, 2006	**October 31, 2007**	October 31, 2006	**October 31, 2007**	October 31, 2006	**October 31, 2007**	October 31, 2006	**October 31, 2007**	October 31, 2006
Balance at beginning of period	**$ 157**	$ 164	**$ 888**	$ 943	**$ 1,045**	$ 1,107	**$ 153**	$ 169	**$ 905**	$ 959	**$ 1,058**	$ 1,128
Provision for credit losses	**101**	51	**50**	(35)	**151**	16	**303**	211	**50**	(35)	**353**	176
Recoveries	**24**	24	**-**	-	**24**	24	**91**	112	**-**	-	**91**	112
Write-offs	**(117)**	(86)	**-**	-	**(117)**	(86)	**(391)**	(338)	**-**	-	**(391)**	(338)
Foreign exchange and other	**(8)**	-	**(40)**	(3)	**(48)**	(3)	**1**	(1)	**(57)**	(19)	**(56)**	(20)
Balance at end of period	**$ 157**	$ 153	**$ 898**	$ 905	**$ 1,055**	$ 1,058	**$ 157**	$ 153	**$ 898**	$ 905	**$ 1,055**	$ 1,058

Note 4 • Securitization

During the quarter ended October 31, 2007, we securitized residential mortgages totalling $708 million for total cash proceeds of $694 million ($3,400 million and $3,330 million respectively, for the twelve months ended October 31, 2007). There are no expected credit losses as the mortgages are guaranteed by third parties. We retained responsibility for servicing these mortgages. We recorded a loss of $1 million in non-interest revenue, securitization revenues, $25 million of deferred purchase price in available-for-sale securities and $6 million of servicing liability in other liabilities related to the securitization of those loans (gain of $11 million, $125 million and $26 million respectively, for the twelve months ended October 31, 2007). The key weighted-average assumptions used to value the deferred purchase price for these securitizations was an average term of 4.9 years, a prepayment rate of 10.0%, an interest rate of 5.41% and a discount rate of 4.79% (4.6 years and 9.7%, 5.24% and 4.62% respectively, for the twelve months ended October 31, 2007).

In addition, gains on sales of loans sold to all revolving securitization vehicles were $48 million for the quarter ended October 31, 2007 ($191 million for the twelve months ended October 31, 2007).

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 $25,465 million as at October 31, 2007 ($25,791 million in 2006) of which $17,536 million relates to Canadian assets, 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. We use our credit adjudication process in deciding whether to enter into these agreements just as we do when extending credit in the form of a loan. To the extent that we have purchased commercial paper, our exposure under the liquidity facilities is reduced by an equal amount. As at October 31, 2007, we have a net exposure of $5,564 million from commercial paper held ($448 million in 2006) classified as trading securities, and backstop liquidity facilities of $31,475 million ($32,603 million in 2006), of which $20,756 million relates to Canadian facilities and the balance are U.S. facilities. No amounts were drawn as at October 31, 2007 and 2006. Included in backstop liquidity facilities in 2006 was $634 million related to a credit facility that has since been terminated. The fair value of derivatives outstanding with these Variable Interest Entities ("VIEs") and recorded in our Consolidated Balance Sheet was a derivative liability of $20 million as at October 31, 2007 ($5 million in 2006). During the year ended October 31, 2007, we changed the nature of the liquidity lines offered to certain of our Canadian vehicles to global style liquidity lines, which have objective criteria for determining when they can be drawn upon. Previously, we offered market disruption liquidity lines, which had more subjective criteria.

Beginning in the quarter ended October 31, 2007, we consolidated two VIEs as we are exposed to the majority of the expected losses and/or residual returns through our ownership of their asset-backed commercial paper. We included in our Consolidated Balance Sheet at October 31, 2007 other assets totalling $311 million and $65 million as a deposit liability.

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 $6,552 million as at October 31, 2007 ($6,803 million in 2006). We are not required to consolidate our bank securitization vehicles. We also provide liquidity support to certain of our bank securitization vehicles for the face value of the commercial paper outstanding. We use our credit adjudication process in deciding whether to enter into these agreements just as we do when extending credit in the form of a loan. The total contract amount of the liquidity support was $5,100 million and $5,000 million as at October 31, 2007 and 2006, respectively. No amounts were drawn as at October 31, 2007 and 2006. During the year ended October 31, 2007, we changed the nature of the liquidity lines offered to bank securitization vehicles to global style liquidity lines, which have objective criteria for determining when they can be drawn upon. The fair value of derivatives outstanding with these vehicles and recorded in our Consolidated Balance Sheet was a derivative liability of $ 52 million as at October 31, 2007 ($27 million in 2006). We held $367 million of the commercial paper issued by these vehicles 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 $22,754 million as at October 31, 2007 ($28,892 million in 2006). 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, commitment 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 $53 million as at October 31, 2007 ($76 million in 2006). We have provided a funding commitment of $1.3 billion to purchase senior notes issued by the SIVs. As at October 31, 2007, $350 million was drawn and included in the amount disclosed as available-for-sale securities. The total contract amount of letters of credit for backstop liquidity facilities was $221 million as at October 31, 2007 ($184 million in 2006); no amounts were drawn at October 31, 2007 and 2006. The fair value of our derivative contracts outstanding with these VIEs and recorded in our Consolidated Balance Sheet was a derivative liability of $11 million as at October 31, 2007 ($18 million in 2006). We are not required to consolidate these SIVs. Subsequent to the year ended October 31, 2007, an additional $904 million was drawn against the funding commitment for the purchase of senior debt.

Capital Trusts

BMO Subordinated Notes Trust (the "SN Trust") was created in 2007 to issue $800 million of BMO Trust Subordinated Notes – Series A. SN Trust used the proceeds of the offering to purchase a senior deposit note from the Bank. We are not required to consolidate the SN Trust. Refer to Note 10 for more details on the subordinated notes issued by the SN Trust.

We also provide liquidity support amounting to $30 million to the SN Trust. As at October 31, 2007, $5 million had been drawn.

BMO Capital Trust (the "Trust") was created to issue BMO Capital Trust Securities ("BOaTS"). As at October 31, 2007, the Trust had assets of $3,140 million ($3,180 million in 2006). The Trust is a VIE which we are required to consolidate.

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 also sponsor VIEs that provide investors access to debt portfolios through the issuance of commercial paper. 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 $440 million as at October 31, 2007 ($470 million in 2006). Assets held by the VIEs in which we have a significant variable interest but we do not consolidate totalled $2,365 million as at October 31, 2007 ($762 million in 2006). Our exposure to loss from VIEs related to this activity is limited to the amount of our investment, which totalled $553 million as at October 31, 2007 ($216 million in 2006).

Note 6 • Guarantees

Guarantees include contracts where we may be required to make payments to a counterparty based on changes in the value of an asset, liability or equity security that the counterparty holds due to changes in an underlying interest rate, foreign exchange rate or other variable. In addition, contracts under which we may be required to make payments if a third party does not perform according to the terms of a contract and contracts under which we provide indirect guarantees of the indebtedness of another party are considered 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 our customers if our customers are unable to make the required payments or meet other contractual requirements.

The maximum amount payable under standby letters of credit and guarantees was $12,395 million as at October 31, 2007 ($11,007 million in 2006). 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 October 31, 2007 and 2006 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 $38,466 million as at October 31, 2007 ($38,606 million in 2006). The amount drawn on the backstop liquidity facilities was $16 million as at October 31, 2007 ($nil in 2006).

Credit Enhancement Facilities

Where warranted, we provide partial credit enhancement facilities to transactions within asset-backed commercial paper programs administered by us and by third parties. Credit enhancement facilities were included in $5,449 million of backstop liquidity facilities as at October 31, 2007 ($4,088 million in 2006). Credit enhancement was also provided in the form of program letters of credit; $nil and $181 million were included in standby letters of credit and guarantees as at October 31, 2007 and 2006, respectively. The facilities' terms are generally no longer than one year, but can be several years. None of the credit enhancement facilities that we have provided have been drawn upon.

Derivatives

Certain of our derivative instruments meet the accounting definition of a guarantee when we believe they are related to an asset, liability or equity security held by the guaranteed party at the inception of a contract.

Written credit default swaps require us to compensate a counterparty following the occurrence of a credit event in relation to a specified reference obligation, such as a bond or a loan. The maximum amount payable under credit default swaps was equal to their notional amount of $42,433 million as at October 31, 2007 ($23,657 million in 2006). The terms of these contracts range from one month to 10 years. The fair value of the related derivative liabilities included in the derivative instruments in our Consolidated Balance Sheet was $466 million at October 31, 2007 ($19 million in 2006).

Written options include contractual agreements that convey to the purchaser the right, but not the obligation, to require us to buy a specific amount of a currency, commodity, debt or equity instrument at a fixed price, either at a fixed future date or at any time within a fixed future period. The maximum amount payable under these written options cannot be reasonably estimated due to the nature of these contracts. The terms of these contracts range from one month to eight years. The fair value of the related derivative liabilities included in the derivative instruments in our Consolidated Balance Sheet was $662 million at October 31, 2007 ($2,407 million in 2006).

Written options also include contractual agreements where we agree to pay the purchaser, based on a specified notional amount, the difference between a market price or rate and the strike price or rate of the underlying instrument. The maximum amount payable under these contracts is not determinable due to their nature. The terms of these contracts range from four months to 25 years. The fair value of the related derivative liabilities included in derivative instruments in our Consolidated Balance Sheet was $118 million as at October 31, 2007 ($114 million in 2006).

In order to reduce our exposure to these derivatives, we enter into contracts that hedge the related risks.

Note 7 • Acquisitions

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.

Villa Park Trust and Savings Bank

On December 1, 2005, we completed the acquisition of Chicago-based Villa Park Trust and Savings Bank ("Villa Park"), a community bank, for total cash consideration of $76 million. The results of Villa Park's operations have been included in our consolidated financial statements since that date. The acquisition of Villa Park provides us with the opportunity to expand our banking services in the Chicago, Illinois market. 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. Villa Park is part of our Personal and Commercial Banking U.S. reporting segment.

Future Acquisitions

Pyrford International plc

On November 2, 2007, we announced that we had reached a definitive agreement to purchase Pyrford International plc, a London, U.K.-based asset manager, for total cash consideration of approximately $50 million. The acquisition of Pyrford International plc will provide us with the opportunity to expand our investment management capabilities outside of North America. The acquisition of Pyrford International plc is subject to regulatory approval. The acquisition of Pyrford International plc is expected to close during the quarter ending January 31, 2008, at which time it will be recorded in our consolidated financial statements as the acquisition of a business. Pyrford International plc will be part of our Private Client Group reporting segment.

Ozaukee Bank

On July 10, 2007, we announced that we had reached a definitive agreement to purchase Ozaukee Bank. Under the agreement, Ozaukee Bank shareholders will receive approximately 3 million shares of Bank of Montreal. The exact number of shares will be determined based on a formula prior to closing. The acquisition of Ozaukee Bank is subject to regulatory approval and the approval of Ozaukee Bank shareholders. The acquisition of Ozaukee Bank will provide us with the opportunity to expand our banking locations into Wisconsin. The acquisition of Ozaukee Bank is expected to close during the quarter ending January 31, 2008, at which time it will be recorded in our consolidated financial statements as the acquisition of a business. Ozaukee Bank will be part of our Personal and Commercial Banking U.S. reporting segment.

Merchants and Manufacturers Bancorporation, Inc.

On July 10, 2007, we announced that we had reached a definitive agreement to purchase Merchants and Manufacturers Bancorporation, Inc. ("Merchants and Manufacturers") for total cash consideration of approximately $146 million. The acquisition of Merchants and Manufacturers will provide us with the opportunity to expand our banking locations into Wisconsin. The acquisition of Merchants and Manufacturers is subject to regulatory approval and the approval of Merchants and Manufacturers shareholders. The acquisition of Merchants and Manufacturers is expected to close during the quarter ending January 31, 2008, at which time it will be recorded in our consolidated financial statements as the acquisition of a business. Merchants and Manufacturers will be part of our Personal and Commercial Banking U.S. 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)	October 31, 2007		October 31, 2006
	First National	**bcpbank Canada**	Villa Park
Cash resources	**$ 110**	**$ 47**	$ 16
Securities	**317**	**23**	54
Loans	**1,009**	**293**	247
Premises and equipment	**30**	**9**	5
Goodwill	**175**	**13**	44
Core deposit intangible asset	**37**	**5**	7
Other assets	**52**	**2**	4
Total assets	**1,730**	**392**	377
Deposits	**1,375**	**339**	296
Other liabilities	**10**	**12**	5
Total liabilities	**1,385**	**351**	301
Purchase price	**$ 345**	**$ 41**	$ 76

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

Note 8 • Employee Compensation

Change in Accounting Policy

During the year ended October 31, 2006, we adopted the CICA's new accounting requirements for stock-based compensation. The new rules require that stock-based compensation granted to employees eligible to retire be expensed at the time of grant. Previously, we amortized the cost over the vesting period.

Stock Options

During the twelve months ended October 31, 2007, we granted a total of 1,229,500 stock options. The weighted-average fair value of these options was $7.56 per option and was determined using a trinomial option pricing model, based on the following weighted-average assumptions:

For stock options granted during the twelve months ended October 31, 2007	
Expected dividend yield	4.2%
Expected share price volatility	15.6%
Risk-free rate of return	4.0%
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	
	October 31, 2007	October 31, 2006	**October 31, 2007**	October 31, 2006
Benefits earned by employees	**$ 35**	$ 34	**$ 6**	$ 4
Interest cost on accrued benefit liability	**53**	53	**12**	11
Actuarial loss recognized in expense	**13**	20	**6**	2
Amortization of plan amendment costs	**3**	2	**(4)**	(3)
Expected return on plan assets	**(68)**	(64)	**(1)**	(1)
Benefits expense	**36**	45	**19**	13
Canada and Quebec pension plan expense	**8**	8	**-**	-
Defined contribution expense	**2**	2	**-**	-
Total pension and other employee future benefit expenses	**$ 46**	$ 55	**$ 19**	$ 13

(Canadian $ in millions)	Pension benefit plans		Other employee future benefit plans	
	For the twelve months ended		For the twelve months ended	
	October 31, 2007	October 31, 2006	**October 31, 2007**	October 31, 2006
Benefits earned by employees	**$ 149**	$ 137	**$ 22**	$ 18
Interest cost on accrued benefit liability	**217**	208	**49**	46
Actuarial loss recognized in expense	**59**	82	**18**	14
Amortization of plan amendment costs	**11**	6	**(7)**	(7)
Expected return on plan assets	**(277)**	(253)	**(5)**	(5)
Benefits expense	**159**	180	**77**	66
Canada and Quebec pension plan expense	**52**	49	**-**	-
Defined contribution expense	**13**	10	**-**	-
Total pension and other employee future benefit expenses	**$ 224**	$ 239	**$ 77**	$ 66

Note 9 • Restructuring Charge

On January 31, 2007, we recorded a restructuring charge of $135 million in our Consolidated Statement of Income. During the quarter we continued to implement the restructuring initiatives. The objectives of the restructuring are to enhance customer service by directing spending and resources on front-line sales and service improvements; creating more efficient processes and systems across the company and continuing to accelerate the pace of growth.

During the fourth quarter, we changed our estimate for restructuring, resulting in a $16 million reduction in the original accrual. Severance-related charges were less than originally anticipated due to higher levels of attrition and redeployment within the Bank.

On October 31, 2007, we recorded an additional restructuring charge of $40 million in the Consolidated Statement of Income. The additional charge relates to the elimination of approximately 400 positions across all support functions and business groups and is all severance related.

(Canadian $ in millions)	Severance-related charges	Premises-related charges	Other	Total
Opening balance	$ 117	$ 11	$ 7	$ 135
Paid in the quarter	(7)	-	(7)	(14)
Balance as at January 31, 2007	110	11	-	121
Paid in the quarter	(5)	(10)	-	(15)
Balance as at April 30, 2007	105	1	-	106
Paid in the quarter	(17)	-	-	(17)
Balance as at July 31, 2007	88	1	-	89
Paid in the quarter	(17)	-	-	(17)
Reversal in the quarter	(15)	(1)	-	(16)
Additional charge in the quarter	40	-	-	40
Balance as at October 31, 2007	$ 96	$ -	$ -	$ 96

Note 10 • Subordinated debt

On September 26, 2007, we issued $800 million of innovative subordinated debentures, BMO Trust Subordinated Notes (BMO TSNs – Series A), through BMO Subordinated Notes Trust ("SN Trust"). SN Trust is a variable interest entity which we are not required to consolidate (see Note 5); therefore, the BMO TSNs – Series A issued by SN Trust are not reported on our Consolidated Balance Sheet. SN Trust used the proceeds of the issuance to purchase a senior deposit note from us which is reported as a business and government deposit liability on our Consolidated Balance Sheet. All the BMO TSNs – Series A will be exchanged automatically, without the consent of the holders, into our Series E Subordinated Notes upon the occurrence of specific events, such as a wind-up of Bank of Montreal, a regulatory requirement to increase capital, violations of regulatory capital requirements, or changes to tax legislation.

We have guaranteed the payments of principal, interest and redemption price, if any, and any other amounts on the BMO TSNs – Series A when they become due and payable. This guarantee is subordinate to our deposit liabilities and all other liabilities, except for other guarantees, obligations or liabilities that are designated as ranking either equally with or subordinate to the subordinated indebtedness.

The senior deposit note bears interest at an annual rate of 5.90% and will mature on September 26, 2022. We require approval from the Superintendent of Financial Institutions Canada before we can redeem any part of our subordinated debt.

During the quarter ended July 31, 2007, we redeemed all of our 7.92% Debentures, Series 22, due 2012, totalling $150 million. The debentures were redeemed at a redemption price of 100 per cent of the principal amount plus unpaid accrued interest to the redemption date.

During the quarter ended July 31, 2007, we issued $1.2 billion of subordinated debt under our Canadian Medium-Term Note Program. The issue, Series D Medium-Term Notes, Second Tranche, is due June 2017. Interest on this issue is payable semi-annually at a fixed rate of 5.20% until June 21, 2012, and at a floating rate equal to the rate on three month Bankers' Acceptances plus 1.00%, paid quarterly, thereafter to maturity.

During the quarter ended April 30, 2007, our US$300 million 7.80% Notes matured.

Note 11 • Share Capital

During the quarter ended October 31, 2007, we issued 10,000,000 5.25% Non-Cumulative Perpetual Class B Preferred Shares, Series 14, at a price of $25.00 per share, representing an aggregate issue price of $250 million.

On September 6, 2007, we commenced a normal course issuer bid, effective for one year. Under this bid, we may repurchase up to 25,000,000 common shares, approximately 5% of our outstanding common shares. We participated in a normal course issuer bid during the period from September 6, 2006 to September 5, 2007, under which we were able to repurchase up to 15,000,000 common shares, approximately 3% of our then outstanding common shares.

During the quarter ended October 31, 2007, we repurchased 1,406,300 common shares at an average cost of $64.83 per share, totalling $91 million. During the quarter ended October 31, 2006, we repurchased 975,000 common shares at an average cost of $65.84 per share, totalling $64 million. During the twelve months ended October 31, 2007, we repurchased 7,621,600 common shares at an average cost of $68.80 per share, totalling $524 million. During the twelve months ended October 31, 2006, we repurchased 5,919,400 common shares at an average cost of $63.58 per share, totalling $376 million.

On August 27, 2007, we redeemed all our 8,000,000 Non-Cumulative Class B Preferred Shares, Series 4 that were classified as preferred share liabilities, at a price of $25.00 per share, together with declared and unpaid dividends to the date of redemption. This represents an aggregate redemption price of approximately $200 million.

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)	October 31, 2007		
	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	498,562,702	4,411	–
Share Capital		$ 5,607	
Stock options issued under stock option plan		n/a	20,656,713 common shares

(a) For additional information refer to Notes 20 and 21 to our consolidated financial statements for the year ended October 31, 2006 on pages 118 to 121 of our 2006 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 • 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 twelve months ended	
	October 31, 2007	October 31, 2006	**October 31, 2007**	October 31, 2006
Net Income – Canadian GAAP	**$ 452**	$ 696	**$ 2,131**	$ 2,663
United States GAAP adjustments	**12**	(15)	**(16)**	(57)
Net Income – United States GAAP	**$ 464**	$ 681	**$ 2,115**	$ 2,606
Earnings Per Share				
Basic – Canadian GAAP	**$ 0.89**	$ 1.37	**$ 4.18**	$ 5.25
Basic – United States GAAP	**0.90**	1.35	**4.14**	5.14
Diluted – Canadian GAAP	**0.87**	1.35	**4.11**	5.15
Diluted – United States GAAP	**0.90**	1.32	**4.08**	5.04

Hybrid Financial Instruments

Effective November 1, 2006, we adopted the new United States accounting standard on hybrid financial instruments. The new rules allow us to elect to measure certain hybrid financial instruments at fair value in their entirety, with any changes in fair value recognized in earnings. Under the previous rules, only the embedded derivative in the hybrid financial instrument was recorded at fair value. We did not elect to measure any hybrid financial instruments at fair value. The new standard did not have any impact on our consolidated financial statements.

Pensions and Other Employee Future Benefits

Effective November 1, 2006, United States GAAP requires us to recognize the excess of the fair value of our plan assets compared to the corresponding benefit obligation as an asset and the shortfall of the fair value of our plan assets compared to the corresponding benefit obligation as a liability. This is done on a plan-by-plan basis. The offsetting adjustment is recorded in Accumulated Other Comprehensive Income. This new guidance replaces the United States GAAP requirement to recognize an additional minimum pension liability in cases where the obligation, calculated without taking salary increases into account, exceeds the fair value of plan assets at year end. There is no change in the calculation of the pension and other employee future benefits expense.

Financial Instruments

Effective November 1, 2006, we adopted new Canadian accounting requirements for financial instruments, hedges and other comprehensive income, which are harmonized with the United States accounting standards (see Note 2).

Note 14 • 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 products and services to personal and business clients in Canada through branches and direct banking channels such as telephone banking, online banking and a network of 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 the United States, primarily in the Chicago area and Indiana, 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 Technology and Operations ("T&O") and 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 for Corporate Services 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.

T&O manages, maintains and provides governance over our information technology, real estate, operations services and sourcing. The unit focuses on enterprise-wide priorities that improve quality and efficiency.

Operating results for T&O are included with Corporate Services for reporting purposes. However, costs of T&O services are transferred to P&C, PCG, and BMO CM and only minor amounts are retained in T&O's results. As such, results for Corporate Services largely reflect operating results of Corporate units.

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"). 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, are as follows:

(Canadian $ in millions)

For the three months ended **October 31, 2007**	P&C Canada	P&C U.S.	PCG	BMO CM	Corporate Services (1)	Total (teb basis) (2)	Teb adjustments	Total (GAAP basis)
Net interest income	**$ 770**	**$ 172**	**$ 155**	**$ 233**	**$ (90)**	**$ 1,240**	**$ (44)**	**$ 1,196**
Non-interest revenue	**344**	**46**	**355**	**188**	**71**	**1,004**	**-**	**1,004**
Total Revenue	**1,114**	**218**	**510**	**421**	**(19)**	**2,244**	**(44)**	**2,200**
Provision for credit losses	**81**	**8**	**1**	**19**	**42**	**151**	**-**	**151**
Non-interest expense	**696**	**161**	**352**	**397**	**49**	**1,655**	**-**	**1,655**
Income before taxes and non-controlling interest in subsidiaries	**337**	**49**	**157**	**5**	**(110)**	**438**	**(44)**	**394**
Income taxes	**53**	**17**	**50**	**(43)**	**(110)**	**(33)**	**(44)**	**(77)**
Non-controlling interest in subsidiaries	**-**	**-**	**-**	**-**	**19**	**19**	**-**	**19**
Net Income	**$ 284**	**$ 32**	**$ 107**	**$ 48**	**$ (19)**	**$ 452**	**$ -**	**$ 452**
Average Assets	**$ 121,706**	**$ 22,159**	**$ 7,480**	**$ 220,232**	**$ 4,308**	**$ 375,885**	**$ -**	**$ 375,885**
Goodwill (As At)	**$ 106**	**$ 628**	**$ 313**	**$ 91**	**$ 2**	**$ 1,140**	**$ -**	**$ 1,140**

For the three months ended October 31, 2006	P&C Canada	P&C U.S.	PCG	BMO CM	Corporate Services (1)	Total (teb basis) (2)	Teb adjustments	Total (GAAP basis)
Net interest income	$ 755	$ 184	$ 145	$ 191	$ (27)	$ 1,248	$ (33)	$ 1,215
Non-interest revenue	403	41	320	442	40	1,246	-	1,246
Total Revenue	1,158	225	465	633	13	2,494	(33)	2,461
Provision for credit losses	79	7	1	19	(90)	16	-	16
Non-interest expense	675	178	335	391	34	1,613	-	1,613
Income before taxes and non-controlling interest in subsidiaries	404	40	129	223	69	865	(33)	832
Income taxes	132	16	45	35	(78)	150	(33)	117
Non-controlling interest in subsidiaries	-	-	-	-	19	19	-	19
Net Income	$ 272	$ 24	$ 84	$ 188	$ 128	$ 696	$ -	$ 696
Average Assets	$ 116,318	$ 22,123	$ 6,708	$ 170,999	$ 3,895	$ 320,043	$ -	$ 320,043
Goodwill (As At)	$ 93	$ 582	$ 323	$ 98	$ 2	$ 1,098	$ -	$ 1,098

For the twelve months ended **October 31, 2007**	P&C Canada	P&C U.S.	PCG	BMO CM	Corporate Services (1)	Total (teb basis) (2)	Teb adjustments	Total (GAAP basis)
Net interest income	**$ 3,065**	**$ 730**	**$ 613**	**$ 974**	**$ (359)**	**$ 5,023**	**$ (180)**	**$ 4,843**
Non-interest revenue	**1,678**	**178**	**1,441**	**995**	**214**	**4,506**	**-**	**4,506**
Total Revenue	**4,743**	**908**	**2,054**	**1,969**	**(145)**	**9,529**	**(180)**	**9,349**
Provision for credit losses	**323**	**35**	**3**	**77**	**(85)**	**353**	**-**	**353**
Non-interest expense	**2,670**	**696**	**1,427**	**1,565**	**243**	**6,601**	**-**	**6,601**
Income before taxes and non-controlling interest in subsidiaries	**1,750**	**177**	**624**	**327**	**(303)**	**2,575**	**(180)**	**2,395**
Income taxes	**500**	**63**	**216**	**(98)**	**(312)**	**369**	**(180)**	**189**
Non-controlling interest in subsidiaries	**-**	**-**	**-**	**-**	**75**	**75**	**-**	**75**
Net Income	**$ 1,250**	**$ 114**	**$ 408**	**$ 425**	**$ (66)**	**$ 2,131**	**$ -**	**$ 2,131**
Average Assets	**$ 119,164**	**$ 23,477**	**$ 7,091**	**$ 207,084**	**$ 3,759**	**$ 360,575**	**$ -**	**$ 360,575**
Goodwill (As At)	**$ 106**	**$ 628**	**$ 313**	**$ 91**	**$ 2**	**$ 1,140**	**$ -**	**$ 1,140**

For the twelve months ended October 31, 2006	P&C Canada	P&C U.S.	PCG	BMO CM	Corporate Services (1)	Total (teb basis) (2)	Teb adjustments	Total (GAAP basis)
Net interest income	$ 2,941	$ 740	$ 569	$ 773	$ (152)	$ 4,871	$ (127)	$ 4,744
Non-interest revenue	1,639	166	1,324	2,007	105	5,241	-	5,241
Total Revenue	4,580	906	1,893	2,780	(47)	10,112	(127)	9,985
Provision for credit losses	314	30	3	79	(250)	176	-	176
Non-interest expense	2,597	681	1,342	1,602	131	6,353	-	6,353
Income before taxes and non-controlling interest in subsidiaries	1,669	195	548	1,099	72	3,583	(127)	3,456
Income taxes	527	80	193	239	(195)	844	(127)	717
Non-controlling interest in subsidiaries	-	-	-	-	76	76	-	76
Net Income	$ 1,142	$ 115	$ 355	$ 860	$ 191	$ 2,663	$ -	$ 2,663
Average Assets	$ 114,364	$ 21,890	$ 6,545	$ 161,811	$ 4,521	$ 309,131	$ -	$ 309,131
Goodwill (As At)	$ 93	$ 582	$ 323	$ 98	$ 2	$ 1,098	$ -	$ 1,098

(1) Corporate Services includes Technology and Operations.
Prior periods have been restated to give effect to the current period's organization structure and presentation changes.

(2) Taxable equivalent basis – see Basis of Presentation section.

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

(Canadian $ in millions), Taxable equivalent basis (1)

For the three months ended **October 31, 2007**	Canada	United States	Other countries	Total
Net interest income	**$ 935**	**$ 235**	**$ 70**	**$ 1,240**
Non-interest revenue	**750**	**370**	**(116)**	**1,004**
Total Revenue	**1,685**	**605**	**(46)**	**2,244**
Provision for credit losses	**87**	**63**	**1**	**151**
Non-interest expense	**1,204**	**412**	**39**	**1,655**
Income before taxes and non-controlling interest in subsidiaries	**394**	**130**	**(86)**	**438**
Income taxes	**11**	**35**	**(79)**	**(33)**
Non-controlling interest in subsidiaries	**15**	**4**	**-**	**19**
Net Income	**$ 368**	**$ 91**	**$ (7)**	**$ 452**
Average Assets	**$ 233,006**	**$ 109,894**	**$ 32,985**	**$ 375,885**
Goodwill (As At)	**$ 423**	**$ 717**	**$ -**	**$ 1,140**

For the three months ended October 31, 2006	Canada	United States	Other countries	Total
Net interest income	$ 962	$ 247	$ 39	$ 1,248
Non-interest revenue	904	297	45	1,246
Total Revenue	1,866	544	84	2,494
Provision for credit losses	20	(3)	(1)	16
Non-interest expense	1,170	406	37	1,613
Income before taxes and non-controlling interest in subsidiaries	676	141	48	865
Income taxes	107	36	7	150
Non-controlling interest in subsidiaries	14	5	-	19
Net Income	$ 555	$ 100	$ 41	$ 696
Average Assets	$ 193,685	$ 97,805	$ 28,553	$ 320,043
Goodwill (As At)	$ 410	$ 688	$ -	$ 1,098

For the twelve months ended **October 31, 2007**	Canada	United States	Other countries	Total
Net interest income	**$ 3,745**	**$ 973**	**$ 305**	**$ 5,023**
Non-interest revenue	**3,836**	**582**	**88**	**4,506**
Total Revenue	**7,581**	**1,555**	**393**	**9,529**
Provision for credit losses	**257**	**99**	**(3)**	**353**
Non-interest expense	**4,785**	**1,653**	**163**	**6,601**
Income before taxes and non-controlling interest in subsidiaries	**2,539**	**(197)**	**233**	**2,575**
Income taxes	**546**	**(150)**	**(27)**	**369**
Non-controlling interest in subsidiaries	**55**	**20**	**-**	**75**
Net Income	**$ 1,938**	**$ (67)**	**$ 260**	**$ 2,131**
Average Assets	**$ 216,572**	**$ 111,150**	**$ 32,853**	**$ 360,575**
Goodwill (As At)	**$ 423**	**$ 717**	**$ -**	**$ 1,140**

For the twelve months ended October 31, 2006	Canada	United States	Other countries	Total
Net interest income	$ 3,709	$ 1,016	$ 146	$ 4,871
Non-interest revenue	3,686	1,375	180	5,241
Total Revenue	7,395	2,391	326	10,112
Provision for credit losses	181	(3)	(2)	176
Non-interest expense	4,520	1,695	138	6,353
Income before taxes and non-controlling interest in subsidiaries	2,694	699	190	3,583
Income taxes	650	207	(13)	844
Non-controlling interest in subsidiaries	55	21	-	76
Net Income	$ 1,989	$ 471	$ 203	$ 2,663
Average Assets	$ 191,929	$ 90,317	$ 26,885	$ 309,131
Goodwill (As At)	$ 410	$ 688	$ -	$ 1,098

(1) 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.