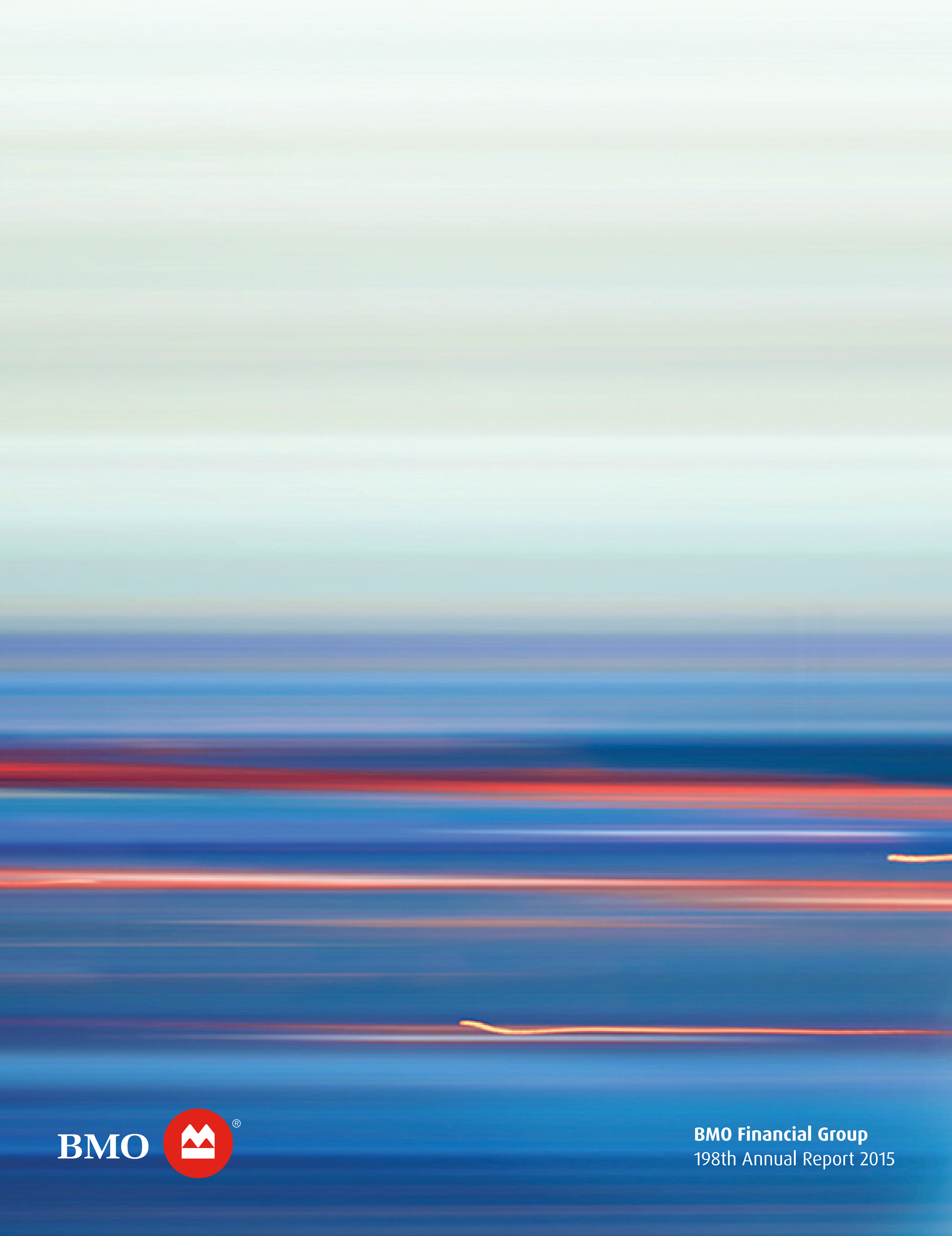


BMO

BMO Financial Group
198th Annual Report 2015

There are many ways to talk about what lies ahead: Change. Disruption. Opportunity. Growth.

We've gotten closer to our customers. Made banking simpler. Unified our businesses. Expanded our footprint. Invested in new platforms. Embraced a better rulebook. And through it all, delivered consistently strong results.

now it gets interesting

Business Review

Financial Review

Resources and Directories

Financial Snapshot

As at or for the year ended October 31 (Canadian $ in millions, except as noted)	Reported[1] 2015	Reported[1] 2014	Adjusted[1,2] 2015	Adjusted[1,2] 2014
Revenue[3] (p 38)	**19,389**	18,223	**19,391**	18,223
Insurance claims, commissions and changes in policy benefit liabilities[3] (CCPB) (p 41)	**1,254**	1,505	**1,254**	1,505
Revenue, net of CCPB (p 38)	**18,135**	16,718	**18,137**	16,718
Provision for credit losses (p 42)	**612**	561	**612**	561
Non-interest expense (p 43)	**12,182**	10,921	**11,819**	10,761
Net income (p 34)	**4,405**	4,333	**4,681**	4,453
Earnings per share – diluted ($) (p 34)	**6.57**	6.41	**7.00**	6.59
Return on equity (p 35)	**12.5%**	14.0%	**13.3%**	14.4%
Operating leverage, net of CCPB (p 43)	**(3.0)%**	(2.7)%	**(1.3)%**	(1.6)%
Basel III Common Equity Tier 1 Ratio (p 35)	**10.7%**	10.1%	**10.7%**	10.1%
Net Income by Segment				
Canadian P&C (p 48)	**2,104**	2,016	**2,108**	2,020
U.S. P&C (p 51)	**827**	654	**880**	706
Wealth Management (p 55)	**850**	780	**955**	843
BMO Capital Markets (p 58)	**1,032**	1,077	**1,034**	1,078
Corporate Services[4] (p 62)	**(408)**	(194)	**(296)**	(194)
Net income (p 34)	**4,405**	4,333	**4,681**	4,453
U.S. P&C (US$ in millions) (p 51)	**659**	597	**701**	644

[1] Effective November 1, 2014, BMO adopted several new and amended accounting pronouncements issued by the International Accounting Standards Board, which are outlined in Note 1 on page 140 of the financial statements. The adoption of these new and amended accounting standards only impacted our results prospectively. Certain other prior year data has been reclassified to conform with the current year's presentation. See pages 45 and 46.

[2] Adjusted results are non-GAAP and are discussed in the Non-GAAP Measures section on page 33. Management assesses performance on a reported basis and on an adjusted basis and considers both to be useful in assessing the underlying ongoing business performance. Presenting results on both bases provides readers with a better understanding of how management assesses results.

[3] Effective the first quarter of 2015, insurance claims, commissions and changes in policy benefit liabilities (CCPB) are reported separately. They were previously reported as a reduction in insurance revenue in non-interest revenue. Prior period amounts and ratios have been reclassified.

[4] Corporate Services, including Technology & Operations.

Bank of Montreal brands the organization's member companies as BMO Financial Group. Note 28 on page 196 of the financial statements lists the intercorporate relationships among Bank of Montreal and its significant subsidiaries.

Who We Are

Established in 1817, BMO Financial Group is a highly diversified financial services provider based in North America. With total assets of **$642 billion** and close to **47,000 employees**, BMO provides a broad range of personal and commercial banking, wealth management and investment banking products and services to more than **12 million customers** and conducts business through three operating groups: Personal and Commercial Banking, Wealth Management and BMO Capital Markets.

Mark Gilbert,
Commercial Account Manager,
Mid Market.

Russell Pereira,
Management Governance Analyst,
Barrie Computer Centre.

We're not waiting for things to change. For five years we've been investing in transformative technology that is literally **reshaping our bank.**

We've dramatically extended BMO's technology capabilities to meet a clear set of goals: More personalized, intuitive applications built to respond in the moment. A more unified experience across all channels, products, services and geographies. More customer-specific solutions – delivered to market at greater speed and at a lower cost. Enhanced risk management. And the digitization of business processes to further boost productivity.

The result? We're reaching a new level of operating efficiency as we expand and rethink how to give customers a deeper sense of control over their finances.

How our in-the-moment IT architecture **delivers value right now:**

Integrate everything

A sophisticated connector grid brings together more than 1,400 applications across the bank.

+

Build once

Over 1,000 reusable software-based services can be employed to create applications quickly and easily.

+

Understand more

Bank-wide data aggregation and distributed platforms enable detailed analytics of everything from risk to sales and marketing.

=

A more personal bank for a digital world

Sensing and responding to customers' needs.

Intuitive, consistent experience across all channels.

Boosted productivity and fast speed to market.

"The technology architecture we've built has moved us right where we want to be competitively as we continue to reimagine the customer experience."

Jean-Michel Arès
BMO's Chief Technology & Operations Officer

For the third consecutive year, BMO was recognized by global financial services research firm Celent with a 2015 Model Bank Award for excellence in the digital banking category.

We're using new tools, insights and ways of connecting to make banking more personal and intuitive. **Our customers experience a bank that's built for them.**

Smart branches where digital and human interactions blend seamlessly. ABMs with video tellers offering immediate expert help. Ideas tailored to customers' needs using data-driven insights. Fast, secure mobile payments, and cash withdrawals using only a smartphone. A tablet app that integrates personal banking with investing and financial management. A callback feature that actually calls you back. And access to all of our products and services through single points of contact. This is what *we're here to help* means in the digital age. We make banking easier. Smarter. And flexible enough to fit comfortably into our customers' busy, connected lives.

Honey Rejzek,
Director, Business Finance,
Commercial Banking.

Best of 2015

Best Commercial Bank in Canada
– World Finance Magazine

Best Wealth Management Bank Canada
– International Finance Magazine

Best Domestic Private Bank, U.S.
– Global Financial Market Review

Live Agent & Automated Telephone Banking (Big Five Banks) award winner
– Ipsos Best Banking Awards

Best Full-Service Investment Advisory in Canada
– Global Banking & Finance Review

Best Supply Chain Finance Bank in North America
– Trade Finance magazine

World's Best Metals & Mining Investment Bank
– Global Finance magazine

Best Wealth Management in Canada
– Global Banking & Finance Review

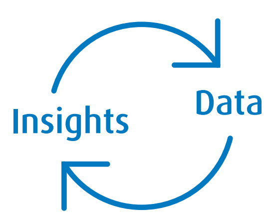
Our customers create their own futures, knowing the help we provide is anchored by integrity, accountability and shared values. You can't buy trust, or invent it. **Trust is earned.**

Consistently in the top rankings for sound corporate governance. Solid capital strength, with the longest-running dividend payout record of any company in Canada. A champion of financial literacy. A pioneer in Aboriginal banking. Contributing $56.9 million in corporate donations across North America in 2015, and funding US$947.3 million in U.S. community development loans. This is who we are: diverse, inclusive, socially engaged and accountable to each new generation of stakeholders – who expect us to fulfill our responsibilities as a vital intermediary while constantly refining our disciplined approach to risk.

Sister Edna Lonergan, President and founder of Milwaukee's St. Ann Center for Intergenerational Care, speaking with Chuck Roedel, VP, Business Banking, BMO Harris Bank.

The AML Opportunity

BMO's anti-money laundering (AML) group is working to turn responsibility into opportunity. Our AML team used to spend 80% of their time analyzing vast amounts of data and only 20% gaining insights into customers' choices. Now we are working to change that ratio. Using tools developed by our Technology & Operations group, we're learning more about how, when and where people bank with us, helping us deliver an experience that delights in every way.



Generosity

More than 90% of BMO employees participated in the bank's 2015 Employee Giving Campaign. Over 42,000 of us personally donated over $18 million to United Ways and other charities.

How we help

Best 50

BMO has been named one of the Best 50 Corporate Citizens in Canada for 13 consecutive years by *Corporate Knights*.

Strong, Strategic Growth

Being able to produce good results under favourable conditions is always welcome – but it is also expected. However, producing strong results in times of uncertainty is evidence both of a successful business strategy and a highly effective management team.

As your representatives on the Board of Directors, we are pleased to report that your bank had another year of good results, despite challenges in the global economy and here at home. We congratulate the bank's employees and the management team for raising the bar yet again. All of us as shareholders have benefitted from the team's efforts under the excellent leadership of our Chief Executive.

The core businesses of the bank continued to show strong growth in 2015. The investments we have made in recent years are producing solid results, and we expect these will continue to grow. Of particular note are the investments we are making in the bank's technology platform to better respond to customers' needs as they choose to manage their finances in new and different ways.

Such changes bring new and different risks as well. Your board has worked closely with the management team, as well as our regulators and supervisors, to ensure we remain on the leading edge of these developments. We have made significant investments in risk management and compliance that make us stronger and more resilient. I am also pleased that the bank's capital base remains strong, giving us the flexibility to make acquisitions such as the purchase of GE Capital Corporation's transportation finance business in the U.S. and Canada, a transaction that closed on December 1.

All of these building blocks rest on a deeper foundation: the trust that your bank has earned from its customers and other stakeholders. Our confidence – as we introduce high-quality digital strategies in pursuit of a differentiated customer experience, efficiency and quality earnings growth – is supported by the consistent track record of a bank that has always acted with responsibility, transparency and integrity.

Since last year's Annual Report, we have had two excellent additions to the BMO board. Lorraine Mitchelmore and Dr. Martin Eichenbaum, both elected at the last annual meeting, have brought valuable experience and fresh insights to our deliberations. In the meantime, however, Dr. Martha Piper, former president of the University of British Columbia, stepped down from the board as she returned to UBC to serve as interim president. Martha was a superb director for a decade and we will miss her enduring contributions to the effectiveness of this board. Martha was an outstanding chair of the Governance and Nominating Committee but she was much more than that. She was an inspiration to management and directors alike as she brought her passion for Canada and the bank to our work and set high expectations for all of us to meet. On behalf of all shareholders, we thank her for being such a splendid colleague and contributor.

The coming year will be an important one for all of us. We continue to have great confidence in the long-term success of the bank: the strategy is sound and management is focused. We look forward to working closely with Bill Downe and the bank's senior leaders, supporting their efforts as they capitalize on new opportunities and ensure the bank is positioned for the future.

As your representatives, we thank all of our shareholders for your continuing confidence in BMO and the management team. It is a privilege to serve you.

J. Robert S. Prichard

J. Robert S. Prichard

Here and Now

We're using technology to create new business models – and to unlock new sources of value for our customers and shareholders. Because in our experience, a changing landscape conveys advantage to those who are willing to disrupt, accept some degree of trial and error, and try again.

The strategy of BMO Financial Group is summed up in a set of clear, concise statements that frame our decision-making and guide how we execute our business activities. These strategic priorities take a long-term perspective, providing a touchstone we can return to regularly as we gauge our progress and define new areas of focus. While remaining consistent at the core, they have evolved to reflect the changing business environment and our response to it.

As we publish this 2015 Annual Report, with the 2016 fiscal year already well underway, these are BMO's strategic priorities:

1. Achieve industry-leading customer loyalty by delivering on our brand promise
2. Enhance productivity to drive performance and shareholder value
3. Accelerate deployment of digital technology to transform our business
4. Leverage our consolidated North American platform and expand strategically in select global markets to deliver growth
5. Ensure our strength in risk management underpins everything we do for our customers

Our priorities have been refined to highlight the investments we've been making in the underlying architecture of the bank's technology platform (as detailed on pages 4–5), and to recognize technology's potential to transform the business of banking. Of course, technology has played an important role in our thinking for decades; this year we're bringing it to the forefront as a fundamental element of our strategy.

The tremendous opportunities we see to enhance proven business models – and replace inefficient ones – are evident throughout this introductory section of the annual report, which sets BMO's recent performance in the context of our longer-term view. The record results we achieved in 2015 (detailed in the Management's Discussion and Analysis section) are key indicators of progress. From the bank's perspective, they are underscored by our sense of purpose.

Our success lies in earning the trust of our customers, ensuring that any actions we take to help them reach their goals are anchored by integrity and a shared set of values. And we're differentiated by our deep desire to connect with customers: in making banking more personal, we're forging relationships that represent sustainable value.

This mindset shapes how we think about the role technology should play in deepening customer loyalty, driving profitability and rewarding our shareholders.

Technology is part of our strategy

Without question, 2015 confirmed how much our substantial – and forward-looking – investment in technology transformation has been reshaping the bank. Over the past five years, we've reengineered our systems to enable a clear, relationship-based view of all relevant information with a bank-wide data aggregation platform and distributed analytic capabilities. We're making it easy for customers and their bankers to access a wealth of knowledge as they explore options and make better decisions. And through what can only be described as a passion for deepening customers' sense of control over their own finances, we're also giving them confidence that we'll uphold our promise to protect their interests while keeping their information secure and managing risk.

As we integrate advanced digital and mobile capabilities into all of our businesses – from our award-winning smartphone and tablet apps to BMO SmartFolio, our automated investment portfolio – each new solution is built on the powerful platform we've put in place. Our highly reliable core systems have been configured to efficiently meet the competing demands of multiple stakeholders – the most fundamental of which is customers' anticipation that their needs will be perfectly met. Equally important is the expectation that BMO's various businesses will deliver services as one bank, and our employees' corresponding need to have a single view of every customer. And right alongside is the drive to adopt more agile work processes, with faster release cycles for new products and services; the rigour we've brought to strengthening compliance disciplines such as anti-money laundering; and our continued vigilance around issues of privacy, information security and consumer protection.

To simultaneously address these interrelated goals, achieving each without compromising the others, has required an unprecedented investment of time, energy, capital and creativity. We've been listening closely to customers' feedback, and sharpening our analytics to better understand their priorities and behaviours, as we expand and rethink the banking experience. Expectations around response times in a mobile, connected world have dramatically increased the speed at which innovation needs to happen. And because our work calls for new knowledge and skills, we're developing and recruiting people with the specialized expertise to find alternative solutions and reinvent existing models – including our own.

As we accelerate these efforts, we're alert to the potential in collaborating with third parties who are using technology in new and interesting ways that complement our own thinking. We've long seen the value of working with external specialists in the service of our customers. BMO was a founding partner of the 10-million-member AIR MILES rewards program. We work closely with companies such as Shell Canada to offer more rewards to BMO MasterCard customers. And in the past year we announced relationships with two providers of specialized services to small businesses: FreshBooks for financial management tools, and e8ight Business Services Inc. for help managing online and social media presence. Collaboration makes sense when we can see the opportunity to speed up change at an advantageous cost.

Technology is one part of innovation

It's sometimes suggested that banks themselves need to become technology companies. In BMO's case, we have a legacy of technological innovation dating from initial signs of digitization in the 1970s, when we were the first Canadian bank to connect our branches nationwide across a real-time network. From the earliest fully automated cheque-processing systems in the United States to ABM cash withdrawals requiring only a smartphone, we have a long history of combining breakthrough thinking with continuous experimentation to make banking better for our customers.

What's different today is that instead of simply finding faster, smarter ways of doing what banks have always done, we're using technology to unlock new sources of value for our customers and shareholders. Because in our experience, a changing landscape conveys advantage to those who are willing to disrupt, accept some degree of trial and error, and try again.

Our bank has an advantage that would be challenging for a startup to duplicate: more than 12 million customers who are ready to try new solutions and provide invaluable input as we refine and enhance them. We're able to assess the impact of smart ideas quickly, and we can spread the investment over a diverse, established base. Above all, we know that unless a new development yields tangible

Our strategic priorities*

*Updated fiscal 2016

1 Achieve industry-leading **customer loyalty** by delivering on our brand promise

2 Enhance **productivity** to drive performance and shareholder value

3 Accelerate deployment of **digital technology** to transform our business

4 Leverage our consolidated **North American platform** and expand strategically in select global markets to deliver growth

5 Ensure our strength in **risk management** underpins everything we do for our customers

Our bank has important strategic advantages – technology expertise, a wealth of customer data, deep capital strength, a well-established brand, a solid record of regulatory compliance and a prudent, disciplined approach to risk.

benefits in both customer satisfaction and return on investment, it's not sustainable. We never lose sight of our ultimate objective: to delight the maximum number of people at the lowest cost consistent with our brand.

Technology is helping us reduce operating costs and eliminate work that doesn't add value. It's allowing us to approach tasks differently and execute them more quickly. And as we meet the demand for increasingly sophisticated digital capabilities, especially through the mobile channel, we're attracting and retaining more customers – and in the process, earning higher revenue with less expense. Becoming more connected to our customers and delivering services more cost-effectively are not mutually exclusive goals.

The fact is our bank has many strategic advantages – technology expertise, a wealth of customer data, deep capital strength, a well-established brand, a solid record of regulatory compliance and a prudent, disciplined approach to risk – that enable us to compete successfully with disruptors and traditional players alike. And the single thread tying together all of these competitive advantages is *trust*.

Trust remains the foundation of loyalty

You can create an app in an instant – and it can take about the same amount of time to erode trust that has required years to build. You can't attract trust with features or purchase it with rewards. Trust must be earned. Even as the pace of change continues to accelerate – in fact, precisely because the world has become so complex and fast-moving – we see that our customers sense what BMO stands for: that we act responsibly, not only in our interactions with them, but in everything we do.

In the downturn of 2008–2009, after having declared dividends to shareholders every year since 1829 – a payout record unequalled by any other Canadian company – we took steps to protect that dividend because we knew how important it was to individual shareholders. The bank has a history spanning generations of social change and evolving expectations. We understand that trust can only be built over time, through the accumulation of consistent actions by everyone at BMO. We're rightly judged not by what we say, but by what we do.

It's relevant to all of our stakeholders that we act with integrity, transparency and accountability. We earn trust by managing our business responsibly and upholding the highest standards of governance. We reinforce it by giving back to the communities where we live and work – and by fostering an inclusive, socially conscious culture in which employees feel empowered to show their own remarkable generosity. None of these things can be accomplished by technology alone.

Customers remain the key to value creation

Our business is built on relationships. We base our brand promise on the recognition that money is personal, and the investment we're making in technology is entirely focused on that belief. We're creating tools that empower our customers while helping us understand their preferences and priorities. And we're blending virtual and face-to-face conversations to ensure we're delivering value at every touch point, providing customers with quick, clear, knowledgeable support – and more, when that's what they're looking for.

As we work to deepen our relationships with existing customers, the best measure of our strategy's success is the growth of the bank through our ability to attract new business – which translates into top-line revenue growth. This is why we so closely measure both net new customers and product categories per customer in every business. Our progress over the past year is reflected in the bank's adjusted annual net revenue growth of 8%, to $18.1 billion. Adjusted net income for 2015 was $4.7 billion, or $7.00 in earnings per share, an increase of 6% over the previous year.

A relevant strategy drives results

Critical to achieving the strategic priorities that ultimately drive BMO's performance are our principal areas of operating focus: extending the digital experience across all channels; leveraging data to manage our business and serve customers better; simplifying and automating for greater efficiency; and elevating the brand of the bank. Results from our principal operating groups show that this consistent strategic focus is paying off:

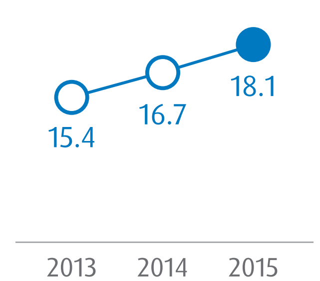
In 2015, adjusted annual net income grew by 4% year over year in Canadian Personal and Commercial Banking, by 9% (on a U.S. dollar basis) in U.S. Personal and Commercial Banking and by 13% in Wealth Management, while BMO Capital Markets earned over $1 billion for the third consecutive year.

These results underline the importance of BMO's diversified business mix in driving growth. In the past year, we surpassed the ambitious goal we set in 2011 to generate more than $1 billion of after-tax earnings from our Personal and Commercial Banking and Wealth Management businesses in the United States. Performance measures for all of our businesses confirm that the clear priorities we've mapped out are delivering sustainable value.

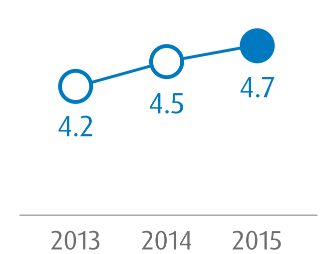
Based on these positive results, we raised the bank's dividend by $0.16 per share, a year-over-year increase of 5%. Our one-year total shareholder return (TSR), although negative 3%, was better than the average of our Canadian bank peer group and the overall market return in Canada. Moreover, our three-year TSR was also better than peer average at positive 13.5%. At the same time, our success in further strengthening our capital position was reflected in a Common Equity Tier 1 Ratio of 10.7% at year-end.

BMO's market leadership in commercial banking in the United States and Canada was further strengthened with the announcement, in September 2015, of our planned acquisition of the Transportation Finance division of General

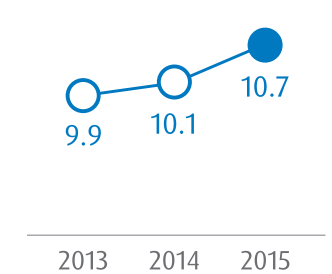
Adjusted Net Revenue
(C$ billions)



Adjusted Net Income
(C$ billions)



Basel III Common Equity Tier 1 Ratio
(%)



Electric Capital Corporation – North America's largest provider of truck and trailer financing. This extends our reach across the entire transportation supply chain – including original equipment manufacturers, dealers and end users – and positions us well in the context of improving economic conditions. The purchase closed on December 1, 2015.

The here and now

We aren't waiting for the future to come to us – we're on it. As technology opens up new opportunities, BMO's 47,000 bankers understand that working together more productively not only yields higher returns for our shareholders, but also leads to more meaningful work and greater prospects for personal growth. Together, we're eliminating geographical boundaries and those between lines of business. We're using the knowledge we've gained – from our belief in rigorous risk management and a level of regulatory engagement that once seemed a daunting challenge – to be more proactive and adaptive in everything we do. And above all, we're leveraging technology to understand our customers better, to make their banking experience more personal and intuitive.

Propelled forward by the momentum of growth, we're meeting customers' changing priorities in ways that reinforce our brand and resonate in the digital marketplace. And after multiple consecutive years of investment, we're confidently executing on our strategy in a world that reveals new potential – and becomes more interesting – every day.

William A. Downe
Chief Executive Officer,
BMO Financial Group

Executive Committee*

William A. Downe
Chief Executive Officer,
BMO Financial Group

Frank Techar
Chief Operating Officer,
BMO Financial Group

Jean-Michel Arès
Chief Technology & Operations Officer,
BMO Financial Group

Christopher Begy
U.S. Country Head & Chief Executive Officer,
BMO Financial Corp.

David R. Casper
President & Chief Executive Officer,
BMO Harris Bank N.A. and Group Head, Commercial Banking

Alexandra Dousmanis-Curtis
Group Head,
U.S. Retail and Business Banking

Simon A. Fish
General Counsel,
BMO Financial Group

Thomas E. Flynn
Chief Financial Officer,
BMO Financial Group

Cameron Fowler
Group Head,
Canadian Personal and Commercial Banking, BMO Financial Group

Gilles G. Ouellette
Group Head,
Wealth Management

Surjit Rajpal
Chief Risk Officer,
BMO Financial Group

Lynn Roger
Chief Transformation Officer,
BMO Financial Group

Joanna Rotenberg
Head, Personal Wealth Management,
BMO Financial Group

Richard Rudderham
Chief Human Resources Officer,
BMO Financial Group

Connie Stefankiewicz
Chief Marketing Officer,
BMO Financial Group

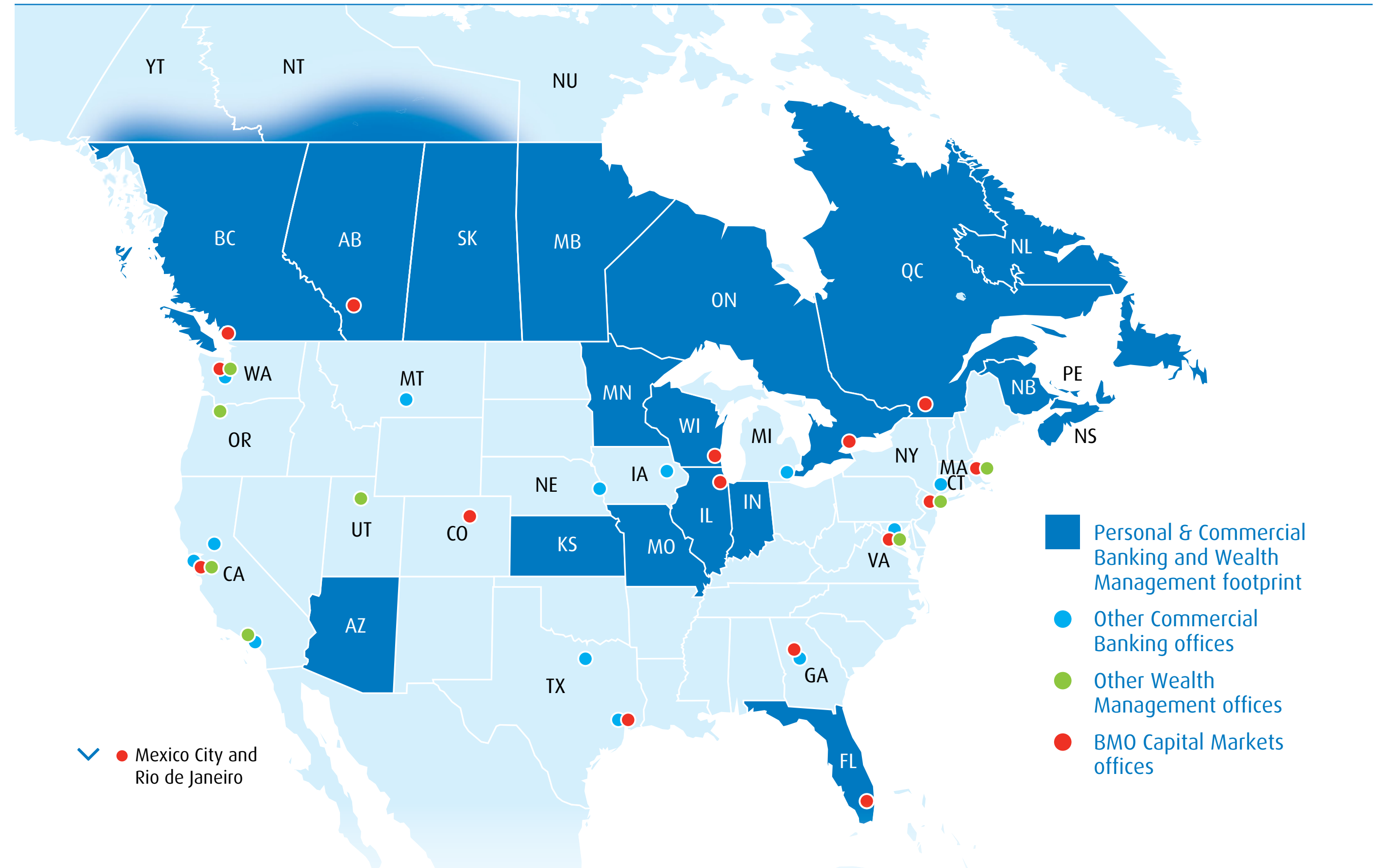
Darryl White
Group Head,
BMO Capital Markets

*As at January 5, 2016.

Our Strategic Footprint

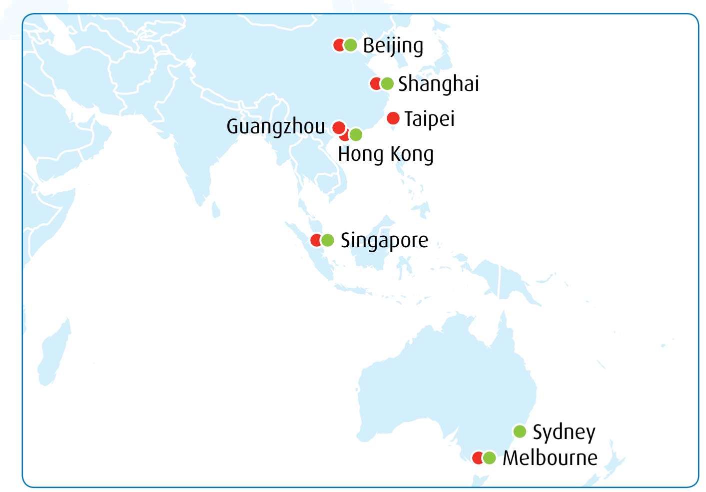
BMO's strategic footprint spans strong regional economies.

Our three operating groups serve individuals, businesses, governments and corporate customers across Canada and the United States with a focus in six U.S. Midwest states – Illinois, Indiana, Wisconsin, Minnesota, Missouri and Kansas. Our significant presence in North America is bolstered by operations in select global markets in Europe, Asia and the Middle East, allowing us to provide all our customers with access to economies and markets around the world.



Our European and Middle Eastern presence

Our Asia-Pacific presence



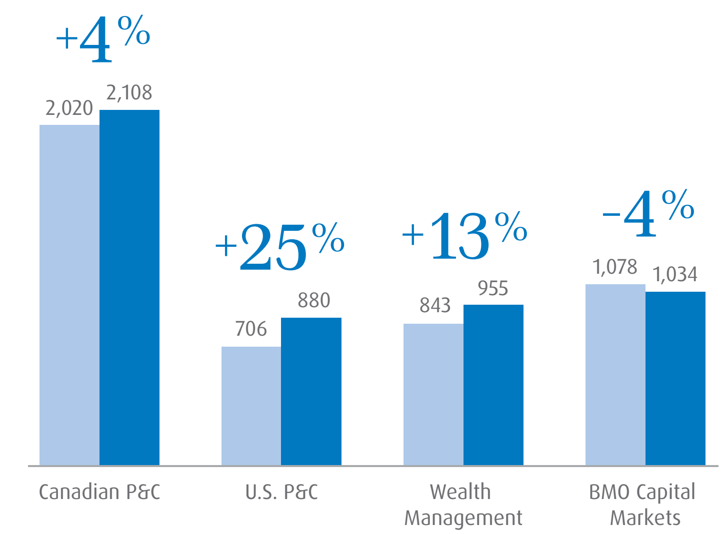
Reasons to Invest in BMO

A consistent strategy. Top-tier shareholder returns. Great customer experience. Innovative technology. And a solid foundation of trust. It all adds up to a compelling set of reasons to invest in BMO.

- Clear opportunities for growth across a diversified North American footprint:
  - Large North American commercial banking business with advantaged market share.
  - Well-established, highly profitable core banking business in Canada.
  - Fast-growing, award-winning wealth franchise.
  - Leading Canadian and growing mid-cap focused U.S. capital markets business.
  - U.S. operations well-positioned to capture benefit of improving economic conditions.
- Strong capital position with an attractive dividend yield.
- Focus on efficiency through technology innovation, simplifying and automating processes, and extending the digital experience across our channels.
- Customer-centric operating model guided by disciplined loyalty measurement program.
- Adherence to the highest standards of business ethics and corporate governance.

Operating Group Performance

BMO's performance in 2015 reflects the benefits of our diversified business mix, with Canadian and U.S. banking and Wealth Management all contributing to the bank's growth. Canadian and U.S. Personal and Commercial Banking and Wealth Management had record years in adjusted net income. Wealth Management's performance reflected good organic growth and the addition of F&C Asset Management plc. BMO Capital Markets results were solid given market conditions.



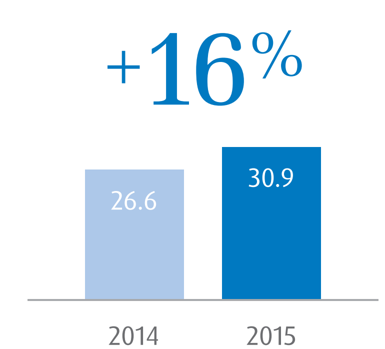
13.5%

BMO's total shareholder return (TSR) outperformed our Canadian bank peer group average and the overall market return in Canada and yielded an average annual TSR of 13.5% over the past three years.

Strength in Commercial Banking

BMO is a market leader in North American commercial banking. In U.S. Personal and Commercial Banking, the C&I (commercial and industrial) portfolio continues to experience robust growth, increasing by $4.3 billion or 16% from a year ago to $30.9 billion.

U.S. Commercial and Industrial Loans (US$ billions)



Our Dividend Record

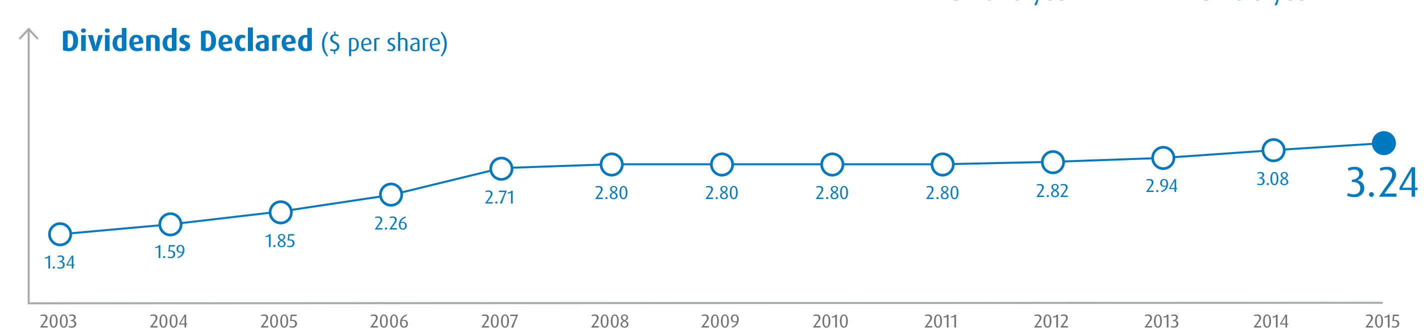
BMO Financial Group has the longest-running dividend payout record of any company in Canada, at 187 years. BMO common shares had an annual dividend yield of 4.26% at October 31, 2015.

Compound annual growth rate:

8.2% BMO 15-year

3.0% BMO 5-year

Dividends Declared ($ per share)



Corporate Governance

When we measure BMO's performance, shareholder return is an important metric – but only as it reflects a more fundamental commitment to earning the trust of all stakeholders. We have a responsibility not simply to meet regulatory requirements, but to act in accordance with our stated values. And the cornerstone of our efforts is sound corporate governance.

Our board oversees our business

Our Board of Directors provides stewardship, including direction-setting and general oversight of our management and operations. Its members have sophisticated expertise and a range of perspectives. The board approves the bank's overall strategy and makes decisions based on BMO's values, emphasizing long-term performance over short-term gain.

The board operates independently of management

The Chairman of the Board and our directors, other than the Chief Executive Officer, operate independently of management. Board meetings include time for the independent directors to meet without management or non-independent directors present.

Our focus on diversity reflects our values

The board has adopted a written Board Diversity Policy to facilitate more effective governance. In so doing, the board positions itself to be made up of highly-qualified directors whose diverse backgrounds reflect the changing demographics of the markets in which we operate, the talent available with the expertise required, and the bank's evolving customer and employee base. The Board Diversity Policy includes the goal that each gender comprise at least one-third of the independent directors. A diverse board helps us make better decisions.

In addition, the board oversees the development of the next generation of leaders at BMO, ensuring the bank has a solid, diverse team of executives to keep BMO strong and growing in the years to come.

We compensate our directors and executives in ways that encourage good decisions

Our model for compensating directors and executives follows best practices for good governance. We use a pay-for-performance model for executives that includes clawbacks and discourages unreasonable risk-taking. Directors and executives must own shares, in order to align their interests with those of other shareholders. We do not allow directors and employees to hedge their investments in our shares, securities or related financial instruments.

We maintain a strong focus on ethical conduct

BMO's Code of Conduct is approved by the board and is rooted in our values of integrity, empathy, diversity and responsibility. Every year, all directors and employees are required to confirm that they have read, understood, complied with and will continue to comply with the code.

The Chief Ethics Officer is responsible for ensuring that awareness and understanding of ethical business principles are embedded in all aspects of our business, and reports on the state of ethical conduct across our organization to the Audit and Conduct Review Committee of the board.

Our ethical culture is supported by an environment where concerns can be raised without fear of retaliation. We provide various means for raising concerns, including the ability to report them on an anonymous basis. All reports are investigated, and breaches of the code are dealt with swiftly and decisively.

Our board and management stay connected with our shareholders

We engage and inform our shareholders through our annual meeting of shareholders, annual report, management proxy circular, annual information form, sustainability report, corporate responsibility report, quarterly reports, news releases, earnings conference calls, industry conferences and other meetings. Our website provides extensive information about the board, its mandate, the board committees and their charters, and our directors.

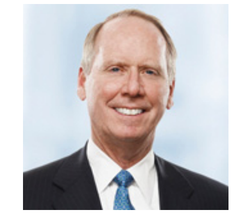
Board of Directors[1]

To promote alignment of our strategic goals across all our businesses, each director sits on at least one board committee and the Chief Executive Officer is invited to all committee meetings. We review the membership of all committees annually. www.bmo.com/corporategovernance

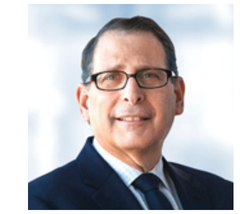

Janice M. Babiak

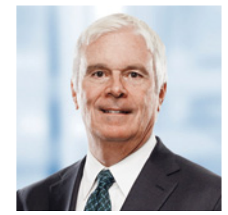

Sophie Brochu


George A. Cope


William A. Downe

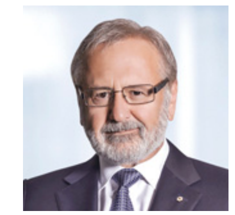

Christine A. Edwards


Dr. Martin S. Eichenbaum

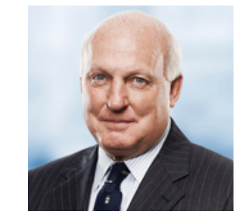

Ronald H. Farmer


Eric R. La Flèche


Lorraine Mitchelmore


Philip S. Orsino


J. Robert S. Prichard


Don M. Wilson III

Janice M. Babiak
Former Managing Partner, Ernst & Young
Board/Committees: Audit and Conduct Review, Risk Review, The Pension Fund Society of the Bank of Montreal
Other public boards: Experian PLC, Walgreens Co.
Director since: 2012

Sophie Brochu
President and Chief Executive Officer, Gaz Métro
Board/Committees: Audit and Conduct Review
Other public boards: BCE Inc.
Director since: 2011

George A. Cope
President and Chief Executive Officer, Bell Canada and BCE Inc.
Board/Committees: Governance and Nominating, Human Resources
Other public boards: BCE Inc.
Director since: 2006

William A. Downe
Chief Executive Officer, BMO Financial Group
Board/Committees: Attends all committee meetings as an invitee
Other public boards: ManpowerGroup
Director since: 2007

Christine A. Edwards
Capital Partner, Winston & Strawn
Board/Committees: Governance and Nominating (Chair), Human Resources, Risk Review, The Pension Fund Society of the Bank of Montreal (Chair)
Director since: 2010

Dr. Martin S. Eichenbaum
Charles Moskos Professor of Economics, Northwestern University
Board/Committees: Audit and Conduct Review, Risk Review
Director since: 2015

Ronald H. Farmer
Managing Director, Mosaic Capital Partners
Board/Committees: Audit and Conduct Review, Governance and Nominating, Human Resources (Chair)
Other public boards: Valeant Pharmaceuticals International Inc.
Director since: 2003

Eric R. La Flèche
President and Chief Executive Officer, Metro Inc.
Board/Committees: Risk Review
Other public boards: Metro Inc.
Director since: 2012

Lorraine Mitchelmore
President and Country Chair, Shell Canada Limited and Executive Vice President, Heavy Oil for Upstream Americas
Director since: 2015

Philip S. Orsino, O.C., F.C.P.A., F.C.A.
President and Chief Executive Officer, Brightwaters Strategic Solutions, Inc.
Board/Committees: Audit and Conduct Review (Chair), Governance and Nominating
Director since: 1999

J. Robert S. Prichard, O.C., O.Ont.
Chairman of the Board, BMO Financial Group, and Chair of Torys LLP
Board/Committees: Governance and Nominating, Human Resources, Risk Review, The Pension Fund Society of the Bank of Montreal
Other public boards: George Weston Limited, Onex Corporation
Director since: 2000

Don M. Wilson III
Corporate Director
Board/Committees: Governance and Nominating, Human Resources, Risk Review (Chair), The Pension Fund Society of the Bank of Montreal
Director since: 2008

[1] As at October 31, 2015.

Honorary Directors

Robert M. Astley, Waterloo, ON
Stephen E. Bachand, Ponte Vedra Beach, FL, USA
Ralph M. Barford, Toronto, ON
Matthew W. Barrett, O.C., LL.D., Oakville, ON
David R. Beatty, O.B.E., Toronto, ON
Peter J.G. Bentley, O.C., O.B.C., LL.D., Vancouver, BC
Robert Chevrier, F.C.A., Montreal, QC
Tony Comper, C.M., LL.D., Toronto, ON
C. William Daniel, O.C., LL.D., Toronto, ON
A. John Ellis, O.C., LL.D., O.R.S., Vancouver, BC
John F. Fraser, O.C., LL.D., O.R.S., Winnipeg, MB
David A. Galloway, Toronto, ON
Richard M. Ivey, C.C., Q.C., Toronto, ON
Betty Kennedy, O.C., LL.D., Campbellville, ON
Harold N. Kvisle, Calgary, AB
Eva Lee Kwok, Vancouver, BC
J. Blair MacAulay, Oakville, ON
Ronald N. Mannix, O.C., Calgary, AB
Robert H. McKercher, Q.C., Saskatoon, SK
Bruce H. Mitchell, Toronto, ON
Eric H. Molson, Montreal, QC
Jerry E.A. Nickerson, North Sydney, NS
Dr. Martha C. Piper, O.C., O.B.C., FRSC, Vancouver, BC
Jeremy H. Reitman, Montreal, QC
Lucien G. Rolland, O.C., Montreal, QC
Guylaine Saucier, F.C.P.A., F.C.A., C.M., Montreal, QC
Nancy C. Southern, Calgary, AB

Financial Review

Resources and Directories

CFO's Foreword to the Financial Review

"We have an advantaged business mix, a strong capital position and a customer-centric operating model that provide clear opportunities for growth across a diversified North American footprint."

Thomas E. Flynn, CPA, CA
Chief Financial Officer, BMO Financial Group

BMO had a strong finish to 2015, with record financial performance driven by operating group performance.

Reported net income was $4.4 billion. On an adjusted basis, net income was $4.7 billion and EPS was $7.00, up 6% from last year, with record results in Personal and Commercial Banking on both sides of the border as well as in Wealth Management. We maintained a strong capital position, ending the year with a Common Equity Tier 1 Ratio of 10.7%, and we increased our dividend twice. Our disciplined approach to capital management also gave us the flexibility to buy back 8 million shares and to complete the acquisition of GE Capital's transportation finance business, which closed on December 1, 2015.

Our performance continues to generate attractive returns for BMO's shareholders. Our three-year average annual total shareholder return was 13.5%, outperforming our Canadian bank peer group average and the S&P/TSX Composite Index.

In the Management's Discussion and Analysis (MD&A) that follows, we examine our results and performance in detail. We are proud that our commitment to ensuring that investors receive timely and informative financial reporting was recently recognized with the Chartered Professional Accountants of Canada's 2015 Award of Excellence in Corporate Reporting in Financial Services.

We have an advantaged business mix, a strong capital position and a customer-centric operating model that provide clear opportunities for growth across a diversified North American footprint:

- Our large North American commercial banking business has advantaged market share positions.
- Our Canadian core banking business is well-established and highly profitable.
- Our wealth franchise is fast-growing and award-winning.
- We have a leading Canadian and growing mid-cap focused U.S. capital markets business.
- Our U.S. operations are well-positioned to capture the benefit of improving economic conditions.
- We are focused on driving efficiency through technology innovation, simplifying and automating processes and extending the digital experience across our channels.

As we head into 2016, we are well-positioned to build on our results in 2015, while adhering to the highest standards of business ethics and corporate governance.

Thomas E. Flynn

Thomas E. Flynn

Financial Performance and Condition at a Glance

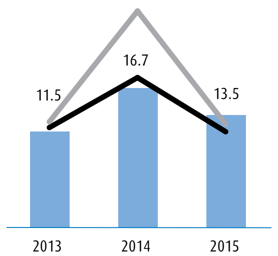
Our Performance (Note 1) | **Peer Group Performance**

Total Shareholder Return (TSR)

P 32

- BMO shareholders have earned a strong average annual return of 13.5% over the past three years, which outperformed our Canadian bank peer group average and was above the 6.0% return on the S&P/TSX Composite Index.
- The one-year TSR of negative 3.0% and the five-year average annual return of 9.5% both outperformed the S&P/TSX Composite Index, and the one-year TSR also outperformed our Canadian bank peer group average.

Graph shows average annual three-year TSR.



TSR (%)

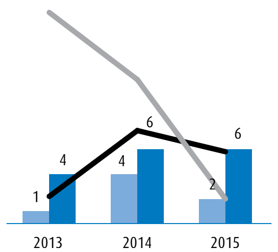
- The Canadian peer group three-year average annual TSR was 11.5%. The one-year TSR was negative 4.6%, and the five-year average annual TSR was 9.7%.
- The North American peer group three-year average annual TSR was 12.4%, the one-year TSR was negative 0.7%, and the five-year average annual TSR was 10.8%, each above the Canadian peer group averages.

Earnings per Share (EPS) Growth

P 34

- Adjusted EPS grew $0.41 or 6% to $7.00, primarily reflecting higher earnings. Reported EPS grew $0.16 or 2% to $6.57.
- On an adjusted basis, higher revenue exceeded incremental costs, contributing to growth in net income. There were lower credit recoveries and a slightly higher effective income tax rate.

All EPS measures are stated on a diluted basis.



EPS Growth (%)

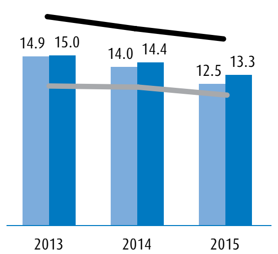
- The Canadian peer group average EPS growth was 6%, with all banks in the peer group reporting increases in EPS.
- Average EPS growth for the North American peer group was 2%, with significant variability among our U.S. peer banks.

North American peer group data is not to scale.

Return on Equity (ROE)

P 35

- Adjusted ROE was 13.3% and reported ROE was 12.5% in 2015, compared with 14.4% and 14.0%, respectively, in 2014. ROE declined in 2015 primarily due to growth in common equity exceeding growth in income. There was growth in both earnings and adjusted earnings available to common shareholders. Average common shareholders' equity increased primarily due to the impact of the stronger U.S. dollar on our investments in foreign operations and higher capital to support regulatory capital ratios.



ROE (%)

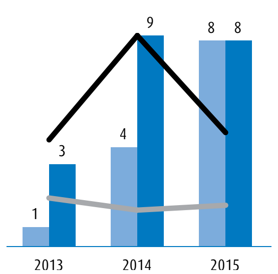
- The Canadian peer group average ROE of 16.4% was lower than the average return of 17.3% in 2014, as ROE declined for all but one bank in our Canadian peer group.
- Average ROE for the North American peer group was 11.5%, compared to 12.2% in 2014, with ROE declining for all but two banks in our North American peer group.

Revenue Growth

P 38

- On a net revenue basis*, revenue increased $1,417 million or 8% to $18,135 million, mainly due to growth in Canadian P&C and Wealth Management, as well as the impact of the stronger U.S. dollar. Total revenue increased $1,166 million or 6% in 2015 to $19,389 million.

*Graph shows net revenue, calculated using total revenue net of claims, commissions and changes in policy benefit liabilities.



Revenue Growth (%)

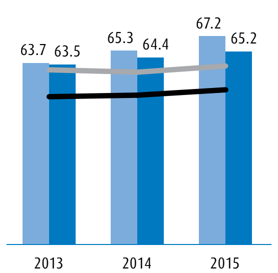
- Revenue growth for the Canadian peer group averaged 5%, significantly lower than the average growth of 9% in 2014.
- Average revenue growth for the North American peer group of 2% was consistent with the prior year.

Efficiency Ratio (Expense-to-Revenue Ratio)

P 43

- The adjusted efficiency ratio was 60.9% and the reported efficiency ratio was 62.8% in 2015. On a net revenue basis*, the adjusted efficiency ratio increased 80 basis points from 2014 to 65.2%, primarily due to the impact of the stronger U.S. dollar.
- On a net revenue basis, excluding the impact of the stronger U.S. dollar and purchased loan accounting impacts, the efficiency ratio would have been 40 basis points lower year over year.

*Graph shows the efficiency ratio on a net revenue basis, calculated using revenue net of claims, commissions and changes in policy benefit liabilities.



Efficiency Ratio (%)

- The Canadian peer group average efficiency ratio was 60.2%, up from 59.5% in 2014 as growth in expenses exceeded growth in revenue.
- The average efficiency ratio for the North American peer group was 63.3%, up from the group's average ratio of 62.5% in 2014, and worse than the average of our Canadian peer group.

Note 1: Adjusted results in this section are non-GAAP. Please see the Non-GAAP Measures section on page 33.

Effective November 1, 2014, BMO and our Canadian peers adopted several new and amended accounting pronouncements issued by the International Accounting Standards Board (IASB), which are outlined in Note 1 on page 140 of the financial statements. The adoption of these new and amended accounting standards only impacted our results prospectively. Effective November 1, 2013, BMO and our Canadian peers adopted several new and amended accounting pronouncements issued by the IASB. The consolidated financial statements for fiscal 2013 have been restated. U.S. peer group data continues to be reported in accordance with U.S. GAAP.

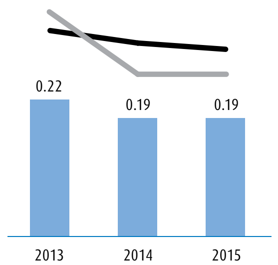
BMO reported
BMO adjusted
Canadian peer group average
North American peer group average

Our Performance (Note 1) | **Peer Group Performance**

Credit Losses

P 42, 96

- Provisions for credit losses (PCL) totalled $612 million, up from $561 million in 2014 due to lower recoveries in Corporate Services and higher provisions in BMO Capital Markets, partially offset by reduced provisions in the P&C businesses.
- PCL as a percentage of average net loans and acceptances was 0.19% in 2015, consistent with the prior year. New provisions were lower across both our consumer and commercial loan portfolios, compared to 2014.



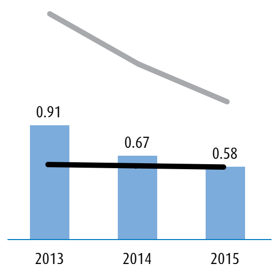
Provision for Credit Losses as a % of Average Net Loans and Acceptances

- The Canadian peer group average PCL represented 30 basis points of average net loans and acceptances, down slightly from 31 basis points in 2014.
- The North American peer group average PCL represented 26 basis points, unchanged from 2014, and lower than the average PCL for the Canadian peer group.

Impaired Loans

P 96

- Gross impaired loans and acceptances (GIL) decreased to $1,959 million from $2,048 million in 2014, and represented 0.58% of gross loans and acceptances, compared with 0.67% a year ago.
- Formations of new impaired loans and acceptances, a key driver of provisions for credit losses, totalled $1,921 million, down from $2,142 million in 2014, reflecting decreases in formations in both Canada and the United States.



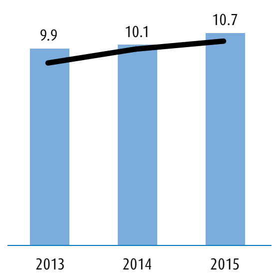
Gross Impaired Loans and Acceptances as a % of Gross Loans and Acceptances

- The Canadian peer group average ratio of GIL as a percentage of gross loans and acceptances was 0.58%, down slightly from 0.59% in 2014.
- The average ratio for our North American peer group improved from 1.40% a year ago to 1.15% in 2015, but continues to be higher than the average for the Canadian peer group.

Capital Adequacy

P 35, 70

- BMO's Common Equity Tier 1 (CET1) Ratio is strong and exceeds regulatory requirements.
- Our CET1 Ratio was 10.7%, up from 10.1% in 2014, primarily due to higher capital from accumulated other comprehensive income and retained earnings, partially offset by an increase in risk-weighted assets.



Capital Adequacy

- The Canadian peer group average Basel III CET1 Ratio was 10.3% in 2015, compared with an average CET1 Ratio of 9.9% a year ago.
- The basis for computing capital adequacy ratios in Canada and the United States is not completely comparable.

Credit Rating

P 110

- Credit ratings for BMO's long-term debt, as assessed by the four major rating agencies, are listed below and all four ratings are considered to indicate high-grade, high-quality issues. Moody's and DBRS have a negative outlook on the long-term credit ratings of BMO and other Canadian banks in response to the federal government's proposed bail-in regime for senior unsecured debt. On December 11, 2015, Standard and Poor's (S&P) revised its outlook to stable from negative on BMO and other systemically important Canadian banks.

Credit Rating

- The Canadian peer group median credit ratings were unchanged from 2014.
- The North American peer group median credit ratings were unchanged from 2014, and remain slightly lower than the median of the Canadian peer group for three of the ratings.

BMO Financial Group			
	2013	2014	2015
DBRS	AA	AA	AA
Fitch	AA–	AA–	AA–
Moody's	Aa3	Aa3	Aa3
S&P	A+	A+	A+

Canadian peer group median*			
	2013	2014	2015
DBRS	AA	AA	AA
Fitch	AA–	AA–	AA–
Moody's	Aa3	Aa3	Aa3
S&P	A+	A+	A+

North American peer group median*			
	2013	2014	2015
DBRS	AAL	AAL	AAL
Fitch	AA–	AA–	AA–
Moody's	A1	A1	A1
S&P	A	A	A

*Data for all years reflects the peer group composition in the most recent year.

The Canadian peer group averages exclude BMO and are based on the performance of Canada's five other largest banks: Canadian Imperial Bank of Commerce, National Bank of Canada, Royal Bank of Canada, Scotiabank and TD Bank Group. The North American peer group averages are based on the performance of 12 of the largest banks in North America. These include the Canadian peer group, except National Bank of Canada, as well as BB&T Corporation, Bank of New York Mellon Corporation, Fifth Third Bancorp, KeyCorp, The PNC Financial Services Group Inc., Regions Financial Corporation, SunTrust Banks Inc. and U.S. Bancorp.

Results are as at or for the years ended October 31 for Canadian banks and as at or for the years ended September 30 for U.S. banks.

BMO reported
BMO adjusted
Canadian peer group average
North American peer group average

Management's Discussion and Analysis

BMO's Chief Executive Officer and its Chief Financial Officer have signed a statement outlining management's responsibility for financial information in the annual consolidated financial statements and Management's Discussion and Analysis (MD&A). The statement, which can be found on page 132, also explains the roles of the Audit and Conduct Review Committee and Board of Directors in respect of that financial information.

The MD&A comments on BMO's operations and financial condition for the years ended October 31, 2015 and 2014. The MD&A should be read in conjunction with our consolidated financial statements for the year ended October 31, 2015. The MD&A commentary is as of December 1, 2015. Unless otherwise indicated, all amounts are stated in Canadian dollars and have been derived from financial statements prepared in accordance with International Financial Reporting Standards (IFRS). References to generally accepted accounting principles (GAAP) mean IFRS.

Since November 1, 2011, BMO's financial results have been reported in accordance with IFRS. Results for years prior to 2011 have not been restated and are presented in accordance with Canadian GAAP as defined at that time (CGAAP). As such, certain growth rates and compound annual growth rates (CAGR) may not be meaningful. On November 1, 2013, BMO adopted several new and amended accounting pronouncements issued by the International Accounting Standards Board. The consolidated financial statements for comparative periods in the fiscal years 2013 and 2012 have been restated. Certain other prior year data has been reclassified to conform with the current year's presentation. The adoption of new IFRS standards in 2015 only impacted our results prospectively. Prior periods have been reclassified for methodology changes and transfers of certain businesses between operating groups. See pages 45 and 46.

Index

Regulatory Filings
Our continuous disclosure materials, including our interim financial statements and interim MD&A, annual audited consolidated financial statements and annual MD&A, Annual Information Form and Notice of Annual Meeting of Shareholders and Management Proxy Circular, are available on our website at www.bmo.com/investorrelations, on the Canadian Securities Administrators' website at www.sedar.com and on the EDGAR section of the SEC's website at www.sec.gov. BMO's Chief Executive Officer and its Chief Financial Officer certify the appropriateness and fairness of BMO's annual and interim consolidated financial statements, MD&A and Annual Information Form, the effectiveness of BMO's disclosure controls and procedures and the effectiveness of, and any material weaknesses relating to, BMO's internal control over financial reporting.

Who We Are

Established in 1817, BMO Financial Group is a highly diversified financial services provider based in North America. With total assets of $642 billion and close to 47,000 employees, BMO provides a broad range of personal and commercial banking, wealth management and investment banking products and services to more than 12 million customers. We serve eight million customers across Canada through our Canadian personal and commercial arm, BMO Bank of Montreal. We also serve customers through our wealth management businesses: BMO Global Asset Management, BMO Nesbitt Burns, BMO Private Banking, BMO Insurance and BMO InvestorLine. BMO Capital Markets, our investment and corporate banking and trading products division, provides a full suite of financial products and services to North American and international clients. In the United States, BMO serves customers through BMO Harris Bank, based in the U.S. Midwest with more than two million retail, small business and commercial customers. BMO Financial Group conducts business through three operating groups: Personal and Commercial Banking, Wealth Management and BMO Capital Markets.

Our Financial Objectives

BMO's medium-term financial objectives for certain important performance measures are set out below. We believe that we will deliver top-tier total shareholder return and meet our medium-term financial objectives by aligning our operations with, and executing on, our strategic priorities, along with our vision and guiding principle, as outlined on the following page. We consider top-tier returns to be top-quartile shareholder returns relative to our Canadian and North American peer group.

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

Over the medium term, our financial objectives on an adjusted basis are to achieve average annual earnings per share (adjusted EPS) growth of 7% to 10%, earn an average annual return on equity (adjusted ROE) of 15% or more, generate average annual adjusted net operating leverage of 2% or more and maintain strong capital ratios that exceed regulatory requirements. These objectives are key guideposts as we execute against our strategic priorities, and we believe they are consistent with delivering top-tier total shareholder return. In managing our operations and risk, we recognize that current profitability and the ability to meet these objectives in a single period must be balanced with the need to invest in our businesses for their future long-term health and growth prospects.

Our five-year average annual adjusted EPS growth rate was 7.9%, in line with our target growth range of 7% to 10%. We did not meet our medium-term objective of generating above 2% average annual adjusted operating leverage due to lower than expected source currency revenue. We remain focused on improving efficiency and generated improved operating leverage on a net revenue basis through 2015. Our five-year average annual adjusted ROE of 14.8% was slightly below our target range as we held increased levels of common shareholders' equity to meet increased capital expectations for banks. Our capital position is strong, with a Common Equity Tier 1 Ratio of 10.7%.

Reasons to Invest in BMO

- Clear opportunities for growth across a diversified North American footprint:
  - Large North American commercial banking business with advantaged market share.
  - Well-established, highly profitable core banking business in Canada.
  - Fast-growing, award-winning wealth franchise.
  - Leading Canadian and growing mid-cap focused U.S. capital markets business.
  - U.S. operations well-positioned to capture benefit of improving economic conditions.
- Strong capital position and an attractive dividend yield.
- Focus on efficiency through technology innovation, simplifying and automating processes and extending the digital experience across our channels.
- Customer-centric operating model guided by disciplined loyalty measurement program.
- Adherence to the highest standards of business ethics and corporate governance.

Canadian banks have been ranked the world's soundest for the 8th year in a row(1)

(1) Based on the Global Competitiveness Report by the World Economic Forum.

As at and for the periods ended October 31, 2015 (%, except as noted)	1-year	5-year*	10-year*
Average annual total shareholder return	(3.0)	9.5	7.7
Average growth in annual adjusted EPS	6.2	7.9	5.1
Average annual adjusted ROE	13.3	14.8	15.7
Average growth in annual EPS	2.5	7.1	5.4
Average annual ROE	12.5	14.5	14.4
Compound growth in annual dividends declared per share	5.2	3.0	5.8
Dividend yield**	4.3	4.3	4.6
Price-to-earnings multiple**	11.6	11.6	12.7
Market value/book value ratio**	1.35	1.53	1.70
Common Equity Tier 1 Ratio (Basel III basis)	10.7	na	na

* 5-year and 10-year growth rates reflect growth based on CGAAP in 2010 and 2005, respectively, and IFRS in 2015.
** 1-year measure as at October 31, 2015. 5-year and 10-year measures are the average of year-end values.
na – not applicable
Adjusted results in this section are non-GAAP and are discussed in the Non-GAAP Measures section on page 33.

The Our Financial Objectives section above and the Enterprise-Wide Strategy and Economic Developments and Outlook sections that follow contain certain forward-looking statements. By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. Please refer to the Caution Regarding Forward-Looking Statements on page 30 of this MD&A for a discussion of such risks and uncertainties and the material factors and assumptions related to the statements set forth in such sections.

Enterprise-Wide Strategy

Our Vision

To be the bank that defines great customer experience.

Our Guiding Principle

We aim to deliver top-tier total shareholder return and balance our commitments to financial performance, our customers and employees, the environment and the communities where we live and work.

Our 2015 Strategy in Context

The economic environment is constantly evolving. As we navigate through this constant change, we continue to remain grounded in our brand promise. *We're here to help* is a simple statement meant to inspire and guide what we do every day. We aim to help customers feel valued, understood and confident in the decisions they make.

Our strategic priorities have proven to be robust, providing us with consistent direction in the midst of evolving expectations, increasingly intense competitive activity and continued market uncertainty. Digital technologies continue to play a critical role across our strategic priorities in enabling our objectives. We believe that the strength of our business model, customer base, balance sheet, risk management framework and leadership team, along with the advantages offered by the scale of our consolidated North American platform, will continue to generate sustainable growth and help us deliver on our vision and brand promise.

Our commitment to stakeholders is evident in our focus on delivering an industry-leading customer experience, managing revenues and expenses to achieve our financial goals, and maintaining a prudent approach to risk management. We have made good progress on our enterprise strategic priorities, with select accomplishments outlined below, as well as on our group strategies, detailed in the 2015 Operating Groups Performance Review, which starts on page 45.

Our 2015 Priorities and Progress

1. Achieve industry-leading customer loyalty by delivering on our brand promise.

- Developed further capabilities in digital banking and investing to help customers in new and innovative ways:
  - Launched *Touch ID* log-in in Canada and the United States, enabling customers to log in to the BMO mobile banking application using fingerprint recognition. Within a month of the launch in Canada, approximately 115,000 new users registered for the mobile app.
  - Introduced Mobile Cash in the United States, allowing customers to withdraw money from a BMO Harris automated banking machine (ABM) using their smartphone; we now have the largest network of mobile-enabled cardless ABMs in the United States.
  - Launched a new BMO Banking and InvestorLine portal, becoming the first major Canadian bank to provide customers with access to both personal banking and self-directed investment accounts all in one place.
  - Enhanced our cash management offerings with the launch of BMO DepositEdge™ in Canada, enabling business customers to deposit cheques remotely, and BMO Spend Dynamics™, giving corporate card clients convenient access to their transaction data and the ability to analyze their program spend.
  - For the third consecutive year, BMO was recognized by global financial services research firm Celent with a 2015 Model Bank Award for excellence in the digital banking category.
- Completed the successful launch of BMO's refreshed brand with innovative tactics, including the "Help Given" social media campaign, which generated over 7.7 million views in Canada and the United States, and sponsorship of *The Amazing Race Canada,* which allowed BMO to reach millions of Canadians during its 12-week season.
- Recognized with awards across our groups, including Best Wealth Management in Canada, 2015 *(Global Banking and Finance Review)*, Best Full-Service Investment Advisory in Canada, 2015 *(Global Banking and Finance Review)*, 2015 Greenwich Quality Leader in Canadian Equity Sales and Corporate Access and 2015 Greenwich Share Leader for Canadian Fixed Income Research *(Greenwich Associates)* and, for the sixth consecutive year, World's Best Metals & Mining Investment Bank *(Global Finance)*.

2. Enhance productivity to drive performance and shareholder value.

- Continued to make our processes more efficient, enabling front-line employees to add new customers and strengthen existing relationships:
  - In Canadian P&C, our automated leads management engine, which uses data to identify customer opportunities, has generated incremental revenue by presenting customers with proactive needs-based product and service offers.
  - In U.S. P&C, launched a new Home Lending Loan Origination system with e-disclosures, online loan tracker and digital loan processing.
  - Across the business, improved online sales processes driving growth in sales volumes. Online retail banking sales volumes across Canada are now equivalent to sales at over 100 branches.
- Optimized our cost structure to deliver greater efficiencies:
  - Continued to roll out new branch formats offering smaller, more flexible and more cost-effective points of distribution across North America, including the introduction of our Smart Branch format in the United States, which allows customers to conduct transactions with ABM video-tellers and makes day-to-day banking easier and more convenient.
  - Continued to expand eStatements participation across North America, as more customers move to the paperless option.
  - Divested our retirement services and municipal bond trading businesses to increase focus on our core Wealth and Capital Markets businesses.
  - Improved data and analytical capabilities, which helped generate revenues and improved management of BMO's expense base.

3. Leverage our consolidated North American platform to deliver quality earnings growth.

- Continued to develop consolidated North American capabilities and platforms in priority areas:
  - Provided consistent brand messaging across the Canadian and U.S. businesses, building on shared customer insights to address the changing expectations of the banking industry.
  - Completed a reorganization of Trading Products by asset class to further enhance customer experience and North American franchise value.
  - Maintained key North-South leadership mandates to achieve greater consistency, eliminate duplication and leverage best practices.
- Continued to expand our business and capabilities in the United States:
  - Announced the signing of an agreement to acquire General Electric Capital Corporation's (GE Capital) Transportation Finance business with net earning assets on closing of approximately $11.9 billion (US$8.9 billion). The acquisition builds on our position as a market leader in commercial banking, and enhances our business position in the United States by further diversifying net income, adding scale and enhancing profitability and margins.
  - Improved sales productivity across key products and segments through enhanced coaching and performance management, and deployment of customer acquisition programs.
- Introduced compelling offers in Canada that increased sales and established and strengthened client relationships, including the new Savings Builder Account, Spring Home Financing and Summer Everyday Banking Campaigns.

4. Expand strategically in select global markets to create future growth.

- Completed the integration of F&C Asset Management plc (F&C), and rebranded it as BMO Global Asset Management. This acquisition strengthens the position of BMO Global Asset Management as a top 50 global asset manager.
- BMO served as a co-chair of the Toronto Financial Services Alliance (TFSA) Renminbi (RMB) Working Group, which played a crucial role in establishing an offshore renminbi clearing hub in Canada. The Canadian hub facilitates settlements in renminbi, with the intention of encouraging trade and strengthening ties between Canadian companies and their Chinese business partners.
- Ranked among top 20 global investment banks and 12th largest investment bank in North and South America, based on fees, by Thomson Reuters.

5. Ensure our strength in risk management underpins everything we do for our customers.

- Leveraged our capital processes to enhance our risk appetite and limit framework through further alignment with our businesses' capacity to bear risk.
- Developed and embedded our stress testing capabilities in business management processes and provided additional risk insights.
- Continued to improve risk culture as evidenced by internal and external surveys.
- Responded to rising regulatory expectations, evidenced by improvements in stress testing, market risk measurement and anti-money laundering.
- Continued to develop the next generation of our risk infrastructure by integrating, automating and upgrading our foundational capabilities.

Factors That May Affect Future Results

As noted in the following Caution Regarding Forward-Looking Statements, all forward-looking statements and information, by their nature, are subject to inherent risks and uncertainties, both general and specific, which may cause actual results to differ materially from the expectations expressed in any forward-looking statement. The Enterprise-Wide Risk Management section starting on page 86 describes a number of risks, including credit and counterparty, market, liquidity and funding, operational, model, insurance, legal and regulatory, business, strategic, reputation, environmental and social. Should our risk management framework prove ineffective, there could be a material adverse impact on our financial position.

Caution Regarding Forward-Looking Statements

Bank of Montreal's public communications often include written or oral forward-looking statements. Statements of this type are included in this document, and may be included in other filings with Canadian securities regulators or the U.S. Securities and Exchange Commission, or in other communications. All such statements are made pursuant to the "safe harbor" provisions of, and are intended to be forward-looking statements under, the United States *Private Securities Litigation Reform Act of 1995* and any applicable Canadian securities legislation. Forward-looking statements may involve, but are not limited to, comments with respect to our objectives and priorities for 2016 and beyond, our strategies or future actions, our targets, expectations for our financial condition or share price, and the results of or outlook for our operations or for the Canadian, U.S. and international economies.

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

The future outcomes that relate to forward-looking statements may be influenced by many factors, including but not limited to: general economic and market conditions in the countries in which we operate; weak, volatile or illiquid capital and/or credit markets; interest rate and currency value fluctuations; changes in monetary, fiscal, tax or economic policy; the level of competition in the geographic and business areas in which we operate; changes in laws or in supervisory expectations or requirements, including capital, interest rate and liquidity requirements and guidance; judicial or regulatory proceedings; the accuracy and completeness of the information we obtain with respect to our customers and counterparties; our ability to execute our strategic plans and to complete and integrate acquisitions, including obtaining regulatory approvals; the anticipated benefits from the acquisition of the GE Capital Transportation Finance business are not realized in the time frame anticipated or at all; critical accounting estimates and the effect of changes to accounting standards, rules and interpretations on these estimates; operational and infrastructure risks; changes to our credit ratings; general political conditions; global capital markets activities; the possible effects on our business of war or terrorist activities; outbreaks of disease or illness that affect local, national or international economies; natural disasters and disruptions to public infrastructure, such as transportation, communications, power or water supply; technological changes; and our ability to anticipate and effectively manage risks associated with all of the foregoing factors.

We caution that the foregoing list is not exhaustive of all possible factors. Other factors and risks could adversely affect our results. For more information, please see the discussion in the Risks That May Affect Future Results section on page 87, and the sections related to credit and counterparty, market, liquidity and funding, operational, model, insurance, legal and regulatory, business, strategic, reputation and environmental and social risk, which begin on page 94 and outline certain key factors and risks that may affect Bank of Montreal's future results. When relying on forward-looking statements to make decisions with respect to Bank of Montreal, investors and others should carefully consider these factors and risks, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. Bank of Montreal does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by the organization or on its behalf, except as required by law. The forward-looking information contained in this document is presented for the purpose of assisting our shareholders in understanding our financial position as at and for the periods ended on the dates presented, as well as our strategic priorities and objectives, and may not be appropriate for other purposes.

Assumptions about the performance of the Canadian and U.S. economies, as well as overall market conditions and their combined effect on our business, are material factors we consider when determining our strategic priorities, objectives and expectations for our business. In determining our expectations for economic growth, both broadly and in the financial services sector, we primarily consider historical economic data provided by the Canadian and U.S. governments and their agencies. See the Economic Developments and Outlook section of this document.

Assumptions about current and expected capital requirements, GE Capital's Transportation Finance business revenues and expenses, potential for earnings growth as well as costs associated with the transaction and expected synergies, were material factors we considered in estimating the impact of the acquired business on our net income, profitability and margins in 2016 and beyond.

Assumptions about current and expected capital requirements and our models used to assess those requirements under applicable capital guidelines, GE Capital's Transportation Finance business revenues and expenses, potential for earnings growth as well as costs associated with the transaction and expected synergies were material factors we considered in estimating the impact on our capital ratios in 2016 and beyond.

Economic Developments and Outlook

Economic Developments in 2015 and Outlook for 2016

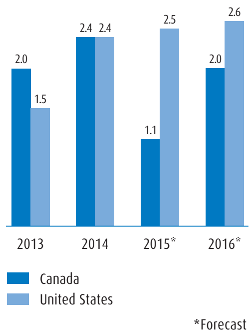
Growth in the Canadian economy weakened in the first half of 2015, largely due to a sharp reduction in investment in the oil-producing regions and to continued weakness in the mining sector. Still, growth remained steady across most of the country, supported by an upturn in exports, as well as stable consumer spending and housing markets. Exports have benefitted from the effects of stronger U.S. demand, a weaker Canadian dollar and a modest pickup in the Eurozone economy, offset in part by slower growth in most emerging-market economies, notably China. While growth in Canadian consumer spending has moderated as a result of elevated debt levels, it continues at a healthy rate, reflecting record sales of motor vehicles and steady demand for services. Home sales remain strong in the Vancouver and Toronto regions, supported by immigration and the millennial generation, many of whom are now in their prime home-buying years. Real GDP growth is expected to improve from an estimated 1.1% in 2015 to 2.0% in 2016, supported by modestly expansionary federal fiscal policy. Canadian households should continue to help sustain the economic expansion, as growth in employment remains healthy and interest rates are low, while the downturn in business investment is projected to stabilize in response to an expected partial recovery in oil prices. Growth in residential mortgages is expected to slow modestly to around 5% in 2016, and consumer credit should expand by close to 3%. Growth in business loans is projected to moderate from recent rates of around 8% this year to about 6%, reflecting lower levels of capital expenditures in the resource sector. After two rate reductions in 2015, the Bank of Canada is expected to hold interest rates steady in 2016, before shifting to a tightening stance in early 2017. The Canadian dollar is projected to weaken modestly in response to expected higher U.S. interest rates, before an anticipated upturn in oil prices provides some support in 2016.

After a slow start to 2015 due to severe winter weather, shipping disruptions and a reduction in oil drilling activity, the U.S. economy has strengthened over the course of the year. Consumer spending has been sustained by improvements in household finances and steady growth in employment, while the housing market continues to benefit from low mortgage rates and less restrictive lending standards. Economic growth has also been impacted by weakness in exports due to the strong dollar, a decline in agriculture investment owing to low crop prices, and the effects of the downturn in the oil industry. Overall, real GDP is expected to grow by 2.5% in 2015 and 2.6% in 2016. Despite an expected modest increase in borrowing costs, growth in consumer credit and residential mortgages is expected to strengthen in 2016, supported by rising consumer confidence and robust demand for automobiles. Business loan growth should also remain healthy, supported by lower costs for imported machinery. With the unemployment rate projected to fall below 5% in 2016, the Federal Reserve is expected to increase interest rates. However, we anticipate a very modest tightening cycle in the face of global economic headwinds and continued low inflation. This should help to keep long-term interest rates relatively low in 2016.

Following modest economic growth in recent years, the pace of expansion in the U.S. Midwest region, which includes the six contiguous states comprising the BMO footprint, should improve to 1.8% in 2015 and 2.1% in 2016 in response to an increase in automobile production, the recovery in housing markets and generally expansionary fiscal policies. However, because of the ongoing weakness in exports, the region could continue to lag the national average.

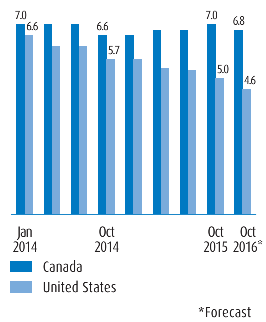
This Economic Developments and Outlook section contains forward-looking statements. Please see the Caution Regarding Forward-Looking Statements.

Real Growth in Gross Domestic Product (%)



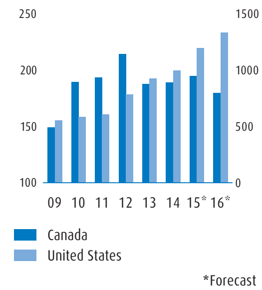
The Canadian and U.S. economies are expected to grow moderately in 2016.

Canadian and U.S. Unemployment Rates (%)



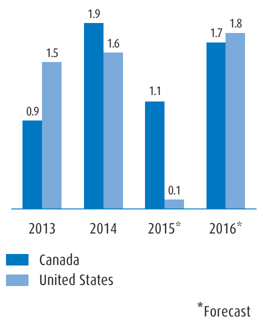
Unemployment rates in Canada and the United States are projected to decline modestly.

Housing Starts
(in thousands)



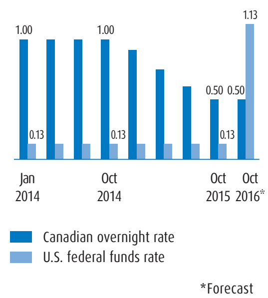
Housing market activity should moderate in Canada but strengthen in the United States.

Consumer Price Index Inflation (%)



Inflation is expected to turn higher but remain low.

Canadian and U.S. Interest Rates (%)



The Federal Reserve will likely raise interest rates moderately, while the Bank of Canada remains on the sidelines.

Canadian/U.S. Dollar Exchange Rates

The Canadian dollar is expected to stabilize against the U.S. dollar as oil prices recover.

Note: Data points are averages for the month, quarter or year, as appropriate. References to years are calendar years.

Value Measures

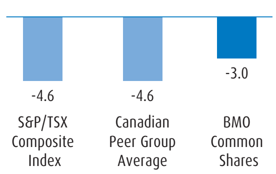
Total Shareholder Return

The average annual total shareholder return (TSR) is a key measure of shareholder value, and confirms that our strategic priorities drive value creation for our shareholders. Our one-year TSR of negative 3% was better than the average of our Canadian bank peer group and the overall market return in Canada. Our three-year average annual TSR of 13.5% was strong, outperforming our Canadian bank peer group and the overall market return in Canada. Our five-year average annual TSR of 9.5% outperformed the overall market return in Canada, although it was slightly below our Canadian bank peer group.

The table below summarizes dividends paid on BMO common shares over the past five years and the movements in BMO's share price. An investment of $1,000 in BMO common shares made at the beginning of fiscal 2011 would have been worth $1,576 at October 31, 2015, assuming reinvestment of dividends, for a total return of 57.6%.

On December 1, 2015, BMO announced that the Board of Directors had declared a quarterly dividend payable to common shareholders of $0.84 per common share, an increase of $0.02 per share or 2% from the prior quarter and up $0.04 per share or 5% from a year ago. The dividend is payable on February 26, 2016 to shareholders of record on February 2, 2016. We have increased our quarterly dividend declared four times over the past two years from $0.76 per common share for the first quarter of 2014. Dividends paid over a ten-year period have increased at an average annual compound rate of 5.9%.

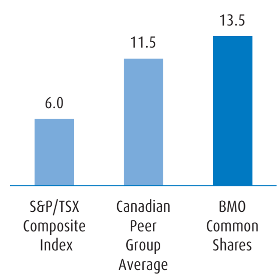
One-Year Total Shareholder Return (%)



All returns represent total returns.

BMO's one-year TSR was better than the average of our Canadian peer group.

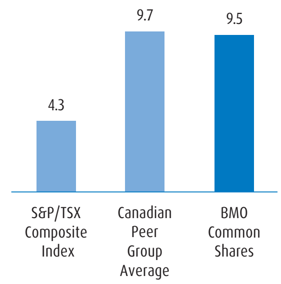
Three-Year Average Annual Total Shareholder Return (%)



All returns represent total returns.

BMO's three-year average annual return was strong.

Five-Year Average Annual Total Shareholder Return (%)



All returns represent total returns.

BMO's five-year average annual return outperformed the overall market return in Canada.

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

Total Shareholder Return

For the year ended October 31	**2015**	2014	2013	2012	2011	**3-year CAGR** (1)	**5-year CAGR** (1)
Closing market price per common share ($)	**76.04**	81.73	72.62	59.02	58.89	**8.8**	**4.8**
Dividends paid ($ per share)	**3.20**	3.04	2.92	2.80	2.80	**4.6**	**2.7**
Dividend yield (%)	**4.3**	3.8	4.0	4.8	4.8	**nm**	**nm**
Increase (decrease) in share price (%)	**(7.0)**	12.5	23.0	0.2	(2.2)	**nm**	**nm**
Total annual shareholder return (%) (2)	**(3.0)**	17.1	28.8	5.2	2.4	**13.5**	**9.5**

(1) Compound annual growth rate (CAGR) expressed as a percentage.
(2) Total annual shareholder return assumes reinvestment of quarterly dividends and therefore does not equal the sum of dividend and share price returns in the table.
nm – not meaningful

Non-GAAP Measures

Results and measures in this MD&A are presented on a GAAP basis. They are also presented on an adjusted basis that excludes the impact of certain items as set out in the following table. Management assesses performance on a reported basis and on an adjusted basis and considers both to be useful in assessing underlying ongoing business performance. Presenting results on both bases provides readers with a better understanding of how management assesses results. It also permits readers to assess the impact of certain specified items on results for the periods presented and to better assess results excluding those items if they consider the items to not be reflective of ongoing results. As such, the presentation may facilitate readers' analysis of trends, as well as comparisons with our competitors. Adjusted results and measures are non-GAAP and as such do not have standardized meaning under GAAP. They are unlikely to be comparable to similar measures presented by other companies and should not be viewed in isolation from or as a substitute for GAAP results.

(Canadian $ in millions, except as noted)	**2015**	2014	2013
Reported Results			
Revenue (1)	**19,389**	18,223	16,830
Insurance claims, commissions and changes in policy benefit liabilities (CCPB) (1)	**(1,254)**	(1,505)	(767)
Revenue, net of CCPB	**18,135**	16,718	16,063
Provision for credit losses	**(612)**	(561)	(587)
Non-interest expense	**(12,182)**	(10,921)	(10,226)
Income before income taxes	**5,341**	5,236	5,250
Provision for income taxes	**(936)**	(903)	(1,055)
Net Income	**4,405**	4,333	4,195
Diluted EPS ($)	**6.57**	6.41	6.17
Adjusting Items (Pre-tax) (2)			
Credit-related items on the purchased performing loan portfolio (3)	**–**	–	406
Acquisition integration costs (4)	**(53)**	(20)	(251)
Amortization of acquisition-related intangible assets (5)	**(163)**	(140)	(125)
Decrease in the collective allowance for credit losses (6)	**–**	–	2
Run-off structured credit activities (7)	**–**	–	40
Restructuring costs (8)	**(149)**	–	(82)
Adjusting items included in reported pre-tax income	**(365)**	(160)	(10)
Adjusting Items (After tax) (2)			
Credit-related items on the purchased performing loan portfolio (3)	**–**	–	250
Acquisition integration costs (4)	**(43)**	(16)	(155)
Amortization of acquisition-related intangible assets (5)	**(127)**	(104)	(89)
Increase in the collective allowance for credit losses (6)	**–**	–	(9)
Run-off structured credit activities (7)	**–**	–	34
Restructuring costs (8)	**(106)**	–	(59)
Adjusting items included in reported net income after tax	**(276)**	(120)	(28)
Impact on diluted EPS ($)	**(0.43)**	(0.18)	(0.04)
Adjusted Results			
Revenue (1)	**19,391**	18,223	16,139
Insurance claims, commissions and changes in policy benefit liabilities (CCPB) (1)	**(1,254)**	(1,505)	(767)
Revenue, net of CCPB	**18,137**	16,718	15,372
Provision for credit losses	**(612)**	(561)	(357)
Non-interest expense	**(11,819)**	(10,761)	(9,755)
Income before income taxes	**5,706**	5,396	5,260
Provision for income taxes	**(1,025)**	(943)	(1,037)
Net Income	**4,681**	4,453	4,223
Diluted EPS ($)	**7.00**	6.59	6.21

Adjusted results and measures in this table are non-GAAP amounts or non-GAAP measures.

(1) Effective the first quarter of 2015, insurance claims, commissions and changes in policy benefit liabilities (CCPB) are reported separately. They were previously reported as a reduction in insurance revenue in non-interest revenue. Prior period amounts and ratios have been reclassified.

(2) Adjusting items are included in Corporate Services with the exception of the amortization of acquisition-related intangible assets, which is charged to the operating groups, and acquisition integration costs in 2015 and 2014 related to F&C, which are charged to Wealth Management.

(3) Credit-related items on the purchased performing portfolio in 2013 were comprised of revenue of $638 million, provisions for credit losses of $232 million and provisions for income taxes of $156 million, resulting in an increase in reported net income after tax of $250 million. Effective the first quarter of 2014, Corporate Services adjusted results include credit-related items in respect of the purchased performing loan portfolio, including $103 million of revenue and $5 million of specific provisions for credit losses in 2015 ($238 million and $82 million in 2014, respectively).

(4) Acquisition integration costs related to F&C are charged to Wealth Management and acquisition integration costs related to Marshall & Isley Corporation and GE Capital's Transportation Finance business are charged to Corporate Services. Acquisition integration costs are primarily recorded in non-interest expense.

(5) These expenses were included in the non-interest expense of the operating groups. Before and after-tax amounts for each operating group are provided on pages 47, 49, 53, 56 and 60.

(6) In 2013, the impact of the purchased performing portfolio on the collective allowance is reflected in credit-related items.

(7) Primarily comprised of valuation changes associated with these activities that are mainly included in trading revenues in non-interest revenue.

(8) Primarily due to restructuring to drive operational efficiencies. The charge in 2015 also includes the settlement of a legacy legal matter from an acquired entity.

Summary Financial Results and Earnings per Share Growth

The year-over-year percentage change in earnings per share (EPS) and in adjusted EPS are our key measures for analyzing earnings growth. All references to EPS are to diluted EPS, unless indicated otherwise.

EPS was $6.57, up $0.16 or 2% from $6.41 in 2014. Adjusted EPS was $7.00, up $0.41 or 6% from $6.59 in 2014. Our five-year average annual adjusted EPS growth rate was 7.9%, in line with our current medium-term objective of achieving average annual adjusted EPS growth of 7% to 10%. EPS growth in both 2015 and 2014 primarily reflected increased earnings. Adjusted net income available to common shareholders was 67% higher over the five-year period, while the average number of diluted common shares outstanding increased 15% over the same period.

Net income was $4,405 million in 2015, up $72 million or 2% from the previous year. Adjusted net income was $4,681 million, up $228 million or 5%.

On an adjusted basis, there was solid revenue growth in 2015. Higher revenue exceeded incremental costs, contributing to growth in net income. There were modestly higher provisions for credit losses and a slightly higher effective income tax rate in 2015.

There was good adjusted net income growth in Canadian P&C, Wealth Management and U.S. P&C, a decline in BMO Capital Markets and lower results in Corporate Services. In addition to operating performance, adjusted net income benefitted from the stronger U.S. dollar. This benefit was more than offset by lower purchased loan accounting benefits.

Canadian P&C adjusted net income increased $88 million or 4% to $2,108 million, due to continued revenue growth as a result of higher balances and improved non-interest revenue, with stable net interest margin, partially offset by higher expenses. Expenses rose primarily due to continued investment in the business, net of expense management, and higher costs associated with a changing business and regulatory environment. Canadian P&C results are discussed in the operating group review on page 48.

U.S. P&C adjusted net income increased $174 million or 25% to $880 million, and increased $57 million or 9% to $701 million on a U.S. dollar basis, primarily due to lower provisions for credit losses. Revenue was stable as higher balances and increased mortgage banking revenue offset the effects of lower net interest margin. Non-interest expenses also remained stable. U.S. P&C results are discussed in the operating group review on page 51.

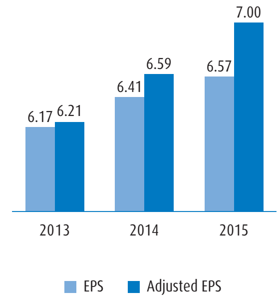
Wealth Management adjusted net income was $955 million, up $112 million or 13% from a year ago. Adjusted net income in traditional wealth was $715 million, up $158 million or 28% from a year ago, due to good organic growth from the businesses, a gain on the sale of BMO's U.S. retirement services business, and the full year benefit from the acquired F&C business. Adjusted net income in insurance was $240 million, compared to $286 million a year ago, primarily due to higher taxes in the current year and higher actuarial benefits in the prior year. Wealth Management results are discussed in the operating group review on page 55.

BMO Capital Markets adjusted net income decreased $44 million or 4% to $1,034 million as the benefit of the stronger U.S. dollar was more than offset by higher provisions in the current year compared to net recoveries in the prior year. BMO Capital Markets results are discussed in the operating group review on page 58.

Corporate Services adjusted net loss for the year was $296 million, compared with an adjusted net loss of $194 million a year ago. Adjusted results decreased mainly due to lower purchased loan portfolio revenues and lower credit recoveries. Corporate Services results are discussed in the operating group review on page 62.

Changes to reported and adjusted net income for each of our operating groups are discussed in more detail in the 2015 Operating Groups Performance Review, which starts on page 45.

EPS ($)



Growth demonstrates the benefits of our diversified business mix.

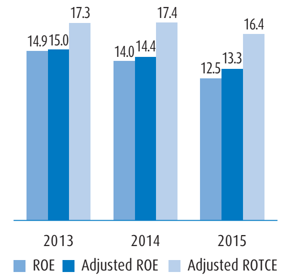
Earnings per share (EPS) is calculated by dividing net income attributable to bank shareholders, after deduction of preferred dividends, by the average number of common shares outstanding. Diluted EPS, which is our basis for measuring performance, adjusts for possible conversions of financial instruments into common shares if those conversions would reduce EPS, and is more fully explained in Note 25 on page 191 of the financial statements. Adjusted EPS is calculated in the same manner using adjusted net income.

Adjusted results in this section are non-GAAP and are discussed in the Non-GAAP Measures section on page 33.

Return on Equity

Increased capital expectations for banks internationally have resulted in increased levels of common shareholders' equity over the last several years which, all else being equal, negatively impacts return on equity (ROE). ROE was 12.5% in 2015 and adjusted ROE was 13.3%, compared with 14.0% and 14.4%, respectively, in 2014. ROE declined in 2015 primarily due to growth in common equity exceeding growth in income. There was an increase of $96 million in earnings ($252 million in adjusted earnings) available to common shareholders in 2015. Average common shareholders' equity increased by $4.5 billion from 2014, primarily due to the impact of the stronger U.S. dollar on our investments in foreign operations and increased retained earnings. Adjusted return on tangible common equity (ROTCE) was 16.4%, compared with 17.4% in 2014. Book value per share increased 17% from the prior year to $56.31, given the substantial increase in shareholders' equity. ROTCE is meaningful both because it measures the performance of businesses consistently, whether they were acquired or developed organically, and because it is commonly used in the North American banking industry.

ROE (%)



ROE remains strong.

Return on common shareholders' equity (ROE) is calculated as net income, less non-controlling interest in subsidiaries and preferred dividends, as a percentage of average common shareholders' equity. Common shareholders' equity is comprised of common share capital, contributed surplus, accumulated other comprehensive income (loss) and retained earnings. Adjusted ROE is calculated using adjusted net income rather than net income.

Adjusted return on tangible common equity (ROTCE) is calculated as adjusted net income available to common shareholders as a percentage of average tangible common equity. Tangible common equity is calculated as common shareholders' equity less goodwill and acquisition-related intangible assets, net of related deferred tax liabilities.

Return on Equity and Adjusted Return on Tangible Common Equity

(Canadian $ in millions, except as noted) For the year ended October 31	**2015**	2014	2013	2012	2011*
Reported net income	**4,405**	4,333	4,195	4,156	3,114
Attributable to non-controlling interest in subsidiaries	**(35)**	(56)	(65)	(74)	(73)
Preferred dividends	**(117)**	(120)	(120)	(136)	(146)
Net income available to common shareholders	**4,253**	4,157	4,010	3,946	2,895
Average common shareholders' equity	**34,135**	29,680	26,956	24,863	19,145
Return on equity (%)	**12.5**	14.0	14.9	15.9	15.1
Adjusted net income available to common shareholders	**4,529**	4,277	4,038	3,849	3,056
Adjusted return on equity (%)	**13.3**	14.4	15.0	15.5	16.0
Average tangible common equity	**27,666**	24,595	22,860	20,798	16,790
Adjusted return on tangible common equity (%)	**16.4**	17.4	17.3	18.0	17.9

* 2011 has not been restated to reflect the IFRS standards adopted in 2014.

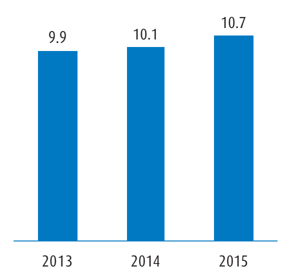
Adjusted results in this section are non-GAAP and are discussed in the Non-GAAP Measures section on page 33.

Basel III Common Equity Tier 1 Ratio

BMO's Basel III Common Equity Tier 1 (CET1) Ratio is the last of our four key value measures. BMO's CET1 Ratio is strong and exceeds the Office of the Superintendent of Financial Institutions Canada's requirements for large Canadian banks. Our CET1 Ratio was 10.7% at October 31, 2015, compared to 10.1% at October 31, 2014. The CET1 Ratio increased by 60 basis points from the end of fiscal 2014 primarily due to higher capital, partially offset by an increase in risk-weighted assets. The acquisition of GE Capital's Transportation Finance business is expected to reduce BMO's CET1 Ratio by approximately 70 basis points on closing in the first quarter of 2016.

Basel III Common Equity Tier 1 (CET1) Ratio is calculated as CET1 capital, which is comprised of common shareholders' equity less deductions for goodwill, intangible assets, pension assets, certain deferred tax assets and other items, divided by risk-weighted assets for CET1.

Basel III CET1 Ratio (%)



BMO's CET1 Ratio has been consistently strong.

MD&A

2015 Financial Performance Review

This section provides a review of our enterprise financial performance for 2015 that focuses on the Consolidated Statement of Income included in our consolidated financial statements, which begin on page 135. A review of our operating groups' strategies and performance follows the enterprise review. A summary of the enterprise financial performance for 2014 appears on page 64. This section contains adjusted results, which are non-GAAP and are disclosed in more detail in the Non-GAAP Measures section on page 33.

Highlights

- On a net revenue basis(1), revenue increased $1,417 million or 8% in 2015 to $18,135 million. Adjusted revenue increased $1,419 million or 8% to $18,137 million. Revenue growth was due to the benefits of our diversified business mix and successful execution against our strategic priorities. The impact of the stronger U.S. dollar increased adjusted net revenue growth by $732 million or 4%. The remaining increase was mainly due to revenue growth in Canadian P&C and Wealth Management.
- Revenue growth in Canadian P&C reflected higher balances and improved non-interest revenue. U.S. P&C revenue increased $458 million or 15% on a Canadian dollar basis, and was stable on a U.S. dollar basis as strong commercial loan growth and increased mortgage banking revenue offset the effects of lower net interest margin. Wealth Management revenue growth was driven by traditional wealth growth of 20%, including the full year contribution from the acquired F&C business. Insurance net revenue declined due to higher actuarial benefits in the prior year. BMO Capital Markets revenue increased, driven by the stronger U.S. dollar. Corporate Services adjusted revenue declined mainly due to lower revenue related to the purchased loan portfolio.
- Provisions for credit losses totalled $612 million in the current year, up from $561 million in 2014, primarily due to lower recoveries in Corporate Services and higher provisions in BMO Capital Markets, partially offset by reduced provisions in the P&C businesses.
- Adjusted non-interest expense increased $1,058 million or 10% to $11,819 million, of which approximately 6% was due to the stronger U.S. dollar, 2% was due to the inclusion of F&C results for two additional quarters relative to a year ago, and 2% was due to business growth.
- The effective income tax rate in 2015 was 17.5%, compared with 17.2% in 2014. The adjusted effective income tax rate(2) was 18.0%, compared with 17.5% in 2014. The higher adjusted effective tax rate was attributable to a lower proportion of income from lower tax rate jurisdictions.

(1) See page 38 for a description of net revenue.
(2) The adjusted rate is computed using adjusted net income rather than net income in the determination of income subject to tax.

Foreign Exchange

The U.S. dollar was stronger compared to the Canadian dollar at October 31, 2015 than at October 31, 2014. BMO's U.S.-dollar-denominated assets and liabilities are translated at year-end rates. The average exchange rate over the course of 2015, which is used in the translation of BMO's U.S.-dollar-denominated revenues and expenses, was higher in 2015 than in 2014. Consequently, the Canadian dollar equivalents of BMO's U.S.-dollar-denominated net income, revenues, expenses, recovery of (provision for) credit losses and income taxes in 2015 increased relative to the preceding year. The table below indicates average Canadian/U.S. dollar exchange rates in 2015, 2014 and 2013 and the impact of changes in the average rates on our U.S. segment results. At October 31, 2015, the Canadian dollar traded at $1.3075 per U.S. dollar. It traded at $1.1271 per U.S. dollar at October 31, 2014.

Changes in the exchange rate will affect future results measured in Canadian dollars and the impact on those results is a function of the periods in which revenues, expenses and provisions for (recoveries of) credit losses arise. If future results are consistent with results in 2015, each one cent increase (decrease) in the Canadian/U.S. dollar exchange rate, expressed in terms of how many Canadian dollars one U.S. dollar buys, would be expected to increase (decrease) the Canadian dollar equivalent of U.S.-dollar-denominated adjusted net income before income taxes for the year by $10 million in the absence of hedging transactions.

Economically, our U.S. dollar income stream was largely unhedged to changes in foreign exchange rates during the year. During 2015, we hedged a portion of the forecasted BMO Capital Markets U.S. dollar net income. These hedges are subject to mark-to-market accounting, which resulted in a $21 million after tax loss in 2015, which was recorded in our BMO Capital Markets business.

We regularly determine whether to execute hedging transactions to mitigate the impact of foreign exchange rate movements on net income.

Effects of Changes in Exchange Rates on BMO's Reported and Adjusted Results

(Canadian $ in millions, except as noted)	**2015 vs. 2014**	2014 vs. 2013
Canadian/U.S. dollar exchange rate (average)		
2015	**1.2550**	
2014	**1.0937**	1.0937
2013		1.0235
Effects on reported results		
Increased net interest income	**409**	183
Increased non-interest revenue	**351**	150
Increased revenues	**760**	333
Increased provision for credit losses	**(5)**	(1)
Increased expenses	**(598)**	(262)
Increased income taxes	**(33)**	(14)
Increased reported net income before impact of hedges	**124**	56
Hedging losses in current year after tax	**(21)**	(10)
Increased reported net income	**103**	46
Effects on adjusted results		
Increased net interest income	**409**	183
Increased non-interest revenue	**351**	150
Increased revenues	**760**	333
Increased provision for credit losses	**(15)**	(2)
Increased expenses	**(578)**	(255)
Increased income taxes	**(34)**	(15)
Increased adjusted net income before impact of hedges	**133**	61
Hedging losses in current year after tax	**(21)**	(10)
Increased adjusted net income	**112**	51

Caution

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

Adjusted results in this section are non-GAAP and are discussed in the Non-GAAP Measures section on page 33.

Revenue(1)

Revenue increased $1,166 million or 6% in 2015 to $19,389 million. On a basis that nets insurance claims, commissions and changes in policy benefit liabilities (CCPB) against insurance revenue (net revenue), revenue increased $1,417 million or 8% to $18,135 million.

Amounts in the rest of this Revenue section are stated on an adjusted basis.

Net revenue increased $1,419 million or 8% to $18,137 million, including a $732 million or 4% impact of the stronger U.S. dollar, mainly due to growth in Canadian P&C and Wealth Management. BMO analyzes revenue at the consolidated level based on GAAP revenues as reported in the financial statements, and on an adjusted basis. Consistent with our Canadian peer group, we analyze revenue on a taxable equivalent basis (teb) at the operating group level. The teb adjustments for 2015 totalled $524 million, up from $476 million in 2014.

Canadian P&C revenue increased $235 million or 4% as a result of higher balances and improved non-interest revenue, with stable net interest margin.

U.S. P&C revenue increased $458 million or 15% on a Canadian dollar basis and remained stable at $2,877 million on a U.S. dollar basis, as higher balances and increased mortgage banking revenue offset the effects of lower net interest margin.

Wealth Management revenue increased $676 million or 18% to $4,509 million on a net revenue basis, with traditional wealth growth of 20% due to good growth in client assets, including the full year benefit from the acquired F&C business. Net insurance revenue decreased due to higher actuarial benefits in the prior year.

BMO Capital Markets revenue increased $153 million or 4% to $3,873 million due to the stronger U.S. dollar. Higher trading revenues, including the prior year unfavourable impact of implementing a funding valuation adjustment, and higher lending revenues were offset by lower investment banking fees and reduced securities gains.

Corporate Services adjusted revenue declined by $105 million, mainly due to lower revenue related to the purchased loan portfolio.

(1) Commencing in 2015, insurance claims, commissions and changes in policy benefit liabilities are reported separately. They were previously reported as a reduction in insurance revenue in non-interest revenue. Prior period amounts and ratios have been reclassified. Insurance can experience variability arising from fluctuations in the fair value of insurance assets and the related liabilities. The investments which support actuarial liabilities are predominantly fixed income assets recorded at fair value with changes in the fair values recorded in insurance revenue in the Consolidated Statement of Income. These fair value changes are largely offset by changes in the fair value of policy benefit liabilities, the impact of which is reflected in insurance claims, commissions and changes in policy benefit liabilities. The discussion of revenue on a net basis reduces this variability in the results, which allows for a better discussion of operating results.

Taxable equivalent basis (teb) Revenues of operating groups are presented in our MD&A on a taxable equivalent basis (teb). The teb adjustment increases GAAP revenue and the provision for income taxes by an amount that would increase revenue on certain tax-exempt items to a level that would incur tax at the statutory rate, to facilitate comparisons. This adjustment is offset in Corporate Services.

Revenue and Adjusted Revenue (1)

(Canadian $ in millions, except as noted) For the year ended October 31	2015	2014	2013	2012	2011*
Net interest income	**8,970**	8,461	8,677	8,937	7,474
Year-over-year growth (%)	**6**	(3)	(3)	20	20
Non-interest revenue	**10,419**	9,762	8,153	8,166	7,587
Year-over-year growth (%)	**7**	20	–	8	8
Total revenue	**19,389**	18,223	16,830	17,103	15,061
Cdn./U.S. dollar translation effect	**732**	319	87	98	(188)
Year-over-year growth (%)	**6**	8	(2)	14	14
Impact of Cdn./U.S. dollar translation effect (%)	**4**	2	1	1	1
Adjusted net interest income	**8,971**	8,461	8,020	8,158	7,248
Year-over-year growth (%)	**6**	5	(2)	13	16
Adjusted non-interest revenue	**10,420**	9,762	8,119	7,882	7,612
Year-over-year growth (%)	**7**	20	3	4	8
Total adjusted revenue (2)	**19,391**	18,223	16,139	16,040	14,860
Year-over-year growth (%)	**6**	13	1	8	12
Total adjusted revenue, net of CCPB (2)	**18,137**	16,718	15,372	14,866	13,742
Cdn./U.S. dollar translation effect	**732**	319	78	85	(173)
Year-over-year growth (%)	**8**	9	3	8	12
Impact of Cdn./U.S. dollar translation effect (%)	**4**	2	1	1	1

* Growth rates for 2011 reflect growth based on CGAAP in 2010 and IFRS in 2011. 2011 has not been restated to reflect the new IFRS standards adopted in 2014.

(1) Commencing in the first quarter of 2015, insurance claims, commissions and changes in policy benefit liabilities (CCPB) are reported separately. They were previously reported as a reduction in insurance revenue in non-interest revenue. Prior period amounts and ratios have been reclassified.

(2) Adjusted revenue for 2011-2013 excludes the portion of the credit mark recorded in net interest income on the purchased performing loan portfolio and income or losses from run-off structured credit activities recorded in non-interest revenue, which are recorded in Corporate Services, as discussed in the Non-GAAP Measures section on page 33.

Adjusted results in this section are non-GAAP and are discussed in the Non-GAAP Measures section on page 33.

Net Interest Income

Net interest income for the year was $8,970 million, an increase of $509 million or 6% from 2014, due to the impact of the stronger U.S. dollar and volume growth, partially offset by lower net interest margin and lower revenue from the purchased loan portfolio. The impact of the stronger U.S. dollar increased net interest income by $409 million.

BMO's average earning assets increased $51 billion or 10% in 2015, including a $32 billion increase as a result of the stronger U.S. dollar. There was growth in all operating groups.

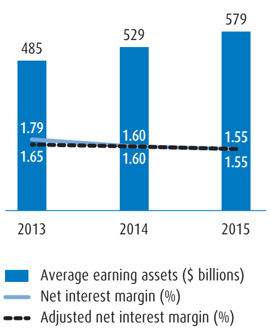
The main drivers of BMO's overall net interest margin are the individual group margins, changes in the magnitude of each operating group's average earning assets and changes in net interest income in Corporate Services. Changes are discussed in the 2015 Operating Groups Performance Review section starting on page 45.

Table 5 on page 122 and Table 6 on page 123 provide further details on net interest income and net interest margin.

Net interest income is comprised of earnings on assets, such as loans and securities, including interest and dividend income and BMO's share of income from investments accounted for using the equity method of accounting, less interest expense paid on liabilities, such as deposits.

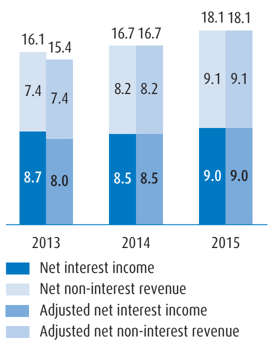
Net interest margin is the ratio of net interest income to average earning assets, expressed as a percentage or in basis points.

Average Earning Assets and Net Interest Margin



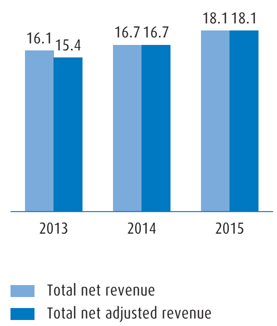
Average earning assets increased 10% and adjusted net interest margin decreased in the low-rate environment.

Net Interest Income and Net Non-Interest Revenue
($ billions)



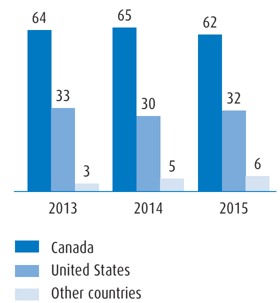
There was growth in adjusted net non-interest revenue and net interest income, reflecting good underlying business growth.

Net Revenue
($ billions)



Canadian P&C and Wealth Management drove net revenue growth.

Net Revenue by Country (%)



The change in net revenue in other countries is primarily due to the F&C acquisition.

Change in Net Interest Income, Average Earning Assets and Net Interest Margin

(Canadian $ in millions, except as noted) For the year ended October 31	Net interest income (teb) 2015	2014	Change %	Average earning assets 2015	2014	Change %	Net interest margin (in basis points) 2015	2014	Change
Canadian P&C	**4,937**	4,780	**3**	**189,505**	183,406	**3**	**261**	261	**–**
U.S. P&C	**2,834**	2,482	**14**	**81,965**	68,312	**20**	**346**	363	**(17)**
Personal and Commercial Banking (P&C)	**7,771**	7,262	**7**	**271,470**	251,718	**8**	**286**	289	**(3)**
Wealth Management	**642**	560	**15**	**23,784**	21,169	**12**	**270**	265	**5**
BMO Capital Markets	**1,334**	1,177	**13**	**238,916**	222,471	**7**	**56**	53	**3**
Corporate Services	**(777)**	(538)	**44**	**45,301**	33,428	**36**	**nm**	nm	**nm**
Total BMO reported	**8,970**	8,461	**6**	**579,471**	528,786	**10**	**155**	160	**(5)**
U.S. P&C (US$ in millions)	**2,259**	2,269	**–**	**65,319**	62,443	**5**	**346**	363	**(17)**

nm – not meaningful

Adjusted results in this section are non-GAAP and are discussed in the Non-GAAP Measures section on page 33.

MD&A

Non-Interest Revenue

Non-interest revenue, which comprises all revenue other than net interest income, increased $908 million or 11% on a net revenue basis to $9,165 million. Excluding the impact of the stronger U.S. dollar, net non-interest revenue increased 7% with the majority of the growth driven by strong performance in Wealth Management, as well as growth in the P&C businesses.

Mutual fund revenue increased $312 million and investment management and custodial fees increased $254 million, both due to good organic growth in client assets and the contribution from six additional months of revenue from the F&C business relative to a year ago and the impact of the stronger U.S. dollar.

Deposit and payment service charges increased $75 million, due to the impact of the stronger U.S. dollar and growth in Canadian P&C.

Lending fees increased $57 million, due to the impact of the stronger U.S. dollar and growth in lending activity in BMO Capital Markets and in the Canadian P&C loan portfolio.

Trading revenues increased $38 million and are discussed in the Trading-Related Revenues section that follows.

Securities commissions and fees increased $19 million. These revenues consist largely of brokerage commissions within Wealth Management, which account for about three-quarters of the total, and institutional equity trading commissions within BMO Capital Markets. The increase is due to the stronger U.S. dollar and higher client activity in BMO Capital Markets, partially offset by lower securities commissions in Wealth Management due to softer equity markets.

Insurance revenue decreased $246 million from a year ago, when lower long-term interest rates increased the fair value of insurance investments, partially offset by increased underlying business premium income in 2015. The decrease in insurance revenue was largely offset by lower insurance claims, commissions and changes in policy benefit liabilities as discussed on page 41.

Underwriting and advisory fees decreased $38 million, due to more challenging market conditions, offset in part by the impact of the stronger U.S. dollar.

Other non-interest revenue includes various sundry amounts and increased by $186 million from the prior year, primarily due to a gain on sale of BMO's U.S. retirement services business and a legal settlement.

Foreign exchange, other than trading, securities gains and card fees were largely consistent with the prior year.

Table 3 on page 120 provides further details on revenue and revenue growth.

Non-Interest Revenue (1)

(Canadian $ in millions) For the year ended October 31	**2015**	2014	2013	**Change from 2014 (%)**
Securities commissions and fees	**953**	934	846	**2**
Deposit and payment service charges	**1,077**	1,002	916	**8**
Trading revenues	**987**	949	849	**4**
Lending fees	**737**	680	603	**8**
Card fees	**460**	462	461	**–**
Investment management and custodial fees	**1,500**	1,246	971	**20**
Mutual fund revenues	**1,385**	1,073	832	**29**
Underwriting and advisory fees	**706**	744	659	**(5)**
Securities gains, other than trading	**171**	162	285	**6**
Foreign exchange, other than trading	**172**	179	172	**(4)**
Insurance revenue (1)	**1,762**	2,008	1,212	**(12)**
Other	**509**	323	347	**58**
Total BMO reported (1)	**10,419**	9,762	8,153	**7**
BMO reported, net of CCPB	**9,165**	8,257	7,386	**11**
Insurance revenue, net of CCPB	**508**	503	445	**1**

(1) Commencing in the first quarter of 2015, insurance claims, commissions and changes in policy benefit liabilities (CCPB) are reported separately. They were previously reported as a reduction in insurance revenue in non-interest revenue. Prior period amounts and ratios have been reclassified.

Trading-Related Revenues

Trading-related revenues are dependent on, among other things, the volume of activities undertaken for clients who enter into transactions with BMO to mitigate their risks or to invest. BMO earns a spread or profit on the net sum of its client positions by profitably managing, within prescribed limits, the overall risk of the net positions. On a limited basis, BMO also earns revenue from principal trading positions.

Interest and non-interest trading-related revenues increased $86 million or 9%. Excluding the impact of the stronger U.S. dollar and the result of hedging a portion of U.S. net income, trading-related revenues increased by $75 million or 8%. Interest rate trading-related revenues increased $82 million or 25%, including the prior year unfavourable impact of implementing a funding valuation adjustment, primarily due to increased client activity in our fixed income businesses. Foreign exchange trading-related revenues were up $25 million or 7%, driven by increased client activity in response to, among other things, the Bank of Canada rate changes and potential changes by the U.S. Federal Reserve. Equities trading-related revenues increased $7 million or 1%, reflecting increased activity with corporate and investor clients. Commodities trading-related revenues increased $3 million or 6% due to increased client hedging activity.

The Market Risk section on page 100 provides more information on trading-related revenues.

Trading-related revenues include net interest income and non-interest revenue earned from on and off-balance sheet positions undertaken for trading purposes. The management of these positions typically includes marking them to market on a daily basis. Trading-related revenues also include income (expense) and gains (losses) from both on-balance sheet instruments and interest rate, foreign exchange (including spot positions), equity, commodity and credit contracts.

MD&A

Interest and Non-Interest Trading-Related Revenues (1)

(Canadian $ in millions) (taxable equivalent basis) For the year ended October 31	**2015**	2014	2013	**Change from 2014 (%)**
Interest rates	**422**	325	479	**30**
Foreign exchange	**364**	356	285	**2**
Equities	**638**	626	499	**2**
Commodities	**56**	46	43	**21**
Other (2)	**6**	13	29	**(54)**
Total (teb)	**1,486**	1,366	1,335	**9**
Teb offset	**467**	433	309	**8**
Reported Total	**1,019**	933	1,026	**9**
Reported as:				
Net interest income	**499**	417	486	**20**
Non-interest revenue – trading revenues	**987**	949	849	**4**
Total (teb)	**1,486**	1,366	1,335	**9**
Teb offset	**467**	433	309	**8**
Reported Total, net of teb offset	**1,019**	933	1,026	**9**
Adjusted net interest income, net of teb offset	**32**	(16)	157	**+100**
Adjusted non-interest revenue – trading revenues	**987**	949	815	**4**
Adjusted total, net of teb offset	**1,019**	933	972	**9**

(1) Trading-related revenues are presented on a taxable equivalent basis.

(2) Includes nominal revenues from run-off structured credit activities and hedging exposures in BMO's structural balance sheet. Prior to 2014, the structured credit revenues were adjusting items and excluded from adjusted trading-related revenues.

Adjusted results in this section are non-GAAP and are discussed in the Non-GAAP Measures section on page 33.

Insurance Claims, Commissions and Changes in Policy Benefit Liabilities

Insurance claims, commissions and changes in policy benefit liabilities were $1,254 million in the current year, down $251 million from $1,505 million in 2014 when lower long-term interest rates increased the fair value of investments backing our policy benefit liabilities, partially offset by increased underlying business premium income in 2015. The decline was largely offset in revenue.

Provision for Credit Losses

The provision for credit losses (PCL) was $612 million in the current year, up from $561 million in 2014. There was no net change to the collective allowance in the year. The increase in PCL was due to lower recoveries in Corporate Services and higher provisions in BMO Capital Markets, partially offset by reduced provisions in the P&C businesses.

PCL as a percentage of average net loans and acceptances was 0.19% in 2015, consistent with the prior year.

On an operating group basis, most of our provisions relate to Personal and Commercial Banking. In Canadian P&C, PCL decreased by $32 million to $496 million in 2015, reflecting lower provisions in both the consumer and commercial portfolios. U.S. P&C PCL was $119 million, down $58 million from 2014, reflecting better credit quality in both the consumer and commercial loan portfolios and loan sale benefits. Wealth Management provisions increased to $7 million in 2015, compared to a net recovery of $3 million in the previous year. BMO Capital Markets recorded provisions of $26 million, compared to net recoveries of $18 million in the prior year. Corporate Services recoveries of credit losses of $36 million in 2015 were down from $123 million in 2014, primarily reflecting lower recoveries.

On a geographic basis, the majority of our provisions relate to our Canadian loan portfolio. Specific PCL in Canada and other countries (excluding the United States) was $498 million, compared to $527 million in 2014. Specific PCL in the United States was $114 million, up from $34 million in 2014, reflecting lower Corporate Services loan recoveries in 2015. Note 4 on page 148 of the financial statements provides PCL information on a geographic basis. Table 15 on page 130 provides further PCL segmentation information.

Provision for Credit Losses

(Canadian $ in millions, except as noted) For the year ended October 31	**2015**	2014	2013
New specific provisions	**1,278**	1,413	1,636
Reversals of previously established allowances	**(210)**	(228)	(267)
Recoveries of loans previously written off	**(456)**	(624)	(772)
Specific provision for credit losses	**612**	561	597
Decrease in collective allowance	**–**	–	(10)
Provision for credit losses (PCL)	**612**	561	587
PCL as a % of average net loans and acceptances (annualized)	**0.19**	0.19	0.22

Provision for Credit Losses by Operating Group

(Canadian $ in millions) For the year ended October 31	**2015**	2014	2013
Canadian P&C	**496**	528	559
U.S. P&C	**119**	177	236
Personal and Commercial Banking	**615**	705	795
Wealth Management	**7**	(3)	3
BMO Capital Markets	**26**	(18)	(36)
Corporate Services, including T&O (1)			
Impaired real estate loans	**28**	21	(43)
Interest on impaired loans	**17**	26	48
Purchased credit impaired loans	**(86)**	(252)	(410)
Purchased performing loans (1)	**5**	82	–
Adjusted provision for credit losses	**612**	561	357
Purchased performing loans (1)	**–**	–	240
Decrease in collective allowance	**–**	–	(10)
Provision for credit losses	**612**	561	587

(1) Effective the first quarter of 2014, Corporate Services adjusted results include credit-related items in respect of the purchased performing loan portfolio. Further details are provided in the Non-GAAP Measures section on page 33.

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

Adjusted results in this section are non-GAAP and are discussed in the Non-GAAP Measures section on page 33.

Non-Interest Expense

Non-interest expense increased $1,261 million or 12% to $12,182 million in 2015. Reported results in 2015 included a $149 million charge, primarily due to restructuring to drive operational efficiencies.

Amounts in the rest of this Non-Interest Expense section are stated on an adjusted basis, unless otherwise noted.

Adjusted non-interest expense excludes acquisition integration costs for certain significant acquisitions and amortization of acquisition-related intangible assets in 2015, 2014 and 2013, and restructuring costs in 2015 and 2013 to align our cost structure with the environment.

Adjusted non-interest expense increased $1,058 million or 10% to $11,819 million, of which approximately 6% was due to the stronger U.S. dollar, and 2% was due to the inclusion of F&C results for two additional quarters, excluding which adjusted non-interest expense increased by 2% due to business growth.

The dollar and percentage changes in expense by category are outlined in the adjacent Adjusted Non-Interest Expense and Non-Interest Expense table. Table 4 on page 121 provides more detail on expenses and expense growth.

Performance-based compensation was unchanged, excluding the impact of the stronger U.S. dollar and the inclusion of F&C's results for two additional quarters relative to a year ago. On the same basis, other employee compensation, which includes salaries, benefits and severance, increased $214 million or 5%, primarily due to merit increases and higher pension costs.

Premises and equipment costs increased $143 million or 7%, excluding the impact of the stronger U.S. dollar, mainly due to higher costs related to technology investments.

Other adjusted expenses declined $20 million or 1%, excluding the impact of the stronger U.S. dollar.

BMO's reported efficiency ratio was 62.8% and its adjusted efficiency ratio was 60.9% in 2015. On a net revenue basis, the adjusted efficiency ratio increased 80 basis points to 65.2% from 2014, primarily due to the currency impact of our foreign operations. On a basis that excludes the impact of the stronger U.S. dollar and purchased loan accounting impacts, operating leverage was 0.6% and the efficiency ratio would have been lower year over year.

Canadian P&C is BMO's largest operating segment, and its reported efficiency ratio of 50.3% increased by 60 basis points, mainly due to lower revenue growth.

The adjusted efficiency ratio in U.S. P&C increased by 60 basis points to 64.2% due to modestly higher expenses in a challenging revenue growth environment for U.S. banks.

The adjusted efficiency ratio in Wealth Management on a net revenue basis improved by 40 basis points to 71.5%.

BMO Capital Markets reported efficiency ratio increased by 100 basis points to 64.2%, as the stronger U.S. dollar increased the weighting of its higher efficiency U.S. business.

On a net revenue basis, reported operating leverage was negative 3.0% in 2015 and adjusted operating leverage was negative 1.3%. On a net revenue basis and excluding the impact of the stronger U.S. dollar, adjusted operating leverage was negative 0.3%, and also excluding purchased loan accounting impacts it was positive 0.5%. Our ongoing focus on improving efficiency and generating positive operating leverage, by driving revenue growth through a strong customer focus and maintaining disciplined cost management, resulted in positive adjusted operating leverage on a net revenue basis in each of the last two quarters of 2015.

Examples of initiatives to enhance productivity are outlined in the 2015 Operating Groups Performance Review, which starts on page 45.

(1) This ratio is calculated excluding insurance claims, commissions and changes in policy benefit liabilities (CCPB).

The **efficiency ratio** (or **expense-to-revenue ratio**) is a key measure of productivity. It is calculated as non-interest expense divided by total revenue (on a taxable equivalent basis in the operating groups), expressed as a percentage. The **adjusted efficiency ratio** is another key measure of productivity and is calculated in the same manner, utilizing adjusted revenue and expense.

Contribution to Growth in Adjusted Non-Interest Expense and Non-Interest Expense (%)

For the year ended October 31	**2015**	2014	2013
Significant businesses acquired	**2.3**	1.5	0.4
Canadian/U.S. dollar translation effect, excluding acquisitions	**5.4**	2.5	0.8
Other	**2.1**	6.3	2.5
Total adjusted non-interest expense growth	**9.8**	10.3	3.7
Impact of adjusting items	**1.7**	(3.5)	(2.8)
Total non-interest expense growth	**11.5**	6.8	0.9

MD&A

Adjusted Non-Interest Expense and Non-Interest Expense

(Canadian $ in millions, except as noted) For the year ended October 31	**2015**	2014	2013	**Change from 2014 (%)**
Performance-based compensation	**2,087**	1,939	1,682	**8**
Other employee compensation (1)	**4,835**	4,294	4,026	**12**
Total employee compensation	**6,922**	6,233	5,708	**11**
Premises and equipment	**2,130**	1,908	1,743	**12**
Other	**2,519**	2,378	2,083	**6**
Amortization of intangible assets	**248**	242	221	**2**
Total adjusted non-interest expense	**11,819**	10,761	9,755	**10**
Adjusting items	**363**	160	471	**+100**
Total non-interest expense	**12,182**	10,921	10,226	**12**
Adjusted non-interest expense growth (%)	**9.8**	10.3	3.7	**na**
Non-interest expense growth (%)	**11.5**	6.8	0.9	**na**

(1) Includes restructuring costs in 2015 and 2013 to align our cost structure with the environment.
na – not applicable

Efficiency Ratio by Group (teb) (%)

For the year ended October 31	**2015**	2014	2013
Efficiency Ratio			
Canadian P&C	**50.3**	49.7	50.7
U.S. P&C	**66.1**	65.9	64.6
Wealth Management	**58.3**	53.2	55.8
BMO Capital Markets	**64.2**	63.2	61.5
Total BMO	**62.8**	59.9	60.8
Adjusted Efficiency Ratio			
Canadian P&C	**50.2**	49.6	50.7
U.S. P&C	**64.2**	63.6	61.8
Wealth Management	**55.9**	51.7	54.9
Wealth Management, net of CCPB	**71.5**	71.9	67.1
BMO Capital Markets	**64.1**	63.2	61.5
Total BMO	**60.9**	59.1	60.4
Total BMO, net of CCPB	**65.2**	64.4	63.5

Adjusted results in this section are non-GAAP and are discussed in the Non-GAAP Measures section on page 33.

Provision for Income Taxes

The provision for income taxes reflected in the Consolidated Statement of Income is based upon transactions recorded in income, regardless of when such transactions are subject to taxation by tax authorities, with the exception of the repatriation of retained earnings from foreign subsidiaries, as outlined in Note 24 on page 189 of the financial statements.

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

The provision for income taxes was $936 million in 2015, compared with $903 million in 2014. The reported effective tax rate in 2015 was 17.5%, compared with 17.2% in 2014. The adjusted provision for income taxes[(1)] was $1,025 million in 2015, compared with $943 million in 2014. The adjusted effective tax rate in 2015 was 18.0%, compared with 17.5% in 2014. The change in the tax rate from year to year is attributable to a lower proportion of income from lower tax rate jurisdictions.

BMO partially hedges the foreign exchange risk arising from its foreign operations by funding the investments in the corresponding foreign currency. The gain or loss on hedging and the unrealized gain or loss on translation of foreign operations are charged or credited to shareholders' equity. For income tax purposes, the gain or loss on the hedging activities results in an income tax charge or credit in the current period, which is charged or credited to shareholders' equity, while the associated unrealized gain or loss on the foreign operations does not incur income taxes until the investments are liquidated. The income tax charge/benefit arising from a hedging gain/loss is a function of the fluctuations in exchange rates from period to period. Hedging of the foreign operations has given rise to an income tax recovery in shareholders' equity of $167 million for the year, compared with $144 million in 2014. Refer to the Consolidated Statement of Changes in Equity on page 138 of the financial statements for further details.

Table 4 on page 121 details the $1,651 million of total net government levies and income tax expense incurred by BMO in 2015. The increase from $1,505 million in 2014 was primarily due to higher payroll levies and sales taxes.

(1) The adjusted rate is computed using adjusted net income rather than net income in the determination of income subject to tax.

Adjusted results in this section are non-GAAP and are discussed in the Non-GAAP Measures section on page 33.

2015 Operating Groups Performance Review

This section includes an analysis of the financial results of our operating groups and descriptions of their businesses, strategies, strengths, challenges, key value drivers, achievements and outlooks.

Personal and Commercial Banking (P&C) (pages 47 to 54)
Net income was $2,931 million in 2015, an increase of $261 million or 10% from 2014. Adjusted net income was $2,988 million, an increase of $262 million or 10%. Personal and Commercial Banking is comprised of two operating segments: Canadian Personal and Commercial Banking (Canadian P&C) and U.S. Personal and Commercial Banking (U.S. P&C).

Wealth Management (pages 55 to 57)
Net income was $850 million in 2015, an increase of $70 million or 9% from 2014. Adjusted net income was $955 million, an increase of $112 million or 13%.

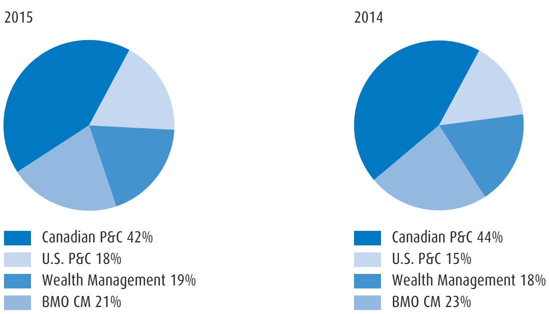
BMO Capital Markets (BMO CM) (pages 58 to 61)
Net income was $1,032 million in 2015, a decrease of $45 million or 4% from 2014. Adjusted net income was $1,034 million, a decrease of $44 million or 4%.

Corporate Services, including Technology and Operations (page 62)
Net loss was $408 million in 2015, compared with a net loss of $194 million in 2014. Adjusted net loss was $296 million, compared with an adjusted net loss of $194 million in 2014.

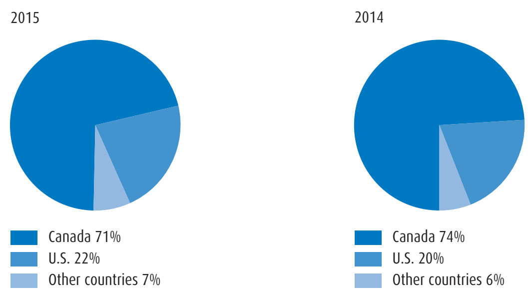
Allocation of Results

The basis for the allocation of results geographically and among operating groups is outlined in Note 27 on page 194 of the financial statements. Certain prior year data has been restated, as explained on the following page, which also provides further information on the allocation of results.

Adjusted Net Income by Operating Segment*



Adjusted Net Income by Country



Results provide attractive diversification across businesses and geographies.

*Percentages determined excluding results in Corporate Services.

Contributions to Revenue, Expenses, Net Income and Average Assets by Operating Group and by Location

(Canadian $ in millions, except as noted) For the year ended October 31	Personal and Commercial Banking			Wealth Management			BMO Capital Markets			Corporate Services			Total Consolidated		
	2015	2014	2013	**2015**	2014	2013	**2015**	2014	2013	**2015**	2014	2013	**2015**	2014	2013
Operating Groups Relative Contribution to BMO's Performance (%)															
Revenue	**52.9**	52.4	53.6	**29.7**	29.3	25.1	**20.0**	20.4	20.1	**(2.6)**	(2.1)	1.2	**100**	100	100
Expenses	**47.0**	48.2	48.8	**27.6**	26.0	23.0	**20.4**	21.5	20.4	**5.0**	4.3	7.8	**100**	100	100
Net income	**66.5**	61.6	57.3	**19.3**	18.0	19.7	**23.4**	24.9	24.8	**(9.2)**	(4.5)	(1.8)	**100**	100	100
Adjusted net income	**63.8**	61.2	58.3	**20.4**	18.9	20.2	**22.1**	24.2	24.7	**(6.3)**	(4.3)	(3.2)	**100**	100	100
Average assets	**43.0**	44.5	43.7	**4.4**	4.2	4.0	**43.7**	43.7	44.4	**8.9**	7.6	7.9	**100**	100	100
Total Revenue															
Canada	**6,639**	6,403	6,019	**3,279**	3,739	2,795	**2,298**	2,249	2,167	**(447)**	(374)	(262)	**11,769**	12,017	10,719
United States	**3,609**	3,151	3,000	**1,016**	788	910	**1,379**	1,261	1,064	**(108)**	(39)	467	**5,896**	5,161	5,441
Other countries	**1**	2	1	**1,468**	811	511	**196**	210	152	**59**	22	6	**1,724**	1,045	670
	10,249	9,556	9,020	**5,763**	5,338	4,216	**3,873**	3,720	3,383	**(496)**	(391)	211	**19,389**	18,223	16,830
Total Expenses															
Canada	**3,340**	3,188	3,051	**1,969**	1,824	1,651	**1,171**	1,186	1,084	**252**	97	194	**6,732**	6,295	5,980
United States	**2,386**	2,071	1,940	**818**	721	599	**1,116**	970	842	**336**	326	575	**4,656**	4,088	3,956
Other countries	**–**	–	–	**570**	295	101	**199**	195	156	**25**	48	33	**794**	538	290
	5,726	5,259	4,991	**3,357**	2,840	2,351	**2,486**	2,351	2,082	**613**	471	802	**12,182**	10,921	10,226
Net Income															
Canada	**2,103**	2,011	1,813	**497**	498	425	**851**	815	832	**(249)**	(45)	(173)	**3,202**	3,279	2,897
United States	**827**	658	588	**127**	58	206	**178**	235	207	**(184)**	(120)	117	**948**	831	1,118
Other countries	**1**	1	1	**226**	224	196	**3**	27	1	**25**	(29)	(18)	**255**	223	180
	2,931	2,670	2,402	**850**	780	827	**1,032**	1,077	1,040	**(408)**	(194)	(74)	**4,405**	4,333	4,195
Adjusted Net Income															
Canada	**2,107**	2,015	1,818	**534**	516	426	**851**	814	832	**(143)**	(45)	(88)	**3,349**	3,300	2,988
United States	**880**	710	643	**150**	80	228	**180**	237	209	**(186)**	(120)	(26)	**1,024**	907	1,054
Other countries	**1**	1	1	**271**	247	200	**3**	27	1	**33**	(29)	(21)	**308**	246	181
	2,988	2,726	2,462	**955**	843	854	**1,034**	1,078	1,042	**(296)**	(194)	(135)	**4,681**	4,453	4,223
Average Assets															
Canada	**196,739**	190,053	177,015	**19,907**	18,368	17,438	**160,547**	142,859	133,513	**24,973**	19,407	17,737	**402,166**	370,687	345,703
United States	**88,905**	74,371	65,764	**4,888**	4,055	3,527	**106,540**	97,228	94,840	**34,175**	25,261	25,345	**234,508**	200,915	189,476
Other countries	**49**	39	18	**4,352**	2,557	1,178	**23,238**	19,659	18,349	**78**	71	707	**27,717**	22,326	20,252
	285,693	264,463	242,797	**29,147**	24,980	22,143	**290,325**	259,746	246,702	**59,226**	44,739	43,789	**664,391**	593,928	555,431

How BMO Reports Operating Group Results

Periodically, certain business lines and units within the business lines are transferred between client and corporate support groups to more closely align BMO's organizational structure with its strategic priorities. In addition, revenue and expense allocations are updated to more accurately align with current experience. Results for prior periods are restated to conform to the current presentation.

Corporate Services results reflect certain items in respect of the purchased loan portfolio, including the recognition of a portion of the credit mark that is reflected in net interest income over the term of the purchased loans and provisions and recoveries of credit losses on the purchased portfolio. Restructuring costs are also included in Corporate Services. Amounts excluded from adjusted results in prior years included credit-related items in respect of the purchased performing loan portfolio, acquisition integration costs and run-off structured credit activities.

Starting in the first quarter of 2015, insurance claims, commissions and changes in policy benefit liabilities (CCPB) are reported separately. They were previously reported as a reduction in insurance revenue in non-interest revenue. Prior period amounts and ratios have been reclassified.

Effective November 1, 2014, we adopted several new and amended accounting pronouncements issued by the International Accounting Standards Board (IASB), which are outlined in Note 1 on page 140 of the financial statements.

BMO analyzes revenue at the consolidated level based on GAAP revenue reflected in the consolidated financial statements rather than on a taxable equivalent basis (teb), which is consistent with our Canadian peer group. Like many banks, we analyze revenue on a teb basis at the operating group level. This basis includes an adjustment that increases GAAP revenue and the GAAP provision for income taxes by an amount that would raise revenue on certain tax-exempt items to a level equivalent to amounts that would incur tax at the statutory rate. The offset to the group teb adjustments is reflected in Corporate Services revenue and income tax provisions.

Adjusted results in this section are non-GAAP and are discussed in the Non-GAAP Measures section on page 33.

Personal and Commercial Banking

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

(Canadian $ in millions, except as noted)	Canadian P&C			U.S. P&C			Total P&C		
As at or for the year ended October 31	**2015**	2014	2013	**2015**	2014	2013	**2015**	2014	2013
Net interest income (teb)	**4,937**	4,780	4,536	**2,834**	2,482	2,321	**7,771**	7,262	6,857
Non-interest revenue	**1,703**	1,625	1,484	**775**	669	679	**2,478**	2,294	2,163
Total revenue (teb)	**6,640**	6,405	6,020	**3,609**	3,151	3,000	**10,249**	9,556	9,020
Provision for credit losses	**496**	528	559	**119**	177	236	**615**	705	795
Non-interest expense	**3,340**	3,182	3,055	**2,386**	2,077	1,936	**5,726**	5,259	4,991
Income before income taxes	**2,804**	2,695	2,406	**1,104**	897	828	**3,908**	3,592	3,234
Provision for income taxes (teb)	**700**	679	594	**277**	243	238	**977**	922	832
Reported net income	**2,104**	2,016	1,812	**827**	654	590	**2,931**	2,670	2,402
Amortization of acquisition-related intangible assets (1)	**4**	4	5	**53**	52	55	**57**	56	60
Adjusted net income	**2,108**	2,020	1,817	**880**	706	645	**2,988**	2,726	2,462
Key Performance Metrics and Drivers									
Net income growth (%)	**4.4**	11.2	2.3	**26.5**	10.7	6.9	**9.8**	11.1	3.4
Adjusted net income growth (%)	**4.4**	11.2	2.4	**24.8**	9.2	3.7	**9.7**	10.7	2.7
Revenue growth (%)	**3.7**	6.4	2.0	**14.6**	5.1	(2.5)	**7.3**	5.9	0.5
Non-interest expense growth (%)	**5.0**	4.2	3.4	**14.9**	7.3	(3.2)	**8.9**	5.4	0.7
Adjusted non-interest expense growth (%)	**4.9**	4.2	3.4	**15.6**	8.1	(2.4)	**9.1**	5.7	1.1
Return on equity (%)							**16.1**	16.7	16.9
Adjusted return on equity (%)							**16.4**	17.1	17.4
Operating leverage (teb) (%)	**(1.3)**	2.2	(1.4)	**(0.3)**	(2.2)	0.7	**(1.6)**	0.5	(0.2)
Adjusted operating leverage (teb) (%)	**(1.2)**	2.2	(1.4)	**(1.0)**	(3.0)	(0.1)	**(1.8)**	0.2	(0.6)
Efficiency ratio (teb) (%)	**50.3**	49.7	50.7	**66.1**	65.9	64.6	**55.9**	55.0	55.3
Adjusted efficiency ratio (teb) (%)	**50.2**	49.6	50.7	**64.2**	63.6	61.8	**55.1**	54.2	54.4
Net interest margin on average earning assets (teb) (%)	**2.61**	2.61	2.66	**3.46**	3.63	3.88	**2.86**	2.89	2.97
Average common equity							**17,848**	15,410	13,723
Average earning assets	**189,505**	183,406	170,739	**81,965**	68,312	59,813	**271,470**	251,718	230,552
Average current loans and acceptances	**194,199**	187,788	174,534	**73,455**	60,414	53,033	**267,654**	248,202	227,567
Average deposits	**132,767**	124,925	113,901	**77,795**	65,412	61,344	**210,562**	190,337	175,245
Assets under administration	**22,848**	24,150	23,190	**126,513**	123,082	112,732	**149,361**	147,232	135,922
Full-time equivalent employees	**15,715**	15,795	15,879	**7,661**	7,835	7,991	**23,376**	23,630	23,870

(1) Before tax amounts of $73 million in 2015, $75 million in 2014 and $87 million in 2013 are included in non-interest expense.

Adjusted results in this section are non-GAAP and are discussed in the Non-GAAP Measures section on page 33.

Canadian Personal and Commercial Banking

Canadian Personal and Commercial Banking provides a full range of financial products and services to eight million customers. We're here to help our customers make the right financial decisions as they do business with us seamlessly across our channels: getting advice from our 16,000 employees at their place of business, in our branches, on their mobile devices, online, over the telephone, and through our automated banking machines.

Cameron Fowler
Group Head
Canadian Personal and Commercial Banking, BMO Financial Group

Lines of Business

Personal Banking provides customers with a wide range of products and services, including chequing and savings accounts, credit cards, mortgages, creditor insurance and everyday financial and investment advice. Our employees are focused on providing exceptional service to all of our customers every time they interact with us.

Commercial Banking provides small business and commercial banking customers with a broad suite of commercial products and services, including business deposit accounts, commercial credit cards, business loans and commercial mortgages, cash management solutions, foreign exchange and specialized banking programs. Our Commercial bankers partner with our customers to help them grow and manage their business.

Strengths and Value Drivers

- Strong commercial banking business, reflected by BMO's number two ranking in Canadian market share for business loans of $25 million or less.
- Largest MasterCard® issuer in Canada, and one of the top commercial card issuers in North America.
- Leading issuer of AIR MILES®, Canada's premier coalition loyalty program.
- Recognized for the third consecutive year by the global financial services research firm Celent with a 2015 Model Bank Award for excellence in the digital banking category.
- Proud to be the official bank of the Canadian defence community, serving the unique needs of the Canadian military.
- Consistently applied credit risk management practices that provide customers with reliable access to appropriate financing solutions in all economic conditions.

Strategy and Key Priorities

Our strategy is focused on capturing key growth and loyalty opportunities while capitalizing on the shift to digital to improve efficiency.

Continued our focus on customer loyalty and growth

2015 Achievements

- Improved our industry-leading employee engagement score by another two percentage points in our annual survey.
- Established new customer service standards across all channels to provide a differentiated experience for our customers and build their loyalty.
- Redesigned our fraud recovery and personal estate processes, in order to make our customers' involvement easier for them in moments that matter.

Personal banking

- Achieved personal lending (excluding retail cards) and deposit growth of 2% and 6%, respectively.
- Increased share of wallet, demonstrating that our products continue to meet the needs of our valued customers.
- Our Spring Home Financing and Summer Everyday Banking Campaigns were a success. Our Summer Everyday Banking Campaign resulted in everyday banking plan sales growing 26% compared to last year.
- Introduced the BMO Savings Builder Account, becoming the first Canadian bank to reward customers with bonus interest for saving monthly.
- World Elite MasterCard® recognized as the Best Travel Reward Credit Card and Best Travel Points Credit Card.
- BMO's Premium CashBack MasterCard for Business was named #1 in *MoneySense*™ magazine's annual ranking of Canada's Best Business Cash Back.

Commercial banking

- Achieved 7% growth in both commercial lending and deposits.
- Launched the BMO Biz Basic™ Plan, to help small business owners easily manage their daily banking simply and cost-effectively.
- Expanded our cash management offerings with the launch of BMO DepositEdge™, enabling our clients to deposit cheques remotely, and BMO Spend Dynamics™, giving corporate card clients convenient access to their transaction data and the ability to analyze their program spend.
- Named as the Best Commercial Bank in Canada by *World Finance Magazine* in recognition of our commitment to building long-term customer relationships and innovative solutions with a strong regional and industry focus, particularly in the areas of Aboriginal Banking and Women in Business.

2016 Focus

- Focus on improving customer loyalty to deepen relationships. In personal banking, increase personal share of wallet and in commercial banking, target opportunities across geography, segment and industry.

Accelerating our digital channel strategy

2015 Achievements

- Digital channel sales volume continued to grow, rising ~14% from last year, which is equivalent to the total sales volume at ~100 branches.
- First major Canadian financial institution to offer *Touch ID*, allowing mobile banking features to be securely accessed with the touch of a button.
- Launched a new BMO Banking and InvestorLine portal, becoming the first major Canadian bank to provide customers with online access to both personal banking and self-directed investment accounts, as well as a personal finance management tool, all in one place.
- Provided Interac® e-Transfers for all business customer services through our digital channels (Online Banking, Mobile Banking and Online Banking for Business).
- Opened or upgraded 24 branches across Canada and expanded our channel network with more than 400 ABMs at Shell locations. We have improved the network with image-enabled ABM technology that offers enhanced interface and transactional capabilities.

2016 Focus

- Focus on continuing to accelerate our channel strategy and increase our digital capabilities.

Continued our strong risk leadership and operating discipline

2015 Achievements

- Enhanced our risk appetite framework with more effective linkages to strategic planning.
- Provisions for credit losses declined by 6% and gross impaired loan formations were 11% lower year over year.
- Continued to make enhancements to our automated leads management engine, which leverages data to identify banking opportunities that we can present to our customers; these relevant and timely offers support our front-line bankers in increasing share of wallet.
- Continued to invest in maintaining strong anti-money laundering capabilities to protect our customers.

2016 Focus

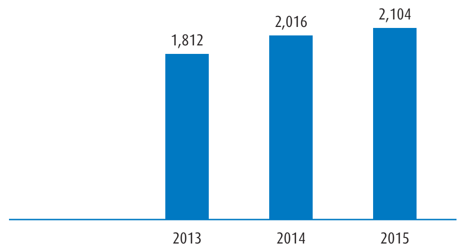
- Continue to focus on our strength in productivity and risk management.

Canadian P&C

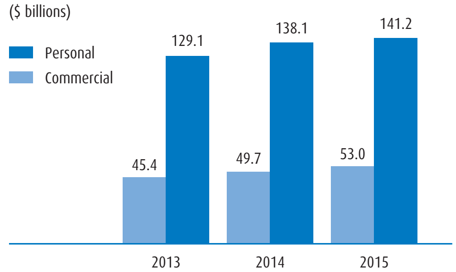
(Canadian $ in millions, except as noted) As at or for the year ended October 31	2015	2014	2013
Net interest income	**4,937**	4,780	4,536
Non-interest revenue	**1,703**	1,625	1,484
Total revenue (teb)	**6,640**	6,405	6,020
Provision for credit losses	**496**	528	559
Non-interest expense	**3,340**	3,182	3,055
Income before income taxes	**2,804**	2,695	2,406
Provision for income taxes	**700**	679	594
Reported net income	**2,104**	2,016	1,812
Amortization of acquisition-related intangible assets (1)	**4**	4	5
Adjusted net income	**2,108**	2,020	1,817
Key Performance Metrics and Drivers			
Personal revenue	**4,415**	4,237	3,993
Commercial revenue	**2,225**	2,168	2,027
Net income growth (%)	**4.4**	11.2	2.3
Revenue growth (%)	**3.7**	6.4	2.0
Non-interest expense growth (%)	**5.0**	4.2	3.4
Operating leverage (%)	**(1.3)**	2.2	(1.4)
Efficiency ratio (%)	**50.3**	49.7	50.7
Net interest margin on average earning assets (%)	**2.61**	2.61	2.66
Average earning assets	**189,505**	183,406	170,739
Average current loans and acceptances	**194,199**	187,788	174,534
Average deposits	**132,767**	124,925	113,901
Full-time equivalent employees	**15,715**	15,795	15,879

(1) Before tax amounts of $5 million in 2015, $4 million in 2014 and $5 million in 2013 are included in non-interest expense.

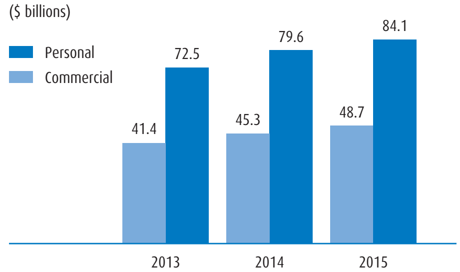
Reported Net Income
($ millions)



Average Current Loans and Acceptances
($ billions)



Average Deposits
($ billions)



Financial Review

Canadian P&C reported net income of $2,104 million, up $88 million or 4% from a year ago, with improved performance in the second half of the year. Revenue increased $235 million or 4% to $6,640 million as a result of higher balances and improved non-interest revenue, with stable net interest margin.

Revenue increased $178 million or 4% in our personal banking business as a result of higher balances and improved non-interest revenue. In our commercial banking business, revenue increased $57 million or 3%, mainly driven by higher balances.

Our credit performance improved, as provisions for credit losses declined $32 million or 6% to $496 million, due to lower provisions in both the consumer and commercial portfolios.

Non-interest expense was $3,340 million, up $158 million or 5% from a year ago, primarily due to continued investment in the business, net of expense management, and higher costs associated with a changing business and regulatory environment. Adjusted operating leverage improved over the course of the year, demonstrating the benefit of actions we took related to containing expenses.

Average current loans and acceptances increased $6.4 billion or 3% from a year ago to $194.2 billion. Total personal lending balances (excluding retail cards) increased 2% year over year, with solid residential mortgage growth partially offset by declines in indirect auto loans. Credit card balances were consistent with the prior year in both retail and corporate cards. Commercial loan balances (excluding corporate cards) increased 7% year over year with growth across a number of industry sectors.

Average deposits increased $7.8 billion or 6% to $132.8 billion. Personal deposit balances increased 6%, driven by strong growth in primary chequing accounts. Commercial deposit growth was broad-based, with balances growing 7% year over year.

Business Environment, Outlook and Challenges

Canada's economic growth and employment are expected to improve in 2016, benefitting from firm demand from the United States, the lower Canadian dollar, and a moderate rise in oil prices. Interest rates are expected to stay low.

In the Canadian personal banking sector, retail operating deposits are projected to grow by approximately 4% in 2016, in line with growth in personal income. Credit card loan balances are expected to continue to grow at a pace a little below 4%, as a result of increasing customer preferences for prime-based lines of credit. Residential mortgage balance growth is projected to approximate 5% in 2016.

In the commercial banking sector, growth in commercial operating deposits and short-term business credit is expected to ease moderately to just under 6% in 2016, partly reflecting a carry-over from weak conditions in the resource sector in 2015.

We expect to generate growth by increasing our customer share of wallet, improving sales force productivity and targeting commercial opportunities across geography, segment and industry. We will continue to operate within the parameters of our risk appetite and our effective governance framework should position us well as information security needs increase and high regulatory expectations continue. Our evolving digital capabilities are expected to help us improve productivity over time as customer transactions migrate to digital channels and this, combined with our strong employee engagement, will improve customer loyalty.

The Canadian economic environment in 2015 and outlook for 2016 are discussed in more detail in the Economic Developments and Outlook section on page 30.

Caution

This Canadian P&C Banking section contains forward-looking statements. Please see the Caution Regarding Forward-Looking Statements.

Adjusted results in this section are non-GAAP and are discussed in the Non-GAAP Measures section on page 33.

U.S. Personal and Commercial Banking

We're here to help our more than two million customers feel confident in their financial decisions by providing a banking experience with a human touch. Our retail and small and mid-sized business banking customers are served through more than 500 branches, contact centres, online and mobile banking platforms and more than 1,300 ABMs across eight states. Our commercial banking customers are offered in-depth specific industry knowledge, as well as strategic capital markets solutions.

Alexandra Dousmanis-Curtis
Group Head
U.S. Retail and Business Banking

David R. Casper
Group Head
Commercial Banking and President and CEO,
BMO Harris Bank

MD&A

Lines of Business

Personal Banking offers a broad range of products and services to individuals, as well as small and mid-sized business customers, including deposits, mortgages, consumer credit, business lending, credit cards and other banking services.

Commercial Banking provides business customers that have annual revenue above $20 million with a broad range of banking products and services, including lending, deposits, treasury management and risk management.

Strengths and Value Drivers

- Rich heritage of more than 160 years in the U.S. Midwest, with a deep commitment to our communities and helping our customers succeed.
- Strong, experienced leadership team that knows how to compete and excel in our markets.
- Unique, differentiated platform for profitable growth provided by our attractive branch footprint and top-tier deposit market share in key U.S. Midwest markets.
- Large-scale, relationship-based national commercial banking business centred in the U.S. Midwest, complemented by in-depth industry knowledge in select sectors.
- Comprehensive and integrated control structure that allows us to actively manage risks and regulatory compliance.

Strategy and Key Priorities

We aim to grow our business and be a leader in our markets by creating a differentiated, intuitive customer experience and advising our customers on a wide range of financial topics, leveraging our brand reputation, local presence and high-performance teams.

Deliver a great customer experience to a loyal, profitable and growing customer base

2015 Achievements

- Delivered strong and improving net promoter score (NPS) results for the commercial banking segment, as we revitalized our internal and external customer experience initiatives to build greater loyalty.
- Our NPS for the retail and business banking segments improved year over year, as we continued to focus on customer feedback.
- Enhanced sales coaching with a focus on the customer experience drove significant year-over-year improvements:
  - Consumer deposit sales per retail banker increased 7%.
  - Consumer loan sales per retail banker increased 27%.
  - Mortgage sales per mortgage banker and sales of loans and deposits to our mass affluent customers per team both increased in excess of 25%.

2016 Focus

- Maintain strong customer loyalty and increase brand awareness, while growing our customer base in high-opportunity segments, including mass affluent customers.

Continue to improve our product and channel capabilities to meet our customers' evolving needs

2015 Achievements

- Continued our multi-year investment in improving our treasury management capabilities and services, including significant enhancements to our online banking solution.
- Introduced our Smart Branch format, which allows customers to conduct transactions with ABM video tellers and makes day-to-day banking easier and more convenient.
- BMO Harris was named as the Most Innovative Financial Institution at this year's ATM & Mobile Innovation Summit, which recognizes innovators in ATM and mobile technology, by Networld Media Group, publishers of ATMmarketplace.com and MobilePaymentsToday.com.
- With the introduction of Mobile Cash, which allows customers to withdraw money from an ABM using their smartphones, we now have the largest network of mobile-enabled cardless ABMs in the United States.
- Enhanced our mobile banking application with the addition of *Touch ID* and *Passcode* for a faster and more secure log-in process.

2016 Focus

- Build on our mobile and online channel capabilities as we continue to enhance our customer experience.

Improve financial performance by growing revenue and effectively managing costs

2015 Achievements

- Maintained stable revenue in a low interest rate environment and a highly competitive U.S. personal and commercial banking market.
- Total loans increased by $3.3 billion or 6%, while the total commercial loan portfolio grew by $4.5 billion or 14%.
- Deposits grew by $2.2 billion or 4% as a result of strong chequing account growth of $3.7 billion or 11%. In the Chicago and Wisconsin areas, we maintained our strong second place rankings, while holding the number four market share position within our primary footprint of Illinois, Wisconsin, Missouri, Kansas, Indiana and Minnesota and increasing our overall market share to 6.4%.
- Managed expenses effectively while continuing to invest in our business.

2016 Focus

- Continue to focus on profitable growth by deepening existing client relationships and acquiring new customers, while managing costs.

Continue to deploy our unique commercial operating model by delivering local access and industry expertise to our clients across a broad geographic footprint

2015 Achievements

- Continued strong growth in commercial and industrial (C&I) loans and commercial real estate loans, with year-over-year increases of $4.3 billion or 16% and $0.5 billion or 15%, respectively.
- Announced the signing of an agreement with General Electric Capital Corporation (GE Capital) to acquire its Transportation Finance business. GE Capital's Transportation Finance business is the largest provider of financing for the truck and trailer sector in North America, with over 40 years of experience servicing the complete supply chain.
- Launched the "One Bank" initiative to better serve customers with operations across North America.
- Deepened customer relationships by providing treasury management services, driving a 6% increase in fee income year over year.

2016 Focus

- Continue to leverage our North American commercial franchise and partnerships to deliver a "One Bank" customer experience and successfully integrate the acquired GE Capital Transportation Finance business.

Continue our strong risk leadership and operating discipline

2015 Achievements

- Provision for credit losses improved by 41% over the prior year.
- Actively managed risks and regulatory compliance through a reinforced oversight and control structure.
- Continued to invest in maintaining strong anti-money laundering capabilities to protect our customers.

2016 Focus

- Continue to focus on our strength in productivity and risk management.

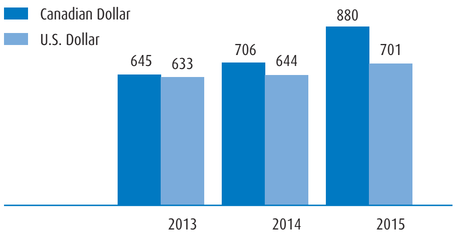
U.S. P&C

(Canadian $ in millions, except as noted) As at or for the year ended October 31	**2015**	2014	2013
Total revenue (teb)	**3,609**	3,151	3,000
Reported net income	**827**	654	590
Adjusted net income	**880**	706	645
Net income growth (%)	**26.5**	10.7	6.9
Adjusted net income growth (%)	**24.8**	9.2	3.7
Revenue growth (%)	**14.6**	5.1	(2.5)
Non-interest expense growth (%)	**14.9**	7.3	(3.2)
Adjusted non-interest expense growth (%)	**15.6**	8.1	(2.4)
(US$ in millions, except as noted)			
Net interest income (teb)	**2,259**	2,269	2,268
Non-interest revenue	**618**	611	664
Total revenue (teb)	**2,877**	2,880	2,932
Provision for credit losses	**95**	162	230
Non-interest expense	**1,901**	1,899	1,892
Income before income taxes	**881**	819	810
Provision for income taxes (teb)	**222**	222	231
Reported net income	**659**	597	579
Amortization of acquisition-related intangible assets (1)	**42**	47	54
Adjusted net income	**701**	644	633
Key Performance Metrics and Drivers (US$ basis)			
Net income growth (%)	**10.3**	3.2	5.1
Adjusted net income growth (%)	**8.8**	1.8	1.9
Revenue growth (%)	**(0.2)**	(1.8)	(4.4)
Non-interest expense growth (%)	**0.1**	0.4	(5.1)
Adjusted non-interest expense growth (%)	**0.7**	1.2	(4.4)
Operating leverage (teb) (%)	**(0.3)**	(2.2)	0.7
Adjusted operating leverage (teb) (%)	**(0.9)**	(3.0)	–
Efficiency ratio (teb) (%)	**66.1**	65.9	64.6
Adjusted efficiency ratio (teb) (%)	**64.2**	63.6	61.8
Net interest margin on average earning assets (teb) (%)	**3.46**	3.63	3.88
Average earning assets	**65,319**	62,443	58,432
Average current loans and acceptances	**58,520**	55,224	51,955
Average deposits	**61,962**	59,804	59,941
Full-time equivalent employees	**7,661**	7,835	7,991

(1) Before tax amounts of $55 million in 2015, $67 million in 2014 and $81 million in 2013 are included in non-interest expense.

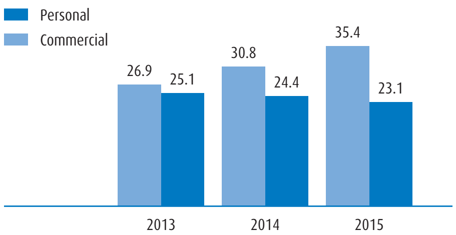
Adjusted Net Income

($ millions)



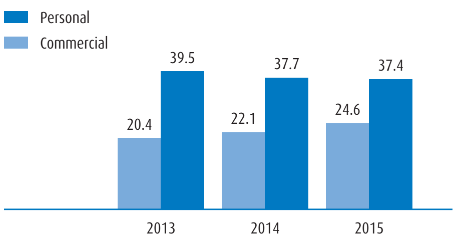
Average Current Loans and Acceptances

(US$ billions)



Average Deposits

(US$ billions)



Financial Review

Net income of $827 million increased $173 million or 26%. Adjusted net income of $880 million increased $174 million or 25%. Revenue grew $458 million or 15% to $3,609 million. All amounts in the remainder of this section are on a U.S. dollar basis.

Net income of $659 million increased $62 million or 10% from a year ago. Adjusted net income of $701 million increased $57 million or 9%.

Revenue remained stable at $2,877 million as higher balances and increased mortgage banking revenue offset the effects of lower net interest margin.

In our commercial banking business, revenue increased $27 million or 2% to $1,431 million, reflecting strong loan volume growth, primarily in the C&I loan portfolio, partially offset by the impact of competitive spread compression.

In our personal banking business, revenue decreased by $30 million or 2% to $1,446 million, primarily due to declines in loan spreads and balances and reduced fees from deposits and credit cards, partially offset by increased mortgage banking revenue and chequing balance growth.

Net interest margin decreased by 17 basis points to 3.46%, driven by competitive loan pricing, changes in mix including loans growing faster than deposits and the low rate environment.

Provisions for credit losses of $95 million improved by $67 million or 41% from a year ago, primarily due to lower provisions in both the consumer and commercial loan portfolios and loan sale benefits.

Non-interest expense of $1,901 million remained stable. Adjusted non-interest expense of $1,846 million increased $14 million, or less than 1%, as we continue to focus on expense management while making selective investments in the business.

Average current loans and acceptances increased $3.3 billion or 6% to $58.5 billion. The C&I loan portfolio continues to experience strong growth, increasing by $4.3 billion or 16% from a year ago to $30.9 billion. We have grown our commercial real estate portfolio by $0.5 billion or 15%. These increases offset decreases in home equity and mortgage loans, due in part to the effects of our continued practice of selling most mortgage originations in the secondary market.

Average deposits of $62.0 billion increased $2.2 billion, as growth in our commercial business and in our personal chequing accounts was partially offset by a reduction in higher-cost personal money market and time deposit accounts.

Business Environment, Outlook and Challenges

U.S. P&C has a significant footprint in eight states, primarily concentrated in six contiguous states in the U.S. Midwest region (Illinois, Wisconsin, Indiana, Minnesota, Missouri and Kansas).

Following modest growth in recent years, the U.S. Midwest economy is expected to improve to 1.8% in 2015 and 2.1% in 2016. Growth in consumer and commercial loans strengthened this year. Consumer loan volumes are expected to trend higher in 2016 due to relatively low interest rates, improvements in household finances, rising consumer confidence and steady demand for automobiles. Residential mortgage growth shows improvement as housing remains relatively healthy. Commercial loan growth, including non-residential mortgages, should remain strong in response to improvements in economic growth and business confidence across our footprint.

The U.S. Midwest banking environment continues to be highly competitive, and the low interest rate environment remains a challenge for the banking industry. We continue to concentrate on our customer-focused growth strategy, offering multiple product packages and attracting new customers through our differentiated channel offerings, while deepening our existing client relationships by focusing on cross-selling and delivering a "One Bank" experience. We expect to deliver growth from executing on our strategies, while still operating within the parameters of our risk appetite and the GE Capital Transportation Finance business acquisition. We are also positioned to benefit from rising interest rates. We will continue to actively manage risks and regulatory compliance through a reinforced oversight and control structure.

The U.S. economic environment in 2015 and the outlook for 2016 are discussed in more detail in the Economic Developments and Outlook section on page 30.

Caution

This U.S. P&C Banking section contains forward-looking statements. Please see the Caution Regarding Forward-Looking Statements.

Adjusted results in this section are non-GAAP and are discussed in the Non-GAAP Measures section on page 33.

BMO Wealth Management

BMO's wealth business serves a full range of client segments, from mainstream to ultra-high net worth and institutional, with a broad offering of wealth management products and services including insurance. Wealth Management is a global business with an active presence in markets across Canada, the United States, Europe and Asia.

Gilles Ouellette
Group Head
Wealth Management

MD&A

Lines of Business

Our Personal wealth businesses provide wealth management solutions to retail clients in Canada, the United States and Asia:

BMO Nesbitt Burns, our full-service investing business in Canada, offers comprehensive and client-focused investment and wealth advisory services leveraging strong financial planning capabilities.

BMO InvestorLine is an online investing service that offers clients two ways to invest: our top-ranked self-directed service, which provides tools to help investors make independent investment decisions; or adviceDirect™, which provides investors with online advice and investment recommendations for their portfolios.

BMO's Private Banking businesses operate in Canada, the United States, Hong Kong and Singapore, offering a comprehensive range of financial services and solutions to high net worth and ultra-high net worth clients and, under BMO Harris Financial Advisors, to mass affluent clients in the United States.

BMO Global Asset Management is a global investment organization that provides investment management, and trust and custody services to institutional, retail and high net worth investors around the world.

BMO Insurance operates in Canada and internationally. In Canada, we manufacture life insurance, accident and sickness insurance, and annuity products that are marketed both to brokers and directly to individuals. Our creditor insurance division markets group creditor insurance, and internationally, we provide reinsurance solutions.

Strengths and Value Drivers

- Planning and advice-based approach that integrates investment, insurance, specialized wealth management and core banking solutions.
- Team of highly skilled wealth professionals who are committed to providing an exceptional client experience.
- Prestigious brand that is broadly recognized and trusted.
- Strong presence in North America, and globally in asset management and private banking in select markets, including Europe and Asia.
- Diversified portfolio of digital investment solution platforms, ranging from self-directed investing to professional money management.
- Access to BMO's broad client base and distribution networks.
- Transparent and effective risk management framework.

Strategy and Key Priorities

Our aim is to be the wealth management solutions provider that defines great client experience. Our strategy is to deliver on our clients' wealth management needs now and in the future by enhancing the client experience, while focusing on productivity and investing for future growth.

Enhance our clients' experience by delivering on their evolving wealth management needs

2015 Achievements

- Improved financial planning capabilities through the use of remote and in-field training and the addition of financial planning professionals, as well as enhancements to financial planning software.
- Expanded wealth management offerings, solutions and programs for targeted growth demographics, such as millennials and women investors.
- Strong focus on collaboration across BMO, in order to offer our clients holistic solutions to their financial needs at every stage of their lives.
- BMO Global Asset Management is now positioned as a Top 50 Asset Manager Worldwide in the "personal investments" category by Pensions & Investments, and BMO Funds was rated second among U.S. mutual fund families by the annual Barron's/Lipper Fund Family Ranking.
- Received numerous awards, including Best Wealth Management in Canada, 2015 (*Global Banking and Finance Review*); Best Wealth Management Bank Canada, 2015 (*International Finance Magazine*); BMO Harris Private Banking was named Best Private Bank in Canada, 2015 (*Global Banking and Finance Review*); BMO Nesbitt Burns was named the Best Full-Service Investment Advisory in Canada, 2015 (*Global Banking and Finance Review*) and recognized as having the Best Integrated Investment Advisor Digital Platform in Canada, 2015 (*Global Banking and Finance Review*); and BMO InvestorLine was named Best Overall Discount Brokerage, 2015 (*Money Sense*).

2016 Focus

- Attract new clients and focus on delivering a great client experience.

Drive productivity and increase revenue per employee

2015 Achievements

- Introduced automated sales processes across our business, including Insurance.

- Enhanced our data analytics capabilities to increase sales force capacity and efficiency.
- Launched a comprehensive training program to develop best-in-class sales and relationship management capabilities.
- Divested our U.S. retirement services business to focus on core businesses.
- Accelerated credit portfolio growth with improvements in lending processes and expansion in select areas.
- Effectively managed within our risk appetite and responded to heightened regulatory expectations.

2016 Focus

- Continue to improve productivity, while managing our risks with an emphasis on increasing revenue per employee.

Invest in our people, products, technology and footprint to drive future growth

2015 Achievements

- Completed the integration of F&C Asset Management plc (F&C) and rebranded it as BMO Global Asset Management. This acquisition strengthens the position of BMO Global Asset Management as a globally significant money manager, adding scale, capabilities and resources to its asset management platform and providing attractive cross-selling opportunities.
- Launched tablet application with retail online banking to provide self-directed clients with a seamless "One Bank" experience, as well as launched the BMO *Market Pro* platform to cater to clients who are active traders.
- Continued to onboard, train and expand our sales force in strategically important segments.

2016 Focus

- Selectively invest in our sales force and continue to enhance technology to drive revenue growth.

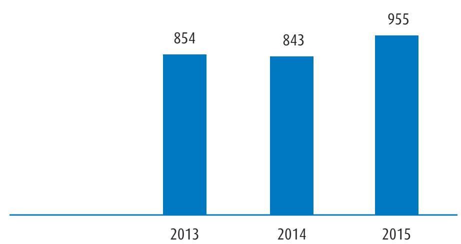
Wealth Management

(Canadian $ in millions, except as noted) As at or for the year ended October 31	**2015**	2014	2013
Net interest income	**642**	560	558
Non-interest revenue (1)	**5,121**	4,778	3,658
Total revenue (1)	**5,763**	5,338	4,216
Insurance claims, commissions and changes in policy benefit liabilities (CCPB) (1)	**1,254**	1,505	767
Revenue, net of CCPB	**4,509**	3,833	3,449
Provision for (recovery of) credit losses	**7**	(3)	3
Non-interest expense	**3,357**	2,840	2,351
Income before income taxes	**1,145**	996	1,095
Provision for income taxes	**295**	216	268
Reported net income	**850**	780	827
Acquisition integration costs (2)	**37**	16	–
Amortization of acquisition-related intangible assets (3)	**68**	47	27
Adjusted net income	**955**	843	854
Key Performance Metrics and Drivers			
Net income growth (%)	**8.9**	(5.7)	57.8
Adjusted net income growth (%)	**13.3**	(1.3)	56.7
Revenue growth (%) (1)	**8.0**	26.6	3.5
Revenue growth, net of CCPB	**17.6**	11.2	18.9
Non-interest expense growth (%)	**18.2**	20.8	6.0
Adjusted non-interest expense growth (%)	**16.9**	19.1	5.7
Return on equity (%)	**14.8**	18.4	28.4
Adjusted return on equity (%)	**16.6**	19.9	29.3
Operating leverage (%) (1)	**(10.2)**	5.8	(2.5)
Adjusted operating leverage, net of CCPB (%)	**0.7**	(7.9)	13.2
Efficiency ratio (%) (1)	**58.3**	53.2	55.8
Adjusted efficiency ratio, net of CCPB (%)	**71.5**	71.9	67.1
Net interest margin on average earning assets (%)	**2.70**	2.65	2.87
Average common equity	**5,688**	4,181	2,884
Average earning assets	**23,784**	21,169	19,399
Average current loans and acceptances	**14,502**	12,897	11,909
Average deposits	**27,377**	24,912	23,337
Assets under administration	**465,742**	414,547	357,594
Assets under management	**397,959**	379,606	194,158
Full-time equivalent employees	**6,477**	6,649	6,012
U.S. Business Select Financial Data (US$ in millions)			
Total revenue	**806**	720	886
Non-interest expense	**652**	658	585
Reported net income	**99**	53	199
Adjusted net income	**118**	73	220
Average earning assets	**3,242**	3,028	2,687
Average current loans and acceptances	**2,938**	2,629	2,510
Average deposits	**6,010**	5,834	4,947

(1) Commencing in the first quarter of 2015, insurance claims, commissions and changes in policy benefit liabilities (CCPB) are reported separately. They were previously reported as a reduction in insurance revenue in non-interest revenue. Prior period amounts and ratios have been reclassified.
(2) F&C acquisition integration costs before tax amounts of $46 million in 2015 and $20 million in 2014 are included in non-interest expense.
(3) Before tax amounts of $88 million in 2015, $62 million in 2014 and $36 million in 2013 are included in non-interest expense.

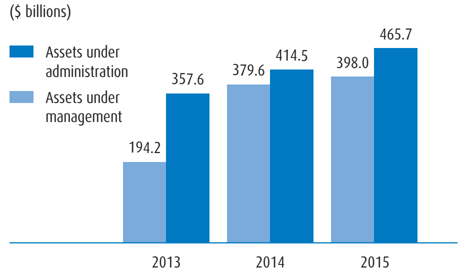
Adjusted Net Income

($ millions)



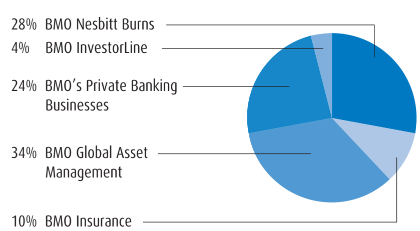
Assets under Management and Administration

($ billions)



2015 Net Revenue by Line of Business

(%)



Financial Review

Wealth Management net income was $850 million, up $70 million or 9% from a year ago. Adjusted net income, which excludes the amortization of acquisition-related intangible assets and acquisition integration costs, was $955 million, up $112 million or 13% from a year ago.

Adjusted net income in traditional wealth was $715 million, up $158 million or 28% from a year ago, due to good growth from the businesses, a gain on the sale of BMO's U.S. retirement services business, as well as the benefit from the full year contribution from the acquired F&C business. Adjusted net income in insurance was $240 million compared to $286 million a year ago, primarily due to higher taxes in the current year and higher actuarial benefits in the prior year.

Revenue was $5,763 million, up $425 million or 8% from a year ago. Revenue was $4,509 million on a basis that nets CCPB with insurance revenue, up $676 million or 18% from the prior year. Revenue in traditional wealth was $4,057 million, up $687 million or 20% primarily due to good growth in client assets, including the full year contribution from the acquired F&C business. Insurance revenue, net of CCPB, was $452 million, compared to $463 million a year ago, due to higher actuarial benefits in the prior year. The stronger U.S. dollar increased revenue by $133 million or 4%.

The provision for credit losses was $7 million compared to a $3 million net recovery a year ago.

Non-interest expense was $3,357 million, up $517 million or 18%. Adjusted non-interest expense was $3,223 million, up $465 million or 17%, of which 4% is due to the stronger U.S. dollar, 9% is due to the inclusion of F&C results for two additional quarters and 4% was primarily due to higher revenue-based costs.

Assets under management and administration grew by $70 billion or 9% from a year ago to $864 billion, driven by favourable foreign exchange movements and market appreciation.

Net income in Wealth Management U.S. businesses was US$99 million. Adjusted net income in Wealth Management U.S. businesses was US$118 million, up $45 million or 59% from a year ago, due to a gain on sale of BMO's U.S. retirement services business in the current year and higher costs related to the settlement of a legal matter in the prior year.

Business Environment, Outlook and Challenges

Growth in the Canadian economy slowed in the first half of 2015, and it is estimated that GDP will grow 1.1% in fiscal 2015, while the United States GDP is expected to grow approximately 2.5%. Canadian and U.S. stock markets continued to perform well in the first half of the year, but experienced declines in the second half. We recorded growth in client assets despite the softer equity markets towards the end of the year as a result of our strategic focus on enhancing the client experience, product innovation and sales force investments. The Bank of Canada reduced interest rates twice and the Federal Reserve held interest rates steady in 2015, putting pressure on our brokerage net interest income for much of the year. The overall investment climate was unfavourable during the latter part of the year, which was reflected in low levels of client trading activity.

Moderate growth of 2.0% is expected in the Canadian economy in 2016, and we anticipate that a sustained level of higher activity in equity markets will continue to positively affect both transaction volumes and asset levels. The Bank of Canada is expected to hold interest rates steady in 2016, before shifting to a tightening stance in early 2017, while the Federal Reserve is expected to slowly increase interest rates in 2016.

Changing demographics, particularly in the retirement, mass affluent and high net worth sectors, will continue to drive the wealth management industry over the longer term. Tailoring our offering for key client segments, enhancing our team-based client service model to provide a holistic approach that supports clients as they move through different life stages and keeping pace with advances in technology, are ways in which we can continue to meet our clients' evolving needs.

We have experienced significant growth, both organically and through strategic acquisitions. Our F&C acquisition further strengthens our position as a globally significant money manager and supports our plans to offer truly global services to our clients across our international footprint.

The Canadian and U.S. economic environment in fiscal 2015 and the outlook for fiscal 2016 are discussed in more detail in the Economic Developments and Outlook section on page 30.

Caution

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

Adjusted results in this section are non-GAAP and are discussed in the Non-GAAP Measures section on page 33.

BMO Capital Markets

BMO Capital Markets is a North American-based financial services provider offering a complete range of products and services to corporate, institutional and government clients. BMO Capital Markets has approximately 2,200 professionals in 29 locations around the world, including 16 offices in North America.

Darryl White
Group Head
BMO Capital Markets

Lines of Business

Investment and Corporate Banking offers clients debt and equity capital-raising services, as well as loan origination and syndication, balance sheet management solutions and treasury management services. We provide strategic advice on mergers and acquisitions, restructurings and recapitalizations, as well as valuation and fairness opinions. We also offer trade finance and risk mitigation services to support the international business activities of our clients, and we provide a wide range of banking and other operating services tailored to North American and international financial institutions.

Trading Products offers research and access to global markets for institutional, corporate and retail clients through an integrated suite of sales and trading solutions that include debt, foreign exchange, interest rate, credit, equity, securitization and commodities. We also offer new product development and origination services, as well as risk management (derivatives) advice and services to hedge against fluctuations in a variety of key inputs, including interest rates and commodities prices. In addition, we provide funding and liquidity management to our clients.

Strengths and Value Drivers

- Unified coverage approach and integrated distribution creates an exceptional client experience across our North American platform, together with a complementary international presence in select industry sectors.
- Innovative ideas and expertise delivered through our top-tier coverage team, dedicated to understanding and meeting our core clients' needs.
- Top-ranked economic equity and fixed income research, sales and trading capabilities with deep expertise in core sectors.
- Focus on first-line-of-defence risk management capabilities, enabling effective decision-making in support of our strategy and client experience.

Strategy and Key Priorities

BMO Capital Markets' aim is to be the lead investment bank that enables our clients to achieve their ambitions. We offer an integrated platform that is differentiated by leading ideas and unified coverage.

Continue to earn leading market share in Canada without taking outsized risk

2015 Achievements

- Named 2015 Greenwich Quality Leader for Canadian Equity Sales and Corporate Access, Canadian Mergers and Acquisitions, and Large Corporate Cash Management and Large Corporate Trade Finance by Greenwich Associates.
- Ranked #1 (tied) as a 2015 Greenwich Share Leader for Overall Canadian Fixed Income Market Share by Greenwich Associates.
- Ranked #2 as a 2015 Greenwich Share Leader for Canadian Equity Trading and #2 (tied) for Canadian Foreign Exchange Market Share by Greenwich Associates.
- Ranked #3 as a 2015 Greenwich Share Leader for Canadian Equity Research/Advisory Vote Share by Greenwich Associates.

2016 Focus

- Continue to earn leading market share in Canada by delivering leading ideas through our top-tier coverage team.

Continue to serve global clients with North American interests and leverage our global leadership in select strategic sectors

2015 Achievements

- Completed a reorganization of Trading Products by asset class to further enhance customer experience and North American franchise value.
- Named World's Best Metals & Mining Investment Bank for the sixth consecutive year by *Global Finance* magazine.
- Named Best Supply Chain Finance Bank in North America for the second consecutive year by *Trade Finance* magazine.
- Named Best Bank in Canadian Dollar Foreign Exchange for the fifth consecutive year by *FX Week* magazine.
- Named 2015 Greenwich Quality Leader for Canadian Fixed Income Research by Greenwich Associates.
- Acted as joint lead on an issue for KfW Development Bank, attracting strong interest from Asia and Europe that resulted in the largest outstanding sovereigns, supranationals and agencies (SSA) issue in the Canadian market.
- BMO served as a co-chair of the TFSA RMB Working Group, which played a crucial role in establishing an offshore renminbi clearing hub in Canada. The Canadian hub facilitates settlements in renminbi, with the intention of encouraging trade and strengthening ties between Canadian companies and their Chinese business partners. BMO Capital Markets initiated the first renminbi trade to celebrate the hub's official launch.

2016 Focus

- Leverage our strong North American capabilities and presence in select international markets.

Continue to drive performance in our U.S. client franchise with a greater weighting in corporate banking to further support our clients and the stability of future earnings

2015 Achievements

- Continued to leverage our full-service capabilities to gain a competitive advantage against our U.S. mid-market and boutique competitors.
- Closed the sale of GKST, our municipal bond trading business, which will allow us to focus resources on our core U.S. fixed income business.
- The number of M&A transactions closed this year was up 23%, totalling $13.9 billion.
- Named 2014 Mid-Market Equity House of the Year by *International Financing Review*.
- Ranked among Top 20 global investment banks and 12th-largest investment bank in North and South America, based on fees, by Thomson Reuters.
- Average lending assets increased 20% in the United States from the prior year.

2016 Focus

- Continue to drive performance in our U.S. platform with a focused strategy and selectively grow our corporate bank where we are competitively advantaged.

Continue to enhance our risk management, regulatory and compliance practices

2015 Achievements

- Investments in our compliance, risk and regulatory infrastructure and processes have improved our capabilities in each of these areas and positioned us well for future regulatory changes.
- Compliant with all key regulations, including full implementation of systems for *Volcker Rule* compliance.

2016 Focus

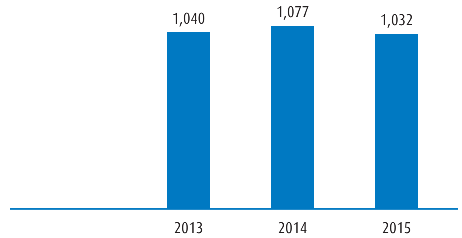
- Continue to enhance our first-line-of-defence risk management, regulatory and compliance practices.

BMO Capital Markets

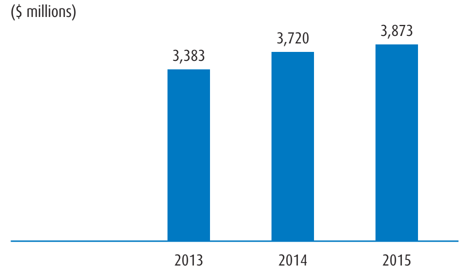
(Canadian $ in millions, except as noted) As at or for the year ended October 31	**2015**	2014	2013
Net interest income (teb)	**1,334**	1,177	1,197
Non-interest revenue	**2,539**	2,543	2,186
Total revenue (teb)	**3,873**	3,720	3,383
Provision for (recovery of) credit losses	**26**	(18)	(36)
Non-interest expense	**2,486**	2,351	2,082
Income before income taxes	**1,361**	1,387	1,337
Provision for income taxes (teb)	**329**	310	297
Reported net income	**1,032**	1,077	1,040
Amortization of acquisition-related intangible assets (1)	**2**	1	2
Adjusted net income	**1,034**	1,078	1,042
Key Performance Metrics and Drivers			
Trading Products revenue	**2,412**	2,257	2,126
Investment and Corporate Banking revenue	**1,461**	1,463	1,257
Net income growth (%)	**(4.2)**	3.6	5.4
Revenue growth (%)	**4.1**	9.9	4.2
Non-interest expense growth (%)	**5.7**	12.9	5.0
Return on equity (%)	**14.9**	19.1	17.9
Operating leverage (teb) (%)	**(1.6)**	(3.0)	(0.8)
Efficiency ratio (teb) (%)	**64.2**	63.2	61.5
Net interest margin on average earning assets (teb) (%)	**0.56**	0.53	0.59
Average common equity	**6,538**	5,422	5,582
Average earning assets	**238,916**	222,471	202,062
Average assets	**290,325**	259,746	246,702
Average current loans and acceptances	**37,416**	30,101	24,807
Average deposits	**141,275**	133,405	121,193
Full-time equivalent employees	**2,223**	2,270	2,163
U.S. Business Select Financial Data (US$ in millions)			
Total revenue (teb)	**1,099**	1,154	1,040
Non-interest expense	**890**	887	823
Reported net income	**142**	216	203
Average earning assets	**76,630**	79,958	76,984
Average assets	**84,872**	88,902	92,690
Average current loans and acceptances	**10,969**	9,536	8,502
Average deposits	**55,942**	57,754	60,116

(1) Before tax amounts of $2 million in 2015, $3 million in 2014 and $2 million in 2013 are included in non-interest expense.

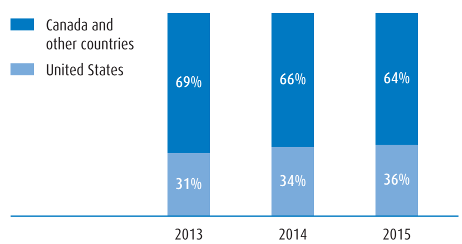
Reported Net Income
($ millions)



Revenue
($ millions)



Revenue by Geography
(%)



Financial Review

BMO Capital Markets net income decreased $45 million or 4% to $1,032 million as the benefit of the stronger U.S. dollar was more than offset by higher provisions in the current year compared to net recoveries in the prior year. Return on equity of 14.9% declined by 4.2% from the prior year, largely due to higher allocated capital.

Revenue increased $153 million or 4% to $3,873 million. Excluding the impact of the stronger U.S. dollar, revenue was stable year over year as higher trading revenues, including the prior year unfavourable impact of implementing a funding valuation adjustment, and higher lending revenues were offset by lower investment banking fees and reduced securities gains.

Trading Products revenue increased $155 million or 7%. Excluding the impact of the stronger U.S. dollar, revenue increased $69 million or 3%, reflecting higher trading revenues related to stronger client trading activity.

Investment and Corporate Banking revenue was consistent with the prior year. Excluding the impact of the stronger U.S. dollar, revenue decreased $65 million or 4%, as growth in lending revenue was more than offset by lower investment banking client activity and reduced securities gains.

Provision for credit losses was $44 million higher due to higher provisions compared with net recoveries in the prior year.

Non-interest expense increased $135 million or 6% to $2,486 million. Excluding the impact of the stronger U.S. dollar, non-interest expense decreased $7 million primarily due to lower employee-related expenses, partially offset by higher support costs related to a changing business and regulatory environment.

Average assets of $290.3 billion increased $30.6 billion from the prior year. Excluding the impact of the stronger U.S. dollar, average assets increased $16.9 billion. Higher levels of net loans and acceptances due to increases in corporate banking activity and higher repo and derivative financial assets were partially offset by decreases in securities and cash balances.

BMO Capital Markets participated in 1,355 new global issues in 2015, comprised of 571 corporate debt deals, 558 government debt deals and 226 equity transactions, raising $3,650 billion.

Business Environment, Outlook and Challenges

BMO Capital Markets' performance in fiscal 2015 reflected our balanced, diversified and client-focused business model, as well as our disciplined approach to risk management in an environment influenced by market factors that contribute to variability in results.

In fiscal 2015, we experienced challenging markets, including a financial crisis in Greece, Bank of Canada rate cuts, volatility in commodities and energy prices at new lows. While market volatility persists, and equity markets remain challenging, our Capital Markets strategy remains constant. We continue to concentrate on our growth strategy, while leveraging our diversified business model and focusing on the United States as our largest market opportunity and growth engine.

Looking ahead to fiscal 2016, we expect economic growth in the United States to be sustained and healthy, with some improvement anticipated in Canada. Low inflation rates and the decline in unemployment are expected to continue in the United States, with a modest rise anticipated in interest rates. Unemployment rates should hold steady in Canada, as low interest rates, a weak currency and a partial recovery in oil prices provide an offset to a still-challenging global economic backdrop.

The Canadian and U.S. economic environment in fiscal 2015 and the outlook for fiscal 2016 are discussed in more detail in the Economic Developments and Outlook section on page 30.

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

Adjusted results in this section are non-GAAP and are discussed in the Non-GAAP Measures section on page 33.

Corporate Services, including Technology and Operations

Corporate Services consists of Corporate Units and Technology and Operations (T&O). Corporate Units provide enterprise-wide expertise and governance support in a variety of areas, including strategic planning, risk management, finance, legal and regulatory compliance, marketing, communications and human resources. T&O manages, maintains and provides governance over information technology, operations services, real estate and sourcing for BMO Financial Group.

The costs of these Corporate Units and T&O services are largely transferred to the three client operating groups (P&C, Wealth Management and BMO Capital Markets), and only relatively minor amounts are retained in Corporate Services results. As such, Corporate Services adjusted operating results largely reflect the impact of certain asset-liability management activities, the elimination of taxable equivalent adjustments, the results from certain impaired real estate secured assets and purchased loan accounting impacts. Corporate Services reported results in 2013 and prior years reflected a number of items and activities that were excluded from BMO's adjusted results to help assess BMO's performance. These adjusting items were not reflective of core operating results. They are itemized in the Non-GAAP Measures section on page 33.

Corporate Services focuses on enterprise-wide priorities that improve service quality and efficiency to deliver an excellent customer experience. Notable achievements during the year included:

- Simplifying and automating our processes for greater efficiency: digitized cheque image capture and digital statements; improved commercial and retail lending systems for quicker customer response and more efficient workflow.
- Leveraging data to better serve our customers: building enterprise-level data solutions which both meet regulatory expectations and help us intuitively anticipate customer needs.
- Extending the digital experience across all channels: improvements to our mobile and online platforms for security and convenience; improvements to our ABM network in the United States to allow customers to withdraw cash using their mobile device.
- Realizing real estate synergies and improving our technology capabilities in channels, products, functions and infrastructure.
- Meeting regulatory expectations: continued delivery of programs that meet evolving expectations of our regulators, for example, in credit risk management and risk reporting, stress testing and anti-money laundering.

Financial Review

Corporate Services reported net loss for the year was $408 million, compared with a reported net loss of $194 million a year ago. Reported results in 2015 included certain acquisition integration costs and a $106 million charge, primarily due to restructuring to drive operational efficiencies. The adjusted net loss for the year was $296 million, compared with an adjusted net loss of $194 million a year ago. Excluding the impact of the group teb adjustment on revenue and taxes, results were lower mainly due to lower purchased loan portfolio revenues and lower credit recoveries. Adjusted non-interest expense was down modestly.

Corporate Services, including Technology and Operations

(Canadian $ in millions, except as noted) As at or for the year ended October 31	**2015**	2014	2013
Net interest income before group teb offset	**(253)**	(62)	409
Group teb offset	**(524)**	(476)	(344)
Net interest income (teb)	**(777)**	(538)	65
Non-interest revenue	**281**	147	146
Total revenue (teb)	**(496)**	(391)	211
Recovery of credit losses	**(36)**	(123)	(175)
Non-interest expense (1)	**613**	471	802
Loss before income taxes	**(1,073)**	(739)	(416)
Recovery of income taxes (teb)	**(665)**	(545)	(342)
Reported net loss	**(408)**	(194)	(74)
Adjusted total revenue (teb)	**(494)**	(391)	(480)
Adjusted recovery of credit losses	**(36)**	(123)	(405)
Adjusted non-interest expense	**459**	471	456
Adjusted net loss	**(296)**	(194)	(135)
Full-time equivalent employees	**14,277**	14,229	13,586
U.S. Business Select Financial Data (US$ in millions)			
Total revenue (teb)	**(87)**	(31)	459
Recovery of credit losses	**(79)**	(120)	(256)
Non-interest expense	**272**	298	564
Provision for (recovery of) income taxes (teb)	**(133)**	(103)	38
Reported net income (loss)	**(147)**	(106)	113
Adjusted total revenue (teb)	**(87)**	(31)	(169)
Adjusted recovery of credit losses	**(30)**	(117)	(398)
Adjusted non-interest expense	**228**	298	307
Adjusted net loss	**(148)**	(105)	(28)

(1) Includes restructuring costs in 2015 and 2013 to align our cost structure with the environment.

Corporate Services Provision for Credit Losses

(Canadian $ in millions) As at or for the year ended October 31	**2015**	2014	2013
Impaired real estate loans	**28**	21	(43)
Interest on impaired loans	**17**	26	48
Purchased credit impaired loans	**(86)**	(252)	(410)
Purchased performing loans (1)	**5**	82	–
Recovery of credit losses, adjusted basis	**(36)**	(123)	(405)
Purchased performing loans (1)	**–**	–	240
Decrease in collective allowance	**–**	–	(10)
Recovery of credit losses, reported basis	**(36)**	(123)	(175)
Average loans and acceptances	**242**	452	972
Year-end loans and acceptances	**182**	306	526

(1) Effective the first quarter of 2014, Corporate Services adjusted results include credit-related items in respect of the purchased performing loan portfolio. Further details are provided in the Non-GAAP Measures section on page 33.

Adjusted results in this section are non-GAAP and are discussed in the Non-GAAP Measures section on page 33.

Review of Fourth Quarter 2015 Performance

Reported net income was $1,214 million for the fourth quarter of 2015, up $144 million or 13% from the prior year. Adjusted net income was $1,264 million, up $153 million or 14% from the prior year, with good income growth across all of our operating groups. Adjusted results for the quarter exclude the amortization of acquisition-related intangible assets of $43 million ($33 million after-tax) which were charged to the non-interest expense of the operating groups and acquisition integration costs of $20 million ($17 million after-tax) which were primarily recorded in non-interest expense. Acquisition integration costs related to F&C were charged to Wealth Management and acquisition integration costs related to GE Capital's Transportation Finance business were charged to Corporate Services.

Reported EPS of $1.83 and adjusted EPS of $1.90 were both up 17% from the prior year. Return on equity was 12.9% and adjusted return on equity was 13.5%.

Amounts in the rest of this Review of Fourth Quarter 2015 Performance section are stated on an adjusted basis. Summary income statements and data for the quarter and comparative quarters are outlined on page 67.

The combined P&C banking business adjusted net income of $782 million was up 11%. Canadian P&C results increased 7%, driven by higher revenue and strong credit performance, partially offset by higher expenses. U.S. P&C adjusted net income increased 22% on a Canadian dollar basis and increased 3% on a U.S. dollar basis, driven by lower provisions for credit losses. Wealth Management adjusted net income was $271 million, up 8% from a year ago. Adjusted net income in traditional wealth was $214 million, driven by a gain on sale and underlying business growth, despite softer equity markets, partially offset by a legal reserve. Adjusted net income in traditional wealth was up $79 million or 60%. Adjusted net income in insurance was $57 million, compared to $117 million a year ago, primarily due to high actuarial benefits in the prior year. BMO Capital Markets results increased 27% due to higher revenue. Corporate Services adjusted results were better as lower revenue was more than offset by lower expenses, and credit loss recoveries.

Total revenue of $4,984 million increased $344 million or 7% from the fourth quarter a year ago. On a net revenue basis, revenue increased $377 million or 9%, including the 6% impact of the stronger U.S. dollar. Canadian P&C revenue increased due to higher balances across most products and increased non-interest revenue. U.S. P&C revenue increased 19% on a Canadian dollar basis and was consistent with the prior year on a U.S. dollar basis as higher loan and deposit volume and mortgage banking revenue were offset by lower net interest margin. Wealth Management results increased on a net revenue basis, with traditional wealth revenue benefitting from a gain on sale and higher fee-based revenue, partially offset by lower brokerage commissions. Net insurance revenue decreased mainly due to high actuarial benefits in the prior year. BMO Capital Markets revenue was up due to higher trading revenue, including the unfavourable impact of implementing a funding valuation adjustment in the prior year and higher securities commissions and fees. Investment and Corporate Banking revenue increased due to higher lending revenue. Both Trading Products and Investment and Corporate Banking revenue were impacted by lower securities gains. Corporate Services revenue was lower due to a higher group teb adjustment and lower treasury-related revenue.

Net interest income of $2,367 million increased $189 million or 9% from a year ago, due to the impact of the stronger U.S. dollar and volume growth, partially offset by lower net interest margin. BMO's overall net interest margin decreased by 3 basis points to 1.57%. Average earning assets increased $58 billion or 11% to $597 billion, including a $42 billion increase as a result of the stronger U.S. dollar.

Non-interest revenue increased $188 million or 9% on a net revenue basis to $2,350 million. Excluding the impact of the stronger U.S. dollar, net non-interest revenue increased 3%. Increases in other non-interest revenue and mutual fund revenues were partially offset by lower net insurance revenue, underwriting and advisory fees, and securities gains.

The total provision for credit losses was $128 million, a decrease of $42 million from the prior year, due to net recoveries in Corporate Services and lower provisions in Canadian P&C. There was no net change to the collective allowance in the quarter.

Insurance claims, commissions and changes in policy benefit liabilities (CCPB) were $265 million, down $35 million from the fourth quarter a year ago, when lower long-term interest rates increased our policy benefit liabilities, partially offset by increased underlying business premiums in the current quarter. The decrease was largely offset in revenue.

Adjusted non-interest expense increased $198 million or 7% to $3,032 million. Excluding the impact of the stronger U.S. dollar, adjusted non-interest expense was well controlled, up by $9 million or less than 1%. On a net revenue basis, adjusted operating leverage was positive 1.8% year over year. On a net revenue basis and excluding the impact of the stronger U.S. dollar, adjusted operating leverage was positive 2.6% year over year. The adjusted efficiency ratio was 60.8%, and was 64.2% on a net revenue basis, improving 110 basis points from the prior year.

The adjusted provision for income taxes of $295 million increased $70 million from a year ago. The adjusted effective tax rate was 18.9% in the current quarter, compared with 16.8% a year ago. The higher adjusted tax rate was primarily due to a higher proportion of income from higher tax-rate jurisdictions. On a teb basis, the adjusted effective tax rate for the quarter was 24.7%, compared with 22.6% a year ago.

Adjusted results in this section are non-GAAP and are discussed in the Non-GAAP Measures section on page 33.

2014 Financial Performance Review

The preceding discussions in the MD&A focused on our performance in fiscal 2015. This section summarizes our performance in fiscal 2014 relative to fiscal 2013. As noted on page 26, certain prior year data has been reclassified to conform to the presentation in 2015, including restatements arising from transfers between operating groups. In addition, commencing in the first quarter of 2015, insurance claims, commissions and changes in policy benefit liabilities (CCPB) are reported separately. They were previously reported as a reduction in insurance revenue in non-interest revenue. Further information on restatements is provided on page 46.

Net Income

Net income increased $138 million or 3% to $4,333 million in 2014 and EPS increased $0.24 or 4% to $6.41. Adjusted net income increased $230 million or 5% to $4,453 million and adjusted EPS increased $0.38 or 6% to $6.59, reflecting strong adjusted net income growth of 11% in Canadian P&C, 4% growth in BMO Capital Markets and 2% growth in U.S. P&C on a U.S. dollar basis. There was a modest decline in Wealth Management, due to a $121 million after-tax security gain in the prior year, and lower results in Corporate Services.

Adjusting items are detailed in the Non-GAAP Measures section on page 33.

Return on Equity

Return on equity and adjusted return on equity were 14.0% and 14.4%, respectively, in 2014, compared with 14.9% and 15.0%, respectively, in 2013. There was an increase of $147 million in earnings ($239 million in adjusted earnings) available to common shareholders. In 2014, we held higher levels of average common shareholders' equity as a result of increased capital expectations for banks internationally. Average common shareholders' equity increased $2.7 billion from 2013.

Revenue

Revenue increased $1,393 million or 8% to $18,223 million in 2014. Adjusted revenue increased $2,084 million or 13% to $18,223 million. Excluding the impact of the stronger U.S. dollar, adjusted revenue increased $1,761 million or 11%, due to growth in Wealth Management, Canadian P&C and BMO Capital Markets.

Provisions for Credit Losses

The provision for credit losses was $561 million in 2014, down from $587 million in 2013 and up from $357 million in 2013 on an adjusted basis. There were no adjusting items in 2014. The increase in adjusted PCL was due to a significant reduction in recoveries on the purchased credit impaired portfolio and the inclusion of provisions on the purchased performing loan portfolio in adjusted PCL in 2014, offset in part by reduced provisions in Canadian P&C and U.S. P&C.

Non-Interest Expense

Non-interest expense increased $695 million or 7% to $10,921 million in 2014. Adjusted non-interest expense increased $1,006 million or 10% to $10,761 million. Excluding the impact of the stronger U.S. dollar, adjusted non-interest expense increased 8%, primarily due to continued investment in the business, higher employee-related costs, including severance, increased regulatory costs and the acquired F&C business.

Provision for Income Taxes

The provision for income taxes was $903 million in 2014, compared with $1,055 million in 2013. The reported effective tax rate in 2014 was 17.2%, compared with 20.1% in 2013. The adjusted provision for income taxes was $943 million in 2014, compared with $1,037 million in 2013. The adjusted effective tax rate in 2014 was 17.5%, compared with 19.7% in 2013. The lower adjusted effective tax rate was mainly attributable to higher tax-exempt income and a lower proportion of income from higher tax-rate jurisdictions.

Canadian P&C

Canadian P&C reported net income of $2,016 million in 2014, up $204 million or 11% from 2013. Revenue increased $385 million or 6% to $6,405 million. Revenue growth was at or above 6% in each quarter of 2014. Revenue increased $244 million or 6% in our personal banking business and revenue increased $141 million or 7% in our commercial banking business, mainly driven by growth in balances and fees across most products. Non-interest expense was $3,182 million, up $127 million or 4% from the prior year, primarily due to continued investment in the business, net of expense management.

U.S. P&C

Net income in U.S. P&C of $654 million in 2014 increased $64 million or 11% from 2013, while adjusted net income of $706 million increased $61 million or 9%. All amounts in the remainder of this section are on a U.S. dollar basis.

Net income of $597 million in 2014 increased $18 million or 3% from the prior year. Adjusted net income of $644 million increased $11 million or 2%. Revenue decreased $52 million or 2% to $2,880 million, as the benefits of strong commercial loan growth were more than offset by the effects of lower net interest margin and reduced mortgage banking revenue. Non-interest expense of $1,899 million increased $7 million. Adjusted non-interest expense of $1,832 million increased $21 million, as we continued to focus on productivity while making selective investments in the business and responding to regulatory changes.

Wealth Management

Wealth Management net income was $780 million in 2014, compared to $827 million in 2013. Adjusted net income was $843 million in 2014, compared to $854 million in 2013. Results in 2014 reflected the contribution from the acquired F&C business and results in 2013 included a $121 million after-tax security gain. Adjusted net income in traditional wealth was $557 million in 2014, compared to $593 million in 2013, as strong growth from the businesses of $85 million or 18%, including the contribution from the acquired F&C business, was more than offset by the impact of the security gain in the prior year. Adjusted net income in insurance was $286 million, up $25 million or 9%. Wealth Management revenue of $3,833 million in 2014 increased $384 million or 11% on a basis that nets CCPB with insurance revenue. Revenue in traditional wealth increased $525 million or 19%, excluding the security gain in the prior year, reflecting growth in client assets and a contribution from the F&C acquisition.

Insurance revenue, net of CCPB, increased $50 million or 12%, due to continued growth in both the underlying creditor and life insurance businesses of 10% and the impact of beneficial changes in actuarial reserves. The stronger U.S. dollar increased revenue, net of CCPB, by $50 million or 1%. Insurance claims, commissions and changes in policy benefit liabilities were $1,505 million, up $738 million from the prior year. Non-interest expense was $2,840 million in 2014, up $489 million or 21%. Adjusted non-interest expense was $2,758 million, up $443 million or 19%. The increase was due primarily to the impact of the F&C acquisition and higher revenue-based costs. The stronger U.S. dollar increased expenses by $44 million or 2%.

BMO Capital Markets

BMO Capital Markets net income increased $37 million or 4% to $1,077 million in 2014. The increase reflected growth in revenue across both Investment and Corporate Banking and Trading Products, with good contributions from our U.S. businesses, partially offset by an increase in expenses. Revenue increased $337 million or 10% to $3,720 million, driven by higher securities gains and increases in trading revenues, lending revenues and investment banking fees, particularly in our U.S. platform. Investment and Corporate Banking revenue increased $206 million, reflecting higher securities gains and higher activity levels, particularly in equity underwriting, as well as growth in lending revenue. Trading Products revenue increased $129 million, reflecting growth in trading revenues, particularly from equity trading and foreign exchange trading related to more favourable market conditions, as well as higher securities commissions and fees. The stronger U.S. dollar increased revenue by $82 million. Non-interest expense increased $269 million or 13% to $2,351 million, resulting from higher employee-related expenses and increased support costs, both driven by a changing business and regulatory environment, as well as by stronger performance. The stronger U.S. dollar increased expenses by $62 million.

Corporate Services

Corporate Services reported and adjusted net loss was $194 million in 2014, compared with a reported net loss of $74 million and an adjusted net loss of $135 million in 2013. Commencing in 2014, the impact from the purchased performing loan portfolio was included in adjusted results. Adjusted revenue improved $89 million in 2014, mainly due to the inclusion of purchased performing loan revenue of $238 million, partially offset by a higher group teb offset of $132 million. Adjusted recoveries of credit losses of $123 million in 2014 were $282 million lower than the prior year, primarily due to $158 million lower loan recoveries. Adjusted non-interest expense of $471 million in 2014 was up $15 million from the prior year, mainly due to higher technology investments and regulatory-related costs.

Adjusted results in this section are non-GAAP and are discussed in the Non-GAAP Measures section on page 33.

Summary Quarterly Earnings Trends

BMO's results and performance measures for the past eight quarters are outlined on page 67.

Periodically, certain business lines and units within the business lines are transferred between client operating groups to more closely align BMO's organizational structure and its strategic priorities. Comparative figures have been restated to conform to the current presentation.

Over the past two years, we have remained focused on executing our strategic priorities. Economic conditions have weakened in Canada due to the downturn in oil and other resource prices, but have remained healthy in the United States.

Seasonality

BMO's quarterly earnings, revenue and expense are modestly affected by seasonal factors. Since our second fiscal quarter has 89 days (90 in a leap year) and other quarters have 92 days, second-quarter results are lower relative to other quarters because there are fewer calendar days, and thus fewer business days. The months of July (third quarter) and August (fourth quarter) are typically characterized by lower levels of capital markets activity, which has an effect on results in Wealth Management and BMO Capital Markets. The December holiday season also contributes to a slowdown in some activities.

Canadian P&C

Canadian P&C delivered strong net income performance throughout 2014, moderating in the first half of 2015, with improved performance in the last two quarters. Improved net income in the second half of 2015 has been a result of strong credit performance, moderating expense growth, and stable revenue growth. Revenue growth has been driven by higher balances and non-interest revenue, with relatively stable net interest margins each quarter. Expenses have grown as a result of continued investment in the business net of a continued focus on expense management. Provisions for credit losses have remained relatively low, with particularly strong credit performance over the past two quarters.

U.S. P&C

Results have been improving since the second quarter of 2014 due to lower provisions for credit losses and disciplined expense management in a challenging revenue environment. Results in the fourth quarter of 2015 reflected a slight decline in net income growth due to lower fee income and investments in the business.

Wealth Management

Wealth Management's overall results have reflected good momentum since the second half of 2013, driven by double-digit organic revenue growth in traditional wealth for nine of the past ten quarters. Traditional wealth operating results have benefitted from the acquired F&C business since the second half of fiscal 2014. Quarterly results in the insurance businesses have been subject to variability, resulting primarily from changes in long-term interest rates and methodology and actuarial assumptions changes.

BMO Capital Markets

BMO Capital Markets delivered good performance in the first three quarters of 2014, leveraging our consistent and diversified strategy, and benefiting from favourable market conditions. In the fourth quarter of 2014 and the first quarter of 2015, we experienced slower activity and were unfavourably affected by credit and funding valuation adjustments. The remainder of the year reflects improved performance in both our Trading Products and Investment and Corporate Banking businesses, with reduced activity in certain markets in the fourth quarter of 2015.

Provisions for Credit Losses

BMO's PCL measured as a percentage of loans and acceptances has generally been declining since 2012 and has stabilized in recent quarters.

Corporate Services

Adjusted quarterly net income can vary from quarter to quarter but has been relatively stable in 2014 and 2015, despite reduced benefits from the purchased loan portfolio.

Foreign Exchange

The U.S. dollar strengthened significantly in 2014 and 2015, with the exception of a slight weakening in the third quarter of 2014 and in the second quarter of 2015. A stronger U.S. dollar increases the translated value of U.S.-dollar-denominated revenues, expenses, provisions for (recoveries of) credit losses, income taxes and net income.

Provision for Income Taxes

The effective income tax rate can vary, as it depends on the timing of resolution of certain tax matters, recoveries of prior periods' income taxes and the relative proportion of earnings attributable to the different jurisdictions in which we operate.

Caution

This Summary Quarterly Earnings Trends section contains forward-looking statements. Please see the Caution Regarding Forward-Looking Statements.

Adjusted results in this section are non-GAAP and are discussed in the Non-GAAP Measures section on page 33.

Summarized Statement of Income and Quarterly Financial Measures

(Canadian $ in millions, except as noted)	Q4-2015	Q3-2015	Q2-2015	Q1-2015	Q4-2014	Q3-2014	Q2-2014	Q1-2014
Net interest income	**2,367**	**2,272**	**2,112**	**2,219**	2,178	2,107	2,063	2,113
Non-interest revenue (1)	**2,615**	**2,554**	**2,414**	**2,836**	2,462	2,628	2,306	2,366
Total revenue (1)	**4,982**	**4,826**	**4,526**	**5,055**	4,640	4,735	4,369	4,479
Insurance claims, commissions and changes in policy benefit liabilities (CCPB) (1)	**265**	**218**	**24**	**747**	300	520	328	357
Revenue, net of CCPB	**4,717**	**4,608**	**4,502**	**4,308**	4,340	4,215	4,041	4,122
Provision for credit losses – specific (see below)	**128**	**160**	**161**	**163**	170	130	162	99
Provision for (recovery of) credit losses – collective	**–**	**–**	**–**	**–**	–	–	–	–
Non-interest expense	**3,093**	**2,971**	**3,112**	**3,006**	2,887	2,756	2,594	2,684
Income before provision for income taxes	**1,496**	**1,477**	**1,229**	**1,139**	1,283	1,329	1,285	1,339
Provision for income taxes	**282**	**285**	**230**	**139**	213	203	209	278
Reported net income (see below)	**1,214**	**1,192**	**999**	**1,000**	1,070	1,126	1,076	1,061
Adjusted net income (see below)	**1,264**	**1,230**	**1,146**	**1,041**	1,111	1,162	1,097	1,083
Provision for credit losses – specific								
Canadian P&C	**112**	**109**	**143**	**132**	129	129	131	139
U.S. P&C	**42**	**19**	**18**	**40**	47	57	52	21
Personal and Commercial Banking	**154**	**128**	**161**	**172**	176	186	183	160
Wealth Management	**1**	**3**	**1**	**2**	(1)	(3)	2	(1)
BMO Capital Markets	**(2)**	**14**	**5**	**9**	(7)	(6)	(4)	(1)
Corporate Services	**(25)**	**15**	**(6)**	**(20)**	2	(47)	(19)	(59)
BMO Financial Group provision for credit losses – specific	**128**	**160**	**161**	**163**	170	130	162	99
Operating group reported net income								
Canadian P&C	**560**	**556**	**486**	**502**	526	525	480	485
U.S. P&C	**207**	**222**	**206**	**192**	169	161	157	167
Personal and Commercial Banking	**767**	**778**	**692**	**694**	695	686	637	652
Wealth Management	**243**	**210**	**238**	**159**	225	189	192	174
BMO Capital Markets	**242**	**273**	**296**	**221**	191	305	305	276
Corporate Services	**(38)**	**(69)**	**(227)**	**(74)**	(41)	(54)	(58)	(41)
BMO Financial Group net income	**1,214**	**1,192**	**999**	**1,000**	1,070	1,126	1,076	1,061
Operating group adjusted net income								
Canadian P&C	**561**	**557**	**487**	**503**	527	526	481	486
U.S. P&C	**221**	**235**	**219**	**205**	182	174	170	180
Personal and Commercial Banking	**782**	**792**	**706**	**708**	709	700	651	666
Wealth Management	**271**	**233**	**265**	**186**	252	211	198	182
BMO Capital Markets	**243**	**274**	**296**	**221**	191	305	306	276
Corporate Services	**(32)**	**(69)**	**(121)**	**(74)**	(41)	(54)	(58)	(41)
BMO Financial Group adjusted net income	**1,264**	**1,230**	**1,146**	**1,041**	1,111	1,162	1,097	1,083
Information per Common Share ($)								
Dividends declared	**0.82**	**0.82**	**0.80**	**0.80**	0.78	0.78	0.76	0.76
Basic earnings per share	**1.83**	**1.81**	**1.49**	**1.47**	1.57	1.68	1.61	1.58
Diluted earnings per share	**1.83**	**1.80**	**1.49**	**1.46**	1.56	1.67	1.60	1.58
Adjusted diluted earnings per share	**1.90**	**1.86**	**1.71**	**1.53**	1.63	1.73	1.63	1.61
Book value	**56.31**	**55.36**	**51.65**	**52.98**	48.18	46.69	45.94	45.60
Market price								
High	**78.50**	**79.43**	**80.76**	**84.39**	85.71	82.79	76.68	74.69
Low	**64.01**	**71.27**	**73.12**	**72.87**	76.41	74.28	67.04	68.01
Close	**76.04**	**72.98**	**78.82**	**72.93**	81.73	81.27	75.55	68.06
Financial Measures (%)								
Dividend yield	**4.3**	**4.5**	**4.1**	**4.4**	3.8	3.8	4.0	4.5
Return on equity	**12.9**	**13.6**	**11.4**	**11.8**	13.1	14.4	14.3	14.2
Adjusted return on equity	**13.5**	**14.0**	**13.2**	**12.3**	13.7	14.9	14.6	14.5
Net interest margin on average earning assets	**1.57**	**1.55**	**1.51**	**1.55**	1.60	1.58	1.59	1.62
Adjusted net interest margin on average earning assets	**1.57**	**1.55**	**1.51**	**1.55**	1.60	1.58	1.59	1.62
Efficiency ratio (1)	**62.1**	**61.6**	**68.7**	**59.5**	62.2	58.2	59.4	59.9
Adjusted efficiency ratio (1)	**60.8**	**60.5**	**64.3**	**58.4**	61.1	57.2	58.8	59.2
Adjusted efficiency ratio, net of CCPB	**64.2**	**63.4**	**64.7**	**68.5**	65.3	64.2	63.5	64.3
Operating leverage (1)	**0.3**	**(5.9)**	**(16.3)**	**0.9**	(4.5)	6.8	1.3	2.6
Adjusted operating leverage, net of CCPB	**1.8**	**1.4**	**(2.0)**	**(6.8)**	(5.9)	(1.1)	1.2	(0.3)
PCL as a % of average net loans and acceptances	**0.15**	**0.20**	**0.20**	**0.21**	0.23	0.18	0.22	0.14
Effective tax rate	**18.8**	**19.3**	**18.8**	**12.2**	16.6	15.3	16.2	20.8
Adjusted effective tax rate	**18.9**	**19.4**	**19.8**	**12.6**	16.8	15.6	16.5	20.9
Canadian/U.S. dollar as at exchange rate ($)	**1.3075**	**1.3080**	**1.2064**	**1.2711**	1.1271	1.0904	1.0960	1.1138
Canadian/U.S. dollar average exchange rate ($)	**1.3191**	**1.2671**	**1.2412**	**1.1923**	1.1114	1.0807	1.1029	1.0800
Cash and securities-to-total assets	**27.8**	**29.3**	**30.0**	**30.1**	30.2	33.0	32.1	32.3
Capital Ratios (%)								
Common Equity Tier 1 Ratio	**10.7**	**10.4**	**10.2**	**10.1**	10.1	9.6	9.7	9.3
Tier 1 Capital Ratio	**12.3**	**11.7**	**11.4**	**11.4**	12.0	11.4	11.1	10.6
Total Capital Ratio	**14.4**	**13.7**	**13.5**	**13.4**	14.3	13.3	13.0	12.4

(1) Commencing in the first quarter of 2015, insurance claims, commissions and changes in policy benefit liabilities (CCPB) are reported separately. They were previously reported as a reduction in insurance revenue in non-interest revenue. Prior period amounts and ratios have been reclassified.

In the opinion of Bank of Montreal management, information that is derived from unaudited financial information, including information as at and for the interim periods, includes all adjustments necessary for a fair presentation of such information. All such adjustments are of a normal and recurring nature. Financial ratios for interim periods are stated on an annualized basis, where appropriate, and the ratios, as well as interim operating results, are not necessarily indicative of actual results for the full fiscal year.

Adjusted results in this section are non-GAAP and are discussed in the Non-GAAP Measures section on page 33.

Financial Condition Review

Summary Balance Sheet

(Canadian $ in millions) As at October 31	**2015**	2014	2013	2012	2011
Assets					
Cash and interest bearing deposits with banks	**47,677**	34,496	32,607	26,256	25,656
Securities	**130,918**	143,319	135,800	129,441	122,115
Securities borrowed or purchased under resale agreements	**68,066**	53,555	39,799	47,011	37,970
Net loans and acceptances	**334,024**	303,038	279,294	253,846	238,885
Other assets	**61,196**	54,251	49,544	68,130	75,949
Total assets	**641,881**	588,659	537,044	524,684	500,575
Liabilities and Shareholders' Equity					
Deposits	**438,169**	393,088	368,369	325,235	302,373
Other liabilities	**159,383**	155,254	133,500	165,813	164,197
Subordinated debt	**4,416**	4,913	3,996	4,093	5,348
Capital trust securities	**–**	–	–	–	821
Shareholders' equity	**39,422**	34,313	30,107	28,108	26,353
Non-controlling interest in subsidiaries	**491**	1,091	1,072	1,435	1,483
Total liabilities and shareholders' equity	**641,881**	588,659	537,044	524,684	500,575

Overview

Total assets increased $53.2 billion from the prior year to $641.9 billion, including a $35.8 billion increase due to the stronger U.S. dollar, excluding the impact on derivative financial assets. Total liabilities increased $48.7 billion from October 31, 2014, including a $35.7 billion increase due to the stronger U.S. dollar, excluding the impact on derivative financial liabilities. Derivative financial assets increased $5.6 billion and derivative financial liabilities increased $9.0 billion, primarily due to the increase in the fair value of interest rate and foreign exchange contracts resulting from the decline in interest rates and the strengthening U.S. dollar, respectively. Total equity increased $4.5 billion from October 31, 2014.

Cash and Interest Bearing Deposits with Banks

Cash and interest bearing deposits with banks increased $13.2 billion, primarily reflecting a $6.3 billion increase due to the stronger U.S. dollar and balances held with central banks.

Securities

(Canadian $ in millions) As at October 31	**2015**	2014	2013	2012	2011
Trading	**72,460**	85,022	75,159	70,109	69,925
Available-for-sale	**48,006**	46,966	53,710	57,340	51,426
Held-to-maturity	**9,432**	10,344	6,032	875	–
Other	**1,020**	987	899	1,117	764
Total securities	**130,918**	143,319	135,800	129,441	122,115

Securities decreased $12.4 billion, primarily reflecting decreases in trading securities related to client-driven activities in BMO Capital Markets.

Securities Borrowed or Purchased Under Resale Agreements

Securities borrowed or purchased under resale agreements increased $14.5 billion, driven by client activities in BMO Capital Markets.

Loans and Acceptances

(Canadian $ in millions) As at October 31	**2015**	2014	2013	2012	2011
Residential mortgages	**105,918**	101,013	96,392	84,211	81,075
Consumer instalment and other personal	**65,598**	64,143	63,640	61,436	59,445
Credit cards	**7,980**	7,972	7,870	7,814	8,038
Businesses and governments	**145,076**	120,766	104,585	94,072	84,883
Customers' liability under acceptances	**11,307**	10,878	8,472	8,019	7,227
Gross loans and acceptances	**335,879**	304,772	280,959	255,552	240,668
Allowance for credit losses	**(1,855)**	(1,734)	(1,665)	(1,706)	(1,783)
Net loans and acceptances	**334,024**	303,038	279,294	253,846	238,885

Net loans and acceptances increased $31 billion, including a $16.1 billion increase due to the stronger U.S. dollar. The remaining increase was primarily due to a $12.1 billion increase in loans to businesses and governments across most operating groups and a $3.7 billion increase in residential mortgages primarily in Canadian P&C.

Table 7 on page 124 provides a comparative summary of loans by geographic location and product. Table 9 on page 125 provides a comparative summary of net loans in Canada by province and industry. Loan quality is discussed on pages 96 and 97 and further details on loans are provided in Notes 4, 6 and 26 on pages 148, 153 and 192 of the financial statements.

Other Assets

Other assets excluding derivative assets increased $1.4 billion or decreased $0.6 billion excluding the stronger U.S. dollar impact. Other assets includes premises and equipment, goodwill and intangible assets, current and deferred tax assets, accounts receivable and prepaid expenses. The increase in derivative financial assets is discussed above and is detailed in Note 8 on page 156 of the financial statements.

Deposits

(Canadian $ in millions) As at October 31	**2015**	2014	2013	2012	2011
Banks	**27,135**	18,243	20,591	18,102	20,877
Businesses and governments	**263,618**	239,139	222,346	188,103	159,209
Individuals	**147,416**	135,706	125,432	119,030	122,287
Total deposits	**438,169**	393,088	368,369	325,235	302,373

Deposits increased $45.1 billion, including an increase of $30.5 billion due to the stronger U.S. dollar. The balance of the increase was largely driven by a $6.9 billion increase in deposits by banks, a $4.8 billion increase in deposits by individuals and a $2.9 billion increase in deposits by businesses and governments, reflecting higher levels of wholesale and customer deposits. Further details on the composition of deposits are provided in Note 13 on page 166 of the financial statements and in the Liquidity and Funding Risk section on page 105.

Other Liabilities

Other liabilities excluding derivative financial liabilities decreased $4.9 billion, or decreased $10.0 billion excluding the stronger U.S. dollar impact, primarily driven by a decrease of $6.8 billion in securities sold but not yet purchased and a $3.4 billion decrease in securities lent or sold under repurchase agreements related to client activities in BMO Capital Markets. The increase in derivative financial liabilities is discussed above. Further details on the composition of other liabilities are provided in Note 14 on page 167 of the financial statements.

Subordinated Debt

Subordinated debt decreased $0.5 billion. Further details on the composition of subordinated debt are provided in Note 15 on page 168 of the financial statements.

Equity

(Canadian $ in millions) As at October 31	**2015**	2014	2013	2012	2011
Share capital					
Preferred shares	**3,240**	3,040	2,265	2,465	2,861
Common shares	**12,313**	12,357	12,003	11,957	11,332
Contributed surplus	**299**	304	315	213	113
Retained earnings	**18,930**	17,237	15,087	13,456	11,381
Accumulated other comprehensive income	**4,640**	1,375	437	17	666
Total shareholders' equity	**39,422**	34,313	30,107	28,108	26,353
Non-controlling interest in subsidiaries	**491**	1,091	1,072	1,435	1,483
Total equity	**39,913**	35,404	31,179	29,543	27,836

Total equity increased $4.5 billion. Total shareholders' equity increased $5.1 billion, partly offset by a decrease in non-controlling interest in subsidiaries of $0.6 billion due to the redemption of BMO BoaTS – Series D. Total shareholders' equity increased due to an increase of $2.7 billion in accumulated other comprehensive income on translation of net foreign operations as a result of the strengthening U.S. dollar net of hedging impacts and increased retained earnings of $1.7 billion.

The increase in share capital is driven by the issuance of preferred shares, as well as the issuance of common shares under the Shareholder Dividend Reinvestment and Share Purchase Plan (DRIP) and Stock Option Plan, net of the impact of share repurchases. BMO's DRIP is described in the Enterprise-Wide Capital Management section that follows. Our Consolidated Statement of Changes in Equity on page 138 provides a summary of items that increase or reduce shareholders' equity, while Note 17 on page 170 of the financial statements provides details on the components of and changes in share capital. Details of our enterprise-wide capital management practices and strategies can be found on the following page.

2011 data has not been restated to reflect the new IFRS standards adopted in 2014.

MD&A

Enterprise-Wide Capital Management

BMO's Common Equity Tier 1 Ratio of 10.7% is strong and exceeds regulatory requirements.

Objective

BMO is committed to a disciplined approach to capital management that balances the interests and requirements of shareholders, regulators, depositors and rating agencies. Our objective is to maintain a strong capital position in a cost-effective structure that:

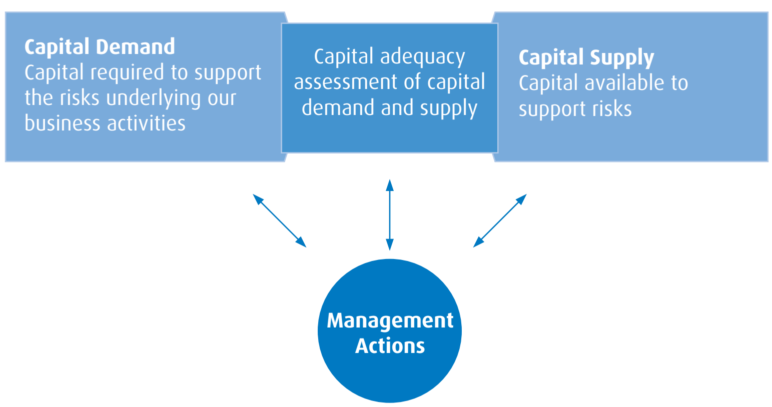
- is appropriate given our target regulatory capital ratios and internal assessment of required Economic Capital;
- is consistent with our target credit ratings;
- underpins our operating groups' business strategies; and
- supports depositor, investor and regulator confidence, while building long-term shareholder value.

Capital Management Framework

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

ICAAP is an integrated process that evaluates capital adequacy on both a regulatory and an economic capital basis, and is used to establish capital targets and capital strategies that take into consideration the strategic direction and risk appetite of the enterprise. The capital plan is developed considering the results of our ICAAP and in conjunction with our annual business plan, promoting alignment between our business and risk strategies, regulatory and economic capital requirements and the availability of capital. Enterprise-wide stress testing and scenario analysis are also used to assess the impact of various stress conditions on BMO's risk profile and capital requirements. The framework seeks to ensure that we are adequately capitalized given the risks we take, and supports the determination of limits, goals and performance measures that are used to manage balance sheet positions, risk levels and capital requirements at both the consolidated entity and line of business levels. Assessments of actual and forecast capital adequacy are compared to the capital plan throughout the year, and the capital plan is updated as required, based on changes in our business activities, risk profile or operating environment.

BMO uses a combination of regulatory and economic capital to evaluate business performance and considers capital implications in its strategic, tactical and transactional decision-making. By allocating our capital to operating groups and measuring their performance in relation to the capital necessary to support the risks in their business, we seek to optimize our risk-adjusted return to shareholders, while maintaining a well-capitalized position. This approach aims to protect our stakeholders from the risks inherent in our various businesses, while still allowing the flexibility to deploy resources to support the strategic growth activities of our operating groups. We increased the capital allocated to the operating groups in fiscal 2015 given higher capital expectations for the bank. Capital in excess of what is required to support our line of business activities is held in Corporate Services.



For further discussion of the risks underlying our business activities, refer to the Enterprise-Wide Risk Management section on page 86.

Governance

The Board of Directors, either directly or in conjunction with its Risk Review Committee, provides ultimate oversight and approval of capital management, including our Capital Management Corporate Policy framework, capital plan and capital adequacy assessments. The Board regularly reviews BMO's capital position and key capital management activities, and the Risk Review Committee reviews the ICAAP-determined capital adequacy assessment results. The Balance Sheet and Capital Management Committee provides senior management oversight, including the review and discussion of significant capital management policies, issues and activities and, along with the Risk Management Committee, the capital required to support the execution of our enterprise-wide strategy. Finance and Risk Management are responsible for the design and implementation of the corporate policies and framework related to capital and risk management and the ICAAP.

Regulatory Capital

Common equity is the most permanent form of capital. Common Equity Tier 1 (CET1) capital is comprised of common shareholders' equity less deductions for goodwill, intangible assets, defined benefit pension assets, certain deferred tax assets and certain other items. Additional Tier 1 capital primarily consists of preferred shares and innovative hybrid instruments, less certain regulatory deductions. Tier 1 capital is comprised of CET1 capital and Additional Tier 1 capital. Tier 2 capital is primarily comprised of subordinated debentures and a portion of the collective and individual allowances for credit losses, less certain regulatory deductions. Total capital includes Tier 1 and Tier 2 capital.

Regulatory capital requirements for BMO are determined on a Basel III basis. The minimum Basel III capital ratios proposed by the Basel Committee on Banking Supervision (BCBS) were a 4.5% CET1 Ratio, 6% Tier 1 Capital Ratio and 8% Total Capital Ratio. These ratios are calculated using a five-year transitional phase-in of regulatory adjustments and a nine-year transitional phase-out of non-qualifying capital instruments. However, guidance issued by the Office of the Superintendent of Financial Institutions Canada (OSFI) required Canadian deposit-taking institutions to meet the 2019 Basel III capital requirements in 2013, other than the phase-out of non-qualifying capital instruments, and OSFI has expected banks to attain a target Basel III CET1 Ratio of at least 7% (4.5% minimum plus 2.5% Capital Conservation Buffer) since January 31, 2013 (also referred to as the "all-in" requirements).

In addition, OSFI issued guidance designating the six largest Canadian banks as domestic systemically important banks (D-SIBs), increasing minimum capital ratio requirements by 1% commencing on January 1, 2016. No Canadian banks are currently considered to be globally systemically important. Our practice is to hold capital in addition to these requirements for a number of reasons, including regulatory considerations, market expectations and to provide flexibility for growth.

The fully implemented Basel III requirements and the OSFI "all-in" Basel III requirements are summarized in the following table.

Regulatory Capital Requirements (% of Risk-Weighted Assets)

	Common Equity Tier 1 Ratio (1)	Tier 1 Capital Ratio	Total Capital Ratio	Leverage Ratio (3)
Basel III – Stated 2019 minimum requirements	4.5	6.0	8.0	3.0
Plus: Capital Conservation Buffer (2) (effective January 1, 2013)	2.5	2.5	2.5	na
Plus: D-SIB Common Equity Surcharge (effective January 1, 2016)	1.0	1.0	1.0	na
OSFI Basel III effective requirements (4)	**8.0**	**9.5**	**11.5**	**3.0**

(1) The minimum 4.5% CET1 Ratio requirement is augmented by the 2.5% Capital Conservation Buffer that can absorb losses during periods of stress. The Capital Conservation Buffer for BMO will be augmented in 2016 with the addition of the 1% Common Equity Surcharge for D-SIBs. If a bank's capital ratios fall within the range of this combined buffer, restrictions on discretionary distributions of earnings (such as dividends, equity repurchases and discretionary compensation) would ensue, with the degree of such restrictions varying according to the position of the bank's ratios within the buffer range.

(2) The Capital Conservation Buffer does not include the counter-cyclical capital buffer of up to 2.5% of CET1, which may be required on a national basis by supervisors if they perceive credit growth resulting in systemic risk. If imposed, this additional buffer would be effectively combined with the Capital Conservation Buffer.

(3) A 3% minimum Leverage Ratio has been established by the BCBS. It will be subject to monitoring and analysis during a four-year parallel run test period, which began on January 1, 2013. Depending upon the results of the parallel run testing, there could be subsequent adjustments, which are targeted to be finalized in 2017, with the final Leverage Ratio requirement effective January 1, 2018. OSFI established a 3% minimum Basel III Leverage Ratio requirement in October 2014.

(4) OSFI's Basel III "effective requirements" are the capital requirements systemically important Canadian banks must meet in 2016 to avoid being subject to restrictions on discretionary distributions of earnings.

na – not applicable

OSFI's Basel III capital rules also require the implementation of BCBS guidance on non-viability contingent capital (NVCC). NVCC provisions require the conversion of the capital instrument into a variable number of common shares in the event that OSFI announces that the bank is, or is about to become, non-viable or if a federal or provincial government in Canada publicly announces that the bank has accepted or agreed to accept a capital injection, or equivalent support, to avoid non-viability.

Under OSFI's Basel III rules, non-common share capital instruments that do not meet Basel III requirements, including NVCC requirements, are to be grandfathered and phased out over a nine-year period that began on January 1, 2013. OSFI's guidance also outlines the requirements for redemption of these regulatory capital instruments due to a regulatory capital event.

BMO primarily uses the Advanced Internal Ratings Based (AIRB) Approach to determine credit risk-weighted assets (RWA) in our portfolio. Credit RWA arising from certain U.S. portfolios are determined using the Standardized Approach. The AIRB Approach utilizes sophisticated techniques to measure RWA at the exposure level based on sound risk management principles, including consideration of estimates of the probability of default, the likely loss given default and exposure at default, term to maturity and the type of Basel Asset Class exposure. These risk parameters are determined using historical portfolio data supplemented by benchmarking, and are updated periodically. Validation procedures related to these parameters are in place and are enhanced periodically in order to appropriately quantify and differentiate risks so they reflect changes in economic and credit conditions.

BMO's market risk RWA are primarily determined using the Internal Models Approach, but the Standardized Approach is used for some exposures.

BMO uses the Advanced Measurement Approach (AMA), a risk-sensitive capital model, along with the Standardized Approach under OSFI rules, to determine capital requirements for operational risk.

OSFI advised banks that it would begin phasing in the Credit Valuation Adjustment (CVA) risk capital charge for Canadian banks in the first quarter of 2014. In 2015, the CVA risk capital charge applicable to CET1 was 64% of the fully implemented charge, and will remain at 64% in 2016.

In addition, starting in the first quarter of fiscal 2015, Canadian banks were expected to maintain a 3% minimum Basel III Leverage Ratio requirement, replacing the Assets-to-Capital Multiple which was discontinued.

In an effort to increase the comparability of capital requirements and to ensure minimum levels of capital across the banking system, BCBS is considering a standardized approach for credit, market and operational risk-weighted assets, including new capital floors based on revised standardized approaches. The current expectation is that the approaches will be settled on during 2016. BCBS is also completing a fundamental review of the trading book risk-weighted assets and released a consultative paper in June 2015 that discussed the appropriate capital to be held for interest rate risk in the banking book. Such changes, if implemented, along with the new impairment model based on expected credit losses under IFRS 9, could have the effect of increasing the capital that we are required to hold.

A number of other potential regulatory changes are still under discussion with regulators. OSFI may implement a stand-alone or "solo" capital framework that would assess a bank's stand-alone capital adequacy by reducing such bank's capital by the portion of its investments in subsidiaries that are not considered available to protect the parent bank depositors and senior creditors under exceptional circumstances. These changes could affect the amount of capital that we hold or are required to hold, or the attractiveness of certain investments in subsidiaries.

In August 2014, Canada's Department of Finance issued a consultation paper on a Canadian bank resolution framework, including the Canadian bail-in regime and Higher Loss Absorbency (HLA) requirements that would apply to Canadian D-SIBs. In its budget on April 21, 2015, the Government of Canada provided details on the Canadian bail-in regime, stating that it would apply to unsecured, tradable, transferable senior debt with an original term to maturity of greater than or equal to 400 days and that all securities subject to bail-in would be convertible into common shares. The government did not provide details on the timing planned for implementation of the regime, on the amount, or on the period of time within which banks must transition to meet the new HLA requirement. In October 2015, the Federal Reserve Board proposed new rules on Total Loss Absorbing Capacity (TLAC) for U.S. domestic firms identified by the Board as Global Systemically Important Banks (G-SIBs) and for the U.S. operations of G-SIBs. In November 2015, the Financial Stability Board issued the final standard for TLAC for G-SIBs. Neither of these rules are expected to apply to BMO, as BMO is not a G-SIB. With respect to capital supply, in November 2015, BCBS issued a consultative document which proposes a Tier 2 deduction approach for investments in G-SIB TLAC by internationally active banks (both G-SIBs and non G-SIBs).

BMO conducts business through a variety of corporate structures, including subsidiaries and joint ventures. A framework is in place for subsidiaries to appropriately manage their funding and capital.

As a bank holding company with total consolidated assets of US$50 billion or more, our subsidiary BMO Financial Corp. (BFC) became subject to the Federal Reserve Board's (FRB) annual Comprehensive Capital Analysis and Review (CCAR) and mid-year Dodd-Frank Act stress testing (DFAST) requirements starting in fiscal 2014. CCAR requires BFC to test its ability to meet applicable regulatory capital requirements and continue to operate under severe stress. The quantitative and qualitative aspects of BFC's 2015 CCAR capital plan were subject to supervisory review and the FRB applied its own quantitative tools to evaluate BFC. The FRB announced its decision not to object to BFC's capital plan in March 2015 and disclosed the results of its quantitative analysis. BFC and its bank subsidiary BMO Harris Bank N.A. (BHB) also disclosed their results under the CCAR supervisory severely adverse scenario. Under DFAST, BFC executes mid-year company-run stress tests. BFC submitted its DFAST stress tests to the FRB and disclosed the results in July 2015.

The **Common Equity Tier 1 Ratio** reflects Basel III CET1 capital divided by CET1 capital RWA.

The **Tier 1 Capital Ratio** reflects Basel III Tier 1 capital divided by Tier 1 capital RWA.

The **Total Capital Ratio** reflects Basel III Total capital divided by Total capital RWA.

The **Leverage Ratio** is defined as Basel III Tier 1 capital divided by the sum of on-balance sheet items and specified off-balance sheet items, net of specified adjustments.

2015 Regulatory Capital Review

BMO's capital ratios are strong and exceed OSFI's requirements for large Canadian banks, including the 1% D-SIB Common Equity Surcharge to be implemented in 2016. Our CET1 Ratio was 10.7% at October 31, 2015, compared to 10.1% at October 31, 2014. The CET1 Ratio increased by 60 basis points from the end of fiscal 2014 primarily due to higher capital from accumulated other comprehensive income and retained earnings, partially offset by an increase in RWA. The RWA increase was attributable to foreign exchange rate movements, which we largely hedge as discussed below, higher business volumes and higher market risk, partly offset by methodology changes and changes in book quality.

Our Tier 1 Capital and Total Capital Ratios were 12.3% and 14.4%, respectively, at October 31, 2015, compared to 12.0% and 14.3%, respectively, at October 31, 2014. The Tier 1 and Total Capital Ratios increased by 30 basis points and 10 basis points, respectively, from the end of fiscal 2014 due mainly to the factors impacting the CET1 Ratio discussed above and the issuances of preferred shares, partially offset by Additional Tier 1 instruments redemptions. The increase in the Total Capital Ratio was mainly due to the factors impacting the CET1 and the Tier 1 Ratios, partially offset by the additional 10% phase-out of non-qualifying subordinated debt.

BMO's Leverage Ratio was 4.2% at October 31, 2015, in excess of the 3% minimum requirement established by OSFI.

On September 10, 2015, we announced the signing of an agreement to acquire GE Capital's Transportation Finance business. The acquisition is expected to reduce BMO's CET1 Ratio by approximately 70 basis points on closing in the first quarter of 2016.

BMO's investments in foreign operations are primarily denominated in U.S. dollars. The foreign exchange impact of U.S.-dollar-denominated RWA and U.S.-dollar-denominated capital deductions may result in variability in the bank's capital ratios. BMO may enter into hedging arrangements to reduce the impact of foreign exchange movements on its capital ratios and did so during 2015.

Regulatory Capital (All-in basis (1))

(Canadian $ in millions) As at October 31	**2015**	2014
Common Equity Tier 1 capital: instruments and reserves		
Directly issued qualifying common share capital plus related stock surplus	**12,612**	12,661
Retained earnings	**18,930**	17,237
Accumulated other comprehensive income (and other reserves)	**4,640**	1,375
Goodwill and other intangibles (net of related tax liability)	**(7,752)**	(6,875)
Other common equity Tier 1 capital deductions	**(2,802)**	(1,977)
Common Equity Tier 1 capital (CET1)	**25,628**	22,421
Additional Tier 1 capital: instruments		
Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	**2,150**	1,200
Directly issued capital instruments subject to phase-out from Additional Tier 1	**1,987**	3,332
Additional Tier 1 instruments (and CET1 instruments not otherwise included) issued by subsidiaries and held by third parties (amount allowed in group AT1)	**9**	7
of which: instruments issued by subsidiaries subject to phase-out	**9**	7
Total regulatory adjustments applied to Additional Tier 1 capital	**(358)**	(358)
Additional Tier 1 capital (AT1)	**3,788**	4,181
Tier 1 capital (T1 = CET1 + AT1)	**29,416**	26,602
Tier 2 capital: instruments and provisions		
Directly issued qualifying Tier 2 instruments plus related stock surplus	**1,034**	1,002
Directly issued capital instruments subject to phase-out from Tier 2	**3,548**	4,027
Tier 2 instruments (and CET1 and AT1 instruments not included) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	**46**	80
of which: instruments issued by subsidiaries subject to phase-out	**46**	80
Collective allowances	**590**	266
Total regulatory adjustments to Tier 2 capital	**(50)**	(50)
Tier 2 capital (T2)	**5,168**	5,325
Total capital (TC = T1 + T2)	**34,584**	31,927

(1) "All-in" regulatory capital assumes that all Basel III regulatory adjustments are applied effective January 1, 2013, and that the capital value of instruments that no longer qualify as regulatory capital under Basel III rules is being phased out at a rate of 10% per year from January 1, 2013 to January 1, 2022.

Our CET1 capital and Tier 1 capital were $25.6 billion and $29.4 billion, respectively, at October 31, 2015, up from $22.4 billion and $26.6 billion, respectively, at October 31, 2014. CET1 capital increased due to higher accumulated other comprehensive income, primarily driven by foreign exchange movement due to our investment in foreign operations, retained earnings growth, the issuance of common shares through the Shareholder Dividend Reinvestment and Share Purchase Plan (DRIP) and the exercise of stock options, partially offset by higher deductions and share repurchases. The increase in Tier 1 capital since October 31, 2014 was attributable to the growth in CET1 capital and issuance of preferred shares, partially offset by the Additional Tier 1 instruments redemptions, as outlined below in the Capital Management Activities section.

Total capital was $34.6 billion at October 31, 2015, up from $31.9 billion at October 31, 2014, attributable to the growth in Tier 1 capital mentioned above, partially offset by the additional 10% phase-out of non-qualifying subordinated debt, as mentioned above.

Risk-Weighted Assets

(Canadian $ in millions) As at October 31	**2015**	2014
Credit Risk		
Wholesale		
Corporate, including specialized lending	**91,489**	81,340
Corporate small and medium-sized enterprises	**31,954**	33,644
Sovereign	**1,765**	1,612
Bank	**3,902**	4,186
Retail		
Residential mortgages, excluding home equity line of credit	**8,427**	7,618
Home equity line of credit	**7,889**	6,541
Qualifying revolving retail	**4,569**	4,000
Other retail, excluding small and medium-sized enterprises	**11,053**	9,826
Retail small and medium-sized enterprises	**1,968**	1,604
Equity	**1,369**	1,362
Trading book	**8,415**	7,359
Securitization	**2,456**	3,098
Other credit risk assets – non-counterparty managed assets	**16,255**	14,946
Scaling factor for credit risk assets under AIRB Approach (1)	**8,874**	8,251
Total Credit Risk	**200,385**	185,387
Market Risk	**10,262**	9,002
Operational Risk	**28,538**	27,703
CET1 Capital Risk-Weighted Assets	**239,185**	222,092
Additional CVA adjustment, prescribed by OSFI, for Tier 1 Capital	**286**	336
Tier 1 Capital Risk-Weighted Assets	**239,471**	222,428
Additional CVA adjustment, prescribed by OSFI, for Total Capital	**245**	503
Total Capital Risk-Weighted Assets	**239,716**	222,931

(1) The scaling factor is applied to the risk-weighted assets amounts for credit risk under the AIRB Approach.

Credit Risk RWA (CET1 basis) were $200.4 billion at October 31, 2015, up from $185.4 billion at October 31, 2014. The increase was largely due to foreign exchange movement and business growth, partially offset by changes in methodology and higher book quality. Market Risk RWA were $10.3 billion at October 31, 2015, up from $9.0 billion at October 31, 2014, attributable to an increase in client facilitation positions and market variables, partially offset by methodology and policy changes. Operational Risk RWA were $28.5 billion at October 31, 2015, up from $27.7 billion at October 31, 2014, largely due to growth in the bank's average gross income.

Risk Capital Review

Economic capital is a measure of our internal assessment of the risks underlying BMO's business activities. It represents management's estimation of the likely magnitude of economic losses that could occur should severely adverse situations arise, and allows returns to be measured on a basis that considers the risks undertaken. Economic capital is calculated for various types of risk – credit, market (trading and non-trading), operational and business – based on a one-year time horizon using a defined confidence level.

Risk-weighted assets (RWA) is a measure of the bank's exposures weighted by risk and is calculated in accordance with the Regulatory Capital rules using a combination of Advanced approach models and Standardized approaches. RWA is calculated for credit, market (trading) and operational risk categories based on OSFI's prescribed rules.

Economic Capital and RWA by Operating Group and Risk Type

(As at October 31, 2015)

BMO Financial Group

Operating Groups	**Personal and Commercial Banking**	**Wealth Management**	**BMO Capital Markets**	**Corporate Services**
Economic Capital by Risk Type (%)				
Credit	72%	22%	60%	67%
Market	11%	39%	20%	6%
Operational/Other	17%	39%	20%	27%
RWA by Risk Type (Canadian $ in millions)				
Credit	133,419	10,291	47,361	9,312
Market	–	98	10,165	–
Operational	15,523	5,231	7,785	–

Capital Management Activities

On December 2, 2014, we announced our intention, and subsequently obtained the approval of OSFI and the Toronto Stock Exchange (TSX), to initiate a normal course issuer bid (NCIB) to purchase up to 15 million of BMO's common shares on the TSX for the purpose of cancellation. During fiscal 2015, we purchased 8 million shares under our NCIB share repurchase program. The current NCIB is set to expire on January 31, 2016.

On December 1, 2015, we announced our intention, subject to the approval of OSFI and the TSX, to initiate a new NCIB for up to 15 million of BMO's common shares, commencing on or about February 1, 2016, after the expiry of the current NCIB. Once approvals are obtained, the share repurchase program will permit BMO to purchase its common shares on the TSX for the purpose of cancellation. Maintaining an NCIB is part of BMO's capital management strategy. The timing and amount of any purchases under the program are subject to regulatory approvals and to management discretion based on factors such as market conditions and capital adequacy.

During 2015, BMO issued 1.5 million common shares through the DRIP and the exercise of stock options.

On December 31, 2014, we redeemed all of our $600 million BMO Capital Trust Securities – Series D (BMO BOaTS – Series D). On February 25, 2015, we redeemed all of our $400 million Non-cumulative 5-Year Rate Reset Class B Preferred Shares, Series 23. On April 22, 2015, we redeemed all of our $500 million Subordinated Debentures, Series C Medium-Term Notes, Second Tranche. On May 25, 2015, we redeemed all of our $350 million Non-cumulative Perpetual Class B Preferred Shares, Series 13.

On June 5, 2015, we completed our offering of Non-cumulative 5-Year Rate Reset Class B Preferred Shares Series 33. We issued 8 million shares for aggregate proceeds of $200 million.

On July 29, 2015, we completed our offering of Non-cumulative Perpetual Class B Preferred Shares Series 35. We issued 6 million shares for aggregate proceeds of $150 million.

On October 16, 2015, we completed our offering of Non-cumulative Perpetual Class B Preferred Shares Series 36. We issued 600,000 shares for aggregate proceeds of $600 million.

On November 27, 2015, BMO announced its intention to redeem the $450 million of outstanding BMO Capital Trust Securities – Series E (BMO BOaTS – Series E) on December 31, 2015.

If an NVCC trigger event were to occur, our NVCC capital instruments, Non-cumulative 5-Year Rate Reset Class B Preferred Shares, Series 27, Series 29, Series 31, Series 33 and Series 36, Non-cumulative Perpetual Class B Preferred Shares, Series 35, and Series H Medium-Term Notes, Tranche 1, would be converted into BMO common shares pursuant to automatic conversion formulas with a conversion price based on the greater of: (i) a floor price of $5.00, and (ii) the current market price of our common shares at the time of the trigger event (10-day weighted average). Based on a floor price of $5.00, these NVCC capital instruments would convert into 730 million BMO common shares, assuming no accrued interest and no declared and unpaid dividends.

Further details are provided in Notes 15, 16 and 17 on pages 168, 169 and 170 of the financial statements.

Outstanding Shares and Securities Convertible into Common Shares

As at November 25, 2015	Number of shares or dollar amount (in millions)	Dividends declared per share		
		2015	2014	2013
Common shares	643	**$3.24**	$3.08	$2.94
Class B Preferred shares				
Series 5 (1)	–	**–**	–	$0.33
Series 13 (2)	–	**$0.56**	$1.13	$1.13
Series 14	$ 250	**$1.31**	$1.31	$1.31
Series 15	$ 250	**$1.45**	$1.45	$1.45
Series 16 (3)	$ 157	**$0.85**	$0.85	$1.19
Series 17 (3)	$ 143	**$0.60**	$0.64	$0.17
Series 18 (4)	–	**–**	$0.41	$1.63
Series 21 (5)	–	**–**	$0.81	$1.63
Series 23 (6)	–	**$0.34**	$1.35	$1.35
Series 25	$ 290	**$0.98**	$0.98	$0.98
Series 27	$ 500	**$1.00**	$0.59	–
Series 29	$ 400	**$0.98**	$0.46	–
Series 31	$ 300	**$0.95**	$0.31	–
Series 33	$ 200	**$0.45**	–	–
Series 35	$ 150	**$0.41**	–	–
Series 36	$ 600	**–**	–	–
Medium-Term Notes				
Series H (7)	$1,000	**na**	na	na
Stock options				
– vested	6.9			
– non-vested	5.1			

(1) Redeemed in February 2013.
(2) Redeemed in May 2015.
(3) In August 2013, approximately 5.7 million Series 16 Preferred Shares were converted into Series 17 Preferred Shares on a one-for-one basis.
(4) Redeemed in February 2014.
(5) Redeemed in May 2014.
(6) Redeemed in February 2015.
(7) Note 15 on page 168 of the financial statements includes details on the Series H Medium-Term Notes, Tranche 1.
na – not applicable
Note 17 on page 170 of the financial statements includes details on share capital.

Dividends

Dividends declared per common share in fiscal 2015 totalled $3.24. Annual dividends declared represented 51.1% of reported net income and 48.0% of adjusted net income available to common shareholders on a last twelve months basis.

Our target dividend payout range (common share dividends as a percentage of net income available to shareholders, less preferred share dividends, based on adjusted earnings over the last twelve months) is 40% to 50%, which is consistent with our objective of maintaining flexibility to execute on our growth strategies, and takes into consideration the higher capital expectations resulting from the Basel III rules. BMO's target dividend payout range seeks to provide shareholders with stable income, while ensuring sufficient earnings are retained to support anticipated business growth, fund strategic investments and provide for a sound capital level.

At year end, BMO's common shares provided a 4.3% annual dividend yield based on the year-end closing share price and dividends declared in the last four quarters. On December 1, 2015, BMO announced that the Board of Directors had declared a quarterly dividend on common shares of $0.84 per share, up $0.02 per share or 2% from the prior quarter and up $0.04 per share or 5.0% from a year ago. The dividend is payable on February 26, 2016 to shareholders of record on February 1, 2016.

Common shareholders may elect to have their cash dividends reinvested in common shares of BMO in accordance with the DRIP. In the first quarter of 2015, common shares to supply the DRIP were issued from treasury without discount. Starting in the second quarter of 2015, common shares for the DRIP were purchased on the open market.

Eligible Dividends Designation

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

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

Select Financial Instruments

The Financial Stability Board (FSB) issued a report in 2012 encouraging enhanced disclosure related to financial instruments that market participants had come to regard as carrying higher risk. An index of the disclosures recommended by the Enhanced Disclosure Task Force of the FSB and where these disclosures appear in our Annual Report or Supplementary Financial Information is provided on page 84.

Caution

Given continued uncertainty in the capital markets environment, our capital markets instruments could experience valuation gains and losses due to changes in market value. This section, Select Financial Instruments, contains forward-looking statements. Please see the Caution Regarding Forward-Looking Statements on page 30.

Consumer Loans

In Canada, our Consumer Lending portfolio is comprised of three main asset classes: Real Estate Secured Lending (including residential mortgages and home equity products), instalment/other personal loans (including indirect automobile loans) and credit card loans. We do not have any subprime or Alt-A mortgage or home equity loan programs, nor do we purchase subprime or Alt-A loans from third-party lenders.

In the United States, the Consumer Lending portfolio is primarily comprised of three asset classes: residential first mortgages, home equity products and indirect automobile loans. We have a small portfolio of first mortgage and home equity loans outstanding that had subprime or Alt-A characteristics at the date of authorization (e.g., low credit score or limited documentation). These programs have been discontinued. Balances outstanding and amounts in arrears 90 days or more at year end were not significant.

In both Canada and the United States, consumer lending products are underwritten to prudent standards relative to credit scores, loan-to-value ratios, and capacity assessment, and are generally based upon documented and verifiable income.

Leveraged Finance

Leveraged finance loans are defined by BMO as loans to private equity businesses and mezzanine financings where our assessment indicates a higher level of credit risk. BMO has exposure to leveraged finance loans, which represent 1.6% of our total assets, with $10.4 billion outstanding at October 31, 2015, up approximately $1.9 billion from a year ago. Of this amount, $351 million or 3.4% of leveraged finance loans were classified as impaired ($179 million or 2.1% in 2014).

BMO-Sponsored Securitization Vehicles

BMO sponsors various vehicles that fund assets originated by either BMO (through a bank securitization vehicle) or its customers (several Canadian customer securitization vehicles and one U.S. customer securitization vehicle). We earn fees for providing services related to the customer securitization vehicles, including liquidity, distribution and financial arrangement fees for supporting the ongoing operations of the vehicles. These fees totalled approximately $89 million in 2015 and $66 million in 2014.

Canadian Customer Securitization Vehicles

The customer securitization vehicles we sponsor in Canada provide our customers with access to financing either directly from BMO or in the asset-backed commercial paper (ABCP) markets. Customers sell their assets into these vehicles, which then issue ABCP to either investors or BMO to fund the purchases. In all cases, the sellers remain responsible for the servicing of the transferred assets and are first to absorb any losses realized on the assets.

Our exposure to potential losses relates to our investment in ABCP issued by the vehicles, derivative contracts we have entered into with the vehicles and the liquidity support we provide to ABCP purchased by investors. We use our credit adjudication process in deciding whether to enter into these arrangements just as we do when extending credit in the form of a loan.

Two of these customer securitization vehicles are funded in the market, while a third is funded directly by BMO. BMO does not control these entities and therefore they are not consolidated. Further information on the consolidation of customer securitization vehicles is provided in Note 7 on page 154 of the financial statements. There were no material mortgage loans with subprime or Alt-A characteristics held in any of the customer securitization vehicles at year end. No losses have been recorded on any of BMO's exposures to these vehicles.

BMO's investment in the ABCP of the market-funded vehicles totalled $21 million at October 31, 2015 ($10 million in 2014).

BMO provided liquidity support facilities to the market-funded vehicles totalling $5.0 billion at October 31, 2015 ($4.6 billion in 2014). This amount comprised part of our commitments outlined in Note 26 on page 192 of the financial statements. All of these facilities remain undrawn. The assets of each of these market-funded customer securitization vehicles consist primarily of diversified pools of Canadian automobile-related receivables and Canadian insured residential mortgages. These two asset classes represent 86% (85% in 2014) of the aggregate assets of these vehicles.

U.S. Customer Securitization Vehicle

We sponsor a U.S. ABCP multi-seller vehicle that we consolidate under IFRS. This customer securitization vehicle assists our customers with the securitization of their assets to provide them with alternative sources of funding. The vehicle provides funding to diversified pools of portfolios through 28 (30 in 2014) individual securitization transactions with an average facility size of US$174 million (US$136 million in 2014). The size of the pools ranged from US$1 million to US$700 million at October 31, 2015. There were no residential mortgages classified as subprime or Alt-A held in this ABCP multi-seller vehicle.

The vehicle holds exposures secured by a variety of asset classes, including mid-market corporate loans, student loans and automobile loans.

The vehicle had US$4.1 billion of commercial paper outstanding at October 31, 2015 (US$2.6 billion in 2014). The ABCP of the vehicle is rated A1 by S&P and P1 by Moody's. BMO has not invested in the vehicle's ABCP. BMO provides committed liquidity support facilities to the vehicle, with the undrawn amount totalling US$5.4 billion at October 31, 2015 (US$4.6 billion in 2014).

Sectors of Interest: Oil and Gas, Mining

Our risks related to the Oil and Gas sector are further outlined in the Top and Emerging Risks That May Affect Future Results section on page 87. As at October 31, 2015, BMO's Oil and Gas outstanding loans were $6.7 billion or 2.0% of total loans and up approximately $0.7 billion from a year ago. Of this amount, $102 million of oil and gas sector loans were classified as impaired ($1 million in 2014). The majority of oil and gas lending is to Exploration and Development companies at 66%, followed by Pipelines at 18%, Services at 14% and Manufacturing and Refining at 2%, with approximately half of these loans having an internal rating that maps to investment grade.

As at October 31, 2015, BMO's loans in respect to the mining sectors were $1.3 billion or 0.4% of total loans and up approximately $0.2 billion from a year ago. Of this amount, $4 million of mining sector loans were classified as impaired ($12 million in 2014). Quarrying represents 12% of the total and of the remaining Metal/Non-Metal Mining, approximately half have an internal rating that maps to investment grade.

Off-Balance Sheet Arrangements

BMO enters into a number of off-balance sheet arrangements in the normal course of operations.

Credit Instruments

In order to meet the financial needs of our clients, we use a variety of off-balance sheet credit instruments. These include guarantees and standby letters of credit, which represent our obligation to make payments to third parties on behalf of a customer if the customer is unable to make the required payments or meet other contractual requirements. We also write documentary and commercial letters of credit, which represent our agreement to honour drafts presented by a third party upon completion of specified activities. Commitments to extend credit are off-balance sheet arrangements that represent our commitment to customers to grant them credit in the form of loans or other financings for specific amounts and maturities, subject to meeting certain conditions.

There are a large number of credit instruments outstanding at any time. Our customers are broadly diversified and we do not anticipate events or conditions that would cause a significant number of our customers to fail to perform in accordance with the terms of their contracts with us. We use our credit adjudication process in deciding whether to enter into these arrangements, just as we do when extending credit in the form of a loan. We monitor off-balance sheet instruments to avoid undue concentrations in any geographic region or industry.

The maximum amount payable by BMO in relation to these credit instruments was approximately $124 billion at October 31, 2015 ($99 billion in 2014). However, this amount is not representative of our likely credit exposure or liquidity requirements for these instruments, as it does not take into account customer behaviour, which suggests that only a portion of our customers will utilize the facilities related to these instruments. It also does not take into account any amounts that could be recovered under recourse and collateral provisions. Further information on these instruments can be found in Note 26 on page 192 of the financial statements.

For the credit commitments outlined in the preceding paragraphs, in the absence of an event that triggers a default, early termination by BMO may result in a breach of contract.

Structured Entities (SEs)

Our interests in SEs are discussed primarily on page 76 in the BMO-Sponsored Securitization Vehicles section and in Note 7 on page 154 of the financial statements. Under IFRS, we consolidate our bank securitization vehicles, U.S. customer securitization vehicle, credit protection vehicle, and certain capital and funding vehicles. We do not consolidate our Canadian customer securitization vehicles, structured finance vehicles, certain capital and funding vehicles, and various BMO managed and non-BMO managed investment funds.

Guarantees

Guarantees include contracts under which 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. 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 indebtedness are also considered guarantees. In the normal course of business, we enter into a variety of guarantees, including standby letters of credit, backstop and other liquidity facilities and derivatives contracts or instruments (including, but not limited to, credit default swaps), as well as indemnification agreements.

The maximum amount payable by BMO in relation to these guarantees was $30 billion at October 31, 2015 ($31 billion in 2014). However, this amount is not representative of our likely exposure, as it does not take into account customer behaviour, which suggests that only a portion of the guarantees will require us to make any payments. It also does not take into account any amounts that could be recovered through recourse and collateral provisions.

For a more detailed discussion of these agreements, please see Note 26 on page 192 of the financial statements.

Caution

This Off-Balance Sheet Arrangements section contains forward-looking statements. Please see the Caution Regarding Forward-Looking Statements.

Critical Accounting Estimates

The most significant assets and liabilities for which we must make estimates include: allowance for credit losses; financial instruments measured at fair value; pension and other employee future benefits; impairment of securities; income taxes and deferred tax assets; goodwill and intangible assets; purchased loans; insurance-related liabilities; and contingent liabilities. We make judgments in assessing whether substantially all risks and rewards have been transferred in respect of transfers of financial assets and whether we control SEs. These judgments are discussed in Notes 6 and 7, respectively, on pages 153 and 154 of the financial statements. Note 18 on page 172 of the financial statements discusses the judgments made in determining the fair value of financial instruments. If actual results differ from the estimates we make, the impact would be recorded in future periods. We have established detailed policies and control procedures that are intended to ensure the judgments we make in determining the estimates are well controlled, independently reviewed and consistently applied from period to period. We believe that our estimates of the value of BMO's assets and liabilities are appropriate.

For a more detailed discussion of the use of estimates, please see Note 1 on page 140 of the financial statements.

Allowance for Credit Losses

One of our key performance measures is the provision for credit losses as a percentage of average net loans and acceptances. Over the 10 years prior to 2015, our average annual ratio has ranged from a high of 0.88% in 2009 to a low of 0.09% in 2006. This ratio varies with changes in the economy and credit conditions. If we were to apply these high and low ratios to average net loans and acceptances in 2015, our provision for credit losses would range from $288 million to $2,818 million and our allowance for credit losses would range from $1,728 million to $4,258 million. Our provision for credit losses in 2015 was $612 million and our allowance for credit losses as at October 31, 2015 was $2,052 million. Additional information on the process and methodology for determining the allowance for credit losses can be found in the discussion of Credit and Counterparty Risk on page 94 as well as in Note 4 on page 148 of the financial statements.

Financial Instruments Measured at Fair Value

BMO records certain securities and derivatives at their fair value, and certain liabilities are designated at fair value. Fair value represents our estimate of the amount we would receive, or would be required to pay in the case of a liability, in a current transaction between willing parties. We employ 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 (Level 2) and internal models without observable market information (Level 3) in the valuation of securities, derivative assets and derivative liabilities as at October 31, 2015, as well as a sensitivity analysis of our Level 3 financial instruments, is disclosed in Note 18 on page 172 of the financial statements.

Our valuation models use general assumptions and market data, and therefore do not reflect the specific risks and other factors that could affect a particular instrument's fair value. Valuation Product Control (VPC), a group independent of the trading lines of business, verifies the fair values at which financial instruments are recorded. For instruments that are valued using models, VPC identifies situations where valuation adjustments must be made to the model estimates to arrive at fair value. As a result, we incorporate certain adjustments when using internal models to establish fair values. These fair value adjustments take into account the estimated impact of credit risk, liquidity risk and other items, including closeout costs. For example, the credit risk adjustment for derivative financial instruments incorporates credit risk into our determination of fair values by taking into account factors such as the counterparty's credit rating, the duration of the instrument and changes in credit spreads. We also incorporate an estimate of the implicit funding costs borne by BMO for over-the-counter derivative positions (the funding valuation adjustment).

The methodologies used for calculating these adjustments are reviewed on an ongoing basis to ensure that they remain appropriate. Significant changes in methodologies are made only when we believe that the change will result in better estimates of fair value.

Valuation Adjustments

(Canadian $ in millions) As at October 31	**2015**	2014
Credit risk	**100**	53
Funding risk	**60**	39
Liquidity risk	**57**	59
Other	**–**	2
Total	**217**	153

Valuation adjustments increased in 2015, primarily driven by the widening of credit spreads, lower interest rates, and the appreciation of the U.S. dollar.

Pension and Other Employee Future Benefits

Our pension and other employee future benefits expense is calculated by our independent actuaries using assumptions determined by management. If actual experience differs from the assumptions used, the difference is recognized in other comprehensive income.

Pension and other employee future benefits expense and the related obligations are sensitive to changes in discount rates. We determine discount rates at each year end for all our plans using high-quality corporate bonds with terms matching the plans' specific cash flows.

Additional information regarding our accounting for pension and other employee future benefits, including a sensitivity analysis for key assumptions, is included in Note 23 on page 184 of the financial statements.

Impairment of Securities

We have investments in securities issued or guaranteed by Canadian, U.S. and other governments, corporate debt and equity securities, mortgage-backed securities and collateralized mortgage obligations, which are classified as either available-for-sale securities, held-to-maturity securities or other securities. We review held-to-maturity, available-for-sale and other securities at each quarter-end reporting period to identify and evaluate investments that show indications of possible impairment. An investment is considered impaired if there is objective evidence that the estimated future cash flows will be reduced and the impact can be reliably measured. We consider evidence such as delinquency or default, bankruptcy, restructuring or other evidence of deterioration in the creditworthiness of the issuer, or the absence of an active market. The decision to record a write-down, its amount and the period in which it is recorded could change if management's assessment of those factors were to differ. We do not record impairment write-downs on debt securities when impairment is due to changes in market rates, if future contractual cash flows associated with the debt security are still expected to be recovered.

At the end of 2015, there were total unrealized losses of $152 million related to available-for-sale securities for which cost exceeded fair value and an impairment write-down had not been recorded. Of this amount, $5 million related to available-for-sale securities for which cost had exceeded fair value for 12 months or more. These unrealized losses resulted from changes in market interest rates and not from deterioration in the creditworthiness of the issuer.

Additional information regarding our accounting for available-for-sale securities, held-to-maturity securities and other securities and the determination of fair value is included in Note 3 on page 144 and Note 18 on page 172 of the financial statements.

Income Taxes and Deferred Tax Assets

The provision for income taxes is calculated based on the expected tax treatment of transactions recorded in our Consolidated Statements of Income or Changes in Equity. In determining the provision for income taxes, we interpret tax legislation in a variety of jurisdictions and make assumptions about the expected timing of the reversal of deferred tax assets and liabilities. If our interpretations differ from those of tax authorities or if the timing of reversals is not as expected, our provision for income taxes could increase or decrease in future periods. The amount of any such increase or decrease cannot be reasonably estimated.

Deferred tax assets are recognized only when it is probable that sufficient taxable profit will be available in future periods against which deductible temporary differences may be utilized. We are required to assess whether it is probable that our deferred income tax asset will be realized prior to its expiration and, based on all the available evidence, determine if any portion of our deferred income tax asset should not be recognized. The factors used to assess the probability of realization are our past experience of income and capital gains, our forecast of future net income before taxes, available tax planning strategies that could be implemented to realize the deferred income tax asset, and the remaining expiration period of tax loss carryforwards. Changes in our assessment of these factors could increase or decrease our provision for income taxes in future periods.

If income tax rates increase or decrease in future periods in a jurisdiction, our provision for income taxes for future periods will increase or decrease accordingly. Furthermore, our deferred tax assets and liabilities will increase or decrease as income tax rates decrease or increase, respectively, and will result in either an income tax charge or a recovery. A 1% decrease in the U.S. federal tax rate from 35% to 34% would reduce our deferred tax asset by about $58 million and would result in a corresponding income tax charge.

Additional information regarding our accounting for income taxes is included in Note 24 on page 189 of the financial statements.

Goodwill and Intangible Assets

Goodwill is assessed for impairment at least annually. This assessment includes a comparison of the carrying value and the recoverable amount of each business unit to verify that the recoverable amount of the business unit is greater than its carrying value. If the carrying value were to exceed the recoverable amount of the business unit, an impairment calculation would be performed. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Fair value less costs to sell was used to perform the impairment test in all periods. In determining fair value less costs to sell, we employ a discounted cash flow model, consistent with that used when we acquire businesses. This model is dependent on assumptions related to revenue growth, discount rates, synergies achieved on acquisition and the availability of comparable acquisition data. Changes in any of these assumptions would affect the determination of fair value for each of the business units in a different manner. Management must exercise judgment and make assumptions in determining fair value, and differences in judgments and assumptions could affect the determination of fair value and any resulting impairment write-down. At October 31, 2015, the estimated fair value of each of our business units was greater than its carrying value.

Definite-lived intangible assets are amortized to income on either a straight-line or an accelerated basis over a period not exceeding 15 years, depending on the nature of the asset. We test definite-lived intangible assets for impairment when circumstances indicate the carrying value may not be recoverable. During the year ended October 31, 2015, we recorded $1 million in impairment of definite-lived intangibles ($nil for 2014). Indefinite life intangible assets are tested annually for impairment. If any intangible assets are determined to be impaired, we write them down to their recoverable amount, the higher of value in use and fair value less costs to sell, when this is less than the carrying value. No such impairment was identified for the years ended October 31, 2015 and 2014. Additional information regarding the composition of goodwill and intangible assets is included in Note 11 on page 164 of the financial statements.

Purchased Loans

Significant judgment and assumptions were applied to determine the fair value of the Marshall & Ilsley Corporation (M&I) loan portfolio. Loans were identified as either purchased performing loans or purchased credit impaired loans (PCI loans), both of which were recorded at fair value at the time of acquisition. The determination of fair value involved estimating the expected cash flows to be received and determining the discount rate to be applied to the cash flows from the loan portfolio. In determining the discount rate, we considered various factors, including our cost to raise funds in the current market, the risk premium associated with the loans and the cost to service the portfolios. PCI loans are those where the timely collection of principal and interest was no longer reasonably assured as at the date of acquisition. We regularly evaluate what we expect to collect on PCI loans. Changes in expected cash flows could result in the recognition of impairment or a recovery through the provision for credit losses. Estimating the timing and amount of cash flows requires significant management judgment regarding key assumptions, including the probability of default, severity of loss, timing of payment receipts and valuation of collateral. All of these factors are inherently subjective and can result in significant changes in cash flow estimates over the term of a loan.

The purchased performing loans are subject to the same credit review processes we apply to loans we originate. Additional information regarding purchased loans is provided in Note 4 on page 148 of the financial statements.

Insurance-Related Liabilities

Insurance claims and policy benefit liabilities represent current claims and estimates for future insurance policy benefits. Liabilities for life insurance contracts are determined using the Canadian Asset Liability Method, which incorporates best-estimate assumptions for mortality, morbidity, policy lapses, surrenders, future investment yields, policy dividends, administration costs and margins for adverse deviation. These assumptions are reviewed at least annually and updated to reflect actual experience and market conditions. The most significant impact on the valuation of a liability would be the result of a change in the assumption for future investment yields. If the assumed yield were to increase by one percentage point, net income would increase by approximately $66 million. A reduction of one percentage point would lower net income by approximately $65 million. See the Insurance Risk section on page 114 for further discussion of the impact of changing rates on insurance earnings.

Provisions

BMO and its subsidiaries are involved in various legal actions in the ordinary course of business.

Provisions are recorded at the best estimate of the amount required to settle any obligation related to these legal actions as at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Factors included in making the assessment include a case-by-case assessment of specific facts and circumstances, our past experience and opinions of legal experts. Management and internal and external experts are involved in estimating any amounts that may be required. The actual costs of resolving these claims may be substantially higher or lower than the amount of the provisions.

Additional information regarding provisions is provided in Note 26 on page 192 of the financial statements.

Transfers of Financial Assets and Consolidation of Structured Entities

We sell Canadian mortgage loans to third-party Canadian securitization programs, including the Canadian Mortgage Bond program, and directly to third-party investors under the National Housing Act Mortgage-Backed Securities program. We assess whether substantially all of the risk and rewards of the loans have been transferred to determine if they qualify for derecognition. Since we continue to be exposed to substantially all of the prepayment, interest rate and/or credit risk associated with the securitized loans, they do not qualify for derecognition. We continue to recognize the loans and recognize the related cash proceeds as secured financing in our Consolidated Balance Sheet. Additional information concerning the transfer of financial assets is included on page 76, as well as in Note 6 on page 153 of the financial statements.

In the normal course of business, BMO enters into arrangements with SEs. We are required to consolidate SEs if we determine that we control the SEs. We control an SE when we have power over the entity, exposure or rights to variable returns from our investment and the ability to exercise power to affect the amount of our returns. Additional information concerning BMO's interests in SEs is included on pages 76 and 77, as well as in Note 7 on page 154 of the financial statements.

Caution

This Critical Accounting Estimates section contains forward-looking statements. Please see the Caution Regarding Forward-Looking Statements.

Changes in Accounting Policies in 2015

BMO adopted the following new or amended standards in 2015: IAS 36 *Impairment of Assets*; IAS 32 *Financial Instruments: Presentation*; IFRIC 21 *Levies*; and early adopted the own credit provisions of IFRS 9 *Financial Instruments*. The adoption of the own credit provisions of IFRS 9, which were adopted prospectively, resulted in a $120 million gain, net of taxes being recorded in other comprehensive income instead of net income related to the change in fair value of deposit and annuity liabilities due to changes in our credit spread. The adoption of the other new or amended standards did not have a significant impact on our financial statements. The impact of these accounting policy changes is discussed in Note 1 on page 140 of the financial statements.

Future Changes in Accounting Policies

BMO monitors the potential changes to IFRS proposed by the International Accounting Standards Board (IASB) and analyzes the effect that any such changes to the standards may have on BMO's financial reporting and accounting policies. New standards and amendments to existing standards that will be effective for BMO in the future are described in Note 1 on page 140 of the financial statements.

Adoption of IFRS 9 Financial Instruments

As a result of an announcement from our regulator OSFI, we will be adopting IFRS 9 *Financial Instruments* effective November 1, 2017. IFRS 9 addresses the classification, measurement and impairment of financial instruments. The impairment requirements of IFRS 9 are expected to have the largest impact on the bank and will result in the earlier recognition in the credit cycle of provisions for credit losses and a higher initial collective loan loss allowance when the standard is implemented as an adjustment to retained earnings. We do not expect significant changes to the accounting for the specific loan loss allowance or the specific provision for credit losses.

IFRS 9 utilizes an expected credit loss model which will result in lifetime credit losses being recognized in the collective allowance if there is a significant deterioration in lifetime credit quality, regardless of whether there has been a credit event. The expected credit loss model requires the recognition of credit losses based on a 12-month time horizon for performing loans and requires the recognition of lifetime expected credit losses for loans that experience a significant deterioration in credit risk since inception. The expected loss calculations are required to incorporate forward-looking macroeconomic information in determining the final provision.

The classification requirements will result in unrealized gains and losses on equity securities currently classified as available-for-sale being recognized in profit or loss going forward, as opposed to being recognized in other comprehensive income. Additionally, based on the results of the business model and cash flow characteristics test, certain investments in debt securities may be reclassified from the current amortized cost or available-for-sale categories to fair value through profit or loss or from available-for-sale into amortized cost.

In order to meet the requirement to adopt IFRS 9, we have established an enterprise-wide project. We are currently evaluating the impact of adoption on our financial results.

Transactions with Related Parties

In the ordinary course of business, we provide banking services to our key management personnel and their affiliated entities, joint ventures and equity-accounted investees on the same terms that we offer to our customers for those services. Key management personnel are defined as those persons having authority and responsibility for planning, directing and/or controlling the activities of an entity, being the directors and most senior executives of the bank.

Details of our investments in joint arrangements and associates and the compensation of key management personnel are disclosed in Note 29 on page 197 of the financial statements. We also offer employees a subsidy on annual credit card fees.

Management's Annual Report on Disclosure Controls and Procedures and Internal Control over Financial Reporting

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO), on a timely basis so that appropriate decisions can be made regarding public disclosure.

An evaluation of the effectiveness of the design and operation of our disclosure controls and procedures was conducted as at October 31, 2015, by Bank of Montreal's management under the supervision of the CEO and the CFO. Based on this evaluation, the CEO and the CFO have concluded that, as at October 31, 2015, our disclosure controls and procedures, as defined in Canada by *National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings*, and in the United States by Rule 13a-15(e) under the *Securities Exchange Act of 1934* (the Exchange Act), are effective.

Internal Control over Financial Reporting

Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS and the requirements of the Securities and Exchange Commission (SEC) in the United States, as applicable. Management is responsible for establishing and maintaining adequate internal control over financial reporting for Bank of Montreal.

Bank of Montreal's internal control over financial reporting includes policies and procedures designed to provide assurance that records are maintained in reasonable detail to accurately and fairly reflect the transactions and dispositions of the assets of Bank of Montreal; and to provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with IFRS and the requirements of the SEC in the United States, as applicable, that receipts and expenditures of Bank of Montreal are being made only in accordance with authorizations by management and directors of Bank of Montreal, and that any unauthorized acquisition, use or disposition of Bank of Montreal's assets which could have a material effect on the financial statements is prevented or detected in a timely manner.

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

Bank of Montreal's management, under the supervision of the CEO and the CFO, has evaluated the effectiveness of internal control over financial reporting using the framework and criteria established in *Internal Control – Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission in May 2013 (2013 COSO Framework). Based on this evaluation, management has concluded that internal control over financial reporting was effective as at October 31, 2015.

At the request of Bank of Montreal's Audit and Conduct Review Committee, KPMG LLP (Shareholders' Auditors), an independent registered public accounting firm, has conducted an audit of the effectiveness of our internal control over financial reporting based on the 2013 COSO Framework. The audit report concludes that, in KPMG's opinion, Bank of Montreal maintained, in all material respects, effective internal control over financial reporting as at October 31, 2015, in accordance with the criteria established in the 2013 COSO Framework. This audit report appears on page 134.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting in fiscal 2015 that have materially affected, or are reasonably likely to materially affect, the adequacy and effectiveness of our internal control over financial reporting.

Shareholders' Auditors' Services and Fees

Review of Shareholders' Auditors

The Audit and Conduct Review Committee (ACRC) is responsible for the appointment, compensation and oversight of the shareholders' auditors and conducts an annual assessment of the shareholders' auditors' performance and effectiveness considering factors such as: (i) the quality of services provided by the shareholders' auditors' engagement team during the audit period; (ii) the relevant qualifications, experience and geographical reach to serve BMO; (iii) the quality of communications received from the shareholders' auditors; and (iv) the shareholders' auditors' independence, objectivity and professional skepticism.

The Board believes that it has robust review processes in place to monitor audit quality and oversee the work of the shareholders' auditors, including the lead partner, which include:

- annually reviewing the shareholders' auditors' audit plan, including a consideration of the impact of business risks on the audit plan and an assessment of the reasonableness of the audit fee;
- monitoring the execution of the audit plan, with emphasis on the more complex and risky areas of the audit;
- reviewing and evaluating the audit findings, including in camera sessions;
- evaluating audit quality and performance, including recent Canadian Public Accountability Board and Public Company Accounting Oversight Board inspection reports on the shareholders' auditors and their peer firms;
- reviewing qualifications of their senior engagement team members with the shareholders' auditors;
- soliciting the opinion of the bank's management and internal auditors on the performance of the engagement team; and
- at a minimum, holding quarterly meetings with the ACRC Chair and the lead audit partner to discuss audit issues independently of management.

In 2015, we completed our periodic comprehensive review of the shareholders' auditors. The comprehensive review was based on the recommendations of the Chartered Professional Accountants of Canada and the Canadian Public Accountability Board. The review focused on (1) the shareholders' auditors' independence, objectivity and professional skepticism; (2) quality of the engagement team; and (3) quality of communications and interactions with the shareholders' auditors. As a result of this review the ACRC was satisfied with the performance of the shareholders' auditors.

Independence of the shareholders' auditors is overseen by the ACRC in accordance with the bank's Auditor Independence Policy, as outlined below. The ACRC also ensures that the lead audit partner rotates out of that role after five consecutive years and does not return to that role for a further five years.

Pre-Approval Policies and Procedures

As part of BMO Financial Group's corporate governance practices, the ACRC oversees the application of BMO's Corporate Policy limiting the services provided by the shareholders' auditors that are not related to their role as auditors. The ACRC pre-approves the types of services ("permitted services") that can be provided by the shareholders' auditors, as well as the annual audit plan, which includes fees for specific types of services. For permitted services that are not included in the pre-approved annual audit plan, confirmation to proceed with the engagement is obtained and the services to be provided are presented to the ACRC for ratification at its next meeting. All services must comply with our Auditor Independence Policy, as well as professional standards and securities regulations governing auditor independence.

Shareholders' Auditors' Fees

Aggregate fees paid to the Shareholders' Auditors during the fiscal years ended October 31, 2015 and 2014 were as follows:

Fees ($ millions) (1)	**2015**	2014
Audit fees	**17.1**	17.3
Audit-related fees (2)	**2.2**	1.9
Tax fees	**0.1**	–
All other fees (3)	**2.3**	1.2
Total	**21.7**	20.4

(1) The classification of fees is based on applicable Canadian securities laws and U.S. Securities and Exchange Commission definitions.

(2) Audit-related fees for 2015 and 2014 relate to fees paid for accounting advice, specified procedures on our Proxy Circular and other specified procedures.

(3) All other fees for 2015 and 2014 relate primarily to fees paid for reviews of compliance with regulatory requirements for financial information and reports on internal controls over services provided by various BMO Financial Group businesses. They also include costs of translation services.

Enhanced Disclosure Task Force

On October 29, 2012, the Enhanced Disclosure Task Force (EDTF) of the Financial Stability Board published its first report, Enhancing the Risk Disclosures of Banks. We support the recommendations issued by the EDTF for the provision of high-quality, transparent risk disclosures.

Disclosures related to the EDTF recommendations are detailed below.

General

1 Present all risk-related information in the Annual Report, Supplementary Financial Information and Supplementary Regulatory Capital Disclosure, and provide an index for easy navigation.

Annual Report: Risk-related information is presented in the Enterprise-Wide Risk Management section on pages 86 to 117.

An index for the MD&A is provided on page 26. An index for the notes to the financial statements is provided on page 140.

Supplementary Financial Information: An index is provided in our Supplementary Financial Information.

2 Define the bank's risk terminology and risk measures and present key parameters used.

Annual Report: Specific risk definitions and key parameters underpinning BMO's risk reporting are provided on pages 94 to 117.

A glossary of financial terms (including risk terminology) can be found on pages 202 to 203.

3 Discuss top and emerging risks for the bank.

Annual Report: BMO's top and emerging risks are discussed on pages 87 to 89.

4 Outline plans to meet new key regulatory ratios once the applicable rules are finalized.

Annual Report: We outline BMO's plans to meet new regulatory ratios on pages 71 to 73 and 110.

Risk Governance

5 Summarize the bank's risk management organization, processes, and key functions.

Annual Report: BMO's risk management organization, processes and key functions are summarized on pages 89 to 93.

6 Describe the bank's risk culture.

Annual Report: BMO's risk culture is described on page 90.

7 Describe key risks that arise from the bank's business model and activities.

Annual Report: A diagram of BMO's risk exposure by operating segment is provided on page 74.

8 Describe the use of stress testing within the bank's risk governance and capital frameworks.

Annual Report: BMO's stress testing process is described on page 93.

Capital Adequacy and Risk-Weighted Assets (RWA)

9 Provide minimum Pillar 1 capital requirements.

Annual Report: Basel III Pillar 1 capital requirements are described on pages 70 to 72.

Supplementary Financial Information: Basel III regulatory capital is disclosed on page 34.

10 Summarize information contained in the composition of capital templates adopted by the Basel Committee.

Annual Report: An abridged version of the Basel III regulatory capital template is provided on page 72.

Supplementary Financial Information: Basel III Pillar 3 disclosure is provided on pages 34 to 36 and 38. A Main Features template can be found on BMO's website at www.bmo.com under Investor Relations and Regulatory Filings.

11 Present a flow statement of movements in regulatory capital, including changes in Common Equity Tier 1, Additional Tier 1, and Tier 2 capital.

Supplementary Financial Information: Regulatory capital flow statement is provided on page 39.

12 Discuss capital planning within a more general discussion of management's strategic planning.

Annual Report: BMO's capital planning process is discussed under Capital Management Framework on page 70.

13 Provide granular information to explain how RWA relate to business activities.

Annual Report: A diagram of BMO's risk exposure, including RWA by operating group, is provided on page 74.

14 Present a table showing the capital requirements for each method used for calculating RWA.

Annual Report: Regulatory capital requirement, as a percentage of RWA, is outlined on page 71.

Information about significant models used to determine RWA is provided on pages 95 to 96.

Supplementary Financial Information: A table showing RWA by model approach and by risk type is provided on page 38.

15 Tabulate credit risk in the banking book for Basel asset classes.

Supplementary Financial Information: Wholesale and retail credit exposures by internal rating grades are provided on page 46.

16 Present a flow statement that reconciles movements in RWA by credit risk and market risk.

Supplementary Financial Information: RWA flow statements are provided on page 40, with a reconciliation on page 37.

17 Describe the bank's Basel validation and back-testing process.

Annual Report: BMO's Basel validation and back-testing process for credit and market risk is described on page 113.

Supplementary Financial Information: A table showing Exposure at Default and RWA by model approach and asset class is provided on page 38. A table showing estimated and actual loss parameters is provided on page 48.

Liquidity

18 Describe how the bank manages its potential liquidity needs and the liquidity reserve held to meet those needs.

Annual Report: BMO's potential liquidity needs and the liquidity reserve held to meet those needs are described on pages 105 to 106.

Funding

19 Summarize encumbered and unencumbered assets in a table by balance sheet category.

Annual Report: An Asset Encumbrance table is provided on page 107.

Additional collateral requirements in the event of downgrades by rating agencies are disclosed in Note 8 on pages 158 to 159 of the financial statements.

Supplementary Financial Information: The Asset Encumbrance table by currency is provided on page 33.

20 Tabulate consolidated total assets, liabilities and off-balance sheet commitments by remaining contractual maturity.

Annual Report: A Contractual Maturity table is presented in Note 30 on pages 198 to 201 of the financial statements.

21 Discuss the bank's sources of funding and describe the bank's funding strategy.

Annual Report: BMO's sources of funding and funding strategy are described on pages 108 to 109.

A table showing the composition and maturity of wholesale funding is provided on page 109.

Market Risk

22 Provide a breakdown of balance sheet positions into trading and non-trading market risk measures.

Annual Report: A table linking balance sheet items to market risk measures is provided on page 103.

23 Provide qualitative and quantitative breakdowns of significant trading and non-trading market risk measures.

Annual Report: Trading market risk exposures are described and quantified on pages 100 to 102.

Structural (non-trading) market risk exposures are described and quantified on pages 103 to 104.

24 Describe significant market risk measurement model validation procedures and back-testing and how these are used to enhance the parameters of the model.

Annual Report: Market risk measurement model validation procedures and back-testing for trading market risk and structural (non-trading) market risk are described on page 113.

25 Describe the primary risk management techniques employed by the bank to measure and assess the risk of loss beyond reported risk measures.

Annual Report: The use of stress testing, scenario analysis and stressed VaR for market risk management is described on pages 100 to 101.

Credit Risk

26 Provide information about the bank's credit risk profile.

Annual Report: Information about BMO's credit risk profile is provided on pages 96 to 97 and in Notes 4 and 5 on pages 148 to 153 of the financial statements, respectively.

Supplementary Financial Information: Tables detailing credit risk information are provided on pages 20 to 29 and 42 to 49.

27 Describe the bank's policies related to impaired loans and renegotiated loans.

Annual Report: Impaired and renegotiated loan policies are described in Note 4 on pages 148 and 150, respectively, of the financial statements.

28 Provide reconciliations of impaired loans and the allowance for credit losses.

Annual Report: Continuity schedules for gross impaired loans and allowance for credit losses are provided on page 97 and in Note 4 on pages 149 to 150 of the financial statements.

29 Provide a quantitative and qualitative analysis of the bank's counterparty credit risk that arises from its derivative transactions.

Annual Report: Quantitative disclosures on collateralization agreements for over-the-counter (OTC) derivatives are provided on page 99 and qualitative disclosures are provided on page 94.

Supplementary Financial Information: Quantitative disclosures for OTC derivatives are provided on page 32.

30 Provide a discussion of credit risk mitigation.

Annual Report: A discussion of BMO's credit and counterparty risk management is provided on pages 94 to 95. Collateral management discussions are provided on page 94 and in Notes 8 and 26 on pages 161 and 193, respectively, of the financial statements.

Supplementary Financial Information: The Exposures Covered by Credit Risk Mitigation table is provided on page 42.

Other Risks

31 Describe other risks and discuss how each is identified, governed, measured and managed.

Annual Report: A diagram illustrating the risk governance process that supports BMO's risk culture is provided on page 89.

Other risks are discussed on pages 111 to 117.

32 Discuss publicly known risk events related to other risks, where material or potentially material loss events have occurred.

Annual Report: Other risks are discussed on pages 111 to 117.

Enterprise-Wide Risk Management

As a diversified financial services company actively providing banking, wealth management, capital market and insurance services, we are exposed to a variety of risks that are inherent in carrying out our business activities. A disciplined and integrated approach to managing risk is therefore fundamental to the success of our operations. Our risk management framework provides independent risk oversight across the enterprise and is essential to building competitive advantage.

Surjit Rajpal
Chief Risk Officer
BMO Financial Group

Strengths and Value Drivers

- Disciplined approach to risk-taking.
- Comprehensive and consistent risk frameworks that address all risk types.
- Risk appetite and metrics that are clearly articulated and integrated into strategic planning and the ongoing management of businesses and risk.
- Sustained mindset of continuous improvement that drives consistency and efficiency in the management of risk.

Challenges

- The heightened pace, volume and complexity of regulatory requirements.
- Balancing risk and return in an uncertain economic and geopolitical environment.
- The evolving technology improvements required to meet customer expectations and the need to anticipate and respond to cyber threats.

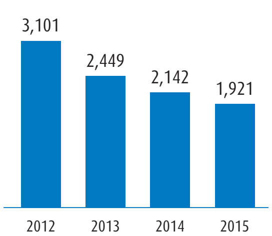
Priorities

- Address increased complexity by streamlining risk management activities and by simplifying processes and ensuring consistent practices across different business lines.
- Support greater integration of risk in the business, while managing the high rate of change with more dynamic assessment and monitoring of the risks that are being taken.
- Continue to enhance our risk management infrastructure through greater integration of our systems, data and models to ensure ongoing alignment of these critical elements.

2015 Accomplishments

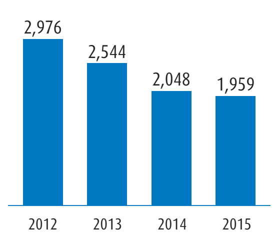
- Leveraged our capital processes to enhance our risk appetite and limit framework through further alignment with our businesses' capacity to bear risk.
- Developed and embedded our stress testing capabilities in business management processes and provided additional risk insights.
- Continued to improve our risk culture as evidenced by internal and external surveys.
- Fulfilled rising regulatory expectations, evidenced by improvements in stress testing, market risk measurement and anti-money laundering.
- Continued to develop the next generation of our risk infrastructure by integrating, automating and upgrading foundational capabilities.

Gross Impaired Loan Formations ($ millions)



Level of new impaired loan formations was 10% lower year over year, reflecting decreases in formations in both Canada and the United States.

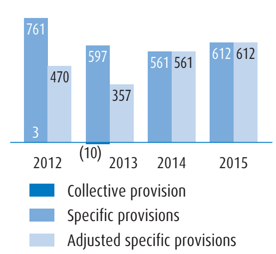
Gross Impaired Loan Balances* ($ millions)



Gross impaired loans were 4% lower year over year; excluding the impact of stronger U.S. dollar GIL were 13% lower.

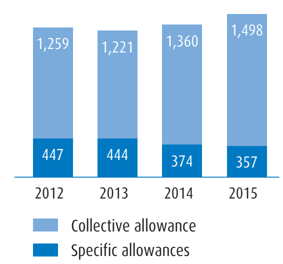
* Excludes purchased credit impaired loans.

Provision for Credit Losses ($ millions)



The total provision for credit losses was 9% higher year over year, reflecting lower recoveries in Corporate Services and higher provisions in Capital Markets partially offset by reduced provisions in the P&C business.

Total Allowance for Credit Losses* ($ millions)



The total allowance for credit losses increased 7% year over year primarily due to the stronger U.S. dollar, and remains adequate.

* Excludes allowances related to Other Credit Instruments.

Text and tables presented in a blue-tinted font in the Enterprise-Wide Risk Management section of the MD&A form an integral part of the 2015 annual consolidated financial statements. They present required disclosures as set out by the International Accounting Standards Board in IFRS 7, *Financial Instruments – Disclosures*, which permits cross-referencing between the notes to the financial statements and the MD&A. See Note 1 on page 140 and Note 5 on page 151 of the financial statements.

Adjusted results in this Enterprise-Wide Risk Management section are non-GAAP and are discussed in the Non-GAAP Measures section on page 33.

Overview

At BMO, we believe that risk management is every employee's responsibility. We are guided by five core principles that inform our approach to managing risk across the enterprise.

Our Approach to Risk Management

- Understand and manage.
- Protect our reputation.
- Diversify. Limit tail risk.
- Maintain strong capital and liquidity.
- Optimize risk return.

Our integrated and disciplined approach to risk management is fundamental to the success of our operations. All elements of our risk management framework work together in support of prudent and measured risk-taking, while striking an appropriate balance between risk and return. Our Enterprise Risk and Portfolio Management (ERPM) group develops our risk appetite, risk policies and limits, and provides independent review and oversight across the enterprise on risk-related issues to achieve prudent and measured risk-taking that is integrated with our business strategy.

Risks That May Affect Future Results

Top and Emerging Risks That May Affect Future Results

We are exposed to a variety of continually changing risks that have the potential to affect our business and financial condition. An essential mandate of our risk management process is to proactively identify, assess, monitor and manage a broad spectrum of top and emerging risks. Our top and emerging risk identification process consists of several forums for discussion with the Board, senior management and business thought leaders, combining both bottom-up and top-down approaches to considering risk. Our assessment of top and emerging risks is used to develop action plans and stress tests of our exposure to certain events.

In 2015, particular attention was given to the following top and emerging risks:

Slow Global Economic Growth

Concerns about global growth outside of North America could be triggered by a variety of disparate possible causes, ranging from disruption in China or other emerging markets to conflicts in the Middle East, North Africa and Europe. These could result in market volatility spikes, lower commodity prices, currency devaluations, rapid changes in capital flows, regional credit crises and disruption of the social fabric, and higher levels of uncertainty that reduce growth, employment, trade and business investment. In the short run, market shocks can impact our Capital Markets business, while over a longer period of time the broader impact could be felt through reduced North American economic growth and weaker credit quality in our internationally exposed customers.

BMO benefits from an integrated North American strategy in diverse industries, with limited direct lending exposure outside the region and with a footprint that partially acts as a natural hedge to commodity price and foreign exchange movements, wherein price declines/rises often have offsetting impacts across different North American regions. We actively monitor sources of global growth and continually assess our portfolio and business strategies against developments. We stress test our business plans and capital adequacy against severely adverse scenarios arising outside North America and develop contingency plans and mitigation strategies to react to and offset such possible adverse political and/or economic developments.

Further information on our direct and indirect European exposures is provided in the Select Geographic Exposures section on page 98.

Information and Cyber Security Risk

Information security is integral to BMO's business activities, brand and reputation. Given our pervasive use of the internet and reliance on advanced digital technologies, particularly the mobile and online banking platforms that serve our customers, BMO faces heightened information security risks, including the threat of hacking, identity theft and corporate espionage, as well as the possibility of denial of service resulting from efforts targeted at causing system failure and service disruption. BMO proactively invests in defences and procedures to prevent, detect, respond to and manage cyber security threats. These include regular benchmarking and review of best practices, evaluation of the effectiveness of our key controls and development of new controls, as needed, and ongoing investments in both technology and human resources to protect BMO, third parties that we interact with, and our customers against these attacks. BMO also works with critical cyber security and software suppliers to bolster our internal resources and technology capabilities in order to ensure BMO remains resilient in the face of any such attacks in a rapidly evolving threat landscape.

Protracted Low Oil Prices

The significant decline in oil and gas prices has challenged many companies in the sector and has resulted in wide-ranging actions by affected companies to increase efficiency, reduce costs, limit capital outflows, sell assets and raise equity. Should oil and gas prices stay at a low level for a prolonged period of time there will be greater challenges for the industry, with a deterioration of borrower repayment capacity and of borrower ratings. The oil industry's response to low prices has indirect negative impacts on commercial businesses and consumers in the oil-producing regions, particularly in Alberta.

Low oil prices have resulted in quite different outcomes for other sectors and regions within the BMO footprint as lower oil prices have led to a lower Canadian dollar and lower input costs for many consumers and businesses. Benefits of the lower oil price have shown through in the upturn of Canadian manufacturing output and non-oil exports and we expect those positive trends to strengthen into 2016. Overall, lower oil prices are a net positive for global and U.S. demand, and for Canadian non-energy exports.

Business Disruptors

The financial services industry is undergoing rapid change as technology enables non-traditional new entrants to compete in certain segments of the banking market, in some cases with reduced regulation. New entrants may use new technologies, advanced data and analytic tools, lower cost to serve, reduced regulatory burden and/or faster processes to challenge traditional banks. For example, new business models have been observed in retail payments, consumer and commercial lending, foreign exchange and low cost investment advisory services. While we closely monitor business disruptors, we also continue to adapt by making investments, including improving our mobile banking capabilities, building new branch formats, and refining our credit decisioning tools. We further mitigate this risk by providing our customers with access to banking services across different channels, focusing on improving customer loyalty and trust, using our own advanced data and analytical tools and leveraging current and future partnerships. However, matching the pace of innovation exhibited by new and differently-situated competitors may require us and policy-makers to adapt with greater pace.

Other Factors That May Affect Future Results

General Economic and Market Conditions in the Countries in which We Conduct Business

We conduct business in Canada, the United States and a number of other countries. Factors such as the general health of capital and/or credit markets, including liquidity, level of business activity, volatility and stability, could have a material impact on our business. As well, interest rates, foreign exchange rates, consumer saving and spending, housing prices, consumer borrowing and repayment, business investment, government spending and the rate of inflation affect the business and economic environments in which we operate. Therefore, the amount of business we conduct in a specific geographic region and its local economic and business conditions may have an effect on our overall revenue and earnings. For example, elevated consumer debt and housing price appreciation in some Canadian regions could create a vulnerability to higher credit losses for the bank in the event of a general economic downturn or other negative catalyst.

Regulatory Requirements

The financial services industry is highly regulated, and we have experienced further changes in regulatory requirements as governments and regulators around the world continue major reforms intended to strengthen the stability of the financial system. As a result, there is the potential for higher capital requirements and increased regulatory costs which could lower our returns. We monitor developments to ensure BMO is well-positioned to respond to and implement any required changes. Failure to comply with applicable regulatory and legal requirements may result in litigation, financial losses, regulatory sanctions, enforcement actions, an inability to execute our business strategies, a decline in investor confidence and harm to our reputation. Refer to the Legal and Regulatory Risk and Enterprise-Wide Capital Management sections on pages 114 and 70 for a more complete discussion of our legal and regulatory risk.

Fiscal, Tax, Monetary and Interest Rate Policies

Our earnings are affected by fiscal, tax, monetary, regulatory and other economic policies in Canada, the United States and other jurisdictions. Such policies may have the effect of increasing or reducing competition and uncertainty in the markets. Such policies may also adversely affect our customers and counterparties in the countries in which we operate, contributing to a greater risk of default by these customers and counterparties. As well, expectations in the bond and money markets related to inflation and central bank monetary policy have an effect on the level of interest rates. Changes in market expectations and monetary policy are difficult to anticipate and predict. Fluctuations in interest rates that result from these changes can have an impact on our earnings. Refer to the Market Risk section on page 100 for a more complete discussion of our interest rate risk exposures. Changes in tax rates and tax policy can also have an impact on our earnings and, as discussed in the Critical Accounting Estimates section, a reduction in income tax rates could lower the value of our deferred tax asset.

Acquisitions and Strategic Plans

We conduct thorough due diligence before completing an acquisition. However, it is possible that we could make an acquisition that subsequently does not perform in line with our financial or strategic objectives. Our ability to successfully complete an acquisition may be subject to regulatory and shareholder approvals and we may not be able to determine when, if or on what terms, the necessary approvals will be granted. Changes in the competitive and economic environment, as well as other factors, may result in lower revenue, while higher than anticipated integration costs and failure to realize expected cost savings after an acquisition could also adversely affect our earnings. Integration costs may increase as a result of higher regulatory costs related to an acquisition, unanticipated costs that were not identified in the due diligence process or demands on management time that are more significant than anticipated, as well as unexpected delays in implementing certain plans that in turn lead to delays in achieving full integration. Our post-acquisition performance is also contingent on retaining the clients and key employees of acquired companies, and there can be no assurance that we will always succeed in doing so.

Our financial performance is influenced by our ability to execute strategic plans developed by management. If these strategic plans do not meet with success or if there is a change in these strategic plans, our earnings could grow at a slower pace or decline. In addition, our ability to execute our strategic plans is dependent to a large extent on our ability to attract, develop and retain key executives, and there is no assurance we will continue to be able to do so.

Level of Competition

The level of competition among financial services companies is high. Furthermore, non-financial companies have increasingly been offering products and services traditionally provided by banks. Customer loyalty and retention can be influenced by a number of factors, including service levels, prices for products and services, our reputation and the actions of our competitors. Also, laws and regulations enacted by regulatory authorities in the United States and other jurisdictions in which we operate may provide advantages to our international competitors that could affect our ability to compete. Changes in these factors or any subsequent loss of market share could adversely affect our earnings.

Currency Rates

The Canadian dollar equivalents of our revenues, expenses, assets and liabilities denominated in currencies other than the Canadian dollar are subject to fluctuations in the value of the Canadian dollar relative to those currencies. Changes in the value of the Canadian dollar relative to the U.S. dollar could affect the earnings of our small business, corporate and commercial clients in Canada. A strengthening of the U.S. dollar could increase the value of our risk-weighted assets, lowering our capital ratios. Refer to the Foreign Exchange section on page 37, the Enterprise-Wide Capital Management section on page 70 and the Market Risk section on page 100 for a more complete discussion of our foreign exchange risk exposures.

Changes to Our Credit Ratings, Capital and Funding Markets
Credit ratings are important to our ability to raise both capital and funding in order to support our business operations. Maintaining strong credit ratings allows us to access capital markets at competitive pricing. Should our credit ratings experience a material downgrade, our costs of funding would likely increase significantly and our access to funding and capital through capital markets could be reduced. In part, given changes in the regulatory environment, capital and funding markets have been less liquid than previously. Reduced market liquidity could impact the valuation of bank securities and the availability and pricing of bank funding. A material downgrade of our ratings could also have other consequences, including those set out in Note 8 on page 156 of the financial statements.

Operational and Infrastructure Risks
As a large enterprise conducting business in multiple jurisdictions, we are exposed to many operational risks that can have a significant impact. Such risks include the risk of fraud by employees or others, unauthorized transactions by employees and operational or human error. Given the large volume of transactions we process on a daily basis, certain errors may be repeated or compounded before they are discovered and rectified. Shortcomings or failures of our internal processes, employees or systems, or of services and products provided by third parties, including any of our financial, accounting or other data processing systems, could lead to financial loss and damage our reputation. In addition, despite the contingency plans we have in place, our ability to conduct business may be adversely affected by a disruption to the infrastructure that supports both our operations and the communities in which we do business, including but not limited to disruption caused by public health emergencies or terrorist acts.

Legal Proceedings
We are subject to litigation arising in the ordinary course of business. The unfavourable resolution of any such litigation could have a material adverse effect on our financial results. Damage to our reputation could also result, harming our future business prospects. Information about certain legal and regulatory proceedings we currently face is provided in Note 26 on page 192 of the financial statements.

Critical Accounting Estimates and Accounting Standards
We prepare our financial statements in accordance with International Financial Reporting Standards (IFRS). Changes that the International Accounting Standards Board makes from time to time to these standards, which govern the preparation of our financial statements, can be difficult to anticipate and may materially affect how we record and report our financial results. Significant accounting policies and future changes in accounting policies are discussed in Note 1 on page 140 of the financial statements.

The application of IFRS requires management to make significant judgments and estimates that can affect the dates on which certain assets, liabilities, revenues and expenses are recorded in our financial statements, as well as their recorded values. In making these judgments and estimates, we rely on the best information available at the time. However, it is possible that circumstances may change or new information may become available.

Our financial results could be affected for the period during which any such new information or change in circumstances became apparent, and the extent of the impact could be significant. More information is included in the discussion of Critical Accounting Estimates on page 78.

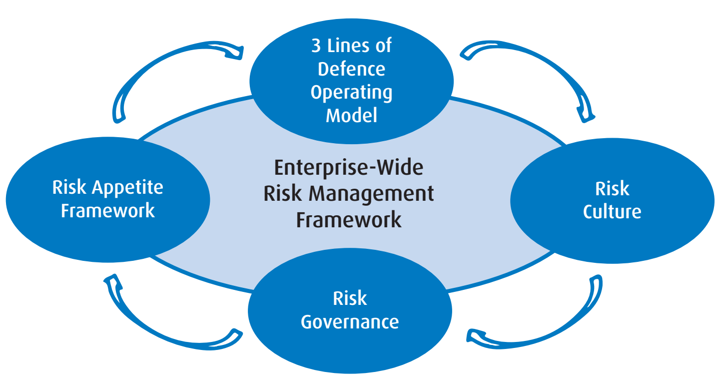
Accuracy and Completeness of Customer and Counterparty Information
When deciding whether to extend credit or enter into other transactions with customers or counterparties, we may rely on information provided by or on behalf of those customers and counterparties, including audited financial statements and other financial information. We may also rely on representations made by customers and counterparties that the information they provide is accurate and complete. Our financial results could be adversely affected if the financial statements or other financial information provided by customers or counterparties are materially misleading.

Caution
This Risks That May Affect Future Results section and the remainder of this Enterprise-Wide Risk Management section contain forward-looking statements.

Other factors beyond our control that may affect our future results are noted in the Caution Regarding Forward-Looking Statements on page 30.
We caution that the preceding discussion of risks that may affect future results is not exhaustive.

Framework and Risks

Enterprise-Wide Risk Management Framework
Our enterprise-wide risk management framework operates at all levels of the bank and consists of our three-lines-of-defence operating model and our risk appetite framework, underpinned by our risk governance structure, and our strong risk culture.



Risk Types

The framework provides for management of each individual risk type: credit and counterparty, market, liquidity and funding, operational, model, insurance, legal and regulatory, business, strategic, reputation, and environmental and social. We have identified risk types with a potentially material impact on our business and we consider those based upon their materiality and our ability to manage and mitigate those risks.

Credit and Counterparty	Market	Liquidity and Funding	Operational	Model	Insurance	Legal and Regulatory	Business	Strategic	Reputation	Environmental and Social

Risk Principles

Within the framework, risk-taking and risk management activities across the enterprise are guided by our Risk Principles:

- management of risk is a responsibility at all levels of the organization;
- material risks to which the enterprise is exposed are identified, measured, managed, monitored and reported;
- risk identification and measurement will include both qualitative and quantitative elements, including views of risk relative to the external operating environment and stress testing and scenario analysis;
- decision-making is based on a clear understanding of risk, accompanied by robust metrics and analysis; and
- an Economic Capital methodology is employed to measure and aggregate risk across all risk types and business activities in order to facilitate the incorporation of risk into business returns.

Three Lines of Defence

Our framework is anchored in the three-lines-of-defence approach to managing risk, which is fundamental to our operating model, as described below:

Three Lines of Defence	Responsibilities
First Line: • Operating groups, which own the risks in their operations	• Own, measure and manage all risks in their lines of business. • Identify, monitor, quantify and report risks arising from their operating activities and initiatives. • Establish appropriate internal control structures in accordance with our risk management framework. • Pursue suitable business opportunities within their established risk appetite. • Act within their delegated risk-taking authority as set out in established corporate policies.
Second Line: • Enterprise Risk and Portfolio Management (ERPM) group • Corporate Support Areas (CSAs)	• Provide independent oversight, effective challenge and independent assessment of risks and risk management practices. • Set enterprise risk management policies and establish infrastructure, processes and practices that identify, assess, manage and monitor all significant risks across the enterprise. • Independently assess, quantify, monitor, manage, mitigate and report all significant risks.
Third Line: • Corporate Audit Division	• Provide an independent assessment of the effectiveness of internal control within the enterprise, including risk management and governance processes that support the enterprise, its objectives and the Board of Directors' discharge of its responsibilities.

Risk Culture

At BMO, we believe that risk management is the responsibility of every employee within the organization. This key tenet shapes and influences our risk culture and is evident in the actions and behaviours of our employees and leaders as they identify, interpret and discuss risks, and make choices and decisions that balance risks and opportunities and seek to optimize risk-adjusted returns. Our risk culture is deeply rooted within our policies, business processes, risk management frameworks, risk appetite, limits and tolerances, capital management and compensation practices, and is evident in every aspect of how we operate across the enterprise.

Our risk culture is grounded in a "Being BMO" risk management approach that encourages openness, constructive challenge and personal accountability. Timely and transparent information sharing is key to how we engage stakeholders in key decisions and strategy discussions, thereby bringing rigour and discipline to decision-making. This not only leads to the timely identification, escalation and resolution of issues, but also encourages open communication, independent challenge and a clear understanding of the key risks faced by our organization, so that our employees are equipped and empowered to make decisions and take action in a coordinated and consistent manner, supported by a strong monitoring and control framework. Our governance and leadership forums, committee structures and learning curriculums also reinforce and foster our risk culture.

Certain elements of our risk culture that are embedded throughout the enterprise include:

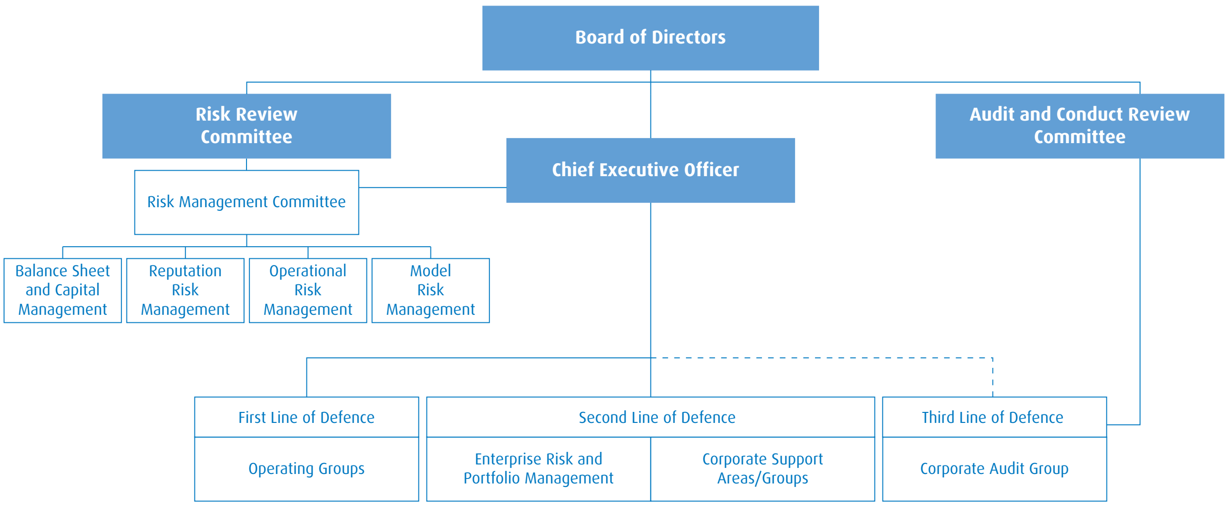
- **Risk appetite** – promotes a clear understanding of the most prevalent risks that our businesses face and facilitates alignment of business strategies within our risk appetite, leading to sound business decision-making and execution, supported by a strong monitoring framework.
- **Communication and escalation channels** – encourages information sharing and engagement between ERPM and the operating groups, leading to greater transparency and open and effective communication. We also foster and encourage a culture in which concerns about potential or emerging risks are escalated to senior management so that they can be evaluated and appropriately addressed.
- **Compensation philosophy** – pay is aligned with prudent risk-taking to ensure that compensation rewards the appropriate use of capital and does not encourage excessive risk-taking.
- **Training and education** – our programs are designed to foster a deep understanding of BMO's capital and risk management frameworks across the enterprise, providing employees and management with the tools and awareness they need to fulfill their responsibilities for independent oversight regardless of their position in the organization. Our education strategy has been developed in partnership with BMO's Institute for Learning, our risk management professionals, external risk experts and teaching professionals.
- **Rotation programs** – two-way rotation allows employees to transfer between ERPM and the operating groups, thereby effectively embedding our strong risk culture across the enterprise.

Risk Governance

Our enterprise-wide risk management framework is founded on a governance approach that includes a robust committee structure and a comprehensive set of corporate policies and limits, each of which is approved by the Board of Directors or its committees, as well as specific corporate standards and operating procedures. Our corporate policies outline frameworks and objectives for every significant risk type, in order to ensure that risks to which the enterprise is exposed are appropriately identified, managed, measured, monitored and reported in accordance with our risk appetite. Specific policies govern key risks such as credit, market, liquidity and funding, model, and operational risks. This enterprise-wide risk management framework is governed at all levels through a hierarchy of committees and individual responsibilities as outlined in the diagram below.

Our risk management framework is reviewed on a regular basis by the Risk Review Committee of the Board of Directors in order to provide guidance for the governance of our risk-taking activities. In each of our operating groups, management monitors governance activities, controls, and management processes and procedures. Management also oversees their effective implementation within our overall risk management framework. Individual governance committees establish and monitor further risk management limits, consistent with and subordinate to the Board-approved limits.

Risk Governance Framework



Appropriate risk governance frameworks, including our three lines of defence, are in place in all our material businesses and entities:

Board of Directors is responsible for supervising the management of the business and affairs of BMO. The Board, either directly or through its committees, is responsible for oversight in the following areas: strategic planning, defining risk appetite, the identification and management of risk, capital management, fostering a culture of integrity, internal controls, succession planning and evaluation of senior management, communication, public disclosure and corporate governance.

Risk Review Committee of the Board of Directors (RRC) assists the Board in fulfilling its oversight responsibilities in relation to BMO's identification and management of risk, adherence to risk management corporate policies and procedures, compliance with risk-related regulatory requirements and the evaluation of the Chief Risk Officer. Our risk management framework is reviewed on a regular basis by the RRC in order to provide guidance for the governance of our risk-taking activities.

Audit and Conduct Review Committee of the Board of Directors assists the Board in fulfilling its oversight responsibilities for the integrity of BMO's financial reporting, the effectiveness of BMO's internal controls and the performance of its internal and external audit functions.

Chief Executive Officer (CEO) is directly accountable to the Board for all of BMO's risk-taking activities. The CEO is supported by the Risk Management Committee and its sub-committees, as well as ERPM.

Chief Risk Officer (CRO) reports directly to the CEO and is head of ERPM. The CRO is responsible for providing independent review and oversight of enterprise-wide risks and leadership on risk issues, developing and maintaining a risk management framework and fostering a strong risk culture across the enterprise.

Risk Management Committee (RMC) is BMO's senior risk committee. RMC reviews and discusses significant risk issues and action plans that arise in executing the enterprise-wide strategy. RMC provides risk oversight and governance at the highest levels of management. This committee is chaired by the CRO and its members include the heads of our operating groups, CEO and CFO.

RMC Sub-Committees have oversight responsibility for the risk implications and balance sheet impacts of management strategies, governance practices, risk measurement, model risk management and contingency planning. RMC and its sub-committees provide oversight of the processes whereby the risks assumed across the enterprise are identified, measured, managed, monitored and reported in accordance with policy guidelines, and are held within limits and risk tolerances.

Enterprise Risk and Portfolio Management (ERPM) as the risk management second line of defence, provides comprehensive risk management oversight. It promotes consistency in risk management practices and standards across the enterprise. ERPM supports a disciplined approach to risk-taking in fulfilling its responsibilities for independent transactional approval and portfolio management, policy formulation, risk reporting, stress testing, modelling, vetting and risk education. This approach seeks to meet enterprise objectives and to ensure that risks assumed are consistent with BMO's risk appetite.

Operating Groups are responsible for identifying, measuring, managing, monitoring and reporting risk within their respective lines of business. They exercise business judgment and seek to ensure that effective policies, processes and internal controls are in place and that significant risk issues are reviewed with ERPM. Individual governance committees and ERPM establish and monitor further risk management limits that are consistent with and subordinate to the Board-approved limits.

Risk Appetite Framework

Our Risk Appetite Framework consists of our Risk Appetite Statement, key risk metrics and corporate policies, standards and guidelines, including the related limits, concentration levels and controls defined therein. Our risk appetite defines the amount of risk that BMO is willing to assume given our guiding principles and capital capacity, and thus supports sound business initiatives, appropriate returns and targeted growth. Our risk appetite is integrated into our strategic and capital planning processes and performance management system. On an annual basis, senior management recommends our Risk Appetite Statement and key risk metrics to the RMC and the Board of Directors for approval. Our Risk Appetite Statement is articulated and applied consistently across the enterprise, with key enterprise businesses and entities articulating their own risk appetite statements within this framework. Among other things, our risk appetite requires:

- that everything we do is guided by principles of honesty, integrity and respect, as well as high ethical standards;
- taking only those risks that are transparent, understood, measured, monitored and managed;
- maintaining strong capital, liquidity and funding positions that meet or exceed regulatory requirements and the expectations of the market;
- new products and initiatives are subject to rigorous review and approval and new acquisitions must provide a good strategic, financial and cultural fit, and have a high likelihood of creating value for our shareholders;
- setting capital limits based on our risk appetite and strategy and having our lines of business optimize risk-adjusted returns within those limits;
- maintaining a robust recovery framework that enables an effective and efficient response in a severe crisis;
- using Economic Capital, regulatory capital and stress testing methodologies to understand our risks and guide our risk-return assessments;
- targeting an investment grade credit rating at a level that allows competitive access to funding;
- limiting exposure to low-frequency, high-severity events that could jeopardize BMO's credit ratings, capital position or reputation;
- incorporating risk measures and risk-adjusted returns into our performance management system and including an assessment of performance against our risk appetite and return objectives in compensation decisions;
- maintaining effective policies, procedures, guidelines, compliance standards and controls, training and management that guide the business practices and risk-taking activities of all employees so that they help optimize risk-adjusted returns and adhere to all legal and regulatory obligations and thus protect BMO's reputation; and
- protecting the assets of BMO and BMO's clients by maintaining a system of effective limits and strong operational risk controls.

Risk Limits

Our risk limits are shaped by our risk principles, reflect our risk appetite, and inform our business strategies and decisions. In particular, we consider risk diversification, exposure to loss and risk-adjusted returns when setting limits. These limits are reviewed and approved by the Board of Directors and/or management committees and include:

- Credit and Counterparty Risk – limits on group and single-name exposures and material country, industry, and portfolio/product segments;
- Market Risk – limits on economic value and earnings exposures to stress scenarios;
- Liquidity and Funding Risk – limits on minimum levels of liquid assets and maximum levels of asset pledging and wholesale funding, as well as guidelines approved by senior management related to liability diversification, financial condition, and credit and liquidity exposure appetite;
- Insurance Risk – limits on policy exposure and reinsurance arrangements; and
- Model Risk – limits on potential capital erosion due to model mis-estimation, data shortcomings, or the use of unvalidated models.

The Board of Directors, after considering recommendations from the RRC and the RMC, annually reviews and approves key risk limits and in turn delegates them to the CEO. The CEO then delegates more specific authorities to the senior executives of the operating groups (first line of defence), who are responsible for the management of risk in their respective areas, and the CRO (second line of defence). These delegated authorities allow the officers to set risk tolerances, approve geographic and industry sector exposure limits within defined parameters, and establish underwriting and inventory limits for trading and investment banking activities. The criteria whereby these authorities may be further delegated throughout the organization, as well as the requirements relating to documentation, communication and monitoring of delegated authorities, are set out in corporate policies and standards.

Risk Identification, Review and Approval

Risk identification is an essential step in recognizing key inherent risks that we face, understanding the potential for loss and then acting to mitigate these risks. A Risk Register is maintained to comprehensively identify and manage key risks, supporting the implementation of the bank's Risk Appetite Framework and assisting in identifying the primary risk categories for which Economic Capital is reported and stress capital consumption is estimated. Our enterprise and ad-hoc stress testing processes have been developed to assist in identifying and evaluating these risks. Risk review and approval processes are established based on the nature, size and complexity of the risks involved. Generally, this involves a formal review and approval by either an individual or a committee, independent of the originator. Delegated authorities and approvals by category are outlined below.

Portfolio transactions – transactions are approved through risk assessment processes for all types of transactions at all levels of the enterprise, which include operating group recommendations and ERPM approval of credit risk, and transactional and position limits for market risk.

Structured transactions – new structured products and transactions with significant legal, regulatory, accounting, tax or reputation risk are reviewed by the Reputation Risk Management Committee or the Trading Products Risk Committee, as appropriate.

Investment initiatives – documentation of risk assessments is formalized through our investment spending approval process, which is reviewed and approved by Corporate Support areas.

New products and services – policies and procedures for the approval of new or modified products and services offered to our customers are reviewed and approved by Corporate Support areas, as well as by other senior management committees, including the Operational Risk Committee and Reputation Risk Management Committee, as appropriate.

Risk Monitoring

Enterprise-level risk transparency and monitoring and associated reporting are critical process components of our risk management framework and corporate culture, that allow senior management, committees and the Board of Directors to effectively exercise their business management, risk management and oversight responsibilities at enterprise, operating group and key legal entity levels. Internal reporting includes a synthesis of the key risks and associated metrics that the enterprise currently faces. Our reporting highlights our most significant risks, including assessments of our top and emerging risks, to provide the Board of Directors, its committees and any other appropriate executive and senior management committees with timely, actionable and forward-looking risk reporting. This reporting includes supporting metrics and material to facilitate assessment of these risks relative to our risk appetite and the relevant limits established within our Risk Appetite Framework.

On a regular basis, reporting on risk issues is also provided to stakeholders, including regulators, external rating agencies and our shareholders, as well as to others in the investment community.

Risk-Based Capital Assessment

Two measures of risk-based capital are used by BMO: Economic Capital and Regulatory Capital. Both are aggregate measures of the risk that we take on in pursuit of our financial targets and enable us to evaluate risk-adjusted returns. Our operating model provides for the direct management of each type of risk, as well as the management of all risks on an integrated basis. Measuring the economic profitability of transactions or portfolios incorporates a combination of both expected and unexpected losses to assess the extent and correlation of risk before authorizing new exposures. Both expected and unexpected loss measures for a transaction or a portfolio reflect current market conditions, the inherent risk in the position and, as appropriate, credit quality. Risk-based capital methods and model inputs are reviewed and/or recalibrated on an annual basis, as applicable. Our risk-based capital models provide a forward-looking estimate of the difference between our maximum potential loss in economic (or market) value and our expected loss, measured over a specified time interval and using a defined confidence level.

Stress Testing

Stress testing is a key element of our risk and capital management frameworks. It informs our strategy, business planning and decision-making processes.

Governance of the stress testing framework resides with senior management, including the Enterprise Stress Testing Steering Committee. This committee is comprised of business, risk and finance executives and is accountable for the oversight of BMO's stress testing framework and for reviewing and challenging enterprise stress test results. Stress testing and enterprise-wide scenarios associated with the Internal Capital Adequacy Assessment Process (ICAAP), including recommended actions that the organization would likely take to manage the impact of the stress event, are presented to senior management and the RRC. Stress testing associated with the Comprehensive Capital Analysis and Review (CCAR) and the mid-year Dodd-Frank Capital Stress Test (DFAST) – which are U.S. regulatory requirements for BMO Financial Corp. – and other regulatory stress tests are similarly governed within the applicable entities. Stress testing specific risks, businesses or exposures, so called "ad hoc stress testing", is also conducted in conjunction with business decision processes, including strategy development, in risk assessments and is reviewed by the RMC and/or RRC as appropriate.

Enterprise Stress Testing

Enterprise stress testing supports our internal capital adequacy assessment and target-setting through analysis of the potential effects of low-frequency, high-severity events on our balance sheet, earnings, liquidity and capital positions. Scenario selection is a multi-step process that considers the enterprise's material and idiosyncratic risks and the potential impact of new or emerging risks, as well as the macroeconomic environment, on our risk profile. Scenarios may be defined by senior management, the Board of Directors or regulators, and are developed in conjunction with the Economics group. To the extent not prescribed by a regulator, the Economics group translates the scenarios into macroeconomic and market variables that include but are not limited to GDP growth, yield curve estimates, unemployment, housing starts, real estate prices, stock index growth and changes in corporate profits. The scenarios are then used by our operating, risk and finance groups to estimate future losses and financial performance.

Quantitative models and qualitative approaches are utilized to assess the impact of changes in the macroeconomic environment on our income statement and balance sheet and the resilience of our capital over a forecast horizon. Stress test results, including mitigating actions, are benchmarked and challenged by relevant business units and senior management, including the Enterprise Stress Testing Steering Committee and RMC.

Ad Hoc Stress Testing

Through our stress testing framework, we embed stress testing in our strategy, business planning and decision-making at various levels of our organization. Ad hoc stress testing is conducted regularly by our operating and risk groups to support risk identification, business analysis and strategic decision-making. Such stress testing is used as a tool to assess the potential longer term impacts of risks arising in a changing environment, such as a material and sustained period of low oil prices.

Credit and Counterparty Risk

Credit and counterparty risk is the potential for loss due to the failure of a borrower, endorser, guarantor or counterparty to repay a loan or honour another predetermined financial obligation.

Credit and counterparty risk underlies every lending activity that BMO enters into, and also arises in the transacting of trading and other capital markets products, the holding of investment securities and the activities related to securitization. Credit risk is the most significant measurable risk BMO faces. Proper management of credit risk is essential to our success, since the failure to effectively manage credit risk could have an immediate and significant impact on our earnings, financial condition and reputation.

Credit and Counterparty Risk Governance

The objective of our credit risk management framework is to ensure all material credit risks to which the enterprise is exposed are identified, measured, managed, monitored and reported. The RRC has oversight of the management of all risks faced by the enterprise, including the credit risk management framework. BMO's credit risk management framework incorporates governing principles which are defined in a series of corporate policies and standards, and which flow through to more specific guidelines and procedures. These are reviewed on a regular basis and modified when necessary to keep them current and consistent with BMO's risk appetite. The structure, limits, collateral requirements, monitoring, reporting and ongoing management of our credit exposures are all governed by these credit risk management principles.

Lending officers in the operating groups are accountable for recommending credit decisions based on the completion of appropriate due diligence, and they assume ownership of the risks. Credit officers in ERPM approve these credit decisions and are accountable for providing an objective assessment of the lending recommendations and independent oversight of the risks assumed by the lending officers. All of these experienced and skilled individuals are subject to a rigorous lending qualification process and operate in a disciplined environment with clear delegation of decision-making authority, including individually delegated lending limits, which are reviewed annually. Credit decision-making is conducted at the management level appropriate to the size and risk of each transaction in accordance with comprehensive corporate policies, standards and procedures governing the conduct of credit risk activities. Corporate Audit Division reviews and tests management processes and controls and samples credit transactions in order to assess adherence to credit terms and conditions, as well as to governing policies, standards and procedures.

All credit risk exposures are subject to regular monitoring. Performing accounts are reviewed on a regular basis, with most commercial and corporate accounts reviewed at least annually. The frequency of review increases in accordance with the likelihood and size of potential credit losses, with deteriorating higher-risk situations referred to specialized account management groups for closer attention, when appropriate. In addition, regular portfolio and sector reviews are carried out, including stress testing and scenario analysis based on current, emerging or prospective risks. Reporting is provided at least quarterly to the Board and senior management committees in order to keep them informed of developments in our credit risk portfolios, including changes in credit risk concentrations and significant emerging credit risk issues, and to allow appropriate actions to be taken where necessary.

Credit and Counterparty Risk Management

Collateral Management

Collateral is used for credit and/or counterparty risk mitigation purposes to minimize losses that would otherwise be incurred upon the occurrence of a default. Depending on the type of borrower, the assets available and the structure and term of the credit obligations, collateral can take various forms. For corporate and commercial borrowers, collateral can take the form of pledges of the assets of a business, such as accounts receivable, inventory, machinery and real estate, or personal assets pledged in support of guarantees. On a periodic basis, collateral is subject to regular revaluation specific to asset type.

For loans, the value of collateral is initially established at the time of origination, and the frequency of revaluation is dependent on the type of collateral. Credit officers in ERPM provide independent oversight of collateral documentation and valuation. For collateral in the form of investor-owned commercial real estate, a full external appraisal of the property is obtained at the time of loan origination, except where the loan is below a specified threshold amount, in which case an internal evaluation and a site inspection are conducted. Internal evaluation methods may consider tax assessments, purchase price, real estate listing or realtor opinion. The case for an updated appraisal is reviewed annually, with consideration given to the borrower risk rating, existing tenants and lease contracts, as well as current market conditions. In the event a loan is classified as impaired, depending on its size, a current external appraisal, evaluation or restricted use appraisal is obtained and updated every 12 months while the loan is classified as impaired. For residential real estate that has a loan-to-value (LTV) ratio of less than 80%, an external property appraisal is routinely obtained at the time of loan origination. In certain low LTV ratio cases, BMO may use an external service provided by Canada Mortgage and Housing Corporation to assist in determining whether a full property appraisal is necessary. For high LTV ratio (greater than 80%) insured mortgages, BMO obtains the value of the property through available means and the default insurer confirms the value.

Collateral for our trading products is primarily comprised of cash and high-quality liquid securities (U.S. and Canadian treasury securities, U.S. agency securities and Canadian provincial government securities) that are monitored and margined on a daily basis. Collateral is obtained under the contractual terms of standardized industry documentation. With limited exceptions, we utilize the International Swaps and Derivatives Association Inc. (ISDA) Master Agreement with a Credit Support Annex (CSA) to document our collateralized trading relationships with our counterparties for non-centrally cleared over-the-counter (OTC) derivatives. CSAs entitle a party to demand collateral (or other credit support) when its OTC derivatives exposure to the other party exceeds an agreed amount (threshold). Collateral transferred can include an independent amount (initial margin) and/or variation margin. CSAs contain, among other things, provisions setting out acceptable collateral types and how they are to be valued (discounts are often applied to the market values), as well as thresholds, whether or not the collateral can be re-pledged by the recipient and how interest is to be calculated.

To document our contractual trading relationships with our counterparties for repurchase transactions, we utilize master repurchase agreements and for securities lending transactions, we utilize master securities lending agreements.

Material presented in a blue-tinted font above is an integral part of the 2015 annual consolidated financial statements (see page 86).

Portfolio Management
BMO's credit risk governance policies set an acceptable level of diversification. Limits may be used for several portfolio dimensions, including industry, specialty segments (e.g., hedge funds and leveraged lending), country, product and single-name concentrations. At year end, our credit assets consisted of a well-diversified portfolio comprised of millions of clients, the majority of them consumers and small to medium-sized businesses. The diversification of our credit exposure may be supplemented by the purchase or sale of insurance through guarantees or credit default swaps.

Wrong-way Risk
Wrong-way risk occurs when exposure to a counterparty is highly correlated with the credit quality of collateral or another intended mitigant of the risk from that counterparty. There is specific wrong-way risk, which arises when the counterparty and the market risk factors affecting that mitigant display a high correlation, and general wrong-way risk, which arises when the credit quality of the counterparty, for non-specific reasons, is highly correlated with macroeconomic or other factors that affect the value of the mitigant. Our procedures require that specific wrong-way risk be identified in transactions and accounted for in the calculation of risk. Stress testing of wrong-way risk is conducted monthly and can be used to identify existing/emerging concentrations of general wrong-way risk in our portfolios.

Credit and Counterparty Risk Measurement
We quantify credit risk at both the individual borrower or counterparty and the portfolio level. In order to limit earnings volatility, manage expected credit losses and minimize unexpected losses, credit risk is assessed and measured using the following risk-based parameters:

Exposure at Default (EAD) represents an estimate of the outstanding amount of a credit exposure at the time a default may occur. For off-balance sheet amounts and undrawn amounts, EAD includes an estimate of any further amounts that may be drawn at the time of default.

Loss Given Default (LGD) is the amount that may not be recovered in the event of a default, presented as a proportion of the exposure at default.

Probability of Default (PD) represents the likelihood that a borrower or counterparty will go into default over a one-year time horizon, estimated at a high confidence level.

Expected Loss (EL) is a measure representing the loss that is expected to occur in the normal course of business in a given period of time. EL is calculated as a function of EAD, LGD and PD.

Under OSFI rules, there are three approaches available for the measurement of credit risk: Standardized, Foundation Internal Ratings Based and Advanced Internal Ratings Based (AIRB). Subject to a transitional floor based on the Standardized Approach, we apply the AIRB Approach for calculations of credit risk in our portfolios, including portfolios of our subsidiary BMO Financial Corp. The Standardized Approach is currently being used for measurements related to the acquired M&I portfolio, while we continue to execute our plan to transition this portfolio to the AIRB Approach.

Risk Rating Systems
BMO's risk rating systems are designed to assess and measure the risk of any exposure. The rating systems differ for retail (consumer and small business) and wholesale (corporate and commercial) portfolios.

Credit risk measures are validated and back-tested regularly – quarterly in the case of retail models and annually in the case of wholesale models. Please refer to pages 112 and 113 for a discussion of our model risk mitigation processes.

Retail (Consumer and Small Business)
The retail portfolios are made up of a diversified group of individual customer accounts and include residential mortgages, personal loans, credit cards and small business loans. These loans are managed in pools of homogeneous risk exposures. For these pools, decision support systems are developed using established statistical techniques and expert systems for underwriting and monitoring purposes. Adjudication models, behavioural scorecards, decision trees and expert knowledge are combined to produce optimal credit decisions in a centralized and automated environment.

The retail risk rating system assesses the borrower's risk based on a narrow range of likely expected conditions, primarily more recent in nature, including delinquency, loan-to-value ratio and loan utilization rate. Product lines within each of the retail risk areas are separately modelled so the risk-based parameters capture the distinct nature of each product. A final segmentation then sorts each exposure within a product line into homogeneous pools of retail risk that reflect common risk-based parameters. Each pool is assigned a unique combination of PD, LGD and EAD parameters that captures its segment-specific credit risk.

The retail risk rating system is designed to generate estimates of the value of credit risk parameters as accurately as possible but is subject to uncertainty. During the calibration process, adjustments are made at the parameter level for each segment to account for this uncertainty. The retail parameters are tested quarterly and calibrated on an annual basis to incorporate additional data points in the parameter estimation process, ensuring that the most recent experience is incorporated.

Retail Credit Probability of Default Bands by Risk Rating

Risk profile	Probability of default band
Exceptionally low	≤ 0.05%
Very low	> 0.05% to 0.20%
Low	> 0.20% to 0.75%
Medium	> 0.75% to 7.00%
High	> 7.00% to 99.99%
Default	100%

Wholesale (Corporate, Commercial and Sovereign)
Within wholesale portfolios, we utilize an enterprise-wide risk rating framework that is applied to all of our sovereign, bank, corporate and commercial counterparties. One key element of this framework is the assignment of appropriate borrower or counterparty risk ratings (BRRs). A suite of general and sector-specific risk rating models have been developed within each asset class to capture the key quantitative and qualitative risk

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factors associated with borrowers in different industries and portfolios. Risk ratings are assigned using the appropriate internal model. BRRs are assessed and assigned at the time of loan origination and reviewed at least annually. More frequent reviews are conducted for borrowers with higher risk ratings, borrowers that trigger a review through a rating change or that experience covenant breaches, and borrowers requiring or requesting changes to credit facilities. The assigned ratings are mapped to a PD over a one-year time horizon. As a borrower migrates between risk ratings, the PD associated with the borrower changes.

BMO employs a master scale with 14 BRRs above default, and PDs are assigned to each grade within an asset class to reflect the long-run average of one-year default rates. PD estimates are updated periodically based on internal default experience over a period of more than five years that covers at least one full economic cycle, supplemented by external benchmarking, as applicable.

BMO also assigns an LGD estimate to each separate facility provided to a borrower at the time of origination. LGD estimates are a measure of the potential economic loss that would be incurred for a facility if the borrower were to default during a period of economic distress. The LGD estimate provides an inverse measure of the protection against loss afforded by the assigned collateral, as applicable, and considers the supporting structural elements of the facility, including seniority, margin arrangements, and product and sectoral characteristics. LGD models have been developed for each asset class using internal data that covers a period of more than seven years, capturing a full economic cycle, and are supplemented by external data, when necessary.

As demonstrated in the table below, our internal risk rating system corresponds in a logical manner to those of external rating agencies.

Wholesale Borrower Risk Rating Scale

BMO rating	Description of risk	Moody's Investors Service implied equivalent	Standard & Poor's implied equivalent
Acceptable			
I-1 to I-3	Undoubted to minimal	Aaa to Aa3	AAA to AA-
I-4 to I-5	Modest	A1 to Baa1	A+ to BBB+
I-6 to I-7	Average	Baa2 to Baa3	BBB to BBB-
S-1 to S-2	Acceptable	Ba1 to Ba2	BB+ to BB
S-3 to S-4	Marginal	Ba3 to B1	BB- to B+
Problem			
P-1	Deteriorating	B2	B
P-2 to P-3	Watchlist	B3 to Ca	B- to CC
Default and impaired			
T1, D-1 to D-4	Default/default and impaired	C	D

Credit Quality Information

Portfolio Review

Total enterprise-wide outstanding credit exposures were $623 billion at October 31, 2015, comprised of $358 billion in Canada, $236 billion in the United States and $29 billion in other jurisdictions. This represents an increase of $76 billion or 14% from the prior year.

BMO's loan book continues to be well-diversified by industry and geographic region and, consistent with the prior year, the consumer portfolio represented the majority of loans. Gross loans and acceptances increased by $31 billion or 10% from the prior year (5% excluding the impact of the stronger U.S. dollar) to $336 billion at October 31, 2015. Excluding the impact of the stronger U.S. dollar, the geographic mix of our Canadian and U.S. portfolios was relatively consistent with the prior year, and represented 66.6% and 30.1% of total loans, respectively, compared with 70.0% and 26.3% in 2014. The consumer loan portfolio represented 53.4% of the total portfolio, a modest decrease from 56.8% in 2014. Approximately 88% of the Canadian consumer portfolio and 97% of the U.S. consumer portfolio is secured. Business and government loans represented 46.6% of the total portfolio, up from 43.2% in 2014, primarily due to the stronger U.S. dollar. Our loan portfolio is well-diversified by industry and we continue to proactively monitor industry sectors that we consider warrant closer attention, including Canadian consumer loans and U.S. and Canadian direct and indirect oil and gas exposures.

Further details on our loan book, including detailed breakdowns by industry and geographic region, can be found in Tables 7 to 15 on pages 124 to 130 and in Note 5 on page 151 of the financial statements. Details related to our credit exposures are discussed in Note 4 on page 148 of the financial statements.

Real Estate Secured Lending

Residential mortgage and home equity line of credit (HELOC) exposures continue to be of interest in the current environment. BMO regularly performs stress testing on its residential mortgage and HELOC portfolios to evaluate the potential effects of high-impact events. These stress tests incorporate scenarios ranging from moderately to severely adverse. The credit losses forecast in these tests vary with the severity of the scenario and are considered to be manageable.

Provision for Credit Losses (PCL)

Total PCL was $612 million in the current year, up 9% from $561 million in 2014. Detailed discussion of our PCL, including historical trends in PCL, is provided on page 42, in Table 15 on page 130 and in Note 4 on page 148 of the financial statements.

Gross Impaired Loans (GIL)

Total GIL decreased by $89 million or 4% from 2014 to $1,959 million in 2015, with the decrease being attributed to Canada. Excluding the impact of the stronger U.S. dollar, GIL were 13% lower. GIL as a percentage of gross loans and acceptances also decreased over the prior year from 0.67% in 2014 to 0.58% in 2015.

Factors contributing to the change in GIL are outlined in the table below. Loans classified as impaired during the year decreased from $2,142 million in 2014 to $1,921 million in 2015. On a geographic basis, the United States accounted for the majority of impaired loan formations, comprising 55.6% of total formations in 2015, compared with 56.8% in 2014. Further details on the breakdown of impaired loans by geographic region and industry can be found in Table 11 on page 126 and in Note 4 on page 148 of the financial statements.

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Changes in Gross Impaired Loans and Acceptances (1)

(Canadian $ in millions, except as noted) For the year ended October 31	2015	2014	2013
GIL, beginning of year	**2,048**	2,544	2,976
Classified as impaired during the year	**1,921**	2,142	2,449
Transferred to not impaired during the year	**(556)**	(669)	(728)
Net repayments	**(700)**	(1,059)	(1,058)
Amounts written off	**(704)**	(801)	(939)
Recoveries of loans and advances previously written off	**–**	–	–
Disposals of loans	**(252)**	(220)	(343)
Foreign exchange and other movements	**202**	111	187
GIL, end of year	**1,959**	2,048	2,544
GIL as a % of gross loans and acceptances	**0.58**	0.67	0.91

(1) GIL excludes purchased credit impaired loans.

Allowance for Credit Losses (ACL)

Across all loan portfolios, BMO employs a disciplined approach to provisioning and loan loss evaluation, with the prompt identification of problem loans being a key risk management objective. BMO maintains both specific and collective allowances for credit losses. Specific allowances reduce the aggregate carrying value of credit assets for which there is evidence of deterioration in credit quality. We also maintain a collective allowance in order to cover any impairment in the existing loan portfolio that cannot yet be associated with individually identified impaired loans. Our approach to establishing and maintaining the collective allowance is based on the requirements of IFRS, in conjunction with guidelines issued by our regulator, OSFI. Our collective allowance methodology groups loans on the basis of similar credit risk characteristics, and applies quantitative and qualitative factors to determine the appropriate level for the collective allowance. The quantitative component of the methodology measures long-run expected losses based on the PD, LGD and EAD risk parameters used to estimate risk-based capital. For commercial and corporate loans, key determinants of incurred but not identified losses include the underlying risk rating of the borrower, industry sector, credit product and amount and quality of collateral held. For consumer and small business loans, exposures are pooled based on similar risk characteristics and the levels of incurred but not identified losses are determined from the long-run default and historical loss experience of each pool. The qualitative component of the methodology reflects management's judgment with respect to current and near-term macroeconomic and business conditions, portfolio-specific considerations, credit quality trends, changes in lending practices and model factors. We review the collective allowance on a quarterly basis.

BMO maintains the allowance for credit losses at a level that we consider adequate to absorb credit-related losses. As at October 31, 2015, our ACL was $2,052 million, comprised of specific allowances of $392 million and collective allowance of $1,660 million. This includes specific allowance of $35 million and collective allowance of $162 million related to undrawn commitments and letters of credit that are considered other credit instruments and recorded in other liabilities. Total ACL increased slightly year over year by $86 million, primarily due to the impact of the stronger U.S. dollar. Our coverage ratios are trending positively, with ACL as a percentage of GIL increasing year over year.

The collective allowance increased by $118 million from 2014 to $1,660 million in 2015 due to the impact of the stronger U.S. dollar. The collective allowance remains adequate and at year end represented 0.83% of credit risk-weighted assets, consistent with the prior year.

Factors contributing to the change in ACL are outlined in the table below. Further details on changes in ACL by country and portfolio can be found in Tables 12 and 13 on page 128 and in Note 4 on page 148 of the financial statements.

Changes in Allowance for Credit Losses (1)

(Canadian $ in millions, except as noted) For the year ended October 31	2015	2014	2013
Specific ACL, beginning of year	**424**	485	476
Specific PCL (charge to income statement)	**612**	561	597
Recoveries of amounts written off in previous years	**456**	624	772
Write-offs	**(1,065)**	(1,149)	(1,297)
Foreign exchange and other movements	**(35)**	(97)	(63)
Specific ACL, end of year	**392**	424	485
Collective ACL, beginning of year	**1,542**	1,485	1,460
Collective PCL (charge to income statement)	**–**	–	(10)
Foreign exchange and other movements	**118**	57	35
Collective ACL, end of year	**1,660**	1,542	1,485
Total ACL	**2,052**	1,966	1,970
Comprised of:			
Loans	**1,855**	1,734	1,665
Specific allowance for other credit instruments	**35**	50	41
Collective allowance for other credit instruments	**162**	182	264
ACL as a % of GIL (2)	**103.0**	93.6	75.8

(1) Includes allowances related to other credit instruments that are included in other liabilities.

(2) Ratio excludes specific allowances for other credit instruments that are included in other liabilities.

Select Geographic Exposures

BMO's geographic exposures are subject to a country risk management framework that incorporates economic and political assessments and management of exposure within limits based on product, entity and the country of ultimate risk. We closely monitor our European exposure, and our risk management processes incorporate stress tests as appropriate to assess our potential risk. Our exposure to European countries, as at October 31, 2015, including Greece, Ireland, Italy, Portugal and Spain (GIIPS), is set out in the tables that follow.

The table below outlines total net portfolio exposures for funded lending, securities (inclusive of credit default swap (CDS) activity), repo-style transactions and derivatives. Funded lending is detailed by counterparty type, as well as by total commitments compared to the funded amount, in the table on page 99. There has been a reduction in our exposures since October 31, 2014.

European Exposure by Country and Counterparty (1)

(Canadian $ in millions) As at October 31, 2015	Funded lending (2)	Securities (3)(4)				Repo-style transactions and derivatives (5)(6)				Total net exposure
Country	Total	Bank	Corporate	Sovereign	Total	Bank	Corporate	Sovereign	Total	
GIIPS										
Greece	–	–	–	–	–	–	–	–	–	–
Ireland (7)	8	–	–	–	–	2	19	–	21	29
Italy	2	–	–	–	–	2	5	–	7	9
Portugal	–	–	–	–	–	–	–	–	–	–
Spain	63	–	–	–	–	4	–	–	4	67
Total – GIIPS	**73**	**–**	**–**	**–**	**–**	**8**	**24**	**–**	**32**	**105**
Eurozone (excluding GIIPS)										
Germany	72	15	1	1,158	1,174	13	–	–	13	1,259
Netherlands	245	520	13	131	664	9	15	–	24	933
Finland	1	–	–	324	324	5	–	–	5	330
Other (8)	322	–	–	188	188	66	21	8	95	605
Total – Eurozone (excluding GIIPS)	**640**	**535**	**14**	**1,801**	**2,350**	**93**	**36**	**8**	**137**	**3,127**
Rest of Europe										
Denmark	6	248	–	453	701	4	–	–	4	711
Norway	26	897	–	–	897	–	–	–	–	923
United Kingdom	387	70	49	324	443	713	8	1	722	1,552
Other (8)	104	2	–	169	171	19	8	–	27	302
Total – Rest of Europe	**523**	**1,217**	**49**	**946**	**2,212**	**736**	**16**	**1**	**753**	**3,488**
Total – All of Europe (9)	**1,236**	**1,752**	**63**	**2,747**	**4,562**	**837**	**76**	**9**	**922**	**6,720**

As at October 31, 2014	Funded lending (2)	Securities (3)				Repo-style transactions and derivatives (5)(6)				Total net exposure
Country	Total	Bank	Corporate	Sovereign	Total	Bank	Corporate	Sovereign	Total	
Total – GIIPS	129	–	–	–	–	55	7	–	62	191
Total – Eurozone (excluding GIIPS)	551	711	53	1,872	2,636	379	49	7	435	3,622
Total – Rest of Europe	1,162	2,254	44	537	2,835	714	14	2	730	4,727
Total – All of Europe (9)	1,842	2,965	97	2,409	5,471	1,148	70	9	1,227	8,540

(1) BMO has the following indirect exposures to Europe as at October 31, 2015:
- Collateral of €958 million to support trading activity in securities (€108 million from GIIPS) and €82 million of cash collateral held.
- Guarantees of $1.3 billion ($17 million to GIIPS).

(2) Funded lending includes loans (primarily trade finance).
(3) Securities include cash products, insurance investments and traded credit.
(4) BMO's total net notional CDS exposure (embedded as part of the securities exposure in this table) to Europe was $153 million, with no net single-name* CDS exposure to GIIPS countries as at October 31, 2015 (*includes a net position of $119 million (bought protection) on a CDS Index, of which 20% is comprised of GIIPS domiciled entities).
(5) Repo-style transactions are primarily with bank counterparties for which BMO holds collateral ($16 billion for Europe as at October 31, 2015).
(6) Derivatives amounts are marked-to-market, incorporating transaction netting where master netting agreements with counterparties have been entered into, and collateral offsets for counterparties where a Credit Support Annex is in effect.
(7) Does not include Irish subsidiary reserves we are required to maintain with the Irish Central Bank of $76 million as at October 31, 2015.
(8) Includes countries with less than $300 million net exposure, with $25 million exposure to the Russian Federation as at October 31, 2015.
(9) Of our total net direct exposure to Europe, approximately 93% was to counterparties in countries with a rating of Aaa/AAA from at least one of Moody's and S&P.

European Lending Exposure by Country and Counterparty (9)

(Canadian $ in millions)	Lending (2)						
	Funded lending as at October 31, 2015			As at October 31, 2015		As at October 31, 2014	
Country	Bank	Corporate	Sovereign	Commitments	Funded	Commitments	Funded
GIIPS							
Greece	–	–	–	–	–	–	–
Ireland (7)	–	8	–	27	8	103	8
Italy	2	–	–	2	2	69	69
Portugal	–	–	–	–	–	–	–
Spain	53	10	–	75	63	62	52
Total – GIIPS	**55**	**18**	**–**	**104**	**73**	234	129
Eurozone (excluding GIIPS)							
Germany	17	54	1	79	72	99	85
Netherlands	30	215	–	346	245	559	239
Finland	1	–	–	1	1	–	–
Other (8)	182	140	–	622	322	517	227
Total – Eurozone (excluding GIIPS)	**230**	**409**	**1**	**1,048**	**640**	1,175	551
Rest of Europe							
Denmark	6	–	–	6	6	12	12
Norway	26	–	–	26	26	15	15
United Kingdom	30	357	–	459	387	701	497
Other (8)	31	73	–	287	104	1,044	638
Total – Rest of Europe	**93**	**430**	**–**	**778**	**523**	1,772	1,162
Total – All of Europe (9)	**378**	**857**	**1**	**1,930**	**1,236**	3,181	1,842

Refer to footnotes in the table on page 98.

Derivative Transactions

The following table represents the notional amounts of our over-the-counter (OTC) derivative contracts, comprised of those which are centrally cleared and settled through a designated clearing house and those which are non-centrally cleared. The notional amounts of our derivatives represent the amount to which a rate or price is applied in order to calculate the amount of cash that must be exchanged under the contract. Notional amounts do not represent assets or liabilities and therefore are not recorded in our Consolidated Balance Sheet. The fair values of OTC derivative contracts are recorded in our Consolidated Balance Sheet.

Over-the-Counter Derivatives (1) (Notional amounts)

(Canadian $ in millions)	Non-centrally cleared		Centrally cleared		Total	
As at October 31	**2015**	2014	**2015**	2014	**2015**	2014
Interest Rate Contracts						
Swaps	**690,375**	814,178	**2,269,412**	1,861,499	**2,959,787**	2,675,677
Forward rate agreements	**2,563**	34,713	**430,181**	326,771	**432,744**	361,484
Purchased options	**21,344**	19,267	**–**	–	**21,344**	19,267
Written options	**24,154**	22,955	**–**	–	**24,154**	22,955
Total interest rate contracts	**738,436**	891,113	**2,699,593**	2,188,270	**3,438,029**	3,079,383
Foreign Exchange Contracts						
Cross-currency swaps	**76,083**	51,616	**–**	–	**76,083**	51,616
Cross-currency interest rate swaps	**339,467**	279,119	**–**	–	**339,467**	279,119
Forward foreign exchange contracts	**393,098**	299,480	**–**	–	**393,098**	299,480
Purchased options	**28,297**	37,245	**–**	–	**28,297**	37,245
Written options	**28,960**	36,913	**–**	–	**28,960**	36,913
Total foreign exchange contracts	**865,905**	704,373	**–**	–	**865,905**	704,373
Commodity Contracts						
Swaps	**11,929**	13,559	**–**	–	**11,929**	13,559
Purchased options	**6,172**	8,526	**–**	–	**6,172**	8,526
Written options	**4,103**	4,166	**–**	–	**4,103**	4,166
Total commodity contracts	**22,204**	26,251	**–**	–	**22,204**	26,251
Equity Contracts	**47,114**	48,702	**–**	–	**47,114**	48,702
Credit Default Swaps						
Purchased	**5,611**	6,507	**1,054**	2,294	**6,665**	8,801
Written	**9,385**	10,232	**–**	1,751	**9,385**	11,983
Total credit default swaps	**14,996**	16,739	**1,054**	4,045	**16,050**	20,784
Total	**1,688,655**	1,687,178	**2,700,647**	2,192,315	**4,389,302**	3,879,493

(1) Certain comparative figures have been reclassified to conform with the current year's presentation.

Market Risk

Market risk is the potential for adverse changes in the value of BMO's assets and liabilities resulting from changes in market variables such as interest rates, foreign exchange rates, equity and commodity prices and their implied volatilities, and credit spreads, and includes the risk of credit migration and default in our trading book.

BMO incurs market risk in its trading and underwriting activities and structural banking activities. The magnitude and importance of these activities to the enterprise, along with the relative uncertainty of daily changes to market variables, require a strong and balanced market risk structure that incorporates appropriate and defensible governance, management and measurement.

Trading and Underwriting Market Risk Governance

As part of our enterprise-wide risk management framework, we apply comprehensive governance and management processes to our market risk-taking activities. The RRC has oversight of the management of market risk and approves the Market Risk Corporate Policy, along with limits governing market risk exposures. The RMC, which recommends the Market Risk Corporate Policy for approval, regularly reviews and discusses significant market risk issues and positions, and provides senior management oversight. These committees are informed of specific exposures or other factors that expose BMO to unusual, unexpected, inappropriate or otherwise not fully identified or quantified risks associated with market or traded credit exposures, as well as other relevant market risk issues. In addition, all individuals authorized to conduct trading and underwriting activities on behalf of BMO are appropriately notified of BMO's risk-taking governance, authority structure, procedures and processes, are given access to and guidance on the relevant corporate policies and standards, and are expected to adhere to those standards.

Trading and Underwriting Market Risk Management

We have strong, independent risk oversight within a policy framework that mandates comprehensive controls for the management of market risk. We monitor an extensive range of risk metrics, including Value at Risk (VaR), Stressed Value at Risk (SVaR), stress and scenario tests, risk sensitivities and operational metrics. We apply a comprehensive set of limits to these metrics, with appropriate monitoring, reporting and escalation of limit breaches. Risk profiles of our trading and underwriting activities are maintained within our risk appetite, and are monitored and reported to traders, management, senior executives and Board committees. Further key controls include the independent valuation of financial assets and liabilities, as well as compliance with a model risk management framework to mitigate model risk.

BMO's Market Risk group also provides oversight of structural market risk, which is managed by BMO's Corporate Treasury group and described on page 103.

Valuation Product Control

Within the Market Risk group, the Valuation Product Control (VPC) group is responsible for the independent valuation of all trading and available-for-sale (AFS) portfolios within Capital Markets Trading Products and Corporate Treasury, to confirm that they are materially accurate by:

- developing and maintaining valuation adjustment policies and procedures in accordance with regulatory requirements and IFRS;
- establishing official rate sources for valuation of all portfolios; and
- providing an independent review of portfolios where prices supplied by traders are used for valuation.

Trader valuations are reviewed to determine whether they align with an independent assessment of the market value of the related portfolio. If the valuation difference exceeds the prescribed tolerance threshold, a valuation adjustment is recorded in accordance with our accounting policy and regulatory requirements. Prior to the final month-end general ledger close, the Valuation Operating Committee, comprised of key stakeholders from the lines of business, Market Risk, Capital Markets Finance, Treasury and the Chief Accountant's Group, reviews all valuation adjustments that are proposed by the VPC group.

The Valuation Steering Committee is BMO's senior management valuation committee. It meets at least monthly to address the more challenging material valuation issues related to BMO's portfolios, approves valuation methodology changes and acts as a key forum for discussing positions categorized as Level 3 for financial reporting purposes and their inherent uncertainty.

At a minimum, the following are considered when determining appropriate valuation adjustments: credit valuation adjustments, closeout costs, uncertainty, funding valuation adjustments, and liquidity and model risk. Also, a fair value hierarchy is used to categorize the inputs used in the valuation of securities, liabilities, derivative assets and derivative liabilities. Level 1 inputs consist of quoted market prices, Level 2 inputs consist of results from models that use observable market information and Level 3 inputs consist of results from models for which observable market information is not available. Details of Level 1, Level 2 and Level 3 fair value measurements can be found in Note 18 on page 172 of the financial statements.

Trading and Underwriting Market Risk Measurement

To capture the multi-dimensional aspects of market risk effectively, a number of metrics are used, including VaR, SVaR, stress testing, sensitivities, position concentrations, market and notional values and revenue losses.

Value at Risk (VaR) is measured for specific classes of risk in BMO's trading and underwriting activities related to interest rates, foreign exchange rates, credit spreads, equity and commodity prices and their implied volatilities. This measure calculates the maximum loss likely to be experienced in the trading and underwriting portfolios, measured at a 99% confidence level over a specified holding period.

Stressed Value at Risk (SVaR) is measured for specific classes of risk in BMO's trading and underwriting activities related to interest rates, foreign exchange rates, credit spreads, equity and commodity prices and their implied volatilities, where model inputs are calibrated to historical data from a period of significant financial stress. This measure calculates the maximum loss likely to be experienced in the trading and underwriting portfolios, measured at a 99% confidence level over a specified holding period.

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Although it is a valuable indicator of risk, VaR should always be viewed in the context of its limitations. Among the limitations of VaR is the assumption that all positions can be liquidated within the assigned one-day holding period (ten-day holding period for regulatory calculations), which may not be the case in illiquid market conditions, and that historical data can be used as a proxy to predict future market events. Generally, market liquidity horizons are reviewed for suitability and updated where appropriate for relevant risk metrics. Scenario analysis and probabilistic stress testing are performed daily to determine the potential impact of unusual and/or unexpected market changes on our portfolios. As well, historical and event stresses are tested on a weekly basis, including tests of scenarios such as the stock market crash of 1987 and the collapse of Lehman Brothers in 2008. Ad hoc analyses are run to examine our sensitivity to low-frequency, high-severity hypothetical scenarios. Scenarios are amended, added or removed to better reflect changes in underlying market conditions. The results are reported to the lines of business, the RMC and the RRC on a regular basis. Stress testing is limited by the fact that not all downside scenarios can be predicted and effectively modelled. Neither VaR nor stress testing should be viewed as a definitive predictor of the maximum amount of losses that could occur in any one day, because these measures are based on models and estimates (such as confidence levels) and their results could be exceeded in highly volatile market conditions. On a daily basis, exposures are aggregated by lines of business and risk type and monitored against delegated limit levels, and the results are reported to the appropriate stakeholders. BMO has a robust governance process in place to ensure adherence to delegated market risk limits. Amounts exceeding those limits are reported to senior management on a timely basis for resolution and appropriate action.

In addition, we measure the market risk for trading and underwriting portfolios that meet regulatory criteria for trading book capital treatment using the Internal Models Approach. For trading and underwriting portfolios covered by the Internal Models Approach, VaR is computed using BMO's Trading Book VaR model. This is a Monte Carlo scenario simulation model, and its results are used for market risk management and reporting of exposures. The model computes one-day VaR results using a 99% confidence level, and those results reflect the historic correlations between the different classes of market risk factors.

We use a variety of methods to verify the integrity of our risk models, including the application of back-testing against hypothetical losses. This process assumes there are no changes in the previous day's closing positions and then isolates the effects of each day's price movements against those closing positions. Models are validated by assessing how often the calculated hypothetical losses exceed the VaR measure over a defined period. This testing result is in line with defined regulatory expectations, and its results confirm the reliability of our models. The volatility data and correlations that underpin our models are updated monthly, so that VaR measures reflect current conditions.

Our models are used to determine market risk Economic Capital for each of our lines of business and to determine regulatory capital. For capital calculation purposes, the longer holding periods and/or higher confidence levels that are used are not the same as those employed in day-to-day risk management. Under the Model Risk Corporate Policy, models are subject to review by our Model Validation group prior to use. The Model Risk Corporate Policy outlines minimum requirements for the identification, assessment, monitoring and management of models and model risk across the enterprise, and is described on page 112.

Total Trading VaR increased year over year from client facilitation activities, the recent impact of more volatile historical data used for VaR calculation and changes in market rates. Average Trading VaR is up moderately year over year. Beginning in the fourth quarter, market risk associated with changes in the fair value of non-derivative liabilities attributable to fluctuations in our credit risk is no longer reflected in our VaR calculation to better reflect our associated net risk position, resulting in a drop in Credit VaR and SVaR. Total Trading SVaR reduced moderately year over year, with reductions in Credit SVaR offset by reduced diversification.

Total Trading Value at Risk (VaR) Summary (1)

As at or for the year ended October 31 (pre-tax Canadian $ equivalent in millions)	2015 Year-end	2015 Average	2015 High	2015 Low	2014 Year-end
Commodity VaR	**(0.4)**	**(0.5)**	**(1.4)**	**(0.3)**	(0.5)
Equity VaR	**(6.9)**	**(6.3)**	**(15.8)**	**(3.3)**	(3.2)
Foreign exchange VaR	**(2.6)**	**(1.6)**	**(4.8)**	**(0.4)**	(0.5)
Interest rate VaR	**(10.5)**	**(6.6)**	**(11.6)**	**(3.3)**	(5.8)
Credit VaR	**(2.7)**	**(5.7)**	**(8.2)**	**(1.8)**	(5.5)
Diversification	**9.8**	**9.7**	**nm**	**nm**	7.4
Total Trading VaR	**(13.3)**	**(11.0)**	**(17.7)**	**(6.9)**	(8.1)

Total Trading Stressed Value at Risk (SVaR) Summary (1)(2)

As at or for the year ended October 31 (pre-tax Canadian $ equivalent in millions)	2015 Year-end	2015 Average	2015 High	2015 Low	2014 Year-end
Commodity SVaR	**(0.7)**	**(1.0)**	**(1.8)**	**(0.5)**	(3.2)
Equity SVaR	**(17.6)**	**(12.4)**	**(22.4)**	**(7.2)**	(14.0)
Foreign exchange SVaR	**(2.2)**	**(3.0)**	**(8.4)**	**(0.8)**	(0.7)
Interest rate SVaR	**(10.4)**	**(10.9)**	**(15.7)**	**(7.9)**	(11.2)
Credit SVaR	**(5.2)**	**(16.0)**	**(24.5)**	**(4.7)**	(13.6)
Diversification	**15.0**	**21.0**	**nm**	**nm**	20.6
Total Trading SVaR	**(21.1)**	**(22.3)**	**(29.3)**	**(17.4)**	(22.1)

(1) One-day measure using a 99% confidence interval. Losses are in brackets and benefits are presented as positive numbers.
(2) Stressed VaR is produced weekly.
nm – not meaningful

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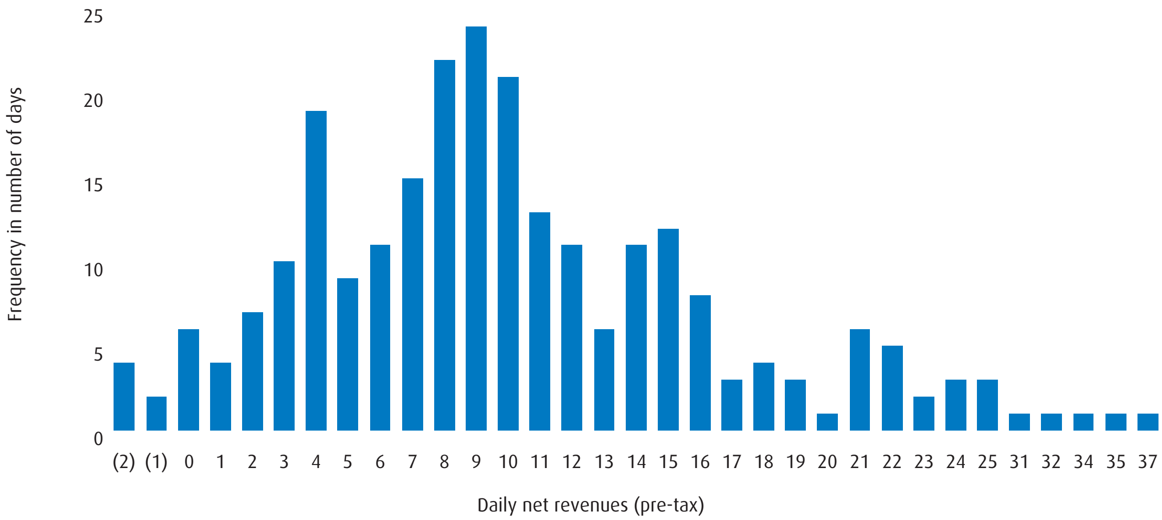
Material presented in a blue-tinted font above is an integral part of the 2015 annual consolidated financial statements (see page 86).

MD&A

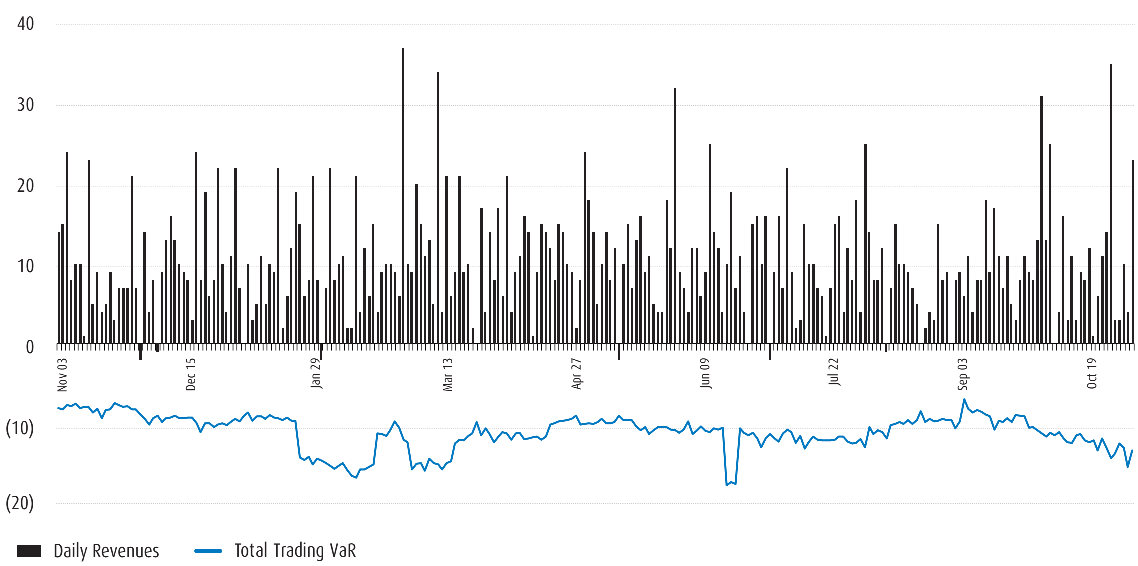
Trading Net Revenue

The charts below present daily net revenue plotted against total trading VaR, along with a representation of daily net revenue distribution. During the current year, the largest loss occurred on June 30, and was the result of normal trading activity and valuation adjustments. The largest gain occurred on February 27, and was primarily due to normal trading and underwriting activity.

Frequency Distribution of Daily Net Revenues
November 1, 2014 to October 31, 2015 ($ millions)



Trading Net Revenues versus Value at Risk
November 1, 2014 to October 31, 2015 ($ millions)



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Linkages between Balance Sheet Items and Market Risk Disclosures

The table below presents items reported in our Consolidated Balance Sheet that are subject to market risk, comprised of balances that are subject to either traded risk or non-traded risk measurement techniques.

	As at October 31, 2015				As at October 31, 2014				
		Subject to market risk				Subject to market risk			
(Canadian $ in millions)	Consolidated Balance Sheet	Traded risk (1)	Non-traded risk (2)	Not subject to market risk	Consolidated Balance Sheet	Traded risk (1)	Non-traded risk (2)	Not subject to market risk	Main risk factors for non-traded risk balances
Assets Subject to Market Risk									
Cash and cash equivalents	**40,295**	**–**	**40,295**	**–**	28,386	–	28,386	–	Interest rate
Interest bearing deposits with banks	**7,382**	**1,212**	**6,170**	**–**	6,110	930	5,180	–	Interest rate
Securities									
Trading	**72,460**	**65,066**	**7,394**	**–**	85,022	78,997	6,025	–	Interest rate, credit spread
Available-for-sale	**48,006**	**–**	**48,006**	**–**	46,966	–	46,966	–	Interest rate, credit spread
Held-to-maturity	**9,432**	**–**	**9,432**	**–**	10,344	–	10,344	–	Interest rate
Other	**1,020**	**–**	**1,020**	**–**	987	–	987	–	Equity
Securities borrowed or purchased under resale agreements	**68,066**	**–**	**68,066**	**–**	53,555	–	53,555	–	Interest rate
Loans and acceptances (net of allowance for credit losses)	**334,024**	**–**	**334,024**	**–**	303,038	–	303,038	–	Interest rate, foreign exchange
Derivative instruments	**38,238**	**35,924**	**2,314**	**–**	32,655	31,627	1,028	–	Interest rate, foreign exchange
Other assets	**22,958**	**–**	**8,195**	**14,763**	21,596	–	7,787	13,809	Interest rate
Total Assets	**641,881**	**102,202**	**524,916**	**14,763**	588,659	111,554	463,296	13,809	
Liabilities Subject to Market Risk									
Deposits	**438,169**	**9,429**	**428,740**	**–**	393,088	7,639	385,449	–	Interest rate, foreign exchange
Derivative instruments	**42,639**	**39,907**	**2,732**	**–**	33,657	32,312	1,345	–	Interest rate, foreign exchange
Acceptances	**11,307**	**–**	**11,307**	**–**	10,878	–	10,878	–	Interest rate
Securities sold but not yet purchased	**21,226**	**21,226**	**–**	**–**	27,348	27,348	–	–	Interest rate
Securities lent or sold under repurchase agreements	**39,891**	**–**	**39,891**	**–**	39,695	–	39,695	–	Interest rate
Other liabilities	**44,320**	**–**	**44,218**	**102**	43,676	–	43,263	413	Interest rate
Subordinated debt	**4,416**	**–**	**4,416**	**–**	4,913	–	4,913	–	Interest rate
Total Liabilities	**601,968**	**70,562**	**531,304**	**102**	553,255	67,299	485,543	413	

(1) Primarily comprised of BMO's balance sheet items that are subject to the trading and underwriting risk management framework and fair valued through profit or loss.
(2) Primarily comprised of BMO's balance sheet items that are subject to the structural balance sheet and insurance risk management framework, or are available-for-sale securities.

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

Structural (Non-Trading) Market Risk

Structural market risk is comprised of interest rate risk arising from our banking activities (loans and deposits) and foreign exchange risk arising from our foreign currency operations.

Structural Market Risk Governance

The RRC has oversight of the management of structural market risk, annually approves the structural market risk strategy and limits, and regularly reviews structural market risk positions. The RMC and Balance Sheet and Capital Management Committee (BSCMC) regularly review structural market risk positions and provide senior management oversight.

In addition to Board-approved limits on earnings and economic value exposure, more granular management limits are in place to guide day-to-day management of this risk. BMO's Corporate Treasury group is responsible for the ongoing management of structural market risk across the enterprise, with independent oversight provided by the Market Risk group.

Structural Market Risk Measurement

Interest Rate Risk

Structural interest rate risk arises when changes in interest rates affect the cash flows, earnings and values of assets and liabilities from our banking activities. The objective of structural interest rate risk management is to maintain high-quality earnings and maximize sustainable product spreads.

Structural interest rate risk is primarily comprised of interest rate mismatch risk and product embedded option risk.

Interest rate mismatch risk arises when there are differences in the scheduled maturities, repricing dates or reference rates of assets, liabilities and derivatives. The net interest rate mismatch, representing residual assets funded by common shareholders' equity, is managed to a target profile through interest rate swaps and securities.

Product embedded option risk arises when product features allow customers to alter cash flows, such as scheduled maturity or repricing dates, usually in response to changes in market conditions. Product embedded options include loan prepayments, deposit redemption privileges and committed rates on unadvanced mortgages. Product embedded options are generally managed to low risk levels through a dynamic hedging process or with purchased options.

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Structural interest rate risk is measured using simulations, earnings sensitivity and economic value sensitivity analysis, stress testing and gap analysis, in addition to other traditional risk metrics.

Earnings Sensitivity is a measure of the impact of potential changes in interest rates on the projected 12-month after-tax net income of a portfolio of assets, liabilities and off-balance sheet positions in response to prescribed parallel interest rate movements.

Economic Value Sensitivity is a measure of the impact of potential changes in interest rates on the market value of a portfolio of assets, liabilities and off-balance sheet positions in response to prescribed parallel interest rate movements.

The models used to measure structural interest rate risk project changes in interest rates and predict how customers would likely react to these changes. For customer loans and deposits with scheduled maturity and repricing dates (such as mortgages and term deposits), our models measure the extent to which customers are likely to use embedded options to alter those scheduled terms. For customer loans and deposits without scheduled maturity and repricing dates (such as credit card loans and chequing accounts), we measure our exposure using models that adjust for elasticity in product pricing and reflect historical and forecasted trends in balances. Structural market risk models by their nature have inherent uncertainty as they reflect potential anticipated pricing and customer behaviours which may differ from actual experience. The models have been developed using statistical analysis and are validated and periodically updated through regular model vetting, back-testing processes and ongoing dialogue with the lines of business. Models developed to predict customer behaviour are also used in support of product pricing.

Structural interest rate earnings and economic value sensitivity to an immediate parallel increase or decrease of 100 and 200 basis points in the yield curve are disclosed in the following table. The interest rate gap position is disclosed in Note 20 on page 180 of the financial statements.

During the year, we updated our approach to quantify the potential impact of changing interest rates on structural earnings and value sensitivities. The new approach reflects a more refined estimate of expected deposit pricing as interest rates change. There were no other significant changes in our structural market risk management framework during the year.

Structural economic value sensitivity to rising rates primarily reflects a lower market value for fixed-rate loans. Structural economic value sensitivity to falling rates primarily reflects the reduced ability to price deposits lower in the low-rate environment. Structural earnings exposure to falling interest rates primarily reflects the risk of fixed and floating rate loans repricing at lower rates and the more limited ability to reduce deposit pricing as rates fall. The asset-liability profile at the end of the year resulted in a structural earnings benefit from interest rate increases and structural earnings exposure to interest rate decreases. The realized earnings impact may differ from that shown depending on a number of factors, including customer and competitor actions and the pace at which interest rates change.

Structural Balance Sheet Interest Rate Sensitivity (1) (2) (3) (4) (5)

	As at October 31, 2015		As at October 31, 2014	
(Canadian $ in millions)	**Economic value sensitivity (Pre-tax)**	**Earnings sensitivity over the next 12 months (After tax)**	Economic value sensitivity (Pre-tax)	Earnings sensitivity over the next 12 months (After tax)
100 basis point increase	**(647.6)**	**143.5**	(715.1)	64.7
100 basis point decrease	**107.3**	**(62.0)**	405.2	(62.6)
200 basis point increase	**(1,722.3)**	**185.4**	(1,579.4)	85.8
200 basis point decrease	**(288.5)**	**(87.8)**	320.5	(68.1)

(1) We enhanced our approach to quantify the potential impact of changing interest rates on structural earnings and value sensitivities in 2015. Positions as at October 31, 2014 have not been restated to the new approach.

(2) Earnings and value sensitivities to falling interest rates assume Canadian and U.S. central banks do not decrease overnight interest rates below nil. The scenarios with decreasing interest rates therefore limit the decrease in Canadian and U.S. short-term interest rates to 50 basis points (100 basis points in 2014) and 25 basis points, respectively, for shorter terms in 2015 and 2014. Longer-term interest rates do not decrease below the assumed level of short-term interest rates.

(3) Certain non-trading AFS holdings are managed under the bank's trading risk framework.

(4) Losses are in brackets and benefits are presented as positive numbers.

(5) For BMO's Insurance businesses, a 100 basis point increase in interest rates at October 31, 2015, results in an increase in earnings after tax of $66 million and an increase in economic value before tax of $511 million ($71 million and $385 million, respectively, at October 31, 2014). A 100 basis point decrease in interest rates at October 31, 2015, results in a decrease in earnings after tax of $63 million and a decrease in economic value before tax of $414 million ($63 million and $414 million, respectively, at October 31, 2014). These impacts are not reflected in the table above.

Foreign Exchange Risk

Structural foreign exchange risk arises primarily from translation risk related to the net investment in our U.S. operations and from transaction risk associated with our U.S.-dollar-denominated net income.

Translation risk represents the impact that changes in foreign exchange rates can have on BMO's reported shareholders' equity and capital ratios. When the Canadian dollar appreciates relative to the U.S. dollar, unrealized translation losses on our net investment in foreign operations, net of related book value hedging activities, are reported in other comprehensive income in shareholders' equity. In addition, the Canadian dollar equivalent of U.S.-dollar-denominated risk-weighted assets and regulatory capital deductions decreases. The reverse is true when the Canadian dollar depreciates relative to the U.S. dollar. Consequently, we may adjust the hedge of our net investment in foreign operations such that translation risk is not expected to materially impact our capital ratios.

Transaction risk represents the impact that fluctuations in the Canadian/U.S. dollar exchange rate may have on the Canadian dollar equivalent of BMO's U.S.-dollar-denominated results. Exchange rate fluctuations will affect future results measured in Canadian dollars and the impact on those results is a function of the periods during which revenues, expenses and provisions for credit losses arise. Hedging positions may be taken to partially offset the pre-tax effects of Canadian/U.S. dollar exchange rate fluctuations. If future results are consistent with results in 2015, each one cent increase (decrease) in the Canadian/U.S. dollar exchange rate would be expected to increase (decrease) adjusted net income before income taxes for the year by $10 million, in the absence of hedging transactions. Refer to the Foreign Exchange section on page 37 for a more complete discussion of the effects of changes in exchange rates on the bank's results.

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Liquidity and Funding Risk

Liquidity and funding risk is the potential for loss if BMO is unable to meet financial commitments in a timely manner at reasonable prices as they fall due. Financial commitments include liabilities to depositors and suppliers, and lending, investment and pledging commitments.

Managing liquidity and funding risk is essential to maintaining the safety and soundness of the enterprise, depositor confidence and earnings stability. It is BMO's policy to ensure that sufficient liquid assets and funding capacity are available to meet financial commitments, even in times of stress.

Liquidity and Funding Risk Governance

The RRC has oversight of the management of liquidity and funding risk, annually approves applicable policies, limits and the contingency plan, and regularly reviews liquidity and funding positions. BMO's Corporate Treasury group recommends the Liquidity and Funding Risk Management Framework and the related risk appetite, limits and guidelines, monitors compliance with policy requirements and assesses the impact of market events on liquidity requirements on an ongoing basis. The RMC and BSCMC provide senior management oversight and also review and discuss significant liquidity and funding policies, issues and action items that arise in the pursuit of our strategic priorities.

The Corporate Treasury group and the operating groups are responsible for the ongoing management of liquidity and funding risk across the enterprise. Enterprise Market Risk Management provides oversight, independent risk assessment and effective challenge of liquidity and funding management across the organization.

MD&A

Liquidity and Funding Risk Management

BMO's Liquidity and Funding Risk Management Framework is defined and authorized under Board-approved corporate policies and management-approved standards. These policies and standards outline key management principles, liquidity and funding metrics and related limits and guidelines, as well as roles and responsibilities for the management of liquidity and funding risk across the enterprise.

BMO has robust limits and guidelines in place in order to manage liquidity and funding risk. Limits establish the enterprise-level risk appetite for our key Net Liquidity Position (NLP) measure, secured and unsecured funding appetite, for both trading and structural activities, and risk appetite for enterprise pledging activity. Guidelines establish the tolerance for concentrations of maturities, requirements for diversifying counterparty liabilities and limits for business pledging activity. Guidelines have also been established for the size and type of uncommitted and committed credit and liquidity facilities that may be outstanding in order to ensure liquidity and funding risk is appropriately managed. An enterprise-wide contingency plan that will facilitate effective management in the event of a disruption is also in place. Early warning indicators identified in the contingency plan are regularly monitored to identify early signs of growing liquidity risk in the market or risks specific to BMO.

BMO subsidiaries include regulated and foreign legal entities and branches, and as a result, movements of funds between companies in the corporate group are subject to, among other things, the liquidity, funding and capital adequacy requirements of the subsidiaries. As such, liquidity and funding positions are managed on both a consolidated and key legal entity basis. Liquidity and funding risk management policies and limits are in place for key legal entities which are informed by the legal and regulatory requirements that apply to each entity, and positions are regularly reviewed at the legal entity level to ensure compliance with applicable requirements.

BMO employs fund transfer pricing and liquidity transfer pricing practices in order to ensure the appropriate economic signals for the pricing of products for customers are provided to the lines of business and to assess the performance of each business. These practices capture both the cost of funding assets and the value of deposits under normal operating conditions, as well as the cost of supplemental liquid assets held to support contingent liquidity requirements.

Liquidity and Funding Risk Measurement

A key component of liquidity risk management is the measurement of liquidity risk under stress. BMO uses the NLP as a key measure of liquidity risk. The NLP represents the amount by which liquid assets exceed potential funding needs under a severe combined enterprise-specific and systemic stress scenario. Potential funding needs may arise from obligations to repay retail, commercial and wholesale deposits that are withdrawn or not renewed, fund drawdowns on available credit and liquidity lines, or the requirement to pledge collateral due to ratings downgrades or as a result of market volatility, as well as the continuing need to fund assets and strategic investments. Potential funding needs are quantified by applying factors to various business activities based on management's view of the relative liquidity risk of each activity. These factors vary by depositor classification (e.g., retail, small business, non-financial corporate or wholesale counterparties) and deposit type (e.g., insured, uninsured, operational or non-operational deposits), as well as by commitment type (e.g., uncommitted or committed credit or liquidity facilities by counterparty type). The stress scenario also considers the time horizon over which liquid assets can be monetized and the related haircuts that may occur as a result of market stress. These funding needs are assessed under severe systemic and enterprise-specific stress scenarios and a combination thereof. BMO focuses on maintaining a Net Liquidity Position sufficient to withstand each scenario.

Stress testing results are compared against BMO's stated risk tolerance and are considered in management decisions on setting limits or guidelines and internal liquidity transfer pricing, and they also help to shape the design of business plans and contingency plans. The Liquidity and Funding Risk Management Framework is also integrated with enterprise-wide stress testing.

In addition to the NLP, we regularly monitor positions against the limits and guidelines noted in the Liquidity and Funding Risk Management section above. This includes required regulatory metrics such as the Liquidity Coverage Ratio (LCR) and Net Cumulative Cash Flow (NCCF).

Unencumbered Liquid Assets

Unencumbered liquid assets include high-quality assets that are marketable, can be pledged as security for borrowings, and can be converted to cash in a time frame that meets our liquidity and funding requirements. Liquid assets are primarily held in our trading businesses, as well as in supplemental liquidity pools that are maintained for contingent liquidity risk management purposes. The amounts of liquidity recognized for different

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asset classes under our management framework are subject to haircuts reflecting management's view of the liquidity value of those assets in a stress scenario. Liquid assets in the trading businesses include cash on deposit with central banks and short-term deposits with other financial institutions, highly-rated debt and equity securities and short-term reverse repurchase agreements. Supplemental liquidity pool assets are predominantly comprised of cash on deposit with central banks and securities and short-term reverse repurchase agreements of highly-rated Canadian federal and provincial and U.S. federal government and agency debt. Substantially all supplemental liquidity pool assets meet the definition of liquid assets under Basel III. Approximately 75% of the supplemental liquidity pool is held at the parent bank level in Canadian- and U.S.-dollar-denominated assets, with the majority of the remaining supplemental liquidity pool held at BMO Harris Bank in U.S.-dollar-denominated assets. The size of the supplemental liquidity pool is highly integrated with our measurement of liquidity risk, as its size is calibrated to meet the potential funding needs, outside of our trading businesses, in the parent bank and BMO Harris Bank and to meet BMO's target NLP for each entity. To meet local regulatory requirements, certain of our legal entities maintain their own minimum liquidity positions. There may be legal and regulatory restrictions on our ability to use liquid assets held in one legal entity to support the liquidity requirements of another legal entity.

In the ordinary course of business, BMO may encumber a portion of cash and securities holdings as collateral in support of trading activities and our participation in clearing and payment systems in Canada and abroad. In addition, BMO may receive liquid assets as collateral and may re-pledge these assets in exchange for cash or as collateral for trading activities. Net unencumbered liquid assets, defined as on-balance sheet assets such as BMO-owned cash and securities and securities borrowed or purchased under resale agreements, plus other off-balance sheet eligible collateral received, less collateral encumbered, totalled $188.5 billion at October 31, 2015, compared with $171.0 billion at October 31, 2014. The increase in unencumbered liquid assets was primarily due to the impact of the stronger U.S. dollar. Net unencumbered liquid assets are primarily held at the parent bank level, at our U.S. legal entity BMO Harris Bank, and in our Canadian and international broker/dealer operations. In addition to liquid assets, BMO has access to the Bank of Canada's lending assistance programs, the Federal Reserve Bank discount window in the United States and European Central Bank standby liquidity facilities. We do not consider central bank facilities to be a source of available liquidity when assessing BMO's liquidity position.

In addition to cash and securities holdings, BMO may also pledge other assets, including mortgages and loans, to raise long-term secured funding. As part of the Liquidity and Funding Risk Management Framework, a Pledging of Assets Corporate Policy is in place that sets out the framework and pledging limits for financial and non-financial assets.

BMO's total encumbered assets and unencumbered liquid assets are summarized in the table below. See Note 26 on page 192 of the financial statements for further information on pledged assets.

Liquid Assets

(Canadian $ in millions)	As at October 31, 2015 Carrying value/on-balance sheet assets (1)	Other cash and securities received	Total gross assets (2)	Encumbered assets	Net unencumbered assets (3)	As at October 31, 2014 Net unencumbered assets (3)
Cash and cash equivalents	**40,295**	**–**	**40,295**	**2,232**	**38,063**	26,749
Deposits with other banks	**7,382**	**–**	**7,382**	**–**	**7,382**	6,110
Securities and securities borrowed or purchased under resale agreements						
Sovereigns / Central banks / Multilateral development banks	**103,793**	**15,742**	**119,535**	**70,962**	**48,573**	41,770
Mortgage-backed securities and collateralized mortgage obligations	**19,371**	**1,179**	**20,550**	**2,194**	**18,356**	16,046
Corporate debt	**17,584**	**6,332**	**23,916**	**1,472**	**22,444**	24,026
Corporate equity	**58,236**	**17,897**	**76,133**	**40,733**	**35,400**	41,600
Total securities and securities borrowed or purchased under resale agreements	**198,984**	**41,150**	**240,134**	**115,361**	**124,773**	123,442
NHA mortgage-backed securities (reported as loans at amortized cost) (4)	**21,834**	**–**	**21,834**	**3,589**	**18,245**	14,680
Total liquid assets	**268,495**	**41,150**	**309,645**	**121,182**	**188,463**	170,981
Other eligible assets at central banks (not included above) (5)	**110,703**	**–**	**110,703**	**764**	**109,939**	108,804
Undrawn credit lines granted by central banks	**–**	**–**	**–**	**–**	**–**	–
Total liquid assets and other sources	**379,198**	**41,150**	**420,348**	**121,946**	**298,402**	279,785

(1) The carrying values outlined in this table are consistent with the carrying values in BMO's balance sheet as at October 31, 2015.
(2) Gross assets include on-balance sheet and off-balance sheet assets.
(3) Net unencumbered liquid assets are defined as on-balance sheet assets, such as BMO-owned cash and securities and securities borrowed or purchased under resale agreements, plus other off-balance sheet eligible collateral received, less encumbered assets.
(4) Under IFRS, NHA mortgage-backed securities that include mortgages owned by BMO as the underlying collateral are classified as loans. Unencumbered NHA mortgage-backed securities have liquidity value and are included as liquid assets under BMO's liquidity and funding management framework. This amount is shown as a separate line item, NHA mortgage-backed securities.
(5) Represents loans currently lodged at central banks that could potentially be used to access central bank funding. Loans available for pledging as collateral do not include other sources of additional liquidity that may be realized from the loan portfolio, including incremental securitization, covered bond issuances and Federal Home Loan Bank (FHLB) advances.

Material presented in a blue-tinted font above is an integral part of the 2015 annual consolidated financial statements (see page 86).

Asset Encumbrance

(Canadian $ in millions) As at October 31, 2015	Total gross assets (1)	Encumbered (2) Pledged as collateral	Other encumbered	Net unencumbered Other unencumbered (3)	Available as collateral (4)
Cash and deposits with other banks	**47,677**	**–**	**2,232**	**397**	**45,048**
Securities (5)	**261,968**	**94,367**	**24,583**	**8,302**	**134,716**
Loans and acceptances	**312,190**	**43,928**	**1,594**	**156,729**	**109,939**
Other assets					
Derivative instruments	**38,238**	**–**	**–**	**38,238**	**–**
Premises and equipment	**2,285**	**–**	**–**	**2,285**	**–**
Goodwill	**6,069**	**–**	**–**	**6,069**	**–**
Intangible assets	**2,208**	**–**	**–**	**2,208**	**–**
Current tax assets	**561**	**–**	**–**	**561**	**–**
Deferred tax assets	**3,162**	**–**	**–**	**3,162**	**–**
Other assets	**8,673**	**–**	**–**	**8,673**	**–**
Total other assets	**61,196**	**–**	**–**	**61,196**	**–**
Total assets	**683,031**	**138,295**	**28,409**	**226,624**	**289,703**

As at October 31, 2014	Total gross assets (1)	Encumbered (2) Pledged as collateral	Other encumbered	Net unencumbered Other unencumbered (3)	Available as collateral (4)
Cash and deposits with other banks	34,496	–	1,637	417	32,442
Securities (5)	253,961	85,374	30,465	7,939	130,183
Loans and acceptances	285,186	37,060	2,722	136,600	108,804
Other assets					
Derivative instruments	32,655	–	–	32,655	–
Premises and equipment	2,276	–	–	2,276	–
Goodwill	5,353	–	–	5,353	–
Intangible assets	2,052	–	–	2,052	–
Current tax assets	665	–	–	665	–
Deferred tax assets	3,019	–	–	3,019	–
Other assets	8,231	–	–	8,231	–
Total other assets	54,251	–	–	54,251	–
Total assets	627,894	122,434	34,824	199,207	271,429

(1) Gross assets include on-balance sheet and off-balance sheet assets.

(2) Pledged as collateral refers to the portion of on-balance sheet assets and other cash and securities received that is pledged through repurchase agreements, securities lent, derivative contracts, minimum required deposits at central banks and requirements associated with participation in clearing houses and payment systems. Other encumbered assets include assets which are restricted from use for legal or other reasons, such as restricted cash and short sales.

(3) Other unencumbered assets include select liquid asset holdings that management believes are not readily available to support BMO's liquidity requirements. These include cash and securities of $8.7 billion as at October 31, 2015, which include securities held in BMO's insurance subsidiary and credit protection vehicle, significant equity investments, and certain investments held in our merchant banking business. Other unencumbered assets also include mortgages and loans that may be securitized to access secured funding.

(4) Loans included as available as collateral represent loans currently lodged at central banks that could potentially be used to access central bank funding. Loans available for pledging as collateral do not include other sources of additional liquidity that may be realized from the loan portfolio, including incremental securitization, covered bond issuances and FHLB advances.

(5) Includes securities, securities borrowed or purchased under resale agreements and NHA mortgage-backed securities (reported as loans at amortized cost).

BMO's LCR is summarized in the table on the following page. The average month-end LCR for the quarter ended October 31, 2015 of 130% is calculated as the ratio of the stock of High-Quality Liquid Assets (HQLA) to total net stressed cash outflows over the next 30 calendar days. The average LCR ratio is up from 128% from last quarter mainly due to the increase in HQLA. While banks are required to maintain an LCR greater than 100% in normal conditions, banks are also expected to be able to utilize their HQLA in a period of stress, which may result in an LCR below 100% during that period. BMO's HQLA are primarily comprised of cash, highly-rated debt issued or backed by governments, highly-rated covered bonds and non-financial corporate debt and non-financial equities that are part of a major stock index. Net cash flows include outflows from deposits, secured and unsecured wholesale funding, commitments and potential collateral requirements offset by permitted inflows from loans, securities lending activities and other non-HQLA debt maturing over a 30-day horizon. OSFI prescribed weights are applied to cash flows and HQLA to arrive at the weighted values and the LCR. The LCR is only one measure of a bank's liquidity position and does not fully capture all of the bank's liquid assets or the funding alternatives that may be pursued in a period of stress. BMO's total liquid assets are shown in the Liquid Assets table on page 106.

MD&A

Material presented in a blue-tinted font above is an integral part of the 2015 annual consolidated financial statements (see page 86).

Liquidity Coverage Ratio

(Canadian $ in billions, except as noted)	For the quarter ended October 31, 2015 Total unweighted value (average) (1) (2)	For the quarter ended October 31, 2015 Total weighted value (average) (2) (3)	For the quarter ended July 31, 2015 Total weighted value (average) (2) (3)
High-Quality Liquid Assets			
Total high-quality liquid assets (HQLA)	*	**134.6**	125.8
Cash Outflows			
Retail deposits and deposits from small business customers, of which:	**142.2**	**8.3**	8.0
Stable deposits	**85.7**	**2.6**	2.5
Less stable deposits	**56.5**	**5.7**	5.5
Unsecured wholesale funding, of which:	**138.0**	**78.0**	79.3
Operational deposits (all counterparties) and deposits in networks of cooperative banks	**59.9**	**14.9**	14.2
Non-operational deposits (all counterparties)	**48.1**	**33.1**	32.7
Unsecured debt	**30.0**	**30.0**	32.4
Secured wholesale funding	*	**9.5**	8.7
Additional requirements, of which:	**118.5**	**23.9**	22.0
Outflows related to derivatives exposures and other collateral requirements	**16.7**	**5.8**	5.1
Outflows related to loss of funding on debt products	**3.1**	**3.1**	3.1
Credit and liquidity facilities	**98.7**	**15.0**	13.8
Other contractual funding obligations	**0.9**	**–**	–
Other contingent funding obligations	**253.1**	**5.4**	5.1
Total cash outflows	*	**125.1**	123.1
Cash Inflows			
Secured lending (e.g. reverse repos)	**93.1**	**11.9**	12.5
Inflows from fully performing exposures	**7.7**	**5.6**	7.4
Other cash inflows	**4.0**	**4.0**	4.8
Total cash inflows	**104.8**	**21.5**	24.7
		Total adjusted value (4)	Total adjusted value (4)
Total HQLA		**134.6**	125.8
Total net cash outflows		**103.6**	98.4
Liquidity Coverage Ratio (%)		**130**	128

* Disclosure is not required under the LCR disclosure standard.
(1) Unweighted values are calculated at market value (for HQLA) or as outstanding balances maturing or callable within 30 days (for inflows and outflows).
(2) Average calculated based on month-end values during the quarter.
(3) Weighted values are calculated after the application of the weights prescribed under the OSFI Liquidity Adequacy Requirements (LAR) Guideline for HQLA and cash inflows and outflows.
(4) Adjusted values are calculated based on total weighted values after applicable caps as defined by the LAR Guideline.

Funding Strategy

Our funding philosophy requires that secured and unsecured wholesale funding used to support loans and less liquid assets must be longer term (typically maturing in two to ten years) to better match the term to maturity of these assets. Wholesale secured and unsecured funding for liquid trading assets is generally shorter term (maturing in one year or less), is aligned with the liquidity of the assets being funded, and is subject to limits on aggregate maturities that are permitted across different time periods. Supplemental liquidity pools are funded with a mix of wholesale term funding.

BMO maintains a large and stable base of customer deposits that, in combination with our strong capital base, is a source of strength. It supports the maintenance of a sound liquidity position and reduces our reliance on wholesale funding. Customer deposits totalled $261.9 billion at the end of the year, up from $238.7 billion in 2014, primarily due to the impact of the stronger U.S. dollar and deposit growth. BMO also receives deposits to facilitate certain trading activities, receives non-marketable deposits from corporate and institutional customers and issues structured notes primarily to retail investors. These deposits and notes totalled $45.6 billion as at October 31, 2015.

Total wholesale funding outstanding, largely consisting of negotiable marketable securities, was $159.5 billion at October 31, 2015, with $42.4 billion sourced as secured funding and $117.1 billion sourced as unsecured funding. Wholesale funding outstanding increased from $143.8 billion at October 31, 2014, primarily due to the impact of the stronger U.S. dollar. The mix and maturities of BMO's wholesale term funding are outlined in the table below. Additional information on deposit maturities can be found in Note 30 on page 198 of the financial statements. BMO maintains a sizeable portfolio of unencumbered liquid assets, totalling $188.5 billion as at October 31, 2015, that can be monetized to meet potential funding requirements, as described in the Unencumbered Liquid Assets section above.

Diversification of our wholesale funding sources is an important part of our overall liquidity management strategy. BMO's wholesale funding activities are well-diversified by jurisdiction, currency, investor segment, instrument and maturity profile. BMO maintains ready access to long-term wholesale funding through various borrowing programs, including a European Note Issuance Program, Canadian and U.S. Medium-Term Note Programs, Canadian and U.S. mortgage securitizations, Canadian credit card securitizations, covered bonds and Canadian and U.S. senior (unsecured) deposits.

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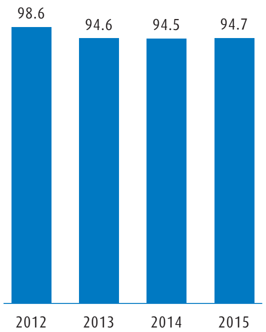
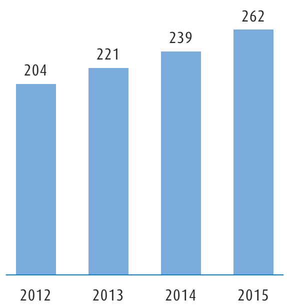
BMO's wholesale funding plan ensures sufficient funding capacity is available to execute business strategies. The funding plan considers expected maturities, as well as asset and liability growth projected for our businesses in our forecasting and planning process, and assesses funding needs against available potential funding sources. The funding plan is reviewed annually by the RRC and is regularly updated during the year to incorporate actual results and updated forecast information.

Customer Deposits-and-Capital-to-Customer-Loans Ratio (%)



Our large customer base and strong capital position reduce our reliance on wholesale funding.

Customer Deposits
($ billions)



Customer deposits provide a strong funding base.

Wholesale Funding Maturities (1)

(Canadian $ in millions) As at October 31, 2015	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Subtotal less than 1 year	1 to 2 years	Over 2 years	Total
Deposits from banks	**415**	**576**	**917**	**819**	**2,727**	**975**	**–**	**3,702**
Certificates of deposit and commercial paper	**5,753**	**29,143**	**17,349**	**5,547**	**57,792**	**360**	**–**	**58,152**
Bearer deposit notes	**249**	**1,637**	**901**	**115**	**2,902**	**–**	**–**	**2,902**
Asset-backed commercial paper (ABCP)	**1,406**	**1,829**	**2,131**	**–**	**5,366**	**–**	**–**	**5,366**
Senior unsecured medium-term notes	**1,308**	**2,131**	**1,212**	**8,195**	**12,846**	**10,636**	**20,210**	**43,692**
Senior unsecured structured notes (2)	**17**	**476**	**30**	**199**	**722**	**153**	**2,115**	**2,990**
Covered bonds and securitizations								
Mortgage securitizations	**–**	**789**	**–**	**1,321**	**2,110**	**2,781**	**12,197**	**17,088**
Covered bonds	**–**	**1,961**	**–**	**–**	**1,961**	**2,615**	**8,038**	**12,614**
Credit card securitizations	**–**	**–**	**437**	**1,538**	**1,975**	**1,135**	**1,101**	**4,211**
Subordinated debt (3)	**–**	**–**	**–**	**–**	**–**	**602**	**5,050**	**5,652**
Other (4)	**–**	**–**	**–**	**–**	**–**	**1,308**	**1,798**	**3,106**
Total	**9,148**	**38,542**	**22,977**	**17,734**	**88,401**	**20,565**	**50,509**	**159,475**
Of which:								
Secured	**1,406**	**4,579**	**2,568**	**2,859**	**11,412**	**7,839**	**23,134**	**42,385**
Unsecured	**7,742**	**33,963**	**20,409**	**14,875**	**76,989**	**12,726**	**27,375**	**117,090**
Total (5)	**9,148**	**38,542**	**22,977**	**17,734**	**88,401**	**20,565**	**50,509**	**159,475**

(1) Wholesale unsecured funding refers to funding through the issuance of marketable, negotiable instruments. Wholesale funding excludes repo transactions and bankers' acceptances, which are disclosed in the contractual maturity table in Note 30 on page 198 of the financial statements, and excludes ABCP issued by certain ABCP conduits that are not consolidated for financial reporting purposes.
(2) Primarily issued to institutional investors.
(3) Includes certain subordinated debt instruments reported as deposits or other liabilities for accounting purposes. Subordinated debt is reported in this table in accordance with recommended Enhanced Disclosure Task Force disclosures.
(4) Refers to Federal Home Loan Banks advances.
(5) Total wholesale funding consists of Canadian-dollar-denominated funding of $47.5 billion and U.S.-dollar and other foreign-denominated funding of $112 billion as at October 31, 2015.

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Regulatory Developments

OSFI's Liquidity Adequacy Requirements Guideline outlines the approach and methodology for a number of liquidity metrics and tools used to monitor and assess the adequacy of Canadian banks' liquidity, including the LCR, NCCF and others. The LCR and NCCF were implemented in January 2015. The Net Stable Funding Ratio (NSFR) was finalized by the Basel Committee on Banking Supervision in 2015 and is expected to come into force on January 1, 2018.

As mentioned on page 71 in the Enterprise-Wide Capital Management section, in August 2014, Canada's Department of Finance issued a consultation paper on a Canadian bank resolution framework, including bail-in and Higher Loss Absorbency requirements. The Enterprise-Wide Capital Management section also discusses the recently released new rules proposed by the Federal Reserve Board for Total Loss Absorbing Capacity (TLAC) and the Financial Stability Board final standard for TLAC for Global Systemically Important Banks.

Credit Ratings

The credit ratings assigned to BMO's short-term and senior long-term debt securities by external rating agencies are important in the raising of both capital and funding to support our business operations. Maintaining strong credit ratings allows us to access capital markets at competitive pricing levels. Should our credit ratings experience a material downgrade, our costs of funding would likely increase significantly and our access to funding and capital through capital markets could be limited. A material downgrade of our ratings could have additional consequences, including those set out in Note 8 on page 156 of the financial statements.

The credit ratings assigned to BMO's senior debt by rating agencies are indicative of high-grade, high-quality issues. Moody's, Standard & Poor's (S&P) and DBRS have a negative outlook on the ratings of BMO and other Canadian banks in response to the federal government's proposed bail-in regime for senior unsecured debt, while Fitch has a stable outlook on BMO's long-term credit ratings.

As at October 31, 2015

Rating agency	Short-term debt	Senior long-term debt	Subordinated debt (1)	Outlook
Moody's	P-1	Aa3	A3	Negative
S&P	A-1	A+	BBB+	Negative
Fitch	F1+	AA-	A+	Stable
DBRS	R-1 (high)	AA	AA (low)	Negative

(1) As at October 31, 2015, NVCC subordinated debt is rated Baa1 by Moody's, BBB by S&P and A(low) by DBRS.

Operational Risk

Operational risk is the potential for loss resulting from inadequate or failed internal processes or systems, human interactions or external events, but excludes business risk.

BMO is exposed to potential losses arising from a variety of operational risks, including process failure, theft and fraud, regulatory non-compliance, business disruption, information security breaches and exposure related to outsourcing, as well as damage to physical assets. Operational risk is inherent in all our business activities, including the processes and controls used to manage all of the risks we face. While operational risk can never be fully eliminated, it can be managed to reduce exposure to financial loss, reputational harm or regulatory sanctions.

Operational Risk Governance

Operational risk management is governed by a robust committee structure supported by a comprehensive set of policies, standards and operating guidelines. The Operational Risk Committee (ORC), a sub-committee of the RMC, is the main decision-making committee for all operational risk management matters and has responsibility for the oversight of operational risk strategy, management and governance. The ORC provides advice and guidance to the lines of business on operational risk assessments, measurement and mitigation, and related monitoring of change initiatives. The ORC also oversees the development of policies, standards and operating guidelines that give effect to the governing principles of the Operational Risk Management Framework (ORMF). These governance documents incorporate industry leading practices and are reviewed on a regular basis to ensure they are current and consistent with our risk appetite.

Regular analysis and reporting of our enterprise operational risk profile to the various committees (ORC, RMC and RRC) are important elements of our ORMF. Enterprise reporting provides an integrated view of top and emerging risks, trends in loss data, capital consumption, key risk indicators and operating group portfolio profiles. We continue to invest in our reporting platforms to support timely and comprehensive reporting capabilities that enhance risk transparency and facilitate the proactive management of operational risk exposures.

Operational Risk Management

The ORMF defines the processes we use to identify, measure, manage, mitigate, monitor and report key operational risk exposures. A primary objective of the ORMF is to ensure that our operational risk profile is consistent with our risk appetite and supported by adequate capital. Executing our ORMF strategy also involves continuing to embed our risk culture by promoting greater awareness and understanding of operational risk within our first line of defence through training and communication. In addition, we continue to invest in resources to further strengthen our second line of defence capabilities.

Consistent with the management of risk across the organization, we employ the three lines of defence approach to operational risk. The operating groups, as the first line of defence, are responsible for the day-to-day management of operational risk in a manner consistent with our enterprise-wide principles. Independent risk management oversight is provided by the Operational Risk Management function, Corporate Support areas and Operational Risk Officers (OROs). OROs independently assess group operational risk profiles, identify material exposures and potential weaknesses in controls, and recommend appropriate mitigation strategies and actions as the second line of defence. The Corporate Audit Division verifies our adherence to policies and procedures and highlights opportunities to strengthen our process as the third line of defence. Corporate Support areas develop tools and processes for the management of specific operational risks across the enterprise. Corporate Operational Risk Management establishes the ORMF and the necessary governance framework, with the operating group CROs providing governance and oversight for their respective business units.

The key programs, methodologies and processes we have developed to support the framework are highlighted below:

- Risk Control Assessment (RCA) is an established process used by our operating groups to identify the key risks associated with their businesses and the controls required for risk mitigation. The RCA process provides a forward-looking view of the impact of the business environment and internal controls on operating group risk profiles, enabling the proactive prevention, mitigation and management of risk. On an aggregate basis, RCA results also provide an enterprise-level view of operational risks relative to risk appetite, so that key risks can be appropriately managed and mitigated.
- Process Risk Assessment (PRA) provides a deeper insight in identifying key risks and controls in our business processes and can span multiple business units. The PRA process enables a greater understanding of our key processes, which facilitates more effective oversight and ensures risks are appropriately mitigated.
- BMO's initiative assessment and approval process is used to assess, document and approve qualifying initiatives when new business, services and products are developed or existing services and products are enhanced. The process ensures that due diligence, approval, monitoring and reporting requirements are appropriately addressed at all levels of the organization.
- Key Risk Indicators (KRIs) provide an early indication of any adverse changes in risk exposure. Operating groups and Corporate Support areas identify metrics related to their material operational risks. These KRIs are used in monitoring operational risk profiles and their overall relation to our risk appetite, and are linked to thresholds that trigger management action.
- Internal loss data serves as an important means of assessing our operational risk exposure and identifying opportunities for future risk prevention measures. Under this process, internal loss data is analyzed and benchmarked against external data. Material trends are regularly reported to the ORC, RMC and RRC to ensure preventative and corrective action can be taken where appropriate. BMO is a member of the Operational Risk Data Exchange Association, the American Bankers Association and other international and national associations of banks that share loss data information anonymously to assist in risk identification, assessment and modelling.
- BMO's operational risk management training programs ensure employees are qualified and equipped to execute the ORMF strategy consistently, effectively and efficiently.
- Effective business continuity management ensures that we have the capability to sustain, manage and recover critical operations and processes in the event of a business disruption, thereby minimizing any adverse effects on our customers and other stakeholders.
- BMO's Corporate Risk & Insurance team provides a second level of mitigation for certain operational risk exposures. We purchase insurance in amounts that are expected to provide adequate protection against unexpected material loss and where insurance is required by law, regulation or contractual agreement.

BMO uses the Advanced Measurement Approach (AMA), a risk-sensitive capital model, along with the Standardized Approach under OSFI rules, to determine capital requirements for managing operational risk. The AMA Capital Model uses a loss distribution approach along with the four elements required to support the measurement of our operational risk exposure. Internal loss data and external loss data are used as inputs to our AMA Capital Model, and are grouped based on attributes into cells which include operating group, business activity or event type. Minimum enterprise operational risk capital is determined at a specific upper confidence limit of the enterprise total loss distribution (99.9% quantile for regulatory capital and 99.95% quantile for Economic Capital). Business Environment and Internal Control Factors are used for post-modelling adjustments, and these are subject to regular review in order to identify and understand risk drivers and to ensure consistency in application across the organization. Scenarios are used to verify the distributions and correlations used to model capital and to provide management with a better understanding of low-frequency, high-severity events and to assess enterprise preparedness for events that could create risks that exceed our risk appetite. We also use scenario analysis as part of our stress testing program, which measures the potential impact of plausible operational events on our operations and capital, and allows us to manage tail risk exposure to low-frequency, high-severity events and to validate operational risk capital adequacy.

Model Risk

Model risk is the potential for adverse consequences following decisions based on incorrect or misused model outputs. These adverse consequences can include financial loss, poor business decision-making or damage to reputation.

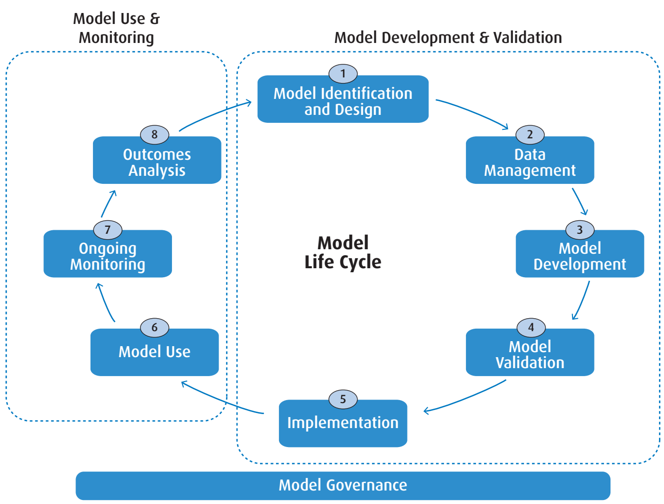
Models are quantitative tools that apply statistical, economic and other quantitative techniques and assumptions to process input data into quantitative estimates. BMO uses models that range from very simple models for straightforward estimates to highly sophisticated models that value complex transactions or provide a broad range of forward-looking estimates.

The outputs from these models are used to inform business, risk and capital management decision-making and to assist in making daily lending, trading, underwriting, funding, investment and operational decisions. For example, BMO uses models as a core risk management tool, to measure exposure to specific risks through stress testing, to value and price transactions, to evaluate credit, market and operational risk regulatory capital requirements and to measure risks on an integrated basis using Economic Capital.

Quantitative tools provide important insights and are beneficial when used within a framework to control and mitigate model risk. In addition to applying judgment to evaluate the reliability of model outputs, BMO mitigates model risk by maintaining strong controls over the development, validation, implementation and use of models across all model categories.

Model Risk Management

Risk is inherent in models because model outputs are estimates that rely on statistical techniques and data to simulate reality. Model risk also arises from potential misuse. Model risk is governed at BMO by the enterprise-wide Model Risk Management Framework, which operates throughout the model life cycle.



This framework sets out end-to-end model risk governance throughout the model life cycle and helps to ensure that model risk remains consistent with BMO's enterprise-wide risk appetite. The framework includes BMO's Model Risk Corporate Policy, Model Risk Corporate Standard and Model Risk Guidelines, which outline explicit principles for managing model risk, detail model risk processes and clearly define the roles and responsibilities of all stakeholders throughout the model life cycle. Model owners, developers and users are the first line of defence, model validators and the Model Governance group are the second line of defence, and Corporate Audit Division is the third line of defence.

The Model Governance group is responsible for the administration of the Model Risk Management Framework, the effectiveness of our model processes and the overall management of model risk. The Model Risk Management Committee, a cross-functional group representing all key stakeholders across the enterprise (model owners, users, developers and validators and the Model Governance group), meets regularly to help direct the bank's use of models, to oversee the development, implementation and maintenance of the Model Risk Management Framework and to discuss requirements governing the enterprise's models.

Model Development and Validation

Models are developed, implemented and used to meet specific business objectives, including applicable regulatory requirements. Model owners, in consultation with model developers and other stakeholders, determine the design, objectives, intended use and desired functionality of models, and have overall responsibility for ensuring models comply with bank policies and approved terms of use. Model developers assist the model owners by proposing model solutions, identifying data availability and limitations and developing and implementing models for their intended purposes. They do so by engaging model owners and other key stakeholders in the development and implementation processes, and by evaluating and documenting alternatives and model characteristics, outputs, strengths and weaknesses. Our independent Model Validation group reviews model development outputs to evaluate whether a proposed model is conceptually and statistically sound, achieves its objectives and is fit for its intended use without creating material model risk. Observations are made to guide model owners, users and developers, remediation of material deficiencies may be required and unless an exception is obtained in accordance with bank policy, approval from our Model Validation group is required before a model is used.

Model Use and Monitoring

Model owners and other model users are accountable for using the models appropriately for business decision-making and for the proper care and maintenance of models throughout the model life cycle. The development and validation processes provide guidance to ensure that models can be used effectively within an appropriate range of use, that model limitations are known and that model risk mitigants are implemented. When in use, models are subject to ongoing monitoring, including outcomes analysis and periodic reviews. Ongoing monitoring and outcomes analysis are part of evaluation processes to confirm the continuing validity and adequate performance of each model over time. These techniques and other controls are used to mitigate potential issues and to help ensure continuing acceptable model performance. All models in use are subject to periodic scheduled reviews, with the frequency based on a model's risk rating, and to earlier reviews if business judgment, triggers or other ongoing monitoring tools indicate that model performance may be inadequate. Scheduled reviews require the model owner and developers to assess a model's continuing suitability for use and such assessment is subject to independent review by our Model Validation group.

Model Validation, Outcome Analysis and Back-Testing

Once the models are validated, approved and in use, they are subject to ongoing validation, which includes ongoing monitoring and outcomes analysis. As a key component of the outcomes analysis, back-testing measures model outputs against actual observed outcomes. This analysis is used to confirm the validity and performance of each model over time, and helps to ensure that appropriate controls are in place to address identified issues and enhance a model's overall performance.

Credit Risk – The Credit Risk Model Validation Guidelines are an important subset of BMO's Model Risk Corporate Policy. These guidelines include clear and detailed requirements for the back-testing of all credit risk rating models.

The process for back-testing the Probability of Default (PD) model computation includes comparing PD estimates generated by credit risk models against the actual or realized default rates across all obligor ratings. This process also includes testing for statistical evidence that default rates accurately capture sampling variability over time.

The comprehensive validation of a risk rating system involves various prescribed tests and analyses that measure discriminatory power, calibration and dynamic properties, with support from migration analysis. Additional tests or analyses are used to validate borrower risk rating grades and probability of default.

As with any analysis, judgment is applied in determining various factors, such as data limitations, which may affect the overall relevance of a given validation approach or interpretation of statistical analysis. Similar back-testing is applied to the Loss Given Default (LGD) and Exposure at Default (EAD) model computations.

Annual validations of all material models in use are conducted to ensure they perform as intended and to confirm they continue to be fit for use. An annual review includes a qualitative assessment conducted by model developers and a quantitative validation conducted by the Model Validation group, with all conclusions reported to senior management.

Trading and Underwriting Market Risk – All internal models used to calculate regulatory capital and Economic Capital for trading and underwriting market risk have their Value at Risk (VaR) results back-tested regularly. The bank's internal VaR model is back-tested daily, and the one-day 99% confidence level VaR at the local and consolidated BMO levels is compared against the realized theoretical Profit & Loss (P&L) calculation, which is the daily change in portfolio value that would occur if the portfolio composition remained unchanged. If the theoretical P&L is negative and its absolute value is greater than the previous day's VaR, a back-testing exception occurs. Each exception is investigated, explained and documented, and the back-testing results are reviewed by the Board and our regulators. This process monitors the quality and accuracy of the internal VaR model results and assists in refining overall risk measurement procedures.

Structural Market Risk – Back-testing of our structural market risk models is performed monthly and reported quarterly. For products with a scheduled term, such as mortgages and term deposits, the model-predicted prepayments or redemptions are compared against the actual outcomes observed. For products without a scheduled term, such as credit card loans and chequing accounts, the modelled balance run-off profiles are compared against actual balance trends.

The variances between model predictions and the actual outcomes experienced are measured against pre-defined risk materiality thresholds. To ensure variances are within the tolerance range, actions such as model review and parameter recalibration are taken. Performance is assessed by analyzing model overrides and tests conducted during model development, such as back-testing and sensitivity testing.

Insurance Risk

Insurance risk is the potential for risk of loss due to actual experience being different from that assumed when an insurance product was designed and priced. It generally entails inherent unpredictability that can arise from assuming long-term policy liabilities or from the uncertainty of future events. Insurance risk is inherent in all our insurance products, including annuities and life, accident and sickness, and creditor insurance, as well as in our reinsurance business.

Insurance risk consists of:
- Claims risk – the risk that the actual magnitude or frequency of claims will differ from those assumed in the pricing or underwriting process, including mortality risk, morbidity risk, longevity risk and catastrophe risk;
- Policyholder behaviour risk – the risk that the behaviour of policyholders related to premium payments, withdrawals or loans, policy lapse and surrenders, and other voluntary terminations will differ from the behaviour assumed in the pricing calculations; and
- Expense risk – the risk that actual expenses associated with acquiring and administering policies and processing claims will exceed the expenses assumed in the pricing calculations.

BMO's risk governance practices ensure effective independent oversight and control of risk within the insurance business. BMO's Insurance Risk Management Framework comprises the identification, assessment, management and reporting of risks. The framework includes: the risk appetite statement and key risk metrics; insurance risk policies and processes, including limits; capital requirements; stress testing; risk reports; and the Own Risk and Solvency Assessment. All of these are overseen by internal risk committees and the insurance companies' Boards of Directors. The Insurance Risk Management Committee for BMO Insurance oversees and reports on risk management activities on a quarterly basis to the insurance companies' Boards of Directors. Senior management within the various lines of business is responsible for managing insurance risk, with oversight provided by the CRO, BMO Insurance, who reports to the CRO, Wealth Management.

A robust product approval process is a cornerstone of the framework for identifying, assessing and mitigating risks associated with new insurance products or changes to existing products. This process, combined with guidelines and practices for underwriting and claims management, promotes the effective identification, measurement and management of insurance risk. Reinsurance, which involves transactions that transfer insurance risk to independent reinsurance companies, is also used to manage our exposure to insurance risk by diversifying risk and limiting claims.

Legal and Regulatory Risk

Legal and regulatory risk is the potential for loss or harm that arises from legislation, contracts, non-contractual rights and obligations, and disputes. This includes the risks of failing to: comply with the law (in letter or in spirit) or maintain standards of care; implement legislative or regulatory requirements; enforce or comply with contractual terms; assert non-contractual rights; effectively manage disputes; and act in a manner so as to maintain our reputation.

BMO's success relies in part on our ability to prudently manage our exposure to legal and regulatory risk. The financial services industry is highly regulated, and we anticipate more intense scrutiny from our supervisors in the oversight process and strict enforcement of regulatory requirements as governments and regulators around the world continue major reforms intended to strengthen the stability of the financial system. The current environment is one in which banks globally have recently been subject to fines of unprecedented levels in relation to a number of regulatory and market conduct issues. As rulemaking and supervisory expectations evolve, we are monitoring developments to enable BMO to respond to and implement any required changes.

Under the direction of the General Counsel, the Legal and Compliance Group (LCG) maintains enterprise-wide frameworks that serve to identify, measure, manage, monitor and report on legal and regulatory risk. LCG also works with operating groups and Corporate Support areas to identify legal and regulatory requirements, trends and potential risks, recommend mitigation strategies and actions, and oversee litigation involving BMO. Another area of focus for legal and compliance risk management and operating groups is the oversight of fiduciary risk related to BMO's businesses that provide products or services giving rise to fiduciary duties to clients. Of particular importance are the policies and practices that address the responsibilities of a business to a client, including service requirements and expectations, client suitability determinations, and disclosure obligations and communications.

Physical protection and protecting our employees, customers, information and assets from criminal risk, including acts by employees against BMO, external parties acting against BMO and acts by external parties using BMO to engage in unlawful conduct such as fraud, theft, violence, cyber-crime, bribery, and corruption, is a top priority. The management of criminal risk at BMO has been transformed through the implementation of a robust Criminal Risk Management Framework, which prevents, detects, responds to and reports on criminal risk using a three-lines-of-defence approach and through enhanced centralized management and oversight.

As governments around the world seek to curb corruption to counter its negative effects on political stability, sustainable economic development, international trade and investment and in other areas, BMO's Anti-Corruption Office, through its global program and framework, has articulated the key principles and activities required to oversee compliance with anti-corruption legislation in jurisdictions where BMO operates, including providing guidance so that corrupt practices can be identified and avoided and ensuring that allegations of corrupt activity are rigorously investigated.

Under the direction of the Chief Anti-Money Laundering Officer, the Anti-Money Laundering Office is responsible for the governance, oversight and assessment of the principles and procedures established by the enterprise to ensure compliance with regulatory requirements and risk parameters related to anti-money laundering, anti-terrorist financing and sanctions measures. International regulators continue to focus on anti-money laundering and other related measures, to heighten their expectations concerning the quality and efficacy of anti-money laundering and related programs and to penalize institutions that fail to meet these expectations.

All of these frameworks reflect the three-lines-of-defence operating model described previously. The operating groups and Corporate Support areas manage day-to-day risks in compliance with corporate policies and standards, while LCG teams specifically aligned with each of the operating groups provide advice and independent legal and regulatory risk management oversight.

Heightened regulatory and supervisory scrutiny has had a significant impact on how we conduct business. Working with the operating groups and other Corporate Support areas, LCG continues to diligently assess and analyze the implications of regulatory changes, and devotes substantial resources to implementing the systems and processes required to comply with new regulations while also helping the operating groups meet BMO customers' needs and demands.

We continue to respond to other global regulatory developments, including capital and liquidity requirements under the Basel Committee on Banking Supervision (BCBS) global standards (Basel III), over-the-counter (OTC) derivatives reform, consumer protection measures and specific financial reforms, such as the *Dodd-Frank Wall Street Reform and Consumer Protection Act* (Dodd-Frank). For additional discussion on regulatory developments relating to capital management and liquidity and funding risk, please refer to the Enterprise-Wide Capital Management section starting on page 70 and the Liquidity and Funding Risk section starting on page 105.

Cross-Border Resolution and Bail-in – As mentioned on page 71 in the Enterprise-Wide Capital Management section, in August 2014, Canada's Department of Finance issued a consultation paper on a Canadian bank resolution framework, including bail-in and Higher Loss Absorbency requirements. The Enterprise-Wide Capital Management section also discusses the recently released new rules proposed by the Federal Reserve Board for Total Loss Absorbing Capacity (TLAC) and the Financial Stability Board final standard for TLAC for Global Systemically Important Banks.

Dodd-Frank – Dodd-Frank reforms include heightened consumer protection, revised regulation of the OTC derivatives markets, restrictions on proprietary trading and the ownership and sponsorship of private investment funds by banks and their affiliates (referred to as the *Volcker Rule*), imposition of heightened prudential standards and broader application of leverage and risk-based capital requirements. Dodd-Frank rulemaking will continue over the next several years. The conformance date for the *Volcker Rule*, which prohibits banking entities active in the United States and their affiliates from certain proprietary trading and specified relationships with private investment funds, was July 21, 2015. U.S. regulators previously extended until July 21, 2016, the time that banking entities have to conform their investments in and relationships with private investment funds in place before December 31, 2013. They also indicated that during the course of 2015 they would issue a further such conformance extension to July 21, 2017. BMO completed a significant review of our operations and developed policies and procedures to meet the July 21, 2015 deadline. We now have systems in place to assess, monitor, and report on *Volcker Rule* compliance across the enterprise. In addition, under Dodd-Frank, most OTC derivatives are now subject to a comprehensive regulatory regime. Certain derivatives are now required to be centrally cleared and traded on an exchange and are subject to reporting and business conduct requirements. In Canada, OTC derivative transactions must now be reported to designated trade repositories. Capital and margin requirements relating to derivatives are currently being considered by international regulators, and margin requirements for non-centrally cleared derivatives have been adopted by U.S. regulators. The U.S. Securities and Exchange Commission (SEC) has adopted rules for security-based swap dealers and other participants in the security-based swap market, including registration requirements. The date or dates for registration, which depend on additional SEC rulemaking, have not been set. BMO is preparing for the impact of such requirements.

Indirect Auto Lenders – The Consumer Financial Protection Bureau, which enforces certain U.S. federal consumer finance laws, is closely scrutinizing indirect auto lenders to focus on compliance, including with fair lending laws.

Regulatory Capital Rule Changes – In an effort to increase the comparability of capital requirements and to ensure minimum levels of capital across the banking system, BCBS is considering a standardized approach for credit, market and operational risk-weighted assets, including new capital floors based on revised standardized approaches. The current expectation is that the approaches will be settled on during 2016. BCBS is also completing a fundamental review of the trading book risk-weighted assets and released a consultative paper in June 2015 that discussed the appropriate capital to be held for interest rate risk in the banking book. Such changes, if implemented, along with the new impairment model based on expected credit losses under IFRS 9, could have the effect of increasing the capital that we are required to hold.

FBO Rule – In February 2014, the Federal Reserve Board approved a final rule for strengthening supervision and regulation of foreign banking organizations (FBO Rule) that implements Dodd-Frank's enhanced prudential standards and early remediation requirements for the U.S. operations of non-U.S. banks, such as BMO. The FBO Rule establishes new requirements relating to risk-based capital, leverage limits, liquidity standards, risk management frameworks, concentration and credit exposure limits, resolution planning and credit exposure reporting. On December 29, 2014, we submitted to the Federal Reserve Board an outline of our implementation plan for meeting these requirements by the effective date (July 1, 2016). BMO is preparing for the impact of the FBO Rule on its operations.

Federal Budget Proposal – The 2015 Federal budget and the July 31, 2015 technical release proposed tax rules for synthetic equity arrangements (the 2015 Proposals). Assuming the new Federal government reintroduces the 2015 Proposals, these proposals would, in certain circumstances, deny any deduction for dividends that are paid or become payable after October 2015, unless the arrangement is grandfathered, in which case the proposed tax rules would apply to dividends paid or that become payable after April 2017. BMO is currently assessing the impact of this proposal, which has the potential to increase our effective tax rate.

Risk Governance Framework – In September 2014, the Office of the Comptroller of Currency issued guidelines that establish heightened standards for large national banks with average total consolidated assets of US$50 billion or more, including BMO Harris Bank N.A. The guidelines set forth minimum standards for the design and implementation of a bank's risk governance framework and minimum standards for oversight of that framework by a bank's board of directors. The framework must ensure the bank's risk profile is easily distinguished and separate from the parent for risk management purposes. A bank's board of directors is responsible for informed oversight of, and providing credible challenge to, management's risk management recommendations and decisions. BMO is required to comply by April 2016, and is implementing a plan to prepare to comply with this guidance.

The General Counsel and the Chief Compliance Officer (CCO) regularly report to the ACRC of the Board and senior management on the effectiveness of our Enterprise Compliance Program (ECP) which, using a risk-based approach, identifies, assesses and manages compliance with applicable legal and regulatory requirements. The ECP directs operating groups and Corporate Support areas to maintain compliance policies, procedures and controls to meet these requirements. Under the direction of the CCO, LCG identifies and reports on gaps and deficiencies, and tracks remedial action plans. The Chief Anti-Money Laundering Officer also regularly reports to the ACRC.

All BMO employees are required to annually complete legal and regulatory training on topics such as anti-corruption, anti-money laundering and privacy. This is done in conjunction with our Code of Conduct training, which tests employees' knowledge and understanding of how they are required to behave as employees of BMO.

Business Risk

Business risk arises from the specific business activities of a company and the effects these could have on its earnings.

Business risk encompasses the potential causes of earnings volatility that are distinct from credit, market or operational risk factors. The management of business risk identifies and addresses factors related to the risk that volumes will decrease or margins will shrink without the company having the ability to compensate for this decline by cutting costs.

BMO faces many risks that are similar to those faced by non-financial firms, principally that our profitability, and hence value, may be eroded by changes in the business environment or by failures of strategy or execution. Sources of these risks include, but are not limited to, changing client expectations, adverse business developments and relatively ineffective responses to industry changes.

Within BMO, each operating group is responsible for controlling its respective business risk by assessing, managing and mitigating the risks arising from changes in business volumes and cost structures, among other factors.

Strategic Risk

Strategic risk is the potential for loss due to fluctuations in the external business environment and/or failure to properly respond to these fluctuations as a result of inaction, ineffective strategies or poor implementation of strategies.

Strategic risk arises from external risks inherent in the business environment within which BMO operates, as well as the risk of potential loss if BMO is unable to address those external risks effectively. While external strategic risks – including economic, geo-political, regulatory, technological, social and competitive risks – cannot be controlled, the likelihood and magnitude of their impact can be mitigated through an effective strategic risk management framework and certain of these risks, including economic, geo-political and regulatory risks, can be assessed through stress testing.

BMO's Office of Strategic Management (OSM) oversees our strategic planning processes and works with the lines of business, along with Risk, Finance and other Corporate Support areas, to identify, monitor and mitigate strategic risk across the enterprise. Our rigorous strategic risk management framework encourages a consistent approach to the development of strategies and incorporates financial information linked to financial commitments.

The OSM works with the lines of business and key corporate stakeholders during the strategy development process to promote consistency and adherence to strategic management standards, including considering the results from stress testing as an input into strategic decision-making, as appropriate. The potential impacts of changes in the business environment, such as broad industry trends and the actions of competitors, are considered as part of this process and inform strategic decisions within each of our lines of business. Enterprise and group strategies are reviewed with the Executive Committee and the Board of Directors annually in interactive sessions that challenge assumptions and strategies in the context of current and potential future business environments.

Performance objectives established through the strategic management process are monitored regularly and reported upon quarterly, using both leading and lagging indicators of performance, so that strategies can be reviewed and adjusted where necessary. Regular strategic and financial updates are also monitored closely to identify any significant emerging risk issues.

Reputation Risk

Reputation risk is the potential for a negative impact on BMO that results from the deterioration of BMO's reputation. Potential negative impacts include revenue loss, a decline in customer loyalty, litigation, regulatory sanction or additional oversight, and a decline in BMO's share price.

BMO's reputation is one of its most valuable assets. By protecting and maintaining our reputation, we can increase shareholder value, reduce our cost of capital and improve employee engagement and customer loyalty.

Our reputation is built on our commitment to high standards of business conduct and ethics.

Rooted in our values, BMO's Code of Conduct provides our employees and directors with guidance on expected behaviour and is the foundation for an ethical culture.

We believe that active, ongoing and effective management of reputation risk is best achieved by considering reputation risk issues in the course of strategy development, strategic and operational implementation, and transactional or initiative decision-making, as well as in day-to-day decision-making. Reputation risk is also managed through our corporate governance practices and enterprise risk management framework.

The Reputation Risk Management Committee reviews instances of significant or heightened reputation risk to BMO.

Environmental and Social Risk

Environmental and social risk is the potential for loss or damage to BMO's reputation resulting from environmental or social concerns related to BMO or its customers. Environmental and social risk is often associated with credit, operational and reputation risk.

In order to manage our business responsibly, we consider factors that can give rise to environmental or social risk. This consideration is embedded in our Board-approved Code of Conduct. BMO's Supplier Code of Conduct outlines the principles we expect our suppliers to uphold – our standards for integrity, fair dealing and sustainability. Environmental and social risk management activities are overseen by the Environmental, Social and Governance (ESG) group and the Environmental Sustainability (ES) group, with support from our lines of business and other Corporate Support areas. BMO's Sustainability Council, which is comprised of executives representing various areas of the organization, provides insight and guidance for our environmental and social initiatives.

Environmental and social risk covers a broad spectrum of issues, such as climate change, biodiversity and ecosystem health, pollution, waste and the unsustainable use of water and other resources, as well as risks to the livelihoods, health, rights and cultural heritage of communities. We work with external stakeholders to understand the impact of our operations and financing decisions in the context of these issues, and we use this understanding to determine the consequences for our businesses. As part of our enterprise risk management framework, we evaluate the environmental and social impact of our clients' operations, as well as the impact of their industry sectors. Environmental and social risks associated with credit transactions are managed within BMO's credit and counterparty risk management framework. BMO has also developed and implemented specific financing guidelines on environmental and social risk for specific lines of business. Enhanced due diligence is applied to transactions with clients operating in environmentally sensitive industry sectors.

BMO applies the Equator Principles, a voluntary credit risk management framework for determining, assessing and managing environmental and social risk in project finance transactions. These principles have been integrated into our credit risk management framework. We are also a signatory to and participate in the Carbon Disclosure Project, which provides corporate disclosure on greenhouse gas emissions and climate change management.

BMO implemented ESG training for BMO Capital Markets employees as part of a program to instill a consistent understanding of environmental and social risk across the enterprise. The training includes identification of emerging issues, an overview of BMO's due diligence procedures and tools to assist employees in identifying and managing environmental, social and governance risks. We review our environmental and social risk policies and procedures on a periodic basis.

BMO is a signatory to the UN Principles for Responsible Investment, a framework designed to encourage sustainable investing through the integration of ESG issues into investment, decision-making and ownership practices.

The ESG group is responsible for coordinating the development and maintenance of an enterprise-wide strategy to meet BMO's overarching environmental and social responsibilities. The ES group is responsible for establishing and maintaining an environmental management system that is aligned to ISO 14001, and for setting objectives and targets related to the bank's own operations. BMO's operating groups, Procurement and Strategic Sourcing, and Corporate Real Estate are responsible for putting appropriate operating procedures in place. To ensure that we are informed of emerging issues, we participate in global forums with our peers, maintain an open dialogue with our internal and external stakeholders, and continuously monitor and evaluate policy and legislative changes in the jurisdictions where we operate. We publicly report our environmental and social performance and targets in our annual Environmental, Social and Governance (ESG) Report and Public Accountability Statement (PAS), and on our Corporate Responsibility website. Selected environmental and social indicators in the ESG Report and PAS are assured by a third party.

Supplemental Information

Certain comparative figures have been reclassified to conform to the current period's presentation and for changes in accounting policies. Refer to Note 1 of the consolidated financial statements. In addition, on November 1, 2011, BMO's financial statements have been reported in accordance with IFRS. Results for years prior to 2011 have not been restated and are presented in accordance with Canadian GAAP as defined at that time (CGAAP).

As a result of these changes, certain growth rates and compound annual growth rates (CAGR) may not be meaningful.

Adjusted results in this section are non-GAAP measures. Refer to the Non-GAAP Measures section on page 33.

Table 1: Shareholder Value and Other Statistical Information

As at or for the year ended October 31	**2015**	2014	2013	2012	2011	2010	2009	2008	2007	2006
Market Price per Common Share ($)										
High	**84.39**	85.71	73.90	61.29	63.94	65.71	54.75	63.44	72.75	70.24
Low	**64.01**	67.04	56.74	53.15	55.02	49.78	24.05	35.65	60.21	56.86
Close	**76.04**	81.73	72.62	59.02	58.89	60.23	50.06	43.02	63.00	69.45
Common Share Dividends										
Dividends declared per share ($)	**3.24**	3.08	2.94	2.82	2.80	2.80	2.80	2.80	2.71	2.26
Dividend payout ratio (%)	**49.2**	47.8	47.5	46.0	57.1	58.6	90.6	73.9	64.8	43.0
Dividend yield (%)	**4.3**	3.8	4.0	4.8	4.8	4.6	5.6	6.5	4.3	3.3
Dividends declared ($ millions)	**2,087**	1,991	1,904	1,820	1,690	1,571	1,530	1,409	1,354	1,133
Total Shareholder Return (%)										
Five-year average annual return	**9.5**	15.5	17.0	4.2	1.9	5.9	1.8	0.9	14.2	19.1
Three-year average annual return	**13.5**	16.7	11.5	10.8	17.4	4.5	(5.3)	(5.6)	6.6	15.6
One-year return	**(3.0)**	17.1	28.8	5.2	2.4	26.4	25.1	(27.9)	(5.8)	24.1
Common Share Information										
Number outstanding (in thousands)										
End of year	**642,583**	649,050	644,130	650,730	639,000	566,468	551,716	504,575	498,563	500,726
Average basic	**644,916**	645,860	648,476	644,407	591,403	559,822	540,294	502,062	499,950	501,257
Average diluted	**647,162**	648,475	649,806	648,615	607,068	563,125	542,313	506,697	508,614	511,173
Number of shareholder accounts	**53,481**	55,610	56,241	59,238	58,769	36,612	37,061	37,250	37,165	38,360
Book value per share ($)	**56.31**	48.18	43.22	39.41	36.76	34.09	31.95	32.02	28.29	28.89
Total market value of shares ($ billions)	**48.9**	53.0	46.8	38.4	37.6	34.1	27.6	21.7	31.4	34.8
Price-to-earnings multiple	**11.6**	12.8	11.8	9.7	12.2	12.7	16.3	11.4	15.3	13.5
Price-to-adjusted earnings multiple	**10.9**	12.4	11.7	9.9	11.5	12.5	12.5	9.2	11.6	13.4
Market-to-book value multiple	**1.35**	1.70	1.66	1.47	1.49	1.77	1.57	1.34	2.23	2.40
Balances										
As at assets	**641,881**	588,659	537,044	524,684	500,575	411,640	388,458	416,050	366,524	319,978
Average daily assets	**664,391**	593,928	555,431	543,931	469,934	398,474	438,548	397,609	360,575	309,131
Average daily net loans and acceptances	**320,081**	292,098	266,107	246,129	215,414	171,554	182,097	175,079	165,783	153,282
Return on Equity and Assets										
Return on equity (%)	**12.5**	14.0	14.9	15.9	15.1	14.9	9.9	13.0	14.4	19.2
Adjusted return on equity (%)	**13.3**	14.4	15.0	15.5	16.0	15.0	12.9	16.2	19.0	19.3
Return on average assets (%)	**0.66**	0.72	0.74	0.75	0.65	0.71	0.41	0.50	0.59	0.86
Adjusted return on average assets (%)	**0.70**	0.74	0.75	0.73	0.68	0.71	0.52	0.61	0.78	0.87
Return on average risk-weighted assets (%) (1)	**1.84**	1.85	1.93	1.96	1.70	1.74	0.97	1.07	1.20	1.71
Adjusted return on average risk-weighted assets (%) (1)	**1.96**	1.91	1.94	1.92	1.79	1.76	1.25	1.32	1.58	1.71
Average equity to average total assets (%)	**0.05**	0.05	0.05	0.05	0.04	0.05	0.04	0.04	0.04	0.04
Other Statistical Information										
Employees (2)										
Canada	**30,669**	30,587	30,303	30,797	31,351	29,821	29,118	29,529	28,944	27,922
United States	**14,316**	14,845	14,694	14,963	15,184	7,445	6,732	7,256	6,595	6,785
Other	**1,368**	1,346	634	512	440	363	323	288	288	234
Total	**46,353**	46,778	45,631	46,272	46,975	37,629	36,173	37,073	35,827	34,941
Bank branches										
Canada	**939**	934	933	930	920	910	900	983	977	963
United States	**592**	615	626	638	688	321	290	292	243	215
Other	**4**	4	4	3	3	3	5	5	4	4
Total	**1,535**	1,553	1,563	1,571	1,611	1,234	1,195	1,280	1,224	1,182
Automated banking machines										
Canada	**3,442**	3,016	2,900	2,596	2,235	2,076	2,030	2,026	1,978	1,936
United States	**1,319**	1,322	1,325	1,375	1,366	905	636	640	583	547
Total	**4,761**	4,338	4,225	3,971	3,601	2,981	2,666	2,666	2,561	2,483

2010 and prior based on CGAAP.

2011 has not been restated to reflect the new IFRS standards adopted in 2014. The adoption of new IFRS standards in 2015 only impacted our results prospectively.

(1) Beginning in 2008, return on average risk-weighted assets has been calculated under the Basel II guidelines; for all prior periods, return on average risk-weighted assets has been calculated using the Basel I methodology.

(2) Reflects full-time equivalent number of employees, comprising full-time and part-time employees and adjustments for overtime hours.

Table 2: Summary Income Statement and Growth Statistics

($ millions, except as noted) For the year ended October 31	**2015**	2014	2013	2012	2011	**5-year CAGR**	**10-year CAGR**
Income Statement – Reported Results							
Net interest income	**8,970**	8,461	8,677	8,937	7,474	**7.5**	**6.5**
Non-interest revenue	**10,419**	9,762	8,153	8,166	7,587	**8.2**	**7.1**
Revenue	**19,389**	18,223	16,830	17,103	15,061	**7.9**	**6.8**
Insurance claims, commissions and changes in policy benefit liabilities (CCPB) (1)	**1,254**	1,505	767	1,174	1,118	**4.1**	**22.0**
Revenue, net of CCPB	**18,135**	16,718	16,063	15,929	13,943	**8.2**	**6.3**
Provision for credit losses	**612**	561	587	764	1,212	**nm**	**nm**
Non-interest expense	**12,182**	10,921	10,226	10,135	8,741	**9.8**	**6.8**
Income before provision for income taxes	**5,341**	5,236	5,250	5,030	3,990	**8.4**	**4.8**
Provision for income taxes	**936**	903	1,055	874	876	**nm**	**0.7**
Net income	**4,405**	4,333	4,195	4,156	3,114	**8.8**	**6.3**
Attributable to bank shareholders	**4,370**	4,277	4,130	4,082	3,041	**9.2**	**6.2**
Attributable to non-controlling interest in subsidiaries	**35**	56	65	74	73	**nm**	**nm**
Net income	**4,405**	4,333	4,195	4,156	3,114	**8.8**	**6.3**
Income Statement – Adjusted Results							
Net interest income	**8,971**	8,461	8,020	8,158	7,248	**7.5**	**6.5**
Non-interest revenue	**10,420**	9,762	8,119	7,882	7,612	**8.2**	**7.1**
Revenue	**19,391**	18,223	16,139	16,040	14,860	**7.9**	**6.8**
Insurance claims, commissions and changes in policy benefit liabilities (CCPB) (1)	**1,254**	1,505	767	1,174	1,118	**4.1**	**22.0**
Revenue, net of CCPB	**18,137**	16,718	15,372	14,866	13,742	**8.2**	**6.3**
Provision for credit losses	**612**	561	357	470	1,108	**nm**	**nm**
Non-interest expense	**11,819**	10,761	9,755	9,410	8,453	**9.3**	**6.6**
Income before provision for income taxes	**5,706**	5,396	5,260	4,986	4,181	**9.6**	**5.2**
Provision for income taxes	**1,025**	943	1,037	927	906	**8.2**	**(0.1)**
Adjusted net income	**4,681**	4,453	4,223	4,059	3,275	**9.9**	**7.0**
Attributable to bank shareholders	**4,646**	4,397	4,158	3,985	3,202	**9.8**	**6.9**
Attributable to non-controlling interest in subsidiaries	**35**	56	65	74	73	**nm**	**nm**
Adjusted net income	**4,681**	4,453	4,223	4,059	3,275	**9.9**	**7.0**
Earnings per Share (EPS) ($)							
Basic	**6.59**	6.44	6.19	6.13	4.90	**6.6**	**3.4**
Diluted	**6.57**	6.41	6.17	6.10	4.84	**6.7**	**3.6**
Adjusted diluted	**7.00**	6.59	6.21	5.95	5.10	**7.8**	**4.5**
Year-over-Year Growth-Based Statistical Information (%)							
Net income growth	**1.7**	3.3	0.9	33.5	8.0	**na**	**na**
Adjusted net income growth	**5.1**	5.4	4.1	23.9	12.3	**na**	**na**
Diluted EPS growth	**2.5**	3.9	1.1	26.0	1.9	**na**	**na**
Adjusted diluted EPS growth	**6.2**	6.1	4.4	16.7	6.0	**na**	**na**

Five-year and ten-year CAGR based on CGAAP in 2010 and 2005, respectively, and on IFRS in 2015. 2011 growth rates based on CGAAP in 2010 and IFRS in 2011.

2011 has not been restated to reflect the new IFRS standards adopted in 2014. The adoption of new IFRS standards in 2015 only impacted our results prospectively.

(1) Beginning in 2015, insurance claims, commissions and changes in policy benefit liabilities (CCPB) are reported separately. They were previously reported as a reduction in insurance revenue in non-interest revenue. Prior period amounts and ratios have been reclassified.

nm – not meaningful

na – not applicable

Supplemental Information

Table 3: Revenue and Revenue Growth

($ millions, except as noted) For the year ended October 31	2015	2014	2013	2012	2011	5-year CAGR	10-year CAGR
Net Interest Income	**8,970**	8,461	8,677	8,937	7,474	**7.5**	**6.5**
Year-over-year growth (%)	**6.0**	(2.5)	(2.9)	19.6	19.9	**na**	**na**
Adjusted Net Interest Income	**8,971**	8,461	8,020	8,158	7,248	**7.5**	**6.5**
Year-over-year growth (%)	**6.0**	5.5	(1.7)	12.6	16.2	**na**	**na**
Net Interest Margin (1)							
Average earning assets	**579,471**	528,786	485,191	461,018	404,195	**11.8**	**9.1**
Net interest margin (%)	**1.55**	1.60	1.79	1.94	1.85	**na**	**na**
Adjusted net interest margin (%)	**1.55**	1.60	1.65	1.77	1.79	**na**	**na**
Canadian dollar net interest margin (%)	**1.68**	1.74	1.82	1.89	1.99	**na**	**na**
U.S. dollar and other currencies net interest margin (%)	**1.38**	1.41	1.74	2.01	1.61	**na**	**na**
Non-Interest Revenue							
Securities commissions and fees	**953**	934	846	825	1,215	**(2.4)**	**(1.4)**
Deposit and payment service charges	**1,077**	1,002	916	929	834	**6.1**	**3.9**
Trading revenues	**987**	949	849	1,025	549	**14.4**	**7.1**
Lending fees	**737**	680	603	544	593	**5.2**	**8.9**
Card fees	**460**	462	461	441	689	**14.6**	**3.3**
Investment management and custodial fees	**1,500**	1,246	971	967	496	**33.4**	**17.3**
Mutual fund revenues	**1,385**	1,073	832	665	633	**20.3**	**12.2**
Underwriting and advisory fees	**706**	744	659	600	512	**9.7**	**7.1**
Securities gains, other than trading	**171**	162	285	152	189	**nm**	**nm**
Foreign exchange, other than trading	**172**	179	172	153	130	**13.0**	**5.9**
Insurance income (2)	**1,762**	2,008	1,212	1,509	1,401	**5.5**	**20.0**
Other revenues	**509**	323	347	356	346	**17.8**	**1.6**
Total Non-Interest Revenue	**10,419**	9,762	8,153	8,166	7,587	**8.2**	**7.1**
Year-over-year growth (%)	**6.7**	19.7	(0.2)	7.6	7.9	**na**	**na**
Non-interest revenue as a % of total revenue	**53.7**	53.6	48.4	47.7	50.4	**na**	**na**
Adjusted Non-Interest Revenue	**10,420**	9,762	8,119	7,882	7,612	**8.2**	**7.1**
Year-over-year adjusted non-interest revenue growth (%)	**6.8**	20.2	3.0	3.6	8.3	**na**	**na**
Adjusted non-interest revenue as a % of total adjusted revenue	**53.7**	53.6	50.3	49.1	51.2	**na**	**na**
Total Revenue	**19,389**	18,223	16,830	17,103	15,061	**7.9**	**6.8**
Year-over-year total revenue growth (%)	**6.4**	8.3	(1.6)	13.6	13.5	**na**	**na**
Total Revenue, net of CCPB (2)	**18,135**	16,718	16,063	15,929	13,943	**8.2**	**6.3**
Year-over-year total revenue growth, net of CCPB (%)	**8.5**	4.1	0.8	14.2	13.9	**na**	**na**
Total Adjusted Revenue	**19,391**	18,223	16,139	16,040	14,860	**7.9**	**6.8**
Year-over-year total adjusted revenue growth (%)	**6.4**	12.9	0.6	7.9	12.0	**na**	**na**
Total Adjusted Revenue, net of CCPB (2)	**18,137**	16,718	15,372	14,866	13,742	**8.2**	**6.3**
Year-over-year total adjusted revenue growth, net of CCPB (%)	**8.5**	8.7	3.4	8.2	12.3	**na**	**na**

Five-year and ten-year CAGR based on CGAAP in 2010 and 2005, respectively, and on IFRS in 2015. 2011 growth rates based on CGAAP in 2010 and IFRS in 2011.

2011 has not been restated to reflect the new IFRS standards adopted in 2014. The adoption of new IFRS standards in 2015 only impacted our results prospectively.

(1) Net interest margin is calculated based on average earning assets.

(2) Beginning in 2015, insurance claims, commissions and changes in policy benefit liabilities (CCPB) are reported separately. They were previously reported as a reduction in insurance revenue in non-interest revenue. Prior period amounts and ratios have been reclassified.

na – not applicable

nm – not meaningful

Supplemental Information

Table 4: Non-Interest Expense and Expense-to-Revenue Ratio

($ millions, except as noted) For the year ended October 31	2015	2014	2013	2012	2011	5-year CAGR	10-year CAGR
Non-Interest Expense							
Employee compensation							
Salaries	**3,910**	3,388	3,259	3,148	2,646	**11.3**	**7.5**
Performance-based compensation	**2,102**	1,946	1,686	1,657	1,560	**7.6**	**5.1**
Employee benefits	**1,069**	908	897	808	621	**11.4**	**6.5**
Total employee compensation	**7,081**	6,242	5,842	5,613	4,827	**10.2**	**6.6**
Premises and equipment							
Rental of real estate	**462**	415	416	400	360	**7.7**	**8.9**
Premises, furniture and fixtures	**287**	261	377	368	310	**1.3**	**1.2**
Property taxes	**39**	39	37	36	30	**6.5**	**(1.5)**
Computers and equipment (1)	**1,349**	1,193	1,003	1,071	878	**13.2**	**5.8**
Total premises and equipment (1)	**2,137**	1,908	1,833	1,875	1,578	**9.7**	**nm**
Other expenses							
Amortization of intangible assets (1)	**411**	382	346	331	231	**15.2**	**nm**
Communications	**314**	289	291	301	259	**6.5**	**10.0**
Business and capital taxes	**45**	39	39	46	51	**(3.1)**	**(8.4)**
Professional fees	**595**	622	527	593	624	**8.2**	**9.4**
Travel and business development	**605**	542	514	491	382	**12.1**	**9.4**
Other	**994**	897	834	885	789	**7.8**	**7.0**
Total other expenses	**2,964**	2,771	2,551	2,647	2,336	**9.2**	**8.4**
Total Non-Interest Expense	**12,182**	10,921	10,226	10,135	8,741	**9.8**	**6.8**
Year-over-year total non-interest expense growth (%)	**11.5**	6.8	0.9	15.9	14.7	**na**	**na**
Total Adjusted Non-Interest Expense	**11,819**	10,761	9,755	9,410	8,453	**9.3**	**6.6**
Year-over-year total adjusted non-interest expense growth (%)	**9.8**	10.3	3.7	11.3	11.5	**na**	**na**
Non-interest expense-to-revenue ratio (Efficiency ratio) (%)	**62.8**	59.9	60.8	59.3	58.0	**na**	**na**
Adjusted non-interest expense-to-revenue ratio (Efficiency ratio) (%)	**60.9**	59.1	60.4	58.7	56.9	**na**	**na**
Efficiency ratio, net of CCPB (2)	**67.2**	65.3	63.7	63.6	62.7	**na**	**na**
Adjusted efficiency ratio, net of CCPB (2)	**65.2**	64.4	63.5	63.3	61.5	**na**	**na**
Government Levies and Taxes (3)							
Government levies other than income taxes							
Payroll levies	**312**	252	249	250	203	**12.3**	**7.5**
Property taxes	**39**	39	37	36	30	**6.5**	**(1.5)**
Provincial capital taxes	**33**	27	30	37	44	**(6.1)**	**(10.5)**
Business taxes	**10**	9	7	9	7	**7.4**	**3.3**
Harmonized sales tax, GST and other sales taxes	**319**	273	262	249	235	**16.9**	**9.7**
Sundry taxes	**2**	2	1	2	1	**nm**	**nm**
Total government levies other than income taxes	**715**	602	586	583	520	**12.2**	**5.2**
Provision for income taxes	**936**	903	1,055	874	876	**nm**	**0.7**
Total Government Levies and Taxes	**1,651**	1,505	1,641	1,457	1,396	**8.7**	**2.4**
Total government levies and taxes as a % of income available to pay government levies and taxes	**23.1**	25.0	28.7	26.6	31.0	**na**	**na**
Effective income tax rate (%)	**17.5**	17.2	20.1	17.4	22.0	**na**	**na**
Adjusted effective income tax rate (%)	**18.0**	17.5	19.7	18.6	21.7	**na**	**na**

Five-year and ten-year CAGR based on CGAAP in 2010 and 2005, respectively, and on IFRS in 2015. 2011 growth rates based on CGAAP in 2010 and IFRS in 2011.

2011 has not been restated to reflect the new IFRS standards adopted in 2014. The adoption of new IFRS standards in 2015 only impacted our results prospectively.

(1) In 2009, we adopted new accounting requirements for intangible assets and reclassified certain computer equipment from premises and equipment to intangible assets. Computer and equipment expense and the amortization of intangible assets were restated, but not for years prior to 2007. As such, ten-year growth rates for these expense categories are not meaningful. Together, computer and equipment expense and the amortization of intangible assets increased at a compound annual growth rate of 6.5% over ten years. Together, total premises and equipment expense and the amortization of intangible assets increased at a compound annual growth rate of 7.4% over ten years.

(2) This ratio is calculated excluding insurance claims, commissions and changes in policy benefit liabilities (CCPB).

(3) Government levies are included in various non-interest expense categories.

na – not applicable

nm – not meaningful

Table 5: Average Assets, Liabilities and Interest Rates

($ millions, except as noted) For the year ended October 31	2015 Average balances	2015 Average interest rate (%)	2015 Interest income/ expense	2014 Average balances	2014 Average interest rate (%)	2014 Interest income/ expense	2013 Average balances	2013 Average interest rate (%)	2013 Interest income/ expense
Assets									
Canadian Dollar									
Deposits with other banks	**1,984**	**1.04**	**21**	1,632	1.52	25	2,461	1.28	32
Securities	**90,322**	**1.39**	**1,257**	94,234	1.32	1,244	83,605	1.78	1,492
Securities borrowed or purchased under resale agreements	**29,617**	**0.90**	**266**	23,027	1.03	238	22,309	1.19	265
Loans									
Residential mortgages	**94,119**	**2.83**	**2,663**	90,134	3.08	2,779	81,693	3.15	2,576
Non-residential mortgages	**6,176**	**3.71**	**229**	6,276	4.08	256	6,285	4.29	269
Personal and credit cards	**55,219**	**4.89**	**2,699**	55,719	5.13	2,860	54,845	4.97	2,728
Businesses and governments	**43,427**	**3.94**	**1,710**	40,250	4.29	1,726	37,380	4.62	1,725
Total loans	**198,941**	**3.67**	**7,301**	192,379	3.96	7,621	180,203	4.05	7,298
Total Canadian dollar	**320,864**	**2.76**	**8,845**	311,272	2.93	9,128	288,578	3.15	9,087
U.S. Dollar and Other Currencies									
Deposits with other banks	**48,031**	**0.53**	**253**	38,815	0.63	245	35,093	0.61	213
Securities	**54,733**	**1.20**	**655**	53,921	1.11	601	48,488	1.32	640
Securities borrowed or purchased under resale agreements	**44,010**	**0.14**	**60**	32,629	0.12	38	32,578	0.17	57
Loans									
Residential mortgages	**8,631**	**3.39**	**293**	7,753	3.37	261	8,897	4.31	383
Non-residential mortgages	**4,619**	**2.51**	**116**	4,860	2.48	121	5,558	3.01	167
Personal and credit cards	**17,071**	**3.19**	**545**	15,812	3.32	524	14,862	3.59	533
Businesses and governments	**79,678**	**3.26**	**2,598**	61,402	3.46	2,123	47,821	4.57	2,185
Total loans	**109,999**	**3.23**	**3,552**	89,827	3.37	3,029	77,138	4.24	3,268
Total U.S. dollar and other currencies	**256,773**	**1.76**	**4,520**	215,192	1.82	3,913	193,297	2.16	4,178
Other non-interest bearing assets	**86,754**			67,464			73,556		
Total All Currencies									
Total assets and interest income	**664,391**	**2.01**	**13,365**	593,928	2.20	13,041	555,431	2.39	13,265
Liabilities									
Canadian Dollar									
Deposits									
Banks	**7,883**	**0.43**	**34**	5,416	0.39	21	5,921	0.34	20
Businesses and governments	**96,713**	**1.16**	**1,121**	98,090	1.38	1,353	88,603	1.53	1,352
Individuals	**94,031**	**0.88**	**832**	89,007	0.97	863	82,248	0.96	788
Total deposits	**198,627**	**1.00**	**1,987**	192,513	1.16	2,237	176,772	1.22	2,160
Securities sold but not yet purchased and securities lent or sold (1)	**40,637**	**1.63**	**661**	40,713	1.74	710	36,077	1.96	708
Subordinated debt and other interest bearing liabilities	**25,713**	**2.96**	**760**	24,712	3.11	769	28,004	3.25	911
Total Canadian dollar	**264,977**	**1.29**	**3,408**	257,938	1.44	3,716	240,853	1.57	3,779
U.S. Dollar and Other Currencies									
Deposits									
Banks	**19,377**	**0.27**	**53**	19,048	0.23	44	17,135	0.33	56
Businesses and governments	**169,793**	**0.32**	**546**	145,355	0.34	494	123,129	0.32	392
Individuals	**47,671**	**0.20**	**95**	41,675	0.22	90	40,694	0.29	119
Total deposits	**236,841**	**0.29**	**694**	206,078	0.30	628	180,958	0.31	567
Securities sold but not yet purchased and securities lent or sold (1)	**41,792**	**0.20**	**85**	33,650	0.21	72	33,486	0.30	99
Subordinated debt and other interest bearing liabilities	**5,749**	**3.61**	**208**	4,901	3.34	164	4,325	3.32	143
Total U.S. dollar and other currencies	**284,382**	**0.35**	**987**	244,629	0.35	864	218,769	0.37	809
Other non-interest bearing liabilities	**78,130**			59,139			66,523		
Total All Currencies									
Total liabilities and interest expense	**627,489**	**0.70**	**4,395**	561,706	0.82	4,580	526,145	0.87	4,588
Shareholders' equity	**36,902**			32,222			29,286		
Total Liabilities, Interest Expense and Shareholders' Equity	**664,391**	**0.66**	**4,395**	593,928	0.77	4,580	555,431	0.83	4,588
Net interest margin									
– based on earning assets		**1.55**			1.60			1.79	
– based on total assets		**1.35**			1.42			1.56	
Net interest income based on total assets			**8,970**			8,461			8,677
Adjusted net interest margin									
– based on earning assets		**1.55**			1.60			1.65	
– based on total assets		**1.35**			1.42			1.44	
Adjusted net interest income based on total assets			**8,971**			8,461			8,020

(1) For the years ended October 31, 2015, 2014 and 2013, the maximum amount of securities lent or sold under repurchase agreements at any month end amounted to $57,385 million, $50,138 million and $53,898 million, respectively.

Table 6: Volume/Rate Analysis of Changes in Net Interest Income

($ millions) For the year ended October 31	**2015/2014** **Increase (decrease) due to change in** **Average balance**	**Average rate**	**Total**	2014/2013 Increase (decrease) due to change in Average balance	Average rate	Total
Assets						
Canadian Dollar						
Deposits with other banks	**5**	**(9)**	**(4)**	(11)	4	(7)
Securities	**(52)**	**66**	**14**	190	(438)	(248)
Securities borrowed or purchased under resale agreements	**68**	**(41)**	**27**	8	(35)	(27)
Loans						
Residential mortgages	**123**	**(238)**	**(115)**	266	(63)	203
Non-residential mortgages	**(4)**	**(23)**	**(27)**	–	(13)	(13)
Personal and credit cards	**(26)**	**(135)**	**(161)**	44	88	132
Businesses and governments	**136**	**(153)**	**(17)**	132	(131)	1
Total loans	**229**	**(549)**	**(320)**	442	(119)	323
Change in Canadian dollar interest income	**250**	**(533)**	**(283)**	629	(588)	41
U.S. Dollar and Other Currencies						
Deposits with other banks	**58**	**(51)**	**7**	23	10	33
Securities	**9**	**45**	**54**	72	(111)	(39)
Securities borrowed or purchased under resale agreements	**13**	**9**	**22**	–	(19)	(19)
Loans						
Residential mortgages	**30**	**2**	**32**	(49)	(73)	(122)
Non-residential mortgages	**(6)**	**1**	**(5)**	(21)	(26)	(47)
Personal and credit cards	**42**	**(21)**	**21**	34	(43)	(9)
Businesses and governments	**632**	**(156)**	**476**	620	(682)	(62)
Total loans	**698**	**(174)**	**524**	584	(824)	(240)
Change in U.S. dollar and other currencies interest income	**778**	**(171)**	**607**	679	(944)	(265)
Total All Currencies						
Change in total interest income (a)	**1,028**	**(704)**	**324**	1,308	(1,532)	(224)
Liabilities						
Canadian Dollar						
Deposits						
Banks	**9**	**3**	**12**	(2)	3	1
Businesses and governments	**(19)**	**(213)**	**(232)**	145	(143)	2
Individuals	**49**	**(80)**	**(31)**	65	10	75
Total deposits	**39**	**(290)**	**(251)**	208	(130)	78
Securities sold but not yet purchased and securities lent or sold	**(1)**	**(47)**	**(48)**	91	(89)	2
Subordinated debt and other interest bearing liabilities	**31**	**(40)**	**(9)**	(107)	(34)	(141)
Change in Canadian dollar interest expense	**69**	**(377)**	**(308)**	192	(253)	(61)
U.S. Dollar and Other Currencies						
Deposits						
Banks	**1**	**9**	**10**	6	(18)	(12)
Businesses and governments	**83**	**(31)**	**52**	71	31	102
Individuals	**13**	**(8)**	**5**	3	(32)	(29)
Total deposits	**97**	**(30)**	**67**	80	(19)	61
Securities sold but not yet purchased and securities lent or sold	**17**	**(4)**	**13**	–	(28)	(28)
Subordinated debt and other interest bearing liabilities	**28**	**15**	**43**	19	1	20
Change in U.S. dollar and other currencies interest expense	**142**	**(19)**	**123**	99	(46)	53
Total All Currencies						
Change in total interest expense (b)	**211**	**(396)**	**(185)**	291	(299)	(8)
Change in total net interest income (a - b)	**817**	**(308)**	**509**	1,017	(1,233)	(216)

Table 7: Net Loans and Acceptances – Segmented Information (1) (5) (6)

($ millions)	Canada					United States					Other countries					Total				
As at October 31	**2015**	2014	2013	2012	2011	**2015**	2014	2013	2012	2011	**2015**	2014	2013	2012	2011	**2015**	2014	2013	2012	2011
Consumer																				
Residential mortgages	**96,975**	92,972	88,677	76,729	68,190	**8,905**	7,980	7,646	7,416	7,945	**–**	–	–	–	–	**105,880**	100,952	96,323	84,145	76,135
Credit cards	**7,427**	7,476	7,413	7,381	7,564	**553**	496	457	433	474	**–**	–	–	–	–	**7,980**	7,972	7,870	7,814	8,038
Consumer instalment and other personal loans	**49,181**	48,955	49,195	47,955	45,584	**16,098**	15,088	14,364	13,419	13,802	**206**	1	–	–	–	**65,485**	64,044	63,559	61,374	59,386
Total consumer	**153,583**	149,403	145,285	132,065	121,338	**25,556**	23,564	22,467	21,268	22,221	**206**	1	–	–	–	**179,345**	172,968	167,752	153,333	143,559
Total businesses and governments	**69,772**	63,896	57,967	53,069	50,737	**75,430**	56,389	45,842	42,955	41,209	**10,975**	11,145	8,954	5,748	4,649	**156,177**	131,430	112,763	101,772	96,595
Total loans and acceptances, net of specific allowances	**223,355**	213,299	203,252	185,134	172,075	**100,986**	79,953	68,309	64,223	63,430	**11,181**	11,146	8,954	5,748	4,649	**335,522**	304,398	280,515	255,105	240,154
Collective allowance	**(857)**	(795)	(791)	(705)	(687)	**(803)**	(747)	(694)	(755)	(765)	**–**	–	–	–	–	**(1,660)**	(1,542)	(1,485)	(1,460)	(1,452)
Total net loans and acceptances	**222,498**	212,504	202,461	184,429	171,388	**100,183**	79,206	67,615	63,468	62,665	**11,181**	11,146	8,954	5,748	4,649	**333,862**	302,856	279,030	253,645	238,702

Table 8: Net Impaired Loans and Acceptances – Segmented Information (6)

($ millions, except as noted)	Canada					United States					Other countries					Total				
As at October 31	**2015**	2014	2013	2012	2011	**2015**	2014	2013	2012	2011	**2015**	2014	2013	2012	2011	**2015**	2014	2013	2012	2011
Consumer																				
Residential mortgages	**159**	168	157	182	178	**173**	303	369	335	221	**–**	–	–	–	–	**332**	471	526	517	399
Consumer instalment and other personal loans	**117**	136	100	64	101	**316**	309	274	275	128	**–**	–	–	–	–	**433**	445	374	339	229
Total consumer	**276**	304	257	246	279	**489**	612	643	610	349	**–**	–	–	–	–	**765**	916	900	856	628
Businesses and governments	**220**	247	253	377	433	**613**	507	944	1,271	1,108	**4**	4	3	25	2	**837**	758	1,200	1,673	1,543
Total impaired loans and acceptances, net of specific allowances	**496**	551	510	623	712	**1,102**	1,119	1,587	1,881	1,457	**4**	4	3	25	2	**1,602**	1,674	2,100	2,529	2,171
Collective allowance	**(857)**	(795)	(791)	(705)	(687)	**(803)**	(747)	(694)	(755)	(765)	**–**	–	–	–	–	**(1,660)**	(1,542)	(1,485)	(1,460)	(1,452)
Total net impaired loans and acceptances (NIL)	**(361)**	(244)	(281)	(82)	25	**299**	372	893	1,126	692	**4**	4	3	25	2	**(58)**	132	615	1,069	719
Condition Ratios (1)																				
NIL as a % of net loans and acceptances (2) (3)	**(0.16)**	(0.12)	(0.14)	(0.04)	0.01	**0.30**	0.48	1.34	1.81	1.15	**0.04**	0.04	0.03	0.43	0.04	**(0.02)**	0.04	0.22	0.42	0.30
NIL as a % of net loans and acceptances (2) (3) (4)																				
Consumer	**0.18**	0.20	0.18	0.19	0.23	**1.92**	2.60	2.87	2.87	1.57	**–**	–	–	–	–	**0.43**	0.53	0.54	0.56	0.44
Businesses and governments	**0.32**	0.39	0.43	0.66	0.85	**0.82**	0.90	2.08	2.99	2.69	**0.04**	0.04	0.03	0.43	0.04	**0.54**	0.58	1.07	1.67	1.63

2011 has not been restated to reflect the new IFRS standards adopted in 2014. The adoption of new IFRS standards in 2015 only impacted our results prospectively.

(1) Certain balances and ratios (coverage, condition and performance) for fiscal 2012 were restated in 2013 to conform to the current period's presentation.

(2) Aggregate balances are net of specific and collective allowances; the consumer and businesses and governments categories are stated net of specific allowances only. Includes collective allowances related to off-balance sheet instruments and undrawn commitments, which are reported in Other Liabilities. Excludes specific allowances for Other Credit Instruments, which are included in Other Liabilities.

(3) Ratio is presented including purchased portfolios and prior periods have been restated.

(4) Certain condition and performance ratios for 2013 and 2012 were restated in 2014 to conform to the current period's presentation.

(5) Fiscal 2013, 2012 and 2011 balances were reclassified in 2014 to conform to the current period's presentation.

(6) Certain balances for fiscal 2014 and 2013 were restated in 2015 to conform to the current period's presentation.

Table 9: Net Loans and Acceptances – Segmented Information (1) (2) (3) (4)

($ millions) As at October 31	2015	2014	2013	2012	2011
Net Loans and Acceptances by Province					
Atlantic provinces	**13,361**	13,065	11,244	11,801	10,638
Quebec	**36,486**	35,647	33,746	35,650	28,489
Ontario	**89,460**	84,498	80,726	69,014	68,556
Prairie provinces	**43,612**	42,043	38,825	34,431	32,162
British Columbia and territories	**39,579**	37,251	37,920	33,533	31,543
Total net loans and acceptances in Canada	**222,498**	212,504	202,461	184,429	171,388
Net Businesses and Governments Loans by Industry					
Commercial real estate	**20,597**	17,636	17,606	18,720	20,468
Construction (non-real estate)	**3,544**	3,101	2,934	2,539	2,460
Retail trade	**14,096**	12,580	10,229	9,084	7,829
Wholesale trade	**10,243**	8,281	7,345	6,821	5,854
Agriculture	**9,891**	9,155	8,380	7,312	6,653
Communications	**815**	831	729	513	564
Manufacturing	**16,187**	13,612	11,250	9,870	9,368
Mining	**1,309**	1,085	959	662	683
Oil and gas	**6,667**	5,943	3,908	3,466	3,477
Transportation	**3,735**	2,532	2,152	2,109	2,009
Utilities	**1,984**	1,670	1,309	1,170	842
Forest products	**859**	587	631	592	529
Service industries	**28,384**	22,114	18,321	14,992	13,872
Financial institutions	**31,220**	24,096	19,019	15,113	14,709
Government	**1,874**	2,076	1,719	1,295	810
Other	**4,772**	6,131	6,272	7,514	6,468
	156,177	131,430	112,763	101,772	96,595

Table 10: Net Impaired Loans and Acceptances – Segmented Information (2) (4)

($ millions) As at October 31	2015	2014	2013	2012	2011
Net Impaired Businesses and Governments Loans					
Commercial real estate	**87**	159	379	803	637
Construction (non-real estate)	**83**	84	32	51	45
Retail trade	**55**	38	74	68	98
Wholesale trade	**47**	35	64	58	32
Agriculture	**129**	103	118	131	135
Communications	**13**	59	–	5	7
Manufacturing	**102**	100	74	126	87
Mining	**3**	2	5	5	3
Oil and gas	**100**	1	30	1	2
Transportation	**30**	7	23	41	42
Utilities	**14**	–	–	6	2
Forest products	**9**	13	19	24	36
Service industries	**107**	145	246	263	169
Financial institutions	**48**	9	–	–	181
Government	**–**	2	61	68	1
Other	**10**	1	75	23	66
	837	758	1,200	1,673	1,543

2011 has not been restated to reflect the new IFRS standards adopted in 2014. The adoption of new IFRS standards in 2015 only impacted our results prospectively.

(1) Certain balances and ratios (coverage, condition and performance) for fiscal 2012 were restated in 2013 to conform to the current period's presentation.

(2) Fiscal 2013, 2012 and 2011 balances were reclassified in 2014 to conform to the current period's presentation.

(3) Fiscal 2014 Canadian regional balances were reclassified in 2015 to conform to the current period's presentation.

(4) Excludes specific allowances for Other Credit Instruments, which are included in Other Liabilities.

Table 11: Changes in Gross Impaired Loans – Segmented Information (6)

($ millions)	Canada					United States					Other countries					Total				
As at October 31	**2015**	2014	2013	2012	2011	**2015**	2014	2013	2012	2011	**2015**	2014	2013	2012	2011	**2015**	2014	2013	2012	2011
Gross impaired loans and acceptances (GIL), beginning of year																				
Consumer	**398**	348	338	371	412	**678**	702	646	388	309	**–**	–	–	–	–	**1,076**	1,050	984	759	721
Businesses and governments	**344**	406	548	586	540	**623**	1,081	1,401	1,326	1,551	**5**	7	43	14	82	**972**	1,494	1,992	1,926	2,173
Total GIL, beginning of year	**742**	754	886	957	952	**1,301**	1,783	2,047	1,714	1,860	**5**	7	43	14	82	**2,048**	2,544	2,976	2,685	2,894
Additions to impaired loans and acceptances																				
Consumer	**617**	643	584	533	573	**526**	529	637	764	333	**–**	–	–	–	–	**1,143**	1,172	1,221	1,297	906
Businesses and governments	**231**	285	294	352	424	**542**	685	931	1,416	661	**5**	–	3	36	1	**778**	970	1,228	1,804	1,086
Total additions	**848**	928	878	885	997	**1,068**	1,214	1,568	2,180	994	**5**	–	3	36	1	**1,921**	2,142	2,449	3,101	1,992
Reductions to impaired loans and acceptances (1)																				
Consumer	**(479)**	(431)	(416)	(386)	(413)	**(432)**	(321)	(243)	(45)	7	**–**	–	–	–	–	**(911)**	(752)	(659)	(431)	(406)
Businesses and governments	**(151)**	(224)	(274)	(314)	(242)	**(239)**	(859)	(973)	(880)	(597)	**(5)**	(2)	(36)	(6)	(40)	**(395)**	(1,085)	(1,283)	(1,200)	(879)
Total reductions due to net repayments and other	**(630)**	(655)	(690)	(700)	(655)	**(671)**	(1,180)	(1,216)	(925)	(590)	**(5)**	(2)	(36)	(6)	(40)	**(1,306)**	(1,837)	(1,942)	(1,631)	(1,285)
Write-offs																				
Consumer	**(177)**	(162)	(158)	(180)	(201)	**(215)**	(232)	(338)	(461)	(261)	**–**	–	–	–	–	**(392)**	(394)	(496)	(641)	(462)
Businesses and governments	**(142)**	(123)	(162)	(76)	(136)	**(169)**	(284)	(278)	(461)	(289)	**(1)**	–	(3)	(1)	(29)	**(312)**	(407)	(443)	(538)	(454)
Total write-offs	**(319)**	(285)	(320)	(256)	(337)	**(384)**	(516)	(616)	(922)	(550)	**(1)**	–	(3)	(1)	(29)	**(704)**	(801)	(939)	(1,179)	(916)
Gross impaired loans and acceptances, end of year																				
Consumer	**359**	398	348	338	371	**557**	678	702	646	388	**–**	–	–	–	–	**916**	1,076	1,050	984	759
Businesses and governments	**282**	344	406	548	586	**757**	623	1,081	1,401	1,326	**4**	5	7	43	14	**1,043**	972	1,494	1,992	1,926
Total GIL, end of year	**641**	742	754	886	957	**1,314**	1,301	1,783	2,047	1,714	**4**	5	7	43	14	**1,959**	2,048	2,544	2,976	2,685
Condition Ratios																				
GIL as a % of Gross Loans (2)																				
Consumer	**0.23**	0.27	0.24	0.26	0.31	**2.18**	2.87	3.12	3.03	1.74	**–**	–	–	–	–	**0.51**	0.62	0.63	0.64	0.53
Businesses and governments	**0.40**	0.54	0.68	1.00	1.15	**1.01**	1.10	2.34	3.28	3.20	**0.04**	0.04	0.10	0.91	0.30	**0.67**	0.74	1.32	1.95	1.99
Total Loans and Acceptances	**0.29**	0.35	0.37	0.47	0.56	**1.30**	1.62	2.60	3.20	2.69	**0.04**	0.04	0.10	0.91	0.30	**0.58**	0.67	0.91	1.17	1.12
GIL as a % of equity and allowance for credit losses (3) (4) (5)	**un**	un	un	un	un	**un**	un	un	un	un	**un**	un	un	un	un	**4.67**	5.49	7.68	9.46	8.98

2011 has not been restated to reflect the new IFRS standards adopted in 2014. The adoption of new IFRS standards in 2015 only impacted our results prospectively.

(1) Includes amounts returning to performing status, sales, repayments, the impact of foreign exchange, and offsets for consumer write-offs that are not recognized as formations.
(2) Certain balances and ratios (coverage, condition and performance) for fiscal 2012 were restated in 2013 to conform to the current period's presentation.
(3) Ratio is presented including purchased portfolios and prior periods have been restated.
(4) Effective in 2011, total equity includes non-controlling interest in subsidiaries. In addition, geographic allocations are not available, as equity is not allocated on a country of risk basis.
(5) Certain condition and performance ratios for 2013 and 2012 were restated in 2014 to conform to the current period's presentation.
(6) GIL excludes Purchased Credit Impaired Loans.

un – unavailable

Table 12: Changes in Allowance for Credit Losses – Segmented Information (3)

($ millions, except as noted)	Canada					United States					Other countries					Total				
As at October 31	**2015**	2014	2013	2012	2011	**2015**	2014	2013	2012	2011	**2015**	2014	2013	2012	2011	**2015**	2014	2013	2012	2011
Allowance for credit losses (ACL), beginning of year																				
Consumer	**615**	602	518	464	454	**333**	278	291	270	145	**–**	–	–	–	–	**948**	880	809	734	599
Businesses and governments	**371**	433	450	468	473	**646**	653	659	797	859	**1**	4	18	12	42	**1,018**	1,090	1,127	1,277	1,374
Total ACL, beginning of year	**986**	1,035	968	932	927	**979**	931	950	1,067	1,004	**1**	4	18	12	42	**1,966**	1,970	1,936	2,011	1,973
Provision for credit losses																				
Consumer	**412**	436	521	543	527	**122**	202	262	401	350	**–**	–	–	–	–	**534**	638	783	944	877
Businesses and governments	**149**	97	133	90	152	**(70)**	(172)	(327)	(267)	184	**(1)**	(2)	(2)	(3)	(1)	**78**	(77)	(196)	(180)	335
Total provision for credit losses	**561**	533	654	633	679	**52**	30	(65)	134	534	**(1)**	(2)	(2)	(3)	(1)	**612**	561	587	764	1,212
Recoveries																				
Consumer	**111**	99	81	91	80	**151**	102	95	125	61	**–**	–	–	–	–	**262**	201	176	216	141
Businesses and governments	**13**	15	(1)	4	1	**181**	408	597	626	99	**–**	–	–	–	–	**194**	423	596	630	100
Total recoveries	**124**	114	80	95	81	**332**	510	692	751	160	**–**	–	–	–	–	**456**	624	772	846	241
Write-offs																				
Consumer	**(521)**	(500)	(507)	(563)	(587)	**(232)**	(242)	(347)	(492)	(289)	**–**	–	–	–	–	**(753)**	(742)	(854)	(1,055)	(876)
Businesses and governments	**(143)**	(122)	(160)	(76)	(136)	**(168)**	(285)	(280)	(461)	(289)	**(1)**	–	(3)	(1)	(29)	**(312)**	(407)	(443)	(538)	(454)
Total write-offs	**(664)**	(622)	(667)	(639)	(723)	**(400)**	(527)	(627)	(953)	(578)	**(1)**	–	(3)	(1)	(29)	**(1,065)**	(1,149)	(1,297)	(1,593)	(1,330)
Other, including foreign exchange rate changes																				
Consumer	**(3)**	(22)	(11)	(17)	(10)	**19**	(7)	(23)	(13)	3	**–**	–	–	–	–	**16**	(29)	(34)	(30)	(7)
Businesses and governments	**(2)**	(52)	11	(36)	(22)	**68**	42	4	(36)	(56)	**1**	(1)	(9)	10	–	**67**	(11)	6	(62)	(78)
Total Other, including foreign exchange rate changes	**(5)**	(74)	–	(53)	(32)	**87**	35	(19)	(49)	(53)	**1**	(1)	(9)	10	–	**83**	(40)	(28)	(92)	(85)
ACL, end of year																				
Consumer	**614**	615	602	518	464	**393**	333	278	291	270	**–**	–	–	–	–	**1,007**	948	880	809	734
Businesses and governments	**388**	371	433	450	468	**657**	646	653	659	797	**–**	1	4	18	12	**1,045**	1,018	1,090	1,127	1,277
Total ACL, end of year	**1,002**	986	1,035	968	932	**1,050**	979	931	950	1,067	**–**	1	4	18	12	**2,052**	1,966	1,970	1,936	2,011
Allocation of Write-offs by Market																				
Consumer	**(521)**	(500)	(507)	(563)	(587)	**(232)**	(242)	(347)	(492)	(289)	**–**	–	–	–	–	**(753)**	(742)	(854)	(1,055)	(876)
Businesses and governments	**(143)**	(122)	(160)	(76)	(136)	**(168)**	(285)	(280)	(461)	(289)	**(1)**	–	(3)	(1)	(29)	**(312)**	(407)	(443)	(538)	(454)
Allocation of Recoveries by Market																				
Consumer	**111**	99	81	91	80	**151**	102	95	125	61	**–**	–	–	–	–	**262**	201	176	216	141
Businesses and governments	**13**	15	(1)	4	1	**181**	408	597	626	99	**–**	–	–	–	–	**194**	423	596	630	100
Net write-offs as a % of average loans and acceptances (1) (2)	**un**	un	un	un	un	**un**	un	un	un	un	**un**	un	un	un	un	**0.19**	0.18	0.20	0.30	0.51

Table 13: Allocation of Allowance for Credit Losses – Segmented Information (4)

($ millions, except as noted)	Canada					United States					Other countries					Total				
As at October 31	**2015**	2014	2013	2012	2011	**2015**	2014	2013	2012	2011	**2015**	2014	2013	2012	2011	**2015**	2014	2013	2012	2011
Consumer																				
Residential mortgages	**17**	20	27	36	38	**21**	41	42	30	34	**–**	–	–	–	–	**38**	61	69	66	72
Consumer instalment and other personal loans	**66**	74	64	55	54	**47**	25	17	7	5	**–**	–	–	–	–	**113**	99	81	62	59
Total consumer	**83**	94	91	91	92	**68**	66	59	37	39	**–**	–	–	–	–	**151**	160	150	128	131
Businesses and governments	**62**	97	153	172	153	**144**	116	137	129	218	**–**	1	4	18	12	**206**	214	294	319	383
Off-balance sheet	**–**	–	–	–	–	**35**	50	41	29	45	**–**	–	–	–	–	**35**	50	41	29	45
Total specific allowances	**145**	191	244	263	245	**247**	232	237	195	302	**–**	1	4	18	12	**392**	424	485	476	559
Collective allowance	**857**	795	791	705	687	**803**	747	694	755	765	**–**	–	–	–	–	**1,660**	1,542	1,485	1,460	1,452
Allowance for credit losses	**1,002**	986	1,035	968	932	**1,050**	979	931	950	1,067	**–**	1	4	18	12	**2,052**	1,966	1,970	1,936	2,011
Coverage Ratios																				
Allowance for credit losses as a % of gross impaired loans and acceptances (GIL) (1)																				
Total	**156.3**	132.9	137.3	109.3	97.4	**77.2**	71.4	49.9	45.0	59.6	**–**	20.0	57.1	41.9	85.7	**103.0**	93.6	75.8	64.1	73.2
Consumer	**23.1**	23.6	26.2	27.0	24.8	**12.2**	9.9	8.4	5.7	10.1	**–**	–	–	–	–	**16.5**	14.9	14.3	13.1	17.3
Businesses and governments	**22.0**	28.2	37.7	31.3	26.1	**19.0**	18.5	12.7	9.2	16.4	**–**	20.0	57.1	41.9	85.7	**19.8**	22.0	19.7	16.0	19.9

2011 has not been restated to reflect the new IFRS standards adopted in 2014. The adoption of new IFRS standards in 2015 only impacted our results prospectively.

(1) Ratio is presented including purchased portfolios and prior periods have been restated.
(2) Certain balances and ratios (coverage, condition and performance) for fiscal 2012 were restated in 2013 to conform to the current period's presentation.
(3) Fiscal 2013, 2012 and 2011 balances were reclassified in 2014 to conform to the current period's presentation.
(4) Certain balances for fiscal 2014 and 2013 were restated in 2015 to conform to the current period's presentation.

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Table 14: Specific Allowances for Credit Losses – Segmented Information (2)

($ millions) As at October 31	2015	2014	2013	2012	2011
Businesses and Governments Specific Allowances by Industry					
Commercial real estate	**17**	13	46	79	136
Construction (non-real estate)	**8**	16	26	22	19
Retail trade	**23**	8	13	17	15
Wholesale trade	**19**	10	25	6	8
Agriculture	**6**	8	9	11	8
Communications	**9**	–	–	1	–
Manufacturing	**38**	33	36	67	37
Mining	**1**	10	3	–	–
Oil and gas	**2**	–	1	2	3
Transportation	**5**	2	4	2	9
Utilities	**–**	–	–	1	–
Forest products	**2**	9	11	15	14
Service industries	**33**	100	59	75	51
Financial institutions	**3**	2	29	8	63
Government	**–**	–	1	1	2
Other	**40**	3	31	12	18
Total specific allowances for credit losses on businesses and governments loans (1)	**206**	214	294	319	383

Table 15: Provision for Credit Losses – Segmented Information (2)

($ millions) For the year ended October 31	2015	2014	2013	2012	2011
Consumer					
Residential mortgages	**11**	77	129	132	109
Cards	**272**	268	305	355	376
Consumer instalment and other personal loans	**225**	251	313	387	291
Total consumer	**508**	596	747	874	776
Businesses and Governments					
Commercial real estate	**(37)**	(141)	(185)	(108)	132
Construction (non-real estate)	**–**	7	36	(14)	21
Retail trade	**8**	1	(4)	–	7
Wholesale trade	**19**	29	10	(16)	(1)
Agriculture	**3**	15	8	4	7
Communications	**13**	–	(6)	(5)	(9)
Manufacturing	**67**	44	2	25	47
Mining	**2**	7	2	(1)	–
Oil and gas	**25**	–	–	–	1
Transportation	**(4)**	10	(9)	5	8
Utilities	**–**	–	–	–	–
Forest products	**–**	(1)	3	7	4
Service industries	**(29)**	80	(37)	23	76
Financial institutions	**8**	(34)	(15)	(29)	45
Government	**(2)**	(3)	(6)	–	–
Other	**31**	(49)	51	(4)	12
Total businesses and governments	**104**	(35)	(150)	(113)	350
Total specific provisions	**612**	561	597	761	1,126
Collective provision for credit losses	**–**	–	(10)	3	86
Total provision for credit losses	**612**	561	587	764	1,212
Performance Ratios (%)					
PCL-to-average net loans and acceptances (3) (4)	**0.19**	0.19	0.22	0.31	0.56
PCL-to-segmented average net loans and acceptances (4)					
Consumer	**0.30**	0.37	0.49	0.62	0.57
Businesses and governments	**0.05**	(0.06)	(0.18)	(0.15)	0.45
Specific PCL-to-average net loans and acceptances	**0.19**	0.19	0.23	0.31	0.52

2011 has not been restated to reflect the new IFRS standards adopted in 2014. The adoption of new IFRS standards in 2015 only impacted our results prospectively.

(1) Amounts for 2015 exclude specific allowances of $4 million related to Other Credit Instruments (2014 – $23 million, 2013 – $21 million, 2012 – $19 million, 2011 – $43 million) included in Other Liabilities.

(2) Fiscal 2013, 2012 and 2011 balances were reclassified in 2014 to conform to the current period's presentation.

(3) Ratio is presented including purchased portfolios and prior periods have been restated.

(4) Certain balances and ratios (coverage, condition and performance) for fiscal 2012 were restated in 2013 to conform to the current period's presentation.

Table 16: Risk-Weighted Assets

	Basel III											
	Exposure at Default			**Risk-weighted assets**			Exposure at Default			Risk-weighted assets		
($ millions) As at October 31	**Standardized Approach**	**Advanced Approach**	**2015 Total**	**Standardized Approach**	**Advanced Approach (2)**	**2015 Total**	Standardized Approach	Advanced Approach	2014 Total	Standardized Approach	Advanced Approach (2)	2014 Total
Credit Risk												
Wholesale												
Corporate, including specialized lending	**19,583**	**218,409**	**237,992**	**19,260**	**72,229**	**91,489**	16,890	179,737	196,627	16,942	64,398	81,340
Corporate small and medium-sized enterprises	**–**	**64,525**	**64,525**	**–**	**31,954**	**31,954**	–	59,821	59,821	–	33,644	33,644
Sovereign	**172**	**75,324**	**75,496**	**94**	**1,671**	**1,765**	124	67,616	67,740	63	1,549	1,612
Bank	**344**	**34,964**	**35,308**	**341**	**3,561**	**3,902**	326	33,187	33,513	328	3,858	4,186
Retail												
Residential mortgages, excluding home equity line of credit	**3,425**	**104,031**	**107,456**	**1,740**	**6,687**	**8,427**	3,298	90,303	93,601	1,736	5,882	7,618
Home equity line of credit	**592**	**42,665**	**43,257**	**416**	**7,473**	**7,889**	1,095	41,337	42,432	809	5,732	6,541
Qualifying revolving retail	**–**	**32,109**	**32,109**	**–**	**4,569**	**4,569**	–	28,895	28,895	–	4,000	4,000
Other retail, excluding small and medium-sized enterprises	**2,557**	**20,638**	**23,195**	**1,624**	**9,429**	**11,053**	2,199	17,824	20,023	1,519	8,307	9,826
Retail small and medium-sized enterprises	**277**	**2,890**	**3,167**	**210**	**1,758**	**1,968**	292	3,262	3,554	231	1,373	1,604
Equity	**–**	**1,965**	**1,965**	**–**	**1,369**	**1,369**	–	1,924	1,924	–	1,362	1,362
Trading book	**165**	**150,876**	**151,041**	**165**	**8,250**	**8,415**	122	133,942	134,064	122	7,237	7,359
Securitization	**–**	**29,178**	**29,178**	**–**	**2,456**	**2,456**	–	28,115	28,115	–	3,098	3,098
Other credit risk assets – non-counterparty managed assets	**–**	**20,329**	**20,329**	**–**	**16,255**	**16,255**	–	30,746	30,746	–	14,946	14,946
Scaling factor for credit risk assets under AIRB Approach (1)	**–**	**–**	**–**	**–**	**8,874**	**8,874**	–	–	–	–	8,251	8,251
Total Credit Risk	**27,115**	**797,903**	**825,018**	**23,850**	**176,535**	**200,385**	24,346	716,709	741,055	21,750	163,637	185,387
Market Risk	**–**	**–**	**–**	**1,142**	**9,120**	**10,262**	–	–	–	1,719	7,283	9,002
Operational Risk	**–**	**–**	**–**	**4,033**	**24,505**	**28,538**	–	–	–	3,791	23,912	27,703
Common Equity Tier 1 (CET 1) Capital Risk-Weighted Assets	**27,115**	**797,903**	**825,018**	**29,025**	**210,160**	**239,185**	24,346	716,709	741,055	27,260	194,832	222,092
Additional Credit Valuation Adjustment (CVA), prescribed by OSFI, for Tier 1 Capital	**–**	**–**	**–**	**–**	**286**	**286**	–	–	–	–	336	336
Tier 1 Capital Risk-Weighted Assets				**29,025**	**210,446**	**239,471**				27,260	195,168	222,428
Additional CVA, prescribed by OSFI, for Total Capital	**–**	**–**	**–**	**–**	**245**	**245**	–	–	–	–	503	503
Total Capital Risk-Weighted Assets				**29,025**	**210,691**	**239,716**				27,260	195,671	222,931

(1) The scaling factor is applied to the risk-weighted assets amounts for credit risk under the AIRB Approach.
(2) In calculating the AIRB credit risk RWA for certain portfolios in BMO Financial Corp., a transitional floor based on the Standardized Approach was applied until Q3 2015.

Table 17: Average Deposits

		2015		2014		2013
($ millions, except as noted)	**Average balance**	**Average rate paid (%)**	Average balance	Average rate paid (%)	Average balance	Average rate paid (%)
Deposits Booked in Canada						
Demand deposits – interest bearing	**18,910**	**0.36**	16,469	0.45	16,050	0.47
Demand deposits – non-interest bearing	**31,762**	**–**	26,702	–	24,400	–
Payable after notice	**76,458**	**0.57**	76,903	0.70	71,820	0.67
Payable on a fixed date	**120,764**	**1.35**	118,094	1.44	100,118	1.63
Total deposits booked in Canada	**247,894**	**0.86**	238,168	0.97	212,388	1.03
Deposits Booked in the United States and Other Countries						
Banks located in the United States and other countries	**11,183**	**0.28**	8,195	0.28	9,308	0.35
Governments and institutions in the United States and other countries	**13,902**	**0.39**	12,095	0.36	9,283	0.42
Other demand deposits	**16,109**	**0.01**	12,744	0.02	9,305	0.03
Other deposits payable after notice or on a fixed date	**146,380**	**0.31**	127,389	0.38	117,446	0.39
Total deposits booked in the United States and other countries	**187,574**	**0.29**	160,423	0.35	145,342	0.36
Total average deposits	**435,468**	**0.62**	398,591	0.72	357,730	0.76

As at October 31, 2015, 2014 and 2013: deposits by foreign depositors in our Canadian bank offices amounted to $37,477 million, $30,622 million and $19,248 million, respectively; total deposits payable after notice included $29,104 million, $33,109 million and $33,014 million, respectively, of chequing accounts that would have been classified as demand deposits under U.S. reporting requirements; and total deposits payable on a fixed date included $25,956 million, $17,738 million and $19,044 million, respectively, of federal funds purchased, commercial paper issued and other deposit liabilities. These amounts would have been classified as short-term borrowings for U.S. reporting purposes.

Statement of Management's Responsibility for Financial Information

Management of Bank of Montreal (the "bank") is responsible for the preparation and presentation of the annual consolidated financial statements, Management's Discussion and Analysis ("MD&A") and all other information in the Annual Report.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and meet the applicable requirements of the Canadian Securities Administrators ("CSA") and the Securities and Exchange Commission ("SEC") in the United States. The financial statements also comply with the provisions of the *Bank Act (Canada)* and related regulations, including interpretations of IFRS by our regulator, the Office of the Superintendent of Financial Institutions Canada.

The MD&A has been prepared in accordance with the requirements of securities regulators, including National Instrument 51-102, Continuous Disclosure Obligations of the CSA, as well as Item 303, *Management's Discussion and Analysis of Financial Condition and Results of Operations* of Regulation S-K under the United States *Securities Act of 1933* and the *Securities Exchange Act of 1934*, and their related published requirements.

The consolidated financial statements and information in the MD&A necessarily include amounts based on informed judgments and estimates of the expected effects of current events and transactions with appropriate consideration to materiality. In addition, in preparing the financial information we must interpret the requirements described above, make determinations as to the relevancy of information to be included, and make estimates and assumptions that affect reported information. The MD&A also includes information regarding the impact of current transactions and events, sources of liquidity and capital resources, operating trends, and risks and uncertainties. Actual results in the future may differ materially from our present assessment of this information because events and circumstances in the future may not occur as expected.

The financial information presented in the bank's Annual Report is consistent with that in the consolidated financial statements.

In meeting our responsibility for the reliability and timeliness of financial information, we maintain and rely on a comprehensive system of internal controls, including organizational and procedural controls, disclosure controls and procedures, and internal control over financial reporting. Our system of internal controls includes written communication of our policies and procedures governing corporate conduct and risk management; comprehensive business planning; effective segregation of duties; delegation of authority and personal accountability; escalation of relevant information for decisions regarding public disclosure; careful selection and training of personnel; and accounting policies that we regularly update. Our internal controls are designed to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records are maintained, and that we are in compliance with all regulatory requirements. The system of internal controls is further supported by a compliance function, which is designed to ensure that we and our employees comply with securities legislation and conflict of interest rules, and by an internal audit staff, who conduct periodic audits of all aspects of our operations.

As of October 31, 2015, we, as the bank's Chief Executive Officer and Chief Financial Officer, have determined that the bank's internal control over financial reporting is effective. We have certified Bank of Montreal's annual filings with the CSA and with the SEC pursuant to National Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings* and the *Securities Exchange Act of 1934*.

In order to provide their audit opinions on our consolidated financial statements and on the bank's internal control over financial reporting, the Shareholders' Auditors audit our system of internal controls over financial reporting and conduct work to the extent that they consider appropriate. Their audit opinion on the bank's internal control over financial reporting as of October 31, 2015 is set forth on page 134.

The Board of Directors, based on recommendations from its Audit and Conduct Review Committee, reviews and approves the financial information contained in the Annual Report, including the MD&A. The Board of Directors and its relevant committees oversee management's responsibilities for the preparation and presentation of financial information, maintenance of appropriate internal controls, compliance with legal and regulatory requirements, management and control of major risk areas, and assessment of significant and related party transactions.

The Audit and Conduct Review Committee, which is comprised entirely of independent directors, is also responsible for selecting the Shareholders' Auditors and for reviewing the qualifications, independence and performance of both the Shareholders' Auditors and internal audit. The Shareholders' Auditors and the bank's Chief Auditor have full and free access to the Board of Directors, its Audit and Conduct Review Committee and other relevant committees to discuss audit, financial reporting and related matters.

The Office of the Superintendent of Financial Institutions Canada conducts examinations and inquiries into the affairs of the bank as are deemed necessary to ensure that the provisions of the *Bank Act*, with respect to the safety of the depositors, are being duly observed and that the bank is in sound financial condition.

William A. Downe Chief Executive Officer	**Thomas E. Flynn** Chief Financial Officer	Toronto, Canada December 1, 2015

Independent Auditors’ Report of Registered Public Accounting Firm

To the Shareholders and Board of Directors of Bank of Montreal

We have audited the accompanying consolidated financial statements of Bank of Montreal (the “Bank”), which comprise the consolidated balance sheets as at October 31, 2015 and October 31, 2014, the consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the years in the three-year period ended October 31, 2015, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management’s Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank as at October 31, 2015 and October 31, 2014, and its consolidated financial performance and its consolidated cash flows for each of the years in the three-year period ended October 31, 2015 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Other Matter

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Bank’s internal control over financial reporting as of October 31, 2015, based on the criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated December 1, 2015 expressed an unmodified (unqualified) opinion on the effectiveness of the Bank’s internal control over financial reporting.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants
December 1, 2015
Toronto, Canada

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Bank of Montreal

We have audited Bank of Montreal's (the "Bank") internal control over financial reporting as of October 31, 2015, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Bank's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included under the heading "Management's Annual Report on Disclosure Controls and Procedures and Internal Control over Financial Reporting" in the accompanying Management's Discussion and Analysis. Our responsibility is to express an opinion on the Bank's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

In our opinion, the Bank maintained, in all material respects, effective internal control over financial reporting as of October 31, 2015, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Bank as at October 31, 2015 and 2014, the consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the years in the three-year period ended October 31, 2015, and notes, comprising a summary of significant accounting policies and other explanatory information, and our report dated December 1, 2015 expressed an unmodified (unqualified) opinion on those consolidated financial statements.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants
December 1, 2015
Toronto, Canada

Consolidated Statement of Income

For the Year Ended October 31 (Canadian $ in millions, except as noted)	**2015**	2014	2013
Interest, Dividend and Fee Income			
Loans	**$ 11,263**	$ 10,997	$ 10,951
Securities (Note 3)	**1,912**	1,862	2,132
Deposits with banks	**190**	182	182
	13,365	13,041	13,265
Interest Expense			
Deposits	**2,681**	2,865	2,727
Subordinated debt	**171**	150	145
Other liabilities	**1,543**	1,565	1,716
	4,395	4,580	4,588
Net Interest Income	**8,970**	8,461	8,677
Non-Interest Revenue			
Securities commissions and fees	**953**	934	846
Deposit and payment service charges	**1,077**	1,002	916
Trading revenues	**987**	949	849
Lending fees	**737**	680	603
Card fees	**460**	462	461
Investment management and custodial fees	**1,500**	1,246	971
Mutual fund revenues	**1,385**	1,073	832
Underwriting and advisory fees	**706**	744	659
Securities gains, other than trading (Note 3)	**171**	162	285
Foreign exchange, other than trading	**172**	179	172
Insurance revenue	**1,762**	2,008	1,212
Other	**509**	323	347
	10,419	9,762	8,153
Total Revenue	**19,389**	18,223	16,830
Provision for Credit Losses (Note 4)	**612**	561	587
Insurance Claims, Commissions and Changes in Policy Benefit Liabilities (Note 14)	**1,254**	1,505	767
Non-Interest Expense			
Employee compensation (Notes 22 and 23)	**7,081**	6,242	5,842
Premises and equipment (Note 9)	**2,137**	1,908	1,833
Amortization of intangible assets (Note 11)	**411**	382	346
Travel and business development	**605**	542	514
Communications	**314**	289	291
Business and capital taxes	**45**	39	39
Professional fees	**595**	622	527
Other	**994**	897	834
	12,182	10,921	10,226
Income Before Provision for Income Taxes	**5,341**	5,236	5,250
Provision for income taxes (Note 24)	**936**	903	1,055
Net Income	**$ 4,405**	$ 4,333	$ 4,195
Attributable to:			
Bank shareholders	**4,370**	4,277	4,130
Non-controlling interest in subsidiaries (Notes 16 and 17)	**35**	56	65
Net Income	**$ 4,405**	$ 4,333	$ 4,195
Earnings Per Share (Canadian $) (Note 25)			
Basic	**$ 6.59**	$ 6.44	$ 6.19
Diluted	**6.57**	6.41	6.17

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

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

William A. Downe
Chief Executive Officer

Philip S. Orsino
Chairman, Audit and Conduct Review Committee

Consolidated Statement of Comprehensive Income

For the Year Ended October 31 (Canadian $ in millions)	2015	2014	2013
Net Income	**$ 4,405**	$ 4,333	$ 4,195
Other Comprehensive Income (Loss)			
Items that may subsequently be reclassified to net income			
Net change in unrealized gains (losses) on available-for-sale securities			
Unrealized gains (losses) on available-for-sale securities arising during the year (1)	**(166)**	28	(10)
Reclassification to earnings of (gains) in the year (2)	**(65)**	(77)	(50)
	(231)	(49)	(60)
Net change in unrealized gains (losses) on cash flow hedges			
Gains (losses) on cash flow hedges arising during the year (3)	**528**	247	(25)
Reclassification to earnings of (gains) on cash flow hedges (4)	**(57)**	(98)	(125)
	471	149	(150)
Net gain on translation of net foreign operations			
Unrealized gains on translation of net foreign operations	**3,187**	1,378	741
Unrealized (losses) on hedges of net foreign operations (5)	**(482)**	(415)	(409)
	2,705	963	332
Items that will not be reclassified to net income			
Gains (losses) on remeasurement of pension and other employee future benefit plans (6)	**200**	(125)	298
Gains on remeasurement of own credit risk on financial liabilities designated at fair value (Note 1) (7)	**120**	–	–
	320	(125)	298
Other Comprehensive Income	**3,265**	938	420
Total Comprehensive Income	**$ 7,670**	$ 5,271	$ 4,615
Attributable to:			
Bank shareholders	**7,635**	5,215	4,550
Non-controlling interest in subsidiaries (Notes 16 and 17)	**35**	56	65
Total Comprehensive Income	**$ 7,670**	$ 5,271	$ 4,615

(1) Net of income tax (provision) recovery of $63 million, $(22) million and $9 million for the year ended, respectively.
(2) Net of income tax provision of $24 million, $37 million and $22 million for the year ended, respectively.
(3) Net of income tax (provision) recovery of $(188) million, $(79) million and $12 million for the year ended, respectively.
(4) Net of income tax provision of $14 million, $28 million and $45 million for the year ended, respectively.
(5) Net of income tax recovery of $167 million, $144 million and $146 million for the year ended, respectively.
(6) Net of income tax (provision) recovery of $(51) million, $63 million and $(126) million for the year ended, respectively.
(7) Net of income tax provision of $43 million for the year ended October 31, 2015.

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

Consolidated Balance Sheet

As at October 31 (Canadian $ in millions)	2015	2014
Assets		
Cash and Cash Equivalents (Note 2)	$ 40,295	$ 28,386
Interest Bearing Deposits with Banks (Note 2)	7,382	6,110
Securities (Note 3)		
Trading	72,460	85,022
Available-for-sale	48,006	46,966
Held-to-maturity	9,432	10,344
Other	1,020	987
	130,918	143,319
Securities Borrowed or Purchased Under Resale Agreements (Note 4)	68,066	53,555
Loans (Notes 4 and 6)		
Residential mortgages	105,918	101,013
Consumer instalment and other personal	65,598	64,143
Credit cards	7,980	7,972
Businesses and governments	145,076	120,766
	324,572	293,894
Customers' liability under acceptances	11,307	10,878
Allowance for credit losses (Note 4)	(1,855)	(1,734)
	334,024	303,038
Other Assets		
Derivative instruments (Note 8)	38,238	32,655
Premises and equipment (Note 9)	2,285	2,276
Goodwill (Note 11)	6,069	5,353
Intangible assets (Note 11)	2,208	2,052
Current tax assets	561	665
Deferred tax assets (Note 24)	3,162	3,019
Other (Note 12)	8,673	8,231
	61,196	54,251
Total Assets	$ 641,881	$ 588,659
Liabilities and Equity		
Deposits (Note 13)		
Banks	$ 27,135	$ 18,243
Businesses and governments	263,618	239,139
Individuals	147,416	135,706
	438,169	393,088
Other Liabilities		
Derivative instruments (Note 8)	42,639	33,657
Acceptances (Note 14)	11,307	10,878
Securities sold but not yet purchased (Note 14)	21,226	27,348
Securities lent or sold under repurchase agreements (Note 14)	39,891	39,695
Current tax liabilities	102	235
Deferred tax liabilities (Note 24)	265	178
Other (Note 14)	43,953	43,263
	159,383	155,254
Subordinated Debt (Note 15)	4,416	4,913
Equity		
Share capital (Note 17)	15,553	15,397
Contributed surplus	299	304
Retained earnings	18,930	17,237
Accumulated other comprehensive income	4,640	1,375
Total shareholders' equity	39,422	34,313
Non-controlling interest in subsidiaries (Notes 16 and 17)	491	1,091
Total Equity	39,913	35,404
Total Liabilities and Equity	$ 641,881	$ 588,659

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

Consolidated Statement of Changes in Equity

For the Year Ended October 31 (Canadian $ in millions)	2015	2014	2013
Preferred Shares (Note 17)			
Balance at beginning of year	**$ 3,040**	$ 2,265	$ 2,465
Issued during the year	**950**	1,200	–
Redeemed during the year	**(750)**	(425)	(200)
Balance at End of Year	**3,240**	3,040	2,265
Common Shares (Note 17)			
Balance at beginning of year	**12,357**	12,003	11,957
Issued under the Shareholder Dividend Reinvestment and Share Purchase Plan (Note 17)	**58**	223	130
Issued under the Stock Option Plan (Note 22)	**51**	131	116
Repurchased for cancellation (Note 17)	**(153)**	–	(200)
Balance at End of Year	**12,313**	12,357	12,003
Contributed Surplus			
Balance at beginning of year	**304**	315	213
Stock option expense/exercised (Note 22)	**–**	(7)	(5)
Foreign exchange on redemption of preferred shares	**–**	–	107
Other	**(5)**	(4)	–
Balance at End of Year	**299**	304	315
Retained Earnings			
Balance at beginning of year	**17,237**	15,087	13,456
Net income attributable to bank shareholders	**4,370**	4,277	4,130
Dividends – Preferred shares (Note 17)	**(117)**	(120)	(120)
– Common shares (Note 17)	**(2,087)**	(1,991)	(1,904)
Preferred shares redeemed during the year (Note 17)	**(3)**	–	–
Common shares repurchased for cancellation (Note 17)	**(465)**	–	(475)
Share issue expense	**(5)**	(16)	–
Balance at End of Year	**18,930**	17,237	15,087
Accumulated Other Comprehensive Income on Available-for-Sale Securities			
Balance at beginning of year	**156**	205	265
Unrealized gains (losses) on available-for-sale securities arising during the year (1)	**(166)**	28	(10)
Reclassification to earnings of (gains) in the year (2)	**(65)**	(77)	(50)
Balance at End of Year	**(75)**	156	205
Accumulated Other Comprehensive Income on Cash Flow Hedges			
Balance at beginning of year	**141**	(8)	142
Gains (losses) on cash flow hedges arising during the year (3)	**528**	247	(25)
Reclassification to earnings of (gains) in the year (4)	**(57)**	(98)	(125)
Balance at End of Year	**612**	141	(8)
Accumulated Other Comprehensive Income on Translation of Net Foreign Operations			
Balance at beginning of year	**1,368**	405	73
Unrealized gains on translation of net foreign operations	**3,187**	1,378	741
Unrealized (losses) on hedges of net foreign operations (5)	**(482)**	(415)	(409)
Balance at End of Year	**4,073**	1,368	405
Accumulated Other Comprehensive Income on Pension and Other Post-Employment Plans			
Balance at beginning of year	**(290)**	(165)	(463)
Gains (losses) on remeasurement of pension and other employee future benefit plans (6)	**200**	(125)	298
Balance at End of Year	**(90)**	(290)	(165)
Accumulated Other Comprehensive Income on Own Credit Risk on Financial Liabilities Designated at Fair Value			
Balance at beginning of year	**–**	–	–
Gains on remeasurement of own credit risk on financial liabilities designated at fair value (Note 1) (7)	**120**	–	–
Balance at End of Year	**120**	–	–
Total Accumulated Other Comprehensive Income	**4,640**	1,375	437
Total Shareholders' Equity	**$ 39,422**	$ 34,313	$ 30,107
Non-controlling Interest in Subsidiaries			
Balance at beginning of year	**1,091**	1,072	1,435
Net income attributable to non-controlling interest	**35**	56	65
Dividends to non-controlling interest	**(37)**	(52)	(73)
Redemption of securities of a subsidiary (Note 17)	**–**	–	(359)
Redemption of capital trust securities (Note 16)	**(600)**	–	–
Acquisitions (Note 10)	**–**	22	–
Other	**2**	(7)	4
Balance at End of Year	**491**	1,091	1,072
Total Equity	**$ 39,913**	$ 35,404	$ 31,179

(1) Net of income tax (provision) recovery of $63 million, $(22) million and $9 million for the year ended, respectively.
(2) Net of income tax provision of $24 million, $37 million and $22 million for the year ended, respectively.
(3) Net of income tax (provision) recovery of $(188) million, $(79) million and $12 million for the year ended, respectively.
(4) Net of income tax provision of $14 million, $28 million and $45 million for the year ended, respectively.
(5) Net of income tax recovery of $167 million, $144 million and $146 million for the year ended, respectively.
(6) Net of income tax (provision) recovery of $(51) million, $63 million and $(126) million for the year ended, respectively.
(7) Net of income tax provision of $43 million for the year ended October 31, 2015.

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

Consolidated Statement of Cash Flows

For the Year Ended October 31 (Canadian $ in millions)	**2015**	2014	2013
Cash Flows from Operating Activities			
Net Income	**$ 4,405**	$ 4,333	$ 4,195
Adjustments to determine net cash flows provided by (used in) operating activities			
Impairment write-down of securities, other than trading (Note 3)	**12**	8	17
Net (gain) on securities, other than trading (Note 3)	**(183)**	(170)	(302)
Net (increase) decrease in trading securities	**15,613**	(8,470)	(4,392)
Provision for credit losses (Note 4)	**612**	561	587
Change in derivative instruments – (Increase) decrease in derivative asset	**(6,178)**	(2,822)	20,240
– Increase (decrease) in derivative liability	**9,320**	1,402	(19,195)
Amortization of premises and equipment (Note 9)	**378**	365	348
Amortization of intangible assets (Note 11)	**411**	382	346
Net decrease in deferred income tax asset	**226**	241	203
Net increase (decrease) in deferred income tax liability	**76**	(42)	(65)
Net decrease in current income tax asset	**298**	546	389
Net increase (decrease) in current income tax liability	**(141)**	(226)	21
Change in accrued interest – (Increase) decrease in interest receivable	**53**	(36)	122
– Increase (decrease) in interest payable	**(113)**	160	(129)
Changes in other items and accruals, net	**4,791**	4,094	(364)
Net increase in deposits	**7,967**	9,814	35,739
Net (increase) in loans	**(15,600)**	(15,207)	(21,665)
Net increase (decrease) in securities sold but not yet purchased	**(7,049)**	4,429	(1,221)
Net increase (decrease) in securities lent or sold under repurchase agreements	**(4,625)**	9,073	(12,090)
Net (increase) decrease in securities borrowed or purchased under resale agreements	**(7,940)**	(11,362)	8,660
Net Cash Provided by (Used in) Operating Activities	**2,333**	(2,927)	11,444
Cash Flows from Financing Activities			
Net (decrease) in liabilities of subsidiaries	**(390)**	(48)	(397)
Proceeds from issuance (maturities) of Covered Bonds (Note 13)	**4,103**	(406)	(1,354)
Proceeds from issuance (repayment) of subordinated debt (Note 15)	**(500)**	1,000	–
Proceeds from issuance of preferred shares (Note 17)	**950**	1,200	–
Redemption of preferred shares (Note 17)	**(753)**	(425)	(200)
Redemption of securities of a subsidiary (Note 17)	**–**	–	(359)
Redemption of capital trust securities (Note 16)	**(600)**	–	–
Share issue expense	**(5)**	(16)	–
Proceeds from issuance of common shares (Note 17)	**51**	133	122
Common shares repurchased for cancellation (Note 17)	**(618)**	–	(675)
Cash dividends paid	**(2,135)**	(1,851)	(1,896)
Cash dividends paid to non-controlling interest	**(37)**	(52)	(73)
Net Cash Provided by (Used in) Financing Activities	**66**	(465)	(4,832)
Cash Flows from Investing Activities			
Net (increase) decrease in interest bearing deposits with banks	**(461)**	519	302
Purchases of securities, other than trading	**(16,996)**	(24,674)	(32,007)
Maturities of securities, other than trading	**5,267**	11,698	13,233
Proceeds from sales of securities, other than trading	**16,740**	17,184	17,288
Premises and equipment – net (purchases)	**(179)**	(355)	(361)
Purchased and developed software – net (purchases)	**(345)**	(382)	(254)
Acquisitions (Note 10)	**–**	(956)	140
Net Cash Provided by (Used in) Investing Activities	**4,026**	3,034	(1,659)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**5,484**	2,396	1,480
Net increase in Cash and Cash Equivalents	**11,909**	2,038	6,433
Cash and Cash Equivalents at Beginning of Year	**28,386**	26,348	19,915
Cash and Cash Equivalents at End of Year	**$ 40,295**	$ 28,386	$ 26,348
Represented by:			
Cash and deposits with banks (Note 2)	**$ 38,818**	$ 27,056	$ 24,938
Cheques and other items in transit, net (Note 2)	**1,477**	1,330	1,410
	$ 40,295	$ 28,386	$ 26,348
Supplemental Disclosure of Cash Flow Information			
Net cash provided by operating activities includes:			
Amount of interest paid in the year	**$ 4,476**	$ 4,407	$ 4,708
Amount of income taxes paid in the year	**$ 641**	$ 264	$ 577
Amount of interest and dividend income received in the year	**$ 13,306**	$ 12,849	$ 13,283

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

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

Note 1: Basis of Presentation

Bank of Montreal ("the bank") is a chartered bank under the *Bank Act (Canada)* and is a public company incorporated in Canada. We are a highly diversified financial services company and provide a broad range of personal and commercial banking, wealth management and investment banking products and services. The bank's head office is at 129 rue Saint Jacques, Montreal, Quebec. Its executive offices are at 100 King Street West, 1 First Canadian Place, Toronto, Ontario. Our common shares are listed on the Toronto Stock Exchange and the New York Stock Exchange.

We have prepared these consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). We also comply with interpretations of IFRS by our regulator, the Office of the Superintendent of Financial Institutions Canada ("OSFI").

Our consolidated financial statements have been prepared on a historic cost basis, except the revaluation of the following items: assets and liabilities held for trading; available-for-sale financial assets; financial instruments designated at fair value through profit or loss; financial assets and financial liabilities designated as hedged items in qualifying fair value hedge relationships; cash-settled share-based payment liabilities; defined benefit pension and other employee future benefit liabilities; and insurance-related liabilities.

These consolidated financial statements were authorized for issue by the Board of Directors on December 1, 2015.

Basis of Consolidation

These consolidated financial statements are inclusive of the financial statements of our subsidiaries as at October 31, 2015. We conduct business through a variety of corporate structures, including subsidiaries, joint ventures, structured entities ("SEs") and associates. Subsidiaries are those entities where we exercise control through our ownership of the majority of the voting shares. Joint ventures are those entities where we exercise joint control through an agreement with other shareholders. We also hold interests in SEs, which we consolidate where we control the SE. These are more fully described in Note 7. All of the assets, liabilities, revenues and expenses of our subsidiaries and consolidated SEs are included in our consolidated financial statements. All intercompany transactions and balances are eliminated on consolidation.

We hold investments in associates, where we exert significant influence over operating, investing and financing decisions (generally companies in which we own between 20% and 50% of the voting shares). These are accounted for using the equity method. The equity method is also applied to our investments in joint ventures. Under the equity method of accounting, investments are initially recorded at cost, and the carrying amount is increased or decreased to recognize our share of investee net income or loss, including other comprehensive income or loss. The investment is recorded as securities, other, in our Consolidated Balance Sheet and our share of the net income or loss is recorded in interest, dividend and fee income, securities, in our Consolidated Statement of Income. Any other comprehensive income amounts are reflected in the relevant section of our Statement of Comprehensive Income.

Non-controlling interest in subsidiaries is presented in our Consolidated Balance Sheet as a separate component of equity that is distinct from our shareholders' equity. The net income attributable to non-controlling interest in subsidiaries is presented separately in our Consolidated Statement of Income.

Specific Accounting Policies

To facilitate a better understanding of our consolidated financial statements, we have disclosed our significant accounting policies throughout the following notes with the related financial disclosures by major caption:

Translation of Foreign Currencies

We conduct business in a variety of foreign currencies and present our consolidated financial statements in Canadian dollars, which is our functional currency. Monetary assets and liabilities, as well as non-monetary assets and liabilities measured at fair value that are denominated in foreign currencies, are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. Non-monetary assets and liabilities not measured at fair value are translated into Canadian dollars at historical rates. Revenues and expenses denominated in foreign currencies are translated using the average exchange rate for the year.

Unrealized gains and losses arising from translating our net investment in foreign operations into Canadian dollars, net of related hedging activities and applicable income taxes, are included in our Consolidated Statement of Comprehensive Income within net gain (loss) on translation of net foreign operations. When we dispose of a foreign operation such that control, significant influence or joint control is lost, the cumulative amount of the translation gain (loss) and any applicable hedging activities and related income taxes are reclassified to our Consolidated Statement of Income as part of the gain or loss on disposition. All other foreign currency translation gains and losses are included in foreign exchange, other than trading, in our Consolidated Statement of Income as they arise.

Foreign currency translation gains and losses on available-for-sale debt securities that are denominated in foreign currencies are included in foreign exchange, other than trading, in our Consolidated Statement of Income. Foreign currency translation gains and losses on available-for-sale equity securities that are denominated in foreign currencies are included in accumulated other comprehensive income on available-for-sale securities in our Consolidated Statement of Changes in Equity.

From time to time, we enter into foreign exchange hedge contracts to reduce our exposure to changes in the value of foreign currencies. Realized and unrealized gains and losses that arise on the mark-to-market of foreign exchange contracts related to economic hedges are included in non-interest revenue in our Consolidated Statement of Income. Changes in the fair value of forward contracts that qualify as accounting hedges are recorded in our Consolidated Statement of Comprehensive Income within net change in unrealized gains (losses) on cash flow hedges, with the spot/forward differential (the difference between the foreign currency exchange rate at the inception of the contract and the rate at the end of the contract) recorded in interest income (expense) over the term of the hedge.

Dividend and Fee Income

Dividend Income

Dividend income is recognized when the right to receive payment is established. This is the ex-dividend date for listed equity securities.

Fee Income

Fee income (including commissions) is recognized based on the services or products for which the fee is paid. See Note 4 for the accounting treatment for lending fees.

Investment management and custodial fees are based primarily on the balance of assets under management and assets under administration as at the period end, respectively, for services provided.

Securities commissions and fees and underwriting and advisory fees are recorded as revenue when the related services are completed. Deposit and payment service charges and insurance fees are recognized over the period in which the related services are provided. Card fees primarily include interchange income, late fees, cash advance fees and annual fees. Card fees are recorded as billed, except for annual fees, which are recorded evenly throughout the year.

Use of Estimates and Judgments

The preparation of the consolidated financial statements requires management to use estimates and assumptions that affect the carrying amounts of certain assets and liabilities, certain amounts reported in net income and other related disclosures.

The most significant assets and liabilities for which we must make estimates include allowance for credit losses; financial instruments measured at fair value; pension and other employee future benefits; impairment of securities; income taxes and deferred taxes, purchased loans; goodwill; insurance-related liabilities; provisions and transfers of financial assets and consolidation of structured entities. We make judgments in assessing whether substantially all risks and rewards have been transferred in respect of transfers of financial assets and whether we control SEs. These judgments are discussed in Notes 6 and 7, respectively. If actual results were to differ from the estimates, the impact would be recorded in future periods.

We have established detailed policies and control procedures that are intended to ensure these judgments are well controlled, independently reviewed and consistently applied from period to period. We believe that our estimates of the value of our assets and liabilities are appropriate.

Allowance for Credit Losses

The allowance for credit losses adjusts the value of loans to reflect their estimated realizable value. In assessing their estimated realizable value, we must rely on estimates and exercise judgment regarding matters for which the ultimate outcome is unknown. These include economic factors, developments affecting companies in particular industries, and specific issues with respect to single borrowers. Changes in circumstances may cause future assessments of credit risk to be materially different from current assessments, which could require an increase or decrease in the allowance for credit losses.

Additional information regarding the allowance for credit losses is included in Note 4.

Financial Instruments Measured at Fair Value

Fair value measurement techniques are used to value various financial assets and financial liabilities and are used in performing impairment testing on certain non-financial assets. A detailed discussion of our fair value measurement techniques is included in Note 3 and Note 18.

Pension and Other Employee Future Benefits

Our pension and other employee future benefits expense is calculated by our independent actuaries using assumptions determined by management. If actual experience were to differ from the assumptions used, we would recognize this difference in other comprehensive income.

Pension and other employee future benefits expense, plan assets and defined benefit obligations are also sensitive to changes in discount rates. We determine discount rates at each year end for all of our plans using high-quality Aa rated corporate bonds with terms matching the plans' specific cash flows.

Additional information regarding our accounting for pension and other employee future benefits is included in Note 23.

Impairment of Securities

We have investments in securities issued or guaranteed by Canadian, U.S. and other governments, corporate debt and equity securities, mortgage-backed securities and collateralized obligations, which are classified as either available-for-sale securities, held-to-maturity securities or other securities. We review held-to-maturity, available-for-sale and other securities at each quarter-end reporting period to identify and evaluate investments that show indications of possible impairment.

For held-to-maturity, available-for-sale and other securities, impairment losses are recognized if there is objective evidence of impairment as a result of an event that reduces the estimated future cash flows from the security and the impact can be reliably estimated. Objective evidence of impairment includes default or delinquency by a debtor, restructuring of an amount due to us on terms that we would not otherwise consider, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for equity securities, a significant or prolonged decline in the fair value of a security below its cost is objective evidence of impairment.

The decision to record a write-down, the amount and the period in which it is recorded could change if management's assessment of these factors changes. We do not record impairment write-downs on debt securities when impairment is due to changes in market interest rates if future contractual cash flows associated with the debt security are still expected to be recovered.

Additional information regarding our accounting for held-to-maturity, available-for-sale and other securities, and the determination of fair value is included in Note 3 and Note 18.

Income Taxes and Deferred Tax Assets

The provision for income taxes is calculated based on the expected tax treatment of transactions recorded in our Consolidated Statements of Income or Changes in Equity. In determining the provision for income taxes, we interpret tax legislation in a variety of jurisdictions and make assumptions about the expected timing of the reversal of deferred tax assets and liabilities. If our interpretations differ from those of tax authorities or if the timing of reversals is not as expected, our provision for income taxes could increase or decrease in future periods. The amount of any such increase or decrease cannot be reasonably estimated.

Deferred tax assets are recognized only when it is probable that sufficient taxable profit will be available in future periods against which deductible temporary differences may be utilized. We are required to assess whether it is probable that our deferred income tax assets will be realized prior to expiration and, based on all the available evidence, determine if any portion of our deferred income tax assets should not be recognized. The factors used to assess the probability of realization are our past experience of income and capital gains, forecast of future net income before taxes, available tax planning strategies that could be implemented to realize the deferred income tax asset, and the remaining expiration period of tax loss carryforwards. Changes in our assessment of these factors could increase or decrease our provision for income taxes in future periods.

Additional information regarding our accounting for income taxes is included in Note 24.

Goodwill and Intangible Assets

For the purpose of impairment testing, goodwill is allocated to our groups of cash-generating units ("CGUs"), which represent the lowest level within the bank at which goodwill is monitored for internal management purposes. Impairment testing is performed at least annually, by comparing the carrying values and the recoverable amounts of the CGUs to which goodwill has been allocated to determine whether the recoverable amount of each group is greater than its carrying value. If the carrying value of the group were to exceed its recoverable amount, an impairment calculation would be performed. The recoverable amount of a CGU is the higher of its fair value less costs to sell and the value in use.

Fair value less costs to sell is used to perform the impairment test. In determining fair value less costs to sell, we employ a discounted cash flow model consistent with those used when we acquire businesses. This model is dependent on assumptions related to revenue growth, discount rates, synergies achieved on acquisition and the availability of comparable acquisition data. Changes in any of these assumptions would affect the determination of fair value for each of the business units in a different manner. Management must exercise its judgment and make assumptions in determining fair value less costs to sell, and differences in judgment and assumptions could affect the determination of fair value and any resulting impairment write-down. As at October 31, 2015, the estimated fair value of each of our business units was greater than its carrying value.

Additional information regarding goodwill and intangible assets is included in Note 11.

Definite life intangible assets are amortized to income on either a straight-line or an accelerated basis over a period not exceeding 15 years, depending on the nature of the asset. We test definite life intangible assets for impairment when circumstances indicate the carrying value may not be recoverable. Indefinite life intangible assets are tested annually for impairment. If any intangible assets are determined to be impaired, we write them down to their recoverable amount, the higher of value in use and fair value less costs to sell, when this is less than the carrying value. No such impairment was identified for the years ended October 31, 2015 and 2014.

Purchased Loans

Significant judgment and assumptions were applied to determine the fair value of the Marshall & Ilsley Corporation ("M&I") loan portfolio. Loans were identified as either purchased performing loans or purchased credit impaired loans (PCI loans), both of which were recorded at fair value at the time of acquisition. The determination of fair value involved estimating the expected cash flows to be received and determining the discount rate to be applied to the cash flows from the loan portfolio. In determining the discount rate, we considered various factors, including our cost to raise funds in the current market, the risk premium associated with the loans and the cost to service the portfolios. PCI loans are those where the timely collection of principal and interest was no longer reasonably assured as at the date of acquisition. We regularly evaluate what we expect to collect on PCI loans. Changes in expected cash flows could result in the recognition of impairment or a recovery through the provision for credit losses. Estimating the timing and amount of cash flows requires significant management judgment regarding key assumptions, including the probability of default, severity of loss, timing of payment receipts and valuation of collateral. All of these factors are inherently subjective and can result in significant changes in cash flow estimates over the term of the loan.

Insurance-Related Liabilities

Insurance claims and policy benefit liabilities represent current claims and estimates of future insurance policy benefits. Liabilities for life insurance contracts are determined using the Canadian Asset Liability Method, which incorporates best-estimate assumptions for mortality, morbidity, policy lapses, surrenders, future investment yields, policy dividends, administration costs and margins for adverse deviation. These assumptions are reviewed at least annually and updated to reflect actual experience and market conditions. The most significant impact on the valuation of a liability would result from a change in the assumption for future investment yields.

Additional information regarding insurance-related liabilities is included in Note 14.

Provisions

The bank and its subsidiaries are involved in various legal actions in the ordinary course of business.

Provisions are recorded at the best estimate of the amounts required to settle any obligations related to these legal actions as at the balance sheet date, taking into account the risks and uncertainties associated with the obligation. Factors considered in making the assessment include: a case-by-case assessment of specific facts and circumstances, our past experience and opinions of legal experts. Management and external experts are involved in estimating any provisions. The actual costs of resolving these claims may be substantially higher or lower than the amounts of the provisions.

Additional information regarding provisions is provided in Note 26.

Transfer of Financial Assets and Consolidation of Structured Entities

We sell Canadian mortgage loans to third-party Canadian securitization programs, including the Canadian Mortgage Bond program, and directly to third-party investors under the National Housing Act Mortgage-Backed Securities program. We assess whether substantially all of the risks and rewards of the loans have been transferred to determine if they qualify for derecognition. Since we continue to be exposed to substantially all of the repayment, interest rate and/or credit risk associated with the securitized loans, they do not qualify for derecognition. We continue to recognize the loans and the related cash proceeds as secured financing in our Consolidated Balance Sheet. We also use securitization vehicles to securitize our Canadian credit card loans in order to obtain alternate sources of funding. The structure of these vehicles limits the activities they can undertake and the types of assets they can hold, and the vehicles have limited decision-making authority. The vehicles issue term asset-backed securities to fund their activities. We control and consolidate these vehicles, as we have the key decision-making powers necessary to obtain the majority of the benefits of their activities.

For most of our subsidiaries, control is determined based on holding the majority of the voting rights. For certain investments in limited partnerships, we exercise judgment in determining if we control an entity. Based on an assessment of our interests and rights, we have determined that we do not control certain entities, even though we may have an ownership interest greater than 50%. This may be the case when we are not the general partner in an arrangement and the general partner's rights most significantly affect the returns of the entity. Additionally, we have determined that we control certain entities despite having an ownership interest less than 50%. This may be the case when we are the general partner in an arrangement and the general partner's rights most significantly affect the returns of the entity.

Structured entities are discussed in greater detail in Note 7 and transferred assets are discussed in greater detail in Note 6.

Changes in Accounting Policies

Effective November 1, 2014, we adopted the following new and amended accounting pronouncements issued by the IASB.

Own Credit

We early adopted the own credit provisions of IFRS 9 *Financial Instruments*. The provisions require that for financial liabilities designated at fair value through profit or loss, such as deposits and insurance investment contracts, changes in fair value attributable to our credit risk be presented in other comprehensive income rather than net income, unless doing so would create or enlarge an accounting mismatch in net income. Changes in fair value not attributable to our credit risk continue to be recorded in net income. The provisions were adopted prospectively and resulted in a $120 million gain, net of taxes, being recorded in other comprehensive income rather than net income.

Levies

We adopted the IFRS Interpretations Committee Interpretation 21 *Levies* ("IFRIC 21"). IFRIC 21 provides guidance on when to recognize a liability to pay a levy imposed by a government in accordance with legislation. The adoption of IFRIC 21 did not have a significant impact on our consolidated financial statements.

Impairment of Assets

We adopted the amendments to IAS 36 *Impairment of Assets*. The amendments address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less cost of disposal. The adoption of the amendments did not have an impact on disclosure in our consolidated financial statements.

Offsetting of Financial Assets and Financial Liabilities

We adopted the amendments to IAS 32 *Financial Instruments: Presentation*. The amendments clarify that an entity has a current legally enforceable right of offset if that right is not contingent on a future event, and that right is enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The adoption of the amendments did not have an impact on our consolidated financial statements.

Future Changes in IFRS

Financial Instruments

In July 2014, the IASB issued IFRS 9 *Financial Instruments* ("IFRS 9"), which addresses impairment, classification, measurement, and hedge accounting.

IFRS 9 introduces a new single impairment model for financial assets. The new model is based on expected credit losses and will result in credit losses being recognized regardless of whether a loss event has occurred. The expected credit loss model will apply to most financial instruments not measured at fair value, with the most significant impact being to loans. The expected credit loss model requires the recognition of credit losses based on a 12-month time horizon for performing loans, and requires the recognition of lifetime expected credit losses for loans that have experienced a significant deterioration in credit risk since inception. The expected loss calculations are required to incorporate forward looking macro-economic information in determining the final provision.

The new standard requires that we classify assets based on our business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are to be measured at fair value through profit or loss unless certain conditions are met which permit measurement at amortized cost or fair value through other comprehensive income. As noted above in Changes in Accounting Policies, we early adopted the requirements for financial liabilities regarding own credit risk.

IFRS 9 also introduces a new hedge accounting model that expands the scope of hedged items and risks eligible for hedge accounting and aligns hedge accounting more closely with risk management. The new model no longer specifies quantitative measures for effectiveness testing and does not permit hedge de-designation.

In order to meet the requirement to adopt IFRS 9, we have established an enterprise-wide project. We are currently evaluating the impact of adoption which is effective November 1, 2017.

Revenue

In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15"), which replaces the existing standards for revenue recognition. The new standard establishes a framework for the recognition and measurement of revenues generated from contracts with customers, except for items such as financial instruments, insurance contracts and leases. The standard also requires additional disclosures about the nature, amount, timing and uncertainty of revenues and cash flows arising from transactions with our customers. The IASB deferred the effective date of IFRS 15 to November 1, 2018. We are currently assessing the impact of the standard on our future financial reporting.

Note 2: Cash and Interest Bearing Deposits with Banks

(Canadian $ in millions)	**2015**	2014
Cash and deposits with banks (1)	**38,818**	27,056
Cheques and other items in transit, net	**1,477**	1,330
Total cash and cash equivalents	**40,295**	28,386

(1) Includes deposits with the Bank of Canada, the U.S. Federal Reserve and other central banks.

Cheques and Other Items in Transit, Net

Cheques and other items in transit are recorded at cost and represent the net position of the uncleared cheques and other items in transit between us and other banks.

Cash Restrictions

Some of our foreign operations are required to maintain reserves or minimum balances with central banks in their respective countries of operation, amounting to $2,232 million as at October 31, 2015 ($1,638 million in 2014).

Interest Bearing Deposits with Banks

Deposits with banks are recorded at amortized cost and include acceptances we have purchased that were issued by other banks. Interest income earned on these deposits is recorded on an accrual basis.

Note 3: Securities

Securities are divided into four types, each with a different purpose and accounting treatment. The types of securities we hold are as follows:

Trading securities are securities that we purchase for resale over a short period of time. We report these securities at their fair value and record the transaction costs and changes in fair value in our Consolidated Statement of Income in trading revenues.

Securities Designated at Fair Value

Securities designated at fair value through profit or loss are financial instruments that are accounted for at fair value, with changes in fair value recorded in income provided they meet certain criteria. Securities designated at fair value through profit or loss must have reliably measurable fair values and satisfy one of the following criteria: (1) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the gains and losses on a different basis; (2) the securities are part of a group of financial instruments that is managed and evaluated on a fair value basis; or (3) the securities are hybrid financial instruments with embedded derivatives that would significantly modify their cash flow. Securities must be designated on initial recognition, and the designation is irrevocable. If these securities were not designated at fair value, they would be accounted for as available-for-sale securities with unrealized gains and losses recorded in other comprehensive income.

We designate certain securities held by our insurance subsidiaries that support our insurance liabilities at fair value through profit or loss, since the actuarial calculation of insurance liabilities is based on the fair value of the investments supporting them. This designation aligns the accounting result with the way the portfolio is managed on a fair value basis. The change in fair value of the securities is recorded in non-interest revenue, insurance revenue, and the change in fair value of the liabilities is recorded in insurance claims, commissions and changes in policy benefit liabilities. The fair value of these investments as at October 31, 2015 of $6,961 million ($6,599 million as at October 31, 2014) is recorded in securities, trading, in our Consolidated Balance Sheet. The impact of recording these investments at fair value through profit or loss was an increase in non-interest revenue, insurance revenue of $8 million for the year ended October 31, 2015 (increase of $379 million in 2014).

We designate certain investments held in our merchant banking business at fair value through profit or loss, which aligns the accounting result with the way the portfolio is managed. The fair value of these investments as at October 31, 2015 of $365 million ($467 million in 2014) is recorded in securities, other, in our Consolidated Balance Sheet. The impact of recording these investments at fair value through profit or loss was a decrease in non-interest revenue, securities gains, other than trading of $30 million in our Consolidated Statement of Income for the year ended October 31, 2015 (decrease of $36 million in 2014).

Available-for-sale securities consist of debt and equity securities that may be sold in response to or in anticipation of changes in interest rates and resulting prepayment risk, changes in credit risk, changes in foreign currency risk, changes in funding sources or terms, or to meet liquidity needs.

Available-for-sale securities are initially recorded at fair value plus transaction costs. They are subsequently measured at fair value, with unrealized gains and losses recorded in unrealized gains (losses) on available-for-sale securities in our Consolidated Statement of Comprehensive Income until the security is sold. Gains and losses on disposal and impairment losses are recorded in our Consolidated Statement of Income in non-interest revenue, securities gains, other than trading. Interest income earned and dividends received on available-for-sale securities are recorded in our Consolidated Statement of Income in interest, dividend and fee income, securities.

Investments held by our insurance operations are classified as available-for-sale securities, except for those investments that support the policy benefit liabilities on our insurance contracts, which are designated at fair value through profit or loss, as discussed above. Interest and other fee income on the insurance available-for-sale securities is recognized when earned in our Consolidated Statement of Income in non-interest revenue, insurance revenue.

Held-to-maturity securities are debt securities that we have the intention and ability to hold to maturity. These securities are initially recorded at fair value plus transaction costs and subsequently measured at amortized cost using the effective interest method. Gains and losses on disposal and impairment losses are recorded in our Consolidated Statement of Income in securities gains (losses), other than trading. Interest income earned and amortization of premiums or discounts on the debt securities are recorded in our Consolidated Statement of Income in interest, dividend and fee income, securities.

Other securities are investments in companies where we exert significant influence over operating, investing and financing decisions (generally companies in which we own between 20% and 50% of the voting shares) and certain securities held by our merchant banking business.

We account for all of our securities transactions using settlement date accounting in our Consolidated Balance Sheet. Changes in fair value between the trade date and settlement date are recorded in net income, except for those related to available-for-sale securities, which are recorded in other comprehensive income.

Impairment Review

For available-for-sale, held-to-maturity and other securities, impairment losses are recognized if there is objective evidence of impairment as a result of an event that reduces the estimated future cash flows from the security and the impact can be reliably estimated.

For equity securities, a significant or prolonged decline in the fair value of a security below its cost is considered to be objective evidence of impairment.

The impairment loss on available-for-sale securities is the difference between the security's amortized cost and its current fair value, less any previously recognized impairment losses. The impairment loss on held-to-maturity securities is the difference between a security's carrying amount and the present value of its estimated future cash flows discounted at the original effective interest rate.

If there is objective evidence of impairment, a write-down is recorded in our Consolidated Statement of Income in securities gains, other than trading.

For debt securities, a previous impairment loss is reversed through net income if an event occurs after the impairment was recognized that can be objectively attributed to an increase in fair value, to a maximum of the original impairment charge. Reversals of impairment losses on held-to-maturity securities are recorded to a maximum of the amortized cost of the investment before the original impairment charge. For equity securities, previous impairment losses are not reversed through net income, and any subsequent increases in fair value are recorded in other comprehensive income.

As at October 31, 2015, we had 682 available-for-sale securities (565 in 2014) with unrealized losses totalling $152 million (unrealized losses of $35 million in 2014). Of these available-for-sale securities, 69 have been in an unrealized loss position continuously for more than one year (203 in 2014), amounting to an unrealized loss position of $5 million (unrealized loss position of $20 million in 2014). Unrealized losses on these instruments, excluding corporate equities, resulted from changes in interest rates and not from deterioration in the creditworthiness of the issuers. We expect full recovery of these available-for-sale securities and have determined that there is no significant impairment. The table on page 147 details unrealized gains and losses as at October 31, 2015 and 2014.

We did not own any securities issued by a single non-government entity where the book value, as at October 31, 2015 or 2014, was greater than 10% of our shareholders' equity.

Fair Value Measurement

For traded securities, quoted market value is considered to be fair value. Quoted market value is based on bid prices. For securities where market quotes are not available, we use estimation techniques to determine fair value. A discussion of fair value measurement is included in Note 18.

(Canadian $ in millions, except as noted)	Term to maturity					2015	2014
	Within 1 year	1 to 3 years	3 to 5 years	5 to 10 years	Over 10 years	Total	Total
Trading Securities							
Issued or guaranteed by:							
Canadian federal government	6,472	2,183	797	2,451	1,951	13,854	10,462
Canadian provincial and municipal governments	700	1,146	1,077	1,546	2,282	6,751	7,196
U.S. federal government	270	1,300	781	394	507	3,252	6,165
U.S. states, municipalities and agencies	98	129	80	248	132	687	711
Other governments	98	251	53	7	2	411	223
Mortgage-backed securities and collateralized mortgage obligations	107	272	68	41	3	491	702
Corporate debt	1,415	782	713	949	5,428	9,287	11,831
Corporate equity	–	–	–	–	37,727	37,727	47,732
Total trading securities	9,160	6,063	3,569	5,636	48,032	72,460	85,022
Available-for-Sale Securities							
Issued or guaranteed by:							
Canadian federal government							
Amortized cost	215	2,318	4,685	550	138	7,906	10,420
Fair value	214	2,329	4,741	550	136	7,970	10,501
Yield (%)	0.56	1.00	1.62	1.80	1.99	1.43	1.52
Canadian provincial and municipal governments							
Amortized cost	53	314	1,636	2,861	26	4,890	4,063
Fair value	53	317	1,640	2,888	27	4,925	4,104
Yield (%)	0.71	1.22	1.55	2.24	3.67	1.93	1.96
U.S. federal government							
Amortized cost	50	332	938	430	–	1,750	1,094
Fair value	52	331	945	426	–	1,754	1,093
Yield (%)	0.05	1.03	1.45	1.77	–	1.41	1.21
U.S. states, municipalities and agencies							
Amortized cost	1,234	1,227	1,159	1,151	1,255	6,026	5,761
Fair value	1,235	1,236	1,168	1,180	1,266	6,085	5,815
Yield (%)	0.56	1.05	1.86	2.30	1.61	1.27	1.04
Other governments							
Amortized cost	2,381	2,137	748	138	–	5,404	6,116
Fair value	2,382	2,141	753	136	–	5,412	6,132
Yield (%)	0.77	1.26	1.33	0.37	–	1.03	1.32
Mortgage-backed securities and collateralized mortgage obligations – Canada							
Amortized cost	–	399	2,595	–	–	2,994	3,031
Fair value	–	404	2,600	–	–	3,004	3,054
Yield (%)	–	1.24	1.62	–	–	1.68	1.90
Mortgage-backed securities and collateralized mortgage obligations – U.S.							
Amortized cost	4	4	29	476	8,652	9,165	6,872
Fair value	4	4	30	481	8,669	9,188	6,895
Yield (%)	3.42	1.74	1.69	1.97	1.05	1.10	0.92
Corporate debt							
Amortized cost	2,533	2,270	2,412	646	48	7,909	7,577
Fair value	2,537	2,280	2,421	670	47	7,955	7,666
Yield (%)	1.45	1.66	2.06	3.16	3.50	1.85	1.83
Corporate equity							
Amortized cost	–	–	–	–	1,648	1,648	1,582
Fair value	–	–	–	–	1,713	1,713	1,706
Yield (%)	–	–	–	–	2.37	2.37	2.25
Total cost or amortized cost	6,470	9,001	14,202	6,252	11,767	47,692	46,516
Total fair value	6,477	9,042	14,298	6,331	11,858	48,006	46,966
Yield (%)	0.98	1.29	1.60	2.21	1.32	1.47	1.48
Held-to-Maturity Securities							
Issued or guaranteed by:							
Canadian federal government							
Amortized cost	325	2,005	–	–	–	2,330	2,432
Fair value	325	2,015	–	–	–	2,340	2,442
Canadian provincial and municipal governments							
Amortized cost	485	1,216	510	321	–	2,532	2,532
Fair value	486	1,219	507	347	–	2,559	2,558
Mortgage-backed securities and collateralized mortgage obligations (1)							
Amortized cost	347	294	354	–	3,575	4,570	5,380
Fair value	349	294	357	–	3,635	4,635	5,490
Total cost or amortized cost	1,157	3,515	864	321	3,575	9,432	10,344
Total fair value	1,160	3,528	864	347	3,635	9,534	10,490
Other Securities							
Carrying value	3	7	55	13	942	1,020	987
Fair value	3	7	55	13	2,651	2,729	2,306
Total carrying value or amortized cost of securities	16,790	18,586	18,690	12,222	64,316	130,604	142,869
Total securities value	16,797	18,627	18,786	12,301	64,407	130,918	143,319
Total by Currency (in Canadian $ equivalent)							
Canadian dollar	11,230	11,041	12,446	8,885	38,973	82,575	94,126
U.S. dollar	3,984	6,912	6,269	3,416	25,007	45,588	46,580
Other currencies	1,583	674	71	–	427	2,755	2,613
Total securities	16,797	18,627	18,786	12,301	64,407	130,918	143,319

(1) These amounts are supported by insured mortgages or issued by U.S. agencies and government-sponsored enterprises.

Yields in the table above are calculated using the cost of the security and the contractual interest or stated dividend rates associated with each security, adjusted for any amortization of premiums and discounts. Tax effects are not taken into consideration. The term to maturity included in the table above is based on the contractual maturity date of the security. Actual maturities could differ, as issuers may have the right to call or prepay obligations. Securities with no maturity date are included in the over 10 years category.

Unrealized Gains and Losses

(Canadian $ in millions)				2015				2014
	Amortized cost	**Gross unrealized gains**	**Gross unrealized losses**	**Fair value**	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Issued or guaranteed by:								
Canadian federal government	**7,906**	**78**	**14**	**7,970**	10,420	82	1	10,501
Canadian provincial and municipal governments	**4,890**	**68**	**33**	**4,925**	4,063	44	3	4,104
U.S. federal government	**1,750**	**9**	**5**	**1,754**	1,094	2	3	1,093
U.S. states, municipalities and agencies	**6,026**	**65**	**6**	**6,085**	5,761	57	3	5,815
Other governments	**5,404**	**11**	**3**	**5,412**	6,116	17	1	6,132
Mortgage-backed securities and collateralized mortgage obligations – Canada (1)	**2,994**	**22**	**12**	**3,004**	3,031	24	1	3,054
Mortgage-backed securities and collateralized mortgage obligations – U.S.	**9,165**	**35**	**12**	**9,188**	6,872	35	12	6,895
Corporate debt	**7,909**	**61**	**15**	**7,955**	7,577	95	6	7,666
Corporate equity	**1,648**	**117**	**52**	**1,713**	1,582	129	5	1,706
Total	**47,692**	**466**	**152**	**48,006**	46,516	485	35	46,966

(1) These amounts are supported by insured mortgages.

Unrealized Losses

(Canadian $ in millions)		**Available-for-sale securities in an unrealized loss position for**				2015		Available-for-sale securities in an unrealized loss position for				2014
	Less than 12 months		**12 months or longer**		**Total**		Less than 12 months		12 months or longer		Total	
	Gross unrealized losses	**Fair value**	**Gross unrealized losses**	**Fair value**	**Gross unrealized losses**	**Fair value**	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value
Issued or guaranteed by:												
Canadian federal government	**14**	**2,579**	**–**	**–**	**14**	**2,579**	1	666	–	–	1	666
Canadian provincial and municipal governments	**33**	**2,773**	**–**	**–**	**33**	**2,773**	–	280	3	487	3	767
U.S. federal government	**5**	**759**	**–**	**–**	**5**	**759**	3	579	–	–	3	579
U.S. states, municipalities and agencies	**3**	**1,271**	**3**	**859**	**6**	**2,130**	–	916	3	732	3	1,648
Other governments	**3**	**1,677**	**–**	**543**	**3**	**2,220**	–	158	1	1,003	1	1,161
Mortgage-backed securities and collateralized mortgage obligations – Canada (1)	**12**	**1,415**	**–**	**–**	**12**	**1,415**	1	657	–	–	1	657
Mortgage-backed securities and collateralized mortgage obligations – U.S.	**10**	**2,728**	**2**	**622**	**12**	**3,350**	5	1,969	7	1,630	12	3,599
Corporate debt	**15**	**2,726**	**–**	**22**	**15**	**2,748**	1	822	5	773	6	1,595
Corporate equity	**52**	**305**	**–**	**–**	**52**	**305**	4	40	1	27	5	67
Total	**147**	**16,233**	**5**	**2,046**	**152**	**18,279**	15	6,087	20	4,652	35	10,739

(1) These amounts are supported by insured mortgages.

Income from securities has been included in our consolidated financial statements as follows:

(Canadian $ in millions)	**2015**	2014	2013
Reported in Consolidated Statement of Income:			
Interest, Dividend and Fee Income (1)			
Trading securities (2)	**1,016**	954	1,265
Available-for-sale securities	**504**	570	610
Held-to-maturity securities	**167**	152	47
Other securities	**225**	186	210
	1,912	1,862	2,132
Non-Interest Revenue			
Available-for-sale securities			
Gross realized gains	**116**	304	90
Gross realized losses	**(18)**	(167)	(3)
Unrealized gain on investment reclassified from equity to available-for-sale	**–**	–	191
Other securities, net realized and unrealized gains (losses)	**85**	33	24
Impairment write-downs	**(12)**	(8)	(17)
Securities gains (losses), other than trading (1)	**171**	162	285
Trading securities, net realized and unrealized gains (losses) (1) (2)	**92**	340	(1,273)
Total income from securities	**2,175**	2,364	1,144

(1) The following amounts of income related to our insurance operations were included in non-interest revenue, insurance revenue in our Consolidated Statement of Income:

(2) Interest, dividend and fee income of $282 million for the year ended October 31, 2015 ($263 million in 2014 and $263 million in 2013). Securities gains (losses), other than trading of $1 million for the year ended October 31, 2015 ($5 million in 2014 and $1 million in 2013).
Excluded from the table above are trading securities, net realized and unrealized gains (losses) of $8 million related to our insurance operations for the year ended October 31, 2015 ($379 million in 2014 and $(190) million in 2013).

Certain comparative figures have been reclassified to conform with the current year's presentation and for changes in accounting policies.

Note 4: Loans, Customers' Liability under Acceptances and Allowance for Credit Losses

Loans are initially measured at fair value plus directly attributable costs, and are subsequently measured at amortized cost using the effective interest method. The effective interest method allocates interest income over the expected term of the loan by applying the effective interest rate to the carrying amount of the loan. The effective interest rate is defined as the rate that exactly discounts estimated future cash receipts through the expected term of the loan to the net carrying amount of the loan. Under the effective interest method, the amount recognized in interest, dividend and fee income, loans, varies over the term of the loan based on the principal outstanding. The treatment of interest income for impaired loans is described below.

Securities Borrowed or Purchased Under Resale Agreements

Securities borrowed or purchased under resale agreements represent the amounts we will receive as a result of our commitment to resell securities that we have purchased, back to the original seller, on a specified date at a specified price. We account for these instruments as if they were loans.

Lending Fees

The accounting treatment for lending fees varies depending on the transaction. Some loan origination, restructuring and renegotiation fees are recorded as interest income over the term of the loan, while other lending fees are taken into income at the time of loan origination. Commitment fees are recorded as interest income over the term of the loan, unless we believe the loan commitment will not be used. In the latter case, commitment fees are recorded as lending fees over the commitment period. Loan syndication fees are included in lending fees at the time the syndication is completed, unless the yield on any loans we retain is less than that of other comparable lenders involved in the financing. In the latter case, an appropriate portion of the syndication fee is recorded as interest income over the term of the loan.

Customers' Liability under Acceptances

Acceptances represent a form of negotiable short-term debt that is issued by our customers, which we guarantee for a fee. We have offsetting claims, equal to the amount of the acceptances, against our customers in the event of a call on these commitments. The amount due under acceptances is recorded in other liabilities and our corresponding claim is recorded as a loan in our Consolidated Balance Sheet.

Fees earned are recorded in lending fees in our Consolidated Statement of Income over the term of the acceptance.

Impaired Loans

Generally, consumer loans in both Canada and the U.S. are classified as impaired when payment is contractually 90 days past due, or one year past due for residential mortgages if guaranteed by the Government of Canada. Credit card loans are immediately written off when principal or interest payments are 180 days past due, and are not reported as impaired. In Canada, consumer instalment loans, other personal loans and some small business loans are normally written off when they are one year past due. In the U.S., all consumer loans are written off when they are 180 days past due, except for non-real estate term loans, which are written off at 120 days. For the purpose of measuring the amount to be written off, the determination of the recoverable amount includes an estimate of future recoveries.

Corporate and commercial loans are classified as impaired when we determine there is no longer reasonable assurance that principal or interest will be collected in its entirety on a timely basis. Generally, we consider corporate and commercial loans to be impaired when payments are 90 days past due, or for fully secured loans, when payments are 180 days past due. Corporate and commercial loans are written off following a review on an individual loan basis that confirms all recovery attempts have been exhausted.

A loan will be reclassified to performing status when we determine that there is reasonable assurance of full and timely repayment of interest and principal in accordance with the terms and conditions of the loan, and that none of the criteria for classification of the loan as impaired continue to apply.

Our average gross impaired loans and acceptances were $2,115 million for the year ended October 31, 2015 ($2,261 million in 2014). Our average impaired loans, net of the specific allowance, were $1,730 million for the year ended October 31, 2015 ($1,783 million in 2014).

Once a loan is identified as impaired, we continue to recognize interest income based on the original effective interest rate of the loan. In the periods following the recognition of impairment, adjustments to the allowance for these loans reflecting the time value of money are recognized and presented as interest income. Interest income on impaired loans of $91 million was recognized for the year ended October 31, 2015 ($111 million in 2014).

During the year ended October 31, 2015, we recorded a net gain of $72 million before tax ($12 million in 2014) on the sale of impaired and written-off loans.

Allowance for Credit Losses ("ACL")

The allowance for credit losses recorded in our Consolidated Balance Sheet is maintained at a level that 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 and amounted to $197 million as at October 31, 2015 ($232 million in 2014).

The allowance is comprised of a specific allowance and a collective allowance.

Specific Allowance

These allowances are recorded for individually identified impaired loans to reduce their carrying value to the expected recoverable amount. We review our loans and acceptances on an ongoing basis to assess whether any loans should be classified as impaired and whether an allowance or write-off should be recorded (excluding credit card loans, which are classified as impaired and written off when principal or interest payments are 180 days past due, as discussed under Impaired Loans). The review of individually significant problem loans is conducted at least quarterly by the account managers, each of whom assesses the ultimate collectability and estimated recoveries for a specific loan based on all events and conditions that are relevant to the loan. This assessment is then approved by an independent credit officer.

Individually Significant Impaired Loans

To determine the amount we expect to recover from an individually significant impaired loan, we use the value of the estimated future cash flows discounted at the loan's original effective interest rate. The determination of estimated future cash flows of a collateralized impaired loan reflects the expected realization of the underlying security, net of expected costs and any amounts legally required to be paid to the borrower. Security can vary by type of loan and may include cash, securities, real properties, accounts receivable, guarantees, inventory or other capital assets.

Individually Insignificant Impaired Loans

Residential mortgages, consumer instalment and other personal loans are individually insignificant and may be individually assessed or collectively assessed for losses at the time of impairment, taking into account historical loss experience.

Collective Allowance

We maintain a collective allowance in order to cover any impairment in the existing portfolio for loans that have not yet been individually identified as impaired. Our approach to establishing and maintaining the collective allowance is based on the requirements of IFRS, considering guidelines issued by OSFI.

The collective allowance methodology incorporates both quantitative and qualitative factors to determine an appropriate level for the collective allowance. For the purpose of calculating the collective allowance, we group loans on the basis of similarities in credit risk characteristics. The loss factors for groups of loans are determined based on a minimum of five years of historical data and a one-year loss emergence period, except for credit cards, where a seven-month loss emergence period is used. The loss factors are back-tested and calibrated on a regular basis to ensure that they continue to reflect our best estimate of losses that have been incurred but not yet identified, on an individual basis, within the pools of loans. Historical loss experience data is also reviewed in the determination of loss factors. Qualitative factors are based on current observable data, such as current macroeconomic and business conditions, portfolio-specific considerations and model risk factors.

Provision for Credit Losses ("PCL")

Changes in the value of our loan portfolio due to credit-related losses or recoveries of amounts previously provided for or written off are included in the provision for credit losses in our Consolidated Statement of Income.

Loans, including customers' liability under acceptances, and allowance for credit losses by category are as follows:

(Canadian $ in millions)	Residential mortgages (1)			Credit card, consumer instalment and other personal loans			Business and government loans			Customers' liability under acceptances			Total		
	2015	2014	2013	**2015**	2014	2013	**2015**	2014	2013	**2015**	2014	2013	**2015**	2014	2013
Gross loan balances at end of year (3)	**105,918**	101,013	96,392	**73,578**	72,115	71,510	**145,076**	120,766	104,585	**11,307**	10,878	8,472	**335,879**	304,772	280,959
Impairment allowances (specific ACL), beginning of year	**88**	89	76	**99**	81	62	**237**	315	338	**–**	–	–	**424**	485	476
Amounts written off	**(83)**	(87)	(104)	**(670)**	(655)	(750)	**(312)**	(407)	(443)	**–**	–	–	**(1,065)**	(1,149)	(1,297)
Recoveries of amounts written off in previous years	**72**	40	24	**190**	161	152	**194**	423	596	**–**	–	–	**456**	624	772
Charge to income statement (specific PCL)	**11**	77	129	**497**	519	618	**104**	(35)	(150)	**–**	–	–	**612**	561	597
Foreign exchange and other movements	**(19)**	(31)	(36)	**(3)**	(7)	(1)	**(13)**	(59)	(26)	**–**	–	–	**(35)**	(97)	(63)
Specific ACL, end of year	**69**	88	89	**113**	99	81	**210**	237	315	**–**	–	–	**392**	424	485
Collective ACL, beginning of year	**83**	88	47	**678**	622	624	**754**	756	759	**27**	19	30	**1,542**	1,485	1,460
Charge to income statement (collective PCL)	**19**	(8)	40	**7**	50	(4)	**(33)**	(50)	(35)	**7**	8	(11)	**–**	–	(10)
Foreign exchange and other movements	**9**	3	1	**29**	6	2	**80**	48	32	**–**	–	–	**118**	57	35
Collective ACL, end of year	**111**	83	88	**714**	678	622	**801**	754	756	**34**	27	19	**1,660**	1,542	1,485
Total ACL	**180**	171	177	**827**	777	703	**1,011**	991	1,071	**34**	27	19	**2,052**	1,966	1,970
Comprised of: Loans	**149**	144	157	**827**	777	703	**845**	786	786	**34**	27	19	**1,855**	1,734	1,665
Other credit instruments (2)	**31**	27	20	**–**	–	–	**166**	205	285	**–**	–	–	**197**	232	305
Net loan balances at end of year	**105,769**	100,869	96,235	**72,751**	71,338	70,807	**144,231**	119,980	103,799	**11,273**	10,851	8,453	**334,024**	303,038	279,294

(1) Included in the residential mortgages balance are Canadian government and corporate-insured mortgages of $56,579 million as at October 31, 2015 ($58,511 million in 2014).
(2) The total specific and collective allowances related to other credit instruments are included in other liabilities.
(3) Included in loans as at October 31, 2015 are $117,098 million ($95,269 million in 2014 and $81,069 million in 2013) of loans denominated in U.S. dollars and $1,966 million ($1,039 million in 2014 and $947 million in 2013) of loans denominated in other foreign currencies.
Certain comparative figures have been reclassified to conform with the current year's presentation and changes in accounting policies.

Loans, including customers' liability under acceptances, and allowance for credit losses by geographic region are as follows:

(Canadian $ in millions)	Gross amount		Specific allowance (2)		Collective allowance (3)		Net amount	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
By geographic region (1):								
Canada	**223,500**	213,490	**145**	191	**816**	766	**222,539**	212,533
United States	**101,198**	80,135	**212**	182	**682**	594	**100,304**	79,359
Other countries	**11,181**	11,147	**–**	1	**–**	–	**11,181**	11,146
Total	**335,879**	304,772	**357**	374	**1,498**	1,360	**334,024**	303,038

(1) Geographic region is based upon the country of ultimate risk.
(2) Excludes specific allowance of $35 million for other credit instruments ($50 million in 2014), which is included in other liabilities.
(3) Excludes collective allowance of $162 million for other credit instruments ($182 million in 2014), which is included in other liabilities.

Notes

Impaired loans, including the related allowances, are as follows:

(Canadian $ in millions)	Gross impaired amount		Specific allowance (3)		Net of specific allowance	
	2015	2014	**2015**	2014	**2015**	2014
Residential mortgages	**370**	532	**38**	61	**332**	471
Consumer instalment and other personal loans	**546**	544	**113**	99	**433**	445
Business and government loans	**1,043**	972	**206**	214	**837**	758
Total (1)	**1,959**	2,048	**357**	374	**1,602**	1,674
By geographic region (2):						
Canada	**641**	742	**145**	191	**496**	551
United States	**1,314**	1,301	**212**	182	**1,102**	1,119
Other countries	**4**	5	**–**	1	**4**	4
Total	**1,959**	2,048	**357**	374	**1,602**	1,674

(1) Excludes purchased credit impaired loans.
(2) Geographic region is based upon the country of ultimate risk.
(3) Excludes specific allowance of $35 million for other credit instruments ($50 million in 2014), which is included in other liabilities.

Fully secured loans with past due amounts between 90 and 180 days that we have not classified as impaired totalled $83 million and $134 million as at October 31, 2015 and 2014, respectively.

Specific provisions for credit losses by geographic region are as follows:

(Canadian $ in millions)	Residential mortgages		Credit card, consumer instalment and other personal loans		Business and government loans (2)		Total	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
By geographic region (1):								
Canada	**9**	12	**393**	410	**97**	107	**499**	529
United States	**2**	65	**104**	109	**8**	(140)	**114**	34
Other countries	**–**	–	**–**	–	**(1)**	(2)	**(1)**	(2)
Total	**11**	77	**497**	519	**104**	(35)	**612**	561

(1) Geographic region is based upon the country of ultimate risk.
(2) There were no provisions relating to customers' liability under acceptances as at October 31, 2015 and 2014.

Foreclosed Assets

Property or other assets that we receive from borrowers to satisfy their loan commitments are classified as either held for use or held for sale according to management's intention and are recorded at the lower of carrying amount or fair value less costs to sell. Fair value is determined based on market prices where available. Otherwise, fair value is determined using methods such as analysis of discounted cash flows or market prices for similar assets.

During the year ended October 31, 2015, we foreclosed on impaired loans and received $102 million of real estate properties that we classified as held for sale ($145 million in 2014).

As at October 31, 2015, real estate properties held for sale totalled $109 million ($158 million in 2014). These properties are disposed of when considered appropriate. During the year ended October 31, 2015, we recorded an impairment loss of $22 million on real estate properties classified as held for sale ($34 million in 2014).

Renegotiated Loans

From time to time we modify the contractual terms of loans due to the poor financial condition of the borrower. We assess renegotiated loans for impairment consistent with our existing policies for impairment. When renegotiation leads to significant concessions being granted, and the concessions are for economic or legal reasons related to the borrower's financial difficulty that we would not otherwise consider, the loan is classified as impaired. We consider one or a combination of the following to be significant concessions: (1) a reduction of the stated interest rate, (2) an extension of the maturity date or dates at a stated interest rate lower than the current market rate for a new loan with similar terms, or (3) forgiveness of principal or accrued interest.

Renegotiated loans are permitted to remain in performing status if the modifications are not considered to be significant, or are returned to performing status when none of the criteria for classification as impaired continue to apply.

The carrying value of our renegotiated loans was $730 million as at October 31, 2015 ($728 million in 2014). Renegotiated loans of $361 million were classified as performing during the year ended October 31, 2015 ($291 million in 2014). Renegotiated loans of $42 million and $25 million were written off in the years ended October 31, 2015 and 2014, respectively.

Purchased Loans

We record all loans that we purchase at fair value on the day that we acquire the loans. The fair value of the acquired loan portfolio includes an estimate of the interest rate premium or discount on the loans, calculated as the difference between the contractual rate of interest on the loans and prevailing interest rates (the "interest rate mark"). Also included in fair value is an estimate of expected credit losses (the "credit mark") as of the acquisition date. The credit mark consists of two components: an estimate of the amount of losses that exist in the acquired loan portfolio on the acquisition date but that haven't been specifically identified on that date (the "incurred credit mark") and an amount that represents future expected losses (the "future credit mark"). Because we record the loans at fair value, no allowance for credit losses is recorded in our Consolidated Balance Sheet on the day we acquire the loans. Fair value is determined by estimating the principal and interest cash flows expected to be collected on the loans and discounting those cash flows at a market rate of interest. We estimate cash flows expected to be collected based on specific loan reviews for commercial loans. For retail loans, we use models that incorporate management's best estimate of current key assumptions, such as default rates, loss severity and the timing of prepayments, as well as collateral.

Acquired loans are classified into the following categories: those for which on the acquisition date we expect to continue to receive timely principal and interest payments (the "purchased performing loans") and those for which on the acquisition date the timely collection of interest and principal was no longer reasonably assured (the "purchased credit impaired loans" or "PCI loans"). Because PCI loans are recorded at fair value at acquisition based on the amount expected to be collected, none of the PCI loans are considered to be impaired at acquisition.

Subsequent to the acquisition date, we account for each type of loan as follows:

Purchased Performing Loans

For performing loans with fixed terms, the future credit mark is fully amortized into net interest income over the expected life of the loan using the effective interest method. The impact on net interest income for the year ended October 31, 2015 was $26 million ($34 million in 2014 and $48 million in 2013). The incurred credit losses are remeasured at each reporting period, with any increases recorded as an increase in the collective allowance and the provision for credit losses. Decreases in incurred credit losses are recorded as a decrease in the collective allowance and the provision for credit losses until the accumulated collective allowance related to these loans is exhausted. Any additional decrease is recorded in net interest income.

The impact of the remeasurement of incurred credit losses for performing loans with fixed terms for the year ended October 31, 2015 was a $1 million recovery in the provision for credit losses and $nil in net interest income ($2 million provision and $6 million, respectively, in 2014 and $nil and $143 million, respectively, in 2013).

For performing loans with revolving terms, the incurred and future credit marks are amortized into net interest income on a straight-line basis over the contractual terms of the loans. The impact on net interest income of such amortization for the year ended October 31, 2015 was $15 million ($35 million in 2014 and $123 million in 2013).

As performing loans are repaid, the related unamortized credit mark remaining is recorded as net interest income during the period in which the payments are received. The impact on net interest income of such repayments for the year ended October 31, 2015 was $62 million ($151 million in 2014 and $241 million in 2013).

Actual specific provisions for credit losses related to these performing loans will be recorded as they arise in a manner that is consistent with our policy for loans we originate. The total specific provision for credit losses for purchased performing loans for the year ended October 31, 2015 was $5 million ($56 million in 2014 and $240 million in 2013).

As at October 31, 2015, the amount of purchased performing loans remaining on the balance sheet was $4,993 million ($7,755 million in 2014). As at October 31, 2015, the credit mark remaining on performing term loans, revolving loans and other performing loans was $217 million, $69 million and $nil, respectively ($279 million, $94 million and $2 million, respectively, in 2014). Of the total credit mark for performing loans of $286 million, $151 million represents the credit mark that will be amortized over the remaining life of the portfolio. The remaining balance of $135 million represents the incurred credit mark and will be remeasured each reporting period.

Purchased Credit Impaired Loans

Subsequent to the acquisition date, we regularly re-evaluate the cash flows we expect to collect on the PCI loans. Increases in expected cash flows will result in a recovery in the specific provision for credit losses and either a reduction in any previously recorded allowance for credit losses or, if no allowance exists, an increase in the current carrying value of the PCI loans. Decreases in expected cash flows will result in a charge to the specific provision for credit losses and an increase in the allowance for credit losses. The impact of these evaluations for the year ended October 31, 2015 was a $86 million recovery in the specific provision for credit losses ($252 million recovery in 2014 and $410 million recovery in 2013).

As at October 31, 2015, the amount of PCI loans remaining on the balance sheet was $383 million ($488 million in 2014). There is no remaining credit mark on the PCI loans ($nil in 2014).

FDIC Covered Loans

Certain acquired loans are subject to a loss share agreement with the Federal Deposit Insurance Corporation ("FDIC"). Under this agreement, the FDIC reimburses us for 80% of the net losses we incur on the covered loans.

We recorded net provisions of $36 million for the year ended October 31, 2015 (net recoveries of $8 million in 2014). These amounts are net of the amounts expected to be reimbursed by the FDIC.

Note 5: Risk Management

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

Credit and Counterparty Risk

Credit and counterparty risk is the potential for loss due to the failure of a borrower, endorser, guarantor or counterparty to repay a loan or honour another predetermined financial obligation. 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. Our risk management practices and key measures are disclosed in the text and tables presented in a blue-tinted font in Management's Discussion and Analysis on pages 94 to 96 of this report. Additional information on loans and derivative-related credit risk is disclosed in Notes 4 and 8, respectively.

Concentrations of Credit and Counterparty Risk

Concentrations of credit risk exist if a number of clients are engaged in similar activities, are located in the same geographic region or have similar economic characteristics such that their ability to meet contractual obligations could be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate a related sensitivity of our performance to developments affecting a particular counterparty, industry or geographic location. At year end, our credit assets consisted of a well-diversified portfolio representing millions of clients, the majority of them consumers and small to medium-sized businesses.

From an industry viewpoint, our most significant exposure as at year end was to individual consumers, captured within the individual sector in the following table, comprising $178,708 million ($169,039 million in 2014). Additional information on the composition of our loans and derivatives exposure is disclosed in Notes 4 and 8, respectively.

Basel III Framework

We use the Basel III Framework and our economic capital framework for risk management purposes. For regulatory capital, we use the Advanced Internal Ratings Based ("AIRB") approach to determine credit risk-weighted assets in our portfolio, except for acquired loans in our M&I and other select portfolios, for which we use the Standardized Approach. The framework uses exposure at default to assess credit and counterparty risk. Exposures are classified as follows:

- Drawn loans include loans, acceptances, deposits with regulated financial institutions, and certain securities. Exposure at default ("EAD") represents an estimate of the outstanding amount of a credit exposure at the time a default may occur. For off-balance sheet amounts and undrawn amounts, EAD includes an estimate of any further amounts that may be drawn at the time of default.
- Undrawn commitments cover all unutilized authorizations, associated with the drawn loans noted above, including those which are unconditionally cancellable. EAD for undrawn commitments is model generated based on internal empirical data.
- Over-the-counter ("OTC") derivatives are those in our proprietary accounts that attract credit risk in addition to market risk. EAD for OTC derivatives is equal to the positive replacement cost; after considering netting, plus any potential credit exposure amount.
- Other off-balance sheet exposures include items such as guarantees, standby letters of credit and documentary credits. EAD for other off-balance sheet items is based on management's best estimate.
- Repo-style transactions include repos, reverse repos and securities lending transactions, which represent both asset and liability exposures. EAD for repo-style transactions is the total amount drawn, adding back any write-offs.
- Adjusted EAD represents exposures that have been redistributed to a more favourable probability of default band or a different Basel asset class as a result of applying credit risk mitigation.

Total non-trading exposure at default by industry sector, as at October 31, 2015 and 2014, based on the Basel III classifications is as follows:

(Canadian $ in millions)	Drawn		Commitments (undrawn)		OTC derivatives		Other off-balance sheet items		Repo-style transactions		Total	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Financial institutions	**85,854**	69,174	**19,268**	15,164	**7**	1	**3,321**	2,825	**50,393**	40,362	**158,843**	127,526
Governments	**42,709**	43,035	**2,069**	1,838	**–**	–	**794**	1,010	**6,478**	10,266	**52,050**	56,149
Manufacturing	**16,133**	13,678	**13,039**	9,499	**21**	40	**1,311**	1,189	**–**	–	**30,504**	24,406
Real estate	**21,100**	18,408	**5,871**	5,602	**–**	–	**809**	1,072	**–**	–	**27,780**	25,082
Retail trade	**14,352**	11,973	**4,614**	4,995	**–**	–	**539**	537	**–**	–	**19,505**	17,505
Service industries	**28,311**	21,944	**11,881**	8,873	**2**	6	**2,936**	2,748	**–**	2	**43,130**	33,573
Wholesale trade	**8,453**	8,260	**5,288**	4,253	**–**	–	**372**	461	**–**	–	**14,113**	12,974
Oil and gas	**6,575**	5,969	**7,847**	6,931	**–**	–	**818**	612	**–**	–	**15,240**	13,512
Individual	**139,885**	132,360	**38,674**	36,627	**–**	26	**149**	18	**–**	8	**178,708**	169,039
Agriculture	**9,860**	9,016	**1,860**	1,905	**–**	–	**27**	36	**–**	–	**11,747**	10,957
Others (1)	**51,337**	38,090	**14,218**	12,692	**1**	1	**5,329**	4,303	**–**	397	**70,885**	55,483
Total exposure at default	**424,569**	371,907	**124,629**	108,379	**31**	74	**16,405**	14,811	**56,871**	51,035	**622,505**	546,206

(1) Includes industries having a total exposure of less than 2%.

Additional information about our credit risk exposure by geographic region and product category for loans, including customers' liability under acceptances, is provided in Note 4.

Credit Quality

We assign risk ratings based on the probability of counterparties defaulting on their financial obligations to us. Our process for assigning risk ratings is disclosed in the text presented in a blue-tinted font in the Enterprise-Wide Risk Management section of Management's Discussion and Analysis on pages 95 to 96 of this report.

The following tables present our business and government gross loans and acceptances and consumer gross loans outstanding by risk rating as at October 31, 2015 and 2014.

Business and Government Gross Loans and Acceptances by Risk Rating

(Canadian $ in millions)	**Business and government loans and acceptances**	
	2015	2014
Acceptable		
Investmentgrade	**84,059**	71,282
Sub-investment grade	**67,586**	56,181
Problem	**3,530**	2,881
Default / Impaired	**1,208**	1,300
Total	**156,383**	131,644

Consumer Gross Loans by Risk Rating

(Canadian $ in millions)	Residential mortgages		Credit card and other personal loans		Total	
	2015	2014	**2015**	2014	**2015**	2014
Exceptionally low (≤ 0.05%)	**2**	3	**16,834**	2,691	**16,836**	2,694
Very low (> 0.05% to 0.20%)	**69,100**	65,704	**18,795**	31,243	**87,895**	96,947
Low (> 0.20% to 0.75%)	**17,233**	17,200	**14,933**	13,171	**32,166**	30,371
Medium (> 0.75% to 7.00%)	**16,513**	8,668	**16,969**	18,285	**33,482**	26,953
High (> 7.00% to 99.99%)	**408**	6,385	**1,600**	1,707	**2,008**	8,092
Standardized performing / Not rated	**2,246**	2,253	**3,878**	4,245	**6,124**	6,498
Default / Impaired	**416**	800	**569**	773	**985**	1,573
Total	**105,918**	101,013	**73,578**	72,115	**179,496**	173,128

Loans Past Due Not Impaired

Loans that are past due but not classified as impaired are loans where our customers have failed to make payments when contractually due, but for which we expect the full amount of principal and interest payments to be collected. The following table presents the loans that are past due but not classified as impaired as at October 31, 2015 and 2014:

(Canadian $ in millions)	1 to 29 days		30 to 89 days		90 days or more		Total	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
Residential mortgages (1)	**641**	647	**459**	488	**33**	37	**1,133**	1,172
Credit card, consumer instalment and other personal loans (2)	**2,474**	1,915	**494**	471	**90**	104	**3,058**	2,490
Business and government loans	**416**	414	**162**	126	**92**	169	**670**	709
Customers' liability under acceptances	**–**	20	**–**	4	**–**	–	**–**	24
Total	**3,531**	2,996	**1,115**	1,089	**215**	310	**4,861**	4,395

(1) The percentage of loans 90 days or more past due but not impaired that were guaranteed by the Government of Canada is 5% for 2015 and 5% for 2014.
(2) Credit card loans that are past due are not classified as impaired loans and are written off when 180 days past due.

Loan Maturities and Interest Rate Sensitivity

The following table presents gross loans and acceptances by contractual maturity and by country of ultimate risk:

(Canadian $ in millions)	1 year or less		Over 1 year		Over 5 years		Total	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
Canada								
Consumer	**50,911**	50,026	**97,482**	93,486	**5,272**	5,984	**153,665**	149,496
Commercial and corporate (excluding real estate)	**43,329**	41,608	**13,677**	10,981	**461**	141	**57,467**	52,730
Commercial real estate	**4,739**	4,506	**6,254**	5,331	**1,375**	1,427	**12,368**	11,264
United States	**30,886**	22,292	**50,647**	41,084	**19,665**	16,759	**101,198**	80,135
Other countries	**10,136**	10,632	**741**	465	**304**	50	**11,181**	11,147
Total	**140,001**	129,064	**168,801**	151,347	**27,077**	24,361	**335,879**	304,772

The following table presents net loans and acceptances by interest rate sensitivity:

(Canadian $ in millions)	**2015**	2014
Fixed rate	**160,469**	150,021
Floating rate	**162,248**	142,139
Non-interest sensitive (1)	**11,307**	10,878
Total	**334,024**	303,038

(1) Non-interest sensitive is comprised of customers' liability under acceptances.

Market Risk

Market risk is the potential for adverse changes in the value of our assets and liabilities resulting from changes in market variables such as interest rates, foreign exchange rates, equity and commodity prices and their implied volatilities, and credit spreads, as well as the risk of credit migration and default. We incur market risk in our trading and underwriting activities and in the management of structural market risk in our banking and insurance activities.

Our market risk management practices and key measures are disclosed in the text and tables presented in a blue-tinted font in the Enterprise-Wide Risk Management section of Management's Discussion and Analysis on pages 100 to 104 of this report.

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.

Our liquidity and funding risk management practices and key measures are disclosed in the text presented in a blue-tinted font in the Enterprise-Wide Risk Management section of Management's Discussion and Analysis on pages 105 to 109 of this report.

Note 6: Transfer of Assets

Loan Securitization

We sell Canadian mortgage loans to third-party Canadian securitization programs, including the Canadian Mortgage Bond program, and directly to third-party investors under the National Housing Act Mortgage-Backed Securities program. We assess whether substantially all of the risk and rewards of the loans have been transferred to determine if they qualify for derecognition.

Under these programs, we are entitled to the payment over time of the excess of the sum of interest and fees collected from customers, in connection with the loans that were sold, over the yield paid to investors in the third-party securitization programs, less credit losses and other costs. Since we continue to be exposed to substantially all of the prepayment, interest rate and/or credit risk associated with the securitized loans, they do not qualify for derecognition. We continue to recognize the loans and the related cash proceeds as secured financing in our Consolidated Balance Sheet. The interest and fees collected, net of the yield paid to investors, is recorded in net interest income using the effective interest method over the term of the securitization. Credit losses associated with the loans are recorded in the provision for credit losses. During the year ended October 31, 2015, we sold $6,905 million of loans to third-party securitization programs ($5,564 million in 2014).

The following table presents the carrying amount and fair value of transferred assets that did not qualify for derecognition and the associated liabilities:

(Canadian $ in millions)	**2015** (1)		2014	
	Carrying amount of assets	**Associated liabilities**	Carrying amount of assets	Associated liabilities
Residential mortgages	**7,458**		9,569	
Other related assets (2)	**10,181**		8,382	
Total	**17,639**	**17,199**	17,951	17,546

(1) The fair value of the securitized assets is $17,785 million and the fair value of the associated liabilities is $17,666 million, for a net position of $119 million. Securitized assets are those which we have transferred to third parties, including other related assets.

(2) Other related assets represent payments received on account of loans pledged under securitization programs that have not yet been applied against the associated liabilities. The payments received are held on behalf of the investors in the securitization vehicles until principal payments are required to be made on the associated liabilities. In order to compare all assets supporting the associated liabilities, this amount is added to the carrying value of the securitized assets in the table above.

Securities Lent or Sold Under Repurchase Agreements

Securities lent or sold under repurchase agreements represent short-term funding transactions in which we sell securities that we own and simultaneously commit to repurchase the same securities at a specified price on a specified date in the future. We retain substantially all of the risk and rewards associated with the securities and we continue to recognize them in our Consolidated Balance Sheet with the obligation to repurchase these securities recorded as secured borrowing transactions at the amount owing. The interest expense related to these liabilities is recorded on an accrual basis. For further details, refer to Note 14.

Note 7: Structured Entities

We enter into certain transactions in the ordinary course of business which involve the establishment of structured entities ("SEs") to facilitate or secure customer transactions and to obtain alternative sources of funding. We are required to consolidate an SE if we control the entity. We control an SE when we have power over the SE, exposure to variable returns as a result of our involvement, and the ability to exercise power to affect the amount of our returns.

In assessing whether we control an SE, we consider the entire arrangement to determine the purpose and design of the SE, the nature of any rights held through contractual arrangements and whether we are acting as a principal or agent.

We perform a re-assessment of consolidation if facts and circumstances indicate that there have been changes to one or more of the elements of control over the SE.

Consolidated Structured Entities

Bank Securitization Vehicles

We use securitization vehicles to securitize our Canadian credit card loans in order to obtain alternate sources of funding. The structure of these vehicles limits the activities they can undertake and the types of assets they can hold, and the vehicles have limited decision-making authority. The vehicles issue term asset-backed securities to fund their activities. We control and consolidate these vehicles, as we have the key decision-making powers necessary to obtain the majority of the benefits of their activities.

U.S. Customer Securitization Vehicle

We sponsor a customer securitization vehicle (also referred to as a bank-sponsored multi-seller conduit) that provides our customers with alternate sources of funding through the securitization of their assets. This vehicle provides clients with access to financing in the asset-backed commercial paper ("ABCP") markets by allowing them to sell their assets into the vehicle, which then issues ABCP to investors to fund the purchases. We do not sell assets to the customer securitization vehicle. We earn fees for providing services related to the securitizations, including liquidity, distribution and financial arrangement fees for supporting the ongoing operations of the vehicle. We have determined that we control and therefore consolidate this vehicle, as we are exposed to its variable returns and we have the key decision-making powers necessary to affect the amount of those returns in our capacity as liquidity provider and servicing agent.

We provide liquidity facilities to this vehicle which may require that we provide additional financing to the vehicle in the event that certain events occur. The total committed undrawn amount under these facilities at October 31, 2015 was $7,213 million ($5,236 million at October 31, 2014).

Credit Protection Vehicle

We sponsor a credit protection vehicle which provides credit protection to investors on investments in corporate debt portfolios through credit default swaps. In May 2008, upon the restructuring of the vehicle, we entered into credit default swaps with swap counterparties and offsetting swaps with the vehicle. In 2015, the vehicle redeemed $nil of its outstanding medium-term notes ($1,049 million in 2014, of which $678 million were held by us). We continue to hold $256 million of outstanding medium-term notes which mature in September 2016. As at October 31, 2015 and 2014, we have hedged our exposure to our holdings of notes issued by the vehicle. A third party holds its exposure to the vehicle through a total return swap with us on $108 million of notes. We control and therefore consolidate this vehicle.

Capital and Funding Vehicles

Capital and funding vehicles are created to issue notes or capital trust securities or to guarantee payments due to bondholders on bonds issued by us. These vehicles may purchase notes issued by us, or we may sell assets to the vehicles in exchange for promissory notes.

For those trusts that purchase assets from us, we have determined that, based on the rights of the arrangements, we have significant exposure to their variable returns as we are exposed to the variability of their underlying assets, and that we control and therefore consolidate these vehicles. See Note 1 and Note 16 for further information related to capital trusts.

Unconsolidated Structured Entities

The table below presents amounts related to our interests in unconsolidated SEs:

(Canadian $ in millions)			2015			2014
	Capital and funding vehicles	**Canadian customer securitization vehicles** (1)	**Structured finance vehicles**	Capital and funding vehicles	Canadian customer securitization vehicles (1)	Structured finance vehicles
Interests recorded on the balance sheet						
Cash and cash equivalents	**11**	**69**	**–**	11	39	–
Trading securities	**2**	**21**	**2,266**	2	10	10,414
Available-for-sale securities	**–**	**573**	**–**	–	652	–
Other	**–**	**10**	**11**	–	–	42
	13	**673**	**2,277**	13	701	10,456
Deposits	**1,265**	**69**	**1,296**	1,265	39	5,853
Derivatives	**–**	**–**	**250**	–	–	1,115
Other	**20**	**–**	**732**	21	–	3,447
	1,285	**69**	**2,278**	1,286	39	10,415
Exposure to loss (2)	**57**	**6,175**	**2,278**	57	5,876	10,456
Total assets of the entities	**1,285**	**4,289**	**2,277**	1,286	3,783	10,456

(1) Securities held that are issued by our Canadian customer securitization vehicles are comprised of asset-backed commercial paper and are classified as trading securities and available-for-sale securities. All assets held by these vehicles relate to assets in Canada.

(2) Exposure to loss represents securities held, drawn and undrawn facilities, and derivative assets.

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

Capital and Funding Vehicles

Certain of our capital and funding vehicles purchase notes issued by us as their underlying assets. In these situations, we are not exposed to significant default or credit risk. Our remaining exposure to variable returns is less than that of the note holders, who are exposed to our default and credit risk. We have determined that we do not consolidate these vehicles. See Note 1 and Note 16 for further information related to capital trusts.

Canadian Customer Securitization Vehicles

We sponsor customer securitization vehicles (also referred to as bank-sponsored multi-seller conduits) that provide our customers with alternate sources of funding through the securitization of their assets. These vehicles provide clients with access to financing in the ABCP markets by allowing them to sell their assets into the vehicles, which then issue ABCP to investors to fund the purchases. We do not sell assets to the customer securitization vehicles. We earn fees for providing services related to the securitizations, including liquidity, distribution and financial arrangement fees for supporting the ongoing operations of the vehicles. We have determined that we do not have control of these entities as their key relevant activity, the servicing of program assets, does not reside with us. We provide liquidity facilities to these vehicles which may require that we provide additional financing to the vehicles in the event that certain events occur. The total committed undrawn amount under these facilities at October 31, 2015 was $5,573 million ($5,214 million at October 31, 2014).

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 derivative contracts with these third parties to provide investors with their desired exposure, and we hedge our exposure related to these derivative contracts by investing in other funds through SEs. We are not required to consolidate these vehicles.

Compensation Trusts

We sponsor various share ownership arrangements, certain of which are administered through trusts. Generally these arrangements permit employees to purchase bank common shares.

Employees can direct a portion of their gross salary towards the purchase of our common shares and we match 50% of employees' contributions up to 6% of their individual gross salary. Our matching contributions are paid into trusts, which purchase our common shares on the open market for distribution to employees once those employees are entitled to the shares under the terms of the plan. We are not required to consolidate our compensation trusts. These trusts are not included in the table above, as we have no interest in the trusts.

Total assets held under our share ownership arrangements amounted to $1,446 million as at October 31, 2015 ($1,532 million in 2014).

BMO Managed Funds

We have established a number of funds that we also manage. We assess whether or not we control these funds based on the economic interest we have in the funds, including investments in the funds and management fees earned from the funds, and any investors' rights to remove us as investment manager. Based on our assessment, we have determined that we do not control these funds. Our total exposure to unconsolidated BMO managed funds was $589 million at October 31, 2015 ($513 million in 2014), which is included in securities on our Consolidated Balance Sheet.

Non-BMO Managed Funds

We purchase and hold units of non-BMO managed funds for investment and other purposes. We are considered to have an interest in these funds through our holding of units, and because we may act as counterparty in certain derivative contracts or other interests. These activities do not constitute control, and as a result our interests in these funds are not consolidated. Our total exposure to non-BMO managed funds was $3,735 million at October 31, 2015 ($11,647 million in 2014), which is included in securities on our Consolidated Balance Sheet.

Other Structured Entities

We may be deemed to be the sponsor of an SE if we are involved in the design, legal set-up or marketing of the SE. We may also be deemed to be the sponsor of an SE if market participants would reasonably associate the entity with us. We do not have an interest in certain SEs that we have sponsored. The amounts of revenue earned from such entities are not significant.

Note 8: Derivative Instruments

Derivative instruments are financial contracts that derive their value from underlying changes in interest rates, foreign exchange rates or other financial or commodity prices or indices.

Derivative instruments are either regulated exchange-traded contracts or negotiated over-the-counter contracts. We use these instruments for trading purposes, as well as to manage our exposures, mainly to currency and interest rate fluctuations, as part of our asset/liability management program.

Types of Derivatives

Swaps

Swaps are contractual agreements between two parties to exchange a series of cash flows. The various swap agreements that we enter into are as follows:

Interest rate swaps – counterparties generally exchange fixed and floating rate interest payments based on a notional value in a single currency.

Cross-currency swaps – fixed rate interest payments and principal amounts are exchanged in different currencies.

Cross-currency interest rate swaps – fixed and/or floating rate interest payments and principal amounts are exchanged in different currencies.

Commodity swaps – counterparties generally exchange fixed and floating rate payments based on a notional value of a single commodity.

Equity swaps – counterparties exchange the return on an equity security or a group of equity securities for the return based on a fixed or floating interest rate or the return on another equity security or group of equity securities.

Credit default swaps – one counterparty pays the other a fee in exchange for that other counterparty agreeing to make a payment if a credit event occurs, such as bankruptcy or failure to pay.

Total return swaps – one counterparty agrees to pay or receive from the other cash amounts based on changes in the value of a reference asset or group of assets, including any returns such as interest earned on these assets, in exchange for amounts that are based on prevailing market funding rates.

The main risks associated with these instruments are related to exposure to movements in interest rates, foreign exchange rates, credit quality, securities values or commodities prices, as applicable, and the possible inability of counterparties to meet the terms of the contracts.

Forwards and Futures

Forwards and futures are contractual agreements to either buy or sell a specified amount of a currency, commodity, interest-rate-sensitive financial instrument or security at a specified price and date in the future.

Forwards are customized contracts transacted in the over-the-counter market. Futures are transacted in standardized amounts on regulated exchanges and are subject to daily cash margining.

The main risks associated with these instruments are related to exposure to movements in interest rates, foreign exchange rates, credit quality, securities values or commodities prices, as applicable, and the possible inability of counterparties to meet the terms of the contracts.

Options

Options are contractual agreements that convey to the purchaser the right but not the obligation to either buy or sell a specified amount of a currency, commodity, interest-rate-sensitive financial instrument or security at a fixed future date or at any time within a fixed future period.

For options written by us, we receive a premium from the purchaser for accepting market risk.

For options purchased by us, we pay a premium for the right to exercise the option. Since we have no obligation to exercise the option, our primary exposure to risk is the potential credit risk if the writer of an over-the-counter contract fails to meet the terms of the contract.

Caps, collars and floors are specialized types of written and purchased options. They are contractual agreements in which the writer agrees to pay the purchaser, based on a specified notional amount, the difference between the market rate and the prescribed rate of the cap, collar or floor. The writer receives a premium for selling this instrument.

A swaption is an option granting its owner the right but not the obligation to enter into an underlying swap.

A future option is an option contract in which the underlying instrument is a single futures contract.

The main risks associated with these instruments are related to exposure to movements in interest rates, foreign exchange rates, credit quality, value of the underlying financial instrument or commodity, as applicable, and the possible inability of counterparties to meet the terms of the contracts.

Risks Hedged

Interest Rate Risk

We manage interest rate risk through bonds, interest rate futures, interest rate swaps and options, which are linked to and adjust the interest rate sensitivity of a specific asset, liability, forecasted transaction or firm commitment, or a specific pool of transactions with similar risk characteristics.

Foreign Currency Risk

We manage foreign currency risk through currency futures, foreign currency options, cross-currency swaps and forward contracts. These derivatives are marked to market, with realized and unrealized gains and losses recorded in non-interest revenue, consistent with the accounting treatment for gains and losses on the economically hedged item. Changes in fair value on forward contracts that qualify as accounting hedges are recorded in other comprehensive income, with the spot/forward differential (the difference between the foreign currency exchange rate at the inception of the contract and the rate at the end of the contract) being recorded in interest expense over the term of the hedge. Foreign currency translation on investments in foreign operations is managed through deposits. The foreign currency translation on the deposits designated in net investment hedges is recorded in other comprehensive income.

Trading Derivatives

Trading derivatives include derivatives entered into with customers to accommodate their risk management needs, market-making to facilitate customer-driven demand for derivatives, derivatives transacted on a limited basis to generate trading income from our principal trading positions and certain derivatives that are executed as part of our risk management strategy that do not qualify as hedges for accounting purposes ("economic hedges").

We structure and market derivative products to enable customers to transfer, modify or reduce current or expected risks.

Principal trading activities include market-making and positioning activities. Market-making involves quoting bid and offer prices to other market participants with the intention of generating revenues based on spread and volume. Positioning activities involve managing market risk positions with the expectation of profiting from favourable movements in prices, rates or indices.

Trading derivatives are recorded at fair value. Realized and unrealized gains and losses are recorded in trading revenues in our Consolidated Statement of Income. Unrealized gains on trading derivatives are recorded as derivative instrument assets and unrealized losses are recorded as derivative instrument liabilities in our Consolidated Balance Sheet.

Hedging Derivatives

In accordance with our risk management strategy, we enter into various derivative contracts to hedge our interest rate and foreign currency exposures.

We may also economically hedge a portion of our U.S. dollar earnings through forward foreign exchange contracts to minimize fluctuations in our consolidated net income due to the translation of our U.S. dollar earnings. These contracts are recorded at fair value, with changes in fair value recorded in non-interest revenue in our Consolidated Statement of Income.

Accounting Hedges

In order for a derivative instrument to qualify as an accounting hedge, the hedging relationship must be designated and formally documented at its inception, detailing the particular risk management objective and strategy for the hedge and the specific asset, liability or cash flow being hedged, as well as how its effectiveness is being assessed. Changes in the fair value of the derivative must be highly effective in offsetting changes in the fair value or changes in the amount of future cash flows of the hedged item.

Hedge effectiveness is evaluated at the inception of the hedging relationship and on an ongoing basis, retrospectively and prospectively, primarily using quantitative statistical measures of correlation. Any ineffectiveness in the hedging relationship is recognized in non-interest revenue, other, in our Consolidated Statement of Income as it arises.

Cash Flow Hedges

Cash flow hedges modify exposure to variability in cash flows for variable interest rate bearing instruments, foreign currency denominated assets and liabilities and certain cash-settled share-based payment grants subject to equity price risk. Variable interest rate bearing instruments include floating rate loans and deposits. Our cash flow hedges have a maximum remaining term to maturity of 20 years.

We record interest that we pay or receive on these cash flow hedge derivatives as an adjustment to net interest income in our 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. The excess 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 our Consolidated Statement of Income.

For cash flow hedges that are discontinued before the end of the original hedge term, the cumulative unrealized gain or loss recorded in other comprehensive income is amortized to our Consolidated Statement of Income in net interest income for interest rate swaps and in employee compensation for total return swaps as the hedged item is recorded in earnings. If the hedged item is sold or settled, the entire unrealized gain or loss is recognized immediately in net interest income in our Consolidated Statement of Income.

The amount of unrealized gain that we expect to reclassify to our Consolidated Statement of Income over the next 12 months is $166 million ($122 million after tax). This will adjust the interest income and interest expense recorded on assets and liabilities and employee compensation expense that were hedged.

The following table presents the impact of cash flow hedges on our financial results.

(Canadian $ in millions)

		Pre-tax gains/(losses) recorded in income	
Contract type	Fair value change recorded in other comprehensive income	Fair value change recorded in non-interest revenue – other	Reclassification of gains on designated hedges from other comprehensive income to net interest income
2015			
Interest rate	**697**	**2**	**119**
Foreign exchange (1)	**33**	**1**	**na**
Share-based payment awards	**(14)**	**–**	**(8)**
Total	**716**	**3**	**111**
2014			
Interest rate	224	3	130
Foreign exchange (1)	102	–	na
Total	326	3	130
2013			
Interest rate	(86)	–	195
Foreign exchange (1)	49	–	na
Total	(37)	–	195

(1) Amortization of the spot/forward differential on foreign exchange contracts of a loss of $40 million for the year ended October 31, 2015 ($4 million loss in 2014 and $25 million loss in 2013) was transferred from other comprehensive income to interest expense.

na – not applicable

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

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 securities, deposits and subordinated debt.

We record interest receivable or payable on these derivatives as an adjustment to net interest income in our Consolidated Statement of Income over the life of the hedge.

For fair value hedges, the hedging derivative is recorded at fair value and any fixed rate assets and liabilities that are part of a hedging relationship are adjusted for the changes in value of the risk being hedged ("fair value hedge adjustment"). To the extent that the change in the fair value of the derivative does not offset changes in the fair value of the hedged item (the "ineffectiveness of the hedge"), the net amount is recorded directly in non-interest revenue, other, in our Consolidated Statement of Income.

For fair value hedges that are discontinued, we cease adjusting the hedged item to fair value. The cumulative fair value adjustment of the hedged item is then amortized to net interest income over its remaining term to maturity. If the hedged item is sold or settled, the cumulative fair value adjustment is included in the determination of the gain or loss on sale or settlement.

The following table presents the impact of fair value hedges on our financial results.

(Canadian $ in millions)

				Pre-tax gains/(losses) recorded in income
Contract type		Amount of gain/(loss) on hedging derivatives (1)	Fair value hedge adjustment (2)	Hedge ineffectiveness recorded in non-interest revenue – other
Interest rate contracts	**2015**	**225**	**(219)**	**6**
	2014	46	(39)	7
	2013	(371)	360	(11)

(1) Unrealized gains (losses) on hedging derivatives are recorded in other assets – derivative instruments or other liabilities – derivative instruments in the Consolidated Balance Sheet.

(2) Unrealized gains (losses) on hedged items are recorded in securities – available-for-sale, subordinated debt, deposits and other liabilities.

Net Investment Hedges

Net investment hedges mitigate our exposure to foreign currency exchange rate fluctuations related to our net investment in foreign operations. Deposit liabilities denominated in foreign currencies are designated as hedges for a portion of this exposure. The foreign currency translation of our net investment in foreign operations and the corresponding hedging instrument is recorded in unrealized gains (losses) on translation of net foreign operations in other comprehensive income. To the extent that the hedging instrument is not effective, amounts are included in the Consolidated Statement of Income in foreign exchange, other than trading. There was no hedge ineffectiveness associated with net investment hedges for the years ended October 31, 2015 and 2014. We use foreign currency deposits with a term to maturity of zero to three months as hedging instruments in net investment hedges, and the fair value of such deposits was $1,485 million as at October 31, 2015 ($2,365 million in 2014).

Embedded Derivatives

From time to time, we purchase or issue financial instruments containing embedded derivatives. The embedded derivative is separated from the host contract and carried at fair value if the economic characteristics of the derivative are not closely related to those of the host contract, the terms of the embedded derivative are the same as those of a stand-alone derivative, and the combined contract is not held for trading or designated at fair value. To the extent that we cannot reliably identify and measure the embedded derivative, the entire contract is carried at fair value, with changes in fair value reflected in income. Embedded derivatives in certain of our equity linked notes are accounted for separately from the host instrument.

Contingent Features

Certain over-the-counter derivative instruments contain provisions that link the amount of collateral we are required to post or pay to our credit ratings (as determined by the major credit rating agencies). If our credit ratings were to be downgraded, certain counterparties to these derivative instruments could demand immediate and ongoing collateralization overnight on derivative liability positions or request immediate payment. The aggregate fair value of all derivative instruments with collateral posting requirements that were in a liability position on October 31, 2015 was

$11,528 million, for which we have posted collateral of $11,122 million. If our credit rating had been downgraded to A and A- on October 31, 2015 (per Standard & Poor's Ratings Services), we would have been required to post collateral or meet payment demands of an additional $532 million and $800 million, respectively.

Fair Value

Fair value represents point-in-time estimates that may change in subsequent reporting periods due to market conditions or other factors. A discussion of the fair value measurement of derivatives is included in Note 18. Fair values of our derivative instruments are as follows:

(Canadian $ in millions)			**2015**			2014
	Gross assets	**Gross liabilities**	**Net**	Gross assets	Gross liabilities	Net
Trading						
Interest Rate Contracts						
Swaps	**17,382**	**(16,449)**	**933**	17,020	(15,986)	1,034
Forward rate agreements	**25**	**(6)**	**19**	4	(6)	(2)
Futures	**1**	**–**	**1**	17	(21)	(4)
Purchased options	**637**	**–**	**637**	697	–	697
Written options	**–**	**(581)**	**(581)**	–	(616)	(616)
Foreign Exchange Contracts						
Cross-currency swaps	**5,128**	**(4,239)**	**889**	2,153	(1,182)	971
Cross-currency interest rate swaps	**6,847**	**(12,128)**	**(5,281)**	5,705	(6,682)	(977)
Forward foreign exchange contracts	**3,099**	**(1,306)**	**1,793**	3,874	(2,856)	1,018
Purchased options	**133**	**–**	**133**	447	–	447
Written options	**–**	**(178)**	**(178)**	–	(465)	(465)
Commodity Contracts						
Swaps	**993**	**(1,818)**	**(825)**	376	(922)	(546)
Purchased options	**674**	**–**	**674**	307	–	307
Written options	**–**	**(953)**	**(953)**	–	(412)	(412)
Equity Contracts	**969**	**(2,201)**	**(1,232)**	947	(3,040)	(2,093)
Credit Default Swaps						
Purchased	**36**	**–**	**36**	80	–	80
Written	**–**	**(48)**	**(48)**	–	(124)	(124)
Total fair value – trading derivatives	**35,924**	**(39,907)**	**(3,983)**	31,627	(32,312)	(685)
Average fair value (1)	**42,027**	**(44,445)**	**(2,418)**	30,304	(31,092)	(788)
Hedging						
Interest Rate Contracts						
Cash flow hedges – swaps	**664**	**(90)**	**574**	196	(115)	81
Fair value hedges – swaps	**544**	**(387)**	**157**	330	(272)	58
Total swaps	**1,208**	**(477)**	**731**	526	(387)	139
Foreign Exchange Contracts						
Cash flow hedges – forward foreign exchange contracts	**1,092**	**(2,255)**	**(1,163)**	502	(958)	(456)
Total foreign exchange contracts	**1,092**	**(2,255)**	**(1,163)**	502	(958)	(456)
Equity Contracts						
Cash flow hedges – equity contracts	**14**	**–**	**14**	–	–	–
Total equity contracts	**14**	**–**	**14**	–	–	–
Total fair value – hedging derivatives (2)	**2,314**	**(2,732)**	**(418)**	1,028	(1,345)	(317)
Average fair value (1)	**2,329**	**(2,404)**	**(75)**	916	(1,089)	(173)
Total fair value – trading and hedging derivatives	**38,238**	**(42,639)**	**(4,401)**	32,655	(33,657)	(1,002)
Less: impact of master netting agreements	**(27,415)**	**27,415**	**–**	(28,885)	28,885	–
Total	**10,823**	**(15,224)**	**(4,401)**	3,770	(4,772)	(1,002)

(1) Average fair value amounts are calculated using a five-quarter rolling average.
(2) The fair values of hedging derivatives wholly or partially offset the changes in fair values of the related on-balance sheet financial instruments or future cash flows.

Assets are shown net of liabilities to customers where we have a legally enforceable right to offset amounts and we intend to settle contracts on a net basis.

Notional Amounts

The notional amounts of our derivatives represent the amount to which a rate or price is applied in order to calculate the amount of cash that must be exchanged under the contract. Notional amounts do not represent assets or liabilities and therefore are not recorded in our Consolidated Balance Sheet.

(Canadian $ in millions)				2015				2014
		Hedging				Hedging		
	Trading	Cash flow	Fair value	Total	Trading	Cash flow	Fair value	Total
Interest Rate Contracts								
Over-the-counter								
Swaps	**2,853,087**	**59,021**	**47,679**	**2,959,787**	2,580,940	45,753	48,984	2,675,677
Forward rate agreements	**432,744**	**–**	**–**	**432,744**	361,484	–	–	361,484
Purchased options	**21,344**	**–**	**–**	**21,344**	19,267	–	–	19,267
Written options	**24,154**	**–**	**–**	**24,154**	22,955	–	–	22,955
	3,331,329	**59,021**	**47,679**	**3,438,029**	2,984,646	45,753	48,984	3,079,383
Exchange-traded								
Futures	**137,583**	**–**	**–**	**137,583**	125,272	–	–	125,272
Purchased options	**26,598**	**–**	**–**	**26,598**	21,680	–	–	21,680
Written options	**25,038**	**–**	**–**	**25,038**	21,342	–	–	21,342
	189,219	**–**	**–**	**189,219**	168,294	–	–	168,294
Total interest rate contracts	**3,520,548**	**59,021**	**47,679**	**3,627,248**	3,152,940	45,753	48,984	3,247,677
Foreign Exchange Contracts								
Over-the-counter								
Cross-currency swaps	**75,890**	**193**	**–**	**76,083**	51,374	242	–	51,616
Cross-currency interest rate swaps	**339,431**	**36**	**–**	**339,467**	279,119	–	–	279,119
Forward foreign exchange contracts	**362,544**	**30,554**	**–**	**393,098**	283,196	16,284	–	299,480
Purchased options	**28,297**	**–**	**–**	**28,297**	37,245	–	–	37,245
Written options	**28,960**	**–**	**–**	**28,960**	36,913	–	–	36,913
	835,122	**30,783**	**–**	**865,905**	687,847	16,526	–	704,373
Exchange-traded								
Futures	**677**	**–**	**–**	**677**	813	–	–	813
Purchased options	**2,562**	**–**	**–**	**2,562**	3,110	–	–	3,110
Written options	**2,012**	**–**	**–**	**2,012**	3,044	–	–	3,044
	5,251	**–**	**–**	**5,251**	6,967	–	–	6,967
Total foreign exchange contracts	**840,373**	**30,783**	**–**	**871,156**	694,814	16,526	–	711,340
Commodity Contracts								
Over-the-counter								
Swaps	**11,929**	**–**	**–**	**11,929**	13,559	–	–	13,559
Purchased options	**6,172**	**–**	**–**	**6,172**	8,526	–	–	8,526
Written options	**4,103**	**–**	**–**	**4,103**	4,166	–	–	4,166
	22,204	**–**	**–**	**22,204**	26,251	–	–	26,251
Exchange-traded								
Futures	**16,803**	**–**	**–**	**16,803**	22,586	–	–	22,586
Purchased options	**7,614**	**–**	**–**	**7,614**	6,733	–	–	6,733
Written options	**9,720**	**–**	**–**	**9,720**	8,499	–	–	8,499
	34,137	**–**	**–**	**34,137**	37,818	–	–	37,818
Total commodity contracts	**56,341**	**–**	**–**	**56,341**	64,069	–	–	64,069
Equity Contracts								
Over-the-counter	**46,942**	**172**	**–**	**47,114**	48,702	–	–	48,702
Exchange-traded	**4,371**	**–**	**–**	**4,371**	7,314	–	–	7,314
Total equity contracts	**51,313**	**172**	**–**	**51,485**	56,016	–	–	56,016
Credit Default Swaps								
Over-the-counter purchased	**6,665**	**–**	**–**	**6,665**	8,801	–	–	8,801
Over-the-counter written	**9,385**	**–**	**–**	**9,385**	11,983	–	–	11,983
Total credit default swaps	**16,050**	**–**	**–**	**16,050**	20,784	–	–	20,784
Total	**4,484,625**	**89,976**	**47,679**	**4,622,280**	3,988,623	62,279	48,984	4,099,886

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

Derivative-Related Market Risk

Derivative instruments are subject to market risk. Market risk arises from the potential for a negative impact on the balance sheet and/or income statement due to adverse changes in the value of derivative 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 strive to limit market risk by employing comprehensive governance and management processes for all market risk-taking activities.

Derivative-Related Credit Risk

Over-the-counter derivative instruments are subject to credit risk arising from the possibility that counterparties may default on their obligations. The credit risk associated with derivatives is normally a small fraction of the notional amount of the derivative instrument. Derivative contracts generally expose us to potential credit loss if changes in market rates affect a counterparty's position unfavourably and the counterparty defaults on payment. The credit risk is represented by the positive fair value of the derivative instrument. We strive to limit credit risk by dealing with counterparties that we believe are creditworthy, and we manage our credit risk for derivatives using the same credit risk process that is applied to loans and other credit assets.

We also pursue opportunities to reduce our exposure to credit losses on derivative instruments, including through collateral and by entering into master netting agreements with counterparties. The credit risk associated with favourable contracts is eliminated by legally enforceable master netting agreements to the extent that unfavourable contracts with the same counterparty must be settled concurrently with favourable contracts.

Exchange-traded derivatives have limited potential for credit exposure as they are settled net daily with each exchange.

Terms used in the credit risk table below are as follows:

Replacement cost represents the cost of replacing all contracts that have a positive fair value, determined using current market rates. It represents in effect the unrealized gains on our derivative instruments. Replacement costs disclosed below represent the net of the asset and liability to a specific counterparty where we have a legally enforceable right to offset the amount owed to us with the amount owed by us and we intend either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Credit risk equivalent represents the total replacement cost plus an amount representing the potential future credit exposure, as outlined in OSFI's Capital Adequacy Guideline.

Risk-weighted assets represent the credit risk equivalent, weighted on the basis of the creditworthiness of the counterparty, as prescribed by OSFI.

(Canadian $ in millions)			2015			2014
	Replacement cost	**Credit risk equivalent**	**Risk-weighted assets**	Replacement cost	Credit risk equivalent	Risk-weighted assets
Interest Rate Contracts						
Swaps	**18,590**	**22,037**	**–**	17,546	21,371	–
Forward rate agreements	**25**	**24**	**–**	4	45	–
Purchased options	**633**	**651**	**–**	691	705	–
Total interest rate contracts	**19,248**	**22,712**	**1,461**	18,241	22,121	1,393
Foreign Exchange Contracts						
Cross-currency swaps	**5,128**	**8,602**	**–**	2,153	5,039	–
Cross-currency interest rate swaps	**6,847**	**13,696**	**–**	5,705	11,219	–
Forward foreign exchange contracts	**4,191**	**7,838**	**–**	4,376	6,477	–
Purchased options	**115**	**768**	**–**	415	837	–
Total foreign exchange contracts	**16,281**	**30,904**	**2,034**	12,649	23,572	1,656
Commodity Contracts						
Swaps	**993**	**2,472**	**–**	376	1,902	–
Purchased options	**69**	**1,043**	**–**	30	1,109	–
Total commodity contracts	**1,062**	**3,515**	**496**	406	3,011	472
Equity Contracts	**892**	**3,366**	**214**	896	3,547	208
Credit Default Swaps	**36**	**245**	**34**	80	271	42
Total derivatives	**37,519**	**60,742**	**4,239**	32,272	52,522	3,771
Less: impact of master netting agreements	**(27,415)**	**(40,140)**	**–**	(28,885)	(35,585)	–
Total	**10,104**	**20,602**	**4,239**	3,387	16,937	3,771

The total derivatives and the impact of master netting agreements for replacement cost do not include exchange-traded derivatives with a fair value of $719 million as at October 31, 2015 ($383 million in 2014).

Transactions are conducted with counterparties in various geographic locations and industry sectors. Set out below is the replacement cost of contracts (before and after the impact of master netting agreements) with customers located in the following countries, based on country of ultimate risk.

(Canadian $ in millions, except as noted)	Before master netting agreements				After master netting agreements			
	2015		2014		**2015**		2014	
Canada	**19,492**	**52**	14,395	45	**5,832**	**58**	1,769	52
United States	**7,702**	**21**	7,579	23	**2,609**	**26**	875	26
United Kingdom	**3,220**	**9**	3,623	11	**398**	**4**	232	7
Other countries (1)	**7,105**	**18**	6,675	21	**1,265**	**12**	511	15
Total	**37,519**	**100%**	32,272	100%	**10,104**	**100%**	3,387	100%

(1) No other country represented 15% or more of our replacement cost in 2015 or 2014.

Transactions are conducted with various counterparties. Set out below is the replacement cost of contracts (before the impact of master netting agreements) with customers in the following industries:

As at October 31, 2015 (Canadian $ in millions)	Interest rate contracts	Foreign exchange contracts	Commodity contracts	Equity contracts	Credit default swaps	Total
Financial institutions	**13,882**	**10,565**	**253**	**708**	**35**	**25,443**
Governments	**2,940**	**3,343**	**85**	**–**	**–**	**6,368**
Natural resources	**–**	**27**	**114**	**–**	**–**	**141**
Energy	**250**	**693**	**189**	**–**	**–**	**1,132**
Other	**2,176**	**1,653**	**421**	**184**	**1**	**4,435**
Total	**19,248**	**16,281**	**1,062**	**892**	**36**	**37,519**

As at October 31, 2014 (Canadian $ in millions)	Interest rate contracts	Foreign exchange contracts	Commodity contracts	Equity contracts	Credit default swaps	Total
Financial institutions	13,997	8,903	157	660	66	23,783
Governments	2,262	2,330	11	–	–	4,603
Natural resources	33	27	37	–	–	97
Energy	171	255	36	–	–	462
Other	1,778	1,134	165	236	14	3,327
Total	18,241	12,649	406	896	80	32,272

Term to Maturity

Our derivative contracts have varying maturity dates. The remaining contractual terms to maturity for the notional amounts of our derivative contracts are set out below:

(Canadian $ in millions)	Term to maturity					2015	2014
	Within 1 year	**1 to 3 years**	**3 to 5 years**	**5 to 10 years**	**Over 10 years**	**Total notional amounts**	Total notional amounts
Interest Rate Contracts							
Swaps	**1,110,622**	**573,718**	**846,317**	**380,048**	**49,082**	**2,959,787**	2,675,677
Forward rate agreements, futures and options	**592,366**	**64,574**	**6,334**	**4,064**	**123**	**667,461**	572,000
Total interest rate contracts	**1,702,988**	**638,292**	**852,651**	**384,112**	**49,205**	**3,627,248**	3,247,677
Foreign Exchange Contracts							
Cross-currency swaps	**19,320**	**16,868**	**22,170**	**15,342**	**2,383**	**76,083**	51,616
Cross-currency interest rate swaps	**86,626**	**108,857**	**74,121**	**57,722**	**12,141**	**339,467**	279,119
Forward foreign exchange contracts, futures and options	**445,471**	**8,258**	**1,529**	**332**	**16**	**455,606**	380,605
Total foreign exchange contracts	**551,417**	**133,983**	**97,820**	**73,396**	**14,540**	**871,156**	711,340
Commodity Contracts							
Swaps	**3,604**	**6,626**	**817**	**861**	**21**	**11,929**	13,559
Futures and options	**15,824**	**25,688**	**2,353**	**502**	**45**	**44,412**	50,510
Total commodity contracts	**19,428**	**32,314**	**3,170**	**1,363**	**66**	**56,341**	64,069
Equity Contracts	**43,296**	**5,170**	**1,535**	**68**	**1,416**	**51,485**	56,016
Credit Contracts	**10,958**	**2,966**	**713**	**1,021**	**392**	**16,050**	20,784
Total notional amount	**2,328,087**	**812,725**	**955,889**	**459,960**	**65,619**	**4,622,280**	4,099,886

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

Notes

Note 9: Premises and Equipment

We record all premises and equipment at cost less accumulated amortization, except land, which is recorded at cost. Buildings, computer equipment and operating system software, other equipment and leasehold improvements are amortized on a straight-line basis over their estimated useful lives. When the major components of a building have different useful lives, they are accounted for separately and amortized over each component's useful life. The maximum estimated useful lives we use to amortize our assets are as follows:

Buildings	10 to 40 years
Computer equipment and operating system software	15 years
Other equipment	10 years
Leasehold improvements	Lease term to a maximum of 10 years

Amortization methods, useful lives and the residual values of premises and equipment are reviewed annually for any change in circumstances and are adjusted if appropriate. At least annually, we review whether there are any indications that premises and equipment need to be tested for impairment. If there is an indication that an asset may be impaired, we test for impairment by comparing the asset's carrying value to its recoverable amount. The recoverable amount is calculated as the higher of the value in use and the fair value less costs to sell. Value in use is the present value of the future cash flows expected to be derived from the asset. An impairment charge is recorded when the recoverable amount is less than the carrying value. There were no significant write-downs of premises and equipment due to impairment during the years ended October 31, 2015 and 2014. Gains and losses on disposal are included in non-interest expense, premises and equipment in our Consolidated Statement of Income.

Net rent expense for premises and equipment reported in our Consolidated Statement of Income for the years ended October 31, 2015, 2014 and 2013 was $476 million, $431 million and $434 million, respectively.

(Canadian $ in millions)						2015						2014
	Land	**Buildings**	**Computer equipment**	**Other equipment**	**Leasehold improvements**	**Total**	Land	Buildings	Computer equipment	Other equipment	Leasehold improvements	Total
Cost												
Balance at beginning of year	**300**	**1,802**	**1,571**	**805**	**1,182**	**5,660**	297	1,680	1,531	770	1,045	5,323
Additions	**5**	**48**	**228**	**73**	**75**	**429**	(1)	106	189	29	106	429
Disposals (1)	**(64)**	**(102)**	**(243)**	**(24)**	**(12)**	**(445)**	(16)	(44)	(188)	(22)	(7)	(277)
Additions from acquisitions (2)	**–**	**–**	**–**	**–**	**–**	**–**	–	–	3	2	4	9
Foreign exchange and other	**39**	**160**	**75**	**47**	**40**	**361**	20	60	36	26	34	176
Balance at end of year	**280**	**1,908**	**1,631**	**901**	**1,285**	**6,005**	300	1,802	1,571	805	1,182	5,660
Accumulated Depreciation and Impairment												
Balance at beginning of year	**–**	**979**	**1,108**	**554**	**743**	**3,384**	–	900	1,104	508	643	3,155
Disposals (1)	**–**	**(57)**	**(137)**	**(14)**	**(6)**	**(214)**	–	(28)	(175)	(19)	(5)	(227)
Amortization	**–**	**36**	**154**	**56**	**132**	**378**	–	34	149	60	122	365
Foreign exchange and other	**–**	**118**	**21**	**55**	**(22)**	**172**	–	73	30	5	(17)	91
Balance at end of year	**–**	**1,076**	**1,146**	**651**	**847**	**3,720**	–	979	1,108	554	743	3,384
Net carrying value	**280**	**832**	**485**	**250**	**438**	**2,285**	300	823	463	251	439	2,276

(1) Includes fully depreciated assets written off.
(2) Premises and equipment are recorded at their fair values at the date of acquisition.

Note 10: Acquisitions

The cost of an acquisition is measured at the fair value of the consideration transferred, including contingent consideration. Acquisition-related costs are recognized as an expense in the period in which they are incurred. The identifiable assets acquired and liabilities assumed and contingent consideration are measured at their fair values at the date of acquisition. Goodwill is measured as the excess of the aggregate of the consideration transferred over the net of the amounts of identifiable assets acquired and liabilities assumed. The results of operations of acquired businesses are included in our consolidated financial statements beginning on the date of acquisition.

Future Acquisition – GE Capital Corporation Transportation Finance business ("GE Transportation Finance")

On September 10, 2015, we announced an agreement to purchase the assets of GE Transportation Finance. The aggregate cash purchase price is approximately US$8.9 billion. The GE Transportation Finance portfolio includes approximately $11.9 billion (US$8.9 billion) in net earning assets, subject to closing adjustments. The acquisition is consistent with our commercial banking activities in both Canada and the U.S. and will expand our commercial customer base. We expect the acquisition to close during the first quarter of 2016 and the results of the acquired business will be included in our U.S. P&C and Canadian P&C reporting segments.

The initial accounting for the business combination is not yet complete and we have not determined the final consideration, fair value of assets acquired, or amount of goodwill expected to be recognized.

Acquisition – F&C Asset Management plc ("F&C")

On May 7, 2014, we completed the acquisition of all the issued and outstanding share capital of F&C Asset Management plc, an investment manager based in the United Kingdom, for cash consideration of £712 million.

The acquisition was accounted for as a business combination. The results of the acquired business are included in our Wealth Management reporting segment.

As part of the acquisition, we acquired intangible assets comprised primarily of fund management contracts and customer relationships, including $178 million of intangible assets that have an indefinite life and $313 million that are being amortized over 2 to 10 years, primarily on a straight-line basis. This acquisition strengthens our position as a globally significant money manager, enhances our asset management platform capabilities and provides opportunities to service wealth markets in the United Kingdom and the rest of Europe. Goodwill of $1,268 million related to this acquisition was recorded and is not deductible for tax purposes.

As part of the acquisition of F&C, we acquired a subsidiary of F&C, F&C REIT LLP, that is 30% owned by three other partners. We have recorded the ownership interests of the partners in F&C REIT LLP as non-controlling interest in our Consolidated Balance Sheet based on the non-controlling partners' proportionate share of the net assets of F&C REIT LLP.

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

(Canadian $ in millions)	2014
	F&C
Cash resources	338
Premises and equipment	9
Goodwill	1,268
Intangible assets	491
Other assets	293
Total assets	2,399
Other liabilities	1,083
Non-controlling interests	22
Purchase price	1,294

Note 11: Goodwill and Intangible Assets

Goodwill

When we complete an acquisition, we allocate the purchase price paid to the assets acquired, including identifiable intangible assets, and the liabilities assumed. Any portion of the consideration transferred that is in excess of the fair value of those net assets is considered to be goodwill. Goodwill is not amortized and is instead tested for impairment annually.

In performing the impairment test, we utilize the fair value less costs to sell for each group of cash-generating units ("CGUs") based on discounted cash flow projections. Cash flows were projected for the first 10 years based on actual operating results, expected future business performance and past experience. Beyond the first 10 years, cash flows were assumed to grow at perpetual annual rates of up to 3%. The discount rates we applied in determining the recoverable amounts in 2015 ranged from 5.9% to 11.6% (6.9% to 12.8% in 2014), and were based on our estimate of the cost of capital for each CGU. The cost of capital for each CGU was estimated using the Capital Asset Pricing Model, based on the historical betas of publicly traded peer companies that are comparable to the CGU.

There were no write-downs of goodwill due to impairment during the years ended October 31, 2015 and 2014.

The key assumptions described above may change as market and economic conditions change. However, we estimate that reasonably possible changes in these assumptions are not expected to cause recoverable amounts of our CGUs to decline below their carrying amounts.

A continuity of our goodwill by group of CGUs for the years ended October 31, 2015 and 2014 is as follows:

(Canadian $ in millions)			Personal and Commercial Banking			Wealth Management	BMO Capital Markets	Total
	Canadian P&C	U.S. P&C	Total	Traditional Wealth Management	Insurance	Total		
Balance – October 31, 2013	69	2,702	2,771	847	2	849	199	3,819
Acquisitions during the year	–	–	–	1,268	–	1,268	–	1,268
Other (1)	(1)	220	219	35	–	35	12	266
Balance – October 31, 2014	68	2,922	2,990	2,150	2	2,152	211	5,353
Disposals during the year	**–**	**–**	**–**	**(21)**	**–**	**(21)**	**–**	**(21)**
Other (1)	**–**	**471**	**471**	**245**	**–**	**245**	**21**	**737**
Balance – October 31, 2015	**68** (2)	**3,393** (3)	**3,461**	**2,374** (4)	**2** (5)	**2,376**	**232** (6)	**6,069**

(1) Other changes in goodwill included the effects of translating goodwill denominated in foreign currencies into Canadian dollars, purchase accounting adjustments related to prior-year purchases and disposals of businesses during the year.
(2) Relates primarily to bcpbank Canada, Diners Club and Aver Media LP.
(3) Relates primarily to New Lenox State Bank, First National Bank of Joliet, Household Bank branches, Mercantile Bancorp, Inc., Villa Park Trust Savings Bank, First National Bank & Trust, Ozaukee Bank, Merchants and Manufacturers Bancorporation, Inc., Diners Club, AMCORE and M&I.
(4) Relates to BMO Nesbitt Burns Inc., Guardian Group of Funds Ltd., Pyrford International plc, Integra GRS, Lloyd George Management, M&I, Harris myCFO, Inc., Stoker Ostler Wealth Advisors, Inc., CTC Consulting LLC, AWMB and F&C Asset Management plc.
(5) Relates to AIG.
(6) Relates to Gerard Klauer Mattison & Co., Inc., BMO Nesbitt Burns Inc., Paloma Securities L.L.C. and M&I.

Intangible Assets

Intangible assets related to our acquisitions are initially recorded at their fair value at the acquisition date and subsequently at cost less accumulated amortization. Software is recorded at cost less accumulated amortization. Amortization expense is recorded in amortization of intangible assets on the Consolidated Statement of Income. The following table presents the changes in the balance of these intangible assets:

(Canadian $ in millions)	Customer relationships	Core deposits	Branch distribution networks	Purchased software – amortizing	Developed software – amortizing	Software under development	Other	Total
Cost as at October 31, 2013	389	754	154	544	1,606	243	29	3,719
Additions/disposals/other	–	–	–	24	286	69	–	379
Acquisitions	171	–	–	–	17	–	303	491
Foreign exchange	66	61	13	(28)	24	4	(1)	139
Cost as at October 31, 2014	626	815	167	540	1,933	316	331	4,728
Additions/disposals/other	**(23)**	**–**	**(4)**	**7**	**345**	**42**	**53**	**420**
Acquisitions	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Foreign exchange	**80**	**129**	**27**	**15**	**42**	**11**	**37**	**341**
Cost as at October 31, 2015	**683**	**944**	**190**	**562**	**2,320**	**369**	**421**	**5,489**

The following table presents the accumulated amortization of the intangible assets:

(Canadian $ in millions)	Customer relationships	Core deposits	Branch distribution networks	Purchased software – amortizing	Developed software – amortizing	Software under development	Other	Total
Accumulated amortization at October 31, 2013	124	397	152	489	1,018	–	28	2,208
Disposals/other	–	–	–	–	–	–	–	–
Amortization	61	69	2	20	221	–	9	382
Foreign exchange	44	40	12	(29)	11	–	8	86
Accumulated amortization at October 31, 2014	229	506	166	480	1,250	–	45	2,676
Disposals/other	**(8)**	**–**	**(3)**	**–**	**–**	**–**	**–**	**(11)**
Amortization	**78**	**66**	**2**	**17**	**230**	**–**	**18**	**411**
Foreign exchange	**39**	**83**	**25**	**8**	**60**	**–**	**(10)**	**205**
Accumulated amortization at October 31, 2015	**338**	**655**	**190**	**505**	**1,540**	**–**	**53**	**3,281**
Carrying value at October 31, 2015	**345**	**289**	**–**	**57**	**780**	**369**	**368**	**2,208**
Carrying value at October 31, 2014	397	309	1	60	683	316	286	2,052

Intangible assets are amortized to income over the period during which we believe the assets will benefit us, on either a straight-line or an accelerated basis, over a period not to exceed 15 years. We have $198 million as at October 31, 2015 ($178 million as at October 31, 2014) in intangible assets with indefinite lives that relate primarily to fund management contracts.

The useful lives of intangible assets are reviewed annually for any changes in circumstances. We test finite life intangible assets for impairment when events or changes in circumstances indicate that their carrying value may not be recoverable. Indefinite life intangible assets are tested annually for impairment. If any intangible assets are determined to be impaired, we write them down to their recoverable amount, the higher of value in use and fair value less costs to sell, when this is less than the carrying value.

There were write-downs of intangible assets of $1 million in the year ended October 31, 2015 ($1 million in 2014).

Note 12: Other Assets

(Canadian $ in millions)	**2015**	2014
Accounts receivable, prepaid expenses and other items	**6,502**	6,104
Accrued interest receivable	**882**	879
Due from clients, dealers and brokers	**309**	542
Insurance-related assets (1)	**478**	445
Pension asset (Note 23)	**502**	261
Total	**8,673**	8,231

(1) Includes reinsurance assets related to our life insurance business in the amount of $nil as at October 31, 2015 ($215 million in 2014).

Note 13: Deposits

	Payable on demand									
(Canadian $ in millions)	Interest bearing		Non-interest bearing		Payable after notice		Payable on a fixed date		Total	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Deposits by:										
Banks	**828**	997	**1,222**	993	**4,123**	2,412	**20,962**	13,841	**27,135**	18,243
Businesses and governments	**15,262**	14,958	**35,212**	28,001	**57,335**	57,165	**155,809**	139,015	**263,618**	239,139
Individuals	**3,095**	2,524	**15,095**	12,900	**83,081**	75,529	**46,145**	44,753	**147,416**	135,706
Total (1) (2)	**19,185**	18,479	**51,529**	41,894	**144,539**	135,106	**222,916**	197,609	**438,169**	393,088
Booked in:										
Canada	**17,031**	16,753	**35,300**	28,832	**75,470**	77,232	**120,199**	111,193	**248,000**	234,010
United States	**1,517**	1,191	**16,091**	12,972	**68,396**	57,314	**76,980**	66,664	**162,984**	138,141
Other countries	**637**	535	**138**	90	**673**	560	**25,737**	19,752	**27,185**	20,937
Total	**19,185**	18,479	**51,529**	41,894	**144,539**	135,106	**222,916**	197,609	**438,169**	393,088

(1) Includes structured notes designated at fair value through profit or loss.
(2) As at October 31, 2015 and 2014, total deposits payable on a fixed date included $26,960 million and $18,183 million, respectively, of federal funds purchased, commercial paper issued and other deposit liabilities. Included in deposits as at October 31, 2015 and 2014 are $221,268 million and $191,155 million, respectively, of deposits denominated in U.S. dollars, and $19,898 million and $8,204 million, respectively, of deposits denominated in other foreign currencies.

Deposits payable on demand are comprised primarily of our customers' chequing accounts, some of which we pay interest on. Our customers need not notify us prior to withdrawing money from their chequing accounts.

Deposits payable after notice are comprised primarily of our customers' savings accounts, on which we pay interest. Deposits payable on a fixed date are comprised of:

- Various investment instruments purchased by our customers to earn interest over a fixed period, such as term deposits and guaranteed investment certificates. The terms of these deposits can vary from one day to 10 years.
- Federal funds purchased, which are overnight borrowings of other banks' excess reserve funds at a United States Federal Reserve Bank. As at October 31, 2015, we had borrowed $263 million of federal funds ($651 million in 2014).
- Commercial paper, which totalled $7,134 million as at October 31, 2015 ($4,294 million in 2014).
- Covered bonds, which totalled $12,611 million as at October 31, 2015 ($7,683 million in 2014).

During the year, we issued €1,500 million of 0.25% Covered Bonds, Series CBL 2 due January 22, 2020, GBP 325 million of 3MoGBPLibor + 0.19% Covered Bonds, Series CBL 3 due January 29, 2018, €1,500 million of 0.375% Covered Bonds, Series CBL 4 due August 5, 2020, €1,000 million of 0.75% Covered Bonds, Series CBL5 due September 21, 2022 and €135 million of 1.597% Covered Bonds, Series CBL6 due September 28, 2035 under our Global Registered Covered Bond Program. During 2014, we issued €1.0 billion of 1.0% Covered Bonds, Series CBL1 due May 7, 2019 under our Global Registered Covered Bond Program. During the years ended October 31, 2015 and 2014, US$2.0 billion of 2.85% Covered Bonds Series CB2 and US$2.0 billion of 1.3% Covered Bonds, Series 4 matured, respectively.

The following table presents the maturity schedule for our deposits payable on a fixed date:

(Canadian $ in millions)	**2015**	2014
Within 1 year	**144,609**	124,782
1 to 2 years	**23,385**	22,733
2 to 3 years	**23,324**	23,491
3 to 4 years	**7,753**	8,379
4 to 5 years	**11,170**	8,498
Over 5 years	**12,675**	9,726
Total (1)	**222,916**	197,609

(1) Includes $200,907 million of deposits, each greater than one hundred thousand dollars, of which $103,101 million were booked in Canada, $72,073 million were booked in the United States and $25,733 million were booked in other countries ($174,612 million, $92,668 million, $62,193 million and $19,751 million, respectively, in 2014). Of the $103,101 million of deposits booked in Canada, $36,434 million mature in less than three months, $4,956 million mature in three to six months, $11,916 million mature in six to twelve months and $49,795 million mature after 12 months ($92,668 million, $27,304 million, $7,465 million, $11,565 million and $46,334 million, respectively, in 2014). We have unencumbered liquid assets of $188,463 million to support these and other deposit liabilities ($170,981 million in 2014).

The following table presents the average deposit balances and average rates of interest paid during 2015 and 2014:

	Average balances		Average rate paid (%)	
(Canadian $ in millions)	**2015**	2014	**2015**	2014
Deposits Booked in Canada				
Demand deposits – interest bearing	**18,910**	16,469	**0.36**	0.45
Demand deposits – non-interest bearing	**31,762**	26,702	**–**	–
Payable after notice	**76,458**	76,903	**0.57**	0.70
Payable on a fixed date	**120,764**	118,094	**1.35**	1.44
Total deposits booked in Canada	**247,894**	238,168	**0.86**	0.97
Deposits Booked in the United States and Other Countries				
Banks located in the United States and other countries	**11,183**	8,195	**0.28**	0.28
Governments and institutions in the United States and other countries	**13,902**	12,095	**0.39**	0.36
Other demand deposits	**16,109**	12,744	**0.01**	0.02
Other deposits payable after notice or on a fixed date	**146,380**	127,389	**0.31**	0.38
Total deposits booked in the United States and other countries	**187,574**	160,423	**0.29**	0.35
Total average deposits	**435,468**	398,591	**0.62**	0.72

As at October 31, 2015 and 2014, deposits by foreign depositors in our Canadian bank offices amounted to $37,477 million and $30,622 million, respectively.

Most of our structured note liabilities have been designated at fair value through profit or loss and are accounted for at fair value, which aligns the accounting result with the way the portfolio is managed. The change in fair value of these structured notes was recorded as an increase of $196 million in non-interest revenue, trading revenue, and an increase of $143 million before tax was recorded in other comprehensive income related to changes in our own credit spread for the year ended October 31, 2015 (a decrease of $6 million recorded in non-interest revenue, trading revenue, of which $41 million related to changes in our own credit spread for the year ended October 31, 2014). The impact of changes in our own credit spread is measured based on movements in our own credit spread year over year.

The cumulative change in fair value related to changes in our own credit spread that has been recognized since the notes were designated at fair value to October 31, 2015 was an unrealized gain of approximately $67 million. Upon adoption of the own credit provisions of IFRS 9 this year, $143 million of unrealized gain has been recorded in other comprehensive income. The remainder, an unrealized loss of $76 million was recorded through the Statement of Income in prior periods.

The fair value and notional amount due at contractual maturity of these notes as at October 31, 2015 were $9,429 million and $9,869 million, respectively ($7,639 million and $7,733 million, respectively, in 2014).

Note 14: Other Liabilities

Acceptances

Acceptances represent a form of negotiable short-term debt that is issued by our customers and which we guarantee for a fee. We have an offsetting claim, equal to the amount of the acceptances, against our customers. The amount due under acceptances is recorded as a liability and our corresponding claim is recorded as a loan in our Consolidated Balance Sheet.

Securities Lending and Borrowing

Securities lending and borrowing transactions are generally collateralized by securities or cash. Cash advanced or received as collateral is recorded in other assets or other liabilities, respectively. The transfer of the securities to counterparties is only reflected in our Consolidated Balance Sheet if the risks and rewards of ownership have also been transferred. Securities borrowed are not recognized in our Consolidated Balance Sheet unless they are then sold to third parties, in which case the obligation to return the securities is recorded in Securities sold but not yet purchased.

Securities Sold but not yet Purchased

Securities sold but not yet purchased represent our obligations to deliver securities that we did not own at the time of sale. These obligations are recorded at their fair value. Adjustments to the fair value as at the balance sheet date and gains and losses on the settlement of these obligations are recorded in trading revenues in our Consolidated Statement of Income.

Securities Lent or Sold Under Repurchase Agreements

Securities lent or sold under repurchase agreements represent short-term funding transactions in which we sell securities that we own and simultaneously commit to repurchase the same securities at a specified price on a specified date in the future. The obligation to repurchase these securities is recorded at the amount owing. The interest expense related to these liabilities is recorded on an accrual basis.

Other Liabilities

The components of the other liabilities balance were as follows:

(Canadian $ in millions)	2015	2014
Securitization and structured entities liabilities	**21,673**	22,465
Accounts payable, accrued expenses and other items	**8,747**	7,713
Accrued interest payable	**969**	1,050
Liabilities of subsidiaries, other than deposits	**3,948**	3,775
Insurance-related liabilities	**7,060**	6,827
Pension liability (Note 23)	**364**	229
Other employee future benefits liability (Note 23)	**1,192**	1,204
Total	**43,953**	43,263

Included in securitization and structured entities liabilities are amounts related to the notes issued by our credit protection vehicle have been designated at fair value through profit or loss and are accounted for at fair value. This eliminates a measurement inconsistency that would otherwise arise from measuring these note liabilities and offsetting changes in the fair value of the related investments and derivatives on a different basis. The fair value of these note liabilities as at October 31, 2015 of $139 million ($139 million in 2014) is recorded in other liabilities in our Consolidated Balance Sheet. The change in fair value of these note liabilities resulted in $nil in non-interest revenue, trading revenues, for the year ended October 31, 2015 ($nil in 2014).

We designate the obligation related to certain investment contracts at fair value through profit or loss, which eliminates a measurement inconsistency that would otherwise arise from measuring the investment contract liabilities and offsetting changes in the fair value of the investments supporting them on a different basis. The fair value of these investment contract liabilities as at October 31, 2015 of $525 million ($407 million as at October 31, 2014) is recorded in other liabilities in our Consolidated Balance Sheet. The change in fair value of these investment contract liabilities resulted in an increase of $24 million in insurance claims, commissions, and changes in policy benefit liabilities for the year ended October 31, 2015 (increase of $37 million in 2014). For the year ended October 31, 2015, a gain of $20 million was recorded in other comprehensive income related to changes in our credit spread. Changes in the fair value of investments backing these investment contract liabilities are recorded in non-interest revenue, insurance revenue. The impact of changes in our own credit spread is measured based on movements in our own credit spread over the year.

Insurance-Related Liabilities

We are engaged in insurance businesses related to life and health insurance, annuities and reinsurance.

Insurance claims and policy benefit liabilities represent current claims and estimates of future insurance policy benefits. Liabilities for life insurance contracts are determined using the Canadian Asset Liability Method, which incorporates best-estimate assumptions for mortality, morbidity, policy lapses, surrenders, future investment yields, policy dividends, administration costs and margins for adverse deviation. These assumptions are reviewed at least annually and updated to reflect actual experience and market conditions.

A reconciliation of the change in insurance-related liabilities is as follows:

(Canadian $ in millions)	2015	2014
Insurance-related liabilities, beginning of year	**6,827**	6,115
Increase (decrease) in life insurance policy benefit liabilities from:		
New business	**235**	476
In-force policies	**–**	346
Changes in actuarial assumptions and methodology	**(355)**	(291)
Foreign currency	**4**	2
Net increase (decrease) in life insurance policy benefit liabilities	**(116)**	533
Change in other insurance-related liabilities	**349**	179
Insurance-related liabilities, end of year	**7,060**	6,827

Reinsurance

In the ordinary course of business, our insurance subsidiaries reinsure risks to other insurance and reinsurance companies in order to provide greater diversification, limit loss exposure to large risks and provide additional capacity for future growth. These ceding reinsurance arrangements do not relieve our insurance subsidiaries of their direct obligation to the insureds. We evaluate the financial condition of the reinsurers and monitor their credit ratings to minimize our exposure to losses from reinsurer insolvency.

Reinsurance premiums ceded are net against direct premium income and included in non-interest revenue, insurance revenue, in our Consolidated Statement of Income for the years ended October 31, 2015, 2014 and 2013, as shown in the table below.

(Canadian $ in millions)	2015	2014	2013
Direct premium income	**2,027**	1,850	1,567
Ceded premiums	**(466)**	(450)	(434)
	1,561	1,400	1,133

Note 15: Subordinated Debt

Subordinated debt represents our direct unsecured obligations, in the form of notes and debentures, to our debt holders and forms part of our Basel III regulatory capital. Subordinated debt is recorded at amortized cost using the effective interest rate method. The rights of the holders of our notes and debentures are subordinate to the claims of depositors and certain other creditors. We require approval from OSFI before we can redeem any part of our subordinated debt. Where appropriate, we enter into fair value hedges to hedge the risks caused by changes in interest rates (see Note 8).

During the year ended October 31, 2015, we did not issue any subordinated debt. During the year ended October 31, 2014, we issued $1.0 billion of 3.12% subordinated debt under our Canadian Medium-Term Note Program. The issue, Series H Medium-Term Notes, Tranche 1, is due September 19, 2024. The notes reset to a floating rate on September 19, 2019.

During the year ended October 31, 2015, we redeemed all of our outstanding $500 million Subordinated Debentures, Series C Medium-Term Notes Tranche 2, at a redemption price of 100% of the principal amount plus unpaid accrued interest to the redemption date. During the year ended October 31, 2014, we did not redeem any of our subordinated debt.

The term to maturity and repayments of our subordinated debt required over the next two years and thereafter are as follows:

(Canadian $ in millions, except as noted)	Face value	Maturity date	Interest rate (%)	Redeemable at our option beginning in	**2015 Total**	2014 Total
Debentures Series 16	100	February 2017	10.00	February 2012 (1)	**100**	100
Debentures Series 20	150	December 2025 to 2040	8.25	Not redeemable	**150**	150
Series C Medium-Term Notes Tranche 2	500	April 2020	4.87	April 2015	**–**	500
Series D Medium-Term Notes Tranche 1	700	April 2021	5.10	April 2016 (2)	**700**	700
Series F Medium-Term Notes Tranche 1	900	March 2023	6.17	March 2018 (3)	**900**	900
Series G Medium-Term Notes Tranche 1	1,500	July 2021	3.98	July 2016 (4)	**1,500**	1,500
Series H Medium-Term Notes Tranche 1	1,000	September 2024	3.12	September 2019 (5)	**1,000**	1,000
Total (6)					**4,350**	4,850

(1) Redeemable at the greater of par and the Canada Yield Price after their redemption date of February 20, 2012 until their maturity date of February 20, 2017.
(2) Redeemable at the greater of par and the Canada Yield Price prior to April 21, 2016, and redeemable at par commencing April 21, 2016.
(3) Redeemable at the greater of par and the Canada Yield Price prior to March 28, 2018, and redeemable at par commencing March 28, 2018.
(4) Interest on this issue is payable semi-annually at a fixed rate of 3.979% until July 8, 2016, and at a floating rate equal to the three-month Canadian Dealer Offered Rate ("CDOR") plus 1.09%, paid quarterly, thereafter to maturity. This issue is redeemable at par commencing July 8, 2016.
(5) Interest on this issue is payable semi-annually at a fixed rate of 3.12% until September 19, 2019, and at a floating rate equal to the three-month CDOR plus 1.08%, paid quarterly, thereafter to maturity. This issue is redeemable at par commencing September 19, 2019.
(6) Certain amounts of subordinated debt were issued at a premium or discount and include fair value hedge adjustments which together increased their carrying value as at October 31, 2015 by $66 million ($63 million in 2014); see Note 8 for further details. Subordinated debt that we repurchase is excluded from the carrying value.

Please refer to the offering circular related to each of the above issues for further details on Canada Yield Price calculations and the definition of CDOR.

Non-Viability Contingent Capital

The Series H Medium-Term Notes include a non-viability contingent capital provision, which is necessary for the notes issued after a certain date to qualify as regulatory capital under Basel III. As such, the notes are convertible into a variable number of our common shares if OSFI announces that the bank is, or is about to become, non-viable or if a federal or provincial government in Canada publicly announces that the bank has accepted or agreed to accept a capital injection, or equivalent support, to avoid non-viability.

Note 16: Capital Trust Securities

We issue BMO Capital Trust Securities ("BMO BOaTS") through our subsidiary BMO Capital Trust (the "Trust"). The proceeds of BMO BOaTS are used for general corporate purposes. We consolidate the Trust, and the BMO BOaTS are reported in our Consolidated Balance Sheet as non-controlling interest in subsidiaries. During the years ended October 31, 2015 and 2014, we did not issue any BMO BOaTS.

Holders of the BMO BOaTS are entitled to receive semi-annual non-cumulative fixed cash distributions as long as we declare dividends on our preferred shares or, if no preferred shares are outstanding, on our common shares in accordance with our ordinary dividend practice.

(Canadian $ in millions, except Distribution)	Distribution dates	Distribution per BOaTS (1)	Redemption date At the option of the Trust	Principal amount **2015**	2014
BMO BOaTS					
Series D	June 30, December 31	27.37	December 31, 2009	**–**	600
Series E	June 30, December 31	23.17 (2)	December 31, 2010	**450**	450
				450	1,050

(1) Distribution paid on each trust security that has a par value of $1,000.
(2) After December 31, 2015, the distribution will be at the Bankers' Acceptance Rate plus 1.5%.

Redemption by the Trust

On or after the redemption dates indicated above, and subject to the prior approval of OSFI, the Trust may redeem the securities in whole without the consent of the holders.

During the year ended October 31, 2015, we redeemed all of our BMO BOaTS Series D at a redemption amount equal to $1,000 for an aggregate redemption of $600 million, plus unpaid indicated distributions. During the year ended October 31, 2014, there were no redemptions. On November 27, 2015, we announced our intention to redeem all of our BMO BOaTS Series E on December 31, 2015.

Conversion by the Holders

BMO BOaTS Series E cannot be converted at the option of the holders.

Automatic Exchange

The BMO BOaTS Series E will each be automatically exchanged for 40 Class B Non-Cumulative Preferred Shares of the bank, Series 12, without the consent of the holders on the occurrence of specific events, such as a wind-up of the bank, a regulatory requirement to increase capital or violations of regulatory capital requirements.

Note 17: Equity

Share Capital

(Canadian $ in millions, except as noted)			2015			2014			2013
	Number of shares	**Amount**	**Dividends declared per share**	Number of shares	Amount	Dividends declared per share	Number of shares	Amount	Dividends declared per share
Preferred Shares – Classified as Equity									
Class B – Series 13	**–**	**–**	**0.56**	14,000,000	350	1.13	14,000,000	350	1.13
Class B – Series 14	**10,000,000**	**250**	**1.31**	10,000,000	250	1.31	10,000,000	250	1.31
Class B – Series 15	**10,000,000**	**250**	**1.45**	10,000,000	250	1.45	10,000,000	250	1.45
Class B – Series 16	**6,267,391**	**157**	**0.85**	6,267,391	157	0.85	6,267,391	157	1.19
Class B – Series 17	**5,732,609**	**143**	**0.60**	5,732,609	143	0.64	5,732,609	143	0.17
Class B – Series 18 (1)	**–**	**–**	**–**	–	–	0.41	6,000,000	150	1.63
Class B – Series 21 (2)	**–**	**–**	**–**	–	–	0.81	11,000,000	275	1.63
Class B – Series 23	**–**	**–**	**0.34**	16,000,000	400	1.35	16,000,000	400	1.35
Class B – Series 25	**11,600,000**	**290**	**0.98**	11,600,000	290	0.98	11,600,000	290	0.98
Class B – Series 27	**20,000,000**	**500**	**1.00**	20,000,000	500	0.59	–	–	–
Class B – Series 29	**16,000,000**	**400**	**0.98**	16,000,000	400	0.46	–	–	–
Class B – Series 31	**12,000,000**	**300**	**0.95**	12,000,000	300	0.31	–	–	–
Class B – Series 33	**8,000,000**	**200**	**0.45**	–	–	–	–	–	–
Class B – Series 35	**6,000,000**	**150**	**0.41**	–	–	–	–	–	–
Class B – Series 36	**600,000**	**600**	**–**	–	–	–	–	–	–
		3,240			3,040			2,265	
Common Shares									
Balance at beginning of year	**649,050,049**	**12,357**		644,129,945	12,003		650,729,644	11,957	
Issued under the Shareholder Dividend Reinvestment and Share Purchase Plan	**690,471**	**58**		2,786,997	223		2,069,269	130	
Issued/cancelled under the Stock Option Plan and other stock-based compensation plans (Note 22)	**842,821**	**51**		2,133,107	131		2,068,132	116	
Repurchased for cancellation	**(8,000,000)**	**(153)**		–	–		(10,737,100)	(200)	
Balance at End of Year	**642,583,341**	**12,313**	**3.24**	649,050,049	12,357	3.08	644,129,945	12,003	2.94
Share Capital		**15,553**			15,397			14,268	

(1) During the year ended October 31, 2014, we redeemed all of our Class B – Series 18 Preferred Shares. Dividends declared for the year ended October 31, 2014 were $0.41 per share and 6 million shares were outstanding at the time of the dividend declaration.

(2) During the year ended October 31, 2014, we redeemed all of our Class B – Series 21 Preferred Shares. Dividends declared for the year ended October 31, 2014 were $0.81 per share and 11 million shares were outstanding at the time of the dividend declaration.

Preferred Shares

We are authorized by our shareholders to issue an unlimited number of Class A Preferred Shares and Class B Preferred Shares without par value, in series, for unlimited consideration. Class B Preferred Shares may be issued in a foreign currency.

On October 16, 2015, we issued 600,000 Non-Cumulative 5-Year Rate Reset Class B Preferred Shares, Series 36, at a price of $1,000.00 per share, for gross proceeds of $600 million.

On July 29, 2015, we issued 6 million Non-Cumulative Perpetual Class B Preferred Shares, Series 35, at a price of $25.00 cash per share, for gross proceeds of $150 million.

On June 5, 2015, we issued 8 million Non-Cumulative 5-Year Rate Reset Class B Preferred Shares, Series 33, at a price of $25.00 cash per share, for gross proceeds of $200 million.

On July 30, 2014, we issued 12 million Non-Cumulative 5-Year Rate Reset Class B Preferred Shares, Series 31, at a price of $25.00 cash per share, for gross proceeds of $300 million.

On June 6, 2014, we issued 16 million Non-Cumulative 5-Year Rate Reset Class B Preferred Shares, Series 29, at a price of $25.00 cash per share, for gross proceeds of $400 million.

On April 23, 2014, we issued 20 million Non-Cumulative 5-Year Rate Reset Class B Preferred Shares, Series 27, at a price of $25.00 cash per share, for gross proceeds of $500 million.

During the year ended October 31, 2013, we did not issue any preferred shares.

During the year ended October 31, 2015, we redeemed all of our Non-Cumulative Class B Preferred Shares, Series 13, at a redemption price of $25.25 per share for a gross redemption of $353 million. Dividends declared for the year ended October 31, 2015 were $0.56 per share and 14 million shares were outstanding at the time of the dividend declaration. On February 25, 2015, we also redeemed all of our Non-Cumulative Class B Preferred Shares, Series 23, at a redemption price of $25.00 per share plus declared and unpaid dividends up to but excluding the date fixed for redemption. Dividends declared for the year ended October 31, 2015 were $0.34 per share and 16 million shares were outstanding at the time of the dividend declaration.

During the year ended October 31, 2014, we redeemed all of our Non-Cumulative Class B Preferred Shares, Series 18, at a redemption price of $25.00 per share plus declared and unpaid dividends up to but excluding the date fixed for redemption. Dividends declared for the year ended October 31, 2014 were $0.41 per share and 6 million shares were outstanding at the time of the dividend declaration. We also redeemed all of our Non-Cumulative Class B Preferred Shares, Series 21, at a redemption price of $25.00 per share plus declared and unpaid dividends up to but excluding the date fixed for redemption. Dividends declared for the year ended October 31, 2014 were $0.81 per share and 11 million shares were outstanding at the time of the dividend declaration.

During the year ended October 31, 2013, we redeemed all of our Non-Cumulative Class B Preferred Shares, Series 5, at a redemption price of $25.00 per share plus declared and unpaid dividends up to but excluding the date fixed for redemption. Dividends declared for the year ended October 31, 2013 were $0.33 per share and 8 million shares were outstanding at the time of the dividend declaration.

Preferred Share Rights and Privileges

(Canadian $, except as noted)

	Redemption amount	Quarterly non-cumulative dividend (1)	Reset premiums	Date redeemable / convertible	Convertible to
Class B – Series 14	25.00	$ 0.328125	Does not reset	Current (2)	Not convertible
Class B – Series 15	25.00	$ 0.3625	Does not reset	Current (2)	Not convertible
Class B – Series 16	25.00	$ 0.211875 (3)	1.65%	August 25, 2018 (4)(5)(6)	Class B – Series 17 (7)
Class B – Series 17	25.00	Floating (8)	1.65%	August 25, 2018 (4)(5)(6)	Class B – Series 16 (7)
Class B – Series 25	25.00	$ 0.24375 (3)	1.15%	August 25, 2016 (5)(6)	Class B – Series 26 (7)
Class B – Series 27	25.00	$ 0.2500 (3)	2.33%	May 25, 2019 (5)(6)	Class B – Series 28 (7)
Class B – Series 29	25.00	$ 0.24375 (3)	2.24%	August 25, 2019 (5)(6)	Class B – Series 30 (7)
Class B – Series 31	25.00	$ 0.2375 (3)	2.22%	November 25, 2019 (5)(6)	Class B – Series 32 (7)
Class B – Series 33	25.00	$ 0.2375 (3)	2.71%	August 25, 2020 (5)(6)	Class B – Series 34 (7)
Class B – Series 35	25.00	$ 0.3125	Does not reset	August 25, 2020 (2)(6)	Not convertible
Class B – Series 36	1,000.00	$14.6250 (3)	4.97%	November 25, 2020 (5)(6)	Class B – Series 37 (7)

(1) Non-cumulative dividends are payable quarterly as and when declared by the Board of Directors.
(2) Subject to a redemption premium if redeemed prior to November 25, 2016 – Series 14; May 25, 2017 – Series 15; and August 25, 2024 – Series 35.
(3) The dividend rate will reset on the date redeemable and every five years thereafter at a rate equal to the 5-year Government of Canada bond yield plus the reset premium noted. If converted to a floating rate series, the rate will be set as and when declared to the 3-month Government of Canada treasury bill yield plus the reset premium noted.
(4) On July 22, 2013, we announced that we did not intend to exercise our right to redeem the Non-Cumulative 5-Year Rate Reset Class B Preferred Shares, Series 16 on the initial redemption date. As a result, subject to certain conditions, the holders of Series 16 Preferred Shares had the right, at their option, to elect to convert all or part of their Series 16 Preferred Shares on a one-for-one basis into Non-Cumulative Floating Rate Class B Preferred Shares, Series 17, effective August 26, 2013.
(5) Redeemable on the date noted and every five years thereafter.
(6) Convertible on the date noted and every five years thereafter if not redeemed. Series 16, 17, 26, 28, 30, 32, 34 and 37 are floating rate preferred shares.
(7) If converted, the holders have the option to convert back to the original preferred shares on subsequent redemption dates.
(8) Floating rate will be set as and when declared at the 3-month Government of Canada treasury bill yield plus a reset premium of 1.65%.

Non-Viability Contingent Capital

Class B – Series 27, Class B – Series 29, Class B – Series 31, Class B – Series 33, Class B – Series 35 and Class B – Series 36 preferred share issues include a non-viability contingent capital provision, which is necessary for the shares to qualify as regulatory capital under Basel III. As such, the shares are convertible into a variable number of our common shares if OSFI announces that the bank is, or is about to become, non-viable or if a federal or provincial government in Canada publicly announces that the bank has accepted or agreed to accept a capital injection, or equivalent support, to avoid non-viability.

Common Shares

We are authorized by our shareholders to issue an unlimited number of our common shares without par value, for unlimited consideration. Our common shares are not redeemable or convertible. Dividends are declared by our Board of Directors on a quarterly basis and the amount can vary from quarter to quarter.

Normal Course Issuer Bid

On February 1, 2015, we renewed our normal course issuer bid, effective for one year. Under this normal course issuer bid, we may repurchase up to 15 million of our common shares for cancellation. The timing and amount of purchases under the program are subject to management discretion based on factors such as market conditions and capital adequacy. We will periodically consult with OSFI before making purchases under the bid.

Our previous normal course issuer bid, which allowed us to repurchase for cancellation up to 15 million of our common shares, expired on January 31, 2015. During the year ended October 31, 2015, we repurchased 8 million of our common shares at an average cost of $77.25 per share. During the year ended October 31, 2014, we did not make any repurchases under the normal course issuer bid.

Share Redemption and Dividend Restrictions

OSFI must approve any plan to redeem any of our preferred share issues for cash.

We are prohibited from declaring dividends on our preferred or common shares when we would be, as a result of paying such a dividend, in contravention of the capital adequacy, liquidity or any other regulatory directive issued under the *Bank Act*. In addition, common share dividends cannot be paid unless all dividends declared and payable on our preferred shares have been paid or sufficient funds have been set aside to do so.

In addition, we have agreed that if either BMO Capital Trust, a consolidated structured entity, or BMO Capital Trust II, an unconsolidated structured entity, (collectively, the "Trusts"), fails to pay any required distribution on their capital trust securities, we will not declare dividends of any kind on any of our preferred or common shares for a period of time following such Trusts' failure to pay the required distribution (as defined in the applicable prospectuses) unless such Trusts first pay such distribution to the holders of their capital trust securities (see Note 16).

Currently, these limitations do not restrict the payment of dividends on common or preferred shares.

Shareholder Dividend Reinvestment and Share Purchase Plan

We offer a dividend reinvestment and share purchase plan ("DRIP") for our shareholders. Participation in the plan is optional. Under the terms of the DRIP, cash dividends on common shares are reinvested to purchase additional common shares. Shareholders also have the opportunity to make optional cash payments to acquire additional common shares.

For the dividend paid in the first quarter of 2015, common shares to supply the DRIP were issued from treasury without a discount. Commencing with the dividend paid in the second quarter of 2015, common shares to supply the DRIP were purchased on the open market. For the dividend paid in the fourth quarter of 2014, common shares to supply the DRIP were issued from treasury with a two percent discount. For the dividend paid in the

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third quarter of 2014, common shares to supply the DRIP were issued from treasury without a discount. Commencing with the dividend paid in the fourth quarter of 2013 and continuing through the dividend paid in the second quarter of 2014, common shares to supply the DRIP were purchased on the open market.

During the year ended October 31, 2015, we issued a total of 690,471 common shares from treasury (2,786,997 in 2014) and purchased 1,998,589 common shares in the open market for delivery to shareholders (1,276,088 in 2014) under the DRIP.

Potential Share Issuances

As at October 31, 2015, we had reserved 5,842,932 common shares (6,533,403 in 2014) for potential issuance in respect of our Shareholder Dividend Reinvestment and Share Purchase Plan. We have also reserved 12,111,153 common shares (13,337,765 in 2014) for the potential exercise of stock options, as further described in Note 22.

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 price higher than their cost, the premium is recorded as an increase in contributed surplus. If those shares are resold at a price below their cost, the discount is recorded as a reduction first to contributed surplus and then to retained earnings for any amount in excess of total contributed surplus related to treasury shares.

Non-Controlling Interest

Included in non-controlling interest in subsidiaries as at October 31, 2015 were capital trust securities, including accrued interest, totalling $454 million ($1,060 million in 2014) related to non-controlling interest in subsidiaries, which formed part of our Tier 1 regulatory capital, as further described in Note 16. Non-controlling interest in other consolidated entities was $37 million at October 31, 2015 ($31 million in 2014), which included $27 million for F&C ($22 million in 2014).

Note 18: Fair Value of Financial Instruments

We record trading assets and liabilities, derivatives, available-for-sale securities and securities sold but not yet purchased at fair value, and other non-trading assets and liabilities at amortized cost less allowances or write-downs for impairment. The fair values presented in this note are based upon the amounts estimated for individual assets and liabilities and do not include an estimate of the fair value of any of the legal entities or underlying operations that comprise our business.

Fair value represents the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between willing market participants at the measurement date. The fair value amounts disclosed represent point-in-time estimates that may change in subsequent reporting periods due to changes in market conditions or other factors. Some financial instruments are not typically exchangeable or exchanged and therefore it is difficult to determine their fair value. Where there is no quoted market price, we determine fair value using management's best estimates based on a range of valuation techniques and assumptions; since these involve uncertainties, the fair values may not be realized in an actual sale or immediate settlement of the asset or liability.

Governance Over the Determination of Fair Value

Senior executive oversight of our valuation processes is provided through various valuation and risk committees. In order to ensure that all financial instruments carried at fair value are reasonably measured for risk management and financial reporting purposes, we have established governance structures and controls, such as model validation and approval, independent price verification ("IPV") and profit and loss attribution analysis ("PAA"), consistent with industry practice. These controls are applied independently of the relevant operating groups.

We establish and regularly update valuation methodologies for each financial instrument that is required to be measured at fair value. The application of valuation models for products or portfolios is subject to independent approval to ensure only validated models are used. The impact of known limitations of models and data inputs is also monitored on an ongoing basis. IPV is a process that regularly and independently verifies the accuracy and appropriateness of market prices or model inputs used in the valuation of financial instruments. This process assesses fair values using a variety of different approaches to verify and validate the valuations. PAA is a daily process used by management to identify and explain changes in fair value positions across all operating lines of business within BMO Capital Markets. This process works in concert with other processes to ensure that the fair values being reported are reasonable and appropriate.

Securities

For traded securities, quoted market value is considered to be fair value. Quoted market value is based on bid prices. Securities for which no active market exists are valued using all reasonably available market information. Our fair value methodologies are described below.

Government Securities

The fair value of government issued or guaranteed debt securities in active markets is determined by reference to recent transaction prices, broker quotes or third-party vendor prices. The fair values of securities that are not traded in an active market are modelled using implied yields derived from the prices of similar actively traded government securities and observable spreads. Market inputs to the model include coupon, maturity and duration.

Mortgage-Backed Securities and Collateralized Mortgage Obligations

The fair value of mortgage-backed securities and collateralized mortgage obligations is determined using independent prices obtained from third-party vendor prices, broker quotes and relevant market indices, as applicable. If such prices are not available, fair value is determined using cash flow models that make maximum use of observable market inputs or benchmark prices for similar instruments. Valuation assumptions for mortgage-backed securities and collateralized mortgage obligations include discount rates, expected prepayments, credit spreads and recoveries.

Corporate Debt Securities
The fair value of corporate debt securities is determined using prices observed in the most recent transactions. When observable price quotations are not available, fair value is determined based on discounted cash flow models using discounting curves and spreads obtained from independent dealers, brokers and multi-contributor pricing sources.

Corporate Equity Securities
The fair value of equity securities is based on quoted prices in active markets, where available. Where quoted prices in active markets are not readily available, fair value is determined using quoted market prices for similar securities or through valuation techniques, including discounted cash flow analysis and multiples of earnings.

Privately Issued Securities
Privately issued debt and equity securities are valued using recent prices observed in market transactions, where available. Otherwise, fair value is derived from valuation models using a market or income approach. These models consider various factors, including projected cash flows, earnings, revenue and other third-party evidence, as available. The fair value of limited partnership investments is based upon net asset values published by third-party fund managers.

Prices from brokers and multi-contributor pricing sources are corroborated as part of our independent review process, which may include using valuation techniques or obtaining consensus or composite prices from other pricing services. We validate the estimates of fair value by independently obtaining multiple quotes for external market prices and input values. We review the approach taken by third-party vendors to ensure that the vendor employs a valuation model which maximizes the use of observable inputs such as benchmark yields, bid-ask spreads, underlying collateral, weighted-average terms to maturity and prepayment rate assumptions. Fair value estimates from internal valuation techniques are verified, where possible, by reference to prices obtained from third-party vendors.

Loans
In determining the fair value of our fixed rate and floating rate performing loans, we discount the remaining contractual cash flows, adjusted for estimated prepayment, at market interest rates currently offered for loans with similar terms.

The value of our loan balances determined using this approach is further adjusted by a credit mark that represents an estimate of the expected credit losses in our loan portfolio.

Derivative Instruments
A number of valuation techniques are employed to estimate fair value, including discounted cash flow analysis, the Black-Scholes model, Monte Carlo simulation and other accepted market models. These vetted models incorporate current market measures for interest rates, currency exchange rates, equity and commodity prices and indices, credit spreads, recovery rates, corresponding market volatility levels, spot prices, correlation levels and other market-based pricing factors. Option implied volatilities, an input into many valuation models, are either obtained directly from market sources or calculated from market prices. Multi-contributor pricing sources are used wherever possible.

In determining the fair value of complex and customized derivatives, we consider all reasonably available information, including dealer and broker quotations, multi-contributor pricing sources and any relevant observable market inputs. Our model calculates fair value based on inputs specific to the type of contract, which may include stock prices, correlation for multiple assets, interest rates, foreign exchange rates, yield curves and volatilities.

We calculate a credit valuation adjustment (“CVA”) to recognize the risk that any given derivative counterparty may not ultimately be able to fulfill its obligations. The CVA is derived from market-observed credit spreads or proxy credit spreads and our assessment of the net counterparty credit risk exposure, taking into account credit mitigants such as collateral, master netting agreements and settlements through clearing houses. We also calculate a funding valuation adjustment (“FVA”) to recognize the implicit funding costs associated with over-the-counter derivative positions. The FVA is determined based on reference to market funding spreads.

Deposits
In determining the fair value of our deposits, we incorporate the following assumptions:
- For fixed rate, fixed maturity deposits, we discount the remaining contractual cash flows for these deposits, adjusted for expected redemptions, at market interest rates currently offered for deposits with similar terms and risks.
- For fixed rate deposits with no defined maturities, we consider fair value to equal carrying value, based on carrying value being equivalent to the amount payable on the reporting date.
- For floating rate deposits, changes in interest rates have minimal impact on fair value since deposits reprice to market frequently. On that basis, fair value is assumed to equal carrying value.

A portion of our structured note liabilities that have coupons or repayment terms linked to the performance of interest rates, foreign currencies, commodities or equity securities have been designated at fair value through profit or loss. The fair value of these structured notes is estimated using internally vetted valuation models and incorporates observable market prices for identical or comparable securities, as well as other inputs such as interest rate yield curves, option volatilities and foreign exchange rates, where appropriate. Where observable prices or inputs are not available, management judgment is required to determine the fair value by assessing other relevant sources of information, such as historical data and proxy information from similar transactions.

Securities Sold But Not Yet Purchased
The fair value of these obligations is based on the fair value of the underlying securities, which can be equity or debt securities. As these obligations are fully collateralized, the method used to determine fair value would be the same as that used for the relevant underlying equity or debt securities.

Securities Purchased Under Resale Agreements and Securities Sold Under Repurchase Agreements

The fair value of these agreements is determined using a discounted cash flow model. Inputs to the model include contractual cash flows and collateral funding spreads.

Securitization Liabilities

The determination of the fair value of securitization liabilities, recorded in other liabilities, is based on quoted market prices or quoted market prices for similar financial instruments, where available. Where quoted prices are not available, fair value is determined using valuation techniques, such as discounted cash flows, that maximize the use of observable inputs.

Subordinated Debt and Capital Trust Securities

The fair value of our subordinated debt and capital trust securities is determined by referring to current market prices for the same or similar instruments.

Financial Instruments with a Carrying Value Approximating Fair Value

Short-term Financial Instruments

The carrying value of certain financial assets and liabilities, such as interest bearing deposits with banks, securities borrowed, customers' liability under acceptances, certain other assets, acceptances, securities lent and certain other liabilities, is a reasonable estimate of fair value due to their short-term nature or because they are frequently repriced to current market rates.

Other Financial Instruments

Carrying value is assumed to be a reasonable estimate of fair value for our cash and cash equivalents and certain other securities.

For longer-term financial instruments within other liabilities, fair value is determined as the present value of contractual cash flows using discount rates at which liabilities with similar remaining maturities could be issued as at the balance sheet date.

Certain assets, including premises and equipment, goodwill and intangible assets, as well as shareholders' equity, are not considered financial instruments and therefore no fair value has been determined for these items.

Fair Value of Financial Instruments Not Carried at Fair Value on the Balance Sheet

Set out in the following tables are the amounts that would be reported if all financial assets and liabilities not currently carried at fair value were reported at their fair values.

(Canadian $ in millions)					2015
	Carrying value	Fair value	Valued using quoted market prices	Valued using models (with observable inputs)	Valued using models (without observable inputs)
Securities					
Held to maturity	9,432	9,534	856	8,678	–
Other (1)	656	2,365	–	–	2,365
	10,088	11,899	856	8,678	2,365
Securities purchased under resale agreements (2)	55,626	54,979	–	54,979	–
Loans					
Residential mortgages	105,918	106,322	–	–	106,322
Consumer instalment and other personal	65,598	64,668	–	–	64,668
Credit cards	7,980	7,728	–	–	7,728
Businesses and governments	145,076	143,387	–	–	143,387
	324,572	322,105	–	–	322,105
Deposits	438,169	438,461	–	438,461	–
Securities sold under repurchase agreements (3)	33,576	33,704	–	33,704	–
Other liabilities (4)	22,497	23,025	–	23,025	–
Subordinated debt	4,416	4,590	–	4,590	–

This table excludes financial instruments with a carrying value approximating fair value, such as cash and cash equivalents, interest bearing deposits with banks, securities borrowed, customers' liability under acceptances, certain other assets, acceptances, securities lent and certain other liabilities.

(1) Excluded from other securities is $364 million of securities related to our merchant banking business that are carried at fair value on the balance sheet.

(2) Excludes $12,440 million of securities borrowed for which carrying value approximates fair value.

(3) Excludes $6,315 million of securities lent for which carrying value approximates fair value.

(4) Other liabilities include securitization and SE liabilities and certain other liabilities of subsidiaries, other than deposits.

(Canadian $ in millions)					2014
	Carrying value	Fair value	Valued using quoted market prices	Valued using models (with observable inputs)	Valued using models (without observable inputs)
Securities					
Held to maturity	10,344	10,490	838	9,652	–
Other (1)	510	1,829	–	–	1,829
	10,854	12,319	838	9,652	1,829
Securities purchased under resale agreements (2)	33,141	33,095	–	33,095	–
Loans					
Residential mortgages	101,013	101,273	–	–	101,273
Consumer instalment and other personal	64,143	63,280	–	–	63,280
Credit cards	7,972	7,706	–	–	7,706
Businesses and governments	120,766	119,399	–	–	119,399
	293,894	291,658	–	–	291,658
Deposits	393,088	393,242	–	393,242	–
Securities sold under repurchase agreements (3)	25,485	25,505	–	25,505	–
Other liabilities (4)	23,546	23,927	–	23,927	–
Subordinated debt	4,913	5,110	–	5,110	–

This table excludes financial instruments with a carrying value approximating fair value, such as cash and cash equivalents, interest bearing deposits with banks, securities borrowed, customers' liability under acceptances, certain other assets, acceptances, securities lent and certain other liabilities.

(1) Excluded from other securities is $477 million of securities related to our merchant banking business that are carried at fair value on the balance sheet.

(2) Excludes $20,414 million of securities borrowed for which carrying value approximates fair value.

(3) Excludes $14,210 million of securities lent for which carrying value approximates fair value.

(4) Other liabilities include securitization and SE liabilities and certain other liabilities of subsidiaries, other than deposits.

Fair Value Hierarchy

We use a fair value hierarchy to categorize financial instruments according to the inputs we use in valuation techniques to measure fair value.

Valuation Techniques and Significant Inputs

We determine the fair value of publicly traded fixed maturity debt and equity securities using quoted prices in active markets (Level 1) when these are available. When quoted prices in active markets are not available, we determine the fair value of financial instruments using models such as discounted cash flows, with observable market data for inputs such as yield and prepayment rates or broker quotes and other third-party vendor quotes (Level 2). Fair value may also be determined using models where significant market inputs are not observable due to inactive markets or minimal market activity (Level 3). We maximize the use of observable market inputs to the extent possible.

Our Level 2 trading securities are primarily valued using discounted cash flow models with observable spreads or broker quotes. The fair value of Level 2 available-for-sale securities is determined using discounted cash flow models with observable spreads or third-party vendor quotes. Level 2 structured note liabilities are valued using models with observable market information. Level 2 derivative assets and liabilities are valued using industry-standard models and observable market information.

The extent of our use of actively quoted market prices (Level 1), internal models using observable market information as inputs (Level 2) and internal models without observable market information as inputs (Level 3) in the valuation of securities, fair value liabilities, derivative assets and derivative liabilities was as follows:

(Canadian $ in millions)			2015			2014
	Valued using quoted market prices	**Valued using models (with observable inputs)**	**Valued using models (without observable inputs)**	Valued using quoted market prices	Valued using models (with observable inputs)	Valued using models (without observable inputs)
Trading Securities						
Issued or guaranteed by:						
Canadian federal government	**12,342**	**1,512**	**–**	8,737	1,725	–
Canadian provincial and municipal governments	**3,183**	**3,568**	**–**	3,134	4,062	–
U.S. federal government	**2,937**	**314**	**–**	5,725	440	–
U.S. states, municipalities and agencies	**–**	**589**	**98**	–	626	85
Other governments	**396**	**15**	**–**	124	99	–
Mortgage-backed securities and collateralized mortgage obligations	**–**	**491**	**–**	–	702	–
Corporate debt	**328**	**8,717**	**243**	1,974	9,319	538
Corporate equity	**35,901**	**1,826**	**–**	37,221	10,511	–
	55,087	**17,032**	**341**	56,915	27,484	623
Available-for-Sale Securities						
Issued or guaranteed by:						
Canadian federal government	**4,988**	**2,982**	**–**	4,946	5,555	–
Canadian provincial and municipal governments	**2,658**	**2,267**	**–**	1,679	2,425	–
U.S. federal government	**1,754**	**–**	**–**	1,093	–	–
U.S. states, municipalities and agencies	**–**	**6,084**	**1**	–	5,814	1
Other governments	**2,328**	**3,084**	**–**	2,136	3,996	–
Mortgage-backed securities and collateralized mortgage obligations	**–**	**12,192**	**–**	–	9,949	–
Corporate debt	**5,977**	**1,972**	**6**	5,687	1,971	8
Corporate equity	**358**	**104**	**1,251**	456	146	1,104
	18,063	**28,685**	**1,258**	15,997	29,856	1,113
Other Securities	**–**	**–**	**364**	10	–	467
Fair Value Liabilities						
Securities sold but not yet purchased	**19,499**	**1,727**	**–**	23,615	3,733	–
Structured note liabilities and other note liabilities	**–**	**9,577**	**–**	–	7,785	–
Annuity liabilities	**–**	**525**	**–**	–	407	–
	19,499	**11,829**	**–**	23,615	11,925	–
Derivative Assets						
Interest rate contracts	**5**	**19,248**	**–**	23	18,241	–
Foreign exchange contracts	**18**	**16,281**	**–**	32	12,649	–
Commodity contracts	**605**	**1,062**	**–**	653	30	–
Equity contracts	**91**	**892**	**–**	51	896	–
Credit default swaps	**–**	**35**	**1**	–	68	12
	719	**37,518**	**1**	759	31,884	12
Derivative Liabilities						
Interest rate contracts	**25**	**17,488**	**–**	33	16,983	–
Foreign exchange contracts	**15**	**20,091**	**–**	33	12,110	–
Commodity contracts	**380**	**2,391**	**–**	1,101	233	–
Equity contracts	**103**	**2,098**	**–**	38	3,002	–
Credit default swaps	**–**	**48**	**–**	–	116	8
	523	**42,116**	**–**	1,205	32,444	8

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

Quantitative Information about Level 3 Fair Value Measurements

The table below presents the fair values of our significant Level 3 financial instruments, the valuation techniques used to determine their fair values and the value ranges of significant unobservable inputs used in the valuations.

As at October 31, 2015 (Canadian $ in millions, except as noted)	Reporting line in fair value hierarchy table	Fair value of assets	Valuation techniques	Significant unobservable inputs	Range of input values (1) Low	High
Securities						
Private equity (2)	Corporate equity	**1,251**	Net Asset Value	Net Asset Value	**na**	**na**
			EV/EBITDA	Multiple	**5.5x**	**10.1x**
Collateralized loan obligations securities (3)	Corporate debt	**249**	Discounted Cash Flow Model	Yield/Discount Margin	**1.50%**	**1.50%**
Merchant banking securities	Other	**364**	Net Asset Value	Net Asset Value	**na**	**na**
			EV/EBITDA	Multiple	**4.5x**	**8.7x**

(1) The low and high input values represent the actual highest and lowest level of inputs used to value a group of financial instruments in a particular product category. These input ranges do not reflect the level of input uncertainty, but are affected by the specific underlying instruments within the product category. The input ranges will therefore vary from period to period based on the characteristics of the underlying instruments held at each balance sheet date.

(2) Included in private equity is $627 million of Federal Reserve Bank and U.S. Federal Home Loan Bank shares that we hold to meet regulatory requirements. These shares are carried at cost, which is deemed to approximate fair value since these shares are not traded in the market.

(3) Includes both trading and available-for-sale instruments.

na – not applicable

Significant Unobservable Inputs in Level 3 Instrument Valuations

Net Asset Value

Net asset value represents the estimated value of a security based on valuations received from the investment or fund manager. The valuation of certain private equity securities is based on the economic benefit derived from our investment.

EV/EBITDA Multiple

The fair value of private equity and merchant banking investments is derived by calculating an enterprise value ("EV") using the EV/EBITDA multiple and then proceeding through a waterfall of the company's capital structure to determine the value of the assets or securities we hold. The EV/EBITDA multiple is determined using judgment in considering factors such as multiples for comparable listed companies, recent transactions and company-specific factors, as well as liquidity discounts that account for the lack of active trading in these assets and securities.

Yield/Discount Margin

A financial instrument's yield is the interest rate used to discount future cash flows in a valuation model. An increase in the yield, in isolation, would result in a decrease in the related fair value measurement. The discount margin is the difference between a debt instrument's yield and a benchmark instrument's yield. Benchmark instruments have high credit quality ratings and similar maturities and are often government bonds. The discount margin for an instrument forms part of the yield used in a discounted cash flow calculation. Generally, an increase in the discount margin will result in a decrease in fair value.

Sensitivity Analysis of Level 3 Instruments

Sensitivity analysis at October 31, 2015, for securities which represent greater than 10% of Level 3 instruments, is provided below.

Within Level 3 trading securities is corporate debt of $239 million related to securities which are hedged with credit default swaps that are also considered to be Level 3 instruments. As at October 31, 2015, the derivative assets and derivative liabilities were valued at $1 million and $nil, respectively. We determine the valuation of these derivatives and the related securities based on market-standard models we use to model the specific collateral composition and cash flow structure of the related deal. As at October 31, 2015, the impact of assuming a 10 basis point increase or decrease in the discount margin would be a $0.2 million decrease or increase in fair value, respectively.

We have not applied another reasonably possible alternative assumption to the significant Level 3 categories of private equity investments and merchant banking securities, as the net asset values are provided by the investment or fund managers.

Significant Transfers

Our policy is to record transfers of assets and liabilities between fair value hierarchy levels at their fair values as at the end of each reporting period, consistent with the date of the determination of fair value. Transfers between the various fair value hierarchy levels reflect changes in the availability of quoted market prices or observable market inputs that result from changing market conditions. The following is a discussion of the significant transfers between Level 1, Level 2 and Level 3 balances for the year ended October 31, 2015.

During the year ended October 31, 2015, $158 million of trading securities and $122 million of available-for-sale securities were transferred from Level 1 to Level 2 due to reduced observability of the inputs used to value these securities. During the year ended October 31, 2015, $90 million of trading securities and $180 million of available-for-sale securities were transferred from Level 2 to Level 1 due to increased availability of quoted prices in active markets.

Changes in Level 3 Fair Value Measurements

The table below presents a reconciliation of all changes in Level 3 financial instruments during the year ended October 31, 2015, including realized and unrealized gains (losses) included in earnings and other comprehensive income.

For the year ended October 31, 2015 (Canadian $ in millions)	Balance October 31, 2014	Change in fair value: Included in earnings	Change in fair value: Included in other comprehensive income	Purchases	Sales	Maturities/ Settlement (1)	Transfers into Level 3	Transfers out of Level 3	Fair value as at October 31, 2015	Change in unrealized gains (losses) recorded in income for instruments still held (2)
Trading Securities										
Issued or guaranteed by:										
U.S. states, municipalities and agencies	85	–	13	–	–	–	–	–	98	–
Corporate debt	538	(13)	79	–	–	(361)	–	–	243	(13)
Total trading securities	623	(13)	92	–	–	(361)	–	–	341	(13)
Available-for-Sale Securities										
Issued or guaranteed by:										
U.S. states, municipalities and agencies	1	–	–	–	–	–	–	–	1	na
Corporate debt	8	–	–	–	(1)	(1)	–	–	6	na
Corporate equity	1,104	(25)	178	151	(157)	–	–	–	1,251	na
Total available-for-sale securities	1,113	(25)	178	151	(158)	(1)	–	–	1,258	na
Other Securities	467	(34)	66	80	(215)	–	–	–	364	(26)
Derivative Assets										
Credit default swaps	12	(11)	–	–	–	–	–	–	1	(11)
Derivative Liabilities										
Credit default swaps	8	(8)	–	–	–	–	–	–	–	(8)

(1) Includes cash settlement of derivative assets and derivative liabilities.
(2) Change in unrealized gains (losses) on trading securities, derivative assets and derivative liabilities still held on October 31, 2015 are included in earnings for the year.
na – not applicable

The table below presents a reconciliation of all changes in Level 3 financial instruments during the year ended October 31, 2014, including realized and unrealized gains (losses) included in earnings and other comprehensive income.

For the year ended October 31, 2014 (Canadian $ in millions)	Balance October 31, 2013	Change in fair value: Included in earnings	Change in fair value: Included in other compre-hensive income	Purchases	Sales	Maturities / Settlement (1)	Transfers into Level 3	Transfers out of Level 3	Fair value as at October 31, 2014	Change in unrealized gains (losses) recorded in income for instruments still held (2)
Trading Securities										
Issued or guaranteed by:										
U.S. states, municipalities and agencies	78	–	7	–	–	–	–	–	85	–
Corporate debt	822	6	59	–	(66)	(268)	–	(15)	538	6
Total trading securities	900	6	66	–	(66)	(268)	–	(15)	623	6
Available-for-Sale Securities										
Issued or guaranteed by:										
U.S. states, municipalities and agencies	1	–	–	–	–	–	–	–	1	na
Corporate debt	30	(1)	–	–	(21)	–	–	–	8	na
Corporate equity	918	(23)	92	192	(67)	–	4	(12)	1,104	na
Total available-for-sale securities	949	(24)	92	192	(88)	–	4	(12)	1,113	na
Other Securities	488	(38)	35	80	(98)	–	–	–	467	(23)
Derivative Assets										
Credit default swaps	28	(16)	–	–	–	–	–	–	12	(16)
Derivative Liabilities										
Credit default swaps	19	(11)	–	–	–	–	–	–	8	(11)

(1) Includes cash settlement of derivative assets and derivative liabilities.
(2) Change in unrealized gains (losses) on trading securities, derivative assets and derivative liabilities still held on October 31, 2014 are included in earnings for the year.
na – not applicable

Notes

Note 19: Offsetting of Financial Assets and Financial Liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the Consolidated Balance Sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The following table presents the amounts that have been offset in our Consolidated Balance Sheet, including securities purchased under resale agreements, securities sold under repurchase agreements and derivative instruments, generally under a market settlement mechanism (e.g. an exchange or clearing house) where simultaneous net settlement can be achieved to eliminate credit and liquidity risk between counterparties. Also presented are amounts not offset in the Consolidated Balance Sheet related to transactions where a master netting agreement or similar arrangement is in place with a right of set-off only in the event of default, insolvency or bankruptcy, or where the offset criteria are otherwise not met.

(Canadian $ in millions)							2015
				Amounts not offset in the balance sheet			
	Gross amounts	Amounts offset in the balance sheet	Net amounts presented in the balance sheet	Impact of master netting agreements	Securities received/ pledged as collateral (1) (2)	Cash collateral	Net amount
Financial Assets							
Securities borrowed or purchased under resale agreements	**70,073**	**2,007**	**68,066**	**5,313**	**61,587**	**–**	**1,166**
Derivative instruments	**54,504**	**16,266**	**38,238**	**27,415**	**1,290**	**2,087**	**7,446**
	124,577	**18,273**	**106,304**	**32,728**	**62,877**	**2,087**	**8,612**
Financial Liabilities							
Derivative instruments	**58,905**	**16,266**	**42,639**	**27,415**	**7,990**	**492**	**6,742**
Securities lent or sold under repurchase agreements	**41,898**	**2,007**	**39,891**	**5,313**	**34,104**	**–**	**474**
	100,803	**18,273**	**82,530**	**32,728**	**42,094**	**492**	**7,216**

(Canadian $ in millions)							2014
				Amounts not offset in the balance sheet			
	Gross amounts	Amounts offset in the balance sheet	Net amounts presented in the balance sheet	Impact of master netting agreements	Securities received/ pledged as collateral (1) (2)	Cash collateral	Net amount
Financial Assets							
Securities borrowed or purchased under resale agreements	57,119	3,564	53,555	10,004	41,042	–	2,509
Derivative instruments	38,338	5,683	32,655	24,398	1,676	825	5,756
	95,457	9,247	86,210	34,402	42,718	825	8,265
Financial Liabilities							
Derivative instruments	39,340	5,683	33,657	24,398	3,048	323	5,888
Securities lent or sold under repurchase agreements	43,259	3,564	39,695	10,004	28,868	–	823
	82,599	9,247	73,352	34,402	31,916	323	6,711

(1) Financial assets received/pledged as collateral are disclosed at fair value and are limited to the net balance sheet exposure (i.e. any over-collateralization is excluded from the table).
(2) Certain amounts of collateral are restricted from being sold or re-pledged except in the event of default or the occurrence of other predetermined events.

Note 20: Interest Rate Risk

We earn interest on interest bearing assets and we pay interest on interest bearing liabilities. We also hold derivative instruments, such as interest rate swaps and interest rate options, with values that are sensitive to changes in interest rates. To the extent that we hold assets, liabilities and derivative instruments maturing or repricing at different points in time, we are exposed to interest rate risk.

Interest Rate Gap Position

The determination of the interest rate sensitivity or gap position by necessity entails numerous assumptions. It is based on the earlier of the repricing date or maturity date of assets, liabilities and derivatives used to manage interest rate risk.

The gap position presented is as at October 31, 2015 and 2014. It represents the position outstanding at the close of the business day and may change significantly in subsequent periods based on customer behaviour and the application of our asset and liability management strategies. The assumptions for the years ended October 31, 2015 and 2014 were as follows:

Assets

Fixed rate, fixed term assets, such as residential mortgage loans and consumer loans, are reported based upon the scheduled repayments and estimated prepayments that reflect expected borrower behaviour.

Trading and underwriting (mark-to-market) assets and interest bearing assets on which the customer interest rate changes with the prime rate or other short-term market rates are reported in the zero to three months category.

Goodwill and intangible and fixed assets are reported as non-interest sensitive. Other fixed rate and non-interest bearing assets with no defined maturity are reported based upon an assumed maturity profile that considers historical and forecasted trends in balances.

Liabilities

Fixed rate, fixed term liabilities, such as investment certificates, are reported at scheduled maturity with estimated redemptions that reflect expected depositor behaviour.

Interest bearing deposits on which the customer interest rate changes with the prime rate or other short-term market rates are reported in the zero to three months category.

Fixed rate and non-interest bearing liabilities with no defined maturity are reported based upon an assumed maturity profile that considers historical and forecasted trends in balances.

Capital

Common shareholders' equity is reported as non-interest sensitive.

Yields

Yields are based upon the effective interest rates for the assets or liabilities on October 31, 2015 and 2014.

Interest Rate Gap Position

(Canadian $ in millions, except as noted)

As at October 31	0 to 3 months	4 to 6 months	7 to 12 months	Total within 1 year	Effective interest rate (%)	1 to 5 years	Effective interest rate (%)	Over 5 years	Effective interest rate (%)	Non-interest sensitive	Total
Assets											
Cash and cash equivalents	**38,934**	**441**	**303**	**39,678**	**0.25**	**1,413**	**0.12**	**(44)**	**–**	**(752)**	**40,295**
Interest bearing deposits with banks	**7,382**	**–**	**–**	**7,382**	**0.17**	**–**	**–**	**–**	**–**	**–**	**7,382**
Securities	**88,780**	**863**	**3,632**	**93,275**	**0.59**	**22,536**	**2.28**	**14,063**	**3.21**	**1,044**	**130,918**
Securities borrowed or purchased under resale agreements	**63,600**	**3,375**	**1,041**	**68,016**	**0.28**	**50**	**0.65**	**–**	**–**	**–**	**68,066**
Loans	**192,385**	**13,943**	**23,254**	**229,582**	**3.25**	**88,412**	**3.69**	**4,723**	**4.04**	**11,307**	**334,024**
Other assets	**39,199**	**487**	**1,073**	**40,759**	**na**	**8,998**	**na**	**399**	**na**	**11,040**	**61,196**
Total assets	**430,280**	**19,109**	**29,303**	**478,692**		**121,409**		**19,141**		**22,639**	**641,881**
Liabilities and Equity											
Deposits	**245,333**	**18,022**	**23,935**	**287,290**	**0.54**	**133,225**	**0.86**	**17,654**	**0.93**	**–**	**438,169**
Securities sold but not yet purchased	**21,223**	**–**	**1**	**21,224**	**1.04**	**–**	**–**	**2**	**–**	**–**	**21,226**
Securities lent or sold under repurchase agreements	**39,588**	**121**	**182**	**39,891**	**0.22**	**–**	**–**	**–**	**–**	**–**	**39,891**
Other liabilities	**58,211**	**296**	**3,245**	**61,752**	**na**	**14,312**	**na**	**9,970**	**na**	**12,232**	**98,266**
Subordinated debt	**66**	**700**	**1,500**	**2,266**	**4.21**	**2,000**	**4.84**	**150**	**7.83**	**–**	**4,416**
Total equity	**1,169**	**–**	**290**	**1,459**	**na**	**2,207**	**na**	**600**	**na**	**35,647**	**39,913**
Total liabilities and shareholders' equity	**365,590**	**19,139**	**29,153**	**413,882**		**151,744**		**28,376**		**47,879**	**641,881**
Asset/liability gap position	**64,690**	**(30)**	**150**	**64,810**		**(30,335)**		**(9,235)**		**(25,240)**	**–**
Notional amounts of derivatives	**(56,851)**	**(445)**	**3,092**	**(54,204)**		**48,883**		**5,321**		**–**	**–**
Total interest rate gap position – 2015											
Canadian dollar	**6,563**	**1,989**	**4,690**	**13,242**		**6,608**		**1,054**		**(20,904)**	**–**
Foreign currency	**1,276**	**(2,464)**	**(1,448)**	**(2,636)**		**11,940**		**(4,968)**		**(4,336)**	**–**
Total gap	**7,839**	**(475)**	**3,242**	**10,606**		**18,548**		**(3,914)**		**(25,240)**	**–**
Total interest rate gap position – 2014											
Canadian dollar	3,934	(5,433)	6,672	5,173		16,048		2,082		(23,303)	–
Foreign currency	2,174	(4,072)	(580)	(2,478)		5,399		(3,877)		956	–
Total gap	6,108	(9,505)	6,092	2,695		21,447		(1,795)		(22,347)	–

na – not applicable

Note 21: Capital Management

Our objective is to maintain a strong capital position in a cost-effective structure that: considers our target regulatory capital ratios and internal assessment of required economic capital; is consistent with our targeted credit ratings; underpins our operating groups' business strategies; and builds depositor confidence and long-term shareholder value.

Our approach includes establishing limits, targets and performance measures for the management of balance sheet positions, risk levels and minimum capital amounts, as well as issuing and redeeming capital instruments to obtain a cost-effective capital structure.

Regulatory capital requirements and risk-weighted assets for the consolidated entity are determined on a Basel III basis.

Adjusted common shareholders' equity, referred to as Common Equity Tier 1 capital under Basel III, is the most permanent form of capital. It is comprised of common shareholders' equity less deductions for goodwill, intangible assets and certain other items under Basel III. Tier 1 capital is primarily comprised of regulatory common equity, preferred shares and innovative hybrid instruments, net of Tier 1 capital deductions. Tier 2 capital is primarily comprised of subordinated debentures and the eligible portion of the collective allowance for credit losses, net of certain Tier 2 capital deductions. Total capital includes Tier 1 and Tier 2 capital. Details of the components of our capital position are presented in Notes 11, 14, 15, 16 and 17.

Our Common Equity Tier 1 Capital Ratio, Tier 1 Capital Ratio, Total Capital Ratio and Leverage Ratio are the primary regulatory capital measures.

- The Common Equity Tier 1 Capital Ratio is defined as common shareholders' equity, net of capital adjustments, divided by Common Equity Tier 1 capital risk-weighted assets.
- The Tier 1 Capital Ratio is defined as Tier 1 capital divided by Tier 1 capital risk-weighted assets.
- The Total Capital Ratio is defined as Total capital divided by Total capital risk-weighted assets.
- The Leverage Ratio is defined as Tier 1 capital divided by the sum of on-balance sheet items and specified off-balance sheet items, net of specified adjustments.

We have met OSFI's stated minimum capital ratio requirements as at October 31, 2015.

Regulatory Capital Measures and Risk-Weighted Assets

(Canadian $ in millions, except as noted)	**Basel III 2015**	Basel III 2014
Common Equity Tier 1 Capital	**25,628**	22,421
Tier 1 Capital	**29,416**	26,602
Total Capital	**34,584**	31,927
Common Equity Tier 1 Capital Risk-Weighted Assets	**239,185**	222,092
Tier 1 Capital Risk-Weighted Assets	**239,471**	222,428
Total Capital Risk-Weighted Assets	**239,716**	222,931
Common Equity Tier 1 Capital Ratio	**10.7%**	10.1%
Tier 1 Capital Ratio	**12.3%**	12.0%
Total Capital Ratio	**14.4%**	14.3%
Leverage Ratio	**4.2%**	na

All 2015 and 2014 balances above are on a Basel III "all-in" basis.

na – not applicable

Note 22: Employee Compensation – Share-Based Compensation

Stock Option Plan

We maintain a Stock Option Plan for designated officers and employees. Options are granted at an exercise price equal to the closing price of our common shares on the day before the grant date. Stock options granted on or after December 2013 vest in equal tranches of 50% on the third and fourth anniversaries of their grant date. Options granted prior to December 2013 vest in tranches over a four-year period starting from their grant date. Each tranche (i.e. the portion that vests each year) is treated as a separate award with a different vesting period. Certain options can only be exercised once certain performance targets are met. All options expire 10 years from their grant date.

We determine the fair value of stock options on their grant date and record this amount as compensation expense over the period that the stock options vest, with a corresponding increase to contributed surplus. When these stock options are exercised, we issue shares and record the amount of proceeds, together with the amount recorded in contributed surplus, in share capital. The estimated grant date fair value of stock options granted to employees who are eligible to retire is expensed at the date of grant.

The following table summarizes information about our Stock Option Plan:

(Canadian $, except as noted)		**2015**		2014		2013
	Number of stock options	**Weighted-average exercise price**	Number of stock options	Weighted-average exercise price	Number of stock options	Weighted-average exercise price
Outstanding at beginning of year	**13,337,765**	**76.21**	14,968,711	78.17	15,801,966	79.96
Granted	**641,875**	**78.09**	1,618,223	68.60	2,003,446	60.11
Exercised	**842,821**	**54.22**	2,133,107	53.66	2,069,588	47.95
Forfeited/cancelled	**71,281**	**64.49**	88,965	79.77	5,558	56.35
Expired	**954,385**	**139.14**	1,027,097	139.34	761,555	150.78
Outstanding at end of year	**12,111,153**	**74.08**	13,337,765	76.21	14,968,711	78.17
Exercisable at end of year	**6,959,569**	**80.52**	6,607,237	90.85	7,283,321	98.79
Available for grant	**4,275,858**		4,222,722		5,201,062	
Outstanding stock options as a percentage of outstanding shares	**1.88%**		2.06%		2.32%	

Employee compensation expense related to this plan for the years ended October 31, 2015, 2014 and 2013 was $6 million, $11 million and $14 million before tax, respectively ($6 million, $11 million and $13 million after tax, respectively).

The intrinsic value of a stock option grant is the difference between the current market price of our common shares and the strike price of the option. The aggregate intrinsic value of stock options outstanding at October 31, 2015, 2014 and 2013 was $179 million, $279 million and $215 million, respectively. The aggregate intrinsic value of stock options exercisable at October 31, 2015, 2014 and 2013 was $125 million, $145 million and $107 million, respectively.

Options outstanding and exercisable at October 31, 2015 and 2014 by range of exercise price were as follows:

(Canadian $, except as noted)	**2015**						2014					
	Options outstanding			**Options exercisable**			Options outstanding			Options exercisable		
Range of exercise prices	**Number of stock options**	**Weighted-average remaining contractual life (years)**	**Weighted-average exercise price**	**Number of stock options**	**Weighted-average remaining contractual life (years)**	**Weighted-average exercise price**	Number of stock options	Weighted-average remaining contractual life (years)	Weighted-average exercise price	Number of stock options	Weighted-average remaining contractual life (years)	Weighted-average exercise price
$30.01 to $40.00	**577,358**	**3.1**	**34.13**	**577,358**	**3.1**	**34.13**	718,299	4.1	34.13	718,299	4.1	34.13
$40.01 to $50.00	**187,327**	**3.6**	**42.46**	**187,327**	**3.6**	**42.46**	208,437	4.6	42.36	208,437	4.6	42.36
$50.01 to $60.00	**4,218,387**	**5.3**	**56.00**	**3,624,686**	**5.2**	**56.00**	5,087,750	5.7	56.05	3,000,262	6.0	55.73
$60.01 to $70.00	**5,458,588**	**5.2**	**63.94**	**1,531,760**	**4.5**	**61.87**	5,956,232	6.0	63.89	1,313,192	4.1	62.71
$70.01 and over (1)	**1,669,493**	**4.7**	**170.26**	**1,038,438**	**2.0**	**226.28**	1,367,047	2.6	232.14	1,367,047	2.6	232.14

(1) Issued as part of the acquisition of M&I.

The following table summarizes non-vested stock option activity for the years ended October 31, 2015 and 2014:

(Canadian $, except as noted)	**2015**		2014	
	Number of stock options	**Weighted-average grant date fair value**	Number of stock options	Weighted-average grant date fair value
Non-vested at beginning of year	**6,730,528**	**6.74**	7,685,390	7.18
Granted	**641,875**	**7.45**	1,618,223	6.36
Vested	**1,533,402**	**6.90**	1,971,073	7.56
Expired	**623,730**	**8.55**	559,841	8.83
Forfeited/cancelled	**63,687**	**6.68**	42,171	6.49
Non-vested at end of year	**5,151,584**	**6.55**	6,730,528	6.74

The following table summarizes further information about our Stock Option Plan:

(Canadian $ in millions, except as noted)	**2015**	2014	2013
Unrecognized compensation cost for non-vested stock option awards	**4**	5	6
Weighted-average period over which this cost will be recognized (in years)	**2.3**	2.7	2.1
Total intrinsic value of stock options exercised	**18**	49	35
Cash proceeds from stock options exercised	**46**	115	99
Actual tax benefits realized on stock options exercised	**1**	1	–
Weighted-average share price for stock options exercised (in dollars)	**76.1**	76.6	64.8

The fair value of options granted was estimated using a binomial option pricing model. The weighted-average fair value of options granted during the years ended October 31, 2015, 2014 and 2013 was $7.45, $6.36 and $5.29, respectively. To determine the fair value of the stock option tranches on the grant date, the following ranges of values were used for each option pricing assumption:

	2015	2014	2013
Expected dividend yield	**4.7% – 4.8%**	5.0%	6.0% – 6.2%
Expected share price volatility	**16.9% – 17.0%**	16.4%	18.1% – 18.6%
Risk-free rate of return	**1.9% – 2.0%**	2.5% – 2.6%	1.7% – 1.9%
Expected period until exercise (in years)	**6.5 – 7.0**	6.5 – 7.0	5.5 – 7.0

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

Expected dividend yield is based on market expectations of future dividends on our common shares. Expected share price volatility is determined based on the market consensus implied volatility for traded options on our common shares. The risk-free rate is based on the yields of a Canadian swap curve with maturities similar to the expected period until exercise of the options. The weighted-average exercise price on the grant date for the years ended October 31, 2015, 2014 and 2013 was $78.09, $68.60 and $60.11, respectively.

Other Share-Based Compensation

Share Purchase Plans

We offer various employee share purchase plans. The largest of these plans provides the employee the option of directing a portion of their gross salary toward the purchase of our common shares. We match 50% of employee contributions up to 6% of their individual gross salary. Our initial contributions vest after two years participation in the plan, with subsequent contributions vesting immediately. The shares held in the employee share purchase plan are purchased on the open market and are considered outstanding for purposes of computing earnings per share. The dividends earned on our common shares held by the plan are used to purchase additional common shares on the open market.

We account for our contribution as employee compensation expense when it is contributed to the plan.

Employee compensation expense related to these plans for the years ended October 31, 2015, 2014 and 2013 was $52 million, $50 million and $50 million, respectively. There were 19.0 million, 18.7 million and 19.3 million common shares held in these plans for the years ended October 31, 2015, 2014 and 2013, respectively.

Mid-Term Incentive Plans

We offer mid-term incentive plans for executives and certain senior employees. Payment amounts are adjusted to reflect reinvested dividends and changes in the market value of our common shares. Depending on the plan, the recipient receives either a single cash payment at the end of the three-year period of the plan, or cash payments over the three years of the plan. As the awards are cash settled, they are recorded as liabilities.

Amounts payable under such awards are recorded as compensation expense over the vesting period. Amounts related to units granted to employees who are eligible to retire are expensed at the time of grant. Subsequent changes in the fair value of the liability are recorded in compensation expense in the period in which they arise.

Prior to 2015, we entered into agreements with third parties to assume our liabilities related to a portion of units granted for a fixed up-front payment. For units subject to such arrangements, we no longer have any obligation for future cash payments and as a result no liability is recorded related to these awards. All cash payments made under such arrangements are deferred on the Consolidated Balance Sheet as other assets and are recognized on a straight-line basis over the vesting period. Subsequent changes in fair value of our common shares do not affect the amount of compensation expense related to these awards.

Mid-term incentive plan units granted during the years ended October 31, 2015, 2014 and 2013 totalled 5.8 million, 5.9 million and 5.8 million, respectively. Of these, we entered into agreements with third parties in 2014 and 2013 for 2.8 million and 4.8 million units, respectively. For agreements entered into in 2014 and 2013, we made cash payments of $214 million and $292 million, respectively. The amount of deferred compensation remaining in other assets relating to these arrangements at October 31, 2015 was $38 million ($131 million in 2014) and is expected to be recognized over a weighted-average period of 1 year (1.7 in 2014). Employee compensation expense related to plans where we entered into agreements with third parties for the years ended October 31, 2015, 2014 and 2013 was $81 million, $239 million and $279 million before tax, respectively ($60 million, $177 million and $206 million after tax, respectively).

Mid-term incentive plan units for which we did not enter into agreements with third parties for the years ended October 31, 2015, 2014 and 2013 totalled 5.8 million, 3.1 million and 1.0 million units, respectively. The weighted-average grant date fair value of these awards as at October 31, 2015, 2014 and 2013 was $475 million, $228 million and $50 million, respectively. We recorded employee compensation expense of $289 million, $159 million and $63 million before tax, respectively ($214 million, $118 million and $47 million after tax, respectively). Beginning in November 2014, we no longer enter into agreements with third parties; however, we economically hedge the impact of the change in market value of our common shares by entering into total return swaps (equity contracts). Gains (losses) recognized for the years ended October 31, 2015, 2014 and 2013 were $(26) million, $55 million and $32 million, respectively, resulting in net employee compensation expense of $315 million, $104 million and $31 million, respectively.

A total of 16.1 million, 16.5 million and 15.3 million mid-term incentive plan units were outstanding as at October 31, 2015, 2014 and 2013, respectively, and the intrinsic value of those awards which had vested was $497 million, $288 million and $126 million, respectively. Cash payments made in relation to these liabilities were $173 million, $57 million and $37 million, respectively.

Deferred Incentive Plans

We offer deferred incentive plans for members of our Board of Directors, executives and key employees in BMO Capital Markets and Wealth Management. Under these plans, fees, annual incentive payments and/or commissions can be deferred as share units of our common shares. These share units are either fully vested on the grant date or vest at the end of three years. The value of these share units is adjusted to reflect reinvested dividends and changes in the market value of our common shares.

Deferred incentive plan payments are paid upon the participant's departure from the bank.

Employee compensation expense for these plans is recorded in the year the fees, incentive payments and/or commissions are earned. Changes in the amount of the incentive plan payments as a result of dividends and share price movements are recorded as increases or decreases in employee compensation expense in the period of the change.

Deferred incentive plan units granted during the years ended October 31, 2015, 2014 and 2013 totalled 0.3 million, 0.4 million and 0.4 million, respectively, and the weighted-average grant date fair value of these units was $26 million, $26 million and $22 million, respectively.

Liabilities related to these plans are recorded in other liabilities in our Consolidated Balance Sheet and totalled $395 million and $404 million as at October 31, 2015 and 2014, respectively. Payments made under these plans for the years ended October 31, 2015, 2014 and 2013 were $25 million, $18 million and $16 million, respectively.

Employee compensation expense related to these plans for the years ended October 31, 2015, 2014 and 2013 was $12 million, $76 million and $85 million before tax, respectively ($9 million, $56 million and $63 million after tax, respectively). We have entered into derivative instruments to hedge our exposure related to these plans. Changes in the fair value of these derivatives are recorded as employee compensation expense in the period in which they arise. Gains (losses) on these derivatives for the years ended October 31, 2015, 2014 and 2013 were $(17) million, $56 million and $75 million before tax, respectively. These gains resulted in net employee compensation expense for the years ended October 31, 2015, 2014 and 2013 of $29 million, $20 million and $10 million before tax, respectively ($21 million, $15 million and $7 million after tax, respectively).

A total of 4.9 million, 4.7 million and 4.3 million deferred incentive plan units were outstanding for the years ended October 31, 2015, 2014 and 2013, respectively.

Note 23: Employee Compensation – Pension and Other Employee Future Benefits

Pension and Other Employee Future Benefit Plans

We sponsor a number of arrangements in Canada, the United States and the United Kingdom that provide pension and/or other employee future benefits to our retired and current employees. The largest of these arrangements, by defined benefit obligation, are the primary defined benefit pension plans for employees in Canada and the United States and the primary other employee future benefit plan for employees in Canada.

Pension arrangements include defined benefit pension plans, as well as supplementary arrangements that provide pension benefits in excess of statutory limits. Generally, under these plans we provide retirement benefits based on an employee's years of service and average annual earnings over a period of time prior to retirement. Our pension and other employee future benefit expenses, recorded in employee compensation expense, mainly comprise the current service cost plus or minus the interest on net defined benefit assets or liabilities. In addition, we provide defined contribution pension plans to employees in some of our subsidiaries. The costs of these plans, recorded in employee compensation expense, are equal to our contributions to the plans.

We also provide other employee future benefits, including health and dental care benefits and life insurance, for current and retired employees.

Short-term employee benefits, such as salaries, paid absences, bonuses and other benefits, are accounted for on an accrual basis over the period in which the employees provide the related services.

Investment Policy

The assets of the defined benefit pension plans are managed in accordance with all applicable laws and regulations. The plans are administered with a well-defined governance structure, with the oversight and decision-making resting with the Board of Directors.

The plans are managed under a framework that considers both assets and liabilities in the development of an investment policy and in managing risk.

The plans invest in asset classes that include equities, fixed income and alternative strategies, under established investment guidelines. Plan assets are diversified across asset classes and by geographic exposure. They are managed by asset management firms that are responsible for the selection of investment securities. Derivative instruments are permitted under policy guidelines and are generally used to hedge foreign currency exposures, manage interest rate exposures or replicate the return of an asset.

Asset Allocations

The asset allocation ranges and weighted-average actual asset allocations of our primary pension plans, based on the fair market values at October 31, are as follows:

	Pension benefit plans		
	Range 2015	**Actual 2015**	Actual 2014
Equities	**25% – 50%**	**42%**	42%
Fixed income investments	**35% – 55%**	**45%**	45%
Other	**10% – 25%**	**13%**	13%

Our pension and other employee future benefit plan assets are measured at fair value on a recurring basis.

Risk Management

The plans are exposed to various risks, including market risk (interest rate, equity and foreign currency risks), credit risk, operational risk, surplus risk and longevity risk. We follow a number of approaches to monitor and actively manage these risks, including monitoring surplus-at-risk, which measures a plan's risk in an asset-liability framework; stress testing and scenario analyses to evaluate the volatility of the plans' financial positions and any potential impact on the bank; hedging of currency exposures and interest rate risk within policy limits; controls related to asset mix allocations, geographic allocations, portfolio duration, credit quality, sector guidelines, issuer/counterparty limits and others; and ongoing monitoring of exposures, performance and risk levels.

Pension and Other Employee Future Benefit Liabilities

Our actuaries perform valuations of our defined benefit obligations for pension and other employee future benefits as at October 31 of each year using the projected unit credit method based on management's assumptions about discount rates, rates of compensation increase, retirement age, mortality and health care cost trend rates.

The discount rates for the primary Canadian and U.S. pension and other employee future benefit plans were selected using high-quality AA rated corporate bonds with terms matching the plans' cash flows.

The fair value of plan assets is deducted from the defined benefit obligation to determine the net defined benefit asset or liability. For defined benefit pension plans that are in a net defined benefit asset position, the recognized asset is limited to the present value of economic benefits available in the form of future refunds from the plan or reductions in future contributions to the plan (the "asset ceiling"). Changes in the asset ceiling are recognized in other comprehensive income. Components of the change in our net defined benefit assets or liabilities and our pension and other employee future benefit expense are as follows:

Benefits earned by employees represent benefits earned in the current year. They are determined with reference to the current workforce and the amount of benefits to which employees will be entitled upon retirement, based on the provisions of our benefit plans.

Interest on net defined benefit asset or liability represents the increase in the net defined benefit asset or liability that results from the passage of time and is determined by applying the discount rate to the net defined benefit asset or liability.

Actuarial gains and losses may arise in two ways. First, each year our actuaries recalculate the defined benefit obligations and compare them to those estimated as at the previous year end. Any differences that result from changes in demographic and economic assumptions or from plan member experience being different from management's expectations at the previous year end are considered actuarial gains or losses. Second, actuarial gains and losses arise when there are differences between the discount rate and actual returns on plan assets. Actuarial gains and losses are recognized immediately in other comprehensive income as they occur and are not subsequently reclassified to income in future periods.

Plan amendments are changes in our defined benefit obligations that result from changes to provisions of the plans. The effects of plan amendments are recognized immediately in income when a plan is amended.

Settlements occur when defined benefit obligations for plan participants are settled, usually through lump sum cash payments, and as a result we no longer have any obligation to provide such participants with benefit payments in the future.

Funding of Pension and Other Employee Future Benefit Plans

We fund our defined benefit pension plans in Canada and the United States in accordance with statutory requirements, and the assets in these plans are used to pay benefits to retirees and other employees. Some groups of employees are also eligible to make voluntary contributions in order to receive enhanced benefits. Our supplementary pension plan in Canada is funded, while in the United States the supplementary pension plan is unfunded.

Our other employee future benefit plans in Canada and the United States are either partially funded or unfunded. Benefit payments related to these plans are either paid through the respective plan or paid directly by us.

We measure the fair value of plan assets for our plans in Canada and the United States as at October 31. In addition to actuarial valuations for accounting purposes, we are required to prepare valuations for determining our minimum funding requirements for our pension arrangements in accordance with the relevant statutory framework (our "funding valuation"). An annual funding valuation is performed for our plans in Canada and the United States. The most recent funding valuation for our primary Canadian plan was performed as at October 31, 2015 and the most recent funding valuation for our primary U.S. plan was performed as at January 1, 2015. Benefit payments for fiscal 2016 are estimated to be $402 million.

A summary of plan information for the past three years is as follows:

(Canadian $ in millions)	Pension benefit plans			Other employee future benefit plans		
	2015	2014	2013	**2015**	2014	2013
Defined benefit obligation	**7,934**	7,504	6,181	**1,323**	1,317	1,174
Fair value of plan assets	**8,072**	7,536	6,267	**131**	113	95
Surplus (deficit) and net defined benefit asset (liability)	**138**	32	86	**(1,192)**	(1,204)	(1,079)
Surplus (deficit) is comprised of:						
Funded or partially funded plans	**362**	197	192	**(32)**	(12)	(9)
Unfunded plans	**(224)**	(165)	(106)	**(1,160)**	(1,192)	(1,070)
Surplus (deficit) and net defined benefit asset (liability)	**138**	32	86	**(1,192)**	(1,204)	(1,079)

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		
	2015	2014	2013	**2015**	2014	2013
Annual benefits expense						
Benefits earned by employees	**286**	241	234	**29**	25	27
Net interest (income) expense on net defined benefit (asset) liability	**(5)**	(11)	4	**50**	50	48
Gain on settlement	**(13)**	–	–	**–**	–	–
Administrative expenses	**4**	5	5	**–**	–	–
Remeasurement of other long-term benefits	**–**	–	–	**4**	(5)	(1)
Benefits expense	**272**	235	243	**83**	70	74
Canada and Quebec pension plan expense	**73**	68	69	**–**	–	–
Defined contribution expense	**86**	66	57	**–**	–	–
Total annual pension and other employee future benefit expenses recognized in the Consolidated Statement of Income	**431**	369	369	**83**	70	74

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

Weighted-average assumptions used to determine benefit expenses

	Pension benefit plans			Other employee future benefit plans		
	2015	2014	2013	**2015**	2014	2013
Discount rate at beginning of year	**4.1%**	4.6%	4.2%	**4.2%**	4.7%	4.4%
Rate of compensation increase	**2.9%**	2.9%	2.9%	**2.6%**	2.7%	3.2%
Assumed overall health care cost trend rate	**na**	na	na	**5.5%** (1)	5.4% (1)	5.4% (1)

(1) Trending to 4.5% in 2030 and remaining at that level thereafter.

na – not applicable

Assumptions regarding future mortality are based on published statistics and mortality tables calibrated to plan experience, when applicable. The current life expectancies underlying the amounts of the defined benefit obligations for our primary plans are as follows:

(Years)	Canada		United States	
	2015	2014	**2015**	2014
Life expectancy for those currently age 65				
Males	**23.5**	23.4	**22.2**	21.3
Females	**23.9**	23.8	**23.7**	23.4
Life expectancy at age 65 for those currently age 45				
Males	**24.5**	24.4	**23.3**	23.3
Females	**24.9**	24.8	**24.9**	25.2

Changes in the estimated financial positions of our pension benefit plans and other employee future benefit plans are as follows:

(Canadian $ in millions, except as noted)	Pension benefit plans		Other employee future benefit plans	
	2015	2014	**2015**	2014
Defined benefit obligation				
Defined benefit obligation at beginning of year	**7,504**	6,181	**1,317**	1,174
Opening adjustment for acquisitions	**–**	455	**–**	–
Benefits earned by employees	**286**	241	**29**	25
Interest cost on accrued benefit obligation	**311**	289	**55**	55
Gain due to settlement	**(13)**	–	**–**	–
Benefits paid to pensioners and employees	**(373)**	(326)	**(39)**	(36)
Settlement payments	**(92)**	–	**–**	–
Voluntary employee contributions	**12**	12	**4**	3
Actuarial gains (losses) due to:				
Demographic assumption changes	**17**	48	**(47)**	(15)
Financial assumption changes	**(146)**	532	**(33)**	98
Plan member experience	**108**	(14)	**11**	(3)
Foreign exchange and other	**320**	86	**26**	16
Defined benefit obligation at end of year	**7,934**	7,504	**1,323**	1,317
Wholly or partially funded defined benefit obligation	**7,710**	7,339	**163**	125
Unfunded defined benefit obligation	**224**	165	**1,160**	1,192
Total defined benefit obligation	**7,934**	7,504	**1,323**	1,317
Weighted-average assumptions used to determine the defined benefit obligation				
Discount rate at end of year	**4.2%**	4.1%	**4.4%**	4.2%
Rate of compensation increase	**2.7%**	2.9%	**2.4%**	2.6%
Assumed overall health care cost trend rate	**na**	na	**5.5%** (1)	5.4% (1)
Fair value of plan assets				
Fair value of plan assets at beginning of year	**7,536**	6,267	**113**	95
Opening adjustment for acquisitions	**–**	456	**–**	–
Interest income on plan assets	**316**	300	**5**	4
Excess (shortfall) of actual returns over interest income	**182**	458	**(5)**	5
Employer contributions	**231**	284	**35**	33
Voluntary employee contributions	**12**	12	**4**	3
Benefits paid to pensioners and employees	**(373)**	(326)	**(39)**	(36)
Settlement payments	**(92)**	–	**–**	–
Administrative expenses	**(4)**	(5)	**–**	–
Foreign exchange and other	**264**	90	**18**	9
Fair value of plan assets at end of year	**8,072**	7,536	**131**	113
Surplus (deficit) and net defined benefit asset (liability) at end of year	**138**	32	**(1,192)**	(1,204)
Recorded in:				
Other assets	**502**	261	**–**	–
Other liabilities	**(364)**	(229)	**(1,192)**	(1,204)
Surplus (deficit) and net defined benefit asset (liability) at end of year	**138**	32	**(1,192)**	(1,204)
Actuarial gains (losses) recognized in other comprehensive income				
Net actuarial gains on plan assets	**182**	458	**(6)**	5
Actuarial gains (losses) on defined benefit obligation due to:				
Demographic assumption changes	**(17)**	(48)	**44**	14
Financial assumption changes	**146**	(532)	**35**	(95)
Plan member experience	**(108)**	14	**(4)**	(4)
Foreign exchange and other	**(22)**	–	**1**	–
Actuarial gains (losses) recognized in other comprehensive income for the year	**181**	(108)	**70**	(80)

(1) Trending to 4.5% in 2030 and remaining at that level thereafter.

na – not applicable

Notes

Our pension and other employee future benefit plan assets are measured at fair value on a recurring basis. The fair values of plan assets held by our primary plans as at October 31 are as follows:

(Canadian $ in millions)	Canadian plans		U.S. plans (1)	
	2015	2014	**2015**	2014
Cash and money market funds (2)	**44**	55	**62**	39
Securities issued or guaranteed by: (3)				
Canadian federal government	**188**	151	**–**	–
Canadian provincial and municipal governments	**603**	584	**–**	–
U.S. federal government	**–**	4	**91**	87
U.S. states, municipalities and agencies	**–**	2	**14**	18
Other governments	**9**	5	**–**	–
Pooled funds (4)	**3,166**	2,780	**86**	85
Derivative instruments (5)	**(5)**	(17)	**–**	–
Corporate debt (6)	**892**	966	**458**	401
Corporate equity (2)	**792**	834	**511**	535
	5,689	5,364	**1,222**	1,165

(1) All of the U.S. plans' assets have quoted prices in active markets, except pooled funds, corporate debt and securities issued or guaranteed by U.S. states, municipalities and agencies.
(2) All of the cash and money market funds and corporate equity held by Canadian plans as at October 31, 2015 and 2014 have quoted prices in active markets.
(3) $307 million ($294 million in 2014) of securities issued or guaranteed by governments held by Canadian plans have quoted prices in active markets.
(4) $1,495 million ($1,328 million in 2014) of pooled funds held by Canadian plans have quoted prices in active markets.
(5) $Nil ($1 million in 2014) of derivatives held by Canadian plans have quoted prices in active markets.
(6) $36 million ($69 million in 2014) of corporate debt held by Canadian plans have quoted prices in active markets.
Certain comparative figures have been reclassified to conform with the current year's presentation.

No plan assets are directly invested in the bank's or related parties' securities as at October 31, 2015 and 2014. As at October 31, 2015, our primary Canadian plan indirectly held, through a BMO managed pooled fund, approximately $9 million ($11 million in 2014) of our common shares. The plans do not hold any property we occupy or other assets we use.

The plans paid $4 million in the year ended October 31, 2015 ($4 million in 2014) to us and certain of our subsidiaries for investment management, record-keeping, custodial and administrative services rendered.

Sensitivity of Assumptions

Key weighted-average assumptions used in measuring the defined benefit obligations for our primary plans are outlined in the following table. The sensitivity analysis provided in the table should be used with caution as it is hypothetical and the impact of changes in each key assumption may not be linear. The sensitivities to changes in each key variable have been calculated independently of the impact of changes in other key variables. Actual experience may result in simultaneous changes in a number of key assumptions. Changes in one factor may result in changes in another, which would amplify or reduce certain sensitivities.

		Defined benefit obligation	
(Canadian $ in millions, except as noted)		Pension benefit plans	Other employee future benefit plans
Discount rate (%)		4.2	4.4
Impact:	1% increase ($)	(817)	(144)
	1% decrease ($)	1,033	183
Rate of compensation increase (%)		2.7	2.4
Impact:	0.25% increase ($)	43	1
	0.25% decrease ($)	(42)	(1)
Mortality			
Impact:	1 year shorter life expectancy ($)	(119)	(26)
	1 year longer life expectancy ($)	116	26
Assumed overall health care cost trend rate (%)		na	5.5 (1)
Impact:	1% increase ($)	na	73
	1% decrease ($)	na	(76)

(1) Trending to 4.5% in 2030 and remaining at that level thereafter.
na – not applicable

Disaggregation of Defined Benefit Obligation

Disaggregation of the defined benefit obligation for our primary plans is as follows:

	2015	2014
Canadian pension plans		
Active members	**44%**	46%
Inactive and retired members	**56%**	54%
	100%	100%
U.S. pension plans		
Active members	**68%**	62%
Inactive and retired members	**32%**	38%
	100%	100%
Canadian other employee future benefit plans		
Active members	**43%**	45%
Inactive and retired members	**57%**	55%
	100%	100%

Maturity Profile

The duration of the defined benefit obligation for our primary plans is as follows:

(Years)	**2015**	2014
Canadian pension plans	**13.2**	13.6
U.S. pension plans	**10.6**	11.2
Canadian other employee future benefit plans	**16.2**	16.5

Cash Flows

Cash payments we made during the year in connection with our employee future benefit plans are as follows:

(Canadian $ in millions)	Pension benefit plans			Other employee future benefit plans		
	2015	2014	2013	**2015**	2014	2013
Contributions to defined benefit plans	**198**	254	154	**–**	–	–
Contributions to defined contribution plans	**86**	66	57	**–**	–	–
Benefits paid directly to pensioners	**33**	30	24	**35**	33	30
	317	350	235	**35**	33	30

Our best estimate of the contributions we expect to make for the year ending October 31, 2016 is approximately $195 million to our pension benefit plans and $42 million to our other employee future benefit plans.

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

Note 24: Income Taxes

We report our provision for income taxes in our Consolidated Statement of Income based upon transactions recorded in our consolidated financial statements regardless of when they are recognized for income tax purposes, with the exception of repatriation of retained earnings from our foreign subsidiaries, as noted below.

In addition, we record an income tax expense or benefit in other comprehensive income or directly in shareholders' equity when the taxes relate to amounts recorded in other comprehensive income or shareholders' equity. For example, income tax expense (recovery) on hedging gains (losses) related to our net investment in foreign operations is recorded in our Consolidated Statement of Comprehensive Income as part of unrealized gains (losses) on translation of net foreign operations.

Current tax is the amount of income tax recoverable (payable) in respect of the taxable loss (profit) for a period. Deferred income tax assets and liabilities are measured at the tax rates expected to apply when temporary differences reverse. Changes in deferred income tax assets and liabilities related to a change in tax rates are recorded in income in the period the tax rate is substantively enacted, except to the extent that the tax arises from a transaction or event which is recognized either in other comprehensive income or directly in shareholders' equity. Current and deferred taxes are only offset when they are levied by the same taxation authority, levied on the same entity or group of entities and when there is a legal right to offset.

Included in deferred income tax assets is $16 million related to Canadian tax loss carryforwards that will expire in various amounts between 2033 and 2035, $1,302 million related to U.S. tax loss carryforwards that will expire in various amounts in U.S. taxation years from 2028 through 2034 and $6 million related to U.K. tax loss carryforwards that are available for use indefinitely against relevant profits generated in the U.K. On the evidence available, including management projections of income, we believe that there will be sufficient taxable income generated by our business operations to support these deferred tax assets. The amount of tax on temporary differences, unused tax losses and unused tax credits for which no deferred tax asset is recognized in our Consolidated Balance Sheet as at October 31, 2015 is $193 million. Deferred tax assets have not been recognized in respect of these items because it is not probable that realization of these assets will occur.

Income that we earn in foreign countries through our branches or subsidiaries is generally subject to tax in those countries. We are also subject to Canadian taxation on the income earned in our foreign branches. Canada allows a credit for certain foreign taxes paid on this income. Upon repatriation of retained earnings from certain foreign subsidiaries, we would be required to pay tax on certain of these earnings. As repatriation of such earnings is not planned in the foreseeable future, we have not recorded the related deferred income tax liability.

The amount of temporary differences associated with investments in subsidiaries, branches, associates and interests in joint ventures for which deferred tax liabilities have not been recognized is $27 billion as at October 31, 2015 ($23 billion in 2014).

Provision for Income Taxes

(Canadian $ in millions)	2015	2014	2013
Consolidated Statement of Income			
Current			
Provision for income taxes for the current period	**685**	547	1,095
Adjustments in respect of current tax for prior periods	**18**	(1)	(29)
Deferred			
Origination and reversal of temporary differences	**248**	361	(10)
Effect of changes in tax rates	**(15)**	(4)	(1)
	936	903	1,055
Other Comprehensive Income and Shareholders' Equity			
Income tax expense (recovery) related to:			
Gains (losses) on remeasurement of pension and other employee future benefit plans	**51**	(63)	126
Unrealized (losses) on available-for-sale securities, net of hedging activities	**(87)**	(15)	(31)
Gains (losses) on remeasurement of own credit risk on financial liabilities designated at fair value	**43**	–	–
Gains (losses) on cash flow hedges	**174**	51	(57)
Hedging of unrealized (gains) on translation of net foreign operations	**(167)**	(144)	(146)
Total	**950**	732	947

Components of Total Provision for Income Taxes

(Canadian $ in millions)	2015	2014	2013
Canada: Current income taxes			
Federal	**395**	292	457
Provincial	**215**	200	300
	610	492	757
Canada: Deferred income taxes			
Federal	**131**	33	(109)
Provincial	**71**	29	(76)
	202	62	(185)
Total Canadian	**812**	554	572
Foreign: Current income taxes	**36**	(58)	90
Deferred income taxes	**102**	236	285
Total foreign	**138**	178	375
Total	**950**	732	947

Set out below is a reconciliation of our statutory tax rates and income taxes that would be payable at these rates to the effective income tax rates and provision for income taxes that we have recorded in our Consolidated Statement of Income:

(Canadian $ in millions, except as noted)		2015		2014		2013
Combined Canadian federal and provincial income taxes at the statutory tax rate	**1,410**	**26.4%**	1,382	26.4%	1,386	26.4%
Increase (decrease) resulting from:						
Tax-exempt income from securities	**(378)**	**(7.1)**	(343)	(6.5)	(250)	(4.7)
Foreign operations subject to different tax rates	**(39)**	**(0.7)**	(69)	(1.3)	(10)	(0.2)
Change in tax rate for deferred income taxes	**(15)**	**(0.3)**	(4)	(0.1)	(1)	–
Income attributable to non-controlling interests	**(29)**	**(0.5)**	(33)	(0.7)	(35)	(0.7)
Adjustments in respect of current tax for prior periods	**18**	**0.3**	(1)	–	(29)	(0.6)
Other	**(31)**	**(0.6)**	(29)	(0.6)	(6)	(0.1)
Provision for income taxes and effective tax rate	**936**	**17.5%**	903	17.2%	1,055	20.1%

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

Components of Deferred Income Tax Balances

(Canadian $ in millions)	Allowance for credit losses	Employee future benefits	Deferred compensation benefits	Other comprehensive income	Tax loss carry-forwards	Other	Total
Deferred Income Tax Assets (1)							
As at October 31, 2013	914	329	344	(29)	1,485	461	3,504
Acquisitions	–	8	15	–	10	2	35
Benefit (expense) to income statement	(252)	31	42	–	(180)	49	(310)
Benefit (expense) to equity	–	3	–	(3)	–	–	–
Translation and other	96	3	18	25	103	72	317
As at October 31, 2014	758	374	419	(7)	1,418	584	3,546
Benefit (expense) to income statement	**149**	**(1)**	**(16)**	**–**	**(300)**	**14**	**(154)**
Benefit (expense) to equity	**–**	**–**	**–**	**(20)**	**–**	**–**	**(20)**
Translation and other	**112**	**9**	**28**	**(4)**	**206**	**76**	**427**
As at October 31, 2015	**1,019**	**382**	**431**	**(31)**	**1,324**	**674**	**3,799**

	Premises and equipment	Pension benefits	Goodwill and intangible assets	Securities	Other	Total
Deferred Income Tax Liabilities (2)						
As at October 31, 2013	(320)	(31)	(275)	(35)	77	(584)
Acquisitions	5	–	(90)	–	–	(85)
Benefit (expense) to income statement	(10)	(35)	28	32	(62)	(47)
Expense to equity	–	60	–	–	–	60
Translation and other	(24)	2	(30)	2	1	(49)
As at October 31, 2014	(349)	(4)	(367)	(1)	16	(705)
Benefit (expense) to income statement	**(71)**	**29**	**92**	**6**	**(135)**	**(79)**
Benefit (expense) to equity	**–**	**(51)**	**–**	**–**	**–**	**(51)**
Translation and other	**(34)**	**(7)**	**(41)**	**4**	**11**	**(67)**
As at October 31, 2015	**(454)**	**(33)**	**(316)**	**9**	**(108)**	**(902)**

(1) Deferred tax assets of $3,162 million and $3,019 million as at October 31, 2015 and 2014, respectively, are presented on the balance sheet net by legal jurisdiction.
(2) Deferred tax liabilities of $265 million and $178 million as at October 31, 2015 and 2014, respectively, are presented on the balance sheet net by legal jurisdiction.

Note 25: Earnings Per Share

Basic earnings per share is calculated by dividing net income attributable to our shareholders, after deducting preferred share dividends by the daily average number of fully paid common shares outstanding throughout the year.

Diluted earnings per share is calculated in the same manner, with further adjustments made to reflect the dilutive impact of instruments convertible into our common shares.

The following table presents our basic and diluted earnings per share:

Basic Earnings per Share (Canadian $ in millions, except as noted)	**2015**	2014	2013
Net income attributable to bank shareholders	**4,370**	4,277	4,130
Dividends on preferred shares	**(117)**	(120)	(120)
Net income available to common shareholders	**4,253**	4,157	4,010
Average number of common shares outstanding (in thousands)	**644,916**	645,860	648,476
Basic earnings per share (Canadian $)	**6.59**	6.44	6.19
Diluted Earnings per Share			
Net income available to common shareholders	**4,253**	4,157	4,010
Stock options potentially exercisable (1)	**9,472**	10,832	10,656
Common shares potentially repurchased	**(7,226)**	(8,217)	(9,326)
Average diluted number of common shares outstanding (in thousands)	**647,162**	648,475	649,806
Diluted earnings per share (Canadian $)	**6.57**	6.41	6.17

(1) In computing diluted earnings per share, we excluded average stock options outstanding of 1,906,715, 1,734,932 and 2,677,737 with weighted-average exercise prices of $185.22, $235.07 and $201.93 for the years ended October 31, 2015, 2014 and 2013, respectively, as the average share price for the period did not exceed the exercise price.

Note 26: Commitments, Guarantees, Pledged Assets, Provisions and Contingent Liabilities

In the normal course of business, we enter into a variety of contracts under which we may be required to make payments to reimburse the counterparty for a loss if a third party does not perform according to the terms of a contract or does not make payments when due under the terms of a debt instrument, and contracts under which we provide indirect guarantees of the indebtedness of another party all of which are considered guarantees.

Guarantees that qualify as derivatives are accounted for in accordance with the policy for derivative instruments (see Note 8). For guarantees that do not qualify as derivatives, the liability is initially recorded at fair value, which is generally the fee received. Subsequently, guarantees are recorded at the higher of the initial fair value, less amortization to recognize any fee income earned over the period, and the best estimate of the amount required to settle the obligation. Any change in the liability is reported in our Consolidated Statement of Income.

In addition, we enter into a variety of commitments, including off-balance sheet credit instruments such as backstop liquidity facilities, securities lending, letters of credit, credit default swaps and commitments to extend credit, as a method of meeting the financial needs of our customers. These commitments 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. The contractual amount of our commitments represents our maximum undiscounted potential exposure, before possible recoveries under recourse and collateral provisions. Collateral requirements for these instruments are consistent with collateral requirements for loans.

A large majority of these commitments expire without being drawn upon. As a result, the total contractual amounts may not be representative of the funding likely to be required for these commitments.

We strive to limit credit risk by dealing only with counterparties that we believe are creditworthy, and we manage our credit risk for other credit instruments using the same credit risk process that is applied to loans and other credit assets.

The maximum amount payable related to our various commitments is as follows:

(Canadian $ in millions)	**2015**	2014
Financial Guarantees		
Standby letters of credit (1)	**15,351**	13,949
Credit default swaps (2) (3)	**9,385**	11,983
Other Credit Instruments		
Backstop liquidity facilities (4)	**5,528**	5,501
Securities lending	**6,081**	5,269
Documentary and commercial letters of credit	**1,101**	1,111
Commitments to extend credit (5)	**101,173**	78,817
Other commitments	**3,586**	2,261
Total	**142,205**	118,891

(1) As at October 31, 2015, we recognized $35 million ($50 million in 2014) in other liabilities.
(2) As at October 31, 2015, $8,000 million of the credit default swaps outstanding relates to our credit protection vehicle and will mature within one year.
(3) The fair value of the related derivative liabilities included in our Consolidated Balance Sheet was $48 million as at October 31, 2015 ($124 million in 2014).
(4) As at October 31, 2015, $53 million was outstanding from backstop liquidity facilities ($53 million in 2014) and was recognized in other liabilities.
(5) Commitments to extend credit exclude personal lines of credit and credit cards that are unconditionally cancellable at our discretion.

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

Financial Guarantees

Standby letters of credit represent our obligation to make payments to third parties on behalf of customers if they are unable to make the required payments or meet other contractual requirements. The majority have a term of one year or less. Collateral requirements for standby letters of credit and guarantees are consistent with our collateral requirements for loans. Standby letters of credit and guarantees include our guarantee of a subsidiary's debt directly provided to a third party.

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 terms of these contracts range from less than one year to 10 years. Refer to Note 8 for details.

Other Credit Instruments

Backstop liquidity facilities are provided to asset-backed commercial paper ("ABCP") programs administered by either 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 held 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.

We lend eligible customers' securities to third party borrowers who have been evaluated for credit risk using the same credit risk process that is applied to loans and other credit assets. In connection with these activities, we provide an indemnification to clients against losses resulting from the failure of the borrower to return loaned securities when due. All borrowings are fully collateralized with cash or marketable securities. As securities are loaned, we require borrowers to maintain collateral which is equal to or in excess of 100% of the fair value of the securities borrowed. The collateral is revalued on a daily basis.

Documentary and commercial letters of credit represent our agreement to honour drafts presented by a third party upon completion of specific activities.

Commitments to extend credit represent our commitment to our customers to grant them credit in the form of loans or other financings for specific amounts and maturities, subject to their meeting certain conditions.

As a participant in merchant banking activities, we enter into commitments to fund external private equity funds and investments in equity and debt securities at market value at the time the commitments are drawn. In addition, we act as underwriter for certain new issuances under which we alone or together with a syndicate of financial institutions purchase the new issue for resale to investors.

Indemnification Agreements

In the normal course of operations, we enter into various agreements that provide general indemnifications. These indemnifications typically occur in connection with sales of assets, securities offerings, service contracts, membership agreements, clearing arrangements, derivative contracts and leasing transactions. Based on historical experience, we expect the risk of loss to be remote.

Exchange and Clearinghouse Guarantees

We are a member of several securities and futures exchanges and clearinghouses. Membership in certain of these organizations may require us to pay a pro rata share of the losses incurred by the organization in the event of default of another member. It is difficult to estimate our maximum exposure under these membership agreements since this would require an assessment of future claims that may be made against us that have not yet occurred. Based on historical experience, we expect the risk of loss to be remote.

Pledged Assets

In the normal course of business, we pledge assets as security for various liabilities that we incur.

The following tables summarize our pledged assets and collateral, and the activities to which they relate:

(Canadian $ in millions)	2015	2014
Bank Assets		
Cash and securities (1)		
Issued or guaranteed by the government of Canada	**14,712**	7,077
Issued or guaranteed by a Canadian province, municipality or school corporation	**5,343**	6,000
Other	**42,625**	44,509
Mortgages, securities borrowed or purchased under resale agreements and other	**72,004**	64,505
	134,684	122,091

(Canadian $ in millions)	2015	2014
Assets pledged to:		
Clearing systems, payment systems and depositories	**1,626**	540
Foreign governments and central banks	**3**	2
Obligations related to securities sold under repurchase agreements	**25,268**	25,492
Securities borrowing and lending	**46,678**	42,427
Derivatives transactions	**12,798**	8,682
Securitization	**27,373**	26,031
Covered bonds	**12,301**	7,111
Other	**8,637**	11,806
Total pledged assets and collateral (1)	**134,684**	122,091

(1) Excludes cash pledged with central banks disclosed as restricted cash in Note 2.

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

Collateral

When entering into trading activities such as purchases under resale agreements, securities borrowing and lending activities or financing and for certain derivative transactions, we require our counterparties to provide us with collateral that will protect us from losses in the event of their default. Collateral transactions (received or pledged) are typically conducted under terms that are usual and customary in standard trading activities. If there is no default, the securities or their equivalents must be returned to or returned by the counterparty at the end of the contract.

The fair value of counterparty collateral that we are permitted to sell or repledge (in the absence of default by the owner of the collateral) was $111,088 million as at October 31, 2015 ($92,464 million as at October 31, 2014). The fair value of collateral that we have sold or repledged was $58,266 million as at October 31, 2015 ($59,440 million as at October 31, 2014).

Lease Commitments

We have entered into a number of non-cancellable leases for premises and equipment. Our computer and software leases are typically fixed for one term and our premises leases have various renewal options and rights. Our total contractual rental commitments as at October 31, 2015 were $2,077 million. The commitments for each of the next five years and thereafter are $353 million for 2016, $328 million for 2017, $274 million for 2018, $236 million for 2019, $211 million for 2020 and $675 million thereafter. Included in these amounts are the commitments related to 904 leased branch locations as at October 31, 2015.

Provisions and Contingent Liabilities

Provisions are recognized when we have a legal or constructive obligation as a result of past events, such as contractual commitments, legal or other obligations where we can reliably estimate the obligation, and it is probable we will be required to settle the obligation. We recognize as a provision the best estimate of the amount required to settle the obligations as of the balance sheet date, taking into account the risks and uncertainties surrounding the obligations.

Changes in the provision balance during the year were as follows:

(Canadian $ in millions)	2015	2014
Balance at beginning of year	**195**	209
Additional provisions/increase in provisions	**268**	176
Provisions utilized	**(230)**	(133)
Amounts reversed	**(32)**	(59)
Exchange differences and other movements	**10**	2
Balance at end of year	**211**	195

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

Contingent liabilities are potential obligations arising from past events, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events not wholly within our control.

Legal Proceedings

The bank and its subsidiaries are party to legal proceedings, including regulatory investigations, in the ordinary course of business. While there is inherent difficulty in predicting the outcome of these other proceedings, management does not expect the outcome of any of these proceedings, individually or in the aggregate, to have a material adverse effect on the consolidated financial position or the results of operations of the bank.

BMO Nesbitt Burns Inc., an indirect subsidiary of the bank, has been named as a defendant in several individual actions and proposed class actions in Canada and the United States brought on behalf of shareholders of Bre-X Minerals Ltd. Many of the actions have been resolved as to BMO Nesbitt Burns Inc., including two during the year ended October 31, 2010. Management believes that there are strong defences to the remaining claims and will vigorously defend them.

Note 27: Operating and Geographic Segmentation

Operating Groups

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

Personal and Commercial Banking

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

Canadian Personal and Commercial Banking

Canadian Personal and Commercial Banking ("Canadian P&C") provides a full range of financial products and services to more than eight million customers. Personal Banking provides financial solutions for everyday banking, financing, investing, credit card and creditor insurance needs. Commercial banking provides our small business and commercial banking customers with a broad suite of integrated commercial and capital markets products, as well as financial advisory services.

U.S. Personal and Commercial Banking

U.S. Personal and Commercial Banking ("U.S. P&C") offers a broad range of products and services. Our retail and small and mid-sized business banking customers are served through our branches, contact centres, online and mobile banking platforms and automated banking machines across eight states.

Wealth Management

BMO's group of wealth management businesses serves a full range of client segments from mainstream to ultra high net worth and institutional, with a broad offering of wealth management products and services, including insurance products. Wealth Management ("WM") is a global business with an active presence in markets across Canada, the United States, Europe and Asia.

BMO Capital Markets

BMO Capital Markets ("BMO CM") is a North American-based financial services provider offering a complete range of products and services to corporate, institutional and government clients. Through our Investment and Corporate Banking and Trading Products lines of business, we operate in 29 locations around the world, including 16 offices in North America.

Corporate Services

Corporate Services consists of Corporate Units and Technology and Operations ("T&O"). Corporate Units provide enterprise-wide expertise and governance support in a variety of areas, including strategic planning, risk management, finance, legal and compliance, marketing, communications and human resources. T&O manages, maintains and provides governance over information technology, operations services, real estate and sourcing for the bank.

The costs of providing these Corporate Units and T&O services are largely transferred to the three client operating groups (P&C, WM and BMO CM), and only relatively minor amounts are retained in Corporate Services results. As such, Corporate Services operating results largely reflect the impact of certain asset-liability management activities, the elimination of taxable equivalent adjustments, the results from certain impaired real estate secured assets, purchased loan accounting impacts, certain acquisition integration costs, restructuring costs, run-off structured credit activities and adjustments to the collective allowance for credit losses.

Basis of Presentation

The results of these operating groups are based on our internal financial reporting systems. The accounting policies used in these segments are generally consistent with those followed in the preparation of our consolidated financial statements, as disclosed in Note 1 and throughout the consolidated financial statements. A notable accounting measurement difference is the taxable equivalent basis adjustment as described below.

Periodically, certain business lines and units within the business lines are transferred between client and corporate support groups to more closely align our organizational structure with our strategic priorities. In addition, revenue and expense allocations are updated to more accurately align with current experience. Results for prior periods are restated to conform to the current year's presentation.

Taxable Equivalent Basis

We analyze net interest income on a taxable equivalent basis ("teb") at the operating group level. This basis includes an adjustment that increases reported revenues and the reported provision for income taxes by an amount that would raise revenues on certain tax-exempt items to a level that incurs tax at the statutory rate. The operating groups' teb adjustments are eliminated in Corporate Services revenue and provision for income taxes.

Notes

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 and geographic region, are as follows:

(Canadian $ in millions)	Canadian P&C	U.S. P&C	Wealth Management	BMO CM	Corporate Services (1)	Total	Canada	United States	Other countries
2015 (2)									
Net interest income	**4,937**	**2,834**	**642**	**1,334**	**(777)**	**8,970**	**5,599**	**3,180**	**191**
Non-interest revenue	**1,703**	**775**	**5,121**	**2,539**	**281**	**10,419**	**6,170**	**2,716**	**1,533**
Total Revenue	**6,640**	**3,609**	**5,763**	**3,873**	**(496)**	**19,389**	**11,769**	**5,896**	**1,724**
Provision for credit losses	**496**	**119**	**7**	**26**	**(36)**	**612**	**561**	**52**	**(1)**
Insurance claims, commissions and changes in policy benefit liabilities	**–**	**–**	**1,254**	**–**	**–**	**1,254**	**624**	**–**	**630**
Amortization	**236**	**223**	**231**	**98**	**–**	**788**	**428**	**284**	**76**
Non-interest expense	**3,104**	**2,163**	**3,126**	**2,388**	**613**	**11,394**	**6,304**	**4,372**	**718**
Income before taxes and non-controlling interest in subsidiaries	**2,804**	**1,104**	**1,145**	**1,361**	**(1,073)**	**5,341**	**3,852**	**1,188**	**301**
Provision for income taxes	**700**	**277**	**295**	**329**	**(665)**	**936**	**650**	**240**	**46**
Reported net income	**2,104**	**827**	**850**	**1,032**	**(408)**	**4,405**	**3,202**	**948**	**255**
Non-controlling interest in subsidiaries	**–**	**–**	**5**	**–**	**30**	**35**	**30**	**–**	**5**
Net Income attributable to bank shareholders	**2,104**	**827**	**845**	**1,032**	**(438)**	**4,370**	**3,172**	**948**	**250**
Average Assets	**196,788**	**88,905**	**29,147**	**290,325**	**59,226**	**664,391**	**402,166**	**234,508**	**27,717**

(Canadian $ in millions)	Canadian P&C	U.S. P&C	Wealth Management	BMO CM	Corporate Services (1)	Total	Canada	United States	Other countries
2014 (2)									
Net interest income	4,780	2,482	560	1,177	(538)	8,461	5,476	2,836	149
Non-interest revenue	1,625	669	4,778	2,543	147	9,762	6,541	2,325	896
Total Revenue	6,405	3,151	5,338	3,720	(391)	18,223	12,017	5,161	1,045
Provision for credit losses	528	177	(3)	(18)	(123)	561	533	30	(2)
Insurance claims, commissions and changes in policy benefit liabilities	–	–	1,505	–	–	1,505	1,230	–	275
Amortization	229	223	193	102	–	747	424	279	44
Non-interest expense	2,953	1,854	2,647	2,249	471	10,174	5,871	3,809	494
Income before taxes and non-controlling interest in subsidiaries	2,695	897	996	1,387	(739)	5,236	3,959	1,043	234
Provision for income taxes	679	243	216	310	(545)	903	680	212	11
Reported net income	2,016	654	780	1,077	(194)	4,333	3,279	831	223
Non-controlling interest in subsidiaries	–	–	3	–	53	56	54	–	2
Net Income attributable to bank shareholders	2,016	654	777	1,077	(247)	4,277	3,225	831	221
Average Assets	190,092	74,371	24,980	259,746	44,739	593,928	370,687	200,915	22,326

(Canadian $ in millions)	Canadian P&C	U.S. P&C	Wealth Management	BMO CM	Corporate Services (1)	Total	Canada	United States	Other countries
2013 (2)									
Net interest income	4,536	2,321	558	1,197	65	8,677	5,383	3,223	71
Non-interest revenue	1,484	679	3,658	2,186	146	8,153	5,336	2,218	599
Total Revenue	6,020	3,000	4,216	3,383	211	16,830	10,719	5,441	670
Provision for credit losses	559	236	3	(36)	(175)	587	654	(65)	(2)
Insurance claims, commissions and changes in policy benefit liabilities	–	–	767	–	–	767	561	–	206
Amortization	229	225	145	94	–	693	406	274	13
Non-interest expense	2,826	1,711	2,206	1,988	802	9,533	5,574	3,682	277
Income before taxes and non-controlling interest in subsidiaries	2,406	828	1,095	1,337	(416)	5,250	3,524	1,550	176
Provision for income taxes	594	238	268	297	(342)	1,055	627	432	(4)
Reported net income	1,812	590	827	1,040	(74)	4,195	2,897	1,118	180
Non-controlling interest in subsidiaries	–	–	–	–	65	65	54	11	–
Net Income attributable to bank shareholders	1,812	590	827	1,040	(139)	4,130	2,843	1,107	180
Average Assets	177,033	65,764	22,143	246,702	43,789	555,431	345,703	189,476	20,252

(1) Corporate Services includes Technology and Operations.

(2) Operating groups report on a taxable equivalent basis – see Basis of Presentation section.

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

Note 28: Significant Subsidiaries

As at October 31, 2015, the bank, either directly or indirectly through its subsidiaries, controls the following significant operating subsidiaries.

	Head or principal office	Book value of shares owned by the bank (Canadian $ in millions)
Bank of Montreal Capital Markets (Holdings) Limited	London, England	273
BMO Capital Markets Limited	London, England	
Pyrford International Limited	London, England	
Bank of Montreal (China) Co. Ltd.	Beijing, China	426
Bank of Montreal Holding Inc. and subsidiaries, including:	Calgary, Canada	27,143
BMO Investments Limited	Hamilton, Bermuda	
BMO Reinsurance Limited	St. Michaels, Barbados	
BMO Nesbitt Burns Holdings Corporation	Toronto, Canada	
BMO Nesbitt Burns Inc.	Toronto, Canada	
BMO Private Investment Counsel Inc. (f.k.a BMO Harris Investment Management Inc.)	Toronto, Canada	
BMO Asset Management Inc.	Toronto, Canada	
BMO Capital Markets Real Estate Inc.	Toronto, Canada	
BMO Nesbitt Burns Securities Ltd.	Toronto, Canada	
BMO Private Equity (Canada) Inc. and subsidiaries	Toronto, Canada	
BMO Nesbitt Burns Financial Services Inc.	Toronto, Canada	
BMO Holding Finance, LLC	Wilmington, United States	
BMO Investments Inc.	Toronto, Canada	
BMO Global Tax Advantage Fund Inc.	Toronto, Canada	
BMO InvestorLine Inc.	Toronto, Canada	
BMO Service Inc.	Toronto, Canada	
Bank of Montreal Ireland plc	Dublin, Ireland	
Bank of Montreal Mortgage Corporation	Calgary, Canada	2,559
BMO Mortgage Corp.	Vancouver, Canada	
BMO Financial Corp. and subsidiaries, including:	Chicago, United States	18,006
Monegy, Inc.	Toronto, Canada	18
BMO Asset Management Corp. and subsidiaries	Chicago, United States	
BMO Capital Markets Corp.	New York, United States	
BMO Harris Bank National Association and subsidiaries	Chicago, United States	
BMO Harris Investment Company LLC.	Las Vegas, United States	
BMO Harris Central National Association	Roselle, United States	
BMO Harris Financial Advisors, Inc.	Chicago, United States	
BMO Harris Financing, Inc. and subsidiaries	Chicago, United States	
BMO Private Equity (U.S.), Inc. and subsidiaries	Chicago, United States	
CTC my CFO, LLC	Palo Alto, United States	
Stoker Ostler Wealth Advisors, Inc.	Scottsdale, United States	
Sullivan, Bruyette, Speros & Blayney, Inc.	McLean, United States	
BMO Global Asset Management (Europe) Limited	London, England	369
F&C Asset Management plc and subsidiaries, including:	London, England	
F&C Asset Management Asia Ltd.	Hong Kong, China	
F&C Management Luxembourg SA	Luxembourg	
F&C Netherlands BV	Amsterdam, Netherlands	
Ftc Portugal, Gestao de Patrimonios	Lisbon, Portugal	
BMO Real Estate Partners LLP. and subsidiaries	London, England	
BMO Life Insurance Company	Toronto, Canada	
BMO Life Holdings (Canada), ULC	Halifax, Canada	918
BMO Life Assurance Company	Toronto, Canada	
BMO Trust Company	Toronto, Canada	983
LGM (Bermuda) Limited	Hamilton, Bermuda	89
Lloyd George Investment Management (Bermuda) Limited	Hamilton, Bermuda	
BMO Global Asset Management (Asia) Limited	Hong Kong, China	
LGM Investments Limited (f.k.a Lloyd George Management (Europe) Limited)	London, England	
Lloyd George Management (Singapore) Pte Ltd.	Singapore	

Significant Restrictions

Our ability to transfer funds between our subsidiaries may be restricted by statutory, contractual, capital and regulatory requirements. Restrictions include:

- Assets pledged as security for various liabilities we incur. Refer to Note 26 for details.
- Assets of our consolidated structured entities that are held for the benefit of the note holders. Refer to Note 7 for details.
- Assets held by our insurance subsidiaries. Refer to Note 12 for details.
- Regulatory and statutory requirements that reflect capital and liquidity requirements. Refer to Note 21 for details.
- Funds required to be held with central banks. Refer to Note 2 for details.

Note 29: Related Party Transactions

Related parties include subsidiaries, associates, joint ventures, key management personnel and employee future benefit plans. Transactions with our subsidiaries are eliminated on consolidation, and are not disclosed as related party transactions.

Key Management Personnel Compensation

Key management personnel is defined as those persons having authority and responsibility for planning, directing and/or controlling the activities of an entity, being the members of our Board of Directors ("directors") and certain senior executives.

The following table presents the compensation of key management personnel.

(Canadian $ in millions)	**2015**	2014
Base salary and incentives	**20**	18
Post-employment benefits	**2**	2
Share-based payments (1)	**27**	21
Total key management personnel compensation	**49**	41

(1) Amounts included in share-based payments are the fair values of awards granted in the year.
Termination benefits and other long-term benefits were $nil in 2015 ($nil in 2014).

We offer senior executives preferential interest rates on credit card balances, a fee-based subsidy on annual credit card fees, and a select suite of customer loan and mortgage products at rates normally accorded to preferred customers. At October 31, 2015, loans to key management personnel totalled $15 million ($5 million in 2014).

Directors receive a specified amount of their annual retainers in deferred stock units. Until a director's shareholdings (including deferred stock units) are eight times greater than their annual retainer, they are required to take 100% of their annual retainers and other fees in the form of either our common shares or deferred stock units. They may elect to receive the remainder of such retainer fee and other remuneration in cash, common shares or deferred stock units.

Directors of our wholly owned subsidiary, BMO Financial Corp., are required to take a specified minimum amount of their annual retainers and other fees in the form of deferred stock units.

Joint Ventures and Associates

We provide banking services to our joint ventures and associates on the same terms offered to our customers for these services. Our investment in a joint venture of which we own 50% totalled $256 million as at October 31, 2015 ($216 million in 2014). Our investments in associates over which we exert significant influence totalled $389 million as at October 31, 2015 ($286 million in 2014).

Employee Future Benefit Plans

See Note 23 for a description of related party transactions with our employee future benefit plans.

Note 30: Contractual Maturities of Assets and Liabilities and Off-Balance Sheet Commitments

The tables below show the remaining contractual maturity of on-balance sheet assets and liabilities and off-balance sheet commitments. The contractual maturity of financial assets and liabilities is an input to, but is not necessarily consistent with, the expected maturity of assets and liabilities that is used in the management of liquidity and funding risk. We forecast asset and liability cash flows, both under normal market conditions and under a number of stress scenarios to manage liquidity and funding risk. Stress scenarios include assumptions for loan repayments, deposit withdrawals, and credit commitment and liquidity facility drawdowns by counterparty and product type. Stress scenarios also consider the time horizon over which liquid assets can be monetized and the related haircuts and potential collateral requirements that may result from both market volatility and credit rating downgrades, among other assumptions. For further details, see the blue tinted font portion of the Liquidity and Funding Risk section of Management's Discussion and Analysis.

(Canadian $ in millions)										2015
	0 to 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	No maturity	Total
On-Balance Sheet Financial Instruments										
Assets										
Cash and cash equivalents	**39,438**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**857**	**40,295**
Interest bearing deposits with banks	**5,077**	**1,728**	**411**	**94**	**70**	**2**	**–**	**–**	**–**	**7,382**
Securities										
Trading securities	**954**	**1,432**	**633**	**3,900**	**2,241**	**3,639**	**5,993**	**15,940**	**37,728**	**72,460**
Available-for-sale securities	**1,260**	**1,198**	**995**	**590**	**2,434**	**4,641**	**18,699**	**16,476**	**1,713**	**48,006**
Held-to-maturity securities	**66**	**96**	**367**	**311**	**318**	**658**	**3,721**	**3,895**	**–**	**9,432**
Other securities	**3**	**–**	**–**	**–**	**–**	**–**	**61**	**13**	**943**	**1,020**
Total securities	**2,283**	**2,726**	**1,995**	**4,801**	**4,993**	**8,938**	**28,474**	**36,324**	**40,384**	**130,918**
Securities borrowed or purchased under resale agreements	**44,959**	**17,564**	**4,400**	**714**	**389**	**40**	**–**	**–**	**–**	**68,066**
Loans										
Residential mortgages	**1,189**	**2,022**	**4,014**	**4,758**	**4,567**	**17,807**	**61,913**	**9,648**	**–**	**105,918**
Consumer instalment and other personal	**475**	**619**	**1,334**	**1,509**	**1,513**	**3,844**	**23,578**	**9,228**	**23,498**	**65,598**
Credit cards	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**7,980**	**7,980**
Businesses and governments	**6,406**	**8,895**	**5,929**	**6,482**	**16,426**	**16,118**	**45,541**	**8,203**	**31,076**	**145,076**
Customers' liability under acceptances	**8,607**	**2,692**	**8**	**–**	**–**	**–**	**–**	**–**	**–**	**11,307**
Allowance for credit losses	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,855)**	**(1,855)**
Total loans and acceptances, net of allowance	**16,677**	**14,228**	**11,285**	**12,749**	**22,506**	**37,769**	**131,032**	**27,079**	**60,699**	**334,024**
Other Assets										
Derivative instruments	**3,611**	**2,862**	**1,043**	**1,827**	**752**	**4,961**	**9,591**	**13,591**	**–**	**38,238**
Premises and equipment	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,285**	**2,285**
Goodwill	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**6,069**	**6,069**
Intangible assets	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,208**	**2,208**
Current tax assets	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**561**	**561**
Deferred tax assets	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**3,162**	**3,162**
Other	**1,249**	**445**	**47**	**4**	**–**	**–**	**12**	**4,347**	**2,569**	**8,673**
Total other assets	**4,860**	**3,307**	**1,090**	**1,831**	**752**	**4,961**	**9,603**	**17,938**	**16,854**	**61,196**
Total Assets	**113,294**	**39,553**	**19,181**	**20,189**	**28,710**	**51,710**	**169,109**	**81,341**	**118,794**	**641,881**

(Canadian $ in millions)										2015
	0 to 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	No maturity	Total
Liabilities and Equity										
Deposits (1)										
Banks	10,188	5,618	2,917	966	1,172	101	–	–	6,173	27,135
Businesses and governments	22,866	39,848	22,135	7,498	10,962	14,497	27,112	10,891	107,809	263,618
Individuals	1,632	3,457	5,392	3,872	6,086	8,787	15,135	1,784	101,271	147,416
Total deposits	34,686	48,923	30,444	12,336	18,220	23,385	42,247	12,675	215,253	438,169
Other liabilities										
Derivative instruments	2,586	3,858	1,574	3,493	1,259	6,030	11,637	12,202	–	42,639
Acceptances	8,607	2,692	8	–	–	–	–	–	–	11,307
Securities sold but not yet purchased	21,226	–	–	–	–	–	–	–	–	21,226
Securities lent or sold under repurchase agreements	35,599	3,990	121	104	77	–	–	–	–	39,891
Current tax liabilities	–	–	–	–	–	–	–	–	102	102
Deferred tax liabilities	–	–	–	–	–	–	–	–	265	265
Securitization and liabilities related to structured entity	2	880	446	2,514	337	3,864	8,834	4,796	–	21,673
Other	8,148	319	30	15	185	1,071	3,181	2,201	7,130	22,280
Total other liabilities	76,168	11,739	2,179	6,126	1,858	10,965	23,652	19,199	7,497	159,383
Subordinated debt	–	–	–	–	–	100	–	4,316	–	4,416
Total Equity	–	–	–	–	–	–	–	–	39,913	39,913
Total Liabilities and Equity	110,854	60,662	32,623	18,462	20,078	34,450	65,889	36,190	262,663	641,881

(1) Deposits payable on demand and payable after notice have been included under no maturity.

(Canadian $ in millions)										2015
	0 to 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	No maturity	Total
Off-Balance Sheet Commitments										
Commitments to extend credit (1)	1,815	6,651	3,994	5,946	6,549	15,542	63,885	2,319	–	106,701
Operating leases	29	60	89	88	87	328	721	675	–	2,077
Securities Lending	6,081	–	–	–	–	–	–	–	–	6,081
Purchase obligations	52	104	155	155	156	561	531	133	–	1,847

(1) A large majority of these commitments expire without being drawn upon. As a result, the total contractual amounts may not be representative of the funding likely to be required for these commitments.

Notes

(Canadian $ in millions)										2014
	0 to 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	No maturity	Total
On-Balance Sheet Financial Instruments										
Assets										
Cash and cash equivalents	27,625	–	–	–	–	–	–	–	761	28,386
Interest bearing deposits with banks	4,124	1,420	521	14	31	–	–	–	–	6,110
Securities										
Trading securities	542	1,159	584	1,344	1,274	5,255	9,722	17,409	47,733	85,022
Available-for-sale securities	1,014	345	553	1,138	714	8,750	21,047	11,699	1,706	46,966
Held-to-maturity securities	–	–	113	98	294	1,356	4,172	4,311	–	10,344
Other securities	–	10	3	2	–	–	45	19	908	987
Total securities	1,556	1,514	1,253	2,582	2,282	15,361	34,986	33,438	50,347	143,319
Securities borrowed or purchased under resale agreements	39,014	10,255	2,536	678	938	134	–	–	–	53,555
Loans										
Residential mortgages	1,284	1,528	3,763	4,725	4,470	20,497	55,659	9,087	–	101,013
Consumer instalment and other personal	386	458	1,097	1,193	1,257	6,491	20,847	8,981	23,433	64,143
Credit cards	–	–	–	–	–	–	–	–	7,972	7,972
Businesses and governments	5,898	7,232	5,401	5,128	12,030	10,328	37,525	6,294	30,930	120,766
Customers' liability under acceptances	8,871	1,920	77	1	9	–	–	–	–	10,878
Allowance for credit losses	–	–	–	–	–	–	–	–	(1,734)	(1,734)
Total loans and acceptances, net of allowance	16,439	11,138	10,338	11,047	17,766	37,316	114,031	24,362	60,601	303,038
Other Assets										
Derivative instruments	2,703	2,348	1,387	1,746	796	3,436	8,955	11,284	–	32,655
Premises and equipment	–	–	–	–	–	–	–	–	2,276	2,276
Goodwill	–	–	–	–	–	–	–	–	5,353	5,353
Intangible assets	–	–	–	–	–	–	–	–	2,052	2,052
Current tax assets	–	–	–	–	–	–	–	–	665	665
Deferred tax assets	–	–	–	–	–	–	–	–	3,019	3,019
Other	1,509	271	149	4	–	–	64	3,545	2,689	8,231
Total other assets	4,212	2,619	1,536	1,750	796	3,436	9,019	14,829	16,054	54,251
Total Assets	92,970	26,946	16,184	16,071	21,813	56,247	158,036	72,629	127,763	588,659

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

(Canadian $ in millions)										2014
	0 to 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	No maturity	Total
Liabilities and Equity										
Deposits (1)										
Banks	7,495	4,680	1,067	597	2	–	–	–	4,402	18,243
Businesses and governments	26,644	25,061	20,255	10,157	8,439	16,347	23,914	8,198	100,124	239,139
Individuals	2,039	3,290	5,472	4,296	5,288	6,386	16,454	1,528	90,953	135,706
Total deposits	36,178	33,031	26,794	15,050	13,729	22,733	40,368	9,726	195,479	393,088
Other liabilities										
Derivative instruments	1,545	2,321	1,325	2,095	1,399	4,565	9,633	10,774	–	33,657
Acceptances	8,871	1,920	77	1	9	–	–	–	–	10,878
Securities sold but not yet purchased	27,348	–	–	–	–	–	–	–	–	27,348
Securities lent or sold under repurchase agreements	36,757	2,624	149	95	70	–	–	–	–	39,695
Current tax liabilities	–	–	–	–	–	–	–	–	235	235
Deferred tax liabilities	–	–	–	–	–	–	–	–	178	178
Securitization and liabilities related to structured entity	3	429	1,560	341	1,135	3,976	10,066	4,955	–	22,465
Other	7,226	142	16	330	26	193	3,577	1,723	7,565	20,798
Total other liabilities	81,750	7,436	3,127	2,862	2,639	8,734	23,276	17,452	7,978	155,254
Subordinated debt	–	–	–	–	–	–	100	4,813	–	4,913
Total Equity	–	–	–	–	–	–	–	–	35,404	35,404
Total Liabilities and Equity	117,928	40,467	29,921	17,912	16,368	31,467	63,744	31,991	238,861	588,659

(1) Deposits payable on demand and payable after notice have been included under no maturity.

(Canadian $ in millions)										2014
	0 to 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	No maturity	Total
Off-Balance Sheet Commitments										
Commitments to extend credit (1)	1,274	1,714	3,844	6,046	3,828	15,040	51,035	1,537	–	84,318
Operating leases	26	52	77	77	76	281	630	638	–	1,857
Securities Lending	5,269	–	–	–	–	–	–	–	–	5,269
Purchase obligations	58	113	169	169	169	586	783	209	–	2,256

(1) A large majority of these commitments expire without being drawn upon. As a result, the total contractual amounts may not be representative of the funding likely to be required for these commitments.

Glossary of Financial Terms

Adjusted Earnings and Measures present results adjusted to exclude the impact of certain items, as set out in the Non-GAAP Measures section. Management considers both reported and adjusted results to be useful in assessing underlying ongoing business performance.

Adjusted Return on Tangible Common Equity is calculated as adjusted net income available to common shareholders as a percentage of average tangible common equity.
Page 35

Allowance for Credit Losses represents an amount deemed adequate by management to absorb credit-related losses on loans and acceptances and other credit instruments. Allowances for credit losses can be specific or collective and are recorded on the balance sheet as a deduction from loans and acceptances or, as they relate to credit instruments, as other liabilities.
Pages 78, 97, 148

Assets under Administration and under Management refers to assets administered or managed by a financial institution that are beneficially owned by clients and therefore not reported on the balance sheet of the administering or managing financial institution.

Asset-Backed Commercial Paper (ABCP) is a short-term investment. The commercial paper is backed by physical assets such as trade receivables, and is generally used for short-term financing needs.
Page 71

Average Earning Assets represents the daily or monthly average balance of deposits with other banks and loans and securities, over a one-year period.

Bankers' Acceptances (BAs) are bills of exchange or negotiable instruments drawn by a borrower for payment at maturity and accepted by a bank. BAs constitute a guarantee of payment by the bank and can be traded in the money market. The bank earns a "stamping fee" for providing this guarantee.

Basis Point is one one-hundredth of a percentage point.

Business Risk arises from the specific business activities of a company and the effects these could have on its earnings.
Page 116

Collective Allowance is maintained to cover impairment in the existing credit portfolio that cannot yet be associated with specific credit assets. Our approach to establishing and maintaining the collective allowance is based on the requirements of IFRS, considering guidelines issued by our regulator, OSFI. The collective allowance is assessed on a quarterly basis and a number of factors are considered when determining its level, including the long-run expected loss amount and management's credit judgment with respect to current macroeconomic and portfolio conditions.
Pages 42, 97, 148

Common Equity Tier 1 (CET1) capital is comprised of common shareholders' equity less deductions for goodwill, intangible assets, pension assets, certain deferred tax assets and certain other items.
Pages 70, 181

Common Equity Tier 1 Ratio reflects CET1 capital, divided by risk-weighted assets for CET1.
Pages 35, 72, 182

Common Shareholders' Equity is the most permanent form of capital. For regulatory capital purposes, common shareholders' equity is comprised of common shareholders' equity, net of capital deductions.

Credit and Counterparty Risk is the potential for loss due to the failure of a borrower, endorser, guarantor or counterparty to repay a loan or honour another predetermined financial obligation.
Pages 94, 151

Derivatives are contracts with a value that is "derived" from movements in interest or foreign exchange rates, equity or commodity prices or other indices. Derivatives allow for the transfer, modification or reduction of current or expected risks from changes in rates and prices.

Dividend Payout Ratio represents common share dividends as a percentage of net income available to common shareholders. It is computed by dividing dividends per share by basic earnings per share.

Earnings Per Share (EPS) is calculated by dividing net income attributable to bank shareholders, after deduction of preferred dividends, by the average number of common shares outstanding. Diluted EPS, which is our basis for measuring performance, adjusts for possible conversions of financial instruments into common shares if those conversions would reduce EPS. Adjusted EPS is calculated in the same manner, using adjusted net income.
Pages 34, 191

Earnings Sensitivity is a measure of the impact of potential changes in interest rates on the projected 12-month after-tax net income of a portfolio of assets, liabilities and off-balance sheet positions in response to prescribed parallel interest rate movements.
Page 104

Economic Capital is a measure of our internal assessment of the risks underlying BMO's business activities. It represents management's estimation of the likely magnitude of economic losses that could occur should severely adverse situations arise, and allows returns to be measured on a basis that considers the risks undertaken. Economic capital is calculated for various types of risk – credit, market (trading and non-trading), operational and business – based on a one-year time horizon using a defined confidence level.
Pages 73, 93

Economic Value Sensitivity is a measure of the impact of potential changes in interest rates on the market value of a portfolio of assets, liabilities and off-balance sheet positions in response to prescribed parallel interest rate movements.
Page 104

Efficiency Ratio (or Expense-to-Revenue Ratio) is a key measure of productivity. It is calculated as non-interest expense divided by total revenue, expressed as a percentage. The adjusted efficiency ratio is calculated in the same manner, utilizing adjusted total revenue and non-interest expense.
Page 43

Environmental and Social Risk is the potential for loss or damage to BMO's reputation resulting from environmental or social concerns related to BMO or its customers. Environmental and social risk is often associated with credit, operational and reputation risk.
Page 117

Fair Value is the amount of consideration that would be agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act.

Forwards and Futures are contractual agreements to either buy or sell a specified amount of a currency, commodity, interest-rate-sensitive financial instrument or security at a specific price and date in the future. Forwards are customized contracts transacted in the over-the-counter market. Futures are transacted in standardized amounts on regulated exchanges and are subject to daily cash margining.
Page 156

Hedging is a risk management technique used to neutralize, manage or offset interest rate, foreign currency, equity, commodity or credit exposures arising from normal banking activities.

Impaired Loans are loans for which there is no longer reasonable assurance of the timely collection of principal or interest.

Innovative Tier 1 Capital is a form of Tier 1 capital issued by structured entities that can be included in calculating a bank's Tier 1 Capital Ratio, Total Capital Ratio and Leverage Ratio. Under Basel III, Innovative Tier 1 Capital is non-qualifying and is part of the grandfathered capital being phased out between 2013 and 2022.

Insurance Risk is the potential for loss due to actual experience being different from that assumed when an insurance product was designed and priced. It generally entails inherent unpredictability that can arise from assuming long-term policy liabilities or from the uncertainty of future events. Insurance risk is inherent in all our insurance products, including annuities and life, accident and sickness, and creditor insurance, as well as in our reinsurance business.
Page 114

Legal and Regulatory Risk is the potential for loss or harm that arises from legislation, contracts, non-contractual rights and obligations, and disputes. This includes the risks of failing to: comply with the law (in letter or in spirit) or maintain standards of care; implement legislative or regulatory requirements; enforce or comply with contractual terms; assert non-contractual rights; effectively manage disputes; and act in a manner so as to maintain our reputation.
Page 114

Leverage Ratio is defined as Tier 1 capital, divided by the sum of on-balance sheet items and specified off-balance sheet items, net of specified adjustments.
Page 72

Liquidity and Funding Risk is the potential for loss if BMO is unable to meet financial commitments in a timely manner at reasonable prices as they fall due. Financial commitments include liabilities to depositors and suppliers, and lending, investment and pledging commitments.
Pages 105, 153

Market Risk is the potential for adverse changes in the value of BMO's assets and liabilities resulting from changes in market variables such as interest rates, foreign exchange rates, equity and commodity prices and their implied volatilities, and credit spreads, and includes the risk of credit migration and default in our trading book.
Pages 100, 153

Mark-to-Market represents the valuation of financial instruments at market rates as of the balance sheet date, where required by accounting rules.

Model Risk is the potential for adverse consequences following decisions based on incorrect or misused model outputs. These adverse consequences can include financial loss, poor business decision-making or damage to reputation.
Page 112

Net Interest Income is comprised of earnings on assets, such as loans and securities, including interest and dividend income and BMO's share of income from investments accounted for using the equity method of accounting, less interest expense paid on liabilities, such as deposits.
Page 39

Net Interest Margin is the ratio of net interest income to average earning assets, expressed as a percentage or in basis points. Net interest margin is sometimes computed using total assets.
Page 39

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

Notional Amount refers to the principal amount used to calculate interest and other payments under derivative contracts. The principal amount does not change hands under the terms of a derivative contract, except in the case of cross-currency swaps.

Off-Balance Sheet Financial Instruments consist of a variety of financial arrangements offered to clients, which include credit derivatives, written put options, backstop liquidity facilities, standby letters of credit, performance guarantees, credit enhancements, commitments to extend credit, securities lending, documentary and commercial letters of credit, and other indemnifications.

Office of the Superintendent of Financial Institutions Canada (OSFI) is the government agency responsible for regulating banks, insurance companies, trust companies, loan companies and pension plans in Canada.

Operating Leverage is the difference between revenue and expense growth rates. Adjusted operating leverage is the difference between adjusted revenue and adjusted expense growth rates.
Page 43

Operational Risk is the potential for loss resulting from inadequate or failed internal processes or systems, human interactions or external events, but excludes business risk.
Page 111

Options are contractual agreements that convey to the purchaser the right but not the obligation to either buy or sell a specified amount of a currency, commodity, interest-rate-sensitive financial instrument or security at a fixed future date or at any time within a fixed future period.
Page 156

Provision for Credit Losses is a charge to income that represents an amount deemed adequate by management to fully provide for impairment in a portfolio of loans and acceptances and other credit instruments, given the composition of the portfolio, the probability of default, the economic environment and the allowance for credit losses already established.
Pages 42, 96, 149

Reputation Risk is the potential for a negative impact on BMO that results from the deterioration of BMO's reputation. Potential negative impacts include revenue loss, decline in customer loyalty, litigation, regulatory sanction or additional oversight, and a decline in BMO's share price.
Page 116

Return on Equity or Return on Common Shareholders' Equity (ROE) is calculated as net income, less non-controlling interest in subsidiaries and preferred dividends, as a percentage of average common shareholders' equity. Common shareholders' equity is comprised of common share capital, contributed surplus, accumulated other comprehensive income (loss) and retained earnings. Adjusted ROE is calculated using adjusted net income rather than net income.
Page 35

Risk-Weighted Assets (RWA) are defined as on- and off-balance sheet exposures that are risk-weighted based on counterparty, collateral, guarantee arrangements and possibly product and term for capital management and regulatory reporting purposes.
Page 73

Securities Borrowed or Purchased under Resale Agreements are low-cost, low-risk instruments, often supported by the pledge of cash collateral, which arise from transactions that involve the borrowing or purchasing of securities.

Securities Lent or Sold under Repurchase Agreements are low-cost, low-risk liabilities, often supported by cash collateral, which arise from transactions that involve the lending or selling of securities.

Securitization is the practice of selling pools of contractual debts, such as residential mortgages, commercial mortgages, auto loans and credit card debt obligations, to third parties.
Page 153

Specific Allowances reduce the carrying value of specific credit assets to the amount we expect to recover if there is evidence of deterioration in credit quality.
Pages 97, 148

Strategic Risk is the potential for loss due to fluctuations in the external business environment and/or failure to properly respond to these fluctuations as a result of inaction, ineffective strategies or poor implementation of strategies.
Page 116

Stressed Value at Risk (SVaR) is measured for specific classes of risk in BMO's trading and underwriting activities related to interest rates, foreign exchange rates, credit spreads, equity and commodity prices and their implied volatilities, where model inputs are calibrated to historical data from a period of significant financial stress. This measure calculates the maximum loss likely to be experienced in the portfolios, measured at a 99% confidence level over a specified holding period.
Page 100

Structured Entities (SEs) include entities for which voting or similar rights are not the dominant factor in determining control of the entity. We are required to consolidate an SE if we control the entity by having power over the entity, exposure to variable returns as a result of our involvement and the ability to exercise power to affect the amount of our returns.
Pages 77, 154

Swaps are contractual agreements between two parties to exchange a series of cash flows. The various swap agreements that we enter into are as follows:

- *Commodity swaps* – counterparties generally exchange fixed-rate and floating-rate payments based on a notional value of a single commodity.
- *Credit default swaps* – one counterparty pays the other a fee in exchange for that other counterparty agreeing to make a payment if a credit event occurs, such as bankruptcy or failure to pay.
- *Cross-currency interest rate swaps* – fixed-rate and floating-rate interest payments and principal amounts are exchanged in different currencies.
- *Cross-currency swaps* – fixed-rate interest payments and principal amounts are exchanged in different currencies.
- *Equity swaps* – counterparties exchange the return on an equity security or a group of equity securities for the return based on a fixed or floating interest rate or the return on another equity security or group of equity securities.
- *Interest rate swaps* – counterparties generally exchange fixed-rate and floating-rate interest payments based on a notional value in a single currency.

Page 156

Tangible Common Equity is calculated as common shareholders' equity less goodwill and acquisition-related intangible assets, net of related deferred tax liabilities.
Page 35

Taxable Equivalent Basis (teb): Revenues of operating groups are presented in our MD&A on a taxable equivalent basis (teb). To facilitate comparisons, the teb adjustment increases GAAP revenue and the provision for income taxes by an amount that would increase revenue on certain tax-exempt securities to a level that would incur tax at the statutory rate.
Pages 38, 194

Tier 1 Capital is comprised of CET1 capital, preferred shares and innovative hybrid instruments, less certain regulatory deductions.
Pages 70, 181

Tier 1 Capital Ratio reflects Tier 1 capital divided by Tier 1 capital risk-weighted assets.
Pages 72, 181

Total Capital includes Tier 1 and Tier 2 capital. Tier 2 capital is primarily comprised of subordinated debentures and a portion of the collective and individual allowances for credit losses, less certain regulatory deductions.
Pages 70, 181

Total Capital Ratio reflects Total capital divided by Total capital risk-weighted assets.
Pages 72, 182

Total Shareholder Return: The three-year and five-year average annual total shareholder return (TSR) represents the average annual total return earned on an investment in BMO common shares made at the beginning of a three-year and five-year period, respectively. The return includes the change in share price and assumes that dividends received were reinvested in additional common shares. The one-year TSR also assumes that dividends were reinvested in shares.
Page 32

Trading-Related Revenues include net interest income and non-interest revenue earned from on- and off-balance sheet positions undertaken for trading purposes. The management of these positions typically includes marking them to market on a daily basis. Trading-related revenues include income (expense) and gains (losses) from both on-balance sheet instruments and interest rate, foreign exchange (including spot positions), equity, commodity and credit contracts.
Page 41

Value at Risk (VaR) is measured for specific classes of risk in BMO's trading and underwriting activities related to interest rates, foreign exchange rates, credit spreads, equity and commodity prices and their implied volatilities. This measure calculates the maximum loss likely to be experienced in the portfolios, measured at a 99% confidence level over a specified holding period.
Pages 100, 101

Where to Find More Information

Corporate Governance

Our website provides information on our corporate governance practices, including our code of conduct, our Director Independence Standards and our board mandate and committee charters.

www.bmo.com/corporategovernance

Management Proxy Circular

Our management proxy circular contains information on our directors, board committee reports and a detailed discussion of our corporate governance practices. It will be published in March 2016 and will be available on our website.

www.bmo.com/corporategovernance

New York Stock Exchange Governance Requirements

A summary of the significant ways in which our corporate governance practices differ from the corporate governance practices required to be followed by U.S. domestic companies under New York Stock Exchange Listing Standards is posted on our website.

www.bmo.com/corporategovernance

Sustainability Performance

BMO's *Environmental, Social and Governance Report and Public Accountability Statement* (ESG Report/PAS) outlines how we manage the environmental, social and governance impacts of our business while creating value for our many stakeholders. We use the Global Reporting Initiative (GRI) as a framework for reporting on our sustainability performance. This report is available on our website.

www.bmo.com/corporateresponsibility

Corporate Responsibility

BMO's *Corporate Responsibility Report*, a companion piece to the ESG Report/PAS, illustrates the way we conduct our business, what we stand for and the commitments we've made to our customers and the communities where we operate. This report and additional information are available on our website.

www.bmo.com/corporateresponsibility

Have Your Say

If you have a question you would like to ask at our annual meeting of shareholders, you can submit your question in person or during the webcast. You can also submit a question to the board by writing to the Corporate Secretary at Corporate Secretary's Office, 21st Floor, 1 First Canadian Place, Toronto, ON M5X 1A1, or emailing corp.secretary@bmo.com.

Shareholders

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Online filing information:

BMO filings in Canada
Canadian Securities Administrators

www.sedar.com

BMO filings in the United States
Securities and Exchange Commission

www.sec.gov/edgar.shtml

For all other shareholder inquiries:

Shareholder Services
BMO Financial Group
Corporate Secretary's Office
21st Floor, 1 First Canadian Place
Toronto, ON M5X 1A1
Email: **corp.secretary@bmo.com**
Call: **416-867-6785** Fax: **416-867-6793**

Institutional Investors and Research Analysts

To obtain additional financial information:

Investor Relations
BMO Financial Group
10th Floor, 1 First Canadian Place
Toronto, ON M5X 1A1
Email: **investor.relations@bmo.com**
Call: **416-867-7019** Fax: **416-867-3367**

Employees

For information on BMO's Employee Share Ownership Plan:

Call: **1-877-266-6789**

General

To obtain printed copies of the annual report or make inquiries about company news and initiatives:

Corporate Communications Department
BMO Financial Group
28th Floor, 1 First Canadian Place
Toronto, ON M5X 1A1

On peut obtenir sur demande un exemplaire en français.

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Your vote matters.
Look out for your proxy circular in March and remember to vote.

Shareholder Information

Important Dates

Fiscal Year End	**October 31**
Annual Meeting	**April 5, 2016, 9:30 a.m. (local time)**

The annual meeting of shareholders will be held in Toronto, Ontario, at the BMO Institute for Learning, 3550 Pharmacy Avenue. The meeting will be webcast. Details are available on our website.

www.bmo.com/investorrelations

2016 Dividend Payment Dates*

Common and preferred shares record dates

February 1	May 2
August 1	November 1

Common shares payment dates

February 26	May 26
August 26	November 28

Preferred shares payment dates

February 25	May 25
August 25	November 25

*Subject to approval by the Board of Directors.

The *Bank Act* prohibits a bank from declaring or paying a dividend if it is or would thereby be in contravention of regulations or an order from the Superintendent of Financial Institutions Canada dealing with adequacy of capital or liquidity. Currently, this limitation does not restrict the payment of dividends on Bank of Montreal's common or preferred shares.

Managing Your Shares

Our Transfer Agent and Registrar

Computershare Trust Company of Canada serves as Transfer Agent and Registrar for common and preferred shares, with transfer facilities in Halifax, Montreal, Toronto, Winnipeg, Calgary and Vancouver. Computershare Investor Services PLC and Computershare Trust Company, N.A. serve as Transfer Agents and Registrars for common shares in London, England and Golden, Colorado, respectively. See previous page for contact information.

Reinvesting Your Dividends and Purchasing Additional Common Shares

Through the Shareholder Dividend Reinvestment and Share Purchase Plan, you can reinvest cash dividends from your BMO common shares to purchase additional BMO common shares without paying a commission or service charge. You can also purchase additional common shares in amounts up to $40,000 per fiscal year. Contact Computershare Trust Company of Canada or Shareholder Services for details.

Auditors KPMG LLP

Market for Shares of Bank of Montreal

The common shares of Bank of Montreal are listed on the Toronto Stock Exchange (TSX) and New York Stock Exchange (NYSE). The preferred shares of Bank of Montreal are listed on the TSX.

Common Share Trading in Fiscal 2015

Primary stock exchanges	Ticker	**Closing price October 31, 2015**	High	Low	Total volume of shares traded
TSX	BMO	**$76.04**	$84.39	$64.01	392.7 million
NYSE	BMO	**US$58.09**	US$74.40	US$48.17	199.3 million

Common Share History

Date	Action	Common share effect
March 14, 2001	100% stock dividend	Equivalent to a 2-for-1 stock split
March 20, 1993	100% stock dividend	Equivalent to a 2-for-1 stock split
June 23, 1967	Stock split	5-for-1 stock split

Dividends Paid per Share in 2015 and Prior Years

Bank of Montreal has paid dividends for 187 years – the longest-running dividend payout record of any company in Canada.

Issue/Class	Ticker	Shares outstanding at October 31, 2015	**2015**	2014	2013	2012	2011
Common	BMO	642,583,341	**$ 3.20** (a)	$ 3.04	$ 2.92	$ 2.80	$ 2.80
Preferred Class B							
Series 5 (b)	BMO.PR.H	–	–	–	$ 0.66	$ 1.33	$ 1.33
Series 10 (c)	BMO.PR.V	–	–	–	–	US$ 0.37	US$ 1.49
Series 13 (d)	BMO.PR.J	–	**$ 0.84**	$ 1.13	$ 1.13	$ 1.13	$ 1.13
Series 14 (e)	BMO.PR.K	10,000,000	**$ 1.31**	$ 1.31	$ 1.31	$ 1.31	$ 1.31
Series 15 (f)	BMO.PR.L	10,000,000	**$ 1.45**	$ 1.45	$ 1.45	$ 1.45	$ 1.45
Series 16 (g)	BMO.PR.M	6,267,391	**$ 0.85**	$ 0.85	$ 1.30	$ 1.30	$ 1.30
Series 17 (h)	BMO.PR.R	5,732,609	**$ 0.62**	$ 0.65	–	–	–
Series 18 (i)	BMO.PR.N	–	–	$ 0.81	$ 1.63	$ 1.63	$ 1.63
Series 21 (j)	BMO.PR.O	–	–	$ 1.22	$ 1.63	$ 1.63	$ 1.63
Series 23 (k)	BMO.PR.P	–	**$ 0.68**	$ 1.35	$ 1.35	$ 1.35	$ 1.35
Series 25 (l)	BMO.PR.Q	11,600,000	**$ 0.98**	$ 0.98	$ 0.98	$ 0.98	$ 0.69
Series 27 (m)	BMO.PR.S	20,000,000	**$ 1.00**	$ 0.34	–	–	–
Series 29 (n)	BMO.PR.T	16,000,000	**$ 1.19**	–	–	–	–
Series 31 (o)	BMO.PR.W	12,000,000	**$ 1.02**	–	–	–	–
Series 33 (p)	BMO.PR.Y	8,000,000	–	–	–	–	–
Series 35 (q)	BMO.PR.Z	6,000,000	–	–	–	–	–
Series 36 (r)	–	600,000	–	–	–	–	–

(a) Dividend amount paid in 2015 was $3.20. Dividend amount declared in 2015 was $3.24.
(b) The Class B Preferred Shares Series 5 were issued in February 1998 and were redeemed in February 2013. Dividend amount declared in 2013 of $0.33 was included in the redemption price.
(c) The Class B Preferred Shares Series 10 were issued in December 2001 and were redeemed in February 2012.
(d) The Class B Preferred Shares Series 13 were issued in January 2007 and were redeemed in May 2015.
(e) The Class B Preferred Shares Series 14 were issued in September 2007.
(f) The Class B Preferred Shares Series 15 were issued in March 2008.
(g) The Class B Preferred Shares Series 16 were issued in June 2008.
(h) The Class B Preferred Shares Series 17 were issued in August 2013.
(i) The Class B Preferred Shares Series 18 were issued in December 2008 and were redeemed in February 2014.
(j) The Class B Preferred Shares Series 21 were issued in March 2009 and were redeemed in May 2014.
(k) The Class B Preferred Shares Series 23 were issued in June 2009 and were redeemed in February 2015.
(l) The Class B Preferred Shares Series 25 were issued in March 2011.
(m) The Class B Preferred Shares Series 27 Non-Viability Contingent Capital (NVCC) were issued in April 2014.
(n) The Class B Preferred Shares Series 29 NVCC were issued in June 2014.
(o) The Class B Preferred Shares Series 31 NVCC were issued in July 2014.
(p) The Class B Preferred Shares Series 33 NVCC were issued in June 2015.
(q) The Class B Preferred Shares Series 35 NVCC were issued in July 2015.
(r) The Class B Preferred Shares Series 36 NVCC were issued in October 2015 by way of private placement and are not listed on an exchange.

Employee Ownership*

81.2% of Canadian employees participate in the BMO Employee Share Ownership Plan – a clear indication of their commitment to the company.

*As of October 31, 2015.

Credit Ratings

Credit rating information appears on pages 25 and 110 of this annual report and on our website.

www.bmo.com/creditratings

Direct Deposit

You can choose to have your dividends deposited directly to an account in any financial institution in Canada or the United States that provides electronic funds transfer.

Personal Information Security

We advise our shareholders to be diligent in protecting their personal information. Details are available on our website.

www.bmo.com/security

Strategic design: Ove Brand|Design *www.ovedesign.com*

Being a responsibly-managed bank means holding ourselves accountable to all of our stakeholders and maintaining high standards of governance and transparency when we communicate with our colleagues, customers, communities and shareholders.

It was an honour to have been recognized by the Chartered Professional Accountants of Canada as the winner of the 2015 Award of Excellence in Corporate Reporting for the Financial Services industry. Judges specifically acknowledged our thorough sustainability reporting, our best-in-class electronic disclosure and the Management's Discussion and Analysis section of our 2014 annual report, which they described as "stellar."

Telling our story clearly, fully and with transparency is just one of the ways we work every day to earn our stakeholders' trust.

Carbon offsets provided by: GREENING CANADA FUND

This annual report is carbon neutral.

BIO GAS ENERGY