

**The National Bank announces its results
for the fourth quarter and fiscal 2002**

- **Strong income growth in Personal Banking and Wealth Management and in Commercial Banking**
- **Excellent credit quality**
- **Dividend increase of 8%**

	For the quarter ended October 31		%
	2002	2001	
Income before goodwill charges			
Personal Banking and Wealth Management	55	51	+ 8
Commercial Banking	31	28	+ 11
Financial Markets, Treasury and Investment Banking	48	54	-11
Other	1	14	
Reported	135	147	-8
Adjustments, after income taxes			
Gain on sale of operations	–	(47)	
Decrease in value of investments	1	–	
Write-off of fixed assets	6	–	
Discontinued operations	4	16	
Adjusted income	146	116	+ 26
Earnings per share before goodwill charges			
Reported	\$ 0.71	\$ 0.73	
After adjustments	\$ 0.77	\$ 0.56	
Return on common shareholders' equity			
Reported	14.5%	15.4%	
After adjustments	15.7%	11.9%	

See "Reconciliation of reported net income to adjusted net income" in appendix.

MONTREAL, December 5, 2002 – National Bank of Canada declared income before goodwill charges of \$135 million or 71 cents per share for the fourth quarter ended October 31, 2002, compared to \$147 million or 73 cents per share for the corresponding quarter of 2001. In the fourth quarter of 2001, the Bank sold its merchant payment solutions, thereby generating a gain (taxable equivalent basis) of \$76 million (\$47 million after income taxes). Excluding this item, as well as discontinued opera-

tions in each quarter of 2001 and 2002 and certain other adjustments described in the above table of fourth quarter results, income totalled \$146 million in the fourth quarter of 2002, up 26% from the corresponding quarter of 2001.

Return on common shareholders' equity, once adjusted, rose to 15.7% in the fourth quarter of 2002 versus 11.9% for the same period last year.

This increase in adjusted quarterly income was attributable to the \$45 million decrease in the provision for credit losses (\$28 million after income taxes) as well as the higher adjusted income⁽¹⁾ in Personal Banking and Wealth Management (+22%) and Commercial Banking (+11%).

Moreover, the Board of Directors of the Bank approved an increase in dividends of 8%, or 2 cents per share, thereby raising the quarterly dividend to 26 cents per share.

Fiscal 2002

For fiscal 2002, income before goodwill charges amounted to \$429 million or \$2.18 per share compared to \$582 million or \$2.88 per share in 2001. Taking into account the one-time adjustments described below, adjusted income stood at \$555 million in 2002, or 96% of adjusted income in 2001. Adjusted earnings per share of \$2.86 in 2002 are comparable to the adjusted earnings per share of \$2.87 in 2001. Taking the adjustments into account, return on common shareholders' equity was 14.7% in 2002 as against 15.9% in 2001.

	<u>2002</u>	<u>2001</u>	%
Reported income before goodwill charges	429	582	-26
Adjustments, after income taxes			
Gain on sale of operations	-	(47)	
Decrease in value of investments	113	-	
Write-off of fixed assets	6	-	
Revised estimate of allowance	118	-	
Discontinued operations	(111)	45	
Adjusted income	555	580	-4
Earnings per share before goodwill charges			
Reported	\$ 2.18	\$2.88	
After adjustments	\$2.86	\$2.87	
Return on common shareholders' equity			
Reported	11.3%	16.0%	
After adjustments	14.7%	15.9%	

See "Reconciliation of reported net income to adjusted net income" in appendix.

In addition, the total return to shareholders was 25% in fiscal 2002 while the S&P/TSX index for banks and trusts rose only 4% for the same period.

As at October 31, 2002, the quality of credit was still excellent as demonstrated by the level of the allowance for credit losses which exceeded gross impaired loans by \$159 million compared to a \$124 million surplus in the allowance for credit losses as at July 31, 2002 and a net balance of impaired loans of \$91 million a year earlier.

(1) Adjusted income for Personal Banking and Wealth Management excludes the decline in the value of investments and the write-off of fixed assets totalling \$7 million, after income taxes.

Réal Raymond, President and Chief Executive Officer, stated that the Bank's performance was satisfactory in light of the difficult economic environment. In fact, while results for fiscal 2002 fell short of expectations, they nevertheless compared favourably with those of the banking industry. According to Mr. Raymond, "The relevance of the strategies pursued by the Bank to achieve its business plan is confirmed by these generally satisfactory results. In the past year, we adopted concrete measures to respect our commitment of focusing on high-potential markets in addition to substantially improving the quality of our lending portfolio."

Business Development

In the fourth quarter, the Bank took specific action to continue its expansion and strengthen its position in certain strategic markets.

The Bank recently signed an important agreement with Investors Group, Great-West Life and London Life for the distribution of its banking products and services. These three firms, all industry leaders in their respective markets, serve a total of 3.2 million clients through more than 7,000 advisors across the country. Mr. Raymond pointed out that this partnership "gives us access to the largest network of financial advisors in Canada and supports our plans to broaden our reach geographically."

In the Wealth Management sub-segment, the Bank continued to ensure the smooth integration of mutual fund manager and distributor Altamira. Special teams were also formed to take advantage of all the business opportunities arising from this important transaction, which was finalized in August.

In a move to expand its product offering, the Bank launched the Strategic Yield Class fund, a new fund geared to businesses and wealthy individuals. This fund offers the security and liquidity of a short-term investment while generating income that receives advantageous tax treatment. In addition, the Bank has continued to support the development of small and medium-sized businesses by offering them two new business solutions: the Foreign Currency product that allows exchange rates to be reserved online, and software co-developed with Opendesk, with which the Bank has signed a partnership agreement and which provides access to a host of leading-edge management applications.

Quarterly financial statements are available at all times on the National Bank of Canada website at www.nbc.ca/investorrelations.

Conference call on results for the fourth quarter and fiscal 2002

- A conference call for financial analysts will be held on **December 5, 2002 at 2 p.m. Eastern time.**
- Access by telephone: **1-800-273-9672 or (416) 695-5806**
- The conference call will be webcast live via Internet at www.nbc.ca/investorrelations
- The press release, supplementary financial information and a slide presentation will be available on the investor relations page of the National Bank's website shortly before the start of the conference call.

Recording of the conference call:

- A recording of the conference call can be heard until December 12, 2002 by calling 1-800-408-3053 or (416) 695-5800. The access code is 1307480.
- A recording of the webcast will also be available on the Internet after the call at www.nbc.ca/investorrelations.

Management's analysis of the financial condition and operating results

The following text presents management's analysis of the Bank's financial condition and operating results as presented in the unaudited interim consolidated financial statements for the fourth quarter and for the fiscal year ended October 31, 2002. Revenues are presented on a taxable equivalent basis, which means that they have been grossed up in order to bring tax-exempt income earned on certain securities in line with income earned on other financial instruments. An equivalent amount has been added to income taxes. In addition, for analysis purposes, an adjusted income is presented which excludes items that, in management's opinion, should not be taken into account when analyzing the Bank's performance. The adjusted income is not based on Canadian generally accepted accounting principles (GAAP) and may not be comparable to another company's adjusted income. A reconciliation of reported net income to adjusted net income is appended.

Strategic Objectives

At the beginning of the year, the National Bank set strategic objectives for itself for fiscal 2002. The results obtained include the impact of the provision for credit losses in the telecommunications sector taken in the second quarter, but exclude the impairment charge for an investment:

	Objectives	2002 Results
Growth in earnings per share		
Reported*	4% - 6%	-3%
Adjusted**		stable
Return on common shareholders' equity		
Reported*	15% - 17%	14.3%
Adjusted**		14.7%
Adjusted efficiency ratio**	61% en 2003	62.4%
Tier 1 capital ratio	7.75% - 8.75%	9.6%

* Excluding the impairment charge for an investment

** See Reconciliation of reported net income to adjusted net income in appendix

Operating Results

Income for the fourth quarter of 2002, before goodwill charges, totalled \$135 million or 71 cents per share compared to \$147 million or 73 cents per share for the corresponding quarter of 2001. Adjusted income for the fourth quarter of 2002 amounted to \$146 million or 77 cents per share, up 26% from the \$116 million or 56 cents per share for the same period in 2001.

For fiscal 2002, income before goodwill charges was \$429 million or \$2.18 per share as against \$582 million or \$2.88 per share in 2001. As presented in the appendix, income adjusted for one-time events in 2002 would be \$555 million or \$2.86 per share compared to an adjusted income of \$580 million or \$2.87 per share in 2001.

The 4% decline in adjusted income was mainly attributable to an increase in this year's provision for credit losses. The rise in loan losses was partially offset by the strong performance of Financial Markets, Treasury and Investment Banking while the other lines of business posted relatively stable results in 2002 compared to 2001. The smaller difference in adjusted earnings per share (\$2.86 in 2002, \$2.87 in 2001) was primarily due to the repurchase of 9.5 million common shares under the normal course issuer bid, which was completed in October.

The adjusted return on common shareholders' equity went from 15.9% in 2001 to 14.7% in 2002 as a result of the decrease in income on the one hand and the increase in average common shareholders' equity on the other.

Results by Segment

The revenues of each line of business are presented on a taxable equivalent basis. In addition, the provision for credit losses of each operating segment is based on expected losses which are calculated using statistical analyses. The difference between expected losses and actual losses is charged to the "Other" heading.

Personal Banking and Wealth Management

Personal Banking and Wealth Management posted earnings of \$55 million for the fourth quarter of 2002, up 8% from \$51 million for the corresponding period in 2001. During the quarter, a \$2 million impairment charge was recorded for the mutual funds held by the Bank. In addition, deferred charges and fixed assets totalling \$9 million were written off for e-commerce activities. Excluding these charges, earnings for the sector would have been \$62 million, for an increase of 22%.

Earnings for the Personal Banking sub-segment, excluding the write-off of deferred charges and fixed assets, rose 16% to \$51 million in the fourth quarter of 2002 compared to \$44 million in the corresponding quarter of 2001. Insurance activities generated almost half of the growth, with Card Services and branch banking operations responsible for the remainder.

During the fourth quarter, earnings for the Wealth Management sub-segment grew by 50% over the corresponding period of 2001 to reach \$11 million (excluding the decline in the value of mutual funds). The addition of Altamira since the middle of August and earnings from trust activities accounted for most of the increase, while the contribution of Individual Investor Services at National Bank Financial was more modest during the fourth quarter because of lower transaction volumes.

For fiscal 2002, Personal Banking and Wealth Management posted total earnings of \$246 million as against \$244 million in 2001. Excluding the adjustments in the last quarter of 2002, the sector's earnings totalled \$253 million, up 4% over the previous fiscal year. The 10% growth in personal banking operations (excluding the write-off of certain assets) was partially offset by the underperformance of Wealth Management which was primarily caused by the decline in income from brokerage activities.

Revenues for Personal Banking and Wealth Management were \$494 million for the fourth quarter of 2002 compared to \$474 million for the corresponding period in 2001, for an increase of 4%. For fiscal 2002, revenues totalled \$1,934 million as against \$1,911 million in the previous year. The decline in revenues at Individual Investor Services of National Bank Financial was offset by an increase in revenues from insurance activities and the addition, during the fourth quarter, of \$16 million in revenues from Altamira. The sector's operating expenses were \$383 million for the fourth quarter of 2002 compared to \$365 million for the same quarter of 2001. Operating expenses for the year went from \$1,420 million in 2001 to \$1,452 million in 2002. If the \$9 million write-off of deferred charges and fixed assets in the fourth quarter is excluded, operating expenses for the year would have risen by less than 2%. The efficiency ratio, excluding non-recurring items, remained relatively stable at 74.5% as against 74.3% in 2001. Expected losses for fiscal 2002 totalled \$97 million, or essentially the same as the \$98 million recorded last year.

Commercial Banking

Commercial Banking posted fourth-quarter earnings of \$31 million, for an 11% increase over the \$28 million recorded for the corresponding period in 2001. The growth in earnings was attributable to the \$6 million or 23% decline in expected loan losses, which reflected the decrease in volumes and the improvement in the quality of business loans. Operating expenses were \$37 million for the fourth quarter of 2002, down \$3 million or almost 8% compared to the same period in 2001. Revenues for the quarter declined approximately 5% to \$106 million as against \$111 million for the corresponding quarter of 2001, due to lower loan volumes resulting from weaker demand.

For fiscal 2002, earnings for Commercial Banking were \$119 million, or relatively unchanged from 2001. Revenues totalled \$425 million, down less than 2% chiefly attributable to net interest income which was affected by the \$400 million decline in loan volumes and which was partially offset by a slightly wider spread. Operating expenses stood at \$153 million, or almost the same level as in the previous year. Expected loan losses fell by 6% from \$88 million in 2001 to \$83 million this year.

Financial Markets, Treasury and Investment Banking

Financial Markets, Treasury and Investment Banking recorded fourth-quarter earnings of \$48 million for an 11% decline from the \$54 million posted in the corresponding quarter of 2001. Revenues for the quarter totalled \$207 million, for an increase of \$13 million or 7%, chiefly because of the additional \$26 million in income from Putnam Lovell NBF, which was acquired in June. However, lower trading income was partially offset by income from asset and liability management. Operating expenses for the quarter were \$124 million, up \$28 million primarily owing to the inclusion of Putnam Lovell's expenses.

For fiscal 2002, Financial Markets, Treasury and Investment Banking turned in a strong performance, earning income of \$250 million for a 23% year-over-year increase. At \$861 million, revenues rose 17% particularly because of asset and liability matching operations and revenues from National Bank Financial's institutional operations, including Putnam Lovell. Operating expenses for the year were \$431 million, for a \$65 million increase over fiscal 2001. Close to 60% of this increase was attributable to operating expenses at Putnam Lovell. Expected loan losses for the segment remained stable at \$31 million in 2002 versus \$32 million in 2001.

Other

In addition to securitized operations, revenues from the "Other" heading included a gain of \$76 million on the sale of merchant payment solutions in 2001, while in 2002 revenues were reduced by a \$137 million write-down of an investment. The provision for credit losses for the "Other" heading included the difference between expected losses charged to operating segments and actual loan losses incurred. The \$292 million difference in the provision for 2002 compared to 2001 arose primarily from the revision of the estimated allowance of \$185 million recorded in the first quarter, the \$120 million loss on a telecommunications sector loan and the \$30 million reversal of the general allowance for credit risk. Discontinued operations showed a net gain of \$111 million further to the sale of asset-based lending operations in the United States. In 2001, commercial operations in the United States had posted a loss of \$45 million.

Revenues

Net interest income on a taxable equivalent basis totalled \$368 million in the fourth quarter of 2002, up 8% over the \$340 million recorded in the corresponding quarter of 2001. For fiscal 2002, net interest income rose \$84 million or 6% to \$1,473 million. The increase in net interest income was chiefly attributable to asset and liability matching and, to a lesser extent, the spread on credit card advances owing to the decline in financing costs. However, narrower spreads on transaction deposits, as a result of lower rates, were offset by higher deposit volumes and wider spreads on loans to individuals and small businesses.

Other income for the quarter amounted to \$447 million as against \$535 million in the fourth quarter of 2001, when the Bank realized a \$76 million gain on the sale of its merchant payment solutions. Excluding the gain in 2001 and the impairment charge on investments in the fourth quarter of 2002, the \$10 million drop in other income was attributable to the slowdown in trading activities, lower retail brokerage revenues and loss of income following the sale of merchant payment solutions. These declines were, however, reduced by the addition of income from Putnam Lovell and Altamira.

Other income for fiscal 2002 reached \$1,641 million compared to \$1,858 million in 2001. Not including special items (impairment charge on investments in 2002 and gain on the sale of operations in 2001), other income remained relatively stable at \$1,780 versus \$1,782 in 2001. Other income was up because of the acquisition of Putnam Lovell and Altamira, the rise in insurance income and the strong performance of institutional operations at National Bank Financial. However, these increases were completely offset by the sale of merchant payment solutions, the slowdown in retail brokerage activity and the decline in trading income.

Operating Expenses

Operating expenses for the fourth quarter of 2002 were \$540 million as against \$506 million in the corresponding quarter of 2001. Excluding the write-off of \$9 million in deferred expenses and fixed assets, operating expenses would have risen by \$25 million. The addition of \$37 million in expenses for Altamira and Putnam Lovell was in part offset by efforts to cut costs.

For fiscal 2002, operating expenses represented \$2,040 million compared to \$1,989 million in 2001. Of the \$51 million increase, \$9 million was attributable to the write-off of deferred expenses and fixed assets, \$38 million to the addition of Putnam Lovell and \$10 million to the addition of Altamira.

Provision for Credit Losses and Impaired Loans

The provision for credit losses for the quarter was \$53 million versus \$98 million for the corresponding quarter a year earlier. For fiscal 2002, the provision for credit losses amounted to \$490 million as against \$205 million in 2001. The \$185 million provision recorded to adjust the estimated allowance for impaired loans in the first quarter and the \$120 million loss on a credit in the telecommunications sector accounted for most of the increase.

As at October 31, 2002, allowances for credit losses exceeded impaired loans by \$159 million compared to \$124 million as at July 31, for an improvement of \$35 million. During the quarter, gross impaired loan formation amounted to only \$17 million (net of recoveries). At the end of fiscal 2001, net impaired loans stood at \$91 million.

The ratio of gross impaired loans to total tangible capital and allowances remained excellent at 14.1% as at October 31, 2002 versus 15.7% as at July 31, 2002 and 22.5% as at October 31, 2001.

Balance Sheet

The Bank had total assets of \$74.6 billion as at October 31, 2002 compared to \$76 billion a year earlier. Loans and bankers' acceptances were down \$2.5 billion primarily because of the sale of asset-based lending operations in the United States. Cash resources and securities rose by \$3.1 billion while securities purchased under repurchase agreements declined by \$1.7 billion. On the liabilities side, personal deposits stood at \$22.6 billion for a year-over-year increase of 3.4%. The table below presents the changes in average volumes of the main loan and deposit headings. As shown in the table, the Bank increased its volume of loans with a generally lower risk.

Average volumes for October*

(millions of dollars)

	<u>2002</u>	<u>2001</u>	<u>% Change</u>
Loans and acceptances			
Residential mortgage	17,452	17,096	+ 2
Personal	4,335	4,120	+ 5
Credit card	1,383	1,253	+ 10
Small business	3,492	3,726	- 6
Commercial	8,808	8,966	- 2
Corporate	4,484	6,006	- 25
Real estate	462	464	-
	<u>40,416</u>	<u>41,631</u>	- 3
Deposits			
Personal transaction account	5,246	4,799	+ 9
Personal term	16,299	15,763	+ 3
Personal off-balance sheet savings (As at Oct. 31)	45,943	39,015	+ 18
Small business	3,222	2,979	+ 8
Commercial	3,161	2,883	+ 10
Corporate	1,265	1,281	- 1

* Including securitized assets

Capital

Tier 1 and total capital ratios, in accordance with the rules of the Bank for International Settlements, were 9.6% and 13.6% respectively as at October 31, 2002 compared to 10.2% and 14.2% as at July 31, 2002, and 9.6% and 13.1% as at October 31, 2001. In comparison to the previous quarter, the decline in the ratios was chiefly attributable to goodwill from the acquisition of Altamira.

The improvement in the ratios since October 31, 2001, which was due to the reduction in risk-weighted assets, particularly following the sale of U.S. asset-based lending operations, was offset by goodwill from the acquisition of Altamira.

Dividends

At its meeting on December 5, 2002, the Board of Directors declared regular dividends on the various classes and series of preferred shares as well as a dividend of 26 cents per common share, payable on February 1, 2003 to shareholders of record on December 26, 2002.

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Caution regarding forward-looking statements

As part of its analyses and reports, National Bank of Canada from time to time makes forward-looking statements concerning the economy, market changes, the achievement of strategic objectives, certain risks and other related matters.

By their very nature, such forward-looking statements involve inherent risks and uncertainties. It is therefore possible that express or implied projections contained in such statements will not materialize and will differ materially from actual future results. Such differences may be caused by factors which include, but are not limited to, changes in Canadian and/or global economic conditions, particularly fluctuations in interest rates, currencies and other financial instruments, market conditions, technological changes or regulatory developments.

Investors and others who base themselves on the Bank's forward-looking statements to make decisions should carefully consider the above factors as well as the uncertainties they represent and the risks they entail. The Bank therefore cautions readers not to place undue reliance on these forward-looking statements.

Highlights

(unaudited)	Quarter ended October 31			Fiscal year ended October 31		
	2002	2001	% change	2002	2001	% change
Operating results						
(millions of dollars)						
Total revenues (taxable equivalent basis)	\$ 815	\$ 875	(7)	\$3,114	\$3,247	(4)
Income before goodwill charges	135	147	(8)	429	582	(26)
Net income	135	142	(5)	429	563	(24)
Return on common shareholders' equity before goodwill charges	14.5 %	15.4 %		11.3 %	16.0 %	
Per common share						
Income before goodwill charges	\$ 0.71	\$ 0.73	(3)	\$ 2.18	\$ 2.88	(24)
Net income	0.71	0.71	—	2.18	2.78	(22)
Dividends declared	0.24	0.21	14	0.93	0.82	13
Book value				19.72	19.04	4
Stock trading range						
High	32.50	30.20		34.93	31.00	
Low	27.00	24.25		24.70	23.00	
Close	29.39	24.25		29.39	24.25	
Financial position						
(millions of dollars)						
				October 31 2002	October 31 2001	
Total assets				\$74,611	\$75,966	(2)
Loans and acceptances				43,800	47,985	(9)
Deposits				51,690	51,436	1
Subordinated debentures and shareholders' equity				5,493	5,763	(5)
Capital ratios - BIS						
Tier 1				9.6 %	9.6 %	
Total				13.6 %	13.1 %	
Impaired loans, net (Note 6)				(159)	91	
Impaired loans, net as a % of net loans and acceptances				(0.4) %	0.2 %	
Assets under administration/management				140,737	124,413	
Total personal savings				68,550	60,872	
Interest coverage				7.39	8.74	
Asset coverage				3.02	3.55	
Other information						
Number of employees				17,285	17,070	1
Number of branches in Canada				530	546	(3)
Number of banking machines				823	834	(1)

Consolidated Statement of Income

(taxable equivalent basis)

(unaudited)

(millions of dollars except per share amounts)

Interest income and dividends

Loans
Securities
Deposits with financial institutions

Interest expense

Deposits
Subordinated debentures
Other

Net interest income

Other income

Capital market fees
Deposit and payment service charges
Trading activities and gains (losses) on investment account securities, net
Card service revenues
Lending fees
Acceptances, letters of credit and guarantee
Securitization revenues (Note 9)
Foreign exchange revenues
Trust services and mutual funds
Other

Total revenues

Provision for credit losses

Related to regular operations
Related to a revision of the estimated allowance (Note 3)

Operating expenses

Salaries and staff benefits
Occupancy and amortization
Computers and equipment
Communications
Professional fees
Other

Income before income taxes, non-controlling interest, discontinued operations and goodwill charges

Income tax charge

Non-controlling interest

Income before discontinued operations and goodwill charges

Discontinued operations (Note 4)

Income before goodwill charges

Goodwill charges (Note 5)

Net income

Dividends on preferred shares

Net income applicable to common shares

Number of common shares outstanding (thousands)

Average - basic
Average - diluted
End of period

Income before discontinued operations and goodwill charges per common share

Basic
Diluted

Income before goodwill charges per common share

Basic
Diluted

Net income per common share

Basic
Diluted

Dividend per common share

	Quarter ended			Fiscal year ended	
	October 31 2002	July 31 2002	October 31 2001	October 31 2002	October 31 2001
Interest income and dividends					
Loans	475	475	573	1,906	2,493
Securities	137	127	123	540	650
Deposits with financial institutions	37	40	63	174	289
	649	642	759	2,620	3,432
Interest expense					
Deposits	233	240	382	979	1,851
Subordinated debentures	27	28	28	110	109
Other	21	16	9	58	83
	281	284	419	1,147	2,043
Net interest income	368	358	340	1,473	1,389
Other income					
Capital market fees	134	127	112	539	493
Deposit and payment service charges	43	43	41	170	160
Trading activities and gains (losses) on investment account securities, net	15	(83)	92	25	298
Card service revenues	13	16	19	53	86
Lending fees	45	45	44	181	175
Acceptances, letters of credit and guarantee	15	17	17	63	65
Securitization revenues (Note 9)	67	42	54	204	157
Foreign exchange revenues	17	18	15	67	61
Trust services and mutual funds	40	25	24	111	96
Other	58	59	117	228	267
	447	309	535	1,641	1,858
Total revenues	815	667	875	3,114	3,247
Provision for credit losses					
Related to regular operations	53	62	98	305	205
Related to a revision of the estimated allowance (Note 3)	—	—	—	185	—
	53	62	98	490	205
Operating expenses					
Salaries and staff benefits	300	279	269	1,147	1,064
Occupancy and amortization	55	47	41	191	173
Computers and equipment	68	56	55	239	235
Communications	20	21	15	77	69
Professional fees	52	41	61	165	167
Other	45	64	65	221	281
	540	508	506	2,040	1,989
Income before income taxes, non-controlling interest, discontinued operations and goodwill charges	222	97	271	584	1,053
Income tax charge	76	60	100	236	398
	146	37	171	348	655
Non-controlling interest	7	8	8	30	28
Income before discontinued operations and goodwill charges	139	29	163	318	627
Discontinued operations (Note 4)	(4)	(3)	(16)	111	(45)
Income before goodwill charges	135	26	147	429	582
Goodwill charges (Note 5)	—	—	5	—	19
Net income	135	26	142	429	563
Dividends on preferred shares	5	4	8	21	35
Net income applicable to common shares	130	22	134	408	528
Number of common shares outstanding (thousands)					
Average - basic	183,124	184,134	190,311	186,608	189,928
Average - diluted	184,168	185,439	191,205	187,727	190,815
End of period				182,596	190,331
Income before discontinued operations and goodwill charges per common share					
Basic	0.73	0.13	0.81	1.59	3.11
Diluted	0.73	0.13	0.81	1.59	3.10
Income before goodwill charges per common share					
Basic	0.71	0.12	0.73	2.18	2.88
Diluted	0.71	0.11	0.72	2.18	2.86
Net income per common share					
Basic	0.71	0.12	0.71	2.18	2.78
Diluted	0.71	0.11	0.70	2.18	2.76
Dividend per common share	0.24	0.24	0.21	0.93	0.82

Reconciliation of Reported Net Income to Adjusted Net Income

Period ended October 31

(taxable equivalent basis)
(unaudited) (millions of dollars)

	4th Quarter		Fiscal year	
	2002	2001	2002	2001
Reported				
Net interest income ⁽¹⁾	368	340	1,473	1,389
Other income ⁽¹⁾	447	535	1,641	1,858
Provision for credit losses	53	98	490	205
Operating expenses	540	506	2,040	1,989
Income before income taxes, non-controlling interest, discontinued operations and goodwill charges	222	271	584	1,053
Income tax charge ⁽¹⁾	76	100	236	398
Non-controlling interest	7	8	30	28
Income before discontinued operations and goodwill charges	139	163	318	627
Discontinued operations	(4)	(16)	111	(45)
Income before goodwill charges	135	147	429	582
Goodwill charges	–	5	–	19
Net income	135	142	429	563
Earnings per share (before goodwill charges)	0.71	0.73	2.18	2.88
Return on common shareholders' equity	14.5 %	15.4 %	11.3 %	16.0%
Adjustments				
Other income				
Decline in value of investments ⁽²⁾	2	–	139	–
Gain on sale of merchant payment solutions	–	(76)	–	(76)
	2	(76)	139	(76)
Provision for credit losses				
Revision of estimated allowance	–	–	(185)	–
Operating expenses				
Write-off of fixed assets ⁽³⁾	(9)	–	(9)	–
Income tax charge	4	(29)	96	(29)
Discontinued operations	4	16	(111)	45

	4th Quarter		Fiscal year	
	2002	2001	2002	2001
Adjusted				
Net interest income ⁽¹⁾	368	340	1,473	1,389
Other income ⁽¹⁾	449	459	1,780	1,782
Provision for credit losses	53	98	305	205
Operating expenses	531	506	2,031	1,989
Income before income taxes, non-controlling interest, discontinued operations and goodwill charges	233	195	917	977
Income tax charge ⁽¹⁾	80	71	332	369
Non-controlling interest	7	8	30	28
Income before discontinued operations and goodwill charges	146	116	555	580
Discontinued operations	–	–	–	–
Income before goodwill charges	146	116	555	580
Goodwill charges	–	5	–	19
Adjusted net income	146	111	555	561
Adjusted earnings per share (before goodwill charges)	0.77	0.56	2.86	2.87
Adjusted return on common shareholders' equity	15.7 %	11.9 %	14.7 %	15.9 %

Adjusted income excludes items which, in the opinion of management, should not be taken into account in the analysis of the Bank's performance. Adjusted income is not defined according to GAAP and is not necessarily comparable to similar data used by another company.

Notes:

- (1) Net interest income was grossed up by \$7 million in 2002Q4 (\$14 million in 2001Q4) and by \$29 million in 2002 (\$51 million in 2001). Other income was grossed up by \$13 million in 2002Q4 (\$50 million in 2001Q4) and by \$57 million in 2002 (\$69 million in 2001). These increases are intended to bring tax-exempt income earned on certain securities in line with income earned on other financial instruments. An equivalent amount was added to income taxes.
- (2) Permanent impairment in the value of mutual funds and a corporate investment
- (3) Write-off of deferred expenses and fixed assets of a subsidiary

Consolidated Balance Sheet

(unaudited)
(millions of dollars)

	October 31 2002	July 31 2002	October 31 2001
ASSETS			
Cash resources			
Cash and deposits with Bank of Canada	245	349	419
Deposits with financial institutions	6,619	6,542	5,413
	6,864	6,891	5,832
Securities			
Investment account	6,712	6,196	6,802
Trading account	13,179	11,923	10,992
Loan substitutes	76	78	78
	19,967	18,197	17,872
Loans			
Residential mortgage	12,867	12,497	11,875
Personal and credit card	5,561	5,725	5,866
Business and government	20,680	20,579	23,489
Securities purchased under reverse repurchase agreements	2,366	2,671	4,041
Allowance for credit losses	(662)	(764)	(879)
	40,812	40,708	44,392
Other			
Customers' liability under acceptances	2,988	2,773	3,593
Assets held for disposal (Note 4)	313	415	–
Premises and equipment	255	245	250
Goodwill	661	352	305
Intangible assets	184	13	12
Other assets	2,567	2,503	3,710
	6,968	6,301	7,870
	74,611	72,097	75,966
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits			
Personal	22,607	22,456	21,857
Business and government	22,582	22,607	23,362
Deposit-taking institutions	6,501	6,227	6,217
	51,690	51,290	51,436
Other			
Acceptances	2,988	2,773	3,593
Obligations related to securities sold short	5,542	5,042	5,379
Obligations related to securities sold under repurchase agreements	4,416	3,582	4,407
Other liabilities	3,996	3,483	4,901
	16,942	14,880	18,280
Subordinated debentures	1,592	1,600	1,647
Non-controlling interest	486	493	487
Shareholders' equity			
Preferred shares	300	300	492
Common shares	1,639	1,637	1,668
Retained earnings	1,962	1,897	1,956
	3,901	3,834	4,116
	74,611	72,097	75,966

Consolidated Statement of Changes in Shareholders' Equity

(unaudited)

(millions of dollars)

Fiscal year ended October 31

	2002	2001
Capital stock at beginning of period	2,160	2,145
Issuance of common shares	53	15
Repurchase of common shares for cancellation (Note 7)	(82)	–
Redemption of preferred shares, Series 10 and 11 for cancellation (Note 7)	(192)	–
Capital stock at end of period	1,939	2,160
Retained earnings at beginning of period	1,956	1,606
Net income	429	563
Dividends		
Preferred shares	(21)	(35)
Common shares	(174)	(156)
Income taxes related to dividends on preferred shares, Series 10, 11, 12 and 13	(2)	(2)
Premium paid on common shares repurchased for cancellation (Note 7)	(224)	–
Unrealized foreign exchange gains (losses), net of income taxes	(2)	8
Loss on redemption of subordinated debenture, net of income taxes	–	(28)
Retained earnings at end of period	1,962	1,956

Consolidated Statement of Cash Flows

(unaudited)

(millions of dollars)

	Quarter ended October 31		Fiscal year ended October 31	
	2002	2001	2002	2001
Cash flows from operating activities				
Net income	135	142	429	563
Adjustments for:				
Provision for credit losses excluding discontinued operations	53	98	490	205
Provision for credit losses attributed to discontinued operations	–	38	(51)	120
Amortization of premises and equipment	18	10	58	48
Goodwill charges excluding discontinued operations	–	5	–	19
Goodwill charges attributed to discontinued operations	–	1	–	2
Future income taxes	(19)	104	(24)	50
Adjustment upon foreign currency translation of subordinated debentures	(8)	20	(10)	23
Impairment charges	2	–	139	–
Gain on sale of investment account securities, net	7	(18)	(41)	(70)
Change in interest payable	(10)	(22)	(153)	(137)
Change in interest receivable	(22)	(1)	(25)	76
Income taxes payable	68	(129)	164	(140)
Change in unrealized losses (gains) and amounts payable on derivative contracts	133	44	124	98
Change in trading account securities	(1,256)	(375)	(2,187)	(544)
Change in other items	(188)	78	(377)	(1,267)
	(1,087)	(5)	(1,464)	(954)
Cash flows from financing activities				
Change in deposits	400	1,069	254	963
Issuance of subordinated debentures	–	–	–	300
Redemption and maturity of subordinated debentures	–	–	(45)	(82)
Issuance of common shares	10	2	53	15
Repurchase of common shares for cancellation	(28)	–	(306)	–
Redemption of preferred shares for cancellation	–	–	(192)	–
Dividends paid	(50)	(49)	(195)	(187)
Change in obligations related to securities sold short	500	239	163	476
Change in obligations related to securities sold under repurchase agreements	834	480	9	(1,910)
Change in other items	–	6	(4)	6
	1,666	1,747	(263)	(419)
Cash flows from investing activities				
Change in loans	(491)	(723)	(1,129)	(379)
Change in securitization of assets	131	425	(258)	1,045
Proceeds from the sale of asset-based loans	–	–	2,540	–
Purchases of investment account securities	(6,329)	(6,987)	(21,335)	(20,384)
Sales of investment account securities	5,806	6,350	21,329	19,961
Change in securities purchased under reverse repurchase agreements	305	(247)	1,675	1,356
Change in premises and equipment	(28)	(19)	(63)	(49)
	(606)	(1,201)	2,759	1,550
Increase (decrease) in cash and cash equivalents	(27)	541	1,032	177
Cash and cash equivalents at beginning of period	6,891	5,291	5,832	5,655
Cash and cash equivalents at end of period	6,864	5,832	6,864	5,832
Cash and cash equivalents				
Cash and deposits with Bank of Canada	245	419	245	419
Deposits with financial institutions	6,619	5,413	6,619	5,413
Total	6,864	5,832	6,864	5,832
Interest and dividends paid	342	523	1,519	2,564
Income taxes paid (recovered)	15	(10)	101	280

Segment Disclosure

Quarter ended October 31

(taxable equivalent basis)
(unaudited) (millions of dollars)

	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	Personal Banking and Wealth Management		Commercial Banking		Financial Markets, Treasury and Investment Banking		Other		Total	
Net interest income ⁽¹⁾	258	251	69	75	83	52	(42)	(38)	368	340
Other income ⁽¹⁾	236	223	37	36	124	142	50	134	447	535
Total revenues	494	474	106	111	207	194	8	96	815	875
Operating expenses	383	365	37	40	124	96	(4)	5	540	506
Contribution	111	109	69	71	83	98	12	91	275	369
Provision for credit losses ⁽³⁾	25	27	20	26	7	10	1	35	53	98
Income before income taxes, non-controlling interest, discontinued operations and goodwill charges	86	82	49	45	76	88	11	56	222	271
Income taxes ⁽¹⁾	31	31	18	17	28	33	(1)	19	76	100
Non-controlling interest	–	–	–	–	–	1	7	7	7	8
Income before discontinued operations and goodwill charges	55	51	31	28	48	54	5	30	139	163
Discontinued operations	–	–	–	–	–	–	(4)	(16)	(4)	(16)
Income before goodwill charges	55	51	31	28	48	54	1	14	135	147
Average assets	28,201	27,733	10,768	11,538	35,026	35,863	(6,647)	(6,823)	67,348	68,311

Fiscal year ended October 31

(taxable equivalent basis)
(unaudited) (millions of dollars)

	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	Personal Banking and Wealth Management		Commercial Banking		Financial Markets, Treasury and Investment Banking		Other		Total	
Net interest income ⁽²⁾	1,001	977	279	288	320	229	(127)	(105)	1,473	1,389
Other income ⁽²⁾	933	934	146	144	541	506	21	274	1,641	1,858
Total revenues	1,934	1,911	425	432	861	735	(106)	169	3,114	3,247
Operating expenses	1,452	1,420	153	152	431	366	4	51	2,040	1,989
Contribution	482	491	272	280	430	369	(110)	118	1,074	1,258
Provision for credit losses ⁽³⁾	97	98	83	88	31	32	279	(13)	490	205
Income before income taxes, non-controlling interest, discontinued operations and goodwill charges	385	393	189	192	399	337	(389)	131	584	1,053
Income taxes ⁽²⁾	139	149	70	73	146	130	(119)	46	236	398
Non-controlling interest	–	–	–	–	3	3	27	25	30	28
Income before discontinued operations and goodwill charges	246	244	119	119	250	204	(297)	60	318	627
Discontinued operations	–	–	–	–	–	–	111	(45)	111	(45)
Income before goodwill charges	246	244	119	119	250	204	(186)	15	429	582
Average assets	27,945	27,451	11,135	11,550	37,094	36,448	(6,882)	(6,252)	69,292	69,197

Personal Banking and Wealth Management This segment comprises the branch network, intermediary services, full-service retail brokerage, discount brokerage, mutual funds, trust services, credit cards and insurance.

Commercial Banking This segment includes commercial banking services in Canada and real estate.

Financial Markets, Treasury and Investment Banking This segment consists of corporate financing and lending, treasury operations, which include asset and liability management, corporate brokerage and portfolio management.

Other This heading comprises securitization operations, gains from the sale of operations, certain non-recurring items, discontinued operations and the unallocated portion of centralized service units.

- (1) Net interest income was grossed up by \$7 million (\$14 million in 2001) and other income by \$13 million (\$50 million in 2001) to bring the tax-exempt income earned on certain securities in line with the income earned on other financial instruments. An equivalent amount was added to income taxes.
- (2) Net interest income was grossed up by \$29 million (\$51 million in 2001) and other income by \$57 million (\$69 million in 2001) to bring the tax-exempt income earned on certain securities in line with the income earned on other financial instruments. An equivalent amount was added to income taxes.
- (3) Provisions for credit losses for the business segments are determined based on expected losses, which are established through statistical analyses.

Loans, Impaired Loans and Allowance for Credit Losses

(unaudited)

(millions of dollars)

Loans and Impaired Loans

	Gross amount	Impaired loans					Net balance
		Gross	Specific allowance	Net	General allowance	Country risk allowance	
October 31, 2002							
Residential mortgage loans	12,867	23	3	20	–	–	20
Personal and credit card loans	5,561	33	12	21	–	–	21
Business and government loans	20,680	447	220	227	–	22	205
Securities purchased under reverse repurchase agreements	2,366	–	–	–	–	–	–
	41,474	503	235	268	–	22	246
General allowance	–	–	–	–	405	–	(405)
	41,474	503	235	268	405	22	(159)
October 31, 2001							
Residential mortgage loans	11,875	46	6	40	–	–	40
Personal and credit card loans	5,866	129	21	108	–	–	108
Business and government loans	23,489	795	314	481	–	38	443
Securities purchased under reverse repurchase agreements	4,041	–	–	–	–	–	–
	45,271	970	341	629	–	38	591
General allowance	–	–	–	–	500	–	(500)
	45,271	970	341	629	500	38	91

Allowance for Credit Losses

For the year ended October 31

	Specific allowance	Allocated general allowance	Unallocated general allowance	Country risk allowance	2002	2001
Allowance at beginning	341	306	194	55	896	965
Transfer of provision to assets held for disposal	(45)	–	–	–	(45)	–
Amounts related to discontinued operations	14	(65)	–	–	(51)	120
Provision for credit losses						
related to regular operations	335	55	(85)	–	305	205
related to a revision of the estimated allowance	185	–	–	–	185	–
Write-offs	(644)	–	–	(29)	(673)	(402)
Recoveries	49	–	–	–	49	8
Allowance at end	235	296	109	26	666	896
Portion related to loans	235	296	109	22	662	879
Portion related to securities	–	–	–	4	4	17

Notes to the Consolidated Financial Statements

These unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended October 31, 2001. Certain comparative figures have been reclassified to comply with the presentation adopted for fiscal 2002.

1. Significant Accounting Policies

The unaudited interim consolidated financial statements of the Bank, as at October 31, 2002, were prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and the accounting policies adopted in the Bank's most recent annual report for the year ended October 31, 2001, with the exception of the new standard described in Note 5.

2. Recent Standards Pending Adoption

Stock-based compensation

In 2001, the CICA issued a new standard on stock-based compensation and other stock-based payments. This new standard brings Canadian GAAP more closely in line with U.S. GAAP and is applicable to fiscal years beginning on or after January 1, 2002. The Bank will adopt the new standard effective November 1, 2002. It establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services. It requires that stock appreciation rights and similar awards to be settled in cash are recorded at fair value by valuing, on an ongoing basis, the excess of the stock price over the exercise price of the option. The change in the fair value of these awards must be recognized in the Consolidated Statement of Income. The standard encourages, but does not require, the recognition in income of a compensation cost for stock options using a fair value-based method. The fair value of the stock options must be determined at the award date and the cost recognized in income over the vesting period. The Bank has chosen to record the stock options awarded as of November 1, 2002 at fair value. The standard contains special transitional provisions for recording stock appreciation rights outstanding at the date of adoption of the recommendations. The cumulative amount resulting from the adoption of this standard should be charged to the balance of retained earnings as at November 1, 2002, without restatement of prior years. The Bank has assessed the impact of the application of the standard and concluded that it would have no impact on the balance of retained earnings as at November 1, 2002. The impact of the adoption of this new standard on the 2003 financial statements has not yet been determined.

Hedging relationships

In 2001, the CICA issued Accounting Guideline 13, "Hedging Relationships". This Guideline identifies the circumstances in which hedge accounting is appropriate and discusses the identification, designation, documentation and effectiveness of hedging relationships and the discontinuance of hedge accounting, but does not cover hedge accounting techniques. The provisions of the new Guideline apply to fiscal years beginning on or after July 1, 2003. The Bank intends to adopt this Guideline effective November 1, 2003. The impact of the adoption of this Guideline on the 2004 financial statements has not yet been determined.

3. Provision for Credit Losses Related to a Revision of the Estimated Allowance

During the first quarter of 2002, the Bank re-assessed the realizable value of its impaired loan portfolio, taking into account current economic conditions and its goal of accelerating the disposal of this portfolio. Following this re-assessment, the Bank adjusted the estimated allowance for these loans and recorded a provision of \$185 million.

4. Discontinued Operations

On January 15, 2002, the Bank finalized the sale of its asset-based lending operations in the United States to PNC Financial Services Group. This transaction generated a gain of \$79 million, net of restructuring costs, and net of income taxes of \$62 million. Moreover, \$41 million of the general allowance for credit risk, less income taxes of \$24 million, was reversed under "Discontinued operations". Taking into account the results of these operations, the total contribution from discontinued operations was \$111 million, less income taxes of \$82 million.

The results for discontinued operations were as follows:

	2002	2001
Interest income	52	299
Interest expense	24	197
Net interest income	28	102
Other income	167	27
Total revenues	195	129
Operating expenses	53	79
Contribution	142	50
Provision for credit losses	(51)	120
Income (loss) before income taxes and goodwill charges	193	(70)
Income tax expense (benefit)	82	(27)
Income before goodwill charges	111	(43)
Goodwill charges	—	2
Net income (loss)	111	(45)

The remainder of the loans included in the agreement, representing \$313 million as at October 31, 2002, is shown on the balance sheet under the heading "Assets held for disposal". They constitute the asset-based loans covered by an 18-month servicing agreement with PNC Financial Services Group.

5. Goodwill and Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of the net assets of the subsidiaries purchased. On November 1, 2001, the Bank adopted the new standard of the Canadian Institute of Chartered Accountants entitled "Goodwill and Other Intangible Assets". In conformity with the standard, the Bank ceased to amortize goodwill as of this date and began the transitional impairment test to detect a possible depreciation in goodwill. Any loss in value in goodwill must be written off as a charge to income. The transitional impairment test was completed in the second quarter of the year and the Bank concluded that goodwill as at November 1, 2001 had not been impaired. Under the new standard, goodwill is tested periodically for impairment to ensure that the fair value remains greater than or equal to the carrying value. Prior to November 1, 2001, goodwill was amortized using the straight-line method over a period corresponding to its estimated useful life of 20 years. Aside from eliminating goodwill amortization charges, which amounted to \$21 million for the year ended October 31, 2001, including \$2 million attributable to discontinued operations, the adoption of this new standard had no impact on the Consolidated Statement of Income.

The Bank's intangible assets result from acquisitions of subsidiaries or groups of assets and consist primarily of management contracts with an indefinite life and are therefore not amortized. These assets are tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset

might be impaired. The impairment test consists in comparing the fair value of the asset with its carrying value. The excess of the carrying value over the fair value of the asset is charged to income in the period in which the impairment is determined. Intangible assets with a finite useful life are amortized over appropriate periods. These assets are written down when the long-term expectation is that their carrying values will not be recovered. Any excess of the carrying value over the net recoverable value is charged to income.

6. General Allowance for Credit Risk

In 1998, in accordance with the guidance provided by the Superintendent, the Bank increased its general allowance for credit risk by \$300 million and applied this one-time adjustment to retained earnings. This adjustment was not in compliance with Canadian GAAP. In 2001, after evaluating the adequacy of the general allowance for credit risk in accordance with Canadian GAAP, the general allowance was raised to \$403 million. During 2002, following the sale of its asset-based lending operations in the United States, the Bank reversed an amount of \$65 million under “Discontinued operations” (\$41 million net of income taxes), representing the portion of the general allowance related to its asset-based lending portfolio in the United States. Following an evaluation of the adequacy of the general allowance for credit risk as at January 31, 2002, the Bank established the allowance at \$435 million. Since January 31, 2002, the general allowance for credit risk has complied with Canadian GAAP and the accounting treatment prescribed by the Superintendent.

Had the Bank followed Canadian GAAP during the year, net income would have decreased by \$57 million (2001: \$126 million), the provision for credit losses would have increased by \$97 million (2001: \$203 million, including \$44 million attributed to discontinued operations), income taxes would have decreased by \$40 million (2001: \$77 million), and basic and diluted net income per common share would have decreased by \$0.31 and \$0.30 respectively (2001: \$0.66 basic and diluted).

There was no impact as at October 31, 2002 on the Consolidated Balance Sheet (2001: \$97 million increase in loans, \$40 million decrease in other assets and \$57 million increase in retained earnings), on the Consolidated Statement of Changes in Shareholders’ Equity (2001: \$57 million increase) nor on the book value of common shares (2001: \$0.30 increase).

Furthermore, had the Bank followed Canadian GAAP during the year, return on common shareholders’ equity before goodwill charges would have decreased by 1.61% (2001: 4.26%).

7. Capital Stock (millions of dollars)

Issued and fully paid as at November 22, 2002

First preferred shares	
5,000,000 shares, Series 12	125
7,000,000 shares, Series 13	175
	<hr/>
	300
	<hr/>
183,127,159 common shares	1,639
	<hr/>
	1,939
	<hr/>
5,692,822 stock options outstanding	N/A
	<hr/>

Redemption of preferred shares

On November 16, 2001, the Bank redeemed all 3,680,000 Series 10 preferred shares outstanding at a price of \$25 per share for an aggregate consideration of \$92,000,000.

On February 15, 2002, the Bank redeemed all 4,000,000 Series 11 preferred shares outstanding at a price of \$25 per share for an aggregate consideration of \$100,000,000.

Repurchase of common shares

The Bank made a normal course issuer bid on March 5, 2002. Under the terms of the bid, the Bank will repurchase up to 9,500,000 common shares over a 12-month period ending no later than March 4, 2003. Purchases are to be made on the open market at market prices through the facilities of The Toronto Stock Exchange, with the Bank determining the number and timing of purchases. Premiums paid above the average carrying value of the common shares are to be charged to retained earnings. As at October 31, 2002, the Bank had repurchased 9,500,000 common shares at a cost of \$306 million, which reduced common equity capital by \$82 million and retained earnings by \$224 million.

8. Acquisitions

Altamira Investment Services Inc.

On August 12, 2002, the Bank concluded the acquisition of Altamira Investment Services Inc., a manager and distributor of mutual funds.

The purchase price of \$263 million consisted of \$254 million in cash and 270,671 common shares of the Bank valued at \$9 million.

The tangible assets acquired amounted to \$48 million while the liabilities assumed amounted to \$264 million and consisted primarily of Altamira debt. The excess of the purchase price over the fair value of the net liabilities assumed is \$479 million, of which \$171 million was allocated to Altamira management contracts and the Altamira trademark as intangible assets, and the remaining \$308 million was allocated to goodwill. The intangible assets acquired have an indefinite useful life and will not be amortized. The results of Altamira have been recorded in the Consolidated Statement of Income as of its acquisition date, namely, August 12, 2002.

9. Securitization

During the fourth quarter of 2002, the Bank sold \$250 million in credit card receivables to a trust. The Bank received cash proceeds of \$249 million, net of an initial reserve of \$1 million and transaction fees, and retained the rights to the excess spread of \$7 million generated on the receivables, net of any credit losses. The Bank also charged a servicing liability of approximately \$1 million and recognized a pre-tax gain of approximately \$6 million, net of transaction fees.