



Q1
2008

Investor Community Conference Call

Risk Review

Bob McGlashan

Executive Vice President and Chief Risk Officer, Enterprise Risk and Portfolio Management

March 4 • 2008

BMO  Financial Group



Forward Looking Statements

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 2008 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 and U.S. 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; interest rate and currency value fluctuations; changes in monetary policy; the degree of competition in the geographic and business areas in which we operate; changes in laws; 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; critical accounting estimates; operational and infrastructure risks; general political conditions; global capital market activities; the possible effects on our business of war or terrorist activities; disease or illness that impacts on local, national or international economies; disruptions to public infrastructure, such as transportation, communications, power or water supply; and technological changes.

We caution that the foregoing list is not exhaustive of all possible factors. Other factors could adversely affect our results. For more information, please see the discussion on pages 28 and 29 of BMO's 2007 Annual Report, which outlines in detail certain key factors that may affect BMO'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, 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 statement, whether written or oral, that may be made, from time to time, by the organization or on its behalf. 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 and our strategic priorities and objectives, and may not be appropriate for other purposes.

Assumptions about the level of asset sales, expected asset sale prices and risk of default of the underlying assets of the structured investment vehicles were material factors we considered when establishing our expectations of the future performance of our interests in the structured investment vehicles discussed in this document. Key assumptions included that assets would continue to be sold with a view to reducing the size of the structured investment vehicles, under various asset price scenarios.

Assumptions about the level of defaults and losses on defaults were material factors we considered when establishing our expectation of the future performance of the transactions that Apex and Sitka Trusts have entered into. Key assumptions included that the level of defaults and losses on defaults would be consistent with historical experience.

Assumptions about the risk level of our commodities portfolio and liquidity levels in the energy derivative markets and how that will affect the performance of our commodities business were material factors we considered in making the forward-looking statements regarding our commodities business set out in this document. Key assumptions included that the current risk level of the portfolio and liquidity levels in the energy derivative markets would remain stable.

Assumptions about the performance of the Canadian and U.S. economies in 2008 and how it will affect our businesses were material factors we considered when setting our strategic priorities and objectives, and when determining our financial targets, including provisions for credit losses. Key assumptions were that the Canadian economy will expand at a moderate pace in 2008 while the U.S. economy expands modestly, and that inflation will remain low in North America. We also assumed that interest rates in 2008 will decline slightly in Canada and the United States, and that the Canadian dollar will trade at parity to the U.S. dollar at the end of 2008. 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. We now anticipate weaker economic growth in Canada and that the United States will slip into a mild recession in the first half of 2008. We also expect lower interest rates and a somewhat weaker Canadian dollar than when we established our 2008 financial targets. Tax laws in the countries in which we operate, primarily Canada and the United States, are material factors we consider when determining our sustainable effective tax rate.



Fiscal 2008
Credit and Counterparty Risk
Highlights

GIL Balance

\$1347 million

GIL Formations

\$708 million

Specific (PCL)

\$170 million

A Deteriorating Credit Environment in Fiscal 2008
impacting credit risk

- Gross Impaired Loans (GIL) and formations have increased from the previous historically low levels. Q1 includes a single large balance; current environment likely to create some lumpiness
- Q1 Provision for Credit Losses (PCL) is \$230 million. Consisting of \$170 million in Specific PCL, and a \$60 million addition in the General Allowance.
- PCL of 31bp in Q1 remains within the Bank's 16 year average of 33bp

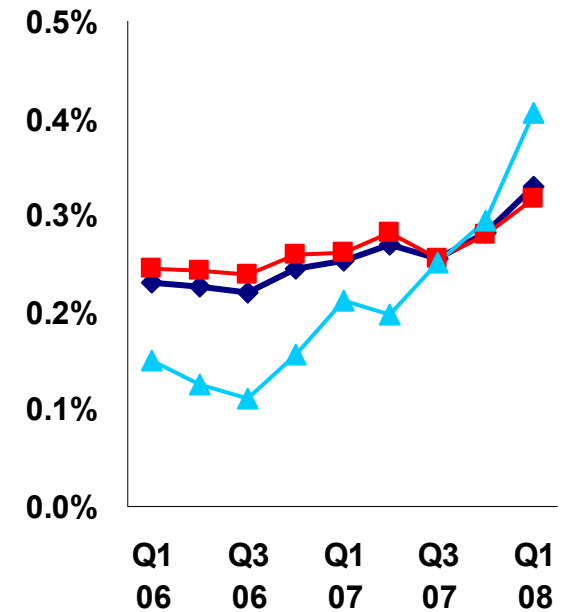





Loan Portfolio Distribution Consumer/Commercial/Corporate

Total Gross Loans and Acceptances* (C\$ Billion)
As at January 31, 2008

	Canada	U.S.	Other	Total	
Consumer					
Residential Mortgage	44	6	-	50	29%
Consumer Loans	25	9	-	34	20%
Cards	5	-	-	5	3%
Total Consumer	74	15	-	89	52%
Commercial	37	7	-	44	26%
Corporate	14	17	6	37	22%
Total	125	39	6	170	100%

Consumer Portfolio Delinquency Ratio (%)**



 Total Consumer Portfolio
 Canada
 U.S.

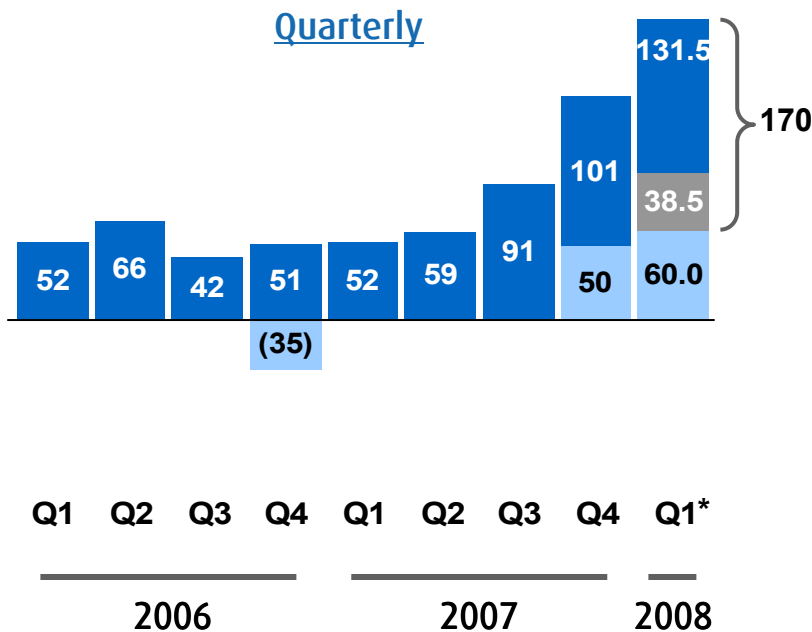
** % of portfolio which is 90 days or more past due

(Refer to the Supplementary Financial Information Package page 30)

* Excludes reverse repos



**Total Provision for Credit Losses
(C\$ Million)**



Specific PCL  General PCL 

Total PCL is reflective of the current environment

**Provision for Credit Losses
(C\$ Million)**

<u>Portfolio Segment</u>	<u>Q1 08</u>	<u>Q407</u>	<u>Q1 07</u>
Consumer	69	53	49
Commercial	31	15	5
Corporate	70	33	(2)
Specific Provisions	<u>170</u>	<u>101</u>	<u>52</u>
Change in General Allowance	60	50	-
Total PCL	<u><u>230</u></u>	<u><u>151</u></u>	<u><u>52</u></u>


Specific PCL as a % of Avg Net Loans & Acceptances (incl. Reverse Repos)**

31 bps 19 bps 10 bps

** Versus 16 year average of 33 bps



Specific PCL as a % of Average Net Loans and Acceptances (including Reverse Repos)

%	BMO	 Cdn. Competitors
Q1 / 08	.31	n.a.
Q4 / 07	.19	.26
Q1 / 07	.10	.23
F2007	.15	.24
16 yr avg. *	.33	.54

BMO's Canadian competitors include: RY, BNS, CM, TD and NA

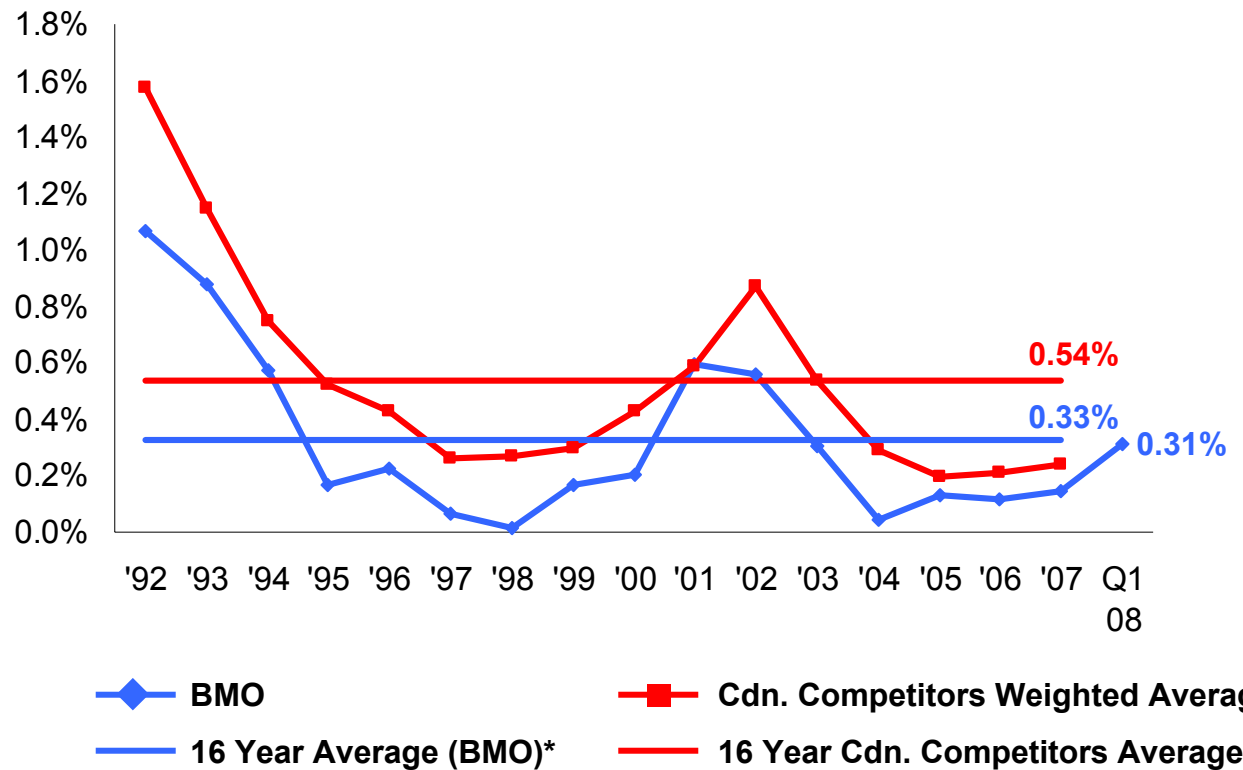
Competitor average excludes the impact of TD's sectoral provisions

* 16 yr avg.: 1992 to 2007

Credit Performance Measure

Historical Specific PCL average represents a 21 bps advantage over the Canadian peer group

Specific PCL as a % of Average Net Loans and Acceptances (including Reverse Repos)

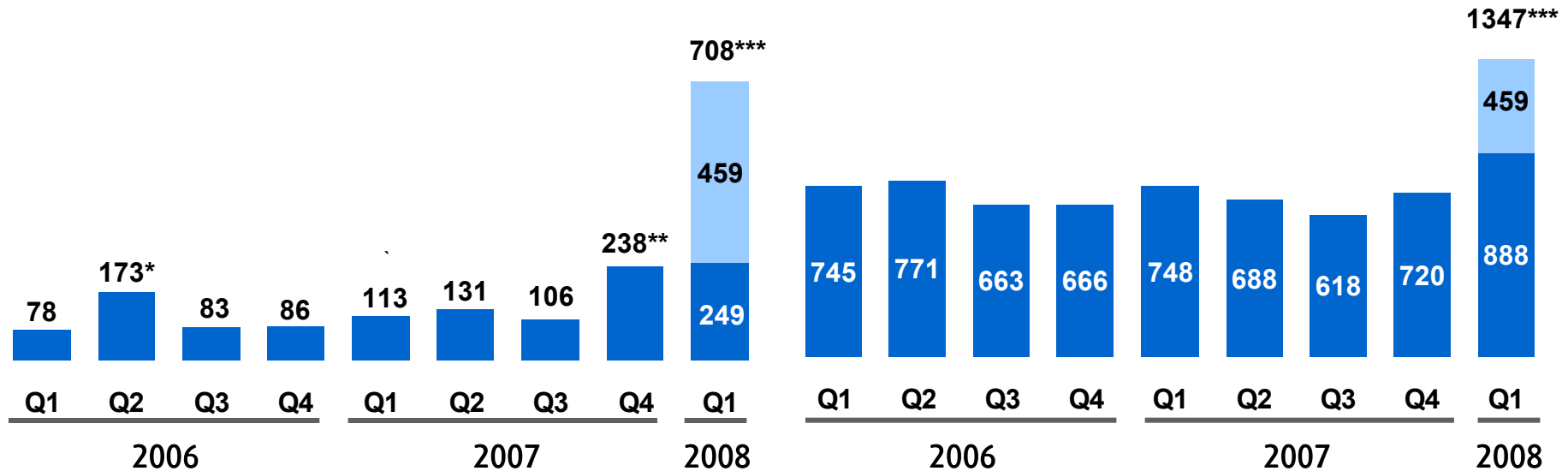




Credit Cycle Deterioration Has Continued: GIL balances have increased, with GIL formations showing an increasing trend in line with current market conditions

GIL Formations
(C\$ Million)

Gross Impaired Loans
(C\$ Million)



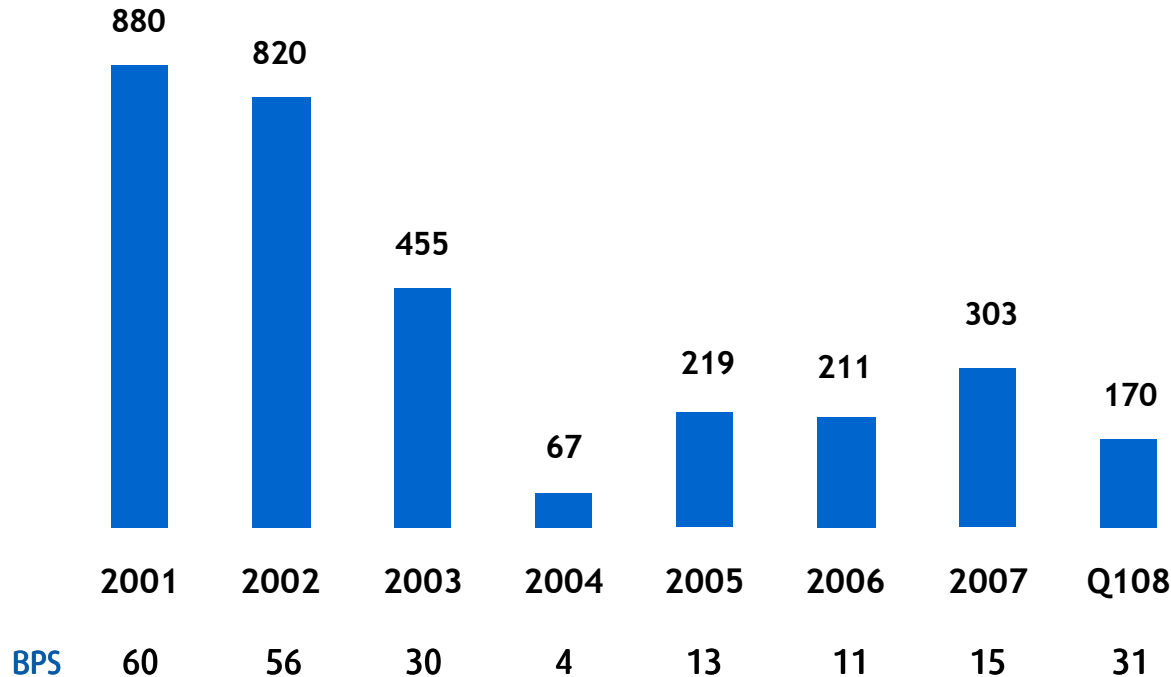
* A single enterprise group represented \$71 million in formations in Q206; subsequently fully repaid in Q306

** Q407 & F07 includes an approximate \$43 million formation related to a single enterprise group the majority of which (\$33 million) was concurrently written-off; the written off portion is not reflected in the ending GIL balances

*** Q108 includes an approximate \$459 million formation relating to a single enterprise group



Specific PCL As % Of Loans And Acceptances (C\$ Million)



F2008 Specific PCL Estimate

Target PCL was \$475MM.

However, specific provisions for credit losses of \$170 million in the current quarter are indicative of the quarterly run-rate expected for the balance of the year given further cyclical deterioration.



SIV – Assets reduced significantly since July 31, 2007

	Assets in Vehicle (07/31/07)	Assets in Vehicle* (02/29/08)	Capital Notes in Vehicle (02/29/08)	Senior Notes in Vehicle (02/29/08)	BMO's investment (02/29/08)	Back up liquidity facilities extended by BMO
Links	US\$23.4B	US\$10.8B	US\$1.7B	US\$12.6B	US\$32.1MM	US\$11.0B
Parkland	€3.4B	€0.95B	€226MM	€1.1B	(net)	€1.2B

*Links assets excludes cash of approximately \$US2.0B. Parkland assets excludes cash of approximately €214MM.

As at February 29, 2008 Asset Types (ex breakables)	Links	Parkland
Cash	13.7%	10.1%
Arbitrage CBO / CLO	7.0%	10.4%
Balance Sheet CLO	8.6%	8.7%
CMBS	4.8%	8.6%
Commercial Bank - Senior	5.7%	10.8%
Commercial Bank - Subordinated	24.5%	25.3%
Monoline	9.1%	2.7%
RMBS	11.7%	15.1%
Other ***	15.0%	8.3%

***Other includes numerous asset types, none of which exceeds 5% of the total.



Liquidity Support Provided By BMO

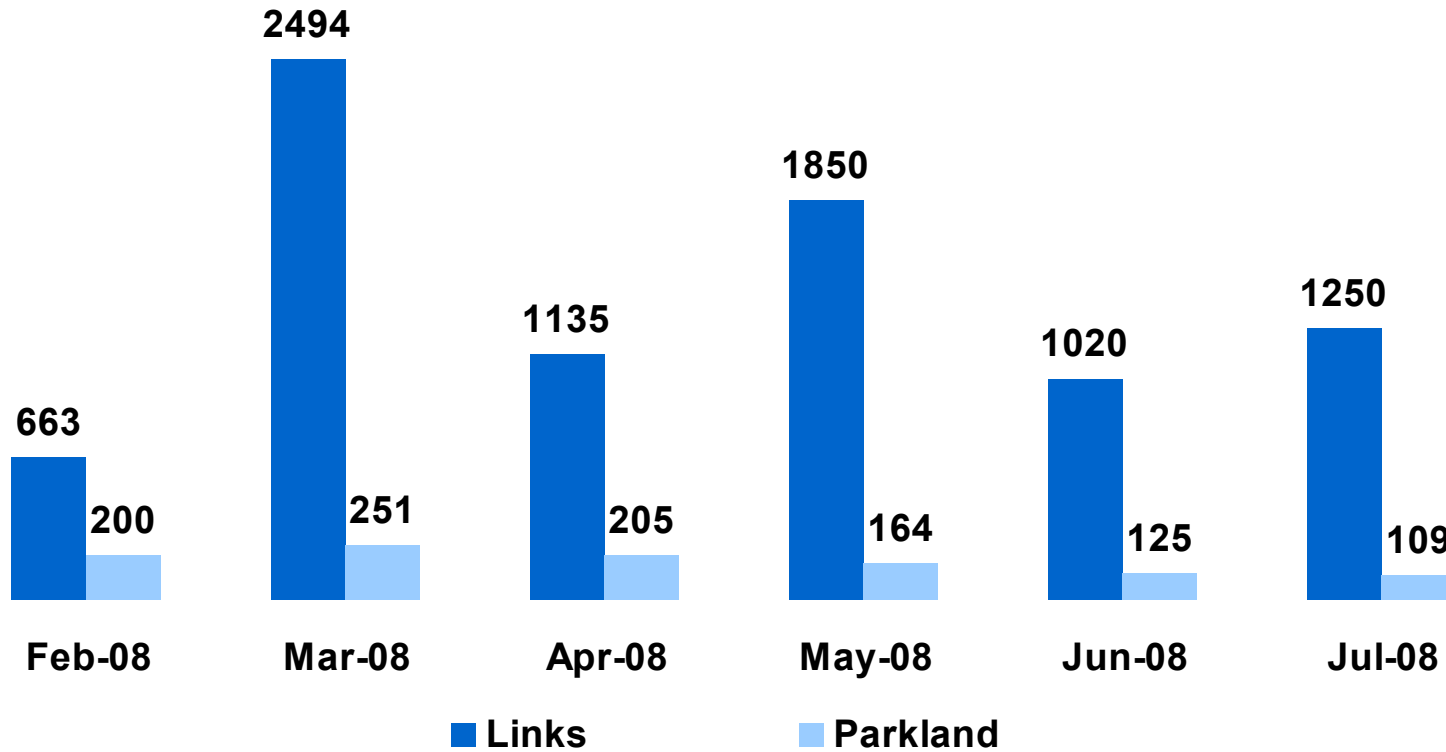
- BMO has participated in the senior debt of the SIVs

- BMO to backstop the repayment of senior note obligations
 - BMO liquidity facilities of a maximum US \$11.0 bn and euro €1.2 bn for Links and Parkland respectively, will backstop the repayment of senior note obligations
 - Supports orderly management of the SIVs and continuation of the strategy of selling assets in an orderly manner and facilitate SIVs access to senior funding

- This is a prudent action given market conditions
 - Senior funding supported by subordination of capital notes
 - The asset quality of the SIVs is high; 94 per cent of assets are rated AA or better by Moody's and over 80 per cent by Standard & Poor's.
 - Losses on asset sales:
 - Links :Cumulative – 238 bps
 - : Recent Sales (Calendar YTD) - 431bps
 - : 664bps discount on remaining assets for senior debt holders to incur a loss
 - Parkland: Cumulative – 267bps
 - : Recent Sales (Calendar YTD) – 493bps
 - : 1253bps discount on remaining assets for senior debt holders to incur a loss



6 Month Maturity Profile – Debt Maturities



Links maturities in US\$(MM), Parkland in €(MM)

Will be funded by US\$2B cash on hand as of Feb 29th, plus ongoing asset sales, new senior note and draws on the liquidity facility



Conduit Summary – Apex /Sitka

- Apex/Sitka are stand alone conduits set up to underwrite credit protection using credit default swaps (CDS)
 - Issued \$2.1bn of ABCP and MTN's to fund CDS; rated R-1 and AAA respectively by DBRS at time of issue
 - BMO administers the Trusts
 - Liquidity lines were provided by CDS counterparties in the event of a market disruption

- Credit quality of underlying portfolio is strong
 - CDS portfolio is comprised of 443 names, diversified by name, industry and geography
 - Average credit rating for companies for which CDS' are held is BBB. Consists of super senior tranches which continue to be rated AAA, with average attachment points of 15% and detachment points of 30%
 - No exposure to U.S. sub-prime mortgages

- Market disruption which commenced in August 2007 led to collateral calls
 - Conduit unable to sell more notes to cover collateral calls from CDS counterparties due to market illiquidity
 - Standstill arrangements were put into place with CDS counterparties which have now expired



Conduit Summary – Apex /Sitka con't

- Ratings for ABCP and MTN's were cut to R-5 and CCC on February 28th due to lack of liquidity to fund collateral calls
 - The two day cure period expired yesterday and discussions with the stakeholders relative to a restructuring are actively underway



Summary Of Monoline Exposure

Mark-to-market exposures are not material

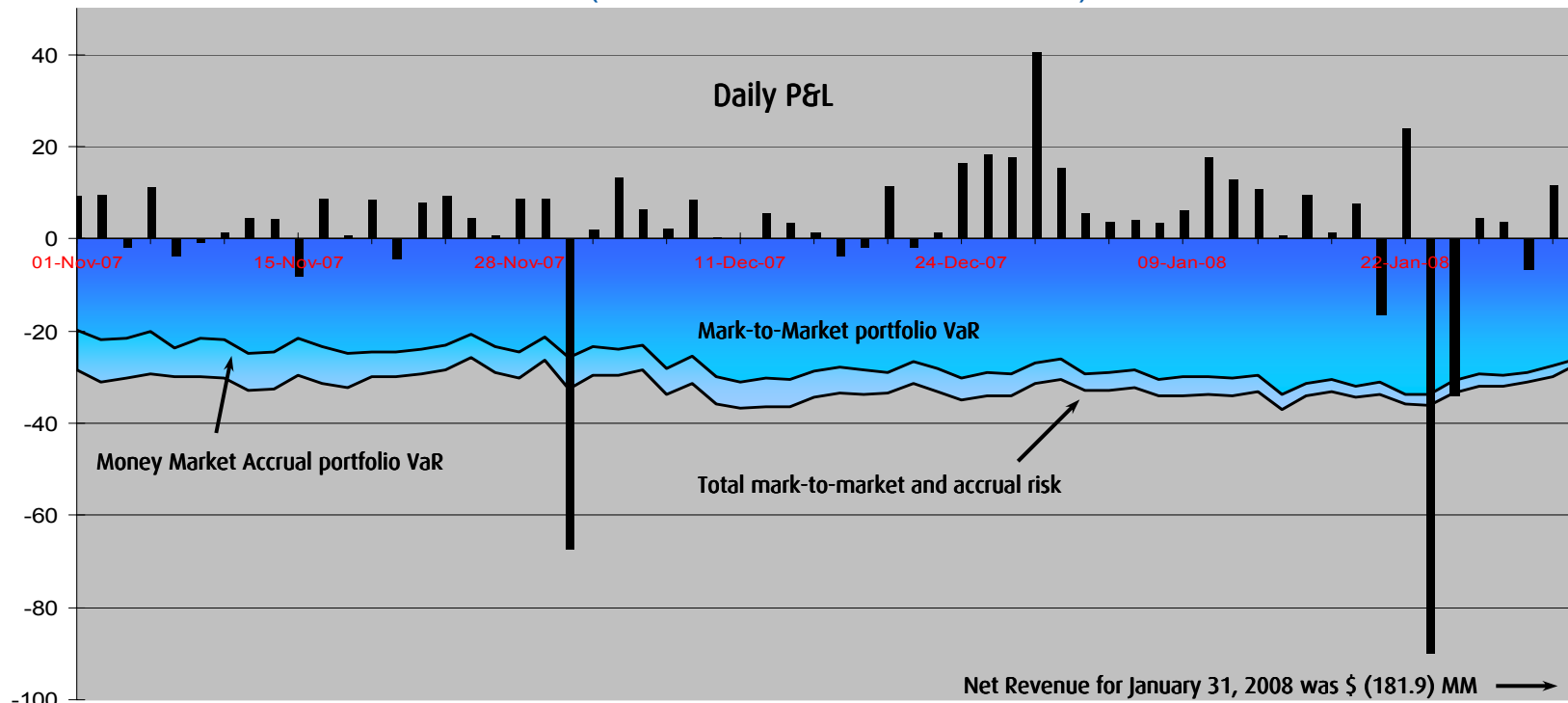
CDE\$MM	ACA*	Other Total
Direct Exposure (As at February 25, 2008)		
Traded credit notional (net)	0	11
Counterparty		
Derivative mark-to-market asset	0	244
Derivative underlying notional	0	3,846
Direct Lending/CDS, Authorizations	0	28
Indirect Exposure		
Notional of wrapped securities held by Bank	0	613
Notional of wrapped securities, swaps and TRS primarily within Fairway	0	2,320
Notional of wrapped securities within Links and Parkland	0	1,281

* As at January 29th 2008, exposure to ACA were eliminated.



Trading And Underwriting Q1 2008

Trading and Underwriting Net Revenues Versus Market Value Exposure
November 1, 2007 to January 31, 2008 (C\$ millions)
(Presented on a Pre-Tax Basis)



- 1) The largest daily P&L gains for the quarter were CAD \$40.5 MM on December 31 and CAD \$23.7 MM on January 22.
 - December 31st: Primarily reflects valuation adjustments, and strong trading performance in equity markets.
 - January 22nd: Driven primarily by gains experienced from the FED/BOC rate cuts.

- 2) The largest daily P&L losses for the quarter were CAD \$(67.3)MM on November 30 and CAD \$(89.9)MM on January 23 and \$(181.9)MM on January 31.
 - November 30th: Primarily reflects valuation adjustments on trading and structured finance positions.
 - January 23rd: Primarily reflects the liquidation of positions with the monoline insurer, ACA Financial Guaranty Corporation.
 - January 31st: Primarily reflects valuation adjustments which includes the APEX ABCP write down of \$130MM.

(Refer to page 15 of the Q1 2008 Report to Shareholders for risk data - presented on an after tax basis)



APPENDIX

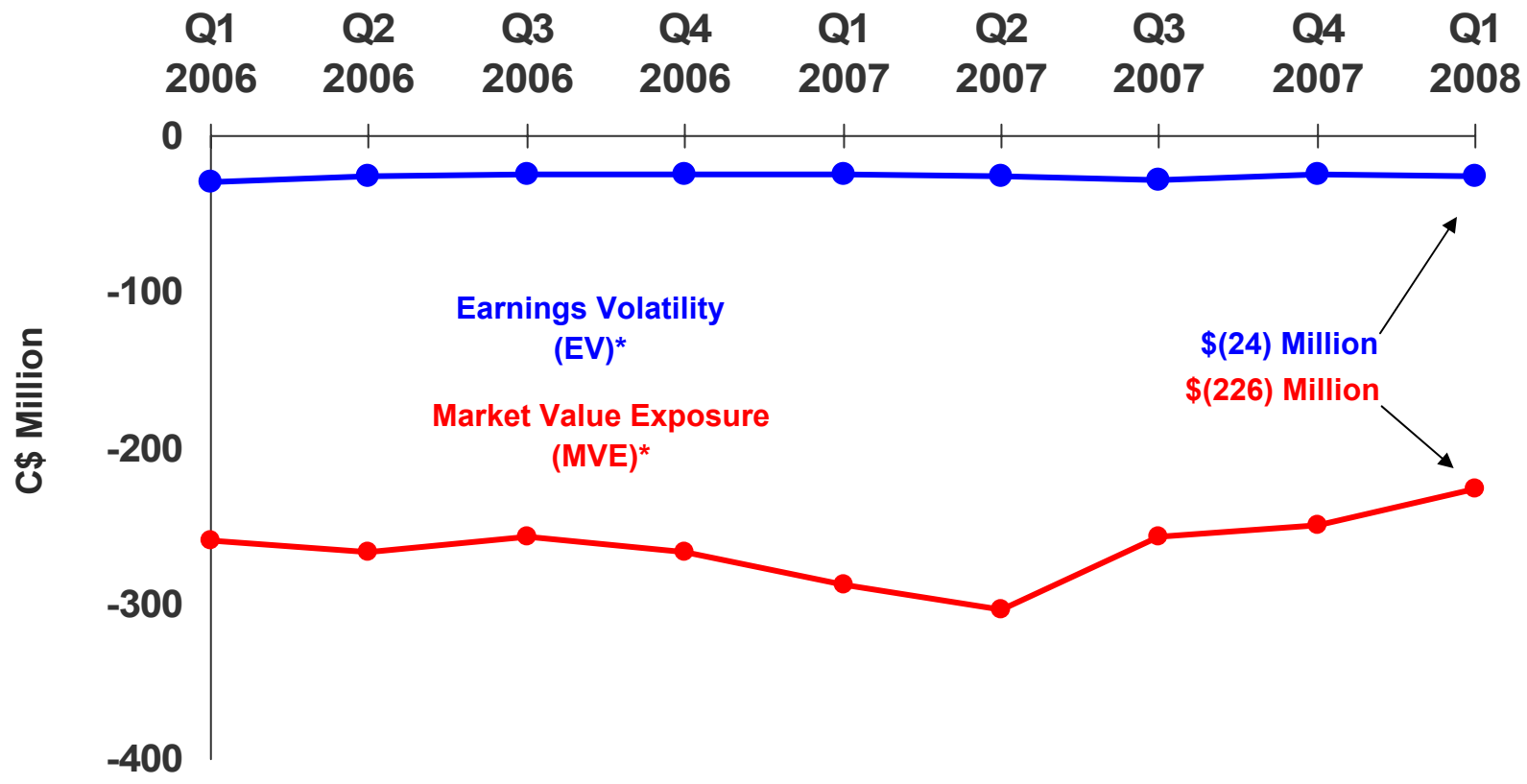


Market Environment Update

As at February 29, 2008 unless noted otherwise	Portfolio Commentary – including exposure to U.S. sub-prime mortgages	Q1 2008 Pre-tax loss CDE\$
U.S. sub-prime mortgages direct exposure	<ul style="list-style-type: none"> • None 	
BMO sponsored asset-backed conduits with BMO liquidity support	<ul style="list-style-type: none"> • Provide C\$23.4B and US\$10.2B liquidity lines with nominal exposure to U.S. sub prime mortgages; C\$2.9B commercial paper in inventory 	Nil
BMO sponsored asset-backed conduits with no BMO liquidity support [Apex Trust (including Sitka Trust)]	<ul style="list-style-type: none"> • Pre-write down C\$0.5B commercial paper in inventory, purchased as market maker; • Leveraged Super senior AAA exposure to a high quality basket of corporate credits in CDO form: no exposure to U.S. sub-prime. • Total Asset size \$2B 	\$130MM
Third party asset-backed conduits with BMO liquidity support	<ul style="list-style-type: none"> • Provide US\$0.9B liquidity lines to U.S. auto-based and financial-based conduits, with US\$3MM drawdown; no direct exposure to U.S. sub prime; 	Nil
Investments in non-bank sponsored asset-backed commercial paper	<ul style="list-style-type: none"> • Pre-write down C\$0.3B commercial paper in inventory, purchased as market maker • Majority under 'Montreal Accord' 	\$6MM
BMO-sponsored Structured Investment Vehicles (Links and Parkland)	<ul style="list-style-type: none"> • Current assets in vehicles are US\$10.8B and €0.95B, reduced by US\$12.6B and €2.5B since July 31, 2007; Strong asset quality – Links has no direct exposure to U.S. sub-prime, Parkland has no exposure to U.S. residential mortgages • Pre-write down investment of US\$50MM & €14MM of total Capital Notes of US\$1.72B and €226MM 	\$23MM on Capital Notes
Hedge fund trading and lending exposure, including prime brokerage	<ul style="list-style-type: none"> • Conservative; prime brokerage collateralized 	
Monolines and Credit derivative Counterparties exposure	<ul style="list-style-type: none"> • Mark-to-market exposure of \$244MM with direct notional amounts of \$3.8B. Indirect exposures are wrapped and quality of underlying assets are generally sound (as of February 25th) 	\$193MM



Structural Earnings Volatility remains low; Structural Market Value Exposure remains within the target range



* Refer to definitions on page 68 of the 2007 Annual Report.



Investor Relations Contact Information

www.bmo.com/investorrelations

E-mail: investor.relations@bmo.com

Fax: 416.867.3367

VIKI LAZARIS

Senior Vice President

416.867.6656 ■ viki.lazaris@bmo.com

STEVEN BONIN

Director

416.867.5452 ■ steven.bonin@bmo.com

KRISTA WHITE

Senior Manager

416.867.7019 ■ krista.white@bmo.com

