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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 amount to be drawn under the BMO liquidity facilities provided to 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. Material factors which were taken into account when establishing our expectations of the future risk of credit losses in Apex/Sitka Trust as discussed in this document included industry diversification in the portfolio, initial credit quality by portfolio and the first-loss protection incorporated into the structure.

In establishing our expectation that we will reverse a portion of the charges recorded in preceding periods on Apex/Sitka Trust as discussed in this document, we considered the fact that the Trust was restructured on May 13th and assumed that the credit environment would be reasonably consistent with recent experience.

In establishing our expectations regarding the run-rate costs of our credit card loyalty rewards program discussed in this document, we took into account the terms of the agreement that was entered into with Loyalty Management Group Canada Inc. subsequent to the end of the quarter.

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 and our expectations about achieving those targets and our outlook for our businesses. 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. In the first quarter, we anticipated that there would be weaker economic growth in Canada and that the United States would slip into a mild recession in the first half of 2008. We also updated our views to expect lower interest rates and a somewhat weaker Canadian dollar than when we established our 2008 financial targets. Our views remain unchanged from the first quarter. 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.

PRESENTATION

Operator

Please be advised that this conference call is being recorded. Good afternoon and welcome to the BMO Financial Group's second-quarter 2008 conference call for May 27th. Your host for today is Viki Lazaris, Senior Vice President of Investor Relations. Ms. Lazaris, please go ahead.

Viki Lazaris - BMO Financial Group - SVP IR

Thank you. Good afternoon, everyone, and thanks for joining us today. Presenting today on the conference call are Bill Downe, BMO's CEO; Russ Robertson, our Chief Financial Officer; and Tom Flynn, our Chief Risk Officer.

The following members of the management team are also here this afternoon -- Tom Milroy, head of BMO Capital Markets; Gilles Ouellette, from the Private Client Group; Frank Techar, head of P&C Canada; Ellen Costello, from P&C US; and Barry Gilmour, head of Technology and Operations.

After the presentation the management team will be available to answer questions from prequalified analysts. To give everyone an opportunity to participate, we ask that you please ask only one or two questions, then requeue.

At this time I would like to caution our listeners by stating the following on behalf of those speaking today. Forward-looking statements may be made during this call, and there that risks and actual results could differ materially from forecasts, projections or conclusions in the forward-looking statements.

Certain material factors and assumptions were applied in drawing the conclusions or making the forecasts or projections in these forward-looking statements. You may find additional information about such material factors and assumptions and the material factors that could cause actual results to so differ in our caution regarding forward-looking statements set forth in the news release or on our Investor Relations website.

With that said, I'll hand things over to Bill now.

Bill Downe - BMO Financial Group - CEO

Good afternoon, everyone. As noted, my comments may include forward-looking statements. Russ is going to take you through the details of our second-quarter financials in a few minutes, but let me provide the highlights upfront.

BMO reported much improved results for the second quarter today. Net income was C\$642 million, 4% below Q2 2007, but substantially above Q1 2008. Fully diluted EPS in the quarter was C\$1.25 a share, and cash EPS was C\$1.26. Our return on equity in the quarter was 17.9%, a very solid return in the current environment, and we remain very well capitalized. Our balance sheet is strong. And our common shareholders equity is up almost C\$500 million from a year ago.

I told you in Q1 that management was addressing market difficulties while continuing to concentrate on our core businesses and our customers. And for me, Q2 demonstrates that we have delivered against a timetable and an agenda that were clearly expressed. Specifically, our performance in the quarter reflects the following three criteria that I've been highlighting in recent calls.

First, fundamentally better performance in our core Canadian retail operations, which is attributable in large part to our renewed focus on customers and investments we've been making in the business.

Second, in our capital markets business, the ongoing demonstrated success in reducing risks related to off-balance sheet exposures. And, third, maintaining vigilant supervision of our loan portfolio with a close eye on provisions for credit losses in a deteriorating economic environment. We see credit issues primarily in US real estate, and these are visible and well understood. And Tom is going to provide some detail in this area shortly.

But in sum, I'm very pleased by our team's performance against the three points on this slide and about the momentum we are building.

Moving to the operating groups, results from our retail operations were strong in the quarter, particularly in Canada. In total, net income from retail operations including wealth management was C\$470 million, up 3.3% from Q2 last year and 10.3% from Q1 2008.

These results reflect success in executing the customer-focused strategy we laid out in detail at our investor day in April. And the focus continues to build momentum. We're seeing real progress on a number of important metrics, including improved customer loyalty scores, a growing customer base, and strengthening customer relationships. The result, our market share has now improved for six consecutive quarters in personal lending, and in five of the last six quarters in commercial lending.

Our market share in mortgages declined quarter over quarter because of the expected impact of our decision to exit the broker channel. However, again this quarter, we experienced volume growth as mortgage originations outpaced the lost volume related to the decision. Most importantly, we've increased spreads on new originations by 31 basis points year over year. Personal deposit balances were unchanged, and market share was down just slightly in a competitive environment, but we know we can do better in this area.

Cards revenue is again up this quarter, and growth is accelerating. Revenue was up 9.2% year over year this quarter compared to 5.6% last quarter. We continue to bring innovative new efforts to the market, such as Shell Mosaik MasterCard and an improved offer for Gold Mastercard holders. So the story of Canadian P&C is that we're continuing to grow in the areas we said we would 18 months ago, and we're confident that these trends will continue.

In PCG we had a great quarter with record net income. While assets under management and administration have been affected by softer equity markets, we're encouraged by market share growth in InvestorLine, Canadian private bank and our term products business. Income growth was attributable both to a diversified revenue base and to proactive effective cost management.

P&C US recorded net income of C\$30 million for the quarter. In the quarter we closed two Wisconsin acquisitions and added 41 branches to our network. Year to date, we've recruited 37 experienced commercial bankers, increasing the workforce in that area by 15%. Harris has had a long-standing membership in Visa USA, both as a Visa card issuer and as a merchant card processor. Although we sold the Harris merchant card business eight years ago to Moneris, BMO's merchant card joint venture, we maintained our Visa membership. And as a consequence, we were able to participate in the Visa IPO, and in the quarter realized \$13 million after-tax than mitigated the impact of a number of one-time expense items in the quarter.

Finally, in BMO Capital Markets, equity and debt underwriting and M&A activity were slow in the quarter for the market as a whole, and are reflected in our results for the quarter. However, the outlook is improving. With indications of funding costs trending toward less elevated levels, we think that earnings in Q2 reflect the lower end of the sustainable range going forward, assuming we don't see a major reversal of the market conditions experienced most recently.

We made substantial progress in Q2 to reduce our balance sheet exposures, and I'm pleased with the progress made with structured and off-balance sheet entities. In March, we concluded agreements to restructure Apex/Sitka, and as a result, reversed a portion of the valuation reserves recorded in the preceding period. The restructuring preserved asset value for BMO and other investors and places the trust on solid footing. Tom Flynn will provide more detail around the market environment in a moment.

Obviously, our results going forward will be affected by the economic environment. The US economy has slowed sharply with housing activities still weakening. We expect growth to improve modestly in the second half of the year in response to aggressive interest rate cuts, and fiscal stimulus is already in place.

In the Midwest, house prices should remain under pressure through 2008, until inventories are worked off and affordability improves. Personally, I don't think that we're going to see price increases in the market before 2010, and consumer activity will be slow/stable in 2009.

Low growth in commercial sectors is also expected for the remainder of this year. In Canada, the economy has also slowed due to declining exports to the US; however, domestic demand remained strong and supported by lower interest rates and high resource

prices. Although housing activity is expected to moderate, economic growth should pick up in the second half of the year in response to recent interest rate cuts by the Bank of Canada and a steadier US economy.

Investor sentiment has improved significantly since the Bear Stearns rescue in mid-March, though some credit spreads remain wider than usual. While we're not ready to say the worst of the credit turmoil is behind the industry, we are encouraged that the downsides are very clearly defined now. And I can certainly say here at BMO, we're retaining a firm grasp on the issues that are affecting our business.

As a result, as we go into the second half of the year I'm encouraged. Our core businesses have performed well despite tough conditions. We're making real, visible and steady progress in risk reduction, and the economic forecast of the second half is more constructive. We're building momentum. We're coming off a quarter we are pleased with because it confirms progress on a number of fronts, and we're looking forward to the second half of the year.

With that, I'll turn you over to Russ to talk about the results.

Russ Robertson - *BMO Financial Group - Interim CFO*

Thanks Bill and good afternoon. Certain of my comments may be forward looking, so please note the Caution Regarding Forward Looking Statements on Slide 1. On Slide 3, and as Bill mentioned, you can see that reported second quarter earnings were \$642MM or \$1.25, compared to \$1.29 last year. On a cash basis earnings were C\$1.26 per share. We had strong results in P&C Canada. In fact, it was one of the best quarters ever, improving significantly from the first quarter and year over year. Adjusting for the prior year's insurance and investment gains that income was up 12%, with good revenue growth and expense management. P&C US results were up quarter over quarter and year over year. Included in these results are a one-time Visa gain and higher than usual expenses.

The Private Client Group earned recorded income, reflecting diversified revenue and disciplined expense management. Earnings in BMO Capital Markets reflect the current operating environment, and I will provide more color on the net recoveries reported in this group on slide 7. The Tier 1 capital ratio remained strong at 9.42%, based on Basel II.

Moving to slide 4, you'll see that revenues were up about 29% quarter over quarter. Revenue was up 4% excluding significant items reported in Q1 2008. Revenue in this quarter reflect softer market conditions. Year-over-year revenues increased 4% on a reported basis, or 3% lower on a core basis. Net interest income was C\$1.2 billion in Q2, down slightly from both comparative quarters.

Looking more specifically at the margins on slide 5, total bank margin was up 3 basis points from Q1. Margins increased in P&C Canada both quarter over quarter and year over year. The increase year over year is due to better spread on mortgages and improving product mix, partially offset by competitive pricing pressures in personal and commercial deposits. Margins in P&C US were down 4 basis points quarter over quarter.

The total bank margin has also benefited by items that lowered corporate net interest revenue last quarter. Looking forward, there will be continued downward pressure on margins. There is still some volatility in prime versus BA, and competitive pressures remain. Mix and pricing may not be enough to maintain margins.

Turning to slide 6, non-interest revenue, or NIR, improved significantly on a reported basis quarter over quarter. Non-interest revenue in P&C Canada was up slightly due to securitization and cards revenues, partially offset by lower insurance revenue.

We are pleased to announce that, subsequent to the end of the quarter we have entered into an agreement to transfer the liability associated with our credit card loyalty rewards program to Loyalty Management Group, Inc., LMG, our partner in the AIR MILES rewards program. There will be no gain or loss on the transfer.

In addition, we have renegotiated and extended the term of our agreement with LMG for the issuance of AIR MILES. As part of this agreement we will no longer retain the liability for future AIR MILES redemptions, and hence will have no exposure to changing redemption patterns. We expect negligible change in run rate cost as a result of the agreement.

P&C US's NIR benefited from the sale of Visa shares during the quarter. Private Client Group's NIR was down due to lower fee-based revenue in mutual fund businesses. BMO Capital Markets results in Q1 reflected charges of C\$488 million related to the deterioration in capital markets. Results in the current quarter include a C\$42 million net recovery, which I will discuss further in a moment.

Despite the continued challenging market conditions, our debt and equity underwriting fees improved over the prior quarter. However, there were lower investment gains and reduced cash management revenues. Slide 7 summarizes the effects of the capital markets environment on Q2 results. The impact this quarter was a net recovery of C\$28 million after-tax or C\$0.06 per share, and these adjustments were reflected in trading, non-interest revenue, other revenue and securities gains and losses other than trading. Notable items are as follows, an C\$85 million pretax reversal of previously recorded charges on Apex/Sitka Trust. This amount was determined based on a 90% probability of restructuring determined as of April 30th, up from 70% at Q1.

As the restructuring was completed in May, we expect to record a reversal of a further portion of previously recorded charges in Q3. As part of the restructuring, we have received notes whose values are subject to a quarterly discounted cash flow analysis. BMO holds C\$325 million in third-party asset-backed commercial paper related to the Montreal Accord. A C\$36 million pretax charge was recorded this quarter based on a 90% probability of restructuring compared to 85% in Q1. However, we have increased our estimate of the expected discount on the notes, which we will receive when the restructuring is completed.

A C\$23 million pretax charge relates to the capital notes we hold in the two SIVs. Our approach is consistent with prior quarters as we record the capital notes at their net asset value. BMO's investment in the capital notes was C\$10 million as of April 30.

A C\$128 million pretax mark-to-market gain on counterparty credit exposures. The methodology applied is consistent with Q1, where a mark-to-market loss was recorded. BMO's credit spread has moved relative to various counterparties, and that has resulted in gains in our derivative portfolio.

A C\$93 million pretax mark-to-market charge for other trading and structured products. These charges are similar to the prior quarter and are a result of the continued deterioration in credit markets.

Moving to slide 8, expenses have increased both quarter over quarter and year over year. The quarter-over-quarter NIX was up C\$66 million. BMO Capital Markets' performance-based compensation, along with salaries and benefits, as well as professional fees across the operating groups, contributed to higher NIXs. There were reductions in the quarter related to stock-based compensation for employees eligible to retire, lower revenue-based costs in PCG and lower capital taxes. Year over year, foreign exchange had the impact of reducing expenses by C\$51 million. In addition, there were increases in salaries and professional fees, computer costs and business development, while capital taxes decreased.

Current quarter results in P&C US included a Visa litigation expense of C\$17 million.

Moving to slide 10, our Tier 1 capital ratio on a Basel II basis is 9.42%. This ratio remains very strong and well above our targeted minimum of 8%. And we have excess capital of C\$2.7 billion over this target. Under Basel II, our risk-weighted assets increased by C\$7 billion. The increases in risk-weighted assets are attributable to the liquidity agreements in respect of the SIVs, the impact of Apex, and the closing of our Wisconsin acquisitions, in part offset by RWA a management initiatives.

Slide 11 highlights BMO's wholesale capital markets term funding mix. BMO has a corporate policy establishing maturity limits by market and term, and as you can see, we are well diversified in both. We are an active issuer in a variety of markets.

Before wrapping up, I would like to direct you to our press release where, in connection with the recommendation of the Financial Stability Forum, we have expanded our discussion of financial instruments.

In summary, this was a good quarter for BMO, especially in light of the current environment. As Bill mentioned in his comments, we're continuing to make good progress against a specific agenda, and these results reflect this.

With that, I will turn things over to Tom.

Tom Flynn - BMO Financial Group – EVP & Chief Risk Officer

Before I begin, I would like to draw your attention to the caution regarding forward-looking statements on slide 2. Slide 3 summarizes some of the key credit related information for the quarter. Gross impaired loans and formations remained elevated, as expected, given the economic environment. Specific provisions were C\$151 million in the quarter, and benefited from recoveries being higher than the previous two quarters.

The key messages on the credit front for the quarter include the following. The Canadian and US consumer portfolios are performing well, with provisions flat quarter over quarter and not materially up year over year. Performance in this area continues to be better than peers. Like others, we're seeing some migration in the portfolios.

Second, the non-real estate-related commercial and corporate portfolios are generally performing in a solid fashion. That said, we're experiencing softness in certain sectors, including Canadian manufacturing, certain agricultural sectors and forest products.

Third, certain US real estate-related exposures are continuing to show weakness, given the challenges in the market. I would note that BMO's US operations have less US commercial real estate exposure than US peers. Lastly, looking forward, given the environment we expect that specific provisions over the balance of the year will exceed those experienced in Qs 1 and 2.

Slide 4 shows the increasing trend in consumer delinquencies, reflecting the weakness in the economy. The US delinquency level at approximately 40 basis points compares favorably to our US peer group at approximately 85. Our Canadian consumer portfolio at 37 basis points is in line with expectations. In Q1, our Canadian installment loan and lines of credit delinquency levels ranked first among the Canadian peer group.

As seen on slide 5, gross impaired loan balances have increased. Two specific loans that total approximately C\$600 million account for a little over one-half of the increase in impaired loans year to date. These two loans were originated in our Fairway Conduit. We have funded these two loans and one other from Fairway in part so that our Special Asset Group can better manage the exposures. These three loans are tied to the US residential real estate sector.

As seen on slide 6, the largest sectors within gross impaired loans are commercial real estate and financial institutions, including a US entity that is in the business of purchasing distressed mortgages, but is classified in the financial institutions category, commercial real estate-related loans represent approximately 45% of gross impaired balances. And most of these loans would be related to the US residential and housing market.

While there has been weakness in US real estate, our exposures in this area are well within our risk tolerance. US commercial real estate-related loans are approximately C\$5 billion, or just 1.5% of assets. This includes developer loans and investor-owned real estate. Residential mortgage and home equity line retail exposures are C\$6.5 billion and C\$4.5 billion, respectively, and these are performing in line with expectations.

On slide 7, specific provisions remain above last year's levels, consistent with the increase in impaired loans and the economic environment. Consumer provisions are performing well, being flat quarter over quarter and up modestly year over year, while commercial and corporate provisions have increased for the reasons I mentioned earlier.

Slide 8 provides a breakdown of the Q2-specific provisions. The largest portion is driven by the Canadian portfolio, and within that, the credit card business, which tends to be quite predictable over time. The US and the commercial real estate segments, of the two pie charts each include a C\$35 million provision for a single account.

Slide 10 gives an update on the SIVs. The SIVs are under half the size that they were in July of last year. The liquidity facilities that we have provided continues the orderly reduction in size of the SIVs, and rank senior to the capital notes. The capital notes have a par value of C\$1.7 billion in the case of Links. The market value of the capital notes is less, reflecting in part reduced liquidity levels in the market and also higher market credit spread expectations.

The asset quality in the SIVs remain strong. 92% of the assets are rated AA or better by Moody's, and over 75% are rated AA or better by S&P. Given recent asset sales, the size of the liquidity facilities that we are providing has been reduced to \$8.8 billion and

EUR746 million, down from \$11 billion and EUR1.2 billion at January 2008. Based on scheduled assets and debt maturities, as well as estimated asset sales, we expect that actual draws on the liquidity facilities will be less than 65% of the current facility size.

As noted on slide 11, the restructuring of Apex/Sitka has closed substantially in accordance with the terms that we announced in March. The credit characteristics of our investments are strong, given the largely investment-grade nature of the underlying credits, the diversification in the portfolios, and the significant first loss protection that is in place. The underlying investments in the trusts have been rated AAA.

Slide 12 summarizes monoline-related positions. Our exposures here are not material, with the mark-to-market exposure being C\$214 million at quarter end.

Slide 13 reviews our US conduit, which is called Fairway. This entity was formed in 1997 and has provided financing to many clients since then. Fairway's ratings are strong at A1 and P1 by Moody's and S&P, respectively. Fairway has performed well in the market since the market disruption began last summer. Overall, Fairway's assets are well diversified and rated. All of the assets are rated investment grade equivalents, and approximately half are rated by external agencies.

Three of Fairway's credits that are related to US residential real estate have experienced problems, given the weakness in that part of the market, and have been funded by BMO. Two of these assets are classified as impaired and generated provisions in quarters one and two. Commercial real estate-related commitments currently represent just 12% of Fairway's total commitments. A review of these positions has not identified other immediate concerns.

On slide 14, the large trading/underwriting gains and losses on a few days were driven by the types of valuation adjustments that Russ referred to earlier.

Lastly, on slide 15, we have an update on the market environment-related issues. This slide summarizes our positions in topical areas. Overall, the trend for these items have been positive. We have very modest exposure to subprime. Asset-backed commercial paper inventories are down. The previously announced restructuring of Apex/Sitka has closed. We have seen a continued reduction in the size of SIVs, and our monoline exposures are modest.

With that, Operator, we will open the call for questions.

Operator

(OPERATOR INSTRUCTIONS). Jim Bantis of Credit Suisse.

Jim Bantis - Credit Suisse - Analyst

Looking at the level of formations, I know you have detailed that Fairway is the bulk of the formations this quarter. Maybe you can walk through how the provisioning is going to catch up to the level of formations going forward. And, I know coverage ratio isn't the be all and end all metric by the BMO risk management team, but how can we look at the expanding net impaired loans?

Tom Flynn - BMO Financial Group – EVP & Chief Risk Officer

Maybe I'll tackle that by giving you a sense of where we think provisions might go over the balance of the year. The impaired have grown, as you have commented on. What we see is that the retail portfolios generally are performing well. We've seen some migration in the portfolios, but we don't consider it to be significant.

In the commercial and corporate portfolios, generally the performance is solid, with a couple of areas of weakness. And the weakness relates to Canadian manufacturing and forest products and parts of the agricultural sector. Generally from an overall perspective we feel pretty good about the portfolios, given where we are in the cycle.

The lumpiness in the formations, as you have mentioned, have come from some credits that are tied to the US real estate sector, and more specifically commercial real estate exposures that are tied to the US residential part of the market. That part of the market, as everyone knows, is experiencing some weakness. Our exposures that are exposed to it are experiencing weakness as a result. Given the US economy looking like it's going to weaken a bit over the second half and the state of the environment in the real estate sector, we think provisions over the balance of the year will be higher than what we've seen so far this year.

Last quarter we said that we thought specific provisions of the C\$170 million that we had in the first quarter would be indicative of the kind of level that we would see over the balance of the year. And these things are hard to predict, given the nature of the number of variables that are involved. But we are now thinking that the number might be 10 to 20% above the level that we were talking about before on average over the balance of the year.

Jim Bantis - Credit Suisse - Analyst

I appreciate that. I just wanted to follow up on the size of these impaired formations. And these are BMO-sponsored ABCPs, so I'm surprised at the single-name size of these formations. Can you comment on that? Obviously, this is coming out of the corporate wholesale division.

Tom Flynn - BMO Financial Group – EVP & Chief Risk Officer

The largest loans that have contributed to the formation growth are relatively large single entity concentrations. But each of the exposures has diversification within it, in the sense that they are all in one business or linked businesses, but they were running portfolios under the corporate umbrella. So we saw when we were underwriting the loans diversification, given the nature of the underlying portfolios, both from a geographical perspective, and from a development perspective in the case where we had multiple developments being conducted within single exposures. So there is concentration at the enterprise level, as you have noted, but diversification within.

Operator

Robert Sedran of National Bank Financial.

Robert Sedran - National Bank Financial - Analyst

I'm trying to get a sense of ... when you look at P&C Canada, I guess it is 10% or 12% year-over-year growth, depending on what you decide to exclude from last year's results. But what I would like to know is, if you include actual loan loss performance as opposed to expected loss, what would the equivalent growth rate be?

I guess I seem to be able to get consumer and commercial. I seem to be able to get Canada and US. I'm just not sure I can get P&C Canada actual performance.

Frank Techar - BMO Financial Group - President and CEO, Personal and Commercial Banking

Just consistent with what Tom just talked about, our portfolios in P&C Canada are performing well. As you know, we use EL, expected losses, in our reported results, not actual PCLs. But if you did include the PCLs, at least through the first half of the year, there wouldn't be a material change in the results.

Robert Sedran - National Bank Financial - Analyst

If I listen to Tom talk about provisions, and then Russel mentioned the potential for some margin pressure in the back half to mean to stay, and then, Bill, you mentioned C\$1.20-odd that you earn this quarter seems to be at the low end of what you think you can earn. I'm guessing the markets are probably not the area you're looking for the ramp up in earnings. Can you perhaps talk about where you are looking for the stronger performance to come from in the back half?

Bill Downe - *BMO Financial Group – President & CEO*

Well, I think where the strength was in the first half of the year was in P&C in Canada. All of the predictors of revenue growth that we have been marking are performing very well. So I expect us to continue to grow market share in P&C Canada. Frank and his team, as you know, have a lot of initiatives under way, and we have confidence in those as they are playing out.

I think the wealth management business will continue to be a good contributor. In the first half of the year, notwithstanding the fact that large portions of the equity market, if you exclude the resource businesses, didn't do that well. I think that the control of expenses and the building of the businesses is paying off.

Capital markets has been really going into very heavy headwinds the last number of quarters. In my comments really were to the point that we think that, to a large extent, those big issues that we were dealing with on the asset valuation side have unfolded exactly the way we hoped they would. We have been able to tick off consecutively issues as we said we would.

So I think to some extent, what we're calling for is not an adverse economic environment. And failing a significant downturn in the Canadian economy, we expect to continue to see loan growth. I did make a comment about deposit growth, because I am looking for P&C to open more accounts and show some growth in that area.

Operator

Mario Mendonca of Genuity Capital Markets.

Mario Mendonca - *Genuity Capital Markets - Analyst*

One quick technical question first. On page 18 of the supplement, it's the one on asset securitization, I'd like to understand that C\$76 million contribution to net income. Historically, when I've asked questions like this, both off and online, my understanding was that that essentially nets to zero, so it's not entirely relevant. What drove the C\$76 million in the quarter and did that have a bottom-line effect?

Russ Robertson - *BMO Financial Group – Interim CFO*

That is the gain on the securitization of bank owned assets.

Mario Mendonca - *Genuity Capital Markets - Analyst*

Right. Every quarter prior to that, as it has been described to me, there shouldn't really be much of a bottom-line impact. So I guess what I'm getting at, is the \$C76 million, what did that add to the bottom-line this quarter, and why was it so different from prior quarters?

Russ Robertson *BMO Financial Group – Interim CFO*

It's different because there was more of it. There were more assets securitized.

Mario Mendonca - *Genuity Capital Markets - Analyst*

But I guess the point is, why wouldn't that have been offset in the NII line? It always is, I guess, is what I'm getting at.

Russ Robertson - *BMO Financial Group - Interim CFO*

It would be, yes.

Mario Mendonca - *Genuity Capital Markets - Analyst*

But the point is, it wasn't, the C\$76 million in the quarter.

Viki Lazaris - *BMO Financial Group - SVP IR*

I think it was, Mario. On our end, maybe I could just take that offline, but from our perspective, maybe you are looking at it differently...it is being offset upon the NIE line.

Mario Mendonca - *Genuity Capital Markets - Analyst*

When I've asked this in the past, you have always explained that the net income effect is negligible, as I can see here. Was there a positive impact to earnings this quarter of C\$76 million pretax?

Viki Lazaris - *BMO Financial Group - SVP IR*

No, there wasn't.

Mario Mendonca - *Genuity Capital Markets - Analyst*

There wasn't? I don't understand then, because every other quarter you have pointed me to that line as the reason why there is no impact. It is showing that the impact of securitization on net income before income taxes was C\$76 million. That doesn't jive with how you just answered me. The caption says the impact of securitization on net income before taxes.

Bill Downe - *BMO Financial Group - President & CEO*

I'll tell you what, giving the benefit of the fact that the question has been answered to you specifically in the past, why don't we take it off line? We'll reconcile the previous answers to where we are. And I think Viki's answer is factually correct. But we want to make sure that we take you back to your reference point, if that makes sense, Mario.

Mario Mendonca - *Genuity Capital Markets - Analyst*

Not really. I'll ask something else, though. Page 17 of the assets in Fairway, from what I understand, what is it about Fairway? Like when you talk about the C\$600 million or so, what particular lines is it coming from? Like that C\$600 million, would be from the commercial real estate loans?

Tom Flynn - *BMO Financial Group - EVP & Chief Risk Officer*

Yes. It would have been from the commercial real estate loans. That's right. So you see the numbers for commercial real estate, and that's the area that the three loans that we have funded came from.

Mario Mendonca - Genuity Capital Markets - Analyst

So that C\$800 million that we see in CP outstanding, that's net of the C\$600 million that has come out? Is that right? The number would have been larger, I suppose?

Tom Flynn - BMO Financial Group – EVP & Chief Risk Officer

That is correct. These numbers are after the removal of the three loans that came out.

Mario Mendonca - Genuity Capital Markets - Analyst

I guess what I'm getting at here is, when we look at the schedule on page 17, we look at CP outstanding, how much of this could actually come back at BMO? And where would you point ... what particular line items would be the areas at risk?

I guess it would be the C\$800 million remaining in commercial real estate loans; that would be one area, because presumably that's where we saw it from before. Maybe the residential mortgages prime C\$200 million. Is there anything else you would point me to?

Tom Flynn - BMO Financial Group – EVP & Chief Risk Officer

No. This is a portfolio that, currently funded, is about C\$7 billion. You see the breakdown. Overall, the portfolio is, we think, high-quality, as we have talked about earlier. The paper issued by Fairway is well rated, and the individual assets within Fairway are investment grade rated, either on our own scoring system or as rated by external agencies, and about half are rated.

So we think the assets are good, and really that we are in a situation here where we have a sector in the US that has been hit very hard, as people know. And exposures to that area are feeling some pain. So, based on the work that we have done right now, we think that is isolated to those areas.

Mario Mendonca - Genuity Capital Markets - Analyst

I'll leave it here. But it sounds to me like the issue is that C\$800 million, that's the only stuff that looks similar and feels similar to the C\$600 million and has already been brought on. Is that fair?

Tom Flynn - BMO Financial Group – EVP & Chief Risk Officer

That is fair by category, yes.

Mario Mendonca - Genuity Capital Markets - Analyst

But not in terms of the underlying quality of the --.

Tom Flynn - BMO Financial Group – EVP & Chief Risk Officer

No, I think, obviously, the categories are different. We've got a diversified portfolio here. Based on the work that we've done over the quarter, we haven't identified other issues of immediate concern in the portfolio. As you said, given the world that we are living in, commercial real estate is an area generally that is of focus and concern for people. That said, we don't see immediate concerns in the commercial real estate that's sitting in Fairway.

Operator

Sumit Malhotra of the Merrill Lynch.

Sumit Malhotra - Merrill Lynch - Analyst

It was interesting to hear Russ talk about total margin pressure in the back half of the year because it's quite different from what we heard hurt from one of your competitors about an hour ago. Specifically, can you give us a little bit more detail on whether you are more concerned about your yields on loans or your funding costs?

And I would bring it up in the context that it was just one week ago that we saw BMO announcing pretty substantial declines in your posted mortgage rates, which made me think you were feeling better about your funding. So I'll leave it there and get your thoughts.

Frank Techar - BMO Financial Group - President and CEO, Personal and Commercial Banking

I think we're happy with the performance in Q2, as Russ has already mentioned, with margins up quarter over quarter and year over year. And the way I would characterize it is, I'm resisting the urge to be optimistic about the second half. We think we're managing our mix extremely well. We think we're being able to reprice in the marketplace and be competitive to support our margins. But we're still seeing pressure from a term funding perspective. It's just too difficult to predict what's going to happen over the next six months.

So I'm cautiously optimistic around margins for next year. And feeding into our overall performance in P&C Canada, I do think the second half of the year is going to be better than the first half of the year. I'm not sure that we can do that without our margins holding up. So we are feeling pretty optimistic about our ability to support the margin going through the second half of the year, subject to, again, managing our funding premiums as the next couple of quarters unfold.

Sumit Malhotra - Merrill Lynch - Analyst

I will take that into account. I see where you are going with this. I guess the thing I would ask is, making the move on the mortgage rates last week, is this an attempt to stem the decline in market share that we've seen for a long period of time? Obviously, we know with the broker network changes that has been an issue. I just can't see why if you were that concerned about your funding costs, you would make such an, as I recall, I think you led the market in this move?

Frank Techar - BMO Financial Group - President and CEO, Personal and Commercial Banking

Well, I don't think we did. We moved along with the rest of the market. So I wouldn't characterize us as being the first mover. The market moved, short-term rates came down. We moved. We still preserved our spreads on a business that we are doing for those terms, and we feel comfortable that we're going to be able to compete and do so effectively.

We don't want to be off market as well as we continue to try to manage our margin, which is why I'm so optimistic about -- and confident and positive about what we've done in this quarter, because we have been competitive, and we have been winning more than our fair share as we move forward with this mortgage strategy.

So we are going to compete. We're not going to be off marketplace from a pricing perspective, and we were just moving with the rest of the market. I think everybody's in line at this point in time.

Sumit Malhotra - Merrill Lynch - Analyst

Lastly, commercial banking in Canada -- a source of pride for the bank, obviously. But we all know what's going on with the credit market in the US. But a little bit of chatter about, I think it was agriculture, manufacturing, some issues in Canada. Can you talk about the health of your Canadian commercial book? And is that, just the mix here, is most of that in P&C, Frank, or does some of

that go through, it's not IBG anymore, the capital market segment? Maybe just an update on how the commercial business in Canada is trending, because the revenue growth, at least in P&C Canada, seems like it's pretty flat.

Frank Techar - *BMO Financial Group - President and CEO, Personal and Commercial Banking*

We are real happy with the market share gains that we've seen in our commercial loan book. As you know from a commercial perspective, that is a portion of the business. It's one side of the balance sheet. It's the only when we can measure externally. So we're happy, and it's an indication of how we're doing, from a competitive perspective. And we saw another increase this quarter, so we're happy about that.

The revenue growth is being challenged again by some of the spread issues, not only the spreads on the loan side, but also there has been an increase in competition on deposits, and so spreads are under pressure from a deposit perspective as well. We've got a lot of customers that don't borrow, that our cash management is deposit-only customers. So there's two sides to the business.

Relative to our credit quality and our loan book, we are still feeling very good, notwithstanding the comments that were made about a couple of the sectors that are under pressure. I think we are only talking about those because it's reality in the marketplace. We're seeing a little bit of softness. But we're not concerned about the overall quality of the portfolio and our strategy with respect to the commercial business.

Operator

Michael Goldberg of Desjardins Securities.

Michael Goldberg - *Desjardins Securities - Analyst*

I wonder if I could get more detail on the C\$128 million mark-to-market gain on credit derivatives? I'm told this isn't the Section 3855 financial instruments adjustment. So what is it? Is it a net of long and short credit derivative positions?

Secondly, where and how much are the 3855 financial instruments items?

Russ Robertson - *BMO Financial Group – Interim CFO*

Let me first address the question on the counterparty credit holdback exposures. The fair value of our derivatives portfolios are impacted by the market credit spreads for both ourselves and our counterparties. In the current environment, when the credit spreads are changing more than they have in the past, this does create volatility in our trading revenue. You may recall in the first quarter, we recognized a loss of C\$78 million pretax, C\$52 million after-tax, because the spreads of our counterparties had moved out compared to BMO spreads.

In Q2 we recognized a gain of, as you mentioned, C\$128 million pretax because BMO's spreads have moved out compared to spreads of our counterparties. So we calculate this adjustment on a counterparty-by-counterparty basis, and it's reflected in the results of our trading portfolios that contain derivatives.

On your second question, it's not material in NIE.

Michael Goldberg - *Desjardins Securities - Analyst*

Sorry, but I am not hearing you.

Bill Downe - *BMO Financial Group – President & CEO*

He answered the question. He said that, the second question, it is not a material amount.

Michael Goldberg - Desjardins Securities - Analyst

Okay. I thought there was something else he was going to add.

Bill Downe - BMO Financial Group – President & CEO

No he said, in NIE. I thought he was going to say something else, too, but --.

Michael Goldberg - Desjardins Securities - Analyst

Okay. Also, can you tell us how much the Wisconsin acquisition added to personal loans, mortgages, business loans, personal long-term deposits and risk-weighted assets in the quarter?

Ellen Costello - BMO Financial Group – CEO, Harris Bancorp Inc.

We only have one-third of the assets and deposits in the quarter, because we closed part way through the quarter. And I have that information handy, if you could just bear with me?

Michael Goldberg - Desjardins Securities - Analyst

Don't you get all the assets, once you've closed?

Ellen Costello - BMO Financial Group – CEO, Harris Bancorp Inc.

No, we only adopt them on a proportional basis for the time that we owned them. So they show up in our results as they are earning assets for that one-month period.

Michael Goldberg - Desjardins Securities - Analyst

I'm talking about the balance sheet assets, though.

Ellen Costello - BMO Financial Group – CEO, Harris Bancorp Inc.

They show up in our balance sheet on the same basis as the ownership, which is one-third through the quarter.

Michael Goldberg - Desjardins Securities - Analyst

So what are those amounts?

Ellen Costello - BMO Financial Group – CEO, Harris Bancorp Inc.

The amounts on the deposit side look to be -- Quarter over quarter would be C\$577 million.

Michael Goldberg - Desjardins Securities - Analyst

Is this just personal non term?

Ellen Costello - BMO Financial Group – CEO, Harris Bancorp Inc.

That's all loans.

Michael Goldberg - Desjardins Securities - Analyst

No, no, no -- deposits

Ellen Costello - BMO Financial Group – CEO, Harris Bancorp Inc.

Well, the deposit number is C\$521 million.

Michael Goldberg - Desjardins Securities - Analyst

And is that just personal non term?

Ellen Costello - BMO Financial Group – CEO, Harris Bancorp Inc.

I don't have that breakdown with me. I can come back to you with that. You're talking about core versus noncore?

Michael Goldberg - Desjardins Securities - Analyst

Yes, I don't care about the noncore.

Ellen Costello - BMO Financial Group – CEO, Harris Bancorp Inc.

I'll have to come back to you with those numbers.

Michael Goldberg - Desjardins Securities - Analyst

And the personal mortgage and business loans?

Ellen Costello - BMO Financial Group – CEO, Harris Bancorp Inc.

Okay, home equity loans total about C\$110 million. Mortgages are about C\$300 million -- I'm rounding here a little bit -- and other retail is probably about C\$60 million. C&I would be a total of -- and I am giving you the total balance sheet here -- probably about C\$500 million. And on the real estate side you're talking C\$200 million plus another C\$375 million. These are really rough, so I probably should come back to you and firm them up.

Michael Goldberg - Desjardins Securities - Analyst

Why don't you do that. And what about the impact on risk-weighted assets?

Ellen Costello - BMO Financial Group – CEO, Harris Bancorp Inc.

I'll have to come back to you on that one, too.

Michael Goldberg - Desjardins Securities - Analyst

I'd like to go back to the nonperforming loan formation. The latest quarter includes the Fairway gross formation. And also, excluding Fairway, it's about C\$400-odd million dollars, up from -- just a second. I am just looking for the page in the supp pack -- oh, yes, here is. So excluding Fairway, it is C\$423, up from C\$249 million.

So I guess the question is, can you give us some idea of what sort of things are in the C\$423 million? And also, obviously, there has been further change in Fairway from what you expected in the first quarter, when you took out a performing loan, as well as a nonperforming loan. So why should we feel comfort that there won't be more that you'll have to take out of Fairway?

Tom Flynn - BMO Financial Group – EVP & Chief Risk Officer

Can you just tell me what page you are looking at?

Michael Goldberg - Desjardins Securities - Analyst

I am looking at page 37 of the supp pack. And I'm looking at the gross formation line, C\$708 million in Q1 and C\$554 million this quarter, and time that in with slide 13 of the presentation.

Tom Flynn - BMO Financial Group – EVP & Chief Risk Officer

The other areas that we are seeing growth are really consistent with the comments I made earlier. We have US residential real estate exposures that are commercial in nature that are contributing to formations and impaired. And that is reflective of the same dynamics that we talked about earlier, related to the housing market. We've got some softness in certain of the manufacturing sectors. There are sort of two things at play. One relates to the combination of the higher dollar, and the weakness in the economy having an affect on some of the manufacturers in the central part of Canada. And we have a few cases of manufacturers that are tied to the US residential housing sector experiencing problems.

Other sectors of note, other than just the normal growth in formations that you see at this point of the cycle would be real estate and forest products. The forest products industry is experiencing some weakness which has been getting some press. On the agricultural side, there are two issues that we are seeing. One is, with the higher cost of feed costs, some protein producers are experiencing some weakness. Then, secondly, some hothouse businesses are experiencing a bit of pressure because of the combination of the dollar and higher fuel costs.

With respect to Fairway and the potential for additional loans to come out of it, Fairway is a roughly C\$7 billion portfolio on a funded basis. It's diversified, it's high quality, like we talked about earlier. But it is like, in some respects, a loan portfolio. So there is the potential for other loans to experience trouble. But we think that the loans are well rated. They are well structured. And we don't see other issues of immediate concern, but that's not to say that there won't be anything in the future.

Russ Robertson - BMO Financial Group – Interim CFO

On a point of clarification, to make sure we are clear on the Wisconsin acquisition, we did take on all the assets of this Wisconsin bank, which were consolidated at April 30.

Operator

Andre Hardy of RBC Capital Markets.

Andre Hardy - RBC Capital Markets - Analyst

I have two questions. The first relates to page 29 of the supplementary package. If we look at, in Canada, the increases in credit card delinquencies in the last two years, and the same on the mortgage side, what is causing that? Is that a reflection of the bank trying to take on more risk in pricing for that, and getting dinged with higher delinquencies, or is that older business in areas that have been affected by job losses, which are leading to high delinquencies? Related to that, did that accelerate as the quarter went on?

My second question is on Fairway. We've had a few instances of a bank buying loans that were going to have issues. My question is, at what point is the bank going to have to bring this on balance sheet? Because it looks like the bank is going to take the losses anyway. So when we -- or when you do the test of who has the biggest interest in this, it looks like you have the biggest interest in the losses. I'm just trying to understand what needs to happen for you to bring this on balance sheet.

Frank Techar - BMO Financial Group - President and CEO, Personal and Commercial Banking

I'll take the first question around the credit card business. Over the last year or so we have changed some of our credit strategies in our card business, so our expectation would be we would see a little higher formations and a little higher delinquencies in that portfolio. The increases that we've seen are completely in line with our expectations relative to those change in strategies. So I would say that the answer to your question is, the increase is a result of management action, not what we're seeing in the marketplace.

And relative to mortgages, the mortgage business has been a little lumpy for us over the last couple of quarters from a loss prospective. We have been dealing with some isolated issues in a couple of the marketplaces, dealing with some of our mortgage specialists, and that is really what has driven some of those changes. Again, not related to increasing our risk profile and not related to what we are seeing really from an economic perspective in the marketplace.

Bill Downe - BMO Financial Group - President & CEO

Thanks, Frank. Let me speak to the Fairway question, because I sense the question is being asked -- the same questions being asked in a couple of different ways. The transactions that we have taken out of Fairway are specifically deals that we believe that are going to benefit enormously from early remediation, from having our special assets group take control of them to work on the workout of the credits. In that sense, the remaining securitizations in Fairway, not only are they performing in line with expectations, but they are not in that category. The reason why we moved on them very quickly is, you are right, we ultimately provide the commercial paper backup to the facility. So if there were issues with the credits and they were allowed to deteriorate to the point that funding support was necessary for the vehicles, then we would do that.

But we don't contemplate consolidation. We don't contemplate having to take additional loans on to our balance sheet. That said, Tom has cautioned that the environment will do what the environment will do. But our focus on those three credits is on the recovery of them, on the effective workout of them. And those commitments were made on the same standards of lending as the bank's commercial lending standards. So it's a product we're familiar with and believe that are best managed directly by the bank.

Andre Hardy - RBC Capital Markets - Analyst

I guess what I'm not clear on is it doesn't seem like there has been a transfer of risk if you're going to take on the loans that are having issues.

Bill Downe - BMO Financial Group - President & CEO

I think that, as I said, specifically with these three credits, the nature of them lend themselves to our intervention and workout. The credit loss exposure in the aggregate portfolio is the exposure to the investors, and our backstop is liquidity.

Operator

Ian de Verteuil, BMO Capital Markets.

Ian de Verteuil - BMO Capital Markets - Analyst

I'm referring to page 19 of the supplemental pack. When I look at the RWAs under Basel II, one of the things that spiked up a lot this quarter was a line called securitization. Can someone speak to why that is up C\$6 billion? The only thing I can think is maybe it relates to some of these structures that have come back on. Can anyone help?

Tom Flynn - BMO Financial Group – EVP & Chief Risk Officer

The biggest reason for the increase relates to Apex/Sitka and the restructuring that we completed during the quarter with the other stakeholders who were involved in that. At the time that we announced the restructuring, we indicated that there would be an impact on the capital ratios as a result of the RWA that flow from the restructuring that was done.

Ian de Verteuil - BMO Capital Markets - Analyst

That's great, so that's the bulk of that increase. If, following on Andre's question, there is some debate about Fairway, whether it's an off-balance sheet structure or not, what would be the impact if it were consolidated? Is it just sort of the C\$7 billion times some risk weighting?

Tom Flynn - BMO Financial Group – EVP & Chief Risk Officer

There currently is a 20% risk weighting against the backup liquidity that we provide, and that would be on the number that's closer to C\$10 billion, because that's the liquidity amount. We don't expect to consolidate. We don't see any reason for that to occur, given the accounting rules that we live by. If we did consolidate, then the C\$7 billion would be converted into RWA, and would flow through to capital.

Operator

Brad Smith, Blackmont Capital.

Brad Smith - Blackmont Capital - Analyst

I just wanted to make sure that I was clear with respect to the -- I hate to say it, with this Fairway in the loans that have come back on your books. On page 17 of the presentation pack, you're showing, I think, a current balance of C\$1.2 billion in these commercial loans. I believe, on page 13, you indicated that you've taken already C\$851 million, I believe, it's out of that line item onto your balance sheet, for a total of just over C\$2 billion in aggregate, of which C\$590 million, I believe, is currently nonaccrual. Which is about a 29% performance ratio. I was just curious. I think I had heard earlier that these are loans underwritten to the bank's standards. I was just wondering, is that all just because of concentration? Could you help me out with C\$1.2 billion, just in terms of how many loans are actually in that number?

Tom Flynn - Bank of Montreal - Chief Risk Officer

I think all of your math was right, as I followed it. So you've got those numbers right. Really, what's happened here is the loans that we have taken out were tied to the US residential housing market. That market, as everyone knows, has suffered a significant decline. We've experienced the impairs and we have taken some provisions as a result.

So to me, what's different here isn't that the loans were underwritten in a fashion that wasn't appropriate. All of the assets in Fairway are subject to our normal underwriting practices. It a case of having exposure, like banks do, to a sector that is going through a tough crunch.

The exposure is really, in one case, are not small. One of the loans is relatively large, as was commented on earlier. Again, we got comfortable with that at the time because the nature of the underlying portfolio was quite diversified. So that was the thought process with respect to the concentration risk at the time.

Brad Smith - Blackmont Capital - Analyst

Just with respect to the remaining liquidity exposure of C\$1.2 billion, is there further residential in that, or is that now all cleared out?

Tom Flynn - Bank of Montreal - Chief Risk Officer

No, there would be some further residential related in that number, but I don't have a precise number for you.

Bill Downe - Bank of Montreal - CEO

I think that was the last question in the queue. I'm going to wrap up quickly before I turn it over to Viki. I just went to reiterate some of the comments that were made at the beginning of the call. I think, first of all, since the last quarter, in the last 90 days, we ticked off a fairly significant list of issues that were prominent on the last call, and done it pretty much in line with the way that we had laid out our expectation, and from that we take some confidence.

With respect to credit markets, there is no question that we're vigilant. It's an appropriate time to be vigilant. But I would reiterate, this an area where as a bank we have particular strengths. We've shown a track record over a period of time. We have the professionals that are qualified to recognize and identify issues early, to intervene quickly and to work them very aggressively. To the extent that there is an emergence of problem credits in the system as a whole, I have confidence in our capacity to deal with them, I think, through the cycle.

Not much has changed in terms of the professionals that we have on the frontline or the system that we use. So I think it is an appropriate time to be vigilant around credit risk. At the same time, I think it's an area of strength -- the management of credit risk is an area of strength for our bank.

The last point that I would make is that I think this quarter provides some visibility that is really helpful with respect to the operating groups. The expectation that we have that in all four operating groups we're going to see growth in the future.

Tom Milroy was spared questions on this call as his first time out with respect to BMO Capital Markets. But that business has been a very strong contributor to the Company over a long period of time. I think, as we have shown very good progress in managing the risks back into a zone we are more comfortable with, I expect it to be -- continuing to be a contributor.

With respect to personal and commercial and wealth, we're getting benefits out of the focus on customers. It is paying off in terms of both customer loyalty and in a stronger position in the marketplace, and we intend to compete very hard for business. With that, I'll turn it over to you, Viki.

Viki Lazaris - Bank of Montreal - SVP IR

Great, thank you. On behalf of the management team here today, thanks very much for participating on the call with us. Any more follow up questions, please contact the Investor Relations department. We would be happy to take care of them for you. Thanks very much. Have a great day.
