

BMO Financial Group to Report Mark-to-Market Commodity Trading Losses In The Second Quarter Of Fiscal 2007
April 27, 2007

The following Frequently Asked Questions have been provided to assist you in understanding the announcement related to mark-to-market commodity trading losses announced on Friday, April 27, 2007.

BMO Financial Group (BMO) is currently in its “Quiet Period” which will end when BMO reports its 2007 Second Quarter results on Wednesday, May 23. At that time, we will discuss BMO’s earnings and address any further questions from the Investor Community.

What is the nature of the loss you are recording?

Today, BMO announced it will record mark-to-market commodity trading losses estimated at between CDN\$350 million and CDN\$450 million, pre-tax, in the second quarter of its 2007 fiscal year. The impact of this to BMO’s second quarter earnings, which will be announced on May 23, 2007, is estimated in the range of 45 cents to 55 cents per share. A number of factors contributed to these mark-to-market trading losses. During the quarter, positions held by BMO in the energy market, primarily for natural gas, were negatively impacted by changes in market conditions. In particular the market became increasingly illiquid and volatility dropped to historically low levels. In conjunction with this, there was a refinement in BMO’s approach to estimating the market value of this portfolio.

What happened? Why did you have such a large position and why weren’t you matched?

A number of factors contributed to these mark-to-market trading losses. During the quarter, positions held by BMO in the energy market, primarily for natural gas, were negatively impacted by changes in market conditions. In particular the market became increasingly illiquid and volatility dropped to historically low levels. In conjunction with this, there was a refinement in BMO’s approach to estimating the market value of this portfolio. Energy is a key sector for the bank where we provide hedging services to our clients. In order to do this we are market makers in this segment. The large position was a result of active market making in the period during which there were fewer client transactions as prices declined and a significant reduction in volatility and liquidity.

Were all these losses incurred within company limits and controls?

Yes, risk positions were approved according to bank policies. However, the limit structure is being tightened for this aspect of our business.

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Do you expect further losses to be announced as a result of this?

It is possible that as this portfolio is repositioned it could experience additional gains or losses depending on future market conditions. However our expectation is that, even using adverse assumptions, any losses would be in a substantially lower range than those announced today.

Why is the range of the expected trading loss so large?

The valuation of commodity positions is very difficult, particularly in an illiquid market. A final number for Q2 will be available when the final quarter-end positions are valued using independent market prices, although this will not occur until after quarter-end when the independent data is received.

What does this mean for the strategic direction for the Bank?

BMO is a strong, stable and diverse organization and we remain focused and committed to our North American growth strategy. BMO's Tier 1 ratio was 9.90% at the end of the first quarter of 2007 and will decline by less than 20 basis points as a result of this loss.

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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 2007 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 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 2006 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.

Assumptions about the performance of the natural gas and crude oil commodity markets and how that will affect the performance of our commodity business were material factors we considered when establishing our estimates of the trading losses set out in this release. Key assumptions included that commodity prices and implied volatility would be stable and our positions would continue to be managed with a view to reposition the portfolio to a lower and sustainable level.