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Executive Vice President - Chief Risk Officer

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## 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 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.



## Risk Management Mandate

- Build on strengths to create a leadership position in risk management
- Lead the implementation of the risk evolution change effort
- Partner with Businesses on risk transparency and optimizing risk-return, while maintaining independent judgement and risk oversight

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## Risk Evolution Will Build On Existing Strengths

Conducted Review Of Leading Practices, Processes and Emerging Market Trends

<b>Ownership &amp; Accountability</b>	<ul style="list-style-type: none"> <li>○ Management structures, accountabilities and interaction models clearly defined between businesses, risk and control functions</li> <li>○ Sense of ownership of risks</li> </ul>
<b>Risk Transparency</b>	<ul style="list-style-type: none"> <li>○ Bottom up processes to ensure key risks are identified monitored, and used for decision making</li> <li>○ High level focus on emerging risks</li> <li>○ Clear reporting</li> </ul>
<b>Risk-Return Optimization</b>	<ul style="list-style-type: none"> <li>○ Assessing performance based on risk adjusted returns</li> <li>○ Focus on opportunities to better optimize on risk-return</li> </ul>
<b>Partnership</b>	<ul style="list-style-type: none"> <li>○ Partnership between Risk and the Business on risk transparency and risk-return optimization</li> <li>○ Culture of openness and dialogue</li> </ul>

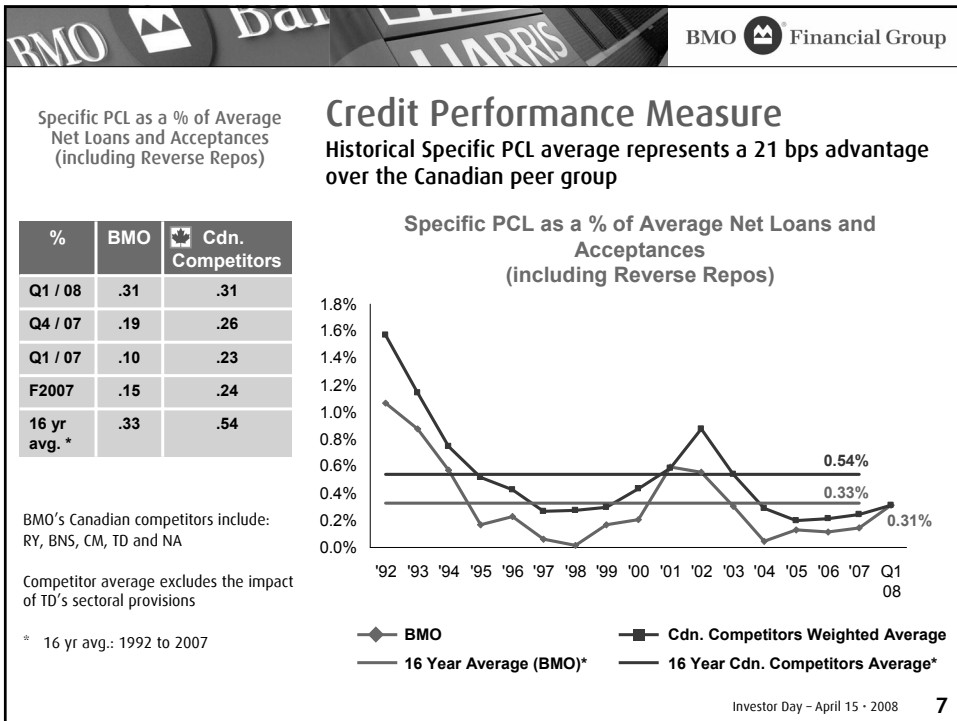
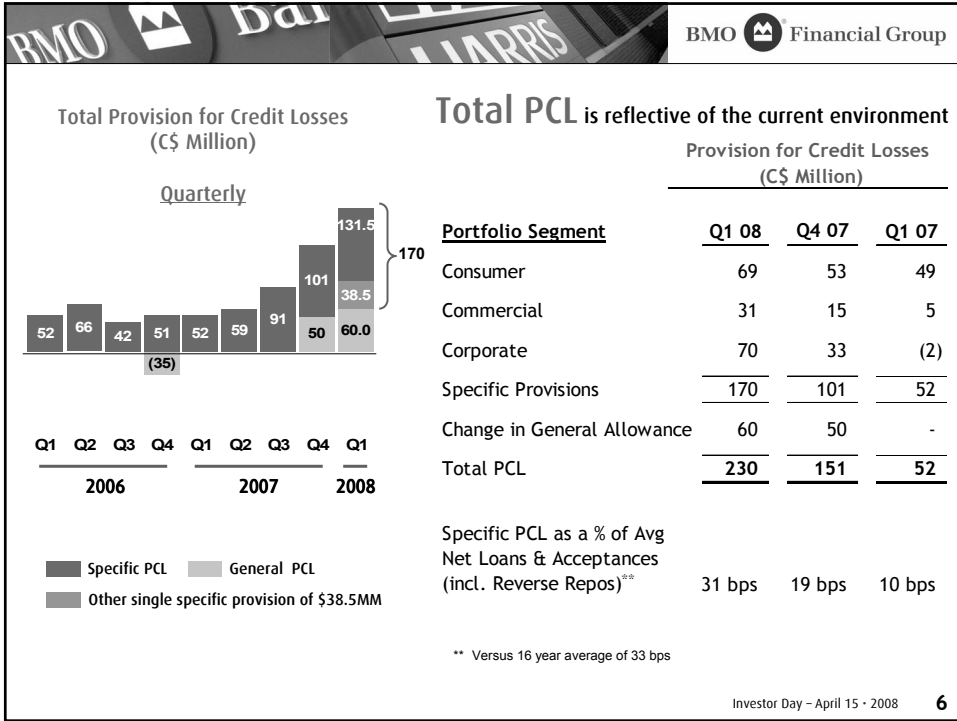
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## Near Term Focus

- **Managing risks in current environment**
  - ▶ Lowering volatility in trading activities
  - ▶ Reducing structured credit and securitization activities
  - ▶ Reviewing mid-market and corporate lending to ensure adequate return on capital
  - ▶ Active management of credit risk
- **Strengthen foundational capabilities**
  - ▶ Risk organization
  - ▶ Risk education
  - ▶ Basel II
- **Risk Evolution change effort**
  - ▶ Risk transparency and reporting
  - ▶ Cultural change

## Market Environment Update

Item	Status
Canadian Bank sponsored ABCP	○ Market functioning as expected given current market conditions
U.S. Bank sponsored ABCP (Fairway)	○ Portfolio well diversified ○ All outstanding paper has been consistently rolling
Canadian non-bank sponsored ABCP	○ Balance at Q1 08 of approximately \$300MM ○ BMO fully supports Accord
Links & Parkland SIVs	○ BMO has provided senior-ranked funding to SIVs; allows SIVs to continue to sell assets in an orderly manner ○ Size of conduits down significantly from July 2007
Apex & Sitka Trusts	○ Successful restructuring announced, subject to definitive documentation and certain conditions, including investor approval ○ Credit quality of underlying portfolio strong





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