

# Q1 05

## **RISK REVIEW**

*Investor Community  
Conference Call*

## **BOB McGLASHAN**

*Executive Vice-President and  
Head of  
Corporate Risk Management*

FEBRUARY 22 • 05

# 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 presentation, and may be included in 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 the United States Private Securities Litigation Reform Act of 1995. Forward-looking statements may involve, but are not limited to, comments with respect to our objectives for 2005 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 and other forward-looking statements will not prove to be accurate. 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: global capital market activities; interest rate and currency value fluctuations; the effects of war or terrorist activities; the effects of disease or illness that impact on local, national or international economies; the effects of disruptions to public infrastructure, such as transportation, communications, power or water supply disruptions; industry and worldwide economic and political conditions; regulatory and statutory developments; the effects of competition in the geographic and business areas in which we operate; management actions; and technological changes. We caution that the foregoing list of factors is not exhaustive and that 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.

# STRONG CREDIT PERFORMANCE

## Continues in Q1 F2005

- New Gross Impaired Loan (GIL) Formations for the quarter decreased \$20MM from Q4 2004
- GIL balance is down \$30MM for the quarter
- Q1 PCL is \$43MM
- No reduction of the General Allowance this quarter
- Revised Specific PCL guidance for F2005 of \$350MM or less, reflects a continuing healthy credit environment and favourable Q1 results

## Q1 2005

### Credit And Counterparty Risk Highlights

#### GIL Formations

\$89 million ↓ 18%\*

#### GIL Balance

\$1,089 million ↓ 3%\*

#### Specific Provision for Credit Losses (PCL)

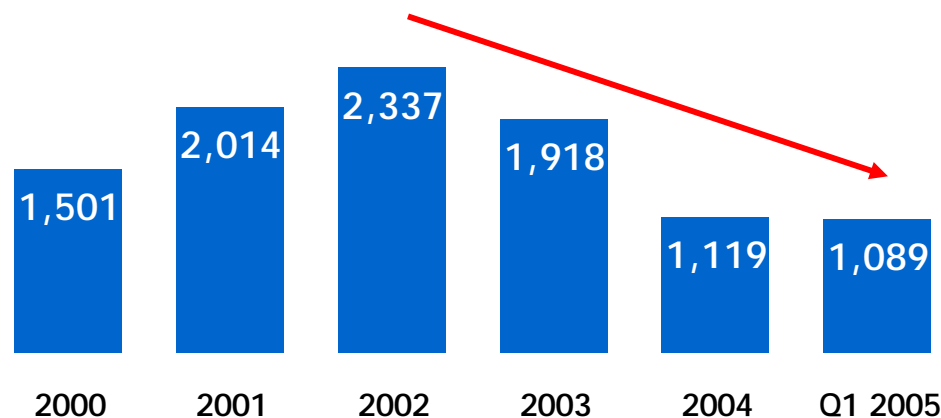
\$43 million ↑ 16%\*

\* Change from prior quarter

# CREDIT QUALITY REMAINS HEALTHY

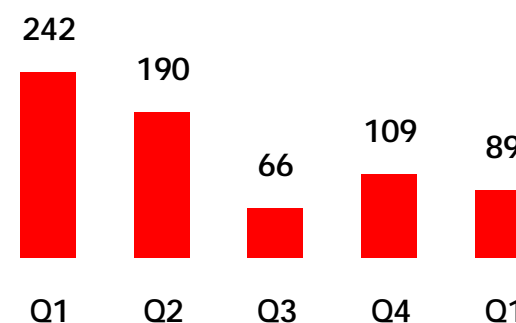
Reflected in continued low  
GIL Formations and balances

**GROSS IMPAIRED LOANS**  
(C\$ MILLION)

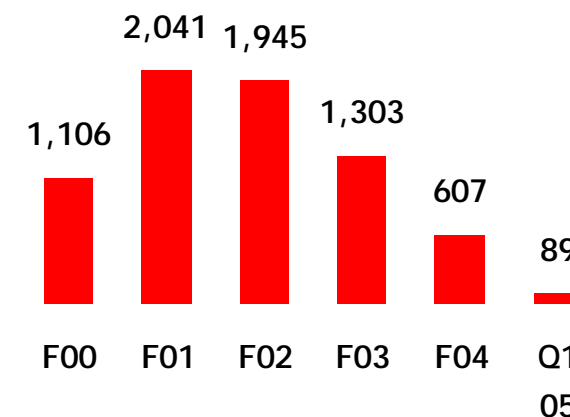


**GIL Formations**  
C\$ Million

## Quarterly



## Annual



## SPECIFIC PCLS

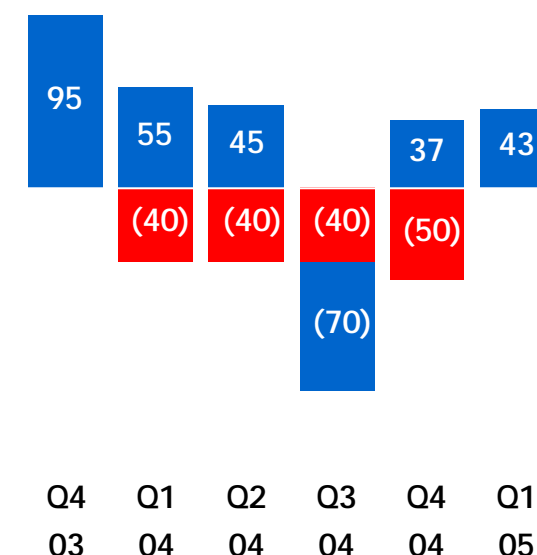
Continued low Q1 levels reflect a healthy credit environment

<u>Portfolio Segment</u>	<u>Provision for Credit Losses</u> (C\$ Million)		
	<u>Q1 F05</u>	<u>Q4 F04</u>	<u>Q1 F04</u>
Consumer	40	42	42
Commercial	15	23	22
Corporate	(12)	(28)	(9)
Specific Provisions	<u>43</u>	<u>37</u>	<u>55</u>
Reduction of General Allowance	-	(50)	(40)
Total PCL	<u><u>43</u></u>	<u><u>(13)</u></u>	<u><u>15</u></u>
Specific PCL as a % of Avg Net Loans & Acceptances (incl. Reverse Repos)	11 bps	9 bps	15 bps

## Total Provision For Credit Losses (PCL)

### Quarterly

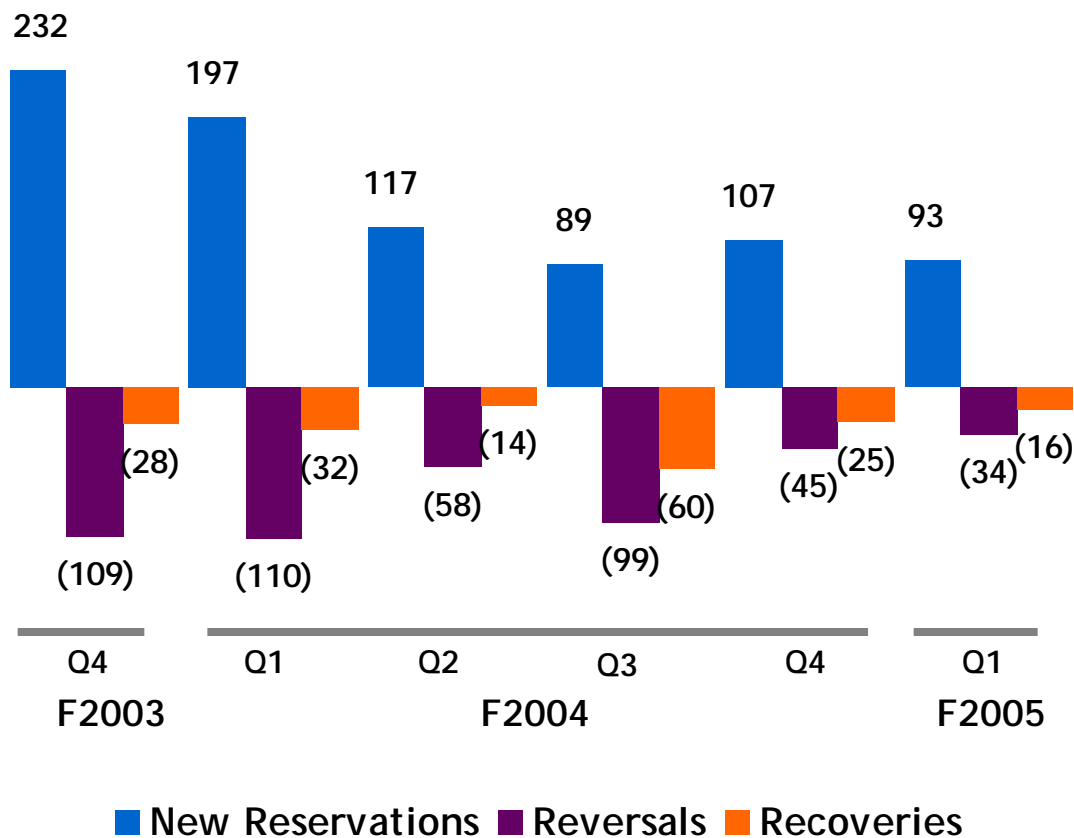
(C\$ Million)



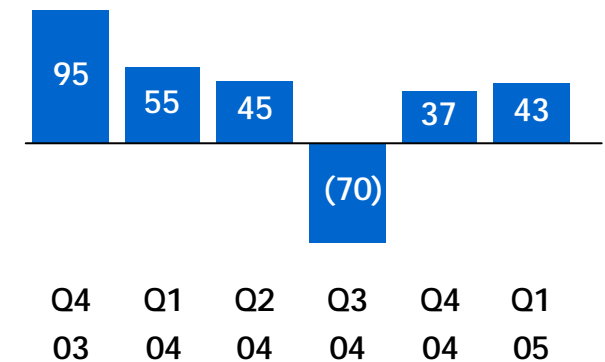
Specific PCL  General PCL 

## NEW RESERVATIONS REMAIN LOW

While reversals & recoveries declined



### Net Specific PCL (C\$ Million)

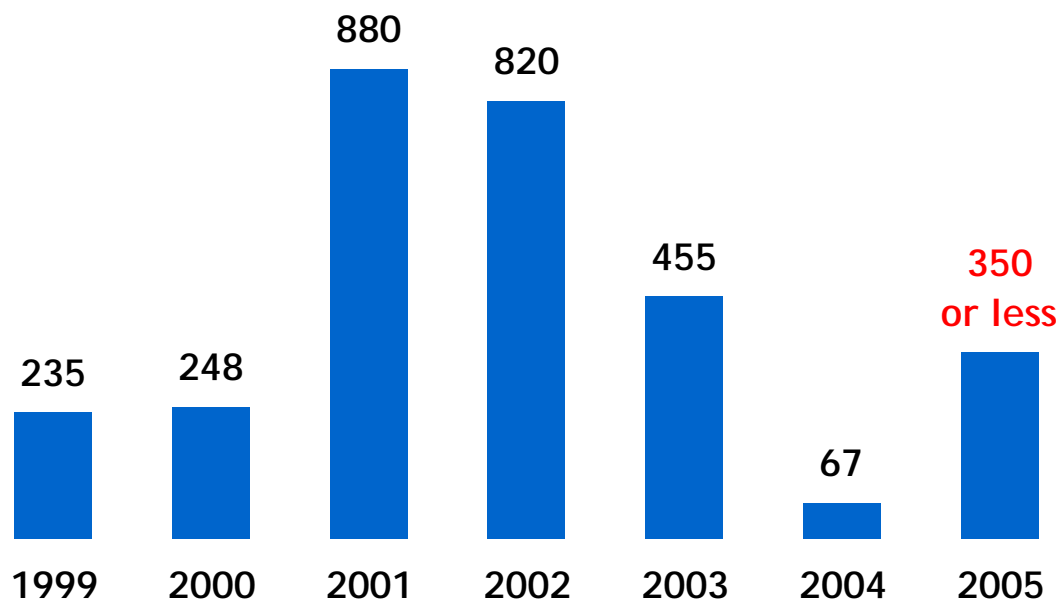


- Formations and GILs have leveled off, contributing to the lower level of new reservations
- Reversals and recoveries have declined from exceptionally high levels in the first half of F2004

## 2005 REVISED SPECIFIC PCL

Now estimated at \$350MM or less  
down from \$400MM or less

### SPECIFIC PCL (C\$ MILLION)



### F2005 Specific PCL Revised Estimate

- Strong performance in Q1 F2005
- Credit quality anticipated to remain strong in F2005

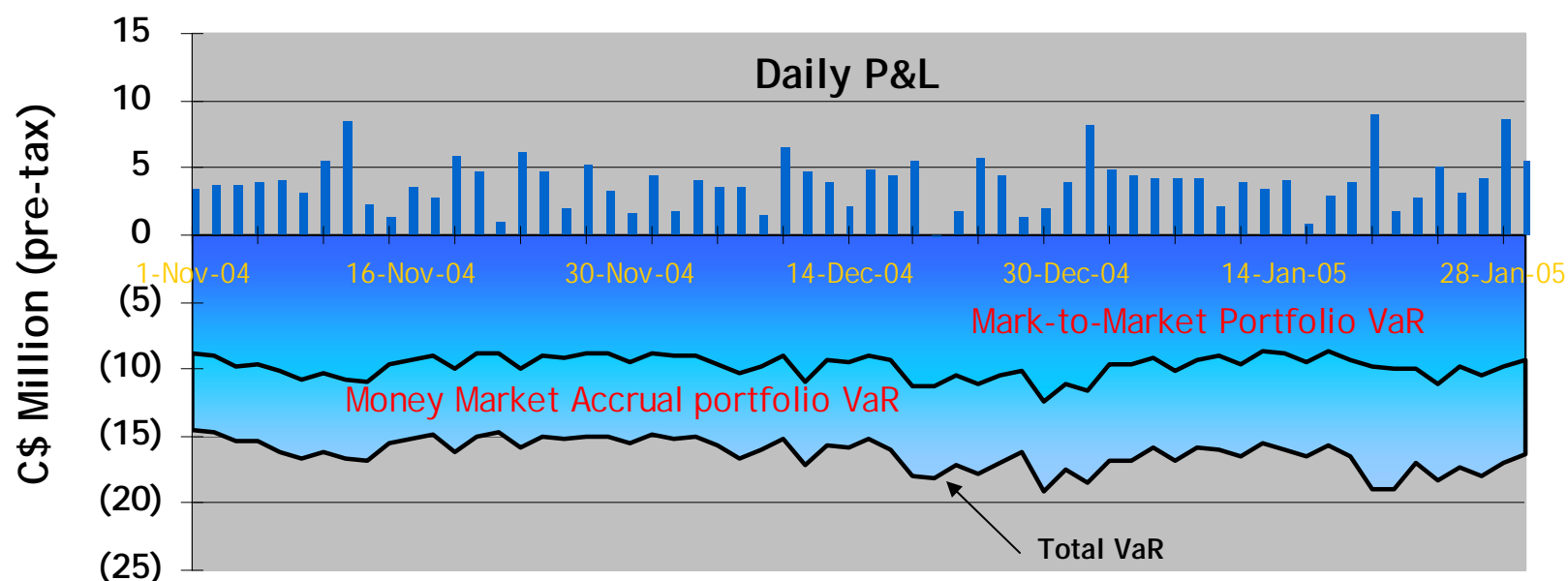
### We continue to ...

- Anticipate significantly lower reversals and recoveries
- Anticipate new reservations to be relatively flat to F2004

## TRADING AND UNDERWRITING

Was stable and profitable during the quarter

**Daily P&L Versus Value At Risk (VaR)**  
**November 1, 2004 To January 31, 2005**  
**(Presented On A Pre-tax Basis)**



(Refer to Supplementary Financial Package page 34 for risk data - presented on an after tax basis.)





# Appendix

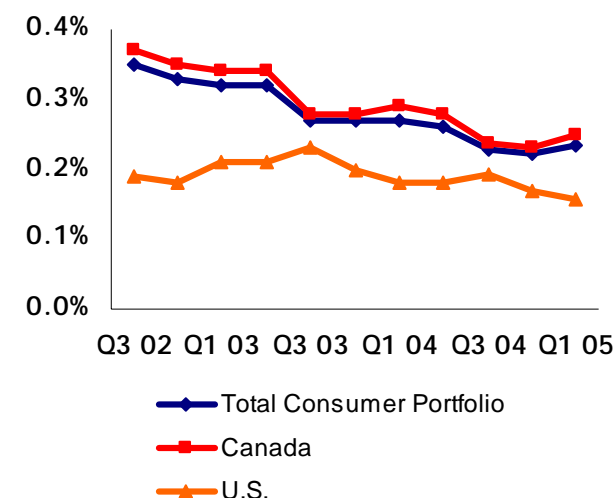
# LOAN PORTFOLIO DISTRIBUTION Consumer/Commercial/Corporate

Total Gross Loans and Acceptances\* (C\$ Billion)  
As at January 31, 2005

	Canada	U.S.	Other	Total	
Consumer					
Residential Mortgage	48	6	-	54	39%
Consumer Loans	17	9	-	26	18%
Cards	5	-	-	5	3%
Total Consumer	70	15	-	85	61%
Commercial	29	7	-	36	26%
Corporate	6	10	2	18	13%
Total	105	32	2	139	100%

\* Excludes reverse repos

## Consumer Portfolio Delinquency Ratio (%)\*



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

(Refer to the Supplementary Financial Package page 24)

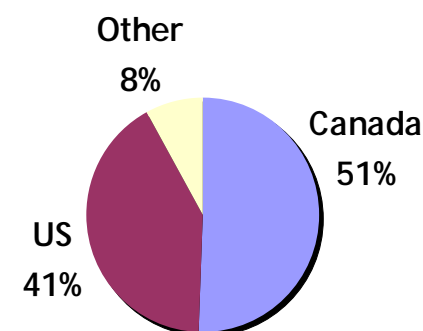
## AUTO MANUFACTURING AND SUPPLY

	Total Gross Loans & BA's	Gross Impaired	Net Impaired	Performing Portfolio	
				"Investment Grade"	"Non- Investment Grade"
Suppliers	557	45	34	341	171
Motor Vehicle Manufacturing	101	3	3	89	9
Total	658 *	48 **	37	430	180

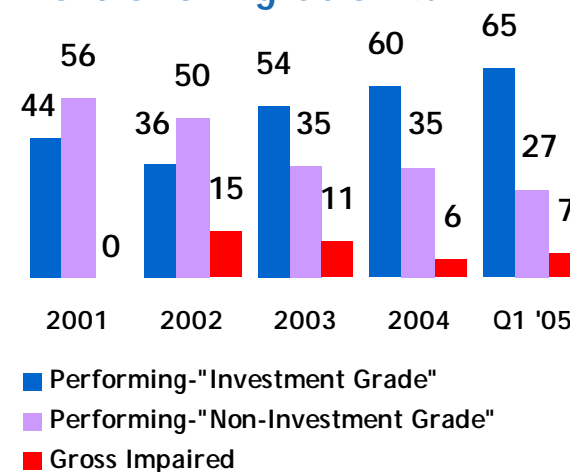
\* Represents 0.5% of the total loan portfolio (excluding reverse repos)  
Refer to the Supplementary Financial Package pages 26, 29 and 30

\*\* U.S. 70%, Canada 30%

### Gross Auto Loans & Acceptances By Geography



### Portfolio Migration %



## CATTLE FARMING AND RELATED SECTORS

C\$ Million as at January 31, 2005

	Total Gross Loans & BA's	Gross Impaired	Net Impaired	Performing Portfolio	
				"Investment Grade"	"Non- Investment Grade"
Livestock, Field Crop and Horticultural	614	9	4	299	307
Feedlots and Cow/Calf Operations	509	9	4	171	329
Other Related Sectors	237	2	2	134	101

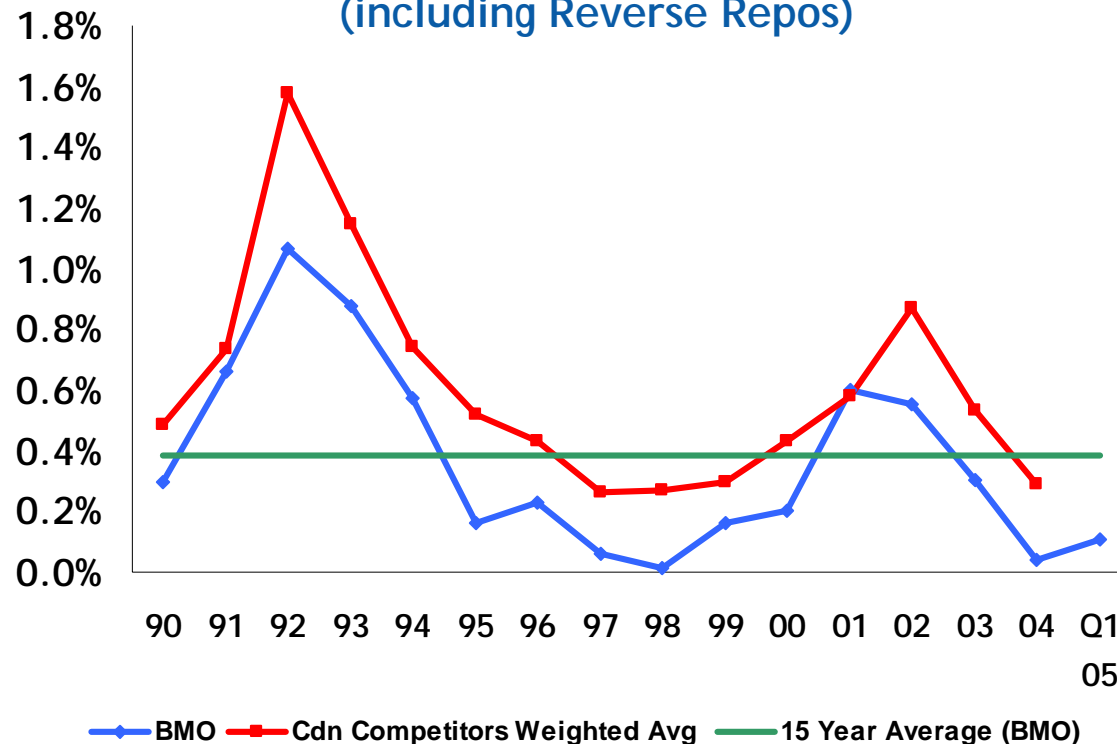
\* Represents 1% of the total loan portfolio (excluding reverse repos).

Exposure to Cattle Farming and Related Sectors is included as part of the Wholesale Trade (Food and Beverage), Manufacturing (Other) and Agriculture categories in the Supplementary Financial Package.

Refer to pages 26, 29 and 30.

# CREDIT PERFORMANCE MEASURE

PCL AS A % OF AVERAGE NET LOANS AND ACCEPTANCES  
(including Reverse Repos)



## Specific Provision For Credit Losses

%	BMO	Canadian Competitors
F2004	.04	.29
Q1/05	.11	N/A
15 yr av.	.39	.61

BMO's Canadian competitors include: RBC, BNS, CIBC, TD and National.

Competitor average excludes the impact of TD's sectoral provisions in F2002 and subsequent transfers/drawdowns.

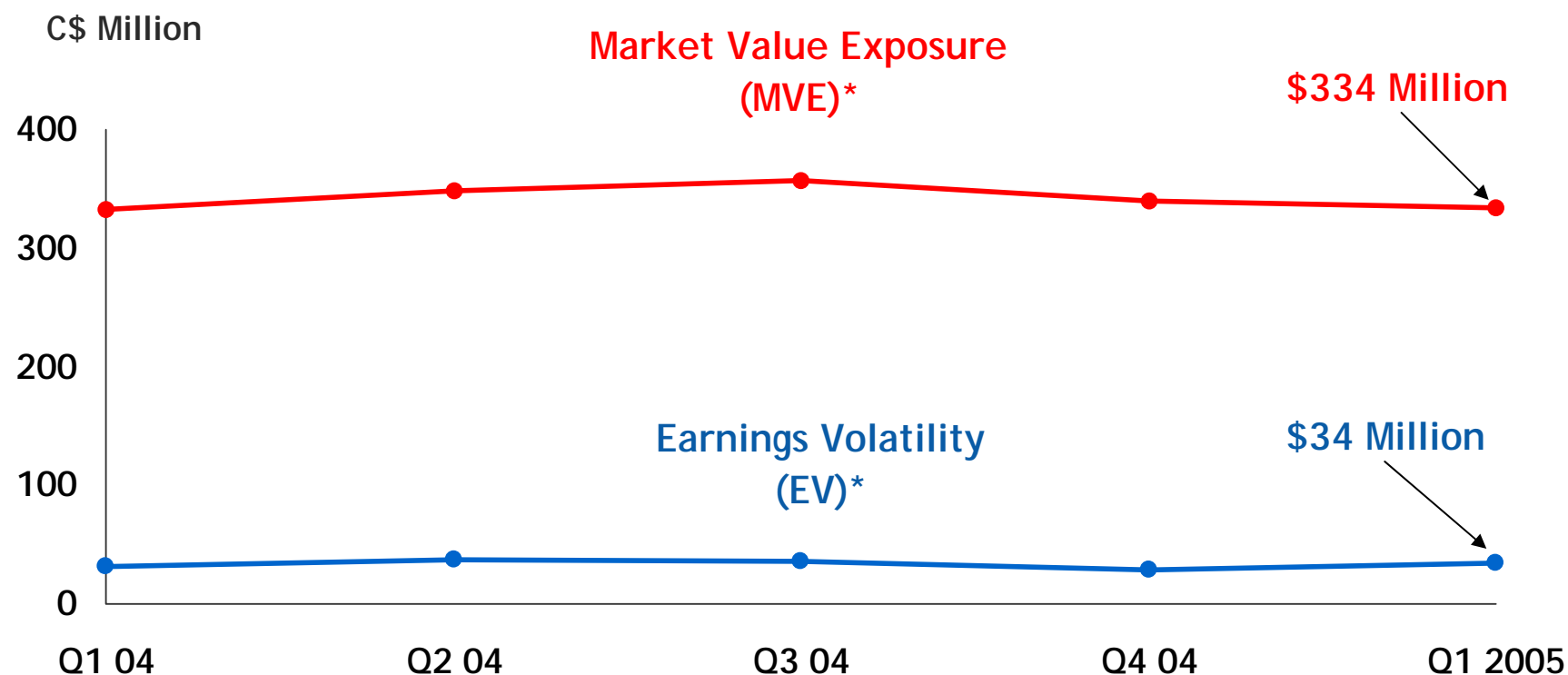
15 yr av. - 1990 to 2004

# STRUCTURAL EARNINGS VOLATILITY

Remains low

# STRUCTURAL MARKET VALUE EXPOSURE

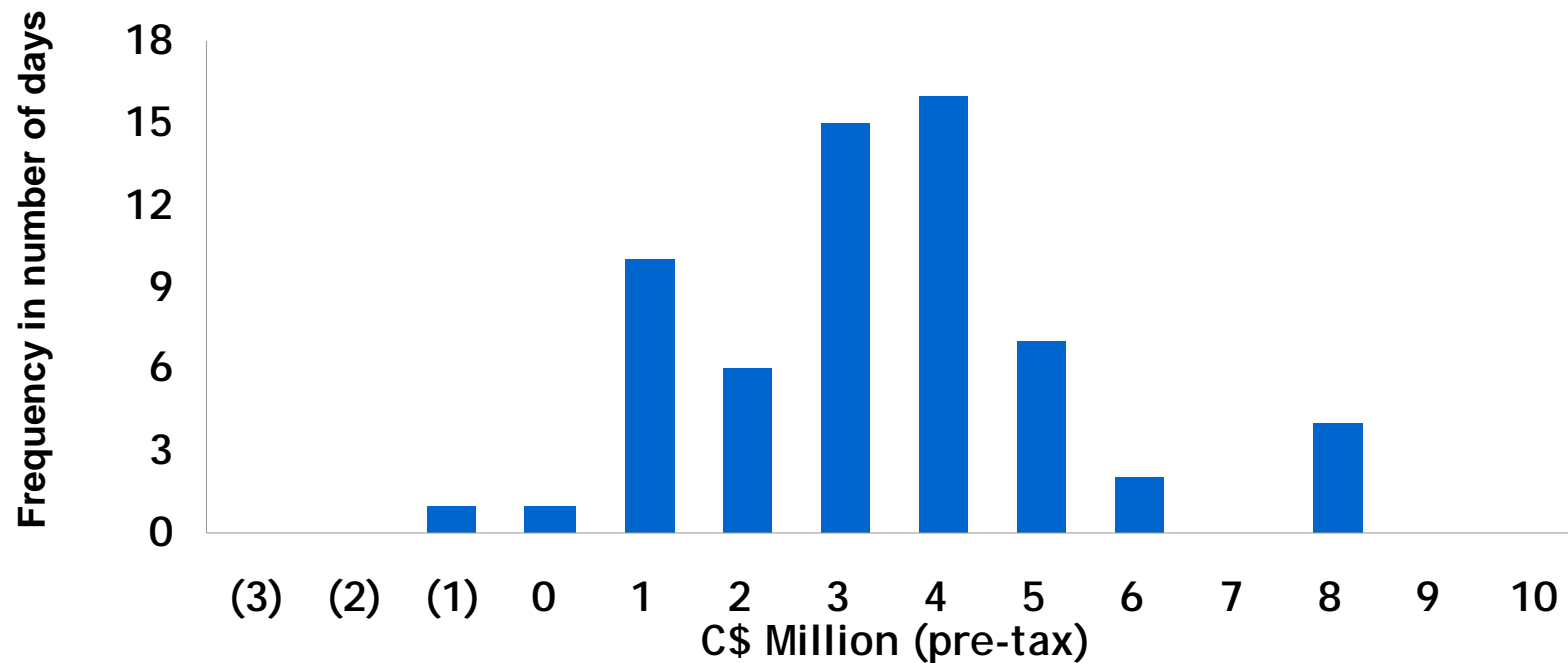
Remains within the expected range



\* Refer to definitions on page 34 of the Supplementary Financial Information package

# FREQUENCY DISTRIBUTION OF DAILY TRADING AND UNDERWRITING P&L

FREQUENCY DISTRIBUTION OF DAILY P&L  
FOR TRADING AND UNDERWRITING  
NOVEMBER 1, 2004 TO JANUARY 31, 2005





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