

PRIOR TO RESTATEMENT

Q1  
2007



## RISK REVIEW

BMO has restated its interim financial statements and MD&A for the first quarter of 2007 to reflect the effects of previously announced commodities trading losses that relate to that quarter.

Please refer to the restated First Quarter 2007 Report to Shareholders.

## Investor Community Conference Call

**BOB McGLASHAN**

*Executive Vice President and Chief Risk Officer*

**March 1 • 2007**



# 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 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 Canadian and U.S. economies in 2007 and how that will affect our businesses are material factors we consider when setting our strategic priorities and objectives and in determining our financial targets, including provisions for credit losses. Key assumptions include that the Canadian and U.S. economies will expand at a moderate pace in 2007 and that inflation will remain low. We have also assumed that interest rates in 2007 will remain little changed in Canada but decline in the United States and that the Canadian dollar will hold onto its recent gains in value relative to the U.S. dollar. 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. 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.



## Q1 2007

### Credit and Counterparty Risk Highlights

#### Specific PCL

\$52 million    ↑ 2% \*

#### GIL Balance

\$748 million    ↑ 12% \*

#### GIL Formations

\$113 million    ↑ 31% \*

\* Change from Prior Quarter

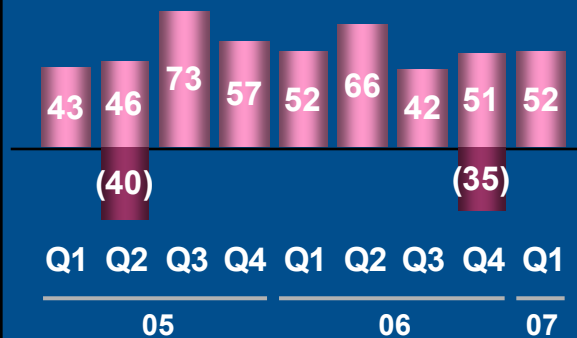
## CREDIT PERFORMANCE EXCEEDS EXPECTATIONS for Q1 2007

- BMO continues to maintain its historic strong credit performance
- Q1 2007 PCL is \$52 million, with no reduction in the General Allowance
- Gross Impaired Loans (GILs) are up from recent quarters to \$748 million, but still remain low relative to historical levels
- GIL Formations are higher than Q406 levels
- Revised Specific PCL target for F2007 of \$325 million or less, reflecting favourable Q1 results and a more subtle deterioration in the credit environment later in the year than originally expected



### Total Provision for Credit Losses

Quarterly  
(C\$ Million)



Specific PCL  General PCL 

## TOTAL PROVISION FOR CREDIT LOSSES

reflects the benign credit environment

Provision for Credit Losses  
(C\$ Million)

Portfolio Segment

	Q1 07	Q4 06	Q1 06
Consumer	49	54	46
Commercial	5	12	6
Corporate	(2)	(15)	-
Specific Provisions	52	51	52
Reduction of General Allowance	-	(35)	-
<b>Total PCL</b>	<b>52</b>	<b>16</b>	<b>52</b>
Specific PCL as a % of Avg Net Loans & Acceptances (incl. Reverse Repos)*	10 bps	11 bps	12 bps

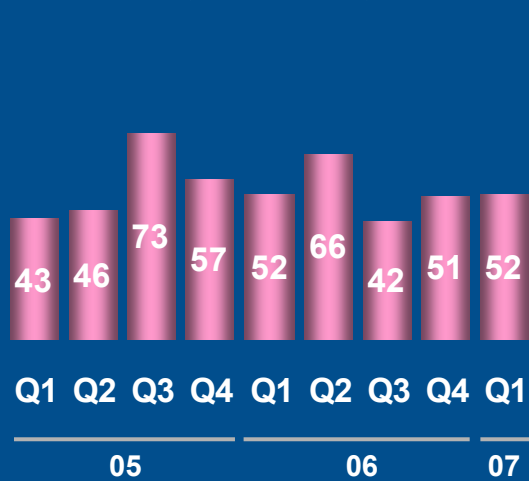
	Q1 07	Q4 06	Q1 06
Consumer	49	54	46
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Specific Provisions	52	51	52
Reduction of General Allowance	-	(35)	-
<b>Total PCL</b>	<b>52</b>	<b>16</b>	<b>52</b>

\* Annualized; versus 15 year average of 34 bps

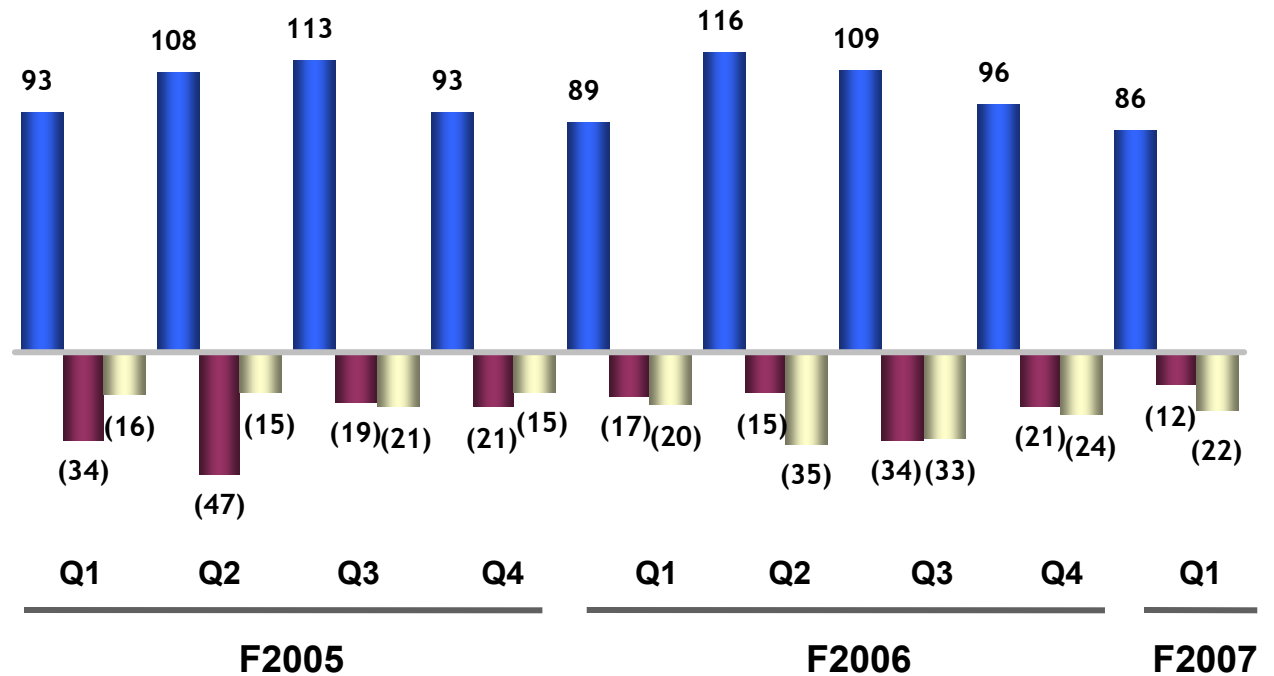


Specific Provision for Credit Losses

Quarterly  
(C\$ Million)




## NEW SPECIFIC PROVISIONS REMAIN LOW



- New specific provisions
- Reversals of previously established allowances
- Recoveries of loans previously written off



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

%	BMO	 Cdn. Competitors
Q1 / 07	.10	n.a.
Q4 / 06	.11	.24
Q1 / 06	.12	.23
F2006	.11	.21
15 yr avg. *	.34	.56

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

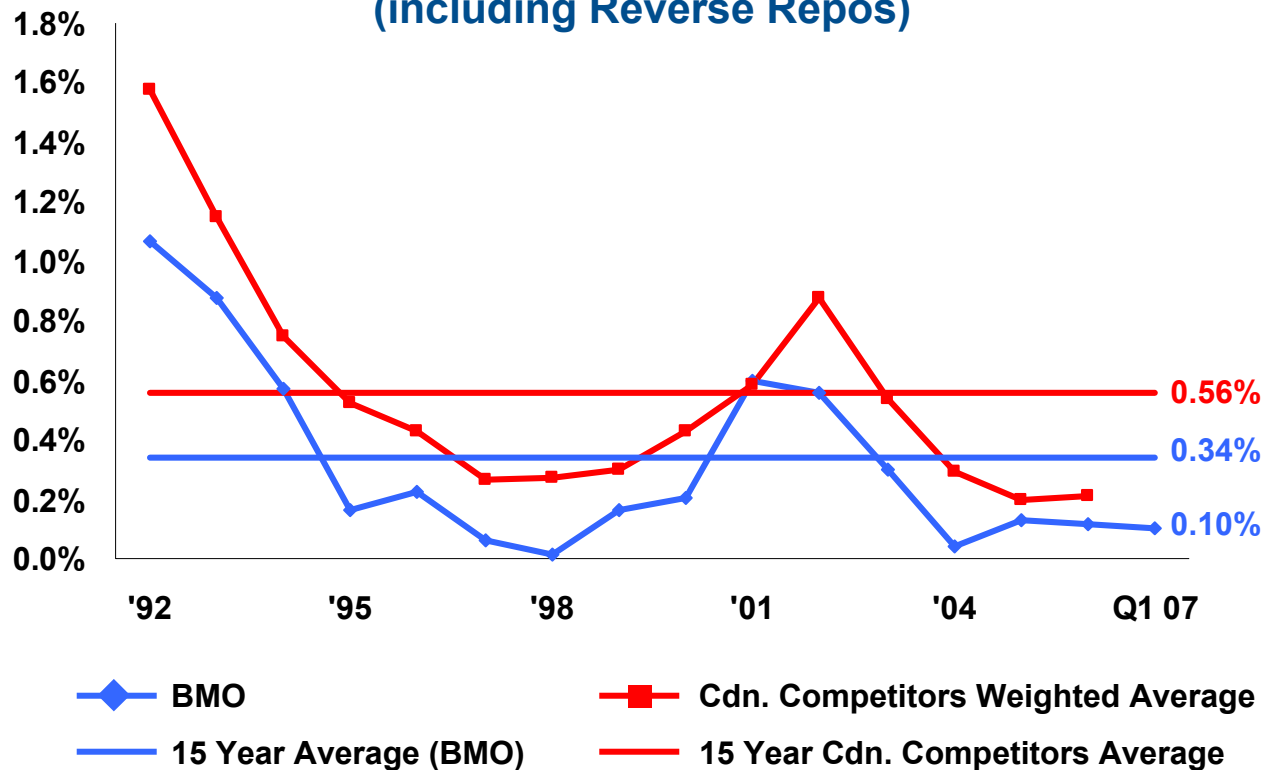
Competitor average excludes the impact of TD's sectoral provisions

\* 15 yr avg.: 1992 to 2006

## CREDIT PERFORMANCE MEASURE

Historical Specific PCL average represents a 22 bps advantage over the Canadian peer group

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

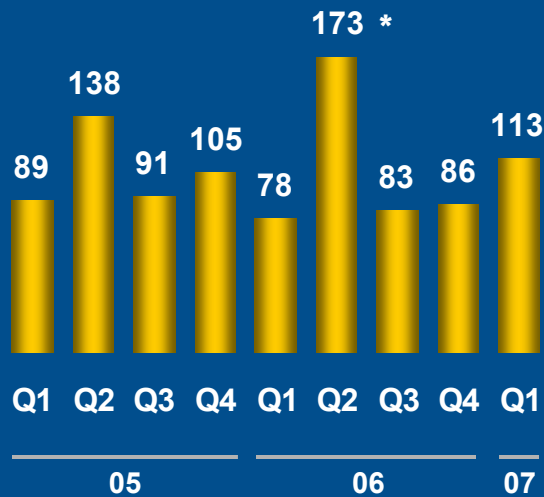






### GIL Formations (C\$ Million)

#### Quarterly

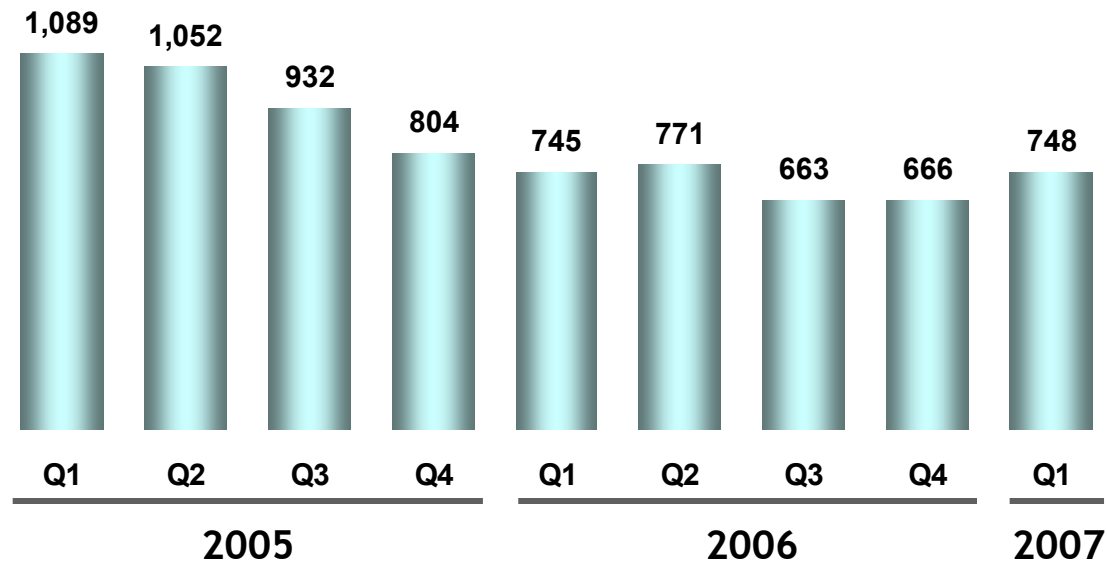


\* A single transaction represented \$71 million in formations in Q206, which were subsequently fully repaid in Q306

## CREDIT QUALITY REMAINS STRONG

GIL balances remain at historically low levels, with a moderate increase in GIL formations

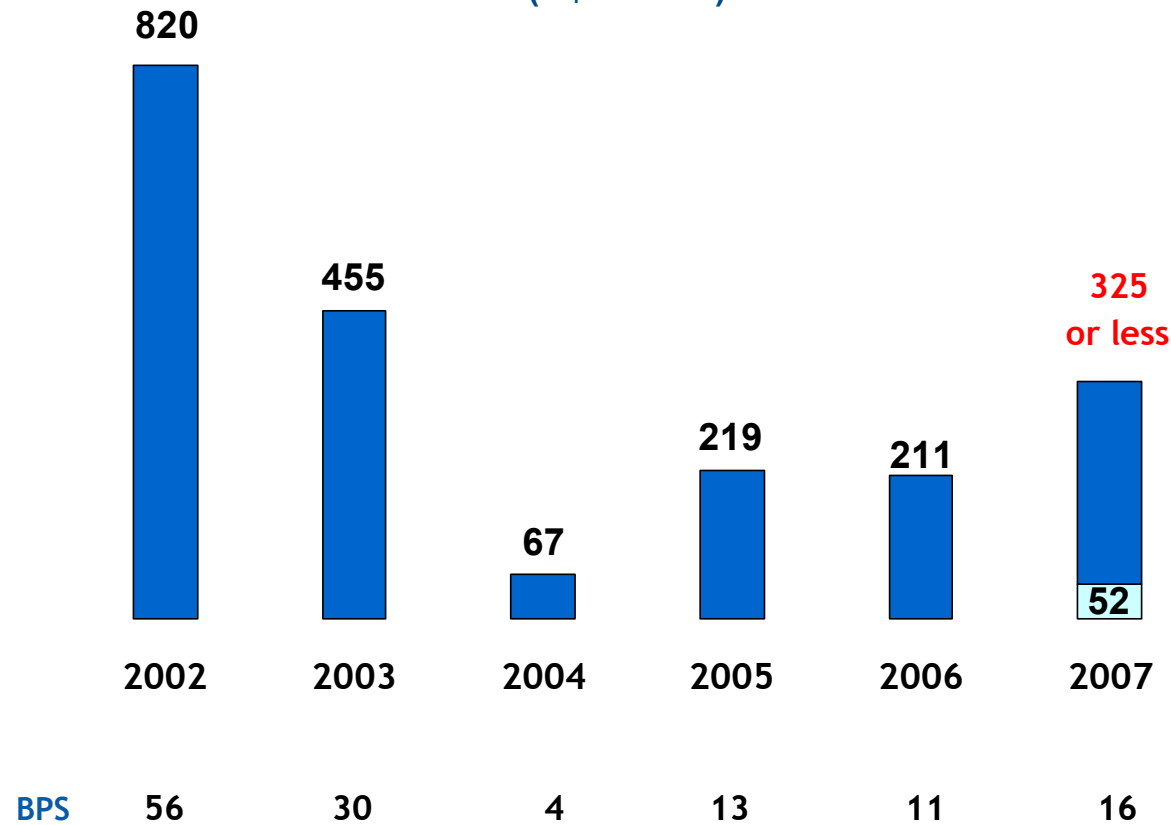
### Gross Impaired Loans (C\$ Million)





## F2007 SPECIFIC PCL is estimated at \$325 million or less

**SPECIFIC PCL AS % OF LOANS AND ACCEPTANCES**  
(C\$ Million)



### F2007 Specific PCL Estimate

We expect a relatively stable credit environment with modest deterioration later in 2007 and some increase in new specific provisions



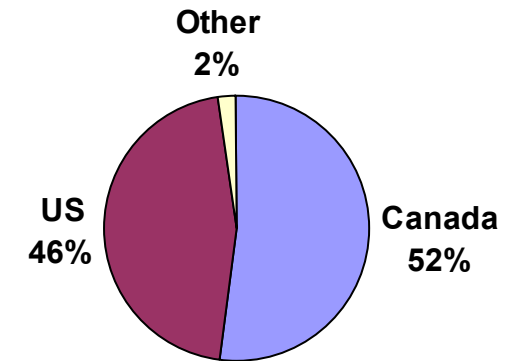


# AUTO MANUFACTURING AND SUPPLY

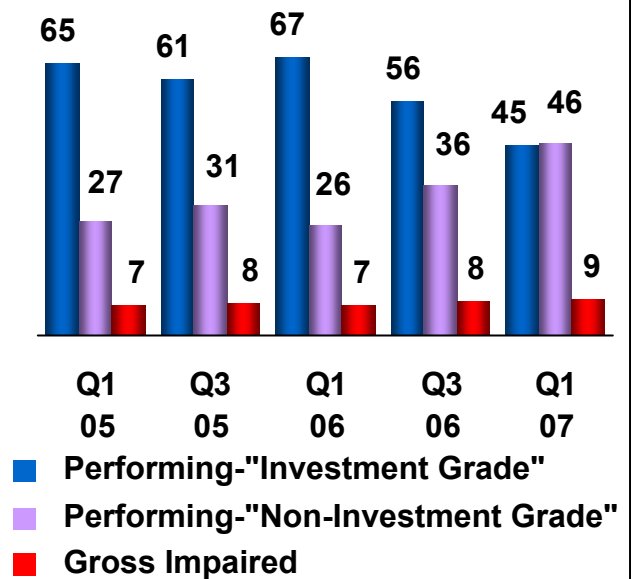
## Gross Auto Loans & Acceptances By Geography

C\$ Million as at January 31, 2007

	Total Gross Loans & BA's	Gross Impaired	Net Impaired	Performing Portfolio	
				"Investment Grade"	"Non-Investment Grade"
Suppliers	390	37	26	182	171
Motor Vehicle Manufacturing	34	-	-	11	23
<b>Total</b>	<b>424*</b>	<b>37**</b>	<b>26</b>	<b>193</b>	<b>194</b>



## Portfolio Migration %



\* Represents 0.3% of the total loan portfolio (excluding reverse repos)

\*\* Canada 49%, U.S. 51%, and Other 0%

(Refer to the Supplementary Financial Information Package pages 30, 33 and 34)



# LOAN PORTFOLIO DISTRIBUTION

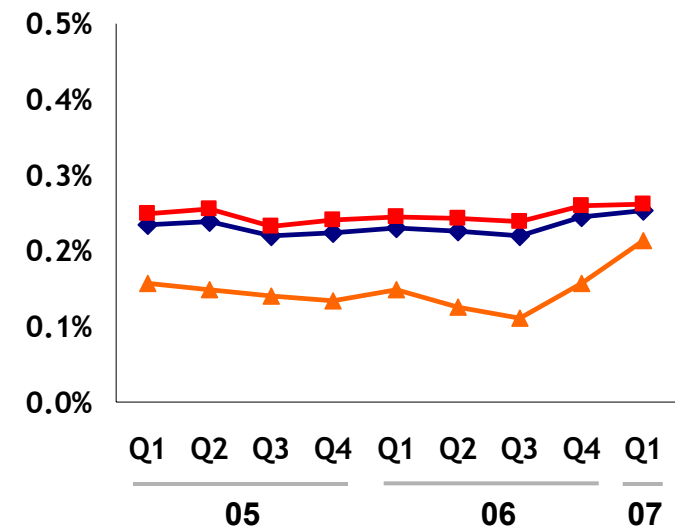
## Consumer/Commercial/Corporate

Total Gross Loans and Acceptances\* (C\$ Billion)  
As at January 31, 2007

	Canada	U.S.	Other	Total	
Consumer					
Residential Mortgages	53	7	-	60	37%
Consumer Loans	21	10	-	31	19%
Cards	4	-	-	4	2%
<b>Total Consumer</b>	<b>78</b>	<b>17</b>	<b>-</b>	<b>95</b>	<b>58%</b>
Commercial	33	7	-	40	24%
Corporate	10	16	3	29	18%
<b>Total</b>	<b>121</b>	<b>40</b>	<b>3</b>	<b>164</b>	<b>100%</b>

\* Excludes reverse repos

### Consumer Portfolio Delinquency Ratio (%)\*\*



◆ Total Consumer Portfolio  
 ■ Canada  
 ▲ U.S.

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

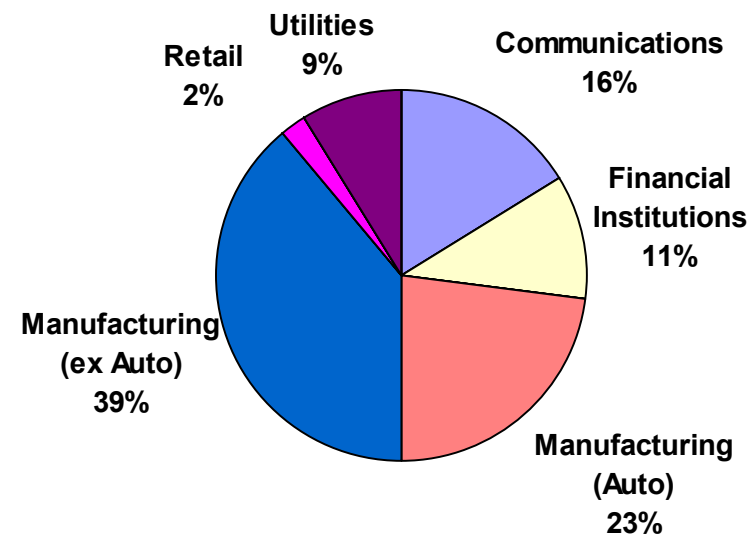
(Refer to the Supplementary Financial Information Package page 28)



# CREDIT DERIVATIVES ARE USED TO ASSIST IN THE PORTFOLIO MANAGEMENT OF OUR LOAN BOOK, with the stable credit environment driving a decrease in usage

Credit Protection Portfolio (\$C Millions) <sup>(1)</sup>	
January 31, 2007	
	Single Name Hedge
Communications	41
Construction	—
Financial Institutions	29
Forest Products	—
Government	—
Manufacturing (Auto)	59
Manufacturing (ex Auto)	100
Oil and Gas	—
Real Estate	—
Retail	6
Services	—
Transportation	—
Utilities	24
Wholesale	—
<b>Total at Q1 07</b>	<b>259</b>
<b>Total at Q4 06</b>	<b>413</b>

Sector Distribution  
January 31, 2007



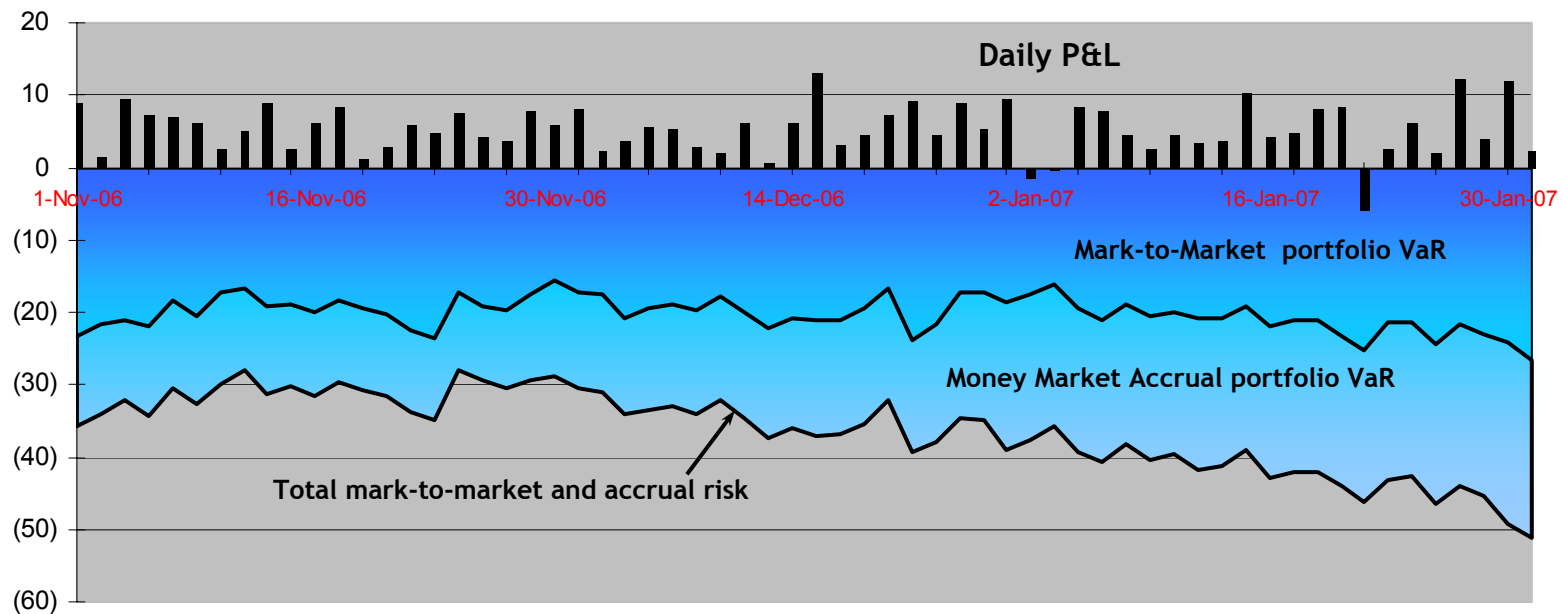
1. There were no Index Hedges outstanding at the end of Q107 (Q406 Index Hedges totalled C\$671 million)



# TRADING AND UNDERWRITING

Stable and profitable during the quarter

Trading and Underwriting Net Revenues Versus Market Value Exposure  
November 1, 2006 to January 31, 2007 (C\$ millions)  
(Presented on a Pre-Tax Basis)



(Refer to Supplementary Financial Package page 38 for risk data - presented on an after tax basis)



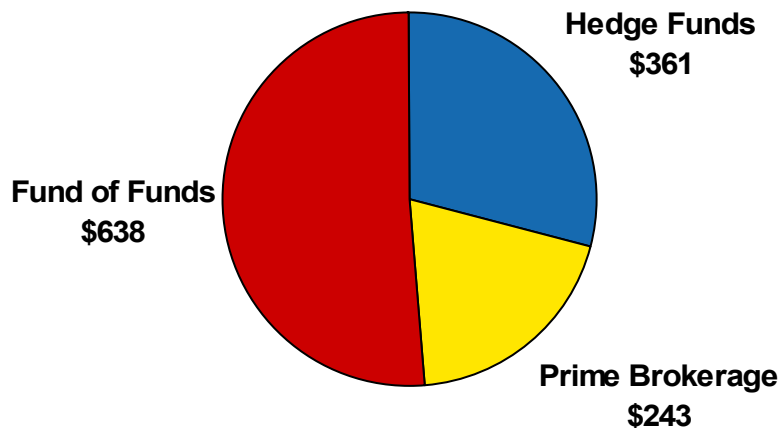
# APPENDIX



## EXPOSURES TO HEDGE FUNDS ARE MONITORED CLOSELY AND ARE SUBJECT TO TIGHT CONTROLS

**Hedge Funds – Utilized \***  
**US\$ Million**  
**January 31, 2007**

**Exposures to these sectors are subject to limits which are approved by and reported to the Board**



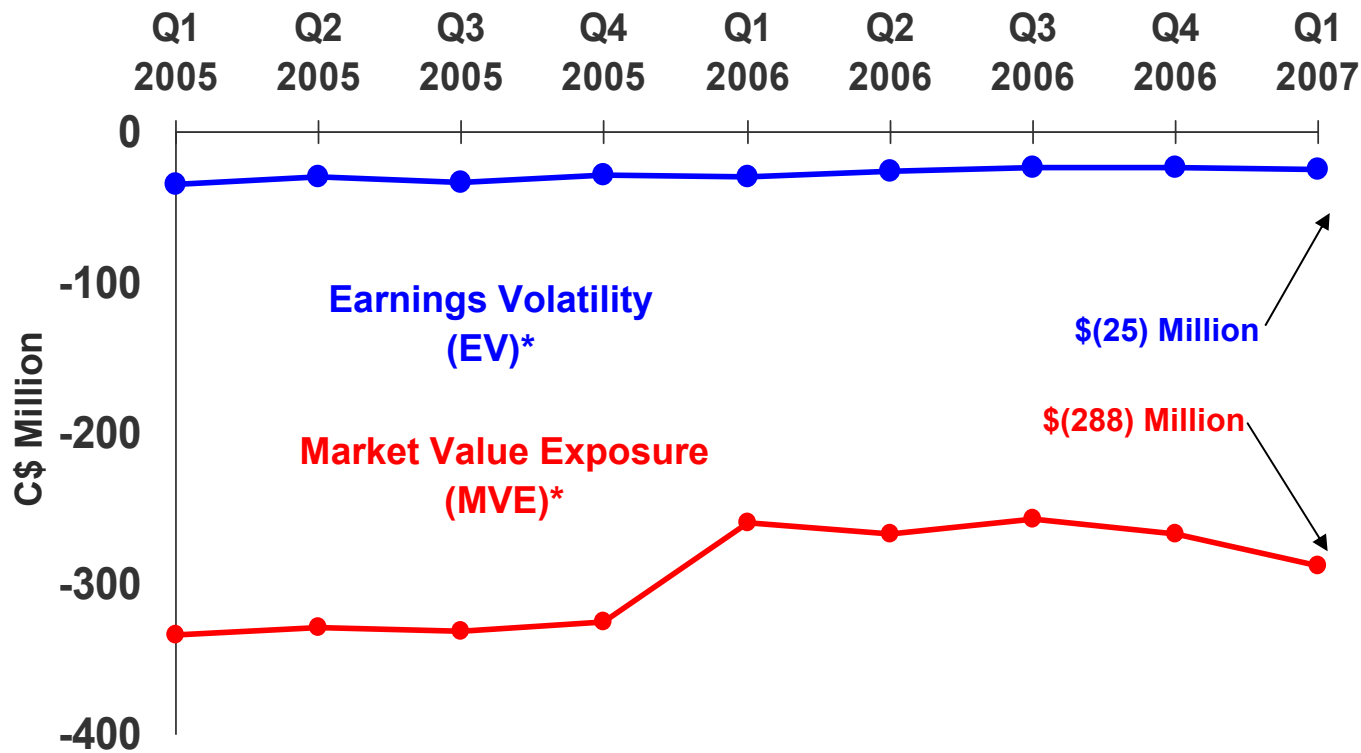
Exposure	Primary Nature of Risk
Hedge Funds	Replacement risk associated with capital markets trading
Prime Brokerage	Secured lending transactions
Fund of Funds	Short-term, working capital loans

\* The aggregate as at Q1 2007 was US\$1.3 billion versus US\$1.5 billion at the end of the prior quarter





# STRUCTURAL EARNINGS VOLATILITY remains low; STRUCTURAL MARKET VALUE EXPOSURE remains within the target range

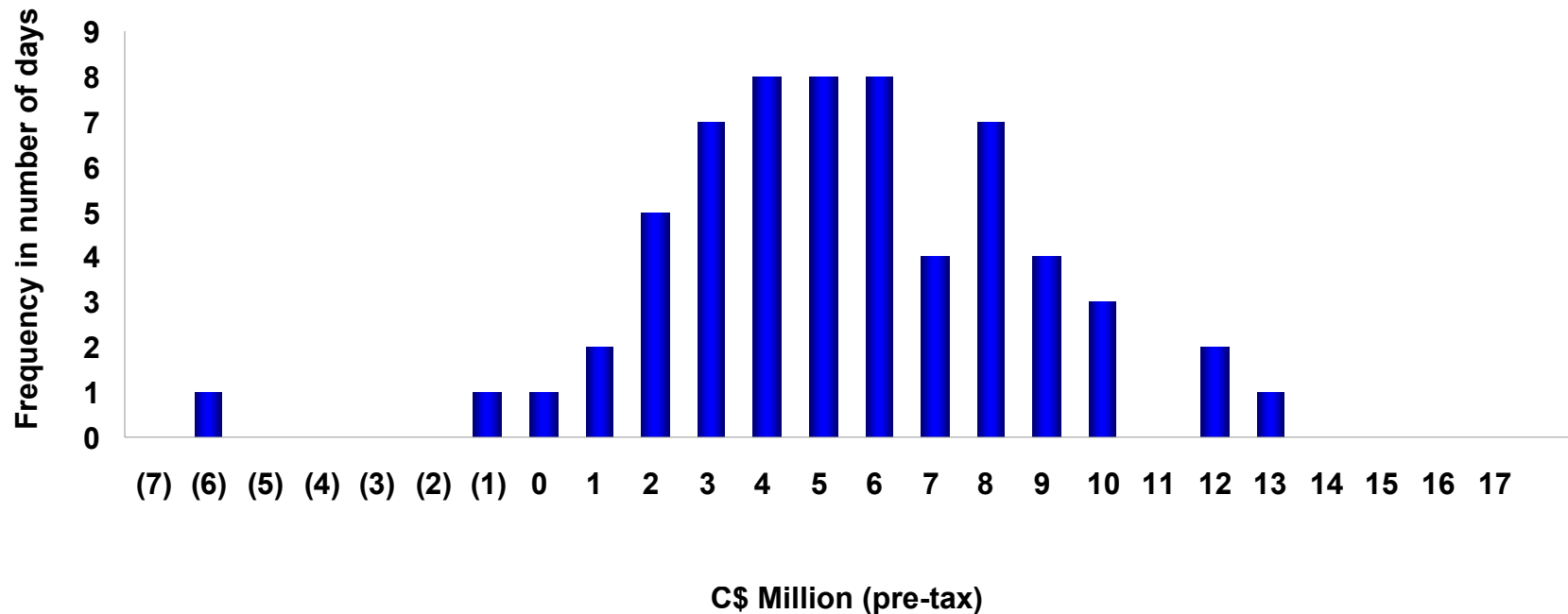


\* Refer to definitions on page 38 of the Supplementary Financial Information package



# FREQUENCY DISTRIBUTION OF DAILY TRADING AND UNDERWRITING P&L

FREQUENCY DISTRIBUTION OF DAILY P&L FOR TRADING AND UNDERWRITING  
November 1, 2006 to January 31, 2007





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