PRIOR TO RESTATEMENT

BMO Financial Group

Q1 2007 CONFERENCE CALL

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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 Shareholder

PRESENTATION

Operator

Please be advised that this conference call is being recorded. Good afternoon, and welcome to the BMO Financial Group's first quarter 2007 conference call for March 1st. Your host for today is Viki Lazaris, Senior Vice President of Investor Relations. Ms. Lazarus, please go ahead.

Viki Lazaris - ***Bank of Montreal - SVP, IR***

Thank you. Good afternoon, and thank you everyone for joining us today. This afternoon's overview of our first quarter results will be provided by Tony Comper, Bill Downe our new President and Chief Executive Officer, Karen Maidment, Chief Financial and Administrative Officer and Bob McGlashan, our Chief Risk Officer. After Bob's presentation Bill, Karen, Bob and the following members of the management committee will be available to answer your questions. Yvan Bourdeau from investment banking; Gilles Ouellette from the Private Client Group; Frank Techar, head of P&C Canada; Ellen Costello from P&C U.S. and Barry Gilmour, head of our technology and operations.

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 are risks that 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 and projections in the forward-looking statement. You may find additional information about such material factors and assumptions and the material factors that could cause actual results to so differ in the caution regarding forward-looking statements set forth in the news release or on our Investor Relations website at BMO.com. With that said I would like to hand the floor over to Tony.

Tony Comper - ***Bank of Montreal - President, CEO, BMO Financial Group***

Thanks Viki, and good afternoon everyone. As everyone I think knows I handed over the CEO's reigns to my successor, Bill Downe, mere moments ago at our annual meeting so I'm going to be brief. Just a few things I'd like to say.

First, I am pleased to report broad based operating growth during BMO's final quarter under my stewardship. As all three operating groups delivered very high-quality earnings. Of course, the reported results were affected by the restructuring charge that we announced in January, and as Bill will discuss, this is an essential step in BMO's plans for higher investor growth. Excluding this charge both net income and earnings per share for the first quarter 2007 increased 11% from a year ago and return on equity was 18%.

Before my colleagues provide further details, I would like to take this opportunity to thank the investor community, analysts, investors and financial reporters for your insightful questions and comments during my tenure. I've gotten to know some of you very well over the years and I have benefited from your advice and often quite generous support. In the process I have developed a very healthy respect and appreciation for the vital role all of you play in the sound functioning of financial markets.

I won't say it has always been a pleasure; there is a lot of [unvarnished] candor out there as there should be, but I will say unequivocally that I have always done my best to fulfill my responsibilities on behalf of BMO shareholders. Thank you very much for helping me do a better job. I wish all of you the very best. I am now going to call on Bill Downe, BMO's new President and Chief Executive Officer, to continue our quarterly report. Bill.

Bill Downe - ***Bank of Montreal - President, CEO BMO Financial Group***

Thanks, Tony. I will take a minute before getting started on the quarter just to recognize and thank Tony on behalf of all the management who are sitting around the table here on this end, 40 great years as an employee of the Bank of Montreal and eight great years as a CEO. We're going to miss you on these calls as well, Tony.

Turning to slide 3, just to reiterate before I do that the cautionary note on forward-looking statements, turning to slide 3 in the quarter reported net income of $585 million or cash EPS of $1.15, and that is with the restructuring charge in. You will recall previously announced charge of $135 million, $88 million after-tax. Most of the charge relates to the elimination of approximately 1000 jobs. As we've said before, it was a difficult decision and it came as a result of a careful review across all of the businesses, of duplication of process and function. And it not only takes costs out of the businesses, but we believe it will make the progress of the businesses quicker, more efficient.

Ex the restructuring charge, Q1 net income rose to $673 million and EPS of $1.32. So both were up 11%. We are pleased with the operating results in the first quarter. They are up from the fourth quarter and across the business units, as Tony said, we've seen very good progress. In P&C Canada and in PCG very good volume growth, very solid and we continue in both of those businesses to invest in additional sales and service staff.

IBG. Remind you it is a very well diversified business, but we saw strong growth in new commitments to borrowing clients particularly in the United States. And we are expecting that to fuel future growth in the business in both interest and non-interest income. And although the earnings were down year-over-year, you will recall that the first quarter last year was very strong in the commodity trading side, and on a more relevant basis the earnings are up quite significantly from the fourth quarter with trading picking back up.

Personal and commercial banking in the U.S. We continue to grow volume; both numbers of customers and customer volumes. And that's served us well. It is an environment in which we are seeing continued market compression, both there is some competitive element to it as some of it is structural. I think the thing that we are most closely focused on, you will recall that during 2005 and 2006 we had heavy component of integration costs and transition costs. We were looking forward to the beginning of this year those costs abating. They've proven to be more stubborn than we anticipated, but between the fourth quarter and the first quarter you are starting to see the benefit of a real direct focus on those expenses. And I sure there will be some questions on that and Ellen Costello is able to provide a little bit more elaboration to support the confidence I've expressed.

Turning to slide 4, looking at the financial targets for the year we are off to an early start measured against the annual targets. The economic outlook is generally unchanged. The slowdown that we saw signs of in the Midwest is clearly there. Last year we saw mortgage financing slowing down but the economy as a whole in the Midwest is slowed. The annual PCL target reducing this quarter to $325 million from $400 million. And this is a differentiator at BMO. Throughout the cycle we see evidence in at least the last two cycles of better performance in every phase of it and the strength of our portfolio with low gross impaired loans, few recoveries. We keep saying the recoveries have come to an end, but we are happy when we get more recoveries. That is money good.

Slide 5 just to quickly go through the strategic priorities for the year and where we stand, just to give you some examples in personal and commercial Canada. It is fair to say that one quarter is not a trend, but we are getting good growth in a number of areas. Personal loans were up 9%, and we are seeing strengthening market share year-over-year and quarter-over-quarter. Nine basis points year-over-year and 11 basis points quarter-over-quarter. And commercial banking was also strong with loans up 6.8% year-over-year and deposits up 10.2%. Business banking market share, 18.6%. That is up a little bit, 3 basis points quarter-over-quarter and 5 basis points year-over-year. Remind you we ranked second and in two categories loans $1 million to $5 million, up 7% year-over-year with very good market share growth, 35 basis points, 10 basis points quarter-over-quarter.

In loans less than $1 million there is a decrease in volumes with a small decline in market share, 3 basis points quarter-over-quarter. This is an area that we are focusing on; Frank will probably have some comments to elaborate on if there are questions in this area of potential payoff that we think as we apply the focus we have to other parts of commercial banking to the less than $1 million loan category.

I have already spoken about the operations in personal and commercial in the U.S. I just might add that we closed the First National Bank and Trust in January and because of the one month lag it will show up for the first time in the second quarter so it is not in there yet.

PCG revenue growth of 9% year-over-year. This is an advantage business, we are investing in sales for us at the front-line introducing new products; some examples market linked GICs. And the strength of our product offering there just continues to be recognized in awards. The Dalbar award for mutual fund service; Euromoney, best local private bank based in Canada, and we continue to -- we intend to continue to build on the strength of our customer offer in the Private Client Group.

IBG loan growth, very good loan growth, average loans up significantly year-over-year largely in the U.S., and we expect to see future growth in new business in the non-interest category to flow from those commitments. We make the commitments with the intent of expanding the relationship; getting the cash management business and hopefully some advisory business, M&A equity and debt.

We've seen some growth in the trading products consistent with our strategy to implement high-value initiatives within the trading businesses. And in the last 18 months we've been hiring. We made a couple of additional very key hires in the quarter in the U.S. a head of M&A based in Chicago for the U.S. business and a new head of the energy business in Houston. And we are expecting great things from both of those hires.

On slide 6, quick observation on the dividend increase. This is 4.6% dividend increase quarter-over-quarter and 28% year-over-year. That puts us now at an industry-leading payout ratio on a lag basis of 51%. It reflects the confidence we have in our earnings and also it puts us back on the cycle of our historic dividend increases. Since 1993 our average increase in dividends has been 11.9%, and after the dividend increase right now we are sitting with excess Tier 1 capital of $3.3 billion, very strong capital position. And we still have flexibility to pursue strategic acquisitions.

Slide 7, this is a slide that captures the total return to the shareholders in the form of dividends and share buybacks and just gives you a sense of the progress we make. About 53% of earnings returned to shareholders in the last 12 months.

And with that, I am going to turn the microphone over to Karen. She is going to go through the numbers in some detail. I am sure you've got questions; we know it was a very tight day with a number of companies reporting and for most analysts this is probably an opportunity to catch up on some of the information. Karen, over to you.

Karen Maidment - ***Bank of Montreal - CFO and Adminstrative Officer***

Good afternoon, and thanks, Bill. I will also remind you of the caution regarding the forward-looking statements. Overall this was a good quarter for the bank. My comments will focus on the results excluding the restructuring charge, which I will discuss in a moment under slide 8 of my presentation. On this basis net income increased $67 million or 11.1% from a year ago. And let me make a couple points about the first quarter earnings.

First, these are high-quality earnings, driven by operating performance. Revenues grew 4.1% and expenses were well-managed, growing only 2.8% resulting in cash productivity improvement of 72 basis points year-over-year. And in fact, if you look at it quarter-over-quarter, revenues grew 4.8% versus expense growth of 0.8%, producing very strong operating leverage at a 4 percentage point differential for the fourth quarter.

Net interest margins of P&C Canada and total Canadian retail have stabilized. The income tax rate for the bank is at a more normalized level of 26%, as we discussed last quarter. Finally on the capital side we generated quarterly ROE of 18% and ended the quarter with a Tier 1 capital ratio of 9.9%. As Bob will cover, asset quality remains strong, and PCLs were low and stable.

Looking at slide 4, you can see the cash EPS growth. All operating groups increased quarter-over-quarter with strong volume growth and higher trading revenues. Operating growth was $0.21 per share. As you will recall, Q4 had a reduction in the general allowance and a low tax rate which resulted in unusually high reported earnings. On a year-over-year basis the major contributors to cash EPS growth were strong volume growth in P&C Canada and PCG coupled with the lower tax rate.

Turning to slide 7, just a couple of accounting items I think are worthy of note. The first change, other comprehensive income was implemented in Q1 and relates to the new standards on the measuring of certain securities and hedging derivatives at fair market value. This has created a new section in the shareholders equity section called "the other comprehensive income" where the unrealized gains or losses are recorded. The effect was pretty minimal on the financial statements.

Secondly, as we noted in Q3 of last year we adopted the new accounting standard on stock-based compensations for employees eligible to retire. In Q1 '07 the portion of the expense related to employees eligible to retire was $42 million or about $0.06 per share. The amount is comparable to the expense recorded in Q1 '06, therefore doesn't impact year-over-year results. And we expect -- however, it does impact the linked quarter result and we expect the amount to be about $0.06 lower in the next three quarters. So the point is you upfront that cost in the first quarter, and then you don't have to incur it over the remainder of the year.

Slide 8 aligns the restructuring charge that was announced on January 31st of $135 million pretax or $88 million after tax. Booked in our corporate segment in Canada and the U.S. It was comprised of $117 million for severance related costs and respects the planned elimination of 1000 primarily non-customer facing positions and $18 million of other non-employee related costs. This is a project we've been working on for several months to focus on the efficiency and effectiveness of client interaction, as well as support functions across the bank. This was contemplated when we set our 2007 targets. The changes reflects the BMO's previously stated intention to increase customer focus by directing spending and resources on front-line sales and service, creating more efficient processes and systems across the company and continuing to accelerate the pace of the Company's growth.

Looking at slide 9, you can see our Tier 1 capital ratio of 9.9% decline due to the growth in risk-weighted assets but is well above our targeted minimum of 8% and our total capital ratio was 11.34%. The bank's risk-weighted assets were $173 billion in Q1, up $10.2 billion over Q4 of last year. The increase was driven by growth in IBG's risk-weighted average assets where our strategy in the U.S. continues to be to grow our lending activity, build key relationships to sell more advisory investment banking products. We have also seen growth in our trading businesses.

On slide ten I wanted to point out the revenues grew both quarter-over-quarter and year-over-year by just over 4%. Net interest income was up 1.8% year-over-year and down 1% quarter-over-quarter while non-interest revenue was up 6.1% year-over-year and 11% quarter-over-quarter.

Looking at the components of net interest income on slide 11, I would like to note that effective this quarter the net interest margin is being disclosed and computed with reference to average assets, average earning assets rather than total assets. This basis provides a more relevant measure of margin and changes in the margins. Our net interest income was $1.24 billion, as I said up 1.8% year-over-year but down 1% quarter-over-quarter.

Quarter-over-quarter our margins decreased 13 basis points at the total bank level. Retail margins were stable quarter-over-quarter while lower spread IBG assets contributed to a greater proportion of the total bank's net interest margins. To break it down, IBG contributed 5 basis points of the decline due to an increase in lower spread assets offset in part by higher trading income and increased deposit income from cash management. The remainder of the decrease occurred in corporate due to lower interest income resulting from the credit card securitization in Q4 '06 which was offset by higher securitization revenue.

Year-over-year our margins decreased 21 basis points at the total bank level. IBG contributed 17 basis points of the decline again due to an increase in lower spread IBG assets, contributing a greater proportion to the total bank. Corporate contributed 5 basis points to the decline due in part to this credit card securitization I just mentioned. And there were small increases in both P&C Canada and PCG of 1 basis point due to positive mix growth on higher spread products.

Looking at slide 12 non-interest revenue increased $133 million or 11% quarter-over-quarter and $80 million or 6.1% year-over-year. Quarter-over-quarter the single largest driver was an increase of trading revenue in IBG also the softer Q4. IBG also had higher equity underwriting, lending fees and commissions and lower security gains. And the Private Client Group's brokerage and mutual fund fees also increased during the quarter. Year-over-year we saw a good growth, reflecting the diversified nature of our business.

Turning to expenses on slide 13, expenses are up less than 1% or $12 million quarter-over-quarter. Stock-based compensation granted to employees eligible to retire increased expenses $42 million, as I mentioned previously, compared to Q4 '06. And these won't occur in the next three quarters. Year-over-year expenses are up 2.8% or $45 million. Expense costs in P&C and the Private Client Group were up with increased staffing levels and an expanded sales force implemented in the latter half of 2006. IBG expenses declined primarily due to lower performance-based compensation costs.

Slide 15 shows our 2007 targets, and we're off to a good start for the year. You will note that we've reduced our PCL outlook to less than $325 million for the year, which Bob will touch on in his comments. Through continued operating growth including the steps we've taken to reduce our cost base and lower PCL's, we are on track to achieve our targets for the year. With that, I will turn things over to Bob.

Bob McGlashan - ***Bank of Montreal - EVP, Chief Risk Officer***

Thanks, Karen, and good afternoon, everybody. I, too, would like to draw your attention to the caution regarding forward-looking statements. As you can see on slide 3, BMO continues to maintain its strong credit performance with low PCL and moderate growth in gross impaired loans. On slide 4 the provision for credit losses was $52 million unchanged from a year ago, but up from $16 million in the fourth quarter which benefited from a $35 million reduction in the general allowance.

On slide 5 new specific provisions remain low, reflecting the current benign credit environment. On slide 6 on a comparative basis Q1 specific PCL represents 10 basis points of average net loans and acceptances including reverse repos. While Q4 and fiscal 2006 specific PCL both represent 11 basis points. Specific PCL continues to remain low compared to our 15 year average of 34 basis points and a Canadian peer group average of 56 basis points for the same period.

Slide 7 shows a moderate increase in gross impaired loans formations. GILs are up from recent quarters to $748 million but still remain low relative to historical levels. As shown on slide 8, we now anticipate that specific provisions in fiscal 2007 will be $325 million or less, representing 16 basis points of average net loans and acceptances, down from the 2007 target of $400 million or less that was established in the beginning of the year. The reduction in our specific PCL target for 2007 is due to firstly the favorable credit environment in the first quarter. And secondly, the expectation of an improved economic outlook for the latter part of the year from that which we had previously anticipated. Our revised targeted of $325 million or less remains higher than the fiscal 2006 number of $211 million though due to an expected increase in the level of new specific provisions for the consumer book due to volume growth and increased delinquencies in the U.S. And expected increases in new specific provisions in the commercial and corporate book from current very low levels.

Although Q1 results were positive, we believe that 2007 represents an inflection point in the credit cycle. The early indicators are evident in the form of increasing gross impaired loans, watch-list accounts and SAMU workflows. That said, though, we're not expecting a dramatic deterioration in the near-term. As we reported in the past, slide 9 illustrates our exposure to the auto manufacturing and supply sectors. While we've seen our recent portfolio migration to non investment-grade resulting from decreased utilization from investment-grade clients exposure to the sector remains low and is actively managed.

On slide 10 the rise in U.S. consumer delinquency rates in the quarter is evidence of some stress on consumer households, given the debt servicing burden due in part to the current interest rate environment coupled with a somewhat softening U.S. economy, a trend affecting the industry as a whole. Elevated U.S. delinquency levels at 21 basis points compare favorably to our U.S. peer group at 55 basis points and our Canadian consumer portfolio at 26 basis points.

Slide 11 illustrates that our credit protection portfolio has decreased to $259 million at the end of this quarter compared to $1.1 billion in total at the end of fiscal 2006 of which $671 million related to index hedges. Given the current credit environment we liquidated our index hedge positions and are confident in managing risk in our loan portfolio on a transactional basis. We remain alert to deterioration in the credit market environment and committed to the judicious use of single name CDS hedges to deal with deteriorating situations.

Slide 12 shows our trading and underwriting performance has been relatively stable with the largest daily P&L loss for the quarter of approximately $6 million on January 22nd. This was due primarily to price movements in the natural gas market and the commodity line of business. The largest daily P&L gains for the quarter were approximately Canadian $13 million on December 15 and $12 million on both January 26 and January 30 driven primarily by the recognition of dividends and normal trading activities in the equity line of business.

With that, I will turn it back to the operator to take questions.

QUESTION AND ANSWER

Operator

(OPERATOR INSTRUCTIONS) Jim Bantis, Credit Suisse.

Jim Bantis - ***Credit Suisse - Analyst***

Good afternoon. Just a couple of questions, and best of luck to you Tony going forward. When I look at the risk-weighted asset growth that you highlighted, Karen, it is up 15% year-over-year and 6% on a sequential basis. But it doesn't seem that revenue emanating from this growth in assets is coming out; revenue growth at 4% is significantly short of that. So I am wondering if you can kind of break down what we are missing in terms of the revenue emergence that should be coming from the risk-weighted asset growth. Because, I think my back of the envelope analysis of returns in risk-weighted assets seems to be showing that it is declining, as well.

Karen Maidment - ***Bank of Montreal - CFO and Adminstrative Officer***

Jim, I will give you the details of the breakdown of the risk-weighted assets and I will ask Yvan to speak a little bit about the IBG business which is really driving most of the increase. If you look from Q4 '06 to Q1 '07, as I said they went from 162.8 to 173, up $10.2 billion. But 1.6 is P&C Canada loans and mortgages that are consistent with the growth in the business and a smaller amount in P&C U.S. The bulk of it is $7.3 billion which is in IBG, and that is split almost 50-50 between investment banking, the lending side and the trading side of the business. So I will ask Yvan to speak to that, to the revenue.

Yvan Bourdeau - ***Bank of Montreal - CEO, BMO Capital Markets***

Thank you, Karen. I will address first, Jim, the lending side of the risk-weighted asset increase. Karen mentioned that quarter-over-quarter the risk-weighted assets increased by $7 billion in IBG. About half of it came from the lending business. Given where we are at this point in time in the cycle, we see a numerous number of requests from our clients to actually move their commitment from us from under one year to over one year. So if you were to look at the increase commitment over one year during this quarter alone about half of this represents the increase that took place in the lending product line, approximately $1.5 to $1.6 billion. The other 50% is actually from the loan product itself in terms of outstanding that increase primarily in the U.S. but also we've seen an increase taking place in Canada. And as far as we're concerned this is exactly what we planned to do, particularly in the U.S. where we intend to increase the number of clients that we deal with and the leading product in order to establish a new relationship is definitely the lending product.

So we're making good progress on that front and I can give you later on if you wish some specific statistic as to how much the lending product is increasing in the U.S. and both in Canada. One thing to note is both in Canada and the U.S. when it comes to outstanding in terms of our loans, the spread is actually stabilized over the last two quarters and particularly so in the U.S. We saw year-over-year a significant decrease in the spread that we are obtaining from the loans outstanding on our books. In the last six months the spread has actually stabilized and therefore the risk-weighted assets are paying for themselves because we do get very attractive spreads in the U.S.

We are also putting some assets on the books that are maybe driving an increase in risk-weighted assets, but the yield associated with them is still not apparent in the area of trading securities. We are convinced that the Fed will remain on the sidelines for a good part of this calendar year, but we are also convinced at one point in time they will actually decrease the overnight rate from 5.25 to a lower level. Having said so, we are trying to position our books at this point in time to take advantage of that forecast and that implies that we do put assets on the books that at this point in time provide us with a positive spread, but not as attractive as we expect in the next nine months time or seven months time.

And lastly there was a bit of a technical increase in our risk-weighted asset. The last day of the quarter on January 31 as volatility increased both in natural gas and oil and that created an increase in our market risk exposure that also translated in an increase in risk-weighted asset for market risk purposes. The next two days after the end of the quarter the volatility dissipated and also our position came down. And the risk-weighted asset associated with that increase dropped significantly and are not so far have not appeared again in Q2. So provided that we remain the same profile you would see in Q2 a reduction in our market risk weighted assets. So that is basically explains the $7 billion of risk-weighted asset increase and the return associated with them from IBG.

Jim Bantis - ***Credit Suisse - Analyst***

Thanks. I can understand the trends now going forward. I just also want to ask a question with respect to the restructuring efforts that we were announced in the quarter, the $135 million charge. Can you detail the type of cost and revenue synergies that are going to be coming throughout this effort?

Karen Maidment - ***Bank of Montreal - CFO and Adminstrative Officer***

As we gave you the breakdown it is mainly severance related costs, and in terms of the savings, the savings will occur over the remainder of this year and into the following year. And we're not going to get into the specifics, but they are embedded in the targets that we have set for ourselves.

Jim Bantis - ***Credit Suisse - Analyst***

When do you see a payback in terms of or your payback period coming in respect to the charge?

Karen Maidment - ***Bank of Montreal - CFO and Adminstrative Officer***

The payback will begin this year. It will be more modest and we will see more payback in '08 and into '09. We're making some pretty fundamental changes.

Jim Bantis - ***Credit Suisse - Analyst***

Thanks very much.

Operator

Ian De Verteuil, BMO Capital Markets.

Ian De Verteuil - ***BMO Capital Markets - Analyst***

I am following up on both of Jim's questions. When I look at the $117 million, Karen for 1000 people, I think you described most of the people working in support functions. That is $117,000 a person. Just seemed like a high number to me. Is that high, or not?

Karen Maidment - ***Bank of Montreal - CFO and Adminstrative Officer***

It is mainly support functions, but it is all levels of the organization.

Ian De Verteuil - ***BMO Capital Markets - Analyst***

Okay. And so it is a restructuring charge but the benefits actually will start accruing this year?

Karen Maidment - ***Bank of Montreal - CFO and Adminstrative Officer***

We will start to see benefits toward the end of the year in the run rate. It will take probably 1.5 years to pay back to two years.

Ian De Verteuil - ***BMO Capital Markets - Analyst***

And if I remember correctly actually from an accounting point of view be able to classify this as a restructuring charge, you have to have everything itemized and be able to move relatively quickly on these things. Is that right? Is there a time limit; do you have to do it within six months?

Karen Maidment - ***Bank of Montreal - CFO and Adminstrative Officer***

That's correct; everything has to be itemized to comply with the accounting rules, and we have to move as quickly as we can. But as long as it is completed by January of next year we are on side with the rules.

Ian De Verteuil - ***BMO Capital Markets - Analyst***

Okay, so the second one that does come back to the buildup in risk-weighted assets in total. I guess there are a couple things Jim touched on, RWAs, both in credit on the coming months as Yvan said, more and more of your clients want you to skip over the 364 deal terms and the market risk. It also looks as if the bank is taking a fair amount of interest rate risk here. Page 37 of the slide deck, it looks as if -- and I thought Q4 was a bit of an aberration, but it looks as if you are maintaining fairly big bets on interest rates coming down. And I guess it seems surprising to me that the BMO would do that. Historically the bank has been a relatively low risk institution. Is there some shift going on in general philosophy with RWAs ramping up and some interest rate risk here generally?

Karen Maidment - ***Bank of Montreal - CFO and Adminstrative Officer***

There has been no change in philosophy. In fact on the structural balance sheet we position it so we minimize the amount of risk. Where we take the risk is in the trading, operations of IBG and the IMM book. And Yvan will speak to that positioning but it is consistent with what he said to Jim.

Yvan Bourdeau - ***Bank of Montreal - CEO, BMO Capital Markets***

If you look on the next page, page 38 you will see the trading and underwriting mark to market earning volatility numbers. And you will see that at the end of Q4, our interest rate sensitivity level volatility level was 4.6 and increased to 4.9. So it was only $300,000 increase quarter-over-quarter. There is an increase, though, from the July 31 from 1.7 to 4.6. But previous quarter we're averaging 3 or slightly above 3. So a few comments to interest rates.

Given what we've experienced over the last 2.5 years we have reduced on an ongoing basis the level of risk that we have undertaken, associated with interest rate risk. As the yield curve became less and less friendly for us to put on some risk profile. We probably reach a trough about six months ago as some of our position that were put on earlier were still being maturing. But over the last six months as we firm up our views with regard to interest rate risk and we have begun to put in place some risk position that I described earlier to Jim. Having said so, if you look historically to have around 4.6 or 4.9 million volatility earning exposure to interest rate risk, is actually low for us. And it just reflects the fact that we have put some additional risk on but we are well within our limit and it just is reflective of the fact with our last 2.5 years we have actually decreased significantly our exposure to interest rate risk.

Ian De Verteuil - ***BMO Capital Markets - Analyst***

Thanks.

Operator

Darko Mihelic, CIBC World Markets.

Darko Mihelic - ***CIBC World Markets - Analyst***

Thank you. A question I think for Ellen. First, moving, looking at your slowing down the branch expansions. Wondering if you could maybe talk about that and why would you still maintain a 350 to 400 branch target?

Ellen Costello - ***Bank of Montreal - P&C U.S.***

Thank you for the question. The slowing down of the branches is really just a reflection of the current environment that we are in or all suffering from some slowdown especially in the last two quarters in volume. And continued spread compression, although I do think the spread compression is evening out. So our focus is on the cost side as you would expect it to be and so one of the places where we do occur some drag that affects the run rate is when we invest in branches. So it doesn't mean that we are stopping our expansion strategy at all. We are just slowing down a pace where the payback takes longer, usually three to four years, and instead putting some investment in areas where the payback is quicker like the business banking initiatives that we talked about. You've probably seen that we opened an office in Phoenix, Milwaukee and beefed up Indiana on the back of the First National acquisition.

Darko Mihelic - ***CIBC World Markets - Analyst***

And I wonder if you can also talk a little bit about the outlook for the consumer delinquent -- I mean the health of the consumer in your area? And just curious about First National Bank, the impact there; did they come on with delinquency rates that are similar to what you have now?

Ellen Costello - ***Bank of Montreal - P&C U.S.***

Sure. We on the consumer side we do have a very high-quality portfolio. Naturally we are seeing I think with some of the slowdown in the real estate side, a little bit of signs of some emerging issues and Bob touched on that a little bit. As well we're seeing a little bit on the commercial real estate side in the Midwest market where we are experiencing some slowdown in those sectors.

In terms of the FNBT acquisition we did work with them to take some write-downs before the deal closed, and I think we've made a minor adjustment in our PCL's to accommodate that portfolio.

Ellen Costello - ***Bank of Montreal - P&C U.S.***

Bob, did you want to add to that?

Bob McGlashan - ***Bank of Montreal - EVP, Chief Risk Officer***

If I could, the up tick in delinquencies in the U.S. consumer book, while you can notice it on the chart are still at pretty low levels. The thing to note there is that book is 100% secured. And so while delinquency is up as a result of conversion of floating-rate loans into fixed rate at a higher rate than when they were first written is causing some stress on the consumer book. The probabilities of losses there are, we're expecting to be quite small.

Darko Mihelic - ***CIBC World Markets - Analyst***

Okay, great. Thanks very much.

Operator

Michael Goldberg, Desjardins Securities.

Michael Goldberg - ***Desjardins Securities - Analyst***

I am also following up on the IBG loan growth. Over the past two to three years there has been significant recovery in C&I loans in the United States, about a 1/3 increase in total. What gives you comfort that you're not late to the game in ramping up your U.S. loans? And could you give us a clearer idea of what type of loans you are actually increasing?

Yvan Bourdeau - ***Bank of Montreal - CEO, BMO Capital Markets***

If you look at the description that we provided at some previous quarterly meeting or I think in June about 18 months ago that took place in the Chicago, was quite in detail our strategy for IBG in the U.S. We do have full coverage, and there is the thought again approximately 10 different industrial sectors. Of those we really focus or put some emphasis against five of them where we think we have some expertise that can be competing on a nationwide basis.

The bulk of our exposure is definitely towards the one I would call the mid-market clients. And I would define the mid-market clients as a client with sales of approximately as low as $100 million incidentally, and going as high as around $2 billion. We define our sweet spot within that range as being around $450 to $1.2 billion. Because of that mid-market focus it enables us to actually have a very large number of clients that we deal with. And therefore we are quite convinced that diversification takes place naturally through that numerous number of clients that we deal with, as well as the 10 sectors that we deal with, as well.

It has proven to be a very steady type of market environment for us. I think we are quite well known in the U.S. and in Canada as not being extreme in our views and through the cycles we tend to have a very consistent approach to risk taking. Which means that in the last twenty-four months, for instance, we probably didn't put on assets on our book as aggressively as some of our U.S. competitors. By the same token as Bob was describing a bit earlier we feel we are moving along the cycle and normally when we are entering the portion of the cycle that we are just about to enter, it plays in our favor in a sense that our consistency and risk taking and risk assessment actually enables us to have very consistent and low net specific versus our competitors. And that enables us, in fact, to be able to add assets, good assets on our book when the times are not as favorable for our competitors. So we view that as an advantage for us.

In terms of growth in our portfolio, I think if I were just to mention a few numbers, Michael, and I will do that in terms of U.S. equivalent dollars. If you look a year ago in January '06 our outstanding were 12.5 in the U.S. As of January '07 it is 16.8. So that is an increase of $4.3 billion or actually 35%. So it is a substantial increase over the last three months. It is a result of us putting in place a business plan over the last 36 months in fact that is really taking hold, and enables us to penetrate the U.S. market and new clients to our roster. And obviously do business with them.

We think that we are right where we want to be in terms of execution of that plan. We always felt that we would lead with our product lending product and we can see with the new talent that we have put in place over the last twenty-four months that we will have access to the collateral business that we would like to have to increase the ROE emanating out of our U.S. business.

Michael Goldberg - ***Desjardins Securities - Analyst***

Just to clarify though is the bulk of the increased outstandings and commitments related to operating lines, or is there an increase in acquisition related financing?

Yvan Bourdeau - ***Bank of Montreal - CEO, BMO Capital Markets***

It is mostly operating and mostly servicing CapEx. And there is a certain portion associated with acquisition, and we have some as I said earlier I think a disciplined approach when it this. And we have passed in certain acquisition financing that from our perspective anyhow were felt too aggressive and the leverage was too high.

Bill Downe - ***Bank of Montreal - President, CEO BMO Financial Group***

I'd like to add a little bit of a supplement to what Yvan said to make sure you've got a clear picture also. And that is the expansion in the cost base really has come from the equity research, the fixed income origination and the M&A area. The lenders in place in the market sectors that Yvan identified are long tenured lenders with our company, 10 to 20 years experience across the board and the same senior credit people.

We feel comfortable being more aggressive in putting loans on because the product mix is so much better today with the expansion of our capability. So what you see is first a ramp-up in the risk-weighted assets as Yvan has talked about. In my opening comments, I made the point that we expect the non-interest revenue that comes from those relationships to ramp up over time. And we expect more than our fair share of the cash management operating service business because of the strength of the Harris platform in cash management, and I think you will see it balance out over a series of quarters.

Michael Goldberg - ***Desjardins Securities - Analyst***

Okay. Thanks very much.

Operator

Steve Cawley, TD Newcrest.

Steve Cawley - ***TD Newcrest - Analyst***

Is the Bank of Montreal a bank that has taken on enough balance sheet risk in the past, do you think?

Bill Downe - ***Bank of Montreal - President, CEO BMO Financial Group***

How many years do you want to go back, Steve?

Steve Cawley *- TD Newcrest - Analyst*

Are we seeing a bit of a change in the mentality here that, yes, it has been great to have such a low PCL rate for a long time, but maybe we've been forsaking some revenue opportunities?

Bill Downe *- Bank of Montreal - President, CEO BMO Financial Group*

Well, we haven't changed our underwriting standards, Steve, but I think we've had this conversation a couple times before. What we do believe is that we can get more production out of the business capability that we have, that we should be doing more business given the number of professionals. And the outperformance on credit, the better PCL performance, should come from better decision-making, not just making bets.

So I think that the philosophy that you are seeing is the same discipline towards credit risk and towards underwriting risk as you've seen in the past. I think it does differentiate us from our competitors. There is a certain level of impatience, however, to make certain that we get a return, a yield and return from that.

Steve Cawley *- TD Newcrest - Analyst*

I guess following up a little bit on what Ian and Jim were asking initially, we are seeing risk-weighted assets go up quite a bit. I guess what I am not seeing, and maybe they are not seeing either, is the commensurate level of revenues. And, in fact, from what I can see perhaps your trading numbers have been considerably more volatile than your Canadian peers. Do you think that that is a fair assessment? I just don't see that the risk-weighted assets are producing what they should be.

Bill Downe *- Bank of Montreal - President, CEO BMO Financial Group*

In the market that we are all looking at, the risk premiums are thinner than they have been in most of the working history. I suspect of anyone on the call or most of the people around this table. I would say that we are as judicious in the risk return trade-off as we have always been. Clearly, we believe that interest rates in the United States are going to come down. You will recall one quarter ago in the call, Yvan was saying he felt that rates would come off probably earlier in the year that we now see. At this point we see more like the summertime or going into the fall, maybe even a little bit later. So we are pushing it out, and if you've been listening to the Chairman of the Fed, he is pushing it out, too.

So I think that the risk return is fine. We are not taking a great deal more risk. But I think the movement in the interest rate curve has been pushed out for nine months beyond where we thought it was, and I think where most of the street thought it was.

Steve Cawley *- TD Newcrest - Analyst*

Secondly, maybe I just didn't read this properly back when the charge was taken for the restructuring. I guess I was under the impression that it was strictly the Canadian operation that was seeing the restructuring charge. So a portion of this is also being allocated to the U.S. business; is that right?

Karen Maidment *- Bank of Montreal - CFO and Adminstrative Officer*

That's correct, Steve.

Steve Cawley *- TD Newcrest - Analyst*

And then guessing it is a small portion of the overall?

Karen Maidment *- Bank of Montreal - CFO and Adminstrative Officer*

Well, it is a small portion of the overall. It is still significant for the U.S. operation.

Steve Cawley *- TD Newcrest - Analyst*

And was that announced initially?

Karen Maidment *- Bank of Montreal - CFO and Adminstrative Officer*

I don't think we broke it out specifically, but it is around $20 million of the charge.

Steve Cawley *- TD Newcrest - Analyst*

And that is again for severance charges, non-customer facing people?

Karen Maidment *- Bank of Montreal - CFO and Adminstrative Officer*

Absolutely, and it would be charged -- it would be recorded in the corporate segment of the U.S.

Steve Cawley *- TD Newcrest - Analyst*

I know Harris isn't a big portion of the total consolidated but it just seems a little disappointing to me after we've been talking about the charter consolidation, we have been talking about the level of expenses that were incurred for putting together a better technology platform. I guess I am just surprised that Harris needs this.

Karen Maidment *- Bank of Montreal - CFO and Adminstrative Officer*

I think that all those initiatives are important, and they will pay off for us. What this really was, was looking at the back office operations enterprisewide. So if you look at our expense base, about $6 billion, we looked at the non-client facing activities, which represented about $2.2 billion of that across the enterprise, and we looked for duplication of functions or where there was handoffs that weren't necessary or where there were opportunities to streamline. So it is not a reflection of Harris on its own. It is more their part of the overall enterprise initiative.

Steve Cawley *- TD Newcrest - Analyst*

One last one Karen. Accounting guideline 3855 I see the slide in regards to the impact and other comprehensive income on equity. And the income statement impact.

Karen Maidment *- Bank of Montreal - CFO and Adminstrative Officer*

Is almost nothing.

Steve Cawley *- TD Newcrest - Analyst*

The CIBC numbers kind of threw me for a loop on the investment securities that jumped up so much. There was nothing like that for you guys.

Karen Maidment - ***Bank of Montreal - CFO and Adminstrative Officer***

No, not for us.

Steve Cawley - ***TD Newcrest - Analyst***

Okay. Thank you.

Operator

Brad Smith, Blackmont Capital.

Brad Smith - ***Blackmont Capital - Analyst***

Ellen, this would be a question for you. I was just wondering with respect to your technology platform and the scalability I guess the First National has been perhaps one of the larger opportunities you've had to sort of road-test that. Can you tell us a little bit about the experience that you had there?

Ellen Costello - ***Bank of Montreal - P&C U.S.***

We just closed in January, as you know, and we are planning to convert that platform in May. And so since we did three last year we are pretty experienced at this. In fact, we are converting faster than we did in most of the acquisitions that we undertook because of the experiences in the entire team. So we are happy the Harris connect platform was fully rolled up by the end of last year so it puts us in a great position that there are no more moving pieces related to that and we can then make the clean conversion in May for the First National platform.

Brad Smith - ***Blackmont Capital - Analyst***

So the timeframe then for First National is January closing to May; that is the way we should look at that?

Ellen Costello - ***Bank of Montreal - P&C U.S.***

May will be when we will actually convert in May and all those banks will be called Harris at that time, and the Harris product offering will be available. You will start to see some expenses probably in that quarter, as well as the next quarter just the part of the pre and post work on the conversion.

Brad Smith - ***Blackmont Capital - Analyst***

Okay, great. And just with respect to what we were discussing earlier about just slowing down a little bit the branch build out, etc. and continuing sort of challenging environment. Is there a silver lining to that? Do you think that that is going to improve acquisition opportunity potential? And could you tell us -- give us some idea what the relative returns are looking like between branch build out growth returns and acquisition growth returns?

Bill Downe - ***Bank of Montreal - President, CEO BMO Financial Group***

I think there will be a silver lining. There is going to be a silver lining clearly from the attention that we are paying to expense. As Ellen said, we are getting better at the integrations, and we have very clear visibility on those integration costs for the next seven months. And I can assure you that the attention of management is very closely focused on meeting those numbers. The dynamic between building branches and acquiring branches, as you recall, if you go back a year or two ago, building branches is very attractive from a return on capital perspective. It has a little longer payback as they have to get to breakeven.

I think the slowdown in the market has changed that dynamic a little bit in that building branches in a slowing market is less advantageous than it would have previously been. And I think the opportunity to buy banks increases because smaller management teams are facing boards of directors who are saying that they had expected the pressure to abate, the yield curve pressure to abate. And you are seeing I think they are actually very concerned, a number of banks are very concerned about the outlook.

Clearly our loan portfolio, and this is something you should always bear in mind, our loan portfolio is very clean. The areas that are of most concern in the U.S. market the sub prime lending business and the nontraditional mortgage business we have not participated in. There are some other big U.S. banks that have not participated in those sectors either, and I think that is where you're going to see two classes of banks. The difference between buyers and sellers will be the ones that have very clean portfolios versus the ones that were reaching for yield in a flat yield curve environment. And as to when you're going to see that, it is always a question of will it be in terms of months or in quarters.

Brad Smith - ***Blackmont Capital - Analyst***

That's an interesting point, though. I guess the assessment or due diligence, if you have nonprime participants buying prime participants that are under pressure, I guess that would argue for a higher going in rate of return than perhaps a year ago, on just a vanilla acquisition. Is that right?

Bill Downe - ***Bank of Montreal - President, CEO BMO Financial Group***

Yes.

Brad Smith - ***Blackmont Capital - Analyst***

And your ability to assess those portfolios this idea of a falling knife --.

Bill Downe - ***Bank of Montreal - President, CEO BMO Financial Group***

I think that is clearly a risk. In our own due diligence process we are very disciplined about sampling loans. We've done enough acquisitions now that we know how important it is to go in and actually pull loan files and sample loans. That is one of the reasons why more of the deals that we look at are one-on-one negotiated deals; in a tender it is very difficult to be able to take that level of caution. But you can make adjustments after you do that sampling process.

The other element is we have a very good collection process inside our own company and our workout group is very strong. That said, we have a bias towards buying quality assets, and I don't think you would see us looking at a bank that we concluded was in deep trouble.

Brad Smith - ***Blackmont Capital - Analyst***

Thanks so much.

Operator

Mario Mendonca, Genuity Capital Markets.

Mario Mendonca - ***Genuity Capital Markets - Analyst***

Good afternoon. Karen, quick question, the goodwill up about $200 million, it is not an enormous number, but what does that relate to? That could not be First National?

Karen Maidment - ***Bank of Montreal - CFO and Adminstrative Officer***

It actually is. We closed the deal in January so we booked the purchase equation but the P&L because of the lag effect comes through the financials starting in the next quarter. So if you went over to the supplementary package on slide 24 you would see the breakdown of it and the components of it.

Mario Mendonca - ***Genuity Capital Markets - Analyst***

So did you ever disclose what you paid for First National?

Karen Maidment - ***Bank of Montreal - CFO and Adminstrative Officer***

The goodwill was $168 million and the total purchase price was $325 all in Canadian dollars.

Mario Mendonca - ***Genuity Capital Markets - Analyst***

The question for Frank, can't let him off that easily, we see mortgage market share declining a little bit. Personal loans picking up a bit and just yesterday the bank announced that you are dropping mortgage rates again. How was this different from last year? When mortgage rates came in and dropped fairly substantially and it impacted the banks margins?

Frank Techar - ***Bank of Montreal - President, CEO, Pers. & Comm. Banking Canada***

A couple of points I would make Mario. The first one is about nine months ago we made a decision to stop purchasing third party mortgages. And that has been the biggest driver of our share decline over that period of time. In the last month or so we've also made a decision to exit the broker channel. We are no longer offering our mortgages through the broker channel here in Canada, and we are going to focus on our own proprietary sales forces in our branches and our mortgage specialist sales forces. So we've made some specific management decisions, which have impacted that mortgage share number that you see. So it is not unanticipated.

Going forward our expectation and our objective is to make that number increase. We think we can grow share with our own proprietary channels. We are going to be in the marketplace in the spring campaign and the announcement relative to our prices is in support of those activities. Our prices, there has really been no change to our strategy, our current strategy; our posted rates are comparable to all of the other major competitors, and we've put in the marketplace an attractive three and five-year rate sale, if you will. But we are going to manage discretion off of our posted rates, and we think we can manage the margins appropriately. So our expectation is no change in margins. We're hoping to drive volume in and we're going to be adding to our proprietary sales forces.

Mario Mendonca - ***Genuity Capital Markets - Analyst***

So you anticipate no change in margins even though the three and the five-year?

Frank Techar - ***Bank of Montreal - President, CEO, Pers. & Comm. Banking Canada***

We do not believe we will see any material impact on margins. We're going to manage our discretion appropriately and, quite frankly, last year that is the thing that hurt us a bit.

Mario Mendonca - ***Genuity Capital Markets - Analyst***

It was with discretion.

Frank Techar - ***Bank of Montreal - President, CEO, Pers. & Comm. Banking Canada***

As we went into the spring, yes.

Mario Mendonca - ***Genuity Capital Markets - Analyst***

Okay, the discretion was the issue then?

Frank Techar - ***Bank of Montreal - President, CEO, Pers. & Comm. Banking Canada***

Yes.

Mario Mendonca - ***Genuity Capital Markets - Analyst***

On IBG, very quickly I can very much appreciate this is sort of BMO's sweet spot here when others are backing away. But a question for Bob. Has BMO ever grown U.S. IBG at 35% in over a twelve month period?

Bob McGlashan - ***Bank of Montreal - EVP, Chief Risk Officer***

I would have to go tracking back through history to know the answer to that. Yvan may actually know that.

Yvan Bourdeau - ***Bank of Montreal - CEO, BMO Capital Markets***

I'm not sure of the 35% but I think some of us around this table remember that in the mid-90s leading towards year 2000, IBG was growing at a very fast clip and I don't remember if it was 35% year-over-year. There is a huge difference between that period of time and today. That period of time in the U.S. we were growing mainly with so-called multinational or certainly large companies that with whom we had practically no chances whatsoever. And probably not a product offering certainly at the time to update any kind of collateral business. So that is why you may remember starting in 1989 we reduced our risk-weighted assets by actually $39 billion.

And the reason -- Canadian dollar that is -- and that was elimination of those what I would call non-relationship. That effectively were clustering our balance sheet in IBG but for whom we had actually no chance of improving the ROE which was in a very low single digit. The portfolio that we have today, as we were saying earlier, is a portfolio that we feel very comfortable with. A portfolio where we think we can compete against our Canadian peers and certainly against the U.S. peers that we compete with in the marketplace. And therefore we feel that it is a sound, much better diversified and a portfolio that will enable us to generate collateral business. So we feel -- and that was part of our business plan incidentally.

Mario Mendonca - ***Genuity Capital Markets - Analyst***

And this has been going on for a little while; this isn't new to BMO now, this has been going on for a few years now?

Yvan Bourdeau - ***Bank of Montreal - CEO, BMO Capital Markets***

We put the plan specifically in about 3.5 years ago. It always takes some time to get some traction. We've built up in terms of talent. We've hired dozens of very qualified people. We've broadened the number of sectors that we cover and also depth in each of those of those sectors. And the plan was for the last 2.5 years to increase the number of clients and increase the relationship that we have with them. And we see tangible signs that things are happening, whether it is the mundane cash management and through the more desirable M&A type of assignment that we are obtaining today. There is no way 24 months ago that we would have the amount of fees that we are receiving today if it wasn't for the step that we put in place and the growth we've experienced over the last 24 months.

Mario Mendonca - ***Genuity Capital Markets - Analyst***

Finally just a very broad question Bill or Bob, either probably would be appropriate for this; you explained that risk premiums right now are extremely thin. We all know that credit spreads are very thin and notwithstanding the sub-prime market where things have blown out, credit spreads are still rather thin. And this seems to be the time that BMO feels it is appropriate to push on the risk side, growing the risk-weighted assets. Pushing a little harder on trading, commodity specifically. Why with risk premiums as thin as they are credit spreads as thin as they are, why now?

Bill Downe - ***Bank of Montreal - President, CEO BMO Financial Group***

I think it's fair to say that we are being as judicious as we've always been on risk returns, so on the trading side there is no change in that equation. If the risk return isn't there, then you're not going to see the trading positions. On the lending side we have, as Yvan said, been expanding this capability for more than a couple of years. So the commitments showing up are not the result of first call on the client have an opportunity to do business. And if you look at the spreads in the corporate loan market in the United States they are still very healthy 230, 240 basis points.

So we've been very involved in this market for a number of decades, and we are seeing very good business. And we anticipate that the calling programs and the broadening of the coverage on those clients is going to pay off. Because our competitors historically at the first sign of trouble pull out.

Mario Mendonca - ***Genuity Capital Markets - Analyst***

And just one final thing, just popped into my head, commodities last quarter loss, that was related to the Amaranth squeeze this quarter, anything to offer us?

Yvan Bourdeau - ***Bank of Montreal - CEO, BMO Capital Markets***

We had practically no exposure whatsoever to that client, and the loss that you see is similar to a Q4, very low volatility during the quarter. Our clients are quite unique, as I said previously. When volatility comes down there is hardly any flow emanating out of them and therefore what we stayed on the sideline and that is why we had less trading revenue emanating out of the commodities booked from natural gas as well as oil, versus for instance the first three quarters of 2006.

Mario Mendonca - ***Genuity Capital Markets - Analyst***

But last quarter you described it as an unusual thing caused by liquidity squeeze associated with Amaranth's demise this quarter.

Yvan Bourdeau - ***Bank of Montreal - CEO, BMO Capital Markets***

This quarter I think is intrinsically the market we are not as productive as they would be normally. I think it is that simple.

Mario Mendonca - ***Genuity Capital Markets - Analyst***

To generate a loss you would've had to have some open positions again, I suppose.

Yvan Bourdeau - ***Bank of Montreal - CEO, BMO Capital Markets***

We had some, but the way we actually trade in both commodities is one that I feel is very safe in the sense that we would actually buy some options. And therefore we have on a daily basis a beta that we have to pay on a regular basis. And if the volatility does not increase, obviously you just have to carry on that cost on a daily basis. So it doesn't come necessarily from an open position, but it comes from a very well-known risk profile with a very well-known also potential downside as opposed to be totally open.

Mario Mendonca - ***Genuity Capital Markets - Analyst***

Totally understand that. Thank you so much.

Operator

Darko Mihelic, CIBC World Markets.

Darko Mihelic - ***CIBC World Markets - Analyst***

Thank you, if I can just follow-up on the restructuring charge, Karen, and I recognize you don't want to help us or provide too much guidance with respect to the cost savings. But as I understood it there was also going to be some strategic initiative spending that was going to benefit from this. Is there anything you could help us on with that side; which part of the business it is going to be in and possible impact?

Karen Maidment - ***Bank of Montreal - CFO and Adminstrative Officer***

The restructuring charges really, as I said, was designed to reduce the cost, make things more efficient but also help us with the effectiveness in dealing with the front office. So we wanted to redeploy resources to the front lines, and as we've talked about particularly in the retail operation in Canada, as well as the wealth management where we think we are very advantaged that we want to keep putting more distribution in place and support incremental dollars, supporting the front-line operations.

Darko Mihelic - ***CIBC World Markets - Analyst***

So this would be something like the mortgage specialists I guess with Frank and --.

Karen Maidment - ***Bank of Montreal - CFO and Adminstrative Officer***

That is sort of the idea, yes.

Darko Mihelic - ***CIBC World Markets - Analyst***

Okay, great. Thank you.

Operator

This concludes our question period. I would now like to turn the meeting back over to Ms. Lazarus. Please go ahead.

Viki Lazaris - ***Bank of Montreal - SVP, IR***

Thank you, operator. We would like to thank all of you for participating with us today. If you have any further questions please contact the Investor Relations group and thank you, and good afternoon.

Operator

Thank you. The meeting is now over. You may disconnect your lines at this time. Thank you for your participation, and have a great day.