



## **RISK REVIEW**

SECOND QUARTER 2004

### **M.G. MAILA**

*Executive Vice-President and Head of  
Market and Operational Risk*

Investor Community Conference Call  
May 26, 2004

# 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 2004 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.*

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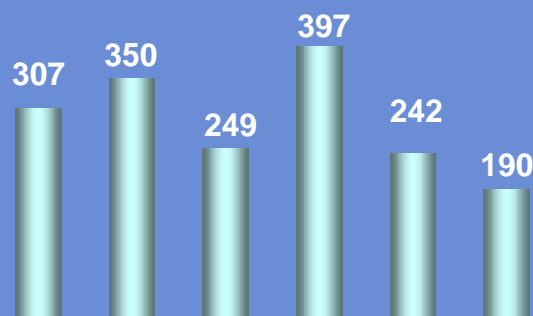
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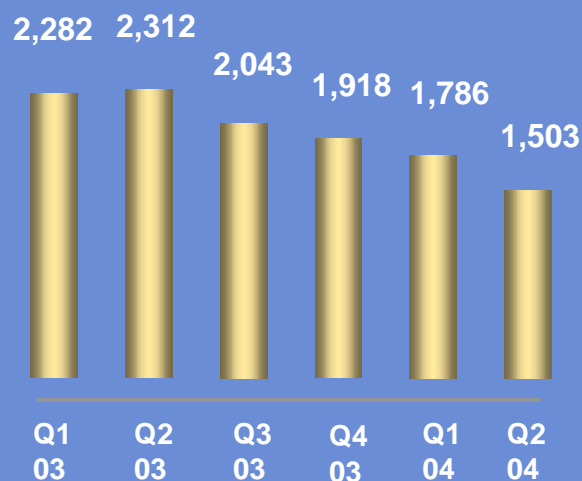
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**Formations of Gross Impaired Loans (GIL's) (C\$ Million)**



**GIL's (C\$ Million)**



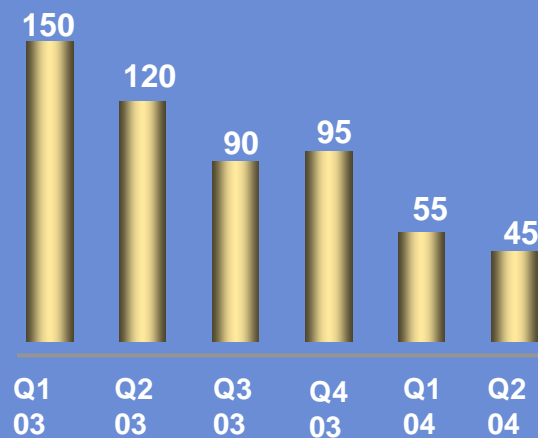
***Total PCL** of \$5 million for the quarter reflects continued improvement in credit performance and a \$40 million reduction in the General Allowance*

<u>Portfolio Segment</u>	<u>Provision for Credit Losses (PCL) (C\$ Million)</u>		
	<u>F2004</u>		
	<u>Q2</u>	<u>Q1</u>	<u>YTD</u>
Consumer	42	42	84
Commercial	26	22	48
Corporate	(23)	(9)	(32)
Specific Provisions	45	55	100
Reduction of General Allowance	(40)	(40)	(80)
Total PCL	<b>5</b>	<b>15</b>	<b>20</b>
Specific PCL as a % of Avg Net Loans & Acceptances (incl. Reverse Repos)	12 bps	15 bps	13 bps

Net Specific PCL's consist of:

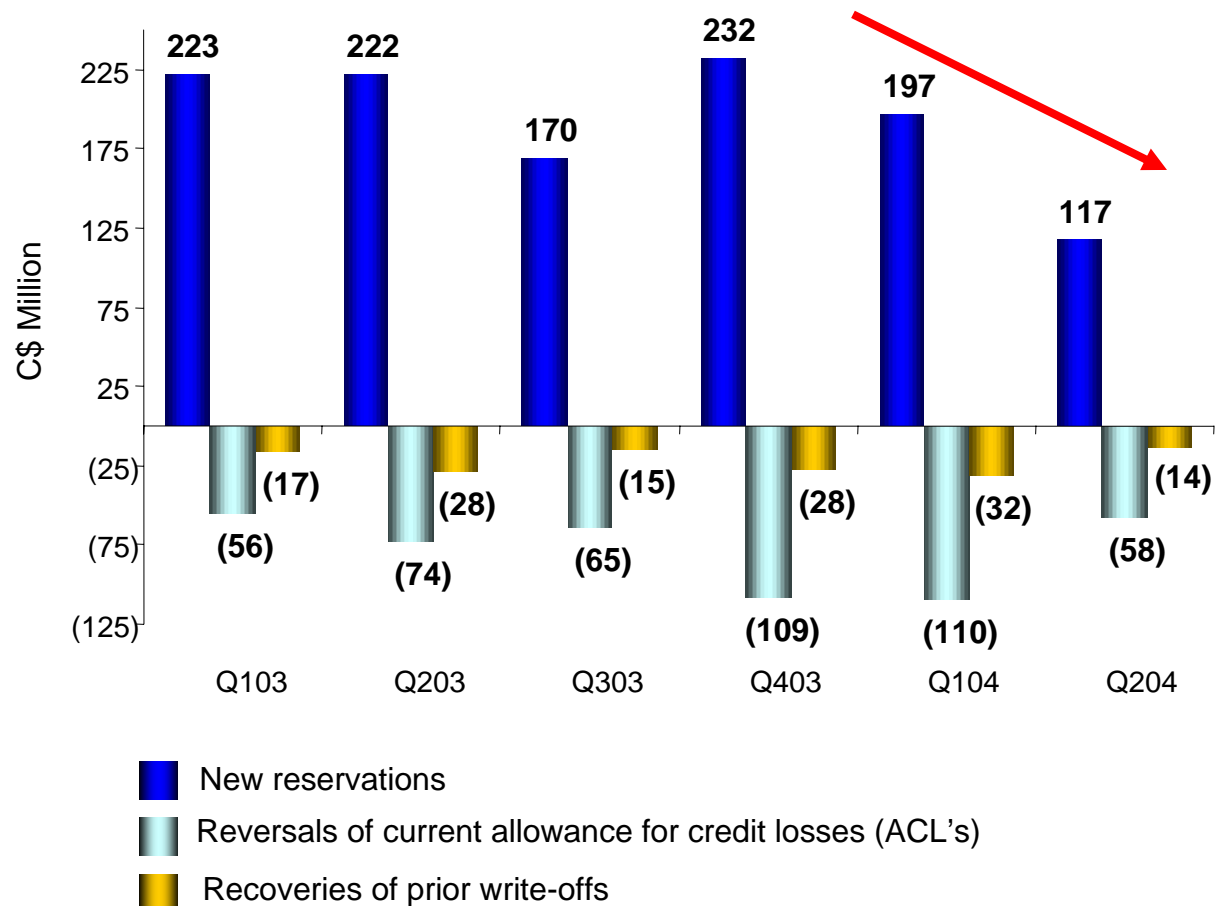
- New reservations
- Reversals of current fiscal year allowances
- Recoveries of amounts previously written off

Specific PCL (C\$ Million)



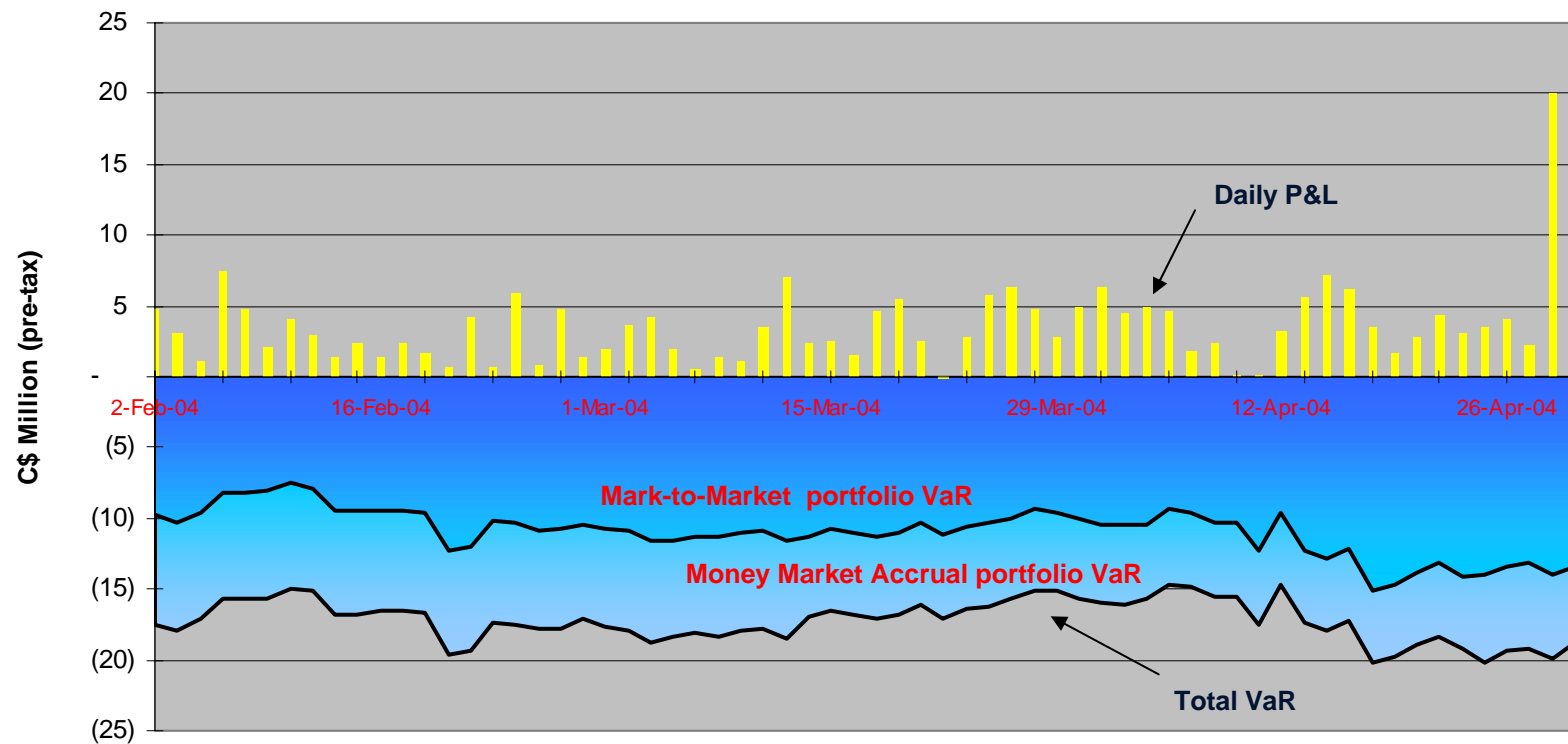
*Specific PCL's have benefitted over the past three quarters from strong reversals and recoveries and more recently lower new reservations*

Net Specific PCL Components



*Trading and Underwriting* performance was quite profitable during the quarter

Daily P & L versus Value at Risk (VaR)  
February 2, 2004 to April 30, 2004  
(presented on a pre-tax basis)



(Refer to Supplementary Financial Package page 32 for risk data - presented on an after tax basis)





## *Appendix*

## *Appendix*

7. Loan Portfolio Distribution – Consumer/Commercial/Corporate
8. Cattle Farming and Related Sectors (Canada)
9. Automotive Manufacturing and Supply
10. Structural Balance Sheet: Market Value Exposure and Earnings Volatility
11. Frequency Distribution of Daily Trading and Underwriting P&L

## *Loan Portfolio Distribution*

### *- Consumer / Commercial / Corporate*

**Total Gross Loans and Acceptances\* (C\$ Billion)**  
**As at April 30, 2004**

	<u>Canada</u>	<u>U.S.</u>	<u>Other</u>	<u>Total</u>	
Consumer					
Residential Mortgages	45	6	-	51	36%
Personal Loans	17	7	-	24	17%
Cards	3	-	-	3	2%
Total Consumer	<u>65</u>	<u>13</u>	<u>-</u>	<u>78</u>	<u>55%</u>
Commercial	29	6	-	35	25%
Corporate	<u>7</u>	<u>19**</u>	<u>2</u>	<u>28</u>	<u>20%</u>
Total	<u><u>101</u></u>	<u><u>38</u></u>	<u><u>2</u></u>	<u><u>141</u></u>	<u><u>100%</u></u>

\* Excludes reverse repos

\*\* Includes Harris Nesbitt mid-market portfolio of \$7 billion



## *Cattle Farming and Related Sectors (Canada)*

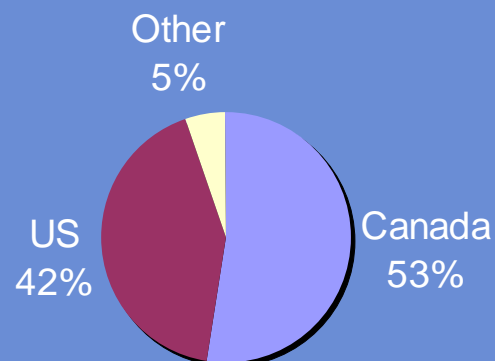
C\$ Million as at April 30, 2004

	Total Gross Loans & BA's	Gross Impaired	Net Impaired	Performing Portfolio	
				"Investment Grade"	"Non- Investment Grade"
Livestock, Field Crop and Horticultural	585	9	6	326	250
Feedlots and Cow/Calf Operations	514	11	7	202	301
Other Related Sectors	325	4	4	90	231
<b>Total</b>	<b>1,424*</b>	<b>24</b>	<b>17</b>	<b>618</b>	<b>782</b>

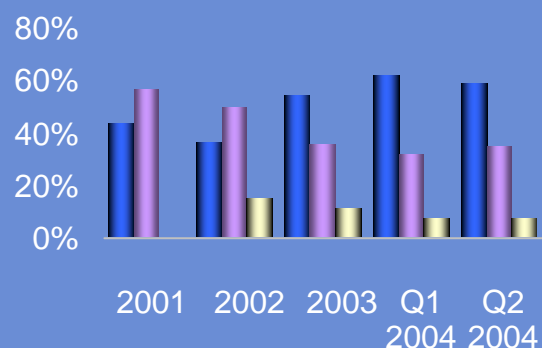
\* Represents 1% of the total loan portfolio (excluding reverse repos).

(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 25, 28 and 29.)

## Gross Loans & Acceptances by Geography



## Portfolio Migration (%)



- Performing-'Investment Grade'
- Performing-'Non-Investment Grade'
- Gross Impaired

## Automotive Manufacturing and Supply

C\$ Million as at April 30, 2004

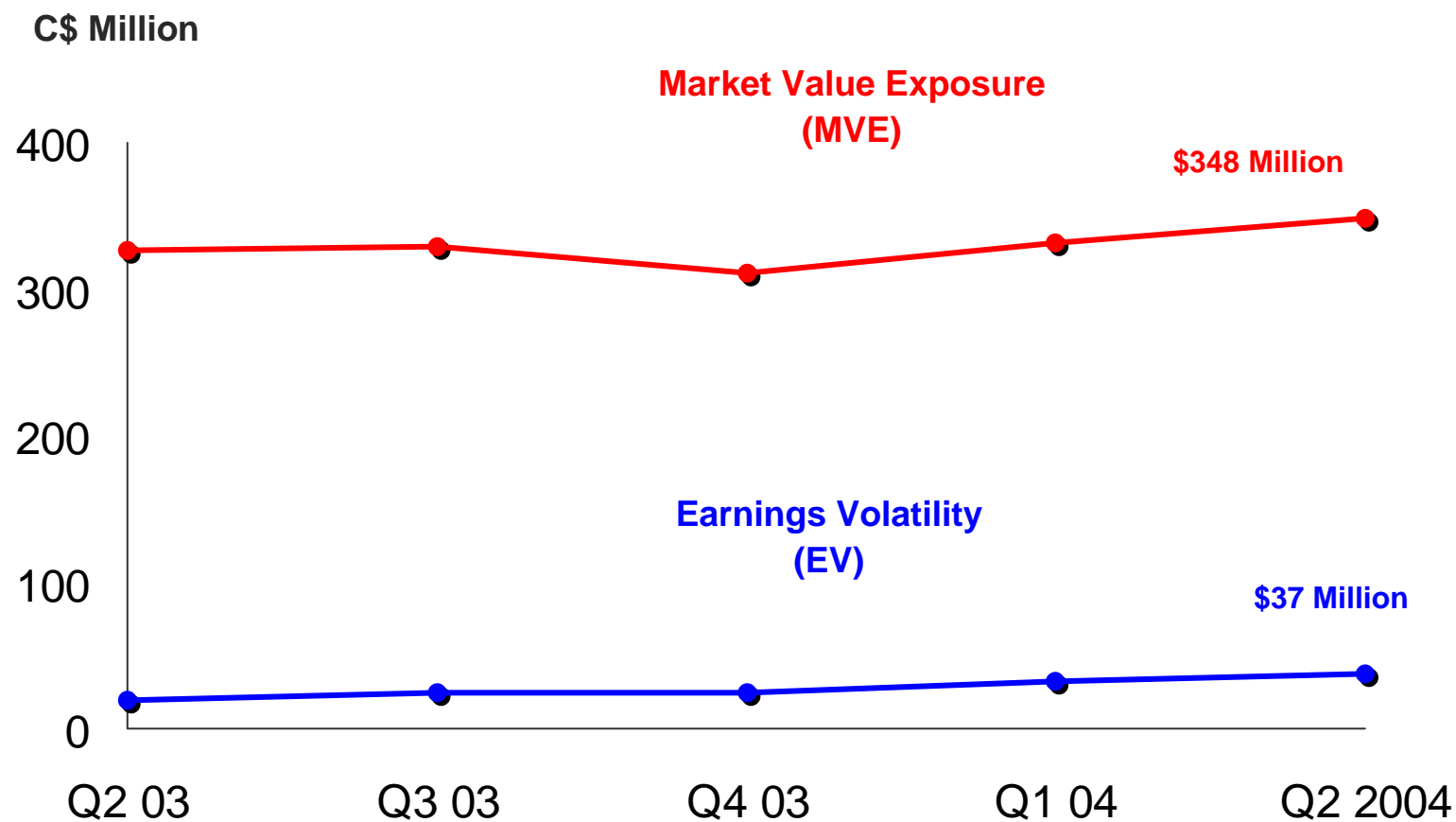
	Total Gross Loans & BA's	Gross Impaired	Net Impaired	Performing Portfolio	
				"Investment Grade"	"Non-Investment Grade"
Suppliers	493	38	34	253	202
Motor Vehicle Manufacturing	140	7	7	116	17
<b>Total</b>	<b>633*</b>	<b>45**</b>	<b>41</b>	<b>369</b>	<b>219</b>

\* Represents 0.4% of the total loan portfolio (excluding reverse repos).

\*\* U.S. 84%, Canada 16%

(Refer to the Supplementary Financial Package pages 25, 28 and 29)

## *Structural Balance Sheet:* Market Value Exposure and Earnings Volatility



(Refer to Supplementary Financial Package page 32 for definitions and risk data)

## *Frequency Distribution of Daily Trading and Underwriting P&L*

February 2, 2004 to April 30, 2004

