



## **RISK REVIEW**

**Q2 2002**

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Presentation

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### ***Credit Risk*** Highlights

- Specific Provisions for Credit Losses (PCL's) were \$320MM for the quarter (\$180MM excluding Teleglobe) for year-to-date PCL's of \$500MM
- Gross Impaired Loans (GIL's) are down \$43MM quarter over quarter notwithstanding Teleglobe (\$163 MM)
- Revised F2002 Guidance of \$775 to \$825MM reflects expectation that PCL's will be significantly lower in the second half of the year

**Revised Guidance** range of \$775 to \$825MM is adequate based on the following:

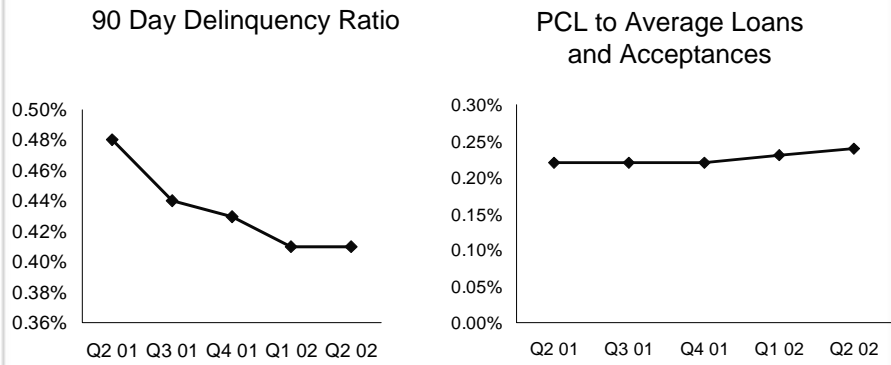
- Consumer and Commercial loan portfolios continue to perform well
- Exposure to the telecom and cable sectors has been reduced and the troubled long-haul fibre sub-sector is well provisioned
- With the exception of Teleglobe, the corporate loan portfolio is performing in line with expectations

**Together the Consumer and Commercial** portfolios continue to represent the bulk of the loan portfolio

**Total Gross Loans and Acceptances in C\$ Billion  
As at April 30, 2002**

	U.S.		Canada and Other		Total	
Consumer	10.3	8%	53.0	40%	63.3	48%
Commercial	5.6	4%	26.2	20%	31.8	24%
Corporate	24.6	19%	11.6	9%	36.2	28%
Total	40.5	31%	90.8	69%	131.3	100%

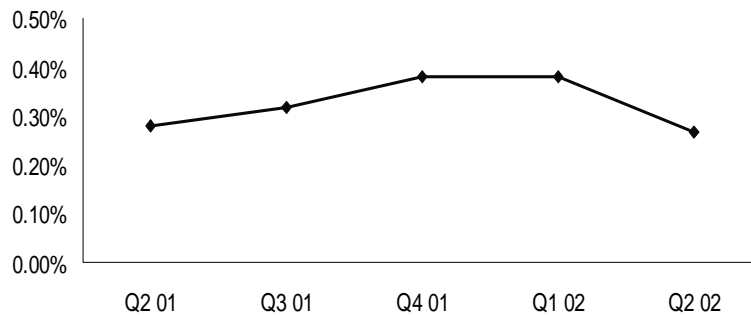
***The Consumer*** Portfolio continues to perform well



Refer to Supplementary Financial Package, pages 31 and 32

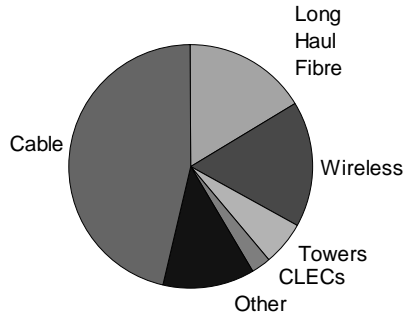
***And formations*** in the next largest single portfolio (Commercial in Canada) have declined significantly this quarter

Gross Impaired Loan Formations Ratio for the Canadian Commercial Portfolio

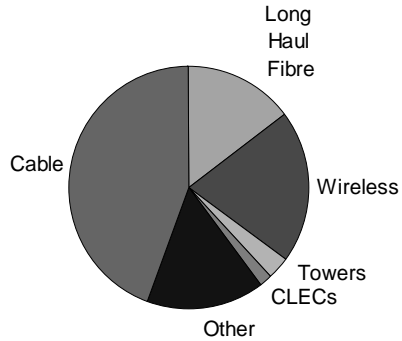


***Exposure*** to the telecom and cable sectors has been reduced...

Q2 2002  
Gross Loans and Acceptances  
\$2,388MM



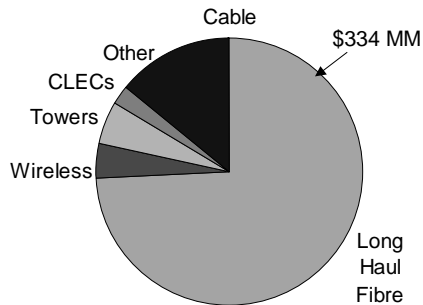
Q2 2001  
Gross Loans and Acceptances  
\$2,646MM



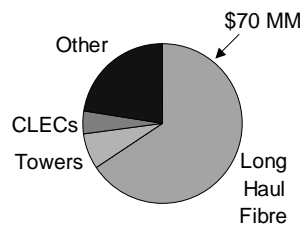
Refer to Supplementary Financial Package, page 23

***... and exposure*** to the troubled long-haul fibre sub-sector is well provisioned

Q2 2002  
Gross Impaired Loans  
\$423MM



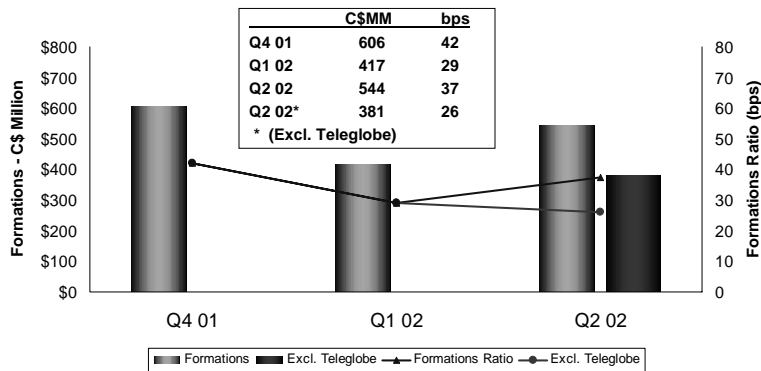
Q2 2002  
Net Impaired Loans  
\$107MM



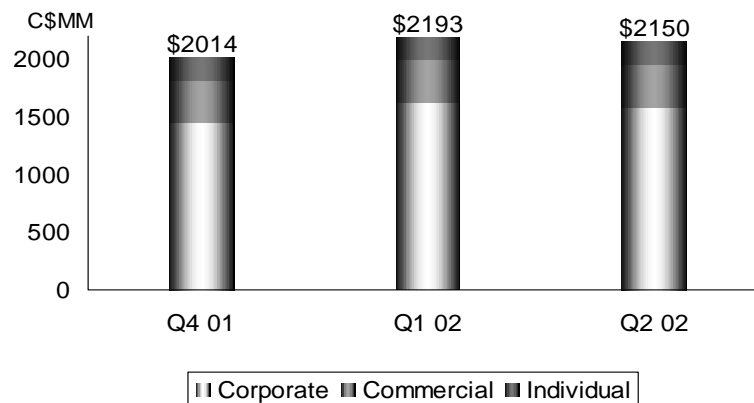
Refer to Supplementary Financial Package, pages 27, 30

***Excluding Teleglobe, GIL formations are declining in line with expectations***

Quarterly Formations and Formations as a percent of Net Loans and Acceptances (including Repos)

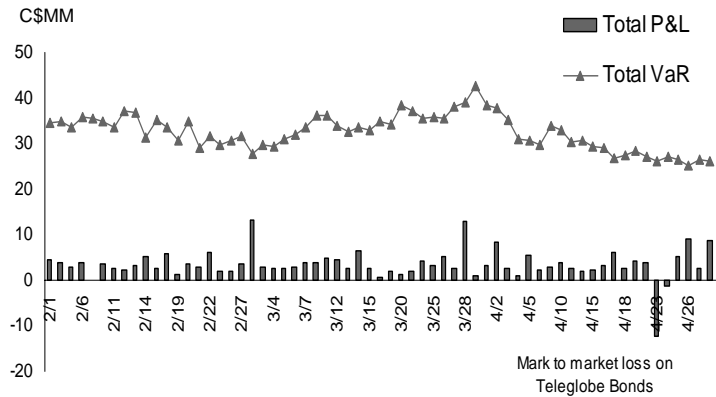


***Notwithstanding Teleglobe, GIL's have declined by \$43MM over the Quarter reflecting sales of problem loans of approximately \$300MM***



***Total Trading and Underwriting*** performance was within risk tolerances and relatively consistent in the quarter

Revenue versus Value at Risk for Q2 2002 (C\$MM pre-tax)



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

## Appendices

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## *Communications*

	Gross Loans and BA's C\$MM as at April 30, 2002			Net Impaired
	"Investment Grade"	"Non-Investment Grade"	Total	
Long Haul Fibre	-	394	394	70
Wireless	104	292	396	-
Towers	-	138	138	8
CLECs	-	60	60	5
Other	122	171	293	24
<b>Telecom</b>	<b>226</b>	<b>1,055</b>	<b>1,281</b>	<b>107</b>
Cable	424	683	1,106	-
<b>Telecom and Cable</b>	<b>650</b>	<b>1,738</b>	<b>2,388</b>	<b>107</b>
Broadcasting	130	588	718	21
<b>Total Communications</b>	<b>780</b>	<b>2,326</b>	<b>3,106</b>	<b>128</b>

Refer to Supplementary Financial Package, pages 23, 30

## *Power and Power Generation*

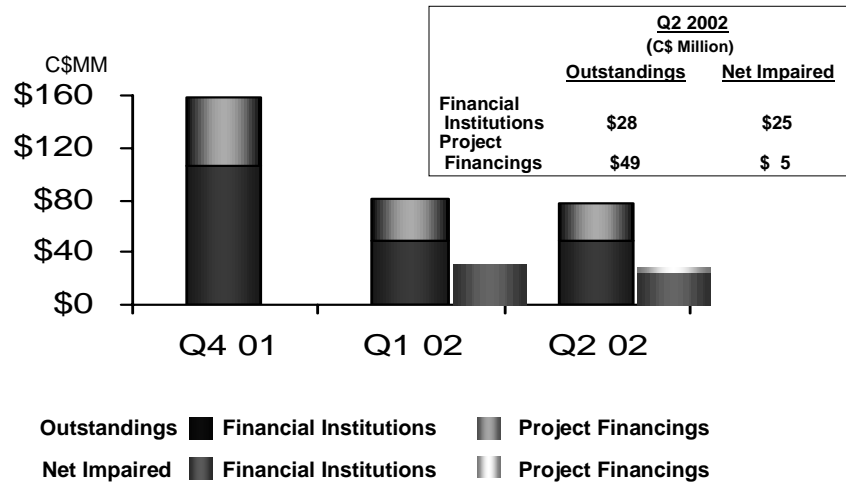
	Gross Loans and BA's C\$MM as at April 30, 2002			Net Impaired
	"Investment Grade"	"Non-Investment Grade"	Total	
Diversified Generation	170	267	437	-
Generation Projects with PPA's*	115	194	309	9
Regulated Utilities	210	41	251	-
Merchant Generation	29	63	92	8
<b>Total</b>	<b>524</b>	<b>565</b>	<b>1,089</b>	<b>17</b>

\* Power Purchase Agreements

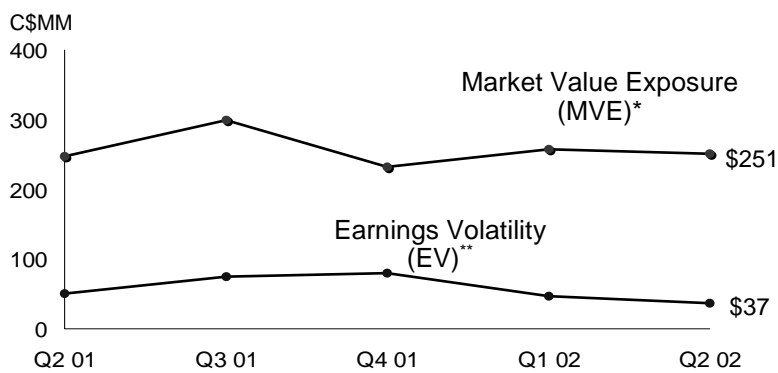
Power Generation is included as part of both Energy and Utilities in the Supplementary Financial Package (refer to pages 23, 30)

## Argentina

### Gross Loans and BA's



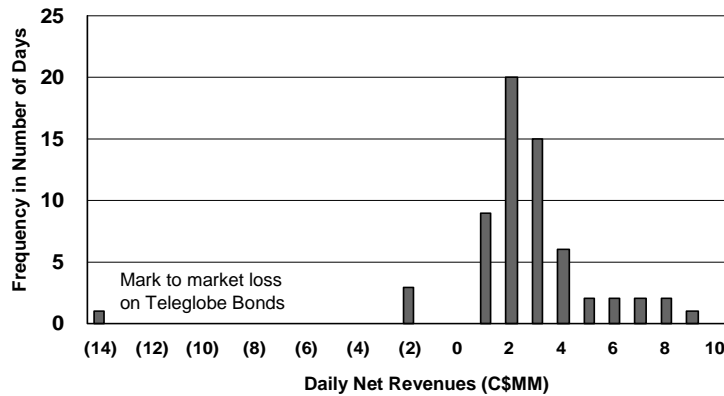
## Structural Market Risk



\* MVE = potential after tax impact on balance sheet values

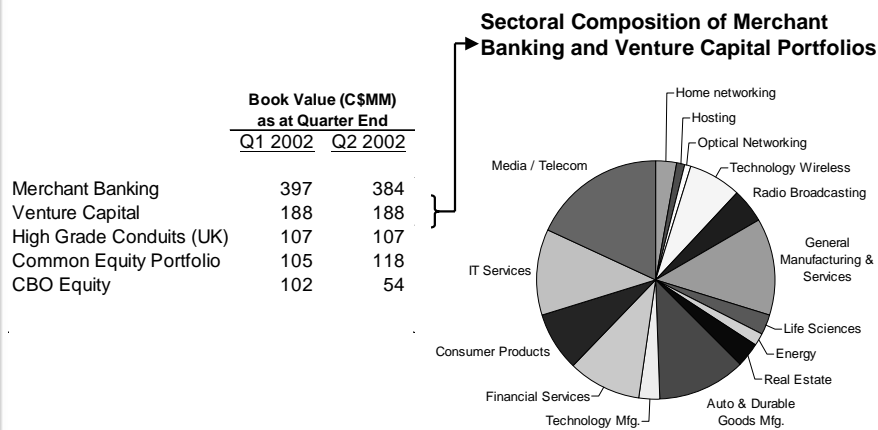
\*\* EV = potential impact on after tax earnings over the next 12 months

## Frequency Distribution of Daily Total Trading and Underwriting Revenue for Q2 2002



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

## Equity Investment Portfolios



# Forward-looking Statements

## Caution Regarding Forward-looking Statements

*This financial presentation includes forward-looking statements, which are made pursuant to the 'safe harbor' provisions of the United States Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to, comments with respect to our objectives, targets, strategies, financial condition, the results of our operations and our businesses, our outlook for our businesses and for the Canadian and U.S. economies, and risk management.*

*By their very nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, and the risk that predictions and other forward-looking statements will not prove to be accurate. We caution readers of this report not to place undue reliance on these forward-looking statements as a number of important factors could cause actual future results to differ materially from the plans, objectives, targets, expectations, estimates and intentions expressed in such forward-looking statements.*

*The future outcomes that relate to forward-looking statements may be influenced by the following factors: fluctuations in interest rates and currency values; regulatory developments; statutory changes; the effects of competition in the geographic and business areas in which we operate, including continued pricing pressure on loan and deposit products; and changes in political and economic conditions including, among other things, inflation and technological changes. We caution that the foregoing list of important 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 the foregoing factors as well as other uncertainties and potential events. The Bank does not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by or on behalf of the Bank.*

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