



Restructuring of Apex & Sitka Trusts

March 19 • 2008



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 2008 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.

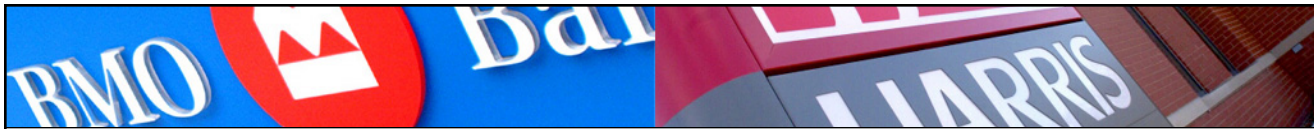
The future outcomes that relate to forward-looking statements may be influenced by many factors, including but not limited to: general economic and market conditions in the countries in which we operate; interest rate and currency value fluctuations; changes in monetary policy; the degree of competition 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 2007 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. The forward-looking information contained in this document is presented for the purpose of assisting our shareholders in understanding our financial position as at and for the periods ended on the dates presented and our strategic priorities and objectives, and may not be appropriate for other purposes.

In establishing the expectation that the maximum additional collateral required to be posted would not exceed the additional senior funding facility as discussed in this document, we assumed that BMO's credit rating would not be materially lowered.

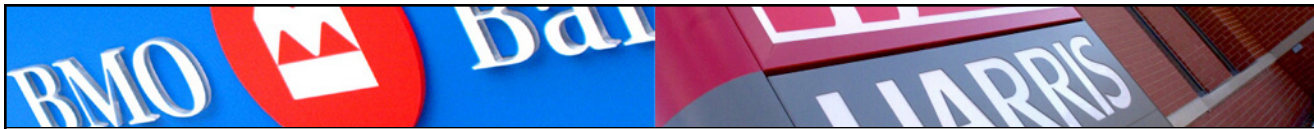
Material factors which were taken into account when establishing our expectation of the future risk of credit losses in Apex and Sitka Trusts as discussed in this document included industry diversification in the portfolio, initial credit quality by portfolio and the first loss protection incorporated into the structure discussed in this document.

In establishing our expectation that we would not be required to take further write downs on our remaining \$495 million net investment in the Trusts as discussed in this document, we assumed that the restructuring would be successfully completed and that any credit losses in the Trust's underlying positions would be low.



Conduit Summary – Apex /Sitka

- Apex/Sitka are stand alone conduits which provide credit protection (via credit default swaps) on a basket of primarily investment grade U.S. and European corporate credits on a leveraged basis
 - ▶ Issued \$2.1B of ABCP and MTN's to fund credit default swaps; debt rated R-1(high) and AAA respectively by DBRS at time of issue
 - ▶ BMO NB administers the Trusts
 - ▶ Liquidity lines were provided by credit default swap counterparties in the event of market disruption
- Credit quality of underlying portfolio is strong
 - ▶ Each of the underlying tranches in the Trusts has been rated AAA from a credit perspective by DBRS. This rating does not consider collateral call or funding risks.
 - ▶ Portfolio comprised of approximately 450 names that are predominantly investment grade
 - ▶ Names are generally very well diversified by industry and geography
 - ▶ No direct holdings of U.S. sub-prime mortgages and modest exposure to monolines representing 4.2% of aggregate of tranches; 100% rated A or better by S&P and 88% A or better by Moody's (100% Baa or better)
- Trusts have benefit of significant first loss protection
 - ▶ Will only experience credit losses if realized losses on underlying portfolio exceed first-loss protection thresholds which vary by tranche
 - ▶ Average first-loss protection threshold is 17% of underlying positions with a range from 9% to 38%
 - Only 6% of notional positions have less than 15% first loss protection in 2 tranches
- Market disruption since August 2007 resulted in significant collateral calls from credit default swap counterparties
 - ▶ Conduit unable to sell more notes to cover collateral calls due to market illiquidity



Apex/Sitka – Significant Sector Diversification

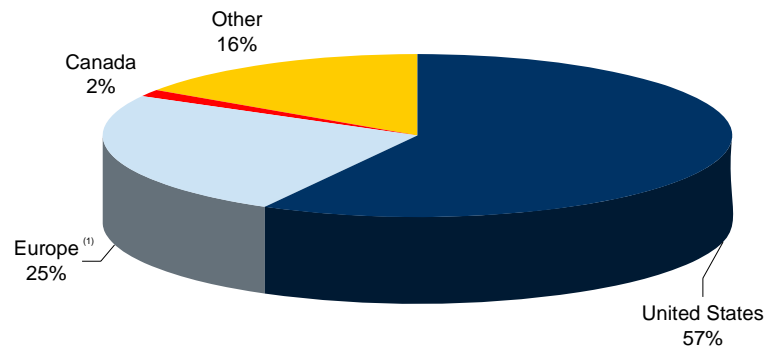
S&P Industry (at January 31, 2008)	Allocation (%) *	S&P Industry (at January 31, 2008)	Allocation (%) *
Aerospace & Defense	1.20	Food Service	1.54
Air Transport	1.44	Forest Products	4.26
Automotive	3.81	Healthcare	1.11
Beverage & Tobacco	3.10	Home Furnishings	1.74
Radio & Television	1.96	Lodging and Casinos	1.58
Brokers, Dealers & Investment Houses	1.95	Industrial Equipment	0.82
Building & Development	5.08	Insurance	4.20
Business Equipment & Service	3.94	Insurance - Monolines	4.20
Cable & Satellite Television	0.57	Leisure Goods/Activities	2.15
Chemicals & Plastics	4.47	Non Ferrous Metals & Minerals	1.28
Clothing & Textiles	0.99	Oil & Gas	2.35
Conglomerates	2.43	Publishing	3.81
Containers & Glass Products	0.83	Rail Industries	0.40
Cosmetics & Toiletries	0.15	Retailers ex Food and Drug	5.61
Drugs	0.86	Steel	1.26
Ecological Services & Equipment	0.11	Surface Transport	0.67
Electronics & Electrical	1.75	Telecommunications	8.21
Equipment Leasing	1.31	Utilities	3.83
Farming & Agriculture	0.15	REITS & REOCS	0.45
Financial Intermediaries	5.96	U.S. Agency (Explicitly Guaranteed)	1.44
Food & Drug Retailers	3.10	Sovereign	1.51
Food Products	2.42	TOTAL	100.0

* % allocation represents aggregate of tranches, allocation percentage will vary by each tranche

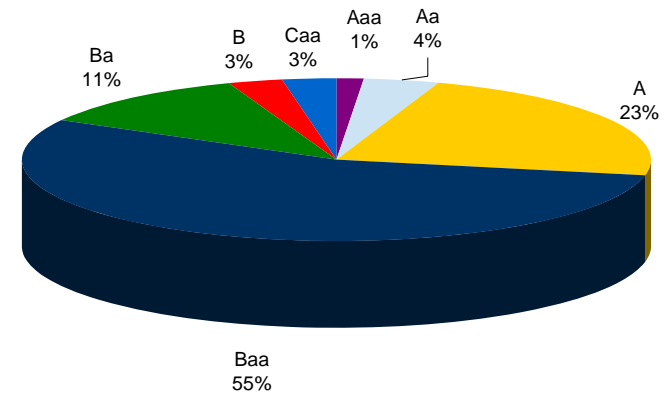


Apex / Sitka – Geographic Diversification and Credit Rating Composition

Geographic Diversification



Credit Rating Composition



1. Includes the U.K., France, Germany and the Netherlands.



Terms of Restructuring

- The term of the notes will be extended to maturities ranging from approximately 5 to 8 years to better match the term of the positions in the Trusts
- An additional senior funding facility in the amount of approximately \$1.15B will be provided to satisfy collateral calls. BMO will provide approximately \$850MM of this additional senior funding facility, \$200MM of which has been advanced in connection with these agreements.
- The maximum additional collateral required to be posted is not expected to exceed the senior funding
- The existing collateral plus the additional senior funding, which are available to absorb credit losses above the first-loss protection levels, total approximately \$3.3B and represent approximately 16 per cent of the net notional credit positions held by the Trusts (leverage of approximately 6.5x)
- The restructuring includes resolution of the two commercial disputes related to the Trusts previously disclosed by BMO

Implications to BMO

- Risk of credit loss to BMO is considered low
- BMO's investment in the Trusts will be approximately \$815MM
 - ▶ Accounted for as an available-for-sale investment, any mark-to-market adjustment flows through other comprehensive income
 - ▶ Losses recognized in income only if considered other than temporary
- Additional senior ranked funding facility of \$850MM
- Tier 1 capital impact is approximately 25bps
- BMO would have exposure to the swap counterparties for realized credit losses on notional credit positions held by the Trusts if those credit losses exceed the first-loss protection levels and posted collateral
- BMO will not be providing any protection from the risk of actual realized credit losses to subordinated noteholders
- BMO does not expect to take further writedowns on the approximately \$495MM remaining net investment it had in the Trusts as at January 31, 2008



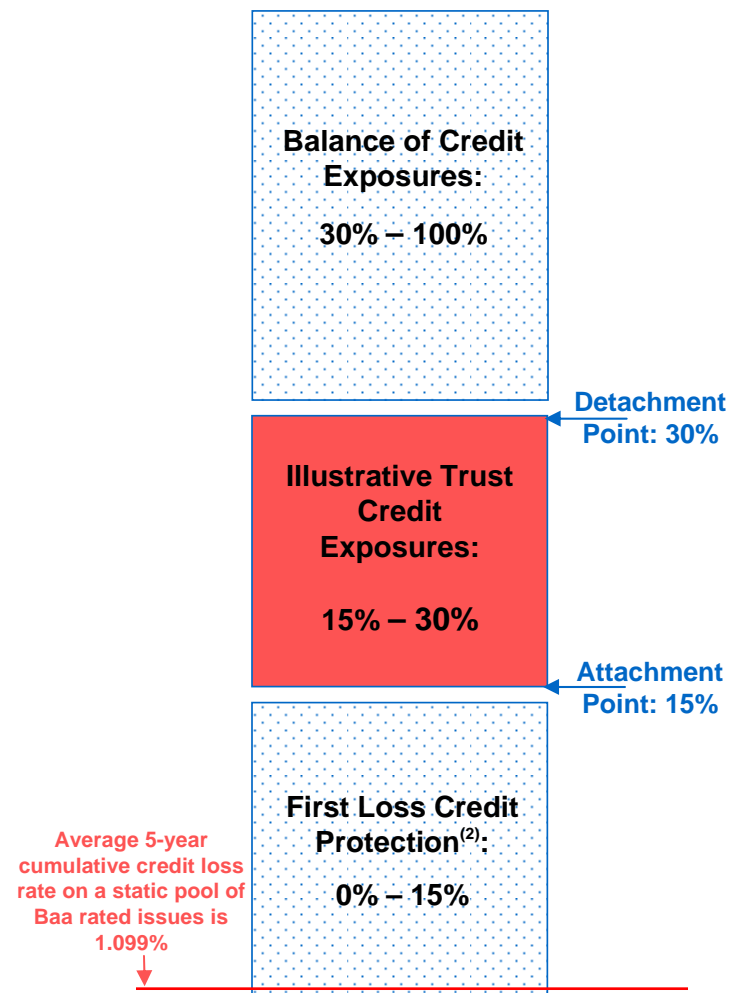
Credit Position Protected by Substantial First-Loss Protection

For illustrative purposes only

- This illustration shows how the credit exposures of the Trusts are protected by first-loss protection
- The Trusts have 12 tranches or positions, each of which:
 - ▶ Has credit exposures to predominantly investment-grade-rated and well-diversified credit pools; and
 - ▶ Is protected from loss by substantial first loss protection
- This means that the tranches within the Trust will only experience losses if realized credit losses on the exposures within each tranche exceed the first loss protection
- The Trusts provided 7 year credit default swap protection on approximately 450 corporate credits which are predominantly investment-grade-rated and are well diversified by geography and industry (5 years remaining).
 - ▶ As an example, a basket of 100 names, with equal weighting and 15% first-loss protection, would require the default on 25% of the portfolio before a loss is incurred (assuming a 40% recovery rate)
- The default rate above is significantly higher than what has been experienced historically – Moody’s average 5-year cumulative default rate for Baa (BBB equivalent) credits is 3.14% (1920-2007) and the average 5-year cumulative loss rate is 1.099% (1983-2007⁽¹⁾)
- Each of the underlying tranches in the Trusts has been rated AAA from a credit perspective by DBRS. This rating does not consider collateral call or funding risks.

1. Longer historical data unavailable.
 2. Average first-loss protection threshold is 17% of underlying positions with a range of 9% to 38%; only 6% of notional positions have less than 15% first-loss protection in 2 tranches.

Diversified Credit Pool (100%)





Investor Relations Contact Information

www.bmo.com/investorrelations

E-mail: investor.relations@bmo.com

Fax: 416.867.3367

VIKI LAZARIS

Senior Vice President

416.867.6656 ■ wiki.lazaris@bmo.com

STEVEN BONIN

Director

416.867.5452 ■ steven.bonin@bmo.com

KRISTA WHITE

Senior Manager

416.867.7019 ■ krista.white@bmo.com

BMO  **Financial Group**