



**Bank of Montreal**

Risk Review  
1st Quarter 2001

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*EVP Risk Management*

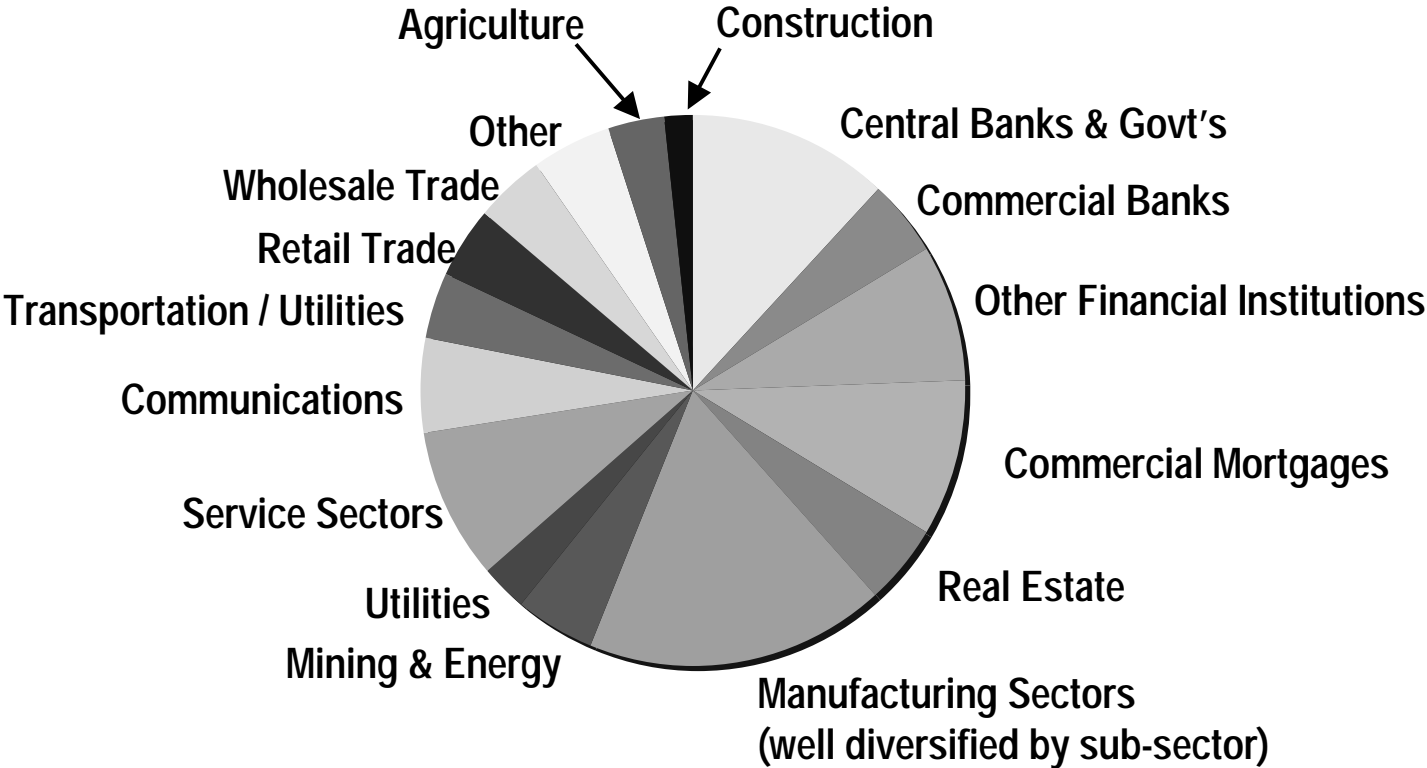
# Q1 2001 HIGHLIGHTS – CREDIT QUALITY

- Asset quality remains sound
- Performance is within expectations for current economic conditions
- Loan portfolio diversification limits further downside risks
- Provision for credit losses is targeted at \$400MM for F2001 (27 bps of total gross loans and acceptances)
- The \$1,080MM general allowance is at its highest ever level

# Q1 2001 HIGHLIGHTS – MARKET RISK

- Market value and earnings exposures remain within a narrow range
- Trading revenue is in line with value-at-risk profile

# THERE IS NO MATERIAL INDUSTRY CONCENTRATION IN THE CORPORATE & COMMERCIAL PORTFOLIO



THE BANK IS NOT SIGNIFICANTLY EXPOSED IN SEGMENTS  
CURRENTLY ATTRACTING PUBLIC ATTENTION OR CONCERN

Outstanding Loans and BAs to Selected Industry Sectors

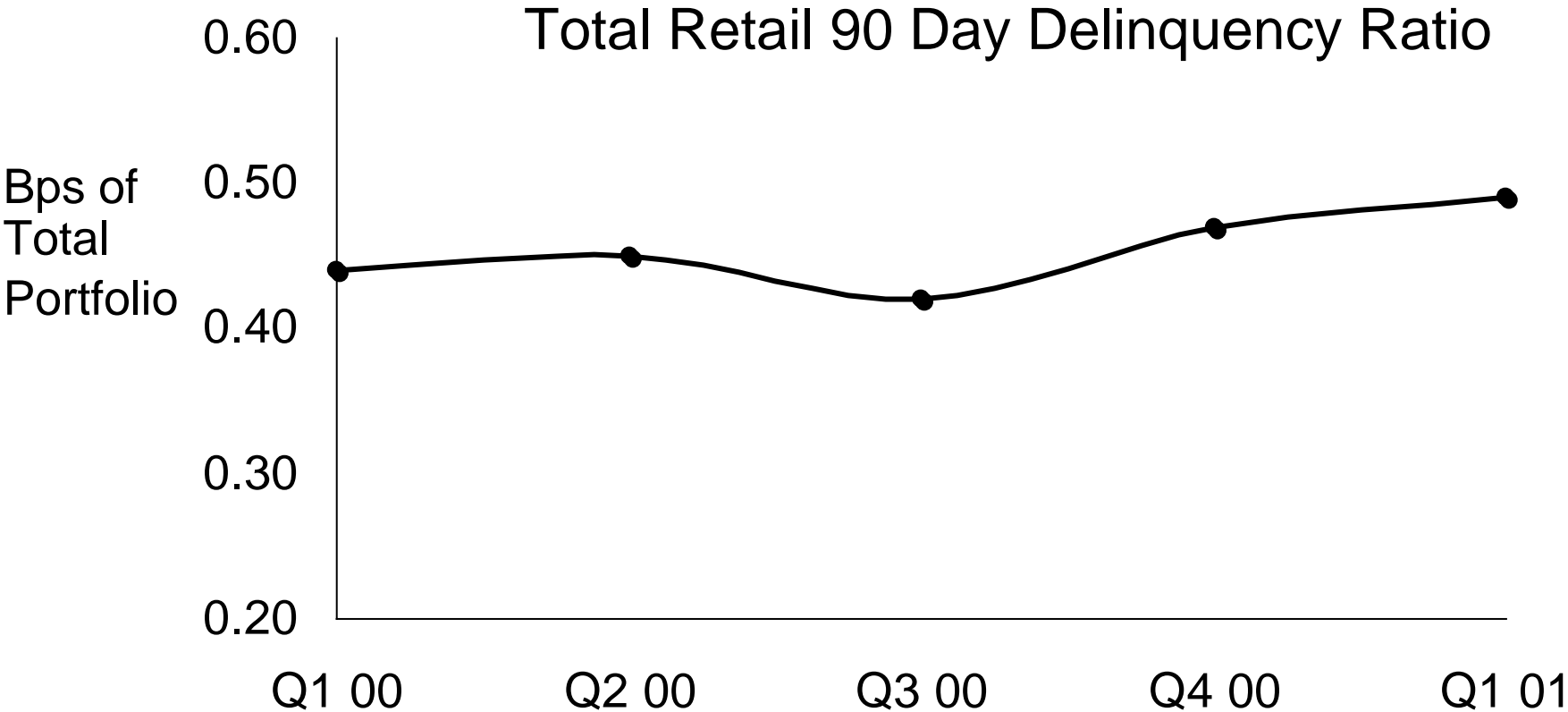
(As at January 31, 2001)

Industry Sector	\$(MM)	% of Portfolio
Media & Communications <sup>1</sup>	4,846	3.23%
Utilities <sup>2</sup>	2,070	1.38%
Auto	640	0.43%
Healthcare	577	0.38%
Steel	465	0.31%
Motion Picture	62	0.04%

<sup>1</sup> Of which impaired loans were \$34MM (versus \$28MM as at October 31, 2000).

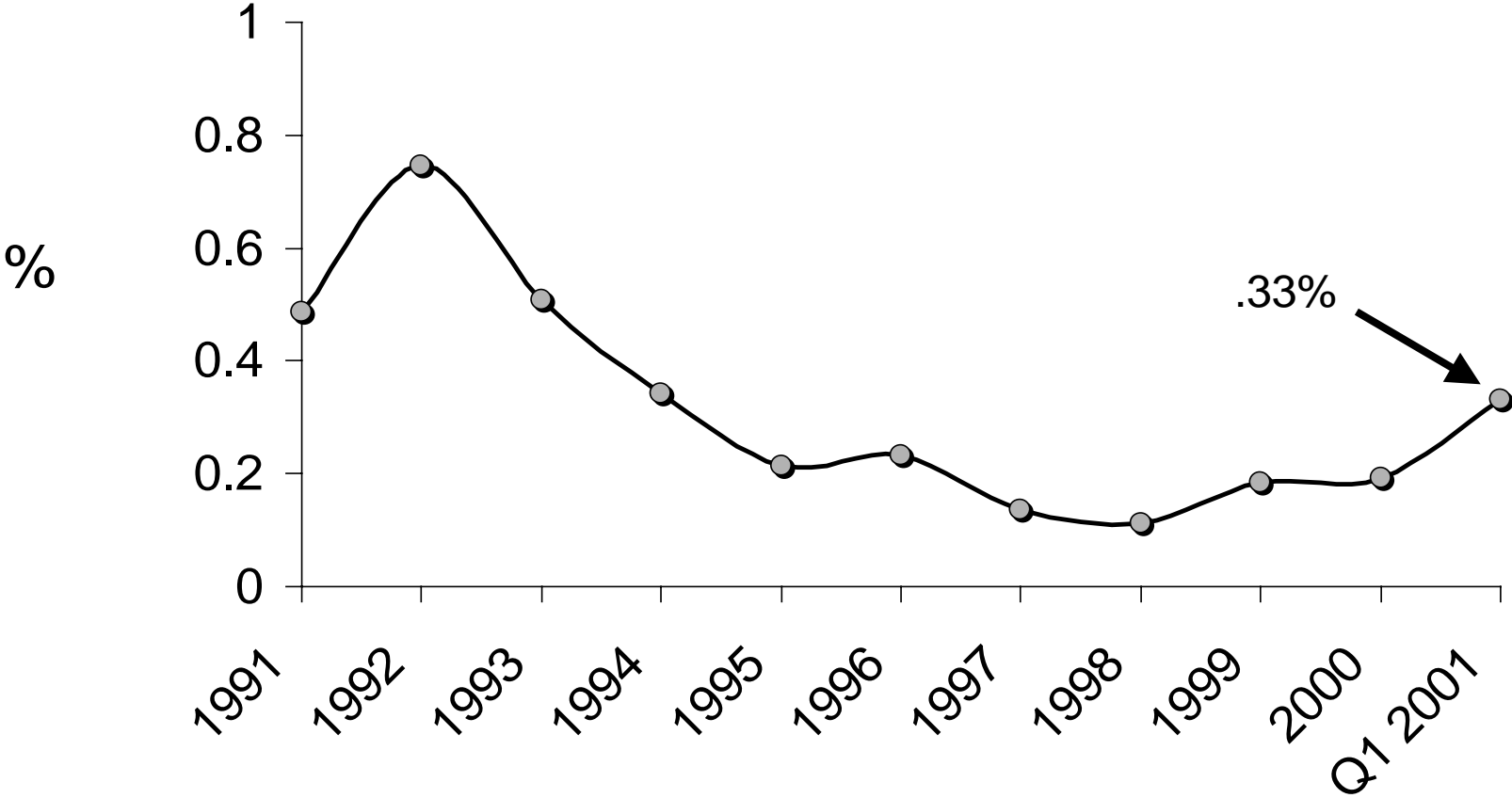
<sup>2</sup> Of which \$193MM was to California problem accounts

# MODEST UPTICK IN CONSUMER DELINQUENCY REFLECTS WEAKENING NORTH AMERICAN ECONOMY



# GROSS IMPAIRED LOAN FORMATIONS ALSO REFLECT THE SOFTENING ECONOMIC ENVIRONMENT IN NORTH AMERICA

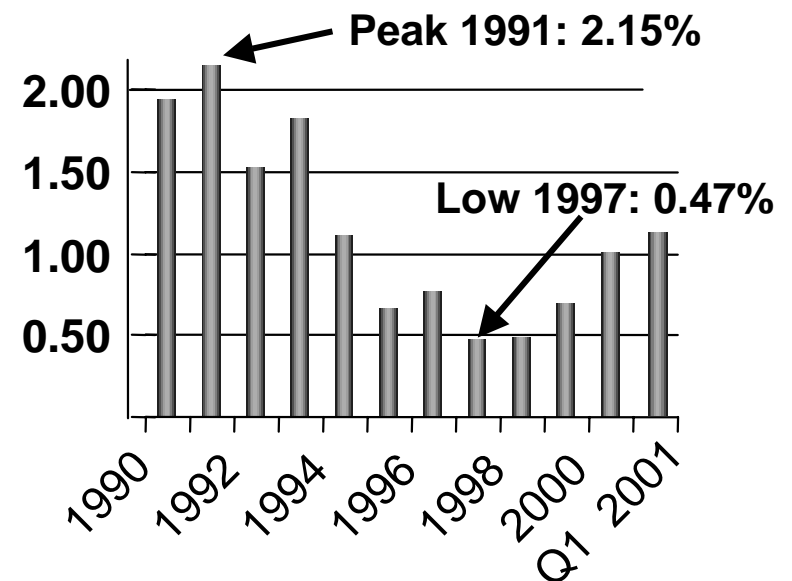
## Formations as a % of Loans & Acceptances



# HOWEVER INCREASED GROSS IMPAIRED LOANS REMAIN WELL WITHIN THE HISTORICAL RANGE

<b>Portfolio Segments (\$MM)</b>	<b>Oct 2000</b>	<b>Jan 2001</b>
Individual	197	211
Corporate & Commercial *	1,304	1,491
<b>Gross Impaired Loans (GIL)</b>	<b>1,501</b>	<b>1,702</b>
<b>% of Total Portfolio</b>	<b>1.04%</b>	<b>1.13%</b>

**Gross Impaired Loans as a % Of Total Portfolio\*\***



\* Includes Harris balances of \$ 144MM and \$ 153MM as at October 2000 and January 2001 respectively.

\*\* Excludes Commercial Real Estate and LDC exposures

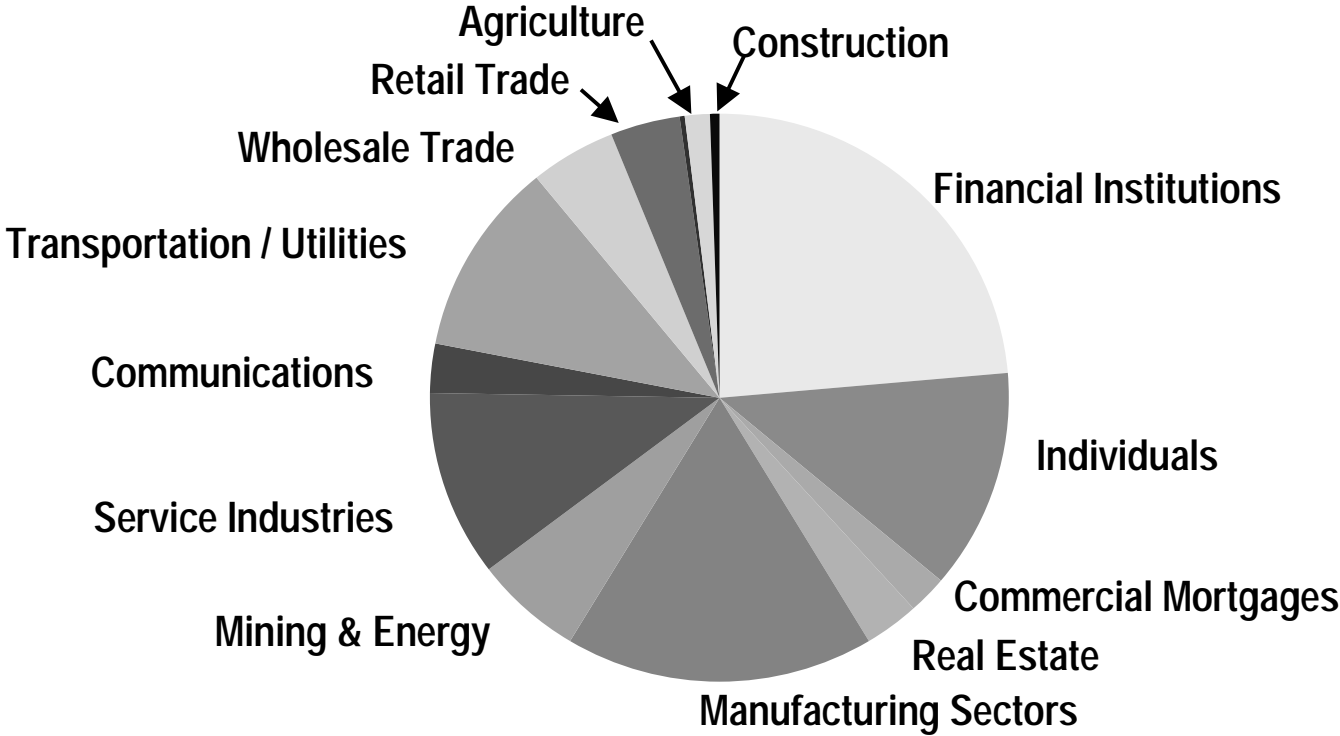
## MOREOVER BMO ACHIEVED VERY LOW INCIDENCE OF PUBLIC COMPANY DEFAULTS IN CALENDAR 2000

	Total*	BMO
Number of Defaults	167	7
US\$ Value of Defaults	\$49.1B	\$111MM

\* Source: Moody's Default and Recovery Rates Of Corporate Bond Issuers: 2000, report dated February 2001.

# AND NO SINGLE PORTFOLIO SEGMENT PRESENTS AN UNDUE IMPAIRMENT CONCENTRATION

## Gross Impaired Loans by Industry Sector (% of Total as at January 31, 2001)



# NET IMPAIRED ACCOUNTS GREATER THAN \$10MM ARE MANAGEABLE IN NUMBER AND AVERAGE SIZE

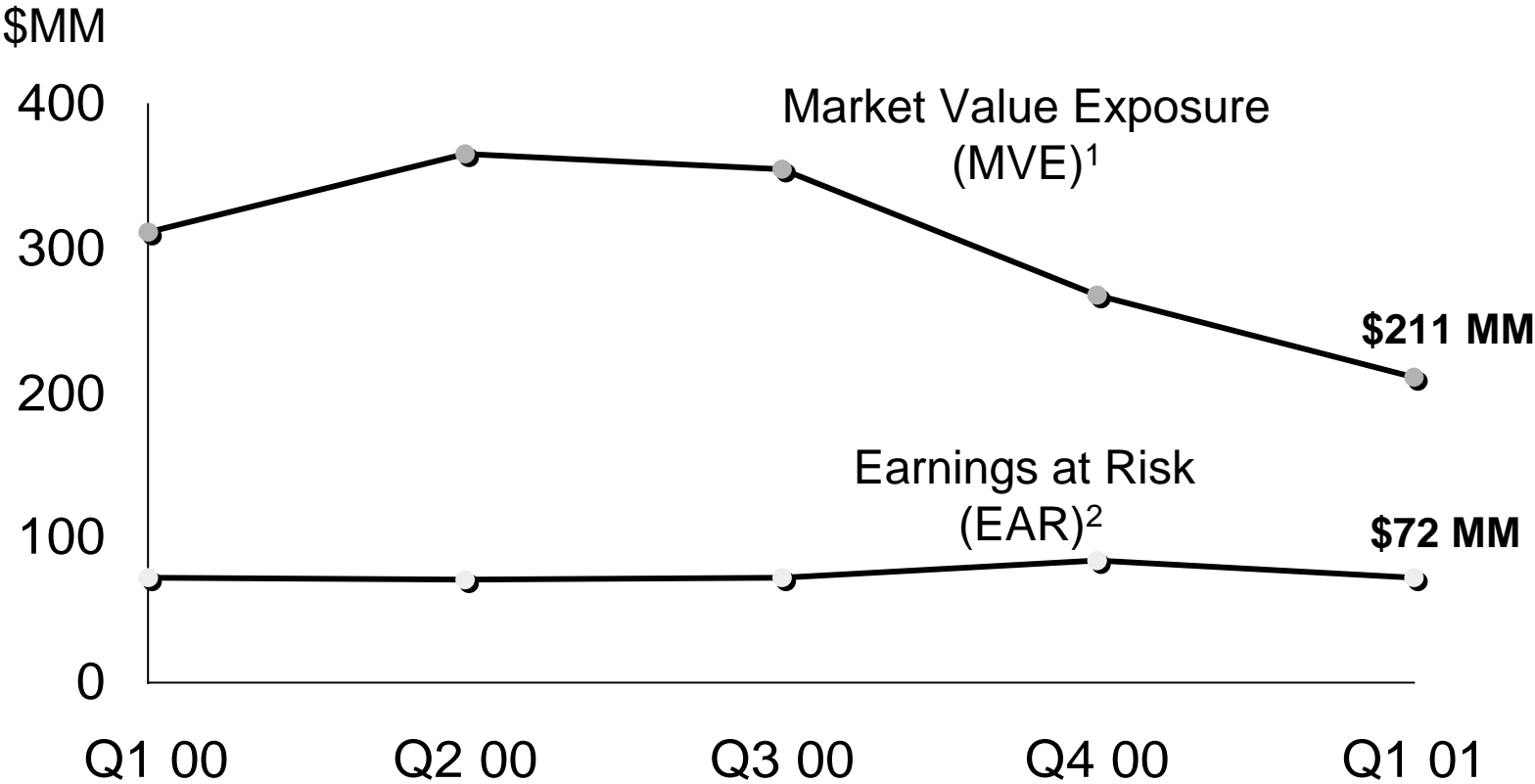
<b>Sector</b>	<b>\$MM</b>	<b># of Accounts</b>
Financial Institutions	343	4
Transportation	132	3
Manufacturing	122	3
Service Industries	63	4
Energy	53	1
Communications, Retail and Wholesale	63	3
<b>TOTAL</b>	<b>776</b>	<b>18</b>
<b>AVERAGE SIZE</b>	<b>43</b>	

## F2001 PCL TARGET PROVIDES ADEQUATE COVERAGE OF LIKELY SPECIFICS

(\$MM)	Actual		PCL Target
	1999	2000	2001
Specific Provisions	235	290	400*
Increase in Specific Provisions From Prior Year	-	+23%	+38%
General Allowance (Y/E)	970	1,080	*

\* Allocation between specifics and general to be determined in Q4

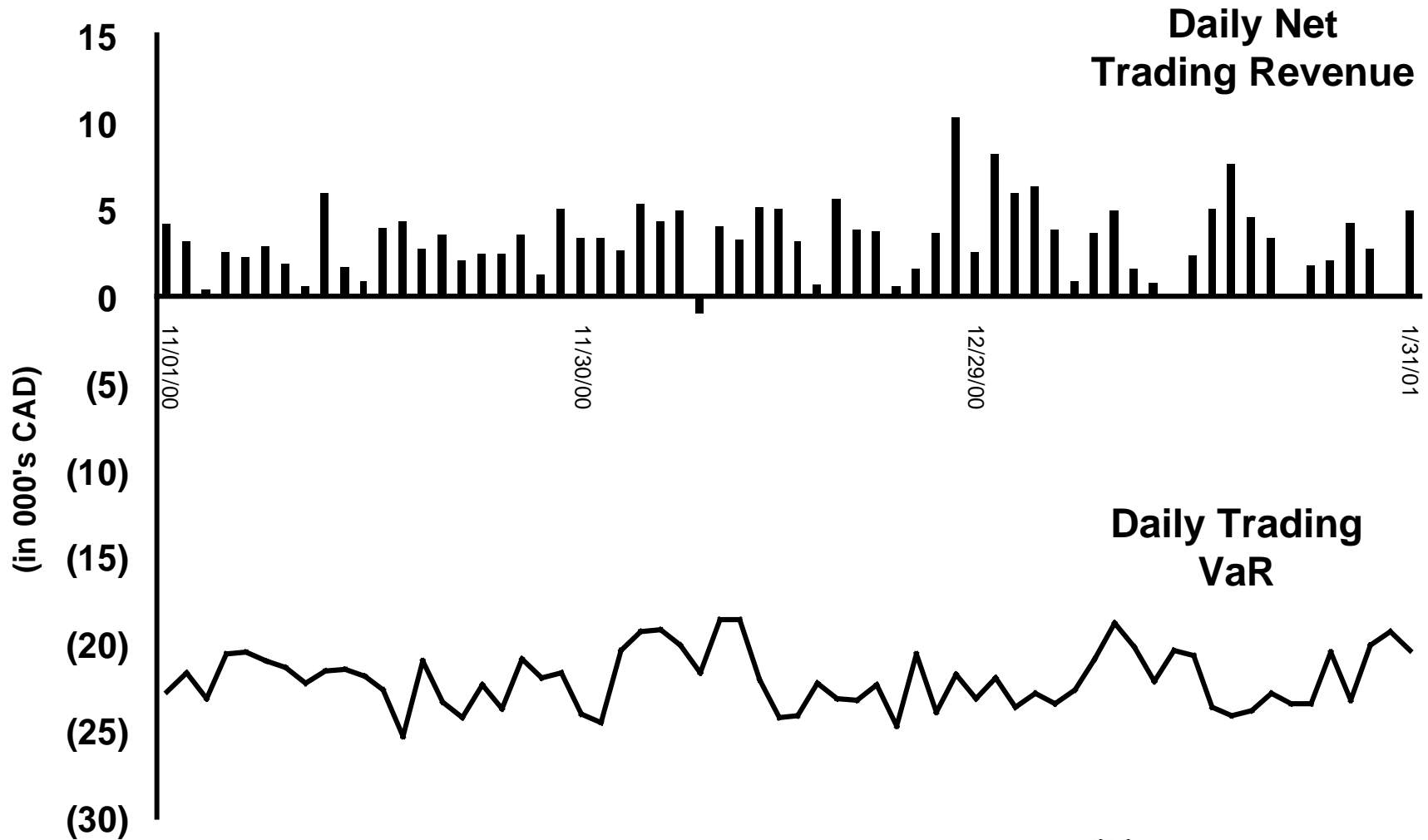
# STRUCTURAL MARKET RISK EXPOSURES REMAIN WITHIN A NARROW RANGE



<sup>1</sup> MVE = potential after tax impact on balance sheet values

<sup>2</sup> EAR = potential impact on after tax earnings over the next 12 months

# Q1 TRADING REVENUE IS IN LINE WITH VALUE AT RISK PROFILE



# FORWARD-LOOKING STATEMENTS

This presentation includes forward-looking statements. These forward-looking statements include but are not limited to comments with respect to our objectives and strategies, financial condition, the results of our operations and our businesses, our outlook for the North American economies and our risk and capital management.

However, by their nature these 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 be achieved. We caution readers of this presentation 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, expectations, estimates and intentions expressed in such forward-looking statements.

Forward-looking statements may be influenced by the following factors: fluctuations in market prices, interest rates and currency values; regulatory developments; 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 events.



**Bank of Montreal**

1<sup>st</sup> Quarter 2001