BMO Financial Group

Q1 2008 CONFERENCE CALL

CORPORATE PARTICIPANTS

Viki Lazaris
BMO Financial Group
SVP Investor Relations

Bill Downe
BMO Financial Group
President & CEO

Tom Flynn
BMO Financial Group
Executive Vice-President,
Finance & Treasurer and Acting CFO

Bob McGlashan
BMO Financial Group
EVP & Chief Risk Officer

Frank Techar
BMO Financial Group
Head of P&C Canada

Yvan Bourdeau
BMO Financial Group
CEO, BMO Capital Markets

CONFERENCE CALL PARTICIPANTS

Jim Bantis
Credit Suisse - Analyst

Darko Mihelic
CIBC World Markets - Analyst

Andre Hardy
RBC Capital Markets - Analyst

Robert Sedran
National Bank Financial - Analyst

Michael Goldberg
Desjardins Securities - Analyst

Brad Smith
Blackmont Capital - Analyst

Ian De Verteuil
BMO Capital Markets - Analyst

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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.

Assumptions about the level of asset sales, expected asset sale prices and risk of default of the underlying assets of the structured investment vehicles were material factors we considered when establishing our expectations of the future performance of our interests in the structured investment vehicles discussed in this document. Key assumptions included that assets would continue to be sold with a view to reducing the size of the structured investment vehicles, under various asset price scenarios.

Assumptions about the level of defaults and losses on defaults were material factors we considered when establishing our expectation of the future performance of the transactions that Apex and Sitka Trusts have entered into. Key assumptions included that the level of defaults and losses on defaults would be consistent with historical experience.

Assumptions about the risk level of our commodities portfolio and liquidity levels in the energy derivative markets and how that will affect the performance of our commodities business were material factors we considered in making the forward-looking statements regarding our commodities business set out in this document. Key assumptions included that the current risk level of the portfolio and liquidity levels in the energy derivative markets would remain stable.

Assumptions about the performance of the Canadian and U.S. economies in 2008 and how it will affect our businesses were material factors we considered when setting our strategic priorities and objectives, and when determining our financial targets, including provisions for credit losses. Key assumptions were that the Canadian economy will expand at a moderate pace in 2008 while the U.S. economy expands modestly, and that inflation will remain low in North America. We also assumed that interest rates in 2008 will decline slightly in Canada and the United States, and that the Canadian dollar will trade at parity to the U.S. dollar at the end of 2008. In determining our expectations for economic growth, both broadly and in the financial services sector, we primarily consider historical economic data provided by the Canadian and U.S. governments and their agencies. We now anticipate weaker economic growth in Canada and that the United States will slip into a mild recession in the first half of 2008. We also expect lower interest rates and a somewhat weaker Canadian dollar than when we established our 2008 financial targets. Tax laws in the countries in which we operate, primarily Canada and the United States, are material factors we consider when determining our sustainable effective tax rate.

PRESENTATION

Operator

Good afternoon, and welcome to the BMO financial group first quarter 2008 conference call for March 4th. Your host for today is Viki Lazaris, Senior Vice President of Investor Relations. Ms. Lazaris, please go ahead.

Viki Lazaris *- BMO Financial Group - SVP Investor Relations*

Thank you and good afternoon, everyone. Thanks for joining us today. Presenting today are Bill Downe, BMO's CEO; Tom Flynn, Treasurer and Acting Chief Financial Officer; and Bob McGlashan, our Chief Risk Officer. The following members of the management team are also with us this afternoon, Yvan Bourdeau and Tom Milroy from BMO Capital Markets, Gilles Ouellette from the Private Client Group, Frank Techar, Head of P&C Canada, and Ellen Costello from P&C U.S., and Barry Gilmour, Head of Technology and Operations. After our presentation, the management team will be available to answer questions from pre-qualified analysts. To give everyone an opportunity to participate today, we ask you that you please ask only one or two questions and then re queue.

At this time, we 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 forecast or projections in these forward-looking statements. You may find additional information about such material factors and assumptions and the material factors that the could cause actual results to so differ in our caution regarding forward-looking statements set fourth in our news release today or on our Investor Relations website. With that said, I'll hand things over to Bill now to start off the call.

Bill Downe *- BMO Financial Group – President & CEO*

Thanks, Viki, and good afternoon, everyone. Thanks for joining us today from Quebec City where this morning BMO held its 190th Annual Meeting of shareholders. As noted my comments may include forward-looking statements. Tom is going to take you through the financial results in a moment but clearly the quarter was dominated by the charges announced in the environment in which we're operating. I'll address these issues up front, including steps we've proactively taken and will be taking to manage our businesses in this challenging environment. That said, I want to continue with a theme prevalent in recent meetings we've had with the investor community around momentum in P&C Canada.

I can tell you we're addressing market difficulties and maintaining a focus on our core businesses simultaneously and most importantly a focus on our customers. We recognize that the U.S. market is already slowing and we're cautious with respect to the impact that that may have on the Canadian market.

Since last fall we've taken prudent actions to build excess liquidity, to further diversify our funding sources and to extend the maturity of our obligations. Despite these actions, our NIM is only down two basis points quarter-over-quarter.

From a credit perspective we supplemented our general allowance this quarter. Given concerns about a slowdown in the economy, the increase has been allocated entirely to the U.S. and we've been highly vigilant with respect to our specific provision.

Moving on to the operating groups, let me first address BMO Capital Markets where our overall results have been disappointing even in the context of recent capital markets.

While a number of our businesses in this group have been performing well in particular equity underwriting and some trading operations, our objective to produce a consistent and stable 20% return on equity has been undermined by credit market losses.

We're coming out of a period where banks have not been fully compensated for risk taking. We expect a repricing of risk will have a positive impact on our business in the future. And as I described at our AGM this morning our efforts to de risk the business are continuing. More specifically, we're reducing the size of our off balance sheet businesses and seeking a better balance between risk and return.

In order to reduce volatility, we're ensuring our trading activities are supporting clients with whom we have broad and valued relationships. We'll reduce capital allocated to other trading areas as well. We'll also reduce capital allocated to certain lending portfolios where the returns are not sufficiently attractive. The business represents the first line of defense in risk and are accountable for ensuring they remain in line with our risk appetite and this has been reinforced. Lastly, our risk management group will have increased direct corporate oversight into risk return decisions made by the businesses.

In line with the commitment we made last Spring, we've succeeded in significantly reducing the risk in our commodities business over the past nine months and I have confidence in BMO Capital Markets' ability to de-risk other businesses and generate consistent and strong returns.

BMO has been making every effort to complete a restructuring of Apex, this included investing $705 million in the vehicle to support it despite not having an obligation to do so. In order to support a successful restructuring, we may provide additional support. The problems with Apex are due to a widening of credit spreads not due to the underlying quality of the assets. The asset quality is very good and if we hold these assets to maturity we can avoid crystallizing the mark-to-market loss that exists today. If a restructuring can be achieved, we believe this course of action is in the best interest of shareholders.

Turning now to the SIV's, as you're aware we announced on February 19 our decision proposing to provide senior rank support for the funding of Links and Parkland. Although the SIV's have been very successful to date in their plan to reduce the size of the portfolios, and that's been via asset sales and capital note swaps, the capacity of the credit market to absorb MTN maturities without impacting price levels has slowed. These new facilities will bridge the retirement of MTN's which occur a little bit faster than the maturing assets or asset sales, and it will provide them with supplemental funding, permit them to continue to sell assets in an orderly manner and facilitate SIV's access to further senior funding. Importantly, we're now in a better position to provide the support, given the significantly lower size of the SIV's and the reduction in the ABCP inventory on our balance sheet. The rating agencies recognized this fact when they confirmed our ratings.

The maintenance of the SIV's ratings was very important because investors facing a significant downgrade could have been required to sell their notes due to investment restrictions. We're satisfied by our team's progress to date and will continue to keep you updated. Since we announced our intention to provide senior rank support to the SIV's on February 19, we've had asset the reductions of $1.5 billion in Links and $250 million Euros in Parkland. Bob's going to make some further comments in his remarks but as of this morning, Links is below $10 billion and Parkland is below 1 billion Euros.

Looking at the other operating groups, there was solid performance in our retail business. We've seen positive momentum from the investments we've made. In P&C Canada, core revenues were up 1.6% quarter-over-quarter while expenses were held essentially flat. As a result, earnings of $302 million were up 5% versus Q4 2007. We're encouraged by the quarter-over-quarter market share improvements in personal deposits and are very pleased to see continued share growth in both personal and business loans. This quarter we saw improved mortgage growth and spread, and branch originated mortgage growth outpaced the impact of our exit of third party and broker mortgages last year.

In fiscal 2008, we've implemented individual scorecards to provide a clear indication of performance against expectations, and it's showing up in accelerated balance sheet growth. In addition, , we're encouraged by improvements in Net Promoter Score across most of our operating districts in the last three months. As you know, we've made significant investments in customer facing initiatives such as 22 new and 31 redeveloped branches last year, and we're going to stay the course on our strategic initiatives. At the same time we're going to manage discretionary expenses and we'll slow hiring where necessary until we have greater clarity on how the economy is going to unfold.

In P&C U.S, cash net income of $33 million for the quarter was up from $30 million in Q1 '07, although down $5 million from Q4 when as I said at the time, the stars had definitely lined up for the group. Yesterday, we announced the completion of the acquisitions of Ozaukee Bank and Merchants and Manufacturers Bancorporation both based in Wisconsin, and that will add 41 full service branches to our network. The U.S. remains highly competitive. We are facing soft housing markets and lower economic growth. But management is focused on effectively managing expenses. For example, slowing new branch openings and shifting investments to faster payback opportunities like business banking. Our marketplace has been somewhat disrupted by a large transaction by one of our competitors, and this has created opportunity. In both P&C and Capital Markets we've successfully recruited teams and in the commercial marketplace, we're converting clients.

PCG earnings were down 5% to $98 million as revenues were up 2% and expenses up 3%. Year-over-year, net income, however, was up 8%. The first quarter includes expenses that will not recur for the balance of the year and this was solid performance in the current environment. Based on this management team's track record for managing expenses, I'm confident they can deliver positive operating leverage for the year. And the Dalbar mutual fund service awarded in January for the best overall customer service confirms our commitment to our customers.

This morning we announced a second quarter dividend of $0.70 per share, unchanged from the prior quarter. This was a prudent decision given the uncertainty of the economic outlook in the next couple of quarters and what the impact of the U.S. recession might mean to Canada. Our current dividend is at the mid point of our pay out range of 45-55%, the highest among peers, and over the last two years we've increased our common share dividend by 32%.

I would like to speak about our revised economic outlook. While we hope the U.S. will still have slightly positive growth in the first two quarters, it's unlikely we'll see the full benefit of fiscal stimulus and interest rate cuts until Q3 and Q4. Looking at Canada, while the situation is better and the economy is continuing to grow, growth is slower than when we announced our 2008 targets. There's still a significant amount of uncertainty in the market and all of our businesses will clearly be impacted by future events. While we continue to believe the conditions in both countries will be better in the latter half of the year, do not expect to achieve our original financial targets. However, we still intend to measure our performance against them. And now, Tom will walk us through the financials.

Tom Flynn ***- BMO Financial Group - Executive Vice-President, Finance & Treasurer and Acting CFO***

Thanks, Bill, and good afternoon. Certain of my comments may be forward-looking, so please note the caution regarding forward-looking statements on Slide 1. On Slide 3, and as Bill mentioned, you can see that reported earnings were $255 million or $0.47 per share, down 30% year-over-year. These earnings reflect the challenging capital market and economic environment. There were a number of significant items in Q1 that lowered earnings by $362 million or $0.72 per share. These items are noted on Slide 4. Excluding these items, earnings were $617 million and cash EPS was $1.21. The Tier 1 ratio remained strong at 9.48% based on Basel II capital and 9.05% based on Basel I capital.

Slide 4 shows the significant items taken in Q1, and they make up the $362 million charge I referred to. The first five items on the slide relate to the capital markets environment. First, we recorded a charge of $158 million related to exiting positions we had hedged with the monoline insurer, ACA Financial Guarantee Corporation. The next two items relate primarily to the impact of widening credit spreads on a number of our trading portfolios. We had a charge of $99 million due to trading and structured credit related positions, preferred shares and third party Canadian conduits and a charge of $78 million for counterparty credit risk on our derivative assets, approximately half related to monoline insurers other than ACA, and credit derivative companies. Finally, we took a charge of $130 million on our investment in Apex Sitka Trust, a structured finance vehicle to which the bank does not provide back up liquidity, and a $23 million charge related to the capital notes at the Links and Parkland SIV's. In addition, we increased our general allowance by $60 million this quarter and Bob will comment further on this item later.

Moving to Slide 6, you'll see that revenues were down about 8% quarter-over-quarter. Revenue was down 1% excluding significant items. Year-over-year revenues decreased 2% on a reported basis and 2.4% excluding the significant items. Turning to the components of revenue, starting on Slide 7, you can see that net interest income was $1.2 billion in Q1, up slightly on both comparative quarters. Looking more specifically at the margins, total bank margin declined by a modest two basis points from Q4. Margins increased in P&C Canada quarter-over-quarter due to an improved prime to BA differential and the positive impact of product mix from growth in higher spread products. Margins in P&C U.S. declined 15 basis points excluding the impact of the transfer of a small client driven investment portfolio from corporate. The decline is attributable to competitive pressures and shifting client preferences in both consumer and commercial. The total bank margin has also been impacted by items that lowered corporate net interest revenue.

On Slide 8, looking at non-interest revenue. Non-interest revenue was impacted by the capital market charges reflected in trading revenues. In Q4 '07 we increased our liability for future customer redemptions related to our customer loyalty rewards program and recorded a gain on the sale of our MasterCard shares which is shown in security gains. On a quarter-over-quarter basis, NIR in P&C

Canada was flat as higher insurance and securitization revenues were offset by lower cards and investment products revenue. PCG's NIR improved due to higher fee based revenue in private banking. BMO Capital Markets revenues were lower due to lower M&A, debt underwriting and lending fees, with some higher trading revenue and equity underwriting fees.

Moving to Slide 10, you can see that we remain focused on managing expenses in this environment. Expenses have declined both quarter-over-quarter and year-over-year. I would remind you that in Q1 of each year, we expense performance based compensation for employees eligible to retire. This amounted to approximately $49 million in Q1 08 compared to $42 million in Q1 '07. While we continue to make strategic investments in our businesses to support future growth, we will be cautious with our level of spend in this environment.

Moving to Slide 11, you can see that our capital ratios on both Basel II and Basel I basis remain strong. Under Basel II our Tier 1 capital ratio was 9.48% and that is well above our target minimum of 8%. On a Basel I basis, our Tier 1 capital ratio was 9.05%. Risk weighted assets were up approximately $10 billion under Basel I with this primarily due to the effect of foreign exchange and higher loans and acceptances. Under Basel II, our risk weighted assets were $179 billion and Bob will make some comments on RWA and Basel II. As a result of the Basel II implementation, obviously measures of risk weighted assets, capital and capital ratios are not fully comparable relative to Q4.

Looking ahead, the balance of the year will be challenging given the weaker economic outlook and the capital market environment. We remain cautiously optimistic that P&C Canada will build momentum through the year. Our Private Client Group will be impacted by markets but is well positioned and will continue to manage expenses well. In Capital Markets the performance of our trading businesses will be impacted by the environment in which we operate. And in Corporate Services we expect that a number of individually small items that affected Q1 will not recur in subsequent quarters. And with that I'll turn things over to Bob.

Bob McGlashan ***- BMO Financial Group - Chief Risk Officer***

Thanks, Tom, and good afternoon, everyone. Before I begin, I would like to draw your attention to the caution regarding forward-looking statements on Slide 2. Slide 3 identifies that a further deterioration in the credit environment resulted in Q1 specific PCL of $170 million as well as increased gross impaired loans and formations. Total PCL of $230 million included a $60 million increase in the general allowance. This increase reflects portfolio growth as well as some negative risk migration related to the credit cycle.

Slide 4 shows an increase in U.S. consumer delinquencies, reflecting current credit quality issues associated with the U.S. housing market. Elevated U.S. delinquency levels at 41 basis points compare favorably to our U.S. peer group at 71 basis points and our Canadian consumer portfolio at 32 basis points is in line with our expectations. On Slide 5, specific PCL has trended upward notably in Q1 driven in part by deterioration in the real estate development sector. Our U.S. real estate development portfolio is not large at 1% of total bank loan book, and is smaller proportion of our U.S. book than our peer banks; however, we continue to pay close attention to this portfolio. In addition, a single transaction accounted for $38.5 million and we expect volatility to continue into 2008 given current market conditions. New specific provisions are also trending upward as expected at this stage of the credit cycle.

On Slide 6, on a comparative basis, Q1 '08 specific PCL represents 31 basis points of average net loans and acceptances and remains below our 16 year average of 33 basis points and our Canadian peer group average of 54 for the same period. As seen on Slide 7, both gross impaired loan formations and balances have increased, reflecting deterioration in the economic environment. The transaction referenced on Slide 5, however, accounted for $459 million of the increase. This U.S. company is in the business of purchasing troubled mortgages at a discount and asset coverage has declined along with U.S. housing prices.

Turning to Slide 8 and looking forward, we're now anticipating the current market environment will produce a weaker credit environment in fiscal 2008 with additional pressure provided by continuing high energy prices, a strong Canadian dollar and further softening in the U.S. economy. As a result, and in light of Q1 PCL, we're unlikely to achieve our specific PCL target for fiscal 2008 of $475 million or less. A better indicator would be to use our Q1 specifics of 170 million as a run rate for the year.

As shown on Slides 9 & 10, SIV assets are less than half the amount they were on July 31, '07. Our position in the SIV is outlined in this slide. We currently have an investment value of $32 million in capital notes after Q1 writedowns previously mentioned by Tom, and U.S. 677 million and Euro 72 million in outstanding senior notes. We finalized an agreement to provide senior rank support for the funding of links and Parkland under the terms of the agreement the amount of the facility is senior notes less cash capped at U.S. 11 billion and Euro 1.2 billion respectively which will backstop the repayment of senior note obligations to facilitate access to senior funding and support the continued management of the SIVs together with continuation of the strategy of selling assets in an orderly manner.

Our analysis after extensive discussions with the rating agencies was that the SIVs would get downgraded to such an extent that a defeasance process would kick in. This process would likely result in our losing control of the pace of the wind down which we felt would place the SIV senior investors at potential risk of loss. The facility has an 18-month term and given recent asset sales, the effective cap for these facilities has been reduced to U.S. 10 billion and Euros 950 million. The asset quality of the SIVs remains strong. 94% of the assets are rated AA or better by Moody's and over 80% by Standard & Poor's. To further substantiate asset quality, cumulative discounts on asset sales to date have been 238 basis points for Links and 267 for Parkland. And on recent sales have been in the 431 basis points and 493 basis points range respectively. For a loss to be incurred by the senior debt holder, a discount of 664 basis points for links and 1253 basis points for Parkland would have to be incurred on the sale of the remaining assets before the capital notes were reduced to zero, thus providing a still significant margin protecting the senior debt from loss.

There's not been a material increase in concentration risk to date as asset dispositions have been largely well spread, across all risk categories. If the underlying assets are held to maturity we're confident any losses would be small and well within the remaining capital note holder's amount. Our liquidity facilities will effectively allow Links and Parkland to avoid the liquidity discount the market currently has built into the NAV by providing us the flexibility to sell assets for the full economic value, as the market is prepared to absorb them. On Slide 11, the next five months maturity schedules are provided. Based on the maturity schedules, $2 billion cash on hand, our expectation of asset dispositions and the possibility of new senior notes given the support provided by our liquidity facility, we do not expect draws under our facility to exceed 50%.

Turning to the subject of Apex and Sitka, as described previously by Bill and Tom, our current exposure net of cumulative valuation adjustments of $210 million is $495 million. As noted on Slide 12 and 13, Apex Sitka are standalone funding vehicles sets up to underwrite credit protection. To secure and fund the CDS obligations, Apex Sitka issued 2.1 billion of ABCP and MTN's. Premium income received from the swap counterparties is partially used to fund interest on these debt instruments, Apex Sitka CDS portfolio was structured by the swap counterparties with BMO administering the trusts. BMO does not provide backup liquidity lines, those being provided by the swap counterparties in the event of a market disruption.

The portfolio quality remains high, ABCP and MTN's were rated R1 high and AAA respectively by DBRS. The CDS portfolio is comprised of 443 names, diversified by name, industry and geography. The average credit rating of the 443 names is BBB. Credit default swaps are tranched for different levels of risk and Apex Sitka's portfolio consists of super senior tranches which are rated and continue to be rated AAA. There's no exposure to U.S. subprime mortgages.

When the August 2007 market disruption occurred, Apex and Sitka were unable to sell more notes to cover collateral calls from the swap counterparties which resulted from increased CDS spreads. Stand still arrangements were put into place with swap counterparties to stay collateral calls and have now expired. Ratings for ABCP and MTN's were cut to R5 and CCC on February 28. As a result of a restructuring not being finalized with swap counterparties and failing to rollover notes that came due that day, the two-day cure period expired yesterday. However, discussions with the stakeholders relative to restructuring are continuing.

As shown on Slide 14, our exposure to monolines is not material. We've disposed of our positions related to ACA at a total cost of $160 million and the mark-to-market exposure for the remaining monolines in aggregate is only $244 million for direct exposure. As shown on Slide 15, the large trading and underwriting losses on November 30, January 23 and January 31 were driven by the valuation adjustments addressed in Tom's remarks. You'll note that I've not included a slide in this presentation on commodities. Risk reduction remained a key objective for the commodities portfolio through Q1 and we're now comfortable with the progress to date and are operating within an acceptable level of risk on a go forward basis. Accordingly, this will be our last specific update on commodities.

Finally, I'd like to touch on our new Basel II disclosures in our Supp Pack. As you know, we formally implemented Basel II this quarter. We disclosed our capital ratios, capital for Basel II asset classes and information on securitizations. For this quarter we've also disclosed Basel I data to enable a smoother transition. Basel II risk weighted assets are more indicative of underlying risk in the bank's portfolio, although as you're aware, each institution developed their own methodology based on risk management strategies, processes, portfolio characteristics, and historical loss experience. We recognize the challenge this creates for you in understanding the new disclosures; however, as subsequent quarters reporting accumulates, useful trend analysis will be possible and components not yet disclosed on a Basel II basis will become available such as exposures by probability of default. With that, I'll turn it back to Bill Downe.

Bill Downe *- BMO Financial Group - CEO*

Thanks very much, Bob. I'd like to comment briefly on the leadership changes that are effective tomorrow. After this meeting, Yvan Bourdeau will be turning the investor conference call over to Tom Milroy who has been appointed CEO of BMO Capital Markets. Tom is an experienced banker with a strong sense of the markets, highly regarded by clients in both Canada and U.S. and possesses strong management oversight of the business. Yvan will continue as Vice Chairman of BMO Capital Markets.

After 35 years of dedicated service to BMO, Bob McGlashan will take a well-deserved retirement and I want to thank him for the important contributions he's made to our company's success. I want to convey how much I appreciate the tremendous commitment he's shown to BMO, especially over the last 12 months.

After this meeting, Tom Flynn will be relinquishing the role of acting CFO and has been appointed Chief Risk Officer. Tom has built a track record for success and has gained tremendous experience in the most complex aspects of the market and our business. Most recently as interim Chief Financial Officer, Tom worked directly on the significant risk issues BMO has been managing. The timing of Tom's appointment is excellent. He will lead the implementation of a renewal of our risk practices with a focus on ownership and accountability both in the business and at corporate, transparency and on risk return optimization.

And finally, I'm really pleased Russ Robertson has joined us in the role of interim Chief Financial Officer from Deloitte and Touche where he served as Vice Chairman since 2002. He brings extensive financial institution experience to the role. He will lead a strong and very capable finance team.

As I said at the outset, we face difficult issues this quarter, but we're confident we can continue to restore momentum in our businesses and with that I'll turn it over to the operator and we can begin the Q & A session of the call.

QUESTION AND ANSWER

Operator

Thank you. (OPERATOR INSTRUCTIONS). Our first question is from Jim Bantis from Credit Suisse. Please go ahead.

Jim Bantis *- Credit Suisse - Analyst*

Hi, good afternoon. Bill, in your opening comments, you talked about basically a new type of BMO Capital Markets, de-risking a number of businesses, eliminating long tail risk, and other such type of risks. Can you talk about how this BMO Capital Markets earnings profile will be going forward? I mean it's obviously becoming a little bit more plain vanilla than it had been in the past, but what does that mean in terms of when you look at this organization what it can contribute in net income for the year?

Bill Downe *- BMO Financial Group - CEO*

Well, Jim, I'm not going to put a number on the year, obviously, the environment is a little bit unpredictable. I think you have to start with what are the strengths of BMO Capital Markets. What are the things that really stand out, and we have built a tremendous business around clients. Our reputation in the investment business based upon high quality research, really strong equity underwriting business , very good debt underwriting business, a large corporate banking business, is tied into those businesses, and a strong operating service business. These are all built around client relationships, and they constitute a very, very significant part of the earnings of BMO Capital Markets.

I think the focus on the management of risk really relates to making certain that where we are engaged in trading activities, where we're using our capital, it is in support of client business, and there has been a period of retrenchment in the last six months where the risk return of a number of trading businesses have just tightened right down and I think that the rationing of capital in those areas is a prudent thing to do. We're really focused on return on equity and it's really a question of the deployment of capital within BMO as an enterprise. BMO Capital Markets is an important part of the company. It does use a significant portion of capital. And I think in this environment there were opportunities to make better use within BMO Capital Markets and within the organization of some of that capital.

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

If I could just follow-up on that, then perhaps I mean I was really looking for the potential earnings power of the bank in the wholesale division on a normalized basis but maybe looking at it what it contributed to the banks total earnings; are you looking for perhaps more of a percentage basis closer to 20-25% rather than plus 30%?

Bill Downe ***- BMO Financial Group - CEO***

The one thing about the wholesale business, Jim, is that it does have larger swings in it than some of the other businesses. If you go back an listen to the conversations that we've had over the last couple of years, I think I've pretty consistently said that I think our wholesale business ought to be somewhere between a third and a little bit more of the bank, and that's a good place for it to be, and similarly with the allocation of capital.

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

Got it. Thanks very much, Bill. My second question relates to the retail bank and the efficiency ratio. Obviously we saw a tick up to 57% coming from the higher investment spend versus the 50-55% run rate of several quarters ago. And my question to Frank is do you see the softening, given the softening in the Canadian retail and economic conditions here in Canada, can you foresee getting back to that efficiency ratio based on revenue enhancements?

Frank Techar ***- BMO Financial Group - Head of P&C Canada***

Yes, Jim, we obviously have been investing in the business, and as Bill mentioned earlier, we're going to continue investing in our strategic agenda going forward, but also recognizing some of the pressures in the marketplace, in particular on the spread side. We are going to be looking at our tactical spend much more closely as we go through the year. So, my expectation is that the spend levels on a year-over-year basis are going to moderate as we go through the year, and when you look at the NIX growth on a linked basis we were relatively flat, and we're going to try to manage the remainder of the year on that basis.

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

Got it. Thanks very much. I'll re-queue.

Operator

Thank you. The following question is from Darko Mihelic of CIBC World Markets. Please go ahead.

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

Hi, I have a couple of questions as well. Maybe the first place to start is if you can provide a little more information on Fairway and why was there a decision to write down the drawn facility, and is it capable of fully drawing the facility down to the $10.2 billion?

Bob McGlashan ***- BMO Financial Group - Chief Risk Officer***

Darko, just trying to make sure I got your numbers straight. You're talking about Links and Parkland, I think?

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

I'm talking about Fairway.

Bob McGlashan - ***BMO Financial Group - Chief Risk Officer***

So the back up liquidity facilities of $10 billion is that your question?

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

That's right.

Bob McGlashan - ***BMO Financial Group - Chief Risk Officer***

And how much of that might we expect to be drawn?

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

And why did you take a provision against the drawn amount?

Bob McGlashan - ***BMO Financial Group - Chief Risk Officer***

Yes, so what we actually did was we removed a facility from Fairway and put it under our balance sheet so it wouldn't have a negative impact on Fairway as the aggregate asset quality, and that facility is the one I was referencing throughout comments. It was a $459 million deal and we took a $39 million provision against it. That company is in the business of purchasing at a discount troubled mortgages but the current market swings in the U.S. just pushed the house prices down through the discount that they purchased. So we're not expecting further draws.

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

So you're not expecting further draws but, okay so your language, however, suggests that there's a $10.2 billion back up facility to Fairway. In your notes. I mean if you like we can follow-up on this after.

Bob McGlashan - ***BMO Financial Group - Chief Risk Officer***

Yes, I'm wondering if we're confused between the SIVs.

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

Okay. And I guess my second question is with respect to Apex and Sitka. I guess, which is it? I mean it looks as though you're willing to, if you're not able to restructure, you'll have to write off $495 million or around $500 million, but then there are those other components where there's disputes with noteholders and with swap counterparties. So, am I to look at that and say to myself, the worst case scenario here is at least a $1.5 billion loss for BMO plus lawsuits? Is that the way I should look at that or I mean what would your comment be on that? What would your comment be on that? Sorry.

Yvan Bourdeau - ***BMO Financial Group - CEO, BMO Capital Markets***

I would like to comment, Darko. We have basically two issues that were outlined, one amounts to $400 million and it's really an operational issue between two professional counterparties, and the other one is the $600 is an issue that's related to the conduit itself and basically, it will be resolved once the restructuring is in place. So given the situation that we are in at this point in time, I just would like to mention that based on the facts that we have reviewed so far, and the discussion that we've had with our counsel, in fact we are confident in our positions but as you can appreciate, as these manners may result in litigation, it is very difficult for us to comment on this point and, in fact, we are not in a position to comment any further.

Darko Mihelic *- CIBC World Markets - Analyst*

Okay.

Bill Downe *- BMO Financial Group - CEO*

And Darko, on your first question I'm going to put it back to Tom Flynn. We were looking for the place that you had made that reference from.

Tom Flynn - Executive Vice-President, Finance & Treasurer and Acting Chief Financial Officer

Yes, and I think we were thinking of the SIV amount which is a comparable amount but Fairway is our U.S. commercial paper conduit vehicle, and that vehicle is similar to traditional banks sponsored asset backed commercial paper vehicles that exist in the Canadian market and like the traditional Canadian conduits we have provided normal global style back up liquidity lines for Fairway, and those back up lines approximate $10 billion. We talked about this I think on our last call but the Fairway paper has rolled consistently throughout the market conditions that we've been experiencing since August, and all of the paper rolled throughout entire disturbance that took place throughout the market and, as Bob mentioned, the draw that was made against the liquidity lines related to one credit that was within the vehicles that had some credit issues.

Darko Mihelic *- CIBC World Markets - Analyst*

I see, okay. So if I could just follow up with all of this; just a broader question for Bill. Difficult times, new Basel II treatment, worst case scenario looks like I'm calculating back of the envelope could be between $1.5-$2.5 billion. How bad does it have to get before you raise equity and/or consider cutting your dividend?

Bill Downe *- BMO Financial Group - CEO*

With respect to the current situation, it's not something that we have contemplated, given the pieces that we're working with. We have a strong Tier 1 capital ratio but also we have pretty good visibility to those exposures and I would say that six months ago, there was a lot of uncertainty about where the markets we're going, the size of links and Parkland, what would happen with the larger universe of non-bank sponsored commercial paper in the United States and Canada and so I actually have a higher degree of confidence in the way that things are working out that with the position we have, we can put these things behind us in the next while and I think, Yvan, you have some comments specifically on the number that Darko is asking about.

Yvan Bourdeau *- BMO Financial Group - CEO, BMO Capital Markets*

Yes, the item that the I would like to mention is basically reiterating what was said earlier but I would like to stress it. In the case of Apex and Sitka, we're giving you a very good description as to the quality of the underlying asset and also our position in terms of the CDS, and we're not only the one realizing to what extent the quality of the asset is very strong, but also all of the stakeholder with whom we actually are in discussion, and because of that, there's no question that we're having constructive discussion with the stakeholders and, therefore, I would not, in my own estimate anyhow, have a similar potential range that you have just described.

Darko Mihelic *- CIBC World Markets - Analyst*

Oh, sorry, I was throwing a few other things into the mix but I appreciate that. So basically, I guess your position is that you haven't contemplated an equity issue yet and the dividend cut is simply not even on the table at this point?

Bill Downe ***- BMO Financial Group - CEO***

And that's totally consistent with our estimates of what our exposures are and the reason why we had a press release on February 19 in which we identified the approximate $500 million of exposure with respect to Apex was to make it clear of the magnitude, the order of exposure that we were talking about.

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

Okay, great. That's very helpful. One last question if I could squeak one in for Bob. One of the things that helps me out is credit protection that you might have in single name exposures, in the portfolio. Is that number been released at this quarter?

Bob McGlashan ***- BMO Financial Group - Chief Risk Officer***

The answer is I don't think it actually was but I'll tell you. It's a$1.1B in aggregate and $100 million of that is specific to those mandated by the credit decision process, so the answer is a very small and it hasn't changed very much from last quarter.

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

Great. Thanks very much.

Operator

Thank you. The following question is from Andre Hardy of RBC Capital Markets. Please go ahead.

Andre Hardy ***- RBC Capital Markets - Analyst***

My first question is for Bill. Did I hear you say in your introductory remarks that you would look at reducing non-core lending relationships?

Bill Downe ***- BMO Financial Group - CEO***

I did. This is a process, Andre, that we do on a fairly regular basis, we go back through the portfolio, and we look at accounts where we may have extended credit, let's say 24 months ago, participation revolving credit where we've been working on the development of ideas, things that would move us either into an advisory position or an underwriting position, and those commitments are predicated on a belief that a bigger or a broader relationship will ultimately develop, and it is a discipline that I have to say is recurring, but this is a good time to go through that discipline and particularly because I think that we're right on the edge of an increase in pricing in segments of the market and those conversations with a number of those clients will be towards the visibility of other sources of income other than lending income, or perhaps price renegotiations or in the case that neither of those is visible, then we would reduce our commitments to those names. It's a pretty standard process of discipline but I think this is a really good time to do it because I do believe there's some pricing power coming back into the market.

Andre Hardy ***- RBC Capital Markets - Analyst***

And do you have any sense of how big that non-core portfolio may be?

Bill Downe *- BMO Financial Group - CEO*

I don't. Yvan may jump in with an estimate of what he thinks can be achieved, although I think it's early days. You'll recall five or six years ago we reduced our assets very materially in that regard and I think from about $90 billion to about $65 billion of risk weighted assets. My guess is in terms of the kinds of relationships we get optimized, Yvan, maybe it's 10% or 15% of the portfolio?

Yvan Bourdeau *- BMO Financial Group - Head of Investment Banking*

So approximately I can only give you a range at this point in time, Andre. Just because we're beginning to investigating more specifically into that initiative but I would say looking at the preliminary estimate and I'll speak not so much in terms of risk weighted asset but in terms of capital because then it's because of Basel I and Basel II is more difficult to talk about assets, but in terms of capital, I would think that a potential reduction between 250 and 500 is possible. Now, this like the same thing that we did in 1999, 2000, when we reduced, as Bill was saying, structurally our balance sheet, it takes time. But I would say over the next 12-24 months as we go through this exercise and as those facilities are rolling over and if, indeed, we're unable to increase the pricing associated with facility that actually are not meeting our hurdles nor do we think we'll be able to achieve the hurdle in looking forward, then you could see that kind of structural adjustment in our capital allocation.

Andre Hardy *- RBC Capital Markets - Analyst*

Okay, and my other question is probably for Bob. You've increased dramatically your guidance for loan losses this year and is that because you're seeing specific names pop-up in your watch lists or are you seeing a broader deterioration and you mentioned the U.S, but I would say U.S. and Canada?

Bob McGlashan *- BMO Financial Group - Chief Risk Officer*

Yes. Thanks, Andre. Canada is actually not too bad. I expect that it may start to surface some deterioration in the back half of the year depending on how things unfold in the U.S. In the U.S. it's where we are seeing most of the activity. I mentioned the real estate development portfolio we have, while not large, we've been seeing some reservations come out of that shop. Looking at the flow of accounts into watch list category and into impaired category, the early indications of deterioration are certainly there. It would be, it's not going to be very much of a stretch to get to the $170 million number for each of the remaining quarters.

Andre Hardy *- RBC Capital Markets - Analyst*

So it sounds like you're talking about a fair amount of accounts.

Bob McGlashan *- BMO Financial Group - Chief Risk Officer*

Yes, it's not to one of your more narrow points, this is not three or four some specific names that we see coming down the track at us.

Andre Hardy *- RBC Capital Markets - Analyst*

Thanks, Bob.

Operator

Thank you. The following question is from Robert Sedran from National Bank Financial. Please go ahead.

Robert Sedran *- National Bank Financial - Analyst*

Good afternoon. Just to follow-up actually on Andre's question. I guess we're just three months from the original guidance on the loan loss side and it looks like the run rate is about 40% higher than the high end. Is BMO Financial Group just a higher credit risk bank than it was in the past or was there a conscious decision to move out the risk curve in an effort to augmenting revenue growth?

Bill Downe *- BMO Financial Group - CEO*

Robert, I'm going to start on that question. I know Bob has a great deal of pride in the way these numbers come through and he will want to comment but this is a little bit reminiscent for me of 2000 when our discipline, our consistent discipline to reviewing the portfolio had a similar effect and the question was raised, well, have you changed your lending standards? And up front I'd like to say before Bob comes in that the discipline we use around the valuation of credit, the speed at which we move assets into special assets or on to a watch list when we identify them is one of the reasons why our recoveries tend to be superior through the cycle, and from my perspective, it's the right way to approach the recognition. In the last three months, there has been a change in the economy and in the environment and it's being reflected in the behavior of a small number of customers and the time to deal with the emergence of those issues is right at the front and Bob I know you'd like to make some specific comments.

Bob McGlashan *- BMO Financial Group - Chief Risk Officer*

Yes, just to reinforce actually two comments and respond specifically to the question about whether or not we are a high risk credit bank and/or have chosen to shift our position on the risk curve. We are not and have not chosen to move up the risk curve on our credit portfolio. The historical relative performance I would fully anticipate will continue to unfold over the course of this cycle. We do, and quite with intent, move early at identifying a deteriorating account as a result, the number of times they actually end up turning into a loss is somewhat less for us. It's a material part of the reason through the cycle we perform better. In addition, why the change quarter-over-quarter? A lot of things happened in the last quarter, during the last quarter in the marketplace and the depth of the challenges that the marketplace are experiencing are certainly more than what we were anticipating when we first set the number and then you looked at the first quarter actual number. You don't have to stretch very far to get to the suggested guidance I'm giving you.

Robert Sedran *- National Bank Financial - Analyst*

Okay and just to follow-up on the credit again, I guess the second question is about the general. I guess the way I look at the general is that you add to it in the good times and at least in theory drive down in bad times and this is the second straight quarter you've added to it. I would have thought in this environment that every little bit of capital would count and so I guess I want to know why you're adding to it and if perhaps the regulator is recommending that you add to your general.

Bob McGlashan *- BMO Financial Group - Chief Risk Officer*

Yes, the position we're taking on our general is our own position, we are not being influenced directed or otherwise relative to what we're doing. Our approach relates to coverage of our expected loss, and as you move through the credit cycle from the best part of it where we were to the which we're on our way to, that will be coverage you'll require should in fact go down; however, if your portfolio is growing and/or you have some negative risk migration, your yield goes up, then clearly the amount that you require to cover your general goes up. So the coverage rate is coming down but some of the other drivers are going up on balance, it's relatively small upward adjustment in the general.

Robert Sedran *- National Bank Financial - Analyst*

Thank you.

Bill Downe *- BMO Financial Group - CEO*

Before we go to the next question, I know that, I can see that there's still a list of questions developing, so in line with Viki's request, if you're able to go with one question and perhaps re queue if there's time, it would be really helpful.

Operator

The following question is from Michael Goldberg from Desjardins Securities. Please go ahead.

Michael Goldberg *- Desjardins Securities - Analyst*

Thanks. I have I guess it's a compound question in that case and it relates to the Apex Sitka situation, so maybe I'll just go through them and you can answer or follow-up. First of all, why sponsor conduits only with levered credit default swaps in them rather than just plain vanilla typical securitizations and, secondly, once you saw the problems in these types of conduits back in August, why did you not get Apex and Sitka included in the Montreal Accord and you have no obligation to backstop liquidity in Apex and Sitka, your own sponsored conduits, and so you're not doing so. That being the case, why would you participate in the Montreal Accord to backstop liquidity on conduits that you didn't sponsor and, finally, commercial paper and medium term notes that you don't own, I guess it's about $1.4 billion in these two conduits, how much is commercial paper and how did you continue to sell this paper to investors even as a market maker with the potential that of the uncertainty in the liquidity of the conduits?

Yvan Bourdeau *- BMO Financial Group - Head of Investment Banking*

So let me try to answer the several points that you raised, Michael. The overarching decision on our part not to link Sitka and Apex with Montreal Accord was from the outset, something that we stress again today, that the type of underlying assets that the we have in Apex and Sitka are definitely of a very different quality than the Montreal Accord had certainly at the beginning in August and September, when their issue surfaced and there for, we felt it was not appropriate for us to actually be linked, given the quality of our asset with the Montreal Accord. In terms of the other points, and you had several, I think and why levered, I think the question is it was a normal structure that we had in place and that was prevalent in the marketplace and, therefore, that's why you have the type of leverage in a conduit that we have at this point in time.

Michael Goldberg *- Desjardins Securities - Analyst*

Do you have any other conduits that only consist of levered credit default swaps?

Yvan Bourdeau *- BMO Financial Group - Head of Investment Banking*

The answer is no.

Michael Goldberg *- Desjardins Securities - Analyst*

So this isn't a typical conduit. These aren't typical conduits?

Yvan Bourdeau *- BMO Financial Group - Head of Investment Banking*

Well, typical to other conduits, if you wish where you would have leverage, sometimes even greater than the one that we have.

Michael Goldberg *- Desjardins Securities - Analyst*

Okay. And so if you're not going to backstop these conduits, why would you participate in the Montreal Accord to backstop liquidity on conduits that you didn't sponsor?

Yvan Bourdeau *- BMO Financial Group - Head of Investment Banking*

So I think on that front, it's a situation where we did have some exposure to the ABCP from third parties as we were entering the marketplace, so that's one aspect, and the other aspect is at this point in time, I think we're considering given our role as an important financial institution in the marketplace as to whether or not we should actually participate and bring a solution to this issue.

Michael Goldberg *- Desjardins Securities - Analyst*

What does that mean?

Yvan Bourdeau *- BMO Financial Group - Head of Investment Banking*

Well that means that we feel that we are part of the overall Canadian financial system and there is an issue out there and we have some exposure to that type of paper and, therefore, I don't think we can just sit on the side and not try to bring a solution to that issue that is actually affecting the Canadian financial system.

Bill Downe *- BMO Financial Group - CEO*

Okay, Michael, we wanted to stay at a single questions and you're three or four part question had a lot of elements in it. I might just try to sum it up. I think that the structure of Apex and Sitka, with respect to leverage, is similar to credits in the Montreal Accord. The reason why we didn't take Apex and Sitka to the Montreal Accord is, as Yvan said, it was consistent corporate credit portfolio, typically BBB obligations and so it didn't match up with the asset mix but the type of solution that we will, we're pursuing for Apex and the type of solution that the Montreal Accord is pursuing is very similar, and in that case, the original providers of paper backup have fallen away. They were there in the original base, BMO wasn't. The restructurings involve additional investments, as I understand it, additional investments in those portfolios. So to the extent that there are high quality assets and the leverage is required, additional capital in order to cover margin calls at any expectable level of default, that's what makes the solutions work. As far as the Montreal Accord goes we have been on record from the outset that we're supportive of an orderly solution, supported by the Canadian banks because we think it's in the best interest of the market and it's in the best interest of the country and that's why we're prepared to be supportive.

Michael Goldberg *- Desjardins Securities - Analyst*

Thank you.

Bill Downe *- BMO Financial Group - CEO*

You're welcome.

Operator

Thank you. The following question is from Brad Smith from Blackmont Capital. Please go ahead.

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

Yes, thanks very much. I just wanted to revisit the U.S. ABCP and the impaired loan; want to make sure I'm clear on what happened there. It strikes me that you basically acquired an impaired loan for about $460 million from this sponsored conduit and that the credit in question related to a distressed mortgage financial institution purchaser, and you established, I believe, a $50 million allowance for that position, roughly 11% which is kind of a lower level than your overall allowance relative to your impaired loan portfolio. Two questions. Could you explain what gives you the confidence that you're recovery is going to be as high as the 11% allowance makes it appear and how did that credit, like what happened with that credit that caused it to go bad in on otherwise in a highly rated conduit? Collateral pool? I'm just wanting to get assurance that there aren't other credits like that in that ABCP conduit.

Bob McGlashan - ***BMO Financial Group - Chief Risk Officer***

Let me start with the last part of that, Brad. There are not other credits like that in those conduits. This is a company that was buying distressed paper out of the subprime market but not only that. The way it made sense to them was they would buy it at a relatively deep discount and it would provide some reasonable loan to value coverage on each of the mortgages that they would acquire. And that worked, and this is a model it had operating for many years, worked very successfully and they typically recovered, they would take a 30% discount and they would recover an additional 10 or 15% so it was a very profitable business for them. As the subprime market deteriorated and with it, housing prices the discount of 30% that they would buy this paper at was burned up as a result of the reduction in the values of the underlying properties. The amount of reservation that we have taken on this transaction is $38.5 million and we've taken it with a view to what we believe the underlying real estate values were supporting those mortgages, and we did a fair bit of work on that, and as to where we thought those things might go, so a couple of things. One, that's the nature of that particular entity, and it was, it is in difficulty and we didn't want it to mess up the view of the asset quality in Fairway which is otherwise excellent.

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

Okay, so again, I'm correct, you actually just paid cash for the asset for the credit?

Bob McGlashan - ***BMO Financial Group - Chief Risk Officer***

Yes. We understand we are providing global style liquidity back up facilities for our conduits in the U.S, always have, so in the end that was going to back into the global style liquidity facility in any event, so there was no point in having this occur as well as impacting the balance of the funding, the access of the funding to that conduit, so we pulled it out and put it on our balance sheet.

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

Is there a plan to actively exit that position or is it a hold to maturity type position now?

Bob McGlashan - ***BMO Financial Group - Chief Risk Officer***

Which the $495?

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

Yes.

Bob McGlashan - ***BMO Financial Group - Chief Risk Officer***

Well we're absolutely working on every angle we possibly can can to minimize whatever the loss impact in the end may turn out to be. Some of that paper, none of that paper has immediate maturity. In some cases it has maturity over 18 months and in other cases you may be able to sell the paper in the marketplace but we're working our way through as quickly as we can.

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

Thanks very much.

Bob McGlashan - ***BMO Financial Group - Chief Risk Officer***

All right

Operator

Thank you. The following question is from Ian De Verteuil] from BMO Capital Markets. Please go ahead.

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

Hi, my question is for Bill. Bill, when we look at what's gone on here, the thought of 2007 was the problems in natural gas and commodity trading and late in 2007 the problem was structured credit and that's carried over and now we're starting to see credit deterioration that certainly by any metric appears to be worse than any other bank peers, I guess it's hard to associate all three of these things with a bank that used to be described as a high return, low risk institution. I guess from a macro point of view, what has changed to put the bank in harm's way on so many fronts?

Bill Downe - ***BMO Financial Group - CEO***

Well, Ian, I don't, I actually don't see the connection. It is clear that we had a significant problem in our commodities business last year. We see it as a discrete circumstance. We've taken steps to address that business directly, and we've seen immediate benefit from that. It was a significant risk exposure even after it was identified, and we worked the risk down very quickly inside the time that I thought it would take to get it to its current level where we're back in ordinary operating parameters, and de-risked without a great deal of cost. It could have been very expensive to move out of those positions quickly. So I think the underlying capability of the organization was actually demonstrated in that regard.

With respect to the structured credit market, we were one of the first banks to establish multi-contributor conduits in Canada. It's a natural extension of our commercial banking business and it not only was it a very large business globally but it's a large business for the BMO Financial Group, and it continues to perform well and similarly I would say with the two SIV's in the UK, links and Parkland, they have been problematic because of the fact the market has been so difficult from a funding perspective, but if you look at the underlying assets in Links an Parkland and the size of those programs, we were at $27 billion at the end of July, we have done exactly what we said we were going to do in the reduction of them. We've done it in an orderly way and we've protected the investors, the capital note holders and senior note holders in those programs as well as a small amount of capital participation we had. So we protected the interest of the bank and its shareholders as well as its customers.

And at the last quarter end I know there was commentary about how difficult it would be to continue to reduce these programs in the environment when they were sitting above $15 billion but once again, the quality of the assets and the quality of the people managing the business resulted in a reduction so that at the time that February 19 when we said they were now small enough that we felt it was appropriate for us to provide backstop, they had come down once again significantly, and where we sit today with Links at $9.9 billion is once again a very short period of time confirmation of the strategy and I think Parkland this morning what 880 million Euros. And so I guess I would, not to dispute the risky or non-risky nature of the business that the underlying quality of the assets and our strategy has proven itself.

With respect to credit risk, it's hard to say whether we're in a complete credit cycle, the part of a complete credit cycle where defaults are going to escalate rapidly across the whole system, but if you go back over the last 16 years and look at the credit cycle, BMO has as defaults have ramped up in the system, has been early to recognize in its own portfolio any credits that require extra supervision and as Bob said, in periods of benign credit, we've had recoveries significant recoveries because of the way we manage it so I think the characterization needs to be accurate and we take full responsibility for the first item that you mentioned, the commodity trading business was not the something that was consistent with the way we operate. The structured products business we're working our way through and the credit cycle will be what it is but as Bob said, we have not changed the people in the key credit granting jobs in the company and we haven't changed the discipline and, as a consequence, we stand by the belief that we will continue to have superior performance.

Ian De Verteuil *- BMO Capital Markets - Analyst*

I guess though when I think about all of the actions you've detailed, everyone you've detailed has come after a fair amount of pain inflicted on shareholders. So I mean, isn't it the job of risk management and the senior executives to ensure you don't take the $800 million loss before you fix the problem?

Bill Downe *- BMO Financial Group - CEO*

Well, not to prolong this discussion, we could carry it on for a long time but with respect to the $850 million you're absolutely right. With respect to the other items, I believe that we're in the process of putting them behind us and when we do, I would expect that the revenue generating capability of the core businesses which is very, very strong will be reflected in the share price of the stock once again. We have time I think for one more question, and then I think we probably have run out.

Operator

Thank you. This concludes today's Q&A session. I would like to turn the meeting back over to Ms. Lazaris.

Viki Lazaris *- BMO Financial Group - SVP Investor Relations*

Thanks for joining us today. We're looking forward to seeing you at our Investor Day scheduled for April 15 in Toronto. At this event we'll focus on our Canadian and U.S. Personal and Commercial groups and the Private Client Group. You'll also have the opportunity to meet our leadership team there. Thanks again for joining us, and if you have any further questions, please give Investor Relations a call.

Operator

Thank you. This concludes today’s conference call. Please disconnect your lines, and thank you for your participation.