



Background on Fairway Finance Corporation (Fairway)

- Fairway is BMO's US ABCP conduit, rated A1/P1 by Moody's/S&P since inception. It consists of high quality assets
 - ▶ Assets are all investment grade quality based on internal or external ratings. Approximately 50-55% of the assets in the conduit are externally rated.
 - ▶ All assets subject to normal BMO credit review standards
- BMO provides global style liquidity to this conduit
 - ▶ Under global style liquidity, the financial institution has fundamental economic exposure reflective of ratings but lower loss given default consistent with nature of securitized portfolios – overcollateralization and structural protections
- Client-focused financing of diversified pools of assets (see slide 2 for asset breakdown)
- All outstanding paper has been consistently rolling with 3rd party investors notwithstanding market disruption last August
- Backstop liquidity facilities \$10.2B as at January 31, 2008 down from \$10.7B as at October 31, 2007. Decrease relates to assets transferred to BMO, natural runoff and F/X.

Previous disclosures on Page 107 of 2007 Annual Report and Slide 3 of Q4 2007 Risk Review slides

Please refer to Forward Looking Statement on page 5 of First Quarter Report to Shareholders



Assets in Fairway

Asset Type (Balances at January 31, 2008)	Liquidity Exposure (\$B)*	%	CP Outstandings (\$B)*	%
Auto Loans/Leases	1.2	12.0	0.6	7.5
Capital Commitments	0.5	5.0	0.3	4.3
Commercial Real Estate Loans, Leases	1.6	15.0	1.0	13.7
Consumer Instalment	1.1	10.6	0.9	12.6
Corporate Loans	1.2	11.2	0.9	12.4
Dealer Floor Plan	0.2	2.0	0.1	1.6
Equipment Loans, Leases	0.8	8.1	0.8	10.3
Future Flow	0.6	5.4	0.5	6.2
High Yield bonds	0.0	0.3	0.0	0.4
Middle Market Corporate Loans	2.2	20.9	1.7	22.3
Residential Mortgages – Prime	0.2	1.7	0.1	1.3
Residential Mortgages – Subprime	0.0	0.3	0.3	0.4
Structured Settlements	0.2	2.1	0.2	3.3
Trade Receivables	0.5	5.1	0.3	3.7
Other	0.0	0.2	0.0	0.2
TOTAL	10.2	100	7.5	100

* Balances may not add due to rounding

- No exposure to ABS or Structured Finance CDOs. Some CDOs allow small concentrations of ABS or structured finance securities by exposures immaterial. There have been no ratings actions on any CDO holdings.
- Corporate & Commercial Loan facilities typically short term revolving warehouses for commercial finance companies. These clients originate, underwrite and service the underlying assets and are characterized as operating companies vs. investment managers
- Nominal subprime exposure: <0.5% of assets in conduit
- No exposure to ACA.
- Fairway has approximately \$2.0B in notional assets guaranteed by monolines in the form of wrapped securities, swaps and TRS. None of these guarantees involve mortgages or ABS/structured finance CDOs. All of the underlying transactions are performing in accordance with terms and conditions

Background on \$459MM asset transferred to BMO

- Well established US company in the business of purchasing troubled mortgages at a discount for subsequent sale in term markets. This company was particularly impacted by the deterioration in the US mortgage market.
- Consequently assets fell below investment grade; and were transferred to BMO's balance sheet to preserve the conduit's continued access to CP markets.
- BMO did not take on any new risk by transferring the assets from the conduit.
- A \$38.5MM provision was established in accordance with BMO's standard methodology for assessing credit reserves.