

Q2
2007



RISK
REVIEW

Investor Community Conference Call

BOB McGLASHAN

Executive Vice President and Chief Risk Officer

May 23 • 2007



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 2007 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 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 2006 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.

Assumptions about the performance of the Canadian and U.S. economies in 2007 and how that will affect our businesses were material factors we considered when setting our strategic priorities and objectives and in determining our financial targets, including provisions for credit losses. Key assumptions included that the Canadian and U.S. economies would expand at a moderate pace in 2007 and that inflation would remain low. We also assumed that interest rates in 2007 would remain little changed in Canada but decline in the United States and that the Canadian dollar would hold onto its value relative to the U.S. dollar. The Canadian dollar has strengthened relative to the U.S. dollar, particularly late in the second quarter, but we continue to believe that our other assumptions remain valid. We have continued to rely upon those assumptions and the views outlined in the following Economic Outlook in considering our ability to achieve our 2007 targets. 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. 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.

Assumptions about the performance of the natural gas and crude oil commodities markets and how that will affect the performance of our commodities business were material factors we considered when establishing our estimates of the future performance of the commodities trading portfolio set out in this document. Key assumptions included that commodities prices and implied volatility would be stable and our positions would continue to be managed with a view to lowering the size and risk level of the portfolio.



COMMODITIES PORTFOLIO KEY RISK MEASURES MONITORED

Primary Risk Measures

- Market Value Exposure (VaR)
- Worst Case Stress Loss
- Delta
- Gamma
- Vega
- Seasonal Tenors (vega & delta)
- Calendar Tenors (vega & delta)
- Daily and Monthly Loss Limits
- Physical Delivery Limits
- Set of Authorized Products
- Counterparty Exposures

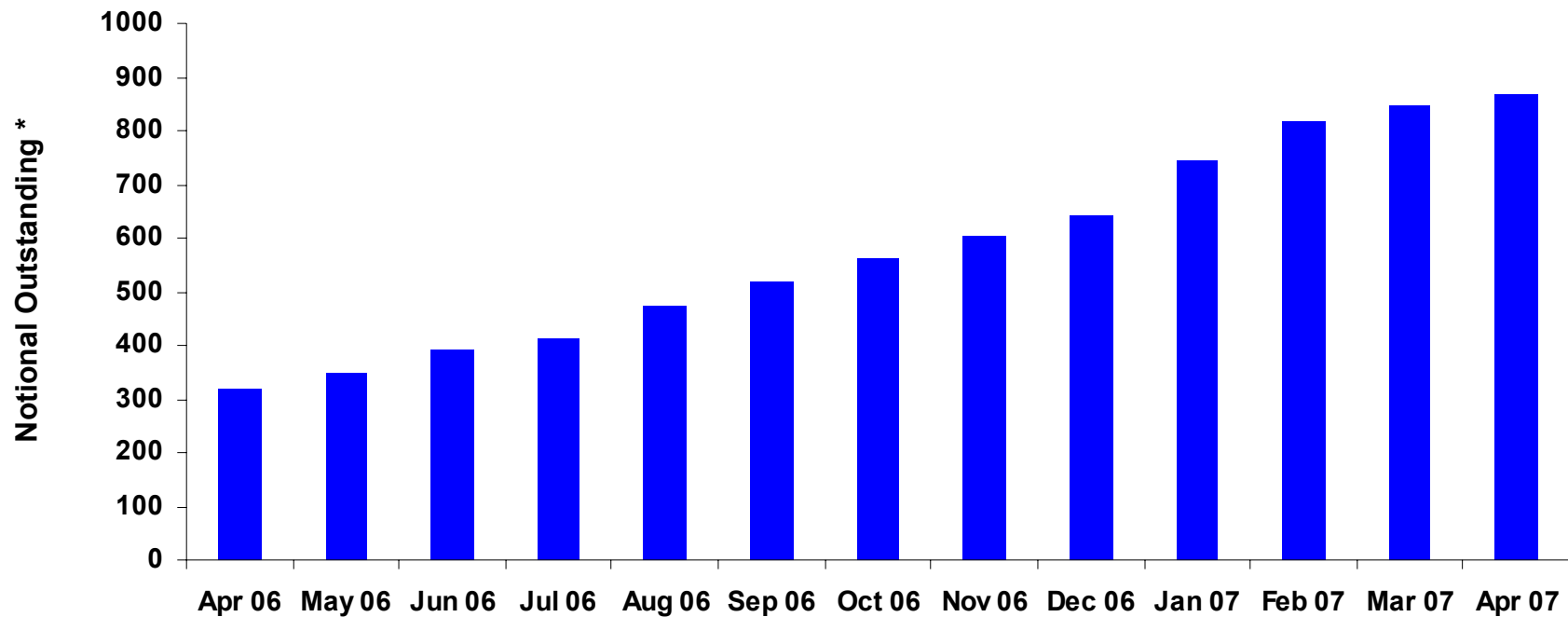
Secondary Measures

Include: Theta, Sensitivities for NG (NYMEX), Sensitivities for Pipeline Regions, Sensitivities for Crude Regions, Notional Outstanding, Open Interest (Contracts), Out of the Money Ratio (OTM%), Risk Weighted Assets.



COMMODITIES TRADING AND UNDERWRITING

Commodity
Monthly Notional Outstanding (C\$ billions)
April 2006 to April 2007



*Notional Outstanding is calculated by taking the Number of Contracts Outstanding x 10,000 (contract size) x Strike Price.



COMMODITIES TRADING AND UNDERWRITING

Natural Gas Front Month Contract Implied Volatility April 2006 to April 2007



(Source: Bloomberg – May 18, 2007)



Q2 2007

Credit and Counterparty Risk Highlights

Specific PCL

\$59 million ↑ 13% *

GIL Balance

\$688 million ↓ 8% *

GIL Formations

\$131 million ↑ 16% *

* Change from Prior Quarter

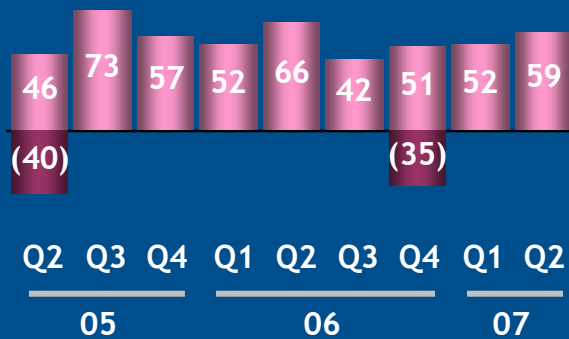
CREDIT PERFORMANCE EXCEEDS EXPECTATIONS for Q2 2007

- BMO continues to maintain its historic strong credit performance
- Q2 2007 PCL is \$59 million, with no reduction in the General Allowance
- Gross Impaired Loans (GILs) at \$688 million remain low relative to historical levels.
- GIL Formations reflect an increase from Q107 levels, but are in line with this part of the credit cycle.
- Revised Specific PCL target for F2007 of \$300 million or less, reflecting favourable Q2 results and a more subtle deterioration in the credit environment later in the year than originally expected



Total Provision for Credit Losses

Quarterly
(C\$ Million)



Specific PCL  General PCL 

TOTAL PROVISION FOR CREDIT LOSSES reflects the stable credit environment

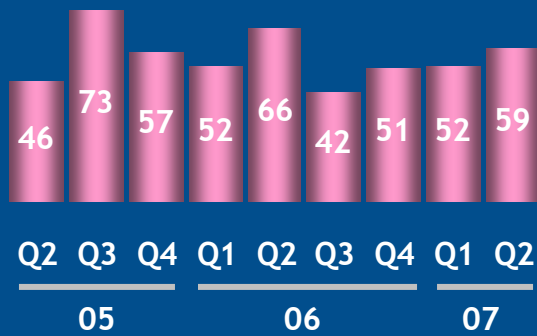
Portfolio Segment	Provision for Credit Losses (C\$ Million)		
	Q2 07	Q1 07	Q2 06
Consumer	56	49	58
Commercial	9	5	12
Corporate	(6)	(2)	(4)
Specific Provisions	<u>59</u>	<u>52</u>	<u>66</u>
Reduction of General Allowance	-	-	-
Total PCL	<u><u>59</u></u>	<u><u>52</u></u>	<u><u>66</u></u>
Specific PCL as a % of Avg Net Loans & Acceptances (incl. Reverse Repos)*	12 bps	10 bps	14 bps

* Annualized; versus 15 year average of 34 bps

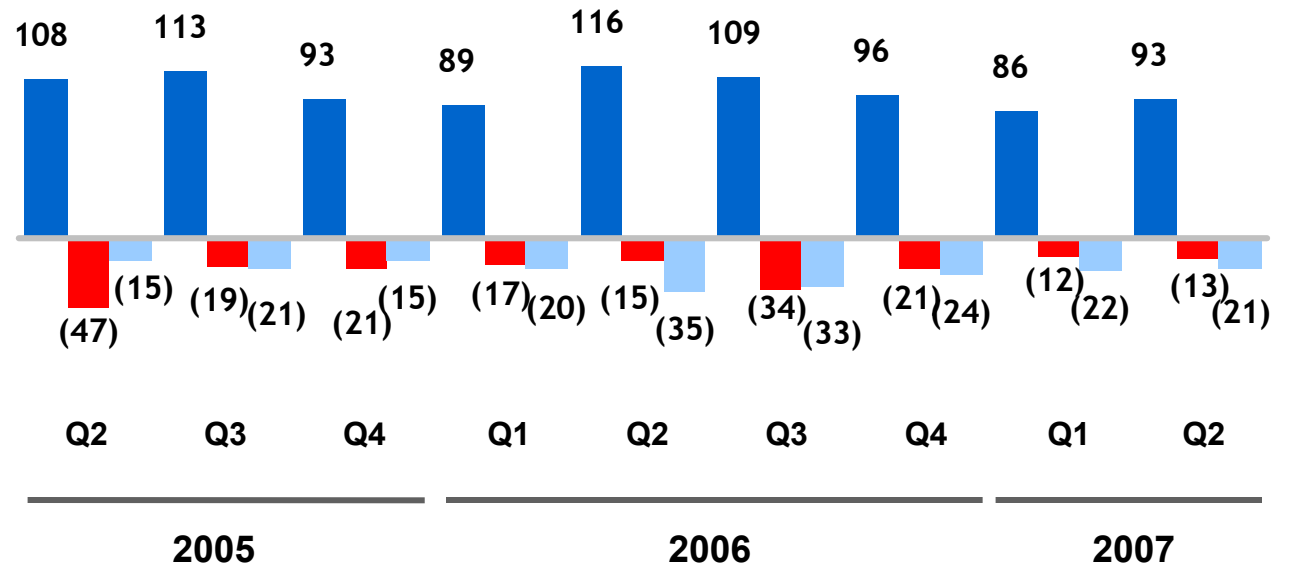


Specific Provision for Credit Losses

Quarterly
(C\$ Million)




NEW SPECIFIC PROVISIONS REMAIN LOW



- New specific provisions
- Reversals of previously established allowances
- Recoveries of loans previously written off



Specific PCL as a % of Average Net Loans and Acceptances (including Reverse Repos)

%	BMO	 Cdn. Competitors
Q2 / 07	.12	n.a.
Q1 / 07	.10	.23
Q2 / 06	.14	.19
F2006	.11	.21
15 yr avg. *	.34	.56

BMO's Canadian competitors include: RY, BNS, CM, TD and NA

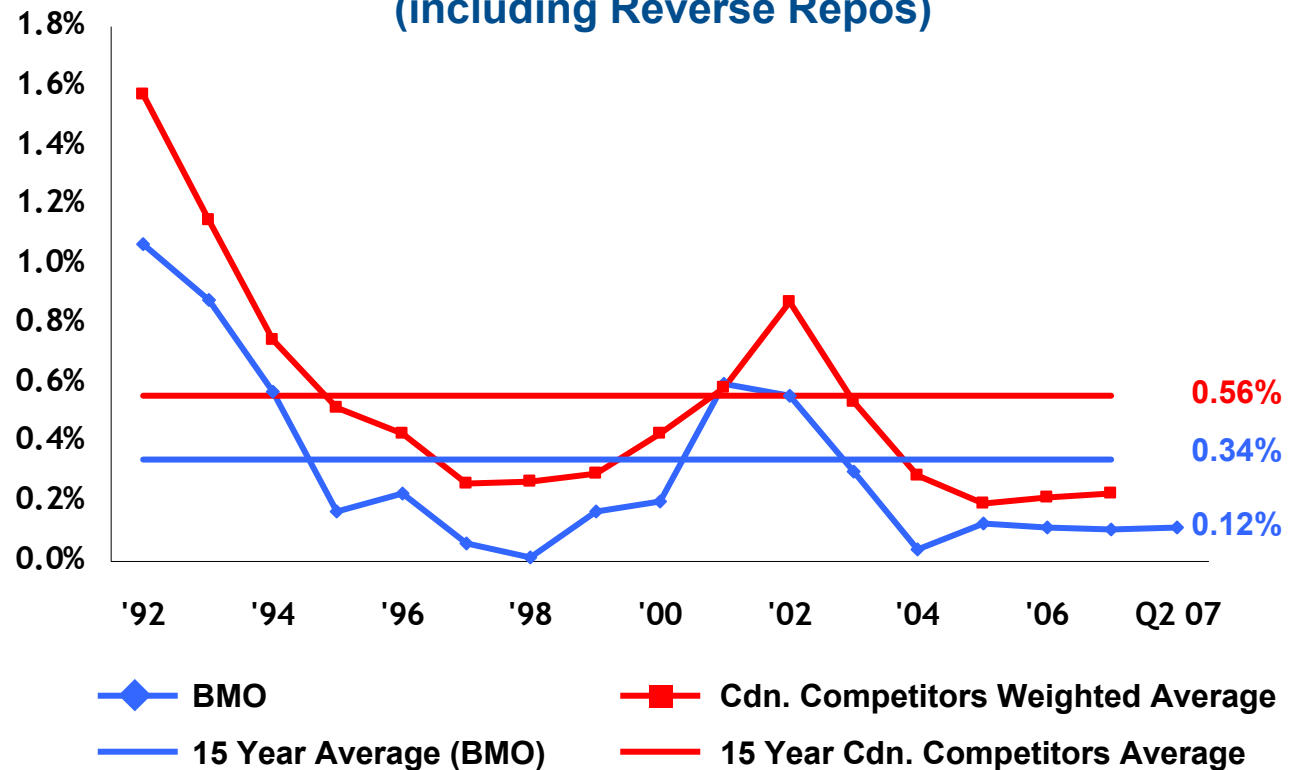
Competitor average excludes the impact of TD's sectoral provisions

* 15 yr avg.: 1992 to 2006

CREDIT PERFORMANCE MEASURE

Historical Specific PCL average represents a 22 bps advantage over the Canadian peer group

Specific PCL as a % of Average Net Loans and Acceptances (including Reverse Repos)





**GIL Formations
(C\$ Million)**

Quarterly

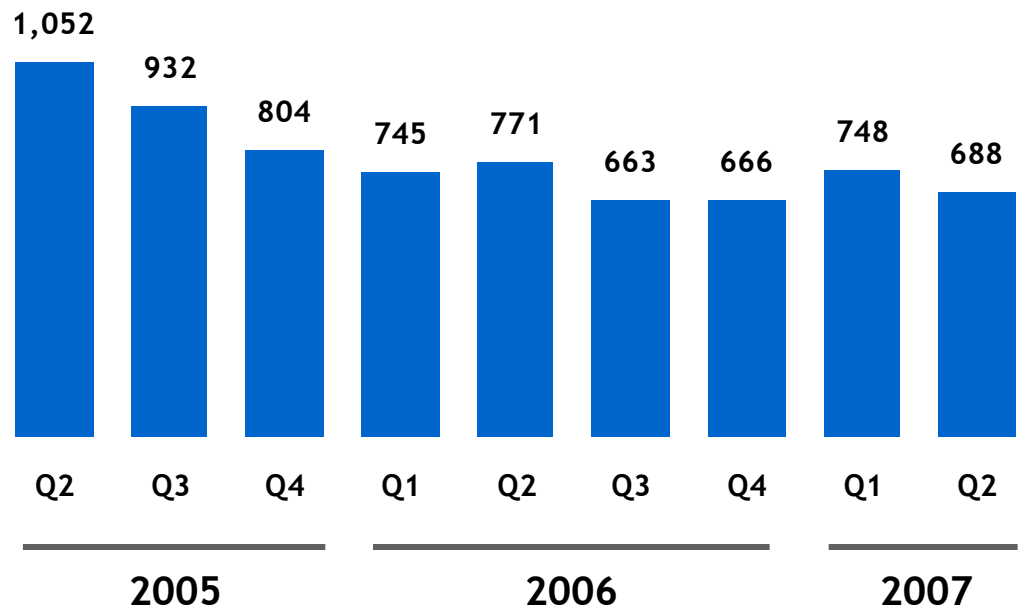


* A single enterprise group represented \$71 million in formations in Q206, which were subsequently fully repaid in Q306

CREDIT QUALITY REMAINS STRONG

GIL balances remain at historically low levels, with a moderate increase in GIL formations in line with this part of the credit cycle

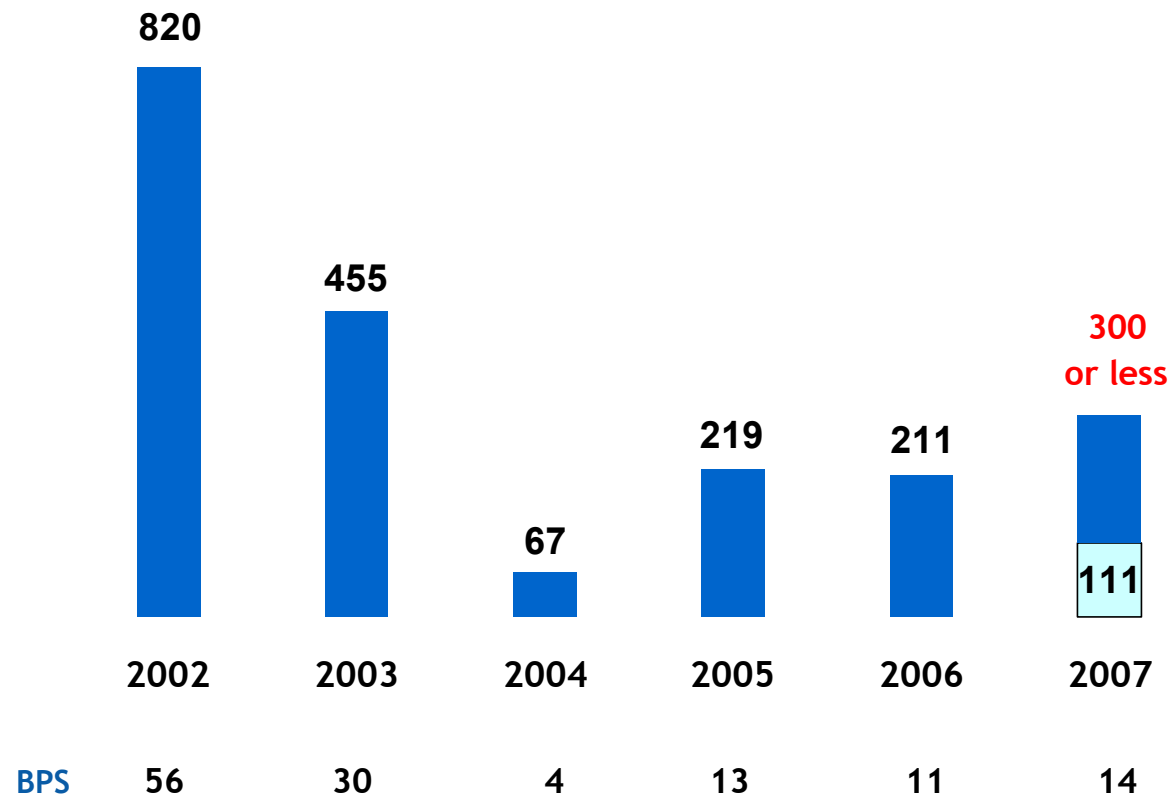
**Gross Impaired Loans
(C\$ Million)**





F2007 SPECIFIC PCL is estimated at \$300 million or less

SPECIFIC PCL AS % OF LOANS AND ACCEPTANCES
(C\$ Million)



F2007 Specific PCL Estimate

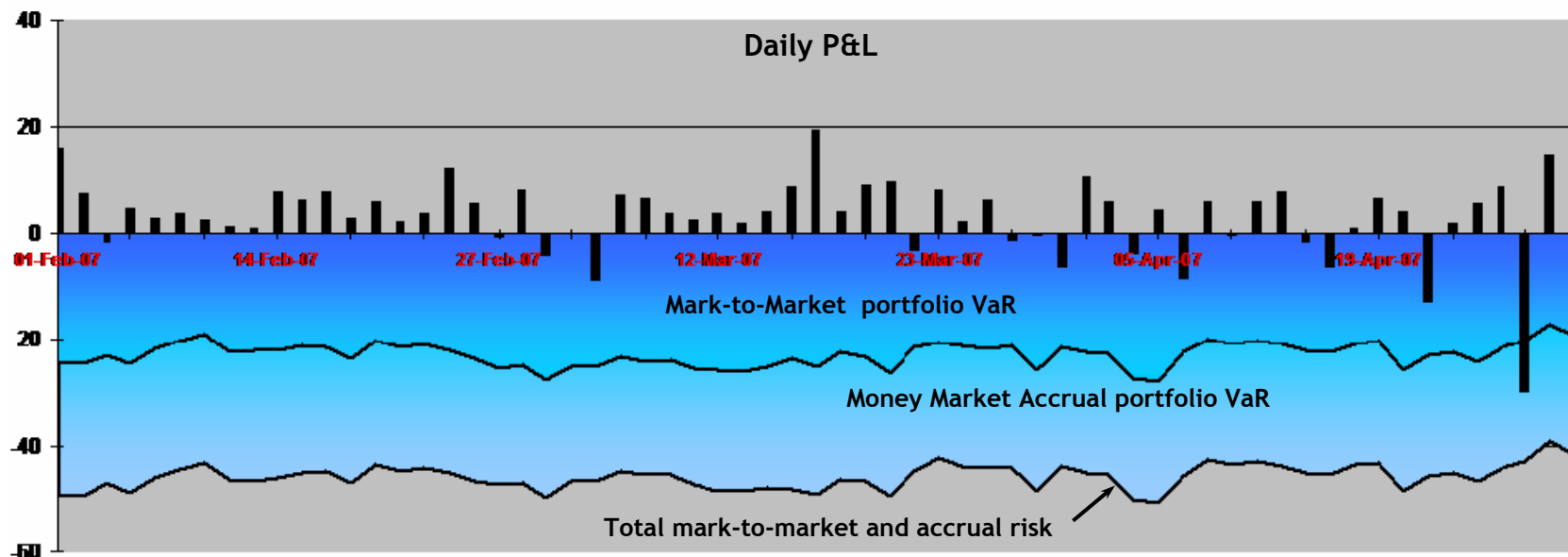
We expect a relatively stable credit environment with modest deterioration later in 2007 and some increase in new specific provisions



TRADING AND UNDERWRITING Q2 2007

Commodities mark-to-market adjustment was CAD \$680 MM. Of this, CAD \$509 MM relates to Q1 2007, remaining CAD \$171 MM relates to Q2 2007 and is embedded in the chart below

Trading and Underwriting Net Revenues Versus Market Value Exposure
February 1, 2007 to April 30, 2007 (C\$ millions)
(Presented on a Pre-Tax Basis)



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



APPENDIX



LOAN PORTFOLIO DISTRIBUTION

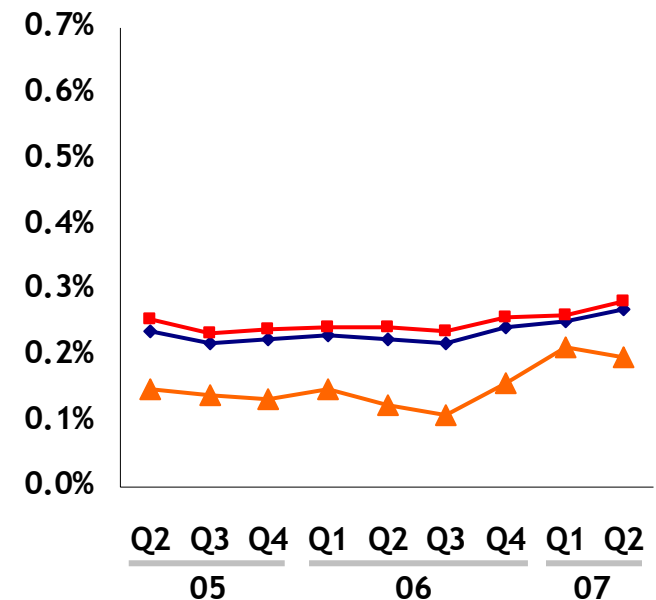
Consumer/Commercial/Corporate

Total Gross Loans and Acceptances* (C\$ Billion)
As at April 30, 2007

	Canada	U.S.	Other	Total	
Consumer					
Residential Mortgage:	53	7	-	60	35%
Consumer Loans	22	10	-	32	19%
Cards	4	-	-	4	2%
Total Consumer	79	17	-	96	56%
Commercial	35	7	-	42	25%
Corporate	12	16	4	32	19%
Total	126	40	4	170	100%

* Excludes reverse repos

Consumer Portfolio Delinquency Ratio (%)**



◆ Total Consumer Portfolio
■ Canada
▲ U.S.

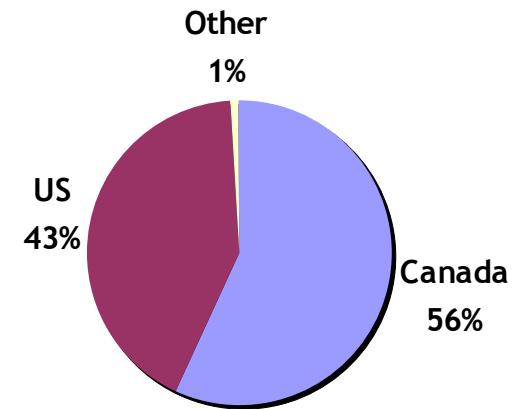
** % of portfolio which is 90 days or more past due

(Refer to the Supplementary Financial Information Package page 24)



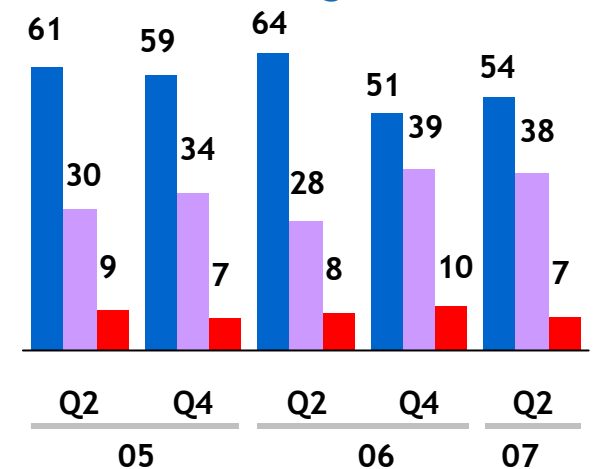
AUTO MANUFACTURING AND SUPPLY

Gross Auto Loans & Acceptances By Geography



	Total Gross Loans & BA's	Gross Impaired	Net Impaired	"Investment Grade"	"Non-Investment Grade"
Suppliers	436	35	24	231	170
Motor Vehicle Manufacturing	45	-	-	31	14
Total	481*	35**	24	262	184

Portfolio Migration %



* Represents 0.3% of the total loan portfolio (excluding reverse repos)

** Canada 51% and U.S. 49%

(Refer to the Supplementary Financial Information Package pages 26, 29 and 30)

- Performing-"Investment Grade"
- Performing-"Non-Investment Grade"
- Gross Impaired

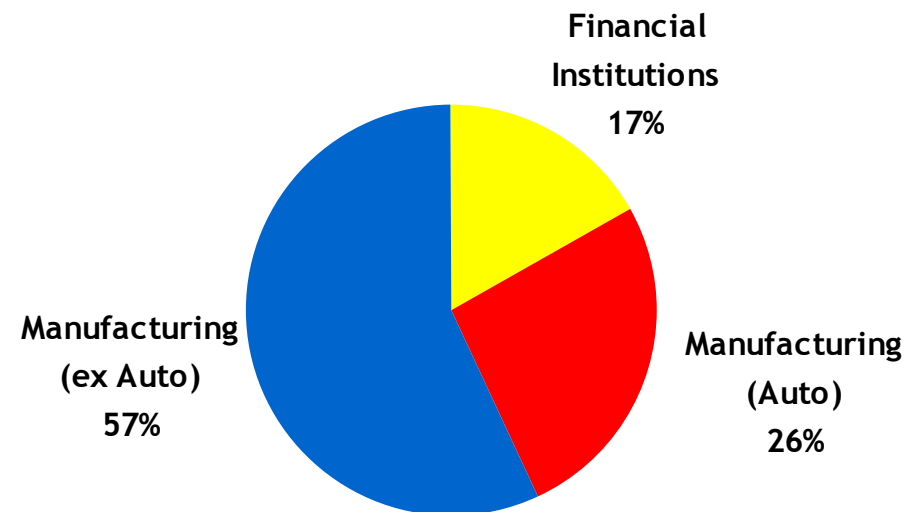


CREDIT DERIVATIVES ARE USED TO ASSIST IN THE PORTFOLIO MANAGEMENT OF OUR LOAN BOOK,

with the stable credit environment driving a decrease in usage

Credit Protection Portfolio (\$C Millions) ⁽¹⁾	
April 30, 2007	
	Single Name Hedge
Communications	-
Construction	-
Financial Institutions	28
Forest Products	-
Government	-
Manufacturing (Auto)	42
Manufacturing (ex Auto)	94
Oil and Gas	-
Real Estate	-
Retail	-
Services	-
Transportation	-
Utilities	-
Wholesale	-
Total at Q2 07	164
Total at Q1 07	259

Sector Distribution
April 30, 2007

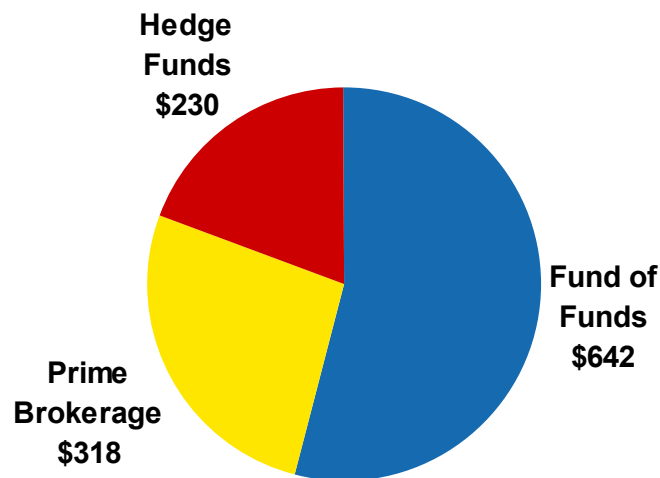


1. There were no Index Hedges outstanding at the end of Q207 as well as Q107.



EXPOSURES TO HEDGE FUNDS ARE MONITORED CLOSELY AND ARE SUBJECT TO TIGHT CONTROLS

Hedge Funds – Utilized *
US\$ Million
April 30, 2007



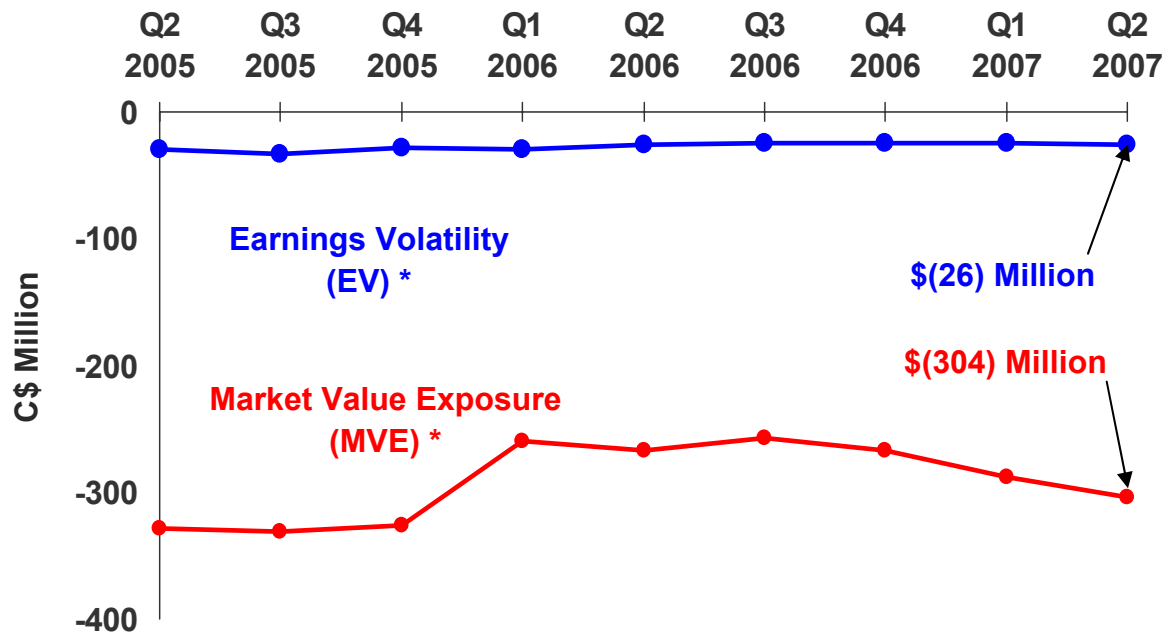
Exposures to these sectors are subject to limits which are approved by and reported to the Board

Exposure	Primary Nature of Risk
Hedge Funds	Replacement risk associated with capital markets trading
Prime Brokerage	Secured lending transactions
Fund of Funds	Short-term, working capital loans

* The aggregate as at Q2 2007 was US\$1.2 billion versus US\$1.3 billion at the end of the prior quarter



STRUCTURAL EARNINGS VOLATILITY remains low; STRUCTURAL MARKET VALUE EXPOSURE remains within the target range

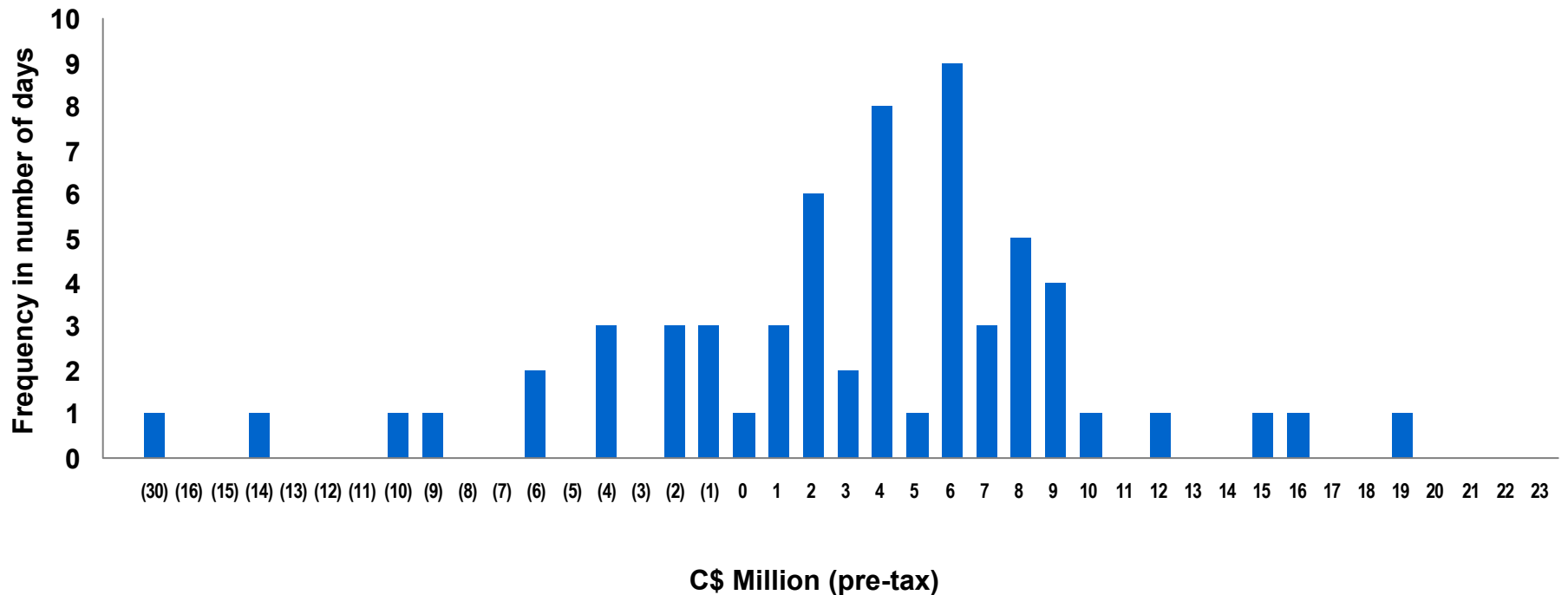


* Refer to definitions on page 34 of the Supplementary Financial Information package



FREQUENCY DISTRIBUTION OF DAILY TRADING AND UNDERWRITING P&L

FREQUENCY DISTRIBUTION OF DAILY P&L
FOR TRADING AND UNDERWRITING
February 1, 2007 to April 30, 2007





DEFINITIONS OF KEY RISK MEASURES

Primary Risk Measures

- **Market Value Exposure (MVE)** is a measure of the adverse impact of changes in market parameters on the market value of a portfolio of assets, liabilities and off-balance sheet positions, measured at a 99% confidence level over a specified holding period.
- **Worst Case Stress Loss** is done on a probabilistic basis. Scenarios are shocked to 6.5 Standard deviations or approximately 99.95%. These are measured daily.
- **Delta** measures the change in the option price with respect to a change in the underlying price of the commodity.
- **Gamma** measures the rate of change of delta.
- **Vega** measures the change in option price with respect to the change in implied volatility.
- **Seasonal tenor limits** are limits of both long and short vega and long and short delta for the front two months and front four seasons (two seasons comprise one year).
- **Calendar tenor limits** are limits of both long and short vega and long and short delta for all calendar years beyond the first two years.
- **Loss limit** is any loss over the limit amount that occurs on a daily or monthly basis and requires acknowledgement by the business head and Market Risk.
- **Delivery point limits** each delivery point for which the trader is authorized to trade along with product types, currency and tenor for each point.
- **Authorized products** are listed in each trader limit letter. Unauthorized products cannot be traded.
- **Counterparty exposure** is a monte carlo derived future potential exposure measured at a 95% confidence level.



DEFINITIONS OF KEY RISK MEASURES

Secondary Measures

- **Theta** is a measure of the rate of change of the value of a portfolio over a defined time period.
- **Sensitivities** for the commodity book will be measured for lagged factor error, skew sensitivity and strike concentration.
- **Notional outstanding** measures the dollar value of all positions with no netting (\$ value of all shorts plus all longs).
- **Open interest contracts** measures by contract, the sum of all long and short positions with netting within a \$.15 bucket.
- **Out of the money ratio** is the ratio of out of the money option contracts (low intrinsic value) to the total portfolio of option contracts.
- **Risk weighted assets** is derived by applying a mathematical formula provided by the regulator to calculate assets on a risk weighted basis.



INVESTOR RELATIONS CONTACT INFORMATION

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