

Q3
2007



RISK
REVIEW

Investor Community Conference Call

BOB McGLASHAN

Executive Vice President and Chief Risk Officer

August 28 • 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.

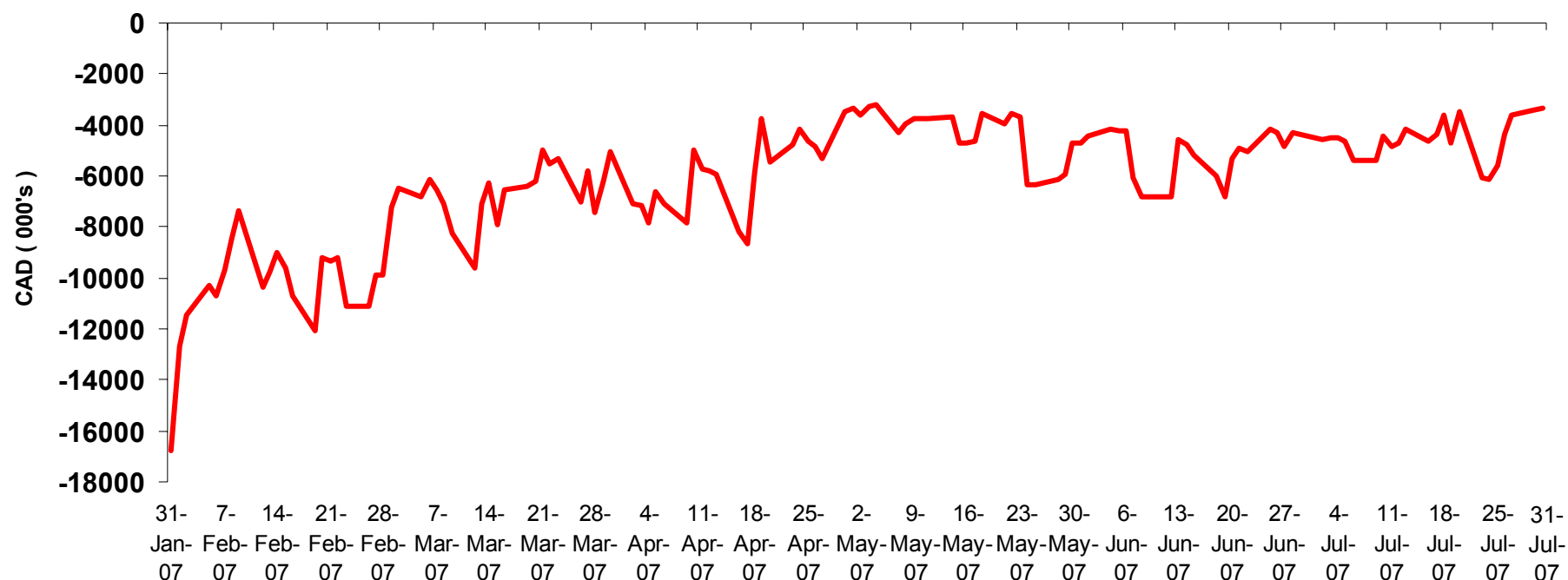
Assumptions about the future performance of the Canadian and U.S. economies and how that will affect our businesses were material factors we considered when setting our strategic priorities and objectives and in determining our financial targets, including provisions for credit losses. Key assumptions 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 and interest rates have increased in the United States, but we 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 in making the forward-looking statements regarding the commodities 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.

Commodity

Value at Risk (VaR)

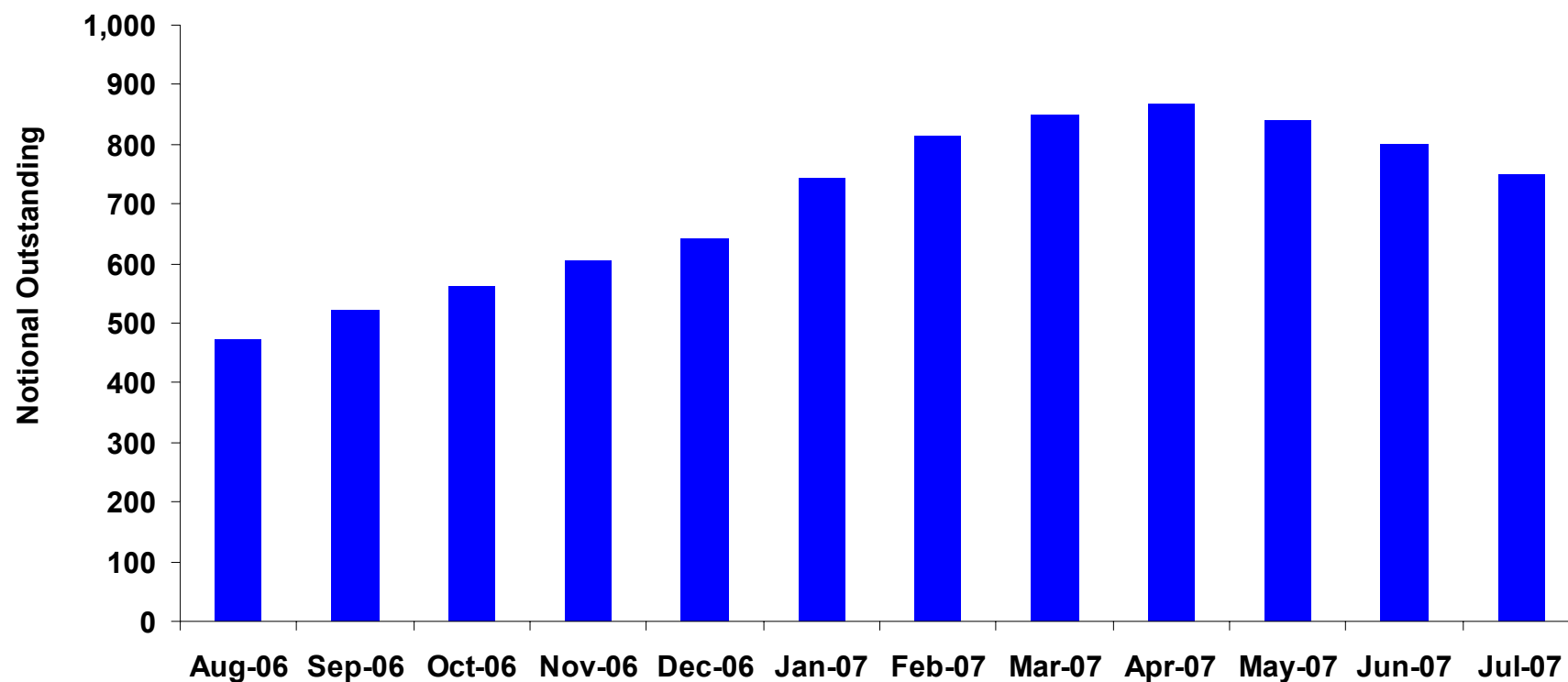
January 31, 2007 to July 31, 2007



* Value at Risk (VaR) is measured for specific classes of risk in BMO's trading and underwriting activities: interest rate, currency, equity and commodity prices and implied volatilities. This measure calculates the maximum likely loss from portfolios, over an appropriate holding period, measured at a 99% confidence level.



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



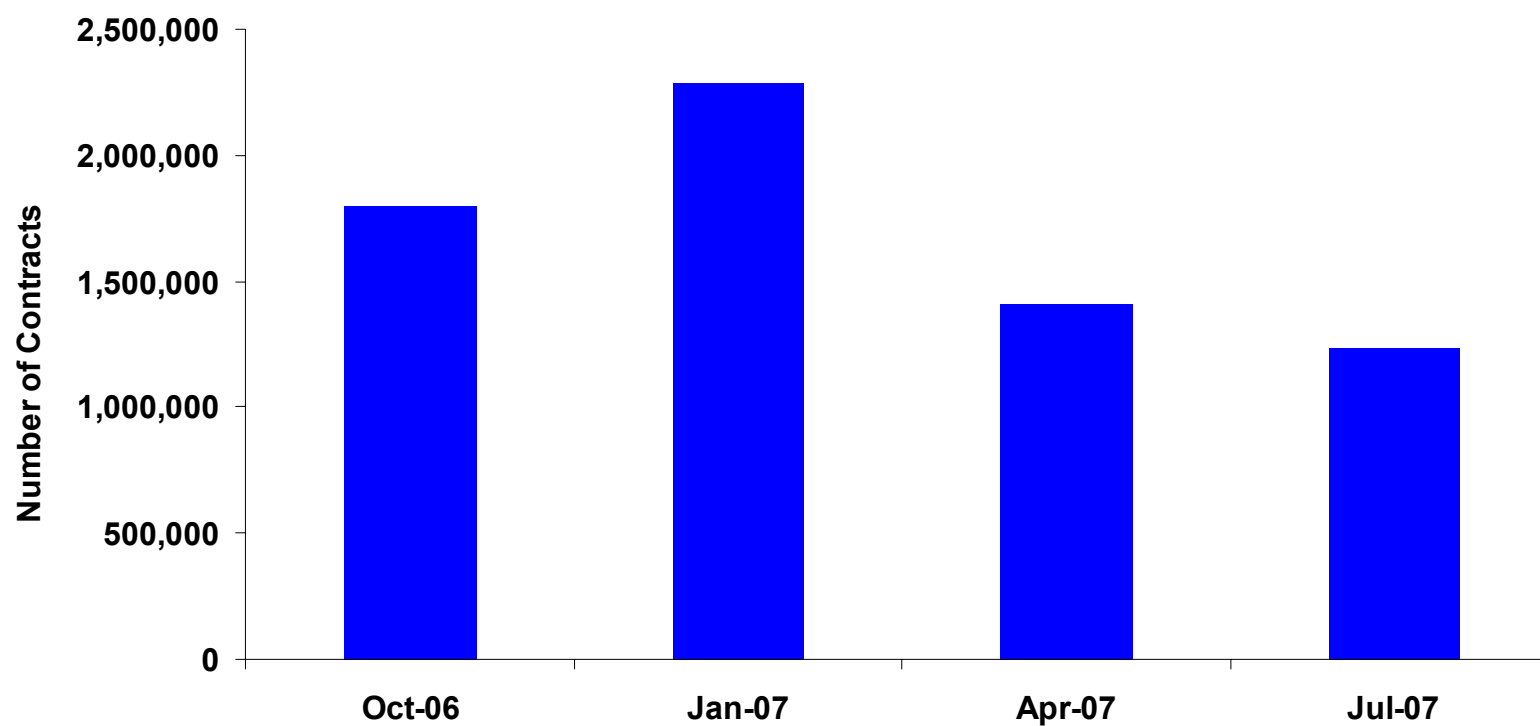
* Notional Outstanding is calculated by taking the Number of Contracts Outstanding x 10,000 (contract size) x Strike Price.



Commodity

Quarterly Net Open Interest

October 2006 to July 2007



* Open interest contracts measures by contract, the sum of all long and short positions with netting within a \$.15 bucket.



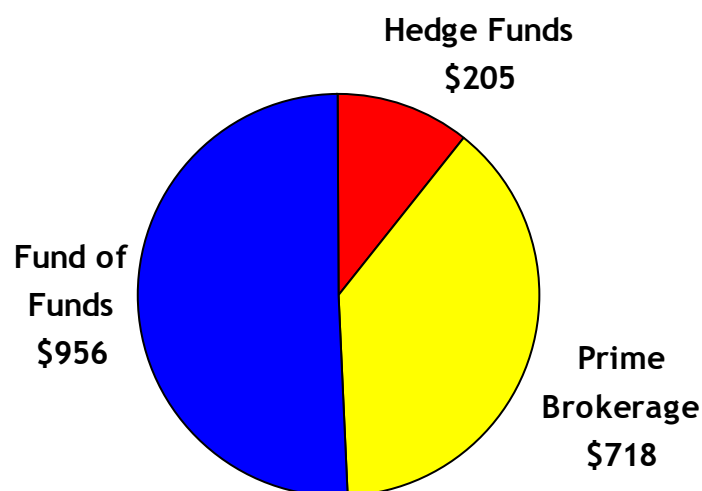
EFFECTIVE RISK MANAGEMENT IN TODAY'S CREDIT ENVIRONMENT

U.S. sub prime mortgages direct exposure	<ul style="list-style-type: none"> • None
Commercial paper liquidity lines to BMO sponsored asset-backed conduits	<ul style="list-style-type: none"> • Provide C\$26.4bn and US\$11.4bn liquidity support; • Nominal exposure to U.S. sub prime mortgages
US Commercial paper liquidity lines to third party asset-backed conduits	<ul style="list-style-type: none"> • Provide US\$1.1bn liquidity support; • No exposure to U.S. sub prime mortgages
U.S. sub prime exposure through un-hedged bonds backed by CDOs and RMBS	<ul style="list-style-type: none"> • Nominal
Investments in non-bank sponsored asset-backed commercial paper	<ul style="list-style-type: none"> • Nominal (< 0.2% of assets) • None of the Canadian money market funds offered by BMO Mutual funds and GGOF Guardian Group of Funds have exposures in their portfolios to ABCP issued by non-bank sponsored conduits
Leveraged buy out (LBO) underwriting commitments	<ul style="list-style-type: none"> • Nominal (0.1% of assets)
Hedge fund trading and lending exposure, including prime brokerage	<ul style="list-style-type: none"> • Conservative; prime brokerage collateralized



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

Hedge Funds – Utilized *
US\$ Million
July 31, 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 Q3 2007 was US\$1.9 billion versus US\$1.2 billion at the end of the prior quarter



Q3 2007

Credit and Counterparty Risk Highlights

GIL Balance

\$618 million ↓ 10% *

GIL Formations

\$106 million ↓ 19% *

Specific (PCL)

\$91 million ↑ 54% *

* Change from prior quarter

SOLID CREDIT PERFORMANCE in Q3 2007

- Credit quality remained strong with Gross Impaired Loans (GIL) remaining at historically low levels.
- GIL Formations continue to remain low, down \$25 million for the quarter
- Q3 2007 PCL is \$91 million, with no reduction in the General Allowance
- Specific PCL target for F2007 remains at \$300 million or less, reflecting favourable Q3 results and a more subtle deterioration in the credit environment later in the year than originally expected

LOAN PORTFOLIO DISTRIBUTION

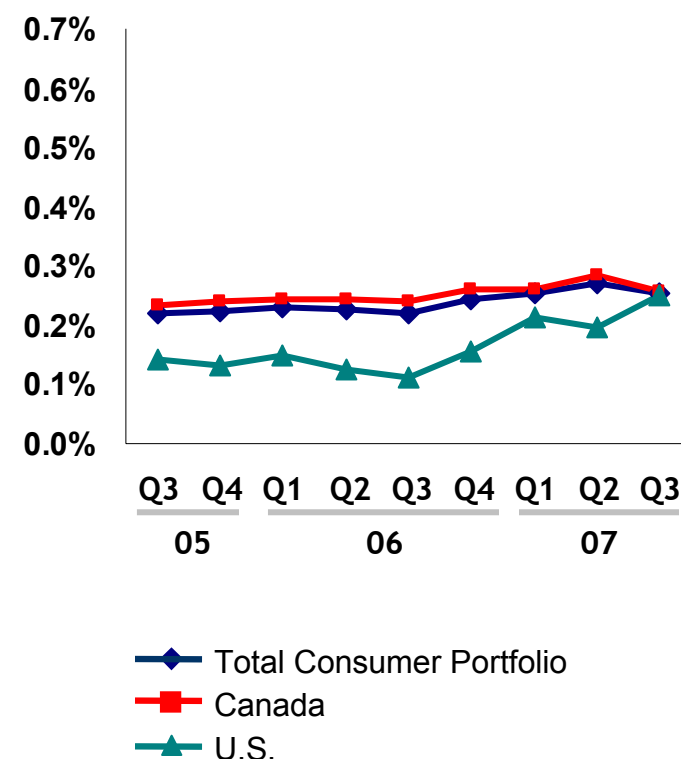
Consumer/Commercial/Corporate

Total Gross Loans and Acceptances* (C\$ Billion)
As at July 31, 2007

	Canada	U.S.	Other	Total	
Consumer					
Residential Mortgage	53	7	-	60	35%
Consumer Loans	23	10	-	33	19%
Cards	4	-	-	4	2%
Total Consumer	80	17	-	97	56%
Commercial	36	7	-	43	25%
Corporate	12	17	4	33	19%
Total	128	41	4	173	100%

* Excludes reverse repos

Consumer Portfolio Delinquency Ratio (%)**



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

(Refer to the Supplementary Financial Information Package page 24)

AUTO MANUFACTURING AND SUPPLY

C\$ Million as at July 31, 2007

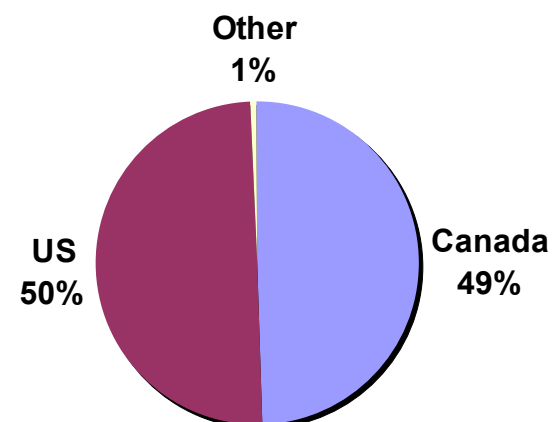
	Total Gross Loans & BA's	Gross Impaired	Net Impaired	Performing Portfolio	
				"Investment Grade"	"Non- Investment Grade"
Suppliers	414	1	-	212	201
Motor Vehicle Manufacturing	30	-	-	22	8
Total	444 *	1**	-	234	209

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

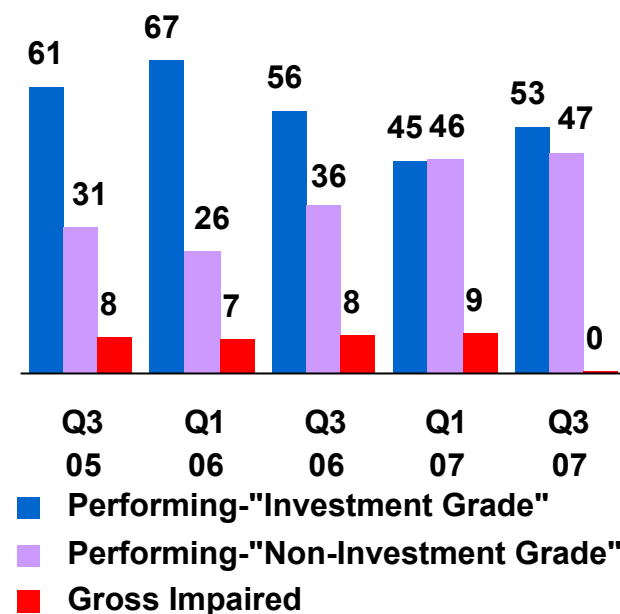
** Canada 100%, U.S. 0%, and Other 0%

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

Gross Auto Loans & Acceptances By Geography

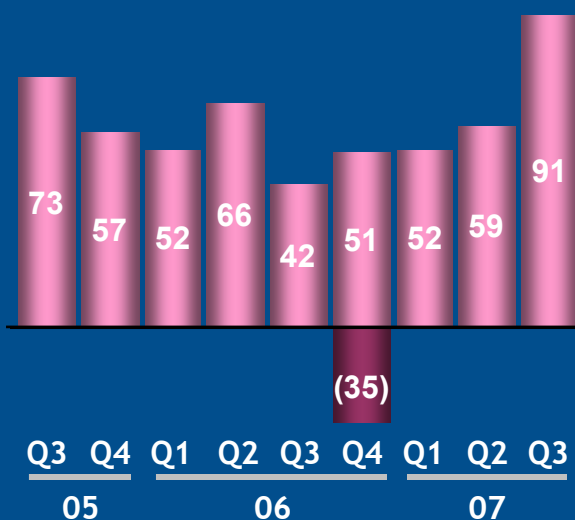


Portfolio Migration %



Total Provision for Credit Losses

Quarterly
(C\$ Million)



Specific PCL  General PCL 

TOTAL PROVISION FOR CREDIT LOSSES

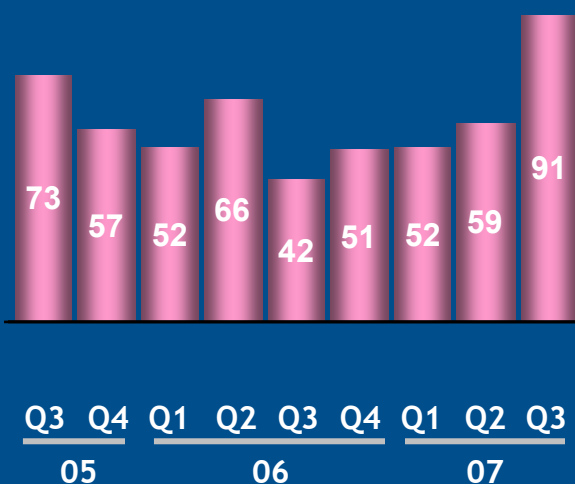
<u>Portfolio Segment</u>	<u>Provision for Credit Losses</u> <u>(C\$ Million)</u>		
	<u>Q3 07</u>	<u>Q2 07</u>	<u>Q3 06</u>
Consumer	71 *	56	48
Commercial	14	9	12
Corporate	6	(6)	(18)
Specific Provisions	<u>91</u>	<u>59</u>	<u>42</u>
Reduction of General Allowance	-	-	-
Total PCL	<u><u>91</u></u>	<u><u>59</u></u>	<u><u>42</u></u>
Specific PCL as a % of Avg Net Loans & Acceptances (incl. Reverse Repos) **	18 bps	12 bps	9 bps

* Higher specific provisions were in part attributable to a loss in our Canadian mortgage business, unrelated to sub-prime mortgages

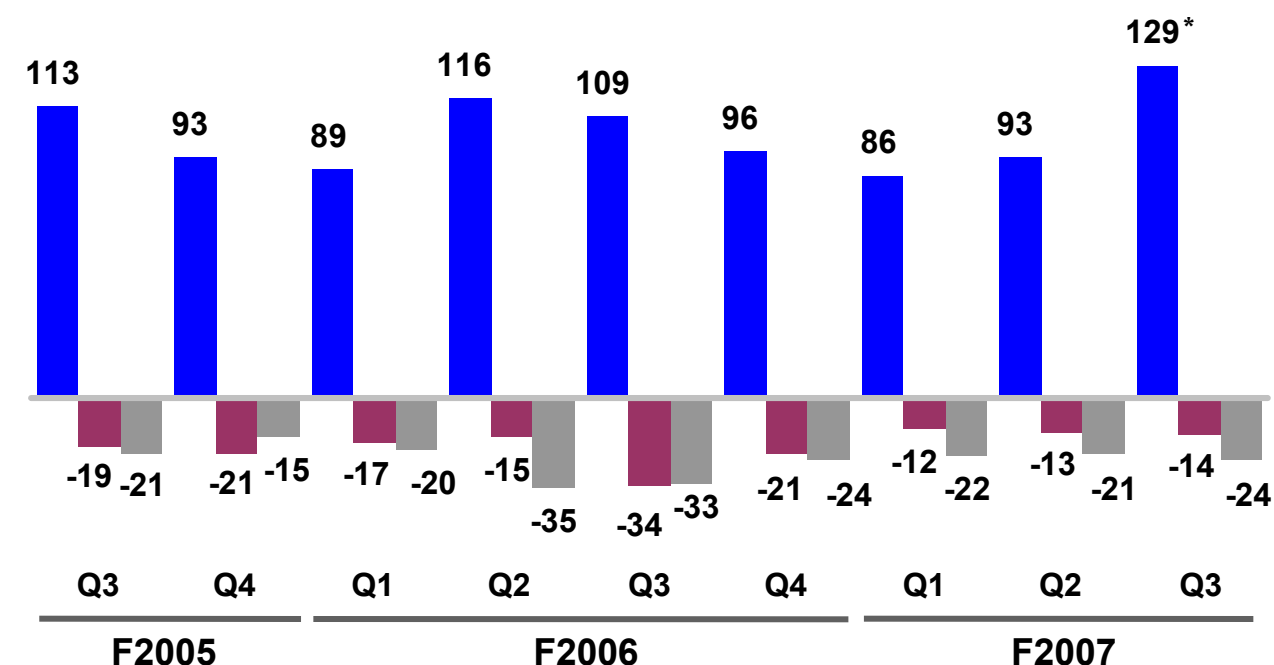
** Annualized; versus 15 year average of 34 bps

Specific Provision for Credit Losses

Quarterly
(C\$ Million)



NEW SPECIFIC PROVISIONS




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

* Higher specific provisions were in part attributable to a loss in our Canadian mortgage business, unrelated to sub-prime mortgages



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

%	BMO	 Cdn. Competitors
Q3 / 07	.18	n.a.
Q2 / 07	.12	.25
Q3 / 06	.09	.20
F2006	.11	.21
15 yr avg. *	.34	.56

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

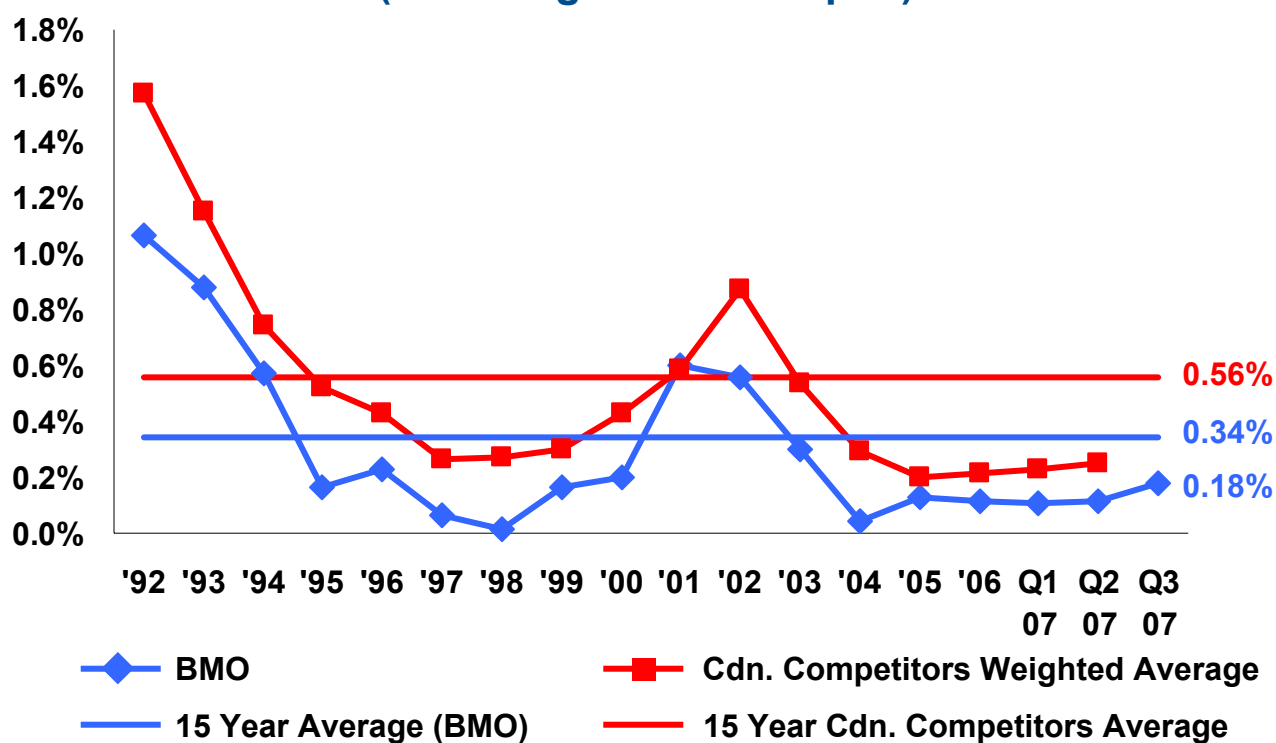
Competitor average excludes the impact of TD's sectoral provisions

* 15 yr avg.: 1992 to 2006

CREDIT PERFORMANCE MEASURE

Strong relative PCL continues

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



GIL Formations (C\$ Million)

Quarterly

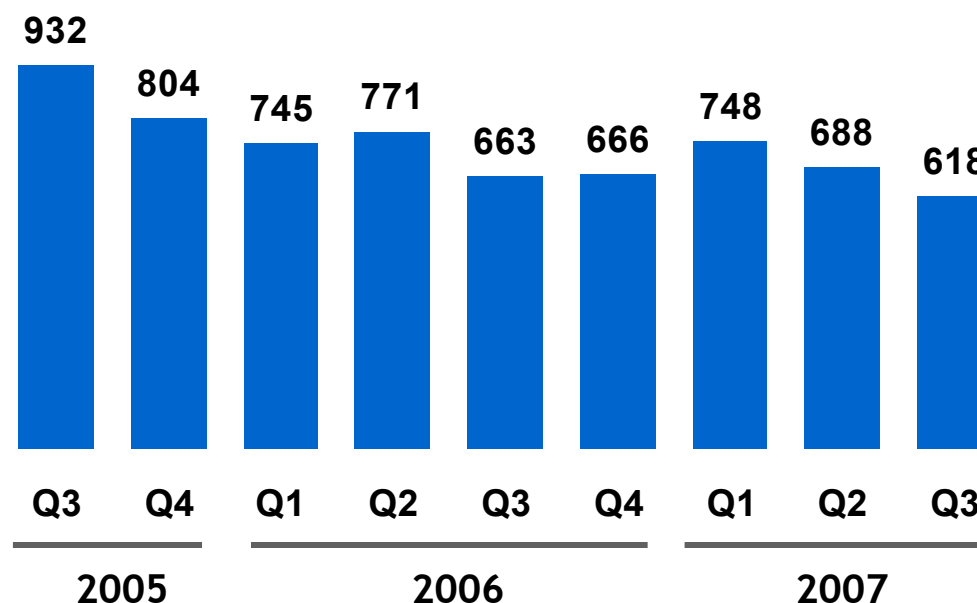


* A single transaction represented \$71 million in formations in Q206, which were subsequently fully repaid in Q306

CREDIT QUALITY REMAINS STRONG

with GIL balances remaining at historically low levels, and a moderate decline in GIL formations

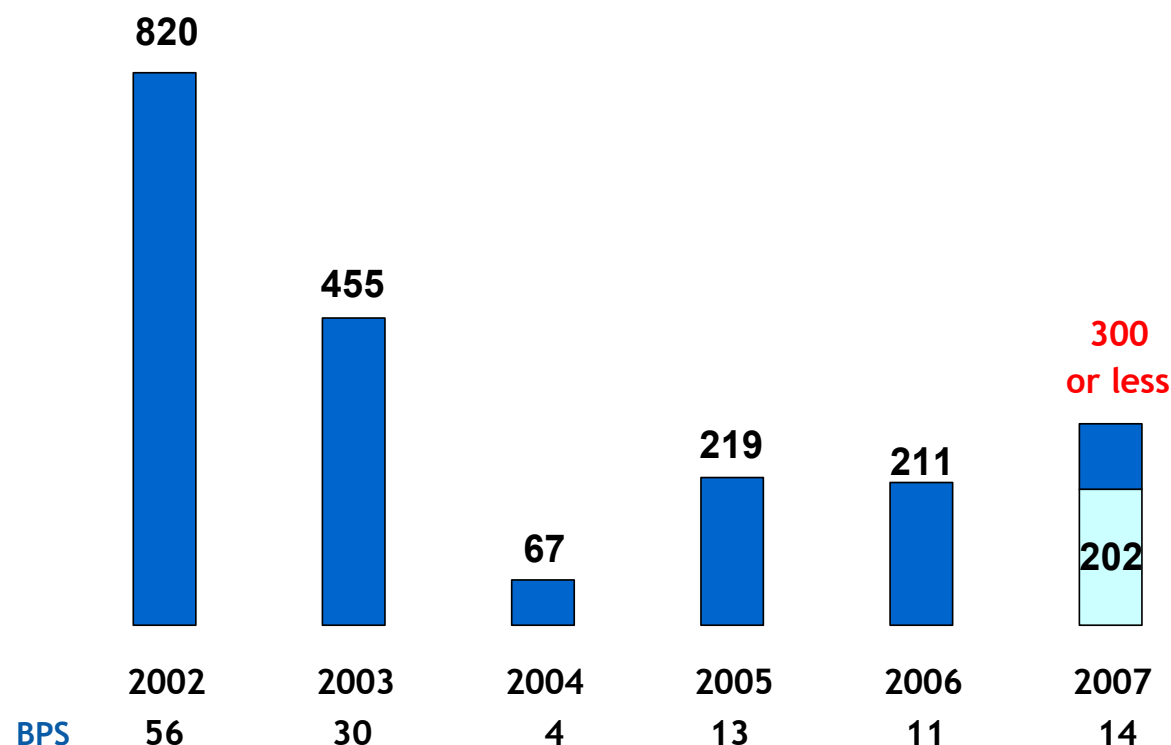
Gross Impaired Loans (C\$ Million)





F2007 SPECIFIC PCL remains unchanged estimated at \$300 million or less

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



F2007 Specific PCL Estimate

We expect the credit environment to remain somewhat volatile over the balance of fiscal 2007, and anticipate new specific provisions to be higher than fiscal 2006 levels.

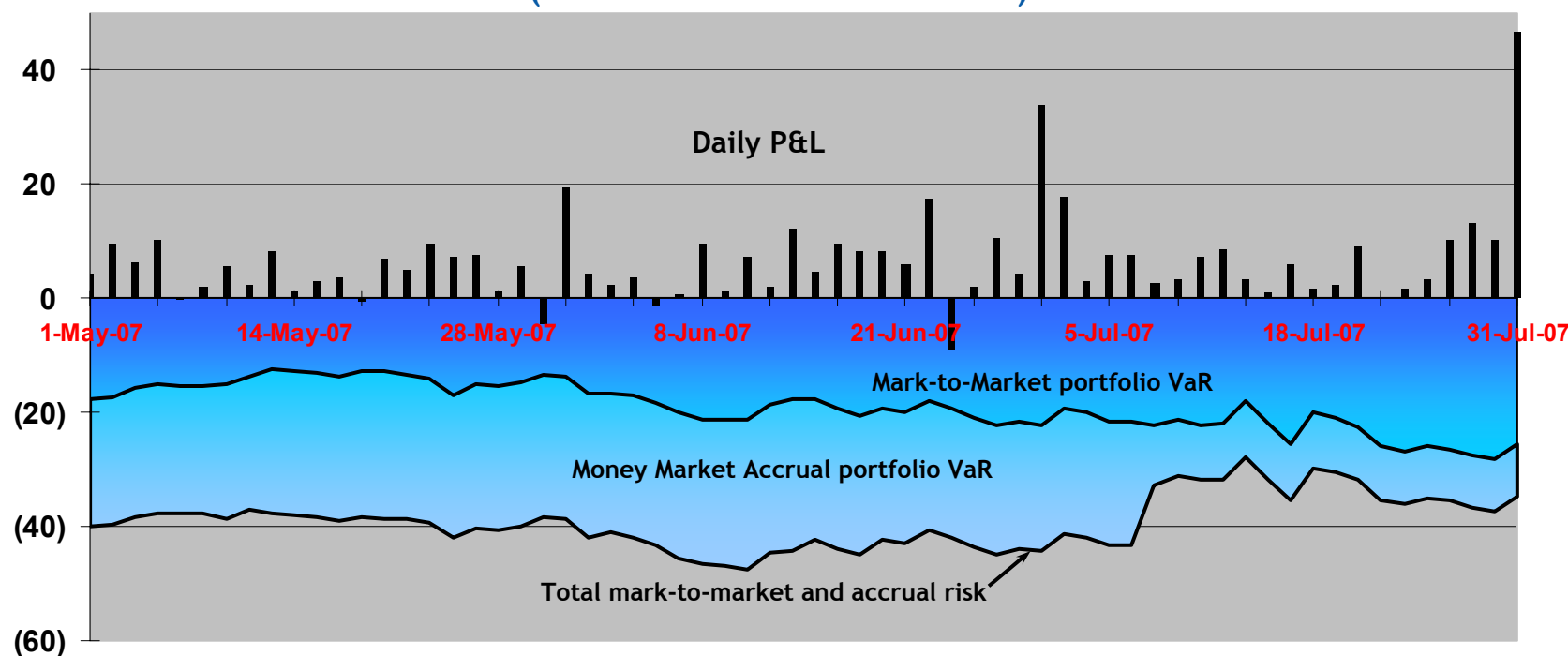
TRADING AND UNDERWRITING Q3 2007

Excludes the CAD \$149 MM loss related to commodities

Trading and Underwriting Net Revenues Versus Market Value Exposure

May 1, 2007 to July 31, 2007 (C\$ millions)

(Presented on a Pre-Tax Basis)



* The largest daily P&L gains for the quarter were:

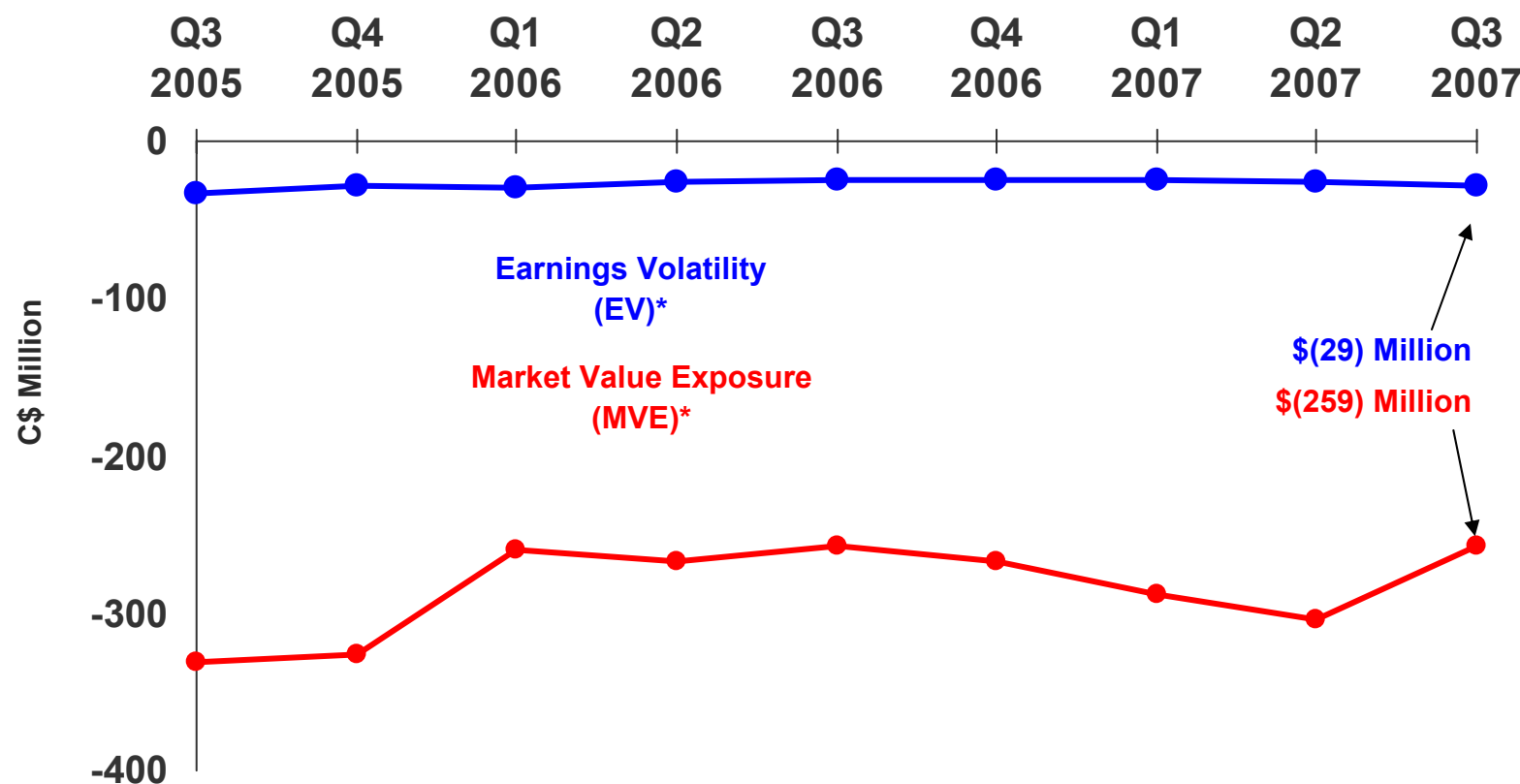
CAD 33.8 MM on June 29, 2007 consisting mainly of underwriting fees in addition to normal trading profits; and
 CAD 46.6 MM on July 31, 2007 consisting mainly of holdback reversals due to widening credit spreads and profit on liquidation of a warrant position in addition to normal trading profits.

(Refer to Supplementary Financial Package page 35 for risk data - presented on an after tax basis)



APPENDIX

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



* Refer to definitions on page 35 of the Supplementary Financial Information package



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