



BMO  **Financial Group**

RISK REVIEW

THIRD QUARTER 2004

BOB McGLASHAN

Executive Vice-President

and Head of Corporate Risk Management

Investor Community Conference Call

August 24, 2004

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 presentation, and may be included in 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 the United States Private Securities Litigation Reform Act of 1995. Forward-looking statements may involve, but are not limited to, comments with respect to our objectives for 2004 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 and other forward-looking statements will not prove to be accurate. 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: global capital market activities; interest rate and currency value fluctuations; the effects of war or terrorist activities; the effects of disease or illness that impact on local, national or international economies; the effects of disruptions to public infrastructure, such as transportation, communications, power or water supply disruptions; industry and worldwide economic and political conditions; regulatory and statutory developments; the effects of competition in the geographic and business areas in which we operate; management actions; and technological changes. We caution that the foregoing list of factors is not exhaustive and that when relying on forward-looking statements to make decisions with respect to Bank of Montreal, investors and others should carefully consider 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.

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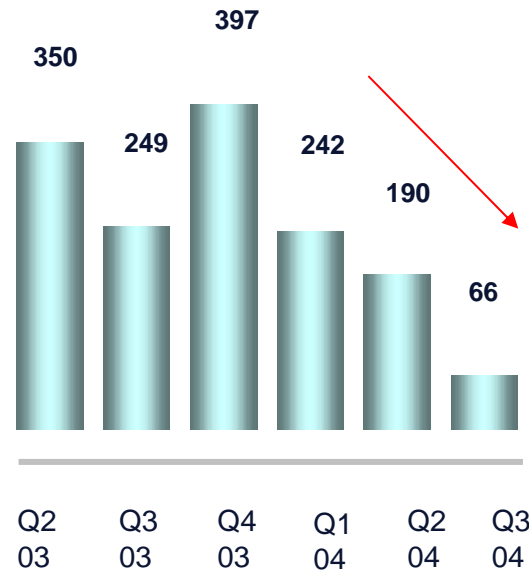
We are currently in a stable to improving credit cycle

Outlook for credit quality remains positive

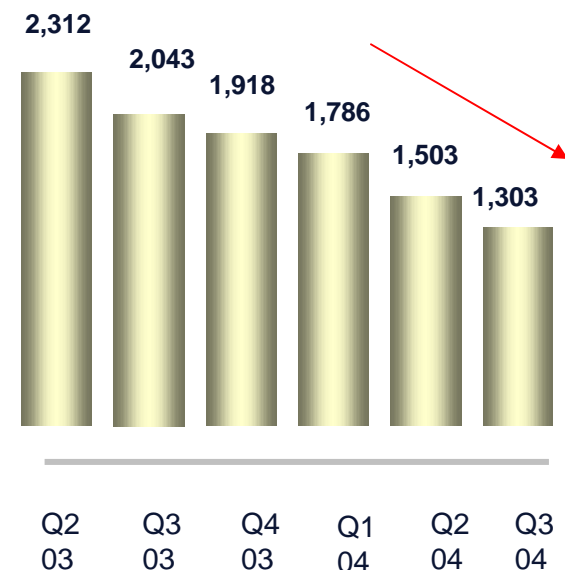
- Declining corporate default rates
- Reduced levels of non-performing loans
- Improving North American economic conditions
- Strengthening corporate balance sheets
- No significant exposure to those industry sectors considered to be of most concern

Credit quality continued to improve this quarter, resulting in a significant reduction in Gross Impaired Loan (GIL) formations and balances

GIL Formations (C\$ Million)

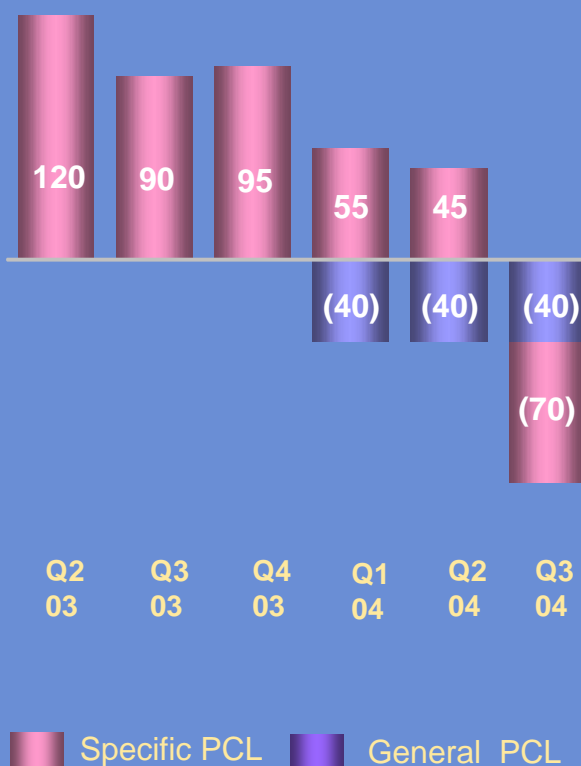


GIL Balance (C\$ Million)



Total Provision for Credit Losses (PCL)

Quarterly
(C\$ Million)



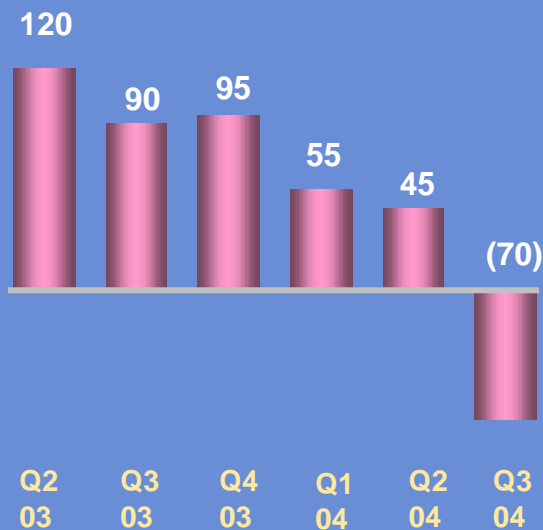
Total PCL recovery of \$110 million for the quarter reflects continued improvement in credit performance and a \$40 million reduction in the General Allowance

Provision for Credit Losses (C\$ Million)

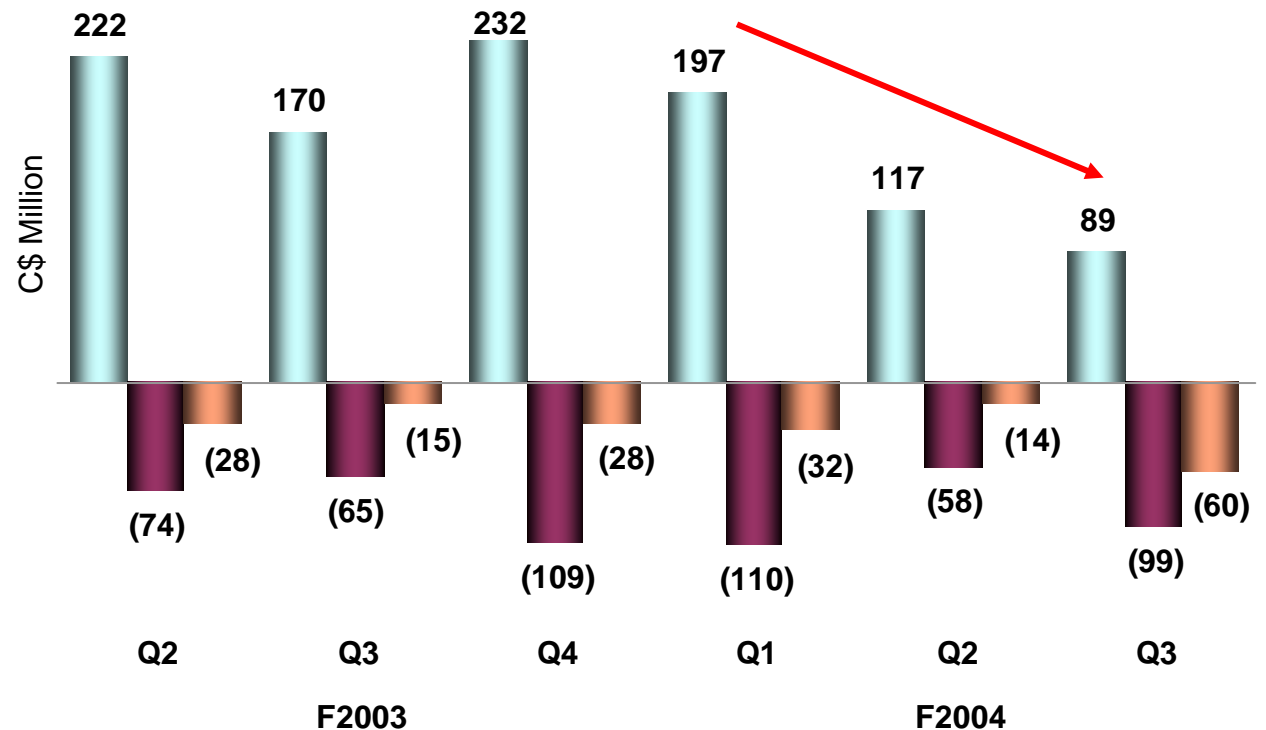
Portfolio Segment	F2004		
	Q3	Q2	YTD
Consumer	43	42	127
Commercial	9	26	58
Corporate	(122)	(23)	(155)
Specific Provisions	(70)	45	30
Reduction of General Allowance	(40)	(40)	(120)
Total PCL	(110)	5	(90)
Specific PCL as a % of Avg Net Loans & Acceptances (incl. Reverse Repos)	(18) bps	12 bps	3 bps

- The continued decline in formations and GIL's are contributing factors to the lower level of new reservations
- Unusually strong reversals and recoveries resulted primarily from two accounts

Net Specific PCL (C\$ Million)



Recovery of Specific Losses of \$70 million for the quarter driven by low new reservations and relatively high reversals and recoveries



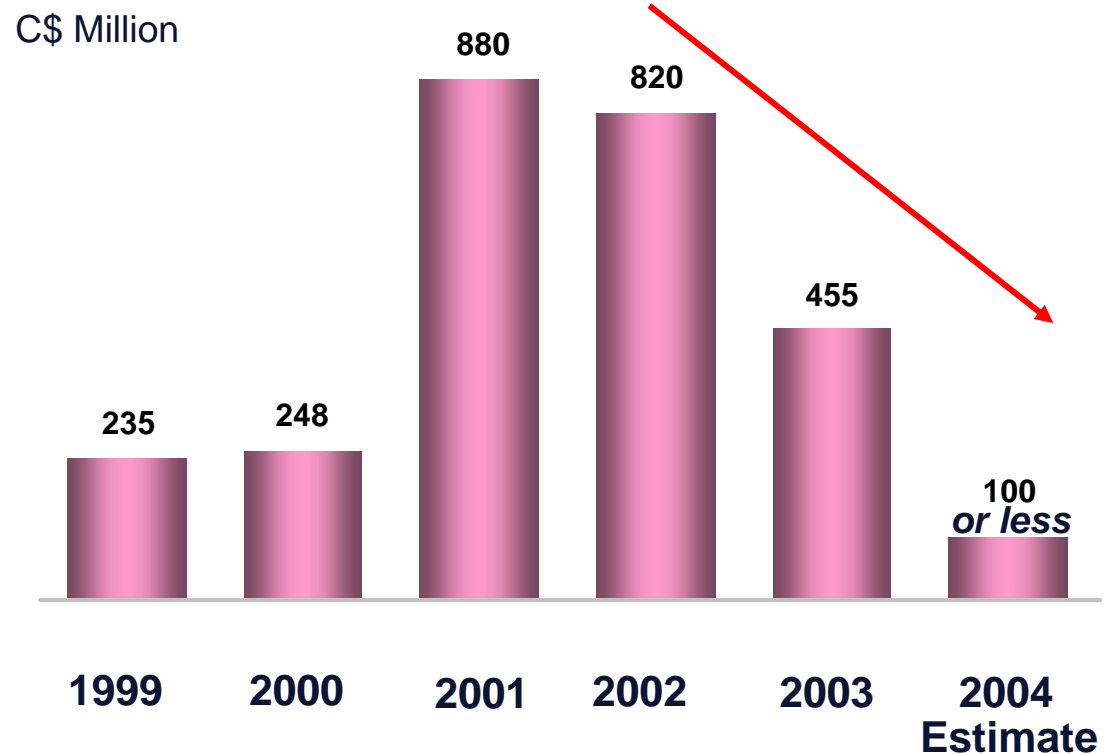
■ New reservations
■ Reversals of current allowance for credit losses (ACL's)
■ Recoveries of prior write-offs

Revised Estimate for F2004

- Continued improvement in asset quality and credit performance
- Loan loss experience in Q3 significantly lower than expected

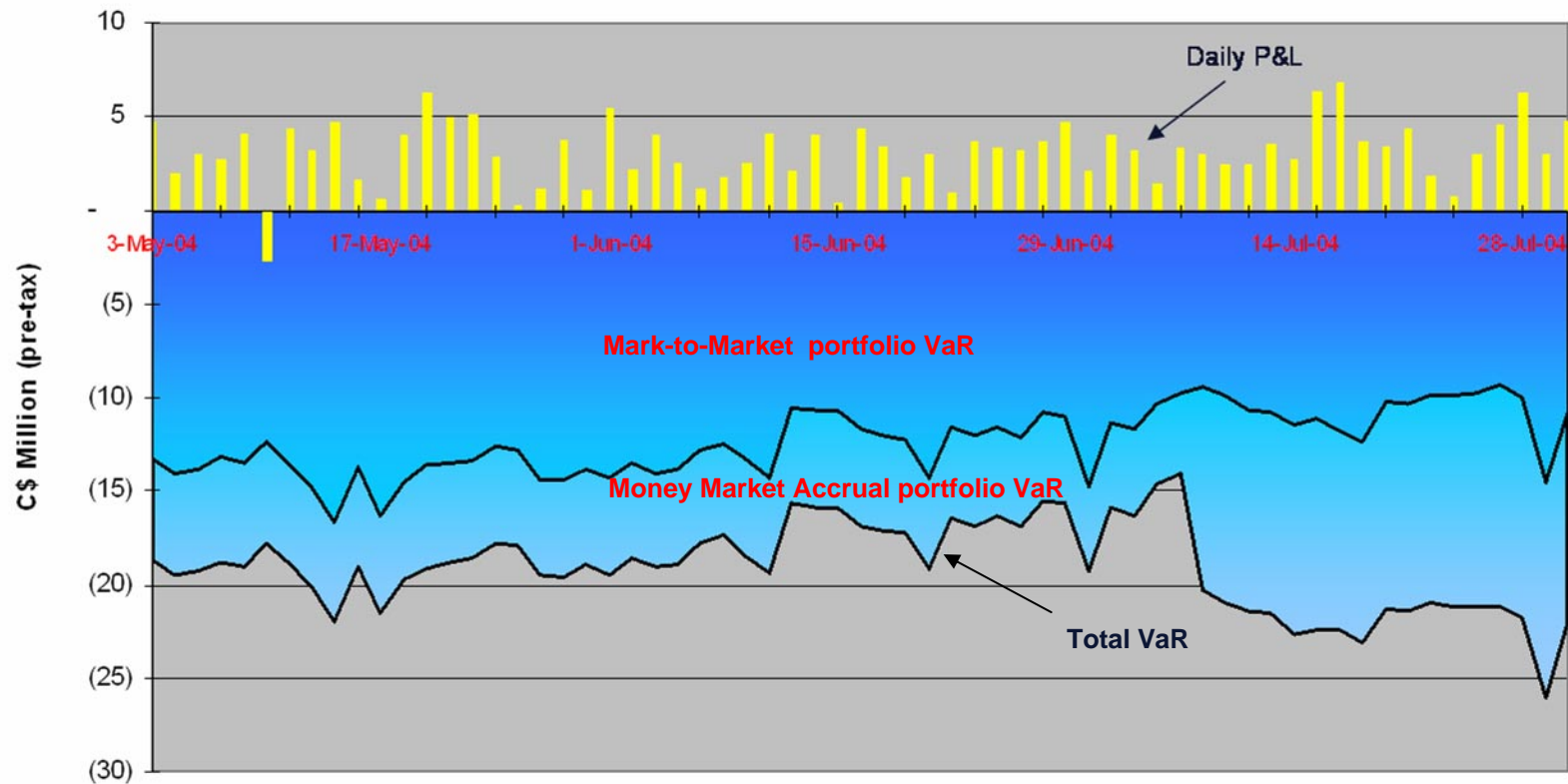
F2004 Specific PCL estimate has been revised to \$100 million or less

Specific Provision for Credit Losses (PCL) Annual



Trading and Underwriting performance was stable and profitable during the quarter

Daily P & L versus Value at Risk (VaR)
May 1, 2004 to July 31, 2004
(presented on a pre-tax basis)



(Refer to Supplementary Financial Package page 32 for risk data - presented on an after tax basis)



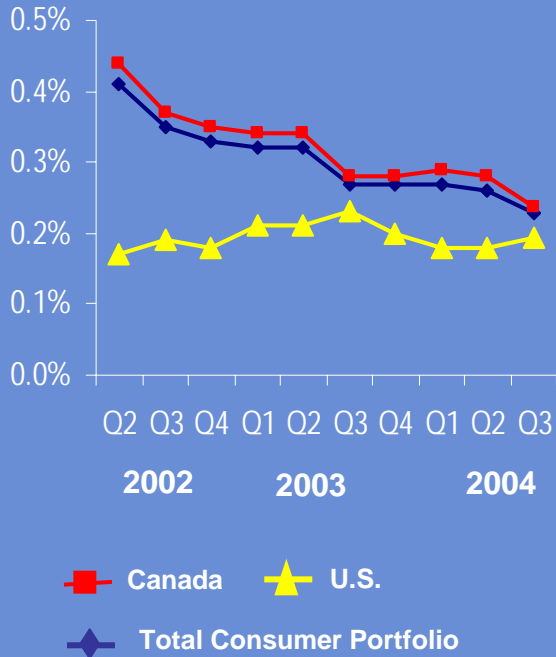
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Appendix

Appendix

9. Loan Portfolio Distribution – Consumer/Commercial/Corporate
10. Cattle Farming and Related Sectors (Canada)
11. Automotive Manufacturing and Supply
12. Specific Provisions for Credit Losses as a % of Average Net Loans and Acceptances (including Reverse Repos) – BMO vs. Canadian Competitors
13. Structural Balance Sheet: Market Value Exposure and Earnings Volatility
14. Frequency Distribution of Daily Trading and Underwriting P&L

Consumer Portfolio Delinquency Ratio (%)*



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

(Refer to the Supplementary Financial Package page 23)

Loan Portfolio Distribution – Consumer / Commercial / Corporate

Total Gross Loans and Acceptances* (C\$ Billion) As at July 31, 2004

	Canada	U.S.	Other	Total	
Consumer					
Residential Mortgages	47	6	-	53	37%
Consumer Loans	17	8	-	25	17%
Cards	3	-	-	3	3%
Total Consumer	67	14	-	81	57%
Commercial	29	6	-	35	24%
Corporate	8	18 **	2	28	19%
Total	104	38	2	144	100%

* Excludes reverse repos

** Includes Harris Nesbitt mid-market portfolio of \$7 billion

Cattle Farming and Related Sectors (Canada)

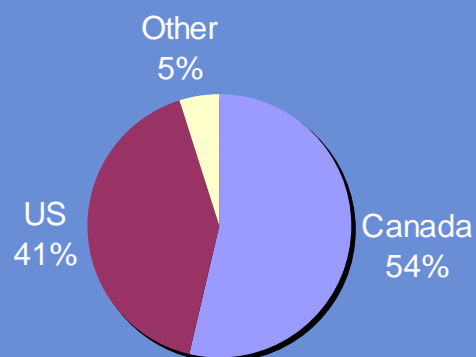
C\$ Million as at July 31, 2004

	Total Gross Loans & BA's	Gross Impaired	Net Impaired	Performing Portfolio	
				"Investment Grade"	"Non- Investment Grade"
Livestock, Field Crop and Horticultural	598	15	12	322	261
Feedlots and Cow/Calf Operations	499	11	6	190	298
Other Related Sectors	336	3	3	121	212
Total	1,433 *	29	21	633	771

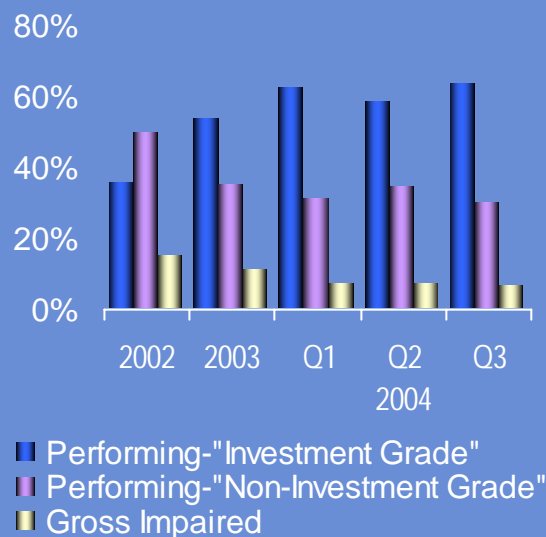
* Represents 1% of the total loan portfolio (excluding reverse repos).

(Exposure to Cattle Farming and Related Sectors is included as part of the Wholesale Trade (Food and Beverage), Manufacturing (Other) and Agriculture categories in the Supplementary Financial Package. Refer to pages 25, 28 and 29.)

Gross Loans & Acceptances by Geography



Portfolio Migration (%)



Automotive Manufacturing and Supply

C\$ Million as at July 31, 2004


	Total Gross Loans & BA's	Gross Impaired	Net Impaired	Performing Portfolio	
				"Investment Grade"	"Non-Investment Grade"
Suppliers	508	37	34	296	175
Motor Vehicle Manufacturing	132	5	5	111	16
Total	640 *	42 **	39	407	191

* Represents 0.4% of the total loan portfolio (excluding reverse repos).

** U.S. 88%, Canada 12%

(Refer to the Supplementary Financial Package pages 25, 28 and 29)

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

%	BMO	 Cdn. Competitors
F2003	.30	.53
Q3/04	(.18)	N/A
14 yr av.	.41	.63

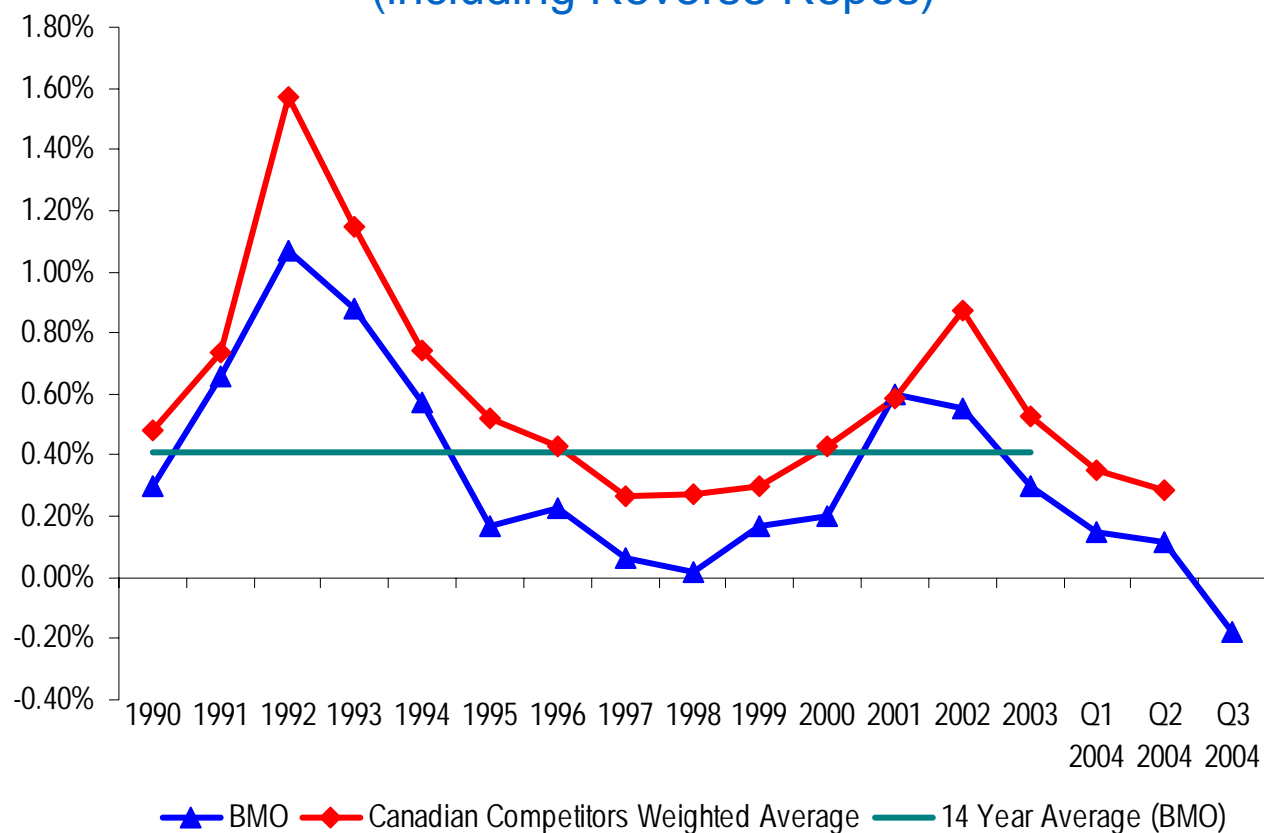
BMO's Canadian competitors include: RBC, BNS, CIBC, TD and National.

Competitor average excludes the impact of TD's sectoral provisions in F2002 and subsequent transfers/drawdowns.

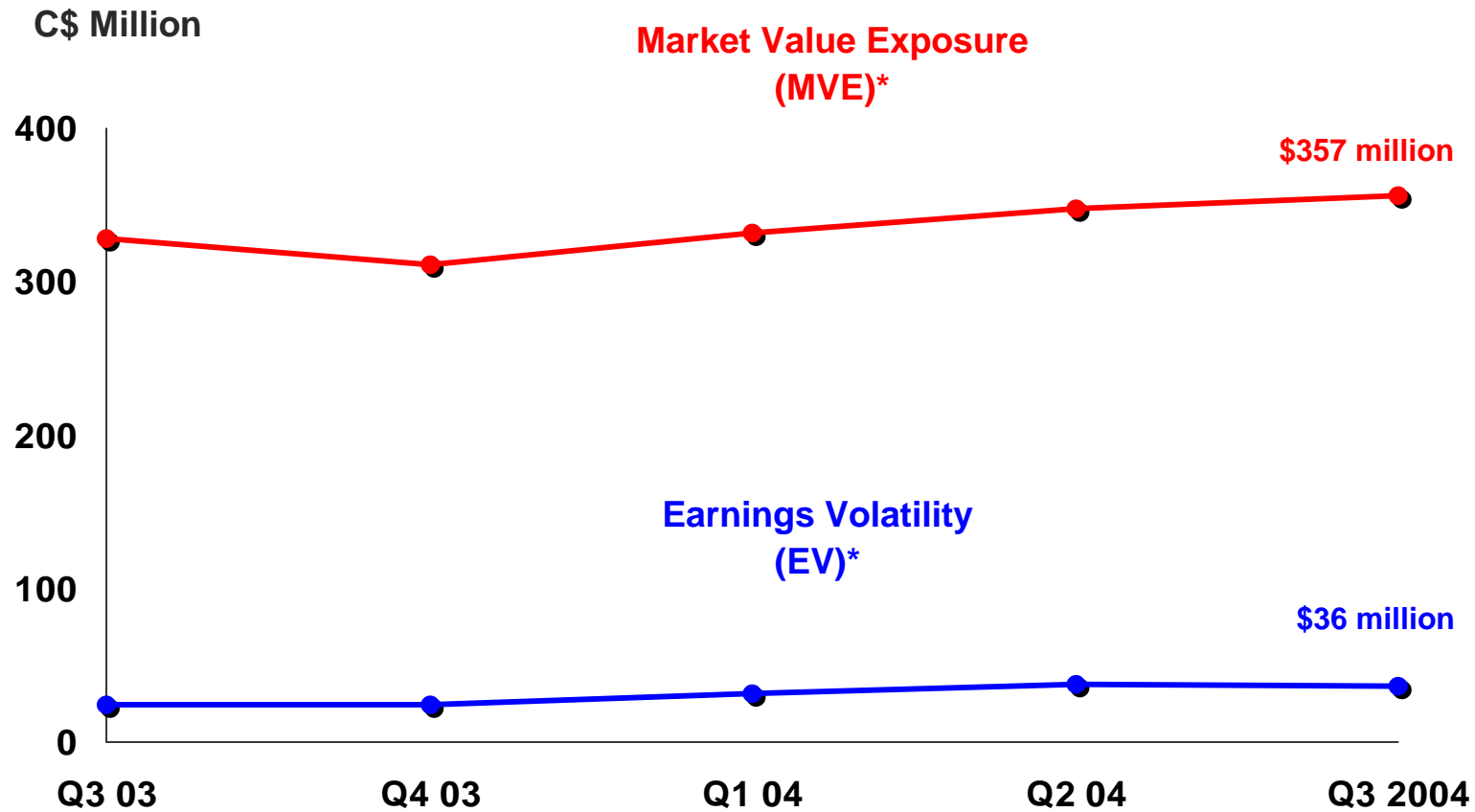
14 yr av. - 1990 to 2003

Credit Performance Measure

Specific Provision for Credit Losses as a % of Average Net Loans and Acceptances (including Reverse Repos)



Structural Balance Sheet: Market Value Exposure and Earnings Volatility



* (Refer to Supplementary Financial Package page 32 for definitions and risk data)

Frequency Distribution of Daily Trading and Underwriting P&L

Frequency Distribution of Daily P&L for Trading and Underwriting
May 1, 2004 to July 31, 2004

