



Q306

RISK REVIEW

Investor Community Conference Call

BMO  Financial Group

BOB McGLASHAN
Executive Vice President and
Chief Risk Officer
August 22 • 06



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 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 the United States Private Securities Litigation Reform Act of 1995 and of any applicable Canadian securities legislation. Forward-looking statements may involve, but are not limited to, comments with respect to our objectives and priorities for 2006 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 presentation 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 affects local, national or international economies, and 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 29 and 30 of BMO's 2005 Annual Report concerning the effect 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 on how the Canadian and U.S. economies will perform in 2006 and how that impacts our businesses were material factors we considered when setting our strategic priorities and objectives, and in determining our financial targets for the fiscal year, including provisions for credit losses. Key assumptions included that the Canadian and U.S. economies would expand at a healthy pace in 2006 and that inflation would remain low. We also assumed that interest rates would increase gradually in both countries in 2006 and that the Canadian dollar would hold onto its recent gains. We believe that these assumptions are still valid and have continued to rely upon them in considering our ability to achieve our 2006 financial 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.



Q3 2006

Credit and Counterparty Risk Highlights

GIL Balance

\$663 million ↓ 14%*

GIL Formations

\$83 million ↓ 52%*

Specific PCL

\$42 million ↓ 36%*

* Change from prior quarter

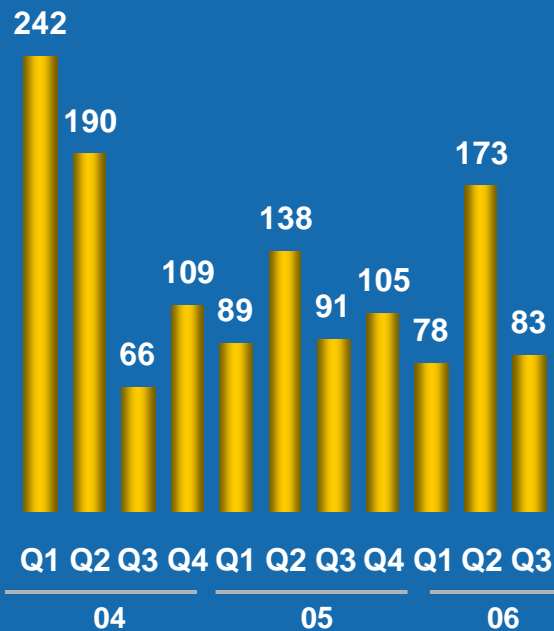
CREDIT PERFORMANCE EXCEEDS EXPECTATIONS for Q3 2006

- Gross Impaired Loans (GILs) are at \$663 million and remain low relative to historical levels
- GIL Formations decreased \$90 million over Q2 Formations, which were inflated due to one large account, which was subsequently repaid in Q3
- Provision for Credit Losses (PCL) is \$42 million with no reduction in the General Allowance, down \$24 million from Q2 2006 due to high reversals and recoveries
- Allowance for Credit Losses of \$1,107 million, consisting of Specific Allowances of \$164 million and a General Allowance of \$943 million
- Specific PCL target for F2006 has been reduced to \$250 million or less, reflecting favourable year-to-date results and a continuing stable credit environment



GIL Formations

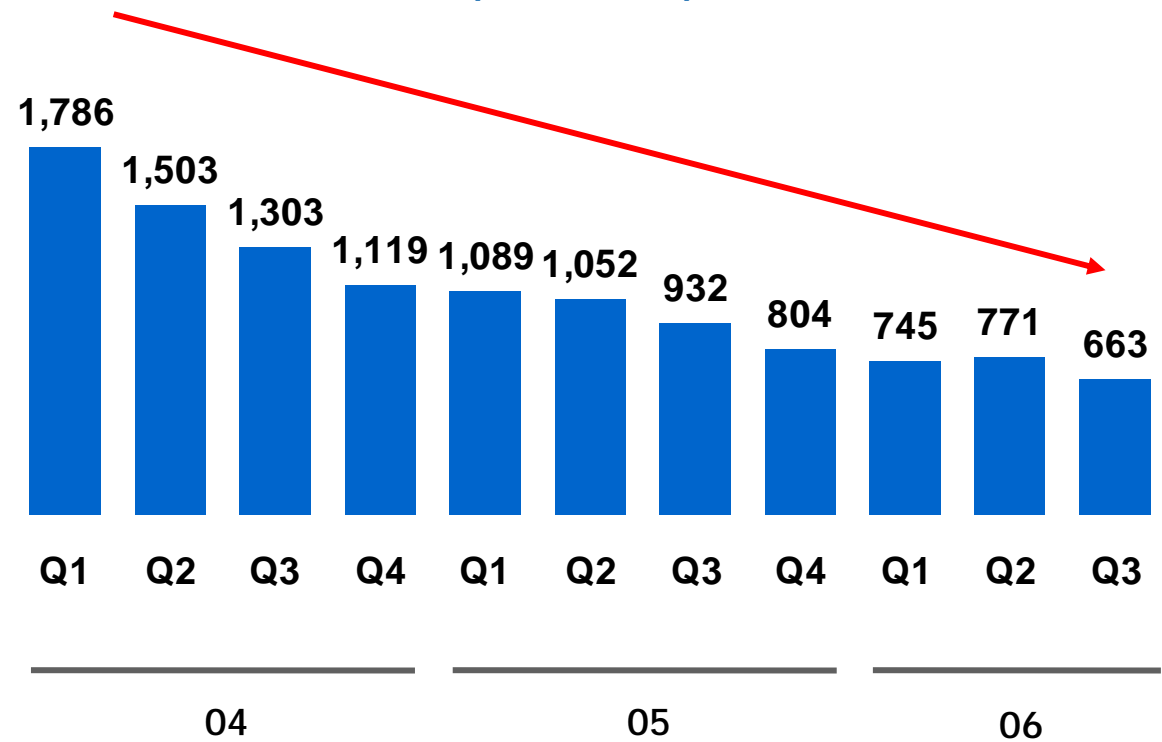
Quarterly
(C\$ Million)



CREDIT QUALITY REMAINS STRONG

GIL balances continue at historical lows with GIL formations in the quarter remaining at low levels

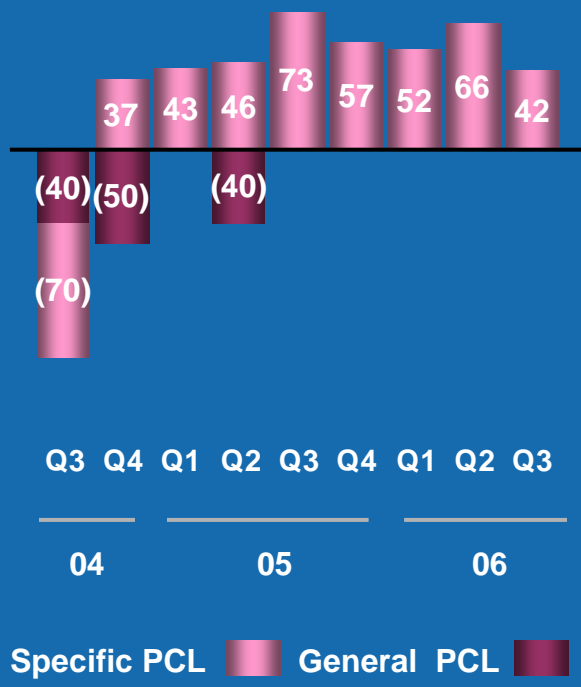
Gross Impaired Loans (C\$ Million)





Total PCL

Quarterly
(C\$ Million)



TOTAL PCL reflects the ongoing stable credit environment and a strong quarter from the Corporate portfolio

Provision for Credit Losses (C\$ Million)

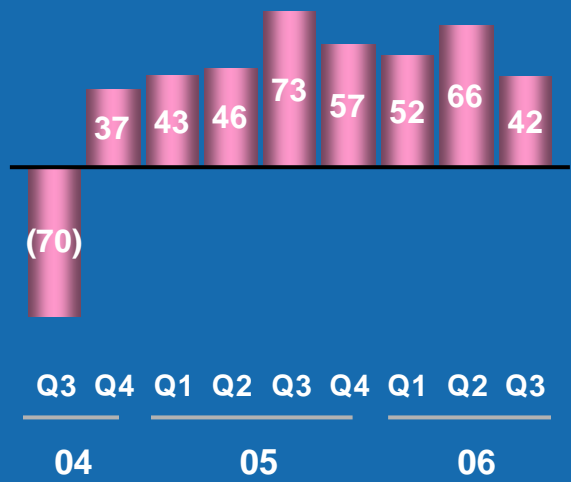
<u>Portfolio Segment</u>	<u>Q3 06</u>	<u>Q2 06</u>	<u>Q3 05</u>
Consumer	48	58	49
Commercial	12	12	11
Corporate	(18)	(4)	13
Specific PCL	<u>42</u>	<u>66</u>	<u>73</u>
Reduction of General Allowance	-	-	-
Total PCL	<u>42</u>	<u>66</u>	<u>73</u>
Specific PCL as a % of Avg Net Loans & Acceptances (incl. Reverse Repos)*†	9 bps	14 bps	17 bps

* Annualized
† Versus 15 year average of 38 bps

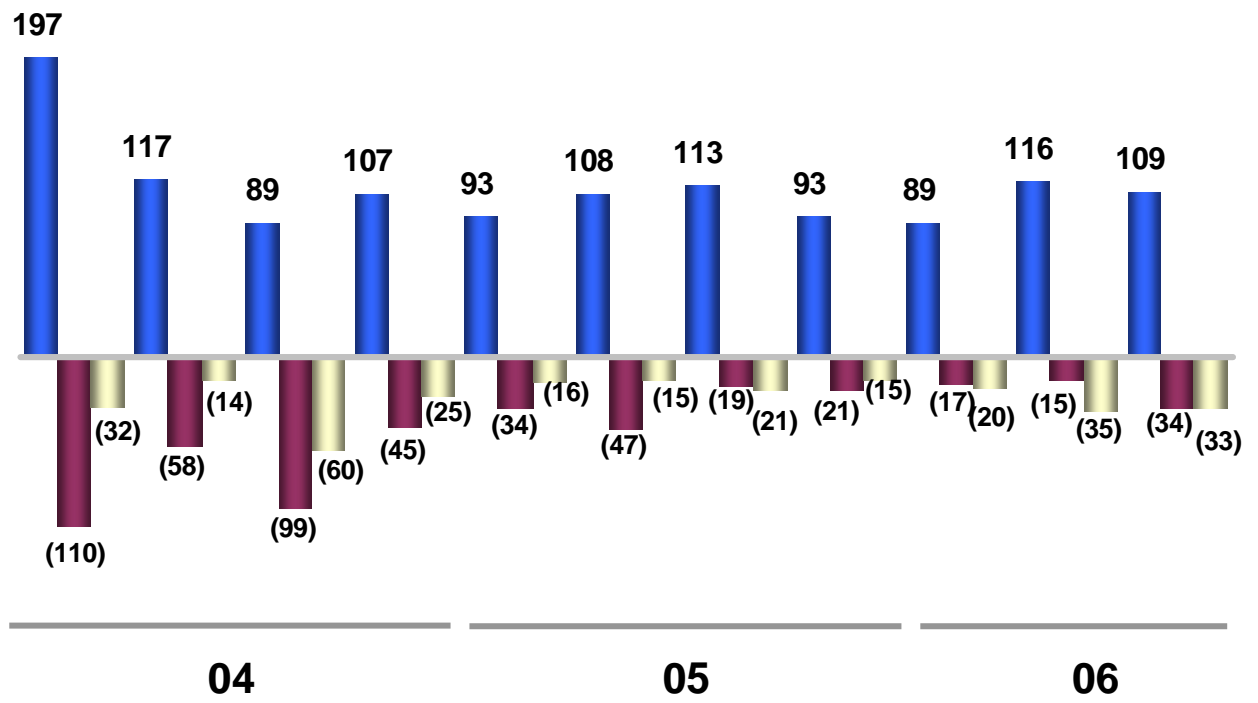


Specific PCL

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
Q3 / 06	.09	N/A
Q2 / 06	.14	.19
Q3 / 05	.17	.24
F2005	.13	.20
15 yr avg	.38	.59

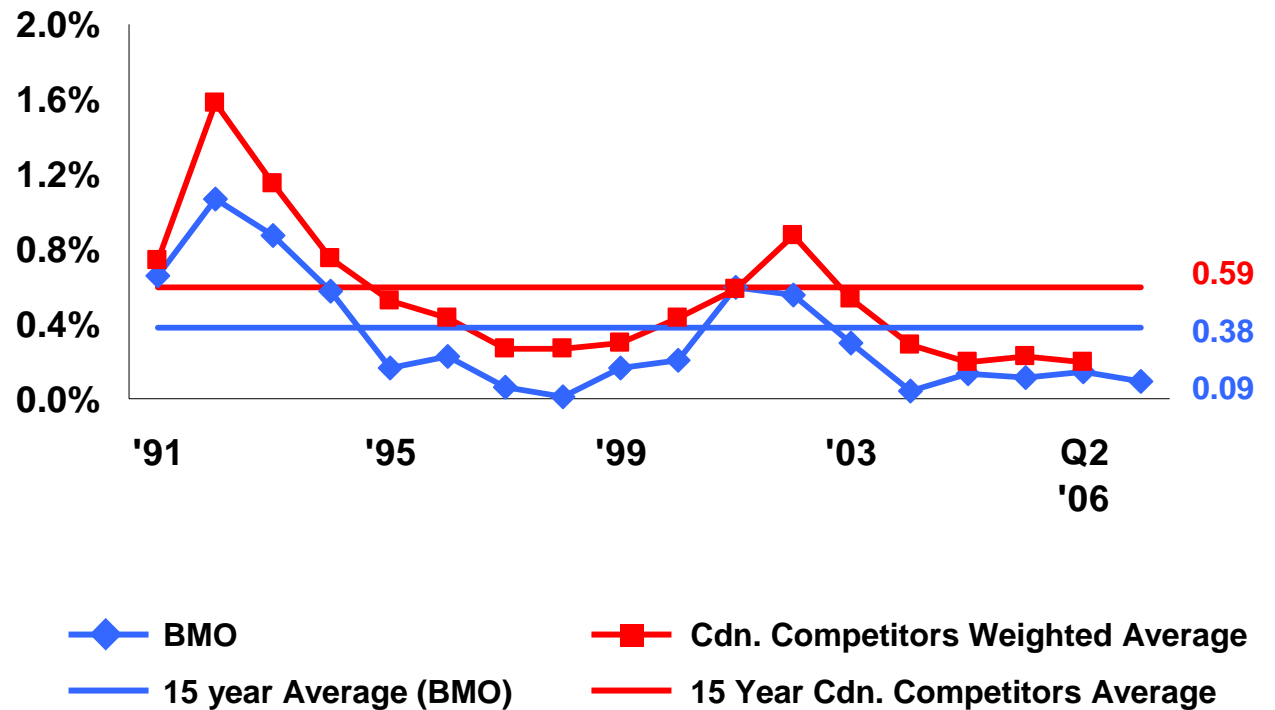
BMO's Canadian competitors include: RY, BNS, CM, TD and NA

Competitor average excludes the impact of TD's sectoral provisions

15 yr average - 1991 to 2005

CREDIT PERFORMANCE MEASURE

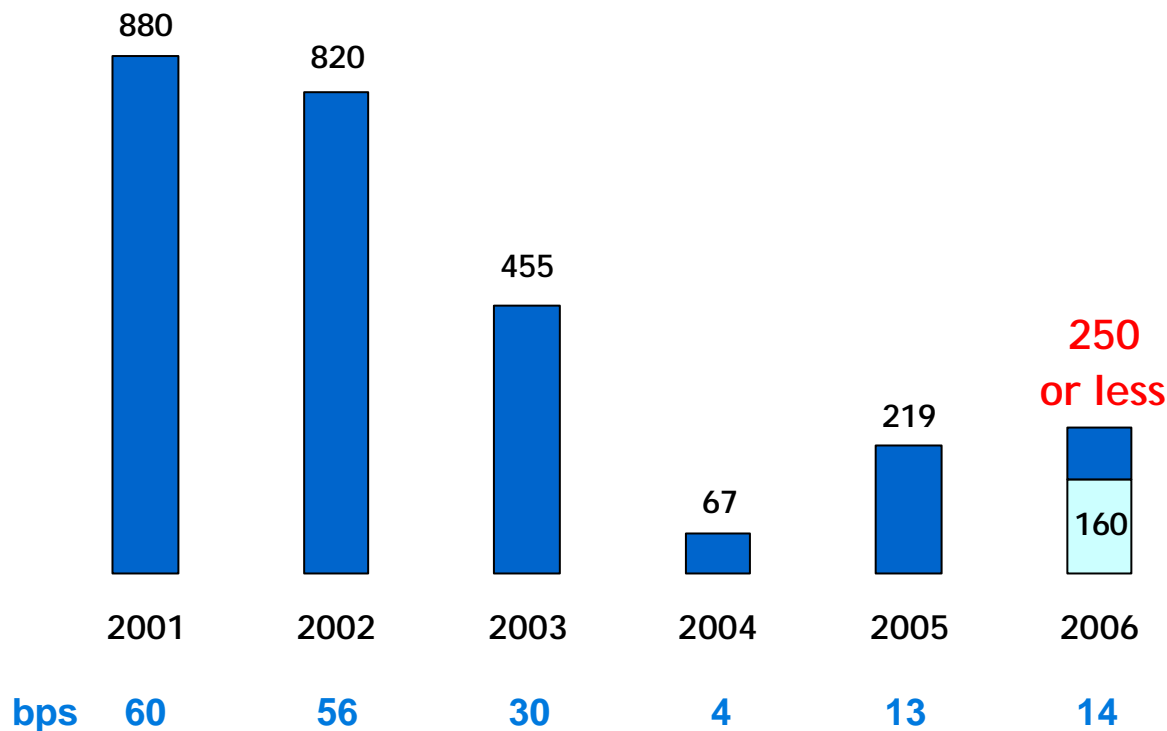
Specific PCL as a % of Average Net Loans and Acceptances (including Reverse Repos)





F2006 SPECIFIC PCL TARGET is reduced to \$250 million or less

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



YTD F06 Specific PCL of \$160 million 

F2006 Specific PCL Target

Favourable year-to-date results due to the continued stable credit environment and strong reversals and recoveries

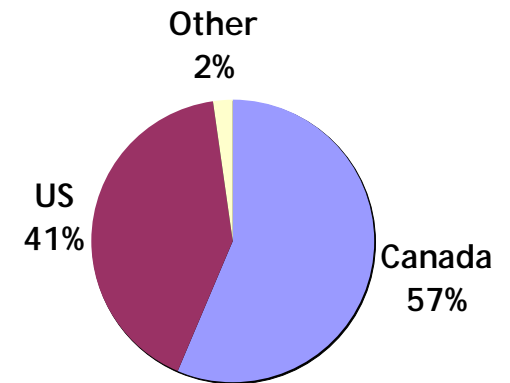
We now anticipate ...

A modest increase in new specific provisions for the balance of 2006, and reversals and recoveries more in line with the beginning of the year



AUTO MANUFACTURING AND SUPPLY

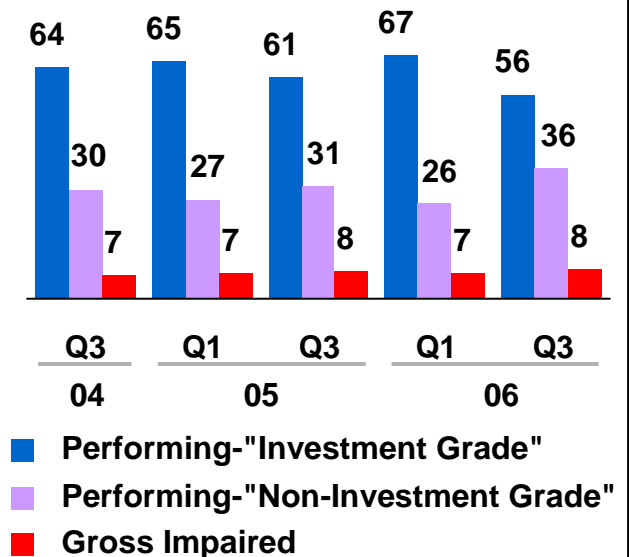
Gross Auto Loans & Acceptances By Geography



C\$ Million as at July 31, 2006

	Total Gross Loans & BA's	Gross Impaired	Net Impaired	Performing Portfolio	
				"Investment Grade"	"Non-Investment Grade"
Suppliers	385	35	30	227	123
Motor Vehicle Manufacturing	38	-	-	10	28
Total	423 *	35 **	30	237	151

Portfolio Migration %



* Represents 0.3% of the total loan portfolio (excluding reverse repos); as at Q206 was \$433MM

** Canada 9%, U.S. 91%

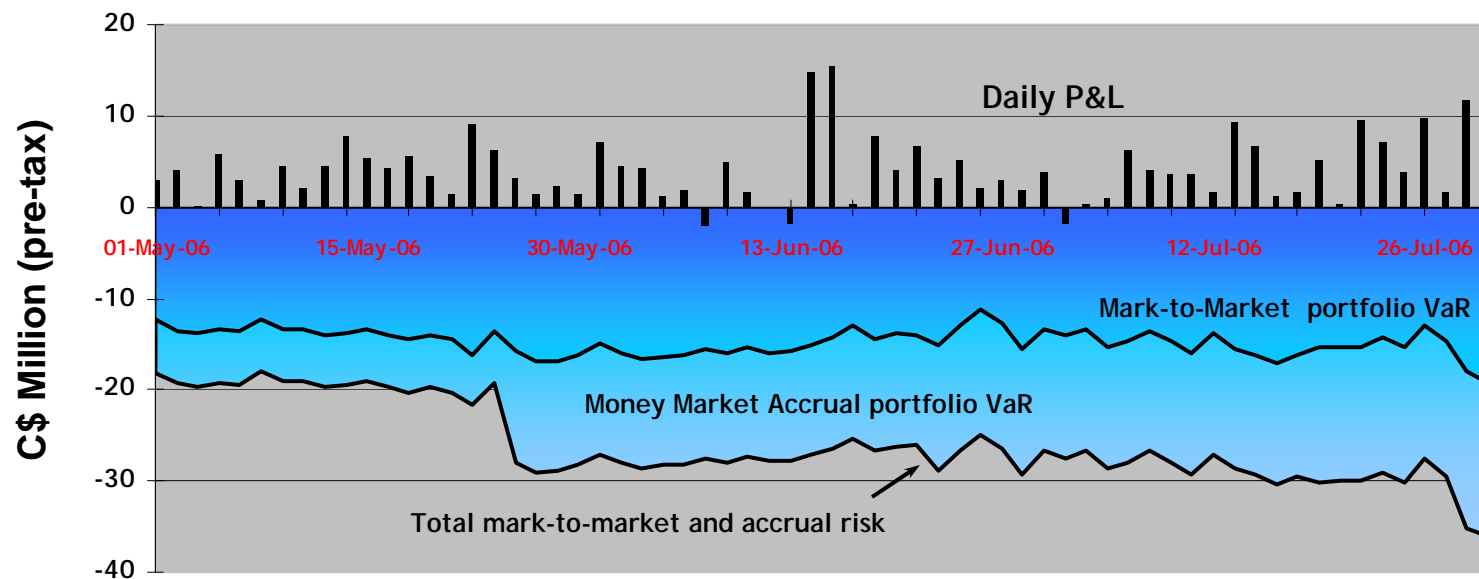
(Refer to the Supplementary Financial Package pages 26, 29 and 30)



TRADING AND UNDERWRITING

Stable and profitable during the quarter

Trading and Underwriting Net Revenues Versus Market Value Exposure May 1, 2006 to July 31, 2006 (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

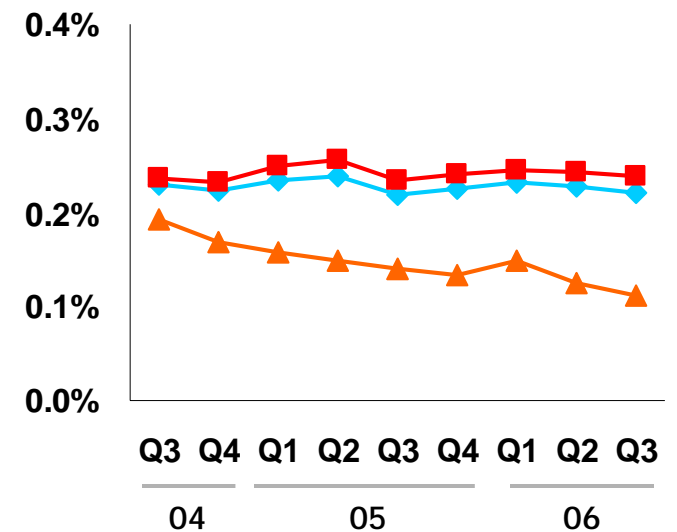
Consumer/Commercial/Corporate

**Total Gross Loans and Acceptances* (C\$ Billion)
As at July 31, 2006**

	<u>Canada</u>	<u>U.S.</u>	<u>Other</u>	<u>Total</u>
Consumer				
Residential Mortgages	54	6	-	60
Consumer Loans	20	10	-	30
Cards	5	-	-	5
Total Consumer	79	16	-	95
Commercial	33	6	-	39
Corporate	9	13	3	25
Total	121	35	3	159

* Excludes reverse repos

Consumer Portfolio Delinquency Ratio (%)**



◆ Total Consumer Portfolio
 ■ Canada
 ▲ U.S.

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

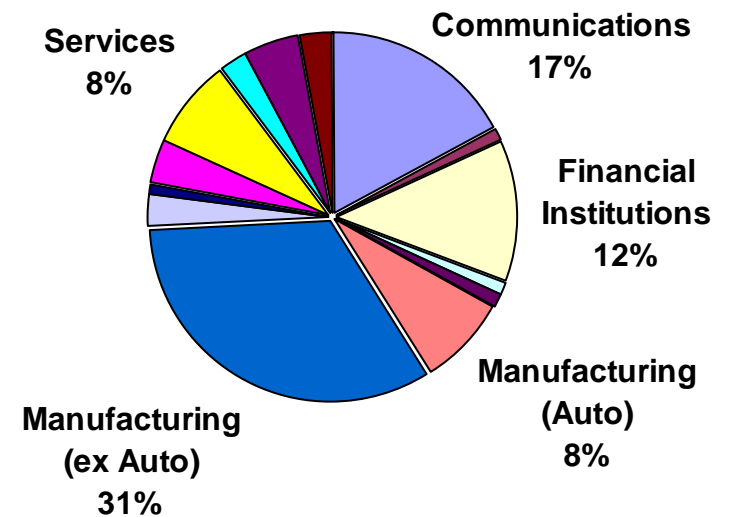
(Refer to the Supplementary Financial Package page 24)



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

Credit Protection Portfolio (C\$Millions)			
July 31, 2006			
	Single Name Hedge	Index Hedge	Total Hedge
Communications	145	52	197
Construction	0	14	14
Financial Institutions	28	114	142
Forest Products	0	14	14
Government	0	10	10
Manufacturing (Auto)	85	9	94
Manufacturing (ex Auto)	232	145	377
Oil and Gas	0	33	33
Real Estate	0	10	10
Retail	6	36	42
Services	34	59	93
Transportation	0	29	29
Utilities	23	33	56
Wholesale	0	33	33
Total at Q3 06	553	591	1,144
Total at Q2 06	693	586	1,279

Sector Distribution
July 31, 2006

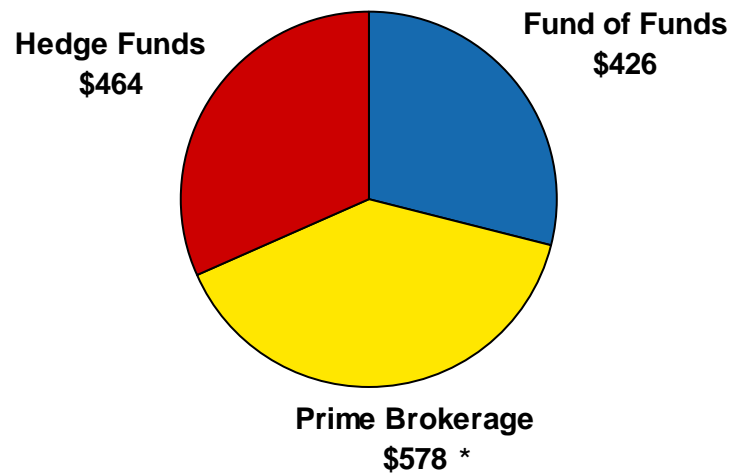




EXPOSURES TO HEDGE FUNDS ARE MONITORED CLOSELY AND ARE SUBJECT TO TIGHT CONTROLS

**Hedge Funds – Utilized
US\$ Million
July 31, 2006**

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

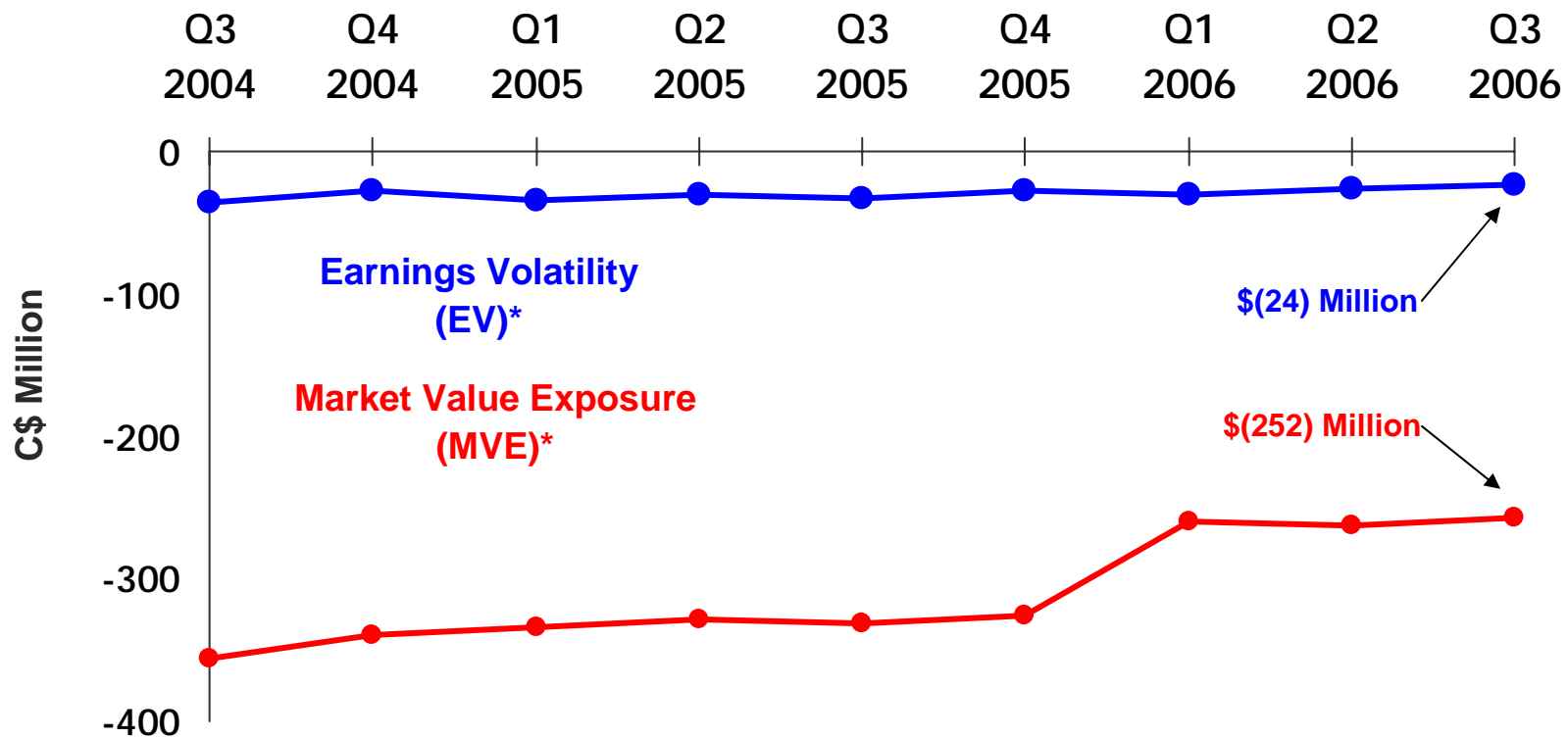


Exposure	Primary Nature of Risk
Hedge Funds	Replacement risk associated with capital markets trading
Prime Brokerage	Secured lending transactions
Fund of Funds	Short-term, working capital loans

* Prime Brokerage utilization increased (within sector limits) given the needs of existing clients



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

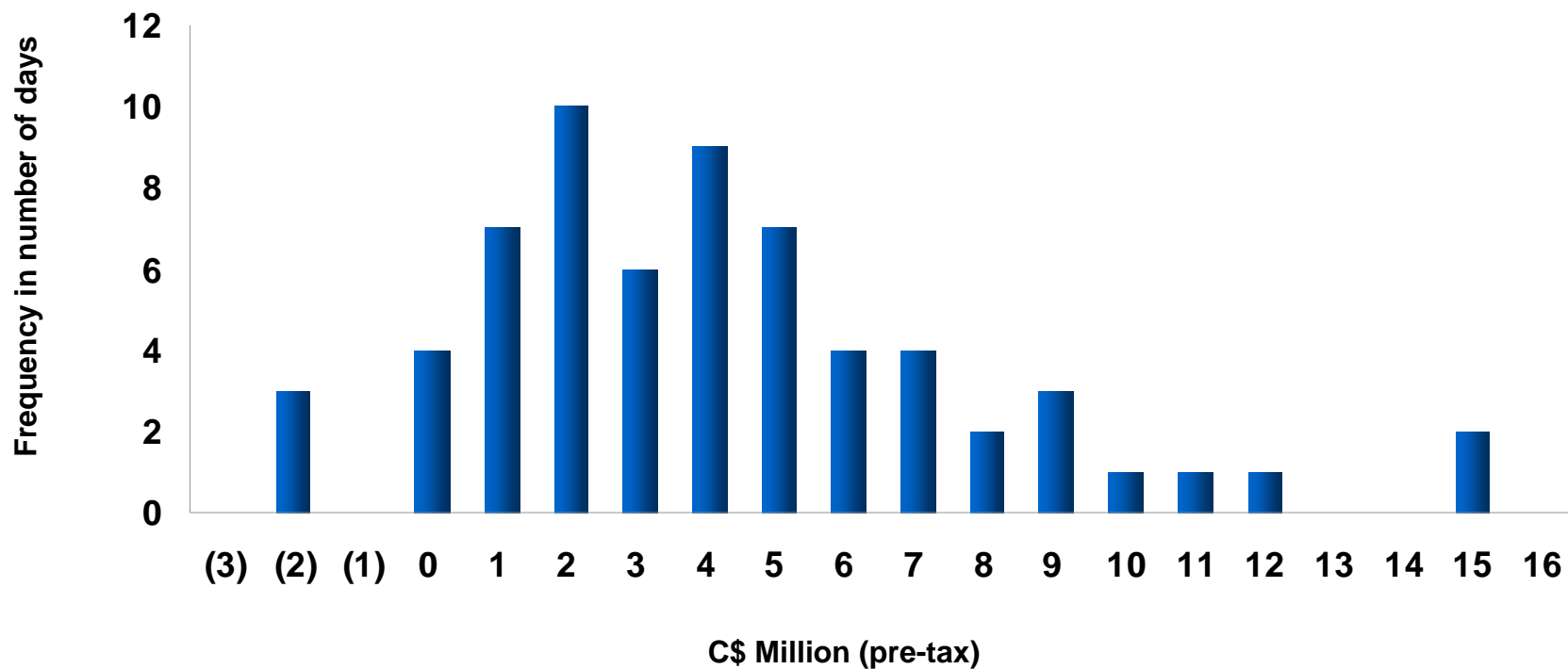


* Refer to definitions on page 34 of the Supplementary Financial Information package



FREQUENCY DISTRIBUTION OF DAILY TRADING AND UNDERWRITING P&L

FREQUENCY DISTRIBUTION OF DAILY P&L
FOR TRADING AND UNDERWRITING
May 1, 2006 to July 31, 2006





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