



BMO  **Financial Group**

RISK REVIEW

FOURTH QUARTER 2004

BOB McGLASHAN

*Executive Vice-President
and Head of Corporate Risk Management*

Investor Community Conference Call
November 23, 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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Fiscal 2004

Credit and Counterparty
Risk Highlights

GIL Formations

\$607 million ↓ 53%*

GIL Balance

\$1,119 million ↓ 42%*

Total Provision for
Credit Losses (PCL)

\$(103) million ↓ >100%*

* Change from prior year

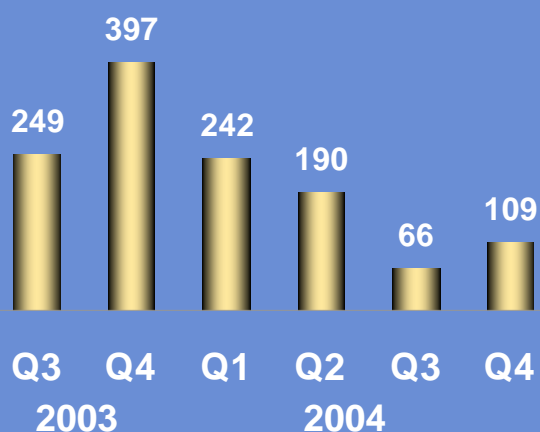
Strong credit performance for F2004

- New Formations of Gross Impaired Loans (GIL) are down \$696 million for the year and up \$43 million for the quarter. They are at their lowest level since F1998.
- GIL Balance is down \$184 million for the quarter and \$799 million for the year, reflecting the improved credit environment
- Q4 Net Recovery of Credit Losses of \$13 million, comprised of \$37 million of Specific Provision for Credit Losses (PCL) and a \$50 million reduction in the General Allowance
- F2004 Net Recovery of Credit Losses of \$103 million, comprised of \$67 million specific PCL and a \$170 million reduction in the General Allowance
- F2005 Specific Provision for Credit Losses (PCL) estimate of \$400 million or less

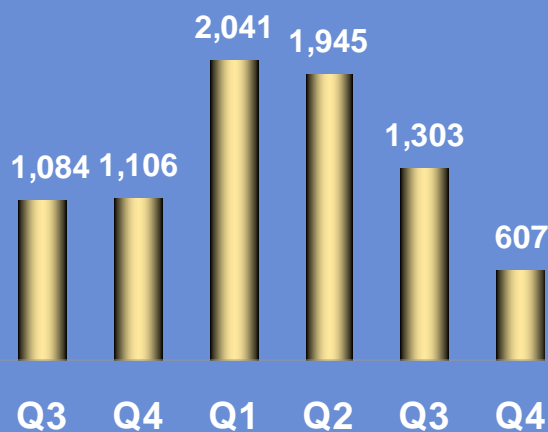
GIL Formations

(C\$ Million)

Quarterly



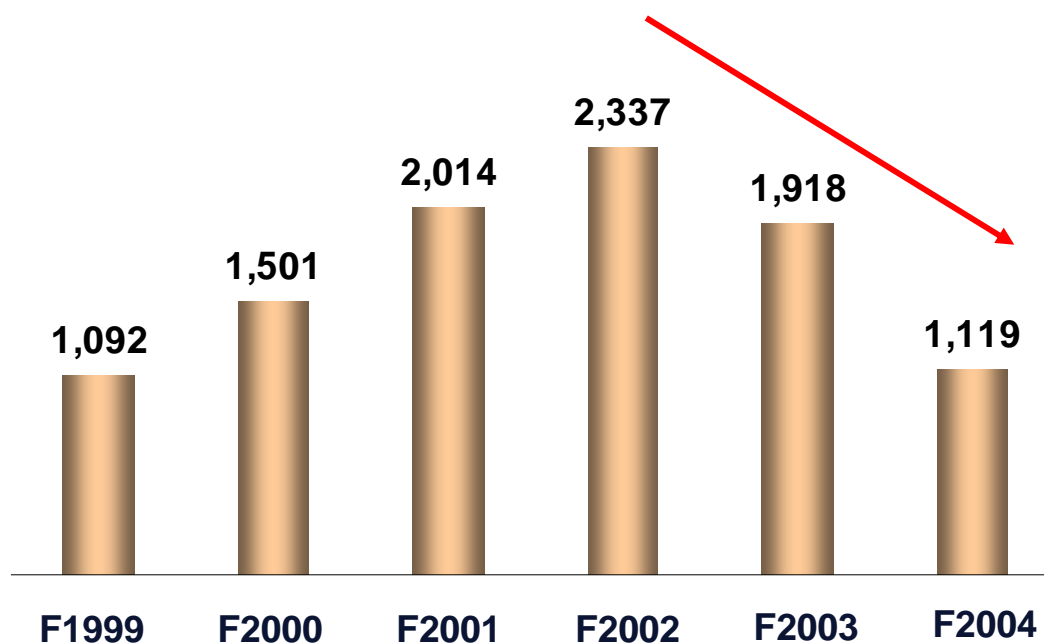
Annual



Gross Impaired Loan (GIL) formations increased slightly this quarter but overall credit quality continued to improve resulting in a significant reduction in GIL balances

Gross Impaired Loans

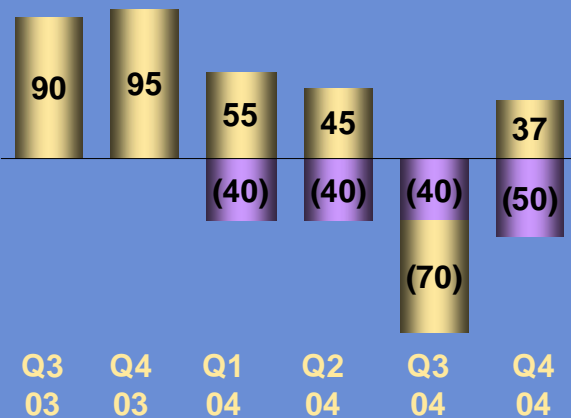
(C\$ Million)



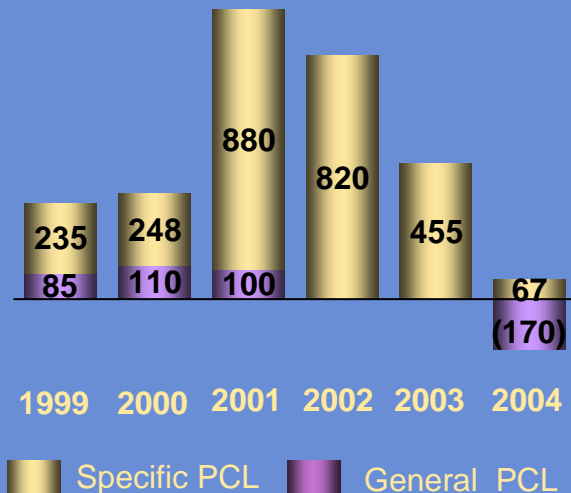
Total Provision for Credit Losses (PCL)

(C\$ Million)

Quarterly



Annual



Continued low levels of Specific PCL reflect improvements in the Corporate portfolio

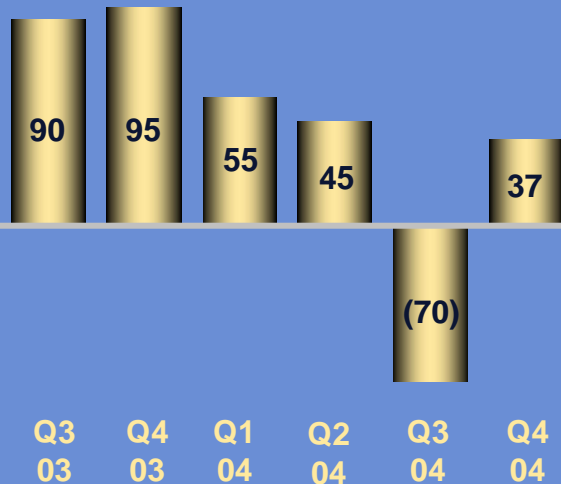
Provision for Credit Losses (C\$ Million)

	Q4 2004	Q3 2004	F2004	F2003
Consumer	42	43	169	141
Commercial	27	9	84	60
Corporate	(32)	(122)	(186)	254
Specific Provisions	37	(70)	67	455
Reduction of General Allowance	(50)	(40)	(170)	-
Total PCL	(13)	(110)	(103)	455
Specific PCL as a % of Avg Net Loans & Acceptances (incl. Reverse Repos)	9 bps	(18) bps	4 bps	30 bps

Overall, F2004 Specific PCL was driven by:

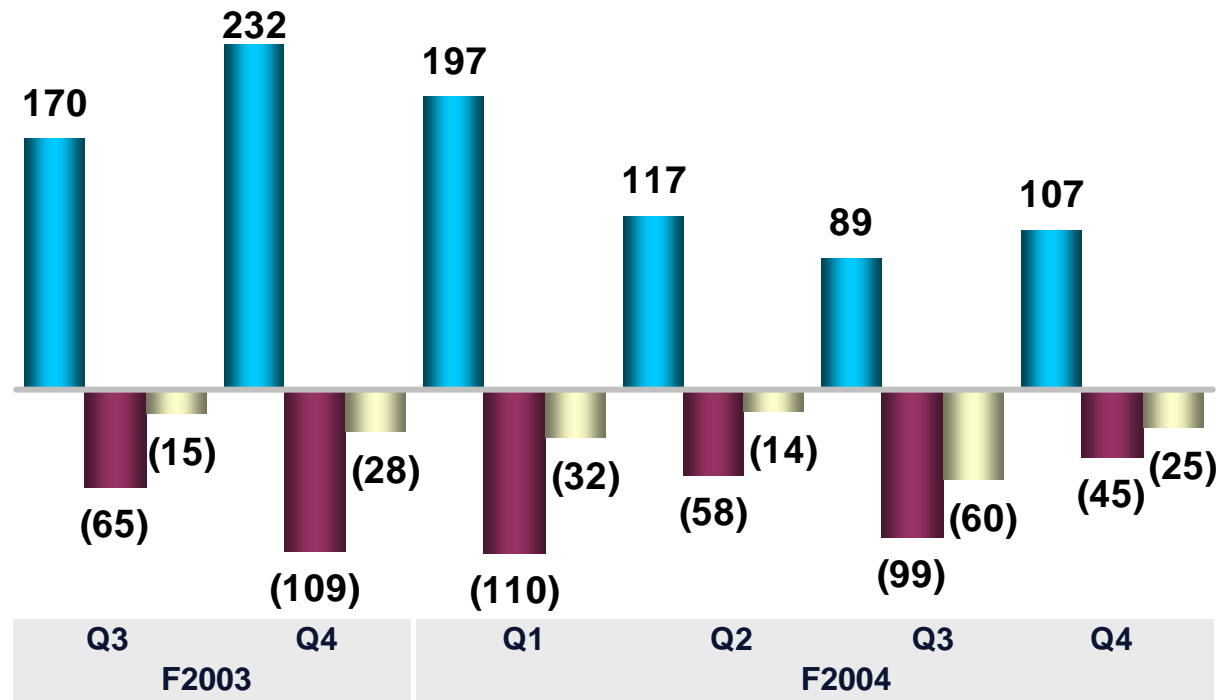
- Favourable credit environment
- Effective loan realization practices
- Receptive secondary loan market

Net Specific PCL (C\$ Million)



The increase in the Q4 Specific PCL reflects an increase in new reservations and reduced levels of reversals and recoveries from those experienced in Q3

C\$ Million



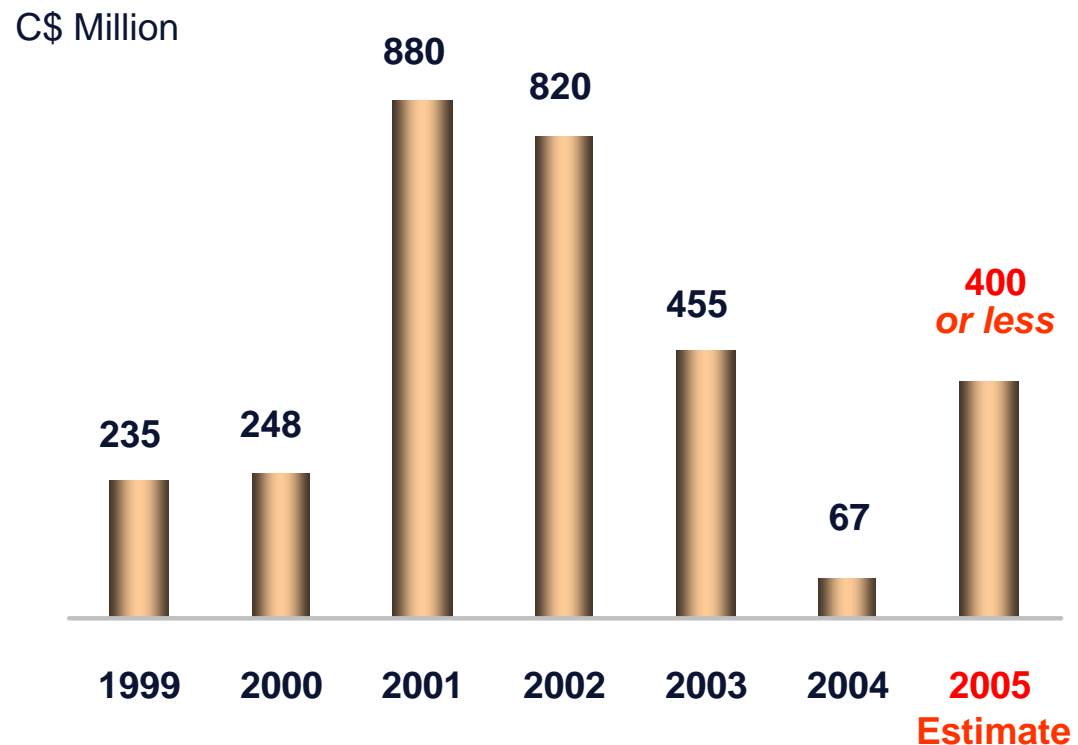
- New reservations
- Reversals of current allowance for credit losses (ACL)
- Recoveries of prior write-offs

F2005 Specific PCL Estimate

- Loan loss experience in 2004 significantly lower than expected
- Credit quality to remain strong in 2005
- Anticipate significantly lower reversals and recoveries
- Anticipate new reservations to be relatively flat to F2004

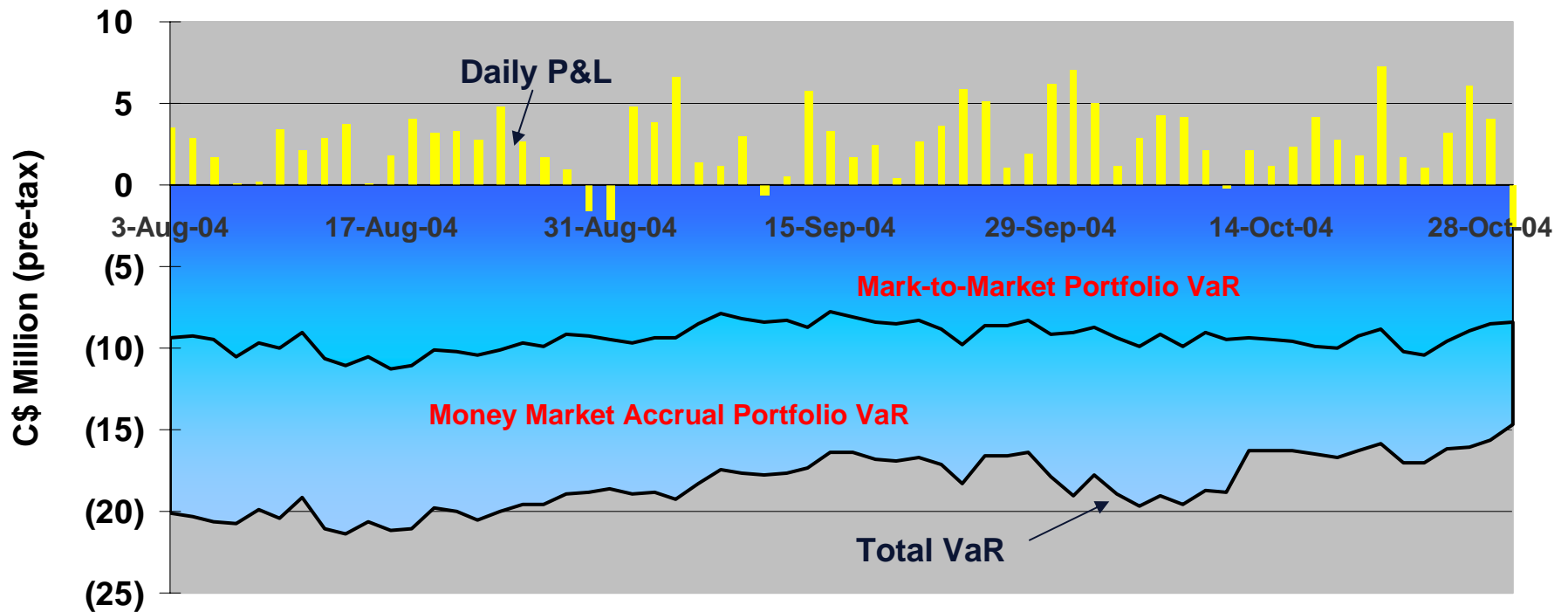
F2005 Specific PCL is estimated at \$400 million or less

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)
August 1, 2004 to October 31, 2004
(presented on a pre-tax basis)



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



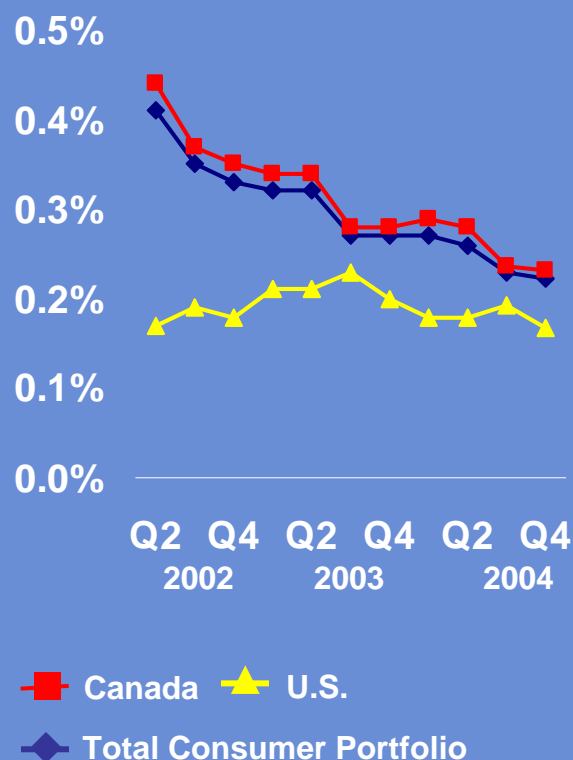
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Appendix

Appendix

10. Loan Portfolio Distribution – Consumer/Commercial/Corporate
11. Cattle Farming and Related Sectors (Canada)
12. Automotive Manufacturing and Supply
13. Specific Provisions for Credit Losses as a % of Average Net Loans and Acceptances (including Reverse Repos) – BMO vs. Canadian Competitors
14. Adequacy of the General Allowance
15. Structural Balance Sheet: Market Value Exposure and Earnings Volatility
16. 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 October 31, 2004

	<u>Canada</u>	<u>U.S.</u>	<u>Other</u>	<u>Total</u>	
Consumer					
Residential Mortgages	47	6	-	53	38%
Consumer Loans	17	8	-	25	18%
Cards	4	-	-	4	3%
Total Consumer	68	14	-	82	59%
Commercial	29	5	-	34	24%
Corporate	7	15**	2	24	17%
Total	104	34	2	140	100%

* Excludes reverse repos

** Includes Harris Nesbitt mid-market portfolio of \$6 billion

Cattle Farming and Related Sectors (Canada)

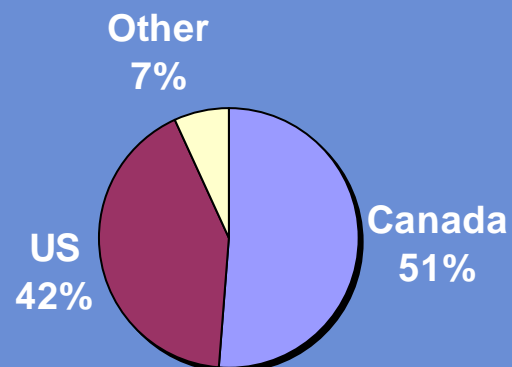
C\$ Million as at October 31, 2004

	Performing Portfolio				
	Total Gross Loans & BA's	Gross Impaired	Net Impaired	"Investment Grade"	"Non-Investment Grade"
Livestock, Field Crop and Horticultural	599	11	8	308	280
Feedlots and Cow/ Calf Operations	476	11	6	164	301
Other Related Sectors	298	3	3	205	90
Total	1,373*	25	17	677	671

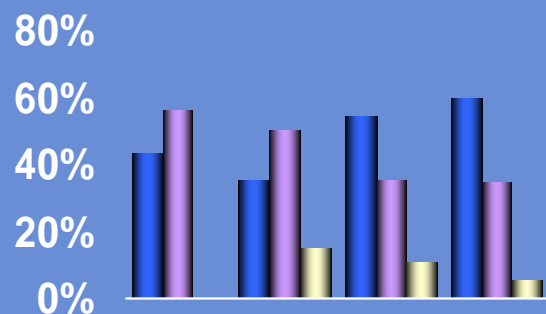
* Represents 1% of the total loan portfolio (excluding reverse repos).

(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 (%)



2001 2002 2003 2004

- Performing-'Investment Grade'
- Performing-'Non-Investment Grade'
- Gross Impaired

Automotive Manufacturing and Supply

C\$ Million as at October 31, 2004


	Total Gross Loans & BA's	Gross Impaired	Net Impaired	Performing Portfolio	
				"Investment Grade"	"Non- Investment Grade"
Suppliers	497	30	29	287	180
Motor Vehicle Manufacturing	119	4	4	82	33
Total	616*	34**	33	369	213

* 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
Q4/04	.09	N/A
F2004	.04	N/A
15 yr av.	.39	0.63*

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

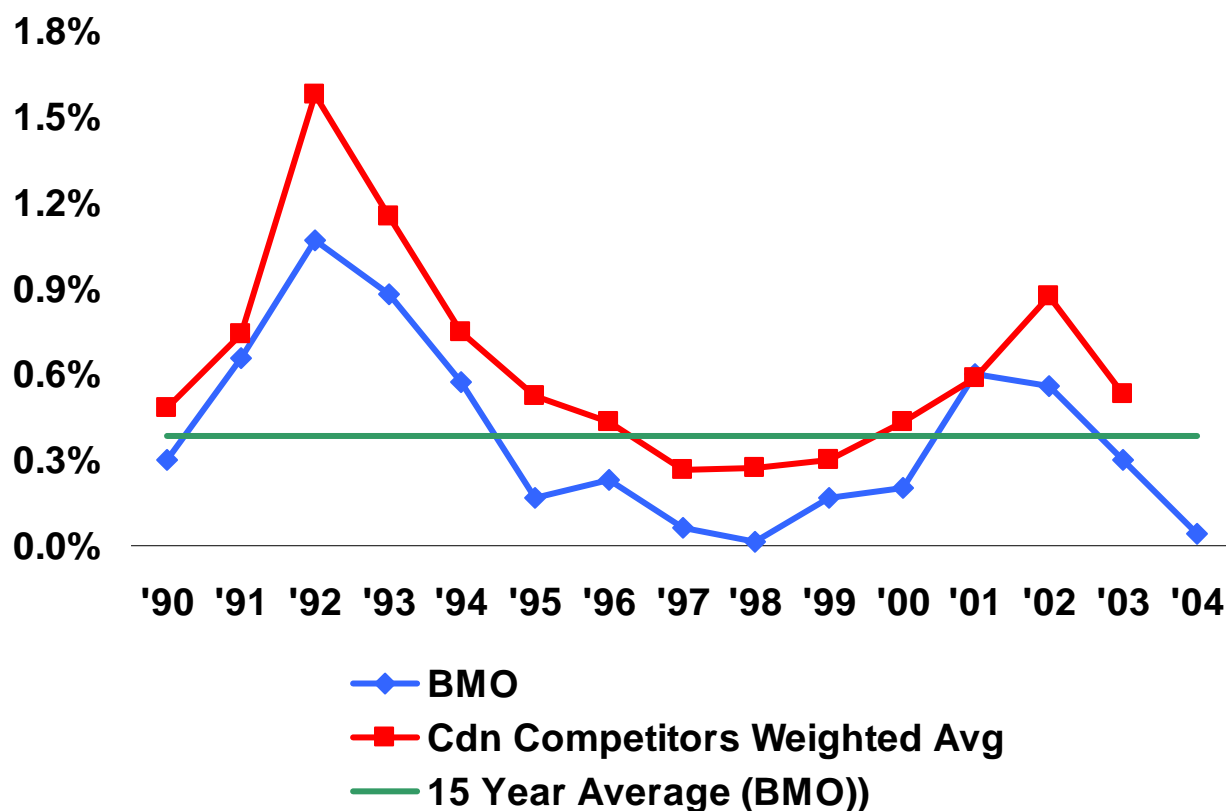
Competitor average excludes the impact of TD's sectoral provisions in F2002 and subsequent transfers/drawdowns.

15 yr av. - 1990 to 2004

* (Cdn Competitors represents a 14 yr av. - 1990 to 2003)

Credit Performance Measure at the lowest level since F1998

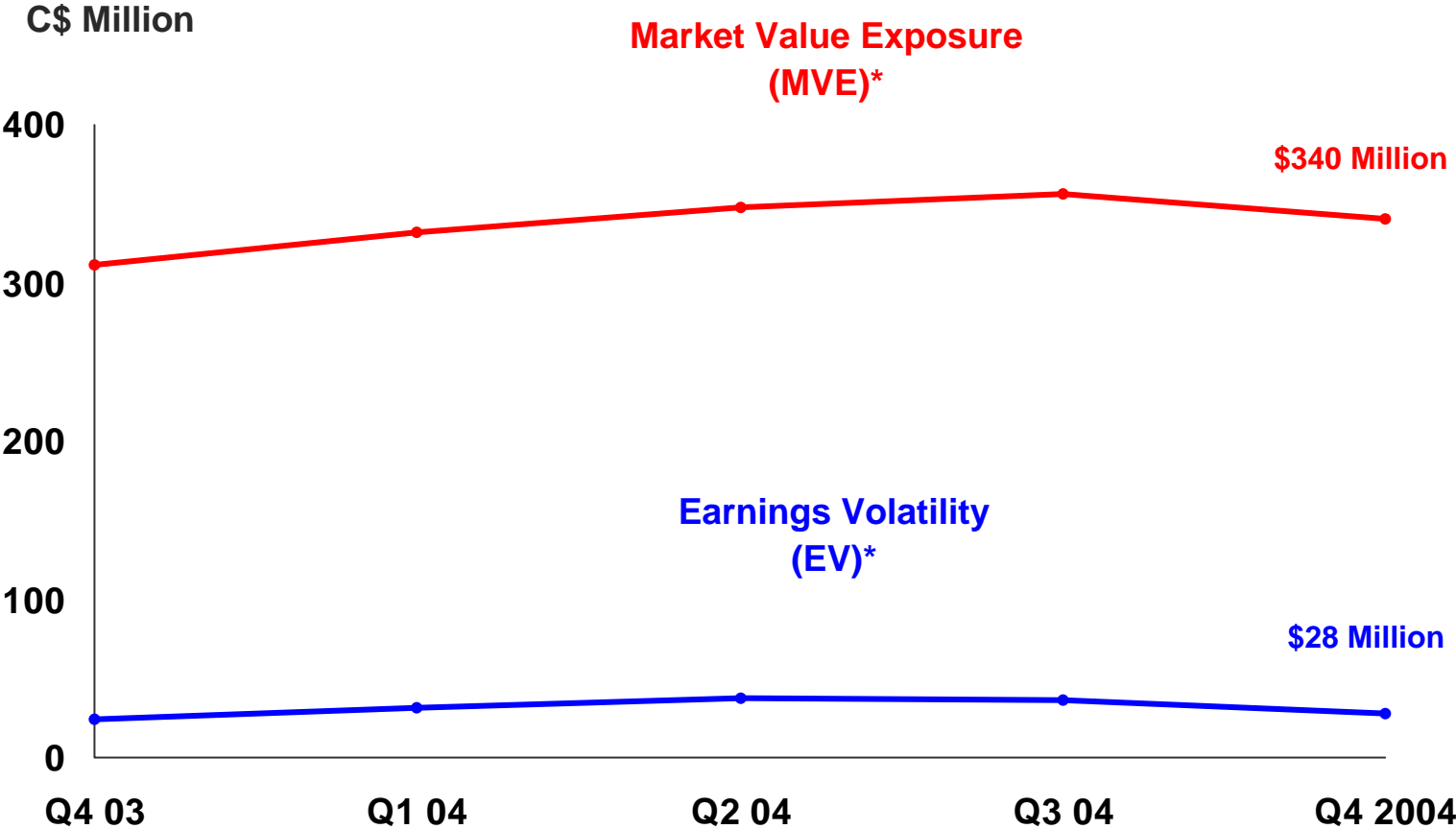
Specific Provision for Credit Losses as a % of Average Net Loans and Acceptances (including Reverse Repos)



The level of the General Allowance is assessed quarterly on a consistent basis, taking into consideration . . .

- The mean (“Expected Loss”) and volatility (“Unexpected Loss”) of credit loss experience based on a statistical analysis of past performance
- Management’s judgment regarding portfolio quality, business mix and economic and credit market considerations
- OSFI Guidelines
- Canadian GAAP

Structural Earnings Volatility remains low
Structural Market Value Exposure remains within the expected range



* Refer to definitions on page 32 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
August 1, 2004 to October 31, 2004

