





Q306

RISK REVIEW
Investor Community Conference Call

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

BMO  **Financial Group**



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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.

RISK REVIEW - THIRD QUARTER 2006 2

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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

RISK REVIEW - THIRD QUARTER 2006 3

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GIL Formations

Quarterly
(C\$ Million)

Year	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
2004	242	190	66	109	89	91	105	78	173	83	
2005					138						
2006											

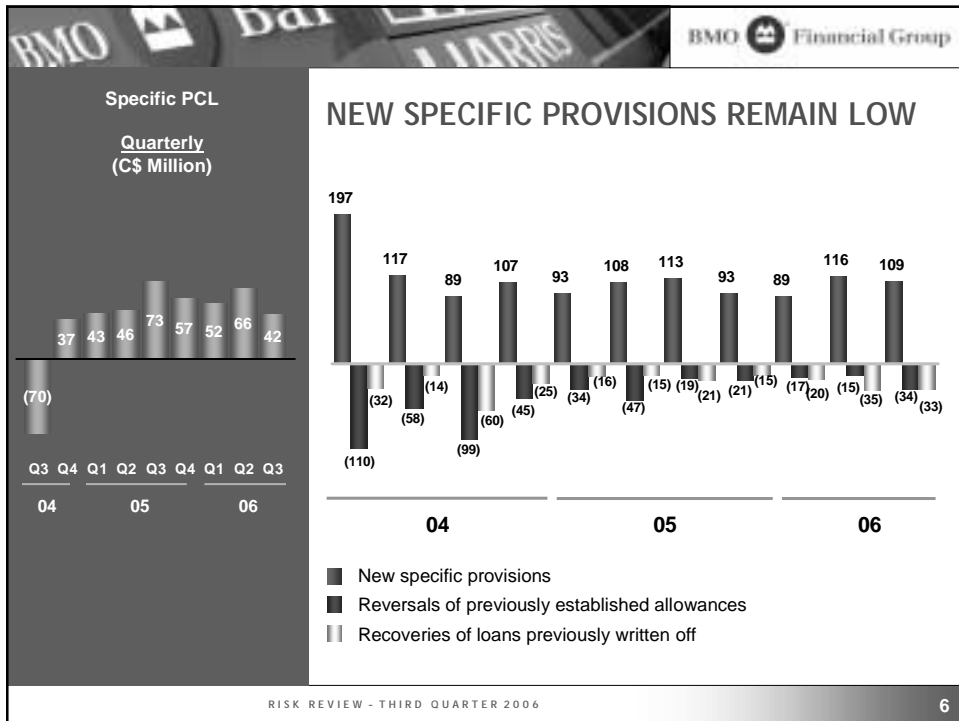
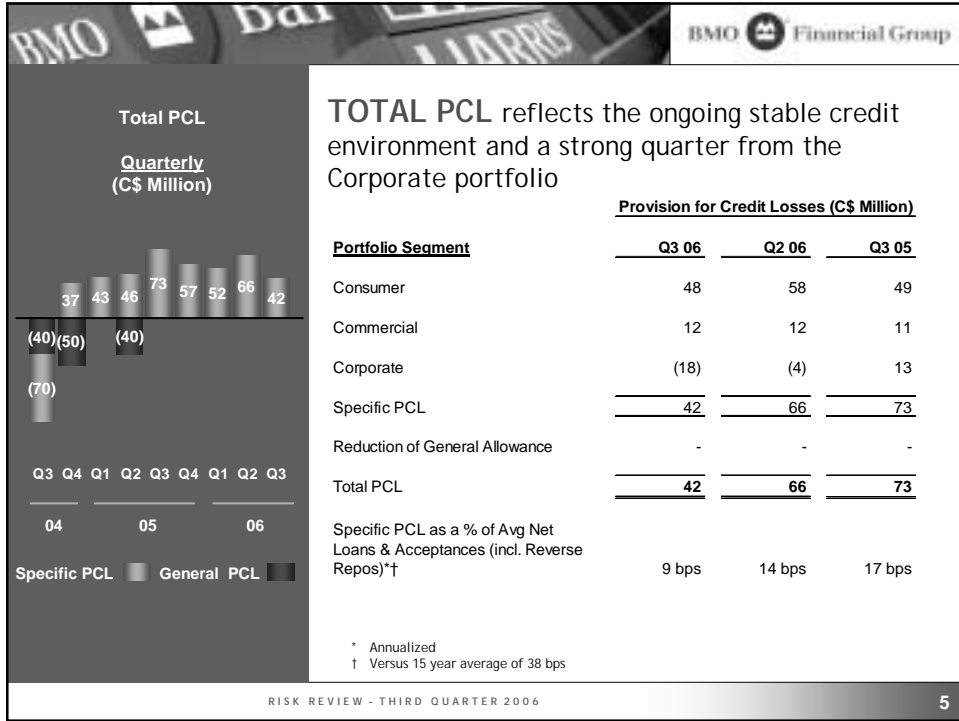
CREDIT QUALITY REMAINS STRONG

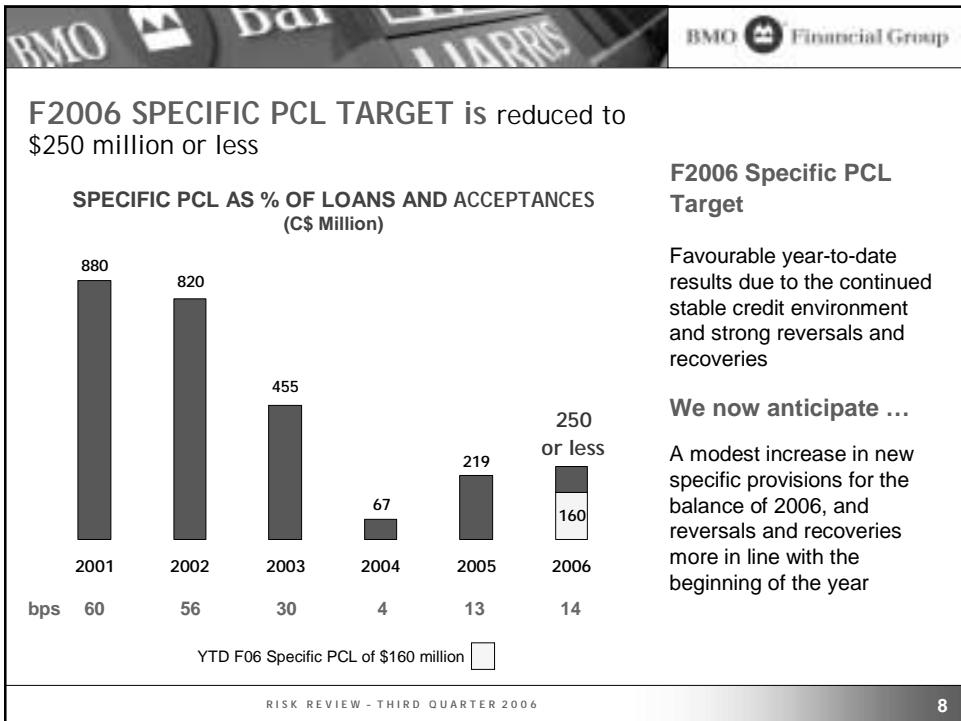
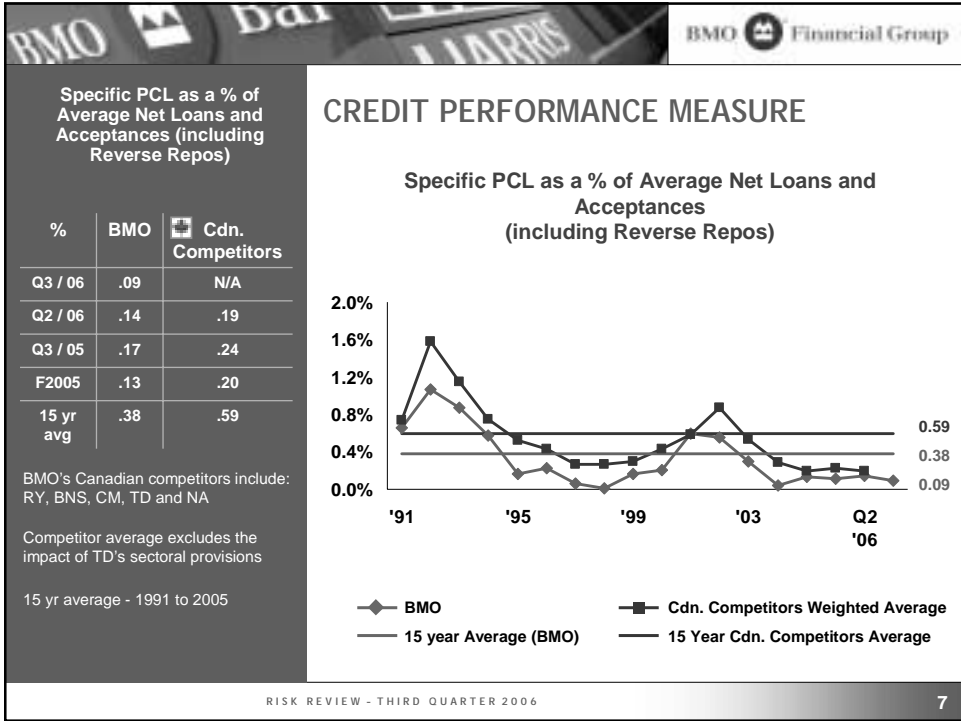
GIL balances continue at historical lows with GIL formations in the quarter remaining at low levels

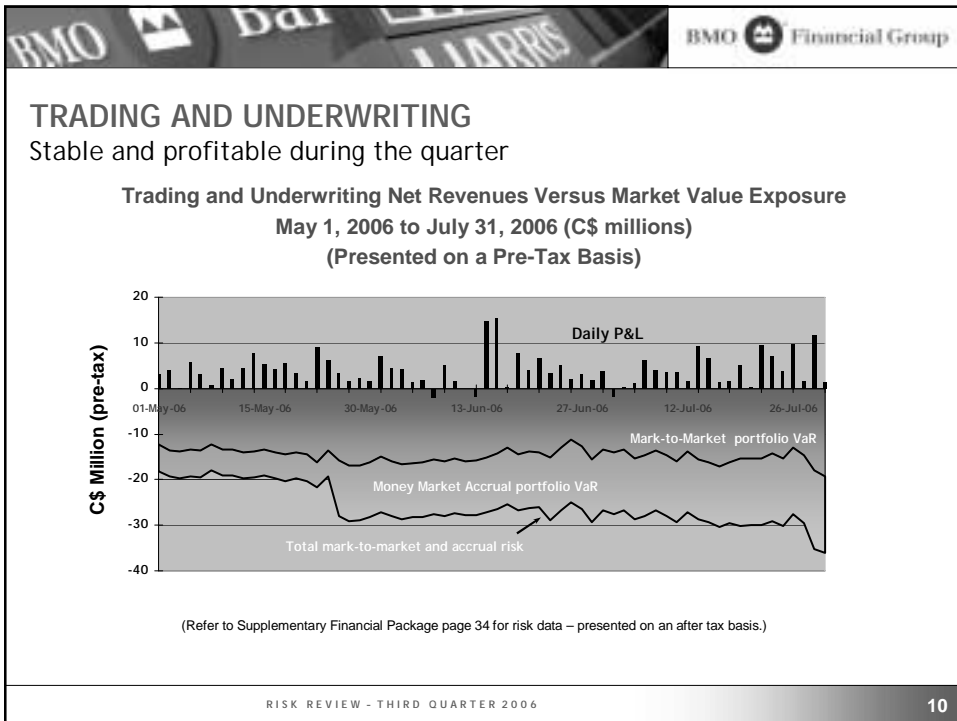
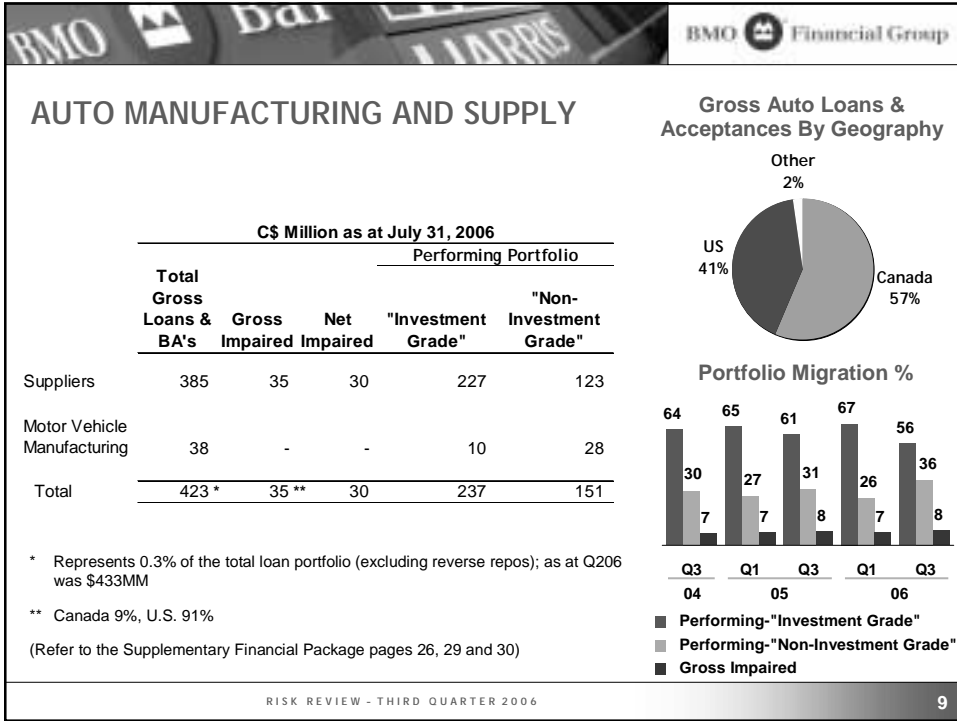
Gross Impaired Loans
(C\$ Million)

Year	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
2004	1,786	1,503	1,303	1,119	1,089	1,052	932	804	745	771	663
2005											
2006											

RISK REVIEW - THIRD QUARTER 2006 4







LOAN PORTFOLIO DISTRIBUTION

Consumer/Commercial/Corporate

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

	Canada	U.S.	Other	Total
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

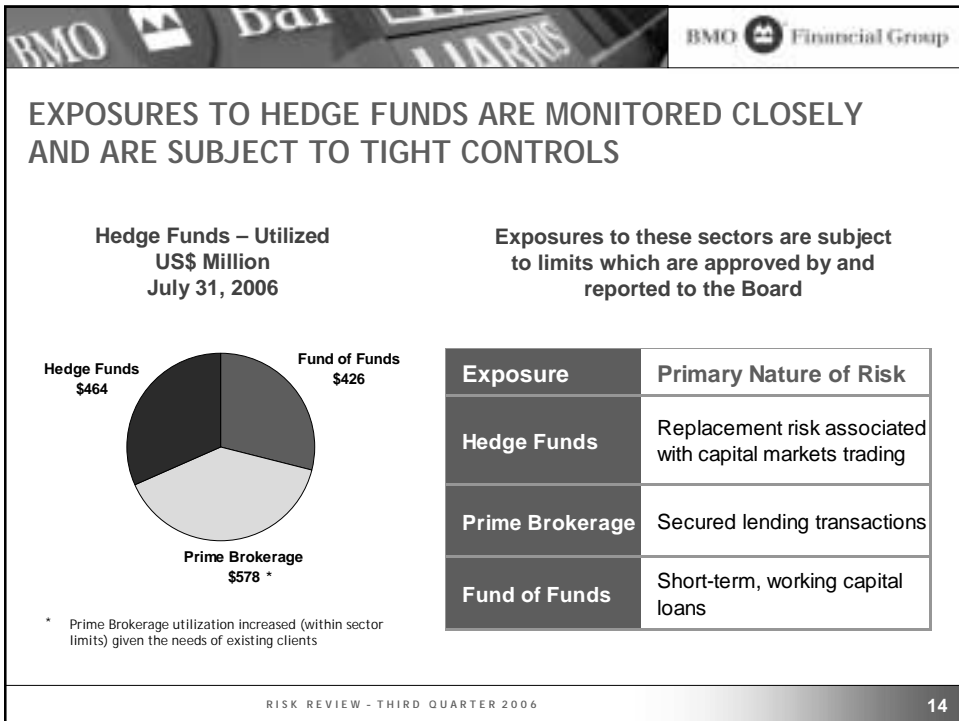
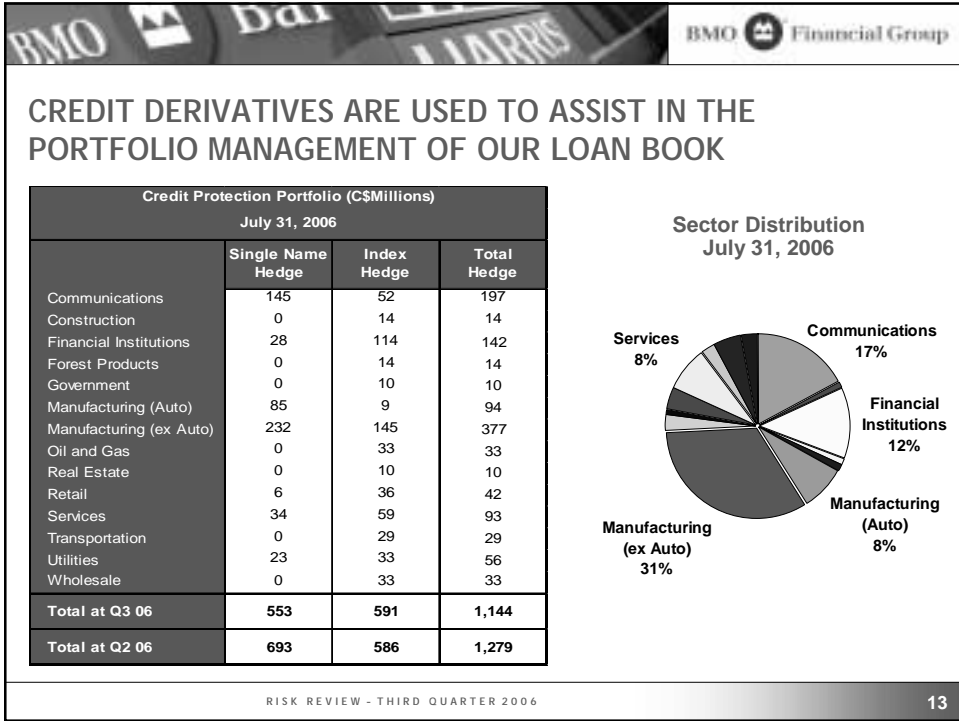
Consumer Portfolio Delinquency Ratio (%)**

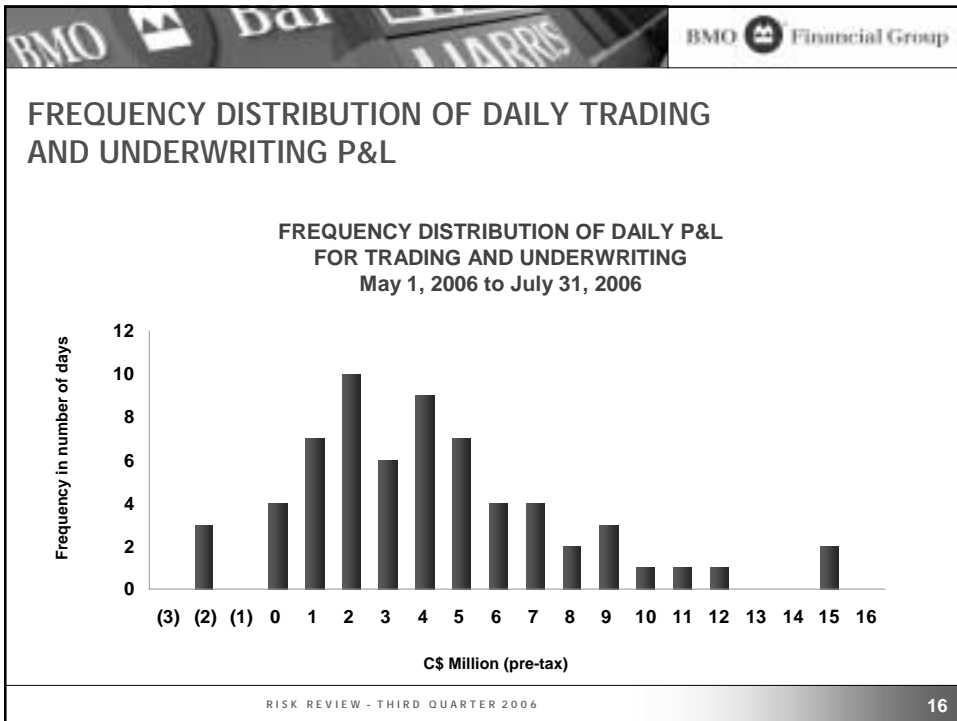
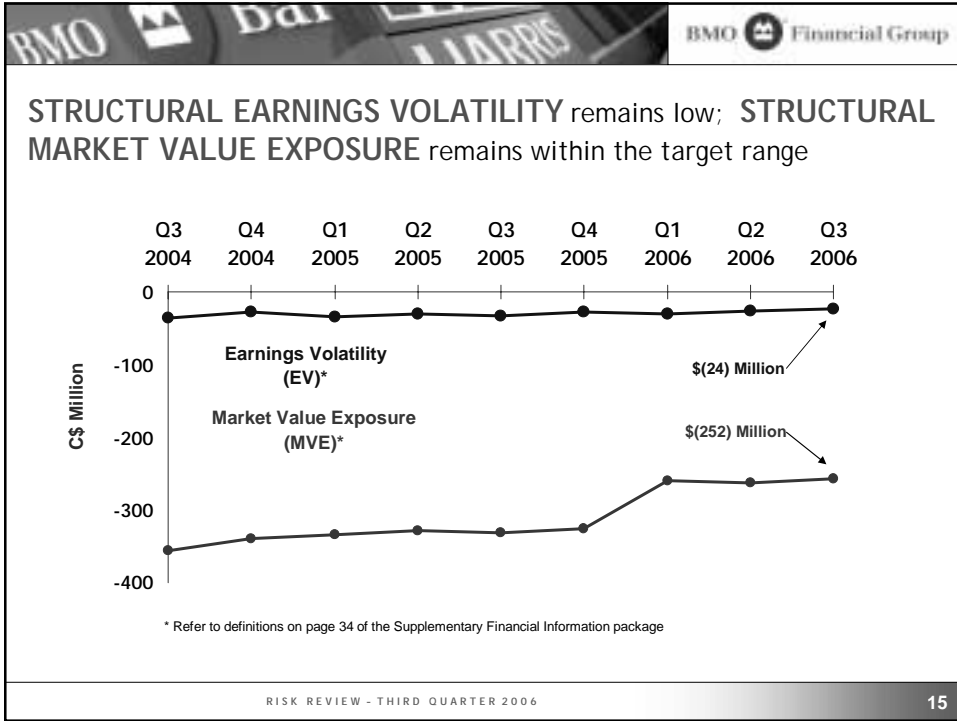
Quarter	Total Consumer Portfolio (%)	Canada (%)	U.S. (%)
Q3 04	0.24	0.24	0.19
Q4 04	0.24	0.24	0.17
Q1 05	0.25	0.25	0.16
Q2 05	0.26	0.26	0.16
Q3 05	0.24	0.24	0.15
Q4 05	0.25	0.25	0.15
Q1 06	0.25	0.25	0.16
Q2 06	0.24	0.24	0.14
Q3 06	0.24	0.24	0.12

** % of portfolio which is 90 days or more past due
(Refer to the Supplementary Financial Package page 24)

RISK REVIEW - THIRD QUARTER 2006

12







INVESTOR RELATIONS • CONTACT INFORMATION

Viki Lazaris
Senior Vice President
(416) 867-6656
viki.lazaris@bmo.com

Steven Bonin
Director
(416) 867-5452
steven.bonin@bmo.com

Krista White
Senior Manager
(416) 867-7019
krista.white@bmo.com

FAX: (416) 867-3367

E-mail: investor.relations@bmo.com
www.bmo.com/investorrelations

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