


Q3 2008

Investor Community Conference Call

Risk Review

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August 26 • 2008

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 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 2008 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 and market 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 2007 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. The forward-looking information contained in this document is presented for the purpose of assisting our shareholders in understanding our financial position as at and for the periods ended on the dates presented and our strategic priorities and objectives, and may not be appropriate for other purposes.

Assumptions about the level of asset sales, expected asset sale prices and risk of default of the underlying assets of the structured investment vehicles were material factors we considered when establishing our expectations regarding the structured investment vehicles discussed in the Q3 Report to Shareholders including the amount to be drawn under the BMO liquidity facilities. Key assumptions included that assets would continue to be sold with a view to reducing the size of the structured investment vehicles, under various asset price scenarios.

Assumptions about the level of defaults and losses on defaults were material factors we considered when establishing our expectation of the future performance of the transactions that Apex Trust has entered into. Key assumptions included that the level of defaults and losses on defaults would be consistent with historical experience. Material factors which were taken into account when establishing our expectations of the future risk of credit losses in Apex Trust as discussed in the Q3 Report to Shareholders included industry diversification in the portfolio, initial credit quality by portfolio and the first-loss protection incorporated into the structure.

In establishing our expectations regarding the run-rate costs of our credit card loyalty rewards program discussed in the Q3 Report to Shareholders, we took into account the terms of the agreement that was entered into with Loyalty Management Group Canada Inc. in the quarter.

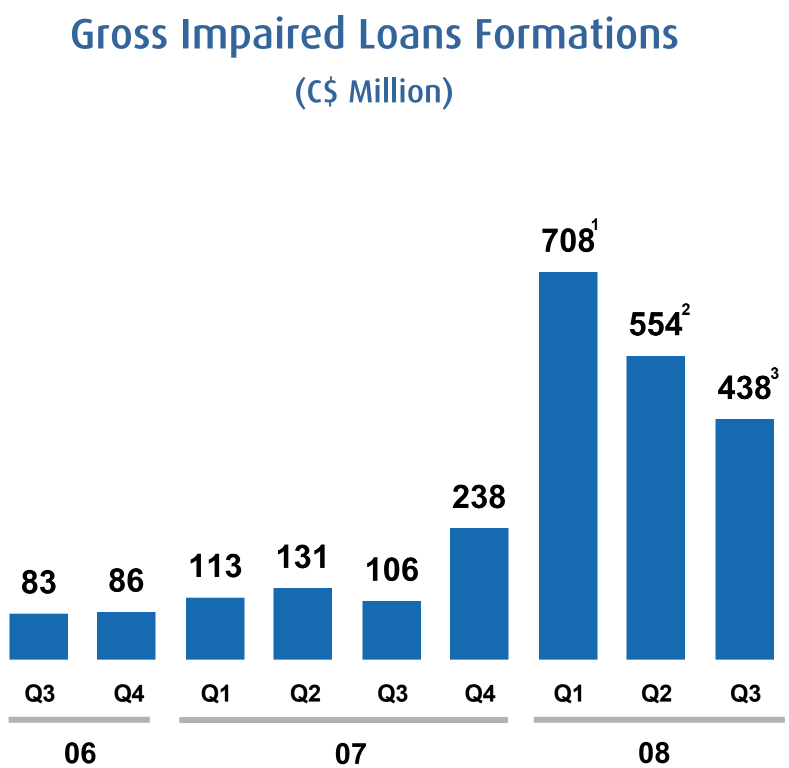
In establishing our expectations regarding the timing of completion of the integration of the Wisconsin acquisitions and associated costs discussed in the Q3 Report to Shareholders, we assumed that the integration would be completed in accordance with the current project plan and in line with current cost estimates.

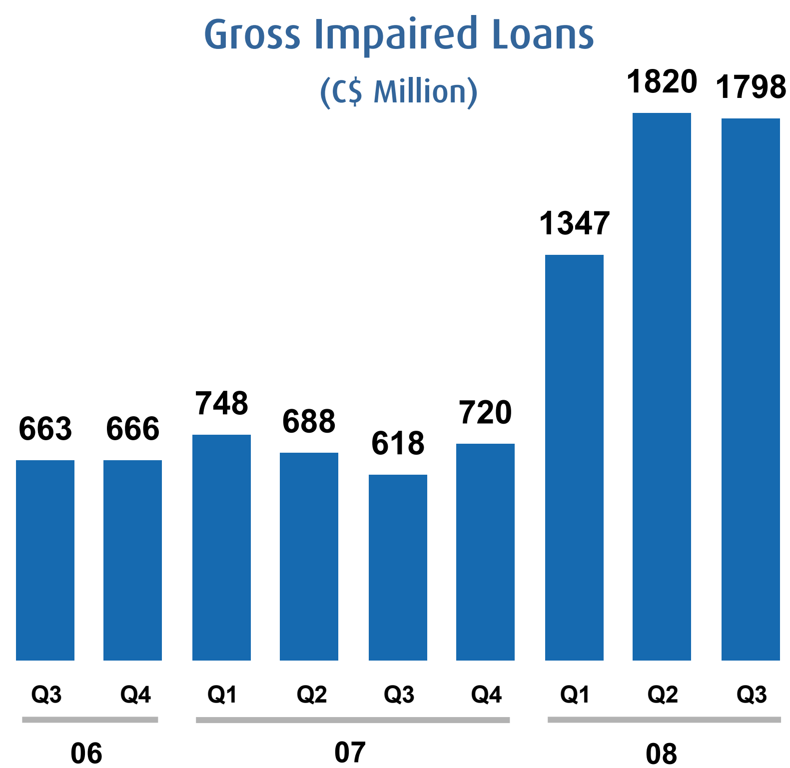
In establishing our fourth quarter expectations for specific provisions for credit losses and for gross impaired loans, we assumed that the credit environment would remain consistent with current conditions, and that our credit exposures would perform in a manner consistent with the expectations we have developed through the ongoing assessment of our exposures.

Assumptions about the performance of the Canadian and U.S. economies in 2008 and how it would affect our businesses were material factors we considered when setting our strategic priorities and objectives, and when determining our financial targets, including provisions for credit losses and our expectations about achieving those targets and our outlook for our businesses. Key assumptions were that the Canadian economy would expand at a moderate pace in 2008 while the U.S. economy expands modestly, and that inflation would remain low in North America. We also assumed that interest rates in 2008 would decline slightly in Canada and the United States, and that the Canadian dollar would trade at parity to the U.S. dollar at the end of 2008. 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. In the first quarter, we anticipated that there would be weaker economic growth in Canada and that the United States would slip into a mild recession in the first half of 2008. We also updated our views that quarter to expect lower interest rates and a somewhat weaker Canadian dollar than when we established our 2008 financial targets. Although the United States avoided a technical recession in the first half of the year, we anticipate further weakness in its economy and as such our views remain largely unchanged from the first quarter. 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.

Gross Impaired Loans (GIL)

- GIL formations are lower than the last two quarters.
- GIL continue to be higher than the low levels of F2007 due to market conditions.





1 Q108 included an approximate $459 million Formation relating to a single enterprise group, classified as a Financial Institution. The assets of this enterprise are US residential mortgages.

2 Q208 includes $234 million in Formations relating to the US Commercial Real Estate Portfolio, of which $150 million is a single enterprise group.

3 Q308 includes Formations occurring in the following sectors that are impacted by high input costs, a high Canadian dollar and a slow down in the US economy: Manufacturing ($131 million), Commercial Real Estate ($71 million) and the Oil & Gas ($62 million) portfolio.

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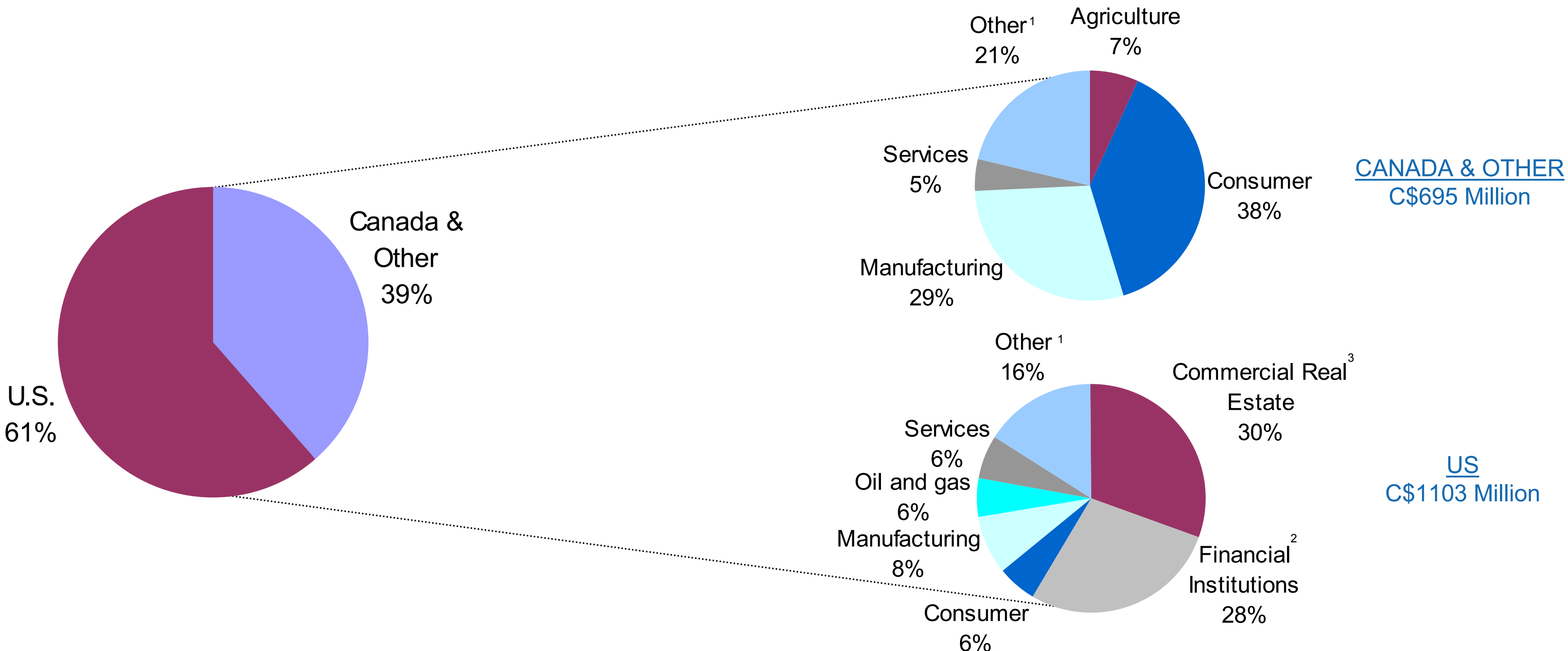
Gross Impaired Loans – Geographic/Industry Overview

- US GIL represent 61% of the total GIL, reflective of the weaker US market.
- Canadian GIL industry sectors are dispersed with expected concentrations in Consumer and Manufacturing.
- US Commercial Real Estate exposure (largely tied to the housing market) represent 58% of US GIL and 36% of Total GIL.

By Geography
(C$ 1798 Million)

By Portfolio



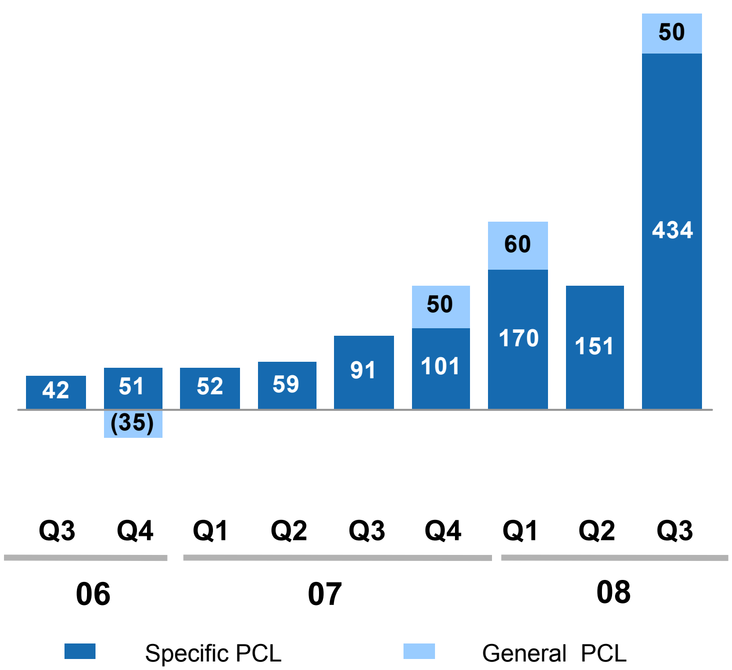
1 Other includes several industries, none of which exceeds 5% of the total.

2 A single enterprise group represents 97% of the US GIL balances in the Financial Institutions industry. The assets of this enterprise are US residential mortgages.

3 Commercial Real Estate includes Developers, Real Estate Investment Trusts (REITs) and commercial building operators.

Total Provision for Credit Losses (C$ Million)

- Elevated level of PCLs attributable to provisions for two US residential real estate related accounts total $247 million or 57% of Q3 specific provision. These accounts were identified as impaired in the first half of the year. Excluding the $247 million, Specific PCL in Q3 was $187 million. Provisions also included $27 million for one loan in the Oil & Gas portfolio.
- Canadian credit continues to perform well, with provisions relatively stable.
- US Consumer and Commercial provisions have increased given environment, but are better than peers.
- The increase in the general allowance reflects current economic outlook, particularly for the US.



Portfolio Segment	Q3 07	Q307 YTD	Q2 08	Q3 08	Q308 YTD
Consumer – Canada	67	159	58	64	182
Consumer – US	4	17	10	21	40
Total Consumer	**71**	**176**	**68**	**85**	**222**
Commercial – Canada	12	24	31	23	64
Commercial – US	2	4	7	16	44
Total Commercial	**14**	**28**	**38**	**39**	**108**
BMO CM/Corporate – Canada	-	-	-	-	19
BMO CM/Corporate – US	6	(2)	45	310	406
Total BMO CM/Corporate	**6**	**(2)**	**45**	**310**	**425**
Specific Provisions	**91**	**202**	**151**	**434**	**755**
Change in General Allowance	-	-	-	50	110
Total PCL	**91**	**202**	**151**	**484**	**865**

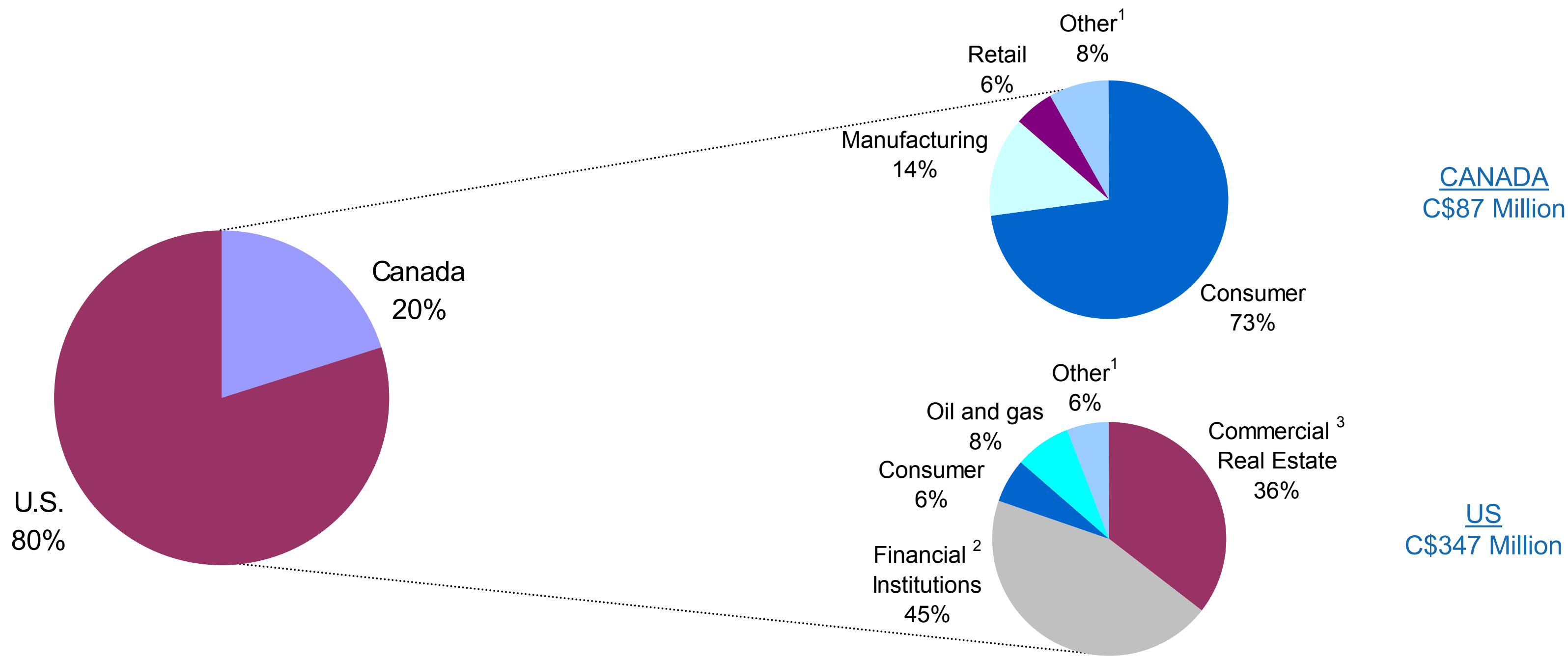
Specific Provision for Credit Losses - Geographic/Industry Overview

- US based portfolio accounted for most of the provisions in Q3, with the two residential real estate accounts representing the 71% of the US provision.
- Provisions in Canada accounted for 20% of Q3 total split 73% consumer and 27% commercial.

Specific Provision for Credit Losses
(C$ 434 Million)

By Geography

By Portfolio



1 Other includes several industries, none of which exceeds 5% of the total.

2 A single enterprise group represents the entire provision in the Financial Institutions sector. The assets of this enterprise are US residential mortgages.

3 Commercial Real Estate includes Developers, Real Estate Investment Trusts (REITs) and commercial building operators.

US Portfolio Overview[1]

Portfolio is generally performing well considering market conditions:

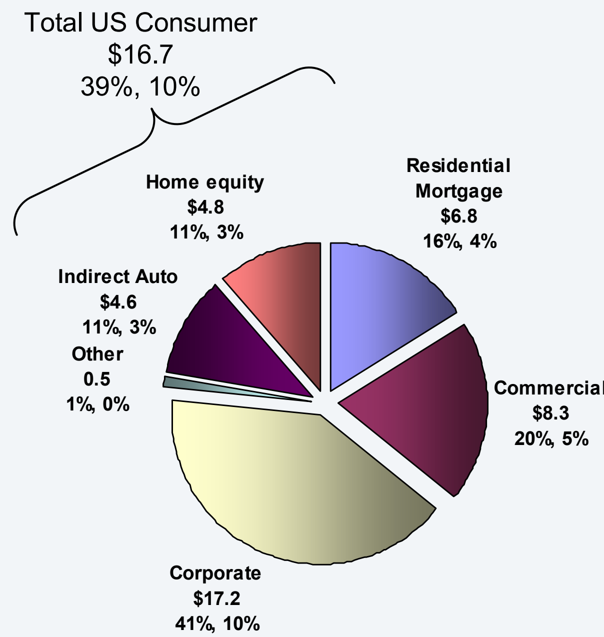
- US portfolio is well diversified between Consumer, Commercial & Corporate and within each of these categories.

- US portfolio represents 24% of BMO's total loans, (US Consumer 10%, Commercial & Corporate 14%).

- US commercial real estate outstandings stood at ($4.7) billion, comprised primarily of:
  - The investor-owned mortgage portfolio is $2.42 billion, primarily located in Illinois/Indiana/Wisconsin (98%) and continues to generally perform well.
  - Developer portfolio is approximately $1.7 billion, centered in Illinois/Indiana/Wisconsin/Minnesota (89%) and is experiencing weakness given the environment.
- US Consumer portfolios have been performing better than peers. Given declines in residential real estate prices and weakening economy, losses are higher than historical levels, particularly in home equity.
  - Higher risk component of the portfolio is relatively small:
    - Residential mortgage having an origination FICO score <660 and an LTV >80% are only US$82 million.
    - Home equity loans having an origination FICO score <660 and an LTV >80% are a modest US$305 million or 2% of the total home equity portfolio.

- The Indirect Auto portfolio:
    - Continues to perform well reflecting the conservative nature of the portfolio.

Total US Outstandings [2,3]
$42.2 (In US$ Billions)
July 31, 2008



1 All amounts are expressed in USD
2 Outstandings on an As At basis excluding reverse repos
3 % are expressed as US portfolio and Total Bank respectively; differences may exist due to rounding

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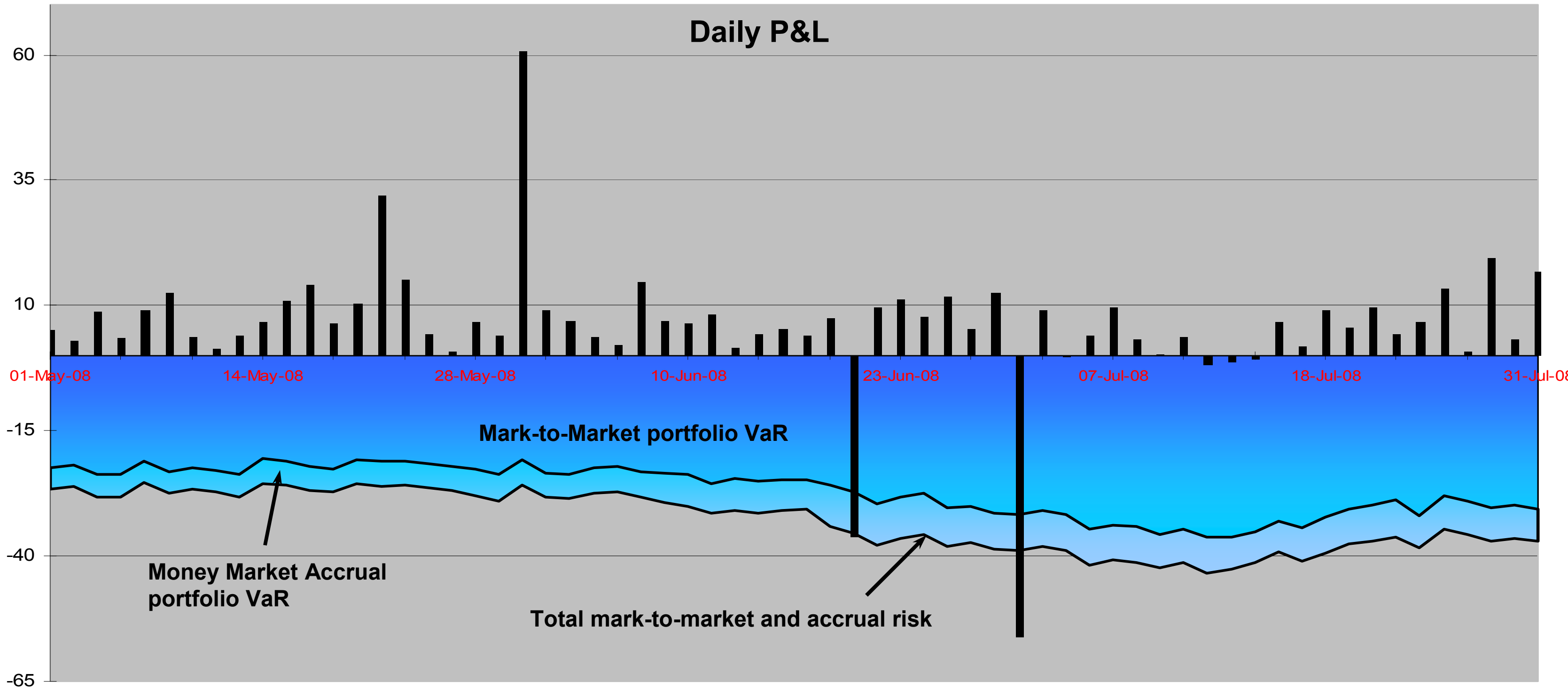
US Securitization Conduit[1] - Overview

- BMO's US ABCP conduit is rated A1/P1 by Moody's/S&P since 1997.
- Provides funding to diversified pools of portfolios (99). Average facility size is $93.2 million and range from $1.2 million to $510 million. Top 10 pools account for 31% of portfolio; underlying collateral is diversified with no real estate exposure.
- Approximately 60% of the portfolio is externally rated "A" or better. Using internal ratings, approximately 97% of the portfolio is rated investment grade - even if no value is attributed to the monoline wraps.
- The portfolio composition is unchanged relative to the profile presented in Q208.
- During the first half of F2008 three real estate related assets totaling approximately $851 million were funded by BMO. No accounts were funded in Q3. Two accounts are classified as impaired. The third loan ($160 million) continues to perform.
- Approximately $1.9 billion in notional assets guaranteed by monolines. None of the guarantees involve mortgages or ABS/structured finance CDOs. All transactions are performing.
- Review of the portfolio including remaining commercial real estate related exposures (approximately 13%) has not identified other immediate issues.
- The commercial paper continues to be well received in the marketplace. CP ($6.8 billion as at Q3) has been consistently rolled with investors, BMO provides $9.2 billion in backup liquidity lines.

[1] Values are all in US dollars

Trading And Underwriting Q3 2008

Trading and Underwriting Net Revenues Versus Market Value Exposure
May 1, 2008 to July 31, 2008 (C$ millions)
(Presented on a Pre-Tax Basis)



1) The largest daily P&L gains for the quarter on May 30 was CAD $60.8 million, May 22 CAD $31.8 million and July 29 CAD $19.5 million.
   - May 30th: Primarily reflects month-end credit valuation adjustments.
   - May 22nd: Primarily reflects mid-month credit valuation adjustments due to tightening spreads.
   - July 29th: Primarily reflects the recognition of revenue from normal trading activities.

2) The largest daily P&L losses for the quarter on CAD June 30 was $(56.2) million and June 19 CAD $(36.3) million.
   - June 30th: Primarily reflects month-end credit valuation adjustments.
   - June 19th: Primarily reflects mid-month credit valuation adjustments – loss a result of widening credit spreads.

(Refer to page 12 of the Q3 2008 Report to Shareholders for risk data – presented on an after tax basis)

Areas of Continued Focus

Portfolio	Commentary[1]
U.S. sub-prime mortgages exposure	• Modest exposure with only US$ 581MM of consumer mortgages and home equity with original FICO score of less than 620; well under half has LTV over 80% without insurance. • Single commercial exposure of net US$208MM included in impaired loans includes some subprime. • Indirect exposure of approximately $1.7 billion hedged with three large non-monoline financial institutions. Hedges are largely collateralized.
BMO sponsored asset-backed conduits with liquidity support (includes the US Securitization Conduit)	• C$18.2B liquidity lines to Canadian conduits, down from C$26.2B at Q3'07. • C$1.3B in trading inventory as at July 31st, down from $8.5B at Q3'07. • US$9.2B liquidity lines to US conduit, down from US$11.3B at Q3'07.
Apex Trust (formerly Apex/Sitka Trust)	• Restructuring completed. • C$815MM investment in subordinate notes and C$1.1B senior funding facility from BMO available, respectively, as at Q3'08. • Credit quality is sound. Leveraged super senior AAA exposure to a largely investment grade portfolio of corporate credits. Substantial first-loss protection in place.
Third party asset-backed conduits with BMO liquidity support	• US$1.1B liquidity lines to U.S. auto-based and financial-based conduits. No subprime exposure.
Investments in non-bank sponsored asset-backed commercial paper	• ABCP of six non-bank sponsored Canadian conduits with a carrying value of $201 million as at Q3'08. Realization will be affected by the outcome of the Montreal Accord.
Structured Investment Vehicles (Links and Parkland)	• Current market value of assets are US$8.2B and €0.78B, reduced by US$15.2B and €2.6B since Q3'07. • 98% of the assets are rated investment grade. More than 75% rated AA or better by Moody's and S&P. • Senior ranked liquidity facility of US$7.9B and €0.69B provided. Funding not expected to exceed 70% of this amount. Book value of capital notes that are subordinate to BMO's senior liquidity facility of US$1.27B and €158MM.
Hedge fund trading and lending exposure, including prime brokerage	• Hedge funds and prime brokerage exposure generally collateralized.
Monolines Insurers and Credit Derivative Product Companies	• Mark-to-market exposures are not material (approximately $250 million) on direct notionals of approximately $3.9B. • Indirect exposures consist of wrapped securities, totalling approximately $3.8B in notionals. Quality of underlying assets is generally sound.
Auction Rate Securities (ARS)	• BMO does not hold any ARS in its trading portfolios and did not sponsor or underwrite any programs. Client holdings are approximately US$480MM. Auctions are currently functioning for approximately $160 million of this total. Of the remaining $320 million approximately $130 million were unsolicited client orders.

[1] As at July 31, 2008 unless noted otherwise

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