Q409

Risk Review

Defining great customer experience.

BMO Financial Group

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Executive Vice President &
Chief Risk Officer

November 24, 2009

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 harbour 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 2009 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 30 and 31 of the BMO 2008 Annual Report, which outlines in detail certain key factors that may affect our 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, except as required by law. 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, net funding cost, credit quality and risk of default and losses on 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 this document, including the amount to be drawn under the BMO liquidity facilities and the expectation that the first-loss protection provided by the subordinate capital notes will exceed future losses. 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, and that the level of defaults and losses will be consistent with the credit quality of the underlying assets and our current expectations regarding challenging market conditions continuing.

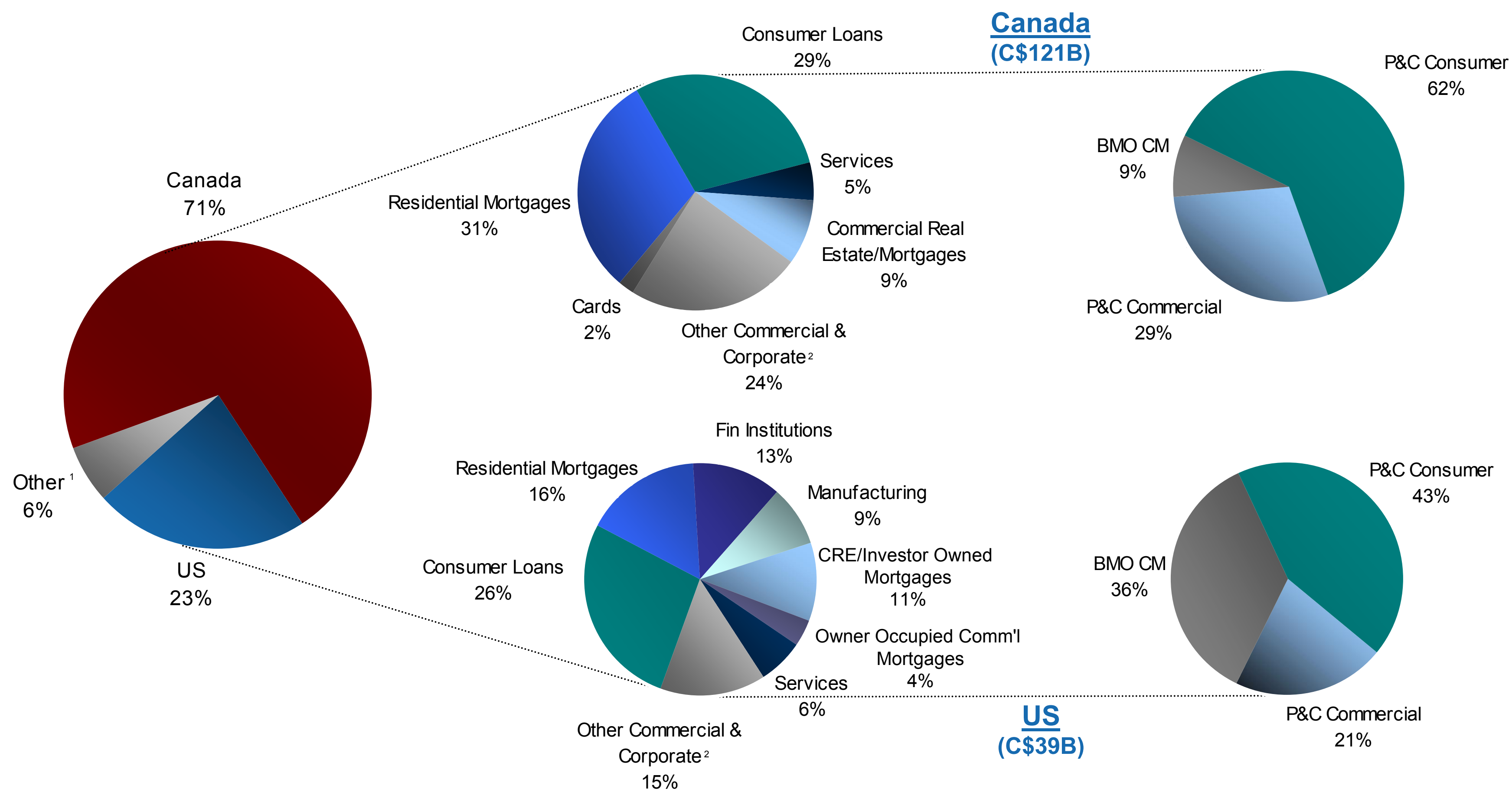
Assumptions about the level of defaults and losses on defaults were material factors we considered when establishing our expectation of the future performance of the transactions that Apex Trust has entered into. Key assumptions included that the level of defaults and losses on defaults would be consistent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

Assumptions about the performance of the Canadian and U.S. economies as well as overall market conditions and their combined effect on the bank's business, including those described under the heading Economic Outlook in our Fourth Quarter 2009 Report to Shareholders, are material factors we consider when determining our strategic priorities, objectives and expectations for our business. 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.

Loan Portfolio - Well Diversified by Segment and Business

- Canadian and US portfolios well diversified. Canadian portfolio 71% of total, US 23%.
- P&C banking business represents the majority of loans in Canada and the US.

By Geography (C$170B) **By Segment** **By Line of Business**

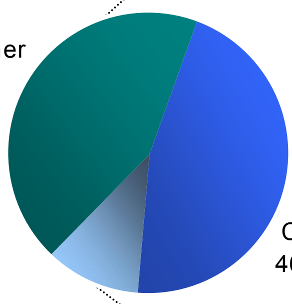


1 Other (C$10B) not shown in Portfolio Segmentation & Line of Business graphs.

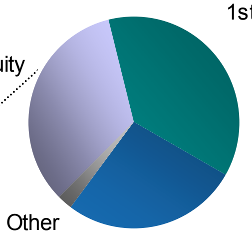
2 Other Commercial & Corporate includes Portfolio Segments that are each <5% of the total.

US Loan Portfolio – Well Diversified and Not Outsized Relative to Total Balance Sheet

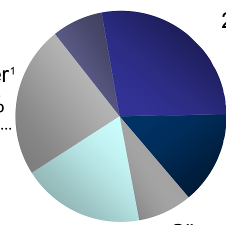
Total US Loans Outstanding
US $35.6B
23% of Consolidated Loans
(October 31, 2009)



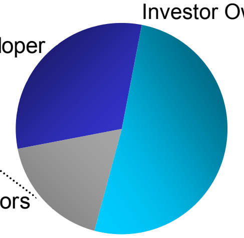
Consumer
(US$15.4B)



C&I
(US$16.3B)



Commercial Real Estate (CRE) /Investor Owned Mortgages
(US$3.9B)

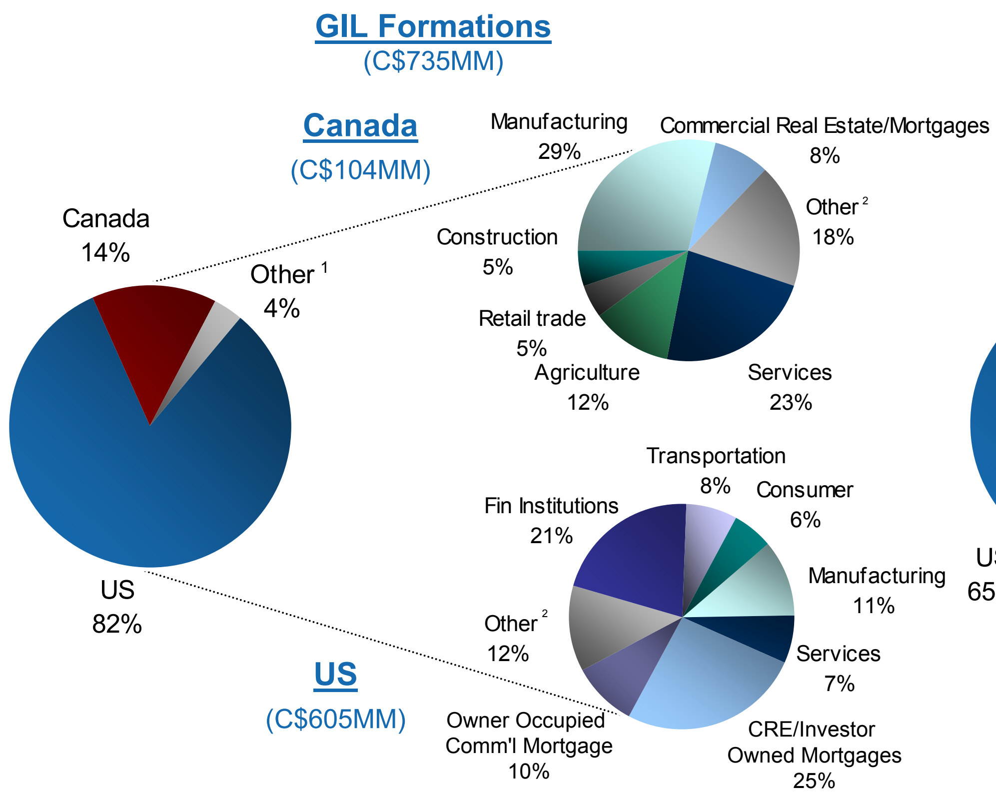


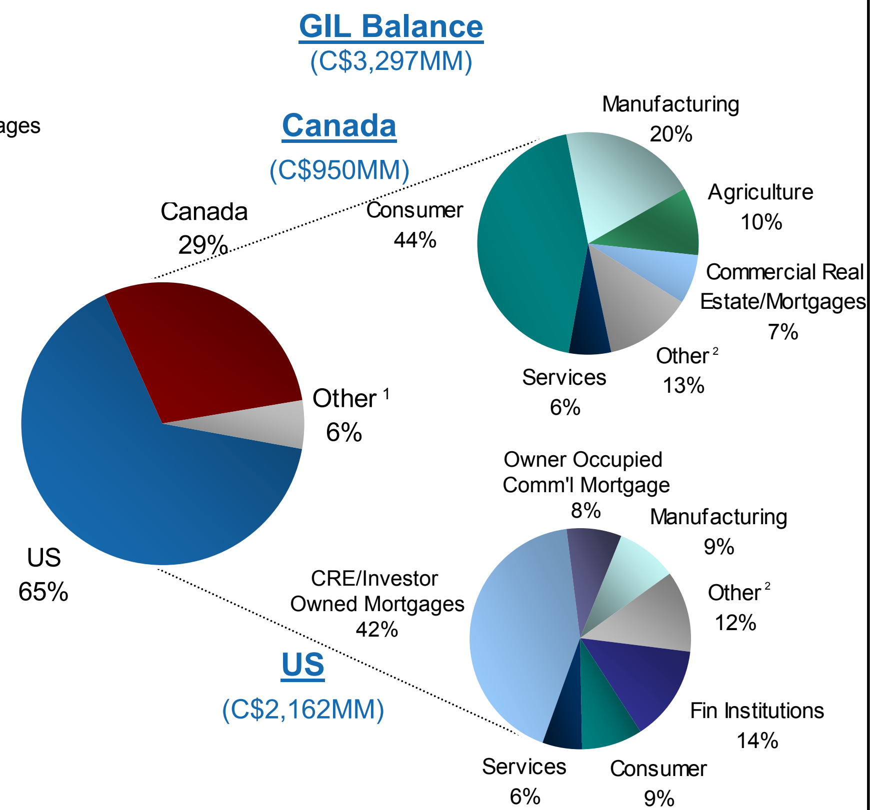
1 Other C&I includes Portfolio Segments that are each <5% of the total

- Consumer portfolios: $15.4B, performing better than US peer group although impacted by environment.
  - Residential real estate market remains stressed but our underwriting was more conservative than most and performance is better than peers.
  - Indirect Auto portfolio strong overall and relative to peers reflecting conservative underwriting.
- C&I portfolio: well diversified and performing reasonably considering environment.
- Commercial Real Estate/Investor Owned-Mortgages: $3.9B
  - Portfolio not that large at 2.5% of BMO loans and 11% of US loans.
  - The Investor-Owned Mortgage component at $2B, is 5% of the US total. Predominantly in the Illinois/Indiana/Wisconsin footprint and well diversified across Retail, Residential, Mixed Use, Office and Industrial. Prudent lending practices maintained. The portfolio is experiencing some negative migration given environment.
  - Developer portfolio continues to reduce and is ~3% of the total US portfolio. The portfolio has experienced weakness due to housing market conditions.

Impaired Loans & Formations – Reflective of Current Environment

- Q409 Formations $735MM (Q3: $549MM, Q2: $694MM, Q1: $712MM).
- Canadian Formations have reduced at $104MM (Q3: $138MM, F2009: $422). Diversified across sectors with Manufacturing the largest at 29%.
- US Formations in Q4 at $605MM (Q3: $317MM, Q2: $585MM, Q1: $640MM). Formations diversified across C&I, Real Estate and Financial Institutions (with one account at $81MM).
- Gross Impaired Loans (GIL) at $3.3B (Q3: $2.9B).



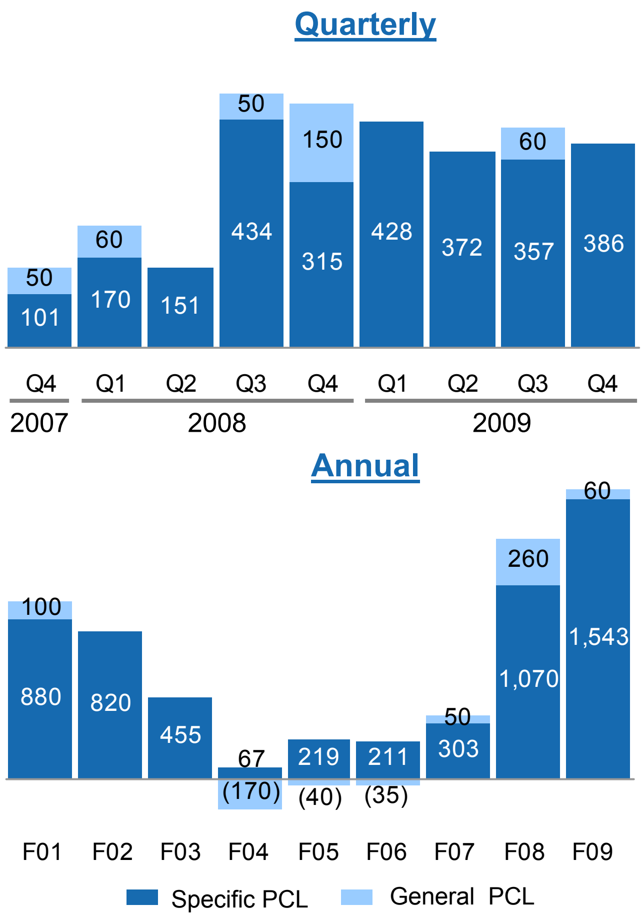


1 Other (C$26MM GIL Formations, C$185MM GIL Balance) not shown in Portfolio Segmentation graphs.

2 Other includes Portfolio Segments that are each <5% of the total.

Provision for Credit Losses – Q4 Run Rate In Line With Average for Year

- Specific provisions are $386MM vs. $357MM last quarter.
- P&C Canada provisions were stable quarter over quarter.
- P&C US provisions continue to be impacted by the weak economy and real estate markets.
- BMO Capital Markets provisions centered in US and diversified across sectors.

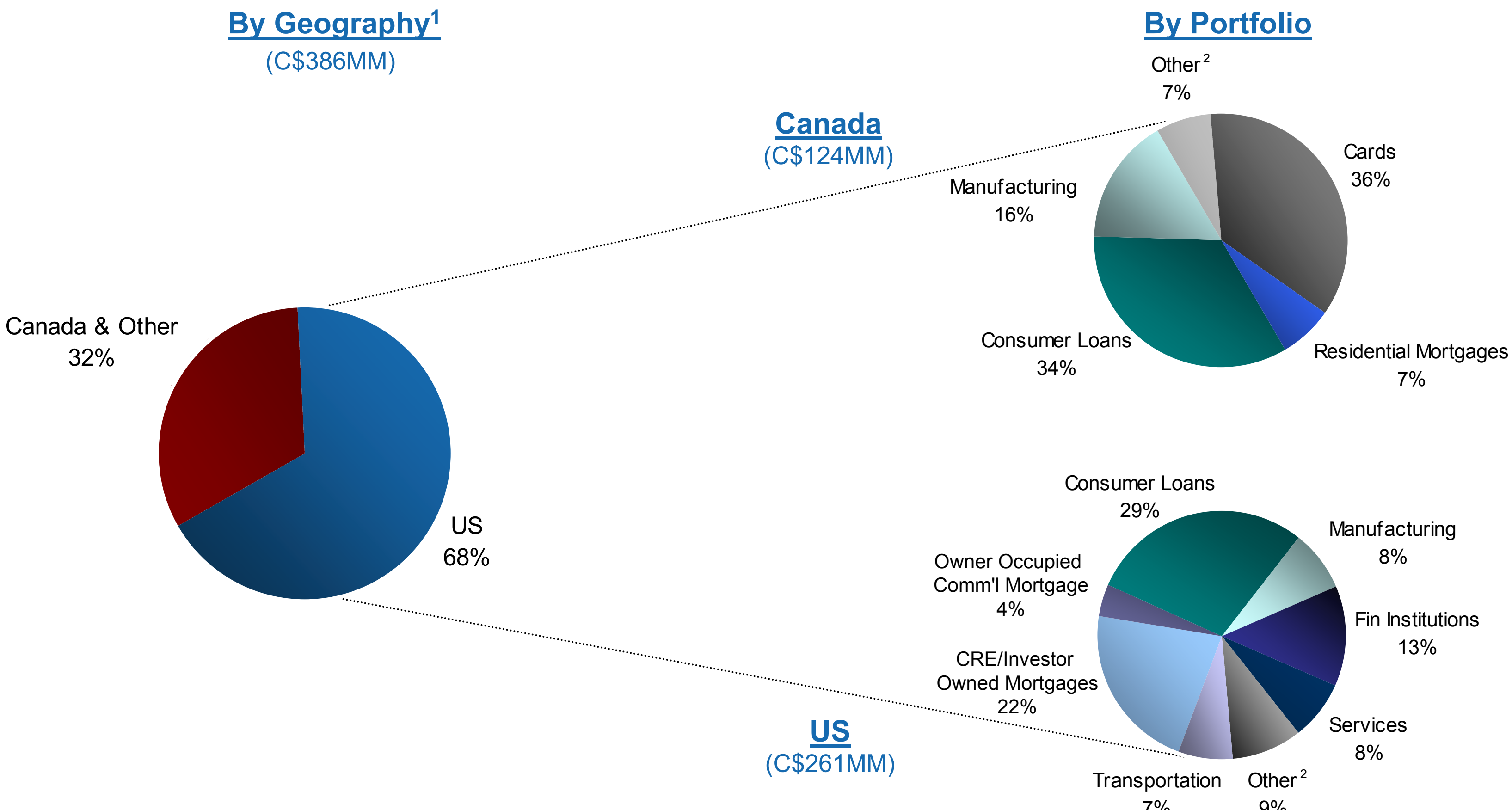


Business Segment (C$ MM)	Q408	Q309	Q409
Consumer – P&C Canada	64	99	96
Commercial – P&C Canada	35	32	28
Total P&C Canada	**99**	**131**	**124**
Consumer – P&C US	50	65	72
Commercial – P&C US	50	69	77
Total P&C US	**100**	**134**	**149**
PCG[1]	**(4)**	**7**	**20**
Capital Markets Canada & Other	39	32	1
Capital Markets US	81	53	92
Total Capital Markets	**120**	**85**	**93**
Specific Provisions	**315**	**357**	**386**
Change in General Allowance	150	60	-
Total PCL	**465**	**417**	**386**

1 Substantially all PCG provisions are in the US.

Specific Provision Segmentation

- Canada & Other provisions continue to be centred in the consumer portfolio and are down from last quarter (Q4: $125MM, Q3: $164MM) largely due to lower provisions in BMO Capital Markets Other.
- US provisions $261MM in Q4 versus $193MM in Q3.
- General C&I represents largest component of US provisions with Consumer and Real Estate related accounting for the balance and being approximately equal in size.



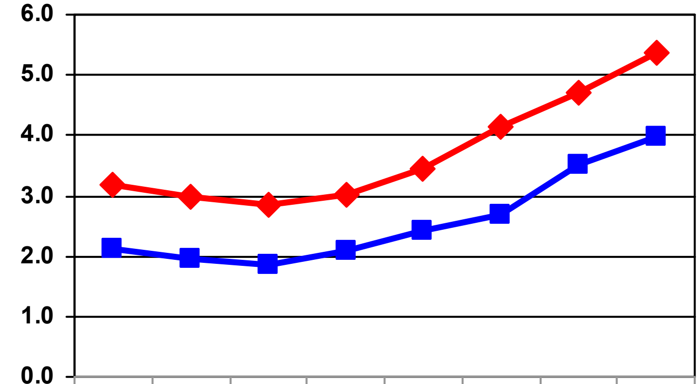
1 Other (C$1MM) not shown in portfolio segmentation graphs.

2 Other includes Portfolio Segments that are each <5% of the total.

Continued Strong Consumer Credit Performance

- Canadian performance remains strong relative to peers.
  - #1 performance; lowest loan loss rates for consumer loans based on Q309 at 52bps versus peer average of 96bps[1]. Q4 loss rate is 51bps. F2009 loss rate is 59bps.
  - Credit Card losses for Q3 are 397bps, significantly better than industry average of 537bps[2]. Q4 loss rate is 429bps. F2009 loss rate is 359bps.
- 85% of the Canadian Retail portfolio is secured; 88% excluding credit cards.

CBA/BMO Card Loan Loss Comparisons (%)



	Oct-04	Oct-05	Oct-06	Oct-07	Oct-08	Jan-09	Apr-09	Jul-09
CBA	3.19	2.99	2.85	3.01	3.46	4.14	4.72	5.37
BMO	2.11	1.94	1.87	2.09	2.41	2.70	3.53	3.97

* Latest CBA quarterly data Jul09.

- US Retail portfolio outperforming Risk Management Association (RMA) peers although higher given environment[3].
  - Residential Mortgages loan losses YTD 112bps vs. RMA peer group loan losses of 171bps.
  - Home Equity YTD losses of 212bps vs. 366bps for RMA peers.
  - Indirect Auto loan losses YTD 78bps vs. 181bps for RMA peers.
  - No US Consumer credit cards.
- 99.8% of the US Retail portfolio is secured.

1 Based on public disclosure of major Canadian peer banks excluding credit cards & mortgages.
2 Including securitized assets, excluding losses due to fraud-consistent with industry comparative reporting practices. Peer group includes all Canadian Credit Card issuers as well as BMO.
3 RMA Peer and Harris represent 12 months loss through 9/30/09.

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