



## Institutional Investor Presentation



## 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.

## Other Reporting Matters

### CAUTION REGARDING NON-GAAP MEASURES

Bank of Montreal uses both GAAP and non-GAAP measures to assess performance. Securities regulators require that companies caution readers that earnings and other measures adjusted to a basis other than GAAP do not have standardized meanings under GAAP and are unlikely to be comparable to similar measures used by other companies.

Reconciliations of GAAP to non-GAAP measures as well as the rationale for their use can be found in Bank of Montreal's Quarterly Report to Shareholders, MD&A and in its Annual Report to Shareholders all of which are available on our website at [www.bmo.com/investorrelations](http://www.bmo.com/investorrelations).

Non-GAAP results or measures include revenue, taxes and cash operating leverage results and measures that use Taxable Equivalent Basis (teb) amounts, cash-based profitability and cash operating leverage measures, Net Economic Profit and results and measures that exclude items that are not considered reflective of ongoing operations. Results stated on a basis that excludes commodities losses, charges for certain trading and valuation adjustments, changes in the general allowance and restructuring charges are non-GAAP measures. Bank of Montreal also provides supplemental information on combined business segments to facilitate comparisons to peers.

## Bank of Montreal (BMO FINANCIAL GROUP)

- 4<sup>th</sup> largest bank in Canada measured by total assets as at July 31, 2008
- 100% ownership of Chicago-based Harris Bank

<b>Listings</b>		NYSE, TSX (Ticker: BMO)
<b>Share Price:</b>	Oct 31/07 (fiscal year end)	NYSE – US\$66.58 ; TSX – C\$63.00
	Jul 31/08	NYSE – US\$46.87; TSX – C\$47.94
<b>Market Cap:</b>	Oct 31/07 (fiscal year end)	C\$31 billion (US\$33 billion)
	Jul 31/08	C\$24 billion (US\$23 billion)
<b>F2007 Average Assets</b>		C\$361 billion (US\$330* billion)
<b>F2008 YTD Average Assets</b>		C\$394 billion (US\$392* billion)
<b>F2007 Net Income</b>		C\$2.1 billion (US\$2.0* billion)
<b>F2008 YTD Net Income</b>		C\$1.4 billion (US\$1.4* billion)
<b># of Employees:</b>		37,300



\* Balances stated in Canadian dollars.  
 F2007 average exchange rate: Cdn to U.S. \$1.0926; F2008 YTD average exchange rate: Cdn to U.S. \$1.0057  
 As at October 31, 2007 the exchange rate: Cdn to U.S. \$0.9447; As at July 31, 2008 exchange rate: Cdn to U.S. \$1.0240

**BMO Financial Group**

## Benefits of Investment in BMO

- Consistent and focused North American growth strategy
  - ▶ Track record for stability, earnings consistency and strong dividend growth
  - ▶ Strong franchise in some of the most lucrative markets in the U.S.
- Industry leader in dividend payout ratio
- Commitment to growing revenue 2% more than expenses
- Vigilantly managing loan portfolio
- Balanced approach to capital management
- Tier 1 Capital Ratio of 9.90% at July 31, 2008
- Shareholder-friendly compensation model

**Five Year Average Annual Total Shareholder Return (%)**

Year	Return (%)
2003	12.9
2004	18.9
2005	13.8
2006	19.1
2007	14.2
2008 Q3	5.1

**Annual Dividend Declared (C\$/share)**

**CAGR = 15.9%**

Year	Dividend (C\$/share)
2004	1.59
2005	1.85
2006	2.26
2007	2.71
2008	2.80

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**BMO Financial Group**

## Our Operating Philosophy

**Our Governing Objective**







To maximize the total return to BMO shareholders and generate, over time, first-quartile total shareholder return relative to our Canadian and North American peer groups

**Our Medium-Term Financial Objectives**

Over time, increase EPS by a minimum of 10% per year, earn average annual ROE of between 18% and 20%, grow revenues by two percentage points more than expenses, and maintain a strong regulatory capital position, consistent with our peers.

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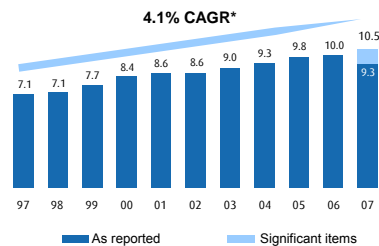
## BMO's North American Growth Strategy

	<b>Build a superior Canadian personal banking business</b> to ensure that we meet all of our customers' financial needs
	<b>Further strengthen our commercial banking businesses</b> to become a leading player everywhere we compete
	<b>Grow our wealth management businesses</b> , capturing an increasing share of this high-growth market
	<b>Drive strong returns and disciplined growth</b> in our North American investment banking business
	<b>Improve our U.S. performance</b> and expand our network to become the leading personal and commercial bank in the U.S. Midwest
	<b>Build a high-performing, customer-focused organization</b> supported by a world-class foundation of productive technologies, efficient processes, disciplined performance management, sound risk management and governance

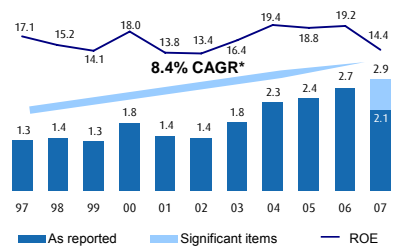
## Long-Term Financial Trends

BMO has delivered positive financial results over the last ten years, with compounded annual Net Income growth of 8.4%\*

Revenue (\$B)



Net Income (\$B) & Return on Equity (%)



\* Excluding F2007 significant items, as reported Revenue CAGR of 2.9% and Net Income CAGR of 5.0%

**BMO Financial Group**

## Fiscal 2007 Financial Highlights

- Net Income \$2.1 billion, ROE 14.4% (as reported)
- Excluding significant items\*
  - ▶ Net Income \$2.9 billion
  - ▶ ROE 19.8%
- Strength and diversity of core business in challenging market
- ROE over 13% for 18th consecutive year on a reported basis

**Net Income (\$B)**  
CAGR = 16.3%

Year	Net Income (\$B)
2003	1.78
2004	2.30
2005	2.40
2006	2.66
2007	2.92

**ROE (%)**

Year	ROE (%)
2003	16.4
2004	19.4
2005	18.8
2006	19.2
2007	19.8

\* Significant Items include: charges related to the deterioration in capital markets, commodities losses, increase to the general allowance, and restructuring charges.

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**BMO Financial Group**

## Operating Groups

**Personal & Commercial Banking (P&C)**

- Over 8 million customers across Canada & the U.S.
- Over 1,200 branches in Canada & the U.S.
- Access to over 2,600 automated banking machines in Canada and the U.S.

**Private Client Group (PCG)**

- Full-service and direct investing, private banking, investment products

**BMO Capital Markets (BMO CM)**

- Bulge bracket firm in Canada, mid-market niche player in the U.S.
- Capital raising, M&A and restructuring advisory services
- Industry leading research, sales and trading capability

**F2007 Revenue by Operating Group\* (C\$MM)**

Operating Group	Revenue (C\$MM)	Percentage
Total	10,844	100%
P&C	5,652	52%
BMO CM	3,140	29%
PCG	2,052	19%

**As reported Revenues (\$MM)**  
P&C : \$5,652  
PCG : \$2,052  
CM : \$1,969  
Corp : \$(324)


**F2007 Net Income by Operating Group\* (C\$MM)**


Operating Group	Net Income (C\$MM)	Percentage
Total	2,846	100%
P&C	1,383	48%
BMO CM	1,068	38%
PCG	395	14%

**As reported Net Income (\$MM)**  
P&C : \$1,383  
PCG : \$395  
CM : \$417  
Corp : \$(64)

\* Excludes commodities losses and deterioration in the capital markets environment in BMO CM

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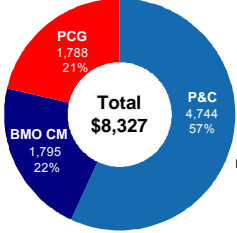




## Highlights of BMO in Canada

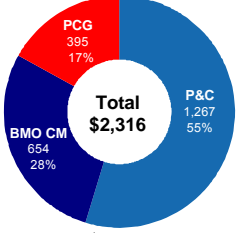
- Large, full service universal bank
- BMO continues to rank 2<sup>nd</sup> in business banking market share for business loans \$5MM and below
- Strong performance in combined Personal & Commercial (P&C) / Private Client Group (PCG) businesses
- BMO Capital Markets (BMO CM) Ranked Top Overall Equity Research Team in Canada for the 27<sup>th</sup> consecutive year
- Within PCG, BMO Harris Private Banking selected "Best Local Private Bank in Canada" by *Euromoney Magazine* for the fourth consecutive year

**F2007 Non-U.S. Operating Group Revenue\* (C\$MM)**



**As reported Revenues (\$MM)**  
 P&C : \$4,744  
 PCG : \$1,788  
 CM : \$1,477  
 Corp : \$(172)


**F2007 Non-U.S. Operating Group Net Income\* (C\$MM)**




**As reported Net Income (\$MM)**  
 P&C : \$1,267  
 PCG : \$395  
 CM : \$488  
 Corp : \$45


\* Exclude commodities losses and deterioration in the capital markets environment in BMO CM

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## Our Presence in the U.S.



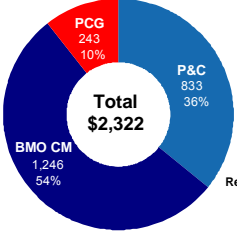
**Personal & Commercial (P&C)**

- ▶ Brand image and reputation
- ▶ Well-positioned branch distribution and access
- ▶ Strong sales management & marketing capabilities
- ▶ Superior risk management capabilities
- ▶ Strong customer orientation and culture

**Private Client Group (PCG)**

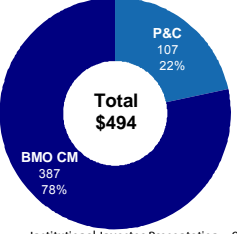
- ▶ Harris distribution and brand
- ▶ High retention, strong product offering

**F2007 U.S. Operating Group Revenue\* (US\$MM)**



**As reported Revenues (\$USMM)**  
 P&C : \$833  
 PCG : \$243  
 CM : \$490  
 Corp : \$(142)

**F2007 U.S. Operating Group Net Income\* (US\$MM)**



**As reported Net Income (\$USMM)**  
 P&C : \$107  
 PCG : \$ -  
 CM : \$(45)  
 Corp : \$(105)

**BMO Capital Markets (BMO CM)**

- ▶ Attractive client base, strong long-term relationships
- ▶ Mid-market client/ sector/ niche a primary focus
- ▶ Effectively integrated corporate & investment bank
- ▶ Customized coverage model
- ▶ Sector specialties
- ▶ Focused, disciplined strategy execution

\* Excludes commodities losses in BMO CM

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### Q3 2008 Financial Highlights

	Net Income	EPS	Y/Y EPS Growth	Cash EPS	ROE	Cash Operating Leverage	Specific PCL	Tier 1 Capital Ratio (Basel II)
Q3 08	\$521MM	\$0.98	(23.4)%	\$1.00	13.5%	0.0%	\$434MM	9.90%
F2008 YTD	\$1,418	\$2.70	(16.7)%	\$2.75	12.9%	0.7%	\$755MM	9.90%

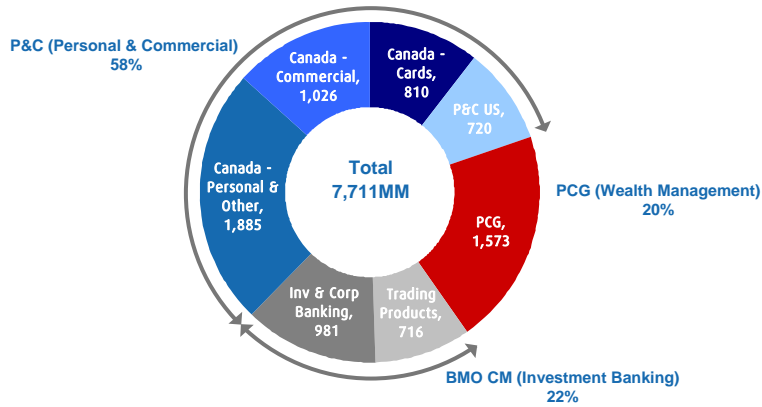
### Key Messages

- Canadian retail strategy continues to deliver good results including record net income in Private Client Group
- BMO Capital Markets reports strong revenue growth
- Provision for credit losses elevated due to deterioration in U.S. Real Estate
- Tier 1 capital ratio remains strong at 9.90%

### Well-Diversified Business

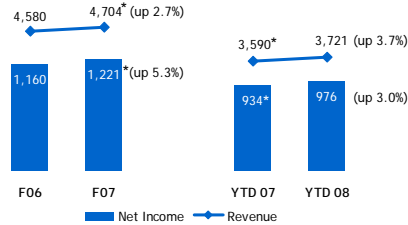
Over 75% of revenues from retail businesses in Canada and the US (P&C and PCG)

F2008 YTD Revenue by Operating Group (C\$MM)

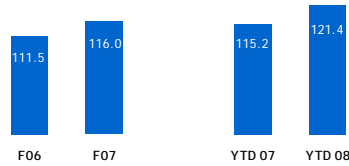


## Personal & Commercial Banking – Canada

### Revenue / Net Income (C\$MM)



### Average Loans and Acceptances (C\$B)



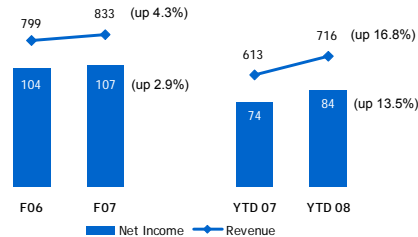
\* Excludes 2007 insurance and investment gains and a recovery of prior period income taxes

### 2008 OBJECTIVES

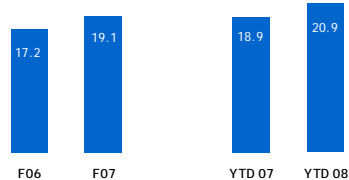
- Continue to enhance the customer experience and create a differentiated position in the Canadian market
- Launch attractive and compelling customer offers that drive results
- Further improve our performance management systems to deliver stronger revenue growth and greater customer loyalty
- Continue to invest in our sales and distribution network so we have the best opportunities to attract more business
- Redesign core processes and technologies to achieve a high quality customer experience, create capacity for customer-facing employees and reduce costs

## Personal & Commercial Banking – U.S.

### Revenue / Net Income (US\$MM)



### Average Loans and Acceptances (US\$B)

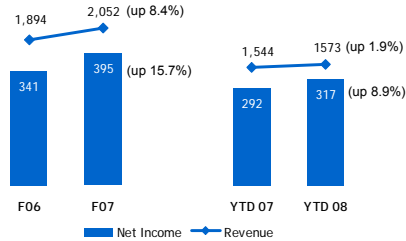


### 2008 OBJECTIVES

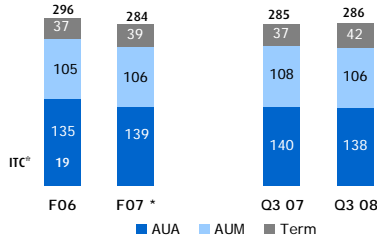
- Improve financial performance by increasing revenue and managing costs
- Continue to build our branch network by opening new branches in the Chicago area and exploring acquisition opportunities in the Midwest
- Continue to refine our customer experience, providing excellent service to retain existing customers and attract new business
- Improve sales force productivity across all our lines of business

## Private Client Group

### Revenue / Net Income (C\$MM)



### AUA / AUM\* (C\$B)



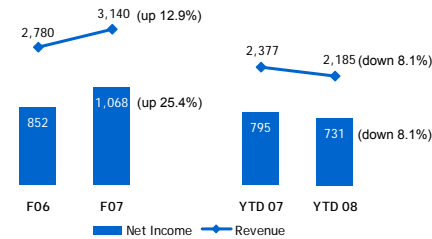
### 2008 OBJECTIVES

- Enhance the client experience by streamlining our processes and providing enhanced tools and solutions designed to assist our clients achieve their financial goals
- Satisfy our clients' needs by continuing our high level of internal collaboration and referrals
- Expand our sales force and innovate within sales channels to drive revenue growth

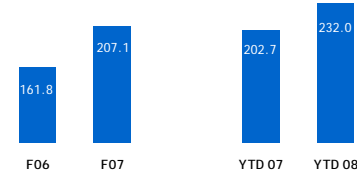
\*Adjusted for FX, assets grew \$4.2 billion or 1.5% in Q3'08 versus Q3'07 and \$20.6 billion or 7% in F07 versus F06 (also excluding the transfer of our US Institutional Trust and Custody (ITC) business to P&C US in Q3 '07)

## BMO Capital Markets

### Revenue\* / Net Income\* (C\$MM)



### Average Assets (C\$B)



### 2008 OBJECTIVES

- Maintain Canadian leadership in the high-return fee business of M&A, equity and debt underwriting
- Continue to grow BMO Capital Markets U.S. revenues by increasing product penetration and improving cross-selling to the U.S. client base and by expanding trading activities and enhancing client coverage of key segments with a focus on growing fee-based revenues
- Implement a number of high-value initiatives to drive earnings growth

\* Excludes commodities losses and Q1 08 deterioration in the capital markets environment

As Reported (\$MM)		Q3 2007	Q4 2007	Q1 2008	Q2 2008	Q3 2008	Q/Q Change	Y/Y Change
P&C Canada		356	287	302	331	343	3%	(3)%
P&C U.S.		25	33	26	30	28	(4)%	6%
<b>Total P&amp;C</b>		381	320	328	361	371	3%	(3)%
PCG		102	103	98	109	110	1%	8%
BMO Capital Markets		194	46	(34)	182	259	42%	34%
Corporate Services		(17)	(17)	(137)	(10)	(219)	nm	nm
<b>Total Bank</b>		660	452	255	642	521	(19)%	(21)%

Excluding Significant Items (\$MM)		Q3 2007	Q4 2007	Q1 2008	Q2 2008	Q3 2008	Q/Q Change	Y/Y Change
P&C Canada		356	287	302	331	343	3%	(3)%
P&C U.S.		25	33	26	30	28	(4)%	6%
<b>Total P&amp;C</b>		381	320	328	361	371	3%	(3)%
PCG		102	103	98	109	110	1%	8%
BMO Capital Markets		291	273	290	182	259	42%	(11)%
Corporate Services		(17)	31	(99)	(10)	(189)	nm	nm
<b>Total Bank</b>		757	727	617	642	551	(14)%	(27)%

nm – not meaningful

## U.S. Growth Potential

- Chicago is the hub of Midwest region
  - ▶ Population base of 66 million people, double that of Canada's population
  - ▶ GDP of \$2.6 trillion U.S.
- Harris is a well known brand in the attractive U.S. Midwest market
- Uniquely positioned between smaller community banks and larger network banks
- Current market conditions may provide opportunities

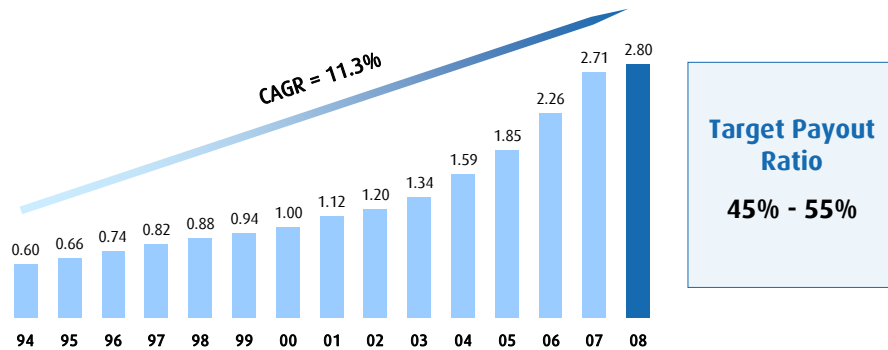
## Acquisition History

- Harris Bank
  - ▶ Recognized and respected bank, in business for 125 years
  - ▶ Established strengths in both personal and commercial businesses, serving over 1 million customers
- Distribution network:
  - ▶ 276 branches
    - ▶ 184 in Illinois
    - ▶ 41 in Wisconsin
    - ▶ 51 in Indiana
  - ▶ Approximately 650 ATM's
  - ▶ Internet & telephone banking
- Chicago
  - ▶ Solid growth in population and median household incomes
  - ▶ Highly diversified economy
  - ▶ Banking industry still fragmented

U.S. Retail Acquisitions	Year	Amount (US \$MM)
Harris Bank	1984	547
Barrington	1985	32
St. Charles & Batavia	1988	26
Libertyville	1990	6
Frankfort	1990	17
Suburban Bancorp	1994	222
Household Int'l	1996	277
Joliet	2001	221
Lakeland	2004	37
New Lenox State Bank (NLSB)	2004	235
Mercantile	2004	161
Edville (Villa Park)	2005	66
First National Bank and Trust	2006	290
Merchants & Manufacturers	2008	135
Ozaukee	2008	180
<b>Total</b>		<b>2,452</b>

## Annual Dividend

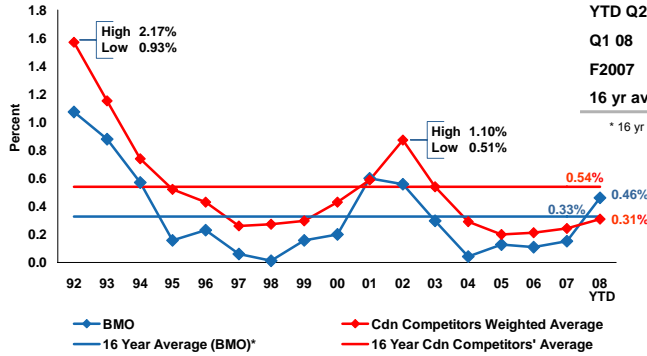
Annual Dividends Declared Per Share (C\$)



### Credit Performance Measure

16-year Historical Specific PCL average

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



	BMO	Canadian Competitors
YTD Q3 08	0.46	0.31
YTD Q2 08	0.30	0.31
Q1 08	0.31	0.31
F2007	0.15	0.24
16 yr avg.*	0.33	0.54

\* 16 yr avg.: 1992 to 2007

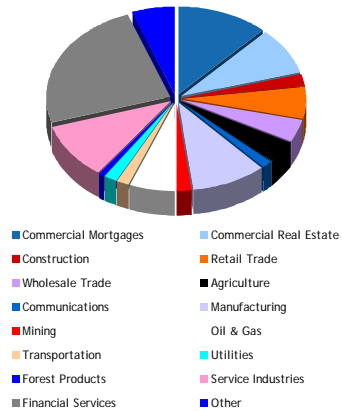
○ BMO's Canadian competitors include: BNS, CM, NA, RY, TD  
○ Competitor average excludes the impact of TD's sectoral provisions

### Loan Portfolio Distribution Consumer/Commercial/Corporate

Total Gross Loans and Acceptances  
As at July 31, 2008

(\$B)	Canada	U.S.	Other	Total	
<b>Consumer</b>					
Residential Mortgage	42	7	-	49	28%
Consumer Loans	30	10	-	40	23%
Cards	4	-	-	4	2%
<b>Total Consumer</b>	<b>76</b>	<b>17</b>	<b>-</b>	<b>93</b>	<b>53%</b>
<b>Commercial</b>	<b>37</b>	<b>8</b>	<b>-</b>	<b>45</b>	<b>25%</b>
<b>Corporate</b>	<b>11</b>	<b>18</b>	<b>10</b>	<b>39</b>	<b>22%</b>
<b>Total</b>	<b>124</b>	<b>43</b>	<b>10</b>	<b>177</b>	<b>100%</b>

Commercial and Corporate\*  
Gross Loans and Acceptances by Industry (C\$B)  
As at July 31, 2008



\*Excludes reverse repos

## Areas of Continued Focus

Portfolio	Commentary (as at July 31, 2008 unless noted otherwise)
U.S. sub-prime mortgages exposure	<ul style="list-style-type: none"> <li>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.</li> <li>Single commercial exposure of net US\$208MM included in impaired loans includes some subprime.</li> <li>Indirect exposure of approximately \$1.7 billion hedged with three large non-monoline financial institutions. Hedges are largely collateralized.</li> </ul>
BMO sponsored asset-backed conduits with liquidity support (includes the US Securitization Conduit)	<ul style="list-style-type: none"> <li>C\$18.2B liquidity lines to Canadian conduits as at Q3'08, down from C\$26.2B at Q3'07.</li> <li>C\$1.3B in trading inventory as at Q3'08, down from \$8.5B at Q3'07.</li> <li>US\$9.2B liquidity lines to US conduit as at Q3'08, down from US\$11.3B at Q3'07.</li> </ul>
Apex Trust (formerly Apex/Sitka Trust)	<ul style="list-style-type: none"> <li>Restructuring completed.</li> <li>C\$815MM investment in subordinate notes and C\$1.1B senior funding facility from BMO available (BMO only provides C\$1.03B), respectively, as at Q3'08.</li> <li>Credit quality is sound. Leveraged super senior AAA exposure to a largely investment grade portfolio of corporate credits. Substantial first-loss protection in place.</li> </ul>
Third party asset-backed conduits with BMO liquidity support	<ul style="list-style-type: none"> <li>US\$1.1B liquidity lines to U.S. auto-based and financial-based conduits. No subprime exposure.</li> </ul>
Investments in non-bank sponsored asset-backed commercial paper	<ul style="list-style-type: none"> <li>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.</li> </ul>
Structured Investment Vehicles (Links and Parkland)	<ul style="list-style-type: none"> <li>Market value of assets are US\$8.2B and €0.78B, reduced by US\$15.2B and €2.6B since Q3'07.</li> <li>98% of the assets are rated investment grade and more than 75% rated AA or better by Moody's and S&amp;P.</li> <li>Senior ranked liquidity facilities of US\$7.9B and €0.69B provided. The amount to be drawn is expected to be below 70% of the maximum amount of the facilities for both SIVs. Book value of capital notes that are subordinate to BMO's senior liquidity facility of US\$1.27B and €158MM.</li> </ul>
Hedge fund trading and lending exposure, including prime brokerage	<ul style="list-style-type: none"> <li>Hedge funds and prime brokerage exposure generally collateralized.</li> </ul>
Monolines Insurers and Credit Derivative Product Companies	<ul style="list-style-type: none"> <li>Mark-to-market exposures are not material (approximately \$250 million) on direct notionals of approximately \$3.9B.</li> <li>Indirect exposures consist of wrapped securities, totalling approximately \$3.8B in notionals. Quality of underlying assets is generally sound.</li> </ul>
Auction Rate Securities (ARS)	<ul style="list-style-type: none"> <li>As at Q3'08, BMO does not hold any material 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.</li> </ul>

## Systemic Differences Between Canadian and U.S. Banks

### Canada

- Mature oligopoly: 6 chartered banks
- Single regulator
- Governed by the Bank Act
- Foreign ownership limits in place
- Integrated business model: customers purchase multiple products from one institution
- Residential mortgages are lower risk due to shorter terms and prepayment penalties borne by the individual. Lack of interest deductibility from income taxes. Mortgages generally retained on balance sheet
- Current government not permitting bank mergers amongst big banks

### U.S.

- Fragmented market
- Multiple regulators
- Choice of State vs. National Charter allows flexibility in choosing regulatory environment and structuring operations
- Bank Holding Companies provide flexibility in structuring business activities
- Branch restrictions in U.S. and various limits on interstate expansion
- More likely to securitize residential mortgages as prepayment penalties borne by the bank
- Consolidation continues

## Economic Outlook

### Canada

- The economy is expected to remain weak in 2008 due to the strong Canadian dollar and slumping U.S. demand. Low interest rates and high commodity prices are expected to provide support to domestic demand, though it too is expected to moderate this year.
- Resource-producing provinces are expected to lead the nation's expansion once again.
- The housing market is expected to cool further due to declining affordability, which is expected to dampen growth in mortgages.
- Business investment is anticipated to moderate amid the uncertain economic climate.
- Interest rates are expected to likely stay low this year.
- A weaker trade balance is expected to weigh on the Canadian dollar.

### U.S.

- The economy is expected to stall in the second half of 2008 as the housing downturn progresses and consumers retrench spending, before recovering modestly in 2009.
- Residential mortgage growth is expected to continue to slow amid tightening credit standards.
- The Fed is expected to remain on hold for the rest of the year.

## Canadian Economy

### Slowing growth

Economic Indicators (%)	Canada			United States			Eurozone		
	2007	2008E	2009E	2007	2008E	2009E	2007	2008E	2009E
GDP Growth	2.7	0.8	1.9	2.0	1.6	1.3	2.7	1.4	1.3
Inflation	2.1	2.7	2.5	2.9	4.7	2.9	2.1	3.5	2.2
Private Consumption Growth	4.5	3.9	3.0	2.8	0.9	0.7	1.6	n.a.	n.a.
Interest Rate (3mth Tbilis) <sup>1</sup>	4.1	2.5	3.2	4.5	1.7	2.5	4.3	4.7	4.0
Unemployment Rate	6.0	6.1	6.4	4.6	5.5	6.3	7.4	7.3	7.6
Current Account Balance / GDP	0.9	0.9	0.1	(5.3)	(4.7)	(3.9)			
Budget Surplus / GDP	1.0	0.7	0.1	(1.2)	(2.7)	(3.3)			

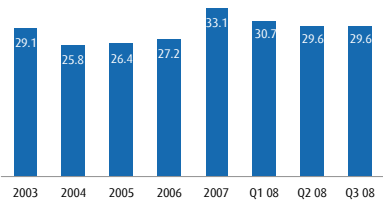
Sources: BMO Economics, Haver Analytics

<sup>1</sup>Annual average  
\*Forecasts as of August 25, 2008

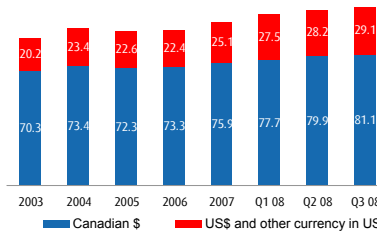
## Liquidity and Funding Strategy

- BMO's large base of core and customer deposits, along with our strong capital base, reduces reliance on wholesale funding
- Our wholesale funding principles seek to match the term of assets with the term of funding (e.g. to fund loans with longer term funds). In addition, we diversify our sources of funding by market, instrument and term
- Core deposits, larger fixed-dated customer deposits and capital equal 91.7% of loans (excluding securities borrowed or purchased under resale agreements)

Liquidity Ratio (%)



Core Deposits (in billions)



- BMO's has access to diversified funding sources, including:

**Programs:**

- EMTN programme: US\$12bn
- Canadian MTN Shelf: \$6bn
- Covered Bond Programme: €7bn
- US Shelf: US\$6bn

**Current program size:**

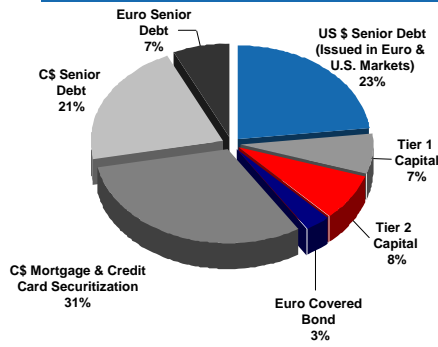
**Additional Sources:**

- Securitization: Mortgages (Canada Mortgage Bond participation and MBS) and Credit Card ABS (\$3bn shelf)
- Canadian & US Senior (unsecured) deposits

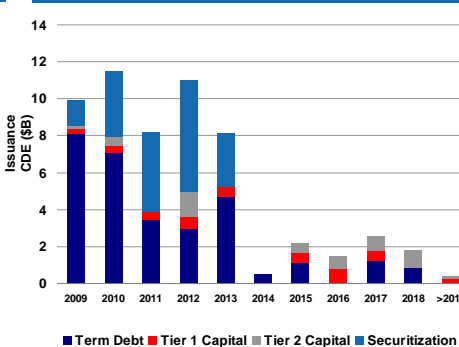
## Diversified Wholesale Term Funding Mix

- BMO has a well diversified wholesale funding platform across markets, products, terms, currencies and maturities
- Borrowing programs are in place in key markets to allow the Bank to raise term funding as required

Wholesale Capital Market Term Funding Composition (Total \$59B) As at July 31, 2008



Wholesale Capital Market Term Funding Maturity Profile As at July 31, 2008



## Corporate Governance

- Comprehensive code of business conduct and ethics provides a framework for directors, officers and employees on the conduct and ethical decision-making integral to their work
- Governance practices are consistent with, and in many cases exceed, requirements of the TSX and NYSE. The Bank is also in compliance with applicable rules adopted by the Canadian Securities Administrators (CSA) and the U.S. Securities and Exchange Commission (SEC) to give effect to the provisions of the *Sarbanes-Oxley Act*.
- To ensure non-employee directors' compensation is aligned with shareholder interests, at least 50% of the annual retainer must be paid in Common Shares of the Bank or Deferred Share Units
- *The Globe and Mail's Report on Business* 2007 annual review of corporate governance practices ranked BMO 5<sup>th</sup> overall among 270 Canadian reporting issuers

## Corporate Social Responsibility

- Recognized on a number of indices that recognize performance of companies that meet corporate responsibilities, including economic, environmental and social sustainability and practices:
  - ▶ *FTSE4Good Index*
  - ▶ *Dow Jones Sustainability Index – North America*
  - ▶ *Jantzi Social Index*
- For the 6<sup>th</sup> year in a row listed as one of Canada's Best Corporate Citizens by *Corporate Knights* [2005 ranking #1]



FTSE4Good



## BMO and the Environment

- Reducing footprint
  - ▶ Sustainable Procurement
- Responsible lending practices
- Building green branches
  - ▶ Energy savings in excess of 45% at each new participating branch
  - ▶ Agreement with green electricity retailer that markets energy from clean, renewable sources
- Signatory to the United Nations' *UNEP Statement by Financial Institutions on the Environment & Sustainable Development*, the *Carbon Disclosure Project* and *The Equator Principles*



Oakville, Ontario branch, one of up to 53 branches in Ontario & Alberta to be bullfrogpowered™, using renewable energy sources like wind power and low-impact water power

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