



Chicagoland Banking  
Our Business and Aspirations

FRANK TECHAR  
*President and  
Chief Executive Officer  
Harris N.A.*

JUNE 9 • 05



# Investor Day



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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 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 2005 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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## 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 Press Release, MD&A and in its Annual Report to Shareholders.


Non-GAAP results or measures include revenue, taxes and productivity results and measures that use Taxable Equivalent Basis (teb) amounts, cash-based profitability and productivity measures, Net Economic Profit and results and measures that exclude significant items.


**GAAP METHODOLOGY**

Unless otherwise indicated, all GAAP measures are reported in accordance with Canadian GAAP. A reconciliation of Canadian GAAP to U.S. GAAP can be found in Bank of Montreal's quarterly Financial Statements and Supplementary Package and in its Annual Report to Shareholders.



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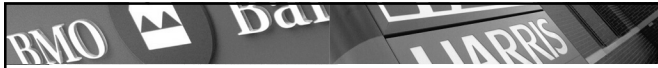
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## AGENDA

Chicagoland Banking Overview	<b>Frank Techar</b> President and CEO Harris N.A.
Relationship Building	<b>Timothy Crane</b> Executive Vice President Chicagoland Banking - North Division
Retail Sales Force Management	<b>Yasmin Bates</b> Executive Vice President Chicagoland Banking - South Division
Business Banking	<b>Peter McNitt</b> Executive Vice President Business Banking
Customer Offer	<b>Sandra Hanington</b> Executive Vice President Marketing & Customer Strategies
Network Expansion	<b>Charles Tonge</b> Vice Chairman Harris N.A.
Wrap Up	<b>Frank Techar</b> President and CEO Harris N.A.
Q & A	Panel



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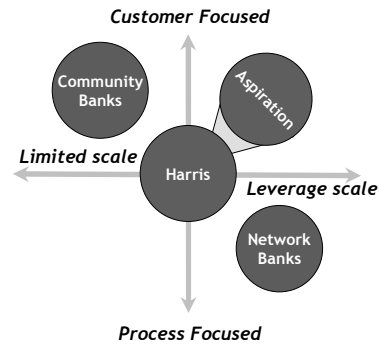


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## CHICAGOLAND BANKING OVERVIEW

- Leading player in growing Chicago area retail banking market
- Customer-focused, community-based business model
- Strong heritage and brand equity
- Growth trajectory to be the #1 Midwest retail and commercial bank
- Our competitive aspiration: offer superior customer experience of community banks with convenience and product breadth of the network banks




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Chicagoland Banking  
Relationship Building


**TIMOTHY CRANE**  
*Executive Vice President  
Chicagoland Banking  
North Division*


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## CHICAGO AREA OVERVIEW

### An attractive, growing and competitive retail banking market

- Chicago Metropolitan Statistical Area (MSA) key demographic indicators
  - Population growth in the second quartile of all U.S. MSAs
  - Median household income in the first quartile of all U.S. MSAs

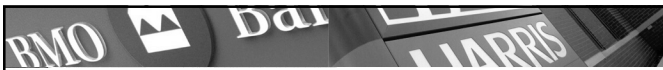
#### Top 5 MSA Profile


	Population (MM)	# of Banks	Deposit share of top 6 competitors*
New York	18.7	226	62%
Los Angeles	13.0	159	59%
<b>Chicago</b>	<b>9.4</b>	<b>274</b>	<b>49%</b>
Philadelphia	5.8	146	59%
Dallas	5.7	160	62%



\* Unadjusted deposit market share as of 6/30/04  
Source: SNL database, FDIC, National Bank Financial report

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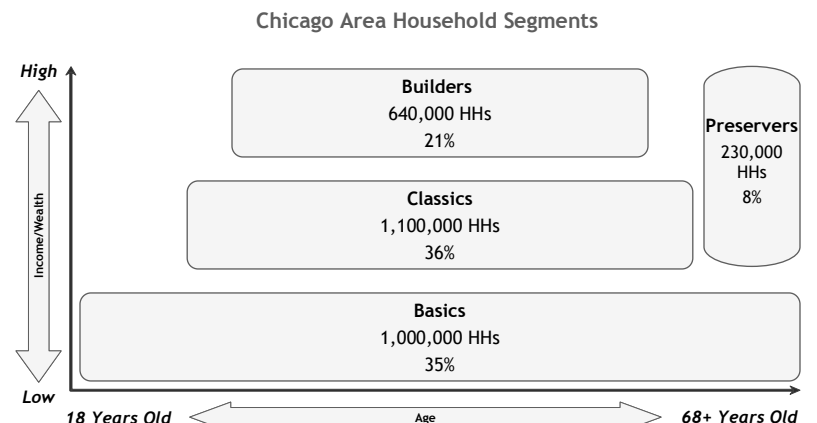

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## CHICAGO AREA CONSUMER SEGMENTS

### We are using segmentation to drive a better understanding of our current and future customers

#### Chicago Area Household Segments



Chicago Area Household Segments

**Builders**  
640,000 HHs  
21%


**Classics**  
1,100,000 HHs  
36%

**Basics**  
1,000,000 HHs  
35%

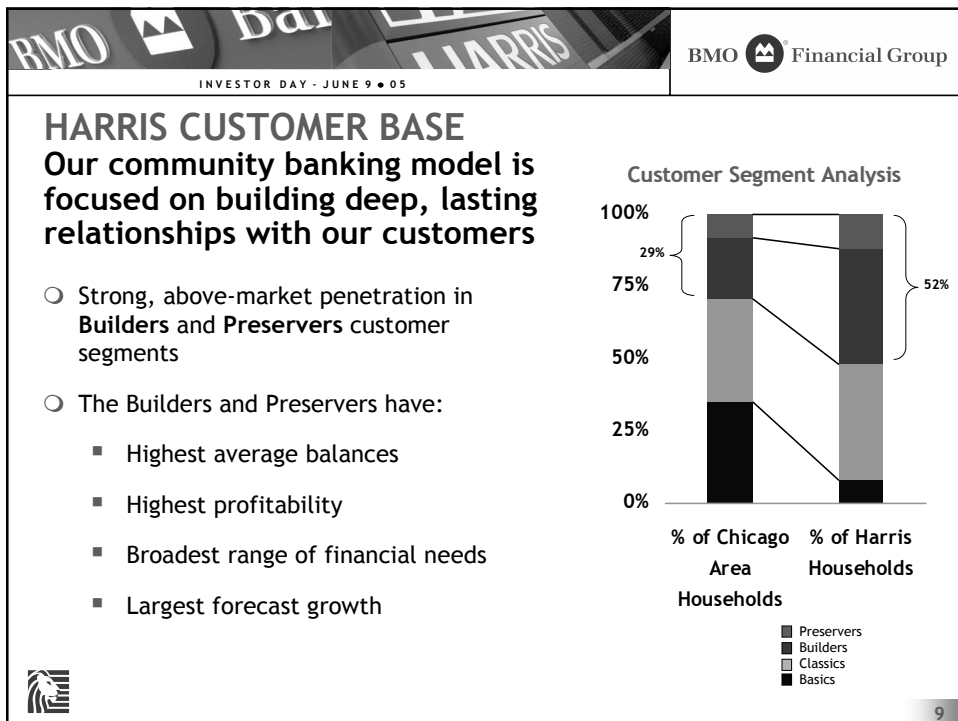
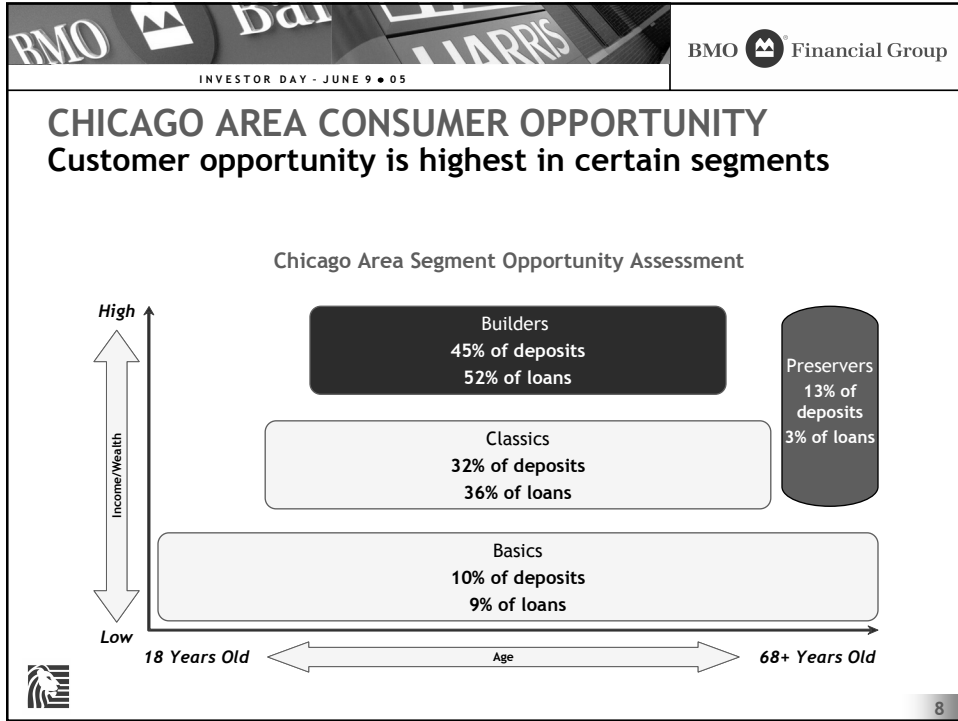
**Preservers**  
230,000 HHs  
8%


Income/Wealth: High to Low

Age: 18 Years Old to 68+ Years Old




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## EXECUTION ON CUSTOMER OPPORTUNITY

**We have differentiated ourselves by selecting (and serving well) the most attractive customers in Chicago**

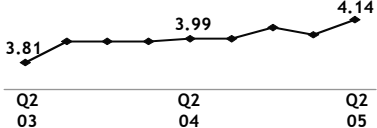
- Customer acquisition — Builders segment represents ~40% of our new customers
- Cross-sell to Builders is 20% higher than our average cross-sell ratio
- Builders have high borrowing needs:
  - We have the largest non-wholesale mortgage origination team in the Chicago area
  - Our average mortgage loan is 1.2X the Chicago area average
- Branch strategy supports focus on markets with highest concentration of attractive customer segments




Opportunities honk. Get rolling with Lion Power. Get a Harris Home Equity Line at one of the lowest rates in years.




**Accounts and Services/Household**




Period	Value
Q2 03	3.81
Q2 04	3.99
Q2 05	4.14


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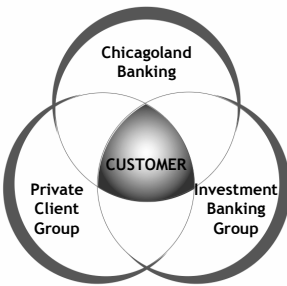
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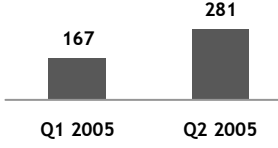
## ONE HARRIS

**Formalized program that encourages collaboration across lines of business**


- Provide exceptional customer service by leveraging the full capabilities of the organization to meet a broad range of customer needs
- Earn a larger share-of-wallet and drive revenue growth through increased referrals and cross-sell
- Established targets, incentives and performance tracking mechanisms
- Encouraging early results ahead of plan



**One Harris Total Intergroup Cross-Sell**  
(Balances, US \$MM)



Period	Value (US \$MM)
Q1 2005	167
Q2 2005	281


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Chicagoland Banking  
Retail Sales Management

YASMIN BATES  
*Executive Vice President  
Chicagoland Banking  
South Division*


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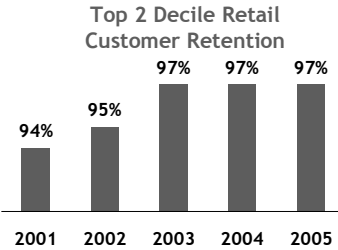


## RETAIL SALES MANAGEMENT OVERVIEW

**A strong, integrated sales management system**

- Training: Giving employees the right skills and coaching support
- Processes: Mechanisms and tools to reach the right customers at the right time
- Rewards: Incentive based compensation system to reward results
- Performance management: Branch level monitoring and reporting


**Top 2 Decile Retail Customer Retention**



Year	Retention Rate
2001	94%
2002	95%
2003	97%
2004	97%
2005*	97%


**Branch Manager Profile**

- Average 8.5 years with Harris
- Average 5 years as Branch Manager at Harris
- 34% have been a Branch Manager for 10+ years




\* Annualized based on YTD Performance

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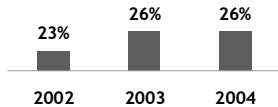


## RETAIL SALES TRAINING

### Focused sales and service training with continuous coaching to accelerate performance

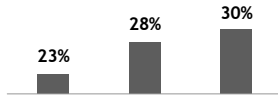
- Investment in sales and service training represents a significant portion of overall learning dollars
- Number of employees trained in sales and service has increased annually
- Training and development coaching increased individual performance by 35% on average\*

Percentage of Learning Dollars spent on Sales and Service Training




Year	Percentage
2002	23%
2003	26%
2004	26%

Percentage of Training Program Participants in Sales and Service Roles




Year	Percentage
2002	23%
2003	28%
2004	30%




\* Based on individual sales performance before and after "Productive Selling 1" training

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## RETAIL SALES PROCESSES


### Proactively seeking opportunities to meet customer needs

- Attracting customers
  - Tailored and targeted marketing messages to our communities and target customer segments
- Customer welcome calls
  - In the first 90 days, all new checking account customers receive a welcome call from the call center to ensure all identified needs are met
- Ongoing customer management
  - Daily monitoring of "money in motion" capitalizes on opportunities to intervene and prevent attrition




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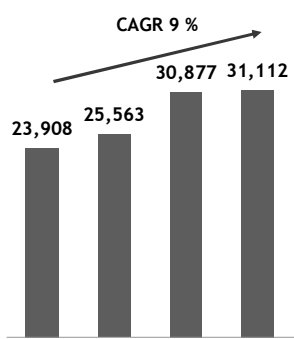


## REWARD PROGRAMS

### Strong incentives for superior performance


- Monthly payouts to bankers based on performance
- Variable pay (based on sales) is 19% of overall personal banker compensation vs. an industry average of 6%
- Total compensation comparable to industry averages

Sales Points/FTE




Year	Sales Points/FTE
2001	23,908
2002	25,563
2003	30,877
2004	31,112


CAGR 9 %



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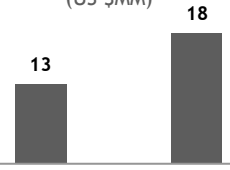


## PERFORMANCE MANAGEMENT

### Management reporting tools drive high performance

- Established market-driven revenue goals for each branch
- Recently introduced monthly branch performance measurement scorecards
  - Same-branch revenue growth
  - Sales activity
  - Cross sell
  - Retention
  - Account acquisition
- Standard processes for terminating bottom 5-10% of performers annually


Market Driven Goals-2005 YTD  
Naperville Branch  
(US \$MM)



Category	Value (US \$MM)
Deposit Growth Plan	13
Deposit Growth Actual	18

**Naperville Market Characteristics**

- Upper Income
- High market growth
- High employment levels
- Quite a few competitors
- High existing Harris market share, high penetration of Builders and Preservers households



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**Chicagoland Banking**  
**Business Banking**

**PETER MCNITT**  
*Executive Vice President*  
*Business Banking*

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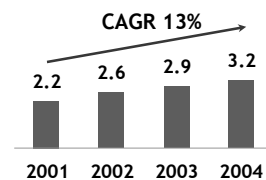


## BUSINESS BANKING OVERVIEW

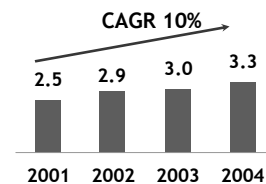
A key part of Chicagoland Banking performance and a leading player in the Chicago area

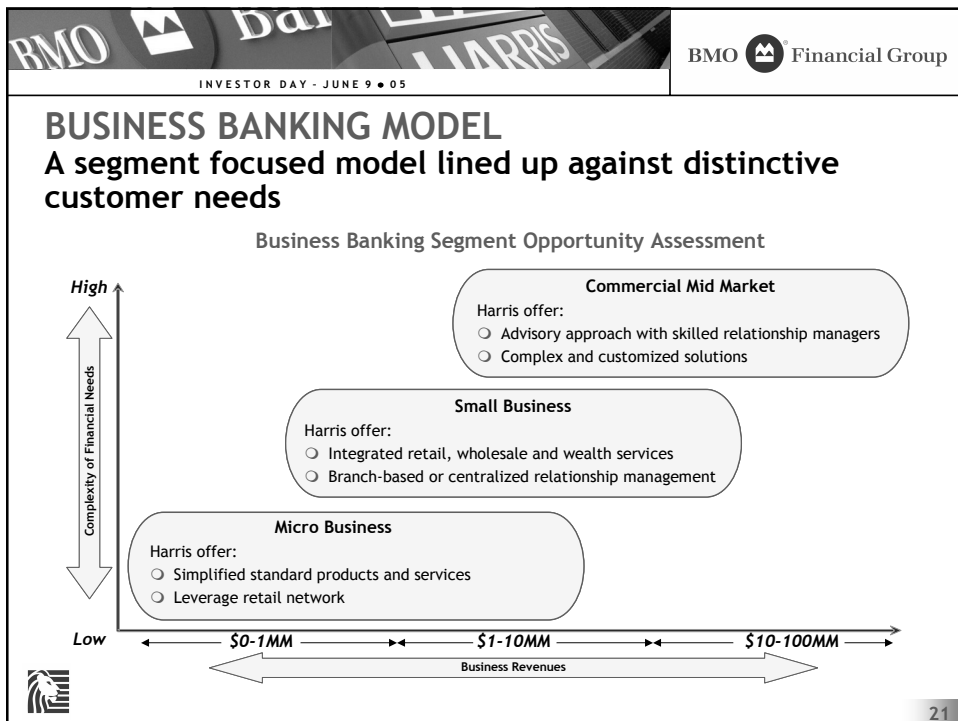
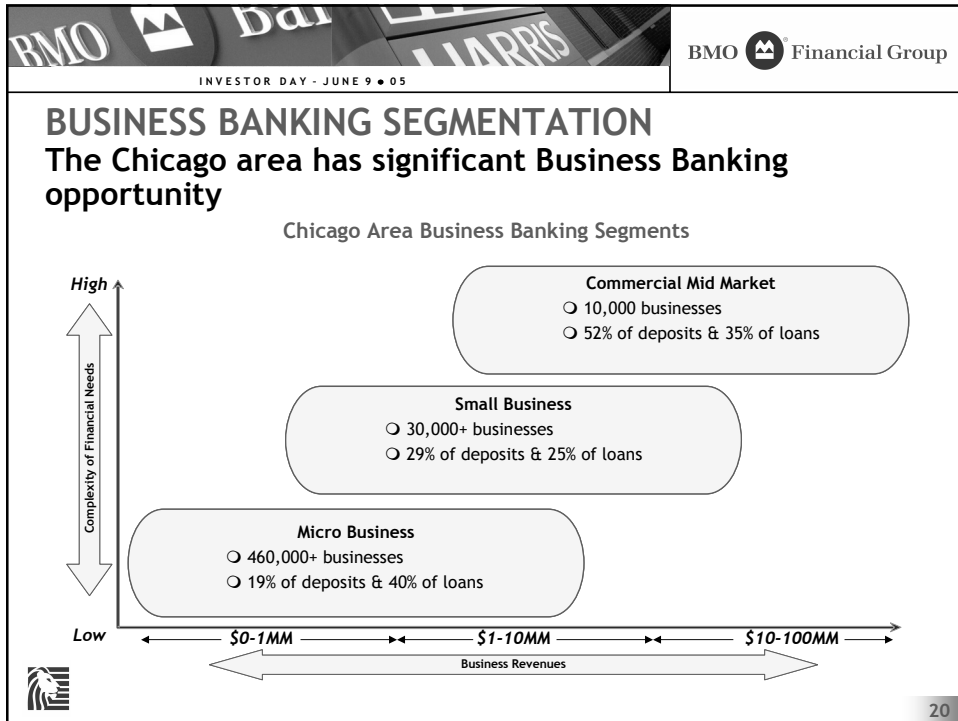
- Strong performance from 2001-2004
  - Added \$1.0 billion in business banking loans
  - Added \$800 million in business banking deposits
- Leverage brand equity, sales discipline and distribution capabilities; differentiated by our people and service quality
- Solid underwriting standards and lending processes enable stable earnings growth
- Strong #2 or #3 position in market segments

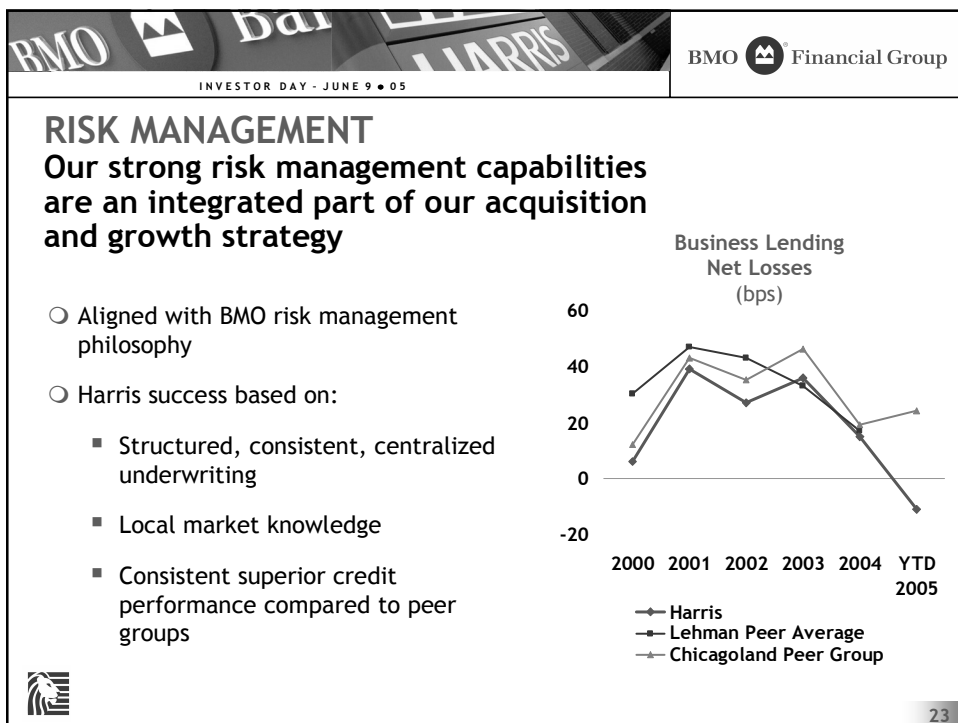
**Business Loans (US \$B)**



### Business Deposits (US \$B)











Chicagoland Banking  
Customer Offer

SANDRA HANINGTON  
*Executive Vice President  
Marketing & Customer Strategies*

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## OUR OFFER

**A customer focus underpins our offerings to the market**


- “Spotlighting” strong products to support customer retention and acquisition
- Expanding our prospective customer base by leveraging our risk management capabilities
- A company ethic based on quality customer conversations - in the branch, on the phone or over the internet

### Core Offering


- Consumer Deposits
- Consumer Loans
- Commercial Deposits
- Commercial Loans
- Cash Management Services
- Merchant Processing Services

### Harris Partner Offering


- Wealth Management
- Trust & Investment
- Direct Brokerage
- Large Corporate Banking
- Capital Markets



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## RETAIL DEPOSITS

### Two “Best in Class” retail deposit offers

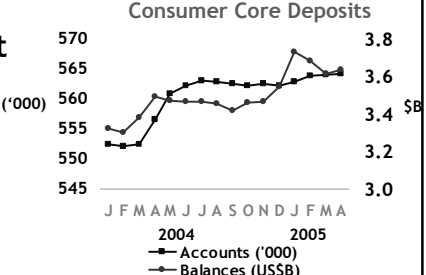
**Lion Power Free Checking**

- Building core consumer base
- Eliminating fees
- 2004 campaign boosted general awareness and drove new account growth; 2005 campaign underway

**Platinum Plus Checking**

- High-yield checking account with benefits - top tier rate is 2.75%
- Balances are over \$870MM in Chicagoland with an additional \$100MM from acquisitions
- New money is over \$300MM
- Strong share-of-wallet play, with over 80% of households expanding upon an existing relationship with Harris


### Consumer Core Deposits




J F M A M J J A S O N D J F M A

2004                      2005


—■— Accounts ('000)  
—●— Balances (US\$B)



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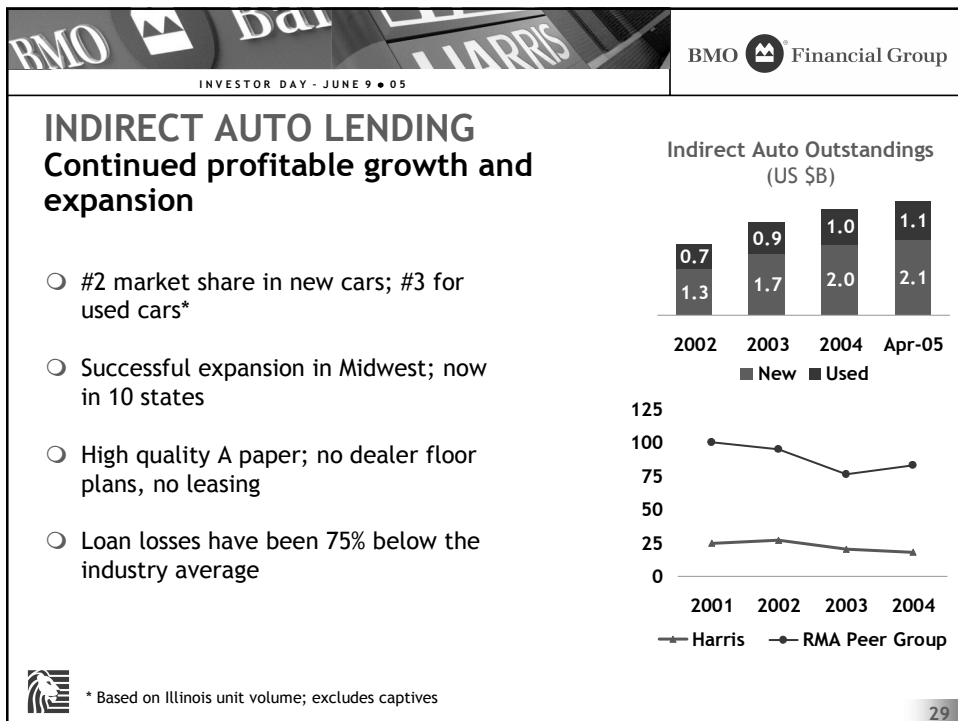
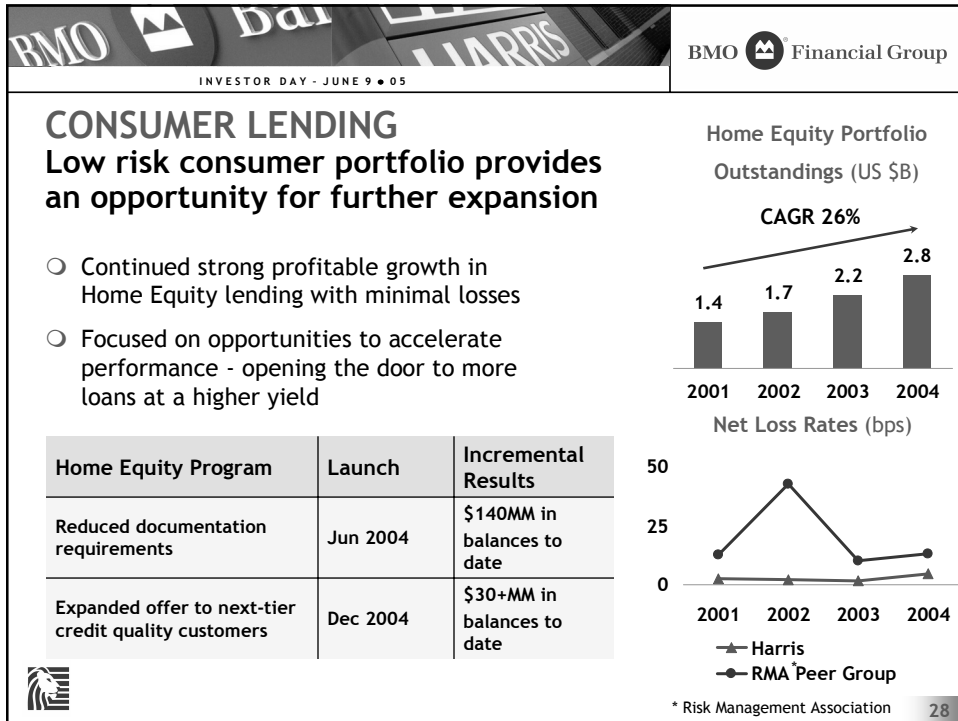
## MONERIS NEXT DAY FUNDING

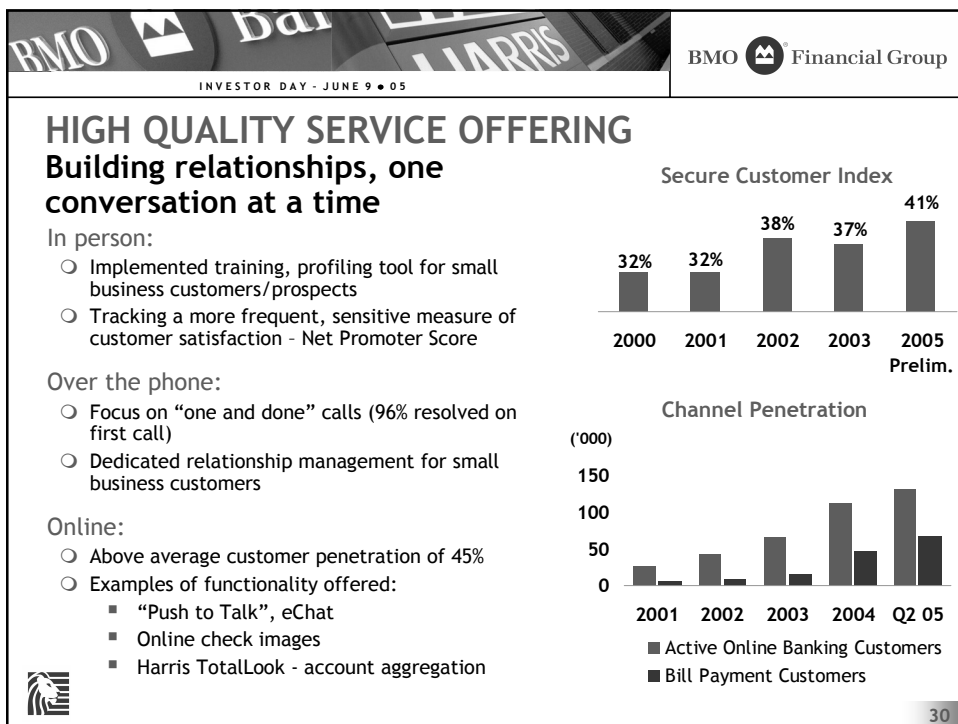
### A unique and innovative offer to our Small Business customers


- Credit card processing for merchants
- Next day funding functionality provides competitive edge
- Launched early 2004 through joint Harris/Moneris calling teams
- Strong early results: Q1 2005 over Q1 2004
  - Signed merchant accounts increased 28%
  - Referrals increased 40%
  - Moneris close ratio of leads up 7%



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**Chicagoland Banking**  
Network Expansion

CHARLES TONGE  
*Vice Chairman*  
*Harris N.A.*

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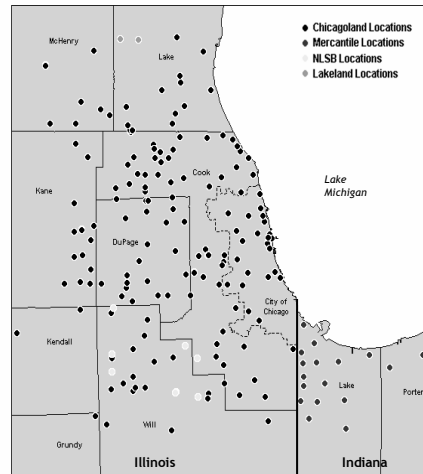




## CHICAGOLAND BANKING DISTRIBUTION NETWORK

### Network expansion continues to be a key driver of growth

- Harris is well positioned:
  - Strong physical presence; 190 branches in Illinois and NW Indiana
  - Community bank model
- Future expansion from:
  - Targeted de novo branch expansion
  - Opportunistic acquisitions in the Midwest



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## DE NOVO BRANCH EXPANSION

### Focused on targeted high priority communities

- Strong market coverage
  - Opened 21 de novo branches in Chicago area in last 3 years
  - 2<sup>nd</sup> largest branch distribution network in Chicago area
- Maintain focused strategy
  - De novo branch performance in line with expectations; ongoing focus on managing new branch performance
  - F2005 goal of 3 additional de novo branches in Chicago
  - 8 sites secured for expansion in F2006 and F2007



#### New Branch Performance Indicators

- Deposit balances exceed business case by \$100MM
- Aggregate net income for branches achieves business case expectations



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## ACQUISITION STRATEGY

### We maintain a disciplined approach to acquisitions

- Target banks in Chicago area and the Midwest
- Advantages include deep market knowledge and Harris brand
- Three key questions:
  - ✓ *Is it a good strategic fit?*
  - ✓ *Is it a good cultural fit?*
  - ✓ *Is it a good financial fit?*

#### Recent Acquisitions

2004	Mercantile National Bank
	New Lenox State Bank
	Lakeland Community Bank
2001	First National Bank of Joliet





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## 2004 ACQUISITIONS - SYNERGY CAPTURE

### Strong progress-to-date in capturing expense synergy opportunities


- Key expense synergies captured
  - Transition bank leadership into the Harris management model
  - Consolidate duplicative home office functional areas (e.g., credit, compliance, audit)
  - Divest and/or exit non-core businesses
  - Rationalize vendor contracts
- On pace to fully realize business case targets for NLSB and MNB
  - Centralize operations, item processing and other back office activities

#### Acquisition Performance


	<u>Lakeland</u>	<u>NLSB</u>	<u>Mercantile</u>
Pre-Acquisition Productivity Ratio	53%	57%	70%
Business Case Synergy as % of Operating NIX by Year 3	16%	15%	19%
Synergies Captured to Date vs. Business Case	100%	44%	60%
Projected Synergy Capture by Year 3	Plan	Plan	41% Over Plan



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## EXECUTION ON ACQUISITION OPPORTUNITIES

### Case example - Changing the mortgage origination model at Mercantile National Bank

<b>Local Origination</b>	<ul style="list-style-type: none"> <li>○ MNB Indiana-based origination team remains in place</li> <li>○ Enhanced suite of Harris mortgage products available</li> <li>○ Implemented Harris sales management practices</li> <li>○ Integrated sales force into branch network</li> </ul>
<b>Centralized Servicing and Underwriting</b>	<ul style="list-style-type: none"> <li>○ Underwriting and servicing of new loans moved to Harris centralized facility</li> </ul>
<b>Portfolio Management</b>	<ul style="list-style-type: none"> <li>○ Enhanced balance sheet management with integration into \$5 billion Harris mortgage portfolio</li> </ul>

#### Strategic and Financial Implications

- ↓


**Back Office Costs**  
 Elimination of entire underwriting staff (8 FTEs) for annual expense savings exceeding \$330,000
- ↑

**Origination Volume**  
 Increasing volume per originator. Current pipeline at \$18 million
- ↑

**Customer Options**  
 Customer options increased with Harris mortgage product suite, allowing us to say "Yes" to more customers
- ↑

**Cross Selling Opportunities**  
 Integration of mortgage sales force into branch network increased referral and cross sell opportunities
- **Centralized Costs**  
 All centralized utilities leveraged - no increase in underwriting, servicing or portfolio management costs


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**Chicagoland Banking**  
Wrap Up

**FRANK TECHAR**  
*President and  
Chief Executive Officer  
Harris N.A.*

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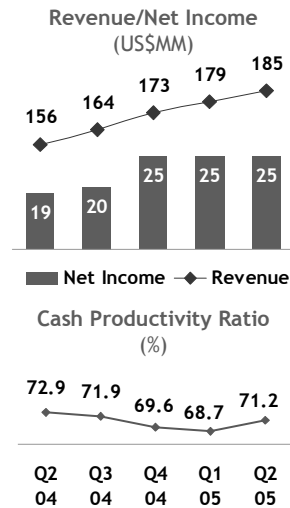
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## CHICAGOLAND BANKING TARGETS

We are confident about our ability to execute on our strategy

- Expand our Chicagoland branch network of 190 branches to 220+ branches by 2007
- Target 10% annual revenue growth
- Target 15% annual net income growth
- Target 150-200 bps productivity improvement each year
- Expand distribution footprint to be the #1 Midwest retail and commercial bank



## CONTACT INFORMATION

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Chicagoland Banking

Q&A

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