



BMO  **Financial Group**

ACQUISITION OF MERCANTILE BANCORP, INC.
INVESTOR PRESENTATION

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October 13, 2004

Forward-Looking Statements

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

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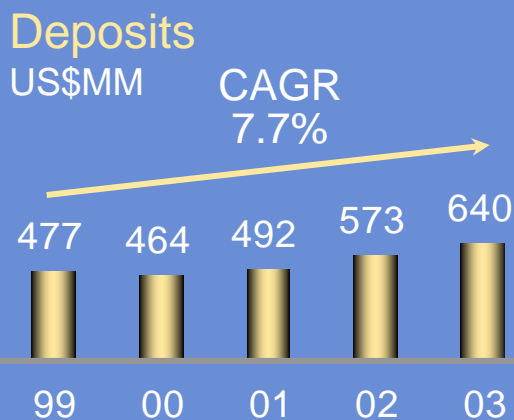
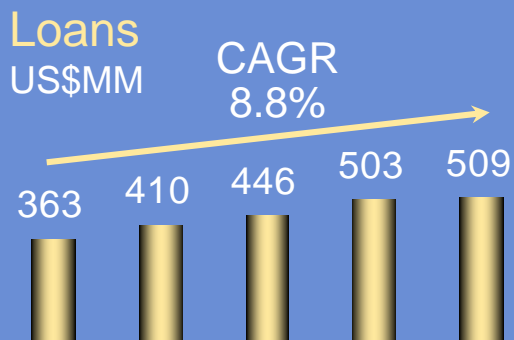
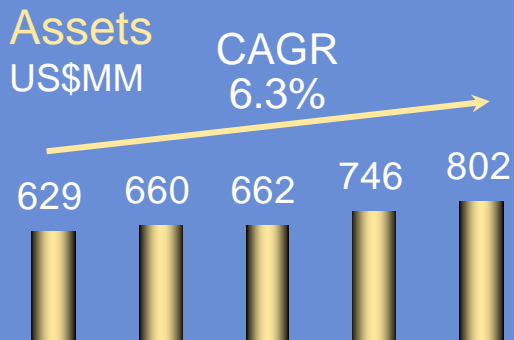
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Key Terms of Acquisition

- A privately held, 19 branch community bank in Lake and Porter counties in Northwest Indiana with over 300 employees
- Sixth largest bank in Northwest Indiana
- Gross Cash Purchase Price: US\$156.5MM
 - 100% of the capital stock of Mercantile Bancorp, Inc. – US\$148.9MM
 - Lake Commercial – US\$7.6MM (an entity established to develop potential branch properties for Mercantile Bancorp, Inc.)
- Cash EPS neutral in first year and accretive thereafter, excluding one time costs
- Reduces BMO's Tier 1 ratio by 10 to 15 bps
- Total one-time costs of US\$14MM, of which US\$4MM relates to transaction costs to be capitalized
- IRR of 15%
- P/E of 34.6x (24.1x excluding one-time pre-tax provision of US\$3MM taken in June 2004) and P/B 1.8x



Expanding into Northwest Indiana

- Northwest Indiana is a natural extension for Harris, complementing our existing Chicagoland branch network
- Opportunity for Harris to expand its full service distribution network and transport its community banking model, strong credit and risk management capabilities and high quality customer service
- Demographics for Lake and Porter counties predict growth rates of 1.3% and 5.2% respectively for 2004 to 2009
- Heavy commuter traffic between Chicago and Northwest Indiana – with potential to increase with a proposed commuter rail system

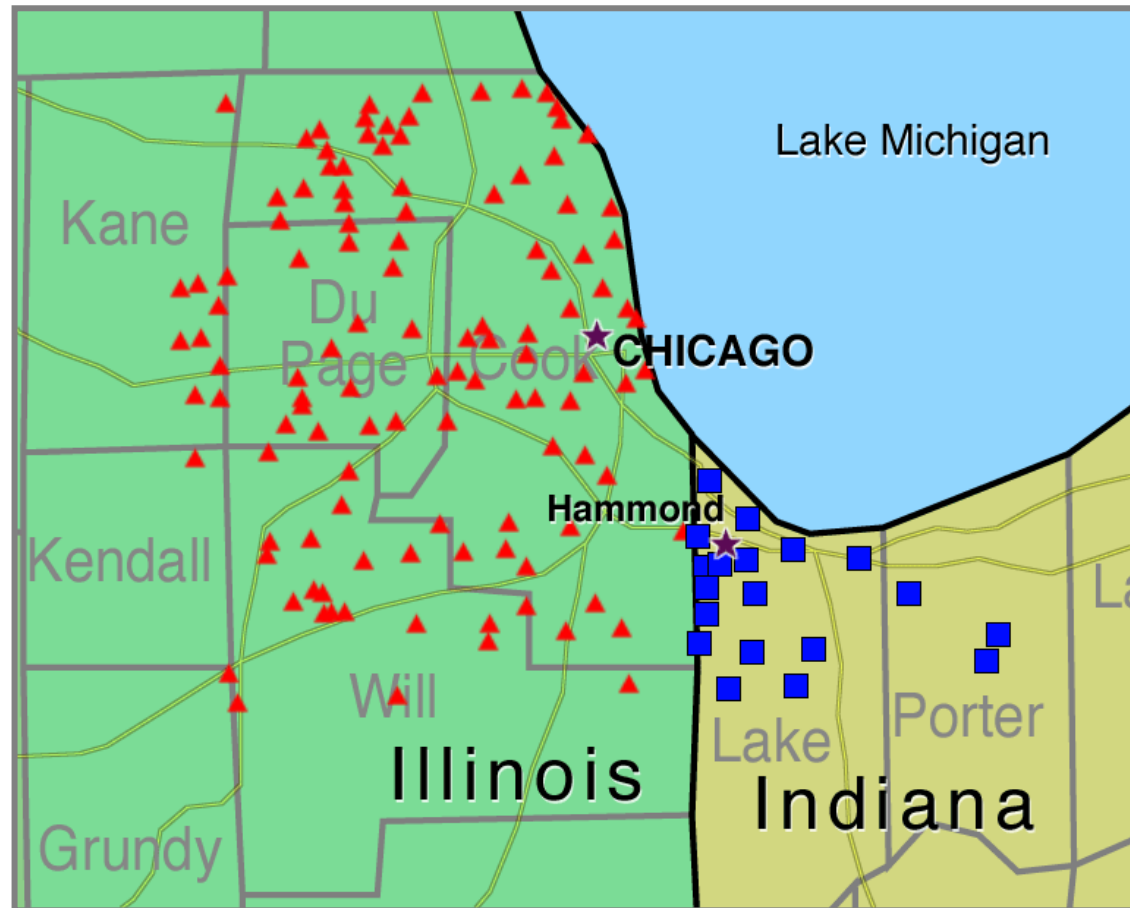
Valparaiso Branch



Crown Point Branch



Strategic Locations



▲ Chicagoland Branches

■ Mercantile Bank Branches

Market Share

- ✓ *Lake County – 8.7%*
- ✓ *Porter County – 2.3%*

Munster Branch



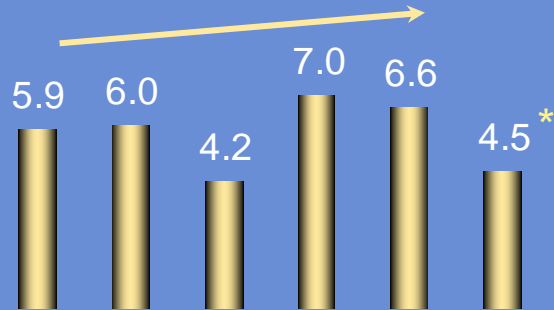
Strategic Highlights

- One of three large remaining independent franchises in the market
- Positioned as both a commercial bank and a retail bank, with trust capabilities
- Provides Harris with opportunity to leverage expertise in consumer lending
- Focus will be to reposition business mix over time toward retail (mirroring Harris) by growing consumer portfolio
- 10 of 19 branches located in faster growing markets and future expansion will be targeted in these areas

Net Income

US\$MM

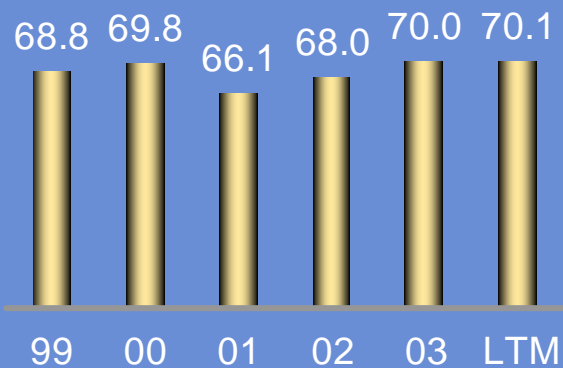
CAGR
2.5%



* Includes US\$3MM one-time pre-tax provision for loan losses

Productivity

%



LTM – Last 12 Months 06/30/04

Financial Review

- Commercial and retail bank
 - 19 branch distribution network
 - 20% of deposits are in non-interest accounts
 - Loans and deposits have grown at an annual rate of 8.8% and 7.7% respectively over last 5 years
 - Loan to deposit ratio approximately 84%
 - Loan portfolio approximately 65% commercial
 - Seasoned lending staff

- Productivity ratio has not changed materially since 1999 due to opening 7 new full-service locations over the last 5 years

- Expense synergies of approximately 20% expected to be realized in 18 to 24 months through operating efficiencies and technology synergies

Q & A

Appendix:
Excellent Strategic Fit Supports Valuation

Comparables	Price / Earnings	Price / Tangible Book	Price / Book	Deposit Premium
Mercantile Bank	34.6x	2.0x	1.8x	12.5%
Mercantile Bank <small>Excluding one-time pre-tax provision of US\$3MM taken in June 2004</small>	24.1x	-	-	-
All Chicagoland Transactions (over 2 years)	21.2x	2.4x	2.4x	10.6%
Metro-Indiana Transactions	33.0x	2.6x	2.6x	16.3%
New Lenox State Bank	21.2x	3.0x	3.0x	16.8%