



Investor Day

Personal & Commercial Banking U.S.

Strategic Overview

ELLEN COSTELLO

Chief Executive Officer, Harris Bankcorp, Inc.

April 15 • 2008

BMO  **Financial Group**



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.

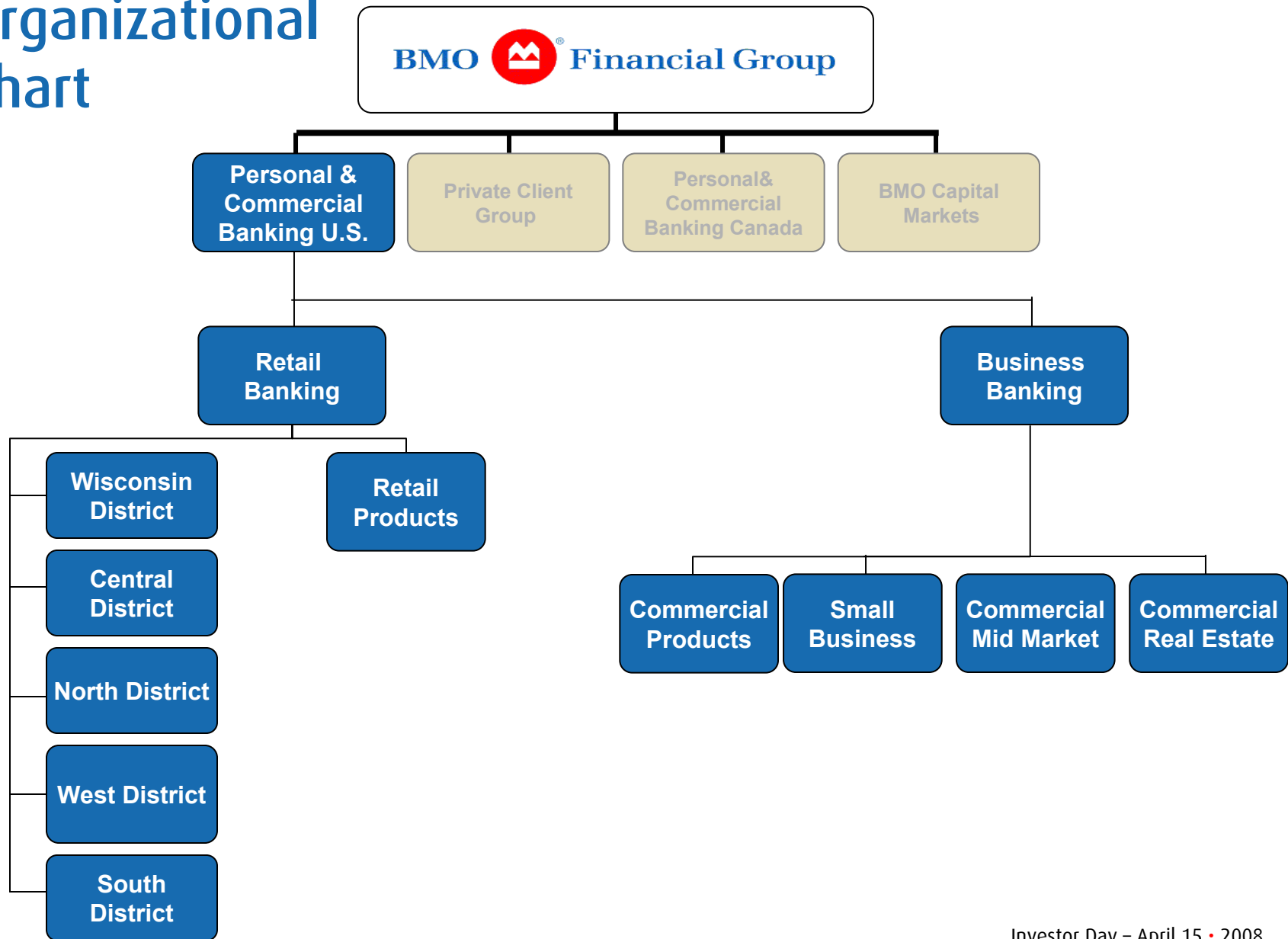
The future outcomes that relate to forward-looking statements may be influenced by many factors, including but not limited to: general economic and market conditions in the countries in which we operate; interest rate and currency value fluctuations; changes in monetary policy; the degree of competition 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 performance of the Canadian and U.S. economies in 2008 and how it will 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. Key assumptions were that the Canadian economy will expand at a moderate pace in 2008 while the U.S. economy expands modestly, and that inflation will remain low in North America. We also assumed that interest rates in 2008 will decline slightly in Canada and the United States, and that the Canadian dollar will 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. We now anticipate weaker economic growth in Canada and that the United States will slip into a mild recession in the first half of 2008. We also expect lower interest rates and a somewhat weaker Canadian dollar than when we established our 2008 financial targets. 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.



Organizational Chart

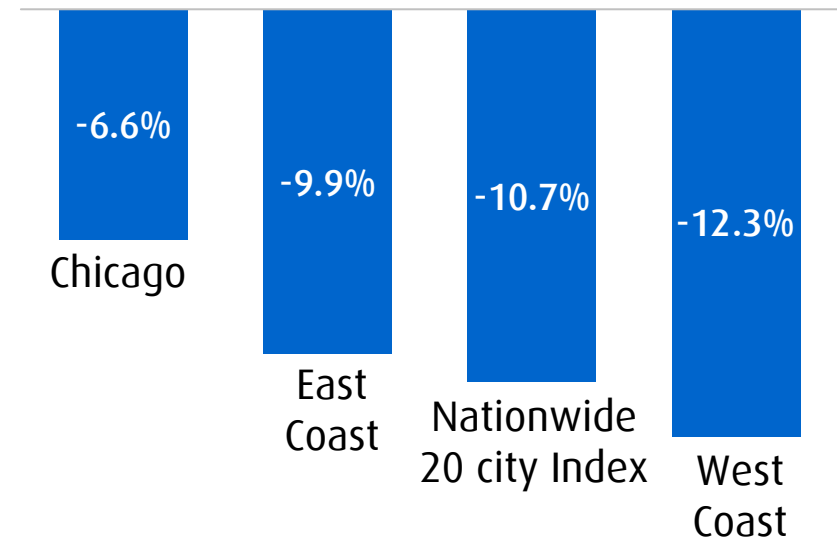




Operating Environment – Opportunities Exist

- Consolidation and economic environment
 - ▶ Creates uncertainty and presents opportunity
- Given U.S. economic environment
 - ▶ Credit standards tightening
 - ▶ Pricing beginning to adjust
- Chicago housing market performing better than other regions in the country

Y/Y Median Housing Prices Decline
Case-Schiller Index
January 2008



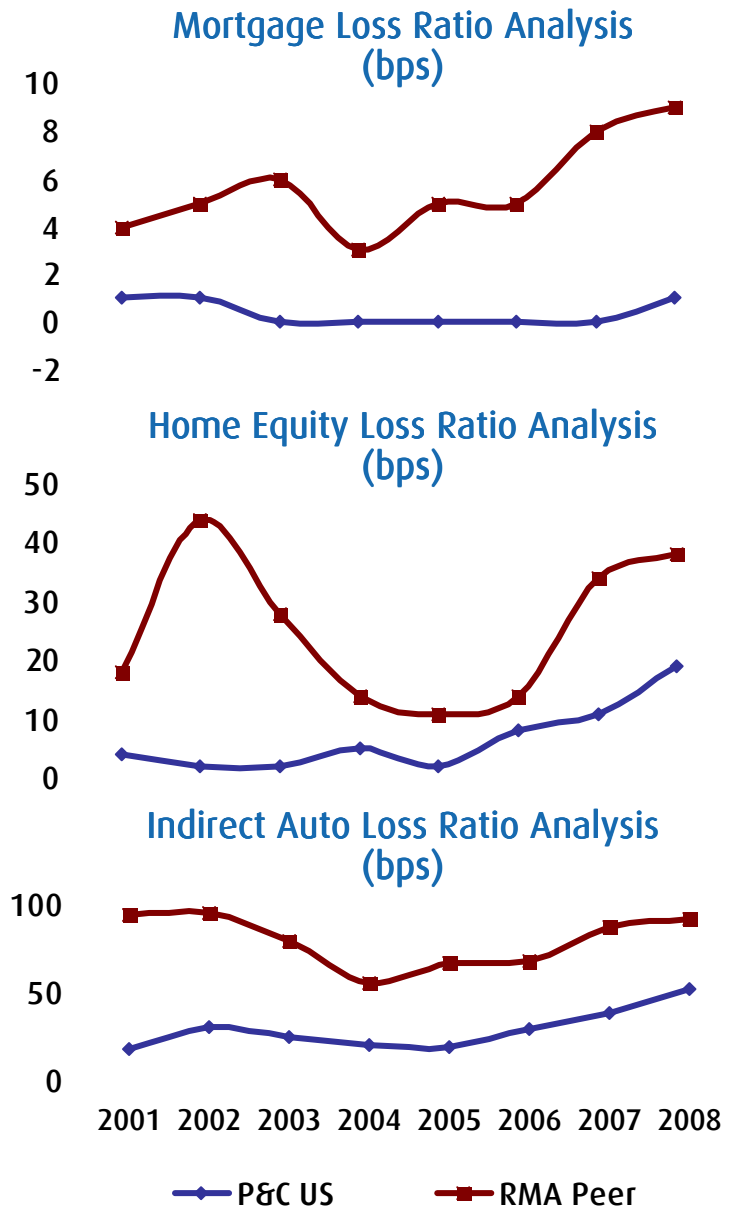


P&C U.S. Consumer Portfolio

70% of Loan Portfolio

- Consumer portfolio high quality, consisting of first mortgage (37%), home equity (29%), and indirect auto (31%) loans
 - ▶ Borrowers have strong credit profile
 - ▶ Strong Loan to Value profile
- Increase in delinquency and loss rates in '07/ '08 due to housing recession; however, loss rates remaining below peer
- Expect to continue to perform better than peers due to LTV profile and historical disciplined approach to credit

* Q1 2008
 Note: Consumer Peer :RMA (Risk Management Association) peer group consists of 23 institutions, including Chase, Bank of America, and National City





P&C U.S. Commercial Portfolio

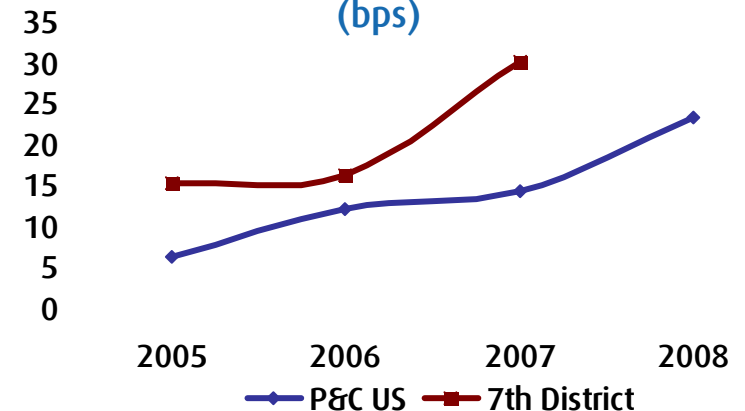
30% of Portfolio

- Portfolio Composition
 - ▶ 51% Commercial & Industrial credit
 - ▶ 31% investor owned mortgages
 - ▶ 18% Developer

- P&C US recent and historical loss rate at cyclical low levels and better than peer

- Expect to continue to perform at or better than peer through the cycle
 - ▶ C&I and commercial mortgage portfolios performing well
 - ▶ Real estate downturn limited to housing construction
 - ▶ Early reaction to real estate downturn, including
 - ▶ Quick identification of troubled situations and movement to Special Unit for workout
 - ▶ Early change of underwriting standards to ensure new credit underwritten to current environment
 - ▶ Active use of independent appraisal group within Risk Management to identify valuation issues

Commercial Loss Ratio Analysis (bps)



* Q1 2008
Note: Commercial Peer 7th District consists of 56 institutions, including Fifth Third, M&I, Amcore, Associated, Comerica, First Midwest, Wintrust



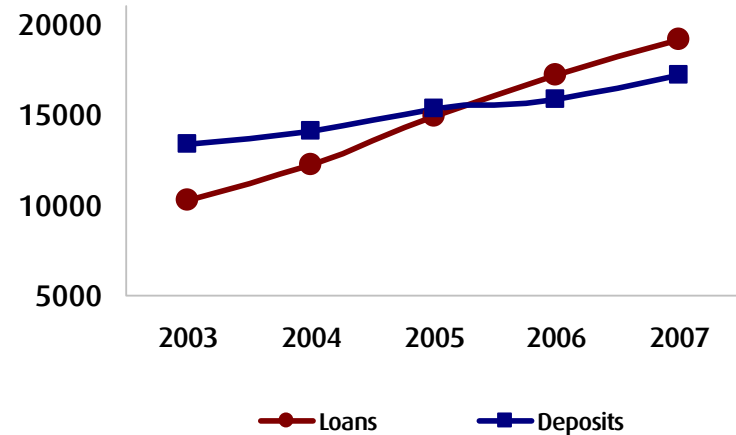
Progress and Accomplishments in F07

- Improve financial performance
 - ▶ Continued strong volume growth in an environment of margin compression
 - ▶ Going into a recession, strong discipline around expense management

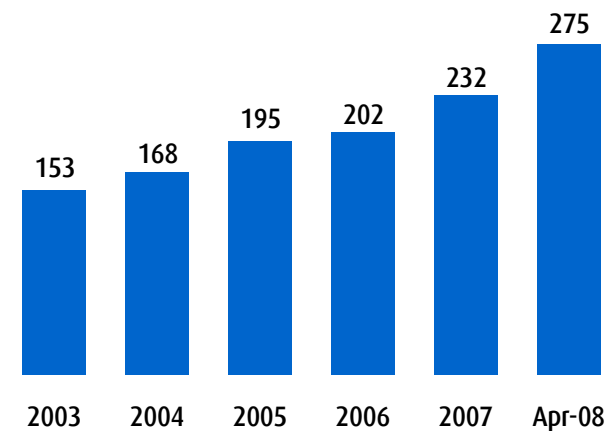
- Continue to grow through selective branch expansion and acquisitions
 - ▶ Closed FNBT in Indiana and Wisconsin acquisitions
 - ▶ Typically acquisition accretive in 3 years. FNBT accretive in 12 months.

- Clearly define the customer experience
 - ▶ Transparency and alignment in Performance Management
 - ▶ Financial targets for each business down to the individual level

Average Loans and Deposits (US\$ 000's)



Number of Branches





U.S. Growth Potential

- Midwest region has attractive demographics
 - ▶ Population base of 66 million people, double that of Canada's population
 - ▶ GDP of \$2.7 trillion U.S.
- Chicago and surrounding markets remains fragmented
 - ▶ Current market conditions provides acquisition opportunities
- Chicago in particular remains overbranched, consolidation opportunities exist

Market Share Statistics Top 5 U.S. MSAs

	# Banks	# of Bank branches	Deposit share of top 5 competitors*
New York	209	5,714	57%
Los Angeles	163	2,452	52%
Chicago	259	3,318	48%
Dallas	168	1,769	60%
Philadelphia	129	1,977	62%

Source: SNL



P&C U.S. Strategy

VISION

Be the leading P&C bank in the Midwest United States

STRATEGY

Leverage strong community leaders focused on

- 1) growing deep customer relationships through exceptional service, and
- 2) offering a broad range of products and services through an expanding distribution network

STRATEGIC PRIORITIES

- Deliver a differentiated, **multi-channel customer experience** responsive to evolving customer needs and preferences
- Deliver a differentiated, **integrated experience for our customers with wealth management needs in partnership with PCG**
- **Strengthen and grow our Commercial businesses** to become the leading player in our market
- Continue to **significantly expand our distribution network through a combination of acquisitions and organic expansion**, opportunistically taking advantage of current market disruption
- **Drive productivity through a strong performance culture**, dedicated to putting the best people in key positions with clear accountabilities for results



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Performance Management

JULIE CURRAN

Senior Vice President
District Executive - West

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“Winning Edge” – Operating Model launched F2007

Changes	Outcomes
Increased customer focus with clear accountability for behavior and results across the network Mandatory rank ordering of staff Direct link to compensation structure Significant upside potential for top performers	Consistent delivery of exceptional customer experience
Introduced branch scoreboards to increase front line focus Leading indicators and outcomes such as referrals, outbound calls, top line growth and retention	Transparency across all levels of the organization
Embedded rigorous sales management and coaching disciplines	Continuous improvement cycle of <i>train, coach, measure</i> and <i>reward</i>



“Winning Edge” is delivering results on Lead Indicators

- Pilot program evidence of success
 - ▶ Loan and Deposit growth above P&C US average
 - ▶ Employees more engaged than P&C US average
- Lead Indicators demonstrating positive momentum
- Opportunity to deliver the entire bank
- Cross sell referral volumes continue to grow

Results

Referrals

90% of staff 5 or more per month

HH Retention

95% for top 20% of HH compared with industry average of 85%

NPS

Remains above network competition and growing



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Business Banking

RAY WHITACRE

Senior Vice President and Market Executive
Commercial Mid-Market

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Overview of Commercial Mid-Market Business

- Relationship manager driven model
 - ▶ Value added advisor to clients
 - ▶ Relationship managers average 20 years in banking
- Primarily sole bank to clients, delivering multi-product solutions
- Average client relationship greater than 15 years
- Leading Net Promoter Score Index and Secure Customer Index
- Client retention rate of 91%
- # 3 market share in Chicagoland



Growth Opportunities

- We are taking advantage of a unique time in Chicagoland banking:
 - ▶ Hired 25 business bankers since 2007 (10 hired since Jan 2008)
 - ▶ Strong interim new client acquisition
 - ▶ Rapid deposit growth
 - ▶ Significant interest rate hedging revenue growth
 - ▶ Deal pipeline remains robust
- Expanding geographically via recent acquisitions in Indiana and Wisconsin
- Growth despite economic headwinds
- Maintaining underwriting standards and lending processes

Deal Pipeline

Since September 2007

Pitches

↑ 67%

Engaged Loans

↑ 340%

Fees Pitched

↑ 190%

Fees to Close

↑ 2X



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Q&A

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Investor Relations Contact Information

www.bmo.com/investorrelations

E-mail: investor.relations@bmo.com

Fax: 416.867.3367

VIKI LAZARIS

Senior Vice President

416.867.6656 ■ viki.lazaris@bmo.com

STEVEN BONIN

Director

416.867.5452 ■ steven.bonin@bmo.com

KRISTA WHITE

Senior Manager

416.867.7019 ■ krista.white@bmo.com

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