



Retail Banking Strategy

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President & Chief Executive Officer PCCG

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P&C Canada: Strategic Direction

Our goal is to become the only financial services provider our customers ever need

Our Measures of Success are:

- 1.** Strong Organic Revenue Growth
- 2.** Improving Customer Loyalty
- 3.** Improving Productivity
- 4.** Growth in Personal Market Share
- 5.** Growth in Business Banking Market Share

Building for Sustainable Advantage and Strong Financial Performance

Driving towards one operationally excellent, integrated business

Performance Culture

Sales and Customer Relationships

Infrastructure & Process

Building for Sustainable Advantage and Strong Financial Performance

Infrastructure & Process Initiatives

Focused investment to build our core capabilities and drive improvements in our customer loyalty and market share

Sales & Service Technology Platform —————→ **Pathway Connect**

- Enables faster identification of customers and their information
- Allows our staff to better serve customers by reducing wait times and improving the quality of their interactions

End to End Sales & Services Process —————→ **BMO Connect**

- Developing a single end-to-end sales and service process across distribution channels
- Creating a simple, seamless and intuitive experience for customers and staff, freeing up capacity for the sales force and reducing the amount of support required

Network Renovation —————→ **Branch Revitalization**

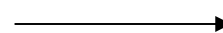
- Enhancing and maintaining the quality and image of our locations
- Continuing to evaluate new branch openings, relocations and consolidations, including our commitment to instore branches
- Improves our ability to acquire new customers and better serve our existing customers

Building for Sustainable Advantage and Strong Financial Performance

Sales & Customer Relationship Initiatives

Focused investment to build our core capabilities and drive improvements in our customer loyalty and market share

Customer Relationships



Optimizer & CRM

- Optimizer captures customer data, and provides the ability to identify customer opportunities and manage prior customer interactions from any channel
- Provides specific customer solutions, driven by the customer analytics we have leveraged in our *Help Provided* marketing campaigns
- Allows us to better meet customers' needs and increase sales
- Implemented in direct banking and business banking in 2003, with the branch network slated for 2004

Sales and Service



Passport

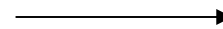
- Driving improved selling performance by engaging all sales and service staff from frontline CSRs to divisional executives in a consistent, disciplined management cycle
 - This includes clear targets for activities and results at the individual and team level, reviewing results, observing interactions and sales behaviours, developing skills, reviewing progress, identifying opportunities to improve and close performance gaps
- Our internal sales tracking has shown growth of over 20% on a year to date basis

Building for Sustainable Advantage and Strong Financial Performance

Performance Culture Initiatives

Focused investment to build our core capabilities and drive improvements in our customer loyalty and market share

Reward Programs



Bravo

- A consistent employee reward and recognition program for all 17,000 PCCG employees
- Rewards individuals who make every effort to build our business and satisfy our customers while demonstrating our key BMO attributes – resourceful, knowledgeable, respectful, anticipatory and innovative

Performance



Performance Management

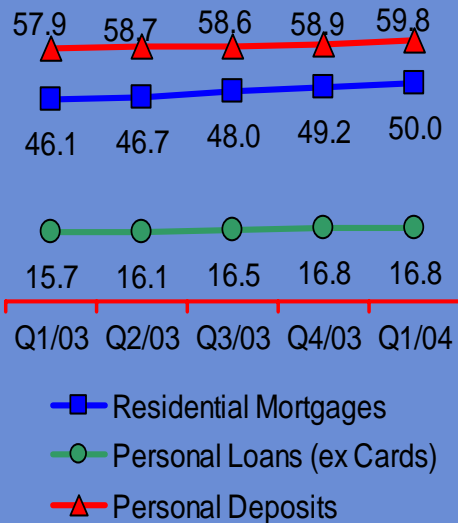
- Creates a holistic framework to enable superior and sustainable results through optimal alignment of business tactics, employee behaviours and resource deployment in response to market opportunities
- Supports a focused and performance driven culture that will be able to fully leverage the capabilities we are building



Solid Core Capabilities for Personal Banking Clients

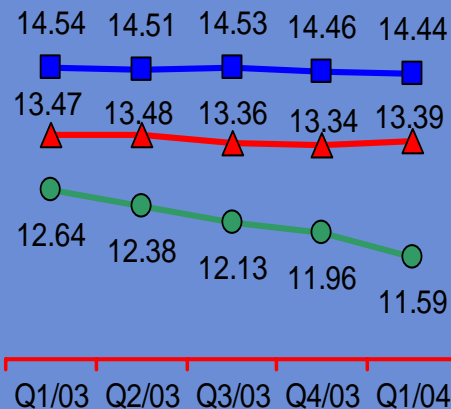
- Competitive multi-channel distribution capabilities
- Competitive array of banking, card and investment products and related advice and sales capabilities
- Large and effective investment and retirement planning sales capability
- Exclusivity in AIR MILES Reward Program
 - Recent agreement between ourselves, WestJet and AIR MILES will bring unique opportunities to current and future customers

Volume Growth (\$B)



Volumes include securitizations

Market Share vs All Banks (%)



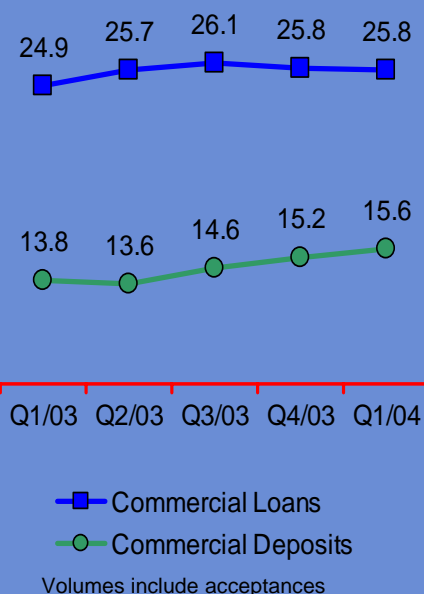
Source: Bank of Canada (Q1/04 is Jan 2004 data)

P&C Canada

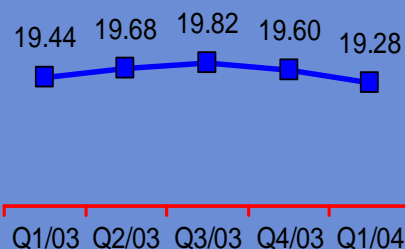
Market Share & Volume Trends

- Strong Loan and deposit volume growth driven by the mortgage business and our premium rate savings account
- Pressure on market share driven by price based competition
 - We continue to focus on building deeper customer relationships, utilizing the enhancements we have been making to our network capabilities

Volume Growth (\$B)



Business loans (\$0-\$5MM) Market Share (%)



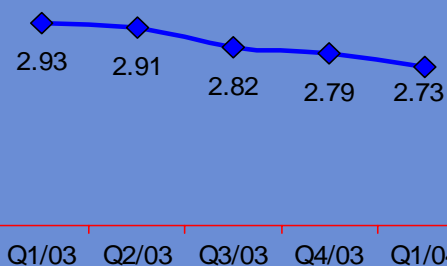
Source: Canadian Bankers Association

- Market share is on a calendar quarter and 3 month lag basis

Advantaged Capabilities in Business Banking and Corporate Finance

- Focused sales force with advanced tools and processes
 - Consistent approach in all economic conditions
 - Direct Banking capability for Independent Business
 - Initiatives enhancing our serving capabilities
 - Cash Management and Deposits Services
 - Business Premium Rate Savings Account
 - Solid risk management capabilities
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- Growth in both loans and deposits
 - Recent declines in market share; however, we continue to maintain our second place market position and have closed the gap to the market leader by more than 190 bps since 2001

P&C Canada Net Interest Margin (%)



Change in NIM (bps)

	<u>Q3/03</u>	<u>Q4/03</u>	<u>Q1/04</u>
BMO Total P&C	-0.08	0.01	-0.07
BMO P&C Canada	-0.09	-0.03	-0.06
RBC	0.03	-0.18	-0.07
TD	-0.07	-0.23	-0.14
CIBC	-0.08	0.09	-0.19

- Change is over the prior quarter

-Total P&C includes Harris

-TD NIM is based on Earning assets, all others based on total assets

- CIBC does not report NIM, it has been calculated

Declining Margins in a Competitive Environment

- Margins have been declining as a result of:
 - Historically low interest rate environment
 - Consumer preferences shifting towards low spread products
 - Highly competitive environment
- In spite of this, in 2003 our margins declined less than the average of the competition
- We expect continued pressure on margins as these factors continue to persist

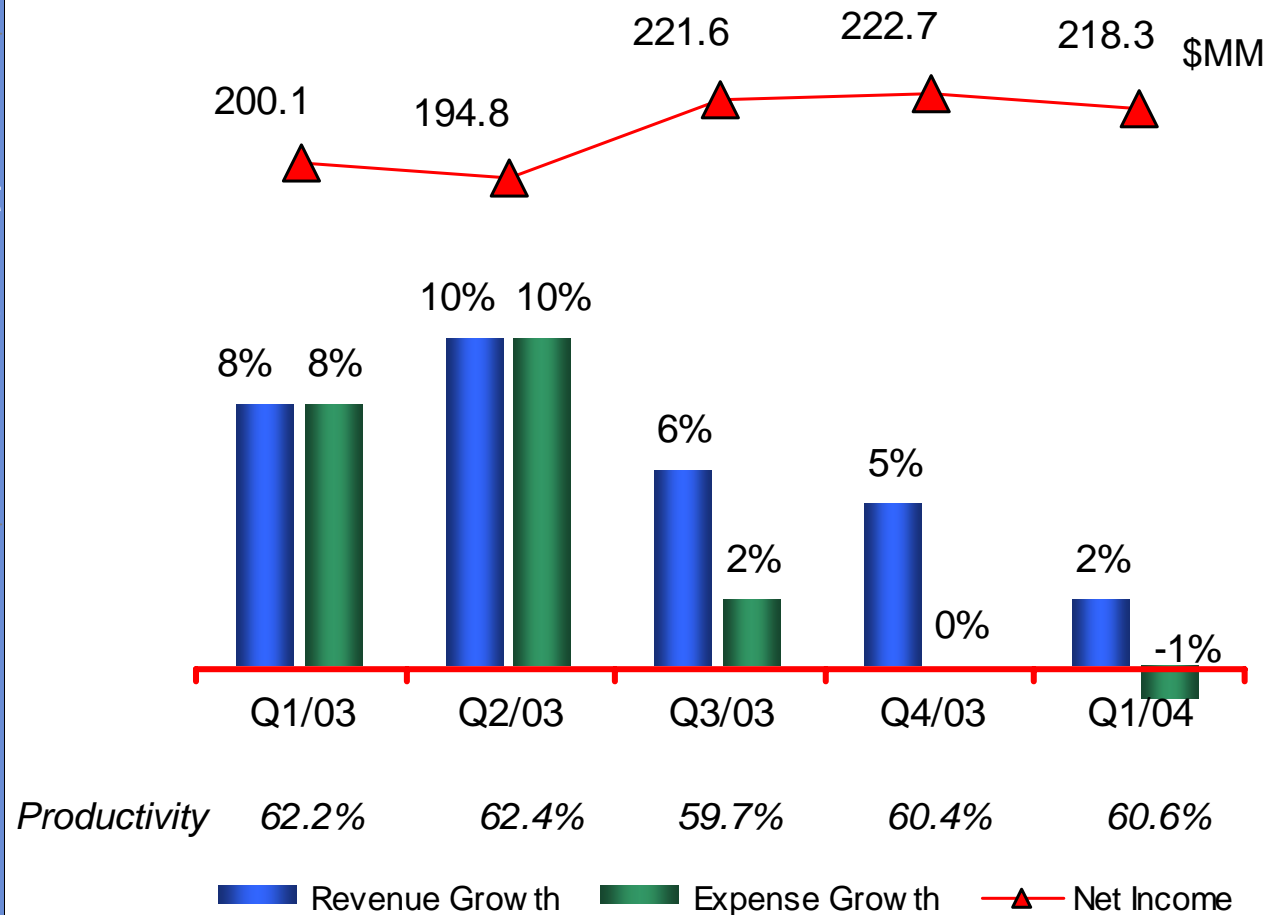
F2003 Revenue and Net Income growth represented top-tier performance

Historically low rate environment will impact revenue growth in F2004 however volume growth is expected to continue

We continue to manage our expenses in line with our revenue growth

Focused on Widening the Gap between Revenue and Expense

P&C Canada



We continue to deliver on our commitment to serving the Province of Quebec

Quebec: Long-term Commitment to the Marketplace

- 150 branches in Quebec – the largest share among the big five banks
- More than \$45 MM in branch network investments over the past 5 years:
 - 12 new full service branches & 10 in stores
- 17.8%* market share in business banking
- Strong presence in the corporate banking franchise in Montreal
- Our ongoing marketing campaign, *Profitez*, is directed exclusively to the Quebec market

*Market share data as at Sept 2003

Forward-Looking Statements

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

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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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