

# Clear Path Ahead

MERRILL LYNCH  
INVESTOR CONFERENCE  
2005

BILL DOWNE  
*Deputy Chair  
Bank of Montreal*

FRANK TECHAR  
*President & CEO  
Harris N.A.*

NOVEMBER 15 • 05

BMO  Financial Group



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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.

## 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.


### QUIET PERIOD

Bank of Montreal is currently in its "Quiet Period" which will end when it reports Q4 2005 results on Tuesday, November 29, 2005. At that time, we will discuss Bank of Montreal's earnings and targets.


## A LEADING NORTH AMERICAN FINANCIAL INSTITUTION

- Consistent and focused North American growth strategy that is working
  - ▶ Proven capacity to achieve targeted growth from our existing solid U.S. platform and strong Harris brand
  - ▶ Presence in some of the most lucrative markets in the U.S.





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## BANK OF MONTREAL (BMO)

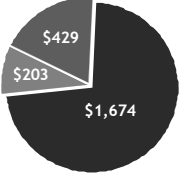
- 4<sup>th</sup> largest bank in Canada measured by market cap
- 100% ownership of Harris Bank

<b>Listings:</b>	NYSE, TSX (Ticker: BMO)
<b>Share Price at Oct. 31/05:</b>	NYSE - US\$49.02; TSX - C\$57.81
<b>Market Cap<sup>1</sup>:</b>	C\$29 billion (US\$24* billion)
<b>Total Assets<sup>1</sup>:</b>	C\$290 billion (US\$237* billion)
<b>F2004 Net Income:</b>	C\$2.3 billion (US\$1.8* billion)
<b>F2004 ROE:</b>	19.4%
<b># of Employees:</b>	Over 34,000

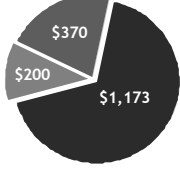
\* Balances stated in Canadian Dollars. F2004 average exchange rate: Cdn to U.S. 1.3131, 2005 YTD average exchange rate 1.2261  
<sup>1</sup> As at Q3 F2005 - July 31

### Net Income by Geography (C\$MM)

**F2004**




**YTD Q3 F2005**




■ U.S. ■ Canada ■ Other

4



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## REASONS TO BUY / HOLD BMO

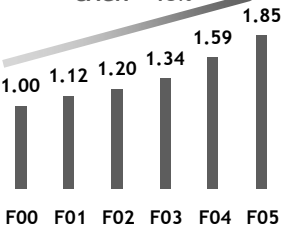
- Track record for stability, earnings consistency and strong dividend growth
- Commitment to ongoing efficiency ratio improvement. Cash efficiency ratio improved 480 bps from F2002 to Q3 F2005
- Prudence and expertise in credit risk management
- Balanced approach to capital management
  - ▶ Tier 1 Capital Ratio of 9.39% as at Q3 F2005
- Shareholder-friendly incentive compensation

<b>P/E Ratios *</b>	
BMO	12.9x
Canadian Banks	15.4x
U.S. Major Regionals & Money Centers	14.1x

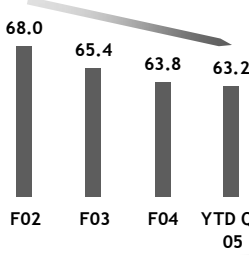
\* Source: First Call, November 9, 2005, External Research

### Dividends Declared per Share (C\$)

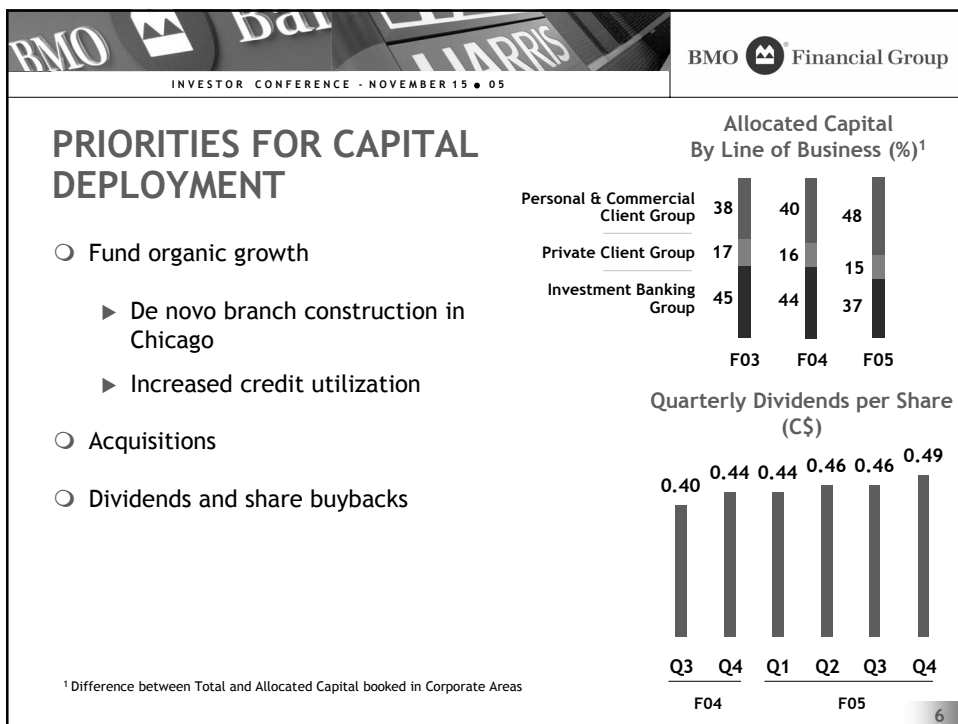
CAGR = 13%



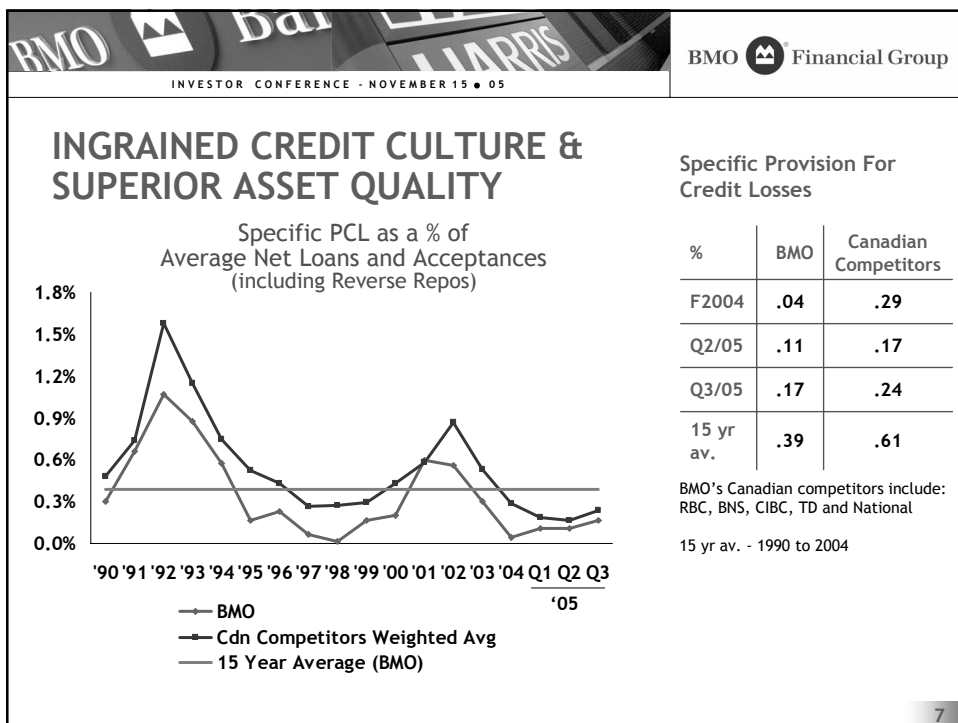
**Cash Efficiency Ratio (%)**



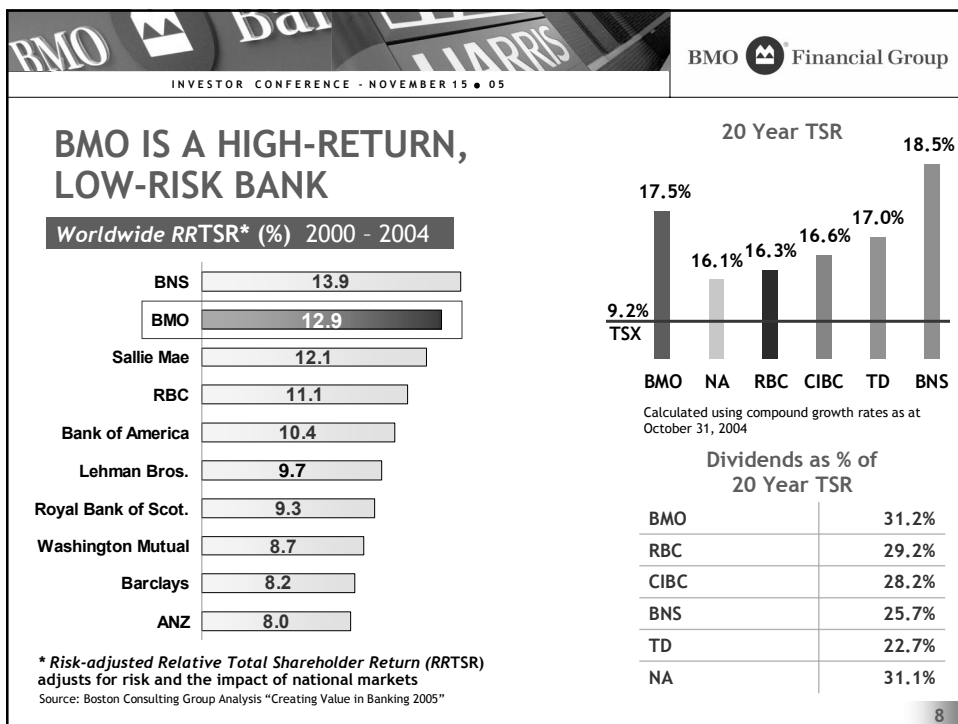
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6




7





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## ECONOMIC OUTLOOK


### Canada

- Growth will be sustained through 2006 by firm consumer spending and rising business investment. Exports will be less constrained by the strong C\$.
- Short-term interest rates, though expected to rise through 2006, will continue to support the economy
- Long bond yields are expected to rise through 2006


### U.S.

- Interest rates will continue to rise near term on indications that growth is weathering the impact of the various hurricanes and attendant rise in oil prices
- The tightening will also reflect concern that higher energy prices will pressure inflationary expectations upwards
- Housing market and residential mortgage growth will cool due to earlier rate increases, but strong capital spending will support business loans
- Consolidation will continue in response to deregulation

9



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## LINES OF BUSINESS

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

- Over 8.5 million customers across Canada & the U.S.
- Over 1,000 branches in Canada & the U.S.
- Access to approximately 2,500 automated banking machines in Canada and the U.S.

**Investment Banking Group (IBG)**

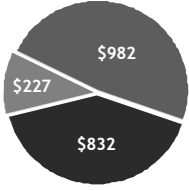
- Bulge bracket firm in Canada, Mid-Market niche player in the U.S.
- M&A and restructuring advisory services
- Industry leading research, sales, and trading capability

**Private Client Group (PCG)**

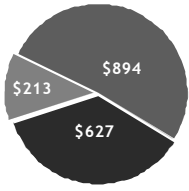
- Full service and direct investing, Private Banking, Investment products
- C\$87 billion in AUM and C\$174 billion in AUA

Net Income by LOB<sup>1</sup>  
(C\$MM)

**F2004**




**YTD Q3 F2005**




■ P&C ■ IBG ■ PCG

<sup>1</sup> Residual due to corporate areas

10



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## 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 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

11

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## OPERATIONAL FOCUS

- Increase profits in broad-based Canadian franchise
- Accelerate expansion in the U.S.
- Pursue growth opportunities where we already enjoy competitive advantages and/or the market is rapidly expanding or transforming

<p><b>Canada</b></p> <ul style="list-style-type: none"> <li>○ Improve our position in the commercial market</li> <li>○ Gain market share in the rapidly growing high net worth market</li> <li>○ Increase our share of our clients' investment banking business by delivering our full offering</li> </ul>	<p><b>U.S.</b></p> <ul style="list-style-type: none"> <li>○ Grow organically &amp; through acquisitions to be a leading player in the personal and commercial market in the U.S. Midwest and the corporate mid-market</li> <li>○ Selectively expand our wealth management franchise</li> </ul>
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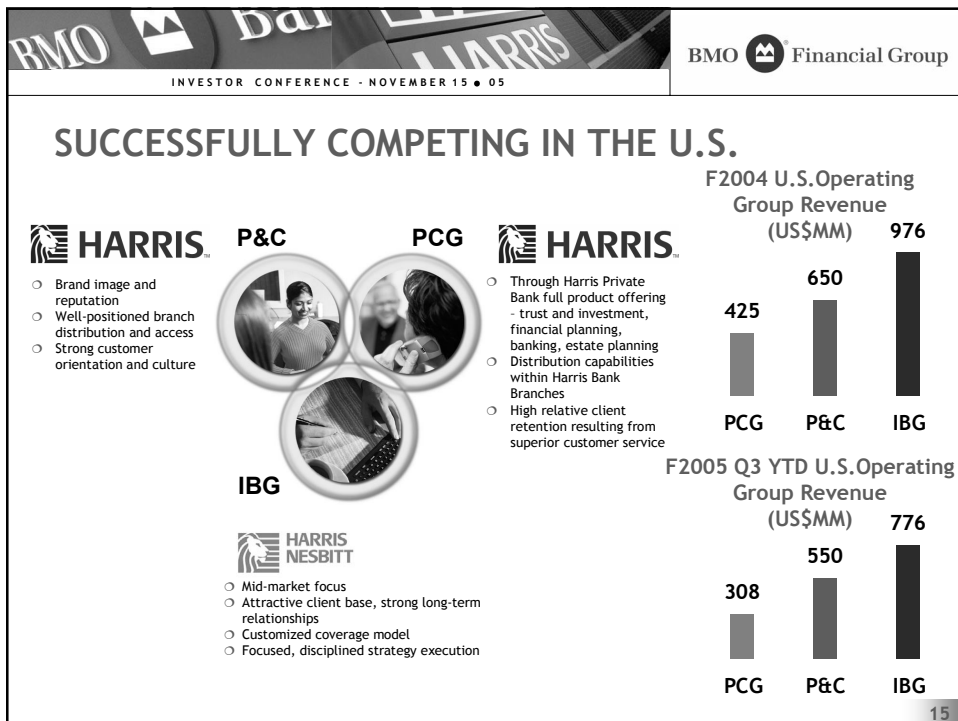
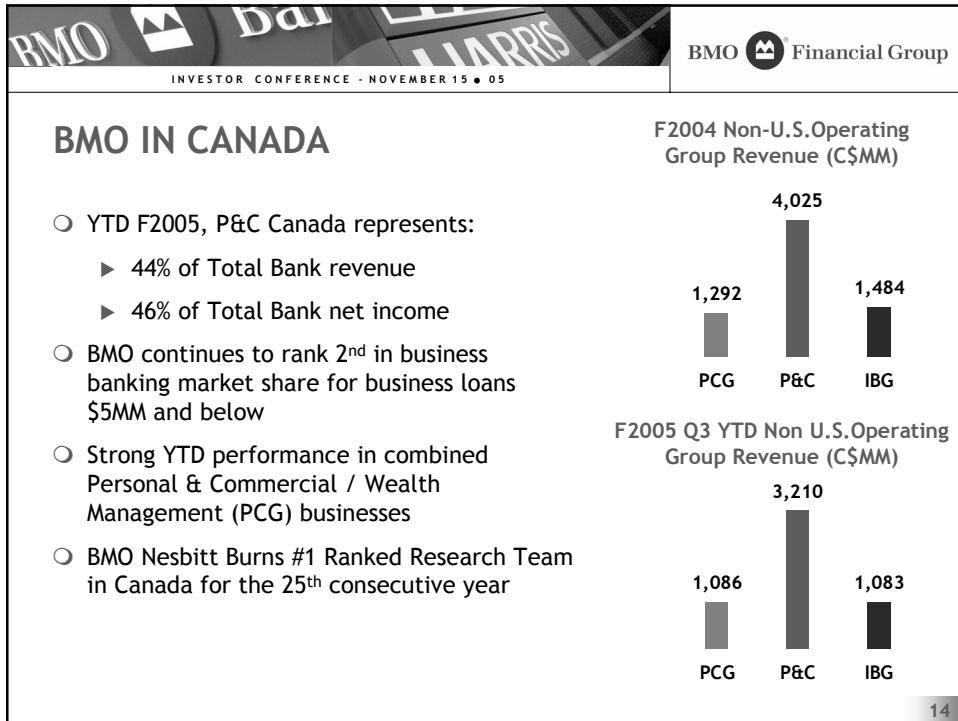
12

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## 2005 STRATEGIC PRIORITIES

1. Achieve financial targets with a particular focus on productivity
2. Drive revenue growth by providing a superior client experience, earning a larger share of customers' business
3. Continue to improve U.S. performance
4. Accelerate growth in the U.S. both organically and through acquisitions
5. Grow net income in Canada through operational efficiency and improved market share, accelerating our growth in commercial banking and wealth management
6. Build a high-performance organization by developing our people, living our values and being an employer of choice
7. Maintain our world-class foundation of leading governance, sound risk management, productive systems and excellent after sales service

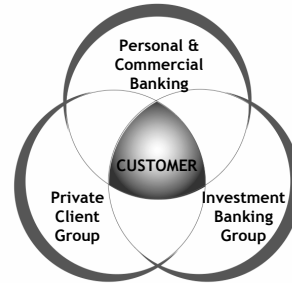
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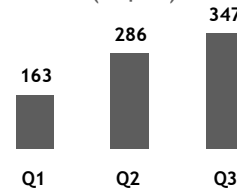


## INTEGRATION MAKES A DIFFERENCE

- All three lines of business work closely together
- Earn a larger share-of-wallet and drive revenue growth through increased referrals and cross-sell and continue to improve productivity
- One Harris initiative to provide exceptional customer service by leveraging the full capabilities of the organization to meet a broad range of customer needs



One Harris  
Total Intergroup  
Cross-Sell F2005  
(US\$MM)

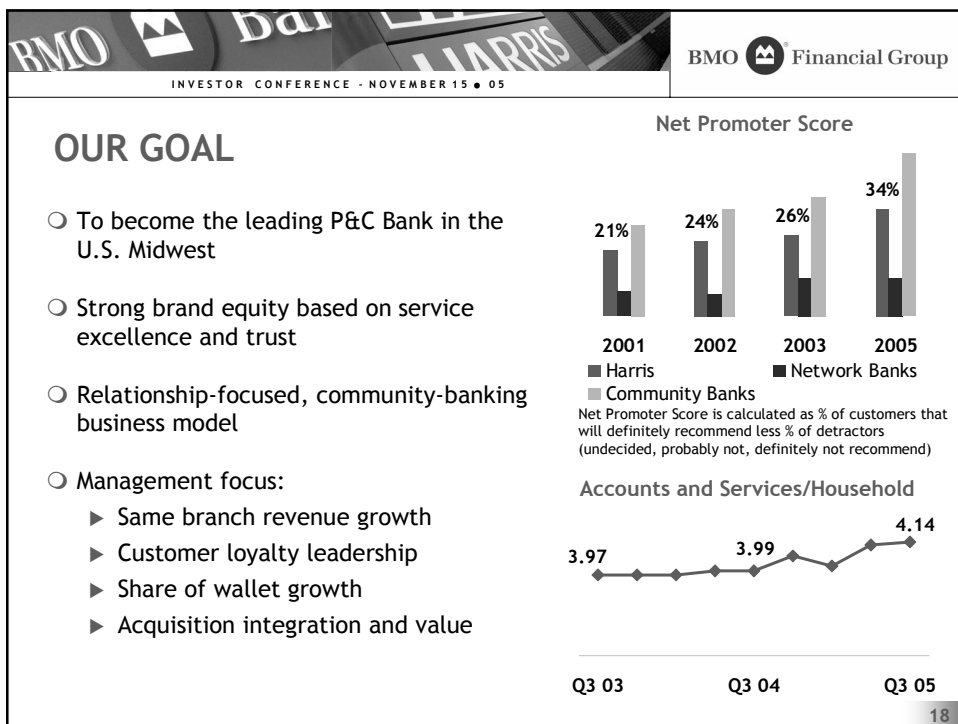


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18



19



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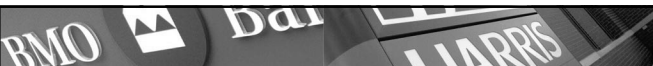

## MARKET SHARE INFORMATION

	Number of Branches		2004 share	2005 share	1 Year Growth	5 Year Growth	Deposits per Branch (\$M) 2005
Chase	287	%	11.1	10.5	1.9	37.7	61.3
		\$ MM	17.3	17.6			
Harris	172	%	9.1	8.5	0.4	45.5	83.1
		\$ MM	14.2	14.3			
LaSalle	140	%	7.9	7.6	3.2	4.9	91.4
		\$ MM	12.4	12.8			
Fifth Third	103	%	4.1	4.3	13.5	27.4	70.9
		\$ MM	6.4	7.3			
Charter One	136	%	4.1	3.8	0.7	40.1	47.1
		\$ MM	6.4	6.4			
Top 5 Share		%	36.3	34.7			
Total Market		\$	156.6	168.7			
Total Market Growth		%	8.4	7.7	7.7	40.3	

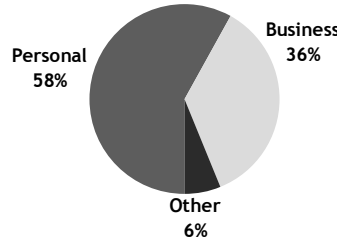
Source: [www.fdic.gov](http://www.fdic.gov) as at June 30, 2005. Market share data for 8 counties: Cook, DuPage, Grundy, Kane, Kendall, Lake, McHenry, Will. Data adjusted to remove large corporate /wholesale deposits by subtracting the deposits of the main location to derive a proxy for retail and small business.

20

20

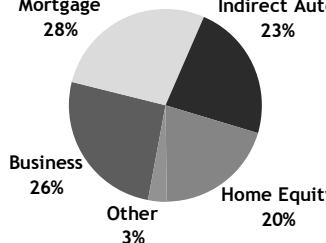
			
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<h1>U.S. P&amp;C CORE OFFERING</h1>			
<div><b>Core Offering</b></div> <div>Consumer Deposits</div> <div>Consumer Loans</div> <div>Business Deposits</div> <div>Business Loans</div> <div>Cash Management Services</div> <div>Merchant Processing Services</div>			
<div><b>Harris Partner Offering</b></div> <div>Private Banking</div> <div>Trust &amp; Investment Management</div> <div>Large Corporate Banking</div> <div>Capital Markets</div>			

## F2005 Q3 YTD Revenue



Category	Percentage
Personal	58%
Business	36%
Other	6%

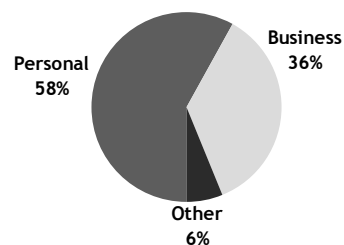
## Loans (Q3 2005 - US\$14B)



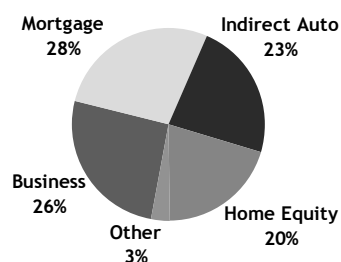
Category	Percentage
Mortgage	28%
Indirect Auto	23%
Business	26%
Home Equity	20%
Other	3%

21

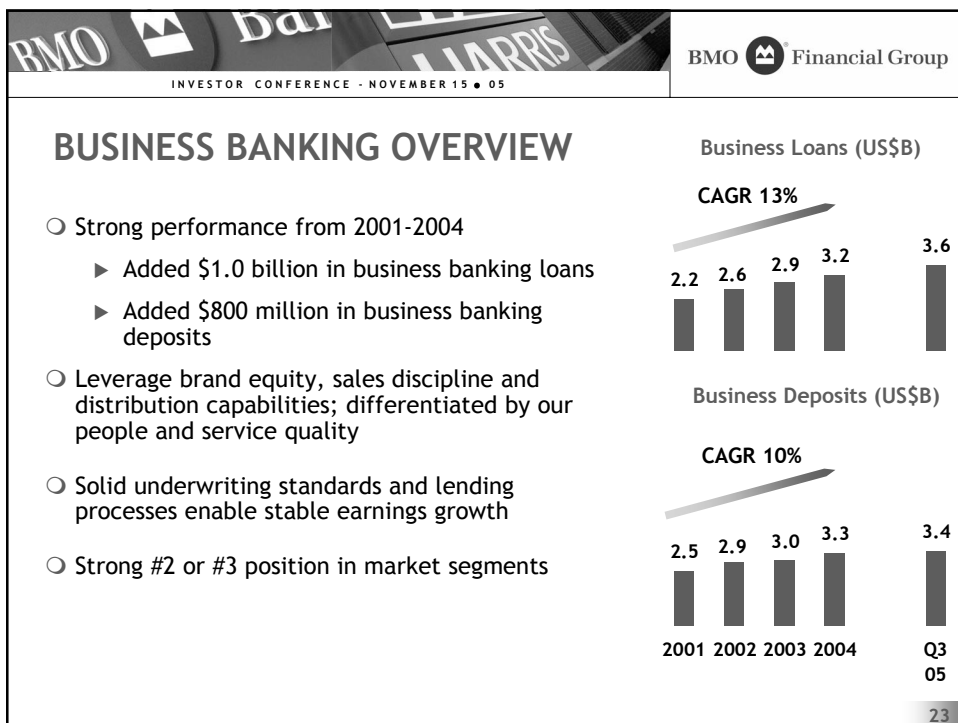
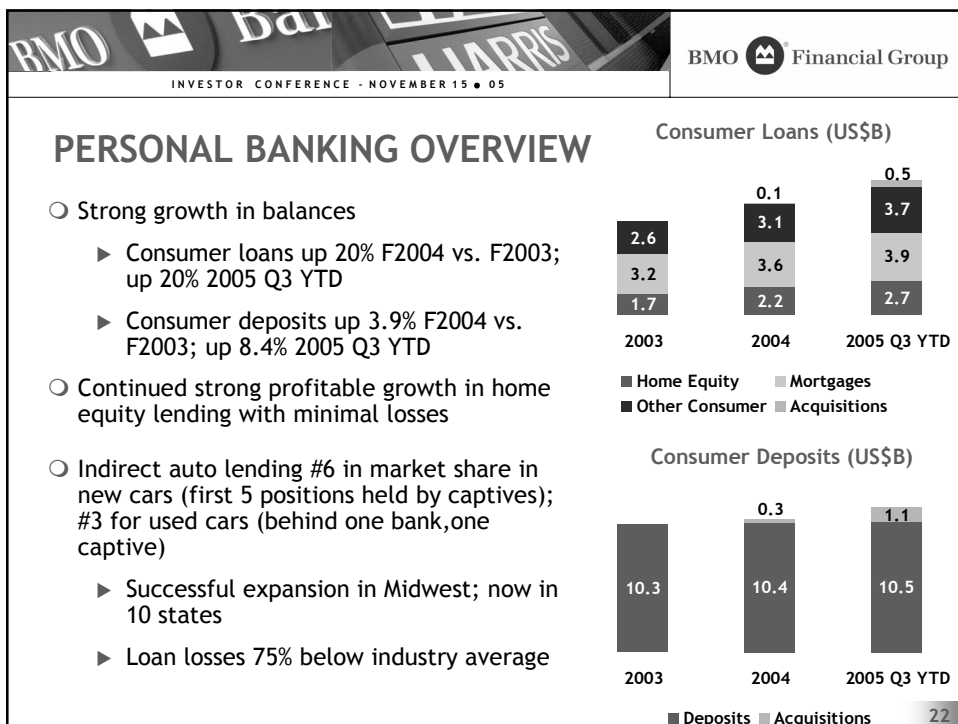
F2005 Q3 YTD Revenue

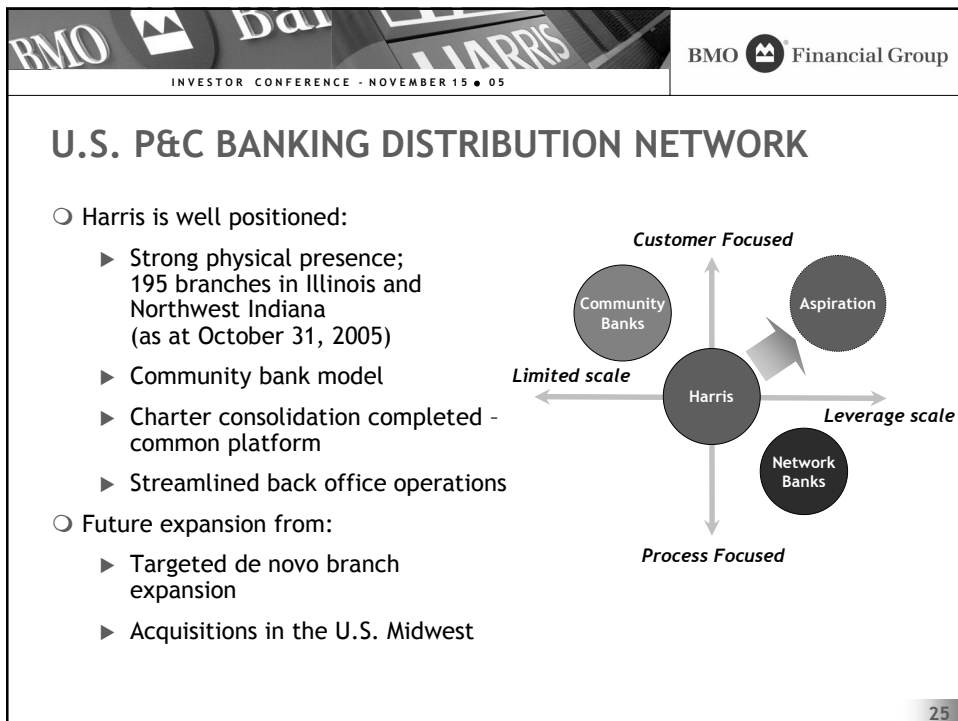
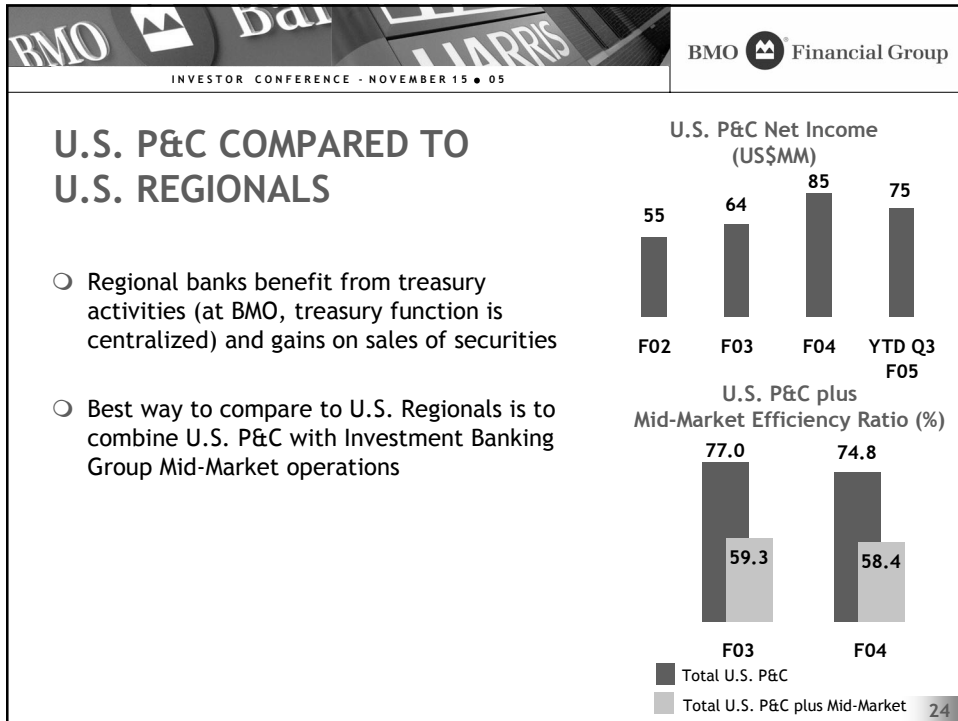


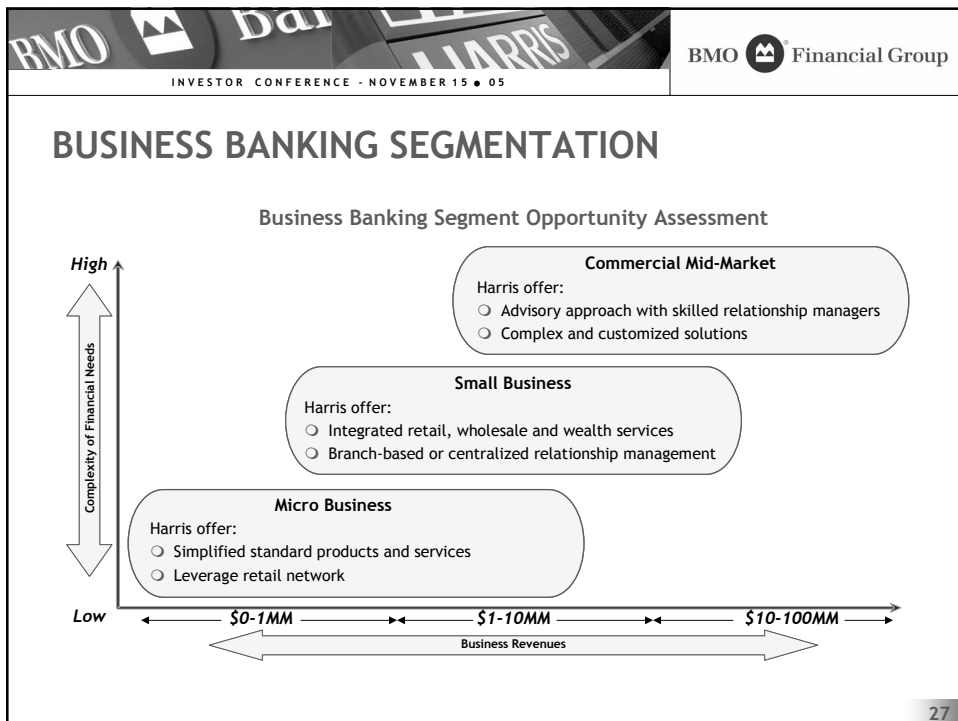
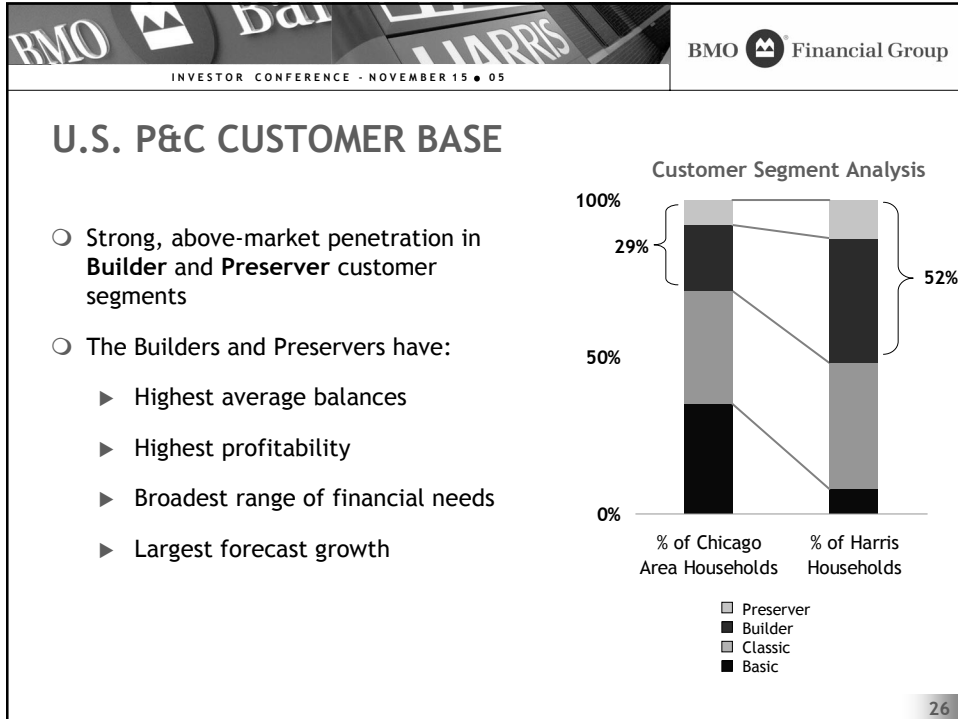
Loans (Q3 2005 - US\$14B)

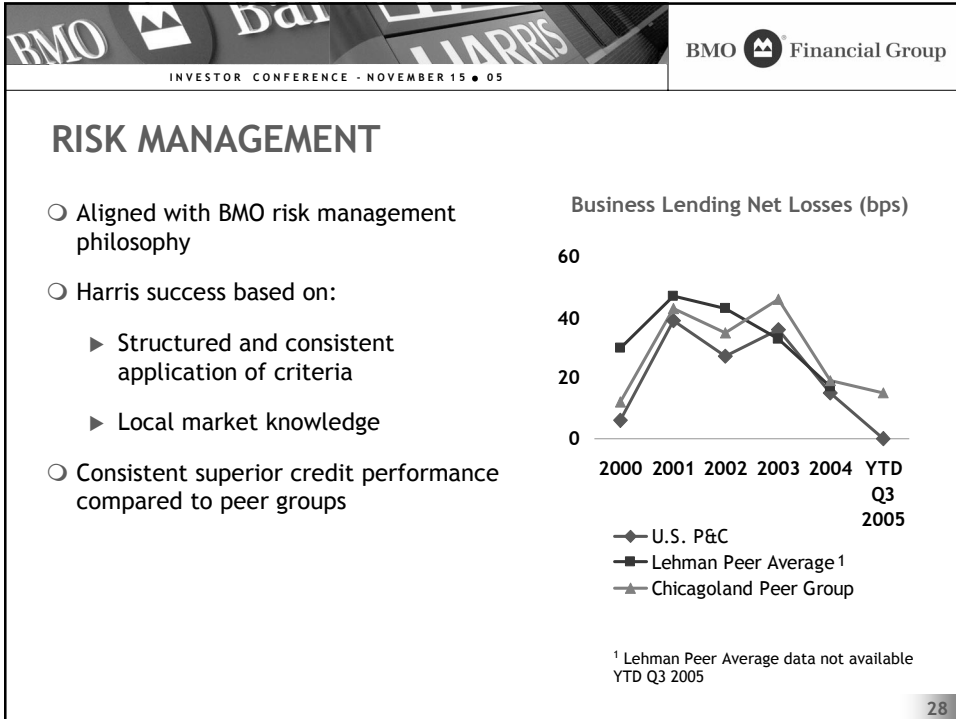


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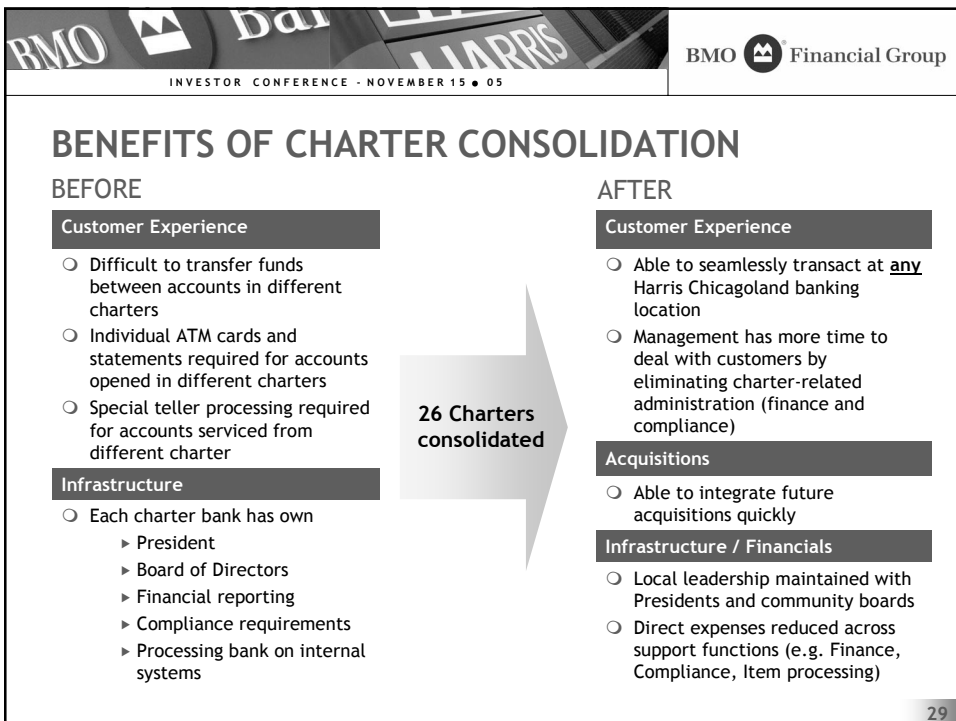








28



29

## U.S. P&C ACQUISITION HISTORY

Acquisition	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
NLSB	2004	235
Mercantile	2004	161
Edville **	2005	66
<b>Total</b>		<b>1,847</b>



# HARRIS

NLSB  
15901 Wolf Road, Orland Park



\* Edville Transaction anticipated to close by calendar year end 2005

30

## ACQUISITION STRATEGY

- Target banks in Chicago area and the U.S. Midwest
- Advantages include deep market knowledge, the Harris brand with multiple lines of businesses, integration experience and completion of the charter consolidation
- Leading with P&C creates opportunities for both PCG and IBG
- Three key questions:
  - ✓ Is it a good strategic fit?
  - ✓ Is it a good cultural fit?
  - ✓ Is it a good financial fit?

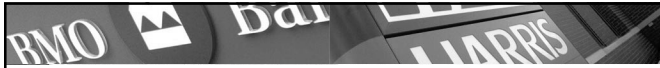
### Recent Acquisitions

2005	Edville Bankcorp, Inc. (scheduled to close by calendar 2005 year end)
2004	Mercantile National Bank  New Lenox State Bank Lakeland Community Bank
2001	First National Bank of Joliet



31





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# Clear Path Ahead

## QUESTION & ANSWER

**BILL DOWNE**  
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