

BMO  Bank of Montreal

BMO  Harris Private Banking

BMO  Mutual Funds

BMO  InvestorLine

BMO  Nesbitt Burns

BMO  Life

BMO  **Financial Group**

HARRIS INVESTOR SERVICES

Bruce Schwenger
President & CEO

May 1 and 2, 2003

Developing A Full Choice Investing Platform

- Brokerage arm of The Harris family of wealth management services
- Comprised of retail and institutional brokerage
- Unified broker dealer with centralized management and operations, integrated sales, service, product and delivery platform – **operational efficiencies, cost savings across broker-dealer**



- Industry-leading provider of direct investing services for self-directed investors
- Growth largely through strategic acquisitions -- 6th largest online broker in US in terms of assets
- Approximately 590,000 active accounts* & US\$23 billion in assets**

Institutional Brokerage Services

- Products and services to meet needs of the institutional marketplace – framed Web site for 401(k) providers
- Intake vehicle for retail customers
- Serves more than 35 of the most prominent retirement plan providers in the US



- Full-service, fee-based approach uses contractual agreement to define terms of service creating a quantifiable operating standard
- Grew fee-based assets to approx. US\$300 million** in 2 years, and pace of growth accelerating

* Active account is one with balances or stock positions traded in the last 12-month period

**As at Q1, Fiscal '03

Industry Landscape

- Ongoing challenging market conditions
- Continued industry consolidation
- Rapid evolution in products and services to meet investors' changing needs
- Focus shift from fees and commissions to scale and quality of service

Growth: 2002-2005

- Account growth of 19% CAGR to 50 million
- Asset growth of 11% CAGR to US\$1.9 Trillion

Source: Celent Communications, May 2002

Harrisdirect: Industry Leading Electronic Brokerage

- National distribution network of 20+ retail Investment Centers in key markets across US
- Targets disciplined & informed investors with long-term goals, comfortable with managing all or a portion of their assets – an attractive and sustainable market
- Competitive advantages:
 - Highly ranked trading platform
 - Leading sources of research from CSFB, The Street.com, Morningstar, S&P, Dow Jones, etc.
 - Broad investment choices including stocks, mutual funds, fixed income and alternative investments
 - 160 licensed professionals available 24/7
 - High powered online investing and planning tools – stock and mutual fund screeners, Asset Allocation and Risk Manager tools, and more
 - Gateway to the resources of The Harris – offering clients best in class wealth management products and services

*Premier Provider
Evidenced by
Leading Industry
Rankings:*

Gómez™

BARRON'S



Forbes
.com

A Year of Significant Progress

- Successful integration of CSFB*direct* and online accounts of Morgan Stanley Individual Investor Group has led to reduced costs while maintaining high service standards
 - Approximately US\$100MM in expense reductions in F02 following integrations
 - Acquisition synergies resulting in 29% reduction in FTE, with no disruptions in service levels
 - Continued focus on cost management going forward
 - Back office/technology vendor contract concessions anticipated to contribute to a 20% reduction in operating cost structure
- Retention of HIS customer balances highly favorable and reinforces client “on the sidelines” mindset
 - Combined customer cash balances (money market, customer credit and margin debits) increased by 1.0% Q1 2003 over Q4 2002
 - Positive operating cash net income as at Q1/F03

Keeping Pace with Peers

- Keeping pace despite market challenges and two integrations
- Trading velocity and average annual commissions per account compare favorably
- Active account growth and AUM lag slightly due to:
 - Expected runoff with integration of acquired client bases
 - Intro of quarterly service fee induced attrition of smaller, less profitable accounts
 - Competitors are fully mature businesses with more established brands

Q vs. Q (as at 12/31/02)

Harrisdirect Schwab** E*Trade**

	Harrisdirect	Schwab**	E*Trade**
<i>Active account growth</i>	-2.4%	-0.4%	0.8%
<i>Customer Asset growth</i>	2.1%	8.0%	6.4%
<i>Trading velocity*</i>	5.4	4.2	5.4
<i>Average commissions per account</i>	\$40	\$37	\$18

*Trades per active account

**Sources for peer group: Merrill Lynch (Schwab) and E*Trade press releases

Poised For Market Turnaround

Drive revenue and profitability through:

- *Expense management*
- *Enhanced product & service offering*
- *Sales & service initiatives*

Looking ahead... Initiatives

- Expense management:
 - Streamlining retail distribution outlets
 - Adjusting telecom capacity
 - Renegotiating outside vendor contracts
- Enhanced product and service offering to retain existing and attract new clients:
 - MarketLink – Active Trader Platform
 - New commission and fee schedule
 - Cash Management Account
 - Enhanced ACH capabilities
 - Separate accounts program
 - Mutual Fund Wrap accounts
- Sales & Service initiatives fuel new account and asset growth
 - Re-organization of sales and service group into one sales force under unified sales management



Conclusions

- Successful integrations
- Keeping pace with peers
- Aggressive expense management
- Positioned for growth