

# Q4 05

## STRATEGIC OVERVIEW

*Investor Community  
Conference Call*

**TONY COMPER**

*President and  
Chief Executive Officer*

NOVEMBER 29 • 05



# 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 the United States Private Securities Litigation Reform Act of 1995 and in any applicable Canadian securities legislation. Forward-looking statements may involve, but are not limited to, comments with respect to our objectives and priorities for 2006 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 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; unexpected judicial or regulatory proceedings; the accuracy and completeness of the information we obtain with respect to our customers and counterparties; our ability to complete and integrate acquisitions; 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, and disruptions to public infrastructure, such as transportation, communications, power or water supply disruptions; and technological changes.

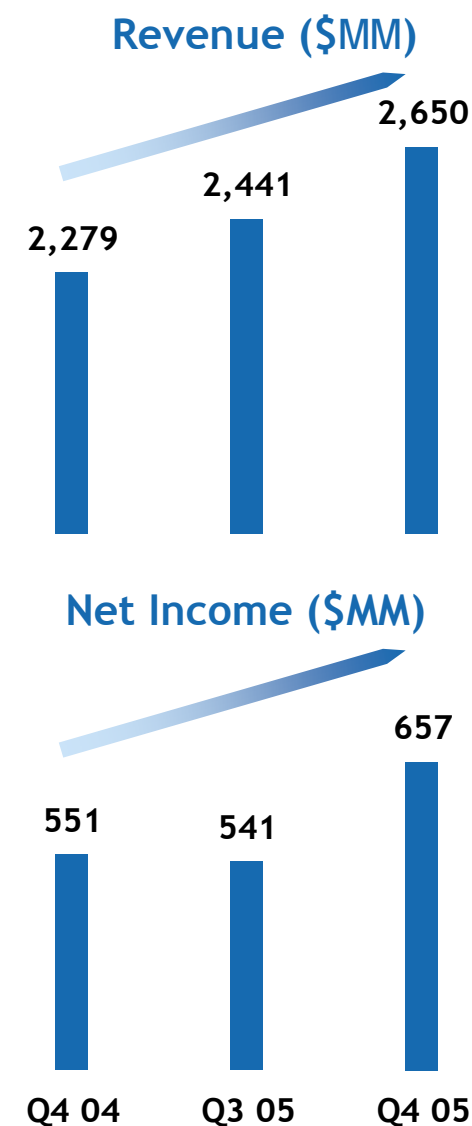
We caution that the foregoing list is not exhaustive of all possible factors. Other factors could adversely affect our results. When relying on forward-looking statements to make decisions with respect to Bank of Montreal, investors and others should carefully consider these factors, as well as other 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.

Assumptions on how the U.S. and Canadian economies will perform in 2006 and how that impacts our businesses, are material factors we consider when setting our strategic priorities and objectives, and in determining our financial targets, including provision for credit losses. Key assumptions include our assumption that Canadian and US economies will expand at a healthy pace in 2006 and that inflation will remain low. We also have assumed that interest rates will increase gradually in both countries in 2006 and the Canadian dollar will hold onto its recent gains. 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.



## FISCAL 2005 ENDS ON A STRONG NOTE

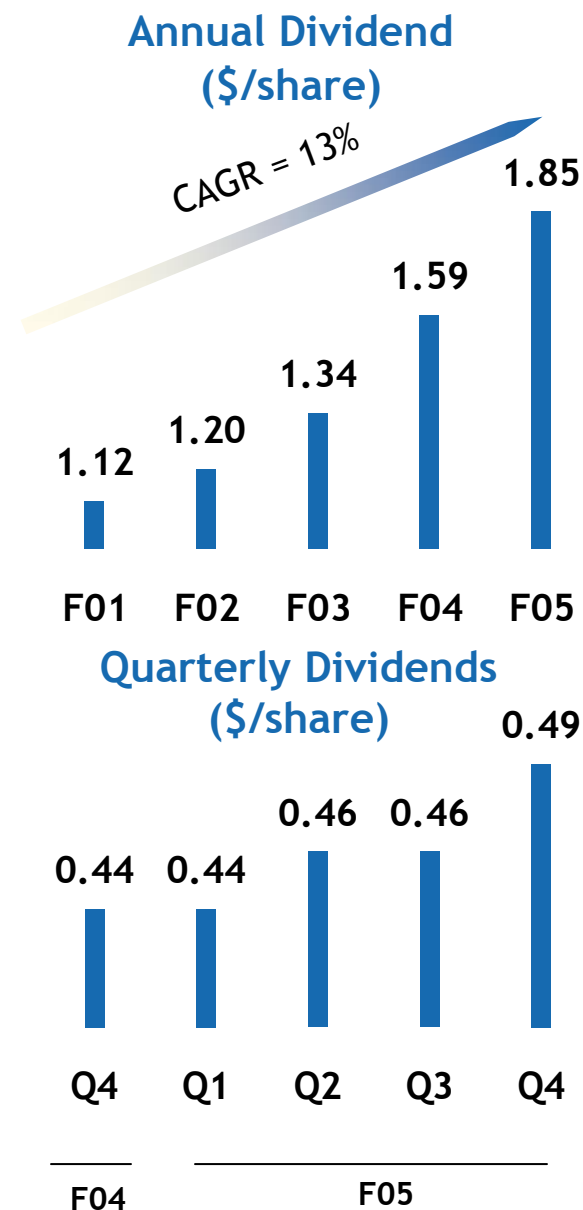
Performance Measure	F2005 Target	Target Met	F2005 Actual
EPS Growth <sup>1</sup> (from a base of \$4.21)	3 - 8%	✓	9%
Specific Provision for Credit Losses	\$400 MM or less <i>Now estimated to be:</i> \$275 MM or less	✓	\$219 MM
Cash Productivity Ratio	150 - 200 bps improvement	X	120 bps improvement
Return On Equity	17-18%	✓	18.8%
Tier 1 Capital	Minimum 8%	✓	10.25%



<sup>1</sup> Excluding changes in the general allowance

## FISCAL 2005 HIGHLIGHTS

- Increased business referrals in Canada and the U.S.
  - ▶ Sales Councils in Canada
  - ▶ OneHarris in the U.S.
- Sale of *Harrisdirect*
- Consolidation of Harris Bank Charters
- Increased quarterly dividends twice during the year





## 2006 FINANCIAL TARGETS

Performance Measure	F2006 Target	F2005 Actual
EPS Growth <sup>1</sup> (from a base of \$4.59)	5 - 10%	9%
Specific Provision for Credit Losses	\$400 MM or less	\$219 MM
Cash Productivity Ratio	100 - 150 bps improvement	120 bps improvement
Return On Equity	17-19%	18.8%
Tier 1 Capital	Minimum 8%	10.25%

<sup>1</sup> Excluding changes in the general allowance



## 2006 STRATEGIC PRIORITIES

1. Achieve financial targets *with a particular focus on growing revenue* to improve 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



## KEY REVENUE GROWTH OPPORTUNITIES

Pillar	Initiatives
P&C - Canada	<ul style="list-style-type: none"><li>○ Investing in our distribution network including replacing the entire ABM network</li><li>○ Adding dedicated relationship managers in branches to actively provide advice and support</li></ul>
P&C - Chicagoland Banking	<ul style="list-style-type: none"><li>○ Growing through acquisitions and de novo expansion</li><li>○ Focusing on sales programs within branches</li></ul>
PCG	<ul style="list-style-type: none"><li>○ Increasing share of existing clients' investable assets in key businesses on both sides of the border</li></ul>
IBG	<ul style="list-style-type: none"><li>○ Focusing on client alignment and refining sector focus to match product and service capabilities in the U.S. to high growth opportunities</li></ul>





STRATEGIC HIGHLIGHTS - FOURTH QUARTER 2005



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## INVESTOR RELATIONS

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