

Q2
2007



**STRATEGIC
HIGHLIGHTS**

Investor Community Conference Call

BILL DOWNE
President & Chief Executive Officer

May 23 • 2007



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 2007 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; 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 2006 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.

Assumptions about the performance of the Canadian and U.S. economies in 2007 and how that will affect our businesses were material factors we considered when setting our strategic priorities and objectives and in determining our financial targets, including provisions for credit losses. Key assumptions included that the Canadian and U.S. economies would expand at a moderate pace in 2007 and that inflation would remain low. We also assumed that interest rates in 2007 would remain little changed in Canada but decline in the United States and that the Canadian dollar would hold onto its value relative to the U.S. dollar. The Canadian dollar has strengthened relative to the U.S. dollar, particularly late in the second quarter, but we continue to believe that our other assumptions remain valid. We have continued to rely upon those assumptions and the views outlined in the following Economic Outlook in considering our ability to achieve our 2007 targets. 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. 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.

Assumptions about the performance of the natural gas and crude oil commodities markets and how that will affect the performance of our commodities business were material factors we considered when establishing our estimates of the future performance of the commodities trading portfolio set out in this document. Key assumptions included that commodities prices and implied volatility would be stable and our positions would continue to be managed with a view to lowering the size and risk level of the portfolio.



Q2 FINANCIAL HIGHLIGHTS

| Performance Measure | Q2 2007 As Reported | Q2 2007 Excluding Commodities Trading Losses | Q1 2007 As Restated | Q2 2006 |
|---------------------|------------------------|---|------------------------|----------|
| Net Income | \$671 MM | \$761 MM | \$348 MM | \$651 MM |
| Cash Net Income | \$681 MM | \$771 MM | \$357 MM | \$660 MM |
| EPS | \$1.29 | \$1.47 | \$0.67 | \$1.25 |
| Cash EPS | \$1.31 | \$1.49 | \$0.68 | \$1.27 |
| Cash Productivity | 62.3% | 59.6% | 78.9% | 61.9% |
| Return on Equity | 18.3% | 20.7% | 9.2% | 19.3% |



COMMODITIES TRADING LOSSES

- YTD F07 \$680MM in commodities trading losses, performance-based compensation adjustment of \$120MM. Total impact \$327MM after tax (\$0.64 per share)
- Portfolio more appropriately marked-to-market at April 30, 2007 and valuation work complete
- Isolated event, however positioned us outside our tolerance for risk
- Key points:
 - ▶ Losses restricted to one business
 - ▶ No change in our appetite for risk
 - ▶ Risk management is everyone's responsibility at BMO
- Taking actions, systematically reducing the risk in this portfolio
 - ▶ Changed reporting lines within BMO CM with new team of trading professionals assigned to the portfolio
 - ▶ Managing the risk out of the portfolio consistent with maintaining the business of serving our oil and gas producing clients
- Commissioned external investigation

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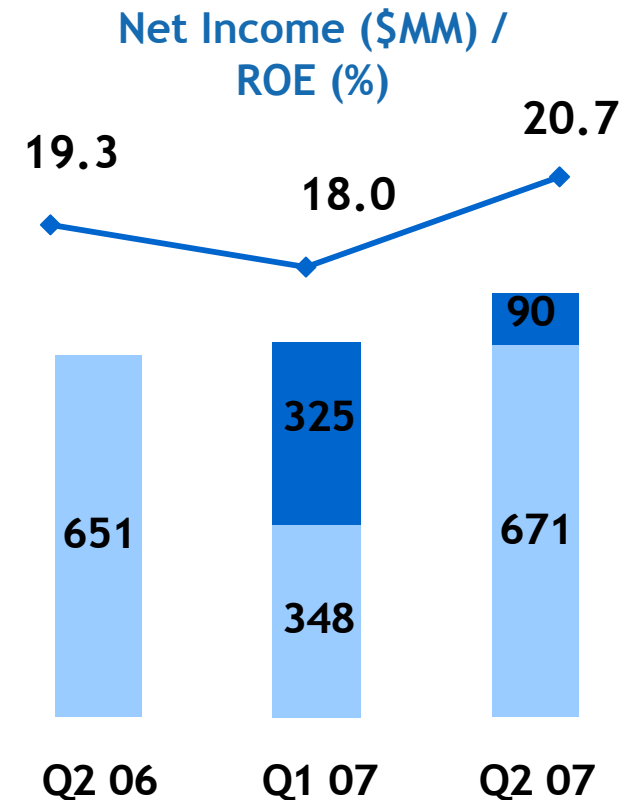
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GROUP PERFORMANCE

(excluding commodities trading losses and restructuring charge)

| Net Income (\$MM) | Q2 2006 | Q1 2007 | Q2 2007 | Q/Q Change | Y/Y Change |
|----------------------|---------|---------|------------|------------|------------|
| P&C Canada | 261 | 292 | 324 | 11% | 24% |
| P&C U.S. | 28 | 29 | 27 | (4%) | (4%) |
| Total P&C | 289 | 321 | 351 | 10% | 22% |
| PCG | 97 | 95 | 101 | 8% | 5% |
| BMO CM | 247 | 219 | 289 | 32% | 17% |
| Corporate Services | 18 | 38 | 20 | nm | nm |
| Total Bank | 651 | 673 | 761 | 13% | 17% |



Q1 07 includes adjustment to BMO CM of \$237MM for the commodities trading losses and \$88MM in Corporate Services due to the restructuring charge

Q2 07 includes adjustment to BMO CM of \$90MM for the commodities trading losses

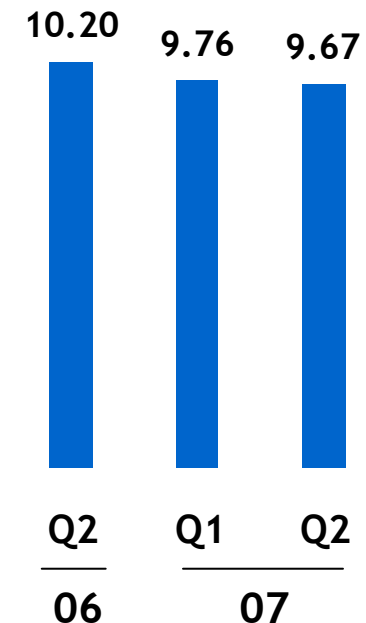
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POSITIONED FOR FUTURE GROWTH

- Strong capital ratios
- Industry-leading dividend yield
- Credit performance continues to be excellent
- Restructuring initiative
 - ▶ Targeted to reduce run rate expenses by \$300 million, half of which we expect to achieve by the end of fiscal 2007
- Good momentum in our core businesses

Tier 1 Capital Ratio (%)









**Dividend Yield as at
April 30, 2007**

3.92%



2007 STRATEGIC PRIORITIES

| | |
|---|--|
|  | <p>Build a superior Canadian personal banking business to ensure that we meet all of our customers' financial needs</p> |
|  | <p>Further strengthen our commercial banking businesses to become a leading player everywhere we compete</p> |
|  | <p>Grow our wealth management businesses, capturing an increasing share of this high-growth market</p> |
|  | <p>Drive strong returns and disciplined growth in our North American investment banking business</p> |
|  | <p>Improve our U.S. performance and expand our network to become the leading personal and commercial bank in the U.S. Midwest</p> |
|  | <p>Build a high-performing, customer-focused organization supported by a world-class foundation of productive technologies, efficient processes, disciplined performance management, sound risk management and governance</p> |



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