



**Q206**

# **STRATEGIC OVERVIEW**

Investor Community Conference Call

**BMO**  **Financial Group**

**BILL DOWNE**  
Chief Operating Officer  
May 24 • 06



# 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 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 of 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 presentation 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 affects local, national or international economies, and 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 29 and 30 of BMO's 2005 Annual Report concerning the effect 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 on how the Canadian and U.S. economies will perform in 2006 and how that impacts our businesses were material factors we considered when setting our strategic priorities and objectives, and in determining our financial targets for the fiscal year, including provisions for credit losses. Key assumptions included that the Canadian and U.S. economies would expand at a healthy pace in 2006 and that inflation would remain low. We also assumed that interest rates would increase gradually in both countries in 2006 and that the Canadian dollar would hold onto its recent gains. We believe that these assumptions are still valid and have continued to rely upon them in considering our ability to achieve our 2006 financial 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.



## NET INCOME UP 7.1% Y/Y (21% EXCLUDING SIGNIFICANT ITEMS IN THE PRIOR YEAR)

Performance Measure	Q2 2006	Q2 2005
Net Income	\$644 MM	\$600 MM
Cash Net Income	\$653 MM	\$621 MM
EPS	\$1.24	\$1.16
Cash EPS	\$1.25	\$1.21
Cash Productivity	62.3%	64.0%
Return on Equity	19.1%	19.5%



## ON TRACK TO ACHIEVE 2006 TARGETS

Performance Measure	Q2 2006 YTD	F2006 Target
EPS Growth <sup>1</sup> (base of \$4.59)	8.4%	5 - 10%
Specific Provision for Credit Losses	\$118 MM	\$400 MM or less <i>Now revised to:</i> \$325 MM or less
Cash Productivity Ratio	125 bps improvement	100 - 150 bps improvement
Return On Equity	18.8%	17 - 19%
Tier 1 Capital	10.17%	Minimum 8%

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

## UPDATE ON P&C CANADA

- Product mix, funding and pricing all impact margins
- Aggressive mortgage pricing has increased market share
- Addressing margin decline through discretionary limits and pricing
- Launch of Simplified Everyday Banking Program May 1, 2006



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## BROAD-BASED STRENGTH IN INVESTMENT BANKING GROUP

- Record quarter for IBG with earnings up 19% Y/Y
- Broad-based revenue growth in equity and debt underwriting, M&A and commission-based businesses
- Significant portion of trading revenue is client driven

Net Income (\$MM)





## QUARTERLY DIVIDEND INCREASES 17% AND PAYOUT RATIO INCREASED TO 45-55%

- Significant excess capital and ongoing capital generation to support continued investing in growing our businesses going forward
- A “shareholder friendly” move given the value placed on disciplined capital management and dividend yield

Quarterly Dividends Declared Per Share (\$)





## INVESTOR RELATIONS • CONTACT INFORMATION

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