

FINANCIAL RESULTS

SECOND QUARTER 2004

KAREN MAIDMENT

Senior Executive Vice President & CFO

Investor Community Conference Call

May 26, 2004

Forward-Looking Statements

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

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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.

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EPS GROWTH
45.5%

Annual Target 10 - 15%

ROE
20.4%

Annual Target 16 – 18%

SPECIFIC PCL
\$ 45 MM

Annual Target < \$500MM

TIER 1 CAPITAL
9.67%

Annual Target > 8.0%

CASH PRODUCTIVITY
62.2%

Annual Target 150 –
200 bps improvement

Q2 2004 Financial Highlights

- **Sharp rise in Net Income to \$602 MM**
- up 47% Y/Y and up 13% Q/Q
- **Excellent Second Quarter Business Growth Y/Y and Q/Q in operating groups**
- despite reduced net interest margins, investment securities gains and adjustment to credit card fees
- **Improved Credit Performance Y/Y**
- coupled with reduction of General Allowance
- **Significant Productivity Improvements**
- Cash Productivity Ratio of 62.2% improved 380 bps Y/Y and 170 bps Q/Q and expenses were flat Q/Q
- **Positioned to achieve all financial targets**

Financial Summary Q2 2004

Performance Measure	Q2 2004	Q2 2003	Q1 2004
Net Income	602	409	532
Cash EPS – Diluted (\$/share)	1.17	0.81	1.03
EPS – Diluted (\$/share)	1.12	0.77	1.00
Cash Return on Equity (%)*	21.1	15.9	19.0
Return on Equity (%)*	20.4	15.2	18.3
Revenue Growth – Y/Y (%)	12.1	(0.6)	3.6
Expense Growth – Y/Y (%)	5.4	0.5	(0.7)
Cash Productivity Ratio (%)	62.2	66.0	63.9
Productivity Ratio (%)	63.2	67.2	65.0
PCL/Avg. Loans Accept. (%)*	0.01	0.32	0.04
Capital: Tier 1 Capital	9.67	9.10	9.65

* Annualized

Q/Q Earnings Growth Drivers:

- Strong operating performance in all groups
- Lower specific provision for credit losses and reduction of the general allowance
- Improved volumes partially offset by lower net interest margin

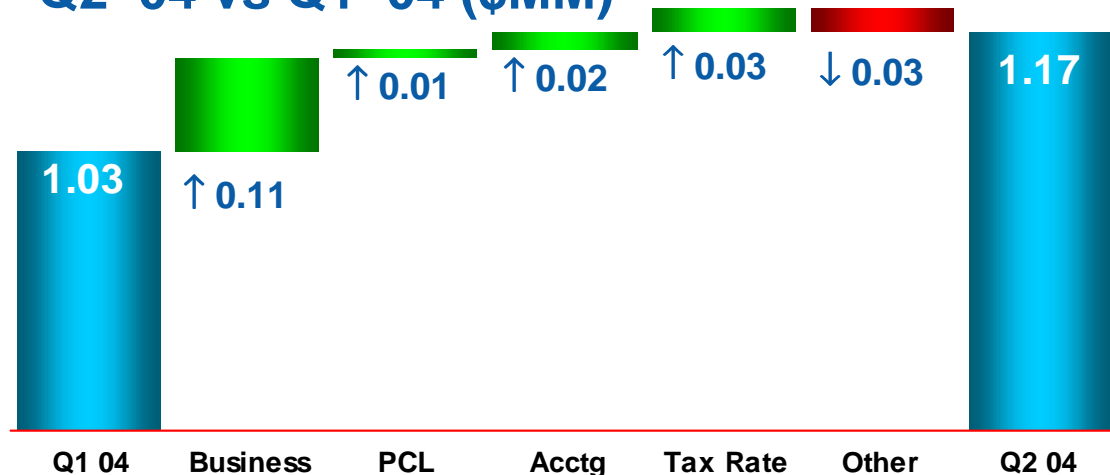
Y/Y Earnings Growth Drivers:

- Improved overall operating group performance
- Lower specific provision for credit losses plus reduction of a portion of the general allowance
- Improved volumes partially offset by lower net interest margin
- Q/Q and Y/Y - "Other" includes net investment securities gains, net of adjustment to credit card fees and losses on unwinding hedges

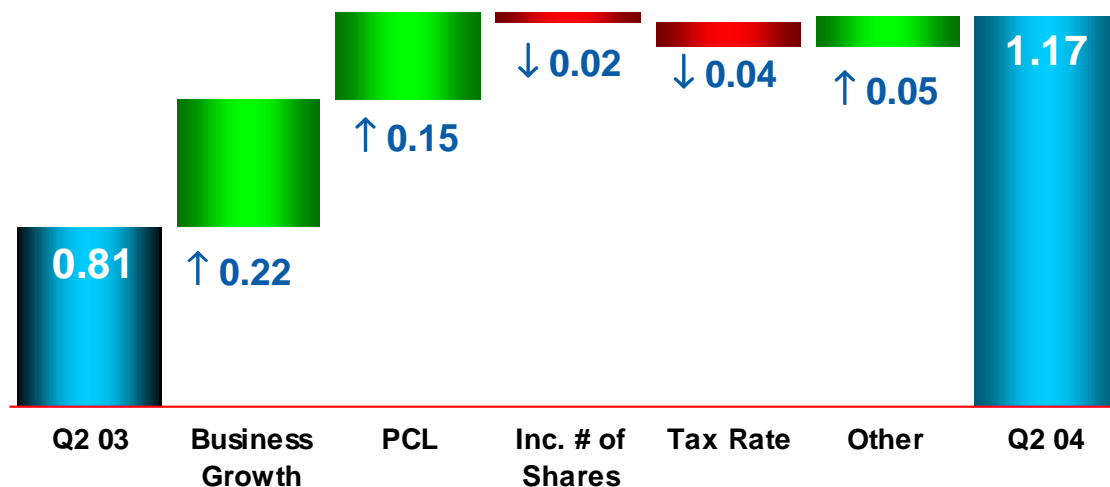
Cash EPS Growth (\$/share)

Reflects solid business growth

Q2 '04 vs Q1 '04 (\$MM)



Q2 '04 vs Q2 '03 (\$MM)



Q/Q Business Growth

- Higher underwriting fees and trading revenue in IBG
- Continued improvement in market fundamentals in PCG
- Lower net interest margins and two fewer days in the quarter partially offset above improvements
- Q1 04 included accounting changes related to mortgage prepayment fees and the sales of BMO shares held by BMO subsidiaries, increasing Q1 revenue by \$16 MM

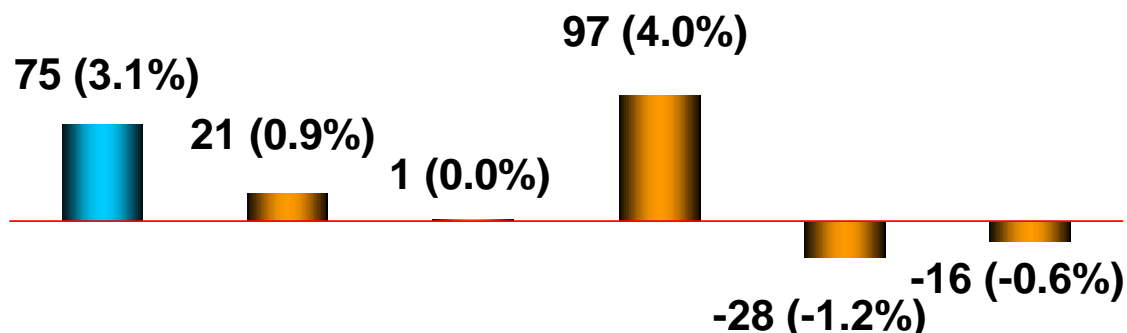
Y/Y Business Growth

- Increased volumes in each of the operating groups
- Stronger origination activity and the addition of HNG
- Increased fee and commission revenues in PCG
- Above increases partially offset by lower net interest margins
- "Other" includes net investment securities gains, net of adjustment to credit card fees and losses on unwinding hedges both Q/Q and Y/Y

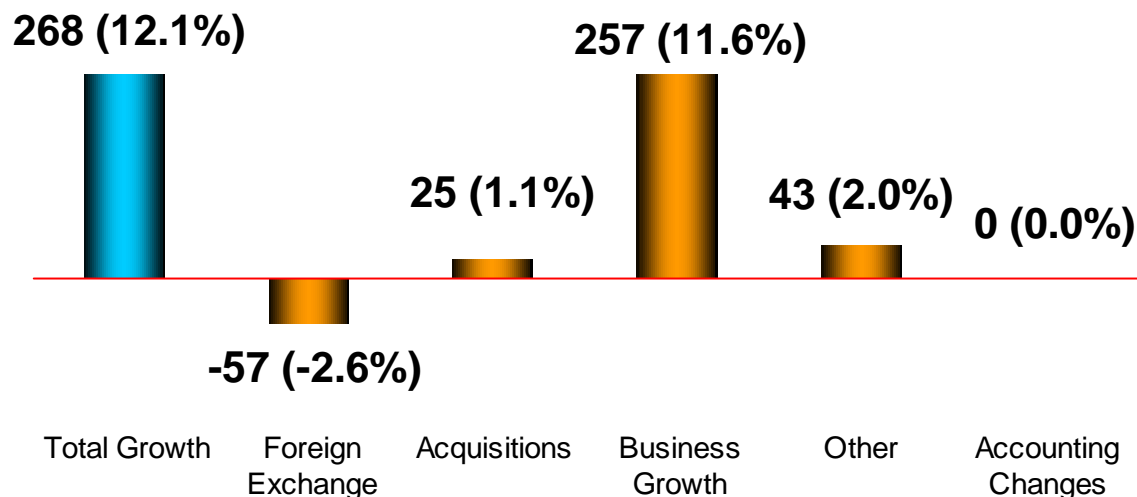
Revenue Growth

Revenue higher Q/Q despite pressure on margins

Q2 '04 vs Q1 '04 (\$MM)



Q2 '04 vs Q2 '03 (\$MM)



Q/Q NIM Changes

- Margins decreased due to:
 - Accounting policy change in Q1 for mortgage prepayment penalties
 - Narrower spreads in IBG, growth in lower spread assets and increased interest expense as a result of unwinding of hedges associated with sale of investment securities

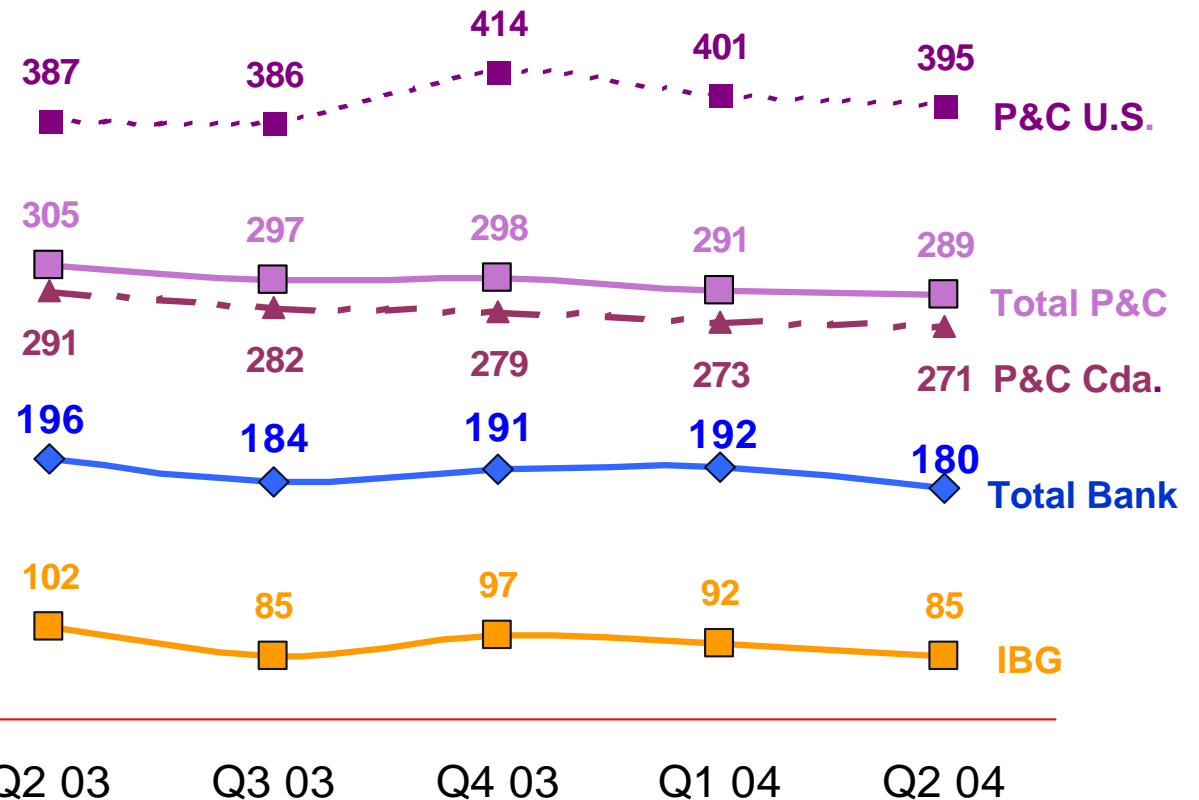
Y/Y NIM Changes

- Margins decreased due to:
 - Narrower spreads in IBG mainly due to losses on unwinding hedges and changes in asset mix
 - Narrower spreads in P&C Canada due mainly to growth in low spread residential mortgages and shifts in consumer preferences

Net Interest Margins

Margins declining both Q/Q and Y/Y

Net Interest Margin (bps)



Q/Q Business Growth

- Lower performance-based compensation (-\$25MM), primarily the medium-term incentive program which is now fully hedged

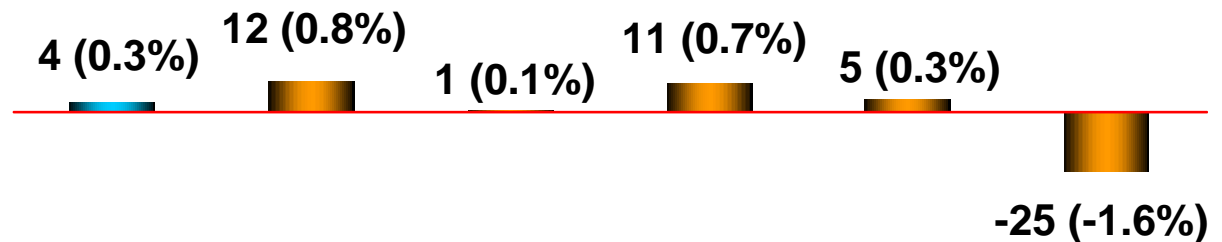
Y/Y Business Growth

- Higher variable compensation (\$90MM) in line with improved operating group performance Y/Y
- Higher expenses relating to the acquisitions of HNG and Lakeland
- Operating expenses up only 2.2% Y/Y, reflecting control over expenses

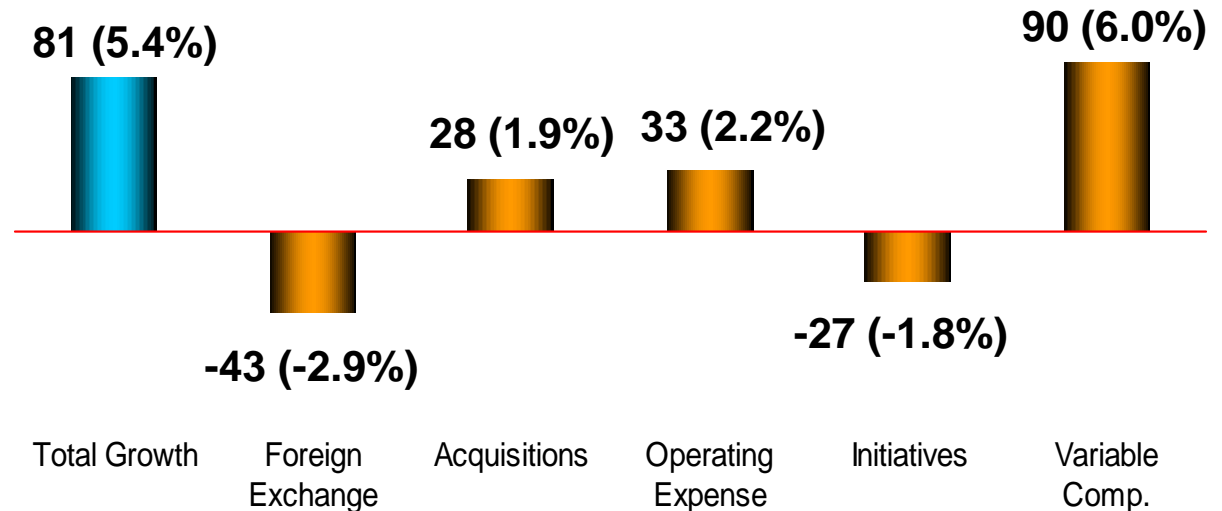
Expense Growth

Continued control over expenses

Q2 '04 vs Q1 '04 (\$MM)



Q2 '04 vs Q2 '03 (\$MM)



Expense Analysis (\$MM)

Employee Compensation:

- Lower performance- based compensation (MTIP fully hedged) ↓ 25
- Lower benefit costs ↓ 6
- Higher salaries ↑ 13

Premises & Equipment:

- Higher real estate rental costs, timing of IT projects and timing of other expenses ↑ 13

Other Expenses:

- Higher travel and business development ↑ 8

Employee Compensation:

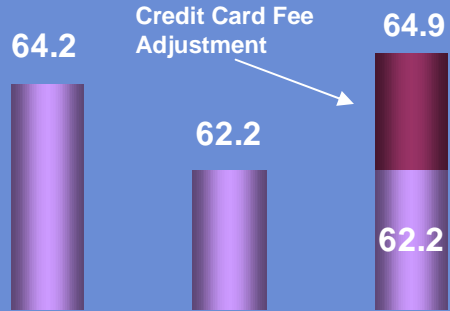
- Higher performance- based compensation ↑ 90
- Higher benefit costs ↑ 11
- Lower FTE ↓ 10

Non-Interest Expense Analysis

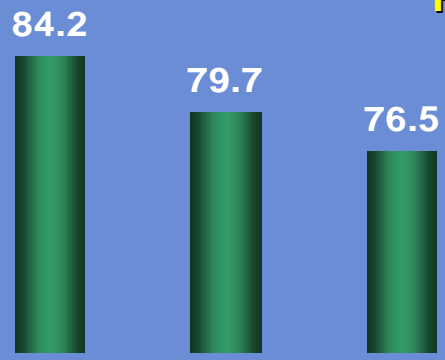
Q/Q	Q2 2004	Q1 2004	B/(W)
Employee Compensation	935	953	18
Premises & Equipment	315	302	(13)
Communications	34	36	2
Other Expenses	255	244	(11)
Amortization of Intangible Assets	26	26	-
Total Non-Interest Expense	1,565	1,561	(4)

Y/Y	Q2 2004	Q2 2003	B/(W)
Employee Compensation	935	844	(91)
Premises & Equipment	315	315	-
Communications	34	39	5
Other Expenses	255	260	5
Amortization of Intangible Assets	26	26	-
Total Non-Interest Expense	1,565	1,484	(81)

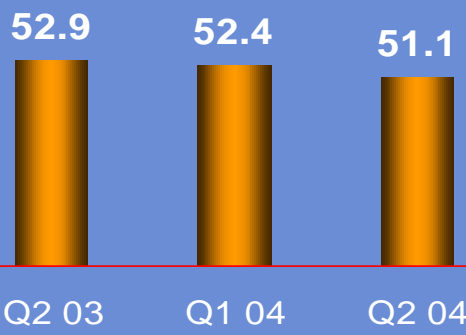
Cash Productivity (%) **P&C**



PCG

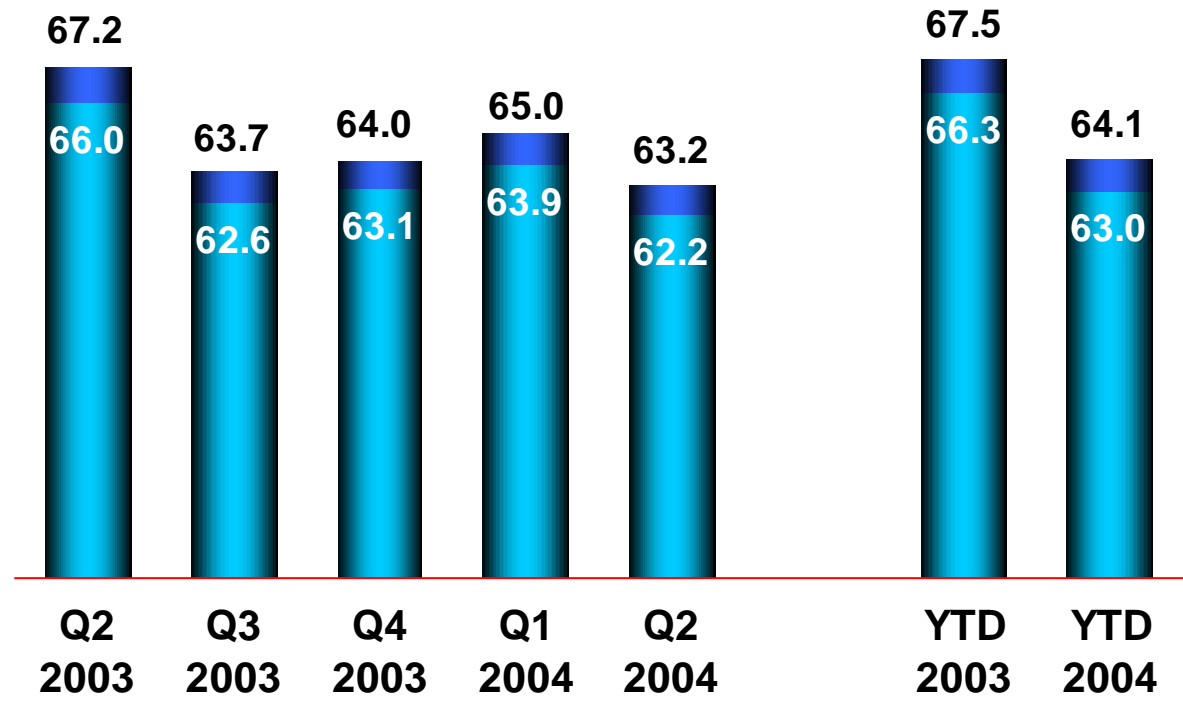


IBG



Productivity Ratio

Continuing focus on cost management a priority

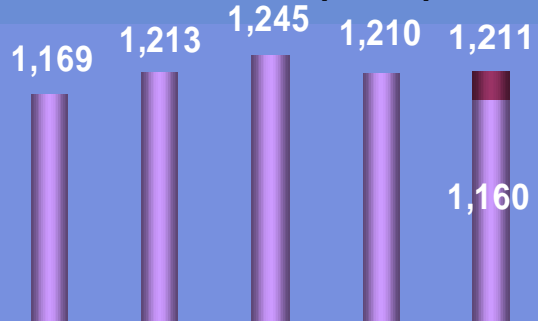


Cash **Accrual**

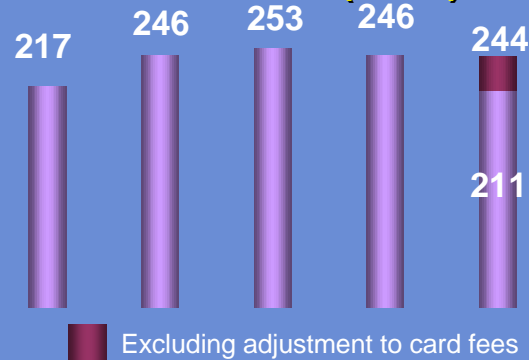
Fiscal 2004 Targets

Performance Measure	YTD 2004	F2004 Target
EPS Growth (vs. YTD 2003)	39.5%	10 – 15%
Specific Provision for Credit Losses	\$100MM YTD before the reduction of \$80MM of General Allowance	\$500MM or less <i>Now revised to:</i> \$300MM or less
Cash Productivity Ratio (vs. YTD 2003)	330 bps improvement	150 – 200 bps improvement
Return On Equity (annualized)	19.4%	16 – 18%
Tier 1 Capital	9.67%	Minimum 8%

Revenue (\$MM)

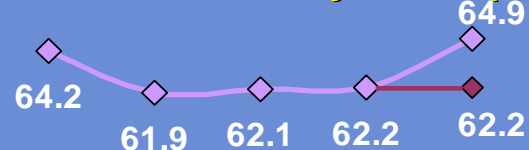


Net Income (\$MM)



Excluding adjustment to card fees

Cash Productivity Ratio (%)

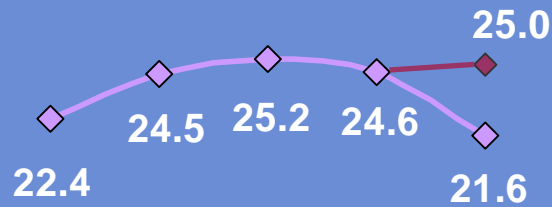


Excluding adjustment to card fees

Personal & Commercial

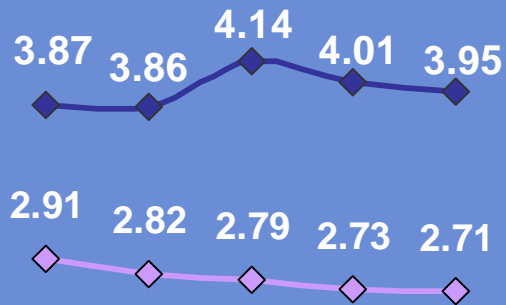
- Revenue decline is primarily due to a \$51MM (\$33MM after tax) adjustment in Cardholder Services which increased the recorded liability associated with our customer loyalty reward program due to rising reward redemption rates.
- In Canada, strong volume growth was offset by lower net interest margins resulting from competitive pressures, the historical low rate environment and shifting customer product preferences.
- U.S. retail and business banking revenue improvement versus a year ago reflects loan and deposit growth and higher margins more than offsetting the impact of the weaker U.S. dollar.
- Net income, excluding the card fee adjustment increased by 12% Y/Y and was flat to the prior quarter even though there were two fewer days.
- Cash productivity, excluding the card fee adjustment improved by 200 bps Y/Y and 220 bps YTD compared to the prior year.

Cash ROE (%)



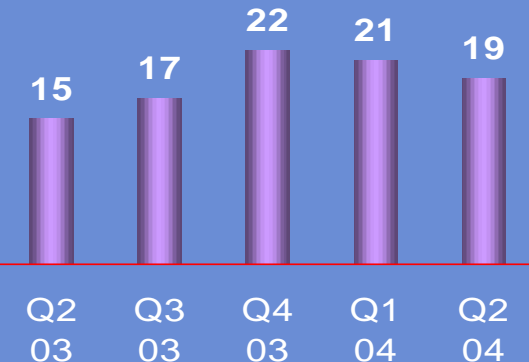
◆ Excluding adjustment to card fees

Net Interest Margin (%)



◆ P&C Chicagoland ◆ P&C Canada

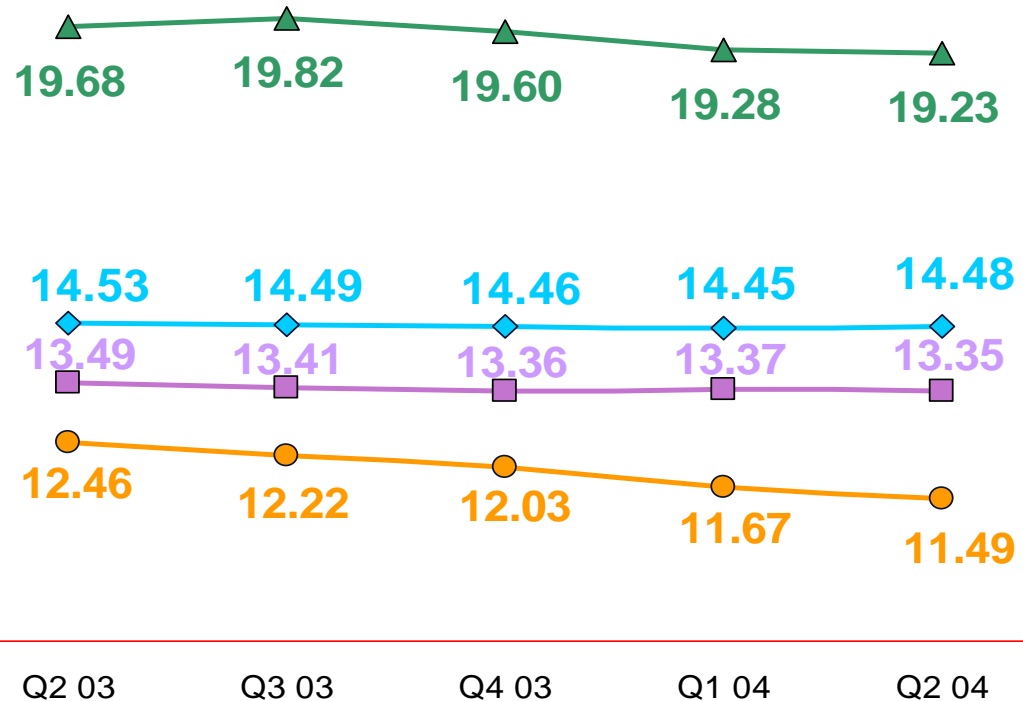
U.S. Net Income (\$MM USE)



Personal & Commercial

Continued competitive pressures on both Personal and Business Banking market share

Canadian Market Share (%): Banks*



◆ Residential Mortgages (incl. 3rd party) ◆ Personal Loans (ex. Cards)
 ◆ Personal Deposits (incl. Term) ◆ Business Banking Loans (\$0-5MM)

* Market Share trends versus all FI's are consistent with the Banks share information presented above.

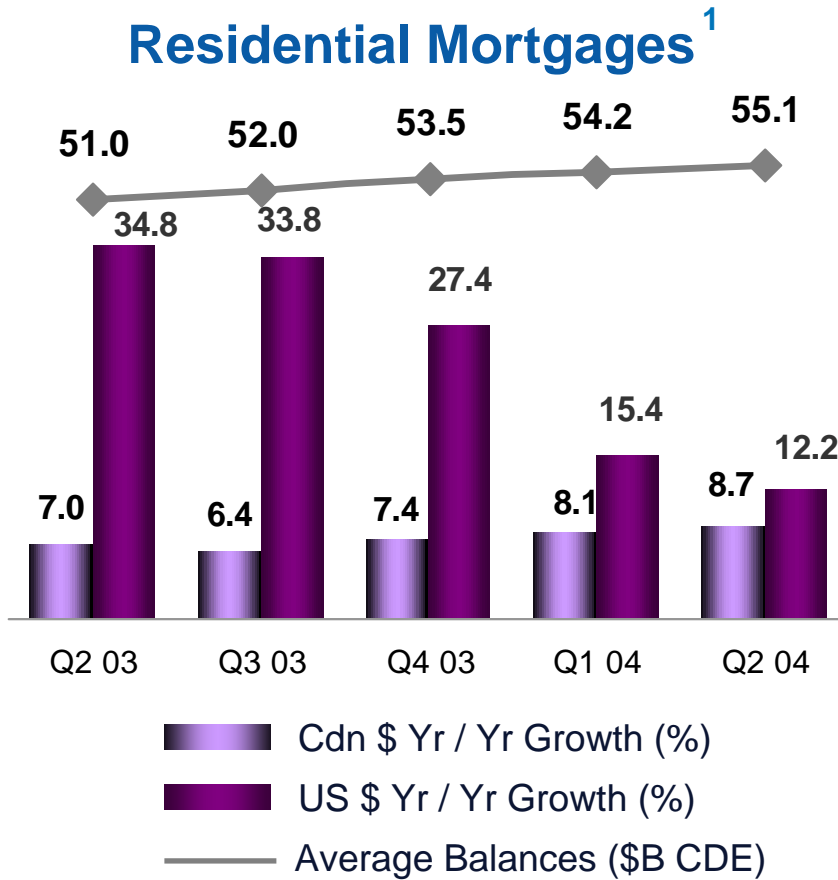
Business Loans (Banks) are issued by CBA on a calendar quarter and 3-month lag basis.

Q2 04 represents March share statistics.

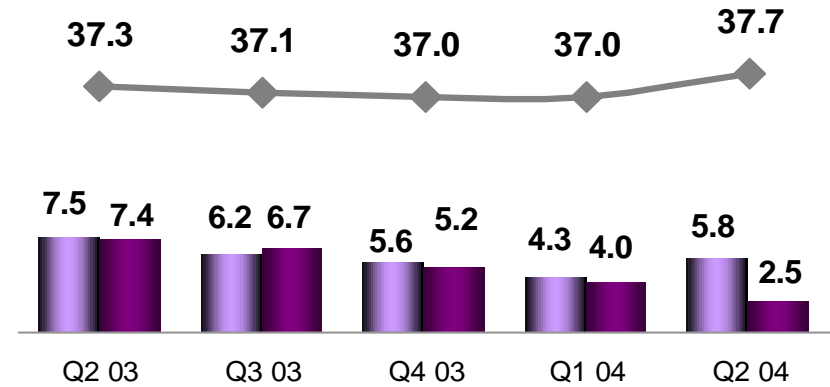
Personal & Commercial

Y/Y volume growth continues to perform well

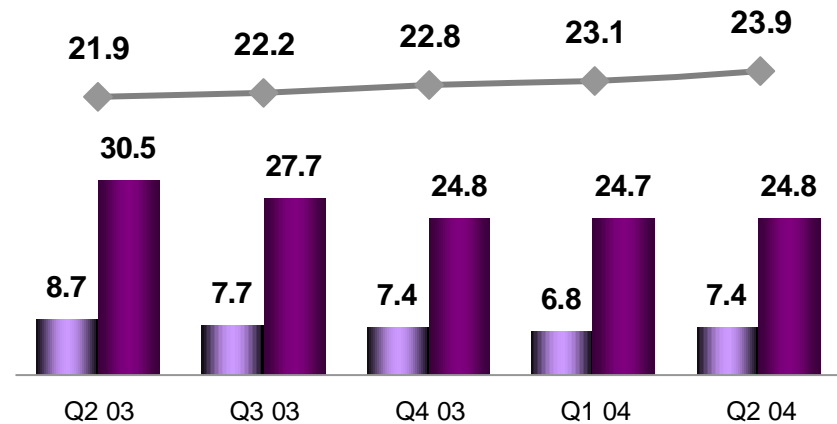
Residential Mortgages¹



Personal Deposits

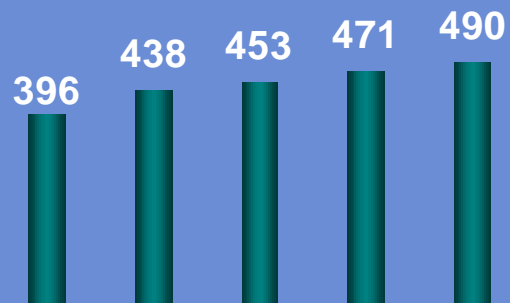


Personal Loans¹

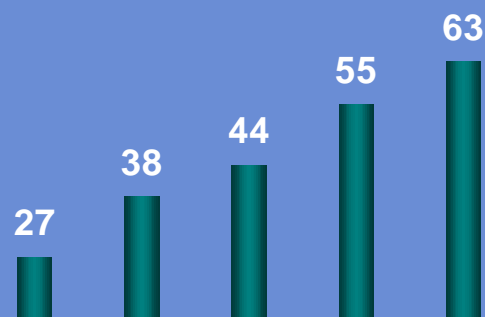


¹ Assets Owned & Managed

Revenue (\$MM)



Net Income (\$MM)



Cash Productivity Ratio (%)



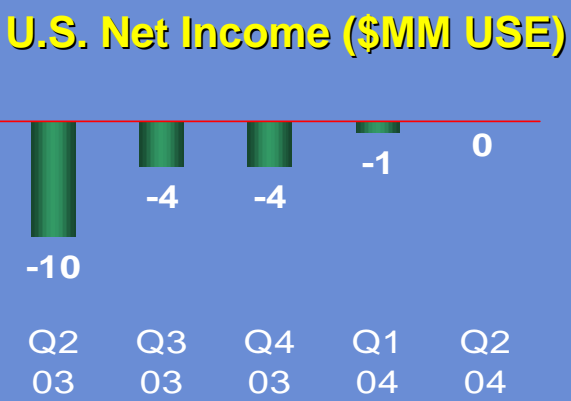
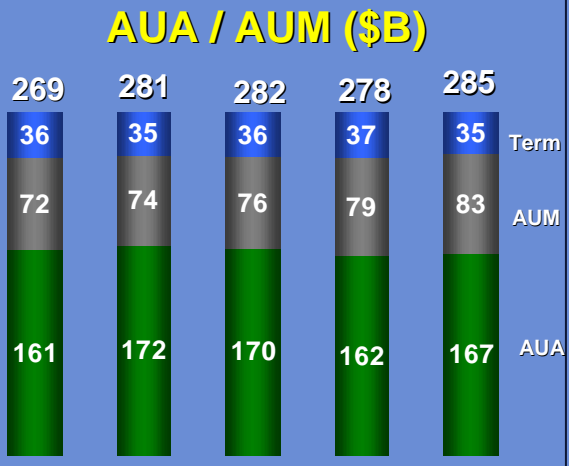
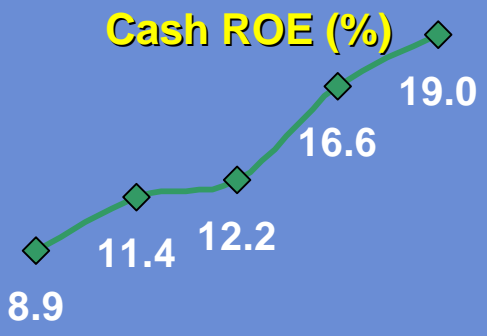
Q2 03 Q3 03 Q4 03 Q1 04 Q2 04

Private Client Group

Earnings up \$36MM or 140% Y/Y and achieved a 770 bps cash productivity improvement

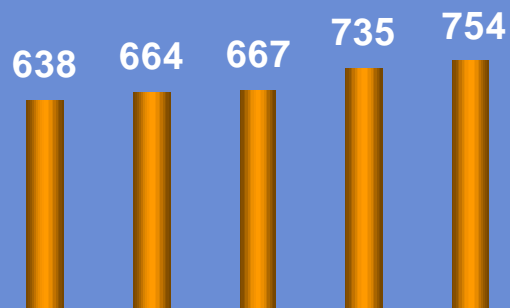
- Focused revenue generating initiatives combined with continued improvement in market fundamentals drove strong revenue growth
- Earnings growth reflects successful efforts to achieve sustainable improvements in profitability
- Continuous revenue growth combined with benefits of prior year's cost containment initiatives drive favourable cash productivity trend

Private Client Group

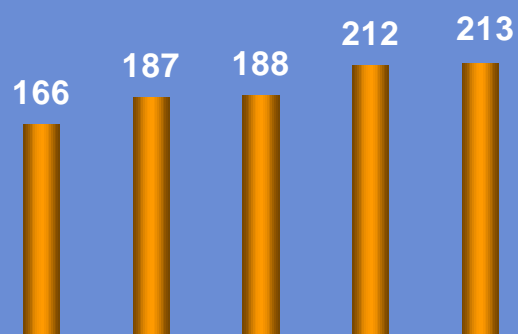


- Cash ROE improved 10.1 percentage points Y/Y and 2.4 percentage points Q/Q
- Strong asset growth of 14% Y/Y, excluding the foreign exchange impact on U.S. assets and the exit of assets associated with a sub-custodial client relationship that was discontinued in Q1/04 (minimal revenue impact)
- Continued improvement in U.S. results driven by revenue initiatives, stronger market fundamentals, and disciplined management of non-revenue based expenses

Revenue (\$MM)



Net Income (\$MM)



Cash Productivity Ratio (%)



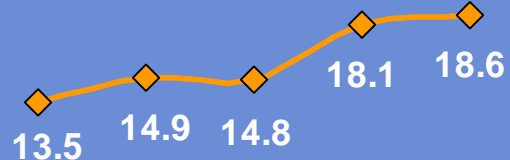
Q2	Q3	Q4	Q1	Q2
03	03	03	04	04

Investment Banking Group

Solid Earnings Momentum

- Record quarterly performance reflecting improving financial markets and credit cycle
- Stronger non-interest revenue is driving the improvement with notable increases in equity financings and trading activity
- Depressed lending volumes and a weak U.S. dollar continue to affect performance negatively
- Productivity improved compared to the prior year notwithstanding the negative impact of U.S. acquisition in mid 2003

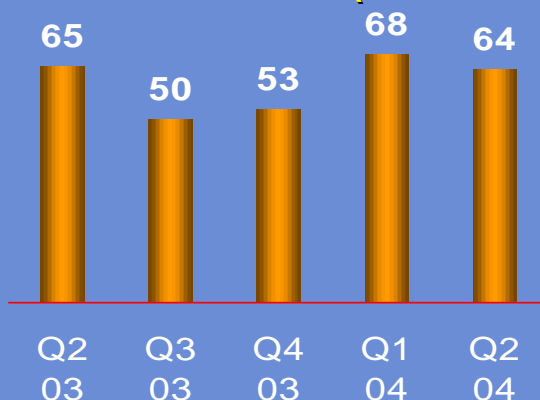
Cash ROE (%)



Net Interest Margin (%)



U.S. Net Income (\$MM USE)

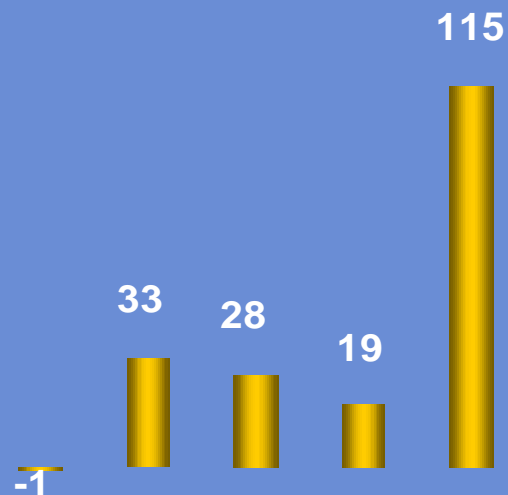


Investment Banking Group

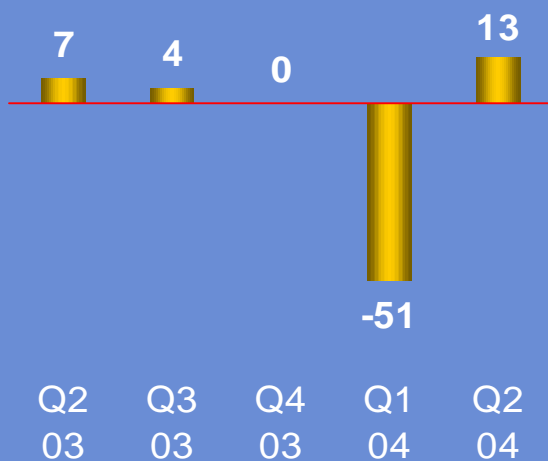
Significant ROE Improvement

- ROE continues to trend upwards, as we realize the benefits from our re-positioning in the North American market
- Overall margins decreased Y/Y and Q/Q due in part to unwinding of hedge contracts, which mostly offset the profitable sale of the associated non-core fixed income securities
- U.S. net income is trending favourably due to higher trading activity, solid origination and current year improvement in PCL. Q2 2003 includes a large commodities derivatives gain

Net Income Consolidated (\$MM)



U.S. Net Income (\$MM USE)



Corporate Support including Technology and Solutions

Increased contribution both Q/Q and Y/Y

- Q2 2004 up compared to Q1 2004 driven by higher securities gains in Q2, timing of earnings from certain U.S. subsidiaries and accounting changes recorded in Q1
- Q2 2004 improvement over Q2 2003 driven by lower specific provision for credit losses, a reduction in the general allowance, higher securities gains and timing of earnings

Appendix

EPS GROWTH
39.5%

Annual Target 10 - 15%

ROE
19.4%

Annual Target 16 – 18%

SPECIFIC PCL
\$ 100 MM

Annual Target < \$500MM

TIER 1 CAPITAL
9.67%

Annual Target > 8.0%

CASH PRODUCTIVITY
63.0%

Annual Target 150 –
200 bps improvement

2004 YTD Financial Highlights

- **Net Income \$1,134 MM**
- up 40% YTD
- **Cash Productivity Ratio 63.0%**
- 330 bps improvement YTD
- **Specific PCL at \$100 MM**
- \$100 MM annual specific provision net of \$80 MM reduction of general allowance (\$20 MM net)
- reflects favourable credit environment
- **Annual Specific Provision for Credit Losses** now anticipated to be \$300 MM or less, excluding reduction of general allowance
- **Operating Groups**
- Y/Y growth in all Operating Groups

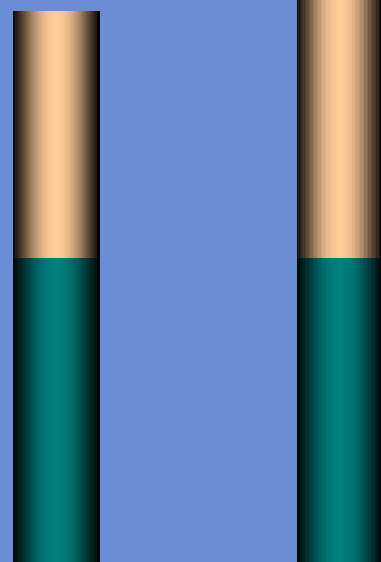
Financial Summary YTD 2004

Performance Measure	YTD 2004	YTD 2003
Net Income	1,134	808
Cash EPS – Diluted (\$/share)	2.20	1.60
EPS – Diluted (\$/share)	2.12	1.52
Cash Return on Equity (%)*	20.1	15.5
Return on Equity (%)*	19.4	14.7
Revenue Growth – Y/Y (%)	7.7	2.2
Expense Growth – Y/Y (%)	2.2	4.0
Cash Productivity Ratio (%)	63.0	66.3
Productivity Ratio (%)	64.1	67.5
PCL/Avg. Loans Accept. (%)*	0.03	0.36
Capital: Tier 1 Capital	9.67	9.10

* Annualized

YTD Total Revenue \$MM

4,526 4,877



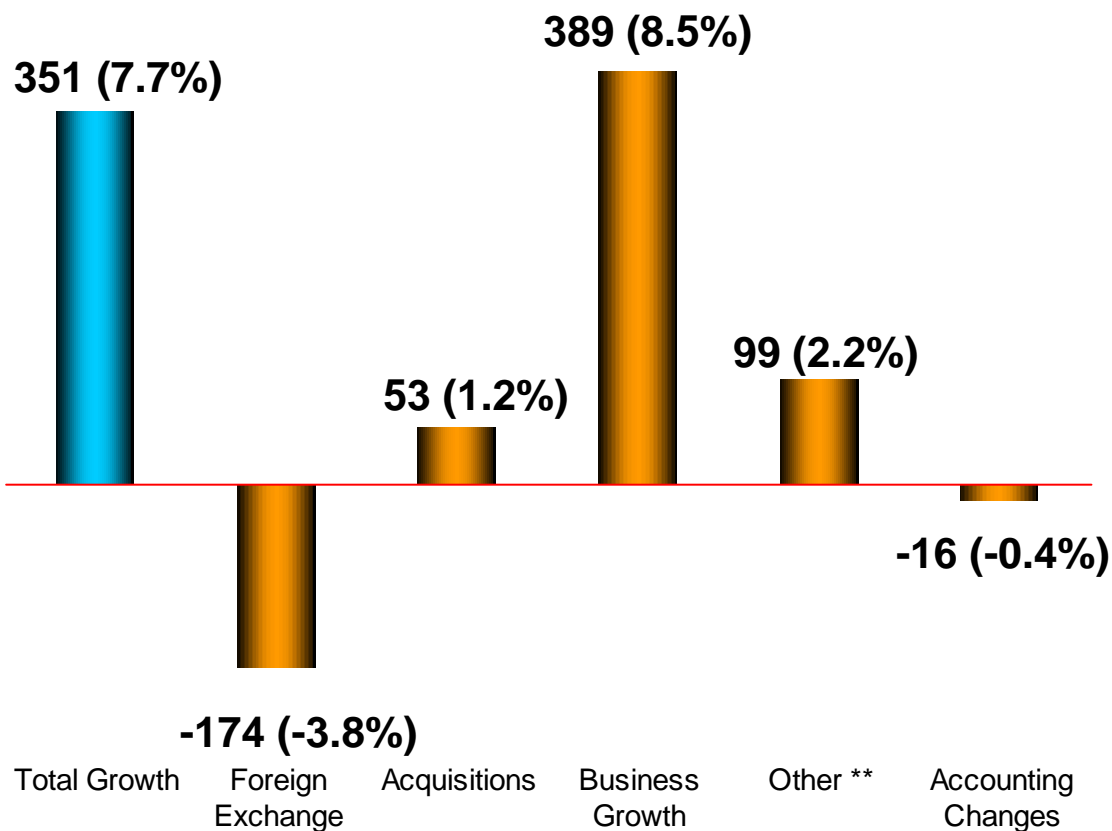
2003

2004

Net Interest Income Non-Interest Revenue

Revenue Growth

YTD Fiscal 2004 vs YTD Fiscal 2003 (\$MM)



** "Other" comprised of net investment securities gains, net of adjustment to credit card fees and funding breakage costs

**YTD Non-Interest
Expense
\$MM**

3,057

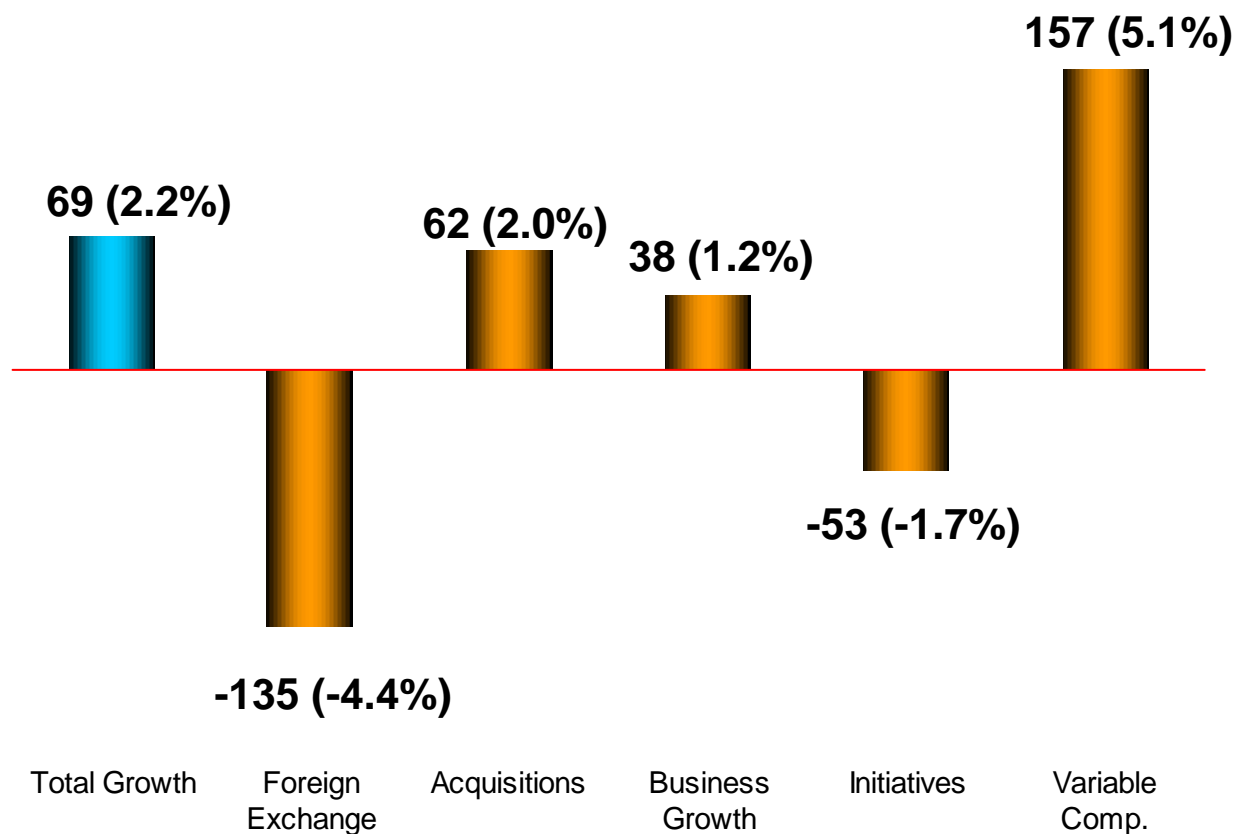
3,126

2003

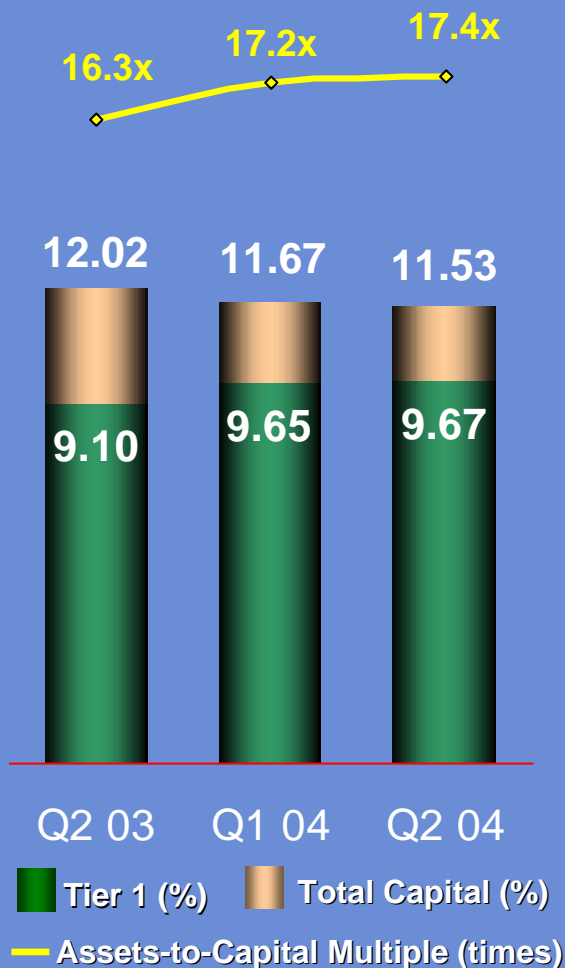
2004

Expense Growth

**YTD Fiscal 2004 vs YTD Fiscal 2003
(\$MM)**



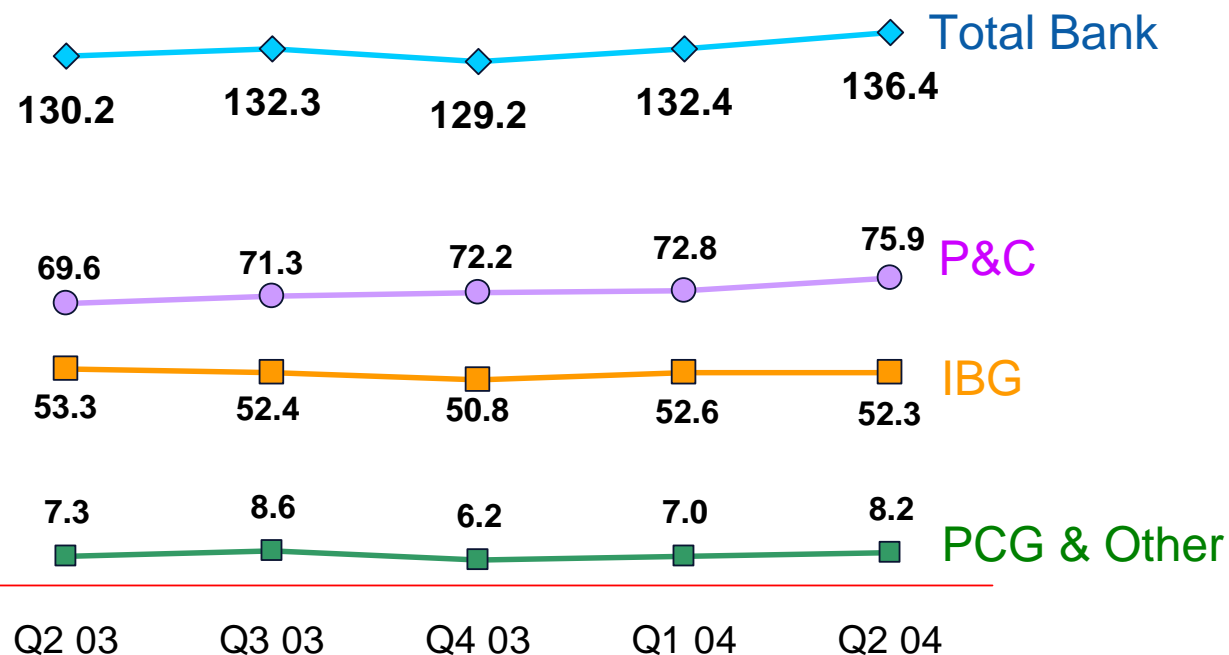
Enterprise-Wide Capital Management



Capital & Risk Weighted Assets

Tier 1 capital ratio increased as internal capital generation more than offset RWA growth

Risk Weighted Assets (\$B)



North American Direct Investing ¹

Higher client trade volumes and asset growth driven by an enhanced client offering and rising investor confidence

Measure	Q2 2003	Q1 2004	Q2 2004	Y/Y Change
Trades / Day (000)	15	25	28	87%
Customer Assets (\$B)	42	52	55	31%
Active Accounts (000) ²	803	765	755	-6%
New Accounts (000)	17	19	24	45%

¹ North American Direct Investing includes Harrisdirect and BMO InvestorLine

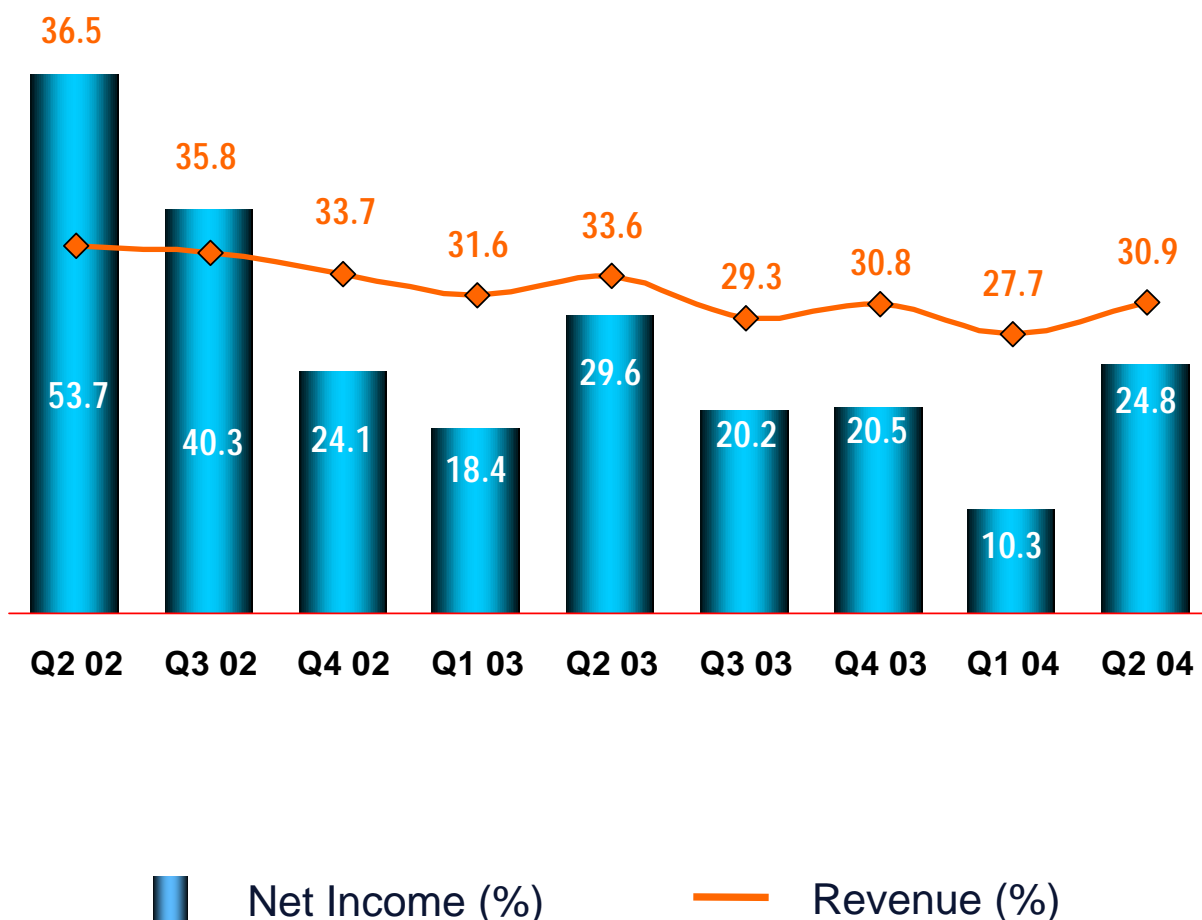
² Active accounts declined Y/Y, in line with industry peer group

U.S. to North American Revenue & Net Income

- Revenue contribution from U.S.-based business remains within 25 – 35% range
- Net income from U.S.-based business \$130MM or 24.8%
- Weaker U.S. dollar and improved performance of Canadian operations contributed to Y/Y decline
- Improvement Q/Q driven by improved results in Corporate and lower PCL

U.S. Results

Reduced U.S. contribution Y/Y – driven primarily by weaker U.S. dollar and improved performance from Canadian operations



U.S. P&C and Harris Mid-Market

Revenue



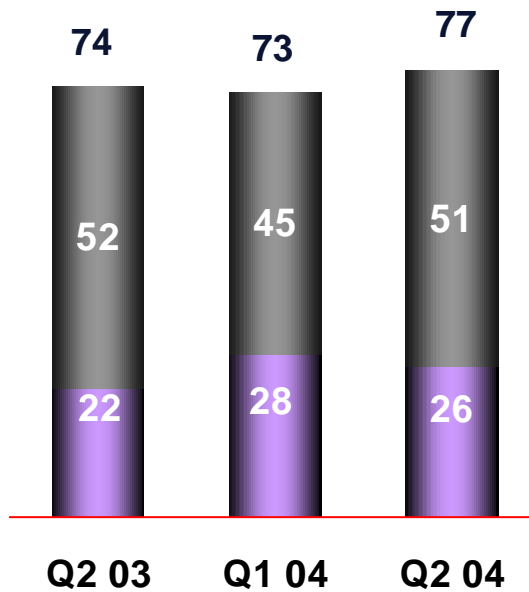
Expense



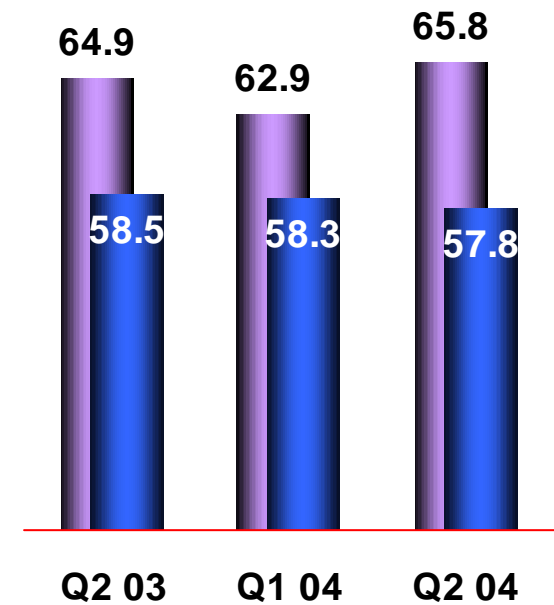
U.S. Retail And Mid-Market

Operations represent 40% of U.S. revenue and 22% of U.S. expenses in Q2 2004

Net Income (C\$MM)



Productivity Ratio (%)



P&C U.S. Reported

U.S. Mid-Market

Total P&C Reported

Total P&C U.S. Including U.S. Mid-Market

U.S./Canadian Exchange Rate

- \$5 MM pre-tax earnings increase Q/Q and \$21 MM reduction Y/Y
- Excluding hedging, a one cent change in the CDN/U.S. exchange rate changes quarterly earnings by approximately \$1 MM pre-tax

U.S./Canadian Exchange

\$MM	Q/Q
Increased Revenue	18
Increased Expense	(12)
Increased Provision for Credit Losses	(1)
Hedging gains	-
Total Pre-tax Impact	5

\$MM	Y/Y
Reduced Revenue	(67)
Reduced Expense	43
Reduced Provision for Credit Losses	3
Hedging gains	-
Total Pre-tax Impact	(21)