

# Q2 05

## STRATEGIC OVERVIEW

*Investor Community  
Conference Call*

## TONY COMPER

*President and  
Chief Executive Officer*

MAY 25 • 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 presentation, and may be included in 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. Forward-looking statements may involve, but are not limited to, comments with respect to our objectives for 2005 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.

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## A MIXED SECOND QUARTER

Performance Measure	Q2 2005	Q2 2004
Net Income	\$600 MM	\$591 MM
Cash Net Income	\$621 MM	\$610 MM
EPS	\$1.16	\$1.12
Cash EPS	\$1.21	\$1.17
Cash Productivity	64.0%	62.9%
Return on Equity	19.5%	20.4%



## COMMITTED TO ACHIEVING ANNUAL TARGETS

Performance Measure	YTD 2005	F2005 Target
EPS Growth <sup>1</sup> (base of \$4.21)	12%	3-8%
Specific Provision for Credit Losses	\$89 MM	\$400 MM or less <i>Now estimated to be:</i> \$275 MM or less <i>Down from the \$350 MM estimate established in Q1 05</i>
Cash Productivity Ratio	90 bps improvement <sup>2</sup>	150-200 bps improvement
Return On Equity	19.5%	17-18%
Tier 1 Capital	9.38%	Minimum 8%

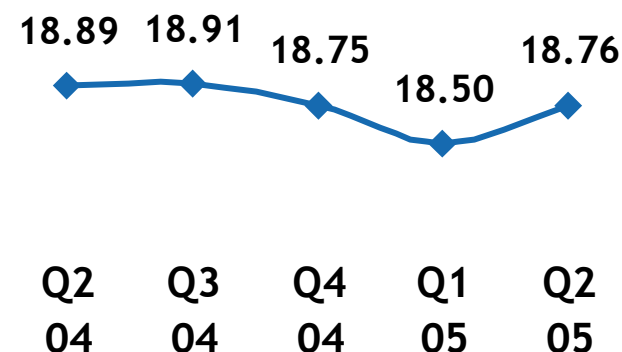
<sup>1</sup> Excluding changes in the general allowance

<sup>2</sup> Cash productivity improvement YTD excluding VIE benefit is 31 bps

## GROWING STRENGTH IN CANADIAN MID-MARKET COMMERCIAL

- Ranked #2 in Business Banking Loans (\$0 - \$5 MM), with improvement in market share this quarter
- Mid-Market Commercial Loans (greater than \$5 MM) now comprise one-third of our total commercial book in Canada
- Experiencing double-digit growth in commercial deposits

Business Banking Loans  
(\$0 - \$5 MM) Market Share  
%



Source: CBA on a one calendar quarter lag basis. (Q2 2005: December 2004)

## ECONOMIC UPDATE FOR 2005

### Canada

- Firm consumer spending and business investment, but weak exports due to strong C\$
- Short-term interest rates, though likely to rise modestly later this year, will continue to stimulate the economy
- Economic expansion to support personal loans and business banking
- Residential mortgage growth should slow through the year from its fast pace as pent up demand eases

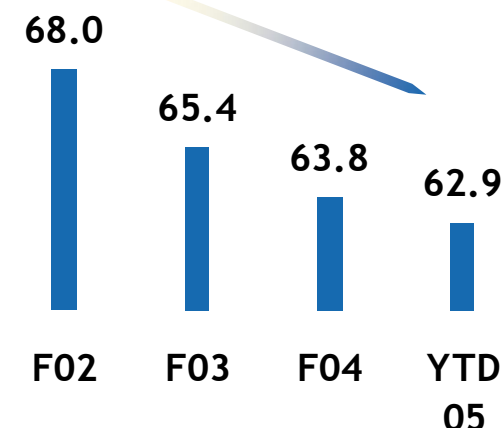
### U.S.

- Economy should continue to perform well for the balance of the year, though growth will moderate amid rising interest rates
- Short-term interest rates will continue to increase at a modest pace, flattening the yield curve
- Housing market will cool down as rates rise, but strong capital spending will support business loans
- Consolidation will continue in response to deregulation

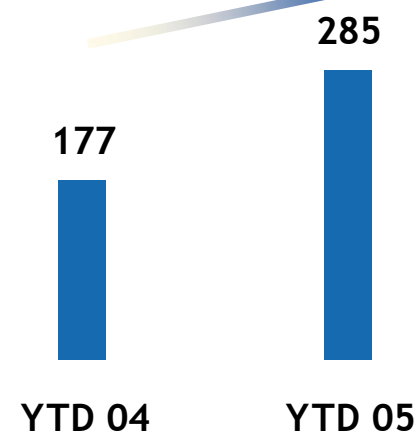
## 2005 KEY AREAS OF FOCUS

- Continue to improve cash productivity
- Continue to improve U.S. performance
  - Integration of Mercantile Bancorp ahead of plan
  - Charter consolidation to be completed at the end of May 2005
  - Ongoing monitoring of *Harrisdirect* performance
- Accelerate growth in the U.S. both organically and through acquisitions
  - Retail expansion beyond the Chicago-area a key driver of growth
  - Goal to become #1 Personal and Commercial bank in the U.S. Midwest

Total Bank Cash Productivity (%)



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







STRATEGIC HIGHLIGHTS - SECOND QUARTER 2005



## CONTACT INFORMATION

**Susan Payne**

*Senior Vice President*

(416) 867-6656

[susan.payne@bmo.com](mailto:susan.payne@bmo.com)

**Steven Bonin**

*Director*

(416) 867-5452

[steven.bonin@bmo.com](mailto:steven.bonin@bmo.com)

**Krista White**

*Senior Manager*

(416) 867-7019

[krista.white@bmo.com](mailto:krista.white@bmo.com)

**FAX**

(416) 867-3367

**E-mail**

[investor.relations@bmo.com](mailto:investor.relations@bmo.com)

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