



BMO  **Financial Group**

FINANCIAL RESULTS
THIRD QUARTER 2004

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Senior Executive Vice President & CFO

Investor Community Conference Call
August 24, 2004

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 2004 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 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

30.5%

Annual Target 10 - 15%

ROE

21.0%

Annual Target 16 – 18%

SPECIFIC PCL

\$ (70) MM

Annual Target < \$500MM

TIER 1 CAPITAL

9.44%

Annual Target > 8.0%

CASH PRODUCTIVITY

62.4%

Annual Target 150 –
200 bps improvement

Q3 2004 *Financial Highlights*

- **Record net income of \$654 MM**
 - up 30% Y/Y and up 9% Q/Q
- **Significant improvement in credit performance**
 - \$110 MM net recovery of credit losses in quarter
- **Strong Y/Y business growth in operating groups**
 - volume-based revenue growth
 - cost containment
- **Cost management remains a focus**
 - Cash productivity ratio relatively flat Q/Q however expenses decreased
- **PCL estimate further revised**
 - Annual specific PCLs \$100 MM or less

Financial Summary Q3 2004

Performance Measure	Q3 2004	Q3 2003	Q2 2004
Net Income (\$ MM)	654	504	602
Cash EPS – Diluted (\$/share)	1.27	0.99	1.17
EPS – Diluted (\$/share)	1.24	0.95	1.12
Cash Return on Equity (%)*	21.7	18.8	21.1
Return on Equity (%)*	21.0	18.0	20.4
Revenue Growth – Y/Y (%)	3.9	8.9	12.1
Expense Growth – Y/Y (%)	3.6	(0.2)	5.4
Cash Productivity Ratio (%)	62.4	62.6	62.2
Productivity Ratio (%)	63.5	63.7	63.2
PCL/Avg. Loans Accept. (%)*	(0.28)	0.24	0.01
Capital: Tier 1 Capital (%)	9.44	9.21	9.67

* Annualized

Q/Q Earnings Growth Drivers:

- Lower specific provision for credit losses
- Strong operating performance in P&C with IBG and PCG slowing due to softening capital markets
- “Other” includes net investment securities gains, net of adjustment to credit card fees and losses on unwinding hedges

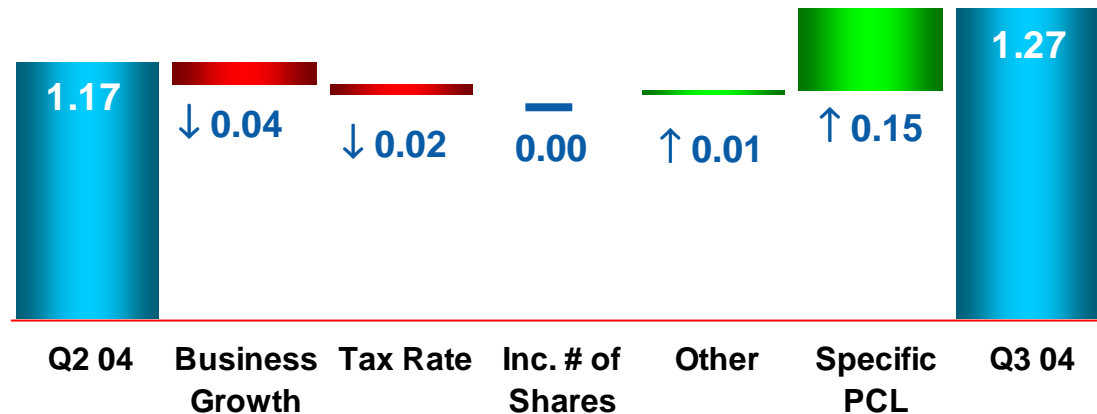
Y/Y Earnings Growth Drivers:

- Lower specific provision for credit losses plus reduction of the general allowance
- Improved overall operating group performance
- Improved volumes combined with slightly higher net interest margin
- “Other” includes net investment securities gains

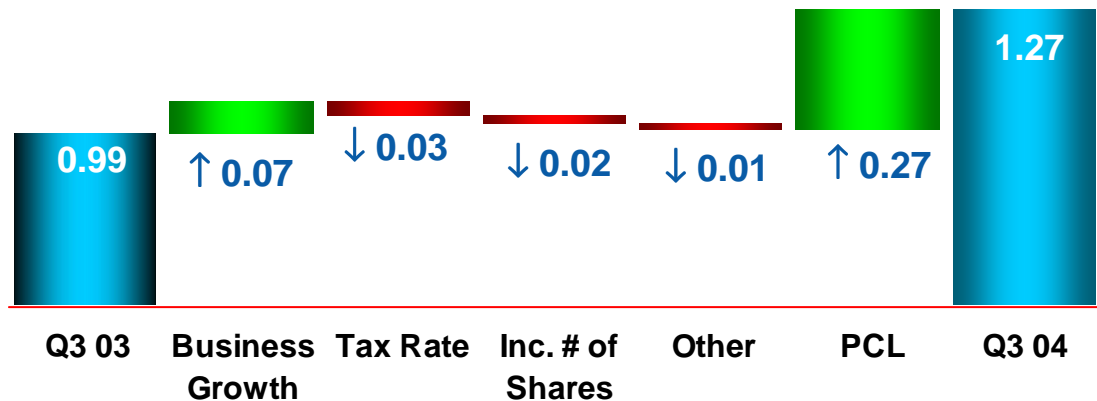
Cash EPS Growth (\$/share)

Strong credit performance driving growth

Q3 '04 vs Q2 '04 (\$MM)



Q3 '04 vs Q3 '03 (\$MM)



Q/Q Business Growth

- Increase in P&C due to volume growth, higher transaction based revenues and two additional days in the quarter
- Decline in IBG and PCG due to lower securities trading commissions and underwriting fees
- Decline in Corporate due to lower net investment securities gains and translation gains
- "Other" includes net investment securities gains, net of adjustment to credit card fees and losses on unwinding hedges

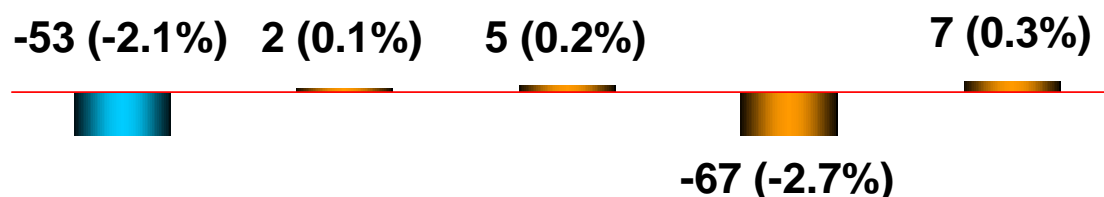
Y/Y Business Growth

- Increased volumes in each of the operating groups
- Stronger origination activity and the addition of HNG in IBG
- Increased fee and commission revenues in PCG
- "Other" includes net investment securities gains

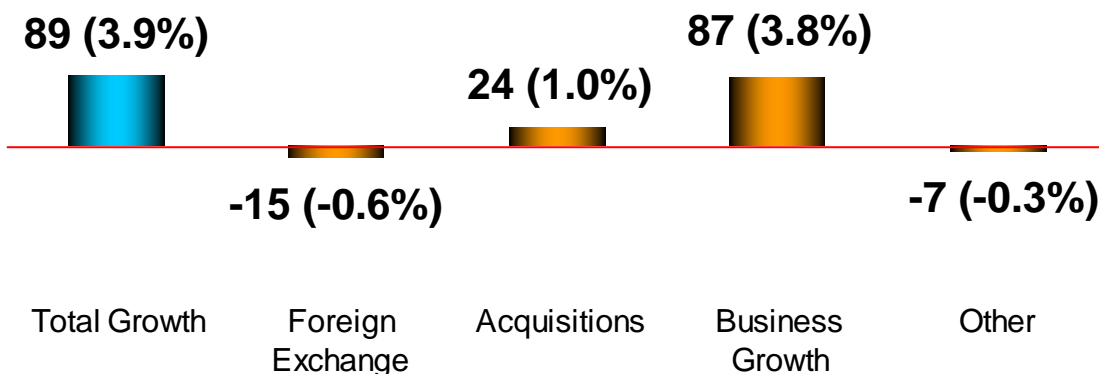
Revenue Growth

Revenue lower Q/Q as capital markets soften

Q3 '04 vs Q2 '04 (\$MM)

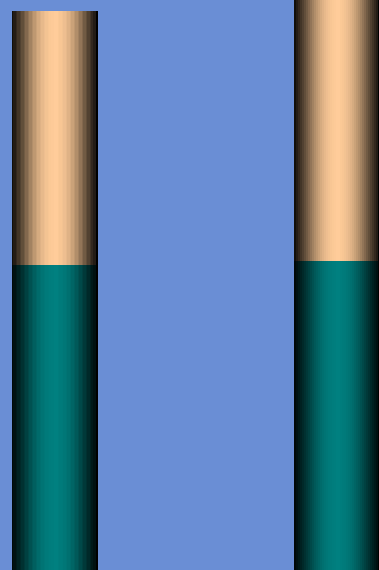


Q3 '04 vs Q3 '03 (\$MM)



YTD Total Revenue \$MM

6,860 7,300



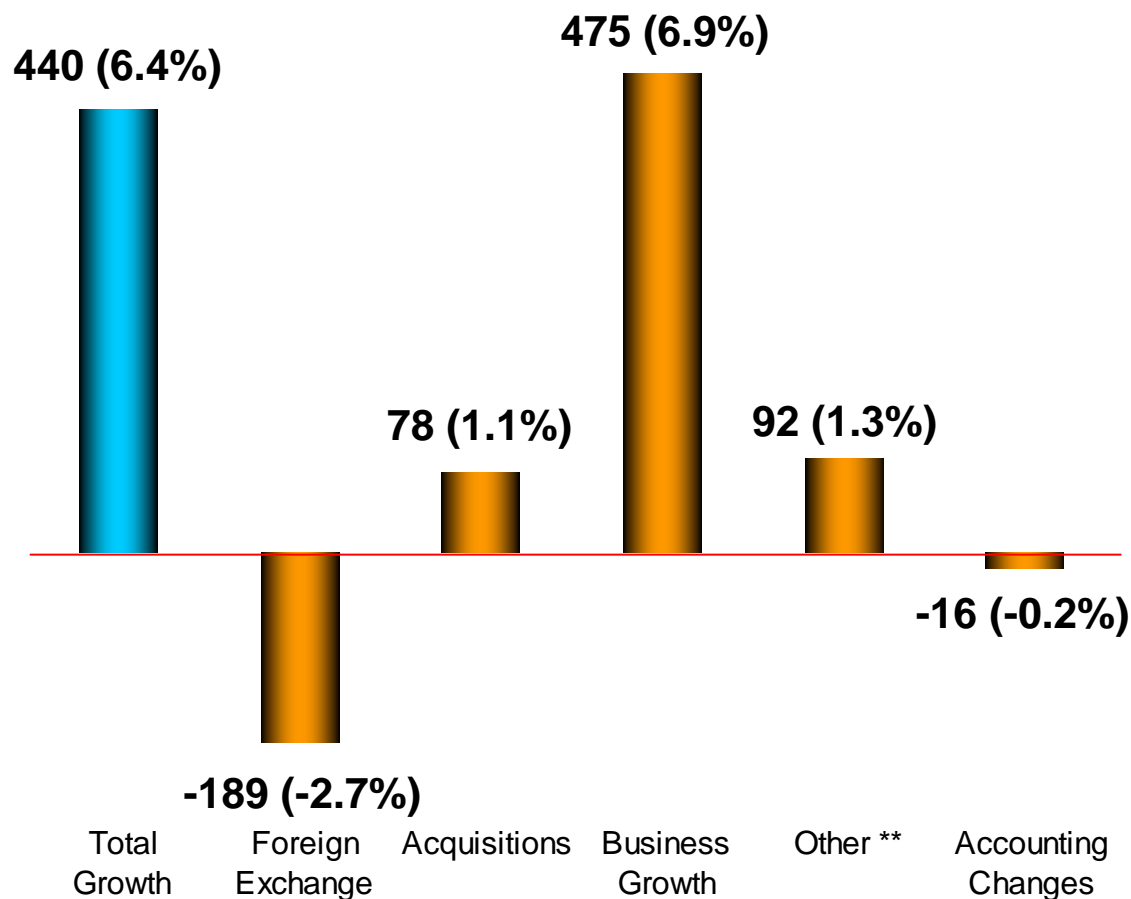
2003

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 losses on unwinding hedges

Q/Q NIM Changes

- Margins increased due to:
 - Improvement in IBG due to interest received on loans previously classified as impaired, the unwinding of hedges associated with sale of investment securities in Q2, and product mix
 - Modest increase in P&C Canada due to non-core activities in the commercial segment

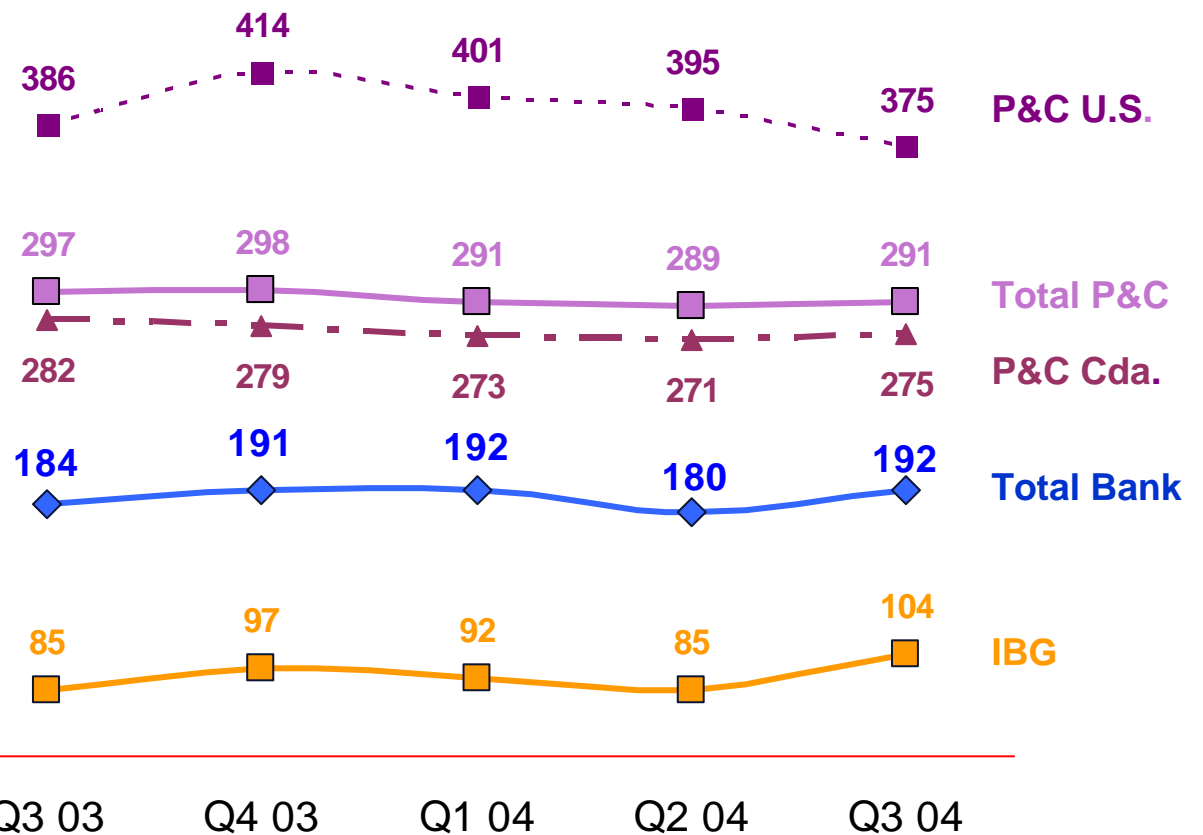
Y/Y NIM Changes

- Margins increased due to:
 - Improved margin in IBG mainly due to interest received on loans previously classified as impaired and improved performance in the equity derivatives business
 - Narrower spreads in P&C due mainly to growth in low spread residential mortgages and shifts in consumer preferences

Net Interest Margins

Margins up Q/Q and Y/Y

Net Interest Margin (bps)



Q/Q Business Growth

- Lower performance-based compensation (-\$28 MM), primarily in IBG and PCG

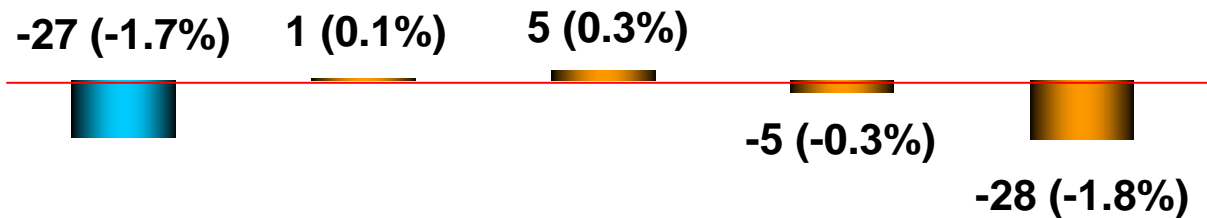
Y/Y Business Growth

- Higher performance-based compensation (\$41 MM) in line with improved operating group performance Y/Y
- Higher expenses relating to acquisitions of HNG, Lakeland and NLSB
- Operating expenses down almost 1% Y/Y, reflecting expense control

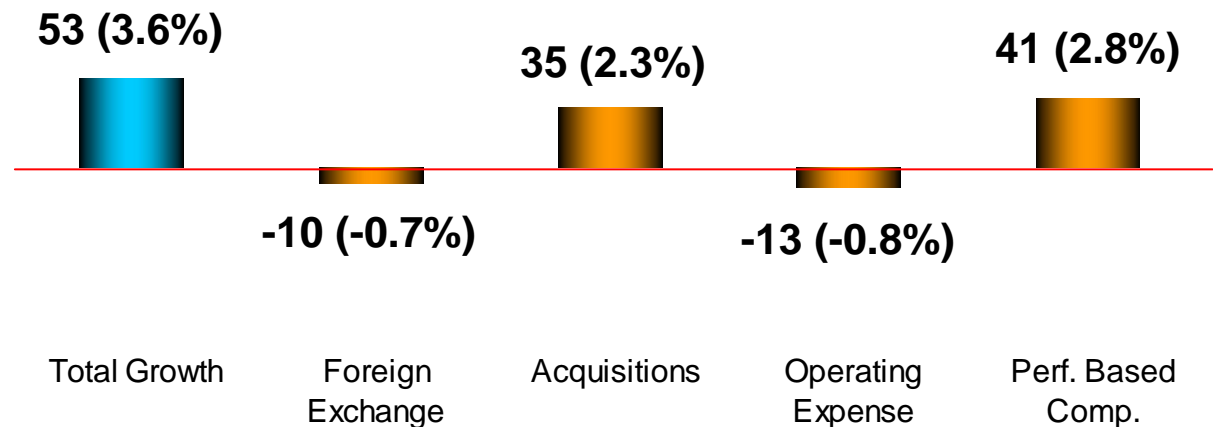
Expense Growth

Continued operating expense control

Q3 '04 vs Q2 '04 (\$MM)



Q3 '04 vs Q3 '03 (\$MM)



Expense Analysis (\$MM)

Employee Compensation:

- Lower performance-based compensation ↓ 28
- Lower benefit costs ↓ 6
- Higher salaries ↑ 18

Employee Compensation:

- Higher performance- based compensation ↑ 41
- Higher benefit costs ↑ 15
- Lower Salaries ↓ 6

Non-Interest Expense Analysis

Q/Q	Q3 2004	Q2 2004	B/(W)
Employee Compensation	919	935	16
Premises & Equipment	311	315	4
Communications	33	34	1
Other Expenses	248	255	7
Amortization of Intangible Assets	27	26	(1)
Total Non-Interest Expense	1,538	1,565	27

Y/Y	Q3 2004	Q3 2003	B/(W)
Employee Compensation	919	869	(50)
Premises & Equipment	311	301	(10)
Communications	33	39	6
Other Expenses	248	250	2
Amortization of Intangible Assets	27	26	(1)
Total Non-Interest Expense	1,538	1,485	(53)

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

4,542

4,664

2003

2004

Expense Growth

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

122 (2.7%)

97 (2.1%)

198 (4.4%)

-28 (-0.6%)

-145 (-3.2%)

Total Growth

Foreign
Exchange

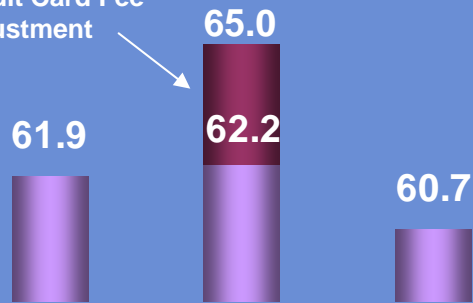
Acquisitions

Operating
Expense

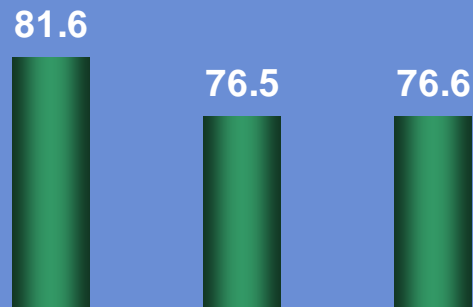
Perf. Based
Comp.

Cash Productivity (%) P&C

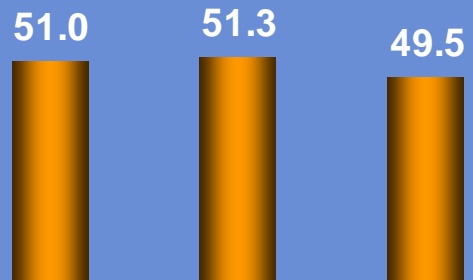
Credit Card Fee Adjustment



PCG



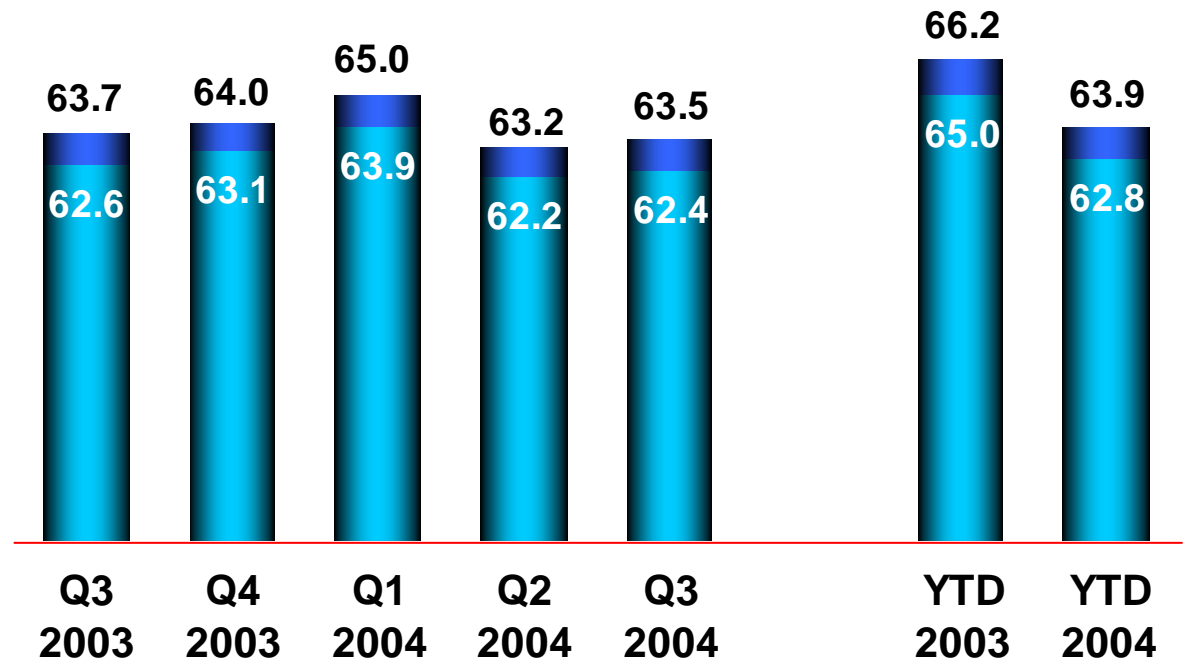
IBG



Q3 03 Q2 04 Q3 04

Productivity Ratio

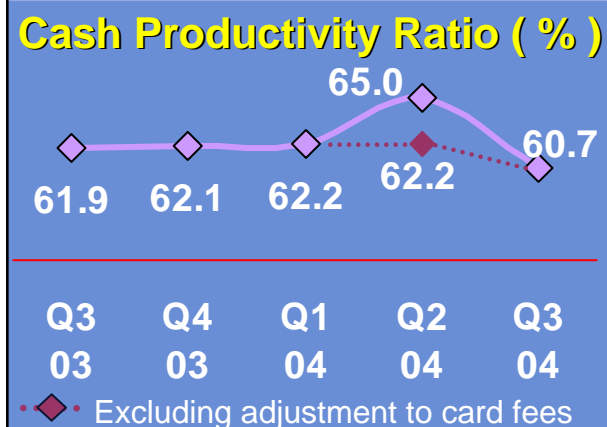
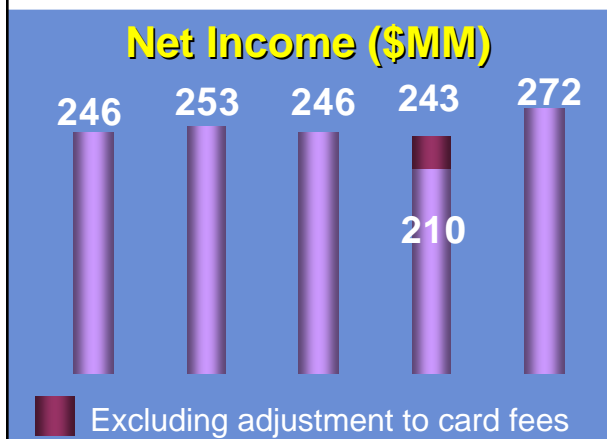
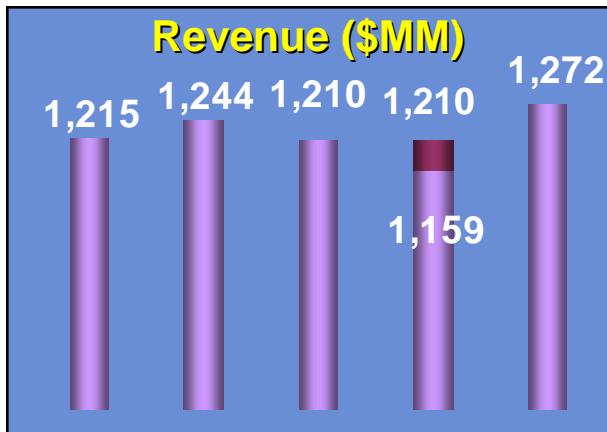
Continuing focus on cost management a priority



■ Cash ■ Accrual

Fiscal 2004 Targets

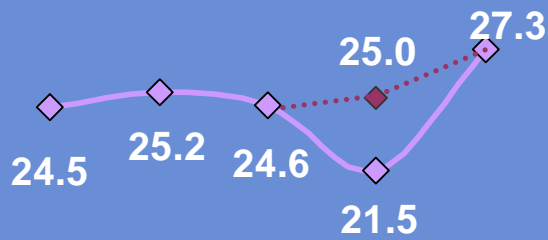
Performance Measure	YTD 2004	F2004 Target
EPS Growth (vs. YTD 2003)	36%	10 – 15%
Specific Provision for Credit Losses	\$30 MM YTD (before \$120 MM reduction to the General Allowance)	\$500 MM or less <i>Now estimated to be:</i> \$100 MM or less
Cash Productivity Ratio (vs. YTD 2003)	220 bps improvement	150 – 200 bps improvement
Return On Equity (annualized)	20%	16 – 18%
Tier 1 Capital	9.44%	Minimum 8%



Personal & Commercial

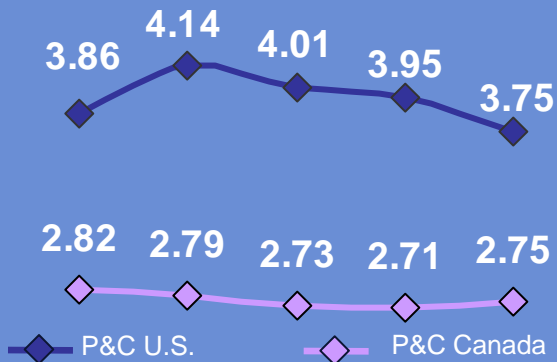
- The Q/Q revenue increase is due primarily to strong volume growth, the impact of two additional days in the quarter and a \$51MM (\$33MM after tax) adjustment to card fees recorded in the previous quarter.
- In Canada, strong Y/Y volume growth was partially offset by lower net interest margins resulting from competitive pressures, the historical low rate environment and shifting customer product preferences.
- U.S. retail and business banking revenue improvement Y/Y reflects loan and deposit growth more than offsetting the impact of the weaker U.S. dollar.
- Net income increased by 10% Y/Y and 11% Q/Q, excluding the cards fee adjustment for Q2.
- Cash productivity improved by 120 bps Y/Y and 180 bps YTD compared to the prior year, excluding the cards fee adjustment recorded in Q2.

Cash ROE (%)



◆ Excluding adjustment to card fees

Net Interest Margin (%)



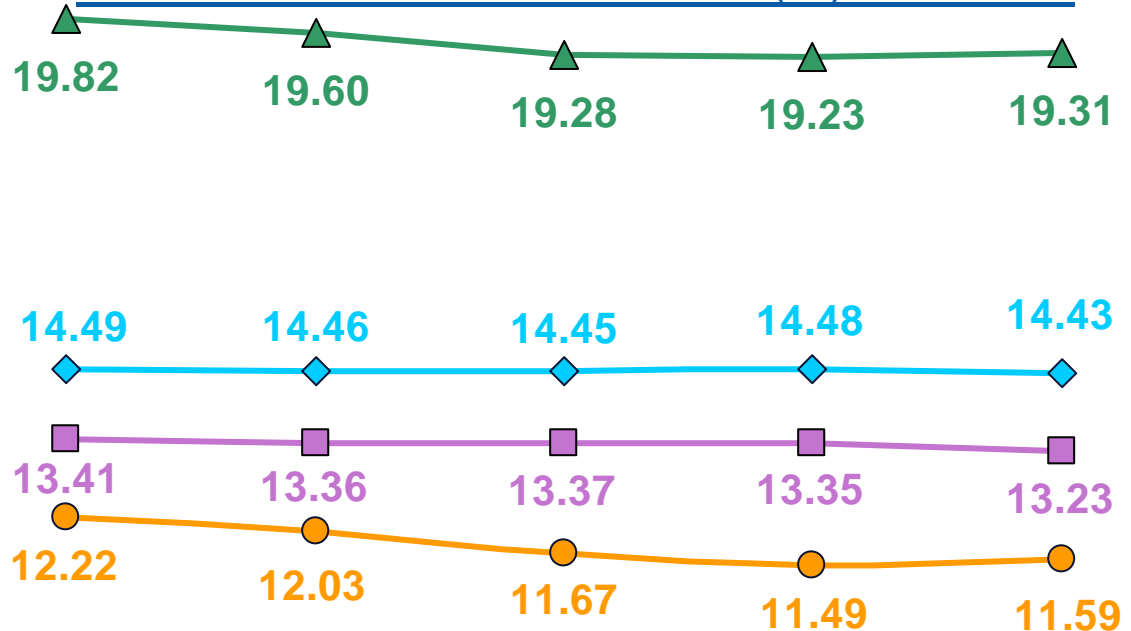
U.S. Net Income (\$MM USE)



Personal & Commercial

Personal and Business Banking loans show improvement in the quarter

Canadian Market Share (%): Banks*



Q3 03

Q4 03

Q1 04

Q2 04

Q3 04

◆ 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.

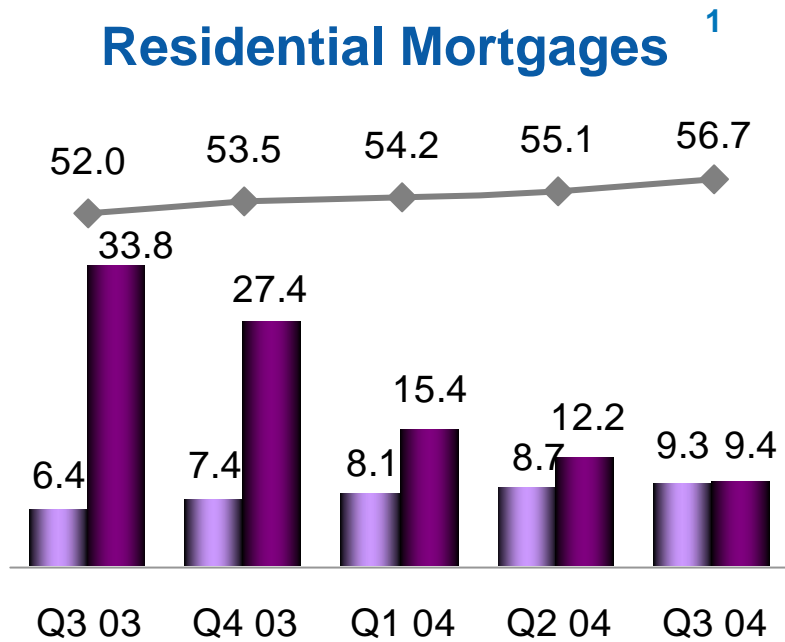
Business Loans (Banks) are issued by CBA on a calendar quarter and 3-month lag basis.

Q3 04 represents June share statistics.

Personal Products – Canadian and U.S. Balances

Y/Y volume growth continues

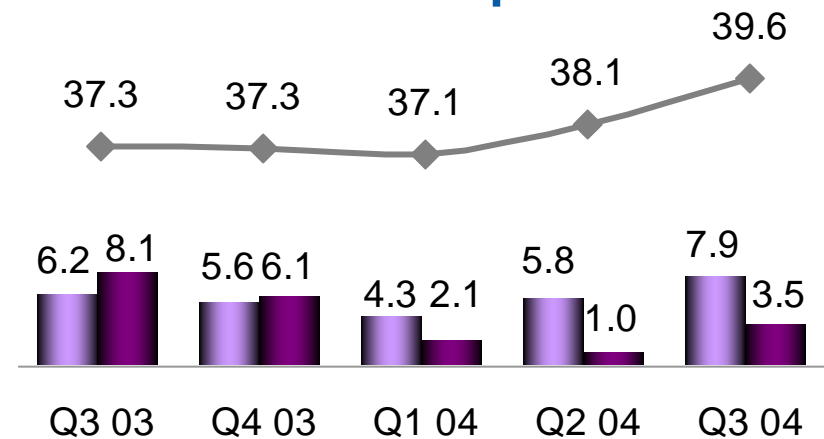
Residential Mortgages ¹



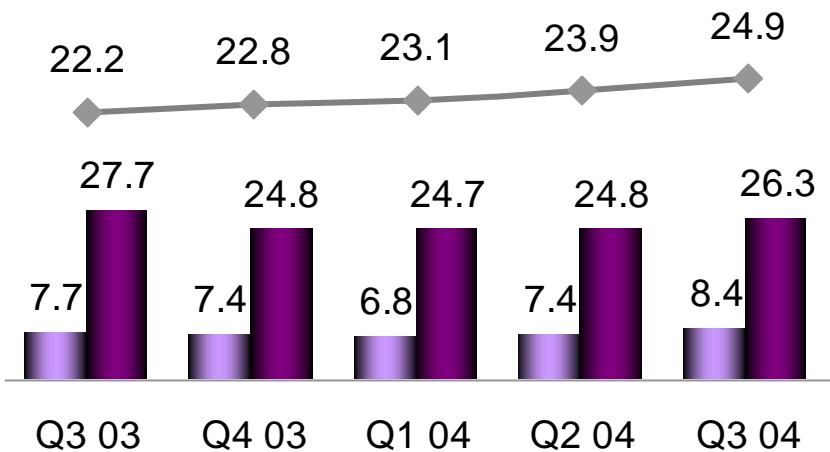
Cdn \$ Yr / Yr Growth (%)
 US \$ Yr / Yr Growth (%)
 Average Balances (\$B CDE)

¹ Assets Owned & Managed

Personal Deposits



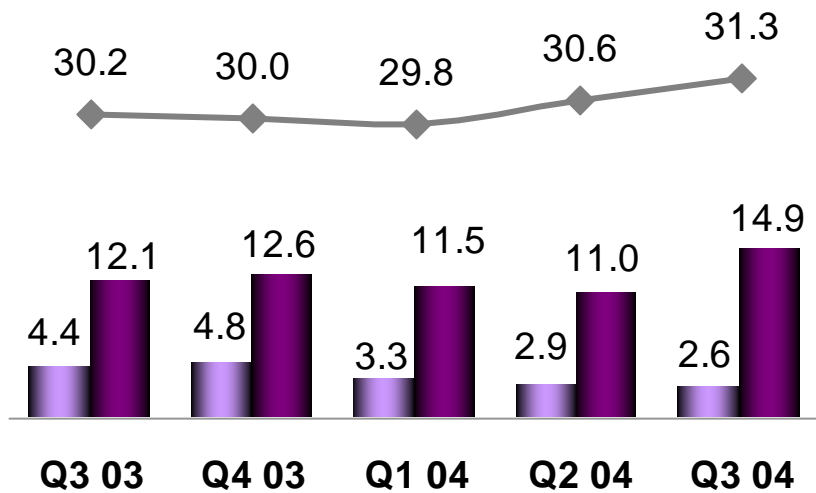
Personal Loans ¹



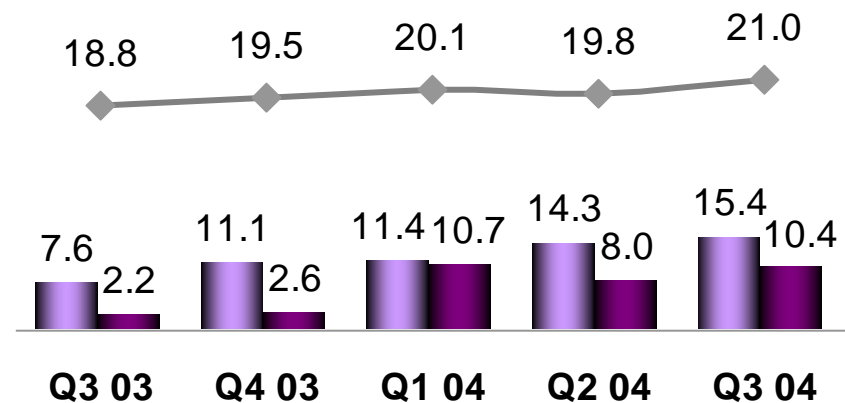
Commercial Products- Canadian and U.S. Balances




Y/Y volume growth continues

Commercial Loans

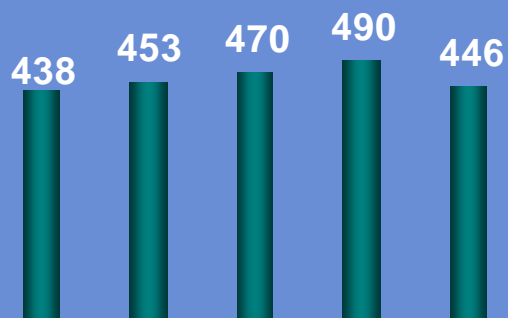


Commercial Deposits

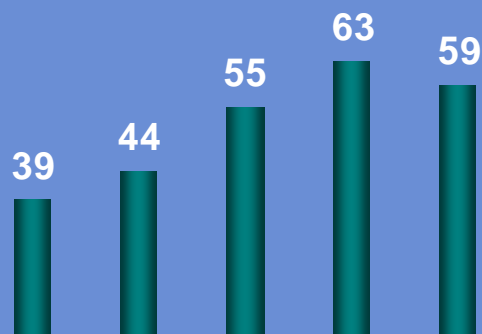


-  Cdn \$ Yr / Yr Growth (%)
-  US \$ Yr / Yr Growth (%)
-  Average Balances (\$B CDE)

Revenue (\$MM)



Net Income (\$MM)



Cash Productivity Ratio (%)



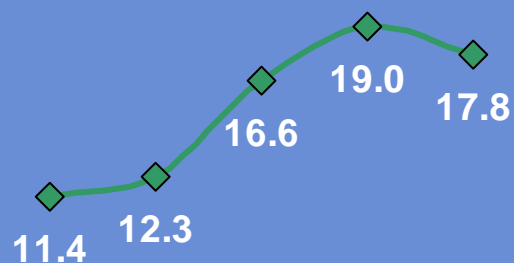
Q3	Q4	Q1	Q2	Q3
03	03	04	04	04

Private Client Group

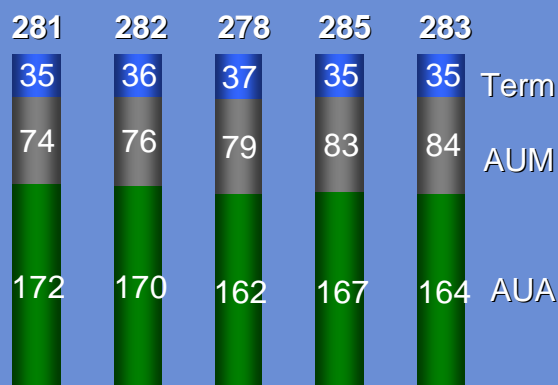
Earnings up \$20MM or 54% Y/Y and achieved a 500 bps cash productivity improvement

- Y/Y revenues up on fee-based revenue growth, while Q/Q revenue lower as relatively softer market conditions affected client trading volumes.
- Positive net income trend, with Q3 moderately under record Q2 results.
- Revenue growth combined with benefit of cost reduction initiatives drive favourable cash productivity trend.

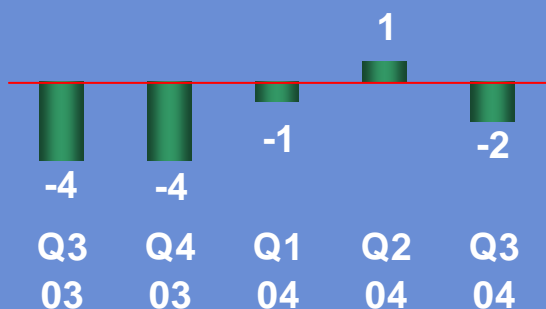
Cash ROE (%)



AUA / AUM (\$B)



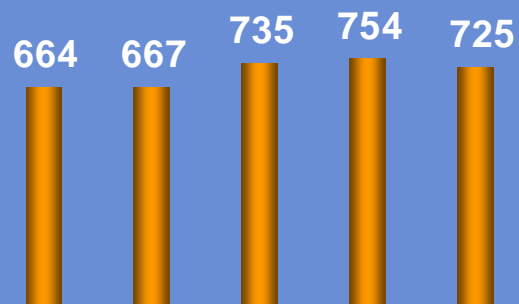
U.S. Net Income (\$MM USE)



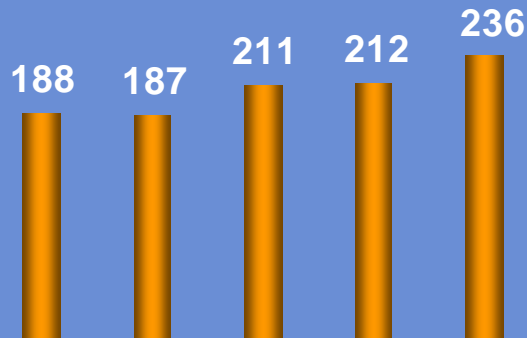
Private Client Group

- Cash ROE improved 6.4 percentage points Y/Y, and declined 1.2 percentage points Q/Q, due to recent softening of market conditions.
- Strong asset growth of 8% Y/Y, excluding the f/x 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).
- Managed assets growth of 17% Y/Y (adjusted for f/x impact on U.S. assets).
- U.S. results up Y/Y, while Q/Q impacted by lower client trading activity.

Revenue (\$MM)



Net Income (\$MM)



Cash Productivity Ratio (%)



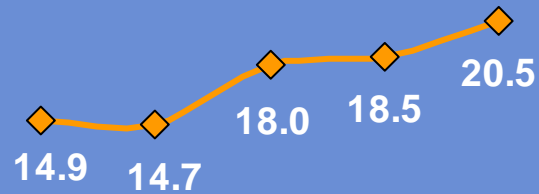
Q3	Q4	Q1	Q2	Q3
03	03	04	04	04

Investment Banking Group

- Current quarter revenues reflect softening of financial markets in Q3/04.
- Recoveries of previously impaired loans contributed to increased net income.
- Increased M&A, higher commission revenues, and improved equity origination is driving the improved revenues Y/Y.
- Depressed lending volumes, compressed spreads in our interest rate sensitive businesses and reduced trading income resulting from moderating client activity negatively affected performance both Q/Q and Y/Y.
- Productivity improved compared to the prior year as a result of cost control measures and loan recoveries.

Investment Banking Group

Cash ROE (%)



Net Interest Margin (%)

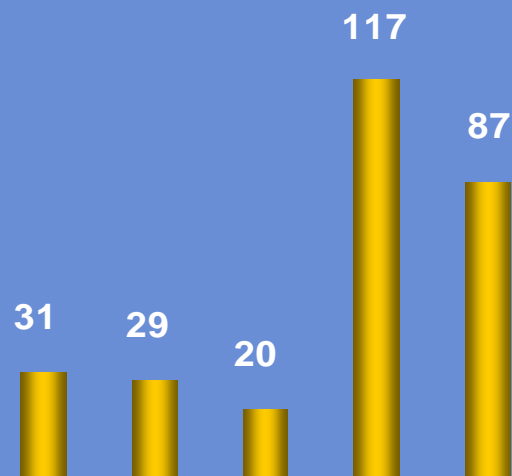


U.S. Net Income (\$MM USE)

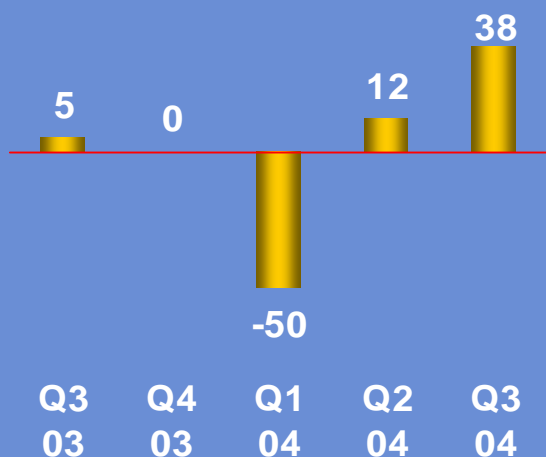


- ROE continues to trend upward, as we realize the benefits from our re-positioning in the North American market.
- Overall margins increased Y/Y and Q/Q due in part to interest collected on loans that were previously impaired or written-off and increased cash management deposits.
- U.S. net income is trending favourably due to significant cash collections, improved trading activity, higher investment securities gains and current year improvement in PCL.

Net Income Consolidated (\$MM)



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



Corporate Support including Technology and Solutions

Contribution up Y/Y and down Q/Q

- Q3 2004 down compared to Q2 2004 as a result of lower securities gains and foreign exchange translation gains, as well as higher expenses which more than offset the lower provision for credit losses.
- Q3 2004 improvement over Q3 2003 driven primarily by the lower provision for credit losses, partly offset by lower net investment earnings in the sustained low interest rate environment.

Appendix

EPS GROWTH

36.0%

Annual Target 10 - 15%

ROE

20.0%

Annual Target 16 – 18%

SPECIFIC PCL

\$ 30 MM

Annual Target < \$500MM

TIER 1 CAPITAL

9.44%

Annual Target > 8.0%

CASH PRODUCTIVITY

62.8%

Annual Target 150 –
200 bps improvement

2004 YTD Financial Highlights

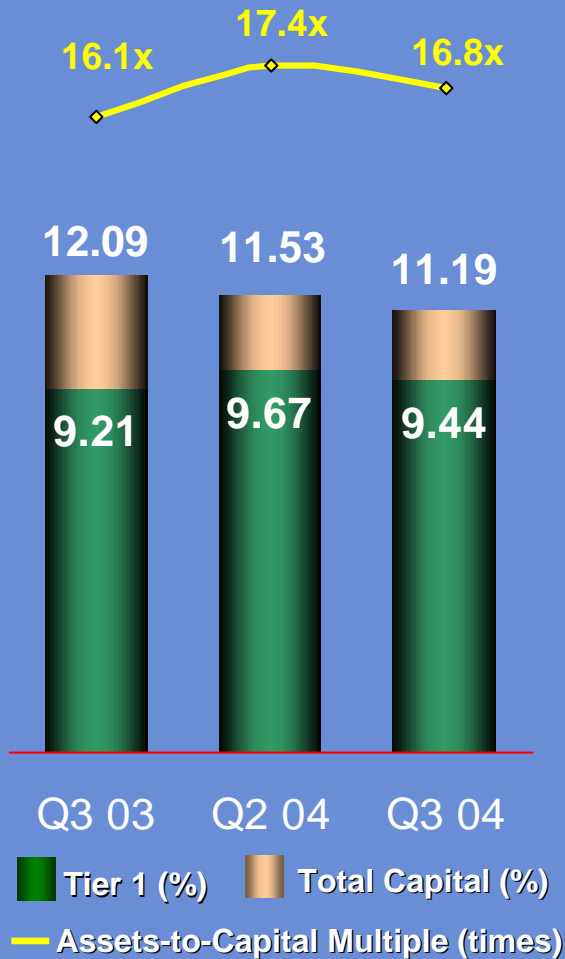
- **Net income \$1,788 MM**
- up 36% YTD
- **Specific PCL at \$30 MM**
- net of \$120 MM reduction of general allowance (-\$90 MM net)
- reflects favourable credit environment
- **Annual specific provision for credit losses**
- now anticipated to be \$100 MM or less, excluding reduction of general allowance
- **Operating Groups**
- Y/Y growth in all Operating Groups
- **Cash productivity ratio 62.8%**
- 220 bps improvement YTD

Financial Summary YTD 2004

Performance Measure	YTD 2004	YTD 2003
Net Income (\$ MM)	1,788	1,312
Cash EPS – Diluted (\$/share)	3.47	2.59
EPS – Diluted (\$/share)	3.36	2.47
Cash Return on Equity (%)*	20.6	16.6
Return on Equity (%)*	20.0	15.8
Revenue Growth – Y/Y (%)	6.4	4.4
Expense Growth – Y/Y (%)	2.7	2.6
Cash Productivity Ratio (%)	62.8	65.0
Productivity Ratio (%)	63.9	66.2
PCL/Avg. Loans Accept. (%)*	(0.08)	0.32
Capital: Tier 1 Capital (%)	9.44	9.21

* Annualized

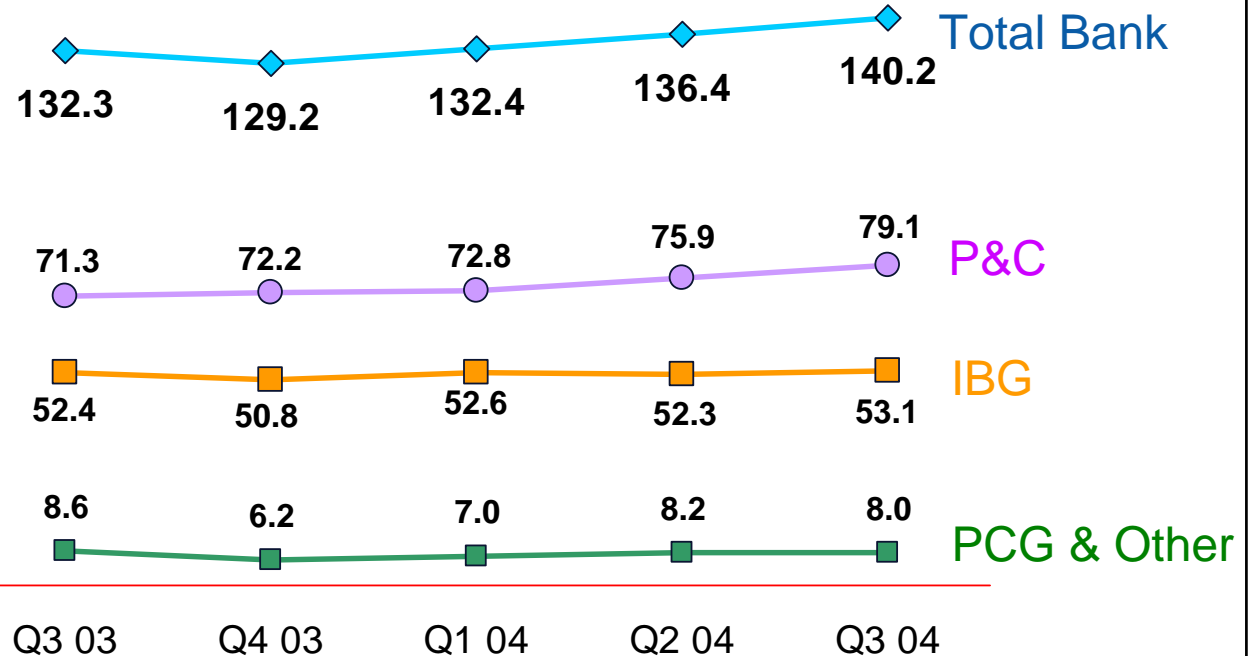
Enterprise-Wide Capital Management



Capital & Risk Weighted Assets

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

Risk Weighted Assets (\$B)



North American Direct Investing¹

Softening of market conditions in Q3 impact direct investing key performance measures

Measure	Q3 2003	Q2 2004	Q3 2004	Y/Y Change
Trades / Day (000)	19	28	19	0%
Customer Assets (\$B)	47	55	53	14%
Active Accounts (000)	785	755	744	-5%
New Accounts (000)	16	24	17	6%

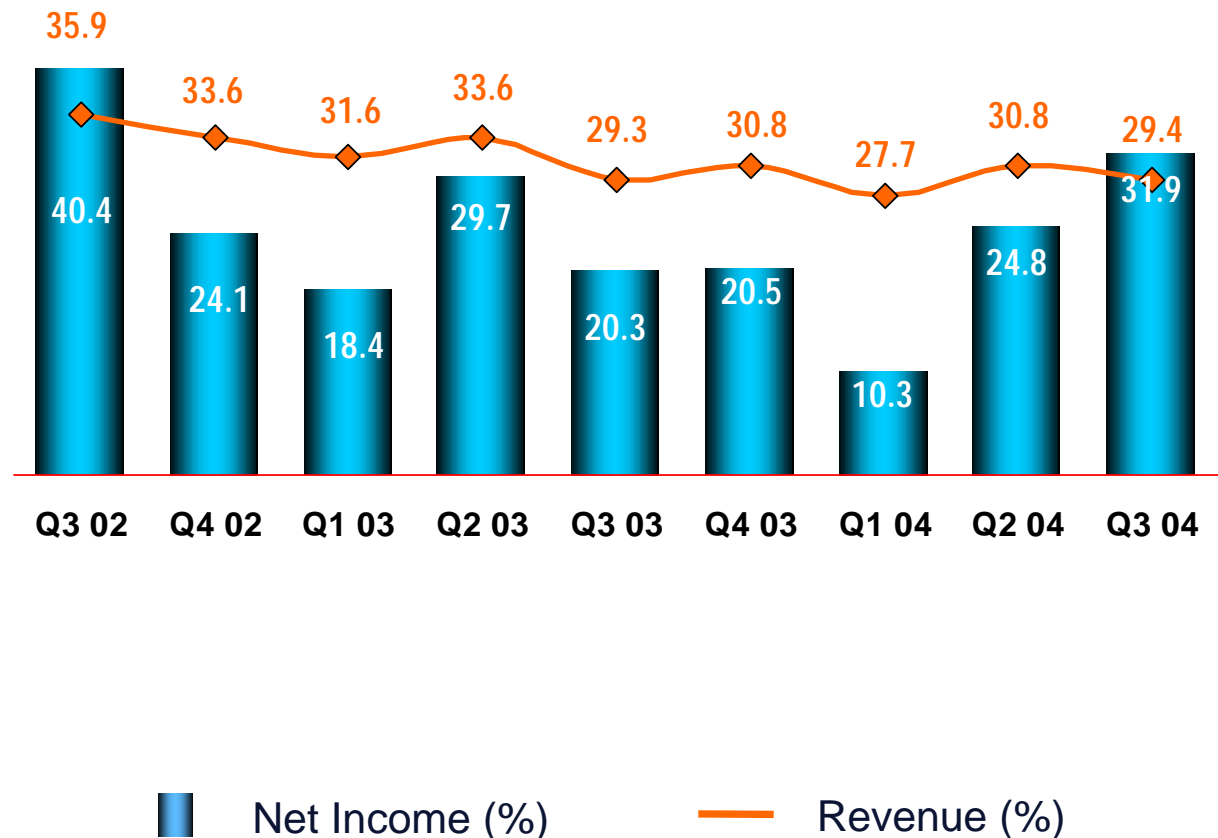
¹ North American Direct Investing includes Harris*direct* and BMO InvestorLine

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 \$192 MM CDE or 31.9%
- Improved credit in Q3 partially offset by weaker U.S. dollar and improved performance of Canadian operations contributed to Y/Y increase
- Improvement Q/Q driven by credit

U.S. Results

Higher U.S. contribution Y/Y – driven in part by improved credit partially offset by improved performance of Canadian operations

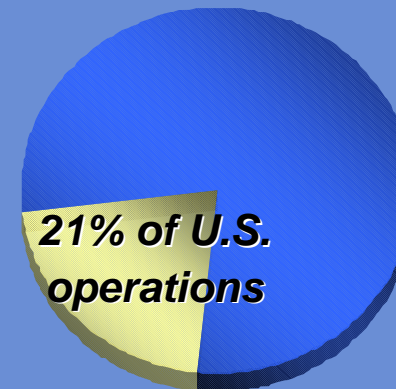


U.S. P&C and Harris Mid-Market

Revenue



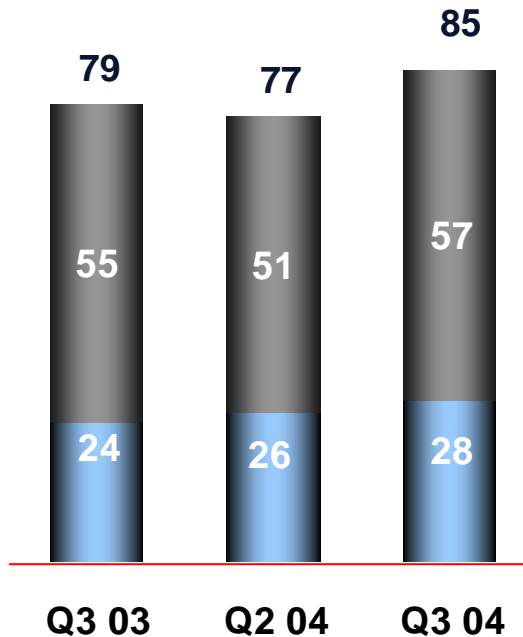
Expense



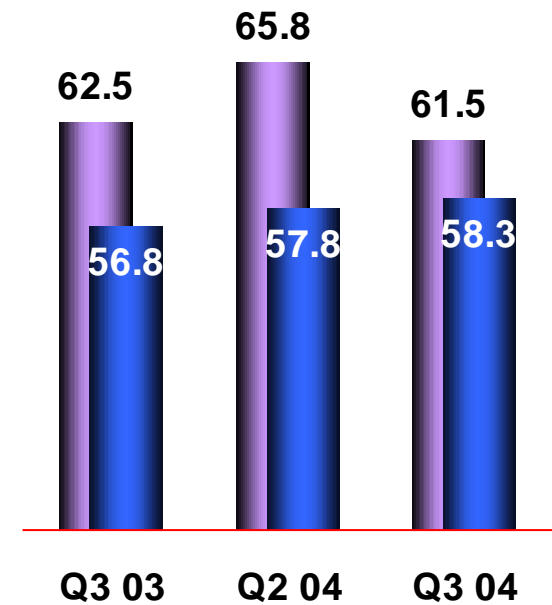
U.S. Retail and Mid-Market

Operations represent 39% of U.S. revenue and 21% of U.S. expenses in Q3 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

- \$4 MM pre-tax earnings increase Q/Q and \$5 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	2
Increased Expense	(1)
Increased Provision for Credit Losses	-
Hedging gains	3
Total Pre-tax Impact	4

\$MM	Y/Y
Reduced Revenue	(16)
Reduced Expense	11
Reduced Provision for Credit Losses	(3)
Hedging gains	3
Total Pre-tax Impact	(5)