



BMO  **Financial Group**

FINANCIAL RESULTS

FOURTH QUARTER 2004

KAREN MAIDMENT

Senior Executive Vice President & CFO

Investor Community Conference Call

November 23, 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

9.3%

Annual Target 10 - 15%

ROE

17.8%

Annual Target 16 – 18%

SPECIFIC PCL

\$37 MM

Annual Target < \$500MM

TIER 1 CAPITAL

9.81%

Annual Target > 8.0%

CASH PRODUCTIVITY

63.5%

Annual Target 150 –
200 bps improvement

Q4 2004 Financial Highlights

- **Ninth consecutive quarter of Y/Y earnings growth**
 - Net Income of \$563 MM
 - up 10% Y/Y but down 4% excluding PCLs and down 14% Q/Q
 - unusually high recoveries in Q3
- **Continued strong credit performance**
 - \$13 MM net recovery of credit losses in quarter
- **Business growth Y/Y in operating groups**
 - volume-based revenue growth
 - cost containment
- **Cost management remains a focus**
 - Cash productivity ratio improvement target for year achieved

Financial Summary Q4 2004

Performance Measure	Q4 2004	Q3 2004	Q4 2003	Fiscal 2004	Fiscal 2003
Net Income (\$ MM)	563	654	513	2,351	1,825
Cash EPS – Diluted (\$/share)	1.10	1.27	1.00	4.57	3.59
EPS – Diluted (\$/share)	1.06	1.24	0.97	4.42	3.44
Cash Return on Equity (%)*	18.5	21.7	18.5	20.1	17.1
Return on Equity (%)*	17.8	21.0	17.9	19.4	16.4
Revenue Growth – Y/Y (%)	(4.2)	3.9	5.4	3.7	4.7
Expense Growth – Y/Y (%)	(3.4)	3.6	(3.6)	1.1	0.9
Cash Productivity Ratio (%)	63.5	62.4	63.1	63.0	64.5
Productivity Ratio (%)	64.6	63.5	64.0	64.1	65.7
PCL/Avg. Loans Accept. (%)*	(0.03)	(0.28)	0.25	(0.07)	0.30
Capital: Tier 1 Capital (%)	9.81	9.44	9.55	9.81	9.55

* Annualized

Q/Q Earnings Growth Drivers:

- Strong operating performance in P&C with decline in IBG and PCG due to softening markets
- Higher specific provision for credit losses in part due to lower recoveries
- “Other” includes net investment securities gains net of adjustment to credit card fees

Y/Y Earnings Growth Drivers:

- Lower specific provision for credit losses plus reduction of the general allowance
- Expense control offsetting lower revenues in market-driven businesses
- Improved volumes in P&C
- Improved overall operating group performance
- “Other” includes net investment securities gains net of adjustment to credit card fees

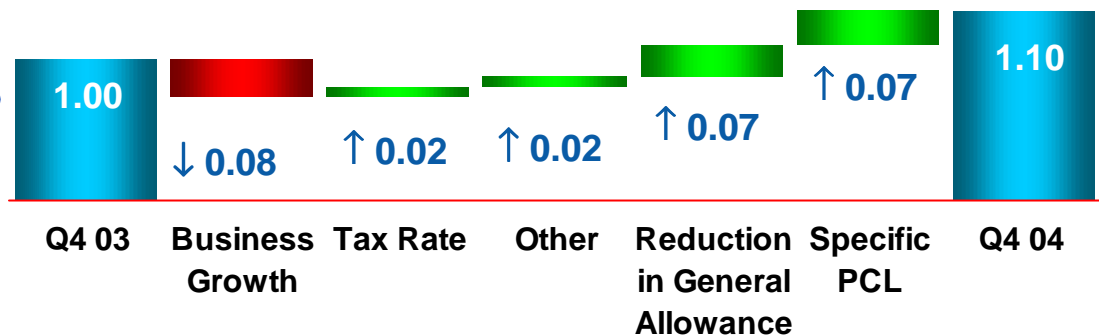
Cash EPS Growth

(\$/share)

Q4 '04 vs Q3 '04



Q4 '04 vs Q4 '03



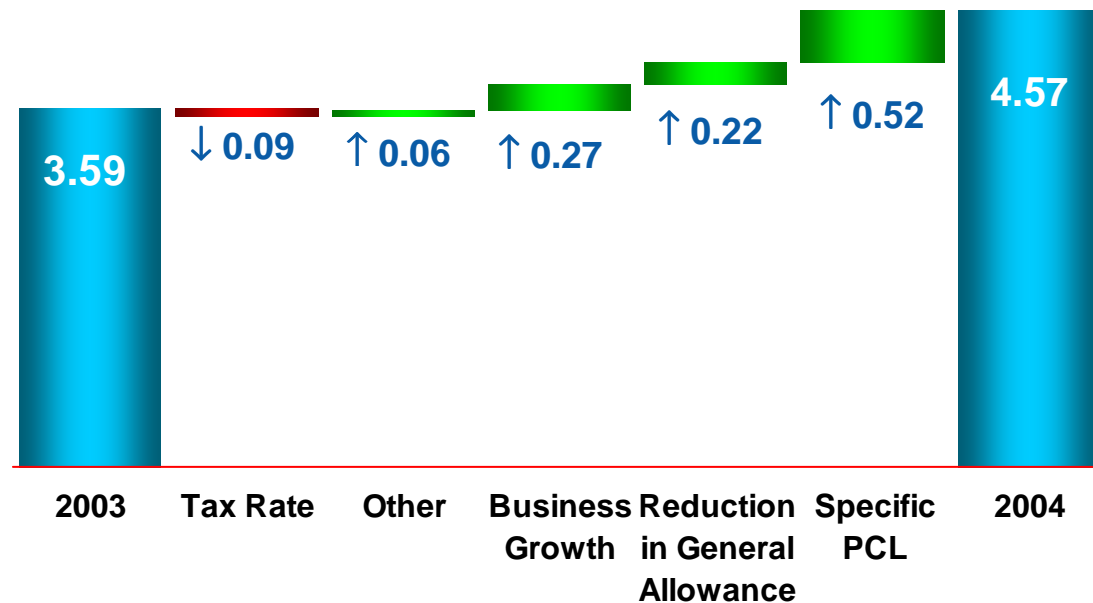
Annual Earnings Growth Drivers:

- Lower specific provision for credit losses plus reduction of the general allowance
- Record net income in each of the operating groups
- “Other” includes share issuances, net investment securities gains, net of adjustment to credit card fees and losses on unwinding hedges

Annual Cash EPS Growth (\$/share)

Strong credit performance and business growth drove increase

2004 vs 2003



Q/Q Changes

- Decline in IBG due to lower net interest income on narrower spreads and lower interest collections
- PCG and IBG both impacted by lower commissions on client activity
- Increase in P&C due to volume growth and higher transaction based revenues
- All groups impacted by weaker U.S. dollar
- "Other" includes net investment securities gains, net of adjustment to credit card fees

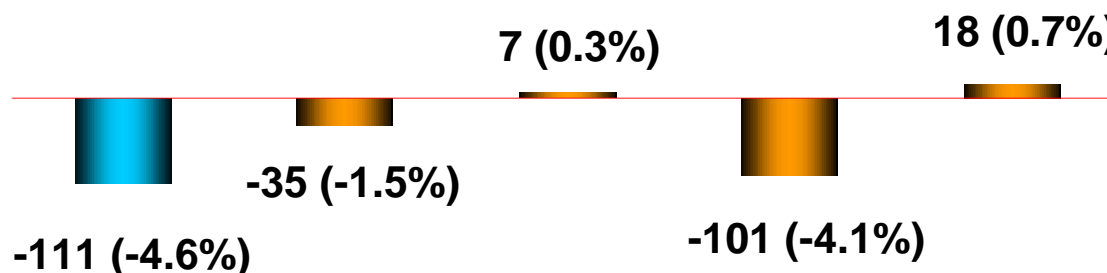
Y/Y Changes

- Lower spreads and lending volumes in IBG
- Increase in P&C due to higher volumes and impact of acquired businesses, mitigated by reduced net interest margins
- All groups impacted by weaker U.S. dollar
- "Other" includes net investment securities gains, net of adjustment to credit card fees

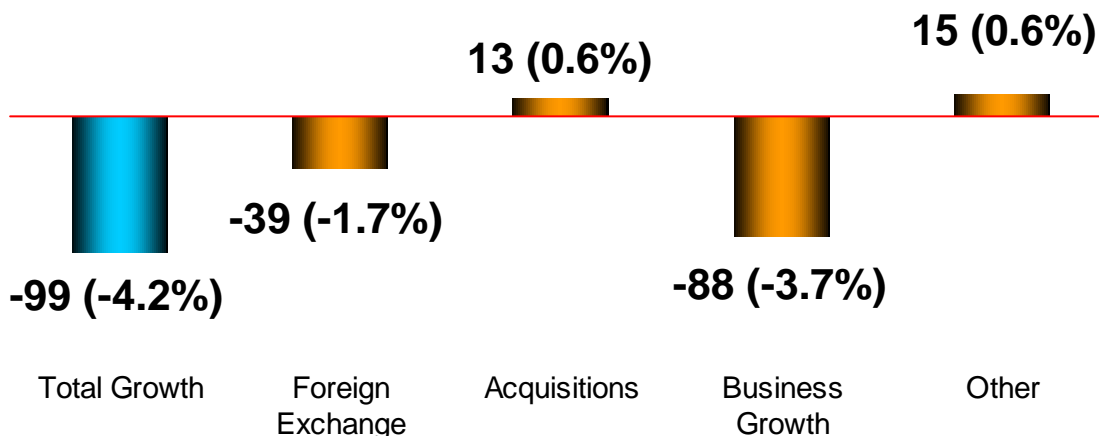
Revenue Growth

Revenue lower due to softer markets and weaker U.S. dollar

Q4 '04 vs Q3 '04 (\$MM)

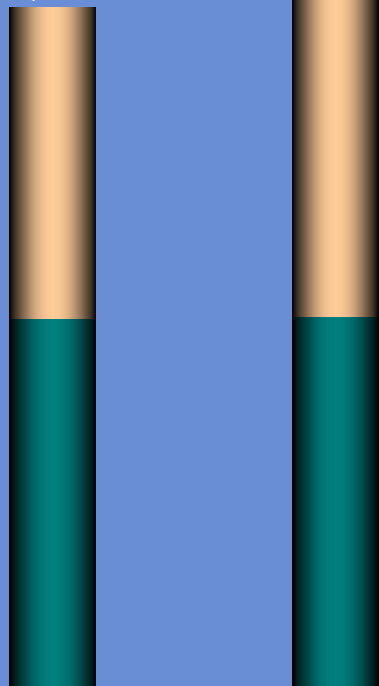


Q4 '04 vs Q4 '03 (\$MM)



Total Revenue \$MM

9,271 9,612



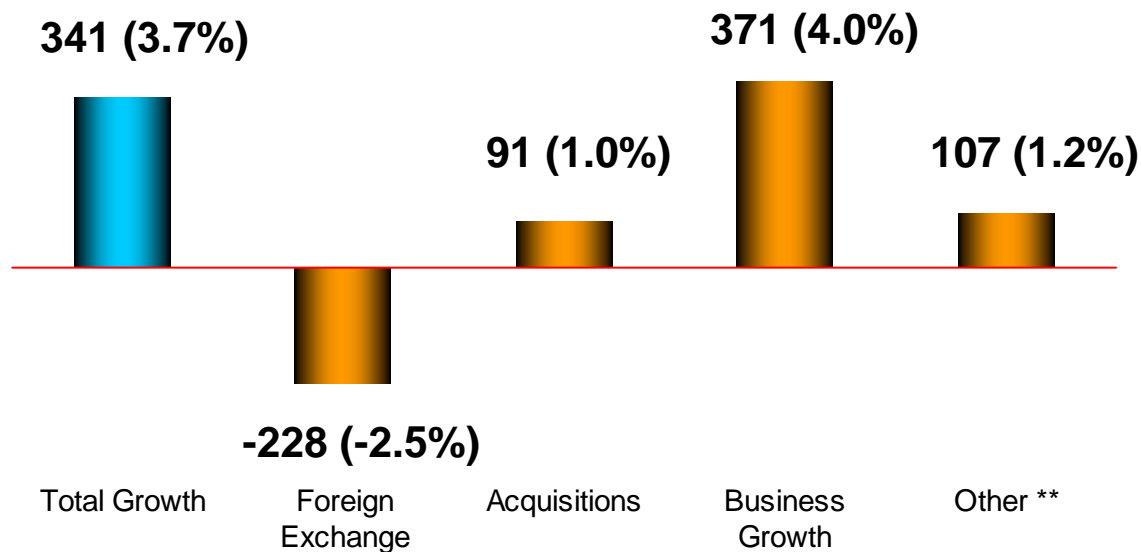
2003

2004

Net Interest Income Non-Interest Revenue

Revenue Growth

Fiscal 2004 vs 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 Decreases

- Decline in IBG partially due to interest received on loans previously classified as impaired in Q3 04
- Decrease in P&C Canada due to growth in low spread products and competitive low rate environment
- Decrease in P&C U.S. due to ongoing competitive pressures in a rising-rate environment

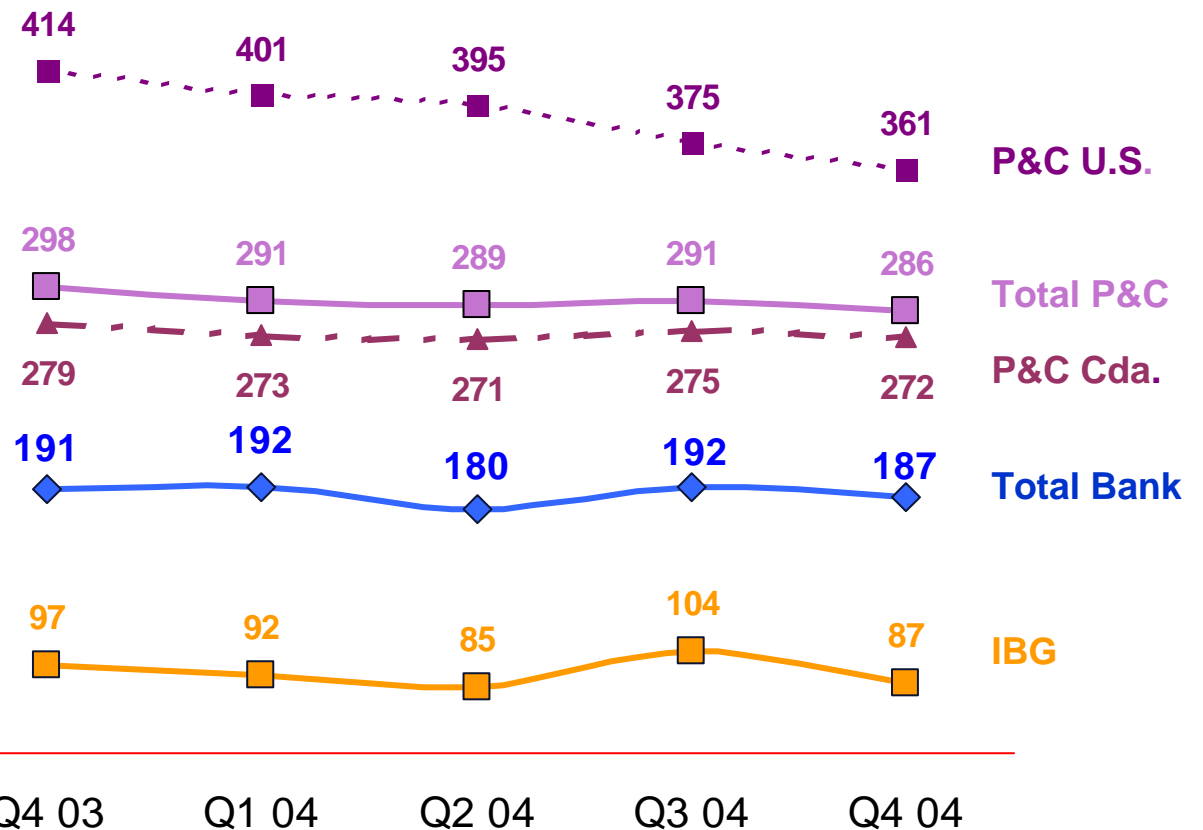
Y/Y NIM Decreases

- The decrease in P&C Canada is due to competitive pressures, the historical low rate environment and shifting customer product preferences.
- Decrease in P&C U.S. primarily due to continued pressures on longer term funded liabilities in a lower-rate environment
- IBG affected by lower asset levels and higher short term interest rates

Net Interest Margins

Total Bank margin normalized in Q4

Net Interest Margin (bps)



Q/Q Expense Decline

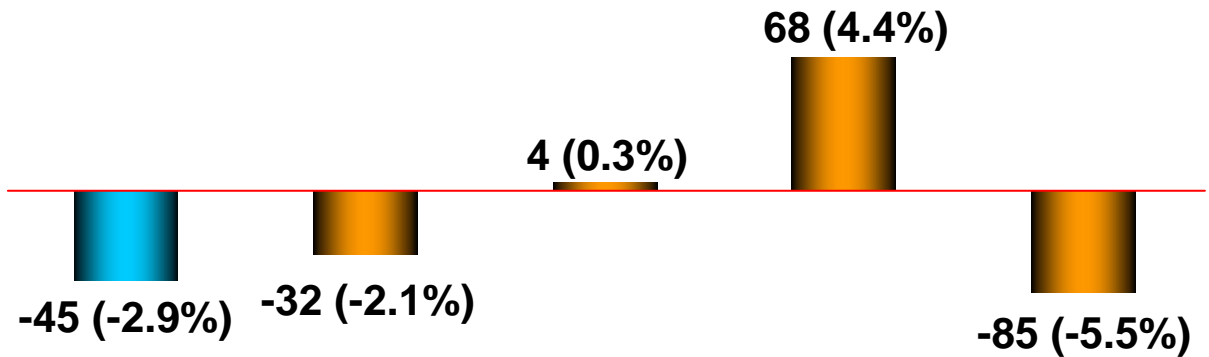
- Impact of weaker U.S. dollar
- Lower performance-based compensation (↓ \$85 MM), primarily in IBG and PCG reflecting lower revenues from continued weak markets

Y/Y Expense Decline

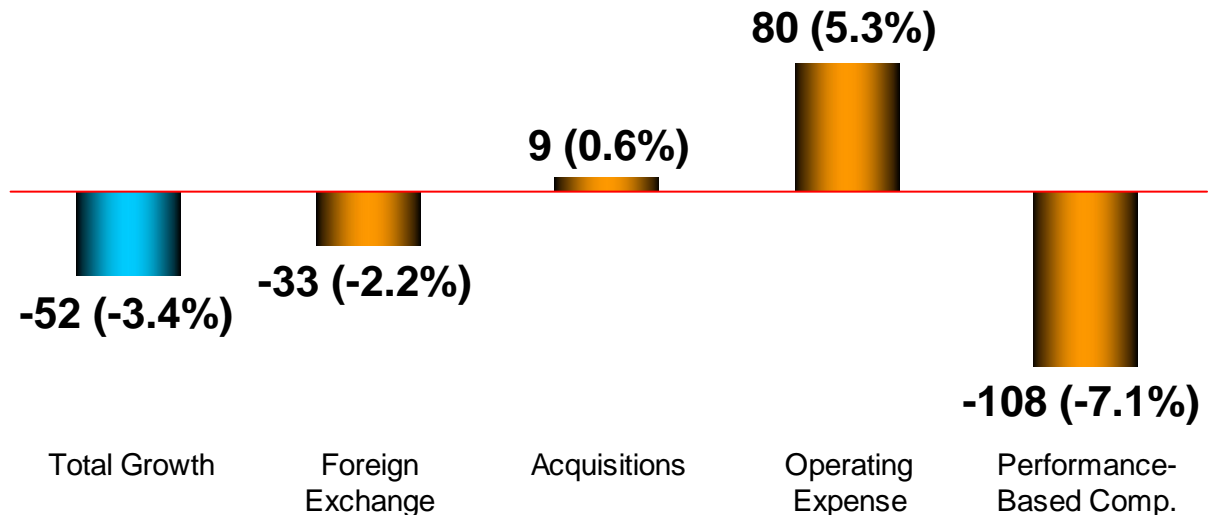
- Impact of weaker U.S. dollar
- Lower performance-based compensation (↓ \$108 MM)
- Higher expenses relating to acquisitions of HNG, Lakeland and NLSB

Expense Growth

Q4 '04 vs Q3 '04 (\$MM)



Q4 '04 vs Q4 '03 (\$MM)



Expense Analysis (\$MM)

Employee Compensation:

- Lower performance-based compensation ↓ 85
- Lower benefit costs ↓ 11
- Higher salaries ↑ 2

Premises & Equipment:

- Higher professional fees ↑ 13
- Travel and business development ↑ 9
- Capital Taxes ↑ 5

Other Expenses:

- Higher professional fees ↑ 13
- Travel and business development ↑ 9
- Capital Taxes ↑ 5

Employee Compensation:

- Lower performance-based compensation ↓ 108
- Higher benefit costs ↑ 2
- Lower salaries ↓ 12

Other Expenses:

- Lower miscellaneous expenses in 2003 ↑ 46
- Legal fees ↑ 9
- Travel and business development ↑ 5

Non-Interest Expense Analysis

Q/Q	Q4 2004	Q3 2004	B/(W)
Employee Compensation	825	919	94
Premises & Equipment	324	311	(13)
Communications	35	33	(2)
Other Expenses	284	248	(36)
Amortization of Intangible Assets	25	27	2
Total Non-Interest Expense	1,493	1,538	45

Y/Y	Q4 2004	Q4 2003	B/(W)
Employee Compensation	825	943	118
Premises & Equipment	324	321	(3)
Communications	35	41	6
Other Expenses	284	217	(67)
Amortization of Intangible Assets	25	23	(2)
Total Non-Interest Expense	1,493	1,545	52

**Non-Interest Expense
\$MM**

6,087

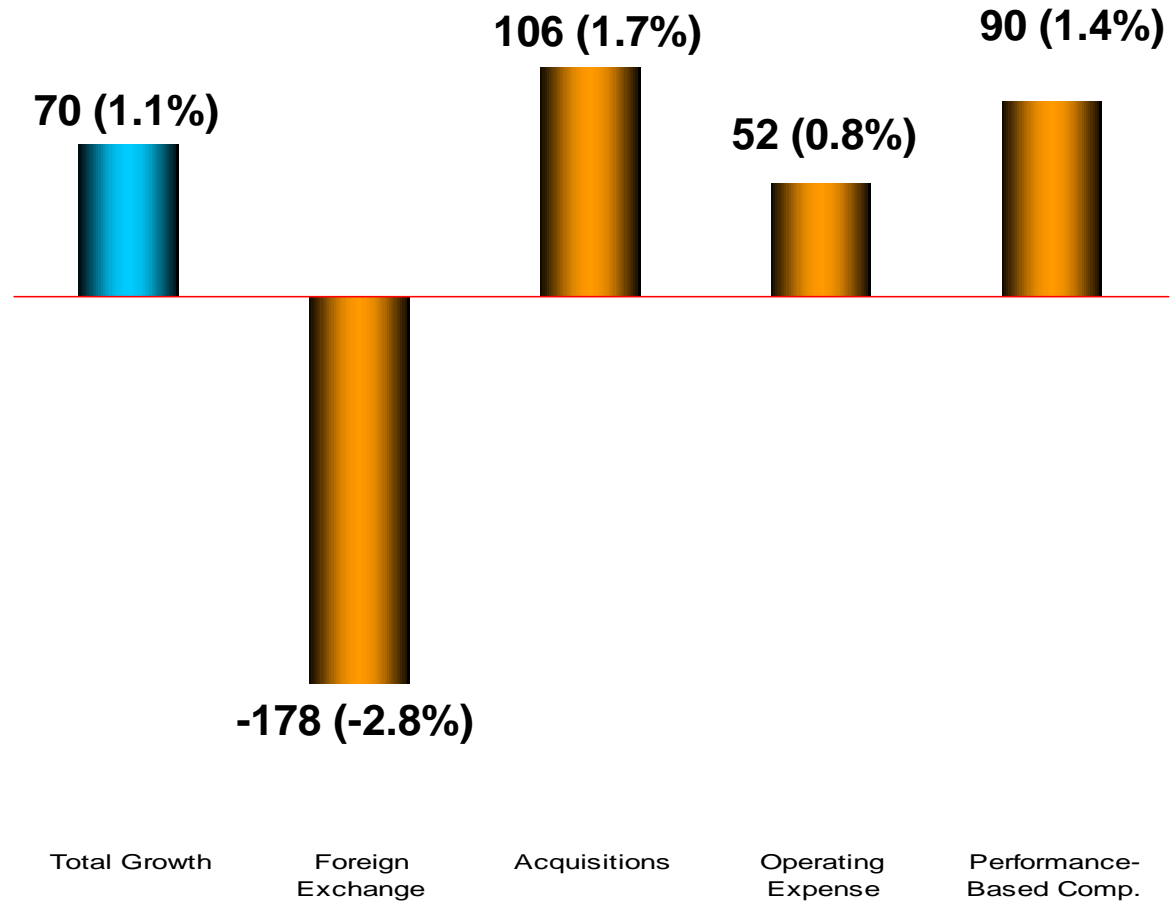
6,157

2003

2004

Expense Growth

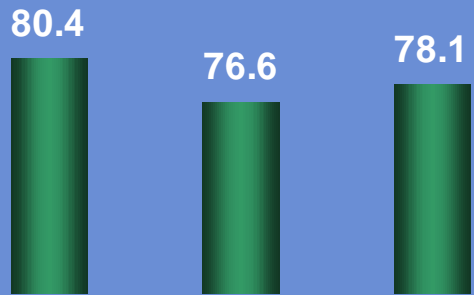
Fiscal 2004 vs Fiscal 2003 (\$MM)



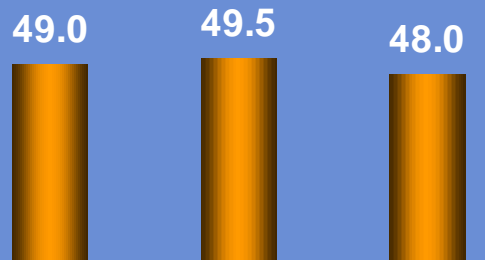
Cash Productivity (%) P&C



PCG



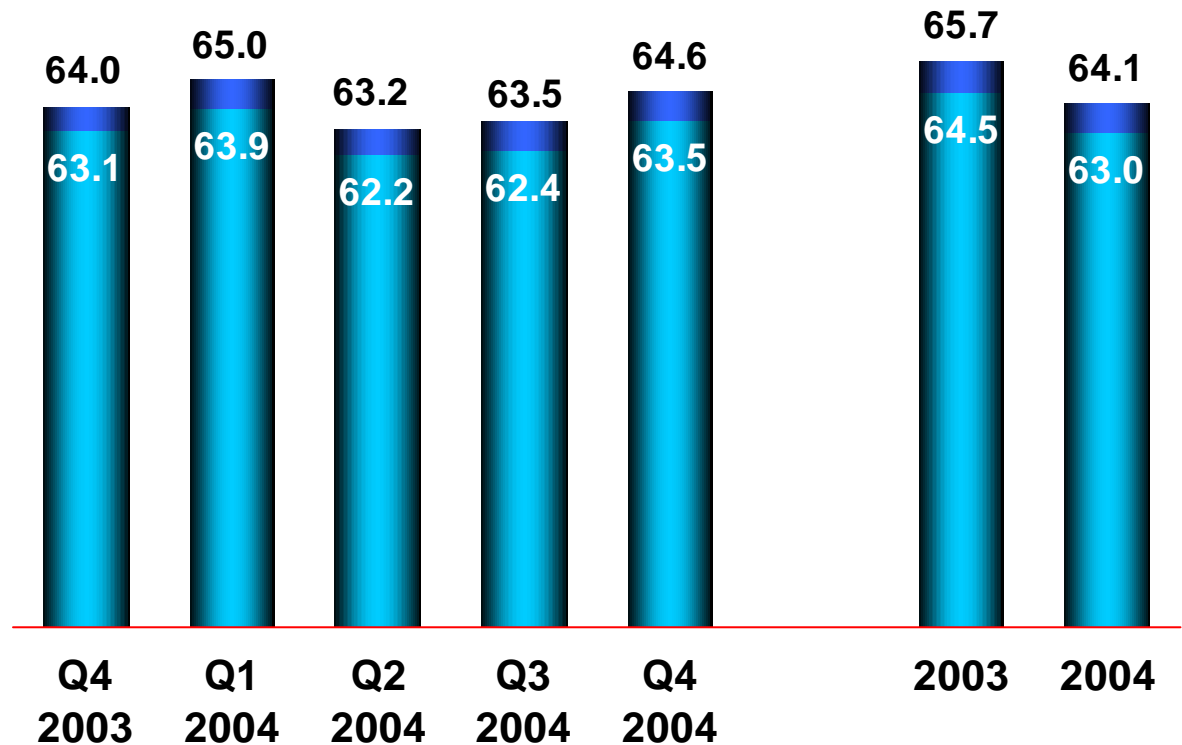
IBG



Q4 03 Q3 04 Q4 04

Productivity Ratio

Achieved 155 bps improvement Y/Y



Cash Accrual

Fiscal 2004 Targets

All targets met or exceeded

Performance Measure	2004 Annual	F2004 Target
EPS Growth (vs. 2003)	29%	10 – 15%
Specific Provision for Credit Losses	\$67 MM (before \$170 MM reduction to the General Allowance)	\$500 MM or less <i>Revised to:</i> \$100 MM or less
Cash Productivity Ratio (vs. 2003)	155 bps improvement	150 – 200 bps improvement
Return On Equity (annualized)	19%	16 – 18%
Tier 1 Capital	9.81%	Minimum 8%

Fiscal 2005 Targets

Performance Measure

F2004 Actual

F2005 Target

EPS Growth
excluding General
Allowance Reductions
(vs. 2004)

29%

3 – 8%
(on a base of \$4.21)

Specific Provision for
Credit Losses

\$67 MM

\$400 MM or less

Annual Cash
Productivity
Improvement (vs. 2004)

155 bps
improvement

150 – 200 bps

Return On Equity
(annualized)

19%

17 – 18%

Tier 1 Capital

9.81%

Minimum 8%

Net Income (\$ / share)

	2002	2003	2004
Net Income (ex. PCL)	3.75	4.02	4.29
Specific PCL (net)	<u>(1.07)</u>	<u>(0.58)</u>	<u>(0.08)</u>
EPS	2.68	3.44	4.21 *

2005 Target

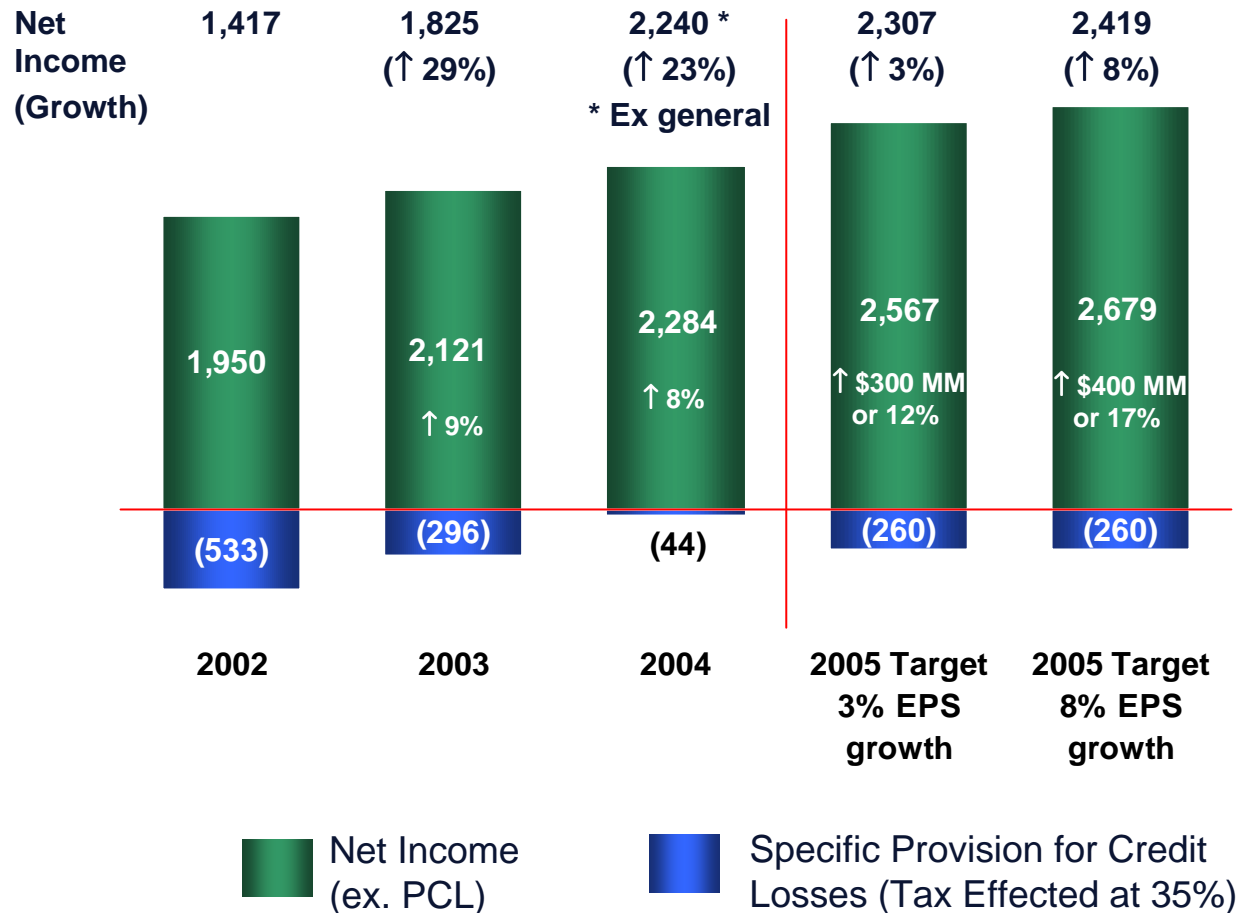
	3% EPS growth	8% EPS growth
Net Income (ex. PCL)	4.84	5.05
Specific PCL (net)	<u>(0.50)</u>	<u>(0.50)</u>
EPS	4.34	4.55

* Ex. General Allowance Reduction

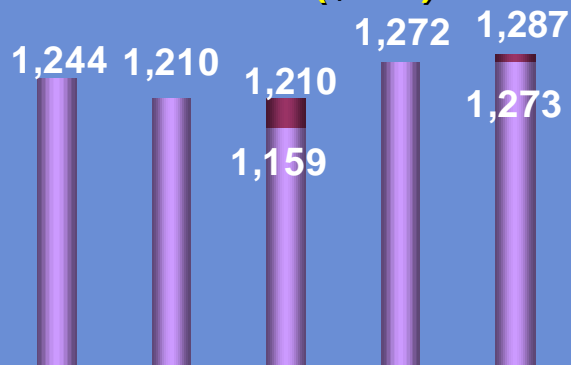
Net Income Sources

Improving credit has contributed strongly to EPS growth

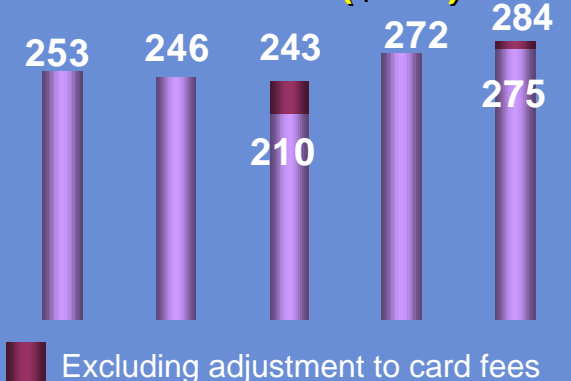
(\$ MM)



Revenue (\$MM)

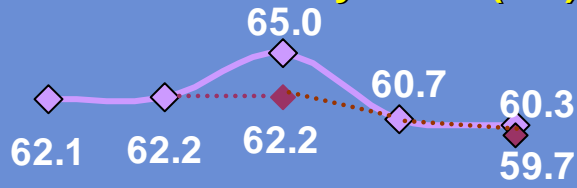


Net Income (\$MM)



Excluding adjustment to card fees

Cash Productivity Ratio (%)



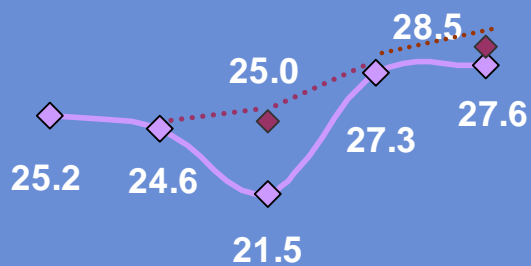
Q4 03 Q1 04 Q2 04 Q3 04 Q4 04

Excluding adjustment to card fees

Personal & Commercial

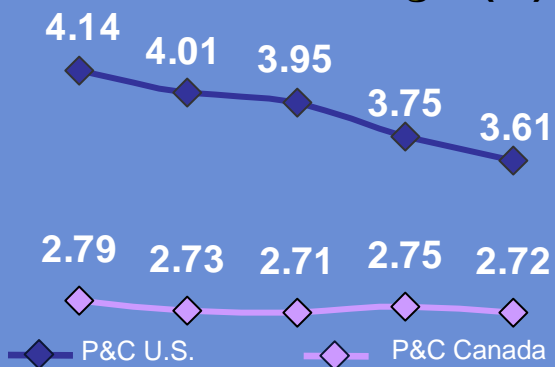
- Q/Q revenue increased due to continued strong volume growth offset by the weaker U.S. dollar and lower net interest margins.
- In Canada, lower net interest margins resulted from competitive pressures, the historical low rate environment and shifting customer product preferences.
- Card fees in the year were reduced by adjustments reflecting higher loyalty reward redemption costs.
- U.S. retail and business banking revenue improvement Y/Y reflects impact of acquisitions and loan and deposit growth more than offsetting the impact of the weaker U.S. dollar.
- Net income for the quarter and for the year increased by 12% Y/Y, excluding the card fee adjustments.
- Cash productivity in Q4 improved by 240 bps and fiscal 2004 improved by 190 bps compared to the prior year, excluding the card fees adjustments.

Cash ROE (%)



◆ Excluding adjustment to card fees

Net Interest Margin (%)



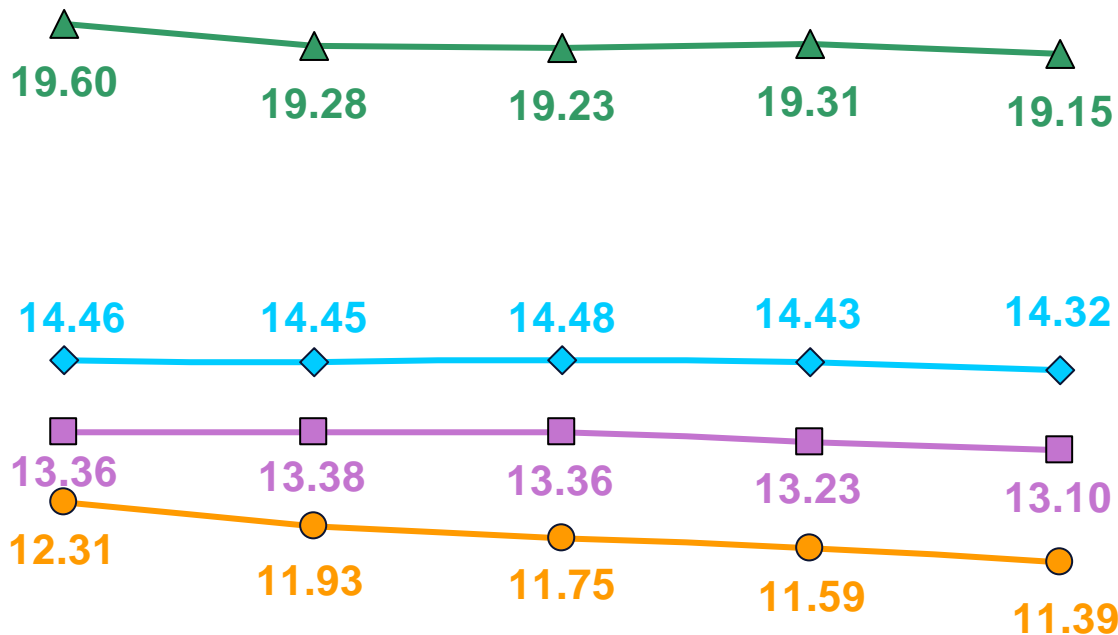
U.S. Net Income (\$MM USE)



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.

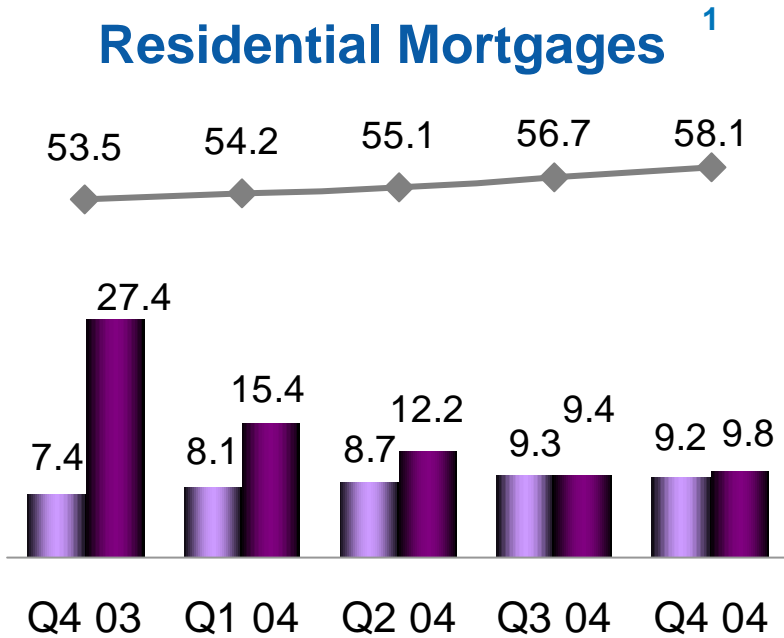
Business Loans (Banks) are issued by CBA on a calendar quarter and 3-month lag basis.




Q4 04 represents September share statistics.

Personal Products – Canadian and U.S. Balances

Y/Y volume growth continues to perform well

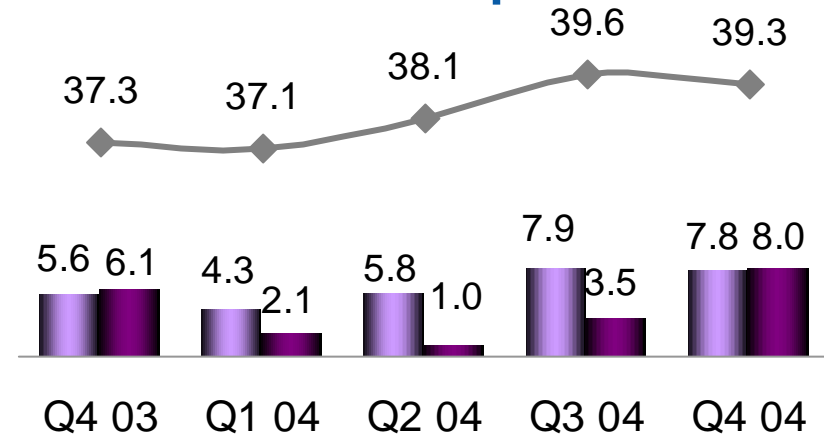
Residential Mortgages ¹



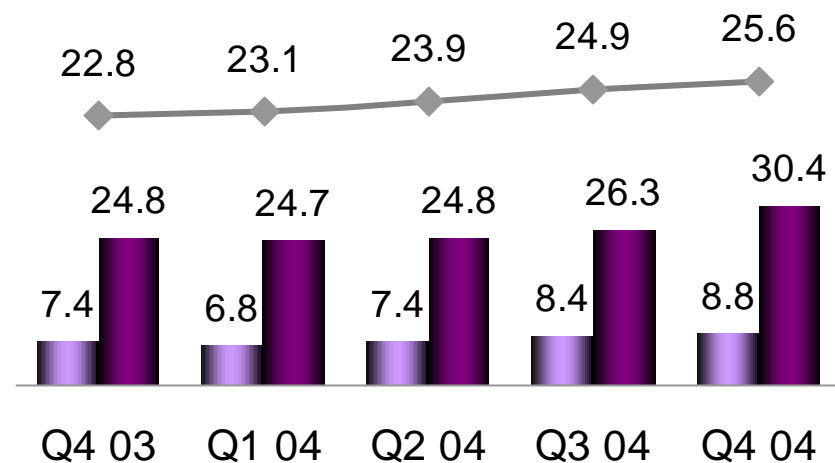
 Cdn \$ Yr / Yr Growth (%)
 US \$ Yr / Yr Growth (%)
 Average Balances (\$B CDE)

¹ Assets Owned & Managed

Personal Deposits



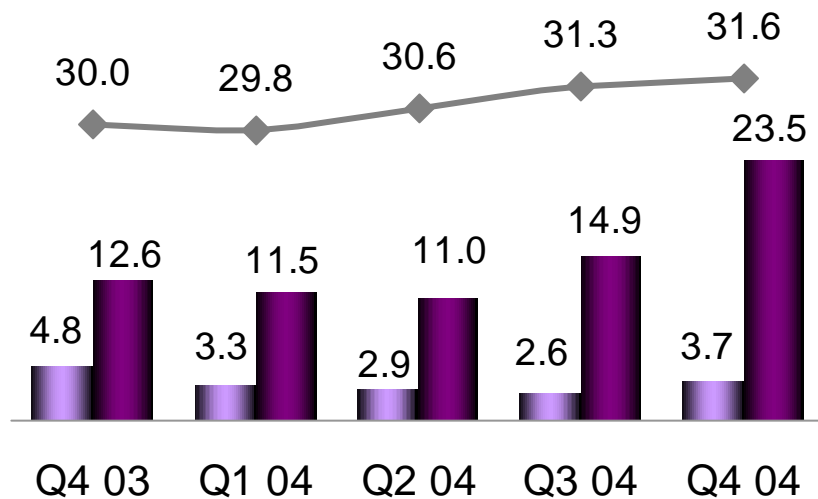
Personal Loans ¹



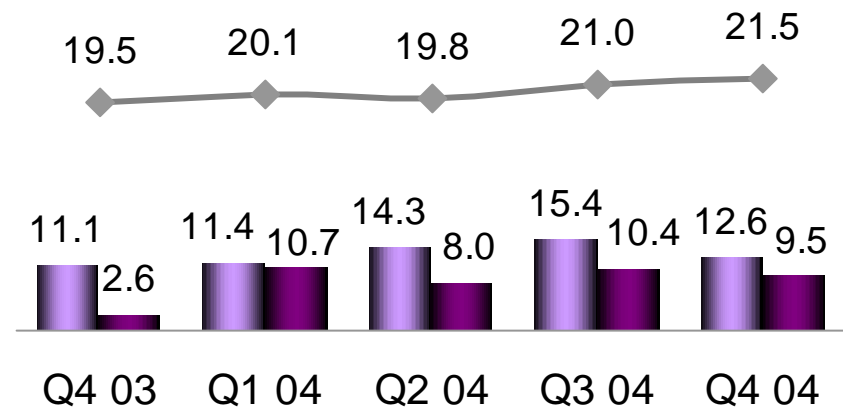
Commercial Products- Canadian and U.S. Balances




Y/Y volume growth continues to perform well

Commercial Loans

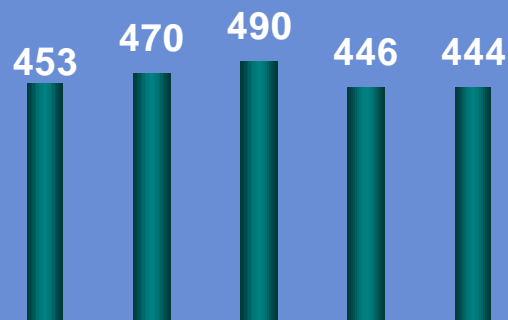


Commercial Deposits

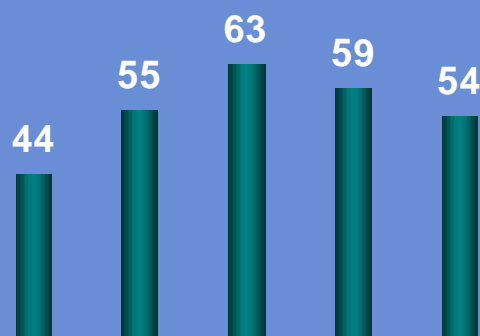


-  Cdn \$ Yr / Yr Growth (%)
-  US \$ Yr / Yr Growth (%)
-  Average Balances (\$B CDE)

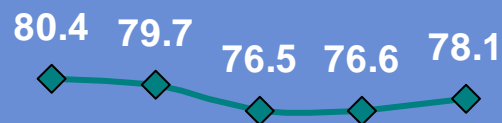
Revenue (\$MM)



Net Income (\$MM)



Cash Productivity Ratio (%)



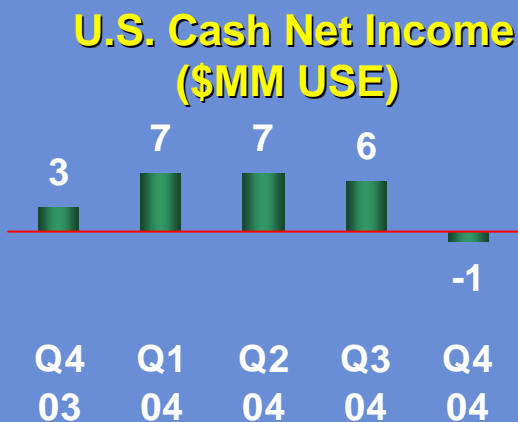
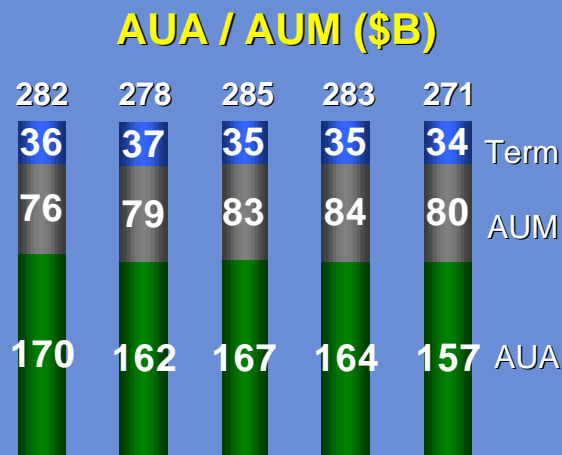
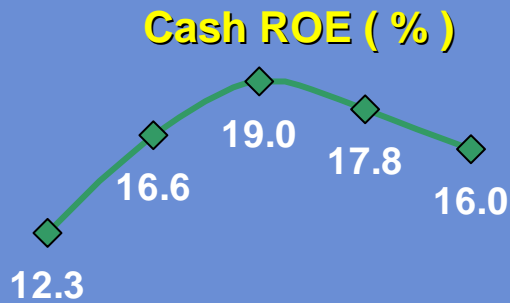
Q4	Q1	Q2	Q3	Q4
03	04	04	04	04

Private Client Group

Q4 earnings increased \$10MM or 23% Y/Y and achieved a 230 bps cash productivity improvement

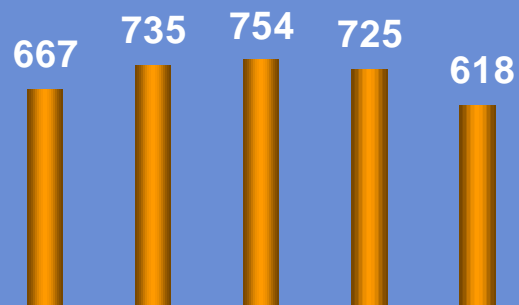
- Revenues excluding foreign exchange held flat Y/Y with moderate growth Q/Q, in softer market conditions.
- Y/Y increase in net income continued for the 6th consecutive quarter. Q4 included \$20MM of severance and certain other costs including back office consolidation expenses.
- Revenue growth and disciplined management of expenses yielded significant improvement in cash productivity.

Private Client Group

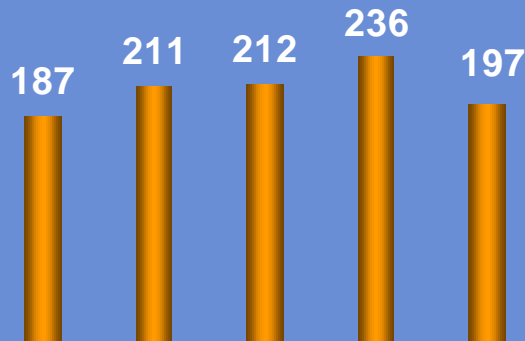


- Cash ROE improved 3.7 percentage points Y/Y, and declined 1.8 percentage points Q/Q.
- Assets under Management growth of 10% Y/Y (adjusted for f/x impact on U.S. assets).
- Assets under Administration growth of 3% Y/Y (adjusted for f/x impact on U.S. assets and the exit of assets associated with a sub-custodial client).
- Term investment products declined 4% Y/Y, due to impact of low interest rate environment.
- U.S. Q4 results included \$10MM USE of severance and certain other costs including back office consolidation expenses.

Revenue (\$MM)



Net Income (\$MM)



Cash Productivity Ratio (%)



Q4 03	Q1 04	Q2 04	Q3 04	Q4 04

Investment Banking Group

- Current quarter revenues reflect softening markets.
- Increased M&A, higher investment securities gains and improved origination positively contributed to revenues both Q/Q and Y/Y.
- Compressed spreads in our interest rate sensitive businesses, reduced trading income, lower commission revenues and the strengthening Canadian dollar negatively affected performance both Q/Q and Y/Y.
- Productivity improved as a result of cost control measures.

Investment Banking Group

Cash ROE (%)



Net Interest Margin (%)

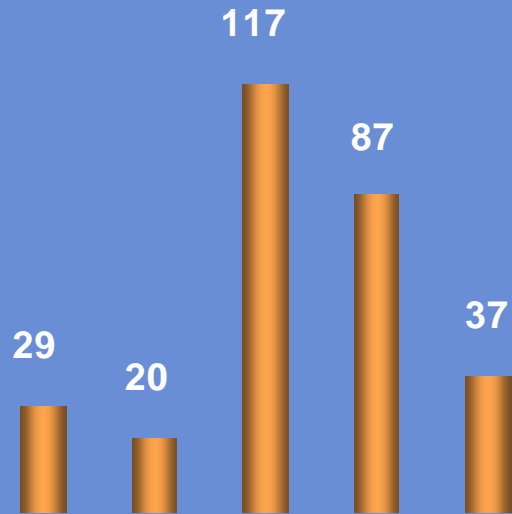


U.S. Net Income (\$MM USE)

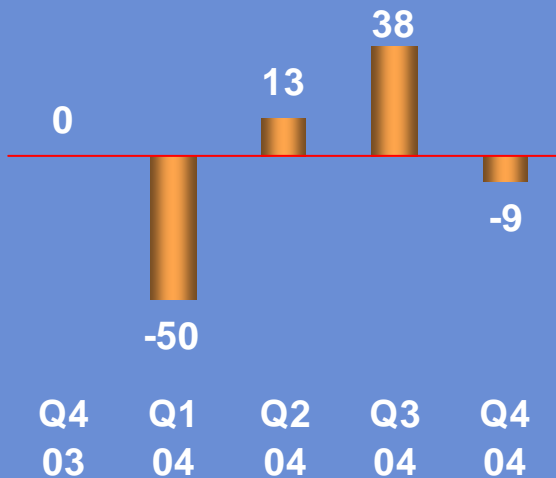


- Positive upward trend in ROE declined in Q4 2004 as softening markets, higher interest rates and the strengthening Canadian dollar negatively impacted revenues.
- Overall margins decreased Y/Y and Q/Q due in part to compressed spreads in interest rate sensitive businesses. Interest collected in Q3 2004 on loans that were previously impaired or written-off negatively impacted Q/Q results.
- U.S. net income has decreased Q/Q reflecting softer markets, the impact of rising interest rates and significant cash collections in Q3 2004.

Net Income (\$MM)



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



Corporate Support including Technology and Solutions

Contribution up Y/Y and down Q/Q

- Q4 2004 down compared to Q3 2004 as a result of the higher provision for credit losses.
- Q4 2004 improvement over Q4 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

28.5%

Annual Target 10 - 15%

ROE

19.4%

Annual Target 16 – 18%

SPECIFIC PCL

\$67 MM

Annual Target < \$500MM

TIER 1 CAPITAL

9.81%

Annual Target > 8.0%

CASH PRODUCTIVITY

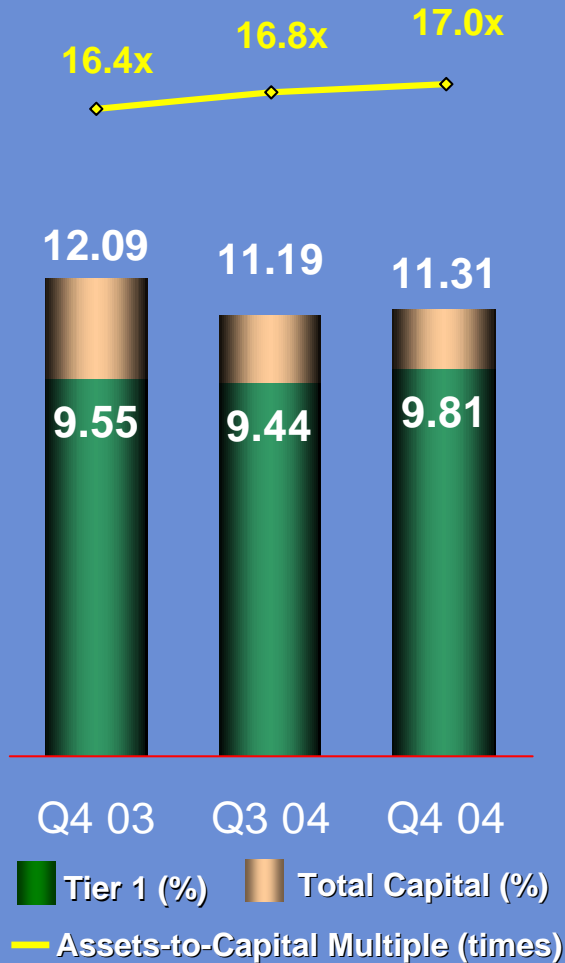
63.0%

Annual Target 150 –
200 bps improvement

Fiscal 2004 Financial Highlights

- **Net income \$2,351 MM**
 - up 29% for the year driven by improved credit performance and business growth
- **Specific PCL at \$67 MM**
 - net of \$170 MM reduction of general allowance (-\$103 MM net)
 - reflects favourable credit environment
- **Operating Groups**
 - Y/Y growth in all operating groups
- **Cash productivity ratio 63.0%**
 - target improvement achieved

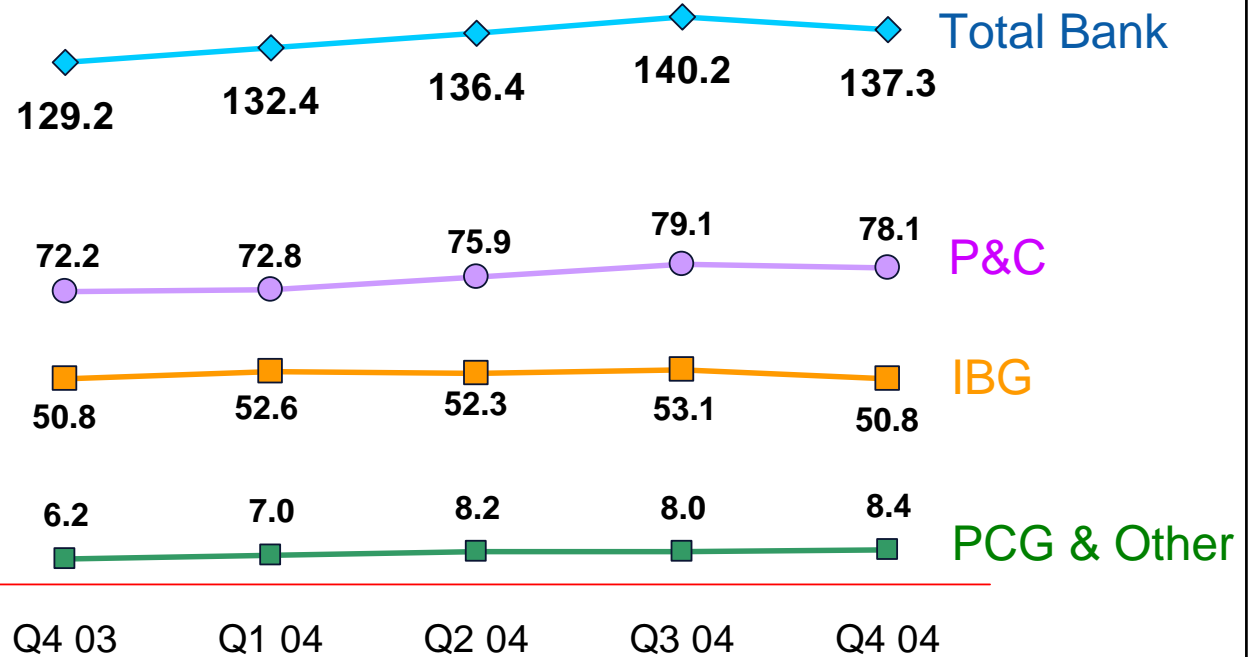
Enterprise-Wide Capital Management



Capital & Risk Weighted Assets

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

Risk Weighted Assets (\$B)



North American Direct Investing¹

Softer market conditions in Q4 impacted direct investing key performance measures; directionally in line with industry peers

Measure	Q4 2003	Q3 2004	Q4 2004	Y/Y Change
Trades / Day (000)	22	19	16	(25.9%)
Customer Assets (\$B)	47	53	49	3.7%
Active Accounts (000)	772	744	733	(5.0%)
New Accounts (000)	14	17	15	0.6%

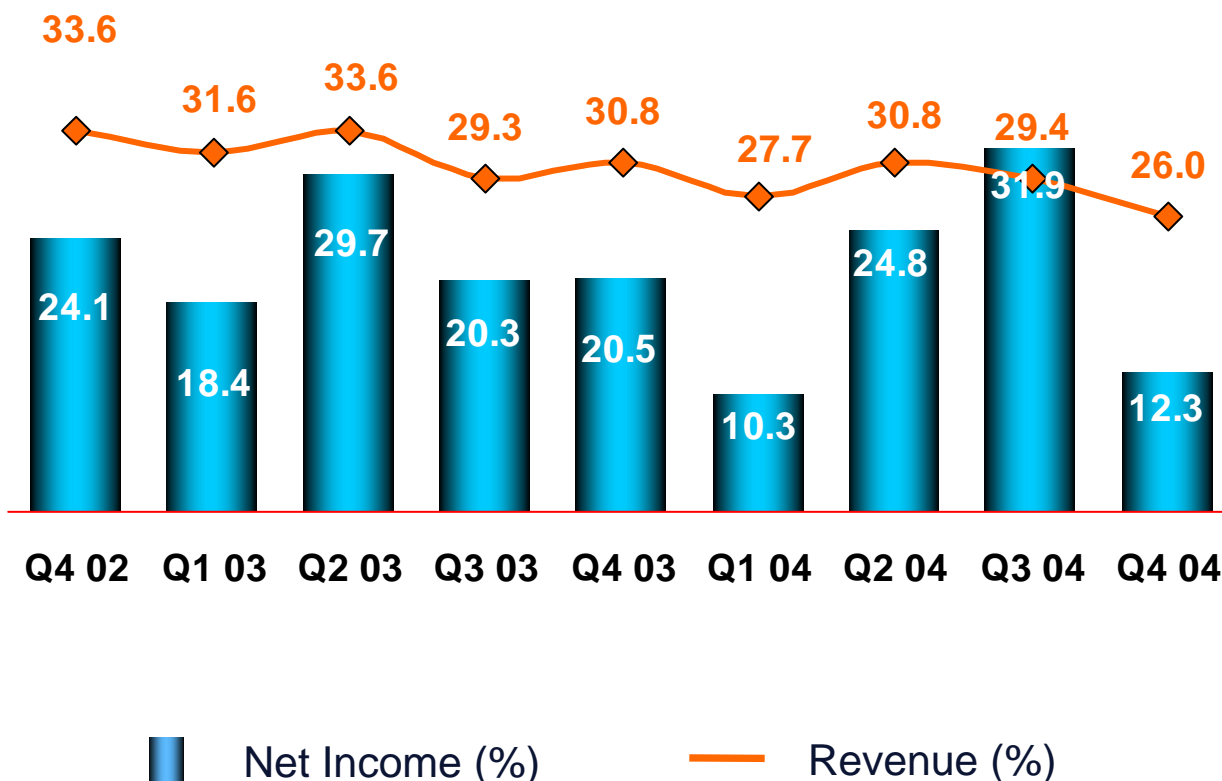
¹ North American Direct Investing includes Harris*direct* and BMO InvestorLine

U.S. to North American Revenue & Net Income

- Revenue contribution from U.S.-based business within 25 – 35% range
- Net income from U.S.-based business \$64MM CDE or 12.3%
- Y/Y decline due to weaker U.S. dollar and improved performance of Canadian operations
- Decline Q/Q driven by cash collections in Q3 04 and softer market conditions

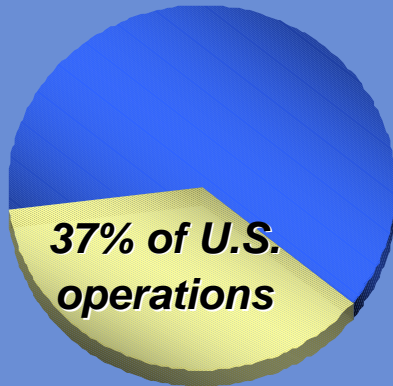
U.S. Results

Lower U.S. contribution Y/Y – driven in part by improved performance of Canadian operations and weaker U.S. dollar

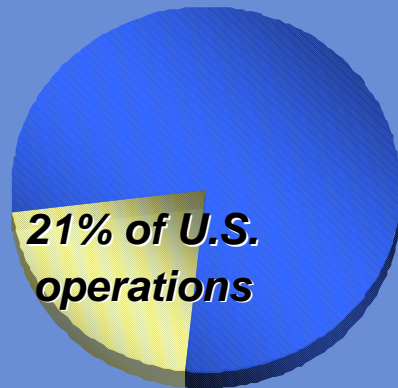


U.S. P&C and Harris Mid-Market

Revenue



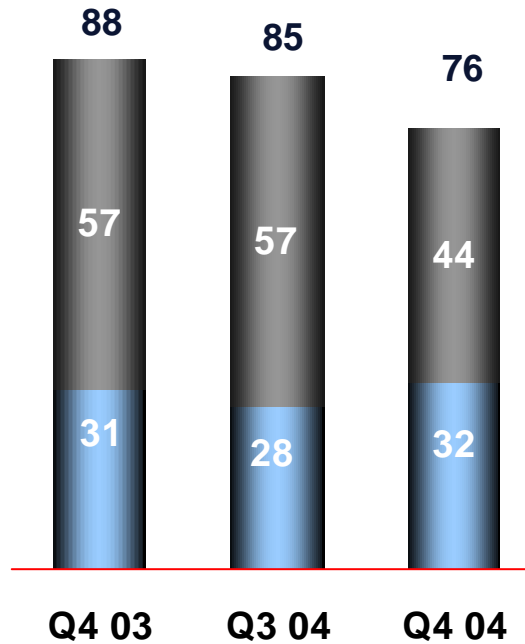
Expense



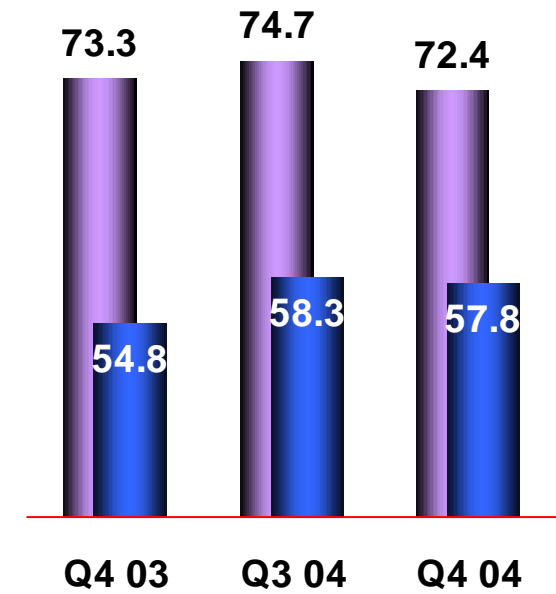
U.S. Retail and Mid-Market

Operations represent 37% of U.S. revenue and 21% of U.S. expenses in Q4 2004

Net Income (C\$MM)



Productivity Ratio (%)



■ P&C U.S. Reported
 ■ U.S. Mid-Market

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

U.S./Canadian Exchange Rate

- \$3 MM pre-tax earnings decrease Q/Q and \$5 MM decrease Y/Y
- \$47 MM pre-tax earnings decrease for fiscal 2004
- 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	Y/Y	F2004 VS F2003
Reduced Revenue	(36)	(40)	(243)
Reduced Expense	30	33	177
Reduced (increased) Provision for Credit Losses	(2)	(3)	11
Hedging gains	5	5	8
Total Pre-tax Impact	(3)	(5)	(47)