



## SCOTIA CAPITAL Financials Summit

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*President & Chief Executive Officer*



September 12 • 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.

## HIGHLIGHTS OF RECORD PERFORMANCE IN Q3

Performance Measure	Q3 2006	Q3 2005
Net Income	\$710 MM	\$547 MM
Cash Net Income	\$719 MM	\$564 MM
EPS	\$1.38	\$1.07
Cash EPS	\$1.40	\$1.10
Cash Productivity	61.1%	63.4%
Return on Equity	20.3%	16.8%

## ECONOMIC OUTLOOK

### Canada

- Growth will continue to be constrained by the strong C\$ through H206. The restraint should ease in 2007 with investment continuing to support growth
- Growth is expected to remain divergent regionally with commodity-producing Western Provinces outpacing more manufacturing-based Central Canada
- Short-term interest rates are expected to remain at current levels
- Long bond yields are expected to rise modestly though more in 2007 as Fed policy stabilizes

### U.S.

- High energy prices have started to slow growth in Q2 06 and will continue to do so through H206. The restraint from this factor will ease in 2007 though earlier Fed tightening will keep overall pace of activity moderate
- Growth outlook will keep inflationary pressures moderate despite indications of high energy prices getting passed along to core inflation
- Fed funds expected to be held steady at 5.25% until the end of 2006 with this rate eventually lowered to 4.50% by spring 2007
- Bond yields are expected to rise modestly

## ANNUAL TARGETS

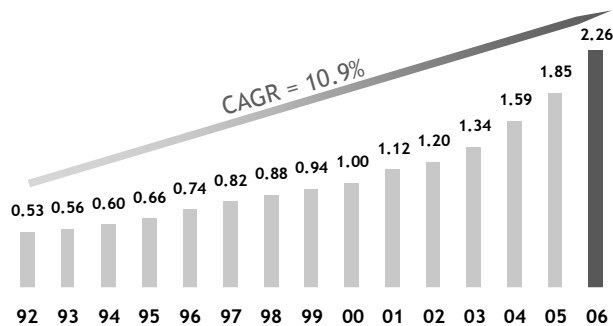
Performance Measure	Q3 2006 YTD	F2006 Target
EPS Growth <sup>1</sup> (base of \$4.58 <sup>2</sup> )	15%	5 - 10%
Specific Provision for Credit Losses	\$160 MM	\$400 MM or less <i>Now revised to:</i> \$250 MM or less
Cash Productivity Ratio	162 bps	100 - 150 bps improvement
Return On Equity	19.2%	17 - 19%
Tier 1 Capital	10.07%	Minimum 8%

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

<sup>2</sup> Restated from \$4.59 due to the retroactive application of a change in accounting policy for stock-based compensation


## INDUSTRY-LEADING DIVIDEND PAYOUT RANGE


Dividends Declared Per Share (C\$)



Priorities for use of capital:

- Organic growth
- Acquisitions
- Dividends:  
Target payout ratio of **45-55%**
- Share repurchases

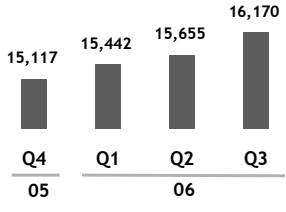




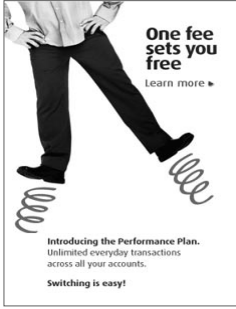
## INVESTING IN OUR BUSINESS: P&C CANADA

- More than 1,000 ABMs replaced and 85% of the branches refreshed
- Over 1,000 FTE hired since Q4 05 largely comprised of front line staff
- Future expansion in Canadian high-growth markets such as Alberta and B.C.
- Simplified customer offer and focusing on adjusting product mix
  - ▶ Higher cross sell
- bcpbank acquisition

FTE in P&C Canada



Quarter	FTE
Q4 05	15,117
Q1 06	15,442
Q2 06	15,655
Q3 06	16,170



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## INVESTING IN OUR BUSINESSES: PRIVATE CLIENT GROUP (PCG)

- Sales force investment
  - ▶ Adding FTE
  - ▶ Increasing sales force productivity
- YTD referrals between P&C Canada and PCG up over 40%
- Retirement planning initiatives underway to better meet customer needs:  
*Regeneration*

Revenue (\$MM)  
(excluding Harrisdirect)

↑ 9.3%



Year	Revenue (\$MM)
YTD F05	1,307
YTD F06	1,428



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**BMO Financial Group**

## INVESTING IN OUR BUSINESSES: P&C CHICAGOLAND BANKING

- Branch technology platform initiative to replace current branch infrastructure and retail branch teller system to be complete by end of F06
- Acquisition Integration – all recent acquisitions now on the same advantaged platform
- Scale Initiatives balanced with customer focus
- Focus on branch managers – strong local leaders in the market

**Cash Productivity\* (%)**  
↓ 460 bps

Period	Cash Productivity* (%)
F02	75.2
F03	74.2
F04	71.4
F05	69.9
YTD Q3 F06	70.6

\* Excludes Mid-Market and Treasury Operations

**Accounts and Services / Household**

Period	Accounts and Services / Household
Q3 04	3.99
Q3 05	4.16
Q3 06	4.28

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**BMO Financial Group**

## CONTINUING TO IMPROVE THE HARRIS CUSTOMER EXPERIENCE

- Net Promoter Score
  - ▶ Gap closing between ourselves and community bank while gap widens relative to network banks
  - ▶ Similar trend in business banking
- Delivering a top tier sales and service experience through all our channels
  - ▶ In person
  - ▶ By phone
  - ▶ Electronically

**Retail Net Promoter Score**

Period	Harris	Network Banks	Community Banks
F01	21%		
F03	26%		
F05	34%		
F06	37%		

**Business Net Promoter Score\* (Annual Measure only)**

Period	Harris	Network Banks	Community Banks
F01	25%		
F03**	26%		
F05	42%		

■ Harris ■ Network Banks ■ Community Banks

Net Promoter Score is calculated as % of customers that will definitely recommend less % of detractors (undecided, probably not, definitely not recommend)

\* Based on small business numbers  
\*\* Network F03 score artificially depressed by consolidation of American National by Bank One

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BMO Financial Group

## ACQUISITION AND EXPANSION STRATEGY

- Target banks in Chicago area and the U.S. Midwest
- Advantages include deep market knowledge, Harris brand with multiple lines of businesses, integration experience and completion of the charter consolidation
- Leading with P&C creates opportunities for both PCG and IBG
- Three key questions:
  - ✓ *Is it a good strategic fit?*
  - ✓ *Is it a good cultural fit?*
  - ✓ *Is it a good financial fit?*

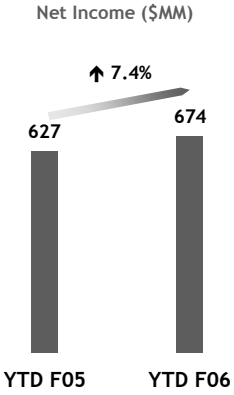



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BMO Financial Group

## INVESTING IN OUR BUSINESSES: BMO CAPITAL MARKETS

- BMO Capital Markets
  - ▶ Unites functions in Canada and U.S.
  - ▶ Commitment to provide full range of capabilities to clients in North America and abroad
- Fund and Equity Linked note products successful in Canada, recently expanded into U.S. and Europe
- Refining sector focus in U.S. to match product and service capabilities to high- growth opportunities



Net Income (\$MM)

Year	Net Income (\$MM)
YTD F05	627
YTD F06	674

↑ 7.4%

BMO Capital Markets

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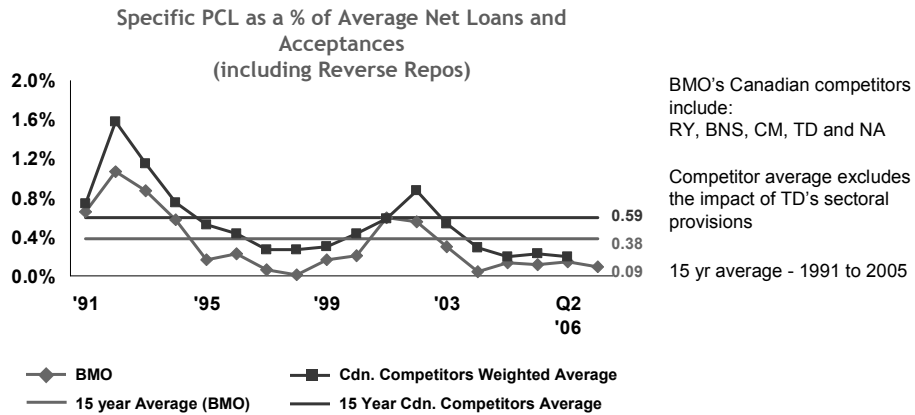
## LONG-TERM INVESTMENTS IN CHINA

- Offering includes wide range of products
  - ▶ Foreign Exchange, Trade Finance, Corporate Lending and Risk Mitigation
  
- Recent milestones:
  - ▶ Participation in Bank of China's IPO
  - ▶ First Canadian bank to be given license to provide banking services in Beijing in local currency
  - ▶ Opened BMO Capital Markets Representative Office in Beijing



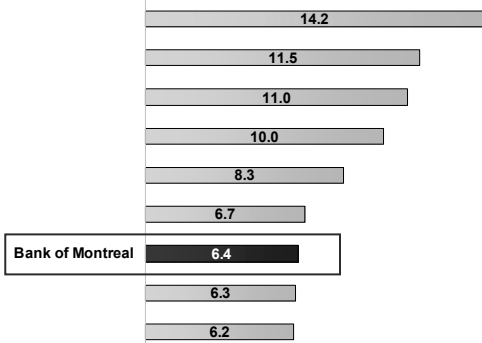
## LEADERSHIP IN CREDIT RISK MANAGEMENT

F06 SPECIFIC PCL TARGET REDUCED TO \$250MM OR LESS



## BMO IS A HIGH-RETURN, LOW-RISK BANK

Worldwide RRTSR\* (%) 2001 - 2005  
Large-Cap Universal Banks



Historic Worldwide RRTSR  
Rankings for BMO  
(Large-Cap Universal Banks)

5 year RRTSR*	%	Worldwide Ranking
2001-2005	6.4	7
2000-2004	12.9	2
1999-2003	8.5	5

\* Risk-Adjusted Relative Total Shareholder Return (RRTSR) adjusts for risk and the impact of national markets

Source: Boston Consulting Group Analysis "Creating Value in Banking 2006"

## AGGRESSIVE PURSUIT OF NORTH AMERICAN VISION



**Achieve financial targets** with a particular focus on revenue growth to improve productivity



**Drive revenue growth** by providing a superior client experience and earning a larger share of customers' business



**Continue to improve U.S. performance**



**Accelerate growth in the United States** both organically and through acquisitions



**Grow net income in Canada** through operational efficiency and improved market share, accelerating our growth in commercial banking and wealth management

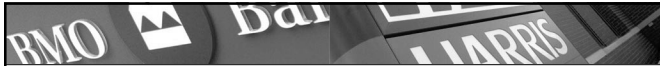


**Build a high-performance organization** by developing our people, living our values and being an employer of choice



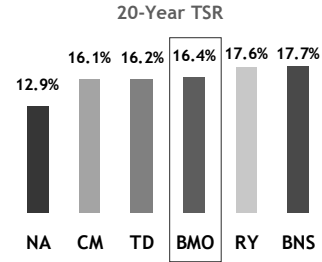
**Maintain our world-class foundation** of leading governance, sound risk management, productive systems and excellent after sales service



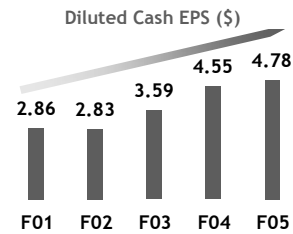


## STRONG TRACK RECORD FOR GROWTH

- Strong shareholder returns
- Leadership changes position BMO for future growth
- Efforts directed to improving the customer experience



Calculated using compound growth rates as at July 31, 2006



# Q&A



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