



CIBC WORLD MARKETS

Institutional Investor Conference

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Chief Operating Officer

BMO  **Financial Group**

October 4 • 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.



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 |

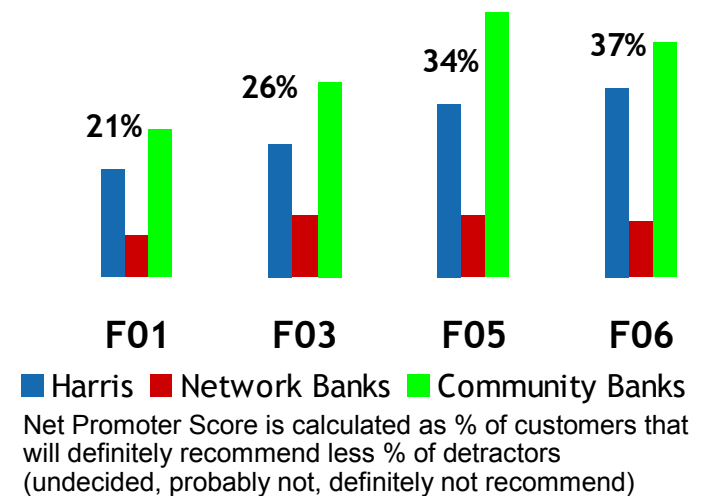


ACQUISITION OF FIRST NATIONAL BANK AND TRUST

- Privately held, 32-branch community bank located throughout the Central Indiana Region
- Indianapolis market is a natural extension from Chicago
 - ▶ One of the largest markets in close proximity to Chicago
 - ▶ Complements the Mercantile acquisition in Northwest Indiana
- Indianapolis is a demographically attractive market in terms of both population and median household income growth
 - ▶ Population growth and household income growth projected to increase by 9.1% and 19.4% respectively from 2006-2011
- Key strength: strong Harris customer loyalty scores
- Opportunity to expand business banking in the Indianapolis market



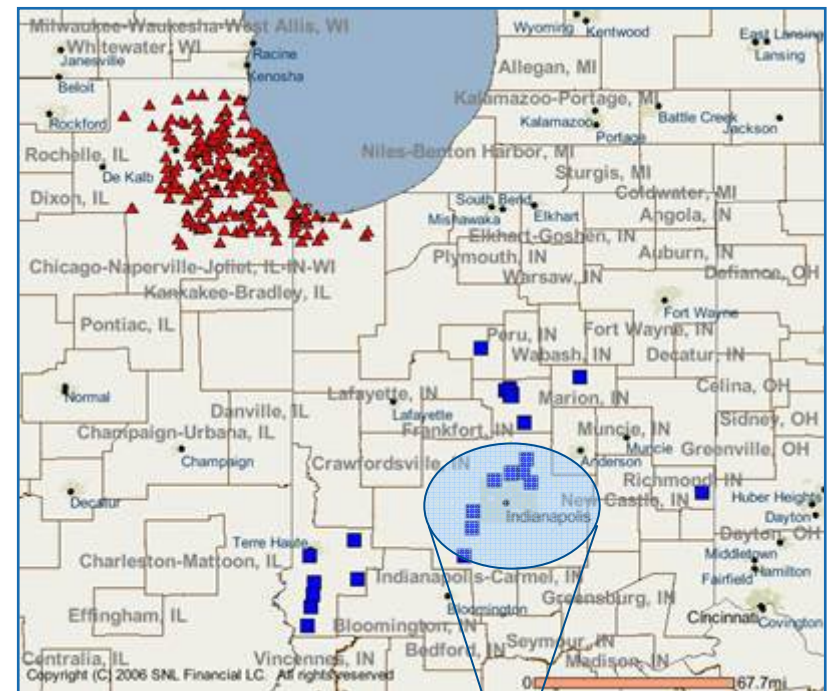
Retail Net Promoter Score





HARRIS: EXPANDING AND DEEPENING OUR FOOTPRINT

- Goal to become the leading Midwest retail and commercial bank with a network of 350 – 400 branches
 - ▶ When acquisition of FNTB completed, Harris will have 233 branches
- Branch technology platform initiative to replace current branch infrastructure and retail branch teller system near completion
- All recent acquisitions now on the same platform
 - ▶ Able to absorb FNTB and future acquisitions quickly and cost effectively



▲ Harris sites
■ FNTB sites
○ Indianapolis



ACQUISITION AND EXPANSION STRATEGY

- Prospects for growth in the U.S.
 - ▶ Organic growth
 - ▶ De novo branch expansion
 - ▶ Acquisitions

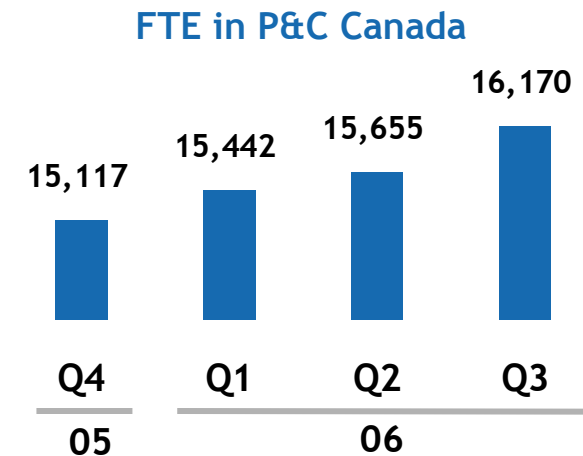
- Disciplined approach to acquisitions, which must meet 3 criteria:
 - ▶ *Is it a good strategic fit?*
 - ▶ *Is it a good cultural fit?*
 - ▶ *Is it a good financial fit?*

| U.S. Retail Acquisitions | Year | Amount (US \$MM) |
|--|------|------------------|
| Harris Bank | 1984 | 547 |
| Barrington | 1985 | 32 |
| St. Charles & Batavia | 1988 | 26 |
| Libertyville | 1990 | 6 |
| Frankfort | 1990 | 17 |
| Suburban Bancorp | 1994 | 222 |
| Household Int'l | 1996 | 277 |
| Joliet | 2001 | 221 |
| Lakeland | 2004 | 37 |
| New Lenox State Bank (NLSB) | 2004 | 235 |
| Mercantile | 2004 | 161 |
| Edville (Villa Park) | 2005 | 66 |
| <i>First National Bank and Trust (Pending)</i> | 2006 | 290 |
| Total | | \$2,137 |



INVESTING IN GROWTH IN P&C CANADA

- Grow franchise through customer-centric approach
- More than 1,000 ABMs replaced and 85% of branches refreshed
- Over 1,000 FTE hired since Q4 05 largely comprised of front line staff
- bcpbank Canada acquisition
- Future expansion in Canadian high-growth markets such as Alberta and B.C.



One fee sets you free
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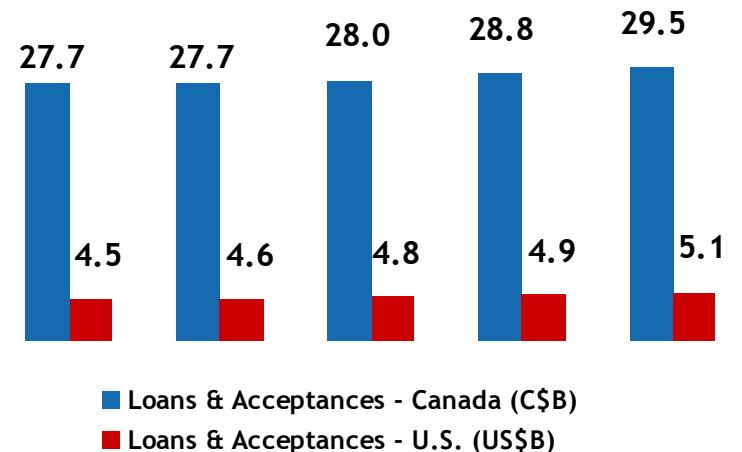
Introducing the Performance Plan.
Unlimited everyday transactions across all your accounts.
Switching is easy!



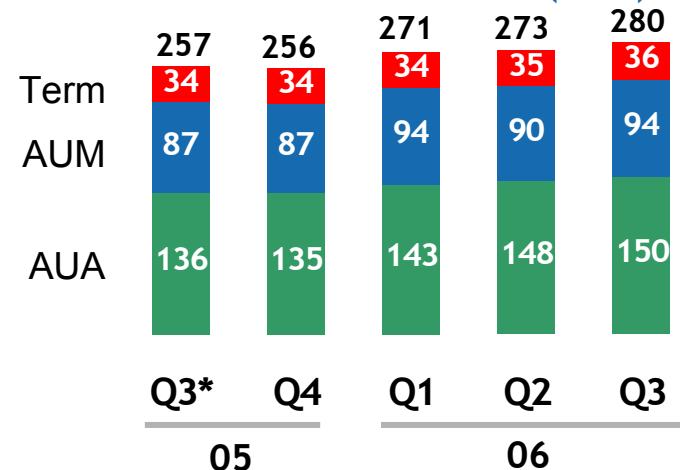
TARGETING FUTURE GROWTH IN COMMERCIAL AND WEALTH

- Commercial banking
 - ▶ Leadership position in key segments
 - ▶ Specialized front line staff, concurrence officers in the field
- Wealth management
 - ▶ Canada: Key segments targeted include retirement, affluent and mass affluent
 - ▶ U.S.: Expand share of existing clients business and number of clients through expansion

P&C - Commercial Banking
Average Balances



PCG AUA / AUM (C\$B)

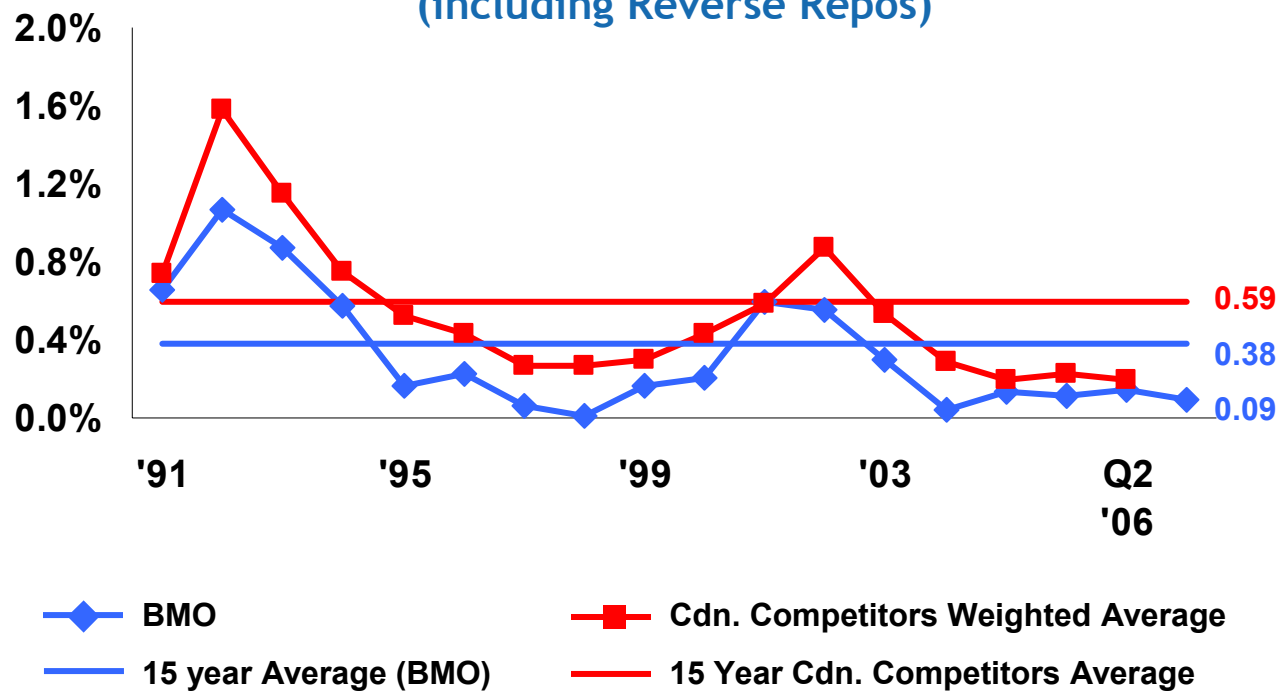


* Ex Harrisdirect



CREDIT PERFORMANCE

Specific PCL as a % of Average Net Loans and Acceptances (including Reverse Repos)



BMO's Canadian competitors include:

RY, BNS, CM, TD and NA

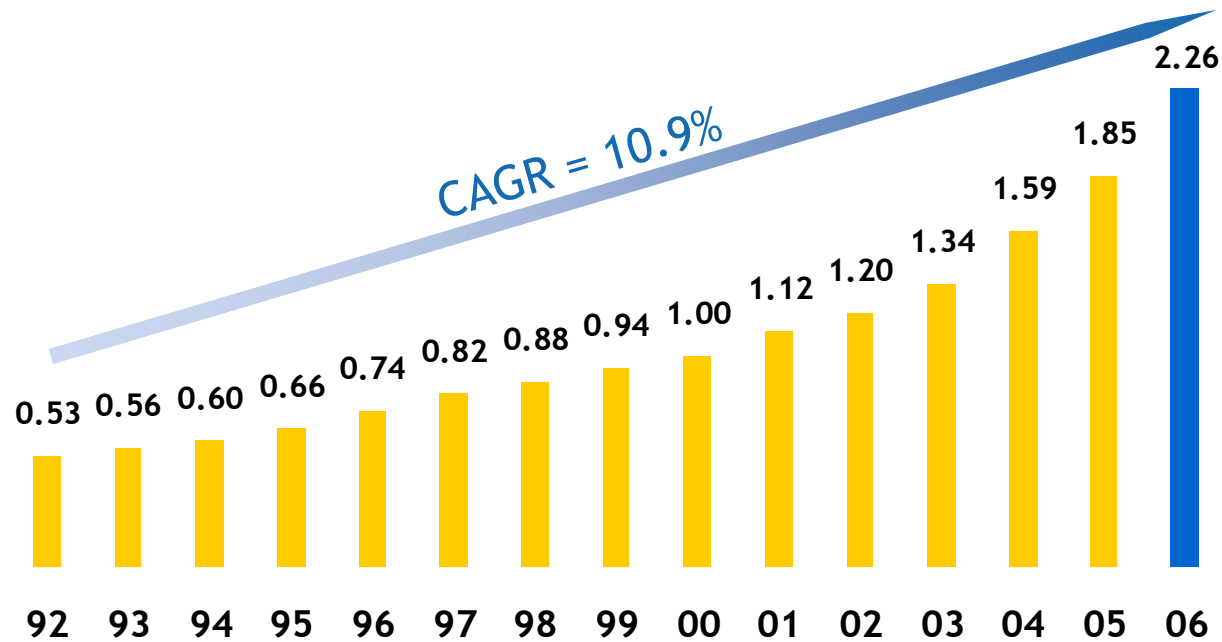
Competitor average excludes the impact of TD's sectoral provisions

15 yr average - 1991 to 2005



INDUSTRY-LEADING DIVIDEND PAYOUT TARGET

Dividends Declared Per Share
(C\$)



Priorities for use of capital:

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



Q&A

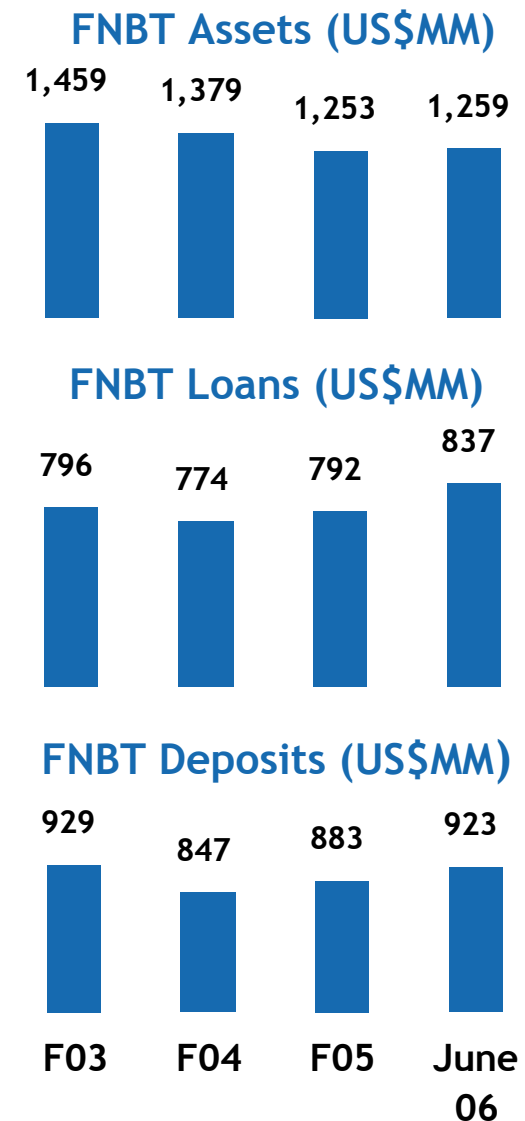


Appendix



KEY TERMS OF FNBT ACQUISITION

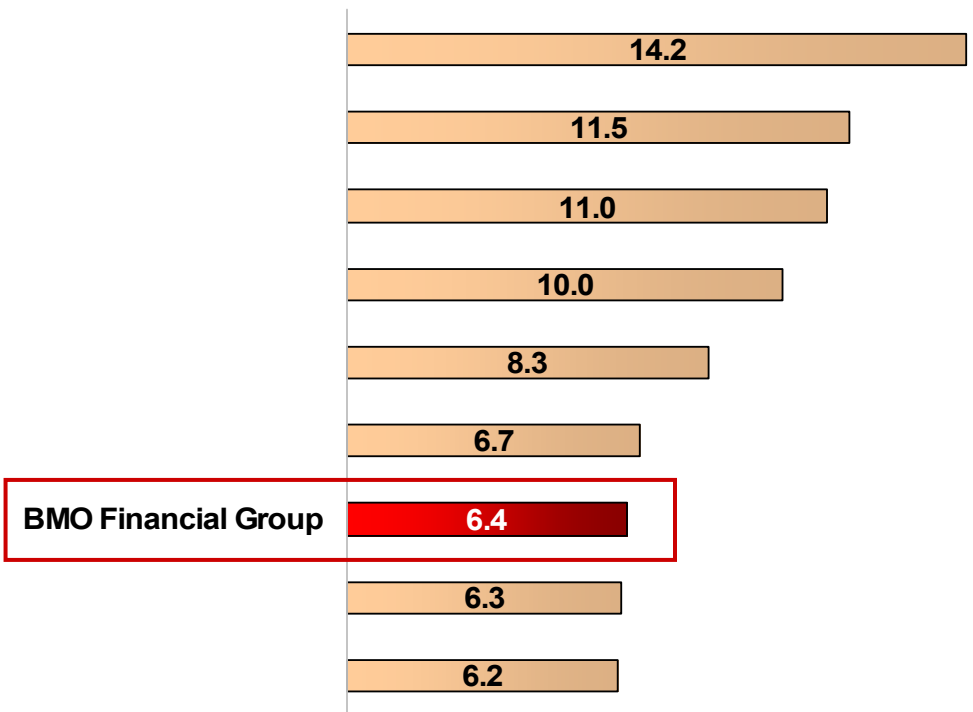
- Cash Purchase Price: US\$290MM
- Excluding one time items, the transaction is modestly accretive to cash earnings per share in year 1
- Non-capitalized one-time items of approximately US\$20MM
- LTM P/E of 24.8x (excludes one-time items of US\$7.3MM after tax and assumes 35% tax rate) and P/B 2.2x. P/E of 21.8x based on annualized YTD '06 earnings
- Structure that allows deductibility of purchase price premium for tax and certain pre-closing adjustments to book value result in lower effective multiples estimated to be: LTM P/E 22.5x (excluding one-time items), P/B 1.9x
- Transaction multiples in line with other recent transactions in the region





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

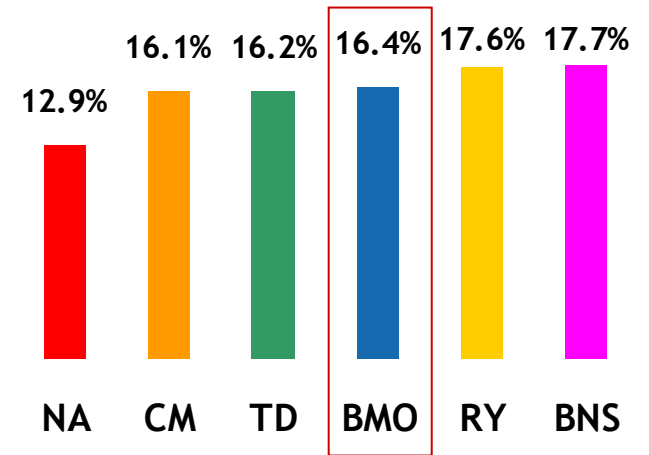
Source: Boston Consulting Group Analysis "Creating Value in Banking 2006"



STRONG TRACK RECORD FOR GROWTH

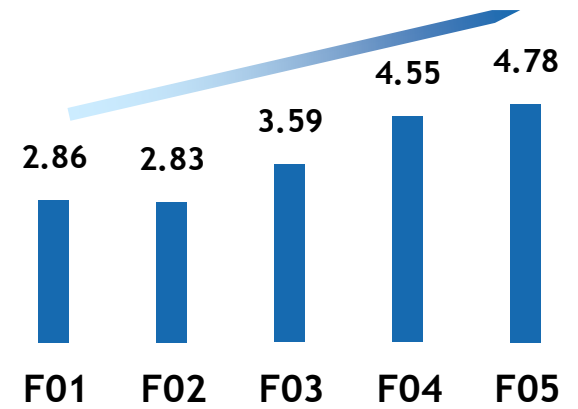
- Strong shareholder returns
- Leadership changes position BMO for future growth
- Efforts directed to improving the customer experience

20-Year TSR



Calculated using compound growth rates as at July 31, 2006

Diluted Cash EPS (\$)





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