



## INVESTOR COMMUNITY BREAKFAST

### 2007 Priorities

**BMO**  **Financial Group**

December 06 • 2006



# 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.



## BMO PRESENTERS

**Tony Comper**

*President & Chief Executive Officer*

**Bill Downe**

*Chief Operating Officer*

**Karen Maidment**

*Chief Financial & Administrative Officer*

**Frank Techar**

*President & Chief Executive Officer  
Personal & Commercial Banking - Canada*

**Ellen Costello**

*Chief Executive Officer, Harris Bankcorp, Inc.  
Personal & Commercial Banking - U.S.*

**Gilles Ouellette**

*President & Chief Executive Officer  
Private Client Group*

**Tom Milroy / Eric Tripp**

*Co-Presidents, BMO Capital Markets  
Investment Banking Group*

### Available for Q&A:

**Barry Gilmour**

*Group Head  
Technology & Operations*

**Bob McGlashan**

*Executive Vice President & Chief Risk Officer*



## FISCAL 2006 TARGETS

Performance Measure	F2006 Actual	F2006 Target	Target Met
EPS Growth <sup>1</sup> (base of \$4.58 <sup>2</sup> )	11.6%	5%-10%	✓
Specific Provision for Credit Losses	\$211MM	\$400MM or less <i>Revised to:</i> \$250MM or less	✓
Cash Productivity Ratio	25 bps improvement	100-150 bps improvement	✗
Return On Equity	19.2%	17%-19%	✓
Tier 1 Capital Ratio	10.22%	Minimum 8%	✓

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

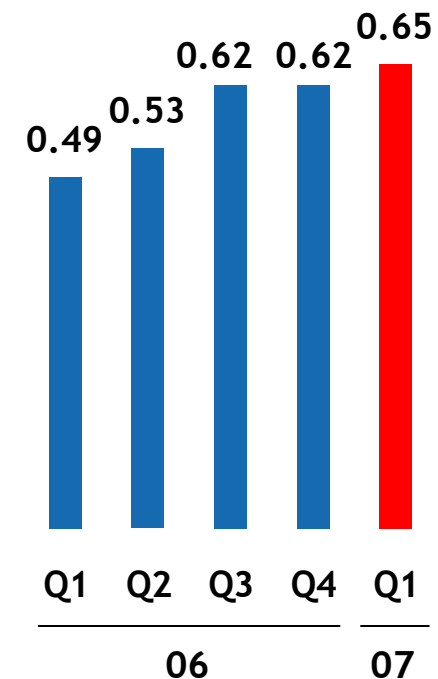
<sup>2</sup> Restated from \$4.59 due to the retroactive application of a change in accounting policy for stock-based compensation



## INDUSTRY-LEADING DIVIDEND PAYOUT

- 1-year Total Shareholder Return just over 24%
- Announced dividend increase of \$0.03 per share
  - ▶ Up 33% Y/Y
  - ▶ Annualized dividend of \$0.65 represents approximately 50% of F2006 net income available to common shareholders
- Dividend payout range increased to industry-leading **45 – 55%** during the year

Quarterly Dividends Declared Per Share (\$)







## NORTH AMERICAN GROWTH STRATEGY

BMO Financial Group's Vision:

*To be the top-performing financial services company  
in North America*





## INVESTOR COMMUNITY BREAKFAST

### 2007 Priorities

BILL DOWNE







Chief Operating Officer

December 06 • 2006

**BMO**  **Financial Group**



## 2007 STRATEGIC PRIORITIES

	<b>Build a superior Canadian personal banking business</b> to ensure that we meet all of our customers' financial needs
	<b>Further strengthen our commercial banking businesses</b> to become a leading player everywhere we compete
	<b>Grow our wealth management businesses</b> , capturing an increasing share of this high-growth market
	<b>Drive strong returns and disciplined growth</b> in our North American investment banking business
	<b>Improve our U.S. performance</b> and expand our network to become the leading personal and commercial bank in the U.S. Midwest
	<b>Build a high-performing, customer-focused organization</b> supported by a world-class foundation of productive technologies, efficient processes, disciplined performance management, sound risk management and governance





## ECONOMIC OUTLOOK

### Canada

- Economy will continue to grow at a moderate pace in 2007 though improve through the year as the negative impact of the strong Canadian dollar dissipates
- Housing market is expected to moderate further, however business investment is anticipated to remain strong
- Interest rates expected to remain stable which, along with steady economic expansion, should support fee-based activities
- Resource-producing provinces are expected to lead the nation's expansion

### U.S.

- Economy will continue to expand in 2007 though at a more moderate pace relative to 2006. The slowing is largely a reflection of weakness in housing. The downside will be limited by oil prices next year averaging below 2006 levels.
- Past increases in interest rates should continue to temper demand for residential mortgages and personal loans, however continued strong business investment should support growth in business loans
- The U.S. dollar is expected to depreciate against most major currencies in the year ahead in response to an easing in Federal Reserve policy



## 2007 FINANCIAL TARGETS

Ongoing commitment to productivity improvement

Performance Measure	F2007 Target	F2006 Performance
EPS Growth <sup>1</sup> (base of \$5.11)	5 - 10%	11.6% (on base of \$4.58)
Specific Provision for Credit Losses	\$400 MM or less	\$211 MM
Cash Productivity Ratio	Improve by 100 – 150 bps	25 bps improvement
Return On Equity	18 - 20%	19.2%
Tier 1 Capital	na <sup>2</sup>	10.22%

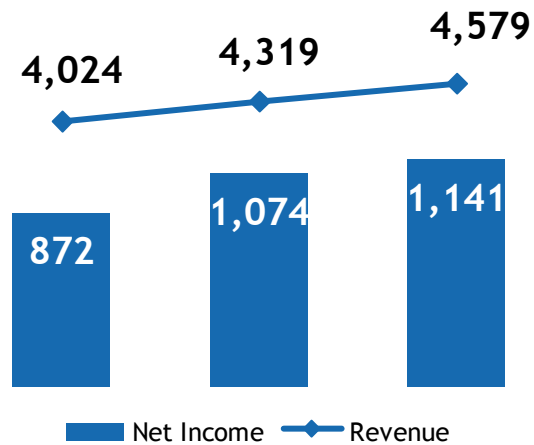
<sup>1</sup> Excluding changes in the general allowance

<sup>2</sup> BMO plans to maintain a Tier 1 Capital Ratio of at least 8%, but no longer states the ratio as an annual performance target

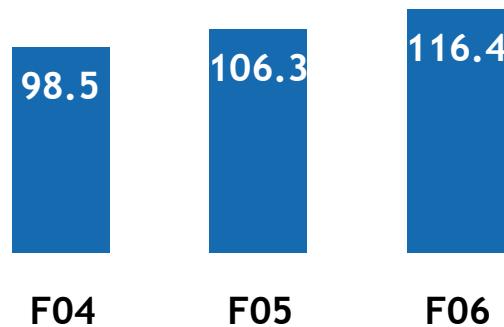


## PERSONAL & COMMERCIAL BANKING - CANADA

Revenue / Net Income  
(\$MM)



Average Loans and Acceptances (\$B)  
(includes securitized balances)



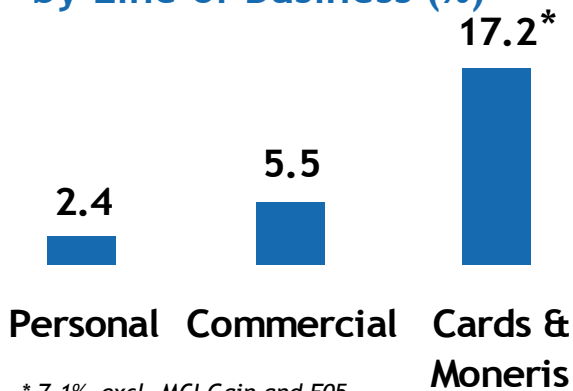
### 2007 OBJECTIVES

- **Improve the customer experience** through business process improvements and leveraging previous investments in people and technology
- **Continue expanding and upgrading our branch network** to better serve our customers in key priority markets
- **Drive revenue growth and improved customer loyalty** through a robust performance management system
- **Improve performance in the small business segment**



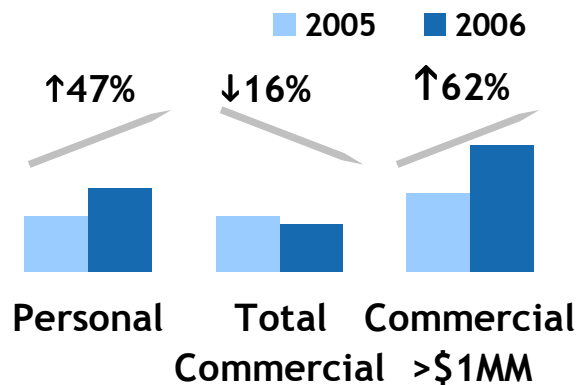
# PERSONAL & COMMERCIAL BANKING - CANADA

## F2006 Revenue Growth by Line of Business (%)

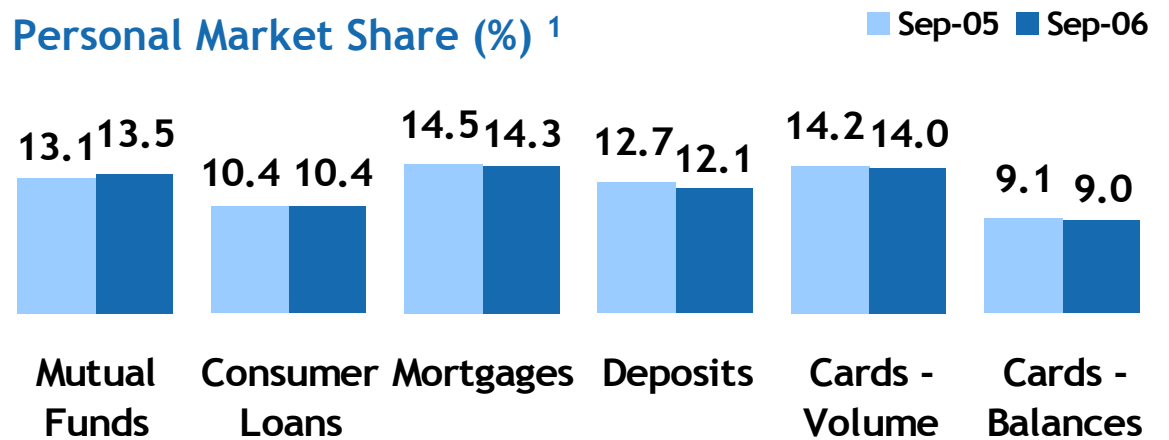


\* 7.1% excl. MCI Gain and F05 Loyalty program adjustment

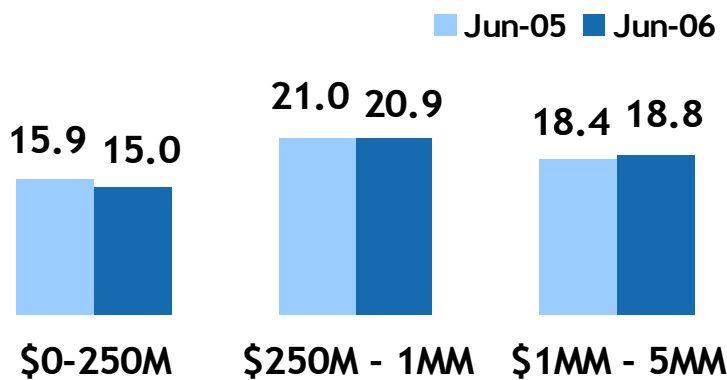
## Net Promoter Score



## Personal Market Share (%) <sup>1</sup>



## Business Loan Market Share (%) <sup>2</sup>



<sup>1</sup> Personal share statistics are issued on a one-month lag basis. (Q4.06: September 2006)

Sources: Mutual Funds – IFIC, Mortgages & Credit Cards – CBA, Consumer Loans & Deposits – Bank of Canada

<sup>2</sup> Business loans (Banks) are issued by CBA on a one calendar quarter lag basis (Q4.06: June 2006)

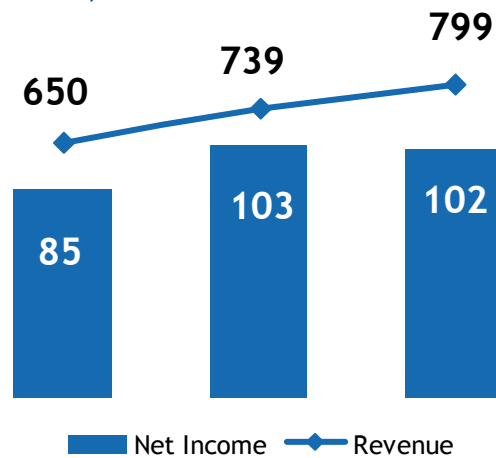
Market share restated to reflect the latest CBA data



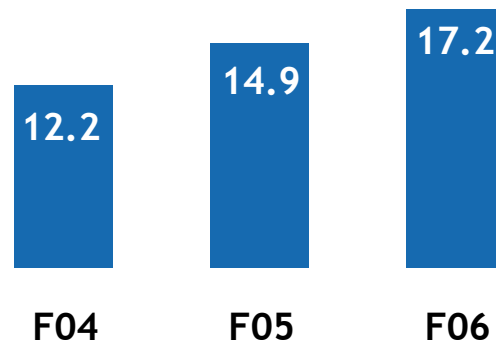


## PERSONAL & COMMERCIAL BANKING - U.S.

Revenue / Net Income  
(US\$MM)



Average Loans and Acceptances  
(US\$B)



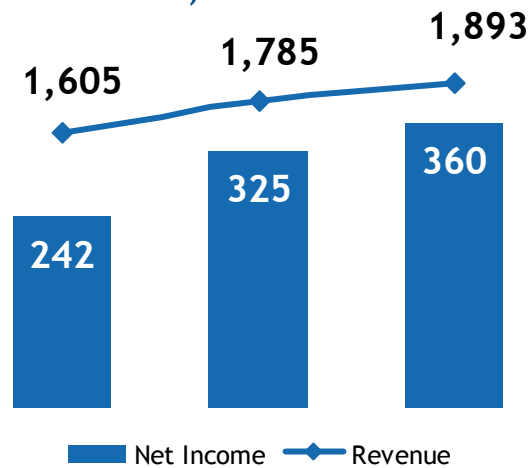
### 2007 OBJECTIVES

- **Improve financial performance** by increasing revenue and managing costs
- **Continue to build our branch network** by opening new branches in the Chicago area and exploring acquisition opportunities in the Midwest
- **Continue to refine our customer experience**, providing excellent service to retain existing customers and attract new business

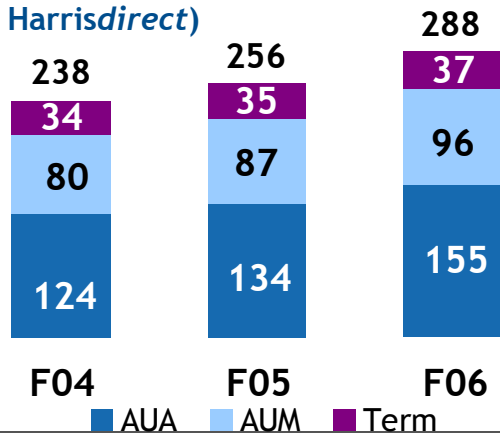


# PRIVATE CLIENT GROUP

Revenue / Net Income (\$MM)  
(ex Harrisdirect)



AUA / AUM (\$B)  
(ex Harrisdirect)



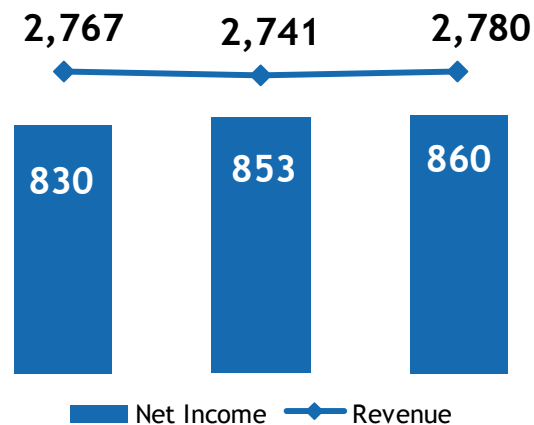
## 2007 OBJECTIVES

- **Grow our wealth management business** by leveraging existing BMO/Harris client relationships and our distribution network
- **Expand our sales force and improve its productivity**
- **Continue to enhance our business models** through specific revenue-generating initiatives and ongoing expense management
- **Invest selectively in our businesses** where we have the opportunity to create incremental value

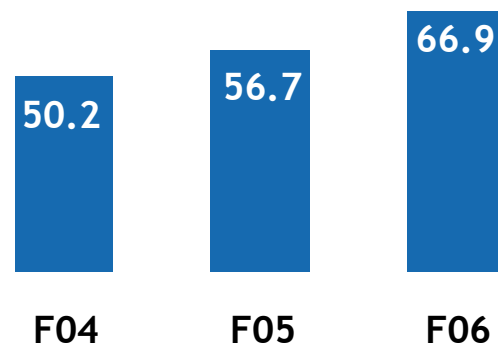


## BMO CAPITAL MARKETS

Revenue / Net Income  
(\$MM)



Risk Weighted Assets  
(\$B)



### 2007 OBJECTIVES

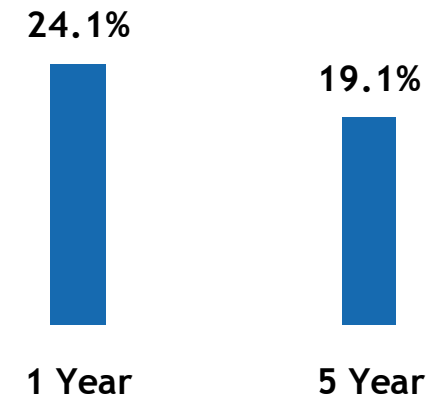
- **Continue to grow BMO Capital Markets U.S. revenues** by increasing product penetration and improving cross-selling to the U.S. client base and by expanding trading activities and enhancing client coverage of key segments with a focus on growing fee-based revenues
- **Implement a number of high-value initiatives** to drive earnings growth
- **Maintain Canadian leadership** in the high-return fee business of M&A, equity and debt underwriting and securitization



## REASONS TO BUY / HOLD BMO

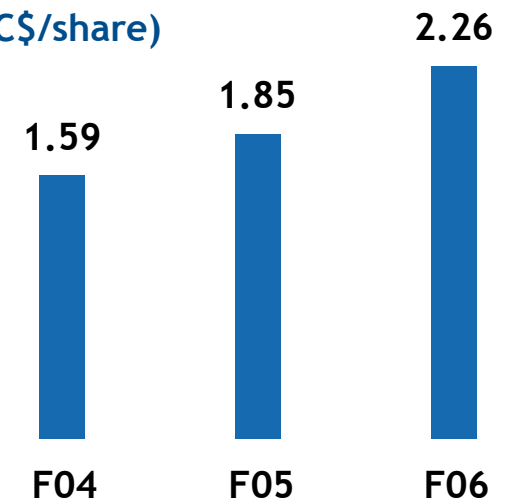
- Consistent and focused North American growth strategy
  - ▶ Track record for stability, earnings consistency and strong dividend growth
  - ▶ Proven capacity to achieve targeted growth from our existing solid U.S. platform and strong Harris brand
  - ▶ Strong franchise in some of the most lucrative markets in the U.S.
- Industry leader in dividend payout ratio
- Commitment to ongoing productivity ratio improvement. Cash productivity ratio improved 560 bps over last four years.
- Prudence and expertise in credit risk management
- Balanced approach to capital management (Tier 1 Capital Ratio of 10.22% at October 31, 2006)
- Shareholder-friendly compensation model

### Total Shareholder Return



Calculated using compound growth rates as at October 31, 2006

### Annual Dividend (C\$/share)







## SHAREHOLDER-FRIENDLY COMPENSATION MODEL

### Short-Term

Determined by:

- Enterprise business performance measures (e.g. growth in EPS and revenue)
- Banking group measures (e.g. growth in net income and revenue)

### Mid-Term

- Productivity goals and three-year TSR vs. competitors
- Higher pool if goals are exceeded — reduced if goals are not met

### Long-Term

- Reflects commitment to 'price performance options'
- Some share options vest over time and are worthless unless share price growth exceeds certain hurdles during the vesting period



# Q & A



## INVESTOR RELATIONS • CONTACT INFORMATION

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