


BMO  Bank of Montreal

BMO  Harris Private Banking

BMO  Mutual Funds

BMO  InvestorLine

BMO  Nesbitt Burns

BMO  Life

BMO  **Financial Group**

**Financial Results
Third Quarter 2003**

Karen Maidment
EVP & CFO

Quarterly Investor Presentation
August 26, 2003

EPS GROWTH

46.2%

Annual Target

10 – 15%

ROE

18.0%

Annual Target

14 – 15%

PCL

\$90 MM

Annual Target

< \$820MM

TIER 1 CAPITAL

9.21%

Annual Target

> 8.0%

Q3 2003 Financial Highlights

- **Net income \$504MM**
- up 46% from \$346MM in Q3 2002
- **Cash productivity ratio 62.6%**
- best in eight quarters
- **PCL at \$90MM**
- reflects improved credit performance
- **Operating Groups**
- improved performance in all groups
- **Positioned to exceed annual operating targets** despite economic challenges

Q3 2003 Financial Summary

	Q3 2003	Q3 2002	Q2 2003
Net Income (\$MM)	504	346	409
Cash EPS – Diluted (\$/share)	0.99	0.70	0.81
EPS – Diluted (\$/share)	0.95	0.65	0.77
Cash Return on Equity (%) [*]	18.8	13.8	15.9
Return on Equity (%) [*]	18.0	12.9	15.2
Revenue Growth (%)	8.9	(4.1)	(0.6)
Expense Growth (%)	(0.2)	4.7	0.5
Cash Productivity Ratio (%)	62.6	68.1	66.0
Productivity Ratio (%)	63.7	69.4	67.2
PCL/Avg. Loans Accept. (%) [*]	0.24	0.44	0.32
Capital: Tier 1 Ratio (%)	9.21	8.72	9.10

* Annualized

Q/Q Earnings Growth Drivers:

- Improved overall operating group performance
- 3 additional days
- Better performance from investment securities
- Lower PCL

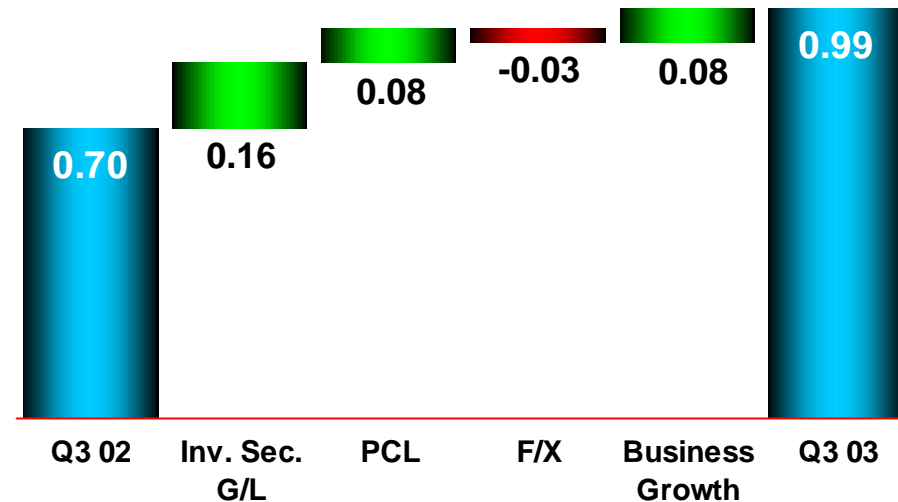
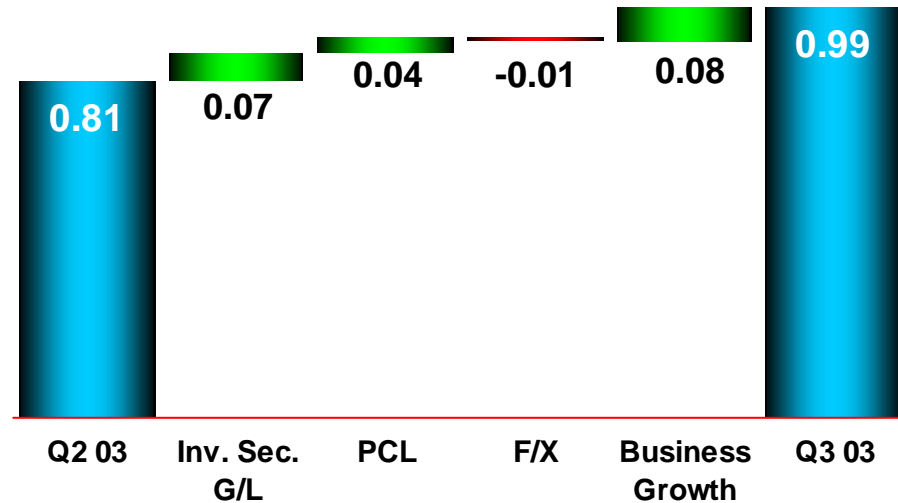
Y/Y Earnings Growth Drivers:

- Improved overall operating group performance
- Better performance from investment securities
- Lower PCL

* Approximate per share impact

Cash EPS Growth

(\$/share)*

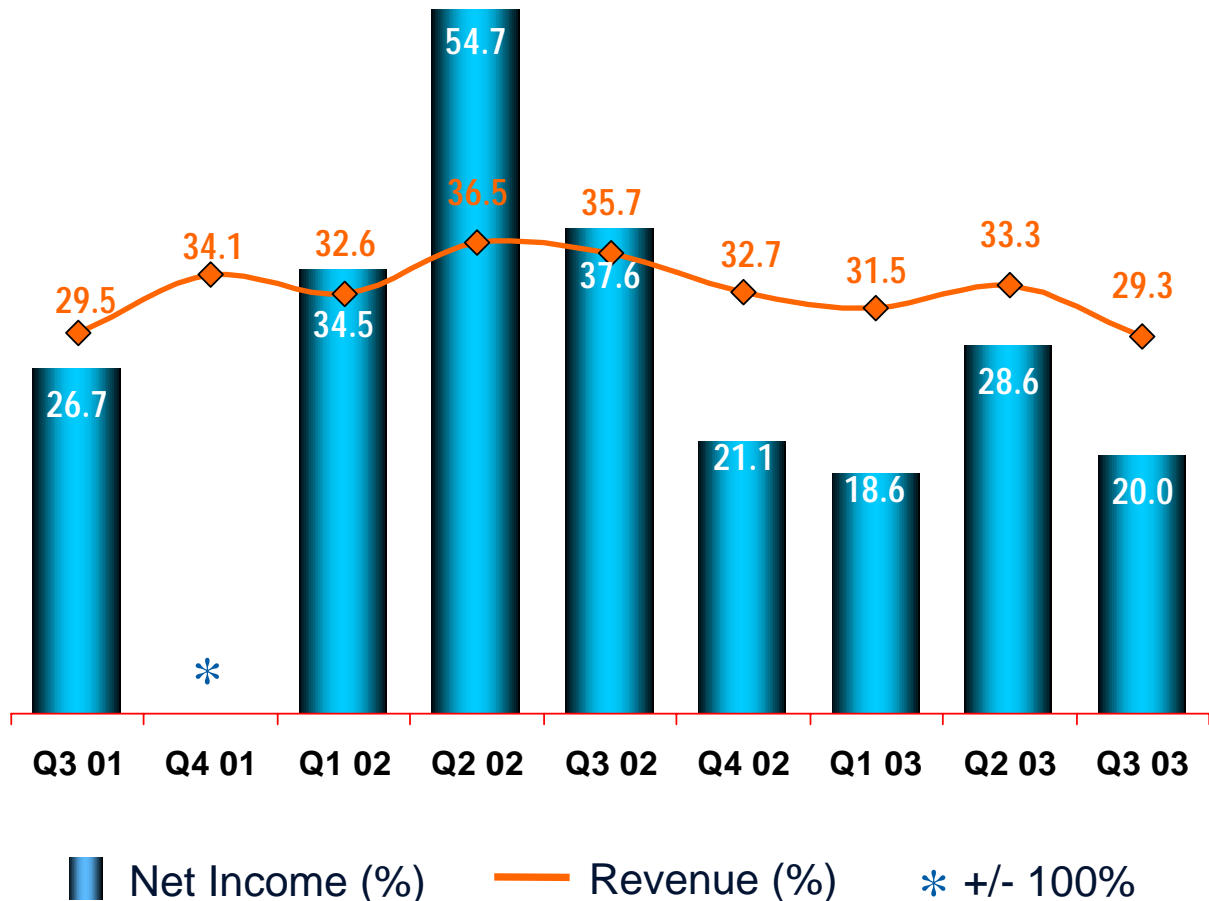


U.S. to North American Revenue & Net Income

- Revenue contribution from U.S.-based business stable around 30%
- Net income from U.S.-based business \$91MM or 20%
- Weaker U.S. dollar contributed to Y/Y decline

U.S. Results

Reduced U.S. contribution – reflects strengthening Canadian dollar



Q/Q Business Growth

- 3 additional days in Q3 and higher volumes in P&C
- Improved client-trading activity in PCG
- Improved debt and equity origination revenue in IBG, partially offset by lower M&A fees and reduced dividend income

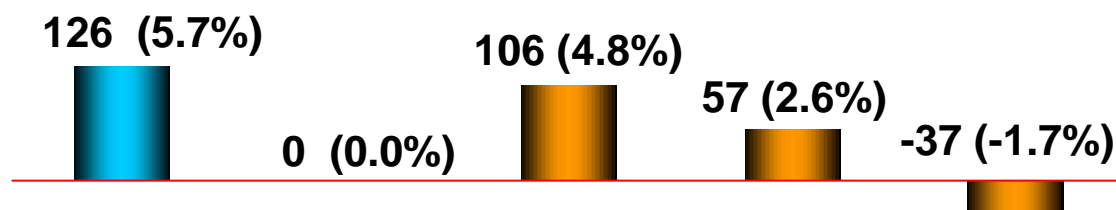
Y/Y Business Growth

- Improved retail volumes and higher margins in Canada, offset by marginally lower U.S. retail and business banking revenue
- Higher fee-based revenue from brokerage and investment products businesses
- Improved M&A revenue and origination fees

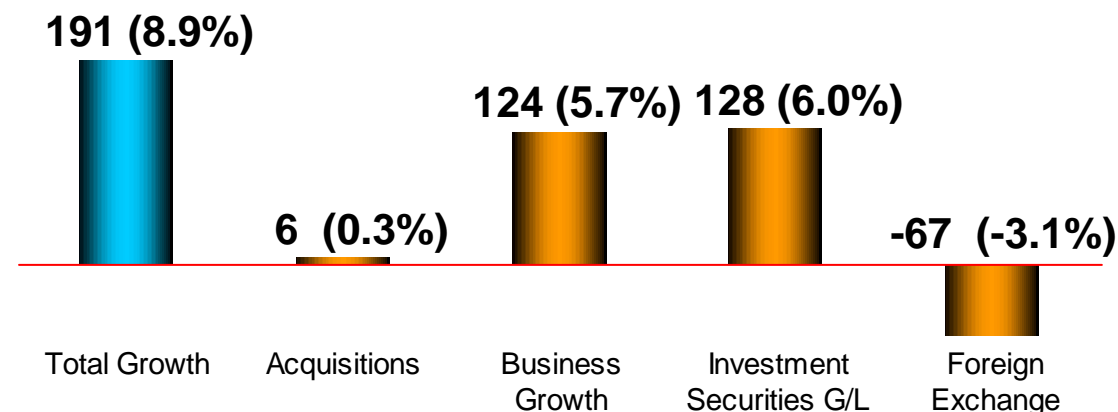
Revenue Growth

Strong core revenue growth Q/Q and Y/Y

Q3 '03 vs Q2 '03 (\$MM)



Q3 '03 vs Q3 '02 (\$MM)



Q/Q NIM Changes

- Margins declined due to:
 - Lower IBG spreads due to changes in business mix
 - Lower spreads in P&C Canada reflecting competitive environment
 - Offset by volume growth and 3 additional days

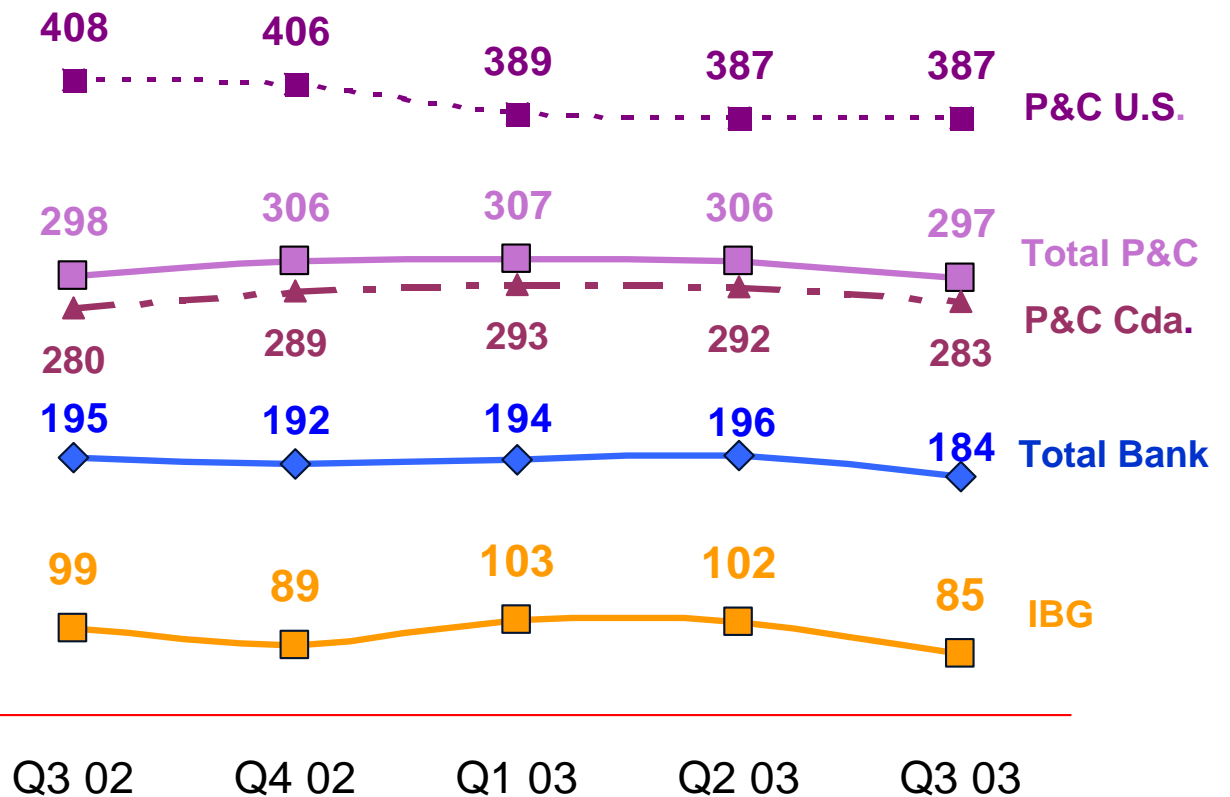
Y/Y NIM Changes

- Margins declined due to:
 - Lower IBG spreads due to changes in business mix
 - Total P&C margins stable despite margin compression in the U.S.

Net Interest Margins

Decline due to business mix and competitive pressure

Net Interest Margin (bps)



Q/Q Business Growth

- Higher variable compensation (\$49MM) in line with higher revenues
- 3 additional days in Q3 offset by effective cost management

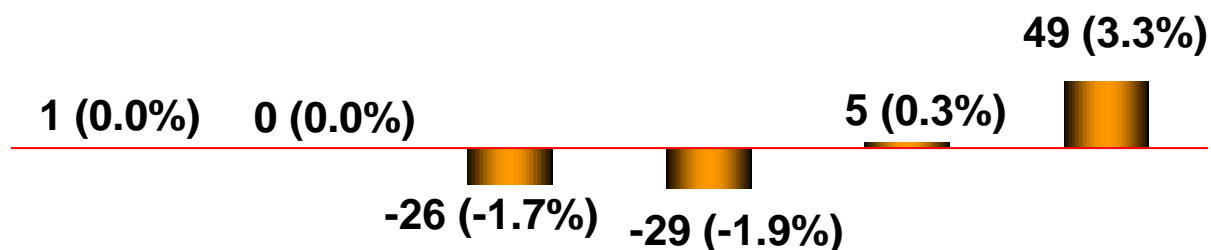
Y/Y Business Growth

- Higher pension and employee benefit costs

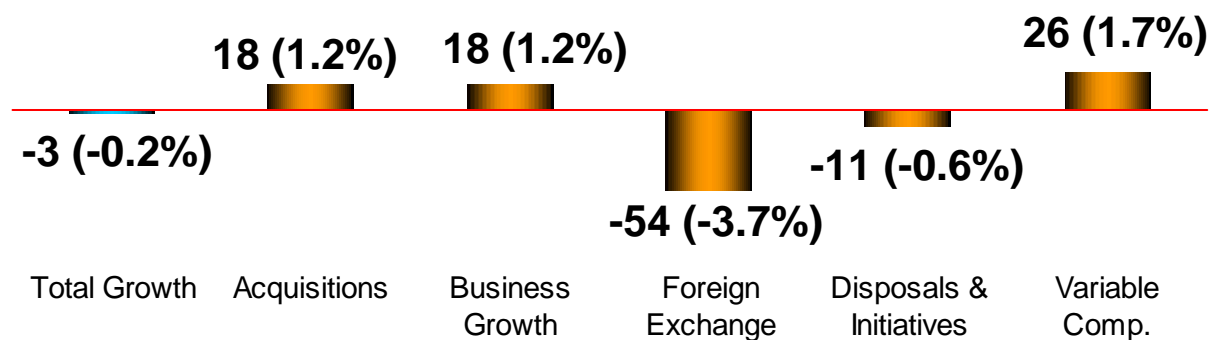
Expense Growth

Effective cost management reflected in flat expenses

Q3 '03 vs Q2 '03 (\$MM)



Q3 '03 vs Q3 '02 (\$MM)



Expense Analysis (\$MM)

Employee Compensation:

- Higher performance-based compensation ↑ 49

Premises & Equipment:

- Computer costs lower – acquisition integration ↓ 10

Other Expenses:

- Professional Fees ↓ 11
- Travel ↓ 4

Employee Compensation:

- Pension/Benefits ↑ 18
- Performance-based compensation ↑ 26

Premises & Equipment:

- Computer costs lower (acquisition integration) ↓ 5
- Real Estate Rental ↓ 7

Other Expenses:

- Professional Fees ↓ 18
- Travel ↓ 18
- Business/Capital Taxes ↑ 13

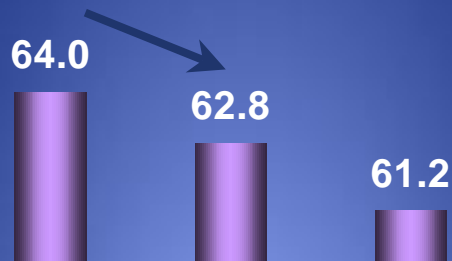
Non-Interest Expense Analysis

Quarter-over-Quarter Q/Q	Q3 2003	Q2 2003	B/(W)
Employee Compensation	869	844	(25)
Premises & Equipment	301	315	14
Communications	39	39	0
Other Expenses	250	260	10
Amortization of Intangible Assets	26	26	0
Total Non-Interest Expense	1,485	1,484	(1)

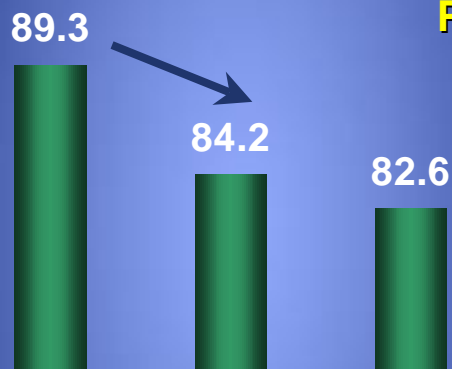
Year-over-Year Y/Y	Q3 2003	Q3 2002	B/(W)
Employee Compensation	869	827	(42)
Premises & Equipment	301	318	17
Communications	39	41	2
Other Expenses	250	274	24
Amortization of Intangible Assets	26	28	2
Total Non-Interest Expense	1,485	1,488	3

Cash Productivity (%)

P&C



PCG



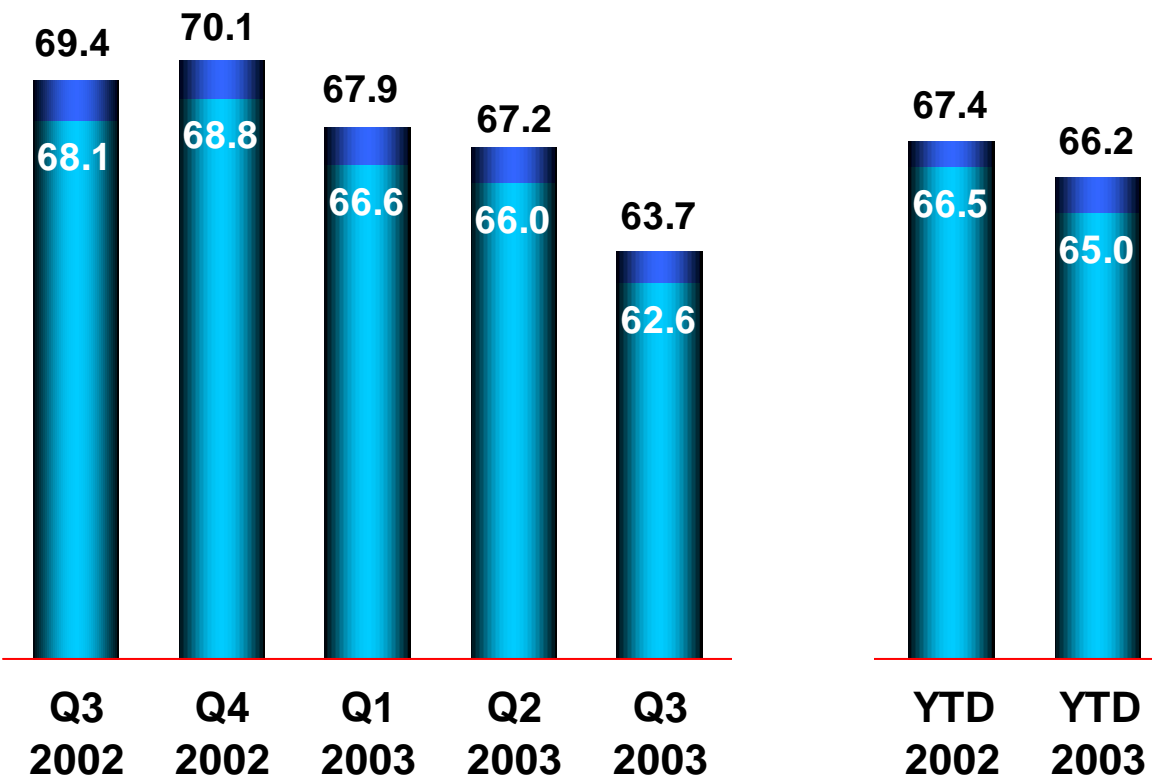
IBG



F02 YTD F03 Q3 03

Cash Productivity Ratio

Targeting 150 to 200 bps reduction in all operating groups over F2002 levels



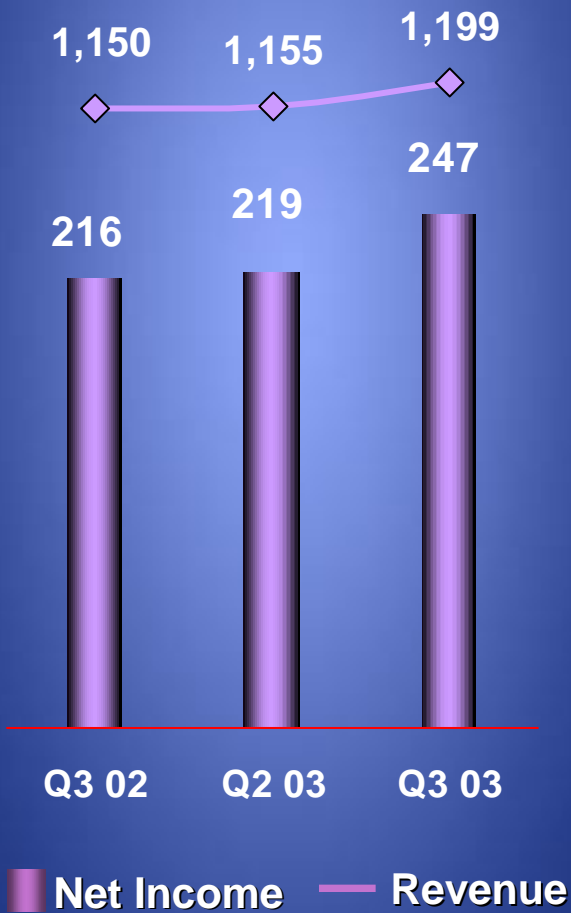
Cash Accrual

Expect to Surpass Annual Targets

Performance Measure	F2003 Target (ex. non-recurring items)	Revised F2003 Guidance (ex. non-recurring items)	Year-to-date Performance
EPS Growth*	10 – 15%	15 – 20%	28%
Return On Equity	14 – 15%	15 – 16%	15.8%
Provision For Credit Losses	At or below \$820MM	\$500MM or below	\$360MM
Tier 1 Capital	Minimum 8.0%	Minimum 8.0%	9.21%

* Growth based on F2002 diluted EPS of \$2.76 and diluted cash EPS of \$2.91

Revenue & Net Income \$MM

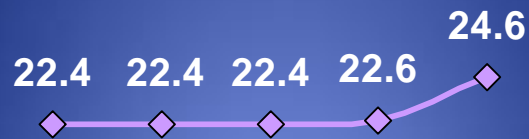


Personal & Commercial

Strong performance driven by sustained volume growth in all products

- Volume growth in Canada and U.S.
- Attentive cost management and revenue growth drive improved productivity ratio over prior year
- Improvement over Q2 reflects impact of 3 additional days in current quarter
- Higher net interest margins Y/Y in Canada while U.S. margins declined in low interest rate environment
- U.S. earnings affected by weakening U.S. dollar
- Higher pension, benefit and performance-based compensation costs

Cash ROE



Net Interest Margin



Productivity Ratio



Q3 02	Q4 02	Q1 03	Q2 03	Q3 03
-------	-------	-------	-------	-------

Personal & Commercial

Improved small business market share and continued competitive pressures on Personal market share

Canadian Market Share (%)



Q3 02 Q4 02 Q1 03 Q2 03 Q3 03

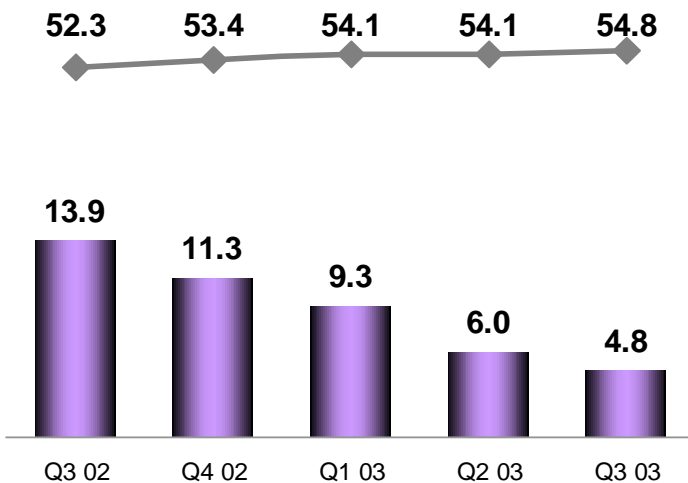
- ◆ Residential Mortgages (incl. 3rd party)
- Personal Loans (ex. Cards)
- Personal Deposits
- ▲ Small Business Loans (\$0-5MM)

¹ Small Business Loans are on a calendar quarter and 3 month lag basis.

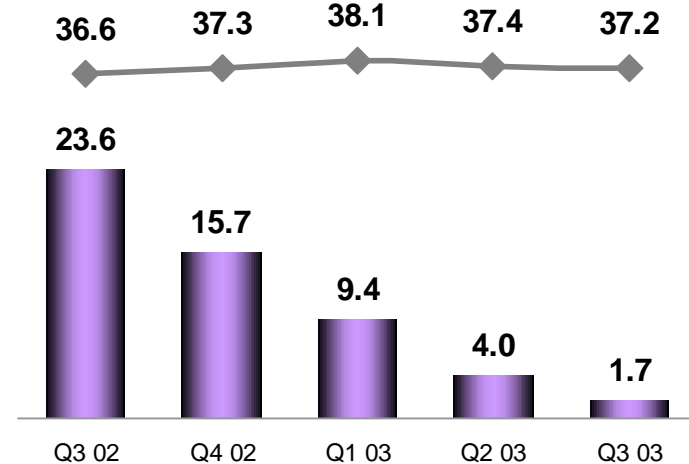
Personal & Commercial

Volume growth diluted by strengthening Canadian dollar

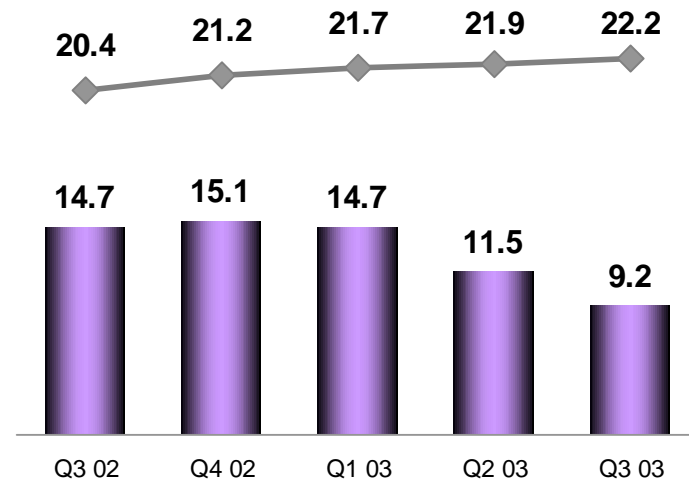
Residential Mortgages¹





Personal Deposits



Personal Loans¹



 Yr./Yr. Growth (%)
 Average Balances (\$B)
¹ Includes securitized balances

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

Net Income



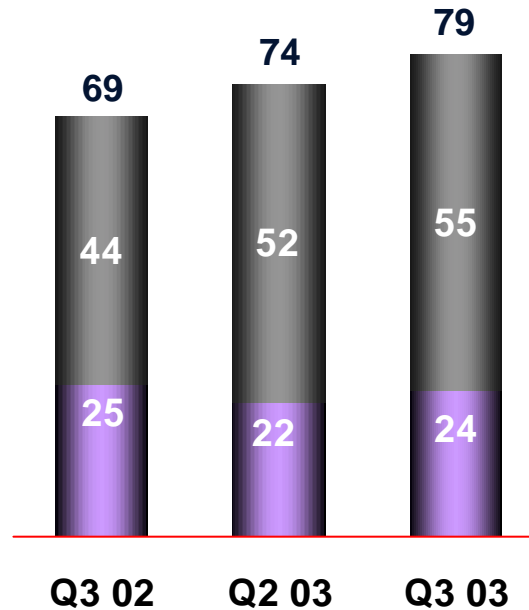
Revenue



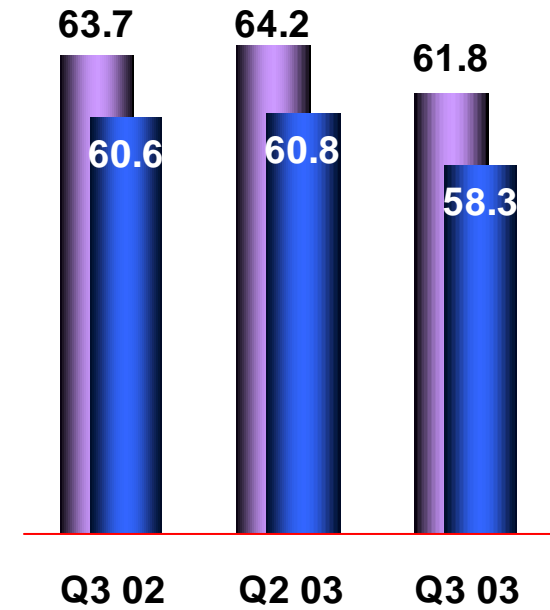
U.S. Retail And Mid-Market

Operations represent 87% of U.S. net income and 52% of revenue in Q3 2003

Net Income (C\$MM)



Productivity Ratio (%)



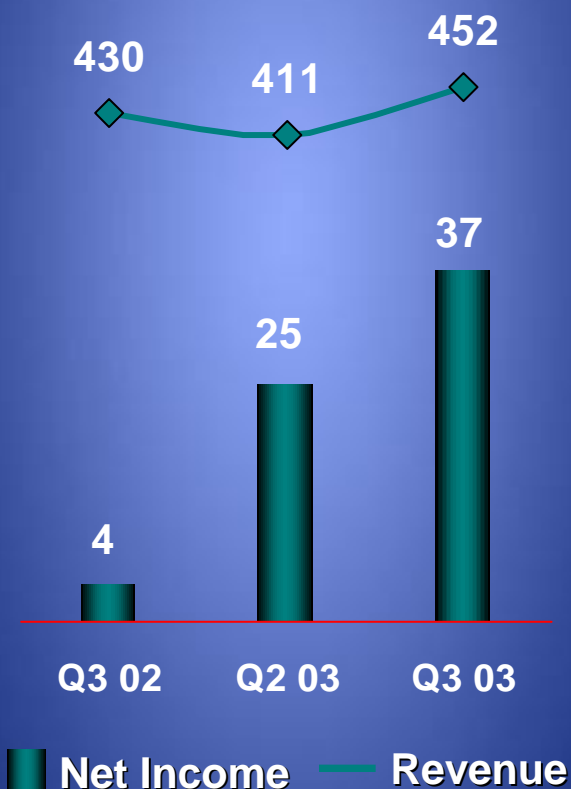
Reported P&C U.S.

U.S. Mid-Market

Total P&C Reported

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

Revenue & Net Income \$MM

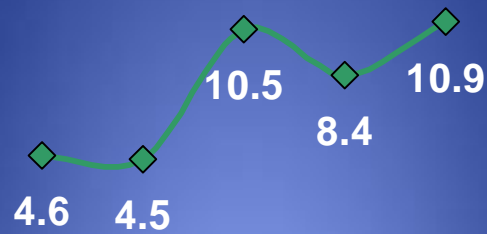


Private Client Group

Improved earnings on strong revenue growth and focused cost management

- **Net income \$12MM or 51% higher Q/Q**
 - Revenue generating initiatives and modest equity market improvement
- **Revenue increased \$41MM Q/Q**
 - Significant improvement in client-trading volumes in brokerage businesses (up 23%)
 - Both Canadian and U.S. revenues improved
 - U.S. F/X reduced revenues by \$16MM Q/Q
- **Productivity ratio improved by 340 bps Q/Q**
 - 11% revenue growth outpaced 6% expense growth

Cash ROE



TSX and S&P 500 up 10% and 15% Q/Q

Productivity Ratio

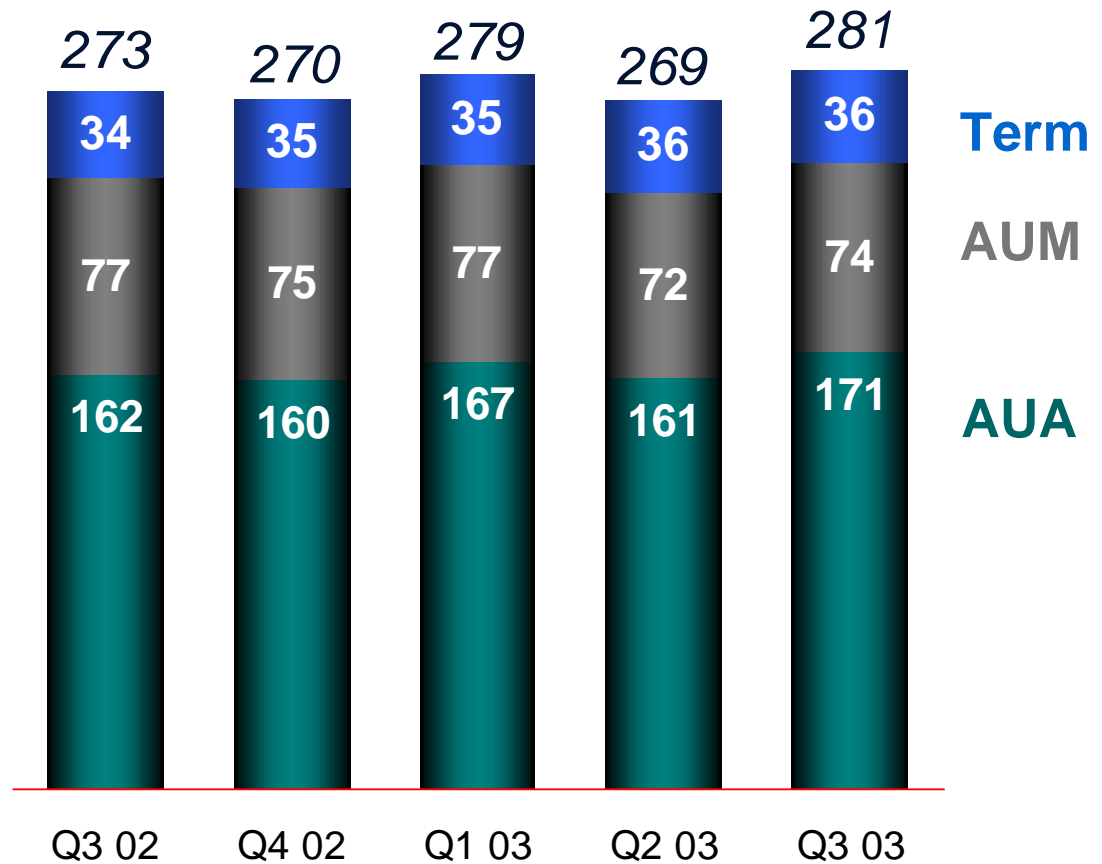


Q3 02 Q4 02 Q1 03 Q2 03 Q3 03

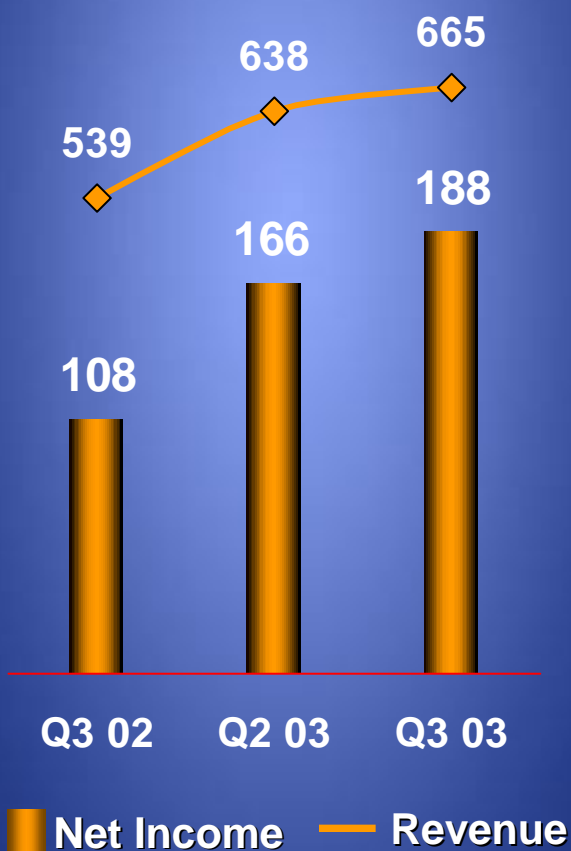
Private Client Group

Revenue initiatives and equity market recovery drove AUA/AUM growth Q/Q

AUA / AUM (\$B)



Revenue & Net Income \$MM



Investment Banking Group

Challenging market environment continues

- Improved fee-based revenue Y/Y across several products, including M&A and origination
- Best quarterly results in the Equity Division in the past 5 years
- Expenses remained substantially unchanged Y/Y and Q/Q reflecting continued commitment to cost containment
- Prior year was affected by significant write-downs, mainly in our Canadian operations

Cash ROE



Net Interest Margin



Productivity Ratio



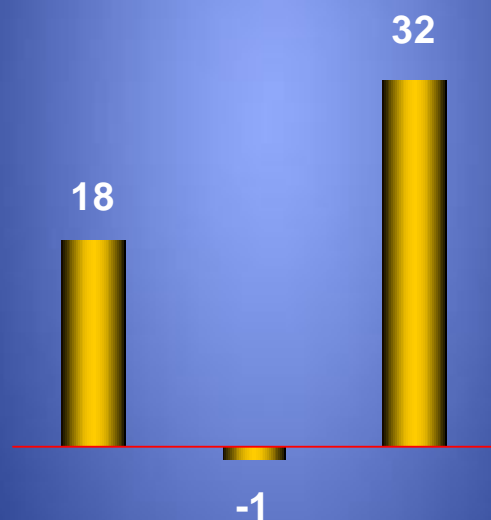
Q3	Q4	Q1	Q2	Q3
02	02	03	03	03

Investment Banking Group

ROE is improving while productivity ratio is trending lower

- Improving overall performance and effective capital management have resulted in rising ROE
- While loan margins improved Y/Y, overall margin decreased Y/Y and Q/Q
- Prudent expense management combined with revenue growth have contributed to significant productivity improvement
- The Group remains well positioned to benefit from market improvements

Net Income \$MM



Q3 02 Q2 03 Q3 03

■ Net Income

Corporate Support, including Technology & Solutions

Improvement driven by lower PCL

- Q3 2003 improvement over Q2 2003 as a result of:
 - Lower PCL
 - Improved corporate revenue
 - Lower expenses
- Q3 2003 improvement over Q3 2002 as a result of:
 - Lower PCL due to improved credit quality
 - Partially offset by higher income taxes

Appendix

EPS GROWTH

28.0%

Annual Target

10 – 15%

ROE

15.8%

Annual Target

14 – 15%

PCL

\$360 MM

Annual Target

< \$820MM

TIER 1 CAPITAL

9.21%

Annual Target

> 8.0%

YTD 2003 Financial Highlights

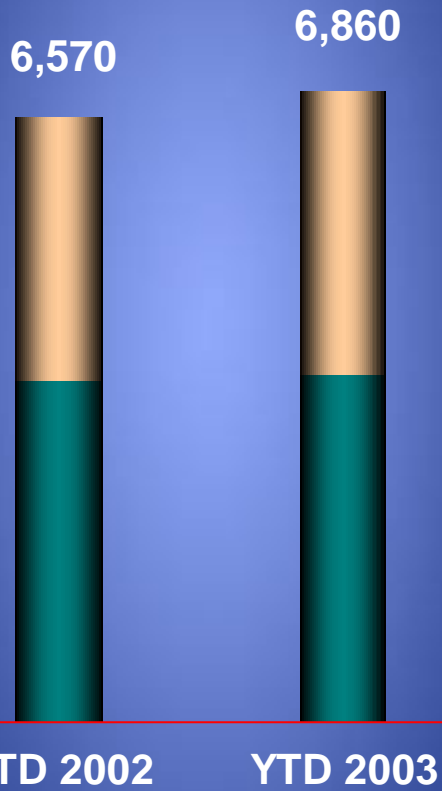
- **Cash productivity ratio of 65.0% down from 66.5% YTD 2002**
- **Revenue growth due to acquisitions and core business growth**
- **PCL declined to \$360MM from \$660MM YTD 2002**
- **Positioned to exceed annual operating targets** despite economic challenges
 - EPS growth estimated at 15 – 20%
 - ROE estimated at 15 – 16%
 - PCL estimated at less than \$500MM

YTD 2003 Financial Summary

	YTD 2003	YTD 2002
Net Income (\$MM)	1,312	1,019
Cash EPS – Diluted (\$/share)	2.59	2.04
EPS – Diluted (\$/share)	2.47	1.93
Cash Return on Equity (%) [*]	16.6	13.7
Return on Equity (%) [*]	15.8	13.0
Revenue Growth (%)	4.4	(4.9)
Expense Growth (%)	2.6	4.9
Cash Productivity Ratio (%)	65.0	66.5
Productivity Ratio (%)	66.2	67.4
PCL/Avg. Loans Accept. (%) [*]	0.32	0.60
Capital: Tier 1 Ratio (%)	9.21	8.72

^{*} Annualized

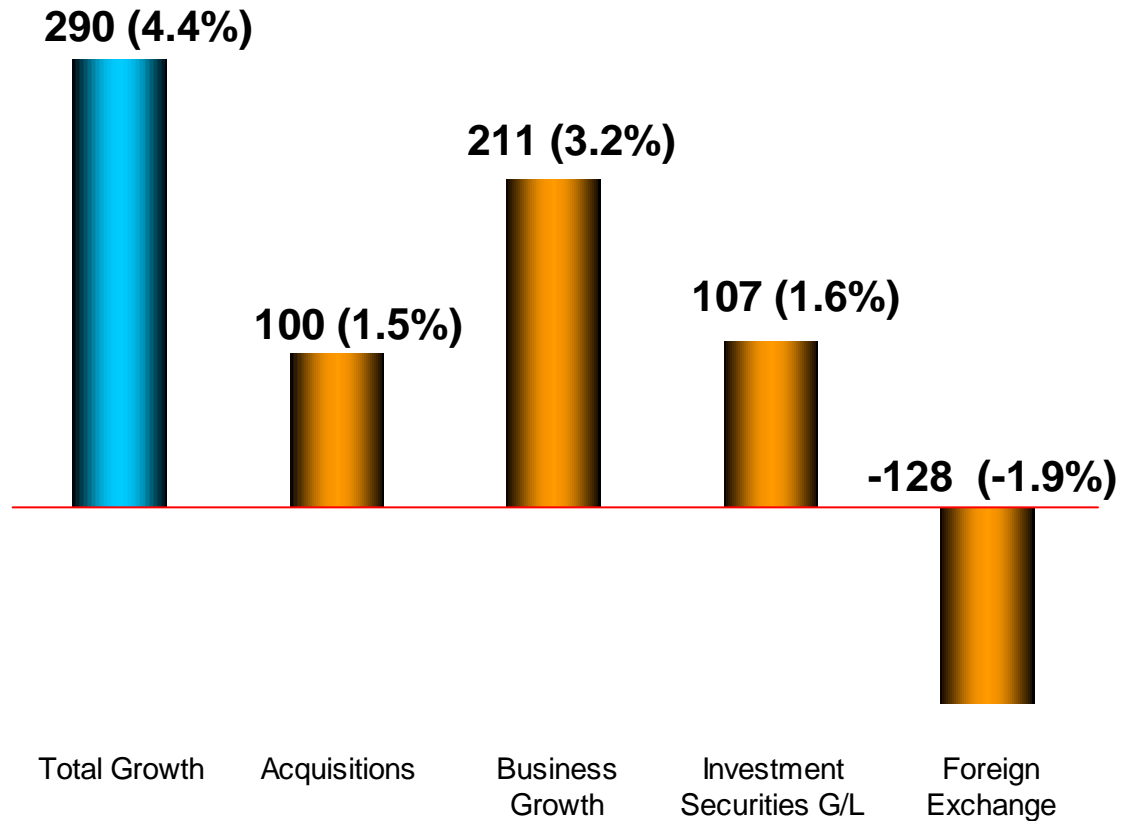
**Total Revenue
\$MM**



Net Interest Income
 Non-Interest Revenue

Year-to-Date Revenue Growth

**YTD 2003 vs YTD 2002
(\$MM)**



**Non-Interest Expense
\$MM**

4,426

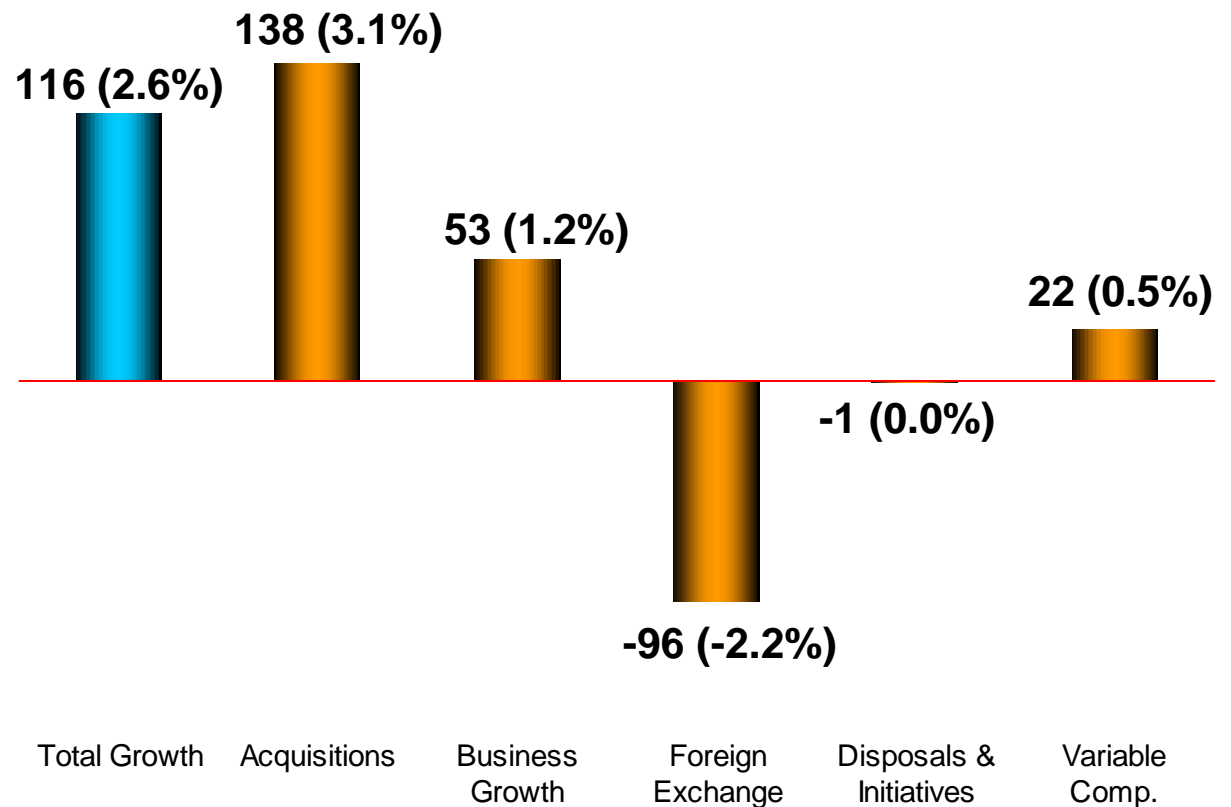
4,542

YTD 2002

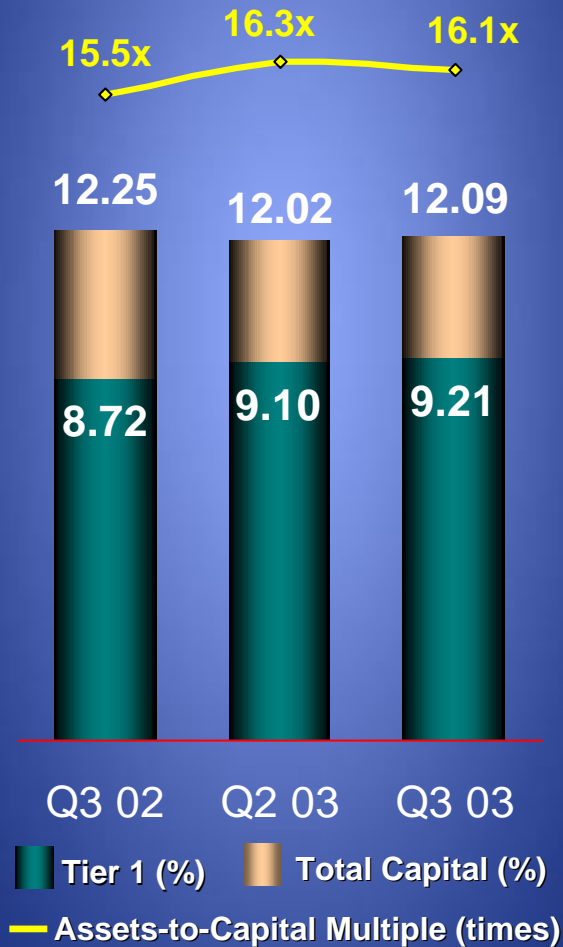
YTD 2003

Year-to-Date Expense Growth

**YTD 2003 vs YTD 2002
(\$MM)**



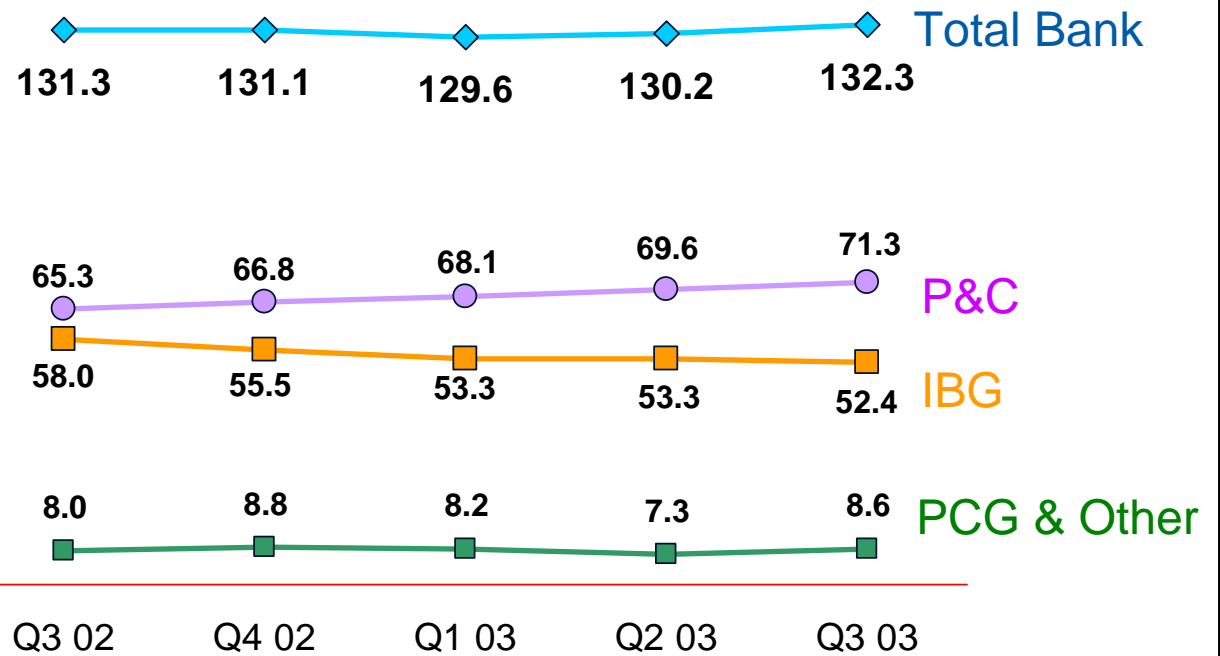
Enterprise-Wide Capital Management



Capital & Risk-Weighted Assets

Tier 1 Capital increased due to internal capital generation partially offset by modest RWA growth

Risk-Weighted Assets (\$B)



*Direct Investing*¹

Continues to gain momentum as equity markets improved – Gomez ranked BMO InvestorLine #1 in Canada and Harris*direct* 4th in U.S.

	Q3 2003	Q3 2002	Q2 2003	Yr / Yr Change
Active Accounts (000) ²	785	717	803	10%
New Accounts (000) ³	16	23	16	(32)% ⁴
Trades / Day (000) ⁵	19	17	15	14%
Customer Assets (\$B Cdn)	46	43	43	7%

¹ Direct Investing includes Harris Investor Services (HarrisDirect and Harris AdvantEdge) and BMO InvestorLine

² Active accounts are defined as accounts with balances or stock positions or trading activity in the last 12 months

³ Gross active new accounts estimated

⁴ New accounts declined Y/Y, directionally in line with industry peer group, reflecting a more conservative investor climate

⁵ F2003 client-trade volumes were increased to account for Mutual Fund and Bond Transactions

U.S./Canadian Exchange Rate

- \$6MM pre-tax earnings reduction Q/Q and \$20MM Y/Y
- Excluding hedging, a one cent change in the CDN/U.S. exchange rate changes quarterly earnings by approximately \$1MM pre-tax

U.S./Canadian Exchange

\$MM	Q/Q
Decreased Revenue	(43)
Lower PCL	4
Decreased Expense	28
Hedging Gain	5
Total Pre-tax Impact	(6)

\$MM	Y/Y
Decreased Revenue	(82)
Lower PCL	9
Decreased Expense	53
Total Pre-tax Impact	(20)

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 2003 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, 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.

Investor Relations Contacts

Susan Payne

416-867-6656

Lynn Inglis

416-867-5452

Amanda Mason

416-867-3562

Fax

416-867-3367

Email

investor.relations@bmo.com