

# WHY

# BMO

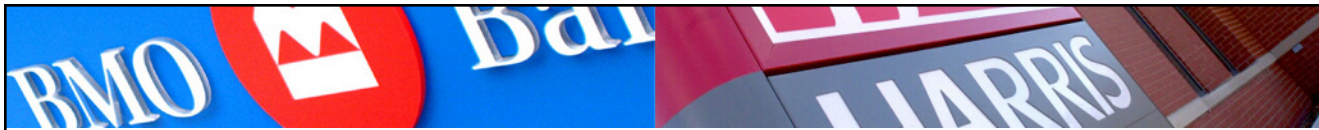
**NATIONAL BANK  
CANADIAN FINANCIAL  
SERVICES CONFERENCE**

**TONY COMPER**  
*President and  
Chief Executive Officer*

MARCH 30 • 05

BMO  Financial Group





# 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 2005 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.

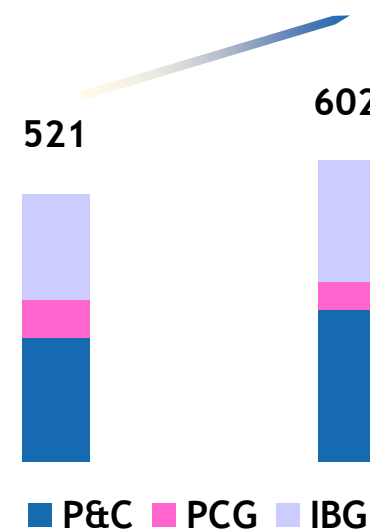
The future outcomes that relate to forward-looking statements may be influenced by many factors, including but not limited to: global capital market activities; interest rate and currency value fluctuations; the effects of war or terrorist activities; the effects of disease or illness that impact on local, national or international economies; the effects of disruptions to public infrastructure, such as transportation, 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.



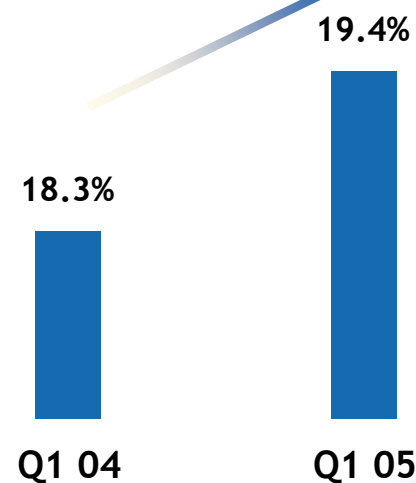
## STRONG FIRST QUARTER

Performance Measure	Q1 2005	Q1 2004
Net Income	\$602 MM	\$521 MM
Cash Net Income	\$621 MM	\$540 MM
EPS	\$1.16	\$1.00
Cash EPS	\$1.19	\$1.03
Cash Productivity	61.9%	64.7%
Return on Equity	19.4%	18.3%

Net Income (C\$MM)



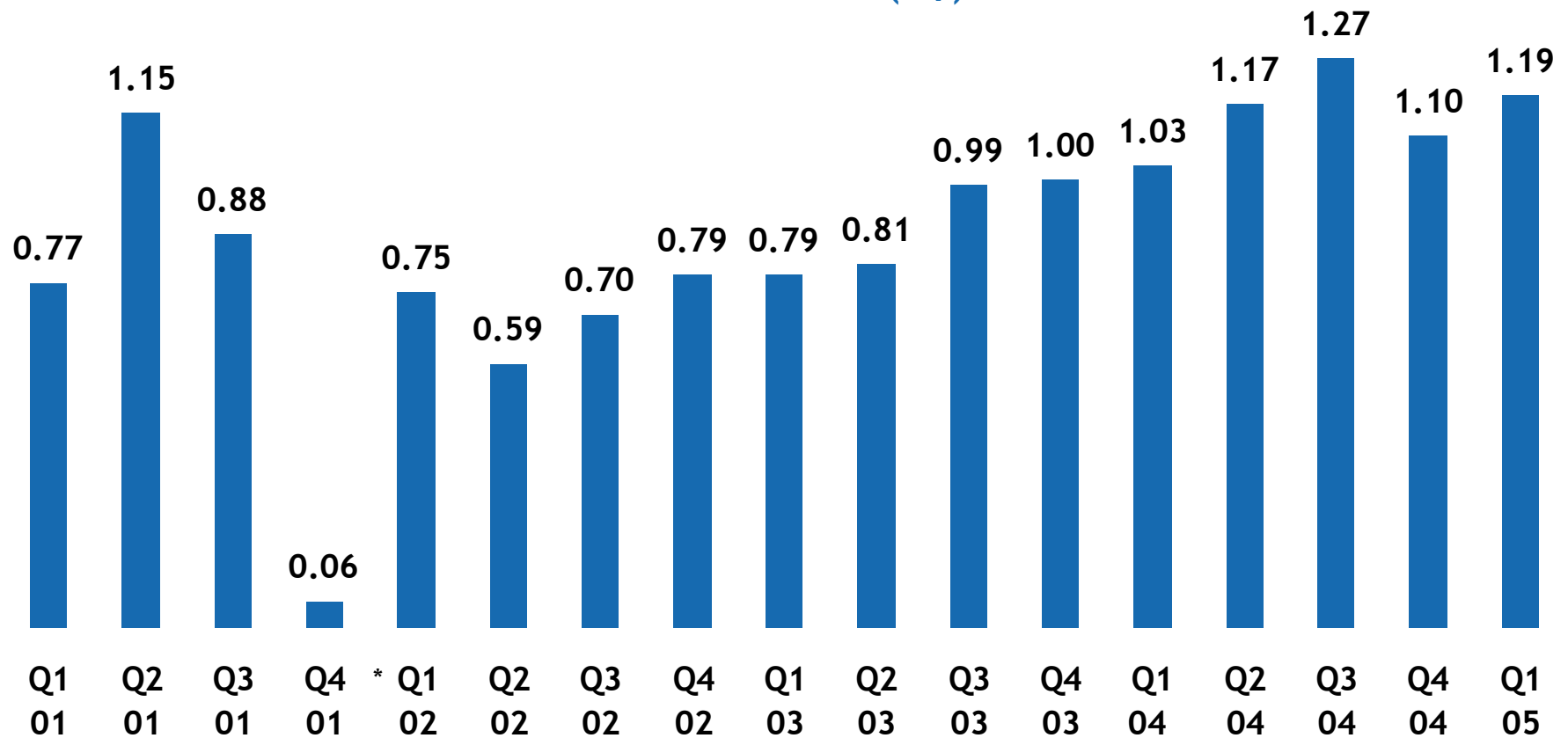
ROE



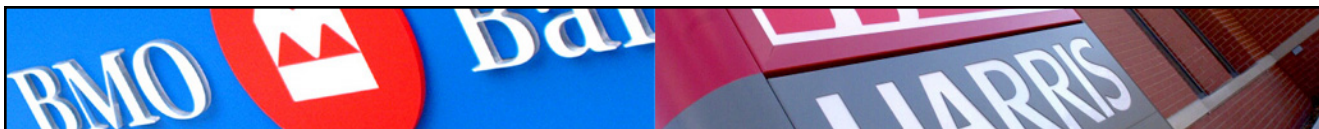


# CONSISTENT PATTERN OF PERFORMANCE

## Diluted Cash EPS (C\$)



\* Includes \$414 MM after-tax provisions and write-downs



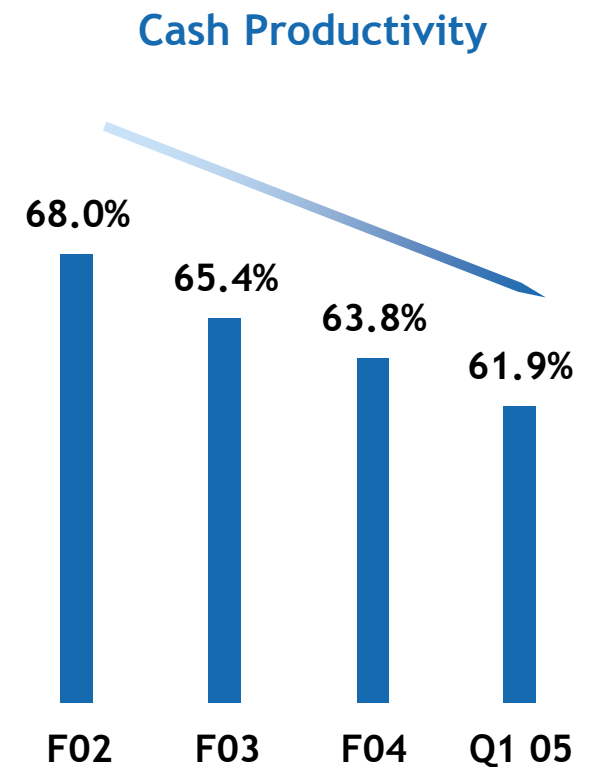
## WELL POSITIONED TO ACHIEVE TARGETS

Performance Measure	Q1 2005	F2005 Target
EPS Growth <sup>1</sup> (base of \$4.21)	22%	3-8%
Specific Provision for Credit Losses	\$43 MM	\$400 MM or less <i>Now estimated to be:</i> \$350 MM or less
Cash Productivity Ratio	288 bps improvement	150-200 bps improvement
Return On Equity	19.4%	17-18%
Tier 1 Capital	9.72%	Minimum 8%

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

## EXCELLENT PROGRESS ON PRODUCTIVITY

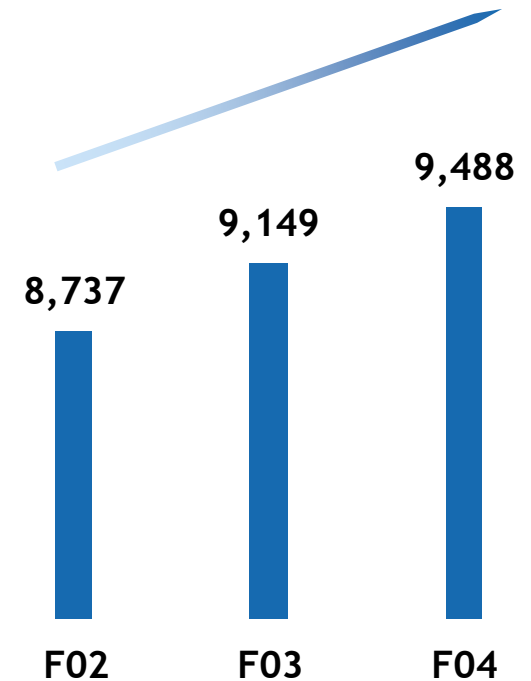
- Improved approximately 420 bps from 2002 to the end of 2004
- Committed to improving 150-200 bps each year
- Improvement will be driven by revenue growth AND cost containment
- Compensation tied to success in achieving targets



## HEIGHTENED FOCUS ON INCREASING REVENUE

- Total customer orientation
  - Investment in leading-edge technology in P&C
  - Incentive plans designed to reward strong orientation toward sales & service
- Customer-focused dedication to cross-business referrals
  - Sales Councils - Canada
  - One Harris - U.S.

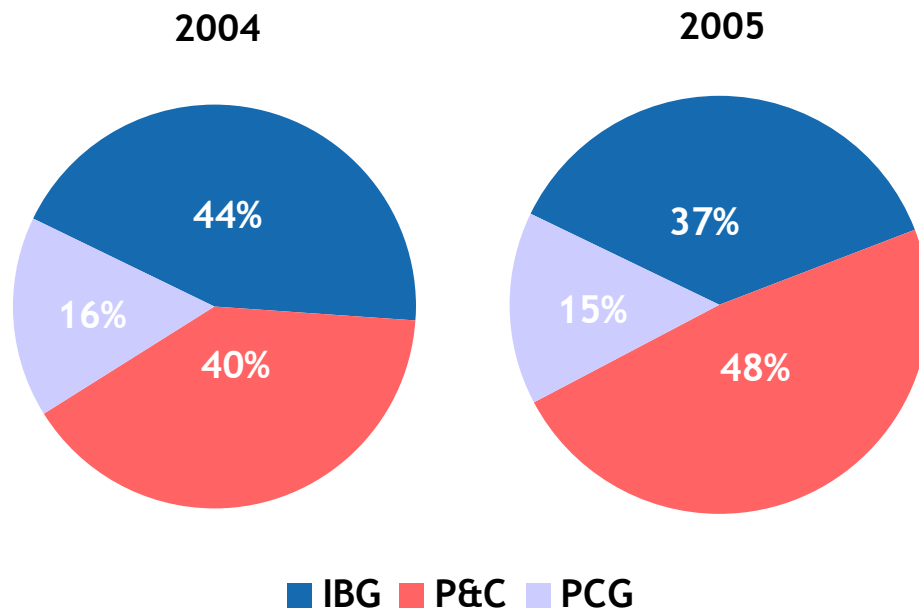
Total Revenue (C\$MM)





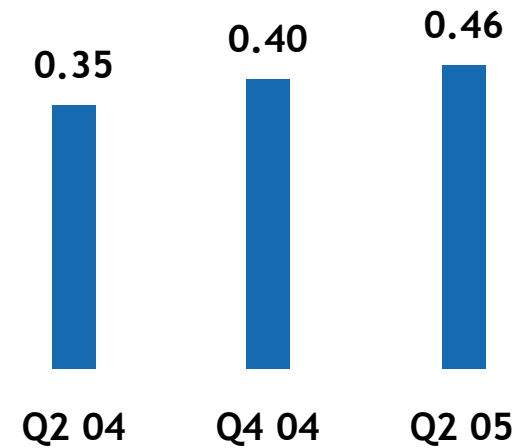
# STRATEGIC ALLOCATION OF CAPITAL

Allocated Capital By Line of Business<sup>1</sup>

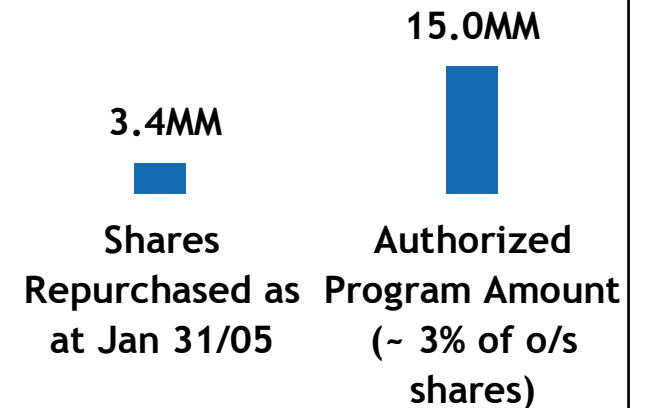


<sup>1</sup> Difference between Total and Allocated Capital booked in Corporate Areas

Quarterly Dividends per Share (C\$)



Share Repurchase Program

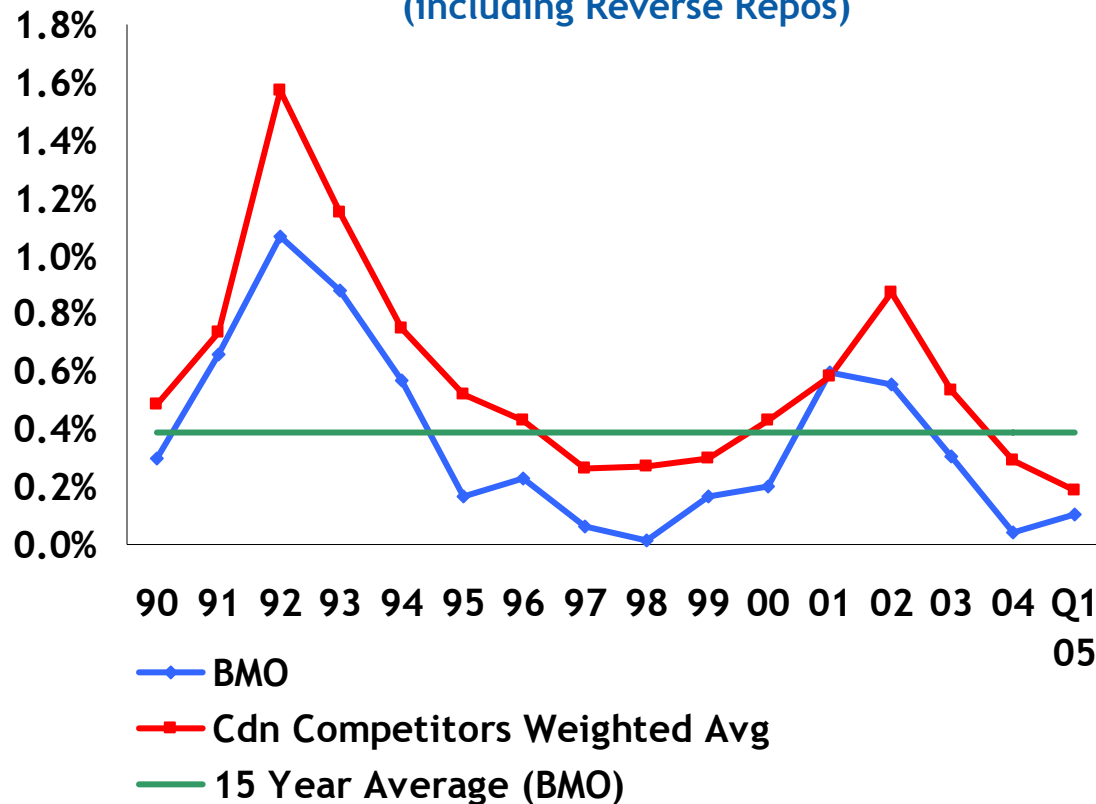






# INGRAINED CREDIT CULTURE & SUPERIOR ASSET QUALITY

PCL AS A % OF AVERAGE NET LOANS AND ACCEPTANCES (including Reverse Repos)



## Specific Provision For Credit Losses

%	BMO	Canadian Competitors
F2004	.04	.29
Q1/05	.11	.19
15 yr avg.	.39	.61

BMO's Canadian competitors include: RBC, BNS, CIBC, TD and National.

Competitor average excludes the impact of TD's sectoral provisions in F2002 and subsequent transfers/drawdowns.

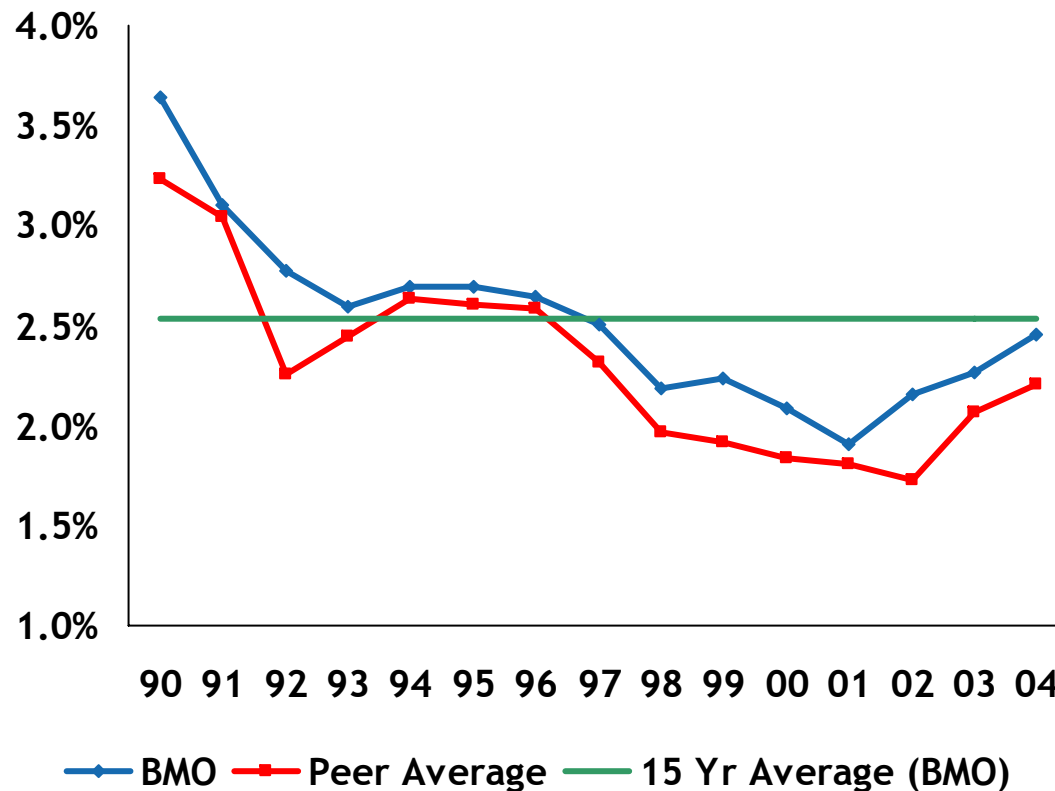
15 year average - 1990 to 2004



# CREDIT PERFORMANCE DRIVES EARNING POWER

## Net Interest Margin excluding PCL on Average Earning Assets

NET INTEREST MARGIN EXCLUDING PCL ON AVERAGE EARNING ASSETS \*



15 year average	BMO	BMO Rank	Cdn. Peers
NIM ex. PCL on Average Earning Assets (%)	2.53	#1	2.31

BMO's Canadian peers include: RBC, BNS, CIBC, TD and National.

15 year average - 1990 to 2004

\* As reported. Earning Assets defined as Securities, Net Loans and Acceptances



## LEADER IN CORPORATE GOVERNANCE AND FINANCIAL DISCLOSURE

- Corporate governance and financial disclosure a priority
- Proxy circular contains increased and enhanced disclosure on executive compensation including pension obligations, exceeding voluntary OSC guidelines
- Enhanced Q1 05 disclosure related to our U.S. businesses



- Tied for second in annual governance survey, ahead of our Canadian bank peers



- Winner in Financial Services category
- Honorable mention for Excellence in Electronic Disclosure



## BMO'S GROWTH STRATEGY

Grow profits in our  
core Canadian franchise

**AND**

Improve and selectively  
expand our U.S. franchise





## 2005 STRATEGIC PRIORITIES

1. Achieve Financial Targets with a particular focus on productivity
2. Drive revenue growth by providing a superior client experience, earning a larger share of customers' business
3. Continue to improve U.S. performance
4. Accelerate growth in the U.S. both organically and through acquisitions
5. Grow Net Income in Canada through operational efficiency and improved market share, accelerating our growth in commercial banking and wealth management
6. Build a high-performance organization by developing our people, living our values and being an employer of choice
7. Maintain our world-class foundation of leading governance, sound risk management, productive systems and excellent after sales service

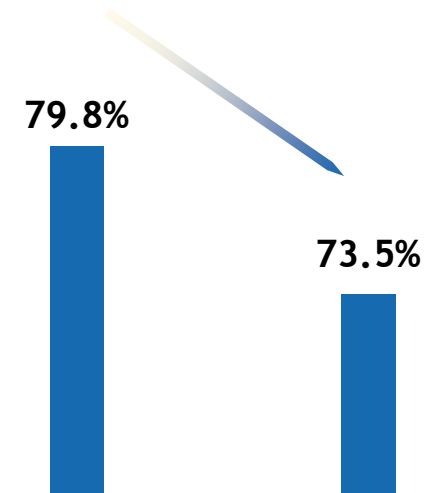


## PRIVATE CLIENT GROUP

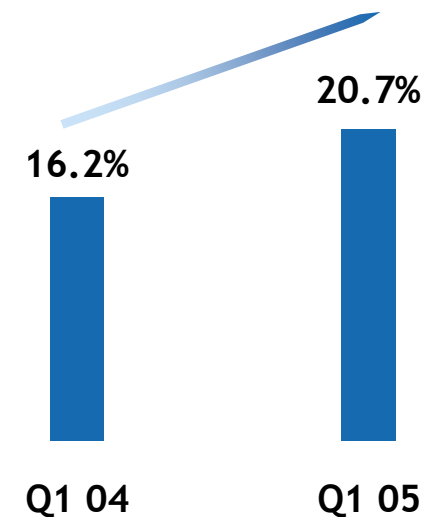
### Priorities for 2005

- Continue to enhance client offerings and deepen client relationships
- Improve the cash productivity ratio by at least 150 bps
- Optimize our business model through specific revenue-generating initiatives and ongoing expense management
- Continue to focus on the effectiveness of our sales force

#### Cash Productivity



#### Cash ROE



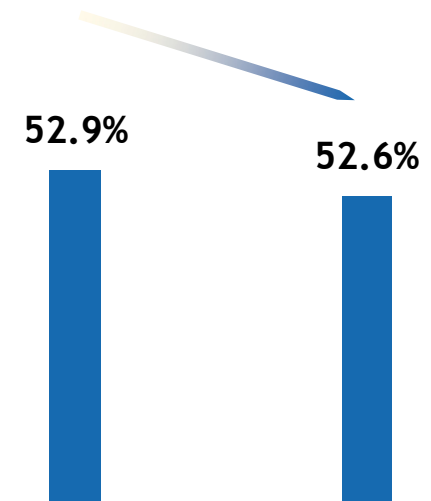


# INVESTMENT BANKING GROUP

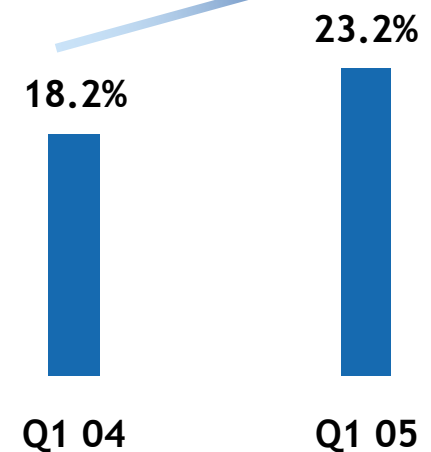
## Priorities for 2005

- Improve the integrated delivery of our capabilities to our clients to optimize revenue opportunities
- Improve the cash productivity ratio by at least 150 bps
- Optimize risk-taking to maximize returns
- Drive new product development

### Cash Productivity



### Cash ROE

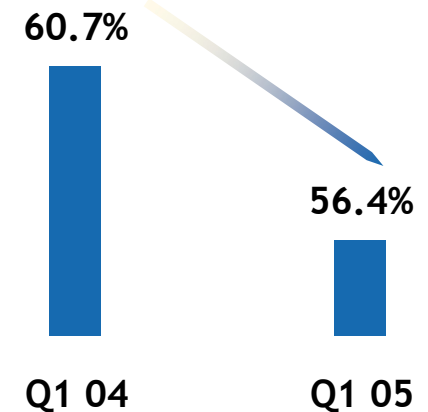


## P&C CANADA

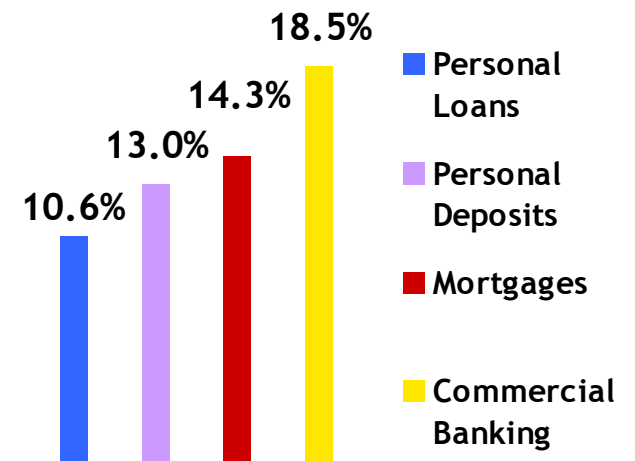
### Priorities for 2005

- Continue to focus on revenue growth while building our distribution capabilities
- Improve the cash productivity ratio by at least 150 basis points
- Continue to improve customer loyalty in both the personal and commercial banking segments
- Maintain our personal banking market share and increase our business banking market share relative to our major competitors
- Introduce further enhancements to our sales and service delivery model to better meet the needs of our customers

#### Cash Productivity



#### Q1/05 Market Share <sup>1</sup>



<sup>1</sup> For source information refer to Q1 05 Financial Results Presentation, Feb. 22/05




## ONGOING INVESTMENT IN QUEBEC

- Quebec Division posted highest profit growth of all divisions in P&C Canada
- 19 in-store locations in Quebec with a view to adding additional locations in coming years

**Ici, on fait du  
64 h semaine.**



Nous sommes ouverts tous  
les samedis et dimanches.

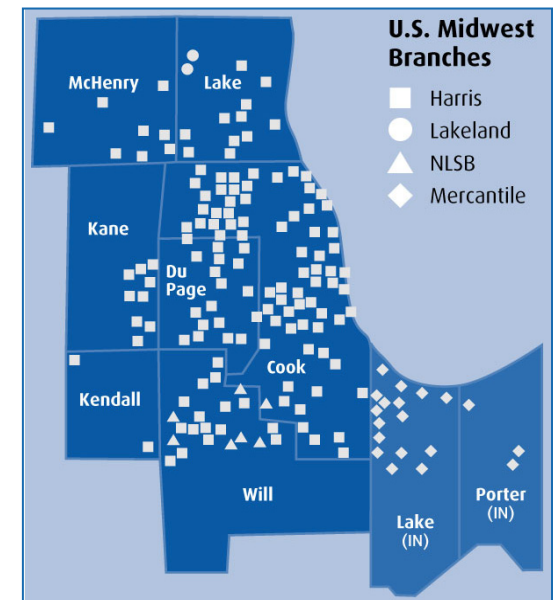
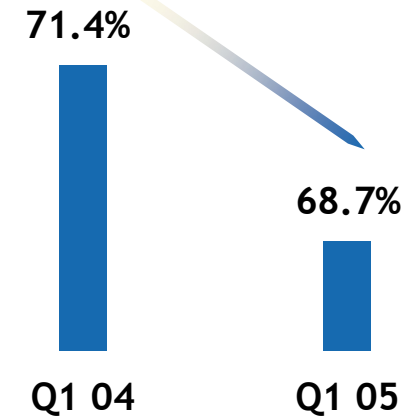
 Banque de Montréal

On écoute. On progresse. Profitez.

## P&C U.S. Priorities for 2005

- Expand our branch network of 189 branches by opening three new branches and continuing to pursue acquisitions in Illinois, surrounding states and other high-growth markets
- Improve the cash productivity ratio by at least 150 basis points
- Provide more seamless customer service and achieve cost efficiencies through the consolidation of the Harris bank charter structure

### Cash Productivity





# EXCEPTIONAL U.S. PLATFORM FOR GROWTH

C\$ Million

**Total Invested**  
 1984-2004: C\$3.8 Billion\*  
 2000-2004: C\$2.2 Billion  
*\*includes Harris purchase*

Mercantile Bancorp \$194  
 New Lenox State Bank \$314  
 Lakeland Community Bank \$49

Sullivan, Bruyette, Speros & Blaney \$20  
 Gerard Klauer Mattison \$40

my CFO \$61  
 Morgan Stanley self-directed accounts \$153  
 Northwestern Trust \$19  
 CSFBdirect \$854

First National Bank of Joliet \$337

Century Bank \$24  
 Freeman Welwood \$140  
 Village Banc of Naples \$19

Burke, Christensen & Lewis \$59

Household International \$378

Suburban \$300

Frankfort Bancshares \$20

Libertyville Federal Savings & Loan \$7

State Bank of St.Charles & First National Bank of Batavia \$31

Commercial State Bank (Phoenix) \$3

First National Bank of Barrington \$43

Harris Bank \$718

1984 1985 1987 1988 1990 1994 1996 1999 2000 2001 2002 2003 2004

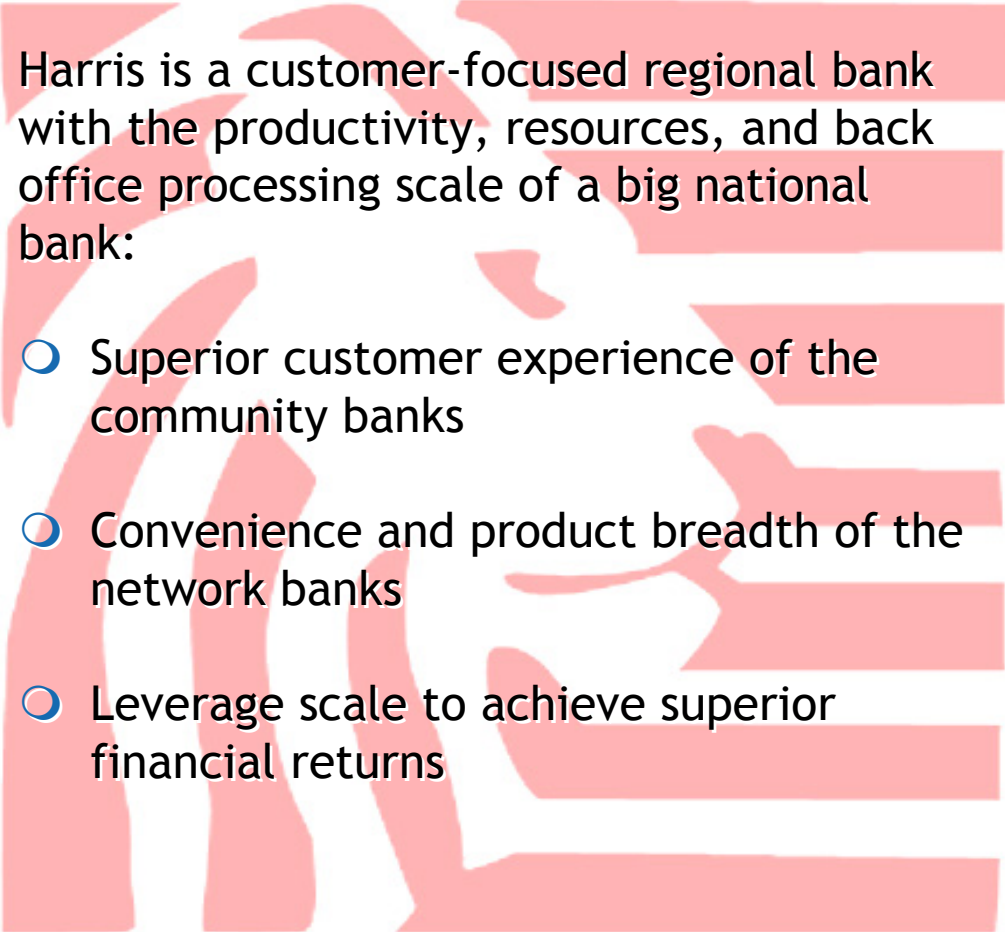
## SUPERIOR P&C U.S. BUSINESS MODEL

### Network Banks

- Focused on convenience, consistency
- Use process, control to drive efficiency
- Highly centralized model focused on volume to realize scale benefits

### Community Banks

- Differentiate based on local presence, relationships
- Focus on relationship, flexibility over process
- Tend to have simple product offerings



Harris is a customer-focused regional bank with the productivity, resources, and back office processing scale of a big national bank:

- Superior customer experience of the community banks
- Convenience and product breadth of the network banks
- Leverage scale to achieve superior financial returns

# FASTER PACE OF U.S. ACQUISITIONS

## Approach to U.S. Acquisitions

- Potential acquisitions fall into 3 categories:
  - Small (under \$500 million)
  - Medium (\$500 million to \$2 billion)
  - Large (over \$2 billion)
- Target acquisitions in the greater Chicago area, and other urban markets in the Midwest
- Our advantages include: deep market knowledge, Harris Brand and reputation as community-focused acquirer of choice

### Acquisition checklist:

#### Three key questions:

- ✓ Is it a good strategic fit?
- ✓ Is it a good cultural fit?
- ✓ Is it a good financial fit?
  - ✓ Significant level of ownership required, preferably 100%
  - ✓ Accretive to cash EPS within 3 years



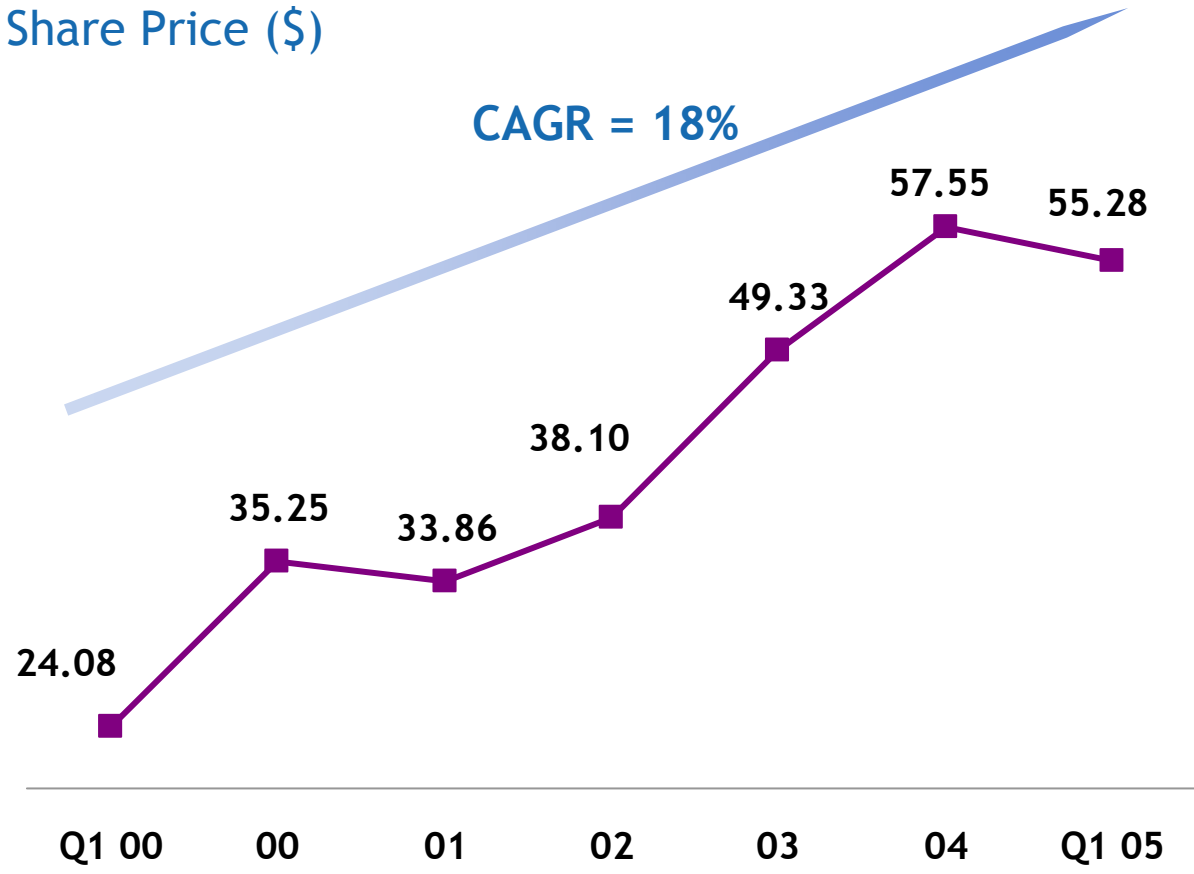
## WHY BUY / HOLD BMO?

- Consistent and focused North American growth strategy that is working
  - 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.
- Viewed as a high-return, low-risk stock: 19.4% ROE
- Track record for stability, earnings consistency and strong dividend growth
- Commitment to ongoing productivity improvement
- Prudence and expertise in credit risk management
- Balanced approach to capital management
- Shareholder friendly compensation model

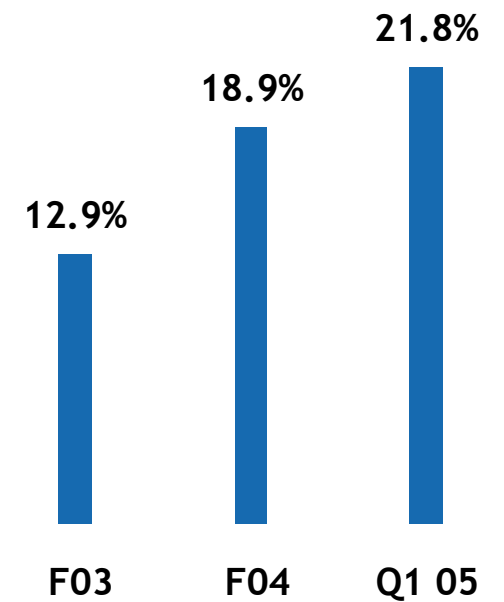


# STRONG RETURNS TO SHAREHOLDERS

Share Price (\$)



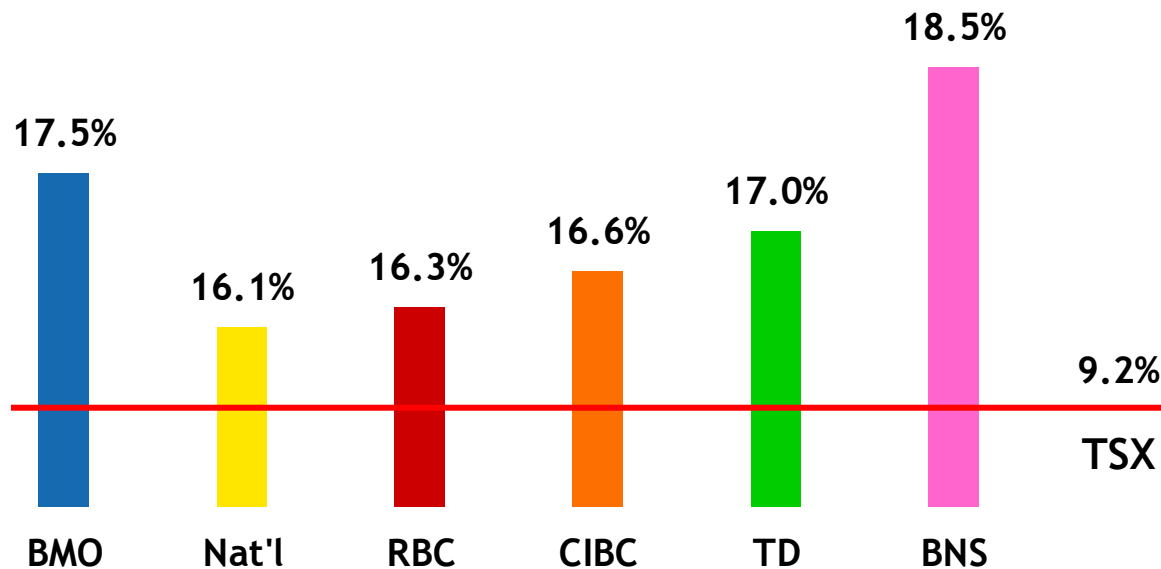
5 year TSR





# 20 YEARS OF SUPERIOR RETURNS

### 20 Year TSR\*



### Dividends as % of 20 Year TSR

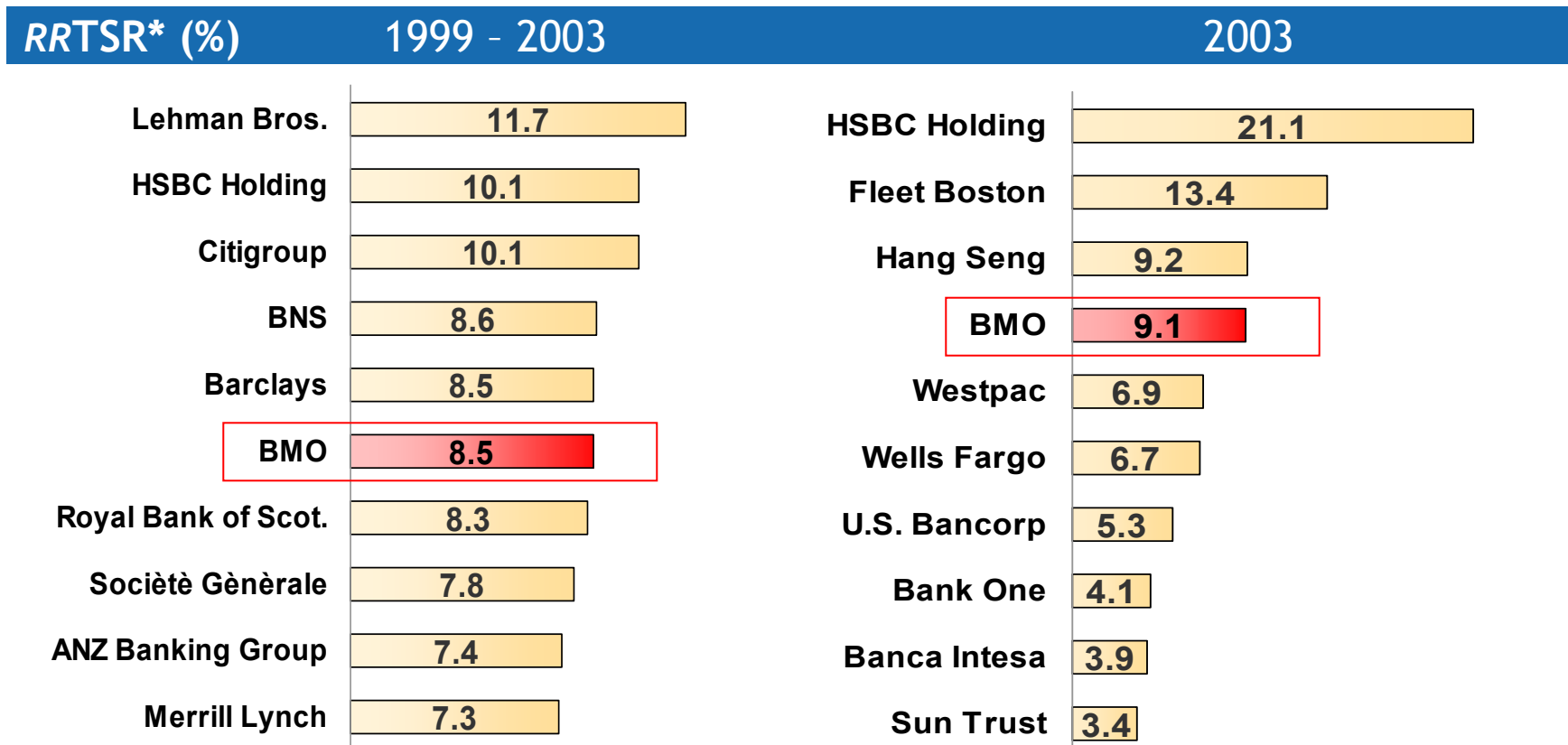
BMO	31.2%
RBC	29.2%
CIBC	28.2%
BNS	25.7%
TD	22.7%
National	31.1%

\* Calculated using compound growth rates as at October 31, 2004



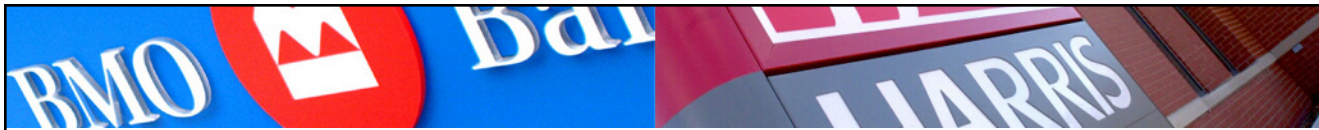


# BMO IS A HIGH-RETURN, LOW-RISK BANK



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

Sources: TF Datastream; Boston Consulting Group Analysis



CANADIAN FINANCIAL SERVICES CONFERENCE - MARCH 30 • 05



## CONTACT INFORMATION

**Susan Payne**

*Senior Vice President*

(416) 867-6656

[susan.payne@bmo.com](mailto:susan.payne@bmo.com)

**Steven Bonin**

*Director*

(416) 867-5452

[steven.bonin@bmo.com](mailto:steven.bonin@bmo.com)

**Krista White**

*Senior Manager*

(416) 867-7019

[krista.white@bmo.com](mailto:krista.white@bmo.com)

**FAX**

(416) 867-3367

**E-mail**

[investor.relations@bmo.com](mailto:investor.relations@bmo.com)

## INVESTOR RELATIONS

[www.bmo.com/investorrelations](http://www.bmo.com/investorrelations)

# WHY

# BMO

**NATIONAL BANK  
CANADIAN FINANCIAL  
SERVICES CONFERENCE**

**TONY COMPER**  
*President and  
Chief Executive Officer*

MARCH 30 • 05

**BMO**  **Financial Group**

