

Corporate Governance

We strive to earn and retain the trust of our shareholders through our steadfast commitment to sound principles of corporate governance.

Over the years, BMO has received widespread recognition for our leadership in corporate governance practices, and our achievements continue to be acknowledged. In 2004, for instance, we ranked second overall and first among the country's banks in *The Globe and Mail's Report on Business* annual review of corporate governance practices.

Stewardship

Sound governance and ethical behaviour begin with our Board of Directors, which represents and is accountable to our shareholders and assumes responsibility for the stewardship of BMO. Either directly or through Board committees, the Board is responsible for overseeing the management of the business and affairs of our organization with the objective of enhancing shareholder value. Among its many specific duties, the Board approves strategic plans and objectives, provides advice and counsel to the Chief Executive Officer (CEO), oversees the ethical, legal and social conduct of the organization, and reviews BMO's financial performance and condition. It also selects, evaluates, sets the compensation for and, if necessary, replaces the CEO.

Independence

The Board of Directors ensures that appropriate structures and procedures are in place so that it functions independently of management. All members of the Board are "independent," with the exception of the CEO, under the *Director Unrelated/Independent Determination Standards* adopted by the Board in compliance with applicable regulatory and stock exchange requirements. In 2004, the Board separated the roles of Chairman and CEO and appointed a non-executive Chairman. The Chairman facilitates full and candid discussion of key matters that come before the Board and ensures that the Board functions independently of management.

Corporate Governance at BMO Financial Group

For more details regarding corporate governance at BMO, please see the following documents, which are posted on our web site – www.bmo.com.

Notice of Annual Meeting of Shareholders and Proxy Circular – Shareholders are invited to attend our Annual Meeting on Tuesday, February 22, 2005 at The Carlu in Toronto, Ontario or view a webcast of the event. Details of the webcast are available on our web site.

Corporate Governance – Our web site contains information on our corporate governance practices, including our code of conduct, titled *First Principles*, our *Director Unrelated/Independent Determination Standards* and Board and Committee Charters.

Proxy Circular – Our Proxy Circular contains resumés for each of the Directors, Board Committee reports and a complete discussion of our corporate governance practices.

BMO 2004 Corporate Social Responsibility Report including our *Public Accountability Statement* – This combined report documents our corporate citizenship activities throughout the year. It will be released in February 2005.

Each of the above documents is available in print to any shareholder upon request.

Board and Director Evaluations

To ensure accountability, the Board annually retains an outside consultant to survey its effectiveness. The Board conducts an annual director "peer" performance review. The "peer" survey, which is also overseen by an outside consultant to ensure confidentiality, requires that every director assess the contribution of each of his or her peers on measures ranging from ethics to strategic insight, financial literacy and business judgment.

Evolution in Governance

At BMO, we recognize that our governance standards must evolve to respond to changes in our organization, stakeholder expectations and regulatory requirements. The Board recognizes that there is an ongoing and energetic debate regarding corporate governance, and will continue to follow that debate.

Stock Exchange Guidelines

As a Canadian reporting issuer with securities listed on the Toronto Stock Exchange (TSX) and the New York Stock Exchange (NYSE), BMO has in place corporate governance practices that are not only consistent with the requirements of those stock exchanges, but in many cases go beyond those requirements. BMO is also in compliance with applicable rules adopted by the Canadian Securities Administrators, and the U.S. Securities and Exchange Commission (SEC) to give effect to provisions of the *Sarbanes-Oxley Act*.

For a complete discussion of BMO's corporate governance practices, please see our Proxy Circular.

With respect to the NYSE listing standards, our corporate governance practices differ significantly in only one respect from those required of U.S. domestic issuers under the NYSE listing standards. The NYSE listing standards require shareholder approval of all equity compensation plans and any material revisions to such plans, regardless of whether the securities to be delivered under such plans are newly issued or purchased on the open market, subject to a few limited exceptions.

The TSX rules require shareholder approval of all equity compensation plans, subject to a few limited exceptions; however, this is only when such plans involve newly issued securities. Equity compensation plans that do not provide for a fixed maximum number of securities to be issued must have a rolling maximum number of securities to be issued based on a fixed percentage of the issuer's outstanding securities and must also be approved by shareholders every three years. If the plan provides a procedure for its amendment, the TSX rules require shareholder approval of amendments only where the amendment involves a reduction in the exercise price or an extension of the term of options held by insiders.

What's Next?

- As we move forward, BMO Financial Group remains committed to maintaining and building upon our reputation as a leader in corporate governance practices, recognizing that the interests of shareholders and our business are advanced by a commitment to sound principles of corporate governance.