

Corporate Governance

Through our steadfast commitment to sound principles of corporate governance, we strive to retain the trust of every shareholder.

BMO Financial Group has a long-standing tradition as a leader in corporate governance. As we move forward, we strive to remain at the forefront of best practices.

Board Leadership, Independence and Accountability

Sound governance and ethical behaviour begin with our Board of Directors, which represents and is accountable to our shareholders and also sets the standard of good governance for the entire enterprise. The Board's Governance and Nominating Committee is responsible for shaping our corporate governance policies and practices. The committee keeps abreast of developments in the world of corporate governance and oversees our compliance. When appropriate, it recommends new practices to the Board that will keep us at the forefront of best practices.

At BMO we believe that having independent directors – including our chairman – helps the Board operate autonomously and ensures that we are accountable to all our stakeholders. All our directors, with the exception of the CEO, are currently independent. Chairman David Galloway ensures that the Board operates independently of management and that directors have access to an independent leader.

Mr. Galloway is an *ex-officio* member of all Board committees of which he is not a member. In that role he is able to manage the affairs of the Board, assisting the committees and the Board to function effectively and meet their responsibilities.

Annual Director and Committee Reviews

The effectiveness of the Board's operations is monitored by annual evaluations of the Board, its committees and each director. The director evaluations are carried out through a "peer" performance review – one of the first of its kind in Canada –

Board of Directors

The Board of Directors, either directly or through Board committees, is responsible for the management or supervision of management of the business and affairs of the Bank with the objective of enhancing shareholder value. Our Board is comprised of 14 independent directors and one management director, the President and CEO Tony Comper.

Recognition for Excellence in Disclosure and Corporate Governance

In 2005, *Canadian Business* magazine named BMO's Board of Directors "Best Board in Canada." BMO scored 99 out of a possible 100 points in the survey, which assessed companies on the basis of accountability, board independence, disclosure, three-year total return and three-year return vs. the S&P/TSX.

The Globe and Mail's Report on Business annual review of corporate governance practices ranked BMO second overall among 209 Canadian reporting issuers.

The Canadian Institute of Chartered Accountants' annual Corporate Reporting Awards gave us the Award of Excellence in the financial institutions category and gave BMO an Honourable Mention for Excellence in Electronic Disclosure.

Enterprise.com, a Europe-based researcher and publisher that conducts an annual review of corporate annual reports, has ranked each of our last six Annual Reports among the world's top 30. Our last Annual Report was ranked 20th best in the world and our "Financial and Performance Reporting" was ranked No. 1.

I.R. Global Rankings recognized our investor relations web site for its timely and accurate disclosure of information for investors.



Robert M. Astley
Waterloo, ON
Corporate Director and former President and Chief Executive Officer Clarica Life Insurance Company and former President Sun Life Financial Canada



Stephen E. Bachand
Ponte Vedra Beach, FL
Corporate Director and retired President and Chief Executive Officer Canadian Tire Corporation, Limited



David R. Beatty, o.b.e.
Toronto, ON
Chairman and Chief Executive Officer Beatinvest Limited

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 March 2, 2006 at 9:30 a.m. in Calgary, Alberta 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 Independence Standards* and Board and Committee Charters.

Proxy Circular – Our Proxy Circular contains information on each of the directors, Board Committee reports and a complete discussion of our corporate governance practices.

BMO Corporate Social Responsibility Report including our *Public Accountability Statement* – This annual report documents our corporate citizenship activities throughout the year. The 2005 report will be released in February 2006.

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

which is a comprehensive survey that requires all directors to assess the contribution of each of their peers on measures ranging from ethics to strategic insight, financial literacy and business judgment.

Governance Beyond Compliance

The Board of Directors serves as an example to our entire organization by affirming that sound corporate governance means not just abiding by the rules but also embracing the spirit of those rules. In fact, some of our corporate governance practices go beyond the requirements of the law.

We are committed to building on our success in the area of corporate governance, so that we remain at the forefront of best practices. At BMO, we recognize that our governance standards must respond to changes in our organization, stakeholder expectations, regulatory requirements and evolving best practices.

Continuously Enhancing Disclosure

BMO considers disclosure to be an essential component of effective corporate governance. To a large extent, the success of the multitude of regulatory requirements, voluntary best practices and an organization’s own culture of integrity is determined by the degree to which all stakeholders of the organization are able to truly understand its operations, goals and values as well as the extent of its assets in comparison to its liabilities.

Our efforts to continuously enhance public disclosure have made us an innovator in this area. Our Board encourages, and management actively seeks, ways to provide more information, clarity and insight to our stakeholders. A hallmark of our annual report is our financial performance scorecard, which made us a pioneer in financial disclosure. The scorecard is a report and comparison of eleven important financial measures including shareholder return, return on equity, earnings per share growth, productivity and credit performance. We disclose our performance on these measures relative to Canada’s major banks and our North American peer group.

We believe that assessing performance relative to our competition puts results in an appropriate context for our stakeholders and provides further clarity. BMO has disclosed these comparatives every year since it started the practice in 1992,



Robert Chevrier, F.C.A.
Montreal, QC
President
Société de gestion
Roche Inc.



Tony Comper
Toronto, ON
President and Chief
Executive Officer
BMO Financial Group



Ronald H. Farmer
Markham, ON
Managing Director
Mosaic Capital Partners
Toronto



David A. Galloway
Toronto, ON
Chairman of the Board
Bank of Montreal



Harold N. Kvisle
Calgary, AB
President and Chief
Executive Officer
TransCanada Corporation



Eva Lee Kwok
Vancouver, BC
Chair and Chief
Executive Officer
Amara International
Investment Corp.

reporting in good years and in bad. We believe that when we are open and honest in explaining results we earn the trust of stakeholders over the long term.

Stock Exchange Guidelines

As a Canadian reporting issuer with securities listed on the Toronto Stock Exchange (TSX) and the New York Stock Exchange (NYSE), our corporate governance practices meet, and in some cases exceed, the applicable guidelines adopted by the Canadian Securities Administrators (CSA), the rules of the U.S. Securities and Exchange Commission (SEC) which give effect to the provisions of the *Sarbanes-Oxley Act* and the NYSE standards. Our governance practices differ significantly in only one respect from those required of U.S. domestic issuers under the NYSE standards. The NYSE 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 only require shareholder approval of equity compensation plans that involve newly issued securities, subject to a few limited exceptions. The TSX rules require that 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 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.

Honorary Directors

Charles F. Baird
Skillman, NJ, U.S.A.

Ralph M. Barford
Toronto, ON

Matthew W. Barrett, o.c., LL.D.
London, ENG

Peter J.G. Bentley, o.c., LL.D.
Vancouver, BC

Claire P. Bertrand
Montreal, QC

Frederick S. Burbidge, o.c.
Frelighsburg, QC

Pierre Côté, C.M.
Quebec City, QC

C. William Daniel, o.c., LL.D.
Toronto, ON

Graham R. Dawson
Vancouver, BC

Louis A. Desrochers, C.M., C.R.
Edmonton, AB

A. John Ellis, o.c., LL.D., O.R.S.
Vancouver, BC

John F. Fraser, o.c., LL.D.
Winnipeg, MB

Thomas M. Galt
Toronto, ON

J. Peter Gordon, o.c.
Burlington, ON

Richard M. Ivey, C.C., Q.C.
London, ON

Senator Betty Kennedy, o.c., LL.D.
Campbellville, ON

J. Blair MacAulay
Oakville, ON

Ronald N. Mannix, o.c.
Calgary, AB

The Honourable Frank McKenna
Cap Pelé, NB

Robert H. McKercher, Q.C.
Saskatoon, SK

Eric H. Molson
Montreal, QC

William D. Mulholland, LL.D.
Georgetown, ON

Jerry E.A. Nickerson
North Sydney, NS

Lucien G. Rolland, o.c.
Montreal, QC

Joseph L. Rotman, o.c., LL.D.
Toronto, ON

Mary Alice Stuart, C.M., O.Ont., LL.D.
Toronto, ON



Bruce H. Mitchell
Toronto, ON
Chairman and Chief
Executive Officer
Permian Industries Limited



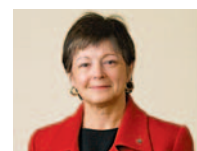
Philip S. Orsino,
O.C., F.C.A.
Toronto, ON
Corporate Director



J. Robert S. Prichard,
O.C., O.Ont.
Toronto, ON
President and Chief
Executive Officer
Torstar Corporation



Jeremy H. Reitman
Montreal, QC
President and Chief
Executive Officer
Reitmans (Canada) Limited



Guylaine Saucier,
C.M., F.C.A.
Montreal, QC
Corporate Director



Nancy C. Southern
Calgary, AB
President and Chief
Executive Officer
ATCO Ltd. and Canadian
Utilities Limited