

Governing Your BMO

At BMO, we have long recognized that the trust placed in the Board of Directors and management by our shareholders must be safeguarded by a strong program of corporate governance. In 1991, BMO's Board released a report entitled *Shaping the Board of Directors for the Future*. This report established the foundation for our corporate governance program, which has continued to evolve in an ever-changing corporate governance environment.

At the heart of our commitment to corporate governance is the understanding that directors are elected by shareholders to protect their interests and that directors and management are accountable to shareholders. At BMO, we understand that governance is about living up to shareholders' expectations.

Setting the Standard

BMO's Board of Directors 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 monitors developments in corporate governance, oversees our compliance and, when appropriate, recommends changes or enhancements so that we are able to maintain the highest standards of corporate governance.

At BMO, we understand that governance is about living up to shareholders' expectations.

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.

Breadth and Diversity

We believe that BMO is best served by a Board of Directors with a broad array of skills and backgrounds. The Board's Governance and Nominating Committee each year reviews and evaluates the skills and competencies of the Board and of each director as against a desired set of skills, and determines whether adjustments to the Board are appropriate.

As a result of this review, two new directors were appointed to the Board in 2006. The appointment of Mr. George A. Cope and Dr. Martha C. Piper brings additional expertise in the traditional Canadian business environment and the technology sector, as well as a broader academic perspective. The varied and distinguished backgrounds of the new directors add to the diversity of the Board and further help to represent our shareholders' interests. With the addition of Dr. Piper, we have also made progress toward our goal to increase the representation of women on our Board.

2006 Awards

The Globe and Mail's Report on Business 2006 annual review of corporate governance practices ranked BMO fifth overall among 204 Canadian reporting issuers.

We received the Award of Excellence for Corporate Reporting in Financial Services industry sector and the Award of Excellence in Financial Reporting across all industry sectors from the Canadian Institute of Chartered Accountants (CICA).

e.com, a Europe-based researcher and publisher that conducts an annual review of corporate annual reports, ranked our 2005 annual report first in the global financial sector, with a rating of A+.

IR Global Rankings recognized our investor relations web site as number one worldwide in the financial services category, the second best overall in North America and the sixth best overall worldwide.

At BMO, we consider disclosure to be an essential component of effective corporate governance. We place a high value on stakeholders of the organization being able to understand our operations, goals and values, as well as our financial performance. Our efforts to enhance public disclosure have made us a leader in this area.

Detailing Our Responsibilities

The Board's *Approval/Oversight Guidelines* serve as the backbone of our corporate governance program at BMO. These guidelines, which are updated annually, detail clearly those matters requiring Board and committee approval or review. The *Guidelines* provide management and directors with a clear road map of their respective responsibilities.

In an effort to prevent directors from being exposed to potential conflicts of interest during Board or committee meetings, this year we augmented our procedures to identify these matters in advance, so that a director facing a potential conflict of interest neither receives materials on the matter in question nor participates in any related discussion or decision-making. Our approval guidelines and our conflict of interest procedures can provide comfort to all of our stakeholders that the Board of Directors has effective corporate governance control mechanisms in place.

A Leader in Public Disclosure

At BMO, we consider disclosure to be an essential component of effective corporate governance. We place a high value on stakeholders of the organization being able to understand our operations, goals and values, as well as our financial performance. Our efforts to enhance public disclosure have made us a leader in this area. Our Board encourages, and management actively seeks, ways to provide more information, clarity and insight to our stakeholders.

For More Information

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

Shareholders are invited to attend our annual meeting on March 1, 2007 in Toronto 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 *FirstPrinciples*, our Director Independence Standards and the 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 Responsibility Report including our *Public Accountability Statement*

This annual report documents our corporate citizenship activities throughout the year. The 2006 report will be released in February 2007.

New York Stock Exchange Governance Requirements

For a summary of the significant ways in which our corporate governance practices differ from the corporate governance practices required to be followed by U.S. domestic companies under New York Stock Exchange Listing Standards see our web site.

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

A hallmark of our annual report is our financial performance scorecard, which has made us a pioneer in financial disclosure. The scorecard is a report on and comparison of 11 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 the performance of Canada's major banks and our North American peer group. We believe that assessing performance relative to our competition puts our results in an appropriate context for our stakeholders and provides further clarity. BMO has disclosed these comparatives every year since we started the practice in 1992.

The Board of Directors

The Board of Directors, either directly or through Board committees, is responsible for the management or supervision of the management of the business and affairs of the Bank with the objective of enhancing shareholder value. Our Board is comprised of 16 independent directors and one management director, President and CEO Tony Comper.



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



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



George A. Cope
Toronto, ON
President and Chief Operating Officer Bell Canada



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.



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



Dr. Martha C. Piper, o.c., o.b.c., Vancouver, BC
Corporate Director and former President, The University of British Columbia



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

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.
Toronto, ON

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

J. Blair MacAulay
Oakville, ON

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

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