

BANK OF MONTREAL BOARD MANDATE

PURPOSE

The Board is responsible for the stewardship of the Bank and supervising the management of the business and affairs of the Bank.

MEMBERS

At least two-thirds of the Directors shall be resident Canadians and no more than two-thirds of the Directors shall be “affiliated” with the Bank for the purpose of the *Bank Act* (Canada). At least a majority of Directors shall be “independent” under the Bank’s Independence Standards as approved by the Board.

RESPONSIBILITIES AND DUTIES

The Board shall, either directly or through its Committees, be responsible for performing the duties set out in this Board Mandate and shall perform such other duties as may be necessary or appropriate in order for it to fulfill its stewardship responsibilities. In carrying out its duties the Board shall take into account the recommendations of its Committees, as applicable.

Culture of Integrity

The Board is responsible for promoting a culture of integrity at the Bank and in fulfilling this responsibility shall:

- to the extent feasible, satisfy itself as to the integrity of the Chief Executive Officer and other executive officers and that the Chief Executive Officer and other executive officers create a culture of integrity throughout the organization;
- approve, *FirstPrinciples*, the Bank’s code of business conduct and ethics; and
- be responsible for monitoring compliance with *FirstPrinciples* and granting any waivers (as appropriate) from *FirstPrinciples* for the benefit of the Bank’s directors and executive officers.

Strategic Planning

The Board is responsible for overseeing the Bank’s strategic planning and in fulfilling this responsibility shall:

- approve the Bank’s strategic planning process and annually approve a strategic plan which takes into account, among other things, the opportunities and risks of the Bank’s business and emerging trends and the competitive environment in the industry;
- approve all major corporate decisions and transactions;

- review and approve the Bank's financial objectives, plans and actions, including significant capital allocations and expenditures and the declaration of dividends; and
- monitor the implementation and effectiveness of the Bank's approved strategic and operating plans.

Identification and Management of Risks

The Board is responsible for overseeing the identification and management of the principle risks of the Bank's businesses and in fulfilling this responsibility shall:

- identify the principal risks of the Bank's businesses and ensure the implementation of appropriate systems to manage these risks; and
- review the processes that ensure respect for and compliance with applicable legal and regulatory requirements.

Internal Controls

The Board is responsible for overseeing the Bank's internal controls and in fulfilling this responsibility shall:

- approve the Bank's internal controls, and management information systems and monitor their integrity and effectiveness; and
- review reports provided by management on the effectiveness of internal control over financial reporting.

Succession Planning and Evaluation of Management Performance

The Board is responsible for overseeing succession planning and the evaluation of senior management and in fulfilling this responsibility shall:

- approve the Bank's succession planning process including the appointment, training, monitoring and development of senior management;
- establish annual performance expectations and corporate goals and objectives for Chief Executive Officer of the Bank and monitor progress against those expectations; and
- appoint, and determine the compensation of, the Chief Executive Officer, and approve the appointment of all senior executive officers of the Bank.

Oversight of Communications and Public Disclosure

The Board is responsible for overseeing communication and public disclosure and in fulfilling this responsibility shall:

- review and approve the Bank's annual and quarterly financial statements and management discussion and analysis, financial results press releases, annual

information form, proxy circular, prospectuses, and any other public disclosure document that requires Board approval;

- approve the Bank's disclosure policy that ensures timely and accurate disclosure to analysts, shareholders, employees and the public that meets all applicable legal and regulatory requirements and guidelines; and
- monitor feedback received by the Bank from stakeholders.

Governance

The Board is responsible for overseeing the Bank's corporate governance policies and practices and in fulfilling this responsibility shall:

- appoint the Chairman of the Board;
- conduct an annual performance evaluation of the Chairman of the Board taking into account the Chairman's position description;
- approve the compensation of the Chairman of the Board;
- establish appropriate structures and procedures to allow the Board to function independently of management;
- develop the Bank's approach to corporate governance, including maintaining a set of corporate governance principles and guidelines that are specifically appropriate to the Bank;
- approve selection criteria for identifying director candidates taking into account the competencies and skills the Board as a whole should possess;
- nominate directors for election to the Board at the Annual Meeting of shareholders taking into account the competencies and skills each existing Director possesses and the selection criteria approved by the Board;
- approve the Director Independence Standards;
- approve the process for the orientation and continuing education of new Directors;
- establish Board Committees and define their mandates to assist the Board in carrying out its duties and responsibilities;
- undertake a regular evaluation of the Board, its Committees and individual Directors, and review the composition of the Board and its Committees with a view to the effectiveness, contribution and independence of the Board and its members;
- consider annually the appropriate size of the Board with a view to facilitating effective decision-making;
- develop and approve position descriptions for the Chairman of the Board, the Chair of each Committee and, together with the Chief Executive Officer, a position description for the Chief Executive Officer;

- approve and adhere to the Bank's *Board Approval/Oversight Guidelines* which set out the roles and responsibilities of Board and management; and
- review and recommend changes to the Board Policies.

Director Expectations and Responsibilities

Each Director must act honestly and in good faith with a view to the best interests of the Bank and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The duties and responsibilities set out below are a framework to guide Directors in their participation on the Board and Committees of the Board, thereby enabling the Board as a whole to fulfill its duties and responsibilities. Principle duties and responsibilities include:

1. assuming, with the other Directors, the stewardship role of supervising the management of the business and affairs of the Bank;
2. understanding BMO Financial Group's vision, strategies and objectives;
3. becoming knowledgeable about the Bank's businesses, the financial services sectors in which it operates, emerging trends and issues and significant strategic initiatives within a reasonable time of joining the Board;
4. acting in the highest ethical manner and with integrity in all personal, business and professional dealings and confirming compliance with *FirstPrinciples* the Bank's code of business conduct and ethics;
5. understanding the Bank's current corporate governance policies and practices, this Board Mandate, Board Policies and the Charters of Committees of the Board on which he or she serves;
6. preparing thoroughly for each Board and Committee meeting by reviewing the materials provided and requesting, as appropriate, clarification or additional information in order to fully participate in Board deliberations, probing and, as appropriate, challenging management, making informed business judgments and exercising oversight;
7. attending all Board and Committee meetings and actively participating in deliberations and decisions. Informing themselves of significant matters dealt with at meetings not attended;
8. preventing personal interests from conflicting with, or appearing to conflict with, the interests of the Bank and disclosing details of any such conflicting interests should they arise;
9. voting on all matters requiring a decision of the Board or its Committees except where a conflict of interest may exist;
10. maintaining the confidentiality of Bank information and Board deliberations;

11. maintaining agreed upon level of equity investment in the Bank to ensure proper alignment with its long-term interests; and
12. acting independently of management (for Directors who are not members of management).

Director Attributes

The Board believes that the following characteristics and traits are necessary in order for Directors to execute their duties and responsibilities. The Board expects that the Directors shall:

Integrity and Accountability

- demonstrate high ethical standards and integrity in their personal, business and professional dealings;
- understand the role, responsibilities, expectations and legal duties of a director;
- be willing to be accountable for and be bound by Board decisions;
- avoids potential or actual conflicts of interests;

Informed Judgment

- provide wise counsel on a broad range of issues, through knowledge of business and banking and experience with local, national and international business issues;
- be able to think strategically about complex issues;
- proactively apply their own knowledge, experience and expertise to issues;
- have a track record of achievement and of making good business decisions;
- be available to prepare for and attend Board meetings;

Financial Literacy

- demonstrate a high level of financial literacy, including the ability to read financial statements and use financial ratios and other indices to evaluate the Bank's performance;

Communication Skills

- be open to others' opinions and be willing to listen;
- take initiative to raise tough questions and encourage open discussion;
- communicate persuasively, assertively and logically;

Teamwork

- work effectively with others and manage conflict constructively;

Independence

- be able to act independently of management;
- be willing to take a stand, even if it is contrary to prevailing opinion.

COMMUNICATION WITH DIRECTORS

Shareholders and other stakeholder may communicate directly with Directors through the Chairman of the Board by writing to:

Chairman of the Board of Directors
BMO Financial Group
P.O. Box 1
First Canadian Place, 100 King Street West
Toronto, Ontario
M5X 1A1