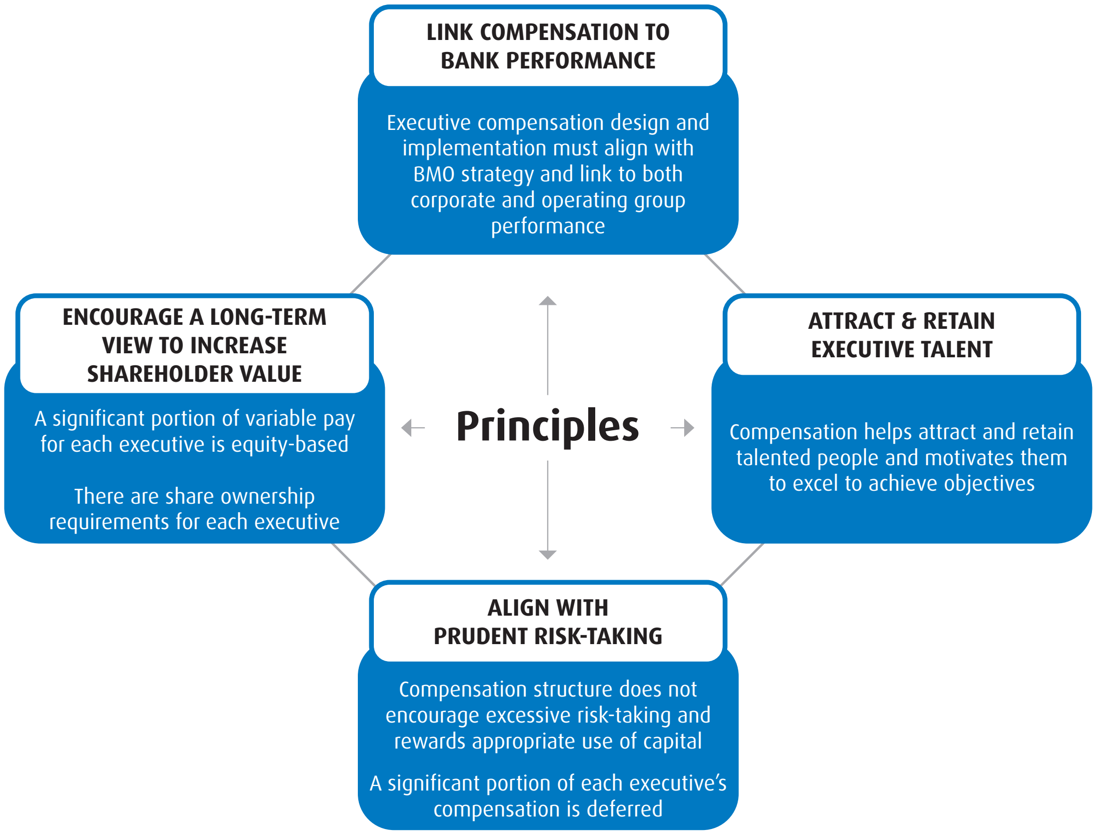
Compensation Discussion and Analysis

1. Compensation approach

Compensation strategies are important to driving a company's success and improving shareholder value.

The Committee has structured the compensation programs to make sure there is a strong positive correlation between corporate results, compensation of executives, and financial returns to Shareholders, while not encouraging excessive or inappropriate risk taking.

The program supports our corporate vision, strategic priorities and the development of talent, and ensures executives have a significant personal financial stake in the long-term health and growth of the organization. It balances four core principles:



The Committee's governing objective is to align executive interests with those of Shareholders. Through the above principles, it has incorporated this objective into all aspects of our executive compensation program.

a) Link compensation to Bank performance

The total executive compensation package is designed to reward the achievement of corporate, business and individual performance targets. Superior performance results in higher compensation and inferior performance results in lower compensation.

The incentive pools are adjusted by evaluating corporate and business performance against annual targets that have been set to meet longer-term corporate goals and strategies, including shareholder measures. Individual awards are based on achieving corporate, business and individual performance goals that are designed to reinforce the Bank's strategic priorities and values.

b) Encourage a long-term view

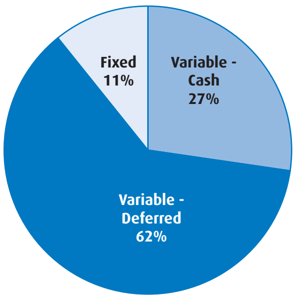
Our compensation programs place significant weight on variable or "at-risk" compensation. This, combined with share ownership requirements, focuses executives on executing business strategies, sustaining performance, and growing Shareholder value over the long term.

A significant portion of each executive's compensation is deferred

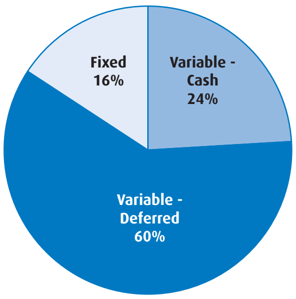
Equity compensation with vesting requirements defers a significant portion of compensation, which focuses executives on long-term results. This enhances retention and accounts for risk by better aligning the timing of payouts with the future impact of current decision-making.

The charts below show the target amount of fixed, variable cash and variable deferred compensation paid to the CEO and Senior Executives. This mix is market competitive and within the range adopted by the Bank's Canadian peer group.

CEO Target Mix



Senior Executive Target Mix



Executives have share ownership requirements

Executives and senior Capital Markets employees are subject to share ownership requirements based on the scope of their role.

Share ownership requirements must be met within three years of being appointed to the position (five years for Vice-Presidents and Managing Directors). Compliance is assessed annually, based on market value or the value at purchase or grant date (whichever is greater). A meaningful share ownership position can also serve to mitigate excessive risk taking as executives and senior Capital Markets employees are encouraged not to risk their equity positions for short-term gains.

All executives and senior Capital Markets employees meet the share ownership program requirements. The CEO and the named executive officers exceed their requirements. These are described starting on page 35.

To encourage a longer-term perspective in strategic decision-making, the CEO and Senior Executives are also required to retain their shares for a period of time after leaving the Bank, as set out below.

Share ownership requirements (1)

	Requirements	
Bank	**During employment**	**Post-employment**
President and Chief Executive Officer	7.0 times base salary	2 years
Senior Executives	5.0 times base salary	1 year
Senior Executive Vice-Presidents Executive Vice-Presidents	3.0 times base salary	n/a
Senior Vice-Presidents	2.0 times base salary	n/a
Vice-Presidents	1.5 times base salary	n/a
Capital Markets		
Chief Executive Officer	1.0 times target total direct compensation	1 year
Executive and Management Committee Members	Greater of 1.0 times total cash or 3.0 times base salary	n/a
Managing Directors	1.0 times base salary	n/a

(1) Holdings can be in Common Shares, restricted share units and deferred stock units.

c) Align with prudent risk-taking

Compensation aligns with risk outcomes and return of capital.

The Board and management set the risk appetite of the Bank at an appropriate level, which optimizes business risk taking given the complexity of managing a diversified global financial services organization. The Bank seeks to grow its earnings while avoiding excessive risk taking. The Committee then sets the compensation philosophy and strategy to motivate the executives to balance the optimal level of risk taking with maximizing the creation of Shareholder value.

The executive compensation program includes several mechanisms to ensure risk is appropriately considered in the incentive pools:

1. return on equity (ROE) is one of the metrics used to determine funding for variable compensation for executives and Capital Markets employees
2. the incentive pools are established using business results that reflect provisions for various risks, such as credit, market and liquidity risk
3. a comprehensive risk assessment is conducted before finalizing the incentive pools:
   - the Chief Risk Officer assesses whether risks have been identified and reflected in the business results and incentive pool calculations, and may recommend additional holdbacks.
   - executive leaders in Finance and Compliance also review incentive pools throughout the year and at year end and may recommend holdbacks.
   - before finalizing the year-end incentive pools the Committee also assesses whether risk is appropriately reflected. This review is further strengthened by having four members of the Committee who also serve on the Board's Risk Review Committee.

Deferrals

- A significant proportion of variable compensation is deferred, which focuses executives on achieving longer-term results. The percentage deferred was increased for selected roles in 2010 and will be reviewed annually for appropriate levels.
- Consistent with FSB Principles, executives and employees who may have a material impact on the risk exposure of the Bank have a higher proportion of deferred compensation.

Clawbacks

- **Cash paid** – applies to executives and Capital Markets employees at the Managing Director level and above. The Committee and the Board have a policy to allow discretion to clawback all or a portion of variable compensation paid in the past 12 months (e.g. cash bonus, payouts from a mid-term incentive plan or the value received from exercising options) if there is a financial restatement or employee misconduct. Adjustments may be made for all recipients, for operating groups or selected individuals.
- **Outstanding equity** – applies to all participants in the mid-term incentive and stock option plans. If the Bank's financial statements are restated or if there is employee misconduct, the Committee and the Board have discretion to reduce or eliminate restricted share units or vested and unvested options previously granted. Adjustments may be made for all participants, for operating groups or selected individuals.
- **Equity payouts** – applies to all participants in the mid-term incentive plans. The Committee and the Board have discretion to reduce or eliminate mid-term equity award payouts based on information that would have had a negative impact on the size of an award when it was granted. Discretion would relate to extraordinary circumstances, and would not be triggered by normal variability in business results. Adjustments may be made for all participants, for operating groups or selected individuals.

Forfeiture

The mid- and long-term incentive plans include terms for forfeiting an award. An executive who resigns or is terminated for cause will forfeit all outstanding share units and options. If an executive who has retired or whose departure was initiated by the Bank solicits customers or employees, or competes with the Bank, he or she may forfeit all outstanding restricted share units and all vested and unvested options.

Change of control

The long-term incentive plan includes accelerated vesting on change of control (specific situations where the Bank is acquired or the control of the Bank is substantively changed). The plan includes a "double trigger": when there is a change of control *and* a participant is terminated without cause within 24 months following a change of control, stock option awards vest immediately. Vesting does not accelerate for a change of control only.

Personal Hedging

The Bank has established a compliance policy which prevents employees from using personal hedging strategies to undermine the risk alignment effects embedded in their mid- and long-term incentive plan awards.

d) Attract and retain talented people

Our executive compensation program is designed to attract, retain and motivate top talent in the industry.

The Committee uses two primary comparator groups to determine the competitiveness of compensation: a Canadian peer group of the four other largest Canadian banks for Canadian-based executives, and a U.S. peer group of nine regional mid-sized banks for U.S.-based executives. It also uses compensation surveys that include similar executive roles from other financial institutions and non-financial companies to benchmark competitive pay more broadly. For the CEO, the Committee uses the Canadian bank competitors, selected U.S. financial firms with similar revenue and companies listed on the TSX 60 with similar market capitalization.

The Committee reviews market data for comparable jobs within these groups, considering the relative performance and size of each institution, the size of roles and incumbent experience and, based on these reviews, sets the target total compensation and compensation mix for each executive role.

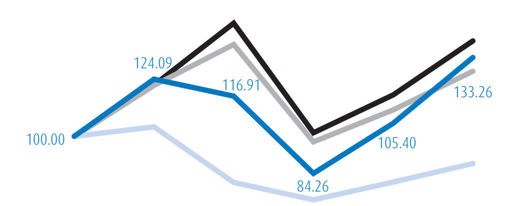
The Committee's independent advisor reviewed the comparable companies and roles used to benchmark target compensation and compensation mix for the CEO and Senior Executives, and concluded that they were appropriate.

	Benchmark groups	
CEO	Bank of Nova Scotia Canadian Imperial Bank of Commerce Manulife Financial Corp. Royal Bank of Canada Sun Life Financial Inc. Toronto-Dominion Bank Bank of New York Mellon Corp. Capital One Financial Corp. PNC Financial Service Group Inc. Regions Financial Corp. State Street Corp. SunTrust Banks Inc. US Bancorp Barrick Gold Corp. BCE Inc. Canadian National Railway Co. Canadian Natural Resources Ltd. Canadian Oil Sands Trust Enbridge Inc. Encana Corp.	The Canadian bank competitors, select U.S financial firms with similar revenue and companies listed on the TSX 60 with similar market capitalization.
CEO (continued)	Goldcorp Inc. Husky Energy Inc. Imperial Oil Ltd. Potash Corp of Saskatchewan Inc. Rogers Communications Inc. Suncor Energy Inc. Talisman Energy Inc. Teck Resources Ltd. Thomson Reuters Corp. TransCanada Corp.	
Canadian–based executives and Senior Executives	Bank of Nova Scotia Canadian Imperial Bank of Commerce Royal Bank of Canada Toronto-Dominion Bank	The Canadian banks are direct competitors and share BMO's economic and business challenges, making relative performance comparisons meaningful.
U.S.–based executives and Senior Executives	Associated Banc-Corp. Commerce Bancshares Inc. Citizens Republic Bancorp, Inc. First Midwest Bancorp Inc. Huntington Bancshares Inc. Marshall & Ilsley Corp. MB Financial Inc. TCF Financial Corp. Wintrust Financial Corp.	In the United States, the regional mid-sized banks are all publicly traded and are comparable to BMO's U.S. operations, based on business mix and size, measured by total shareholder equity, total assets, total revenue and market capitalization.

Compensation is linked to total shareholder return

The table below compares the cumulative value of $100 invested in Common Shares on October 31, 2005 with the cumulative value of $100 invested in each of two Toronto Stock Exchange (TSX) indices for the same period. The chart also compares compensation paid to the Chief Executive Officer, the Chief Financial Officer and the three most highly compensated named executive officers in fiscal 2005, expressed as $100, with compensation paid in subsequent years. The chart demonstrates a clear alignment between shareholder return and the level of executive compensation.

Cumulative Values ($)



	2005	2006	2007	2008	2009	2010
BMO	100.00	124.09	116.91	84.26	105.40	133.26
S&P/TSX Composite Index	100.00	121.67	147.74	101.43	117.39	140.22
S&P/TSX Composite Index Financials	100.00	121.49	138.73	97.68	111.13	127.50
Executive Compensation	100.00	103.91	80.46	73.09	80.56	90.36

(1) Cumulative value of $100 invested on October 31, 2005, reflecting the change in Common Share price plus reinvested dividends.

(2) Includes base salary, annual short-term incentive payment, the value of mid-term incentive awards at the time of grant, the fair market value of the long-term incentive awards, other compensation and the annual pension service and compensation cost for the named executive officers in each year.

(3) Named executive officers (NEOs) in 2010, 2009 and 2008 are W.A. Downe, R.C. Robertson and the three most highly compensated executive officers. NEOs in 2007 are W.A. Downe, K.E. Maidment and the three most highly compensated executive officers. For 2005 and 2006, this analysis includes the NEOs who were reported in the management proxy circular each year.

Turn to page 35 for additional information on the alignment of Mr. Downe's compensation to shareholder returns.

2. Program components

Compensation components and mix

Our executive compensation program includes both fixed and variable compensation. Total pay is made up of direct compensation (cash + deferred compensation) and indirect compensation (pension + benefits).

		Component	Purpose	Form	How it is determined
Fixed compensation	Cash compensation	**Base pay (salary)**	Forms a relatively small component of total compensation and compensates individuals for fulfilling their role responsibilities.	Cash	Salaries are based on the median of the comparable market, adjusted for the executive's responsibility and capability.
Variable "at risk" compensation	Cash compensation	**Short-term incentive plan (STIP)**	Focuses on and motivates performance against specific annual objectives at individual and business levels.	Cash or, at the executive's option, optional deferred stock units (DSUs)	Annual bonus targets are based on the median for the comparable market and on the compensation mix. STIP pools increase or decrease based on business performance.
Variable "at risk" compensation	Deferred compensation	**Mid-term incentive plan (MTIP)**	Encourages executives to create sustainable shareholder value and returns over a three-year performance cycle and aligns to shareholder return.	Restricted share units (RSUs)	MTIP targets are based on the median for the comparable market and the compensation mix. MTIP pools increase or decrease based on relative total shareholder return and business performance. For senior executives, MTIP pools are based fully on relative total shareholder return.
Variable "at risk" compensation	Deferred compensation	**Long-term incentive plan (LTIP)**	Encourages executives to generate sustained share price growth over the long term (ten years) and aligns to shareholder return.	Stock options	LTIP targets are based on the median for the comparable market and the compensation mix. LTIP pools increase or decrease based on relative total shareholder return.

The table below shows the target mix of compensation components for each executive level. This combination of fixed, variable, cash and deferred compensation places a significant portion of total direct compensation at risk, and ties compensation to longer-term performance, because a high percentage is paid as equity. Each mix is designed to reflect the role's ability to influence business results over the short-term (1-year), mid-term (3-year) and long-term (10-year).

	Direct compensation as a percentage of target (excluding CEO Capital Markets)					
	Cash compensation		**Equity (deferred) compensation**			
	Fixed	**Variable**				
	Base salary	**Short-term incentive** (a)	**Mid-term incentive**	**Long-term incentive**	**Percentage variable**	**Percentage deferred**
President and Chief Executive Officer	11%	27%	31%	31%	89%	62%
Senior Executives	16%	24%	30%	30%	84%	60%
Senior Executive Vice-Presidents and Executive Vice-Presidents	27%	23%	28%	22%	73%	50%
Senior Vice-Presidents	34%	24%	27%	15%	66%	42%
Vice-Presidents	44%	23%	26%	7%	56%	33%

(a) Executives may voluntarily defer some or all of their STIP into DSUs increasing their percentage of deferred compensation.

The percentage of variable pay for the CEO, Senior Executives, Senior Executive Vice-Presidents and Executive Vice-Presidents is significantly higher than other executive roles given their involvement in strategic decision making and stewardship. FSB Principles recommend that deferred compensation for the CEO and Senior Executives make up a minimum of 60 percent of total compensation.

The FSB Principles recommend that deferred compensation for employees at the Senior Vice-President level and above, and certain employees in Capital Markets who may have a material impact on the risk of the Bank, be at 40 to 60 percent of total compensation.

Benefits

All employees, including executives, can participate in the employee share ownership program (Canada) and share purchase plan (U.S.), which encourages them to buy Common Shares. All employees, including executives, also receive health care insurance benefits that promote employee health and productivity in the workplace. These are competitive with the median of the comparable markets.

Pension

All employees, including executives, participate in either a defined benefit or a defined contribution plan. A supplementary retirement plan is also provided for executives who participate in the defined benefit pension program. The pension plans are competitive within the industry.

Perquisites

An annual taxable cash allowance is provided to Canadian executives, which is based on competitive executive perquisite allowances in the Canadian market.

3. Making compensation decisions

Compensation is primarily performance-based. An established protocol ensures that executive compensation is appropriately and effectively linked to corporate performance and the performance of the operating groups.

At beginning of each year:

1. Set compensation targets, including the mix of components and proportion of deferred pay, for all executive roles, based on the market median for comparable roles, incorporating regulatory guidelines.
2. Establish financial performance targets and determine how the incentive pools will change as performance changes, to support the business goals and reinforce the Bank's strategic priorities and values, for the Bank overall and for each of its four operating groups:
   - Personal and Commercial Banking Canada (P&C Canada)
   - Personal and Commercial Banking U.S. (P&C U.S.)
   - Private Client Group (PCG)
   - BMO Capital Markets (CM)
3. Establish individual performance goals to support the business goals and reinforce the Bank's strategic priorities and values.

After the fiscal year is completed:

1. Assess corporate and operating group performance against targets, and use the results to finalize how performance will affect variable compensation funding (taking into consideration holdbacks and other relevant factors).
2. Assess individual performance against individual performance objectives.
3. Allocate individual incentive awards, ensuring the sum of the awards is not higher than the total available in the approved pools.

Responsibility for compensation is divided between the Committee, the CEO, the Chief Finance, Risk, and Compliance Officers as follows:

The Committee's responsibility for compensation includes:
- establishing the CEO's compensation targets and his individual performance goals
- establishing business performance targets for both corporate and operating groups and calibrating the size of the incentive pools
- assessing Bank and operating group performance, and approving funding for the variable compensation pools
- reviewing the CEO's performance and recommending his compensation to the Board
- reviewing and approving the total compensation awards for the Senior Executives
- reviewing and approving the total annual salary, and short-, mid- and long-term incentive pools for the other executives
- ensuring that the sum of the variable compensation awards for all executives is not higher than the total available in the approved pools

The Chief Executive Officer is responsible for:
- establishing individual performance goals for the Senior Executives
- assessing the performance of the Senior Executives and presenting compensation recommendations to the Committee
- reviewing and approving compensation recommendations for all other executives

The Chief Financial Officer is responsible for:
- assessing financial business performance measures, targets and weighting for the Bank overall and for each operating group
- determining business results and calculating the incentive pool funding

The Chief Risk Officer is responsible for:
- assessing business performance measures, targets and weighting for the Bank overall and for the operating groups to ensure risk is appropriately reflected and linked to the Bank's risk appetite
- assessing whether all risk implications have been reflected in the business results and in the short-, mid- and long-term incentive pool calculations, and as needed, recommending additional adjustments to reflect risk

The Chief Compliance Officer is responsible for:
- assessing financial business performance measures and targets to make sure they support our compliance and ethics objectives
- reviewing short-, mid- and long-term incentive pool funding to ensure compliance and ethics objectives and requirements are met

a) Establishing targets for key financial metrics

At the beginning of every year, the Board reviews and approves the Bank's business plans for the upcoming year. These are linked to its longer term strategies.

The Committee works with management to decide on key metrics to measure progress against the strategies and annual plan. The Committee then establishes specific targets to assess business performance at the end of the year that it will use when determining the size of the variable incentive pools.

b) Determining the size of the variable incentive pools

The Committee reviews the calculated incentive pools and then assesses the following factors to determine the final size of each incentive pool:
- actual Bank and operating group performance results against the established targets
- the Chief Risk Officer's input on risk
- the Chief Compliance Officer's input on compliance
- other factors, which may include performance results relative to competitors, the quality of earnings and other considerations such as customer loyalty and market share

c) Determining individual awards

The performance of all executives is assessed against their individual goals, which include specific targets designed to support the business goals and reinforce the Bank's strategic priorities and values:
- quantitative objectives such as revenue growth, expense management, profit growth, and customer loyalty scores
- qualitative objectives, such as the executive's contribution to the organization through their leadership, innovation, demonstrated commitment to customers, and teamwork
- occurrence of reportable control deficiencies (i.e., risk limit or compliance breaches)

Variable compensation decisions are based on the individual performance assessments and are subject to approved variable incentive pools.

4. How the incentive plans work

The chart below illustrates how funding for the incentive pools is established.

The final size of each incentive pool is determined by actual Bank and operating group performance compared to targets that are established at the beginning of each year. The Committee adjusts the final size of the pools at its discretion based on its assessment of Bank performance, and considers other factors, such as relative performance, the business environment and risk.

The amount each executive receives is based on his or her performance against quantitative and qualitative objectives set at the beginning of each year.

Determining the size of the pools						Determining individual awards
Target pool	**x**	**Business performance factor**	**=**	**Incentive pool ($)**	**=>**	**Individual awards ($)**
Based on compensation mix and the median of the market for the role. The sum of all of the executives' targets.		Uses the performance measures listed below and on page 31 0 to 150% for STIP 80% to 120% for MTIP and LTIP		CFO determines business results and calculates the incentive pool funding. Chief Risk Officer provides input on risk. Chief Compliance Officer provides input on compliance. The Committee has the discretion to adjust the calculated amount of the incentive pool up *or* down based on these inputs, its assessment of performance, and other relevant performance considerations.		Based on performance against individual objectives (quantitative and qualitative). The sum of the individual awards cannot be higher than the total available in the approved incentive pool.

Non-GAAP Measures

The Bank uses both GAAP and certain non-GAAP measures to assess financial performance. Cash based financial measures are non-GAAP measures. Our use of such non-GAAP measures is discussed and the reconciliations of those non-GAAP measures to their closest GAAP counterparts are outlined on page 91 of the Bank's 2010 Management's Discussion and Analysis (MD&A). Cash return on tangible common equity is a non-GAAP measure used in this document that is not used in the MD&A. It represents cash earnings as a percentage of common Shareholders equity net of a deduction for goodwill.

Short-term cash incentive plan (STIP)

This plan is open to executives and members of the BMO Capital Markets Executive Committee.

The incentive pool increases or decreases in size based on the performance of the Bank overall and of each operating group against key strategic performance measures.

Executives are awarded cash based on individual performance, although they may choose to receive some or all of their bonus in deferred stock units (DSUs). Any guaranteed short-term cash incentive payments are limited to new hires and for the first year only.

Determining the size of the pool							Determining individual awards
Bank performance measures		**Operating group performance measures**	**P&C Canada**	**P&C U.S.**	**PCG**	**CM**	• Financial, operational and strategic development and execution goals • Individual performance relative to Bank peers
Revenue growth	40%	Revenue growth	35%	30%	40%		
Cash EPS growth	40%	Cash net income growth	35%	30%	40%		
ROE	20%	Cash operating leverage	15%	20%	20%		
		ROE	15%			33%	
		Cash Return on tangible common equity		20%			
		Net income after tax				67%	

Relative weightings for the business performance factor		
	Bank performance	**Operating group performance**
CEO, CFO and CRO	100%	
Operating group executives	25%	75% individual operating group
Corporate area executives	25%	75% weighted average of all operating groups

Deferral opportunity

- Executives may voluntarily defer their cash awards by electing to receive some or all of their STIP in DSUs. They must make this decision before the beginning of the fiscal year, and it is irreversible.
- Executives may only redeem their DSUs when they sever all ties with the Bank and its affiliates.
- The value of DSUs is equivalent to the fair market value of an equal number of Common Shares when the DSUs are redeemed.
- DSUs earn dividend equivalents as additional DSUs.

Clawback

- STIP paid as cash or taken as DSUs in the past 12 months may be clawed back if there is a financial restatement or misconduct, as per Bank policy.

Mid-term incentive plan (MTIP)

This plan is open to executives and the CEO of BMO Capital Markets. Other Capital Markets executives participate in Capital Markets Variable Compensation Plan (see Plan details on p. 47).

The incentive pool increases or decreases in size based on the performance of the Bank overall and of each operating group against key strategic performance measures.

Executives are awarded restricted share units (RSUs) based on individual performance.

Determining the size of the pool					Determining individual awards
Bank performance measures	**Operating group performance measures**	**P&C Canada**	**P&C U.S.**	**PCG**	• Individual performance in the current year • Ability to influence the future short-term and mid-term success of the operating group
Relative three-year historical shareholder return	Revenue growth	35%	30%	40%	
	Cash net income growth	35%	30%	40%	
	Cash operating leverage	15%	20%	20%	
	ROE	15%			
	Cash Return on tangible common equity		20%		

Relative weightings for the business performance factor		
	Bank performance	**Operating group performance**
Senior Executives	100%	
Operating group executives	25%	75% individual operating group
Corporate area executives	25%	75% weighted average of all operating groups

Terms and conditions

- RSUs earn dividend equivalents as additional units and vest at the end of the three year term.
- The value of an RSU is based on the Common Share price on the date of payout.

Termination

- An executive who resigns or is terminated for cause forfeits all outstanding RSUs.
- RSUs continue to vest when an executive retires or is terminated without cause, subject to non-solicit and/or non-compete provisions.
- Outstanding RSUs are forfeited if an executive commits an act while employed with the Bank that would have led to termination for cause.

Clawback

- Awarded RSUs may be clawed back if there is a financial restatement or misconduct.
- RSUs paid out in the past 12 months may be clawed back if there is a financial restatement or misconduct, as per Bank policy.
- Starting in 2010, RSU award payouts may be reduced or eliminated based on information that would have negatively impacted the size of an award when it was granted.

Long-term incentive plan (stock option plan)

This plan is open to executives and members of the Capital Markets Executive Committee.

The incentive pool increases or decreases in size based on the Bank's relative historic shareholder return.

Executives are awarded stock options based on individual performance and ability to influence the short-, mid- and long-term success of the operating group.

Determining the size of the pool	Determining individual awards
Relative three-year historical total shareholder return (100%)	• Individual performance in the most current year. • Ability to influence the future short-, mid- and long-term success of the operating group. • MTIP awards or stock options the executive already has are not considered when determining the award.

Terms and conditions

- Grants are awarded following good governance principles. Annual stock option grants are generally made in December, and have an exercise price based on the TSX closing price of the Common Shares on the trading day prior to the grant date.
- Stock options have a 10 year term and vest 25% per year over four years. They must be vested before they can be exercised.
- The value of an option is the difference between the exercise price and the market price of the Common Shares on the day the options are exercised.

Termination

- Stock options continue to vest when an executive retires, subject to non-solicit and non-compete provisions.
- An executive who resigns or is terminated for cause forfeits all outstanding stock options.
- Executives who are terminated without cause have 90 days to exercise options that have vested and satisfied any price conditions, subject to non-solicit provisions.
- Outstanding stock options are forfeited if an executive commits an act while employed with the Bank that would have led to termination for cause.

Clawback

- Stock options granted after 2008 may be clawed back if there is a financial restatement.
- Any value received from the exercise of stock options in the past 12 months may be clawed back if there is a financial restatement or misconduct, as per Bank policy.

5. 2010 Performance

2010 Bank performance highlights

The Bank emerged from the recent economic downturn in a strong financial position, supported by growth in our business

- Our one year total shareholder return (TSR) was a strong 26.4%, well above comparable indices and in the top tier of our Canadian peer group for the second consecutive year
- Earnings per share (EPS) grew 54% from 2009 as net income rose significantly
- Net income was up 57%, rising more than $1 billion to $2.8 billion
- Return on equity (ROE) was 14.9% in 2010, up from 9.9% in 2009 due to increased net income. The Bank has achieved ROE of 13% or better in 20 of the past 21 years, one of only two banks in its North American peer group to have done so.

The Bank had strong financial results overall. Net income increased to $2.8 billion, driven in large part by strong revenue growth of 10.4%. Compensation targets for revenue growth, cash EPS growth and ROE were exceeded. The year was characterized by significant progress across each of our operating groups. The Bank's financial performance was also strong compared to our Canadian peers, as reflected in our top tier one-year TSR performance measures.

Fiscal 2010 key bank financial performance measures

The Committee examined a broad range of key metrics and factors when assessing performance. The following financial performance measures are of particular importance, because they are indicative of the Bank's overall performance for the year and how it performed relative to its Canadian comparator group and in meeting its annual goals and achieving its longer-term strategy.

Metric	2010 Performance		2009 Performance		2008 Performance	
Net income after tax	$2,810 million		$1,787 million		$1,978 million	
Return on equity	14.9%		9.9%		13.0%	
Revenue	$12,210 million		$11,064 million		$10,205 million	
Earnings per share (EPS)	$4.75		$3.08		$3.76	
Provision for credit losses (a)	0.61%		0.88%		0.76%	
Productivity ratio (expense to revenue ratio)	62.2%		66.7%		67.6%	
Tier 1 capital ratio	13.45%		12.24%		9.77%	
1-Year TSR (b)	Bank	Cdn Peer Group (c)	Bank	Cdn Peer Group (c)	Bank	Cdn Peer Group (c)
	26.4%	22.5%	25.1%	22.0%	(27.9)%	(22.7)%
3-year TSR (b)	4.5%	4.7%	(5.3)%	0.3%	(5.6)%	(0.2)%

Notes

(a) Calculated as a percentage of average net loans and acceptances.

(b) Measures the change in Common Share price assuming dividends are reinvested, calculated using the closing Common Share price on October 31.

(c) Average TSR for the Bank and the five other largest Canadian banks, calculated using the closing Common Share price on October 31.

2010 Performance against key factors

Four key factors formed the basis for funding the incentive pools and aligning pay to performance:

- revenue growth
- cash earnings per share (EPS) growth
- return on equity (ROE)
- historical relative total shareholder return (TSR)

Targets were established for the four key measures early in fiscal 2010. The independent advisor agreed with the business performance targets.

Bank performance measures	2010 target	Actual
Revenue growth	9.3%	10.4%
Cash earnings per share growth	29.8%	53.2%
Return on equity	12.9%	14.9%
Three-year relative TSR (a)	At or above the average of the Cdn Peer Group	(0.4)% below the average of the Cdn Peer Group

(a) Calculated based on the 90-day average Common Share price for compensation purposes, instead of on the closing price on October 31. This number will not be the same as the TSR reported in our 2010 Annual Report.

Determining the size of the pools

Short-Term incentive plan pool

The incentive pool increases or decreases in size based on the performance of the Bank overall and of each operating group against key strategic performance measures.

The Bank exceeded all of the 2010 performance targets for revenue growth, cash EPS growth and ROE. The operating group performance against financial measures and impact on short-term pool funding are outlined below.

In addition to considering the performance against targets, there are discussions through the year and at year-end with senior risk professionals, including the Chief Risk Officer. These discussions focus on the risks in the operating groups and the degree to which they are provided for in the financial statements under GAAP, plus any other risks. As a result of this process with the Risk Group, the Committee and management concluded that in all material respects, risks and uncertainties were appropriately accounted for in the financial statements and incentive pools.

	Achievement of Measures	Impact on Pool Funding
Total Bank	Met or exceeded three of three targets	Above target
P&C Canada	Met or exceeded all four targets	Above target
P&C U.S.	Met or exceeded one of four targets	Below target
PCG	Actuals below targets	Below target
CM	Met or exceeded one of two targets	Above target

Mid-term and Long-term incentive plan pool

Funding for the mid- and long-term incentive pools for Senior Executives was slightly below target, based on our relative 3-year TSR.

Determining individual awards

At the beginning the year:

- The Committee established individual performance goals for the CEO.
- The CEO established each Senior Executive's individual performance objectives. These included ambitious financial targets, strategic business goals, specific customer and revenue objectives, and objectives focused on culture, leadership development and succession.
- The Committee approved the compensation targets for the Senior Executives. The Committee's independent advisor also reviewed compensation targets and concluded they were market competitive.

At the end of the year:

- The Committee reviewed the CEO's performance and, with the advice and counsel of its independent advisor, recommended short-term, mid-term and long-term incentive awards based on his individual performance against the objectives, the Bank's market competitive position and relative performance.
- The CEO assessed the performance of each of the Senior Executives against their individual performance objectives and presented compensation recommendations to the Committee.
- Independent members of the Board reviewed and approved the CEO's final compensation.
- The Committee approved the recommendations for the Senior Executives.

Incentive awards for Senior Executives are based on individual performance, and are not calculated using a formula, so actual incentive awards do not necessarily increase or decrease in direct proportion to the change in the size of the pools.

W. A. Downe, President and Chief Executive Officer

Mr. Downe is responsible for providing leadership and vision for the Bank, and is accountable to Shareholders through the Board of Directors for defining, communicating and achieving strategic and operational goals that will maximize shareholder value. The President and CEO has responsibility for enterprise-wide performance and financial results, including profit and loss, balance sheet and shareholder value metrics.

Mr. Downe joined the Bank in 1983 and held a variety of senior management positions in Canada and the U.S. He was appointed Vice-Chair, Bank of Montreal in 1999, and named Deputy Chair of BMO Financial Group and Chief Executive Officer, BMO Nesbitt Burns, in 2001. In 2007 he was appointed the Bank's President and Chief Executive Officer. He has a Bachelor of Arts degree from Wilfrid Laurier University and a Master of Business Administration from the University of Toronto.

2010 Compensation

Mr. Downe's compensation this year recognizes the performance of the Bank, as well as his overall performance and contribution.

His short-term incentive funding is based on the Bank's performance against three financial measures. The mid- and long-term incentive pools are funded based on relative 3-year TSR.

For this year, Mr. Downe's STIP funding was above target, because the Bank's performance exceeded its targets. The funding for his MTIP and LTIP was slightly below target, based on the Bank's relative 3-year TSR.

Measures	Target	Actual
Revenue Growth	9.3%	10.4%
Cash Earnings per Share Growth	29.8%	53.2%
Return on Equity	12.9%	14.9%
Three-Year Relative TSR (a)	At or above the average of the Cdn Peer Group	(0.4)% below the average of the Cdn Peer Group.

(a) Calculated based on the 90-day average Common Share price for compensation purposes, instead of on the closing price on October 31. This number will not be the same as the TSR reported in our 2010 Annual Report.

The Committee also assessed Mr. Downe's performance against the following financial and individual objectives for 2010.

Area of focus	Goal	Results
Financial and strategic business initiatives	• Achieve corporate financial measures	• Net income increased by 57% to $2.8 billion • Revenue growth, cash EPS growth and ROE all exceeded targets • One-year TSR of 26.4% – in the top tier of Canadian peers • Improved relative 3-year TSR, however it was slightly below the target set for the year • Return on equity improved to 14.9% in 2010 compared to 9.9% in 2009
	• Manage the capital and liquidity of the Bank	• Tier 1 ratio increased from 12.24% to 13.45%, providing greater operational and strategic flexibility
	• Manage risk effectively	• Strong credit performance with significantly lower credit losses year over year • Continued to proactively manage risk and continuously improve risk management practices
	• Develop business in select global markets to grow with clients, expand capabilities and reach new customers	• Successfully incorporated in China, where the company can now provide banking and investment products and be considered a preferred partner • Continued to expand presence in Asia; added to trading and investment banking product offerings in China and developed investment and corporate banking in India

Area of focus	Goal	Results
Customer and Operating Group Initiatives	Execute against strategy to: • Maximize earnings growth across all North American personal and commercial businesses, focusing on industry leading customer experience and sales force productivity	• Double-digit growth in revenue and net income in P&C Canada for the second consecutive year • Introduced offers that bring clarity to financial decisions for our customers • Maintained strong personal banking customer loyalty scores in the U.S. – received Metro Chicago 2010 TNS Choice Award for excellence in offering customer-focused solutions and establishing strong client relationships • Acquired certain assets and liabilities and successfully integrated the operations of AMCORE Bank, N.A. in a transaction assisted by FDIC. This accelerated the Bank's growth strategy and added quality locations and a good customer base.
	• Accelerate the growth of our wealth management business through client focused financial planning and by investing for future growth	• Delivered a planning-based client experience and improved sales efficiency with enhanced financial planning and investment advisor tools and materials • Delivered innovative and enhanced programs to our customers including: – expanded Exchange Traded Funds (ETF) family – strengthened BMO InvestorLine capability and online experience – delivered Take Charge of Your Retirement program • Effectively integrated and expanded our insurance businesses
	• Deliver strong, stable returns in Capital Markets by providing highly targeted solutions to our core clients from a single integrated platform	• Achieved strong financial performance • Strengthened capabilities in the U.S. • Continued to target business where Capital Markets is differentiated and to expand valuable relationships with a broader offering from across Capital Markets
Leadership and Succession	• Execute against strategic leadership agenda	• Leadership pipeline strengthened through organizational development, execution against development plans and strategic hiring
Culture	• Sustain a culture that focuses on customers, high performance and our people	• Renewed learning and leadership development programs to support focus on customers, talent and performance • Continued to develop industry-leading talent management practices and maintained our Employee Promise consistent with our brand and values • High employee engagement in the changes being made including strong internal customer advocacy

Compensation awarded in 2010

Since he took on the role of President and CEO in 2007, Bill Downe has worked on building a strong future for the Bank and developing a dynamic culture focused on the customer. The Committee feels that the Bank's success in 2010 is a tangible result of his efforts.

The Bank had strong financial results overall. Net income increased to $2.8 billion, driven in large part by strong revenue growth of 10.4%. Compensation targets for revenue growth, cash EPS growth and ROE were exceeded. The year was characterized by significant progress across each of our operating groups. The Bank's financial performance was also strong compared to our Canadian peers as reflected in our top tier one-year TSR performance measures.

The Bank also made excellent progress on its focus on the customer in 2010. Brand awareness and media profile increased, and in the annual employee survey, an impressive 96% of employees said they understand how their role contributes to achieving our vision of being the Bank that defines great customer experience.

The Committee considered all of these factors in the 2010 compensation decisions outlined in the table that follows. It also reviewed Mr. Downe's compensation target for 2011, as part of its normal annual governance. For 2010, the Committee had established a target of $9.0 million, relative to his peer group and the relative size of the Bank. For 2011, the Committee kept Mr. Downe's target total compensation at $9 million. This included an increase in base salary to US$1,050,000, and a corresponding reduction in his targets for variable compensation. In addition, the percent deferred compensation was increased from 62% to 75% of his total compensation at target.

Direct compensation

(Cdn $)	2010	2009	2008	2008 (a)
Cash				
Salary (b)	**$1,042,600**	$1,165,000	$1,032,000	$1,032,000
Bonus	**$2,850,000**	$1,585,000	$1,400,000	$1,400,000
Total cash	**$3,892,600**	$2,750,000	$2,432,000	$2,432,000
Equity				
Mid-term	**$3,000,000**	$2,350,000	$1,750,000	$ 0 (a)
Stock options	**$2,650,000**	$2,350,000	$1,800,000	$ 0 (a)
Total equity	**$5,650,000**	$4,700,000	$3,550,000	$ 0
Total direct compensation	**$9,542,600**	$7,450,000	$5,982,000	$2,432,000

(a) Mr. Downe subsequently returned his equity awards resulting in $0 equity awards in 2008. The two columns for 2008 report compensation before and after Mr. Downe's decision.

(b) Mr. Downe's salary as CEO was established at US$1 million. His reported salary reflects changes in foreign exchange rates and has been converted consistent with the Summary Compensation table on page 40.

Pay for Performance and Alignment with Shareholders

74% of Mr. Downe's 2010 compensation is deferred (including his voluntary deferral of 50% of his cash bonus to DSUs) and therefore strongly aligns with Shareholder interests – this is a governing principle of the Bank's compensation objectives.

The Committee's independent advisor confirmed a review of pay for performance for the CEO in 2010, comparing business performance over the last three years with total compensation. This analysis concluded that the Bank's performance lagged its peers over this period and that Mr. Downe's compensation was appropriately below the median compensation for CEOs at the other banks.

The following table shows the value of compensation awarded to Mr. Downe over the last five fiscal years and its current value relative to a comparable measure of the value received by Shareholders. Note the last three years are during his tenure as President and CEO.

			Relative Measure of	
Fiscal Year	Total direct compensation awarded	Total direct compensation as measured on Oct 31, 2010 (a)	Mr. Downe's compensation (b)	Shareholder value (c)
2005	5,948,600	5,398,843	91	133
2006	5,628,813	3,405,010	60	107
2007	5,464,245	3,016,991	55	114
2008	5,982,000	2,632,760	44	158
2009	7,450,000	5,671,486	76	126
Weighted Average			**65**	**128**

(a) His total direct compensation as measured on October 31, 2010 includes:
- actual salary and cash incentive payments received in the year of award
- the actual value received from vested share units and options exercised
- the October 31, 2010 value of share units that have not vested
- the October 31, 2010 in-the-money value of stock options awarded (to date, Mr. Downe has not exercised any of the stock options granted in these years)
- compensation received in US$ has been converted into Cdn$ (see notes to the Summary Compensation Table for named executive officers)
- for 2008 compensation, the amount awarded reflects the total compensation granted to Mr. Downe, and the value at October 31, 2010 excludes the 2008 equity awards that Mr. Downe subsequently declined

(b) Represents the value of Mr. Downe's total direct compensation measured on October 31, 2010 as a percentage of his total direct compensation in the year of the award.
(c) Represents the cumulative value at October 31, 2010 of $100 invested in Common Shares at the end of the award year, including reinvested dividends.

Pension

Mr. Downe participates in a defined benefit pension arrangement governed by the Pension Fund Society of the Bank of Montreal (PFS), a federally registered pension plan, and a Retirement Allowance Agreement (RAA) that is a Bank funded non-registered arrangement. All eligible employees participate in the PFS pension arrangement. The Bank entered into an RAA with Mr. Downe to define his overall pension arrangement and to clarify his entitlement in the event of a change of control. The RAA also limits his annual pension benefit to a maximum of US$1 million regardless of his length of service, salary level or bonuses. Following are the terms of Mr. Downe's RAA for pension purposes:

- The total annual normal retirement pension benefit is 2% of his last 12 months of salary plus the average of his highest five consecutive STIP awards to a total maximum of 145% of base salary, multiplied by his years of credited service. This is a US dollar pension formula that uses Mr. Downe's US dollar salary and US dollar STIP awards. Based on limits imposed in the RAA, Mr. Downe's calculated pension cannot exceed US$1 million per year.
- A portion of his total annual pension will be paid from the PFS as periodic payments, and the rest will be converted into cash and paid in a lump sum as determined by the rules of his RAA.
- This benefit is normally payable at age 60, but can be paid up to five years earlier on a reduced basis (reduction of 3% per year for each year that retirement precedes age 60), subject to all applicable regulations and plan rules.
- To date, Mr. Downe has earned a total annual retirement pension benefit of Cdn$811,145 that is payable on an unreduced basis at age 60. The US dollar pension that is the basis for this Canadian dollar representation will increase with additional years of credited service and earnings. The annual pension is subject to a US$1 million limit that was established at the time of Mr. Downe's appointment as CEO.
- Further details regarding Mr. Downe's pension can be found in the executive compensation tables beginning on page 40.

Share ownership

Mr. Downe exceeds his share ownership guidelines.

Share ownership as at December 31, 2010					
Required multiple	Common Shares ($)	RSUs ($)	DSUs ($)	Total share ownership ($)	Total shares as a multiple of base salary
7.0	9,653,479	5,717,579	8,927,155	24,298,213	23.31

Protocol for exercising stock options

Mr. Downe must consult with the Committee Chair before he exercises any options. This protocol ensures proper oversight of the Bank's compliance with trading regulations and governance best practices.

R. C. Robertson, Chief Financial Officer

Mr. Robertson is accountable for financial governance for the Bank. He leads the development and implementation of enterprise-wide financial and taxation strategies, management and reporting, ensuring effective governance and controls. He also provides leadership to the strategic management office.

Mr. Robertson joined the Bank in 2008 from Deloitte and Touche LLP in Toronto, where he had been Vice-Chairman and the Lead Client Service Partner for the Bank. He began his career in 1969 with Arthur Andersen LLP in Toronto and held a number of increasingly senior roles in the company, including Canadian Managing Partner from 1994 until 2002, when Arthur Andersen Canada merged with Deloitte. He was an experienced audit partner with extensive financial services experience. He graduated from the Ivey School of Business at the University of Western Ontario (Honours BA) and is a chartered accountant.

2010 Compensation

Mr. Robertson's compensation this year recognizes his contractual arrangement, the performance of the Bank, as well as his overall performance and contribution to the Bank. Mr. Robertson was hired on a renewable contract to replace the former CFO who had been on medical leave. Under his contract, he is entitled to a minimum of $2 million in compensation, in the form of cash and awards under the mid-term incentive plan; he does not participate in the long-term incentive plan. He also has the opportunity to earn additional performance-based compensation through the mid-term incentive plan.

The funding for Mr. Robertson's additional performance based compensation (MTIP) was slightly below target, based on Bank relative 3-year TSR.

MTIP	Target	Actual
Relative Three-Year TSR (a)	At or above the average of the Cdn Peer Group	(0.4)% below the average of the Cdn Peer Group

(a) Calculated based on the 90-day average Common Share price for compensation purposes, instead of on the closing price on October 31. This number will not be the same as the TSR reported in our 2010 Annual Report.

Mr. Robertson's individual performance was assessed by the CEO against financial and individual performance objectives, including: leading enterprise-wide expense management, business process improvements in strategy and finance, and maintaining strong financial governance practices. He successfully completed all of his objectives.

Direct compensation

Mr. Robertson's compensation this year recognizes his contractual arrangement, the performance of the Bank, as well as his overall performance and contribution to the Bank.

(Cdn $)	**2010**	2009	2008
Cash			
Salary	**$ 400,000**	$ 400,000	$ 265,425
Bonus	**$1,300,000**	$1,600,000	$1,100,000
Total cash	**$1,700,000**	$2,000,000	$1,365,425
Equity			
Mid-term	**$ 750,000**	$ 300,000	$ 700,000
Stock options	**$ Nil**	$ Nil	$ Nil
Total equity	**$ 750,000**	$ 300,000	$ 700,000
Total direct compensation	**$2,450,000**	$2,300,000	$2,065,425

Pension

Mr. Robertson participates in the Canadian Executive Pension Plan, a defined benefit pension program with the following terms:

- The total annual normal retirement pension benefit is 1.25% of his average pensionable salary plus the average of his STIP awards to a total maximum of 145% of average salary (all subject to certain limits), multiplied by his years of credited service, less an offset for a Canada Pension Plan (CPP) entitlement.
- Mr. Robertson's pension will be paid in the form of periodic payments – a portion from the Pension Fund Society of the Bank of Montreal, a federally registered pension plan and the rest under the Supplementary Pension Plan for Executive Officers, Designated Managing Directors and Designated Persons of the Bank of Montreal, a non-registered pension arrangement.
- He has chosen to enhance a portion of his pension benefit to a 2% formula by contributing to the optional provision under the program.
- The benefit is normally payable at age 65 but can be paid up to 10 years earlier on a reduced basis (reduction of 4% per year for each year that retirement precedes age 65) subject to all applicable legislation and plan rules.
- To date, Mr. Robertson has earned a total annual retirement pension of $17,887 which will be payable on an unreduced basis at age 65. This amount will increase based on additional years of credited service and earnings.
- Further details regarding Mr. Robertson's pension can be found in the executive compensation tables beginning on page 40.

Share ownership

Mr. Robertson exceeds his share ownership guidelines.

Share ownership as at December 31, 2010

Required multiple	Common Shares ($)	RSUs ($)	DSUs ($)	Total share ownership ($)	Total shares as a multiple of base salary
5.0	713,327	2,163,996	0	2,877,323	7.19

T.V. Milroy, Chief Executive Officer, Capital Markets

Mr. Milroy leads the Capital Markets business in Canada, the U.S. and internationally. He is responsible for defining and implementing the strategic direction and delivering the customer solutions and final results for all Investment and Corporate Banking (I&CB) and Trading Products lines of business.

Mr. Milroy has been with the Bank since 1993, when he joined the investment bank as a Managing Director with responsibility for a number of key relationships. He was appointed Head of Vancouver investment banking in 1996, and named Executive Managing Director and Head of Investment & Corporate Banking (I&CB) in 1999. In 2001, he was appointed Vice-Chair and Global Head of I&CB and in 2006, was named Co-President of BMO Capital Markets. He assumed leadership of Capital Markets in 2008. He has a BA from McGill University, a Bachelor and Masters of Law from Cambridge University and an LLB from Dalhousie University, and completed the Advanced Management Program at the Harvard Business School.

2010 Compensation

Mr. Milroy's compensation this year recognizes the performance of Capital Markets, as well as his overall performance and contribution to the Bank.

Mr. Milroy's variable compensation funding is based 25% on the Bank's performance against three financial measures, and 75% on Capital Markets' Net Income After Tax (NIAT) and ROE. The mid- and long-term incentive pools are funded based on relative 3-year TSR.

Mr. Milroy's STIP funding was above target this year, because Capital Markets' ROE and NIAT (after adjusting for loss provisions that were lower than planned), and the Bank exceeded its targets. The STIP funding is lower than in 2009, based on year over year performance, and has been reflected in the variable compensation awarded.

The funding for his MTIP and LTIP was slightly below target, based on Bank relative 3-year TSR.

STIP		
75% Operating group measures (1)	**Target**	**Actual**
CM NIAT	$965 million	$945 million
CM Return on Equity	14.9%	18.6%
25% Bank performance measures		
Revenue Growth	9.3%	10.4%
Cash Earnings per Share Growth	29.8%	53.2%
Return on Equity	12.9%	14.9%
MTIP/LTIP		
Relative Three-Year TSR (2)	At or above the average of the Cdn Peer Group	(0.4)% below the average of the Cdn Peer Group

(1) Actual numbers will differ from those reported in our 2010 Annual Report as they are adjusted to reflect results before the commercial portfolio transfer from Capital Markets to P&C U.S., to align with target.
(2) For compensation purposes, the calculation is based on the 90-day average Common Share price rather than the closing price on October 31. Accordingly, this number will differ from the TSR reported in our 2010 Annual Report.

Mr. Milroy's 2010 individual awards are determined by the CEO's assessment of his performance against key financial and individual performance objectives, in addition to his ongoing responsibilities:

- He strengthened overall distribution capabilities to create an integrated North American platform through initiatives such as expanding the Debt Product offering and the North American Securities Lending business, and upgrading the U.S. Equity Sales and Trading platform.
- He maintained a diversified, dynamic portfolio of businesses to meet the evolving needs of core clients including the expansion of the Bank's presence and product offering in Asia.
- To increase the focus on core profitable clients, he strengthened Capital Markets capability by selective and strategic hiring across the business to position for future growth.

Direct compensation

Mr. Milroy's compensation this year recognizes the performance of Capital Markets, as well as his overall performance and contribution to the Bank.

As part of its normal annual governance, the Committee reviewed compensation targets for 2011 and approved an increase in Mr. Milroy's base salary to $500,000, effective January 2011.

(Cdn $)	2010	2009	2008
Cash			
Salary	$ 400,000	$ 400,000	$ 331,667
Bonus	$3,200,000	$3,300,000	$1,600,000
Total cash	$3,600,000	$3,700,000	$1,931,667
Equity			
Mid-term	$1,727,500	$1,900,000	$1,830,000
Stock options	$1,672,500	$1,900,000	$1,970,000
Total equity	$3,400,000	$3,800,000	$3,800,000
Total direct compensation	$7,000,000	$7,500,000	$5,731,667

Note: 60% of Mr. Milroy's 2010 compensation is deferred (including his voluntary deferral of 25% of his cash bonus into DSUs) and therefore aligns with long-term interests of Shareholders.

Pension

Mr. Milroy participates in the BMO Nesbitt Burns Employee Retirement Plan, a provincially (Ontario) registered defined contribution pension plan that is offered to all eligible employees of BMO Nesbitt Burns, with the following terms:

- Both Mr. Milroy and the Bank contribute to the plan.
- The Bank contributes 3% of earnings every year to the defined contribution pension plan, to a maximum of $3,500 per year.
- Mr. Milroy must contribute 2% of earnings up to a maximum of $2,000 per year, either to the defined contribution pension plan or a registered retirement savings plan. He has chosen to direct his contributions to a registered retirement savings plan.
- Mr. Milroy is responsible for managing the investment of his retirement funds in the defined contribution plan and in the registered retirement savings plan.
- Further details regarding Mr. Milroy's pension can be found in the executive compensation tables beginning on page 40.

Share ownership

Mr. Milroy exceeds his share ownership guidelines.

Share ownership as at December 31, 2010					
Required multiple of total target direct compensation	**Common Shares ($)**	**RSUs ($)**	**DSUs ($)**	**Total share ownership ($)**	**Total shares as a multiple of total target direct compensation**
1.0	167,037	6,933,981	10,227,499	17,328,517	Exceeds requirement

G. G. Ouellette, President and Chief Executive Officer, Private Client Group

Mr. Ouellette leads the Bank's North American wealth management businesses, and is Deputy Chair, BMO Nesbitt Burns. He is responsible for defining and implementing strategic direction, delivering integrated services that address the needs of high net worth clients and the retirement markets, and for the results for all Private Bank, Full-Service Brokerage, Discount Brokerage, Mutual Funds, Insurance and Investment Management businesses in Canada and the U.S.

Mr. Ouellette started out as an Investment Executive with Burns Fry Limited in 1979. He was promoted to Branch Manager in 1983, to National Director of Sales in 1988 and to Managing Director of Investor Services in 1990. In 1993, he was named Executive Vice-President, and was then appointed to the position of Executive Vice-President, Private Client Division when Burns Fry merged with Nesbitt Thomson in 1994. He was appointed Director of the Private Client Division and Vice-Chairman of Nesbitt Burns in 1997. He has an undergraduate degree and a Master of Business Administration from the University of Western Ontario.

2010 Compensation

Mr. Ouellette's compensation this year recognizes the performance of Private Client Group, as well as his overall performance and contribution to the company.

Mr. Ouellette's short-term incentive pool funding is based 25% on the Bank's performance against three financial measures, and 75% on the Private Client Group's cash net income growth, revenue growth and cash operating leverage. The mid- and long-term incentive pools are funded based on historical relative TSR.

Although the Bank was above target on all its performance measures, PCG's targets for 2010 were aggressive, and performance of all of the operating measures fell short of target. As a result, Mr. Ouellette's STIP funding was below target this year.

The funding for his MTIP and LTIP was slightly below target, based on Bank relative 3-year TSR.

STIP		
75% Operating group measures	**Target**	**Actual**
PCG Cash Net Income Growth	39.5%	31.4%
PCG Revenue Growth	14.0%	11.6%
PCG Cash Operating Leverage	11.4%	9.1%
25% Bank Performance Measures		
Revenue Growth	9.3%	10.4%
Cash Earnings per Share Growth	29.8%	53.2%
Return on Equity	12.9%	14.9%
MTIP/LTIP		
Relative Three-Year TSR (a)	At or above the average of the Cdn Peer Group	(0.4)% below the average of the Cdn Peer Group

(a) Calculated based on the 90-day average Common Share price for compensation purposes, instead of on the closing price on October 31. This number will not be the same as the TSR reported in our 2010 Annual Report.

Mr. Ouellette's 2010 individual awards are determined by the CEO's assessment of his performance against key financial and individual performance objectives, in addition to his ongoing responsibilities:

- He achieved strong year over year results, although absolute results fell short of aggressive targets.
- He continued to foster innovation in the design and delivery of products and services, including expanding Exchange Traded Funds (ETF) family, strengthening BMO InvestorLine capabilities and enhancing the online experience.
- He continued to differentiate PCG in the market by delivering great client experience anchored in financial and retirement planning and innovative programs (Take Charge of Your Retirement) that motivate clients to think about how their financial and non-financial goals are linked.
- He encouraged and maintained a high level of internal collaboration, and continued to leverage the full range of wealth management businesses to better meet client needs.

Direct compensation

Mr. Ouellette's compensation this year recognizes the performance of PCG, as well as his overall performance and contribution to BMO.

(Cdn $)	2010	2009	2008
Cash			
Salary	$ 500,000	$ 500,000	$ 500,000
Bonus	$ 828,500	$ 685,000	$1,000,000
Total cash	$1,328,500	$1,185,000	$1,500,000
Equity			
Mid-term	$1,052,000	$ 807,500	$ 716,000
Stock options	$ 940,500	$ 807,500	$ 684,000
Total equity	$1,992,500	$1,615,000	$1,400,000
Total direct compensation	$3,321,000	$2,800,000	$2,900,000

Note: 60% of Mr. Ouellette's 2010 compensation is deferred and therefore aligns with the long-term interests of Shareholders.

Pension

Mr. Ouellette participates in a defined benefit pension arrangement governed by the Pension Fund Society of the Bank of Montreal (PFS), a federally registered pension plan, and a Retirement Allowance Agreement (RAA) that is a Bank funded non-registered arrangement. All eligible employees participate in the PFS pension arrangement. The Bank entered into an RAA with Mr. Ouellette to define his overall pension arrangement and to clarify his entitlement in the event of a change of control. Following are the terms of Mr. Ouellette's RAA for pension purposes:

- The total annual normal retirement pension benefit is 2% of his last 12 months of salary plus the average of his highest five consecutive STIP awards to a total maximum of 145% of base salary, multiplied by his years of credited service.
- Upon retirement, Mr. Ouellette's total annual pension (including the PFS portion and the RAA portion) will be payable as periodic payments.
- To date, Mr. Ouellette has earned a total annual retirement pension benefit of Cdn$333,500, that is payable immediately on an unreduced basis. This pension will increase with additional years of credited service and earnings.
- Further details regarding Mr. Ouellette's pension can be found in the executive compensation tables beginning on page 40.

Share ownership

Mr. Ouellette exceeds his share ownership guidelines.

Share ownership as at December 31, 2010					
Required multiple	**Common Shares ($)**	**RSUs ($)**	**DSUs ($)**	**Total share ownership ($)**	**Total shares as a multiple of base salary**
5.0	11,190,954	3,163,211	6,428,008	20,782,173	41.56

F. J. Techar, President and Chief Executive Officer, Personal and Commercial Banking Canada

Mr. Techar leads the Canadian retail bank and is responsible for defining and implementing strategies for all products and sales and service distribution channels. He is accountable for delivering financial solutions to customers and for financial results for the Personal, Commercial and Small Business (Canada) banking lines of business.

Mr. Techar joined the Bank in 1984. He was appointed to his current position in July 2006 after serving as President and Chief Executive Officer of Harris Bankcorp, Inc. for five years. He began his career with the Bank in the Corporate Banking Division, and then gained several years of international experience in the U.S. and as Senior Vice-President and General Manager London, England. Mr. Techar has a Bachelor of Science and an Engineering degree from Princeton University, and a Master in Business Administration from the University of Denver.

2010 Compensation

Mr. Techar's compensation this year recognizes the performance of Personal & Commercial Banking Canada (P&C Canada), as well as his overall performance and contribution to the company.

His short-term incentive pool funding is based 25% on the Bank's performance against three financial measures, and 75% on P&C Canada's cash net income growth, revenue growth, cash operating leverage and return on equity. The mid- and long-term incentive pools are funded based on historical relative TSR.

Mr. Techar's STIP funding was above target this year, because P&C Canada exceeded its targets for all four measures, and the Bank exceeded its targets.

The funding for his MTIP and LTIP was slightly below target, based on Bank relative 3-year TSR.

STIP		
75% P&C Canada Operating group measures (a)	**Target**	**Actual**
P&C Cash Net Income Growth	9.7%	17.2%
P&C Revenue Growth	8.9%	10.7%
P&C Cash Operating Leverage	2.0%	5.4%
P&C Return on Equity	41.3%	52.1%
25% Bank performance measures		
Revenue Growth	9.3%	10.4%
Cash Earnings per Share Growth	29.8%	53.2%
Return on Equity	12.9%	14.9%
MTIP/LTIP		
Relative Three-Year TSR (b)	At or above the average of the Cdn Peer Group	(0.4)% below the average of the Cdn Peer Group

(a) Target and actual numbers are adjusted to take into account the mutual funds business, therefore actual numbers will not be the same as the numbers reported in our 2010 Annual Report.
(b) Calculated based on the 90-day average Common Share price for compensation purposes, instead of on the closing price on October 31. This number will not be the same as the TSR reported in our 2010 Annual Report.

Mr. Techar's 2010 individual awards are determined by the CEO's assessment of his performance against key financial and individual performance objectives, in addition to his ongoing responsibilities.

- P&C Canada had outstanding financial performance, and achieved double-digit growth in revenue and net income for the second year.
- He continued to focus on enhancing the customer experience and creating a differentiated position in the Canadian market.
- Under his leadership, P&C Canada has responded to customer insights and introduced new offerings that bring clarity to financial decisions for customers.
- He focused on enhancing online capabilities, strengthening the branch network and streamlining branch processes.

Progress and achievement on all of these objectives continue to reinforce the Bank's commitment to customers by providing tangible evidence of the Bank's brand promise.

Direct compensation

Mr. Techar's compensation this year recognizes the performance of P&C Canada, as well as his overall performance and contribution to the Bank.

(Cdn $) (a)	**2010**	2009	2008
Cash			
Salary	**$ 573,430**	$ 640,750	$ 559,000
Bonus	**$1,287,000**	$1,125,000	$ 689,376
Total cash	**$1,860,430**	$1,765,750	$1,248,376
Equity			
Mid-term	**$1,081,500**	$ 975,000	$1,182,454
Stock options	**$1,081,500**	$ 975,000	$ 705,658
Total equity	**$2,163,000**	$1,950,000	$1,888,112
Total direct compensation	**$4,023,430**	$3,715,750	$3,136,488

(a) Compensation has been converted to Cdn$ consistent with the Summary Compensation table on page 40.

Note: 62% of Mr. Techar's 2010 compensation is deferred (including his voluntary deferral of 25% of his cash bonus into DSUs) and therefore aligns with the long term interest of Shareholders.

Pension

Mr. Techar has been employed with the Bank in Canada and in the U.S. As a result, he has membership in the Bank's pension programs in both countries. These programs include the Pension Fund Society of the Bank of Montreal (PFS), Harris Qualified and Non-Qualified Pension Plans and a Retirement Allowance Agreement (RAA). The Bank entered into an RAA with Mr. Techar to define his overall pension arrangement and to clarify his entitlement in the event of a change of control. Following are the terms of Mr. Techar's RAA for pension purposes:

- The total annual normal retirement pension benefit is 2% of his last 12 months of salary plus the average of his highest five consecutive STIP awards to a total maximum of 145% of base salary, multiplied by his years of credited service. This is a US dollar pension formula which uses Mr. Techar's US dollar salary and US dollar STIP awards.
- The portion of his total annual pension that is payable from the PFS must be taken as periodic payments. He will have the choice of taking the amount payable from the Harris qualified plan as periodic payments or as a lump sum. The remainder of his total annual pension will be converted into cash and paid in a lump sum as determined by the rules of his RAA.
- To date, Mr. Techar has earned a total annual retirement pension of $423,077, that is payable on an unreduced basis at age 60. The US dollar pension that is the basis for this Canadian dollar representation will increase based on additional years of credited service and earnings.
- The benefit is normally payable at age 60, but can be paid up to 5 years earlier on a reduced basis (reduction of 3% per year for each year that retirement precedes age 60) subject to all applicable legislation and plan rules.
- Further details regarding Mr. Techar's pension, including CDN/US conversion notes for the purposes of valuing, can be found in the executive compensation tables beginning on page 40.

Share ownership

Mr. Techar exceeds his share ownership guidelines.

Share ownership as at December 31, 2010					
Required multiple	**Common Shares ($)**	**RSUs ($)**	**DSUs ($)**	**Total share ownership ($)**	**Total shares as a multiple of base salary**
5.0	1,494,595	4,153,458	3,617,850	9,265,903	16.16