

On January 19, 2012, Bank of Montreal announced its intention to redeem all of its US\$300,000,000 Non-cumulative Perpetual Class B Preferred Shares Series 10 (the "**Series 10 Shares** ") on February 25, 2012. The Series 10 Shares were issued on December 20, 2001 for an issue price of US\$25 per Series 10 Share. The paid-up capital per Series 10 Share for purposes of the *Income Tax Act* (Canada) is CAD\$39.44. A deemed dividend will only arise to the extent that the redemption price (computed in Canadian dollars using the relevant exchange rate as at the redemption date) exceeds the paid-up capital. Therefore, based upon current exchange rates, the Bank expects the full amount of the redemption price to be treated as proceeds of disposition to redeeming shareholders and no portion of the redemption price to be deemed to be a dividend for purposes of the *Income Tax Act* (Canada). The final quarterly dividend of US\$0.371875 per Series 10 Share will be paid in the usual manner on February 27, 2012 to shareholders of record on February 1, 2012. Shareholders should however consult their own tax advisors as to their tax treatment in their particular circumstances.