

Compensation Discussion and Analysis

Bank of Montreal’s vision is to be the Bank that defines great customer experience. Its guiding principle is to maximize total shareholder return and balance its commitments to financial performance, customers, employees, the environment and the communities where we live and work.

This section of the management information circular describes how the Bank’s compensation policies and structure support this vision, without encouraging excessive or inappropriate risk-taking.

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Message from the Chair of the Human Resources Committee

Shareholders invest in Bank of Montreal for many reasons:

- clear growth strategy
- well-positioned businesses in the current environment
- strong financial position
- proactive risk management
- commitment to stakeholders

Strategy and Performance:

The approach the Human Resources Committee takes to executive compensation – how we structure, award and govern it – ultimately is designed to motivate our executives to achieve this broad range of investor expectations.

Our starting point is strategy. BMO's vision is to be the Bank that defines great customer experience. Its aim is to deliver top-tier total shareholder return and balance our commitments to financial performance, customers, employees, the environment and communities. Its business planning process is rigorous and includes clear and direct accountability for annual and long-term performance that is measured against internal and external benchmarks and progress toward our strategic priorities. Executive compensation incorporates targets that support these objectives while carefully managing risk.

In 2011, BMO's strategy delivered strong results, despite the significant market uncertainty we've seen over the past few years.

Net income increased by 16% to \$3.3 billion, which produced earnings per share growth of 11% and return on equity (ROE) of 15.3%. In fact, BMO has achieved an ROE of 13% or better in 21 of the past 22 years – one of only two banks in our North American peer group to have done so. Revenue growth was good, and provisions for credit losses were lower. And while expenses increased at a slightly higher rate than revenues due to investments in the core businesses, incremental revenues exceeded incremental costs, which contributed to the growth in net income. Our 3-year TSR of 17.4% is an important measure for the Bank. This year, our 3-year TSR ranked second among our five Canadian bank peers, behind National Bank. Three-year TSR is directly linked to our mid-and long-term strategy and is an effective proxy for the development of sustainable profitable growth.

Closing of our acquisition of Marshall & Ilsley Corporation (M&I) was successful – on time, on budget and well managed. It added significant scale, provided an effective entry into new markets and was structured to create clear roles and facilitate synergies between Canadian and U.S. businesses. Early progress is encouraging, however completion of effective integration is critical and will be part of our compensation decisions for 2012.

We continued to advance our market position, and are well-positioned as a top ten North American bank with a clear and visible brand, a significantly expanded retail and wealth management footprint and a well-developed wholesale presence. Our U.S. loyalty scores are among the best in the industry, and BMO is consistently named one of the best places to work in Canada and the U.S.

These results had a direct impact on the compensation of our senior executives, whose profiles begin on page 37. They also point to the continuing strength of BMO management, led by Bill Downe, who, since his appointment to the role of President and CEO in 2007, has championed our strategy of becoming the Bank that defines great customer experience.

Chief Executive Officer Pay:

Mr. Downe's total compensation this year was \$9.9 million. The Committee based this award on our assessment of his performance against

Bank and individual performance targets for the year, which you can read more about starting on page 37. This represents an increase of 3.5%, due mainly to our strong relative 3-year TSR positioning, which increased mid- and long-term incentive awards. The Committee believes that having a significant portion of an executive's total compensation linked to TSR helps ensure strong pay for performance alignment while motivating management to deliver top-tier results over the mid- and long-term. We believe our policy of increasing or decreasing the mid- and long-term incentive funding based on relative historic 3-year TSR is a best practice. In addition, more than 75% of his compensation was deferred, which is well above the guidelines of the Financial Stability Board's Principles.

Keeping our eye on the long-term:

We continually review our executive compensation programs, and introduced some important adjustments to the metrics in 2011, to more closely align short- and mid-term incentives with BMO's strategic priorities:

- *Balanced risk taking*: increased the weighting of return on equity in 2011 for the Bank and for Capital Markets, while slightly reducing the weighting of cash earnings per share growth and revenue growth for the Bank, and net income after tax for Capital Markets. This change reinforces the correlation between the amount of capital a business consumes and its inherent riskiness.
- *Expense management*: added cash operating leverage as a primary metric for the Bank and for Capital Markets, to motivate executives to pursue efficient growth. While the Bank's primary objective is profitable growth, expense management and operational efficiency are also important goals that contribute to profitability.
- *Customer loyalty/experience*: introduced a customer loyalty/experience metric for each Operating Group to focus on our vision to be the Bank that defines great customer experience.
- *Future growth modifier*: introduced a new modifier that allows adjustment up or down to balance current performance with investing for the future.

We also stepped up our focus on talent management and succession. In a talent management best practice, each Senior Executive presents his/her succession, development and talent strategies to the Committee, giving us more insight into the leadership bench strength in each business, and helping us make sure the right people will be in place to carry BMO's strategy successfully into the future.

The Committee is very pleased with the progress the Bank made with its strategy this year and believes the Bank is well-positioned for long-term success. We're confident that the 2011 compensation awards, and the metrics they were based on, are a fair reflection of the year's achievements.



Robert M. Astley
Chair

1. Compensation Governance and Oversight

Experienced Human Resources Committee of the Board with a disciplined process

Formalized Compensation Oversight Committee in 2011

Close alignment between compensation and risk management

Independent stress-testing and back-testing

The Human Resources Committee of the Board of Directors is charged with establishing and overseeing the Bank's compensation plans.

Eight directors currently sit on the Committee. All of the directors are independent, and their average tenure on the Committee is 4.25 years. Director biographies begin on page 7, and page 22 contains more information about the Committee and its activities in 2011.

	On the Committee since
Robert M. Astley (Committee Chair)	2004
David R. Beatty	2008
George C. Cope	2010
Christine A. Edwards	2011
Ronald H. Farmer	2003
David A. Galloway (Chairman of the Board)	1999
Harold N. Kvisle (also a member from 2005-2007)	2011
Don M. Wilson III	2009

To ensure the Committee has the expertise to carry out its mandate, its charter requires members to have, or to acquire within a reasonable period of time after being appointed, a thorough understanding of issues relating to human resources and compensation.

Many of the Committee members have gained experience in human resources and compensation matters by serving as chief executive officer or equivalent of a major organization. Three have experience serving on the compensation committees of other public issuers.

The Governance and Nominating Committee of the Board of Directors reviews the membership of the Committee every year to make sure its directors have an appropriate mix of skills and experience. The table below shows the experience levels of the Committee members.

	Number of Committee members with specific experience or expertise
Human resources experience Experience with benefit, pension and compensation programs (in particular, executive compensation).	8
Risk management experience Knowledge and experience with internal risk controls, risk assessments and reporting.	7
Executive leadership experience Experience as a senior executive/officer of a public company or major organization.	8

Aligning Risk and Compensation

At BMO, compensation oversight and risk management are closely aligned.

Six members of the Committee (75% of its members) are members of the Bank's Risk Review Committee. Mr. Beatty served as the Chair of the Risk Review Committee from 1999 to 2007, and Mr. Wilson, who sits on both committees, has significant experience in financial institution risk management.

The Committee has a formal process for overseeing risks associated with the Bank's compensation policies and practices. Key to risk oversight is the Compensation Oversight Committee, a management committee which is made up of the Chief Risk Officer, Chief Financial Officer, Chief Compliance Officer, senior leaders from Human Resources, and the Chief Auditor as an observer. The Compensation Oversight Committee was established in 2011 and meets several times throughout the year. It is actively involved in reviewing compensation design and the annual compensation decision-making process, which includes assessing risk and other control function inputs. (see page 34).

The Human Resources Committee is satisfied that:

- the Bank's compensation policies and practices do not encourage any Named Executive Officer (NEO) or employee who works in a principal business unit or division to take inappropriate or excessive risks.
- there were not any identified risks arising from the company's compensation policies and practices that would be reasonably likely to have a material adverse effect on the Bank.

BMO's compensation programs are aligned with the Financial Stability Board's Principles (FSB Principles) and requirements of the Office of the Superintendent of Financial Institutions (OSFI) and other jurisdictions, which are designed to enhance the stability and soundness of financial institutions by reducing incentives for excessive risk taking. OSFI has also established parameters that are consistent with the FSB Principles. BMO's practices are also aligned with OSFI parameters.

In the United States we are aligned with the principles of the U.S. Federal Reserve's Sound Incentive Compensation Policies, and plan further enhancements in 2012. We also meet international guidelines for financial institution compensation policies and practices in the jurisdictions we work in, including China, Hong Kong, Ireland and the United Kingdom.

Independent Advice

The Committee engages an outside advisor to help carry out its mandate.

In 2010, it retained Pay Governance LLC as its advisor on compensation issues. Pay Governance is an independent and unaffiliated executive compensation advisory firm and did not do any work for management in 2011.

In 2011, Pay Governance received fees of US\$370,348 for the following committee-related work:

- updates on emerging executive compensation and global regulatory trends, best practices and senior executive compensation benchmarking
- independent review and advice on compensation policies, CEO compensation and the CEO's compensation recommendations for the Senior Executives
- proxy circular review
- regular participation in Human Resources Committee meetings.

To ensure the advisor remains independent, the Committee:

- reviews the advisor's independence and fees every year
- determines the advisor's mandate and fees
- does not approve work that, in its view, could compromise the advisor's independence
- requires the advisor to obtain written approval from the Committee Chair before providing any services to management
- discloses all work done by, and fees paid to, the advisor in the annual management proxy circular.

Committee decisions consider the information and recommendations provided by its advisor as well as other factors and considerations.

Compensation Advisory Fees paid to Pay Governance

Type of Fee	Billed in 2010 (a)			Billed in 2011
	Watson Wyatt	Ira T. Kay & Company	Pay Governance	Pay Governance
Executive compensation—related fees	\$162,568	US\$75,710	US\$118,727	US\$370,348
All other fees	<\$2,000	\$0	\$0	\$0

(a) In 2008, the Committee retained Mr. Ira Kay, a Practice Director with Watson Wyatt, as its independent advisor. In January 2010, Watson Wyatt merged with Towers Perrin. Mr. Kay formed his own consulting firm, Ira T. Kay & Company, which amalgamated in late 2010 with Pay Governance LLC.

In 2011, management retained Global Governance Advisors, Hay Group, Mercer, McLagan and Towers Watson for advice on human resources and compensation.

- Global Governance Advisors (GGA), a leader in compensation risk governance, completed an extensive review of the Bank's material compensation plans against the FSB Principles for the Committee, and performed stress testing and back testing, payout curve analysis, extensive scenario analysis, volatility analysis of BMO and business unit results and an assessment of the compensation design process. GGA noted that the Bank has maintained its leadership position with respect to compliance with FSB Principles.
- The Hay Group provided compensation market survey and job evaluation advice.
- Mercer, McLagan and Towers Watson provided compensation market survey advice.

2. Compensation Approach

Compensation linked to Bank performance

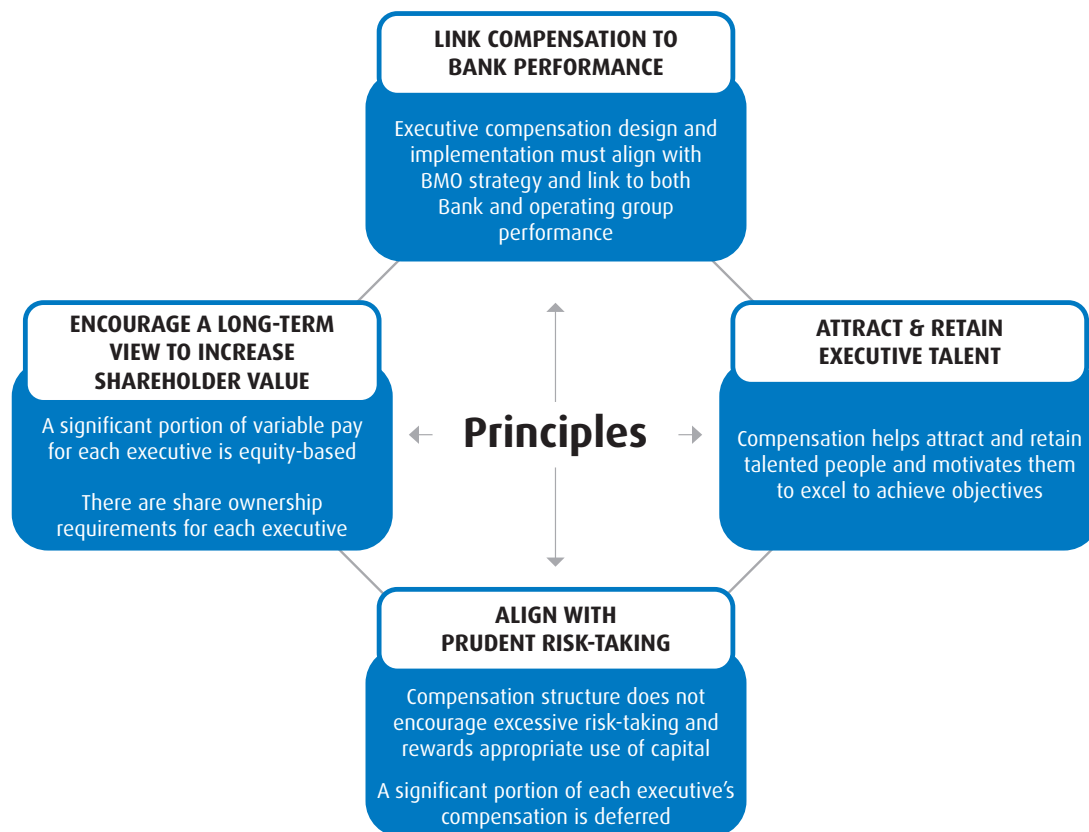
Focus on balancing risk and Shareholder value

Executives have a significant stake in the business, ensuring alignment with Shareholders

Compensation attracts, retains and motivates employees to excel

Compensation strategies are important to driving our company's success and improving Shareholder value.

The Committee has structured the executive compensation program to make sure there is a strong positive correlation between Bank results, compensation for executives, and financial returns to Shareholders, while not encouraging excessive or inappropriate risk-taking. The program supports the Bank's vision and strategic priorities, 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 the executive compensation program.

A. Link Compensation to Bank Performance

The compensation program is designed to reward executives for the achievement of Bank, Operating Group and individual performance targets while aligning risk and compensation. Superior performance results in higher compensation and inferior performance results in lower compensation.

The incentive pools are adjusted by evaluating Bank and Operating Group performance against annual targets that have been set to meet longer-term Bank goals and strategies, including shareholder measures. Individual awards are based on achieving Bank, Operating Group and individual performance goals that are designed to reinforce the Bank's strategic priorities and values (page 31 provides information on incentive plans).

In 2011, the Committee introduced new performance metrics which drive incentive plan funding: the new customer loyalty/experience metric reinforces the central importance of customer loyalty and experience, and the new cash operating leverage metric encourages appropriate expense management along with operational efficiency to support longer-term profitability.

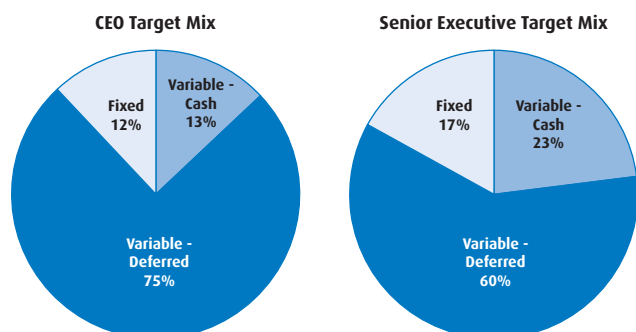
B. Encourage a Long-Term View to Increase Shareholder Value

The Bank's executive compensation program places 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

A significant portion of equity compensation is deferred, which focuses executives on long-term results. This enhances retention and reduces overly risky behavior 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 (8 senior executives that report to the CEO). This mix is market competitive within the range adopted by the Bank's Canadian peer group, and is aligned with FSB Principles.



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 appointment to the position (five years for Vice-Presidents and Managing Directors). Compliance is assessed annually, based on market value at the date of assessment or the value at the purchase or grant date (whichever is greater). Meaningful share ownership 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 or exceed the share ownership requirements. The CEO and the NEOs exceed their requirements. These are described starting on page 37.

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		
(holdings can be in Shares, restricted share units and deferred stock units)	During employment	Post-employment
Bank		
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 base salary and cash bonus or 3.0 times base salary	n/a
Managing Directors	1.0 times base salary	n/a

C. Align with Prudent Risk-Taking

Compensation aligns with risk outcomes and return of capital.

Management sets the risk appetite of the Bank at an appropriate level and the Board reviews and approves it, in order to optimize 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 sets the compensation philosophy and strategy within that context, and then designs the compensation program to motivate executives while balancing the level of risk-taking with the creation of Shareholder value. An independent risk review stress tests and back tests all material compensation plans and confirms alignment to FSB Principles.

The executive compensation program includes several strategies and processes to ensure risk is appropriately reflected in the incentive pools:

1. funding of the incentive pools is determined using business results that reflect provisions for credit, market, liquidity and other risks
2. return on equity (ROE) is a primary metric for determining funding for variable compensation for executives and Capital Markets employees. The weighting of ROE was increased in 2011 to reinforce the correlation between the amount of capital a business consumes and its inherent riskiness
3. a new modifier may adjust up or down to balance current performance with investing for the future
4. the Compensation Oversight Committee reviews compensation plan designs to ensure that risk, compliance, finance, and audit considerations are appropriately incorporated, and carries out a comprehensive risk assessment before finalizing the incentive pools (page 26 contains information about this committee).

The Bank also uses the following mechanisms to align compensation with prudent risk-taking. Cash, equity and equity payouts can be clawed back, mid- and long-term incentives can be forfeited, change of control provisions require a double trigger, the Bank's control functions are independent from the business, and directors and Senior Executives cannot hedge against their mid- and long-term incentives for personal gain.

Clawbacks

- **Cash paid** – applies to executives and Capital Markets employees at the Managing Director level and above. Under a clawback policy, the Committee and the Board each have the 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 the Bank restates its financial statements or there is 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 each 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 could be exercised in extraordinary circumstances, such as, if (i) financial performance diverged materially from target due to excessive risk-taking, (ii) the Bank's reputation was negatively impacted or (iii) the size of the award was based in whole or in part on information that subsequently turned out to be materially incorrect. Adjustments may be made for all participants, for Operating Groups or selected individuals.

Forfeiture

Mid- and long-term incentive plan awards may be forfeited. An executive who resigns or is terminated for cause may forfeit all outstanding share units and vested and unvested options. If an executive whose departure was initiated by the Bank solicits employees, he or she may forfeit all outstanding restricted share units and all vested and unvested options. Retired executives are subject to non-compete provisions.

Change of Control

The long-term incentive plan requires a double trigger for accelerated vesting of stock options if the Bank undergoes a change of control. Stock options vest immediately if there is a change of control and a participant is dismissed without cause within 24 month after the change of control. A change of control alone does not accelerate vesting.

Independence of Control Functions

Employees working in Risk, Finance, Audit, Legal, Compliance and Human Resources are compensated based on overall Bank performance and performance against individual objectives. They do not report into the business they support. Their performance is not assessed – and their compensation not determined – based on the success of a business they support or the financial performance of business areas they monitor, motivating them to keep the overall success of the Bank in mind.

Personal Hedging

The Bank has established a policy that prohibits Senior Executives and directors from using any kind of personal hedging strategy (for example, prepaid variable contracts, equity swaps, collars or units of exchange

funds), to undermine the risk and Shareholder alignment effects embedded in their mid- and long-term incentive plan awards or other Bank Shares or securities they hold.

D. Attract and Retain Talented People

The Bank's executive compensation program is designed to attract, retain and motivate top talent.

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 general industry compensation surveys for non-industry specific roles to benchmark competitive pay more broadly.

For the CEO, the Committee primarily reviews the Canadian bank competitors and as secondary information may also consider selected U.S. financial firms with similar revenue (0.75 times to 1.5 times that of the Bank). Recent volatility among U.S. banks has caused significant change in this peer group for 2011: three companies were added (BB&T Corporation, Fifth Third Bancorp and KeyCorp) and two removed (Capital One Financial and State Street). For added calibration and a broader scope, the Committee may also look at the compensation practices of companies listed on the TSX 60 with similar market capitalization.

The Committee reviews market data for comparable positions within the primary group, considering the relative performance and size of each institution, and the size of roles and incumbent experience. Target total compensation and compensation mix is set for executive roles based on these reviews. 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	Comparators	Why they are included
CEO	Primary Bank of Nova Scotia Canadian Imperial Bank of Commerce Royal Bank of Canada Toronto-Dominion Bank Secondary BB&T Corporation Bank of New York Mellon Fifth Third Bancorp KeyCorp The PNC Financial Service Group Inc. Regions Financial SunTrust Banks Inc. U.S. Bancorp	The Canadian banks are direct competitors and share BMO's economic and business challenges making relative performance comparisons meaningful. The selected U.S. financial firms have similar revenue, scope and business challenges.
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. Comerica Fifth Third Bancorp Hudson City Huntington Bancshares Inc./MD Keycorp M&T Bank Northern Trust Regions Financial Zions Bancorporation	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.

3. Program Components

Majority of compensation is variable or “at risk”
A significant portion is deferred
Discourages short-term focus and undue risk-taking
Components are reviewed every year

BMO’s executive compensation program includes direct compensation, benefits, pension and an annual taxable cash allowance.

Direct Compensation

Direct compensation is a combination of cash (base salary + annual bonus) and deferred compensation (restricted share units, stock options and for some executives, deferred stock units).

Variable compensation	Cash compensation	Component	Purpose	Form	How it is determined
		Base pay (salary)	Forms a relatively small component of total compensation and compensates individuals for fulfilling their responsibilities.	Cash	Salaries are based on the median of the comparable market, adjusted for the executive’s responsibility and capability.
	Deferred compensation	Short-term incentive plan (STIP)	Focuses on and motivates performance against specific annual objectives at individual and business levels.	Cash or voluntary election of 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.
		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 three-year historical relative total shareholder return and business performance. For the CEO and senior executives, MTIP pools are based fully on three-year relative total shareholder return.
		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 or DSUs granted to an executive	Stock option targets are based on the median for the comparable market and the compensation mix. Stock option pools increase or decrease based on three-year historical relative total shareholder return. DSU pool at Committee discretion.

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 since a high percentage is paid as equity, ties compensation to longer-term performance. 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).

Position	Direct compensation as a percentage of targets					Percentage variable	Percentage deferred
	Cash compensation		Equity (deferred) compensation				
	Fixed	Variable					
	Base salary	Cash bonus(a)	Restricted share units	Stock options	Deferred stock units(b)		
President and Chief Executive Officer	12%	13%	38%	22%	15%	88%	75%
Chief Executive Officer, Capital Markets	7%	33%	30%	30%	0%	93%	60%
Senior Executives	17%	23%	30%	30%	0%	83%	60%
Senior Executive Vice-Presidents and Executive Vice-Presidents	27%	23%	28%	22%	0%	73%	50%
Senior Vice-Presidents	34%	24%	27%	15%	0%	66%	42%
Vice-Presidents	46%	22%	26%	6%	0%	54%	32%

(a) Executives may elect to receive some or all of their STIP bonus in DSUs, increasing the percentage of deferred compensation.

(b) Deferred stock units awarded by BMO.

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 be:

- at least 60 percent of total compensation of each Senior Executive

- 40 to 60 percent of total compensation for each employee at the Senior Vice-President level and above, and for certain employees in Capital Markets who may have a material impact on the risk of the Bank.

BMO’s compensation is aligned with the FSB guidelines. The CEO’s deferred compensation, at 75% of his target total direct compensation, is significantly above the guidelines and increased from 62% in 2010.

Benefits

All employees, including executives, can participate in the employee share ownership program (Canada) and share purchase plan (U.S.), which encourages them to acquire Shares. All employees, including executives, also receive health care insurance benefits that promote employee health and productivity in the workplace. Benefits are competitive within the industry.

Executive Allowance

Executives receive an annual taxable cash allowance designed to support business development and the roles our executives play as ambassadors of the Bank. The allowance is based on benefits provided in comparable markets.

4. How the Incentive Plans Work

Performance metrics support strategic priorities

Payouts reward Bank, Operating Group and individual performance

Cash, equity and equity payouts can be clawed back

Enhanced discussion on how and when discretion is used

New customer loyalty/experience and expense management measures

Incentive plans are paid out from pools that are funded based on business performance. The short-term incentive pools are funded based on Bank and Operating Group annual operating performance measures. The mid-term incentive pools are funded based on Bank and Operating Group annual operating performance measures and/or relative historic total shareholder return. The long-term incentive pools are funded based on relative historic total shareholder return. Individual awards are paid out based on each executive's performance against his or her individual objectives.

Pension

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

The 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 makes a final adjustment to the size of the pools at its discretion based on its assessment of the Bank's overall performance, and other factors, such as financial performance compared to peers, the quality of earnings (including non-recurring items), and the impact of acquisitions.

Turn to page 36 for the 2011 performance criteria.

Funding the Pools

The chart below illustrates how funding for the three incentive pools (short-, mid- and long-term) is established.

Determining the size of the pools						Determining individual awards	
Target pool	x	Business performance factor	=	Incentive Pool (\$)	+/-	Future growth modifier	=> Individual awards (\$)
Based on compensation mix and the median of the market for the role. The sum of all of the executives' targets.		0 to 150% for STIP 80% to 120% for MTIP and LTIP Factor is based on performance against both Bank and Operating Group performance measures, in weightings that vary by executive and plan.		Compensation Oversight Committee assesses business results, risk and any other applicable factors, and calculates funding for the incentive pools. The Human Resources 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.		+/- 5% May adjust up or down to balance current performance with investing for the future.	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.

Short-Term Incentive Pool

Relative weightings of Bank and Operating Group performance measures		
	Bank performance measures	Operating Group performance measures
CEO, CFO and CRO	100%	—
Operating group executives	25%	75% the executive's Operating Group performance measures
Corporate area executives	25%	75% weighted average of all Operating Group performance measures

2011 Bank performance measures	
Revenue growth	30%
Cash earning per share growth	30%
Return on equity	30%
Cash operating leverage	10%

2011 Operating Group performance measures	P&C Canada	P&C U.S.	PCG	CM
Revenue growth	30%	30%	40%	
Cash net income growth	30%	30%	40%	
Return on equity	20%			40%
Cash return on tangible common equity		20%		
Net income after tax				40%
Cash operating leverage	10%	10%	10%	10%
Customer loyalty/experience	10%	10%	10%	10%

Mid-Term Incentive Pool

Relative weightings of Bank and Operating Group performance measures		
	Relative three-year historic total shareholder return	Operating Group performance measures
Senior Executives	100%	—
Operating group executives	25%	75% of the executive's Operating Group STIP performance measures
Corporate area executives	25%	75% weighted average of all Operating Group STIP performance measures

Long-Term Incentive Pool

2011 Performance measures	
Relative three-year historical total shareholder return	100%

2011 compensation targets established early in fiscal 2011 did not incorporate the results of the M&I and LGM acquisitions since these acquisitions had not been announced when the Bank established its annual operating plan, and their results would not be included for a full year. In addition, consistent with prior years, compensation targets excluded the amortization of acquisition-related intangible assets. The 2011 targets for P&C Canada also include an adjustment to revenues and expenses to encourage alignment between the P&C Canada and PCG businesses. These differences from the Bank's GAAP reported results are outlined in the footnotes to the tables on pages 36, 39 to 42, 44 and 45 that provide the details on STIP performance measures.

For purposes of financial reporting, the Bank's management also assesses operating results on both a reported, or GAAP, basis and on an adjusted, or non-GAAP, basis that excludes the impact of certain items. Those non-GAAP measures together with reconciliations to their closest GAAP counterparts and a discussion on the use and limitations of such measures are outlined in detail on pages 94 and 95 of Management's Discussion and Analysis (MD&A) in the 2011 Annual Report.

Short-Term Cash Incentive Plan (STIP)

This plan is open to executives and members of the BMO Capital Markets Executive Committee. To align with FSB Principles, guaranteed short-term cash incentive payments (if any) are limited to new hires and for the first year only.

Awards

The size of the award is limited by the amount available in the incentive pool (see page 31).

Executives are awarded cash based on their individual performance against financial, operational and strategic development and execution goals.

Terms and Conditions for Voluntary Deferral

- Executives may voluntarily defer cash awards by electing to receive some or all of their STIP in Deferred Stock Units (DSUs). They must make this irreversible decision before the beginning of the fiscal year.
- Voluntary DSUs vest when they are received, and can only be redeemed when the executive's employment with the Bank ends.
- The value of a DSU is based on the market price of a Share on the day it is redeemed.
- DSUs earn dividend equivalents, which are credited as additional units.

Clawback

- Under a clawback policy, the Board or the Committee has the discretion to claw back STIP paid as cash or taken as DSUs in the past 12 months if the Bank restates its financial statements or there is employee misconduct.

Mid-Term Incentive Plan (MTIP)

This plan is open to executives and the CEO of BMO Capital Markets. Other Capital Markets executives participate in the BMO Capital Markets Variable Compensation Plan (see Plan details on page 54).

Awards

The size of the award is limited by the amount available in the incentive pool (see page 31).

Executives are awarded restricted share units (RSUs) based on their performance in the current year, and their ability to influence the short-term and mid-term success of the business.

Terms and Conditions

- RSUs earn dividend equivalents, which are credited as additional units. All units vest at the end of the three year term.
- The value of an RSU is based on the 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 if an executive retires or is terminated without cause, subject to non-solicit and/or non-compete provisions and/or subject to country specific provisions.
- Outstanding RSUs are forfeited if it is discovered that an executive who no longer works for the Bank committed an act while employed with the Bank that would have led to termination for cause.

Clawback

- Awarded RSUs may be clawed back if the Bank restates its financial statements.
- Under a clawback policy, the Board or the Committee has the discretion to clawback RSUs paid out in the past 12 months if the Bank restates its financial statements or there is employee misconduct.
- Payouts for RSUs granted in 2010 and beyond 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 Plans (LTIP)**Stock Option Plan**

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

Awards

The size of the award is limited by the amount available in the incentive pool (see page 31).

Executives are awarded stock options based on their individual performance in the current year, and their ability to influence the future short-, mid- and long-term success of the business.

MTIP awards or stock options the executive currently holds are not considered when determining the award.

Terms and Conditions

- Grants are awarded following good governance principles. Annual stock options are granted on the day in December when the Board of Directors approves the CEO's compensation, unless the trading window is closed. Board meeting dates are set two years in advance. The options have an exercise price based on the TSX closing price of the 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 Shares on the day the options are exercised.

Termination

- Stock options continue to vest after 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 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 the Bank restates its financial statements or there is employee misconduct.
- Under a clawback policy, the Board or the Committee has the discretion to clawback any value received from the exercise of stock options in the past 12 months if the Bank restates its financial statements or there is employee misconduct.

Deferred Stock Plan (other than voluntary deferral of STIP)

This plan is open to select executives.

Awards

Executives may be awarded DSUs based on their individual performance in the current year, and their ability to influence the future short-, mid- and long-term success of the business.

Terms and Conditions

- DSUs may vest over time, and can only be redeemed when the executive's employment with the Bank ends.
- The value of a DSU is based on the market price of Shares on the day it is redeemed.
- DSUs earn dividend equivalents, which are credited as additional units and vest proportionately with the DSU to which they relate.

Termination

- An executive who resigns or is terminated for cause forfeits all unvested DSUs.

Clawback

- Under a clawback policy, any value received from the redemption of DSUs in the past 12 months may be clawed back if the Bank restates its financial statements or there is employee misconduct, as per the Bank's clawback policy.

Annual Decision-Making Process

The Committee makes its compensation decisions every year with input from management, including the Compensation Oversight Committee and the CEO.

At the beginning of the year, the Committee sets targets that reinforce the Bank's strategic priorities and values:

- compensation targets for all executive roles, based on the market median for comparable roles
- financial and customer performance targets for the Bank overall and for each Operating Group.

At the end of the year, it:

- assesses Bank and Operating Group performance against the targets, and uses the results to finalize the size of the variable incentive pools (taking into consideration discretionary holdbacks from the incentive pools if there are additional risk concerns and other relevant factors)
- assesses individual performance against objectives for the CEO and Senior Executives
- allocates individual incentive awards for the CEO and Senior Executives.

	At the beginning of the year	At the end of the year
1. Determine the size of the pools		
Management including the CEO and Compensation Oversight Committee	Management and the Compensation Oversight Committee work jointly to: • assess financial business performance measures, targets and weightings for the Bank overall and each Operating Group, making sure they • align to Bank strategy • appropriately reflect risk and link to the Bank's risk appetite • support compliance and ethics objectives and requirements. Management and the Compensation Oversight Committee recommend performance measures, targets and weightings to the CEO. The CEO presents his recommendation to the Human Resources Committee for approval.	Finance determines business results and calculates the variable incentive pool funding. Management and the Compensation Oversight Committee work jointly to: • ensure risk implications have been reflected in the business results and in the variable incentive pool calculations • recommend additional adjustments or holdbacks to reflect risk or other factors when necessary • ensure variable incentive pool funding meets compliance and ethics objectives and requirements. Management and the Compensation Oversight Committee recommend variable pool funding to the CEO. The CEO presents his recommendations to the Human Resources Committee for approval.
Human Resources Committee	Approves metrics and targets to measure progress against the strategies and annual plan, to support the business goals and reinforce the Bank's strategic priorities and values.	Reviews the calculated incentive pools, and determines the final size of each incentive pool taking into consideration: • actual Bank and Operating Group performance results against the established targets • financial, risk and compliance assessment • performance results relative to competitors, quality of earnings, market share, and other factors as needed.

	At the beginning of the year	At the end of the year
2. Determine individual awards		
Management including the CEO	Management develops compensation targets for the Senior Executives and individual performance goals for the CEO. Recommends these to the Human Resources Committee for approval. Prepares individual performance goals for the Senior Executives, and all other executives including: • quantitative objectives, such as revenue growth, expense management, profit growth and customer loyalty scores • qualitative objectives, such as his or her contribution to the organization through leadership, innovation, demonstrated commitment to customers and teamwork.	Assesses the performance of the Senior Executives and presents compensation recommendations to the Human Resources Committee for approval. Reviews and approves compensation recommendations for all other executives.
Human Resources Committee	Approves individual compensation targets for Senior Executives. Approves CEO individual performance goals and recommends CEO compensation targets to the Board.	Assesses CEO and Senior Executive performance against individual goals, considering the occurrence of reportable control deficiencies in risk, compliance or audit within Bank and Operating Groups. Recommends the CEO's compensation to the Board. Approves individual awards for Senior Executives. Approves variable incentive pool multipliers with discretion to increase or decrease based on secondary considerations.

5. 2011 Results

Bank strategies have proven robust

Net income up 16%

Return on equity 15.3%

Earnings per share grew by 11%

One-year total shareholder return was 2.4%

Summary of 2011 Awards

The table below shows the total compensation that was awarded to the Named Executive Officers for fiscal 2011, including the proportion of variable (at-risk) pay and deferred performance-based pay. Turn to page 37 for details about each executive's awards.

	Cash compensation (\$)		Equity (deferred) compensation (\$)				Total direct compensation (\$)	Percentage variable	Percentage deferred
	Fixed	Variable							
	Base salary	Cash bonus	Restricted share units	Stock options	Awarded deferred stock units	Voluntary deferred stock units			
W.A. Downe (a)	1,026,250	1,150,000	4,000,000	2,300,000	1,400,000	0	9,876,250	90%	78%
T.E. Flynn	461,425	772,000	1,170,000	936,000	0	0	3,339,425	86%	63%
R.C. Robertson	400,000	1,024,000	1,126,000	0	0	0	2,550,000	84%	44% (b)
T.V. Milroy	483,333	1,762,500	2,575,000	2,575,000	0	587,500 (c)	7,983,333	94%	72%
G.G. Ouellette	500,000	906,000	1,222,000	1,222,000	0	0	3,850,000	87%	63%
F.J. Techar (a)	541,860	632,250	1,228,500	1,228,500	0	210,750 (c)	3,841,860	86%	69%

(a) Base pay of US\$1,050,000 converted to CAD for Mr. Downe. Base pay of US\$550,000 converted to CAD for Mr. Techar. See the Summary Compensation Table for Named Executive Officers on page 47 for details of conversion.

(b) In his new role, the minimum deferral requirement is 40%.

(c) Represents the value of cash bonus amounts voluntarily deferred into DSUs.

2011 Performance

In 2011, BMO's strategy delivered strong results, despite the significant market uncertainty we've seen over the past few years.

Net income increased by 16%, which produced earnings per share growth of 11% and return on equity (ROE) was 15.3%. BMO has achieved an ROE of 13% or better in 21 of the past 22 years – one of only two banks in our North American peer group to have done so. Revenue growth was good, and provisions for credit losses were lower. And while expenses increased at a slightly higher rate than revenues due to investments in the core business, incremental revenues exceeded incremental costs, which contributed to the growth in net income.

Closing of the acquisition of Marshall & Ilsley was successful – on time, on budget and well managed. It added significant scale, provided an effective entry into new markets and was structured to create clear roles and facilitate synergies between Canadian and U.S. businesses. Early progress is encouraging however, completion of effective integration is critical and will be part of our compensation decisions for 2012.

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

Important this year is our 3-year TSR – an effective measure of the Bank's ability to build sustainable profitable growth – which ranked second among our five Canadian bank peers, behind National Bank, and had a direct impact on the compensation awards from the mid- and long-term incentive plans.

Metric	2011 Reported		2010 Reported		2009 Reported	
Net Income after tax	\$3,266 million		\$2,810 million		\$1,787 million	
Return on Equity	15.3%		14.9%		9.9%	
Revenue	\$13,718 million		\$12,210 million		\$11,064 million	
Earnings per share (EPS)	\$5.26		\$4.75		\$3.08	
Provision for credit losses (a)	0.46%		0.61%		0.88%	
Productivity Ratio (expense-to-revenue ratio)	62.7%		62.2%		66.7%	
Tier 1 capital ratio	12.01%		13.45%		12.24%	
	Bank	Cdn Peer Group (c)	Bank	Cdn Peer Group (c)	Bank	Cdn Peer Group (c)
1-Year TSR (b)	2.4%	2.0%	26.4%	22.5%	25.1%	22.0%
3-Year TSR (b)	17.4%	15.2%	4.5%	4.7%	(5.3)%	0.3%

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

(b) Measured on a basis consistent with our annual MD&A. Measures the annual change in share price assuming dividends are reinvested, calculated using the closing share price on October 31, 2011.

(c) Average TSR for the Bank and the five other largest Canadian banks, calculated using the closing share price on October 31, 2011.

2011 Compensation Decisions

Variable Incentive Plan Funding

Variable incentive plan pools were funded based on performance against the Bank and Operating Group performance measures the Committee established early in fiscal 2011. A risk review was also completed and no related discretionary adjustments were required.

Short-Term Incentive Plan Pool

Funding for the executives' short-term incentive plan pools this year was based on how the Bank performed against four financial measures, as well as the performance of each executive's Operating Group against its specific targets. The Bank fell short on three of its four targets this year. Funding for executives may also be affected by Operating Group financial measures, which you can read about in the discussion of each executive's awards.

STIP bank performance measures	2011 target (a)	2011 actual results as measured for compensation purposes (b)	Impact on pool funding
Revenue growth	6.0%	4.9%	Below target
Cash earning per share growth	13.0%	9.2%	
Return on equity	15.7%	15.7%	
Cash Operating Leverage	1.5%	(1.0)%	

(a) 2011 compensation targets established early in fiscal 2011 did not incorporate the results of the acquisitions of M&I and LGM since these acquisitions had not been announced when the Bank established its annual operating plan, and their results would not be included for a full year. In addition, consistent with prior years, compensation targets excluded the amortization of acquisition-related intangible assets.

(b) 2011 actual results as measured for compensation purposes were adjusted consistent with the basis on which 2011 targets were established to exclude revenues of \$907 million, expenses of \$601 million and provisions for credit losses of \$98 million.

Mid-Term and Long-Term Incentive Plan Pools

The mid-term and long-term incentive plan pools were funded based on the Bank's relative 3-year TSR. Relative 3-year TSR is directly linked to our mid-and long-term strategy and is an effective proxy for the development of sustainable profitable growth.

MTIP and LTIP performance measures	2011 target	2011 actual	Impact on pool funding
Three-year relative TSR (a)	At or above the average of the Cdn Peer Group	4.0% above the average of the Cdn Peer Group	Above target

(a) Calculated based on the 90-day average Share price for compensation purposes, instead of on the closing price on October 31. This number will not be the same as the 3 year TSR reported in our 2011 Annual Report and discussed elsewhere in this CD&A Section.

3-year TSR had been trending up in the past 3 years, however was still below the peer average. As a result, compensation awards from the mid- and long-term incentive plans were below target in 2008, 2009 and 2010. This year, the Bank's 3-year TSR was above the average of our peers, and ranked second among our five Canadian bank peers, behind National Bank. The Committee therefore approved funding as calculated, which was above target for all mid- and long-term incentive pools.

Future Growth Modifier

The Committee assessed each Operating Group and the Bank on progress against objectives and investments for future growth. All objectives and projects were substantially on track, and as a result, no adjustments were made.

Payouts to Senior Executives

Incentive awards paid out to Senior Executives from the approved incentive pools are based on Bank and Operating Group performance and each executive's performance against individual objectives established at the beginning of each year begins on page 37. Discussion of each executive's performance and awards in 2011.

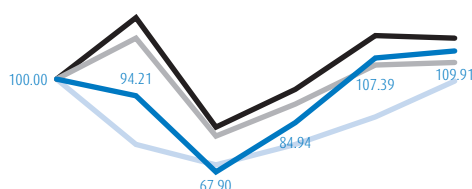
Pay Continued to Align with Performance

Shareholder Returns

The chart below demonstrates a consistent alignment between Shareholder return and the level of executive compensation over the past six years.

The chart compares the cumulative value of \$100 invested in Shares on October 31, 2006 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 each year, expressed as \$100, with compensation paid in subsequent years.

Page 35 provides more information about how Mr. Downe's compensation aligns with Shareholder returns.

Cumulative Return (\$)

	2006	2007	2008	2009	2010	2011
— BMO	100.00	94.21	67.90	84.94	107.39	109.91
— S&P/TSX Composite Index	100.00	121.43	83.36	96.48	115.24	114.28
— S&P/TSX Composite Index Financials	100.00	114.19	80.41	91.48	104.95	105.91
— Executive Compensation	100.00	77.43	70.34	77.53	86.96	99.37

- (a) Cumulative value of \$100 invested on October 31, 2006, reflecting the change in Share price plus reinvested dividends.
- (b) 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.
- (c) Named executive officers (NEOs) in 2011 were W.A. Downe, T.E. Flynn and the three most highly compensated executive officers other than the CEO and CFO. For 2010, 2009 and 2008 the NEOs were W.A. Downe, R.C. Robertson and the three most highly compensated executive officers other than the CEO and CFO. NEOs in 2007 were W.A. Downe, K.E. Maidment and the three most highly compensated executive officers other than the CEO and CFO. For 2006, this analysis includes the NEOs who were reported in the management proxy circular.

Cost of Management Ratio

In response to a shareholder proposal received in 2005, the Bank committed to working with other financial institutions to develop a cost-of-management ratio to be reported annually. This measure illustrates that, since 2009, executive compensation consistently has gone down as a percentage of net income after tax.

	2011	2010	2009
Net income after tax (\$ millions)	3,266	2,810	1,787
Total aggregate NEO compensation (\$ millions)	31.7	27.7	24.7
As a percentage of net income after tax	0.97%	0.99%	1.38%

Total aggregate compensation is the total of base salary, short-, mid- and long-term incentives, other compensation and the annual pension service and compensation cost for NEOs in the Management Proxy Circulars issued in 2009, 2010 and 2011. The Cost of Management Ratio is expressed as a percentage of net income after tax.

6. 2011 Named Executive Officers' Compensation**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.

2011 Performance

In 2011, BMO's strategy delivered strong results, despite the significant market uncertainty we've seen over the past few years.

Performance Highlights

Revenue growth was good, and provisions for credit losses were lower. And while expenses increased at a slightly higher rate than revenues due to investments in the core business, incremental revenues exceeded incremental costs, which contributed to the growth in net income. Important this year is the Bank's 3-year Total Shareholder Return (TSR), which ranked second among our five Canadian bank peers, behind National Bank. 3-year TSR is directly linked to our mid-and long-term strategy and is an effective proxy for the development of sustainable profitable growth.

The closing of the Marshall & Ilsley acquisition was successful – on time, on budget and well managed. It added significant scale, provided an effective entry into new markets and was structured to create clear roles and facilitate synergies between Canadian and U.S. businesses. BMO continued to advance its market position, and is well positioned as a top ten North American bank with a clear and visible brand, a significantly expanded retail and wealth management footprint and a well-developed wholesale presence. The Bank's U.S. loyalty scores are among the best in the industry, and BMO is consistently named one of the best places to work in Canada and the U.S.

The Committee assessed Mr. Downe's performance this year against the following Bank, Operating Groups and individual goals and objectives.

Area of focus	Goal	Results
Core Performance	Achieve corporate results	- Net income increased by 16% to \$3,266 million - Strong capital and liquidity positions support our strategic investment spend and acquisitions including Milwaukee-based M&I - ROE improved from 2010 to 15.3% - Revenue growth, earnings per share growth and operating leverage were below target (see page 36) - One-year TSR of 2.4% - in the top half of Canadian bank peers - Three-year TSR of 17.4% - above peer median (ranked second)
Delivery on Priority Initiatives	Drive quality earnings growth across all North American personal and commercial businesses by focusing on industry-leading customer experience and enhancing operating and sales force productivity Accelerate the growth of our wealth management business by helping our broad range of clients meet all their wealth management needs and by continuing to invest in our North American and global operations Build deeper client relationships in our capital markets businesses to deliver growth in net income and strong ROE, while maintaining an appropriate risk/return profile Develop our businesses in select global markets to grow with our clients, expand our capabilities and reach new customers.	In Canada: - Strengthened our branch network through opening new or upgrading existing branches and expanded our ABM network - Increased the number of key professionals including financial planners, mortgage specialists and small business bankers. - Launched compelling new offers including BMO SmartSteps for Parents, BMO Mobile Banking, and a new Online Banking for Business site In the United States: - Closed the acquisition of M&I achieving a significant market presence in eight U.S. states, primarily focused on the U.S. Midwest; integration is a key focus and is well underway - Customer retention rates continue to be strong - Continued to help our U.S. customers with their financial needs with Helpful Steps, launch of Helpful Steps for Small Business and Parents and strengthened our customer Welcome Program - BMO Harris Bank ranked as the most reputable U.S. bank by Reputation Institute in a study conducted in collaboration with American Banker. BMO Harris Bank has improved on its top 10 ranking from 2010. - The M&I acquisition almost doubled our U.S. private bank footprint. - With the acquisition of M&I and Lloyd George Management, our global asset management business is now one of the 100 largest investment managers world-wide based on assets under management - Expanded our Exchange Traded Funds family of lower-cost and risk-diversifying investment products to 44 funds - In the U.S., we now have an established family of mutual funds, a large team of financial advisors and strong capabilities in institutional trust services - Launched Retirement Savings Outlook - an innovative online tool that can help clients determine how much money they will need for retirement - Continued to build the North American Capital Markets business with a unified approach to client coverage, creating a better client experience - Aligned our capital and capabilities with client opportunity, including expanding our capabilities in U.S. Equity Research and Sales & Trading as well as extending our Metals & Mining capabilities beyond North America. - Focused on strategic sectors by expanding coverage in Investment and Corporate Banking and Research in sectors such as Food & Consumer & Retail and Energy and Technology. - Strengthened our presence in China and globally by expanding our footprint in existing markets and exploring new opportunities to address our current and potential clients' specific wealth management and capital markets needs
Leadership and Succession	Execute against strategic leadership agenda	Leadership capability was strengthened with strategic appointments, talent renewal and execution against development plans
High Performance Culture	Sustain a culture that focuses on customers, high performance and our people	- Enhanced our offering at BMO's Institute for Learning, our educational facility that develops inspirational leaders and passionate customer-focused employees while fostering BMO's culture of integrity and ethical decision-making - Sustained a high-performance risk management culture that continually focuses on strengthening and embedding our risk management capabilities and practices across the Bank - Continued to enhance our leading talent management practices, reaffirming BMO as an employer of choice where everyone can contribute to their fullest and strong performance is rewarded

2011 Compensation

Mr. Downe's total compensation target for 2011 was \$9.0 million, unchanged from 2010. The Committee set this target at the beginning of the year, relative to his peer group and the relative size of the Bank.

At the end of the year, the Board assessed Mr. Downe's total compensation target and left it unchanged at \$9.0 million for 2012. It did, however, change the mix of elements by increasing Mr. Downe's base salary by US\$200,000 to US\$1.25 million effective November 1, 2011, and decreasing his target variable compensation by the same amount.

Incentive Pool Funding

Mr. Downe's short-term incentive is funded based on the Bank's performance against four financial measures, and was below target this year because the Bank's performance fell short on three of its measures. For 2011, compensation decisions have been based on Bank performance excluding the M&I and Lloyd George Management acquisitions.

The table below shows the targets and actual financial results as measured for compensation purposes.

STIP bank performance measures	2011 Target (a)	2011 actual results as measured for compensation purposes (b)
Revenue Growth	6.0%	4.9%
Cash Earnings per Share Growth	13.0%	9.2%
Return on Equity	15.7%	15.7%
Cash Operating Leverage	1.5%	(1.0)%

- (a) 2011 compensation targets established early in fiscal 2011 did not incorporate the results of the acquisitions of M&I and LGM since these acquisitions had not been announced when the Bank established its annual operating plan, and their results would not be included for a full year. In addition, consistent with prior years, compensation targets excluded the amortization of acquisition-related intangible assets.
- (b) 2011 actual results as measured for compensation purposes were adjusted consistent with the basis on which 2011 targets were established to exclude revenues of \$907 million, expenses of \$601 million and provisions for credit losses of \$98 million.

Mr. Downe's mid- and long-term incentives are funded based on the Bank's relative 3-year TSR, which was above target this year and resulted in above target funding for his mid- and long-term incentives.

MTIP and LTIP performance measures	2011 target	2011 actual	Impact on pool funding
Three-year relative TSR (a)	At or above the average of the Cdn Peer Group	4.0% above the average of the Cdn Peer Group	Above target

- (a) Calculated based on the 90-day average 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 2011 Annual Report and discussed elsewhere in this CD&A section.

Overall, the 2011 business performance resulted in variable pool funding above target as mid- and long-term incentives represent a significant portion of overall compensation.

The Committee reviewed business adjusted pool funding for all variable compensation and was comfortable with the results. No discretion was applied in determining Mr. Downe's 2011 compensation. Overall Mr. Downe's total compensation was up year-over-year by 3.5% due to increased three-year relative TSR performance, which resulted in increased mid-term and long-term incentive pool funding.

(Cdn \$)	2011 (\$)	2010 (\$)	2009 (\$)
Cash			
Salary	1,026,250(a)	1,042,600	1,165,000
Bonus	1,150,000	2,850,000	1,585,000
Total cash	2,176,250	3,892,600	2,750,000
Equity			
Mid-term	4,000,000	3,000,000	2,350,000
Stock options	2,300,000	2,650,000	2,350,000
Deferred Stock Units	1,400,000	—	—
Total equity	7,700,000	5,650,000	4,700,000
Total direct compensation	9,876,250	9,542,600	7,450,000

- (a) Mr. Downe's 2011 salary at the end of fiscal 2011 was US\$1.05 million. The actual salary he received for the year reflects changes in foreign exchange rates and has been converted consistent with the Summary Compensation table on page 47.

Alignment with Shareholders and Pay for Performance

78% of Mr. Downe's 2011 compensation is deferred and therefore aligns with Shareholder interests, which is a governing principle of the Bank's compensation objectives.

The Committee periodically engages its independent advisor to perform a review of pay for performance for the CEO. In 2010, the advisor conducted a review 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 therefore below the median compensation for CEOs at the other peer banks. This assessment will be done again in spring 2012.

The table below 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 four years are during his tenure as President and CEO.

Fiscal Year	Total direct compensation			Shareholder value (\$)(c)
	Value at time of the award (\$)	Value on Oct 31, 2011 (\$)(a)	Value on October 31, 2011 as a percentage of value at the time of the award (%) (b)	
2006	5,628,813	3,421,082	61	110
2007	5,464,245	3,035,646	56	117
2008	5,982,000	2,645,813	44	162
2009	7,450,000	6,008,108	81	129
2010	9,542,600	7,045,414	74	102
Weighted Average			63	124

- (a) Mr. Downe's total direct compensation as measured on October 31, 2011 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, 2011 value of share units that have not vested
 - the October 31, 2011 in-the-money value of stock options awarded
 - compensation received in US\$ has been converted into Cdn\$ (see notes to the Summary Compensation Table for foreign exchange rates)
 - for 2008 compensation, the amount awarded reflects the total compensation granted to Mr. Downe, and the value at October 31, 2011 excludes the 2008 equity awards that Mr. Downe subsequently declined. The value of those awards would have been \$8.5 million as at October 31, 2011.
- (b) The value of Mr. Downe's total direct compensation measured on October 31, 2011 as a percentage of his total direct compensation in the year of the award.
- (c) The cumulative value at October 31, 2011 of \$100 invested in Shares at the end of the award year, including reinvested dividends, expressed as a percentage of the \$100.

Pension

Mr. Downe participates in The Pension Fund Society of the Bank of Montreal (PFS), a federally registered defined benefit pension plan, which includes all eligible Bank employees. Mr. Downe also participates in a Retirement Allowance Agreement (RAA) that is a Bank funded non-registered 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 the sum of his last 12 months of salary and the average of his highest five consecutive STIP awards, the total being capped at 145% of base salary, multiplied by his years of credited service. This is a U.S. dollar pension formula that uses Mr. Downe's U.S. dollar salary and U.S. dollar equivalent of his Canadian STIP awards. Based on limits imposed in the RAA, Mr. Downe's calculated annual 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.
- The pension benefit, as calculated above, is payable at age 60 (his Normal Retirement Date), but can be paid 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\$855,588 that is payable on an unreduced basis at age 60. The U.S. dollar pension that is the basis for this Canadian dollar representation will increase with additional years of credited service and earnings. As a result of the increase to base salary, Mr. Downe will now reach the pension cap of US\$1,000,000 shortly after his Normal Retirement Date. From that time onwards, his current service cost and all other compensatory changes will be zero as described in Defined Benefit Pension Table on page 49.
- Further details regarding Mr. Downe's pension can be found in the executive compensation tables beginning on page 47.

T. E. Flynn, Executive Vice-President and Chief Financial Officer

Mr. Flynn was appointed to his current position in March 2011. He is accountable for financial governance for the Bank. He leads the development and implementation of Bank-wide financial and taxation strategies, management and reporting, ensuring effective governance and controls. He also provides leadership to the office of strategic management.

Mr. Flynn joined the Bank in 1992 and served in a number of roles within BMO Capital Markets, including Head of Financial Services, Corporate and Investment Banking Group. He was named Executive Vice-President, Finance and Treasurer in 2004 and acting Chief Financial Officer from October 2007 to March 2008. Mr. Flynn served as Executive Vice-President and Chief Risk Officer from March 2008 to March 2011. He obtained his Masters of Business Administration from the Ivey School of Business at the University of Western Ontario and has his Chartered Accountant designation.

Compensation Awarded in 2011

Mr. Flynn is compensated based on the performance of the Bank overall, as well as his individual contribution to the Bank.

His compensation this year reflected the CEO's assessment of his performance against key financial and individual performance objectives. In addition to his ongoing responsibilities:

- He led the Bank-wide M&I acquisition due diligence team and the acquisition closing work stream for the Bank, successfully closing the transaction in the 3rd quarter.
- He established a new Bank-wide transformation productivity initiative.
- He maintained strong financial governance practices.

Incentive Pool Funding

Mr. Flynn's short-term incentive was funded based on the Bank's performance against four financial measures and was below target this year, because the Bank's performance fell short on three of its measures.

STIP bank performance measures	2011 Target (a)	2011 actual results as measured for compensation purposes (b)
Revenue Growth	6.0%	4.9%
Cash Earnings per Share Growth	13.0%	9.2%
Return on Equity	15.7%	15.7%
Cash Operating Leverage	1.5%	(1.0)%

(a) 2011 compensation targets established early in fiscal 2011 did not incorporate the results of the acquisitions of M&I and LGM since these acquisitions had not been announced when the Bank established its annual operating plan, and their results would not be included for a full year. In addition, consistent with prior years, compensation targets excluded the amortization of acquisition-related intangible assets.

(b) 2011 actual results as measured for compensation purposes were adjusted consistent with the basis on which 2011 targets were established to exclude revenues of \$907 million, expenses of \$601 million and provisions for credit losses of \$98 million.

Mr. Flynn's mid- and long-term incentives were funded based on the Bank's relative 3-year TSR, which was above target and resulted in above target funding in his mid- and long-term incentives.

Share Ownership

Mr. Downe's share ownership exceeds the guidelines.

Share ownership as at December 31, 2011					
Required multiple	Shares (\$)	RSUs (\$)	DSUs (\$)	Total share ownership (\$)	Total shares as a multiple of base salary
7.0	11,801,465	9,767,736	10,496,108	32,065,309	26.04

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.

MTIP and LTIP performance measures	2011 target	2011 actual	Impact on pool funding
Three-year relative TSR (a)	At or above the average of the Cdn Peer Group	4.0% above the average of the Cdn Peer Group	Above target

(a) Calculated based on the 90-day average 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 2011 Annual Report and discussed elsewhere in this CD&A Section.

Overall, the 2011 business performance resulted in variable pool funding above target as mid- and long- term incentives represent a significant portion of overall compensation.

2011 Compensation

The Committee reviewed business adjusted pool funding for all variable compensation and was comfortable with the results. To recognize Mr. Flynn's contribution to the M&I integration, the Committee applied modest discretion to increase his short-term incentive award. Overall Mr. Flynn's total compensation was up 4% year-over-year due to increased three-year relative TSR performance, which resulted in increased mid-term and long-term incentive pools funding. Upon appointment as Chief Financial Officer in March 2011, Mr. Flynn's base salary increased \$100,000 to \$500,000 to be market competitive, and his target variable compensation decreased by the same amount. The net result was no change to his total target compensation.

(Cdn \$)	2011 (\$)	2010 (\$)	2009 (\$)
Cash			
Salary	461,425	400,000	400,000
Bonus	772,000	880,000	1,000,000
Total cash	1,233,425	1,280,000	1,400,000
Equity			
Mid-term	1,170,000	1,110,000	750,000
Stock options	936,000	810,000	750,000
Total equity	2,106,000	1,920,000	1,500,000
Total direct compensation	3,339,425	3,200,000	2,900,000

63% of Mr. Flynn's 2011 compensation is deferred and therefore aligns with the long-term interests of Shareholders.

Pension

Mr. Flynn participates in the Canadian Executive Pension Plan, which includes benefits from The Pension Fund Society of the Bank of Montreal (PFS), and the Supplementary Pension Plan for Executive Officers, Designated Managing Directors and Designated Officers (Supplementary Plan). The Canadian Executive Pension Plan is a defined benefit pension program with the following terms:

- The total basic annual normal retirement pension benefit is 1.25% of the total of his average pensionable salary plus the average of his short-term incentive awards, the sum of which is capped at 145% of average pensionable salary (all subject to certain limits), multiplied by his years of credited service, less an offset for a Canada Pension Plan (CPP) entitlement.
- He has chosen to enhance a portion of his pension benefit to a 2% formula by contributing to the optional provision under the program.
- Mr. Flynn's pension will be paid in the form of periodic payments – a portion from the PFS and the rest under the Supplementary Plan, which is a non-registered pension arrangement.
- The benefit, as calculated above, is fully unreduced at age 65 but can be paid up to 15 years earlier on a reduced basis (reduction of 3% per

year for each year that retirement precedes age 60 for the portion of the pension based on service accrued prior to July 1, 2007, and reduction of 4% per year for each year that retirement precedes age 65 for the portion of the pension based on service accrued after June 30, 2007), subject to all applicable legislation and plan rules.

- To date, Mr. Flynn has earned a total annual retirement pension of \$168,753 which will be payable on a fully unreduced basis at age 65. This amount will increase based on additional years of credited service and earnings.
- Further details regarding Mr. Flynn's pension can be found in the executive compensation tables beginning on page 47.

Share Ownership

Mr. Flynn's share ownership exceeds the guidelines.

Share ownership as at December 31, 2011					
Required multiple	Shares (\$)	RSUs (\$)	DSUs (\$)	Total share Ownership (\$)	Total shares as a multiple of base salary
5.0	323,378	3,163,295	0	3,486,673	6.97

R. C. Robertson, Executive Vice-President, Business Integration, BMO Financial Group and Vice Chair, BMO Financial Corp.

Mr. Robertson was the Chief Financial Officer until he was appointed to his current role in March 2011. He is currently accountable for the efficient integration of M&I including the financial, technology and risk capabilities in support of the Bank's strategies for growth and expansion.

Mr. Robertson joined the Bank as interim Chief Financial Officer, BMO Financial Group in March 2008, and was appointed Chief Financial Officer in August 2009. Mr. Robertson came to the Bank 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.

Compensation Awarded in 2011

Mr. Robertson was hired on a renewable contract in 2008 to replace the former CFO who had been on medical leave. He is compensated based on the performance of the Bank overall as well as his individual contribution to the Bank.

His compensation this year reflected the CEO's assessment of his performance against key financial and individual performance objectives. In addition to his ongoing responsibilities:

- He played a key role in successfully closing the M&I transaction in the 3rd quarter.
- He established the Integration Management Office, which has assisted in our success to ensure that we have the right people and detailed plans in place to execute effectively as we bring M&I and Harris together and realize our synergy targets.

Incentive Pool Funding

Mr. Robertson's short-term incentive was funded based on the Bank's performance against four financial measures and was below target this year, because the Bank's performance fell short on three of its measures.

STIP bank performance measures	2011 target (a)	2011 actual results as measured for compensation purposes (b)
Revenue Growth	6.0%	4.9%
Cash Earnings per Share Growth	13.0%	9.2%
Return on Equity	15.7%	15.7%
Cash Operating Leverage	1.5%	(1.0)%

(a) 2011 compensation targets established early in fiscal 2011 did not incorporate the results of the acquisitions of M&I and LGM since these acquisitions had not been announced when the Bank established its annual operating plan, and their results would not be included for a full year. In

addition, consistent with prior years, compensation targets excluded the amortization of acquisition-related intangible assets.

- (b) 2011 actual results as measured for compensation purposes were adjusted consistent with the basis on which 2011 targets were established to exclude revenues of \$907 million, expenses of \$601 million and provisions for credit losses of \$98 million.

Mr. Robertson's mid- and long-term incentives were funded based on the Bank's relative 3-year TSR, which was above target and resulted in above target funding for his mid- and long-term incentives.

MTIP and LTIP performance measures	2011 target	2011 actual	Impact on pool funding
Three-year relative TSR (a)	At or above the average of the Cdn Peer Group	4.0% above the average of the Cdn Peer Group	Above target

(a) Calculated based on the 90-day average 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 2011 Annual Report and discussed elsewhere in this CD&A Section.

Overall, the 2011 business performance resulted in variable pool funding above target as mid- and long-term incentives represent a significant portion of overall compensation.

2011 Compensation

The Committee reviewed business adjusted pool funding for all variable compensation and was comfortable with the results. Overall Mr. Robertson's total compensation was up 4% year-over-year due to

increased three-year relative TSR performance, which resulted in increased mid-term and long-term incentive pools funding. Mr. Robertson's salary did not change in 2011.

(Cdn \$)	2011 (\$)	2010 (\$)	2009 (\$)
Cash			
Salary	400,000	400,000	400,000
Bonus	1,024,000	1,300,000	1,600,000
Total cash	1,424,000	1,700,000	2,000,000
Equity			
Mid-term	1,126,000	750,000	300,000
Stock options	Nil	Nil	Nil
Total equity	1,126,000	750,000	300,000
Total direct compensation	2,550,000	2,450,000	2,300,000

44% of Mr. Robertson's 2011 compensation is deferred and therefore aligns with the long-term interests of Shareholders and is consistent with FSB Principles for his new role.

Pension

Mr. Robertson participates in the Canadian Executive Pension Plan, which includes benefits from The Pension Fund Society of the Bank of Montreal (PFS), and the Supplementary Pension Plan for Executive Officers, Designated Managing Directors and Designated Officers (Supplementary Plan). The Canadian Executive Pension Plan is a defined benefit pension program with the following terms:

- The total basic annual normal retirement pension benefit is 1.25% of the total of his average pensionable salary plus the average of

his short-term incentive awards, the sum of which is capped at 145% of average pensionable salary (all subject to certain limits), multiplied by his years of credited service, less an offset for a Canada Pension Plan (CPP) entitlement.

- He has chosen to enhance a portion of his pension benefit to a 2% formula by contributing to the optional provision under the program.
- Mr. Robertson's pension will be paid in the form of periodic payments – a portion from the PFS and the rest under the Supplementary Plan, a non-registered pension arrangement.
- 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 \$26,605 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 47.

Share Ownership

Mr. Robertson's share ownership exceeds the guidelines.

Share ownership as at December 31, 2011					
Required multiple	Shares (\$)	RSUs (\$)	DSUs (\$)	Total share ownership (\$)	Total shares as a multiple of base salary
5.0	760,639	2,235,105	0	2,995,744	7.49

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 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.

Compensation Awarded in 2011

Mr. Milroy is compensated based on the overall performance of the Bank, the performance of Capital Markets, and his individual contribution to the Bank.

His compensation this year reflected 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 by building out the Bank's distribution platform, primarily in the United States, by strengthening fixed income capabilities, expanding the leveraged distribution platform and integrating a new Global Securities Lending team.
- He continued expansion of the U.S. Equity Research and Sales trading group and the extension of the Metals & Mining capabilities beyond North America.
- He upgraded talent across select North American and global sectors to increase the focus on core strategic sectors, and to build capability to further extend Capital Markets' offerings.

Incentive Pool Funding

Mr. Milroy's short-term incentive was funded based 25% on the Bank's performance against four financial measures, and 75% on Capital Markets' performance against four financial measures. Funding was below target this year, because Capital Markets met two of its four performance measures and the Bank met one of its four performance measures.

STIP bank performance measures		
	2011 target (a)	2011 actual results as measured for compensation purposes (b)
75% Operating group measures		
CM Net Income	\$998mm	\$920mm
CM Return on Equity	20.3%	20.5%
CM Cash Operating Leverage	(1.8)%	(2.3)%
CM Customer Loyalty	90-100	100.9
25% Bank performance measures		
Revenue Growth	6.0%	4.9%
Cash Earnings per Share Growth	13.0%	9.2%
Return on Equity	15.7%	15.7%
Cash Operating Leverage	1.5%	(1.0)%

(a) 2011 compensation targets established early in fiscal 2011 did not incorporate the results of the acquisitions of M&I and LGM since these acquisitions had not been announced when the Bank established its annual operating plan, and their results would not be included for a full year. In addition, consistent with prior years, compensation targets excluded the amortization of acquisition-related intangible assets.

(b) 2011 actual results as measured for compensation purposes were adjusted consistent with the basis on which 2011 targets were established to exclude revenues of \$7 million and expenses of \$9 million.

Mr. Milroy's mid- and long-term incentives were funded based on the Bank's relative 3-year TSR, which was above target and resulted in above target funding for his mid- and long-term incentives.

MTIP and LTIP performance measures	2011 target	2011 actual	Impact on pool funding
Three-year relative TSR (a)	At or above the average of the Cdn Peer Group	4.0% above the average of the Cdn Peer Group	Above target

(a) Calculated based on the 90-day average 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 2011 Annual Report and discussed elsewhere in this CD&A section.

Overall, the 2011 business performance resulted in variable pool funding above target as mid- and long-term incentives represent a significant portion of overall compensation.

2011 Compensation

The Committee reviewed business adjusted pool funding for all variable compensation and was comfortable with the results. Overall Mr. Milroy's total compensation was up 14% year-over-year due to an increase in his target compensation for 2011 and the increased three-year relative TSR performance, which resulted in increased mid-term and long-term incentive pool funding. The Committee increased Mr. Milroy's base salary to \$500,000 effective January 2011 and his 2012 target variable compensation, reflecting market compensation.

(Cdn \$)	2011 (\$)	2010 (\$)	2009 (\$)
Cash			
Salary	483,333	400,000	400,000
Bonus	2,350,000	3,200,000	3,300,000
Total cash	2,833,333	3,600,000	3,700,000
Equity			
Mid-term	2,575,000	1,727,500	1,900,000
Stock options	2,575,000	1,672,500	1,900,000
Total equity	5,150,000	3,400,000	3,800,000
Total direct compensation	7,983,333	7,000,000	7,500,000

72% of Mr. Milroy's 2011 compensation is deferred (including his voluntary deferral of 25% of his cash bonus into DSUs) and therefore aligns with the 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 mandatory 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 47.

Share Ownership

Mr. Milroy's share ownership exceeds the guidelines.

Share ownership as at December 31, 2011					
Required multiple of total target direct compensation	Shares (\$)	RSUs (\$)	DSUs (\$)	Total share ownership (\$)	Total shares as a multiple of total target direct compensation
1.0	237,378	6,540,215	11,001,710	17,779,303	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 for the results for all Private Banking, 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.

Compensation Awarded in 2011

Mr. Ouellette is compensated based on the performance of the Bank overall, the performance of Private Client Group (PCG), and his individual contribution to the Bank.

His compensation this year reflected 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, with net income increasing \$58 million to \$518 million.
- Under his leadership, PCG delivered a great client experience with a strong focus on financial planning – launching an innovative online financial planning tool for customers.
- He encouraged and maintained a high level of investment for future growth by focusing on innovative products and services, and widening our geographic reach as a result of the M&I acquisition and strengthening our presence in China.

Incentive Pool Funding

Mr. Ouellette's short-term incentive was funded based 25% on the Bank's performance against four financial measures, and 75% on PCG's performance against four financial measures. PCG fell short on each of its four performance measures and the Bank met one of its four performance measures. The Committee determined that lower performance in the insurance business, as a result of the impact of earthquakes and lower interest rates, had a negative impact on PCG's overall performance measures. Excluding the insurance business, PCG had strong performance and year-over-year growth. As a result, the Committee used its discretion to increase the PCG short-term incentive plan

funding. There was no adjustment made at the Bank level. As a result, Mr. Ouellette's short-term incentive plan funding was above target this year.

STIP bank performance measures		
		2011 actual results as measured for compensation purposes (b)
75% Operating group measures	2011 target (a)	
PCG Cash Net Income Growth	22.2%	22.5%
PCG Revenue Growth	10.1%	11.0%
PCG Cash Operating Leverage	3.5%	3.1%
PCG Customer Measure	100	103.3
25% Bank Performance Measures		
Revenue Growth	6.0%	4.9%
Cash Earnings per Share Growth	13.0%	9.2%
Return on Equity	15.7%	15.7%
Cash Operating Leverage	1.5%	(1.0)%

(a) 2011 compensation targets established early in fiscal 2011 did not incorporate the results of the acquisitions of M&I and LGM since these acquisitions had not been announced when the Bank established its annual operating plan, and their results would not be included for a full year. In addition, consistent with prior years, compensation targets excluded the amortization of acquisition-related intangible assets.

(b) 2011 actual results as measured for compensation purposes were adjusted to exclude revenues of \$67 million and expenses of \$123 million. Adjustments were made consistent with the basis on which 2011 targets were established and included an additional adjustment, to exclude from the determination of adjusted revenue a portion of reductions to PCG's revenues that were not reflective of core operating performance.

Mr. Ouellette's mid- and long-term incentives were funded based on the Bank's relative 3-year TSR which was above target this year and resulted in above target funding for his mid- and long-term incentives.

MTIP and LTIP performance measures	2011 target	2011 actual	Impact on pool funding
Three-year relative TSR (a)	At or above the average of the Cdn Peer Group	4.0% above the average of the Cdn Peer Group	Above target

(a) Calculated based on the 90-day average 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 2011 Annual Report and discussed elsewhere in this CD&A section.

2011 Compensation

The Committee reviewed business adjusted pool funding for all variable compensation including the discretion used for short-term incentive pool funding and was comfortable with the results. Overall Mr. Ouellette's total compensation was up 16% year-over-year due to increased three-year relative TSR performance, which resulted in increased mid-term and long-term incentive pools funding and increased short-term incentive pool funding. Mr. Ouellette's salary did not change in 2011.

(Cdn \$)	2011 (\$)	2010 (\$)	2009 (\$)
Cash			
Salary	500,000	500,000	500,000
Bonus	906,000	828,500	685,000
Total cash	1,406,000	1,328,500	1,185,000
Equity			
Mid-term			
	1,222,000	1,052,000	807,500
Stock options	1,222,000	940,500	807,500
Total equity	2,444,000	1,992,500	1,615,000
Total direct compensation	3,850,000	3,321,000	2,800,000

63% of Mr. Ouellette's 2011 compensation is deferred and therefore aligns with the long-term interests of Shareholders.

Pension

Mr. Ouellette participates in The Pension Fund Society of the Bank of Montreal (PFS), a federally registered defined benefit pension plan, which includes all eligible Bank employees. Mr. Ouellette also participates in a Retirement Allowance Agreement (RAA) that is a Bank funded non-registered 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 the sum of his last 12 months of salary plus the average of his highest five consecutive short-term incentive awards, the total being capped at 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\$362,500, 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 47.

Share Ownership

Mr. Ouellette's share ownership exceeds the guidelines.

Share ownership as at December 31, 2011					
Required multiple	Shares (\$)	RSUs (\$)	DSUs (\$)	Total share ownership (\$)	Total shares as a multiple of base salary
5.0	10,956,112	3,225,022	6,543,045	20,724,179	41.45

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 Masters in Business Administration from the University of Denver.

Compensation awarded in 2011

Mr. Techar is compensated based on the performance of the Bank overall, the performance of Personal & Commercial Bank Canada (P&C), and his overall performance and contribution to the Bank.

His compensation this year reflected the CEO's assessment of his performance against key financial and individual performance objectives. In addition to his ongoing responsibilities:

- P&C Canada revenue grew by 4.1% to \$6.1 billion and customer loyalty improved.
- He continued to enhance the customer experience by launching attractive competitive new offers and creating a differentiated position in the Canadian market.
- P&C Canada continued the redesign of core processes and technologies to achieve a higher-quality customer experience, created capacity for customer-facing employees and reduced costs.

Incentive Pool Funding

Mr. Techar's short-term incentive was funded based 25% on the Bank's performance against four financial measures, and 75% on P&C Canada's performance against five financial measures. Funding was below target this year because P&C Canada did not meet three of its five financial targets, and the Bank did not meet three of the four performance measures.

STIP bank performance measures		
		2011 actual results as measured for compensation purposes (b)
75% P&C Canada Operating group measures (a)	2011 target (a)	
P&C Cash Net Income Growth	8.4%	5.0%
P&C Revenue Growth	7.2%	4.6%
P&C Cash Operating Leverage	(1.0)%	(1.2)%
P&C Return on Equity	46.7%	48.5%
P&C Customer Loyalty	33.0	37.0
25% Bank performance measures		
Revenue Growth	6.0%	4.9%
Cash Earnings per Share Growth	13.0%	9.2%
Return on Equity	15.7%	15.7%
Cash Operating Leverage	1.5%	(1.0)%

(a) 2011 compensation targets were established early in fiscal 2011 and include an adjustment to revenues and expenses to encourage alignment between the P&C Canada and PCG businesses. In addition, consistent with prior years, compensation targets excluded the amortization of acquisition-related intangible assets.

(b) 2011 actual results as measured for compensation purposes were adjusted consistent with the basis on which 2011 targets were established to include revenues of \$325 million and expenses of \$170 million.

Mr. Techar's mid- and long-term incentives were funded based on the Bank's relative 3-year TSR, which was above target and resulted in above target funding for his mid- and long-term incentives.

MTIP and LTIP performance measures	2011 target	2011 actual	Impact on pool funding
Three-year relative TSR (a)	At or above the average of the Cdn Peer Group	4.0% above the average of the Cdn Peer Group	Above target

(a) Calculated based on the 90-day average 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 2011 Annual Report and discussed elsewhere in this CD&A section.

2011 Compensation

The Committee reviewed business adjusted pool funding for all variable compensation and was comfortable with the results. Overall Mr. Techar's total compensation was down 5% year-over-year due to decreased variable pool funding. The Committee approved an increase in Mr. Techar's target variable compensation for 2012 and increased his 2012 base salary from US\$550,000 to US\$600,000 based on the competitive market.

(Cdn \$)	2011 (\$)	2010 (\$)	2009 (\$)
Cash			
Salary	541,860(a)	573,430	640,750
Bonus	843,000	1,287,000	1,125,000
Total cash	1,384,860	1,860,430	1,765,750
Equity			
Mid-term	1,228,500	1,081,500	975,000
Stock options	1,228,500	1,081,500	975,000
Total equity	2,457,000	2,163,000	1,950,000
Total direct compensation	3,841,860	4,023,430	3,715,750

(a). Mr. Techar's 2011 salary was US\$550,000. The actual salary he received for the year reflects changes in foreign exchange rates and has been converted consistent with the Summary Compensation table on page 47.

69% of Mr. Techar's 2011 compensation is deferred (including his voluntary deferral of 25% of his cash bonus into DSUs) and therefore aligns with the long-term interests 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), as well as the Harris Qualified and Non-Qualified Pension Plans. In addition to these plans, Mr. Techar participates in 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 the sum of his last 12 months of salary plus the average of his highest five consecutive short-term incentive awards, the total being capped at 145% of base salary, multiplied by his years of credited service. This is a US dollar pension formula which uses Mr. Techar's U.S. dollar salary and U.S. dollar equivalent of his Canadian 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 \$429,229, that is payable on an unreduced basis at age 60. The U.S. dollar pension that is the basis for this Canadian dollar representation will increase based on additional years of credited service and earnings.
- The benefit, as calculated above, is 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 47.

Share Ownership

Mr. Techar's share ownership exceeds the guidelines.

Share ownership as at December 31, 2011					
Required multiple	Shares (\$)	RSUs (\$)	DSUs (\$)	Total share ownership (\$)	Total shares as a multiple of base salary
5.0	2,046,326	3,458,278	3,894,557	9,399,161	17.35