Compensation Discussion and Analysis

Bank of Montreal's vision is to be the Bank that defines great customer experience. Its guiding principle is to drive top-tier total shareholder return ("TSR") and balance its commitments to financial performance, customers, employees, the environment and the communities where we live and work.

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

Message from the Chair of the Human Resources Committee

The Human Resources Committee oversees executive compensation as part of its responsibilities at BMO. We have written this Compensation Discussion and Analysis to help you understand our approach to pay for performance, the process behind our decisions and to help you with your *own* decision about the 'say-on-pay' vote this year.

2012 performance and awards

The Board was very pleased with Mr. Downe's leadership this year and continues to be very satisfied with the leadership he has exhibited over his tenure. We believe he and his team have positioned the Bank well for continued growth in a very competitive environment.

Key successes were integrating M&I, improving the Bank's technology architecture, building the North American platform and management processes and continuing to move along the path to greater efficiency.

The Bank had strong financial results, including record net income (which reflects its progress and the value of its expanded North American footprint). Earnings grew markedly relative to last year and at a faster rate than most of our Canadian banking peers — the result of good execution and a well-defined strategy, furthered by an ongoing effort to occupy a differentiated position in the minds of customers. But slowing organic revenue growth relative to the Bank's cost of doing business affected earnings.

2012 results
Net Income after tax: **up 35%**
Return on equity: **up 80 basis points**
Revenue: **up 16%**
Earnings per share: **up 27%**
3-Year TSR: **10.8% annualized**
1-Year TSR: **5.2%**

Mr. Downe's effective leadership yielded strong absolute and relative results. Nevertheless, funding for all incentive pools was down this year because performance was below the challenging growth goals we established early in fiscal 2012, which were directly linked to the Bank's strategic objectives.

This year's compensation decisions are a tangible illustration of our approach to pay for performance. The goals we set were aggressive but fair, and as a result total direct compensation awarded to Mr. Downe and all of the other Named Executive Officers ("NEOs") was lower than target, and lower than last year.

	2012 Total direct compensation	Change from 2011	Compared to target compensation
W.A. Downe	$9,204,000	-7%	-3%

Turn to page 49 for a detailed discussion of results against targets, and the effect this had on our decisions about compensation this year. Discussions for each of the NEOs start on page 52.

Linking pay to performance

We periodically conduct a study to make sure our CEO pay is aligned with company performance. This year, our independent advisor analyzed CEO realizable pay and TSR compared to our peer banks over one, three and five year periods. The study informed us that our CEO's compensation is appropriately aligned with the performance of the overall Bank, and that over the five years both pay and performance are below the median.

The chart below shows five-year CEO realizable pay relative to five-year TSR for the five largest Canadian banks. The chart is for 2007 to 2011 only, because 2012 peer compensation data was not available at the time of the analysis. Overall, realizable pay was the lowest among peer banks, while TSR ranked fourth out of five.

The independent advisor noted that Mr. Downe's realizable pay was below that of the CEOs of our peers mainly because:

- his in-the-money stock option value was low reflecting relatively low Share price appreciation
- his target pay level was lower, reflecting the relative size of the Bank
- his target pay structure and the challenging performance targets reduced awards
- his realizable pay includes one year of equity awards granted prior to his appointment as CEO

Company	Annualized TSR	Annualized Realizable Pay (a)
Bank of Montreal	**1.9%**	**$6.1MM**
Peer A	6.8%	$13.5 MM
Peer B	5.5%	$8.6 MM
Peer C	3.5%	$8.6 MM
Peer D	1.8%	$8.4 MM

(a) Realizable pay is base salary plus the annual incentive actually earned and for equity granted during the five year period, the value of restricted share units with no dividend accumulation at the end of the period, the value of voluntarily deferred share units at their original grant value, the value of in-the-money stock options, and actual or estimated payouts of performance share units. Since realizable pay looks at the actual or estimated value of compensation after it is awarded, it is an appropriate method for assessing the impact of performance on our compensation decisions. Note: Realizable pay is calculated prior to any compensation foregone at the CEO's request.

Linking pay to Shareholder value

We also compared the current value of Mr. Downe's compensation for each of the last five years with the value of a Shareholder investment for the same period. This comparison showed that the actual value of compensation Mr. Downe received has been less than the value that would have been received by our Shareholders. Turn to page 52 for complete details of this analysis.

Effective oversight

These strong pay for performance linkages are a direct result of the effective oversight by the Committee, which is comprised of six directors who have the experience necessary to make the challenging decisions associated with executive compensation.

We have a formal process for overseeing BMO's compensation policies and practices, receiving advice from an independent consultant and working with two management committees that are focused on compensation and risk oversight (see page 39 for information about these committees).

Our compensation programs are aligned with the Financial Stability Board's Principles for Sound Compensation Practices ("FSB Principles") and the requirements of OSFI and of other jurisdictions. In the United States our programs are aligned with the principles of the U.S. Federal Reserve's Guidance on Sound Incentive Compensation Policies. As a bank with a global footprint, 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.

Turn to page 39 for more about the Committee, our experience and our approach to managing risk.

Disciplined approach

We have four compensation principles we believe are important for driving the Bank's success and improving Shareholder value:

- link compensation to Bank performance
- encourage a long-term view to increase Shareholder value
- align with prudent risk-taking
- attract and retain executive talent

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 Shareholder return and balance our commitments to financial performance, customers, employees, the environment and communities. BMO's strategy, which you can read about in our 2012 Annual Report, includes five strategic priorities:

- achieve industry-leading customer loyalty by delivering on our brand promise
- enhance productivity to drive performance and Shareholder value
- leverage our consolidated North American platform to deliver quality earnings growth
- expand strategically in select global markets to create future growth
- ensure our strength in risk management underpins everything we do

Executives all have clear accountability for the achievement of goals directly linked to these priorities. The Committee's role is to make sure compensation is directly linked to the achievement of these goals – that executives are paid more when performance against the goals is strong, and less when performance is weak – without encouraging excessive or inappropriate risk-taking. We do this by giving a significant weight to variable and deferred compensation.

We evaluate our compensation program every year, and this year made several enhancements, including:

- introducing new performance metrics to reinforce the alignment with the Bank's business strategy and good governance
- continuing to apply a grant multiplier to our executive's variable compensation that is tied to an increase or decrease in our 3-year historical relative TSR versus peers. This has the same economic impact as applying performance metrics at time of vesting and payout
- formalizing the risk criteria we use when determining whether to use discretion to reduce the size of payouts from the mid-term incentive plan (for example, credit losses, financial losses and key indicators of operational, market, compliance and reputational risk)
- extending vesting in the stock option plan starting in 2013 (from 25% each year for four years to 50% in the third and fourth years) to increase the alignment between compensation and prudent risk taking
- reinforcing long-term performance and Shareholder alignment by reducing the use of stock options, and replacing them with deferred stock units, which cannot be redeemed until the executive leaves the Bank

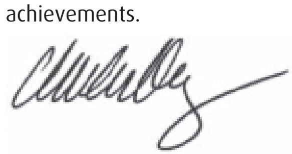
These enhancements helped us achieve the pay for performance alignment described above. You can read about these and other changes on page 42.

Turn to page 47 for more about our process, and how we link compensation to the achievement of our strategic priorities.

BMO's business performance was very good this year, in a competitive and challenging environment. While it did not quite meet the challenging goals set for the incentive plans, the Board was very pleased with Mr. Downe's leadership and believes the Bank is well positioned for continued growth.

The Committee is satisfied with the results of this year's compensation decisions. We believe that compensation is effectively aligned with performance, Shareholder interests and our peers, and this has been confirmed by our analysis this year, feedback from you, our Shareholders, and from our say-on-pay results.

We are confident that the 2012 compensation awards, and the measures they were based on, are a fair reflection of the year's achievements.



Robert M. Astley
Chair

1. Compensation Governance and Oversight

The Human Resources Committee of the Board establishes and oversees the Bank's compensation plans.

Six independent directors sit on the Committee. The average tenure is 6.7 years. See pages 7 to 13 for biographies of the directors, and page 22 for more information about the Committee and its activities in 2012.

	On the Committee since
Robert M. Astley (Committee Chair)	**2004**
George C. Cope	**2010**
Christine A. Edwards	**2011**
Ronald H. Farmer	**2003**
J. Robert S. Prichard (Chairman of the Board) (also a member from 2000-2010)	**2012**
Don M. Wilson III	**2009**

Committee members are required 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 so that the Committee has the expertise it needs to carry out its mandate.

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

The Governance and Nominating Committee looks at the mix of skills and experience of the directors on the Committee every year to make sure it remains appropriate. The table below shows the experience of the current members.

	Number of Committee members with specific experience or expertise
Human resources experience Experience with benefit, pension and compensation programs (in particular, executive compensation).	**5 of 6**
Risk management experience Knowledge and experience with internal risk controls, risk assessments and reporting.	**5 of 6**
Executive leadership experience Experience as a senior executive/officer of a public company or major organization.	**6 of 6**

Aligning risk and compensation

BMO aligns compensation and prudent risk-taking.

Five members of the Committee (over 80% of its members) also sit on the Risk Review Committee. Mr. Wilson, who sits on both committees, is the Chair of the Risk Review Committee and has significant experience in financial institution risk management.

The Committee has a formal process for overseeing BMO's compensation policies and practices, and works with two management committees focused on compensation oversight:

- The Enterprise Compensation Oversight Committee, established in 2011, includes the BMO CRO, CFO, Chief Compliance Officer, senior leaders from Human Resources, and the Chief Auditor as an observer. 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 47). It met seven times in 2012.
- The U.S. Compensation Oversight Committee, formed in 2012, includes the U.S. heads of Risk, Finance, Compliance, Audit, Human Resources and the U.S. Country Head, along with BMO's head of compensation programs. It provides additional support in the oversight of U.S. compensation practices. (See page 43 for a list of practices that align with prudent risk-taking).

The Committee is satisfied that:

- BMO's compensation policies and practices do not encourage any NEO or employee to take inappropriate or excessive risks.
- no risks have been identified in the Bank's compensation policies and practices that are reasonably likely to have a material adverse effect on the Bank.

BMO's compensation programs are aligned with the FSB Principles and the requirements of OSFI and requirements of other jurisdictions. These enhance the stability and soundness of financial institutions by reducing incentives for excessive risk taking.

Global Governance Advisors ("GGA") completed an extensive review of BMO's material compensation plans against the FSB Principles, 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 reported that BMO has maintained its leadership position with respect to compliance with FSB Principles.

In the United States our compensation programs are aligned with the principles of the U.S. Federal Reserve's Guidance on Sound Incentive Compensation Policies. They 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 works with an outside advisor to help carry out its mandate.

Pay Governance LLC, an independent and unaffiliated executive compensation advisory firm, has been the Committee's exclusive advisor on compensation issues since 2008.

In 2012, Pay Governance received US$365,442 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
- independent historical review of the alignment between CEO pay and the Bank's performance
- management proxy circular review
- regular participation in Human Resources Committee meetings, including time with Committee members.

To provide assurance that the advisor remains independent, the Committee:

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

The Committee considers the information and recommendations provided by its advisor as well as other factors when making decisions about executive compensation.

Compensation Advisory Fees paid to Pay Governance

	Billed in 2011	Billed in 2012
Executive compensation—related fees	US$365,632	US$365,442
All other fees	$0	$0

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

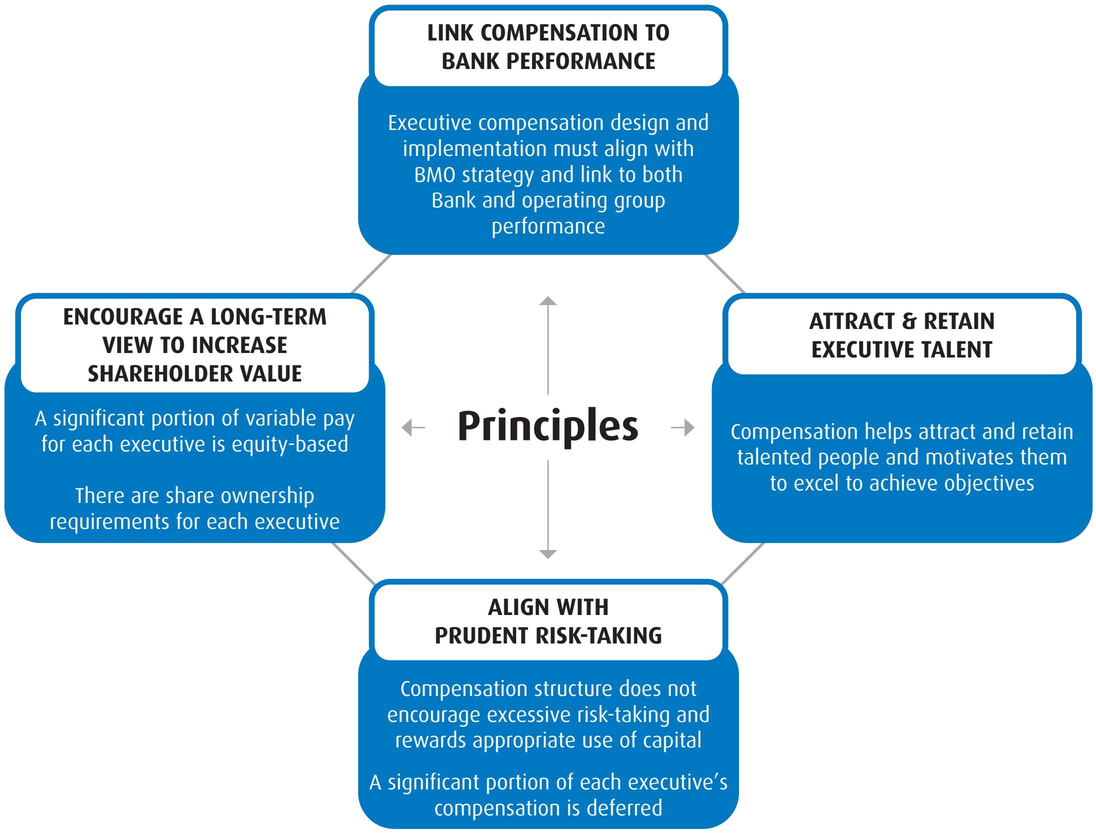
2. BMO's Approach to Executive Compensation

The Board believes that compensation strategies are important for driving the Bank's success and improving Shareholder value.

The Committee has structured the executive compensation program so Bank results, compensation for executives, and financial returns to Shareholders are all strongly linked, without encouraging excessive or inappropriate risk-taking.

The program supports BMO's vision and strategic priorities, and ensures executives have a significant personal financial stake in the long-term health and growth of the organization.

The executive compensation program has four core principles:



Link compensation to Bank performance
BMO's compensation program links compensation to Bank, operating group, individual performance targets and Shareholder performance. Executives are compensated more when performance is strong and less when performance is weak.

The amount actually paid out as variable compensation depends on Bank and operating group performance against annual targets that have been set to meet longer-term Bank goals and strategies, including Shareholder measures such as 3-year relative TSR (see page 48 for information about the incentive plans). Awards to individual executives are based on Shareholder performance and achieving Bank, operating group and individual performance goals that reinforce BMO's strategic priorities and values.

New for 2013
The Committee introduced new performance metrics for 2013 that will drive funding for the short-, and mid-term incentive plan and will reinforce the alignment with the Bank's business strategy and good governance:
- A new efficiency ratio (non-interest expenses divided by total revenues) will reinforce the Bank's approach to cost management and longer-term profitability, and support our enterprise-wide focus on operational efficiency. This ratio will replace the operating leverage metric and is being given a higher weighting.
- A new blended return on capital metric, made up of 2/3 return on equity and 1/3 net economic profit, will motivate executives to appropriately balance use of capital and managing risk effectively.

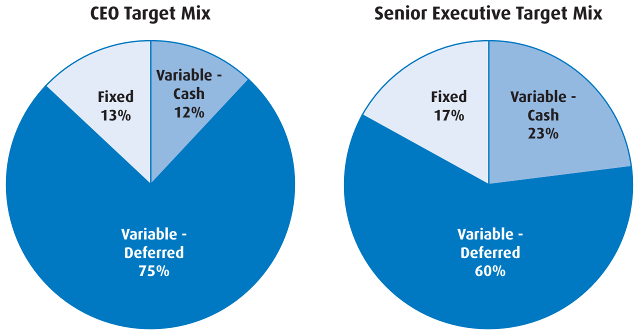
The Committee carried out an extensive review of the Bank's equity compensation program in 2012, and extended vesting in the stock option plan starting in 2013 (from 25% each year for four years to 50% in the third and fourth years). This increases the alignment between compensation and prudent risk taking.

The Committee also carried out a review of the Capital Markets compensation plan. Although satisfied that the plan remains aligned with business strategy and competitive with the market, the Committee made two enhancements to the Capital Markets incentive plans for 2013:
- Fully allocating expenses (such as investments in infrastructure, risk and compliance in support of capital markets) to the incentive pool funding calculation, increasing the focus on expense management
- Using a blended return on capital metric, similar to the one used for the Bank overall, for the incentive pool funding, providing a stronger link between risk, use of capital and compensation.

Encourage a long-term view to increase Shareholder value
Compensation is substantially weighted towards variable or "at-risk" compensation, and a significant amount of it is also deferred. This approach, combined with share ownership requirements, sharpens executive focus 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 variable compensation is deferred. This encourages executives to stay with the Bank, focuses them on the long-term and helps reduce overly risky behavior because future payouts depend on their current decisions.

The charts below show the target amount of fixed, variable cash and variable deferred compensation paid to the CEO and the eight executives who report directly to the CEO (the "Senior Executives"). This mix is in line with regulatory guidance, and within the range adopted by BMO's Canadian peer group.



Executives have share ownership requirements
Executives and senior Capital Markets employees are required to own shares as outlined in the table below.

Executives must meet these requirements within three years of being appointed to the position (five years for Vice-Presidents and Managing Directors). Share ownership is measured annually, either at market value at the time of measurement or value at the purchase or grant date (whichever is greater).

All executives and senior Capital Markets employees meet or exceed their share ownership requirements. The CEO and the NEOs exceed their requirements (see pages 52 to 58 for details).

The CEO and senior executives must also continue to meet their share ownership requirements for a period after leaving the Bank, to encourage a longer-term perspective when making strategic decisions.

Share ownership requirements		
Holdings can be in Shares, restricted share units and deferred stock units.	**Shares (a) they must own while employed with the Bank**	**Number of years they must hold shares after they leave the Bank**
Bank		
President and CEO	7.0 times base salary	2 years
Senior Executives	5.0 times base salary	1 year
Executive Vice-Presidents	3.0 times base salary	–
Senior Vice-Presidents	2.0 times base salary	–
Vice-Presidents	1.5 times base salary	–
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	–
Managing Directors	1.0 times base salary	–

(a) Required holdings may be satisfied through Shares as well as deferred or restricted share units.

Compensation Discussion and Analysis

Align with prudent risk-taking

BMO seeks to grow its earnings while avoiding excessive risk-taking by aligning compensation with risk outcomes and return of capital.

Management sets the risk appetite of the Bank – which the Board must approve – to optimize risk-taking within the complexity of a diversified global financial services organization.

The Committee sets the compensation philosophy and strategy within that context, and then designs the compensation program to motivate executives to create Shareholder value while balancing the level of risk-taking. It oversees an independent review to stress test and back test all material compensation plans and confirms alignment to FSB Principles.

The executive compensation program includes several strategies and processes to appropriately reflect risk in variable compensation:

- a significant portion of executive compensation is deferred
- restricted share units and deferred stock units are used to limit and balance the use of stock options
- there is a cap on the short-, mid- and long-term incentive pools
- business results used to determine incentive pool funding include provisions for credit, market, liquidity and other risks
- return on equity is a primary metric for determining incentive pool funding for executives, Capital Markets employees and most other employees (except within the wealth management group, as it uses very little capital)
- the Enterprise Compensation Oversight Committee review the design of the variable compensation plans to make sure risk, compliance, finance, and audit considerations are appropriately incorporated, and to carry out a comprehensive risk assessment before finalizing the incentive pools (see page 39 for information about the Compensation Oversight Committee).
- the Committee's independent advisor reviews all changes to the design of the executive compensation program

The Board also uses the following mechanisms to align compensation with prudent risk-taking:

Clawbacks

The Board or the Committee can claw back cash, outstanding equity and equity payouts from all recipients, operating groups and selected individuals, as described below. See page 45 for details about each incentive plan.

What can be clawed back	Who it applies to	How it works
Cash paid	Executives and Capital Markets employees at the Managing Director level and above	All or part of variable compensation paid in the past 12 months can be clawed back if the Bank restates its financial statements or there is employee misconduct. This includes cash bonuses, payouts from a mid-term incentive plan or the value received from exercising options.
Outstanding equity	All participants in the mid-term incentive and stock option plans	Restricted share units or vested and unvested options awarded can be clawed back if the Bank restates its financial statements.
Equity payouts	All participants in the mid-term incentive plans	Restricted share units can be reduced or eliminated if information is discovered that would have reduced the size of an award when it was granted. For example: • financial performance was materially below target because of excessive risk-taking • the Bank's reputation was affected • the size of the award was based in whole or in part on information that turned out to be materially incorrect. In 2012, the Committee formalized the risk criteria it uses when determining whether to use its discretion to reduce payouts from the mid-term incentive plan (for example, credit losses, financial losses and key indicators of operational, market, compliance and reputational risk).

Forfeiture

Executives forfeit all outstanding share units and vested and unvested options when:

- terminated for cause
- 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

Change of control

The long-term incentive plan calls for a double trigger for accelerated vesting of stock options when the Bank undergoes a change of control. Stock options will vest immediately when there is a change of control only if a participant is dismissed without cause within 24 months after the change of control.

Independence of control functions

Compensation for employees in Risk, Finance, Audit, Legal, Compliance and Human Resources is linked to overall Bank performance and performance against individual objectives. These employees do not report into businesses they support, and the success or financial performance of business areas they support or monitor does not affect their performance assessment or compensation. This independence supports them to keep BMO's overall success in mind.

Individual performance

Managers consider risk, audit and compliance accountabilities during individual performance assessments, and when making compensation decisions.

Personal hedging

BMO policy prohibits employees and directors from using any kind of personal hedging (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.

Guarantees

Incentive compensation received by new employees can be guaranteed for no more than 12 months, which the Committee believes allows enough time for their transition into the Bank.

Attract and retain talented people

BMO's executive compensation program is designed to be competitive enough to attract, retain and motivate top talent.

The Committee assesses the competitiveness of its compensation program by comparing it to two groups: 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). For added calibration and a broader scope, the Committee may also look at the compensation practices of companies listed on the TSX 60 that have a similar market capitalization.

	Peer companies	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. 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.
U.S.–based executives and senior executives	BB&T Corp Fifth Third Bancorp Huntington Bancshares Inc./MD Keycorp M&T Financial Regions Financial SunTrust Banks, Inc.	In the United States, these banks are all publicly traded and are comparable to BMO's U.S. operations, based on business mix and size, total assets, total revenue and 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, and uses this information when setting total compensation and compensation mix for executive roles.

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.

New for 2012

The Committee approved changes to the U.S. peer group this year, to recognize our larger size because of the M&I acquisition. Changes were recommended by Risk Management Group, which considered each bank's asset size, geographical footprint and business mix.

BMO is focused on building a diverse, loyal and talented workforce, and has developed a culture of continuous career development, mentoring and succession planning at all levels.

Significant activities this year:

- Third-party reviewed the Bank's talent and succession processes. The review confirmed that BMO's succession practices are solid and mature, and BMO exhibits leading practices in a number of areas.
- Made targeted moves in the executive leadership team this year, as part of the Bank's disciplined talent management and succession practice, to strengthen the depth of succession across the groups. The moves will also allow these leaders to develop their fullest potential and advance their succession readiness and preparedness.
- Focused on enriching the Committee's awareness of senior executives across the organization, to provide more insight into the leadership pipeline and comfort in senior leadership capability to deliver on aggressive business goals now and into the future.
- Made progress on an enterprise-wide strategy to improve diversity and inclusion across the organization, establishing a cross-enterprise leadership council and action plans within each business.

3. Compensation Program

BMO's executive compensation program includes a combination of cash (base salary + annual bonus) and deferred compensation (restricted share units, stock options and, for some executives, deferred stock units). Executives also receive benefits, pension and an annual taxable cash allowance.

Component	Form	Purpose	How it is determined
Base pay (salary)	Cash	A relatively small component of total compensation. Compensates individuals for fulfilling their responsibilities.	Based on the median of the comparable market, adjusted for each executive's responsibility and capability.
Short-term incentive plan	Cash or voluntary election of deferred stock units	Focuses on and motivates performance against specific individual and business objectives.	Targets are based on the median of the comparable market and on the executive's compensation mix.
Mid-term incentive plan	Restricted share units	Encourages executives to create sustainable Shareholder value and returns over a three-year performance cycle. Aligns with shareholder return.	Mid- and long-term incentive awards depend on the size of the incentive pools, which are performanced based and dependent on executive performance. Realized value depends on the price of BMO shares at payout. See page 48 for details.
Long-term incentive plan	Stock options and deferred stock units	Encourages executives to generate sustained Share price growth over the long term. Aligns with shareholder return.	
Benefits	Employee share ownership program (Canada) Share purchase plan (U.S.)	Encourages Share ownership.	Based on benefits provided in the industry.
	Health care insurance benefits	Promotes employee health and productivity in the workplace.	
Executive allowance	Annual taxable cash allowance	Supports business development and the roles executives play as the Bank's ambassadors.	Based on similar allowances in comparable markets.
Pension	Defined benefit or defined contribution pension plan	For all eligible employees, including executives.	Based on benefits provided in the industry.

About the incentive plans

	Who participates	Terms	Forfeiture	Clawbacks
Short-term incentive plan – cash	Executives and the CEO of BMO Capital Markets. (a).	Executives can voluntarily defer cash awards by choosing to receive some or all as deferred stock units, and must make this decision (which is irreversible) before the beginning of the fiscal year. Deferred stock units: • vest when received • can only be redeemed when employment with the Bank ends • are valued based on the market price of a Share on the day the units are redeemed • earn dividend equivalents, which are credited as additional units.		The Board or the Committee may claw back short-term incentive awards made in the past 12 months (whether they were in cash or taken as deferred stock units), if the Bank restates its financial statements or there is employee misconduct.
Mid-term incentive plan ("MTIP") – restricted share units	Executives and the CEO of BMO Capital Markets (a). The Committee does not consider MTIP awards or stock options the executive currently holds when determining the award.	Restricted share units • vest by the end of a three year term • continue to vest when an executive retires or is terminated without cause, subject to non-solicit, non-compete and country specific provisions • are valued based on the Share price on the date of payout • earn dividend equivalents, which are credited as additional units.	Executives may forfeit all restricted share units when: • an executive resigns or is terminated for cause • 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 • a terminated executive who solicits Bank employees • a retired executive who solicits employees and customers of the Bank.	The Board or the Committee may claw back restricted share units awarded if the Bank restates its financial statements. They can claw back restricted share units paid out in the past 12 months if the Bank restates its financial statements or there is employee misconduct. They can also reduce or eliminate restricted share units if they discover information that would have reduced the size of an award when it was granted.

(a) Capital Markets executives, other than the CEO of BMO Capital Markets, participate in the BMO Capital Markets Variable Compensation Plan (see page 65 for details).

About the incentive plans (continued)

	Who participates	Terms	Forfeiture	Clawbacks
Long-term incentive plan Stock option plan – options	Executives and members of the BMO Capital Markets Executive Committee. The Committee does not consider MTIP awards or stock options the executive currently holds when determining the award.	Options: • are granted on the day in December when the Board approves the CEO's compensation, unless the trading window is closed. (Board meetings are set two years in advance.) • have a 10-year term and vest 25% at the end of each year for four years. • can only be exercised after they have vested. The exercise price depends on the TSX closing price of the Shares on the trading day before the grant date. • are valued based on the difference between the option's exercise price and the market price of the Shares on the day the option is exercised. • See page 63 for more information.	Executives may forfeit all vested and unvested options when: • an executive resigns or is terminated for cause • 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 • a terminated executive who solicits Bank employees • a retired executive who solicits employees or customers of the Bank.	The Board or the Committee may claw back stock options granted after 2008 if the Bank restates its financial statements. They can also claw back any value an executive has received from exercising stock options in the past 12 months if the Bank restates its financial statements or there is employee misconduct.
Deferred stock plan – deferred stock units (not including deferred stock units received voluntarily under the short-term incentive plan)	Select executives	Deferred stock units: • can vest over time • can only be redeemed when the executive's employment with the Bank ends • are valued based on the market price of Shares on the day the deferred share unit is redeemed • earn dividend equivalents, which are credited as additional units.	Executives may forfeit all unvested deferred stock units when they resign or are terminated for or without cause.	The Board or the Committee can claw back any value received from redeeming deferred stock units in the past 12 months if the Bank restates its financial statements or there is employee misconduct.

Compensation mix

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

	As a percentage of target compensation						
	Cash compensation		Equity (deferred) compensation				
	Fixed	Variable					
Position	**Base salary**	**Cash bonus(a)**	**Restricted share units**	**Stock options**	**Deferred stock units(b)**	**Percent variable**	**Percent deferred**
President and CEO	13%	12%	38%	22%	15%	87%	75%
Chief Executive Officer, Capital Markets	6%	34%	30%	18%	12%	94%	60%
Senior Executives	17%	23%	30%	18%	12%	83%	60%
Executive Vice-Presidents	27%	23%	28%	22%	0%	73%	50%
Senior Vice-Presidents	35%	25%	26%	14%	0%	65%	40%
Vice-Presidents	44%	26%	24%	6%	0%	56%	30%

(a) Executives can choose to receive some or all of the short-term incentive bonus in deferred stock units, increasing the percentage of deferred compensation.
(b) Deferred stock units awarded by BMO.

The percentage of variable pay for the CEO, Senior Executives and Executive Vice-Presidents is significantly higher than other executive roles because of 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 compensation aligns with the FSB Principles. The CEO's deferred compensation is significantly above the guidelines (75% of his target total direct compensation).

Annual decision-making process

The Committee uses a disciplined process to make its compensation decisions every year, with input from management, including the Compensation Oversight Committee and the CEO (see page 39 for information about the Compensation Oversight Committee).

At the beginning of the year

Review corporate strategy	Set performance goals for the incentive plans	Set executive compensation targets and individual performance goals
The Board participates in a full day strategy meeting, where they discuss the Bank's five-year plan and one-year goals.	Management and the Compensation Oversight Committee jointly determine the business performance measures and weightings for the incentive plans, and set performance goals for the Bank overall and for each operating group. These: • support the business one-year goals and reinforce the Bank's strategic priorities and values • appropriately reflect risk and link to the Bank's risk appetite • can be achieved within the Bank's compliance and ethics objectives and requirements. They recommend these to the CEO, who in turn recommends them to the Committee. The Committee approves the performance measures and goals.	Management: • develops compensation targets based on the market median for the role • develops individual performance objectives aligned with the Bank's strategic and annual goals. Individual performance objectives include: • quantitative objectives, like revenue growth, expense management, profit growth and customer loyalty scores • qualitative objectives, like the executive's contribution to the organization through leadership, innovation, demonstrated commitment to customers and teamwork. The Committee: • reviews and approves compensation targets for the senior executives • reviews and approves individual performance objectives for the CEO, and recommends the CEO's compensation targets to the Board.

At the end of the year

Calculate business performance factors and pool funding	Finalize pool funding	Award annual compensation
Finance determines business results and calculates the business performance factor for each incentive plan (see below for details). Management and the Compensation Oversight Committee work together to: • ensure risk implications have been considered in assessing business results and in the variable incentive pool calculations • recommend additional adjustments or holdbacks to reflect risk, compliance or other factors when necessary They recommend variable pool funding for each incentive plan to the CEO, who then presents his recommendations to the Committee for approval.	The Committee may make a final adjustment to the size of each pool at its discretion based on its assessment of: • actual Bank and operating group performance results against the established goals • financial, risk and compliance assessment • secondary considerations, including performance results relative to competitors, quality of earnings (including non-recurring items), market share, the impact of acquisitions and other factors as needed.	Management including the CEO: • assesses the performance of the Senior Executives against individual performance objectives • presents compensation recommendations to the Committee for approval • reviews and approves compensation recommendations for all other executives. The Committee: • assesses CEO and Senior Executive performance against individual objectives, 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 and awards for other employees which exceed a dollar threshold.

Funding the incentive pools

There are three incentive pools: the short-term, mid-term and long-term pools. All three incentive pools use a similar formula for calculating final funding.

Target pool	x	Business performance factor	=	Incentive pool	+/-	Secondary considerations	=	Final pool funding
The sum of all of executive targets for the incentive plan.		0 to 150% for the short-term incentive pool. 80% to 120% for the mid- and long-term incentive pools.		The Committee may make a final adjustment to the size of each pool at its discretion.		The Committee can adjust the pools up or down for other considerations not captured explicitly in business performance.		The sum of the amounts awarded under each incentive plan cannot be higher than the total funding available in the approved incentive pool.

The table below includes the 2012 business performance measures and weightings used to calculate the business performance factor for each incentive pool, as well as this year's secondary considerations.

Short-term incentive pool

2012 Relative weightings by role		
	Bank performance measures	Operating group performance measures
CEO, CFO and CRO	100%	—
Operating group executives	25%	75%, executive's operating group measures
Corporate area executives	25%	75%, weighted average of all operating group measures

2012 Bank performance measures and weightings	
Adjusted revenue growth	30%
Adjusted earnings per share growth	30%
Adjusted return on equity	30%
Adjusted operating leverage	10%

2012 Operating group performance measures and weightings	P&C Canada	P&C U.S.	PCG	CM
Adjusted revenue growth	30%	30%	40%	
Adjusted net income growth	30%	30%	40%	
Adjusted return on equity	20%			40%
Adjusted return on tangible common equity		20%		
Adjusted net income after tax				40%
Adjusted operating leverage	10%	10%	10%	10%
Customer loyalty/experience	10%	10%	10%	10%

Adjusted measures are non-GAAP and are discussed more fully on pages 32, 98 and 99 of the Bank's 2012 Annual Report.

See page 51 for more information respecting short-term incentive performance measures.

Mid-term incentive pool

2012 Relative weightings by role		
	3-Year Total Shareholder Return ("TSR") (relative to Cdn Peer Group)	Operating Group short-term incentive performance measures
Senior Executives	100%	—
Operating Group executives	25%	75%, executive's operating group performance measures
Corporate area executives	25%	75%, weighted average of all operating group performance measures

Long-term incentive pool

2012 performance measures and weightings for all participants	
3-Year TSR (relative to Cdn Peer Group)	100%

Secondary considerations

Bank performance relative to Canadian peers
- adjusted Earnings Per Share ("EPS") growth
- adjusted net income growth
- adjusted Return on Equity ("ROE") (regulatory basis)
- adjusted provisions for credit losses as a percentage of loans and acceptances
- adjusted revenue growth
- adjusted expense growth.

Other
- significant non-recurring items (not identified as adjusting items)
- impact of acquisitions
- ROE (economic capital base)
- impact of provision for credit losses versus expected loss
- people leadership
- future growth/earning quality metrics
- NEP ("Net Economic Profit")

4. 2012 Results

Making Money Make Sense – the Bank's strategy to help our customers succeed and to give them the confidence they are making the right financial choices – has proven resilient despite continuing market uncertainty and global regulatory change.

This was clearly demonstrated by the year's strong financial results, including record net income of $4.2 billion, up 35% from 2011 (which reflects the Bank's progress and the value of its expanded North American footprint), and the results of the operating groups:

- Personal and Commercial Banking ("P&C") Canada's reported net income for the year was $1.8 billion, up 0.6% on a basis that uses expected provisions for credit losses and 3.4% on a basis that adjusts results to reflect actual losses, which is discussed more fully in the Provision for Credit Losses and Other Credit Quality Information section on page 40 of the 2012 Annual Report.
- P&C U.S. delivered adjusted net income for the year of US$579 million, up 48% over 2011. The Bank has developed an important and valuable U.S. banking franchise and there has been a significant increase in the strategic value of the U.S. business.
- 2012 was a good year for the Private Client Group ("PCG"). Adjusted net income increased 12% to $546 million with over $100 million contributed from the U.S.
- BMO Capital Markets delivered annual net income of $948 million with strong ROE of 20.1%.

Adjusted measures are non-GAAP measures as explained in BMO's Annual Report on pages 32, 98 and 99.

Earnings grew markedly relative to last year, the result of good execution and a well-defined strategy, furthered by the Bank's ongoing effort to occupy a differentiated position in the minds of customers.

Despite BMO's strong results, slowing organic revenue growth relative to the Bank's cost of doing business affected earnings and performance against the compensation performance measures established by the Committee early in fiscal 2012. As a result, funding for all incentive pools was down this year. The Committee viewed these goals as aggressive but fair. Total direct compensation for all NEOs was therefore lower than their target, and lower than last year.

2012 Compensation Awards

The table below shows the total compensation that was awarded to the NEOs for fiscal 2012, including the proportion of variable (at-risk) pay and deferred performance-based pay. See pages 52 to 57 for details about each executive's awards.

	Cash ($)		Equity (deferred) ($)							
	Fixed	Variable								
	Base salary	Cash bonus	Restricted share units	Stock options	Awarded deferred stock units	Voluntary deferred stock units (d)	Total direct compensation ($)	Percent variable	Percent deferred	Change from 2011
W.A. Downe (a)	1,254,000	1,000,000	3,550,000	2,100,000	1,300,000	0	9,204,000	87%	75%	- 7%
T.E. Flynn (b)	500,000	630,000	847,500	508,500	339,000	0	2,825,000	82%	60%	- 16%
M.F. Furlong (c)	600,000	648,000	1,076,000	645,600	430,400	0	3,400,000	82%	63%	n/a (e)
T.V. Milroy	500,000	2,430,000	2,360,000	1,415,000	945,000	0	7,650,000	93%	62%	- 4%
F.J. Techar (a)	601,920	525,000	1,050,000	630,000	420,000	175,000	3,401,920	82%	67%	- 12%

(a) Equivalent to base salaries of US$1.25 million for Mr. Downe and US$600,000 for Mr. Techar. See page 58 for details of currency conversion.
(b) In 2011, Mr. Flynn received additional compensation for his significant contribution in the merger negotiations and acquisition of M&I.
(c) All compensation is in USD. As part of Mr. Furlong's employment agreement, to recognize completion of the transition from M&I, he received a US$6 million payment on the one year anniversary of the M&I merger.
(d) The value of cash bonus amounts voluntarily taken as deferred stock units.
(e) There is no year-over-year comparison for Mr. Furlong's compensation because he started on July 6, 2011.

2012 performance

The Bank's financial performance this year was strong.

Measure	2012 Reported		2011 Reported		2010 Reported (d)		2012 vs 2011	
Net income after tax	$4,189 million		$3,114 million		$2,810 million		+35%	
ROE	15.9%		15.1%		14.9%		+80 bps	
Revenue	$16,130 million		$13,943 million		$12,239 million		+16%	
EPS	$6.15		$4.84		$4.75		+27%	
Provision for credit losses (a)	0.31%		0.56%		0.61%		-25 bps	
Efficiency ratio (b) (expense-to-revenue ratio)	63.5%		62.7%		62.2%		+80 bps	
Tier 1 capital ratio	12.6%		12.0%		13.5%		+60 bps	
	Bank	Cdn Peer Group	Bank	Cdn Peer Group	Bank	Cdn Peer Group	Bank	Cdn Peer Group
1-Year TSR (c)	5.2%	11.7%	2.4%	2.0%	26.4%	22.5%	+280 bps	+970 bps
3-Year TSR (c)	10.8%	11.2%	17.4%	15.2%	4.5%	4.7%	-660 bps	-400 bps

(a) Calculated as a percentage of average net loans and acceptances.
(b) The efficiency ratio is a key measure of productivity. It is calculated as non-interest expense divided by total revenues, expressed as a percentage.
(c) Average TSR for the Bank and the five other largest Canadian banks, calculated using the closing share price on October 31, 2012 and assuming reinvestment of dividends paid during the period.
(d) Results for 2010 are based on Canadian GAAP ("CGAAP") as defined at that time. Results for 2011 and 2012 are based on IFRS.

The Bank also made good progress against its enterprise strategic priorities this year.

Area of focus	Goal	Results

Customer loyalty	✓ Achieve industry-leading customer loyalty by delivering on our brand promise.	• Developed innovative new capabilities that provide our customers with guidance and advice, with an emphasis on digital banking and investing, to help them make sense of their financial decisions:
		  • BMO Investorline launched in Canada, adviceDirect, an innovative and personal service that provides investing advice to online investors.
		  • Introduced BMO Harris Mobile Banking in the United States.
		  • Introduced innovative new mobile capabilities in Canada.
		  • Now allow customers to book appointments with branch staff online.
		  • Moved to a unified coverage model in Capital Markets.
		• Continued our focus on instilling a customer-first mindset in our people and culture:
		  • Embedded customer experience as a core part of our learning, recruiting and talent programs.
		  • Rolled out and enhanced customer loyalty measurement systems across most of our businesses.
		• Received several external customer awards:
		  • Best Private Bank in Canada (Global Banking and Finance Review)
		  • Best Investment Bank in Canada (World Finance magazine)
		  • Best Trade Bank in Canada (Trade Finance magazine)
		  • Best Website User Experience: Canadian Banks (Forrester)
		  • Excellence in Telephone Banking (Synovate/IPSOS).

Productivity	✓ Enhance productivity to drive performance and Shareholder value.	• Redesigning our core processes to achieve a high-quality customer experience, create capacity for customer-facing employees and reduce costs:
		  • Introduced e-statements.
		  • Launched lean mortgage redesign.
		  • Launched high-performance trading platform in Capital Markets
		• Reviewed our cost structure to find ways to drive greater efficiency:
		  • Adjusting our organizational structure.
		  • Introduced new branch formats.
		  • Optimized our U.S. branch network.
		  • Implemented new office space standards.
		• Grew our distribution capacity:
		  • Built sales capacity in our Canadian branch network.
		  • Rolling out technology to identify and respond real-time to customer needs.

Leveraging North American network	✓ Leverage our consolidated North American platform to deliver quality earnings growth.	• Introduced attractive new offers to acquire and grow client relationships:
		  • Promoted our award-winning mortgage product to help Canadians become mortgage-free faster, pay less interest and protect themselves against rising interest rates.
		  • Launched our Open for Business campaign, making up to $10 billion of financing available to Canadian businesses over three years to help them improve productivity and expand into new markets.
		  • Opened over 15,000 U.S. savings accounts through Helpful Steps for Parents, which helps parents teach children to manage money responsibly.
		• Continued to expand our businesses and capabilities in the United States:
		  • Integrated our acquired M&I businesses, and continuing to develop consolidated North American capabilities and platforms in priority areas:
		  • Completed the core U.S. banking systems conversion and integrated all businesses.
		  • Advanced our agenda to build a consolidated North-South platform to leverage scale and transfer best practices, beginning with our contact centres, payments and commercial businesses.
		  • Launched a unique planning-focused wealth management and banking client experience.
		  • Broadened our commercial capabilities by creating a franchise finance specialty and opening new offices to drive growth.
		  • Acquired CTC Consulting, enhancing our wealth management and alternative investment research capabilities.
		  • Appointed a number of key roles, including a new Head of U.S. Anti-Money Laundering and a Chief Regulatory Officer responsible for providing leadership on emerging legislation and regulatory developments.

Global expansion	✓ Expand strategically in select global markets to create future growth.	• Only Canadian bank and one of only three North American banks with an established subsidiary bank in China. • Continued to build our Asian wealth management platform through the acquisition of a 19.9% equity interest in COFCO Trust Co., in a rapidly growing area of the wealth market. • Grew Trade Finance and International Financial Institution business substantially, supported by shifts in the global credit environment.
Risk management	✓ Ensure our strength in risk management underpins everything we do for customers.	• Reinforced our risk culture, focusing on risk independence and our three-lines-of-defence approach to managing risk across the enterprise. • Executed a formalized risk practice benchmarking program to assess our processes, identify best practices and implement enhancements in select high-priority risk areas. • Developed and implemented risk appetite and performance metrics at the line of business level and integrated them into our strategic planning process. • Launched a multi-year strategy to upgrade our risk technology infrastructure to provide the data and tools needed to support enhanced risk management capabilities. • Proactively managed our businesses to understand and address the impact of regulatory changes.

Incentive pool funding

Despite the Bank's strong financial performance and progress against strategic priorities, funding for all of the incentive pools was lower than target since performance fell short of the challenging compensation performance measures set for the year. The Committee approved the multipliers for all incentive pools, without making any adjustments.

The CEO, and the U.S. and Enterprise Compensation Oversight Committees assessed risk, financial and compliance factors and confirmed that these elements were appropriately reflected in final multipliers. The CEO and CFO also confirmed that the payment of variable incentives did not give rise to any concerns with the Bank's regulatory capital requirements.

Short-term incentive pool

Funding for the short-term incentive pools was down this year, reflecting:

- Overall Bank performance below its goals on two of its performance measures: revenue growth (reflecting slower growth in operating income) and operating leverage (reflecting lower productivity – the Bank's revenue growth slowed relative to the cost of doing business).
- Operating group performance was below target on most performance measures, which you can read about in the discussion of NEO awards.

Bank performance measures	2012 goal (a)	2012 actual (a)	Impact on pool funding
Adjusted revenue growth	12.1%	9.7%	Slightly below target
Adjusted EPS growth	12.1%	17.6%	
Adjusted ROE	15.5%	15.5%	
Adjusted operating leverage	2.2%	-2.8%	

(a) Management assesses the Bank's performance on both a GAAP basis and adjusted basis, which excludes the impact of adjusting items to facilitate understanding of business performance. Adjusted measures are non-GAAP and are discussed more fully on pages 32, 98 and 99 of the Bank's 2012 Annual Report. The 2012 Bank performance goals for compensation purposes were established on an adjusted basis. As such, they excluded the impact of certain credit-related items on the M&I purchased performing loan portfolio, M&I integration costs, the amortization of acquisition-related intangible assets, changes in the collective allowance for credit losses, amounts related to run-off structured credit activities, restructuring costs and income taxes related to those items. The Bank's actual results above were measured on a basis consistent with the Bank's performance goals for compensation purposes and as such for 2012 (2011) were determined excluding revenue of $1,063 million ($201 million), expenses of $725 million ($288 million) and provisions for credit losses of $294 million ($104 million) in respect of the preceding adjusting items. All of the adjusting items were allocated to Corporate Services except for the amortization of acquisition-related intangible assets, which totalled $134 million in 2012 ($70 million in 2011) and was allocated to the operating groups. For compensation purposes, an adjustment was made to PCG's adjusted results for measuring compensation to exclude a portion of a reduction to PCG's revenue that was considered not reflective of core operating performance.

Mid-term and long-term incentive pools

Funding of the mid-term and long-term incentive plan pools was down this year because the Bank's 3-Year TSR relative to the Canadian peer group was slightly below target. This reflects the moderation in the valuation of BMO's Share price in the last 24 months compared to our peers. 3-Year TSR is directly linked to our mid-and long-term strategy and is a useful proxy for the development of sustainable profitable growth.

Bank performance measures	2012 goal	2012 actual	Impact on pool funding
3-Year TSR (relative to Cdn Peer Group) (a)	At or above the average of the Cdn Peer Group	77 bps below the average of the Cdn Peer Group	Slightly below 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 does not match the 3-year TSR reported above or in our 2012 Annual Report.

Pay continued to be aligned with performance

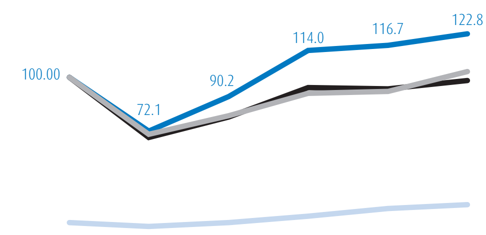
Shareholder returns

The chart below shows the alignment between executive compensation and Shareholder return over the past five years.

The chart compares the cumulative value of $100 invested in Shares on October 31, 2007 with the cumulative value of $100 invested in each of two TSX indices for the same period. The chart also compares compensation paid to the CEO, the CFO and the three most highly compensated NEOs in each year.

See page 52 for more information about how Mr. Downe's compensation aligns with Shareholder returns.

Cumulative Return ($)



	2007	2008	2009	2010	2011	2012
BMO Share Performance(a)	100.00	72.1	90.2	114.0	116.7	122.8
S&P/TSX Composite Index	100.00	68.6	79.5	94.9	94.1	98.3
S&P/TSX Composite Index Financials	100.00	70.4	80.1	91.9	92.7	103.0
NEO Total Compensation (b)(c)	24.7	22.4	24.7	27.7	31.7	33.8

(a) Cumulative value of $100 invested on October 31, 2007, 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 NEOs in each year.
(c) NEOs in 2012 and 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.

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 executive compensation has remained relatively consistent over the past three years and the cost-of-management ratio has significantly declined from 2011 as a result of increased net income after tax attributable to the M&I acquisition.

	2012 (a)	2011	2010 (b)
Net income after tax ($ millions)	**4,189**	3,114	2,810
Total aggregate NEO compensation ($ millions)	**27.8**	31.7	27.7
Cost of management ratio as a percentage of net income after tax	**0.66%**	1.02%	0.99%

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 2010, 2011 and 2012.

(a) Excludes Mr. Furlong's transition completion payment of US$6 million. With payment included, total aggregate NEO compensation is $33.8 million and cost of management ratio would be 0.81%.
(b) 2010 based on CGAAP, as defined at that time.

5. 2012 Compensation for the Named Executive Officers

W. A. Downe, President and Chief Executive Officer

Mr. Downe provides leadership and vision. Through the Board of Directors, he is accountable to Shareholders for defining, communicating and achieving the Bank's strategy and operational goals, and is responsible for enterprise-wide performance, financial results, including profit and loss, balance sheet and shareholder value metrics, and defining and maintaining a culture of corporate responsibility.

Mr. Downe has held the following positions with the Bank, in Canada and the U.S.:

1983	Joined the Bank
1999	Appointed Vice-Chair, Bank of Montreal
2001	Named Deputy Chair of BMO Financial Group and Chief Executive Officer, BMO Nesbitt Burns
2007	Appointed 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.

2012 compensation

(Cdn $)	2012 ($)	2011 ($)	2010 ($)
Cash			
Salary (a)	**1,254,000**	1,026,250	1,042,600
Short-term incentive (bonus)	**1,000,000**	1,150,000	2,850,000
Total cash	**2,254,000**	2,176,250	3,892,600
Equity			
Mid-term incentive	**3,550,000**	4,000,000	3,000,000
Long-term incentive			
• stock options	**2,100,000**	2,300,000	2,650,000
• deferred stock units	**1,300,000**	1,400,000	—
Total equity	**6,950,000**	7,700,000	5,650,000
Total direct compensation	**9,204,000**	9,876,250	9,542,600

(a) US$1.25 million in 2012; US$1.05 million in 2011

Target for 2012

At the end of 2011, the Board approved a remix of the elements of Mr. Downe's compensation targets, without increasing his total target compensation. The result was a US$200,000 increase in his base salary, to US$1.25 million, effective November 1, 2012, and a decrease in his target variable compensation by the same amount.

In 2012, the Board increased his total target compensation from $9.0 million to $9.5 million to reflect the market, taking into consideration size differences among the banks. His base salary remained unchanged.

Performance in 2012

The Board was very pleased with Mr. Downe's leadership this year, and believes he has positioned the Bank well for growth. Key this year was successfully integrating M&I, improving the total Bank's technology architecture, building north-south platform and management processes and continuing to move the Bank along the path to greater efficiency.

The Bank, however, fell short against the performance measures established for the incentive pools. The Committee felt these goals were aggressive but fair, and set Mr. Downe's total direct compensation at 3% below target, and 7% below 2011.

Individual objectives

The Committee assessed Mr. Downe's performance this year against Bank's enterprise strategic priorities in five categories:

✓ customer loyalty
✓ productivity
✓ leveraging the North American network
✓ global expansion
✓ risk management

Please see page 49 for a full discussion of Bank performance against its strategic priorities in 2012.

Incentive pool funding

Mr. Downe's incentive pools are funded based 100% on Bank performance. Funding for his short-term incentive pool was down this year because the overall Bank fell short on two of its four performance measures. Funding of the mid-term and long-term incentive plan pools was down this year because the Bank's 3-Year TSR relative to the Canadian peer group was slightly below target. See page 51 for details.

Target for 2013

Mr. Downe's total compensation target for 2013 remains unchanged from 2012.

Aligning pay with performance

One of the governing principles of BMO's compensation objectives is to align compensation with Shareholder interests. Deferring compensation is one way to accomplish this, and 75% of Mr. Downe's 2012 compensation is deferred.

The Committee also periodically asks its independent advisor to review CEO pay for performance. In 2012, the advisor compared BMO's business performance over the last one, three and five years with the CEO's total compensation, and concluded that BMO's pay was aligned to performance: (a) the Bank's performance lagged its peers over this period, and (b) Mr. Downe's compensation was below the median compensation for CEOs at the other peer banks.

The table below shows Mr. Downe's total direct compensation over the last five fiscal years, and its current value compared to Shareholder value. He was appointed President and CEO in 2007.

	Total direct compensation			
Fiscal year	Value at time of the award ($)	Value on Oct 31, 2012 ($)(a)	Value on October 31, 2012 as a percentage of value at the time of the award (%)(b)	Shareholder value ($)(c)
2007	5,464,245	3,035,646	56	123
2008	5,982,000	2,674,948	45	170
2009	7,450,000	6,978,042	94	136
2010	9,542,600	7,531,528	79	108
2011	9,876,250	8,524,708	86	105
Weighted average			**75**	**128**

(a) Mr. Downe's total direct compensation as measured on October 31, 2012 includes:
- actual salary and cash incentive payments received in the year of award
- the actual value received from vested share units and option exercises that were granted during measurement period
- the October 31, 2012 value of share units that have not vested
- the October 31, 2012 in-the-money value of stock options awarded
- compensation received in US$ has been converted into Cdn$ (see page 58 foreign exchange rates)
- for 2008 compensation, the amount awarded reflects the total compensation granted to Mr. Downe. The value at October 31, 2012 does not include the 2008 equity awards that Mr. Downe subsequently declined. The value of those awards would have been $8.5 million as at October 31, 2012.

(b) The value of Mr. Downe's total direct compensation measured on October 31, 2012 as a percentage of his total direct compensation in the year of the award.
(c) The cumulative value at October 31, 2012 of $100 invested in Shares on November 1 in the award year, including reinvested dividends.

Share ownership

Mr. Downe's share ownership exceeds the guidelines.

Share ownership as at December 31, 2012					
Required multiple	Shares ($)	RSUs ($)	DSUs ($)	Total share ownership ($)	Total shares as a multiple of base salary
7.0	13,596,063	11,500,400	13,324,182	38,420,645	30.64

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

Pension

Mr. Downe participates in the following:

- The Pension Fund Society of the Bank of Montreal ("PFS"), a federally-registered defined benefit pension plan for all eligible Canadian employees of the Bank.
- a Retirement Allowance Agreement ("RAA"), a Bank-funded non-registered agreement that defines his overall pension arrangement, clarifies his entitlement if there is a change of control, and limits his annual pension benefit to US$1 million regardless of his length of service, salary level, or bonuses.

Mr. Downe's total annual normal retirement pension benefit is:

- calculated as 2% of the sum of his last 12 months of salary and the average of his highest five consecutive short-term incentive plan awards, capped at 145% of base salary, multiplied by years of credited service
- based on his US$ salary and the US$ equivalent of his Canadian short-term incentive plan awards
- capped at US$1 million annually
- payable immediately subject to legislation, regulations and plan rules
- paid from the PFS as periodic payments. The remainder is converted into cash and paid in a lump sum according to the terms of the RAA.

His total annual retirement pension benefit has reached the cap and to date is Cdn$999,000, payable immediately on an unreduced basis. This benefit represents a US$1 million pension converted to Canadian dollars at the current foreign exchange rate.

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

Mr. Flynn is accountable for financial governance. He leads the development and implementation of Bank-wide treasury management practices and taxation strategies, corporate development, investor relations, management reporting, and ensuring effective governance and controls. He also provides leadership to the office of strategic management.

Mr. Flynn has held the following senior management positions with the Bank:

1992 Joined the Bank
2004 Named Executive Vice-President, Finance and Treasurer
2007 Became Acting Chief Financial Officer
2008 Named Executive Vice-President and Chief Risk Officer
2011 Appointed CFO

Mr. Flynn has an Honours Bachelor of Arts in Business Administration and a Master of Business Administration from the Ivey School of Business at University of Western Ontario, and is a Chartered Accountant.

2012 compensation

(Cdn $)	2012 ($)	2011 ($)	2010 ($)
Cash			
Salary	**500,000**	461,425 (a)	400,000
Short-term incentive (bonus)	**630,000**	772,000	880,000
Total cash	**1,130,000**	1,233,425	1,280,000
Equity			
Mid-term incentive	**847,500**	1,170,000	1,110,000
Long-term incentive			
• stock options	**508,500**	936,000	810,000
• deferred stock units	**339,000**	—	—
Total equity	**1,695,000**	2,106,000	1,920,000
Total direct compensation	**2,825,000**	3,339,425	3,200,000

(a) Base salary was increased to $500,000 during fiscal 2011 and no adjustment was made in 2012.

Target for 2012

The Committee assessed Mr. Flynn's target compensation and determined it was competitive.

Performance in 2012

The CEO assessed Mr. Flynn's 2012 performance against key individual objectives:

✓ Maintain strong financial controls and governance performance throughout the year
✓ Establish and lead the focused drive on productivity
✓ Support the integration of M&I
✓ Contribute to higher performance culture and talent management

Mr. Flynn performed well against his individual objectives this year. His total direct compensation was below target because funding of the incentive pool was down. His year-over-year compensation was down 16%. In 2011, Mr. Flynn received additional compensation for his significant contribution in the merger negotiations and acquisition of M&I.

Incentive pool funding

Mr. Flynn's incentive pools are funded based 100% on Bank performance. Funding for his short-term incentive pool was down this year because the Bank fell short on two of its four performance measures. Funding of the mid-term and long-term incentive plan pools was down this year because the Bank's 3-Year TSR relative to the Canadian peer group was slightly below target. See page 51 for details.

Target for 2013

Mr. Flynn's total compensation target is market competitive and remains unchanged for 2013.

Alignment with Shareholder interests

One of the governing principles of BMO's compensation objectives is to align compensation with Shareholder interests. Deferring compensation is one way to accomplish this, and 60% of Mr. Flynn's 2012 compensation is deferred.

Share ownership

Mr. Flynn's share ownership exceeds the guidelines.

Share ownership as at December 31, 2012					
Required multiple	Shares ($)	RSUs ($)	DSUs ($)	Total share ownership ($)	Total shares as a multiple of base salary
5.0	418,108	3,426,390	344,779	4,189,277	8.38

Pension

Mr. Flynn participates in the Canadian Executive Pension Program, a defined benefit pension program that includes:

- The Bank's PFS
- the Executive Supplementary Pension Plan, a Bank-funded non-registered arrangement for executives, designated managing directors and designated officers ("Supplementary Plan").

Mr. Flynn's total annual normal retirement pension benefit is:

- calculated as 1.25% of the total of his average pensionable salary and the average of his short-term incentive awards, 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, plus an additional 0.75% of his average pensionable salary multiplied by the years of contributory service, because he has chosen to enhance a portion of his pension benefit to a 2% formula and make optional contributions
- payable 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 legislation, regulations and plan rules
- paid as periodic payments, part from the PFS and the rest under the Supplementary Plan.

His total annual retirement pension benefit to date is $181,439, payable on a fully unreduced basis at age 65. This amount will increase with additional years of credited service and earnings. See page 61 for more information.

M.F. Furlong, President and Chief Executive Officer, BMO Harris Bank, N.A.

Mr. Furlong leads the U.S. 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 U.S. Personal and Commercial banking lines of business. Mr. Furlong held the following senior management positions with Marshall & Ilsley Corporation before the acquisition by BMO Financial Group:

2001 Joined Marshall & Ilsley Corporation as Senior Vice President and Chief Financial Officer
2004 Appointed to President of Marshall & Ilsley Bank
2007 Appointed to President and Chief Executive Officer, and Chief Executive Officer and Chairman in 2010 of Marshall & Ilsley Corporation.
2011 Appointed to current role on July 6, upon close of the acquisition of Marshall & Ilsley Corporation

Mr. Furlong has a Bachelor of Science degree from Southern Illinois University.

2012 compensation

(USD $)	2012 ($)	2011 ($) (July 6 to Oct 31)
Cash		
Salary	600,000	150,000
Short-term incentive (bonus)	648,000	270,000
Total cash	1,248,000	420,000
Equity		
Mid-term incentive	1,076,000	1,154,411
Long-term incentive		
• stock options	645,600	446,075
• deferred stock units	430,400	
Total equity	2,152,000	1,600,486
Total direct compensation	3,400,000	2,020,486

As part of Mr. Furlong's employment agreement, to recognize completion of the transition from M&I, he received a US$6 million payment on the one year anniversary of the M&I merger.

Performance in 2012

The CEO assessed Mr. Furlong's 2012 performance against individual objectives as well as P&C U.S. Group objectives:

✓ Successfully integrate our acquired M&I businesses.
✓ Maintain strong customer loyalty.
✓ Improve financial performance by growing revenue, effectively managing costs and continuing to optimize the distribution network.
✓ Deploy the Bank's unique commercial operating model, which drives growth by delivering local access and industry expertise to clients across a broad geographic footprint.

See page 49 of our Annual Report for a full discussion of 2012 group objectives and achievements.

Mr. Furlong performed well against his individual objectives this year. His total direct compensation was below target however, because funding of the incentive pools was down.

Incentive pool funding

Mr. Furlong's short-term incentive is funded based on a 25% weighting on Bank performance and 75% on P&C U.S. performance. Funding was down this year because the Bank fell short on two of its four performance measures, and P&C U.S. did not meet its five financial targets. Funding of the mid-term and long-term incentive plan pools was down this year because the Bank's 3-Year TSR relative to the Canadian peer group was slightly below target. See page 51 for details.

Short-term incentive plan

P&C U.S. measures (a)	2012 Performance	Commentary
Adjusted Revenue Growth	Below Target	Revenue growth of 49.9% versus 2011 was below target due to lower than target loan balances and lower than target spreads as the economic environment was weaker than anticipated at the time the target was established.
Adjusted Net Income Growth	Below Target	Net income growth of 48.1% versus 2011 was below target driven by lower than target revenue growth referenced above and higher than target expense growth.
Adjusted Operating Leverage	Below Target	Adjusted operating leverage of (0.4)% was below target due to lower than target revenue growth and higher than target expenses.
Adjusted Tangible ROE	Below Target	Tangible ROE was slightly below target as lower than target net income growth was only partially mitigated by lower equity.
Customer Loyalty/ Experience	Below Target	Customer loyalty measure was slightly below target.
Impact on Pool Funding	Below target, multiplier of 76%	

(a) Adjusted results reflect the exclusion of the amortization of acquisition-related intangible assets which totalled US$63 million in 2012 ($36 million in 2011). Adjusted measures are non-GAAP and are disclosed more fully on pages 32, 98 and 99 of the Bank's 2012 Annual Report.

See page 51 for Bank short-term incentive performance measures.

Target for 2013
Mr. Furlong's total compensation target is market competitive and remains unchanged for 2013.

Alignment with Shareholder interests
One of the governing principles of BMO's compensation objectives is to align compensation with Shareholder interests. Deferring compensation is one way to accomplish this, and 63% of Mr. Furlong's 2012 compensation is deferred.

Share ownership
Mr. Furlong's share ownership exceeds the guidelines.

Share ownership as at December 31, 2012					
Required multiple	Shares ($)	RSUs ($)	DSUs ($)	Total share ownership ($)	Total shares as a multiple of base salary
5.0	3,257,227	2,420,789	434,953	6,112,969	10.16

Pension
Mr. Furlong participates in the following:
- Employees Retirement Plan of the Bank of Montreal/Harris, a company paid, account-based plan offered to all eligible employees including executives of BMO Harris
- a supplementary executive retirement arrangement, a Bank-funded non-registered arrangement that defines his overall pension arrangement.

Mr. Furlong's overall pension benefit is:
- calculated as 55% of the highest 5-year average of the sum of base salary plus short term incentive over the last 10 years, offset by the benefit earned and paid from government benefits and other company sponsored retirement programs (such as the Employees' Retirement Plan of the Bank of Montreal/Harris)
- payable at age 62, but can be paid earlier on a reduced basis (reduction of 4% per year for each year that retirement precedes age 62)
- paid as periodic payments

His total annual retirement pension benefit to date is $391,743, payable on an unreduced basis at age 62.
This amount will increase with earnings. See page 61 for more information.

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 strategic direction, and delivering customer solutions and financial results of the Investment and Corporate Banking ("I&CB") and Trading Products lines of business.

Mr. Milroy has held the following senior management positions with the Bank:
1993 Joined the investment bank as Managing Director
2001 Appointed Vice-Chair of Investment & Corporate Banking
2006 Named Co-President of BMO Capital Markets
2008 Assumed leadership of Capital Markets

Mr. Milroy 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.

2012 compensation

(Cdn $)	2012 ($)	2011 ($)	2010 ($)
Cash			
Salary	**500,000**	483,333	400,000
Short-term incentive (bonus)	**2,430,000**	2,350,000	3,200,000
Total cash	**2,930,000**	2,833,333	3,600,000
Equity			
Mid-term incentive	**2,360,000**	2,575,000	1,727,500
Long-term incentive			
• stock options	**1,415,000**	2,575,000	1,672,500
• deferred stock units	**945,000**		
Total equity	**4,720,000**	5,150,000	3,400,000
Total direct compensation	**7,650,000**	7,983,333	7,000,000

(a) Base salary was increased to $500,000 during fiscal 2011 and no adjustment was made in 2012.

Target for 2012
The Committee increased Mr. Milroy's target compensation for 2012 to reflect the market. His base salary remained unchanged.

Performance in 2012
The CEO assessed Mr. Milroy's 2012 performance against individual objectives, as well as the BMO Capital Markets 2012 group objectives:
✓ Deliver a consistently great client experience through a unified coverage approach
✓ Continue to build out capabilities, particularly in the U.S.
✓ Develop Capital Markets capabilities in sectors where they can differentiate themselves in the market

See page 55 of our Annual Report for a full discussion of 2012 group objectives and achievements.

Mr. Milroy performed well against his individual objectives this year. His total direct compensation was below target however, and 4% below 2011, because funding of the incentive pools was down.

Incentive pool funding
Mr. Milroy's short-term incentive is funded based 25% on Bank performance and 75% on Capital Markets performance. Funding was down this year because the Bank fell short on two of its four performance measures, and Capital Markets did not meet three of four financial targets. Funding of the mid-term and long-term incentive plan pools was down this year because the Bank's 3-Year TSR relative to the Canadian peer group was slightly below target. See page 51 for details.

Short-term incentive plan		
Capital Markets Measures (a)	**2012 Performance**	**Commentary**
Adjusted Net Income	Below Target	Net income was below target driven by higher than target expenses. Revenue was at target.
Adjusted Operating Leverage	Below Target	Adjusted operating leverage of (4.2)% was below target due to higher than target expense growth.
Adjusted ROE	Below Target	ROE was slightly below target due to lower than target net income and higher than target equity.
Customer Loyalty/Experience	Above Target	Customer loyalty measure was slightly above target.
Impact on Pool Funding	Below target, multiplier of 88%	

(a) Adjusted results reflect the exclusion of the amortization of acquisition-related intangible assets which totalled $1 million in 2012 ($0 million in 2011). Adjusted measures are non-GAAP and are disclosed more fully on pages 32, 98 and 99 of the Bank's 2012 Annual Report.

See page 51 for Bank short-term incentive performance measures

Target for 2013

Mr. Milroy's total compensation target is market competitive and remains unchanged for 2013.

Alignment with Shareholder interests

One of the governing principles of BMO's compensation objectives is to align compensation with Shareholder interests. Deferring compensation is one way to accomplish this, and 62% of Mr. Milroy's 2012 compensation is deferred.

Share ownership

Mr. Milroy's share ownership exceeds the guidelines.

Share ownership as at December 31, 2012					
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	243,988	7,252,486	13,541,381	21,037,855	Exceeds requirement

Pension

Mr. Milroy participates in the BMO Nesbitt Burns Employee Retirement Plan, a provincially (Ontario) registered defined contribution pension plan 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 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.

See page 61 for more information.

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 has held the following senior management positions with the Bank:
1984 Joined the Bank
2001 Served as President and CEO of Harris Bankcorp, Inc.
2006 Appointed to current position

He began his career with the Bank in the Corporate Banking Division, and then gained several years of international experience in the U.S. and as Senior Vice-President and General Manager London, England.

Mr. Techar has a Bachelor of Science and an Engineering degree from Princeton University, and a Master in Business Administration from the University of Denver.

2012 compensation

(Cdn $)	2012 ($)	2011 ($)	2010 ($)
Cash			
Salary	**601,920(a)**	541,860	573,430
Short-term incentive (bonus)	**700,000**	843,000	1,287,000
Total cash	**1,301,920**	1,384,860	1,860,430
Equity			
Mid-term incentive	**1,050,000**	1,228,500	1,081,500
Long-term incentive			
• stock options	**630,000**	1,228,500	1,081,500
• deferred stock units	**420,000**	—	—
Total equity	**2,100,000**	2,457,000	2,163,000
Total direct compensation	**3,401,920**	3,841,860	4,023,430

(a) US$600,000

Target for 2012

The Committee increased Mr. Techar's target compensation for 2012 to reflect the market, increasing his base salary to US$600,000.

Performance in 2012

The CEO assessed Mr. Techar's 2012 performance against individual objectives, as well as the P&C Canada 2012 group objectives:

✓ Continue to enhance the customer experience and create a differentiated position in the Canadian market.
✓ Launch attractive and compelling new offers that drive results.
✓ Improve productivity of the sales and distribution network.
✓ Continue the redesign of core processes and technologies to achieve a high-quality customer experience, create capacity for customer-facing employees and reduce costs.

See page 46 of our Annual Report for a full discussion of 2012 group objectives and achievements.

Mr. Techar performed well against his individual objectives this year. His total direct compensation was below target however, and 12% below 2011, because funding of the incentive pools was down.

Incentive pool funding

Mr. Techar's short-term incentive is funded based on a 25% weighting on Bank performance and 75% on P&C Canada's performance. Funding was down this year because the Bank fell short on two of its four performance measures, and P&C Canada did not meet its five financial targets. Funding of the mid-term and long-term incentive plan pools was down this year because the Bank's 3-Year TSR relative to the Canadian peer group was slightly below target. See page 51 for details.

Short-term incentive plan		
P&C Canada Measures (a)	**2012 Performance**	**Commentary**
Adjusted Revenue Growth	Below Target	Revenue growth of 0.3% versus 2011 was below target due in part to the interest rate environment in fiscal 2012, which was lower than anticipated at the time the target was established and lower balance growth than target.
Adjusted Net Income Growth	Below Target	Net income growth of 0.7% versus 2011 was below target driven primarily by lower than target revenue growth referenced above.
Adjusted Operating Leverage	Below Target	Adjusted operating leverage of (1.2)% was below target due to lower than target revenue growth. Disciplined expense management due to lower than target revenue growth resulted in expense growth better than target.
Adjusted ROE	Below Target	ROE was slightly below target as lower than target net income growth was only partially mitigated by lower equity.
Customer Loyalty/ Experience	Below Target	Customer loyalty measure was slightly below target.
Impact on Pool Funding	Below target, multiplier of 79%	

(a) Adjusted results reflect the exclusion of the amortization of acquisition-related intangible assets which totalled $10 million in 2012 ($9 million in 2011). Adjusted measures are non-GAAP and are disclosed more fully on pages 32, 98 and 99 of the Bank's 2012 Annual Report.

See page 51 for Bank short-term incentive performance measures.

Target for 2013

Mr. Techar's total compensation target is market competitive and remains unchanged for 2013.

Alignment with Shareholder interests

One of the governing principles of BMO's compensation objectives is to align compensation with Shareholder interests. Deferring compensation is one way to accomplish this, and 67% of Mr. Techar's 2012 compensation is deferred, including his 25% voluntary election to defer a portion of his cash bonus into deferred stock units.

Share ownership

Mr. Techar's Share ownership exceeds the guidelines.

Share ownership as at December 31, 2012					
Required multiple	**Shares ($)**	**RSUs ($)**	**DSUs ($)**	**Total share ownership ($)**	**Total shares as a multiple of base salary**
5.0	2,872,409	3,669,752	5,055,644	11,597,805	19.27

Pension

Mr. Techar participates in the following:

- the Bank's PFS
- the final average earnings defined benefit portion of the Employees' Retirement Plan of the Bank of Montreal/Harris, a company paid, plan offered to all eligible employees including executives of BMO Harris which is now closed to new members
- a Retirement Allowance Agreement (RAA), a Bank-funded non-registered agreement that defines his overall pension arrangement and clarifies his entitlement if there is a change of control.

Mr. Techar's total annual normal retirement pension benefit is:

- calculated as 2% of the sum of his last 12 months of salary plus the average of his highest five consecutive short-term incentive awards, capped at 145% of base salary, multiplied by his years of credited service
- based on his US$ salary and the US$ equivalent of his Canadian short-term incentive plan awards
- payable at age 60, but can be paid years earlier on a reduced basis (reduction of 3% per year for each year that retirement precedes age 60) subject to legislation, regulations and plan rules
- paid from the PFS as periodic payments and from the Harris qualified plan as either periodic payments or in a lump sum (Mr. Techar's option). The rest is converted into cash and paid in a lump sum according to the terms of the RAA.

His total annual retirement pension benefit to date is $486,713, payable on an unreduced basis at age 60. This amount will increase with additional years of credited service and earnings. See page 61 for more information.

Executive Compensation Tables

Summary Compensation Table for Named Executive Officers

The table below shows the compensation earned in the last three fiscal years by the NEOs.

Name and principal position	Year	Salary ($)	Share-based awards ($)(a)	Option-based awards ($)(a)(b)	Non-equity incentive plan compensation ($) Annual incentive plans (c)	Long-term incentive plans (d)	Pension value ($)(e)	All other compensation ($)(f)	Total compensation ($)
W. A. Downe	2012	1,254,000	4,850,000	2,100,000	1,000,000		384,013	12,540	9,600,553
President and	2011	1,026,250	5,400,000	2,300,000	1,150,000		1,531,923	12,069	11,420,242
Chief Executive Officer	2010	1,042,600	3,000,000	2,650,000	2,850,000		626,526	12,772	10,181,898
T. E. Flynn	2012	500,000	1,186,500	508,500	630,000		66,854	14,959	2,906,813
Executive Vice-	2011	461,425	1,170,000	936,000	772,000		94,966	13,693	3,448,084
President and Chief Financial Officer	2010	400,000	1,110,000	810,000	880,000		113,572	11,967	3,325,539
M. F. Furlong	2012	601,920	1,496,759	641,468	650,074	6,019,200	481,087	12,540	9,903,048
President and Chief Executive Officer, BMO Harris Bank N.A.	2011(g)	147,780	1,177,846	455,130	266,004		124,780	0	2,171,540
T. V. Milroy	2012	500,000	3,305,000	1,415,000	2,430,000		3,500	3,000	7,656,500
Chief Executive	2011	483,333	2,575,000	2,575,000	2,350,000		3,500	3,000	7,989,833
Officer, Capital Markets	2010	400,000	1,727,500	1,672,500	3,200,000		3,500	3,000	7,006,500
F. J. Techar	2012	601,920	1,470,000	630,000	700,000		236,616	65,788	3,704,324
President and Chief Executive	2011	541,860	1,228,500	1,228,500	843,000		587,864	64,228	4,493,952
Officer, Personal and Commercial Bank Canada	2010	573,430	1,081,500	1,081,500	1,287,000		21,257	168,457	4,213,144

Cash compensation paid in US$ has been converted into Cdn$ at the average rate of exchange for each fiscal years as follows: for US$1.00 = In 2012, Cdn$1.0032: in 2011, Cdn$0.9852; in 2010, Cdn$1.0426.

Equity awards granted in US$ have been converted into Cdn$ for each fiscal year as follows: for US$1.00 in 2012, Cdn$0.9936; in 2011, Cdn$1.0203.

US$ pension values have been converted into Cdn$ values at an October 31st spot rate into Canadian dollar for each fiscal year as follows: US$1.00 = In 2012, Cdn$0.9990; in 2011, Cdn$0.9967; in 2010, Cdn$1.0202.

(a) The option-based and share-based awards reported are the most recently approved, rather than those 12 months in arrears. The amounts shown represent the value at the grant date in each of calendar years 2012, 2011 and 2010. The table does not show the value of option-based and share-based awards granted to each of the NEOs in fiscal 2010, from November 1 to December 31, 2009.
- The value of options granted during this period was: Mr. Downe $2,350,000; Mr. Flynn $750,000; Mr. Milroy $1,900,000; and Mr. Techar $975,000.
- The value of share-based awards during this period was: Mr. Downe $2,350,000; Mr. Flynn $750,000; Mr. Milroy $1,900,000; and Mr. Techar $975,000.

(b) A third party consultant prepared an estimate of the value of the options on the grant date, which was reviewed by the Bank's market risk group. The consultant uses a binomial pricing model, a commonly used valuation method. The consultant gave key assumptions used to determine the option fair value: historic dividend yield: 4.21%; historic Share price volatility: 25.63%; risk free rate of return: 2.0% and period until exercise: 10 years. Based on these assumptions, the compensation value of each option granted to the NEOs in December 2012 is $12.62 per option.

For accounting purposes, the option value methodology and assumptions used are consistent with the guidance in International Financial Reporting Standard 2, Share-Based Payments. A binomial option pricing model was used with the following assumptions: expected dividend yield 6.8% – 7.2%, expected Share price volatility 21.3% – 22.3%, risk free rate of return 1.5% – 1.8% and expected period until exercise 5.5 years – 7.0 years. Based on these assumptions, the weighted-average value of each option granted during fiscal 2012 is approximately $5.54 per option.

(c) Executives can defer a portion of their short-term cash incentive award and receive DSUs instead. This is what they elected to defer:

Year	NEO	% Deferred
2012	Mr. Techar	25%
2011	Mr. Techar	25%
	Mr. Milroy	25%
2010	Mr. Downe	50%
	Mr. Techar	25%
	Mr. Milroy	25%

(d) As part of Mr. Furlong's employment agreement, to recognize completion of the transition from M&I, he received a US$6 million payment on the one year anniversary of the M&I merger.

(e) Pension value includes the current service cost and the impact of differences between actual compensation and compensation estimated for actuarial purposes. (See page 61 for information about the pension plans and obligations).

(f) These amounts represent the Bank's contributions to the NEOs under the employee share purchase programs and the aggregate value of perquisites and benefits where they are above $50,000, or 10% of the total annual salary (whichever is lower). Mr. Techar's 2012 amount includes an executive allowance of $31,000 and tax preparation fees of $13,776.

(g) Mr. Furlong's 2011 compensation represents the compensation he earned from July 6, 2011 to October 31, 2011 while employed by the Bank.

Outstanding Option-based Awards and Share-based Awards

The table below shows the value of the outstanding option-based and share-based awards for each of the NEOs as of October 31, 2012.

		Option-based awards				Share-based awards		
Name	Grant date	Number of securities underlying unexercised options	Option exercise price ($)	Option expiration date	Value of unexercised in-the-money options ($)(a)(b)	Number of shares or units of shares that have not vested	Market or payout value of share-based awards that have not vested ($)	Market or payout value of vested share-based awards not paid out or distributed ($) (c)
W. A. Downe	December 10, 2002	22,916	40.85	December 10, 2012	416,384			
	January 05, 2004	14,553	53.93	January 05, 2014	74,075			
	January 05, 2004	14,553	53.93	January 05, 2014	74,075			
	January 05, 2004	14,994	53.93	January 05, 2014	76,319			
	December 08, 2004	13,332	56.60	December 08, 2014	32,263			
	December 08, 2004	13,332	56.60	December 08, 2014	32,263			
	December 08, 2004	13,736	56.60	December 08, 2014	33,241			
	December 08, 2005	15,279	62.99	December 08, 2015	0			
	December 08, 2005	15,279	62.99	December 08, 2015	0			
	December 08, 2005	15,742	62.99	December 08, 2015	0			
	December 14, 2006	32,439	68.97	December 14, 2016	0			
	December 14, 2006	32,439	68.97	December 14, 2016	0			
	December 14, 2006	33,422	68.97	December 14, 2016	0			
	December 13, 2007	54,582	60.23	December 13, 2017	0			
	December 13, 2007	54,582	60.23	December 13, 2017	0			
	December 13, 2007	56,236	60.23	December 13, 2017	0			
	December 01, 2009					51,379	3,032,371	
	December 10, 2009	183,194	53.45	December 10, 2019	1,020,391			
	December 22, 2010					54,600	3,222,487	
	December 22, 2010	199,408	57.78	December 22, 2020	247,266			
	December 13, 2011					72,274	4,265,640	
	December 13, 2011	178,572	56.00	December 13, 2021	539,287			
Total		978,590			2,545,565	178,253	10,520,497	11,495,763
T. E. Flynn	December 08, 2004	10,250	56.60	December 08, 2014	24,805			
	December 08, 2004	10,250	56.60	December 08, 2014	24,805			
	December 08, 2005	10,800	62.99	December 08, 2015	0			
	December 08, 2005	10,800	62.99	December 08, 2015	0			
	December 14, 2006	11,800	68.97	December 14, 2016	0			
	December 14, 2006	11,800	68.97	December 14, 2016	0			
	December 13, 2007	17,300	60.23	December 13, 2017	0			
	December 13, 2007	17,300	60.23	December 13, 2017	0			
	December 11, 2008	70,320	34.13	December 11, 2018	1,750,265			
	December 01, 2009					16,397	967,778	
	December 10, 2009	58,466	53.45	December 10, 2019	325,656			
	December 22, 2010					20,202	1,192,320	
	December 22, 2010	60,951	57.78	December 22, 2020	75,579			
	December 13, 2011					21,140	1,247,700	
	December 13, 2011	72,671	56.00	December 13, 2021	219,466			
Total		362,708			2,420,576	57,740	3,407,798	0
M. F. Furlong	October 27, 2003	2,932	207.14	October 27, 2013	0			
	October 27, 2003	8,723	207.14	October 27, 2013	0			
	October 27, 2004	4,278	249.77	October 27, 2014	0			
	October 27, 2004	12,727	249.77	October 27, 2014	0			
	October 28, 2005	17,006	254.95	October 28, 2015	0			
	October 30, 2006	15,305	286.20	October 30, 2016	0			
	October 19, 2007	28,343	249.83	October 19, 2017	0			
	October 29, 2008	32,606	148.45	October 29, 2018	0			
	December 13, 2011					21,282	1,256,072	
	December 13, 2011	35,337	56.00	December 13, 2021	106,718			
Total		157,257			106,718	21,282	1,256,072	0

		Option-based awards				Share-based awards		
Name	Grant date	Number of securities underlying unexercised options	Option exercise price ($)	Option expiration date	Value of unexercised in-the-money options ($)(a)(b)	Number of shares or units of shares that have not vested	Market or payout value of share-based awards that have not vested ($)	Market or payout value of vested share-based awards not paid out or distributed ($) (c)
T. V. Milroy	January 05, 2004	14,350	53.93	January 05, 2014	73,042			
	January 05, 2004	14,350	53.93	January 05, 2014	73,042			
	December 08, 2004	8,200	56.60	December 08, 2014	19,844			
	December 08, 2004	8,200	56.60	December 08, 2014	19,844			
	February 07, 2006	5,700	67.94	February 07, 2016	0			
	February 07, 2006	5,700	67.94	February 07, 2016	0			
	December 14, 2006	5,250	68.97	December 14, 2016	0			
	December 14, 2006	5,250	68.97	December 14, 2016	0			
	December 13, 2007	12,050	60.23	December 13, 2017	0			
	December 13, 2007	12,050	60.23	December 13, 2017	0			
	March 27, 2008	61,302	45.00	March 27, 2018	859,454			
	December 11, 2008	35,710	34.13	December 11, 2018	888,822			
	December 1, 2009					41,540	2,451,704	
	December 10, 2009	148,114	53.45	December 10, 2019	824,995			
	December 22, 2010					31,440	1,855,615	
	December 22, 2010	125,853	57.78	December 22, 2020	156,058			
	December 13, 2011					46,527	2,746,006	
	December 13, 2011	199,923	56.00	December 13, 2021	603,767			
Total		662,002			3,518,867	119,507	7,053,325	12,049,623
F. J. Techar	January 05, 2004	16,533	53.93	January 05, 2014	84,153			
	January 05, 2004	16,533	53.93	January 05, 2014	84,153			
	January 05, 2004	17,034	53.93	January 05, 2014	86,703			
	December 08, 2004	16,368	56.60	December 08, 2014	39,611			
	December 08, 2004	16,368	56.60	December 08, 2014	39,611			
	December 08, 2004	16,864	56.60	December 08, 2014	40,811			
	December 08, 2005	17,061	62.99	December 08, 2015	0			
	December 08, 2005	17,061	62.99	December 08, 2015	0			
	December 08, 2005	17,578	62.99	December 08, 2015	0			
	December 14, 2006	20,988	68.97	December 14, 2016	0			
	December 14, 2006	20,988	68.97	December 14, 2016	0			
	December 14, 2006	21,624	68.97	December 14, 2016	0			
	December 13, 2007	26,136	60.23	December 13, 2017	0			
	December 13, 2007	26,136	60.23	December 13, 2017	0			
	December 13, 2007	26,928	60.23	December 13, 2017	0			
	December 11, 2008	86,149	34.13	December 11, 2018	2,144,249			
	December 01, 2009					21,317	1,258,112	
	December 10, 2009	76,006	53.45	December 10, 2019	423,353			
	December 22, 2010					19,683	1,161,707	
	December 22, 2010	81,381	57.78	December 22, 2020	100,912			
	December 13, 2011					22,197	1,310,085	
	December 13, 2011	95,381	56.00	December 13, 2021	288,051			
Total		633,117			3,331,606	63,197	3,729,903	4,265,633

(a) The value of some of the unexercised options is $0 because the exercise price is higher than the closing price of the Shares on the TSX on October 31, 2012 ($59.02.).
(b) The value of unexercised in-the-money options is equal to the difference between the exercise price of the options and the closing price of the Shares on the TSX on October 31, 2012 ($59.02). This includes options that have not yet vested or cannot be exercised because they are subject to 50% or 100% price condition hurdles that have not been reached.
(c) Represents the aggregate value of annual cash bonuses the NEO voluntarily elected to defer into DSUs and the dividend equivalents earned as additional DSUs.

Incentive Plan Awards – Value Vested or Earned

The table below shows the value of the option-based awards, share-based awards and non-equity incentive plan compensation that vested or was earned during fiscal 2012.

Name	Option-based awards – value vested during the year ($)(a)	Share-based awards – value vested during the year ($)(b)	Non-equity incentive plan compensation – Value earned during the year ($)(c)
W. A. Downe	116,787	0	1,000,000
T. E. Flynn	421,748	1,761,930	630,000
M. F. Furlong	0	0	6,669,274(d)
T. V. Milroy	1,098,527	3,148,762	2,430,000
F. J. Techar	519,469	2,034,572	700,000

(a) The value of the stock options that vested during the fiscal year is based on the difference between the exercise price of the options and the Share closing price on the TSX on the vesting date. Options are valued at $0 if the Share closing price on the vesting date was below the exercise price.
(b) The value of share-based awards that vested and were paid out during the fiscal year includes dividend equivalents earned on outstanding DSUs during the period. Dividend equivalents are valued at Shares closing price on the TSX on October 31, 2012 ($59.02).
(c) These are the annual cash incentive awards for 2012. This table includes the full amount of the annual cash incentive even if a portion was voluntarily deferred into DSUs.
(d) As part of Mr. Furlong's employment agreement, he received a US $6 million transition bonus to be paid on the first anniversary of the merger at M&I.

Defined Benefit Pension Plan Table

The table below describes the defined benefit pension plans, including the annual pension payable to the NEOs for three pension-eligibility time-frames - year end, normal retirement and age 65 - and accrued obligations determined on a defined benefit basis.

Name	Number of years credited service	Annual benefits payable ($)(a)(b) At year end	At normal retirement(c)	At age 65	Accrued obligation at start of Year ($)(d)	Compensatory change ($)(e)	Non- compensatory change ($)(e)	Accrued obligation at year end ($)(d)
W. A. Downe	29.42	999,000(f)	999,000(f)	999,000(f)	13,824,084	384,013	1,158,721	15,366,818
T.E. Flynn	19.92	181,439	253,319	355,771	1,213,085	66,854	350,778	1,630,717
M. F. Furlong	1.33	391,743	567,570	498,943	3,168,306	481,087	484,135	4,133,528
F. J. Techar	28.00	486,713(g)	550,450(g)	635,913(g)	6,069,956	236,616	1,047,847	7,354,419

(a) Annual benefits payable are inclusive of all pension entitlements from the Bank and do not reflect the reduction of benefits due to early retirement.
(b) All annual benefits shown reflect earnings as of October 31, 2012
(c) According to their pension arrangements, Messrs. Downe and Techar have a normal retirement age of 60. Mr. Furlong has a normal retirement age of 62. A portion of Mr. Flynn's pension will be unreduced at age 60 and his total pension will be unreduced at his normal retirement age 65.
(d) Accrued obligation is the present value of the accrued benefit, calculated using the same actuarial assumptions and methods used to calculate the pension liabilities in the consolidated financial statements. The assumptions reflect a best estimate of future events, so the values shown may not be directly comparable to similar estimates of pension liabilities disclosed by other corporations. Also, if an NEO is entitled to a lump sum payment on retirement, the lump sum payment may be significantly different compared to the accrued obligation because of differences between the lump sum assumptions (which are dependent on economic conditions at the time of retirement) and the assumptions used to prepare the consolidated financial statements.
(e) Compensatory Change consists mainly of the service cost (the present value of the additional benefit earned during the year by virtue of accruing service) and differences between actual compensation and compensation estimated for actuarial purposes. Non-Compensatory Change includes interest on the obligation and changes in assumptions, changes in exchange rates, non-compensatory plan experience (such as retirement behaviour other than as expected) and employee contributions.
(f) A portion of Mr. Downe's annual pension benefit will be payable as an annuity from the Pension Fund Society of the Bank of Montreal (PFS). The balance of the total annual pension entitlement will be converted to a lump sum on retirement. The annual pension is subject to a total pension entitlement cap of US$1,000,000. The Cdn$ 999,000 annual benefit payable has been converted from US$1,000,000 at the exchange rate outlined in the notes to the Summary Compensation Table.
(g) A portion of Mr. Techar's annual pension benefit will be payable from the PFS, a portion from the Harris Qualified Plan and the balance of the total annual pension entitlement will be converted to a lump sum on retirement. The benefit amounts shown have been converted from US$ at the exchange rate outlined in the notes to the Summary Compensation Table.

Defined Contribution Pension Plan Table

The table below describes the defined contribution pension plan for Mr. Milroy.

Name	Defined Contribution Pension Plan Accumulated value at start of year ($)	Compensatory ($)(a)	Defined Contribution Pension Plan Accumulated value at year-end ($)
T. V. Milroy	77,841	3,500	87,445

(a) The compensatory component of this disclosure includes only the Bank's contributions to the defined contribution pension plan on behalf of Mr. Milroy. The Plan does not provide "above market investment earnings".

Termination and Change of Control Benefits

The table below explains how the components of the executive compensation program for the NEOs are treated under five termination scenarios and where applicable the incremental payment.

Compensation element	Resignation	Termination with cause	Termination without cause(a)	Retirement (early or normal)	Change in control
Base Pay (Salary)	Ceases immediately	Ceases immediately	Severance paid as a lump sum or salary continuation	Normal retirement provisions apply	No incremental payment
Short Term Incentive Plan (Bonus)	Forfeited	Forfeited	As negotiated	Pro-rated for the year	No incremental payment.
Bank Mid-Term Incentive Plan (RSU)	Forfeited	Forfeited	Normal vesting and payout dates apply to RSUs RSUs are forfeited if non-solicit provision is breached or if employee engaged in misconduct while employed	Normal vesting and payout dates apply to RSUs RSUs are forfeited if non-solicit and non-compete provisions are breached or if employee engaged in misconduct while employed	Normal vesting and payout dates apply
Long-Term Incentive Plan (Stock options)	All options are cancelled	All options are cancelled	All vested options expire in 90 days. If non-solicit provision is breached, all options are cancelled. However, if employee is at retirement age, the retirement provisions apply instead.	All options expire at the earlier of five years from retirement or normal expiry. If non-compete and non-solicit provisions are breached, all options are cancelled	If terminated without cause within 24 months after change in control, all options become fully vested and will expire within 90 days
Deferred Stock Units	Units are redeemed if vested, otherwise forfeited	Units are redeemed if vested, otherwise forfeited	Units are redeemed if vested, otherwise forfeited	Units are redeemed	Participation continues

Compensation element	Resignation	Termination with cause	Termination without cause(a)	Retirement (early or normal)	Change in control
Canadian Executive Pension Program	No incremental payment	No incremental payment	Prior to age 55, bonus related pension provision (1.25% of best average earnings less the average pensionable salary, multiplied by credited service) is payable	No incremental payment	No incremental payment
BMO Nesbitt Burns Pension Plan	No incremental payment	No incremental payment	No incremental payment	No incremental payment	No incremental payment
Retirement Allowance Agreement (RAA)	No incremental payment	No incremental payment	Granted an additional two years of credited service plus severance payment equal to two times the sum of annual salary plus the average of the best five consecutive bonuses	No incremental payment	The payment is the same as Termination Without Cause, if there is a change of control and within 24 months the executive is terminated without cause
Supplemental Retirement Executive Arrangement (SREA)	No incremental payment	No incremental payment	No incremental payment	No incremental payment	No incremental payment
Benefits(b)	None	None	None	None	None
Perquisites	Ceases	Ceases	Subject to negotiation	Ceases	No incremental payment

(a) Termination without cause includes voluntary termination by the executive for good reason.
(b) The employment agreement for Mr. Furlong provides for three years of medical benefits following the date of termination.

The table below shows the estimated incremental payments to each NEO at, following, or in connection with each of the termination scenarios below as at October 31, 2012 (a).

Name	Type of Payment	Resignation ($)	Termination with cause ($)	Termination without cause ($)(b)	Retirement (early or normal) ($)	Change in control ($)
W. A. Downe	Total cash severance	0	0	6,794,700	0	6,794,700
	Stock options	0	0	0	0	1,867,215
	Pension	0	0	0	0	0
	Total	0	0	6,794,700	0	8,661,915
T. E. Flynn	Total cash severance	0	0	0	0	0
	Stock options	0	0	0	0	901,351
	Pension	0	0	55,269	0	55,269
	Total	0	0	55,269	0	956,620
M. F. Furlong	Total cash severance	0	0	5,074,920	0	0
	Stock options	0	0	0	0	106,718
	Pension	0	0	0	0	0
	Benefits(c)	0	0	38,302	0	38,302
	Total	0	0	5,113,222	0	145,020
T. V. Milroy	Total cash severance	0	0	0	0	0
	Stock options	0	0	0	0	2,115,016
	Pension	0	0	0	0	0
	Total	0	0	0	0	2,115,016
F. J. Techar	Total cash severance	0	0	3,093,869	0	3,093,869
	Stock options	0	0	0	0	1,362,770
	Pension	0	0	30,941	0	30,941
	Total	0	0	3,124,810	0	4,487,580

(a) The estimated incremental benefit received by the NEO excludes statutory benefits. Calculations assume the NEO ceased to be an employee on October 31, 2012. Values are based on the closing Share price on the TSX on October 31, 2012 ($59.02). Incremental payments in $US have been converted at US$1.00 = Cdn$0.9990.
- Severance payments for Mr. Downe and Mr. Techar are governed by their RAAs. Common law would determine severance payments for Mr. Flynn and Mr. Milroy, and Mr. Furlong's severance would be in respect of salary and bonus for the remainder of the term of his employment agreement.
- Stock option values shown are the in-the-money amount of options vesting earlier than normal. Accelerated vesting of stock options would occur if the NEO is terminated without cause within 24 months of the change of control.
- Pension payments for Mr. Downe and Mr. Techar are governed by their RAAs. Mr. Downe has reached the US$1,000,000 pension cap and no additional amounts are payable under his RAA. Payments for Mr. Flynn are governed by the Canadian Executive Pension Program, Mr. Furlong by his SREA and Mr. Milroy by the BMO Nesbitt Burns Pension Plan.

(b) Termination without cause includes voluntary termination by the executive for good reason.
(c) The employment agreement for Mr. Furlong provides for three years of medical benefits following the date of termination.

Other Information

Bank's Stock Option Plans

The only compensation plans under which the Bank issues equity securities are the Stock Option Plan, Non-Officer Director Stock Option Plan and the M&I stock option plans BMO assumed when it acquired M&I.

Stock Option Plan – Shareholders approved this plan in 1995, and approved an amendment to increase the number of Shares issuable under the Plan at the Annual Meeting of Shareholders on March 3, 2009.

Non-Officer Director Stock Option Plan – Shareholders approved this plan in 2002. The Board decided to discontinue granting options under the plan effective November 1, 2003. There are currently no stock options outstanding under the plan (see pages 18 and 65 for more information on the Non-Officer Director Stock Option Plan).

Dilution Impact of Long-Term Incentive Plan

At any time, there are a number of options available to be issued, plus options outstanding that have not yet been exercised. These are known as overhang. To reduce the future dilutive effects stock options have on share value, the Committee has established a guideline limiting overhang to 7.5% or less of the total number of issued and outstanding Shares. The Bank also monitors the outstanding options (dilution) and the number of options issued each year (burn rate).

The table below shows these key measures, and shows our management of stock option awards to minimize the dilutive effect on Shareholders.

	Measure (shown as a % of issued and outstanding Shares as of October 31, 2012)		
	2012	**2011**	**2010**
Overhang (a)	3.49%	3.99%	4.37%
Dilution (b)	2. 43%	2.66%	2.69%
Burn rate (c)	0.39%	0.86% (d)	0.31%

(a) Overhang is the total number of options available to be issued, plus all options outstanding that have not yet been exercised, expressed as a percentage of the total number of issued and outstanding Shares at the end of the fiscal year.
(b) Dilution is the number of options issued but not exercised, expressed as a percentage of the total number of issued and outstanding Shares at the end of the fiscal year.
(c) Burn rate is the number of stock options issued during the year, expressed as a percentage of the total number of issued and outstanding Shares at the end of the fiscal year.
(d) The burn rate increased in 2011 because of the conversion of outstanding M&I stock options into options to purchase Shares when the M&I acquisition closed. Excluding the impact of the M&I conversion, the burn rate would have been 0.29% in 2011.

Securities Authorized for Issuance under the Equity Compensation Plans

The table below shows (at October 31, 2012):

- Shares to be issued when outstanding options under the various stock options plans are exercised
- remaining number of Shares available for issuance under the Stock Option Plan (there are no further Shares available for issue under the M&I stock option plans and the Non-Officer Director Stock Option Plan).

Shareholders have approved all equity compensation plans that involve the issuance of Shares. See page 64 to 65 for a description of the material features of each plan.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a) (1)	Weighted-average exercise price of outstanding options, warrants and rights (b) (2)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by the security holders	15,801,966	$79.96	6,897,964
Equity compensation plans not approved by the security holders	Nil	Nil	Nil
Total	15,801,966	$79.96	6,897,964

(1) Includes outstanding M&I stock options that were converted into options to purchase Shares when the M&I acquisition closed, in accordance with the purchase agreement.
(2) Includes the weighted-average exercise price for the converted M&I stock options.

Bank's Stock Option Plan – Issuance Limits

Eligibility	Options granted to employees and employees on a temporary leave of absence of the Bank and its affiliates at Committee discretion
Maximum number of Shares issuable	75,876,632 Shares (representing 11.62% of issued and outstanding Shares as at February 28, 2013)
Currently issued (dilution)	16,982,296 Shares issuable upon exercise of outstanding options (representing 2.60% of the Bank's issued and outstanding Shares as at February 28, 2013)
Available for issue	4,995,022 Shares remaining available for issuance (representing 0.77% of the Bank's issued and outstanding Shares as at February 28, 2013)
Other limits	The number of Shares issuable to insiders, at any time, under all security based compensation arrangements, cannot exceed 10% of the issued and outstanding Shares; and the number of Shares issued to insiders, within any one year period, under all security based compensation arrangements, cannot exceed 10% of the issued and outstanding Shares. Maximum number of Shares reserved for issuance under options to any one participant cannot exceed 5% of the Shares then issued and outstanding
Committee guideline (overhang)	The Committee adopted a guideline that the total number of options available for issue, plus all options outstanding that have not yet been exercised, should be 7.5% or less of the total number of the Bank's issued and outstanding Shares

Bank's Stock Option Plan – Conditions

Maximum option term	10-year expiry date from date of grant. Term is extended if the expiry falls during a Bank trading black-out period to fifth business day after blackout period is lifted; except that any option holder who is a U.S. taxpayer is excluded from this provision
Exercise price	Equal to the closing price of the Shares on the TSX on the trading day immediately preceding the date of grant
Vesting and exercise of options	Stock options must have vested before they can be exercised. Options vest 25% per year over four years. For stock options that include a price-condition, in addition to vesting, the Shares must meet or exceed Share price growth conditions before options can be exercised. Beginning in 2013, the Committee may outline different vesting terms in the participant's award acknowledgement. The Committee has full discretion to determine the number of options to be granted in the form of standard options and price-conditioned options.
Expiry of options	The earlier of: (i) The fifth anniversary of a participant's retirement date (ii) The third anniversary of the date of termination of full-time employment due to disability or death (iii) The 10-year anniversary of date of grant Options are forfeited if a participant resigns or is terminated for cause. For termination without cause, the participant may exercise outstanding exercisable options within 90 days of termination. All remaining options are then forfeited
Transfer/ assignment	Only by will or under succession laws
Forfeiture on financial restatement or detrimental act committed while employed	All or a portion of an executive's vested and non vested options may be forfeited in the event of a financial restatement or if it is discovered that a former executive while employed committed an act detrimental to the Bank
Forfeiture on competition	Options may be forfeited where a retired participant or participant on permanent disability competes with the Bank or solicits the Bank's employees or customers and when a participant who was terminated without cause solicits the Bank's employees or customers
Change of control	If an executive is terminated (other than for cause) within 24 months of a change of control, the executive's options vest immediately and the executive has 90 days to exercise
Plan changes	The Committee or Board of Directors may amend, modify or terminate the Plan at any time provided that any changes do not decrease entitlements that have accrued prior to the date of change. Changes are subject to Shareholder approval where such change (i) increases the number of Shares reserved for issuance under the Plan (ii) reduces the exercise price of an option (the cancellation or termination of an option of a Plan participant prior to its expiry date for the purpose of re-issuing options to the same Plan participant with a lower exercise price shall be treated as an amendment to reduce the exercise price of an option) (iii) extends the term of an option beyond the expiry date (except where an expiry date would have fallen within a blackout period of the Bank) (iv) extends eligibility to participate in the Plan to non-employee directors (v) permits options or stock appreciation rights to be transferred other than for normal estate settlement purposes (vi) extends the expiry date of an option beyond 10 years from its grant date (except where an expiry date would have fallen within a blackout period of the Bank) (vii) permits awards, other than options and stock appreciation rights, to be made under the Plan Amendments which may be made without Shareholder approval include amendments of a "housekeeping" nature, the addition of covenants of the Bank for the protection of participants, adjustments to outstanding options in the event of certain corporate transactions, specifying practices with respect to applicable tax withholdings, a change to the vesting provisions of an option and a change to the termination provisions of an option which does not entail an extension of the term of the option beyond its original expiry date
Exercise process	(i) executives open a BMO brokerage account (ii) when the option is exercised, the account is debited for the amount of the strike price and, to the extent that the amount debited exceeds available funds in the account, the executive is charged interest at the same rate charged to customers for purchases of securities on margin (iii) when the executive has elected to sell all or some of the Shares issued upon the exercise of the options, brokerage firm retains a portion of the sale proceeds to cover the strike price, applicable commissions and taxes and debit interest (iv) when any executive has elected to hold the Shares issued upon the exercise of the options, he or she must pay the strike price, applicable commissions and taxes and debit interest An executive may also elect to surrender their in-the-money options a day prior to expiry in exchange for Shares equivalent in value to the in-the-money amount

Non-Officer Director Stock Option Plan

Options to purchase a total of 147,000 Shares were granted under the Non-Officer Director Stock Option Plan. These represent 0.02% of the Bank's issued and outstanding Shares as at February 28, 2013. No more options may be granted under this plan. The key features of the plan are as follows:

Key Features of the Non-Officer Director Stock Option Plan

Eligibility	Options granted to directors who are not employees of the Bank or its affiliates.
Option term	10-year expiry date from date of grant.
Strike price	Equal to the closing price of the Shares on the trading day immediately preceding the date of grant.
Vesting	25% per year over four years from the date of grant; also subject to the price condition set out below.
Price conditions	Except for directors who had reached 62 years of age at the time of the grant, one-half of the options granted to each director cannot be exercised unless the price of the Shares has increased by 50% since the date of grant. If such price threshold is not met, the options expire worthless.
Transfer/ assignment	Only by will or under succession laws.
Expiry of options	Options expire on the earlier of (i) the fifth anniversary of the participant ceasing to be a director, (ii) the third anniversary of the participant ceasing to be a director due to death or disability, and (iii) the expiry of the option.
Plan changes	The Board, subject to any regulatory or required Shareholder approval, has the power under this plan to amend or terminate this plan at any time, provided, however, that any such amendment or termination shall not decrease the entitlements of a participant which have accrued prior to the date of such amendment or termination.

Key Features of the BMO Capital Markets Variable Compensation Plan

Eligibility	Capital Markets employees (excluding the BMO Capital Markets CEO)
Form of award	Cash, Restricted Share Units (RSUs) or Deferred Stock Units (DSUs)
Pool funding	A global pool is established based on actual business performance against business performance targets; the amount available to the Capital Markets Executive Committee is based on the operating group performance outlined on page 56. Pool is fully adjusted for actual loan losses and incorporates a Capital Markets ROE measure. Pool may also be adjusted to reflect other considerations such as risk.
Form of award	Individual awards apportioned between cash and RSUs, based on nature of the role and compensation level. Cash portion can be voluntarily deferred into DSUs. All material risk- taking employees in Capital Markets receive at least 40% of their incentive award in RSUs. See page 66 for more information on material risk-taking employees.
RSU terms	Earn dividend equivalents as additional RSUs. Value based on Share price. Vests 25% in each of the first two years, and 50% over the third year, with payout either each year or at the end of three years. Non-vested units are forfeited on resignation. Continue to vest upon retirement or termination without cause, subject to a non-compete provision and/or non-solicit provision. Non-vested RSUs are forfeited if participant committed an act while employed with the Bank that would have led to termination for cause.
DSU terms	Capital Markets employees at the Managing Director level and above may choose to receive some or all of their cash award in DSUs. Earn dividend equivalents as additional DSUs. Redeemable only when employees sever all ties with the Bank and its affiliates. Value of a DSU is based on the Share price.
Clawback	Cash, RSUs and DSUs paid out in the past 12 months may be clawed back if there is a financial restatement or misconduct, as per Bank policy. RSU equity award payouts may be reduced or eliminated based on information that would have negatively impacted the size of an award when it was granted.

Additional Disclosure

This section of the management proxy circular includes information about compensation plans and employees that can have a material impact on the Bank's risk exposure ("material plans and employees") and is consistent with the Basel Committee Pillar 3 Disclosure Requirements.

The Committee is accountable for establishing and approving compensation policies and philosophies for BMO Financial Group's material plans and employees. Its overall approach is consistent with the approach it applies to executive compensation with appropriate modifications to comply with requirements in local jurisdictions:

- Tie compensation payouts to business performance, strategy and shareholder returns, while balancing risk
- Consider individual performance when determining variable pay
- Require material risk-taking employees to defer a portion of their variable compensation

(See the Compensation Discussion and Analysis starting on page 36 for information about executive compensation and the Committee's role)

Material Plans

The Committee approved criteria for identifying material plans after receiving input from the Bank's Risk, Audit, Finance, Human Resources and Compliance groups.

The risk level of a business (based on the Risk group's assessment) and its total annual compensation spend determine whether or not a compensation plan is considered *material*. Generally, higher risk businesses and larger spends on annual compensation would lead to classification as a material plan.

The Committee must approve:

- the annual list of material plans
- changes to material plans after review by the U.S. and enterprise Compensation Oversight Committee and CEO (See page 39 for more details on the U.S. and enterprise Compensation Oversight Committee)
- funding for the variable incentive pools, after review by the U.S. and enterprise Compensation Oversight Committee and CEO.

Material Risk-Taking Employees

The Committee has approved the following categories of employees as its material risk-taking employees: all Senior Vice Presidents and above in the Bank and any Capital Markets employees whose actions could have a material impact on the Bank's risk.

The following standards apply to the compensation of material employees:

- non-financial metrics (such as risk limits exceeded and unsatisfactory audit reports) are consolidated in performance assessments and compensation decisions
- deferred compensation for this group is 40 to 60 percent of their total compensation
- variable compensation reflects pay for performance and appropriate risk measures.

Compensation Tables for Material Risk-Taking Employees

Cash compensation paid in US$ has been converted into Cdn$ at the average rate of exchange in fiscal 2012 of US$1.00 = Cdn$1.0032, and fiscal 2011 US$1.00 = Cdn$0.9852.
Equity awards granted in US$ have been converted into Cdn$ using the November month end spot rate in fiscal 2012 of US$1.00 = Cdn$0.9936, and fiscal 2011 of US$1.00 = Cdn $1.0203.

Total direct compensation awarded in fiscal 2012 and 2011

	2012		2011	
Category (a)	**Senior Executives**	**Other material risk takers**	**Senior Executives**	**Other material risk takers**
Number of employees (#)	9	103	12	97
Total fixed compensation ($)	5,260,880	27,745,894	6,220,980	25,135,767
Aggregate variable compensation				
Cash ($)	6,550,074	60,681,879	9,141,923	57,232,099
Share-based ($)	16,724,490	53,404,372	17,757,459	52,322,173
Option-based ($)	7,330,381	12,864,782	12,166,644	13,495,178
Total deferred compensation ($) (b)	24,755,443	68,009,210	32,580,671	69,213,158
Total variable compensation ($) (c)	35,865,825	154,696,927	39,066,026	123,049,451

(a) Employees who have left the Bank during the year are included in these categories. Senior Executives are the Bank's most senior executives.
(b) Total deferred compensation represents the total value of DSUs (voluntarily deferred from cash or awarded), RSUs and option-based compensation.
(c) Total variable compensation represents the total of cash (excluding fixed compensation), share-based and option-based compensation.

Deferred compensation outstanding and paid out in fiscal 2012 and 2011

Category	2012		2011	
	Senior Executives	Other material risk takers	Senior Executives	Other material risk takers
Cash				
Vested	2,952,914	1,447,358	2,898,346	1,597,727
Share-based (a)(b)				
Vested	39,576,896	46,879,976	53,531,151	31,738,030
Unvested	33,770,530	219,939,689	33,503,179	143,978,512
Option-based (a)(c)				
Vested	9,688,207	20,676,125	15,293,639	18,854,410
Unvested	7,044,316	13,702,665	9,912,284	14,050,720
Paid in the fiscal year	14,610,726	86,666,720	26,384,044	67,885,142

(a) Based on the closing Share price on the TSX on October 31, 2012 ($59.02) and October 31, 2011 ($58.89).
(b) The value of vested and unvested share-based awards equals the number of outstanding units on October 31st multiplied by the closing Share price.
(c) The value of vested and unvested in-the-money options is equal to the difference between the exercise price of the options and the closing Share price on October 31st. Vested options include options that have vested and were exercisable because they have met the price condition hurdles.
Unvested options include unvested options and vested options that cannot be exercised because they have not met the price condition hurdles.

Outstanding share-based and option-based awards are subject to implicit adjustments (Share price fluctuation) and explicit adjustments (i.e., risk adjustments, clawback or forfeiture). In 2012 and 2011, no reductions were taken due to explicit adjustments. In 2012, there was no implicit reduction and in 2011 there was a 2.2% decline in Share price, which resulted in an implicit reduction in the value of outstanding option and share-based awards of $6,992,069.

Other compensation paid

In 2012, the Bank took restructuring charges to align the Bank's cost structure with the current and future business environment. These restructuring charges included agreed to severance payments totalling $39.1 million for 13 material risk takers. The Bank paid out $31.4 million to 18 material risk takers. The severance payments awarded were aligned with common law practice. In 2011, the severance payments agreed to were $8.5 million for 5 material risk takers and $7.6 million was paid out to 10 material risk takers. No Senior Executives received or were awarded severance in Fiscal 2012 or 2011.

Information on sign-on payments, guaranteed bonuses and the highest severance awarded in 2012 and 2011 was provided to OSFI on a confidential basis to protect employee privacy.