Compensation Review, Performance and CEO Assessment & Compensation

Compensation Review

The Human Resources and Management Compensation Committee conducted a thorough review of compensation practices in 2009, and instituted some important changes to further strengthen the Bank's incentive programs. Specifically, the Committee:

1. Broadened the range for executive short-term incentive (cash bonus) pool funding to enhance the linkage between pay and performance. Beginning in 2010, the range of funding will be 0% to 150% of the target pool funding for all excutives (in 2009, funding ranged from 70% to 130% for the CEO and Senior Executives and 80% to 120% for other executives).
2. Implemented a clawback policy for incentive compensation paid (STIP and equity paid) in the prior twelve months in the event of restatement of financial results or personal misconduct, thereby improving alignment with FSB and OSFI compensation principles.
3. Strengthened BMO Capital Markets compensation alignment with its business strategy to reflect appropriate risk levels and enhance a longer-term focus:
   - aligned more closely the business performance drivers for incentive pool funding with BMO Capital Markets business strategies
   - refined incentive pool funding calculations to better reflect risk and cost of capital
   - added BMO Capital Markets return on equity for incentive pool funding
   - implemented a standardized grid that increases the amount of variable compensation to be deferred compared to prior years. Higher levels of variable compensation result in higher levels of deferral.
   - implemented new share ownership requirements for senior employees of BMO Capital Markets.

With these changes, the Committee concluded that the Bank's programs continue to appropriately reward performance and do not encourage inappropriate risk-taking. To verify these conclusions, and to give shareholders added confidence in the Bank's programs, the Committee retained Watson Wyatt to provide further independent assessments against the stated principles. Watson Wyatt's reviews, which included a 3- year historical analysis of pay alignment to Bank financial performance for the Named Executive Officers (NEOs) and Capital Markets professionals, and a Pay Risk analysis, concluded that the compensation programs do not encourage excessive or inappropriate risk taking, and that an appropriate level of pay for business performance has been provided.

2009 Performance Highlights

This year was extraordinary in its challenges - and yet solid progress was made in advancing the Bank's strategic agenda. The strategic priorities include:

- maximizing earnings growth across all North American personal and commercial banking businesses, focusing on industry-leading customer experience and sales force productivity
- accelerating the growth of the wealth management business by providing clients with exceptional advice, emphasizing retirement and financial planning
- delivering strong, stable returns in the Bank's capital markets business by providing highly targeted solutions to core clients everywhere the Bank competes, from a single integrated platform
- growing business in select global markets to meet customers' expanding needs
- sustaining a culture that focuses on customers, high performance and our people.

Progress Made

As stability gradually returned to financial markets, the level of risk was reduced in the Bank's key businesses, while generating $1.8 billion in net income. The Bank's performance grew steadily over the year, marked by sustainable improvements in both revenue growth and expense discipline.

- Personal and Commercial Banking Canada experienced strong improvement in customer loyalty and growth in both revenue and net income.
- The Private Client Group delivered good revenue growth in the second half of the year, and benefitted from momentum in an expanded life insurance business, where early results exceeded expectations.
- Capital Markets experienced a record year, taking advantage of market opportunities while focusing on clients and improving the risk return profile.
- The Bank's U.S. Personal and Commercial Banking business continued to leverage its strong market presence and visibility although, consistent with the experience of other U.S. lenders, loan losses were high. Deposits increased from a growing customer base.

The shareholder dividend was maintained and BMO's capital position continued to be prudently strengthened, although the issuance of additional shares had a proportionate reduction on the return on equity and earnings per share.

BMO has one of the strongest capital positions when compared to the largest banks in Canada and the United States and is well positioned to continue to use this capital for attractive growth initiatives, as was done in 2009. In January, the Bank made a significant addition to the insurance business, and in November, announced acquisitions of an equity lending business and the Diners Club franchise in North America, which will double the size of the Bank's corporate cards business.

Fiscal 2009 Key Bank Financial Performance Measures

The Committee examined a wide number of key metrics and factors when assessing performance. The following financial performance measures are of particular importance. They are considered indicative of the Bank's overall performance for the year and how it performed relative to its Canadian comparator group.

Metric	2009 Performance		2008 Performance		2007 Performance	
Net Income After Tax	$1,787 million		$1,978 million		$2,131 million	
Return on Equity	9.9%		13.0%		14.4%	
Revenue	$11,064 million		$10,205 million		$9,349 million	
Earnings Per Share (EPS)	$3.08		$3.76		$4.11	
Provision for Credit Losses (1)	0.88%		0.76%		0.21%	
Productivity Ratio (Expense to Revenue Ratio)	66.7%		67.6%		70.6%	
Tier 1 Capital Ratio	12.24% Basel II basis		9.77% Basel II basis		n/a Basel II basis 9.51% Basel I basis	
1-Year TSR (2)	BMO	Cdn Peer Group (3)	BMO	Cdn Peer Group (3)	BMO	Cdn Peer Group (3)
	25.1%	22.0%	(27.9)%	(22.7)%	(5.8)%	8.0%
3-year TSR (2)	(5.3)%	0.3%	(5.6)%	(0.2)%	6.6%	14.5%

Notes

(1) Provision for Credit Losses reported as a % of Average Net Loans and Acceptances.

(2) The TSR or total share holder return measures the change in the Share price plus dividends received assuming they are reinvested in additional Shares. TSR is based on the closing Share price on October 31.

(3) Represents the average TSR for the Bank and the five other largest Canadian banks, calculated on the closing Share price on October 31.

Assessment of 2009 Financial Performance for Variable Compensation

While the Committee examines a number of metrics and factors to assess current and sustainable performance, four key factors form the foundation for funding the compensation incentive pools and align pay to performance. These factors are revenue growth, cash Earnings per Share (EPS) growth, Return on Equity (ROE) and historical relative Total Shareholder Return (TSR). Other key factors considered include Net Income After Tax (NIAT), provisions for credit losses and expense management.

The targets were established by the Committee early in fiscal 2009 and were subsequently reviewed by the Committee's independent advisor who confirmed that these targets were challenging. The targets and achievements against the four key factors are outlined in the table below.

2009 Performance Against Key Factors

Measures	Target	Actual
Revenue Growth	5.6%	8.4%
Cash Earnings per Share Growth	3.9%	(18.0)%
Return on Equity	12.3%	9.9%
Two-year Relative TSR (1)	At or above Average of Cdn Peer Group	(3.8)% (Below average of Cdn Peer Group)

(1) For compensation purposes, the calculation is based on the 90-day average share price rather than the closing price on October 31. Accordingly, this number will differ from the TSR reported in the Bank's Annual Report.

Impact on CEO Variable Compensation

Revenue growth exceeded target while Cash EPS growth and ROE fell short of target. Applying these results caused a reduction in the size of the short-term incentive pool from the target pool.

The two-year Bank TSR was below target for the two-year peer group TSR. Applying these results caused a reduction in the size of the equity (mid-term and long-term) incentive pools from the target pools.

CEO Performance Assessment

The Committee approves performance objectives for the CEO at the start of each performance year. In addition to the financial measures outlined above, individual objectives are set. The areas of focus for 2009 are outlined in detail in the table on pages 34 and 35 and, in general, include:

- ambitious year over year financial targets and other strategic business goals
- specific customer and revenue initiatives for each Operating Group
- objectives focused on culture, leadership development and succession plans.

Mr. Downe's performance was assessed against financial and individual objectives. The Committee and Board concluded that Mr. Downe successfully achieved most of the individual objectives and demonstrated strong leadership in guiding the Bank through difficult economic times. He is transforming the culture of the Bank with an unrelenting focus on the customer, higher performance, development of talent and strong risk management. The momentum created and the year's performance demonstrate both sustainability and future earnings potential.

CEO compensation for 2009

Mr. Downe's 2008 compensation target reflected his short tenure as CEO, having been appointed CEO during the 2007 fiscal year. Early in 2009, with the advice and counsel of its independent advisor, the Committee reviewed Mr. Downe's target compensation relative to his peer group and relative to the size of the Bank. Based on this review, the Committee increased Mr. Downe's compensation target but made no change in base salary. The new compensation target was set at $9 million, which represents the amount that could be paid for business and individual performance that meet targets.

Mr. Downe's variable compensation for 2009 reflects the Board's assessment of all aspects of his performance. The Bank's incentive pools recognized revenue growth above target but were reduced to reflect the shortfall in cash EPS growth, ROE and relative TSR. Accordingly, Mr. Downe's actual compensation was 83% of his established target. Mr. Downe's 2009 total compensation increased from 2008 reflecting the increased compensation target and improved relative TSR.

Direct Compensation

(Cdn $)	2009	2008	2008 (2)	2007 (3)
Cash				
Salary (1)	**$1,165,000**	$1,032,000	$1,032,000	$ 964,245
Bonus	**$1,585,000**	$1,400,000	$1,400,000	Nil
Total cash	**$2,750,000**	$2,432,000	$2,432,000	$ 964,245
Equity				
Mid-term	**$2,350,000**	$1,750,000	$ 0 (2)	$1,800,000
Stock options	**$2,350,000**	$1,800,000	$ 0 (2)	$2,700,000
Total equity	**$4,700,000**	$3,550,000	$ 0	$4,500,000
Total direct compensation	**$7,450,000**	$5,982,000	$2,432,000	$5,464,245

(1) In March 2007 Mr. Downe's salary as CEO was established at US $1 million. His reported salary reflects changes in foreign exchange rates.

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

(3) In 2007 with his appointment to President and Chief Executive Officer, Mr. Downe was granted a Special Incentive award opportunity tied to relative TSR performance that is designed to reward progressive and sustained outperformance in both relative and absolute terms, as follows. The award has a five-year term (March 1, 2007 to March 1, 2012). If the Bank obtains superior TSR relative to the Canadian peer group (the other five major Canadian banks) and a 25% absolute TSR increase at the end of the performance period, the value of the award will be $10,000,000. The value will be zero, if these aggressive performance hurdles are not met. If the Bank attains top relative TSR performance and a 25% absolute TSR increase at the end of the performance period, the payout of the award will be $12,500,000. Based on the aggressive performance hurdles and the risk of forfeiture, the award has an indeterminate value.

Note: 74% of Mr. Downe's 2009 compensation is deferred (including his voluntary deferral of 50% of his cash bonus to Deferred Stock Units) and therefore strongly aligns with shareholder interests – this is a governing principle of the Bank's compensation objectives.

Turn to page 34 for more information about CEO 2009 compensation.

Executive Compensation Discussion and Analysis

1. Compensation Approach

Compensation is a strategic driver of performance

Compensation strategies are critically important to driving the Bank's success, and improving shareholder value.

Compensation programs are structured to provide a strong positive correlation between the compensation of the Bank's leaders, its corporate results and financial return to the shareholders. The programs support and enable the corporate vision, strategic priorities and the development of talent. They reflect the Bank's performance overall, embed ownership in the company and encourage executives to take significant personal financial interest in the long-term health and growth of the organization.

The Bank's approach to compensation is based on a "pay for performance" philosophy and practices are designed to provide an effective balance among four core compensation principles:

- Compensation is **aligned with overall Bank performance.** It is linked to both corporate and operating group performance.
- Compensation **encourages a long-term view to increasing shareholder value.** A significant portion of each executive's variable pay is in equity, and there are Share Ownership requirements for each executive.
- Compensation **does not encourage excessive or inappropriate risk-taking.** Compensation structures reflect risk and capital usage and a significant portion of each executive's compensation is deferred.
- Compensation **helps attract and retain talented people** and motivates them to excel against objectives.

Aligning with Shareholder Interests

The governing objective is to align executive interests with those of the shareholders, and this objective has been incorporated into many facets of the executive compensation program by:

- aligning compensation with risk outcomes
- placing significantly more weight on variable compensation, including equity
- adjusting the compensation pools based on corporate and business performance against targets (which include shareholder measures) that are set annually to align with corporate goals and strategies
- basing individual awards on achievement of corporate, business and individual performance goals.

a) Aligning Compensation with Risk

Risk is addressed by:

- Including mechanisms in compensation design that ensure risk is appropriately considered before the incentive pools are finalized. These mechanisms include: 1) using ROE as one of the metrics to determine funding for variable compensation for executives and Capital Markets employees; 2) establishing pools using business results which reflect provisions for credit, market and liquidity risk; and 3) having leadership and professionals in risk and finance review variable compensation pools throughout the year to determine if risks are appropriately considered.
- Before finalizing year-end bonus pools, the Committee assesses whether risk is appropriately reflected in the bonus pools for the current year, and whether compensation takes into account longer-term performance. This review is strengthened by having four members of the Committee who also serve on the Board's Risk Review Committee.
- Deferring a significant proportion of variable compensation to focus executives on long-term results.
- Increasing the proportion of deferred compensation for executives in higher risk businesses.
- Extending share ownership requirements for executives and Capital Markets employees at the managing director level and above.
- Establishing clawbacks in the equity programs and for any cash amounts paid in the preceding twelve months.

b) Executive Share Ownership Guidelines

The Committee requires executives to own Bank Shares, with the level of ownership based on the scope of their role.

Executives have three years (five years for Vice-Presidents and Managing Directors) from the time they are appointed to meet initial shareholding requirements. Compliance is assessed annually, based on market value or the value at purchase or grant date (whichever is greater).

All of the Named Executive Officers except Mr. Robertson exceed their share ownership guidelines. Mr. Robertson has three years from his date of appointment (March 2008) to Chief Financial Officer to comply. All other executives who are required to own shares have met or exceeded their share ownership requirements.

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

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

c) Clawbacks

i) **Cash Paid** – for executives and Capital Markets employees at the managing director level and above. The policy provides for the Board or Committee, at their discretion, to clawback all or a portion of variable compensation paid in the past twelve months (e.g. cash bonus, payouts from a Mid-Term Incentive Plan or the value received from the exercise of options) if there is a financial restatement or employee misconduct.

ii) **Outstanding Equity** – for all participants. The Mid-Term Incentive and Stock Option Plans include clawback provisions for awards granted on or after December 2008. If the Bank's financial statements are required to be restated, or in cases of employee misconduct, the Board or Committee, at their discretion, may reduce or eliminate the Restricted Share Units or options previously granted.

d) Forfeiture

If an executive who has retired or left the Bank solicits customers or employees, or works for a business that competes with the Bank, he or she will forfeit all outstanding RSUs and all vested or unvested options. An executive who resigns or is terminated for cause will also forfeit all outstanding units.

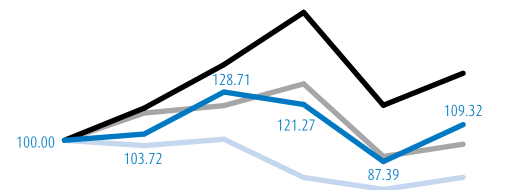
e) Change of Control

Change of control has been defined in the Stock Option Plan, including circumstances where the Bank is acquired or the control of the Bank is substantively changed. The Stock Option Plan includes a "double trigger", which occurs if there is a change of control and a participant is terminated without cause within 24 months following a change of control. In these circumstances, stock option awards will vest immediately. The mid-term incentive plans do not have an accelerated payout upon change of control.

f) Compensation is Linked to Total Shareholder Return

The table opposite compares the total cumulative shareholder return (TSR) on $100 invested in the Bank's Shares on October 31, 2004 with the equivalent cumulative value invested in each of two Toronto Stock Exchange indices for the same period. The chart also compares the Bank's Share performance with the trend in aggregate executive compensation for the Chief Executive Officer, the Chief Financial Officer and the three most highly compensated named executive officers, using $100 of total compensation as a baseline. The chart demonstrates a clear alignment between shareholder experience and the level of executive compensation.

Cumulative Return ($)



	2004	2005	2006	2007	2008	2009
BMO	100.00	103.72	128.71	121.27	87.39	109.32
S&P/TSX Composite	100.00	119.13	144.95	176.00	120.83	139.84
S&P/TSX Composite Financials	100.00	116.21	120.62	133.53	90.40	97.69
Executive Compensation	100.00	96.85	100.63	77.92	70.79	78.01

(1) Cumulative shareholder return on a $100 investment made on October 31, 2004, as measured by the change in Common Share price plus reinvested dividends.
(2) Includes base salary, annual short-term incentive payment, the value of mid-term incentive awards at the time of grant, the fair market value of the long-term incentive awards, other compensation and the annual pension service and compensation cost for the named executive officers in each year.
(3) Named executive officers (NEOs) in 2009 and 2008 are W.A. Downe, R.C. Robertson (CFO) and the three most highly compensated executive officers. NEOs in 2007 are W.A. Downe, K.E. Maidment and the three most highly compensated executive officers. For 2004 to 2006, this analysis includes the NEOs who were reported in the proxy circular each year.

Turn to page 36 for additional information on the alignment of Mr. Downe's compensation to shareholder returns.

2. Program Components

a) Compensation

The total executive compensation package is designed to reward the achievement of corporate, business and individual performance targets. Superior performance results in superior compensation and inferior performance results in reduced compensation. A significant percentage of total direct compensation is variable. This, combined with the share ownership requirements, focuses executives on executing business strategies, sustaining performance, and growing shareholder value over the long term. Equity compensation with vesting requirements also focuses executives on long-term results, enhances retention and accounts for risk by better aligning time frames for payouts with time frames for realizing the results of current decision-making.

The key components of compensation are outlined below.

Component	Purpose	Form	How it is Determined
Base Pay (Salary)	Forms a relatively small component of total compensation and compensates individuals for fulfilling their role responsibilities.	Cash	Salaries are based on median of the comparable market, adjusted for the executive's responsibility and capability.
Short-Term Incentive Plan (STIP)	Focuses on and motivates performance against specific annual objectives at individual and business levels.	Cash or Deferred Stock Units (DSUs) (Executives have the option to defer to DSUs)	Annual bonus targets are based on the median for the comparable market and on the compensation mix. STIP pools increase or decrease based on business performance.
Mid-Term Incentive Plan (MTIP)	Encourages executives to create sustainable shareholder value and returns over a three-year performance cycle and aligns to shareholder return.	Restricted Share Units (RSUs)	MTIP targets are based on the median for the comparable market and the compensation mix. MTIP pools increase or decrease based on relative total shareholder return and business performance. For Senior Executives, MTIP pools are based fully on relative total shareholder return.
Long-Term Incentive Plan (LTIP)	Encourages executives to generate sustained share price growth over the long term (ten years) and aligns to shareholder return.	Stock Options	LTIP targets are based on the median for the comparable market and the compensation mix. LTIP pools increase or decrease based on relative total shareholder return.

Benefits

All employees including executives can participate in the Employee Share Ownership Program (Canada) and Share Purchase Plan (U.S.), which provide incentives to buy Bank Shares. All employees including executives also receive health care insurance benefits that promote employee health and productivity in the workplace. These benefits are competitive with the median of the comparable markets.

Pension

The Bank's pension plans provide a degree of income security to employees in retirement. All employees including executives participate in either a defined benefit or a defined contribution plan. A supplementary retirement plan is also provided for executives who participate in the defined benefit pension program. The pension plans are competitive within the industry.

Perquisites

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

b) Benchmarking Competitive Pay Levels

The Bank's executive compensation program is designed to attract, retain and motivate top talent in the industry. Two primary comparator groups are used to determine whether compensation is competitive: a Canadian peer group of the five other largest Canadian banks for Canadian based executives and a U.S. peer group that includes nine regional mid-sized banks (identified below) for U.S. based executives. Compensation surveys are used that include similar executive roles from other financial institutions, and also non-financial companies, to better benchmark competitive pay.

Comparable jobs within these groups are reviewed, considering the relative performance and size of each institution. Based on these reviews, targets for total compensation are established for each executive role, including how the compensation mix is allocated among the four components.

Canadian Peer Group Bank of Nova Scotia Canadian Imperial Bank of Commerce Royal Bank of Canada Toronto-Dominion Bank National Bank of Canada	The Canadian banks are direct competitors and share the Bank's economic and business challenges, making relative performance comparisons meaningful.
U.S. Peer Group Marshall & Ilsley Corp. Huntington Bancshares Inc. Associated Banc-Corp. TCF Financial Corp. Commerce Bancshares Inc. Citizens Republic Bancorp, Inc. Wintrust Financial Corp. First Midwest Bancorp Inc. MB Financial Inc.	In the United States, the regional mid-sized banks are all publicly traded and are comparable to our U.S. operations in terms of business mix and size measured by total shareholder equity, total assets, total revenue, and market capitalization.

c) Compensation Mix

The table below shows the mix of compensation components for each executive level. This mix is market competitive and within the range adopted by the Bank's Canadian peer group for each role. The compensation mix places a significant portion of total direct compensation at risk, and ties compensation to longer-term performance, because a high percentage is paid as equity.

Each mix is designed to reflect the role's ability to influence business results over the short-term (1-year), mid-term (3-year) and long-term (10-year). The percentage of variable pay for the CEO, Operating Group Presidents and Senior Executive Vice Presidents is significantly higher than other executive roles given the broader mandate of such roles in strategic decision making and stewardship. The percentage of variable pay for Senior Vice-Presidents and Vice-Presidents is more evenly balanced to reflect the greater responsibility these positions have for the short-term and mid-term success of their respective business units.

	Percentage of Total Direct-Compensation Target (excluding BMO Capital Markets)				
			Equity Compensation		
Title	**Base Salary**	**Short-Term Incentive (Cash Bonus)**	**Mid-Term Incentive (Restricted Share Units)**	**Long-Term Incentive (Stock Options)**	**Total Variable Pay (Pay awarded based on performance)**
President and Chief Executive Officer	11%	27%	31%	31%	89%
Senior Executives	16%	28%	28%	28%	84%
Senior Executive Vice-Presidents and Executive Vice-Presidents	27%	23%	28%	22%	73%
Senior Vice-Presidents	34%	24%	27%	15%	66%
Vice-Presidents	44%	23%	26%	7%	56%

3. Making Compensation Decisions

Compensation is fundamentally performance-based. To ensure that executive compensation is appropriately and effectively linked to corporate performance and the performance of the operating groups, the Committee and management follow an established annual protocol.

At beginning of each year:

1. Set variable compensation targets, including mix of components, for all executive roles based on market median for comparable roles in the market.
2. Establish financial performance targets for the Bank and each of the four operating groups:
   - Private Client Group (PCG)
   - Personal and Commercial Banking Canada (P&C Canada)
   - Personal and Commercial Banking U.S. (P&C U.S.)
   - BMO Capital Markets (CM).
3. Establish individual performance goals to support the business goals.

After the fiscal year is completed:

1. Assess corporate and operating group performance against targets, and use the results to finalize funding for variable compensation pools.
2. Assess individual performance against individual performance goals.
3. Allocate individual incentive awards, the total not to exceed the approved variable compensation pools.

Responsibility for compensation is divided between the Committee and CEO as follows:

The Committee's responsibility for compensation includes:

- establishing CEO's compensation targets and his individual performance goals
- establishing business performance targets for both corporate and operating groups
- assessing corporate and operating group performance, and approving funding for the variable compensation pools
- reviewing the CEO's performance and recommending the CEO's compensation to the Board
- reviewing and approving the total compensation awards for the Senior Executives
- reviewing and approving the total annual salary, and short-, mid- and long-term incentive pools for the remaining executives
- ensuring that the variable compensation for all executives does not exceed the approved amount in the variable compensation pools

The Chief Executive Officer is responsible for:

- establishing individual performance goals for the Senior Executives
- assessing the performance of the Senior Executives and presenting compensation recommendations to the Committee
- reviewing and approving recommendations for all other executives.

a) Establishing Targets for Key Financial Metrics

Each year, the Board reviews and approves the Bank's business plans for the upcoming year, which are established to help the Bank achieve its longer term strategies. From these plans, management and the Committee determine the key metrics to measure progress against the strategies and annual plan. Specific targets are then established to assess business performance at the end of the year, as a basis for calculating the pools for variable compensation. In 2009, the Committee's independent advisor also evaluated the business performance targets and confirmed the targets were challenging.

b) Determining Variable Compensation Pools

Based on examination of actual corporate and operating group performance results against the established targets, the Committee reviews the calculated incentive pools. In finalizing the pools, the Committee may also consider other factors, which may include performance results relative to competitors, the quality of earnings and other considerations such as customer loyalty and market share. After consideration for all relevant factors the Committee determines incentive pool funding.

c) Determining Individual Compensation

The performance of all executives is assessed against their individual goals, which include:

- quantitative objectives such as revenue growth, expense management, profit growth, and customer loyalty scores
- qualitative objectives, such as the executive's contribution to the organization through their leadership, innovation, demonstrated commitment to customers, and teamwork. These achievements are important because they form the basis for the group's ongoing growth and help strengthen the Bank's competitive advantage.

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

d) Incentive Plan Structure and Targets

Short-Term Cash Incentive Plan (STIP)

For executives and members of the BMO Capital Markets Executive Committee.
Paid in cash, although executives can choose to receive some or all of their bonus in Deferred Stock Units.

Pool Funding at Target	• Executive STIP target levels are based on compensation mix and the median of the market for the role • The target level of pool funding is the sum of all of the executives' targets				
Bank and Operating Group Annual Business Performance Measures	**Bank**	**P&C Canada**	**P&C U.S.**	**PCG**	**CM**
	Revenue Growth (40%) Cash EPS Growth (40%) ROE (20%)	Revenue Growth (35%) Cash Net Income Growth (35%) Cash Operating Leverage (15%) ROE (15%)	Revenue Growth (30%) Cash Net Income Growth (30%) Return on Tangible Common Equity (20%) Cash Operating Leverage (20%)	Revenue Growth (40%) Cash Net Income Growth (40%) Cash Operating Leverage (20%)	Net Income After Tax (67%) ROE (33%)
Pool Funding Method	**Corporate Areas***	**P&C Canada**	**P&C U.S.**	**PCG**	**CM**
	75% Weighted average of Operating Groups 25% Bank Performance * CEO, CFO and CRO are based on 100% Bank Performance	75% Operating Group Performance 25% Bank Performance			
Size of Pool	• The size of each incentive pool is determined by Bank and/or operating group performance against the business performance targets • In 2009, the incentive pool may range from 80-120% of the target pool for all executives except Senior Executives, for whom the percentage pool funding may range from 70-130% • In 2010, the incentive pools for all executives will range from 0-150% • The Committee has the discretion to adjust pool funding based on its assessment of results achieved and for any other relevant performance considerations				
Allocation of Individual Awards	• Each executive is assessed against pre-determined financial, operational and strategic development and execution goals as well as against their performance relative to their bank peers. The assessment determines his or her annual individual award • The sum of the individual awards may not exceed the funds available in the pool • For 2010, individual STIP paid or voluntarily deferred in the past 12 months is subject to clawback if there is a financial restatement or misconduct				
Deferral Opportunity	• Executives may voluntarily defer their cash awards by electing to receive 0%, 25%, 50%, 75% or 100% of STIP in Deferred Stock Units (DSUs). This election is irreversible and must be made before the beginning of the fiscal year • The value of DSUs is equivalent to the fair market value of an equal number of Shares when redeemed • DSUs earn dividend equivalents in the form of additional DSUs • DSUs can be redeemed only upon the severance of all ties with the Bank and its affiliates				

Mid-Term Incentive Plan (MTIP)

For executives and selected executives of BMO Capital Markets.
Awarded as Restricted Share Units.

Pool Funding at Target	• MTIP target levels are based on compensation mix and the median of the market for the role • The target level of pool funding is the sum of all of the executives' targets
Pool Funding Method	• 75% based on STIP measures (Operating Group annual business performance measures) • 25% based on relative 3-year total shareholder return (phased implementation; in 2009, used 2-year total shareholder return; and in 2010 will use 3-year total shareholder return) • For Senior Executives, 100% based on relative historical total shareholder return
Size of Pool	• The size of each incentive pool is determined by performance against the business performance targets and historical relative total shareholder return. • In 2009, the incentive pool may range from 80-120% of the target pool for all executives except Senior Executives, for whom the percentage pool funding may range from 70-130% • In 2010, the incentive pools for all executives will range from 80-120% • The Committee has the discretion to adjust pool funding based on its assessment of other relevant performance considerations
Allocation of Individual Awards	• Individual awards are based on the individual's performance in the current year and ability to influence the future short-term and mid-term success of their respective business units • The sum of the individual awards may not exceed the funds available in the pool
Form of Award	• Restricted Share Units (RSUs)
Terms and Conditions	• Vest at the end of the 3 years • RSUs earn dividend equivalents in the form of additional units • Valued on Share price at date of payout • Units are forfeited on resignation • RSUs continue to vest upon retirement or termination without cause; subject to applicable non-solicit and non-compete provisions; any executive who committed an act while employed that would have led to termination for cause will forfeit any outstanding RSUs • All or part of RSU awards granted after 2008 are subject to clawback, if annual or quarterly financial statements are required to be restated • For 2010, RSU awards that have been paid out in the past 12 months are subject to clawback if there is a financial restatement or misconduct

Long-Term Incentive Plan (Stock Option Plan)

For executives and members of the Capital Markets Executive Committee.
Awarded as stock options.

Pool Funding at Target	• LTIP targets are based on compensation mix and the median of the market for the role • The target pool amount is the sum of the executives' targets
Pool Funding Method	• 100% relative three-year historical total shareholder return (phased implementation; in 2009, a two-year total shareholder return was used; and in 2010 a three-year total shareholder return will be used)
Size of Pool	• Pool funding is determined by total shareholder return • In 2009, the incentive pool may range from 80-120% of the target pool for all executives except Senior Executives, for whom the percentage pool funding may range from 70-130% • In 2010, the incentive pools for all executives will range from 80-120% • The Committee has the discretion to adjust pool funding based on its assessment of results achieved and for any relevant performance factors
Allocation of Awards	• Individual awards are based on the individual's performance in the most recent year and ability to influence the future short-, mid- and long-term success of their respective business units • Consideration is not given to the outstanding amount or terms of an individual's Performance Share Units (PSUs), Restricted Share Units (RSUs) or stock options, or to the current value of those holdings, in determining whether and how many options will be granted • The sum of the individual awards may not exceed the funds available in the pool
Form of Awards	• Stock Options
Terms and Conditions	• The effective grant date of the stock option is determined in advance of the grant during a period in which employees are permitted to trade in Shares under the Bank's Insider Trading Policy • The term of the stock option is 10 years and before stock options can be exercised, the options must be vested (options vest 25% per year over four years) • Value is based on the difference between price at grant date and exercise date • Stock options are forfeited on resignation • Upon retirement, executives continue in the plan, subject to non-solicit and non-compete provisions until all options are exercised • Upon termination without cause, executives have 90 days to exercise their exercisable options, subject to non-solicit provision; any executive who committed an act while employed that would have led to termination for cause will forfeit any outstanding options • All or part of stock options granted after 2008 are subject to clawback, if annual or quarterly financial statements are required to be restated • For 2010, any value received from the exercise of stock options in the past 12 months is subject to clawback if there is a financial restatement or misconduct

2009 Compensation Awards

W. A. Downe, President and Chief Executive Officer

Mr. Downe is responsible for providing leadership and vision for BMO Financial Group, and is accountable to shareholders through the Board of Directors for defining, communicating and achieving strategic and operational goals that will maximize shareholder value. The President and CEO has responsibility for enterprise-wide performance and financial results, including Profit & Loss, Balance Sheet and Shareholder Value metrics.

The Committee approves performance objectives for the CEO at the start of each performance year. The areas of focus for 2009 are outlined in detail in tables below and, in general, include:

- ambitious year over year financial targets and other strategic business goals;
- specific customer and revenue initiatives for each Operating Group; and
- objectives focused on culture, leadership development and succession plans.

Assessment of 2009 Financial Performance for Variable Compensation

While the Committee examines a number of metrics and factors to assess current and sustainable performance, four key factors form the foundation for funding the incentive pools and align pay to performance. These factors are revenue growth, Cash Earnings per Share (EPS) growth, Return on Equity (ROE) and historical relative Total Shareholder Return (TSR). Other factors considered include Net Income After Tax (NIAT), provisions for credit losses and expense management. The targets and achievements against the four key factors are outlined in the table opposite.

The targets for the four key factors were established by the Committee early in fiscal 2009 and were subsequently reviewed by the Committee's independent advisor who confirmed that these targets were challenging.

2009 Performance Against Key Factors

Measures	Target	Actual
Revenue Growth	5.6%	8.4%
Cash Earnings per Share Growth	3.9%	(18.0)%
Return on Equity	12.3%	9.9%
Two-year Relative TSR[1]	At or above Average of Cdn Peer Group	(3.8)% (Below average of Cdn Peer Group)

(1) For compensation purposes the calculation is based on the 90-day average share price rather than the closing price on October 31. Accordingly, this number will differ from the TSR reported in the Bank's Annual Report.

Impact on Variable Compensation

Revenue growth exceeded target while Cash EPS growth and ROE fell short of target. Applying these results caused a reduction in the size of the short-term incentive pool from the target pool.

Two-year Bank TSR was below the average of the two-year peer group TSR. Applying these results caused a reduction in the size of the equity (mid-term and long-term) pools from the target pools.

CEO's 2009 Performance against Individual Objectives

Mr. Downe's individual performance objectives include specific strategic and business objectives, which contribute to both growing and sustaining strong financial performance.

Mr. Downe's performance was assessed against these financial and individual objectives. The Committee and Board concluded that Mr. Downe successfully achieved most of the individual objectives and demonstrated strong leadership in guiding the Bank through difficult economic times. He is transforming the culture of the Bank with an unrelenting focus on the customer, higher performance, development of talent and strong risk management. The momentum created and the year's performance demonstrates both sustainability and future earnings potential.

Area of focus	Goal	Results
Financial and strategic business initiatives	• Achieve corporate financial measures • Manage the capital and liquidity of the Bank • Fundamentally reduce cost structure • Manage risk exposure and ensure quality earnings • Examine BMO Capital Markets (CM) compensation plans to ensure they are aligned with the performance and risk objectives of the business	• Exceeded revenue growth targets, and below target in cash EPS growth, ROE and relative two-year TSR • Tier 1 ratio increased from 9.77% to 12.24% • Productivity ratio improved 90 basis points to 66.7% • Proactive and disciplined risk management; improved risk return profile • Reduced off balance sheet exposure • Redesigned the BMO CM compensation plan to better align with the CM business strategy, risk objectives and shareholder interests

Area of focus	Goal	Results

Customer and Operating Group Initiatives	Execute against strategy to:
	• Improve relative position of Personal and Commercial Canada Banking (P&C Canada) business
		• P&C Canada:
		  • improved relative position in revenue and net income and improved customer advocacy scores and cash productivity
		  • successfully implemented initiatives in expanding net interest margin (from 2.84% to 3.13%) and in active product launches including First Home Essentials, the Smart Saver Account and BMO Smart Steps

	• Focus on growth in select businesses and improve productivity in Personal and Commercial U.S. Banking (P&C U.S.)	• P&C U.S.:
		  • maintained high levels of customer satisfaction (ranked as highest customer satisfaction in the Midwest by an independent agency)
		  • increase in deposits (10%) from growing customer base

	• Expand wealth management business Private Client Group (PCG)	• PCG:
		  • strong expense management
		  • added four new businesses – Insurance, Exchange Traded Funds (first to market of Canadian peers), Defined Contribution Retirement Services, Canadian qualitative institutional money management
		  • first to market with Registered Disability Savings Plans and captured highest market share
		  • streamlined management structure

	• Focus on areas of differentiation in BMO Capital Markets	• Capital Markets:
		  • strong revenue and net income, both exceeding plan
		  • reduced investment in securitization and hedged off balance sheet exposures reducing overall risk
		  • acquisition of experienced teams

Leadership and Succession	• Strengthen leadership succession • Establish and execute against leadership development plans	• Leadership development plans established and succession plans followed through • Leadership pipeline strengthened through multiple leadership changes

Culture	• Continue cultural transformation in areas of customer focus, brand, risk management, performance and talent management	• Significant accomplishment on building the brand to define great customer experience. Demonstrated success included:
		  • Improved customer experience and resulting market share,
		  • Improved financial performance in P&C Canada, and
		  • Raised profile in all businesses
		• High employee engagement in the changes being made throughout the Bank as indicated by annual employee survey scores

CEO Compensation for 2009

Mr. Downe's 2008 compensation target reflected his short tenure as CEO, having been appointed CEO during the 2007 fiscal year. Early in 2009, with the advice and counsel of its independent advisor, the Committee reviewed Mr. Downe's target compensation relative to his peer group and relative to the size of the Bank. Based on this review, the Committee increased Mr. Downe's compensation targets but made no change in base salary. The new compensation target was set at $9 million, which represents the amount that could be paid for business and individual performance that meet targets.

Mr. Downe's variable compensation for 2009 reflects the Board's assessment of all aspects of his performance. The Bank's incentive pools recognized revenue growth above target but were reduced to reflect the shortfall in cash EPS growth, ROE and relative TSR. Accordingly, Mr. Downe's actual compensation was 83% of his established target. Mr. Downe's 2009 total compensation increased from 2008 reflecting the increased compensation target and improved relative TSR.

Direct Compensation

(Cdn $)	2009	2008	2008[2]	2007[3]
Cash				
Salary [1]	**$ 1,165,000**	$1,032,000	$ 1,032,000	$ 964,245
Bonus	**$ 1,585,000**	$1,400,000	$ 1,400,000	Nil
Total cash	**$ 2,750,000**	$2,432,000	$ 2,432,000	$ 964,245
Equity				
Mid-term	**$ 2,350,000**	$1,750,000	$ 0(2)	$ 1,800,000
Stock options	**$ 2,350,000**	$1,800,000	$ 0(2)	$ 2,700,000
Total equity	**$ 4,700,000**	$3,550,000	$ 0	$ 4,500,000
Total direct compensation	**$ 7,450,000**	$5,982,000	$ 2,432,000	$ 5,464,245

(1) In March 2007, Mr. Downe's salary as CEO was established at US $1 million. His reported salary reflects changes in foreign exchange rates.
(2) Mr. Downe subsequently returned his equity awards resulting in $0 equity awards in 2008. The two columns for 2008 report compensation before and after Mr. Downe's decision.
(3) In 2007 with his appointment to President and Chief Executive Officer, Mr. Downe was granted a Special Incentive award opportunity tied to relative TSR performance that is designed to reward progressive and sustained outperformance in both relative and absolute terms, as follows. The award has a five-year term (March 1, 2007 to March 1, 2012). If the Bank obtains superior TSR relative to the Canadian peer group (the other five major Canadian banks) and a 25% absolute TSR increase at the end of the performance period, the value of the award with be $10,000,000. The value will be zero, if these aggressive performance hurdles are not met. If the Bank attains top relative TSR performance and a 25% absolute TSR increase at the end of the performance period, the payout of the award will be $12,500,000. Based on the aggressive performance hurdles and the risk of forfeiture, the award has an indeterminate value.

Note: 74% of Mr. Downe's 2009 compensation is deferred (including his voluntary deferral of 50% of his cash bonus to DSUs) and therefore strongly aligns with shareholder interests – this is a governing principle of the Bank's compensation objectives.

Alignment to Shareholders

1. In 2009, the Committee's independent advisor completed a pay for performance study for the CEO, comparing business performance over the last three years with total compensation. This analysis concluded that the Bank's performance lagged its peers over this period and that Mr. Downe's compensation over this same period was appropriately below the median compensation for the CEOs at the other banks.
2. The following table shows the value of compensation awarded to Mr. Downe over the last five fiscal years and its current value compared to the value received by the shareholder. The value of $100 compares what Mr. Downe earned in compensation each year with what shareholders would have received over the same period. Note the last two years are during his tenure as President and CEO.

Value of total direct compensation on October 31, 2009 includes:
- actual salary and cash incentive payments received
- the actual value of matured share units at the time of payment
- the current value of share units that have not yet matured
- the in-the-money value of stock options awarded (to date, Mr. Downe has not exercised any of the stock options granted in these years)
- for 2004 and 2005, compensation received in US$ has been converted into Cdn$
- for 2008 compensation, the amount awarded reflects the total compensation granted to Mr. Downe, and the value at October 31, 2009 excludes the equity awards that Mr. Downe subsequently declined.

			Value of $100		
Year	Total Direct Compensation Awarded	Annual Total Direct Compensation Value as of Oct 31, 2009	Period from	Mr. Downe	Shareholders
2004	7,024,550	6,727,572	01/11/2004	96	109
2005	5,948,600	4,996,891	01/11/2005	84	105
2006	5,628,813	3,237,441	01/11/2006	58	85
2007	5,464,245	2,575,098	01/11/2007	47	90
2008	5,982,000	2,516,976	01/11/2008	42	125

Pension

Mr. Downe participates in a defined benefit pension arrangement governed by the Pension Fund Society of the Bank of Montreal (PFS) and a Retirement Allowance Agreement (RAA). All eligible employees participate in the PFS. The Bank entered into a RAA with Mr. Downe to define his overall pension arrangement and to clarify his entitlement in the event of a change of control. The RAA also limits his annual pension benefit to a maximum of US$1,000,000 regardless of his length of service, salary level or bonuses. Following are the terms of Mr. Downe's RAA for pension purposes:
- The total annual normal retirement pension benefit is 2% of his last 12 months of salary plus 45% of the average of his highest five consecutive STIP awards multiplied by his years of credited service, to a maximum pension of US$1,000,000 per year.
- A portion of his total annual pension amount will be paid from the PFS as periodic payments, and the rest will be converted into cash and paid in a lump sum
- This benefit is normally payable at age 60, but can be paid up to 5 years earlier on a reduced basis (reduction of 3% per year for each year that retirement precedes age 60), subject to all applicable regulations and plan rules.
- To date, Mr. Downe has earned a total annual retirement pension benefit of Cdn$828,827, that is payable on an unreduced basis at age 60. This amount will increase based on additional years of credited service and earnings and is subject to a US$1,000,000 limit established at the time of Mr. Downe's appointment as CEO.

Share Ownership

Mr. Downe has exceeded his Share Ownership Guidelines.

Share Ownership as at December 31, 2009					
Multiple	Common Shares ($)	RSUs ($)	DSUs ($)	Total Share Ownership ($)	Total Shares as a Multiple of Base Salary
7.0	8,645,524	4,317,214	5,423,861	18,386,599	15.78

Protocol for Exercising Stock Options

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

Other Named Executive Officers

This section discusses the compensation awarded to the other NEOs in 2009. At the beginning the year, the CEO established performance objectives for each of the Senior Executives. These included ambitious financial targets, strategic business goals, specific customer and revenue objectives, and objectives focused on culture, leadership development and succession. The Committee also approved the compensation targets for the Senior Executives, as well as the financial performance targets for the four operating groups and for total Bank.

At the end of the year, the CEO assessed the performance of each of the Senior Executives against their objectives and presented compensation recommendations to the Committee, which approved the recommendations. Final incentive compensation for the NEOs took into account the approved amount available in each incentive pool:

- The Short-Term Incentive (STIP) pool for Senior Executives in the corporate area was reduced to 13% below target, the combined result of revenue growth exceeding target and EPS growth and ROE falling short of target.
- The STIP pool for the Senior Executives in P&C Canada was increased to 18% above target and Capital Markets was increased to 16% above target, reflecting very strong business performance for these operating groups.
- The Mid-Term and Long-Term Incentive Plan pools were reduced to 15% below target because relative 2 year Bank TSR was below target.

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

R. C. Robertson, Chief Financial Officer

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

Financial Performance

Mr. Robertson's short-term incentive pool funding is based 100% on total Bank performance measures, with mid-and long-term incentive pools determined by historical relative TSR.

STIP		
100% Bank Performance Measures	**Target**	**Actual**
Revenue Growth	5.6%	8.4%
Cash Earnings per Share Growth	3.9%	(18.0)%
Return on Equity	12.3%	9.9%
MTIP/LTIP		
Relative Two-year TSR(1)	At or above the average of the Cdn Peer group	(3.8)% (Below average of the Cdn Peer Group)

(1) For compensation purposes, the calculation is based on the 90-day average share price rather than the closing price on October 31. Accordingly, this number will differ from the TSR reported in the Bank's Annual Report.

Performance and Compensation

Mr. Robertson was appointed Chief Financial Officer (CFO) in August, 2009, having served as interim CFO for the previous 17 month period. For 2009, in addition to his ongoing CFO responsibilities, Mr. Robertson had several key objectives including leading important initiatives in enterprise-wide expense management, governance, and business process improvement in strategy and finance. Mr. Robertson successfully completed these objectives. Specifically, his leadership resulted in surpassing established cost reduction targets, contributed to strong capital and liquidity levels and strengthened linkages between planning and strategy processes and financial targets. Pursuant to an employment contract, Mr. Robertson is entitled to receive a minimum of $2 million annually in compensation. Mr. Robertson received the minimum specified in his contract, all of which was paid in cash, and in recognition of his performance and reflecting the reduction of the mid-term incentive pool, he also received a mid-term incentive award. Mr. Robertson does not participate in the Bank's long-term incentive compensation program.

Direct Compensation

(Cdn $)	2009	2008	2007
Cash			
Salary	$ 400,000	$ 265,425	n/a
Bonus	$ 1,600,000	$ 1,100,000	n/a
Total cash	$ 2,000,000	$ 1,365,425	n/a
Equity			
Mid-term	$ 300,000	$ 700,000	n/a
Stock options	Nil	Nil	n/a
Total equity	$ 300,000	$ 700,000	n/a
Total direct compensation	$ 2,300,000	$ 2,065,425	n/a

Pension

Mr. Robertson participates in the Canadian Executive Pension Plan, a defined benefit pension program offered to all Canadian executives of the Bank, with the following terms:

- The total annual normal retirement pension benefit is 1.25% of his average salary plus 45% of the average of his STIP awards (all subject to certain limits) multiplied by his years of credited service, less an offset for Canadian Pension Plan (CPP) entitlement.
  (Note: the calculation typically uses the five highest consecutive STIP awards; however, since Mr. Robertson has been with the company for less than five years, his calculation includes all STIP awards.)
- Mr. Robertson's pension will be paid in the form of periodic payments – a portion from the Pension Fund Society of the Bank of Montreal and the rest under the Supplementary Pension Plan for Executive Officers, Designated Managing Directors and Designated Persons of Bank of Montreal.
- He can choose to enhance a portion of his pension benefit to a 2% formula by contributing to the optional provision under the program.
- The benefit is normally payable at age 65 but can be paid up to 10 years earlier on a reduced basis (reduction of 4% per year for each year that retirement precedes age 65) subject to all applicable legislation and plan rules.
- To date, Mr. Robertson has earned a total annual retirement pension of $10,190 which will be payable on an unreduced basis at age 65. This amount will increase based on additional years of credited service and earnings.

Share Ownership

Mr. Robertson has achieved 92% of his Share Ownership Guidelines. He has until three years from his appointment (March 2008) as Chief Financial Officer to fully comply.

Share Ownership as at December 31, 2009					
Multiple	**Common Shares ($)**	**RSUs ($)**	**DSUs ($)**	**Total Share Ownership ($)**	**Total Shares as a Multiple of Base Salary**
5.0	527,280	1,309,504	0	1,836,784	4.59

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

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

Financial Performance

Mr. Milroy's short-term incentive pool funding is based on 75% Capital Markets operating group measures and 25% Bank performance measures. Mid- and long-term incentive pools are funded based on historical relative TSR. Capital Markets operating group measures are Capital Market's NIAT and Return on Equity. Bank performance is measured on Revenue growth, Cash Earnings per Share growth and ROE.

STIP		
75% CM Operating Group Measures (1)	**Target**	**Actual**
CM NIAT	$729MM	$901MM
CM Return on Equity	11.0%	13.8%
25% Bank Performance Measures		
Revenue Growth	5.6%	8.4%
Cash Earnings per Share Growth	3.9%	(18.0)%
Return on Equity	12.3%	9.9%
MTIP/LTIP		
Relative Two-year TSR (2)	At or above the average of the Cdn Peer Group	(3.8)% (Below the average of the Cdn Peer Group)

(1) Actual numbers will differ from those reported in the Bank's annual report as they are adjusted for actual credit loss provisions.
(2) For compensation purposes, the calculation is based on the 90-day average share price rather than the closing price on October 31. Accordingly, this number will differ from the TSR reported in the Bank's Annual Report.

Performance and Compensation

2009 was Mr. Milroy's first full year as CEO of Capital Markets and, in addition to his ongoing responsibilities; he had a number of key objectives. Mr. Milroy met or exceeded challenging financial and operational objectives, including achieving record results and growing Capital Markets Net Income After Tax (as reported) by 49%. His additional objectives related to Capital Markets' client focused strategy and reducing the risk-return profile. Through Mr. Milroy's leadership, these objectives were met and also resulted in external top tier recognition for teams and services, increased market share in select areas as well as significantly reduced off-balance sheet exposure.

Mr. Milroy's short-term incentive compensation for 2009 reflects both Capital Markets and Bank performance: 75% Capital Markets performance (which delivered record results) and 25% total Bank performance (which had reduced pools) plus his own individual contribution. His mid-term and long-term incentive compensation reflects his individual contribution notwithstanding the reductions in the sizes of the mid-term and long-term incentive pools.

Direct Compensation

(Cdn $)	2009	2008	2007
Cash			
Salary	$ 400,000	$ 331,667	$ 200,000
Bonus	$ 3,300,000	$ 1,600,000	Nil
Total cash	$ 3,700,000	$ 1,931,667	$ 200,000
Equity			
Mid-term	$ 1,900,000	$ 1,830,000	$ 2,305,000
Stock options	$ 1,900,000	$ 1,970,000	$ 400,000
Total equity	$ 3,800,000	$ 3,800,000	$ 2,705,000
Total direct compensation	$ 7,500,000	$ 5,731,667	$ 2,905,000

Note: 62% of Mr. Milroy's 2009 compensation is deferred (including his voluntary deferral of 25% of his cash bonus to DSUs) and therefore aligns with the long-term interest of shareholders.

Pension

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

- Both Mr. Milroy and BMO contribute to the plan.
- BMO contributes 3% of earnings every year to the defined contribution pension plan, to a maximum of $3,500.
- Mr. Milroy must contribute 2% of earnings up to $2,000 per year, either to the defined contribution pension plan or a registered retirement savings plan. He has chosen to direct his contributions to a registered retirement savings plan.
- Mr Milroy is responsible for managing the investment of both his retirement funds in the defined contribution plan and in the registered retirement savings plan.

Share Ownership

Mr. Milroy has exceeded his Share Ownership Guidelines.

Share Ownership as at December 31, 2009					
Multiple of Total Target Direct Compensation	**Common Shares ($)**	**RSUs ($)**	**DSUs ($)**	**Total Share Ownership ($)**	**Total Shares as a Multiple of Total Target Direct Compensation**
1.0	146,383	5,760,942	7,739,356	13,646,681	Exceeds requirement

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

Mr. Flynn is accountable for risk management and governance for BMO Financial Group. He leads the development and implementation of the risk management framework for the enterprise across multiple lines of business, geographies and regulatory environments. He provides an independent, prudent and informed view of the quantification and acceptability of risk exposures (taking into account expected returns) for the enterprise.

Financial Performance

Mr. Flynn's short-term incentive pool funding is based 100% on total Bank performance measures, with mid- and long-term incentive pools determined by historical relative TSR.

STIP		
100% Bank Performance Measures	**Target**	**Actual**
Revenue Growth	5.6%	8.4%
Cash Earnings per Share Growth	3.9%	(18.0)%
Return on Equity	12.3%	9.9%
MTIP/LTIP		
Relative Two-year TSR (1)	At or above the average of the Cdn Peer Group	(3.8)% (Below average of the Cdn Peer Group)

(1) For compensation purposes, the calculation is based on the 90-day average share price rather than the closing price on October 31. Accordingly, this number will differ from the TSR reported in the Bank's annual report.

Performance and Compensation

Mr. Flynn completed his first full year as Chief Risk Officer and achieved notable performance in several areas. In addition to his ongoing responsibilities, he had several key objectives which were met or exceeded. Specifically, his leadership has been instrumental in bringing BMO through the volatile financial environment of the last eighteen months. He has implemented a renewed and robust risk management discipline with considerable capabilities in market risk. Mr. Flynn's fiscal 2009 incentive compensation awards recognize the important impact of his contribution and the reduced incentive pools as a result of total Bank performance. His mid- and long-term incentive compensation reflects his individual contribution notwithstanding the reductions in the sizes of the mid- and long-term incentive pools.

Direct Compensation

(Cdn $)	2009	2008	2007
Cash			
Salary	$ 400,000	$ 393,592	$ 326,667
Bonus	$ 1,000,000	$ 800,000	$ 440,000
Total cash	$ 1,400,000	$ 1,193,592	$ 766,667
Equity			
Mid-term	$ 750,000	$ 1,024,000	$ 652,000
Stock options	$ 750,000	$ 576,000	$ 575,000
Total equity	$ 1,500,000	$ 1,600,000	$ 1,227,000
Total direct compensation	$ 2,900,000	$ 2,793,592	$ 1,993,667

Note: 52% of Mr. Flynn's 2009 compensation is deferred and therefore aligns with the long-term interest of shareholders.

Pension

Mr. Flynn participates in the Canadian Executive Pension Plan, a defined benefit pension program offered to all Canadian executives of the Bank with the following terms:

- The total annual normal retirement pension benefit is 1.25% of his average salary plus 45% of the average of his highest five consecutive STIP awards (all subject to certain limits) multiplied by his years of credited service, less an offset for CPP entitlement.
- Mr. Flynn's pension will be paid in the form of periodic payments – a portion from the Pension Fund Society of the Bank of Montreal and the rest under the Supplementary Pension Plan for Executive Officers, Designated Managing Directors and Designated Persons of Bank of Montreal.
- He can choose to enhance a portion of his pension benefit to a 2% formula by contributing to the optional provision under the program.
- The benefit is normally payable at age 65 but can be paid up to 10 years earlier on a reduced basis (reduction of 3% per year for each year that retirement precedes age 60 for the pension based on pre-July 1, 2007 credited service; and 4% per year for each year that retirement precedes age 65 for the pension based on post-June 30, 2007 credited service) subject to all applicable legislation and plan rules
- To date, Mr. Flynn has earned a total annual retirement pension of $115,320 which will be payable on an unreduced basis at age 65. This amount will increase based on additional years of credited service and earnings.

Share Ownership

Mr. Flynn has exceeded his Share Ownership Guidelines.

Share Ownership as at December 31, 2010					
Multiple	**Common Shares ($)**	**RSUs ($)**	**DSUs ($)**	**Total Share Ownership ($)**	**Total Shares as a Multiple of Base Salary**
5.0	224,014	3,015,100	0	3,239,114	8.10

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 Banking lines of business.

Financial Performance

Mr. Techar's short-term incentive pool funding is based on 75% P&C Canada operating group measures and 25% Bank performance measures. Mid- and long-term incentive pools are funded based on historical relative TSR. P&C Canada operating group measures are P&C Canada Cash Net Income growth, Revenue growth, Cash Operating Leverage and Return on Equity. Total Bank performance is measured on Revenue growth, Cash Earning per Share growth and ROE.

STIP		
75% P&C Canada Operating Group Measures (1)	**Target**	**Actual**
P&C Cash Net Income Growth	3.4%	13.3%
P&C Revenue Growth	3.7%	6.8%
P&C Cash Operating Leverage	(0.5)%	3.2%
P&C Return on Equity	39.3%	45.6%
25% Bank Performance Measures		
Revenue Growth	5.6%	8.4%
Cash Earnings per Share Growth	3.9%	(18.0)%
Return on Equity	12.3%	9.9%
MTIP/LTIP		
Relative Two-year TSR (2)	At or above the average of the Cdn Peer Group	(3.8)% (Below average of the Cdn Peer Group)

(1) Actual numbers will differ from those reported in the Bank's annual report as they are adjusted for Mutual Funds, to align with Target.
(2) For compensation purposes, the calculation is based on the 90-day average share price rather than the closing price on October 31. Accordingly, this number will differ from the TSR reported in the Bank's annual report.

Performance and Compensation

Mr. Techar led the Personal and Commercial business in Canada, meeting or exceeding a number of objectives in addition to his ongoing responsibilities. In 2009, he achieved strong growth in revenue and net income, increased customer loyalty scores, introduced new customer products and delivered financial results that significantly exceeded targets established at the start of the year. Specifically, growth in NIAT was 13.3% and revenue growth was 6.8% with an operating leverage of 3.2%. In addition, he has strengthened P&C Canada's talent pool and leadership bench strength. His short-term incentive compensation reflects this improved performance and is based on 75% for P&C Canada's performance (exceeding targets) and 25% total Bank (which had reduced pools) plus his own individual contribution. His mid- and long-term incentive compensation reflects his individual contribution notwithstanding the reductions in the sizes of the mid- and long-term incentive pools.

Direct Compensation

(Cdn $) (1)	2009	2008	2007
Cash			
Salary	$ 640,750	$ 559,000	$ 546,500
Bonus	$ 1,125,000	$ 689,376	$ 830,680
Total cash	$ 1,765,750	$ 1,248,376	$ 1,377,180
Equity			
Mid-term	$ 975,000	$ 1,182,454	$ 775,594
Stock options	$ 975,000	$ 705,658	$ 1,292,728
Total equity	$ 1,950,000	$ 1,888,112	$ 2,068,322
Total direct compensation	$ 3,715,750	$ 3,136,488	$ 3,445,502

(1) Compensation has been converted to Cdn$ consistent with the Summary Compensation table on page 41.

Note: 52% of Mr. Techar's 2009 compensation is deferred and therefore aligns with the long term interest of Shareholders.

Pension

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

- The total annual normal retirement pension benefit is 2% of his last 12 months of salary plus 45% of the average of his highest five consecutive STIP awards, multiplied by his year of credited service.
- A portion of his total annual pension amount will be paid from the PFS as periodic payments. He will have the choice of taking the amount payable from the qualified portion of the Harris Pension Plan as periodic payments or as a lump sum. The rest of his total annual pension will be converted into cash and paid in a lump sum.
- To date, Mr. Techar has earned a total annual retirement pension of $431,408, that is payable on an unreduced basis at age 60. This amount will increase based on additional years of credited service and earnings.
- The benefit is normally payable at age 60, but can be paid up to 5 years earlier on a reduced basis (reduction of 3% per year for each year that retirement precedes age 60) subject to all applicable legislation and plan rules.

Share Ownership

Mr. Techar has exceeded his Share Ownership Guidelines.

Share Ownership as at December 31, 2009					
Multiple	**Common Shares ($)**	**RSUs ($)**	**DSUs ($)**	**Total Share Ownership ($)**	**Total Shares as a Multiple of Base Salary**
5.0	700,806	3,621,058	2,873,972	7,195,836	11.23