

Directors' Compensation and Attendance

Directors' Compensation – Fiscal 2012

Starting in fiscal 2012, the Board adopted the following flat fee structure for director compensation. The flat fee structure is simpler to administer and disclose and aligns better with the job of being a director of the Bank. A director's duty is to be available to assist and represent the Bank 365 days a year. Attendance at meetings is an important part of that but not the whole job. Providing advice outside of meetings, identifying opportunities for the Bank and generally being attentive to the best interests of the Bank at all times are important elements of the role of the director. A flat fee structure better compensates for this responsibility.

| Description of fee (a) | Amount |
|---|---|
| Annual retainer fee (including membership on two committees) | \$175,000 (\$100,000 equity and a \$75,000 cash retainer) (b) |
| Fee for each additional committee (c) membership in excess of two | \$10,000 |
| Fee for each special Board meeting in excess of five per year | \$2,000 |
| Fee for each special committee (c) meeting in excess of five per year | \$1,500 |
| Chair retainer fees: | |
| Chairman of the Board | \$350,000 per year (d) |
| Audit and Conduct Review Committee | \$40,000 per year |
| Governance and Nominating Committee | \$20,000 per year |
| Human Resources Committee | \$25,000 per year (e) |
| Risk Review Committee | \$25,000 per year (e) |
| The Pension Fund Society of the Bank of Montreal | \$15,000 per year |
| A travel fee: \$1,500 per trip to a meeting(s) where (i) a director's principal residence is two or more time zones from the meeting location; or (ii) a director must cross a country border from their principal residence. | |

- (a) We only pay non-employee directors. They are also reimbursed for expenses incurred in attending board and committee meetings.
 (b) Subject to election by directors to take all or a portion of the cash retainer in additional Shares or DSUs.
 (c) Includes meetings of the Board of Directors of The Pension Fund Society of Bank of Montreal.
 (d) Includes the directors' annual retainer fee and all committee membership fees.
 (e) Increased to \$40,000 per year effective fiscal 2013.

Directors' Compensation and Required Share Ownership

Each non-employee director must hold at least eight times the cash portion of their annual retainer fee in either Shares or DSUs based on the greater of the following: (i) the closing price of the Shares at the end of the fiscal year and (ii) their acquisition cost (for Shares) or value at the time credited (for DSUs). Until the minimum shareholding is achieved, a director must take all remuneration paid to him or her in the form of Shares or DSUs. Under the prior fee structure, directors were required to hold at least six times their annual retainer in Shares or DSUs. The amounts, however, under the prior and new fee structures, are equivalent based on the current retainer amounts.

Directors receive a minimum of \$100,000 of their \$175,000 annual retainer fee in either Shares or DSUs. They may also elect to take all or a part of the cash portion of their annual retainer fee in additional Shares or DSUs. This election also applies to any fees for chair retainers, special meetings and travel. For 2012, 10 of the 12 non-employee director nominees received all of their remuneration in Shares or DSUs.

Shares and DSUs Owned by Non-employee Directors

As at February 28, 2013:

- Total Shares: 111,525
- Total DSUs: 295,186
- Total Value of Shares: \$7,161,020
- Total value DSUs: \$18,953,893
- Total value Shares and DSUs: \$26,114,913

(based on closing price of Shares on TSX of \$64.21 on February 28, 2013).

As at October 31, 2012, all non-employee directors met the minimum share ownership requirements, except for Ms. Babiak, Mr. La Flèche and Ms. Brochu, who joined the Board on October 23, 2012, March 20, 2012 and March 22, 2011, respectively.

What are Deferred Share Units?

DSUs (or deferred share units) are ownership interests that have the same economic value as Shares. Non-employee directors of the Bank and BMO Financial Corp. receive DSUs under the terms of their respective DSU plans. The DSUs vest immediately, and accrue dividend equivalents when dividends are paid on Shares. Directors are not paid out their DSUs until they leave the Board and the boards of all Bank affiliates. At that time, they may receive payment for their DSUs in cash or in Shares purchased on the open market.

Directors' Compensation for Fiscal 2012

The following table sets out compensation paid by the Bank and its subsidiary BMO Financial Corp. to non-employee directors who served as directors during fiscal 2012.

| Director | Board retainer (\$) | Committee Chair retainer (\$) | Additional Committee fees (\$) | Non-executive Chairman retainer (\$) | Travel fee (\$) | Other fees (\$) | All other amounts (\$) | Total (\$) | Portion of fees taken in cash, Shares and/or DSUs (\$) | Total DSUs value vested or earned (b) (\$) | DSU Total (\$) | Cash Total (\$) |
|---------------------------|---------------------|-------------------------------|--------------------------------|--------------------------------------|-----------------|-----------------|------------------------|------------------|--|--|------------------|-----------------|
| Robert M. Astley | 175,000 | 25,000 | 10,000 | | 3,000 | | | 213,000 | Annual retainer: 50% in cash and 50% in DSUs. (a) | 178,586 | 100,000 | 113,000 |
| Janice M. Babiak (c) | 14,583 | | | | 1,500 | | | 16,083 | 100% in DSUs | 16,083 | 16,083 | - |
| David R. Beatty (d) | 72,917 | | | | | | | 72,917 | Annual retainer: 50% in cash and 50% in DSUs. (e) | 173,672 | 41,667 | 31,250 |
| Sophie Brochu | 175,000 | | | | 1,500 | | | 176,500 | 100% in DSUs | 184,780 | 176,500 | - |
| Robert Chevrier (d) | 72,917 | 6,250 | | | | | | 79,167 | Annual retainer: 50% in cash and 50% in DSUs. (f) | 70,656 | 41,667 | 37,500 |
| George A. Cope | 175,000 | | | | 1,500 | | | 176,500 | 100% in DSUs | 222,883 | 176,500 | - |
| Christine A. Edwards | 175,000 | | 5,833 | | 12,000 | | | 192,833 | 100% in DSUs | 207,671 | 192,833 | - |
| Ronald H. Farmer | 175,000 | 8,750 | 15,833 | | 3,000 | | | 202,583 | 100% in DSUs | 289,449 | 202,583 | - |
| David A. Galloway (g) | | | | 145,833 | | 112,136 (h) | | 257,969 | 100% in DSUs (i) | 357,854 | 257,969 | - |
| Harold N. Kvisle | 175,000 | | | | 9,000 | | | 184,000 | 100% in DSUs | 255,902 | 184,000 | - |
| Eric R. La Flèche (j) | 102,083 | | | | 3,000 | | | 105,083 | 100% in DSUs | 106,041 | 105,083 | - |
| Bruce H. Mitchell | 175,000 | 10,417 | | | 3,000 | | | 188,417 | 100% in DSUs | 323,067 | 188,417 | - |
| Philip S. Orsino | 175,000 | 40,000 | | | 3,000 | | | 218,000 | 100% in DSUs | 343,140 | 218,000 | - |
| Martha C. Piper | 175,000 | 11,667 | | | 12,000 | | | 198,667 | Annual retainer: 50% in cash and 50% in DSUs. (k) | 153,324 | 100,000 | 98,667 |
| J. Robert S. Prichard (l) | 72,917 | 8,333 | | 204,167 | 3,000 | 40,795(m) | | 329,212 | 100% in DSUs | 404,194 | 329,212 | - |
| Guylaine Saucier | 175,000 | | | | 3,000 | | | 178,000 | Annual retainer: 50% in cash and 50% in DSUs. (n) | 212,822 | 100,000 | 78,000 |
| Don M. Wilson III | 175,000 | 14,583 | | | 10,500 | 2,000(o) | | 212,083 | 100% in DSUs | 256,620 | 212,083 | - |
| Total | 2,260,417 | 125,000 | 41,667 | 350,000 | 69,000 | 154,931 | - | 3,001,014 | Total fees paid in DSUs: 2,642,598 Total fees paid in Common Shares: 0 Total fees paid in cash: 358,416 | 3,756,744 | 2,642,598 | 358,416 |

(a) Represents election for November 1, 2011 to December 31, 2011; for January 1, 2012 to October 31, 2012, Mr. Astley elected 100% DSUs.

(b) Includes value at grant date of DSUs for compensation earned in fiscal 2012 and dividends paid on each director's aggregate DSU holdings in fiscal 2012 in the form of additional DSUs. In the case of Mr. Galloway and Mr. Prichard, includes DSUs granted pursuant to the terms of a plan offered to directors of BMO Financial Corp. (converted to Cdn \$ in accordance with notes (i) and (m) below).

(c) Effective October 23, 2012, Ms. Babiak was appointed to the Board of Directors.

(d) Effective March 20, 2012, Messrs. Beatty and Chevrier retired as members of the Board.

(e) Represents election for November 1, 2011 to December 31, 2011; for January 1, 2012 to March 20, 2012, Mr. Beatty elected 100% DSUs.

(f) Represents election for November 1, 2011 to December 31, 2011; for January 1, 2012 to March 20, 2012, Mr. Chevrier elected 100% DSUs.

(g) Effective March 20, 2012, Mr. Galloway retired as a director and as Chairman of the Board.

(h) Includes US\$110,000 received by Mr. Galloway in compensation for serving as a director of BMO Financial Corp. during fiscal 2012. Such amount was paid in US \$ and converted for purposes of this disclosure to Cdn \$ at the rate of exchange at the grant dates of US\$1.0227 = Cdn \$1.00 at January 13, 2012, US\$0.9984 = Cdn \$1.00 at April 13, 2012, US\$1.0181 = Cdn \$1.00 at July 16, 2012, US\$0.98 = Cdn \$1.00 at October 15, 2012.

(i) Based solely on service on the Bank of Montreal Board of Directors. As indicated below under "Compensation from Subsidiaries/Affiliates", Mr. Galloway earned an annual retainer of US\$110,000 for serving as a director of BMO Financial Corp. and received US\$20,000 of that annual retainer in DSUs.

(j) Effective March 20, 2012, Mr. La Flèche was appointed to the Board of Directors.

(k) Represents election for November 1, 2011 to December 31, 2011; for January 1, 2012 to October 31, 2012, Dr. Piper elected 100% DSUs.

(l) Effective March 20, 2012, Mr. Prichard was appointed Chairman of the Board.

(m) Includes US\$40,795 received by Mr. Prichard in compensation for serving as a director of BMO Financial Corp. since July 2012. Such amount was paid in US \$ and converted for purposes of this disclosure to Cdn \$ at the rate of exchange at the grant dates of US \$1.0181 = Cdn \$1.00 at July 16, 2012 and US\$0.98 = Cdn \$1.00 at October 15, 2012.

(n) Represents election for November 1, 2011 to December 31, 2011; for January 1, 2012 to March 20, 2012, Mme. Saucier elected 100% DSUs.

(o) Reflects a Board meeting fee from April 26, 2011 that Mr. Wilson III was not compensated for in fiscal 2011.

Compensation from Subsidiaries/Affiliates

From time to time, non-employee Bank directors serve as directors of subsidiaries and affiliates of the Bank. They are paid for their services and reimbursed for travel and other expenses incurred in attending board and committee meetings. During fiscal 2012, Mr. Galloway and Mr. Prichard were the only non-employee Bank directors who were paid for serving as directors of a Bank subsidiary or affiliate. Mr. Galloway and Mr. Prichard were directors of BMO Financial Corp., our U.S. bank holding company. Mr. Galloway was paid an annual retainer of US\$110,000, of which US\$20,000 was in DSUs and Mr. Prichard, who became a director in July 2012, took his pro-rated annual retainer fee of US\$41,099 in DSUs, pursuant to a plan offered to directors of BMO Financial Corp.

Non-Officer Director Stock Option Plan

The granting of options under the Non-officer Director Stock Option Plan was discontinued effective November 1, 2003. See page 65 for a description of the plan. There are currently no options outstanding under this plan.

The table below shows the non-employee directors who had unexercised option awards as at October 31, 2012.

| Name | Option-based Awards | | | |
|-----------------------|---|---------------------------|--------------------|---|
| | Number of Securities underlying unexercised Options | Option Exercise Price (a) | Option Expiry Date | Value of Unexercised Options (as at October 31, 2012) (b) |
| Philip S. Orsino | 3,000 | \$43.25 | February 28, 2013 | \$47,310.00 |
| J. Robert S. Prichard | 3,000 | \$43.25 | February 28, 2013 | \$47,310.00 |
| Guylaine Saucier | 3,000 | \$43.25 | February 28, 2013 | \$47,310.00 |

(a) "Option Exercise Price" is the closing price of Shares on the TSX on the trading day immediately preceding the grant date of the option.

(b) The value of unexercised in-the-money options is equal to the difference between the Option Exercise Price and the closing price of the Shares on the TSX on October 31, 2012 (\$59.02 per Share).

Directors' Attendance for Fiscal 2012

The table below shows a summary of directors' attendance for fiscal 2012.

| Summary of Attendance of Directors | Board (20 meetings) | | Audit and Conduct Review Committee (6 meetings) | | Governance & Nominating Committee (8 meetings) | | Human Resources Committee (8 meetings) | | Risk Review Committee (10 meetings) | | The Pension Fund Society of the Bank of Montreal Board of Directors (4 meetings) | | TOTAL |
|------------------------------------|---------------------|------------|---|-------------|--|-------------|--|------------|-------------------------------------|------------|--|------------|------------|
| | # | % | # | % | # | % | # | % | # | % | # | % | |
| ASTLEY | 20 | 100 | 1/1 (a) | 100 | 8 | 100 | 8 | 100 | 10 | 100 | - | - | 100 |
| BABIAK (b) | 1/1 | 100 | 1/1 (c) | 100 | - | - | - | - | - | - | - | - | 100 |
| BEATTY (d) | 8/8 | 100 | - | - | - | - | 2/3 | 67 | 3/4 | 75 | - | - | 87 |
| BROCHU | 20 | 100 | 6 | 100 | - | - | - | - | - | - | - | - | 100 |
| CHEVRIER (d) | 8/8 | 100 | 3/3 | 100 | - | - | - | - | - | - | 2/2 | 100 | 100 |
| COPE | 19 | 95 | - | - | - | - | 7 | 88 | - | - | - | - | 93 |
| DOWNE | 20 | 100 | 6 (e) | 100 | 8 (e) | 100 | 8 (e) | 100 | 10 (e) | 100 | - | - | 100 |
| EDWARDS | 20 | 100 | 2/2 (f) | 100 | - | - | 8 | 100 | 10 | 100 | 2/2 (g) | 100 | 100 |
| FARMER | 20 | 100 | 6 | 100 | 5/5 (h) | 100 | 8 | 100 | - | - | 4 | 100 | 100 |
| GALLOWAY (i) | 8/8 | 100 | 3/3 | 100 | 3/3 | 100 | 3/3 | 100 | 4/4 | 100 | 1/2 | 50 | 96 |
| KVISLE | 17 | 86 | - | - | - | - | 5 | 63 | 9 | 90 | - | - | 82 |
| LA FLECHE (j) | 11/13 | 85 | 3/3 (j) | 100 | - | - | - | - | - | - | - | - | 88 |
| MITCHELL | 19 | 95 | - | - | 3/3 (k) | 100 | - | - | 10 | 100 | 2/2 (k) | 100 | 97 |
| ORSINO | 20 | 100 | 6 | 100 | 8 | 100 | - | - | - | - | - | - | 100 |
| PIPER | 20 | 100 | 6 | 100 | 8 | 100 | - | - | - | - | - | - | 100 |
| PRICHARD (l) | 20 | 100 | 3/3 (m) | 100 | 8 | 100 | 5/5 (n) | 100 | 10 | 100 | 2/2 (n) | 100 | 100 |
| SAUCIER | 19 | 95 | 6 | 100 | - | - | - | - | 9 | 90 | - | - | 94 |
| WILSON III | 20 | 100 | - | - | 5/5 (o) | 100 | 8 | 100 | 10 | 100 | 2/2 (o) | 100 | 100 |
| Average Percentage | | 97% | | 100% | | 100% | | 93% | | 97% | | 94% | 96% |

(a) Mr. Astley attended the December 5, 2011 Audit and Conduct Review Committee meeting as an invitee.

(b) Effective October 23, 2012, Ms. Babiak was appointed to the Board of Directors of the Bank.

(c) Ms. Babiak attended the October 22, 2012 Audit and Conduct Review Committee meeting as an invitee.

(d) Effective March 20, 2012, Messrs. Beatty and Chevrier retired as members of the Board of Directors of the Bank.

(e) Mr. Downe attended Board committee meetings during fiscal 2012 as an invitee.

(f) Ms. Edwards attended the August 27, 2012 and October 22, 2012 Audit and Conduct Review Committee meetings as an invitee.

(g) Effective March 20, 2012, Ms. Edwards was appointed to the Board of Directors of The Pension Fund Society of the Bank of Montreal.

(h) Effective March 20, 2012, Mr. Farmer was appointed to the Governance and Nominating Committee.

(i) Effective March 20, 2012, Mr. Galloway retired as Chairman of the Board of Directors of the Bank.

(j) Effective March 20, 2012, Mr. La Flèche was appointed to the Board of Directors of the Bank and to the Audit and Conduct Review Committee.

(k) Effective March 20, 2012, Mr. Mitchell ceased to be a member of the Governance and Nominating Committee and was appointed to the Board of Directors of The Pension Fund Society of the Bank of Montreal.

- (l) Effective March 20, 2012, Mr. Prichard was appointed as Chairman of the Board of the Bank of Montreal.
- (m) Mr. Prichard attended the May 22, 2012, August 27, 2012 and October 22, 2012 Audit and Conduct Review Committee meetings as an invitee.
- (n) Effective March 20, 2012, Mr. Prichard was appointed to the Human Resources Committee and to the Board of Directors of The Pension Fund Society of the Bank of Montreal.
- (o) Effective March 20, 2012, Mr. Wilson III was appointed to the Governance and Nominating Committee and ceased to be a member of The Pension Fund Society of the Board of Directors of Bank of Montreal.

More Disclosure About our Directors

To the Bank's knowledge, as at February 28, 2013 or within the last 10 years, no proposed director of the Bank is or has been:

- (a) a director, chief executive officer or chief financial officer of any company (including the Bank):
 - (i) subject to an order (including a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation) for a period of more than 30 consecutive days, that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer; or
 - (ii) subject to an order (including a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation) for a period of more than 30 consecutive days that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer; or
- (b) a director or executive officer of any company (including the Bank), that while that person was acting in that capacity or within a year of the person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets,

except as follows:

Philip Orsino, a director of the Bank, was a director of CFM Corporation from July 2007 until he resigned in March 2008. In April 2008, CFM filed for protection under the CCAA.