

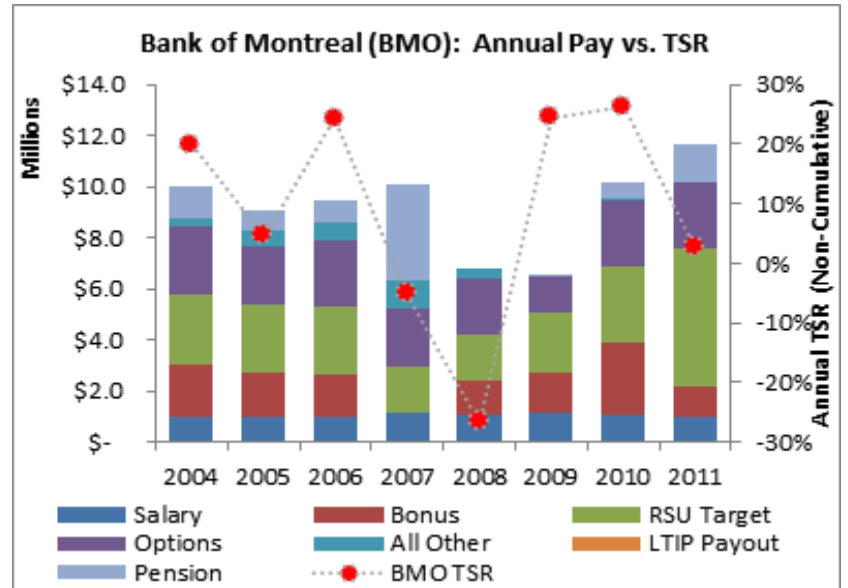
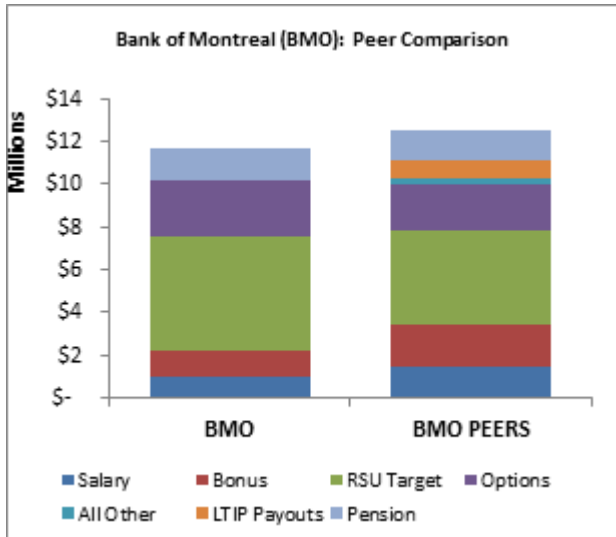
# Bank of Montreal (BMO): 2004-2011 Pay for Performance

PAY FOR PERFORMANCE SCORE				
1 YEAR = 2	4 YEAR = 2	6 YEAR = 5	8 YEAR = 3	TOTAL: 12/24

2011, BMO's CEO pay and company performance were both in the middle of the pack in among their peers. However, BMO's CEO pay ranked second among the big five Canadian banks despite ranking last in ROE and ROA. This is partially driven by BMO's recent share performance, which ranked only behind TD in the entire 11-firm peer group.

BMO's CEO bonus is based on operational metrics, including revenue growth, EPS growth and ROE. Most bonus targets were missed, ultimately resulting in a smaller bonus payout in 2011. BMO's relatively high total CEO pay, however, was driven by a large \$4 million RSU grant. The value of this RSU grant was based on TSR performance relative to Canadian peers between 2009 and 2011. With RSUs comprising 38% of BMO's target CEO pay, we have a clear explanation for BMO's relatively high CEO pay compared to its relatively poor operational performance.

**BMO's TSR has increased and its CEO pay growth has decreased over the past 8 years, accounting for its middle of the pack Pay for Performance Score.**



COMPANY'S DISCLOSED PEER FIRMS	
TICKER	NAME
TSE:BNS	Bank of Nova Scotia
TSE:CM	Canadian Imperial Bank of Commerce
TSE:RY	Royal Bank of Canada
TSE:TD	The Toronto-Dominion Bank
NYSE:BBT	BB&T Corporation
NYSE:BK	Bank of New York Mellon
NDQ:FITB	Fifth Third Bancorp
NYSE:KEY	KeyCorp
NYSE:RF	Regions Financial
NYSE:STI	SunTrust Banks Inc.

FY 2011 FINANCIAL PERFORMANCE RANKINGS						
#	PEER	TSR	PEER	ROE	PEER	ROA
1	TSE:TD	6.0%	TSE:CM	19.9%	NDQ:FITB	1.0%
2	<b>TSE:BMO</b>	<b>3.7%</b>	TSE:BNS	17.5%	NYSE:KEY	0.9%
3	TSE:BNS	1.9%	TSE:TD	13.1%	TSE:BNS	0.9%
4	TSE:CM	1.2%	TSE:RY	12.5%	TSE:TD	0.8%
5	NYSE:BBT	-1.9%	<b>TSE:BMO</b>	<b>12.4%</b>	TSE:CM	0.8%
6	TSE:RY	-6.7%	NDQ:FITB	8.8%	NYSE:BK	0.8%
7	NDQ:FITB	-11.3%	NYSE:KEY	8.5%	NYSE:BBT	0.7%
8	NYSE:KEY	-11.9%	NYSE:BK	7.4%	<b>TSE:BMO</b>	<b>0.7%</b>
9	NYSE:BK	-32.9%	NYSE:BBT	7.4%	TSE:RY	0.6%
10	NYSE:RF	-38.1%	NYSE:STI	2.5%	NYSE:STI	0.3%
11	NYSE:STI	-39.6%	NYSE:RF	-3.3%	NYSE:RF	-0.3%

CEO COMPENSATION RANKINGS AGAINST COMPANY'S DISCLOSED PEER FIRMS										
	PEER	TOTAL PAY	PEER	SALARY	PEER	BONUS	PEER	TOTAL CASH	PEER	TOTAL EQUITY
1	NYSE:KEY	\$14,080,125	NYSE:KEY	\$2,486,294	NYSE:BK	\$3,913,032	TSE:CM	\$4,904,000	NYSE:KEY	\$10,308,093
2	NYSE:STI	\$13,729,026	NYSE:STI	\$2,100,865	TSE:CM	\$3,404,000	NYSE:BK	\$4,760,855	TSE:BNS	\$8,477,746
3	TSE:RY	\$12,680,149	TSE:BNS	\$1,500,000	TSE:TD	\$1,960,000	NYSE:STI	\$3,709,338	TSE:RY	\$8,359,020
4	NYSE:BK	\$12,605,777	TSE:TD	\$1,500,000	NYSE:BBT	\$1,767,584	NYSE:KEY	\$3,574,320	<b>TSE:BMO</b>	<b>\$7,952,422</b>
5	<b>TSE:BMO</b>	<b>\$11,672,664</b>	TSE:CM	\$1,500,000	TSE:RY	\$1,750,000	TSE:TD	\$3,460,000	TSE:TD	\$7,860,381
6	TSE:TD	\$11,426,077	TSE:RY	\$1,476,712	NYSE:STI	\$1,608,473	TSE:RY	\$3,226,712	NYSE:STI	\$7,410,439
7	TSE:BNS	\$11,378,942	<b>TSE:BMO</b>	<b>\$1,026,250</b>	TSE:BNS	\$1,400,000	TSE:BNS	\$2,900,000	NYSE:BK	\$5,395,721
8	TSE:CM	\$10,498,798	NDQ:FITB	\$989,071	<b>TSE:BMO</b>	<b>\$1,150,000</b>	NYSE:BBT	\$2,717,771	TSE:CM	\$5,003,798
9	NYSE:BBT	\$8,929,572	NYSE:BBT	\$950,187	NYSE:KEY	\$1,088,026	<b>TSE:BMO</b>	<b>\$2,176,250</b>	NYSE:RF	\$3,810,389
10	NYSE:RF	\$6,575,738	NYSE:BK	\$847,824	NDQ:FITB	\$845,695	NDQ:FITB	\$1,834,766	NDQ:FITB	\$2,797,154
11	NDQ:FITB	\$4,864,590	NYSE:RF	\$840,709	NYSE:RF	\$0	NYSE:RF	\$840,709	NYSE:BBT	\$2,535,434

# PAY FOR PERFORMANCE SCORING

For 2012, the Clarkson Centre for Board Effectiveness (CCBE), prepared a Pay for Performance report for each firm currently listed on the TSX 60 Index that has at least 8 years of historical compensation or share price data available. The CCBE's Performance Score measures how closely CEO pay and TSR are aligned over four different time horizons. Compensation data is gathered from the firm's public filings, and valued at the time of grant. Options are valued using the binomial tree fair value method, and PSUs are valued at the grant date value of the target payout. TSR is calculated using a 30-day average start and end date share price, and assumes the reinvestment of dividends.

CCBE collected pay and performance data for up to ten peer companies for each TSX 60 constituent. Peer companies were selected from each TSX 60 constituent's performance benchmarking peer group, as disclosed in its most recent Management Information Circular. If a performance peer group was not disclosed, the CCBE collected information on the disclosed constituents of the total pay benchmarking peer group. If a peer group had more than 10 constituents, we randomly selected ten from among the disclosed list.

Our Pay for Performance Score takes into account alignment between change in CEO pay and TSR in 1-, 4-, 6- and 8-year observations. CEO pay change is 'smoothed' to account for outlying years. For example, in our 8-year observation we calculate CEO pay change as the percent change of the sum of total CEO pay from 2004-2007 against the sum of total CEO pay from 2008-2011. This helps to normalize our longer observations for unusual events like CEO turnover and large one-time payouts. The Pay for Performance Score gives significantly more weight to longer-term observations than shorter ones.

1-YEAR SCORE	4-YEAR SCORE	6-YEAR SCORE	8-YEAR SCORE
A = 3	A = 4	A = 7	A = 10
B = 3	B = 3	B = 5	B = 8
C = 2	C = 2	C = 3	C = 5
D = 1	D = 1	D = 1	D = 3
E = 0	E = 0	E = 0	E = 0

