

Enhanced Disclosure Task Force

On October 29, 2012, the Enhanced Disclosure Task Force (EDTF) of the Financial Stability Board published its first report, *Enhancing the Risk Disclosures of Banks*. We support the recommendations issued by the EDTF for the provision of high-quality, transparent risk disclosures.

Disclosures related to the EDTF recommendations are detailed below.

General	
1	<p>Present all risk-related information in the Annual Report, Supplementary Financial Information and Supplementary Regulatory Capital Disclosure, and provide an index for easy navigation.</p> <p>Annual Report: Risk-related information is presented in the Enterprise-Wide Risk Management section on pages 77 to 105.</p> <p>An index for the MD&A is provided on page 26. An index for the notes to the financial statements is provided on page 128.</p> <p>Supplementary Financial Information: An index is provided in Supplementary Financial Information.</p>
2	<p>Define the bank's risk terminology and risk measures and present key parameters used.</p> <p>Annual Report: Specific risk definitions and key parameters underpinning BMO's risk reporting are provided on pages 84 to 105.</p> <p>A glossary of financial terms (including risk terminology) can be found on pages 190 to 191.</p>
3	<p>Discuss top and emerging risks for the bank.</p> <p>Annual Report: BMO's top and emerging risks are discussed on page 78.</p>
4	<p>Outline plans to meet new key regulatory ratios once the applicable rules are finalized.</p> <p>Annual Report: We outline BMO's plans to meet new regulatory ratios on pages 65 to 66 (Leverage Ratio) and 99 to 100 (Net Stable Funding Ratio).</p>
Risk Governance	
5	<p>Summarize the bank's risk management organization, processes, and key functions.</p> <p>Annual Report: BMO's risk management organization, processes and key functions are summarized on pages 80 to 84.</p>
6	<p>Describe the bank's risk culture.</p> <p>Annual Report: BMO's risk culture is described on page 81.</p>
7	<p>Describe key risks that arise from the bank's business model and activities.</p> <p>Annual Report: A diagram of BMO's risk exposure by operating segment is provided on page 68.</p>
8	<p>Describe the use of stress testing within the bank's risk governance and capital frameworks.</p> <p>Annual Report: BMO's stress testing process is described on page 84.</p>
Capital Adequacy and Risk-Weighted Assets (RWA)	
9	<p>Provide minimum Pillar 1 capital requirements.</p> <p>Annual Report: Basel III Pillar 1 capital requirements are described on pages 64 to 66.</p> <p>Supplementary Financial Information: Basel III regulatory capital is disclosed on page 35.</p>
10	<p>Summarize information contained in the composition of capital templates adopted by the Basel Committee.</p> <p>Annual Report: An abridged version of the Regulatory Capital template is provided on page 67.</p> <p>Supplementary Financial Information: Basel III Pillar 3 disclosure is provided on pages 35, 36 and 38. A Main Features template can be found on BMO's website at www.bmo.com under Investor Relations and Regulatory Filings.</p>
11	<p>Present a flow statement of movements in regulatory capital, including changes in Common Equity Tier 1, Additional Tier 1, and Tier 2 capital.</p> <p>Supplementary Financial Information: Regulatory capital flow statement is provided on page 40.</p>
12	<p>Discuss capital planning within a more general discussion of management's strategic planning.</p> <p>Annual Report: BMO's capital planning process is discussed under Capital Management Framework on page 64.</p>
13	<p>Provide granular information to explain how RWA relate to business activities.</p> <p>Annual Report: A diagram of BMO's risk exposure, including RWA by operating segment, is provided on page 68.</p>
14	<p>Present a table showing the capital requirements for each method used for calculating RWA.</p> <p>Annual Report: Regulatory capital requirement, as a percentage of RWA, is outlined on page 65.</p> <p>Information about significant models is provided on pages 85 to 86.</p> <p>Supplementary Financial Information: A table showing RWA by model approaches and by risk type is provided on page 38.</p>
15	<p>Tabulate credit risk in the banking book for Basel asset classes.</p> <p>Supplementary Financial Information: Wholesale and retail credit exposures by internal rating grades are provided on page 47.</p>
16	<p>Present a flow statement that reconciles movements in RWA by credit risk and market risk.</p> <p>Supplementary Financial Information: RWA flow statements are provided on page 41, with a reconciliation on page 37.</p>
17	<p>Describe the bank's Basel validation and back-testing process.</p> <p>Annual Report: BMO's Basel validation and back-testing process is described on page 104 for credit and market risk.</p> <p>Supplementary Financial Information: A table showing Exposure at Default and RWA by model approaches and asset class is provided on page 38. A table showing estimated and actual loss parameters is provided on page 49.</p>
Liquidity	
18	<p>Describe how the bank manages its potential liquidity needs and the liquidity reserve held to meet those needs.</p> <p>Annual Report: BMO's potential liquidity needs and the liquidity reserve held to meet those needs are described on page 96.</p>
Funding	
19	<p>Summarize encumbered and unencumbered assets in a table by balance sheet category.</p> <p>Annual Report: An Asset Encumbrance table is provided on page 98.</p> <p>Additional collateral requirement in the event of downgrades by rating agencies is disclosed in Note 10 on page 148 of the financial statements.</p> <p>Supplementary Financial Information: The Asset Encumbrance table by currency is provided on page 34.</p>
20	<p>Tabulate consolidated total assets, liabilities and off-balance sheet commitments by remaining contractual maturity.</p> <p>Annual Report: A Contractual Maturity table is presented in Note 32 on pages 186 to 189 of the financial statements.</p>
21	<p>Discuss the bank's sources of funding and describe the bank's funding strategy.</p> <p>Annual Report: BMO's sources of funding and funding strategy are described on pages 98 to 99.</p> <p>A table showing the composition and maturity of wholesale funding is provided on page 99.</p>

Market Risk	
22	<p>Provide a breakdown of balance sheet positions into trading and non-trading market risk measures.</p> <p>Annual Report: A table linking balance sheet items to market risk measures is provided on page 94.</p>
23	<p>Provide qualitative and quantitative breakdowns of significant trading and non-trading market risk factors.</p> <p>Annual Report: Trading market risk exposures are described and quantified on pages 91 to 93.</p> <p>Structural (non-trading) market risk exposures are described and quantified on pages 94 to 95.</p>
24	<p>Describe significant market risk measurement model validation procedures and back-testing and how these are used to enhance the parameters of the model.</p> <p>Annual Report: Market risk measurement model validation procedures and back-testing are described on page 104 for trading market risk and for structural (non-trading) market risk.</p>
25	<p>Describe the primary risk management techniques employed by the bank to measure and assess the risk of loss beyond reported risk measures.</p> <p>Annual Report: The use of stress testing, scenario analysis and stressed VaR for market risk management is described on pages 91 to 95.</p>
Credit Risk	
26	<p>Provide information about the bank's credit risk profile.</p> <p>Annual Report: Information about BMO's credit risk profile is provided on pages 86 to 87 and in Notes 4 and 6 on pages 136 to 139 and 140 to 142 of the financial statements, respectively.</p> <p>Supplementary Financial Information: Tables detailing credit risk information are provided on pages 20 to 29 and 43 to 50.</p>
27	<p>Describe the bank's policies related to impaired loans and renegotiated loans.</p> <p>Annual Report: Impaired and renegotiated loan policies are described in Note 4 on pages 136 and 138 of the financial statements, respectively.</p>
28	<p>Provide reconciliations of impaired loans and the allowance for credit losses.</p> <p>Annual Report: Continuity schedules for gross impaired loans and allowance for credit losses are provided on page 87 and in Note 4 on pages 137 to 138 of the financial statements.</p>
29	<p>Provide a quantitative and qualitative analysis of the bank's counterparty credit risk that arises from its derivative transactions.</p> <p>Annual Report: Qualitative disclosures on collateralization agreements for over-the-counter (OTC) derivatives are provided on page 85 and quantitative disclosures are provided on page 90.</p> <p>Supplementary Financial Information: Quantitative disclosures for OTC derivatives are provided on page 32.</p>
30	<p>Provide a discussion of credit risk mitigation.</p> <p>Annual Report: A discussion of BMO's collateral management is provided on pages 84 to 85.</p>
Other Risks	
31	<p>Describe other risks and discuss how each is identified, governed, measured and managed.</p> <p>Annual Report: A diagram illustrating the risk governance process that supports BMO's risk culture is provided on page 80.</p> <p>Other risks are discussed on pages 101 to 105.</p>
32	<p>Discuss publicly known risk events related to other risks, where material or potentially material loss events have occurred.</p> <p>Annual Report: Other risks are discussed on pages 101 to 105.</p>