

# 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 Present all risk-related information in the Annual Report, Supplementary Financial Information and Supplementary Regulatory Capital Disclosure, and provide an index for easy navigation.**  
**Annual Report:** Risk-related information is presented in the Enterprise-Wide Risk Management section on pages 86 to 117. An index for the MD&A is provided on page 26. An index for the notes to the financial statements is provided on page 140.  
**Supplementary Financial Information:** An index is provided in our Supplementary Financial Information.
- 2 Define the bank's risk terminology and risk measures and present key parameters used.**  
**Annual Report:** Specific risk definitions and key parameters underpinning BMO's risk reporting are provided on pages 94 to 117. A glossary of financial terms (including risk terminology) can be found on pages 202 to 203.
- 3 Discuss top and emerging risks for the bank.**  
**Annual Report:** BMO's top and emerging risks are discussed on pages 87 to 89.
- 4 Outline plans to meet new key regulatory ratios once the applicable rules are finalized.**  
**Annual Report:** We outline BMO's plans to meet new regulatory ratios on pages 71 to 73 and 110.

## Risk Governance

- 5 Summarize the bank's risk management organization, processes, and key functions.**  
**Annual Report:** BMO's risk management organization, processes and key functions are summarized on pages 89 to 93.
- 6 Describe the bank's risk culture.**  
**Annual Report:** BMO's risk culture is described on page 90.
- 7 Describe key risks that arise from the bank's business model and activities.**  
**Annual Report:** A diagram of BMO's risk exposure by operating segment is provided on page 74.
- 8 Describe the use of stress testing within the bank's risk governance and capital frameworks.**  
**Annual Report:** BMO's stress testing process is described on page 93.

## Capital Adequacy and Risk-Weighted Assets (RWA)

- 9 Provide minimum Pillar 1 capital requirements.**  
**Annual Report:** Basel III Pillar 1 capital requirements are described on pages 70 to 72.  
**Supplementary Financial Information:** Basel III regulatory capital is disclosed on page 34.
- 10 Summarize information contained in the composition of capital templates adopted by the Basel Committee.**  
**Annual Report:** An abridged version of the Basel III regulatory capital template is provided on page 72.  
**Supplementary Financial Information:** Basel III Pillar 3 disclosure is provided on pages 34 to 36 and 38. A Main Features template can be found on BMO's website at [www.bmo.com](http://www.bmo.com) under Investor Relations and Regulatory Filings.
- 11 Present a flow statement of movements in regulatory capital, including changes in Common Equity Tier 1, Additional Tier 1, and Tier 2 capital.**  
**Supplementary Financial Information:** Regulatory capital flow statement is provided on page 39.
- 12 Discuss capital planning within a more general discussion of management's strategic planning.**  
**Annual Report:** BMO's capital planning process is discussed under Capital Management Framework on page 70.
- 13 Provide granular information to explain how RWA relate to business activities.**  
**Annual Report:** A diagram of BMO's risk exposure, including RWA by operating group, is provided on page 74.
- 14 Present a table showing the capital requirements for each method used for calculating RWA.**  
**Annual Report:** Regulatory capital requirement, as a percentage of RWA, is outlined on page 71. Information about significant models used to determine RWA is provided on pages 95 to 96.  
**Supplementary Financial Information:** A table showing RWA by model approach and by risk type is provided on page 38.
- 15 Tabulate credit risk in the banking book for Basel asset classes.**  
**Supplementary Financial Information:** Wholesale and retail credit exposures by internal rating grades are provided on page 46.
- 16 Present a flow statement that reconciles movements in RWA by credit risk and market risk.**  
**Supplementary Financial Information:** RWA flow statements are provided on page 40, with a reconciliation on page 37.
- 17 Describe the bank's Basel validation and back-testing process.**  
**Annual Report:** BMO's Basel validation and back-testing process for credit and market risk is described on page 113.  
**Supplementary Financial Information:** A table showing Exposure at Default and RWA by model approach and asset class is provided on page 38. A table showing estimated and actual loss parameters is provided on page 48.

## Liquidity

- 18 Describe how the bank manages its potential liquidity needs and the liquidity reserve held to meet those needs.**  
**Annual Report:** BMO's potential liquidity needs and the liquidity reserve held to meet those needs are described on pages 105 to 106.

## Funding

- 19 Summarize encumbered and unencumbered assets in a table by balance sheet category.**  
**Annual Report:** An Asset Encumbrance table is provided on page 107.  
Additional collateral requirements in the event of downgrades by rating agencies are disclosed in Note 8 on pages 158 to 159 of the financial statements.  
**Supplementary Financial Information:** The Asset Encumbrance table by currency is provided on page 33.
- 20 Tabulate consolidated total assets, liabilities and off-balance sheet commitments by remaining contractual maturity.**  
**Annual Report:** A Contractual Maturity table is presented in Note 30 on pages 198 to 201 of the financial statements.
- 21 Discuss the bank's sources of funding and describe the bank's funding strategy.**  
**Annual Report:** BMO's sources of funding and funding strategy are described on pages 108 to 109.  
A table showing the composition and maturity of wholesale funding is provided on page 109.

## Market Risk

- 22 Provide a breakdown of balance sheet positions into trading and non-trading market risk measures.**  
**Annual Report:** A table linking balance sheet items to market risk measures is provided on page 103.
- 23 Provide qualitative and quantitative breakdowns of significant trading and non-trading market risk measures.**  
**Annual Report:** Trading market risk exposures are described and quantified on pages 100 to 102.  
Structural (non-trading) market risk exposures are described and quantified on pages 103 to 104.
- 24 Describe significant market risk measurement model validation procedures and back-testing and how these are used to enhance the parameters of the model.**  
**Annual Report:** Market risk measurement model validation procedures and back-testing for trading market risk and structural (non-trading) market risk are described on page 113.
- 25 Describe the primary risk management techniques employed by the bank to measure and assess the risk of loss beyond reported risk measures.**  
**Annual Report:** The use of stress testing, scenario analysis and stressed VaR for market risk management is described on pages 100 to 101.

## Credit Risk

- 26 Provide information about the bank's credit risk profile.**  
**Annual Report:** Information about BMO's credit risk profile is provided on pages 96 to 97 and in Notes 4 and 5 on pages 148 to 153 of the financial statements, respectively.  
**Supplementary Financial Information:** Tables detailing credit risk information are provided on pages 20 to 29 and 42 to 49.
- 27 Describe the bank's policies related to impaired loans and renegotiated loans.**  
**Annual Report:** Impaired and renegotiated loan policies are described in Note 4 on pages 148 and 150, respectively, of the financial statements.
- 28 Provide reconciliations of impaired loans and the allowance for credit losses.**  
**Annual Report:** Continuity schedules for gross impaired loans and allowance for credit losses are provided on page 97 and in Note 4 on pages 149 to 150 of the financial statements.
- 29 Provide a quantitative and qualitative analysis of the bank's counterparty credit risk that arises from its derivative transactions.**  
**Annual Report:** Quantitative disclosures on collateralization agreements for over-the-counter (OTC) derivatives are provided on page 99 and qualitative disclosures are provided on page 94.  
**Supplementary Financial Information:** Quantitative disclosures for OTC derivatives are provided on page 32.
- 30 Provide a discussion of credit risk mitigation.**  
**Annual Report:** A discussion of BMO's credit and counterparty risk management is provided on pages 94 to 95. Collateral management discussions are provided on page 94 and in Notes 8 and 26 on pages 161 and 193, respectively, of the financial statements.  
**Supplementary Financial Information:** The Exposures Covered by Credit Risk Mitigation table is provided on page 42.

## Other Risks

- 31 Describe other risks and discuss how each is identified, governed, measured and managed.**  
**Annual Report:** A diagram illustrating the risk governance process that supports BMO's risk culture is provided on page 89.  
Other risks are discussed on pages 111 to 117.
- 32 Discuss publicly known risk events related to other risks, where material or potentially material loss events have occurred.**  
**Annual Report:** Other risks are discussed on pages 111 to 117.