

BANK OF MONTREAL



ANNUAL INFORMATION FORM

FOR THE YEAR ENDED OCTOBER 31, 2020

Dated December 1, 2020

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¹ As indicated, parts of the Bank's Consolidated Financial Statements (2020 Financial Statements) and Management's Discussion and Analysis (2020 MD&A) for the fiscal year ended October 31, 2020 are incorporated by reference into this Annual Information Form. The 2020 Financial Statements and the 2020 MD&A are available on SEDAR (www.sedar.com).

EXPLANATORY NOTES AND CAUTIONS

Unless specifically stated otherwise in this Annual Information Form:

- all amounts are in Canadian dollars
- BMO Financial Group, the Bank, BMO, we, or our means Bank of Montreal and, as applicable, its subsidiaries
- information is as at October 31, 2020

Caution Regarding Forward-Looking Statements

Bank of Montreal's public communications often include written or oral forward-looking statements. Statements of this type are included in this document, and may be included in other filings with Canadian securities regulators or the U.S. Securities and Exchange Commission, or in other communications. All such statements are made pursuant to the "safe harbor" provisions of, and are intended to be forward-looking statements under, the United States Private Securities Litigation Reform Act of 1995 and any applicable Canadian securities legislation. Forward-looking statements in this document may include, but are not limited to, statements with respect to the Bank's objectives and priorities for fiscal 2021 and beyond, its strategies or future actions, its targets, expectations for its financial condition or share price, the regulatory environment in which it operates and the results of or outlook for its operations or for the Canadian, U.S. and international economies, its response to the COVID-19 pandemic and its expected impact on the Bank's business, operations, earnings, results, and financial performance and condition, as well as its impact on the Bank's customers, competitors, reputation and trading exposures, and include statements of the Bank's management. Forward-looking statements are typically identified by words such as "will", "would", "should", "believe", "expect", "anticipate", "project", "intend", "estimate", "plan", "goal", "target", "may" and "could."

By their nature, forward-looking statements require the Bank to make assumptions and are subject to inherent risks and uncertainties, both general and specific in nature. There is significant risk that predictions, forecasts, conclusions or projections will not prove to be accurate, that assumptions may not be correct, and that actual results may differ materially from such predictions, forecasts, conclusions or projections. The uncertainty created by the COVID-19 pandemic has heightened this risk given the increased challenge in making assumptions, predictions, forecasts, conclusions or projections. The Bank cautions readers of this document not to place undue reliance on forward-looking statements, as a number of factors – many of which are beyond its control and the effects of which can be difficult to predict – could cause actual future results, conditions, actions or events to differ materially from the targets, expectations or intentions expressed in the forward-looking statements.

Future outcomes that relate to forward-looking statements may be influenced by many factors, including but not limited to: the severity, duration and spread of the COVID-19 pandemic, its impact on local, national or international economies, and its heightening of certain risks that may affect the Bank's future results; the possible impact on the Bank's business and operations of outbreaks of disease or illness that affect local, national or international economies; general economic and market conditions in the countries in which the bank operates; information, privacy and cyber security, including the threat of data breaches, hacking, identity theft and corporate espionage, as well as the possibility of denial of service resulting from efforts targeted at causing system failure and service disruption; changes in monetary, fiscal, or economic policy, and tax legislation and interpretation; interest rate and currency value fluctuations, as well as benchmark interest rate reforms; technological changes and technology resiliency; political conditions, including changes relating to or affecting economic or trade matters; the Canadian housing market and consumer leverage; climate change and other environmental and social risks; weak, volatile or illiquid capital or credit markets; the level of competition in the geographic and business areas in which the Bank operates; changes in laws or in supervisory expectations or requirements, including capital, interest rate and liquidity requirements and guidance, and the effect of such changes on funding costs; judicial or regulatory proceedings; the accuracy and completeness of the information the Bank obtains with respect to its customers and counterparties; failure of third parties to comply with their obligations to the Bank; the Bank's ability to execute its strategic plans and to complete proposed acquisitions or dispositions, including obtaining regulatory approvals; critical accounting estimates and the effect of changes to accounting standards, rules and interpretations on these estimates; operational and infrastructure risks, including with respect to reliance on third parties; changes to the Bank's credit ratings; global capital markets activities; the possible effects on the Bank's business of war or terrorist activities; natural disasters and disruptions to public infrastructure, such as transportation, communications, power or water supply; and the Bank's ability to anticipate and effectively manage risks arising from all of the foregoing factors.

The Bank cautions that the foregoing list is not exhaustive of all possible factors. Other factors and risks could adversely affect the Bank's results. For more information, please refer to the discussion in the Risks That May Affect Future Results section, and the sections related to credit and counterparty, market, insurance, liquidity and funding, operational, legal and regulatory, strategic, environmental and social, and reputation risk, in the Enterprise-Wide Risk Management section that begins on page 73 of the 2020 MD&A, as may be updated in subsequently filed quarterly reports to shareholders, all of which outline certain key factors and risks that may affect the Bank's future results. Investors and others should carefully consider these factors and risks, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. The Bank does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by the organization or on its behalf, except as required by law. The forward-looking information contained or incorporated by reference in this document is presented for the purpose of assisting shareholders in understanding the Bank's financial position as at and for the periods ended on the dates presented, as well as its strategic priorities and objectives, and may not be appropriate for other purposes.

Material economic assumptions underlying the forward-looking statements contained or incorporated by reference in this document are set out in the Economic Developments and Outlook section on page 18 of the 2020 MD&A as well as in the Allowance for Credit Losses section on page 114 of the 2020 MD&A, each as may be updated in subsequently filed quarterly reports to shareholders. Assumptions about the performance of the Canadian and U.S. economies, as well as overall market conditions and their combined effect on the Bank's business, are material factors the Bank considers when determining its strategic priorities, objectives and expectations for its business. In determining expectations for economic growth, the Bank primarily considers historical economic data, past relationships between economic and financial variables, changes in government policies, and the risks to the domestic and global economy.

CORPORATE STRUCTURE

Bank of Montreal started business in Montreal in 1817 and was incorporated in 1821 by an Act of Lower Canada as the first Canadian chartered bank. Since 1871, the Bank has been a chartered bank under the *Bank Act* (Canada) (the Bank Act), and is named in Schedule I of the Bank Act. The Bank Act is the charter of the Bank and governs its operations.

The Bank's head office is 129 rue Saint Jacques, Montreal, Quebec, H2Y 1L6. Its executive offices are 100 King Street West, 1 First Canadian Place, Toronto, Ontario, M5X 1A1.

Bank of Montreal brands the organization's member companies as BMO Financial Group. Note 26 to the 2020 Financial Statements lists the intercorporate relationships among Bank of Montreal and its significant subsidiaries. The Bank incorporates this Note herein by reference. These subsidiaries are incorporated or

organized under the laws of the state or country of their principal office, except for: BMO Financial Corp.; BMO Asset Management Corp.; BMO Capital Markets Corp.; BMO Harris Financial Advisors, Inc.; BMO Harris Financing, Inc. and BMO Family Office, LLC, which are incorporated under the laws of the state of Delaware, United States; BMO Asset Management (Holdings) plc which is incorporated under the laws of Scotland, and BMO Harris Investment Company LLC which is organized under the laws of the state of Nevada, United States.

GENERAL DEVELOPMENT OF THE BUSINESS

Three-Year History

As at October 31, 2020, BMO was the eighth largest bank in North America by assets.

On April 7, 2017, BMO announced its intention to appoint Darryl White, Chief Operating Officer, BMO Financial Group, to the office of Chief Executive Officer, BMO Financial Group effective November 1, 2017, as successor to William Downe, who had announced his intention to retire effective October 31, 2017. Mr. White was appointed to the Bank's board of directors on May 24, 2017. On October 31, 2017, Mr. Downe retired as Chief Executive Officer of the Bank and, on November 1, 2017, Mr. White became Chief Executive Officer.

On October 10, 2018, BMO announced the appointments of Patrick Cronin as Chief Risk Officer, BMO Financial Group and Dan Barclay as Group Head, BMO Capital Markets. Each of these appointments was effective November 1, 2018.

On November 1, 2019, BMO announced its intention to appoint George A. Cope as Chair of the Board of Bank of Montreal, which became effective following his re-election as an independent Director of the Bank at the Bank's March 31, 2020 Annual Meeting of Shareholders.

On November 9, 2020 BMO announced that Tom Flynn will move from his current role as Chief Financial Officer to become a Vice Chair. Tayfun Tuzun will become Chief Financial Officer. Simon Fish will move from his current role as General Counsel to become Special Advisor to the CEO. Sharon Haward-Laird will become General Counsel. All appointments are effective January 1, 2021; Mr. Tuzun joined the Bank as Deputy CFO on November 16, 2020.

BMO has had common share buyback programs in place for several years. The 2019-2020 normal course issuer bid (NCIB) program expired on June 2, 2020. During the year ended October 31, 2020, the Bank did not purchase any of its common shares for cancellation. On February 25, 2020, BMO announced its intention, subject to the approval of Office of the Superintendent of Financial Institutions of Canada (OSFI) and the Toronto Stock Exchange, to establish a new NCIB that would permit BMO to purchase for cancellation up to 12 million common shares over a 12-month period, commencing on or about June 3, 2020. In light of OSFI's announcement on March 13, 2020, that all share buybacks by federally regulated financial institutions should be halted for the time being, BMO put the renewal process on hold.

For additional information on the general development of BMO's business and its strategies for the upcoming year, see pages 15, 20, and 34 to 53 of the 2020 MD&A, which pages the Bank incorporates herein by reference.

This Three-Year History section contains forward-looking statements. Please see the Caution Regarding Forward-Looking Statements on page 2.

DESCRIPTION OF THE BUSINESS

Business

BMO Financial Group is a highly diversified financial services provider based in North America. BMO provides a broad range of products and services directly and through Canadian and non-Canadian subsidiaries, offices, and branches. As at October 31, 2020, BMO had approximately 12 million customers and more than 43,000 full-time equivalent employees. The Bank has approximately 1,400 bank branches and more than 4,800 automated banking machines in Canada and the United States, and operates internationally in major financial markets and trading areas through its offices in a number of jurisdictions around the world. BMO Financial Corp. (BFC) is based in Chicago and wholly-owned by Bank of Montreal. BFC operates primarily through its subsidiary BMO Harris Bank N.A. (BHB), which provides banking, financing, investing, and cash management services in select markets in the United States. BMO provides a full range of investment dealer services through entities, including BMO Nesbitt Burns Inc., a major fully integrated Canadian investment dealer, and BMO Capital Markets Corp., Bank of Montreal's wholly-owned registered broker dealer in the United States.

BMO conducts business through three operating groups: Personal and Commercial Banking (P&C), made up of Canadian P&C and U.S. P&C; BMO Wealth Management; and BMO Capital Markets. In P&C, personal banking provides personal banking customers with financial products and services, including banking, lending, treasury management and everyday financial and investment advice through a network of branches, contact centres, digital banking platforms and automated teller machines. Commercial Banking serves clients across Canada and the U.S., and commercial bankers are trusted advisors and partners to clients, delivering sector and industry expertise, local presence and a full suite of commercial products and services. Canadian P&C operates across Canada, while U.S. P&C operates predominately in eight states (Illinois, Wisconsin, Missouri, Indiana, Minnesota, Kansas, Arizona and Florida) under the BMO Harris brand. In addition, the commercial business provides targeted nationwide coverage for key specialty sectors and has offices in select regional markets. BMO Wealth Management serves a full range of clients from individuals and families to business owners and institutions. It offers a wide spectrum of asset, wealth management and insurance products and services aimed at helping clients plan, grow, protect and transition their wealth. The asset management business is focused on making a positive impact and delivering innovative client solutions. BMO Capital Markets is a North American-based financial services provider offering a complete range of products and services to corporate, institutional and government clients. These include equity and debt underwriting, institutional sales and trading, corporate lending and project financing, mergers and acquisitions advisory services, securitization, treasury management, risk management and equity and fixed income research. Corporate Services consists of Corporate Units and Technology and Operations (T&O). Corporate Units provide enterprise-wide expertise, governance and support in a variety of areas, including strategic planning, risk management, finance, legal and regulatory compliance, human resources, communications, marketing, real estate and procurement. T&O develops, monitors, manages and maintains governance of information technology, including data and analytics, and also provides cyber security and operations services.

For additional information regarding BMO's businesses, see pages 15, 20, and 34 to 53 of the 2020 MD&A and Note 25 to the 2020 Financial Statements. The Bank incorporates these pages and Note herein by reference.

This Business section contains forward-looking statements. Please see the Caution Regarding Forward-Looking Statements on page 2.

Supervision and Regulation in Canada

Bank of Montreal's activities in Canada are governed by the Bank Act.

Under the Bank Act, a bank can operate its regular banking business as well as some additional activities, such as dealing with real property and various financial technology and information services. A bank is restricted when it undertakes certain activities, including fiduciary activities, dealing in securities, insurance activities, and personal property leasing. For example, other than for authorized types of insurance, a bank may not offer insurance products through its branch system or bank website.

The Bank Act grants a bank broad power to invest in the securities of other corporations and entities, but limits substantial investments. Under the Bank Act, a bank generally has a substantial investment in a body corporate when (1) the bank and entities controlled by the bank beneficially own more than 10% of the voting shares of the body corporate or (2) the bank and entities controlled by the bank beneficially own shares representing more than 25% of the total shareholders' equity of the body corporate. A bank can have a substantial investment in entities that meet the substantial investment requirements as set out in Part IX of the Bank Act. In certain cases, the Minister of Finance or the Superintendent of Financial Institutions (Canada) (the Superintendent) must approve before a bank can make an investment.

The Superintendent is responsible to the Minister of Finance for administering the Bank Act. The Superintendent provides guidelines for disclosing a bank's financial information. The Superintendent must also examine each bank annually to ensure compliance with the Bank Act and that each bank is in sound financial condition. The Superintendent's examination report is submitted to the Minister of Finance.

The Bank's Canadian trust, loan and insurance subsidiaries are federally regulated financial institutions governed by the *Trust and Loan Companies Act* (Canada) and the *Insurance Companies Act* (Canada), respectively, and under provincial laws in respect of their activities in the provinces. The Bank and its Canadian trust, loan and insurance subsidiaries are also subject to regulation by the Financial Consumer Agency of Canada (the FCAC). The FCAC enforces consumer-related provisions of the federal statutes which govern these financial institutions. Certain activities of the Bank and its subsidiaries acting as securities brokers, dealers, underwriters, advisors and investment fund managers are regulated in Canada under provincial securities legislation and, in some cases, by a self-regulatory organization (the Investment Industry Regulatory Organization of Canada or the Mutual Fund Dealers Association of Canada).

Under Canadian bank resolution powers, the Canada Deposit Insurance Corporation (CDIC) may, in circumstances where the Bank has ceased, or is about to cease, to be viable, assume temporary control or ownership of the Bank and may be granted broad powers by one or more orders of the Governor in Council (Canada), including the power to sell or dispose of all or a part of the assets of the Bank, and the power to carry out or cause the Bank to carry out a transaction or a series of transactions the purpose of which is to restructure the business of the Bank. As part of the Canadian bank resolution powers, certain provisions of, and regulations under the Bank Act, the Canada Deposit Insurance Corporation Act (CDIC Act) and certain other Canadian federal statutes pertaining to banks (collectively, the "Bail-in Regime") provide for a bank recapitalization regime for banks designated by the Superintendent as domestic systemically important banks. Effective September 23, 2018, under the Bail-in Regime, subject to an order of the Governor in Council (Canada) having been issued, CDIC may, having assumed temporary control or ownership of the Bank, amongst other actions, carry out a conversion, by converting or causing the Bank to convert, in whole or in part – by means of a transaction or series of transactions and in one or more steps – the shares and liabilities of the Bank that are subject to the Bail-in Regime into common shares of the Bank or any of its affiliates. For a more detailed description of Canadian bank resolution powers and the consequent risk factors attaching to certain liabilities of the Bank, reference is made to [https://www.bmo.com/ir/files/F18%20Files/Bail In TLAC Disclosure.pdf](https://www.bmo.com/ir/files/F18%20Files/Bail%20In%20TLAC%20Disclosure.pdf). The information on the Bank's website does not form a part of this Annual Information Form.

Additional information about supervision and regulation in Canada is found under the headings "Regulatory Capital Requirements" and "Regulatory Capital Developments" in the Enterprise-Wide Capital Management section on pages 63 to 66, "Regulatory Requirements" in the Risks That May Affect Future Results section on page 77, "Regulatory Developments" in the Liquidity and Funding Risk section on page 103, and "Legal and Regulatory Risk" on pages 110 to 111 of the 2020 MD&A, which pages the Bank incorporates herein by reference.

Supervision and Regulation in the United States

In the United States, the operations of Bank of Montreal and its subsidiaries are supervised, regulated, and examined by regulatory and government agencies at the federal and state level. As a foreign bank, Bank of Montreal is subject to various U.S. laws and regulations, including the United States International Banking Act of 1978, the United States Bank Holding Company Act of 1956, and related regulations. The Board of Governors of the Federal Reserve System, including the Federal Reserve Banks (the Federal Reserve), and state banking regulators oversee the Bank of Montreal's branch and office operations in the United States. The U.S. Securities and Exchange Commission (the SEC), the Financial Industry Regulatory Authority, and state securities regulators regulate broker-dealer subsidiaries. The SEC and state securities regulators regulate registered investment advisor subsidiaries.

Bank of Montreal and its subsidiaries own two Federal Deposit Insurance Corporation (FDIC) insured depository institutions in the United States, BHB and BMO Harris Central N.A. (BHC). BHB provides banking, financing, investing, and cash management services predominantly in the U.S. Midwest. BHC provides limited cash management services. They are subject to examination by the Office of the Comptroller of the Currency (OCC). The Federal Reserve generally needs to approve acquiring (a) more than 5% of voting shares, (b) control, or (c) all (or substantially all) of the assets of a bank holding company, bank, or savings association.

The Bank is also subject to the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank). Dodd-Frank reforms include heightened consumer protection, revised regulation of over-the-counter derivatives markets, restrictions on proprietary trading and the ownership and sponsorship of private investment funds by banks and their affiliates (referred to as the Volcker Rule), imposition of heightened prudential standards, and broader application of leverage and risk-based capital requirements.

The Federal Reserve Board's rule for strengthening supervision and regulation of foreign banking organizations (FBO Rule) implemented Dodd-Frank's enhanced prudential standards for the U.S. operations of non-U.S. banks, such as BMO. The rule established new requirements relating to an intermediate holding company structure, risk based capital and leverage requirements, capital stress testing requirements, U.S. risk management and risk governance, liquidity risk management and liquidity stress testing frameworks. The Bank has certified its compliance with this rule. In May 2018, the U.S. Congress passed the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCRA), which made reforms to Dodd-Frank, including raising the threshold for heightened prudential standards from US\$50 billion to US\$250 billion in total consolidated assets. The Federal Reserve in October 2019 issued final rules that modify capital and liquidity

requirements, single counterparty credit limits, and enhanced prudential standards for bank holding companies and foreign banking organizations. EGRRCPC rulemaking will continue for at least the next year and may impact the Bank's U.S. operations.

The OCC has issued guidelines that establish heightened standards for large national banks with average total consolidated assets of US\$50 billion or more, including BHB. The guidelines set out minimum standards for the design and implementation of a bank's risk governance framework and minimum standards for oversight of that framework by a bank's board of directors. The framework must ensure the bank's risk profile is easily distinguished and separate from that of its parent for risk management purposes. A bank's board of directors is responsible for informed oversight of, and providing credible challenge to, management's risk management recommendations and decisions. We comply with these guidelines.

Additional information about supervision and regulation in the United States is found under the headings "Regulatory Capital Requirements", "Regulatory Capital Developments" and "Regulatory Capital Review" in the Enterprise-Wide Capital Management section on pages 63 to 67, "Regulatory Requirements" in the Risks That May Affect Future Results section on page 77, and "Legal and Regulatory Risk" on pages 110 to 111 of the 2020 MD&A, which pages the Bank incorporates herein by reference.

This Supervision and Regulation in the United States section contains forward-looking statements. Please see the Caution Regarding Forward-Looking Statements on page 2.

International Supervision and Regulation

Outside Canada and the U.S., each of Bank of Montreal's branches, agencies and subsidiaries must comply with the regulatory requirements of the country or jurisdiction where it conducts business. These include the Basel Committee on Banking Supervision capital, liquidity and prudential rules (Basel III), or local variations on Basel III, which are intended to strengthen the banking sector's capital and liquidity frameworks. Since the first quarter of 2013, regulatory capital requirements for Bank of Montreal have been determined on a Basel III basis. Additional information about international supervision and regulation is found under the headings "Regulatory Capital Requirements", "Regulatory Capital and Total Loss Absorbing Capacity Ratios", "Regulatory Capital and Total Loss Absorbing Capacity Elements" and "Regulatory Capital Developments" in the Enterprise-Wide Capital Management section on pages 63 to 66, "Regulatory Requirements" in the Risks That May Affect Future Results section on page 77, and "Legal and Regulatory Risk" on pages 110 to 111 of the 2020 MD&A, which pages the Bank incorporates herein by reference.

Competition

Canada's financial services industry is highly competitive. It includes 36 domestic banks and 50 foreign bank subsidiaries, branches, and lending branches, as well as a multitude of trust companies, credit unions, online and full-service brokerages, investment dealers, life and property and casualty insurance companies, mutual fund dealers, and large monoline financial institutions, among others. Bank of Montreal competes with most of these companies in some form in its different businesses. However, the Bank's range of services compares to those of the other five major Canadian banks, and they are direct competitors in almost all the Bank's businesses and markets in Canada. Bank of Montreal was the fourth largest chartered bank in Canada as measured by assets, equity, and market capitalization as at October 31, 2020. In North America, the Bank is the eighth largest bank by assets, and eleventh largest by equity and by market capitalization as at October 31, 2020. BMO is the second largest Canadian bank as measured by retail branches in Canada and the United States.

The emergence and spread of the COVID-19 pandemic dealt a major shock to the Canadian and global economies in 2020. During the first half of the year, widespread lockdown measures resulted in the steepest and most synchronized global recession on record. Extraordinary policy support on the part of governments and central banks has helped to cushion the impact, but continuing economic impacts and rising caseloads are constraining the recovery. The impact that the pandemic will have on the economy, markets and the bank's business remains uncertain. The pandemic has added significant challenges to the personal and commercial businesses, in an already highly competitive and rapidly changing environment. It has also accelerated existing industry trends, including digital adoption across customer segments, a growing need for product innovation and downward pressure on fees. Traditional competitors continue to invest in innovative technologies that allow them to serve customers in new ways and focus more effectively on the customer experience, while non-traditional competitors have continued to gain momentum and are deepening their connections with banks in order to enhance their products and build customer relationships. The wealth management industry remains attractive with good growth expected over the long term, as high net worth and retirement segments become increasingly significant. Capital markets were impacted by market dislocation and volatility caused by the pandemic, as well as the low interest rate environment, and favourable market and client financing conditions in the second half of the fiscal year. Accelerated deployment of digital technology to transform businesses, including digitization of operations, the expansion of international capabilities, heightened use of artificial intelligence (AI) in the new remote environment, and strengthened cloud partnerships to drive innovative technology capabilities in the areas of robotics and AI, will continue to enhance efficiencies and drive customer satisfaction. The pandemic has also heightened exposure in the cyber threat landscape, including a significant increase in phishing campaigns. BMO's Financial Crimes Unit (FCU) remains fully engaged across a number of security pillars (cyber, fraud, physical security and crisis management) and has been pivotal in implementing risk mitigation strategies in response to the increase in cyber threats during the pandemic. The Bank will continue to focus on improving customer loyalty and monitor the competitive landscape in order to effectively price its products and services, while maintaining a prudent risk profile and a disciplined approach to expense management.

The six major banks play a prominent role in the Canadian banking system, each maintaining an extensive and evolving branch network, augmented by automated banking machines, contact centres and digital platforms. The industry is considered mature with moderate growth, supported by an overall focus on productivity, continued investments in infrastructure and technology. Although the major banks offer similar products and services, they compete on offerings, pricing, service models and technology, as well as entering into partnerships and alliances, with a goal of gaining a strategic advantage and serving customers better. Increased competition is also evident in the drive for scale and operating efficiencies.

BMO's Canadian P&C banking business is one of the top five in Canada in all core product areas, providing a full range of lending, deposit and treasury management products and services to eight million customers. Canadian P&C continues to focus on strengthening customer loyalty in order to generate growth in a competitive environment, as well as increasing digital capabilities to augment the customer experience. Personal Banking provides customers with a wide range of products and services, including chequing and savings accounts, credit cards, mortgages and everyday financial and investment advice. The Bank's employees are focused on providing exceptional service to all of its customers every time they interact with us.

Canadian P&C's award winning¹ commercial bank possesses a strong competitive position in commercial lending, with a number two market share for business loans of up to \$25 million. Commercial Banking provides small business and commercial banking clients with a broad suite of commercial products and services, including business deposit accounts, commercial credit cards, business loans and commercial mortgages, cash management solutions, foreign exchange and specialized banking programs. The Bank's Commercial bankers partner with clients to help them grow and manage their business.

¹ In 2020, the Bank was named the Best Commercial Bank in Canada by World Finance Magazine for the sixth consecutive year.

In Canada, BMO Wealth Management competes with domestic banks, insurance companies, trust companies, global private banks, investment counselling firms, and mutual fund companies. BMO Wealth Management's Canadian businesses have strong brand recognition and market position. BMO Private Wealth provides full-service investing, award-winning private banking¹ and wealth advisory services to high net worth and ultra-high net worth clients, leveraging strong financial planning and advice-based solutions. BMO InvestorLine provides a range of digital investment services that compete effectively with online brokerages and digital advice providers. BMO Insurance competes with Canadian insurance companies in providing individual life and annuity products as well as pension de-risking solutions. In the United States, BMO Wealth Management competes primarily in U.S. personal wealth and advisory services, with a strategic presence in the States of Illinois and Wisconsin and in select high-growth wealth markets across the country. BMO Global Asset Management competes primarily with the world's largest asset managers and has offices in over 20 locations worldwide. BMO Mutual Funds and BMO Exchange Traded Funds offer clients innovative investment solutions across a range of channels.

¹ BMO Private Banking was named Best Private Bank in Canada by World Finance for the tenth consecutive year.

BMO Capital Markets operates in a highly competitive environment and its businesses face a diverse range of competitors. With approximately 2,700 professionals in 35 locations around the world, including 22 offices in North America, BMO Capital Markets works proactively with clients, aiming to be their valued financial partner – leveraging people, innovative solutions, and capital to help them achieve their goals. BMO Capital Markets' success is based on a highly integrated, client-focused North American capital markets business with a well-diversified platform and business mix – by sector, geography, product and currency. This includes a strong, scalable and relevant U.S. business, and strong risk management and regulatory compliance practices.

Competition in the United States is more complex than in Canada, given the market's size and activity, as well as personal and commercial banking competitors at the community, regional, and national level, plus other financial service providers. The U.S. P&C business is primarily based in eight states (Illinois, Wisconsin, Missouri, Indiana, Minnesota, Kansas, Arizona and Florida). In addition, the commercial business provides targeted nationwide coverage for key specialty sectors and has offices in select regional markets. The COVID-19 pandemic continues to have a series of intense impacts on the economy and society. The financial effect of the pandemic led to a severe contraction of the U.S. economy and steep job losses in the first half of 2020, in part due to decreased consumer demand and business spending. The economy is now undergoing a recovery, supported by extraordinary U.S. fiscal policy stimulus, record-low Federal Reserve policy rates and the re-opening of non-essential businesses. These efforts have lowered the unemployment rate and lifted the housing market. In 2021, uncertain U.S. fiscal policy and U.S./China trade relations are expected to impact the economy, while the still-high level of new infections in the United States will cause further uncertainty until a vaccine becomes available and is widely distributed. During this period of extraordinary disruption, U.S. P&C remained committed to its customers and employees, as well as the Bank's shareholders, and took an active role in restoring local communities. The Bank also worked closely with governments and agencies to implement the Payment Protection Program (PPP) to reduce the financial hardship caused by the COVID-19 pandemic, including payment deferrals and lending facilities designed to help individuals and businesses to withstand stress and recover financially. U.S. P&C is currently operating in a challenging environment, with lower interest rates adding pressure on both margins and customer acquisition. The Bank will continue to monitor the competitive landscape in order to effectively price its products and services, while maintaining a prudent risk profile and a disciplined approach to expense management. The Commercial Banking business continues to be high-performing, providing expert-level advice that is timely, impactful and within its risk appetite. The Personal Banking business continues to contribute to growth by enabling frictionless digital experiences, designing valuable products and features and offering the right product at the right time. The personal and commercial businesses have a clear focus on executing the Bank's strategy and are well equipped to withstand the current economic environment and Boldly Grow the Good *in business and life*.

Consolidation has been underway in the financial services industry in Canada and the United States in recent years. This affects trust companies, mutual fund managers, life insurers, and credit unions. Any large bank merger would be subject to Canadian federal government policy on bank mergers and a thorough public review process. It is uncertain whether this will change in the near future but further consolidation and increased competition in the financial services industry overall is likely.

This Competition section contains forward-looking statements. Please see the Caution Regarding Forward-Looking Statements on page 2.

Environmental, Social and Governance Issues

The Bank publishes a *Sustainability Report and Public Accountability Statement*, outlining how the Bank is addressing environmental, social, and governance issues. This report and other related information is available on the Bank's website, www.bmo.com. The information on the Bank's website does not form a part of this Annual Information Form. Additional information about the Bank's environmental and social risks is under the heading "Risks that May Affect Future Results – Other Factors that May Affect Future Results – Climate Change and Other Environmental and Social Risks" and "Environmental and Social Risk" in the Enterprise-Wide Risk Management section on page 76 and pages 112-113 of the 2020 MD&A, which pages the Bank incorporates herein by reference.

Risk Factors

A description of certain key factors and risks faced by the Bank and its businesses can be found in the "Enterprise-Wide Risk Management" section on pages 73-113 of the 2020 MD&A, which pages the Bank incorporates herein by reference.

DIVIDENDS

You can find information about the Bank's dividends paid or payable per share on the common shares and each outstanding series of preferred shares in each of the three most recently completed years under the heading "Outstanding Shares and NVCC Capital Instruments" on page 70 of the 2020 MD&A, which page the Bank incorporates herein by reference.

The Bank cannot (a) declare dividends on its preferred or common shares if paying those dividends would contravene the capital adequacy, liquidity, or other regulations under the Bank Act; (b) pay common share dividends unless the Bank has paid all dividends declared and payable on its preferred shares or set aside sufficient funds to do so; and (c) in certain circumstances, pay Class B Preferred Share dividends unless the Bank pays dividends on the Class B Preferred Shares Series 48 (NVCC) (as defined below). In the event that interest due and payable on the Bank's Subordinated Capital Notes (as defined below) is not paid in full, the Bank will not declare dividends on its common shares or preferred shares or, subject to certain exceptions, redeem, purchase or otherwise retire such shares until the month commencing after such interest payments have been made in full. The Board of Directors determines the amount and payment of future dividends. The determination by the Board of Directors depends on the Bank's operations, financial condition, cash requirements, future regulatory restrictions on the payment of dividends, and other factors the Board of Directors finds relevant. You can find information about the Bank's dividends and dividend payout range on page 70 of the 2020 MD&A, which page the Bank incorporates herein by reference.

Currently, these limitations do not restrict the payment of dividends on common or preferred shares.

OSFI announced on March 13, 2020 that it expected federally regulated financial institutions to halt dividend increases for the time being.

DESCRIPTION OF CAPITAL STRUCTURE

The following summarizes certain provisions of the Bank's common shares, preferred shares, Subordinated Capital Notes and Limited Recourse Capital Notes. This summary is qualified in its entirety by the Bank's by-laws and the actual terms and conditions of such securities. For more detail on the Bank's capital structure, see pages 65 to 70 of the 2020 MD&A and Notes 16 and 19 of the 2020 Financial Statements. The Bank incorporates those pages and Notes herein by reference.

Description of Common Shares

The authorized capital of the Bank includes an unlimited number of common shares without nominal or par value for unlimited consideration. The holders of common shares are entitled to:

- (i) Vote at all Bank shareholders' meetings, except for meetings where only holders of a specified class or series of shares are entitled to vote.
- (ii) Receive dividends as and when declared by the Board of Directors, subject to the preference of the Bank's holders of preferred shares.
- (iii) Receive the remaining property of the Bank if it is liquidated, dissolved, or wound up, only after paying the Bank's holders of preferred shares and paying all outstanding debt.

Description of Preferred Shares

The authorized capital of the Bank includes an unlimited number of Class A Preferred Shares and Class B Preferred Shares without nominal or par value, in series, for unlimited consideration. Class B Preferred Shares may be issued in a foreign currency. The following describes certain general terms and conditions of the preferred shares.

Certain Conditions of the Class A Preferred Shares as a Class

Issuable in Series

From time to time, the Board of Directors may resolve to issue Class A Preferred Shares in one or more series with rights, privileges, restrictions, and conditions, which the Board of Directors may also decide. As at November 30, 2020, there were no outstanding Class A Preferred Shares.

The Class A Preferred Shares of each series rank equally to all other series of Class A and Class B Preferred Shares and are entitled to preference over the common shares and over any other shares ranking junior to the Class A Preferred Shares and the Class B Preferred Shares with respect to the payment of dividends and in the distribution of property in the event of the liquidation, dissolution or winding up of the Bank.

Creating and Issuing Shares

Under the Bank Act, the Bank needs approval from the holders of Class A Preferred Shares to create any other class of shares with equal or superior rank to Class A Preferred Shares. Shareholders must give this approval as set out below in "Shareholder Approvals." The Bank Act and other laws may also require other forms of approval.

The Bank does not require shareholder approval to create or issue additional Class A Preferred Shares or shares of equal rank if, on the date they are created or issued, the Bank has declared and paid or set apart for payment all dividends payable on cumulative and non-cumulative Class A Preferred Shares, including for the most recently completed fiscal period.

Voting Rights

The holders of the Class A Preferred Shares only have voting rights as a class on certain matters (see below) or as the law requires.

Shareholder Approvals

Holders of the Class A Preferred Shares can give their approval if 66 2/3% or more holders casting vote in favour of doing so at a meeting where the majority of Class A Preferred Shares is represented, or if no quorum is present at such a meeting, at an adjourned meeting at which no quorum requirements apply.

Certain Conditions of the Class B Preferred Shares as a Class

Issuable in Series

From time to time, the Board of Directors may resolve to issue Class B Preferred Shares in one or more series with rights, privileges, restrictions, and conditions, which the Board of Directors may also decide.

The Class B Preferred Shares of each series rank equally to all the other series of Class B and Class A Preferred Shares and are entitled to preference over the common shares and any other shares ranking junior to the Class A Preferred Shares and the Class B Preferred Shares with respect to the payment of dividends and in the distribution of property in the event of the liquidation, dissolution or winding up of the Bank.

Creating and Issuing Shares

Under the Bank Act, the Bank needs approval from holders of Class B Preferred Shares to create any other class of shares with equal or superior rank to Class B Preferred Shares. The Bank Act or other laws may also require other forms of approval.

The Bank does not require shareholder approval to create or issue additional Class B Preferred Shares or shares of equal rank if, on the date they are created or issued, the Bank has declared and paid or set apart for payment all dividends payable on cumulative and non-cumulative Class B Preferred Shares, including for the most recently completed fiscal period. As at November 30, 2020, none of the outstanding Class B Preferred Shares have the right to cumulative dividends.

Voting Rights

The holders of the Class B Preferred Shares only have voting rights as a class on certain matters (see below) or as the law requires.

Shareholder Approvals

Holders of the Class B Preferred Shares can give their approval if 66 2/3% or more holders casting vote in favour of doing so at a meeting where the majority of Class B Preferred Shares is represented, or if no quorum is present at such meeting, at an adjourned meeting at which no quorum requirements apply.

Contingent Conversion of Certain Series of Class B Preferred Shares

Upon the occurrence of certain specified trigger events relating to the viability of the Bank, the Class B Preferred Shares Series 27 (Non-Viability Contingent Capital (NVCC)), Class B Preferred Shares Series 29 (Non-Viability Contingent Capital (NVCC)), Class B Preferred Shares Series 31 (Non-Viability Contingent Capital (NVCC)), Class B Preferred Shares Series 33 (Non-Viability Contingent Capital (NVCC)), Class B Preferred Shares Series 38 (Non-Viability Contingent Capital (NVCC)), Class B Preferred Shares Series 40 (Non-Viability Contingent Capital (NVCC)), Class B Preferred Shares Series 42 (Non-Viability Contingent Capital (NVCC)), Class B Preferred Shares Series 44 (Non-Viability Contingent Capital (NVCC)), Class B Preferred Shares Series 46 (Non-Viability Contingent Capital (NVCC)) and Class B Preferred Shares Series 48 (Non-Viability Contingent Capital (NVCC)) will immediately and automatically be converted into common shares of the Bank. The number of common shares into which such Class B Preferred Shares would be converted upon the occurrence of such a trigger event will be determined in accordance with a pre-determined conversion formula specified at the time of issuance of such Class B Preferred Shares.

Description of Other Equity Instruments – Subordinated Capital Notes

The Bank currently has outstanding US\$500 million 4.800% Fixed Rate Resetting Non-Cumulative Subordinated Additional Tier 1 Capital Notes (Non-Viability Contingent Capital (NVCC)) (“Subordinated Capital Notes”) which are classified as equity and form part of the Bank’s additional tier 1 non-viability contingent capital. The Subordinated Capital Notes are compound financial instruments that have both equity and liability features. For more details, see “Other Equity Instruments” in Note 16 of the 2020 Financial Statements.

The Subordinated Capital Notes are direct unsecured obligations of the Bank and, in the event of the Bank’s insolvency or winding-up, will rank subordinate to all of the Bank’s subordinated indebtedness and in right of payment equally with and not prior to indebtedness that ranks equally in right of payment with, or is subordinated to, the Subordinated Capital Notes (other than indebtedness which by its terms ranks subordinate to the Subordinated Capital Notes, including but not limited to the Limited Recourse Capital Notes). The Subordinated Capital Notes will constitute subordinated indebtedness for the purposes of the Bank Act. In the event of the Bank’s insolvency or winding-up, the Subordinated Capital Notes will rank ahead of the Bank’s common shares and Preferred Shares.

Upon the occurrence of certain specified trigger events relating to the viability of the Bank, the Subordinated Capital Notes will immediately and automatically be converted into common shares of the Bank. The number of common shares into which the Subordinated Capital Notes would be converted upon the occurrence of such a trigger event will be determined in accordance with a pre-determined conversion formula specified at the time of issuance of the Subordinated Capital Notes.

Certain Provisions of the Subordinated Capital Notes

Distributions and Restrictions on Dividend and Retirement of Shares

Interest on the Subordinated Capital Notes is paid semi-annually in arrears for the initial five years. Thereafter, the interest will reset every five years and accrue at a fixed rate. While interest is payable on a semi-annual basis, the Bank may, at its discretion, with prior notice, cancel the payments. If the Bank does not pay the interest in full to the note holders, the Bank will not declare dividends on its common shares or preferred shares or redeem, purchase or otherwise retire such shares until the month commencing after the Bank resumes full interest payments on the Subordinated Capital Notes.

Maturity and Redemption

The Subordinated Capital Notes have no scheduled maturity or redemption date. Accordingly, the Bank is not required to make any repayment of the principal amount of the Subordinated Capital Notes except in the event of bankruptcy or insolvency and provided that the NVCC requirements have not been triggered. The Subordinated Capital Notes are redeemable at par five years after issuance solely at the option of the Bank, or following certain regulatory or tax events, in accordance with their terms. All redemptions are subject to regulatory consent.

Purchase for Cancellation

Subject to regulatory consent, the Bank may at any time, purchase for cancellation any Subordinated Capital Notes at any price in the open market.

Events of Default

An event of default in respect of the Subordinated Capital Notes will occur only if the Bank becomes bankrupt or insolvent or becomes subject to the provisions of the *Winding-up and Restructuring Act* (Canada), or if the Bank goes into liquidation, either voluntarily or under an order of a court of competent jurisdiction, passes a resolution for the winding-up, liquidation or dissolution of the Bank or otherwise acknowledges its insolvency. Neither a failure to make a payment on the Subordinated Capital Notes when due (including any interest payment, whether as a result of cancellation or otherwise) nor an NVCC automatic conversion upon the occurrence of a trigger event will constitute an event of default.

Issuance of other Senior or Pari Passu Securities

The terms governing the Subordinated Capital Notes do not limit the Bank's ability to incur additional indebtedness or issue or repurchase securities, other than the restriction on retirement of shares noted above. The Bank may incur additional indebtedness without the authorization of the holders of the Subordinated Capital Notes.

Voting Rights

The holders of Subordinated Capital Notes are not entitled to any rights of holders of common shares, including any rights of shareholders to receive notice, to attend or to vote at any meeting of the shareholders of the Bank. If the Subordinated Capital Notes are converted into common shares of the Bank under NVCC requirements, holders of the Subordinated Capital Notes will become holders of the Bank's common shares and will only have rights as holders of common shares.

Description of Other Equity Instruments – Limited Recourse Capital Notes

The Bank currently has outstanding \$1.25 billion 4.300% Limited Recourse Capital Notes, Series 1 (Non-Viability Contingent Capital (NVCC)) ("Limited Recourse Capital Notes") which are classified as equity and form part of the Bank's additional tier 1 non-viability contingent capital. The Limited Recourse Capital Notes are compound financial instruments that have both equity and liability features. For more details, see "Other Equity Instruments" in Note 16 of the 2020 Financial Statements.

The Limited Recourse Capital Notes are direct unsecured obligations of the Bank and, in the event of the Bank's insolvency or winding-up (prior to the occurrence of specified trigger events), will rank: (a) subordinate in right of payment to the prior payment in full of all indebtedness, including certain subordinated indebtedness (including but not limited to the Subordinated Capital Notes); and (b) in right of payment, equally with and not prior to indebtedness which by its terms ranks equally in right of payment with, or is subordinate to, the Limited Recourse Capital Notes (other than indebtedness which by its terms ranks subordinate to the Limited Recourse Capital Notes) in each case, from time to time outstanding, and will be subordinate in right of payment to the claims of the Bank's depositors and other unsubordinated creditors. The Limited Recourse Capital Notes will constitute subordinated indebtedness for the purposes of the Bank Act. In the event of the Bank's insolvency or winding-up, the Limited Recourse Capital Notes will rank ahead of the Bank's common shares and Preferred Shares.

In the event of a non-payment by the Bank of the principal amount of, or interest on the Limited Recourse Capital Notes when due, while a holder of Limited Recourse Capital Notes will have a claim against the Bank for the principal amount of the Limited Recourse Capital Notes and any accrued and unpaid interest (which will then be due and payable), the sole remedy of each holder of Limited Recourse Capital Notes is the delivery of such holder's proportionate share of the assets of a limited recourse trust. As of the date hereof, the limited recourse trust's assets in respect of the Limited Recourse Capital Notes consist of 1,250,000 Class B Preferred Shares, Series 48 (Non-Viability Contingent Capital (NVCC)) ("Class B Preferred Shares Series 48 (NVCC)").

Upon the occurrence of certain specified trigger events relating to the viability of the Bank, the above Class B Preferred Shares Series 48 (NVCC) will immediately and automatically be converted into common shares of the Bank. The number of common shares into which the Class B Preferred Shares Series 48 (NVCC) would be converted upon the occurrence of such a trigger event will be determined in accordance with a pre-determined conversion formula specified at the time of the issuance of the Class B Preferred Shares Series 48 (NVCC). Subject to certain limitations, each holder of the Limited Recourse Capital Notes would receive such holder's proportionate share of such common shares of the Bank.

Certain Provisions of the Limited Recourse Capital Notes

Distributions and Restrictions on Dividend and Retirement of Shares

Interest on the Limited Recourse Capital Notes is paid semi-annually in arrears for the initial five years. Thereafter, the interest will reset every five years and accrue at a fixed rate.

Until revoked, the trustee of the limited recourse trust has waived its right to receive any and all dividends on the Class B Preferred Shares Series 48 (NVCC). Accordingly, until such waiver is revoked by the trustee of the limited recourse trust, no dividends are expected to be declared or paid on the Class B Preferred Shares Series 48 (NVCC). To the extent the waiver is no longer in effect and the limited recourse trust is the sole holder of the Class Preferred Shares Series 48 (NVCC), if the Bank does not declare and pay dividends on the Class B Preferred Shares Series 48 (NVCC), it will not declare and pay dividends on any of the other outstanding series of Class B Preferred Shares of the Bank.

Maturity and Redemption

The Limited Recourse Capital Notes are scheduled to mature on November 26, 2080. The Limited Recourse Capital Notes are redeemable, at the option of the Bank, at their principal amount every five years after issuance, or following certain regulatory or tax events, in accordance with their terms. Upon any redemption of the Class B Preferred Shares Series 48 (NVCC) held by the limited recourse trust, the Bank shall redeem Limited Recourse Capital Notes with an aggregate principal amount equal to the aggregate face amount of the Class B Preferred Shares Series 48 (NVCC) redeemed by the Bank. All redemptions are subject to regulatory consent.

Purchase for Cancellation

Subject to regulatory consent, the Bank may at any time, purchase for cancellation any Limited Recourse Capital Notes at any price in the open market. Prior to any such cancellation, the Bank shall, subject to regulatory consent, redeem a corresponding number of Class B Preferred Shares Series 48 (NVCC) (the aggregate face amount of which shall equal the aggregate principal amount of the Notes to be cancelled) then held by the limited recourse trust for cancellation.

Events of Default

An event of default in respect of the Limited Recourse Capital Notes ("Event of Default"), will occur only if the Bank becomes bankrupt or insolvent or becomes subject to the provisions of the Winding-up and Restructuring Act (Canada), or if the Bank goes into liquidation, either voluntarily or under an order of a court of competent jurisdiction, passes a resolution for the winding-up, liquidation or dissolution of the Bank or otherwise acknowledges its insolvency. Upon an Event of Default, the sole remedy of each holder of Limited Recourse Capital Notes is the delivery of such holder's proportionate share of the Class B Preferred Shares Series 48 (NVCC).

Issuance of other Senior or Pari Passu Securities

The terms governing the Limited Recourse Capital Notes do not limit the Bank's ability to incur additional indebtedness or issue or repurchase securities. The Bank may incur additional indebtedness without the authorization of the holders of the Limited Recourse Capital Notes.

Voting Rights

The holders of the Limited Recourse Capital Notes are not entitled to any rights of holders of common shares, including any rights of shareholders to receive notice, to attend or to vote at any meeting of the shareholders of the Bank. If the Class B Preferred Shares Series 48 (NVCC) are converted into common shares of the Bank, holders of the Limited Recourse Capital Notes will become holders of the Bank's common shares and will only have rights as holders of common shares.

This Certain Provisions of the Limited Recourse Capital Notes section contains forward-looking statements. Please see the Caution Regarding Forward-Looking Statements on page 2.

Restraints on Bank Shares under the Bank Act

The Bank Act restricts the beneficial ownership of shares of a bank. No person may be a major shareholder of a bank if the bank has equity of \$12 billion or more, which applies to the Bank. A major shareholder is defined as a person, or group of persons under common control or acting jointly or in concert, that beneficially owns more than 20% of any class of voting shares or more than 30% of any class of non-voting shares of the bank.

In addition, no person may have a significant interest in any class of shares of a bank, including the Bank, unless the person first receives the approval of the Minister of Finance. A person has a significant interest in a class of shares of a bank when the person, or group of persons under common control or acting jointly or in concert, beneficially owns more than 10% of any class of shares of the bank.

Governments and their agents are also restricted from acquiring shares of a bank, except for certain cases that require the Minister of Finance's consent.

Ratings

The credit ratings that external rating agencies assign to some of the Bank's securities are important in the raising of both capital and funding to support the Bank's business operations. Maintaining strong credit ratings allows the Bank to access the capital markets at competitive pricing levels. Should the Bank's credit ratings experience a downgrade, its cost of funds would likely increase and its access to funding and capital through capital markets could be reduced. A material downgrade of the Bank's ratings could also have other consequences, including those set out in Note 8 of the 2020 Financial Statements, which Note the Bank incorporates herein by reference.

The following table sets out ratings the Bank has received for its outstanding securities from the rating agencies, which are current as at November 30, 2020.

	S&P		Moody's		DBRS		Fitch	
	Rating	Rank ¹	Rating	Rank ¹	Rating	Rank ¹	Rating	Rank ¹
Short-term instruments	A-1	1 of 6	P-1	1 of 4	R-1 (high)	1 of 6	F1+	1 of 7
Senior debt³	A-	3 of 10	A2	3 of 9	AA (low)	2 of 10	AA-	2 of 10
Long Term Deposits / Legacy Senior Debt⁴	A+	3 of 10	Aa2	2 of 9	AA	2 of 10	AA	2 of 10
Subordinated debt	A-	3 of 10	Baa1	4 of 9	A (high)	3 of 10	A	3 of 10
Subordinated debt – NVCC²	BBB+	4 of 10	Baa1 (hyb)	4 of 9	A (low)	3 of 10	A	3 of 10
Subordinated Capital Notes – NVCC²	BBB-	4 of 10	Baa3 (hyb)	4 of 9	N/A	N/A	N/A	N/A
Limited Recourse Capital Notes – NVCC²	BBB-	4 of 10	Baa3 (hyb)	4 of 9	BBB (high)	4 of 10	N/A	N/A
Preferred shares	BBB	3 of 9	Baa3	4 of 9	Pfd-2 (high)	2 of 6	N/A	N/A
Preferred shares – NVCC²	BBB-	3 of 9	Baa3 (hyb)	4 of 9	Pfd-2	2 of 6	N/A	N/A
Trend/Outlook	Stable	--	Stable	--	Stable	--	Negative	--

Notes: ¹ Rank, according to each rating agency's public website, refers to the assigned ratings ranking of all major assignable ratings for each debt or share class, 1 being the highest. Each assignable major rating may be modified further (+/-, high/low) to show relative standing within the major rating categories.

² Non-viability contingent capital or NVCC.

³ Subject to conversion under the Bail-In Regime.

⁴ Long Term Deposits / Legacy Senior Debt Includes: (a) Senior debt issued prior to September 23, 2018; and (b) Senior debt issued on or after September 23, 2018 which is excluded from the Bail-In Regime.

A definition of the categories of each rating as at November 30, 2020 from each rating agency's website is outlined in Appendix II to this Annual Information Form. Further information may be obtained from the applicable rating agency. S&P, Moody's and DBRS each have a stable outlook on BMO's long-term credit ratings and Fitch has a negative outlook.

During fiscal 2020 there were no changes to ratings assigned by S&P, Moody's or DBRS. On January 17, 2020, Fitch upgraded BMO's legacy senior debt and long-term deposit ratings to "AA" from "AA-", recognizing BMO's build-up of TLAC to a level that is close to the Bank's minimum TLAC requirement. On April 3, 2020, Fitch revised the rating outlook on BMO and other Canadian banks to Negative from Stable due to the disruption of economic activity and financial markets caused by the COVID-19 pandemic. To reflect changes to its rating criteria Fitch downgraded BMO's subordinated debt rating to "A" from "A+". Credit ratings are not recommendations to purchase, hold, or sell securities and do not address the market price or suitability of a specific security for a particular investor. Credit ratings may not reflect the potential impact of all risks on the value of securities. In addition, real or anticipated changes in the rating assigned to a security will generally affect the market value of that security. The Bank cannot know for certain that a rating will remain in effect for any given period of time or that a rating agency will not revise or withdraw it entirely in the future.

The Bank paid fees to credit rating agencies to obtain its credit ratings. The Bank may also pay fees for other services from credit rating agencies in the ordinary course of business.

MARKET FOR SECURITIES

Trading Price and Volume

The outstanding common shares of the Bank are listed for trading on the Toronto Stock Exchange (TSX) and on the New York Stock Exchange (NYSE) under the trading symbol BMO. The outstanding preferred shares of the Bank set out below are listed on the TSX with the following trading symbols: BMO.PR.Q for the Class B Preferred Shares Series 25, BMO.PR.A for the Class B Preferred Shares Series 26, BMO.PR.S for the Class B Preferred Shares Series 27 (Non-Viability Contingent Capital (NVCC)), BMO.PR.T for the Class B Preferred Shares Series 29 (Non-Viability Contingent Capital (NVCC)), BMO.PR.W for the Class B Preferred Shares Series 31 (Non-Viability Contingent Capital (NVCC)), BMO.PR.Y for the Class B Preferred Shares Series 33 (Non-Viability Contingent Capital (NVCC)), BMO.PR.B for the Class B Preferred Shares Series 38 (Non-Viability Contingent Capital (NVCC)), BMO.PR.C for the Class B Preferred Shares Series 40 (Non-Viability Contingent Capital (NVCC)), BMO.PR.D for the Class B Preferred Shares Series 42 (Non-Viability Contingent Capital (NVCC)), BMO.PR.E for the Class B Preferred Shares Series 44 (Non-Viability Contingent Capital (NVCC)) and BMO.PR.F for the Class B Preferred Shares Series 46 (Non-Viability Contingent Capital (NVCC)).

The following table sets out the reported high and low trading prices in Canadian dollars and the trading volumes of the common and preferred shares of Bank of Montreal on the TSX for the given periods. Prices are based on the reported data from the TSX Historical Data Access.

	BMO Common Shares	PR.Q Series 25	PR.A Series 26	PR.S Series 27	PR.T Series 29	PR.W Series 31	PR.Y Series 33	PR.Z ¹ Series 35	PR.B Series 38	PR.C Series 40	PR.D Series 42	PR.E Series 44	PR.F Series 46
November 2019													
- High Price (\$)	102.70	24.06	24.29	17.76	17.11	17.29	19.20	25.25	25.62	22.50	21.45	20.10	24.72
- Low Price (\$)	97.52	23.61	23.90	17.15	16.65	16.80	18.50	24.74	25.28	21.55	20.74	19.36	24.15
- Volume	36,034,993	28,411	28,280	345,461	287,987	212,358	88,047	115,096	148,611	173,095	609,113	686,819	329,178
December 2019													
- High Price (\$)	102.42	24.22	24.30	18.30	17.30	17.56	19.55	25.15	26.01	22.20	21.35	20.30	24.70
- Low Price (\$)	97.51	23.88	24.06	16.86	16.35	16.63	18.32	24.98	25.39	21.46	20.70	18.88	24.02
- Volume	32,053,326	69,163	13,500	538,969	556,254	291,125	241,387	36,690	138,338	306,529	749,797	795,546	229,525
January 2020													
- High Price (\$)	104.75	24.48	24.60	18.55	18.01	18.11	20.07	25.25	25.95	23.19	22.38	21.07	25.03
- Low Price (\$)	99.74	24.11	24.21	17.71	17.15	17.31	18.86	24.98	25.50	21.90	21.06	19.96	24.45
- Volume	43,293,537	384,732	17,220	242,417	350,717	92,901	47,119	55,949	114,276	99,897	161,819	281,176	161,151
February 2020													
- High Price (\$)	102.62	24.62	24.65	18.10	17.52	17.60	19.15	25.06	25.78	22.50	21.63	20.48	24.74
- Low Price (\$)	89.59	24.11	24.30	16.46	15.86	16.19	17.42	24.58	25.37	20.74	19.61	18.89	23.60
- Volume	43,311,730	215,572	125,025	164,625	162,904	71,864	99,194	50,504	211,739	73,041	138,144	330,928	171,062
March 2020													
- High Price (\$)	93.09	24.73	24.45	16.80	16.22	16.31	17.44	24.85	25.40	20.86	19.82	19.25	23.72
- Low Price (\$)	55.76	19.16	19.99	10.35	10.09	10.31	11.51	19.00	16.55	14.11	12.62	12.48	14.50
- Volume	113,877,356	236,706	52,473	761,152	542,198	472,207	329,046	121,091	955,077	342,775	514,793	549,439	451,868
April 2020													
- High Price (\$)	77.33	24.44	23.75	15.50	15.10	15.25	15.55	23.80	23.08	18.41	17.87	17.99	21.23
- Low Price (\$)	65.87	22.25	22.20	12.32	11.99	12.16	12.75	21.31	18.35	15.69	14.70	14.68	17.28
- Volume	89,918,888	95,805	33,797	689,989	789,341	195,303	320,423	111,922	264,289	415,055	250,179	310,314	360,653
May 2020													
- High Price (\$)	72.00	24.46	24.00	15.40	14.51	15.13	15.46	23.49	23.52	18.55	17.80	17.61	21.55
- Low Price (\$)	61.05	23.75	23.13	13.93	13.33	13.99	14.38	22.50	22.00	17.42	16.85	16.38	20.18
- Volume	66,631,198	153,209	57,477	274,610	255,467	161,650	237,444	114,195	200,126	196,213	184,445	256,482	132,372
June 2020													
- High Price (\$)	78.38	24.73	24.50	15.49	15.00	15.39	16.41	24.50	23.26	19.60	18.50	17.64	21.55
- Low Price (\$)	68.01	24.00	23.50	14.02	13.72	14.09	14.85	23.01	22.00	17.99	17.29	16.47	20.26
- Volume	59,316,091	172,068	29,890	557,554	162,031	166,731	78,954	180,712	137,060	166,839	224,888	273,934	130,976
July 2020													
- High Price (\$)	76.32	25.21	24.95	17.43	17.05	17.30	18.59	25.44	25.74	23.02	21.85	20.00	24.51
- Low Price (\$)	70.38	24.27	24.05	14.95	14.43	14.97	16.00	24.18	22.85	19.16	18.16	17.24	20.90
- Volume	66,730,109	90,760	19,722	485,740	157,103	119,015	87,586	271,649	328,358	583,745	387,184	187,803	336,863
August 2020													
- High Price (\$)	84.43	24.99	24.88	18.39	17.61	18.54	19.27	25.45	25.55	23.92	22.97	20.95	24.82
- Low Price (\$)	72.97	24.41	24.40	16.71	16.21	16.89	18.00	24.84	25.00	22.56	21.33	19.57	23.95
- Volume	64,993,392	86,865	23,695	342,907	267,951	165,685	77,706	63,643	177,444	642,291	257,895	204,269	140,787
September 2020													
- High Price (\$)	82.87	25.31	24.68	18.38	17.70	18.59	19.72	26.12	25.75	24.24	23.55	21.00	25.40
- Low Price (\$)	76.74	24.51	24.52	17.41	16.89	17.66	18.24	25.26	25.08	23.09	21.86	19.95	24.50
- Volume	39,387,829	141,443	84,450	187,650	435,990	89,943	126,641	84,985	407,805	350,382	292,031	196,750	242,868
October 2020													
- High Price (\$)	84.61	25.00	24.78	18.56	17.55	18.46	19.58	26.50	25.85	24.20	23.24	20.84	25.97
- Low Price (\$)	75.92	24.79	24.50	17.58	16.90	17.58	18.50	25.96	25.50	23.40	22.10	20.05	24.96
- Volume	76,052,327	181,538	118,250	282,404	131,484	192,755	104,375	171,922	312,455	483,241	227,619	157,640	245,615

¹ The Bank redeemed all of its outstanding Class B Preferred Shares Series 35 (NVCC) on November 25, 2020.

Prior Sales

From time to time, the Bank issues principal at risk notes, securities for which the amount payable at maturity is determined by reference to the price, value or level of an underlying interest such as a stock index, an exchange traded fund or a notional portfolio of equities or other securities. In addition, the Bank periodically issues subordinated debt and other equity instruments which are not listed or quoted on a marketplace. For information about the Bank's issuances of subordinated indebtedness and other equity instruments since October 31, 2019, see the "Subordinated Debt" and "Equity" sections on page 62 of the 2020 MD&A and Notes 15 and 16 of the 2020 Financial Statements, which page and Notes are incorporated herein by reference. Also refer to the Description of Other Equity Instruments – Subordinated Capital Notes and Description of Other Equity Instruments – Limited Recourse Capital Notes sections above.

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

Designation of class	Number of securities held in escrow or that are subject to a contractual restriction on transfer	Percentage of class
Class B Preferred Shares Series 48 (NVCC) ¹	1,250,000	100% of the Class B Preferred Shares Series 48 (NVCC)

¹ The Class B Preferred Shares Series 48 (NVCC) are held in a limited recourse trust and are restricted from being transferred except to satisfy the recourse of the holders of the Limited Recourse Capital Notes in respect of non-payment by the Bank of the principal amount of, or interest on, the Limited Recourse Capital Notes when due.

DIRECTORS AND EXECUTIVE OFFICERS

Board of Directors

As at November 30, 2020, the following were directors of the Bank.

DIRECTOR NAME AND PRINCIPAL OCCUPATION	MUNICIPALITY OF RESIDENCE	DIRECTOR SINCE
Jan Babiak Corporate Director	Nashville, Tennessee USA	October 23, 2012
Sophie Brochu, C.M. President and Chief Executive Officer Hydro-Quebec	Bromont, Québec Canada	March 22, 2011
Craig Broderick Corporate Director	Greenwich, Connecticut	August 27, 2018
George A. Cope, C.M. ¹ Chair of the Board, Bank of Montreal	Toronto, Ontario Canada	July 25, 2006
Christine Edwards Capital Partner Winston & Strawn LLP, a law firm	Lake Forest, Illinois U.S.A.	August 1, 2010
Dr. Martin S. Eichenbaum Charles Moskos Professor of Economics Northwestern University	Glencoe, Illinois U.S.A.	March 31, 2015
Ronald H. Farmer Managing Director Mosaic Capital Partners, a management and holding company	Markham, Ontario Canada	November 25, 2003
David Harquail Chair of the Board Franco-Nevada Corporation, a royalty and streaming company	Toronto, Ontario	April 5, 2018
Linda S. Huber Corporate Director	New York, New York U.S.A.	April 4, 2017
Eric R. La Flèche President and Chief Executive Officer Metro Inc., a food retailer and distributor	Montreal, Québec Canada	March 20, 2012
Lorraine Mitchelmore Corporate Director	Calgary, Alberta Canada	March 31, 2015
Darryl White Chief Executive Officer BMO Financial Group	Toronto, Ontario Canada	May 24, 2017

¹ George A. Cope was appointed Chair of the Board of Bank of Montreal effective upon his re-election as an independent Director of the Bank at the Bank's March 31, 2020 Annual Meeting of Shareholders.

A director of the Bank holds office until the next annual meeting of shareholders or until a successor is elected or appointed, unless their seat is vacated before they can do so.

Since November 1, 2015, the directors have held the principal occupations above, or other positions with the same, predecessor, or associated firms except for Ms. Brochu who before December 30, 2019 was President and Chief Executive Officer of Energir, Mr. Broderick who before January 2018 was Chief Risk Officer of Goldman Sachs & Co., Mr. Cope who before January 2020 was CEO of BCE Inc., Mr. Harquail who before May 6, 2020 was Chief Executive Officer of Franco-Nevada Corporation, Ms. Huber who before October 2020 was Chief Financial Officer and Treasurer of MSCI Inc. and before July 2018 was the Executive Vice-President and Chief Financial Officer of Moody's Corporation, Ms. Mitchelmore, who before July 2018 was the President and Chief Executive Officer of Enlighten Innovations Inc. and before January 2016, was the President, Canada Country Chair & Executive Vice President, Heavy Oil, Shell Canada Limited and Mr. White who, from November 2016 until October 2017 was Chief Operating Officer of the Bank and, from November 2014 until October 2016, was Group Head, BMO Capital Markets.

Board Committee Members

There are four committees of the Board of Directors made up of the following members:

Audit and Conduct Review Committee: Jan Babiak (Chair), Sophie Brochu, Dr. Martin S. Eichenbaum, David Harquail and Linda S. Huber.

Governance and Nominating Committee: Christine Edwards (Chair), Jan Babiak, Sophie Brochu, Craig Broderick, George Cope and Lorraine Mitchelmore.

Human Resources Committee: Lorraine Mitchelmore (Chair), George Cope, Christine Edwards, Ronald Farmer and Eric La Flèche.

Risk Review Committee: Craig Broderick (Chair), Christine Edwards, Dr. Martin S. Eichenbaum, Ronald Farmer, Linda S. Huber and Lorraine Mitchelmore.

Executive Officers

At November 30, 2020, the following were executive officers of the Bank:

EXECUTIVE OFFICER NAME	PRINCIPAL OCCUPATION	MUNICIPALITY OF RESIDENCE
Darryl White	Chief Executive Officer	Toronto, Ontario Canada
Dan Barclay	Group Head, BMO Capital Markets	Toronto, Ontario Canada
David R. Casper	Chief Executive Officer, BMO Financial Corp. and Group Head, North American Commercial Banking	Northbrook, Illinois U.S.A.
Patrick Cronin	Chief Risk Officer	Toronto, Ontario Canada
Simon A. Fish ¹	General Counsel	Toronto, Ontario Canada
Thomas E. Flynn ¹	Chief Financial Officer	Toronto, Ontario Canada
Cameron Fowler	Chief Strategy & Operations Officer	Toronto, Ontario Canada
Ernie Johannson	Group Head, North American Personal and Business Banking	Toronto, Ontario Canada
Mona Malone	Chief Human Resources Officer and Head of People & Culture	Toronto, Ontario Canada
Joanna Rotenberg	Group Head, BMO Wealth Management	Toronto, Ontario Canada
Steve Tennyson	Chief Technology Officer & Operations Officer	Toronto, Ontario Canada

¹ On November 9, 2020 the Bank announced that, effective January 1, 2021, Thomas E. Flynn will move from his current role as Chief Financial Officer to become a Vice Chair and Simon A. Fish will move from his current role as General Counsel to become Special Advisor to the Chief Executive Officer.

All the executive officers named above have held their present positions or other senior positions with Bank of Montreal or its subsidiaries for the past five years.

Shareholdings of Directors and Executive Officers

To the knowledge of the Bank, as at October 31, 2020, the directors and executive officers of Bank of Montreal, as a group, beneficially owned, directly or indirectly, or exercised control or direction over an aggregate of 173,310 common shares of Bank of Montreal, representing less than 0.1% of Bank of Montreal's issued and outstanding common shares.

Additional Disclosure for Directors and Executive Officers

To the Bank's knowledge, no director or executive officer of the Bank:

- (a) is, as at October 31, 2020, or was, within the 10 years before, 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 or 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 director or executive officer 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 or 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 director or executive officer 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;

- (b) is, as at October 31, 2020, or has been, within the 10 years before, 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; or
- (c) has, within the 10 years before October 31, 2020, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or executive officer.

To the Bank's knowledge, none of its directors or executive officers have been subject to: (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or regulatory body, that would likely be considered important to a reasonable investor in making an investment decision.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

A description of certain legal proceedings to which the Bank is a party appears under the heading "Legal Proceedings" in Note 24 of the 2020 Financial Statements, which Note the Bank incorporates herein by reference.

In the ordinary course of business, the Bank and its subsidiaries may be assessed fees or fines by a Canadian securities regulatory authority in relation to administrative matters, including late filings or reporting, which may be considered penalties or sanctions pursuant to Canadian securities regulations but which are not, individually or in the aggregate, material to the Bank. In addition, the Bank and its subsidiaries are subject to numerous regulatory authorities around the world, and accordingly fees, administrative penalties, settlement agreements and sanctions may be categorized differently by certain regulators. Any such penalties imposed under these categories against the Bank and its subsidiaries in the 2020 fiscal year, however, are not material, nor would they likely be considered important to a reasonable investor in making an investment decision. Since November 1, 2019, the Bank and its subsidiaries have not entered into any material settlement agreements with a court relating to securities legislation or with a securities regulatory authority.

TRANSFER AGENT AND REGISTRAR

The registrar and transfer agent for the Bank's common and preferred shares is Computershare Trust Company of Canada. This agent has transfer facilities in Montreal, Toronto, Calgary and Vancouver. In addition, Computershare Investor Services PLC and Computershare Trust Company, N.A. serve as transfer agents and registrars for the common shares in Bristol, United Kingdom and Canton, Maine, respectively.

INTERESTS OF EXPERTS

The Bank's Shareholders' Auditors are KPMG LLP. KPMG LLP have confirmed that they are independent with respect to the Bank within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation, and that they are independent accountants with respect to the Bank under all relevant United States professional and regulatory standards.

AUDIT AND CONDUCT REVIEW COMMITTEE INFORMATION

Composition of the Audit and Conduct Review Committee

The following five members make up the Bank's Audit and Conduct Review Committee: Jan Babiak (Chair), Sophie Brochu, Dr. Martin S. Eichenbaum, David Harquail and Linda S. Huber. The Committee's responsibilities and duties are set out in the Committee's charter, which is included in Appendix I to this Annual Information Form.

The Board of Directors has determined that the members of the Audit and Conduct Review Committee reflect a high level of financial literacy and expertise. Each member of the Audit and Conduct Review Committee is "independent" and "financially literate" according to the definitions under Canadian and United States securities laws and the NYSE corporate governance listing standards, and each of Ms. Babiak and Ms. Huber is an "Audit Committee Financial Expert" as defined under United States securities laws. The Board bases these decisions on each Committee member's education and experience. The following paragraphs describe the relevant education and experience of each Committee member:

Ms. Babiak holds a B.B.A. in accounting from the University of Oklahoma and an M.B.A. from Baldwin Wallace University. She is a Chartered Accountant in the United Kingdom and a Certified Public Accountant in the United States. Ms. Babiak serves on the boards of other public and private companies and was formerly a Managing Partner at Ernst & Young LLP.

Ms. Brochu is a graduate in economics from Université Laval and is the President and Chief Executive Officer of Hydro-Quebec, a public utility. Ms. Brochu is a member of the Order of Canada.

Dr. Eichenbaum received a B.Comm from McGill University and a Doctorate in Economics from the University of Minnesota. He served on the advisory council of the Global Markets Institute at Goldman Sachs. He completed a four-year term as co-editor of the American Economic Review in 2015. He has served as a consultant to the Federal Reserve Banks in Atlanta and Chicago and the International Monetary Fund.

Mr. Harquail holds a B.A.Sc. in Geological Engineering from the University of Toronto, an MBA from McGill University and is a registered Professional Engineer in Ontario. Mr. Harquail is the Chair of the Board of Franco-Nevada Corporation, a publicly traded company. He is the former President and Chief Executive officer of Franco-Nevada. He was a director and past-chair of the World Gold Council. Mr. Harquail has over 35 years of experience on public and non-profit boards and task force advisories.

Ms. Huber holds an M.B.A. from the Stanford Graduate School of Business and a B.S. (with high honors) in business and economics from Lehigh University. Ms. Huber, prior to October 2020, was the Chief Finance Officer and Treasurer of MSCI. Before joining MSCI in 2019, she was Executive Vice President and Chief Financial Officer of Moody's Corporation. Before joining Moody's in 2005, Ms. Huber served in several senior roles in financial services, including Executive Vice President and Chief Financial Officer at U.S. Trust Company, a subsidiary of Charles Schwab & Company, Inc.; Managing Director at Freeman & Co.; Vice President of Corporate Strategy and Development and Vice President and Assistant Treasurer at PepsiCo.

Shareholders' Auditors' Pre-Approval Policies and Procedures and Fees

For information about the fees paid to KPMG LLP, in the years ended October 31, 2020 and 2019, and the related pre-approval policies and procedures, see page 120 of the 2020 MD&A, which page the Bank incorporates herein by reference.

ADDITIONAL INFORMATION

You can find additional information about Bank of Montreal on the Bank's web site at www.bmo.com/investorrelations, on SEDAR (System for Electronic Document Analysis and Retrieval) at www.sedar.com, and on the SEC's web site at www.sec.gov/edgar. Information contained in or otherwise accessible through the websites mentioned herein does not form part of this document.

The Bank's proxy circulars contain more information, including directors' and executive officers' compensation, debt, and shareholdings under equity compensation plans. The most recent circular is dated February 6, 2020, in connection with the Bank's Annual Meeting of Shareholders on March 31, 2020 (the 2020 Proxy Circular). The Bank expects the next proxy circular to be dated as of February 11, 2021, in connection with the Bank's Annual Meeting of Shareholders on April 7, 2021.

The 2020 Financial Statements and the 2020 MD&A for the fiscal year ended October 31, 2020 provide additional financial information.

You can get copies of this Annual Information Form, as well as copies of the 2020 Financial Statements, the 2020 MD&A, the Bank's 2020 Annual Report, and the 2020 Proxy Circular (after the Bank has mailed these documents to shareholders) by contacting the Bank at:

Bank of Montreal
Corporate Secretary's Department
100 King Street West
1 First Canadian Place, 21st Floor
Toronto, Ontario
Canada M5X 1A1

Telephone: 416 867 6785
Fax: 416 867 6793
Email: corp.secretary@bmo.com

APPENDIX I

BANK OF MONTREAL

AUDIT AND CONDUCT REVIEW COMMITTEE CHARTER

The Committee is responsible for assisting the Board in fulfilling its oversight responsibilities for the integrity of the Bank's financial reporting; the effectiveness of the Bank's internal controls; the independent auditor's qualifications, independence and performance; the Bank's compliance with legal and regulatory requirements; transactions involving related parties; conflicts of interest and confidential information; and standards of business conduct and ethics.

In addition, the Committee will also act as the audit and conduct review committee of Designated Subsidiaries.

PART I MANDATE

The Committee will, either directly or through one or more sub-committees, perform the duties set out in this Charter and such other duties as may be necessary or appropriate including:

1.1 Financial Reporting

1.1.1 reviewing, together with management and the Shareholders' Auditors:

- (i) the appropriateness of, and any changes to, the Bank's accounting and financial reporting;
- (ii) the accounting treatment, presentation and impact of significant risks and uncertainties;
- (iii) any material relevant proposed changes in accounting standards and securities policies or regulations;
- (iv) key estimates and judgments of management;
- (v) significant auditing and financial reporting issues and the method of resolution; and
- (vi) tax matters that are material to the financial statements.

1.1.2 reviewing, together with management and the Shareholders' Auditors, and approving or, if appropriate, recommending to the Board:

- (i) prior to Board review or public disclosure, the audited annual and unaudited interim financial statements and related management's discussion and analysis, the annual information form, and any other financial or non-financial (as considered appropriate) information in material public disclosure documents (other than earnings coverage ratios, capitalization tables and summary financial information derived from any of the foregoing); and
- (ii) such returns to OSFI requiring review under the *Bank Act* (Canada);

1.1.3 seeking confirmation from management that the Bank's annual and interim financial filings, fairly present in all material respects the financial condition, results of operations and cash flows of the Bank as of the relevant date and for the relevant periods, prior to recommending to the Board for approval;

1.1.4 reviewing the types of information to be provided and types of presentations to be made to rating agencies and analysts (if any) relating to earnings guidance, and

1.1.5 satisfying itself that adequate procedures are in place for the review of financial information extracted or derived from the Bank's financial statements that is to be publicly disclosed and has not otherwise been reviewed by the Committee.

1.2 Internal Controls

1.2.1 overseeing the design, implementation, maintenance and effectiveness of the Bank's internal controls, including those related to the prevention, identification and detection of fraud; and reviewing and monitoring other Bank Corporate Policies as the Committee considers appropriate;

1.2.2 requiring management to design, implement, and maintain appropriate internal control procedures;

1.2.3 reviewing management's certifications and assessment of the Bank's internal control over financial reporting and the associated Shareholders' Auditors' report;

1.2.4 reviewing reports on the effectiveness of disclosure controls and procedures;

1.2.5 reviewing and discussing reports from management and the Chief Auditor as to the identification of any significant deficiencies or material weaknesses in the design or operation of the Bank's internal control, risk management, and governance systems and processes, including controls over financial reporting; reviewing any recommendations, as well as remediation plans, including the status of remediation plans implemented by management to rectify any such deficiencies identified; and discussing whether similar or related deficiencies may exist elsewhere in the Bank; and

1.2.6 reviewing as required, correspondence relating to inquiries or investigations by regulators concerning internal controls.

1.3 Internal Audit Function

- 1.3.1 overseeing and reviewing at least annually the overall internal audit function, its resources and independence, and reviewing and approving the annual audit plan, including assurance that the audit plan is risk-based and encompasses appropriate audit coverage, audit cycle requirements, and provides a basis for reliance by the Committee;
- 1.3.2 reviewing and approving the Bank's Corporate Audit Mandate setting out the terms of reference of the internal audit function and the Chief Auditor;
- 1.3.3 reviewing, and jointly with the Human Resources Committee, recommending to the Board, the appointment, re-assignment or dismissal of the Chief Auditor, as required; and annually assessing the effectiveness of the Chief Auditor, in conjunction with the Human Resources Committee, and reviewing and approving his or her mandate;
- 1.3.4 annually reviewing and approving the organizational structure, budget, resource plan and strategic priorities of the Corporate Audit function and assessing its effectiveness having regard to its role as an independent control function;
- 1.3.5 reviewing the results of periodic independent reviews of the Corporate Audit function;
- 1.3.6 reviewing the quarterly report of the Chief Auditor, together with management's response;
- 1.3.7 reviewing any other reports submitted to the Committee by the Chief Auditor; and
- 1.3.8 communicating directly with the Chief Auditor and participating in his or her initial and ongoing engagement and evaluation.

1.4 Shareholders' Auditors

- 1.4.1 reviewing and evaluating the quality, independence, objectivity and professional skepticism of the Shareholders' Auditors and the lead auditor;
- 1.4.2 annually reviewing the performance of the Shareholders' Auditors including assessing their effectiveness and quality of service, to facilitate an informed recommendation on re-appointment of the Shareholders' Auditors and, on a periodic basis, performing a comprehensive review of the performance of the Shareholders' Auditors over multiple years to assess the audit firm, its independence and application of professional skepticism;
- 1.4.3 reviewing Shareholders' Auditors' audit findings reports with the Shareholders' Auditors, the Chief Auditor, and management including:
 - (i) the quality of the financial statements;
 - (ii) the Shareholders' Auditors' evaluation of the Bank's internal control over financial reporting;
 - (iii) the degree of cooperation the Shareholders' Auditors received from management; any problems or difficulties experienced by the Shareholders' Auditors in conducting the audit, including management's responses in respect thereof, any restrictions imposed by management or significant accounting issues on which there was a disagreement with management;
 - (iv) any concerns expressed by the Shareholders' Auditors related to accounting and auditing matters, including the risk of material misstatements;
 - (v) the appropriateness and quality of all critical accounting policies and practices used by the Bank and of the selection of new policies and practices; and
 - (vi) any material judgments that have been discussed with management, the ramifications of their use and the Shareholders' Auditors' preferred treatment, as well as any other material communications with management, and advising the Board of these matters as considered appropriate;
- 1.4.4 overseeing the resolution of any disagreements between the Shareholders' Auditors and management;
- 1.4.5 reviewing all material correspondence between the Shareholders' Auditors and management related to audit findings;
- 1.4.6 reviewing the Shareholders' Auditors' report under Section 328 of the *Bank Act* (Canada);
- 1.4.7 obtaining and reviewing a report from the Shareholders' Auditors at least annually addressing: (i) the Shareholders' Auditors' internal quality control procedures; (ii) any material issues raised by the most recent internal quality-control review or peer review of the Shareholders' Auditors, or by any inquiry or investigation by governmental or professional authorities including the Canadian Public Accountability Board and the Public Company Accounting Oversight Board, within the preceding five years, respecting one or more audits carried out by the Shareholders' Auditors; (iii) any steps taken to deal with any such issues; (iv) the Shareholders' Auditors' internal procedures to ensure independence; and (v) the delineation of all relationships between the Shareholders' Auditors and the Bank;
- 1.4.8 reviewing any notices required to be communicated/delivered by the Shareholders' Auditors to the Committee, including those required by the Canadian Public Accountability Board, Office of the Superintendent of Financial Institutions, and the U.S. Public Accounting Oversight Board, and taking such action and making recommendations to the Board as appropriate in connection therewith;
- 1.4.9 reviewing the terms of the Shareholders' Auditors' engagement, the annual audit plan, including assurance that the audit plan is risk-based and appropriately addresses the risks of material misstatement, as well as any change in the materiality level used by the Shareholders' Auditors, and total fees payable and making recommendations to the Board as appropriate;
- 1.4.10 reviewing an annual written confirmation of the Shareholders' Auditors that they are independent in accordance with applicable independence rules and report directly to the Committee, as representatives of the Bank's shareholders;
- 1.4.11 reviewing and recommending to the Board the approval of the Bank's Auditor Independence Standard;

- 1.4.12 pre-approving audit services and permitted non-audit services by the Shareholders' Auditors in accordance with the Bank's Auditor Independence Standard; and
- 1.4.13 reviewing and approving the Bank's policies for hiring current or former partners or employees of the current or former Shareholders' Auditors and reviewing the Shareholders' Auditors' partner rotation.

1.5 Finance, Legal & Regulatory Compliance Functions

- 1.5.1 reviewing and, jointly with the Human Resources Committee, recommending to the Board the respective appointment, re-assignment or dismissal of the Chief Financial Officer, the General Counsel and the Chief Compliance Officer, as required; and annually assessing, in conjunction with the Human Resources Committee, the effectiveness of the Chief Financial Officer, the General Counsel and the Chief Compliance Officer, and reviewing and approving their respective mandates;
- 1.5.2 annually reviewing and approving the organizational structure, budget, resource plan and strategic priorities of the finance and legal & compliance, functions and assessing their effectiveness having regard to their respective roles as independent control functions;
- 1.5.3 reviewing the results of periodic independent reviews of the finance and compliance functions; and
- 1.5.4 reviewing and overseeing the status of remediation plans implemented by management to rectify any deficiencies identified.

1.6 Financial Risk Management

- 1.6.1 monitoring the Bank's major financial risk exposures and the steps management has taken to monitor and control such exposures; and
- 1.6.2 reviewing investments or transactions that could adversely affect the wellbeing of the Bank which the Shareholders' Auditors or any officer of the Bank may bring to the Committee's attention.

1.7 Legal & Regulatory Compliance

- 1.7.1 reviewing and approving the Legal, Regulatory and Reputation Risk Corporate Policy;
- 1.7.2 reviewing, with the Bank's General Counsel and the Chief Compliance Officer, the adequacy and effectiveness of the Bank's enterprise compliance program and the results of related monitoring and oversight activities;
- 1.7.3 reviewing an annual report on significant litigation matters and reviewing quarterly any material developments;
- 1.7.4 reviewing and approving the Bank's Anti-Money Laundering and Anti-Terrorist Financing Program framework, including key policies and any significant amendments;
- 1.7.5 meeting, at least annually, with the Chief Anti-Money Laundering Officer and the Chief Auditor to review their respective reports on the Anti-Money Laundering and Anti-Terrorist Financing Program;
- 1.7.6 meeting annually with representatives of OSFI as a Committee or as part of the Board, to receive OSFI's report on the results of its annual examination of the Bank; and
- 1.7.7 reviewing any other relevant reports of regulators to the Bank and any required action by management.

1.8 Business Conduct and Sustainability

- 1.8.1 reviewing and recommending for Board approval BMO's Code of Conduct;
- 1.8.2 approving any exceptions from BMO's Code of Conduct, as appropriate;
- 1.8.3 assessing the effectiveness of the Bank's governance frameworks aimed at (i) fostering an ethical culture, (ii) encouraging compliance with both the letter and spirit of applicable laws, regulations and consumer protections, and (iii) reducing misconduct;
- 1.8.4 reviewing procedures for the receipt, retention and treatment of complaints received by the Bank regarding accounting, internal control over financial reporting or auditing matters; and the confidential anonymous submission of concerns by employees of the Bank regarding questionable accounting or auditing matters;
- 1.8.5 reviewing reports relating to employee and/or customer concerns received through the Office of the Ombudsman;
- 1.8.6 approving BMO's Sustainability Report and Public Accountability Statement prior to disclosure;
- 1.8.7 reviewing any "up the ladder" report received by the Committee in accordance with written procedures adopted by the Committee. The Bank's "up the ladder" procedure, adopted by the Bank's Legal Group, sets out reporting protocols that comply with s.307 of the *Sarbanes Oxley Act of 2002* for the Bank's lawyers in the event of a material violation of certain laws;
- 1.8.8 determining the necessity of, and overseeing any, investigations in connection with any "up the ladder" report; and
- 1.8.9 assessing the effectiveness of the Bank's governance of sustainability issues.

1.9 Self Dealing

- 1.9.1 overseeing the effectiveness of self-dealing identification and procedures established by management for related and affected parties and monitoring compliance with applicable laws;
- 1.9.2 reviewing and approving as considered appropriate: (i) practices to identify related party transactions that could have a material effect on the stability or solvency of the Bank and; (ii) the measurement criteria and benchmarks for permitted related party transactions;
- 1.9.3 reviewing and, if advisable, approving the terms and conditions of related party loans that exceed established benchmarks; and
- 1.9.4 reviewing reports to the Committee on related and affected party transactions.

1.10 Conflicts of Interest and Confidential Information

- 1.10.1 overseeing the Bank's procedures to identify, resolve and, where possible, reduce incidences of, conflicts of interest;
- 1.10.2 overseeing the Bank's procedures to restrict the use and disclosure of confidential information;
- 1.10.3 reviewing and approving the Bank's Disclosure Corporate Policy;
- 1.10.4 reviewing reports to the Committee relating to the use and disclosure of customer and employee information; and
- 1.10.5 overseeing the Bank's compliance with privacy legislation.

1.11 Consumer Protection Measures and Complaints

- 1.11.1 overseeing the Bank's procedures to make disclosure of information to Bank customers as required by the *Bank Act* (Canada), the *Trust and Loan Companies Act* (Canada), and the *Insurance Companies Act* (Canada);
- 1.11.2 overseeing the Bank's procedures for dealing with complaints;
- 1.11.3 reviewing the annual report of the Office of the Ombudsman on complaint resolution;
- 1.11.4 overseeing the Bank's procedures for complying with obligations imposed by the Financial Consumer Agency of Canada and applicable U.S. regulatory agencies; and
- 1.11.5 reviewing reports to the Committee relating to disclosure of information to customers and complaints.

1.12 Aircraft and Chief Executive Officer Expense Accounts

- 1.12.1 reviewing and approving, on an annual basis, the report on Bank aircraft and Chief Executive Officer expense accounts; and
- 1.12.2 the chair of the Committee will review, on a quarterly basis, the report on Chief Executive Officer expense accounts.

PART II
COMPOSITION

2.1 Members

- 2.1.1 The Committee will consist of three or more directors as determined by the Board. At least a majority of the members of the Committee will not be “affiliated” with the Bank for the purposes of the Bank Act (Canada). Each member of the Committee will be: (i) a director who is not an officer or employee of the Bank or an affiliate of the Bank; and (ii) “independent” for the purposes of applicable Canadian and United States securities laws and the New York Stock Exchange Rules.
- 2.1.2 Committee members will be Financially Literate or become so within a reasonable period after appointment to the Committee. At least one Committee member will qualify as an Audit Committee Financial Expert. Committee members will not serve on more than three public company audit committees without the approval of the Board.
- 2.1.3 The Board will, having considered the recommendation of the Governance and Nominating Committee, appoint the members of the Committee and the chair of the Committee annually following the meeting of the shareholders at which directors are elected each year. The Board may appoint a member to fill a vacancy which occurs in the Committee between annual elections of directors and increase the number of Committee members as it determines appropriate. If a member of the Committee becomes “affiliated” with the Bank for the purposes of the *Bank Act* (Canada), the member may continue as a member of the Committee with the approval of the Governance and Nominating Committee, in consultation with the Bank’s General Counsel. Any member of the Committee may be removed or replaced at any time by the Board.
- 2.1.4 In addition to any orientation provided by the Governance and Nominating Committee, the chair of the Committee will provide orientation to new members of the Committee with respect to their duties and responsibilities as members of the Committee.
- 2.1.5 The Committee may invite other directors to attend Committee meetings or otherwise provide input as needed to acquire additional specific skills as required to carry out its mandate.

PART III
COMMITTEE PROCEDURE

3.1 Meetings

- 3.1.1 The Committee will meet as frequently as it determines necessary but not less than once each quarter. Meetings may be called by the Chair of the Board, the chair of the Committee or any two members of the Committee. The chair of the Committee must call a meeting when requested to do so by any member of the Committee, the Shareholders’ Auditors, the Chief Auditor, the Chair of the Board, the Chief Executive Officer, the Chief Financial Officer or the General Counsel
- 3.1.2 Notice of the time and place of each meeting of the Committee, other than *ad hoc* meetings, will be given to each member of the Committee and the Shareholders’ Auditors, not less than 48 hours before the time when the meeting is to be held. A quorum of the Committee will be a majority of its members. The powers of the Committee may be exercised at a meeting at which a quorum of the Committee is present in person or by telephone or other electronic means or by a resolution signed by all members entitled to vote on that resolution at a meeting of the Committee. Each member is entitled to one vote in Committee proceedings.
- 3.1.3 Notice of the time and place of *ad hoc* meetings will be given to each member not less than two hours before the time when the meeting is to be held.
- 3.1.4 The chair of the Committee will preside at all meetings of the Committee at which he or she is present and will, in consultation with the Chief Financial Officer, the Chief Auditor, the General Counsel and the Shareholders’ Auditors, develop the agenda for each Committee meeting. The agenda for each meeting of the Committee, other than *ad hoc* meetings, will be delivered together with such other materials as the chair determines necessary, to each member of the Committee at least 48 hours prior to the meeting. The chair will designate from time to time a person who may be, but need not be, a member of the Committee, to be secretary of the Committee. Minutes will be kept of all meetings of the Committee and will be maintained by the Bank’s Corporate Secretary.
- 3.1.5 The procedure at meetings is to be determined by the Committee unless otherwise determined by the By-Laws of the Bank, by a resolution of the Board or by this Charter.
- 3.1.6 The Committee will meet at least quarterly in separate private sessions with each of the Shareholders’ Auditors and the Chief Auditor, and as appropriate with management including the Chief Financial Officer, the General Counsel, the Chief Compliance Officer and the Chief Anti-Money Laundering Officer.
- 3.1.7 The Committee will meet at the end of each meeting with only members of the Committee present.

3.1.8 The Committee may invite any director, officer or employee of the Bank or the Bank's counsel or the Shareholders' Auditors or any other person, as appropriate, to attend meetings of the Committee to assist in the discussion and examination of the matters under consideration by the Committee. The Shareholders' Auditors will, at the expense of the Bank, be entitled to attend and be heard at any meeting of the Committee.

3.2 Reports

3.2.1 The Committee will report the proceedings of each meeting and all recommendations made by the Committee at such meeting to the Board at the Board's next meeting. The Committee will make such recommendations to the Board as it may deem appropriate and will have such decision-making authority as the Board may determine from time to time. The Committee will approve the report of the Committee to be included in the Bank's Management Proxy Circular and such other reports relating to the activities of the Committee as may be required by the Bank or the Board from time to time. In addition, the Committee will prepare and submit to the Board for its review and approval the report required to be submitted by the Board to OSFI within 90 days after the financial year-end of the Bank concerning the activities of the Committee during the year in carrying out its conduct review responsibilities.

3.3 Access to Management and Outside Advisors and Continuing Education

3.3.1 The Committee will have full, free and unrestricted access to management and employees, the Chief Auditor and the Shareholders' Auditors. The Committee has the authority to engage independent legal counsel, consultants or other advisors, with respect to any issue or to assist it in fulfilling its responsibilities without consulting or obtaining the approval of any officer of the Bank and the Bank will provide appropriate funding, as determined by the Committee, for the payment of: compensation to the Shareholders' Auditors engaged for the purpose of preparing or issuing an auditor's report or performing the audit, review or attest services for the Bank; compensation to any advisors employed by the Committee; and ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

3.3.2 The Committee will have access to continuing education programs to assist the Committee in fulfilling its responsibilities and the Bank will provide appropriate funding for such programs.

3.4 Annual Review and Assessment

3.4.1 The Committee will ensure that an annual review and assessment of the Committee's performance and effectiveness, including a review of its compliance with this Charter, will be conducted in accordance with the process developed by the Board's Governance and Nominating Committee and approved by the Board. The results thereof will be reported in accordance with the process established by the Board's Governance and Nominating Committee and approved by the Board.

3.4.2 The Committee will review and assess the adequacy of this Charter on an annual basis taking into account all legislative and regulatory requirements applicable to the Committee as well as any best practice guidelines recommended by regulators or stock exchanges with whom the Bank has a reporting relationship and, if appropriate, will recommend changes to the Board's Governance and Nominating Committee.

3.5 Definitions

"**Audit Committee Financial Expert**" means a person who has the following attributes:

- (i) an understanding of generally accepted accounting principles and financial statements;
- (ii) the ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves;
- (iii) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Bank's financial statements, or experience actively supervising one or more persons engaged in such activities;
- (iv) an understanding of internal control over financial reporting; and
- (v) an understanding of audit committee functions, acquired through any one or more of the following:
 - a) education and experience as a principal financial officer, principal accounting officer, controller, public accountant or auditor or experience in one or more positions that involve the performance of similar functions;
 - b) experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person performing similar functions;
 - c) experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements; or
 - d) other relevant experience.

“Auditor Independence Standard” means the Bank’s Auditor Independence Standard that provides guidance for engaging the Shareholders’ Auditors to perform audit and permitted non-audit services for the Bank, its subsidiaries and material entities over which the Bank has significant influence.

“Bank” means Bank of Montreal and as the context requires, subsidiaries of the Bank.

“Board” means the Board of Directors of Bank of Montreal.

“Committee” means the Audit and Conduct Review Committee of the Board of Directors of Bank of Montreal.

“Chief Anti-Money Laundering Officer” means the Bank’s officer appointed as Chief Anti-Money Laundering Officer.

“Designated Subsidiary” means as requested by the Board, those subsidiaries of the Bank for which the Committee will act as audit and conduct review committee.

“Financially Literate” means the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Bank’s financial statements.

“OSFI” means the Office of the Superintendent of Financial Institutions.

“Shareholders’ Auditors” mean the independent financial statement auditors of the Bank.

APPENDIX II

CREDIT RATING CATEGORIES

(a) Standard & Poor's ("S&P")

S&P has different rating scales for short-term debt, long-term debt and preferred shares. S&P short-term issue credit ratings are generally assigned to those obligations considered short-term in the relevant market. Short-term ratings are also used to indicate the creditworthiness of an obligor with respect to put features on long-term obligations. A short-term obligation rated A-1 indicates S&P's view that the Bank's capacity to meet its financial commitments on these obligations is strong.

S&P long-term issue credit ratings are based, in varying degrees, on the analysis of the following considerations: likelihood of payment—capacity and willingness of the obligor to meet its financial commitments on a financial obligation in accordance with the terms of the obligation; nature of and provisions of the financial obligation; and protection afforded to, and relative position of, the financial obligation in the event of bankruptcy, reorganization, or other arrangement under the laws of bankruptcy and other laws affecting creditors' rights. A rating in the 'A' category means the obligation is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories, however, the obligor's capacity to meet its financial commitment on the obligation is still strong. An obligation rated in the BBB category indicates that the obligation exhibits adequate protection parameters, however, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation. Ratings from AA to CCC may be modified by the addition of a plus (+) or minus (–) sign to show relative standing within the rating category.

The S&P preferred share rating on the Canadian scale is a forward-looking opinion about the creditworthiness of an obligor with respect to a specific preferred share obligation issued in the Canadian market, relative to preferred shares issued by other issuers in the Canadian market. The Canadian scale rating is fully determined by the applicable global scale rating, and there are no additional analytical criteria associated with the determination of ratings on the Canadian scale.

A rating outlook assesses the potential direction of a long-term credit rating over the intermediate term (typically six months to two years). In determining a rating outlook, consideration is given to any changes in the economic and/or fundamental business conditions. An outlook is not necessarily a precursor of a rating change or future CreditWatch action.

The "Stable" rating outlook means that a rating is not likely to change.

(b) Moody's Investors Service ("Moody's")

Moody's has different rating scales for short-term ratings and long-term ratings.

Ratings assigned by Moody's are forward-looking opinions of the relative credit risks of financial obligations issued by non-financial corporates, financial institutions, structured finance vehicles, project finance vehicles, and public sector entities.

Moody's short-term ratings are assigned to obligations with an original maturity of 13 months or less and reflect both on the likelihood of a default or impairment on contractual financial obligations and the expected financial loss suffered in the event of default or impairment. The P-1 rating is the highest of four rating categories and indicates issuers (or supporting institutions) that have a superior ability to repay short-term debt obligations.

Moody's long-term ratings are assigned to issuers or obligations with an original maturity of one year or more and reflect both on the likelihood of a default or impairment on contractual financial obligations and the expected financial loss suffered in the event of default or impairment. Obligations rated in the Aa category are judged to be of high quality and are subject to very low credit risk. Obligations rated in the A category are judged to be upper-medium grade and subject to low credit risk. Obligations rated in the Baa category are judged to be medium-grade and subject to moderate credit risk and as such may possess certain speculative characteristics. Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category. Additionally, a "(hyb)" indicator is appended to all ratings of hybrid securities issued by banks, insurers, finance companies, and securities firms.

Moody's Issuer Ratings are opinions of the ability of entities to honour senior unsecured debt and debt-like obligations.

The Moody's rating outlook is an opinion regarding the likely rating direction over the medium term.

The "Stable" rating outlook indicates a low likelihood of a rating change over the medium term.

(c) DBRS Limited ("DBRS")

DBRS has different rating scales for short-term debt, long-term debt and preferred shares. DBRS rating approach is based on a combination of quantitative and qualitative considerations.

The DBRS short-term debt rating scale provides an opinion on the risk that an issuer will not meet its short-term financial obligations in a timely manner. The R-1 and R-2 rating categories are further denoted by the subcategories "high", "middle" and "low". An obligation rated R-1(high) is of the highest credit quality and indicates the capacity for the payment of short-term financial obligations as they fall due is exceptionally high; unlikely to be adversely affected by future events.

The DBRS long-term rating scale provides an opinion on the risk of default. That is, the risk that an issuer will fail to satisfy its financial obligations in accordance with the terms under which the obligations have been issued. All rating categories other than AAA and D also contain subcategories “(high)” and “(low)”. The absence of either a “(high)” or “(low)” designation indicates the rating is in the middle of the category. Long-term financial obligations rated AA are of superior credit quality and capacity for payment is considered high; credit quality differs from AAA only to a small degree; unlikely to be significantly vulnerable to future events. Long-term financial obligations rated A are of good credit quality and capacity for payment is considered substantial, but of lesser credit quality than AA; may be vulnerable to future events but qualifying negative factors are considered manageable.

The DBRS preferred share rating scale is used in the Canadian securities market and is meant to give an indication of the risk that a borrower will not fulfill its full obligations, with respect to both dividend and principal commitments, in a timely manner. Each rating category may be denoted by the subcategories “high” and “low”. The absence of either a “high” or “low” designation indicates the rating is in the middle of the category. The Pfd-2 rating generally indicates good credit quality.

Rating trends provide guidance in respect of DBRS’s opinion regarding the outlook for a rating.

The “Stable” rating trend indicates a lower likelihood that the rating could change in the future than would be the case if the rating trend was “Positive” or “Negative”.

(d) Fitch

Fitch publishes opinions on a variety of scales.

A short-term issuer or obligation rating is based on the short-term vulnerability to default of the rated entity and relates to the capacity to meet financial obligations in accordance with the documentation governing the relevant obligation. For banks, “short term” typically means up to 13 months. A rating of F1+ indicates the highest short-term credit quality. The added “+” denotes an exceptionally strong credit feature.

Rated entities in a number of sectors, including financial and non-financial corporations, are generally assigned Issuer Default Ratings (“IDRs”). IDRs opine on an entity’s relative vulnerability to default on financial obligations. A rating of AA indicates a very high credit quality and denotes expectation of very low default risk. A rating of A indicates a high credit quality and denotes expectation of low default risk. The modifiers “+” or “-” may be appended to a rating to denote relative status within major rating categories.

Rating Outlooks indicate the direction a rating is likely to move over a one to two-year period. They reflect financial or other trends that have not yet reached or been sustained at the level that would cause a rating action, but which may do so if such trends continue. A Positive or Negative Rating Outlook does not imply that a rating change is inevitable.

The “Negative” rating outlook indicates a downward trend on the rating scale.