



BMO Financial Corp.

Dodd-Frank Act Company-Run Stress Test

Supervisory Severely Adverse Scenario Results Disclosure

June 25, 2026

Overview

BMO Financial Corp. (BFC), a U.S. Intermediate Holding Company (IHC), is a wholly-owned subsidiary of Bank of Montreal (BMO) and is regulated by the Board of Governors of the Federal Reserve System (FRB). BFC's wholly-owned principal banking subsidiary, BMO Bank N.A. (BBNA), is regulated by the Office of the Comptroller of the Currency (OCC) and the Federal Deposit Insurance Corporation. BFC and BBNA are collectively referred to as "the Companies."

As a Category III IHC with total consolidated assets of \$250 billion or more, BFC is subject to the **Supervisory and Company-Run Stress Test Requirements for Covered Companies**¹ rule issued by the FRB to implement the stress test requirements established in section 165(i)(1) and (2) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). In addition, BBNA is subject to the **Annual Stress Test**² rule issued by the OCC. The results and guidance provided by the OCC for the BBNA stress test are consistent with those provided by the FRB for BFC's Dodd-Frank Act stress test.

The Dodd-Frank Act company-run stress test results presented in this report estimate the impact of a hypothetical severely adverse macroeconomic scenario (Supervisory Severely Adverse scenario) provided by the FRB and the OCC on the capital position of the Companies over a nine-quarter planning horizon.³ The Supervisory Severely Adverse scenario is described in additional detail below.

The Companies performed their internal stress tests using their own models, practices, methodologies, and assumptions to project pre-provision net revenue, provisions, losses, and capital ratios under the Supervisory Severely Adverse scenario, except in those cases where practices, methodologies, and assumptions were specifically prescribed by rules, instructions, or guidance published by the FRB and/or the OCC. Consequently, BFC results might differ, potentially materially, from the projections that the FRB makes using its own models, methodologies, and assumptions.⁴

In addition, IHCs are required to assume a uniform set of conditions regarding capital actions over the forecast horizon to enable comparison of results across institutions and neutralize the effect of company-specific assumptions regarding capital actions. Under this requirement, BFC must calculate its pro forma capital ratios using the following factors and assumptions regarding its capital actions over the planning horizon for the Supervisory Severely Adverse scenario:

1. For the initial calendar quarter of the forecast horizon (Q1 2026), take into account actual capital actions taken throughout the quarter;
2. For each of the subsequent quarters (Q2 2026 through Q1 2028), include in the projection of capital:
 - i. Common stock dividends equal to the quarterly average dollar amount of common stock dividends that the company paid in the previous year (i.e., the initial quarter of the forecast horizon and the preceding three calendar quarters);
 - ii. Payments on any other instrument that is eligible for inclusion in the numerator of a regulatory capital ratio equal to the stated dividend, interest or principal due on such instrument during the quarter;

¹ 'Supervisory and Company-Run Stress Test Requirements for Covered Companies' Final Rule, 12 C.F.R. Part 252

² 'Annual Stress Test' Final Rule, 12 C.F.R. Part 46

³ The Dodd-Frank Act company-run stress test results presented in this report (Stress Test Results) have been prepared in accordance with U.S. GAAP. The Stress Test Results present certain projected financial measures for BFC under the hypothetical economic and market scenario and assumptions provided by the FRB described herein.

⁴ The stress testing of financial institutions conducted by the FRB is based on models and methodologies developed or employed by the FRB. The FRB has not historically disclosed substantive details of its models and methodologies. Therefore, BFC may not be able to fully account for certain variances between the FRB's projections and BFC Stress Test Results included herein.

- iii. An assumption of no redemption or repurchase of any capital instrument that is eligible for inclusion in the numerator of a regulatory capital ratio; and
- iv. An assumption of no issuances of common stock or preferred stock, except for issuances related to expensed employee compensation or in connection with a planned merger or acquisition.

In actual practice, if a severely adverse scenario were to occur, the Companies would take capital and other management actions mandated by internal policies and which are necessary or appropriate to respond to such stress.

Supervisory Severely Adverse Scenario

Scenario Overview

The 2026 Supervisory Severely Adverse scenario features a sharp deterioration in economic and financial conditions, including a rise in U.S. unemployment to about 10%, heightened market volatility, and significant asset price decline, for instance taking roughly a 30% drop in housing prices and a 39% decline in commercial real estate prices. Corporate bond spreads widen substantially, reflecting tighter financial conditions. Additionally, banks with large trading operations must incorporate global market shocks and the potential default of major counterparties, ensuring that trading and counterparty risks are also captured. Overall, the exercise is intended to test the resilience of 32 large banks under extreme but plausible conditions, rather than to forecast actual economic outcomes.

Scenario Estimates

BFC/BBNA Projected Stressed Capital Ratios through Q1 2028						
Ratio	BFC			BBNA		
	Actual Q4 2025	Stressed Capital Ratios †		Actual Q4 2025	Stressed Capital Ratios	
		Ending	Minimum		Ending	Minimum
Common Equity Tier 1 capital ratio	14.0%	12.0%	12.0%	14.7%	13.7%	13.7%
Tier 1 risk-based capital ratio	14.7%	12.8%	12.8%	14.8%	13.8%	13.7%
Total risk-based capital ratio	16.3%	14.2%	14.2%	16.0%	15.0%	15.0%
Tier 1 Leverage ratio	11.3%	9.7%	9.7%	11.1%	10.5%	10.3%
Supplementary Leverage Ratio	9.1%	8.4%	8.4%	9.5%	9.1%	9.1%

† The pro forma stressed capital ratios are calculated using Dodd-Frank Act Stress Test capital actions and assumptions as described above. These projections represent hypothetical estimates under severely adverse economic conditions specified in the Supervisory Severely Adverse scenario. The minimum capital ratios presented are for the period Q1 2026 through Q1 2028.

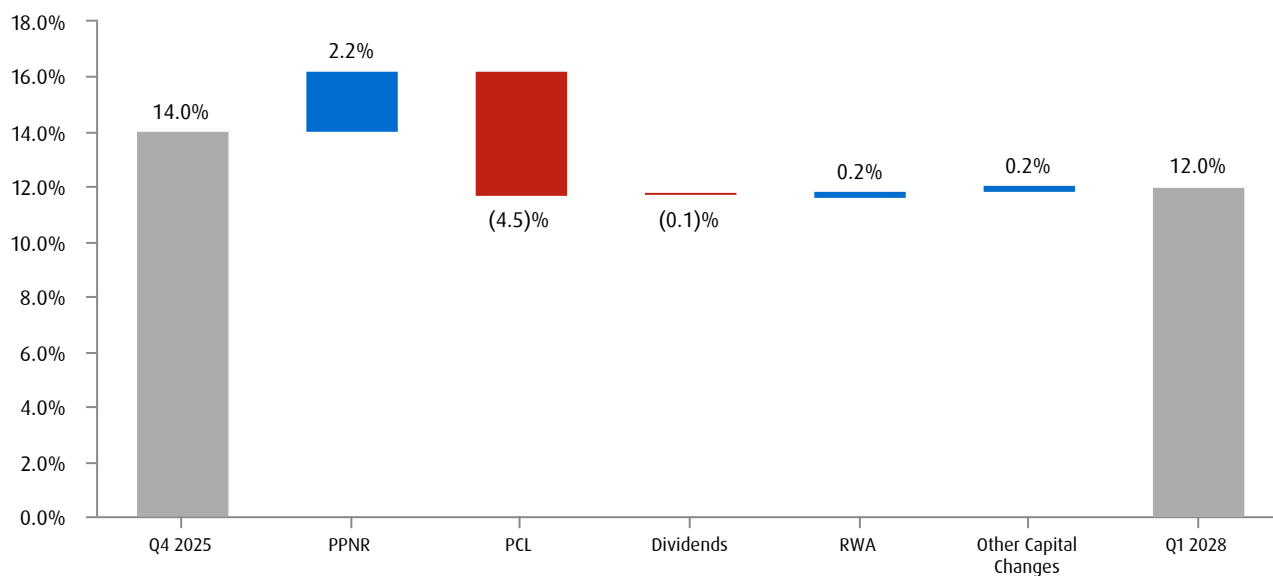
Actual Q4 2025 and Projected Q1 2028 Risk-Weighted Assets †		
Billions of dollars	Actual Q4 2025	Projected Q1 2028
BFC Risk-Weighted Assets	200.6	197.4
BBNA Risk-Weighted Assets	181.7	171.5

† For each quarter of the forecast horizon, risk-weighted assets are calculated under the Basel III standardized risk-based capital approach.

As depicted in the chart below, the change in capital ratios from actual Q4 2025 levels to the minimums projected in the hypothetical company-run Supervisory Severely Adverse scenario primarily reflects the

impact of higher provisions for credit losses (PCL). This impact is partly offset by pre-provision net revenue (PPNR) generated over the forecast horizon.

Key Drivers of BFC's Pro Forma Common Equity Tier 1 Capital Ratio



†Other changes to capital include changes in disallowed intangibles net of related deferred tax liabilities as well as other miscellaneous adjustments.

BFC projected loan losses, by type of loan, from Q1 2026 through Q1 2028

Loan Type	Millions of dollars	Portfolio loss rates (%) [†]
Total Loan Losses		
First lien mortgages	331.6	1.5%
Junior liens and HELOCs	201.0	3.7%
Commercial and industrial	2,539.8	5.9%
Commercial real estate ^{††}	2,068.6	7.2%
Consumer cards	318.4	32.0%
Other consumer	399.0	4.4%
Other loans	579.2	2.1%

[†]Average loan balances used to calculate portfolio loss rates exclude loans held for sale and are calculated over nine quarters.

^{††} Commercial real estate loans include loans secured by farmland.

BBNA projected loan losses, by type of loan, from Q1 2026 through Q1 2028

Loan Type	Millions of dollars	Portfolio loss rates (%) [†]
Total Loan Losses		
First lien mortgages	331.6	1.5%
Junior liens and HELOCs	201.0	3.7%
Commercial and industrial	2,529.8	5.9%
Commercial real estate ^{††}	2,068.6	7.2%
Consumer cards	318.4	32.0%
Other consumer	399.0	4.4%
Other loans	557.8	2.0%

[†]Average loan balances used to calculate portfolio loss rates exclude loans held for sale and are calculated over nine quarters.

^{††} Commercial real estate loans include loans secured by farmland.

BFC projected losses, revenue, and net income before taxes from Q1 2026 through Q1 2028

Item	Millions of dollars	Percent of Average Assets
Pre-provision net revenue [†]	4,872.4	1.8%
Other revenue		
<i>Less</i>		
Provisions	9,101.4	3.3%
Realized losses/(gains) on securities (AFS/HTM)	(12.6)	—%
Trading and counterparty losses/(gains)	508.2	0.2%
Other losses/(gains)	—	—
<i>Equals</i>		
Net income/(loss) before taxes	(4,724.6)	(1.7)%

[†] Pre-provision net revenue is comprised of revenues less expenses, including mortgage repurchase expenses and other real estate owned (OREO) costs, as well as losses from operational risk events.

BBNA projected losses, revenue, and net income before taxes from Q1 2026 through Q1 2028

Item	Millions of dollars	Percent of Average Assets
Pre-provision net revenue [†]	5,632.7	2.3%
Other revenue		
<i>Less</i>		
Provisions	9,036.4	3.7%
Realized losses/(gains) on securities (AFS/HTM)	(12.5)	—%
Trading and counterparty losses/(gains)	12.9	—%
Other losses/(gains)	—	—
<i>Equals</i>		
Net income/(loss) before taxes	(3,404.1)	(1.4)%

[†] Pre-provision net revenue is comprised of revenues less expenses, including mortgage repurchase expenses and other real estate owned (OREO) costs, as well as losses from operational risk events.

Material Risks Captured in the Stress Test

The Companies' Capital Adequacy Process (CAP) is grounded in the processes used to identify, understand and ultimately manage the risks arising from their business model and strategies. As part of the Companies' CAP, a broad spectrum of risks is evaluated and stressed, including credit and counterparty risk, market risk, operational non-financial risk, and other applicable risks; these risks are described below.

- **Credit and Counterparty Risk:** Credit and counterparty risk is the potential for loss due to the failure of a borrower, endorser, guarantor, or counterparty to repay a loan or honor another predetermined financial obligation. Credit and counterparty risk underlies every lending activity that the Companies enter into, and also arises in the transacting of trading and other capital markets products and the holding of investment securities.
- **Market Risk:** Market risk is the risk to an institution's capital and earnings arising from adverse changes in market variables that affect the institution's trading, underwriting, and banking book positions. The Companies incur market risk in their trading and underwriting activities and structural banking activities.
- **Operational Non-Financial Risk:** Operational non-financial risk is the potential for loss or harm resulting from inadequate or failed internal processes or systems, human errors or misconduct, or external events, excluding credit risk, market risk, liquidity risk, and other financial risk.
- **Other Risks:** Other material risk types evaluated under the CAP and captured in the stress test include liquidity and funding risk, environmental and social risk, reputation risk, and strategic risk, which also includes business risk, or the risk arising from the specific business activities of the Companies and the effects these could have on their earnings.

Many of the Companies' material risks, including credit and market risk, are driven by or correlated with changing macroeconomic conditions, and thus are stressed under the Supervisory Severely Adverse scenario using the methodologies described below.

Stress Testing Methodologies

The Companies' stress testing methodologies are focused on defining the relationship between macroeconomic variables and business volumes, revenues and losses in order to develop pro forma financial statements and estimate the impact on capital availability. The macroeconomic variables provided by the FRB are expanded as required, additional macroeconomic variables are used as determined to be appropriate, and these assumptions and interest rate curves are used to make projections. Key outputs from these processes are pro forma balance sheets and income statements, which are used to develop risk-weighted assets, average assets for leverage purposes, and capital projections in order to estimate stressed regulatory capital ratios. The Companies use models, quantitative and qualitative methodologies, and management judgment, where applicable, to produce a comprehensive projection of business performance under hypothetical severe stress scenarios. All projected results are reviewed and challenged by teams of subject matter experts, and senior cross-functional and multi-disciplinary management committees, as well as by the Boards of Directors, or a sub-committee thereof.

The specific methodologies employed are described below.

Credit and Other Losses

The Companies' loss estimation processes are supported by well-established risk measurement frameworks and complemented by robust governance, including independent model validation and effective challenge by business and risk management professionals. Results are benchmarked against key internal and external metrics of performance.

Specific to credit risk, loss estimation for each scenario is forecasted by Probability of Default (PD) and Loss Given Default (LGD) stress models that are driven by scenario-specific inputs, exposure and borrower attributes, and balance information. Commercial and Consumer net charge-offs are primarily estimated using quantitative models that forecast stress PD and stress LGD. Commercial and Consumer models are calibrated to the Companies' historical loss experience and use risk characteristics of loan segments and exposures to derive results under the Supervisory Severely Adverse scenario.

Operational risk loss under stress is estimated using a three-pronged approach. First, a baseline projection using a trend approximation is derived by leveraging historical loss experience. Second, a stress legal docket analysis is conducted by the Legal department to contemplate losses in the pipeline beyond what has been settled or reserved. Third, scenario analysis takes place via the use of idiosyncratic company-specific events linked to material risks identified by the Risk Identification process. Projected losses from these three approaches are aggregated to yield overall stressed operational risk loss.

Trading losses are estimated using market risk stress testing models. Credit risk impairment on securities and equity investments is estimated at an individual investment level, as applicable.

Pre-Provision Net Revenue

The Companies use quantitative and qualitative methodologies based on applicable macroeconomic variables to estimate net interest income, non-interest revenue, and non-interest expense. Net interest income components are estimated using the projected balance sheet, non-performing loan migration, and non-contractual net interest income. Non-interest revenue and non-interest expense are estimated utilizing historical experience, expert judgment, and quantitative approaches. While a majority of the categories are quantitatively modeled, certain categories are judgmentally derived.

Provision for Loan and Lease Losses

The Companies utilize the loss estimates and credit quality changes forecasted by their methodologies along with a well-established Current Expected Credit Loss framework to quantify the lifetime allowance for credit losses. The provisions for loan and lease losses are appropriately estimated to absorb losses for the loan portfolio through the forecast horizon.

Capital Position

The impact of estimated pre-provision net revenue, provision for credit losses, permitted capital actions, risk-weighted assets, average assets for leverage purposes, the leverage measure for calculating the supplementary leverage ratio, and regulatory capital are used to calculate the Companies' capital position throughout the forecast horizon based on applicable capital regulations.

Governance

Pursuant to applicable corporate policies and standards, the Companies' CCAR governance framework establishes a robust capital management structure designed to ensure that the Companies maintain adequate capital under all conditions through strong board and senior management oversight of the capital adequacy process. It is built on a multi-layered committee structure—including the Board-level Risk

Oversight and Capital Committee (ROCC), senior management Capital Management Committee (CMC), and supporting working groups—that provides end-to-end review, challenge, and approval of capital planning activities. The framework emphasizes effective challenge, requiring independent, informed, and objective review of assumptions, models, and outcomes, supported by structured documentation and tracking of issues. As a well-defined information prioritization and materiality framework, the CCAR governance framework is designed to ensure that key risks, results, and assumptions are appropriately escalated across governance levels. Overall, the process enables transparent decision-making, strong internal controls, and alignment of capital planning with risk appetite, regulatory expectations, and business strategy.

Caution Regarding Forward-Looking Statements

The results presented herein contain forward-looking statements. 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 include projections that represent estimates based on the hypothetical, severely adverse economic and market scenarios and assumptions under the Supervisory Severely Adverse Scenario prescribed by the FRB, are presented solely for the purpose of complying with applicable stress test requirements and may not be appropriate for other purposes. The stress test results do not represent the Companies’ forecasts of actual expected gains, losses, pre-provision net revenue, net income before taxes, capital, risk-weighted assets, or capital and leverage ratios. By their nature, forward-looking statements require the Companies to make assumptions and are subject to inherent risks and uncertainties, both general and specific in nature. There is significant risk that actual results may differ materially from the forward-looking statements contained herein. The Companies caution readers of this document not to place undue reliance on such forward-looking statements, as a number of factors— many of which are beyond the Companies’ control and the effects of which can be difficult to predict— could cause actual future results to differ materially from the forward-looking statements contained herein. The Companies do not undertake to update any forward-looking statements contained herein. For a description of factors and risks that could adversely affect the forward-looking statements presented herein, please refer to Bank of Montreal’s 2025 Annual Report, as updated by its quarterly reports, which can be found on Bank of Montreal web site at <https://www.bmo.com/main/about-bmo/banking/investor-relations/home>, on SEDAR+ (System for Electronic Document Analysis and Retrieval) at www.sedarplus.ca, and on the SEC’s web site at www.sec.gov/edgar.
