

Enhanced Disclosure Task Force

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

Disclosures related to the EDTF recommendations are detailed below.

| General | |
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| 1 | <p>Present all risk-related information in the Annual Report, Supplementary Financial Information and Supplementary Regulatory Capital Disclosure, and provide an index for easy navigation.</p> <p>2017 Annual Report: Risk-related information is presented in the Enterprise-Wide Risk Management section on pages 78 to 112.</p> <p>Q3 2018 Report to Shareholders: An index for the MD&A is provided on page 3.</p> <p>Q3 2018 Supplementary Financial Information: An index is provided in our Supplementary Financial Information.</p> |
| 2 | <p>Define the bank's risk terminology and risk measures and present key parameters used.</p> <p>2017 Annual Report: Specific risk definitions and key parameters underpinning BMO's risk reporting are provided on pages 86 to 112.</p> <p>A glossary of financial terms (including risk terminology) can be found on pages 202 to 203.</p> <p>Q3 2018 Report to Shareholders: An update is provided on page 29.</p> |
| 3 | <p>Discuss top and emerging risks for the bank.</p> <p>2017 Annual Report: BMO's top and emerging risks are discussed on pages 79 to 81.</p> <p>Q3 2018 Report to Shareholders: An update is provided on page 7.</p> |
| 4 | <p>Outline plans to meet new key regulatory ratios once the applicable rules are finalized.</p> <p>2017 Annual Report: We outline BMO's plans to meet new regulatory ratios on pages 69 to 72 and 105.</p> <p>Q3 2018 Report to Shareholders: An update is provided on page 13.</p> |
| Risk Governance | |
| 5 | <p>Summarize the bank's risk management organization, processes, and key functions.</p> <p>2017 Annual Report: BMO's risk management organization, processes and key functions are summarized on pages 81 to 86.</p> <p>Q3 2018 Report to Shareholders: An update is provided on page 29.</p> |
| 6 | <p>Describe the bank's risk culture.</p> <p>2017 Annual Report: BMO's risk culture is described on page 83.</p> |
| 7 | <p>Describe key risks that arise from the bank's business model and activities.</p> <p>2017 Annual Report: A diagram of BMO's risk exposure by operating segment is provided on page 74.</p> |
| 8 | <p>Describe the use of stress testing within the bank's risk governance and capital frameworks.</p> <p>2017 Annual Report: BMO's stress testing process is described on pages 85 to 86.</p> |

Capital Adequacy and Risk-Weighted Assets (RWA)

- 9 **Provide minimum Pillar 1 capital requirements.**
2017 Annual Report: Pillar 1 capital requirements are described on pages 69 to 72.
Q3 2018 Supplementary Financial Information: Regulatory capital is disclosed on page 36.
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- 10 **Summarize information contained in the composition of capital templates adopted by the Basel Committee.**
Q3 2018 Report to Shareholders: An abridged version of the regulatory capital template is provided on page 14.
Q3 2018 Supplementary Financial Information: Pillar 3 disclosure is provided on pages 36 to 38 and 40. A Main Features template can be found on BMO's website at www.bmo.com under Investor Relations and Regulatory Filings.
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- 11 **Present a flow statement of movements in regulatory capital, including changes in Common Equity Tier 1, Additional Tier 1, and Tier 2 capital.**
Q3 2018 Supplementary Financial Information: Regulatory capital flow statement is provided on page 41.
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- 12 **Discuss capital planning within a more general discussion of management's strategic planning.**
2017 Annual Report: BMO's capital planning process is discussed under Capital Management Framework on page 69.
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- 13 **Provide granular information to explain how RWA relate to business activities.**
2017 Annual Report: A diagram of BMO's risk exposure, including RWA by operating group, is provided on page 74.
Q3 2018 Supplementary Financial Information: RWA by operating group is provided on page 41.
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- 14 **Present a table showing the capital requirements for each method used for calculating RWA.**
2017 Annual Report: Regulatory capital requirement, as a percentage of RWA, is outlined on page 70.
Information about significant models used to determine RWA is provided on pages 87 to 90.
Q3 2018 Supplementary Financial Information: A table showing RWA by model approach and by risk type is provided on page 40.
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- 15 **Tabulate credit risk in the banking book for Basel asset classes.**
Q3 2018 Supplementary Financial Information: Wholesale and retail credit exposures by internal rating grades are provided on pages 48 to 49.
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- 16 **Present a flow statement that reconciles movements in RWA by credit risk and market risk.**
Q3 2018 Supplementary Financial Information: RWA flow statements are provided on page 42.
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- 17 **Describe the bank's Basel validation and back-testing process.**
2017 Annual Report: BMO's Basel validation and back-testing process for credit and market risk is described on pages 108 to 109.
Q3 2018 Supplementary Financial Information: A table showing Exposure at Default and RWA by model approach and asset class is provided on page 40. A table showing estimated and actual loss parameters is provided on page 50.

Liquidity

- 18 **Describe how the bank manages its potential liquidity needs and the liquidity reserve held to meet those needs.**
2017 Annual Report: BMO's potential liquidity needs and the liquidity reserve held to meet those needs are described on pages 99 to 101.
Q3 2018 Report to Shareholders: BMO's potential liquidity needs and the liquidity reserve held to meet those needs are described on pages 31 to 34.

Funding

- 19 **Summarize encumbered and unencumbered assets in a table by balance sheet category.**
Q3 2018 Report to Shareholders: An Asset Encumbrance table is provided on page 32.
Q3 2018 Supplementary Financial Information: The Asset Encumbrance table by currency is provided on page 35.
- 20 **Tabulate consolidated total assets, liabilities and off-balance sheet commitments by remaining contractual maturity.**
Q3 2018 Report to Shareholders: A Contractual Maturity table is presented in Note 14 on pages 60 to 61 of the interim financial statements.
- 21 **Discuss the bank's sources of funding and describe the bank's funding strategy.**
2017 Annual Report: BMO's sources of funding and funding strategy are described on pages 103 to 104.
A table showing the composition and maturity of wholesale funding is provided on page 104.
Q3 2018 Report to Shareholders: An update is provided on pages 33 to 34.

Market Risk

- 22 **Provide a breakdown of balance sheet positions into trading and non-trading market risk measures.**
Q3 2018 Report to Shareholders: A table linking balance sheet items to market risk measures is provided on page 29.
- 23 **Provide qualitative and quantitative breakdowns of significant trading and non-trading market risk measures.**
2017 Annual Report: Trading market risk exposures are described and quantified on pages 94 to 96.
Structural (non-trading) market risk exposures are described and quantified on pages 97 to 98.
Q3 2018 Report to Shareholders: An update is provided on page 30.
- 24 **Describe significant market risk measurement model validation procedures and back-testing and how these are used to enhance the parameters of the model.**
2017 Annual Report: Market risk measurement model validation procedures and back-testing for trading market risk and structural (non-trading) market risk are described on pages 107 to 109.
- 25 **Describe the primary risk management techniques employed by the bank to measure and assess the risk of loss beyond reported risk measures.**
2017 Annual Report: The use of stress testing, scenario analysis and stressed VaR for market risk management is described on pages 94 to 96.
Q3 2018 Report to Shareholders: An update to trading VaR, SVaR, structural balance sheet earnings and economic value sensitivities are provided on page 30.

Credit Risk

- 26 **Provide information about the bank's credit risk profile.**
Q3 2018 Report to Shareholders: Information about BMO's credit risk profile is provided on pages 11 to 12, pages 35 to 36, Note 3 on pages 45 to 48 and Note 4 on pages 49 to 50 of the interim financial statements.
Q3 2018 Supplementary Financial Information: Tables detailing credit risk information are provided on pages 20 to 31 and 44 to 51.
- 27 **Describe the bank's policies related to impaired loans and renegotiated loans.**
2017 Annual Report: Impaired loan and renegotiated loan policies are described in Note 4 on pages 153 and 155, respectively of the financial statements.
Q3 2018 Report to Shareholders: An update on impaired loans and renegotiated loans is provided in Note 3 on pages 45 to 48 of the interim financial statements.

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- 28** **Provide reconciliations of impaired loans and the allowance for credit losses.**
- Q3 2018 Report to Shareholders:** Continuity schedules for gross impaired loans acceptances, and allowance for credit losses are provided on pages 11 to 12 and Note 3 on pages 46 to 47 of the interim financial statements, respectively.
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- 29** **Provide a quantitative and qualitative analysis of the bank's counterparty credit risk that arises from its derivative transactions.**
- 2017 Annual Report:** Quantitative disclosures on collateralization agreements for over-the-counter (OTC) derivatives are provided on page 93 and qualitative disclosures are provided on page 87.
- Q3 2018 Supplementary Financial Information:** Quantitative disclosures for OTC derivatives are provided on page 34.
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- 30** **Provide a discussion of credit risk mitigation.**
- 2017 Annual Report:** A discussion of BMO's credit and counterparty risk management is provided on pages 86 to 87. Collateral management discussions are provided on page 87 and in Note 8 on pages 162 and 164 and in Note 25 on page 193 of the financial statements.
- Q3 2018 Supplementary Financial Information:** The exposure covered by Credit Risk Mitigation table is provided on page 44.
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- Other Risks**
- 31** **Describe other risks and discuss how each is identified, governed, measured and managed.**
- 2017 Annual Report:** A diagram illustrating the risk governance process that supports BMO's risk culture is provided on page 81. Other risks are discussed on pages 105 to 112.
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- 32** **Discuss publicly known risk events related to other risks, where material or potentially material loss events have occurred.**
- 2017 Annual Report:** Other risks are discussed on pages 105 to 112.