

# Enhanced Disclosure Task Force

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

Disclosures related to the EDTF recommendations are detailed below.

General	
1	<b>Present all risk-related information in the Annual Report, Supplementary Financial Information and Supplementary Regulatory Capital Disclosure, and provide an index for easy navigation.</b> <b>Annual Report:</b> Risk-related information is presented in the Enterprise-Wide Risk Management section on pages 78 to 116. <b>Supplementary Financial Information:</b> A general index is provided, as well as a detailed Pillar 3 index (pages 34 to 35) in our Supplementary Financial Information.
2	<b>Define the bank's risk terminology and risk measures and present key parameters used.</b> <b>Annual Report:</b> Specific risk definitions and key parameters underpinning BMO's risk reporting are provided on pages 87 to 116. A glossary of financial terms (including risk terminology) can be found on pages 210 to 211.
3	<b>Discuss top and emerging risks for the bank.</b> <b>Annual Report:</b> BMO's top and emerging risks are discussed on pages 79 to 81.
4	<b>Outline plans to meet new key regulatory ratios once the applicable rules are finalized.</b> <b>Annual Report:</b> We outline BMO's plans to meet new regulatory ratios on pages 71 and 106.
Risk Governance	
5	<b>Summarize the bank's risk management organization, processes, and key functions.</b> <b>Annual Report:</b> BMO's risk management organization, processes and key functions are summarized on pages 82 to 87.
6	<b>Describe the bank's risk culture.</b> <b>Annual Report:</b> BMO's risk culture is described on page 84.
7	<b>Describe key risks that arise from the bank's business model and activities.</b> <b>Annual Report:</b> A diagram of BMO's risk exposure by operating segment is provided on page 74 and descriptions of key risks arising from the bank's business models and activities are provided on pages 82 to 83 and 85 to 87.
8	<b>Describe the use of stress testing within the bank's risk governance and capital frameworks.</b> <b>Annual Report:</b> BMO's stress testing process is described on page 86.
Capital Adequacy and Risk-Weighted Assets (RWA)	
9	<b>Provide minimum Pillar 1 capital requirements.</b> <b>Annual Report:</b> Pillar 1 capital requirements are described on pages 69 to 73. <b>Supplementary Financial Information:</b> Regulatory capital is disclosed on pages 36 and 38.
10	<b>Summarize information contained in the composition of capital templates adopted by the Basel Committee.</b> <b>Annual Report:</b> An abridged version of the regulatory capital template is provided on page 72. <b>Supplementary Financial Information:</b> Pillar 3 disclosure is provided on pages 36 to 37 and 40. A Main Features template can be found on BMO's website at <a href="http://www.bmo.com">www.bmo.com</a> under Investor Relations and Regulatory Filings.
11	<b>Present a flow statement of movements in regulatory capital, including changes in Common Equity Tier 1, Additional Tier 1, and Tier 2 capital.</b> <b>Supplementary Financial Information:</b> Regulatory capital flow statement is provided on page 39.
12	<b>Discuss capital planning within a more general discussion of management's strategic planning.</b> <b>Annual Report:</b> BMO's capital planning process is discussed under Capital Management Framework on page 69.
13	<b>Provide granular information to explain how RWA relate to business activities.</b> <b>Annual Report:</b> A diagram of BMO's risk exposure, including RWA by operating group, is provided on page 74. <b>Supplementary Financial Information:</b> RWA by operating group is provided on page 39.
14	<b>Present a table showing the capital requirements for each method used for calculating RWA.</b> <b>Annual Report:</b> Regulatory capital requirement, as a percentage of RWA, is outlined on pages 70 and 71. Information about significant models used to determine RWA is provided on pages 88 to 91. <b>Supplementary Financial Information:</b> A table showing RWA by model approach and by risk type is provided on page 40.
15	<b>Tabulate credit risk in the banking book for Basel asset classes.</b> <b>Supplementary Financial Information:</b> Wholesale and retail credit exposures by internal rating grades are provided on pages 45 and 51.
16	<b>Present a flow statement that reconciles movements in RWA by credit risk and market risk.</b> <b>Supplementary Financial Information:</b> RWA flow statements are provided on page 46.
17	<b>Describe the bank's Basel validation and back-testing process.</b> <b>Annual Report:</b> BMO's Basel validation and back-testing process for credit and market risk is described on pages 111 to 112. <b>Supplementary Financial Information:</b> A table showing estimated and actual loss parameters is provided on page 57. The results of IRB back-testing of probability of default per portfolio is provided on page 58.

## Liquidity

### 18 Describe how the bank manages its potential liquidity needs and the liquidity reserve held to meet those needs.

**Annual Report:** BMO's potential liquidity needs and the liquidity reserve held to meet those needs are described on page 100 to 105.

## Funding

### 19 Summarize encumbered and unencumbered assets in a table by balance sheet category.

**Annual Report:** An Asset Encumbrance table is provided on page 103.

**Supplementary Financial Information:** The Asset Encumbrance table by currency is provided on page 33.

### 20 Tabulate consolidated total assets, liabilities and off-balance sheet commitments by remaining contractual maturity.

**Annual Report:** A Contractual Maturities table is provided on pages 107 to 108.

### 21 Discuss the bank's sources of funding and describe the bank's funding strategy.

**Annual Report:** BMO's sources of funding and funding strategy are described on pages 104 to 105.

A table showing the composition and maturity of wholesale funding is provided on page 105.

## Market Risk

### 22 Provide a breakdown of balance sheet positions into trading and non-trading market risk measures.

**Annual Report:** A table linking balance sheet items to market risk measures is provided on page 99.

### 23 Provide qualitative and quantitative breakdowns of significant trading and non-trading market risk measures.

**Annual Report:** Trading market risk exposures are described and quantified on pages 95 to 97.

Structural (non-trading) market risk exposures are described and quantified on pages 98 to 99.

### 24 Describe significant market risk measurement model validation procedures and back-testing and how these are used to enhance the parameters of the model.

**Annual Report:** Market risk measurement model validation procedures and back-testing for trading market risk and structural (non-trading) market risk are described on pages 111 to 112.

### 25 Describe the primary risk management techniques employed by the bank to measure and assess the risk of loss beyond reported risk measures.

**Annual Report:** The use of stress testing, scenario analysis and stressed VaR for market risk management is described on pages 95 to 97.

## Credit Risk

### 26 Provide information about the bank's credit risk profile.

**Annual Report:** Information about BMO's credit risk profile is provided on pages 87 to 94 and in Note 4 on pages 158 to 164 of the consolidated financial statements.

**Supplementary Financial Information:** Tables detailing credit risk information are provided on pages 18 to 29 and 41 to 56.

### 27 Describe the bank's policies related to impaired loans and renegotiated loans.

**Annual Report:** Impaired loan and renegotiated loan policies are described in Note 4 on pages 158 and 163, respectively of the consolidated financial statements.

### 28 Provide reconciliations of impaired loans and the allowance for credit losses.

**Annual Report:** Continuity schedules for gross impaired loans acceptances, and allowance for credit losses are provided on pages 91 to 92 and Note 4 on pages 161 to 162 of the consolidated financial statements, respectively.

### 29 Provide a quantitative and qualitative analysis of the bank's counterparty credit risk that arises from its derivative transactions.

**Annual Report:** Quantitative disclosures on collateralization agreements for over-the-counter (OTC) derivatives are provided on page 94 and qualitative disclosures are provided on page 88.

**Supplementary Financial Information:** Quantitative disclosures for derivative instruments are provided on page 30 and pages 49 to 53.

### 30 Provide a discussion of credit risk mitigation.

**Annual Report:** A discussion of BMO's credit and counterparty risk management is provided on pages 87 to 88. Collateral management discussions are provided on page 88 and in Note 8 on pages 168, 170 and 173 and in Note 24 on page 202 of the consolidated financial statements.

**Supplementary Financial Information:** Information on credit risk mitigation techniques is provided on page 43 and collateral for counterparty credit risk is provided on page 52.

## Other Risks

### 31 Describe other risks and discuss how each is identified, governed, measured and managed.

**Annual Report:** Diagrams illustrating the risk governance process that supports BMO's risk culture and the risk types are provided on pages 82 and 87. Other risks are discussed on pages 109 to 116.

### 32 Discuss publicly known risk events related to other risks, where material or potentially material loss events have occurred.

**Annual Report:** Other risks are discussed on pages 109 to 116.