

## 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

- 1 Present all risk-related information in the Annual Report, Supplementary Financial Information and Supplementary Regulatory Capital Disclosure, and provide an index for easy navigation.**

**Annual Report:** Risk-related information is presented in the Enterprise-Wide Risk Management section on pages 68 to 106.

**Supplementary Financial Information:** A general index is provided in our Supplementary Financial Information.

**Regulatory Supplementary Capital Information:** A general index is provided in our Supplementary Capital Information.

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- 2 Define the bank's risk terminology and risk measures and present key parameters used.**

**Annual Report:** Specific risk definitions and key parameters underpinning BMO's risk reporting are provided on pages 78 to 106.

A glossary of financial terms (including risk terminology) can be found on pages 208 to 209.

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- 3 Discuss top and emerging risks for the bank.**

**Annual Report:** BMO's top and emerging risks are discussed on pages 68 to 71.

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- 4 Outline plans to meet new key regulatory ratios once the applicable rules are finalized.**

**Annual Report:** We outline BMO's plans to meet new regulatory ratios on pages 61 and 97.

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- Risk Governance**
- 5 Summarize the bank's risk management organization, processes, and key functions.**

**Annual Report:** BMO's risk management organization, processes and key functions are summarized on pages 72 to 77.

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- 6 Describe the bank's risk culture.**

**Annual Report:** BMO's risk culture is described on page 75.

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- 7 Describe key risks that arise from the bank's business model and activities.**

**Annual Report:** Descriptions of key risks arising from the bank's business models and activities are provided on pages 73 and 76.

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- 8 Describe the use of stress testing within the bank's risk governance and capital frameworks.**

**Annual Report:** BMO's stress testing process is described on page 77.

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

- 9 **Provide minimum Pillar 1 capital requirements.**  
**Annual Report:** Pillar 1 capital requirements are described on pages 59 to 63.
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- 10 **Summarize information contained in the composition of capital templates adopted by the Basel Committee.**  
**Annual Report:** An abridged version of the regulatory capital template is provided on page 62.  
**Regulatory Supplementary Capital Information:** Pillar 3 disclosure is provided on pages 3 to 5. A Main Features template can be found on BMO's website at [www.bmo.com](http://www.bmo.com) under Investor Relations and Regulatory Filings.
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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.**  
**Regulatory Supplementary Capital Information:** Flow Statement of Basel III Regulatory Capital is provided on page 6.
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- 12 **Discuss capital planning within a more general discussion of management's strategic planning.**  
**Annual Report:** BMO's capital planning process is discussed under Capital Management Framework on page 59.
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- 13 **Provide granular information to explain how RWA relate to business activities.**  
**Annual Report:** A diagram of BMO's risk exposure, including RWA by operating group, is provided on page 64.  
**Regulatory Supplementary Capital Information:** RWA by operating group is provided on page 11.
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- 14 **Present a table showing the capital requirements for each method used for calculating RWA.**  
**Annual Report:** Regulatory capital requirement, as a percentage of RWA, is outlined on pages 60 to 61.  
Information about significant models used to determine RWA is provided on pages 78 to 81.  
**Regulatory Supplementary Capital Information:** A table showing RWA by model approach and by risk type is provided on page 11.
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- 15 **Tabulate credit risk in the banking book for Basel asset classes.**  
**Regulatory Supplementary Capital Information:** Credit exposures by internal rating grades are provided on pages 21 to 30. Wholesale and retail credit exposures by model, geography and asset class are provided on pages 33 to 35.
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- 16 **Present a flow statement that reconciles movements in RWA by credit risk and market risk.**  
**Regulatory Supplementary Capital Information:** RWA flow statements are provided on pages 32 and 57.
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- 17 **Describe the bank's Basel validation and back-testing process.**  
**Annual Report:** BMO's Basel validation and back-testing process for credit and market risk is described on page 102.  
**Regulatory Supplementary Capital Information:** Estimated and actual loss parameter information is provided on page 58. Back-testing of probability of default by risk profile is provided on pages 59 to 62.

## Liquidity

- 18 **Describe how the bank manages its potential liquidity needs and the liquidity reserve held to meet those needs.**  
**Annual Report:** BMO's potential liquidity needs and the liquidity reserve held to meet those needs are described on pages 91 to 97.

## Funding

- 19 **Summarize encumbered and unencumbered assets in a table by balance sheet category.**  
**Annual Report:** An Asset Encumbrance table is provided on page 94.  
**Supplementary Financial Information:** The Asset Encumbrance table by currency is provided on page 33.
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- 20 **Tabulate consolidated total assets, liabilities and off-balance sheet commitments by remaining contractual maturity.**  
**Annual Report:** Contractual Maturities information and tables are provided on pages 98 to 99.
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- 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 96 to 97.  
  
A table showing the composition and maturity of wholesale funding is provided on page 97.

## 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 90.
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- 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 86 to 88.  
  
Structural (non-trading) market risk exposures are described and quantified on pages 89 to 90.
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- 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 86, 87, 89 and 102.
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- 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 86 to 87.

## 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 78 to 85 and in Note 4 on pages 151 to 158 of the consolidated financial statements.  
  
**Supplementary Financial Information:** Tables detailing credit risk information are provided on pages 18 to 30.  
  
**Regulatory Supplementary Capital Information:** Tables detailing credit risk information are provided on pages 14 to 35 and 59 to 62.
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- 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 151 and 158, respectively of the consolidated financial statements.
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- 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 82 to 83 and Note 4 on pages 155 to 156 of the consolidated 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.**

**Annual Report:** Quantitative disclosures on collateralization agreements for over-the-counter (OTC) derivatives are provided on page 85 and qualitative disclosures are provided on pages 78 to 79.

**Regulatory Supplementary Capital Information:** Quantitative disclosures for derivative instruments are provided on pages 36 to 48.

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

**Annual Report:** A discussion of BMO's credit and counterparty risk management is provided on pages 78 to 79. Collateral management discussions are provided on pages 78 to 79 and in Note 8 on pages 163 and 168 and in Note 24 on page 199 of the consolidated financial statements.

**Regulatory Supplementary Capital Information:** Information on credit risk mitigation techniques is provided on pages 16 to 18 and on collateral for counter-party credit risk is provided on page 45.

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**Other Risks**

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

**Annual Report:** A diagram illustrating the risk governance process that supports BMO's risk culture is provided on page 74. Other risks are discussed on pages 100 to 106.

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**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 100 to 106.