



**BMO Financial Group
U.S. Resolution Plans**

165(d) and IDI

PUBLIC SECTIONS

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1. Introduction

Bank of Montreal (BMO) is a foreign bank and a bank holding company and financial holding company under the Bank Holding Company Act of 1956, as amended. BMO uses a unified branding approach that links the organization's member companies under the brand "BMO Financial Group" (BMOFG). BMO's head office is in Montreal, Canada, with executive offices in Toronto, Canada, and it has U.S. branch offices in New York, New York, and Chicago, Illinois, and an agency office in Houston, Texas. BMO Financial Corp. (BFC), a Delaware corporation, bank holding company and financial holding company, is a wholly-owned subsidiary of BMO and is the top-tier U.S. holding company for most of BMO's U.S. subsidiaries, including two insured depository institutions (IDIs), BMO Harris Bank N.A. (BMO Harris Bank or BHB) and BMO Harris Central N.A. (BMO Harris Central), each a national bank.

Each of BMO and BFC is considered a bank holding company in the U.S. that has in excess of \$50B in total assets on an individual and consolidated basis and, therefore, would be considered a covered company under 12 C.F.R. Part 243 and 12 C.F.R. Part 381 (the 165(d) Rule). Under the 165(d) Rule, a covered company is required to submit a resolution plan to the Board of Governors of the Federal Reserve System (the Federal Reserve) and the Federal Deposit Insurance Corporation (the FDIC) that details a plan for the rapid and orderly resolution of the covered company in the event of financial distress or failure. However, the 165(d) Rule defines a covered company as only the top-tier of a multi-tiered holding company structure. Therefore, for purposes of the 165(d) Rule, a single, consolidated resolution plan for BMO (the covered company) covering all of its U.S. operations (BMO U.S.) is being filed. As a "covered insured depository institution", BMO Harris Bank is also submitting a resolution plan pursuant to the FDIC's rule requiring the preparation and submission of a resolution plan for IDIs with \$50B or more in total assets, 12 C.F.R. Part 360.10 (the IDI Rule).

BMO's U.S. resolution plans (RPs) contemplate a resolution strategy in which BMO's U.S. banking subsidiaries, BMO Harris Bank and BMO Harris Central, under a hypothetical resolution scenario, would be placed into FDIC receiverships. Certain assets and liabilities would be transferred to a bridge bank that would, subject to various assumptions, be sold to a third party. BMO's other material U.S. entities would be wound down in an orderly manner, subject to certain assumptions. In addition, the RPs include strategies designed to ensure continuity of certain businesses during the hypothetical resolution process. The strategies take into account the importance of continued access to services including, but not limited to, technology, employees, facilities, intellectual property and supplier relationships.

The RPs have two parts:

1. BMO's 165(d) Resolution Plan (165(d) RP), which has been developed in accordance with the requirements of Section 165(d) of the Dodd-Frank Act and the 165(d) Rule. The Public Section of the 165(d) RP is provided in Section 1.1; and
2. BMO Harris Bank's IDI Resolution Plan (IDI RP), which has been developed in accordance with the IDI Rule. The Public Section of the IDI RP is provided in Section 1.2.

The FDIC and the Federal Reserve have, by rule and through the supervisory process, prescribed the assumptions, required approach, and scope for these resolution plans, and have required that certain information be included in a Public Section of the resolution plans. BMO, on behalf of itself and its subsidiaries, submits this Public Section in compliance with the 165(d) Rule and the IDI Rule and related guidance. The 165(d) RP and the IDI RP together comprise a plan by which BMO believes it would achieve a rapid and orderly resolution of its U.S. operations in a manner that would avoid serious adverse effects on the financial stability of the U.S. In addition, the IDI RP would enable the FDIC, as receiver, to resolve BMO Harris Bank in a manner that would ensure that depositors receive access to their insured

deposits within one business day if BMO Harris Bank were to fail, and would maximize the net present value return from the sale or disposition of its assets, and minimize the amount of any loss realized by BMO Harris Bank's creditors.

Overview of BMOFG

Established in 1817, BMOFG is a highly diversified financial services provider based in North America. With total assets of \$542B (Canadian) as of January 31, 2013, and more than 46,000 employees, BMOFG provides a broad range of retail banking, wealth management and investment banking products and services to its Canadian customers through its Canadian retail arm, BMO Bank of Montreal, and to retail, small business and commercial customers in the U.S. through BMO Harris Bank. BMOFG also serves customers through its wealth management businesses: BMO Nesbitt Burns, BMO InvestorLine, BMO Private Bank, BMO Global Asset Management and BMO Insurance. BMO Capital Markets, its investment and corporate banking division, provides a full suite of financial products and services to North American and international clients.

BMOFG's vision is *to be the bank that defines great customer experience*. BMO is structured to support that vision by providing customers integrated access to services across the organization through three operating groups: Personal and Commercial Banking (P&C), comprised of P&C Canada and P&C U.S.; Private Client Group (PCG), comprised of Wealth Management and Insurance; and BMO Capital Markets (BMO CM). In addition, the Corporate Services group, which includes Technology and Operations, provides risk management, information technology and other corporate services to the three operating groups.

P&C Canada operates across Canada, offering banking, financing, and investing solutions as well as card and payment services. P&C Canada customers are served through more than 900 branches and 2,700 ATMs. Operating predominantly in the U.S. Midwest under the BMO Harris Bank brand, P&C U.S. provides personal and commercial clients with banking, lending, and treasury management services. BMO Harris Bank customers are served through more than 600 branches, contact centers, online and mobile banking platforms and approximately 1,300 ATMs across eight states, including the contiguous states of Illinois, Wisconsin, Indiana, Minnesota, Missouri and Kansas.

PCG, BMO's wealth management business, serves a full range of client segments from mainstream to ultra-high net worth and institutional, with a broad offering of wealth management products and solutions, including insurance products. PCG operates in both Canada and the U.S., as well as in Asia and Europe. In the U.S., our wealth management businesses compete primarily in the private banking and asset management sectors, drawing on our strategic presence in the Chicago and Milwaukee areas, and in select high-growth wealth management markets across the U.S.

BMO CM provides capital raising, investing, advisory, treasury and research services to corporate, institutional, and government clients in Canada, the U.S., South America, Europe, Asia and Australia. Through Investment & Corporate Banking (I&CB), BMO Capital Markets offers advisory and execution services with concentrated efforts in selected industry sectors. Clients are primarily large Canadian and mid-market U.S. companies, as well as government agencies, that need to raise capital through equity, debt and/or loans. I&CB also provides advisory and execution services to clients engaging in M&A transactions, and treasury and trade services to help clients manage their working capital effectively.

1.1 BMO 165(d) Resolution Plan

1.1.1 Overview of Resolution Plan

BMO's 165(d) RP provides the Federal Reserve and the FDIC with a plan for the rapid and orderly resolution of BMO's U.S. operations in the event of material financial distress or failure of its six material entities (MEs) in the U.S., as they are defined and identified below in Section 1.1.2. The 165(d) RP provides information required in the 165(d) Rule with respect to BMO U.S. and its core business lines (CBLs) that are conducted in whole or material part in the U.S. These activities are conducted through BMO U.S.'s three operating divisions, P&C U.S., PCG, and BMO Capital Markets, as described above.

In addition, the IDI RP (discussed more fully in Section 1.2) provides the FDIC with a plan that would enable the FDIC to address the failure of BMO Harris Bank. BMO Harris Bank's IDI RP is separately filed with the FDIC but is included as part of the 165(d) RP filing in all material respects.

BMO is working in consultation with all its regulators to address any specific requirements in the different jurisdictions in which it operates and to satisfy the regulators' key goals for recovery and resolution planning. The RP presented here is focused only on planning for the resolution of BMO's U.S. operations; other plans exist, however, or are being formulated in other jurisdictions, which also contain strategies for the recovery or resolution of BMO entities according to the rules and laws in those jurisdictions. The definitions used for, and approach taken in, the RP presented here may, therefore, differ from those used in similar plans filed by BMO with non-U.S. regulators. Further, the CBLs identified in this RP are for consideration only with respect to BMO's U.S. operations and may not necessarily be considered CBLs in other jurisdictions.

1.1.2 Material Entities

The 165(d) Rule defines Material Entity as "a subsidiary or foreign office of the covered company that is significant to the activities of a critical operation or core business line."

The 165(d) RP identifies certain BMO subsidiaries and other entities as MEs for the purpose of resolution planning. The 165(d) RP includes an analysis of each ME and the resolution regime and strategy that would be applicable to each ME. The following MEs are identified:

BMO Financial Corp.

BFC, a Delaware corporation, bank holding company and financial holding company, is a wholly-owned direct subsidiary of BMO and is the top-tier, U.S. holding company for most of BMO's U.S. subsidiaries, including its two IDIs, BMO Harris Bank and BMO Harris Central.

BMO Harris Bank N.A.

BMO Harris Bank is one of the largest banks in the U.S. Midwest region, serving personal, commercial and high net worth customers. BMO Harris Bank provides banking, financing, investing and cash management services as well as a full suite of commercial and financial advisory services.

BMO Harris Central N.A.

BMO Harris Central is a special purpose cash management bank, the sole purpose of which is to act as a disbursing bank in the delivery of controlled disbursement account services for corporate customers of BMO Harris Bank. BMO Harris Bank's controlled disbursement clients maintain a deposit account at

BMO Harris Bank and a deposit account at BMO Harris Central. These clients draw checks on their BMO Harris Central account. Funds from customers' BMO Harris Bank account are then transferred to their BMO Harris Central account to fund the drawn checks on an "as needed" basis. Aside from the funding of the controlled disbursement accounts as described above, no client deposits are accepted by BMO Harris Central. BMO Harris Central does not generate any loan activity.

BMO Capital Markets Corp.

BMO Capital Markets Corp. (BMO CMC) is a direct wholly-owned subsidiary of BFC. BMO CMC operates as a self-clearing, institutional broker-dealer. BMO CMC is registered with the U.S. Securities and Exchange Commission (SEC) as a U.S. securities broker-dealer and is a member of the Financial Industry Regulatory Authority (FINRA). BMO CMC is registered to do business in all 50 states. BMO CMC is supervised, and subject to examination, by both the SEC and FINRA. BMO CMC is a member of a number of fixed income, equities and derivatives exchanges and clearing organizations. BMO CMC is designated a primary dealer in U.S. Government securities by the Federal Reserve Bank of New York.

Bank of Montreal Chicago Branch

The Bank of Montreal Chicago Branch (BMO Chicago Branch) is an Illinois state-licensed branch office of BMO. It is a legal and operational extension of BMO and is not a separate legal entity. BMO Chicago Branch provides a U.S. platform to access BMO capital and thereby supplement the resources of BMO Harris Bank and other U.S. legal entities for specific trading, lending, and investment banking/capital markets activities. It also provides a key function of facilitating intercompany funding between legal entities within BMOFG as required. Finally, it supports specific BMO activities within the U.S., including facilitating optimal use of capital, control of risk and regulatory compliance.

BMO Harris Financing Inc.

BMO Harris Financing Inc. (BHFI) is a direct wholly-owned non-bank subsidiary of BFC. It was established in 2001 to hold certain U.S.-originated loans.

1.1.3 Description of Core Business Lines

The 165(d) Rule defines Core Business Lines as "those business lines of the covered company, including associated operations, services, functions and support, that, in the view of the covered company, upon failure would result in a material loss of revenue, profit, or franchise value."

BMO has identified five CBLs based on the criteria of the 165(d) Rule that fall within BMO's three operating groups.

P&C U.S. is a multi-channel operating group that offers a full range of client banking solutions. Two of the five CBLs reside within P&C U.S.

- Personal Banking offers a broad range of products and services to individuals, as well as small and mid-sized business customers, including deposits, mortgages, consumer credit, business lending, credit cards and other banking services.
- Commercial Banking provides larger businesses with a broad range of banking products and services, including lending, deposits, treasury management and risk management. Segments of focus include corporate finance, diversified industries, financial institutions, food and consumer, auto dealership finance, equipment finance, healthcare, agriculture and commercial real estate.

PCG is an operating group that serves a full range of client segments, from mainstream to ultra-high net worth and institutional, with a broad offering of wealth management products and solutions. Among its U.S. activities, one has been identified as a CBL.

- Private Bank offers a comprehensive range of financial services and solutions, delivered with a planning and advice-based value proposition to high net worth and ultra-high net worth clients through our trust, investment and traditional banking services. In addition to the traditional Private Bank under the U.S. Personal Wealth Management structure, high net worth and ultra-high net worth clients are served through our investment advisory, family office and specialized trust services which are housed in non-bank affiliate legal entities.

BMO CM is an operating group that provides corporate, institutional and government clients with a full range of products and services. These include equity and debt underwriting, corporate lending and project financing, mergers and acquisitions advisory services, securitization, treasury management, market risk management, debt and equity research and institutional sales and trading. Among its U.S. activities, two have been identified as CBLs.

- I&CB services offered in the U.S. include strategic advice and execution on mergers and acquisitions, restructurings and recapitalizations, as well as valuation and fairness opinions. Clients are primarily mid-market U.S. companies. Capital raising services are provided through debt and equity underwriting, and treasury management services. In support of the clients' international business activities, trade finance and risk mitigation services are offered alongside a wide range of banking and other operating services to North American and international financial institutions.
- Debt Products delivers a comprehensive integrated debt trading and distribution platform, capable of meeting the needs of core Canadian dollar and U.S. dollar issuers, as well as a broad base of North American and select global investors. Clients are typically large and sophisticated corporate, government, and institutional entities. Services offered in the U.S. include sales, trading, origination, and research activities.

1.1.4 Summary Financial Information

The following summary financial information for BMO was prepared in accordance with International Financial Reporting Standards (IFRS) as of and for BMO's fiscal quarter ended January 31, 2013. This information is taken from the unaudited consolidated financial statements included in BMO's quarterly financial information.

1.1.4.1. Balance Sheet

BMO Financial Group

BALANCE SHEET		2013
(\$ millions, Canadian)		Q1
As At Balances		
Cash and Cash Equivalents		31,519
Interest Bearing Deposits with Banks		6,149
Securities		128,362
Securities borrowed or purchased under resale agreements		52,957
Loans		
Residential mortgages		89,025
Non-residential mortgages		6,414
Consumer instalment and other personal		61,531
Credit cards		7,683
Businesses and governments		87,551
		252,204
Customers' liability under acceptances		8,626
Allowance for credit losses		(1,672)
Total net loans and acceptances		259,158
Other assets		
Derivative instruments		42,548
Premises and equipment		2,165
Goodwill		3,728
Intangible assets		1,534
Other		14,145
Total Assets		542,265
Deposits		
Banks		22,586
Businesses and governments		207,058
Individuals		121,281
Total deposits		350,925
Other liabilities		
Derivative instruments		43,516
Acceptances		8,626
Securities sold but not yet purchased		21,439
Securities lent or sold under repurchase agreements		37,709
Other		45,002
Subordinated debt		4,064
Capital trust securities		451
Share capital		
Preferred shares		2,465
Common shares		12,027
Contributed surplus		214
Retained earnings		14,068
Accumulated other comprehensive income (loss)		340
Total shareholder's equity		29,114
Non-controlling interest in subsidiaries		1,419
Total Liabilities and Equity		542,265

Source: BMO Financial Group 2013 Q1 Financial Results, as restated

1.1.4.2. Major Funding Sources

Managing liquidity and funding risk is essential to maintaining the safety and soundness of the organization, depositor confidence and stability in earnings. It is BMO's policy to ensure that sufficient liquid assets and funding capacity are available to meet financial commitments, even in times of stress.

BMO maintains a robust liquidity and funding risk management framework, supported by limits and guidelines that define the risk appetite of the enterprise. Board and senior management committees approve the management framework including related policies and regularly review liquidity and funding positions. An enterprise-wide contingency plan that will facilitate effective management through a crisis is also in place.

BMO's largest source of funding is its customer deposit base. Customer deposits include retail and commercial core deposits and larger fixed rate retail and commercial customer deposits. This deposit base, along with its strong capital base, supports the maintenance of a sound liquidity position and is a source of strength. BMO customer deposits and total capital¹ totaled \$207.7B and \$35.0B (Canadian) respectively as of January 31, 2013. Customer deposits and capital fund the large majority of BMO's loan portfolio. Total deposits including customer deposits and wholesale deposits totaled \$350.9B (Canadian) as of January 31, 2013. Other major sources of funding include securities lent or sold under repurchase agreements, securities sold but not yet purchased, and securitization liabilities which totaled \$37.7B, \$21.4B and \$19.9B (all Canadian), respectively, as of January 31, 2013. Together these funding sources represent 86% of the total liabilities and equity of BMO. Remaining liabilities include unrealized losses on derivatives which are largely offset by unrealized gains reported as assets on the balance sheet, bankers acceptances, and other liabilities.

BMO's funding philosophy requires that secured and unsecured wholesale funding used to support loans and less liquid assets be longer term (typically maturing in two to ten years) to better match the term to maturity of these assets. Wholesale secured and unsecured funding for liquid trading assets is generally shorter term (maturing in less than one year) and is aligned with the liquidity of the assets being funded, subject to haircuts in order to reflect lower market values during times of market stress. BMO also maintains supplemental liquidity pools that are maintained for contingent liquidity management purposes. These pools are funded with wholesale term funding to prudently balance the benefits of holding supplemental liquid assets against the costs of funding.

Diversification of wholesale funding sources is an important part of the overall liquidity management strategy. BMO maintains access to both shorter-term and longer-term secured and unsecured funding. Secured and unsecured money market funding is primarily raised in Canada and the U.S. and to a lesser extent through BMO's European operations. Term secured and unsecured funding is also raised in the Canadian and U.S. markets. BMO has the ability to raise long-term funding through various platforms, including a European Note Issuance Program, Canadian and U.S. Medium-Term Note Programs, Canadian mortgage securitizations, Canadian credit card securitizations, covered bonds and Canadian and U.S. senior (unsecured) deposits.

BMO maintains a robust stress testing program to ensure its liquidity and funding needs can be met under stress. Liquid assets held to ensure that BMO's liquidity and funding objectives are met include unencumbered, high-quality assets that are marketable, can be pledged as security for borrowings, and

¹ Shareholder's equity plus non-controlling interest in subsidiaries, subordinated debt, and capital trust securities

can be converted to cash in a time frame that meets liquidity and funding requirements. BMO maintains liquid assets in both its trading businesses and in its supplemental liquidity pools. BMO-owned liquid assets totaled \$174.5B (Canadian) as of January 31, 2013. Net unencumbered liquid assets, which includes cash and securities received net of encumbered securities, totaled \$158.2B (Canadian) as of January 31, 2013.

1.1.4.3. Capital

BMO's Basel III capital position is strong, with an 'all-in' Basel III Common Equity Tier 1 Ratio of 9.4% and transitional ratio of 12.4% at January 31, 2013, well in excess of the regulatory requirements of Canada's Office of the Superintendent of Financial Institutions (OSFI). Effective January 2013, OSFI requires Canadian deposit-taking institutions to meet minimum pre-stress 'transitional' Basel III capital ratios, described below, and expects these institutions to attain an 'all-in' Basel III Common Equity Tier 1 (CET1) pre-stress target ratio of at least 7% (4.5% minimum plus 2.5% capital conservation buffer).

In 2013, the minimum required Canadian Basel III capital ratios are 3.5% CET1 Ratio, 4.5% Tier 1 Ratio and 8% Total Capital Ratio. These 'transitional' ratios are calculated using a five-year phase-in of regulatory adjustments and a nine-year phase-out of instruments that no longer qualify as regulatory capital under the Basel III rules. The 'all-in' ratios are calculated based on the 2019 Basel III capital requirements other than the phase-out of non-qualifying capital.

BMO's 'all-in' Tier 1 Ratio at January 31, 2013 was 11.1% and its 'all-in' Total Capital Ratio was 13.4%. On a transitional basis, BMO's CET1, Tier 1 and Total Capital Ratios were 12.4%, 12.5% and 14.7%, respectively.

BMO's Assets-to-Capital Multiple, a leverage ratio monitored by OSFI and calculated using the transitional total capital prescribed by OSFI, was 16.1x at January 31, 2013, well below the maximum permitted by OSFI.

1.1.5 Description of Derivative and Hedging Activities

Derivative instruments are financial contracts that derive their value from underlying changes in interest rates, foreign exchange rates or other financial or commodity prices or indices. Derivative instruments are either regulated exchange-traded contracts or negotiated over-the-counter contracts. BMO uses these instruments for trading purposes, as well as to manage exposures, mainly to currency and interest rate fluctuations, as part of its asset/liability management program.

Types of Derivatives

Swaps

Swaps are contractual agreements between two parties to exchange a series of cash flows. The various swap agreements that BMO enters into are as follows:

- Interest rate swaps – counterparties generally exchange fixed and floating rate interest payments based on a notional value in a single currency.
- Cross-currency swaps – fixed rate interest payments and principal amounts are exchanged in different currencies.
- Cross-currency interest rate swaps – fixed and floating rate interest payments and principal amounts are exchanged in different currencies.

- Commodity swaps – counterparties generally exchange fixed and floating rate payments based on a notional value of a single commodity.
- Equity swaps – counterparties exchange the return on an equity security or a group of equity securities for the return based on a fixed or floating interest rate or the return on another equity security or group of equity securities.
- Credit default swaps – one counterparty pays the other a fee in exchange for that other counterparty agreeing to make a payment if a credit event occurs, such as bankruptcy or failure to pay.
- Total return swaps – one counterparty agrees to pay or receive from the other cash amounts based on changes in the value of a reference asset or group of assets, including any returns such as interest earned on these assets, in exchange for amounts that are based on prevailing market funding rates.

The main risks associated with these instruments are related to exposure to movements in interest rates, foreign exchange rates, credit quality, securities values or commodities prices, as applicable, and the possible inability of counterparties to meet the terms of the contracts.

Forwards and Futures

Forwards and futures are contractual agreements to either buy or sell a specified amount of a currency, commodity, interest-rate-sensitive financial instrument or security at a specific price and date in the future. Forwards are customized contracts transacted in the over-the-counter market. Futures are transacted in standardized amounts on regulated exchanges and are subject to daily cash margining.

The main risks associated with these instruments arise from the possible inability of over-the-counter counterparties to meet the terms of the contracts and from movements in commodities prices, securities values, interest rates and foreign exchange rates, as applicable.

Options

Options are contractual agreements that convey to the purchaser the right but not the obligation to either buy or sell a specified amount of a currency, commodity, interest-rate-sensitive financial instrument or security at a fixed future date or at any time within a fixed future period. For options written by BMO, BMO receives a premium from the purchaser for accepting market risk. For options purchased by BMO, BMO pays a premium for the right to exercise the option. Since BMO has no obligation to exercise the option, the primary exposure to risk is the potential credit risk if the writer of an over-the-counter contract fails to meet the terms of the contract.

Caps, collars and floors are specialized types of written and purchased options. They are contractual agreements in which the writer agrees to pay the purchaser, based on a specified notional amount, the difference between the market rate and the prescribed rate of the cap, collar or floor. The writer receives a premium for selling this instrument.

Use of Derivatives

Trading Derivatives

Trading derivatives include derivatives entered into with customers to accommodate their risk management needs, derivatives transacted to generate trading income from BMO's own proprietary trading positions and certain derivatives that do not qualify as hedges for accounting purposes. BMO structures and markets derivative products to enable customers to transfer, modify or reduce current or expected risks.

Proprietary activities include market-making, positioning and arbitrage activities. Market-making involves quoting bid and offer prices to other market participants with the intention of generating revenues based on spread and volume. Positioning activities involve managing market risk positions with the expectation of profiting from favorable movements in prices, rates or indices. Arbitrage activities involve identifying and profiting from price differentials between markets and products. BMO may also take proprietary trading positions in various capital market instruments and derivatives that, taken together, are designed to profit from anticipated changes in market conditions.

Hedging Derivatives

In accordance with its risk management strategy, BMO enters into various derivative contracts to hedge interest rate and foreign currency exposures.

Risks Hedged

Interest Rate Risk

BMO manages interest rate risk through interest rate swaps and options, which are linked to and adjust the interest rate sensitivity of a specific asset, liability, forecasted transaction or firm commitment, or a specific pool of transactions with similar risk characteristics.

Foreign Currency Risk

BMO manages foreign currency risk through cross-currency swaps and forward contracts.

Accounting Hedges

In order for a derivative to qualify as an accounting hedge, the hedging relationship must be designated and formally documented at its inception, detailing the particular risk management objective and strategy for the hedge and the specific asset, liability or cash flow being hedged, as well as how its effectiveness is being assessed. Changes in the fair value of the derivative must be highly effective in offsetting either changes in the fair value of on-balance sheet items caused by the risk being hedged or changes in the amount of the future cash flows. Hedge effectiveness is evaluated at the inception of the hedging relationship and on an ongoing basis, retrospectively and prospectively, primarily using quantitative statistical measures of correlation.

Cash Flow Hedges

Cash flow hedges modify exposure to variability in cash flows for variable rate interest bearing instruments and assets and liabilities denominated in foreign currencies. BMO's cash flow hedges are hedges of floating rate loans and deposits as well as assets and liabilities denominated in foreign currencies.

Fair Value Hedges

Fair value hedges modify exposure to changes in a fixed rate instrument's fair value caused by changes in interest rates. These hedges convert fixed rate assets and liabilities to floating rate. BMO's fair value hedges include hedges of fixed rate securities, deposits and subordinated debt.

Net Investment Hedges

Net investment hedges mitigate our exposure to foreign currency exchange rate fluctuations in BMO's net investment in foreign operations. Deposit liabilities denominated in foreign currencies are designated as hedges of this exposure.

Embedded Derivatives

From time to time, BMO purchases or issues financial instruments containing embedded derivatives.

Contingent Features

Certain over-the-counter derivative instruments contain provisions that link how much collateral BMO is required to post or payment requirements to our credit ratings (as determined by the major credit rating agencies). If BMO’s credit ratings were to be downgraded, certain counterparties to the derivative instruments could demand immediate and ongoing collateralization overnight on derivative liability positions or request immediate payment.

Derivative-Related Market Risk

Derivative instruments are subject to market risk. Market risk arises from the potential for a negative impact on the balance sheet and/or income statement resulting from adverse changes in the value of derivative instruments as a result of changes in certain market variables. These variables include interest rates, foreign exchange rates, equity and commodity prices and their implied volatilities, as well as credit spreads, credit migration and default. BMO strives to limit market risk by employing comprehensive governance and management processes for all market risk-taking activities.

Derivative-Related Credit Risk

Over-the-counter derivative instruments are subject to credit risk arising from the possibility that counterparties may default on their obligations. The credit risk associated with derivatives is normally a small fraction of the notional amount of the derivative instrument. Derivative contracts generally expose BMO to potential credit loss if changes in market rates affect a counterparty’s position unfavorably and the counterparty defaults on payment. The credit risk is represented by the positive fair value of the derivative instrument. BMO strives to limit credit risk by dealing with counterparties that it believes are creditworthy, and BMO manages its credit risk for derivatives using the same credit risk process that is applied to loans and other credit assets.

BMO also pursues opportunities to reduce exposure to credit losses on derivative instruments, including entering into master netting agreements with counterparties. The credit risk associated with favorable contracts is eliminated by master netting agreements to the extent that unfavorable contracts with the same counterparty cannot be settled before favorable contracts. Exchange-traded derivatives have no potential for credit exposure as they are settled net with each exchange.

1.1.6 Memberships in Material Payment, Clearing and Settlement Systems

BMO uses a wide array of memberships in Payment, Clearing and Settlement Systems (PCSS), including payment systems, clearinghouses, securities depositories, and central counterparties. The following table enumerates material PCSS memberships used by BMO’s U.S. operations:

Payment/ Clearing/ Settlement System	Description
CDS Clearing and Depository Services Inc. (CDS/CDSX)	<ul style="list-style-type: none"> Major fixed income and equity clearing and depository organization in Canada

Payment/ Clearing/ Settlement System	Description
Canadian Derivatives Clearing Corporation (CDCC)	<ul style="list-style-type: none"> • Clearing organization for exchange-traded and over-the counter (OTC) equity, fixed income and foreign exchange (FX) derivatives • Clearing of repurchase agreements and Guaranteed Investment Certificates (GICS)
Federal Reserve Wire Network (Fedwire) - Funds	<ul style="list-style-type: none"> • Inter-bank payment system • System is not accessed directly by clients • BHB does provide access to other financial institutions, who could be viewed as clients
Automated Clearing House (ACH) Network (FED ACH)	<ul style="list-style-type: none"> • Inter-bank check clearing and payment system • System is not accessed directly by clients • BHB does provide access to other financial institutions, who could be viewed as clients
Depository Trust and Clearing (DTC)	<ul style="list-style-type: none"> • DTC is the predominant central custodian providing settlement for U.S. securities transactions
National Securities Clearing Corporation (NSCC)	<ul style="list-style-type: none"> • Major fixed income and equity clearing and depository organization in the U.S.
Fixed Income Clearing Corporation (FICC), Government Securities Division (GSD)	<ul style="list-style-type: none"> • Clearing organization for U.S. treasury securities
Chicago Mercantile Exchange Inc. (CME)	<ul style="list-style-type: none"> • Clearing organization for derivatives and futures (FX, rates, indices)
Options Clearing Corporation (OCC)	<ul style="list-style-type: none"> • Clearing organization for equity, index, foreign exchange, interest rate derivatives and equity futures

1.1.7 Description of Foreign Operations

BMO is a leading North American provider of financial services, with select services provided through offices in multiple jurisdictions outside of the U.S. BMO employs more than 46,000 people and its services are delivered through the operating divisions of P&C (Canada and U.S.), BMO CM and PCG. P&C Canada is the largest operating division in terms of employees and revenues, and operates throughout Canada, offering banking, financing, and investing solutions, as well as card and payment services. BMO Capital Markets is the largest operating division in terms of assets, and provides capital raising, investing, advisory, treasury and research services to corporate, institutional, and government clients in Canada, the U.S., South America, Europe, Asia and Australia. PCG, BMO's wealth management business, serves a full range of client segments from mainstream to ultra-high net worth and institutional, with a broad offering of wealth management products and solutions including insurance products; PCG operates in both Canada and the U.S., as well as in Asia and Europe.

As of January 31, 2013, Canadian operations represented 63% of total average assets and 69% of total net income; U.S. operations represented 34% and 26%, respectively; and operations in other countries represented 4% and 5%, respectively. Of its total workforce, BMO had nearly 31,000 full-time equivalent employees in Canada as of January 31, 2013, nearly 15,000 in the U.S., and approximately 500 in other

jurisdictions. The following table enumerates BMO’s consolidated net income by geographic area for the quarter ended January 31, 2013. (Please note that the geographic split of segment results is based on the region in which they are recognized for accounting purposes and does not necessarily reflect the counterparty’s nationality or the location of operations.)

Reported Net Income by Region (\$ MM Canadian)	January 31, 2013
Canada	\$721
United States	\$276
Other	\$51
TOTAL	\$1,048

1.1.8 Material Supervisory Authorities

The Office of the Superintendent of Financial Institutions (OSFI) is the prudential supervisor of the Canadian financial institution BMO, and therefore OSFI is the primary worldwide supervisory authority for BMO. The table below includes material U.S. supervisory authorities related to the ID and MEs identified in the 165(d) RP.

Material Entity	Regulatory Agency
BFC	Federal Reserve Bank of Chicago
BMO Harris Bank	Office of the Comptroller of the Currency Federal Deposit Insurance Corp. Consumer Financial Protection Bureau
BMO Harris Central	Office of the Comptroller of the Currency Federal Deposit Insurance Corp.
BMO CMC	Securities and Exchange Commission Financial Industry Regulatory Authority Commodity Futures Trading Commission
BMO Chicago Branch	Illinois Department of Financial and Professional Regulation Federal Reserve Bank of Chicago
BHFI	Federal Reserve Bank of Chicago

1.1.9 Identities of Principal Officers

The table below identifies BMO’s Principal Officers, all of which are members of the BMO Management Committee:

BMO Management Committee	
Name	Role/Title
William A. Downe	President and Chief Executive Officer, BMOFG
Jean-Michel Arès	Group Head, Technology and Operations, BMOFG

BMO Management Committee	
Name	Role/Title
Christopher Begy	U.S. Country Head, CEO, BFC
Ann Benschoter	Executive Vice-President, Personal and Commercial U.S. Headquarters, BMO Harris Bank
Simon A. Fish	Executive Vice-President and General Counsel, BMOFG
Thomas E. Flynn	Executive Vice-President and Chief Financial Officer, BMOFG
Surjit Rajpal	Executive Vice-President and Chief Risk Officer, BMOFG
Cameron Fowler	Executive Vice-President, Personal and Commercial Banking Canada, BMO Bank of Montreal
Mark F. Furlong	President and Chief Executive Officer of BMO Harris Bank, and P&C U.S.
Hon. Kevin G. Lynch	Vice-Chair, BMOFG
Thomas V. Milroy	Chief Executive Officer, BMO Capital Markets
Gilles G. Ouellette	President and Chief Executive Officer, Private Client Group, BMOFG
Rose M. Patten	Special Advisor to the President and CEO of BMOFG
Russel C. Robertson	Executive Vice-President and Head, Anti-Money Laundering, BMOFG
Joanna Rotenberg	Chief Marketing Officer and Head of Strategy, BMOFG
Richard Rudderham	Executive Vice-President and Head of Human Resources, BMOFG
Connie Stefankiewicz	Senior Vice-President, North American Customer Contact Centers, BMOFG
Frank Techar	Chief Operating Officer, BMOFG and President and Chief Executive Officer, Personal and Commercial Banking Canada
Eric C. Tripp	President, BMO Capital Markets

1.1.10 Corporate Governance Structure and Processes Related to Resolution Planning

BMO U.S. has developed a formal governance structure specific to resolution planning, which leverages the existing BMO U.S. governance framework for purposes of overseeing the entire process for developing and approving the 165(d) RP. BMO U.S. has set out working plans for formalizing the development and maintenance of the U.S. RPs on an on-going basis.

BMO U.S. has designated the following senior officers as primarily responsible for overseeing the 165(d) RP, each an ‘Accountable Executive’:

- Chief Financial Officer of BMO Financial Group-U.S.
- Senior Vice President, Finance, BFC

The Accountable Executives are primarily responsible for overseeing the development, maintenance, implementation, and filing of the 165(d) RP and compliance with the rules governing RPs. The Head of BMO U.S. Resolution and Recovery Planning, part of the BMO U.S. Resolution Planning (USRP) team, reports directly to one of the Accountable Executives.

The Boards of Directors of BFC and BMO Harris Bank oversee the respective RPs through regular updates. The BFC and BHB Boards of Directors have reviewed the final RP documents, with the BFC Board of Directors recommending the 165(d) RP for approval and the BHB Board of Directors approving

the IDI Plan. The BMO Board of Directors, as the Board of Directors of the Covered Company, has delegated approval authority of the 165(d) Plan to the U.S. Country Head, CEO, BMO Financial Corp. (U.S. Country Head). The U.S. Country Head is a member of the USRP SC described below, and actively participates in discussions and decisions throughout the preparation process of the RPs.

The approvals of the RPs were based on the individual senior executive reviews and recommendations for approval of the RPs and reliance on the attestations from senior management of the respective MEs, CBLs and Corporate Support Areas (CSAs). The strategies for each of the MEs and CBLs were reviewed by the responsible senior management and other personnel in these areas. Furthermore, each function collaborated to gather and provide input to the RPs. Each function's input has been reviewed by the USRP team to ensure consistency and accuracy of information contained within the RPs.

The BMO U.S. Management Committee (BMO USMC) includes representatives from all of the major business lines in the U.S. The BMO USMC has received periodic updates of the RPs' progress and has recommended the RPs for approval to the U.S. Country Head.

The BMO U.S. Resolution Planning Steering Committee (USRP SC) includes representatives from CBLs and CSAs, and reports to the Boards of Directors of BFC and BHB. The USRP SC meets monthly and is responsible for the results and direction, as well as reviewing and approving the approach, implementation plan and resource allocation with respect to the RPs. The USRP SC includes six members who are also members of the BMOFG Recovery and Resolution Planning Steering Committee to ensure consistency and coordination across multiple jurisdictions related to resolution planning.

The BMO U.S. Resolution Planning Design Sub-Committee is a sub-committee of the USRP SC, comprised of executives from Finance, Risk, Legal and BMOFG's Financial Crisis Management Office. This team meets monthly or more frequently as needed, and is responsible for providing guidance on the strategy for the RPs, making interim decisions or providing guidance prior to any issues being escalated to the USRP SC, and acting as a sounding board for the USRP team.

The USRP team is responsible for coordinating the process of planning, development, quality control, executive sign-off, approvals, and submissions of both RPs to the relevant U.S. regulatory bodies, consistent with internal quality standards, industry best practices and regulatory expectations.

The day-to-day activities with respect to the RPs are managed by the USRP team. The USRP team leads the determination of the foundational elements and the strategic analysis, drives the overall development of the document and managing regulatory interaction. The USRP team holds weekly status meetings with senior executives and management across the MEs, CBLs, and functions to coordinate efforts and share resources across the relevant groups while monitoring and planning workstream activities.

Due to the in-depth expertise required for certain operations and elements of the plan, USRP team engaged a cross-functional group of subject matter experts (SMEs) from across the BMOFG enterprise. The development of certain sections of the RPs, providing data and developing content is the responsibility of the SMEs and respective USRP SC members. Meetings with the SMEs were conducted on a weekly basis to facilitate collection and document development.

A robust review and approval framework was designed to address the broad nature of the RPs and material contained within them. This process, managed by the USRP team, was reviewed by the Corporate Secretary, the USRP SC, the BHB and BFC Boards, and was approved by the USRP SC.

The RPs, and the process by which they have been prepared, were subject to reviews and recommendation for approval by:

- The Board of Directors of BFC (for the 165(d) RP, and only review for the IDI RP)

- The BMO USMC
- The USRP SC
- The Accountable Executives
- The Executives of each of the relevant MEs, CBLs, CO and other CSAs

1.1.11 Description of Material Management Information Systems

Access to data with sufficient quality and appropriate frequency is important to being able to successfully manage BMO on a day-to-day basis and recover in the event of failure. Within BMO, this data typically resides on management information systems (MIS) that collectively are designed to gather and collect information from source systems, feed into analytical systems and produce specified outputs. The MIS applications are in some cases customized to the type of information, such as by business function, line of business, legal entity, type and purpose of information (e.g., finance, regulatory, risk management). In other cases, they serve, by design, a more generic purpose such as aggregating data for more specialized use in reports or databases.

Capabilities

BMO's MIS capabilities enable users to aggregate data at the level of product or operational process, business line or function, or legal entity. The majority of the key MIS applications are vendor provided solutions with hosting either in-house or outsourced to the vendor. They are highly automated and used for risk management, accounting/financial and regulatory reporting.

Governance

Governance over MIS is provided by the Enterprise Information Technology (IT) Infrastructure Library process framework that ensures services delivered meet or exceed the business requirements. This is accomplished through the development, monitoring and reporting of Service Level Agreements.

Policies

Corporate policies and standards are in place for the Technology and Operations division of BMO and BMO U.S. that address control and compliance processes relating to MIS. These policies and standards include safeguards designed to prevent unauthorized internal or external access to application development, customer information and other data, along with explicit development standards that ensure the appropriate level of quality. Capacity is planned and data volume is monitored on an ongoing basis.

Business Continuity Management

BMO's U.S. operations maintain a Business Continuity Management (BCM) program for critical IT and other processes of business lines and functions. A database contains written plans for each division, and these plans are tested at least semi-annually. BMO operates two data centers for the majority of the services, and there are several smaller data centers that provide niche services such as trading room support. The data centers are geographically separated to support our high availability and resiliency strategy. Critical operations staff is split across multiple sites to ensure continuous availability.

Disaster recovery involves backup and testing for data recovery. Local off-site capabilities are maintained continuously for critical IT and operational processes. A BMO U.S. BCM Governance Committee provides oversight and strategic direction to the U.S. Business Continuity Management Program.

1.1.12 Description of the Resolution Strategy

Consistent with the requirements outlined in the 165(d) Rule, BMO has prepared a strategic analysis consisting of resolution strategies for its MEs, and CBLs in the event of the failure of BMO and its MEs.

The strategic analysis has been developed under the assumptions required by the Federal Reserve and the FDIC. This strategy addresses how the U.S. operations of BMO may undergo an orderly resolution that minimizes any market disruptions and occurs without recourse to any assistance from U.S. taxpayers.

The 165(d) RP provides a detailed analysis of how BMO material operations in the U.S. could be resolved in a rapid and orderly manner that would not create serious adverse effects on U.S. financial stability and that would otherwise meet the requirements of the 165(d) and IDI Rules. The strategy to resolve BMO's operations in the U.S. is organized around the resolution of the MEs – BFC, BMO Harris Bank, BMO CMC, BMO Chicago Branch, BHFI, and BMO Harris Central. The resolution of the CBLs would occur through the MEs in which they operate. The MEs would be resolved as follows:

- BMO Harris Bank and BMO Harris Central would be resolved under the Federal Deposit Insurance Act by the FDIC, following its appointment as receiver, either through an immediate whole bank purchase and assumption (P&A) transaction transferring their respective operations to another bank or through a transfer to a bridge bank and a subsequent sale of the operations to another bank through a whole bank P&A transaction.
- The assets of BMO Chicago Branch would be resolved by the Superintendent of the Illinois Department of Financial and Professional Regulation, which would then commence liquidation.
- BMO CMC would be wound down after the initiation of a Securities Investor Protection Act proceeding by a trustee appointed by Securities Investor Protection Corporation (the SIPC Trustee). The SIPC Trustee would transfer customer accounts to a solvent broker-dealer and transfer Futures Clearing Merchant (FCM) customer accounts to a solvent FCM. The SIPC Trustee would then liquidate the remainder of BMO CMC's broker-dealer business.
- BFC and BHFI would be resolved under Chapter 11 of the U.S. Bankruptcy Code. The limited amount of services that flow through BFC are likely to continue to be provided by BFC to the other MEs in insolvency on a cost-plus basis under inter-affiliate service agreements subject to BFC continuing to be paid for such services by the relevant ME (or their successors). BHFI is primarily a booking location for commercial loans and would be liquidated by selling its loan portfolio in the open market.

1.2 BMO Harris Bank N.A. IDI Resolution Plan

1.2.1 Overview of Resolution Plan

This Public Section provides an overview of the overall resolution strategy for BMO Harris Bank, a national bank headquartered in Chicago, Illinois. BMO Harris Bank is a wholly-owned, indirect subsidiary of BMO.

The FDIC adopted the IDI Rule in January 2012 requiring IDIs with \$50B or more in total assets to submit periodically to the FDIC a contingency plan for the resolution of that institution in the event of its failure. The IDI Rule requires a covered insured depository institution (CIDI) to submit an IDI RP that should enable the FDIC, as receiver, to resolve the institution under Sections 11 and 13 of the Federal Deposit Insurance Act (the FDIA), 12 U.S.C. 1821 and 1823, in a manner that ensures that depositors receive access to their insured deposits within one business day of the institution's failure (two business days if the failure occurs on a day other than Friday), maximizes the net present value return from the sale or disposition of its assets, and minimizes the amount of any loss to be realized by the institution's creditors. The IDI RP should also describe how the strategies for the separation of the CIDI and its subsidiaries from its parent company's organization and the sale or disposition of its deposit franchise, core business lines and major assets can be demonstrated to be the least costly to the Deposit Insurance Fund of all possible methods for resolving the CIDI. The IDI RP submitted by each CIDI is intended to help the FDIC evaluate potential loss severity and to enable the FDIC to perform its resolution functions most efficiently. Each IDI RP is intended to provide the FDIC with a comprehensive understanding of the structure, operations, business practices, financial responsibilities, and risk exposures of the CIDI.

BMO Harris Bank has a large presence in the U.S. Midwest region, serving personal, commercial and high net worth customers. BMO Harris Bank provides banking, financing, investing and cash management services as well as a full suite of commercial and financial advisory services. As of December 31, 2012, BMO Harris Bank had \$95.3B in assets.

1.2.2 Material Entities

The IDI Rule defines *Material Entity* as "a company that is significant to the activities of a critical service or core business line. For example, the legal entity utilized by the CIDI as the contracting entity for a core business line (CBL) would be a material entity (ME). Also, a subsidiary of the CIDI that provides a critical service would be a ME.

The IDI RP identifies certain BMO Harris Bank affiliates as MEs for the purpose of resolution planning. The Resolution Plan includes an analysis of each ME and the resolution regime and strategy that would be applicable to each ME. The MEs in the IDI RP are the following legal entities:

BMO Financial Corp.

BFC, a Delaware corporation, bank holding company and financial holding company, is a wholly-owned direct subsidiary of BMO and is the top-tier, U.S. holding company for most of BMO's U.S. subsidiaries, including its two IDIs: BMO Harris Bank and BMO Harris Central.

BMO Harris Central N.A.

BMO Harris Central is a special purpose cash management bank, the sole purpose of which is to act as a disbursing bank in the delivery of controlled disbursement account services for corporate customers of BMO Harris Bank. BMO Harris Bank's controlled disbursement clients maintain a deposit account at BMO Harris Bank and a deposit account at BMO Harris Central. These clients draw checks on their BMO Harris Central account. Funds from customers' BMO Harris Bank account are then transferred to their BMO Harris Central account to fund the drawn checks on an "as needed" basis. Aside from the funding of the controlled disbursement accounts as described above, no client deposits are accepted by BMO Harris Central. BMO Harris Central does not generate any loan activity.

BMO Capital Markets Corp.

BMO CMC is a direct wholly-owned subsidiary of BFC. BMO CMC operates as a self-clearing, institutional broker-dealer. BMO CMC is registered with the U.S. SEC as a U.S. securities broker-dealer and is a member of FINRA. BMO CMC is registered to do business in all 50 states. BMO CMC is supervised, and subject to examination, by both the SEC and FINRA. BMO CMC is a member of a number of fixed income, equities and derivatives exchanges and clearing organizations. BMO CMC is designated a primary dealer in U.S. Government securities by the Federal Reserve Bank of New York.

Bank of Montreal Chicago Branch

BMO Chicago Branch is an Illinois state-licensed branch office of BMO. It is a legal and operational extension of BMO, and thus, is not a separate legal entity. BMO Chicago Branch provides a U.S. platform to access BMO capital and thereby supplement the resources of BMO Harris Bank and other U.S. legal entities for specific trading, lending, and investment banking/capital markets activities. It also provides a key function of facilitating intercompany funding between legal entities within BMOFG as required. Finally, it supports specific BMO activities within the U.S., including facilitating optimal use of capital, control of risk and regulatory compliance.

BMO Harris Financing Inc.

BHFI is a direct wholly-owned non-bank subsidiary of BFC. It was established in 2001 to hold U.S.-originated loans.

1.2.3 Description of Core Business Lines

The IDI Rule defines *Core Business Lines* as "those business lines of the CIDI, including associated operations, services, functions and support, that, in the view of the CIDI, upon failure would result in a material loss of revenue, profit, or franchise value."

BMO has identified three CBLs based on the criteria of the IDI Rule that fall within two operating groups.

P&C U.S. is a multi-channel operating group that offers a full range of client banking solutions. Two of the CBLs reside within P&C U.S.

- Personal Banking offers a broad range of products and services to individuals, as well as small and mid-sized business customers, including deposits, mortgages, consumer credit, business lending, credit cards and other banking services.
- Commercial Banking provides larger businesses with a broad range of banking products and services, including lending, deposits, treasury management and risk management. Segments of

focus include corporate finance, diversified industries, financial institutions, food and consumer, auto dealership finance, equipment finance, healthcare, agriculture and commercial real estate.

PCG is an operating group that serves a full range of client segments, from mainstream to ultra-high net worth and institutional, with a broad offering of wealth management products and solutions. One of the CBLs resides within PCG.

- Private Bank offers a comprehensive range of financial services and solutions, delivered with a planning and advice-based value proposition to high net worth and ultra-high net worth clients through our trust, investment and traditional banking services. In addition to the traditional Private Bank under the U.S. Personal Wealth Management structure, high net worth and ultra-high net worth clients are served through our investment advisory, family office and specialized trust services which are housed in non-bank affiliate legal entities.

1.2.4 Summary Financial Information

1.2.4.1 Balance Sheet

BMO HARRIS BANK N.A.

BALANCE SHEET	
(\$ millions)	12/31/12
As At Balances	
Assets	
Cash and demand balances due from banks.....	\$ 2,232,398
Money market assets:	
Interest-bearing deposits at banks.....	12,903,944
Federal funds sold and securities purchased under agreement to resell.....	1,714,347
Total cash and cash equivalents.....	\$16,850,689
Securities available-for-sale, at fair value.....	15,439,195
Trading account assets and derivative instruments.....	1,043,978
Loans, net of unearned income.....	51,138,305
Allowance for loan losses.....	(760,075)
Net loans.....	\$50,378,230
Loans held for sale.....	164,863
Premises and equipment, net.....	1,015,446
Bank-owned insurance.....	2,699,848
Goodwill and other intangible assets.....	3,400,780
Deferred tax asset, net.....	2,247,049
Other assets.....	2,024,885
Total assets.....	\$95,264,963
Liabilities	
Deposits in domestic office— noninterest-bearing.....	\$28,661,067
— interest-bearing.....	46,038,997
Deposits in foreign offices — noninterest-bearing.....	-
— interest-bearing.....	350,738
Total deposits.....	\$75,050,802
Federal funds purchased.....	328,362
Securities sold under agreement to repurchase.....	279,289
Trading account liabilities and derivative instruments.....	357,407
Short-term borrowings.....	310,969
Accrued interest, taxes and other.....	503,898
Accrued pension and post-retirement.....	146,679
Other liabilities.....	688,432
Long-term notes - senior/secured.....	2,375,000
Long-term notes - subordinated.....	722,247
Total liabilities.....	\$80,763,085
Stockholder's Equity	
Common stock.....	\$ 510,185
Surplus.....	11,513,307
Retained earnings.....	2,368,060
Accumulated other comprehensive loss.....	(139,674)
Stockholder's equity before noncontrolling interest.....	\$14,251,878
Noncontrolling interest - preferred stock of subsidiary.....	250,000
Total stockholder's equity.....	\$14,501,878
Total liabilities and stockholder's equity.....	\$95,264,963

Source: BMO Harris Bank N.A. December 31, 2012 Audited Financial Statements

1.2.4.2 Major Funding Sources

BMO Harris Bank's funding and liquidity policy and objectives are aligned with its Canadian parent, BMO. BMO Harris Bank's policy is to ensure that sufficient liquid assets and funding capacity are available to meet financial commitments such as asset growth, customer deposit withdrawals, time deposit maturities and other commitments, even in times of stress.

BMO Harris Bank maintains a robust liquidity and funding risk management framework, supported by limits and guidelines that adhere to the risk appetite of the U.S. parent BFC and BMO. Board and senior management committees approve the management framework including related policies and regularly review liquidity and funding positions. BMO Harris Bank's Asset Liability Committee, which is chaired by the Chief Financial Officer, monitors BMO Harris Bank's liquidity limits and guidelines and liquid asset reserves. BMO Harris Bank's Treasury group actively analyzes and monitors liquidity risk to maintain excess liquidity and access diverse sources of funding.

BMO Harris Bank maintains a robust stress testing program to ensure its liquidity and funding needs can be met under stress. Liquidity stress tests are performed at least monthly, based on market factors and/or factors specific to BMO Harris Bank. The availability of sufficient liquidity reserves to cope with an unexpected surge in liquidity needs is regularly measured as a part of these stress tests. Liquid assets held to ensure that liquidity and funding objectives are met include unencumbered, high-quality assets that are marketable, can be pledged as security for borrowings, and can be converted to cash in a time frame that meets liquidity and funding requirements. Additionally, a contingency plan that will facilitate effective management through a crisis is also in place.

BMO Harris Bank's largest source of funding is its customer deposit base which includes retail and commercial deposits. Along with a strong capital base, customer deposits provide BMO Harris Bank with a significant source of relatively stable and low-cost funding. BMO Harris Bank's total customer deposits were \$75.1B and total capital² was \$15.2B as of December 31, 2012, on a consolidated basis. Other major sources of funding include short-term and long-term borrowings that were \$0.3B and \$2.4B respectively. Short-term borrowings are primarily in the form of Institutional CDs issued by BMO Harris Bank, securities lent or sold under repurchase agreements and Fed funds purchased. Long-term borrowings are generally greater than one year and in the form of advances from BMO / inter-company affiliates, senior debt, and advances from the Federal Home Loan Bank. Together these funding sources represent 98% of the total liabilities and equity of BMO Harris Bank. Remaining liabilities include trading account liabilities, accrued expenses and other liabilities.

In line with BMO's funding philosophy, secured and unsecured wholesale funding used to support loans and less liquid assets is longer term to better match the term to maturity of these assets. Wholesale secured and unsecured funding for liquid trading assets is generally shorter term (maturing in less than one year) and the liquid assets are subject to haircuts in order to reflect lower market values during times of market stress. BMO Harris Bank also maintains supplemental liquidity pools that are maintained for contingent liquidity management purposes. These pools are currently funded largely with stable retail and commercial deposits.

Liquid assets in the form of cash and high-quality (liquid) unencumbered securities serve as a means of liquidity risk mitigation. Excess cash is held on deposit with the Federal Reserve Bank. High-quality (liquid) securities are comprised of U.S. agency debt, Asset Backed Securities, Mortgage Backed

² Stockholder's equity plus long-term notes-subordinated

Securities and other available for sale securities that can be immediately sold in the market or used as collateral in secured borrowings. Net unencumbered liquid assets, including cash at the Federal Reserve Bank of Chicago, totaled \$25B as of December 31, 2012.

1.2.4.3 Capital

BMO Harris Bank’s objective is to hold adequate capital to support its risk-taking activities and financial and corporate strategies, as well as to protect the viability of the company in the event of financial loss resulting from the material risks to which it is exposed. To achieve this objective, BMO Harris Bank has implemented capital management processes that:

- satisfy all applicable regulatory requirements for capital management and planning, including those under the Board of Governors of the Federal Reserve System and the Office of the Comptroller of the Currency (Comptroller) capital planning requirements;
- are governed by clearly defined policies and procedures that ensure that capital management practices are understood, documented and monitored; and
- clearly link risk assessment and risk tolerance with capital requirements clearly.

BMO Harris Bank is currently subject to risk-based capital requirements calculated under Comptroller regulations. BMO Harris Bank is required to maintain minimum levels with respect to its Tier 1 Capital ratio, Total Capital ratio and Tier 1 Leverage ratio. The Tier 1 capital ratio is calculated as a percentage of Tier 1 capital to total risk-weighted assets, Total Capital ratio is calculated as a percentage of total capital to total risk-weighted assets and the Tier 1 Leverage ratio is calculated as a percentage of Tier 1 capital to the total adjusted quarterly average assets, as required by 12 CFR Part 3.

The Basel I BMO Harris Bank capital ratios as of December 31, 2012 are below.

Capital Ratio as of December 31, 2012	Regulatory – Minimum Requirements	Regulatory – Well Capitalized Requirements	BMO Harris Bank
Tier 1 Capital Ratio	4.0%	6.0%	14.94%
Total Capital Ratio	8.0%	10.0%	16.79%
Tier 1 Leverage Ratio	4.0%	5.0%	11.06%

BMO Harris Bank will be subject to the U.S. Basel III regime effective January 1, 2015, per Comptroller regulations approved on July 9, 2013, and expects to remain well-capitalized under Basel III.

1.2.5 Description of Derivative and Hedging Activities

Derivative instruments are financial contracts that derive their value from underlying changes in interest rates, foreign exchange rates or other financial or commodity prices or indices. Derivative instruments are either regulated exchange-traded contracts or negotiated over-the-counter contracts. BMO Harris Bank uses various derivative financial instruments, primarily interest rate and foreign exchange derivative contracts, as part of its trading activities or in the management of its risk strategy. All derivative instruments are designated either as hedging or trading.

BMO Harris Bank enters into derivative contracts with BMO to facilitate more efficient use of combined resources and to better serve customers.

Types of derivatives

Swaps

Swaps are contractual agreements between two parties to exchange a series of cash flows. The various swap agreements that the BMO Harris Bank may enter into are as follows: Interest rate swaps – counterparties generally exchange fixed and floating rate interest payments based on a notional value in a single currency.

- Cross-currency swaps - fixed rate interest payments and principal amounts are exchanged in different currencies.
- Cross-currency interest rate swaps - fixed and floating rate interest payments and principal amounts are exchanged in different currencies.
- Commodity swaps - counterparties generally exchange fixed and floating rate payments based on a notional value of a single commodity.
- Equity swaps - counterparties exchange the return on an equity security or a group of equity securities for the return based on a fixed or floating interest rate or the return on another equity security or a group of equity securities.
- Total return swaps - one counter-party agrees to pay or receive from the other cash amounts based on changes in the value of a reference asset or group of assets, including any returns such as interest earned on these assets, in exchange for amounts that are based on prevailing market funding rates.

The main risks associated with these instruments are related to exposure to movements in interest rates, foreign exchange rates, credit quality, securities values or commodities prices, as applicable, and the possible inability of counterparties to meet the terms of the contracts.

Forwards and futures

Forwards and futures are contractual agreements to either buy or sell a specified amount of a currency, commodity, interest-rate-sensitive financial instrument or security at a specific price and at a specific future date. Forwards are customized contracts transacted in the over-the-counter market. Futures are transacted in standardized amounts on regulated exchanges and are subject to daily cash margining.

The main risks associated with these instruments arise from the possible inability of over-the-counter counterparties to meet the terms of the contracts and from movements in commodities prices, securities values, interest rates and foreign exchange rates, as applicable.

Options

Options are contractual agreements that convey to the buyer the right but not the obligation to either buy or sell a specified amount of a currency, commodity, interest-rate-sensitive financial instrument or security at a fixed future date or within a fixed future period. As a writer of options, BMO Harris Bank receives a premium from the purchaser for accepting market risk. As a purchaser of options, BMO Harris Bank pays a premium for the right to exercise the option. Since BMO Harris Bank has no obligation to exercise the option, its primary exposure to risk is the potential credit risk if the writer of an over-the-counter contract fails to meet the terms of the contract.

Caps, collars and floors are specialized types of written and purchased options. They are contractual agreements where the writer agrees to pay the purchaser, based on a specified notional amount, the difference between the market rate and the prescribed rate of the cap, collar or floor. The writer receives a premium for selling this instrument.

Derivative-related risks

Over-the-counter derivative instruments are subject to credit risk arising from the possibility that counterparties may default on their obligations. The credit risk associated with derivatives is normally a small fraction of the notional amount of the derivative instrument. Derivative contracts generally expose BMO Harris Bank to potential credit loss if changes in market rates affect a counterparty's position unfavorably and the counterparty defaults on payment. Credit risk is represented by the positive fair value of the derivative instrument. Replacement risk, the primary component of credit risk, is the risk of loss should a counterparty default following unfavorable market movements and represents BMO Harris Bank's cost of replacing contracts that have a positive fair value using current market rates. BMO Harris Bank strives to limit credit risk by dealing with counterparties that are considered to be creditworthy, and by managing credit risk for derivatives using the same credit risk process that is applied to loans. Netting agreements provide for netting of contractual receivables and payables and apply to situations where BMO Harris Bank is engaged in more than one outstanding derivative transaction with the same counterparty and also has a legally enforceable master netting agreement with that counterparty. Netting agreements also provide for the application of cash collateral received or paid against derivative assets or liabilities. BMO Harris Bank's derivative contracts with BMO are transacted under the terms of a master netting agreement. Exchange-traded derivatives have no potential for credit exposure as they are settled net with each exchange.

Derivative instruments are subject to market risk. Market risk arises from the potential for loss resulting from adverse changes in the value of derivative instruments as a result of changes in certain market variables. These variables include interest rates, foreign exchange rates, equity and commodity prices and their implied volatilities, as well as credit spreads, credit migration and default. BMO Harris Bank strives to limit market risk by employing comprehensive governance and management processes for all market risk-taking activities.

Uses of derivatives

Trading derivatives

Trading derivatives include derivatives entered into with customers to accommodate their risk management needs, derivatives transacted to generate trading income from the Bank's trading positions, and derivatives used in the management of BMO Harris Bank's risk strategy that do not qualify as hedges for accounting purposes (economic hedges). Trading derivatives are marked to fair value.

BMO Harris Bank and BMO have combined their U.S. foreign exchange activities. Under this arrangement, foreign exchange net profit is shared by BMO Harris Bank and BMO in accordance with a specific formula set forth in the agreement. This agreement expires on September 30, 2014 but may be extended at that time.

BMO Harris Bank enters into risk participation agreements whereby it assumes credit risk on behalf of unrelated counterparties that arises from interest rate and foreign currency swap transactions. In a risk participation agreement, one counter-party pays the other a fee in exchange for the second counterparty agreeing to make a payment if a credit event, that is contingent on a swap transaction, occurs. The amount payable under an agreement is based on the market value of the swap at the time of the credit event.

Certain customers enter into lending transactions and derivative transactions with BMO Harris Bank, and BMO Harris Bank enters into offsetting transactions with BMO. As the counterparty, BMO bears the risk of loss associated with the derivative obligations of those customers in the event of default.

BMO Harris Bank has issued certain financial instruments containing embedded derivatives. The embedded derivatives are separated from the host contracts and recorded at fair value when the economic characteristics of the derivatives are not clearly and closely related to those of the host contracts.

Embedded derivatives in certain of BMO Harris Bank equity linked certificates of deposit are accounted for separately from the host instruments.

The following derivatives are used as economic hedges:

BMO Harris Bank has qualifying mortgage loan commitments that are intended to be sold in the secondary market. These loan commitments are derivatives and are recorded at fair value. BMO Harris Bank enters into forward sales of mortgage-backed securities to minimize its exposure to interest rate volatility.

BMO Harris Bank uses total return swaps to minimize exposure to currency exchange rate and equity price fluctuations associated with certain obligations under the mid-term incentive plan, which is a stock-based compensation plan.

BMO Harris Bank issues certificates of deposit that have structured interest rate, equity-linked, foreign currency-linked, debt-linked and commodity-linked features and are accounted for under the fair value option. BMO Harris Bank enters into interest rate, equity and foreign exchange derivatives to manage exposure to changes in the fair value of such structured certificates of deposit.

Hedging derivatives

In accordance with its risk management strategy, BMO Harris Bank enters into various derivative contracts to hedge its interest rate exposures.

BMO Harris Bank uses interest rate contracts, primarily swaps, to reduce the level of financial risk inherent in mismatches between the interest rate sensitivities of certain assets and liabilities. The risk management strategy incorporates the use of derivative instruments to minimize significant unplanned fluctuations in earnings that may be caused by interest rate volatility. BMO Harris Bank manages interest rate sensitivity by modifying the re-pricing or maturity characteristics of certain assets and liabilities so that net interest margin is not adversely affected, on a material basis, by movements in interest rates. As a result of interest rate fluctuations, fixed rate assets will appreciate or depreciate in market value. The effect of the unrealized appreciation or depreciation will generally be offset by the gains or losses on the derivative instruments.

Hedge accounting

Cash flow hedges

BMO Harris Bank's cash flow hedges are hedges of floating rate loans, available-for-sale securities and long-term debt obligations.

Fair value hedges

BMO Harris Bank's fair value hedges include hedges of fixed rate available-for-sale securities. For fair value hedges that are discontinued, BMO Harris Bank stops adjusting the hedged item for changes in fair value that are attributable to the hedged risk.

1.2.6 Memberships in Material Payment, Clearing and Settlement Systems

BMO Harris Bank uses a wide array of memberships in PCSS, including payment systems, clearinghouses, securities depositories, and central counterparties. The next table enumerates material PCSS in which BHB has direct memberships:

Payment/ Clearing/ Settlement System	Description
Federal Reserve Wire Network (Fedwire) - Funds	<ul style="list-style-type: none"> Inter-bank payment system System is not accessed directly by clients BHB does provide access to other financial institutions, who could be viewed as clients
Automated Clearing House (ACH) Network (FED ACH)	<ul style="list-style-type: none"> Inter-bank check clearing and payment system System is not accessed directly by clients BHB does provide access to other financial institutions, who could be viewed as clients
Depository Trust and Clearing (DTC)	<ul style="list-style-type: none"> DTC is the predominant central custodian providing settlement for U.S. securities transactions
Chicago Mercantile Exchange Inc. (CME)	<ul style="list-style-type: none"> Clearing organization for derivatives and futures (FX, rates, indices)

1.2.7 Description of Foreign Operations

BMO Harris Bank operates primarily in the U.S. and has a virtual foreign branch located in Nassau, Bahamas. This branch has no material activity other than limited booking of foreign currency loans primarily for Commercial Banking customers.

1.2.8 Material Supervisory Authorities

Name	Regulatory Agency
BFC	Federal Reserve Bank of Chicago
BMO Harris Bank	Office of the Comptroller of the Currency Federal Deposit Insurance Corp. Consumer Financial Protection Bureau
BMO Harris Central	Office of the Comptroller of the Currency Federal Deposit Insurance Corp.
BMO CMC	Securities and Exchange Commission Financial Industry Regulatory Authority Commodity Futures Trading Commission
BMO Chicago Branch	Illinois Department of Financial and Professional Regulation Federal Reserve Bank of Chicago
BHFI	Federal Reserve Bank of Chicago

1.2.9 Identities of Principal Officers

The table below identifies BMO Harris Bank's Principal Officers, all of which are Executive Officers:

BMO Harris Bank Executive Officers	
Name	Role/Title
Ann M. Benschoter	Executive Vice-President, P&C, U.S. Headquarters
Terry Bulger	Executive Vice-President, U.S. Risk Management and Chief Risk Officer, BFC, BMO Harris Bank
David R. Casper	Executive Vice-President and Head of Commercial Banking, P&C U.S.
Bradley D. Chapin	Executive Vice-President, U.S. Business Banking, P&C U.S.
Dante DeWitt	Chief U.S. Technology Officer & CIO Product Operations-Technology & Operations and U.S. Country Head-T&O
Jeffrey J. Ellis	Executive Vice-President, U.S. General Counsel, BMOFG
Mark F. Furlong	President and Chief Executive Officer of BMO Harris Bank, and P&C U.S.
Craig T. Ingram	Senior Vice-President, Business Continuity Planning U.S. & Branch Manager, BMO Chicago Branch
Terry A. Jenkins	Executive Vice-President, Head, U.S. Private Bank
Andrew Karp	Deputy General Counsel & Chief Regulatory Officer, BMOFG
Jill B. Kremins	Senior Vice-President, P&C U.S. Marketing
Christopher J. McComish	Executive Vice-President, U.S. Retail Banking and Co-Head, North American Specialized Sales, P&C U.S.
Barry McInerney	Co-CEO, BMO Global Asset Management, CEO BMO Asset Management U.S. & International
Cecily Mizarz	Executive Vice-President, U.S. Governance & Program Management, BFC
Eric Moss	Senior Vice-President & Chief Compliance Officer, BFC, BMO Harris Bank
Daniela O’Leary-Gill	Senior Vice President, Head of Personal and & Small Business Banking and Chief Community Reinvestment Act Officer
Gail S. Palac	Senior Vice-President and Chief Auditor U.S., BFC, BMO Harris Bank
Pamela C. Piarowski	Senior Vice-President, Finance, BFC
Paul Renard	Senior Vice-President Human Resources, BFC, BMO Harris Bank
Stephen Taylor	Chief Financial Officer, BMOFG-U.S., BFC, BMO Harris Bank, and P&C-U.S.

1.2.10 Corporate Governance Structure and Processes Related to Resolution Planning

BMO Harris Bank has developed a formal governance structure specific to resolution planning, which leverages the existing BMO U.S. governance framework for purposes of overseeing the entire process for developing and approving the IDI RP to be submitted pursuant to 12 C.F.R. §360.10. BMO Harris Bank has set out working plans for formalizing the development and maintenance of the IDI RP on an on-going basis.

BMO Harris Bank has designated the following senior officers as primarily responsible for overseeing the IDI RP, each an 'Accountable Executive':

- Chief Financial Officer, BMOFG-U.S
- SVP Finance of BFC

The Accountable Executives are primarily responsible for overseeing the development, maintenance, implementation, filing of the IDI RP and compliance with the rules governing the IDI RP. The Head of BMO U.S. Resolution & Recovery Planning, part of the USRP team reports directly into the Accountable Executives.

The Boards of Directors of BMO Harris Bank oversees the IDI RP through regular updates. The Boards of Directors of BFC and BMO Harris Bank have reviewed the final IDI RP documents, with the BHB Board of Directors approving the IDI RP. The approval of the IDI RP was based on the individual reviews and recommendations of approval of the IDI RP and reliance on the attestations from the respective MEs, CBLs, and CSAs. The strategies for each of the ME and CBL were reviewed by the responsible personnel in these areas. Furthermore, each function collaborated to gather and provide input to the IDI RP. Each function's input has been reviewed in conjunction with the USRP team, both from the top down as well as at a functional level to ensure consistency and accuracy of information contained within the RP.

The BMO USMC includes representatives from all of the major business lines in the U.S. The BMO USMC has received periodic updates of the IDI RP's progress and has recommended the IDI RP for approval to the BMO Harris Bank Board of Directors.

The USRP SC includes representatives from the core CBLs and CSAs, and reports to the Boards of Directors of BFC and BHB. The USRP SC meets monthly and is responsible for the results and direction, as well as reviewing and approving the approach, implementation plan and resource allocation with respect to the IDI RP. The USRP SC is comprised of six members that also sit on the BMOFG Recovery and Resolution Planning SC to ensure consistency and coordination across multiple jurisdictions related to Resolution & Recovery planning.

The BMO U.S. Resolution Planning Design Sub-Committee is a sub-committee of the USRP SC, comprised of executives from finance, risk, legal and BMOFG's Financial Crisis Management Office. This team meets monthly or more frequently as needed, and is responsible for providing guidance on the strategy for the RPs, making interim decisions or guidance prior to any issues being escalated to the USRP SC, and acting as a sounding board for the USRP team.

The USRP team, reporting to the Accountable Executives and USRP SC, is responsible for coordinating the process of planning, development, quality control, executive sign-off and submissions of the IDI Plan deliverables to the relevant U.S. regulatory body, in line with internal quality standards, industry best practices and regulatory expectations.

The day-to-day activities with respect to the IDI RP are managed by USRP team. The USRP team leads the determination of the foundational elements and the strategic analysis, drives the overall development of the document and managing regulatory interaction. The USRP team holds weekly status meetings, with senior executives and management across the MEs, CBLs and functions, to coordinate efforts and share resources across the relevant groups while monitoring and planning workstream activities.

Due to the in-depth expertise required for certain operations and elements of the plan, USRP team engaged a cross-functional group of SMEs from across the BMOFG enterprise. The development of certain sections of the RP, providing data and developing content is the responsibility of the SMEs and respective USRP SC members. Meetings with the SMEs are conducted on a weekly basis to facilitate updates on the data collection and document development, in addition to individual weekly or as-needed meetings with each SME.

A robust review and approval framework was designed to holistically address the broad nature of the IDI RP and material contained. This process, managed by the USRP team, was reviewed by the Corporate Secretary and the USRP SC, and approved by the USRP SC.

The ID RP, and the process by which it has been prepared, is subject to reviews and recommendation for approval by:

- The Board of Directors of BHB (for approval of the IDI RP)
- The Board of Directors of BFC (only review for the IDI plan)
- The BMO USMC
- The USRP SC
- The Accountable Executives
- The executives of each of the relevant MEs, CBLs and other CSAs

1.2.11 Description of Material Management Information Systems

Access to data with sufficient quality and appropriate frequency is important to being able to successfully manage BMO Harris Bank on a day-to-day basis and recover in the event of failure. Within BMO Harris Bank, this data typically resides on MIS that collectively are designed to pull information from source systems, feed into analytical systems and produce specified outputs. The MIS applications are in some cases customized to the type of information being treated, such as by business function, line of business, legal entity, type and purpose of information (e.g., finance, regulatory, risk management). In other cases, they serve, by design, a more generic purpose such as aggregating data for more specialized use in reports or databases. For the purposes of the IDI RP, MIS excludes hardware and software platforms.

BMO Harris Bank utilizes MIS for risk management, accounting, financial, regulatory reporting, as well as internal management reporting and analysis. Key MIS and applications are inventoried internally at BMO Harris Bank in a centralized repository of IT assets including: systems, applications and platform products. Each IT asset is uniquely identified in a tool that includes but is not limited to: type of IT asset (proprietary vs. third-party), hosting location, business criticality and asset ownership.

Systems and applications at BMO Harris Bank are essential for effective operations and are managed in accordance with corporate policies and procedures that ensure the appropriate level of availability. Additionally Business Continuity Plans are also in place and administered in accordance with current regulatory guidance and corporate best practices.

BMO Harris Bank operations maintain a Business Continuity Management program for critical IT and other processes of business lines and functions. A database contains written plans for each division, and these plans are tested at least semi-annually. BMO, BMO Harris Bank's parent, operates two data centers for the majority of the services and there are several smaller data centers that provide niche services. The data centers are geographically separated to support our high availability and resiliency strategy.

Disaster recovery involves backup and testing for data recovery. Local off-site capabilities are maintained continuously for critical IT and operational processes. In accordance with Federal Financial Institutions Examination Council guidance and applicable laws and regulations, BMO Harris Bank maintains a Business Continuity Program, which requires individual Business Continuity Plans. The Business Continuity Program office assists the business units in developing continuity plans and in identifying permanent back up and temporary office space to recover their business systems and operations. BMO

Harris Bank also participates in the BMO U.S. Event Management Program which provides oversight and strategic direction to the Business Continuity Management Program.

1.2.12 Description of the Resolution Strategy

The sale of BMO Harris Bank as a whole is the resolution strategy most likely to be effected by the FDIC. Whole bank resolution will likely provide the “least cost resolution” of BMO Harris Bank for the FDIC, allow BMO Harris Bank to continue daily business operations during the transition period, and provide time for prospective BMO Harris Bank purchasers to evaluate and submit informed bids.

Selling BMO Harris Bank as a whole should preserve franchise value and minimize disruption to the local communities, as BMO Harris Bank would be able to provide uninterrupted service to its customers, *e.g.*, continuing to accept deposits and make loans to its regular customers. During a transition period, BMO Harris Bank would anticipate undertaking efforts to restructure nonperforming assets to increase their value and monitor performing assets to maintain their value. In addition, BMO Harris Bank management would strive to retain key employees, although employee retention in an uncertain resolution environment will likely present a challenge.