
BMO U.S.

2025 165(d) Resolution Plan Public Section

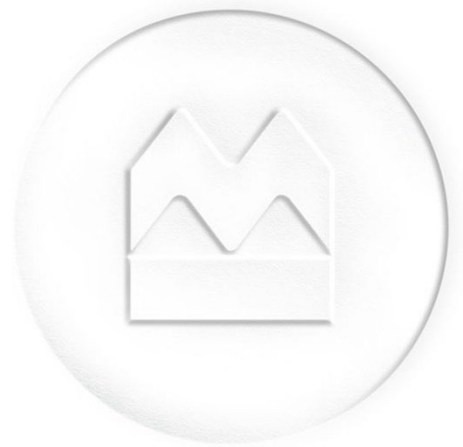


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1.0 Introduction

Bank of Montreal (BMO) is a foreign bank, a bank holding company and a financial holding company under the Bank Holding Company Act of 1956, as amended. 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, as well as 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 Bank N.A. (BMO Bank or BBNA) and BMO Harris Central N.A. (BMO Harris Central), each a national bank.

BMO has in excess of \$250B in total consolidated assets and therefore is considered a covered company under 12 C.F.R. Part 243 and 12 C.F.R. Part 381 (collectively, 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 (Federal Reserve) and the Federal Deposit Insurance Corporation (FDIC) that details a plan for the rapid and orderly resolution of the covered company in the event of failure. As a foreign banking organization that is not subject to Category II standards and has in excess of \$250B in average combined U.S. assets, BMO is a Category III, triennial full filer and is required to submit such a resolution plan every three years, alternating between a full and a targeted plan.

BMO's 165(d) Resolution Plan (165(d) RP) contemplates a resolution strategy in which BMO's U.S. banking subsidiaries, BMO Bank and BMO Harris Central, under a hypothetical resolution scenario, would be placed into FDIC receivership. 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 165(d) RP includes 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.

Please note, the proposed failure scenario and associated assumptions described within the 2025 165(d) Resolution Plan are hypothetical and do not necessarily reflect actual events the firm may face. Further, this Resolution Plan is not binding on a bankruptcy court or any other resolution authority.

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 the Public Section of the 165(d) RP. BMO, on behalf of itself and its subsidiaries, submits this Public Section in compliance with the 165(d) Rule and related guidance. BMO believes that the strategy provided in the 165(d) RP 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, it would enable the FDIC, as receiver, to resolve BMO Bank in a manner that would ensure that depositors receive access to their insured deposits within one business day if BMO 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 Bank's creditors.

Overview of BMO

Established in 1817, BMO Financial Group¹ is the seventh largest bank in North America by assets, with total assets of \$1.4 trillion. At BMO, we continue to build a high-performing, digitally enabled, future-ready bank with engaged employees and a winning culture. We are focused on helping our customers make real financial progress, and on financing our clients' growth and innovation, while also investing in our workforce. Anchored by our Purpose – to **Boldly Grow the Good in business and life** – we are driven by our strategic priorities for growth and guided by our values as we build a foundation of trust with our colleagues, customers and communities. We are a highly diversified financial institution providing a broad range of personal and commercial banking, wealth management, global markets and investment banking products and services. We serve millions of customers across North America, and in select markets globally, through three integrated operating groups: Personal and Commercial Banking, BMO Wealth Management, and BMO Capital Markets.

Canadian Personal and Commercial Banking provides financial products and services to nearly eight million customers. Personal and Business Banking helps customers make real financial progress through a network of almost 900 branches, contact centres and digital banking platforms, with more than 3,200 automated teller machines. Commercial Banking serves clients across Canada, offering valuable industry expertise, local presence and a comprehensive range of commercial products and services.

U.S. Personal and Commercial Banking provides financial products and services to four million customers. Personal and Business Banking helps customers make real financial progress through an extensive network of nearly 1,000 branches, with nationwide access to contact centres, digital banking platforms and more than 40,000 BMO and Allpoint® automated teller machines. Commercial Banking serves clients across the United States, offering valuable industry expertise, local presence and a comprehensive range of commercial products and services.

¹ Bank of Montreal uses a unified branding approach that links all of the organization's member companies. Bank of Montreal, together with its subsidiaries, is known as BMO Financial Group. In this document, the names BMO and BMO Financial Group, as well as the words "bank", "we" and "our", mean Bank of Montreal, together with its subsidiaries.

BMO Wealth Management serves a full range of clients, from individuals and families to business owners and institutions, offering a wide spectrum of wealth, asset management and insurance products and services aimed at helping clients make real financial progress through planning, growing, protecting and transitioning their wealth. Our asset management business is focused on making a positive impact and delivering innovative financial solutions and strategies for our clients.

BMO Capital Markets offers a comprehensive range of products and services to corporate, institutional and government clients. BMO Capital Markets has approximately 2,700 professionals in 30 locations around the world, supporting the growth aspirations of our clients across the enterprise.

The performance of our U.S. business is an essential part of our strategy and our growth ambition – it's at the core of who we are. This year, we celebrated the 40th anniversary of BMO's acquisition of Harris Bank, which set the 20th century foundation for our growth into a nationally significant U.S. bank. Our recent market entry to the U.S. West and notably California, with the acquisition of Bank of the West, represented the natural next step in our North American growth strategy.

Our U.S. businesses are well-positioned to capture growth opportunities, leveraging strong integration and collaboration across U.S. Personal & Commercial banking, BMO Capital Markets and BMO Wealth Management.

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 the material financial distress or failure of its five material entities 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 that are conducted in whole or material part in the U.S. These activities are conducted through BMO U.S.'s three Operating Groups: 1) U.S. Personal and Commercial, 2) BMO Wealth Management, and 3) BMO Capital Markets, as described above in Section 1.0.

BMO's objective is 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 165(d) RP is focused only on planning for the resolution of BMO's U.S. operations; other plans exist, however, 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, 165(d) RP may, therefore, differ from those used in similar plans filed by BMO with non-U.S. regulators. Further, the core business lines identified in this 165(d) RP are for consideration only with respect to BMO's U.S. operations and may not necessarily be considered core business lines in other jurisdictions.

1.1.2 Material Entities

The 165(d) Rule defines a material entity (ME) as "a subsidiary or foreign office of the covered company that is significant to the activities of a critical operation or core business line." BMO's approach to the designation of material entities is based on the 165(d) rule definition of being significant to a core business line or critical operation and evaluates both financial and operational significance. The determination of financial significance considers entity's asset holdings and contribution to profitability. The determination of operational significance considers the provision of critical services by entities.

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. There are in total five MEs.

BMO Financial Corp.

BMO Financial Corp. (BFC), a Delaware corporation, is a wholly-owned U.S. subsidiary of Bank of Montreal (BMO). BFC is a holding company that provides commercial banking, investment banking, trust and other services domestically and internationally through two direct bank subsidiaries, BMO Bank N.A. (BBNA) and BMO Harris Central N.A. (BHCNA) and many direct and indirect non-bank subsidiaries. BFC's primary activities include providing funding to its direct subsidiaries, primarily in the form of unsecured notes. BFC obtains funding primarily from BMO and also may issue commercial paper in order to meet short-term funding needs. BFC does not hold deposits. Its primary banking subsidiary is BBNA.

BMO Bank N.A.

BMO Bank N.A. (BBNA) is a direct, wholly-owned subsidiary of BFC. Established in 1882 and owned by BMOFG since 1984, the Bank conducts business through its primary businesses of U.S. Personal and Business Banking, U.S. Commercial Bank, and U.S. Wealth Management serving personal, commercial and affluent customers. Additionally, certain Capital Markets (CM) activities are booked into BBNA from the two BMO CM U.S. business lines: Global Markets (GM) and Investment and Corporate Banking (I&CB). BBNA provides a variety of banking

and financial services to commercial and industrial companies, financial institutions, governmental units, not-for-profit organizations and individuals throughout the U.S., primarily in the Midwest and Western regions. Services rendered and products sold to customers include demand and time deposit accounts including certificates of deposit; various types of loans; sales and purchases of foreign currencies; interest rate management products; cash management services; investment banking services; financial consulting; and personal trust and trust related services.

BMO Harris Central N.A.

BMO Harris Central N.A. (BHCNA) is a direct, wholly-owned bank subsidiary of BFC, and operates as a national bank under a charter issued by the Office of the Comptroller of the Currency. Its headquarters is located in Roselle, Illinois. BHCNA is a special purpose bank whose sole business purpose and activity is to act as a disbursing bank in the delivery of controlled disbursement account services for corporate and commercial customers of BBNA. It has no subsidiaries and does not generate any loan activity. BMO's primary purpose for establishing a separate bank/legal entity for the controlled disbursement service is to allow the corporate customers to issue checks drawn on a smaller bank which, because of its size and location and separate routing number, receives limited check presentments from the Federal Reserve.

BMO Capital Markets Corp.

BMO Capital Markets Corp. (BMO CMC) is a wholly-owned subsidiary of BFC. BMO CMC is incorporated under the laws of the State of Delaware. BMO CMC has a special purpose entity, KGS-Alpha Asset Acquisition, LLC, a Delaware limited liability company, which securitizes Confirmation of Originator Fee (COOF) assets for BMO CMC. BMO CMC is part of BMO's U.S. Operations.

BMO CMC operates as a self-clearing, institutional broker-dealer that consists of Receive Versus Payment and Delivery Versus Payment (RVP/DVP) business as well as provides custodial and asset servicing for institutional clients with the U.S. Prime Brokerage business. BMO CMC offers a variety of advisory and execution services across a number of product categories, including debt and equity capital markets underwriting, government sponsored enterprise (GSE) debt and non-GSE debt underwriting, treasury and equity finance services. BMO CMC also provides execution services across equities, fixed income and convertible securities, and equity derivatives, and delivers focused research products across debt and equity strategies, sectors, and companies.

BMO CMC is registered with the U.S. Securities and Exchange Commission (SEC) as a U.S. securities broker-dealer and investment advisor, is a member of the Financial Industry Regulatory Authority (FINRA) and the Securities Investor Protection Corporation (SIPC). BMO CMC is registered to do business in all 50 states, plus the Virgin Islands, Puerto Rico, and Washington D.C. BMO CMC is a member of a number of fixed-income, equities and derivatives exchanges and clearing organizations and is supervised and subject to examination by FINRA, the Federal Reserve Banks (FRB) of Chicago and New York, and the SEC. BMO CMC is registered with the Commodity Futures Trading Commission ("CFTC") as an Independent Introducing Broker ("IIB") and is a member of the National Futures Association ("NFA"). CMC is therefore subject to various compliance rules and regulations adopted and enforced by the CFTC and NFA as well as the various commodity exchange venues CMC may engage with to facilitate commodity interest transaction. Compliance with, and awareness of all applicable rules and regulations is compulsory at all levels of CMC.

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.

The presence of Bank of Montreal in Chicago dates back to 1861 when an office was established to facilitate the cross border grain trade. The current legal structure of the BMO Chicago Branch as a State of Illinois licensed foreign banking office of Bank of Montreal was effective as of August 20, 1984. The physical location of the BMO Chicago Branch is based on the work location of the Branch Manager, which is currently 320 S. Canal, Chicago, Illinois. The Chicago Branch is customer facing through the lines of business booking through the Branch. The organizational structure of and governance over the Chicago Branch is dependent on interconnections with both business groups and support functions guided by centralized oversight provided by the Chicago Branch management team.

The BMO Chicago Branch management team includes the role of Branch Manager and a Branch Chief Financial Officer, who is also the U.S. Controller and Chief Accountant. The BMO Chicago Branch management team was established in September 2006 to facilitate day-to-day governance oversight of the Branch, supported by a management committee and key support functions, including Finance, Legal, Risk Management, Compliance, Anti-Money Laundering Office and Audit. The Branch relies on BMO, BBNA, CMC and BFC to provide business, operational, regulatory, and administrative services, subject to various service agreements.

The BMO Chicago Branch governance structure continues to evolve as BMO internal organizational changes occur along with regulatory expectations for governance over BMO Chicago Branch activities. As noted previously, the BMO Chicago Branch is a booking location for various Operating Groups which have the customer facing relationships. The organizational structure of the BMO Chicago Branch is based on interconnections from both business activities and Corporate Services, along with the centralized oversight provided by the CM Global Governance team.

There are service agreements between the Branch and other entities whereby the Branch serves as a provider to allocate the payroll costs and associated expenses appropriately.

Given the firm's global operating model, BMO's U.S. operations have certain operational and financial dependencies on the foreign parent. The Personal and Business Banking, Commercial Banking, and Wealth Management core business lines are primarily conducted by BBNA and receive most critical services and associated critical services support assets from BBNA and BMO. The Investment and Corporate Banking and Global Markets core business lines are primarily conducted by and receive most critical services support and critical service support assets from the BMO Chicago Branch and BMO CMC.

1.1.3 Core Business Lines

The 165(d) Rule defines core business lines (CBLs) 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.

U.S. Personal and Commercial Banking (U.S. P&C) is a multi-channel Operating Group that offers a full range of client banking solutions. Two of the five CBLs reside within U.S. P&C.

- **U.S. Personal and Business Banking** (U.S. P&BB) serves customers with a full suite of deposit, lending, and credit card products delivered through its branches, customer contact centers, online and mobile banking platforms plus a partnership with the Allpoint ATM network offering surcharge-free

access to over 40,000 ATMs across the United States. It serves approximately 4MM retail customers and approximately 270,000 small businesses. U.S. P&BB also has cross-referral synergies with BMO Private Bank, and to a lesser extent other BMO lines of business.

- **U.S. Commercial Bank** provides clients with a comprehensive range of commercial products and services, including a variety of financing options and treasury and payment solutions, as well as risk management products. Our commercial bankers partner with clients to anticipate their financial needs, and offer valuable expertise and industry knowledge to help them manage and grow their businesses. U.S. Commercial Bank operates primarily within BBNA and BMO Chicago Branch, and is headquartered in Chicago, IL. U.S. Commercial Bank serves clients through a combination of sector expertise, local knowledge and mid-market focus across the U.S. The business partners closely with U.S.P&BB, U.S. Wealth Management, and BMO Capital Markets U.S. to bring the full strength of BMO to every client relationship.

BMO Wealth Management 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.

- **U.S. Wealth Management**, provides full-service investing, banking and wealth advisory services to mass affluent, high net worth and ultra-high net worth clients, leveraging individualized financial planning and advice-based solutions such as investment management, business succession planning, trust and estate services and philanthropy.

BMO Capital Markets 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.

- **U.S. Investment and Corporate Banking** (I&CB U.S.) is the U.S. division of the Global Investment and Corporate Banking business of BMO Capital Markets. I&CB U.S. comprises of two complementary businesses:
 - The Investment Banking (IB) business provides advisory services (mergers, acquisitions, or divestitures) and capital raising services (debt and equity underwriting, private placements, syndicated and non-syndicated loans and direct lending via partnership) through alignment between its coverage sector and product teams.
 - The Global Corporate Banking (CB) business is comprised of Corporate Banking, Global Transaction Banking and Global Banks to provide a wide range of product solutions including: Corporate Lending (ranging from traditional loans to complex structure financing), Liquidity & Cash Management, Risk Management, and Trade Finance (including Supply Chain financing).

- **U.S. Global Markets** (US GM) offers a complete range of products and services to corporate, institutional and retail clients through an integrated suite of sales and trading solutions that include debt, foreign exchange, interest rate, credit, equity, and securitization. US GM offers new product development and origination services as well as risk management advisory and hedging services. In addition, US GM provides funding and liquidity management to its customers and performs activities on behalf of other parts of the broader BMO organization. Business within US GM is conducted primarily with MEs: BBNA, BMO CMC, and BMO Chicago Branch.

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 July 31, 2025. This information is taken from the unaudited consolidated financial statements included in BMO's quarterly financial information.

1.1.4.1 Balance Sheet

Figure 1.1.4.1-1 BMO Financial Group Balance Sheet

BMO Financial Group		
Consolidated Balance Sheet		2025
(C\$ millions)		Q3
As At Balances		
Cash and Cash Equivalents	\$	58,587
Interest Bearing Deposits with Banks		4,207
Securities		399,758
Securities Borrowed or Purchased Under Resale Agreements		128,279
Loans		
Residential mortgages		195,207
Consumer installment and other personal		92,584
Credit cards		12,984
Businesses and government		381,525
		<u>682,300</u>
Allowance for credit losses		(5,165)
Total net loans		<u>677,135</u>
Other Assets		
Derivative instruments		44,197
Customers' liability under acceptances		450
Premises and equipment		6,184
Goodwill		16,702
Intangible assets		4,819
Current tax assets		2,456
Deferred tax assets		2,728
Receivable from brokers, dealers and clients		42,275
Other		43,776
Total Assets	\$	<u>1,431,553</u>

Figure 1.1.4.1-1 BMO Financial Group Balance Sheet

BMO Financial Group		2025
Consolidated Balance Sheet		
(C\$ millions)		Q3
Deposits		
Banks	\$	31,033
Businesses and government		557,410
Individuals		312,144
Total deposits at amortized cost		900,587
Deposits at FVTPL		54,776
Total deposits		955,363
Other Liabilities		
Derivative instruments		51,452
Acceptances		450
Securities sold but not yet purchased		51,408
Securities lent or sold under repurchase agreements		126,759
Securitization and structured entities' liabilities		49,559
Insurance-related liabilities		18,872
Payable to brokers, dealers and clients		46,396
Other		36,063
Subordinated Debt		8,466
Share Capital		
Preferred shares and other equity instruments		9,156
Common shares		23,554
Contributed surplus		368
Retained earnings		47,554
Accumulated other comprehensive income		6,091
Total shareholder's equity	\$	86,723
Non-controlling interest in subsidiaries		42
Total Liabilities and Equity	\$	1,431,553

Source: BMO Financial Group 2025 Q3 Financial Results

The following financial information is provided for BMO's material entities for the purposes of the 165(d) RP. As required by U.S. regulatory filing requirements, the following information is provided in U.S. dollars on a standalone basis as of June 30, 2025, unless otherwise noted.

BMO Financial Corp. had total assets of \$51.6B, of which \$48.2B related to investments in subsidiaries, and total liabilities of \$13.3B. [Source: FR Y-9LP]

BMO Bank N.A., on a consolidated basis, had total assets of \$253.8B and total liabilities of \$217.5B. [Source: FFIEC 031]

BMO Harris Central N.A. had total assets of \$8.2M and total liabilities of \$1.0M. [Source: FFIEC 041]

BMO Capital Markets Corp. had total assets of \$27.2B and total liabilities of \$24.5B. [Source: Audited Financial Statements as at December 31, 2024]

Bank of Montreal Chicago Branch had total assets of \$134.4B and total liabilities of \$134.4B. [Source: FFIEC 002]

1.1.4.2 Major Funding Sources

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

BMO's funding strategy requires that secured and unsecured wholesale funding used to support loans and less liquid assets must have a term (typically two to ten years) that will support the effective term to maturity of these assets. Secured and unsecured wholesale funding for liquid trading assets is largely shorter-term (maturing in one year or less), is aligned with the liquidity of the assets being funded and is subject to limits on aggregate maturities across different periods. Supplemental liquidity pools are funded largely with wholesale term funding.

Diversification of our wholesale term funding sources is an important part of our overall liquidity management strategy. Our wholesale term funding is well-diversified by jurisdiction, currency, investor segment, instrument type and maturity profile. We maintain ready access to long-term wholesale funding through various borrowing programs.

Total secured and unsecured wholesale funding outstanding, which largely consists of negotiable marketable securities, was \$248.4 billion as at July 31, 2025, with \$68.1 billion sourced as secured funding and \$180.3 billion sourced as unsecured funding.

We maintain a large and stable base of customer deposits that, in combination with our strong capital position, is a source of strength. This supports the maintenance of a sound liquidity position and reduces our reliance on wholesale funding. Customer deposits totaled \$701.4 billion as at July 31, 2025, with strong growth across both retail and commercial deposits.

BMO maintains a sizable portfolio of unencumbered liquid assets, totaling \$372.8 billion as at July 31, 2025, that include 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. Liquid assets are primarily held in our trading businesses, as well as in supplemental liquidity pools that are maintained for contingent liquidity risk management purposes. The Bank runs internal and regulatory stress tests to determine whether the liquid assets portfolio is adequate to meet contractual and contingent liquidity outflows. Stress testing results are evaluated against the Bank's stated risk tolerance and are considered in management decisions on sizing the SLP portfolio, setting limits and internal liquidity transfer pricing.

1.1.4.3 Capital

BMO is committed to a disciplined approach to capital management that balances the interests and requirements of our shareholders, regulators, depositors, fixed income investors and rating agencies. We recognize the global trend of rising regulatory capital requirements, and manage our capital position accordingly.

BMO's capital ratios at July 31, 2025 were strong and exceeded regulatory requirements. BMO's Common Equity Tier 1 (CET1) Ratio, Tier 1 Capital Ratio, Total Capital Ratio and Leverage Ratio at July 31, 2025 were 13.5%, 15.5%, 17.8% and 4.5%, respectively. Regulatory capital requirements for BMO are determined in accordance with guidelines issued by the Office of the Superintendent of Financial Institutions Canada (OSFI), which are based on the Basel III framework developed by the Basel Committee on Banking Supervision (BCBS). The current minimum risk-based capital ratios set out in OSFI's Capital Adequacy Requirements (CAR) Guideline

are a Common Equity Tier 1 (CET1) Ratio of 4.5%, a Tier 1 Capital Ratio of 6.0% and a Total Capital Ratio of 8.0%. In addition to these minimum capital requirements, OSFI also requires domestic systemically important banks (D-SIBs), including BMO, to hold Pillar 1 and Pillar 2 buffers, which are meant to be used as a normal first response in periods of stress. Pillar 1 buffers include a capital conservation buffer of 2.5%, a D-SIB Common Equity Tier 1 surcharge of 1.0% and a countercyclical buffer, which can range from 0% to 2.5%, depending on a bank's exposure to jurisdictions that have activated the buffer. Pillar 2 buffers address risks associated with systemic vulnerabilities and include the domestic stability buffer (DSB), which can range from 0% to 4.0% of risk-weighted assets (RWA) and was 3.5% as at October 31, 2024. The current minimum Leverage Ratio set out in OSFI's Leverage Requirements (LR) Guideline is 3.0%.

OSFI's CAR Guideline includes non-viability contingent capital (NVCC) provisions, which require the conversion of Additional Tier 1 and Tier 2 capital instruments into common shares if OSFI announces that a bank is, or is about to become, non-viable, or if the federal or a provincial government in Canada publicly announces that the bank has accepted, or has agreed to accept, a capital injection or equivalent support to avoid non-viability. Pursuant to the principles set out in the CAR Guideline, a conversion to common shares would respect the hierarchy of claims in liquidation, ensuring that holders of Additional Tier 1 and Tier 2 instruments are entitled to a more favourable economic outcome than existing common shareholders. Under the Bail-In Regime, eligible senior debt issued on or after September 23, 2018 is subject to statutory conversion requirements. Canada Deposit Insurance Corporation has the power to trigger the conversion of bail-in debt into common shares. This statutory conversion supplements NVCC securities, which must be converted in full prior to the conversion of bail-in debt. As at July 31, 2025, BMO's TLAC ratio was 29.5% and its TLAC leverage ratio was 8.5%.

1.1.5 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 can be either regulated exchange-traded contracts or negotiated over-the-counter contracts. We use these instruments for trading purposes, as well as to manage our exposures, mainly to foreign currency and interest rate fluctuations, as part of our asset/liability management program.

Trading Derivatives

Trading derivatives include derivatives entered into with customers to accommodate their risk management needs, market-making to facilitate customer-driven demand for derivatives, derivatives transacted on a limited basis to generate trading income from our principal trading positions, and certain derivatives entered into as part of our risk management strategy that do not qualify as hedges for accounting purposes (economic hedges).

The bank may also economically hedge a portion of our U.S. dollar earnings through forward foreign exchange contracts and/or options to minimize fluctuations in our consolidated net income due to the translation of our U.S. dollar earnings.

Risks Hedging

BMO manages interest rate risk through interest rate futures, 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.

BMO manages foreign currency risk through currency futures, foreign currency options, cross-currency swaps, foreign exchange spot transactions, forward contracts and deposits denominated in foreign currencies.

BMO manages equity price risk through total return swaps

Derivatives Used in Hedge Accounting

In order 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 effectiveness is to be assessed. Changes in the fair value of the derivative must be highly effective in offsetting changes in the fair value or changes in the amount of future cash flows of the hedged item. We evaluate hedge effectiveness at the inception of the hedging relationship and on an ongoing basis, retrospectively and prospectively, primarily using a quantitative statistical regression analysis.

- ***Cash Flow Hedges*** - Cash flow hedges modify exposure to variability in cash flows for variable interest rate bearing instruments, foreign currency denominated assets and liabilities and certain cash-settled share-based payment grants subject to equity price risk.
- ***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 economically convert fixed rate assets and liabilities to floating rate. We use cross-currency swaps, interest rate swaps and bond futures to hedge foreign exchange risk and interest rate risk, including benchmark interest rates inherent in fixed rate securities, a portfolio of mortgages, deposits and subordinated debt and other liabilities.
- ***Net Investment Hedges*** - Net investment hedges mitigate our exposure to foreign exchange rate fluctuations related to our net investment in foreign operations.

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:

Figure 1.1.6-1 Material Payment, Clearing and Settlement Systems

Payment/ Clearing/ Settlement System	Description
Canadian Derivatives Clearing Corporation (CDCC)	Clearing and settlement services for exchange-traded derivative products (options, futures) and OTC instruments (fixed income, Forex) in Canada
Chicago Mercantile Exchange	Clearing and settlement services for futures, options and OTC derivatives. (BMO CMC – Futures membership, BMO – OTC Membership)
Clearing and Depository Services Inc. CDS, CDSX	Major fixed income and equity clearing and depository organization in Canada
The Depository Trust Company (DTC)	Clearing and settlement and depository services for securities and derivatives
Federal Reserve Board (Fedline Advantage, Fedwire, FedACH)	Wire transfer and electronic payment processing, and cash and securities settlement services
Fixed Income Clearing Corporation (FICC)	Clearing organization for U.S. treasury securities
London Clearing House (LCH.Clearnet)	Clearing services for OTC interested rate swaps and depository services for commodities, equities, fixed income, swaps and Forex contracts
National Securities Clearing Corporation (NSCC)	Clearing and settlement for equities, corporate and municipal debt, ADRs, ETFs and UITs
Options Clearing Corp. (OCC)	Clearing and settlement services for equity, index, foreign exchange, interest rate derivatives and equity futures

1.1.7 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 53,000 people and its services are delivered through the Operating Groups of Personal and Commercial Banking (comprised of Canada and U.S. operating segments), BMO Capital Markets, and BMO Wealth Management. Canadian Personal and Commercial is the largest operating segment 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 Group 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. BMO Wealth Management serves a full range of client segments from mainstream to ultra-high net worth and institutional in both Canada and the U.S.

As of July 31, 2025, Canadian and other non-U.S. operations represented 55% of total average assets and contributed 60% of adjusted net income; U.S. operations represented 45% and 40%, respectively. Of its total workforce, BMO had approximately 34,100 full-time equivalent employees in Canada, 18,900 in the U.S., and 700 in other jurisdictions as of July 31, 2025.

1.1.8 Material Supervisory Authorities

The Office of the Superintendent of Financial Institutions (OSFI) is the prudential supervisor of the Canadian-based covered company, the Bank of Montreal (BMO). As such, OSFI is the umbrella supervisor for BMO and its operations. The table below includes material U.S. supervisory authorities related to the MEs identified in the 165(d) RP.

Figure 1.1.8-1 Material Supervisory Authorities

Material Entity	Regulatory Agency
BMO Financial Corp.	Federal Reserve Bank of Chicago
BMO Bank N.A.	Office of the Comptroller of the Currency
	Federal Deposit Insurance Corp.
	Consumer Financial Protection Bureau
BMO Harris Central N.A.	Office of the Comptroller of the Currency
	Federal Deposit Insurance Corp.
	Consumer Financial Protection Bureau
BMO Capital Markets Corp.	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

1.1.9 Principal Officers

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

Figure 1.1.9-1 BMO's Principal Officers

BMO Executive Committee	
Name	Role/Title
Darryl White	Chief Executive Officer, BMOFG
Aron Levine	President, BMO U.S.
Alan Tannenbaum	Chief Executive Officer & Group Head, BMO Capital Markets
Darrel Hackett	Chief Executive Officer, BMO Financial Corp.
Deland Kamanga	Group Head, Wealth Management
Mona Malone	Chief Administrative Officer, Chief Human Resources Officer and Head of People, Culture & Brand, BMOFG
Mathew Mehrotra	Group Head, Canadian Personal and Business Banking, and Co-Head Canadian Personal & Commercial Banking
Paul Noble	General Counsel, BMOFG
Piyush Agrawal	Chief Risk Officer, BMOFG
Sharon Haward-Laird	Group Head, Canadian Commercial Banking & North American Integrated Solutions, and Co-Head Canadian Personal & Commercial Banking, BMOFG
Steve Tennyson	Chief Technology & Operations Officer, BMOFG
Tayfun Tuzun	Chief Financial Officer, BMOFG

1.1.10 Corporate Governance Structure and Processes Related to Resolution Planning

Governance Structure

Within the U.S., BMO has a robust corporate governance structure to direct its legal entities, lines of business, critical operations, and corporate services. As BMO's U.S. Operations have grown, representing approximately 40% of the Bank of Montreal's group of companies' (BMOFG) total revenue, BMO's U.S. governance structure has continued to mature. At BMO, U.S. Governance is the management of rights, authorities, and control through defined checks and balances. The governance structure provides oversight, in which leadership ensures clear accountability, establishes transparency, streamlines decisions, and promotes and maintains a disciplined and unified culture.

BMO U.S. aligned and integrated its U.S. resolution efforts with the formal (BAU) U.S. governance model by establishing and approving the U.S. Financial Crisis Management Committee (U.S. FCMC) as a sub-committee of the U.S. Risk Management Committee (U.S. RMC).

The U.S. RMC is responsible for risk activities for all BMO operations, activities, and transactions in the U.S. across all business lines and legal entities, including, but not limited to BMO Financial Corp. (BFC) and its subsidiaries (such as BMO Bank), and the BMO U.S. Chicago and New York branches and Houston Agency (U.S. Operations). The U.S. RMC is accountable for oversight over Credit Risk, Liquidity and Funding Risk, Market Risk, Model Risk, Business Risk, Reputational Risk, Strategic Risk and Operational Risk across the business lines and legal entities operating in the U.S.

The purpose of the U.S. FCMC is to ensure that management is positioned (resources, processes and execution) to meet expectations for resolution and recovery planning. U.S. FCMC effectively supports new and amended guidance from U.S. regulators and their impacts to U.S. resolution and recovery planning. Additionally, the U.S. FCMC ensures that impediments and/or obstacles identified during resolution and recovery planning are efficiently and effectively addressed. Its membership includes senior leaders from the material entities (MEs), core business lines (CBLs), and corporate services.

The U.S. FCMC is responsible for overseeing the implementation of and sustainability of actions required to address U.S. regulatory concerns, guidance and expectations regarding U.S. resolution planning. This includes adherence to established governance concerning continual plan improvements, any new content development and the ongoing maintenance of resolution plans. It is established by the Managing Director, Financial Crisis Management (MD FCM) through authorities delegated by the U.S. RMC. The U.S. FCMC meets regularly throughout the year. In addition, FCM provides periodic resolution plan updates to the Boards, the U.S. Management Committee, and the U.S. Risk Management Committee.

The following senior officers are designated as primary executives for U.S. Recovery and Resolution Plans:

- U.S. Chief Financial Officer (main point of contact for the Recovery, IDI and 165(d) Resolution Plans); and
- U.S. Treasurer.

As Executive Sponsor and Accountable Executive, respectively, they are responsible for overseeing the Recovery and Resolution Plans, which includes ensuring BMO U.S. complies with the regulatory rules governing recovery and resolution plans and their required filing deadlines.

The Managing Director and Head of Financial Crisis Management (FCM) leads Financial Crisis Management in the U.S. and Enterprise.

Processes and Support Structures for Resolution Planning - Day-to-Day

Day-to-day resolution plan activities and deliverables are managed by the FCM team who is responsible for coordinating the analysis, planning, content development, reporting, quality assurance/validation, sign-offs/ approvals and file submissions for the Recovery, 165(d) and IDI Resolution Plans. The FCM team works in alignment with the BMO U.S. governance framework, industry and program management best practices and regulatory expectations. In the context of an actual financial or economic crisis (and in collaboration with applicable BMO Committees and Working Groups), FCM provides operational support to the key U.S. Management Committees responsible for acting, in accordance with the expectations documented in the 165(d) RP.

Regular meetings are scheduled with a broad range of executives, which include discussing materials that are informative and necessitate decision-making. Updates on the FCM program, including the Resolution Plans, are provided as needed. The regularly scheduled meetings are as follows (frequency subject to change):

- Quarterly: Board of Directors BBNA and BFC;
- Quarterly: U.S. Risk Management Committee;
- 4 times per year (minimum): U.S. Financial Crisis Management Committee;

Additionally:

- Weekly: FCM Team;
- As needed: Touch-points with the Accountable Executives;
- As needed: One-on-one Senior Management and SME working group meetings with respective FCM team members;
- Periodically: BMO CFO updates

Processes and Support Structures for Resolution Planning - Reviews and Approvals

The approval of the 165(d) Resolution Plan is based on a robust review and certification process. The 165(d) Resolution Plan is subject to review and recommendation for approval by:

- BFC Board of Directors;
- U.S. RMC;
- U.S. FCMC;
- Accountable Executives;
- Executives responsible for each relevant ME, CBL, CO and CS; and

- Managing Director, FCM

The BMO Board of Directors, as the Board of Directors of the Covered Company, delegated approval authority of the 165(d) Resolution Plan to the BFC CEO.

1.1.11 Material Management Information Systems

Access to relevant data at the appropriate frequency is important to being able to successfully resolve or restructure in the event of failure. Within BMO U.S., this data typically resides on MIS that are collectively designed to pull information from source systems, feed into analytical systems and produce specified outputs.

BMO's MIS Management Reporting 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 are used for risk management, accounting / financial, regulatory and management reporting.

Capabilities

In general, software ownership / licensee rights are held by one legal entity that serves as the main relationship manager for that contract. The standard used when negotiating material software license agreements with software suppliers is to establish an enterprise-wide agreement with BMO or BBNA as signatory, and participation agreements for subsidiaries or other jurisdictions. This standard entitles all business lines and legal entities to share the software without the need to negotiate a new agreement. When enterprise agreements are negotiated with these software suppliers, transfer rights are included in the discussion. The discussion traditionally has focused on the ability of the contract signatories to transfer the contract to another entity or buyer in case of a sale.

Technology Governance

The objective of the Technology Risk Directive is to establish the framework for managing and safeguarding Technology Assets throughout their lifecycles within the Operational Risk Appetite Statement and Technology Risk sub-statement. This Directive is aligned with the Operational Non-Financial Risk Management Framework (ONFRMF) and defines the principles, framework, and roles and responsibilities for identifying, measuring, managing, monitoring and reporting Technology Risks across the Enterprise.

1.1.12 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, CBLs and CO 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's 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) Rule. The strategy to resolve BMO's operations in the U.S. is organized around the resolution of the MEs – BFC, BMO Bank, BMO CMC, BMO Chicago Branch, and BMO Harris Central. The resolution of the CBLs and CO would occur through the MEs in which they operate. The MEs would be resolved as follows:

- BMO Bank and BMO Harris Central would be resolved under the Federal Deposit Insurance Act by the FDIC, following its appointment as receiver. While BMO believes this can best be accomplished through either an immediate whole bank purchase and assumption (P&A) transaction transferring their respective operations to another bank or P&A transactions to multiple acquirers, we acknowledge that other options are available to the Federal Reserve and the FDIC. We have identified key assets that can be sold to one or multiple acquirers to reduce the overall size and complexity of the bank as well as to generate liquidity to support the resolution process. The final step contemplates a P&A transaction, in which the remaining assets and liabilities are sold or transferred to a single acquirer. We anticipate this series of transactions will both maximize value, minimize market impacts and result in the absorption of our footprint by competitors. The time frame to execute this strategy is estimated at 15–18 months from the onset of the resolution period.
- 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 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).

1.1.13 Improving Resolvability

BMO has not previously been notified of any shortcomings, deficiencies, or key vulnerabilities identified by the agencies in prior plan submission. However, BMO has implemented enhancements to resolution planning capabilities that are responsive to the Guidance for Resolution Plan Submissions of Foreign Triennial Full Filers issued in 2024. Enhancements included, but are not limited to, the following:

- Established governance mechanism for preparatory actions which would support execution of the identified strategy which includes incorporating: 1) triggers consider U.S. and enterprise conditions which would prompt actions when breached, 2) bilateral communication protocols between U.S. operations and the parent, and 3) pre-failure actions to be taken which would be taken to facilitate resolution.
- Enhanced operational continuity by leveraging the firm's existing Business Continuity Plans, Business Impact Analysis processes, and underlying databases and source systems of record to identify resolution critical services and critical service support assets such as key systems, facilities, personnel, contracts, third parties, and intellectual property.

- Expanded the analysis of potential asset and business line sales which could be undertaken in resolution, with results now documented in Separability Playbooks, and the firm's ability to quickly populate virtual data rooms which would support the marketing and sale of these assets and business lines.
- Expanded ongoing testing of financial crisis management capabilities to address those capabilities supporting resolvability of U.S. operations distinct from those supporting enterprise resolvability.