



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

165(d) and IDI

PUBLIC SECTIONS

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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 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, 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 Harris Bank N.A. (BMO Harris Bank or BHB) and BMO Harris Central N.A. (BMO Harris Central), each a national bank.

BMO and BFC are considered bank holding companies in the U.S. and have in excess of \$50B in total assets (individually and combined) and are, therefore, 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.) has been 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 \$672B (Canadian) as of January 31, 2015, and approximately 47,000 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 Canadian P&C and U.S. P&C; Wealth Management (WM) including 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.

Canadian P&C operates across Canada, offering banking, financing, and investing solutions as well as card and payment services. Customers are served through more than 900 branches and approximately 3,000 ATMs. Operating predominantly in the U.S. Midwest under the BMO Harris Bank brand, U.S. P&C provides personal and commercial clients with banking, lending, and treasury management services. BMO Harris Bank customers are served through approximately 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.

WM, 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. WM 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. The U.S. segment of BMO Capital Markets Trading Products business, U.S. Trading Products (USTP), offers capital raising, advisory, treasury, research and execution services in the exchange traded and over-the-counter marketplaces. USTP is comprised of the Sales and Trading function that is typically a hybrid activity comprised of customer facilitation and market making activities, organized by product line. Clients are issuers and investors who need to access capital markets and manage risk associated with foreign exchange rates, interest rates, equity and commodity prices.

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, U.S. P&C, WM, and BMO Capital Markets, as described above in Section 1.0.

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'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 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 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."

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 CMC is a wholly-owned subsidiary of BFC that is incorporated under the laws of the State of Delaware. BMO CMC operates as a self-clearing, institutional broker-dealer that mainly consists of receive versus payment (RVP)/delivery versus payment (DVP) business and does not custody client assets. 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 is a designated Primary Dealer with the Federal Reserve Bank of New York. BMO CMC is registered to do business in all 50 states. 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, its primary regulator, the Federal Reserve Banks of Chicago and New York, and the SEC.

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 purpose of BMO Chicago Branch is to support specific BMO activities within the U.S., including optimal use of capital and control of risk and regulatory compliance. It provides a U.S. platform for facilitating intercompany funding between legal entities within BMOFG, as well as supplementing the resources of BHB and other U.S. legal entities for specific trading, lending and investment banking activities.

BMO Harris Financing Inc.

BHFI is a direct subsidiary of BFC. BHFI books Commercial Banking and I&CB U.S. corporate loans.

1.1.3 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.

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.

- Personal Banking serves retail and small to mid-sized business banking customers with a full suite of deposit, lending, and credit card products.
- Commercial Banking serves larger business clients with more complex banking needs. Core products and services include deposits, business lending, treasury management, and risk management.

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.

- 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.

- Investment and Corporate Banking U.S. (I&CB U.S.) is the U.S. division of the Global I&CB business of BMO Capital Markets. I&CB is comprised of two complementary businesses. The first, Investment Banking, provides advisory and capital raising to corporate clients through a combination of its Industry Coverage teams and its Product Groups. The second, Corporate Banking, offers corporate

lending and cash management services through the Corporate Banking group and Treasury and Payment Solutions (T&PS, formerly Global Treasury Management), respectively.

- Financial Products and Debt Products (FPDP) are the two primary product lines offered by U.S. Trading Products. FPDP increases the efficiency and effectiveness of credit and rates coverage through a combined FPDP platform designed to meet the needs of the core Canadian and U.S. Dollar issuers, as well as a broad base of North American and select global investors. It strives to maintain BMO's name in the markets that it serves and to ensure a well-diversified and cost-effective funding capacity. Clients of FPDP range from middle market to large corporate, government, and institutional entities.

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, 2015. 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 BMO Financial Group Balance Sheet

BMO Financial Group	
BALANCE SHEET	2015
(C\$ millions)	Q1
As At Balances	
Cash and Cash Equivalents	44,162
Interest Bearing Deposits with Banks	6,597
Securities	151,372
Securities borrowed or purchased under resale agreements	66,086
Loans	
Residential mortgages	102,073
Non-residential mortgages	11,094
Consumer installment and other personal	65,301
Credit cards	7,924
Businesses and governments	122,099
	308,491
Customers' liability under acceptances	10,986
Allowance for credit losses	(1,847)
Total net loans and acceptances	317,630
Other assets	
Derivative instruments	62,989
Premises and equipment	2,274
Goodwill	5,900
Intangible assets	2,214
Other	13,126
Total Assets	672,410
Deposits	
Banks	24,310
Businesses and governments	262,272
Individuals	143,196

BMO Financial Group	
BALANCE SHEET	
(C\$ millions)	2015
	Q1
Total deposits	429,778
Other liabilities	
Derivative instruments	63,701
Acceptances	10,986
Securities sold but not yet purchased	30,013
Securities lent or sold under repurchase agreements	49,551
Other	45,702
Subordinated debt	4,964
Capital trust securities	—
Share capital	
Preferred shares	3,040
Common shares	12,373
Contributed surplus	303
Retained earnings	17,489
Accumulated other comprehensive income (loss)	4,027
Total shareholder's equity	37,232
Non-controlling interest in subsidiaries	483
Total Liabilities and Equity	672,410

Source: BMO Financial Group 2015 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 \$254.2B and \$42.8B (Canadian) respectively as of January 31, 2015. Customer deposits and capital fund the large majority of BMO's loan portfolio. Total deposits including customer deposits and wholesale deposits totaled \$429.8B (Canadian) as of January 31, 2015. Other major sources of funding include securities lent or sold under repurchase agreements, securities sold but not yet purchased, and securitization liabilities which totaled \$49.6B, \$30.0B and \$23.4B (all Canadian), respectively, as of January 31, 2015. 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 less liquid loans and other assets be longer term (typically maturing in two to ten years) to better match the term

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

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 a mix of wholesale term 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 international 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 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. Net unencumbered liquid assets, defined as on-balance sheet assets such as BMO-owned cash and securities and securities borrowed or purchased under resale agreements plus other off-balance sheet eligible collateral received less collateral encumbered securities, totaled \$191.2B (Canadian) as of January 31, 2015.

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 10.1% at January 31, 2015, well in excess of the regulatory requirements of Canada's Office of the Superintendent of Financial Institutions (OSFI). BMO's 'all-in' Tier 1 ratio at January 31, 2015 was 11.4% and its 'all-in' Total Capital ratio was 13.4%. Since January 2013, OSFI has required Canadian deposit-taking institutions to attain an 'all-in' Basel III Common Equity Tier 1 (CET1) pre-stress target ratio of at least 7%; this pre-stress target will rise to 8% in 2016 due to D-SIB requirements. In March 2013, OSFI issued guidance designating the six largest Canadian banks, including BMO, as domestic systemically important banks (D-SIBs). The D-SIBs will be subject to continued enhanced supervision and disclosure and, commencing on January 1, 2016, will be required to hold an additional 1% CET1 capital as part of an increased Capital Conservation Buffer. No Canadian banks are currently considered to be globally systemically important. BMO's 'all-in' ratios are calculated based on the 2019 Basel III capital requirements other than the phase-out of non-qualifying capital.

Since 2013, OSFI requires Canadian deposit-taking institutions to meet minimum pre-stress 'transitional' Basel III capital ratios. The 2015 minima for these ratios are 4.5% CET1 ratio, 6.0% Tier 1 ratio and 8% Total Capital ratio. The '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. On a transitional basis, BMO's CET1, Tier 1 and Total Capital ratios were 12.3%, 12.3% and 14.3%, respectively.

A Basel III Leverage ratio was implemented effective January 2015. The leverage ratio is defined as Basel III Tier 1 capital divided by the sum of on-balance sheet items and specified off-balance sheet items, net of specified deductions. At January 31 2015, BMO's leverage ratio was 3.8%, well above OSFI's minimum requirement of 3.0%.

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 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.
- 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.

A swaption is an option granting its owner the right but not the obligation to enter into an underlying swap. A future option is an option contract in which the underlying instrument is a single futures contract.

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.

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. We also sometimes economically hedge U.S. dollar earnings through forward foreign exchange contracts to minimize fluctuations in our Canadian dollar earnings due to the translation of our U.S. dollar earnings.

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 BMO's 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:

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
CDS Clearing and Depository Services Inc. (CDS/ CDSX)	Major fixed income and equity clearing and depository organization in Canada
CLS Bank	Clearing for FX spot, swap and forward agreements
CME Group	Clearing and settlement services for futures, options and OTC derivatives. (BMO CMC – Futures membership, BMO – OTC Membership)
The Depository Trust Company (DTC)	DTC is the predominant central custodian providing settlement for U.S. securities transactions
Federal Reserve Wire Network (Fedwire Funds / Fedline Advantage) / 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
LCH.Clearnet Ltd	Clearing 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 Corporation (OCC)	Clearing and settlement services for equity, index, foreign exchange, interest rate derivatives and equity futures
Society of Worldwide Interbank Financial Telecommunications (SWIFT)	Interbank financial telecommunications and messaging between financial institutions, FMUs and businesses

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 approximately 47,000 people and its services are delivered through the operating divisions of Personal & Commercial (Canada and U.S.), BMO CM and Wealth Management. Canadian P&C 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. WM, 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; WM operates in both Canada and the U.S., as well as in Asia and Europe.

As of January 31, 2015, Canadian and other non-U.S. operations represented 66% of total average assets and 83% of reported net income; U.S. operations represented 34% and 17%, respectively. Of its total workforce, BMO had over 31,000 full-time equivalent employees in Canada as of January 31, 2015, over 14,500 in the U.S., and approximately 1,400 in other jurisdictions.

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 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 Harris 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.
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
	Commodity Futures Trading Commission
BMO Harris Financing, Inc.	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
William A. Downe	Chief Executive Officer, BMOFG
Jean-Michel Arès	Chief Technology & Operations Officer, BMOFG
Christopher Begy	Chief Executive Officer and U.S. Country Head, BFC
David R. Casper	President, Chief Executive Officer, BHB and Group Head, Commercial Banking
Alexandra Dousmanis-Curtis	Executive Vice-President and Group Head, U.S. Retail and Business Banking, BHB
Simon A. Fish	General Counsel, BMOFG
Thomas E. Flynn	Chief Financial Officer, BMOFG
Cameron Fowler	Group Head, Canadian Personal and Commercial Banking, BMOFG
Gilles G. Ouellette	Group Head, Wealth Management
Surjit Rajpal	Chief Risk Officer, BMOFG
Connie Stefankiewicz	Chief Marketing Officer, BMOFG
Richard Rudderham	Chief Human Resources Officer, BMOFG
Frank Techar	Chief Operating Officer, BMOFG
Darryl White	Group Head, 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 formalized the 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 and BHB Board of Directors.

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 several 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 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 bi-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. The USRP team

also coordinates with BMO's Financial Crisis Management Office on the production and analysis of various data points to ensure consistency across jurisdictions.

Due to the in-depth expertise required for certain operations and elements of the plan, the 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 bi-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, is reviewed by and discussed with the Corporate Secretary, the USRP SC, and 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 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 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 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, regulatory and management reporting.

Capabilities

Enterprise Infrastructure delivers and manages robust, reliable and cost effective enterprise infrastructure technology and associated services to every line of business. These include data centers and hosting; networks and network components; mainframes, client servers, multiple storage types, telephony, PCs, messaging services, service management, operations support and planning.

Global Information Technology Risk Management serves as a corporate function to protect the Company's information systems, proprietary data, and customer information. Information Security manages a comprehensive risk-based controls portfolio.

For key applications that are hosted internally, BMO operates two core data centers for the majority of the services. There are several smaller data centers that provide niche services such as trading room support. The core data centers are geographically separated to support our high availability, resiliency and disaster recovery strategy. In addition, critical support staff is split across multiple sites to ensure continuous availability.

Technology Governance

Enterprise technology, MIS and other technology solutions are reviewed at one or more of the Technology Governance bodies: Technology Design Review Council (TDRC), Architecture Review Board (ARB) or Enterprise Technology Governance forum (ETG) .

There are additional governance activities built into BMO's System Development Life Cycle (SDLC) (like Information Security Risk assessment, Solutions Architecture Review). In addition, there are audits and reviews carried out by the second and third line of defense groups (e.g., Program and Project Quality Assurance (PPQA) and Audit).

Business Continuity Management

Business Continuity Planning (BCP) requires all Business Units to have plans refreshed on an annual basis and reflect significant business changes with the aim of developing advance arrangements and procedures to recover from and ensure continuity of business processes within defined Maximum Tolerable Outage (MTO). The plan must be formally documented with supporting documentation within the centrally managed Business Continuity Management (BCM) tool.

Testing must be carried out by all Business Units on at least an annual basis and following significant business changes. Test results must be maintained in the centrally managed BCM tool with supporting documentation. The purpose of testing is to ensure viability of assumptions and strategies documented in the Business Impact Analysis, Risk Assessment and Business Continuity Plans and to promote continual improvement. Disaster Recovery is the ability to support and resume critical networks, applications and other technology assets within the stated Recovery Time Objective and Recovery Point Objective. DR is a component of the Enterprise Business Continuity Management Program. DR is a process complimentary to the business and facilities recovery plan.

Disaster recovery involves testing for data recovery from archived backups. Local off-site capabilities are maintained continuously for critical MIS 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 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'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) 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. 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 through a transfer to a bridge bank and a subsequent P&A transaction to another bank, we have presented other options to the Federal Reserve and the FDIC. These options include selling various portfolios and businesses in order to reduce the size of BHB. This downsizing could then be followed by either an Initial Public Offering or a P&A transaction. Additionally, we have included an analysis in which BHB is not sold, but rather its operations are shut down and its assets are liquidated.
- 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.

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 wholly-owned subsidiary of BFC that is incorporated under the laws of the State of Delaware. BMO CMC operates as a self-clearing, institutional broker-dealer that mainly consists of RVP/DVP business and does not custody client assets. 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 is a designated Primary Dealer with the Federal Reserve Bank of New York. BMO CMC is registered to do business in all 50 states. 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, its primary regulator, the Federal Reserve Banks of Chicago & New York, and the SEC.

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. The purpose of BMO Chicago Branch is to support specific BMO activities within the U.S., including optimal use of capital and control of risk and regulatory compliance. It provides a U.S. platform for facilitating intercompany funding between legal entities within BMOFG, as well as supplementing the resources of BHB and other U.S. legal entities for specific trading, lending and investment banking activities.

BMO Harris Financing Inc.

BHFI is a direct subsidiary of BFC. BHFI books Commercial Banking and I&CB U.S. corporate loans.

1.2.3 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.

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

- Personal Banking serves retail and small to mid-sized business banking customers with a full suite of deposit, lending, and credit card products.
- Commercial Banking serves larger business clients with more complex banking needs. Core products and services include deposits, business lending, treasury management, and risk management.

WM 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 WM.

- 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

Figure 1.4-1 BHB Balance Sheet as of December 31, 2014

BMO Harris Bank N.A.	
BALANCE SHEET	
(\$ millions)	12/31/2014
As At Balances	
Assets	
Cash and demand balances due from banks	1,670,261
Money market assets:	
Interest-bearing deposits at banks	14,850
Federal funds sold and securities purchased under agreement to resell	860
Total cash and cash equivalents	17,380
Securities available-for-sale, at fair value	12,103
Securities available-for-sale, at fair value	3,212
Trading account assets and derivative instruments	579
Loans, net of unearned income	54,375
Allowance for loan losses	(770)
Net loans	53,605
Loans held for sale	104
Premises and equipment, net	1,029
Bank-owned insurance	2,832
Goodwill and other intangible assets	3,211
Deferred tax asset, net	1,838
Other assets	1,628
Total assets	97,521

Liabilities	
Deposits in domestic offices	31
— noninterest-bearing	
— interest-bearing	45,395
Deposits in foreign offices	0
— noninterest-bearing	
— interest-bearing	198
Total deposits	70,665
Federal funds purchased and securities sold under agreement to repurchase	348

BMO Harris Bank N.A.	
BALANCE SHEET	
(\$ millions)	12/31/2014
Trading account liabilities and derivative instruments	196
Short-term borrowings	1,079
Accrued expenses	579
Other liabilities	461
Long-term notes	2,976
Total liabilities	82,335
Stockholder's Equity	
Common stock	510
Surplus	11,517
Retained earnings	3,287
Accumulated other comprehensive loss	(128)
Total stockholder's equity	15,186
Total liabilities and stockholder's equity	97,521

Source: BMO Harris Bank N.A. December 31, 2014 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 framework 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. The BMO U.S. Asset Liability Committee, which is chaired by the BMO U.S. 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 funding 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 \$76.7B

and total capital² was \$15.7B as of December 31, 2014, on a consolidated basis. Other major sources of funding include short-term and long-term borrowings that were \$1.4B and \$2.4B respectively. Short-term borrowings are primarily in the form of 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). 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 unencumbered, high-quality, liquid 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 Securities and other available for sale securities that can be 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 \$22B as of December 31, 2014.

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:

- Continue to lend and profitably grow business without interruption, consistent with its business strategies;
- Maintain regulator (OCC and FDIC) confidence;
- Maintain customer and counterparty confidence;
- Raise new Capital and attract funding at a reasonable cost; and
- Provide a risk-adjusted return to its shareholder(s) that is equal to or greater than the cost of Capital and commensurate with the return available on investment alternatives.

BHB is subject to the U.S. Basel III standardized approach risk-based capital requirements from January 1, 2015. As a result it is required to maintain minimum Capital levels with respect to Common Equity Tier 1 Capital ratio, Tier 1 Capital ratio, Total Capital ratio and Tier 1 Leverage ratio as mandated by Title 12 Parts 3 & 6 in the Code of Federal Regulations.

Since capital requirements as of December 31, 2014 were reported under standards that are no longer applicable, BMO Harris Bank's ratios and requirements as of March 31, 2015 were:

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

Figure 1.2.4.3-1 BMO Harris Bank's Capital Ratios

Capital Ratios as of March 31, 2015	Adequately Capitalized Levels	Well Capitalized Levels	BMO Harris Bank
Common Equity Tier 1 (CET1)	4.5%	6.5%	15.76%
Tier 1 Capital Ratio	6.00%	8.00%	15.76%
Total Capital Ratio	8.00%	10.00%	17.05%
Tier 1 Leverage Ratio	4.00%	5.00%	12.47%

BHB will be subject to the requirements of the Capital Conservation Buffer beginning from January 1, 2016. Capital distributions and discretionary bonus payments will be based on BHB's ability to meet certain minimum transitional Capital ratios. BHB continues to be well-capitalized and expects to have no issues in meeting the Capital Conservation Buffer requirements.

1.2.5 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 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.
- 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).

BMO Harris Bank and BMO perform their U.S. foreign exchange activities jointly. Under this arrangement, foreign exchange net profit is shared by BMO Harris Bank and BMO.

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. 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. These forward sales of mortgage-backed securities are also derivatives.

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.

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:

Figure 1.2.6-1 Material Payment, Clearing and Settlement Systems

Payment/ Clearing/ Settlement System	Description
The Depository Trust Company (DTC)	DTC is the predominant central custodian providing settlement for U.S. securities transactions
Federal Reserve Wire Network (Fedwire Funds / Fedline Advantage) / FedACH	Wire transfer and electronic payment processing, and cash and securities settlement services
Society of Worldwide Interbank Financial Telecommunications (SWIFT)	Interbank financial telecommunications and messaging between financial institutions, FMUs and businesses

1.2.7 Foreign Operations

BMO Harris Bank operates primarily in the U.S. and has a virtual foreign branch located in Nassau, Bahamas. This branch's only material activity is the limited booking of foreign currency loans primarily for Commercial Banking customers.

1.2.8 Material Supervisory Authorities

Figure 1.2.8-1 Material Supervisory Authorities

Name	Regulatory Agency
BMO Financial Corp.	Federal Reserve Bank of Chicago
BMO Harris 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.
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 Commodity Futures Trading Commission
BMO Harris Financing, Inc.	Federal Reserve Bank of Chicago

1.2.9 Principal Officers

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

Figure 1.2.9-1 BMO Harris Banks Principal Officers

BMO Harris Bank Executive Officers	
Name	Role/Title
David R. Casper	President, Chief Executive Officer, BHB and Group Head, Commercial Banking
Alexandra Dousmanis-Curtis	Executive Vice-President and Group Head, U.S. Retail and Business Banking, BHB
Jeffrey J. Ellis	Executive Vice-President, Chief Legal Officer, U.S. General Counsel and Assistant Corporate Secretary
David L. Gordon	Executive Vice-President, U.S. Chief Technology & Operations Officer
Darrel Hackett	Executive Vice-President, Head, U.S. Private Banking
Craig T. Ingram	Senior Vice-President, Business Continuity Planning U.S. & Branch Manager, BMO Chicago Branch
Andrew Karp	Senior Vice-President, Deputy General Counsel & Chief Regulatory Officer, BMOFG
Herbert Mazariegos	Senior Vice President, U.S. Chief Bank Secrecy Act/Anti-Money Laundering Officer and Designated Bank Secrecy Act Compliance Officer
Barry McInerney	Executive Vice-President and Co-CEO, BMO Global Asset Management
Cecily Mistarz	Executive Vice-President, U.S. Chief Risk Officer
Gail S. Palac	Senior Vice-President, U.S. Chief Auditor
Larissa Chaikowsky	Chief Human Resources Officer
Stephen Taylor	Executive Vice-President, U.S. Chief Financial Officer
George Walz	Senior Vice-President, US. Chief Compliance Officer

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 formalized 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 Board 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 several 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 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 bi-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. The USRP team also coordinates with BMO's Financial Crisis Management Office on the production and analysis of various data points to ensure consistency across jurisdictions.

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 bi-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 IDI 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 (approval of the IDI RP)
- The Board of Directors of BFC (review of 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 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 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, regulatory and management reporting.

Capabilities

The CIO (Chief Information Officer) organization is responsible for the management and delivery of the company's critical enterprise technology functions from Technology Strategy through Project Delivery (per Bank's Systems Development Life Cycle - SDLC) and ongoing application management and support to enable BMO U.S.'s businesses and other corporate support areas (e.g., Finance, Human Resources, Marketing, Legal, Audit, Regulatory and Compliance, Facilities, Procurement).

Enterprise Infrastructure delivers and manages robust, reliable and cost effective enterprise infrastructure technology and associated services to every line of business. These include data centers and hosting; networks and network components; mainframes, client servers, multiple storage types, telephony, PCs, messaging services, service management, operations support and planning.

Global Information Technology Risk Management serves as a corporate function to protect the Company's information systems, proprietary data, and customer information. Information Security manages a comprehensive risk-based controls portfolio.

For key applications that are hosted internally, BMO operates two core data centers for the majority of the services. There are several smaller data centers that provide niche services such as trading room support. The core data centers are geographically separated to support our high availability, resiliency and disaster recovery strategy. In addition, critical support staff is split across multiple sites to ensure continuous availability.

Governance

There are additional governance activities built into BMO's SDLC (like Information Security Risk assessment, Solutions Architecture Review). In addition, there are audits and reviews carried out by the second and third line of defense groups (e.g., Program and Project Quality Assurance (PPQA) and Audit).

Business Continuity Management

Business Continuity Planning (BCP) requires all Business Units to have plans refreshed on an annual basis and reflect significant business changes with the aim of developing advance arrangements and procedures to recover from and ensure continuity of business processes within defined Maximum Tolerable Outage (MTO). The plan must be formally documented with supporting documentation within the centrally managed Business Continuity Management (BCM) tool.

Testing must be carried out by all Business Units on at least an annual basis and following significant business changes. Test results must be maintained in the centrally managed BCM tool with supporting documentation. The purpose of testing is to ensure viability of assumptions and strategies documented in the Business Impact Analysis, Risk Assessment and Business Continuity Plans and to promote continual improvement. Disaster Recovery is the ability to support and resume critical networks, applications and other technology assets within the stated Recovery Time Objective and Recovery Point Objective. DR is a component of the Enterprise Business Continuity Management Program. DR is a process complimentary to the business and facilities recovery plan.

A BMO U.S. BCM Governance Committee provides oversight and strategic direction to the U.S. Business Continuity Management Program.

1.2.12 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.

While BMO's analysis shows that a whole bank purchase and assumption (P&A) transaction would be the least costly to the FDIC, we have presented other options to the Federal Reserve and the FDIC. These options include selling various portfolios and businesses in order to reduce the size of BHB. This downsizing could then be followed by either an Initial Public Offering or a P&A transaction. Additionally, we have included an analysis in which BHB is not sold, but rather its operations are shut down and its assets are liquidated.