Pillar 3 Disclosures

The BMO Asset Management (Holdings)plc Group
(part of the BMO Financial Group)

BMO Global Asset Management

March 2019

Purpose

- This document sets out the BMO Asset Management (Holdings) plc (BAMH plc) Group (the “Group”) Pillar 3 disclosures as at 31 October 2018. The aim of Pillar 3 is to improve market discipline by requiring firms to publish certain details of their capital, risk exposures and management practices. Pillar 3 also requires firms to have a formal disclosure policy to assess the appropriateness, verification and frequency of disclosure. This document is the Group’s response to the Pillar 3 requirements and, as such, constitutes the BAMH plc Group Pillar 3 policy.

Background

- Pillar 3 disclosures are provided to meet the regulatory disclosure requirements of the Capital Requirements Regulation (CRR) and the Capital Requirements Directive (CRD) referred to together as CRD IV, which came into effect on 1 January 2014. The disclosure requirements are set out in Part Eight of the CRR.
- Pillar 3 disclosures are also provided to meet the regulatory disclosure requirements of the Capital Requirements Directive III (CRD III), still in effect, and as currently transposed into Chapter 11 of the FCA Prudential Sourcebook for Banks, Building Societies and Investment Firms.

Source: BMO Global Asset Management as at 31.10.2018

Scope and application of disclosure requirements

- The disclosures in this document relate to the BAMH plc Group, the parent of which, BMO Global Asset Management (Europe) Limited ("BMO GAM Europe"), is an unregulated holding company. BMO GAM Europe is ultimately a wholly owned subsidiary of the Bank of Montreal and therefore part of the Bank of Montreal Financial Group ("BMO Financial Group"). The BAMH plc Group was purchased by the BMO Financial Group in May 2014.

BMO AM Group Company	Abbreviation	Country of incorporation	Prudential regulator	CRD III / CRD IV
BMO Managers Limited	BML	England	FCA[3]	CRD III
BMO REP Asset Management plc	BMOREP	England	FCA	CRD III
Thames River Capital LLP	TRC LLP	England	FCA	CRD III
BMO AM Multi-Manager LLP	BMM LLP	England	FCA	CRD III
BMO Asset Managers Limited	BAMGRSL	England	FCA	CRD III
BMO Asset Management Limited	BAML	England	FCA	CRD IV
BMO Asset Management Netherlands B.V.	BAMNL BV	The Netherlands	DNB[1]	CRD IV
BMO Portugal S.A.	BPORT SA	Portugal	BoP[2]	CRD IV

- All firms detailed are consolidated into the Group for prudential and accounting purposes. There are additional regulated firms in the Group that have no disclosure requirement under the CRD III or CRD IV. These are however included in the accounting consolidation.
- The Group currently operates under a waiver from the UK financial regulator from meeting any minimum capital requirements under the consolidated supervision rules and consequently disclosures are made on an individual basis across all in-scope firms.
- There are no known current or foreseen practical or legal impediments (other than those set out by law or in regulation) to the prompt transfer of capital resources or repayments of liabilities between parent and subsidiary undertakings and there are no subsidiary undertakings where actual capital resources are less than the required minimum, i.e. each regulated company within the Group currently holds a surplus of regulatory capital.

Source: BMO Global Asset Management as at 31.10.2018. [1.] De Nederlandsche Bank. [2.] Banco de Portugal. [3.] Financial Conduct Authority.

Frequency and means of disclosure

- The capital and risk disclosures required under Pillar 3 are required to be produced at least annually and published in conjunction with the publication of the Annual Report and Financial Statements. BAMH has an accounting reference date of 31 October, therefore, the financial year-end dates of the regulated firms is 31 October, except TRC LLP and BMM LLP, being 31 March. Where there is no alignment between the year-end dates and prudential regulatory reporting dates, the regulatory capital submission reported closest to 31 October 2018 has been disclosed, which for most firms is as at 30 September 2018; BMO Managers Limited, BMO REP Asset Management plc and BMO Asset Managers Limited reported as at 31 October 2018.
- None of the disclosures are subject to audit and have been produced solely for the purposes of satisfying the Pillar 3 regulatory requirements.

Risk management objectives and policies

- As part of BMO Global Asset Management, the Group is a diversified asset management group focused on becoming a multi-asset class manager of global significance. The Group manages investments from multiple investment centres including London, Edinburgh, Amsterdam and Lisbon.
- Our risks are typical to those of investment managers and primarily fall under the categories of financial risk, operational/business risk and strategic risk. It is important to note that all risks are monitored and managed as part of a governance and risk management framework which is consistently applied across all firms within the Group. Whilst the immediate parent of the Group is BMO GAM Europe, the overarching governance of the Group is implemented and overseen by the Board of BAMH plc, a direct, and the sole subsidiary, of BMO GAM Europe. This uniformity has been applied as all Group firms are managed and operated to support the Group's objectives and strategies, and therefore the BAMH plc Board and BMO GAM Management provides oversight of all operations.

Source: BMO Global Asset Management as at 31.10.2018. These disclosures are published on the BMO GAM corporate website (www.bmogam.com) and are referenced in the financial statements of all in-scope CRD III and IV firms.

Control environment

- The Group is committed to high standards of business conduct and seeks to maintain these across all areas of its business and all jurisdictions in which it operates. The Group has procedures for reporting and resolving matters that do not meet the required standards of business conduct.
- The Group has an appropriate organisational structure for planning, executing, managing and monitoring business operations in order to achieve its objectives. This structure is designed to provide clear responsibilities and a control framework for key areas of the Group's business.
- A Governance structure is in place to manage and escalate risks to include: Audit & Compliance Committee, Risk & Remuneration Committee and the BAMH plc Board which reports directly into the Bank of Montreal Governance structure.
- Operational responsibility for the control environment rests with the BMO GAM Chief Executive and is devolved through a documented executive structure with clearly delegated and appropriate levels of authority. Executive Directors are, therefore, accountable for the operation of the systems of internal controls within the Group's business. The Group operates a three lines of defence model with independent risk, compliance and internal audit functions.
- The Business Risk team supports the BAMH plc Board and Bank of Montreal in discharging their duty to ensure that effective systems and controls are in place. The Business Risk team operates independently of any other business line, investment team or function. The key objective of the Business Risk team is to assist in developing and implementing a robust risk and control framework, as approved by the BAMH plc Board and BMO, which will enable risks to be identified and assessed across the Group, managed within acceptable tolerance levels, monitored on a regular basis and reported to management in a timely manner.

Source: BMO Global Asset Management as at 31.10.2018.

- The Group also has separate Compliance (including a first line business unit compliance office (BUCO) team) and Internal Audit functions. On a day-to-day basis the risk framework is owned by the Business Risk function and the risk processes are managed via the Business Risk and Compliance teams. Investment risk is managed at the individual investment desk level with oversight from a dedicated Investment Risk Oversight function. Internal Audit provides independent, objective assurance on the control framework.
- The Mandate Compliance function is responsible for the coding of investment restrictions within the order management system for pre and post trade compliance monitoring. They investigate any breaches and report accordingly to senior management.
- The Investment Risk Oversight team is responsible for assessing and challenging Group-wide activities that give rise to investment risk. The team's remit is to provide independent oversight on the effectiveness of all fund managers in managing the investment risk in their portfolios.

Monitoring and Corrective Action

- Compliance and Internal Audit conduct regular monitoring of various business areas and control procedures in line with an agreed plan.
- Any issues of significance are brought to the attention of the Audit & Compliance Committee (ACC) through the regular reporting process. Planned corrective actions are independently monitored for timely completion and reviewed by the ACC.
- A formal annual internal control report is produced for clients providing assurance on both the design and the operating effectiveness of control procedures. The report follows the International Standard on Assurance Engagements (ISAE) No. 3402 as well as the Audit & Assurance Faculty ("AAF") guidelines established by the ICAEW.

Source: BMO Global Asset Management as at 31.10.2018.

Approach to Operational/Business and Strategic Risk

- The identification of major operational/business and strategic risks is carried out by management, and procedures to manage and monitor these risks, against the Board's approved risk appetite statements, are reviewed and agreed.
- Business Risk produce regular reporting to the relevant Boards and Committees which have been reviewed by the appropriate business units. These highlight changes to risk ratings and significant risk events. All significant items are identified and reported to the Board on a regular basis.
- The Business Risk function facilitates the identification and documentation of risk in the business and helps the business identify mitigating actions in accordance with the BMO Financial Group Risk Management Corporate Policy and Risk Appetite Statement. In addition, any business incidents, including investment mandate breaches, are reported by the business to the risk team and they are recorded and actively monitored until resolved.

Approach to Financial Risk

- The Group's risk management objectives and policies applicable to this disclosure and with specific regard to counterparty credit risk, liquidity risk and market risk are summarised below.
- The Group adopts a low risk approach to treasury management and seeks to ensure that its capital is preserved and financial risks are managed appropriately.
- The Group's corporate treasury activities are managed by the Finance function within parameters defined by the Board. The regulatory capital positions of the Group are reported to the Board on a regular basis.
- The Counterparty Risk team manage new counterparty / broker requests, undertaking both quantitative and qualitative assessments and due diligence before making appropriate recommendations for approval / rejection by the Counterparty Credit Committee (CCC).

Source: BMO Global Asset Management as at 31.10.2018.

- The Group is exposed to a number of financial risks in the normal course of its business. The associated risk management processes have been designed to manage these risks and recognise that treasury management operations are specifically not treated as a profit centre. The key aspects are detailed below:
  - The Board Reserved List prohibits the establishment of borrowing facilities without the prior approval of the Board.
  - Placing of funds on deposit is short term only (maximum term 90 days) – unless approved by the Chief Operating Officer or Chief Executive Officer.
  - Deposits may only be placed with counterparties approved by the CCC, and the Board sets the appropriate limit of exposure to any one counterparty.
  - Foreign currency exposure is managed to reduce the risk and impact of movements in exchange rates by the repatriation of surplus foreign currency to Sterling. Surplus currency balances are defined as being the level of cash which exceeds the regulatory, legal and working capital requirements of the relevant firms.
- The Group is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial assets.

Remuneration

- The Group has been subject, on a consolidated basis, since 1 January 2014 to the requirements of the revised FCA Remuneration Code ("the Code") applying in respect of remuneration paid to CRD IV categorised code staff ("Code Staff"). A key objective of the Code is to ensure remuneration policies promote effective risk management and that the pay practices within firms do not encourage inappropriate risk taking by staff or result in an inappropriate quantum of incentives being distributed relative to the company's capital base.

Source: BMO Global Asset Management as at 31.10.2018.

- The FCA has adopted a proportionate approach to the implementation of its Remuneration Code (SYSC 19A) in respect of how firms may apply the Code in a proportionate manner based on their risk profile. The general guidance issued by the FCA confirms its view that it will normally be appropriate for a firm categorised as “level three” to dis-apply the pay-out process rules imposed under CRD IV in respect of variable remuneration. These are the rules relating to payment of remuneration in retained shares or other instruments, deferral, ratio of variable remuneration to fixed remuneration, and post-award performance adjustment. The Group has been categorised as being a level three firm for the purpose of the Code and so consequently has determined that it is appropriate to dis-apply the pay-out process rules to its Code Staff. However, the Group must still comply with all other requirements within the Code in respect of its remuneration practices and the governance thereof. It is recognised by the Group that its ability to dis-apply the aforementioned pay-out process rules on grounds of proportionality may be removed in due course.

Decision-making process for remuneration policy

- The BAMH plc Board has formed the BAMH plc Risk & Remuneration Committee (the “Committee”) composed of four of its non-executive directors, three of whom are independent non-executive directors. The Committee is required to meet not less than four times a year. The Committee’s responsibilities include ensuring that the remuneration policies, procedures and practices operated by the Group adhere to the requirements of the Code, are consistent with and promote sound and effective risk management and the achievement of fair outcomes for all customers of the Group; do not incentivise risk-taking that exceeds the approved risk appetite of the BAMH plc Group or any of its entities or the risk appetite, governing terms and investment strategy of any of the investment mandates or investment funds operated by the Group; are aligned with the business strategy, objectives, values and long-term interests of the Group itself and those of its customers and its shareholder; the quantum of total variable remuneration does not limit the ability of BAMH plc to safeguard and, where required, strengthen its capital base.

Source: BMO Global Asset Management as at 31.10.2018.

Decision making process for remuneration policy

- The Human Resources Committee (“HR Committee”), on behalf of the BMO Group Board of Directors, establishes and oversees human resources strategies, including compensation and talent management. The HR Committee’s oversight responsibilities include the BAMH plc Group.
- The HR Committee met eight times during 2018. The HR Committee’s mandate is contained in its charter at http://www.bmo.com/home/about/banking/corporate-governance/board-committees/human-resources.
- The members of the HR Committee are all independent

Source: BMO Global Asset Management as at 31.10.2018.

External consultants

The HR Committee works with an outside advisor to help it carry out its mandate.

The HR Committee has retained an advisor on compensation issues. They are an independent and unaffiliated executive compensation advisory firm that works exclusively under the direction of the HR Committee and does not do any work for management.

The Bank also retained independent governance advisors to complete an extensive, periodic independent review of BMO's material compensation plans, which includes the Global Asset Management incentive plan, to ensure the soundness of the Bank's compensation policies and decision-making processes. Their review included:

i. Assessing compensation design;
ii. Assessing plan changes against the Financial Stability Board's ("FSB"') Principles and the applicable regulatory requirements; and
iii. Performing stress testing and back-testing, pay out curve analysis, extensive scenario analysis and volatility analysis of the Bank's corporate and business unit results.

They noted that the Bank has maintained its leadership position with respect to compliance with FSB Principles and Guidance and applicable regulatory requirements.

In addition to the external consultants, the HR Committee has a formal process for overseeing risks associated with the Bank's compensation policies and practices. Key to risk oversight is the Enterprise Compensation Oversight Committee, which comprises the Bank's Chief Risk Officer, Chief Financial Officer, Chief Compliance Officer, General Counsel and senior leaders from Human Resources, along with the Bank's Chief Auditor as an observer. The Compensation Oversight Committee met eight times throughout 2018. At a minimum it will meet before every relevant meeting of the HR Committee and it is actively involved in the annual compensation decision-making process and providing advice to the HR Committee on material compensation plans, including plans applicable to the employees of the Group. No individual is involved in decisions relating to his or her own compensation.

Source: BMO Global Asset Management as at 31.10.2018.

Role of the relevant stakeholders

The HR Committee fully considers the Bank's strategic priorities in setting compensation policy and it is mindful of its duties to shareholders and other stakeholders.

The HR Committee oversees the Bank's compensation plans, making sure they align pay with performance, operate within the Bank's risk appetite, help the Bank achieve its goals and are in the best interest of shareholders, while not encouraging excessive or inappropriate risk-taking.

The BMO Asset Management (Holdings) plc Risk & Remuneration Committee undertakes annual reviews of the implementation of their compensation policies to ensure that they comply with the FCA UK Remuneration Code.

Code Staff Criteria

- BMO incorporates the FCA Remuneration Code (SYSC 19A) on its identification framework to identify Code Staff whose professional activities have a material impact on the risk profile of the firm. The criteria comprise the following categories:
  - Senior management;
  - Risk-takers;
  - Staff engaged in control functions; and
  - Any employee receiving total compensation that takes them into the same compensation bracket as senior management and risk-takers, whose professional activities have a material impact of the firm's risk profile.

Source: BMO Global Asset Management as at 31.10.2018.

Design and structure of compensation and link to performance for Code Staff

The BMO Group approach to compensation is based on a “pay for performance” philosophy. The practices are designed to effectively balance the core compensation principles:

- Link compensation to BMO Group performance: Remuneration design and implementation, as implemented by the Company, aligns with the BMO Group strategy and links to both BMO Group and operating group performance;
- Attract and retain talent: Compensation helps attract and retain talented people and motivates them to excel to achieve objectives;
- Align with prudent risk-taking: Compensation structure does not encourage excessive risk-taking and rewards appropriate use of capital; and
- Encourage a long-term view to increase shareholder value.

The alignment of compensation with risk is an important consideration in compensation plans. For this reason, mechanisms in compensation design are included to ensure risk is appropriately considered before incentive pools are finalised.

These mechanisms include:

- Using risk performance metrics when determining funding for variable compensation;
- Establishing the incentive pool using business results which reflect provisions for credit, market liquidity and other risks;
- Depending on role and function, a significant portion of variable compensation is equity-based and there are share ownership requirements; and
- Having leadership and professionals in human resources, risk, compliance and finance review variable incentive pools throughout the year and before finalising.

Source: BMO Global Asset Management as at 31.10.2018.

Direct compensation is a combination of fixed pay elements and performance-related pay elements (short-term and mid-term incentives). The performance-related pay is designed to reward the achievement of Bank, business and individual performance targets while managing risk.

Code Staff are eligible to participate in the Global Asset Management ("GAM") incentive-based compensation plan, which has two components: 1) upfront compensation, and 2) deferred compensation. The proportion of incentive-based compensation deferred into equity is determined by a deferral grid; generally higher rates of deferral apply for higher levels of incentive. The incentive plan funding is based on actual GAM business performance and is subject to adjustments for Total Bank performance, and risk management considerations.

Individual award allocations are based on achieving business and individual performance goals that are designed to reinforce the Bank and operating group's strategic priorities and values, qualitative measures used to assess how results were achieved and adherence to risk management, compliance requirements and to the BMO Code of Conduct. All Code Staff are eligible to participate in deferred compensation. Up to 50% of the total incentive award may be deferred over a period of three years under the mid-term equity incentive plan and/or mid-term cash plan based on the employee's level of total variable compensation. The mid-term equity incentive plan is designed to promote a greater alignment of interest between employees and shareholders of BMO and to risk over the medium to long-term. Pay-out is based on the performance of the Bank's common shares.

ii) Control Functions

Compensation for Code Staff in control functions is tied to overall Bank performance and performance against individual goals.

These employees have independent reporting lines from the business they support and the success or final performance of business areas they support or monitor does not directly impact the assessment of their performance or compensation. This independence mitigates risk and encourages these employees to maintain their focus on the Bank's overall success.

Code Staff in control functions are eligible to participate in the incentive-based compensation plan which has two components: 1) upfront compensation, and 2) deferred compensation. Funding of the upfront compensation incentive pool is based on BMO's performance against annual targets set on business measures aligned to the Bank's strategic priorities. Funding also takes into account a risk review.

Individual award allocations are based on achieving individual performance goals that are designed to reinforce the Bank and operating group's strategic priorities and values, qualitative measures used to assess how results were achieved and adherence to risk management, compliance requirements and to the BMO Code of Conduct.

Up to 60% of an employee's incentive award is deferred over a period of between three and seven years. Share-linked awards are designed to promote a greater alignment of interest between employees and shareholders of the Bank.

iii) Clawback and forfeitures

Clawback and forfeiture policies have been adopted in the Bank's compensation programs to help mitigate current and future risks.

For all Code Staff, the HR Committee may, in its sole discretion, reduce or forfeit unvested deferred incentive awards depending on the severity of a risk event's impact on Bank, operating group or line of business financial performance or reputation, and individual accountability. The HR Committee evaluates risk events (for example, audit findings, credit losses, financial losses and key indicators of operational, market compliance, poor conduct behaviours and reputational risk) when determining whether to use its discretion to reduce pay-outs from the awarded compensation.

Source: BMO Global Asset Management as at 31.10.2018.

Remuneration Tables for Code Staff

The following tables show the remuneration awards made in respect of the 2018 performance year. The disclosures are made in accordance with Article 450 of the Capital Requirements Regulation, the Basel Committee on Banking Supervision (BCBS) Pillar 3 disclosure requirements standard and the EBA Guidelines on sound remuneration policies to the extent applicable to the 2018 performance year.

Remuneration for the financial year [1,2]

	Senior management (£m)	Other Code Staff (£m)
Number of individuals	24	31
Fixed remuneration	3.96	6.16
Variable remuneration	13.44	6.85
Total remuneration	**17.40**	**13.01**
Variable rem. in Cash	7.22	3.99
Variable remuneration in Share Linked instruments	6.22	2.86
Variable remuneration in other types of instruments	0	0
Outstanding vested deferred remuneration	0	0
Outstanding unvested deferred remuneration	21.14	10.88

1. "Senior Management" means the Executive and Non-Executive Directors and Group Management Team members of BMO Global Asset Management, in accordance with Article 3(9) of CRD IV. "Other Code Staff" includes all other identified Code staff in business areas, internal control functions and corporate functions.

2. The table is prepared in accordance with Article 450 of the Capital Requirements Regulation. Data has been converted into GBP using the rates published by the European Commission for financial programming and budget for December of the reported year.

- No sign-on payments have been made to newly hired Code Staff during the 2018 performance year.
- One severance payment has been made to Code Staff during the 2018 performance year.

Of the individuals above, 13 received remuneration of over EUR 1 million. This can be broken down as follows:

Remuneration (million)	Number of individuals
€1 to €1.5	7
€1.5 to €2	2
€2 to €2.5	2
€3.5 to €4	1
€4.5 to €5	1

Capital resources

- As a result of the accounting reference dates for most firms being 31 October (Thames River Capital LLP and BMO AM Multi-Manager LLP being 31 March) and CRD IV firms being required to report capital adequacy on a calendar quarter basis, the most recently reported regulatory capital submission as at 31 October 2018 is disclosed. For the CRD III firms, this is as at 31 October 2018, apart from Thames River Capital LLP and BMO AM Multi-Manager LLP, both of which most recently reported as at 30 September 2018, as did the CRD IV firms. The capital resources disclosures, where the latest reported regulatory capital submission is as at 30 September 2018, will therefore differ from the total of the relevant balance sheet items in the firms' published financial statements as at 31 October 2018.
- The tier 1 capital resources of each firm consist of share capital (or members' capital for Thames River Capital LLP and BMO AM Multi-Manager LLP), share premium and profit & loss account and other reserves. Share capital relates to ordinary shares in each firm that are allotted, called up and fully paid.

Latest reported Capital Resources Position	CRD III BML	CRD III BMOREP	CRD III TRC LLP	CRD III BMM LLP	CRD III BAMGRSL	CRD IV BAML 4	CRD IV BAMNL BV 5	CRD IV BPORT SA
Tier 1:	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**€'000**	**€'000**
Share Capital / LLP Capital	500	1,000	7,000	3,260	16,000	32,332	209	1,000
Share Premium	-	-	-	-	-	42,197	112,927	-
Profit & loss and other reserves 6	19,731	7,002	-	-	43	(15,832)	(84,890)	9,039
Total Tier 1 Capital	20,231	8,002	7,000	3,260	16,043	58,697	28,246	10,039
Deductions from Tier 1:								
Defined benefit pension fund assets	-	-	-	-	-	-	-	(248)
Deferred tax assets that rely on future profitability	-	-	-	-	-	(7,951)	-	-
Tier 1 capital after deductions	20,231	8,002	7,000	3,260	16,043	50,746	28,246	9,791
Tier 2 capital	-	-	-	-	-	-	-	-
Deductions from total capital 7	(12,571)	(71)	(25)	(5)	-	-	-	-
Total regulatory capital resources	**7,660**	**7,931**	**6,975**	**3,255**	**16,043**	**50,746**	**28,246**	**9,791**

Source: BMO Global Asset Management as at 31.10.2018. 4. BMO Asset Management Limited capital resources include a £50k equity holding in a subsidiary financial sector entity, which is below the threshold for deduction from capital resources per CRD IV rules. 5. BMO Asset Management Netherlands BV holds a deferred tax asset of €2,024k, which is below the threshold for deduction from capital resources per CRD IV rules. 6. CRD III firms: excludes current period unaudited profits. CRD IV firms: includes deduction for unaudited losses or excludes unaudited profits, whichever is applicable. 7. Deduction for illiquid assets relevant for CRD III firms.

Capital resource requirements

- All firms are required to calculate Pillar 1 capital requirements, irrespective of being on a CRD III or CRD IV basis, as the higher of: (a) the sum of the credit risk capital requirement and the market risk capital requirement; and (b) the fixed overheads requirement. The firms are not required to calculate or include an operational risk requirement under Pillar 1.

Latest reported Capital Resource Requirements	CRD III BML £'000	CRD III BMOREP £'000	CRD III TRC LLP £'000	CRD III BMM LLP £'000	CRD III BAMGRSL £'000	CRD IV BAML £'000	CRD IV BAMNL BV €'000	CRD IV BPORT SA €'000
Credit risk capital requirement	150	170	537	346	278	5,674	1,552	368
Market risk capital requirement	-	49	74	-	-	223	56	-
Fixed overheads requirement	1,800	320	667	1,113	390	14,786	5,745	1,441
Total Pillar 1 Requirement	**1,800**	**320**	**667**	**1,113**	**390**	**14,786**	**5,745**	**1,441**

- The Group calculates the Pillar 1 credit risk capital requirement for each firm in accordance with the standardised approach. Further disclosures relating to the credit risk capital component have been considered immaterial as the capital requirement for all firms is the fixed overhead requirement. The market risk for all firms relates to foreign exchange, except BAML, which also includes a small element in respect of equity position risk.

Source: BMO Global Asset Management as at 31.10.2018.

Capital adequacy ratios

- CRD IV firms are required to maintain a minimum total capital ratio of 8%, calculated using total exposure values, which for each firm is the Pillar 1 requirement times 12.5. The surplus of total capital is the surplus of capital resources over the pillar 1 capital requirement.

	BAML	BAMNL BV	BPORT SA
Latest reported Common Equity Tier 1 and Total Capital ratios for CRD IV firms	27.46%	39.33%	54.36%
	£'000	**€'000**	**€'000**
Surplus of total capital	35,960	22,501	8,350

Compliance with the Pillar 2 rule requirements

- The adequacy of capital to support current and future activities is monitored in the Internal Capital Adequacy Assessment Process ("ICAAP"). The level of capital required has been assessed through reviewing a number of scenarios and comparing them with the base case scenario of our budgeted business plan. This approach identifies the timescale and extent of possible capital deficiencies should an adverse scenario arise. The additional level of capital required to cover the Group against such a scenario can then be assessed and / or the mitigating actions identified which are required to ensure a continued capital surplus.
- The latest ICAAP has been prepared based on 31 October 2017 audited financial statements and was approved by the Board in September 2018. It forecasts for a three-year time span to 31 October 2020. This time span is deemed appropriate as it shows both a short-term view of any adverse scenarios and also an impact over the medium-term during which actions would be taken if continued deterioration were to occur. The 2018 ICAAP is currently under way and will contain similar three-year forecasts.

Source: BMO Global Asset Management as at 31.10.2018.

Verification, frequency and ongoing review of the disclosures

- The disclosures detailed in this document are updated in conjunction with the ICAAP, and generally on an annual basis, unless there is a significant event which would detrimentally impact the capital and risk position of the Group.
- The disclosures detailed in the ICAAP are reviewed and formally adopted by the Board of BAMH plc, and the Boards of subsidiaries as appropriate.
- The Pillar 3 disclosure document is reviewed and approved by the Group Chief Operating Officer.

Source: BMO Global Asset Management as at 31.10.2018.

Disclaimer

Views and opinions have been arrived at by BMO Global Asset Management and should not be considered to be a recommendation or solicitation to buy or sell any products that may be mentioned.

Contact us

BMO Global Asset Management (EMEA) – Head Office
Exchange House
Primrose Street
London EC2A 2NY
Tel: +44 (0) 20 7628 8000

Calls may be recorded.

bmogam.com

Extensive worldwide investment capabilities

- Total focus on clients
- Comprehensive range of products and solutions
- Defined expertise – including a suite of specialist investment boutiques