Presale Report
Fortified Trust

DBRS Morningstar
January 26, 2023

Contents

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Structure Summary

Real Estate Secured Line of Credit-Backed Notes, Series 2023-1

Description	Rating Action	Amount ($)	Coupon (%)	Frequency	Expected Repayment[1]	Rating
Class A	New Rating – Provisional	•	•	•	•	AAA (sf)
Class B	New Rating – Provisional	•	•	•	•	AA (high) (sf)
Class C	New Rating – Provisional	•	•	•	•	A (high) (sf)

Note: Various capitalized terms are used throughout this report and can be found in the transaction documents.
1 Expected Final Payment Date. The Series Termination Date (legal maturity) is •, seven years after the Expected Final Payment Date.

Transaction Parties and Relevant Dates

Issuer	Fortified Trust (the Trust)			
Seller	Bank of Montreal (BMO; rated AA/R-1 (high) with Stable trends by DBRS Morningstar)			
Servicer/Initial Swap Counterparty/Administrative Agent	BMO			
Custodian	Computershare Trust Company of Canada			
Issuer Trustee	Computershare Trust Company of Canada			
Indenture Trustee	BNY Trust Company of Canada			
Collateral	Undivided co-ownership interest in the receivables generated by a pool of real estate secured line of credit accounts that are secured by residential mortgages on properties located across Canada.			
Credit Support		**Class A**	**Class B**	**Class C**
1. Subordination	Class B Notes	2.00%	–	–
	Class C Notes	1.90%	1.90%	–
	Total	**3.90%**	**1.90%**	**–**
2. Annual spread after swap (before credit losses)		1.35%	1.35%	1.35%
3. Cash Reserve Account	Zero at closing, can build up to 1.35% minus three-month average excess spread if three-month average excess spread falls below 0.95% (see Credit Enhancement section for more details).			
Legal Structure	A single-asset, single-seller securitization program that issues series of notes to purchase co-ownership interests.			
Lead Underwriter	BMO Nesbitt Burns Inc.			
Counsel to the Trust	Osler, Hoskin & Harcourt LLP			
Counsel to DBRS Morningstar	Internal			
Closing Date	•, 2023			

Rating Considerations

Strengths

1. Credit Enhancement

The levels of credit enhancement provided by subordination (3.90% and 1.90% for AAA (sf) and AA (high) (sf) rated notes, respectively), a Cash Reserve Account that builds up after the occurrence of a Cash Reserve Event, and excess spread of 1.35% annually (after the swap) are commensurate with the ratings assigned.

2. Quality of the Collateral Pool

The collateral is a diversified pool of 57,852 real estate secured line of credit accounts with a Pool Balance of $3.9 billion, a weighted-average (WA) Limit-to-Value Ratio of 58% and a WA credit score of 814. The pool also benefits from the WA 96 months of seasoning since origination.

3. Structural Protections

A bankruptcy-remote structure that includes several structural elements, typically found in securitizations in Canada, that mitigate default risk and the risks related to the credit deterioration of associated counterparties.

4. Underwriting Standards and Collateral Performance

The loss levels of the pool and BMO’s entire home equity line of credit (HELOC) portfolio have been extremely low and very stable, reflecting BMO’s strong underwriting standards and excellent collateral performance. BMO is regulated by the Office of the Superintendent of Financial Institutions (OSFI) and is subject to the requirements of Guideline B-20.

Challenges

1. Economic Uncertainty

Inflationary pressures, a rapidly rising interest rate environment, and heightened geopolitical risk may affect property values and mortgagors' ability to make monthly payments. These risks are mitigated by the current low unemployment rate in Canada, strong asset quality, home equity available in the pool, low historical mortgage default rates in Canada, and prudent underwriting and collection practices.

2. Potential Second-Lien Mortgages

The pool may contain line of credit accounts secured by second mortgages in the future. Should it be necessary to realize on the security, mortgages that are not first liens usually produce lower recovery proceeds. This risk is mitigated by a conservative modelling assumption of 100% loss severity on defaults of non-first-lien security. In addition, the pool does not contain any line of credit accounts secured by second liens as of the report date and pool additions are subject to satisfaction of the Rating Agency Condition (RAC).

3. Low Payment Rate

There is a liquidity gap between the expected bullet payment of the notes and the low payment rate of the pool. This risk is mitigated by the monthly Accumulation Amount, which will be accumulated on a monthly basis prior to the Expected Final Payment Date (subject to certain conditions), the reallocation of available principal collections and a legal maturity date seven years after the Expected Final Payment Date.

Rating Summary

DBRS Limited (DBRS Morningstar) assigned provisional ratings to the Real Estate Secured Line of Credit-Backed Notes, Series 2023-1 to be issued by the Trust as follows:

- AAA (sf) to the Class A Notes
- AA (high) (sf) to the Class B Notes
- A (high) (sf) to the Class C Notes

Rating Considerations

Strengths

Credit Enhancement

The levels of credit enhancement provided by subordination (3.90% and 1.90% for AAA (sf) and AA (high) (sf) rated notes, respectively), a Cash Reserve Account that builds up after the occurrence of a Cash Reserve Event, and excess spread of 1.35% annually (after the swap) are commensurate with the ratings assigned. A Cash Reserve Event will occur if three-month average excess spread drops below 0.95% and the Series 2023-1 Cash Reserve Account will start to accumulate funds until the amount on deposit equals 1.35% minus the three-month average excess spread. This cash-trapping mechanism provides additional enhancement for Noteholders as the funds accumulated in this account can be used for certain payment shortage. The Trust will also enter into a swap agreement under which the Trust pays the WA yield on the Receivables, less a spread of 1.35%, and receives its cost of funds (i.e., blended coupon rates on the 2023-1 Notes) in return. This estimated interest spread of 1.35% is available to cover any losses allocated to the series. Such a swap arrangement mitigates the interest rate mismatch and creates stable spread as enhancement.

Quality of the Collateral Pool

The collateral is a diversified pool of 57,852 real estate secured line of credit accounts secured by mortgages on residential property with a Pool Balance of $3.9 billion, a WA Limit-to-Value Ratio of 58% and a WA credit score of 814. The maximum Limit-to-Value Ratio for any line of credit account, including the installment portion, is capped at 80% with the revolving portion capped at 65% as required by OSFI's Guideline B-20, resulting in a minimum 20% equity in each of the properties at origination. The pool also benefits from the WA 96 months of seasoning since origination.

Structural Protections

A bankruptcy-remote structure that includes several structural elements, typically found in securitizations in Canada, that mitigate default risk and the risks related to the credit deterioration of associated counterparties. These protections include minimum rating thresholds for the account bank, swap provider, commingling, and title registration (see Rating Thresholds and Remedies section) as well as early amortization events, replacement servicer events, and cash reserve events.

Underwriting Standards and Collateral Performance

The loss levels of the pool and BMO's entire HELOC portfolio have been extremely low and very stable, reflecting BMO's strong underwriting standards and excellent collateral performance. As of November 30, 2022, the net loss of the pool as a percentage of average receivables outstanding was approximately 0.01%. BMO is regulated by OSFI and is subject to the requirements of Guideline B-20, which sets out OSFI's fundamental principles and expectations for prudent residential mortgage underwriting and/or acquisition. All line of credit accounts are in compliance with BMO's underwriting guidelines, as in effect at the time of origination, and are in accordance with OSFI's Guideline B-20, also in effect at the time of origination.

Challenges

Economic Uncertainty

Inflationary pressures, a rapidly rising interest rate environment, and heightened geopolitical risks will continue to add uncertainty to performance. The current economic environment has added challenges to highly indebted Canadian consumers and put pressure on the Canadian housing market, especially in certain regions where home prices are considered to be overvalued, and the Bank of Canada has now increased its key interest rate by an aggregate of 4.25% since the beginning of March 2022. These risks are mitigated by the low unemployment rate in Canada, which stood at 5.0% in December 2022, down from a peak of 13.7% in May 2020, strong asset quality, home equity available in the pool, low historical mortgage default rates in Canada, and prudent underwriting and collection practices.

Potential Second-Lien Mortgages

The pool may contain line of credit accounts secured by second mortgages in the future. Should it be necessary to realize on the security, mortgages that are not first liens usually produce lower recovery proceeds. This risk is mitigated by a conservative modelling assumption of 100% loss severity on defaults of non-first-lien security. In addition, the pool does not contain any line of credit accounts secured by second liens as of the report date and pool additions are subject to satisfaction of RAC.

Low Payment Rate

The average monthly payment rates of the pool have ranged from 3.0% to 4.9% since program inception in 2016. While such low payment rates are typical for HELOCs in Canada, there is a liquidity gap between the expected bullet payment of the notes and the low payment rate of the pool. This risk is mitigated by the monthly Accumulation Amount, which will be accumulated on a monthly basis prior to the Expected Final Payment Date (subject to certain conditions), the reallocation of available principal collections, and a legal maturity date seven years after the Expected Final Payment Date.

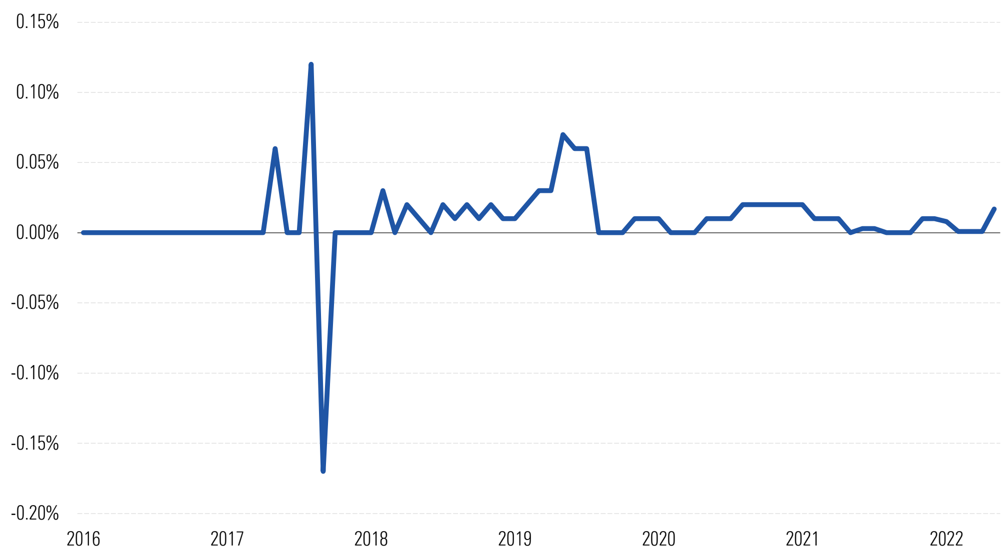
Performance History

The pool has experienced very low losses since it was established in January 2016. As of November 30, 2022, the net loss as a percentage of average receivables outstanding was approximately 0.01%. In addition, BMO HELOC loans have historically performed well with very low credit losses. The very low loss rate is indicative of the borrowers' high credit quality and is reflected in the enhancement levels that are commensurate with the ratings assigned. The balance-weighted credit score of the pool is 814 as of November 30, 2022.

Pool payment rates have ranged from 3.0% to 4.9% since program inception in 2016, and such low payment rates are typical for HELOCs in Canada. The lower the payment rate, the more time is required to liquidate the portfolio. The transaction structure incorporates special accumulation provisions and mechanisms, which ensure that, barring the occurrence of an Amortization Event, the principal amount of the Notes can be accumulated in full by the Expected Final Payment Date.

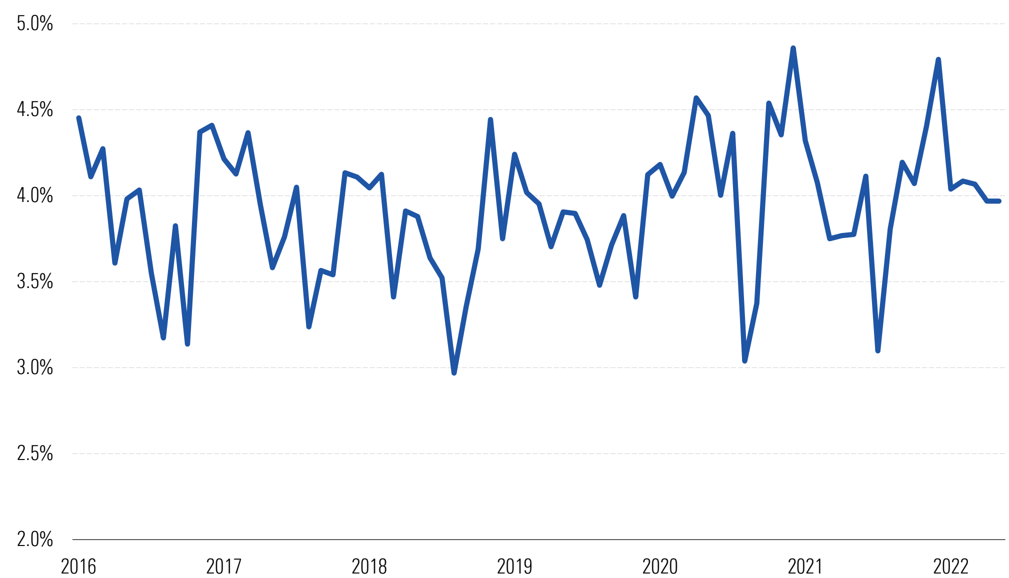
Yield averaged approximately 3.4% in 2020, following the decrease in the prime rate to 2.45%, and remained low in 2021, averaging approximately 3.0%. Yield has rapidly increased following the consecutive prime rate increases experienced since March 2022, averaging approximately 3.8% in 2022. The three-month average yield was 5.3% as of November 30, 2022.

Exhibit 1 Net Loss Rate



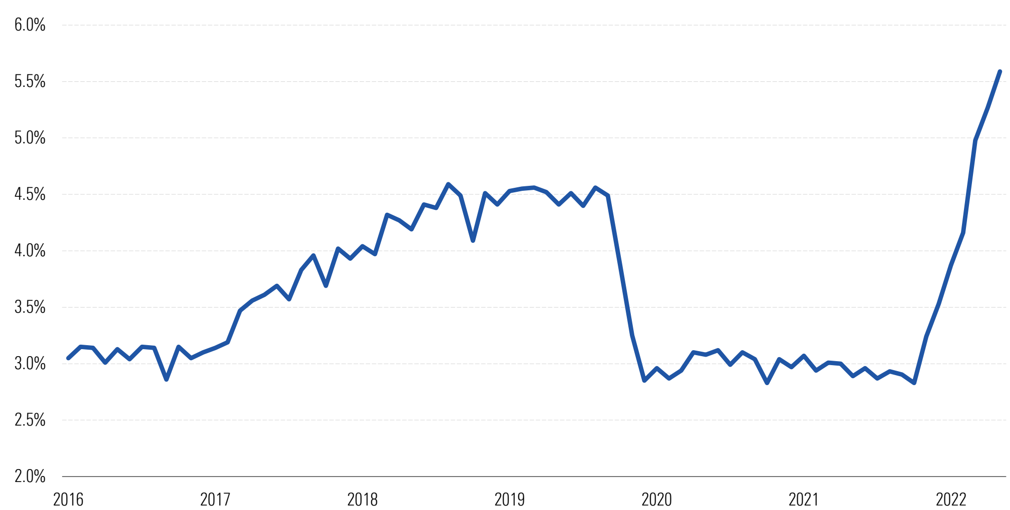
Source: DBRS Morningstar.

Exhibit 2 Payment Rate



Source: DBRS Morningstar.

Exhibit 3 Yield



Source: DBRS Morningstar.

Credit Enhancement and Stress Testing

DBRS Morningstar uses the Canadian residential mortgage-backed securities (RMBS) model to estimate default probability and loss severity on a loan-level basis. For modelling purposes, DBRS Morningstar used conservative assumptions that all loans are drawn to the limit with long periods of interest-only payments.

DBRS Morningstar RMBS Model Output			
Rating Category	**Default Frequency (%)**	**Loss Severity (%)**	**Expected Loss (%)**
AAA (sf)	7.4	37.2	2.8
AA (sf)	4.3	30.9	1.3
A (sf)	3.4	25.4	0.9

Subsequently, DBRS Morningstar runs a proprietary cash flow engine that incorporates transaction-specific triggers, assumptions of default timing, potential interest-rate mismatch, and a variety of stresses listed below on monthly payment rates that are commensurate with the ratings assigned.

Monthly Payment Rate Stress Test Scenarios			
Rating Category	**AAA (sf)**	**AA (sf)**	**A (sf)**
Principal Payment Rate (reduction)	35% to 50%	35% to 45%	30% to 40%

The result was that the Notes, with the proposed structure, could withstand each stress scenario with no loss. The ability of the Trust to repay interest and principal of the Notes is consistent with the respective ratings.

Credit Enhancement

Credit enhancement for the Notes is provided through subordination (3.90% and 1.90% for the Class A Notes and Class B Notes, respectively) and an interest spread estimated to be 1.35% per annum through swaps. A Cash Reserve Event will occur if, on a Determination Date, the three-month average excess spread drops below 0.95% and will continue until the next Determination Date on which the three-month average excess spread exceeds 1.25%. If a Cash Reserve Event occurs, the Series 2023-1 Cash Reserve Account will start to accumulate funds until the amount on deposit equals 1.35%, minus the three-month average excess spread calculated as of the most recent Determination Date. This cash-trapping mechanism provides additional enhancement for Noteholders as the funds accumulated in this account can be used for certain payment shortages.

Interest Rate Swap

The Trust will enter into a swap agreement under which the Trust pays the WA yield on the Receivables, less a spread of 1.35%, and receives its cost of funds (i.e., blended coupon rates on the 2023-1 Notes) in return. This estimated interest spread of 1.35% is available to cover any losses allocated to the series. Such a swap arrangement mitigates the interest rate mismatch and creates stable spread as enhancement.

During the Accumulation Period, under the swap arrangement, the Trust will pay the short-term deposit or investment rate on Eligible Investments less 1.35% and will continue to receive the cost of funds to the extent that available amounts are deposited to the Principal Funding Account.

Securitized Assets

BMO and its affiliates originate real estate secured line of credit accounts that combine mortgage and revolving line of credit lending features into one product. All accounts included in the pool are secured by mortgages on residential property and bear fixed and/or floating, prime-based interest rates. As of November 30, 2022, the pool consisted of 57,852 real estate secured line of credit accounts with a Pool Balance of $3.9 billion. Revolving credit limits are established at up to 65% of the property value pledged as security. The loan may also include an amortizing installment portion. The maximum Limit-to-Value Ratio, including amortizing installment loans, is capped at 80% of the property value. As of November 30, 2022, the amortizing installment portion accounted for 14.3% of the pool. The WA Limit-to-Value Ratio, including amortizing installment loans, was at 58%. For other portfolio characteristics, please see the Appendix.

HELOC products in Canada allow borrowers the flexibility to make (1) payments as low as the interest amount (payment holidays may be allowed in some circumstances), (2) overpayments without prepayment penalties, and (3) frequent draws on the equity of the property up to a predefined credit limit. HELOC products are generally only available to prime borrowers as a cash management tool and there are generally no teaser rates or subsequent resets for the payment requirements. The repayment and drawing flexibility of HELOCs make them an appealing alternative to traditional mortgages.

BMO HELOC loans require that, at a minimum, the interest amount must be paid each month on the revolving portion of the loan. While these line of credit accounts are payable on demand, it is the practice of the Seller not to demand any repayment of principal as long as the Account is not delinquent. The Seller classifies an Account as being delinquent if the credit limit is reached or if the interest payment is past due.

While the pool does not contain any line of credit accounts secured by second mortgages as of the date of this report, such accounts are eligible to be included in the pool. Mortgages that are not first liens are expected to sustain losses higher than first mortgages when they default. All account additions to the pool are subject to satisfaction of RAC.

Characteristics of the Portfolio (as of November 30, 2022) (CAD thousands)	
Receivables outstanding ($)	3,898,852
Credit limit ($)	12,059,167
Number of accounts	57,852
Average balance outstanding ($)	67,394
Average credit limit ($)	208,449
WA age of accounts (months)	96
WA current loan-to-value (%)	46
WA limit-to-value (%)	58
WA credit score	814
Seasoning (%)	
Over 10 years	38.5
Under 5 years	30.0
Geographic Distribution (Top Three Provinces) (%)	
Ontario	42.8
British Columbia	20.0
Alberta	14.4
Rate Type (%)	
Variable Rate	90.1
Fixed Rate	9.9
Product Type (%)	
Instalment	14.3
Revolving	85.7
Credit scores (%)	
Over 700	91.9
600 or less	1.1

Exhibit 4 Composition of Accounts by Age

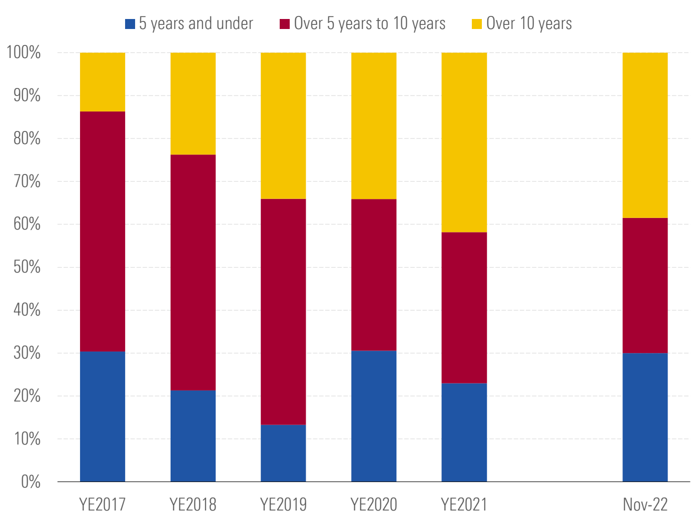
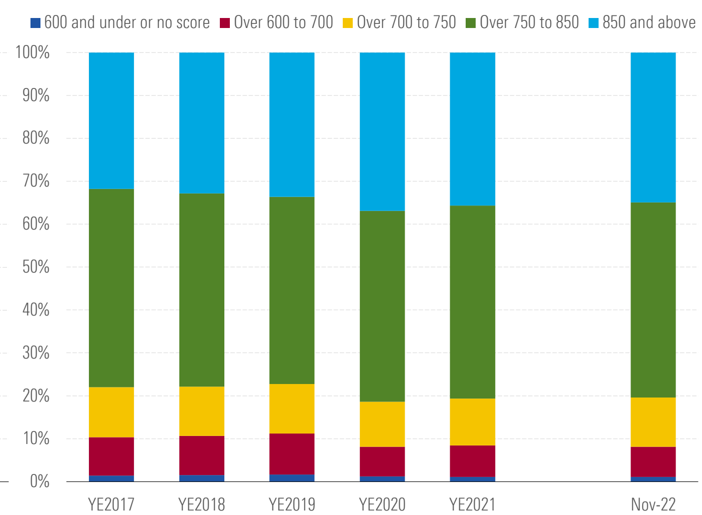
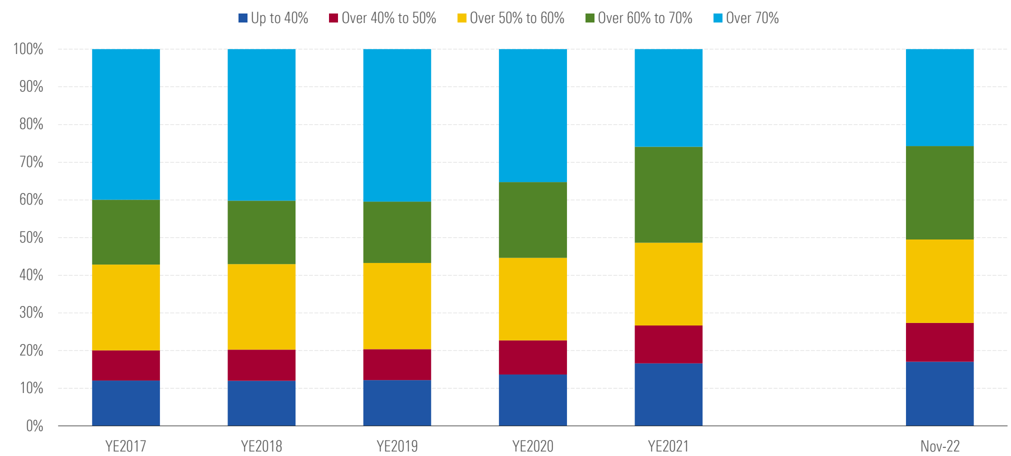


Exhibit 5 Composition of Accounts by Credit Score



Source: DBRS Morningstar.

Exhibit 6 Composition of Accounts by Limit-to-Value Ratio



Source: DBRS Morningstar.

Eligibility Criteria

The Accounts comprising the collateral supporting the Notes must meet the eligibility criteria at the time of sale. Some of the criteria for an eligible Account include the following:

1. The Account is a variable-rate line of credit account in its entirety, which may include fixed-rate line of credit accounts up to a maximum of 25% of the pool.
2. The Account is in existence and maintained by the Seller.
3. The Account is payable in Canadian dollars.
4. All Receivables are secured by an Eligible Mortgage.
5. The Account has a maximum credit Limit-to-Value Ratio of 80%.

Title Registration

Mortgage security remains registered in the name of the Seller at the time of sale to the pool. If BMO fails to maintain a minimum rating of BBB (low) or has its rating withdrawn, registered title to all mortgages will be transferred to the Custodian to allow for enforcement of the mortgage obligations directly against the mortgagors, if necessary. This mechanism preserves the bankruptcy remoteness of the structure in the event of the Seller's insolvency, where title to the mortgages that secure the Receivables would have already been registered to the Custodian. The Seller further agrees to have registrable mortgage transfers prepared, executed, delivered and registered within 180 days of BMO's rating being downgraded to BBB (high) or lower.

Structure

The proceeds from the sale of the Notes will be used to purchase an undivided co-ownership interest (the Series 2023-1 Co-Ownership Interest) in a pool of receivables (the Receivables) arising from real estate secured line of credit accounts (the Accounts) originated by BMO. The Receivables include all amounts owing under the Accounts, including interest charges and any other fees charged to the accountholders (Finance Charge Receivables) as well as the unpaid principal amount of the Receivables.

The Receivables will be funded by several co-owners: the Seller, Series 2019-1, Series 2021-1, and Series 2022-1 issued by the Trust and the Notes to be issued by the Trust. The co-ownership interest not held by purchasers (including the Trust) belongs to BMO as the Seller's Co-Ownership Interest.

The Notes will be supported by interest spread, estimated to be 1.35% annually, as first-loss protection and a Cash Reserve Account. Subordination equal to 3.90% and 1.90% of the Notes will also be available for credit protection of the Class A Notes and Class B Notes, respectively. The Notes are secured by the following (the Assets):

1. All present and future Receivables arising under the Accounts.
2. The related security — eligible first or second mortgages on residential property in Canada.
3. All amounts due or to become due and all amounts received with respect to the Accounts.
4. All proceeds of the foregoing.
5. The Collections Account, cash balances, other Eligible Investments, and investment earnings thereon.

The aggregate dollar amount of Receivables (the Pool Balance) will fluctuate as new Receivables are generated and existing Receivables are collected, written off or otherwise adjusted. The allocated amounts (initially the principal amounts of each series of notes) of each undivided co-ownership interest with respect to a series may be reduced by the amount of the excess of defaulted amount over the interest spread generated by the Finance Charges allocated to the series.

To make up for small balance adjustments, the Receivables Pool Balance must always equal or exceed 115% of the aggregate outstanding principal amount of the Notes (the Required Pool Balance). If this condition is not met, BMO will be obligated to transfer the Receivables in additional eligible accounts to the Custodian to satisfy this condition. Failure to do so could result in the occurrence of an Amortization Event. The Required Pool Balance may be reduced upon the satisfaction of certain conditions, including satisfaction of RAC with the requirement that the Required Pool Balance may not be reduced to below 102% of the aggregate outstanding principal amount of the Notes. The Trust may issue additional series of notes, provided that the Required Pool Balance is maintained or exceeded.

BMO may, and in certain circumstances (as described above) is obligated to, designate additional eligible Accounts. While the additional Accounts may not perform consistently with the existing Accounts, any addition of Accounts is subject to the satisfaction of RAC.

The Trust has entered into a swap transaction to mitigate interest rate mismatch risk (see details in the Interest-Rate Swap section).

Revolving Period and Accumulation Period

The Revolving Period begins upon the issuance of the Notes and will end upon the commencement of either an Accumulation Period or an Amortization Period. During the Revolving Period, the Trust will only make interest payments on the Notes.

Subject to the prior occurrence of an Amortization Event, the Revolving Period for the Notes will end and the Accumulation Period will begin. The test for the required Accumulation Period is scheduled to start on • for Series 2023-1, 25 months prior to the Expected Final Payment Date. The Accumulation Period will end on the earliest of the following:

1. The first Reporting Day on which the Invested Amount is reduced to zero.
2. The Amortization Commencement Day.
3. The Series Termination Date.

In addition to the Trust covering the funding cost and pool expenses (to the extent not covered by the Seller) during this period, the Trust will accumulate a specific amount of principal collections monthly in the Principal Funding Account.

The generally low payment rate experienced on secured line of credit receivables means that the scheduled accumulation period may be relatively long; therefore, the structure provides for the allocation of principal collections from other series still in the revolving period that would have been released to the Seller if not needed and then the principal collections that would normally be allocated to the Seller would be allocated on a pro rata basis with all series of notes in an Accumulation Period. If the Seller's portion of collections allocated to the series is insufficient to meet the monthly required principal deposit for the series in the Accumulation Period, the remaining amounts of the Seller's portion of excess collections allocated to other series will first be used to cover the monthly required principal deposit. Excess principal collections from all non-accumulating series will then provide additional collections to the series to cover any remaining monthly required principal deposit to be deposited in the Principal Funding Account. In the absence of an Amortization Event, the Accumulation Period should be relatively short, given that each issue will represent only a small percentage of the Pool Balance. Should an Amortization Event occur or continue to occur in respect of the Notes, the Notes will not be entitled to the Seller's portion of collections.

If the Trust is unable to fully repay the principal on the Notes on the Expected Final Payment Date, an Amortization Event would occur.

Amortization Events

Notwithstanding the Expected Final Payment Date of the Notes, certain events may result in early repayment or delays. Such events are Amortization Events and include the following:

1. Failure on the part of a Seller to make any payment or deposit required and such failure continues for a period of five business days.
2. Failure on the part of a Seller to observe or perform any covenant or agreement, which has a material adverse effect on the holders of the Notes (Noteholders), without regard to the availability of credit enhancement, and such failure continues for 60 days after notification to the Seller.
3. Any representation or warranty made by a Seller proves to be incorrect, which has a material adverse effect on Noteholders, without regard to the availability of credit enhancement, and continues for 60 days after notification to the Seller.
4. Certain events related to the liquidation, bankruptcy or insolvency of the Seller.

5. Failure on the part of the Seller to designate additional eligible accounts within five business days as required under the Co-Ownership Agreement (e.g., if the Pool Balance falls below 115% of the aggregate outstanding principal amount of notes issued by purchasers of co-ownership interests to fund their purchases).
6. A Servicer Default occurs.
7. The Seller becomes unable to assign an undivided co-ownership interest in any Receivable to the Trust.
8. On the Expected Final Payment Date, the principal amount of the Notes is not paid in full.
9. The three-month average excess spread is below 0.90%.
10. During the revolving period, the original principal amount of the Notes, minus writedowns, does not exceed 97.5% of the original principal amount of the Notes.
11. The average Net Loss Ratio for three months exceeds 0.45%.
12. The swap agreement is terminated and a replacement swap agreement acceptable to the Trust and satisfying RAC has not been entered into by the Trust by the next Allocation Date.
13. The occurrence of certain changes in applicable law that affect the Trust's ability to perform its obligations under the Notes.

Certain Amortization Events are structured to protect the Noteholders from deteriorating portfolio performance. For example, loss rates above 0.45% or three-month average excess spread below 0.90% would trigger an Amortization Event. The collective effect of these triggers, in conjunction with the credit enhancement and other structural features, is to provide substantial comfort that the Notes will be repaid in full, even if the quality of the portfolio experiences a period of continued deterioration. This protection is consistent with the ratings assigned to the Notes.

Priority of Distributions

Allocated finance charges (including swap receipt and investment earnings) of the Notes are applied monthly, in the following priority, to cover:

1. Trustee fees.
2. Pari passu, net swap payment, and monthly interest on the Notes.
3. Swap termination payment if the Trust is the sole defaulting party or affected party.
4. The Series Defaulted Amount.
5. Aggregated Series writedowns that have not been reimbursed.
6. Swap termination payment if the Trust is not the sole defaulting party or affected party.
7. Other fees and expenses.
8. Deposit to the Cash Reserve Account, if required.

Principal collections (together with the principal amounts in the Principal Funding Account) will be paid on the Expected Final Payment Date (or monthly if an Amortization Period commences) of the Notes in the following priority:

1. Class A Notes, until fully repaid.
2. Class B Notes, until fully repaid.
3. Class C Notes, until fully repaid.

Servicing

As long as BMO remains the Servicer and maintains a minimum rating of BBB (low) by DBRS Morningstar (or BMO's obligations to make deposits of collections in respect of the Trust are fully guaranteed by an entity with such a rating), BMO will not be required to deposit collections allocable to the Notes on a daily basis, but may commingle such funds and remit them on the related transfer date (one day prior to the payment date). If BMO's rating falls below BBB (low), no commingling is allowed and BMO is required to deposit collections allocable to the series' co-owners within two business days.

As the Receivables are sold on a fully serviced basis, no servicing fee is paid to BMO. BMO may be replaced as the Servicer if a Servicer Default occurs. One or more of the following, with respect to any series of Notes, will constitute a Servicer Default:

1. The Servicer fails to make any deposit, remittance or transfer and such failure continues for a period of five business days.
2. The Servicer fails to observe or perform any covenant, which has a material adverse effect, without regard to the availability of credit enhancement, and such failure continues for a period of 60 days after the Servicer has been notified of such failure.
3. Any representation or warranty made by the Servicer is found to have been incorrect, which has a material adverse effect, without regard to the availability of credit enhancement, and continues for 60 days after the Servicer has been notified thereof.
4. The occurrence of certain events of bankruptcy, insolvency, receivership or liquidation with respect to the Servicer.

If BMO or its affiliates is not the Servicer, BMO is required by the agreements to pay any servicing fees associated with such Servicer. In addition, the servicer fees not paid for by BMO can be recovered from the collections allocable to the Seller's Co-Ownership Interest. As the required Seller's Co-Ownership Interest is at least 15% of the principal amount of Receivables, the amount provides a substantial buffer for collections allocable to the Seller to cover these fees and cash flows allocated to the Notes are not expected to be used for servicing fees.

Eligible Investments

Amounts held in the Principal or Interest Funding Account will be invested in Eligible Investments. Eligible Investments include negotiable instruments, investments or securities, which are the following:

1. Obligations of the Government of Canada.
2. Unsecured debt obligations issued or guaranteed by any province or municipality of Canada with a rating of at least R-1 (low) or "A" by DBRS Morningstar.
3. Money-market funds rated AAA by DBRS Morningstar.
4. Bankers' acceptances, certificates of deposit, time deposits or demand deposits of any Canadian financial institution with a rating of at least R-1 (low) by DBRS Morningstar.
5. Commercial paper, certificates of deposit, time deposits or demand deposits of any Canadian corporation, provided that such investments have a rating of at least R-1 (low) by DBRS Morningstar.

6. Asset-backed commercial paper meeting DBRS Morningstar's Global Liquidity Standard criteria and rated R-1 (high) (sf) by DBRS Morningstar.
7. Any other investments that satisfy RAC.

In any event, such investments must have maturity dates no later than the business day immediately preceding the next Allocation Date.

Legal

Counsel to the Trust is expected to render an opinion on the bankruptcy remoteness of the Trust and the enforceability of the documents against the Issuer Trustee and the assets of the Trust. The opinion is expected to state that the Trust Indenture creates a valid security interest in the Trust assets securing payment of the obligations of the Trust. DBRS Morningstar will review the form and scope of this opinion.

Rating Thresholds and Remedies

Role/Event	Initial Counterparty	DBRS Morningstar Rating Thresholds	Remedies
Account Bank	BMO	"A" and R-1 (low)	Acceptable guarantor or acceptable replacement within ten days.
Swap Provider	BMO	First: "A" and R-1 (low) Second: BBB and R-2 (middle)	First: Post collateral or acceptable guarantor or acceptable replacement or take other action that satisfies RAC. Second: Post collateral or acceptable replacement or take other action that satisfies RAC.
Non-commingling	BMO	BBB (low)	Daily remittance of collections within two business days.
Registrable Mortgage Transfer	BMO	BBB (high)	Preparation, execution and delivery within 180 days.
Title Registration	BMO	BBB (low)	Transfer registered title to Custodian.

Notes:
All figures are in Canadian dollars unless otherwise noted.

This report is based on information as of January 26, 2023. Subsequent information may result in material changes to the rating assigned herein and/or the contents of this report.

Appendix A — Portfolio Characteristics

Portfolio Characteristics (as of November 30, 2022) (Canadian Dollars in Thousands)

Revenue Experience of the Accounts

	Eleven Months Ended	Year Ended	Year Ended	Year Ended	Year Ended
	Nov. 30, 2022	**Dec. 31, 2021**	**Dec. 31, 2020**	**Dec. 31, 2019**	**Dec. 31, 2018**
Interest Revenue ($)[1]	150,083	122,627	166,722	198,286	207,484
Average Receivables Outstanding ($)[2]	4,270,432	4,063,384	4,884,388	4,416,330	5,143,395
Revenue Yield (%)[3]	3.84	3.02	3.41	4.49	4.03
Average Bank of Montreal Prime Rate (%)[4]	3.93	2.45	2.76	3.95	3.60

1 Interest Revenue includes all interest received on Accounts.

2 Average Receivables Outstanding is the average of the monthly Receivables outstanding in the Accounts during the period. The monthly Receivables outstanding in the Accounts is the average of the opening and closing Receivables outstanding in that month.

3 Revenue Yield is Interest Revenue divided by the Average Receivables Outstanding during the period.

4 Average BMO Prime Rate is the daily average BMO prime rate for the applicable period.

Loss Experience of the Accounts[1]

	Eleven Months Ended	Year Ended	Year Ended	Year Ended	Year Ended
	Nov. 30, 2022	**Dec. 31, 2021**	**Dec. 31, 2020**	**Dec. 31, 2019**	**Dec. 31, 2018**
Average Receivables Outstanding ($)[2]	4,270,432	4,063,384	4,884,388	4,416,330	5,143,395
Net Losses/(Recovery) ($)[3]	262	545	336	1,281	41
Net Losses/(Recovery) as a Percentage of Average Receivables Outstanding[4]	0.007	0.013	0.007	0.029	0.001

1 Data reflects balances and losses in respect of the Receivables in the Accounts.

2 Average Receivables Outstanding is the average of the monthly Receivables outstanding in the Accounts during the period. The monthly Receivables outstanding in the Accounts is the average of the opening and closing Receivables outstanding in that month.

3 Charge Offs net of Recoveries.

4 Net Losses/(Recovery) have been annualized for the month ended November 30, 2022.

Delinquencies as a Percentage of the Accounts[1,2]

	As at									
	Nov. 30, 2022		**Dec. 31, 2021**		**Dec. 31, 2020**		**Dec. 31, 2019**		**Dec. 31, 2018**	
Days Delinquent	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
30 to 89 days past due	8,893	0.23	3,598	0.10	10,374	0.23	13,067	0.32	13,732	0.29
90 to 209 days past due	2,235	0.06	1,301	0.04	3,872	0.08	7,218	0.18	9,393	0.20
210 days & over	3,788	0.10	4,172	0.11	9,260	0.20	6,603	0.16	5,305	0.11
Total	**14,916**	**0.38**	**9,070**	**0.25**	**23,506**	**0.51**	**26,888**	**0.66**	**28,430**	**0.60**

1 Data reflects balances in respect of the Receivables in the Accounts.

2 Percentages are calculated by dividing the sum of the outstanding principal Receivables of the Accounts by the month-end Receivables balance.

Monthly Payment Rates of the Accounts (% of Receivables Balance)[1]

	Eleven Months Ended	Year Ended	Year Ended	Year Ended	Year Ended
	Nov. 30, 2022	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018
Lowest Month	3.57	3.01	3.46	2.96	3.24
Highest Month	4.74	4.81	4.52	4.41	4.10
Average[1]	4.05	3.99	3.99	3.76	3.78

1 This is the average of the monthly payment rate percentages during the period.

Composition of Accounts by Account Balance as at November 30, 2022

Account Balance	Number of Accounts	%	Credit Limit	%	Balance	%
Up to $100,000	45,713	79.02	7,821,291	64.86	772,908	19.82
Over $100,000 to $200,000	6,477	11.20	1,492,721	12.38	937,667	24.05
Over $200,000 to $300,000	2,670	4.62	906,483	7.52	660,028	16.93
Over $300,000 to $400,000	1,281	2.21	571,163	4.74	445,213	11.42
Over $400,000 to $500,000	684	1.18	375,604	3.11	307,616	7.89
Over $500,000 to $600,000	367	0.63	239,359	1.98	202,372	5.19
Over $600,000 to $700,000	199	0.34	150,990	1.25	128,364	3.29
Over $700,000 to $800,000	162	0.28	137,345	1.14	121,479	3.12
Over $800,000 to $900,000	95	0.16	92,773	0.77	80,640	2.07
Over $900,000 to $1,000,000	86	0.15	93,308	0.77	82,447	2.11
Over $1,000,000	118	0.20	178,128	1.48	160,118	4.11
Total	**57,852**	**100.00**	**12,059,167**	**100.00**	**3,898,852**	**100.00**

The average Account Balance of the Accounts as at November 30, 2022 was $67,394.

Composition of Accounts by Credit Limit as at November 30, 2022

Credit Limit	Number of Accounts	%	Credit Limit	%	Balance	%
Up to $100,000	20,890	36.11	1,169,251	9.70	410,342	10.52
Over $100,000 to $200,000	16,563	28.63	2,565,895	21.28	792,855	20.34
Over $200,000 to $300,000	9,000	15.56	2,285,340	18.95	682,033	17.49
Over $300,000 to $400,000	4,705	8.13	1,667,473	13.83	514,408	13.19
Over $400,000 to $500,000	2,582	4.46	1,185,822	9.83	381,723	9.79
Over $500,000 to $600,000	1,475	2.55	821,107	6.81	278,255	7.14
Over $600,000 to $700,000	812	1.40	532,713	4.42	172,578	4.43
Over $700,000 to $800,000	644	1.11	489,649	4.06	181,930	4.67
Over $800,000 to $900,000	316	0.55	271,753	2.25	98,076	2.52
Over $900,000 to $1,000,000	358	0.62	347,419	2.88	131,893	3.38
Over $1,000,000	507	0.88	722,746	5.99	254,758	6.53
Total	**57,852**	**100.00**	**12,059,167**	**100.00**	**3,898,852**	**100.00**

The average Credit Limit of the Accounts as at November 30, 2022 was $208,449.

Composition of Accounts by Age as at November 30, 2022

Age of Accounts	Number of Accounts	%	Credit Limit	%	Balance	%
Up to 12 Months	0	0.00	-	0.00	-	0.00
13 to 24 Months	2,371	4.10	659,427	5.47	319,753	8.20
25 to 36 Months	2,228	3.85	579,721	4.81	274,665	7.04
37 to 48 Months	2,674	4.62	654,810	5.43	282,340	7.24
49 to 60 Months	2,961	5.12	658,320	5.46	291,093	7.47
61 to 72 Months	3,471	6.00	738,146	6.12	315,327	8.09
73 to 84 Months	3,207	5.54	673,971	5.59	286,199	7.34
85 to 96 Months	3,597	6.22	799,619	6.63	260,157	6.67
97 to 108 Months	3,230	5.58	652,162	5.41	169,105	4.34
109 to 120 Months	3,757	6.49	735,255	6.10	199,633	5.12
Over 120 Months	30,356	52.47	5,907,736	48.99	1,500,579	38.49
Total	**57,852**	**100.00**	**12,059,167**	**100.00**	**3,898,852**	**100.00**

The average Age of Accounts, weighted by Balance Outstanding, as of November 30, 2022, was 96 months. The average Age of Accounts, weighted by credit limit, as of November 30, 2022 was 109 months.

Composition of Accounts by Jurisdiction as at November 30, 2022

Jurisdiction of Accounts	Number of Accounts	%	Credit Limit	%	Balance	%
Alberta	7,165	12.39	1,604,345	13.30	559,573	14.35
British Columbia	7,693	13.30	2,207,856	18.31	778,484	19.97
Manitoba	1,009	1.74	146,984	1.22	56,101	1.44
New Brunswick	1,211	2.09	132,707	1.10	58,153	1.49
Newfoundland & Labrador	700	1.21	91,614	0.76	41,982	1.08
Northwest Territories & Nunavut	19	0.03	2,897	0.02	1,051	0.03
Nova Scotia	1,378	2.38	182,481	1.51	78,131	2.00
Ontario	24,292	41.99	5,118,570	42.45	1,668,963	42.81
Prince Edward Island	190	0.33	23,550	0.20	8,503	0.22
Quebec	12,933	22.36	2,335,959	19.37	566,089	14.52
Saskatchewan	1,208	2.09	200,741	1.66	76,540	1.96
Yukon	54	0.09	11,461	0.10	5,281	0.14
Total	**57,852**	**100.00**	**12,059,167**	**100.00**	**3,898,852**	**100.00**

Composition of Accounts by Limit-to-Value Ratio of Mortgages Providing Security as at November 30, 2022

Limit-to-Value Ratio (%)	Number of Accounts	%	Credit Limit	%	Balance	%
Up to 10	6,230	10.77	79,383	0.66	60,365	1.55
Over 10 to 15	1,743	3.01	127,862	1.06	52,524	1.35
Over 15 to 20	2,144	3.71	202,402	1.68	76,751	1.97
Over 20 to 25	2,309	3.99	263,607	2.19	93,754	2.40
Over 25 to 30	2,443	4.22	342,139	2.84	115,124	2.95
Over 30 to 35	2,378	4.11	359,448	2.98	116,314	2.98
Over 35 to 40	2,481	4.29	448,119	3.72	148,930	3.82
Over 40 to 45	2,418	4.18	491,035	4.07	170,768	4.38
Over 45 to 50	2,940	5.08	692,711	5.74	230,661	5.92
Over 50 to 55	2,621	4.53	670,358	5.56	216,548	5.55
Over 55 to 60	11,702	20.23	2,375,561	19.70	648,166	16.62
Over 60 to 65	6,768	11.70	2,436,043	20.20	842,965	21.62
Over 65 to 70	1,103	1.91	371,789	3.08	123,496	3.17
Over 70 to 75	1,969	3.40	576,891	4.78	177,867	4.56
Over 75 to 80	8,603	14.87	2,621,820	21.74	824,620	21.15
Over 80	0	0.00	-	0.00	-	0.00
Total	**57,852**	**100.00**	**12,059,167**	**100.00**	**3,898,852**	**100.00**

The average Limit-to-Value Ratio, weighted by outstanding balance, as at November 30, 2022, was 58%. The average Limit to Value Ratio, weighted by credit limit, as of November 30, 2022 was 59%.

Composition of Accounts by Mortgage Priority as at November 30, 2022

Mortgage Priority	Number of Accounts	%	Credit Limit	%	Balance	%
First	57,852	100.00	12,059,167	100.00	3,898,852	100.00
Second	–	0.00	–	0.00	–	0.00
Third	–	0.00	–	0.00	–	0.00
Total	**57,852**	**100.00**	**12,059,167**	**100.00**	**3,898,852**	**100.00**

Composition of Accounts by Rate Type as at November 30, 2022

Rate Type	Balance	%
Fixed Rate Portion	385,799	9.90
Variable Rate Portion	3,513,053	90.10
Total	**3,898,852**	**100.00**

Composition of Accounts by Product Type as at November 30, 2022

Product Type	Balance	%
Instalment	558,468	14.32
Revolving	3,340,384	85.68
Total	**3,898,852**	**100.00**

Composition of Accounts by Credit Score as at November 30, 2022

Credit Score	Number of Accounts	%	Credit Limit	%	Balance	%
Credit Score is 0 or Unavailable	0	0.00	–	0.00	–	0.00
Over 0 to 450	11	0.02	1,424	0.01	1,536	0.04
Over 450 to 500	85	0.15	16,029	0.13	6,799	0.17
Over 500 to 550	184	0.32	26,312	0.22	10,765	0.28
Over 550 to 600	292	0.50	45,471	0.38	23,238	0.60
Over 600 to 650	794	1.37	150,976	1.25	73,197	1.88
Over 650 to 700	2,034	3.52	393,805	3.27	200,254	5.14
Over 700 to 750	4,626	8.00	982,934	8.15	448,150	11.49
Over 750 to 800	7,700	13.31	1,652,625	13.70	625,147	16.03
Over 800 to 850	16,852	29.13	3,741,843	31.03	1,148,476	29.46
Over 850	25,274	43.69	5,047,748	41.86	1,361,289	34.92
Total	**57,852**	**100.00**	**12,059,167**	**100.00**	**3,898,852**	**100.00**

The average credit score, weighted by outstanding balance, as at November 30, 2022, was 814. The average credit score, weighted by credit limit, as of November 30, 2022 was 826.

Appendix B — Environmental, Social and Governance (ESG) Considerations

Environmental, Social and Governance (ESG) Checklist

ESG Factor		ESG Credit Consideration Applicable to the Credit Analysis: Y/N		Extent of the Effect on the ESG Factor on the Credit Analysis: Relevant (R) or Significant (S)*
Environmental		**Overall:**	N	N
	Emissions, Effluents, and Waste	Do the costs or risks result in a higher default risk or lower recoveries for the securitized assets?	N	N
	Carbon and GHG Costs	Do the costs or risks related to GHG emissions result in higher default risk or lower recoveries of the securitized assets?	N	N
		Are there potential benefits of GHG-efficient assets on affordability, financeability, or future values (recoveries)?	N	N
		Carbon and GHG Costs	N	N
	Climate and Weather Risks	Are the securitized assets in regions exposed to climate change and adverse weather events affecting expected default rates, future valuations, and/or recoveries?	N	N
	Passed-through Environmental credit considerations	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by environmental factors (see respective ESG checklist for such issuer)?	N	N
Social		**Overall:**	N	N
	Social Impact of Products and Services	Do the securitized assets have an extraordinarily positive or negative social impact on the borrowers and/or society, and do these characteristics of these assets result in different default rates and/or recovery expectations?	N	N
		Does the business model or the underlying borrower(s) have an extraordinarily positive or negative effect on their stakeholders and society, and does this result in different default rates and/or recovery expectations?	N	N
		Considering changes in consumer behavior or secular social trends: does this affect the default and/or loss expectations for the securitized assets?	N	N
		Social Impact of Products and Services	N	N
	Human Capital and Human Rights	Are the originator, servicer, or underlying borrower(s) exposed to staffing risks and could this have a financial or operational effect on the structured finance issuer?	N	N
		Is there unmitigated compliance risk due to mis-selling, lending practices, or work-out procedures that could result in higher default risk and/or lower recovery expectations for the securitized assets?	N	N
		Human Capital and Human Rights	N	N
	Product Governance	Does the originator's, servicer's, or underlying borrower(s)' failure to deliver quality products and services cause damage that may result in higher default risk and/or lower recovery expectations for the securitized assets?	N	N
	Data Privacy and Security	Does the originator's, servicer's, or underlying borrower(s)' misuse or negligence in maintaining private client or stakeholder data result in financial penalties or losses to the issuer?	N	N
	Passed-through Social credit considerations	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by social factors (see respective ESG checklist for such issuer)?	N	N
Governance		**Overall:**	N	N
	Corporate / Transaction Governance	Does the transaction structure affect the assessment of the credit risk posed to investors due to a lack of appropriate independence of the issuer from the originator and/or other transaction parties?	N	N
		Considering the alignment of interest between the transaction parties and noteholders: does this affect the assessment of credit risk posed to investors because the alignment of interest is inferior or superior to comparable transactions in the sector?	N	N
		Does the lack of appropriately defined mechanisms in the structure on how to deal with future events affect the assessment of credit risk posed to investors?	N	N
		Considering how the transaction structure provides for timely and appropriate performance and asset reporting: does this affect the assessment of credit risk posed to investors because it is inferior or superior to comparable transactions in the sector?	N	N
		Corporate / Transaction Governance	N	N
	Passed-through Governance credit considerations	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by governance factors (see respective ESG checklist for such issuer)?	N	N
		Consolidated ESG Criteria Output:	N	N

* A **Relevant Effect** means that the impact of the applicable ESG risk factor has not changed the rating or rating trend on the issuer.

A **Significant Effect** means that the impact of the applicable ESG risk factor has changed the rating or trend on the issuer.

ESG Considerations

Environmental

There were no environmental factors that had a relevant or significant effect on the credit analysis. For more details about which environmental factors could have an effect on the credit analysis, please refer to the checklist above.

Social

There were no social factors that had a relevant or significant effect on the credit analysis. For more details about which social factors could have an effect on the credit, please refer to the checklist above.

Governance

There were no governance factors that had a relevant or significant effect on the credit analysis. For more details about which governance factors could have an effect on the credit analysis, please refer to the checklist above.

The above ESG discussion relates to credit risk factors that could impact the issuer's credit profile and, therefore, the ratings of the notes. They are separate from ESG sustainability factors, which are generally outside the scope of this analysis. A description of how DBRS Morningstar considers ESG factors within the DBRS Morningstar analytical framework can be found in the *DBRS Morningstar Criteria: Approach to Environmental, Social, and Governance Risk Factors in Credit Ratings* at https://www.dbrsmorningstar.com/research/396929/dbrs-morningstar-criteria-approach-to-environmental-social-and-governance-risk-factors-in-credit-ratings.

About DBRS Morningstar

DBRS Morningstar is a full-service global credit ratings business with approximately 700 employees around the world. We're a market leader in Canada, and in multiple asset classes across the U.S. and Europe.

We rate more than 3,000 issuers and nearly 60,000 securities worldwide, providing independent credit ratings for financial institutions, corporate and sovereign entities, and structured finance products and instruments. Market innovators choose to work with us because of our agility, transparency, and tech-forward approach.

DBRS Morningstar is empowering investor success as the go-to source for independent credit ratings. And we are bringing transparency, responsiveness, and leading-edge technology to the industry.

That's why DBRS Morningstar is the next generation of credit ratings.

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