

**PROSPECTUS SUPPLEMENT**  
*To Short Form Base Shelf Prospectus dated March 13, 2014*

*No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.*

*This prospectus supplement, together with the short form base shelf prospectus dated March 13, 2014 to which it relates, as amended or supplemented, and each document incorporated by reference into this prospectus supplement or the accompanying short form base shelf prospectus dated March 13, 2014, constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. The securities to be issued hereunder have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") and, except as stated under "Plan of Distribution", may not be offered or sold in the United States of America, its territories, its possessions and other areas subject to its jurisdiction or to, or for the account or benefit of, a U.S. person (as defined in Regulation S under the U.S. Securities Act).*

*Information has been incorporated by reference in this prospectus supplement and the accompanying short form base shelf prospectus dated March 13, 2014 from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary, Bank of Montreal, 100 King Street West, 1 First Canadian Place, 21<sup>st</sup> Floor, Toronto, Ontario, M5X 1A1, telephone: (416) 867-6785, and are also available electronically at [www.sedar.com](http://www.sedar.com).*

New Issue

April 16, 2014

**\$500,000,000**



**Non-Cumulative 5-Year Rate Reset Class B Preferred Shares, Series 27**  
**(20,000,000 Shares)**

The holders of Non-Cumulative 5-Year Rate Reset Class B Preferred Shares, Series 27 (the "Preferred Shares Series 27") of Bank of Montreal (the "Bank") will be entitled to receive fixed non-cumulative preferential cash dividends, for the initial period from and including the closing date to, but excluding, May 25, 2019 (the "Initial Fixed Rate Period"), payable quarterly on the 25th day of February, May, August and November in each year, or if such day is not a business day, on the next business day, as and when declared by the board of directors of the Bank (the "Board of Directors"). The initial dividend, if declared, shall be payable on August 25, 2014 and shall be \$0.33973 per share, based on the anticipated closing date of April 23, 2014. Thereafter, quarterly dividends shall be at a rate of \$0.25 per share. See "Details of the Offering".

For each five-year period after the Initial Fixed Rate Period (each a "Subsequent Fixed Rate Period"), the holders of Preferred Shares Series 27 will be entitled to receive fixed non-cumulative preferential cash dividends, as and when declared by the Board of Directors, payable quarterly on the 25th day of February, May, August and November in each year, in the amount per share per annum determined by multiplying the Annual Fixed Dividend Rate (as defined herein) applicable to such Subsequent Fixed Rate Period by \$25.00. The Annual Fixed Dividend Rate for the ensuing Subsequent Fixed Rate Period will be determined by the Bank on the 30th day prior to the first day of such Subsequent Fixed Rate Period and will be equal to the sum of the Government of Canada Yield (as defined herein) on the date on which the Annual Fixed Dividend Rate is determined plus 2.33%. See "Details of the Offering".

**Option to Convert Into Preferred Shares Series 28**

The holders of Preferred Shares Series 27 will have the right, at their option, to convert their shares into an equal number of Non-Cumulative Floating Rate Class B Preferred Shares, Series 28 of the Bank (the "Preferred Shares Series 28"), subject to certain conditions, on May 25, 2019 and on May 25 every five years thereafter. The holders of Preferred Shares Series 28 will be entitled to receive floating rate non-cumulative preferential cash dividends, as and when declared by the Board of Directors, payable quarterly on the 25th day of February, May, August and November in each year (the initial quarterly dividend period and each subsequent quarterly dividend period is referred to as a "Quarterly Floating Rate Period"), in the amount per share determined by multiplying the applicable Quarterly Floating Dividend Rate (as defined herein) by \$25.00. The Quarterly Floating Dividend Rate will be equal to the sum of the T-Bill Rate (as defined herein) plus 2.33% (calculated on the basis of the actual number of days elapsed in the applicable Quarterly Floating Rate Period divided by 365) determined on the 30th day prior to the first day of the applicable Quarterly Floating Rate Period. See "Details of the Offering".

*(continued on next page)*

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Upon the occurrence of a Trigger Event (as defined herein), each outstanding Preferred Share Series 27 and, if issued, each outstanding Preferred Share Series 28 will automatically and immediately be converted, without the consent of the holders thereof, into that number of fully paid common shares of the Bank (the “Common Shares”) determined by dividing \$25.00 plus any declared but unpaid dividends in respect of such Preferred Shares Series 27 or Preferred Shares Series 28 by the Conversion Price (as defined herein). Investors should therefore carefully consider the disclosure with respect to the Bank, the Preferred Shares Series 27, the Preferred Shares Series 28, the Common Shares and the consequences of a Trigger Event included and incorporated by reference in this prospectus supplement and the accompanying short form base shelf prospectus of the Bank dated March 13, 2014 (the “Prospectus”). See “Details of the Offering”.

Subject to the provisions of the *Bank Act* (Canada) (the “Bank Act”), including any requirement for prior consent of the Superintendent of Financial Institutions (the “Superintendent”), and to the provisions described below under “Details of the Offering — Certain Provisions Common to the Preferred Shares Series 27 and the Preferred Shares Series 28 — Restrictions on Dividends and Retirement of Shares”, on May 25, 2019 and on May 25 every five years thereafter, the Bank may redeem all or any part of the then outstanding Preferred Shares Series 27, at the Bank’s option without the consent of the holder, by the payment of an amount in cash for each such share so redeemed of \$25.00 together with all declared and unpaid dividends to the date fixed for redemption. See “Details of the Offering”.

The Preferred Shares Series 27 and the Preferred Shares Series 28 do not have a fixed maturity date and are not redeemable at the option of the holders of Preferred Shares Series 27 or Preferred Shares Series 28. See “Risk Factors”.

The Bank’s head office is located at 129 rue Saint Jacques, Montreal, Quebec, H2Y 1L6 and its executive offices are located at 100 King Street West, 1 First Canadian Place, Toronto, Ontario, M5X 1A1.

The Toronto Stock Exchange (the “TSX”) has conditionally approved the listing of the Preferred Shares Series 27, Preferred Shares Series 28 and the Common Shares issuable upon the occurrence of a Trigger Event (as defined herein) subject to the Bank fulfilling all of the requirements of the TSX on or before June 11, 2014. The Bank has applied to list the Common Shares issuable upon the occurrence of a Trigger Event on the New York Stock Exchange (“NYSE”). Listing is subject to the Bank fulfilling all of the listing requirements of the NYSE and final approval is expected to be received prior to the anticipated closing date of April 23, 2014.

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## **PRICE: \$25.00 per Preferred Share Series 27 to yield initially 4.00% per annum**

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BMO Nesbitt Burns Inc., CIBC World Markets Inc., National Bank Financial Inc., RBC Dominion Securities Inc., Scotia Capital Inc., TD Securities Inc., Desjardins Securities Inc., Laurentian Bank Securities Inc., Brookfield Financial Corp., Canaccord Genuity Corp., HSBC Securities (Canada) Inc. and Raymond James Ltd. (collectively, the “Underwriters”), as principals, conditionally offer the Preferred Shares Series 27, subject to prior sale if, as and when issued by the Bank and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under “Plan of Distribution” and subject to the approval of certain legal matters on behalf of the Bank by Osler, Hoskin & Harcourt LLP and on behalf of the Underwriters by McCarthy Tétrault LLP.

	<b>Price to the Public</b>	<b>Underwriters’ Fee<sup>(1)</sup></b>	<b>Net Proceeds to the Bank<sup>(2)</sup></b>
Per Preferred Share Series 27 . . . . .	\$25.00	\$0.75	\$24.25
Total . . . . .	\$500,000,000	\$15,000,000	\$485,000,000

(1) The Underwriters’ fee is \$0.25 for each share sold to institutions and \$0.75 for all other shares sold. The totals set forth in the table represent the Underwriters’ fee and net proceeds assuming no shares are sold to institutions.

(2) Before deduction of expenses of this offering, estimated at \$400,000 which, together with the Underwriters’ fee, are payable by the Bank.

**BMO Nesbitt Burns Inc., one of the Underwriters, is a wholly owned subsidiary of the Bank. As a result, the Bank is a related and connected issuer of BMO Nesbitt Burns Inc. under applicable securities legislation. See “Plan of Distribution”.**

In connection with this offering, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Preferred Shares Series 27 at levels other than those which otherwise might prevail on the open market. Such transactions, if commenced, may be discontinued at any time. See “Plan of Distribution”. The Underwriters may decrease the price at which the Preferred Shares Series 27 are distributed for cash from the initial offering price of \$25.00 per share. **See “Plan of Distribution” for additional disclosure concerning a possible price decrease.**

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. A book-entry only certificate representing the Preferred Shares Series 27 distributed hereunder will be issued in registered form only to CDS Clearing and Depository Services Inc. (“CDS”) or its nominee and will be deposited with CDS on closing of this offering which is expected to be on or about April 23, 2014. A purchaser of Preferred Shares Series 27 will receive only a customer confirmation from the registered dealer who is a CDS participant and from or through whom the Preferred Shares Series 27 are purchased. See “Book-Entry Only Securities” in the Prospectus.

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Unless otherwise indicated, all dollar amounts appearing in this prospectus supplement are stated in Canadian dollars.

## CAUTION REGARDING FORWARD-LOOKING STATEMENTS

The Bank's public communications often include written or oral forward-looking statements. Statements of this type are included in this prospectus supplement (including documents incorporated by reference), and may be included in other filings with Canadian securities regulators or the U.S. Securities and Exchange Commission, or in other communications. All such statements are made pursuant to the "safe harbour" provisions of, and are intended to be forward-looking statements under, the *United States Private Securities Litigation Reform Act of 1995* and any applicable Canadian securities legislation. The forward-looking statements contained in this prospectus supplement can often, but not always, be identified by the use of forward-looking words such as "plans", "expects" or "does not expect", "is expected", "is subject to", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "should", "would", "might" or "will" be taken, occur or be achieved.

By their nature, forward-looking statements require the Bank to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions, forecasts, conclusions or projections will not prove to be accurate, that the Bank's assumptions may not be correct and that actual results may differ materially from such predictions, forecasts, conclusions or projections. The Bank cautions readers of this prospectus supplement not to place undue reliance on its forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements.

The future outcomes that relate to forward-looking statements may be influenced by many factors, including but not limited to: general economic and market conditions in the countries in which the Bank operates; weak, volatile or illiquid capital and/or credit markets; interest rate and currency value fluctuations; changes in monetary, fiscal or economic policy; the degree of competition in the geographic and business areas in which the Bank operates; changes in laws or in supervisory expectations or requirements, including capital, interest rate and liquidity requirements and guidance; judicial or regulatory proceedings; the accuracy and completeness of the information the Bank obtains with respect to its customers and counterparties; the Bank's ability to execute its strategic plans and to complete and integrate acquisitions; critical accounting estimates and the effect of changes to accounting standards, rules and interpretations on these estimates; operational and infrastructure risks; changes to the Bank's credit ratings; general political conditions; global capital markets activities; the possible effects on the Bank's business of war or terrorist activities; disease or illness that affects local, national or international economies; natural disasters and disruptions to public infrastructure, such as transportation, communications, power or water supply; technological changes and the Bank's ability to anticipate and effectively manage the risks associated with all of the foregoing factors.

The Bank cautions that the foregoing list is not exhaustive of all possible factors. Other factors could adversely affect its results. For more information, please see the discussion on pages 30 and 31 of the Bank's 2013 Annual Report, which outlines in detail certain key factors that may affect the Bank's future results. When relying on forward-looking statements to make decisions with respect to the Bank, investors and others should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. The Bank does not undertake to update any forward-looking statements whether written or oral, that may be made from time to time, by the organization or on its behalf, except as required by law. The forward-looking information contained in this prospectus supplement is presented for the purpose of assisting the Bank's shareholders in understanding the Bank's operations, prospects, risks and other external factors that impact it specifically as at and for the periods ended on the dates presented, as well as certain strategic priorities and objectives, and may not be appropriate for other purposes.

## DOCUMENTS INCORPORATED BY REFERENCE

This prospectus supplement is deemed to be incorporated by reference into the accompanying Prospectus. Other documents are also incorporated or deemed to be incorporated by reference into the Prospectus and reference should be made to the Prospectus for full particulars. In addition, the following documents have been filed by the Bank with the Superintendent and the various securities commissions or similar authorities in Canada, are specifically:

- (a) the Management Proxy Circular dated February 7, 2014 in connection with the annual meeting of shareholders of the Bank held on April 1, 2014;
- (b) the template version (as defined in National Instrument 41-101 — General Prospectus Requirements (“NI 41-101”)) of the term sheets dated April 14, 2014 (the “Initial Term Sheets”), filed on SEDAR in connection with this offering; and
- (c) the template version of the revised term sheets dated April 14, 2014 (the “Term Sheets”), filed on SEDAR in connection with this offering.

**The Initial Term Sheets are not part of this prospectus supplement to the extent that the contents of the Initial Term Sheets have been modified or superseded by a statement contained in this prospectus supplement.**

The Initial Term Sheets reflected an offering amount of \$300,000,000 (12,000,000 Preferred Shares Series 27) and an Underwriters’ option exercisable at the issue price, in whole or in part, up to two business days prior to closing, to purchase up to 2,000,000 additional Preferred Shares Series 27. The Term Sheets then reflected a confirmed offering amount of \$500,000,000 (20,000,000 Preferred Shares Series 27) and removal of the Underwriters’ option. Pursuant to subsection 9A.3(7) of National Instrument 44-102 — Shelf Distributions, the Bank prepared the Term Sheets reflecting the modifications discussed above, and a blackline has been prepared to show the modified statements. A copy of the Term Sheets and associated blackline can be found under the Bank’s profile on [www.sedar.com](http://www.sedar.com).

Any documents of the type described in Section 11.1 of Form 44-101F1 — Short Form Prospectus filed by the Bank and any template version of “marketing materials” (as defined in NI 41-101) that the Bank files with the Canadian securities regulatory authorities after the date of this prospectus supplement and prior to the termination of the distribution of the Preferred Shares Series 27 shall be deemed to be incorporated by reference in the Prospectus or this prospectus supplement, as applicable.

Any statement contained in this prospectus supplement or in a document incorporated or deemed to be incorporated by reference herein or in the Prospectus for the purposes of this offering shall be deemed to be modified or superseded for the purposes of this prospectus supplement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement is not to be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus supplement.

## ELIGIBILITY FOR INVESTMENT

In the opinion of Osler, Hoskin & Harcourt LLP, counsel to the Bank, and in the opinion of McCarthy Tétrault LLP, counsel to the Underwriters, the Preferred Shares Series 27 offered hereby, if issued on the date of this prospectus supplement, would be, at that time, qualified investments under the *Income Tax Act* (Canada) (the “Act”) and the regulations thereunder for a trust governed by a registered retirement savings plan (“RRSP”), registered retirement income fund (“RRIF”), registered education savings plan, deferred profit sharing plan, registered disability savings plan or tax-free savings account (a “TFSA”). On such date the Preferred Shares Series 27 will not be prohibited investments for a holder of a TFSA or an annuitant of a RRSP or RRIF provided that, for purposes of the Act, the holder of the TFSA or the annuitant of the RRSP or RRIF deals at arm’s length with the Bank for purposes of the Act and does not have a “significant interest” (within the meaning of subsection 207.01(4) of the Act) in the Bank. Purchasers of Preferred Shares Series 27 who intend to hold Preferred Shares Series 27 in a TFSA, RRSP or RRIF should consult their own tax advisors in this regard.

## SUMMARY OF THE OFFERING

*This summary is qualified by the detailed information appearing elsewhere in this short form prospectus. For a definition of certain terms used in this summary, refer to “Details of the Offering”.*

**Issue:** Non-Cumulative 5-Year Rate Reset Class B Preferred Shares, Series 27.  
**Amount:** \$500,000,000 (20,000,000 shares).  
**Price and Yield:** \$25.00 per share to yield initially 4.00% per annum.

### Principal Characteristics of the Preferred Shares Series 27

**Dividends:** The holders of the Preferred Shares Series 27 will be entitled to receive fixed non-cumulative preferential cash dividends, as and when declared by the Board of Directors, subject to the provisions of the Bank Act, for the initial period from and including the closing date to, but excluding, May 25, 2019 (the “Initial Fixed Rate Period”), payable quarterly on the 25th day of February, May, August and November in each year, at a rate equal to \$0.25 per share. The initial dividend, if declared, will be payable on August 25, 2014 and will be \$0.33973 per share, based on the anticipated closing date of April 23, 2014.

For each five-year period after the Initial Fixed Rate Period (each, a “Subsequent Fixed Rate Period”), the holders of the Preferred Shares Series 27 will be entitled to receive fixed non-cumulative preferential cash dividends, as and when declared by the Board of Directors, subject to the provisions of the Bank Act, payable quarterly on the 25th day of February, May, August and November in each year, in the amount per share per annum determined by multiplying the Annual Fixed Dividend Rate applicable to such Subsequent Fixed Rate Period by \$25.00. The Annual Fixed Dividend Rate for the ensuing Subsequent Fixed Rate Period will be determined by the Bank on the 30th day (a “Fixed Rate Calculation Date”) prior to the first day of such Subsequent Fixed Rate Period and will be equal to the sum of the Government of Canada Yield on the applicable Fixed Rate Calculation Date plus 2.33%.

If the Board of Directors does not declare a dividend, or any part thereof, on the Preferred Shares Series 27 on or before the dividend payment date for a particular quarter, then the entitlement of the holders of the Preferred Shares Series 27 to receive such dividend, or to any part thereof, for such quarter will be forever extinguished.

**Redemption:** Subject to the provisions of the Bank Act and to the prior consent of the Superintendent and to the provisions described below under “Details of the Offering — Certain Provisions Common to the Preferred Shares Series 27 and the Preferred Shares Series 28 — Restrictions on Dividends and Retirement of Shares”, on May 25, 2019 and on May 25 every five years thereafter, on not more than 60 nor less than 30 days’ notice, the Bank may redeem all or any part of the then outstanding Preferred Shares Series 27, at the Bank’s option without the consent of the holder, by the payment of an amount in cash for each such share so redeemed of \$25.00 together with all declared and unpaid dividends to the date fixed for redemption.

**Conversion into Preferred Shares Series 28:** Holders of Preferred Shares Series 27 will, subject to the automatic conversion provisions and the right of the Bank to redeem those shares, have the right, at their option, to convert, on May 25, 2019 and on May 25 every five years thereafter (a “Series 27 Conversion Date”), any or all of their Preferred Shares Series 27 into an equal number of Preferred Shares Series 28 upon giving to the

Bank notice thereof not earlier than 30 days prior to, but not later than 5:00 p.m. (Toronto time) on the 15th day preceding, a Series 27 Conversion Date.

***Automatic Conversion Provisions:***

If the Bank determines, after having taken into account all shares tendered for conversion by holders of Preferred Shares Series 27 and Preferred Shares Series 28, as the case may be, that there would be outstanding on such Series 27 Conversion Date less than 1,000,000 Preferred Shares Series 27, such remaining number of Preferred Shares Series 27 will automatically be converted on such Series 27 Conversion Date into an equal number of Preferred Shares Series 28. Additionally, if the Bank determines that, after conversion, there would be outstanding on such Series 27 Conversion Date less than 1,000,000 Preferred Shares Series 28 then no Preferred Shares Series 27 will be converted into Preferred Shares Series 28.

**Principal Characteristics of the Preferred Shares Series 28**

***Dividends:***

The holders of the Preferred Shares Series 28 will be entitled to receive floating rate non-cumulative preferential cash dividends, as and when declared by the Board of Directors, subject to the provisions of the Bank Act, payable quarterly on the 25th day of February, May, August and November in each year, in the amount per share determined by multiplying the applicable Quarterly Floating Dividend Rate by \$25.00.

On the 30th day prior to the commencement of the initial quarterly dividend period beginning on May 25, 2019 and on the 30th day prior to the first day of each subsequent quarterly dividend period (the initial quarterly dividend period and each subsequent quarterly dividend period is referred to as a “Quarterly Floating Rate Period”), the Bank will determine the Quarterly Floating Dividend Rate for the ensuing Quarterly Floating Rate Period. The Quarterly Floating Dividend Rate will be equal to the sum of the T-Bill Rate plus 2.33% (calculated on the basis of the actual number of days elapsed in the applicable Quarterly Floating Rate Period divided by 365) determined on the 30th day prior to the first day of the applicable Quarterly Floating Rate Period.

If the Board of Directors does not declare a dividend, or any part thereof, on the Preferred Shares Series 28 on or before the dividend payment date for a particular quarter, then the entitlement of the holders of the Preferred Shares Series 28 to receive such dividend, or to any part thereof, for such quarter will be forever extinguished.

***Redemption:***

Subject to the provisions of the Bank Act and to the prior consent of the Superintendent and to the provisions described below under the heading “Details of the Offering — Certain Provisions Common to the Preferred Shares Series 27 and the Preferred Shares Series 28 — Restrictions on Dividends and Retirement of Shares”, on not more than 60 nor less than 30 days’ notice, the Bank may redeem all or any part of the then outstanding Preferred Shares Series 28, at the Bank’s option without the consent of the holder, by the payment of an amount in cash for each such share so redeemed of (i) \$25.00 together with all declared and unpaid dividends to the date fixed for redemption in the case of redemptions on May 25, 2024 and on May 25 every five years thereafter, or (ii) \$25.50 together with all declared and unpaid dividends to the date fixed for redemption in the case of redemptions on any other date after May 25, 2019.

***Conversion into Preferred Shares Series 27:***

Holders of Preferred Shares Series 28 will, subject to the automatic conversion provisions and the right of the Bank to redeem those shares, have the right, at



their option, to convert, on May 25, 2024 and on May 25 every five years thereafter (a “Series 28 Conversion Date”), any or all of their Preferred Shares Series 28 into an equal number of Preferred Shares Series 27 upon giving to the Bank written notice thereof not earlier than 30 days prior to, but not later than 5:00 p.m. (Toronto time) on the 15th day preceding, a Series 28 Conversion Date.

***Automatic Conversion Provisions:***

If the Bank determines, after having taken into account all shares tendered for conversion by holders of Preferred Shares Series 28 and Preferred Shares Series 27, as the case may be, that there would be outstanding on such Series 28 Conversion Date less than 1,000,000 Preferred Shares Series 28, such remaining number of Preferred Shares Series 28 will automatically be converted on such Series 28 Conversion Date into an equal number of Preferred Shares Series 27. Additionally, if the Bank determines that, after conversion, there would be outstanding on such Series 28 Conversion Date less than 1,000,000 Preferred Shares Series 27 then no Preferred Shares Series 28 will be converted into Preferred Shares Series 27.

**Certain Characteristics Common to the Preferred Shares Series 27 and Preferred Shares Series 28**

***Conversion Upon Occurrence of Non-Viability Contingent Capital Trigger Event:***

Upon the occurrence of a Trigger Event (as defined herein), each outstanding Preferred Share Series 27 and, if issued, each outstanding Preferred Share Series 28 will automatically and immediately be converted, without the consent of the holders thereof, into that number of Common Shares (as defined herein) of the Bank determined by dividing \$25.00 plus any declared but unpaid dividends in respect of such Preferred Share Series 27 or Preferred Share Series 28 by the Conversion Price (as defined herein).

***Voting Rights:***

Subject to the provisions of the Bank Act, the holders of the Preferred Shares Series 27 or the Preferred Shares Series 28 will not be entitled as such to receive notice of, attend, or vote at, any meeting of the shareholders of the Bank unless and until the first time at which the Board of Directors has not declared the whole dividend on the Preferred Shares Series 27 or the Preferred Shares Series 28 in any quarter. In that event, subject as hereinafter provided, the holders of Preferred Shares Series 27 or Preferred Shares Series 28 will be entitled to receive notice of, and to attend, meetings of shareholders at which directors of the Bank are to be elected and will be entitled to one vote for each Preferred Shares Series 27 or Preferred Shares Series 28 held. The voting rights of the holders of the Preferred Shares Series 27 or the Preferred Shares Series 28 will forthwith cease upon payment by the Bank of the first dividend on the Preferred Shares Series 27 or the Preferred Shares Series 28 to which the holders are entitled thereunder subsequent to the time such voting rights first arose until such time as the Bank may again fail to declare the whole dividend on the Preferred Shares Series 27 or the Preferred Shares Series 28 in respect of any quarter, in which event such voting rights will become effective again and so on from time to time.

***Priority:***

The preferred shares of each series of the Bank will rank on a parity with every other series and are entitled to preference over the Common Shares and over any other shares of the Bank ranking junior to the preferred shares with respect to the payment of dividends and upon any distribution of assets in the event of the liquidation, dissolution or winding-up of the Bank.

***Tax on Preferred Share Dividends:***

The Bank will elect, in the manner and within the time provided under Part VI.1 of the Act to pay tax at a rate such that holders of Preferred Shares Series 27 and Preferred Shares Series 28 will not be required to pay tax on dividends received on such shares under Part IV.1 of such Act.

## CAPITALIZATION

The following table sets out the Bank's capitalization as at January 31, 2014.

	<b>As at January 31, 2014<sup>(1)</sup></b> (in millions of Canadian dollars)
<b>Non-Controlling Interest in Subsidiaries</b> . . . . .	\$ 1,059
<b>Subordinated Debt</b> . . . . .	\$ 3,983
<b>Shareholders' Equity</b>	
Common Shares and Contributed Surplus . . . . .	\$12,349
Preferred Shares . . . . .	\$ 2,265
Retained Earnings . . . . .	\$15,617
Accumulated Other Comprehensive Income . . . . .	\$ 1,425
<b>Total Shareholders' Equity</b> . . . . .	<b>\$31,656</b>
<b>Total Capitalization</b> . . . . .	<b>\$36,698</b>

Notes:

- (1) After giving effect to this offering, preferred share liabilities would have amounted to \$500 million and retained earnings would have amounted to \$15,597 million as at January 31, 2014.

## DETAILS OF THE OFFERING

The Preferred Shares Series 27 and the Preferred Shares Series 28 (if issued) will each be issued as a series of preferred shares of the Bank. See the description of the preferred shares of the Bank as a class under the heading "Description of Preferred Shares" in the accompanying Prospectus. The following is a summary of the rights, privileges, restrictions and conditions of or attaching to the Preferred Shares Series 27 as a series, and the Preferred Shares Series 28 as a series.

### Certain Provisions of the Preferred Shares Series 27 as a Series

#### *Definition of Terms*

The following definitions are relevant to the Preferred Shares Series 27.

**"Annual Fixed Dividend Rate"** means, for any Subsequent Fixed Rate Period, the rate (expressed as a percentage rate rounded down to the nearest one hundred thousandth of one percent (with 0.000005% being rounded up)) equal to the sum of the Government of Canada Yield on the applicable Fixed Rate Calculation Date plus 2.33%.

**"Bloomberg Screen GCAN5YR Page"** means the display designated as page "GCAN5YR<INDEX>" on the Bloomberg Financial L.P. service (or such other page as may replace the GCAN5YR page on that service) for purposes of displaying Government of Canada Bond yields.

**"Fixed Rate Calculation Date"** means, for any Subsequent Fixed Rate Period, the 30th day prior to the first day of such Subsequent Fixed Rate Period.

**"Government of Canada Yield"** on any date means the yield to maturity on such date (assuming semi-annual compounding) of a Canadian dollar denominated non-callable Government of Canada bond with a term to maturity of five years as quoted as of 10:00 a.m. (Toronto time) on such date and which appears on the Bloomberg Screen GCAN5YR Page on such date; provided that, if such rate does not appear on the Bloomberg Screen GCAN5YR Page on such date, the Government of Canada Yield will mean the average of the yields determined by two registered Canadian investment dealers, other than BMO Nesbitt Burns Inc., selected by the Bank, as being the yield to maturity on such date (assuming semi-annual compounding) which a Canadian dollar denominated non-callable Government of Canada bond would carry if issued in Canadian dollars at 100% of its principal amount on such date with a term to maturity of five years.

“**Initial Fixed Rate Period**” means the period from and including the closing date to, but excluding, May 25, 2019.

“**Subsequent Fixed Rate Period**” means for the initial Subsequent Fixed Rate Period, the period from and including May 25, 2019 to, but excluding, May 25, 2024, and for each succeeding Subsequent Fixed Rate Period, the period from and including the day immediately following the end of the immediately preceding Subsequent Fixed Rate Period to, but excluding, May 25 in the fifth year thereafter.

### ***Dividends***

During the Initial Fixed Rate Period, the holders of the Preferred Shares Series 27 will be entitled to receive fixed quarterly non-cumulative preferential cash dividends, as and when declared by the Board of Directors, subject to the provisions of the Bank Act, on the 25th day of February, May, August and November in each year, at a rate equal to \$0.25 per share. The initial dividend, if declared, will be payable on August 25, 2014 and will be \$0.33973 per share, based on the anticipated closing date of April 23, 2014.

During each Subsequent Fixed Rate Period after the Initial Fixed Rate Period, the holders of Preferred Shares Series 27 will be entitled to receive fixed non-cumulative preferential cash dividends, as and when declared by the Board of Directors, subject to the provisions of the Bank Act, payable quarterly on the 25th day of February, May, August and November in each year, in the amount per share per annum determined by multiplying the Annual Fixed Dividend Rate applicable to such Subsequent Fixed Rate Period by \$25.00.

The Annual Fixed Dividend Rate applicable to a Subsequent Fixed Rate Period will be determined by the Bank on the Fixed Rate Calculation Date. Such determination will, in the absence of manifest error, be final and binding upon the Bank and upon all holders of Preferred Shares Series 27. The Bank will, on the Fixed Rate Calculation Date, give written notice of the Annual Fixed Dividend Rate for the ensuing Subsequent Fixed Rate Period to the registered holders of the then outstanding Preferred Shares Series 27.

If the Board of Directors does not declare a dividend, or any part thereof, on the Preferred Shares Series 27 on or before the dividend payment date for a particular quarter, then the entitlement of the holders of the Preferred Shares Series 27 to receive such dividend, or to any part thereof, for such quarter will be forever extinguished.

### ***Redemptions***

The Preferred Shares Series 27 will not be redeemable prior to May 25, 2019. Subject to the provisions of the Bank Act and to the prior consent of the Superintendent and to the provisions described below under the heading “Restrictions on Dividends and Retirement of Shares”, on May 25, 2019 and on May 25 every five years thereafter, the Bank may redeem all or any part of the then outstanding Preferred Shares Series 27, at the Bank’s option without the consent of the holder, by the payment of an amount in cash for each such share so redeemed of \$25.00 together with all declared and unpaid dividends to the date fixed for redemption.

Notice of any redemption will be given by the Bank at least 30 days and not more than 60 days prior to the date fixed for redemption. If less than all the outstanding Preferred Shares Series 27 are at any time to be redeemed, the shares to be redeemed will be redeemed pro rata, disregarding fractions. Reference is also made to the provisions described in the Prospectus under the heading “Bank Act Restrictions and Approvals”.

### ***Conversion of Preferred Shares Series 27 into Preferred Shares Series 28***

Holders of Preferred Shares Series 27 will have the right, at their option, on May 25, 2019 and on May 25 every five years thereafter (a “Series 27 Conversion Date”) to convert, subject to the restrictions on conversion described below and the payment or delivery to the Bank of evidence of payment of the tax (if any) payable, all or any of their Preferred Shares Series 27 registered in their name into Preferred Shares Series 28 on the basis of one Preferred Share Series 28 for each Preferred Share Series 27. The conversion of Preferred Shares Series 27 may be effected upon notice delivered by the holders of Preferred Shares Series 27 not earlier than the 30th day prior to, but not later than 5:00 p.m. (Toronto time) on the 15th day preceding, a Series 27 Conversion Date.

The Bank will, at least 30 days and not more than 60 days prior to the applicable Series 27 Conversion Date, give notice in writing to the then registered holders of the Preferred Shares Series 27 of the above mentioned conversion right. On the 30th day prior to each Series 27 Conversion Date, the Bank will give notice in writing to the then registered holders of the Preferred Shares Series 27 of the Annual Fixed Dividend Rate for the next succeeding Subsequent Fixed Rate Period.

Holders of Preferred Shares Series 27 will not be entitled to convert their shares into Preferred Shares Series 28 if the Bank determines that there would remain outstanding on a Series 27 Conversion Date less than 1,000,000 Preferred Shares Series 28, after having taken into account all Preferred Shares Series 27 tendered for conversion into Preferred Shares Series 28 and all Preferred Shares Series 28 tendered for conversion into Preferred Shares Series 27. The Bank will give notice in writing thereof to all registered holders of Preferred Shares Series 27 at least seven days prior to the applicable Series 27 Conversion Date. Furthermore, if the Bank determines that there would remain outstanding on a Series 27 Conversion Date less than 1,000,000 Preferred Shares Series 27, after having taken into account all Preferred Shares Series 27 tendered for conversion into Preferred Shares Series 28 and all Preferred Shares Series 28 tendered for conversion into Preferred Shares Series 27, then, all, but not part, of the remaining outstanding Preferred Shares Series 27 will automatically be converted into Preferred Shares Series 28 on the basis of one Preferred Share Series 28 for each Preferred Share Series 27 on the applicable Series 27 Conversion Date and the Bank will give notice in writing thereof to the then registered holders of such remaining Preferred Shares Series 27 at least seven days prior to the Series 27 Conversion Date.

Upon exercise by the holder of this right to convert Preferred Shares Series 27 into Preferred Shares Series 28, the Bank reserves the right not to issue Preferred Shares Series 28 to any person whose address is in, or whom the Bank or its transfer agent has reason to believe is a resident of, any jurisdiction outside Canada, to the extent that such issue would require the Bank to take any action to comply with the securities, banking or analogous laws of such jurisdiction. See also “Bank Act Restrictions and Approvals” and “Additional Restrictions on Declaration of Dividends” in the Prospectus.

If the Bank gives notice to the registered holders of the Preferred Shares Series 27 of the redemption of all the Preferred Shares Series 27, the Bank will not be required to give notice as provided hereunder to the registered holders of the Preferred Shares Series 27 of an Annual Fixed Dividend Rate or of the conversion right of holders of Preferred Shares Series 27 and the right of any holder of Preferred Shares Series 27 to convert such Preferred Shares Series 27 will cease and terminate in that event.

## **Certain Provisions of the Preferred Shares Series 28 as a Series**

### ***Definition of Terms***

The following definitions are relevant to the Preferred Shares Series 28.

“**Floating Rate Calculation Date**” means, for any Quarterly Floating Rate Period, the 30th day prior to the first day of such Quarterly Floating Rate Period.

“**Quarterly Commencement Date**” means the 25th day of each of February, May, August and November in each year.

“**Quarterly Floating Dividend Rate**” means, for any Quarterly Floating Rate Period, the rate (expressed as a percentage rate rounded down to the nearest one hundred thousandth of one percent (with 0.000005% being rounded up)) equal to the sum of the T-Bill Rate on the applicable Floating Rate Calculation Date plus 2.33% (calculated on the basis of the actual number of days elapsed in such Quarterly Floating Rate Period divided by 365).

“**Quarterly Floating Rate Period**” means, for the initial Quarterly Floating Rate Period, the period from and including May 25, 2019 to, but excluding, August 25, 2019, and thereafter the period from and including the day immediately following the end of the immediately preceding Quarterly Floating Rate Period to, but excluding, the next succeeding Quarterly Commencement Date.

“**T-Bill Rate**” means, for any Quarterly Floating Rate Period, the average yield expressed as a percentage per annum on three month Government of Canada Treasury Bills, as reported by the Bank of Canada, for the most

recent treasury bills auction preceding the applicable Floating Rate Calculation Date. Auction results are posted on Reuters page BOCBILL.

### ***Issue Price***

The Preferred Shares Series 28 will have an issue price of \$25.00 per share.

### ***Dividends***

The holders of the Preferred Shares Series 28 will be entitled to receive floating rate non-cumulative preferential cash dividends as and when declared by the Board of Directors, subject to the provisions of the Bank Act, payable quarterly on the 25th day of February, May, August and November in each year, in the amount per share determined by multiplying the applicable Quarterly Floating Dividend Rate by \$25.00.

The Quarterly Floating Dividend Rate for each Quarterly Floating Rate Period will be determined by the Bank on the 30th day prior to the first day of each Quarterly Floating Rate Period. Such determination will, in the absence of manifest error, be final and binding upon the Bank and upon all holders of Preferred Shares Series 28. The Bank will, on the Floating Rate Calculation Date, give written notice of the Quarterly Floating Dividend Rate for the ensuing Quarterly Floating Rate Period to all registered holders of the then outstanding Preferred Shares Series 28.

If the Board of Directors does not declare a dividend, or any part thereof, on the Preferred Shares Series 28 on or before the dividend payment date for a particular Quarterly Floating Rate Period, then the entitlement of the holders of the Preferred Shares Series 28 to receive such dividend, or to any part thereof, for such Quarterly Floating Rate Period will be forever extinguished.

### ***Redemption***

Subject to the provisions of the Bank Act and to the prior consent of the Superintendent and to the provisions described below under the heading “Restrictions on Dividends and Retirement of Shares”, on not more than 60 nor less than 30 days’ notice, the Bank may redeem all or any part of the then outstanding Preferred Shares Series 28, at the Bank’s option without the consent of the holder, by the payment of an amount in cash for each such share so redeemed of (i) \$25.00 together with all declared and unpaid dividends to the date fixed for redemption in the case of redemptions on May 25, 2024 and on May 25 every five years thereafter, or (ii) \$25.50 together with all declared and unpaid dividends to the date fixed for redemption in the case of redemptions on any other date after May 25, 2019.

Notice of any redemption will be given by the Bank at least 30 days and not more than 60 days prior to the date fixed for redemption. If less than all the outstanding Preferred Shares Series 28 are at any time to be redeemed, the shares to be redeemed will be redeemed pro rata, disregarding fractions. Reference is also made to the provisions described in the Prospectus under the heading “Bank Act Restrictions and Approvals”.

### ***Conversion of Preferred Shares Series 28 into Preferred Shares Series 27***

Holders of Preferred Shares Series 28 will have the right, at their option, on May 25, 2024 and on May 25 every five years thereafter (a “Series 28 Conversion Date”), to convert, subject to the restrictions on conversion described below and the payment or delivery to the Bank of evidence of payment of the tax (if any) payable, all or any of their Preferred Shares Series 28 registered in their name into Preferred Shares Series 27 on the basis of one Preferred Share Series 27 for each Preferred Share Series 28. The conversion of Preferred Shares Series 28 may be effected upon notice delivered by the holders of Preferred Shares Series 28 not earlier than the 30th day prior to, but not later than 5:00 p.m. (Toronto time) on the 15th day preceding, a Series 28 Conversion Date.

The Bank will, at least 30 days and not more than 60 days prior to the applicable Series 28 Conversion Date, give notice in writing to the then holders of the Preferred Shares Series 28 of the above mentioned conversion right. On the 30th day prior to each Series 28 Conversion Date, the Bank will give notice in writing to the then registered holders of Preferred Shares Series 28 of the Annual Fixed Dividend Rate for the next succeeding Subsequent Fixed Rate Period in respect of Preferred Shares Series 27.

Holders of Preferred Shares Series 28 will not be entitled to convert their shares into Preferred Shares Series 27 if the Bank determines that there would remain outstanding on a Series 28 Conversion Date less than 1,000,000 Preferred Shares Series 27, after having taken into account all Preferred Shares Series 28 tendered for conversion into Preferred Shares Series 27 and all Preferred Shares Series 27 tendered for conversion into Preferred Shares Series 28. The Bank will give notice in writing thereof to all registered holders of the Preferred Shares Series 28 at least seven days prior to the applicable Series 28 Conversion Date. Furthermore, if the Bank determines that there would remain outstanding on a Series 28 Conversion Date less than 1,000,000 Preferred Shares Series 28, after having taken into account all Preferred Shares Series 28 tendered for conversion into Preferred Shares Series 27 and all Preferred Shares Series 27 tendered for conversion into Preferred Shares Series 28, then, all, but not part, of the remaining outstanding Preferred Shares Series 28 will automatically be converted into Preferred Shares Series 27 on the basis of one Preferred Share Series 27 for each Preferred Share Series 28 on the applicable Series 28 Conversion Date and the Bank will give notice in writing thereof to the then registered holders of such remaining Preferred Shares Series 28 at least seven days prior to the Series 28 Conversion Date.

Upon exercise by the holder of this right to convert Preferred Shares Series 28 into Preferred Shares Series 27, the Bank reserves the right not to issue Preferred Shares Series 27 to any person whose address is in, or whom the Bank or its transfer agent has reason to believe is a resident of, any jurisdiction outside Canada, to the extent that such issue would require the Bank to take any action to comply with the securities, banking or analogous laws of such jurisdiction. See also “Bank Act Restrictions and Approvals” and “Additional Restrictions on Declaration of Dividends” in the Prospectus.

If the Bank gives notice to the registered holders of the Preferred Shares Series 28 of the redemption of all the Preferred Shares Series 28, the Bank will not be required to give notice as provided hereunder to the registered holders of the Preferred Shares Series 28 of an Annual Fixed Dividend Rate or of the conversion right of holders of Preferred Shares Series 28 and the right of any holder of Preferred Shares Series 28 to convert such Preferred Shares Series 28 will cease and terminate in that event.

#### **Certain Provisions Common to the Preferred Shares Series 27 and the Preferred Shares Series 28**

##### ***Conversion Upon Occurrence of Non-Viability Contingent Capital Trigger Event***

Upon the occurrence of a Trigger Event (as defined below), each outstanding Preferred Shares Series 27 and each outstanding Preferred Shares Series 28 will automatically and immediately be converted, on a full and permanent basis, into a number of fully-paid and freely tradable Common Shares equal to  $(\text{Multiplier} \times \text{Share Value}) \div \text{Conversion Price}$  (an “NVCC Automatic Conversion”). For the purposes of the foregoing:

“**Conversion Price**” means the greater of (i) the Floor Price (as defined below), and (ii) the Current Market Price.

“**Current Market Price**” means the volume weighted average trading price of the Common Shares on the TSX or, if not then listed on the TSX, on another exchange or market chosen by the board of directors of the Bank on which the Common Shares are then traded, for the 10 consecutive trading days ending on the trading day immediately prior to the date on which the Trigger Event occurs (with the conversion occurring as of the start of business on the date on which the Trigger Event occurs). If no such trading prices are available, “Current Market Price” shall be the fair value of the Common Shares as reasonably determined by the board of directors of the Bank.

“**Floor Price**” means \$5.00 subject to adjustment in the event of (i) the issuance of Common Shares or securities exchangeable for or convertible into Common Shares to all or substantially all of the holders of Common Shares as a stock dividend, (ii) the subdivision, redivision or change of the Common Shares into a greater number of Common Shares, or (iii) the reduction, combination or consolidation of the Common Shares into a lesser number of Common Shares. The adjustment shall be calculated to the nearest one-tenth of one cent provided that no adjustment of the Conversion Price shall be required unless such adjustment would require an increase or decrease of at least 1% of the Conversion Price then in effect; provided, however, that in such case any adjustment that would otherwise be required to be made will be carried forward and will be made at the

time of and together with the next subsequent adjustment which, together with any adjustments so carried forward, will amount to at least 1% of \$5.00.

“**Multiplier**” means 1.0.

“**Share Value**” means \$25.00 plus declared and unpaid dividends as at the date of the Trigger Event.

“**Trigger Event**” has the meaning set out in the Office of the Superintendent of Financial Institutions Canada (“OSFI”), Guideline for Capital Adequacy Requirements (CAR), Chapter 2 — Definition of Capital, effective January 2013, as such term may be amended or superseded by OSFI from time to time, which term currently provides that each of the following constitutes a Trigger Event:

- the Superintendent publicly announces that the Bank has been advised, in writing, that the Superintendent is of the opinion that the Bank has ceased, or is about to cease, to be viable and that, after the conversion of all contingent instruments and taking into account any other factors or circumstances that are considered relevant or appropriate, it is reasonably likely that the viability of the Bank will be restored or maintained; or
- a federal or provincial government in Canada publicly announces that the Bank has accepted or agreed to accept a capital injection, or equivalent support, from the federal government or any provincial government or political subdivision or agent or agency thereof without which the Bank would have been determined by the Superintendent to be non-viable.

In any case where the aggregate number of Common Shares to be issued to a holder of Preferred Shares Series 27 or Preferred Shares Series 28 pursuant to an NVCC Automatic Conversion includes a fraction of a Common Share, such number of Common Shares to be issued to such holder shall be rounded down to the nearest whole number of Common Shares and no cash payment shall be made in lieu of such fractional Common Share. Notwithstanding any other provision of the Preferred Shares Series 27 or the Preferred Shares Series 28, the conversion of such shares shall not be an event of default and the only consequence of a Trigger Event under the provisions of such shares will be the conversion of such shares into Common Shares.

In the event of a capital reorganization, consolidation, merger or amalgamation of the Bank or comparable transaction affecting the Common Shares, the Bank will take necessary action to ensure that holders of the Preferred Shares Series 27 or the Preferred Shares Series 28, as applicable, receive, pursuant to an NVCC Automatic Conversion, the number of Common Shares or other securities that such holders would have received if the NVCC Automatic Conversion occurred immediately prior to the record date for such event.

#### ***Right Not to Deliver Common Shares upon NVCC Automatic Conversion***

Upon an NVCC Automatic Conversion, the Bank reserves the right not to deliver some or all, as applicable, of the Common Shares issuable thereupon to any Ineligible Person (as defined below) or any person who, by virtue of the operation of the NVCC Automatic Conversion, would become a Significant Shareholder (as defined below) through the acquisition of Common Shares. In such circumstances, the Bank will hold, as agent for such persons, the Common Shares that would have otherwise been delivered to such persons and will attempt to facilitate the sale of such Common Shares to parties other than the Bank and its affiliates on behalf of such persons through a registered dealer to be retained by the Bank on behalf of such persons. Those sales (if any) may be made at any time and at any price. The Bank will not be subject to any liability for failure to sell such Common Shares on behalf of such persons or at any particular price on any particular day. The net proceeds received by the Bank from the sale of any such Common Shares will be divided among the applicable persons in proportion to the number of Common Shares that would otherwise have been delivered to them upon the NVCC Automatic Conversion after deducting the costs of sale and any applicable withholding taxes. For the purposes of the foregoing:

“**Ineligible Person**” means (i) any person whose address is in, or whom the Bank or its transfer agent has reason to believe is a resident of, any jurisdiction outside Canada to the extent that the issuance by the Bank of Common Shares or delivery of such shares by its transfer agent to that person, pursuant to an NVCC Automatic Conversion, would require the Bank to take any action to comply with securities, banking or analogous laws of that jurisdiction, and (ii) any person to the extent that the issuance by the Bank of Common Shares, or delivery

of such shares by its transfer agent to that person, pursuant to an NVCC Automatic Conversion, would, at the time of the Trigger Event, cause the Bank to be in violation of any law to which the Bank is subject.

“**Significant Shareholder**” means any person who beneficially owns directly, or indirectly through entities controlled by such person or persons associated with or acting jointly or in concert with such person, a percentage of the total number of outstanding shares of a class of the Bank that is in excess of that permitted by the Bank Act.

#### ***Purchase for Cancellation***

Subject to the provisions of the Bank Act, the prior consent of the Superintendent and the provisions described below under the heading “Restrictions on Dividends and Retirement of Shares”, the Bank may at any time purchase for cancellation any of the Preferred Shares Series 27 or any of the Preferred Shares Series 28 in the open market at the lowest price or prices at which in the opinion of the Board of Directors such shares are obtainable.

#### ***Restrictions on Dividends and Retirement of Shares***

So long as any of the Preferred Shares Series 27 or any of the Preferred Shares Series 28 are outstanding, the Bank will not, without the approval of the holders of the relevant series:

- (a) declare, pay or set apart for payment any dividends on the Common Shares or any other shares ranking junior to the Preferred Shares Series 27 or the Preferred Shares Series 28 (other than stock dividends payable in shares of the Bank ranking junior to the Preferred Shares Series 27 or the Preferred Shares Series 28);
- (b) redeem, purchase or otherwise retire any Common Shares or any other shares ranking junior to the Preferred Shares Series 27 or the Preferred Shares Series 28 (except out of the net cash proceeds of a substantially concurrent issue of shares ranking junior to the Preferred Shares Series 27 or the Preferred Shares Series 28);
- (c) redeem, purchase or otherwise retire less than all the Preferred Shares Series 27 or the Preferred Shares Series 28 then outstanding; or
- (d) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching to any series of preferred shares of the Bank (the “Preferred Shares”), redeem, purchase or otherwise retire any other shares ranking on a parity with the Preferred Shares Series 27 or the Preferred Shares Series 28,

unless, in each such case, all dividends up to and including the dividend payment date for the last completed period for which dividends will be payable will have been declared and paid or set apart for payment in respect of each series of cumulative Preferred Shares then issued and outstanding and on all other cumulative shares ranking on a parity with the Class B preferred shares of the Bank and there will have been paid or set apart for payment all declared dividends in respect of each series of non-cumulative Preferred Shares (including the Preferred Shares Series 27 or the Preferred Shares Series 28) then issued and outstanding and on all other non-cumulative shares ranking on a parity with the Class B preferred shares of the Bank.

#### ***Issue of Additional Series of Preferred Shares***

Subject to the restrictions described in the Prospectus under “Description of Preferred Shares — Certain Provisions of the Class B Preferred Shares as a Class — Creation and Issue of Shares”, the Bank may issue other series of Preferred Shares ranking on a parity with the Preferred Shares Series 27 and the Preferred Shares Series 28 without the authorization of the holders of either the Preferred Shares Series 27 or the Preferred Shares Series 28 as a series.

#### ***Amendments to Preferred Shares Series 27 or Preferred Shares Series 28***

The Bank will not, without the approval of the holders of the Preferred Shares Series 27 or the Preferred Shares Series 28, as applicable, given as specified below under “Shareholder Approvals”, delete or vary any rights, privileges, restrictions and conditions attaching to the Preferred Shares Series 27 or the Preferred Shares Series 28, as applicable. In addition to the aforementioned approval, the Bank will not without, but may from time to time, with the prior approval of the Superintendent, make any such deletion or variation which might affect the classification afforded the Preferred Shares Series 27 or the Preferred Shares Series 28 from time to time for capital adequacy requirements pursuant to the Bank Act and the regulations and guidelines thereunder.



### ***Shareholder Approvals***

The approval of any amendments to the rights, privileges, restrictions and conditions attaching to the Preferred Shares Series 27 or the Preferred Shares Series 28 may be given by a resolution carried by the affirmative vote of not less than 66⅔% of the votes cast at a meeting of holders of applicable series, at which a majority of the outstanding holders of the applicable series is represented or, if no such quorum is present at the meeting, at a meeting following such adjourned meeting at which no quorum would apply.

In addition to the aforementioned approval, any amendments to the rights, privileges, restrictions and conditions attaching to the Preferred Shares Series 27 or the Preferred Shares Series 28 that affect the classification afforded to the Preferred Shares Series 27 or the Preferred Shares Series 28 from time to time for capital adequacy requirements pursuant to the Bank Act and the regulations and guidelines thereunder can only be made with the consent of the Superintendent.

### ***Rights on Liquidation***

In the event of the liquidation, dissolution or winding-up of the Bank, where a Trigger Event has not occurred, the holders of the Preferred Shares Series 27 or the Preferred Shares Series 28 will be entitled to receive \$25.00 per share together with all dividends declared and unpaid to the date of payment before any amount will be paid or any assets of the Bank distributed to the holders of any shares ranking junior to the Preferred Shares Series 27 or the Preferred Shares Series 28. The holders of the Preferred Shares Series 27 or the Preferred Shares Series 28 will not be entitled to share in any further distribution of the property or assets of the Bank.

### ***Voting Rights***

Subject to the provisions of the Bank Act, the holders of Preferred Shares Series 27 or the Preferred Shares Series 28 as such will not be entitled to receive notice of, attend, or vote at, any meeting of the shareholders of the Bank unless and until the first time at which the Board of Directors has not declared the whole dividend on the Preferred Shares Series 27 or the Preferred Shares Series 28 in respect of any quarter. In that event, the holders of the relevant series will be entitled to receive notice of, and to attend, meetings of shareholders at which directors of the Bank are to be elected and will be entitled to one vote for each Preferred Share Series 27 or the Preferred Shares Series 28 held. The voting rights of the holders of the relevant series will forthwith cease upon payment by the Bank of the first dividend on the shares of such series to which the holders are entitled subsequent to the time such voting rights first arose until such time as the Bank may again fail to declare the whole dividend on the shares of such series in respect of any quarter, in which event such voting rights will become effective again and so on from time to time.

In connection with any action to be taken by the Bank which requires the approval of the holders of Preferred Shares Series 27 or the Preferred Shares Series 28 voting as a series or as part of the class, each such share will entitle the holder thereof to one vote.

### ***Tax Election***

The Preferred Shares Series 27 and the Preferred Shares Series 28 will be “taxable preferred shares” as defined in the Act for purposes of the tax under Part IV.1 of the Act applicable to certain corporate holders of such shares. The terms of the Preferred Shares Series 27 or the Preferred Shares Series 28 will require the Bank to make the necessary election under Part VI.1 of the Act so that corporate holders will not be subject to the tax under Part IV.1 of the Act on dividends received (or deemed to be received) on the Preferred Shares Series 27 or the Preferred Shares Series 28.

### ***Business Days***

If any action is required to be taken by the Bank on a day that is not a business day, then such action will be taken on the next succeeding day that is a business day.

## EARNINGS COVERAGE RATIOS

The consolidated financial ratios for the Bank set forth in the table below are calculated for the 12 months ended October 31, 2013 and January 31, 2014, respectively, are presented on a pro forma as adjusted basis, which gives effect to the issuance of the Preferred Shares Series 27.

	<b>12 Months Ended October 31, 2013</b>	<b>12 Months Ended January 31, 2014</b>
Grossed up dividend coverage on Class B Preferred Shares, Series 13, 14, 15, 16, 17, 21, 23, 25 and 27 <sup>(1)</sup> . . . . .	33.68 times	34.37 times
Interest coverage on subordinated indebtedness . . . . .	36.78 times	36.82 times
Interest and grossed up dividend coverage on subordinated indebtedness . .	17.58 times	17.78 times

Notes:

- (1) With respect to the Preferred Shares Series 27, this calculation assumes the payment of \$0.25 dividends per Preferred Share Series 27 for each of the four quarterly periods during the respective 12 month period.

In calculating the dividend and interest coverages, foreign currency amounts have been converted to Canadian dollars using rates of exchange as at the end of each month. For the 12 month period ending October 31, 2013, the average of such exchange rates was \$1.0235 per US\$1.00. For the 12 month period ending January 31, 2014, the average of such exchange rates was \$1.0447 per US\$1.00.

The Bank's dividend requirements on all of its preferred shares after giving effect to this offering amounted to (i) \$158.25 million for the 12 months ended October 31, 2013, adjusted to a before-tax equivalent using an effective tax rate of 20.11%, and (ii) \$156.86 million for the 12 months ended January 31, 2014, adjusted to a before-tax equivalent using an effective tax rate of 20.45%. The Bank's interest requirements for its long term debt and grossed up dividends on its preferred shares after giving effect to this offering for (i) the 12 months ended October 31, 2013 amounted to \$303.16 million, and (ii) the 12 months ended January 31, 2014 amounted to \$303.28 million. The Bank's earnings before interest and income tax for (i) the 12 months ended October 31, 2013 amounted to \$5,329.46 million, which was 17.58 times the Bank's aggregate dividend and interest requirements for this period, and (ii) the 12 months ended January 31, 2014 amounted to \$5,391.54 million, which was 17.78 times the Bank's aggregate dividend and interest requirements for this period.

## TRADING PRICE AND VOLUME

The outstanding Common Shares are listed on the TSX under the trading symbol "BMO" and on the NYSE under the trading symbol "BMO". The outstanding preferred shares of the Bank are listed on the TSX with the following trading symbols: "BMO.PR.J" for the Class B Preferred Shares Series 13; "BMO.PR.K" for the Class B Preferred Shares Series 14; "BMO.PR.L" for the Class B Preferred Shares Series 15; "BMO.PR.M" for the Class B Preferred Shares Series 16; "BMO.PR.R" for the Class B Preferred Shares Series 17; "BMO.PR.O" for the Class B Preferred Shares Series 21; "BMO.PR.P" for the Class B Preferred Shares Series 23; and "BMO.PR.Q" for the Class B Preferred Shares Series 25. The following tables set forth the reported high and low trading prices in Canadian dollars and trading volumes of the common and preferred shares of the Bank on the TSX for the periods indicated.

### Common Shares (BMO)

<b>Month</b>	<b>High (\$)</b>	<b>Low (\$)</b>	<b>Volume Traded</b>
December 2013 . . . . .	\$74.18	\$68.35	34,578,136
January 2014 . . . . .	\$73.23	\$68.01	31,104,338
February 2014 . . . . .	\$73.60	\$67.04	26,317,290
March 2014 . . . . .	\$74.29	\$71.64	27,085,036
April 1-15, 2014 . . . . .	\$75.66	\$73.51	12,630,550

**Class B Preferred Shares Series 13 (BMO.PR.J)**

<u>Month</u>	<u>High (\$)</u>	<u>Low (\$)</u>	<u>Volume Traded</u>
December 2013 .....	\$25.61	\$25.20	142,216
January 2014 .....	\$25.59	\$25.14	193,398
February 2014 .....	\$25.64	\$25.19	275,376
March 2014 .....	\$25.89	\$25.50	338,203
April 1-15, 2014 .....	\$25.88	\$25.71	335,264

**Class B Preferred Shares Series 14 (BMO.PR.K)**

<u>Month</u>	<u>High (\$)</u>	<u>Low (\$)</u>	<u>Volume Traded</u>
December 2013 .....	\$26.24	\$25.86	80,325
January 2014 .....	\$26.17	\$25.50	74,110
February 2014 .....	\$26.11	\$25.55	66,367
March 2014 .....	\$26.21	\$26.01	45,558
April 1-15, 2014 .....	\$26.30	\$26.15	31,809

**Class B Preferred Shares Series 15 (BMO.PR.L)**

<u>Month</u>	<u>High (\$)</u>	<u>Low (\$)</u>	<u>Volume Traded</u>
December 2013 .....	\$26.43	\$26.23	152,092
January 2014 .....	\$26.44	\$26.04	93,541
February 2014 .....	\$26.24	\$26.03	167,603
March 2014 .....	\$26.35	\$26.11	89,508
April 1-15, 2014 .....	\$26.55	\$26.31	179,418

**Class B Preferred Shares Series 16 (BMO.PR.M)**

<u>Month</u>	<u>High (\$)</u>	<u>Low (\$)</u>	<u>Volume Traded</u>
December 2013 .....	\$25.30	\$24.79	127,373
January 2014 .....	\$25.43	\$24.55	128,456
February 2014 .....	\$25.05	\$24.64	296,185
March 2014 .....	\$25.34	\$24.99	228,212
April 1-15, 2014 .....	\$25.57	\$25.21	28,677

**Class B Preferred Shares Series 17 (BMO.PR.R)**

<u>Month</u>	<u>High (\$)</u>	<u>Low (\$)</u>	<u>Volume Traded</u>
December 2013 .....	\$25.29	\$25.14	389,045
January 2014 .....	\$25.20	\$24.79	301,980
February 2014 .....	\$24.90	\$24.60	408,311
March 2014 .....	\$24.92	\$24.76	358,623
April 1-15, 2014 .....	\$25.38	\$24.85	59,238

**Class B Preferred Shares Series 21 (BMO.PR.O)**

<u>Month</u>	<u>High (\$)</u>	<u>Low (\$)</u>	<u>Volume Traded</u>
December 2013 .....	\$25.71	\$25.40	191,164
January 2014 .....	\$25.67	\$25.16	164,126
February 2014 .....	\$25.39	\$25.20	233,815
March 2014 .....	\$25.39	\$25.29	355,307
April 1-15, 2014 .....	\$25.42	\$25.34	74,824

**Class B Preferred Shares Series 23 (BMO.PR.P)**

<u>Month</u>	<u>High (\$)</u>	<u>Low (\$)</u>	<u>Volume Traded</u>
December 2013 .....	\$26.29	\$25.88	235,056
January 2014 .....	\$26.63	\$25.65	131,123
February 2014 .....	\$26.13	\$25.66	448,445
March 2014 .....	\$26.08	\$25.88	296,238
April 1-15, 2014 .....	\$26.14	\$25.91	40,629

**Class B Preferred Shares Series 25 (BMO.PR.Q)**

<u>Month</u>	<u>High (\$)</u>	<u>Low (\$)</u>	<u>Volume Traded</u>
December 2013 .....	\$24.65	\$24.12	157,803
January 2014 .....	\$24.90	\$24.14	163,351
February 2014 .....	\$24.62	\$24.07	135,485
March 2014 .....	\$24.70	\$24.44	179,969
April 1-15, 2014 .....	\$24.90	\$24.54	94,175

**CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

In the opinion of Osler, Hoskin & Harcourt LLP and McCarthy Tétrault LLP, the following is a summary of the principal Canadian federal income tax considerations generally applicable to a purchaser who acquires Preferred Shares Series 27 pursuant to this prospectus supplement, Preferred Shares Series 28 on a conversion of Preferred Shares Series 27, and Common Shares on an automatic conversion of Preferred Shares Series 27 or Preferred Shares Series 28, and who, for purposes of the Act and at all relevant times, is or is deemed to be resident in Canada, deals at arm's length with the Bank and the Underwriters, is not affiliated with the Bank and holds the Preferred Shares Series 27 and any Preferred Shares Series 28 and Common Shares as capital property. Generally, the Preferred Shares Series 27, Preferred Shares Series 28 and Common Shares will be capital property to a holder provided the holder does not acquire or hold those Preferred Shares Series 27, Preferred Shares Series 28 or Common Shares in the course of carrying on a business or as part of an adventure or concern in the nature of trade. Certain holders, whose Preferred Shares Series 27, Preferred Shares Series 28 or Common Shares might not otherwise be capital property, may, in certain circumstances, be entitled to have them and all other "Canadian securities", as defined in the Act, owned by such holder in the taxation year in which the election is made, and in all subsequent taxation years, deemed to be capital property by making the irrevocable election permitted by subsection 39(4) of the Act.

This summary is not applicable to a purchaser an interest in which is a "tax shelter investment", that is a "financial institution" for purposes of the "mark-to-market" rules, to which the "functional currency" reporting rules apply, or that enters into, with respect to the Preferred Shares Series 27, Preferred Shares Series 28 or Common Shares, a "derivative forward agreement", each as defined in the Act. Such purchasers should consult their own tax advisors. Furthermore, this summary is not applicable to a purchaser that is a "specified financial institution" (as defined in the Act) that receives or is deemed to receive, alone or together with persons with whom it does not deal at arm's length, in the aggregate dividends in respect of more than 10% of the Preferred Shares Series 27, Preferred Shares Series 28 or Common Shares, as the case may be, outstanding at the time the dividend is received. This summary also assumes that all issued and outstanding Preferred Shares

Series 27, Preferred Shares Series 28 or Common Shares are listed on a designated stock exchange in Canada (as defined in the Act, such as the TSX) at such times as dividends (including deemed dividends) are paid or received on the Preferred Shares Series 27, Preferred Shares Series 28 or Common Shares respectively.

This summary is based upon the current provisions of the Act and the regulations thereunder (the “Regulations”), and counsel’s understanding of the current administrative and assessing practices and policies of the Canada Revenue Agency published in writing prior to the date hereof. This summary takes into account all specific proposals to amend the Act and the Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the “Proposed Amendments”) and assumes that all Proposed Amendments will be enacted in the form proposed. However, no assurances can be given that the Proposed Amendments will be enacted as proposed, or at all. This summary does not otherwise take into account or anticipate any changes in law or administrative or assessing practice, whether by legislative, governmental, administrative or judicial decision or action, nor does it take into account or consider any provincial, territorial or foreign tax considerations.

**This summary is of a general nature only and is not intended to be, nor should it be construed as, legal or tax advice to any particular purchaser. This summary is not exhaustive of all Canadian federal income tax considerations. Accordingly, prospective purchasers are urged to consult their own tax advisors with respect to their particular circumstances.**

### *Dividends*

Dividends (including deemed dividends) received on the Preferred Shares Series 27, Preferred Shares Series 28 or Common Shares by an individual (other than certain trusts) will be included in the individual’s income and will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received from taxable Canadian corporations, including the enhanced gross-up and dividend tax credit rules applicable to any dividends designated by the Bank as eligible dividends in accordance with the provisions of the Act. Dividends (including deemed dividends) on the Preferred Shares Series 27, Preferred Shares Series 28 or Common Shares received by a corporation will be included in computing income and will generally be deductible in computing the taxable income of the corporation.

The Preferred Shares Series 27 and Preferred Shares Series 28 will be “taxable preferred shares” as defined in the Act. The terms of the Preferred Shares Series 27 and Preferred Shares Series 28 require the Bank to make the necessary election under Part VI.1 of the Act so that corporate shareholders will not be subject to tax under Part IV.1 of the Act on dividends paid (or deemed to be paid) by the Bank on the Preferred Shares Series 27 and Preferred Shares Series 28.

A “private corporation”, as defined in the Act, or any other corporation controlled (whether by reason of a beneficial interest in one or more trusts or otherwise) by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts) will generally be liable to pay a 33 $\frac{1}{3}$ % refundable tax under Part IV of the Act on dividends received (or deemed to be received) on the Preferred Shares Series 27, Preferred Shares Series 28 or Common Shares to the extent such dividends are deductible in computing its taxable income for the year.

### *Dispositions*

Generally, on a disposition of a Preferred Share Series 27, Preferred Share Series 28 or Common Share (which includes the redemption of the shares for cash but not a conversion), the holder will realize a capital gain (or sustain a capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such share to the holder thereof immediately before the disposition or deemed disposition. The amount of any deemed dividend arising on the redemption, acquisition or cancellation by the Bank of a Preferred Share Series 27, Preferred Share Series 28 or Common Share, as the case may be, will generally not be included in a holder’s proceeds of disposition for purposes of computing the capital gain or loss arising on the disposition of such share (see “Redemption” below).

If the shareholder is a corporation, the amount of any capital loss may in certain circumstances be reduced by the amount of any dividends, including deemed dividends, which have been received on such shares to the

extent and in the manner provided for in the Act. Similar rules may apply where a Preferred Share Series 27, Preferred Share Series 28 or Common Share is owned by a partnership or trust of which a corporation, trust or partnership is a member or beneficiary. Such holders should consult their own advisors.

Generally, one-half of any capital gain realized by a holder in a taxation year will be included in computing the holder's income in that year as a taxable capital gain and one-half of any capital loss will be deducted from the holder's net taxable capital gains in the year. Any excess of allowable capital losses over taxable capital gains of the holder may be carried back up to three years and forward indefinitely and deducted against net taxable capital gains of the holder in those other years in accordance with the detailed rules in the Act.

Canadian controlled private corporations may be liable to pay an additional refundable tax of 6<sup>2</sup>/<sub>3</sub>% on their "aggregate investment income" (which is defined in the Act to include an amount in respect of taxable capital gains, but not dividends or deemed dividends that are deductible in computing taxable income).

### ***Redemption***

If the Bank redeems for cash or otherwise acquires a Preferred Share Series 27, Preferred Share Series 28 or Common Share (other than on a conversion or by a purchase in the manner in which shares are normally purchased by a member of the public in the open market), the holder will be deemed to have received a dividend equal to the amount, if any, paid by the Bank in excess of the paid-up capital of such share at such time. Generally, the difference between the amount paid by the Bank and the amount of the deemed dividend will be treated as proceeds of disposition for the purposes of computing the capital gain or capital loss arising on the disposition of such share (see "Dispositions" above). In the case of a corporate shareholder, it is possible that in certain circumstances all or part of the amount so deemed to be a dividend may be treated as proceeds of disposition and not as a dividend.

### ***Conversion***

The conversion of (i) a Preferred Share Series 27 into a Preferred Share Series 28 or a Common Share and (ii) a Preferred Share Series 28 into a Preferred Share Series 27 or a Common Share, will be deemed not to be a disposition of property and accordingly will not give rise to any capital gain or capital loss. The cost to a holder of a Preferred Share Series 28, Preferred Share Series 27 or Common Share, as the case may be, received on the conversion will be deemed to be equal to the holder's adjusted cost base of the Preferred Share Series 27 or Preferred Share Series 28, as the case may be, immediately before the conversion. The cost of a Preferred Share Series 27, Preferred Share Series 28 or Common Share, as the case may be, received on a conversion will be averaged with the adjusted cost base of all other identical shares held by the holder as capital property at such time for the purpose of determining the adjusted cost base of each such share.

### ***Alternative Minimum Tax***

A capital gain realized, or a dividend received or deemed to be received, by an individual or a trust (other than certain specified trusts) may give rise to a liability for alternative minimum tax.

## **RATINGS**

The Preferred Shares Series 27 are rated "Pfd-2" with a Stable trend by DBRS Limited ("DBRS"). "Pfd-2" is in the second highest of six categories available from DBRS for preferred shares. Each rating category is denoted by the subcategories "high" and "low". The rating trend indicates the direction in which DBRS considers the rating is headed should present tendencies continue, or in some cases, unless challenges are addressed. A rating trend that is Stable acts as a signal indicating that the rating is secure and that the trend is stable according to ongoing surveillance and performance updates.

The Preferred Shares Series 27 have a rating of "P-2 (low)" by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies Inc. ("S&P"), using S&P's Canadian scale for preferred shares. The "P-2" rating is the second highest of the eight categories used by S&P on its Canadian preferred share scale. A reference to "high" or "low" reflects the relative strength within the rating category.

The Preferred Shares Series 27 are rated “Baa3 (hyb)” by Moody’s Canada Inc. (“Moody’s”). The Baa rating assigned to the Preferred Shares Series 27 is the fourth highest of nine categories. The modifier “3” indicates a ranking in the lower end of the rating category. A “(hyb)” indicator is appended to all ratings of hybrid securities issued by banks, insurers, finance companies, and securities firms. The hybrid indicator signals the potential for ratings volatility due to less predictable exogenous (and often non-credit linked) factors such as regulatory and/or government intervention coupled with a hybrid’s equity-like features.

Prospective purchasers of Preferred Shares Series 27 should consult the relevant rating organization with respect to the interpretation and implications of the foregoing provisional ratings. The foregoing ratings should not be construed as recommendations to buy, sell or hold Preferred Shares Series 27. Ratings may be revised or withdrawn at any time by the respective rating organizations.

#### **PLAN OF DISTRIBUTION**

Pursuant to an underwriting agreement dated April 16, 2014 among the Bank and the Underwriters (the “Underwriting Agreement”), the Bank has agreed to sell and the Underwriters have severally agreed to purchase on April 23, 2014 or such date as may be agreed upon, but not later than April 30, 2014, subject to the terms and conditions stated in the Underwriting Agreement, all but not less than all of the Preferred Shares Series 27 at a price of \$25.00 per share, payable in cash to the Bank against delivery of such Preferred Shares Series 27. The Underwriting Agreement provides that the Underwriters will be paid a fee per share equal to \$0.25 for each share sold to institutions and \$0.75 for all other shares sold.

The obligations of the Underwriters under the Underwriting Agreement may be terminated at their discretion on the basis of their assessment of the state of the financial markets and may also be terminated upon the occurrence of certain stated events. The Underwriters are, however, obligated to take up and pay for all of the Preferred Shares Series 27 if any are purchased under the Underwriting Agreement.

After the Underwriters have made a reasonable effort to sell all of the Preferred Shares Series 27 at \$25.00 per share, the price of the Preferred Shares Series 27 may be decreased, and further changed from time to time, by the Underwriters to an amount not greater than \$25.00 per share and, in such case, the compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by purchasers for the Preferred Shares Series 27 is less than the gross proceeds paid by the Underwriters to the Bank.

Neither the Preferred Shares Series 27 nor Preferred Shares Series 28 have been, or will be, registered under the U.S. Securities Act, as amended, and, subject to certain exceptions, may not be offered or sold in the United States.

Pursuant to policy statements of certain securities regulators, the Underwriters may not, throughout the period of distribution, bid for or purchase any Preferred Shares Series 27. The policy statements allow certain exceptions to the foregoing prohibitions. The Underwriters may only avail themselves of such exceptions on the condition that the bid or purchase not be engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Preferred Shares Series 27. These exceptions include a bid or purchase permitted under the Universal Market Integrity Rules for Canadian Marketplaces of Investment Industry Regulatory Organization of Canada, relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. Subject to the foregoing, in connection with this offering, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Preferred Shares Series 27 at levels other than those which otherwise might prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

Pursuant to an Ontario securities rule, the Underwriters may not, beginning on the date that the offering price was determined and throughout the period of distribution of the Preferred Shares Series 27, bid for or purchase Preferred Shares Series 27. The foregoing restriction is subject to certain exceptions. These exceptions include a bid or purchase permitted under the by-laws and rules of the TSX relating to market stabilization and passive market making activities, provided that the bid or purchase does not exceed the lesser of the offering price and the last independent sale price at the time of the entry of the bid or order to purchase, and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution, provided that the bid or purchase not be engaged in for the purpose of creating actual or apparent

active trading in, or raising the price of, the Preferred Shares Series 27. Pursuant to the first mentioned exception, in connection with this offering, the Underwriters may over-allot or effect transactions that stabilize or maintain the market price of the Preferred Shares Series 27 at levels other than those which might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

The TSX has conditionally approved the listing of the Preferred Shares Series 27, the Preferred Shares Series 28 and the Common Shares issuable upon a Trigger Event subject to the Bank fulfilling all of the requirements of the TSX on or before June 11, 2014. The Bank has applied to list the Common Shares issuable upon the occurrence of a Trigger Event on the NYSE. Listing is subject to the Bank fulfilling all of the listing requirements of the NYSE and final approval is expected to be received prior to the anticipated closing date of April 23, 2014.

BMO Nesbitt Burns Inc. is a wholly owned subsidiary of the Bank. As a result, the Bank is a “related and connected issuer” of BMO Nesbitt Burns Inc. under applicable securities legislation. The decision to distribute the securities offered hereunder and the terms of this offering were negotiated at arm’s length between the Bank and the Underwriters (including CIBC World Markets Inc., which is an “independent underwriter” pursuant to applicable securities legislation). CIBC World Markets Inc. participated in the drafting of this prospectus supplement, the pricing of the Preferred Shares Series 27 and the due diligence process in respect of this offering. BMO Nesbitt Burns Inc. will not receive any benefit in connection with this offering other than a portion of the Underwriters’ fee.

#### **USE OF PROCEEDS**

The net proceeds to the Bank from the sale of the Preferred Shares Series 27, after deducting estimated expenses of this offering and the Underwriters’ fee, will be \$484,600,000 (assuming the Underwriters’ fee is \$0.75 per share for all Preferred Shares Series 27 sold). The net proceeds from this offering will be used by the Bank for general corporate purposes.

#### **RISK FACTORS**

An investment in Preferred Shares Series 27 of the Bank is subject to certain risks including those set out in the Prospectus. The sections entitled “Management’s Discussion and Analysis” contained in the Bank’s Annual Report for the year ended October 31, 2013 and in the Bank’s First Quarter 2014 Report to Shareholders for the three months ended January 31, 2014 are incorporated by reference in this prospectus supplement. Each of these analyses discusses, among other things, known material trends and events, and risks and uncertainties that are reasonably expected to have a material effect on the Bank’s business, financial condition or results of operations.

#### ***The value of Preferred Shares Series 27 and the Preferred Shares Series 28 will be affected by the general creditworthiness of the Bank***

Real or anticipated changes in credit ratings on the Preferred Shares Series 27 or the Preferred Shares Series 28, if any, may affect the market value of the Preferred Shares Series 27 and the Preferred Shares Series 28, respectively. An actual or anticipated downgrade in the credit ratings of the Bank or its securities by any rating agency could affect the market value or rating of the Preferred Shares Series 27 and the Preferred Shares Series 28, respectively. In addition, such actual or anticipated changes in the Bank’s credit ratings could also affect the cost at which the Bank can transact or obtain funding, and thereby affect the Bank’s liquidity, business, financial condition or results of operations.

#### ***The value of the Preferred Share Series 27 and the Preferred Shares Series 28 may be affected by market value fluctuations***

The value of the Preferred Share Series 27 and the Preferred Shares Series 28 may be affected by market value fluctuations resulting from factors which influence the Bank’s operations, including regulatory developments, competition and global market activity.



***The Preferred Shares Series 27 and the Preferred Shares Series 28 are non-cumulative and there is a risk the Bank will be unable to pay dividends on the shares***

The Preferred Shares Series 27 and the Preferred Shares Series 28 are non-cumulative and dividends are payable at the discretion of the Board of Directors. See “Earnings Coverage Ratios” in this prospectus supplement and “Bank Act Restrictions and Approvals” in the Prospectus, each of which are relevant to an assessment of the risk that the Bank will be unable to pay dividends on the Preferred Shares Series 27 or the Preferred Shares Series 28.

***If a distribution is not paid on any outstanding BMO BOaTS, the Bank will not pay dividends on its outstanding Preferred Shares Series 27, Preferred Shares Series 28 and Common Shares***

The Bank has covenanted that if a distribution is not paid on any outstanding Trust Capital Securities of BMO Capital Trust (also known as “BMO BOaTS”), the Bank will not pay dividends on its outstanding Common Shares or preferred shares, which would include the Preferred Shares Series 27 and Preferred Shares Series 28, for a specified period of time unless the required distribution is paid to the holders of BMO BOaTS. In addition, the Bank has also covenanted that if the interest is not paid in cash on any outstanding BMO T1Ns — Series A issued by BMO Capital Trust II, the Bank will not pay dividends on its Common Shares or Preferred Shares, which would include the Preferred Shares Series 27 and Preferred Shares Series 28, for a specified period of time. See “Additional Restrictions on Declaration of Dividends” in the Prospectus.

***Ranking on insolvency of winding-up***

The Preferred Shares Series 27 and the Preferred Shares Series 28 are equity capital of the Bank. The Preferred Shares Series 27 rank, and the Preferred Shares Series 28 will, if issued, rank equally with other preferred shares of the Bank in the event of an insolvency or winding-up of the Bank. If the Bank becomes insolvent or is wound-up, the Bank’s assets must be used to pay deposit liabilities and other debt, including subordinated debt, before payments may be made on the Preferred Shares Series 27 or the Preferred Shares Series 28, if any, and other Preferred Shares.

***Automatic conversion into Common Shares upon a Trigger Event***

Upon the occurrence of a Trigger Event and an NVCC Automatic Conversion, an investment in the Preferred Shares Series 27 or the Preferred Shares Series 28 will become an investment in Common Shares without the consent of the holder. After an NVCC Automatic Conversion, a holder of Preferred Shares Series 27 or Preferred Shares Series 28 will no longer have any rights as a preferred shareholder of the Bank and will only have rights as a holder of Common Shares. While the Preferred Shares Series 27, the Preferred Shares Series 28 and the Common Shares are all equity capital of the Bank, the claims of holders of Preferred Shares Series 27 and Preferred Shares Series 28 have certain priority of payment over the claims of holders of Common Shares. Given the nature of a Trigger Event, a holder of Preferred Shares Series 27 or Preferred Shares Series 28 will become a holder of Common Shares at a time when the Bank’s financial condition has deteriorated. If the Bank were to become insolvent or wound-up after the occurrence of a Trigger Event, as a result of an NVCC Automatic Conversion, the holders of Common Shares may receive, if anything, substantially less than the holders of the Preferred Shares Series 27 or the Preferred Shares Series 28 might have received had the Preferred Shares Series 27 and the Preferred Shares Series 28 not been converted into Common Shares. An NVCC Automatic Conversion may also occur at a time when a federal or provincial government or other government agency in Canada has provided, or will provide, a capital injection or equivalent support, the terms of which may rank in priority to the Common Shares with respect to the payment of dividends, rights on liquidation or other terms.

***A Trigger Event involves a subjective determination outside the Bank’s control***

The decision as to whether a Trigger Event will occur is a subjective determination by the Superintendent that the Bank has ceased, or is about to cease, to be viable and that the conversion of all contingent instruments is reasonably likely, taking into account any other factors or circumstances that are considered relevant or appropriate by the Superintendent, to restore or maintain the viability of the Bank. See the definition of Trigger Event under “Details of the Offering”.

OSFI has stated that the Superintendent will consult with the Canada Deposit Insurance Corporation, the Bank of Canada, the Department of Finance and the Financial Consumer Agency of Canada prior to making a non-viability determination. The conversion of contingent instruments alone may not be sufficient to restore an institution to viability and other public sector interventions, including liquidity assistance, would likely be used along with the conversion of contingent instruments to maintain an institution as a going concern.

In assessing whether the Bank has ceased, or is about to cease, to be viable and that, after the conversion of all contingent instruments, it is reasonably likely that the viability of the Bank will be restored or maintained, OSFI has stated that the Superintendent will consider, in consultation with the authorities referred to above, all relevant facts and circumstances. Those facts and circumstances may include, in addition to other public sector interventions, a consideration of whether, among other things:

- the assets of the Bank are, in the opinion of the Superintendent, sufficient to provide adequate protection to the Bank's depositors and creditors;
- the Bank has lost the confidence of depositors or other creditors and the public (for example, ongoing increased difficulty in obtaining or rolling over short-term funding);
- the Bank's regulatory capital has, in the opinion of the Superintendent, reached a level, or is eroding in a manner, that may detrimentally affect its depositors and creditors;
- the Bank has failed to pay any liability that has become due and payable or, in the opinion of the Superintendent, the Bank will not be able to pay its liabilities as they become due and payable;
- the Bank failed to comply with an order of the Superintendent to increase its capital;
- in the opinion of the Superintendent, any other state of affairs exists in respect of the Bank that may be materially prejudicial to the interests of the Bank's depositors or creditors or the owners of any assets under the Bank's administration; and
- the Bank is unable to recapitalize on its own through the issuance of Common Shares or other forms of regulatory capital (for example, no suitable investor or group of investors exists that is willing or capable of investing in sufficient quantity and on terms that will restore the Bank's viability, nor is there any reasonable prospect of such an investor emerging in the near-term in the absence of conversion of contingent instruments).

If a Trigger Event occurs, then the interests of depositors, other creditors of the Bank, and holders of bank securities which are not contingent instruments will all rank in priority to the holders of contingent instruments, including the Preferred Shares Series 27 or the Preferred Shares Series 28. The Superintendent retains full discretion to choose not to trigger non-viable contingent capital notwithstanding a determination that the Bank has ceased, or is about to cease, to be viable. Under such circumstances, the holders of Preferred Shares Series 27 and Preferred Shares Series 28 may be exposed to losses through the use of other resolution tools or in liquidation.

***Number and value of Common Shares to be received on an NVCC Automatic Conversion is variable***

The number of Common Shares to be received for each Preferred Shares Series 27 and each Preferred Shares Series 28 is calculated by reference to the prevailing market price of Common Shares immediately prior to a Trigger Event, subject to the Floor Price. If there is an NVCC Automatic Conversion at a time when the Current Market Price of the Common Shares is below the Floor Price, investors will receive Common Shares with an aggregate market price less than the Share Value. Investors may also receive Common Shares with an aggregate market price less than the prevailing market price of the Preferred Shares Series 27 or the Preferred Shares Series 28 being converted if such shares are trading at a price above the Share Value.

The Bank is expected to have outstanding from time to time other preferred shares and subordinated debt that will automatically convert into Common Shares upon a Trigger Event. In the case of such subordinated debt, the number of Common Shares to be received on conversion will be calculated by reference to the principal amount of such debt, together with accrued and unpaid interest and, in order to take into account the hierarchy of claims in a liquidation, holders of subordinated debt are expected to receive economic entitlements which are more favourable than preferred shareholders. Subordinated debt that is convertible into Common Shares upon a Trigger Event will likely use, and other preferred shares that are convertible into Common Shares

upon a Trigger Event may also use, a lower effective floor price (for example, using a different multiple) than that applicable to the Preferred Shares Series 27 and the Preferred Shares Series 28 to determine the maximum number of Common Shares to be issued to holders of such instruments upon an NVCC Automatic Conversion. Accordingly, holders of Preferred Shares Series 27 and Preferred Shares Series 28 will receive Common Shares pursuant to an NVCC Automatic Conversion at a time when subordinated debt is converted into Common Shares at a conversion rate that is more favourable to the holder of such instruments and other preferred shares are converted into Common Shares at a conversion rate that may be more favourable to the holder of such instruments, in each case, than the rate applicable to the Preferred Shares Series 27 and the Preferred Shares Series 28, thereby causing substantial dilution to holders of Common Shares and the holders of Preferred Shares Series 27 or Preferred Shares Series 28, who will become holders of Common Shares upon the Trigger Event.

***Common Shares received on an NVCC Automatic Conversion may be subject to further dilution***

In the circumstances surrounding a Trigger Event, the Superintendent or other governmental authorities or agencies may also require other steps to be taken to restore or maintain the viability of the Bank, such as the injection of new capital and the issuance of additional Common Shares or other securities. Accordingly, holders of Preferred Shares Series 27 and Preferred Shares Series 28 will receive Common Shares pursuant to an NVCC Automatic Conversion at a time when debt obligations of the Bank may be converted into Common Shares, possibly at a conversion rate that is more favourable to the holder of such obligations than the rate applicable to the Preferred Shares Series 27 and the Preferred Shares Series 28, and additional Common Shares or securities ranking in priority to the Common Shares may be issued, thereby causing substantial dilution to holders of Common Shares and the holders of Preferred Shares Series 27 and Preferred Shares Series 28, who will become holders of Common Shares upon the Trigger Event.

***Circumstances surrounding an NVCC Automatic Conversion and effect on market price***

The occurrence of a Trigger Event is a subjective determination by the Superintendent that the conversion of all contingent instruments is reasonably likely to restore or maintain the viability of the Bank. As a result, an NVCC Automatic Conversion may occur in circumstances that are beyond the control of the Bank. Also, even in circumstances where the market expects the Superintendent to cause an NVCC Automatic Conversion, the Superintendent may choose not to take that action. Because of the inherent uncertainty regarding the determination of when an NVCC Automatic Conversion may occur, it will be difficult to predict, when, if at all, the Preferred Shares Series 27 or the Preferred Shares Series 28 will be mandatorily converted into Common Shares. Accordingly, trading behavior in respect of the Preferred Shares Series 27 or the Preferred Shares Series 28 is not necessarily expected to follow trading behavior associated with other types of convertible or exchangeable securities. Any indication, whether real or perceived, that the Bank is trending towards a Trigger Event can be expected to have an adverse effect on the market price of the Preferred Shares Series 27, the Preferred Shares Series 28 and the Common Shares, whether or not such Trigger Event actually occurs.

***No fixed maturity date***

Neither Preferred Shares Series 27 nor the Preferred Shares Series 28 have a fixed maturity date and are not redeemable at the option of the holders of Preferred Shares Series 27 or Preferred Shares Series 28, as applicable. The ability of a holder to liquidate its holdings of Preferred Shares Series 27 or Preferred Shares Series 28, as applicable, may be limited.

***Reset of dividend rate***

The dividend rate in respect of the Preferred Shares Series 27 and Preferred Shares Series 28 will reset every five years and quarterly, respectively. In each case, the new dividend rate is unlikely to be the same as, and may be lower than, the dividend rate for the applicable preceding dividend period.

***Automatic conversion into Preferred Shares Series 27 and Preferred Shares Series 28***

An investment in the Preferred Shares Series 27 may become an investment in Preferred Shares Series 28 without the consent of the holder in the event of an automatic conversion in the circumstances described under “Details of the Offering — Certain Provisions of the Preferred Shares Series 27 as a Series — Conversion of

Preferred Shares Series 27 into Preferred Shares Series 28” above. Upon the automatic conversion of the Preferred Shares Series 27 into Preferred Shares Series 28, the dividend rate on the Preferred Shares Series 28 will be a floating rate that is adjusted quarterly by reference to the T-Bill Rate which may vary from time to time.

***The market value of the Preferred Shares Series 27 and the Preferred Shares Series 28 may fluctuate***

Prevailing yields on similar securities will affect the market value of Preferred Shares Series 27 and the Preferred Shares Series 28. Assuming all other factors remain unchanged, the market value of the Preferred Shares Series 27 and the Preferred Shares Series 28 will decline as prevailing yields for similar securities rise, and will increase as prevailing yields for similar securities decline. Spreads over the Government of Canada Yield, T-Bill Rate and comparable benchmark rates of interest for similar securities will also affect the market value of the Preferred Shares Series 27 and the Preferred Shares Series 28.

***There is no existing public market for the Preferred Shares Series 27 and Preferred Shares Series 28, a market may not develop and purchasers may have to hold their shares indefinitely***

There can be no assurance that an active trading market will develop for the Preferred Shares Series 27 after this offering or for the Preferred Shares Series 28 following the issuance of any of those shares, or if developed, that such a market will be sustained at the offering price of the Preferred Shares Series 27 or the issue price of the Preferred Shares Series 28.

Stock market volatility may affect the market price of the Preferred Shares Series 27 and Preferred Shares Series 28 for reasons unrelated to the Bank’s performance.

**TRANSFER AGENT AND REGISTRAR**

The transfer agent and registrar for the Preferred Shares Series 27 and the Preferred Shares Series 28 is Computershare Trust Company of Canada at its principal office in Toronto.

**LEGAL MATTERS**

Legal matters in connection with the issue and sale of the Preferred Shares Series 27 will be passed upon, on behalf of the Bank, by Osler, Hoskin & Harcourt LLP and, on behalf of the Underwriters, by McCarthy Tétrault LLP. As at April 16, 2014, partners and associates of each of Osler, Hoskin & Harcourt LLP and McCarthy Tétrault LLP, collectively, beneficially owned, directly or indirectly, less than 1% of any class of issued and outstanding securities of the Bank or any associates or affiliates of the Bank.

**PURCHASER’S STATUTORY RIGHTS**

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revision of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for the particulars of these rights or consult with a legal adviser.

To the extent the Preferred Shares Series 27 are convertible, exchangeable or exercisable securities, investors are cautioned that the statutory right of action for damages for a misrepresentation contained in this prospectus supplement or the Prospectus is limited, in certain provincial and territorial securities legislation, to the price at which the Preferred Shares Series 27 are offered to the public under the offering. This means that, under the securities legislation of certain provinces and territories, if the purchaser pays additional amounts upon conversion, exchange or exercise, as applicable, of the security, those amounts may not be recoverable under the statutory right of action for damages that applies in those provinces and territories. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for the particulars of this right of action for damages or consult with a legal adviser.

## CERTIFICATE OF THE UNDERWRITERS

Dated: April 16, 2014

To the best of our knowledge, information and belief, the short form prospectus dated March 13, 2014, together with the documents incorporated in the prospectus by reference, as supplemented by the foregoing, constitutes full, true and plain disclosure of all material facts relating to the securities offered by the prospectus and this supplement as required by the *Bank Act* (Canada) and the regulations thereunder and the securities legislation of all provinces and territories of Canada.

BMO NESBITT BURNS INC.

By: (Signed) BRADLEY J. HARDIE

CIBC WORLD MARKETS INC.

By: (Signed) SHANNAN M. LEVERE

NATIONAL BANK  
FINANCIAL INC.

RBC DOMINION  
SECURITIES INC.

SCOTIA CAPITAL INC.

TD SECURITIES INC.

By: (Signed) DARIN E.  
DESCHAMPS

By: (Signed) JOHN  
BYLAARD

By: (Signed) DAVID  
GARG

By: (Signed) JONATHAN  
BROER

DESJARDINS SECURITIES INC.

By: (Signed) A. THOMAS LITTLE

LAURENTIAN BANK SECURITIES INC.

By: (Signed) THOMAS BERKY

BROOKFIELD FINANCIAL  
CORP.

CANACCORD GENUITY  
CORP.

HSBC SECURITIES  
(CANADA) INC.

RAYMOND JAMES LTD.

By: (Signed) MARK  
MURSKI

By: (Signed) ALAN  
POLAK

By: (Signed) JAY  
LEWIS

By: (Signed) J. GRAHAM  
FELL