

This pricing supplement, together with the short form base shelf prospectus dated April 13, 2016 and the prospectus supplement dated May 25, 2016 (the "Prospectus Supplement") to which it relates, as amended or supplemented, and each document incorporated by reference into the short form base shelf prospectus (the "Prospectus"), constitutes a public offering of these securities only in the jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

The medium-term notes 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" in the Prospectus Supplement, may not be offered or sold in the United States.

PRICING SUPPLEMENT NO. 1 DATED May 25, 2016

(to short form base shelf prospectus dated April 13, 2016 and prospectus supplement dated May 25, 2016)

BANK OF MONTREAL
(a Canadian chartered bank)
SERIES I MEDIUM-TERM NOTES
(Non-Viability Contingent Capital (NVCC))
(Subordinated Indebtedness)
FIRST TRANCHE

PRINCIPAL AMOUNT: Cdn.\$1,250,000,000

ISIN No. CA06369ZCC64

ISSUE PRICE: \$999.86 per \$1,000 principal amount.

ORIGINAL ISSUE DATE: May 31, 2016

STATED MATURITY DATE: June 1, 2026

NET PROCEEDS TO BANK OF MONTREAL (the "Bank"): \$1,245,450,000

INTEREST PERIODS: Semi-annually (in arrears) until June 1, 2021 and quarterly thereafter.

INTEREST PAYMENT DATES: June 1 and December 1 of each year commencing December 1, 2016 until and including June 1, 2021. Thereafter on the 1st day of March, June, September and December of each year commencing on September 1, 2021 until maturity.

INITIAL INTEREST RATE: 3.32% per annum.

INITIAL OFFERING YIELD TO INITIAL REDEMPTION DATE: 3.323% per annum.

INTEREST RATE BASIS (as of June 1, 2021): 3-month CDOR

SPREAD: plus 2.16%

INTEREST RESET DATE(S): Starting June 1, 2021, the first Business Day of each quarterly interest period.

RECORD DATE(S): The fifteenth calendar day (whether or not a Business Day) immediately preceding such related Interest Payment Date.

INTEREST RESET PERIOD: Starting June 1, 2021, quarterly.

INTEREST DETERMINATION DATE(S): The first Business Day of each quarterly interest period.

INTEREST CALCULATION:

REGULAR FLOATING RATE
 FIXED RATE/ FLOATING RATE
Initial Fixed Interest Rate: 3.32%
Floating Rate Commencement Date: June 1, 2021
Floating Interest Rate Basis: 3-month CDOR
 FLOATING RATE/FIXED RATE
Fixed Rate Commencement Date:
Fixed Interest Rate:
 INVERSE FLOATING RATE
Fixed Rate:
Interest Rate Basis:

PAYMENT OF PRINCIPAL AND ANY PREMIUM AND INTEREST:

Canadian Dollars
 Specified Currency

SPECIFIED CURRENCY:

Canadian Dollars:
 Yes
 No
Foreign Currency:
Exchange Rate Agent:

DAY COUNT CONVENTION:

Actual/365 for the period
From June 1, 2021 to June 1, 2026
 Actual/Actual for the period
from to
 Other

CONVERSION UPON THE OCCURRENCE OF A NON-VIABLE CONTINGENT CAPITAL TRIGGER EVENT ("NVCC AUTOMATIC CONVERSION")

In the event of an NVCC Automatic Conversion, when calculating the number of common shares of the Bank ("Common Shares") issuable upon the conversion of the Notes into Common Shares, the following shall apply:

- a) "Multiplier" means 1.5.
- b) "Conversion Price" means the greater of (i) the Floor Price, and (ii) the Current Market Price.
- c) "Current Market Price" means the volume weighted average trading price of the Common Shares on the Toronto Stock Exchange ("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 Floor Price.
- d) "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 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.

d) "Note Value" means, in respect of each Note, \$1,000 plus accrued and unpaid interest on such Note.

RATINGS: "A (low)" by DBRS Limited ("DBRS")
"Baa1 (Hyb)" by Moody's Canada Inc. ("Moody's")
"BBB" by Standard & Poor's Ratings Services, a division of McGraw-Hill Financial, Inc. ("S&P")

The Bank has paid customary rating fees to DBRS, Moody's and S&P in connection with its issuer ratings, including the above-mentioned ratings. In addition, the Bank has made customary payments in respect of certain other services provided to the Bank by each of DBRS, Moody's and S&P during the last two years.

AGENTS: BMO Nesbitt Burns Inc., TD Securities Inc., CIBC World Markets Inc., Desjardins Securities Inc., RBC Dominion Securities Inc., Scotia Capital Inc., National Bank Financial Inc., HSBC Securities (Canada) Inc., Industrial Alliance Securities Inc., Laurentian Bank Securities Inc., Manulife Securities Incorporated, Merrill Lynch Canada Inc., and Wells Fargo Securities Canada, Ltd.

CALCULATION AGENT: BNY Trust Company of Canada.

OTHER PROVISIONS:

"3-month CDOR" means, for any quarterly floating rate interest period, the average bid rate of interest (expressed as an annual percentage rate) rounded to the nearest one-hundred-thousandth of one percent (with 0.000005 per cent being rounded up) for Canadian dollar bankers' acceptances with maturities of three months which appears on the Reuters CDOR Page as of 10:00 a.m., Toronto time, on the first Business Day of such quarterly interest period. If such rate does not appear on the Reuters CDOR Page on such day, the 3-month CDOR for such period shall be the average of the bid rates of interest (expressed and rounded as set forth above) for Canadian dollar bankers' acceptances with maturities of 90 days for same-day settlement as quoted by such of the Schedule I banks (as defined in the *Bank Act* (Canada)) as may quote such a rate as of 10:00 a.m., Toronto time, on the first Business Day of such quarterly interest period.

"Reuters CDOR Page" means the display designated as page "CDOR" on the Reuters Monitor Money Rates Service (or such other page as may replace the CDOR page on that service) for purposes of displaying Canadian dollar bankers' acceptance rates.

On or after June 1, 2021, the Bank may, at its option, with the prior approval of the Superintendent of Financial Institutions Canada (the "Superintendent"), redeem the Series I Medium-Term Notes offered hereunder (the "Notes") in whole or in part, on not less than 30 days' and not more than 60 days' prior notice to the registered holders of the Notes, at any time or from time to time at par together with accrued and unpaid interest to, but excluding, the date fixed for redemption. In cases of partial redemption, the Notes to be redeemed will be selected by the Trustee on a *pro rata* basis or in such other manner as the Trustee may deem equitable.

Prior to June 1, 2021, the Bank may, at its option, with the prior approval of the Superintendent, on not less than 30 days' and not more than 60 days' prior notice to the registered holders of the Notes, redeem all (but not less than all) of the Notes, at any time on or after a Regulatory Event Date or the date of the occurrence of a Tax Event (a "Special Event Redemption"). The redemption price per Note redeemed pursuant to a Special Event Redemption will be equal to the greater of par and the Canada Yield Price, together in either case with accrued and unpaid interest to, but excluding, the date fixed for redemption.

“Canada Yield Price” means a price equal to the price for the Notes to be redeemed, calculated on the Business Day immediately preceding the date on which the Bank gives notice of the redemption of the Notes, to provide an annual yield thereon from the date fixed for redemption to, but excluding, June 1, 2021 equal to the GOC Redemption Yield (as defined below) plus 0.625%.

“GOC Redemption Yield” on any date means the arithmetic average of the interest rates quoted to the Bank by two registered Canadian investment dealers selected by the Bank, and approved by the Trustee, as being the annual yield to maturity on such date, compounded semi-annually, which a non-callable Government of Canada bond would carry, if issued in Canadian dollars in Canada, at 100% of its principal amount on the date of redemption with a maturity date of June 1, 2021.

“Regulatory Event Date” means the date specified in a letter from the Superintendent to the Bank on which the Notes will no longer be recognized in full as eligible “Tier 2 Capital” or will no longer be eligible to be included in full as risk-based “Total Capital” on a consolidated basis under the guidelines for capital adequacy requirements for banks as interpreted by the Superintendent.

“Tax Event” means the Bank has received an opinion of independent counsel of recognized standing experienced in such matters to the effect that, as a result of, (i) any amendment to, clarification of, or change (including any announced prospective change) in, the laws, or any regulations thereunder, or any application or interpretation thereof, of Canada, or any political subdivision or taxing authority thereof or therein, affecting taxation; (ii) any judicial decision, administrative pronouncement, published or private ruling, regulatory procedure, rule, notice, announcement, assessment or reassessment (including any notice or announcement of intent to adopt or issue such decision, pronouncement, ruling, procedure, rule, notice, announcement, assessment or reassessment) (collectively, an “administrative action”); or (iii) any amendment to, clarification of, or change in, the official position with respect to or the interpretation of any administrative action or any interpretation or pronouncement that provides for a position with respect to such administrative action that differs from the theretofore generally accepted position, in each case (i), (ii) or (iii), by any legislative body, court, governmental authority or agency, regulatory body or taxing authority, irrespective of the manner in which such amendment, clarification, change, administrative action, interpretation or pronouncement is made known, which amendment, clarification, change or administrative action is effective or which interpretation, pronouncement or administrative action is announced on or after the date of the issue of the Notes, there is more than an insubstantial risk (assuming any proposed or announced amendment, clarification, change, interpretation, pronouncement or administrative action is effective and applicable) that the Bank is, or may be, subject to more than a de minimus amount of additional taxes, duties or other governmental charges or civil liabilities because the treatment of any of its items of income, taxable income, expense, taxable capital or taxable paid-up capital with respect to the Notes (including the treatment by the Bank of interest on the Notes) or the treatment of the Notes, as or as would be reflected in any tax return or form filed, to be filed, or otherwise could have been filed, will not be respected by a taxing authority.

Any Notes redeemed by the Bank will be cancelled and will not be reissued.

The Bank (subject to the prior approval of the Superintendent) will, at any time and from time to time, have the right to purchase the Notes at any price or prices in the open market or otherwise.

A beneficial holder of Notes may, but only upon notice from the Bank which may be given at various times only with the prior approval of the Superintendent, convert all but not less than all of the aggregate principal amount of such holders’ Notes on the date specified in the applicable notice (which date shall be an Interest Payment Date) into an equal aggregate principal amount of a new series of medium-term notes issued by the Bank (the “New Notes”). If given, such notice from the Bank shall be given not less than 30 days nor more than 60 days from the date fixed for conversion and in accordance with the terms of the Indenture.

Initially capitalized terms used herein and not defined herein have the meaning given to them in the Prospectus.

AGENTS' COMPENSATION: 0.35%

FORM:

- Fully Registered
- Book Entry Only

METHOD OF DISTRIBUTION:

- Agency
- Principal for Resale
- Direct

DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have been filed by the Bank with the Superintendent and the various securities commissions or similar authorities in Canada, are specifically incorporated by reference in and form an integral part of the Prospectus as amended or supplemented:

- (a) Annual Information Form dated December 1, 2015;
- (b) audited consolidated financial statements as at and for the year ended October 31, 2015 with comparative consolidated financial statements as at and for the year ended October 31, 2014, together with the auditors' report thereon and the auditors' report on internal control over financial reporting as of October 31, 2015 under the standards of the Public Company Accounting Oversight Board (United States);
- (c) Management's Discussion and Analysis as contained in the Bank's Annual Report as of October 31, 2015;
- (d) Management Proxy Circular dated February 8, 2016 in connection with the annual meeting of shareholders of the Bank held on April 5, 2016;
- (e) unaudited consolidated interim financial statements as at and for the three and six months ended April 30, 2016;
- (f) Management's Discussion and Analysis, as contained in the Bank's Second Quarter 2016 Report to Shareholders for the three and six months ended April 30, 2016; and
- (g) Template version (as defined in National Instrument 41-101 — *General Prospectus Requirements* ("NI 41-101")) of the indicative term sheet dated May 25, 2016 (the "Initial Indicative Term Sheet"), and the final term sheet dated May 25, 2016 (the "Final Term Sheet"), in each case filed on SEDAR in connection with this offering.

Any additional marketing materials (as defined in NI 41-101) filed with the securities commission or similar authority in each of the provinces and territories of Canada in connection with the offering of Notes hereunder on or after the date hereof but prior to the termination of the distribution of the Notes under this Pricing Supplement (including any amendments to, or an amended version of, the marketing materials) are deemed to be incorporated by reference herein. Any marketing materials, including the Initial Indicative Term Sheet and the Final Term Sheet, are not part of this Pricing Supplement to the extent that the contents of the marketing materials have been modified or superseded by a statement contained in this Pricing Supplement or any amendment to this Pricing Supplement.

Any statement contained in this Pricing Supplement or in a document incorporated or deemed to be incorporated by reference herein or in the Prospectus for the purposes of the offering of Notes shall be deemed to be modified or superseded for the purposes of this Pricing 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 Pricing Supplement.

CAPITALIZATION

The following table sets out the Bank's capitalization as at April 30, 2016.

	As at April 30, 2016⁽¹⁾
	<i>(in millions of Canadian dollars)</i>
Non-Controlling Interest in Subsidiaries	\$ 31
Subordinated Debt	\$ 4,643
Shareholders' Equity	
Common Shares and Contributed Surplus	\$12,668
Preferred Shares	\$ 3,240
Retained Earnings	\$19,806
Accumulated Other Comprehensive Income	<u>\$ 3,287</u>
Total Shareholders' Equity	\$39,001
Total Capitalization	<u>\$43,675</u>

Note:

(1) After giving effect to this offering, subordinated debt would have amounted to \$5,893 million as at April 30, 2016.

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, 2015 and April 30, 2016, respectively, are presented on a *pro forma* as adjusted basis, which gives effect to the issuance on December 8, 2015 of an aggregate principal amount of \$1,000,000,000 3.34% Series H Medium Term Notes (Non-Viability Contingent Capital (NVCC)) (subordinated indebtedness), Second Tranche (the "Series H Medium Term Note Issuance"), the redemption on April 21, 2016 of \$700,000,000 Series D Medium-Term Notes, First Tranche (the "Series D Redemption") and the issuance of the Notes, as appropriate for each of the periods presented.

	12 Months Ended October 31, 2015	12 Months Ended April 30, 2016
Grossed up dividend coverage on Class B Preferred Shares, Series 13, 14, 15, 16, 17, 23, 25, 27, 29, 31, 33, 35 and 36 ⁽¹⁾	38.62 times	35.34 times
Interest coverage on subordinated indebtedness	26.07 times	25.44 times
Interest and grossed up dividend coverage on subordinated indebtedness and preferred shares	15.56 times	14.79 times

Note:

(1) As at October 31, 2015 and April 30, 2016, there were no Class A Preferred Shares outstanding.

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, 2015, the average of such exchange rates was \$1.2547 per US\$1.00. For the 12 month period ending April 30, 2016, the average of such exchange rates was \$1.3154 per US\$1.00.

The Bank's dividend requirements on all of its preferred shares amounted to (i) \$141.8 million for the 12 months ended October 31, 2015, adjusted to a before-tax equivalent using an effective tax rate of 17.52%, and (ii) \$157.4 million for the 12 months ended April 30, 2016, adjusted to a before-tax equivalent using an effective tax rate of 17.79%. The Bank's interest requirements for its long term debt and grossed up dividends on its preferred shares for (i) the 12 months ended October 31, 2015 amounted to \$351.9 million, and (ii) the 12 months ended April 30, 2016 amounted to \$376.1 million. The Bank's earnings before interest and income tax for (i) the 12 months ended October 31, 2015 amounted to \$5,476.5 million, which was 15.56 times the Bank's aggregate dividend and interest requirements for this period, and (ii) the 12 months ended April 30, 2016 amounted to \$5,563.9 million, which was 14.79 times the Bank's aggregate dividend and interest requirements for this period. The foregoing

figures have been calculated after giving effect to the Series H Medium Term Note Issuance, the Series D Redemption and the issuance of the Notes, as appropriate for each of the periods presented.

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 following tables set forth the reported high and low trading prices in Canadian dollars and trading volumes of the Common Shares of the Bank on the TSX for the periods indicated.

Common Shares (BMO)

<u>Month</u>	<u>High (\$)</u>	<u>Low (\$)</u>	<u>Volume Traded</u>
May 2015	\$79.43	\$75.83	21,948,275
June 2015	\$76.80	\$73.13	42,233,949
July 2015	\$75.97	\$71.27	33,268,409
August 2015.....	\$73.98	\$64.01	30,963,323
September 2015.....	\$72.89	\$68.15	30,228,188
October 2015.....	\$78.50	\$71.16	36,810,727
November 2015.....	\$77.33	\$74.01	23,681,160
December 2015	\$80.05	\$76.23	37,173,572
January 2016.....	\$77.05	\$69.39	35,197,406
February 2016.....	\$75.60	\$68.65	30,350,626
March 2016.....	\$79.69	\$74.84	28,215,674
April 2016.....	\$82.56	\$77.08	25,120,765
May 1 – 24, 2016	\$83.74	\$80.01	17,427,213

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The Canadian federal income tax considerations described in the Prospectus Supplement are applicable to Notes issued under this Pricing Supplement.