

NEW ISSUE

Bank of Montreal



28-Oct-19
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Final

New Issue Bank of Montreal Step Up Notes Due 2020, Extendible to 2024 (the "Notes")

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|-----------------------|--|
| ISSUER: | Bank of Montreal (" the Issuer ") |
| CREDIT RATING: | Moody's: A2 S&P: A- DBRS: AAL |
| ISSUE SIZE: | CAD \$900,000.00 |
| ISSUE PRICE: | \$ 100.00 per note (per \$100 in principal amount). |
| SETTLEMENT: | 12-Nov-19 |
| MATURITY DATE: | The Initial Maturity Date, subject to extension by the Issuer to an Extended Maturity Date or the Final Maturity Date, as the case may be, pursuant to the section entitled "Extension Feature" below. |

INITIAL MATURITY DATE: 12-Nov-20

EXTENDED MATURITY DATES: May 12, 2021; November 12, 2021; May 12, 2022; November 12, 2022;
May 12, 2023; November 12, 2023; May 12, 2024

FINAL MATURITY DATE: 12-Nov-24

EXTENSION FEATURE: The Issuer may, at its option, on the Initial Maturity Date and on each Extended Maturity Date thereafter on which the Note is outstanding, extend the Maturity Date to the next following Extended Maturity Date, or Final Maturity Date, if applicable. The Issuer will be DEEMED to have exercised its option to extend the Maturity Date of the Notes to the next following Extended Maturity Date or Final Maturity Date, if applicable, unless the Issuer advises CDS Clearing and Depository Services Inc. ("CDS") in writing not less than 15 Business Days prior to the Initial Maturity Date or relevant Extended Maturity Date of its intention to redeem the Notes and NOT to extend the Maturity Date of the Notes. If not extended, the Notes shall mature on the relevant Maturity Date.

A "Business Day" is a day on which Canadian Schedule I banks are open for business in Toronto.

REDEMPTION AND REPURCHASE: The Note is not redeemable at the option of the noteholder. The Issuer may from time to time repurchase Notes in the open market, by tender or private contract. Redemption or repurchase will be subject to the prior approval of the Superintendent of Financial Institutions (the "Superintendent") if such redemption would lead to a breach of the Bank's Total Loss Absorbing Capacity ("TLAC") requirements.

DELIVERY (BOOK ENTRY ONLY SYSTEM): The Issuer will not be considered to have entered into an agreement with an investor for the issuance of Notes until the Issue Date. The Notes will be issued in the form of a fully registered global note in the name of CDS & Co. as nominee of CDS and held by CDS. Registration of interests in and transfers of the Notes will be made only through the book entry only system of CDS. The Notes must be purchased directly or indirectly through a participant in the CDS book entry only system. No noteholder will be entitled to any certificate or other instrument from the Issuer or CDS evidencing ownership, and no noteholder will be shown on the records maintained by CDS except through an agent who is a participant of CDS.

INTEREST PAYMENT DATES:

Interest is payable semi-annually in arrears on the 12th day of the month commencing on May 12, 2020 up to and including the Maturity Date. Interest for periods of less than one year will be calculated on the basis of a 360-day year, consisting of twelve 30-day months. If any Interest Payment Date is not a Business Day, then the payment will be made on the following Business Day, without adjustment for period end dates, and without payment of any additional interest or other amount.

REPAYMENT OF PRINCIPAL:

The Principal will be repaid on the Maturity Date.

COUPON SCHEDULE:

Subject to the Extension Feature described above, Interest will be payable semi-annually in arrears until the Maturity Date on each Interest Payment Date at the following rates per annum:

| | | | |
|-------------------|---|-------------------|-------|
| November 12, 2019 | - | November 12, 2020 | 2.50% |
| November 12, 2020 | - | November 12, 2021 | 2.60% |
| November 12, 2021 | - | November 12, 2022 | 2.70% |
| November 12, 2022 | - | November 12, 2023 | 2.80% |
| November 12, 2023 | - | November 12, 2024 | 3.00% |

SPREAD:

The following table shows the annual and semi-annual yield to the noteholder under the Notes and selected spreads of the Notes over Government of Canada Benchmark bonds on the relevant Maturity Dates, assuming the Notes are not extended on the indicated dates.

| <u>Maturity Date</u> | <u>Yield (Ann)</u> | <u>Yield (s.a.)</u> | <u>Benchmark Bond</u> | <u>Benchmark Yield (s.a.)</u> | <u>Spread (s.a.)</u> |
|----------------------|--------------------|---------------------|-----------------------|-------------------------------|----------------------|
| 12-Nov-20 | 2.52% | 2.50% | 2.00% Nov-20 | 1.76% | 74 bps |
| 12-Nov-21 | 2.57% | 2.55% | 1.25% Nov-21 | 1.68% | 87 bps |
| 12-Nov-22 | 2.62% | 2.60% | 1.00% Sep-22 | 1.66% | 94 bps |
| 12-Nov-23 | 2.66% | 2.65% | 2.00% Sep-23 | 1.63% | 102 bps |
| 12-Nov-24 | 2.73% | 2.71% | 1.50% Sep-24 | 1.60% | 111 bps |

RANK:

The Notes will constitute direct unconditional obligations of the Issuer. The Notes will be issued on an unsubordinated basis and will rank equally, as among themselves and with all other outstanding, direct, unsecured and unsubordinated, present and future obligations (except as otherwise prescribed by law) of the Issuer, and will be payable rateably without any preference or priority.

CREDIT RATING:

Moody's: A2 S&P: A- DBRS: AAL

The Notes have not been rated. The ratings above apply to the deposit liabilities of the Issuer with a term to maturity of more than one year as of the date of this document. There can be no assurance that, if the Notes were specifically rated by these rating agencies, they would have the same rating as the conventional deposit liabilities of the Issuer. A rating is not a recommendation to buy, sell or hold investments, and may be subject to revision or withdrawal at any time by the relevant rating agency.

- NO CDIC:** The Notes do not constitute or evidence deposits that are insured under the Canada Deposit Insurance Corporation Act "CDIC ACT".
- BAIL-INABLE:** The Notes are bail-inable notes subject to conversion in whole or in part – by means of a transaction or series of transactions and in one or more steps – into common shares of the Issuer or any of its affiliates under subsection 39.2(2.3) of the "CDIC Act" and to variation or extinguishment in consequence, and subject to the application of the laws of the Province of Ontario and the federal laws of Canada applicable therein in respect of the operation of the "CDIC Act" with respect to the Notes. For a description of Canadian bank resolution powers and the consequent risk factors attaching to the Notes reference is made to <https://www.bmo.com/home/about/banking/investor-relations/regulatory-disclosure> which information is hereby incorporated by reference.
- SECONDARY MARKET:** BMO Capital Markets will use reasonable efforts to arrange for a secondary market for the sale of Notes, but is under no obligation to facilitate or arrange for one. If commenced, such secondary market may be suspended at any time at the sole discretion of BMO Capital Markets, without notice to noteholders. The price that BMO Capital Markets will pay for Notes sold in the secondary market prior to the Maturity Date will be determined by BMO Capital Markets, in its sole discretion, and will be based on a number of factors, which may include, without limitation, prevailing interest rates, the Extension Feature and the time remaining to the Maturity Date. If there is no secondary market, noteholders will not be able to sell the Notes.
- The Notes are intended to be instruments held to the Maturity Date with the Principal being payable on the Maturity Date. If a noteholder sells his or her Notes prior to the Maturity Date, such noteholder may receive less than the Principal and may suffer losses. A noteholder should consult his or her financial and tax advisors on whether it would be more favourable in the circumstances at any time to sell the Notes on the secondary market, if available, or hold the Notes until the Maturity Date.
- SUBSEQUENT HOLDERS:** Each holder or beneficial owner of a Note that acquires an interest in the Note in the secondary market and any successors, assigns, heirs, executors, administrators, trustees in bankruptcy and legal representatives of any such holder or beneficial owner shall be deemed to acknowledge, accept, agree to be bound by and consent to the same provisions specified in the Note to the same extent as the holders or beneficial owners that acquire an interest in the Note upon its initial issuance, including, without limitation, with respect to the acknowledgement and agreement to be bound by and consent to the terms of the Note related to the bail-in regime.
- SUITABILITY AND CERTAIN RISK FACTORS:** The Notes may not be suitable for all investors. An investor should decide to invest in the Notes only after carefully considering with his or her advisor whether the Notes are a suitable investment in light of his or her investment objectives. Neither the Issuer nor BMO Capital Markets makes any recommendation as to whether the Notes are a suitable investment for any person.
- An investor should also take into account various risks associated with such an investment. Certain risk factors include, but are not limited to:
- Non-Conventional Notes**
- The Notes are not conventional notes or fixed income securities in that they do not track the same price movements as traditional interest rate products.
- Extension Feature**
- There is no certainty as to the term to maturity of the Notes after the Initial Maturity Date because the Extension Feature embedded in the Notes is entirely in the discretion of the Issuer and may be dependent on future interest rates and market volatility. Higher interest rates in future years increase the likelihood that the Issuer will extend the Maturity Date of the Notes. Lower interest rates in future years decrease the likelihood that the Issuer will extend the Maturity Date of the Notes.
- SET-OFF:** The holders and beneficial owners of the Notes will not be entitled to exercise, or direct the exercise of, any set-off or netting rights with respect to the Notes.
- GOVERNING LAW:** Ontario and the federal laws of Canada applicable therein
- ATTORNTMENT:** Courts of the Province of Ontario

The information contained herein is issued for information purposes only to provide an overview of the Notes, contains indications only, and does not constitute investment advice or an offer to sell or a solicitation to purchase. The Notes may not be suitable for all types of investors. This document does not purport to identify or suggest all of the risks (direct or indirect) which may be associated with an investment in the Notes. Noteholders should contact their financial advisors and consult their tax advisors regarding the tax consequences of annual interest in the Notes in their particular circumstances, including if they plan to sell the Notes prior to maturity. For further information, Noteholders should contact their investment advisor or call BMO Capital Markets at 1-866-750-5190.

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