

NEW ISSUE

Bank of Montreal



1-Sep-20
Page 1 of 3
Final

New Issue

Bank of Montreal

Accrual Note 2021, Extendible to 2029 (the "Note")

| | |
|--|---|
| ISSUER: | Bank of Montreal (" The issuer ") |
| CREDIT RATING: | Moodys: A2 S&P: A- DBRS: AAL |
| ISSUE SIZE: | CAD 5,000,000.00 |
| ISSUE PRICE: | \$ 100.00 (per \$100 in principal amount). |
| INTEREST: | Interest will accrue at 1.84% per annum, compounded semi-annually in arrears, paid on the Maturity Date. |
| YIELD TO INITIAL MATURITY DATE: | 1.85% per annum |
| YIELD TO FINAL MATURITY DATE: | 1.85% per annum |
| SETTLEMENT: | 10-Sep-20 |
| MATURITY DATE: | The Initial Maturity Date, subject to extension by BMO 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 | 10-Sep-21 |
| EXTENDED MATURITY DATES: | March 10, 2022; September 10, 2022; March 10, 2023; September 10, 2023; March 10, 2024; September 10, 2024; March 10, 2025; September 10, 2025; March 10, 2026; September 10, 2026; March 10, 2027; September 10, 2027; March 10, 2028; September 10, 2028; March 10, 2029 |
| FINAL MATURITY DATE: | 10-Sep-29 |
| EXTENSION FEATURE: | <p>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. 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.</p> <p>A "Business Day" is a day on which Canadian Schedule I banks are open for business in Toronto.</p> |
| REDEMPTION AND REPURCHASE: | The Note is not redeemable at the option of the holder. BMO may from time to time repurchase Notes in the open market, by tender or private contract. |
| DELIVERY: | Book Entry Only System. A global note will be issued to CDS. Registration of interests in and transfers of the Note will be made only through the book entry system of CDS. The Note must be purchased directly or indirectly through a participant in the CDS book entry only system. No holder will be entitled to any certificate or other instrument from BMO or CDS evidencing the ownership thereof, and no holder will be shown on the records maintained by CDS except through an agent who is a participant of CDS. |

EXTENSION SCHEDULE:

| <u>Maturity Date</u> | <u>Price</u> | <u>Maturity Date</u> | <u>Price</u> |
|----------------------|--------------|----------------------|--------------|
| September 10, 2021 | 101.85 | March 10, 2026 | 110.60 |
| March 10, 2022 | 102.79 | September 10, 2026 | 111.62 |
| September 10, 2022 | 103.73 | March 10, 2027 | 112.64 |
| March 10, 2023 | 104.69 | September 10, 2027 | 113.68 |
| September 10, 2023 | 105.65 | March 10, 2028 | 114.73 |
| March 10, 2024 | 106.62 | September 10, 2028 | 115.78 |
| September 10, 2024 | 107.60 | March 10, 2029 | 116.85 |
| March 10, 2025 | 105.59 | September 10, 2029 | 117.92 |
| September 10, 2025 | 109.59 | | |

SPREAD: The following table shows selected spreads to Canadas, assuming the Note is not extended on the indicated dates.

| <u>Maturity</u> | <u>Yield (Ann)</u> | <u>Yield (s.a.)</u> | <u>Benchmark</u> | <u>Bench Yield (sa)</u> | <u>Spread (sa)</u> |
|-----------------|--------------------|---------------------|------------------|-------------------------|--------------------|
| 10-Sep-21 | 1.85% | 1.84% | 1.50% Aug-21 | 0.20% | 164 bps |
| 10-Sep-22 | 1.85% | 1.84% | 0.25% Aug-22 | 0.27% | 157 bps |
| 10-Sep-23 | 1.85% | 1.84% | 2.00% Sep-23 | 0.28% | 156 bps |
| 10-Sep-24 | 1.85% | 1.84% | 1.50% Sep-24 | 0.31% | 153 bps |
| 10-Sep-25 | 1.85% | 1.84% | 0.50% Sep-25 | 0.38% | 146 bps |
| 10-Sep-26 | 1.85% | 1.84% | 1.50% Jun-26 | 0.37% | 147 bps |
| 10-Sep-27 | 1.85% | 1.84% | 8.00% Jun-27 | 0.45% | 139 bps |
| 10-Sep-28 | 1.85% | 1.84% | 2.00% Jun-28 | 0.48% | 136 bps |
| 10-Sep-29 | 1.85% | 1.84% | 5.75% Jun-29 | 0.55% | 129 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: Moodys: 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 this 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
ATTORNMENT: 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.

Bank of Montreal makes no assurances, representations or warranties with respect to the accuracy, reliability or completeness of information provided herein. Furthermore, Bank of Montreal makes no recommendations concerning fixed income investments as an asset class or the suitability of investing in securities generally or the Notes in particular. In connection with the issue and sales of Notes by Bank of Montreal, no person has been authorized to give any information or make any representation not contained herein relating to the Notes and Bank of Montreal does not accept any responsibility for any information not contained herein. "BMO (M-bar roundel symbol)", "BMO" and "BMO Capital Markets" are registered trade-marks of Bank of Montreal.