SECOND SUPPLEMENT DATED 6 JANUARY 2022 TO THE PROSPECTUS DATED 6 AUGUST 2021 AS SUPPLEMENTED BY THE FIRST SUPPLEMENT DATED 25 AUGUST 2021

BANK OF MONTREAL

(*a Canadian chartered Bank*)

U.S.$32,000,000,000

Global Registered Covered Bond Program

unconditionally and irrevocably guaranteed as to payments of interest and principal by

BMO COVERED BOND GUARANTOR LIMITED PARTNERSHIP

(*a limited partnership established under the laws of the Province of Ontario*)

The Bank of Montreal (the "**Bank**") issued a Prospectus dated 6 August 2021 (as supplemented by the First Supplement to such Prospectus dated 25 August 2021, the "**Prospectus**") which is a base prospectus for the purposes of Article 8 of Regulation (EU) 2017/1129 (as amended, the "**Prospectus Regulation**"), which now forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**") (the "**UK Prospectus Regulation**"). This second supplement (the "**Second Supplement**") constitutes a supplement in respect of the Prospectus for the purposes of Article 23 of the UK Prospectus Regulation, and is prepared in connection with the U.S.$32,000,000,000 Global Registered Covered Bond Program established by the Bank (the "**Program**") unconditionally and irrevocably guaranteed as to payments of interest and principal by BMO Covered Bond Guarantor Limited Partnership (the "**Guarantor**").

Terms defined in the Prospectus have the same meaning when used in this Second Supplement. This Second Supplement is supplemental to, and shall be read in conjunction with, the Prospectus and any other supplements to the Prospectus issued by the Bank from time to time.

Each of the Bank and the Guarantor accepts responsibility for the information contained in this Second Supplement. To the best of the knowledge of each of the Bank and the Guarantor (having taken all reasonable care to ensure that such is the case), the information contained in this Second Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

THE COVERED BONDS HAVE NOT BEEN APPROVED OR DISAPPROVED BY CANADA MORTGAGE AND HOUSING CORPORATION ("CMHC") NOR HAS CMHC PASSED UPON THE ACCURACY OR ADEQUACY OF THE PROSPECTUS OR THIS SECOND SUPPLEMENT. THE COVERED BONDS ARE NEITHER INSURED NOR GUARANTEED BY CMHC OR THE GOVERNMENT OF CANADA OR ANY OTHER AGENCY THEREOF.

1. Purpose of the Second Supplement

The purpose of this Second Supplement is (i) to incorporate by reference the Bank's 2021 annual information form dated December 3, 2021 and the annual audited consolidated financial statements and management's discussion and analysis as at and for the years ended October 31, 2020, and October 31, 2021, prepared in accordance with International Financial Reporting Standards ("**IFRS**"), (ii) to incorporate by reference the Bank's material change report dated

December 20, 2021 relating to the entry into a definitive agreement by the Bank and its indirect wholly-owned Chicago-based subsidiary BMO Harris Bank N.A. with BNP Paribas S.A. to acquire Bank of the West and its subsidiaries with assets as of September 30, 2021 of approximately C$135 billion (US$105 billion) (such pending acquisition, the "**Bank of the West Acquisition**" and such material change report, the "**Bank of the West Acquisition Material Change Report**"), (iii) to include a new statement in respect of no material adverse change and significant change in the Prospectus and (iv) to incorporate a risk factor in connection with the Bank of the West Acquisition and to update certain risk factors in the Prospectus.

2. 2021 Annual Information Form and Annual Audited Consolidated Financial Statements and Management's Discussion and Analysis as at and for the years ended October 31, 2020, and October 31, 2021

By virtue of this Second Supplement, the following documents are incorporated in and form part of the Prospectus:

2.1 the Bank's 2021 annual information form dated December 3, 2021, excluding all information therein incorporated by reference (the "**2021 AIF**"); and

2.2 the Bank's audited consolidated financial statements as at and for the years ended October 31, 2020, and October 31, 2021 set out on pages 146 to 211 of the Bank's Annual Report (the "**2021 Financial Statements**"), prepared in accordance with IFRS, together with the auditors' report on pages 140 to 145 (excluding, for the avoidance of doubt, the auditor's report on internal control over financial reporting under Standards of the Public Company Accounting Oversight Board (United States) on page 145) and management's discussion and analysis of financial condition and financial performance for the years ended October 31, 2020, and October 31, 2021, as set out on pages 17 to 135 of the Bank's Annual Report (the "**2021 MD&A**"). The remainder of the Bank's Annual Report is not incorporated and is either covered elsewhere in the Prospectus or deemed not relevant to investors.

In accordance with Article 4.1 of Regulation (EC) 1060/2009 on Credit Rating Agencies (the "**CRA Regulation**"), please note that the annual information form contains references to credit ratings and information on pages 10 to 11 and on pages 1 and 2 of Appendix II thereto, and the management's discussion and analysis and the audited consolidated financial statements contain references to credit ratings and information on pages 72-73, 87, 90, 101 and 171.

None of Standard & Poor's Financial Services LLC ("**S&P**"), Moody's Investors Service, Inc. ("**Moody's**"), Fitch Ratings, Inc. ("**Fitch**") and DBRS Limited ("**DBRS**") (collectively, the "**non-EU CRAs**") is established in the European Union or has applied for registration under the EU CRA Regulation or is established in the UK or has applied for registration under the UK CRA Regulation. The ratings have been endorsed by each of S&P Global Ratings Europe Limited, Moody's Deutschland GmbH, Fitch Ratings Ireland Limited and DBRS Ratings GmbH (the "**EU CRAs**"), as applicable, which are affiliates of S&P, Moody's, Fitch and DBRS, respectively, in accordance with the CRA Regulation. Each EU CRA is established in the European Union and registered under the CRA Regulation. As such each EU CRA is included in the list of credit rating agencies published by the European Securities and Markets Authority (the "**ESMA**") on its website in accordance with the CRA Regulation. The ESMA has indicated that ratings issued in Canada which have been endorsed by an EU CRA may be used in the EU by the relevant market participants. The ratings have also been endorsed by S&P Global Ratings UK Limited, Moody's Investors Service Ltd, Fitch Ratings Ltd and DBRS Ratings Limited (the "**UK CRAs**"), as applicable, which are affiliates of S&P, Moody's, Fitch and DBRS, respectively. As such, each UK CRA is included in the list of credit rating agencies published by the FCA on its website in accordance with the UK CRA Regulation.

Copies of the Bank's 2021 AIF, the Bank's 2021 Financial Statements and the Bank's 2021 MD&A have been filed with the Financial Conduct Authority and, by virtue of this Second Supplement, these documents are incorporated in, and form part of, the Prospectus.

To the extent that any document or information incorporated by reference or attached to this Second Supplement itself incorporates any other documents or information by reference therein, either expressly or implicitly, such other documents or information will not form part of this Second Supplement for the purposes of the UK Prospectus Regulation except where such other documents or information are specifically incorporated by reference or attached to this Second Supplement.

3. Bank of the West Acquisition Material Change Report

By virtue of this Second Supplement, the Bank of the West Acquisition Material Change Report is incorporated in and forms part of the Prospectus.

A copy of the Bank of the West Acquisition Material Change Report has been filed with the Financial Conduct Authority and, by virtue of this Second Supplement, this document is incorporated in, and forms part of, the Prospectus.

To the extent that any document or information incorporated by reference or attached to this Second Supplement itself incorporates any other documents or information by reference therein, either expressly or implicitly, such other documents or information will not form part of this Second Supplement for the purposes of the UK Prospectus Regulation except where such other documents or information are specifically incorporated by reference or attached to this Second Supplement.

4. No Material or Significant Change

Paragraph 4 under the heading "GENERAL INFORMATION" on page 309 of the Prospectus is deleted and replaced with the following:

"There has been no significant change in the financial performance or financial position of the Bank and its Subsidiaries taken as a whole and there has been no material adverse change in the prospects of the Bank and its Subsidiaries taken as a whole since 31 October 2021, being the date of the latest published audited consolidated financial statements of the Bank.

There has been no significant change in the financial performance or financial position of the Guarantor since it was established on 30 May 2013 and there has been no material adverse change in the prospects of the Guarantor since 30 May 2013."

5. Risk Factors

The section entitled "**1. RISKS RELATING TO THE BANK**" under the heading "**RISK FACTORS**" on pages 18 to 20 of the Prospectus is deleted and replaced with the following:

"1. RISKS RELATING TO THE BANK

Banking and financial services involve a number of risks. Prospective investors should carefully consider the following categories of risks to which the Bank's businesses are exposed. There are numerous factors, many beyond the Bank's control, which could cause the Bank's results to differ significantly from those anticipated. These risks include the following:

1. Credit and counterparty risk is the potential for credit loss due to the failure of an obligor (i.e. borrower, endorser, guarantor or counterparty) to repay a loan or honour another predetermined financial obligation. Credit and counterparty risk underlies every lending activity that the Bank enters into, and also arises in the holding of investment securities, transactions related to trading and other capital markets products and activities related to securitization. Credit risk and counterparty risk are the most significant measurable risk that the Bank faces. Proper management of credit risk is integral to the Bank's success, since the failure to effectively manage credit risk could have an immediate and significant impact on the Bank's earnings, financial condition and reputation.

2. Market risk is the potential for adverse changes in the value of the Bank's assets and liabilities resulting from changes in market variables such as interest rates, foreign exchange rates, equity and commodity prices and their implied volatilities, and credit spreads, and includes the risk of credit migration and default in the Bank's trading book. Market risk arises from the Bank's trading and underwriting activities, as well as its structural banking activities. The magnitude and importance of these activities to the Bank, along with the potential volatility of market variables, call for diligent governance and a robust market risk management framework that seeks to provide effective identification, measurement, reporting and control of market risk exposures.

3. Insurance risk is the potential for loss as a result of actual experience differing from that assumed when an insurance product was designed and priced and comprises claims risk, policyholder behaviour risk and expense risk. Insurance risk generally entails the inherent unpredictability that can arise from the assumption of long-term policy liabilities or from uncertainty regarding future events. Insurance provides protection against the financial consequences of insured risks by transferring those risks to the insurer (under specific terms and conditions) in exchange for premiums. Insurance risk is inherent in all of the Bank's insurance products, life insurance annuities, (including the pension risk transfer business), accident and sickness insurance, and creditor insurance, as well as in the Bank's reinsurance business.

4. Liquidity and funding risk is the potential for loss if the Bank is unable to meet its financial commitments in a timely manner at reasonable prices as they become due. Financial commitments include liabilities to depositors and suppliers, and lending, investment and pledging commitments. Any failure by the Bank in effectively managing this risk could have a material adverse effect on its operations and/or result in difficulty in meeting its obligations under the Covered Bonds.

5. Operational non-financial risk ("**ONFR**") encompasses a wide range of non-financial risks, including those related to business change, customer trust, reputation, and data that can result in financial loss. These losses can stem from inadequate or failed internal processes or systems, human error or misconduct, and external events that may directly or indirectly impact the Bank's credit or investment portfolios. These risks include

technology risk, fraud risk, business continuity risk and human resources risk, but exclude legal and regulatory risk, credit risk, market risk, liquidity risk and other types of financial risk. ONFR is inherent in all of the Bank's business and banking activities and can lead to significant impacts on the Bank's operating and financial results, including financial loss, restatements and damage to the Bank's reputation. Like other financial services organizations that operate in multiple jurisdictions, the Bank is exposed to a variety of operational risks arising from the potential for failures of the Bank's internal processes, technology systems, and employees, as well as from external threats. Potential losses may result from process and control failures, theft and fraud, unauthorized transactions by employees, regulatory non-compliance, business disruption, information security breaches, cyber security threats, exposure to risks related to third-party relationships and damage to physical assets. Given the large volume of transactions the Bank processes on a daily basis, and the complexity and speed of the Bank's business operations, there is a possibility that certain operational or human errors may be repeated or compounded before they are discovered and rectified. ONFR is not only inherent in the Bank's business and banking activities, it is also inherent in the processes and controls used to manage the Bank's risks. There is the possibility that errors will occur, as well as the possibility of a failure in the Bank's internal processes or systems, could lead to financial loss and reputational harm. Shortcomings or failures of the Bank's internal processes, systems or employees, or of services and products provided by third parties, including any of the Bank's financial, accounting or other data processing systems, could lead to financial loss or restatements and damage the Bank's reputation. The nature of the Bank's business also exposes it to the risk of theft and fraud when it enters into credit transactions with customers or counterparties. In extending credit, the Bank relies on the accuracy and completeness of any information provided by, and any other representations made by customers and counterparties. While the Bank conducts appropriate due diligence on such customer information and, where practicable and economically feasible, engages valuation experts, and other experts or sources of information to assist with assessing the value of collateral and other customer risks, the Bank's financial results may be adversely impacted if the information provided by customers or counterparties is materially misleading and this is not discovered during the due diligence process.

6. Legal and regulatory risk is the potential for loss or harm resulting from a failure to comply with laws or satisfy contractual obligations or regulatory requirements. This includes the risk of failure to: comply with the law (in letter or in spirit) or maintain standards of care; implement legal or regulatory requirements; enforce or comply with contractual terms; assert non-contractual rights; effectively manage disputes; or act in a manner so as to maintain the Bank's reputation. The success of the Bank's business relies in part on its ability to manage its exposure to legal and regulatory risk. The financial services industry is highly regulated, and subject to strict enforcement of legal and regulatory requirements. Banks globally continue to be subject to fines and penalties for a number of regulatory and conduct issues and the Bank is exposed to risks in connection with regulatory and governmental inquiries, investigations and enforcement actions. The Bank is subject to legal proceedings, including investigations by regulators, arising in the ordinary course of business, and the unfavourable resolution of any such legal proceedings could have a material adverse effect on the Bank's business, financial condition, results of operations, cash flows, capital position or credit ratings; require material changes in its operations; result in loss of customers; and damage to its reputation. The volume of legal proceedings and the amount of damages and penalties assessed in such legal proceedings could increase in the future. The Bank is required to disclose material legal proceedings to which the Bank is a party. In assessing the materiality of legal proceedings, factors considered include a case-by-case assessment of specific facts and circumstances, the Bank's past experience and the opinions of legal experts. However, some legal proceedings may be highly complex, and include novel or

untested legal claims or theories. The outcome of such proceedings may be difficult to anticipate until late in the proceedings, which may last several years. Certain businesses are also subject to fiduciary requirements, including policies and practices that address the responsibilities of a business to a customer (such as service requirements and expectations, customer suitability determinations, disclosure obligations and communications). Criminal risk is the potential for loss or harm resulting from a failure to comply with criminal laws, which could include acts by employees against the Bank, acts by external parties against the Bank and acts by external parties using the Bank to engage in unlawful conduct, such as fraud, theft, money laundering, violence, cyber-crime, bribery and corruption. Heightened regulatory and supervisory scrutiny has a significant impact on the way the Bank conducts business. Working with the operating groups and Corporate Services, including Technology and Operations, Legal & Regulatory Compliance assesses and analyzes the implications of regulatory and supervisory changes. The Bank devotes substantial resources to the implementation of systems and processes required to comply with new regulations, which may also help the Bank meet the needs and demands of its customers. Failure to comply with applicable legal and regulatory requirements may result in legal proceedings, financial losses, regulatory sanctions, enforcement actions, an inability to execute its business strategies, a decline in investor and customer confidence, and damage to the Bank's reputation.

7. Strategic risk is the potential for loss or harm due to changes in the external business environment and failure to respond appropriately to these changes as a result of inaction, ineffective strategies or poor implementation of strategies. Strategic risk also includes business risk, which arises from the specific business activities of the enterprise, and the effects these could have on its earnings. Strategic risk arises from external risks inherent in the business environment within which the Bank operates, as well as from the potential for loss if the Bank is unable to address those external risks effectively. While external strategic risks – including economic, geo-political, regulatory, technological, social and competitive risks – cannot be controlled, the likelihood and magnitude of their impact can be limited through an effective strategic management framework and certain of these risks, including economic, geo-political and regulatory risks, can be assessed through stress testing. Business risk, as a component of strategic risk, encompasses the potential causes of earnings volatility that are distinct from credit, market or non-financial risk factors. The Bank's profitability, and hence value, may be eroded by changes in the business environment or by failures of strategy or execution due to changing client expectations or relatively ineffective responses to industry changes. The ability to implement the strategic plans developed by management influences the Bank's financial performance.

8. Environmental and social risk is the potential for loss or harm, directly or indirectly resulting from environmental or social impacts or concerns, including climate change, related to the Bank or its customers, suppliers or clients and the Bank's impact on the environment and society. Environmental and social factors may give rise to the risk of direct and indirect impacts over both the short and long-term, including but not limited to: climate change; pollution and waste, energy, water and other resource usage, biodiversity and land use; human rights; diversity, equity and inclusion; labour standards, community health; safety and security; land acquisition and involuntary resettlement, indigenous peoples' rights and consultation and cultural heritage. The Bank may be indirectly exposed to the risk of financial loss or reputational harm if its customers, suppliers or clients are affected by environmental or social factors such that they are unable to meet their financial or other obligations to it. Environmental and social factors may also give rise to the risk of reputational harm, including if the Bank is perceived to not effectively respond to those factors.

9. Reputation risk is the potential for loss or harm to the Bank's brand. It can arise even if other risks are managed effectively. The Bank's reputation is built on its commitment to high standards of business conduct and is one of its most valuable assets. The Bank recognizes that non-financial risks can have a negative effect that is as significant as the effect of financial risks. Significant damage to the Bank's brand could reduce demand for its products and services which could have a material adverse effect on its result of operations.

10. Credit and counterparty, market, insurance, liquidity and funding, operational non-financial, legal and regulatory, business, strategic, environmental and social, and reputation risks, as well as other risks that may affect the Bank's future results, are discussed more extensively in: (1) the *Enterprise-Wide Risk Management* section on pages 74 to 113 of the Bank's 2021 MD&A (excluding any cross-references therein)."

The subsection entitled "***The Bank is subject to a number of industry and non-company factors***" in the section entitled "**1. RISKS RELATING TO THE BANK**" under the heading "**RISK FACTORS**" on pages 20 to 26 of the Prospectus are deleted and replaced with the following:

"*The Bank is subject to a number of industry and non-company factors*

General Economic Conditions

The Bank's earnings are affected by the general economic conditions prevailing in Canada, the United States and other jurisdictions in which the Bank conducts business. In the past year, as global economies continue to recover from the effects of the COVID-19 pandemic, growth in real GDP in both Canada and the United States has been strong, although growth in Canadian GDP in the second quarter of 2021 was hampered by new public health restrictions. Businesses and individuals have benefitted from the support of government programs intended to lessen the economic impact of the pandemic, and these programs, along with a reopening of the economies, have resulted in positive credit migration. The recovery faces headwinds generated by ongoing disruptions to global supply chains, trade and travel, as well as price and wage inflation and labour market challenges. The emergence of new variants of the COVID-19 virus also poses a threat to economic recovery. While vaccine efficacy remains high against most COVID-19 variants, particularly in limiting more severe cases, vaccination rates in North America are below the level required for general immunity.

These factors, as well as rising geopolitical tensions (described in "*Geopolitical Risk and Escalating Trade Disputes*" below), could cause growth rates in North American economies to decline through the coming year. Management continues to review the economic environment in which the Bank operates, to identify significant changes in key economic variables. In the event of a significant change in economic conditions, management will assess the Bank's portfolio and business strategies and develop contingency plans to address any adverse developments.

Any of these factors could have a material adverse effect on the Bank's business operations, performance and/or financial position.

Cyber Security Risk

The Bank is exposed to common banking security risks, given its ever-increasing reliance on internet and cloud technologies, coupled with the remote work environment and extensive dependence on advanced digital technologies to process data. Cyber security risks include the threat of data loss resulting in potential exposure of customer or employee information, identity theft and fraud. Ransomware or denial of service attacks could result in system failure and service disruption. Threat campaigns are becoming increasingly organized and sophisticated, with reported data breaches, often through third-party suppliers, that negatively impact the company's brand and reputation. The Bank is keeping pace by investing in the Financial Crimes Unit and technological infrastructure. These include a state-of-the-art security hub and a "follow-the-sun" operating model, equipping the Bank's team to detect and address security threats across North America, Europe and Asia in order to keep its customers' and employees' data secure. These risks include the threat of potential data loss, hacking, exposure of customer or employee information, identity theft and fraud, social media, brand and reputational damage, as well as the possibility of denial of service resulting in system failure and service disruption. The materialisation of such risk whether by service disruption, reputational damage or otherwise arising therefrom could have a material adverse effect on the Bank's business operations, performance and/or financial position.

Benchmark Interest Rate Reform

Interbank offered rates (IBORs) have been the subject of numerous global regulatory proposals and reforms over the past few years. Most significantly, the FCA has announced that it will no longer compel banks to submit to the London Interbank Offered Rate (LIBOR) after 2021. As a result, the industry must transition from LIBOR and other IBORs to alternative reference rates (ARRs) in multiple jurisdictions, a shift that will impact financial market participants globally across many products and asset classes. Transition efforts in connection with these reforms are complex, with significant risks and challenges that could result in increased volatility, pricing changes or illiquidity in markets for instruments that currently rely on IBORs. The transition could have adverse consequences for all market participants, including the Bank as both a holder and an issuer of IBOR-based instruments, such as the potential for heightened exposure to financial, operational non-financial, legal and regulatory, and reputation risks.

For a more detailed discussion, see the Risk Factors "*Changes or uncertainty in respect of certain benchmarks such as EURIBOR may affect the value, liquidity or payment of interest under the Covered Bonds*", "*The market continues to develop in relation to SONIA as a reference rate for Floating Rate Covered Bonds*", "*SOFR May be More Volatile Than Other Benchmark or Market Rates*", "*Any Failure of SOFR to Gain Market Acceptance Could Adversely Affect the Covered Bonds*", "*The Interest Rate on SOFR-Referenced Covered Bonds is Based on a Compounded SOFR Rate and the SOFR Index, which may not be widely adopted and may adversely affect the market value of SOFR-Referenced Covered Bonds*", "*Compounded SOFR with Respect to a Particular Interest Period Will Only be Capable of Being Determined Near the End of the Relevant Interest Period*" and "*The SOFR Index May be Modified or Discontinued, which Could Adversely Affect the Value of SOFR-Referenced Covered Bonds*".

Technology Resiliency

The Bank continues to innovate and invest in enhancing its technological capabilities in order to keep customers' data secure and to meet and exceed their expectations, as the adoption of digital banking continues to grow. In addition to existing technology risks, the COVID-19 pandemic has introduced new challenges, as the Bank's customers, employees and suppliers have come to rely on technology platforms and the 'Internet of Things' to manage and support their personal, business and investment banking activities. Given the extent to which the Bank's operations rely on technology, it is important to maintain platforms that provide high levels of operational reliability and resiliency, particularly with respect to business-critical systems. Technology innovations, such as advanced data management, analytical tools and artificial intelligence, are being leveraged to provide insights that will improve the way the Bank does business and serves its customers.

If the Bank fails to respond to the competitive environment in its target markets by offering attractive and profitable product and service solutions, it may affect the Bank's competitiveness, its market shares, its growth potential, its customer base and, consequently, could have a material adverse effect on its business, financial condition and results of operations.

Geopolitical Risk and Escalating Trade Disputes

Geopolitical risk remains elevated as a result of strained relations among many countries, including the United States and China and Iran. Heightened geopolitical risk can give rise to shifts in global capital flows, which may lead to market disruptions and lower levels of investment, trade and global economic growth. The Bank's core banking portfolio has limited direct exposure outside North America; however, the Bank's core customers depend on sustained economic growth and trade.

Rising protectionism and anti-globalization sentiment in the United States and other countries have compounded supply-chain disruptions, and may hinder global growth. In particular, despite the Phase One trade agreement between the United States and China reached in early 2020, trade tensions between the two countries have remained elevated, which could adversely affect business investment and could prove especially problematic for commodity-producing countries, such as Canada. Trade disputes have also arisen between Canada and China over the past several years. Within North America, the Canada-United States-Mexico Agreement ("**CUSMA**") has reduced, but not eliminated, uncertainty about continental trading arrangements and disputes between those nations.

Should negative developments occur, this could have a material adverse effect on the Bank's business, financial condition and results of operations.

Climate Change and Other Environmental and Social Risks

The Bank faces risks related to environmental events and extreme weather conditions that could potentially disrupt the Bank's operations, impact its customers and counterparties, and result in lower earnings and higher losses. Factors contributing to heightened environmental risks include the impacts of climate change and the continued intensification of development in areas of greater environmental sensitivity. The Bank also faces risks related to borrowers that experience losses or increases in their operating costs as a result of climate-related litigation or policies, such as carbon emissions pricing, or that experience lower revenue as new and emerging technologies disrupt or displace demand for certain commodities, products and services. Legal and regulatory, business or reputation risks could arise from the Bank's actual or perceived actions, or inaction, in relation to climate change and other environmental and social risk issues, or its disclosures on these matters. Legal and regulatory or reputation risks related to such matters could also impact the Bank's customers, suppliers or other stakeholders, giving rise to business or reputation risks. The Bank is playing an active role in helping its clients transition to a net zero world, in part through its new BMO Climate Institute and its dedicated Energy Transition Group.

Although the Bank monitors developments in these areas on an ongoing basis as part of its overall assessment of operational, business and reputation risks there can be no assurances that such monitoring will be successful in anticipating and managing the related risks.

Canadian Housing Market and Consumer Leverage

Risks related to household debt and housing affordability have increased with a sharp rise in home prices as the housing market rebounded strongly in early 2021, following a decline in activity in the initial phase of the COVID-19 pandemic. The lower interest rate environment should underpin the continuing strong demand in housing markets. However, several factors, such as higher unemployment rates and limited affordability, could potentially weigh on sales activity and home prices in the future. The housing market is also at risk of a correction if prices continue to rise faster than incomes, especially when interest rates begin to move upward. In addition, the pandemic has the potential to drive permanent changes in consumer behaviours and preferences, as well as changes in how and where work is performed, including more widespread adoption of remote working arrangements. Such changes have the potential to cause structural shifts in the demand for housing based on geographic and other characteristics, and could affect the viability of income-generating investment properties. These changes could dampen sales activity, home prices and property values within the existing portfolio.

Household debt levels are at record highs, which could impede new borrowing and increase its exposure to risk across personal lending products. In addition, housing affordability continues to be a challenge, especially in the Greater Toronto Area ("**GTA**") and Greater Vancouver Area ("**GVA**") and their surrounding regions, which represents an ongoing barrier to entry for potential first-time home buyers. Moderately higher levels of unemployment will also weigh on household incomes, especially if current government support programs are wound down or eliminated, which would reduce overall household purchasing power. The heightened level of economic uncertainty could also cause households to continue to focus on building savings.

Potential reductions in home sales activity, particularly in the GTA and GVA, would impact mortgage origination volumes and, if property values were to decline, reduce the value of collateral backing loans, which could result in higher provisions for credit losses which could have a material adverse effect on the Bank's results of operations and financial position.

Inflation

As the economic recovery from the COVID-19 pandemic continues, inflation rates have seen significant increases in North America, rising above the target ranges for the Bank of Canada and the Federal Reserve during 2021. A significant portion of the upward pressure on prices is attributable to the rising costs of energy, food, motor vehicles and housing, as well as the challenges involved in reopening the economy and persistent supply-chain disruptions. Inflation increases are expected to be largely transitory, assuming supply-chain disruptions ease and commodity prices moderate. However, a sustained upward trajectory in the inflation rate would have an impact on the Bank's operations and its clients, and could impact earnings due to higher provisions for credit losses and higher operating costs and could have a material adverse effect on the Bank's business, financial condition and results of operations.

Fiscal and Monetary Policies and Other Economic Conditions in the Countries in which the Bank Conducts Business

The Bank's earnings are affected by the fiscal and monetary policies and other economic conditions prevailing in Canada, the United States and other jurisdictions in which the Bank conducts business. These policies and conditions may have the effect of reducing profitability and increasing uncertainty in specific businesses and markets, which may affect the Bank's customers and counterparties, and potentially contribute to a greater risk of default. Changes in fiscal and monetary policies are difficult to anticipate. Higher levels of government and business debt resulting from the pandemic have the potential to create future vulnerabilities that could impact the Bank's business and markets. Fluctuations in interest rates could have an impact on the Bank's earnings the value of the Bank's investments, the credit quality of the Bank's loans to customers and counterparty exposure, and the capital markets that the Bank accesses.

Changes in the value of the Canadian dollar relative to the U.S. dollar have affected and could in the future continue to affect the results of the Bank's clients with significant foreign earnings or input costs. The Bank's investments in foreign operations are primarily denominated in U.S. dollars, and the foreign exchange impact of U.S. dollar-denominated risk weighted assets and capital deductions may result in variability in the Bank's capital ratios. The value of the Canadian dollar relative to the U.S. dollar will also affect the contribution of the Bank's U.S. operations' to Canadian dollar profitability. Hedging positions may be taken to manage interest rate exposures and partially offset the effects of Canadian dollar/U.S. dollar exchange rate fluctuations on the Bank's financial results. Should negative developments occur, this could have a material adverse effect on the Bank's business, financial condition and results of operations.

Regulatory Requirements

The financial services industry is highly regulated, and the Bank has experienced changes and increasing complexity in regulatory requirements as governments and regulators around the world continue to pursue major reforms intended to strengthen the stability of the financial system and protect key markets and participants. As a result, there is the potential for higher capital requirements and additional regulatory compliance costs, which could lower returns and affect growth. These reforms could also affect the cost and availability of funding and the extent of the Bank's market-making activities. Regulatory reforms may also impact fees and other revenues for certain of the Bank's operating groups. In addition, differences in laws and regulations enacted by various national regulatory authorities may provide advantages to the Bank's international competitors that could affect its ability to compete and lead to loss of market share.

Failure to comply with applicable legal and regulatory requirements could result in legal proceedings, financial losses, regulatory sanctions, enforcement actions, an inability to execute the Bank's business strategies, a decline in investor and customer confidence and damage to the Bank's reputation. If any of the risks set out above were realized, this could have a significant adverse effect on the Bank's business operations, its performance and/or its financial position.

Tax Legislation and Interpretations

Legislative changes and changes in tax policy, including their interpretation by tax authorities and the courts, may impact the Bank's earnings. Tax laws, as well as interpretations of tax laws and policy by tax authorities, may change as a result of efforts by the Canadian federal government, the rest of the G20 and the Organisation for Economic Co-operation and Development to increase taxes, broaden the tax base globally and improve tax-related reporting. Changes in taxation regulations which increase the level of the tax payable by the Bank will affect the Bank's financial results and, consequently, could have a material adverse effect on its business, financial condition and results of operations.

Changes to Business Portfolio

The Bank may, from time to time, acquire companies, businesses and assets as part of its overall business strategy. The Bank will conduct thorough due diligence before completing such acquisitions. However, some acquisitions may not perform in line with the Bank's financial or strategic objectives or expectations. The Bank's ability to successfully complete an acquisition may be subject to regulatory and shareholder approvals and it may not be possible to determine when, if or on what terms the necessary approvals will be granted. Changes in the competitive and economic environment, as well as other factors, may result in reductions in revenue or profitability, while higher than anticipated integration costs and failure to realize expected cost savings after an acquisition could also adversely affect the Bank's earnings. Integration costs may increase as a result of regulatory costs related to an acquisition, other unanticipated costs that were not identified in the due diligence process or demands on management time that are more significant than anticipated, as well as unexpected delays in implementing certain plans that in turn lead to delays in achieving full integration. Successful post-acquisition performance depends on retaining the clients and key employees of acquired companies and businesses and on integrating key systems and processes without disruption, and there can be no assurance that the Bank will always succeed in doing so.

The Bank also evaluates potential dispositions of assets and businesses that may no longer meet the Bank's strategic objectives. When the Bank sells assets or withdraws from a business, the Bank may encounter difficulty in finding buyers or alternative exit strategies on acceptable terms or in a timely manner, which could delay the achievement of strategic objectives. The Bank may also dispose of assets or a business on terms that are less desirable than anticipated or result in adverse operational or financial impacts, or greater disruption than expected, and the impact of the divestiture on revenue growth may be larger than projected. Dispositions may be subject to the satisfaction of conditions and the granting of governmental or regulatory approvals on acceptable terms, which, if not satisfied or obtained, may prevent the completion of a disposition as intended, or at all.

Critical Accounting Estimates and Accounting Standards

The Bank prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board. Changes that the International Accounting Standards Board makes from time to time may materially affect the way the Bank records and reports financial results.

The application of IFRS requires management to make significant judgments and estimates that affect the carrying amounts of certain assets and liabilities, certain amounts reported in net income and other related disclosures. In making these judgments and estimates, the Bank relies on the best information available at the time. However, it is possible that circumstances may change, new information may become available or that the Bank's models may prove to be imprecise.

The Bank's financial results could be affected for the period during which any such new information or change in circumstances becomes apparent, and the extent of the impact could be significant."

The following subsection entitled "***Risks in connection with the Bank's pending Bank of the West acquisition***" is added to the section entitled "**1. RISKS RELATING TO THE BANK**" under the heading "**RISK FACTORS**" immediately prior to the subsection entitled "***The Bank will act in its own interest in connection with the Program, and such actions may not be in the best interests of, and may be detrimental to, the holders of the Covered Bonds***" on page 26 of the Prospectus:

"***Risks in connection with the Bank's pending Bank of the West acquisition***

On December 20, 2021, the Bank announced the entry into a definitive agreement with BNP Paribas S.A. to acquire Bank of the West and its subsidiaries, with assets as of September 30, 2021 of approximately \$135 billion (U.S.\$105 billion). Under the terms of the agreement, the Bank will acquire Bank of the West for a cash purchase price of U.S.\$16.3 billion, or U.S.\$13.4 billion net of estimated U.S.\$2.9 billion of excess capital (at closing) at Bank of the West. The Bank will fund the transaction primarily with excess capital. The transaction, which has been approved by the Bank's and BNP Paribas' Boards of Directors, is expected to close by the end of calendar 2022, subject to customary closing conditions, including regulatory approvals. The

Bank is subject to several risks in connection with the pending acquisition of Bank of the West. Such risks include, but are not limited to:

- the possibility that the proposed transaction does not close when expected or at all because required regulatory approvals and other conditions to closing are not received or satisfied on a timely basis or at all or are received subject to adverse conditions or requirements;

- the risk that the Bank may be unable to realize the anticipated benefits from the proposed transaction, such as it being accretive to adjusted earnings per share ("EPS"), creating synergy opportunities and growing the Bank's U.S. operations are not realized in the time frame anticipated or at all as a result of changes in general economic and market conditions, interest and exchange rates, monetary policy, laws and regulations (including changes to capital requirements) and their enforcement, and the degree of competition in the geographic and business areas in which Bank of the West currently operates, as well as other risks identified below, including those related to the integration and post-closing performance of Bank of the West;

- that the business of Bank of the West may not perform as expected or in a manner consistent with historical performance;

- that the Bank may not be able to promptly and effectively integrate Bank of the West, as well as the costs and resource requirements for integration;

- the ability to fund the proposed transaction from existing excess capital and anticipated capital generation and financing transactions on terms acceptable to the Bank;

- the Bank may not be able to achieve its capital targets;

- the Bank may not be able to cross-sell more products to customers;

- reputational risks and the reaction of Bank of the West's customers and employees to the transaction;

- possible diversion of management time on transaction-related issues; and

- increased exposure to exchange rate fluctuations.

Assumptions about the Bank and Bank of the West's current and expected financial performance (including balance sheet, income statement and regulatory capital figures), expected financing for the proposed transaction (including participation in the Bank's dividend reinvestment plan), expected closing date of the proposed transaction, expected synergies (and timing to achieve), integration and restructuring costs, assumed purchase price accounting (including fair value marks), costs of financing, foreign exchange rates, the Bank's assumed terminal value multiple, and future regulatory capital requirements, including the Office of the Superintendent of Financial Institutions' announced Basel III reforms effective in the second quarter of fiscal 2023, were considered in estimating the internal rate of return, adjusted EPS accretion and /or the Bank's expected regulatory capital ratios. Assumptions about the Bank's integration plan, the efficiency and duration of integration and the alignment of organizational responsibilities were material factors the Bank considered in estimating transaction and integration costs. By their nature, these assumptions are subject to inherent risks and uncertainties, both general and specific in nature. There is a risk that predictions, forecasts, conclusions or projections in connection with the transaction 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.

Any of these risks in connection with the pending acquisition of Bank of the West could materially adversely affect the Bank's results and financial condition."

6. General Information

To the extent that there is any inconsistency between (a) any statement in this Second Supplement or any statement incorporated by reference into the Prospectus by way of this Second Supplement and (b) any other statement in, or incorporated by reference in, the Prospectus, the statements in (a) above will prevail.

Save as disclosed in this Second Supplement and any supplement to the Prospectus previously issued, no significant new factor, material mistake or inaccuracy relating to the information included in the Prospectus which is capable of affecting the assessment of Covered Bonds issued under the Program has arisen or been noted, as the case may be, since the publication of the Prospectus.

Copies of this Second Supplement, the Prospectus and the documents incorporated by reference in either this Second Supplement or the Prospectus can be (i) viewed on the website of the Regulatory News Service operated by the London Stock Exchange at www.londonstockexchange.com/exchange/news/market-news/market-news-home.html under the name of the Bank and the headline "Publication of Prospectus", (ii) viewed on the website of the National Storage Mechanism at https://data.fca.org.uk/#/nsm/nationalstoragemechanism and (iii) obtained on written request and without charge from (a) the principal executive offices of the Bank from the Corporate Secretary's Office, 100 King Street West, 1 First Canadian Place, 68th Floor, Toronto, Ontario, Canada M5X 1A1, and (b) the offices of the Issuing and Paying Agent, The Bank of New York Mellon, London Branch, One Canada Square, 48th Floor, London E14 4AL so long as any of the Covered Bonds issued under the Prospectus and listed on the London Stock Exchange's Regulated Market are outstanding.