SECOND SUPPLEMENT DATED 7 DECEMBER 2022 TO THE PROSPECTUS DATED 19 AUGUST 2022 AS SUPPLEMENTED BY THE FIRST SUPPLEMENT DATED 31 AUGUST 2022

BANK OF MONTREAL

(*a Canadian chartered Bank*)

U.S.$35,000,000,000

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 19 August 2022 (as supplemented by the First Supplement to such Prospectus dated 31 August, 2022, 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.$35,000,000,000 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, the information contained in this Second Supplement is in accordance with the facts and this Second Supplement contains no omission likely to affect its import.

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 2022 annual information form dated December 1, 2022 and the annual audited consolidated financial statements and management's discussion and analysis as at and for the years ended October 31, 2022 and October 31, 2021, prepared in accordance with International Financial Reporting Standards ("**IFRS**"), (ii) to incorporate by reference the investor report of the Guarantor with the calculation date of 31 October 2022 (the "**October 2022 Investor Report**") (iii) to include a new statement in respect of no material adverse change and significant change in the Prospectus, (iv) to update certain risk factors in the Prospectus and (v) to include a new statement in respect of legal and arbitration proceedings in the Prospectus.

2. October 2022 Investor Report

The Bank sold additional mortgage loans to the Guarantor on September 21, 2022 equalling approximately CAD$5,600,000,000 in accordance with the terms of the Transaction Documents. This increase is reflected in the October 2022 Investor Report.

3. 2022 Annual Information Form and Annual Audited Consolidated Financial Statements and Management's Discussion and Analysis as at and for the years ended October 31, 2021 and October 31, 2022

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

3.1 the Bank's 2022 annual information form dated December 1, 2022, excluding all information therein incorporated by reference (the "**2022 AIF**"); and

3.2 the Bank's audited consolidated financial statements as at and for the year ended October 31, 2021 and October 31, 2022 set out on pages 141 to 209 of the Bank's Annual Report (the "**2022 Financial Statements**"), prepared in accordance with IFRS, together with the auditors' report on pages 135 to 140 (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 140) and management's discussion and analysis of financial condition and financial performance for the years ended October 31, 2021 and October 31, 2022 but excluding the third paragraph in the section entitled 'Significant Events' appearing on page 28 thereof as set out on pages 15 to 130 of the Bank's Annual Report (the "**2022 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 Regulation (EU) No.1060/2009 (the "**EU CRA Regulation"**) and Regulation (EU) No 1060/2009 as it forms part of UK domestic law by virtue of the EUWA (the "**UK CRA Regulation"**), please note that the annual information form contains references to credit ratings and information on pages 11 to 12 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, 87 and 99.

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.

4. Documents Incorporated by Reference

Copies of the Bank's 2022 AIF, the Bank's 2022 Financial Statements and the Bank's 2022 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.

5. No Material or Significant Change

Paragraph 4 under the heading "**GENERAL INFORMATION**" on page 323 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 2022, 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."

6. RISK FACTORS IN PROSPECTUS

The section entitled "**A. RISKS RELATING TO THE BANK**" under the heading "**RISK FACTORS**" on pages 18 to 21 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. a 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 securitisation. Credit risk and counterparty risk represent the most significant measurable risks that the Bank faces. Proper management of credit risk is integral to the Bank's success, since 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 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 (which include the pension risk transfer business), accident and sickness insurance, and creditor insurance, as well as 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, as well as lending, investment and pledging commitments. Any failure by the Bank to effectively manage 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, all of which 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 fair value of assets the Bank holds in its credit or investment portfolios. Examples of these risks include cyber and cloud security risk, 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 of financial results and damage to the Bank's reputation. Like other financial services organisations 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, unauthorised transactions by employees, business disruption, information security breaches, cybersecurity 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 could occur, as well as the possibility that 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, restatements of financial results and damage the Bank's reputation. The nature of the Bank's business activities 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 in relation to such customer information and, where practicable and economically feasible, engages valuation experts and other experts or sources of information to assist in 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 failure to comply with laws or satisfy contractual obligations or regulatory requirements. This includes the risk arising from any 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 other 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 and criminal prosecutions. 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. 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. Information regarding material legal proceedings to which the Bank is a party is included in the Legal Proceedings section in Note 24 of the 2022 Financial Statements. 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 may 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. Criminal risk is the potential for loss or harm resulting from 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. Failure to comply with applicable legal and regulatory requirements may result in legal proceedings, financial losses, regulatory sanctions, enforcement actions, criminal convictions and penalties, 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 financial loss or other types of harm due to changes in the external business environment and failure to respond effectively to these changes as a result of inaction, inappropriate 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 financial loss or other negative impact that the Bank could experience if the Bank is unable to address those external risks effectively. Business risk, as a component of strategic risk, encompasses the potential causes of earnings volatility that are distinct from credit, market or nonfinancial 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, the inability to correctly identify client expectations, or relatively ineffective strategic 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 and social factors that impact the Bank or its customers, and the Bank's impact on the environment and society. In recognition of its unique characteristics Environmental and Social ("**E&S**") risk is classified in the Bank's Risk Taxonomy as a transverse risk that may arise over a range of time frames, from short-term to long-term. Factors that may give rise to E&S risk include, but are 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 cultural heritage. The Bank may be directly exposed to E&S risk associated with the ownership and operation of its businesses, which involve the management and operation of real estate owned or leased by it. The Bank may be indirectly exposed to the risk of

financial loss or reputational harm if its customers, suppliers or clients are affected by E&S factors such that they are unable to meet their financial or other obligations to it. E&S factors may also give rise to the risk of reputational harm, for instance if the Bank is perceived not to respond effectively to those factors or to cause, contribute or be linked to adverse impacts on the environment or society.

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. 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.

The subsections entitled "***The Bank is subject to a number of industry and non-company factors***" and "***Risks in connection with the Bank's pending Bank of the West acquisition***" in the section entitled "**1. RISKS RELATING TO THE BANK**" under the heading "**RISK FACTORS**" on pages 21 to 27 of the Prospectus is 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, global economies continued to recover from the effects of the COVID-19 pandemic. The Canadian economy outperformed global peers at the start of 2022, whereas in the United States, real GDP growth began to slow early in the year. Across North America, growth is slowing due to aggressive monetary tightening, weaker global demand, rising interest rates, supply constraints, labour shortages and high inflation rates. However, one partial offsetting factor is that households have retained a significant amount of the savings they accumulated during the COVID-19 pandemic, which is supporting pent-up demand for travel, in-person services and motor vehicles. The recovery faces headwinds generated by ongoing disruptions to global supply chains, the conflict in Ukraine, COVID-19 restrictions in China, volatile oil and natural gas prices, price and wage inflation and labour market challenges. Rising geopolitical tensions are expected to contribute to a decline in growth rates in North American economies through the coming year. The Bank continues to review the economic environment in which it operates to identify significant changes in key economic indicators and the impact on its operations.

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

Cyber and Cloud Security Risk

The Bank's exposure to banking cybersecurity risks arises from the ever-increasing reliance on internet and cloud technologies, coupled with the remote or hybrid work environment and extensive dependence on advanced digital technologies to process data. Heightened geopolitical tensions are also contributing to elevated global exposures to cybersecurity risks.

These 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 better organised and more sophisticated, with reported data breaches, often through third-party suppliers, that can negatively impact the company's brand and reputation. 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.

Technology Resiliency

As the adoption of digital banking continues to grow the Bank continues to invest in innovative enhancements to its technological capabilities in order to meet customers' expectations and to keep their data secure. The Bank's customers, employees and suppliers have increasingly 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 can function at high levels of operational reliability and resiliency, particularly with respect to business-critical systems. If the Bank fails to keep pace with the evolution of digital banking and to meet customer expectations with regards to technology more generally, including in respect of data security, it may harm the Bank's reputation and 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

The escalation of geopolitical tensions in Europe caused by the conflict in Ukraine is having significant global effects, including high energy prices and the erosion of business confidence. Sanctions imposed on Russia by Ukraine's allies have also aggravated supply shortages, particularly energy, across the global economy. Trade tensions between China and the United States remain elevated, as the competition for technology dominance intensifies and both the United States and China seek to lessen economic dependence on each other. This 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 the three countries. Although it is difficult to predict and mitigate the potential economic and financial effects of trade-related events on the Canadian and U.S. economies, the Bank actively monitors global and North American trends and continually assess its businesses in the context of these trends. Should negative developments occur, this could have a material adverse effect on the Bank's business, financial condition and results of operations.

Benchmark Interest Rate Reform

The transition from London interbank offered rates (LIBORs) and other interbank offered rates (IBORs) to alternative reference rates (ARRs) continues. The Bank transitioned all sterling, euro, Swiss franc, Japanese and one-week and two-month USD LIBOR exposures to ARRs in advance of the December 31, 2021 discontinuation of these rates. In addition, the Bank ceased issuing new USD LIBOR-based loans and instruments after December 31, 2021, except in permitted circumstances, in compliance with U.S. prudential regulatory supervisory guidance. As the June 30, 2023 cessation date for the remaining USD LIBOR settings approaches, overall USD LIBOR exposures are being reduced by the Bank, except for fluctuations due to permitted derivatives activity to off-set existing LIBOR risk. Existing USD LIBOR derivative exposures are expected to largely transition when central counterparties convert existing LIBOR derivatives to Secured Overnight Financing Rate derivatives by the cessation date. On December 16, 2021, the Canadian Alternative Reference Rate working group (CARR) recommended the administrator, Refinitiv Benchmark Services UK Limited (RBSL), cease publication of Canadian Dollar Offered Rate (CDOR) settings immediately after June 28, 2024, using a two-stage transition approach. By the end of the first stage on June 30, 2023, CARR expects that all new derivative contracts and securities will use the Canadian Overnight Repo Rate Average (CORRA), with the exception of derivatives that hedge or reduce CDOR exposures from derivatives, or securities transacted before June 30, 2023, or loan agreements entered into before June 28, 2024. All remaining CDOR exposures should then be transitioned to CORRA by June 28, 2024, marking the end of the second stage. On May 16, 2022, following public consultation, RBSL announced all remaining CDOR settings will cease publication immediately after June 28, 2024, in line with CARR recommendations. The Bank's IBOR Transition Office (ITO) adjusted all affected project plans as a result of the RBSL announcement.

See also the Risk Factors "*Changes or uncertainty in respect of certain benchmarks such as EURIBOR, SONIA, SOFR and CORRA may affect the value, liquidity or payment of interest under the Covered Bonds*", "*The market continues to develop in relation to risk free rates, such as SONIA , SOFR and CORRA, as reference rates 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 and Daily Compounded CORRA, in each case, 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*".

Climate Change and Other Environmental and Social Risks

The Bank is exposed to 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 is also exposed to risks related to borrowers that may experience financial losses or increases in operating costs as a result of climate-related litigation or policies, such as carbon emissions pricing, or that may experience a decline in 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 its operations and those of its customers in relation to climate change and other environmental and social risk issues, or its disclosures related to these matters. Risks related to these issues could also affect the Bank's customers, suppliers or other stakeholders, which could give rise to new business or reputation risks. Globally, climate-related litigation or enforcement measures could arise from new and more stringent obligations to manage and report climate-related risks. Any failure by the Bank in effectively managing these risks could have a material adverse effect on its operations and/or result in difficulty in meeting its obligations under the Covered Bonds.

Canadian Housing Market and Consumer Leverage

Household debt and housing affordability risks are elevated. Successive hikes in interest rates by central banks have primed the housing market for a correction through to 2023 and are slowing demand. Although housing prices have started to decline, the annual income needed to buy a home has increased significantly due to rising mortgage rates. In addition, the COVID-19 pandemic may have caused permanent changes in consumer behaviours and preferences, as well as changes in how and where work is performed, including the widespread adoption of remote working arrangements. These changes could lead to structural shifts in the demand for housing based on geographic and other characteristics, and could dampen sales activity, home prices and property values within the Bank's current mortgage portfolio. Housing affordability continues to be a challenge, especially in the Greater Toronto Area ("**GTA**") and Greater Vancouver Area ("**GVA**") and their surrounding regions, and represents an ongoing barrier to entry for potential first-time homebuyers. Although unemployment rates remain historically low, inflation and higher interest rates are putting a strain on household budgets, which is reducing overall household purchasing power. Further increases in interest rates, if material, could pressure the finances of households with adjustable-rate mortgages, variable-rate loans that reach their "trigger rate" where the payment no longer covers interest on the loan, and fixed-rate loans that come up for renewal. Prolonged economic uncertainty could also cause households to continue to focus on building savings. Reductions in home sales activity, particularly in the GTA and GVA, would impact mortgage origination volumes, while lower property values could result in higher provisions for credit losses which could have a material adverse effect on the Bank's earnings and financial position.

Inflation

Inflation rates in North America have increased sharply during 2022 and are expected to decline slowly over time. Central banks began to implement corrective measures through a series of interest rate increases in 2022. Further interest rate increases will put additional pressure on our customers and increase the risk of an economic recession in North America. Higher inflation rates are having an impact on both the Bank's operations and the operations of its clients, and could have a negative effect on the Bank's earnings through higher provisions for credit losses and higher operating costs. The Bank continues to monitor inflationary pressures in North America and assess any potential effects on its portfolios, interest margins and operating costs. Further and/or continued inflationary pressure 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 reduce profitability and increase economic 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 predict. Higher levels of government and business debt resulting from the COVID-19 pandemic may create future vulnerabilities that could impact the Bank's markets and its operating results. Interest rate 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. Canadian dollar value changes relative to the other currencies have affected and could continue to affect the business operations and results of the Bank's clients with significant earnings or input costs denominated in foreign currencies. The Banks' foreign operation investments 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 the pending Bank of the West acquisition, as well as interest rate exposures and foreign exchange impacts, and to 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 increasing complexity in regulatory requirements and expectations 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. Consequently there is the potential for increases in regulatory capital requirements and additional compliance costs, which could lower returns and affect growth. These reforms could also affect the cost and availability of funding and the level 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 a range of national regulatory authorities may provide advantages to the Bank's international competitors that could affect its ability to compete. Failure to comply with applicable legal and regulatory requirements and expectations could result in legal proceedings, financial losses, regulatory sanctions, enforcement actions, criminal convictions and penalties, 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 realised, 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 and U.S. federal governments, other G20 governments and the Organisation for Economic Co-operation and Development ("OECD") to increase taxes, broaden the tax base globally and improve tax-related reporting. For example, the Canadian government introduced legislation related to tax measures that would be applicable to certain Canadian companies in a bank or life insurer group, including a one-time 15% tax (referred to as the Canada Recovery Dividend, or CRD) and a permanent 1.5% increase in the tax rate, and has proposed to adopt the OECD Pillar 2 Model Rules, which will levy a 15% minimum tax on operations globally. 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.

Pending Bank of the West acquisition

The Bank is subject to several risks related to the pending acquisition of Bank of the West, which is expected to close by the end of the first calendar quarter of 2023, subject to customary closing conditions, including regulatory approvals. Such risks include, but are not limited to: the possibility that the announced acquisition of Bank of the West does not close when expected, or at all, because regulatory approvals or other conditions required for closing are not received or satisfied on a timely basis, or at all, or regulatory approvals are received subject to adverse conditions or requirements; the risk that BMO may be unable to realise, in the anticipated time frame, the benefits anticipated from the proposed transaction, such as it being accretive to adjusted earnings per share and creating opportunities for synergies; the risk that the business of Bank of the West may not perform as expected, or in a manner consistent with historical performance; the risk that BMO may not be able to promptly and effectively integrate Bank of the West and that the costs of integration may be higher than expected; the risk that the total amount of BMO's existing excess capital, completed financing for the transaction and capital generation anticipated before closing may not be sufficient to maintain capital targets without raising additional capital; the risk that our fair value management actions (as described in the Significant Events section) are not effective or result in unforeseen consequences; reputational risks and the reaction of Bank of the West's customers and employees to the transaction; the risk of increased exposure to regional economic and other issues as a result of expanding BMO’s presence in the United States; risks related to possible demands on management time by transaction-related issues; and risks related to increased exposure to exchange rate fluctuations. Any of these and other risks related to the pending acquisition of Bank of the West including, but not limited to, the risk that our assumptions about BMO, Bank of the West and the announced acquisition may prove inaccurate, could adversely impact the Bank’s financial results or strategic direction.

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 realise expected cost savings after an acquisition could also adversely affect the Bank’s earnings. Integration costs may increase because of regulatory costs related to an acquisition, operational loss events, other unanticipated expenses 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. Such failure on the part of the Bank could have a material adverse effect on the Bank’s business, financial condition and results of operations and may consequently affect the Bank’s ability to make payments under the Covered Bonds.

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. Any such delay, failure or deficiency in the Bank’s dispositions could have a material adverse effect on the Bank’s business, financial condition and results of operations and may consequently affect the Bank’s ability to make payments under the Covered Bonds.

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 and could have a material adverse effect on the Bank's financial condition and may consequently affect the Bank's ability to make payments under the Covered Bonds.

Technological Innovation and Competition

Advancement of technological capabilities is shaping the future of everyday banking for individuals and businesses. The change in customers behaviour and preferences for on-demand banking in recent years has led to significant progress open banking, an increase in the use of digital currencies, a growing number of non-bank financial service providers and more banking options for customers and businesses. This shift in the financial services ecosystem creates risks for the Bank, including direct competition with technology companies. The Bank closely monitors evolving technologies and practices in the financial services industry, and is developing new risk management approaches to identify and manage these risks. Any failure to remain competitive and to manage these risks effectively could have a material adverse effect on the Bank's results of operations.

7. Legal and Arbitration Proceedings

The subsection entitled "**Legal Proceedings**" under the heading "**BANK OF MONTREAL**" on page 89 of the Prospectus is deleted and replaced with the following:

"As disclosed in Note 24 on page 205 of the 2022 Financial Statements, the Bank and its subsidiaries are party to legal proceedings, including regulatory investigations, in the ordinary course of business. While there is inherent difficulty in predicting the outcome of these proceedings, the Bank does not expect the outcome of any of these proceedings, individually or in the aggregate, to have a significant effect on the consolidated financial position or the results of operations of the Bank."

8. 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.