

**SECOND SUPPLEMENT DATED 5 OCTOBER 2016
TO THE PROSPECTUS DATED 16 AUGUST 2016
AS SUPPLEMENTED BY THE FIRST SUPPLEMENT DATED 9 SEPTEMBER 2016**



BANK OF MONTREAL

(a Canadian chartered Bank)

U.S.\$17,000,000,000

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 16 August 2016 (as supplemented by the First Supplement to such Prospectus dated 9 September 2016) (the “**Prospectus**”) which is a base prospectus for the purposes of Article 5.4 of the Prospectus Directive (2003/71/EC) as amended (which includes the amendments made by Directive 2010/73/EU) (the “**Prospectus Directive**”). This second supplement (the “**Second Supplement**”) constitutes a supplement in respect of the Prospectus for the purposes of the Prospectus Directive and Section 87G of the Financial Services and Markets Act 2000 (U.K.) (“**FSMA**”), and is prepared in connection with the U.S.\$17,000,000,000 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 to (i) clarify the Guarantor’s compliance with European Securities and Markets Authority guidelines on alternative performance measures of 5 October 2015 (the **ESMA Guidelines**) and (ii) incorporate by reference the investor

report of the Guarantor with the calculation date of August 31, 2016 (the **August Investor Report**).

2. Clarification of the Guarantor’s compliance with the ESMA Guidelines

In order to comply with the disclosure requirements regarding compliance with the ESMA Guidelines, the Prospectus shall be clarified to describe how the Guarantor uses alternative performance measures in order to comply with the ESMA Guidelines. Specifically, the section entitled “*The Guarantor*” shall be amended to include the following language after the section entitled “*The Guarantor—Withdrawal or Removal of the General Partners*” on page 70:

“Financial Disclosure and Alternative Performance Measures (APMs)

Because the laws of the Province of Ontario and the federal laws of Canada do not require limited partnerships to produce historical financial information (audited or unaudited), the Guarantor satisfies instead its financial disclosure requirements pursuant the Prospectus rules made under the FSMA by incorporating by reference certain of its (unaudited) Investor Reports into the Prospectus, which Investor Reports are prepared by the Cash Manager on a pro forma basis under Section 9.4 of the Cash Management Agreement and provide (as at the relevant Calculation Date) information and data in relation to the Cover Pool, including the calculation of the Asset Coverage Test, the Valuation Calculation, the Intercompany Loan balance and statistical information about the Loans in the Portfolio. For the purposes of the European Securities and Markets Authority guidelines on APMs of 5 October 2015 (**ESMA Guidelines**), such Investor Report constitutes APMs.

The Investor Reports incorporated herein by reference are not derived from the Guarantor’s financial statements, since the Guarantor is not required to produce historical financial information. Therefore, it is impracticable to provide comparative figures or to have such Investor Reports reconciled to financial statements of the Guarantor. From 1 July 2014, the indexation methodology used for the purposes of preparing Investor Reports (in order to determine indexed valuations for Properties relating to the Loans in the Portfolio) meets the requirements provided for in the CMHC Guide (in this regard, please also refer to the Risk Factors section of this Prospectus and the Appendix “Indexation Methodology” set out at the end of each Investor Report that is incorporated by reference herein). Please see “*The Portfolio*” and “*Documents Incorporated by Reference*” herein for more information.”

3. Incorporation by reference of the August Investor Report

A copy of the Guarantor’s August Investor Report has been filed with the Financial Conduct Authority and, by virtue of this Second Supplement, is incorporated in, and forms part of, the Prospectus for the purposes of Article 5.4 of the Prospectus Directive. As set forth in the Prospectus in the section entitled “*The Guarantor—Financial Disclosure and Alternative Performance Measures (APMs)*”, the August Investor Report constitutes an APM under the ESMA Guidelines.

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 Prospectus Directive except where such

other documents or information are specifically incorporated by reference or attached to this Second Supplement.

4. 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 www.morningstar.co.uk/uk/NSM 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.