

**SECOND AMENDING AGREEMENT TO
MASTER DEFINITIONS AND CONSTRUCTION AGREEMENT**

THIS SECOND AMENDING AGREEMENT TO MASTER DEFINITIONS AND CONSTRUCTION AGREEMENT (this “**Agreement**”) is made as of the 17th day of October, 2017.

BETWEEN:

- (1) **BANK OF MONTREAL** (in its capacity as **Issuer, Seller, Servicer, Cash Manager, Intercompany Loan Provider, Account Bank, Interest Rate Swap Provider, Covered Bond Swap Provider** and **GDA Provider**);
- (2) **BMO COVERED BOND GUARANTOR LIMITED PARTNERSHIP**, by its managing general partner, **BMO COVERED BOND GP, INC.** (in its capacity as the **Guarantor**);
- (3) **THE BANK OF NEW YORK MELLON** (in its capacity as an **Issuing and Paying Agent, the Exchange Agent, U.S. Registrar** and a **Transfer Agent**);
- (4) **THE BANK OF NEW YORK MELLON, LONDON BRANCH** (in its capacity as an **Issuing and Paying Agent** and a **Transfer Agent**);
- (5) **THE BANK OF NEW YORK MELLON SA/NV – LUXEMBOURG BRANCH** (in its capacity as **European Registrar** and a **Transfer Agent**), and formerly named The Bank of New York Mellon (Luxembourg) S.A;
- (6) **COMPUTERSHARE TRUST COMPANY OF CANADA** (in its capacity as **Bond Trustee** and as **Custodian**);
- (7) **8429065 CANADA INC.**, in its capacity as **Liquidation GP**;
- (8) **BMO COVERED BOND GP, INC.** in its capacity as **Managing GP**;
- (9) **ROYAL BANK OF CANADA** (in its capacity as **Stand-By Account Bank** and **Stand-By GDA Provider**); and
- (10) **KPMG LLP** (in its capacity as **Cover Pool Monitor**).

WHEREAS the parties hereto entered into an amended and restated master definitions and construction agreement made as of April 11, 2014, as amended by an amending agreement dated as of July 14, 2014 (as amended, the “**Master Definitions and Construction Agreement**”);

AND WHEREAS the parties hereto have agreed to further amend the Master Definitions and Construction Agreement pursuant to Article 4 and the terms of this Agreement, and the conditions to the amendments stipulated in Article 4 have been satisfied;

NOW THEREFORE IT IS HEREBY AGREED that in consideration of the mutual covenants and agreements herein set forth, the parties agree as follows:

ARTICLE 1– AMENDMENTS

1.01 **Amendments**

(1) The definition of “2017 New Guide OC Valuation Implementation Date” is added to Article 1 of the Master Definitions and Construction Agreement in alphabetical order as follows:

“**2017 New Guide OC Valuation Implementation Date**” means the date agreed to by the Issuer and the Guarantor and notified in writing by them to the Bond Trustee and the Asset Monitor on which the requirements of Section 4.3.8 of the CMHC Guide will become effective under the Programme, which date shall be no later than January 1, 2018;

(2) The definition of “Account Bank Required Ratings” in Article 1 of the Master Definitions and Construction Agreement is amended by deleting the words:

“AA(low) and R-1 (middle) (in respect of DBRS)”

and replacing them with the following:

“A or R-1 (low) (in respect of DBRS)”;

(3) The definition of “Cash Manager Deposit Ratings” in Article 1 of the Master Definitions and Construction Agreement is amended by deleting the words:

“AA (low) or R1 (middle) (in respect of DBRS)”

and replacing them with the following:

“BBB (low) or R-1 (low) (in respect of DBRS)”;

(4) The definition of “Cash Management Required Ratings” in Article 1 of the Master Definitions and Construction Agreement is deleted in its entirety and replaced by the following:

“**Cash Manager Required Ratings**” means the threshold ratings P-2 (cr), F2 and BBB (low) (in respect of Moody's, Fitch and DBRS, respectively) as applicable, of, in the case of Moody's, the short term counterparty risk assessment, in the case of Fitch, the issuer default rating, and in the case of DBRS, the unsecured, unsubordinated and unguaranteed debt obligations, in each case, of the Cash Manager by the Rating Agencies;

(5) The definition of “Cover Pool Collateral” is added to Article 1 of the Master Definitions and Construction Agreement in alphabetical order as follows:

“**Cover Pool Collateral**” has the meaning given to it in Schedule 11 to the Guarantor Agreement;

(6) The definition of “Guide OC Minimum” is added to Article 1 of the Master Definitions and Construction Agreement in alphabetical order as follows:

“Guide OC Minimum” means 103% or such other percentage defined as the “Regulatory OC Minimum” in the CMHC Guide;

(7) The definition of “Eligibility Criteria” is amended by removing the semi-colon at the end of clause (n) thereof and replacing it with the following sentence:

for greater certainty, a Loan is deemed to otherwise comply with the Lending Criteria to the extent that an independent third-party prudent lender conducting a credit assessment of the Loan would be able to apply all aspects of the applicable lending criteria, based on available documentation, and arrive at the same credit decision;

(8) The definition for “Initial Downgrade Trigger Event” is added to Article 1 of the Master Definitions and Construction Agreement in alphabetical order as follows:

“Initial Downgrade Trigger Event” means the occurrence of any of the following events:

- (a) the short-term counterparty risk assessment or the long-term counterparty risk assessment of the Interest Rate Swap Provider, the Covered Bond Swap Provider, or any credit support provider, as applicable, ceases to be at least P-1(cr) or A2(cr), respectively, by Moody’s (provided that, for greater certainty, if the Interest Rate Swap Provider, the Covered Bond Swap Provider, or any credit support provider, as applicable, has one of such ratings from Moody’s, an Initial Downgrade Trigger Event will not occur),
- (b) (i) the short-term issuer default rating, or (ii) the derivative counterparty rating, if one is assigned, and if not, the long-term issuer default rating, in each case, of the Interest Rate Swap Provider, the Covered Bond Swap Provider or any credit support provider, as applicable, ceases to be at least F1 or A, respectively, by Fitch (provided that, for greater certainty, if the Interest Rate Swap Provider, the Covered Bond Swap Provider or any credit support provider, as applicable, has one of such ratings from Fitch, an Initial Downgrade Trigger Event will not occur), or
- (c) the short-term unsecured, unsubordinated and unguaranteed debt obligations or the long-term unsecured, unsubordinated and unguaranteed debt obligations of the Interest Rate Swap Provider, the Covered Bond Swap Provider or any credit support provider, as applicable, cease to be rated at least R-1(low) or A, respectively, by DBRS (provided that, for greater certainty, if the Interest Rate Swap Provider, the Covered Bond Swap Provider or any credit support provider, as applicable, has one of such ratings from DBRS, an Initial Downgrade Trigger Event will not occur);

(9) The definition of “Level of Overcollateralization” is added to Article 1 of the Master Definitions and Construction Agreement in alphabetical order as follows:

“Level of Overcollateralization” has the meaning given to it in Schedule 11 of the Guarantor Agreement;

(10) The definition of “OC Valuation” is added to Article 1 of the Master Definitions and Construction Agreement in alphabetical order as follows:

“**OC Valuation**” has the meaning given to it in Schedule 11 of the Guarantor Agreement;

(11) The definition of “Reserve Fund Required Amount Ratings” in Article 1 of the Master Definitions and Construction Agreement is deleted in its entirety and replaced by the following:

“**Reserve Fund Required Amount Ratings**” means the threshold ratings of (i) P-1 (cr) (in respect of Moody’s), (ii) R-1 (low) and A (low) (in respect of DBRS; for greater certainty, the ratings from DBRS are only required to be at or above one of such ratings), and (iii) F1 or A (in respect of Fitch, provided that, for greater certainty, only one of such ratings from Fitch is required to be at or above such ratings), as applicable, of, in the case of Moody’s the short term counterparty risk assessment in the case of Fitch, the issuer default rating, and in the case of DBRS, the unsecured, unsubordinated and unguaranteed debt obligations, in each case, of the Bank by the Rating Agencies;

(12) The definition of “Servicer Deposit Threshold Ratings” in Article 1 of the Master Definitions and Construction Agreement is deleted in its entirety and replaced by the following:

“**Servicer Deposit Threshold Ratings**” means the threshold ratings of (i) a counterparty risk assessment of P-1 (cr) by Moody’s (ii) a deposit rating of F1 short term or A long term, or, if Fitch has not then assigned a deposit rating to the Servicer, an issuer default rating of F1 short-term or A long term, in each case by Fitch; or (iii) a rating on its long-term unsecured, unsubordinated and unguaranteed debt obligations of BBB (low) by DBRS; provided, for greater certainty, that in the case of (ii), only one of such ratings from Fitch is required to be at or above such ratings;

(13) The definition of “Servicer Replacement Threshold Ratings” in Article 1 of the Master Definitions and Construction Agreement is deleted in its entirety and replaced by the following:

“**Servicer Replacement Threshold Ratings**” means the threshold ratings of (i) a counterparty risk assessment Baa3 (cr) by Moody’s (ii) a deposit rating of F2 short term or BBB+ long term, or, if Fitch has not then assigned a deposit rating to the Servicer, an issuer default rating of F2 short-term or BBB+ long term, in each case by Fitch; or (iii) a rating on its long-term unsecured, unsubordinated and unguaranteed debt obligations of BBB(low) by DBRS; provided, for greater certainty, that in the case of (ii), only one of such ratings from Fitch is required to be at or above such ratings;

(14) The definition of “Standby Account Bank Required Ratings” in Article 1 of the Master Definitions and Construction Agreement is amended by deleting the words:

“(A) R-1 (middle) with respect to the short-term unsecured, unsubordinated and unguaranteed debt obligations of the Standby Account Bank by DBRS, or (B) A (low) with respect to the long-term unsecured, unsubordinated and unguaranteed debt obligations of the Standby Account Bank by DBRS”

and replacing them with the following:

“(A) R-1 (low) with respect to the short-term unsecured, unsubordinated and unguaranteed debt obligations of the Standby Account Bank by DBRS, or (B) A with respect to the long-term unsecured, unsubordinated and unguaranteed debt obligations of the Standby Account Bank by DBRS”

(15) The definition for “Subsequent Downgrade Trigger Event” is added to Article 1 of the Master Definitions and Construction Agreement in alphabetical order as follows:

“**Subsequent Downgrade Trigger Event**” means the occurrence of any of the following events:

- (a) the short-term counterparty risk assessment or the long-term counterparty risk assessment of the Interest Rate Swap Provider, the Covered Bond Swap Provider, or any credit support provider, as applicable, ceases to be at least P-2(cr) or A3(cr), respectively, by Moody’s (provided that, for greater certainty, if the Interest Rate Swap Provider, the Covered Bond Swap Provider, or any credit support provider, as applicable, has one of such ratings from Moody’s, a Subsequent Downgrade Trigger Event will not occur), or
- (b) (i) the short-term issuer default rating, or (ii) the derivative counterparty rating, if one is assigned, and if not, the long-term issuer default rating, in each case, of the Interest Rate Swap Provider, the Covered Bond Swap Provider or any credit support provider, as applicable, ceases to be at least F2 or BBB+, respectively, by Fitch (provided that, for greater certainty, if the Interest Rate Swap Provider, the Covered Bond Swap Provider, or any credit support provider, as applicable, has one of such ratings from Fitch, a Subsequent Downgrade Trigger Event will not occur), or
- (c) the short-term unsecured, unsubordinated and unguaranteed debt obligations or the long-term unsecured, unsubordinated and unguaranteed debt obligations of the Interest Rate Swap Provider, the Covered Bond Swap Provider or any credit support provider, as applicable, cease to be rated at least R-2(middle) or BBB, respectively, by DBRS (provided that, for greater certainty, if the Interest Rate Swap Provider, the Covered Bond Swap Provider, or any credit support provider, as applicable, has one of such ratings from DBRS, a Subsequent Downgrade Trigger Event will not occur);

(16) Article 4 of the Master Definitions and Construction Agreement is deleted in its entirety and replaced by the following:

AMENDMENTS

Subject to Section 8.3 of the Security Agreement (Modification to Transaction Documents), any amendments or waivers of the provisions of this Master Definitions and Construction Agreement will be made only with the prior written consent of each party to this Master Definitions and Construction Agreement. Each proposed amendment or waiver of this

Agreement that is considered by the Guarantor to be a material amendment or waiver shall be subject to satisfaction of the Rating Agency Condition. For certainty, any amendment to (a) a Ratings Trigger that (i) lowers the ratings specified therein or (ii) changes the applicable rating type, in each case, provided for in this Agreement, or (b) the consequences of breaching a Ratings Trigger, or changing the applicable rating type, provided for in this Agreement that makes such consequences less onerous, shall, with respect to each affected Rating Agency only, be deemed to be a material amendment and shall be subject to confirmation of the satisfaction of the Rating Agency Condition from each affected Rating Agency. The Guarantor (or the Cash Manager on its behalf) shall deliver notice to the Rating Agencies of any amendment or waiver which does not require satisfaction of the Rating Agency Condition provided that failure to deliver such notice shall not constitute a breach of the obligations of the Guarantor under this Agreement. Notwithstanding the foregoing, any amendment hereto for purposes of addressing changes to the CMHC Guide shall not require the consent of any party nor shall it require satisfaction of the Rating Agency Condition.

(17) A new Article 8 shall be added to the Agreement after Article 7, as follows:

8. BAIL-IN ACKNOWLEDGEMENT

Notwithstanding and to the exclusion of any other term of this Agreement or any other agreements, arrangements, or understanding between The Bank of New York Mellon SA/NV - Luxembourg Branch and each of the other parties to this Agreement, each of the other parties to this Agreement acknowledges and accepts that a BRRD Liability arising under this Agreement may be subject to the exercise of Bail-in Powers by the Relevant Resolution Authority, and acknowledges, accepts, and agrees to be bound by:

- (a) the effect of the exercise of Bail-in Powers by the Relevant Resolution Authority in relation to any BRRD Liability of The Bank of New York Mellon SA/NV - Luxembourg Branch to each of the other parties under this agreement, that (without limitation) may include and result in any of the following, or some combination thereof:
 - (i) the reduction of all, or a portion, of the BRRD Liability or outstanding amounts due thereon;
 - (ii) the conversion of all, or a portion, of the BRRD Liability into shares, other securities or other obligations of The Bank of New York Mellon SA/NV - Luxembourg Branch or another person, and the issue to or conferral on each of the other parties to this Agreement such shares, securities or obligations;
 - (iii) the cancellation of the BRRD Liability;
 - (iv) the amendment or alteration of any interest, if applicable, thereon, the maturity or the dates on which any payments are due, including by suspending payment for a temporary period;

- (b) the variation of the terms of this Agreement, as deemed necessary by the Relevant Resolution Authority, to give effect to the exercise of Bail-in Powers by the Relevant Resolution Authority; and
- (c) capitalized terms used in this Article and not otherwise defined in this Agreement shall have the following meanings:

“**Bail-in Legislation**” means in relation to a member state of the European Economic Area which has implemented, or which at any time implements, the BRRD, the relevant implementing law, regulation, rule or requirement as described in the EU Bail-in Legislation Schedule from time to time.

“**Bail-in Powers**” means any Write-down and Conversion Powers as defined in the EU Bail-in Legislation Schedule, in relation to the relevant Bail-in Legislation.

“**BRRD**” means Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms.

“**BRRD Liability**” means a liability in respect of which the relevant Write Down and Conversion Powers in the applicable Bail-in Legislation may be exercised.

“**EU Bail-in Legislation Schedule**” means the document described as such, then in effect, and published by the Loan Market Association (or any successor person) from time to time at <http://www.lma.eu.com/pages.aspx?p=499>.

“**Relevant Resolution Authority**” means the resolution authority with the ability to exercise any Bail-in Powers in relation to The Bank of New York Mellon SA/NV - Luxembourg Branch.

ARTICLE 2– MISCELLANEOUS

2.01 Further Assurances

Each of the parties hereto will from time to time execute and deliver all such further documents and instruments and do all acts and things as any of the other parties may reasonably require to effectively carry out or better evidence or perfect the full intent and meaning of this Agreement.

2.02 Other Amendments

Except as expressly amended, modified and supplemented hereby, the provisions of the Master Definitions and Construction Agreement are and shall remain in full force and effect and shall be read with this Agreement, *mutatis mutandis*. Where the terms of this Agreement are inconsistent with the terms of the Master Definitions and Construction Agreement (prior to its amendment hereby), the terms of this Agreement shall govern to the extent of such inconsistency.

2.03 Governing Law

This Agreement is governed by and will be construed in accordance with the laws of Ontario and the federal laws of Canada applicable therein.

2.04 Interpretation

Capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Master Definitions and Construction Agreement (prior to its amendment hereby).

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF the parties hereto have executed this Agreement on the day and year first before written.

BANK OF MONTREAL, as Issuer, Seller, Servicer, Cash Manager, Intercompany Loan Provider, Account Bank, Interest Rate Swap Provider, Covered Bond Swap Provider and GDA Provider

BMO COVERED BOND GUARANTOR LIMITED PARTNERSHIP, by its **managing general partner, BMO COVERED BOND GP, INC.**, as Guarantor

By: “Stephen Lobo”
Name: Stephen Lobo
Title: Senior Vice-President and Treasurer

By: “Chris Hughes”
Name: Chris Hughes
Title: President and Secretary

COMPUTERSHARE TRUST COMPANY OF CANADA, as Bond Trustee and Custodian

By: “Morag Abraham”
Name: Morag Abraham
Title: Corporate Trust Officer

By: “Stanley Kwan”
Name: Stanley Kwan
Title: Associate Trust Officer

8429065 CANADA INC., as Liquidation
GP

By: “Charles Eric Gauthier”
Name: Charles Eric Gauthier
Title: Vice-President

KPMG LLP, as Cover Pool Monitor

By: “Albert Leung”
Name: Albert Leung
Title: Partner

BMO COVERED BOND GP, INC., as
Managing GP

By: “Chris Hughes”
Name: Chris Hughes
Title: President and Secretary

ROYAL BANK OF CANADA, as Stand-By
Account Bank and Stand-By GDA Provider

By: “James Salem”
Name: James Salem
Title: Executive Vice-President and
Treasurer

THE BANK OF NEW YORK MELLON,
as an Issuing and Paying Agent, the Exchange
Agent, the U.S Registrar and a Transfer Agent

By: “Elizabeth Stern”

Name: Elizabeth Stern

Title: Vice President

**THE BANK OF NEW YORK MELLON,
LONDON BRANCH** as an Issuing and Paying
Agent and a Transfer Agent

By: “Elizabeth Stern”

Name: Elizabeth Stern

Title: Vice President

**THE BANK OF NEW YORK MELLON
SA/NV – LUXEMBOURG BRANCH** as the
European Registrar and a Transfer Agent

By: “Elizabeth Stern”

Name: Elizabeth Stern

Title: Authorized Signatory