
Annual Report 1980



**Montreal
Trust**

Annual Meeting:
Thursday, April 2, 1981
12:00 Noon
Le Château Champlain
Place du Canada
Montreal, Quebec

MONTREAL TRUST
1 Place Ville Marie
Montreal, Quebec H3B 4A8



Member of the Trust Companies
Association of Canada

Si vous préférez recevoir ce rapport
en français, veuillez vous adresser
au secrétaire, Montréal Trust.

Highlights

	1980	1979
Revenue	\$ 212,254,000	\$ 171,725,000
Net operating income	8,614,000	5,991,000
Per share	3.33	2.32
Net income	10,045,000	6,329,000
Per share	3.88	2.45
Dividends	1.10	1.00
Total assets	1,302,287,000	1,205,796,000
Shareholders' equity	64,136,000	56,814,000

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Directors' Report to Shareholders



Paul Britton Paine, Q.C.

The Board of Directors is pleased to submit the Company's 91st Annual Report together with the Consolidated Financial Statements for 1980.

In contrast to 1979, a sharp rise in earnings was experienced during the year, and this in spite of periods of high interest rates at levels not before experienced in Canada or North America. Net operating income was \$8,614,000 or \$3.33 per share and net income was \$10,045,000 or \$3.88 per share. The comparative figures for the prior year were \$2.32 and \$2.45 respectively.

The approximate 59% increase in net income encompasses the 44% increase in operating income together with some \$1,431,000 in extraordinary income. The latter arose, as reported to shareholders during the year, from the realignment of certain Company-owned investments under favorable market conditions.

Revenue and Expense

Fee and commission income rose by 19% with revenue from corporate services up 36%. Stock Transfer was the leader in this area, with a combination of new clients, greater share turn-over, and special work related to rights issues and stock splits providing record income.

Real Estate income increased by 16.8% while Real Estate commission expense rose by 18.3%. Our Real Estate operation has been a mixture of offices making a good contribution to net operating income with some others operating at a loss. A number of the latter have been closed to allow expansion in more profitable areas.

Interest and Dividends Earned increased by 25.8% while Interest

Paid increased by 23.9%. The year started with very high interest rates and our net earnings from intermediary services diminished. As interest rates fell our cost of funds decreased more rapidly than related earnings and net interest increased in the second and third quarters. The soaring interest rates which emerged in the fourth quarter again narrowed our net earnings and this is expected to continue in the first quarter of 1981. While changing interest rates materially affect our net of Interest Earned less Interest Paid, this negative influence has been reduced by the close attention paid to matching terms of deposits with the terms of investments.

Salaries increased by 17.3%. This resulted from a combination of higher salary scales and the additional staff required to handle the increased workload in our fiduciary services, in particular those related to Stock Transfer activities.

In prior years we have referred to added Data Processing costs involved in the introduction of our on-line Stock Transfer system. This has now been completed but, as anticipated, costs continue and equipment changes are being made to allow other operations to join the on-line facility. The 19% increase in Premises and Equipment costs arose from the foregoing, together with increased volume of business.

Other Expense rose by 23%. In addition to increased costs arising from inflation, there was an increase in the capital tax arising from a change in regulations applicable to trust companies, increased consultants fees in connection with Data Processing and increased Real Estate and other advertising.

Provision for taxes on income increased by \$2,224,000 to \$3,298,000 of which \$124,000 is current and the balance is deferred. The increase arises from increased income and the 5% surtax.

Balance Sheet

Assets at year-end were \$1,302,287,000, an increase of \$96,491,000.

Year-end holdings of treasury bills were material in amount and in consequence are included with cash and bank deposit receipts. 1979 has been restated accordingly.

Marketable securities are lower by \$6,208,000. The balance sheet note on marketable securities now shows variable rate securities and those issued for a term of less than one year separately. Increases in provincial and corporate securities reflect issues with a five-year term to maturity purchased to match with five-year deposits. Variable rate securities were increased by \$8,186,000 and now total \$37,686,000.

The increase in mortgages for our own account was \$109,829,000 or 13.3%. Mortgages written for a term of less than five years continue to rise in popularity and formed 21% of the portfolio compared with 19% a year ago.

In Guaranteed Trust account, deposit growth outpaced certificates. Savings accounts, retirement savings plans and special savings and deposit arrangements with corporate clients all showed substantial growth.

Shareholders' equity at year-end was \$24.77 per share compared with \$22.00 at the end of the prior year.

Directors

At last year's Annual Meeting,

Louis-Philippe de Grandpré, C.C., Q.C., a senior partner of Lafleur, Brown, de Grandpré, Advocates, of Montreal, was elected a Director of the Company. In October, Robert A. Belanger, Senior Vice-President, Bank of America, New York, was appointed to the Board to replace Arthur V. Toupin who resigned for personal reasons. At the same meeting, Mme. Claire B. Beaudoin of Montreal, Director of Les Placements Bombardier Limitée, was appointed to the Board.

The Directors were saddened by the death on December 12, 1980 of Hon. Jean Lesage, P.C., C.C., Q.C. A dedicated servant of Canada and Quebec, Mr. Lesage was an active and involved Director of the Company since 1970. His wise counsel will be sorely missed.

Messrs. Gaetan C. Morrissette and Charles E. Stanfield, having reached mandatory retirement age, will not be standing for re-election. Mr. Morrissette, a Director since 1968, was a member of the Audit and Executive Committees of the Company for almost the whole of his tenure, while Mr. Stanfield, who joined the Board the same year, was also a member of the Truro Advisory Board and its Chairman for the past eleven years.

We gratefully acknowledge the important assistance of each of these colleagues in formulating the policies which have governed the direction of the Company during their terms of office.

Advisory Boards

Following the retirement of F.E. Case in April, T.C. Cossitt, M.P., was appointed Chairman of the Brockville Advisory Board. At that time, J.L. Olsen, President of Phillips Cables Limited, was also

appointed a member of that Board. James C. Leefe, Q.C., was made a member of the Truro Advisory Board in July 1980.

Dividends

Regular quarterly dividends of 20 cents per share were paid during the first three quarters. In the fourth quarter the regular rate was increased to 25 cents and in November the Directors declared an extra dividend of 25 cents payable December 29. Total dividends paid per share amounted to \$1.10, an increase of 10 cents over the prior year.

Outlook

1980 was a year in which even the most experienced among business planners encountered conditions never before seen or contemplated. Lessons learned by the less experienced under extreme conditions will serve them well in future years. We were forcefully reminded last year of the extent to which Canada remains exposed to developments in the United States. Rapid directional shifts in economic trends and extreme volatility in financial markets characterized the American setting, the effects of which were most evident in our own capital and currency markets. Many observers believe that 1981 will be a watershed in American political and economic thinking as the Administration of President Reagan establishes new priorities and charts a new and distinctly conservative course. How that ideology will mesh with the Canadian Government's interventionist approach is a matter which will bear close watch in the coming year.

The modest expectations expressed in the 1980 outlook last year proved fairly accurate in a general

sense although certain sectors of the Canadian economy performed with even less vigor than was then foreseen. We believe final data for the year will disclose a very small aggregate economic decline. This is all the more disturbing since no annual decline has been recorded in the quarter century prior to 1980. Adding to this dismal performance, inflation, in rising by approximately 10¹/₂%, exceeded even the pessimistic assumptions stated last year.

We are persuaded that overall economic and business prospects in Canada during 1981, at best, are improved only marginally over last year. While all estimates as presently measured combine to produce a forecast of between 1% and 1¹/₂% real growth this year, that range is viewed with some uncertainty given the high propensity for accidents to occur in the present unsettled world environment. Even that modest level of real growth might quickly be displaced should inflation rise above the 12% rate now expected on the basis of estimated increases in costs of energy and foodstuffs. An additional area of potential exacerbation in this regard is labour costs in 1981. Wage negotiations are certain to be influenced by four consecutive years of decline in real incomes, and the results of higher settlements must inevitably be reflected in rising production costs and lower productivity in the sluggish business surroundings expected. Without question this will have a destabilizing effect disbursed broadly through the economy particularly in labour intensive business areas. It is apparent that Canadian business was able to maintain and increase profits in 1980 primarily through judicious control of inventories and pass-

through of higher costs to the consumer. We are concerned that this second device may have limits in 1981.

We anticipate a still weak domestic economy with business investment, previously seen as a source of strong support, now neutralized by the probable cancellation or postponement of vital energy projects, an unwanted product of the National Energy Program unveiled last October. A pro tem resolution of the Quebec independence issue was achieved in May 1980, only to be quickly replaced as a matter of national concern by the further alienation of Western Canada from the east brought about by conflicting objectives in the energy sphere. This open sore, together with the Prime Minister's determination to deal with the Constitution in 1981, has resulted in wide political rifts. At present we believe that these difficult problems can be resolved in a just manner through level-headed discussion which Canadians must insist begin without much further delay. Even in that event, however, a return to normalcy will not be achieved quickly and the economic fall-out could be lasting.

In other economic sectors, the optimism pertaining to housing expressed last year evaporated with abandonment of the mortgage interest and property tax deductibility plan. Prospects for the residential building industry in 1981 are not encouraging, with approximately 160,000 to 170,000 new starts envisaged. Canada's external trade sector improved considerably in 1980. Import restraint and high export proceeds arising from favourable terms of trade combined

to result in a substantial reduction in our current account deficit. While not pessimistic regarding 1981 we do expect to see a return drift in the elements through the year with the trade figures establishing a more normal profile.

The pattern of long and short term interest rates through 1980 was one measure of the volatility and unpredictability alluded to earlier. Canadian capital markets continued to be highly sensitive to rapidly changing conditions in the United States where interest rates gyrated wildly, establishing new all time high levels in March and April. A sharp plunge in rates through summer months was then succeeded by a second climb to still higher levels. Trends in Canada remained stable only in a comparative sense as Central Bank policy, despite being influenced extensively by foreign exchange considerations, sought effectively to limit the extremes in rate movements. We anticipate that Canadian monetary policy will continue firm in the coming year to temper the inflationary thrust, and while there is reason for optimism that the peak in interest rates was experienced in December the logic arising from 1980 experience suggests that rate reductions through the early months of 1981 will be gradual and of modest dimensions. Our 1981 business plan, then, anticipates deposit costs only slightly reduced on average from costs last year, with provision made for a reversal towards slightly higher levels late in the period in response to evidence of an improving economic performance and rising loan demand.

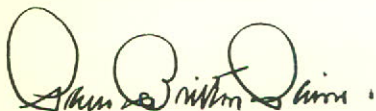
Canada's new Bank Act came into being on December 1, 1980 thus

clearing the way for legislative revision of the laws and regulations governing the activities of trust institutions. Comments in this and previous annual reports have indicated how much of our efforts are directed to the pursuit of new growth opportunities compatible with our established services. The financial services industry in its entirety is in a metamorphosis and it is of vital importance that the competitive position of the trust industry be asserted through enlightened legislation if we are to remain a healthy participant. This is a matter which will occupy much of our industry's time in 1981.

During 1980 the financial interests both of Montreal Trust and its clients were attended to with thought and diligence by the Company's staff at all offices across Canada. Previous comments underline the difficult environment in which our tasks were performed. Accordingly, the Company's achievements in the year appear all the more impressive and we express thanks to all staff for their fine efforts.

All shareholders are encouraged to attend the Company's Annual Meeting which will be held on April 2, 1981, at the Château Champlain Hotel, Montreal.

On behalf of the Board:



Paul Britton Paine, Q.C.
Chairman of the Board
and President

Montreal, January 30, 1981

Board of Directors

February 2, 1981

Claire B. Beaudoin

Director
Les Placements Bombardier
Limitée
Montreal

Robert A. Belanger

Senior Vice-President
Bank of America
New York

Douglas A. Berlis, Q.C.

Messrs. Aird & Berlis
Toronto

Robert W. Bonner, Q.C.

Chairman
British Columbia Hydro and
Power Authority
Vancouver

James W. Burns

President
Power Corporation of Canada
Montreal

Peter D. Curry

Deputy Chairman
Power Corporation of Canada
Montreal

**Louis-Philippe de Grandpré,
C.C., Q.C.**

Messrs. Lafleur, Brown,
de Grandpré
Montreal

Paul Desmarais, O.C.

Chairman and Chief Executive
Officer
Power Corporation of Canada
Montreal

Melvyn A. Dobrin

Chairman of the Board and
Chief Executive Officer
Steinberg Inc.
Montreal

Jacques Genest, C.C., M.D.

Scientific Director
Clinical Research Institute
of Montreal
Montreal

Hon. John M. Godfrey, Q.C.

Messrs. Campbell, Godfrey &
Lewtas
Toronto

Matthew S. Hannon, Q.C.

Messrs. Ogilvy, Renault
Montreal

Robert H. Jones

President and Chief Executive
Officer
The Investors Group
Winnipeg

J. Taylor Kennedy

Director
Canada Cement Lafarge Ltd.
Montreal

MacKenzie McMurray

Company Director
Montreal

Arthur V. Mauro, Q.C.

Executive Vice-President
The Investors Group
Winnipeg

J. William E. Mingo, Q.C.

Messrs. Stewart, MacKeen &
Covert
Halifax

Gaetan C. Morrissette

Chairman of the Board
Standard Brands Limited
Montreal

Paul Britton Paine, Q.C.

Chairman and President
Montreal Trust Company
Montreal

Douglas J. Peacher

Company Director
La Jolla, California

Albert E. Shepherd, Q.C.

Counsel
Messrs. Shepherd, McKenzie,
Plaxton, Little & Jenkins
London

Hershell A. Smith, D.S.O., M.C.

President
Sooke Forest Products Ltd.
Victoria

Charles E. Stanfield

Company Director
Truro

Executive Committee Members

Audit Committee Members

Report on Operations



Harold T. Martin

1980 was a year in which Montreal Trust was able to capitalize on the well balanced business base we have been developing as a national trust company over our 91 year history. As an industry leader, strong in the fiduciary services, we were able to take advantage of a number of highly profitable new business opportunities which reduced the negative impact caused by the unstable interest rate environment which characterized the period.

Reorganizations, stock splits and increased trading volumes enhanced substantially the results of our Stock Transfer operations. In this important area, we enjoy a capability that is unique in the trust industry as a result of the introduction of our exclusive on-line stock and bond transfer system known as ACTS (Automated Corporate Transfer System). This system provided us with the opportunity effectively to manage an unprecedented volume of new business during the year.

Expenses continued to rise in consequence of the increasing costs of carrying out our program of upgrading data processing facilities. During the latter part of 1980, and in accordance with the planned development of our Information Systems, we acquired and installed an additional I.B.M. 3031 unit and peripheral equipment. This acquisition, combined with the recent relocation of our Data Processing Department to new premises, provides us with enhanced facilities better to serve our clients. We also augmented our Branch Data Processing facilities by improved and additional remote terminals for more efficient and accurate client servicing. We believe we have reached a plateau for electronic data pro-

cessing equipment which should meet our requirements for the next two to three years.

Salaries, benefits and related staff costs continue to be the largest single operating expense on our financial statement. Able, motivated staff are the Company's most important resource in providing the level of service necessary to meet clients' needs.

The development of a francization program for all our operations and employees in Quebec was completed this past year and will be implemented in conformity with the requirements of Bill 101.

The process of centralizing non-Quebec based business in the federally incorporated Montreal Trust Company of Canada through special acts of the provincial legislatures is proceeding. A significant portion of this planned operation has been accomplished by the enactment of a private bill in the Province of Ontario during June, 1980. Applications for special acts in the remaining provinces have been filed or are awaiting sessions of the provincial legislatures and it is anticipated that passage of substantially all of such statutes will be obtained this year.

Corporate Services

Stock Transfer fees in 1980 reached an historic high of more than \$10 million, an increase of 46% over 1979. Special Stock Transfer services provided in connection with rights issues, takeovers and mergers resulted in a 112% increase in revenue for these functions.

Our staff expertise, utilizing our Automated Corporate Transfer System, has enabled us to respond to clients' needs in this record year and will be the source of continuing



Corporate Services



Pensions



Personal Trust

growth as these facilities remain unique to Montreal Trust.

Income from Corporate Trust services also reached record levels in 1980, despite the unfavourable market conditions brought about by high interest rates, and consequent reduction in the volume of new debt financing.

Pensions

Vigorous business development activities produced favourable results which, with continuing strong growth in existing accounts, combined to raise both our asset volumes and revenue by over 26% in 1980. Total assets under administration for pension and benefit fund accounts now exceed \$5 billion and produced fee income of \$7.5 million.

Montreal Trust offers a full range of investment and administrative services which enable us to respond to a wide variety of marketing opportunities. During the period, a reorganization of our Pension Investment Management Services was implemented with the effect that reporting lines through the policy development and investment decision process were both clarified and simplified. This reorganization will enable us to provide a service more directly competitive with that offered by single service organizations operating on a fully centralized basis.

Total assets under management for pension funds in 1980 rose to over \$1.6 billion.

Fees for services provided to employee benefit funds grew 25% during 1980 and now total over \$1 million annually. Self Directed Retirement Savings Plans provide an important source of additional revenue which increased by 33%.

Over the past two to three years, we have developed a series of sophisticated systems and administrative techniques designed to meet the specialized needs of our existing and future clients. New programs have been implemented for performance measurement, funds evaluation and portfolio analysis, master trust, index funds and for multifund employee savings plans. In addition, we are presently developing other new services intended to provide clients with additional investment options.

Personal Trust

Estate, Trust and Agency services continued their steady growth during 1980. Assets under administration increased more than \$350 million and fee and commission income increased 15% over 1979 to \$11.5 million.

Significant business was added to the Common Trust Fund. This Fund, unique in Canada, began operating in the Atlantic Provinces

in 1980, completing the implementation of this service from coast to coast. Our Common Trust Fund has exhibited substantial growth and has enabled us to provide more efficient administration of smaller estates and trusts and better to fulfil our obligation as executor and trustee of accounts, regardless of their value.

Guaranteed Trust

Deposit Services have experienced steady growth and the number of accounts and amounts in savings and chequing accounts increased by 3.6% and 17.2% respectively. Much of this increase is attributable to our depositors taking advantage of both Personal Chequing Accounts and Plus Savings Accounts as a convenient method of managing their cash assets. The Plus Savings Account calculates interest on both a daily basis and at a monthly rate on the minimum balance, and credits the depositor with the higher amount. None of our competitors offers this option. Guaranteed Investment Certificates with interest compounded to maturity were first issued for five year terms in 1976. On those certificates issued in 1976 which will mature in 1981, capital plus interest will represent an appreciation of approximately 60% over the five year period. Such a yield indicates that



Guaranteed Trust

this type of investment can be a useful hedge against inflation — particularly when they are used for a Registered Retirement Savings Plan.

The continued volatility and high levels of interest rates will encourage Canadians to use Guaranteed Investment Certificates for their savings, and we expect both to retain our existing depositors and increase our market share through competitive rates and efficient service to our clients.

Investment Funds

The largest fund, the Montreal Trust Retirement Savings Plan, increased over 16% in 1980 to almost \$300 million. The prevailing high interest paid on guaranteed deposits has continued to attract plan participants to Guaranteed Investment Certificates or the Guaranteed Savings section of the Plan.

Despite our Mortgage Fund reaching record high returns of 13.5% during the year, investors continued to reduce their holdings in the Fund causing it to decline 10% to approximately \$60 million.

Both the Deferred Profit Sharing Plan and the Investment Fund have experienced significant growth (27% and 17% respectively), each reaching approximately \$22 million at year-end.

The Registered Home Ownership Savings Plan experienced an 8%



Investment Funds

growth reflecting a declining demand for this product. The \$1,000 ceiling on annual contributions, unchanged since inception of the Plan, is not an incentive to save when housing costs are rising so rapidly.

Mortgages

Despite record high interest rates and soft residential real estate markets in a number of cities, net commitments issued in 1980 exceeded \$314 million, an increase of 15% over 1979. As in previous years, approximately 85% of our 1980 lending was secured by residential properties.

While we are active lenders in all provinces, last year a high percentage of our mortgage volume was secured in Alberta and British Columbia, reflecting the buoyant real estate markets in those provinces.

The trend towards shorter term residential mortgages continued in 1980, and almost 50% of our residential loan volume was committed for terms of less than five years.

The number of loans 90 days or more in arrears was steadily reduced and at year-end, these loans represented 0.41% of our total portfolio.

Real Estate

Gross income from Real Estate operations increased 16% over 1979, to \$29.3 million, in spite of unfavourable market conditions in



Mortgages & Real Estate

periods when very high mortgage rates prevailed. Home Relocation services, offered to national companies transferring employees, continued to provide an important contribution to income.

A realignment of our real estate offices was undertaken in 1980 to strengthen the Company's position in key markets and take advantage of opportunities in new markets.

The regionalization program continued through 1980, providing improved efficiency in the management of agents and superior technical support. We attracted a large number of highly qualified real estate agents and as a result now serve the Canadian public with 1,100 agents from coast to coast.

Personnel Services

The participation of our managers and employees in the management and technical courses of the Trust Companies Institute of Canada increased in 1980, as well as the utilization of other internal and external training programs to upgrade the knowledge and skills of our staff.

Costs of hiring, transferring and training staff continue to escalate and the disparities across the country in such key factors as economics,

taxes, costs-of-living, housing, language and quality-of-life, continue to present both problems and challenges in effective staff development and utilization, particularly among our key professional and managerial staff.

In response to the actively growing Western Region of Montreal Trust's operations, we created the position of Senior Vice-President in Calgary to which Mr. Douglas T. Waite was appointed. He will furnish the senior executive support this active business market requires.

Head Office and branch management appointments were made in 1980 as follows: R.D. Quart, Vice-President, Branch Operations; E.W. Campbell, Vice-President, B.C. Region and Branch Manager, Vancouver; R. Butler, Assistant Vice-President, Information Systems; C.R.G. Haddock, Treasurer; P.A. Eylott, Chief Auditor; W.N. Brittain, Deputy Manager, Vancouver; E.K. Urwin, Deputy Manager, Winnipeg; M.J. Fleet, Branch Manager, St. John's; E.G. Goss, Branch Manager, Truro; R. Scheuerman, Branch Manager, Kelowna; E.I. Sentner, Branch Manager, Charlottetown; G. Yashan, Branch Manager, Sudbury; D.A. Young, Branch Manager, Kitchener.

In a service organization such as ours, staff members are our most important resource and I would like to add my thanks to our more than 3,000 employees for their contribution to our 1980 results.

A handwritten signature in black ink, appearing to read "H. T. Martin", written over a horizontal line.

Harold T. Martin
Executive Vice-President
and General Manager

Montreal, January 30, 1981

Advisory Boards

Brockville, Ont.

- T.C. Cossitt, M.P.
- T. Fournier
- C.R. Hughes
- J.W.C. Langmuir
- T.A. Lindsay
- J.L. Olsen

Halifax, N.S.

- J.W.E. Mingo, Q.C.
- K.W.J. Butler
- D.A. Mercer
- W.O. Morrow
- J.W. Ritchie
- G.D. Stanfield
- F.B. Wickwire, Q.C.

British Columbia Interior

- T.L. Callahan
- J.C. Doak
- D.B. Harder
- C.H. Larson
- F. Milan
- F. Williams

Newfoundland

- F.J. Ryan, Q.C.
- D.R. Baird, C.A.
- L.M. Brown
- T.S.A. Freeman
- J.J. Greene, Q.C.
- D.C. Hunt, Q.C.
- G.R. Parsons, C.A.
- C.C. Pratt

Saint John, N.B.

- J.H. Turnbull, O.M.M.
- A.D. Case
- A.L. Goldsmith
- H.H. Gunter, Q.C.
- M.H. Lockhart
- J.A. MacMurray
- G.R. Spencer

Truro, N.S.

- C.E. Stanfield
- J.C. Leefe, Q.C.
- E.F. Lorraine
- R.L. MacDougall, Q.C.
- R.J. MacLennan
- F.T. Stanfield

Winnipeg, Man.

- C.E. Atchison
- H. Buchwald, Q.C.
- R.M. Chipman
- R.A. Fabro
- L.O. Pollard
- C.S. Riley
- A. Sweatman, Q.C.

○ Chairman

Officers

Paul Britton Paine, Q.C.

Chairman of the Board
and President

Matthew S. Hannon, Q.C.

Chairman of the
Executive Committee

Harold T. Martin

Executive Vice-President
and General Manager

Head Office

Douglas T. Waite

Senior Vice-President

Robert D. Quart

Vice-President, Branch Operations

J. Gordon Telfer, C.A.

Vice-President, Finance

Anthony G. Best

Vice-President
Client Services & Marketing

Norman Cunningham

Vice-President, Investments

J. Frank Luce

Vice-President, Personnel

J. Grant Paterson

Vice-President, Mortgages

W. Kenneth Proctor

Vice-President, Administration

J. Kevin Reynolds

Secretary

John L. Rawle, C.A.

Comptroller

Colin R.G. Haddock, C.A.

Treasurer

Louis Thibault

National Director, Real Estate

James Allison

Assistant Vice-President
Stock and Bond Transfer Services

Roary A. Butler

Assistant Vice-President
Information Systems

John J. Davidson

Assistant Vice-President
Premises and Security

William J. Henderson

Assistant Vice-President
Pension Services

Robert J. Labelle

Assistant Vice-President
Mortgages

James P. Moore

Assistant Vice-President
Mortgage Administration

Brian H. Skuffham

Assistant Vice-President
Pension Investment Services

Norman W. Stefnitz

Assistant Vice-President
Investments

Jack H. Whiteley

Assistant Vice-President
Corporate Trust Services

Robert Chagnon

Director, Fund Services

Samuel W. Ficych, R.I.A.

Director, Deposit Services

James G. Fullerton

Director, Executive and
Estate Planning

David W. Ireson

Director, Marketing Services

Frederick J. Turnbull

Director, Personal Trust Services

John T. Wilson

Director, Trust Accounting Systems

Philip A. Eyllott, C.A.

Chief Internal Auditor

Regional

E. Wallace Campbell

Vice-President — B.C. Region
Vancouver

Frank L. Austin

Vice-President — Mid-West Region
Winnipeg

Ronald Bond

Vice-President — Ontario Region
Toronto

Jean Luc Dutil

Vice-President — Quebec Region
Quebec

R. Ross Pritchard

Vice-President — Atlantic Region
Halifax

Gordon C. McDonell

Vice-President — Toronto Branch

Kenneth J. McGregor

Assistant Vice-President —
Calgary Branch

Financial Section

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Consolidated Statement of Income

For the year ended December 31, 1980

	1980	1979
Revenue		
Fees and commissions		
Personal trust	\$ 11,538,000	\$ 10,004,000
Corporate services	13,271,000	9,773,000
Pension trust	7,502,000	5,947,000
Mortgage services	4,413,000	4,006,000
Real estate	28,927,000	24,775,000
Other	3,780,000	3,693,000
	69,431,000	58,198,000
Interest from mortgages	95,411,000	80,748,000
Other interest	41,937,000	27,886,000
Dividends	5,475,000	4,893,000
	212,254,000	171,725,000
Expense		
Interest	119,127,000	96,165,000
Salaries	30,395,000	25,917,000
Real estate commissions	18,845,000	15,934,000
Staff benefits	3,338,000	2,974,000
Premises and equipment (Note 2)	11,999,000	10,099,000
Other	16,638,000	13,571,000
	200,342,000	164,660,000
Net income before taxes	11,912,000	7,065,000
Taxes on income (recoverable)		
Current	124,000	(150,000)
Deferred	3,174,000	1,224,000
	3,298,000	1,074,000
Net operating income	8,614,000	5,991,000
Other additions		
Profit on sale of investments		
\$1,363,000 (1979 — \$425,000)		
less income taxes of \$128,000		
(1979 — \$87,000)	1,235,000	338,000
Gain on retirement of long-term debt		
\$208,000 less income taxes of \$12,000	196,000	—
Net income	\$ 10,045,000	\$ 6,329,000
Earnings per share		
Net operating income	\$ 3.33	\$ 2.32
Net income	\$ 3.88	\$ 2.45

Consolidated Statement of Retained Earnings

For the year ended December 31, 1980

	1980	1979
Balance at beginning of year	\$ 48,355,000	\$ 44,608,000
Net income	10,045,000	6,329,000
	58,400,000	50,937,000
Dividends	2,844,000	2,582,000
Balance at end of year	\$ 55,556,000	\$ 48,355,000

Auditors' Report

To the Shareholders,
Montreal Trust Company.

We have examined the consolidated balance sheet of Montreal Trust Company as at December 31, 1980 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended, and have obtained all the information and explanations we have required. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as

we considered necessary in the circumstances.

In our opinion and according to the best of our information and the explanations given to us and as shown by the books of the companies, these consolidated financial statements are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the Company as at December 31, 1980 and the results

of its operations and changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

TOUCHE ROSS & CO.

Chartered Accountants
Montreal, Quebec,
February 2, 1981.

Consolidated Balance Sheet

December 31, 1980

Assets	1980	1979
		(restated)*
Investments (Note 3)		
Cash, bank deposit receipts and treasury bills	\$ 154,348,000	\$ 150,797,000
Secured loans	10,928,000	14,515,000
	165,276,000	165,312,000
Securities		
Marketable (Note 4)	139,849,000	146,057,000
Not readily marketable	24,808,000	25,306,000
Associated companies	4,046,000	4,046,000
	168,703,000	175,409,000
Mortgages	929,563,000	819,734,000
Mortgages for sale under agreement	6,697,000	15,785,000
Real estate held for investment	1,313,000	1,359,000
	937,573,000	836,878,000
Other		
Accounts receivable and advances to clients	8,939,000	6,876,000
Premises and equipment (Note 5)	17,122,000	14,966,000
Other assets	4,674,000	6,355,000
	\$ 1,302,287,000	\$ 1,205,796,000

Approved on behalf of the Board

February 2, 1981

Paul Britton Paine, Q.C., Director

Matthew S. Hannon, Q.C., Director

*1979 restated to conform to 1980 classifications.

Liabilities	1980	1979
Guaranteed Trust Accounts (Note 3)		
Deposits	\$ 393,124,000	\$ 313,991,000
Investment certificates	819,581,000	814,068,000
	1,212,705,000	1,128,059,000
Accounts payable and prepaid fees	4,600,000	2,701,000
Deferred income taxes	14,371,000	11,197,000
Long-term debt (Note 5)	6,475,000	7,025,000
	25,446,000	20,923,000
Shareholders' Equity		
Capital stock (Note 8)		
Authorized		
5,000,000 shares of \$1 par value		
Issued		
2,589,050 shares	2,589,000	2,582,000
Contributed surplus	5,991,000	5,877,000
Retained earnings	55,556,000	48,355,000
	64,136,000	56,814,000
	\$1,302,287,000	\$1,205,796,000

Consolidated Statement of Changes in Financial Position

For the year ended December 31, 1980

	1980	1979
Funds derived from		(restated)*
Operations		
Net income	\$ 10,045,000	\$ 6,329,000
Add non-cash items charged against net income		
Depreciation and amortization (Note 2)	1,618,000	1,426,000
Deferred income taxes	3,174,000	1,224,000
	14,837,000	8,979,000
Increase in Guaranteed Trust Accounts		
Deposits	79,133,000	60,133,000
Investment certificates	5,513,000	112,978,000
Decrease (increase) in investments		
Cash, bank deposit receipts, treasury bills and secured loans	36,000	(60,372,000)
Securities	6,706,000	(16,362,000)
Other		
Increase in other liabilities	1,899,000	961,000
Issue of capital stock (Note 8)	121,000	35,000
	\$108,245,000	\$106,352,000
Funds applied to		
Mortgages and real estate held for investment	100,695,000	101,455,000
Increase in assets, other	4,156,000	2,315,000
Retirement of long-term debt (Note 5)	550,000	—
Dividends paid	2,844,000	2,582,000
	\$108,245,000	\$106,352,000

*1979 restated to conform to 1980 classifications.

Notes to Consolidated Financial Statements

December 31, 1980

1. Summary of significant accounting policies

a) Consolidation

The financial statements of the Company include the accounts of the Company and its subsidiaries, all of which are wholly-owned. The principal subsidiaries are Montreal Trust Company of Canada, Montreal Trust Mortgage Corporation, Riveredge Village Inc., The Acadia Trust Company, Treal Properties Limited, Treaver Properties Limited and Montmor Investments Limited.

b) Associated companies

The investments in associated companies are stated at cost and their earnings are taken into income only to the

extent of dividends received. These and the Company's interest therein at December 31, 1980 were: RoyNat Limited (13.5%), Insmor Holdings Limited (3.99%), Montreal Trust (Bermuda) Limited (40.0%), Montrad Inc. (50.0%) and Pacific International Trust Company (12.5%).

c) Revenue and expense

All revenue and expense is recorded on an accrual basis except for fees subject to awards by courts or negotiation, which are recorded on a cash received basis. Income from aircraft and vessel leases is taken up over the term of the leases pro-rata to the declining balance of the investments not yet recovered. Gains or losses on sale of securities, bas-

ed on average cost, are reflected in net income.

d) Asset valuation

Debt securities and mortgages are valued at amortized cost; other securities are valued at cost. Premises and equipment are stated at cost less accumulated depreciation and amortization.

e) Assets under administration

Assets held under administration and assets held for Guaranteed Trust Accounts are kept separate from the Company's own assets and are so earmarked on the books of the Company as to show the account to which they belong. Assets under administration are not reflected on the balance sheet.

2. Premises and equipment

Premises and equipment expense is stated net of rental income and includes depreciation and amortization of \$1,618,000 (1979 — \$1,426,000) and interest on the long-term debt of a subsidiary of \$374,000 (1979 — \$386,000). Rent paid in 1980, net of rental income, amounted to \$3,949,000 (1979 — \$3,139,000).

The Company has contracted obligations in respect of leased premises and equipment, net of rental income, as follows:

	Total sum payable
1981	\$ 3,899,000
1982	3,769,000
1983	2,716,000
1984	2,529,000
1985	1,711,000
Thereafter	19,159,000
	\$33,783,000

3. Assets held for Guaranteed Trust Accounts

Included in the consolidated balance sheet are assets of the Guaranteed Trust Accounts of the Company and Montreal Trust Company of Canada as follows:

	1980	1979
Cash, bank deposit receipts, treasury bills and secured loans	\$ 134,759,000	\$ 140,705,000
Securities	146,033,000	154,826,000
Mortgages	931,913,000	832,528,000
	\$1,212,705,000	\$1,128,059,000

4. Marketable securities (in thousands)	1980		1979	
	Cost	Market	Cost	Market
Government of Canada	\$ 3,347	\$ 3,347	\$ 4,663	\$ 4,055
Government of Canada guaranteed variable interest rate	3,040	3,040	—	—
Provinces of Canada				
Fixed interest rate	14,165	13,500	8,873	7,995
Variable interest rate	5,146	5,146	—	—
Canadian municipalities	1,417	1,400	390	359
Corporate obligations issued for a term of less than one year	17,432	17,407	45,174	45,074
Corporate bonds, debentures and obligations	15,978	15,524	10,760	10,436
Aircraft and vessel certificates	13,111	13,111	13,562	13,562
Preferred stocks				
Fixed dividend rate	26,166	25,372	22,119	22,178
Variable dividend rate	29,500	29,500	29,500	29,500
Common stocks	10,547	18,814	11,016	17,315
	\$139,849	\$146,161	\$146,057	\$150,474

Aircraft certificates represent part ownership of two aircraft leased to Air Canada net of a liability of \$2,188,000 (1979 — \$2,295,000) which is secured by a mortgage on an aircraft and the related lease

payments. The vessel certificates represent part ownership of two vessels; one leased to the Province of British Columbia and the other to Upper Lakes Shipping Ltd.

5. Long-term debt

Treal Properties Limited, a subsidiary company, has outstanding 5 1/2% first mortgage sinking fund bonds due April 1, 1991. Office buildings in Toronto and Ottawa owned by the subsidiary and occupied by the Company, with a net book value of \$7,806,000 are pledged

as security for the bonds. Sinking fund payments, ranging from \$225,000 to \$250,000, are due in 1981 to 1990 and the balance of \$5,000,000 is due April 1, 1991. During 1980, \$550,000 of outstanding bonds were purchased and cancelled. The Company elected to have the sinking fund payments due in 1980 apply against the cancelled bonds and

\$900,000 of cancelled bonds remain available to meet future sinking fund requirements. The buildings are being depreciated by annual amounts equal to the sinking fund payments which, by April 1, 1990, will amount to 56% of the original cost.

6. Mortgage commitments

Outstanding commitments for future advances on mortgages were

\$68,699,000 at December 31, 1980 (1979 — \$41,380,000).

7. Related party transactions

Related parties comprise the parent company, The Investors Group, and through it Power Corporation of Canada, The Great-West Life Assurance Company, Canada Steamship Lines Inc. and Consolidated-Bathurst Inc. as well as an associated

company, Montrad Inc.

The Company provides services as stock transfer agent, mortgage correspondent and bond and pension plan trustee to related companies at competitive prices and is provided with health insurance by a related company at competitive rates and terms.

The Company has certain receivables from related companies totalling \$34,091,000 at December 31, 1980 (1979 — \$35,150,000) and recorded interest income of \$2,458,000 (1979 — \$2,458,000). The interest rates and terms were competitive at the time the receivables originated.

8. Capital stock

Options have been granted to certain employees to purchase shares of the

Company. In 1980, no new options were granted and options on 6,625 shares were exercised. At December 31, 1980 there were 7,000 shares under option at

prices of \$15.30 and \$18.00 per share. The premium on the shares issued has been credited to contributed surplus.

Ten Year Summary

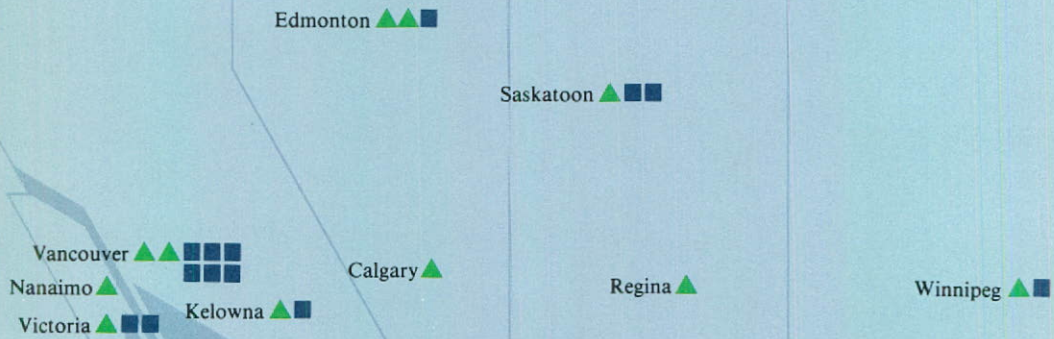
Year	Guaranteed and Company Assets	Revenue	Expense	Taxes on Income	Net Operating Income	Net Operating Income (Per Share)	*Dividends (Per Share)
1980	\$1,302,287,000	\$212,254,000	\$200,342,000	\$3,298,000	\$8,614,000	\$3.33	\$1.10
1979	1,205,796,000	171,725,000	164,660,000	1,074,000	5,991,000	2.32	1.00
1978	1,026,718,000	144,881,000	134,746,000	3,096,000	7,039,000	2.73	1.00
1977	957,217,000	129,322,000	120,572,000	3,041,000	5,709,000	2.22	.86
1976	859,270,000	116,241,000	108,167,000	3,107,000	4,967,000	1.93	.80
1975	767,717,000	98,866,000	91,426,000	3,183,000	4,257,000	1.65	.70
1974	696,286,000	91,217,000	86,987,000	1,766,000	2,464,000	.96	.80
1973	627,441,000	75,181,000	67,462,000	3,519,000	4,200,000	1.64	.80
1972	593,222,000	63,481,000	55,047,000	3,860,000	4,574,000	1.82	.80
1971	545,298,000	58,070,000	50,399,000	4,000,000	3,671,000	1.50	.70

*Declared with respect to the year's earnings.

Location of Offices

Western Region
466 Howe Street
Vancouver,
British Columbia

Mid-West Region
Portage at Notre-Dame
Avenue
Winnipeg, Manitoba



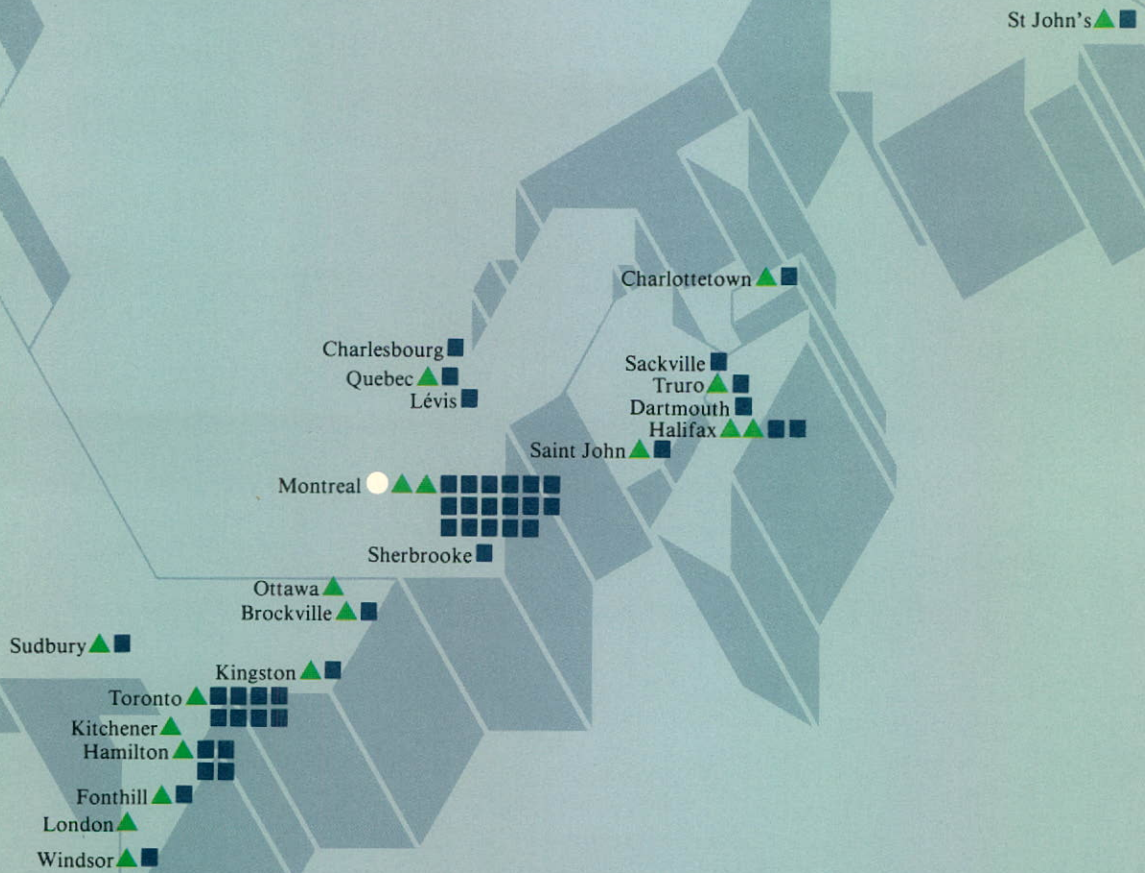
- Head Office
- ▲ Offices
- Real Estate Offices

Ontario Region
15 King Street West
Toronto, Ontario

Head Office
1 Place Ville-Marie
Montreal, Quebec

Quebec Region
475 St. Amable Street
Quebec, Quebec

Atlantic Region
Hollis & Prince Streets
Halifax, Nova Scotia



▲ Hamilton, Bermuda
▲ Nassau, Bahamas

Offices

Head Office

1 Place Ville Marie
Montreal, Quebec

Atlantic Region

▲ Halifax, N.S.

R. Ross Pritchard, Regional
Vice-President and Branch Manager
Paul J. Dyer, Deputy Manager
Hollis and Prince Streets
Reginald A. Caughie, Manager
Bayer's Road Shopping Centre

▲ Charlottetown, P.E.I.

Eldon I. Sentner, Manager
51 University Avenue

▲ Saint John, N.B.

Andrew B. Barteaux, Manager
61 King Street

▲ St. John's, Nfld.

Maurice J. Fleet, Manager
331 Water Street

▲ Truro, N.S.

Edgar G. Goss, Manager
798 Prince Street

Quebec Region

▲ Quebec City

Jean Luc Dutil
Regional Vice-President
Jean-Paul Labbé, Manager
475 St. Amable Street

▲ Montreal

Andrew Scipio del Campo, Manager
Jean-Marie Bérubé
Deputy Manager
1 Place Ville Marie
Maurice J.O. Poirier, Manager
Fairview Shopping Centre

Ontario Region

▲ Toronto

Ronald Bond, Regional
Vice-President
Gordon C. McDonell, Vice-President
and Branch Manager
15 King Street West

▲ Brockville

W. Peter Lewis, Manager
4 Court House Avenue

▲ Fonthill

Douglas K. Hodgson, Manager
Fonthill Shopping Centre

▲ Hamilton

Albert E. Hetherington, Manager
31 Main Street West

▲ Kingston

Stanley G.L. Blackwell, Manager
165 Wellington Street

▲ Kitchener

Douglas A. Young, Manager
58 Queen Street South

▲ London

W. Frank O'Connor, Manager
171 Queens Avenue

▲ Ottawa

Hugh R. Williams, Manager
96 Sparks Street

▲ Sudbury

Gregory S. Yashan, Manager
11 Durham Street South

▲ Windsor

Peter K. Eggett, Manager
810 Ouellette Street

Mid-West Region

▲ Winnipeg, Man.

Frank L. Austin
Regional Vice-President and
Branch Manager
E. Keith Urwin
Deputy Manager
Portage at Notre Dame Avenue

▲ Regina, Sask.

Morris E.L. Sims, Manager
1908-11th Avenue

▲ Saskatoon, Sask.

R. Eugene B. Griffith, Manager
234-21st Street East

Western Region

▲ Vancouver, B.C.

E. Wallace Campbell, Vice-President,
B.C. and Branch Manager
William N. Brittain
Deputy Manager
466 Howe Street

Leonard E. Pitt, Manager
Oakridge Shopping Centre

▲ Kelowna, B.C.

Rodney W. Scheuerman, Manager
313 Bernard Avenue

▲ Nanaimo, B.C.

Lorne Pollock
Mortgage Officer
55 Front Street

▲ Victoria, B.C.

D.C. Michael Field, Manager
100-747 Fort Street

▲ Calgary, Alta.

Douglas T. Waite
Senior Vice-President
Kenneth J. McGregor, Assistant
Vice-President and Branch Manager
Edgar N. Ellis, Deputy Manager
411-8th Avenue South West

▲ Edmonton, Alta.

Norman C. Raymond, Manager
10020-101A Avenue
Glenn J. Shanahan, Manager
Southgate Shopping Centre

Overseas

▲ Hamilton, Bermuda

Montreal Trust
(Bermuda) Limited

▲ Nassau, Bahamas

Montreal Trust Company
(Bahamas) Limited

Real Estate Offices

Atlantic Region

■ Halifax, N.S.

Gerry Howard, Regional
Manager, Atlantic
1690 Hollis Street
Barry W. Braun, Manager
Bayer's Road Shopping Centre

■ Dartmouth, N.S.

Larry Robarts, Manager
Penhorn Mall

■ Sackville, N.S.

Mike Salterio, Manager
Villa Plaza

■ Truro, N.S.

Peter Maxwell, Manager
798 Prince Street

■ Saint John, N.B.

John Horton, Manager
61 King Street

■ St. John's, Nfld.

Tom Osborne, Manager
94 Elizabeth Avenue

■ Charlottetown, P.E.I.

Audrey Jenkins, Manager
119 Richmond Street

Quebec Region

■ Montreal

Bernard Thibault
Regional Manager, Quebec
Industrial, Commercial and Investment
Robert Vivian, Manager
Commercial Leasing
Ian Ross, Manager
1 Place Ville Marie
Jean Lacasse, Manager
Place Versailles Shopping Centre
Mark Moore, Manager
6610 Sherbrooke Street West

■ Beaconsfield

Shep Abbey, Manager
186 Sutton Place

■ Beloeil

Huguette Sylvestre, Manager
Montenach Mall

■ Brossard

Bernard Savard, Manager
Place Portobello Shopping Centre

■ Charlesbourg

André Caron, Manager
Place Jadis Shopping Centre

■ Dollard Des Ormeaux

Bill McCarthy, Manager
3635 Sources Blvd.

■ Kirkland

Eric Keiller, Manager
Galerics Kirkland Shopping Centre

■ Laval

André Theoret, Manager
Duvernay Shopping Centre
Jacques Labelle, Manager
St. Martin Shopping Centre

■ Lévis

Jacqueline Robitaille, Manager
91 St. Georges Street

■ Longueuil

François Thibault, Manager
Jacques Cartier Shopping Centre
Michel Caron, Manager
644 Curé Poirier Blvd. West

■ Pointe Claire

Jim Parsons, Manager
Fairview Shopping Centre

■ St. Bruno

Lynne Gannon
63 Rabastalière Street West

■ Ste-Foy

Rodrique Major, Manager
1195 de Lavigerie

■ St. Hubert

Serge Lacaille, Manager
Galerics Cousineau Shopping Centre

■ Sherbrooke

Jacques Filteau, Manager
2524 King Street West

■ Town of Mount Royal

Mike Cushen, Manager
3201 Graham Blvd.

■ Westmount

Rod Quesnel, Manager
4150 St. Catherine Street West

Ontario Region

■ Agincourt

Gerry Anderson, Manager
3321 Sheppard Avenue, East

■ Binbrook

Pat O'Donnell, Hamilton Area
Manager and Branch Manager
2043 Highway #56

■ Brockville

Tom Hough, Manager
4 Court House Avenue

■ Burlington

Graham Bezer, Manager
600 Brant Street

■ Fonthill

Nancie McFarlane, Manager
20 Canboro Road

■ Hamilton

Adele Morris, Manager
712 Main Street East
Bernard Gordon, Manager
140 Centennial Parkway

■ Kingston

Greg Emight, Manager
165 Wellington Street

■ Mississauga

Doris De Cunha, Manager
2500 Hurontario Street
Joseph Giglio, Manager
Central Parkway Mall
Bill Croft, Manager
2318 Dunwin Drive

■ Oakville

George Field, Manager
461 Trafalgar Road

■ Sudbury

Robert Kleaven, Manager
1090 LaSalle Blvd.

■ Toronto

Bryan De Cunha
Toronto Area Manager
15 King Street West

Eric Meffert, Manager
1992 Yonge Street

■ Weston

Frank Ianni, Manager
222 Dixon Road

■ Windsor

Lou Bois, Manager
Gateway Plaza

Mid-West Region

■ Saskatoon, Sask.

Commercial Division
Victor Boechler, Manager
333-25th Street East
Darlene Brentnell, Manager
1145-8th Street East

■ Winnipeg, Manitoba

Thom Morand, Manager
221 Portage Avenue

Western Region

■ Vancouver, B.C.

Gary L. Brady
Regional Manager, B.C. and
Commercial Division Manager
466 Howe Street
Grant Wheeler, Manager
2146 West Broadway

■ Coquitlam, B.C.

John Jilling, Manager
1108 Austin Avenue

■ Kelowna, B.C.

George Tremble, Manager
1629 Pandosy Street

■ Richmond, B.C.

Roberta Tilbe, Manager
10791 No. 3 Road

■ Sidney, B.C.

Neil Rawnsley, Manager
2419 Beacon Avenue

■ Surrey, B.C.

Art McDougall, Manager
9320-120th Street

■ Victoria, B.C.

Ron Macdonald, Manager
1086 Fort Street

■ West Vancouver

Aubrey Copp, Manager
756 Marine Drive

■ Edmonton, Alberta

Andy Ponich, Sales Rep.
10020-101A Avenue

