growth of investment in bank deposit receipts. Consistent with this, Guaranteed Trust deposits grew by $60,133,000 and investment certificates by $112,978,000 during 1979.

Of the $11,197,000 of deferred taxes, $5,829,000 arises from aircraft and vessel leases with the balance attributable to an allowance claimed for our mortgage and bond portfolio as permitted under the Income Tax Act, together with taxes arising from inter-company transactions which are retained.

At year-end shareholder's equity was $22.00 per share compared with $20.55 at the end of the prior year.

Directors

At last year's Annual Meeting James W. Burns, President of Power Corporation of Canada, Limited, was elected a Director of the Company. During the year Dr. Jacques Genest, C.C., M.D., also joined the Board.

Frank E.Case, who will reach retirement age during 1980, will not stand for re-election, nor will Arthur J.E. Child or John E. Main who retired as an active officer in 1976.

Mr. Case has played a major role in the Company's affairs. He was appointed President and Chief Executive Officer in 1967 and served in this capacity and later as Chairman, retiring in 1975.

Mr. Main was a career officer who joined Montreal Trust in 1950 as a trust officer and subsequently was engaged in successively important positions until, at his retirement, he was Senior Vice-President.

We thank each of these gentlemen for his important contribution to the affairs of the Company.

Advisory Boards

In recognition of the growing importance of the area, the Company established the British Columbia Interior Advisory Board in February. The initial members are T. Lloyd Callahan, Chairman, Dale Harder, Clay H. Larson, Frank Milan, Frank Williams and J. Crosland Doak, all of Kelowna, B.C.

In May, R.A. Fabro was appointed to the Winnipeg Board.

In accordance with the Company retirement policy, Hon. G.I. Smith, Q.C. will not stand for re-election to the Truro Board. The Directors thank him for his contribution to the success of that branch.

Dividends

Regular quarterly dividends of 20 cents per share were paid during the year. In November the Directors declared an extra dividend of 20 cents payable December 31. Total dividends paid per share amounted to $1.00, unchanged from the prior year.

Outlook

Owing to the many uncertainties which face the economic and business analyst at this time, it is little wonder that alternative scenario forecasting is growing in acceptance. While expectations for 1979 expressed in our outlook last year proved quite accurate overall, there were numerous variations within the vital forecast elements. Principal among these were inflation and interest rate trends, both of which proved less favorable than expected.

The industrialized Western world followed a slow growth path in 1979, tightly constrained by OPEC price escalations and threats of supply shortages. It seems likely that similar slow world growth, well below potential, will characterize the 1980's. In Canada, the short-term forecasting problem is compounded at this time by the difficulty in postulating policy assumptions until a Government is formed after February 18 and its intent is expressed in a Federal Budget, an energy policy and other important pronouncements. In addition, the wording of the Quebec Referendum assures no conclusive answer this year.

The course of the United States economy will have a profound influence on Canadian business activity again in 1980. Recent events have combined to lend less certainty to the strong consensus forecast of recession through the first half of the year. Business investment, which has a broad effect through the United States economy, is now expected by many analysts to continue strong, and the resolve to increase national defense expenditures in response to serious international disturbances will provide an additional and probably greater thrust than previously assumed. Thus, while recognizing the consensus expectation we, as was the case last year, feel equally disposed to a secondary theme in which modest real growth is achievable.

In our opinion the realities in Canada dictate, if for no reason other than the inflationary impact of enormous deficits, that fiscal policy will be enunciated by our next Government through a Budget which does not differ greatly in its toughness from that narrowly rejected by Parliament on December 13 last. While inflation in Canada was not out of line with world experience through 1979, the outlook remains poor in 1980 and 1981 through which two-year period we expect aggregate prices to rise annually by 9¼%, with consumer prices increasing still more rapidly at annual levels narrowly under 10%. Implicit in this is the belief that higher energy prices will have a profound effect and that productivity will suffer through the combined effects of slower demand and escalating wage settlements.

On a sectoral basis, domestic demand in the Canadian economy will moderate through slower growth of consumer spending in real terms, lagging Government expenditure and, most evident in the first half of the year, sharply reduced real expenditure in the housing industry. Given early passage of the mortgage interest and property tax credit system, we believe it possible that new housing could be stimulated during the second half of 1980 to produce approximately 195,000 new starts, down from about 200,000 in 1979. Without the boost, starts could decline to the 180,000 level. Inventory accumulation, while not excessive through 1979, provided strength not likely to be repeated this year. The sole indicator of real present and future strength appears in the business investment sector.

The category of least certainty because of its variability is Canada's external trade in 1980. In the U.S. recession scenario we envisage a fractional overall real economic decline in Canada this year. With a more favorable United States performance, we believe growth prospects in Canada could be in the order of 1%-2%. Pretax corporate profits could be expected to decline slightly, or in the more favorable case, increase about 5%, well short of the 26% gain estimated for 1979. Looking further ahead we expect to see recovery well under way in the second half of 1980, and consider Canada's prospects in 1981 to be good.

External circumstance caused short-term interest rate structures in Canada to remain high through 1979, rising abruptly to previously unrecorded levels in the final quarter of the year pursuant to dollar defense measures adopted in October by the United States Federal Reserve Board. The steady rise in long-term interest rates continued inexorably through the final six months of the year in response to rising inflation rates and expectations. Our 1980 business plan assumes that the slow economic conditions expected in 1980 will induce an easing of short-term rates, both in the United States and Canada. The Bank of Canada seems committed to slow money supply growth which, together with curtailed loan demand, would permit such a gradual rate reduction by the Spring, although we expect the extent of the decline to be modest by previous cyclical standards. The outlook is tempered by poor near-term inflation prospects and expectations of a stronger economy late in 1980 and in 1981. In these circumstances long-term rates are likely to decline little.

In summary, we expect that the squeeze on our profitability, evident in late 1979, will continue through the early months of 1980, with some relief forthcoming by the second quarter of the year. Realistically, our average cost of deposits is assumed to measure no less than in 1979, this being largely dependent on developments late in the year. It should be noted that the re-investment of maturing lower-yielding securities and mortgages will increase revenue.

The Bank Act revisions have floundered through two Parliaments and will now require re-examination by a third before final legislative approval, hopefully, is obtained in 1980 and there appears little likelihood of a major change in those provisions established prior to dissolution. While we are modestly gratified that ceilings have been established on the ability of chartered banks to extend their mortgage activities, those ceilings are of little comfort to trust and loan institutions as they do not limit the mortgage lending carried out by bank subsidiaries. Further, the position of our industry will be damaged when reserve requirements are lifted on chartered bank deposits issued for fixed terms of more than one year.

Progress continues in developing our federally incorporated Montreal Trust Company of

Canada and achieving the objectives established for it in terms of asset growth and profitability. A substantial and growing portion of our total intermediary business is now carried out through MTCC, which, as mentioned last year, conducts our over-the-counter and term deposit issuance business at all offices outside the Province of Quebec. In our fiduciary activities, it is primarily new business which is being booked through the subsidiary, owing to the legal complexities associated with account transfers. In 1980 we expect that the introduction of private members' bills in provincial legislatures and their subsequent passage will provide greater ease in dealing with administrative difficulties inherent in amending trust arrangements.

In that connection, it is important that we recognize the relative dependence of Montreal Trust on the two separate sides of its total business activity. 1979 was a difficult year in our intermediary business. Some offset to this was, however, provided in the stability furnished by the fees and commissions earned through those divisions administering fiduciary arrangements, all of which recorded increased revenues.

We wish to recognize the fine efforts of our staff in the year past, express thanks for their loyalty, and commend them for their achievements.

All shareholders are encouraged to attend the Company's Annual Meeting which will be held on April 3, 1980, at the Château Champlain Hotel, Montreal.

On behalf of the Board:

Paul Britton Paine

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

Montreal, January 28, 1980

Board of Directors

February 1, 1980

***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, Limited
Montreal

Frank E. Case
Officer Consultant
Brockville

Arthur J.E. Child
President and
Chief Executive Officer
Burns Foods Limited
Calgary

***Peter D. Curry**
Deputy Chairman
Power Corporation of
Canada, Limited
Montreal

Paul Desmarais, O.C.
Chairman and
Chief Executive Officer
Power Corporation of
Canada, Limited
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
Company Director
Montreal

Hon. Jean Lesage, P.C., C.C., Q.C.
Messrs. Lesage, Paquet & Lesage
Quebec

John E. Main
Retired
London

†Arthur V. Mauro, Q.C.
Executive Vice-President
The Investors Group
Winnipeg

***MacKenzie McMurray**
Company Director
Montreal

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 of the Board and
President of the Company
Montreal

***†Douglas J. Peacher**
Company Director
LaJolla, California

***†Albert E. Shepherd, Q.C.**
Messrs. Shepherd,
McKenzie, Plaxton,
Little & Jenkins
London

Hershell A. Smith, D.S.O., M.C.
President
Sooke Forest Products Ltd.
Victoria

Charles E. Stanfield
Retired
Truro

Arthur V. Toupin
Vice-Chairman of the Board
Bank of America NT & SA
San Francisco

*Executive Committee Member
†Audit Committee Member

Report on Operations

The performance of Montreal Trust in 1979, a year which was characterized by somewhat difficult business conditions, is a tribute to the well-balanced business base that its management team has developed. The negative effect of the unusually high interest rates on the financial intermediary activity was substantially offset by our performance in the fiduciary operations. This strength in the fiduciary aspects of our business has been developed to its current high level over our 90-year history.

During 1979, we continued to provide products to meet the changing needs of our clients and to enhance the level of service provided to them. The Common Trust Fund, unique in Canada, is now operational and improves our potential for new estate business in the future. The introduction of the personal chequing account and the daily interest feature of our Plus Savings account ensures our competitive position in the savings area.

Harold T. Martin

Part of the reason for the increase in our non-interest expenses is the continued upgrading of our data processing facilities. We have now installed an IBM Model 3031 mainframe and new peripheral equipment. The resulting increase in capacity will provide sufficient computer capacity to meet our ever-increasing needs and anticipated growth. All of our older telecommunications terminals in the branch network were replaced and further improvements in equipment will be made in order to provide better and faster servicing at branch and regional levels. The quality of our data processing staff was substantially improved and this will enable us to take advantage of the latest data base and telecommunication technology for further system development.

Salary costs increased substantially. As a people-oriented service company, compensation is our largest expense but a capable staff is our most important resource. We added both permanent and part-time staff to meet the growth which took place in all areas of our fiduciary business and the development of new systems, in particular, our on-line stock transfer system (ACTS). We continued to spend increasing amounts on our francization program required in order to comply with the Quebec Bill 101.

Corporate Services

1979 was a record year in our Stock Transfer operations. We now administer more than 1 million shareholder accounts, an increase of 27% over last year. We also experienced 100% growth in the area of special services associated with take-overs and mergers, and these resulted in an increase in revenue from these functions of 40% over last year.

The implementation of the ACTS system was a major contributor to this increase in business and, during the year, we were appointed Transfer Agent and Registrar for the new British Columbia Resources Investment Corporation issue, which is the largest publicly held issue handled by any trust company in Canada. Our ability through ACTS to provide an on-line system, which gives immediate access to current information on shareholders and their holdings, will materially benefit clients and their shareholders and further improve our stock transfer operations.

The principal amount of total debt issues under our administration as Trustee now exceeds $12 billion.

Personal Trust Services

Our Estate, Trust and Agency services continued to show satisfactory growth. Fees and commissions reached an historic high of over $10 million.

The establishment of our Common Trust Fund has created operating efficiencies in our fiduciary service. We are pleased to report that the Fund, the first of its kind in Canada, went into operation in our major branches in mid-year and is now operating in all regions except the Atlantic provinces where it will commence in early 1980. The Common Trust Fund has improved our abilities in administering smaller estates and trusts and will enable us to continue our policy of fulfilling our obligations as appointed executor and trustee of accounts, regardless of their value.

Pensions

In pension and benefit activities, new appointments, internal growth of existing accounts and favourable stock market trends, combined to raise revenue and asset volumes to higher levels in 1979. Total assets under administration for Pension and Benefit Fund accounts now exceed $4 billion, an increase during the year of about 25%. As a result, fee income increased 16% to almost $6 million.

Montreal Trust offers a full range of investment and administrative services which enable us to respond to a wide variety of marketing opportunities. Investment Management is provided through three Pension Services Centres located in Montreal, Toronto and Vancouver which collectively manage total assets for Pension Funds in excess of $1.5 billion.

As part of our continuing policy to build our client base, we have further developed our automated record-keeping for Employee Benefit Funds and Self-Directed Retirement Savings Plans. Income from these services to clients grew 14% during the year. In addition, our ability to respond to the particular requirements of clients has enabled us to compete successfully as administrators of sponsored pooled trust arrangements pertaining to specialized services offered by various Canadian financial institutions and investment counsel.

The reports of several commissions and inquiries on pensions and benefits initiated over the past two years to study the private system are now being received and analyzed. Public and government response to recommendations will establish the future development of the industry through the 1980's and it is our intention to continue to play a leading role in this changing environment. We remain committed to further development of sophisticated portfolio management analyses, financial reporting systems and administrative techniques which will be required by present and future clients. While substantial expense is involved in that pursuit, we believe it is essential to maintain the high reputation which we have attained over many years.

Investment Funds

In the funds area, the Montreal Trust Retirement Savings Plan increased by 24% in 1979 to approximately $255 million. The guaranteed sections continued to be the most popular option with 65% of plan assets being invested in five-year guaranteed certificates or guaranteed savings deposits.

Our Mortgage Fund experienced a 5% reduction in market value to $66 million principally as a result of a downward adjustment in the market value of the mortgages in the portfolio. This adjustment is required when mortgage interest rates advance.

The Deferred Profit Sharing Plan continued its strong growth, showing a 36% increase over last year.

The Registered Home Ownership Savings Plan experienced a modest 11% growth, made up largely of reinvested income.

Mortgages

Our mortgages activity continued to expand and, despite the strong competitive forces at work throughout the year, net commitments issued exceeded $270 million, the highest annual total we have recorded. Over 85% of our 1979 lending was secured by residential properties.

At year-end, we administered over 45,000 individual mortgage loans, for a total in excess of $2 billion, including $1.17 billion of loans administered for others, of whom 150 are corporate investor clients of the Company.

Guaranteed Trust

Deposit services continued to be an area of vigorous competition. During the year the banks introduced a special non-chequing account paying daily interest but at a lower rate. Many depositors found it difficult to decide whether or not they should operate an additional account. We simplified matters for our depositors by offering to pay the higher of interest rates on the minimum monthly balance or interest on the daily balance, each at competitive rates. This feature applies to our Plus Savings and 60 Plus Savings accounts. Depositors whose needs are best met by having a daily interest account and an account with interest on the minimum balance can open two accounts. Our deposit system offers the same opportunities as those of our competitors, together with something extra.

Guaranteed Investment Certificates continue to be a popular investment in these days of high interest rates. Interest payments can be arranged to be monthly, semi-annually, annually or compounded to maturity. An early withdrawal privilege may be arranged for certificates issued for a term of less than one year. Growth has been satisfactory and at December 31, 1979, there were 106,700 certificates outstanding.

Real Estate

In 1979, Real Estate gross income reached $25.2 million, a 24% increase over 1978. Several prominent national companies chose our Home Relocation services in 1979. The volume from these new accounts has been an important source of sales volume and should continue to be so in the years to come.

We have maintained our policy of relocating offices in order to improve their efficiency and market penetration. As a result of our efforts in recruiting and training over the last few years, we now have over 1,000 sales representatives offering our real estate services across Canada.

A new branch was established in Halifax, at the Bayer's Road Shopping Centre, and five new real estate offices were opened in Charlottetown, P.E.I., Kirkland, Quebec, Hamilton, Ontario, Surrey and Coquitlam, B.C.

Relocation of full-service branches took place in St. John's, Newfoundland, Quebec City, Quebec and Kelowna, British Columbia.

In addition, renovations were made to many of our branches and real estate offices. Extensive improvements are presently being carried out in Calgary, necessitated not only by the substantial increase in our business in that city but also in recognition of the importance of that area as a financial centre.

Personnel Services

Throughout 1979, we continued to utilize the technical and management development programmes of the Trust Institute, as well as other internal and external training resources, to increase the knowledge and the skills of our staff.

The following head office and branch management appointments were made in 1979: James Allison, Assistant Vice-President, Stock & Bond Transfer Services; Jack H. Whiteley, Assistant Vice-President, Corporate Trust Services; John L. Rawle, C.A. Comptroller; Colin R.G. Haddock, C.A., Chief Internal Auditor; Louis Thibault, National Director, Real Estate; Roary A. Butler, Director, Information Systems; Robert Chagnon, Director, Fund Services; David W. Ireson, Director, Marketing Services; John T. Wilson, Director, Trust Accounting Systems; Kenneth J. McGregor, Assistant Vice-President, Calgary Branch; Edgar N. Ellis, Deputy Manager, Calgary Branch; E. Wallace Campbell, Manager, Vancouver Branch; Andrew B. Barteaux, Manager, Saint John, N.B. Branch; Andrew Scipio del Campo, Manager, Montreal Branch; Peter K. Eggett, Manager, Windsor Branch; and William N. Brittain, Manager, Kelowna Branch.

I would like to add my sincere thanks to our employees whose efforts were responsible for the many achievements of this year.

Harold T. Martin
Executive Vice-President
and General Manager

Montreal, January 28, 1980

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
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

Louis Thibault
National Director, Real Estate

James Allison
Assistant Vice-President
Stock and Bond Transfer Services

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. Whitely
Assistant Vice-President
Corporate Trust Services

Roary A. Butler
Director, Information Systems

Robert Chagnon
Director, Fund Services

Samuel W. Ficych
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

Colin R.G. Haddock, C.A.
Chief Internal Auditor

REGIONAL

Robert D. Quart
Vice-President – Western Region
Vancouver

Gordon C. McDonell
Vice-President – Mid-West Region
Winnipeg

George Stephen
Vice-President – Ontario Region
Toronto

Jean Luc Dutil
Vice-President – Quebec Region
Quebec

R. Ross Pritchard
Vice-President – Atlantic Region
Halifax

Ronald Bond
Vice-President – Toronto Branch

Kenneth J. McGregor
Assistant Vice-President –
Calgary Branch

Advisory Boards

Brockville, Ont.
*F.E. Case
T.C. Cossitt, M.P.
T. Fournier
C.R. Hughes
J. W. Langmuir
T.A. Lindsay

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

Truro, N.S.
*C.E. Stanfield
E.F. Lorraine
R.L. MacDougall, Q.C.
R.J. MacLennan
Hon. G.I. Smith, Q.C.
F.T. Stanfield

Halifax
*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.

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

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.

British Columbia Interior
*T.L. Callahan
J.C. Doak
D.B. Harder
C.H. Larson
F. Milan
F. Williams

*Chairman

Consolidated Statement of Income

For the year ended December 31, 1979

	1979	1978
Revenue		
Fees and commissions		
Personal trust	$ 10,004,000	$ 9,164,000
Corporate services	9,773,000	7,938,000
Pension trust	5,947,000	5,135,000
Mortgage services	4,006,000	3,732,000
Real estate	24,775,000	20,153,000
Other	3,693,000	3,354,000
	58,198,000	49,476,000
Interest from mortgages	80,748,000	68,071,000
Other interest	27,886,000	23,849,000
Dividends	4,893,000	3,485,000
	171,725,000	144,881,000
Expense		
Interest	96,165,000	77,578,000
Salaries	25,917,000	22,338,000
Real estate commissions	15,934,000	12,606,000
Staff benefits	2,974,000	2,627,000
Premises and equipment (Note 2)	10,099,000	8,005,000
Other	13,571,000	11,592,000
	164,660,000	134,746,000
Net income before taxes	7,065,000	10,135,000
Taxes on income (recoverable)		
Current	(150,000)	1,374,000
Deferred	1,224,000	1,722,000
	1,074,000	3,096,000
Net operating income	5,991,000	7,039,000
Profit on sale of investments and reduction in long-term debt, net of income taxes	338,000	48,000
Net income	$ 6,329,000	$ 7,087,000
Earnings per share		
Net operating income	$2.32	$2.73
Net income	$2.45	$2.75

Consolidated Statement of Retained Earnings

For the year ended December 31, 1979

	1979	1978
Balance at beginning of year	**$ 44,608,000**	$ 40,101,000
Net income	**6,329,000**	7,087,000
	50,937,000	47,188,000
Dividends	**2,582,000**	2,580,000
Balance at end of year	**$ 48,355,000**	$ 44,608,000

Auditors' Report

To the Shareholders,
Montreal Trust Company.

We have examined the consolidated balance sheet of Montreal Trust Company as at December 31, 1979 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, 1979 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,
January 28, 1980.

Consolidated Balance Sheet

December 31, 1979

ASSETS	1979	1978
Investments (Note 3)		
Cash and bank deposit receipts	**$ 140,344,000**	$ 55,884,000
Secured loans	**14,515,000**	14,556,000
	154,859,000	70,440,000
Securities		
Marketable (Note 4)	**156,510,000**	163,589,000
Not readily marketable	**25,306,000**	25,811,000
Associated companies	**4,046,000**	4,147,000
	185,862,000	193,547,000
Mortgages	**819,734,000**	723,517,000
Mortgages for sale under agreement	**15,785,000**	10,516,000
Real estate held for investment	**1,359,000**	1,390,000
	836,878,000	735,423,000
Other		
Accounts receivable and advances to clients	**6,876,000**	8,321,000
Premises and equipment (Note 5)	**14,966,000**	14,316,000
Other assets	**6,355,000**	4,671,000
	$1,205,796,000	$1,026,718,000

Approved on behalf of the Board:
January 28, 1980

Paul Britton Paine, Q.C., Director
Matthew S. Hannon, Q.C., Director

LIABILITIES	1979	1978
Guaranteed Trust Accounts (Note 3)		
Deposits	**$ 313,991,000**	$ 253,858,000
Investment certificates	**814,068,000**	701,090,000
	1,128,059,000	954,948,000
Accounts payable and prepaid fees	**2,701,000**	1,678,000
Income taxes		
Current	**—**	62,000
Deferred	**11,197,000**	9,973,000
Long-term debt (Note 5)	**7,025,000**	7,025,000
	20,923,000	18,738,000
SHAREHOLDERS' EQUITY		
Capital Stock		
Authorized—5,000,000 shares of $1 par value		
Issued —2,582,425 shares (Note 7)	**2,582,000**	2,580,000
Contributed surplus (Note 7)	**5,877,000**	5,844,000
Retained earnings	**48,355,000**	44,608,000
	56,814,000	53,032,000
	$1,205,796,000	$1,026,718,000

Consolidated Statement of Changes in Financial Position

For the year ended December 31, 1979

	1979	1978
Funds derived from		
Operations		
Net income	**$ 6,329,000**	$ 7,087,000
Add non-cash items charged against net income		
Depreciation and amortization (Note 2)	**1,426,000**	1,277,000
Deferred income taxes	**1,224,000**	1,722,000
	8,979,000	10,086,000
Increase in Guaranteed Trust Accounts		
Deposits	**60,133,000**	5,009,000
Investment certificates	**112,978,000**	59,627,000
Decrease (increase) in securities	**7,685,000**	(42,096,000)
Other		
Increase (decrease) in other liabilities	**961,000**	(1,408,000)
Issue of capital stock (Note 7)	**35,000**	44,000
	$190,771,000	$ 31,262,000
Funds applied to		
Increase (decrease) in investments		
Cash, bank deposit receipts and secured loans	**$ 84,419,000**	$ (45,525,000)
Mortgages and real estate held for investment	**101,455,000**	69,882,000
Increase in assets, other	**2,315,000**	4,325,000
Dividends paid	**2,582,000**	2,580,000
	$190,771,000	$ 31,262,000

Notes to Consolidated Financial Statements

December 31, 1979

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, 1979 were: RoyNat Limited (13.5%), Insmor Holdings Limited (3.99%), Montreal Trust (Bermuda) Limited (40.0%), Montrad Limited (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, based 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 expense

Premises and equipment expense is stated net of rental income and includes depreciation and amortization of $1,426,000 (1978 – $1,277,000) and interest on the long-term debt of a subsidiary of $386,000 (1978 – $398,000).

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:

	1979	1978
Cash, bank deposit receipts and secured loans	**$ 132,715,000**	$ 51,431,000
Securities	**162,816,000**	172,821,000
Mortgages	**832,528,000**	730,696,000
	$1,128,059,000	$954,948,000

4. Marketable securities

	1979		1978	
	Cost	**Market**	Cost	Market
Government of Canada	**$ 14,584,000**	**$ 13,976,000**	$ 38,896,000	$ 38,333,000
Provinces of Canada	**8,873,000**	**7,995,000**	11,795,000	11,123,000
Canadian municipalities	**390,000**	**359,000**	388,000	385,000
Corporate bonds, debentures and obligations	**56,466,000**	**56,042,000**	40,239,000	39,976,000
Aircraft and vessel certificates*	**13,562,000**	**13,562,000**	10,929,000	10,929,000
Stocks				
Preferred	**51,619,000**	**51,678,000**	50,125,000	50,297,000
Common	**11,016,000**	**17,315,000**	11,217,000	14,022,000
	$156,510,000	**$160,927,000**	$163,589,000	$165,065,000

*Aircraft certificates represent part ownership of two aircraft leased to Air Canada net of a liability of $2,295,000 (1978–$2,391,000) 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 5½% 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 $8,025,000 are pledged as security for the bonds. Sinking fund payments, ranging from $200,000 to $250,000, are due in 1980 to 1990 and the balance of $5,000,000 is due April 1, 1991. During 1978, $950,000 of outstanding bonds were purchased and cancelled. The company elected to have the sinking fund payments due in 1978 and 1979 apply against the cancelled bonds and $550,000 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 $41,380,000 at December 31, 1979 (1978 – $32,485,000).

7. Capital stock

Options have been granted to certain employees to purchase shares of the Company. In 1979, no new options were granted and options on 2,100 shares were exercised. At December 31, 1979 there were 14,125 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.

10 Year Summary

Year	Guaranteed and Company Assets	Revenue	Expense	Taxes on Income	Net Operating Income	Per Share Net Operating Income	Per Share *Dividends
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
1970	509,682,000	58,791,000	55,736,000	1,435,000	1,620,000	.66	.55

*Declared with respect to the year's earnings.

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.
Edgar G. Goss, Manager
119 Richmond Street

Saint John, N.B.
Andrew B. Barteaux, Manager
61 King Street

St. John's, Nfld.
James F. Knox, Manager
331 Water Street

Truro, N.S.
E. Keith Urwin, Manager
798 Prince Street

QUEBEC REGION

Jean Luc Dutil,
Regional Vice-President,
Quebec City

Montreal
Andrew Scipio del Campo, Manager
1 Place Ville Marie

Maurice J.O. Poirier, Manager
Fairview Shopping Centre
Pointe Claire

Quebec City
Jean-Paul Labbé, Manager
475 St. Amable

ONTARIO REGION

Toronto
George Stephen, Regional Vice-President
Ronald Bond, Vice-President and Branch Manager
Frank L. Austin, Deputy Manager
15 King Street West

Brockville
W. Peter Lewis, Manager
4 Court House Avenue

Fonthill
Douglas K. Hodgson, Manager
Fonthill Shopping Centre

Hamilton
Frank E. Robinson, Manager
31 Main Street West

Kingston
Stanley G.L. Blackwell, Manager
165 Wellington Street

Kitchener
John R. Haygarth, Manager
58 Queen Street South

London
W. Frank O'Connor, Manager
160 Dundas Street

Ottawa
Hugh R. Williams, Manager
96 Sparks Street

Sudbury
Maurice J. Fleet, Manager
11 Durham Street South

Windsor
Peter K. Eggett, Manager
880 Ouellette Street

MID-WEST REGION

Winnipeg, Man.
Gordon C. McDonell,
Regional Vice-President and Branch 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.
Robert D. Quart, Regional Vice-President
E. Wallace Campbell, Manager
466 Howe Street

Leonard E. Pitt, Manager
Oakridge Shopping Centre

Calgary, Alta.
Kenneth J. McGregor, Assistant Vice-President and Manager
Edgar N. Ellis, Deputy Manager
411-8th Avenue South West

Edmonton, Alta.
Norman C. Raymond, Manager
10020-101A Avenue

Alex J. Binz, Manager
Southgate Shopping Centre

Kelowna, B.C.
William N. Brittain, 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

REAL ESTATE OFFICES

Barrie. Brockville. Calgary (2). Charlottetown. Edmonton (3). Fonthill. Halifax (2). Hamilton (4). Kelowna. Kingston. Montreal (15). Ottawa (2). Quebec (3). Regina. Saint John, N.B. St. John's, Nfld. Saskatoon. Sherbrooke. Sudbury. Toronto (8). Truro. Vancouver (5). Victoria (2). Windsor. Winnipeg.

OVERSEAS

Hamilton, Bermuda
Montreal Trust
(Bermuda) Limited

Nassau, Bahamas
Montreal Trust Company
(Bahamas) Limited

e · Bond Trustee
es · Trustee Services ·
enefit Fund Services
nd Estate Planning
ansfer · Stock Transfe
ces · Investment Serv
rtfolio Management
ax Shelter Planning
nd Trustee Services
· Mortgages · Mortgag
al Estate · Real Esta
d Registrar