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HOWARD ROSS LIBRARY
OF MANAGEMENT
JUN 7 1982
McGILL UNIVERSITY

**THE MONTREAL CITY AND DISTRICT
SAVINGS BANK**

**Highlights of Consolidated
Financial Statements**

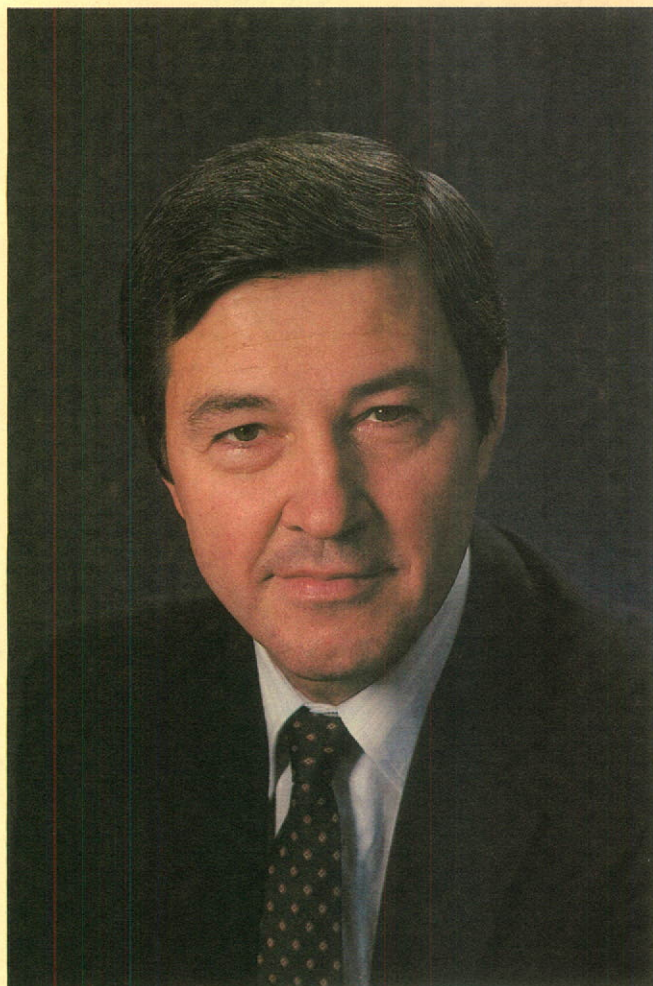
(in thousands of dollars)

	1981	1980
Assets	\$4 177 132	\$3 598 573
Deposits	\$3 953 380	\$3 307 480
Securities	\$ 565 531	\$ 468 591
Mortgage loans	\$2 636 072	\$2 393 700
Net profit for the year	\$ 6 364	\$ 7 471

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Address of the Chairman of the Board and Chief Executive Officer



Mr. Raymond Garneau

The Canadian economy ran a very bumpy course in 1981. In its last report on economic forecasts for the Western World published a few days before Christmas, the O.E.C.D. said that, after a 5.6% real growth in the first half of 1981, the Canadian economy showed a 0.5% decline in the second half, for an overall rate of growth of a mere 2.5% for the whole of 1981 over 1980. What is more, the economic prospects for the first two quarters of 1982 are not so bright.

As regards employment, with a participation rate slightly higher than in 1980, the average unemployment rate across the country in 1981 hovered around 7.6%, a shade above the corresponding rate for the previous year. Inflation and interest rates rose at a rapid pace and I intend to deal with this subject later on.

As a matter of fact, the Bank's 1980-81 financial year came under the strong influence not only of the general economic factors which I have mentioned, but also of several other factors inherent in the very structures of our type of operations.

Economic Factors

If we consider the general economic conditions, and go beyond the ups and downs experienced by the Canadian economy in 1981, we can say that, in general, during the past few years, the North American economy has been straining under a steep upsurge in inflation resulting, basically, from the energy crisis prevailing since 1975 and, to some extent, from the high and recurring government deficits.

To fight inflation, the American Government decided, in 1981, to implement an extremely restrictive monetary policy aimed at reducing the rate of growth of the money supply. This monetary policy produced an almost unprecedented rise in interest rates.

At home, many observers maintain that the Bank of Canada had no other option than to adopt a policy in line with that of our neighbours to the South. It was imperative, at the same time, to curb inflation and to protect the value of the Canadian dollar.

This monetary policy had far-reaching effects on the Canadian economy. To measure this impact, one need only remember that the commercial banks' prime rate soared from 13% in October 1980 to 22.75% in August and September 1981.

This jump in rates caused an inverted curve relationship between short and long-term interest rates, to such an extent that it was no longer possible to obtain a positive profit margin from bond investments considering the interest rates that the

financial institutions had to pay on medium-term deposits. As a result, an acute slow-down occurred in the bond market, and long-term financing of businesses became very difficult and costly.

Structural Factors

The economic conditions, and especially the interest rate fluctuations, brought out certain aspects of the structures of our type of operations. As a bank whose prime purpose is to serve individuals, the Bank was not in a position to build its asset structure in such a way as to be able to cope, in due time, with weekly changes in the interest rates, such as were experienced in 1981. In fact, before December 1980, the Bank was not authorized to make business loans whose return would follow the variations in the prime rate. Moreover, if we consider the Bank separately, we would notice that 46% of its assets are in mortgages which, by definition, are fixed-rate investments, even if the portfolio has an average maturity period of 15 months only. In addition, we would notice that, in order to comply with secondary reserve regulations, the Bank invests 15% of its deposit liabilities in securities issued or secured by the Government of Canada or the government of a Province, and these securities, also, represent fixed-rate investments.

As regards *Crédit Foncier*, it is not in the same position as the Bank. It is governed by a different charter and its operations are characterized by a very small volume of demand deposits.

Still on the subject of structures, it must be pointed out that most financial institutions, whose operations are similar to those of the Bank, loan companies or trust companies, cannot achieve a perfectly-balanced maturity match between assets and deposit liabilities. Some of the demand deposits have to be invested on a medium term basis. If such an imbalance means no hardship to those institutions in times of interest rate stability, the reverse is the case where such a stability is lacking, and 1981 saw great upheavals in this respect.

Results of the 1980-81 Financial Year

In spite of these economic and structural problems, the consolidated assets of the Bank have grown by 16%. They stand at \$4.2 billion at the present time. This rapid growth is due to a large extent to the success of our subsidiary, *Crédit Foncier*, whose assets increased by 20%. These results have shifted the City and District Savings Bank - *Crédit Foncier* group to the position of the 12th largest financial institution in Canada. In the area of operations, the consolidated net profit totalled \$6,364 million in 1981 against \$7,471 million in 1980.

I shall not dwell any further on the results shown in the financial statements; our Executive Vice-President and General Manager, Mr. Pierre Goyette, will be reviewing these statements, in detail.

Changes in Customer Behaviour

The financial year ended October 31 has seen major changes in the behaviour of depositors. Because of the sharp rise in interest rates, consumers were led to cut down on purchases, save more and use the money saved in taking short-term deposits on which higher interest rates were being paid as a result of the general financial conditions and the Bank of Canada's monetary policy. The Bank reacted to this pattern of behaviour by investing on a short term basis. We thus developed a volume in money market investments of over \$400 million.

In the area of mortgages, we have maintained our policy of shortening the term of our portfolio and have succeeded in bringing it down to 15 months, in the average. The greater flexibility thus provided constitutes a definite improvement in our capacity to achieve a better matching of maturities between term deposits and mortgages. We believe that, within a year and a half, we will have attained that goal. However, the growth of the mortgages portfolio of the Bank alone was very weak this year. Actually, mortgage interest rates reached such high peaks, especially in July and subsequent months, that the demand for new loans in the Greater Montreal area was considerably lower. As for *Crédit Foncier*, since it is well established in the Western Provinces, it was able to profit from the heavy demand for mortgages in that part of the country.

The high level of interest rates has also caused a sharp decline in the demand for personal loans. Understandably, consumers are becoming increasingly cautious and are reluctant to borrow under these conditions for their purchases of durable and semi-durable goods.

As regards consumer loans, it is known that an important share of the volume thereof is made of loans for the purchase of new cars. Although our Energy Miser Car Loan program worked well in the spring of 1981, this was not the case in the fall. During this latter period, consumers saw interest rates on such loans go up from 17.5% in early April to 22.5% in mid-September. Concurrently, they had to face increases in the price of oil. As a result of these combined inhibitive factors, consumers curtailed substantially their purchases of new cars. In a similar way, the drop in new housing starts adversely affected the volume of credit applications for the purchase of furniture and home furnishings in general.

As I said earlier, the demand for personal loans and for mortgages in the Montreal area was weak. The Bank's management decided, therefore, to step up investments in money market securities. Thus, for the Bank alone, the total of cash and due from banks increased from \$262 million in 1980 to \$423 million in 1981, while investments in securities issued or guaranteed by the Government of Canada or a Province rose from \$122 million in 1980 to \$180 million in 1981. This new investment pattern, coupled with the purchase of floating rate securities, has provided us with more flexibility in the management of our assets, and the prospects in this regard are encouraging indeed, especially if interest rates should reach a plateau or, better still, if they should drop somewhat. Based on the present interest rate level, the position of the Bank, considered alone, will be far better at the end of the first quarter of 1981-1982 compared with the first quarter of last year. This improvement should help us realize some of our plans.

Capital Stock

An invitation will be made in 1982 to the Bank's shareholders and the general public to invest in the Bank by subscribing to preferred and/or common stock which, subject to the approval of the By-Laws submitted, the Bank will consider issuing. In view of the growth of our assets, we need to increase our issued capital if we wish to maintain acceptable ratios between shareholders' equity and total assets.

The history of the City and District Savings Bank - Crédit Foncier group has forged a close bond between our institution and the Canadian public, and I am confident that we will not lack support in our efforts to achieve continued growth while maintaining a full range of financial services of the same high quality as in the past, and yet obtaining a profit margin in line with that of the industry in general.

Administrative Program

We conducted an in-depth study of our network of banking branches from the point of view of profitability and geographical coverage of the Greater Montreal area. A few branches with limited potential may have to be closed and new markets may be opened subsequently. We have already started the execution of our program of rationalizing our network, and the action taken, combined with the upgrading of our mortgage portfolio, augurs well for the future.

During the past year, the Management of your Bank devoted great efforts towards setting up adequate tools for monitoring, on a daily basis, the changes in maturities of both deposit liabilities and investments, whatever their kind. Our general purpose, in so doing, is to achieve a balance, as precise as can be under the circumstances, between maturities of assets and liabilities, which would yield a profit margin sufficient enough to ensure the profitability of the Bank and the financing of its future growth. Since last October, the Bank has leaned towards investing in floating-rate assets either with major banks or in securities issued or guaranteed by governments. Such investments now amount to nearly \$100 million.

During the 1980-81 financial year, we also redesigned the administrative organization of the Bank, as a result of a study made by our own staff with the help of an outside firm. The Bank's activities are now grouped into three main divisions, Network Operations, Finance and Investments, and Administration.

Much has been done already in this respect and we intend to pursue, in 1982, the action begun last year and the efforts to fill the positions of senior vice-presidents that are still open.

As of February last, we were fortunate in having Mr. Pierre Goyette with us, as our Executive Vice-President and General Manager. Mr. Goyette, who is a chartered accountant, enjoys a solid reputation in Canadian financial circles. Before joining the Bank, Mr. Goyette was Deputy Minister of Finance of Quebec and then Vice-President — Finance of a major Canadian manufacturing company, to name only a few of Mr. Goyette's past responsibilities. There is no doubt that the Bank stands to benefit a lot from Mr. Goyette's broad experience.

Conclusion

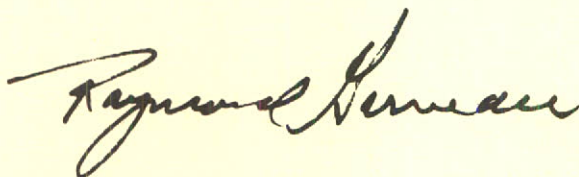
Throughout the 1980-81 financial year, the Directors of the Bank did not spare their time in assisting me with their sound and reliable advice, all of which was a definite help to the Executive Officers of the Bank in carrying out their responsibilities.

My thanks go, therefore, to each member of the Board of Directors and Executive Committee, and especially, to those who will not stand for re-election this year, including Messrs. Morgan McCammon, Roger Lavoie, André Marcil and Robert Gratton. For their many years of untiring and valuable services to our organization, I would like to extend to them, on your behalf and for myself, our deepest appreciation.

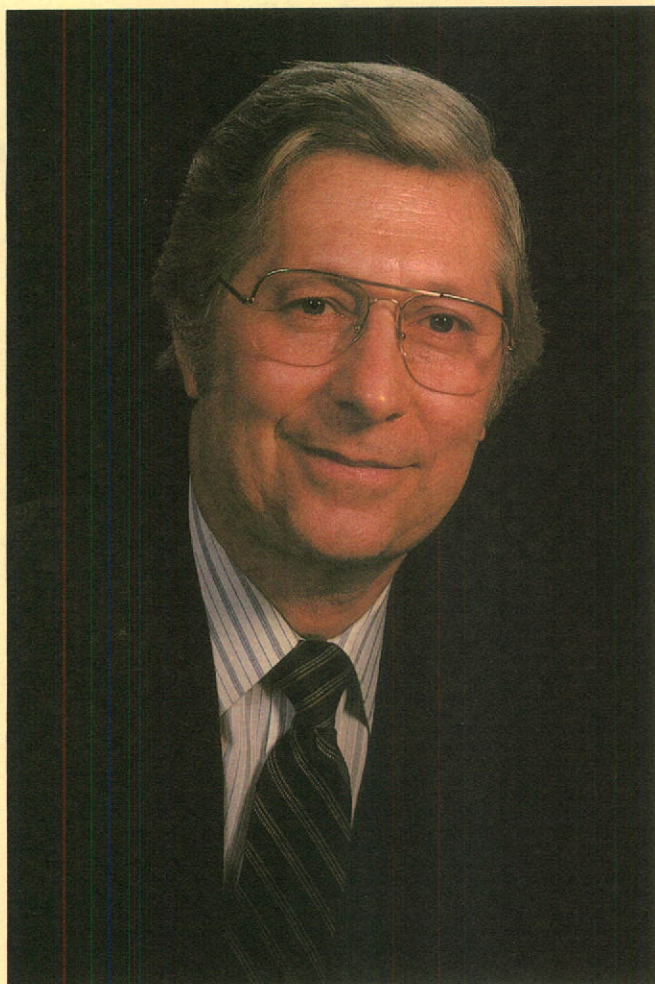
In December 1981, Mr. Robert Gratton decided to leave his position as President and Chief Executive Officer of Crédit Foncier. His decision was accepted with regret. I would like to thank him for the great work he has accomplished with Crédit Foncier over the past ten years and to wish him the best of luck in his new endeavours.

Following Mr. Gratton's departure, the Board of Directors of Crédit Foncier appointed Mr. Michel Lessard as President and Chief Operating Officer. Mr. Lessard was previously Executive Vice-President of Crédit Foncier. To his new position, he brings over ten years of experience with Crédit Foncier and a thorough knowledge of the Canadian financial markets. On your behalf and for myself, I would like to congratulate him on this important appointment, wish him every success, and assure him of my closest cooperation.

Finally, to coordinate the implementation of programs involved in the changes in administrative organization and the development of new management tools, and to deal with the sharp fluctuations in the interest rates, — an item which deserves to be singled out for a special reason —, a great number of meetings had to be held at the Bank. For this reason, it is in order for me to acknowledge the understanding and dedication of our top management personnel, branch managers and employees, whose unwavering efforts had to be relied upon throughout the year. In closing my present remarks, therefore, I would like to say that I am deeply grateful to all the management personnel and to all of the employees of the Bank for their cooperation and loyalty.



Address of the Executive Vice-President and General Manager



Mr. Pierre Goyette

1981 that has just ended has been marked by events that have taken most economic and financial agents on the North American markets by surprise. As our Chairman of the Board said earlier, the "City and District Savings Bank - Crédit Foncier" group has had to operate in a particularly difficult climate.

Growth and the investment policy

Thus, in spite of unstable markets and heavy competition over the past twelve months, the financial year ended October 31 recorded Consolidated Assets for the "City and District Savings Bank-Crédit Foncier" group of over four billion and approaching the \$4.2 billion mark. This represents an increase of \$579 million, a rise of 16% over October 31, 1980. Cash resources registered a remarkable increase of 86% over 1980 to reach \$600 million. This is proof of the major activity in our money market operations. This short-term investment strategy was dictated to us by the very fluctuating interest rate situation during the year as well as by the search for a better balance between the various maturities of assets and liabilities.

Through this short-term investment policy, we find ourselves in a most secure position from both a liquid assets and statutory reserves point of view. At The City and District Savings Bank, these exceed by \$150 million the standard laid down by the federal law that governs us.

Securities held by the group grew by nearly \$97 million during the past year to reach \$565 million, a rise of 21%. It should be noted here that the increase mainly involved securities issued or guaranteed by Canada and the Provinces, which offered the best prospects.

Our loan portfolios, by far our most important activity with 68% of the group's assets, total \$2.8 billion, i.e. a 9% rise over last year. This increase can be attributed to a large extent to the performance of Crédit Foncier which was able to capitalize on the strong demand for mortgages in Western Canada. On the other hand, it should be noted that, at The City and District Savings Bank, consumer and other loans experienced fairly slow growth due to reduced demand. This situation also resulted from our desire to be more selective and to emphasize the search for a better quality of risk ventures.

The assets that produce no interest dropped by 20% compared with 1980, i.e. from \$206 million to \$165 million on October 31, 1981. This decrease mainly resulted from the disposal of real estate by the Crédit Foncier.

Under the deposits item, the "City and District Savings Bank - Crédit Foncier" group recorded a major increase of \$646 million to reach \$3.9 billion, i.e. a rise of 20% against 12% last year. Since the competition is stiff here, this performance is worth mentioning, and especially that of our subsidiary which reached 22%.

Long-term debt was reduced by over \$70 million, mainly as a result of maturing bonds subject to trust deeds. Thus, long-term debt dropped from \$187 to \$116 million as at October 31, 1981.

Reserves for losses were reduced over the past year from \$21 to \$12 million through accounting procedures consisting in recording profits and losses on securities sold and in adjusting the other securities to the market price. Accounting for loss experienced on loans less the provision included in the Consolidated Statement of Revenue and Expenses also contributed to this reduction.

By the end of the financial year, shareholders' equity was \$69 million against \$65 million in 1980, i.e. a 6% increase over the previous year.

Revenue and expenses

The "City and District Savings Bank - Crédit Foncier" group's Consolidated Statement of Revenue and Expenses recorded total revenue at \$485 million, an increase of over 27% compared with 1980. It should be noted, however, that operation expenses climbed to \$490 million, a 28% rise over the previous year.

Under the operating revenue item, income from loans increased by \$67 million to reach \$345 million, i.e. 24% higher than in 1980. Yet, it was mainly income from securities that recorded the highest rate of growth at 82%. This income grew from \$46 million as at October 31, 1980 to \$84 million as at October 31, 1981. This substantial rise in income from securities can be attributed to our profitable operations on the money market and to our increased investments in securities.

As far as expenses are concerned, we had to cope with unprecedented rate increases resulting in a rise of over 32% in the cost of money. We therefore strictly controlled all our operating expenses which only increased by 12% against 14% in 1980. Our efforts to contain the growth of expenses other than interest expense will continue in 1982 to lay the groundwork for a higher profit margin, should the rates go down in 1982.

It should be noted that as a result of the announcement of new tax rates which will be in effect in the coming years, deferred taxes and the future reduction in taxes for the current year have been decreased by some \$1.3 million, \$600 thousand relating to the previous years and \$700 thousand to the current year, thereby leading to an equivalent reduction in the net yearly profit. Our net profit thus stands for the year at \$6.4 million compared to \$7.5 million in 1980 and, per share, at \$2.12 compared to \$2.49 for the previous year.

New provisions pertaining to the presentation of the financial statements have been incorporated into the Quebec Savings Bank Act and into the regulation which will be adopted by the Minister of Finance under the authority of this Act. As a result of these provisions, the Bank's financial statements for the years ending October 31 of each year, starting in 1982, will undergo changes both in substance and form. The statements of the previous periods will also have to be restated to allow comparison.

Although this breakdown of the consolidated financial statements includes those of the Bank, I would like, for your benefit, to comment on some of the highlights of the latter.

The City and District Savings Bank . . . closing the gap

For The City and District Savings Bank, 1981 was marked by sustained growth of assets from \$1.7 billion to over \$1.9 billion, i.e. an increase of \$204 million. This growth was mainly felt in the Bank's liquid assets which have increased by \$164 million or 52% over the past 12 months. This is due to the greater emphasis placed on money market transactions, as I mentioned earlier. In a context where our profit margins were



Our new Ottawa branch...

THE MONTREAL CITY AND DISTRICT SAVINGS BANK

shrinking, we opted for a financial strategy based on the short term, thereby enabling us to obtain higher margins while achieving a better balance between the assets and liabilities. Throughout the past twelve months, the Finance Committee has regularly analyzed the situation, drawn up forecasts from the key economic indicators and made recommendations for suitable investments. In a context where a new banker's jargon is developing around such concrete realities as profit margin, matching of assets and liabilities and volatility of interest rates, the Finance Committee plays a vital role in the Bank's assets investment strategy as well as in the setting of interest rates.

In an increasingly unstable financial market mainly distinguished by very high interest rates, a definite change in customer behaviour toward more remunerative investment vehicles in recent years has been noted. This change in consumers' habits resulted in our constantly readjusting the Bank's investment policy.

Operations

As Mr. Raymond Garneau, our Chairman of the Board and Chief Executive Officer stressed previously, 1981 saw a changed administrative structure take shape at The City and District Savings Bank. A new credit department bringing together all of our lending activities was set up. For this purpose, we were able to attract good commercial credit specialists. On this last point, I am pleased to inform you that the setting up of the business loan department has almost been completed and that the financing operations for small and medium-size businesses will begin in the spring, although on a reduced basis.

As regards expansion of our branch network, we have carried on with our program by opening our first branch outside Quebec, in Ottawa to be more specific. After 6 months of operation this new outlet is showing results that are more than encouraging. In the next few weeks, we will be opening a third branch in the City of LaSalle to provide better coverage of the market in this major city on the western outskirts of Montreal. Concurrently with this expansion, we have undertaken, on the Island of Montreal, the first steps in a plan to rationalize the network resulting in the closing of two branches over the past few months. These decisions were made necessary due to population and business shifts noted in certain parts of the city.

Two new customer services have been added over the past few months to the range of services already offered to our customers. The services are the Prime-Savings Accounts, a high interest account that combines the advantages of daily and monthly interest, and the Checker Accounts designed especially for more active users of the banking services. These two new customer services will contribute towards improving our competitive position in the banking market in the future. Over the past year, we have also continued to promote use of the NETWORK, the inter-branch service enabling all our customers, through computer communications, to conveniently transact their banking business at any of our 116 branches. Started two years ago, Network is gradually becoming more popular amongst our customers who transact 7% of their business through it.

We also successfully launched a sales motivation program in 1981 amongst our branch and Head Office employees. Sales objectives were surpassed but even better still, we succeeded in creating in our employees a certain type of behaviour and sales attitude whose long-term effects can only but be beneficial to the organization and its customers.

With regard to safety in our establishments, we have stepped up our anti-agression barrier program. These barriers provide better protection for our employees and reduce the number of armed robberies.

We have also made more use of data processing as a management tool. Thus, the capabilities and flexibility of our central computer have been used more efficiently in our financial planning.



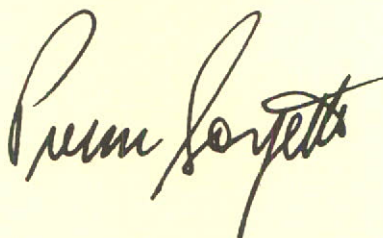
Our new lighted signs...

**THE MONTREAL CITY AND DISTRICT
SAVINGS BANK**

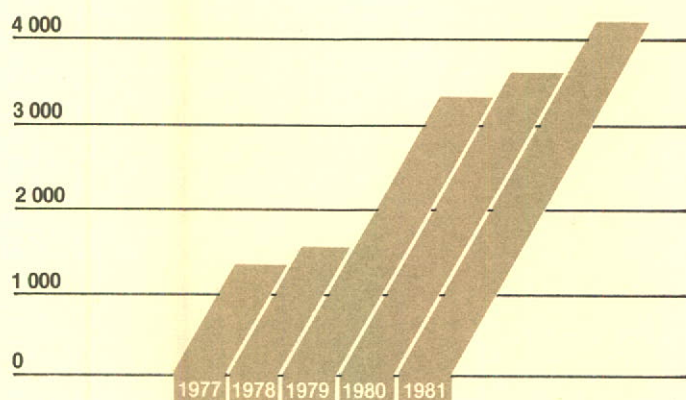
Also in 1981, we stepped up our corporate identity program by beginning to replace the lighted signs in over 53 branches. By the end of February, all the network's outlets will bear the Bank's colours and will thus contribute in projecting a standard identity throughout all branches.

Finally, we continued our employee training programs, especially those involving the branch managers. Through an agreement with the École des Hautes Études Commerciales (HEC), a large group of managers were able to profit from intensive management, economics, finance and marketing courses. This training effort is part of a concept whose very foundation is based on the employee being our organization's most important asset. Our Human Resources Division is constantly on the lookout for new training needs and uses all the financial and technical resources needed to meet these requirements.

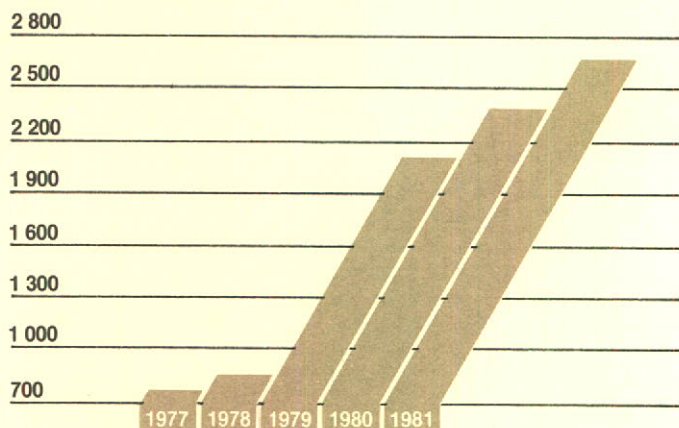
In closing, I would like to thank all the "City and District Savings Bank - Crédit Foncier" group's employees for their active contribution over the past year. Having joined the organization almost a year ago, I can definitely say that I am in a position to appreciate the energy displayed by the management staff, managers and their team. In my opinion, this is a prime reason for being optimistic about the future.



Total Assets
AS AT OCTOBER 31
IN MILLIONS OF DOLLARS



Total Mortgages
AS AT OCTOBER 31
IN MILLIONS OF DOLLARS



The 1977 and 1978 figures include the accounts of the wholly-owned subsidiary, Fiduciaires de la Cité et du District de Montréal Limitée. The following years figures include the wholly-owned subsidiary, Crédit Foncier acquired January 1, 1979.

THE MONTREAL CITY AND DISTRICT
SAVINGS BANK

CONSOLIDATED FINANCIAL STATEMENTS
AS AT OCTOBER 31, 1981



**THE MONTREAL CITY AND DISTRICT
SAVINGS BANK**

Consolidated Statement of Assets and Liabilities

as at October 31

(in thousands of dollars)

Assets

Cash resources

Cash and due from banks

\$ 539 620

\$ 270 124

Cheques and other items in transit, net

60 038

52 140

Total cash resources

599 658

322 264

Securities (note 2)

Issued or guaranteed by Canada

60 700

42 723

Issued or guaranteed by a province

183 494

108 215

Other securities

321 337

317 653

Total securities

565 531

468 591

Loans

Mortgages, less provision for losses

2 636 072

2 393 700

Other loans, less provision for losses

210 656

208 087

Total loans

2 846 728

2 601 787

Sundry assets

Bank premises (note 3)

139 873

184 442

Other assets

25 342

21 489

Total sundry assets

165 215

205 931

\$4 177 132

\$3 598 573

**THE MONTREAL CITY AND DISTRICT
SAVINGS BANK**

	1981	1980
Liabilities		
Deposits		
Canada, in Canadian currency	\$ 241	\$ 717
Other deposits, in Canadian currency	3 939 458	3 300 533
In other currencies	13 681	6 230
<i>Total deposits</i>	3 953 380	3 307 480
Other liabilities	26 737	18 962
Long-term debt (note 4)	116 131	186 524
Accumulated appropriations for losses (note 5)	12 260	20 867
Shareholders' equity		
Capital stock —		
Authorized —		
8 000 000 shares		
of \$1.00 each		
Issued and paid —		
3 000 000 shares	3 000	3 000
Rest account	58 260	56 760
Retained earnings	7 364	4 980
<i>Total shareholders' equity</i>	68 624	64 740
	\$4 177 132	\$3 598 573

Raymond Garneau
Chairman of the Board
and Chief Executive Officer

Pierre Goyette
Executive Vice-President
and General Manager

Auditor's Report to the Directors

We have examined the consolidated Statement of Assets and Liabilities of the Montreal City and District Savings Bank as at October 31, 1981 and the consolidated Statements of Revenue and Expenses, Rest Account, Retained Earnings and Changes in Financial Position for the year then ended. 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, these consolidated financial statements present fairly the financial position of the Bank as at October 31, 1981 and the results of its operations and the changes in its financial position for the year then ended.

Auditors:

Poissant Richard,
affiliated with Thorne Riddell
Chartered accountants

Samson Bélair
Chartered accountants

Montréal, December 10, 1981.

**THE MONTREAL CITY AND DISTRICT
SAVINGS BANK**

Consolidated Statement of Revenue and Expenses		
for the financial year ended October 31		
<i>(in thousands of dollars)</i>		
	1981	1980
Revenue		
Loans	\$ 345 186	\$ 278 038
Securities	83 896	45 971
Deposits with banks	31 184	30 285
Other operating revenue	24 655	26 398
Total revenue	484 921	380 692
Expenses		
Interest on deposits and long-term debt	409 298	309 750
Interest on other liabilities	287	411
Salaries	36 106	32 160
Pension contributions and other staff benefits	5 285	4 401
Property expenses, including depreciation	5 952	5 975
Provision for losses on loans	3 662	2 642
Other operating expenses	29 231	26 130
Total expenses	489 821	381 469
Loss before income taxes and extraordinary items	4 900	777
Income taxes		
Current	69	278
Deferred	(4 942)	(3 323)
Future tax reduction (note 6)	(2 631)	(2 416)
	(7 504)	(5 461)
Profit before extraordinary items	2 604	4 684
Extraordinary items (note 7)	3 760	2 787
Net profit for the year	\$ 6 364	\$ 7 471
Average number of shares outstanding	3 000 000	3 000 000
Per share		
Profit before extraordinary items	\$ 0.87	\$ 1.56
Net profit for the year	\$ 2.12	\$ 2.49
Dividends	\$ 1.16	\$ 1.16

**THE MONTREAL CITY AND DISTRICT
SAVINGS BANK**

Consolidated Statement of Rest Account

for the financial year ended October 31

(in thousands of dollars)

	1981	1980
Balance at beginning of year	\$56 760	\$54 449
Balance of proceeds from issue of shares of 1979	—	311
Transfer from retained earnings	1 500	2 000
Balance at end of year	<u>\$58 260</u>	<u>\$56 760</u>

**Consolidated Statement of
Retained Earnings**

for the financial year ended October 31

(in thousands of dollars)

	1981	1980
Balance at beginning of year	\$ 4 980	\$ 3 214
Net profit for the year	6 364	7 471
Transfer to (from) accumulated appropriations for losses, net	1 000	(225)
	<u>12 344</u>	<u>10 460</u>
Dividends	3 480	3 480
Transfer to rest account	1 500	2 000
	<u>4 980</u>	<u>5 480</u>
Balance at end of year	<u>\$ 7 364</u>	<u>\$ 4 980</u>

**THE MONTREAL CITY AND DISTRICT
SAVINGS BANK**

**Consolidated Statement of Changes
in Financial Position**

for the financial year ended October 31
(in thousands of dollars)

	1981	1980
Source of funds		
Funds provided from operations:		
Profit before extraordinary items	\$ 2 604	\$ 4 684
Items not requiring an outlay of funds	(334)	569
	2 270	5 253
Other items providing funds:		
Increase in deposit liabilities	645 900	367 059
Increase in other liabilities	12 276	—
Decrease in bank premises	41 934	—
Decrease in other assets	—	13 206
Balance of proceeds from issue of shares of 1979	—	327
	\$702 380	\$385 845
Use of funds		
Increase in cash resources	\$277 394	\$ 72 072
Increase in securities	99 272	11 052
Increase in loans	251 163	256 406
Increase in bank premises	—	22 348
Increase in other assets	678	—
Decrease in other liabilities	—	4 013
Decrease in long-term debt	70 393	16 474
Dividends	3 480	3 480
	\$702 380	\$385 845

Notes to Consolidated Financial Statement
as at October 31, 1981

1. Accounting policies

a) Consolidation

The financial statements include the consolidated accounts of the Bank's wholly-owned subsidiary, Crédit Foncier. All inter-company accounts and transactions have been eliminated.

b) Rate of exchange

Accounts in foreign currencies are translated at the exchange rate prevailing as at the date of the consolidated Statement of Assets and Liabilities or as determined by forward exchange contracts.

c) Securities

The valuation of the Bank's securities is governed by the Quebec Savings Bank Act, whereas those of its subsidiary are established in accordance with generally accepted accounting principles. Bases of valuation are:

	City and District Savings Bank	Subsidiary
Issued or guaranteed by Canada or a province	Amortized cost	Amortized cost
Other securities		
Shares	Value not exceeding market	Cost
Other	Value not exceeding market	Amortized cost

In accordance with the rules issued under the authority of the Minister of Finance of Canada, the Bank records all profits and losses on disposal of securities and the provisions required to adjust other securities to values not exceeding market, in accumulated appropriations for losses.

Profits and losses on disposal of securities realized by the subsidiary are recorded as extraordinary items.

d) Bank premises

Bank premises and real estate are valued at cost less accumulated depreciation. Depreciation of real estate held for rental is computed according to the sinking fund method. Office premises and other fixed assets are depreciated on the declining balance except for leasehold improvements which are depreciated on the straight line basis.

The profit on disposal of real estate is recognized based on payments received and the unrealized portion is included in other liabilities.

e) Income taxes

- i) Income taxes are recorded in the financial statements on the deferral basis. Deferred income taxes result from claiming deductions for tax purposes in excess of amounts charged in the accounts.
- ii) The Bank records tax benefits resulting from losses carried forward for income tax purposes in the year in which the loss occurs. In the opinion of management, the Bank is virtually certain to realize these benefits.

f) Appropriations for losses

In accordance with the Quebec Savings Bank Act and the rules issued under the authority of the Minister of Finance of Canada, appropriations for losses are established from the Bank's unconsolidated financial data in order to provide for possible unforeseen losses on loans, securities and other assets.

**THE MONTREAL CITY AND DISTRICT
SAVINGS BANK**

2. Securities (in thousands of dollars)	1981		1980	
	Stated value	Market value	Stated value	Market value
Issued or guaranteed by Canada	\$ 60 700	\$ 53 708	\$ 42 723	\$ 38 526
Issued or guaranteed by a province	183 494	164 993	108 215	97 024
	244 194	218 701	150 938	135 550
Other securities				
Shares	119 365	109 175	92 499	95 525
Other	201 972	193 531	225 154	224 538
	321 337	302 706	317 653	320 063
	\$565 531	\$521 407	\$468 591	\$455 613

3. Bank premises (in thousands of dollars)	Cost	Accumulated depreciation	Net value	
			1981	1980
Real estate	\$110 962	\$ 2 932	\$108 030	\$151 861
Office premises				
Land	7 584	—	7 584	7 633
Buildings	35 052	16 909	18 143	18 544
	153 598	19 841	133 757	178 038
Other	19 268	13 152	6 116	6 404
	\$172 866	\$ 32 993	\$139 873	\$184 442

Depreciation charged to operations in 1981 amounted to \$3 633 000 compared with \$3 920 000 in 1980.

4. Long-term debt (in thousands of dollars)	1981	1980
Mortgages	\$ 17 473	\$ 26 875
Bonds subject to trust deeds		
Maturity		
1981	—	57 448
1982	30 843	31 582
1983	5 999	5 999
1984	39 658	39 658
1985	13 000	13 000
1987 - 90	6 124	6 124
	95 624	153 811
Accrued interest	3 034	5 838
	\$116 131	\$186 524

**THE MONTREAL CITY AND DISTRICT
SAVINGS BANK**

	1981	1980
5. Accumulated appropriations for losses (in thousands of dollars)		
Accumulated appropriations at beginning of year:		
General	\$ 5 881	\$ 7 497
Tax paid	14 986	16 366
	20 867	23 863
<i>Add:</i>		
Other profits or (losses), and non-recurring items, net	256	(309)
Income taxes	65	19
	21 188	23 573
<i>Deduct:</i>		
Profits and losses on securities, including provisions to reduce other securities to values not exceeding market	5 350	2 005
Loss experience on loans less provision included in the consolidated Statement of Revenue and Expenses	2 578	926
Transfer to (from) retained earnings, net	1 000	(225)
Accumulated appropriations at end of year:	\$12 260	\$20 867
	\$ 1 466	\$ 5 881
General	10 794	14 986
Tax paid	\$12 260	\$20 867

6. Future tax reduction

For income tax purposes, losses carried forward amount to \$13 107 000 to be used for reduction of future taxable income of which \$1 020 000 will expire in 1984, and \$5 070 000 in 1985 and \$7 017 000 in 1986. The resulting accumulated tax benefit amounting to \$5 439 000 has been computed at the tax rates known and applicable to future financial years and is included in other assets in the consolidated Statement of Assets and Liabilities.

	1981	1980
7. Extraordinary items (in thousands of dollars)		
Profit on disposal of securities	\$3 402	\$3 092
Profit on disposal of Bank premises	837	585
Other items	—	(97)
	4 239	3 580
Less: income taxes	479	793
	\$3 760	\$2 787

8. Remuneration of directors and senior officers of the Bank

Total remuneration paid to the directors of the Bank as directors, by the Bank and its subsidiary and to senior officers of the Bank by the Bank and its subsidiary amount to \$1 210 000 in 1981 compared to \$986 000 in 1980.

9. Comparatives figures

Certain of the preceding year figures have been reclassified to conform with the current year financial statement presentation.

10. Subsequent event

The Board of Directors approved as at November 18, 1981 a By-Law in order to modify the authorized capital stock of the Bank, by (i) redesignating its existing Shares as Common Shares (ii) creating 3 000 000 Class A Preferred Shares without nominal value, which may be issued for an aggregate consideration not exceeding \$75 000 000, and (iii) creating 7 000 000 additional Common Shares of one dollar (\$1.00) each. This By-Law will have to be approved by the Governor in Council following approval at the Annual General Meeting of the Shareholders, January 15, 1982 in the manner prescribed.

**THE MONTREAL CITY AND DISTRICT
SAVINGS BANK**

FINANCIAL STATEMENTS
AS AT OCTOBER 31, 1981



The financial statements of the Montreal City and District Savings Bank are presented hereafter in the form prescribed by the Quebec Savings Bank Act.

**THE MONTREAL CITY AND DISTRICT
SAVINGS BANK**

Statement of Assets and Liabilities
as at October 31

	1981	1980
Assets		
Cash resources		
Cash and due from banks	\$ 423 369 037	\$ 262 719 351
Cheques and other items in transit, net	60 037 896	56 196 680
Total cash resources	483 406 933	318 916 031
Securities		
Issued or guaranteed by Canada, at amortized value	50 277 390	39 635 999
Issued or guaranteed by a province, at amortized value	129 746 563	82 865 704
Other securities not exceeding market value	39 765 008	71 010 116
Securities of wholly-owned subsidiary, at cost	129 491 909	129 491 909
Total securities	349 280 870	323 003 728
Loans		
Mortgages, less provision for losses	895 727 019	884 771 767
Other loans, less provision for losses	204 875 819	200 915 433
Total loans	1 100 602 838	1 085 687 200
Sundry assets		
Bank premises at cost, less accumulated depreciation	17 943 004	18 538 071
Other assets	10 416 794	10 887 924
Total sundry assets	28 359 798	29 425 995
	\$1 961 650 439	\$1 757 032 954

**THE MONTREAL CITY AND DISTRICT
SAVINGS BANK**

	1981	1980
Liabilities		
Deposits		
Canada, in Canadian currency	\$ 240 587	\$ 717 474
Other deposits, in Canadian currency	1 874 324 345	1 670 945 978
In other currencies	370 505	1 048 148
Total deposits	1 874 935 437	1 672 711 600
Other liabilities	13 072 049	3 384 474
Accumulated appropriations for losses	12 260 292	20 867 132
Shareholders' equity		
Capital stock		
Authorized —		
8 000 000 shares		
of \$1.00 each		
Issued and paid —		
3 000 000 shares	3 000 000	3 000 000
Rest account	58 260 000	56 760 000
Undivided profits	122 661	309 748
Total shareholders' equity	61 382 661	60 069 748
	\$1 961 650 439	\$1 757 032 954

Raymond Garneau
Chairman of the Board
and Chief Executive Officer

Pierre Goyette
Executive Vice-President
and General Manager

Auditors' Report to the Shareholders

We have examined the Statement of Assets and Liabilities of the Montreal City and District Savings Bank as at October 31, 1981 and the Statement of Revenue, Expenses and Undivided Profits, the Statement of Accumulated Appropriations for Losses, the Statement of Rest Account and the Statement of Changes in Financial Position for the year then ended. 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, these financial statements present fairly the financial position of the Bank as at October 31, 1981 and its revenue, expenses and undivided profits, accumulated appropriations for losses rest account and changes in financial position for the year then ended.

Auditors:

Poissant Richard,
affiliated with Thorne Riddell
Chartered accountants

Samson Bélair
Chartered accountants

Montréal, December 10, 1981.

**THE MONTREAL CITY AND DISTRICT
SAVINGS BANK**

**Statement of Revenue, Expenses
and Undivided Profits**

for the financial year ended October 31

	1981	1980
Revenue		
Loans	\$138 898 279	\$120 957 225
Securities	36 855 080	21 136 605
Deposits with banks	27 216 026	23 378 622
Dividends from subsidiary	8 698 930	8 198 877
Other operating revenue	6 675 306	7 129 197
Total revenue	218 343 621	180 800 526
Expenses		
Interest on deposits	171 235 152	136 791 392
Salaries, pension contributions and other staff benefits	27 969 268	25 019 971
Property expenses, including depreciation	5 875 283	6 077 076
Other operating expenses, including provision of \$2 800 000 (\$2 050 000 in 1980) for losses on loans based on a five year average loss experience	12 542 884	10 889 451
Total expenses	217 622 587	178 777 890
Balance of revenue	721 034	2 022 636
Income Taxes		
Deferred	591 635	991 542
Future tax reduction (note 2)	2 480 244	2 437 146
	3 071 879	3 428 688
Balance of revenue before appropriation for losses	3 792 913	5 451 324
Appropriation for losses	—	1 225 469
Net profit for the year	3 792 913	4 225 855
Dividends	3 480 000	3 480 000
Amount carried forward	312 913	745 855
Undivided Profits		
Balance at beginning of year	309 748	563 893
Transfer from accumulated appropriations for losses	1 000 000	1 000 000
Total	1 622 661	2 309 748
Transfer to rest account	1 500 000	2 000 000
Balance at end of year	\$ 122 661	\$ 309 748

**THE MONTREAL CITY AND DISTRICT
SAVINGS BANK**

**Statement of Accumulated
Appropriations for Losses**

for the financial year ended October 31

	1981	1980
Accumulated appropriations at beginning of year:		
General	\$ 5 880 633	\$ 7 496 987
Tax paid	14 986 499	16 366 518
	20 867 132	23 863 505
Add:		
Appropriation from current year's operations	—	1 225 469
Other profits or (losses), and non-recurring items, net	256 420	(309 767)
Income taxes	65 029	19 018
	21 188 581	24 798 225
Deduct:		
Profits and losses on securities, including provisions to reduce securities other than those of Canada and a province to values not exceeding market	5 350 181	2 005 010
Loss experience on loans less provision included in other operating expenses	2 578 108	926 083
Transfer to undivided profits	1 000 000	1 000 000
Accumulated appropriations at end of year:	\$12 260 292	\$20 867 132
General	\$ 1 465 971	\$ 5 880 633
Tax paid	10 794 321	14 986 499
	\$12 260 292	\$20 867 132

Statement of Rest Account

for the financial year ended October 31

	1981	1980
Balance at beginning of year	\$56 760 000	\$54 449 299
Balance of proceeds from issue of shares of 1979	—	310 701
Transfer to undivided profits	1 500 000	2 000 000
Balance at end of year	\$58 260 000	\$56 760 000

**THE MONTREAL CITY AND DISTRICT
SAVINGS BANK**

**Statement of Changes
in Financial Position**

for the financial year ended October 31

	1981	1980
Source of funds		
Funds provided from operations:		
Balance of revenue before appropriation for losses	\$ 3 792 913	\$ 5 451 324
Items not requiring an outlay of funds	1 519 451	3 777 283
	5 312 364	9 228 607
Other items providing funds:		
Increase in deposits liabilities	202 223 837	86 739 008
Increase in other liabilities	9 687 575	—
Decrease in securities	—	32 411 536
Decrease in other assets	3 589 907	341 719
Balance of proceeds from issue of shares of 1979	—	327 054
	\$220 813 683	\$129 047 924
Use of funds		
Increase in cash resources	\$164 490 902	\$ 81 845 670
Increase in securities	31 412 664	—
Increase in loans	20 275 615	38 913 300
Increase in bank premises	1 154 502	760 916
Decrease in other liabilities	—	4 048 038
Dividends	3 480 000	3 480 000
	\$220 813 683	\$129 047 924

Notes to Financial Statements
as at October 31, 1981

1. Accounting policies

The Quebec Savings Bank Act and the rules issued under the authority of the Minister of Finance of Canada prescribe the form and content of the financial statements issued by the Bank.

The significant accounting policies are as follows:

a) Securities

Profits and losses on disposals of securities and the necessary provisions to adjust other securities to an amount not exceeding market value are recorded in the Statement of Accumulated Appropriations for Losses.

b) Bank premises

Depreciation of bank premises is computed on the declining balance basis for buildings and equipment and on the straight-line basis for leasehold improvements.

c) Appropriations for losses

The Bank establishes a provision for losses on loans based on five-year average loss experience and charges it to the Statement of Revenue and Expenses. In addition the Bank may set up an appropriation for losses out of the balance of revenue before appropriation for losses in order to provide for possible unforeseen future losses on loans, securities and other assets.

d) Income taxes

- i) Income taxes are recorded in the financial statements on the deferral basis. Deferred income taxes result from claiming deductions for tax purposes in excess of amounts charged in the accounts.
- ii) The Bank records tax benefits resulting from losses carried forward for income tax purposes in the year in which the loss occurs. In the opinion of management, the Bank is virtually certain to realize these benefits.

2. Future tax reduction

For income tax purposes, losses carried forward amount to \$11 723 000 to be used for reduction of future taxable income of which \$5 070 000 will expire in 1985 and \$6 653 000 in 1986. The resulting accumulated tax benefit amounting to \$4 865 000 has been computed at the tax rates known and applicable to future financial years and is included in other assets in the Statement of Assets and Liabilities.

3. Comparative figures

Certain of the preceding year figures have been reclassified to conform with the current year financial statement presentation.

4. Subsequent event

The Board of Directors approved as at November 18, 1981 a By-Law in order to modify the authorized capital stock of the Ban, by (i) redesignating its existing Shares as Common Shares (ii) creating 3 000 000 Class A Preferred Shares without nominal value, which may be issued for an aggregate consideration not exceeding \$75 000 000, and (iii) creating 7 000 000 additional Common Shares of one dollar (\$1.00) each. This By-Law will have to be approved by the Governor in Council following approval at the Annual General Meeting of the Shareholders, January 15, 1982 in the manner prescribed.

**THE MONTREAL CITY AND DISTRICT
SAVINGS BANK**

**CITY AND DISTRICT
SAVINGS BANK'S
SUBSIDIARY**



CRÉDIT FONCIER

Consolidated Balance Sheet

as at October 31

Highlights

Assets

	1981	1980
Deposits and short-term investments	\$ 241 023 000	\$ 90 782 000
Bonds	94 232 000	112 731 000
Stocks	110 308 000	82 410 000
Mortgages	1 746 125 000	1 516 100 000
Other loans	33 771 000	—
Real estate	100 000 000	140 119 000
Office premises	7 050 000	7 157 000
Other assets	11 335 000	9 962 000
	\$2 343 844 000	\$1 959 261 000

Liabilities

Short-term notes	\$ 372 233 000	\$ 250 509 000
Debentures and guaranteed investment certificates	1 823 577 000	1 552 857 000
Mortgages payable by subsidiaries	17 610 000	27 092 000
Other liabilities	5 782 000	5 193 000
Deferred income	4 634 000	4 499 000
Deferred income taxes	5 567 000	8 617 000
Shareholder's equity	114 441 000	110 494 000
	\$2 343 844 000	\$1 959 261 000

Consolidated Statement of Revenue and Expenses

for the financial year ended October 31

Highlights

Revenue

	1981	1980
Interest	\$251 294 000	\$185 104 000
Dividends	8 083 000	5 040 000
Office premises and real estate revenue	17 325 000	18 837 000
Other	3 159 000	2 863 000
Total revenue	279 861 000	211 844 000

Expenses

Interest	235 785 000	168 442 000
Office premises and real estate expenses	14 188 000	16 332 000
Salaries and staff benefits	13 421 000	11 541 000
Other operating expenses	13 143 000	9 854 000
Total expenses	276 537 000	206 169 000

Profit before income taxes	3 324 000	5 675 000
Income taxes	(4 432 000)	(2 033 000)
Net operating profit	7 756 000	7 708 000
Extraordinary items	4 890 000	5 277 000
Net profit for the year	\$ 12 646 000	\$ 12 985 000

Net profit per share

Net operating profit	\$ 8.40	\$ 8.34
Extraordinary items	\$ 5.29	\$ 5.71
Net profit for the year	\$13.69	\$14.05

**PROCEEDINGS OF THE ANNUAL AND SPECIAL
GENERAL MEETING**



Minutes of the proceedings of the one hundred and thirty fifth Annual General Meeting of the Shareholders of The Montreal City and District Savings Bank, which was also a Special General Meeting, held at the Château Champlain Hotel, Place du Canada, Montreal, on Friday, the 15th day of January, 1982 at 11:30 o'clock of the forenoon.

In accordance with the By-Laws of the Bank, Mr. Raymond Garneau, Chairman of the Board, acted as Chairman of the Meeting, and Mr. Camille Antaki, Secretary of the Bank, acted as Secretary of the Meeting.

In opening the Meeting, the Chairman welcomed the Shareholders. He appointed Me André Drouin and Mr. Pierre Jean to act as Scrutineers.

The Chairman stated that it is in order for the Meeting, as a first item of business, to consider the proposed by-law fixing the quorum of Meetings of the Shareholders, which, if approved, would apply to the present Meeting.

The Secretary read the text of By-Law "S" fixing the quorum of Meetings of the Shareholders at ten shareholders present in person or represented by proxy. It was then moved by Mr. Paul Pommier, seconded by Mr. Jacques Ménard, that By-Law "S" be confirmed and adopted in the form submitted at the Meeting. Upon the Scrutineers reporting that they had received a sole ballot indicating that all the Shareholders present or represented at the Meeting had voted in favour of the motion, the Chairman declared the motion duly carried.

The Secretary read the text of the notice calling the Meeting and confirmed that said notice had been duly published and forwarded to the Shareholders. The required quorum being present, the Chairman declared that the Meeting was properly convened and was in order.

It was moved by Me Pauline Cazalais that the minutes of the last Annual General Meeting of Shareholders be taken as read and be approved. The motion, seconded by Mr. Guy Jolicoeur, was approved unanimously.

As Chairman of the Board and Chief Executive Officer of the Bank, the Chairman addressed the Meeting. (The text of the Chairman's address will be found on page 3.)

The Scrutineers reported that 955,806 shares were present in person and 389,516 shares were represented by proxy at the Meeting, for a total of 1,345,322 shares, or 62% of the shares outstanding carrying voting rights.

As copies of the Financial Statements for the year ended October 31, 1981 had already been sent to all Shareholders and further copies were in the hands of those present, the Secretary read only the Auditors' Reports with respect to the said Statements.

The Chairman then called upon Mr. Pierre Goyette, Executive Vice-President and General Manager of the Bank, to comment on the Financial Statements submitted and on the operations of the Bank. (Mr. Goyette's comments appear on page 7.)

It was then moved by Mr. Raymond Garneau and seconded by Mr. Gilbert Guilbault that the Directors' Report and the Financial Statements for the year ended October 31, 1981, as well as the Auditors' Reports with respect to the said Financial Statements.

The Chairman then stated that the motion was open for discussion. There being no discussion, the vote was taken and the motion was carried unanimously.

The Chairman stressed the fact that the Meeting will now proceed as a Special General Meeting of the Shareholders for the purpose of considering, and if deemed advisable, confirming two by-laws of the Bank, respectively, removing the pre-emptive right of the shareholders and modifying the authorized capital stock of the Bank.

These new by-laws are in compliance with the Quebec Savings Banks' Act, as amended with effect from December 1, 1980, and if confirmed by the Meeting, will permit the Bank greater flexibility in its capital funding. The Chairman went on to say that to be considered as approved, each proposed by-law requires a special resolution adopted by a majority of two-thirds of the votes cast. Moreover, the change of the authorized capital stock requires governmental approval before implementation.

The Secretary read the text of By-Law "T" removing the pre-emptive right as well as the text of the special resolution relative thereto.

It was moved by Mr. Yves Lefebvre and seconded by Mr. Jean-Louis Parent that a special resolution be adopted by the Meeting as follows: "After January 15, 1982, the directors may by resolution issue shares of a class of the capital stock of the

Bank without first offering them to the shareholders holding shares of that class of shares of the Bank."

The Chairman then stated that the motion was open for discussion. Mr. Albert Montambault expressed his disagreement for reasons which he indicated, while other Shareholders requested clarifications. The Chairman explained that the proposed by-law represents a positive change for the Bank and, furthermore, that it does not mean the Bank is precluded from making further rights issues to shareholders nor from giving them notice of its intention to make share issues.

The motion was then put to the Meeting. Upon receiving the Scrutineers' Report on the balloting indicating that all the shares present or represented, with the exception of 600 shares, had voted in favour of the motion.

The Chairman declared the same duly carried by a majority of two-thirds of the votes cast.

The Secretary read the text of By-Law "U" modifying the authorized capital stock of the Bank as well as the text of the special resolution relative thereto.

It was moved by Mr. Maurice Jodoin and seconded by Mr. Ernest Mayers that a special resolution be adopted by the Meeting as follows: "The authorized capital stock of the Bank, consisting of eight million dollars (\$8,000,000) divided into shares of one dollar (\$1.00) each, of which 3,000,000 shares are issued and outstanding, is hereby amended and increased as follows: (i) by designating as Common Shares the existing shares of the Bank, issued and unissued; (ii) by increasing it by the creation of 3,000,000 Class A Preferred Shares without nominal value; and (iii) by increasing to fifteen million dollars (\$15,000,000) the authorized capital stock of the Common Shares of the Bank, divided into Common Shares of one dollar (\$1.00) each; so that the authorized capital stock of the Bank shall consist of 3,000,000 Class A Preferred Shares without nominal value, which may be issued for an aggregate consideration not exceeding \$75,000,000, and fifteen million dollars (\$15,000,000) divided into Common Shares of one dollar (\$1.00) each, of which 3,000,000 Common Shares are issued and outstanding."

The Chairman then stated that the motion was open for discussion. There being no discussion the Chairman put the motion to the Meeting. Upon receiving the Scrutineers' Report on the balloting indicating that the motion had received unanimous approval, the Chairman declared the same duly carried by a majority of two-thirds of the votes cast.

The Special Meeting having completed its business, the Annual General Meeting was resumed.

Mr. Claude Guy nominated the following persons to be Directors of the Bank for the ensuing year: Messrs. Guy A. Beaudin, Claude Castonguay, Raphael Esposito, Réjean Gagné, Raymond Garneau, Pierre Goyette, Michael B. Harding, Mrs. Josette D. Leman, Messrs. Michel M. Lessard, Pierre H. Lessard, Jean-Marie Poitras, Philippe Roberge and Mrs. Jeannine Guillevin-Wood.

The Chairman then asked if there were any further nominations. There being no other nominations, he declared the nominations closed. With the consent of the Meeting, the Chairman directed the Secretary to cast one ballot, that sole ballot to be considered as the unanimous vote of the Meeting. The Scrutineers reported that the above-nominated persons had received the unanimous vote of the Shareholders and the Chairman declared these persons elected as Directors of the Bank for the ensuing year.

On motion by Mr. Gilles Brunel, seconded by Mr. Philippe Jannès, it was unanimously resolved that Samson Bélair, and Clarkson Gordon, be appointed auditors of the Bank for the ensuing year and that their remuneration be fixed at the sum of \$125,000 to be divided between them according to the time devoted by each to the affairs of the Bank.

The Chairman then asked if there were any further business to come before the Meeting. A Shareholder made some general comments.

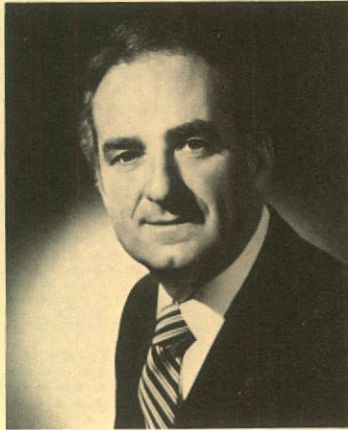
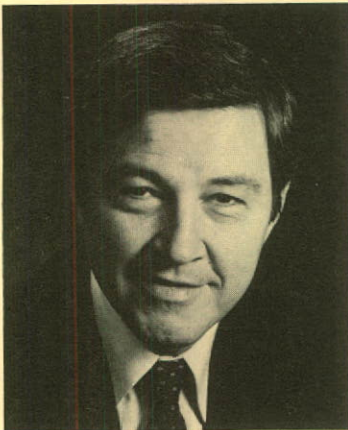
Mr. Claude Blanchard expressed the thanks of the Shareholders to the outgoing Board of Directors and to the Executive Officers and staff of the Bank for their dedication and the efficient manner in which they have performed their respective duties.

The Meeting was then terminated.

At a meeting held by the Board of Directors immediately following the General Meeting of the Shareholders, Mr. Raymond Garneau was elected Chairman of the Board and Chief Executive Officer, Mr. Jean-Marie Poitras was appointed Vice-Chairman of the Board and Mr. Pierre Goyette was elected President and Chief Operating Officer.

THE MONTREAL CITY AND DISTRICT SAVINGS BANK

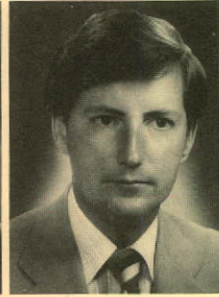
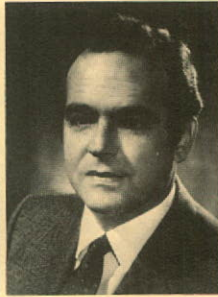
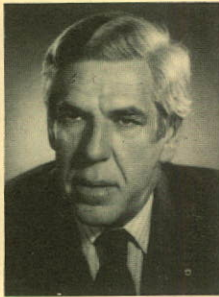
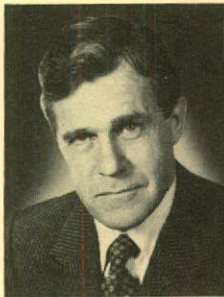
Board of Directors



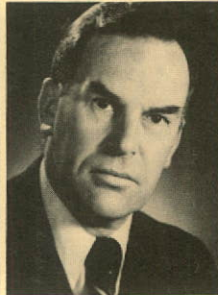
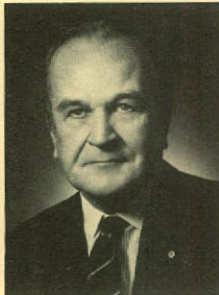
* Member of the Executive Committee
 ** Member of the Audit Committee
 *** Member of the Salary Committee

* Raymond Garneau
 *** Chairman of the Board and Chief Executive Officer

Roger Lavoie
 Vice-Chairman of the Board



** Guy A. Beaudin * Claude Castonguay * Réjean Gagné * Robert Gratton Michael B. Harding Josette D. Leman



** Pierre H. Lessard André Marcil *** Morgan McCammon ** Philippe Roberge *** Jeannine Guillevin-Wood

Executive Officers of the Bank

Raymond Garneau
 Chairman of the Board and Chief Executive Officer

Pierre Goyette
 Executive Vice-President and General Manager

Yvon Marcoux
 Senior Vice-President — Administration
 André Danis
 Vice-President — Branches
 René Delisle
 Vice-President — Marketing
 Guy Lemieux
 Vice-President — Credit

Roland Brien
 Assistant General Manager
 Jacques Ethier
 Assistant General Manager
 Camille Antaki
 Secretary
 Jacques Parent
 Chief Accountant

**THE MONTREAL CITY AND DISTRICT
SAVINGS BANK**
District Managers

Bert Bednarchuk
André Dulac
Serge Joly
Yvan Poirier

50 Henri-Bourassa Blvd. W.
8595 Hochelaga Street
790 Jarry Street W.
10 Jean-Talon Street E.
2490 Jean-Talon Street E.
555 Jean-Talon Street W.
9095 Lajeunesse Street
2937 Masson Street
6270 Monk Blvd.
5487 Monkland Blvd.
1100 Mount Royal Ave. E.
2046 Mount Royal Ave. E.
1551 Ontario Street
3720 Ontario Street
7705 Papineau Avenue
5059 Park Avenue
5677 Park Avenue
936 St. Catherine Street E.
2400 St. Catherine Street E.
777 St. Catherine Street W.
1220 St. Catherine Street W.
1472 St. Catherine Street W.
4190 St. Denis Street
5000 St. Denis Street
7501 St. Denis Street
8090 St. Denis Street
262 St. Jacques Street W.
2401 St. Jacques Street W.
4080 St. Jacques Street W.
3730 St. Laurent Blvd.
4467 St. Laurent Blvd.
6700 St. Laurent Blvd.
7192 St. Michel Blvd.
8930 St. Michel Blvd.
801 Sherbrooke Street E.
6615 Sherbrooke Street E.
245 Sherbrooke Street W.
5651 Sherbrooke Street W.
6260 Sherbrooke Street W.
7420 Sherbrooke Street W.
6640 Somerled Avenue
4790 Van Horne Avenue

Camille Cartier
Roger Majeau
Bernard Benoit
Mario Galella
Paul Portuguais
Aimé Cuillerier
André Gagnon
René Laverdière
André Letarte
Gilles Emond
Pierre Périard
Jean-Guy St-Onge
Lucien Deslauriers
Yvon Choquet
Aimé Jolicoeur
Lionel Pesant
Jean Juneau
Raymond Larivée
Jacques Lanouette
Jean Bazinet
Jean Loiselle
Gilles Faucher
Germain Désilets
Lionel Lefrançois
Richard Rousseau
Gilles Madore
Jean Lapostolle
Rolland Désormeaux
Rolland Désormeaux
Jean St-Pierre
Réal Sauvé
Joseph Giuliano
Claude Poisson
Maurice Renaud
Richard Turcotte
Denis Lavigne
Robert Marois
Claude Desmarais
Jean-Claude De Grasse
Angus Goodfellow
Roger Durand
Normand Larocque

Departments

Accounting
Advertising
Ass't Chief Accountant
Clearing
Commercial Loans
EDP Systems
Foreign Exchange
Human Resources
Inspection
Internal Audit
Investments
Maintenance
Methods and Procedures
Money Market
Mortgage Loans
Personal Loans
Premises (Administration)
Premises (Development)
Security
Supply and Services
Training

Managers

Michel Archambault
Richard Desroches
Claude Tessier
Michel Lacasse
Jacques Pelletier
Jean-Guy Calvé
Roméo Gauthier
Richard Longpré
Pierre Moisan
Robert Bourget
Claude Jodoin
Jean-Louis St-Onge
Pierre Riva
Léo Labelle
Gilles Laforest
Serge Martel
Georges Dorion
Guy Labelle
Robert Mercure
Julien Thibodeau
Jean-Pierre Maheu

Branches
Montreal

400 Beaubien Street E.
3160 Beaubien Street E.
4945 Beaubien Street E.
6593 Beaubien Street E.
1101 Bélanger Street
4155 Bélanger Street
290 Chabanel Street W.
1100 Condé Street
5199 Côte des Neiges Rd.
5990 Côte des Neiges Rd.
6140 Côte St-Luc Rd.
3830 Dandurand Street
6225 Darlington Avenue
5159 Décarie Blvd.
6290 Décarie Blvd.
1493 De LaSalle Avenue
6500 De Lorimier Avenue
2490 De Salaberry Street
5180 De Salaberry Street
885 Fleury Street E.
1780 Fleury Street E.
2200 Fleury Street E.

Managers

Robert Larocque
Claude Piché
Réal Guilbault
Claude Parent
Michel Longpré
Gilles Beausoleil
Paul Lalonde
Yvon Couture
Pôline Paquet
Claude Gauthier
Michel Jutras
Louis-Ph. Lessard
Michel McCann
Jean-Paul Fluet
Albert Maisonneuve
Raymond Brabant
Jean-Guy Poulin
Marcel Lauzon
Michel Rouleau
Raoul Vézina
Guy Pelletier
Jean-Paul Bolduc

**THE MONTREAL CITY AND DISTRICT
SAVINGS BANK**

Branches	Managers	Branches	Managers
Longueuil 2836 Chambly Road 4 St. Charles Street E. 670 Curé Poirier Blvd. W.	Serge Létourneau Yves Desrochers Maurice Tremblay	Westmount 4848 Sherbrooke Street W.	Lucien St-Pierre
Montréal-Nord 4135 Amiens Street 5501 Henri-Bourassa Blvd. E. 6625 Léger Blvd. 6263 Maurice-Duplessis Blvd.	Roger Graillon Normand Lemieux Georges Provost Donald Ruel	Anjou 7050 Jarry Street E. 6651 Joseph Renaud Blvd.	Marcel Colette François Bernard
Ottawa 1237 Donald Street	Robert Ménard	Beloeil 706 Laurier Blvd.	Marcel Bédard
Outremont 1447 Van Horne Avenue	Laurent Parisien	Boucherville 999 Montarville Blvd.	Serge Prud'homme
Pointe-aux-Trembles 12050 Sherbrooke Street E.	Isidore Blanchard	Brossard 2215 Lapinière Blvd. 1635 Rome Blvd.	André Dubreuil André Laporte
Repentigny 150 Iberville Blvd.	Gilles Leduc	Châteauguay 111 St. Jean-Baptiste Blvd.	Robert Proulx
Roxboro 10451 Gouin Blvd. W.	Robert Plante	Côte St-Luc 5501 Cavendish Blvd. 5479 Westminster Avenue	Michel Jutras Jean-Marie Benson
St-Eustache 250 Sauvé Blvd.	Jacques Richer	Dollard-des-Ormeaux 4057 Montée St-Jean	Pierre Tremblay
St-Hubert 4990 Champlain Blvd. 3605 Taschereau Blvd.	Dominique Morin Claude Soucy	Dorval 325 Dorval Avenue	Jean St-Denis
St-Lambert 400 Victoria Avenue	Fabien Brin	Granby 243 Principale Street	Michel Choinière
St-Laurent 123 Côte Vertu West 865 Décarie Blvd. 445 Laurentian Blvd. 1430 Poirier Street	Michel Leduc Gilles Bellemare Jean-Louis Grégoire Jean-Maurice Tourangeau	Hull 770 St-Jean Blvd.	Georges Castagne
St-Léonard 5900 Bélanger Street 4725 Jarry Street E. 5355 Jean-Talon Street E. 8410 Langelier Blvd. 8945 Viau Street	Gérald Charest Raymond Hébert Aldo Tucci Normand Audet Joseph Ruffolo	Lachine 1675 Notre-Dame Street W.	André Brunet
Terrebonne 1035 des Seigneurs Blvd.	Claude Rainville	La Salle 8787 Newman Blvd. 1291 Shevchenko Blvd.	Joseph Denino Albert Burke
Verdun 5501 Verdun Avenue 4214 Wellington Street	Yvon Labrecque Michel Blain	Laval 265 - 15th Street, Laval-des-Rapides 3387 Dagenais Blvd., Fabreville 510 des Laurentides Blvd. Pont-Viau 3870 Notre-Dame Blvd. 4640 Samson Blvd. 1995 St. Martin Blvd., Chomedey 750 Montrose Street, Duvernay	Roger Lemieux Jean-Bernard Lapointe Jean Dubois René Monté Raymond Coderre Jean Lefebvre Lucien Latreille

**THE MONTREAL CITY AND DISTRICT
SAVINGS BANK**

FOREIGN CORRESPONDENTS

Belgium

Société Générale de Banque S.A.

England

Bank of Montreal

France

Crédit Lyonnais
Royal Bank

Germany

Deutsche Bank A.G.

Greece

National Bank of Greece, S.A.

Haiti

Royal Bank

Israel

Bank Leumi Le Israel B.M.

Italy

Banca Nazionale del Lavoro
Credito Italiano

Portugal

Banco Totta & Açores

United States

Bank of Montreal
Chase Manhattan Bank N.A.
Citibank N.A.
Bankers Trust Company
Republic National Bank

Spain

Banco Hispano Americano
Banco Espanol de Credito

Switzerland

Union Bank of Switzerland
Swiss Bank Corporation

