

MONTREAL



CITY & DISTRICT SAVINGS BANK

131st annual report 1977



HOWARD ROSS LIBRARY
OF MANAGEMENT
AUG 20 1977
MCGILL UNIVERSITY



highlights

for the year ended October 31

	1977	1976
Balance of revenue	\$ 15,371,269.00	\$ 9,674,665.00
Per share	7.69	4.84
Income taxes	6,648,283.00	3,985,741.00
Balance of revenue after income taxes	8,722,986.00	5,688,924.00
Per share	4.36	2.84
Net profits	4,167,752.00	3,624,131.00
Per share	2.08	1.81
Dividends	1,980,000.00	1,880,000.00
Per share	0.99	0.94

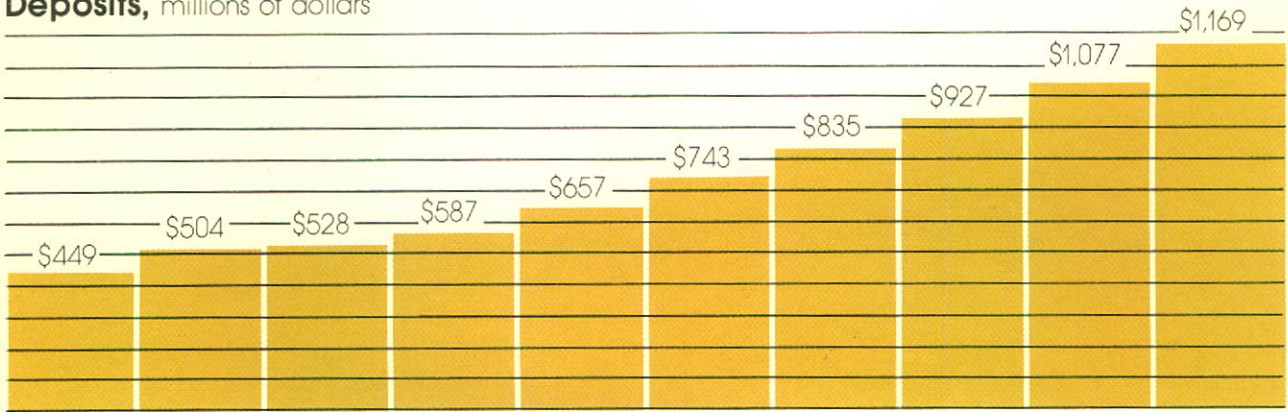
as at October 31

Assets	\$ 1,231,919,045.00	\$ 1,123,937,377.00
Deposits	1,169,772,833.00	1,077,718,244.00
Loans	778,459,945.00	693,381,548.00
Mortgage loans	670,984,916.00	602,743,993.00
Personal loans	86,925,124.00	70,949,089.00
Total shareholders' equity	33,988,012.00	30,300,260.00

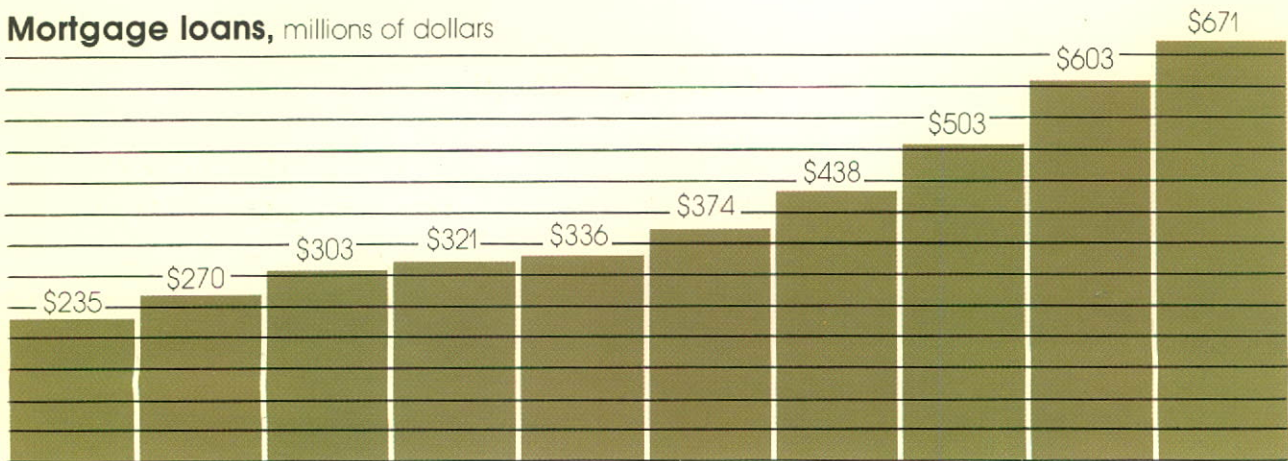
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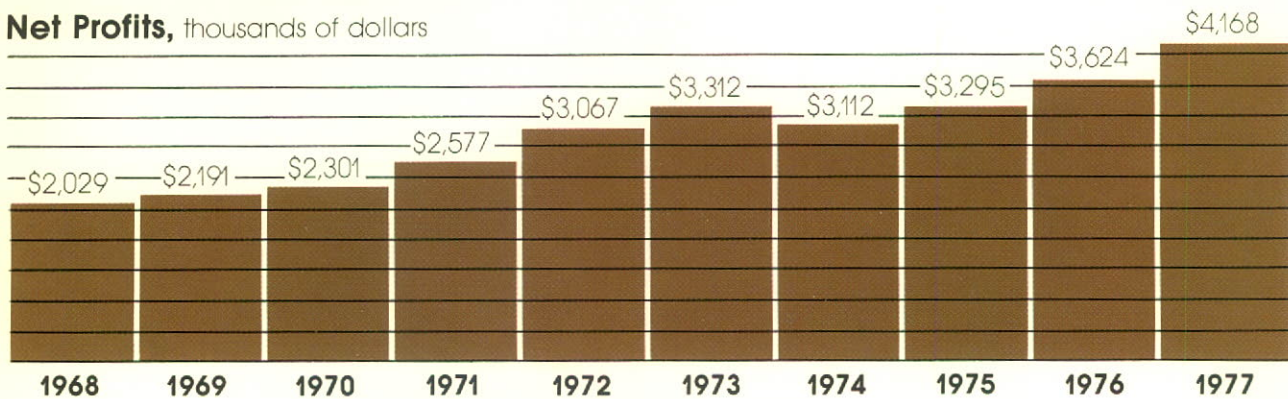
Deposits, millions of dollars



Mortgage loans, millions of dollars



Net Profits, thousands of dollars





André Marcil

address of the president

It is indeed gratifying to report to you that your Bank has again achieved new heights in its operational results this year as is evidenced by the financial statements for both the Bank and its wholly owned subsidiary, the Montreal City & District Trustees.

The combined assets of these two corporations total \$1,333,380,923., \$1,231,919,045. in the Bank and \$101,461,878. in the Trust Company.

The combined net profits after tax but before dividend payments are \$4,497,602., \$4,167,752. in the Bank and \$329,850. in the Trust Company.

Mr. Roger Lavoie, the Bank's Vice-President, General Manager and Chief Operating Officer and Mr. Noé Delorme, the Trust Company's General Manager and Chief Operating Officer, will both comment in detail on their respective results.

For my part, I will only say that our operations have been favoured mainly by the stable rate of return in our mortgage portfolio on the one hand while on the other we, as other banks, have experienced a reduced interest rate paid on deposits.

This is a situation which will no doubt reverse itself to some extent in the future but it does mean that the enhanced profit situation is not the result of increased charges to our clients. On the contrary there have been significant reductions in this area.

Nonetheless under the anti-inflation Board regulations, we have been prevented from passing on to our shareholders and employees as much as we would have liked in the matter of returns and will have to await the lifting of controls before we can give these matters due attention.

In the course of this year we have regretfully accepted the resignation of two directors of long service and of one who while not of such seniority, nevertheless had become a tower of strength.

Mr. Marc Jarry was a Board member for 18 years. During this time he served as a member of the Executive Committee for almost 10 years. Moreover he also assumed the presidency of the Montreal City & District Trustees for 8 years as well as serving on their Executive Committee from its inception.

Forbear of Mr. Ogden Glass served on the Bank's Board back to the very first Board of Directors. He himself joined the Board in December 1962. In this time he has also served as a Vice-President of the Montreal City & District Trustees for 6 years.

Finally Mr. Donald Neelands served on our Board for 2 1/2 years where his experience was of great value.

To these three gentlemen I express both my own and the thanks of the shareholders for their support over the years. Their wise counsel will be missed.

To replace these gentlemen we appointed the following directors. Mrs. Jeannine Guillevin Wood, President and majority shareholder of Guillevin Allied Limited.

Mrs. Wood is also a Director of Genin Trudeau and Tilly Manufacturing. She is a past President of the Electrical Distributors Association as well as Copel Inc., the National Association of Independent Electrical Distributors.

Mr. Marcellin Tremblay M.S.S., President of the Canadian Provident Group, is also Vice-Chairman of the Northern Life Assurance Company, Director of many Canadian companies and President of the Canadian Life Insurance Association.

Mr. Conrad Leblanc, who is Executive Vice-President and General Manager of Provident Insurance Company and its subsidiaries which form part of the Laurentienne Group.

I welcome these new directors to this annual general meeting and assure you that they have already shown what substantial support they can bring to your board's deliberations.

The continued growth of your Bank would not be possible without the enthusiastic and unselfish devotion of the Bank's staff. Incidentally I would like to underline at this time the fact that 530 Bank employees, or 41% of its total staff, are also shareholders. To all employees, both on my behalf and that of the shareholders, I express sincere thanks for their generous support throughout this record-breaking year.

May I now address myself to the general situation in Canada as a whole and Quebec in particular.

The last twelve months have been disastrous for our country with commerce in a severe decline, unemployment at completely unacceptable levels and an immediate future that is gloomy to say the least.

In my opinion Canada is paying the piper for a tune that was made up of the unrestrained socialist policies of government, combined with policies that hobble free enterprise and controls that have extended into more and more areas where the free play of the market place should have been allowed to prevail. Nothing has happened to make my remarks last year in this respect less pertinent. Coupled with this is the uncontrolled area of labour relations which has made its heavy contribution to rendering our products non-competitive in the world market-place and has combined with pricing policies which have made commodities exorbitantly expensive at home.

Throw into this dismal picture a bureaucracy which has taken over running the country and which is unable to appreciate the results of its decisions and one can hardly be surprised that the results are disastrous.

One example of the lack of thought that enters in bureaucratic mental processes is the recent decision to tax as income part of the interest saved by home-owners who have obtained reduced rate mortgages from their employers.

The Government has declared time and again that a prosperous construction industry is essential to prosperity. It has also provided low interest loans and subsidizes rentals for certain classes of tenants.

If an employer offers low interest loans for home ownership to a select group of employees, certainly this can be argued to be a taxable benefit.

But if the offer is open to all employees who desire to buy a home and in many cases may be the only way in which they can achieve this goal, why hobble it? Don't talk about justice among tax payers as an excuse.

Department stores and other retail organizations routinely offer substantial discounts on all their merchandise bought by their own employees. Among the attractions of working for certain air lines are the free trips all over the system — but these are not taxed, nor should they be.

Instead of favouring the employer-assisted purchase of homes and encouraging this policy, it has been decided to render it as ineffective as possible. So much for bureaucracy.

The situation in Quebec after 12 months of P.Q. administration is not an encouraging one.

Decisions are being made for the most part by ministers who have never had practical experience in operating a commercial enterprise and who are primarily inspired by ideological premises.

It is therefore not surprising that they as a government have applied themselves to furthering their ideological goals, leaving practical matters to a secondary position and without really giving adequate weight to the practical results of their decisions.

Therefore a province that even at the best of times would have had a hard row to hoe, especially in our

present economic conjuncture, has had to add this burden to its problems. Consequently Quebec has an even worse economic climate than the rest of the country, resulting from the departure of corporations, the slowing down of investments in the province except in the public sector and an unemployment rate that has reached a dangerous level.

Whether the Quebecer really is indifferent to all this and is willing to accept it as the price of independence is a moot point. The results of the referendum and of the next provincial election should give a clear answer to this question.

However, even if, as many think, the answer will be a strong no to independence and a return to traditional government policies, there will remain the problem of how to satisfy a large minority that will be left still agitating for what it perceives as denied rights.

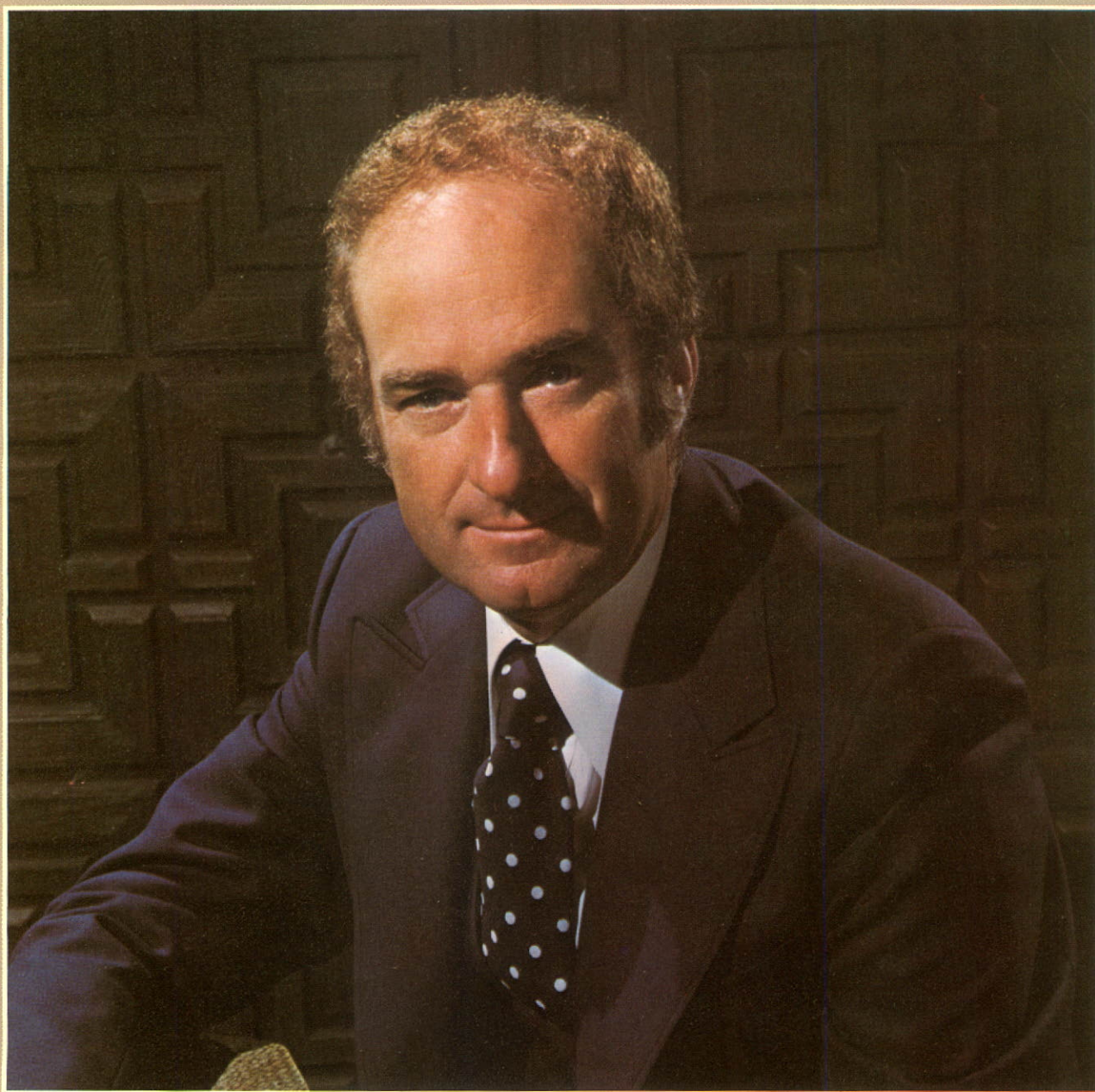
May I close these remarks by suggesting that at the same time as each and everyone of us concerns himself with these two votes, we also put every effort into coming up with a solution to Quebec's continued relation to Confederation that will satisfy a minority that must be listened to, and be acceptable to the majority that believes in Canada and its future.

This solution calls for an accommodation between Federalists and Independentists in which each will make some major concessions to the other party so that they become equal partners in a new Confederation. Surely if we are all of goodwill and apply our best abilities to finding the necessary formula, it can be done.

One thing is abundantly clear and that is that each and everyone of us must become involved in this process whose results will affect us all, our children and our children's children.



remarks of the vice-president
and general manager



Roger Lavoie

At the close of the 1977 financial year, the assets of the Bank totalled \$1,231,919,000, compared to \$1,123,937,000 in 1976. Though highly satisfactory under the circumstances, the progression of assets has nevertheless demonstrated a certain slowdown. Indeed, the underlying economic situation in Canada as well as in Quebec, coupled with an uncertain political climate, contributed to limiting the growth of deposits. Deposits rose from \$1,077,718,000 in 1976 to \$1,169,772,000 in 1977.

A better use of funds

As a result of a more dynamic management of assets, a larger share of deposits was committed to loans. During the past three years, loans increased from 58.9% of deposits in 1974 to more than 66.5% of deposits in 1977, thereby putting funds to better use.

Nonetheless, liquid assets, including cash on hand, Canadian securities and deposits with banks, amounted again over 32% of assets and reached \$399,988,000. In this regard, it should be noted that we paid special attention to the quality and maturity of securities in the Bank portfolio as evidenced by the larger proportion of securities issued or guaranteed by Canada and the Provinces. The pace of mortgage loans, which was rapid during the first six months of the period under review, dropped later on. At the close of the year, mortgage loans totalled \$670,984,000, an increase of 11.3% compared to 1976.

However, it was under the heading of personal loans that the efforts of the Bank met with their greatest success despite strong competition. The portfolio of personal loans amounted to \$86,925,000, an increase of 22.5% compared to 1976. It now represents 11.1% of total loans.

...and strict control of expenditures

During the year under review, your administration succeeded in limiting expenditures to \$97,254,000, an increase of only 12.2% over last year, while revenue jumped 16.9% to \$112,625,578. It should be noted that the expenditure figures I have quoted include a special contribution of nearly one million dollars to the employees' retirement funds.

Certainly, the lower interest rates environment we experienced at the start of 1977 had a favourable influence on the balance of revenue, given the time lag between the effect of such a reduction on the cost of deposits and revenue from loans. Nevertheless, effective control of general expenditures contributed substantially to the high balance of revenue. This fact deserves to be brought to your attention.

...resulting in unprecedented profits

The balance of revenue recorded a very marked upswing and totalled \$15,371,269, an increase of 58.9% in comparison to the balance of revenue for 1976, which already represented an increase of 37.5% compared to 1975.

After provision for taxes, the balance of revenue for the year 1977 was \$8,722,986, or \$4.36 per share, while it was only \$2.84 per share in 1976.

Consequently, your board decided to raise the quarterly dividend to \$0.27 per share which, on a yearly basis, would be equal to a dividend of \$1.08 per share, as compared to the annual dividend of \$1.00 per share for the preceding year. You were advised of this increase some weeks ago with the payment of the November 1, 1977 quarterly dividend.

...and improving shareholders' equity

Shareholders' equity reached \$33,988,012 in 1977 against \$30,300,000 in 1976, an increase of \$3,687,752, thereby bringing the book value per share from \$15.15 in 1976 up to \$16.99 in 1977.

Five-year plan

Though we have experienced a slower progression in our deposits due to economic and political factors related to our market, the principal profitability targets which were set for 1977, representing the first phase of a five-year plan have been achieved and even surpassed. The results I have placed before you support this statement.

We were able to consolidate our operations in the following key sectors: In the clearing process, we reorganized systems and methods to achieve a greater yield from assets valued at hundreds of thousands of dollars.

In the data-processing field, we recently acquired high-powered computers which will go into operation during 1978. In addition to providing greater autonomy for our operations, these important management tools will also make it possible to improve the quality of customer services. During the coming months, a "Service Centre" will be built in Laval at a cost of \$1,500,000 which will house the computers and other related services.

Furthermore, we have constantly sought means to improve the matching of maturities between mortgage loans and deposits. One of these means was the reduction of the term of mortgage loans from five to three years.

Finally, during the financial year just ended, the Bank became involved for the first time in sale operations on the secondary mortgage market, as well as in the financing of high rise buildings.

...expansion of the network

The addition of three new branches, at Saint-Eustache, St-Hubert, and on Côte Vertu in the City of Saint-Laurent, deserves mention. These three new points of sale are already recording very satisfactory results due to the untiring efforts and devotion of the managers and their teams. Our expansion plan during the next twelve months provides for the opening of eight new branches both in the Greater Montreal area and beyond, which would bring the total number of branches of the Bank to 114. At the same time, major renovation works will be undertaken in five of the existing branches with a view to improving customer services as well as the Bank's public image.

...market research

Specific research was carried out within the framework of marketing activities. These studies will lead to concrete changes in the services provided to customers, starting in 1978.

Conclusion

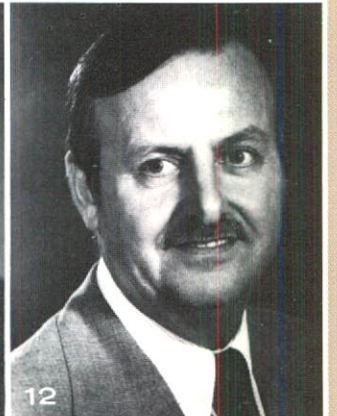
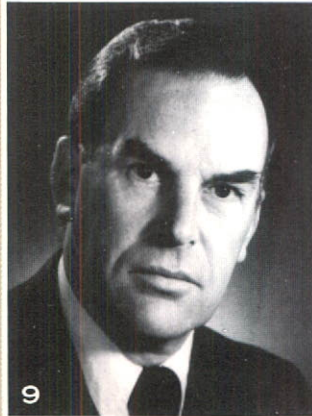
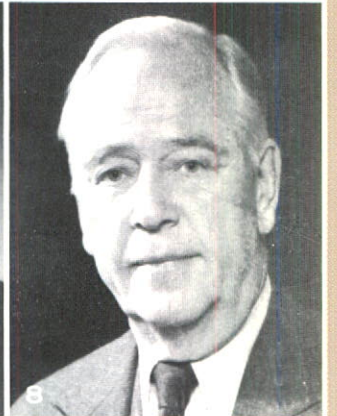
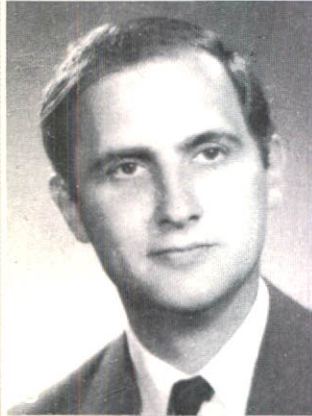
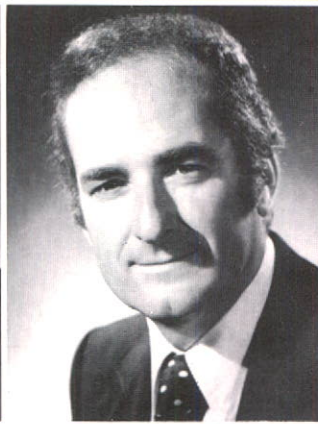
In conclusion, I may say that the exceptional results in terms of profitability, a few of whose highlights I have described, in good part, reflect the renewed will and firm desire of managerial staff and employees to take up the challenge of competition and to develop an increasingly dynamic

presence of the Bank in the market. On this respect, we are also intensifying our employee-training programs and are making special efforts to adapt hiring practices, the training of personnel, as well as the development of better labor relations to our expansion objectives. The reorganization of the Human Resources Division carried out during the last year is part of this global approach.

Our social responsibility was also expressed in respect to our retired employees. Through a substantial contribution to the retirement plan, we have significantly strengthened the purchasing power of our pensioners. As noted earlier by our President, Mr. André Marcil, more than 40% of our employees are also shareholders of the Bank. It is a fact worthy of mention.

I wish to join the President in his expression of gratitude to our employees. In the accomplishment of their tasks, they have demonstrated a sense of loyalty and devotion deserving of high praise. I am convinced that with a staff of such caliber, the Bank can take up the challenge of competition and look confidently to the future.





board of directors

- 1 *ANDRÉ MARCIL
President and Chief Executive Officer,
The Montreal City and District
Savings Bank.
- 2 *ROGER LAVOIE
Vice-President, General Manager
and Chief Operating Officer,
The Montreal City and District
Savings Bank.
- 3 JOHN G. BOURNE
President,
Atlas Construction Inc.
- 4 LOUIS J. M. GRAVEL,
Architect.
- 5 *MICHAEL B. HARDING
Vice-President, Finance,
Janin Construction Limited.
- 6 *PHILIPPE ROBERGE
Notary,
Senior Partner,
McLean, Marler, Tees,
Watson, Janet and Roberge.
- 7 JACQUES R. NADEAU
President,
Crown Laundry & Dry Cleaning.
- 8 STANLEY E. NIXON
Corporate Director and
Financial Consultant,
Dominion Securities Limited.
- 9 MORGAN McCAMMON
President,
Molson Breweries of Canada Limited.
- 10 JEANNINE GUILLEVIN WOOD
President,
Guillevin Allied Limited.
- 11 *MARCELLIN TREMBLAY
President,
Canadian Provident Insurance Co.
- 12 CONRAD LEBLANC
Executive Vice-President
and General Manager,
The Provident Assurance Company

executive officers of the bank

André Marcil
President and Chief Executive Officer

Roger Lavoie
Vice-President,
General Manager and
Chief Operating Officer

Lionel Collin
Deputy General Manager

Roland Brien
Assistant General Manager

Jacques Ethier
Assistant General Manager

Jacques Julien
Assistant General Manager

René Delisle
Assistant General Manager

Gilles Lavigne
Assistant General Manager

Camille Antaki
Secretary

*Member of the Executive Committee

statement of assets and liabilities

as at October 31, 1977

assets

	1977	1976
Cash resources		
Cash and due from banks	\$ 137,883,770	\$ 102,019,006
Cheques and other items in transit, net	31,797,569	50,041,572
Total cash resources	169,681,339	152,060,578
Securities		
Securities issued or guaranteed by Canada, at amortized value	37,452,815	32,052,567
Securities issued or guaranteed by provinces, at amortized value	98,788,870	88,800,850
Other securities, not exceeding market value	125,862,183	137,813,244
Total securities	262,103,868	258,666,661
Loans		
Mortgages, less provision for losses	670,984,916	602,743,993
Other loans, less provision for losses	107,475,029	90,637,555
Total loans	778,459,945	693,381,548
Sundry assets		
Bank premises at cost, less amounts written off	18,689,860	17,449,458
Other assets	2,984,033	2,379,132
Total sundry assets	21,673,893	19,828,590
	\$ 1,231,919,045	\$ 1,123,937,377



liabilities

	1977	1976
Deposits		
Deposits by Canada	\$ 582,257	\$ 502,645
Other deposits	1,168,898,240	1,076,671,589
Deposits in currencies other than Canadian	292,336	544,010
Total deposits	1,169,772,833	1,077,718,244
Other liabilities	4,989,420	2,981,133
Accumulated appropriations for losses	23,168,780	12,937,740
Shareholders' equity		
Capital Stock: Authorized: 3,000,000 shares of \$1 each 2,000,000 shares issued and fully paid	2,000,000	2,000,000
Rest account	31,500,000	28,000,000
Undivided profits	488,012	300,260
Total shareholders' equity	33,988,012	30,300,260
	\$ 1,231,919,045	\$ 1,123,937,377

André Marcil
President and Chief Executive Officer

Roger Lavoie
Vice-President
General Manager and
Chief Operating Officer

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, 1977 and the Statement of Revenue, Expenses and Undivided Profits, the Statement of Accumulated Appropriation 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.

As disclosed in note 2, the Bank is subject to the Federal Anti-Inflation legislation. It is possible that excess revenue exists. However, sufficient information is not available at this date to determine the amount of such excess, if any.

In our opinion, subject to the determination of the excess revenue, if any, as referred to above, these financial statements present fairly the financial position of the Bank as at October 31, 1977 and its revenue, expenses and undivided profits, accumulated appropriation for losses, rest account and changes in financial position for the year then ended.

Auditors:
WILLIAM A. SHANNON, C.A.
MARCEL HURTUBISE, C.A. of Maheu, Noiseux & Associés
Montreal, November 18, 1977

statement of revenue, expenses and undivided profits

for the financial year ended October 31, 1977

	1977	1976
Revenue		
Income from loans	\$ 79,333,569	\$ 65,015,995
Income from securities	20,659,157	21,124,002
Other operating revenue	12,632,852	10,241,223
Total revenue	<u>112,625,578</u>	<u>96,381,220</u>
Expenses		
Interest on deposits	67,501,626	61,305,114
Salaries, pension contributions and other staff benefits	18,105,081	15,030,771
Property expenses, including depreciation	4,011,218	3,461,349
Other operating expenses, including provision for losses on loans based on five-year average loss experience	7,636,384	6,909,321
Total expenses	<u>97,254,309</u>	<u>86,706,555</u>
Balance of revenue	15,371,269	9,674,665
Provision for income taxes relating thereto (See note 1)	6,648,283	3,985,741
Balance of revenue after provision for income taxes	8,722,986	5,688,924
Appropriation for losses	4,555,234	2,064,793
Net profits for the year	4,167,752	3,624,131
Dividends	1,980,000	1,880,000
Amount carried forward	2,187,752	1,744,131
Undivided profits		
Balance at beginning of year	300,260	56,129
Transfer from accumulated appropriations for losses	1,500,000	1,000,000
Total	3,988,012	2,800,260
Transferred to Rest account	3,500,000	2,500,000
Balance at end of year	<u>\$ 488,012</u>	<u>\$ 300,260</u>
Per Share		
Balance of revenue	\$7.69	\$4.84
Balance of revenue after provision for income taxes	4.36	2.84
Net profits for the year	2.08	1.81
Dividends	0.99	0.94

statement of accumulated appropriations for losses
for the financial year ended October 31, 1977



	1977	1976
Accumulated appropriations at beginning of year:		
General	\$ 4,280,776	\$ 385,363
Tax Paid	8,656,964	6,883,651
	<u>12,937,740</u>	<u>7,269,014</u>
Add:		
Appropriation from current year's operations	4,555,234	2,064,793
Loss experience on loans less provision included in other operating expenses	75,733	(271,577)
Profits and losses on securities, including provisions to reduce securities other than those of Canada and provinces to values not exceeding market	6,630,587	4,279,591
Other profits, losses and non-recurring items, net	196,596	23,343
Provisions for income taxes, including credit of \$395,648 (1976: \$567,780) relating to appropriation from current year's operations (see note 1)	272,890	572,576
	<u>24,668,780</u>	<u>13,937,740</u>
Deduct:		
Transferred to undivided profits	1,500,000	1,000,000
Accumulated appropriations at end of year:	<u>23,168,780</u>	<u>12,937,740</u>
General	9,807,703	4,280,776
Tax Paid	13,361,077	8,656,964
	<u>\$ 23,168,780</u>	<u>\$ 12,937,740</u>

statement of rest account
for the financial year ended October 31, 1977

	1977	1976
Balance at beginning of year	\$ 28,000,000	\$ 25,500,000
Transferred from undivided profits	3,500,000	2,500,000
Balance at end of year	<u>\$ 31,500,000</u>	<u>\$ 28,000,000</u>

Notes

1 — PROVISION FOR INCOME TAXES

The provision for income taxes for the year is included in the financial statements as follows:

	1977	1976
Statement of revenue, expenses and undivided profits	\$ 6,648,283	\$ 3,985,741
Statement of accumulated appropriations for losses	(272,890)	(572,576)
Total provision for income taxes	<u>\$ 6,375,393</u>	<u>\$ 3,413,165</u>

2 — ANTI-INFLATION LEGISLATION

The Bank is subject to Anti-Inflation Legislation which became effective October 14, 1975. This legislation controls profits, prices, compensation and dividends to shareholders.

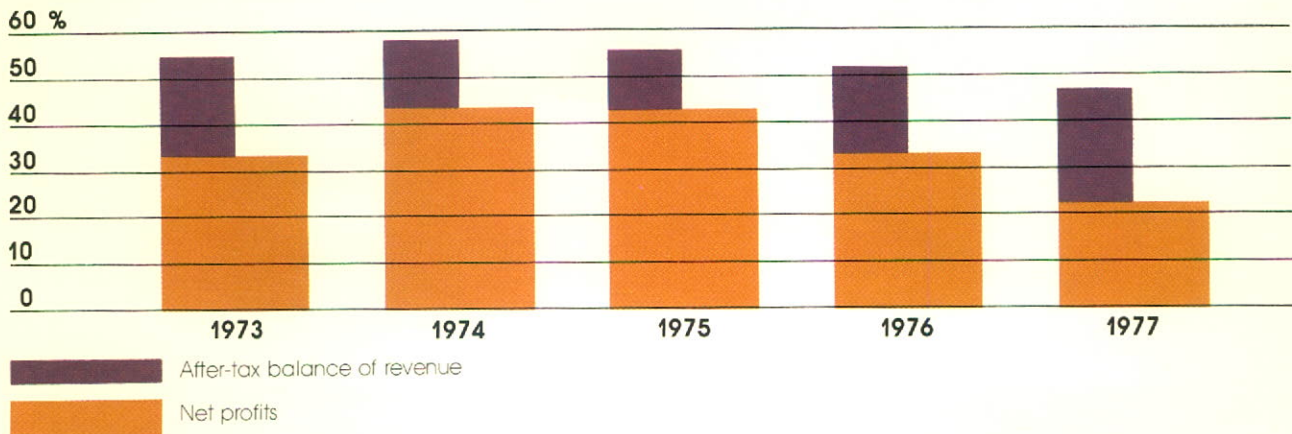
statement of changes in financial position

for the financial year ended October 31st, 1977

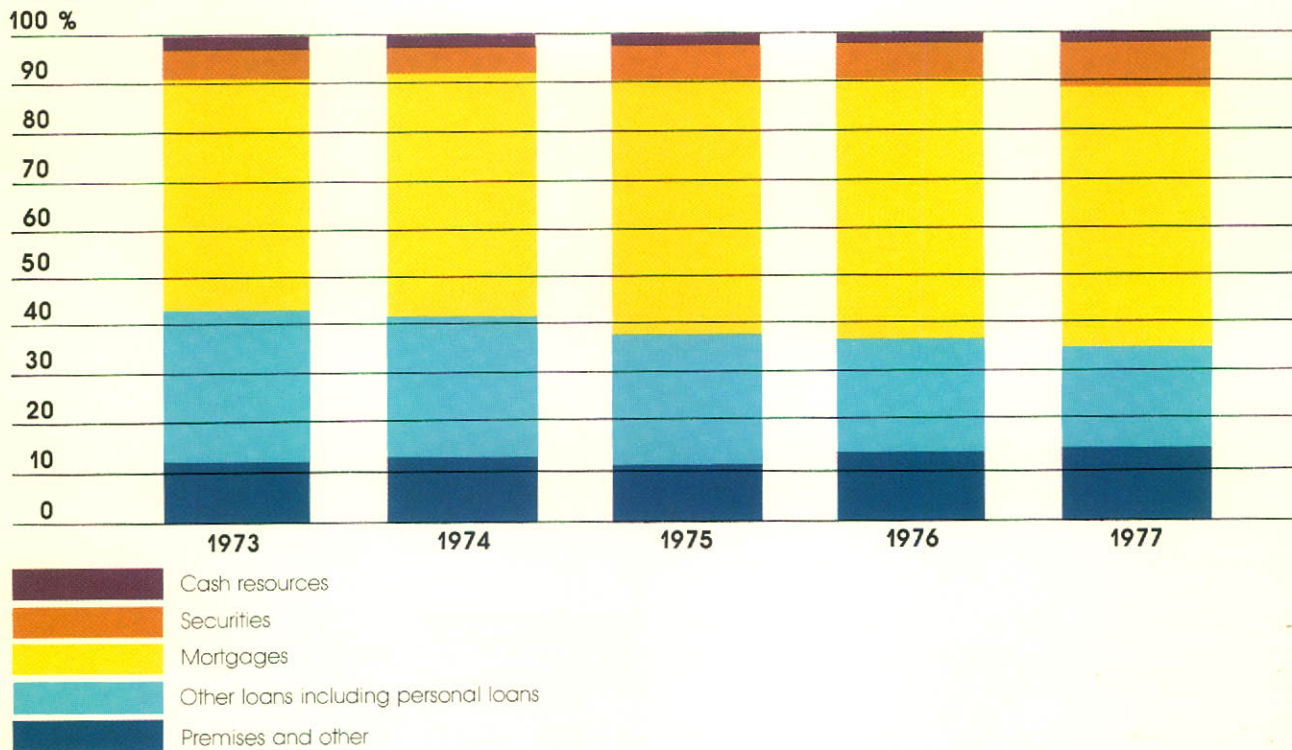
	1977	1976
Source of funds		
Funds provided from operations:		
Balance of revenue after provision for income taxes	\$ 8,722,986	\$ 5,688,924
Items not requiring an outlay of funds	1,925,541	2,263,402
	10,648,527	7,952,326
Other items providing funds:		
Increase in deposit liabilities	92,054,589	149,888,083
Decrease in investment in securities	3,218,748	5,521,433
Increase (decrease) in other liabilities	2,213,657	(2,991,330)
	\$ 108,135,521	\$ 160,370,512
Use of funds		
Increase in cash resources	\$ 17,620,761	\$ 41,531,340
Increase in investment in loans	84,909,591	116,416,198
Increase in investment in bank premises	3,010,590	1,016,385
Increase (decrease) in other assets	614,579	(473,411)
Dividends paid	1,980,000	1,880,000
	\$ 108,135,521	\$ 160,370,512



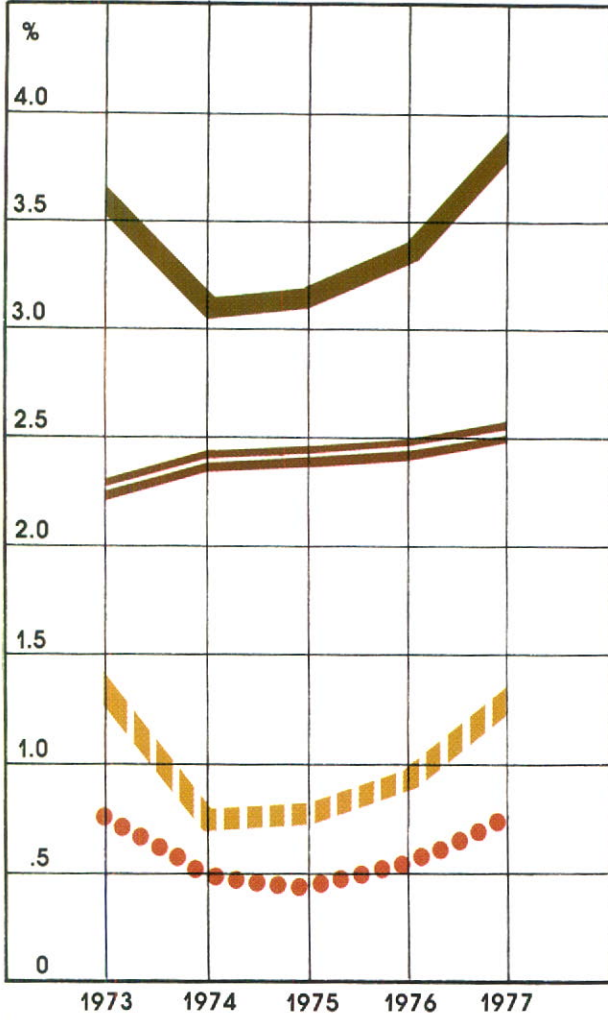
Dividend payout ratio



Distribution of assets

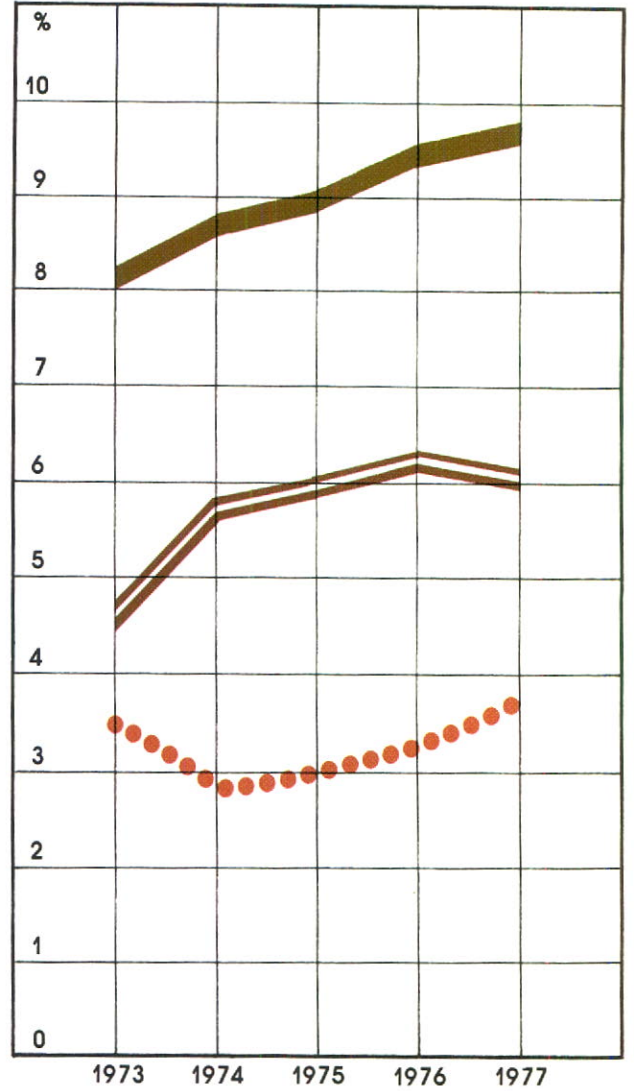


Return on assets



- Total revenue less interest expenses
- Total operating expenses
- Pre-tax balance of revenue
- After-tax balance of revenue

Breakdown of interest rates spread



- Average rate earned on earning assets
- Average rate paid on deposits
- Interest rate spread



Seated, from left to right: JACQUES ETHIER, Assistant General Manager — Systems Development and Processing; GILLES LAVIGNE, Assistant General Manager — Branches; JACQUES JULIEN, Assistant General Manager — Personnel.

Standing, from left to right: LIONEL COLLIN, Deputy General Manager; RENE DELISLE, Assistant General Manager — Business Development and Customer Relations; ROLAND BRIEN, Assistant General Manager — Inspection, Protection and Investigations.

proceedings of the annual general meeting

The One Hundred and Thirty-First Annual General Meeting of the Shareholders was held at the Château Champlain Hotel, Place du Canada, Montreal, on Wednesday, December 14th., 1977, at 10:30 A.M.

On motion by Mr. Léo Desroches, seconded by Mr. Jean Mercure and unanimously approved, Mr. André Marcil took the chair.

The Chairman welcomed the Shareholders. He stressed the fact that the annual general meeting is being held outside the Bank's Head Office for the first time in its history, and that the departure was prompted by the rapid growth of the Bank and the increased shareholders' attendance at annual general meetings.

The Chairman appointed Mr. Pierre Nolin, Assistant Secretary of the Bank, to act as Secretary of the Meeting and Miss Irène Cécylre and Mr. Bernard Maître to act as Scrutineers.

At the Chairman's request, the Secretary read the notice calling the Meeting. The said notice having been found satisfactory, the Chairman declared the Meeting regularly called and held.

On motion by Mr. Pierre Chouinard, seconded by Miss Pauline Cazalais, the minutes of the last Annual General Meeting of Shareholders were taken as read and unanimously confirmed.

The Chairman read a summary of the report of the Board of Directors for the year ended October 31, 1977 and in his capacity as President and Chief Executive Officer of the Bank, he made an address, the full text of which can be found on page 3.

The Scrutineers reported that a sufficient number of Shareholders were in attendance to constitute a quorum.

The Chairman referred to the Financial Statements and the Auditors' Report, of which a copy has been mailed to all Shareholders and a further copy given this day to the Shareholders present at this Meeting. He stated that, under the circumstances, a formal reading of the financial statements by the Secretary might be dispensed with.

At the Chairman's request, the Secretary read the Auditors' Report.

The Chairman then asked Mr. Roger Lavoie, Vice-President, General Manager and Chief Operating Officer of the Bank, to comment on the Financial Statements and on the operations of the Bank.

18 Mr. Lavoie made his comments, the full text of which can be found on page 6.

It was then moved by Mr. André Marcil, seconded by Mr. Roger Lavoie, that the Report of the Directors, the Financial Statements for the year ended October 31, 1977 and the Auditors' Report be adopted. Before proceeding with the vote, the Chairman invited comments from the Shareholders. As no such comments were made, the vote was taken and the motion was carried unanimously.

On motion by Mr. Lucien Lachapelle, seconded by Mr. Paul Lambert, it was unanimously resolved that Messrs. Marcel Hurtubise, C.A. and Charles-Albert Poissant, C.A., be appointed Auditors for the ensuing year and that their remuneration be set at a total amount of \$38,000 to be divided between them according to the time devoted by each to the affairs of the Bank.

Mrs. Nicole Ballard nominated the following persons as Directors for the ensuing year: Mrs. Jeannine Guillevin Wood, Messrs. John G. Bourne, Louis J. M. Gravel, Michael B. Harding, Roger Lavoie, Conrad Leblanc, André Marcil, Morgan McCammon, Jacques R. Nadeau, Stanley E. Nixon, Philippe Roberge and Marcellin Tremblay.

The Chairman enquired from the Shareholders whether there were any further nominations. There being no other nominations, he declared the nominations closed.

With the consent of the Shareholders, the Chairman asked 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 them elected as Directors of the Bank for the ensuing year.

The Chairman submitted to the Shareholders, amended By-Law "G" of the Bank increasing the number of the members of the Executive Committee from five to six, and amended By-Law "O" of the Bank providing that the Annual General Meeting of the Shareholders be held on the second Friday of December of each year. He gave the reasons for the proposed changes and added that the texts of the amended By-Laws had been read earlier as part of the notice calling the Meeting.

On motion by Mr. Pierre Jean, seconded by Mr. Noé Delorme, By-Law "G" was unanimously confirmed and adopted in the form submitted at the Meeting.

It was then moved by Mr. Gilbert Guilbeault, seconded by Mr. Claude Guy, that By-Law "O" be confirmed and adopted in the form submitted at the Meeting. The motion was carried unanimously.

The Scrutineers reported that 272,392 shares were present and 950,709 were represented by proxy at the Meeting, for a total of 1,223,101 shares or 71% of the outstanding capital stock having the right to vote.

The Chairman asked Mr. Noé Delorme, General Manager and Chief Operating Officer of the Montreal City and District Trustees, a fully-owned subsidiary of the Bank, to comment on the operations of the subsidiary. The complete text of Mr. Delorme's comments can be found on page 27

The Chairman enquired whether any other business should be brought up for consideration of the Meeting. No such business having been raised, Mr. Gilles Charpentier rose and said: "On behalf of

the Meeting, I wish to tender thanks to the President, the Directors, the Vice-President and General Manager, the other Officers of the Bank and all the members of the Staff for the results achieved during the last financial period and for their careful attention to the interests of the Bank". This statement was adopted by the Shareholders with applause.

The Meeting was then terminated.

At a meeting of the Board of Directors, held immediately after the Shareholders' meeting, Mr. André Marcil was elected President and Chief Executive Officer of the Bank and Mr. Roger Lavoie was elected Vice-President, General Manager and Chief Operating Officer of the Bank.

report of the board of directors

Your Directors have pleasure in presenting in brief the One Hundred and Thirty-First Annual Report of the Bank covering its operations for the financial year ended October 31, 1977.

Net profits	\$ 4,167,752
Dividends to shareholders	\$ 1,980,000
Amount carried forward	\$ 2,187,752
Undivided Profits at beginning of year	\$ 300,260
Transfer from Accumulated Appropriation for losses	\$ 1,500,000
Balance at end of year	\$ 3,988,012
Transferred to Rest Account	\$ 3,500,000
Balance of Undivided Profits at end of year	\$ 488,012

statement of rest account

Balance at beginning of year	\$28,000,000
Transferred from Undivided Profits	\$ 3,500,000
Balance at end of year	\$ 31,500,000



ten year statistical review

(in thousands)

Assets, liabilities and accumulated appropriations for losses	1977	1976	1975
Assets			
Cash resources	\$ 169,681	152,061	110,529
Government and other securities	262,104	258,667	259,862
Loans including mortgages	778,460	693,381	577,535
Bank premises (net)	18,690	17,449	17,786
Other assets	2,984	2,379	2,916
TOTAL ASSETS	\$ 1,231,919	1,123,937	968,628
Liabilities			
Deposits	\$1,169,773	1,077,718	927,830
Other liabilities	4,989	2,981	5,973
Accumulated appropriations for losses	23,169	12,938	7,269
Shareholders' equity	33,988	30,300	27,556
TOTAL LIABILITIES	\$ 1,231,919	1,123,937	968,628
Accumulated appropriations for losses			
Accumulated appropriations at beginning of year	\$ 12,938	7,269	5,937
Additions (deductions) during year:			
Current year's appropriation	\$ 4,555	2,065	869
Loss experience on loans less provision included in other operating expenses	76	(271)	(84)
Profits and losses on securities, etc.	6,630	4,280	1,207
Other profits, losses and non recurring items, net	197	23	(49)
Provision for income taxes	273	572	(611)
Transferred to undivided profits	(1,500)	(1,000)	—
	\$ 10,231	5,669	1,332
Accumulated appropriations at end of year			
General	\$ 9,808	4,281	385
Tax paid	13,361	8,657	6,884
TOTAL	\$ 23,169	12,938	7,269
Additional information			
Number of branches	106	103	100
Number of employees	1,291	1,203	1,216



1974	1973	1972	1971	1970	1969	1968
112,077	93,820	64,998	60,013	46,705	62,363	58,528
248,366	245,703	238,536	191,158	159,846	157,848	144,013
492,749	427,223	380,116	361,811	339,723	305,751	268,796
18,484	16,694	13,708	12,622	11,653	10,911	10,321
2,167	3,506	4,438	1,859	1,647	1,814	1,794
873,843	786,946	701,796	627,463	559,574	538,687	483,452
836,867	743,821	657,936	588,402	528,834	506,932	450,029
4,937	2,564	3,620	2,572	2,008	3,546	3,208
5,937	15,731	16,883	14,519	7,939	8,457	11,455
26,102	24,830	23,357	21,970	20,793	19,752	18,760
873,843	786,946	701,796	627,463	559,574	538,687	483,452
15,731	16,883	14,519	7,939	8,456	11,455	11,455
1,019	2,085	5,634	3,378	934	1,367	1,619
(124)	(9)	201	18	(433)	211	176
(10,951)	(3,229)	(750)	4,934	(519)	(4,058)	(566)
303	—	15	—	—	267	19
(41)	1	(2,736)	(1,750)	(499)	(786)	(1,248)
—	—	—	—	—	—	—
(9,794)	(1,152)	2,364	6,580	(517)	(2,999)	—
18	6,804	9,660	10,351	5,611	5,741	8,491
5,919	8,927	7,223	4,168	2,328	2,715	2,964
5,937	15,731	16,883	14,519	7,939	8,456	11,455
89	87	83	81	78	78	77
1,241	1,190	1,142	1,127	1,188	1,234	1,196

ten year statistical review

(in thousands)

Revenue, expenses and undivided profits	1977	1976	1975
Revenue			
Income from loans	\$ 79,333	65,016	51,326
Income from securities	20,659	21,124	20,482
Other operating revenue	12,633	10,241	9,722
TOTAL REVENUE	\$ 112,625	96,381	81,530
Expenses			
Interest on deposits	\$ 67,502	61,305	52,475
Salaries, pension contributions and other staff benefits	18,105	15,031	13,109
Property expenses	4,011	3,461	3,620
Other operating expenses	7,636	6,909	5,291
TOTAL EXPENSES	\$ 97,254	86,706	74,495
Balance of revenue	\$ 15,371	9,675	7,035
Provision for income taxes	6,648	3,986	2,871
Balance of revenue after provision for income taxes	\$ 8,723	5,689	4,164
Appropriation for losses	4,555	2,065	869
Net profits for the year	\$ 4,168	3,624	3,295
Dividends	1,980	1,880	1,840
Amount carried forward	\$ 2,188	1,744	1,455
Undivided profits			
Balance at beginning of year	300	56	101
Transfer from accumulated appropriations for losses	1,500	1,000	—
	\$ 3,988	2,800	1,556
Transferred to Rest account	3,500	2,500	1,500
Balance at end of year	\$ 488	300	56
Additional information			
Number of outstanding shares	\$ 2,000	2,000	2,000
Earning per share (in dollars)	2.08	1.81	1.65
Dividends per share (in dollars)	0.99	.94	.92
Equity per share (in dollars)	16.99	15.15	13.78



1974	1973	1972	1971	1970	1969	1968
43,021	36,161	32,766	30,571	27,187	21,862	18,694
20,010	17,418	15,292	12,290	10,813	9,734	6,929
9,132	5,080	4,332	4,158	4,335	4,178	4,257
72,163	58,659	52,390	47,019	42,335	35,774	29,880
46,037	32,099	27,038	25,989	25,283	19,365	13,797
11,684	9,662	8,846	8,213	7,754	7,321	7,122
3,594	3,177	2,651	2,451	1,985	1,875	1,805
4,726	4,000	3,205	2,578	2,436	2,109	2,069
66,041	48,938	41,740	39,231	37,458	30,670	24,793
6,122	9,721	10,650	7,788	4,877	5,104	5,087
1,991	4,323	1,949	1,833	1,641	1,546	1,439
4,131	5,398	8,701	5,955	3,236	3,558	3,648
1,019	2,086	5,634	3,378	935	1,367	1,619
3,112	3,312	3,067	2,577	2,301	2,191	2,029
1,840	1,840	1,680	1,400	1,260	1,200	1,060
1,272	1,472	1,387	1,177	1,041	991	969
329	358	470	293	252	261	291
—	—	—	—	—	—	—
1,601	1,830	1,857	1,470	1,293	1,252	1,260
1,500	1,500	1,500	1,000	1,000	1,000	1,000
101	330	357	470	293	252	260
2,000	2,000	2,000	2,000	2,000	2,000	2,000
1.56	1.66	1.53	1.29	1.15	1.10	1.01
.92	.92	.84	.70	.63	.60	.53
13.05	12.42	11.68	10.99	10.40	9.88	9.38

departments and branches

District Managers

Gilles Beausoleil
Berthold Bernarchuk
Yvon Labrecque
Marcel Lauzon

Chief Accountant

Jacques Parent

Departments

Accounting
Advertising
Clearing
Foreign Exchange
Human Resources
Industrial Relations
informatic
Inspection
Internal Audit
Investments
Marketing
Methods and Procedures
Mortgage Loans
Personal Loans
Premises

Managers

Michel Archambault
Jacques Bourgeois
Roméo Gauthier
Roger Cormier
Jean-Pierre Maheu
Richard Longpré
Jean-Guy Calvé
Yvan Poirier
Roger Bourget
Claude Jodoin
André Danis
Guy Labelle
Robert Desharnais
Robert Larocque
Georges Dorion



Branches

Montreal

400 Beaubien Street E.
3160 Beaubien Street E.
4945 Beaubien Street E.
6593 Beaubien Street E.
1101 Bélanger Street E.
4155 Bélanger Street E.
290 Chabanel Street W.
1100 Condé Street
5199 Côte des Neiges Rd.
5990 Côte des Neiges 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.
50 Henri-Bourassa Bl. 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 Avenue

Managers

Robert Brossard
Lucien Deslauriers
Claude Piché
Claude Parent
Gérard Lapointe
Marcel Collette
Paul Lalonde
André Julien
Pôline Paquet
Jean-Paul Fluet
Lionel Lefrançois
Aimé Cuillierier
Jean Lapostolle
André Verbejus
Serge Létourneau
Marcel Turmel
Guy Pelletier
André Laurin
Yves Desrochers
Richard Rousseau
Jean-Paul Bolduc
Jean-Guy Roy
Roger Graillon
Bernard Benoit
Mario Galella
Fabien Brin
Gilles Bellemare
André Gagnon
Lucien Lachance
Jean-Claude De Grasse
Normand Landry

1100 Mount Royal Ave. E.
2046 Mount Royal Ave. E.
1420 Notre-Dame Street W.
1551 Ontario Street E.
3720 Ontario Street E.
7705 Papineau Avenue
5059 Park Avenue
5677 Park Avenue
936 St. Catherine Street E.
2400 St. Catherine Street E.
3290 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. James Street W.
2401 St. James Street W.
4080 St. James Street W.
3730 St. Lawrence Blvd.
4467 St. Lawrence Blvd.
6700 St. Lawrence 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
Jean-Guy St-Onge
Yvon Couture
Roger Marcoux
Yvon Choquet
Aimé Jalicoeur
Lionel Pesant
Roger Bourgon
Louis-Philippe Lessard
Guy Lorrain
André Allaire
Jean Bazinet
Gilles Bolduc
Claude Poisson
Germain Désilets
Jean-Guy Poulin
Jean Dubois
Gilles Madore
Patrick Farmer
Claude Marleau
André Letarte
Roland Lamontagne
Claude Gauthier
Raymond Coderre
Paul Portugais
Maurice Renaud
Richard Turcotte
Denis Lavigne
Raymond Larivée
Michel Blain
Gilles Emond
Jean-Marie Benson
Rolland Désormeaux
Jean Loiselle

Anjou

7050 Jarry Street E.
6651 Joseph Renaud Blvd.

Lucien Hardy
François Bernard

Châteauguay

111 St. Jean-Baptiste Blvd.

Robert Proulx

Côte St-Luc

5501 Cavendish Blvd.
5479 Westminster Avenue

Jean St-Denis
Lucien St-Pierre

Dorval

325 Dorval Avenue

Morgan McCarthy

Granby

243 rue Principale

Gilles Faucher

Lachine

1675 Notre-Dame Street W.

Robert Plante

LaSalle

8787 Newman Blvd.

Joseph Denino

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 Montrouze Street,
Duvernay

Lucien Latreille

Jean-Bernard Lapointe

Pierre Périard
René Monté
Normand Larocque
Jean St-Pierre

Serge Joly

Longueuil

2836 Chemin Chambly
4 St. Charles Street E.
670 Curé Poirier Blvd. W.

André Dulac
Jean Mercure
Maurice Tremblay

Montreal North

4135 Amiens Street
5501 Henri Bourassa Blvd. E.
6263 Maurice-Duplessis Blvd.

René Laverdière
Normand Lemieux
Donld Ruel

Outremont

1447 Van Horne Avenue

Robert Arrelle

Pointe-aux-Trembles

12050 Sherbrooke Street E.

Isidore Blanchard

Repentigny

150 Iberville Blvd.

Gilles Leduc

Roxboro

10451 Gouin Blvd. W.

Robert Marois

St. Eustache

250 Sauvé Blvd.

Paulin Lemire

St. Hubert

4990 Champlain Blvd.
3605 Taschereau Blvd.

Dominique Morin
Paul Cloutier

St. Lambert

400 Victoria Avenue

Michel Jutras

St. Laurent

123 Côte Vertu West
865 Décarie Blvd.
445 Laurentian Blvd.
1430 Poirier Street

Roger Durand
Jean Lefebvre
Michel McCann
Maurice Tourangeau

St. Léonard

5900 Bélanger Street E.
4725 Jarry Street E.
5355 Jean-Talon Street E.
8410 Langelier Blvd.

Gérald Charest
Raymond Hébert
Roger Majeau
Normand Audet

Terrebonne

1035 des Seigneurs Blvd.

Laurent Parisien

Verdun

5501 Verdun Avenue
4214 Wellington Street

Claude Desmarais
Réal Toupin

Westmount

4848 Sherbrooke Street W.

Angus Goodfellow

Foreign Agents**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.

Israel

Bank Leumi Le Israel B.M.

Italy

Banca Nazionale del Lavoro
Credito Italiano

Portugal

Banco Portugues do Atlantico
Banco Totta & Açores

United States

Bank of Montreal
Chase Manhattan Bank
First National City Bank
Bankers Trust Company

Spain

Banco Hispano Americano
Banco Espanol de Credito

Switzerland

Union Bank of Switzerland

Trustees

Founded in 1939
head office: 1253 mcgill college avenue,
montreal H3B 2Z6



board of directors

André Marcil*
Chairman of the Board
President and Chief Executive Officer

John G. Bourne

Louis J.-M. Gravel

Michael B. Harding*

Philippe Roberge*

Roger Lavoie*

Jacques R. Nadeau

Stanley E. Nixon

J. Noé Delorme*

Morgan McCammon

Jeannine Guillevin Wood

Marcellin Tremblay*

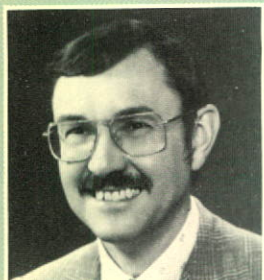
Conrad Leblanc*

* Members of the Executive Committee

assets under administration

	1977	1976
Estates, Trust and Agency accounts	\$122,067,283	\$110,721,957
Company's and Guaranteed account	101,461,878	67,898,908
	\$223,529,161	\$178,620,865

general manager's comments



J. Noé Delorme

I am quite proud to present to you the 39th Annual Report of the Company. Though the economy had to face various challenges, 1977 enabled us to pursue and achieve most of the goals that were outlined at the beginning of the year.

Revenue

For the first time in the history of the Company, total revenue before net gain on sale of securities topped the \$10 million mark at \$11,499,939, compared with \$8,371,452 in 1976. The \$3,128,487 or 37.4% increase was derived in large measure through interest from mortgage and other loans, and through interest and dividends from securities.

Expenses

Expenses rose from \$8,039,073 in 1976 to \$10,897,733 in 1977. Interest disbursed on a larger volume of deposits showed the greatest increase. This item amounted to \$7,565,390, a 55% increase over 1976.

Profits

Before providing for mortgage contingencies, operating profits rose 33.7%, going from \$536,334 in 1976 to \$717,350 by October 31, 1977.

An amount of \$115,000 having been added to that Reserve, net operating profits, before providing for income taxes, showed an increase of 76.4% and amounted to \$602,350.

Net profit, after providing \$272,500 for income taxes, amounted to \$329,850, compared with \$193,117 on October 31, 1976, an increase of 70.8%. Net profit per share went from \$51.49 on 3750 shares to \$53.92 on an average of 6117 shares during the fiscal year.

Dividend and general reserve

Net profits, after providing for income taxes, made it possible to pay a dividend of \$17.50 per share of the capital stock of the Company issued and fully paid-up at year's end. This dividend, which amounted to \$133,875, compared with that of \$60,000 the previous fiscal year, is the equivalent of an annual dividend of \$20 per share on 5350 shares from November 1, 1976 to June 30, 1977 plus an annual dividend of \$24.50 per share on 7650

shares for the period between June 30, 1977 and October 31, 1977.

An amount of \$185,000 was transferred to the General Reserve Account, leaving a balance of Undivided Profits of \$202,270.

Assets

Company assets went beyond the \$100 million mark during the fiscal period, thereby marking an important phase in the history of the Company. They rose from \$67,898,908 to \$101,461,878, an increase of 49.3%.

Shareholders' equity

Business developed at such a pace, especially in the area of deposits, that, in order to sustain such rapid expansion, and to comply with government regulations, shareholders' equity was increased by \$1,495,000 on June 30, 1977, by the issuance in favour of The Montreal City and District Savings Bank of 2300 shares of the authorized capital-stock of the Company at a price of \$650 per share.

Proceeds were divided as follows: an amount of \$230,000 representing a parvalue of \$100 per share was added to the Capital Stock Issued and Fully Paid and an amount of \$1,265,000 representing \$550 per share was added to General Reserve.

Following this issue of capital stock and the addition of net profits for the fiscal year, after providing for dividends, shareholders' equity increased by \$1,690,975 and stood at \$4,967,270 at year's end.

Administrative structure

The administrative structure, which was based on a Profit Centre and a Cost Centre set up two years ago and modified in 1976, was subject to two main changes during the fiscal year.

For the sole purpose of better responding to the needs of its clientele the Company set up a Financial Planning Division and amalgamated the Real Estate Administration Sector with the Personal Trust Sector to be known henceforth as Administration of Estates and Personal Trusts.

Assets under administration

It took thirty-four years of hard work to reach \$100 million worth of assets under administration and five years later this figure now stands at over \$223 million.

A dedicated team and the trust of the public accounted for the \$44,908,296 increase in the amount of assets under administration in 1977.

Real estate brokerage

There is not the slightest doubt that this aspect of business went through a difficult period in 1977 and that sellers were far more numerous than buyers.

Total real estate sales amounted to \$20,200,979, compared with \$24,594,994 in 1976, and gross commissions were affected in like manner.

The goal of this division for 1978, i.e. two years after its inception, is to achieve profitability by centralizing and consolidating our sales efforts in the two branches of Langelier and Rosemere and by a more sophisticated control of operations.

Savings

This sector, which was established in 1976 and comprises Guaranteed Investment Certificates, Retirement Savings Plans and Homeowners' Savings Plans, surpassed every goal that had been set.

Our Guaranteed Investment Certificates increased \$31,198,266 and amounted to \$90,704,943 by October 31, 1977, an increase of 52%. Retirement Savings Plans rose from \$8,364,903 to \$16,171,643 and Homeowners' Savings Plans went from \$3,174,157 to \$4,954,417 in the course of the year.

Financial planning

This new division, which was established in 1977 and which includes Estate Planning, was designed primarily to develop new business. Results achieved thus far indicate that considerable growth can be expected in the years to come.

Mortgage loans

Mortgage loans showed a marked advance. The Company granted more than \$40,000,000 worth of first mortgages, mainly in the residential sector. The portion of mortgage loans covered by guaranteed funds amounted to \$71,256,632, an increase of \$29,161,663 and represented 76.3% of all Guaranteed Deposits and Guaranteed Investment Certificates.

Most of the mortgages granted in 1977 were insured by mortgage insurance companies.

Estates

As was foreseen at this date last year, this team which has continued to achieve an enviable reputation for itself by being so efficient at its work attained new highs in 1977. Its share of the fees earned during the fiscal year was over the half-million mark.

Branch office of trust services

Once again the Rosemere branch achieved all the goals that had been set by bringing over \$7,000,000 worth of mortgage loans, more than \$1,000,000 worth of Guaranteed Investment Certificates and by rendering a large number of other services to our clientele.

Supporting services

Without going into a detailed analysis of the work and activities of the various supporting services in 1977, I would like to emphasize the part played by the Investment, Accounting, Purchasing, Internal Auditing and Personnel sectors in obtaining such excellent results in 1977.

Goals of the company

Satisfy the needs of a clientele through a wide range of services and make a reasonable and just profit in order to promote the growth of the Company, the welfare of its staff, and the payment of a reasonable dividend to its shareholders".

These are the goals we have pursued and shall continue to pursue in the years to come.

The success achieved by the Company in 1977 was due in large measure to the enthusiastic support of its employees. I should like therefore to thank each and everyone of them for their constant efforts displayed throughout the year.



statement of revenue, expenses, retained earnings and general reserve

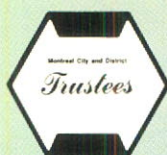
for the financial year ended October 31, 1977



	1977	1976
Revenue		
Interest from mortgage and other loans	\$ 6,447,078	\$ 3,855,234
Interest and dividends from securities	2,652,311	2,042,755
Fees and commissions	2,400,550	2,473,463
Total revenue	<u>\$ 11,499,939</u>	<u>\$ 8,371,452</u>
Expenses		
Interest paid	\$ 7,565,390	\$ 4,875,028
Salaries, pension contributions and other staff benefits	1,498,386	1,229,275
Other operating expenses	1,833,957	1,934,770
Total expenses	<u>\$ 10,897,733</u>	<u>\$ 8,039,073</u>
	<u>\$ 602,206</u>	<u>\$ 332,379</u>
Net gain on sales of securities	144	9,038
Earnings before income taxes	\$ 602,350	\$ 341,417
Income Taxes — Current	\$ 96,000	\$ 109,500
Deferred	176,500	38,800
	<u>\$ 272,500</u>	<u>\$ 148,300</u>
Net earnings for the year	<u>\$ 329,850</u>	<u>\$ 193,117</u>
Retained earnings		
Balance at beginning of year	\$ 191,295	\$ 208,178
Net earnings for the year	329,850	193,117
	<u>\$ 521,145</u>	<u>\$ 401,295</u>
Dividends paid	\$ 133,875	\$ 60,000
Transfer to general reserve	185,000	150,000
	<u>\$ 318,875</u>	<u>\$ 210,000</u>
Balance at end of year	<u>\$ 202,270</u>	<u>\$ 191,295</u>
General reserve		
Balance at beginning of year	\$ 2,550,000	\$ 1,600,000
Premium on issue of capital stock (note 5)	1,265,000	800,000
Transfer from retained earnings	185,000	150,000
Balance at end of year	<u>\$ 4,000,000</u>	<u>\$ 2,550,000</u>

statement of assets and liabilities

as at October 31st, 1977



assets

	1977	1976
Cash and term deposits	\$ 3,600,078	\$ 467,687
Short term notes		5,502,961
Loans on securities	1,087,900	522,133
Advances to estates, trusts and agencies	555,223	811,893
Accrued interest	1,589,548	886,313
	\$ 6,832,749	\$ 8,190,987
Securities (note 2)		
Bonds at amortized value:		
Government of Canada	\$ 9,931	\$ 9,910
Provinces	5,577,880	3,749,007
Municipalities, school commissions and public services	14,683,344	11,281,898
Others	778,902	1,417,388
Stocks at cost	439,414	435,461
	\$ 21,489,471	\$ 16,893,664
Mortgage loans, less provision for losses (note 3)	\$ 72,712,446	\$ 42,062,708
Furniture, equipment and leasehold improvements at cost less accumulated depreciation and amortization (note 1)	\$ 304,175	\$ 177,928
Other assets	123,037	573,621
	\$ 427,212	\$ 751,549
	\$ 101,461,878	\$ 67,898,908

André Marcil, President
J. Noé Delorme, General Manager

Auditors' Report to the Shareholders

We have examined the balance sheet of the MONTREAL CITY AND DISTRICT TRUSTEES LIMITED as at October 31, 1977 and the statements of revenue and expenses, retained earnings, general reserve and changes in financial position for the financial 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.

As mentioned in note 3 of the financial statements, the mortgage loans have been reduced by a provision for losses in the amount of \$545,000 of which \$115,000 has been charged against earnings in the current year. In our opinion, this provision is not required and had the provision not been recorded, net earnings for the year would have increased by \$59,800 net of applicable deferred income taxes related thereto, and retained earnings

would have increased by \$283,500 net of applicable deferred income taxes.

In our opinion, except for the recording of the provision for losses on mortgage loans as referred to above, these financial statements present fairly the financial position of the company as at October 31, 1977 and the results of its operations and the 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.

Auditors:
WILLIAM A. SHANNON, C.A.
MARCEL HURTUBISE, C.A. of Maheu, Noiseux & Associés
Montreal, November 18, 1977.

liabilities

	1977	1976
Accounts payable	\$ 2,320,865	\$ 1,990,802
Guaranteed deposits (note 4)	3,194,500	3,027,334
Guaranteed investment certificates (note 4)	90,704,943	59,506,677
	\$ 96,220,308	\$ 64,524,813
Deferred income taxes	\$ 274,300	\$ 97,800
Shareholders' equity		
Capital stock: (note 5)		
Authorized: 10,000 common shares of \$100 par value each		
Issued and fully paid 7,650 shares (1976 — 5,350 shares)	\$ 765,000	\$ 535,000
General reserve (note 5)	4,000,000	2,550,000
Retained earnings	202,270	191,295
Total shareholders' equity	\$ 4,967,270	\$ 3,276,295
	\$ 101,461,878	\$ 67,898,908

NOTES:

1— ACCOUNTING POLICIES

a) Recognition of revenue and expenses:

Fees for settlement of estates are recorded in part during the course of settlement and the balance on final settlement. All other fees and commissions are recorded as earned.

Investment income, interest expenses and operating expenses are recorded on the accrual basis.

b) Depreciation policies:

Furniture, equipment and leasehold improvements aggregating \$304,175 (1976 — \$177,928) are stated at depreciated cost. Depreciation and amortization expenses charged to operations amounted to \$58,197 (1976 — \$38,249) and were calculated at maximum rates allowed by the income tax authorities.

2— SECURITIES

	1977		1976	
	Book Value	Market Value	Book Value	Market Value
Canada and Provincial Bonds	\$ 5,587,811	\$ 5,486,226	\$ 3,758,917	\$ 3,527,761
Other Bonds	15,462,246	15,459,898	12,699,286	12,484,060
Stocks	439,414	372,091	435,461	347,975
	\$ 21,489,471	\$ 21,318,215	\$ 16,893,664	\$ 16,359,796

3— MORTGAGE LOANS

Mortgage loans have been reduced by 0.73% of loans or \$545,000 (1976 — 1% or \$430,000) as a provision for possible future losses.

The amount claimed for tax purposes for the current year is \$354,723 (1976 — \$98,185) in excess of that recorded in the books.

4— GUARANTEED TRUST ACCOUNT

Included in total assets of \$101,461,878 as at October 31, 1977 are assets held for guaranteed trust account of \$96,099,689 securing guaranteed trust liabilities of \$96,099,689.

Maturities of investments of the guaranteed deposits and investment certificates are as follows:

15% within one year	23% between 3 and 4 years
12% between 1 and 2 years	23% between 4 and 5 years
26% between 2 and 3 years	1% after 5 years

Maturities of the guaranteed deposits and investment certificates are as follows:

17% within one year	24% between 3 and 4 years
10% between 1 and 2 years	23% between 4 and 5 years
26% between 2 and 3 years	

5— CAPITAL STOCK AND GENERAL RESERVE

2,300 shares (1976 — 1,600 shares) were issued during the fiscal year for \$1,495,000 cash (1976 — \$960,000 cash) with the result that \$1,265,000 (1976 — \$800,000) premium was credited to general reserve.

6— COMMITMENTS

a) Mortgage commitments outstanding amount to \$7,604,399.

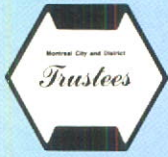
b) The Company has contractual obligations in respect of leases amounting to \$741,868. The instalments for the coming twelve months amount to \$203,180.

7— ANTI-INFLATION

The Company is subject to Anti-Inflation Legislation which became effective October 14, 1975. This legislation controls profits, prices, compensation and dividends to shareholders. The Company has complied with the Act and Regulations and has no material liability, direct or contingent, with respect thereto.

statement of changes in financial position

for the financial year ended October 31, 1977



	1977	1976
Source of funds		
Funds provided from operations:		
Net earnings for the year	\$ 329,850	\$ 193,117
Amortization and depreciation of fixed assets	58,197	38,249
Provision for losses on mortgages	115,000	200,000
Deferred income taxes	176,500	38,800
	\$ 679,547	\$ 470,166
Other items:		
Issue of common shares	230,000	160,000
Premium on issue of common shares	1,265,000	800,000
Net increase of guaranteed deposits and guaranteed investment certificates	31,365,432	24,088,944
Net decrease of net short term assets	1,688,301	432,187
Net decrease of other assets	450,584	—
	\$35,678,864	\$ 25,951,297
Use of funds		
Net increase of mortgage loans	\$30,764,738	\$ 19,687,148
Dividends paid	133,875	60,000
Net increase of securities	4,595,807	5,707,372
Purchase of fixed assets	184,444	43,990
Net increase of other assets	—	452,787
	\$35,678,864	\$ 25,951,297

Executive officers

André Marcil
President and Chief Executive Officer

J. Noé Delorme
General Manager and Chief Operating Officer

Lionel Malo
Assistant General Manager

Maurice Fortier
Treasurer

Jean-Louis Durand
Secretary

Customer services

Settlement of estates and Income Tax

Financial & Estate Planning

Investments and Corporate services

Administration of Estates and Personal trusts

Real estate brokerage

Mortgage loans

Guaranteed investment certificates and
Retirement and Home savings plans

Pierre Jones, Manager

Laurier Levac, Manager

Léopold Vanier, Manager

Robert Couture, Manager

Lionel Malo, Assistant General Manager

Jean Gosselin, Manager

Jean Bélair, Manager

Support services

Accounting and Data processing

Personnel

Internal auditing and Operating methods

Purchasing

Paul E. Légaré, Accountant

Yvon Bergeron, Manager

Bernard Trépanier, Manager

Céline Duhamel, Manager

Head office

1253 McGill College Avenue
Montreal

Branches

Montreal
6633 Sherbrooke Street East

Rosemère
Place Rosemère
401 Labelle Blvd.

St. Lambert
571 Victoria Street

Jean Mayer, Manager

Simon Blanchet, Manager

Jean Turcotte, Manager

