CONTINENTAL BANK OF CANADA

1981 Report

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The photograph on the front cover of this report shows the entrance to the head office of the Continental Bank of Canada and the main branch in downtown Toronto.

On Nov. 1, 1981, IAC Limited was absorbed into the Continental Bank of Canada and IAC shareholders automatically became Continental Bank shareholders. This completed the lengthy process of converting Canada's largest leasing and financing company to a chartered bank.

The first bill to allow this conversion was presented to the Parliament of Canada in 1975. After a number of unavoidable Legislative delays, the bill was enacted on July 14, 1977. We applied to the Governor-in-Council for a licence to operate the bank in June, 1978 and, on June 4, 1979, the Continental Bank of Canada began operations as a subsidiary of IAC.

Under the terms of our special act, we had 10 years to complete the conversion. But the 1980 Bank Act made it advantageous to move more quickly. Consequently, we are now a chartered bank operating under the full provisions of the Bank Act.

This special report presents a picture of the bank as it is now structured. Because the bank absorbed all the assets and liabilities of IAC on Nov. 1, 1981, the financial statements for 1981 and previous years are shown as statements of the Continental Bank in the format prescribed by the 1980 Bank Act. The intent of this report is to provide our shareholders, customers and friends with a view of the bank's affairs at this important milestone in our corporate life.

Highlights

As at November 1, 1981

	1981	1980
Financial Position *(in $ thousands)*		
Total Assets	**$3,582,960**	$3,252,607
Securities	**$337,203**	$340,355
Loans	**$3,074,745**	$2,765,553
Deposits	**$1,839,569**	$1,421,892
Shareholders' Equity	**$218,165**	$223,078
Income and Dividends *(in $ thousands)* *For the Year Ended November 1, 1981*		
Net income	**$1,780**	$7,690
Net income applicable to common shares	**$1,005**	$6,875
Dividends paid on common shares	**$5,439**	$5,439
Per Common Share		
Net income applicable to common shares	**$0.07**	$0.50
Dividends	**$0.40**	$0.40
Shareholders' Equity	**$15.03**	$15.34

Report to the Shareholders

The year 1981 was especially important to your company. The amalgamation of IAC and Continental Bank represents the culmination of almost 10 years of planning and implementation toward our becoming a major chartered bank.

From a financial point of view, 1981 was a difficult year, as the net income figures reveal. The prime rate reached 22.75%, the highest in history. As in 1980, vigorous competition, along with consumer resistance to increased rates, kept the spread between borrowing and lending rates very narrow. Although total interest income, including dividends for the year, increased from $384 million to another new high of $454 million, the cost of money grew disproportionately, from $302 million to $384 million.

Consolidated net income for the year was $1,780,000, compared to a restated $7,690,000 for the 12 months ended Oct. 31, 1980. Net income per common share was 7¢, compared to a restated 50¢ for the same period last year. (The 1980 figure included 27¢ per share resulting from a change in the accounting policy regarding the valuation of foreign currency assets and liabilities.)

However, despite the low level of earnings, several positive developments confirm that the bank is building a sound base for earnings growth. The terms of the 1980 Bank Act made it advantageous to complete the amalgamation of IAC and the Continental Bank ahead of the original timetable which will produce significant advantages in the coming years.

Another positive development is the significant restructuring of assets. On Nov. 1, 1981, assets were $3.583 billion, an increase of approximately $330 million. More than 80% of this growth occurred during the second half of the year. Floating rate assets were $1.732 billion at year end, an increase of $677 million, or 64% over last year. Fixed rate assets declined by over $363 million, or 18%, to $1.688 billion by year end. Furthermore, assets are sound. Loan loss experience as a percentage of average assets is down.

From the point of view of restructuring our operations, 1981 was a particularly good year. The rate of branch openings was double that of the previous year; by October we had 40 full service branches coast to coast. And plans for 1982 call for all Continental branches to be full service by the end of the year.

Each full service branch requires a substantial investment in human and financial resources before the first operating line of credit is established or the first deposit account is opened. It is not uncommon in the banking industry for a branch to require five years before it contributes to corporate profitability.

When we opened the bank in 1979, we had only eight full service branches. This means that at the end of fiscal 1981, 32 full service branches had been open less than two years. Yet despite being in the early stages of their maturity, these branches have made sound progress in establishing important banking relationships with our clients. One clear indication of this is the number of companies that established lines of credit with us in 1981.

Shareholders will also be interested in knowing that our bank is exceptionally well positioned to support asset growth. Our large and under-utilized capital base is sufficient to support projected growth for several years. Capital and reserves of $227.3 million is leveraged only 15.8 times, compared to a reasonable target objective of 25 to 30 times.

D. A. Lewis
Executive Vice-President and Chief Operating Officer

D. W. Maloney
Chairman of the Board

S. F. Melloy
President and Chief Executive Officer

The deposit side of our business is also growing quickly. Deposits gathered through branches grew by $625 million in 1981, and now exceed $1.2 billion. This represents over 40% of our funding, compared to 23% last year. We have achieved our goal of being able to provide the greatest part of our domestic funding through our branches. This will continue to help reduce our overall relative cost of money. We expect the strong growth in deposits to continue through 1982. We have introduced several new funding instruments. These include Action-Bank Investment Certificates, Registered Retirement Savings Plans and Guaranteed Term Notes.

Significant change has been continuing within the branch system. Almost all of the smaller select service branches have been closed, and their key people as well as some head office and district office staff have been redeployed in major branches. The intention is to create large full service branches that will be managed in such a way that decision making and implementation, consistent with bank policies, is handled speedily and as close to the market as possible. A strong but small head office and district staff will provide the support and direction that branch managers need to be effective in the territory assigned to them. As a result of this redeployment of resources, and despite the heavy cost associated with branch openings, non-interest expenses increased by only 6.3% during 1981 which is less than the increase in the rate of inflation.

Though it can be unsettling to those closely affected, change is vital to our future. It enables us to capitalize on the opportunities open to the bank as we prepare to achieve the ambitious growth targets set out in our five year plan. We particularly want to thank our staff for their support and their contribution to the bank's accomplishments during the year. We would also like to acknowledge the significant contribution that has been made by Mr. Allan Bolin who, after 35 years of dedicated service, will retire from the company at the end of February, 1982.

The economic outlook for 1982 is not buoyant. In fact, there is considerable uncertainty. However, the bank is well positioned to increase growth in both assets and earnings. We have a strong capital base, a greatly expanded full service branch network and a steadily increasing level of activity. Clearly, a solid foundation has been established, and we plan to continue building an aggressive, innovative and responsive bank.

D. W. Maloney
Chairman of the Board

S. F. Melloy
President and Chief Executive Officer

D. A. Lewis
Executive Vice-President and Chief Operating Officer

Banking Operations
Building a future on solid foundations

This bustling Continental branch in downtown Toronto is just one of 40 now offering full service banking from Victoria to St. John's.

Banking Operations

Building a future on solid foundations

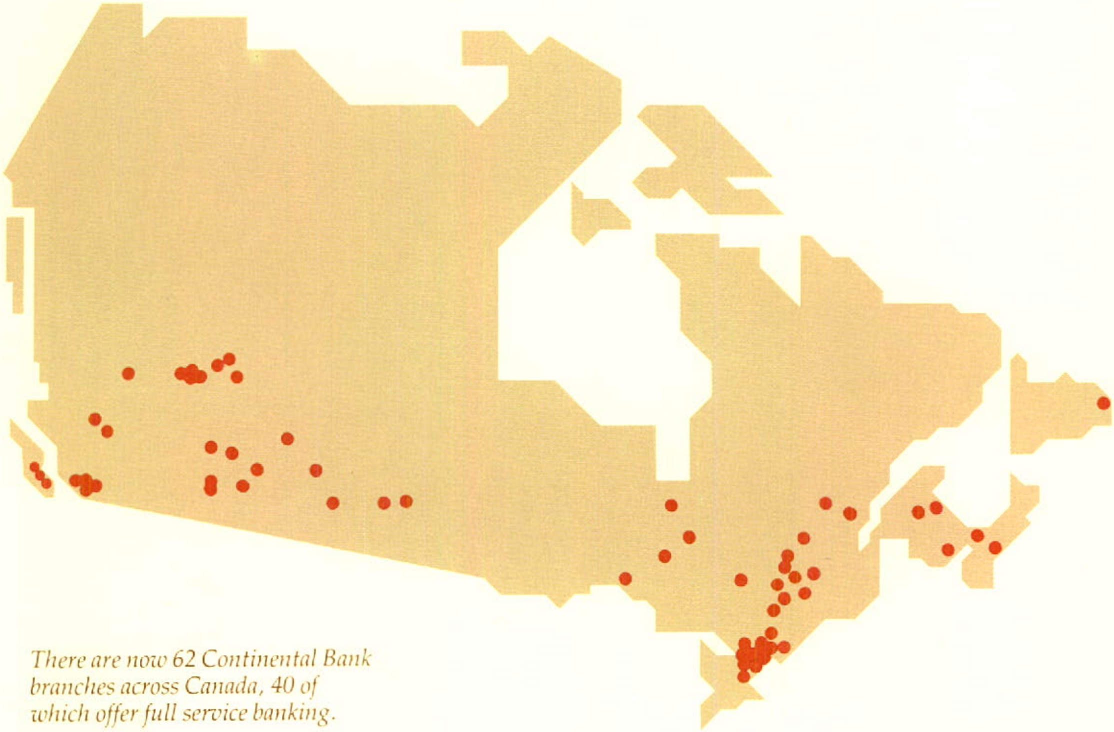
Targets and Objectives
Our first five year plan was developed in 1981 to set out goals and policies designed to create a position for the Continental Bank that is unique in Canadian banking.

Our principal target is the middle commercial market, that energetic body of enterprises that make up the largest part of Canadian business. But as a well-rounded institution, we are also able to offer a full range of financial services to large corporations, governments, international clients, and individual customers.

Branch Network
From the beginning, we set out to be a national bank. First step was to locate in Canada's most active and important commercial markets. In 1979, we opened with just eight full service branches. Now there are more than 40 and, by the end of 1982, there will be 60 branches from St. John's to Victoria. This will be our core network and, once it is completed, a second stage of limited expansion will begin. New branches will open to close the gaps in those major cities where levels of banking activity warrant expansion.

Many smaller select service offices in smaller centres have been closed so we can concentrate our resources on larger, more vital locations. This consolidation is now virtually complete.

Branching Strategy
When a bank has several hundred branches, a bureaucracy is inevitable to oversee the functioning of those branches.



There are now 62 Continental Bank branches across Canada, 40 of which offer full service banking.

But with a smaller, more compact network, made up entirely of larger branches, it is possible to avoid a cumbersome bureaucracy. This explains two important aspects of the bank's operating philosophy:

1. The Continental branch in each centre is located, designed, structured and staffed to efficiently deliver a full range of services.
2. Each branch is managed so that decision making and implementation is handled as quickly and as close to the customer as possible.

Therefore, each branch is a self-contained unit, capable of handling all kinds of business. It does not require layers of district management and a legion of staff supervisors to support its day-to-day business.

The process of placing more senior people in branches, where they are available to work directly with customers, has been speeded up. Head office and district office staffs are being reduced as more employees move into the branch network. By 1985, plans call for well over 80% of Continental's people to be working in our branches.

While layers of bureaucracy are being eliminated in this way, financial reporting and credit controls have been strengthened. The aim is to put branch management in the hands of our most capable line managers; they will have the authority to develop their branches and the responsibility for producing results. An Achievement Award Program provides an additional incentive for managers to achieve established objectives.

Human Resources

Recruiting, training, motivating and retaining competent people is our top priority. We provide an intangible service. Ultimately, our success depends on how well we understand our customers' needs, and provide the services that satisfy those needs. Competition is fierce.

Upgrading skills and teaching new ones will be a continuous process. Human resource development is a key component of our five year plan.

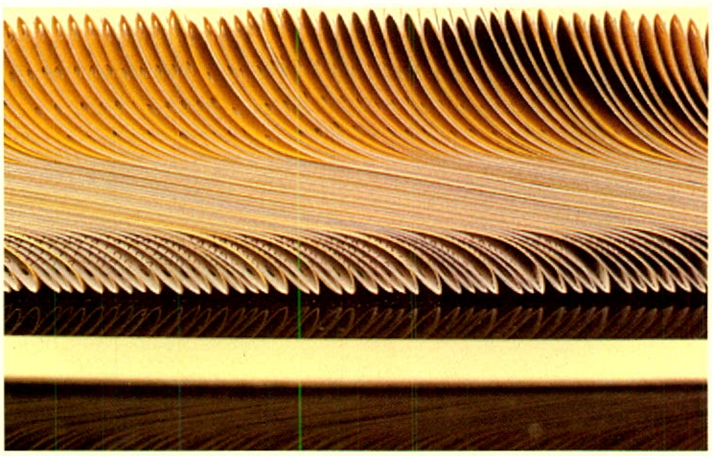
Technology

From the beginning, we have been leaders in applying computer technology to banking, a status we plan to maintain. The Personal Banking System introduced many new features to Canadian banking. Some are still exclusively ours. For instance, we remain the only bank capable of producing one monthly report that shows almost all of a customer's banking activity.

In the Spring of 1982, another breakthrough will keep us several steps ahead of the field, as parts of our Commercial Banking System become completely automated.

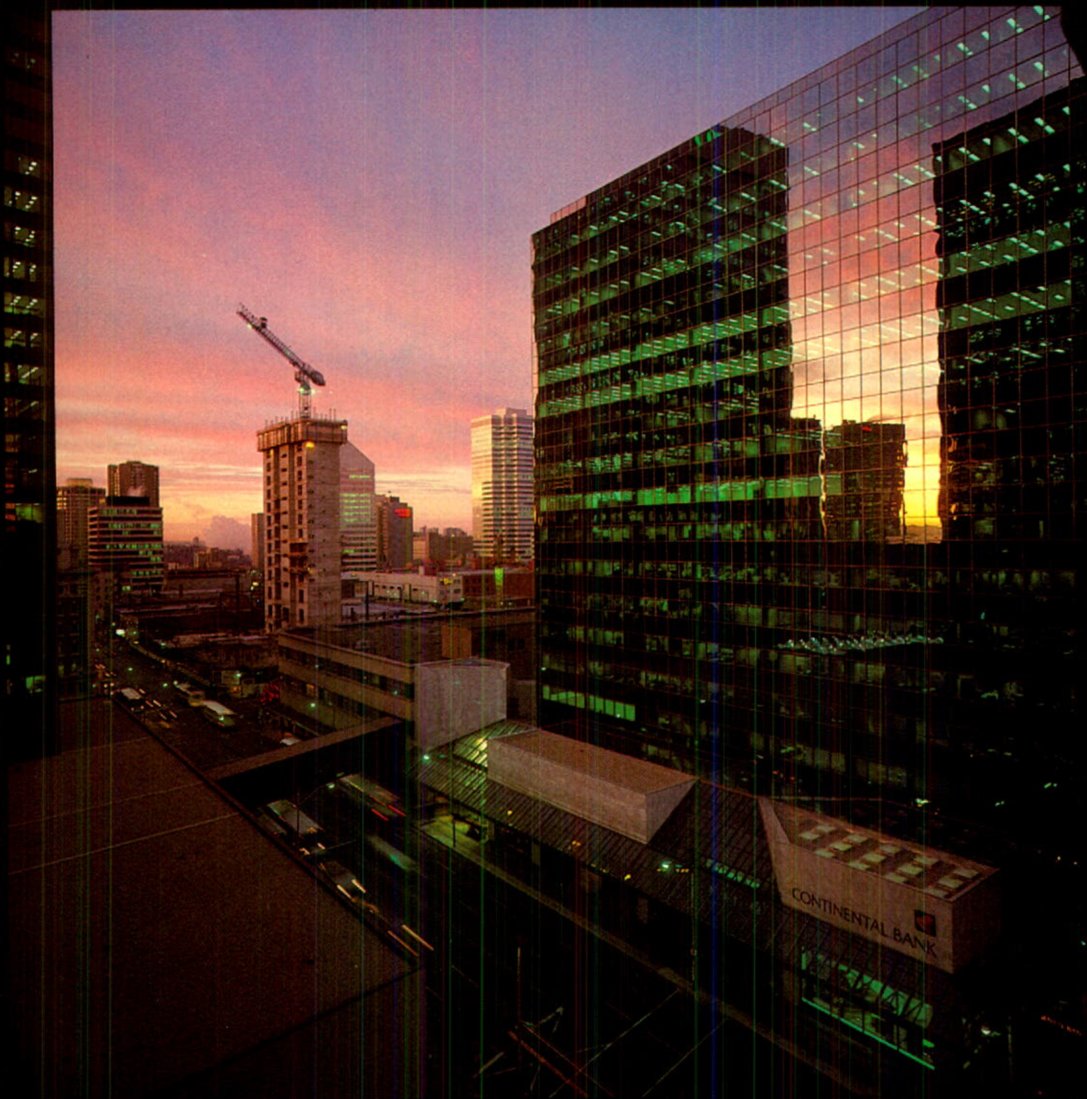
On the administrative side, we are working with a major computer company to pioneer the automation of day-to-day work in branches. The goal is to improve productivity and, as a result, profitability. It will mean fewer people performing routine clerical jobs, and more people working with customers and developing business.

Because computer technology is so important to the creation of customer services and to branch administration, Continental Bank is acquiring its own computer system. Orders have been placed for the latest IBM equipment and, within two years, all computer work will be processed internally through our central data processing department.



Business Development

Working for growth in Canada and abroad



More senior people are moving to branches like this one in Edmonton so decisions can be made more quickly and closer to our customers.

Banking is an exciting business. By helping their customers to succeed and grow, bankers have the satisfaction of becoming partners in success. As part of its operating credo, the Continental Bank commits itself to being aggressive in asking for business, innovative in its approach to doing business, and responsive in the way it attends to customers' needs. The essence of successful banking is to provide good service to customers.

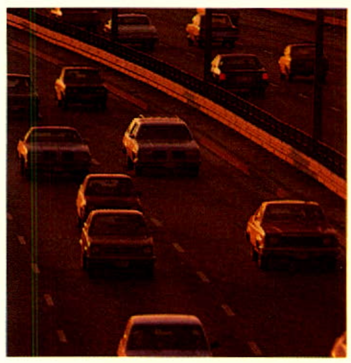
In the past year we made important additions to our range of services in all areas of business. This is a pattern that will be repeated in the coming years as we develop our ability to meet all of our customers' financial needs. This section of the report gives an overview of the services now in place, and illustrates the considerable breadth of service both domestically and internationally that has already been achieved. While our bank is not capable of being everything to all people, it strives to be very good at the services it does provide.

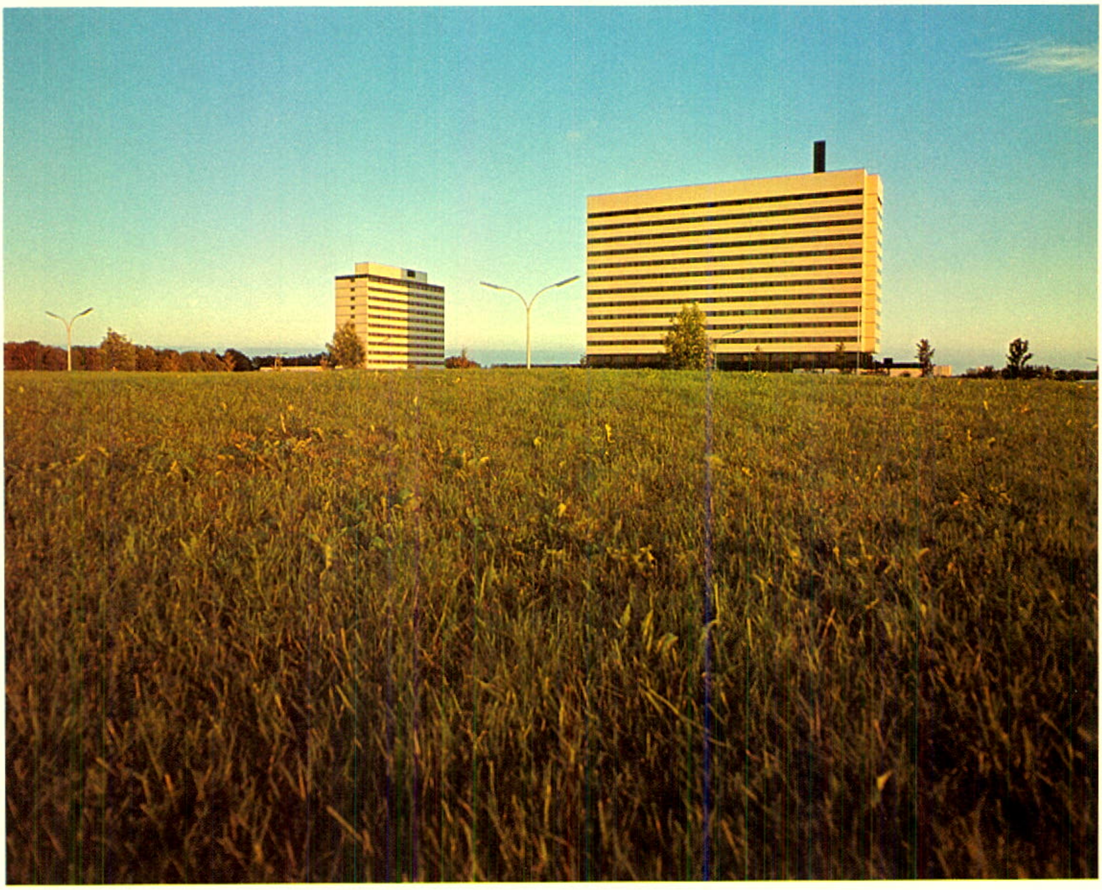
Commercial Banking
In 1981, we introduced a new banking service for commercial customers across the country. The Continental Commercial Banking System offers a number of measurable benefits particularly to small and medium-sized companies. The service will be significantly upgraded again in 1982.

Because this system represents our main thrust into our most important market, the brochure that describes the program to potential customers has been bound into this report.

Selective Market Development
The Commercial Banking System is designed to satisfy the needs of companies in many types of business. However, we also specialize in serving the specialized needs of two major industries: transportation and real estate. Continental Bank officers are now developing programs to secure a major position in these two important fields.

Transportation
Transportation is a capital intensive industry and many companies in it are in the bank's prime target market. Already we enjoy long-established relationships in every part of the business – air, rail, water, public road transport, public rail, trucks, highway transport and automobiles – as well as proven expertise in asset financing and leasing. At present a substantial portion of our assets is related to transportation. In developing expertise for this industry, we can draw on corporate strengths developed over half a century.





In the motor vehicle business, more than 5,000 franchised dealers and distributors will buy over $10 billion worth of equipment from their manufacturers in 1982. They need lines of credit for operating, floor planning, leasing and term loans. All these services are now available at the Continental and we have established relationships with many of the key participants.

The Canadian trucking business, made up of 18,000 licenced-for-hire carriers, is undergoing change. The energy crisis has had a dramatic impact. Larger, more efficient firms are absorbing smaller operators and older, less energy efficient equipment is being taken off the road. All this requires substantial capital investment. Continental Bank is well positioned to provide financing with flexible banking arrangements that are based on a solid understanding of this industry's needs.

Real Estate Development Banking

In the past the Continental Bank has been successfully involved in many areas of real estate financing. But we have never mounted a concerted program to become real estate specialists. During 1981 we conducted a thorough study of the industry and set up a project team to expand our involvement.

As a result of these studies, new lending criteria were established, and we began, somewhat cautiously, to finance projects for some of the country's better-known and established developers. As the business develops, real estate departments will be established in major branches. Two are already in operation and three more are planned for 1982.

By 1983, new construction in Canada is expected to total more than $46 billion, of which $26 billion will be in the residential and commercial fields. Continental Bank is preparing for an increasingly important position in this industry's future.

The International and Corporate Banking group, a small, highly-skilled team operating from head office. Art Lathrop is Vice-President and Cate Woodward is Manager, with Area Head responsibility for Southern Europe.

International and Corporate Banking

Canadian banks have long been active in international banking, and the Continental plans to continue its participation in this market.

In the past year, we developed profitable international business primarily with governments or government-owned institutions, highlighted by lead-manager positions on some loans. At year end, loans and commitments were approximately $450 million. Of this total, 50% was sourced in Europe, 35% in Latin America and 15% in the Pacific Rim. Prudent risk assessment will remain the hallmark of our approach to international lending.

A small, highly skilled, group of international bankers operates from head office to handle international business. Consistent with a higher profile in the world banking community, we took several steps in 1981 to improve our international effectiveness. A Continental branch was established in the Cayman Islands and a representative office was opened in London, England to give us a presence in this important financial centre. The London office will develop our funding relationships in international money markets and enhance our syndicated lending capabilities.

For many years, the company has had close relationships with major U.S. banks, some of whom were particularly helpful when we decided to convert to chartered banking. As part of our growing international and corporate development, we plan to raise our profile and pursue opportunities in the United States.

In 1981, a new lending team was formed to develop North American banking. The new group has two principal functions. The first is to develop a domestic syndicated lending service. This is a relatively new type of lending activity in Canada, necessitated largely by the enormous amounts of capital required to fund major projects that are just beginning to get underway. With its strong capital base, the Continental Bank is in an ideal position to play an active role.

The second objective of the group is to develop special services to help branches provide their clients with more sophisticated financial support. The group will develop trade-oriented financial services and multinational corporate lending.

Jack Herrington, Assistant General Manager, International and Corporate Banking from head office with Bill Coates (right) who is our European Representative based in the London, England office.

Personal Banking

Our Personal Banking System is based on one of the most innovative on-line banking systems available. Key to the system is the Customer Identification File which lets us link all of a customer's business on one comprehensive monthly statement which can then be reported to the customer. Another plus is that a Customer Account Representative is assigned to each client – a personal service that is not available elsewhere.

Our aim is to be able to offer our customers all kinds of banking services. Registered Retirement Savings Plans have been introduced for the 1981 tax year; U.S. dollar investment accounts are now available in all full service branches; the Personal Credit Reserve is being modified to take on the features of a personal operating line; and special services for senior citizens are being developed.

Eventually, advances in technology will make obsolete many of the personal banking arrangements that people take for granted today. The Continental Bank has a vested interest in being at the forefront of these improvements.

Commentary on Financial Operations

On November 1, 1981, IAC Limited was amalgamated into Continental Bank of Canada. This was the final step in the process of converting IAC Limited into a chartered bank. Arrangements were made with Federal authorities to facilitate the amalgamation taking place earlier than required under the private act incorporating Continental Bank.

The Bank Act 1980 now applies to all activities of the Continental Bank and its subsidiaries. This Act specifies the accounting policies and financial statement presentation to be followed by banks in Canada. The consolidated statements have been prepared in accordance with the presentation specified in this Act in order to give a clearer picture of the amalgamated bank at the commencement of operations on November 1, 1981.

Consolidated net income for the year ended November 1, 1981 was $1,780,000 compared with a restated $7,690,000 for the previous 12 month period. Net income per common share was 7¢ compared to a restated 50¢ for the same period last year which included 27¢ per share resulting from a change in the accounting policy in 1980 regarding the valuation of foreign currency assets and liabilities.

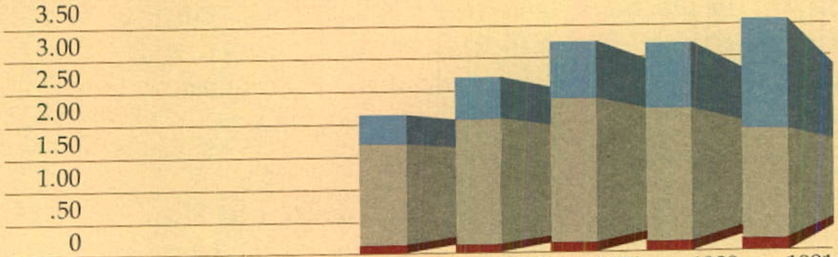
The decrease in net income in 1981 compared to 1980 resulted largely from decreased interest spreads caused by the frequent and steep adjustments in interest rates during the year. The prime interest rate was 20% on November 1, 1981 after increasing from 12.75% in October, 1980 to an historical high of 22.75% in August, 1981. This caused the portion of the fixed rate asset portfolio funded by floating rate liabilities to become significantly unprofitable during the year.

Capital and reserves at November 1, 1981 were $227.3 million. The low ratio of total assets to capital and reserves of 15.8:1 provides the bank with a good opportunity for future expansion.

Graphic illustrations with accompanying commentary have been prepared to provide shareholders with a pictorial overview of the bank's financial operations. The consolidated financial statements follow.

Total Assets

(in billions of dollars)

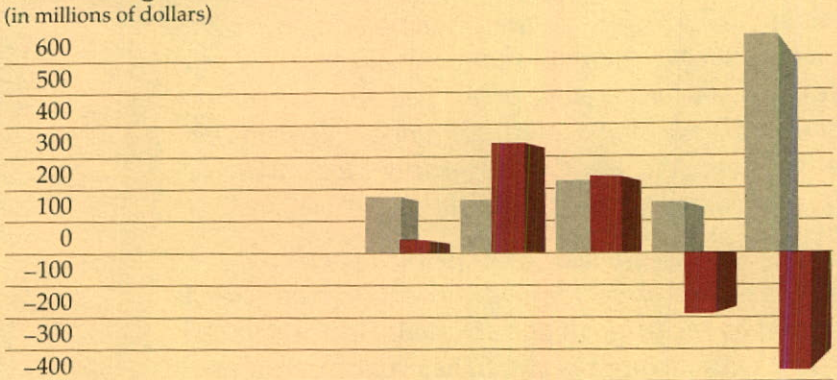


	1977	1978	1979	1980	1981
■ Floating Rate Assets	.490	.660	.892	1.055	1.732
■ Fixed Rate Assets	1.660	2.008	2.245	2.051	1.688
■ Other Assets	.037	.069	.138	.147	.163
Total	2.187	2.737	3.275	3.253	3.583

Total assets at November 1, 1981 were $3.583 billion, an increase of $330 million, or 10.1% from last year. Floating rate assets increased to $1.732 billion at November 1, 1981 from $1.055 billion a year earlier, an increase of 64.2% during the year. Floating rate assets now exceed fixed rate assets and comprise 51% of the bank's interest bearing portfolio. Fixed rate assets declined to $1.688 billion at the current year end from $2.051 billion at October 31, 1980, a decrease of 17.7%. Other assets, which include all non-interest earning assets, amounted to $163 million at November 1, 1981, an increase of 10.9% over last year end. Over 80% of the asset growth occurred during the second half of the year.

Comparison of Fixed Rate and Floating Rate Assets Growth

(in millions of dollars)



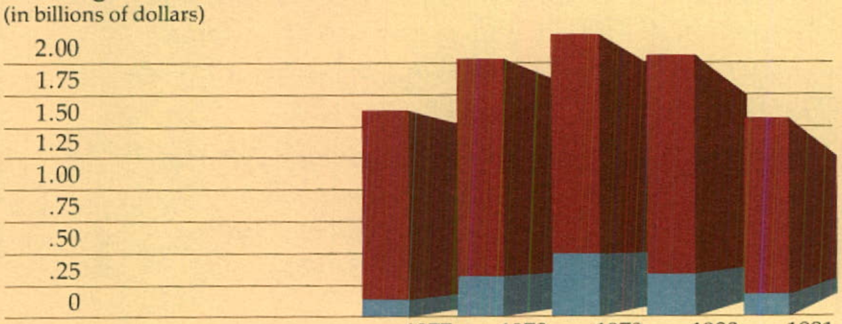
	1977	1978	1979	1980	1981
Asset Growth/(Decline)					
■ Floating Rate Assets	180	170	232	163	677
■ Fixed Rate Assets	40	348	237	(194)	(363)
Total	220	518	469	(31)	314

The bank continues to emphasize growth in floating rate business to improve its matching of interest sensitive assets and liabilities. Floating rate assets increased by $677 million in 1981 compared to $163 million in the previous year. This growth occurred principally in the international, commercial and corporate loan areas. International loans, primarily to sovereign risk borrowers, grew to $298 million at November 1, 1981 from $79 million a year ago.

The bank's current policy is to limit new fixed rate business and allow existing fixed rate loans to mature. In 1981, fixed rate assets declined a further $363 million after declining $194 million in 1980.

Funding of Fixed Rate Assets

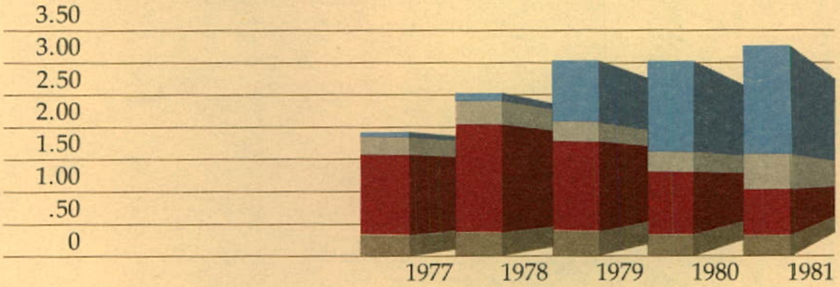
(in billions of dollars)



	1977	1978	1979	1980	1981
■ Floating Rate Liabilities	.150	.330	.500	.343	.193
■ Fixed Rate Liabilities, Equity & Other	1.510	1.678	1.745	1.708	1.495
Total Fixed Rate Assets	1.660	2.008	2.245	2.051	1.688

An imbalance exists between the bank's fixed rate assets and fixed rate liabilities. Fixed rate assets of $1.688 billion at November 1, 1981 were funded by $1.495 billion of fixed rate liabilities including debt, equity and other liabilities, and $193 million of floating rate liabilities. This represents an improvement of $150 million or 43% in the mismatch between fixed rate assets and fixed rate liabilities over the previous year end. The mismatch has adversely affected profits during recent years of record-high interest rates as the cost of floating rate borrowings exceeded the average yield on the fixed rate portfolio.

Total Liabilities
(in billions of dollars)



	1977	1978	1979	1980	1981
Deposits*	.087	.106	.964	1.422	1.840
Liabilities of Subsidiaries other than Deposits	.287	.376	.317	.330	.538
Secured Notes	1.273	1.727	1.405	.959	.709
Other Liabilities	.265	.259	.327	.280	.240
Bank Debentures	.034	.034	.033	.031	.029
Total Liabilities	1.946	2.502	3.046	3.022	3.356

*Deposits include unsecured notes and debentures of IAC Limited incorporated into the bank upon amalgamation.

Total deposits grew to $1.840 billion at November 1, 1981 from $1.422 billion a year ago. This growth of $418 million occurred through the bank's expanding branch network. Deposits gathered by branches grew by $625 million, while deposits raised by head office declined. Deposits now represent the largest element of the bank's funding.

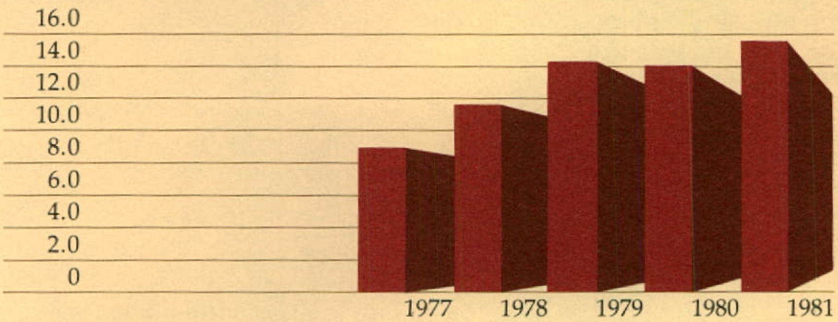
Liabilities of subsidiaries, other than deposits, were $538 million at November 1, 1981 and comprise both secured and unsecured notes and debentures.

Secured notes amounting to $709 million at year end are those of IAC Limited incorporated into the bank upon amalgamation.

Other liabilities include accounts payable and deferred income taxes.

Bank debentures are the subordinated debentures of IAC Limited incorporated into the bank upon amalgamation.

Total Assets to Capital and Reserves
(in billions of dollars)

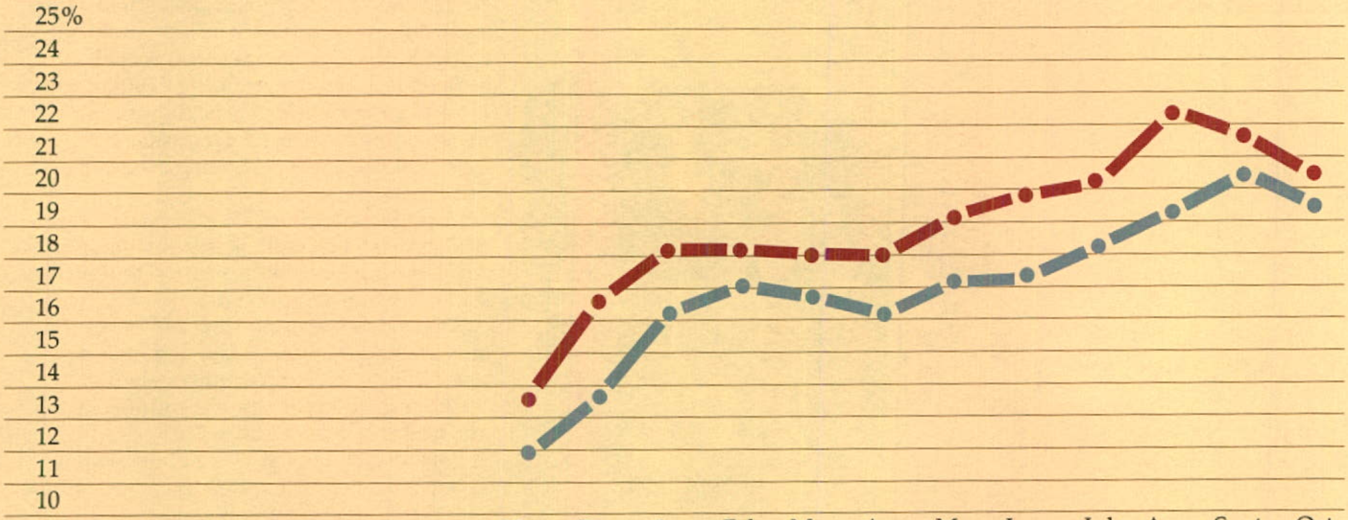


	1977	1978	1979	1980	1981
Capital and Reserves	.241	.234	.229	.231	.227
Assets	2.187	2.737	3.275	3.253	3.583
Ratio	9.07	11.70	14.30	14.08	15.78

Capital and reserves at November 1, 1981 were $227.3 million. The ratio of total assets to capital and reserves, called leverage, was 15.78 at November 1, 1981.

The bank's leverage remains well below the average of about 31 for the Canadian banking system. The bank's large and under-utilized capital base provides a good opportunity for future expansion.

1981 Interest Rates

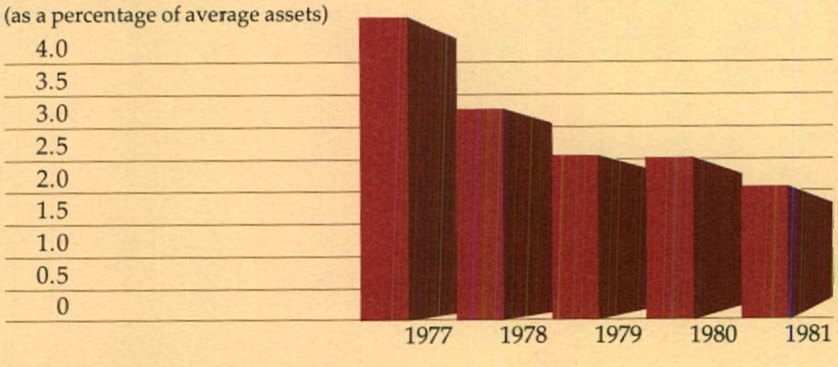


	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.
■ Average Continental Bank prime interest rate %	13.70	16.86	18.25	18.25	18.10	18.00	19.34	19.93	20.28	22.56	21.85	20.58
■ Average cost of Continental Bank short term funds %	11.99	13.73	16.27	17.04	16.75	16.07	17.19	17.28	18.19	19.34	20.61	19.50
Spread %	1.71	3.13	1.98	1.21	1.35	1.93	2.15	2.65	2.09	3.22	1.24	1.08

Interest rate movement in 1981 was unprecedented. The bank's prime interest rate was 20% on November 1, 1981 after increasing from 12.75% in October, 1980 to an historical high of 22.75% in August, 1981. The bank's average cost of floating rate short term funds moved similarly, although lagging somewhat behind the change in the prime interest rate. A large portion of short term funding comprises term deposits where the cost does not change until the deposit matures. The average cost of these funds therefore may take a month or two to adjust to the new interest rate levels. This delay causes interest margins on floating rate business to widen temporarily while interest rates are rising and to narrow when interest rates are declining.

Net Interest Income

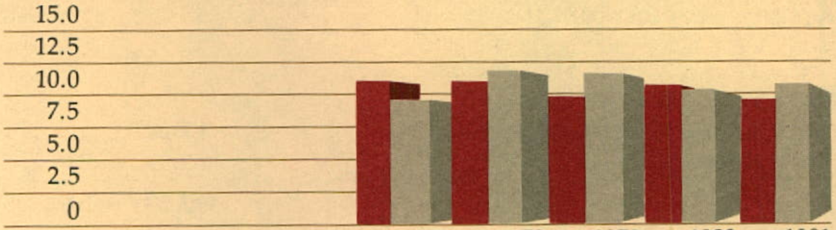
(as a percentage of average assets)



	1977	1978	1979	1980	1981
Average Assets (in billions of dollars)	2.106	2.462	3.006	3.264	3.418
Net Interest Income (in millions of dollars)	100.3	82.3	77.2	82.0	70.1
■ Percentage	4.76	3.34	2.57	2.51	2.05

The bank's overall net interest income declined in 1981 to $70.1 million or 2.05% of average assets from $82 million or 2.51% of average assets in the previous year. The decline was caused by the unprecedented level of interest rates during the year. This caused the portion of fixed rate assets funded by floating rate liabilities to be significantly unprofitable throughout most of 1981. As in 1980, vigorous competition, along with customer resistance to increased rates kept the spread between borrowing and lending rates on floating rate business very narrow.

Provision for Loan Losses
(in millions of dollars)



	1977	1978	1979	1980	1981
■ Loss experience on loans for the year	11.16	11.21	9.58	10.70	9.52
■ Provision for loan losses included in the statement of income	9.65	11.93	11.66	10.04	10.94
Excess deducted from (added to) appropriation for contingencies	1.51	(.72)	(2.08)	.66	(1.42)
Eligible loans outstanding (in billions of dollars)	2.012	2.395	2.672	2.636	2.921
Loan loss experience for the year — as % of eligible loans	.55	.47	.36	.41	.33

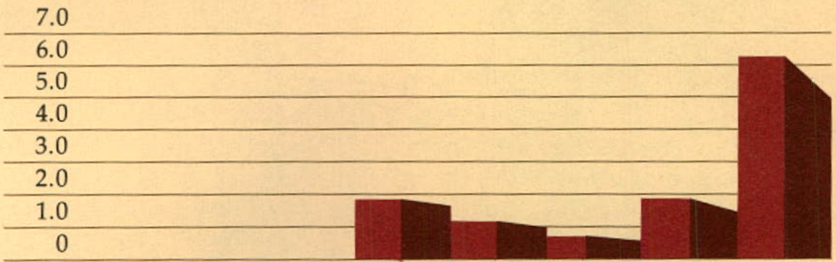
The provision for loan losses included in the consolidated statement of income was $10.94 million in 1981.

The loan loss experience, the total of net write-offs and net new provisions for likely future losses, was $9.52 million in 1981, a decrease of $1.18 million from last year. This was the lowest level experienced during the last five years.

The difference of $1.42 million between the loan loss experience and the provision for loan losses charged to earnings was added to the Appropriation for Contingencies account.

The loan loss experience for 1981 was .33% of eligible loans. This compares favourably to an industry average of about .43% of eligible loans for 1981.

Other Income
(in millions of dollars)



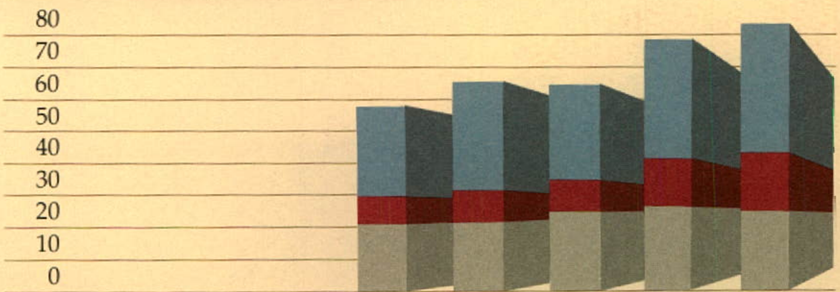
	1977	1978	1979	1980	1981
■ Other income	1.90	1.21	.77	1.98	6.38

Other income includes activity fees on customers' accounts, standby and administration fees for loans, proceeds from foreign exchange transactions and other fees and commissions.

Total income from these sources reached $6.38 million in 1981, an increase of $4.40 million, or 322% compared to 1980.

Other income continues to grow rapidly, becoming a more significant factor to the overall operation.

Non-Interest Expenses
(in millions of dollars)



	1977	1978	1979	1980	1981
■ Staff	30.80	35.49	31.10	38.37	40.74
■ Premises and equipment	6.77	8.13	9.01	14.29	17.54
■ Other	20.97	21.93	24.83	26.64	25.98
Total	58.54	65.55	64.94	79.30	84.26

Non-interest expenses were $84.26 million in 1981 compared to $79.30 million in 1980, an increase of 6.3%. Non-interest expenses continued to be controlled tightly in 1981. Staff costs increased by 6.2% during the year while other expenses have decreased by 2.5%. Premises and equipment costs increased to $17.54 million in 1981 from $14.29 million last year. The increase of $3.25 million arose from the cost of branch conversion and relocation and the continued development of new banking systems. Some of these costs are of a one-time nature from which the bank will derive long-range benefits.

Consolidated Statement of Assets and Liabilities

As at November 1, 1981 (note 1)

Assets

	1981 $000's	1980 $000's Restated (note 1)
Cash Resources		
Cash and deposits with Bank of Canada	**42,281**	63,056
Deposits with other banks	**33,472**	4,968
	75,753	68,024
Securities (note 4)		
Issued or guaranteed by Canada	**87,281**	52,124
Other securities	**249,922**	288,231
	337,203	340,355
Loans		
Day, call and short loans to investment dealers and brokers, secured	**18,000**	203,000
Mortgage loans	**571,263**	617,645
Other loans	**2,485,482**	1,944,908
	3,074,745	2,765,553
Other		
Land, buildings and equipment	**22,611**	19,661
Other assets	**72,648**	59,014
	95,259	78,675
	3,582,960	3,252,607

S. F. Melloy
President and Chief Executive Officer

D. A. Lewis
Executive Vice-President and Chief Operating Officer

Consolidated Statement of Assets and Liabilities

As at November 1, 1981 (note 1)

Liabilities

	1981 $000's	1980 $000's Restated (note 1)
Deposits (note 5)		
Payable on demand	**31,186**	16,318
Payable after notice	**52,773**	27,425
Payable on a fixed date	**1,755,610**	1,378,149
	1,839,569	1,421,892
Other		
Cheques and other items in transit, net	**7,012**	31,573
Liabilities of subsidiaries, other than deposits (notes 7 and 9)	**537,630**	329,962
Other liabilities		
Secured notes (notes 6 and 9)	**708,785**	958,568
Other	**233,837**	248,313
	1,487,264	1,568,416
Subordinated Debt (notes 8 and 9)		
Bank debentures	**28,795**	31,476
	28,795	31,476
Capital and Reserves		
Appropriations for contingencies	**9,167**	7,745
Shareholders' Equity		
Capital stock (note 10)		
Preferred shares without par value		
Authorized – 30,495,000 shares		
Issued and fully paid – 464,683 shares (1980 – 487,058 shares)	**13,742**	14,471
Common shares without par value		
Authorized – 25,000,000 shares		
Issued and fully paid – 13,596,743 shares (1980 – 13,596,743 shares)	**51,913**	51,913
	65,655	66,384
Retained Earnings	**152,510**	156,694
Total Shareholders' Equity	**218,165**	223,078
Total Capital and Reserves	**227,332**	230,823
	3,582,960	3,252,607

Consolidated Statement of Income

For the Year Ended November 1, 1981 (note 1)

	1981 $000's	1980 $000's Restated (note 1)
Interest Income		
Income from loans, excluding leases	352,473	286,089
Income from lease financing	56,855	58,666
Income from securities	42,437	38,242
Income from deposits with banks	2,222	1,198
Total interest income, including dividends	453,987	384,195
Interest Expense		
Interest on deposits	256,531	149,414
Interest on bank debentures	2,569	2,811
Interest on liabilities other than deposits	124,798	149,959
Total interest expense	383,898	302,184
Net interest income	70,089	82,011
Provision for loan losses	10,941	10,041
Net interest income after loan loss provision	59,148	71,970
Other income	6,375	1,979
Net interest and other income	65,523	73,949
Non-Interest Expenses		
Salaries	38,696	36,181
Pension contributions and other staff benefits	2,048	2,188
Premises and equipment expenses, including depreciation	17,539	14,289
Other expenses	25,980	26,637
Total non-interest expenses	84,263	79,295
Net income before provision for income taxes	(18,740)	(5,346)
Provision for income taxes (note 3)	(20,520)	(13,036)
Net income for the year	1,780	7,690
Dividends on preferred shares	775	815
Net income applicable to common shares	1,005	6,875
Average number of common shares outstanding	13,596,743	13,596,743
Net income per common share	0.07	0.50

Consolidated Statement of Appropriations for Contingencies

For the Year Ended November 1, 1981 (note 1)

	1981 $000's	1980 $000's Restated (note 1)
Balance at beginning of year (including tax-paid appropriations of $1,826,000, 1980 – $2,589,000)	7,745	1,776
Excess of provision for loan losses included in the Consolidated Statement of Income over loss experience on loans	1,422	(660)
Transfer from retained earnings	–	6,629
Balance at end of year (including tax-paid appropriations of $3,752,000)	9,167	7,745

Consolidated Statement of Changes in Shareholders' Equity

For the Year Ended November 1, 1981 (note 1)

Capital Stock

	1981 Shares	1981 $000's	1980 Shares	1980 $000's Restated (note 1)
4½% cumulative preferred shares				
Balance at beginning of year	**30,591**	**3,059**	34,716	3,471
Deduct: Redemptions during the year	**2,225**	**222**	4,125	412
Balance at end of year	**28,366**	**2,837**	30,591	3,059
5¾% cumulative preferred shares				
Balance at beginning of year	**456,467**	**11,412**	468,067	11,702
Deduct: Redemptions during the year	**20,250**	**507**	11,600	290
Balance at end of year	**436,217**	**10,905**	456,467	11,412
Common Shares				
Balance at beginning and end of year	**13,596,743**	**51,913**	13,596,743	51,913
Balance at end of year		**65,655**		66,384

Retained Earnings

	1981 $000's	1980 $000's Restated (note 1)
Balance at beginning of year	**156,694**	160,301
Prior period adjustments (net of income taxes of $736,000)	**–**	(892)
Net income for the year	**1,780**	7,690
Dividends on preferred shares	**(775)**	(815)
Dividends on common shares	**(5,439)**	(5,439)
Gain on preferred shares purchased for cancellation	**250**	149
Transfer to appropriations for contingencies	**–**	(6,629)
Income taxes related to the above transfer	**–**	2,329
Balance at end of year	**152,510**	156,694

Notes to Consolidated Financial Statements

For the Year Ended November 1, 1981 (note 1)

1. Amalgamation and Resultant Change in Accounting Policy

On November 1, 1981, the Continental Bank of Canada amalgamated with its parent company, IAC Limited, and continued as Continental Bank of Canada. These financial statements have been prepared as of the commencement of business on November 1, 1981, using generally-accepted accounting principles except for the determination of the Provision for Losses on loans. Although the Bank Act 1980 does not apply to these statements, they have been presented in the format prescribed by that Act because it will apply to the amalgamated bank for the year ending October 31, 1982.

As agreed with the Inspector General of Banks, the provision for losses on loans was calculated using a formula prescribed by the Minister of Finance for use by banks, applied retroactively to the five fiscal years ending November 1, 1981. This resulted in previously reported retained earnings as at October 31, 1979 being decreased by $892,000 with a related amount being included in the Statement of Appropriations for Contingencies at that date. In addition, net income previously reported for the year ended October 31, 1980 was increased by $330,000. The application of the formula in the current year resulted in net income being $711,000 less than would otherwise have been reported.

2. Significant Accounting Policies

(a) Principles of Consolidation

The financial statements include the accounts of the bank and its subsidiaries.

(b) Loans

Loans are stated net of any unearned income, unamortized purchase discounts and any specific provisions established to recognize anticipated losses.

(c) Provision for losses on loans

The provision for losses on loans is calculated using a formula prescribed by the Minister of Finance. The charge to income under this formula is arrived at by applying an average ratio of the annual loss experience to the amount of eligible loans at the end of the current financial year.

(d) Recognition of revenue

Unearned income on loans for terms of less than forty-eight months are taken into income using the sum-of-the-digits method on an account by account basis. Because this method does not maintain the original yield over longer terms, on loans written for terms in excess of forty-eight months, unearned income is taken into income on the actuarial yield basis.

Leasing transactions are reported in accordance with the financing method of accounting. The excess of aggregate rentals over the cost of the leased asset is recorded as unearned income at the time of the transaction. Income is taken up over the term of the lease pro rata to the declining balance of the investment. Contractual disposal proceeds negotiated at the inception of the lease are included in unearned income and taken up as above. Gains arising from residual values of leased assets are included in income only when realized.

(e) Appropriations for Contingencies

Certain amounts may be set aside as appropriations to provide for possible unforeseen future losses on loans, securities and other assets.

The Appropriations for Contingencies consist of two elements: general and tax-paid. The general portion is not subject to income tax until the cumulative amount exceeds a prescribed limit which is 1½% of first $2 billion of eligible assets and 1% of the remaining eligible assets, less the applicable specific provisions. The tax-paid portion represents appropriations in excess of the above-mentioned limit and other specified transactions upon which taxes exigible by Canada have been assessed.

(f) Translation of foreign currencies

Assets and liabilities in foreign currencies are translated to Canadian funds at year-end exchange rates. Income and expense transactions are translated at the exchange rates prevailing throughout the year. Exchange gains and losses, both realized and unrealized, are included in the statement of income.

(g) Amortization of debt discount and expense

Debt discount and expense is amortized over the term of the related debt instrument. If the debt is prepayable at the holder's option, the amortization is calculated to the first optional maturity date. When a debt obligation is redeemed prior to maturity, the related unamortized charges are written off at the time of redemption.

(h) Methods of depreciation

Buildings are depreciated on a straight-line basis at the rate of 2.5% per annum. All other assets are depreciated at the maximum rates allowed by the regulations of the Canadian Income Tax Act for claiming capital cost allowance.

Leasehold improvements are amortized over the term of the respective leases.

(i) Amortization of loan acquisition costs

Loan acquisition costs are deferred and amortized over the term of the loan using the sum-of-the-digits method.

(j) Amortization of purchased computer systems costs

Costs of purchased computer systems are deferred until the systems are put into use and then amortized over a period not exceeding three years.

3. Provision for Income Taxes

The provision relating to net income is less than the amount obtained by applying the statutory tax rate because of inclusion in income of non-taxable income from Canadian corporations.

Notes to Consolidated Financial Statements

For the Year Ended November 1, 1981 (note 1)

4. Securities

Securities comprise:

	Maturity 1 Year $000's	2-3 Years $000's	4-5 Years $000's	Over 5 Years $000's	**1981 Total $000's**	1980 Total $000's
Securities Issued or Guaranteed by Canada	87,281	–	–	–	**87,281**	52,124
Other Debt Securities:						
Income Debentures	3,672	10,075	–	10,000	**23,747**	24,397
Securities of Other Canadian Issuers	23,186	–	–	–	**23,186**	17,082
	26,858	10,075	–	10,000	**46,933**	41,479
Equity Securities:						
Term Preferred Shares	52,582	52,464	29,562	52,900	**187,508**	235,730
Other Preferred Shares	–	–	–	4,668	**4,668**	4,668
	52,582	52,464	29,562	57,568	**192,176**	240,398
Common Shares	–	–	–	10,813	**10,813**	6,354
	166,721	62,539	29,562	78,381	**337,203**	340,355

5. Deposits

Deposits include the following debentures:

Interest Rate %	Year of Maturity	**1981 $000's**	1980 $000's
5¾	1981	**–**	6,498
5¾	1982	**5,518**	5,819
6½	1983	**5,289**	5,545
7½	1986	**5,279**	5,725
9½	1992	**7,899**	9,096
9¾	1995	**27,574**	28,647
		51,559	61,330

These debentures have sinking or purchase fund provisions (note 9).

6. Secured Notes

Secured notes comprise:
Payable in Canadian Funds

Interest Rate %	Maturity Date	**1981 $000's**	1980 $000's
9½	May 15, 1981	**–**	25,000
5¾	November 15, 1981	**8,500**	8,500
5⁴⁄₁₀	July 2, 1982	**10,000**	10,000
10¼*	July 30, 1983	**94,749**	97,522
9	March 1, 1984	**100,000**	100,000
5¾	September 15, 1984	**15,000**	15,000
5¾	March 1, 1985	**12,500**	12,500
9⅜	June 5, 1985	**125,000**	125,000
6	December 1, 1985	**5,000**	5,000
6½	February 1, 1986	**6,000**	6,000
8¾*	May 1, 1989	**1,200**	1,200
8¾*	September 1, 1991	**20,119**	21,811
11¾	November 15, 1999	**–**	30,000
Other secured notes with interest rates ranging from 8.0% to 13.0% maturing between 1981 and 1984		**23,147**	80,429
		421,215	537,962

Notes to Consolidated Financial Statements

For the Year Ended November 1, 1981 (note 1)

Secured Notes — continued	Interest Rate %	Maturity Date	Par value U.S. $000's	**1981 $000's**	1980 $000's
Balance forward			–	**421,215**	537,962
Payable in U.S. Funds	5¼	October 1, 1982	10,000	**11,999**	11,767
	9½*	March 15, 1983	40,000	**47,996**	50,009
	5	October 1, 1984	10,000	**11,999**	11,767
	5	February 15, 1985	15,000	**17,999**	17,651
	5¾	February 1, 1986	12,825	**15,388**	15,091
	9*	March 15, 1986	25,000	**29,998**	29,418
	7¾*	October 15, 1986	7,550	**9,059**	9,767
	5½	October 1, 1987	20,000	**23,998**	23,534
	5¼	April 1, 1988	10,000	**11,999**	11,767
	9½	June 1, 1990	8,287	**9,944**	10,324
	9¼	May 15, 1994	36,000	**43,196**	44,597
	Other U.S. secured notes with interest rates ranging from 8.0% to 8.25% maturing from 1982 to 1983		45,000	**53,995**	55,070
			239,662	**287,570**	290,762
	Secured short-term notes			**–**	129,844
				708,785	958,568

*These notes have purchase fund or mandatory redemption provisions (note 9).

7. Liabilities of Subsidiaries, other than Deposits

Liabilities of subsidiaries, other than deposits are summarized as follows:		**1981 $000's**	1980 $000's
	Secured notes	**315,889**	314,880
	Unsecured notes	**207,822**	200
	Debentures	**13,919**	14,882
		537,630	329,962

Details of which are as follows:

(a) Secured Notes Payable in Canadian Funds	Interest Rate %	Maturity Date	**1981 $000's**	1980 $000's
	10¼*	June 18, 1981	**–**	9,119
	°°°	January 31, 1982	**45,000**	55,000
	8¼*	August 15, 1982	**11,664**	12,369
	9½	May 2, 1983	**75,000**	75,000
	9½*	January 30, 1984	**45,633**	47,698
	5¾	April 15, 1984	**10,000**	10,000
	10⅜*	December 18, 1984	**9,141**	10,126
	5¾	May 1, 1985	**10,000**	10,000
	5¾	May 1, 1985	**10,000**	10,000
	°°	May 1, 1985	**25,000**	25,000
	7½	December 1, 1986	**5,000**	5,000
	7⅞*	December 15, 1986	**582**	618
	8¼	May 1, 1988	**7,500**	7,500
	7⅞*	May 15, 1988	**883**	883
			255,403	278,313

Notes to Consolidated Financial Statements

For the Year Ended November 1, 1981 (note 1)

Liabilities of Subsidiaries, other than Deposits — continued	Interest Rate %	Maturity Date	Par Value U.S. $000's	**1981 $000's**	1980 $000's
Balance forward				**255,403**	278,313
	9¾*	December 15, 1990		**100**	4,160
	9*	March 1, 1994		**1,103**	1,219
	11¾*	November 15, 1999		**30,000**	–
	Other secured notes with interest rates ranging between 8.5% and 10.5% maturing between 1982 and 1985			**4,805**	4,712
				291,411	288,404
Payable in U.S. Funds	10½*	September 1, 1990	20,400	**24,478**	26,476
				315,889	314,880

* These notes have purchase fund or sinking fund provisions (note 9).
°° Bank prime less ½%.
°°° The interest rate is determined at periodic intervals based upon the interest rate quoted on commercial paper issued by the holder.

(b) Unsecured notes		**1981 $000's**	1980 $000's
	Acceptances	**182,822**	–
	Notes with interest rates ranging from 19.4% to 19.8% maturing between November 9, 1981 and December 2, 1981	**25,000**	–
	6% term note for U.S. $170,000	–	200
		207,822	200

(c) Debentures			**1981 $000's**	1980 $000's
	8*	April 17, 1992	**368**	387
	11½**	October 15, 1994	**13,551**	14,495
			13,919	14,882

*These debentures have sinking fund provisions (note 9).
**These debentures have purchase fund provisions and the holders have the right to prepayment on October 15, 1984 and 1989 (note 9).

8. Bank Debentures
Bank debentures comprise:

			1981 $000's	1980 $000's
Payable in Canadian Funds	6¾*	August 15, 1984	**7,650**	9,062
	7*	November 1, 1985	**133**	138
	9½**°	July 15, 1994	**21,012**	22,276
			28,795	31,476

*These debentures have sinking fund provisions (note 9).
**Convertible debentures (note 10).
°These debentures have purchase fund provisions (note 9).

Notes to Consolidated Financial Statements

For the Year Ended November 1, 1981 (note 1)

9. Sinking Fund, Mandatory Redemption and Purchase Fund Requirements
The sinking fund and mandatory redemption requirements are as follows:

Years Ending October 31	$ millions
1982	8.6
1983	3.0
1984	15.0
1985	14.3
1986	4.7

Certain issues have purchase fund requirements which are non-cumulative and under which the bank and its subsidiaries are required to redeem only debt instruments offered to them subject to limitation as to price and aggregate annual amounts. It is not possible to predict the amounts that will be offered by holders. The maximum purchase fund requirements are as follows:

Years Ending October 31	$ millions
1982	8.6
1983	8.1
1984	7.3
1985	6.9
1986	5.4
1987-1991	25.2
After 1991	7.9

10. Common Shares
966,552 common shares are reserved for conversion rights exercisable until July 14, 1984 at 46 shares (equivalent to $21.74 per share) for each $1,000 of principal of the 1974 9½% convertible subordinated debentures.

11. Commitments Under Lease
The bank has leases on office premises rented for its business, requiring rental payments as follows:

Years	Approximate Annual Rentals $000's
1982	6,360
1983	6,549
1984	5,703
1985	4,507
1986	4,345
The aggregate rentals for 1987 and thereafter	23,644

12. Pension Fund
The bank has a pension plan covering all permanent employees age 27 and over with more than one year of service. The pension benefits are based on the highest average remuneration received over any period of five consecutive years. The policy is to fund pension costs as accrued and based on actuarial valuations done every three years. As at December 31, 1980, the date of the last actuarial valuation, the plan was fully funded.

13. Contingent Liabilities
Continental Bank of Canada and some of its subsidiaries are parties to certain litigation incidental to the kind of business conducted. In the opinion of management, the ultimate liability, if any, will not materially affect the company's consolidated financial position or results of operations.

Prior to amalgamation with the bank, IAC had received tax assessments for the taxation years 1975 and 1976 disallowing the deduction from income of expenses totalling approximately $930,000, which are under appeal.

Auditors' Report to the Shareholders

We have examined the consolidated statement of assets and liabilities of Continental Bank of Canada as at the commencement of business on November 1, 1981 and the consolidated statements of income, appropriations for contingencies and changes in shareholders' equity 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 the commencement of business on November 1, 1981 and its income, appropriations for contingencies, and changes in shareholders' equity for the year then ended in accordance with the accounting principles described in note 1 to the consolidated financial statements.

Coopers & Lybrand

COOPERS & LYBRAND
Chartered Accountants
December 16, 1981

Principal Subsidiaries of the Continental Bank of Canada

Continental Bank Capital Corporation
(formerly Niagara Finance Company Limited)
Continental Bank Realty Corporation
(formerly Niagara Realty of Canada Limited)
Continental Bank Financial Corporation
Continental Bank Mortgage Corporation
Continental Bank Leasing Corporation

Ten Year Consolidated Statistical Review

$000's	1981	1980	1979 (note 5)	1978
Condensed Statement of Assets and Liabilities (notes 1 and 2)				
Assets				
Cash Resources	**75,753**	68,024	53,211	10,129
Securities	**337,203**	340,355	377,701	318,431
Loans	**3,074,745**	2,765,553	2,759,378	2,349,276
Other	**95,259**	78,675	85,019	58,778
Total Assets	**3,582,960**	3,252,607	3,275,309	2,736,614
Liabilities and Equity				
Deposits	**1,839,569**	1,421,892	963,971	106,349
Liabilities of Subsidiaries, other than Deposits	**537,630**	329,962	317,234	376,307
Other Liabilities				
Secured Notes	**708,785**	958,568	1,404,500	1,726,615
Other	**240,849**	279,886	327,558	259,335
Bank Debentures	**28,795**	31,476	32,883	33,701
Appropriations for Contingencies (note 4)	**9,167**	7,745	1,776	788
Shareholders' Equity	**218,165**	223,078	227,387	233,519
Total Liabilities and Equity	**3,582,960**	3,252,607	3,275,309	2,736,614
Statement of Income (notes 1 and 2)				
Interest Income				
Income from loans, excluding leases	**352,473**	286,089	208,637	215,091
Income from lease financing	**56,855**	58,666	44,122	47,726
Income from securities	**42,437**	38,242	21,484	14,516
Income from deposits with banks	**2,222**	1,198	–	–
Total interest income including dividends	**453,987**	384,195	274,243	277,333
Interest Expense				
Interest on deposits	**256,531**	149,414	26,684	6,627
Interest on bank debentures	**2,569**	2,811	2,447	2,944
Interest on liabilities other than deposits	**124,798**	149,959	167,892	185,416
Total interest expense	**383,898**	302,184	197,023	194,987
Net interest income	**70,089**	82,011	77,220	82,346
Provision for loan losses (note 3)	**10,941**	10,041	11,657	11,925
Net interest income after loan loss provision	**59,148**	71,970	65,563	70,421
Other income	**6,375**	1,979	765	1,205
Net interest and other income	**65,523**	73,949	66,328	71,626
Non-Interest Expenses				
Salaries	**38,696**	36,181	29,343	33,482
Pension contributions and other staff benefits	**2,048**	2,188	1,761	2,009
Premises and equipment expenses, including depreciation	**17,539**	14,289	9,011	8,130
Other expenses	**25,980**	26,637	24,829	21,933
Total non-interest expenses	**84,263**	79,295	64,944	65,554
Net income before provision for income taxes	**(18,740)**	(5,346)	1,384	6,072
Provision for income taxes	**(20,520)**	(13,036)	(6,818)	(3,221)
Net income before extraordinary items	**1,780**	7,690	8,202	9,293
Extraordinary items	–	–	–	–
Net income for the year	**1,780**	7,690	8,202	9,293
Dividends on preferred shares	**775**	815	700	872
Net income applicable to common shares	**1,005**	6,875	7,502	8,421
Per common share				
Net income applicable to common shares	**$ 0.07**	$ 0.50	$ 0.55	$ 0.62
Dividends	**$ 0.40**	$ 0.40	$ 0.97½	$ 1.30
Shareholders' Equity	**$ 15.03**	$ 15.34	$ 15.61	$ 16.03
Number of shares outstanding				
Year end	**13,596,743**	13,596,743	13,596,743	13,573,943
Daily average	**13,596,743**	13,596,743	13,582,322	13,573,901

1977	1976	1975	1974	1973	1972
3,516	57,037	64,622	46,041	35,179	27,894
175,876	38,421	24,802	24,372	29,189	35,236
1,973,975	1,895,172	1,861,993	1,722,903	1,483,008	1,225,668
33,676	34,821	30,604	31,436	33,267	26,955
2,187,043	2,025,451	1,982,021	1,824,752	1,580,643	1,315,753
87,235	98,681	98,080	74,163	76,614	85,633
286,749	254,234	265,922	275,228	232,831	175,480
1,272,899	1,157,874	1,140,846	1,024,672	882,105	700,448
265,192	243,084	220,065	205,078	182,436	156,817
33,956	35,158	35,355	35,731	12,123	12,519
(1,507)	–	–	–	–	–
242,519	236,420	221,753	209,880	194,534	184,856
2,187,043	2,025,451	1,982,021	1,824,752	1,580,643	1,315,753
200,401	211,508	201,969	185,654	143,911	125,948
45,202	47,011	34,509	28,825	20,354	15,219
7,585	2,268	2,061	1,622	1,648	2,198
–	–	–	–	–	–
253,198	260,787	238,539	216,101	165,913	143,365
7,078	7,364	6,867	5,007	5,412	5,861
3,049	3,095	3,115	1,894	839	1,016
142,787	122,910	109,219	109,940	67,287	48,348
152,914	133,369	119,201	116,841	73,538	55,225
100,284	127,418	119,338	99,260	92,375	88,140
9,652	11,617	10,628	7,011	5,898	4,479
90,632	115,801	108,710	92,249	86,477	83,661
1,899	2,613	2,320	2,529	2,340	825
92,531	118,414	111,030	94,778	88,817	84,486
29,057	28,953	27,001	24,078	20,951	19,437
1,743	1,737	1,620	1,445	1,257	1,166
6,773	6,837	6,570	6,024	5,783	5,159
20,969	19,653	21,121	17,732	16,534	15,691
58,542	57,180	56,312	49,279	44,525	41,453
33,989	61,234	54,718	45,499	44,292	43,033
13,097	29,365	26,735	22,661	21,927	20,694
20,892	31,869	27,983	22,838	22,365	22,339
3,023	1,347	–	–	–	–
23,915	33,216	27,983	22,838	22,365	22,339
900	926	988	996	1,019	1,034
23,015	32,290	26,995	21,842	21,346	21,305
$ 1.69	$ 2.38	$ 1.99	$ 1.65	$ 1.64	$ 1.67
$ 1.18	$ 1.14	$ 1.09	$ 0.98	$ 0.96	$ 0.84
$ 16.67	$ 16.23	$ 15.05	$ 14.20	$ 13.52	$ 12.76
13,573,643	13,544,033	13,541,883	13,487,698	13,006,293	12,988,399
13,551,871	13,543,285	13,513,111	13,204,861	12,995,747	12,694,400

Notes:

1) The financial statements have been reclassified into the format prescribed by the Bank Act 1980.
2) In 1980 the bank retroactively changed its accounting policy in respect of the translation of foreign currency assets and liabilities to reflect all exchange gains and losses in the statement of income. Previously unrealized gains or losses had been deferred and carried in the statement of assets and liabilities as unrealized exchange gains or losses. Concurrently with the change in accounting policy the bank has hedged its foreign currency assets and liabilities through the purchase of forward exchange contracts.
   For comparative purposes, the above summary reflects these changes:
   a) The statement of assets and liabilities excludes unrealized foreign exchange losses.
   b) Shareholders' equity, equity per common share, net income and net income applicable to common shares have been restated to reflect the income that would have been recorded had the revised accounting policy been in effect during that period and had the bank not hedged its foreign currency position.
3) The provision for loan losses has been determined according to the formula described in note 2c to the accompanying consolidated financial statements. This formula was applied retroactively to the five years ending with the current fiscal year. The Statement of Assets and Liabilities, shareholders' equity, equity per common share, net income and income applicable to common shares have been restated accordingly.
4) The Appropriations for Contingencies account has been described in note 2e to the accompanying consolidated financial statements. As described in note 3 above, the provision for loan losses has been retroactively applied for the five years ended November 1, 1981.
5) Figures for 1979 cover ten months ended October 31, 1979.

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*member of the Executive Committee

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W. Smuk Vice-President, Information Systems
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Corporate Information

	Common Stock	Preferred Stock
Transfer Agents and Registrars	Montreal Trust Company of Canada Montreal, Toronto, Winnipeg, Regina, Calgary and Vancouver	The Royal Trust Company Montreal, Toronto, Winnipeg, Regina, Calgary and Vancouver
Auditors	Coopers & Lybrand Toronto, Chartered Accountants	Peat, Marwick, Mitchell & Co. Toronto, Chartered Accountants
Stock Listings	Montreal Stock Exchange Toronto Stock Exchange	Vancouver Stock Exchange — Common Stock only

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