

Credit Foncier

100th ANNUAL REPORT

1880 - 1980

Financial Highlights

	Twelve months ended October 31 1980	Ten months ended October 31 1979
Profit for the period		
Operating profit	\$ 7 708 000	\$ 5 870 000
Extraordinary items	5 277 000	2 633 000
Net profit	\$ 12 985 000	\$ 8 503 000
Balance sheet		
Total assets	\$1 959 261 000	\$1 512 952 000
Stocks and bonds	231 592 000	148 233 000
Mortgages	1 516 100 000	1 184 956 000
Short-term notes and certificates	250 509 000	151 116 000
Medium-term debentures and certificates	1 552 857 000	1 222 419 000
Shareholders' equity	110 494 000	96 637 000
Per share		
Operating profit	\$ 8.34	\$ 6.75
Extraordinary items	5.71	3.02
Net profit	\$ 14.05	\$ 9.77
Shareholders' equity	\$119.58	\$111.09

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Cover:
Credit Foncier celebrated its 100th anniversary in 1980. The photographs on the cover represent a few of our branches dating back to the earlier years of our history.

Annual Report of Credit Foncier and its subsidiaries

Head Office: 612 St. James Street, Montreal

HOWARD ROSS LIBRARY
OF MANAGEMENT
JUN 10 1981
MCCILL UNIVERSITY

Address by the Chairman of the Board

At the last General Meeting, I mentioned that Credit Foncier would be celebrating its 100th anniversary during the year. Indeed, the Company's charter, granted by the Quebec Legislature, was sanctioned on July 24, 1880. Operations started soon after.

It is therefore a pleasure for the Board of Directors and Management to present to their shareholders and friends the 100th annual report of the Company's operations and financial results.

Our President and Chief Executive Officer, Mr. Robert Gratton, will present the financial results and his comments thereon. You will see that, notwithstanding a difficult economic, political and social climate, the Corporation was able to reach new heights and to improve its position.

On the basis of these results, I can only repeat the statement I made at last year's Annual Meeting, to the effect that the Company can be proud of its achievements during its first 100 years of existence: it is in a very favourable position to confront its second century with optimism.

In general, a company's development accelerates and becomes more noticeable once a certain size and momentum have been reached. For example, Credit Foncier's assets totalled \$54 million after 50 years of operations and \$77 million after 75 years. In comparison, assets have risen from \$270 million to nearly \$2 billion over the last 10 years alone. This is not to say that life becomes easier with time. On the contrary, problems multiply and become more complex as the size of an organization increases. The most successful companies are those that adapt to ever-changing economic conditions by hiring young and dynamic personnel, constantly modernizing their operations, diversifying their investments, and drawing on their past experiences. Success usually gives rise to greater success.

For these reasons, I have no doubt that Credit Foncier's progress in future years will be measured in billions rather than millions of dollars.

During the year, the Directors of the Company were called upon to accept the resignation of Mr. Marcellin Tremblay, who had joined them in March of 1979. Although he sat only briefly on the Board and the Executive Committee, Mr. Tremblay provided a valuable contribution to the Company through his wise counsel and knowledge of the financial community. We wish to extend to him our gratitude.

The vacancy created by Mr. Tremblay's resignation and the increase in the number of directors from 13 to 15 have resulted in the appointment of three new members to the Board: Messrs. Raymond Gameau, Réjean Gagné and Pierre H. Lessard.

These three well-known personalities in the Canadian business community are already making a valuable contribution to Board meetings and to the reputation of the Company. Their contribution is sure to increase in the future.

For their part, Messrs. Emile Desorcy and Léo Boissonnault, having served their term, are leaving the Board. On behalf of all of us, I should like to express to them our genuine appreciation for the immense services they have rendered the Company. Mr. Desorcy, whose career with Credit Foncier has spanned forty years, was elected a Censor in 1975, before being appointed a Director and becoming a member of the Audit Committee. Elected a Censor in 1972, Mr. Boissonnault was later appointed a Director and was also a member of the Audit Committee.

In addition, as a result of Credit Foncier's increasingly active role in Alberta, the Company had been trying for some time to enlist the services of a well-known personality of that province as a member of its Board. It was fortunate in having Mr. Jean-Louis Lebel, Chancellor of the University of Calgary and a Director of a number of corporations, agree to be nominated to the Board.

Although a native of Quebec and an arts graduate from Laval University, Mr. Lebel's career has been centred in Alberta, mainly in the petroleum industry, and particularly at Chevron Canada Limited. Mr. Lebel has been a resident of Calgary for a number of years.

We feel certain that Mr. Lebel will contribute significantly to the Board's proceedings and we wish to extend a warm welcome to him.

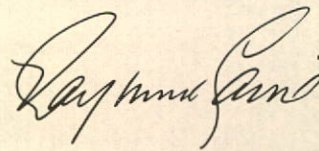
Mr. Roger Lavoie, President and Chief Operating Officer of the Montreal City and District Savings Bank, has asked that his term as Director not be renewed. We should like to thank Mr. Lavoie for his valuable contribution as a Director of Credit Foncier.

Personally, I started last September my 50th year with Credit Foncier. These have been very enjoyable years which, when I look back, went by very fast. However, time does march on. I will be succeeded as Chairman of the Board by Mr. Raymond Garneau, who is also Chairman and Chief Executive Officer of the Montreal City and District Savings Bank, which owns all of Credit Foncier's shares. Mr. Garneau's reputation and his competence will be great assets to the future of this Corporation. I feel certain that his chairmanship, together with the leadership of Mr. Robert Gratton as President and Chief Executive Officer, will enable Credit Foncier's management and staff to retain the team spirit, the resourcefulness and the devotion they have shown in the past, and which have been the key to its success.

In closing, I would like to express my appreciation once again for the opportunity I had to serve and manage Credit Foncier. It has been both a great honor and an immense pleasure. If I have helped contribute to the success and prestige of the Company, it is thanks to the generous support of numerous colleagues and friends, not only in Montreal, but also across Canada and abroad. To them, I am deeply grateful.

Before Credit Foncier reached its present status as a major corporation, I had the opportunity to know most of the staff members across Canada on a personal basis, and in many cases their families and friends. From such pleasant experiences, warm and lasting friendships have developed.

On behalf of the Company and on my own behalf, I would like to thank all those who, directly or indirectly and in one capacity or another, have contributed to Credit Foncier's past, present and future achievements.



Raymond Lavoie

Address by the Vice-Chairman of the Board

I would like to take this opportunity to join all those who, over the last few months, have stressed the importance of the 100th anniversary of the establishment of Credit Foncier. The event is to be applauded, as it admirably reflects the high quality of the financial services the Company has constantly provided.

For its part, Credit Foncier's only shareholder, the Montreal City and District Savings Bank, will be holding its 134th Annual General Meeting tomorrow. Over the years, both companies have acquired and developed a degree of expertise and strength matched by very few other Canadian financial institutions. Let us hope that the City and District Savings Bank — Credit Foncier association becomes a symbol of progress for the benefit of all the communities it serves across the country.

I would therefore like to extend my warmest congratulations and best wishes to all employees and clients of Credit Foncier and its subsidiaries on the occasion of the Company's centennial.

Although Credit Foncier's association with the City and District Savings Bank is relatively recent, the complementary nature of the financial services they offer clearly represents a valuable asset to be developed and used to their advantage.

Already, a major regrouping has taken place. The transfer of the Montreal City and District Trustees to Credit Foncier has enabled us to consolidate all of the group's trust operations and has increased Credit Foncier's assets by close to \$200 million.

As for the City and District Savings Bank, under whose new charter branches can be opened anywhere in Canada, its geographic growth will no doubt benefit from the exceptional reputation Credit Foncier enjoys from coast to coast.

However, even if the association of Credit Foncier with the City and District Savings Bank eventually results in economies of scale in the management of auxiliary services as well as the exchange of expertise, the City and District Savings Bank intends Credit Foncier to remain independent.

The two companies operate in different markets and meet different needs. These differences comprise their geographic coverage as well as the types of services offered. As such, integration would be counter to the best interests of shareholders and clients of both companies. For this reason, it has been agreed that Credit Foncier's Board of Directors and Management should be able to operate within a framework that provides sufficient autonomy to secure the means needed for full development and maximum profitability.

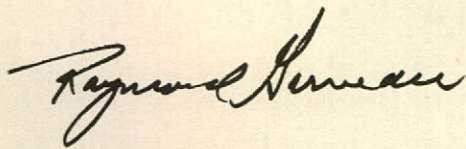
At the end of this meeting, I will be succeeding Mr. Raymond Lavoie as Chairman of the Board of Credit Foncier. On behalf of the Company's Board of Directors, employees and clients, I would like to congratulate Mr. Lavoie for his distinguished career at Credit Foncier, which spanned fifty years and which saw him ascend to the Company's highest office.

Seldom do we see someone devoting fifty years of service to a company and becoming its chief executive officer. To highlight this achievement and express our appreciation for the dedication displayed by Mr. Raymond Lavoie, the shareholder and the Board of Directors

will propose that he be appointed Honorary President of Credit Foncier. The appointment is to be confirmed by the Board of Directors at the end of this meeting.

It is to be hoped that Mr. Lavoie, as is the wish of the shareholder and the Board of Directors, and I might add the Company's clientele, will look upon this gesture as a sign of friendship, recognition and gratitude for a career devoted almost entirely to Credit Foncier.

In closing, may I express on behalf of the City and District Savings Bank its sincerest gratitude to all of Credit Foncier's employees, and especially to its President and Chief Executive Officer, Mr. Robert Gratton, as well as members of top management. I offer them my cooperation, in addition to that of the shareholder and the Board of Directors, and pledge support in their efforts to ensure our century-old institution continued success.



Raymond Garneau

Report from the President and Chief Executive Officer

Over the last few years, it has unfortunately become routine for trust and loan companies to begin annual reports by emphasizing the particularly unpleasant economic situation of the fiscal period just ended. This year is no exception.

Assets of trust and loan companies grew steadily during the 1970's. However, during the last five or six years, operating results in most cases have not been encouraging, showing little or no increase. These years were characterized by two periods of highly volatile interest rates — 1974-75 and 1978-80 — which had a dampening effect on trust company profits. In the interval, the increased competition from chartered banks in the mortgage market was a major factor in reducing profit margins on new loans and renewals. This affected the profitability of trust companies, at a time when operating costs were increasing to retain and increase their market share as well as to modernize their operations. As a result, these companies have had to reconsider their strategies, especially in light of the challenges and changes they will have to face in the 1980's.

The extreme volatility of interest rates and their record levels made 1980 a most challenging year. We all waited for a recession that did not come or did not last, for signs of constancy and leadership in U.S. economic matters, which did not materialize, and for evidence that the federal deficit would be seriously curtailed in years ahead. Instead, we were given a program leading to the diminution of oil exploration and development activities. This unstable environment resulted in unpredictable markets, making the management of our business increasingly difficult, especially the matching of assets and liabilities at a profitable spread.

Credit Foncier's operating results in these circumstances are fairly satisfactory. The maintenance of our operating earnings over the past two years appears to be quite an accomplishment in our industry.

Our net earnings, including profits realized on the disposition of assets, reached \$13 million, a level second only to that of 1975 when a sizeable portion of our investment in Francana Oil & Gas was sold. Assets' growth was maintained at previous years' levels and, as we shall see, substantially-increased volumes of business were transacted during the year.

Credit Foncier's acquisition in January 1980 of the Montreal City and District Trustees, until then a direct subsidiary of the Montreal City and District Savings Bank, expanded our group to include a trust company that has played an important role in the Montreal financial community over the years. Results of the Trustees have been consolidated with those of Credit Foncier for the 1980 fiscal year.

It should also be remembered figures for 1979 cover only 10 months following the Corporation's decision in 1979 to bring forward the end of its fiscal period from December 31 to October 31. The usual comparison of results is thus less significant.

Result highlights

Consolidated assets on October 31, 1980 stood at \$1.959 billion, as compared to \$1.513 billion on October 31, 1979. This represents an increase of 29%.

During the last twelve months, the mortgage portfolio increased by \$331 million, while short-term investments, stocks and bonds were up by \$83 million. Total revenues reached \$211,844,000, against \$123,723,000 the year before.

Net profit for the 1980 fiscal period (twelve months) totalled \$12,985,000 or \$14.05 per share, against \$8,503,000 or \$9.77 per share for the 1979 fiscal year (ten months).

Excluding extraordinary gains of \$5.3 million in 1980 (\$5.71 per share) and \$2.6 million in 1979 (\$3.02 per share), the net operating profit amounted to \$7.7 million (\$8.34 per share), against \$5.9 million (\$6.75 per share) for the ten months of 1979.

The 1980 net extraordinary gains included net profits of \$2.1 million from the disposal of real estate and \$3.2 million from the sale of stocks and bonds.

Shareholders' equity grew to \$110.5 million (\$119.58 per share) at the end of the fiscal period, compared to \$96.6 million (\$111.09 per share) on October 31, 1979, partly as a result of the issue of treasury shares in payment for the shares of the Trustees.

Dividends paid out in 1980 totalled \$6.7 million (\$7.25 per share), compared to \$6.3 million (\$7.25 per share) for the preceding year.

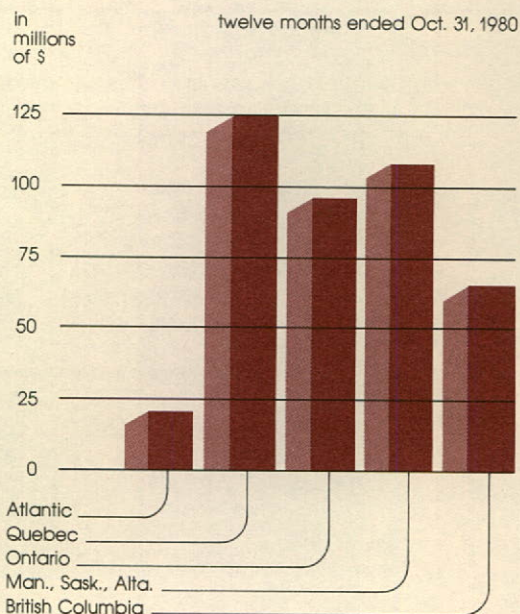
Mortgage loans

Our mortgage operations showed considerable growth during fiscal 1980. This growth was achieved despite generally unfavourable market conditions created by the higher interest rates which prevailed during most of the year. Loan approvals totalled \$420 million (including \$31 million from the Trustees), compared to \$313 million for the corresponding period in 1979 (restated to include 12 months).

We have been successful again this year in achieving a good geographic distribution of loans and in maintaining a good balance among different types of mortgaged properties, while steadily increasing the percentage of insured loans in our portfolio. Whereas the Company had substantially increased its lending activities in Ontario in 1979, growth in 1980 was most noticeable in British Columbia, Quebec and Atlantic Canada. Alberta continued to be a very strong area for business. As a result, loans approved in fiscal 1980 were distributed as follows: 5% in Atlantic Canada, 24% in Quebec, 25% in Ontario and 46% in Western Canada (of which 20% represents Alberta and 18% British Columbia).

Seventy-four per cent of loans approved in 1980 were on residential properties (mostly rental types), 18% on commercial properties and 8.1% on industrial properties, office buildings or others.

LOANS APPROVED — BY REGION



The proportion of loans approved which were insured by the Canada Mortgage and Housing Corporation or by non-governmental mortgage insurance companies rose to 46%.

Loans disbursed in 1980 amounted to \$323 million, as opposed to \$200 million for the ten months of 1979. These disbursements, after the subtraction of repayments, brought the mortgage portfolio up from \$1.185 billion to \$1.516 billion.

Funding and savings services

The total of medium-term funds generated during the period amounted to \$431 million (including \$41 million from the Trustees), compared to \$271 million for fiscal 1979. These figures comprise the total sales of debentures and guaranteed investment certificates sold for maturities from one to ten years (mostly one to five years), as well as Registered Retirement and Home Ownership Savings plans.

Credit Foncier's branch system accounted for a total of \$361 million of the sales of these term products, compared to \$211 million last year. This represents an increase of 71%. Our growth was very evenly distributed across the country.

Retirement Savings plan deposits grew by 95% in 1980 to \$156 million, and Home Ownership deposits were up by 62% to \$8 million. This represents remarkable growth for a product only first offered by Credit Foncier to the public in 1977.

Including the Trustees, total medium-term branch sales reached \$402 million, Registered Retirement Savings plan deposits stood at \$163 million and Home Ownership Savings plans at \$9 million, while the number of clients exceeded 110,000.

The movement of interest rates throughout the year affected investors in much the same way as the previous year. A general reluctance to invest for 5 years made it more difficult for us to achieve our goal of matching the maturities of our assets and liabilities.

Once again the increase in short-term notes and guaranteed investment certificates outstanding was substantial, concomitant with the reluctance to invest for longer periods that I have already mentioned and also with our marketing efforts. A growing proportion of these short-term instruments are sold through the branch system. Branch sales were \$519 million, against \$252 million in 1979 (twelve months).

Credit Foncier's total debt stood at \$1.8 billion at the end of October 1980, against \$1.4 billion in October 1979. This debt is 16.7 times the amount of our capital and reserves — well below the 20-time multiple allowed under various Canadian legislation.

Interest spreads

Over the past three years, we have witnessed a gradual reduction in the spreads available on new business and on loans being renewed. The competitiveness of the mortgage market has resulted in rate cutting for all types of mortgages. This has affected the interest spreads earned by this Company and thus the financial results of its mortgage operations, despite good growth in the total portfolio.

The rapid escalation of interest rates and their volatility also had an adverse impact which, in the case of this Company at least, was mitigated by two factors: first, our policy of matching maturities reduced our exposure to rising short-term interest rates and secondly, the fact that a large part of our commitments are made on a floating rate basis, which means that the rate of the loan is determined at the time of disbursement rather than on the commitment date.

Portfolios

The Company has continued to increase its investment in stocks and bonds in 1980, although not as much as in 1979. This diversification of investments has partly offset the impact of a narrower spread on mortgage loans.

Including the Trustees, the bond and stock portfolios stood at \$231.6 million on October 31, 1980, against \$148.2 million on October 31, 1979.

The stock portfolio included \$66.7 million invested in preferred shares, of which \$21 million with a floating rate set from time to time according to prevailing interest rates. Net gains of \$600,000 were realized during the year on the sale of preferred shares. The market value of this portfolio stood at \$64.6 million at the end of October 1980.

Bonds totalled \$149.2 million at the fiscal year-end, compared to \$86.8 million in 1979. Of this figure, \$42 million is invested in income debentures, most of which carry a floating rate. The market value of this portfolio was \$145.4 million on October 31, 1980.

Common stocks stood at \$15.7 million at the end of October 1980. Net gains of \$3 million were realized during the year on the sale of common shares, leaving on October 31, 1980 an unrealized capital appreciation in the stock portfolio of \$7.3 million.

Real estate investments

Real estate investments are an important part of the group's operations. During the 1980 fiscal year, the real estate portfolio increased from \$128 million to \$147 million. The operating profit, before financial expenses, rose from \$6.2 million in 1979 to \$8.8 million in 1980.

As often indicated in the past, the market value of this portfolio is well above its book value. Consequently, the Corporation realizes capital gains from time to time on the sale of real estate properties. The net gains of \$2.7 million shown this year under extraordinary items

represent the capital gains on the cash payments received during the year on properties sold. The unpaid balances are shown on the balance sheet as "Deferred Income."

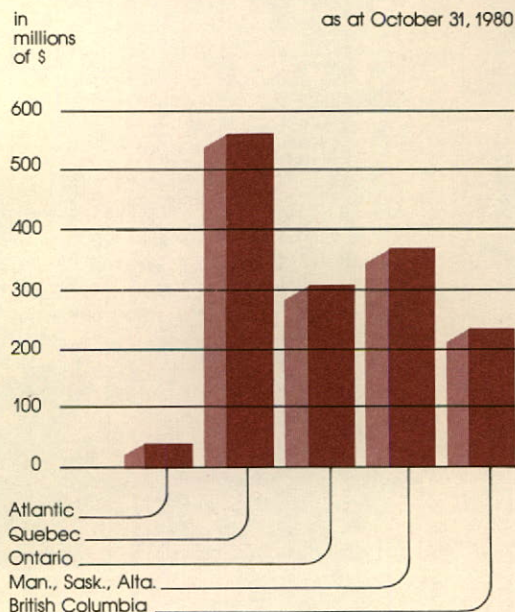
In last year's annual report, we mentioned that the Corporation had started participating in real estate development projects in the United States. Four such projects are in progress or have been completed. They are located in Starkville, Mississippi, Palatka, Florida as well as in Knoxville and Harriman, Tennessee.

We are pleased with results obtained so far and we plan to increase our development activities in 1981.

Centennial

As you already know, the Corporation has been celebrating its 100th anniversary this year. A number of activities were organized to enable employees and pensioners to participate in this event. We also launched a national advertising and promotional campaign aimed at the general public and which emphasized our long involvement across Canada.

MORTGAGE PORTFOLIO — BY REGION



The Credit Foncier Award

However, we felt the need to mark our Centennial through a permanent contribution to Canadian society in an area of general concern and which is at the heart of our own operations.

Canadians are proud of their architectural heritage and are increasingly aware of the wasteful loss caused by the near systematic destruction of old buildings to make way for new construction projects.

Because of the role we have played for over 100 years in helping build this country's architectural heritage as well as the latter's importance in the minds of Canadians, we considered it appropriate to establish at this time a program that would emphasize and encourage the important work already being done by many. Our aim has been to lend support, especially to real estate developers and architects, in restoring older buildings in an attractive and beneficial way so as to preserve their functional purpose.

We therefore instituted an annual award of \$20,000 which will be granted for the best restoration project in the country.

All projects that are submitted will be studied by an independent jury made up of five members, of whom two were appointed by the Royal Architectural Institute of Canada, one by the Heritage Canada Foundation, one by the Urban Development Institute - Canada and one by Credit Foncier.

I should like to express our gratitude to these organizations for the warm welcome given to the project as well as for their generous help and encouragement. I would also like to thank all those who have accepted the responsibility of sitting on the jury.

Branches

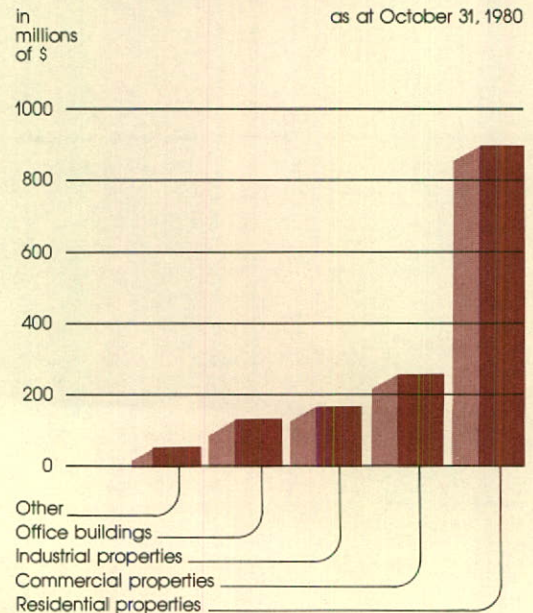
A new branch was opened this year at St. John's, Newfoundland. Located on Duckworth Street in the downtown area, it is headed by Mr. Raymond Fisher. This extends our branch network to 19 from coast to coast, excluding the 3 Trustee offices in Montreal.

New branch managers were appointed during the year: Messrs. Kenneth Gordon in Regina, Gary Graham in Ottawa, Herbert Nebbs at the Montreal Savings Branch and Jean-Pierre Paradis in Quebec City.

Management

There were several management appointments during the past year. Mr. Michel Lessard was appointed Executive Vice-President in charge of finance, control, administration and branch operations. The following were appointed Vice-Presidents: Messrs. Ernest Castelane (Ontario Region), Jacques David (Treasury), Pierre de Feydeau (Real Estate),

MORTGAGE PORTFOLIO — BY CATEGORY



Christopher D. Hyde (Savings), Robert Panet-Raymond (Administration), Michel Pasquin (Mortgages), Gaston Pelletier (Quebec and Atlantic Region), William Reim (Real Estate Development). Messrs. Ross Gledhill and Robert Limoges joined the management team as Vice-President, Investments and Vice-President, Control respectively.

The following were appointed Assistant Vice-Presidents: Mr. André Dambrine (Economist) and Mr. Carmand Normand (Investments). Mr. Philippe Suys joined the Corporation as Assistant Vice-President, Personnel.

Miss Claire Bellemare was appointed Manager, Savings Operations Department, Messrs. Claude Bolduc Manager, Data Processing and Systems Department, Ray de Montigny Manager, Accounting Department, Pierre Girardin Manager, Premises and Equipment Department and David Hannaford Manager, Savings Product Management Department.

Personnel

The substantial increase in our operations as well as the difficult market conditions required concerted efforts on the part of our management and staff to constantly adapt and innovate. On behalf of the Board of Directors and on my own behalf, I would like to congratulate and thank them.

Conclusion

I should now like to expand on a few points that were briefly mentioned at the start of my address. If the second part of the 1970's proved to be difficult years for trust companies, it is my opinion that the 1980's will challenge our adaptability to an even greater extent. Canadian financial markets and institutions will undergo major changes. For example:

1. For all types of savings, financial institutions have to pay interest rates that reflect actual market conditions, since investors are increasingly aware of the many options that are available to them.

As a result, institutions with major branch networks might be forced to increase their margins so as to absorb the enormous cost of maintaining such networks.

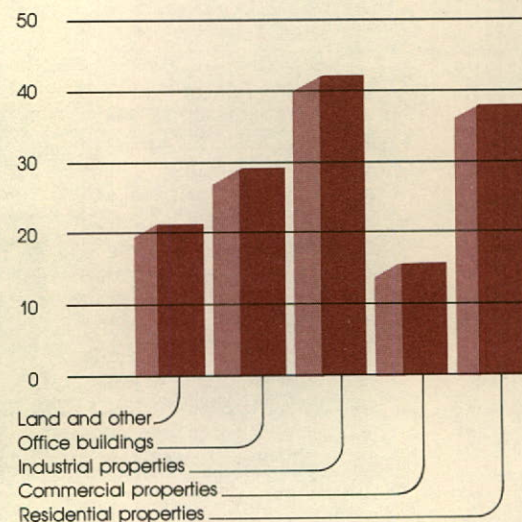
2. Investors will be increasingly reluctant to make long-term investments. This will have a significant effect on corporate financing and the bond market as well as their financial intermediaries and life insurance companies. As a result, funds available for 1- to 5-year investments and competition in this area should both increase substantially.

3. Long-term mortgage financing for commercial projects will become gradually more difficult and will result in lasting changes to the structure of such financing, and to the terms of commercial leases (such as to index them to the financing costs).

4. The confusion concerning the role played by various financial institutions, which the federal government sustained during the last revision of the Bank Act,

REAL ESTATE PORTFOLIO — BY CATEGORY

in millions of \$ as at October 31, 1980



will increase, and laws governing trust companies will be amended accordingly. The establishment of foreign banks, several of which are subsidiaries of "all-purpose" banks, will contribute to such a movement, especially since such a tendency is already quite evident in the U.S. In the coming years, it would not be surprising to see this trend take in, for example, insurance companies and investment dealers.

5. Smaller companies will face major problems in dealing with changes to competitive market conditions; therefore, further consolidations through mergers and acquisitions may be expected.

6. The conspicuous presence of a large number of foreign banks and the diversification of loan operations conducted by the major trust companies will result in a more open and competitive market for corporate financing and should have an effect on the activities of brokers operating in this area.

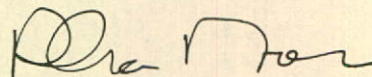
Within such a context, the creation of larger and more diversified groups will no doubt be an important asset for the future.

In closing, I should like to share some of the thoughts previously expressed by Mr. Raymond Gameau, our next Chairman of the Board.

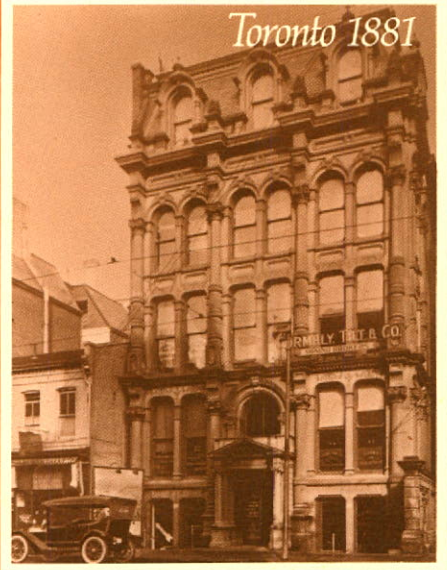
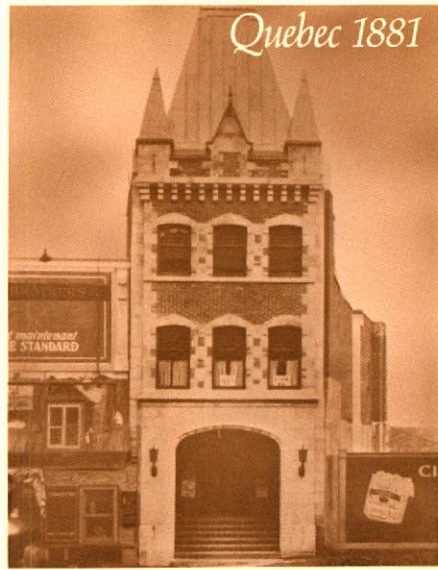
I could not be more in agreement with the Board's decision to appoint Mr. Raymond Lavoie as Honorary President of Credit Foncier. Nor could I add further to the praise bestowed upon him by Mr. Gameau. At the last annual meeting, when Mr. Lavoie retired, I emphasized the valuable contribution he had made to the Corporation and indicated that retirement could not dissolve the ties that have united him to Credit Foncier. I am pleased to see that his honorary presidency will preserve those ties.

Mr. Gameau's remarks concerning the role and status of the City and District Savings Bank and of Credit Foncier, the two components of our group, are quite apropos. These guiding principles are the fruit of serious consideration extended over several months by the major shareholders of the Bank as well as by the

Management and Board of both companies. The decision to enable each of these to develop its own character, organization and management as well as the objective set for each to grow according to its own strengths while maximizing the advantages of being part of a group augur well for the future.



Robert Gratton



Helping build Canada
since 1880

Credit Foncier

1880

The Foundation of Credit Foncier

The Canadian confederation was only 13 years old in 1880, and according to the census of the following year there were only 4,325,000 Canadians, the vast majority of whom lived in the east. The population of Montreal was 175,000, and that of Toronto 92,000. The sites of Edmonton and Regina were uninhabited and the populations of Winnipeg and Vancouver were 8,000 and 6,000 respectively. The telephone had been invented in 1876, and the last spike was to be driven in 1885. It was a time of tremendous expansion. The Maritimes and Montreal were the most prosperous and powerful parts of the country, but it was a strength relative to the rudimentary stage of development which the country had reached. Manitoba and British Columbia were the only western provinces, and they had been in existence barely ten years. The Archbishop of St. Boniface wrote at the time: "If one compares the immensity of these prairies with the scantiness of the area which some of the most powerful nations on the globe occupy... one naturally asks if these solitudes are always to remain in this state". The total assets of all of Canada's chartered banks stood at a rather unimpressive \$192.5 million.

It was at this time that Credit Foncier was founded. Canada's expansion required large amounts of capital



Settlers moving west (Saskatchewan Archives)

which the country could not supply. Governments as well as private enterprise were seeking sources of funds, as Sir Joseph-Adolphe Chapleau, the newly-elected Premier of Quebec, was particularly aware. The idea of a mortgage loan company in Quebec emerged from discussions with French financiers for a provincial loan. While informing themselves about Quebec, the bankers realized the obvious opportunity presented by the province's rudimentary



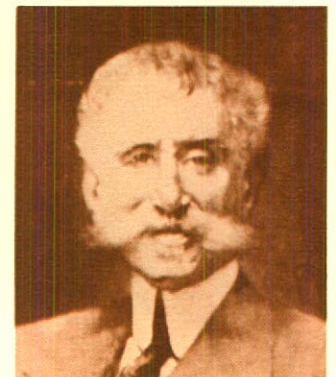
Sir J.-A. Chapleau
(Quebec National Archives)

economy, as well as the enthusiasm of its government. The Premier agreed to provide a charter for the Company while the Europeans were to supply the capital. Initially an astonishing condition was included by the government — a clause in the charter giving the Company exclusive rights as a mortgage lending company in Quebec. Opposition to this provision was widespread. The General Manager of Canada Permanent wrote to a friend in Ottawa, the Minister of Defense, and said that it would “lead eventually to disaster”. As soon as Credit Foncier was underway, the clause was withdrawn.

The Charter of Credit Foncier Franco-Canadien received royal assent on July 24th, 1880.

The marking of Credit Foncier’s foundation took place at a banquet in Montreal in November 1880. French capital to the amount of \$1,240,000 had been subscribed, and the Europeans had suitably enthusiastic expectations of their new company. “If your population is able to understand the mechanism”, said Mr. Thors, who was later to be Chairman of the Board, “the scourge of usury which is devouring your rural areas should be quickly extirpated”. Mr. Molinari, an early director, felt that Canada was “an admirable country, in which the only serious danger for the traveller is frequent indigestion”. Both the financial system and the gastronomic reputation of the country have improved since 1880!

Mortgage loan companies similar to Credit Foncier were not new. The first, on the continental model, were established by Frederick the Great of Prussia in the rich province of Silesia, which he had seized from the Habsburgs. Credit Foncier was modelled after this type. Credit Foncier de France, with which Credit Foncier has never had any corporate affiliation, was founded in 1854, and was followed by other companies in Austria, Spain, Sweden, Egypt and Luxembourg. Credit Foncier was thus a reasonably early example of its kind. It was certainly one of the earliest in Canada. By 1880, there were no companies on the continental model in the country, and there were only a few of the other type of mortgage and loan company, the English Building Societies, which were active in England as early as 1781. Canada Permanent had been in existence since 1855, and Canada Trust had been formed in 1864. The British Mortgage and Trust Co., later to become part of Victoria and Grey Trust Co., was founded in 1877.



Mr. J.-H. Thors

1880~1899

The Company's Expansion Across Canada

Europe in the last decades of the nineteenth century was at the summit of its dominance. Queen Victoria was Empress of India, and the British Empire virtually unchallenged in a prosperous and peaceful world of which the Empire was the most prosperous part.

Under the Third Republic, France was an exciting and successful country, the extent of whose possessions was second only to Britain's. Both countries were investing heavily abroad and occasionally in each other's empires. Credit Foncier was of course a product of this investment.

The Company at first retained close links with Europe and continued to seek most of its funds from there,



Certificate from an early bond issue

although the first public issue was in Canada in 1884. It was for \$50,000 in \$500 notes at 5% for 25 years. More typical was the public issue of 1886. It was for 50 years at 4%, in French francs and worth nearly \$1 million. The notes were largely subscribed in Paris and Geneva.

The initial growth of Credit Foncier was very rapid. Branches were almost immediately opened in Montreal, Toronto, Quebec City, and Prince Edward Island. The first managers of these branches were E. J. Barbeau in Montreal, who doubled as Chief Executive of the Company, Walter Gillespie in Toronto, Elisée Beaudel in



Montreal Branch at the turn of the century

Quebec City and Chester B. MacNeill in Charlottetown. The Company's first western branch was opened in Winnipeg in 1884, and one of the local members of Parliament, Joseph Royal, became its manager. In 1893, a second western branch was opened in Vancouver, as a result of the prompting of Chester B. MacNeill, who had resigned his post in Charlottetown and moved to British Columbia. He became the first manager of the Vancouver Branch.

The rapid growth of the Company was fulfilling a need. In a country growing as quickly as Canada, mortgage and loan companies are of vital importance. They are one of the principal sources of finance for construction and the acquisition of land. By 1914, Credit Foncier's assets amounted to \$53 million, out of a total \$124 million for all Canadian loan companies. Trust company assets totalled only \$19 million, while bank assets amounted to \$1.56 billion.

Those who managed the early growth of the Company were clearly men of some vision. The minutes of meetings in the 1880's and 1890's reveal a willingness to seize every opportunity and to exploit any business contact. There was a clear realization of the state of the country and its needs. The first Chief Executive of the Company was E.-J. Barbeau until 1890. He was followed by Martial Chevalier from 1890 to 1921. The Chairman of the Board was Eugène Declerc, a Senator of France, who was obliged to resign temporarily in 1882 to spend a year as Prime Minister of that country. He returned to the chairmanship in 1883 and held it until 1889. During his year's absence, the chairmanship was occupied by the Premier of Quebec, Sir J.-A. Chapleau: extraordinary times!



Mr. E.-J. Barbeau



Mr. Martial Chevalier

1900 ~ 1929

Canada Takes Shape

It could be said that the Canada we know today took shape in the first quarter of the 20th century. The First World War pulled it into the international sphere, and the large waves of immigration in the period gave the country its cultural diversity. It was in these years, in 1905, that the provinces of Alberta and Saskatchewan were carved from the Northwest Territories, which makes 1980 their 75th Anniversary.

The sophisticated financial system that now exists began to take shape in this period. By 1902, there were 747 chartered bank branches in the country, a feature which has remained a distinctive characteristic of the Canadian banking system. In 1908, the Royal Canadian Mint was created to satisfy the demand for currency.

Credit Foncier had arrived relatively early in the development of this system in eastern Canada, and it arrived very early in the development of western Canada. The Edmonton office, with Mr. de Blois Thibaudeau as Manager, was opened in 1905. The Regina office managed by Mr. M.G. Alton made its appearance in 1907. Credit Foncier was thus one of the first financial institutions to appear in these provinces.

1907 was the year in which Charles Saunders successfully tested Marquis Wheat, which was largely resistant to early frost and matured ten days earlier than other brands. By 1910, 7.6 million acres were planted with it, and



Our first Edmonton Branch, 1905

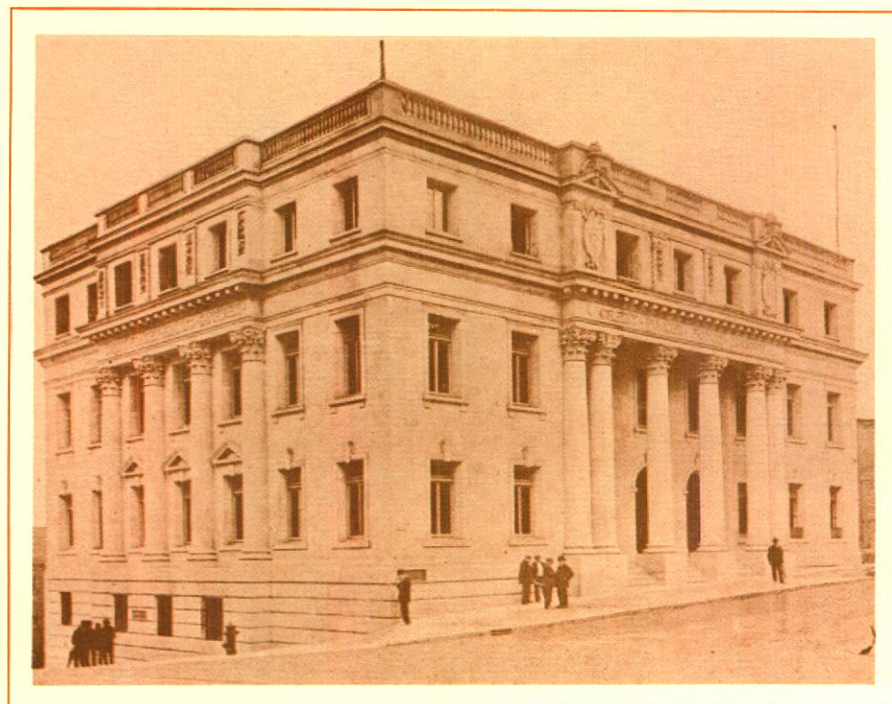


The western wheat economy (Saskatchewan Archives)

by 1920 90% of all wheat grown in western Canada was Marquis — its importance to the west was profound and cannot be overemphasized. The Prairies were transformed into a wheat economy.

Credit Foncier's role in these developments was to enable people to buy farms. Although 73 million acres had been given to settlers in Alberta and Saskatchewan by 1914, still a great deal of land was bought, including some for speculation. A little of the land the Company owns today was mortgaged before 1914.

In Montreal, Credit Foncier had initially rented premises for a Head Office on Place d'Armes, and then occupied a building on Notre-Dame Street. But the Company had grown so quickly that it needed more space, and in 1907-1908 the new Head Office building, at No. 5 St. James Street East, was built. It was a time of considerable activity in Montreal, where the wages of an unskilled construction



Our third Head office building, in Montreal



Our Vancouver office building under construction in 1914

labourer averaged 20 cents an hour.

The Company also constructed a new 13-storey building in Vancouver which was completed in 1914 at a cost of \$400,000. It is one of the earliest buildings still remaining in the city, is listed as a Heritage Building, and it continues to house the Credit Foncier office in Vancouver.

The growth of the Canadian economy and society were severely constrained by the outbreak of war in 1914. Credit Foncier bought war bonds and made the necessary arrangements to enable its employees to join the war effort.

The war had another effect on the Company. Until 1914, Credit Foncier had been drawing almost entirely on the European money markets. After 1914, and continuing through the Depression and the Second World War, the instability of these markets and Europe's need for capital discouraged such a policy. As an added annoyance, in 1924 the holders of 3.4% debentures issued by Credit Foncier in "francs" sought to be repaid in Swiss and not French francs. Swiss francs had of course appreciated a great deal, while French francs were badly devalued as a result of war debt and inflation.

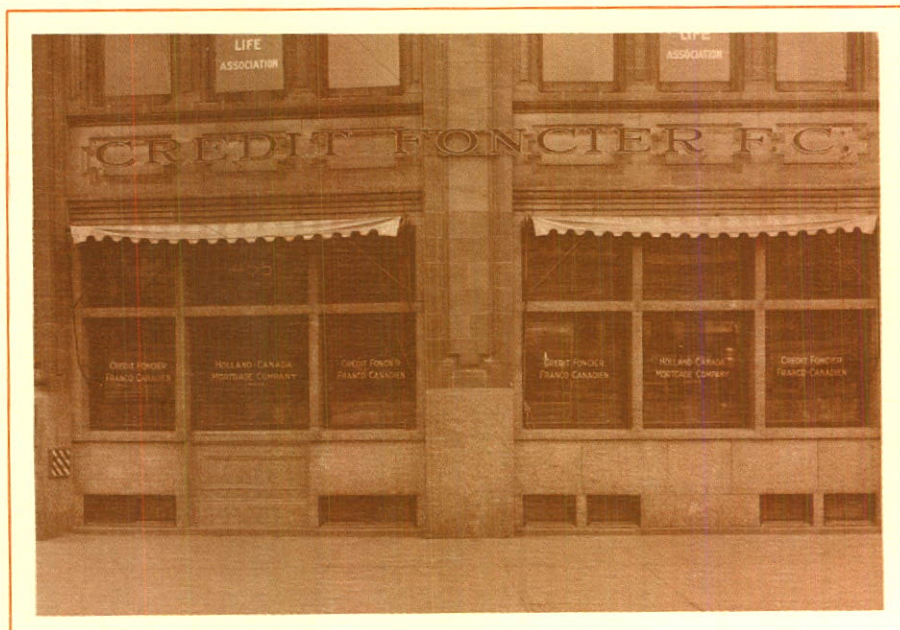
Canada experienced a period of great prosperity in the 1920's, and by 1929 it was possible, because of the increased maturity of the economy as well as its prosperity, to raise money more easily within the country. The initial reluctance of investors had disappeared, and there was

more money around. A public issue of \$5 million at 5%, ranging in term from one to five years, was taken up without difficulty. After the Depression, Credit Foncier began to offer such issues almost yearly on the Canadian money markets.

One of the indications of Canada's growth was the value of building permits, which rose from \$106 million in 1920 to \$234 million in 1929. Credit Foncier's own mortgages and loans rose to \$45 million by 1930, from \$23 million in 1910.

The Company made two acquisitions during these years. In 1920, it bought the Canadian Mortgage Association, with assets of \$8.5 million, which was absorbed entirely. In 1929, Credit Foncier took over the Holland-Canada Hypothekbank, with assets of \$7.3 million, whose operations were largely concentrated in the west. This company was maintained as a separate entity until 1950, when its assets and functions were merged with those of the parent company.

By the end of the 1920's, Credit Foncier was a well-established and successful concern that could truly be said to be a part of Canada. The fact that it was playing such an important role in the economy, and had acquired other companies, is testimony to the skill of its management and the dedication of its employees. The solid position of the Company was to serve it well in the difficult decade ahead.



A former Winnipeg branch office

1930 ~ 1949

A Difficult Period

The 1930's were a difficult period in Canada, and particularly for western farmers. "The people of Alberta and Saskatchewan," said the Royal Commission on Dominion-Provincial Relations in 1937 (Rowell-Sirois), "have undergone a greater diminution in income than any civilized people in time of peace." With 47% of Credit Foncier's business outside Quebec at this point, the Company was one of the most important mortgage lending institutions in the west, and nearly all its loans were in rural areas.



Drought of the 1930's in the west (Manitoba Archives)

Credit Foncier managed its affairs in a very conservative way. Its debt was less than its equity. Consequently the Company was able to carry farmers for some time without blanket foreclosures, and very often allowed them to stay on the farm after foreclosure and eventually to buy it back. The record was more generous than that of most institutions; but despite this, by 1940 Credit Foncier possessed 3,071 properties, of which 2,461 were in the Prairie provinces. This represented a value of some \$3.5 million at the time.

The seriousness of the Depression dominated the 1930's. The value of building permits in Canada fell from \$237 million in 1929 to \$21 million in 1933. Credit Foncier's annual reports show that the Company was well aware of



Mr. Roger de Roumefort

the difficulties in this period. The provision set aside for defaults rose from \$50,000 in 1928 to \$700,000 in 1936. Even clearer evidence is provided by the fact that Credit Foncier made practically no new mortgage loans from 1930 to 1942.

The outbreak of the Second World War isolated Credit Foncier from most of its shareholders. The Company played as effective a part as it could in the war, buying government war bonds and supplementing the difference between an employee's military wage and his regular Credit Foncier salary. Growth was not easy during the war, with the economy tightly controlled by the Wartime Prices and Trade Board and fiscal matters by the Foreign Exchange Control Board.

The ground lost in the 1930's was regained by 1948. Assets had grown from \$47 million in 1936 to \$52 million in 1948, and Credit Foncier was in a position to take advantage of the years ahead. One of its first moves was to appoint a resident inspector, to Calgary, W. C. Burnett, in 1947.

Throughout this period the Chief Executive of the Company was Roger de Roumefort. He became Co-General Manager in 1922 with T. R. Nelson and full General Manager in 1923, a position he held until 1952.



*Canadian soldiers marching off to war
(Montreal Military & Maritime Museum)*

1950 ~ 1969

Building for the Future

Peace brought a period of prosperity unequalled in Canada's history. The population of the country grew by half within 20 years of the war. By 1956 one third of Canadians were under fourteen, and in 1949 Newfoundland entered confederation.

It was a period of moderate growth for Credit Foncier. Much of the growth took place in Ontario and the west, and while mortgage loans rose from a total of \$25.7 million in 1945 to \$68 million in 1955 and \$81 million in 1960, the proportion in Quebec dropped from 50% in 1942 to 39% in 1956 to only 29% in 1963. The proportion of farm and rural mortgages also dropped steadily in this period; by 1970 it comprised a very small part of the portfolio.

This change in emphasis reflected demand as much as any new direction on the part of the Company. The massive land grants and rural settlement of the inter-war period were over. New immigrants tended to settle in cities, and the commercial expansion of the 1950's was felt there rather than in rural areas. Migration from rural to urban areas was itself a characteristic of the times.

This led, of course, to a realization of the real estate in the Company's possession. Because much of it was suitable for development or investment for which there was an obvious need, Credit Foncier created a subsidiary, Francana Real Estate, in 1956.

Throughout the period of the 1950's and early 1960's, Credit Foncier continued to raise money through issues on the Canadian money market. In 1959, the advantageous interest rate then current on European markets prompted the Company to complete a public issue for 25 million Swiss francs at 4½% for 16 years. This was the Company's first public issue in Europe since before the First World War, and it was taken up with enthusiasm.

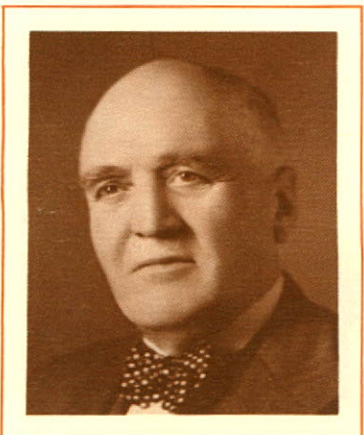
Foundations were laid in the 1950's and 60's which readied Credit Foncier for the 1970's. Assets grew from \$58 million in 1950 to \$260 million in 1970.

Up until this time the Company had largely relied on raising money through debenture issues managed by investment dealers. But the bond market became increasingly difficult and inadequate as a sole source of funding the 1960's. The groundwork for the retail sales system through the branches, which has proved to be one of the foundations of Credit Foncier's recent success, was laid during these years.

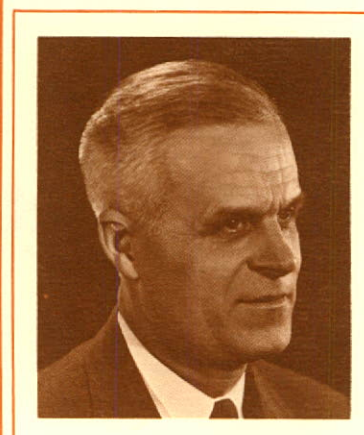
Mr. de Roumefort retired in 1952 and was replaced by Mr. Bernard Lechartier and Mr. Marcel Pasquin as Co-General Managers. In 1954, Mr. Pasquin retired and Mr. Lechartier took on the post of General Manager alone, which he held until 1972.



Present head office building



Mr. Marcel Pasquin



Mr. Bernard Lechartier

The 1970's

A Decade of Accelerated Growth



Mr. Raymond Lavoie

The 1970's were a period of unprecedented growth and change for the Company. Many branches were opened, mortgage and real estate development activities were greatly expanded, savings services were offered to the general public, and investments were diversified.

The Company's assets went through an eightfold increase to reach \$2 billion in 1980. Mortgage loans granted in fiscal 1980 reached \$400 million as compared with \$17 million in 1969. Close to \$400 million of various term investments were sold in 1980 against \$12 million in 1970.

In order to achieve these results in an increasingly competitive environment, the branch system had to be expanded and its facilities improved, the number of employees greatly increased, new systems introduced and strategies developed to increase the Company's market share and offer the public first rate service.



Montreal Savings Branch

Throughout this period the Company's growth was well balanced across Canada, though the changing economic pattern in the country was reflected by particularly important growth in western Canada.

During this decade the Company returned to the Atlantic area. The new branches in Halifax and St. John's have confirmed the national scope of its activities. In addition, Credit Foncier began real estate development in the United States for the first time.

Mr. Raymond Lavoie, who had been Co-General Manager for most of the past twenty years, was appointed Chief Executive Officer in early 1973. In 1979, he was succeeded in that position by Mr. Robert Gratton, who had held the position of Co-General Manager since 1975.



Mr. Robert Gratton

* Oil and Gas

* The following pages depict three further aspects of the history of Credit Foncier.

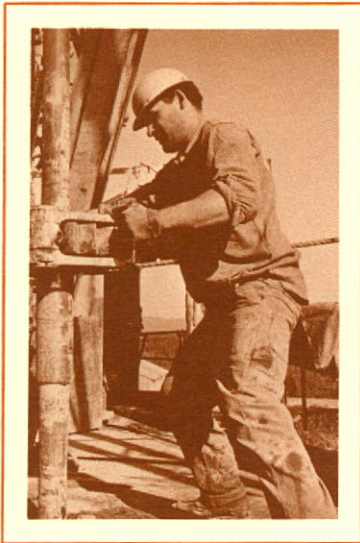
The management of Credit Foncier was quick to take advantage of the discovery of oil in western Canada in 1947. Before that time, the Company had sold the mineral rights to the land it possessed; now it would keep them. By 1952, the decision had been made to create a subsidiary to exploit opportunities in the oil and gas industry. Its name was Francana Enterprises, which was changed in 1959 to Francana Oil and Gas, and its initial capital consisted of 5,000 shares each worth \$10. Credit Foncier subscribed the whole of this capital and sold its own mineral rights to its subsidiary for \$121. Jean Debray, a geologist, was asked to head the new company.

Fourteen years after its foundation, Francana had 40 wells of its own and was a participant in 78 others. Its reserves were in the order of 7.5 million barrels of recoverable oil and it held the mineral rights to 156,176 acres.

In 1966, Credit Foncier sold 60% of its shares in Francana Oil and Gas to Hudson Bay Mining and Smelting Co. Ltd. The capital required to properly develop this oil company, and its subsidiary Sylvite of Canada, was such that the Company could not have supplied the funds required and remain a financial institution. That proportion of equity retained was transferred to a subsidiary, Francana Development Corporation. At the same time, Anglo-American Corporation of Canada, a subsidiary of Anglo-American Corporation of South Africa, became a 40% shareholder in Francana Development Corporation. Francana Oil and Gas became a public company in 1970 when shares were first listed on the Montreal Stock Exchange.

In the early 1970's, Francana Oil and Gas was gradually diversifying its operations internationally. In 1969, it acquired an interest in Trend Exploration Ltd., an American-based oil and gas exploration company which subsequently developed operations in Indonesia, and concurrently increased its domestic operations in a very significant way.

In 1975, Francana Development Corporation sold most of the shares it still owned in Francana Oil and Gas, and Francana Development became a wholly-owned subsidiary of Credit Foncier. Francana Oil and Gas has continued to prosper and is now a successful international oil and gas company.



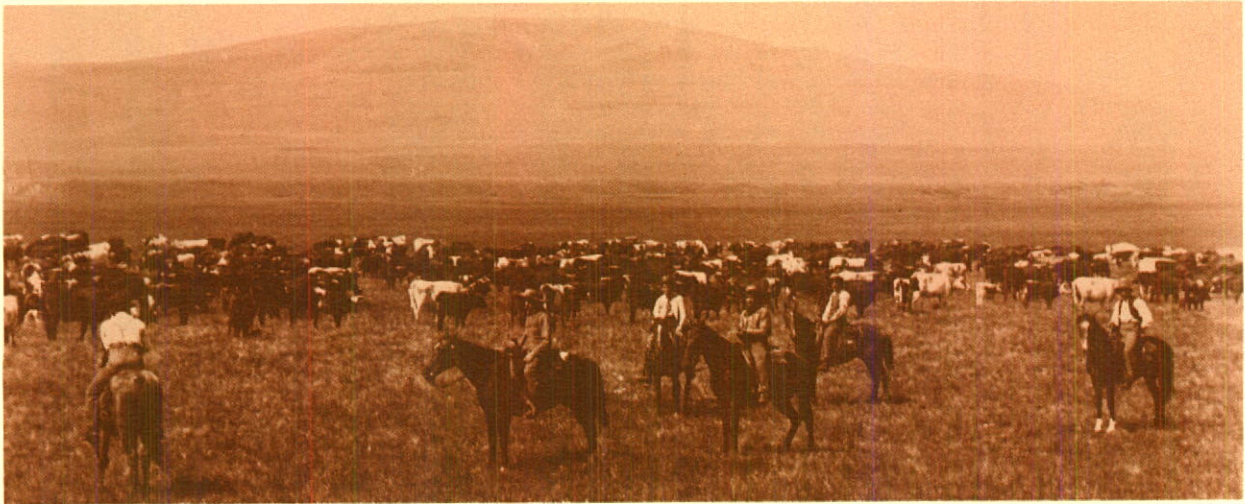
Oil exploration

* *Ranching*

For some years, Credit Foncier owned one of the largest ranches in Canada, as well as a smaller one of nevertheless considerable extent. They are the source of numerous good stories and legends among personnel who were part of the Company at the time.

The first and larger ranch was acquired by Credit Foncier from the government of Alberta in 1940, in exchange for 515 farms that the Company possessed. It was 75,000 acres in size, and stretched on one side for 35 miles along the South Saskatchewan River in largely uninhabited country about 90 miles north of Medicine Hat. The ranch was known as the V Bar V Ranch.

Initially, it was thought by Credit Foncier management — not entirely expert in these matters — that the ranch would be an ideal place to breed Percheron horses imported specially from France at considerable expense. It seems to have been thought that they would be in great



Ranching in the old days (Saskatchewan Archives)

demand on the prairies. The experiment was not a success and was eventually abandoned.

Throughout this time ranching was carried on, and when the land was sold in 1956 to the Mormons, it was sold with 2,000 head of cattle for \$500,000.

Credit Foncier's second ranch was the Kisbey Ranch in Saskatchewan, which is to be found one hundred and fifty miles south-east of Regina. This ranch, considerably smaller than the V Bar V Ranch, was owned by Credit Foncier from 1952 to 1957, when it was sold to two Polish refugees, Count Cajio Skarzanski and Prince Peter Czar-toriski. Unfortunately, they were not able to make a success of the ranch, largely because they lacked capital. Count Skarzanski later worked for Credit Foncier in Calgary.

* The Board of Directors

One of the most remarkable and consistent features in Credit Foncier's hundred-year existence has been the presence of notable public figures on its Board of Directors. There could be no clearer illustration of the Company's role in Canada. No fewer than five Lieutenant Governors, twenty-one federal or provincial Ministers, two mayors of Montreal, three Senators and fourteen MP's and MNA's have sat on the Board at one time or another.

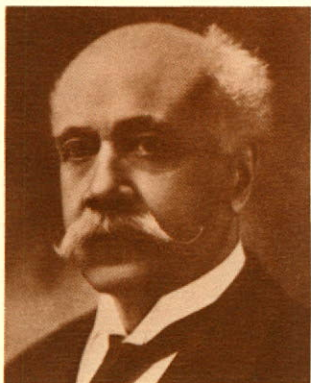
Three Quebec premiers have sat on the Board — Sir J.-A. Chapleau, Sir Lomer Gouin, and Sir Louis Alexandre Taschereau. Sir Chapleau was of course one of the founders of Credit Foncier and also held office as Secretary of State in Ottawa from 1882-1892, and Lieutenant Governor of Quebec from 1892-97. He was professor of International and Criminal Law at l'Université de Laval à Montréal from its inception in 1878. Sir Chapleau also had the reputation of being one of the finest public speakers of his time.

Sir Lomer Gouin was Premier of Quebec from 1905-1920, and in 1921 became Minister of Justice in the first Mackenzie King government. In 1929 he became Lieutenant Governor of Quebec. Sir Lomer's successor as Premier of Quebec was Sir Louis Alexandre Taschereau, who remained in power for many years.

Another early director of Credit Foncier with a varied career was Sir Auguste-Réal Angers, leader of the Legislative Assembly under Premier Boucherville and later Senator and Minister of Agriculture under Sir Charles Tupper in Ottawa. He was Vice-Chairman of the Board in 1918-19 and also managed to be a judge of the Superior Court of Quebec, and finally Lieutenant Governor.

Dr. Emmanuel-Persillier Lachapelle was another of Credit Foncier's early directors. He was co-founder of the Hôpital Notre-Dame and Dean of Medicine at the Université de Montréal.

An interesting man who was involved with the earliest beginnings of the Company was Dr. Jonathan Würtele. He was born in Quebec of a Wurtemberg family, and when aged 24 became Mayor of Rivière David. He was Secretary of the Association of Seigneurs at the abolition of seigneurial tenure in 1854-57. Würtele was professor of Commercial Law at McGill and member of the Assembly for Yamaska. As Treasurer of Quebec, he went to Paris to help negotiate the provincial loan in 1880 and was thus intimately concerned with the beginnings of Credit Foncier. He was a director from the outset and Vice-President in 1898. Würtele in 1884 had become President of the Assembly before leaving politics in 1886 to become a Superior Court judge and a King's Bench judge in 1892. His wife was Julie Nelson, the daughter of Wolfred Nelson, the patriote of 1837 and Mayor of Montreal in 1846.



Dr. E.-P. Lachapelle

The Honorable Rodolphe Lemieux and the Honorable Esioff Patenaude were respectively Liberal and Conservative Federal Cabinet Ministers who sat on the Board of Credit Foncier.

General Georges Vanier sat on the Board of Credit Foncier for several years before he became Governor General of Canada.



Dr. Jonathan Würtele

NEWFOUNDLAND
St. John's

NOVA SCOTIA
Halifax

QUEBEC
Montreal
Quebec City

ONTARIO
Kitchener
London
Ottawa
Toronto

MANITOBA
Winnipeg

SASKATCHEWAN
Regina
Saskatoon

ALBERTA
Calgary
Edmonton

BRITISH COLUMBIA
Prince George
Vancouver
Vernon
Victoria
White Rock

Credit Foncier

Consolidated Financial Statements
100th Fiscal Year

Consolidated Statement of Revenue and Expenditure

for the period ended October 31, 1980

As a result of the change to the year-end, statements for 1979 cover a period of only 10 months.

REVENUE	TWELVE MONTHS ENDED OCTOBER 31, 1980	TEN MONTHS ENDED OCTOBER 31, 1979
Interest	\$ 185 104 000	\$ 107 281 000
Dividends	5 040 000	2 720 000
Office premises and real estate revenue	18 837 000	13 155 000
Other	2 863 000	567 000
	\$ 211 844 000	\$ 123 723 000
EXPENDITURE		
Interest	\$ 174 750 000	\$ 97 426 000
Office premises and real estate expenses	10 024 000	6 993 000
Salaries and staff benefits	11 541 000	6 245 000
Other operating expenses	9 854 000	6 505 000
	\$ 206 169 000	\$ 117 169 000
Profit before income taxes	\$ 5 675 000	\$ 6 554 000
Income taxes — current	\$ 278 000	\$ (25 000)
— deferred	(2 311 000)	709 000
	\$ (2 033 000)	\$ 684 000
Net operating profit	\$ 7 708 000	\$ 5 870 000
Extraordinary items (Note 8)	5 277 000	2 633 000
Net profit for the period	\$ 12 985 000	\$ 8 503 000

PROFIT PER SHARE (Note 6)

Net operating profit	\$ 8.34	\$ 6.75
Extraordinary items	5.71	3.02
Net profit for the period	\$ 14.05	\$ 9.77

Consolidated Statement of Retained Earnings

for the period ended October 31, 1980

	TWELVE MONTHS ENDED OCTOBER 31, 1980	TEN MONTHS ENDED OCTOBER 31, 1979
Balance at the beginning of the period	\$ 21 030 000	\$ 24 165 000
Deduct:		
Transfer to reserves	\$ —	\$ 5 000 000
Dividends	6 699 000	6 307 000
Distribution to directors	—	331 000
	\$ 6 699 000	\$ 11 638 000
Balance	\$ 14 331 000	\$ 12 527 000
Add:		
Net profit for the period	\$ 12 985 000	\$ 8 503 000
Balance at the end of the period	\$ 27 316 000	\$ 21 030 000

Consolidated Statement of Reserves

for the period ended October 31, 1980

	TWELVE MONTHS ENDED OCTOBER 31, 1980	TEN MONTHS ENDED OCTOBER 31, 1979
Balance at the beginning of the period	\$ 64 250 000	\$ 59 250 000
Transfer from retained earnings	—	5 000 000
Balance at the end of the period	\$ 64 250 000	\$ 64 250 000

Consolidated Balance Sheet

as at October 31, 1980

ASSETS	OCTOBER 31 1980	OCTOBER 31 1979
Cash and deposits	\$ 54 331 000	\$ 41 900 000
Bonds (Note 2)	149 182 000	86 799 000
Stocks (Note 2)	82 410 000	61 434 000
Mortgages	1 516 100 000	1 184 956 000
Real estate (Note 3)	140 119 000	121 574 000
Office premises (Note 4)	7 157 000	6 762 000
Other assets	9 962 000	9 527 000
	\$1 959 261 000	\$1 512 952 000

Auditors' Report to the Shareholders of Credit Foncier

We have examined the consolidated balance sheet of Credit Foncier as at October 31, 1980 and the consolidated statements of revenue and expenditure, retained earnings and reserves for the year then ended and have obtained all the information and explanations we have required. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the company, these consolidated financial statements are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company as at October 31, 1980 and the results of its operations and the variations of its reserves for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

Samson, Bélair & Partners
Chartered Accountants

Montreal, Canada, December 4, 1980

Poissant Richard
affiliated with Thorne Riddell
Chartered Accountants

LIABILITIES	OCTOBER 31 1980	OCTOBER 31 1979
Short-term notes and certificates (Note 7)	\$ 250 509 000	\$ 151 116 000
Medium-term debentures and certificates (Notes 5 and 7)	1 552 857 000	1 222 419 000
Mortgages payable by subsidiaries	27 092 000	26 228 000
Income taxes	277 000	269 000
Other liabilities	4 916 000	2 573 000
Deferred income	4 499 000	4 972 000
Deferred income taxes	8 617 000	8 738 000
	\$1 848 767 000	\$1 416 315 000
SHAREHOLDERS' EQUITY		
Paid-up capital (Note 6)	\$ 18 928 000	\$ 11 357 000
Reserves	64 250 000	64 250 000
Retained earnings	27 316 000	21 030 000
	\$ 110 494 000	\$ 96 637 000
	\$1 959 261 000	\$1 512 952 000

Raymond Lavoie, Director

Robert Gratton, Director

Notes

to consolidated financial statements for the 1980 period

1. Accounting policies

a) Consolidation

The consolidated financial statements include the accounts of all subsidiaries, the most important being Credit Foncier Trust Company, Francana Real Estate Limited, Francana Development Corporation Ltd., and Montreal City and District Trustees Limited.

b) Bonds and Stocks

Bonds are stated at their amortized cost plus accrued interest. Stocks are stated at their cost plus accrued dividends.

c) Real estate

Real estate is shown on the balance sheet at cost less accumulated depreciation.

The depreciation of real estate acquired since 1973 and held for rental purposes is calculated using the sinking fund method to amortize the cost over 40 years at the rate of 5% per annum. Those properties acquired before 1973 are depreciated on a straight line basis at the rate of 2½%. No depreciation is taken on real estate held for sale.

The profit on the sale of real estate is realized on the basis of the cash collected; the balance is carried as Deferred Income.

d) Office premises

Office premises are shown on the balance sheet at cost less accumulated depreciation. They are amortized on a straight line basis at the rate of 2½%.

e) Income taxes

The Company follows the tax allocation method of accounting for income taxes.

f) Rate of exchange

Foreign exchange accounts have been converted to Canadian dollars at the rate prevailing as at the date of the balance sheet or as determined by forward exchange contracts.

2. Bonds and stocks

The market value of Bonds and Stocks was \$234 879 000 as at October 31, 1980 and \$151 190 000 as at October 31, 1979.

3. Real estate

This account includes real estate investments by subsidiaries to the extent of \$138 825 000 in 1980 and \$116 401 000 in 1979.

The total depreciation charged to the operations amounts to \$1 074 000 in 1980 as compared with \$857 000 in 1979. The accumulated depreciation is \$7 475 000 in 1980 versus \$6 980 000 in 1979.

4. Office premises

Depreciation charged to operations amounts to \$229 000 during 1980 as compared with \$174 000 in 1979. The accumulated depreciation amounts to \$3 975 000 in 1980 versus \$3 746 000 in 1979.

5. Medium-term debentures and certificates

This item represents debentures and guaranteed investment certificates issued for an initial term of one year or more. The maturities are as follows:

From November 1 to October 31

1981	\$ 417 003 000
1982	287 977 000
1983	283 828 000
1984	240 659 000
1985	239 849 000
1986 to 1990	7 890 000
	<hr/>
	\$1 477 206 000
Accrued interest	75 651 000
	<hr/>
	\$1 552 857 000

6. Paid-up capital

	1980	1979
Authorized (No par value)		
NUMBER OF SHARES	<u>1 272 000</u>	<u>1 272 000</u>
Issued and fully paid at the beginning of the period		
NUMBER OF SHARES	869 909	869 909
AMOUNT \$	11 357 000	11 357 000
Issued and subscribed during this period*		
NUMBER OF SHARES	54 074	—
AMOUNT \$	7 571 000	—
Issued and fully paid at the end of the period		
NUMBER OF SHARES	923 983	869 909
AMOUNT \$	18 928 000	11 357 000

*These new shares were issued as at November 1, 1979 to acquire all the capital stocks outstanding of the Montreal City and District Trustees Limited. The transaction was recorded in the books using the method of the outright and simple purchase.

7. Guaranteed trust account

Guaranteed Trust Funds of Credit Foncier Trust Company and Montreal City and District Trustees Limited are kept separate from the Company's Own Funds and are so ear-marked in the books of the Company. The guaranteed liabilities were secured by the following assets:

	OCTOBER 31 1980	OCTOBER 31 1979
Cash and deposits	\$ 15 093 000	\$ 2 489 000
Bonds and stocks investments	75 683 000	8 681 000
Mortgages	365 321 000	105 659 000
	<u>\$456 097 000</u>	<u>\$116 829 000</u>

The figures of October 1979 do not include any of those of Montreal City and District Trustees Limited.

As at November 1, 1979, the Guaranteed Trust accounts of both companies were as follows:

Cash and deposits	\$ 5 611 000
Bonds and stocks investments	59 339 000
Mortgages	218 798 000
	<u>\$283 748 000</u>

8. Extraordinary items

	1980	1979
Profit on sale of investments	\$ 3 971 000	\$ 1 562 000
Profit on sale of real estate	2 748 000	1 972 000
Expenses related to the Company's takeover	(72 000)	(561 000)
	<u>\$ 6 647 000</u>	<u>\$ 2 973 000</u>
Income taxes related to the above items	1 370 000	340 000
	<u>\$ 5 277 000</u>	<u>\$ 2 633 000</u>

Ten-Year Financial Summary

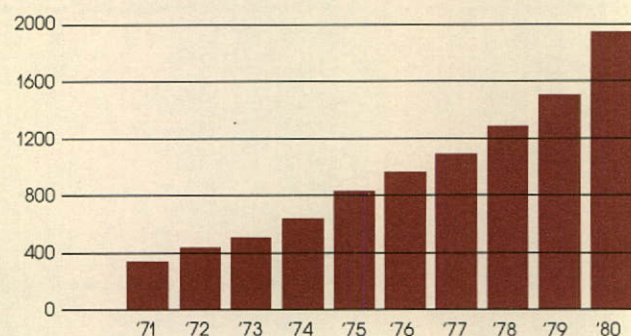
in thousands of dollars

FINANCIAL POSITION AT END OF PERIOD	Twelve months ended October 31 1980	Ten months ended October 31 1979	1978
Total assets	1 959 261	1 512 952	1 294 06
Mortgages	1 516 100	1 184 956	1 045 33
Office premises and real estate	147 276	128 336	123 29
Stocks and bonds	231 592	148 233	70 52
Debentures, short-term notes and short- and medium-term certificates	1 803 366	1 373 535	1 151 20
Shareholders' equity	110 494	96 637	94 77
RESULTS FOR THE PERIOD			
Revenue			
Interest	185 104	107 281	113 06
Dividends	5 040	2 720	2 61
Office premises and real estate revenue	18 837	13 155	12 58
Other	2 863	567	65
	211 844	123 723	128 91
Expenditure			
Interest	174 750	97 426	97 60
Office premises and real estate expenses	10 024	6 993	7 27
Salaries and staff benefits	11 541	6 245	6 39
Other operating expenses	9 854	6 505	6 57
	206 169	117 169	117 84
Profit before income taxes	5 675	6 554	11 06
Income taxes	(2 033)	684	3 15
Net operating profit	7 708	5 870	7 91
Extraordinary items	5 277	2 633	3 42
Net profit for the period	12 985	8 503	11 33
PER SHARE			
Net operating profit	\$ 8.34	\$ 6.75	\$ 9.0
Net profit for the period	14.05	9.77	13.0
Dividend	7.25	7.25	4.5
Shareholders' equity	119.58	111.09	108.9
Numbers of shares outstanding	923 983	869 909	869 90

		Twelve months ended				
		December 31				
1977	1976	1975		1974	1973	1972
1 113 340	969 698	812 076	664 081	515 705	414 618	330 755
931 479	805 744	693 143	569 979	449 050	350 443	273 736
108 097	101 078	69 232	50 534	33 651	34 142	29 352
51 510	39 910	34 380	33 108	24 598	22 170	19 148
982 122	859 676	710 366	579 542	438 915	343 665	262 051
87 426	81 085	75 581	62 987	60 799	56 979	53 836
97 997	80 243	65 491	50 433	38 476	29 586	22 512
1 629	1 096	1 114	1 309	1 414	840	754
10 908	10 374	8 553	7 603	6 671	6 581	5 568
734	557	681	438	265	533	197
111 268	92 270	75 839	59 783	46 826	37 540	29 031
81 805	65 549	52 223	40 513	27 831	20 274	15 394
4 999	4 111	3 430	3 682	3 172	3 243	2 737
5 031	4 046	3 120	2 475	2 150	1 911	1 627
5 981	4 867	4 852	3 862	2 998	2 969	1 901
97 816	78 573	63 625	50 532	36 151	28 397	21 659
13 452	13 697	12 214	9 251	10 675	9 143	7 372
5 078	5 645	5 446	4 433	4 961	3 949	3 378
8 374	8 052	6 768	4 818	5 714	5 194	3 994
1 916	1 013	9 377	802	1 171	567	118
10 290	9 065	16 145	5 620	6 885	5 761	4 112
\$ 9.67	\$ 9.30	\$ 7.83	\$ 5.59	\$ 6.63	\$ 6.04	\$ 4.66
11.88	10.47	18.69	6.52	7.99	6.70	4.80
4.57	4.32	4.00	4.00	3.75	3.50	3.00
100.96	93.68	87.49	73.08	70.55	66.27	62.82
865 960	865 549	863 876	861 844	861 768	859 758	856 980

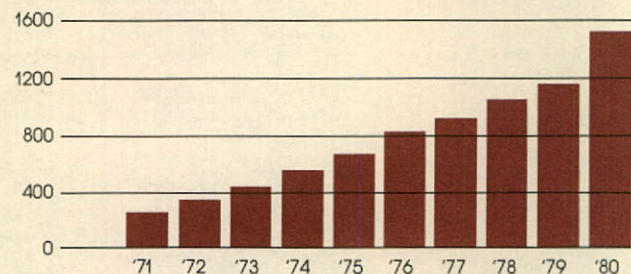
ASSETS
(in millions of \$)

1971 to 1978: as at Dec. 31
1979 & 1980: as at Oct. 31



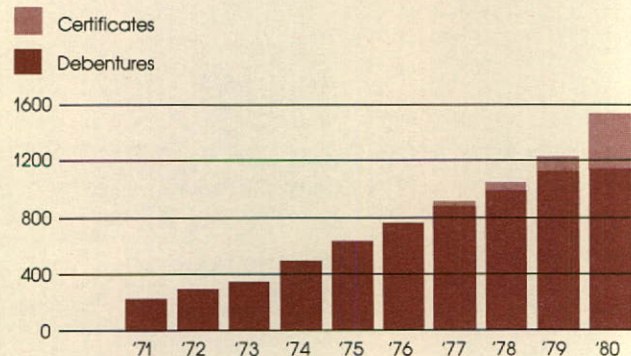
MORTGAGE PORTFOLIO
(in millions of \$)

1971 to 1978: as at Dec. 31
1979 & 1980: as at Oct. 31



MEDIUM-TERM DEBENTURES AND CERTIFICATES
(in millions of \$)

1971 to 1978: as at Dec. 31
1979 & 1980: as at Oct. 31



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	Quebec City	Jean-Pierre Paradis
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Credit Foncier
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