
Credit Foncier

101st Annual Report



Cover:

The winning project of the Credit Foncier Restoration Award for 1981 (252-264 Adelaide St., Toronto).

From left to right: Bank of Upper Canada Building constructed in 1827, De La Salle School built in 1871, First City of York Post Office erected in 1834.

Annual Report of Credit Foncier and its subsidiaries
Head Office: 612 St. James Street, Montreal

Financial Highlights

Year ended October 31

Profit for the period	1981	1980
Operating profit	\$ 7 756 000	\$ 7 708 000
Extraordinary items	4 890 000	5 277 000
Net profit	\$ 12 646 000	\$ 12 985 000

Balance sheet

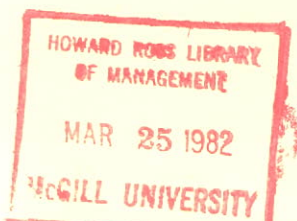
Total assets	\$ 2 343 844 000	\$ 1 959 261 000
Securities investments	445 563 000	285 923 000
Mortgages	1 746 125 000	1 516 100 000
Short-term notes and certificates	372 233 000	250 509 000
Medium-term debentures and certificates	1 823 577 000	1 552 857 000
Shareholders' equity	114 441 000	110 494 000

Per share

Operating profit	\$ 8.40	\$ 8.34
Extraordinary items	5.29	5.71
Net profit	\$ 13.69	\$ 14.05
Shareholders' equity	\$ 123.86	\$ 119.58

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Board of Directors

Raymond Garneau
Chairman of the Board and Chief Executive Officer

Chairman of the Board and Chief Executive Officer,
The Montreal City and District Savings Bank

Claude Castonguay, C.C.
Vice-Chairman of the Board

President,
The Laurentian Group Corporation

Michel M. Lessard
President and Chief Operating Officer

Dr. Claude Bertrand
Professor of Neurosurgery,
University of Montreal

Réjean Gagné
President and Chief Executive Officer,
Alfred Lambert Inc.

Pierre Goyette
President and Chief Operating Officer,
The Montreal City and District Savings Bank

Jean-Louis Lebel
Chancellor,
University of Calgary

Paul H. Leman
Company Director

Pierre H. Lessard
President and Chief Operating Officer,
Provigo Inc.

Jean-Marie Poitras
Chairman of the Board,
President and Chief Executive Officer,
La Laurentienne

William H. Ramsay
Company Director

Philippe Roberge
Partner,
Tees, Watson, Poitevin, Javet & Roberge

John N. Turner, P.C., Q.C.
Partner,
McMillan, Binch

Executive Committee

Raymond Garneau
Claude Castonguay
Réjean Gagné
Pierre Goyette
Paul H. Leman
Michel M. Lessard
Pierre H. Lessard
Jean-Marie Poitras

Audit Committee

Dr. Claude Bertrand
Pierre H. Lessard
Philippe Roberge

Remuneration Committee

Claude Castonguay
Réjean Gagné
Paul H. Leman



In memory of Raymond Lavoie
1914 – 1981

During the past year, we were deeply saddened by the death of one of our most distinguished Directors whose career with Credit Foncier spanned nearly fifty years. Indeed, Mr. Raymond Lavoie had been associated with Credit Foncier for half a century, and his career saw him ascend to the position

of Chairman of the Board and Chief Executive Officer. Mr. Lavoie had been appointed Honorary President of Credit Foncier at the time of his retirement to mark his many years of service and his outstanding contribution to the Company.

Management

Raymond Garneau
Chairman of the Board and Chief Executive Officer

Michel M. Lessard
President and Chief Operating Officer

Administration

Claude Bolduc
Manager, Data Processing and Systems Department

Laurent D. Gingras
Manager, Internal Audit Department

Pierre Girardin
Manager, Office Services Department

Louis-Alexandre Rail
Manager, Legal Department

Control

Robert Limoges
Vice-President, Control

Ray de Montigny
Manager, Accounting Department

Claude Richard
Manager, Real Estate Accounting Department

G rard Rose
Manager, Tax Department

Investments

C. Ross Gledhill
Vice-President, Investments

Andr  Dambrine
Assistant Vice-President and Economist

Carmand Normand
Assistant Vice-President, Investments

Mortgages

Michel Pasquin
Vice-President, Mortgages

Robert Widdicombe
Manager, Mortgage Underwriting Department

Personnel

Philippe Suys
Vice-President, Personnel

Raymond Colligan
Manager, Compensation Department

Real Estate

Pierre de Feydeau
Vice-President, Real Estate

William M. Reim
Vice-President, Real Estate Development

John B. Sides
Director of Projects, Real Estate Development

Regions

Ernest J. Castelane
Vice-President, Ontario

Robert Panet-Raymond
Vice-President, Quebec and Atlantic

Savings

Christopher D. Hyde
Vice-President, Savings

Claire Bellemare
Manager, Savings Operations Department

Yvon Grant
Manager, Marketing Planning Department

Treasury

Jacques David
Vice-President and Treasurer

Address by the Chairman of the Board and Chief Executive Officer



Throughout its history, Credit Foncier has been involved in a variety of economic activities across Canada: agriculture, oil exploration, the founding of a trust company, real estate development and mortgage lending being amongst them. Thousands of construction projects have been completed with the help of Credit Foncier's expertise in mortgage financing.

Construction activity has always been an indication of prosperity, and the past year was no exception. The level of real estate activities in 1981 varied considerably from one region of the country to another. The Western Canadian



economy showed particular strength during our 1980-81 financial year and, thanks to Credit Foncier's solid presence in Saskatchewan, Alberta and British Columbia, the Company's volume of business in 1981 enabled it to record an increase in assets of 20% over the previous year.

As with all lending institutions, our financial year was affected by economic conditions in Canada, and in particular by interest rates that reached almost unprecedented levels in August 1981.

While the level of real estate activities varied from one part of the country to the other, the Canadian economy also had its ups and downs during the year. In real terms, Canada's gross national product, which had increased by 5.6% during the first half of 1981, suffered a decline in the third quarter; consequently, the growth rate of the Canadian economy for the entire year was about 2.5% and indications are that the economy will continue to decline during the first part of 1982.

The most striking feature in 1981, and undoubtedly the most disturbing, was the increase of over 12.6% in the Canadian consumer price index. This spiralling inflation rate, which affected both the United States and Canada, forced monetary authorities to apply tight policies of restraint, which in turn gave rise to a sharp increase in interest rates. In early August 1981, the prime rate charged by chartered banks reached 22.75%. Financial institutions therefore had to pay as much as 22.5% for 90-day deposits and 21.25% for 1-year investment certificates. As a result, mortgage rates had to be adjusted to reflect the cost that financial institutions had to pay to attract term deposits.

Unlike commercial banks, mortgage loan companies find their room to manoeuvre considerably limited in periods of rapidly fluctuating interest rates. Credit Foncier is no exception, since the greater part of its business involves loans at fixed terms and rates. A lag of one or two weeks between the time a loan is financed and the time it is disbursed can greatly diminish the profit margin.

In the light of the general economic situation, the results for the financial period ended October 31 were on the whole quite encouraging. The year produced a net profit of \$12.6 million, compared with \$12.9 million for the previous year.

During the past year, we were deeply saddened by the death of one of our most distinguished Directors whose career with Credit Foncier spanned nearly fifty years. Indeed, Mr. Raymond Lavoie had been associated with Credit Foncier for half a century, and his career saw him ascend to the position of Chairman of the Board and Chief Executive Officer. Mr. Lavoie had been appointed Honorary President of Credit Foncier at the time of his retirement to mark his many years of service and his outstanding contribution to the Company.

Other changes made during the year to the Board of Directors included the appointment of 2 new members: Mr. Michel M. Lessard, who was then Executive Vice-President of Credit Foncier, and Mr. Pierre Goyette, Executive Vice-President and General Manager of The Montreal City and District Savings Bank. Messrs. Lessard and Goyette were also appointed to the Executive Committee.

Moreover, Mr. André Marcil, who retired last year as Chairman of the Board and Chief Executive Officer of the Montreal City and District Savings Bank, completed his last term this year as a member of Credit Foncier's Board of Directors. I would like to express to Mr. Marcil our sincerest gratitude for his contribution to the Company as well as extend to him our best wishes.

Mr. Jean-Marie Poitras, Chairman of the Board and Chief Executive Officer of the Groupe La Laurentienne, was elected to succeed Mr. Marcil. Mr. Poitras, who needs no introduction to the financial community, has acquired the reputation of an experienced businessman, in addition to serving in the important position of President of la Chambre de Commerce de la Province de Québec. We are therefore pleased to welcome him to the Board of Directors and the Executive Committee of Credit Foncier.

Last December we learned of the decision of Mr. Robert Gratton to resign as President and Chief Executive Officer of Credit Foncier. Mr. Gratton's contribution to the development of the Company has been remarkable. I would like to express to him my earnest appreciation and wish him success in his new responsibilities.

Following Mr. Gratton's resignation, the Board of Directors appointed Mr. Michel M. Lessard President and Chief Operating Officer of Credit Foncier and expanded my responsibilities as Chairman of the Board to include those of Chief Executive Officer. A graduate of Laval University and the Harvard Business School, Mr. Lessard has been with Credit Foncier for ten years. His reputation as an excellent administrator and financial expert is now well established. Mr. Lessard's thorough knowledge of the Company's operations as well as his competence and expertise are invaluable assets for Credit Foncier. I wish him all the best and assure him of my unqualified support as well as that of the Company's Board of Directors and Executive Committee.

Our Board of Directors for 1981-82 is now complete. We are fortunate to be able to count on Claude Castonguay, Michel M. Lessard, Dr. Claude Bertrand, Réjean Gagné, Pierre Goyette, Jean-Louis Lebel, Paul H. Leman, Pierre H. Lessard, Jean-Marie Poitras, William H. Ramsay, Philippe Roberge and John N. Turner as Directors of the Corporation.



Raymond Garneau

Report from the President and Chief Operating Officer



Early in its 101st year of operation, and less than four years after reaching \$1 billion, Credit Foncier's assets surpassed the \$2 billion mark. During the past year, consolidated assets increased by \$384,583,000 to reach \$2,343,844,000, compared with \$1,959,261,000 on October 31, 1980; a growth rate of 19.6%. These results include those of Montreal City & District Trustees, our wholly-owned subsidiary since November 1, 1979, which showed a remarkable growth in assets of 50.3% or \$104,620,000 to attain \$312,566,000 on October 31, 1981.

The consolidated assets include mortgage loans amounting to \$1,746,125,000 or 74.5% of the total, stocks and bonds totalling \$445,563,000 or 19.0% of assets, and real estate with a book value of \$107,050,000 representing 4.6% of total assets.

Revenues for the period rose to \$279,861,000, against \$211,844,000 for the previous year. The 32.1% growth in revenues, equal to \$68,017,000, reflects not only the substantial increase in assets but also higher interest rates throughout the year, which had an equally strong impact on interest expenses. The latter increased by \$68,216,000 or 40.7% to reach \$235,785,000.

The net operating profit was \$7,756,000 or \$8.40 per share in 1981, a small increase of 0.7% over the previous year's \$7,708,000 or \$8.34 per share.

Net extraordinary gains for the period totalled \$4,890,000 or \$5.29 per share, against \$5,277,000 or \$5.71 per share in 1980.

The net profit for the period was \$12,646,000 or \$13.69 per share, compared with \$12,985,000 or \$14.05 per share for the previous year.

Dividends of \$8,699,000 or \$9.41 per share were paid to the shareholders during the year, compared with \$6,699,000 or \$7.25 per share during fiscal 1980.

Shareholders' equity stood at \$114,441,000 or \$123.86 per share on October 31, 1981, against \$110,494,000 or \$119.58 per share a year earlier.

Interest margins

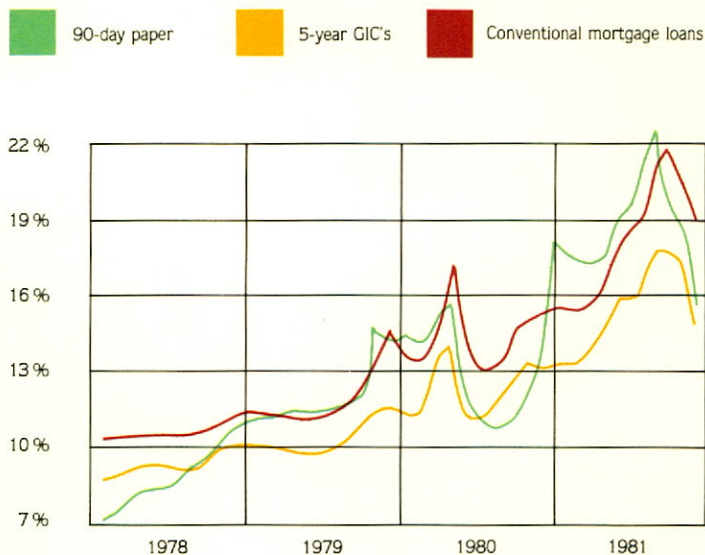
Credit Foncier's operations consist primarily of making mortgage loans and term investments for terms varying from one to five years. During the last few years, we have added assets whose yield fluctuates in line with the short-term interest rates on the Canadian financial markets.

It is our policy to match the maturities of our assets with those of our debt in order to lock in the interest spread over the life of our loans and investments. In line with that policy, the majority of our loan commitments provide for the interest rates to be set in line with market rates or the cost of funds at the time of disbursement.

We have been able to maintain a fairly good matching of maturities between our assets and our debt over the past few years. Therefore, we should enjoy stable net financial revenues which should grow in line with the increase in our portfolios, provided that the interest spreads generally required by our competitors remain stable.

As you are aware, the financial markets of the last few years have been characterized by great volatility and fluctuations in interest rates. A delay of a few weeks between the time of disbursement and the time at which the funds are raised for a similar term could bring about a major reduction in the interest spread, sometimes to a level at which it would hardly cover its share of operating expenses.

Movement of Canadian interest rates



Source: Bank of Canada Review

The fluctuation in interest rates over the last years has influenced markedly the investor's behaviour. He has shortened considerably the term of his investments in an attempt to benefit from ever higher interest rates. This change in his investment habits has made it much more difficult to match maturities, especially for the longer terms, even though the borrowers also have been favoring shorter terms.

Furthermore, competition has intensified among mortgage lenders with the entry of many new sizeable participants and of numerous regional and specialized competitors.

Concomitant with these developments, the high interest rates have provoked a sustained public debate between pressure groups and governmental authorities, aimed primarily at residential mortgage loans and more particularly those on single-family dwellings.

These events have brought about a contraction in the interest spreads available both on new loans and on renewals of mortgage loans already in our portfolios.

In this context, we achieved, over the last financial year, an average interest spread narrower than that of the previous years. However, the growth in our portfolios has allowed us to obtain net financial revenues, on a full tax equivalent basis, higher than those of the preceding year and sufficient to cover the rise in our operating expenses.

Mortgage loans

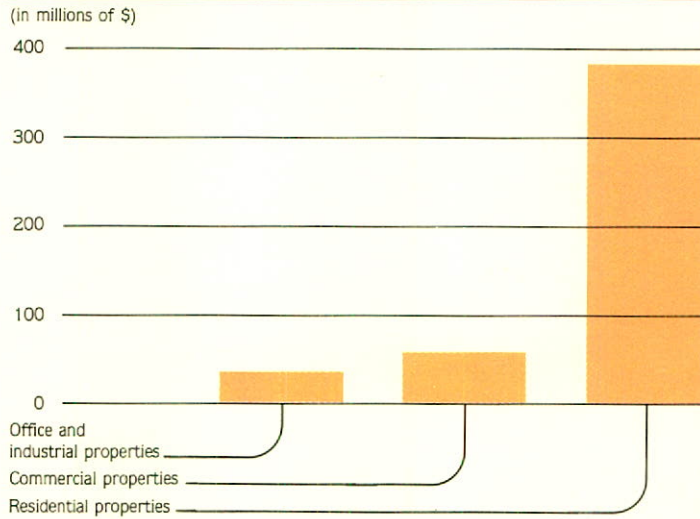
Our mortgage portfolio grew by \$230,025,000 or 15.2% during the last fiscal year to reach \$1,746,125,000 on October 31, 1981.

Our branch network which covers the country's major urban centres has given us the ability to approve new loans totalling \$458,000,000 during the year and to maintain a sound geographical distribution of our portfolio and activities.

We greatly increased our business in Alberta and British Columbia, which continue to enjoy strong economies. We were therefore able to secure 59% of our loan approvals from the Western Provinces, of which 30% were from Alberta and 20% from British Columbia. Despite the weak economy in some regions of Ontario, we maintained loan approvals for that province at the preceding year's level, thus accounting for 19% of the total for the period. However, the economic conditions prevailing in Quebec and in the Atlantic Provinces did not allow us to maintain the level of approvals of the preceding year. Quebec accounted for only 20% of the volume, against 24% in 1980 while the Atlantic Provinces provided 3%.

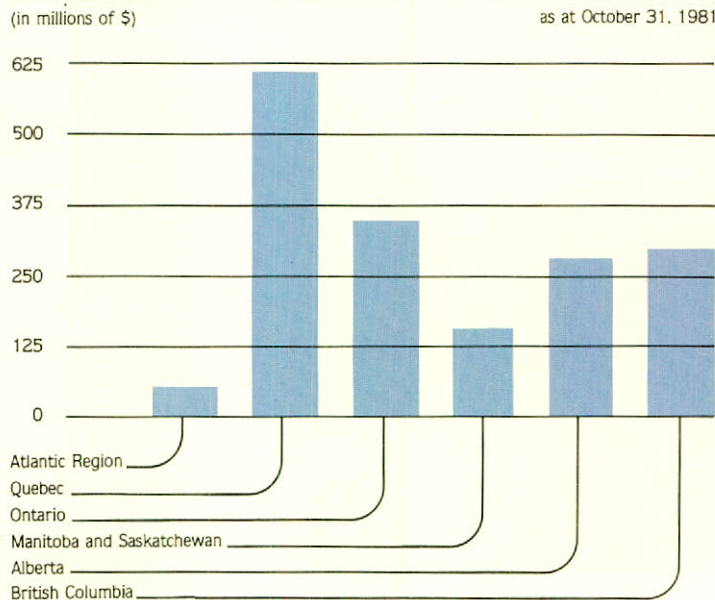
The proportion of loans approved which were insured by the Canada Mortgage and Housing Corporation (C.M.H.C.) or by non-governmental mortgage insurance companies continued to grow to reach 55%, of which 43% was with C.M.H.C.

Loans approved in 1981 — by category



In 1981, we continued to favour loans on residential properties, particularly income properties. Indeed, 83% of approved loans were of this type, while 11% were on commercial properties and 6% on office buildings, industrial and other types of property.

Mortgage portfolio — by region



On October 31, 1981, 41% of the value of our mortgage portfolio was covered by mortgage insurance. Its geographical breakdown was as follows: Atlantic Region, 3%; Quebec, 35%; Ontario, 20%; Manitoba and Saskatchewan, 9%; Alberta, 16% and British Columbia, 17%.

Loans disbursed during 1981 totalled \$346 million, compared with \$323 million for the preceding year. Some of these loans, when justified by the circumstances and the type of security, carry interest at a rate indexed to the money market rates, thus allowing us to use our short-term funds while offering to our institutional and corporate clients a broader range of financing vehicles for their real estate operations.

Securities

The Company's investment in securities increased substantially in 1981, growing by \$159,640,000 or 55.8%. On October 31, 1981, the book value was \$445,563,000 versus \$285,923,000 a year earlier.

Market value on October 31, 1981 was lower than book by \$13,272,000 or 3.0% in contrast with a year ago when it exceeded book by 1.1% or \$3,287,000. The difference between market and book values arises primarily from the preferred share portfolio and reflects the substantial rise in market yields during the last few months of the fiscal year.

A large percentage of these investments is represented by spread operations subject to our policies concerning the matching of maturities and the locking in of interest spreads over the term.

The Company continued to add to its portfolio securities issued as private placements done either on its own or in conjunction with other Canadian financial institutions. By so doing, we seek to broaden our range of services while diversifying our assets.

The largest portion of the increased investment in securities occurred in the portfolio of deposits and short-term securities, which rose to \$241,023,000. This substantial growth of \$150,241,000 or 165.5% reflects the availability of opportunities in the market place as well as the increase in our short-term debt.

Our bond portfolio amounted to \$94,232,000 on October 31, 1981; that is \$18,499,000 or 16.4% lower than its level at the end of the preceding year. This portfolio includes \$26.7 million of bonds, whose yield is adjusted regularly in line with prevailing rates in the short-term money market. We intend to increase our investments in this type of security.

The preferred stock portfolio totalled \$87.8 million, thus showing an increase of \$21.1 million or 31.6% for the year. Its market value was lower than its book value by \$10,786,000 or 12.3%, compared with \$2,100,000 or 3.2% at the end of 1980. A large part of this portfolio, \$35.6 million, was invested in shares whose yield is adjusted periodically at a pre-determined spread above the then prevailing prime rate of Canadian banks or the prevailing rates for five-year guaranteed investment certificates of major trust companies. Another substantial part of this portfolio, \$25.3 million, is made up of shares with a definite term, enabling us to fund these investments for an equivalent term and to lock in our spread.

The common stock portfolio stood at \$22.5 million in 1981, compared with \$15.7 million in 1980. Its market value exceeded its book value by \$650,000. During 1981, we realized an extraordinary gain of \$3.0 million after tax on the disposal of common shares.

Debt and savings services

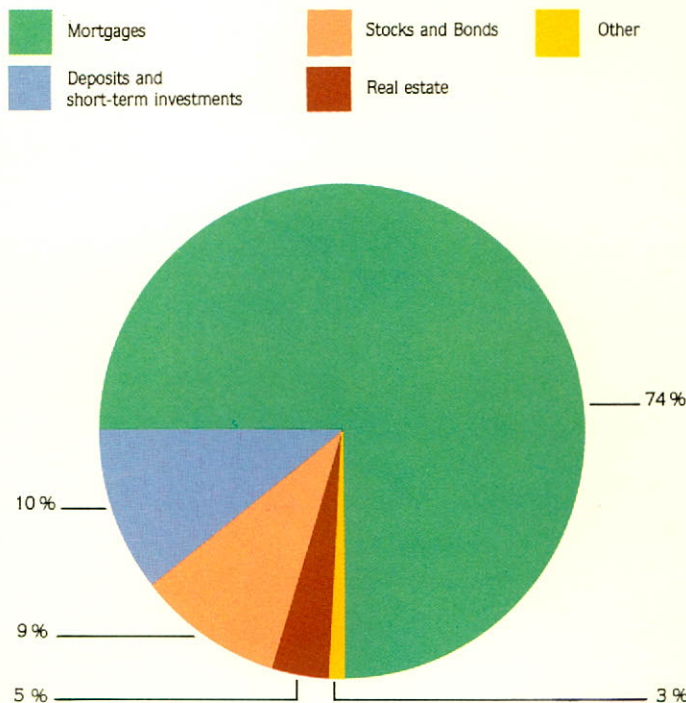
The Company's consolidated debt, both short- and medium-term, stood at \$2,195,810,000 on October 31, 1981, which is \$392,444,000 or 21.8% higher than at the end of 1980.

Our short-term debt amounted to 17.0% of the total debt in 1981, against 13.9% in 1980. It accounted for \$121,724,000 of the total increase to reach \$372,233,000 at the end of 1981, a 48.6% increase over 1980.

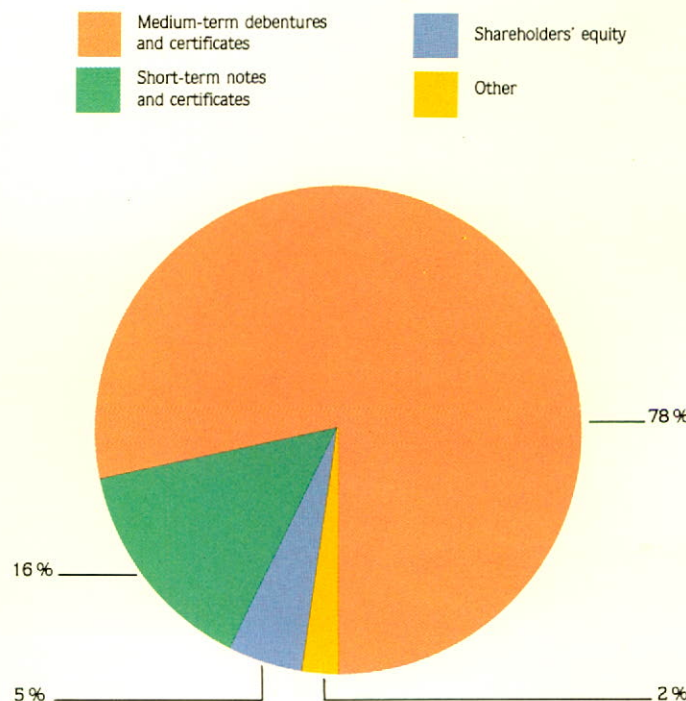
The total amount outstanding of medium-term debt, which is issued for an initial term of one year or more, stood at \$1,823,577,000 on October 31, 1981, an increase of \$270,720,000 or 17.4% over the preceding year.

Credit Foncier raises the bulk of its funds from the Canadian consumer who thus entrusts part of his savings to the Company. This consumer has changed considerably his behaviour over the last few years. On one hand, he has increased markedly his understanding of the financial markets, of the movements of interest rates and of the various savings instruments available to him. On the other hand, the competition for his term savings has become quite intense, concomitant with an economic context that favored shorter terms. At the same time, the savings bonds issued by various governments not only became a vehicle offering minimum guaranteed rates, the highest level of liquidity and an almost automatic indexation to the highest market rates, but even offered rates higher than those of the market.

Assets



Liabilities and shareholders' equity



In this context, it is not surprising that the consumer has shortened considerably the term of his investments and that it has become difficult to find, when needed, funds for terms of three to five years and, therefore, to lock in our interest spread for the life of a loan.

The results achieved during the last fiscal year deserve notice. They have given us confidence in our policies, in our marketing strategies and in the level of service that we aim to offer in every branch in our national network. Our clients now exceed 150,000. They conduct their business with us either directly, in person or by the telephone or mail, or through an intermediary of their choice.

The Company's short-term funding is done primarily on the Canadian financial markets with financial institutions and the larger corporations. Nevertheless, a substantial and increasing percentage of our funding, in the form of notes and short-term investment certificates issued for a term of less than one year, is done through our branch network with the consumer and with small- and medium-sized companies. In 1981, we sold short-term certificates totalling \$1,135,000,000 through our

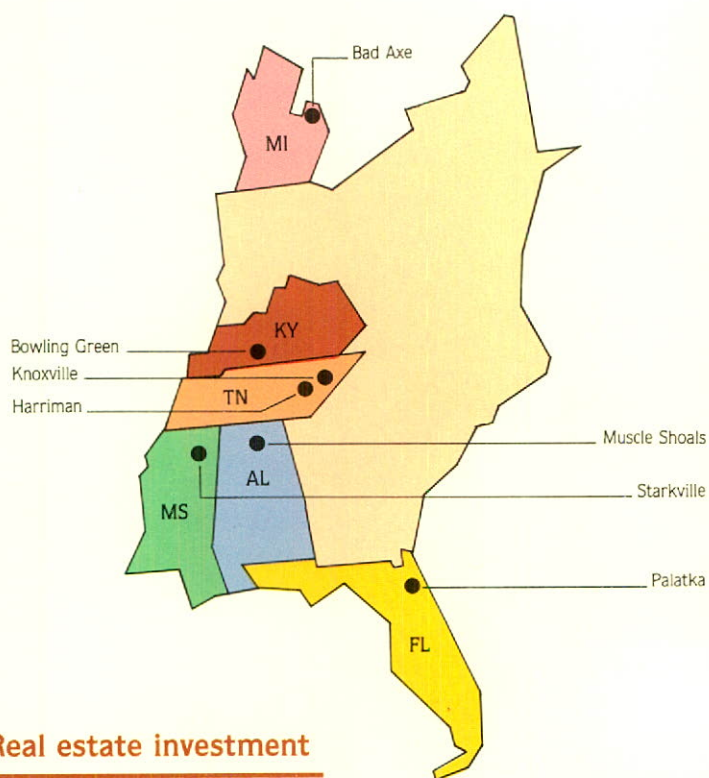
branch network; the amount outstanding at the end of the year was \$194,000,000.

Our medium-term funding comes from the sale of debentures and guaranteed investment certificates, issued for a term of one to five years and sometimes up to ten years, as well as from the sale of Registered Retirement Savings Plans and Registered Home Ownership Savings Plans. These sales are carried out mostly through our branch network, except for that part of our debenture sales handled through our Treasury Department on the Canadian financial market with financial institutions. In 1981, our total sales of term certificates reached \$667,000,000, against \$431,000,000 in 1980.

Our branch network contributed \$622,000,000 to the sales of term investments in 1981, against \$408,000,000 in 1980. These results reflect a high level of activity throughout the network and more particularly in Quebec and the Atlantic Region.

Sales of Registered Retirement Savings Plans (RRSP) reached \$109 million in 1981, an increase of \$34 million or 45% over the results achieved in 1980. At the end of the year, five years after the introduction of the product, the balances in our RRSP's stood at \$294 million.

Our Registered Home Ownership Savings Plans (RHOSP) accounted for \$7 million of term sales during the last year. On October 31, 1981, our clients' investments in RHOSP's totalled \$13 million.



Real estate investment

The book value of the real estate portfolio was \$107,050,000 at year-end, compared with \$147,276,000 the previous year. The disposal of a few properties early in the year and, most important, the sale of our participation in a real estate subsidiary to our minority partners account for the decline.

The sales also explain the drop in real estate revenues from \$18,837,000 in 1980 to \$17,325,000 in 1981. Operating expenses and financial charges directly attributable to properties fell even more sharply, so that the net contribution from real estate operations reached \$3,137,000, an increase of \$632,000 or 25.2% over the preceding year.

The Company's real estate investments are an important part of its operations as well as a diversification of its shareholders' equity. The market value of the portfolio far exceeds the book value. Therefore, the Company records significant profits from the disposal of properties. Cash payments on

properties sold and received during the year produced an extraordinary gain of \$1.9 million after tax. The unpaid portion of profits on disposals is shown on the balance sheet as "Deferred Income."

Since 1979, the Company has participated in several commercial real estate developments in the United States. Projects have been successfully completed in Starkville, Mississippi; Palatka, Florida; Bad Axe, Michigan and in Knoxville and Harriman, Tennessee. Other projects are underway in the southeastern United States, notably in Muscle Shoals, Alabama and in Bowling Green, Kentucky. We are satisfied with the results achieved in spite of a difficult economic context and a scarcity of long-term funding. We intend to continue our development activities in the coming year.

The Credit Foncier Award

Credit Foncier marked the occasion of its 100th Anniversary by announcing the creation of an annual award of \$20,000 for the best real estate restoration project in the country. The Award is restricted to private developments where government funding does not exceed 20% of total financing.

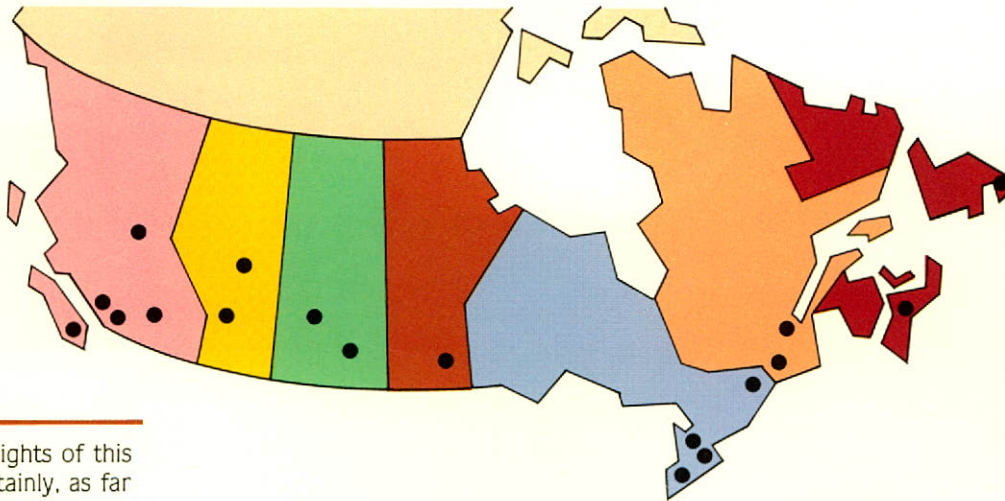
Our intention has been to encourage the sustained efforts deployed by many, particularly by real estate developers and architects, to protect Canada's architectural heritage and to restore older buildings in a way that is attractive as well as profitable and which ensures their continued use.

The first Credit Foncier Award was given to Sheldon Godfrey of Sagur Investments, the developer, and to Stone and Kohn, the architects, for their remarkable restoration of a three-building complex in Toronto. Two of these buildings are classified as national historic sites. They are the former head

office of the Bank of Upper Canada, built in 1827, and the first Post Office of the City of York, constructed in 1834.

The many projects submitted were examined by an independent jury of five, 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 and sincere thanks to the members of the jury — Professors Jean-Luc Poulin and Abraham Rogatnick and Messrs. Georges Bédard, Pierre Girardin, and Herbert Stricker who gave so generously of their time, to the organizations involved for their help and encouragement, and to all the others involved with the Credit Foncier Award who have contributed to its success.



Branches

One of the highlights of this fiscal year was certainly, as far as our branch personnel is concerned, the many transfers and the even larger number of promotions. We cannot give here a full review of these changes. However, I should mention the following transfers resulting in appointments as branch managers: Mr. Arvid Fonkalsrud, in Toronto; Mr. Marcel Bergevin, in Vancouver; Mr. Edward Kardosh, in

Edmonton; Mr. Anders Anderssen, in Calgary; Mr. Barry McCorkindale, in London; Mr. Al Bond, in Halifax; Mr. Sid Buttress, in Vernon; and as managers of our Mortgage Departments: Mr. Roy Deeks, in Toronto and Mr. Kris Markusson, in Calgary. Also, Mr. Gerard McKenna was appointed Manager of our Prince George

Branch and Mr. Deryl Ibbotson, Manager of the Mortgage Department in Edmonton.

We did not add to our branch network during the last year. However, we have planned the opening in mid-January 1982 of a new Savings Branch in Toronto. It will be at street level at 372 Bay Street, at the corner

of Richmond Street. In doing this, we hope further to improve service to our clients and to increase our market share. This addition will bring the number of our branches to 23, including the three offices that the Trustees have in Montreal.

Head Office

During the last year, Mr. Robert Panet-Raymond took on new responsibilities as Vice-President, Quebec and Atlantic Region, and Mr. Philippe Suys was appointed Vice-President, Personnel.

Mr. Yvon Grant was appointed Manager of the Marketing Planning Department. Mr. Raymond Colligan joined the Company as Manager of the Compensation Department and Mr. Louis-Alexandre Rail as Manager, Legal Department. In addition, there were many additions to the Head Office team as managers of various functions, including some transfers from the branch network.

Personnel

Our results cannot be achieved without teamwork nor without the dynamism, the constant effort and the commitment of our managers and of all personnel. The substantial increase in our activities, the difficult market conditions and competitive pressures require a high level of attention and involvement. On behalf of the Board of Directors, it gives me great pleasure to congratulate and thank them for their contribution and support.

Conclusion

Under the conditions that have prevailed in our markets over the last few years, our Company's results for 1981 are satisfactory. The maintenance of our operating profit at a stable level over the past three years appears to be quite an accomplishment in our industry.

Governmental authorities have considerable influence over the evolution of our industry. They sell, in competition with us, term savings products that no other institution could afford to offer without risking its eventual survival; they propose and sometimes introduce laws that threaten our rights under existing legal contracts and which affect our profitability; they introduce changes to fiscal laws which have serious consequences for our clients, particularly the investor and the real estate developer and owner; they favor increased competition amongst financial institutions of all sizes and vocations, subject to various regulations. In addition, an increasingly important part of the residential construction industry depends directly or indirectly on governmental programs. Consequently, we anticipate more difficult years for our industry, especially since the current economic context does not promise a strong economic recovery nor a material correction in the rate of inflation.

Credit Foncier begins its second century with a strong presence in most of the major urban centres of Canada; with an increased market share and a good volume of activity; with modern operating systems and methods; and, most important, with a young and dynamic team which benefits from the constant and interested support of its Board of Directors. With these advantages, we look to the future with confidence.



Michel M. Lessard

The Credit Foncier Award



Winner of the Credit Foncier Award

The winning project of the Credit Foncier Award is one of the most remarkable undertaken by the private sector in Canada. It comprises three buildings of exceptional historic importance, two of which are national historic sites. Their restoration has been undertaken with great care, ingenuity, and a tremendous attention to detail. The respect for the original structure and the fact that the buildings have been recycled to accommodate contemporary tenants distinguish them. In fact, the existence of DMR Associates, data processing consultants, in such a historic building, is a perfect illustration of what the Credit Foncier Award is trying to show — what could be more historic and attractive than these buildings, and what could be more contemporary than such a tenant?

The building which stands at the corner of Adelaide and Duke Streets in Toronto is the old head office of the Bank of Upper Canada. The Bank was chartered in 1822 and this building was constructed in 1827. It was designed by the Hon. W.W. Baldwin, a politician, doctor and architect who was father to Robert Baldwin, the Leader of the Baldwin-Lafontaine Reform Government before Confederation.

The Bank had a chequered history before its failure in 1866. It was the only bank in Upper Canada and the most visible arm of the "Family Compact," an oligarchy which governed Upper Canada for some years before 1867. The rebellion of William Lyon Mackenzie in 1837 took the capture or destruction of the Bank building to be its object. The restored folding shutters and security doors

played their part in keeping out the mob and saving the province's gold which was stored in the basement.

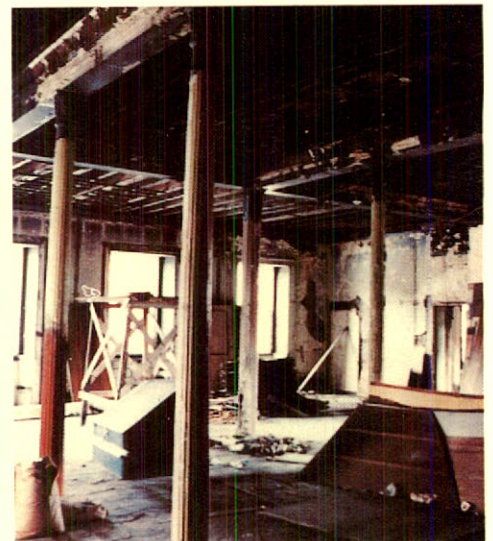
In 1871, having stood empty for some time since the bankruptcy of 1866, the Bank building was bought by the Christian Brothers, an English Catholic teaching group, who built the De La Salle School next door, the second building in the complex. They also added the mansard roof which has been retained in the restoration, as it was felt to enhance the unity of the structures.

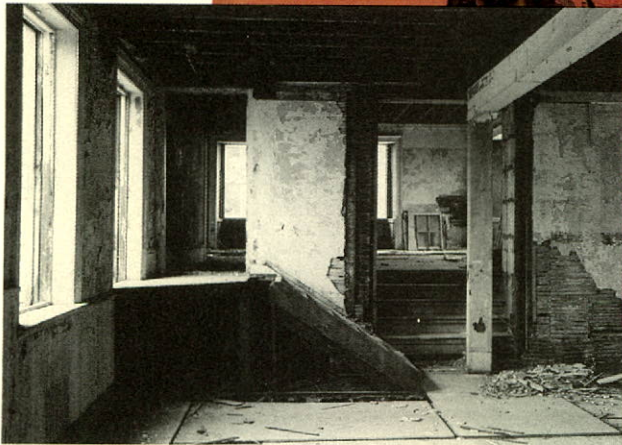
The final building is the second national historic site, for it is the original Post Office building of the City of York (now Toronto) and was erected in 1834 in the charming Georgian style so faithfully brought out in the present restoration.

All the buildings were acquired in 1925 by the United Farmers of Ontario, a representative association and political party who captured power in Ontario during the 1920's. They used the buildings as a warehouse in which to make butter.

When Sheldon Godfrey of Sagur Investments acquired the buildings in late 1980, they were in an advanced state of dilapidation. A fire had destroyed the greater part of the roof, and all the interior systems had to be replaced: electricity, plumbing, sewer construction and heating, as well as the installation of new systems such as sprinklers. The buildings were completely gutted.

Restored interior of the banking hall, showing original cast-iron pillars and security door.





*Doorway in the bank after restoration.
Inset: The same doorway before restoration.*

Sheldon Godfrey's original conception of the complex, his unflagging determination to achieve his aims, Mrs. Godfrey's tireless research and enthusiasm, coupled with the expertise and brilliance of Alan Stone, of Stone, Kohn, Architects, have enabled the ambitious project which won the Award to be completed. The architectural harmony and aesthetic attraction of these

buildings and their outstanding historic importance alone make them remarkable. Their splendid restoration to a living, contemporary use provides an example for all Canadians.

252-264 Adelaide St., Toronto, the winner of the Award, before and after restoration.



The Credit Foncier Award

The Credit Foncier Award was created in 1980 to mark the Centenary of the Company's foundation. It was felt that Credit Foncier's close participation in the building of this country should be reflected in a permanent contribution which linked the desires of Canadians to the welfare of the country. Credit Foncier has been involved in mortgage financing since its inception in 1880, and is also active in property development.

The purpose of the Award is to recognize the best significant restoration of a building or group of buildings of some historical or architectural importance in Canada. It is a \$20,000 award given every year, to be divided equally between the architect and the developer. It is the most important award for restoration in Canada.

The Award is specifically directed at projects undertaken by the private sector and funded privately. Concomitant with this is the insistence that the restored building have a living, contemporary use — in fact, a commercial or profit-making use, including residential. This reflects Credit Foncier's belief that older buildings should not be simply museums, but pleasant and useful places in which to live and work, while enhancing the aesthetic appearance of our cities.

In order to be eligible for the Award, a project must fulfil several stipulations: it must consist of buildings of some architectural or historic importance, regional or national; it must have been completed in the twelve months preceding the deadline for the submission of projects; it must incorporate a significant or substantial restoration or redevelopment; government grants should not exceed 20% of the total funding; and the project must have been submitted to the Secretariat before August 31st.

After ensuring that each project fulfils these criteria, the jury evaluates each project under various headings. The architectural value of the complete project and respect for the original character are two, commercial viability, the ingenuity exhibited, the challenge and complexity of the project comprise the next group. Finally, the value of the project as an example and its value to the community are considered.

The jury is an independent body of five, of whom two are nominated by the Royal Architectural Institute of Canada, one by the Urban Developers' Institute — Canada, one by Heritage Canada and one by Credit Foncier.



The jury of the Credit Foncier Award. Left to right: (standing) Herbert Stricker, Georges Bédard, Prof. Abraham Rogatnick; (seated) Pierre Girardin, Prof. Jean-Luc Poulin, Mrs. Sandra Sprigings.

Restoration in Canada

The attention given to restoration in Canada arises largely out of the consciousness that has been developed in the last two decades. The wholesale demolition and new construction that have been taking place alerted Canadians to the loss of their heritage and the destruction of their environment.

Behind the general feeling that older buildings ought in many cases to be preserved are some solid reasons favouring restoration over the old approach.

In the last decade, the rate of inflation in the construction industry has exceeded the rise in the consumer price index by 50%. As well, Canadians are faced with increasingly higher commuting costs. In 1971, the commuting cost of living 50 kilometres from one's place of work was \$500 — by 1992 it is expected to be \$3000. As a result, more and more people are returning to the downtown core where the oldest buildings are usually found.

This movement, and the growing evidence that it is cheaper and more desirable to restore houses and buildings than to construct them, has produced a \$4 billion a year industry in the space of some five years.

The concept varies slightly from one end of the country to another. "Historic" buildings, for instance, may be 300 years old in Quebec City or 200 years old in Halifax, but only 75 years old in Regina or Calgary. Yet they are equally important, for people are seeking a balanced and humane environment in their cities with the feeling of history and familiarity in each.

Fortunately, municipalities have not been slow to take an interest. A return to the city core has a positive effect on their tax base. Some cities even offer grants for renovation.

A.H. Murray Premises, St. John's, Newfoundland, after restoration. This photograph depicts the interior courtyard. The project won an honourable mention for the 1981 Credit Foncier Award. Architect Beaton Sheppard and developers Atlantic Leasing Ltd.





Restored Le Marchand Mansion in Edmonton, Alberta also won an honourable mention for the Credit Foncier Award. The Architect was Gene Dub and the Developer Leamac Developments.

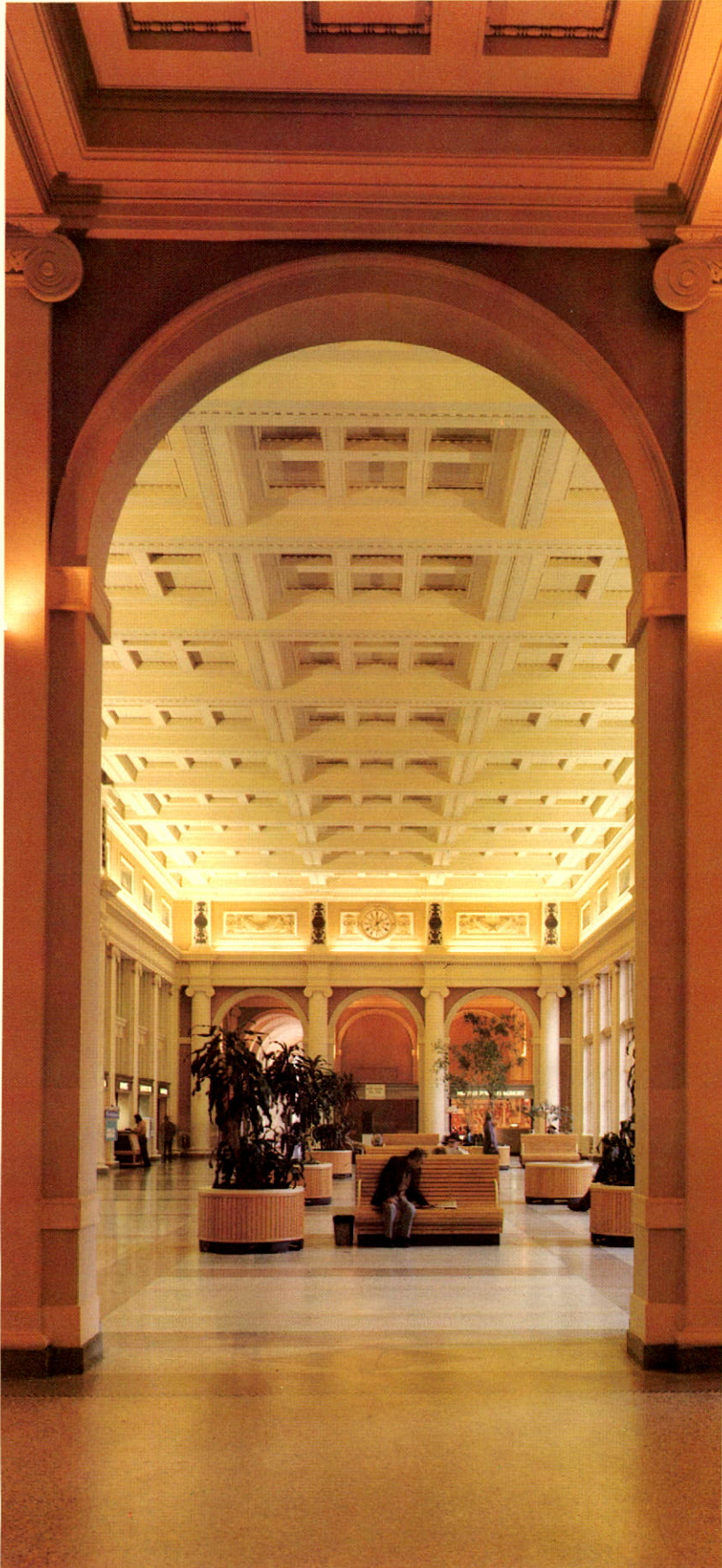
The whole movement complements the broader social objectives of job creation, tourism and energy saving.

Restoration work employs roughly twice as many people as does new construction, being labour rather than capital intensive. An influential American study, "Assuring the Energy Conservation Benefits of Historic Preservation," points out that the energy savings in a newly constructed building are completely offset by the energy expended in its erection. This intriguing information probably does not affect daily decisions to renovate or demolish, but it is another feature in the broad picture.

Canadians are restoring and renovating houses and commercial buildings from coast to coast. "Gentrification" it is called in St. John's, where houses near dilapidation in old St. John's are being restored by enterprising families. In Halifax, Privateers' Wharf and the Barrington Inn are but two examples of the widespread restoration and conversion there. It is the same across the country — in Montreal old warehouses become condominiums, in Toronto derelict buildings and a once

magnificent hotel are restored to use, in Ottawa, Union Station provides the site of the nation's renewal. Houses and blocks in Regina, Saskatoon and Edmonton become parts of modern developments, and whole areas of Vancouver are revived.

The economic and social conditions which have been so important in encouraging restoration and renovation are unlikely to change significantly. And public support is very strong. Restoration and renovation at present account for over a third of the value of building activity in Canada, a proportion that will undoubtedly increase.



Concourse of the shopping area in The Station, Vancouver (formerly the Canadian Pacific Railway station). This restoration, by Marathon Realty and Hawthorn and Towers, architects, won an honourable mention for the Credit Foncier Award.



Credit Foncier

**Consolidated Financial Statements
101st Fiscal Year**

Consolidated Statement of Revenue and Expenditure

for the year ended October 31, 1981

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

Expenditure

Interest	\$ 235 785 000	\$ 167 569 000
Office premises and real estate expenses	14 188 000	16 332 000
Salaries and staff benefits	13 421 000	11 541 000
Other operating expenses	13 143 000	10 727 000
	\$ 276 537 000	\$ 206 169 000
Profit before income taxes	\$ 3 324 000	\$ 5 675 000
Income taxes — current	\$ 69 000	\$ 278 000
— deferred	(4 501 000)	(2 311 000)
	\$ (4 432 000)	\$ (2 033 000)
Net operating profit	\$ 7 756 000	\$ 7 708 000
Extraordinary items (Note 8)	4 890 000	5 277 000
Net profit for the year	\$ 12 646 000	\$ 12 985 000

Profit per share (Note 6)

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

Consolidated Statement of Retained Earnings

for the year ended October 31, 1981

	1981	1980
Balance at the beginning of the year	\$ 27 316 000	\$ 21 030 000
Deduct:		
Dividends	8 699 000	6 699 000
Balance	\$ 18 617 000	\$ 14 331 000
Add:		
Net profit for the year	12 646 000	12 985 000
Balance at the end of the year	\$ 31 263 000	\$ 27 316 000

Consolidated Balance Sheet

as at October 31, 1981

Assets	1981	1980
Deposits and short-term investments (Note 2)	\$ 241 023 000	\$ 90 782 000
Bonds (Note 2)	94 232 000	112 731 000
Stocks (Note 2)	110 308 000	82 410 000
Mortgages	1 746 125 000	1 516 100 000
Other loans	33 771 000	—
Real estate (Note 3)	100 000 000	140 119 000
Office premises (Note 4)	7 050 000	7 157 000
Other assets	11 335 000	9 962 000
	<hr/>	<hr/>
	\$ 2 343 844 000	\$ 1 959 261 000

Auditors' Report to the Shareholders of Credit Foncier

We have examined the consolidated balance sheet of Credit Foncier as at October 31, 1981 and the consolidated statements of revenue and expenditure and retained earnings 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, 1981 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Samson Bélair
Chartered Accountants
Montreal, Canada, December 4, 1981

Poissant Richard
affiliated with Thorne Riddell
Chartered Accountants

Liabilities

	1981	1980
Short-term notes and certificates (Note 7)	\$ 372 233 000	\$ 250 509 000
Medium-term debentures and certificates (Notes 5 and 7)	1 823 577 000	1 552 857 000
Mortgages payable by subsidiaries	17 610 000	27 092 000
Other liabilities	5 782 000	5 193 000
Deferred income	4 634 000	4 499 000
Deferred income taxes	5 567 000	8 617 000
	<u>\$ 2 229 403 000</u>	<u>\$ 1 848 767 000</u>

Shareholders' equity

Paid-up capital (Note 6)	\$ 18 928 000	\$ 18 928 000
Reserves	64 250 000	64 250 000
Retained earnings	31 263 000	27 316 000
	<u>\$ 114 441 000</u>	<u>\$ 110 494 000</u>
	<u>\$ 2 343 844 000</u>	<u>\$ 1 959 261 000</u>

Raymond Garneau, Director

Michel M. Lessard, Director

Notes

to consolidated financial statements for the year 1981

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) Securities

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

The market value of short-term investments, bonds and stocks was \$432 291 000 as at October 31, 1981 and \$289 210 000 as at October 31, 1980.

3. Real estate

This account includes real estate investments by subsidiaries to the extent of \$95 780 000 in 1981 and \$138 825 000 in 1980.

The total depreciation charged to the operations amounts to \$930 000 in 1981 as compared with \$1 074 000 in 1980, which brings the accumulated depreciation to \$7 440 000 in 1981 versus \$7 475 000 in 1980.

4. Office premises

Depreciation charged to operations amounts to \$287 000 during 1981 as compared with \$229 000 in 1980, which brings the accumulated depreciation to \$4 262 000 in 1981 versus \$3 975 000 in 1980.

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:

For the year ending October 31,	
1982	\$ 599 231 000
1983	368 610 000
1984	327 420 000
1985	247 337 000
1986	171 740 000
1987 to 1991	7 438 000
	<hr/>
	\$ 1 721 776 000
Accrued interest	101 801 000
	<hr/>
	\$ 1 823 577 000

6. Paid-up capital	1981	1980
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 year		
NUMBER OF SHARES	923 983	869 909
AMOUNT \$	18 928 000	11 357 000
Issued and subscribed during the year*		
NUMBER OF SHARES	—	54 074
AMOUNT \$	—	7 571 000
Issued and fully paid at the end of the year		
NUMBER OF SHARES	923 983	923 983
AMOUNT \$	18 928 000	18 928 000

*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 earmarked in the books of the Company. The guaranteed liabilities were secured by the following assets:

	OCTOBER 31, 1981	OCTOBER 31, 1980
Deposits and short-term investments	\$ 170 209 000	\$ 31 836 000
Bonds and stocks	74 654 000	58 940 000
Mortgages	479 604 000	365 321 000
	<u>\$ 724 467 000</u>	<u>\$ 456 097 000</u>

8. Extraordinary items	1981	1980
Profit on sale of investments	\$ 3 614 000	\$ 3 971 000
Profit on sale of real estate	2 030 000	2 748 000
Expenses related to the Company's takeover	—	(72 000)
	<u>\$ 5 644 000</u>	<u>\$ 6 647 000</u>
Income taxes related to the above items	754 000	1 370 000
	<u>\$ 4 890 000</u>	<u>\$ 5 277 000</u>

9. Comparative figures

Previous year figures have been reclassified to conform with the current year financial statement presentation.

Ten-Year Financial Summary

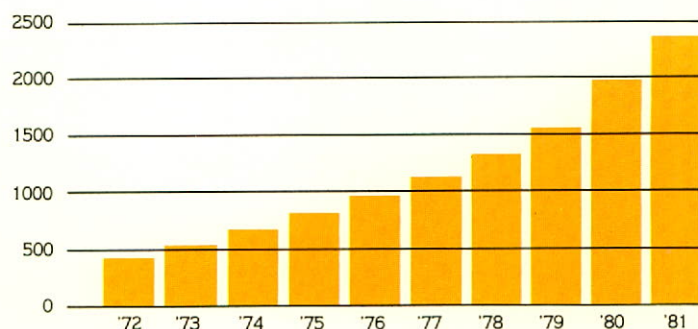
in thousands of dollars

FINANCIAL POSITION AT END OF PERIOD	Twelve months ended October 31,		Ten months ended	
	1981	1980	October 31, 1979	1978
Total assets	2 343 844	1 959 261	1 512 952	1 294 267
Mortgages	1 746 125	1 516 100	1 184 956	1 045 334
Office premises and real estate	107 050	147 276	128 336	123 299
Securities investments	445 563	285 923	190 133	119 756
Debentures, short-term notes and short- and medium-term certificates	2 195 810	1 803 366	1 373 535	1 151 203
Shareholders' equity	114 441	110 494	96 637	94 772
RESULTS FOR THE PERIOD				
Revenue				
Interest	251 294	185 104	107 281	113 062
Dividends	8 083	5 040	2 720	2 618
Office premises and real estate revenue	17 325	18 837	13 155	12 583
Other	3 159	2 863	567	654
	279 861	211 844	123 723	128 917
Expenditure				
Interest	235 785	167 569	92 388	92 648
Office premises and real estate expenses	14 188	16 332	12 031	12 233
Salaries and staff benefits	13 421	11 541	6 245	6 391
Other operating expenses	13 143	10 727	6 505	6 576
	276 537	206 169	117 169	117 848
Profit before income taxes	3 324	5 675	6 554	11 069
Income taxes	(4 432)	(2 033)	684	3 159
Net operating profit	7 756	7 708	5 870	7 910
Extraordinary items	4 890	5 277	2 633	3 422
Net profit for the period	12 646	12 985	8 503	11 332
PER SHARE				
Net operating profit	\$ 8.40	\$ 8.34	\$ 6.75	\$ 9.09
Net profit for the period	13.69	14.05	9.77	13.03
Dividend	9.41	7.25	7.25	4.57
Shareholders' equity	123.86	119.58	111.09	108.94
Number of shares outstanding	923 983	923 983	869 909	869 909

1977	1976	Twelve months ended December 31, 1975	1974	1973	1972
1 113 340	969 698	812 076	664 081	515 705	414 618
931 479	805 744	693 143	569 979	449 050	350 443
108 097	101 078	69 232	50 534	33 651	34 142
68 615	57 519	45 910	41 586	31 012	28 302
982 122	859 676	710 366	579 542	438 915	343 665
87 426	81 085	75 581	62 987	60 799	56 979
97 997	80 243	65 491	50 433	38 476	29 586
1 629	1 096	1 114	1 309	1 414	840
10 908	10 374	8 553	7 603	6 671	6 581
734	557	681	438	265	533
111 268	92 270	75 839	59 783	46 826	37 540
77 261	62 263	51 413	40 067	27 371	19 856
9 543	7 397	4 240	4 128	3 632	3 661
5 031	4 046	3 120	2 475	2 150	1 911
5 981	4 867	4 852	3 862	2 998	2 969
97 816	78 573	63 625	50 532	36 151	28 397
13 452	13 697	12 214	9 251	10 675	9 143
5 078	5 645	5 446	4 433	4 961	3 949
8 374	8 052	6 768	4 818	5 714	5 194
1 916	1 013	9 377	802	1 171	567
10 290	9 065	16 145	5 620	6 885	5 761
\$ 9.67	\$ 9.30	\$ 7.83	\$ 5.59	\$ 6.63	\$ 6.04
11.88	10.47	18.69	6.52	7.99	6.70
4.57	4.32	4.00	4.00	3.75	3.50
100.96	93.68	87.49	73.08	70.55	66.27
865 960	865 549	863 876	861 844	861 768	859 758

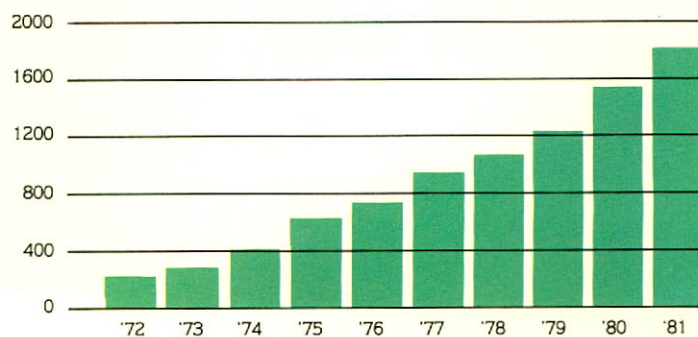
ASSETS

(in millions of \$)



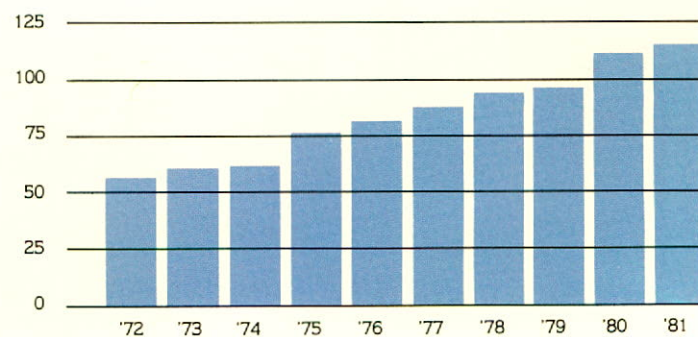
MEDIUM-TERM DEBENTURES AND CERTIFICATES

(in millions of \$)



SHAREHOLDERS' EQUITY

(in millions of \$)



The Corporation

Credit Foncier is one of Canada's leading financial institutions. It was founded in 1880 and has paid a dividend without interruption since 1882.

Following its incorporation in 1880, Credit Foncier expanded its activities across Canada by establishing branches in Montreal, Quebec City and Toronto in 1881, then in Winnipeg in 1884 and Vancouver in 1893, followed by Edmonton in 1905 and Regina in 1907. The branch network was later extended to Calgary, Ottawa, Saskatoon, Victoria, London, White Rock, Halifax, Vernon, Kitchener, Prince George, and St. John's.

The principal business of the Corporation is to make mortgage loans and investments for terms varying between one and five years. Credit Foncier's policy is to match the terms of its assets and liabilities and ensure a stable and profitable spread on its investments.

Corporate Structure

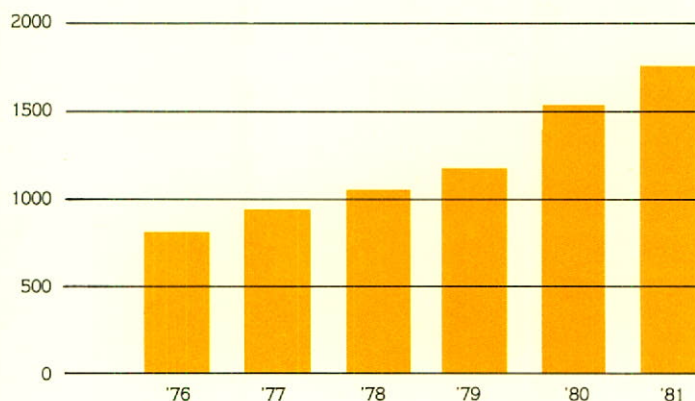
The Corporation pursues its business either directly or through its subsidiaries. The activities of certain subsidiaries, such as Credit Foncier Trust and Francana Development Corporation, are completely integrated with those of Credit Foncier as they share essentially the same objectives. Both these subsidiaries are wholly owned by Credit Foncier, the first performing a trust function, and the second maintaining an investment portfolio.

Montreal City and District Trustees was incorporated in 1938 and became a wholly-owned subsidiary of Credit Foncier in November 1979. This

trust and mortgage loan company operates solely in the Montreal Metropolitan Region where the company has three offices. Their services include estate planning and management, real estate brokerage, portfolio management and safekeeping as well as mortgage lending and the sale of guaranteed investments.

Mortgage portfolio

(in millions of \$)



Mortgage Lending

Credit Foncier plays an important role in the financing of Canada's real estate development. Since its establishment in 1880, it has grown into one of Canada's largest mortgage lenders. By the end of 1981, mortgage loans outstanding amounted to \$1.7 billion.

These loans, in keeping with the Corporation's aim of matching assets and liabilities, are generally granted for terms of five years or less with a rate fixed according to the market or to the cost of funds at the time of disbursement. The loans are secured by first mortgages on residential, commercial and industrial properties from coast

to coast. The Corporation's policy has always been to maintain a sound geographical distribution of its loan portfolio.

Credit Foncier provides mortgage funds for most types of real estate financing needs: new construction, existing properties, refinancing and wrap-around mortgages. The Corporation offers conventional loans as well as loans insured by Canada Mortgage and Housing Corporation or by private mortgage insurance companies. The proportion of insured loans is about 55% of the portfolio.

Savings Operations and Financing

The Corporation secures its funds from the sale of short-term notes, debentures and guaranteed investment certificates, as well as registered retirement and home ownership savings plans.

These financial services are marketed through the Corporation's own branch network, as well as through investment dealers and over two thousand agents. Credit Foncier's savings clientele has grown to a current level of 150,000 individuals, companies and institutions.

In order to complement its savings services, and thus diversify its sources of funds, the Corporation maintains a continual presence on Canadian financial markets as an issuer of commercial paper with terms of less than one year and of medium-term debentures, marketed in large denominations to institutional investors.

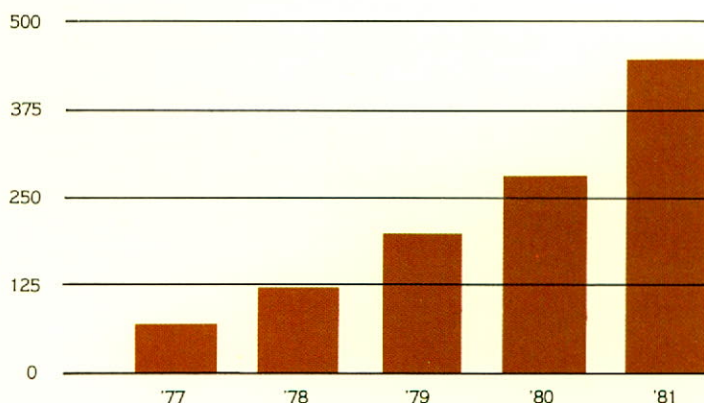
Credit Foncier and Credit Foncier Trust are both members of Canada Deposit Insurance Corporation and registered institutions with the Quebec Deposit Insurance Board.

Securities Investments

The Corporation follows a policy of diversifying its investments prudently. It thus invests in a broad range of securities including short-term investments, bonds, debentures, term loans, preferred shares, common shares and other equity instruments. Over the past ten years, these investment portfolios have grown significantly and now account for 19% of the Corporation's total assets.

Securities Investments

(In millions of \$)



Real Estate Investments

The Corporation's investment in real estate represents an important part of its activities and a diversification of its shareholders' equity. This investment aims to minimize the effects of inflation on the real value of the shareholders' equity. The book value of Credit Foncier's real estate holdings was \$107 million at the end of the 1981 fiscal year.

The Corporation's portfolio includes apartment buildings, shopping centres, industrial properties and land holdings, which are situated primarily in major urban centres across the country. The Corporation is also the owner of most of the buildings across Canada which contain its offices. Since 1979, it has undertaken some development projects in the southeastern United States: several of these have been successfully completed and others are in the course of construction.

Branch Management

Newfoundland



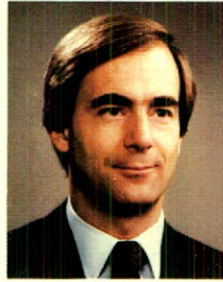
Raymond F. Fisher
St. John's

Nova Scotia



Albert C. Eond
Halifax

Quebec



Robert Panet-Raymond
Vice-President,
Quebec and Atlantic
Montreal, Mortgage Branch



Michel Charbonneau
Montreal, Savings Branch

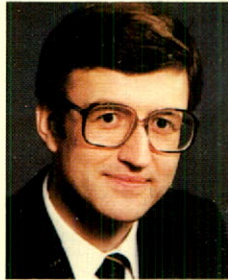


Jean-Pierre Paradis
Quebec City

Ontario



Arvid W. Fonkalsrud
Toronto, Main Branch



Robert McMillan
Toronto, Savings Branch



Gary R. Graham
Ottawa

Saskatchewan



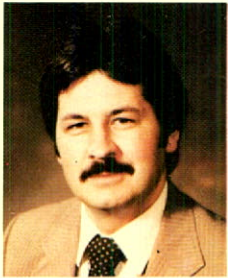
Kenneth A. W. Gordon
Regina



Elmer L. Hart
Saskatoon



Barry W. McCorkindale
London



Steven Cafik
Kitchener

Manitoba



John R. McDougall
Winnipeg

Alberta

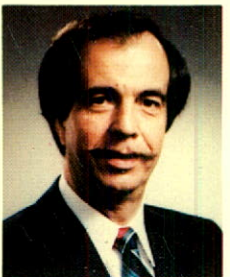


Edward W. Kardosh
Edmonton



Anders Anderssen
Calgary

British Columbia



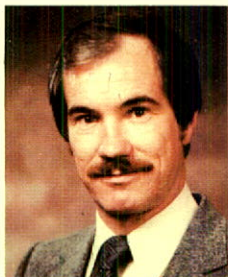
Marcel Bergevin
Vancouver



Alan E. Swan
Victoria



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