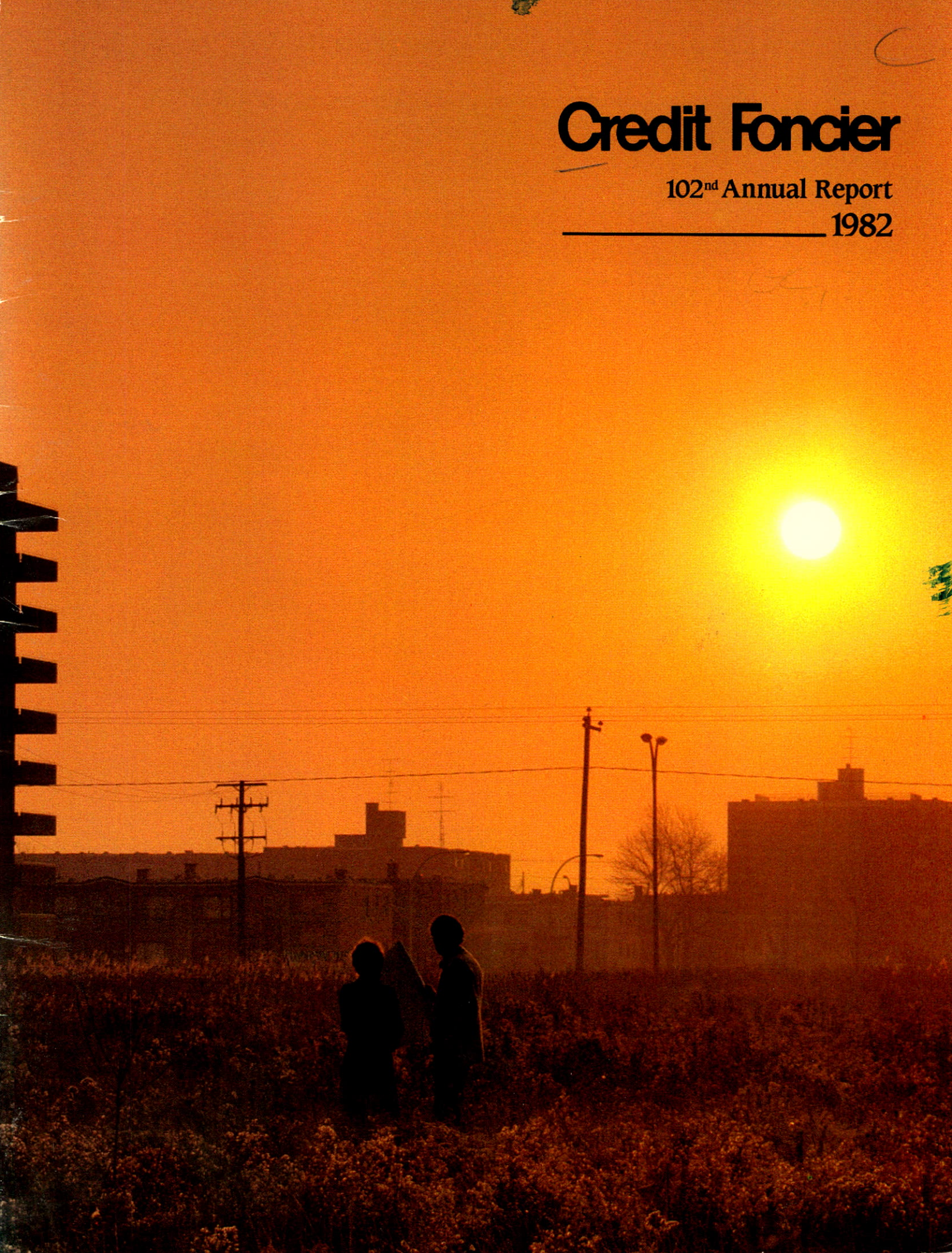


Credit Foncier

102nd Annual Report

1982





To build fulfills a strong human need. It expresses confidence in the future and belief in oneself.

Building for the future is one of the main reasons we are in business. The resources to enjoy a good standard of living, a new home and a comfortable retirement are all prime motivators in building for the future.

The craftsmen of the past took great pride in their building achievements. In building for the future, we at Credit Foncier are no less concerned with the quality of our efforts. We have been providing resources and expertise for over a hundred years. Through our mortgage lending activities and our savings and investment services, we help Canadians fulfill their financial goals and aspirations.

The woodworking tools of yesteryear were designed for particular tasks. Often decorated with initials or geometric patterns, they reflected the craftsman's pride in his achievements. Skillfully made, they were valued possessions passed on from generation to generation. They serve as a reminder of our raison d'être.

The antique tools illustrated in the Annual Report were provided courtesy of J. Pascal Inc.

Financial Highlights

Profit for the period	Year ended October 31,	
	1982	1981
Net operating profit	\$ 4 868 000	\$ 7 756 000
Other income	3 475 000	4 890 000
Net profit	\$ 8 343 000	\$ 12 646 000
Balance sheet		
Total assets	\$ 2 539 697 000	\$ 2 344 539 000
Securities investments	458 260 000	445 563 000
Mortgages	1 926 400 000	1 746 125 000
Short-term notes and certificates	389 692 000	372 233 000
Medium-term debentures and certificates	1 971 266 000	1 823 577 000
Shareholders' equity	117 998 000	114 355 000
Per share		
Net operating profit	\$ 5.27	\$ 8.39
Other income	3.76	5.29
Net profit	\$ 9.03	\$ 13.68
Shareholders' equity	\$ 125.50	\$ 123.76

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Report from the Chairman of the Board and Chief Executive Officer



The economies of the Western countries in 1982 suffered a drastic slowdown, if not a setback, as reflected in the behaviour of most economic indicators.

Canada was no exception. The results obtained in several sectors were even less encouraging than those attained by a number of other Western economies. Moreover, on the basis of analyses carried out by the Organization for Economic Co-operation and Development (the O.E.C.D.), prospects for a recovery in 1983 remain clouded.

Although it is not my intention to elaborate on the economic environment, I would nonetheless like to highlight a few points. It is estimated that the Canadian gross national product for 1982 fell approximately 5% in real terms from the previous year. Private investment shrank significantly, recording a drop of about 16%, while residential construction, down 25%, suffered the sharpest decline. Canadian corporate profits before taxes were down dramatically, decreasing by more than 32%. On a seasonally-adjusted basis, statistics indicate that 470,000 jobs were lost in Canada between October 1981 and October 1982. As a result, the unemployment rate reached alarming levels.

On a more positive note, the U.S. rate of inflation has been falling gradually; data for the last quarter indicate that it reached an approximate annual rate of only 4.7%. We in Canada have managed to pull inflation down to under the 10% level, and it is forecasted that it will hover around 7.5% in 1983.

The behaviour of rates over the last few weeks has been very encouraging, and some analysts are predicting a further decline in the prime rate during the coming months. However, Credit Foncier's latest financial year took place in a context of high interest rates marked by numerous fluctuations. Indeed, the prime rate charged by chartered banks gradually fell from 20% on November 1, 1981 to 16.5% in January of 1982. The rate remained stable until March, only to begin to rise step-by-step and reach 18.25% in mid-June. It was only at the end of August that the prime rate showed any clear sign of dropping: 16% on August 31, 15% on September 30 and 13.75% at the end of October.

Under such difficult economic conditions, the matching of maturities and the locking-in of profit margins were rendered considerably more difficult. This had a negative impact on our net revenues, which dropped to \$8.3 million, compared with \$12.6 million in 1981. However, the results for the third and fourth quarters of this

last year showed an improvement, a trend that should continue during the 1982/83 financial year.

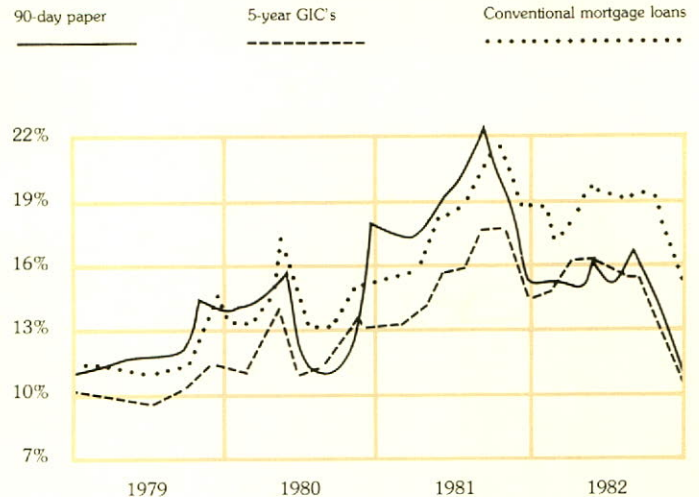
You will recall that Credit Foncier, in addition to a regular dividend, had paid a special dividend of \$2 million to its shareholders last year. During the year ended October 31, 1982, the dividend was brought back to its 1980 level, and the Montreal City and District Savings Bank, the sole shareholder of Credit Foncier, reinvested at the end of the period approximately \$2 million in the capital stock of its subsidiary.

In the spring of 1982, Credit Foncier completed, on the Euro-Canadian market, an issue of \$30 million of subordinated notes maturing April 30, 1989. These notes may be included in the capital base used in determining the borrowing limit of the Corporation. The issue helped improve Credit Foncier's leverage, which stands at an advantageous level when compared with the rest of the industry.

During the past year, we were saddened by the death of William Ramsay of Vancouver, a member of the Board of Directors since April 1973. Mr. Ramsay, who had completed 40 years of service as an employee of Credit Foncier, contributed significantly to the development of Credit Foncier's operations in British Columbia, a region where we have established a solid presence. We would like to extend to Mrs. Ramsay and the other members of the family our deepest sympathies.

Jacques Barbeau of Vancouver, who enjoys an enviable reputation in the business community of British Columbia, was elected to succeed Mr. Ramsay on the Board of Directors. Mr. Barbeau, who is 52 years of age, is senior partner of Barbeau, McKercher, Collingwood & Hanna. After completing his studies in law at the University of British Columbia, he obtained a second degree from the Harvard Law School in 1960. He worked for a number of years with the Department of National Revenue in Ottawa and as Director of Research at the Canadian Tax Foundation before returning to Vancouver in 1962 to practice law. As well as being a Director of several companies, Mr. Barbeau devotes some of his leisure time to various organizations involved in promoting

Movement of Canadian interest rates



Source: Bank of Canada Review

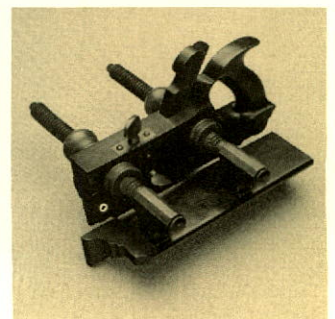
the arts. It is with pleasure therefore that we welcome Mr. Barbeau to Credit Foncier's Board of Directors and wish him every possible success.

In closing, I would like to express, on behalf of the Board of Directors and the shareholder, our earnest appreciation to all Credit Foncier employees for the co-operation, loyalty and enthusiasm they have displayed and which have contributed to the development of the Corporation during the period ended last October 31st.

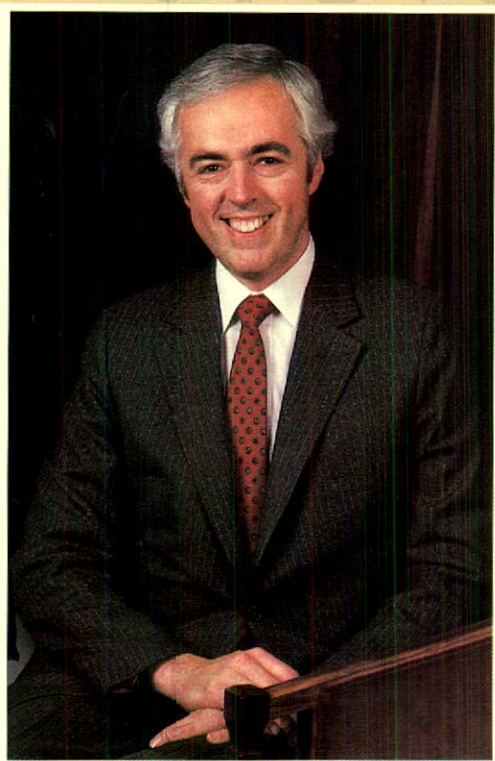
Raymond Garneau

Plough Plane

The body of this South American nineteenth-century adjustable grooving plane is of rosewood, and the threaded posts and fixtures are of olive wood. The plane is a fully adjustable tool with many uses, including making panels and fashioning joints.



Report from the President and Chief Operating Officer



The difficult economic climate and turbulent financial markets that were characteristic of 1982 seriously affected the entire Canadian economy. Credit Foncier was no exception. Even though the results of our 102nd financial year were in line with those reported by most Canadian financial institutions, they are no less disappointing.

The consolidated net profit for the period amounts to \$8,343,000 or \$9.03 per share, a decrease of 34.0% from the previous year's results of \$12,646,000 or \$13.68 per share.

Other income totals \$3,475,000 or 28.9% less than the \$4,890,000 reported for 1981. This item, which had been reported as extraordinary gains until 1981, is included in the net profit for the period. This income covers after-tax gains derived from the disposal of shares and real estate held for investment purposes.

The net operating profit, excluding other income, therefore comes out to \$4,868,000, down 37.2% from the level of \$7,756,000 for 1981. These results are mainly due to a major reduction in interest margins on financial intermediary operations as well as to an increase in personnel and other operating expenses that outpaced our growth in assets.

Consolidated assets totalled \$2,539,697,000 as at October 31, 1982, an increase of 8.3% over 1981. This growth was attributable to mortgage loans, which represent 91.8% of the increase, while investments in stocks and bonds dropped slightly. At year-end, shareholders' equity stood at \$117,998,000 or \$125.50 per share, against \$114,355,000 or \$123.76 per share as at October 31, 1981.

Interest Margins

Over the last few years, we have increased significantly our investments in assets whose yields fluctuate with changes in short-term rates on Canadian financial markets. Nevertheless, the principal business of Credit Foncier is to make investments in the form of mortgage loans and securities which carry fixed terms from one to five years and interest rates which are fixed for the full term.

More than 77% of the Corporation's assets as at October 31, 1982 are accounted for by these activities, which yielded an unusually low financial margin during this financial year. Indeed, achieving a satisfactory margin depends not only on our own policies governing the matching of assets and liabilities and the setting of rates for a definite term, but also on the policies of our competitors in these matters as well as the degree of stability of financial markets.

It is still our policy to match the terms of our assets and liabilities carrying a fixed rate and thereby ensure a stable and profitable spread for the term of our investments. Over the past few years, we generally have been able to maintain a good matching, on a yearly basis, between the terms of our assets and our debt, and we should therefore be able to count on stable net financial revenues which grow in line with the growth of our portfolios.

Unfortunately, as you are aware, the financial markets of the last few years, especially in 1981 and 1982, have been particularly volatile. The resultant fluctuations in interest rates were such that a gap of a few weeks or, even worse, a few months between the disbursement of a loan or the fixing of a rate and the raising of funds for a similar term seriously reduced the effective interest spread, sometimes to a level at which it failed to cover its share of operating expenses. We were greatly affected by the volatility in interest rates at the start of the year. Indeed, substantial sums had to be raised to cover major disbursements realized at the end of the previous financial period and at the start of the 1982 fiscal year. This was at a time when term investors withdrew from the market and when a number of competitors offered rates that precluded the realization of satisfactory profit margins.

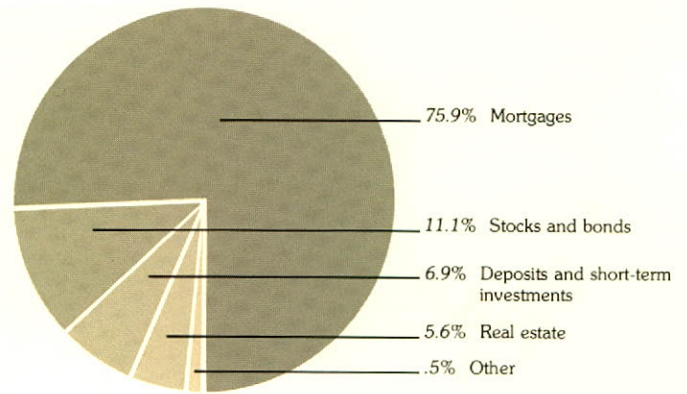
We were able, however, to reverse the situation during the year and report for the last quarter a definite, although still insufficient, improvement in financial margins, while maintaining a good matching of the yearly maturities of our assets and liabilities.

Mortgage Loans

The major component of Credit Foncier's assets continues to be mortgage loans, which accounted for 75.9% of the balance sheet as at October 31, 1982. The mortgage portfolio totalled \$1,926,400,000, an increase of 10.3% over October 31, 1981. Some of these loans, when justified by circumstances and the type of security, earn interest at a rate indexed to money market rates.

Our branch network, which covers the country's major urban centres, enabled us to approve new

Assets

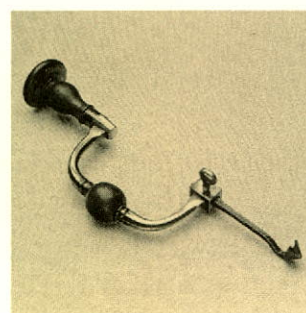


loans totalling \$438,000,000 during the year and to maintain a sound geographical distribution of our portfolio and operations. We were therefore able to generate 36.8% of our loan approvals from the Prairie Provinces, 20.4% from British Columbia, 13.4% from Ontario, 19.9% from Quebec and 9.5% from the Atlantic Provinces.

In 1982, we continued to favour loans on residential properties, particularly income properties. Indeed, 84.7% of approved loans were of this type, while 9.5% were on commercial properties and office buildings and 5.8% on industrial and other types of property.

The proportion of loans approved which were insured by the Canada Mortgage and Housing Corporation (C.M.H.C.) or by private mortgage insurers continued to grow to reach 58.6%, including 54.1% by the C.M.H.C.

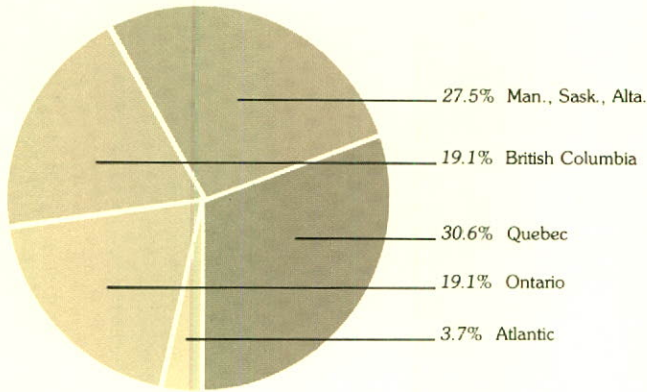
As a result of the unfavourable economic environment and the high level of interest rates, the losses incurred on mortgage loans during



Brace and Bit

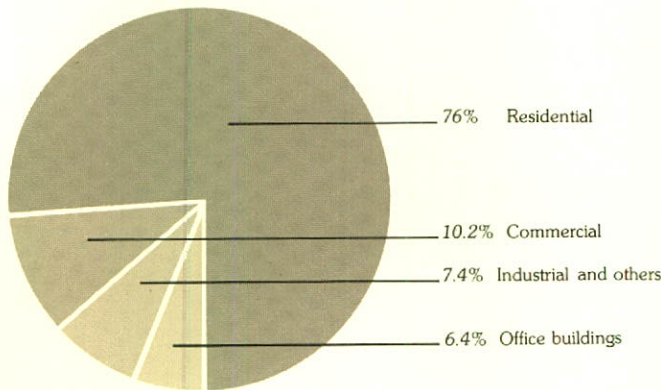
A nineteenth-century tool for boring, consisting of a chuck or pad for holding the bit at the foot, a head at the top for a handhold and, between the two, a crank for rotating.

Mortgage portfolio by region



the period increased substantially to a total of \$3,500,000. The provision for future losses charged to the year's financial results was therefore increased by 65%.

Mortgage portfolio by category



Securities

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

Credit Foncier's investment in securities reached \$458,260,000 as at October 31, 1982, an increase of only 2.8% over the preceding year. However, their market value changed substantially towards the end of the period; it showed an excess of market over book value of \$11,024,000 against a shortfall of \$13,272,000 at the end of 1981. This turnaround reflects primarily a major decrease in market yields at the end of the period. More than 90% of these securities represent spread operations subject to our policies on the matching of maturities and the locking-in of the financial margin.

As at October 31, 1982, deposits and short-term securities totalled \$176,116,000, down 26.9% from last year. The bond portfolio amounted to \$157,696,000, an increase of 67.3% over the preceding year. These changes in the portfolios largely reflect the availability of opportunities for reinvesting our inflow of funds while providing satisfactory interest spreads.

The stock portfolios include \$103,000,000 invested in preferred shares and \$21,000,000 in common shares. More than 75% of these portfolios were composed of securities whose yield is adjusted periodically in accordance with short-term rates or which have a definite term and a fixed rate set for the term.

Debt and Savings Services

The results achieved over the last fiscal year are noteworthy. They strengthen the confidence we have in our policies, our marketing strategies as well as in the level of service we aim to offer, through any one of our branches, to more than 165,000 investors from coast to coast.

Our short-term financing is raised primarily on the Canadian money market with financial institutions and large corporations. Nevertheless, an increasing percentage of this funding is obtained from consumers as well as small- and medium-sized businesses. Their deposits amounted to more than \$200,000,000 of our short-term debt, which stood at \$389,692,000 on October 31, 1982.

Medium-term funds are obtained through the sale of debentures and guaranteed investment certificates, issued for terms of one to five years, and occasionally up to ten years, as well as

Savings Services

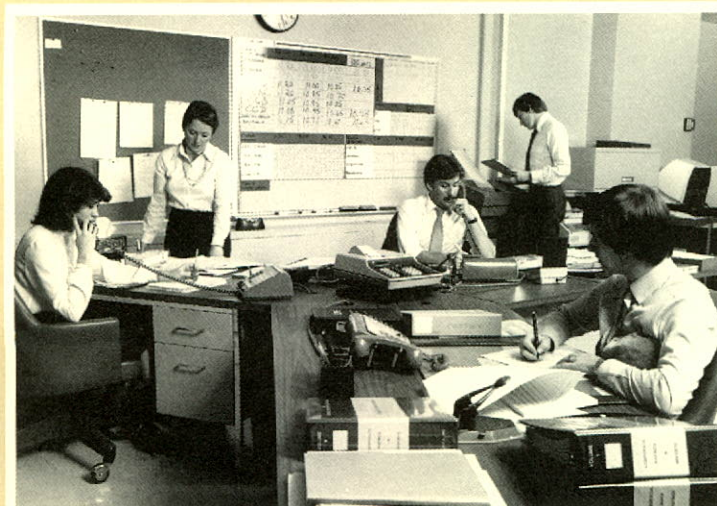
Our Canada-wide branch network allows us to offer our financial services nationally to an ever growing clientele of investors. Over one hundred and sixty-five thousand Canadians have chosen to invest with us. Many have entrusted us with their savings for very specific reasons. Over sixty thousand clients participate in our Registered Retirement Savings Plan or Registered Home Ownership Savings Plan programmes. Whether it is to build a savings fund for a more comfortable retirement or to purchase a first home, many have taken advantage of these services through us.

These clients as well as those who invest in Guaranteed Investment Certificates, debentures and short-term investments are seeking the security and confidence that go hand in hand in dealing with Credit Foncier.

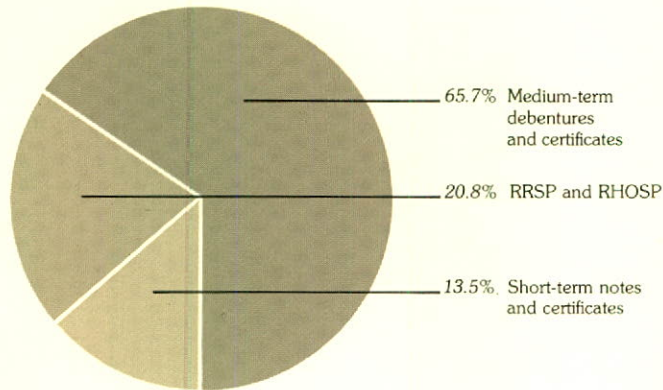
Each of our eighteen branches in cities from coast to coast is designed to attend to our clients' needs efficiently in an atmosphere of privacy and personal service.

Our primary responsibility is to these, our clients, who through entrusting us with their savings enable us to channel these monies into the economy. Through our investments in mortgage loans and securities, we enable our clients to achieve their own savings and investment objectives.

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



Distribution of deposits by category



from the sale of registered retirement and home ownership savings plans. The total amount outstanding of medium-term debt, issued for an initial term of one year or more, stood at \$1,971,266,000 on October 31, 1982; this amount included balances of \$420,000,000 from registered retirement and home ownership savings plans.

In 1982, our sales of medium-term investments reached \$700,000,000. These sales are made through our branch network, except for a small volume of debentures offered as well by our Treasury Department on the financial markets, primarily to institutional investors.

Consumers continued to prefer shorter term investments, even more so than during the previous year. Once again this year, the savings bonds issued by various governments met favour with consumers, since they offered the highest levels of quality and liquidity at rates above market. In this context, it is not surprising how difficult it was to achieve, when needed and within a reasonable time period, the desired matching of maturities and locking-in of interest spreads that were more or less equal to the theoretical margins set at the time of setting the rate.

Real Estate Investment

The Company's real estate investments represent 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. Thus, from time to time, the Company records significant profits from the disposal of properties.

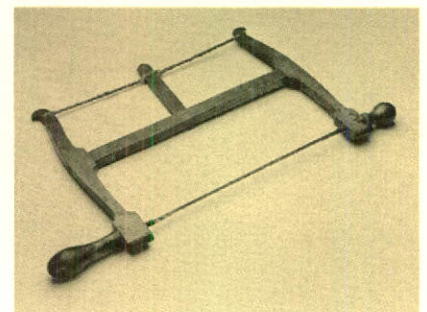
Results for the period include under the item "Other income" gains of \$3.8 million after taxes, representing cash payments received during the year on properties sold. The unpaid portion of profits on disposals is shown on the balance sheet as "Deferred income."

The Credit Foncier Award

In 1980, Credit Foncier marked the occasion of its 100th Anniversary by announcing the creation of an annual award of \$20,000 for the best building preservation project in the country. The Award is restricted to private developments where government funding does not exceed 20% of total financing.

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

This year the jury chose two winning projects, both judged to be of equal merit: the Selby Building, located in London, Ontario and the Popliger Building in Montreal. Constructed in 1908, the Selby factory was recycled into a modern commercial building by Leigh Chapman of Canadian Income Properties Incorporated and Michael Karas of Karas Corporation; the architect was Alfred Szeto. Renovation of the Popliger, a residential building constructed in 1909 on Clark



Turning Saw

A nineteenth-century French bow saw, also known as a turning saw. The tautness of the frame is adjusted by twisted metal wire, and the blade direction by turning the handles. Easily manipulated, it is especially useful for cutting curves.

Mortgage Lending

As one of Canada's largest mortgage lenders, we have played an increasingly important role in the development of communities throughout the country since our founding in 1880. Our branch network has given us a strong local presence for many years in major areas of Canada and constitutes a major strength of Credit Foncier. It enables us to diversify our lending geographically as well as shift our emphasis in accordance with the level of regional economic activity.

We are active in providing mortgage financing to a wide range of national and local home builders, large and small. Moreover, in conjunction with C.M.H.C., we have provided financing for a considerable number of nonprofit and other housing projects.

Over the years, Credit Foncier has acquired a reputation for taking an innovative approach towards mortgage lending. We lend on light industrial and commercial developments, office buildings, strip plazas and shopping centres in addition to the residential sector where we have been particularly active in financing subdivision and condominium projects. Each of our branches is capable of dealing with a wide range of real estate property financing requirements.



Multiple residential loans:
Edmonton, Alta. (above),
Ottawa, Ont. (left).



Commercial loan. St. Catharines, Ont.



Home loan. White Rock, B.C.



Loan on renovated historical building now converted to multiple residential. Halifax, N.S.

Street, was realized by Ken Hampson and Norman Spatz, who acted as both architects and developers.

Through a happy turn of events, the Awards were presented in Regina, which was celebrating its centennial. The year also marked the 75th Anniversary of the opening of our Regina Branch. The development of Credit Foncier has been influenced markedly by its operations and investments in Saskatchewan, a province to which we remain greatly attached and in which we maintain a strong presence.

Personnel and Operations

One of the highlights of the fiscal year with respect to operations was the significant change made to the organization structure of our branch network. The appointment at the start of the year of Robert Panet-Raymond to the position of Senior Vice-President, Branch Operations was succeeded at the regional management level by the following appointments: Marcel Bergevin, Vice-President, British Columbia; Arvid Fonkalsrud, Vice-President, Ontario and Ernest Castelane, Vice-President, Prairies. Mr. Castelane was previously Vice-President, Ontario. Credit Foncier also opened a twentieth branch, this one located at 372 Bay Street in Toronto.

The organization structure at Head Office did not undergo such major changes. However, the appointment at the end of the year of Christopher Hyde to the position of Vice-President, Marketing was an important development; he was previously Vice-President, Savings. Moreover, it seems appropriate to mention, among several meaningful achievements, the excellent progress made in the implementation of new systems that have made possible a substantial improvement in profitability controls and which make us optimistic of making similarly important progress this year in the administrative systems for our financial margins and our mortgage operations.

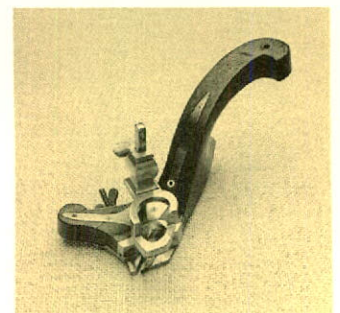
The comments on the results of our 102nd year of operation focus necessarily on numbers, technical and economic factors as well as market conditions. However, we should not forget that our employees are our major asset. The results obtained over the past year do not reflect the efforts expended by our young team, nor their enthusiasm and loyalty. To all of them, I offer my thanks and my congratulations for the excellent work accomplished.



Michel M. Lessard

Tarabiscot

This specialized plane is used to cut a groove on a curved surface. It is nineteenth century, of French origin, and is equipped with brass fittings.



Credit Foncier Award ~ 1982

Two years ago, the Credit Foncier Award for building preservation in Canada was created to mark the Company's 100th Anniversary. We felt that a substantial annual cash award would, in time, help to encourage Canadians to preserve our rich historical and architectural heritage and to encourage its continuing use.

Its purpose is to recognize the best significant rehabilitation of a building or group of buildings in Canada undertaken by the private sector and funded privately. It is a \$20,000 award given every year, to be divided equally between the architect and the developer.

Heritage Canada has been involved in the Credit Foncier Award since its inception along with the Royal Architectural Institute of Canada (RAIC) and the Urban Development Institute — Canada (UDI). Earlier this year, Credit Foncier was invited by the Heritage Canada Foundation to incorporate the Credit Foncier Award into the Foundation's awards program. We were delighted to accept and, this year, the Award was administered by Heritage Canada, but the jury comprised representatives of Heritage Canada, the RAIC, the UDI and Credit Foncier. Credit Foncier is deeply indebted to the members of the jury who gave so selflessly of their time and energies to the task.

The Co-Winners

This year, the decision of the jury produced a tie between a project in London, Ontario known as The Selby, and the Popliger Building in Montreal. Because of their value as examples of commercial and residential building renovation projects, and most particularly as typical examples of classes of building potentially ready for re-use across Canada, these two projects were selected by the jury to share the Award. While The Selby is the recycling of a shoe factory built in 1908, the Popliger Building was built as an apartment house one year later.

The Selby

The Selby is a sizeable commercial project incorporating retail space, restaurants and offices and featuring a landscaped atrium as an interior focal point. It is an example of how an obsolete

but solid multi-storey industrial plant can be recycled into viable modern use.

The Popliger

The Popliger is located in the heart of the old Jewish neighbourhood in downtown Montreal and was originally part of the old YMHA property. Its restoration and renovation into handsome individualized apartments were accomplished by the eleven new owner-inhabitants themselves as a privately-financed project in an area which is being saved and restored largely through public financing as low income housing.

Honourable Mentions

The jury further selected the Confederation Square Project in Toronto for an honourable mention for "the high standard of excellence which was devoted to the restoration of the facade of this superb example of masonry building of the 1890's."



Left to right: Barry Padolsky, MRAIC, Pierre Girardin, Credit Foncier, Professor Abraham Rogatnik, FRAIC, Joe Lebovic, U.D.I., Martin Weaver, Heritage Canada, Jury Chairman.

The jury also selected for an honourable mention the "Quartier Petit Champlain Project." It is a group of 16 buildings located in the lower town of Quebec City on la Petite Rue Champlain, said to be the oldest street in North America.



The Popliger

Co-Winner of the 1982 Credit Foncier Award.
Montreal, Quebec.

Developers and Architects:
Ken Hampson and Norman Spatz.



The 1982 Co-Winners



The Selby

Co-Winner of the 1982 Credit Foncier Award.
London, Ontario.

Developers: Canadian Income Properties
Incorporated and Karas Corporation.
Architect: Alfred Szeto.

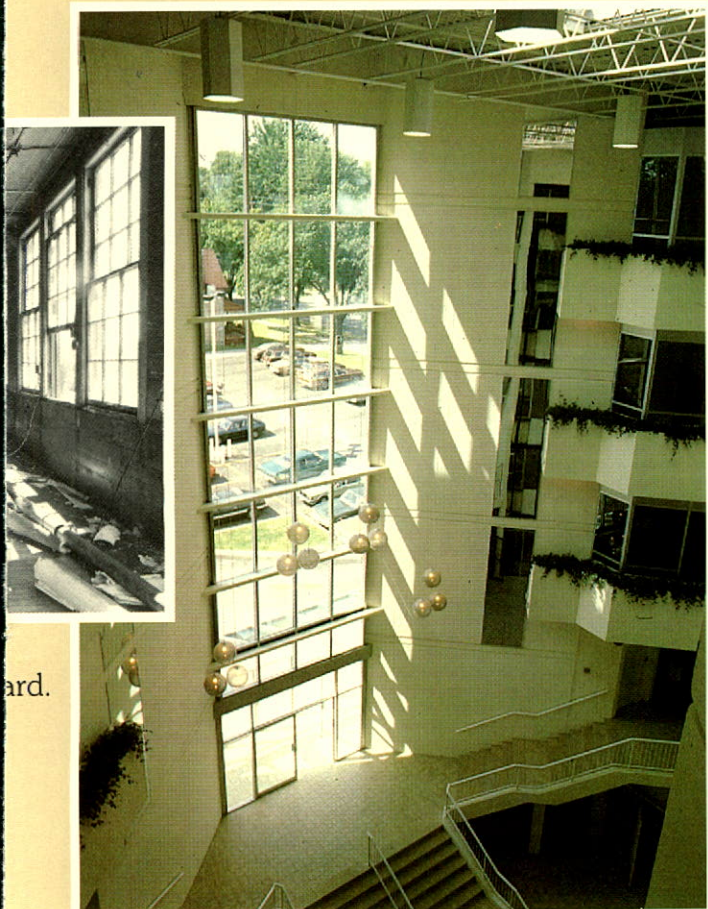
Honourable Mentions



Le Quartier Petit Champlain. Quebec City, Quebec.

Honourable mention
for the 1982 Credit Foncier Award.

Developer: Placements R.D.P. Inc.
Architect: Jacques DeBlois.



ard.



Confederation Square. Toronto, Ontario.

Honourable mention
for the 1982 Credit Foncier Award.

Developer: Fidinam (Canada) Ltd.
Architects: The Thom Partnership.

Real Estate Development

Over the years Credit Foncier has built up a large real estate portfolio. The major part comprises income properties, many of which we own and manage. Included in this group are office, apartment and industrial buildings primarily located in major urban centres.

Another important part is made up of land holdings in large metropolitan areas as well as farm properties in the Prairie Provinces.

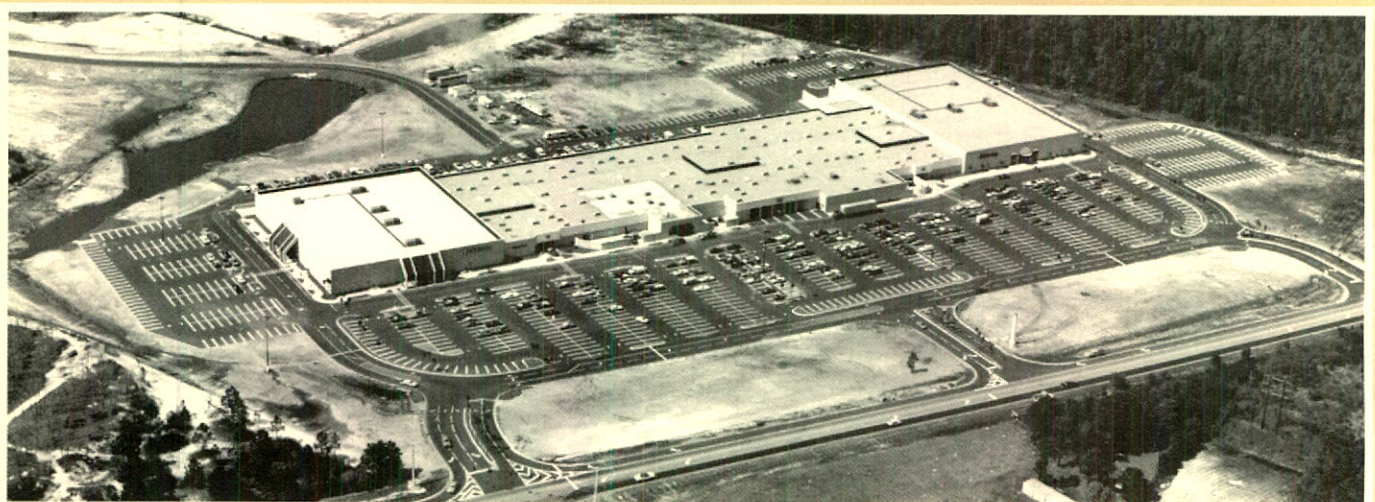
Since 1979 we have undertaken some development projects in the southeastern United States, several of which have been successfully completed while others are in the course of construction.



L'Atrium. Office and shopping complex, Quebec City.



Management review of real estate development project, Shelby Square, Memphis, Tennessee.



Palatka Mall, Palatka, Florida.

Credit Foncier

Consolidated Financial Statements
102nd Fiscal Year

Consolidated Statement of Revenue and Expenditure

for the year ended October 31, 1982

Revenue	1982	1981
Interest	\$ 315 766 000	\$ 251 307 000
Dividends	10 782 000	8 083 000
Real estate	18 454 000	16 741 000
Other revenue	3 815 000	3 730 000
	\$ 348 817 000	\$ 279 861 000

Expenditure

Interest	\$ 304 608 000	\$ 235 785 000
Real estate	15 601 000	13 887 000
Salaries and staff benefits	15 523 000	13 019 000
Other operating expenses	16 640 000	13 846 000
	\$ 352 372 000	\$ 276 537 000
Profit (loss) before income taxes	\$ (3 555 000)	\$ 3 324 000
Income taxes (Note 8)	(8 423 000)	(4 432 000)
Net operating profit	\$ 4 868 000	\$ 7 756 000
Other income (Note 9)	3 475 000	4 890 000
Net profit for the year	\$ 8 343 000	\$ 12 646 000

Profit per share

Net operating profit	\$ 5.27	\$ 8.39
Other income	3.76	5.29
Net profit for the year	\$ 9.03	\$ 13.68

Consolidated Statement of Retained Earnings

for the year ended October 31, 1982

	1982	1981
Balance at the beginning of the year		
— after restatement (Note 7)	\$ 31 177 000	\$ 27 230 000
Net profit for the year	8 343 000	12 646 000
	\$ 39 520 000	\$ 39 876 000
Dividends	6 700 000	8 699 000
Balance at the end of the year	\$ 32 820 000	\$ 31 177 000

Consolidated Balance Sheet

as at October 31, 1982

Assets	1982	1981
Deposits and short-term investments (Note 2)	\$ 176 116 000	\$ 241 023 000
Bonds (Note 2)	157 696 000	94 232 000
Stocks (Note 2)	124 448 000	110 308 000
Mortgages	1 926 400 000	1 746 125 000
Other loans	—	33 097 000
Real estate (Note 3)	138 089 000	100 000 000
Office premises (Note 4)	4 993 000	7 050 000
Other (Note 8)	11 955 000	12 704 000
	\$ 2 539 697 000	\$ 2 344 539 000

Liabilities

Short-term notes and certificates	\$ 389 692 000	\$ 372 233 000
Medium-term debentures and certificates	1 971 266 000	1 823 577 000
Mortgages payable by subsidiaries	17 269 000	17 610 000
Other	7 967 000	5 782 000
Deferred income	4 190 000	4 634 000
Deferred income taxes	1 315 000	6 348 000
	\$ 2 391 699 000	\$ 2 230 184 000
Subordinated notes (Note 5)	\$ 30 000 000	\$ —

Shareholders' equity

Paid-up capital (Note 6)	\$ 20 928 000	\$ 18 928 000
Reserves	64 250 000	64 250 000
Retained earnings (Note 7)	32 820 000	31 177 000
	\$ 117 998 000	\$ 114 355 000
	\$ 2 539 697 000	\$ 2 344 539 000

Raymond Garneau, Director

Michel M. Lessard, Director

Auditors' Report to the Shareholders of Credit Foncier

We have examined the consolidated balance sheet of Credit Foncier as at October 31, 1982 and the consolidated statements of revenue and expenditure, retained earnings and changes in financial position 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, 1982 and the results of its operations and the changes in its financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Samson Bélair
Chartered Accountants

Clarkson Gordon
Chartered Accountants

Montreal, Canada, December 7, 1982

Ten-Year Financial Summary

in thousands of dollars

	1982	Twelve months ended October 31, 1981	1980	Ten months ended October 31, 1979
FINANCIAL POSITION AT END OF PERIOD				
Total assets	2 539 697	2 344 539	1 960 938	1 514 625
Mortgages	1 926 400	1 746 125	1 516 100	1 184 956
Office premises and real estate	143 082	107 050	147 276	128 336
Deposits and securities	458 260	445 563	285 923	190 133
Debentures, short-term notes and short- and medium-term certificates	2 360 958	2 195 810	1 803 366	1 373 535
Shareholders' equity	117 998	114 355	110 408	96 551
RESULTS FOR THE PERIOD				
Revenue				
Interest	315 766	251 307	185 018	107 281
Dividends	10 782	8 083	5 040	2 720
Real estate	18 454	16 741	18 203	13 155
Other revenue	3 815	3 730	3 583	567
	348 817	279 861	211 844	123 723
Expenditure				
Interest	304 608	235 785	167 569	92 388
Real estate	15 601	13 887	15 993	12 031
Salaries and staff benefits	15 523	13 019	11 080	5 985
Other operating expenses	16 640	13 846	11 527	6 765
	352 372	276 537	206 169	117 169
Profit (loss) before income taxes	(3 555)	3 324	5 675	6 554
Income taxes	(8 423)	(4 432)	(2 033)	684
Net operating profit	4 868	7 756	7 708	5 870
Other income	3 475	4 890	5 277	2 547
Net profit for the year	8 343	12 646	12 985	8 417
PER SHARE				
Net operating profit	\$ 5.27	\$ 8.39	\$ 8.34	\$ 6.75
Net profit for the year	9.03	13.68	14.05	9.68
Dividend	7.25	9.41	7.25	7.25
Shareholders' equity	125.50	123.76	119.49	110.99
Number of shares outstanding	940 203	923 983	923 983	869 909

		Twelve months ended December 31,			
1978	1977	1976	1975	1974	1973
1 295 083	1 113 783	969 777	812 076	664 801	515 705
1 045 334	931 479	805 744	693 143	569 979	449 050
123 299	108 097	101 078	69 232	50 534	33 651
119 756	68 615	57 519	45 910	41 586	31 012
1 151 203	982 122	859 676	710 366	579 542	438 915
94 772	87 426	81 085	75 581	62 987	60 799

113 062	97 997	80 243	65 491	50 433	38 476
2 618	1 629	1 096	1 114	1 309	1 414
12 583	10 908	10 374	8 553	7 603	6 671
654	734	557	681	438	265
128 917	111 268	92 270	75 839	59 783	46 826

92 648	77 261	62 263	51 413	40 067	27 371
12 233	9 543	7 397	4 240	4 128	3 632
6 218	4 788	3 865	2 999	2 325	1 949
6 749	6 224	5 048	4 973	4 012	3 199

117 848	97 816	78 573	63 625	50 532	36 151
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11 069	13 452	13 697	12 214	9 251	10 675
3 159	5 078	5 645	5 446	4 433	4 961

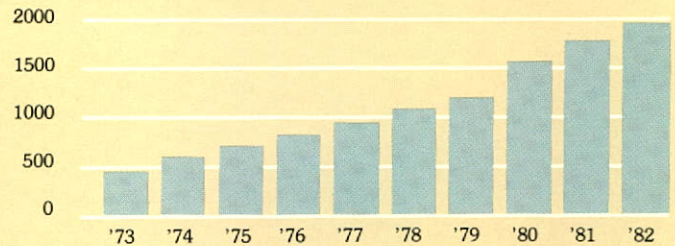
7 910	8 374	8 052	6 768	4 818	5 714
3 422	1 916	1 013	9 377	802	1 171

11 332	10 290	9 065	16 145	5 620	6 885
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\$ 9.09	\$ 9.67	\$ 9.30	\$ 7.83	\$ 5.59	\$ 6.63
13.03	11.88	10.47	18.69	6.52	7.99
4.57	4.57	4.32	4.00	4.00	3.75
108.94	100.96	93.68	87.49	73.08	70.55
869 909	865 960	865 549	863 876	861 844	861 768

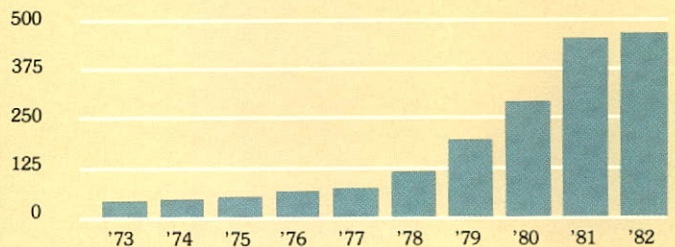
Mortgages

(in millions of \$)



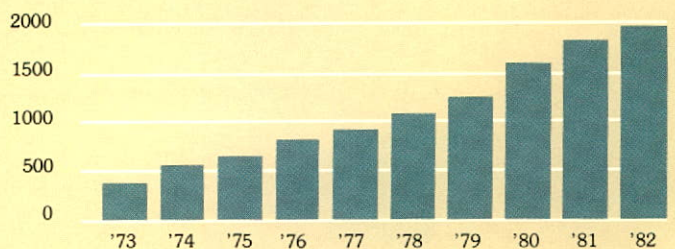
Deposits and securities

(in millions of \$)



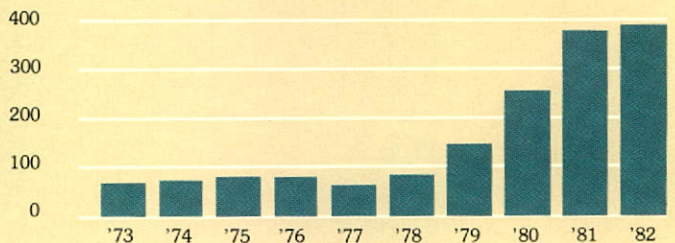
Medium-term debentures and certificates

(in millions of \$)



Short-term notes and certificates

(in millions of \$)



The Corporation

Credit Foncier is one of Canada's leading financial institutions. Founded in 1880, the Corporation has paid a dividend without interruption since 1882. Over the years, it has expanded by establishing branches in the major urban centres across Canada.

The principal business of the Corporation is to make mortgage loans and investments for terms of one to five years. Its 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 directly or through its subsidiaries. Certain wholly-owned subsidiaries, Credit Foncier Trust and Francana Development Corporation, are completely integrated with Credit Foncier, the first performing a trust function, and the second maintaining an investment portfolio.

Montreal City and District Trustees became a wholly-owned subsidiary in 1979. Its operations are limited to the Montreal Metropolitan Region. Its services range from estate planning and management to mortgage lending and the sale of guaranteed investments.

Mortgage Lending

Credit Foncier plays an important role in Canada's real estate development and is one of its largest mortgage lenders. By the end of 1982, mortgage loans outstanding amounted to \$1.9 billion. These loans 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. They are secured by first mortgages on residential, commercial and industrial properties from coast to coast.

The Corporation provides mortgage funds for most real estate financing needs. It offers conventional loans as well as loans insured by public or private mortgage insurance companies. Insured loans represent about 55% of the portfolio.

Savings Operations and Financing

The Corporation secures its funds from short-term notes, debentures and guaranteed investment certificates, as well as registered retirement and home ownership savings plans. These are marketed through the Corporation's branch network, as well as through investment dealers and agents. Credit Foncier's savings clientele now comprises 165,000 individuals, companies and institutions.

To complement its savings services and diversify its sources of funds, the Corporation remains active as an issuer of commercial paper and debentures, marketed in large denominations to institutional investors.

Securities Investments

The Corporation strives to diversify its investments prudently; it invests in securities that include short-term investments, bonds, debentures, term loans as well as preferred and common shares. These portfolios account for 18% of its total assets.

Real Estate Investments

The Corporation's investment in real estate is an important part of its activities and aims to minimize the effects of inflation on the real value of the shareholders' equity. Its portfolio includes apartment buildings, shopping centres, industrial properties and land holdings.

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 and Chief Executive Officer,
The Laurentian Group Corporation

Michel M. Lessard
President and Chief Operating Officer

Dr. Claude Bertrand
Emeritus 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
President,
Dome Canada Limited

Paul H. Leman
Company Director

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

Jean-Marie Poitras
Chairman of the Board,
The Laurentian Group Corporation

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

Corporate Management

Executive Officers

Raymond Garneau
Chairman of the Board and Chief Executive Officer

Michel M. Lessard
President and Chief Operating Officer

Administration

Claire Bellemare
Manager, Savings and Mortgage Operations Department

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

Marketing

Christopher D. Hyde
Vice-President, Marketing

Yvon Grant
Manager, Marketing Planning and Development Department

Mortgages

Michel Pasquin
Vice-President, Mortgages

Robert Widdicombe
Manager, Mortgage Underwriting Department

Personnel

Philippe Suys
Vice-President, Personnel

Raymond F. 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

Treasury

Jacques David
Vice-President and Treasurer

Branch Management

Regional Management

Robert Panet-Raymond
Senior Vice-President, Branch Operations

Marcel G. Bergevin
Vice-President, British Columbia

Ernest J. Castelane
Vice-President, Prairies

Arvid W. Fonkalsrud
Vice-President, Ontario

Branches

British Columbia

Vancouver
Marcel G. Bergevin

Victoria
Alan E. Swan

Vernon
Sidney G. Buttress

Prince George
Gerard McKenna

White Rock
Henk Roodbol

Ontario

Toronto Main Branch
Arvid W. Fonkalsrud

Toronto Savings Branch
Robert McMillan

Ottawa
Gary R. Graham

London
Barry McCorkindale

Kitchener
Stephen Cafik

Prairies

Calgary
Anders J. Anderssen

Edmonton
Edward W. Kardosh

Regina
Elmer L. Hart

Saskatoon
Douglas Banzet

Winnipeg
John R. McDougall

Quebec and Atlantic

Montreal Mortgage Branch
Kenneth A.W. Gordon

Montreal Savings Branch
Richard Fabre

Quebec City
Jean-Pierre Paradis

Halifax
Albert C. Bond

St. John's, Nfld.
Raymond F. Fisher

