Canada's Western Bank

Bank of British Columbia

Annual Report 1982

Contents


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Annual Statement Highlights

(in thousands of dollars except per share comments)

	1982	1981*
Total assets	**$3,254,056**	$2,945,915
Total deposits	**3,033,292**	2,732,199
Loans	**2,584,941**	2,336,338
Securities	**281,845**	282,045
Net income	**11,734**	17,326
Net income per common share**	**2.51**	4.48
Dividends — common	**2,895**	2,240
— preferred	**1,744**	1,784
Per share — common	**0.72**	0.64
— preferred	**2.28**	2.28
Capital and reserves	**116,219**	109,856
Number of common shares issued	**4,169,526**	3,573,880

*Restated under the Bank Act of 1980.

**The net income applicable to common shares for fiscal 1982 reflects a deduction for preferred share dividend obligations of $1,741,000 (1981 — $1,776,000). After giving effect to the two for one stock split in March 1982, the daily average number of shares outstanding for the year ended October 31, 1982 was 3,983,692 (1981 — 3,471,072).

Trevor W. Pilley, Chairman and Chief Executive Officer is flanked, on his immediate right, by President and Chief Operating Officer D. Edwin McGeachan, Executive Vice Presidents V. Dobb and R. J. Fruin, and on his left by Executive Vice Presidents G. R. Wallace and D. Campbell.

Operating Highlights

Our operations in fiscal 1982 were conducted in an environment of continuing high interest rates, record inflation and a severe economic downturn which was particularly adverse in our major domestic area of British Columbia and Alberta.

Internationally, the historically high cost of money exacted a toll on economic activity. Protectionist pressures aided and abetted the slowing in trade and investment finance. Lending opportunities increasingly focused on the more stable advanced industrial countries. This increased competition led to narrower interest margins on international loans.

Domestically, consumer spending declined, unwanted inventories were liquidated at an increasing rate; production dropped precipitously and unemployment rose to record levels. The recession was more severe in British Columbia as the province's export markets for forest and mineral products dried up and commodity prices continued their decline. Low rates of plant utilization coupled with the decline in corporate profitability led to a flattening in the investment boom in Western Canada. The most dramatic decline occurred within commercial and industrial construction. Generally, the opportunity for quality asset growth by banks virtually disappeared as the year progressed. More disconcerting, the shortfall in cash flow exposed the over-leveraged position of many corporations. Despite success in counselling clientele and directing them to resolution of liquidity problems, the Bank found it necessary to provide for increased loan losses throughout the fiscal year.

Federal policy setting compounded the frustrations experienced in managing within the economy in 1982. Fiscal policy, specifically the November 12th, 1981 Budget, confused investors and complicated the decision-making process. Monetary authorities, fearing the inflationary impact of a declining foreign exchange value of the Canadian dollar, were forced into following the trends in U.S. financial markets. In effect, Central Bank policy followed the money supply rules employed in the United States. We view with cautious optimism the recent change in policy towards a better balance in both fiscal and monetary management. The June 1982 Economic Statement revealed a more pragmatic understanding of the workings of the private sector. So too, monetary policy has refocused on total economic and credit conditions.

The most favourable element in 1982 was the trend in inflation which has been turned around and is decidedly downward. The rapid slowing from peaks of close to 15% a year ago to recent monthly rates of 7% is a major positive development for the bond and equity markets.

The impact of the economic recession was felt by both big and small business alike, but whereas big business generally has the financial strength to sustain a downturn in the economic climate, small business is typically more vulnerable. Your Bank has not been involved in the misfortunes of some of the very major companies which have been the subject of much media comment, as the nature of our lending has been to the small and intermediate sized businesses as a prudent function of the spread of risk in relation to our capitalization. Accordingly, with small business being particularly affected, we provided $15.3 million for loan losses this year up from $9.5 million a year ago. This loss provision is a calculation based on the 5 year averaging formula as prescribed by the Minister of Finance. Our actual loan loss experience in 1982 was $28 million compared to approximately $9 million a year ago. This total is arrived at by a careful and conservative analysis of our loan portfolio on an account-by-account basis. In banking, loan loss experience is actually the net change in loss reservations set up against individual accounts and it has been our experience in the past that an average of 20% of these reservations are reversed in subsequent years.

Despite these difficulties, we are pleased to report net income for 1982 at $11.7 million, down 32% from our record earnings of $17.3 million in 1981.

At October 31st, 1982, total assets of the Bank were $3.254 billion, representing a 10.5% increase over the previous year end. There are two main ratios used in measuring the profitability of banks — return on assets and return on equity. Our return per $100 of average assets employed in 1982 declined to 37¢ from 66¢ in 1981. In terms of return on common equity, the decline was from 19.4% to 10.1%. While both of these ratios deteriorated when compared with our record 1981 year, each did approximate the returns which we achieved in the years leading up to 1981.

During 1982 the Bank recorded in net income a tax credit of $7.7 million. This credit is directly attributable to the receipt of $17.3 million of income in 1982 from securities of, and investments in, taxable Canadian corporations representing after-tax payments and which were not subject to additional tax. Our successful support of the Federal Government's Small Business Development Bond Program, which enables eligible borrowers to pay a rate of interest approximately equal to half the market rate, is a major factor underlying the level of tax-exempt income received during the year. This tax credit will be carried forward to reduce taxes otherwise payable in 1983 and future years.

During the year, we again increased dividends paid to common shareholders to 72¢ per share, up 12.5% from 1981. Inasmuch as a solid capital base is required to support future asset growth, the Bank retained $7.1 million of internally generated capital in 1982. A further $12.1 million was added through a common share issue by means of a rights offering in January 1982. After absorbing a $12.6 million charge to appropriations for contingencies, being the difference between the 1982 loan loss experience and the provision for loan losses actually charged against income, the net result was an increase in total capital and reserves of $6.4 million during the year to a total of $116.2 million at October 31st, 1982.

Overall, 1982 was a very difficult year for both the Bank and its clients. However, the recent decline in interest rates is an encouraging first step toward an improved economic environment in 1983.

At Bank of British Columbia, we like to be involved in the communities we serve.

Our employees and their families are an integral part of the communities in which they live throughout British Columbia and Alberta. They give their time and enthusiasm to activities such as minor sports and youth groups.

Your local banker is the coach or manager of the soccer or hockey team, the Cub or Brownie leader, the phone committee member, or the "cheerleader" on the sidelines at the youngsters' games.

Aside from employee involvement, the Bank provides such groups with special benefits through the Community Service Account. The benefits of the account are available to any non-profit community association, service club or charity which exists for the general good of the community.

It is not just through business, but also through the active participation of its employees, that the Bank shares in the life of the community — because the people at Bank of British Columbia ARE Bank of British Columbia.

Human Resources

In keeping with our stated goals to attract, develop and retain the best bankers in the industry, 1982 saw a further strengthening of the Bank's commitment to training with the addition of formal in-house technical expertise.

Initially our training programs are concentrating on commercial credit skill development and a continuation of the commitment to internal promotions wherever possible.

While the negative aspects of the current economic environment are easily visible, we must not lose sight of the positive side effects. One of these is reduced staff turnover which results in greater stability, thereby creating a more experienced and better trained staff. From this flows personnel who are more productive and better able to provide a high level of customer service. Our well-trained and resourceful employee group enables us not only to perform well in our present depressed economic environment, but equally as important, puts us in a position of being poised to take full advantage of a recovering economy.

We are confident our employees will meet the challenges ahead of us, and through their efforts and dedication, our success in future years will be assured. For their strong support and contribution through 1982, we express our sincere thanks.


LADNER

Corporate financial support of the arts and of organizations benefiting the young people of the community, such as Girl Guides, Variety Club, and Junior Achievement allow us to fulfill our responsibilities as a good corporate citizen.

Among the youth organizations, Junior Achievement is worthy of special mention. The purpose of this group is to provide high school students with practical business experience. This goal is realized through the forming of twenty to twenty-five students into a "company" which develops, manufactures, and sells a product. Each company has four advisors from the business community, and Bank of British Columbia employees act in this advisory capacity each year. This approach is also complemented by classroom sessions conducted by business leaders.

We also endeavour, through corporate financial contributions, and individual employee involvement, to do as much as possible for the theatrical and arts groups we consider such vital components of community life. Employee involvement ranges from board memberships, to financial and operating advice, to direct creative, artistic, and talent participation.

Automation

Daily, banks must process millions of transactions — deposits, payments, funds transfers — and maintain accurate, up-to-date records on a wide variety of accounts. Technological advances in automation have made possible a quantum leap in the speed, accuracy and cost efficiency with which banking operations can be performed. Banking today is a high technology business and Bank of British Columbia is firmly committed to meeting the challenge of increasingly rapid escalation of automated systems.

We now have automated computer systems for virtually all of our labour-intensive branch functions and have further improved and expanded these activities in the past year. Additionally, progress has been made towards introduction of automated banking machines and we plan to launch this exciting new service in 1983. This project also includes development of a system to provide on-line terminals throughout our entire branch network to improve service to our customers. Work is progressing well and on-line conversions are planned to commence in 1984.

The Bank has already benefitted from automation in terms of greater efficiency and expanded service to clients. We have a continuing strong commitment to employ up-to-date cost effective technology to further enhance bank operations and expand our range of relevant customer products and services.

Head Office Building

The Bank and its partners have decided to delay the start of the Head Office building project until economic changes take place which will assure its success. One of the major considerations in postponing this project is the recent drastic reduction in the need for rental office space in the downtown Vancouver area. We would be a major landlord upon completion of the building and it is vital that quality tenants be available. Another element in our decision was the increased construction cost estimates. The original estimate of $60 million for a building consisting of a retail banking area and office space has escalated substantially.

We have therefore decided to defer this project until the economy experiences some degree of recovery and costs can be brought into line with expected returns.

The Year Ahead

The year ahead should prove to be a transition to economic recovery. Financing costs will continue to decline — corporations have begun the process of addressing balance sheet repair which will tend to hold back capital spending activity. Interest sensitive consumer spending should tick upwards, held in check by stabilizing, but still high levels, of unemployment. An increase in industrial production and a progressive upturn in exports will provide for modest growth.

The coming year will remain a challenge to the banking industry. We plan asset growth in the Bank of British Columbia to remain subdued relative to historical trends. However, we anticipate that opportunities will be more prevalent than during this last year. Productivity is the password. Priority will be given to managing our loan portfolio and sustained control of expenses, which will lead to our net income growth exceeding the planned increase in our average assets.

Board of Directors

Bank of British Columbia employees increased their personal contributions to the 1982 United Way campaign considerably over last year.

The hard economic times seem to have made us all more aware of the great need for the vital services funded under the United Way umbrella.

One such service is the Canadian Red Cross which depends on our United Way contributions to carry on its multitude of community and humanitarian services. Few of us have not benefited in some way from the diverse services offered by the Red Cross; ranging from the blood program to water safety. How difficult many lives would be without the presence of this incredible organization.

United Way, and many of its member organizations, offer special services to the senior members of our communities; so too does Bank of British Columbia. Since its inception our Pioneer Service Plan account has offered benefits not available elsewhere, and which have attracted many members of the senior community to our Bank.

We are proud of the unique relationship which exists between our Pioneer Service Plan customers and ourselves.

TREVOR W. PILLEY
Chairman and
Chief Executive Officer

D. EDWIN McGEACHAN
President and
Chief Operating Officer

ARTHUR FOUKS, Q.C.
Vice President
Senior Partner
Bonner & Fouks
Vancouver, B.C.

A. HOADLEY MITCHELL
Vice President
President
Mitchell & Associates Ltd.
Edmonton, Alberta

DONALD M. CLARK, Q.C.
Secretary
Senior Partner
Clark, Wilson
Vancouver, B.C.

RUSSELL J. BENNETT
Kelowna, B.C.
President, M. W. Stores Ltd.

ARTHUR J. BLOCK
Vancouver, B.C.
President
Block Bros. Industries Ltd.

HARRY BOOTH
Calgary, Alberta
President and Chief Executive Officer
Alberta and Southern Gas Co. Ltd.
Alberta Natural Gas Company Ltd

W. THOMAS BROWN
Vancouver, B.C.
Chairman
Odlum Brown & T.B. Read Ltd.

THOMAS A. BUELL
Vancouver, B.C.
Chairman, President and
Chief Executive Officer
Weldwood of Canada Ltd.

THE HONOURABLE
THOMAS A. DOHM, Q.C.
Vancouver, B.C.
Senior Partner, Dohm & Jaffer

A. WILLIAM EVERETT
Vancouver, B.C.
Chairman
Dominion Vancouver Motors Limited

ALBERT E. HALL
Vancouver, B.C.
Adviser, Bank of British Columbia

BEVERLEY K. LECKY
Vancouver, B.C.
President, Hosmer Holdings Ltd.

G. BUCHAN McINTOSH
Vancouver, B.C.
Senior Partner
Lawson, Lundell, Lawson & McIntosh

J. WALLACE MADILL
Calgary, Alberta
Chief Executive Officer
Alberta Wheat Pool

WILLIAM C. MEARNS
Victoria, B.C.
President, Rockcliffe Estates Ltd.

DANIEL U. PEKARSKY
Vancouver, B.C.
Executive Vice President
Bel-Fran Investments Ltd.

BRYAN J. REYNOLDS
Vancouver, B.C.
Private Investor

PETER PAUL SAUNDERS
Vancouver, B.C.
Chairman and President
Versatile Corporation

JOHN L. SCHLOSSER
Edmonton, Alberta
President, Tri-Jay Investments Ltd.

J. BRUCE SMITH
Kelowna, B.C.
President, Okanagan Holdings Ltd.


ATER SAFETY
SERVICE


GOLD CARD
NEXT
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It may take a calculator to figure out how far ahead you are financially by dealing with Bank of British Columbia – but you only have to walk into any of our fifty branches to observe the "people edge" we have on the competition.

Our customer service representatives are cross trained and knowledgeable in the Bank's varied services, enabling them to give our customers the information and assistance they require.

We are continually seeking ways to improve our service and actively solicit input from our customers with our "Help Us Help You" questionnaires, and from our employees with our Staff Suggestion Awards Program.

Suggestions from our employees have resulted in many operational changes that have both increased efficiency and improved customer service.

We've made major strides in upgrading customer service with such programs as central teller cash ("Service Plus"), and we plan on making more.

At Bank of British Columbia, we're always working to stay on top.

Trevor W. Pilley
Chairman and
Chief Executive Officer

D. Edwin McGeachan
President and
Chief Operating Officer

Executive Vice Presidents

Duncan Campbell
Victor Dobb
Robert J. Fruin
Gordon R. Wallace

Senior Vice Presidents

Henry J. Bow
Helmut C. Hartmann
Einar N. Myrholm
Arnold E. Miles-Pickup
John A. Thomas
O. Grant West

Vice Presidents

Earl V. Andrusiak
Hugh Dalgleish
Andrew K. C. Ee
Norman S. Elliot
W. Alan Franklin
P. Neil McEachern
Philip A. Pepin
Michael S. Rogers
James D. Stoddart
Paul E. Villeneuve
Thomas B. Welsh
Raymond L. Young
Joseph S. K. Yu

Assistant Vice Presidents

James M. A. Briden
Brian D. Carter
Henry Fetigan
Michael J. Humjan
George F. Ledwith
John V. McKay
David W. Muller
Patrick A. O'Connor
Gerard M. O'Keefe
Calvin M. J. Quong
Donald A. Raymond
Cyril Todd
David Tunnicliffe

As Canada's major western bank, we specialize in servicing the needs of western business. A key to our successful relationship with the business community is the strength inherent in our branch system. Our branch people are provided with the latitude and discretion to handle the vast majority of commercial dealings on the spot. This approach is further strengthened by direct access to Head Office support.

Our valued clients, such as Fraser Valley Farms Ltd. and Golden Valley Processors Inc. are family owned businesses who appreciate our pride in quality of service because they also pride themselves on the quality of their products. In the case of Golden Valley Processors Inc. that's twenty products supplied to the four western provinces.

Western Assembly Ltd. is another of our major B.C. based clients, a container handling and redistribution firm involved in moving container cargo sent from anywhere in the world to Canadian cities.

These, and our other valued clients share many of our own traits – dynamic, progressive westerners whose operations benefit the entire country.

International and Corporate Banking

Executive Vice President
D. Campbell

Senior Vice Presidents
H. J. Bow, International Banking
H. C. Hartmann, Corporate Banking

Vice Presidents
A. K. C. Ee, Chief Dealer, International
T. B. Welsh, Energy (Calgary), Corporate Banking
J. S. K. Yu, International

Assistant Vice Presidents
G. F. Ledwith, Corporate Banking
D. A. Raymond, International

Senior Account Managers
J. C. Helms, Corporate Banking
H. T. Lau, Corporate Banking
M. J. Troniak, Energy (Calgary), Corporate Banking

Managers
E. S. L. Keong, Foreign Exchange & Money Market
D. H. Pender, International Credit

Data Processing

Vice President
W. A. Franklin

Senior Manager
G. E. Stephenson

Managers
L. C. Benzley, Computer Systems & Programming
J. D. Lyon, Data Processing Operations
J. A. Mills, Vancouver Data Centre
G. D. Mulligan, Branch Applications
W. B. Myhre, Planning & Technical Support
P. W. Wishloff, Calgary Data Centre

Systems and Administration

Vice President
P. N. McEachern

Managers
L. S. Bailey, Administrative Services
D. G. J. Cann, Systems Development & Documentation

Human Resources

Senior Vice President
O. G. West

Managers
J. S. Bower, Technical Training & Development
J. B. Carlson, Human Resources
R. D. Earthy, Training & Development
A. B. Jenkins, Human Resources
R. H. Muth, Employee Relations
R. S. Tait, Compensation Planning

Corporate Credit

Executive Vice President
R. J. Fruin

Vice President
R. L. Young

Assistant Vice President
J. M. A. Briden

Senior Manager
C. J. Nordstrom, Credit Administration

Manager
B. F. Troniak, Automotive & Industrial Equipment


COOLING TOWER SCHEMATIC

At Bank of British Columbia our business clients are as diverse as the services we offer them.

Vinto Engineering Ltd. is one of the highly successful Western Canadian-based corporations which Bank of British Columbia serves. Vinto Engineering, established in 1957 and wholly-owned by company members active in its day-to-day practice, employs in excess of 150 people who provide engineering services from offices located in B.C. and Alberta.

Dobney Foundry Ltd., employers of 650 Canadians, have maintained a reputation of excellence in both service and quality since 1935. The Dobney Foundry Group, consists of eight foundries located across the country.

Our continuing relationship with Douglas College has included financial involvement in the construction of their new campus, part of the redevelopment of downtown New Westminster. The College has a faculty and staff of 400 and provides facilities for some 5000 students each term.

Bank of British Columbia is a vanguard in Canadian finance continuing to strive to provide the best possible services for Western Canadians and Western Canadian business.

Controller's Department

Senior Vice President & Controller
J. A. Thomas

Assistant Vice President & Chief Accountant
M. J. Humjan

Deputy Chief Accountant
D. Piddlesden

Managers
W. D. Alexander, Planning & Analysis
R. B. Sykes, Taxation & Insurance

Premises & Branch Development

Assistant Vice President
G. M. O'Keefe

Manager
R. R. Soeder, Premises

Economics

Assistant Vice President & Chief Economist
B. D. Carter

General Counsel

Assistant Vice President & General Counsel
C. M. J. Quong

Investments

Senior Vice President
A. E. Miles-Pickup

Vice President
J. D. Stoddart, Leasing

Assistant Vice President
D. W. Muller, Investments

Manager & Chief Trader
R. Kelly

Manager
R. B. Stewart, Equipment Lease Marketing

Inspection

Vice President & Chief Inspector
H. Dalgleish

Managers
J. R. Ancrum, Branch Inspection
D. M. Baldwin, EDP Audit
D. J. McLean, Development & Corporate Audit

Domestic Banking

Executive Vice President
G. R. Wallace

Senior Vice President, Alberta
E. N. Myrholm

Vice Presidents
M. S. Rogers, Marketing & Consumer Services
P. E. Villeneuve, Credit Domestic Banking B.C.

Assistant Vice Presidents
C. Todd, Consumer Services
D. Tunnicliffe, Branch Banking

Senior Managers
R. N. Evaniuk, Commercial Credit B.C.
B. R. Hewson, Commercial Credit Alberta
E. D. Houston, Commercial Credit B.C.

Managers
J. D. Bourgeois, Branch Services
A. L. J. Cummings, Marketing
J. C. Dowle, Commercial Credit B.C.
T. T. McColl, Commercial Credit B.C.
B. M. Martin, Mortgages
P. D. Peake, Commercial Credit B.C.
K. B. G. Statham, Branch Operations
L. E. Swaykoski, Consumer Credit B.C.
W. A. Taylor, Consumer Credit Alberta
B. A. Ward, Commercial Credit Alberta

Consolidated Statement of Assets and Liabilities

As at
October 31, 1982
(with comparative figures for 1981)
(in thousands of dollars)

Assets	**1982**	**1981**
Cash resources:		
Cash and deposits with Bank of Canada	$ 42,234	$ 37,682
Deposits with other banks	234,697	199,439
Cheques and other items in transit, net	—	14,003
	276,931	251,124
Securities (Note 3):		
Issued or guaranteed by Canada	92,982	122,156
Issued or guaranteed by provinces and municipal or school corporations	1,069	1,119
Other securities	187,794	158,770
	281,845	282,045
Loans:		
Day, call and short loans to investment dealers and brokers, secured	53,998	39,000
Loans to banks	48,073	17,520
Mortgage loans	179,402	164,637
Other loans (Note 4)	2,303,468	2,115,181
	2,584,941	2,336,338
Other:		
Customers' liability under acceptances (Note 5)	29,000	12,500
Land, buildings and equipment (Note 6)	28,788	23,563
Other assets	52,551	40,345
	110,339	76,408
	$3,254,056	$2,945,915

Auditors' Report to the Shareholders of Bank of British Columbia

We have examined the consolidated statement of assets and liabilities of Bank of British Columbia as at October 31, 1982 and the consolidated statements of income, appropriations for contingencies and changes in shareholders' equity for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Bank as at October 31, 1982 and the results of its operations for the year then ended in accordance with accounting principles prescribed by the Bank Act of 1980 applied, after giving retroactive effect to the accounting and reporting changes required by the Act, on a basis consistent with that of the preceding year.

Vancouver, Canada
November 25, 1982

Thorne Riddell
Deloitte Haskins & Sells
Chartered Accountants

Consolidated Statement of Assets and Liabilities

As at October 31, 1982

(with comparative figures for 1981) (in thousands of dollars)

Liabilities	1982	1981
Deposits (Note 7):		
Payable on demand	**$ 125,922**	$ 160,272
Payable after notice	**889,202**	818,472
Payable on a fixed date	**2,018,168**	1,753,455
	3,033,292	2,732,199
Other:		
Cheques and other items in transit, net	**3,309**	—
Acceptances (Note 5)	**29,000**	12,500
Other liabilities	**52,858**	71,958
	85,167	84,458
Subordinated debt:		
Bank debentures (Note 8)	**19,378**	19,402
Capital and reserves:		
Appropriations for contingencies	**15,324**	21,970
Shareholders' equity:		
Capital stock (Note 9):		
$2.28 cumulative redeemable preferred shares Series A, no par value:		
Authorized 3,000,000 shares		
Issued 757,100 shares	**18,928**	19,183
Common shares, par value $5.00 each:		
Authorized 10,000,000 shares		
Issued 4,169,526 shares	**20,848**	17,869
Contributed surplus	**34,564**	25,235
General reserve	**1,254**	1,254
Retained earnings	**25,301**	24,345
	116,219	109,856
	$3,254,056	$2,945,915

TREVOR W. PILLEY
Chairman and Chief Executive Officer

D. EDWIN McGEACHAN
President and Chief Operating Officer

Consolidated Statement of Income

Year ended October 31, 1982
(with comparative figures for 1981)
(in thousands of dollars)

	1982	1981
Interest income:		
Income from loans, excluding leases	$416,988	$372,812
Income from lease financing	3,963	1,769
Income from securities	34,446	30,356
Income from deposits with banks	32,355	31,635
Total interest income, including dividends	487,752	436,572
Interest expense:		
Interest on deposits	400,609	350,524
Interest on bank debentures	1,887	1,888
Interest on liabilities other than deposits	35	23
Total interest expense	402,531	352,435
Net interest income	85,221	84,137
Provision for loan losses	15,347	9,515
Net interest income after loan loss provision	69,874	74,622
Other income	16,626	17,123
Net interest and other income	86,500	91,745
Non-interest expenses:		
Salaries	47,696	39,285
Pension contributions and other staff benefits	3,688	3,179
Premises and equipment expenses, including depreciation	11,441	10,157
Other expenses	19,641	16,166
Total non-interest expenses	82,466	68,787
Net income before provision for income taxes	4,034	22,958
Provision for income taxes (Note 10)	(7,700)	5,632
Net income	$ 11,734	$ 17,326
Net income per common share — in dollars (Note 11)	$ 2.51	$ 4.48

Consolidated Statement of Appropriations for Contingencies

Year ended October 31, 1982
(with comparative figures for 1981)
(in thousands of dollars)

	1982	1981
Balance at beginning of year (including tax-paid appropriations of $4,640; 1981 — $154)	$21,970	$13,789
Provision for loan losses included in the Consolidated Statement of Income	15,347	9,515
Loss experience on loans	(27,993)	(9,038)
Transfer from retained earnings	6,000	7,704
Balance at end of year (including tax-paid appropriations of $10,649)	$15,324	$21,970

Consolidated Statement of Changes in Shareholders' Equity

Year ended October 31, 1982

(with comparative figures for 1981) (in thousands of dollars)

	1982	1981
Capital stock:		
Balances at beginning of year:		
$2.28 cumulative redeemable preferred shares	**$19,183**	$19,868
Common shares	**17,869**	15,316
Issued during the year — common shares	**2,979**	2,553
Redeemed during the year — preferred shares	**(255)**	(685)
Balance at end of year	**$39,776**	$37,052
Contributed surplus:		
Balance at beginning of year	**$25,235**	$19,401
Additions from common stock issued	**9,232**	5,744
Additions from preferred shares redeemed	**97**	90
Balance at end of year	**$34,564**	$25,235
General reserve:		
Balance at beginning of year	**$ 1,254**	$ 568
Transfer from retained earnings	**—**	686
Balance at end of year	**$ 1,254**	$ 1,254
Retained earnings:		
Balance at beginning of year	**$24,345**	$17,848
Net income	**11,734**	17,326
Expenses related to issues of common and preferred shares (net of income taxes of $152 in 1982 and $144 in 1981)	**(139)**	(132)
Dividends:		
Preferred shares	**(1,744)**	(1,784)
Common shares	**(2,895)**	(2,240)
Transfer to appropriations for contingencies	**(6,000)**	(7,704)
Income taxes related to the above transfer (Note 10)	**—**	2,450
Income taxes related to losses on disposal of securities	**—**	(733)
Transfer to general reserve	**—**	(686)
Balance at end of year	**$25,301**	$24,345

Notes to Consolidated Financial Statements

October 31, 1982

1. **Significant accounting policies:**

The Bank Act of 1980 and the rules and regulations issued thereunder by the Minister of Finance stipulate the form and content of the Bank's financial statements, as well as most of the significant accounting policies. The significant accounting policies followed by the Bank in determining net income conform in all material respects with generally accepted accounting principles except for, as required by the above mentioned rules and regulations, the accounting for losses on loans and the deferral of gains and losses on the disposal of fixed maturity debt securities held in the investment account.

As a result of the passing into law of the Bank Act of 1980, the Bank's financial statements for the year ended October 31, 1981 which previously had been prepared under the Bank Act of 1967 have been restated. The significant accounting and reporting changes introduced by the Bank Act of 1980 and their effect on previously reported balances are summarized in Note 2.

The significant accounting policies followed by the Bank are summarized below:

(a) Basis of consolidation:

The assets and liabilities and results of operations are reported in the financial statements on a consolidated basis. All corporations controlled by the Bank are consolidated as at October 31, 1982 except for foreign subsidiaries which are consolidated as at September 30, 1982. The subsidiaries included in the consolidated financial statements are as follows:

Canadian:	Bank of British Columbia Mortgage Corporation
	WestBank Leasing Limited
	BBC Realty Ltd.
	BBC Investments Ltd.
Foreign:	British Columbia Financial Corp. (H.K.) Limited
	Bank of British Columbia (International) Limited

Other corporations of which the Bank owns 20% to 50% of the voting shares are accounted for by the equity accounting method. The Bank's investments in these corporations are reported in Other Securities in the Consolidated Statement of Assets and Liabilities, and the share of their net income is reported in Income from Securities in the Consolidated Statement of Income.

(b) Securities:

Securities held for trading purposes are carried at market value. Realized gains and losses and valuation adjustments to market are recorded in current income.

Securities held for investment purposes are carried at cost, with the exception of those securities issued or guaranteed by the Government of Canada or the provinces which are carried at cost, adjusted for amortization of premiums and discounts. Any provision for permanent impairment in value of investment securities is recognized through a charge to current income.

Gains and losses resulting from disposals of fixed maturity debt securities held in the investment account are deferred and included in Other Assets and amortized to income over five years on the straight-line basis. Gains and losses resulting from disposals of equity securities held in the investment account are recorded in current income.

The effect of the amortization of premiums and discounts, the foregoing gains and losses on the disposal of securities, and the adjustments to the valuations of both investment and trading account securities are recorded in Income from Securities in the Consolidated Statement of Income.

(c) Loans:
Loans are recorded at the principal amount, less unearned income where applicable and specific provisions for losses.

Loan loss experience consists of net changes in specific provisions for losses less recoveries on loans previously written off. The provision for loan losses reported in the Consolidated Statement of Income is an amount determined by calculating the ratio of the last five years of loan loss experience to the last five years of eligible loans and applying this ratio to the outstanding eligible loans at the end of the current year. The difference between the loan loss experience for the year and the provision for loan losses is reported in the Consolidated Statement of Appropriations for Contingencies.

Interest income is recorded on the accrual basis except as follows. When interest on a loan is due and has not been collected for a period of 90 days, the Bank ceases to accrue interest on that loan. This overdue interest is reversed whenever loans are placed on a non-current basis. Interest income on non-current loans is recorded on a cash basis. The Bank classifies a loan as non-current when, in the opinion of management, there is doubt as to collectibility of some portion of principal or interest.

(d) Depreciation:
Depreciation is provided for on the straight-line basis over the estimated useful life of the asset. Gains and losses on disposal of fixed assets are reported in the Consolidated Statement of Income.

(e) Appropriations for contingencies:
The Bank makes appropriations for contingencies with respect to possible unforeseen future losses on loans, securities or other assets, through transfers from Retained Earnings. The Appropriations for Contingencies consists of two elements: tax-allowable and tax-paid. The tax-allowable portion is limited by regulations prescribed by the Minister of Finance to an amount equal to a percentage (1½% of the first $2 billion and 1% in excess thereof) of eligible assets. Transfers to Tax-Allowable Appropriations for Contingencies are made on a tax-deductible basis. In addition the Bank may make transfers from Retained Earnings to Tax-Paid Appropriations for Contingencies as deemed appropriate by management.

The above transfers are in addition to the specific provisions for losses on loans that have been deducted in determining the carrying value of loans as reported in the Consolidated Statement of Assets and Liabilities.

(f) Translation of foreign currencies:
Assets and liabilities in foreign currencies are translated into Canadian dollars at the prevailing year-end rates; revenues and expenses are translated at prevailing month-end rates. Realized and unrealized gains and losses from transactions in and translations of foreign currencies are reported in Other Income in the Consolidated Statement of Income.

2. **Effect on financial statements of revisions to the Bank Act:**

The Bank Act of 1980 and the rules and regulations issued thereunder by the Minister of Finance substantially revised many of the financial accounting and reporting practices applicable to the chartered banks of Canada, effective November 1, 1981. These revisions and their effect on the Bank's financial statements for the year ended October 31, 1981 are summarized below.

(a) Basis of consolidation:
All corporations controlled by the Bank are now consolidated whereas previously the Bank's investments in such corporations were accounted for by the cost method. The Bank's share of the net income of other corporations in which 20% to 50% of the voting shares are owned by the Bank is included in the Bank's net income whereas previously only dividends received from such corporations were included in net income.

(b) Securities:
Securities held for trading purposes previously carried at the lower of cost or market value are now carried at market value. Securities issued or guaranteed by Canada or the provinces continue to be carried at cost, adjusted for the amortization of premiums and discounts. Other securities are now carried at cost rather than the lower of cost or market. Gains and losses on disposal of both trading and investment securities are, except for amounts deferred, reported in current income. Previously, gains and losses on investment securities were recorded in accumulated appropriations for losses.

(c) Appropriations:
The accumulated appropriations for losses has been eliminated and, depending upon their nature, items previously included in this account are included in income, appropriations for contingencies, general reserve, retained earnings, other assets or other liabilities.

(d) Capital and reserves:
The previous shareholders' equity section has been restructured with the rest account and undivided profits being replaced by contributed surplus and retained earnings. Proceeds received in excess of the par value of common shares issued are included in contributed surplus. Dividends declared are shown as a charge to retained earnings.

(e) Guarantees and letters of credit:
The contingent liability of the Bank in respect of letters of credit and guarantees is no longer shown on the Statement of Assets and Liabilities as a liability offset by an equal asset.

BBC Mortgage Ltd., a former controlled corporation of the Bank, issued $20,000,000 of $2.28 cumulative redeemable preference shares in February 1980. Under the terms of the issue the Bank agreed, subject to appropriate revisions to the Bank Act, to effect an exchange of all outstanding preference shares of BBC Mortgage Ltd. for the same number of its own preferred shares. This exchange was effected in June 1981. To facilitate proper comparison, the preference shares of BBC Mortgage Ltd. have been accounted for as if they had been issued by the Bank and the dividends paid thereon accounted for as dividends of the Bank.

As a result of the aforementioned changes, previously reported balances have been restated as follows:

(i) In the Consolidated Statement of Assets and Liabilities as at October 31, 1981, total assets were decreased by $49,917,000, total liabilities were decreased by $57,135,000 and total capital and reserves were increased by $7,218,000.

(ii) In the Consolidated Statement of Income for the year ended October 31, 1981, the net income was increased by $2,646,000 and net income per common share, after giving retroactive effect to the two for one stock split discussed in Note 11, was increased by $0.44 per share.

3. **Securities:**
(in thousands of dollars)

	Maturities							
	Within 1 year	1 to 3 years	3 to 5 years	5 to 10 years	Over 10 years	No specific maturity	**1982 Total**	1981 Total
Securities issued or guaranteed by:								
Canada	$80,535	$ 4,235	$ —	$ 986	$ 7,226	$ —	**$ 92,982**	$122,156
Provinces	—	—	—	100	837	—	**937**	1,010
Other securities:								
Debt securities:								
Municipal and school corporations	7	18	31	62	14	—	**132**	109
Income debentures	—	500	—	3,071	—	—	**3,571**	3,964
Small business development bonds	—	—	74,233	—	—	—	**74,233**	33,887
Other Canadian issuers	16	—	3,000	—	—	—	**3,016**	15,811
Issuers other than Canadian	73	—	—	59	25	—	**157**	1,100
Equity securities:								
Term preferred shares	2,535	15,079	34,143	27,803	7,353	—	**86,913**	81,821
Other Canadian issuers	—	—	—	—	—	19,904	**19,904**	22,187
	$83,166	$19,832	$111,407	$32,081	$15,455	$19,904	**$281,845**	$282,045

4. **Other loans:**
(in thousands of dollars)

	1982	1981
Loans to provinces	**$ 45,570**	$ 7,540
Loans to municipalities and school corporations	**8,515**	1,235
Other loans in Canadian currency	**1,798,066**	1,745,696
Other loans in currencies other than Canadian	**451,317**	360,710
	$2,303,468	$2,115,181

5. **Acceptances, guarantees and letters of credit:**
(in thousands of dollars)

The contingent liability of the Bank under acceptances is reported as a liability in the Consolidated Statement of Assets and Liabilities. An offsetting asset is reported to reflect the Bank's recourse against customers in the event of a call on any of these commitments. The Bank issues letters of credit and guarantees the payment of liabilities on behalf of customers. These amounts are not reported in the Consolidated Statement of Assets and Liabilities but have been detailed below.

	1982	1981
Guarantees	**$36,816**	$50,028
Letters of credit	**19,509**	26,074
	$56,325	$76,102

Notes to Consolidated Financial Statements

October 31, 1982

6. **Land, buildings and equipment:**
(in thousands of dollars)

	Cost	Accumulated Depreciation	1982 Net Book Value	1981 Net Book Value
Land	$11,024	$ —	$11,024	$ 9,376
Buildings	2,952	182	2,770	594
Furniture, fixtures and equipment	10,765	4,955	5,810	3,822
Leasehold improvements	14,136	4,952	9,184	9,771
	$38,877	$10,089	$28,788	$23,563

Depreciation for the year ended October 31, 1982 amounted to $2,175,000 (1981 — $1,671,000).

7. **Deposits:**
(in thousands of dollars)

	1982	1981
Deposits by Canada	$ 35,199	$ 45,479
Deposits by provinces	40,915	13,857
Deposits by banks	380,974	378,157
Deposits by individuals	1,363,541	1,355,325
Other deposits	1,212,663	939,381
	$3,033,292	$2,732,199

8. **Debentures issued and outstanding:**
(in thousands of dollars)

	1982	1981
7½% sinking fund debentures, maturing 1991	$ 378	$ 402
9% debentures, maturing 1984	6,000	6,000
9¾% debentures, maturing 1985	3,000	3,000
10¼% debentures, redeemable at Bank's option in 1984, maturing 1989	10,000	10,000
	$19,378	$19,402

9. **Capital stock:**

In January 1982 the Bank offered additional shares to shareholders of record as of the close of business on January 20, 1982 on the basis of one common share for each six common shares held. The offer was taken up in full.

After giving effect to a two for one stock split of the authorized and outstanding common shares on March 15, 1982, the changes in the issued common and preferred shares during the year ended October 31, 1982 were as follows:

	Number of shares issued Common	Preferred
October 31, 1981	3,573,880	767,300
Issued as a result of rights offering	595,646	—
Purchased for cancellation	—	(10,200)
October 31, 1982	4,169,526	757,100

The Bank has undertaken to purchase for cancellation in each calendar quarter 6,000 of the outstanding preferred shares, if available, at prices not exceeding their redemption price of $25.00 per share.

Notes to Consolidated Financial Statements

October 31, 1982

10. **Provision for income taxes:**

The Provision for Income Taxes in the Consolidated Statement of Income takes into account $17,343,000 (1981 — $10,478,000) of income from securities and investments in Canadian corporations (including income from Small Business Development Bonds) representing after tax payments from those corporations, not subject to additional tax. An amount of $8,472,000 has been recognized in deferred taxes in 1982 primarily as a result of this income and its related effect on the Bank's income tax position. This amount will be carried forward to reduce taxes otherwise payable of future years.

The Provision for Income Taxes recorded in the Consolidated Statement of Income represents the taxes applicable to the income reported therein. Income taxes recorded in Retained Earnings represent the income tax effect related to the transfers from Retained Earnings to Appropriations for Contingencies, and expenses related to the issue of shares by the Bank which are charged directly to Retained Earnings.

	1982	1981
Provision for income taxes (in thousands of dollars)		
Consolidated Statement of Income		
Current	$ 772	$ 179
Deferred	(8,472)	5,453
	(7,700)	5,632
Retained Earnings		
Current	(152)	(144)
Deferred	—	(2,450)
	(152)	(2,594)
	$(7,852)	$ 3,038

11. **Net income per common share:**

Net income per common share has been calculated on the daily average equivalent of fully paid common shares outstanding. After giving effect to the two for one stock split in March 1982, the daily average number of common shares outstanding for the year ended October 31, 1982 was 3,983,692 (1981 — 3,471,072). The net income figure used in the calculation of net income per common share reflects the preferred share dividend obligation for the year of $1,741,000 (1981 — $1,776,000).

12. **Long-term commitments for leases:**

Rental expense for premises for the year ended October 31, 1982 was $5,187,000 (1981 — $4,403,000). Minimum future rental commitments for premises under long-term leases are as shown below. The Bank has no lease commitments which extend beyond 1999.

1983	$5,107,000
1984	5,040,000
1985	4,739,000
1986	4,187,000
1987	3,948,000
1988-1992	7,268,000
1993-1997	1,794,000
1998-1999	54,000

Notes to Consolidated Financial Statements

October 31, 1982

13. Pension plan:

The Bank has an employee pension plan which is available to all employees at age 25, after three months service, on a contributory or non-contributory basis. The total cost in respect of current service charged to income for the year ended October 31, 1982 amounted to $1,814,000 (1981 — $1,619,000).

An actuarial evaluation of the pension fund is performed every three years in accordance with statutory requirements. As at January 1, 1982, the date of the last actuarial evaluation, the pension fund was fully funded.

14. Affiliated companies:

Name	Head Office address	Voting shares owned by Bank of British Columbia Book value	Per cent
British Columbia Financial Corp. (H.K.) Limited	3409 Gloucester Tower The Landmark 11 Pedder Street Hong Kong	$ 6,127,500[1]	100
Bank of British Columbia (International) Limited	West Wind Building Grand Cayman Cayman Islands British West Indies	6,127,500[1]	100
WestBank Leasing Limited	1725 - 555 Burrard Street Vancouver, B.C. Canada	10[1]	100
Bank of British Columbia Mortgage Corporation	1725 - 555 Burrard Street Vancouver, B.C. Canada	11,000,000[1]	100
BBC Realty Ltd.	1725 - 555 Burrard Street Vancouver, B.C. Canada	10,000[1]	100
BBC Investments Ltd.	1725 - 555 Burrard Street Vancouver, B.C. Canada	50,000[1]	100
BBC-RI Services Ltd.	635 - 555 Burrard Street Vancouver, B.C. Canada	86,325[2]	50
BBC Realty Investments Limited	1725 - 555 Burrard Street Vancouver, B.C. Canada	5,500[2]	50

The above list identifies those corporations in which the Bank owns more than 10% of the voting shares.

[1]Represents the cost of the Bank's investment which excludes the Bank's share of net income.

[2]Represents the cost of the Bank's investment plus the Bank's share of net income.

15. Subsidiary companies:

Under Section 215(3)(e) of the Bank Act of 1980 the Bank is required to publish a statement of assets and liabilities and a statement of income for the most recently completed financial year for each subsidiary that is a factoring corporation, a leasing corporation, a mortgage loan corporation or a venture capital corporation. The Bank has two such subsidiaries, WestBank Leasing Limited (a leasing corporation), which has an October 31 financial year end and Bank of British

Columbia Mortgage Corporation (a mortgage loan corporation), which has a December 31 financial year end as required by the Loan Companies Act. The required statements for these subsidiaries are as follows:

(a) Statements of the leasing corporation:

WESTBANK LEASING LIMITED
STATEMENT OF ASSETS AND LIABILITIES
AS AT OCTOBER 31, 1982
(with comparative figures for 1981)
(in thousands of dollars)

	1982	1981
Assets:		
Cash	$ 3	$ 117
Investment in leases, less unearned income of $45,278 (1981 — $9,638)	44,027	17,126
Other assets	792	744
	$44,822	$17,987
Liabilities:		
Due to Bank of British Columbia	$39,320	$ 12
Other liabilities	2,269	3,432
	41,589	3,444
Shareholder's equity:		
Capital stock[1]	1,094	13,750
Retained earnings	2,139	793
	3,233	14,543
	$44,822	$17,987

STATEMENT OF INCOME AND RETAINED EARNINGS
YEAR ENDED OCTOBER 31, 1982
(with comparative figures for 1981)
(in thousands of dollars)

	1982	1981
Income:		
Leases	$3,963	$1,769
Other	392	78
	4,355	1,847
Expenses:		
Interest	1,145	—
General and administrative	257	148
	1,402	148
Provision for losses	189	110
Total expenses	1,591	258
Income before income taxes	2,764	1,589
Income taxes — deferred	1,418	815
Net income	1,346	774
Retained earnings at beginning of year	793	19
Retained earnings at end of year	$2,139	$ 793

[1]The Bank of British Columbia owns the entire capital stock of WestBank Leasing Limited which is carried on the books of the Bank at original cost of $1,094,010 (preference shares $1,094,000, common shares $10). As at October 31, 1981 the carrying value was $13,750,010 (preference shares $13,750,000, common shares $10).

(b) Statements of the mortgage loan corporation:

BANK OF BRITISH COLUMBIA MORTGAGE CORPORATION
STATEMENT OF ASSETS AND LIABILITIES
AS AT DECEMBER 31, 1981
(in thousands of dollars)

Assets:	
Mortgages, at outstanding principal amounts	$54,994
Other assets	857
	$55,851
Liabilities:	
Due to Bank of British Columbia	$ 871
Accrued interest	1,002
Term promissory notes	45,759
Other liabilities	130
	47,762
Shareholder's equity:	
Capital stock:	
Preference shares[2]	3
Common shares[2 3]	8,000
	8,003
Retained earnings	86
	8,089
	$55,851

STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE PERIOD FROM COMMENCEMENT OF OPERATIONS ON
OCTOBER 30, 1981 TO DECEMBER 31, 1981
(in thousands of dollars)

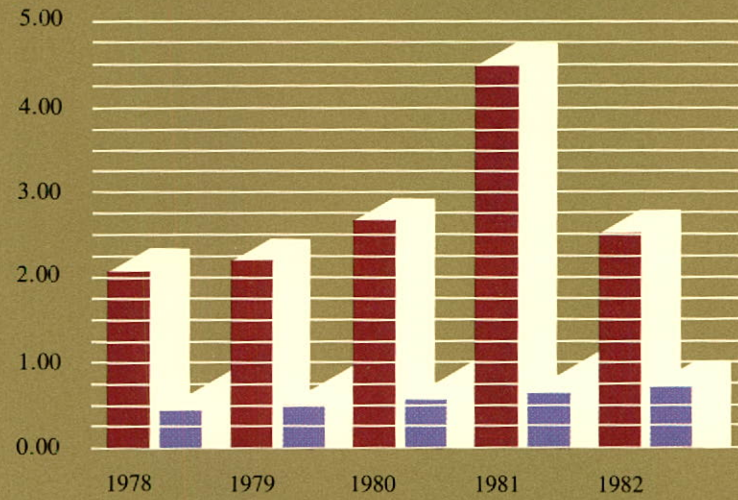
Income:	
Mortgages	$1,315
Other	79
	1,394
Expenses:	
Interest	1,151
General and administrative	62
	1,213
Income before income taxes	181
Income taxes — deferred	95
Net income and retained earnings at end of period	$ 86

[1]Effective October 30, 1981 the assets net of liabilities of BBC Mortgage Ltd., another controlled corporation (since put into liquidation), were purchased by Bank of British Columbia Mortgage Corporation.

[2]The Bank of British Columbia owns the entire capital stock of Bank of British Columbia Mortgage Corporation which is carried on the books of the Bank at original cost of $8,002,500 (preference shares $2,500, common shares $8,000,000).

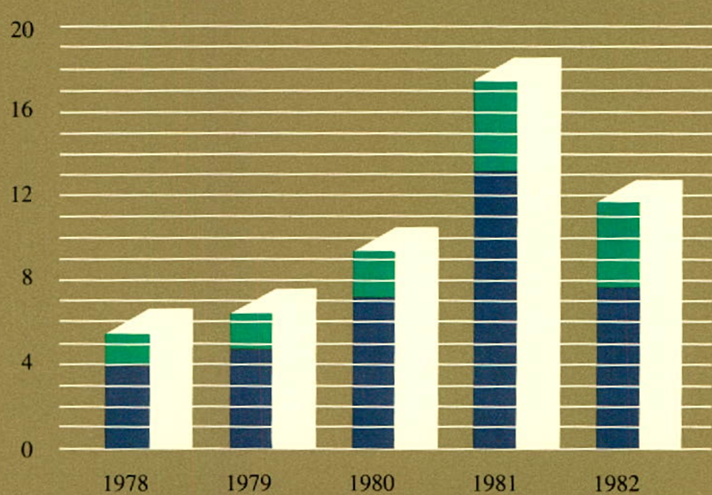
[3]Subsequent to December 31, 1981 the Bank acquired an additional $3,000,000 of common shares of Bank of British Columbia Mortgage Corporation.

Per Share Statistics
(Dollars)



		1978	1979	1980	1981	1982
Net Income Per Common Share	■	2.06	2.18	2.65	4.48	2.51
Dividends Per Common Share	■	0.44	0.50	0.56	0.64	0.72

Net Income
(Millions of Dollars)



		1978	1979	1980	1981	1982
International	■	1.4	1.8	2.2	4.1	4.0
Domestic	■	3.9	4.8	7.1	13.2	7.7
Total		5.3	6.6	9.3	17.3	11.7

Per Share Statistics

Net income per common share is based on the daily weighted average of fully paid common shares outstanding. After giving effect to the two for one stock split in March 1982, these averages were 3,983,692 shares for 1982 and 3,471,072 shares for 1981. In both years the average number of common shares outstanding is lower than the year end figure due to rights issues during both years.

Net income per common share fell to $2.51 in 1982. This represents a 44.0% decline from the historical high of $4.48 recorded in 1981. These net income per common share figures reflect the recognition of the Bank's preferred share dividend obligation. Dividends per common share increased by 12.5% to 72 cents in 1982. The first quarter 1983 common share dividend has been maintained at the 1982 quarterly level of 18 cents per share.

Net Income

The Bank earned $11.7 million in fiscal 1982. This represents a 32.3% decline from the 1981 level of $17.3 million.

The adverse economic climate during 1982 was directly responsible for the decline in the contribution to net income of both the Domestic and International Operations. The 41.7% reduction in Domestic Operations contribution to net income from $13.2 million in 1981 to $7.7 million in 1982 can largely be attributed to the significant increase in the provision for loan losses and the higher level of non-productive loans.

Loan loss provision and non-productive loans were also factors in the reduced contribution to net income from International Operations in 1982. Overall the International Operations contribution to net income declined marginally from $4.1 million in 1981 to $4.0 million in 1982.

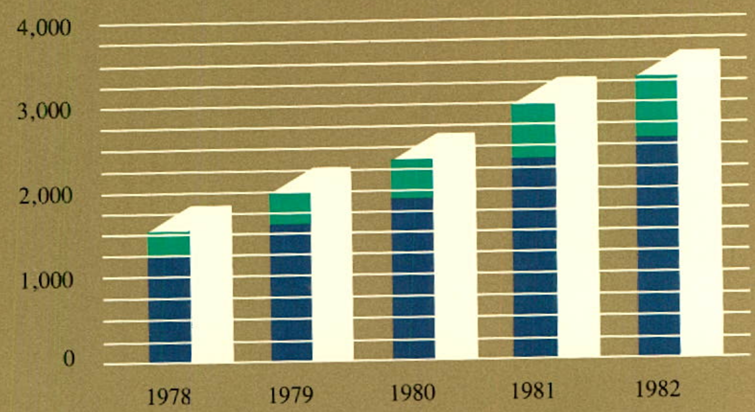
Financial Review

Total Asset Growth

Total assets of the Bank reached $3,254 million at October 31, 1982, an increase of $308 million or 10.5% over 1981. The higher percentage growth occurred in the Bank's International Operations where assets increased by 12.8% to their October 31, 1982 position of $725 million. At year end, International assets accounted for 22.3% of total Bank assets, up slightly from 21.8% at October 31, 1981.

Domestic assets of $2,529 million at October 31, 1982 represent a $226 million or 9.8% increase from the previous year end.

Total Asset Growth
(Millions of Dollars)



	1978	1979	1980	1981	1982
International	302	368	433	643	725
Domestic	1,202	1,608	1,878	2,303	2,529
Total	1,504	1,976	2,311	2,946	3,254

Canadian Dollar Deposits

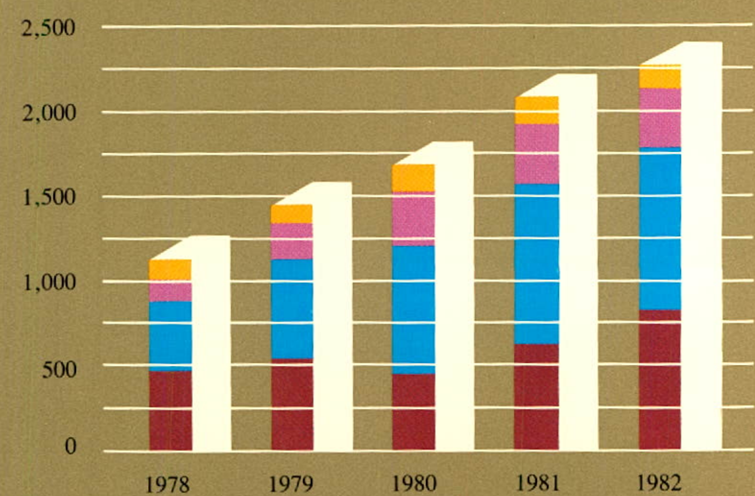
An increased reliance on higher cost deposit sources was a contributing factor to the spread decline endured by the Bank in 1982. At October 31, 1982 only 21.5% of the Bank's domestic deposits were in the lower cost categories of demand and low cost personal deposits (defined as Bonanza, WestBank Savings, Chequing Savings and Prime Line Accounts) down from 24.3% at year end 1981.

The $207 million or 33.3% increase registered in the non-personal deposit category was the largest increase of any category in both dollar and percentage terms. The majority of this increase was accounted for by bearer deposit notes which grew by $109.1 million or 129.7%.

In the Other Personal category, Inflation Fighter Savings accounts increased in volume by 12.8% or $43.4 million. This was, however, offset by a $50.0 million or 11.0% decline in personal certificates of deposit.

There was no significant movement in any of the deposit accounts which comprise the low cost personal category. The $26 million decline in demand deposits was accounted for largely by a $20.7 million or 21.9% reduction in the level of commercial current account balances.

Canadian Dollar Deposits at October 31
(Millions of Dollars)

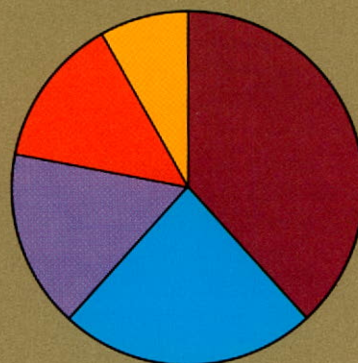


	1978	1979	1980	1981	1982
Demand	126	112	151	144	118
Low Cost Personal	129	203	329	360	369
Other Personal	400	593	739	949	945
Non-Personal	482	544	470	621	828
Total	1,137	1,452	1,689	2,074	2,260

Geographic Distribution of Assets

Foreign Currency Assets at October 31, 1982
(by location of ultimate risk)

	$ Millions	%
Canada	298	38.0
Asia Pacific	186	23.7
Europe	128	16.3
Latin America	109	13.9
United States	63	8.1
Total	784	100.0

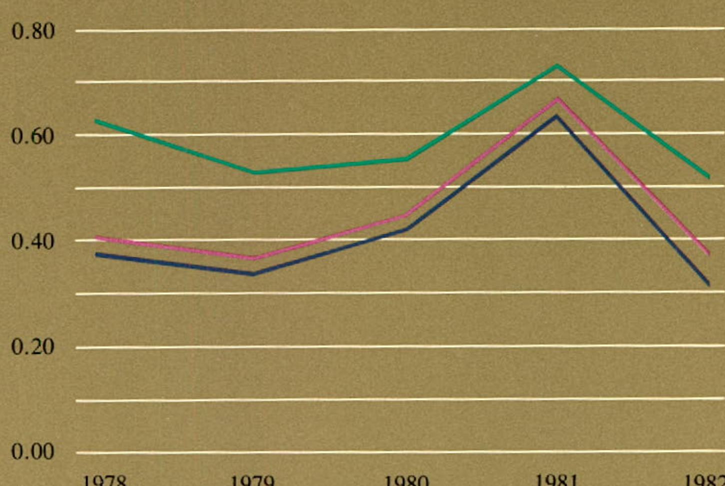


Geographic Distribution of Assets

Of the Bank's total assets at October 31, 1982 of $3,254 million, $2,470 million or 75.9% were Canadian Dollar denominated assets. The remainder of the Bank's assets were denominated in various foreign currencies (the Canadian Dollar equivalent of which was $784 million at October 31, 1982), largely U.S. Dollars. The accompanying chart outlines the geographical distribution of these foreign currency assets by the location of the ultimate risk. 38.0% of the Bank's foreign currency assets have their ultimate risk in Canada which, in combination with the $2,470 million of Canadian Dollar assets, results in 85.1% of the Bank's total assets being Canadian risk.

Return on Average Assets

(Percentage)



Net Income as a Percentage of Average Assets	1978	1979	1980	1981	1982
International	0.62	0.53	0.56	0.73	0.52
Domestic	0.37	0.34	0.42	0.63	0.31
Total	0.41	0.37	0.44	0.66	0.37

Return on Average Assets

Return on average assets relates the absolute level of profit (net income) to the volume of business. As such, it is a widely used measure of bank performance. In 1982 net income per $100 of average assets amounted to 37¢ compared to the historical high of 66¢ in 1981.

The major factors behind the reduction from 1981 levels were twofold: spreads and loan loss provision. Net interest income as a percentage of average assets declined from 3.21% in 1981 to 2.67% in 1982. As a percentage of average assets, the Bank's provision for losses on loans amounted to 0.48%, up 0.12% from the 1981 level.

The positive element in the year over year comparison was an 0.04% reduction in the ratio of non-interest expenses as a percentage of average assets, to 2.58%.

The 1982 trends in both the Domestic and International Operations return on assets mirrored that of the total Bank. International return on assets, which reached 0.73% in 1981 declined by 0.21% to 0.52% in 1982. On the domestic side of the Bank the return on average assets of 0.31% in 1982 represented a 32 basis point decline from the very strong 1981 level of 0.63%.

Financial Review

Return on Common Equity and Capital Funds

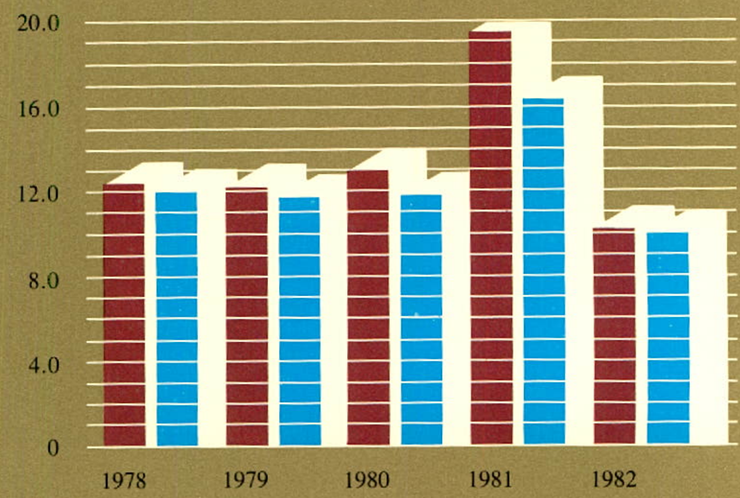
The return on each of common equity and capital funds (which includes preferred shares and debentures) measures the effectiveness with which the Bank has employed the funds in question. Average common equity increased by 24.2% to $99.4 million. The return on average common equity for 1982 was 10.1%, a significant decline from the 19.4% recorded in 1981. The difference between the return on common equity and the return on capital funds indicates the benefit to common shareholders of increasing the leverage on common equity through the issuance of preferred shares and debentures.

Net Interest Income

Net interest income is the difference between the interest and dividend revenue earned on loans, leases and securities and the interest expense incurred on deposits and debentures. Certain income received by the Bank represents after-tax payments from Canadian corporations and, therefore, is not subject to additional tax. Due to its materiality, this non-taxable income from securities and investments in Canadian corporations has been adjusted to a taxable equivalent basis in order to provide meaningful comparisons.

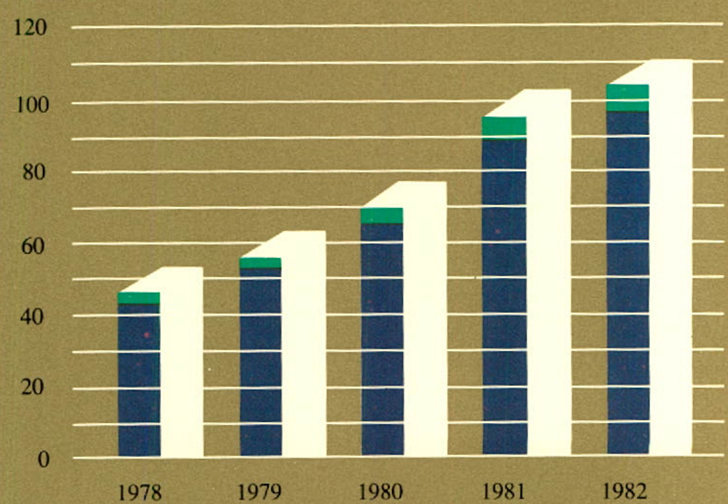
On this basis the Bank's net interest income increased by $8.7 million or 9.1% to $104.2 million in 1982. In the case of both Domestic and International Operations the improvement resulted from a growth in average assets as spreads declined during 1982. The increase in average assets during 1982 for the International and Domestic Operations were 28.2% and 19.9% respectively.

Return on Common Equity and Capital Funds
(Percentage)



	1978	1979	1980	1981	1982
Average Common Equity ($ millions)	42.9	54.7	62.7	80.1	99.4
Return on Common Equity (%) ■	12.4	12.1	12.9	19.4	10.1
Average Capital Funds ($ millions)	52.2	68.8	95.9	118.8	137.9
Return on Capital Funds (%) ■	11.9	11.6	11.7	16.2	9.9

Net Interest Income
(Millions of Dollars)



	1978	1979	1980	1981	1982
Net Interest Income as Reported	43.4	50.3	62.1	84.1	85.2
Net Interest Income (Taxable Equivalent)					
International ■	2.5	2.2	3.1	6.2	7.2
Domestic ■	42.7	53.0	66.0	89.3	97.0
Total	45.2	55.2	69.1	95.5	104.2

Financial Review

Interest Rate Spread — Taxable Equivalent

As a percentage of annual average assets, net interest income, on a taxable equivalent basis, decreased from 3.64% in 1981 to 3.26% in 1982. In 1982, per cent spread on the Bank's Domestic Operations declined by 40 basis points to 3.86%. This decline can be attributed to two major factors: interest rate movements and non-productive loans. On the domestic side of the Bank, loans react more quickly to interest rate movements than do deposits. Hence, when rates rise quickly, as in 1981, there is a temporary improvement in domestic interest spread. On the other hand, when rates fall, as in 1982, the per cent spread can be significantly narrowed.

Non-productive loans are loans on which the Bank is not currently receiving interest revenue but is incurring an ongoing cost to fund these loans. An increase in the volume of these loans has an adverse effect on interest spread and as mentioned previously 1982 saw a significant increase in the level of these loans.

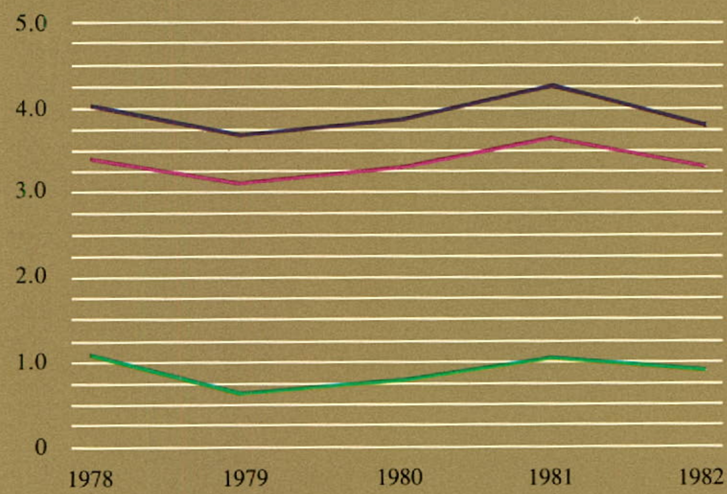
International interest spread also declined in 1982, from the 1.10% achieved in 1981 to 0.94%. As was the case for the Bank's Domestic Operations, an increased level of non-productive loans had a significant impact on the international spread decline witnessed in 1982. As well, the economic slowdown in our market area during 1982 resulted in a reduced availability of corporate U.S. dollar deposits resulting in a shift into the more expensive interbank market as a source of foreign currency funds.

Other Income

Other income is revenue earned by the Bank other than interest and dividends received from loans, leases, securities and deposits with other banks. During fiscal 1982 other income contributed $16.6 million to the Bank's net income before taxes, a decrease of 2.9% from 1981. The only category to show an increase in 1982 was service charge revenues which grew as a result of higher volumes and increased pricing on certain services to reflect the increased costs associated with providing these services.

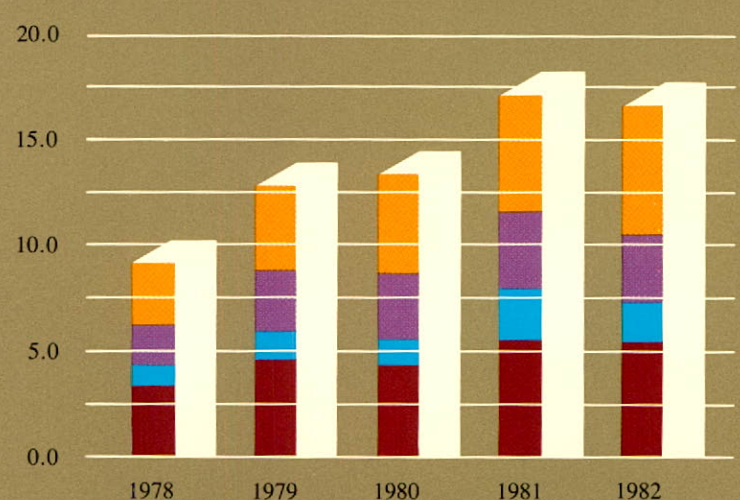
In comparison with the prior year, the reduced business activity in the Bank's market area during 1982 resulted in the declines witnessed in foreign exchange earnings and loan and standby fee categories.

Interest Rate Spread – Taxable Equivalent
(Percentage)



	1978	1979	1980	1981	1982
International	1.11	0.64	0.77	1.10	0.94
Domestic	4.05	3.73	3.89	4.26	3.86
Total	3.47	3.11	3.27	3.64	3.26

Other Income
(Millions of Dollars)



	1978	1979	1980	1981	1982
Service Charges	2.8	3.9	4.6	5.5	6.1
Foreign Exchange	1.9	2.9	3.0	3.6	3.2
Loan & Standby Fees	1.1	1.5	1.4	2.6	2.0
Other	3.3	4.5	4.3	5.4	5.3
Total	9.1	12.8	13.3	17.1	16.6

Financial Review

Non-Interest Expenses

During fiscal 1982, the Bank's non-interest expenses rose by 19.9% over 1981 to $82.5 million. This compares favourably with a 21.9% growth in average assets. Non-interest expenses as a percentage of average total assets therefore declined in 1982 to 2.58% from 2.62% in 1981. This represents the fourth consecutive year in which this ratio has declined. The Bank placed even greater emphasis on expense control in 1982, and 1983 will be another year in which expense restraint will be a major determinant of profitability.

The major component of non-interest expenses is employee expenses which grew by $8.9 million or 21.0% in 1982. This increase represents the combined effect of the annualized impact of 1981 hires, merit and promotional increases, and inflation. There was a reduction in the number of Bank employees during the course of 1982 with the year end total of 1,889 employees being 9 fewer than the October 31, 1981 level. This reduction is the net result of increases in specialized functional areas (particularly data processing) and reductions in the Bank's general banking areas.

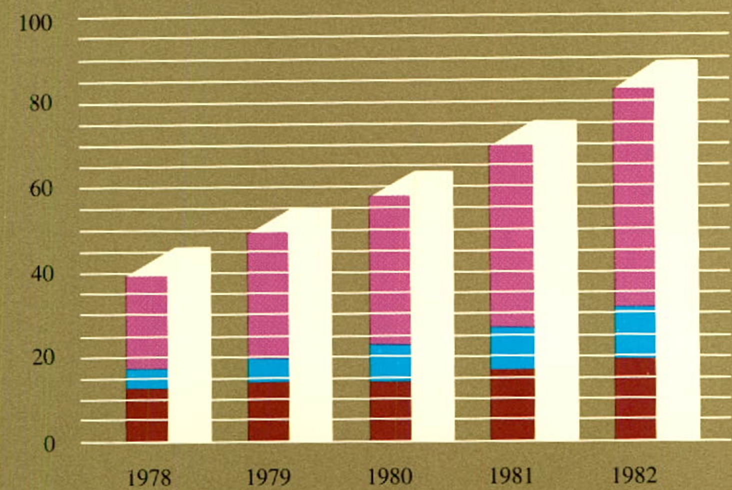
Actual and Five-Year Average Loss Experience

Loan losses were of particular concern to the banking industry in 1982. The Bank's clients were adversely affected by the downturn in the B.C. and Alberta economies in 1982. As a result actual loss experience for 1982 more than tripled from the 1981 level to $28.0 million. Actual loss experience for the year represents the net change in specific provisions for losses less the amount of recoveries on loans previously written off.

The charge to net income with respect to provision for loan losses is an amount determined by a formula established by the Minister of Finance. This five-year average loss provision is determined by calculating the ratio of the last five years of loan loss experience to the last five years of eligible loans and applying this ratio to the outstanding eligible loans at the end of the current year. The Bank's provision for loan losses increased by 61.3% to $15.3 million in 1982.

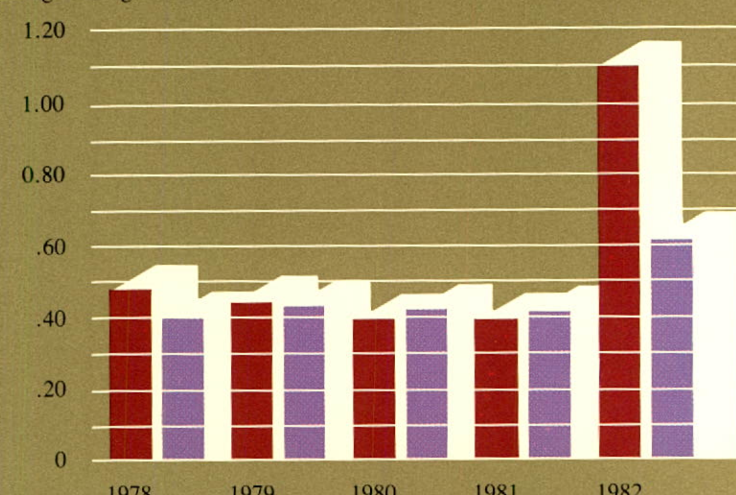
As a percentage of eligible loans, loan loss experience increased by 0.71% to 1.10% in 1982, while the five-year average provision for loan losses increased from 0.41% to 0.61%.

Non-Interest Expenses
(Millions of Dollars)



	1978	1979	1980	1981	1982
Employee Expenses ■	22.5	28.9	34.9	42.5	51.4
Property Expenses ■	4.7	6.4	7.6	10.1	11.5
Other Expenses ■	11.9	13.1	14.7	16.2	19.6
Total	39.1	48.4	57.2	68.8	82.5

Actual and Five-Year Average Loan Loss Experience
(As a Percentage of Eligible Loans)



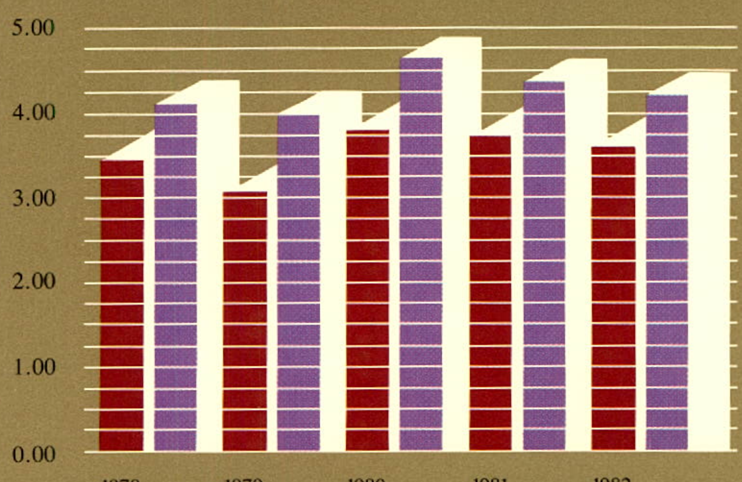
	1978	1979	1980	1981	1982
(Millions of Dollars)					
Loan Loss Experience	5.1	6.2	6.7	9.0	28.0
5 Year Average Loan Loss Experience	4.4	6.0	7.2	9.5	15.3
(As a % of Eligible Loans)					
Loan Loss Experience ■	0.47	0.44	0.39	0.39	1.10
5 Year Average Loan Loss Experience ■	0.40	0.43	0.42	0.41	0.61

Provision for Income Taxes

	1981 ($000)	1981 %	1982 ($000)	1982 %
Net income before tax	22,958		4,034	
Provision for taxes thereon at Canadian marginal income tax rates	11,961	52.1	2,106	52.2
Deduct Canadian marginal tax rate applied to income from foreign subsidiaries not subject to Canadian tax	(349)	(1.5)	(1,247)	(30.9)
Tax-exempt income: Dividends from taxable Canadian corporations	(5,261)	(22.9)	(5,359)	(132.8)
Interest on income debentures and small business development bonds	(815)	(3.5)	(3,694)	(91.6)
Add/(Deduct): Non-Canadian taxes payable by foreign subsidiaries	109	0.4	258	6.4
Other — net	(13)	(0.1)	236	5.9
	5,632	24.5	(7,700)	(190.8)

Capital to Assets Ratio

(Percentage)



(Millions of Dollars)	1978	1979	1980	1981	1982
Shareholders' Equity	42.7	47.5	73.0	87.9	100.9
Appropriations For Contingencies	8.8	12.2	13.8	22.0	15.3
Total Capital & Reserves	51.5	59.7	86.8	109.9	116.2
Debentures Issued and Outstanding	9.4	19.4	19.4	19.4	19.4
Total Capital Funds	60.9	79.1	106.2	129.3	135.6
Ratio of Total Capital & Reserves to Total Assets (%) ■	3.42	3.02	3.76	3.73	3.57
Ratio of Total Capital Funds to Total Assets (%) □	4.05	4.00	4.60	4.39	4.17

Provision for Income Taxes

The Bank's provision for income taxes, as reported in the Consolidated Statement of Income, differs from the product of net income before taxes multiplied by the Bank's marginal tax rate. The major reasons for this are that certain sources of income are tax-exempt and others are taxed at less than the marginal rate.

Despite a minor increase in the marginal tax rate in 1982, the Bank's effective tax rate declined to the point where a tax credit was booked in the Consolidated Statement of Income. This credit will be carried forward to reduce taxes otherwise payable of future years. A major reason for the occurrence of this tax credit is the increase in the level of tax-exempt revenue resulting from the Bank's support of the Federal Government Small Business Development program. The level of Small Business Development Bonds rose from $33.9 million at October 31, 1981 to $74.2 million at October 31, 1982.

In considering the Bank's tax position it should be recognized that Canadian banks are subject to a considerable amount of indirect taxation. The principal form of this indirect taxation is the cash reserve requirements of the Bank Act which stipulate that interest-free deposits be maintained with the Bank of Canada. During 1982 the Bank maintained an average balance of approximately $65.3 million of such deposits. If the average prime lending rate is used as an opportunity cost of funds, the burden of maintaining these deposits amounted to approximately $11.0 million in 1982.

Capital To Assets Ratio at October 31

The ratio of total capital and reserves to total assets declined by 0.16% to 3.57% at October 31, 1982. The Bank generated $12.1 million of additional capital through a rights issue in January 1982 and an additional $7.1 million from earnings, net of dividends paid. Offsetting this was the net result of the Bank's loan losses for 1982, as reflected in the Consolidated Statement of Appropriations for Contingencies, which was a charge to Capital and Reserves of $12.6 million. As a result the Bank's Capital and Reserves increased by a total of $6.4 million or 5.8%. The Bank's assets increased by 10.5%, hence the reduction in the abovementioned ratio.

The assets to total capital and reserves ratio focuses on the shareholders' relative position, as each of the components of total capital and reserves can all be viewed as being part of shareholders' equity. The assets to total capital funds ratio concentrates on the depositors' position, as capital funds are subordinate to deposits. This latter ratio declined by 0.22% to 4.17% in 1982.

Six Year Statistical Review

Consolidated Statement of Assets and Liabilities

As at October 31

(in thousands of dollars)

Assets	1982
Cash resources:	
Cash and deposits with Bank of Canada	$ 42,234
Deposits with other banks	234,697
Cheques and other items in transit, net	—
	276,931
Securities:	
Issued or guaranteed by Canada	92,982
Issued or guaranteed by provinces and municipal or school corporations	1,069
Other securities	187,794
	281,845
Loans:	
Day, call and short loans to investment dealers and brokers, secured	53,998
Loans to banks	48,073
Mortgage loans	179,402
Other loans	2,303,468
	2,584,941
Other:	
Customers' liability under acceptances	29,000
Land, buildings and equipment	28,788
Other assets	52,551
	110,339
	$3,254,056
Liabilities	
Deposits:	
Payable on demand	$ 125,922
Payable after notice	889,202
Payable on a fixed date	2,018,168
	3,033,292
Other:	
Cheques and other items in transit, net	3,309
Acceptances	29,000
Other liabilities	52,858
Minority interest in subsidiaries	—
	85,167
Subordinated debt:	
Bank debentures	19,378
Capital and reserves:	
Appropriations for contingencies	15,324
Shareholders' equity:	
Capital stock — preferred shares	18,928
— common shares	20,848
Contributed surplus	34,564
General reserve	1,254
Retained earnings	25,301
	116,219
	$3,254,056

1981	1980	1979	1978	1977
$ 37,682	$ 61,797	$ 27,901	$ 49,986	$ 8,078
199,439	193,501	150,658	163,979	81,214
14,003	8,976	76,381	11,748	71,104
251,124	264,274	254,940	225,713	160,396
122,156	128,004	104,699	71,638	66,070
1,119	1,059	860	1,119	17,082
158,770	104,095	97,668	31,727	37,180
282,045	233,158	203,227	104,484	120,332
39,000	28,120	6,079	11,500	5,800
17,520	25,929	32,518	16,680	—
164,637	135,361	120,823	103,849	92,193
2,115,181	1,557,587	1,307,618	1,010,789	769,796
2,336,338	1,746,997	1,467,038	1,142,818	867,789
12,500	26,700	16,500	9,000	7,000
23,563	16,223	12,118	10,438	7,470
40,345	23,916	21,902	11,771	6,289
76,408	66,839	50,520	31,209	20,759
$2,945,915	$2,311,268	$1,975,725	$1,504,224	$1,169,276
$ 160,272	$ 166,690	$ 120,398	$ 132,852	$ 108,202
818,472	719,179	466,172	304,874	241,242
1,753,455	1,254,137	1,266,906	979,864	753,892
2,732,199	2,140,006	1,853,476	1,417,590	1,103,336
—	—	—	—	—
12,500	26,700	16,500	9,000	7,000
71,958	38,352	26,655	16,626	11,965
—	—	—	87	90
84,458	65,052	43,155	25,713	19,055
19,402	19,420	19,440	9,451	8,000
21,970	13,789	12,236	8,760	6,946
19,183	19,868	—	—	—
17,869	15,316	15,316	14,788	11,920
25,235	19,401	19,401	18,343	13,114
1,254	568	411	281	199
24,345	17,848	12,290	9,298	6,706
109,856	86,790	59,654	51,470	38,885
$2,945,915	$2,311,268	$1,975,725	$1,504,224	$1,169,276

Consolidated Statement of Income

Year ended October 31
(in thousands of dollars)

Six Year Statistical Review

	1982
Interest income:	
Income from loans, excluding leases	$ 416,988
Income from lease financing	3,963
Income from securities	34,446
Income from deposits with banks	32,355
Total interest income, including dividends	487,752
Interest expense:	
Interest on deposits	400,609
Interest on bank debentures	1,887
Interest on liabilities other than deposits	35
Total interest expense	402,531
Net interest income	85,221
Provision for loan losses	15,347
Net interest income after loan loss provision	69,874
Other income	16,626
Net interest and other income	86,500
Non-interest expenses:	
Salaries	47,696
Pension contributions and other staff benefits	3,688
Premises and equipment expenses, including depreciation	11,441
Other expenses	19,641
Total non-interest expenses	82,466
Net income before provision for income taxes	4,034
Provision for income taxes	(7,700)
Net income before minority interest in subsidiaries	11,734
Minority interest in subsidiaries	—
Net income	$ 11,734
Net income applicable to common shares	$ 9,993
Weighted average number of common shares outstanding	3,983,692
Share information:	
Net income per common share[1]	$ 2.51
Dividends per common share	0.72
Share price[2] High	25.25
Low	11.00
Close	16.00
Book value per common share[3]	23.33
Price earnings ratio[4]	7.2
Dividend yield[5]	4.0 %
Other information:	
Return on assets[6]	.37%
Return on common equity[7]	10.1 %
Deposit to capital ratio[8]	26.1:1
Number of common shareholders[9]	9,757
Number of branches	51
Valuation day value — December 22, 1971: $11.13	

Notes:
1. Net income less preferred dividend obligations divided by weighted average equivalent of fully paid common shares outstanding.
2. High and low of prices traded on the Toronto Stock Exchange during the fiscal year and the closing price on the last day of trading in October.
3. Total Capital and Reserves less preferred shares issued divided by the number of fully paid common shares outstanding at fiscal year end.

1981	1980	1979	1978	1977
$ 372,812	$ 240,012	$ 181,108	$ 113,913	$ 86,435
1,769	208	—	—	—
30,356	20,891	14,084	7,683	6,542
31,635	19,863	12,180	6,997	3,381
436,572	280,974	207,372	128,593	96,358
350,524	216,999	155,741	84,264	62,035
1,888	1,894	1,340	900	671
23	10	4	1	1
352,435	218,903	157,085	85,165	62,707
84,137	62,071	50,287	43,428	33,651
9,515	7,225	6,035	4,378	3,191
74,622	54,846	44,252	39,050	30,460
17,123	13,251	12,792	9,083	6,340
91,745	68,097	57,044	48,133	36,800
39,285	32,260	26,795	20,687	15,042
3,179	2,607	2,121	1,852	1,195
10,157	7,629	6,380	4,703	3,502
16,166	14,749	13,076	11,892	9,180
68,787	57,245	48,372	39,134	28,919
22,958	10,852	8,672	8,999	7,881
5,632	1,524	2,057	3,676	3,361
17,326	9,328	6,615	5,323	4,520
—	—	9	9	8
$ 17,326	$ 9,328	$ 6,606	$ 5,314	$ 4,512
$ 15,550	$ 8,104	$ 6,606	$ 5,314	$ 4,512
3,471,072	3,063,326	3,029,436	2,575,032	2,017,484
$ 4.48	$ 2.65	$ 2.18	$ 2.06	$ 2.24
0.64	0.56	0.50	0.44	0.40
25.00	24.00	19.44	19.75	15.32
19.63	13.63	14.00	13.50	10.44
22.06	19.00	14.25	19.00	14.44
25.37	21.85	19.47	17.55	16.45
5.0	7.1	7.7	8.1	5.8
2.9 %	3.0 %	3.0 %	2.6 %	3.1 %
.66%	.44%	.37%	.41%	.45%
19.4 %	12.9 %	12.1 %	12.4 %	14.2 %
24.9:1	24.7:1	31.1:1	27.5:1	28.4:1
9,616	9,588	9,837	10,077	10,004
51	47	45	43	35

4. The average of the high and low share price for the year divided by earnings per share.
5. Dividends per share divided by the average of the high and low share price.
6. Net income divided by average assets for the fiscal year.
7. Net income less preferred dividend obligations divided by average capital and reserves less preferred shares issued.
8. Total deposits to total capital and reserves at fiscal year end.
9. Bank of British Columbia common shareholders at fiscal year end.

Six Year Statistical Review

Consolidated Statement of Appropriations for Contingencies

Year ended October 31
(in thousands of dollars)

	1982
Balance at beginning of year (including tax-paid appropriations of $4,640; 1981 — $154; 1980-1977 — Nil)	$21,970
Provision for loan losses included in the Consolidated Statement of Income	15,347
Loss experience on loans	(27,993)
Transfer from retained earnings	6,000
Balance at end of year (including tax-paid appropriations of $10,649; 1981 — $4,640; 1980 — $154; 1979-1977 — Nil)	$15,324

Consolidated Statement of Changes in Shareholders' Equity

Year ended October 31
(in thousands of dollars)

	1982
Capital stock:	
Balances at beginning of year:	
$2.28 cumulative redeemable preferred shares	$19,183
Common shares	17,869
Issued during the year — preferred shares	—
— common shares	2,979
Redeemed during the year — preferred shares	(255)
Balance at end of year	$39,776
Contributed surplus:	
Balance at beginning of year	$25,235
Additions from common stock issued	9,232
Additions from preferred shares redeemed	97
Balance at end of year	$34,564
General reserve:	
Balance at beginning of year	$ 1,254
Transfer from retained earnings	—
Balance at end of year	$ 1,254
Retained earnings:	
Balance at beginning of year	$24,345
Prior period adjustment	—
Net income	11,734
Expenses related to issues of common and preferred shares (net of income taxes)	(139)
Dividends:	
Preferred shares	(1,744)
Common shares	(2,895)
Transfer to appropriations for contingencies	(6,000)
Income taxes related to the above transfer	—
Income taxes related to gains and losses on disposal of securities	—
Transfer to general reserve	—
Balance at end of year	$25,301

1981	1980	1979	1978	1977
$13,789	$12,236	$ 8,760	$ 6,946	$ 5,234
9,515	7,225	6,035	4,378	3,191
(9,038)	(6,692)	(6,210)	(5,116)	(3,331)
7,704	1,020	3,651	2,552	1,852
$21,970	$13,789	$12,236	$ 8,760	$ 6,946

1981	1980	1979	1978	1977
$19,868	$ —	$ —	$ —	$ —
15,316	15,316	14,788	11,920	9,464
—	20,000	—	—	—
2,553	—	528	2,868	2,456
(685)	(132)	—	—	—
$37,052	$35,184	$15,316	$14,788	$11,920
$19,401	$19,401	$18,343	$13,114	$10,198
5,744	—	1,058	5,229	2,916
90	—	—	—	—
$25,235	$19,401	$19,401	$18,343	$13,114
$ 568	$ 411	$ 281	$ 199	$ 117
686	157	130	82	82
$ 1,254	$ 568	$ 411	$ 281	$ 199
$17,848	$12,290	$ 9,298	$ 6,706	$ 3,976
—	—	—	—	52
17,326	9,328	6,606	5,314	4,512
(132)	(342)	—	(211)	(197)
(1,784)	(995)	—	—	—
(2,240)	(1,715)	(1,515)	(1,157)	(810)
(7,704)	(1,020)	(3,651)	(2,552)	(1,852)
2,450	527	1,831	1,284	933
(733)	(68)	(149)	(4)	174
(686)	(157)	(130)	(82)	(82)
$24,345	$17,848	$12,290	$ 9,298	$ 6,706

Six Year Statistical Review

Summary of Adjustments Required to Restate Capital and Reserves from the Bank Act of 1967 to the Bank Act of 1980

As at October 31
(in thousands of dollars)

	1981
Reported under the Bank Act of 1967:	
Accumulated appropriations for losses	$ 18,549
Capital stock	37,052
Rest account	46,946
Undivided profits	91
	102,638
Adjustments:	
Preferred shares of a controlled corporation	—
Share of net income (losses) of controlled corporations not previously consolidated	1,742
Share of net income of investments accounted for by the equity method	67
Unamortized portion of gains (losses) on the disposal of fixed maturity debt securities, net of income taxes	679
Specific provisions for unrealized losses on securities	4,730
Restated under the Bank Act of 1980:	
Appropriations for contingencies	21,970
Capital stock	37,052
Contributed surplus	25,235
General reserve	1,254
Retained earnings	24,345
	$109,856

Summary of Adjustments Required to Restate Balance of Revenue After Tax Under the Bank Act of 1967 to Net Income Under the Bank Act of 1980

Year ended October 31
(in thousands of dollars)

	1981
Balance of revenue after tax under the Bank Act of 1967	$14,680
Share of net income (losses) of controlled corporations not previously consolidated	2,391
Share of net income of investments accounted for by the equity method	8
Items previous recorded in accumulated appropriations for losses:	
Profits and losses on securities, net	(307)
Other profits, losses and non-recurring items, net	619
Income tax relating to these items	(65)
Net income under the Bank Act of 1980	$17,326

	1980	1979	1978	1977
	$14,208	$12,659	$ 9,366	$ 7,487
	15,317	15,317	14,788	11,920
	36,775	31,500	27,242	19,474
	87	77	67	66
	66,387	59,553	51,463	38,947
	19,868	—	—	—
	350	(21)	62	48
	59	43	33	24
	99	52	(101)	(139)
	27	27	13	5
	13,789	12,236	8,760	6,946
	35,184	15,316	14,788	11,920
	19,401	19,401	18,343	13,114
	568	411	281	199
	17,848	12,290	9,298	6,706
	$86,790	$59,654	$51,470	$38,885

	1980	1979	1978	1977
	$7,651	$6,675	$5,258	$4,457
	1,694	(83)	14	14
	16	10	9	7
	(66)	8	67	69
	—	—	—	—
	33	(4)	(34)	(35)
	$9,328	$6,606	$5,314	$4,512

Statements of a Foreign Subsidiary

British Columbia Financial Corp. (H.K.) Limited Condensed Statement of Assets and Liabilities

As at September 30, 1982
(with comparative figures for 1981)
(in thousands of U.S. dollars)

	1982	1981
Assets:		
Cash and due from banks	$ 8,541	$ 4,771
Loans	72,102	42,638
Other assets	2,269	1,754
	$82,912	$49,163
Liabilities:		
Deposits	$ 9,729	$ 9,959
Due to Bank of British Columbia	65,741	36,178
Other liabilities	613	252
	76,083	46,389
Shareholder's equity:		
Capital stock (Note 1)	5,000	2,000
Retained earnings	1,829	774
	6,829	2,774
	$82,912	$49,163

Notes:

1. Capital stock:

   The Bank of British Columbia owns the entire capital stock of British Columbia Financial Corp. (H.K.) Limited which is carried on the books of the Bank at $6,180,500 (Canadian).

2. Comparative figures:

   The figures for 1981 presented for comparative purposes have been restated to conform with the presentation adopted in the current year.

Condensed Statement of Income and Retained Earnings

Year Ended September 30, 1982

(with comparative figures for 1981) (in thousands of U.S. dollars)

	1982	1981
Income:		
Interest	**$11,009**	$ 5,698
Other	**180**	162
	11,189	5,860
Expenses:		
Interest	**9,550**	5,056
General and administrative	**373**	258
	9,923	5,314
Income before income taxes	**1,266**	546
Income taxes	**211**	91
Net income	**1,055**	455
Retained earnings at beginning of year	**774**	319
Retained earnings at end of year	**$ 1,829**	$ 774

Auditors' Report to the Shareholders of Bank of British Columbia

We have examined the financial statements of British Columbia Financial Corp. (H.K.) Limited for the year ended September 30, 1982 and have reported thereon to the Company's shareholders under date of October 28, 1982. The accompanying condensed statements of assets and liabilities and income and retained earnings have been prepared from the aforementioned financial statements.

In our opinion, the accompanying condensed statements of assets and liabilities and income and retained earnings fairly summarize the financial position of the Company as at September 30, 1982 and the results of its operations for the year then ended.

Vancouver, Canada
October 28, 1982

Peat, Marwick, Mitchell & Co.
Chartered Accountants

Branches

British Columbia

VANCOUVER & LOWER MAINLAND

999 West Hastings Street
N. S. Elliot
Vice President and Manager
A. Fergusson
Senior Account Manager
A. H. L. Parsons
Senior Account Manager

Broadway & Ash
U4 - 601 West Broadway
D. I. D. Campbell, *Manager*

Burnaby
5210 Kingsway
G. L. Leighton, *Manager*

Burnaby
9952 Lougheed Highway
W. J. Reid, *Manager*

Burnaby
4106 East Hastings Street
D. R. Smith, *Manager*

Chinatown
601 Main Street
H. Fetigan
Assistant Vice President and Manager
R. N. Cunningham
Senior Account Manager

1010 Denman Street
C. W. Kroeker, *Manager*

Fraser & 48th
6373 Fraser Street
W. K. Adrian, *Manager*

937 West Georgia Street
P. L. Cote, *Manager*

Granville & 12th
2735 Granville Street
J. P. Tregaskis, *Manager*

Hastings & Penticton
2590 East Hastings Street
J. V. McKay
Assistant Vice President and Manager
R. W. Drevant
Senior Account Manager

Kerrisdale
2164 West 41st Avenue
C. G. Pickavance, *Manager*

Kingsway & Senlac
3398 Kingsway
F. Evaniuk, *Manager*

New Westminster
731 Columbia Street, W.
L. G. Steele, *Manager*

New Westminster
504 - 6th Street
M. C. Wedgewood
Manager

North Delta
8701 - 120th Street
W. B. Nicholson, *Manager*

North Vancouver
1457 Lonsdale Avenue
E. A. Dalgarno, *Manager*

Port Coquitlam
41 Poco Place
2755 Lougheed Highway
K. O. Rehill, *Manager*

Richmond
6800 No. 3 Road
I. A. Follis, *Manager*

Surrey
10241 King George Highway
A. H. Ackland, *Manager*

10th & Sasamat
4480 West 10th Avenue
A. C. Lockyer, *Manager*

West Vancouver
1578 Marine Drive
W. R. Harrop, *Manager*

White Rock
1493 Johnston Road
T. L. Beninger, *Manager*

FRASER VALLEY

Abbotsford
33700 Essendene Avenue
G. D. Huston, *Manager*

Chilliwack
9345 Main Street
T. A. Hockin, *Manager*
J. G. Smith
Senior Account Manager

Haney
11955 - 224th Street
E. A. Zizzy, *Manager*

Langley
20437 Fraser Highway
E. A. Posliff, *Manager*
R. R. Clyde
Senior Account Manager

INTERIOR/NORTHERN B.C.

Cranbrook
928 Baker Street
A. C. Kennedy, *Manager*

Kamloops
380 Victoria Street
L. C. Earle, *Manager*

Kelowna
384 Bernard Avenue
R. B. Lindsay, *Manager*

Penticton
294 Main Street
H. J. Shaver, *Manager*

Vernon
3321 Barnard Avenue
M. D. Krause, *Manager*

Prince George
201 Victoria Street
G. C. Weinand, *Manager*

VANCOUVER ISLAND

Victoria
Main
752 Fort Street
H. J. Steele, *Manager*

Douglas & Hillside
2640 Douglas Street
B. H. Willett, *Manager*

Douglas & Johnson
1327 Douglas Street
D. I. Osmond, *Manager*

Nanaimo
70 Commercial Street
R. J. Buchanan, *Manager*
J. M. Foster
Senior Account Manager

Alberta

CALGARY

Main
444 - 5th Avenue S.W.
P. A. Pepin
Vice President and Manager
I. K. Hamilton
Senior Account Manager
G. M. Dobbs
Senior Account Manager

Alberta Place
1530 - 4th Street S.W.
J. T. Allan, *Manager*

15th & Centre Street
1511 Centre Street N.W.
M. Vos, *Manager*

Forest Lawn
3620 - 17th Avenue S.E.
J. A. Cowan, *Manager*

74th & Macleod Trail
7403 Macleod Trail S.W.
W. C. Crawford, *Manager*

EDMONTON

Main
10065 Jasper Avenue
E. V. Andrusiak
Vice President and Manager
A. J. M. Harasemchuk
Senior Account Manager

106th & Jasper
10561 Jasper Avenue
G. J. Sprung, *Manager*

82nd & 104th
8139 - 104th Street
L. J. Hettle, *Manager*

97th & 130th
13043 - 97th Street
E. W. Widdifield, *Manager*

118th & 82nd
8204 - 118th Avenue
R. S. Woloschuk, *Manager*

Jasper Place
15103 Stony Plain Road
M. T. Mulcahy, *Manager*

Grande Prairie
10139 - 100th Avenue
W. N. Jones, *Manager*

Lethbridge
326 - 5th Street South
G. J. Syrota, *Manager*

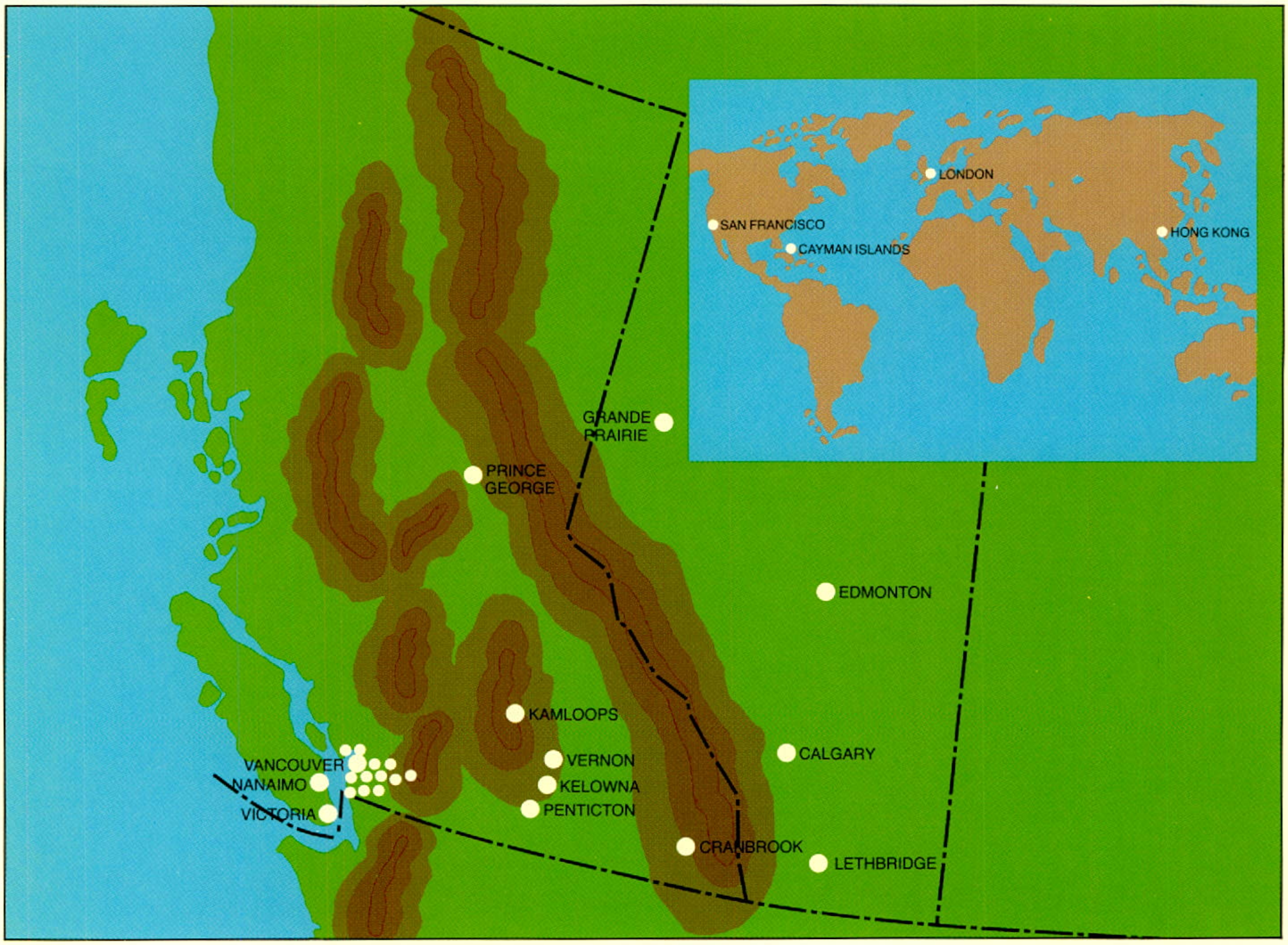
International Banking

International Agency
San Francisco, California
300 Montgomery Street,
Suite 735
C. Bettles
Agent

European Representative Office
London, England
27 - 32 Old Jewry
H. L. Suderman
European Representative

British Columbia Financial Corp. (H.K.) Limited
3409 Gloucester Tower
The Landmark
11 Pedder Street
Hong Kong
J. S. K. Yu
Managing Director

Bank of British Columbia (International) Limited
P.O. Box 1636
Grand Cayman
Cayman Islands
British West Indies
P. J. Carr
Managing Director




Highest Rates