BANK OF MONTREAL

164th Annual Report 1981

The Year's Highlights

($ in thousands except per common share amounts)

		1980		1981	Increase
For the Year ended October 31					
Balance of Revenue after Income Taxes	$	263,174	**$**	**358,533**	36.2%
Dividends					
Common Shares	$	81,570	**$**	**100,803**	23.6%
Preferred Shares		—	**$**	**9,397**	—
At Year End					
Assets	$	48,842,110	**$**	**63,779,888**	30.6%
Loans and Mortgages	$	30,550,101	**$**	**39,775,696**	30.2%
Deposits	$	41,794,791	**$**	**54,566,125**	30.6%
Debentures Issued and Outstanding	$	383,574	**$**	**653,453**	70.4%
Shareholders' Equity and Accumulated Appropriations	$	1,555,393	**$**	**1,975,007**	27.0%
Capital Funds	$	1,938,966	**$**	**2,628,460**	35.6%
Per Common Share					
Balance of Revenue after Income Taxes	$	5.06	**$**	**6.27**	23.9%
Dividends	$	1.54	**$**	**1.80**	16.9%
Book Value	$	26.68	**$**	**30.01**	12.5%
Other Statistics at Year End					
Number of Common Shares		54,750,555		**56,299,166**	
Number of Shareholders		55,515		**58,455**	
Number of Branches (including foreign branches)		1,312		**1,322**	
Number of Employees		26,904		**28,582**	

Meeting Notice

The 164th general meeting of the Bank of Montreal's shareholders will be held on Monday, January 18, 1982, at 10.30 a.m. at the Château Champlain, Place du Canada, in Montreal. All shareholders of the Bank of Montreal are invited to attend the meeting.

Shareholders who are unable to attend in person are requested to complete and return to the Royal Trust Company, Montreal, the proxy form which has been mailed to them.

Legal deposit, 4th quarter (1981). Bibliothèque nationale du Québec.
(On peut obtenir sur demande un exemplaire français).

For additional copies of the Annual Report please write to the Public Affairs Department, 119 St. James Street, Montreal H2Y 1L6 or to the Division Headquarters in your region.
(See listing at the back of this report)

(cover)

Montreal Main Branch on St. James Street in the heart of Montreal's financial district is an architectural landmark in Canada. Completed in 1847, the graceful Greek building with Corinthian columns overlooks Place d'Armes and the statue of Paul de Chomedey, Sieur de Maisonneuve, who founded Montreal in 1642.

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Bank of Montreal, founded in 1817, is the oldest chartered bank in Canada. It has participated in many projects furthering Canadian development, including the first canals, railway and telegraph, construction of the transcontinental Canadian Pacific Railway, major hydroelectric projects and the development of the energy and mining industrie The first foreign correspondent agencies, in Londo and New York, were established in 1818. The Bank continuing role in promoting Canadian trade abro and in securing foreign sources of capital for development projects has contributed significantl to Canada's economic growth.

Today, Bank of Montreal is one of the largest banks in North America. With assets in excess of $60 billion, the Bank today carries on business around the world.

An issue of immediate concern to shareholders of this Bank is the public dissatisfaction with the recent extraordinarily high level of interest rates. Although Canadian dollar prime lending rates have recently fallen from the record levels of last summer, it is hard to believe that a return to substantially lower levels of interest rates, on a sustained basis, is likely as long as current high rates of inflation persist.

High interest rates are, of course, a worldwide phenomenon, as is the inflation that drives them. What is special to Canada is the connection that has been established in the public mind between high interest rates and what is perceived as unreasonably high bank profits.

Chartered banks in Canada have historically provided credit financing for business and for the great natural resource and infrastructure projects necessary for the country's development. Inflation has brought with it a very substantial rise in the total volume of business borrowing. From 1978 to 1980, total borrowing by private non-financial businesses almost doubled, and it has continued to grow at the same pace. The retreat of traditional sources of longer-term credit, in particular the bond market, has put added pressure on banks to provide funds to sustain the economy during a difficult period. A drastic and prolonged curtailment of credit, when the need for credit is high, would have a devastating effect on the Canadian economy. It is to the benefit of everyone that this not occur.

A common misperception of bank "profits" is that they somehow represent discretionary income—a "windfall", so to speak. In fact, as any business person recognizes, a large percentage of profits must be ploughed back into the business. As shareholders, you are aware, I am sure, that the ability of a bank to sustain asset growth is dependent on its capital.

At a time of growing demand for credit, banks must increase their profits, in order not only to support the capital side of the capital-to-assets ratio, but also to provide the funds to service the additional capital. The fact that a good deal of increased business volume is, directly or indirectly, the result of inflation may be, from many points of view, unfortunate, but it does not change the fact that this business, too, requires capital.

William D. Mulholland,
Chairman of the Board and
Chief Executive Officer

As detailed elsewhere in this report, during the thirteen months immediately preceding this writing, the Bank raised in the financial markets more than $1 billion in additional capital funds. Granted this places us amongst the better capitalized institutions, recourse to the capital markets on this scale hardly bespeaks a condition of financial obesity resulting from immoderate profits. In point of fact, the earnings of the banking industry are, if anything, inadequate for the times we are in and the job we are expected to do.

Notwithstanding the conditions of recent years, which have been characterized by a degree of volatility unprecedented in the postwar era, the Bank's return on funds employed has been remarkably consistent, ranging from 0.68% in 1980 to 0.72% in 1978; in the fiscal year 1981 just concluded it was 0.71%. As a matter of interest, the average prime rate was 9.07% in 1978 and 18.91% in 1981. So much for the theory that bank profitability is related to the level of interest rates!

Higher bank profits are achieved through increasing volume of business and greater efficiency, not by charging higher interest rates. The spread, or difference between lending rates and deposit rates, has remained stable within a relatively narrow range, regardless of the level of interest rates, over the past several years. In the public furor over high interest rates, depositors, who provide the funds which we lend, tend to be forgotten. Last year the Bank paid out $6.8 billion in interest, an increase of $2.9 billion, or 73%, over the previous year. Obviously, savers are major beneficiaries of higher interest rates.

Reviewing the Bank's financial performance in 1981, I think that you will agree that a $95 million increase in Balance of Revenue After Tax, representing a 36% improvement, is hardly unreasonable, particularly in light of the 32% increase in average assets during the year.

Domestic Operations contributed $242.9 million to total earnings for the year, an increase of $61.5 million or 33.9% over the previous year. While the return on average Domestic assets improved over the relatively low level experienced in 1980, this improvement was largely concentrated in the first quarter and was not sustained throughout the remainder of the year. Indications are that domestic spreads will be under increasing pressure through at least the early part of 1982. International earnings for the year increased by $33.9 million, or 41.5%, to $115.6 million and now account for nearly one-third of total Bank earnings.

Asset growth during 1981 was greater than anticipated, amounting to $14.9 billion, an increase of 31.6%. About $6.4 billion of this growth was denominated in Canadian currency and all but a minor portion represented Canadian risk. The balance, $8.5 billion, was denominated in foreign currencies, about 71% of which represented risks in Canada and the United States. Accordingly, about 82% of total asset growth represented Canadian or United States risk. Of the remainder, about one-half consisted of credits to borrowers located in member countries of the European Economic Community.

Interestingly enough, while foreign currency assets have grown very rapidly, comprising 41% of the balance sheet at year-end, foreign risk assets have grown at a considerably slower rate, and the proportion of assets where the ultimate risk is located in countries other than Canada or the United States has declined. If the United States is excluded, the growth in foreign risk assets was at a slightly lower rate than the growth in Canadian risk assets and, of course, from a much smaller base. This pattern is probably a fair reflection of the Bank's current asset management policies as well as indicative of economic conditions elsewhere in the world.

Those who have read this annual letter to shareholders in recent years have no doubt discerned a recurring theme, namely, that the preceding year has not been an easy one. Whether or not one subscribes to theories of historic economic trends, recent events have been the cause of some concern among informed observers.

The past year, although it has offered many new departures, fits well into this theme. Canadians have felt the effects of high inflation and a sluggish economy, while a growing number also face the stark fact of unemployment. These issues are certainly not unique to Canada. High inflation and low growth are all too familiar to citizens of most industrialized countries, while many of the less developed and centrally planned economies face problems of an even more serious nature.

International trade, capital flows, floating exchange rates and the delicate mechanisms of world politics make it very difficult for a nation to improve materially its own lot in isolation from external influences. It will take a resurgence of economic activity in the industrialized countries to restore economic growth and the improvement must extend to the developing countries of the third world if full recovery is to occur. Enlightened self-interest, if nothing else, tells us that we cannot afford to be indifferent to the needs of other countries. This fact, however, is only slowly gaining currency in the public mind.

It may be small comfort to note that problems elsewhere are more severe, but it is a fact for which we should be thankful. The public perceives, correctly, that all is not well, and that basic adjustments, painful to be sure, must be made. Nevertheless, to a degree undreamed of in many other countries, we in Canada remain masters of our own destiny and, within reason, can be what we want to be. We do, however, have to agree upon what these goals are and work together to achieve them.

Unfortunately, there is a natural tendency in difficult times to look inward. While Canadians certainly have sufficient material for self-absorption, we must not lose sight of our position in the world—a small nation, generously endowed, earning a living by trade—and succumb to the self-defeating disease of isolation. Canada occupies a respected place in the community of nations and its economic well-being is very much tied in with the intricate flow of daily trade and financial transactions with other countries. This is not something from which to shrink, but rather a strength and an opportunity to be faced with confidence.

William D. Mulholland,
Chairman and Chief Executive Officer

Grant L. Reuber, Deputy Chairman,
and William E. Bradford, President

The Year in Review

Economic developments of the past year indicate that the world economy continues in a period of profound adjustment to changes of the past decade. During 1981, industrialized countries experienced slow, sometimes even negative, growth and continued high inflation. This inevitably affected less developed countries as trade flows diminished. Centrally planned and developing economies faced a range of serious structural problems, of which Poland was certainly the most spectacular example. Even oil-exporting countries were forced to re-evaluate economic goals as the demand for high-priced oil dropped significantly, due in good part to the stagnant industrialized economies.

Canada was not immune to these events: strong economic performance in the first part of the year was followed by a sharp and steep downturn in the second half of calendar 1981, as historically high real interest rates eventually took effect.

The Canadian economic scene in 1981 was dominated by the Ottawa-Alberta energy agreement and the National Energy Program on the one hand, and the federal government's gradualist monetary approach to combating inflation on the other.

In the area of energy, the agreement on petroleum prices, by bringing Canadian domestic prices closer to prevailing world prices, provided a much needed incentive for efficient energy use. However, provincial and federal governments appear to have over estimated the rate of rise in world oil prices. Consequently, revenue from taxes on the oil and gas industry will probably be less than expected, indicating larger federal government deficits. There is also concern that combined levels of federal and provincial taxation will not leave enough internal cash flow or profit to the private sector for financing needed energy investment. The positive impact of the agreement was thus dulled by these other troublesome factors.

Rising domestic oil prices also brought a surge in the inflation rate, relative to other countries which had already largely absorbed oil price hikes.

The Canadianization program, which caused an outflow of capital to purchase foreign-held interests in the oil and gas industry, also had a significant impact on the value of the Canadian dollar, pushing it down to a fifty-year low of 81 U.S. cents during the summer. It has since rebounded to the 84-cent range but only through the imposition of higher than normal interest rate spreads between the U.S. and Canada.

High interest rates were the second dominant economic factor during 1981. Policies of monetary restraint, as was particularly evident at this summer's Ottawa summit of leaders of the seven largest free-world economies, are now generally accepted as a major weapon against inflation. An important consequence, however, of the resulting high real interest rates has been world wide sluggish economic growth, not excepting Canada. Nevertheless, the Bank of Canada, resisting calls for relaxation in the face of recession, continues to pursue a target of low growth of the money supply.

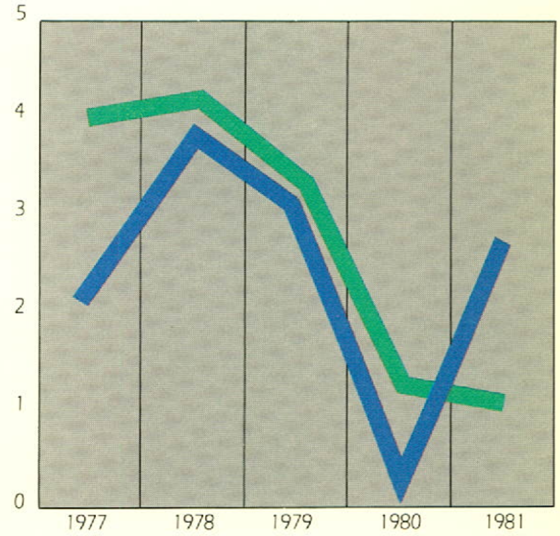
The role of fiscal policy in the battle against inflation remains controversial and various countries have applied very different policies. Although the President of the United States has pushed through Congress both tax and spending cuts, prospects now indicate a record deficit. The new Socialist government in France, on the other hand, is accelerating government spending and increasing taxes on the wealthy. In Canada, despite a budget message calling for restraint, federal government expenditures for the 1981-82 fiscal year are currently forecast by the Finance Department to be 22.1% higher than their level one year ago, largely as a consequence of massively higher public debt charges brought about by higher interest rates.

Inflation has diminished somewhat worldwide, with some countries enjoying more success than others. The U.S. has made more progress than Canada, a factor that will tend to exert continued downward pressure on the Canadian dollar.

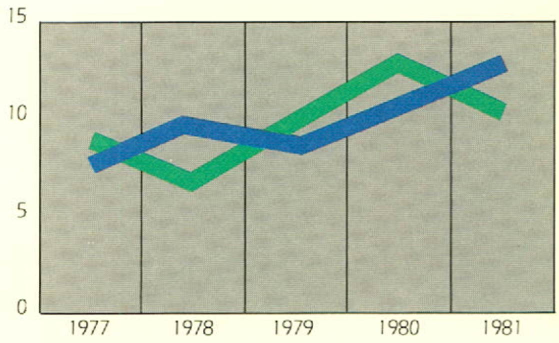
Among the underdeveloped and centrally planned economies, the tendency during the past decade to disguise basic structural weaknesses by subsidizing domestic consumption with borrowed money has run its course. As interest rates have risen worldwide, and as oil prices remain high, the cost of debt service, energy imports and subsidized consumption has mounted to dangerously high levels, while much needed long-term capital investment is neglected.

For the immediate future, indications now show a recovery for the U.S. economy in mid to late 1982, with a further drop in the inflation rate. This should have a favourable influence on the world economy, and particularly on Canada. World prices of oil will almost certainly remain stable and the real price of oil will decline in 1982. However, basic structural problems remain and must be faced in a longer-term perspective. Here, political will counts at least as much as economic imperative.

Real Growth
% Change from previous year



Consumer Price Index
% Change from previous year



7 Major Industrialized Countries
USA, Japan, Germany, France, U.K., Italy, Canada.

Canada

Corporate & Government Banking

In banking, as in other forms of commerce today, markets transcend borders. National boundaries no longer are barriers to the movement of technology, information or capital. Bank of Montreal reflects this reality. The gradual realignment of its organization has been underway for some time, evolving from one based on geography to one which better mirrors the varied requirements of markets in Canada and the world. Experience to date indicates this has been a prudent and timely adjustment.

Today, the Bank conducts its world-wide operations through the Treasury Division and through four line banking groups: World Corporate Banking, North American Corporate Banking, Domestic Banking and International Banking.

On November 1 of this year, following two years of study, the Bank implemented a series of changes, the principal feature of which was the establishment of the World Corporate Banking Group. The new group was created to serve international and trans-national markets, specifically larger multinationals, foreign governments and foreign banks, and those industries such as petroleum whose essential nature is international. In structure and approach, it follows closely the pattern established by the Canadian Corporate Banking Group, which was created five years ago to serve large national and international corporate clients in Canada. The scope of the latter organization has been broadened to include corporate clients in the United States, and it has thus been re-named the North American

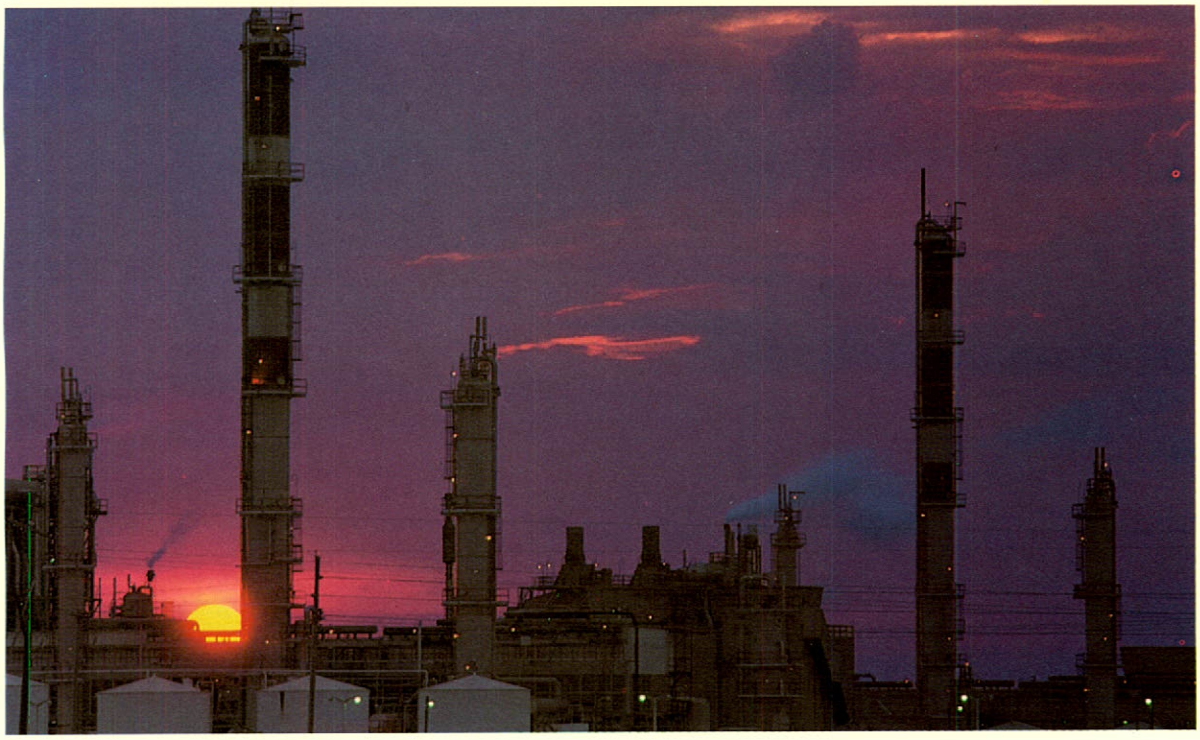
The Bank of Montreal Building at 430 Park Avenue in New York City houses corporate and government banking units.

Corporate Banking Group, reflecting the special character of the North American market. The United States and Canada continue to be the Bank's area of greatest concentration and fastest growth.

Outside North America, unsettled economic and political conditions did not, in 1981, lend themselves to growth rates at recent past levels. Assets, in both Canadian and foreign currency, grew at the rate of 33.4% in North America compared with 24.4% for the rest of the world.

Telegraph Hill, with San Francisco Bay in the background, viewed from the Bank's corporate and government banking offices.

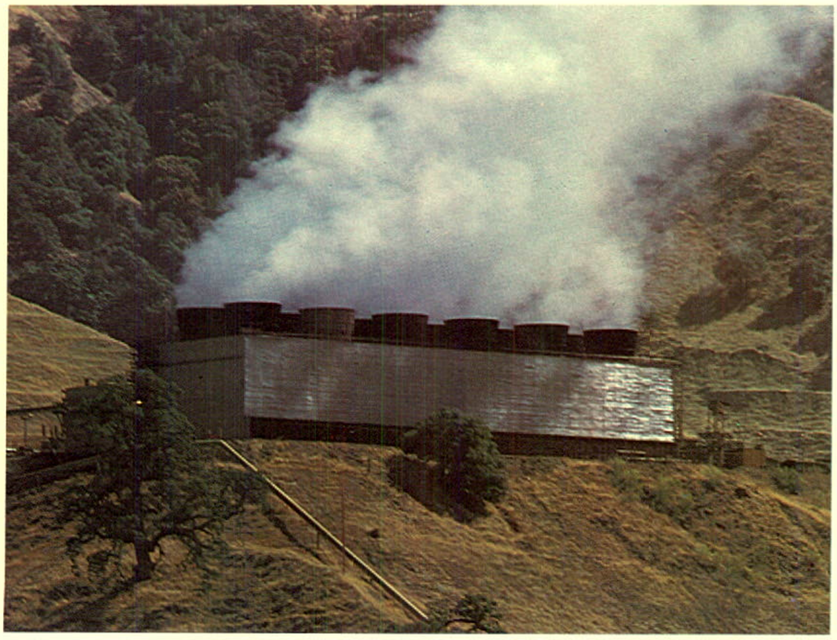
Alberta Gas Chemicals Ltd., a company owned by NOVA, AN ALBERTA CORPORATION and Carma Developers Ltd., converts natural gas to methanol at this plant near Medicine Hat. With expansion of these facilities, financed by the Bank, the complex will become the largest in Canada. Methanol is a petrochemical "building block" used in a wide variety of consumer products.



The overseas marketing role of International Banking has been redefined to emphasize indigenous and international banking services in selected offshore markets and, in Canada, specialized facilities for handling a wide variety of international banking transactions for Canadian clients. The group's facilities include the Bank's existing foreign branches, subsidiaries and affiliates, and international service centres located in leading Canadian cities.

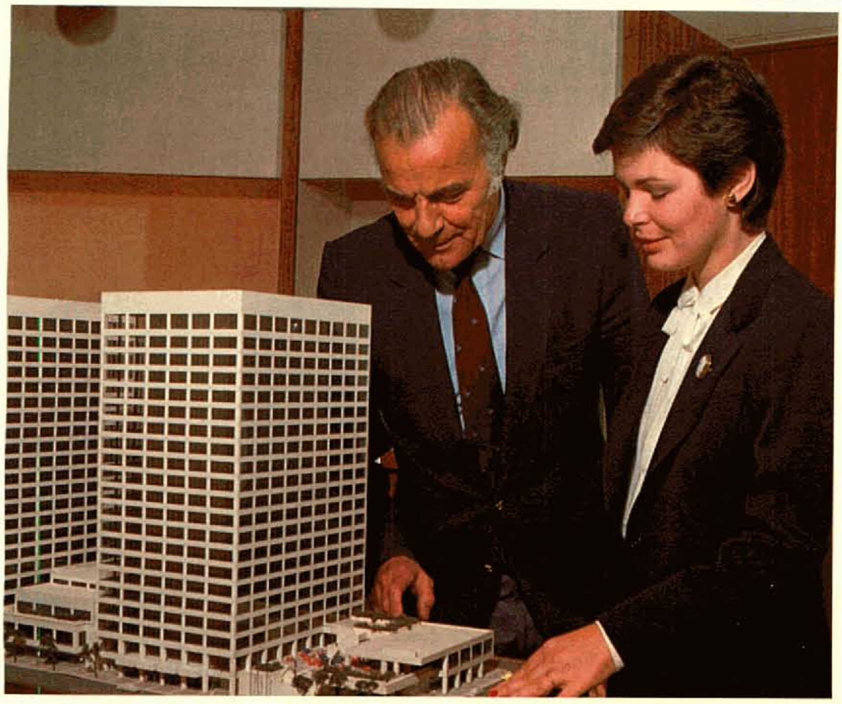
As part of the same process, Treasury functions worldwide have been consolidated in a single global organization, with facilities established in five foreign financial centres and six Canadian cities.

In the advance toward integrated worldwide systems of service and information delivery, the Bank had no more valuable asset, people excepted, than its unique electronic data processing capacity. The further development of systems outside Canada will be a key element as the Bank broadens and deepens its international account management system.



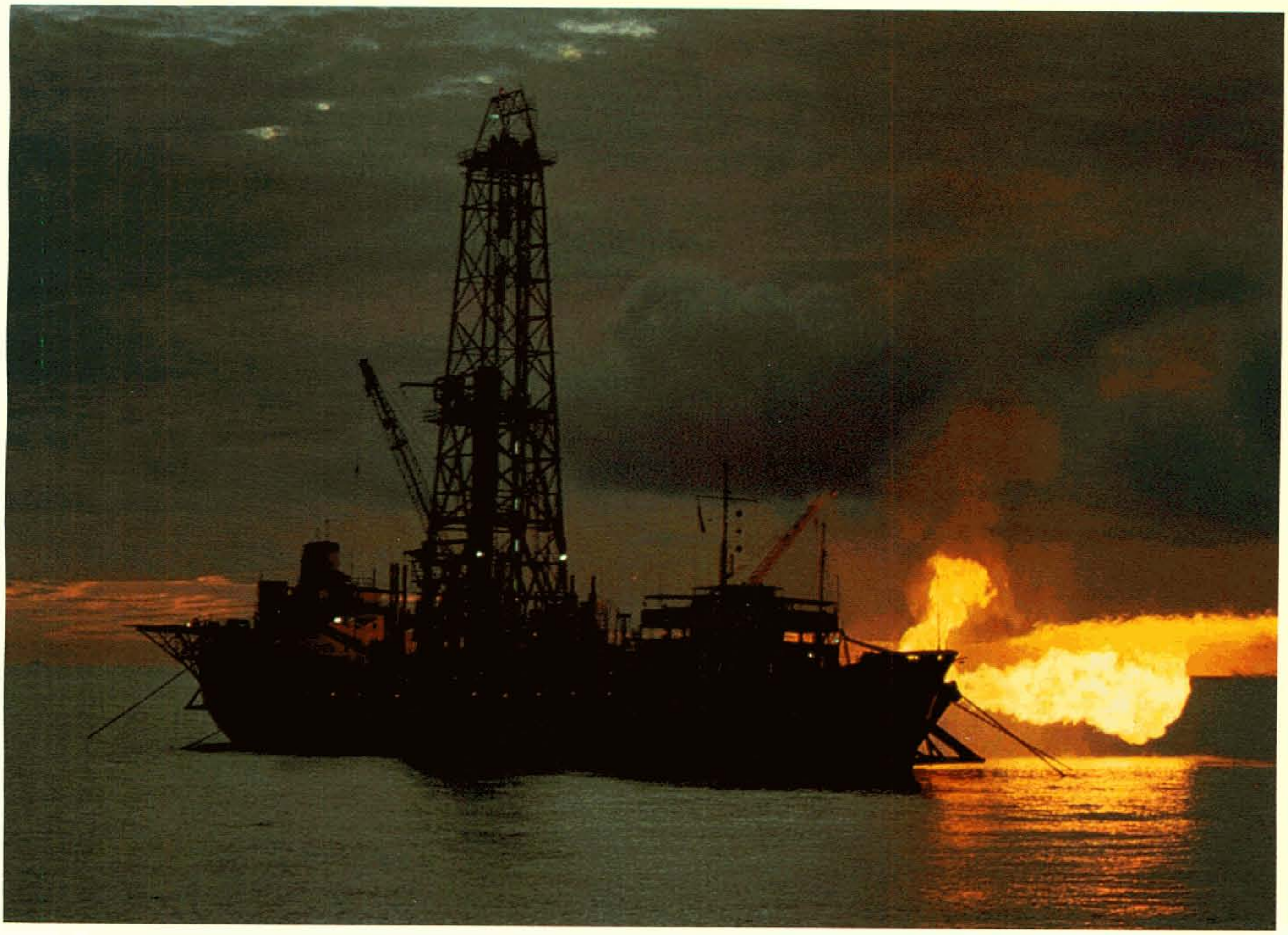
Bank of Montreal and the U.S. Department of Energy are providing loan financing for construction of a 110 megawatt electric generating station in this geyser field, 70 miles north of San Francisco. The Northern California Municipal Power Corporation No. Two is constructing and will own and operate the project on behalf of the Northern California Power Agency.

Roughnecks aboard the Regional Endeavor (pictured opposite) wrestle with equipment on the drill floor.



Corporate Banking account manager Sharon Sallows meets with Keith Roberts, Senior Vice-President of Olympia & York Developments Ltd. The model is of the Esplanade Laurier in Ottawa, built by Olympia & York with the assistance of Bank financing.

The drill ship Regional Endeavor flares gas during tests conducted by Woodside Offshore Petroleum Proprietary Ltd. off Australia's North West shelf. The Bank was a lead manager of the U.S. $1.4 billion financing for Woodside Petroleum Limited to develop natural gas facilities off Western Australia.



Large multinational corporations, international industries, governments and banks are served by a worldwide network of account management teams whose executive officers are located in such strategic financial centres as Montreal, Toronto, New York, Chicago, Houston, San Francisco, London, Frankfurt, Tokyo, Singapore and Sydney.

Serving world-scale customers in either the North American or global context calls for specialist skills of a high order. Within Corporate Banking, such units have been developed, often with their own technical support resources.

Specialized financing capabilities have been developed. Customers, non-Canadian as well as Canadian, have built the Bank's reputation for skill in the demanding field of international loan syndication. Similarly, the Bank has gained a high reputation in project finance. Where financing of a major project also requires international loan syndication, Bank of Montreal is one of the few international banks with demonstrated capability to take up the assignment. To develop further this area of strength, Project Finance, International Loan Syndication and Trade Finance, together with the recently established Corporate Finance Division, have been brought together in the Merchant Banking group, a major component of World Corporate Banking. The group is based in Toronto with representation abroad in major financial centres. Officers from the Merchant Banking group provide specialized financial services to clients around the world in support of the account management organization.

Non-credit services such as cash management have been progressively refined, based on North America's largest real-time banking computer system. A broad range of computerized services provides North American clients 16 hour-a-day access to the Bank's central data base and a variety of sophisticated cash management tools. The Bank's national clearing service is proving particularly useful to clients such as trust companies, credit unions and foreign banks.

The success of Corporate Banking arose in large part from highly professional and motivated staff, operating team-fashion and bringing to bear all the skills and resources essential to the client's banking needs.

The same philosophy and approach is being carried forward into the new worldwide organization structure. We see it as fundamental to the intelligent management of the total banking relationship.

Nordair, a Montreal-based airline controlled by Air Canada, regularly serves 21 airports in Canada, including several in the extreme north. This Boeing 737 is carrying goods to Hall Beach, an Inuit village 240 kilometers north of the Arctic Circle.

Workmen complete a storage sphere for feedstocks used to manufacture butyl rubber at the Polysar Limited complex in Sarnia, Ontario, the world's largest integrated synthetic rubber complex. Bank-financed expansion will double the capacity of the butyl rubber operation.

Roberts Bank, a deepwater port located south of Vancouver, B.C., can accomodate ships up to 160,000 deadweight tonnes and has facilities to stockpile one million tonnes of coal. The port is operated by Westshore Terminals Ltd., a wholly-owned subsidiary of B.C. Coal Ltd. Bank-financed expansion, to be completed in 1983, will double the present port capacity of 10 million tonnes of coal and related products.

Banks must process millions of transactions—deposits, payments, funds transfers—each day and keep up-to-date records on accounts. Technological advances in data processing and telecommunications 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 Montreal's growth is firmly grounded on technological mastery.

A decade of intensive research and development has given the Bank a unique data processing plant of a sophistication and size unsurpassed in the North American financial service industry. This system is a feat comparable in magnitude, and in long-term economic impact, to more visible major engineering works.

At the system's core is a centralized data base, located in the Scarborough and Willowdale computer centres. These facilities, equipped with six of the fastest commercial computers available, currently store records on about six million accounts; storage capacity is more than 280 billion characters, enough to fill about 8,000 big city telephone books. The data base is linked by an estimated 150,000 miles of telecommunications lines to eight regional processing centres and more than 5,000 branch terminals, automated teller machines and customer terminals. It takes less than three seconds for a transaction to be routed from a terminal through a regional centre to the data base, where it is recorded, and back again to teller and customer. The number of transactions processed each day is in excess of three million.

The entire Bank computer network is "on line" and operates in real time; any transaction can be processed instantaneously, anywhere a terminal is to be found.

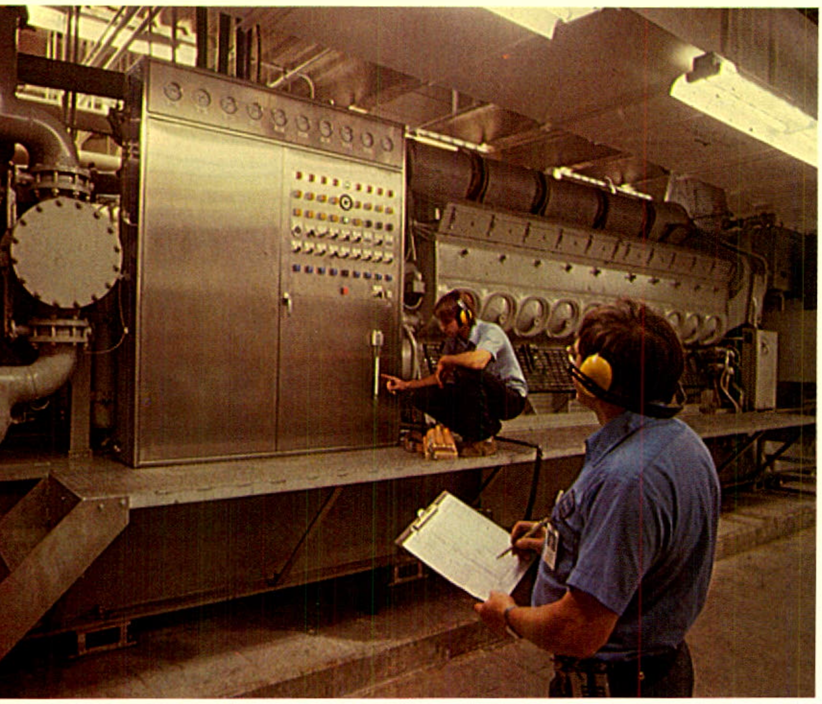
At present, the network stretches across virtually all 1,302 domestic branches, six time zones and into northern Canada; the final branches are being brought "on line" in 1982.

The system is designed to ensure security and confidentiality of customer records at all times. Access to the data base is rigorously controlled. The central site is equipped to respond to any power or computer failure. Discretion and reliability are untouched by speed and high volume.

The data base has the processing capacity and electronic memory to keep it well ahead of demands placed on it by evolving computerized financial services and internal automation. Expansion will depend essentially on design of appropriate telecommunications links and convenient points of access. This gives the Bank a sound competitive position and leaves a healthy margin for future growth as well as for efficient management of the burgeoning transaction loads facing all major financial institutions.

All varieties of account—corporate and individual, loan and deposit—are encompassed within a single data-processing network. Retail customers are offered Multi-Branch Banking, Daily Interest Savings and Daily Interest Chequing accounts, Instabank Automated Teller machines and a highly automated MasterCard™ operation. Large corporations, financial institutions and many commercial customers have ready access to a broad range of cash management services that permit collection, disbursement, control and investment of funds to be handled quite literally by touching the appropriate keys.

The Bank has already benefited from automation in terms of greater efficiency, expanded service to clients and the growing professionalism of Bank staff. Moreover, computerization now permits the Bank to provide service not only beyond the confines of conventional bricks-and-mortar branches, but also beyond the constraints of time, of geography and of currency.



This 20-cylinder diesel engine supplies back-up power for the 3000 KW generator in case of an electricity failure at the Bank's central computer facility at Scarborough, Ontario. This is enough power to serve a town of 100,000 inhabitants.

The Bank's computer network, linking 1,302 branches nationwide, is North America's largest real-time banking computer system. At Scarborough Computer Centre in Ontario, shown here, personnel monitor the central computer system to insure integrity and proper functioning.

Personal Banking

Canadian consumers are becoming ever more sophisticated in money matters, prompted by persistent inflation and rapid shifts in interest rates. The Bank has responded by offering attractive deposit facilities at competitive rates and by improving retail service standards. Beyond this, our rapidly expanding consumer education program meets a growing demand from the public for guidance on personal money management.

A stable core of personal deposits is fundamental to the Bank's ability to fund strong asset growth. Our market share of basic deposits showed continued improvement last year, due in large part to innovative banking products that appealed to customers' increasingly varied savings and investment needs. Most notable was the monthly payment of interest on Daily Interest Savings accounts. During October, personal deposits, as a percent of total Canadian dollar deposits at the Bank, averaged 66.77%, compared to an average of 59.72% for the banking system as a whole.

Individual borrowers are served by Bank officers who specialize in personal lending. Their familiarity with the market permits them to satisfy borrowers' needs for responsive service. Volatile mortgage rates created considerable concern amongst both new house buyers and customers facing mortgage renewals. This concern is shared in the Bank, and special measures are taken to assist borrowers who find themselves in difficulty as a result of these conditions. The Bank remains highly competitive in residential mortgage lending as evidenced by growth in market share of mortgage approvals. This was attributable to the Bank's policy on mortgage interest rates, its comprehensive range of mortgage terms—particularly the five-year term—and quick rate commitment service.

New computer capabilities facilitate efficient management of the mortgage portfolio as well as improved mortgage services to the customer.

The Bank retains a strong position in the credit card industry by appealing to three distinct markets with MasterCard™, American Express Gold Card and private label retail cards.

As a result of these broad credit services, the volume of consumer lending increased by 13.2% during the past year despite a somewhat sluggish economy.

Banking at branches has been made more convenient by extended service hours and a program of Saturday openings, while improvements in teller scheduling are bringing more efficient service during peak periods at larger branches. During fiscal 1981, the Bank opened 28 new branches and closed 20, bringing the total of Canadian branches at year-end to 1,302.

A new era in customer convenience has been launched by the growing network of Instabank Centres, which incorporate the most advanced model of Automated Teller Machine. About 130 new machines, which are located in branches, are drawing enthusiastic response in Calgary, Edmonton and Vancouver; further expansion is planned in eastern Canada. The Bank is also participating in market tests of consumer attitudes towards in-home banking.

The new generation of Instabanks is connected to the Bank's on-line system and can perform all routine transactions including Multi-Branch Banking transactions. They have proven particularly useful to customers outside of regular banking hours and during peak hours when the services of a teller are not required. Automated Teller Machines, combined with the convenience of Multi-Branch Banking, are setting a new standard of personal service and changing the banking habits of the public.

Personal Service Units such as this Park Meadow Mall branch in Lethbridge, Alberta are small, convenient banking facilities designed to serve the individual customer. Here, Manager Cynthia Swidinsky greets a client.

Ronalda and Allison Woodworth of Berwick, N.S. use modern techniques to grow a variety of fruits. They won an Outstanding Young Farmer award in a national contest sponsored by the Bank and the Canadian Jaycees. With the Woodworths in their strawberry shed is George W. Butt, Berwick Branch Manager.

The Inuit people of the Kativik Regional Government in northern Quebec recently negotiated a $3 million loan with the Bank to modernize community facilities in the vast region of 46,000 square kilometers, which has a population of only 5,000. Government Chairman Willie Makiuk (centre) and title attorney Guy McKenzie (right), with advisor Peter Abraham, are shown at an equipment depot overlooking the Inuit village of Kuujjuaq (formerly Fort Chimo).

Instabank Centres, located in vestibules adjacent to branch lobbies, are also accessible to customers during non-banking hours. Instabanks are directly linked to the Bank's national on-line computer system and may be used either for Multi-Branch Banking or local transactions. The centres have proved popular in western Canada and the system will be expanded to other parts of the country.

Independent fisherman Wade Nickerson (centre) purchased his 45-foot steel dragger with help from the Bank's Yarmouth, N.S. branch. With him are Branch Manager Bruce Wentzell (left) and Eric Edens, President of the Hamilton & Porter Machine Works Ltd., also a Bank client, which built the vessel. The name "Vagabond Prince" has identified generations of Nickerson family boats.

Marguerite Kleysen, Chairman of the Board of Kleysen Transport Ltd. of Winnipeg, oversees a fleet of 300 trucks and 750 trailers. Kleysen Transport, a Bank customer, serves industries of western Canada and 28 U.S. states.

Commercial Banking

Small and medium-sized businesses, along with the agri-business sector, have been challenged by unprecedented increases in borrowing costs, disruption of markets and an uncertain economic climate. In response, the Bank has worked closely with customers to assist them to manage their cash flow and to utilize credit with heightened efficiency. Where necessary, special teams of Bank officers and technical staff have been formed to assist customers experiencing difficulty as a result of current economic conditions. At the same time, officers responsible for the management of domestic commercial banking activities have taken steps to monitor closely commercial loan quality, and to concentrate asset growth in markets with long-term potential.

Specialization by market reinforces this strategy. Account managers in conveniently located branches tailor packages of Bank services to the specific needs of diverse groups, including fishermen, farmers and small firms in the oil and gas service industry—to name but three.

To serve small and medium businesses, a separate Commercial Division has been created in Ontario, and specialized commercial branches and districts have been set up in other Canadian divisions.

Marketing initiatives, designed to build durable relationships with business clients, put the accent on integrated packages of credit and non-credit services. Computer-based banking services, quite popular with large corporations, have been streamlined and rapidly extended to smaller companies, which have shown particular interest in cash management and electronic funds transfer systems. The Bank has opened promising markets for automated payroll and receivables management services, which free businessmen to concentrate on production and sales.

Current-asset financing, which ties lines of credit directly to the value of receivables and inventory, and leasing are attractive alternatives to conventional bank loans. Demand for current-asset financing and receivables management is quite strong among medium-sized firms experiencing rapid sales growth.

The credit needs of farmers are akin to those of many businesses in volume and complexity. Accordingly, Bank senior executives, Agriculture Department staff, specialized branches and farm lending officers work closely together to serve this important market.

Farmers used credit selectively last year, reacting to a combination of low prices, high interest rates and rising input costs. The Bank improved service in a number of areas to assist clients through this cycle: a new Fixed Rate Farm Mortgage Program was launched to facilitate both the financing of new capital assets and the restructuring of farm debt to alleviate current cash flow problems.

The Bank responds to economic pressures on businessmen and farmers by giving extra attention to creditworthy customers in temporary financial difficulty. Loan review committees bring the experience of senior bankers, specialists and credit officers to bear on genuine cases of hardship. Special financial assistance to farmers and businesses is available through the Federal Small Business Development Bond program. The Bank, in line with federal government policy, has extended the program to unincorporated farmers.

High-school students earn summer money inspecting ripe raspberries at the East Chilliwack Fruit-Growers Co-op in British Columbia's Fraser Valley. This modern plant, opened in June, 1981, was financed by the Bank. Fruit grown by 300 co-op member-producers is bulk-frozen here for shipment across Canada and for export to the United States, Europe, Australia, and Japan.

The Bank's position as a major international financial institution requires a capacity to do business in virtually every country of the world. This is made possible by a modern communications system and a network of branches, offices, affiliates or wholly-owned subsidiaries in twenty foreign countries. Correspondent relationships with foreign banks around the globe complete this extensive infrastructure.

Responsibility for these worldwide functions rests with the International Banking Group. Through its staff abroad, International Banking promotes business opportunities in local markets, provides banking services for multinational corporations overseas and offers international banking services to foreign clients. In support of other Bank units operating outside Canada, the group operates and coordinates data processing, accounting and financial systems worldwide, and provides other necessary facilities for their operations. In Canada, International Banking, through its Canadian offices, provides services to clients in the execution of a wide variety of international transactions.

The Bank's foreign branch system was expanded during the past year as offices in New York and Tokyo were upgraded to branches. The recent Bank Act, which permits foreign banks to obtain banking licences in Canada, will also permit, through reciprocity, Canadian banks to establish more branches abroad and the Bank will take advantage of these new opportunities where business interests warrant.

The New York Branch at 2 Wall Street will continue to carry out the functions of the former agency, but may now also accept deposits and issue various money market instruments, adding flexibility to the Bank's U.S. dollar funding.

The Bank, which was in 1962 the first Canadian bank to establish an office in Japan, has been active in trade finance and has assisted both Japanese and Canadian corporations to expand business on both sides of the Pacific. The new Tokyo Branch reinforces the Bank's presence in Asia. It offers a range of services including corporate loan facilities, foreign exchange and consulting services.

Other Asian countries continue to offer attractive business opportunities, and the Bank maintains a strong presence there. The Bank of Montreal Asia Limited (BOMAL), with offices in Singapore, which has been the Bank's main vehicle for loan syndications in Asia, reduced activity this year due to the world economic climate. After-tax earnings for 1981 were nevertheless up 65.7% over those of the previous year. The Singapore Branch participated in several significant local and regional financings.

The Bank's offices in Tokyo became a full branch in 1981. Shown here are Edward T. Little, Vice-President and Manager, with colleagues Kenneth W.H. Tsiang (left), and Hideo Yabuki.

Hong Kong, the third largest banking centre in the world after London and New York, remains a focus of activity. The Bank's Hong Kong subsidiary, First Canadian Financial Corporation (FCFC) and the Hong Kong Branch have been active in local and international syndications.

In the western hemisphere, Bank subsidiaries also experienced a successful year, with increases in after-tax earnings.

The Bank's Brazilian subsidiary, Banco de Montreal Investimento, S.A. — Montrealbank, maintained a solid position in the Brazilian market. Earnings before currency translation of the Rio de Janeiro-based investment bank increased 160% for the nine-month period ended September 30, compared with the same period last year.

In the Bahamas, Bank of Montreal International Limited increased its assets 28 % during fiscal 1981, largely due to a substantial increase in high quality loans. Its earnings for the year, excluding dividends from Bank of Montreal (Bahamas & Caribbean) Limited were up 22.5% over last year. The Bank of Montreal (Bahamas & Caribbean) Limited, although showing an increase in market share of deposits and loans, reported a slight decline over last year in its 1981 earnings.

Bank of Montreal (California), chartered in 1864 and the oldest Canadian bank in the state, continued to post significant increases in profitability. Earnings in 1981 were up 18.8 % compared with 1980. New business relationships were forged with a range of major California-based corporations in aerospace, transportation, food distribution and utilities.

In Europe, the Bank's London facilities, which include both a branch and the subsidiary First Canadian Financial Services (U.K.) Limited, continue to provide important services to clients in Europe and worldwide. Allgemeine Deutsche Credit-Anstalt, the Frankfurt-based bank in which the Bank has a 25.1% interest, showed an improvement in its interim results over last year despite the generally difficult climate for banks in Germany.

The Bank has a 25.1 percent share of Allgemeine Deutsche Credit-Anstalt, a West German commercial bank with 35 branches in major cities. Outside the Frankfurt headquarters building are Chairman of the Board of Management Klaus Rittershaus (top centre) with Board members Karl-Friedrich Tappe (left) and Walter A. Kress (right). Bank of Montreal Frankfurt Branch Manager Gustav A. Fischer is at centre, bottom.

The Bank derives its revenue from the collection of fees for services and from the interest on its portfolio of assets. The profitability of these assets depends upon efficient funding, from diversified sources, in the appropriate currencies and for the required term. This is a vital banking function, the successful execution of which depends not only upon the professional skill of Treasury personnel but upon the confidence of the public. Confidence of depositors, shareholders and other investors rests in large part upon a satisfactory level of Bank profitability and upon the maintenance of a sound capital base and adequate liquidity.

Efficient management of the Bank's various balance sheet exposures in these turbulent times has never been more important. As part of its normal procedure, Treasury Division currently reconciles global positions daily, monitors open positions on a 24-hour basis and maintains a 22-hour-a-day active dealing capability.

The Bank constantly seeks to diversify its sources of funds by drawing upon its overseas branches and a worldwide communications network with links to all major international financial markets. This network was reinforced last year by the upgrading to branch status of overseas offices in Japan and the United States. Foreign exchange and money market services were introduced at the Tokyo Branch and a U.S. dollar Certificate of Deposit program was launched at the New York Branch.

Another important function of Treasury Division is to maintain the Bank's presence in the major money, foreign exchange and bond markets of the world in order to serve the needs of the Bank and its clients.

Raising capital for the Bank and its subsidiaries is also a key responsibility of Treasury Division. A well established investor relations program ensures that the investment community is kept informed of the Bank's activities.

Revisions to the Bank Act in 1980 permitted sale of foreign currency debentures for the first time ever. The Bank was active in the Eurobond market, raising a total of $375 million (U.S.) in three separate issues of 10-year debentures. These funds support the Bank's growing foreign currency business. Bank of Montreal Mortgage Corporation, a wholly-owned mortgage subsidiary, also tapped the Eurocurrency market with a $100 million (U.S.) issue of five-year notes which was fully hedged into Canadian dollars and the funds used to support residential mortgage lending in Canada.

In April, the Bank issued 5.8 million convertible preferred shares for an aggregate amount of $200.1 million. In November, a second preferred share issue, with warrants to purchase common shares, raised an aggregate of $175 million of additional equity capital. In this latter case, issuance in future years of common shares upon exercise of warrants requires an additional payment to be made, thus adding further to the Bank's capital funds.

Bank of Montreal Realty Inc., a wholly-owned real estate subsidiary, raised $100 million through the sale in Canada of 20-year debentures. Proceeds were used to finance fixed assets purchased from the Bank.

Bank of Montreal Mortgage Corporation issued $96.1 million in debentures, in exchange for trust units of BM-RT Realty Investments, in effect to acquire the assets of the trust. The debentures are exchangeable into Bank common shares.

Robert Gilmore, with his wife Edna at their Lachine, Quebec home, retired from the Head Office accounting department in 1970. About 3,200 persons receive retirement income from the Bank and the Pension Fund Society.

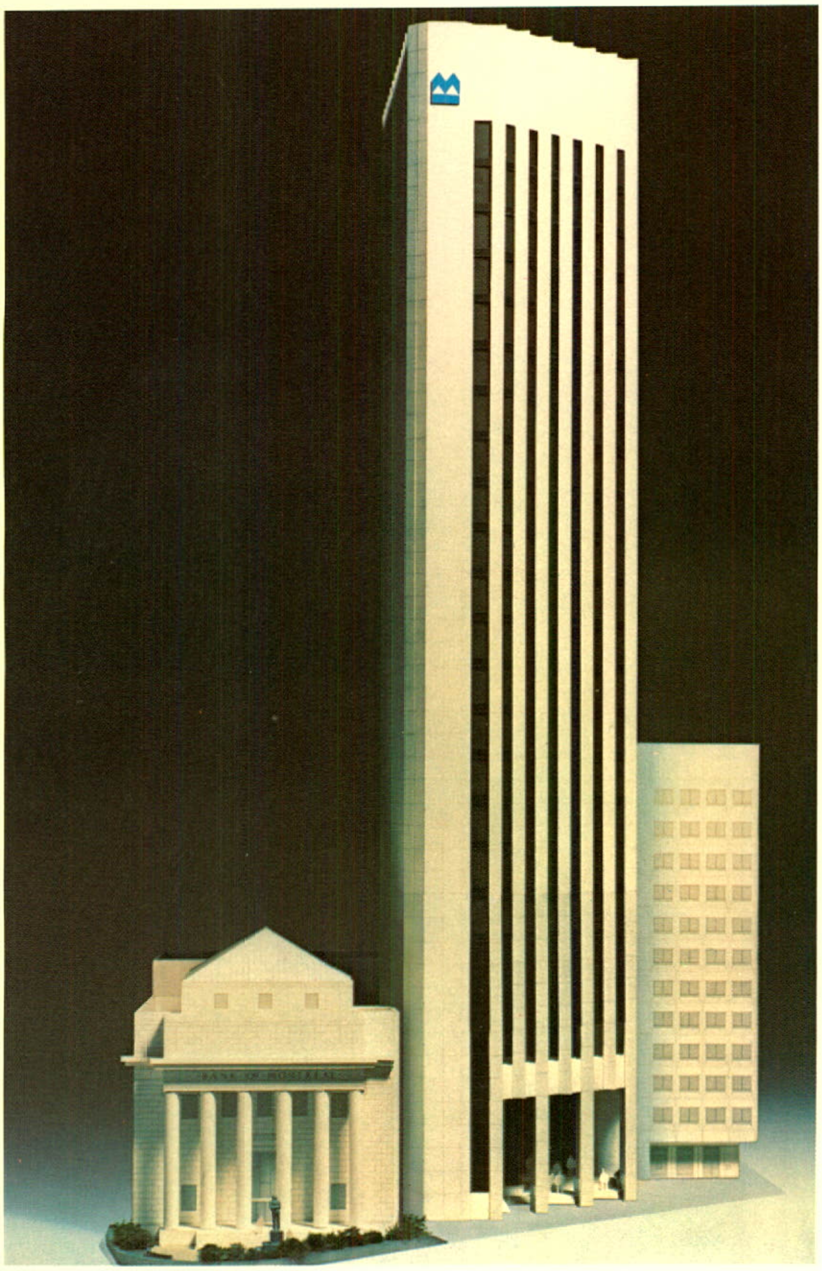
Economic Outlook conferences, held annually in major Canadian cities, bring senior Bank officers and business people together to look at prospects for the next year. Here, panelists are, left to right, P. MacDonald, Senior Vice-President, Quebec Division, G.E. Neal, Executive Vice-President and Treasurer, Dr. P.G. Kirkham, Senior Vice-President and Chief Economist, W.D. Mulholland, Chairman and Chief Executive Officer, and, standing, W.B. Bateman, Executive Vice-President, World Corporate Banking.

Shortly after the end of the fiscal year, holders of two outstanding debenture issues of the Bank were offered the opportunity of exchanging their debentures for common shares. The debentures were selling at a discount and the terms were set to provide a premium over market to debenture-holders, while enabling the Bank to sell shares at an effective price above their market value. To the extent that debentures are exchanged for shares, the outstanding debt of the Bank will be reduced, its capacity to issue additional debentures increased and its shareholders' equity enlarged.

All told, the Bank and its wholly-owned subsidiaries raised over $1 billion in capital funds during the past thirteen months. In addition, Bank of Montreal Mortgage Corporation funded a net increase of nearly $800 million in its mortgage portfolio, primarily from the sale of medium term Investment Certificates to retail investors.

Foreign exchange trading desks are located in major cities across Canada and abroad.

The Bank, because of the scope of its operations, inevitably assumes a substantial commitment in real estate, whether as owner or tenant. Accordingly, considerable importance is attached to the quality, convenience and economy of its branches and office buildings across Canada and worldwide. In recent years, the Bank has given greater emphasis to ownership, as opposed to leasing, of Bank premises in order to bring greater stability to operating costs as well as to ensure control of major banking premises. Responsibility for the Bank's real estate assets rests with the Bank's Real Estate Division.



The Bank's principal vehicle for real estate ownership is Bank of Montreal Realty Inc., which is managed by the Real Estate Division Bank of Montreal Realty Inc. has acquired from the Bank substantially all of its real estate assets. These properties are leased back to the Bank and, to the extent of available space, to third parties. This has had the apparent effect in 1981 of increasing the Bank's reported occupancy cost. This anomaly will disappear in 1982 upon full consolidation of all subsidiaries. Assets held by Bank of Montreal Realty Inc. are financed in the capital markets in order to minimize the amount of the Bank's capital committed to fixed assets.

Bank of Montreal Realty this year commenced or arranged for construction of new office buildings in Winnipeg, Fredericton and Regina. The 25-storey Winnipeg building, scheduled for completion in 1983, will house headquarters of the Manitoba-Saskatchewan Division. In Fredericton, construction is underway on a nine-storey building being built in conjunction with the New Brunswick Power Commission. In Regina, a new 13-storey building will house Main Branch and staff offices. Plans for a new building in Edmonton are now in abeyance following a City Council decision to designate the proposed site a Municipal Historic Resource.

In Calgary, the first phase of First Canadian Centre, consisting of a 43-storey office tower and adjoining three-storey banking pavilion, is under construction and scheduled for completion in the fall of 1982. The Centre will include a second, 64-storey office tower.

In Rio de Janeiro, the Bank's subsidiary, Banco de Montreal Investimento, S.A. — Montrealbank, moved into its new 26-storey headquarters building in the heart of the city's business district.

In New York, the Bank augmented its premises with the 18-storey building, located at 430 Park Avenue, which has been re-named the Bank of Montreal Building. It houses corporate, government and merchant banking operations of the Bank in the eastern United States. The Bank's New York Branch and Treasury Division operations, as well as its subsidiary, Bank of Montreal Trust Company, will continue to be located in the Bank's building at 2 Wall Street.

Construction is underway on the 25-storey Division Headquarters at the corner of Portage and Main in Winnipeg. This building model shows the new tower connecting with the Main Branch, constructed in 1913 and considered an historic landmark in western Canada.

The Bank and the Community

An important responsibility of the Bank as a leader in the Canadian business community is to contribute to the quality of public life. This tradition of community service is one of which we are particularly proud. Over the years, the Bank has not only developed policies of financial support, but has also encouraged individual officers and staff to participate in worthwhile community activities.

Maintaining an active profile in the community builds public respect and goodwill, and strengthens communications with the wide range of people who are Bank customers. In order to serve Canadian banking needs well, the Bank must be in a full sense a responsible and participating member of the Canadian community.

The Bank's donations program is administered at two levels, at Head Office and through the Bank's regional offices across Canada. The Donations Committee of the Board of Directors regularly reviews the Bank's contributions and makes policy recommendations to the full Board.

Nationally, the charitable donations of the Bank amounted to $2,273,529 during the past fiscal year, with the majority of grants falling within the following categories:

Federated Appeals	25%
Health and Welfare	13%
Education	19%
Culture	10%
Civic	16%
Hospitals	14%
Other	3%

Throughout the year, the Bank sponsors a limited number of special projects. Some highlights have included:

☐ Jointly with Shell Canada Limited, the Bank is sponsoring a five-year national Junior Achievement program called Project Business. Under this program, community business leaders meet with students to discuss issues such as business methods, economics and career choices. The goal is to increase young people's understanding of modern economics and their awareness of the role of business in their daily lives.

The Montreal Symphony Orchestra, directed by Charles Dutoit, is one of the outstanding Canadian institutions which receive Bank financial support.

□ Bank sponsorship and financial support in conjunction with the Canada Council made possible the Montreal Symphony Orchestra's nine-city tour of Canada and the United States. This tour enabled Canadians and Americans to hear one of the nation's finest orchestras, and contributed to building the orchestra's already considerable international reputation.

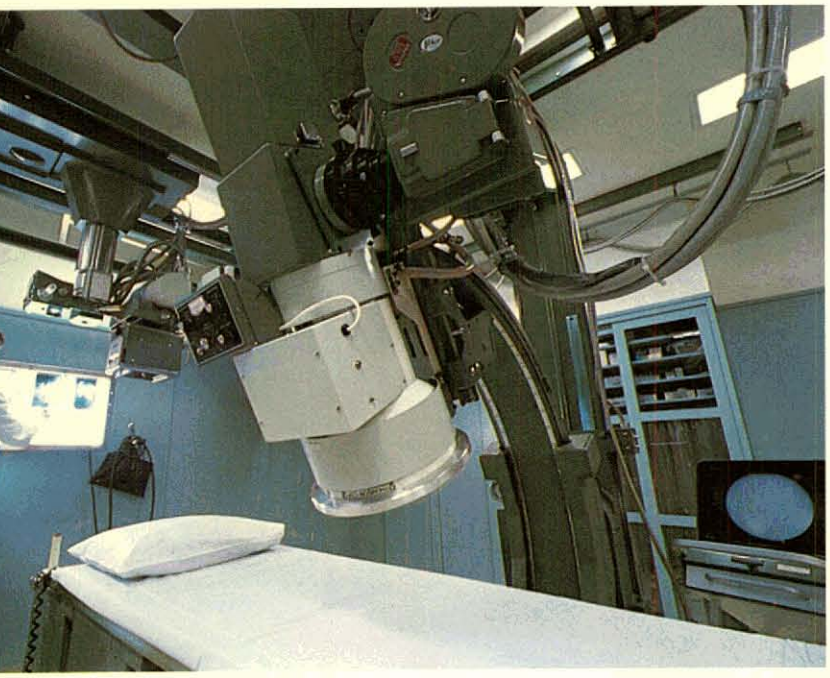
□ In the popular arts, the Bank, in conjunction with the Government of Alberta, sponsored the Banff International Festival of Films for Television for 1981. Norman Campbell, the distinguished CBC producer, received the Bank of Montreal Award of Excellence for his contribution to the quality of TV programming in Canada.

□ In the world of sports, the Bank, as a major corporate sponsor of the prestigious Spruce Meadows "Masters" Horse Show, held annually near Calgary, presented the Bank of Montreal Nation's Cup to the highest-scoring team in top-level international competition.

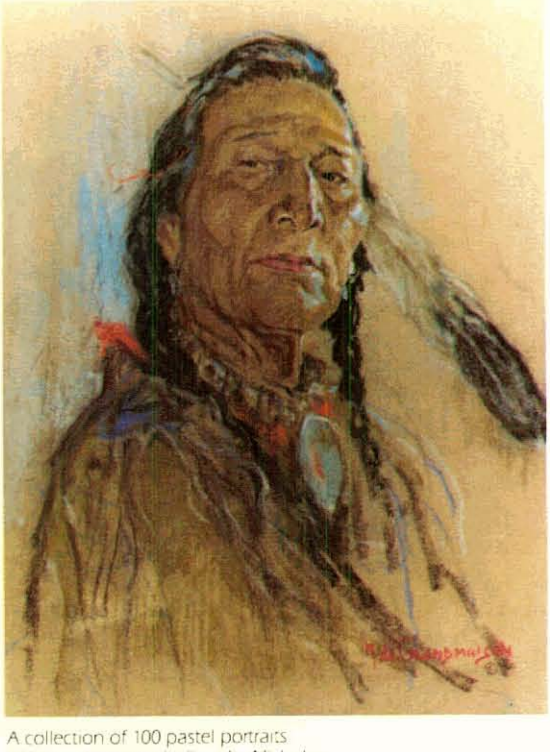
The Bank has long been a sponsor of the Olympic Trust of Canada, which provides funding for Canada's Olympic teams.

Day-to-day policies of the Bank also have an impact on the community environment. The many gracious buildings which the Bank has constructed over its 164 years are preserved whenever feasible as part of the nation's architectural heritage. Notable examples include the Montreal Main Branch, completed in 1847, the Winnipeg Main Branch, built in 1913, and Toronto's Front and Yonge Street Branch, completed in 1886. The Molson's Bank building on St. James Street, Montreal, built in 1865 to house the head office of Molson's Bank, acquired by the Bank in 1925, is to be restored in the coming year.

The Bank includes ramps and other facilities for handicapped people in new buildings and major renovation projects. The Bank itself pursues a policy of hiring handicapped people.

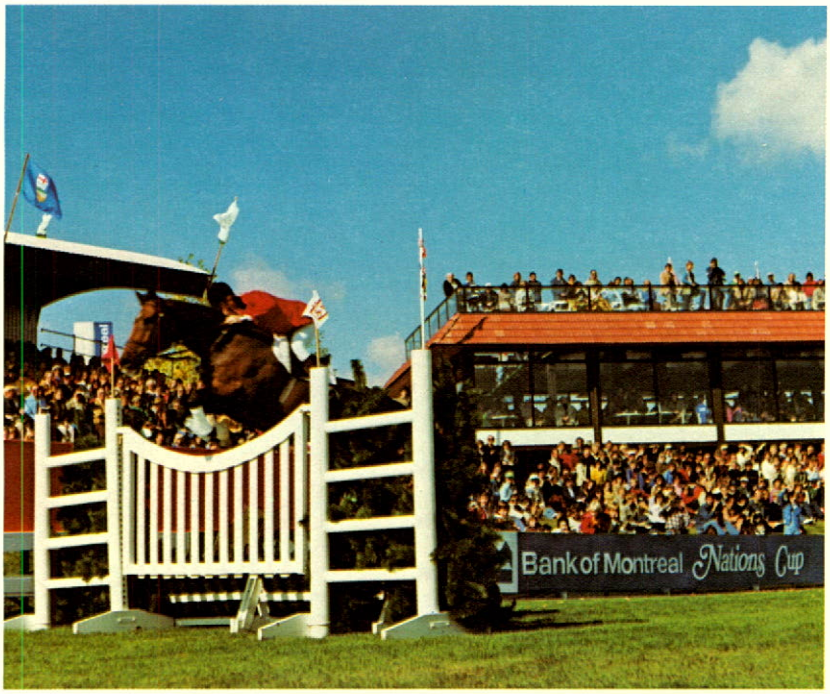


Bank donations to hospital capital campaigns help fund replacements for obsolete equipment. This X-ray machine is an example of the costly apparatus which private sector assistance helps purchase

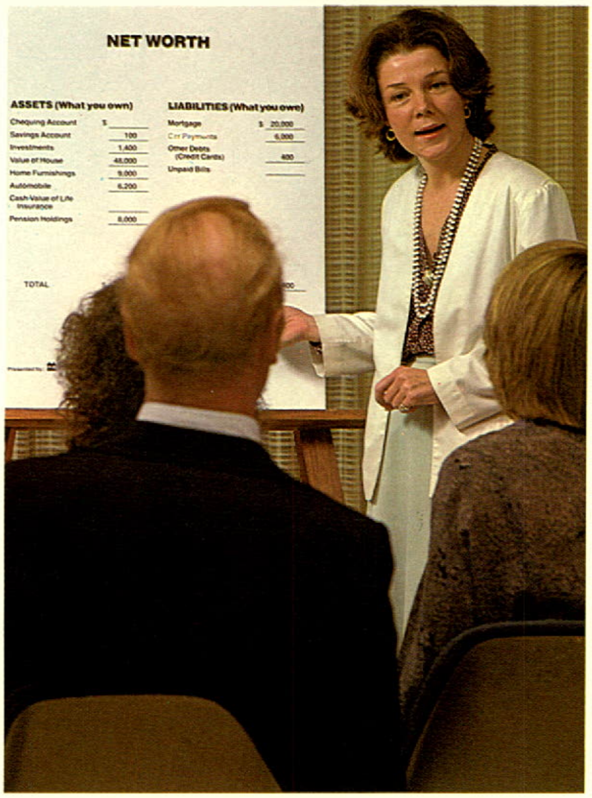


A collection of 100 pastel portraits of North American Indians by Nicholas de Grandmaison of Alberta was acquired by the Bank in order to forestall dispersal of the collection and its loss to Canada. Good Rider, a Piegan Indian, posed for this portrait. A book on the collection will be published shortly

Energy conservation, as part of the national effort to reduce Canada's dependence on imported oil, has been vigorously pursued at the Bank. The goal is to cut energy costs in branches nationwide by 30%; an information program is aimed at encouraging personnel to reduce energy consumption at home as well.



The Bank of Montreal Nations Cup is awarded to the highest scoring team in international competition at the Spruce Meadows "Masters" Horse Show, held near Calgary. This prestigious event, one of only four internationally-sanctioned horse shows held in North America, helps to develop the skills of Canadian riders, who face the best international competition.



The Economic Outlook program, presented in eleven major Canadian cities at the beginning of the calendar year, brings senior Bank officers and business people together to look at prospects for the next months, both in a national and international perspective. This program will shortly commence its twelfth year. A series of Agricultural Outlook conferences launched during the past year in Calgary, Regina and London, Ontario received a very favourable response from the farming industry and will be expanded in the coming year.

For small businesses, the Bank provides advice on credit through the Small Business Problem Solver booklets and the Small Business Seminar programs, which bring Bank officers, financial experts and business people together to exchange ideas. In addition, the Bank's nationwide speakers program sends Bank officers into the community to address groups on such issues as credit and money management. A consumer education program of written material and speaking engagements is aimed at the general public and at high school students.

Consumer Education Manager Patricia Burns directs the Bank's nationwide program aimed at helping people make intelligent use of personal income, credit and banking services. Seminars such as the one underway here are given across Canada by the Bank's 450-participant Speakers Bureau.

Canadian Economic Statistics

National Profile	1981 Figures	Annual Growth Rate 1980/81	Average 1971/80
Population (as of July 1)	24,200,000	1.0%	1.2%
Gross National Product	$327.0 billion	12.8%	13.8%
GNP (in 1971 constant dollars)	$133.6 billion	2.7%	3.9%
Employment	10,945,000	2.7%	3.1%
Consumer Price Index (1971 = 100)	236.9	12.5%	8.0%
		1980	Average 1971/80
Unemployment Rate (October)	8.3%	7.5%	6.9%
Current Account Balance*	$9.0 billion deficit	$1.9 billion deficit	$2.6 billion deficit

*Essentially external trade in goods and services.

Regional Profile	% of Total Population 1980	% of Total GNP 1979
Atlantic Provinces	9.5	5.8
Quebec	26.3	23.2
Ontario	35.8	37.9
Manitoba	4.3	3.8
Saskatchewan	4.1	4.1
Alberta	8.7.	12.7
B.C. (incl. Yukon & NWT)	11.3	12.5

Industrial Profile	% of GDP 1980	% of Employment 1980
Agriculture	3.3	4.2
Forestry, Fishing & Trapping	1.1	1.9
Mining	6.5	1.8
Manufacturing	21.6	19.6
Construction	5.8	5.4
Transportation, Communications & Other Utilities	11.9	8.2
Services	49.8	59.9
Gross Domestic Product	100.0	100.0

Financial Profile	End October, 1981	Annual Growth Rate 1980/81**	Average 1971/80
Money Supply*	$ 24.2 billion	−4.1%	10.6%
Total Canadian Dollar Loans (All Banks)	$118.6 billion	29.8%	18.5%
		Average 1980	Average 1971/80
Prime Rate	20.0%	14.3%	9.6%
Rate on long-term Government of Canada Bonds	16.6%	12.5%	9.0%
Canadian dollar	83.1 U.S.¢	85.5 U.S.¢	95.5 U.S.¢

*Currency and demand deposits at banks.
**Average for year ended October 31.

1981 statistics are Bank of Montreal Economics Department estimates, except where reference is made to a particular date.

Annual Statement and Analysis

Prepared in Accordance with
the Bank Act of 1967

Bank of Montreal

Statement of Assets and Liabilities

AS AT OCTOBER 31

Assets	1980	1981
Cash Resources		
Cash and due from banks (Note 1)	$ 7,731,987,933	**$11,323,478,128**
Cheques and other items in transit, net	552,841,801	**762,818,284**
	8,284,829,734	**12,086,296,412**
Securities (Note 2)		
Securities issued or guaranteed by Canada, at amortized value	1,951,499,711	**2,195,289,185**
Securities issued or guaranteed by provinces, at amortized value	71,126,349	**53,496,861**
Other securities, not exceeding market value	2,414,715,672	**2,564,198,562**
	4,437,341,732	**4,812,984,608**
Loans		
Day, call and short loans to investment dealers and brokers, secured	717,209,373	**481,840,302**
Other loans, including mortgages, less specific provision for losses (Note 3)	29,832,891,198	**39,293,855,689**
	30,550,100,571	**39,775,695,991**
Sundry Assets		
Bank premises at cost, less amounts written off (Note 4)	293,388,201	**307,726,260**
Securities of and loans to corporations controlled by the Bank (Note 5)	152,421,471	**242,033,633**
Customers' liability under acceptances, guarantees and letters of credit, as per contra (Note 6)	4,915,997,619	**6,295,230,700**
Other assets	208,031,055	**259,920,153**
	5,569,838,346	**7,104,910,746**
Total	$48,842,110,383	**$63,779,887,757**

Liabilities	1980	1981
Deposits		
Deposits by Canada	$ 661,148,888	**$ 763,317,236**
Deposits by provinces	521,362,295	**111,453,715**
Deposits by banks	10,383,253,904	**15,135,575,159**
Personal savings deposits payable after notice, in Canada, in Canadian currency	14,782,386,843	**18,048,444,383**
Other deposits	15,446,638,923	**20,507,334,388**
	41,794,790,853	**54,566,124,881**
Sundry Liabilities		
Acceptances, guarantees and letters of credit, as per contra (Note 6)	4,915,997,619	**6,295,230,700**
Other liabilities	192,355,684	**290,071,799**
	5,108,353,303	**6,585,302,499**
Capital Funds		
Debentures issued and outstanding (Note 7)	383,573,500	**653,453,000**
Accumulated appropriations for losses	300,233,831	**356,595,876**
Shareholders' Equity		
Capital stock (Note 8)		
Authorized		
50,000,000 Class A Preferred shares		
12,500,000 Class B Preferred shares		
100,000,000 Common shares of $2 each		
Issued		
Class A Convertible Preferred shares	—	**200,100,000**
Common shares	111,159,244	**112,598,332**
Rest account (Note 8)	1,143,837,235	**1,305,517,430**
Undivided profits	162,417	**195,739**
Total Shareholders' Equity	1,255,158,896	**1,618,411,501**
Total Shareholders' Equity and Accumulated Appropriations	1,555,392,727	**1,975,007,377**
Total Capital Funds	1,938,966,227	**2,628,460,377**
Total	$48,842,110,383	**$63,779,887,757**

William D. Mulholland,
Chairman and
Chief Executive Officer

William E. Bradford,
President

Statement of Revenue and Expenses

FOR THE YEAR ENDED OCTOBER 31

	1980	1981
Revenue		
Income from loans	$ 4,525,681,890	**$ 7,590,293,572**
Income from securities	440,106,575	**593,050,904**
Other operating revenue	251,812,672	**303,485,341**
Total revenue	5,217,601,137	**8,486,829,817**
Expenses		
Interest on deposits and bank debentures	3,949,202,513	**6,822,636,484**
Salaries, pension contributions and other staff benefits	496,514,275	**597,136,392**
Property expenses including depreciation	159,219,569	**204,680,592**
Other operating expenses including provision for losses on loans	293,390,966	**404,743,059**
Total expenses	4,898,327,323	**8,029,196,527**
Balance of revenue	319,273,814	**457,633,290**
Provision for income taxes relating thereto (Note 9)	56,100,000	**99,100,000**
Balance of revenue after provision for income taxes	263,173,814	**358,533,290**
Appropriation for possible losses	80,000,000	**100,000,000**
Balance of profits for the year	$ 183,173,814	**$ 258,533,290**
Per common share (Note 8)		
Balance of revenue after provision for income taxes	$ 5.06	**$ 6.27**
Dividends	$ 1.54	**$ 1.80**

Statement of Undivided Profits

FOR THE YEAR ENDED OCTOBER 31

	1980	1981
Undivided profits at beginning of year	$ 158,227	**$ 162,417**
Balance of profits for the year	183,173,814	**258,533,290**
	183,332,041	**258,695,707**
Dividends		
Common shares	81,569,624	**100,802,808**
Preferred shares	—	**9,397,160**
Transferred to rest account	101,600,000	**148,300,000**
	183,169,624	**258,499,968**
Undivided profits at end of year	$ 162,417	**$ 195,739**

Statement of Accumulated Appropriations for Losses

FOR THE YEAR ENDED OCTOBER 31

	1980	1981
Accumulated appropriations at beginning of year		
General	$ 109,025,694	**$ 143,778,181**
Tax-paid	149,997,975	**156,455,650**
Total	259,023,669	**300,233,831**
Additions (deductions) during year		
Appropriation from current year's operations	80,000,000	**100,000,000**
Loss experience on loans for the year, less provision for losses on loans based on five-year average loss experience included in other operating expenses (Note 10)	(26,333,952)	**(53,311,955)**
Profits and losses on mortgages and securities, including provisions to reduce securities other than those of Canada and provinces to values not exceeding market (Note 10)	(50,342,495)	**(18,637,838)**
Other profits, losses and non-recurring items, net (Note 10)	(4,020,423)	**(21,987,239)**
Net recovery of income taxes, including credit of $50,300,000 (1980—$54,750,000) relating to appropriation from current year's operations (Note 9)	41,907,032	**50,299,077**
Accumulated appropriations at end of year		
General	143,778,181	**170,213,760**
Tax-paid	156,455,650	**186,382,116**
Total	$ 300,233,831	**$ 356,595,876**

Auditors' Report

To the Shareholders of the Bank of Montreal

We have examined the Statement of Assets and Liabilities of the Bank of Montreal as at October 31, 1981 and the Statements of Revenue and Expenses, Undivided Profits and Accumulated Appropriations for Losses 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.

Montreal, November 24, 1981.

In our opinion, these financial statements present fairly the financial position of the Bank as at October 31, 1981 and its revenue, expenses, undivided profits and accumulated appropriations for losses for the year then ended on a basis consistent with that of the preceding year.

Peat, Marwick, Mitchell & Co.

Touche Ross & Co.

Chartered Accountants

Controlled Corporations
(Non-Consolidated)

Bank of Montreal Mortgage Corporation
(Formerly First Canadian Investments Limited)
(Incorporated under the laws of Canada)

Condensed Consolidated Statement of Assets and Liabilities

AS AT OCTOBER 31

	1980	1981
Assets		
Residential mortgages	$ 1,572,977,855	**$ 2,811,583,576**
Income debentures	113,350,000	**109,950,000**
Cash and short term deposits	24,848,886	**96,897,704**
Interest receivable	18,156,185	**40,315,234**
Unamortized discount on notes and debentures	5,464,477	**25,806,746**
Other assets	4,214,873	**4,439,540**
Total Assets	1,739,012,276	**3,088,992,800**
Liabilities		
Investment certificates	634,195,382	**1,320,978,672**
Notes due within five years	492,105,594	**929,382,218**
Debentures	389,254,928	**449,982,678**
Bank of Montreal	50,424,206	**83,354,381**
Accrued interest payable	51,137,833	**136,061,750**
Other liabilities	8,828,494	**23,712,800**
Minority interest—Bank of Montreal	—	**7,994,000**
Total Liabilities	1,625,946,437	**2,951,466,499**
Shareholders' Equity		
Capital stock		
Common shares	50,000	**83,353,100**
Preferred shares	112,297,600	**53,998,000**
Retained earnings	718,239	**175,201**
Total Shareholders' Equity	113,065,839	**137,526,301**
Total Liabilities and Shareholders' Equity	$ 1,739,012,276	**$ 3,088,992,800**

Bank of Montreal Realty Inc.
(Formerly Bankmont Realty Company Limited)
(Incorporated under the laws of Canada)

Condensed Consolidated Statement of Assets and Liabilities

AS AT OCTOBER 31

	1980	1981
Assets		
Income-producing properties, at cost, less accumulated depreciation and amortization	$ 67,424,484	$ **170,923,581**
Cash	—	**289,923**
Other assets	1,663,714	**4,537,503**
Total Assets	69,088,198	**175,751,007**
Liabilities		
Borrowings		
Mortgages	1,516,384	**2,184,142**
Notes due 1988	50,000,000	**50,000,000**
Sinking fund debentures due 2000	—	**100,000,000**
Bank of Montreal	5,618,207	**4,166,107**
Other liabilities	2,894,032	**9,135,856**
Total Liabilities	60,028,623	**165,486,105**
Shareholders' Equity		
Capital stock	5,005,002	**5,005,108**
Contributed surplus	3,946,971	**4,745,821**
Retained earnings	107,602	**513,973**
Total Shareholders' Equity	9,059,575	**10,264,902**
Total Liabilities and Shareholders' Equity	$ 69,088,198	$ **175,751,007**

Bank of Montreal Realty Finance Ltd.
(Formerly BM-RT Ltd.)
(Incorporated under the laws of Quebec)

Condensed Statement of Assets and Liabilities (Note 11)

AS AT OCTOBER 31

		1981
Assets		
Loans to BMRI Realty Investments		
Due within one year	$	182,288,148
Due beyond one year		173,595,000
		355,883,148
Cash		312,991
Accounts and investment income receivable		10,676,730
Investment in trust units of BMRI Realty Investments, at cost		5,000,000
Other assets		1,835,214
Total Assets		373,708,083
Liabilities		
Borrowings		
Due within one year		152,670,084
Due beyond one year		177,045,000
Bank of Montreal		26,085,183
		355,800,267
Accrued interest payable		12,565,280
Other liabilities		55,430
Total Liabilities		368,420,977
Shareholders' Equity		
Capital stock		
Common shares		2,500,010
Preferred shares		2,500,000
Retained earnings		287,096
Total Shareholders' Equity		5,287,106
Total Liabilities and Shareholders' Equity	$	373,708,083

Canadian-Dominion Leasing Corporation Limited

(Incorporated under the laws of Ontario)

Condensed Consolidated Statement of Assets and Liabilities

AS AT OCTOBER 31

	1980	1981
Assets		
Investment in leases— less unearned income of $78,477,107 (1980—$80,757,992)	$ 262,515,235	**$ 236,795,386**
Advances and other receivables	8,586,178	**7,555,798**
Cash and short term deposits	15,156,447	**—**
Due from Canadian Vehicle Leasing Ltd.	—	**37,389,197**
Other assets	1,469,664	**717,295**
Total Assets	287,727,524	**282,457,676**
Liabilities		
Borrowings		
Short term notes	67,487,120	**85,434,638**
Long term notes	184,589,164	**156,760,000**
Bank of Montreal	24,667,448	**26,376,326**
Other liabilities	6,574,155	**11,486,486**
Total Liabilities	283,317,887	**280,057,450**
Shareholders' Equity		
Capital stock	5,000,000	**5,000,000**
Contributed surplus	122,100	**122,100**
Retained earnings (deficit)	(712,463)	**(2,721,874)**
Total Shareholders' Equity	4,409,637	**2,400,226**
Total Liabilities and Shareholders' Equity	$ 287,727,524	**$ 282,457,676**

Auditors' Report

To the Shareholders of the Bank of Montreal

We have examined the statements of assets and liabilities of the controlled corporations as at October 31, 1981. Our examinations were 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, the accompanying condensed consolidated statements of assets and liabilities present fairly the financial position of the corporations as at October 31, 1981.

Peat, Marwick, Mitchell & Co.

Touche Ross & Co.

Chartered Accountants

Montreal, November 24, 1981

Bank of Montreal

The following summary of significant accounting policies and practices of the Bank of Montreal is presented to aid the reader in understanding the financial statements. These accounting policies and practices incorporate requirements of the Bank Act of 1967 together with regulations issued thereunder by the Minister of Finance concerning the form and content of the financial statements.

Revised accounting policies and practices prescribed by the Bank Act of 1980 are applicable to the fiscal year commencing November 1, 1981 and will be applied in the Bank's financial statements for that year.

Basis of Consolidation

The assets and liabilities and results of operations of wholly-owned banking subsidiaries are reported in the financial statements of the Bank on a consolidated basis.

Investments in shares of non-consolidated controlled corporations are carried at cost or at cost less amounts written off where there has been a reduction in the underlying value of the investment. Amounts written off are reported in the Statement of Accumulated Appropriations for Losses. Income is recognized by the Bank as dividends are declared. Condensed Statements of Assets and Liabilities of these corporations are shown separately in the financial statements.

The Bank accounts for the acquisition of banking subsidiaries on the purchase method. Under this method the difference between the cost of the investment and book value of net assets acquired is added to or deducted from other assets and amortized over a period not exceeding 40 years or written off when value no longer exists.

Appropriation for Possible Losses

The Bank makes an appropriation from balance of revenue after provision for income taxes in respect of possible unforeseen future losses on loans, securities and other assets. This is reported as an appropriation in the Statement of Accumulated Appropriations for Losses. This is in addition to the specific provisions for losses on loans that have been deducted from the value of loans as reported on the balance sheet.

Securities

Securities issued or guaranteed by Canada and the provinces are recorded at amortized value. Other securities are recorded at the lower of cost or market with the exception of trading account securities which are recorded at market value.

Gains and losses resulting from disposals and write-downs to market of securities held in the Bank's investment account are reported in the Statement of Accumulated Appropriations for Losses. Gains and losses resulting from disposals and valuations to market of securities held in the Bank's trading account are reported in income from securities in the Statement of Revenue and Expenses.

Loans

Loans are recorded at principal amounts less unamortized discount, where applicable, and less specific provision for losses.

The provision for losses on loans reported in other operating expenses in the Statement of Revenue and Expenses is an amount determined by calculating the ratio of the most recent five years including the current year of loan loss experience to the most recent 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 actual loss experience on loans for the year and the provision for losses on loans is reported in the Statement of Accumulated Appropriations for Losses.

Interest revenue is recorded on the accrual basis. Accrued but uncollected interest is reversed whenever loans are placed on a non-current basis. The Bank classifies a loan as non-current when, in the opinion of management, there is significant doubt as to collectability, either in whole or in part, or where the borrower has not paid interest on the loan at the agreed rate of return throughout a period of two years.

Bank Premises
Depreciation on bank premises is calculated using varying rates which amortize the cost of the assets less their estimated residual value over their expected useful lives. Gains and losses on the disposals of fixed assets are reported in the Statement of Accumulated Appropriations for Losses.

Acceptances, Guarantees and Letters of Credit
The contingent liability of the Bank under acceptances, guarantees and letters of credit is reported as a liability in the 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.

Translation of Foreign Currencies
Assets and liabilities in foreign currencies are translated into Canadian dollars at exchange rates prevailing at year-end. Revenue and expenses are translated at the average exchange rates prevailing throughout the year.

Realized and unrealized gains and losses on foreign currency positions held in the Bank's trading account are reported in other operating revenue in the Statement of Revenue and Expenses. Realized gains and losses and unrealized losses on positions of a capital nature are reported in the Statement of Accumulated Appropriations for Losses; unrealized gains are deferred.

1 Cash and Due from Banks

($ in thousands)	1980	1981
Non-interest bearing		
Cash and deposits with Bank of Canada	$ 1,139,759	**$ 1,283,241**
Operating balances with banks	183,571	**477,412**
	1,323,330	**1,760,653**
Interest bearing deposits	2,761,344	**7,664,788**
Interest bearing loans	3,647,314	**1,898,037**
	$ 7,731,988	**$ 11,323,478**

2 Securities

($ in millions)	1980	1981					
			Maturity				
	Total	**Total**	Within 1 year	Over 1 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Over 10 years
Investment Securities Issued or Guaranteed by							
Government of Canada	$1,913.4	**$2,178.4**	$2,087.4	$ 82.7	$ 8.3	$ —	$ —
Provincial Governments	71.1	**53.1**	29.2	4.6	17.6	—	1.7
Municipalities and School Corporations	34.1	**21.7**	9.6	9.1	1.8	—	1.2
Debt of Canadian Issuers							
Floating Rate Income Debentures	730.6	**652.2**	18.8	161.6	107.9	363.9	—
Fixed Rate Income Debentures	108.0	**104.4**	1.3	12.7	—	90.4	—
Floating Rate Small Business Development Bonds	—	**155.1**	—	—	155.1	—	—
Other	36.9	**20.9**	2.9	—	10.8	0.1	7.1
Debt of Foreign Issuers	139.0	**193.1**	39.9	87.8	44.3	19.6	1.5
Total Debt Securities	$3,033.1	**$3,378.9**	$2,189.1	$358.5	$345.8	$474.0	$11.5
Equity of Canadian Issuers							
Floating Rate Preferred Shares[1]	1,141.9	**1,193.9**					
Other	164.2	**162.1**					
Equity of Foreign Issuers	58.7	**60.3**					
Total Investment Securities	4,397.9	**4,795.2**					
Trading Securities	39.4	**17.8**					
Total Securities	$4,437.3	**$4,813.0**					

[1]Of which $825,418,685 (1980—$870,651,545) is guaranteed by third parties.

3 Other Loans

($ in thousands)	1980 Book Value (Net of Specific Provision)	**1981 Book Value (Net of Specific Provision)**
N.H.A. and conventional mortgages	$ 2,514,123	**$ 2,272,440**
Provincial governments	41,368	**97,816**
Municipalities and school corporations	293,040	**331,402**
Others in Canadian currency	16,989,978	**20,973,561**
Others in foreign currencies	9,994,382	**15,618,637**
	$ 29,832,891	**$ 39,293,856**

During the year the Bank sold mortgages with a book value of $925,351,691 (1980—$808,602,695) to its subsidiary, Bank of Montreal Mortgage Corporation.

4 Bank Premises

($ in thousands)	1980 Net Book Value	**1981** Cost	Accumulated Depreciation	**Net Book Value**
Land	$ 33,413	$ 4,339	$ —	**$ 4,339**
Buildings	73,932	24,350	3,692	**20,658**
Properties under development	49,623	94,421	—	**94,421**
Equipment	72,080	242,177	155,754	**86,423**
Leasehold interests and improvements	64,340	—	—	**101,885**
	$ 293,388			**$ 307,726**

The Bank has sold all its developed properties in Canada at net book values to Bank of Montreal Realty Inc., a wholly owned subsidiary established to own and lease such properties to the Bank. In 1981 properties sold aggregated $99,691,000 (1980—$52,448,000).

5 Securities of and Loans to Corporations Controlled by the Bank

($ in thousands)	1980	**1981**
Investment in shares		
Bank of Montreal Mortgage Corporation	$ 58,350	**$ 83,350**
Bank of Montreal Realty Inc.	8,952	**9,751**
Bank of Montreal Realty Finance Ltd.	—	**4,542**
Canadian-Dominion Leasing Corporation Limited	4,410	**4,410**
Loans to		
Bank of Montreal Mortgage Corporation	50,424	**83,354**
Bank of Montreal Realty Inc.	5,618	**4,166**
Bank of Montreal Realty Finance Ltd.	—	**26,085**
Canadian-Dominion Leasing Corporation Limited	24,667	**26,376**
	$ 152,421	**$ 242,034**

6 Acceptances, Guarantees and Letters of Credit

($ in thousands)	1980	1981
Acceptances	$ 1,673,331	**$ 1,628,692**
Guarantees		
Controlled corporations	1,783,354	**2,702,958**
Other	687,611	**1,040,446**
Letters of credit	771,702	**923,135**
	$ 4,915,998	**$ 6,295,231**

7 Debentures Issued and Outstanding

($ in thousands)	Interest Rate(%)	Redeemable at the option of the Bank beginning	1980	1981
Series A, maturing in 1992	7.50	April, 1986	$ 3,663	**$ 3,590**
Series B, maturing in 1982	7.75	—	3,870	**3,870**
Series C, maturing in 1987	7.25	February, 1983	1,041	**1,016**
Series E, maturing in 1982	9.00	September, 1981	50,000	**50,000**
Series 1, maturing in 1984	9.00	—	50,000	**50,000**
Series 2, maturing in 1984	9.25	—	75,000	**75,000**
Floating Rate Series 3, maturing in 1989	18.12*	April, 1984	75,000	**75,000**
Floating Rate Series 4, maturing in 1991	19.32*	August, 1984	125,000	**125,000**
Floating Rate Series 5, maturing in 1990	16.75*	December, 1985	—	**119,990**
Floating Rate Series 6, maturing in 1991	17.06*	October, 1988	—	**149,987**
			$ 383,574	**$ 653,453**

Floating rate Series 5 and 6 debentures are denominated in U.S. currency amounting to U.S. $100 million and U.S. $125 million respectively.

The debentures are direct unsecured obligations of the Bank and are subordinated in right of payment to the claims of depositors and certain other creditors of the Bank. In accordance with the formula prescribed in the Bank Act, the Bank has the capacity, as of November 1, 1981, to issue an additional $313.7 million of debentures. Subsequent to October 31, 1981 the Bank issued U.S. $150 million, of 10 year, fixed rate debentures. See Note 15.

*Interest rate as at October 31, 1981

8 Capital Stock and Rest Account
($ in thousands)

	Capital Stock				
	Numbers of Shares				
	Common Shares				
	Issued and Fully Paid	Partly Paid	Preferred Shares	Amount	Rest Account
October 31, 1979	48,816,963	—	—	$ 97,634	$ 893,778
Proceeds from 1980 rights offering					
Proceeds from fully paid shares	4,533,592	—	—	9,067	97,472
Proceeds from partly paid shares	—	1,040,260	—	1,658	17,825
Direct costs of issue net of related tax	—	—	—	—	(1,283)
Shares not subscribed for by shareholders in 1980 rights offering, issued in connection with the acquisition of a Brazilian banking subsidiary	1,400,000	—	—	2,800	30,100
Retained earnings of Bank of Montreal Trust Company at October 31, 1979	—	—	—	—	4,345
Transfer from undivided profits	—	—	—	—	101,600
October 31, 1980	54,750,555	1,040,260	—	111,159	1,143,837
Final proceeds from partly paid shares relating to 1980 rights offering	1,040,260	(1,040,260)	—	423	4,541
Proceeds from					
Shareholder dividend reinvestment plan and share purchase plan	418,344	—	—	836	10,218
Stock dividend plan	90,007	—	—	180	2,132
Proceeds from issue of $2.85 Class A Convertible Preferred Shares, Series 1	—	—	5,800,000	200,100	—
Direct costs of issue, net of related tax	—	—	—	—	(3,511)
Transfer from undivided profits	—	—	—	—	148,300
October 31, 1981	56,299,166	—	5,800,000	$ 312,698	$ 1,305,517

In 1981, the Bank introduced plans under which eligible holders of common shares and preferred shares may elect to receive their dividends in common shares or to reinvest cash dividends in common shares at 95% of the average market price of the Bank's common shares. In addition, eligible shareholders may invest up to $5,000 per quarter in new common shares at 100% of the average market price.

Subsequent to October 31, 1981 the Bank has undertaken to issue $175 million $25 preferred shares with warrants. See Note 15.

On October 27, 1981 the Bank announced a proposal to permit holders of Series 1 and Series 2 debentures to convert their securities into common shares of the Bank during the specified period. See Note 15.

Earnings per common share have been calculated on the monthly average equivalent of fully paid shares outstanding.

The average number of common shares outstanding for the year ended October 31, 1981 was 55,898,341 (1980—51,993,052).

Fully diluted earnings for the year were $6.07 per common share (1980—$5.06) and have been calculated on the basis that all outstanding:

- Class A convertible preferred shares series 1 had been converted into common shares on April 30, 1981 (the date of issue) on the basis of one common share for each preferred share outstanding.
- $95,811,000 principal amount 11.75% exchangeable debentures of Bank of Montreal Mortgage Corporation (BMMC) had been exchanged for common shares of the Bank at a rate of 1 common share per $33 principal amount of BMMC Debentures dated September 8, 1981.

9 Provision for Income Taxes

($ in thousands)	1980	1981
Statement of Revenue and Expenses		
Current	$ 62,603	**$ 96,444**
Deferred	(6,503)	**2,656**
	56,100	**99,100**
Statement of Accumulated Appropriations for Losses		
Current	12,843	**1**
Deferred	(54,750)	**(50,300)**
	(41,907)	**(50,299)**
Rest Account (Note 8)		
Current	(1,300)	**(3,632)**
	(1,300)	**(3,632)**
Net provision for income taxes	$ 12,893	**$ 45,169**

Total revenue for the year includes $222,697,000 of income from securities of Canadian corporations (1980—$184,222,000) representing after-tax payments from Canadian corporations, not subject to additional tax, in the hands of the Bank.

10 Accumulated Appropriations for Losses

Additions to and deductions from Accumulated Appropriations for Losses relating to loans, mortgages and securities held for investment and other items are comprised of the following:

($ in thousands)	1980	1981
Loans		
Loss experience for the year on loans (Net new reservations for losses on loans less recoveries of loans previously written off)	$ (142,932)	**$ (238,173)**
Provision for losses on loans based on five-year average loss experience included in other operating expenses in the Statement of Revenue and Expenses	116,598	**184,861**
Net deduction from Accumulated Appropriations for Losses	$ (26,334)	**$ (53,312)**
Mortgages and Securities held for Investment		
Net gains (losses) on disposals of		
Government of Canada securities	$ (9,421)	**$ —**
Provincial Government securities	(152)	**—**
Mortgages	(23,563)	**—**
Other securities	(2,874)	**(2,383)**
Reduction in carrying value of investments in controlled corporations	(14,060)	**—**
Net change in specific provision on stocks and securities to adjust to values not exceeding market	(272)	**(16,255)**
Net deduction from Accumulated Appropriations for Losses	$ (50,342)	**$ (18,638)**
Other items		
Net gains (losses) on disposals of foreign exchange positions of a capital nature	$ 245	**$ (812)**
Net gains on disposals of bank premises	1,257	**4**
Loss experience on loans to other banks less provision included in the Statement of Revenue and Expenses	(4,175)	**(18,454)**
Miscellaneous	(1,347)	**(2,725)**
Net deduction from Accumulated Appropriations for Losses	$ (4,020)	**$ (21,987)**

11 Bank of Montreal Realty Finance Ltd.

Effective September 21, 1981, the Bank increased its holding in BM-RT Ltd. from 49.9% to 100%. Accordingly only 1981 figures are shown in the Condensed Statement of Assets and Liabilities. On November 11, 1981, the Company's name was changed to Bank of Montreal Realty Finance Ltd.

12 Long-term Commitments for Leases

Rental expense under long-term non-cancellable leases for buildings and equipment for the year ended October 31, 1981 was $57,243,181 (1980 – $56,309,084). In addition rental expense of $24,358,000 was incurred for properties leased from Bank of Montreal Realty Inc. Future rental commitments for buildings and equipment involving annual rentals in excess of $25,000, excluding commitments to Bank of Montreal Realty Inc., are as follows:

($ in thousands)	Buildings	Equipment	Total
1982	$ 51,282	$ 9,191	$ 60,473
1983	48,815	7,903	56,718
1984	45,911	5,042	50,953
1985	42,759	822	43,581
1986	39,749	135	39,884

Thereafter the long-term commitment for leases amounts to approximately $610 million of which $437 million is attributable to the lease for First Canadian Place, Toronto.

13 Legal Proceedings

Legal proceedings against the Bank have been initiated in Alberta and British Columbia alleging that, in May 1979, the Bank, as a creditor, acted improperly in its appointment of the original receiver manager under debentures from Abacus Cities Ltd. ("Abacus") held by it. The action in Alberta was commenced in May 1981 by Thorne Riddell Inc., as trustee of the estate of Abacus (which is now in bankruptcy), against the Bank and the original receiver manager claiming $300 million. By agreement of counsel, the Alberta action is now in abeyance. The action in British Columbia was taken in May 1981 by three shareholders and former officers of Abacus who are claiming from the Bank and others, including Thorne Riddell, damages of approximately $1.4 billion. No statements of claim have been issued in the British Columbia litigation. The Bank has received a legal opinion that the Bank acted properly and has good defences to the British Columbia litigation. The Bank's Alberta counsel has advised that based upon their present knowledge of the facts, there is a reasonable defence against the imposition of any liability in the Alberta legal action and that no substantial damages ought to be awarded against the Bank in the event that the Alberta court found the Bank's debenture security was not enforceable.

14 Pension Fund

An actuarial valuation of the pension fund is performed every three years in accordance with statutory requirements. As at December 31, 1980, the date of the latest valuation, the pension fund was fully funded.

The amount charged to expense for employer's contributions for 1981 was $25.8 million (1980 – $21.4 million).

15 Subsequent Events

On October 27, 1981, the Bank announced that it was proposing to modify the terms of its Series 1 and Series 2 Debentures by adding a conversion option entitling the holders of such debentures to exchange their debentures for common shares of the Bank following the approval of the proposal by the holders of said series. A meeting of the Series 1 and Series 2 debenture-holders has been called for December 3, 1981. Once this modification is approved by the debenture-holders, holders of Series 1 and Series 2 debentures will be entitled to convert each $1000 debenture into 38 and 37 common shares respectively during a 30 day period.

On November 3, 1981, the Bank announced an agreement with underwriters for the sale of U.S. $150,000,000 16.25% Debentures, Series 7, due 1991.

On November 24, 1981, the Bank entered into an agreement for the sale to underwriters of 7,000,000 Class A Preferred Shares Series 2 with a stated value of $25 each for the sum of $169,750,000 after deducting underwriting commission.

The Pension Fund Society of the Bank of Montreal

Balance Sheet

AS AT DECEMBER 31, 1980

($ in thousands)

	1979	1980
Assets		
Cash and short term investments	$ 32,173	**$ 28,875**
Accounts receivable and accrued interest	5,881	**6,921**
	38,054	**35,796**
Investments (Note 2)	295,855	**343,297**
Total Assets	$333,909	**$379,093**
Liabilities		
Accounts payable	$ 1,980	**$ 3,376**
Capital		
Accumulated capital, being funds accumulated for the payment of pensions in future years	340,015	**379,667**
Unrealized gain (loss) on investments	(8,086)	**(3,950)**
Total Capital	331,929	**375,717**
Total Liabilities and Capital	$333,909	**$379,093**

Statement of Accumulated Capital

YEAR ENDED DECEMBER 31, 1980

($ in thousands)

	1979	1980
Income		
Interest	$ 26,222	**$ 27,925**
Dividends and rentals	3,120	**3,792**
Oil and gas properties	—	**1,402**
Gain on sale of investments	14,367	**9,645**
Gain on foreign exchange	32	**139**
	43,741	**42,903**
Contributions		
Bank	8,126	**9,773**
Members, net of refunds	1,143	**1,032**
	9,269	**10,805**
Total income and contributions	53,010	**53,708**
Pensions and annuities paid	13,536	**14,056**
Increase in capital	39,474	**39,652**
Accumulated capital at beginning of year	300,541	**340,015**
Accumulated capital at end of year	$340,015	**$379,667**

Statement of Unrealized Gain (Loss) on Investments

YEAR ENDED DECEMBER 31, 1980

($ in thousands)

	1979	1980
Balance at beginning of year	$ 9,193	**$ (8,086)**
Increase (decrease) during the year	(17,279)	**4,136**
Balance at end of year	$ (8,086)	**$ (3,950)**

Notes to Financial Statements

Year Ended December 31, 1980

1 Summary of Significant Accounting Policies

Investments other than oil and gas properties and leasebacks are stated at market value with the unrealized gains (losses) included in capital.

Oil and gas properties and leasebacks are stated at cost less accumulated amortization.

Discounts and premiums on mortgages, bonds and debentures are being amortized over their remaining terms to maturity.

2 Investments

($ in thousands)

	1979		**1980**	
	Market value	Book value	**Market value**	**Book value**
Common stocks				
Canadian	$ 59,302	$ 42,387	**$ 85,863**	**$ 57,672**
Foreign	20,844	18,286	**32,251**	**22,318**
Bonds and debentures				
Government of Canada	40,732	46,450	**46,421**	**54,914**
Provincial governments	23,061	26,868	**23,719**	**29,598**
Municipalities and schools	1,712	2,276	**1,600**	**2,277**
Corporate	74,202	86,277	**72,593**	**91,373**
Mortgages	57,880	61,444	**52,641**	**59,061**
Fund units	11,790	13,621	**11,505**	**13,621**
Real estate trust units	5,000	5,000	**5,499**	**5,208**
Leasebacks	1,332*	1,332	**1,302***	**1,302**
Oil and gas properties	—	—	**9,903***	**9,903**
	$295,855	$303,941	**$343,297**	**$347,247**

*at cost less accumulated amortization—market not available

3 Actuarial Valuation

An actuarial valuation of the pension fund is performed every three years in accordance with statutory requirements; however, the Bank's current policy requires an interim actuarial valuation to be carried out every year. As at December 31, 1979, the date of the latest interim valuation, the pension fund was fully funded.

Auditors' Report
To the Directors of The Pension Fund Society of The Bank of Montreal

We have examined the balance sheet of The Pension Fund Society of The Bank of Montreal as at December 31, 1980 and the statements of accumulated capital and unrealized gain (loss) on investments 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 financial statements present fairly the financial position of the Society as at December 31, 1980 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

THORNE RIDDELL

Chartered Accountants

Montreal, February 20, 1981.

10 Year Financial Highlights

($ in thousands except per common share and other statistic amounts)

	1972	1973
For the Year ended October 31		
Total Revenue	734,946	987,758
Total Expenses	616,289	856,189
Balance of Revenue	118,657	131,569
Income Taxes	55,132	63,067
Balance of Revenue after Income Taxes	63,525	68,502
Dividends	28,704	30,755
Salaries and Benefits paid to Employees	146,498	175,896
As at October 31		
Assets	11,323,389	14,409,288
Loans	6,981,553	8,701,829
Deposits	10,356,739	13,290,935
Debentures	90,000	140,000
Accumulated Appropriations for Losses	103,346	117,033
Shareholders' Equity	364,479	390,667
Total Shareholders' Equity and Accumulated Appropriations	467,825	507,700
Total Capital Funds	557,825	647,700
Per Common Share		
Balance of Revenue after Income Taxes	$1.86	$2.00
Dividends	$0.84	$0.90
Other Statistics		
Average Number of Shares Outstanding	34,171,875	34,171,875
Number of Employees	20,172	22,008
Number of Shareholders	44,757	47,777

The valuation day (December 22, 1971) value of the Bank's capital stock for capital gains tax purposes as published by the Department of National Revenue, Taxation, is $18.50.

1974	1975	1976	1977	1978	1979	1980	**1981**
1,582,865	1,705,816	1,798,722	2,008,099	2,588,832	3,823,264	5,217,601	**8,486,830**
1,473,872	1,510,081	1,623,888	1,792,375	2,296,516	3,537,868	4,898,327	**8,029,197**
108,993	195,735	174,834	215,724	292,316	285,396	319,274	**457,633**
52,500	93,600	78,900	93,700	98,800	56,700	56,100	**99,100**
56,493	102,135	95,934	122,024	193,516	228,696	263,174	**358,533**
32,805	32,805	35,181	40,280	47,954	64,200	81,570	**110,200**
221,859	273,963	327,146	359,964	399,919	439,348	496,514	**597,136**
17,650,974	18,242,634	20,492,379	25,175,395	32,090,136	38,180,278	48,842,110	**63,779,888**
10,625,900	12,314,667	14,128,978	17,122,112	21,336,139	24,791,688	30,550,101	**39,775,696**
16,088,762	16,550,477	18,577,969	23,025,331	29,034,941	33,756,648	41,794,791	**54,566,125**
190,000	190,000	240,000	203,870	282,790	433,791	383,574	**653,453**
105,703	122,658	146,949	197,286	256,932	259,024	300,234	**356,596**
402,855	451,185	541,204	665,846	867,671	991,570	1,255,159	**1,618,411**
508,558	573,843	688,153	863,132	1,124,603	1,250,594	1,555,393	**1,975,007**
698,558	763,843	928,153	1,067,002	1,407,392	1,684,385	1,938,966	**2,628,460**
$1.65	$2.99	$2.71	$3.18	$4.48	$4.72	$5.06	**$6.27**
$0.96	$0.96	$0.98	$1.03	$1.09	$1.32	$1.54	**$1.80**
34,171,875	34,171,875	35,380,014	38,339,484	43,210,911	48,480,472	51,993,052	**55,898,341**
24,231	26,114	26,887	26,727	26,481	26,378	26,904	**28,582**
49,756	51,253	52,452	55,969	57,259	54,582	55,515	**58,455**

Capital Stock
At October 31, 1981 the Bank had two types of shares outstanding: Class A Convertible Preferred Shares Series 1 and Common Shares. The preferred shares pay cumulative preferred dividends at an annual rate of $2.85 per share and are convertible at the option of the holder at any time prior to May 26, 1991 on a one-for-one basis (subject to adjustment for certain events). In December 1981, the Bank issued a new series of shares referred to as Class A Preferred Shares Series 2. These shares pay cumulative preferred dvidends at an annual rate of $2.50 per share and entitle holders to receive two common share purchase warrants.

Listing of Stock
The common shares of the Bank are listed on the Montreal, Toronto, Winnipeg, Alberta, and Vancouver Stock Exchanges in Canada and The Stock Exchange, London, England. The shares list under the following stock symbols: 'BMO' for the common stock and 'BMOU' for the preferred shares.

Stock Prices
The following table sets forth the high and low closing sale prices on the Toronto Stock Exchange of the common shares of the bank for the periods indicated:

Year	High	Low	Volume
1976	$17.5	$13.25	3,066,800
1977	18.125	13.625	3,756,500
1978	26.125	17.375	7,848,300
1979	27.50	21.375	6,208,000
1980	34.75	22.50	8,458,828
1981 Jan. 1-Oct. 31	33.50	23.50	4,965,365

Transfer Agent and Registrar
The principal transfer agent for both the common and preferred shares of the Bank is The Royal Trust Company at its principal offices in Halifax, Montreal, Toronto, Winnipeg, Regina, Calgary and Vancouver. The Royal Trust Company also acts as registrar for these shares.

Dividends
The Bank declared total dividends per common share of $1.80 during the 1981 fiscal year and $1.54 for the 1980 fiscal year. The fourth quarter dividend on common shares of $0.48 is equivalent to a yearly dividend rate of $1.92.

Dividend Options
Shareholders of common and preferred shares are eligible to participate in the Bank's Shareholder Dividend Reinvestment and Share Purchase Plan and Stock Dividend Program. These programs provide a means for holders of record of Common Shares or of any eligible series of Class A Preferred Shares of the Bank to invest cash dividends and optional cash payments in new Common Shares of the Bank.
Shareholders not wishing to participate in the Dividend Reinvestment Plan or the Stock Dividend Program can choose to have dividends deposited directly to an account in any financial institution which provides electronic funds transfer facilities.

Restraints on Bank Shares Under the 1980 Bank Act
The Bank Act contains restrictions on the ownership of shares of the Bank. These restrictions limit ownership of shares by all non-residents to a maximum of 25% of any class of shares. These restrictions also do not allow any individual to own more than 10% of any class of shares and prohibit ownership of the Bank's shares by Canadian or foreign governments.

Distribution of Shareholders
The following table indicates the distribution of shareholders by country of residence at October 31, 1981:

	Shareholders
Canada	97.0
United States	1.3
Other	1.7
	100.0

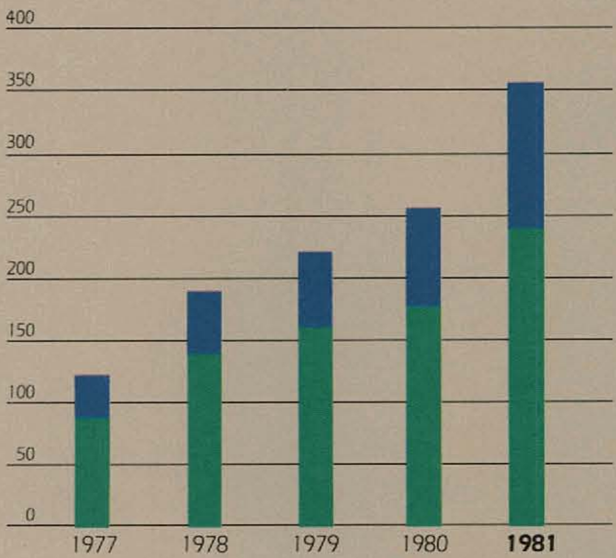
Copies of Annual Report
Additional copies of this Annual report may be obtained by contacting the Bank's Public Affairs Department, 119 St. James St., Montreal, Quebec H2Y 1L6, or any Division Headquarters in Canada.
(See listing at the back of this report).

Management Analysis of Operations

Prepared in Accordance with the Bank Act of 1967

Bank of Montreal had a successful year in 1981. Total assets increased by $14.9 billion, representing a growth rate of over 30% per annum. The most widely recognized measure of performance is the return on total average assets and for the Bank this rose to 0.64% in 1981 compared to 0.62% in the preceding year. Considering the difficulties of asset and liability management in a year characterized by widely fluctuating interest rates, the challenge of credit management in a generally unfavourable economic climate and the continuing pressure of inflation on operating expenses, the Bank's performance for the year can be considered as satisfactory.

The following analysis of the financial results for 1981 is based on the annual statements prepared in accordance with the Bank Act of 1967. The assets and income of the Bank have been divided into 'Domestic' and 'International' components in this section of the report. Domestic encompasses all business handled in Canada with the exception of the Canadian Division of the International Banking Group and the International Money Management and Foreign Exchange Departments of the Treasury Division located in Toronto. International refers to the operations of our International Banking Group, including its Canadian Division, and the International Treasury function. Earnings attributed to equity capital, as well as Head Office expenses, have been allocated to each of these two components in proportion to average assets employed.



34.9	51.0	62.7	81.7	**115.6**	International
87.1	142.5	166.0	181.5	**242.9**	Domestic
122.0	193.5	228.7	263.2	**358.5**	Total Bank

Balance of Revenue After Tax
($ in millions)

For 1981, balance of revenue after provision for income tax was $358.5 million, an increase of $95.3 million or 36.2% over the previous year. Growth in average assets was the principal reason for the increase in earnings as interest margins generally continued to come under downward pressure.

Earnings from Domestic operations, which include those in foreign currencies, increased by $61.5 million during 1981 to $242.9 million, an increase of 33.9%. There was an improvement in return on average assets from 0.60% to 0.66%, which was the primary reason for the increase in Domestic earnings. Average Domestic assets rose by 22.2% as loan growth experienced during the year was more moderate compared to the prior year.

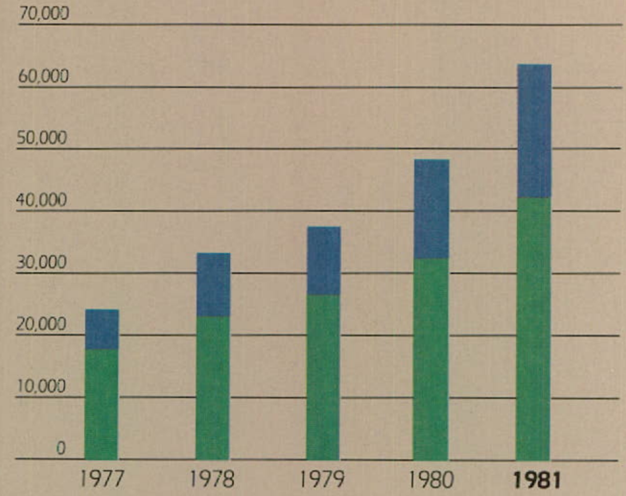
International earnings for the year were $115.6 million, 41.5% higher than the previous year. Continued pressure on margins and increased competition among banks in the international markets caused a decline in return on average assets in International operations of 7 basis points to 0.60%.

Total Assets
($ in millions)

At October 31, 1981 total assets were $63.8 billion, an increase of $14.9 billion or 30.6% over the preceding year end. Over the past five years, total assets have grown at a compound rate of 25.5% per year.

In 1981 Domestic assets rose $8.7 billion which represents a growth of 26.7%, somewhat higher than in recent years and reflecting the strong loan demand experience during the early part of the year.

International assets increased by 38.5% in 1981 with approximately one half of this growth in commercial loans and the remainder in deposits with banks. At October 31, 1981, International assets accounted for 35.2% of the total, compared to 33.2% at the preceding year end.

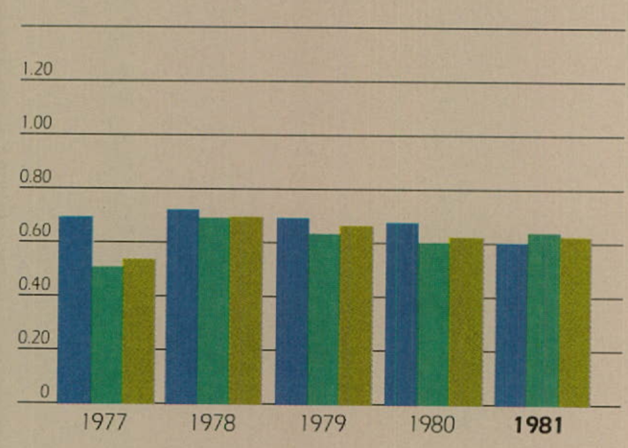


	1977	1978	1979	1980	1981
International	6,360	8,432	10,859	16,204	**22,438**
Domestic	18,815	23,658	27,321	32,638	**41,342**
Total Assets	25,175	32,090	38,180	48,842	**63,780**

Return on Average Assets
(percentage)

The improvement from 0.62% to 0.64% in return on average assets during 1981 was principally a result of the increased return on Domestic assets. The return on Domestic assets of 0.66% in 1981 is in line with the average of recent years and represents a recovery from the relatively low return experienced in 1980. Fluctuations in Domestic interest rates throughout the year were reflected more quickly in the yield on prime rate based advances than in deposit costs where the impact was delayed until the short term portion matured and was replaced by current cost term funds.

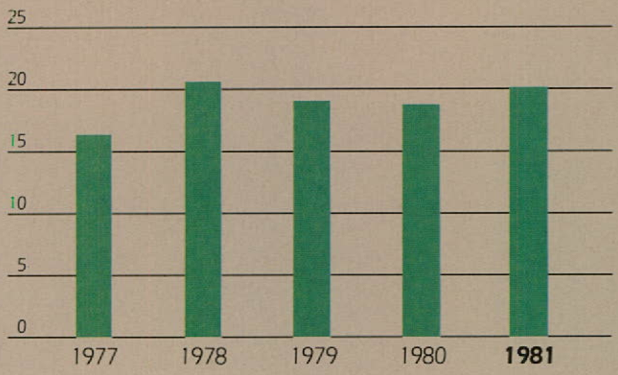
The rate of return on International assets declined from 0.67% in 1980 to 0.60% in 1981. Over the past few years the Bank has experienced higher returns on International assets than Domestic assets. Primary factors in the decline in International profitability are the strong competition among major banks in pricing loans in key markets and the generally poor economic conditions prevelant in several areas of the world.



	1977	1978	1979	1980	1981
International	0.68	0.72	0.68	0.67	**0.60**
Domestic	0.50	0.68	0.64	0.60	**0.66**
Total Bank	0.54	0.69	0.65	0.62	**0.64**

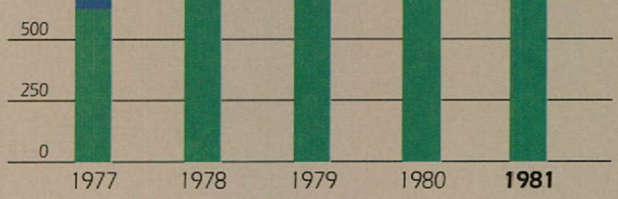
863	1,125	1,251	1,555	**1,975**	Shareholders' Equity and Accumulated Appropriations—October 31 ($ in millions)
738	944	1,213	1,414	**1,792**	Average Shareholders' Equity and Accumulated Appropriations[1] ($ in millions)
16.5	20.5	18.9	18.6	**20.0**	Balance of Revenue after Taxes as a Percentage of Average Shareholders' Equity and Accumulated Appropriations[1]

[1]Includes paid-up capital, rest account undivided profits and accumulated appropriations for losses



Return on Shareholders' Equity and Accumulated Appropriations
(percentage)

Shareholders' equity as at October 31, 1981 was $1,618 million, increasing $363 million during the fiscal year through retained earnings, the proceeds of a convertible preferred share issue and the common shares issued under the dividend re-investment plan. The return on average shareholders' equity and accumulated appropriations for losses is a measure of the overall profitability of shareholders' investment in the Bank. In order to attract investors' funds, the return on shareholders' equity must be competitive with other forms of investment opportunity. The return for fiscal 1981 was 20.0%, an increase of 1.4% from the preceding fiscal year. Over the last five years, this ratio has varied from a high of 20.5% in 1978 to a low of 16.5% in 1977.



Net Interest Earnings
($ in millions)

Net interest earnings represents the difference between interest and dividend income on funds employed and interest expense incurred on deposits and debentures. For certain assets income is received on an after-tax basis and this revenue is adjusted to a pre-tax equivalent in presenting net interest earnings on a taxable equivalent basis.

Net interest earnings for 1981 were $1,591 million representing an increase of 32.1% over 1980, compared to an increase of 32.3% in average assets.

In International operations, net interest earnings rose 51.2% to $319 million. The effect of growth in average assets was offset in part by generally narrower margins on advances.

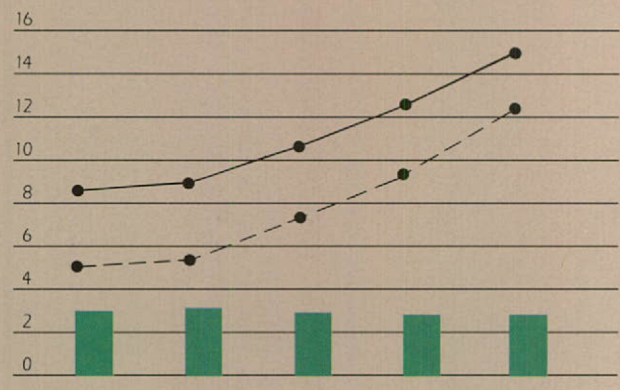
The increase of 28.1% in Domestic net interest earnings was attributable to a combination of asset growth and temporarily improved margins during a period of generally rising interest rates.

703	837	891	1,017	**1,361**	Net Interest Earnings—as reported
					Net Interest Earnings—taxable equivalent
93	132	167	211	**319**	International
625	779	866	993	**1,272**	Domestic
718	911	1,033	1,204	**1,591**	Total Bank

Taxable Equivalent Spread
(percentage)

For 1981, taxable equivalent spread was 2.84%, unchanged from 1980. International operations showed a decline in spread in 1981 from 1.74% to 1.67% as a result of strong competition among lending institutions in key markets and the effect of current Bank policies in respect of the quality, average term and diversification of the International loan portfolio.

In Domestic operations, spread improved in 1981 by 0.16% due to the effect of increasing interest rates in the first and third quarters. There was a substantial compression of spread in the fourth quarter as the prime rate began to decline. Over the last five years, taxable equivalent spread for the Bank as a whole has remained in the range of 3.23% to 2.84%.

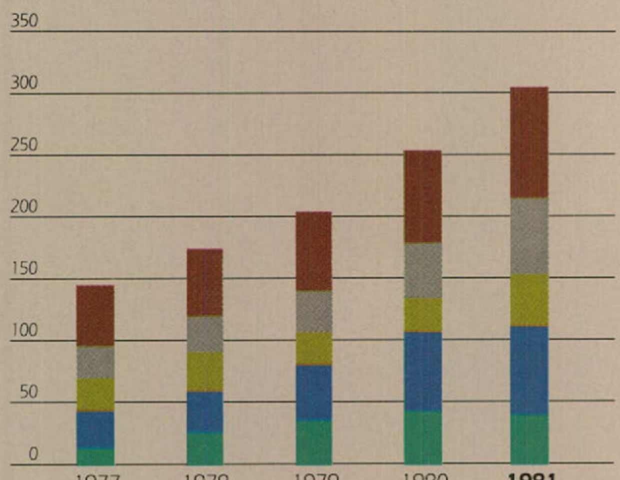


	1977	1978	1979	1980	**1981**
Average Prime Rate	8.77	9.07	12.17	14.29	**18.91**
——— Income from loans and securities as a percentage of average assets (taxable equivalent basis)	8.32	8.83	10.68	12.15	**15.00**
- - - - - Interest on deposits and bank debentures as a percentage of average assets	5.14	5.60	7.74	9.31	**12.16**
Taxable equivalent spread	3.18	3.23	2.94	2.84	**2.84**
International	1.80	1.86	1.81	1.74	**1.67**
Domestic	3.59	3.69	3.33	3.28	**3.44**

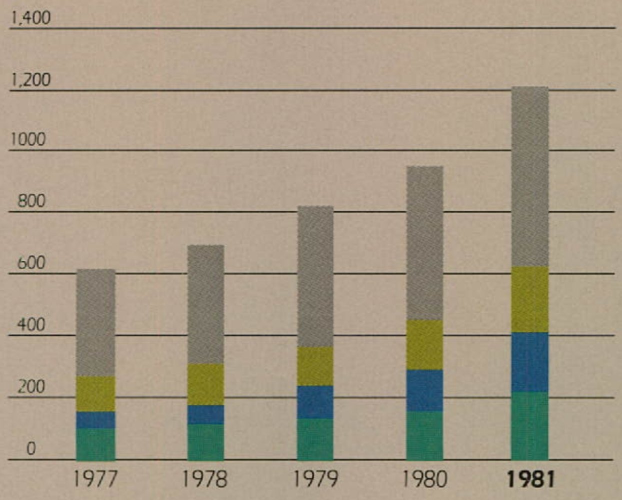
Non-Interest Revenue
($ in millions)

Non-interest revenue includes all income other than interest earned on investments, deposits with banks and commercial loans and mortgages. The chart opposite illustrates the growth of the major categories of non-interest revenue.

The largest percentage growth during 1981 came in MasterCard fees, which at $57.7 million were 30.0% over 1980. This reflects a revised merchant discount structure as well as a general increase in the volume of transactions. Foreign exchange earnings in 1981 improved by $9.5 million or 28.1% over 1980 as the Bank's Treasury Division successfully managed its currency positions in a highly volatile market. Revenues from loan fees, commitments and guarantees, increased by $16.9 million in 1981. The use of FirstBank Acceptances, on which the Bank receives a stamping fee, expanded significantly at certain times in 1981 as the relative interest rate compared to prime rate made it advantageous for corporate customers.



	1977	1978	1979	1980	**1981**
Service Charges	50.5	54.1	61.0	72.5	**87.4**
MasterCard Fees	21.9	27.2	34.9	44.4	**57.7**
Foreign Exchange	27.8	30.2	30.3	33.8	**43.3**
Loan Fees, Fees for Standby Commitments, Guarantees and Letters of Credit	30.6	33.6	41.3	57.7	**74.6**
Other	15.0	28.3	37.2	43.4	**40.5**
Total	145.8	173.4	204.7	251.8	**303.5**



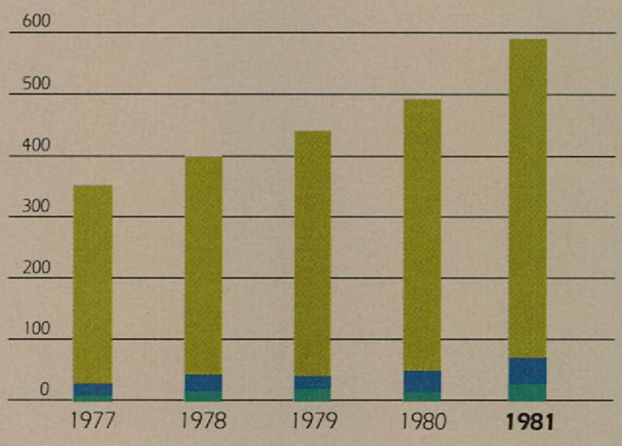
Non-Interest Expense

($ in millions)

The total non-interest expense of $1,206.6 million for 1981 was 27.1% higher than 1980, compared to a growth in average assets of 32.3%. Non-interest expense as a percentage of average assets declined from 2.24% in 1980 to 2.15% in 1981. This ratio has reduced in each of the past five years.

Property expenses, which include depreciation, rental on leasehold premises and other property maintenance costs were $204.6 million in 1981, an increase of $45.3 million or 28.5% over 1980. A major factor in this increase is the transfer of bank real estate to a wholly-owned subsidiary and the leasing back of these properties at fair market rentals.

360.0	399.9	439.3	496.5	**597.1**	Employee Expenses
113.0	127.0	134.5	159.2	**204.7**	Property Expenses
44.2	60.4	86.7	116.6	**184.9**	Provision for Loan Losses
115.4	131.2	149.7	176.8	**219.9**	Other Expenses
632.6	718.5	810.2	949.1	**1,206.6**	Total



Employee Expense

($ in millions)

The main elements of employee expense are shown for the past five years. The total number of employees has increased by 1,695 or 6.3% over the five years. Inflation is the primary contributor to the 61.9% increase in salary expense over the same period.

The Bank continues to improve the benefits package to employees particularly in the area of pension entitlements. The Bank's payments to the pension funds and related benefits in 1981 were $34.6 million, an increase of 19.3% over 1980.

331.4	358.1	399.1	452.6	**536.4**	Salaries
20.6	28.4	23.7	29.0	**34.6**	Pension and Retirement Allowances
7.8	13.4	16.5	14.9	**26.1**	Other
360.0	399.9	439.3	496.5	**597.1**	Total
26,727	26,481	26,378	26,904	**28,582**	Number of Employees

Loan Loss Experience
(as a percentage of eligible loans)

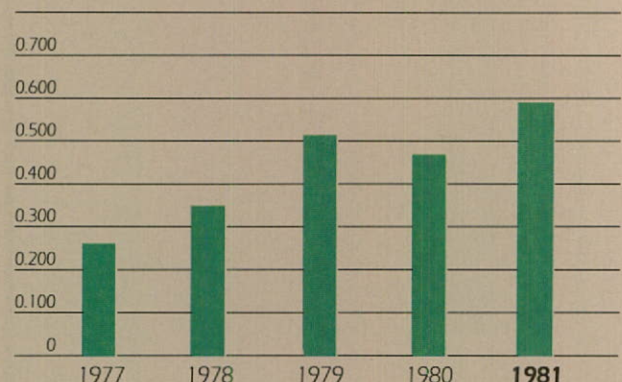
The process of establishing the Bank's provision for potential losses on loans is initiated by a quarterly management review of all outstanding loans. In cases where there is doubt as to the collection of either principal or interest, the loan is classified as "non-current" and all accrued but unpaid interest at that time is reversed. Thereafter interest revenue is taken into income only as collected.

The results of the most recent quarterly evaluation of individual loans are used at year end to establish the net new reservations for the year. The amount of the net new reservation less recoveries on loans written off in previous years, represents the loan loss experience of the Bank for the year.

Total loss experience for 1981 was $238.2 million, of which $59.7 million was from International operations, representing, in part, increased appropriations for countries where the Bank considers that economic and/or political conditions may impact the ability of borrowers to meet their obligations on a timely basis.

In Domestic operations, the loss experience of $178.5 million for 1981 represents a 43.5% increase over 1980. High interest rates and slow economic activity had an adverse effect on many commercial and industrial sectors of the Canadian economy during the year, particularly in Ontario and Quebec. Reservations on large commercial advances (those with reservations over $250,000) accounted for about one-half of the total, the same proportion as in 1980.

The loan loss experience as a percentage of total eligible loans grew from 0.477% in 1980 to 0.597% in 1981.

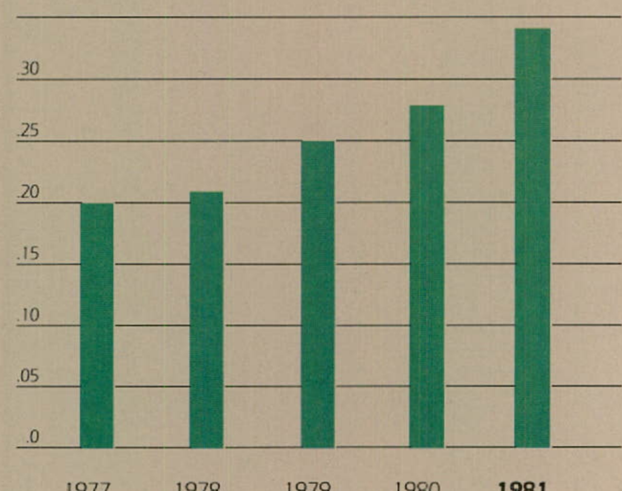


	1977	1978	1979	1980	**1981**
Loan Loss Experience as a Percentage of Eligible Loans	.264	.346	.512	.477	**.597**
Loan Loss Experience	39,323	65,748	117,562	142,932	**238,173**
Five Year Average Loan Loss Experience	44,176	60,384	86,702	116,598	**184,861**
Net Addition to (Deduction from) Accumulated Appropriations for Losses	4,853	(5,364)	(30,860)	(26,334)	**(53,312)**

Provision for Loss on Loans
(as a percentage of average assets)

Of the total loan loss experience of the Bank for 1981, $184.9 million was reflected as provision for loss on loans in non-interest expense in the Statement of Revenue and Expenses, and $53.3 million was charged to Accumulated Appropriations for Losses. The allocation of these amounts is based upon a five year moving average formula prescribed for banks by the Minister of Finance.

As a percentage of total average assets, the provision for loss on loans for 1981 was 0.34%, an increase of 0.06% from 1980. This was mainly a result of the increase in loan loss experience in 1981 and also the removal of 1976, in which year the Bank's loss experience was relatively low, from the five year averaging formula.



	1977	1978	1979	1980	**1981**
Provision for Loss on Loans	44.2	60.4	86.7	116.6	**184.9**
As a percentage of average assets	0.20	0.21	0.25	0.28	**0.34**

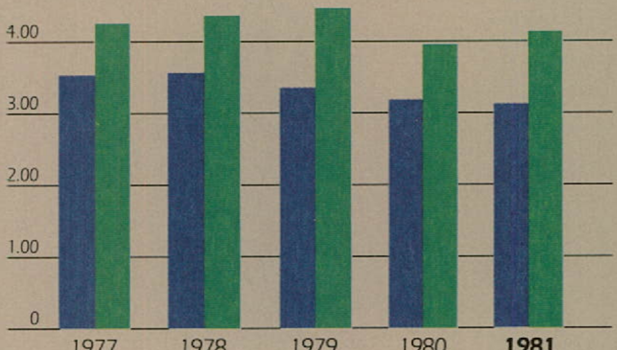
	1980		1981	
	($000)	(%)	**($000)**	**(%)**
Balance of Revenue	319,274	100.0	**457,633**	**100.0**
Provision for taxes thereon at Canadian Marginal Income Tax Rates	161,233	50.5	**232,478**	**50.8**
Deduct Canadian Marginal Tax Rate applied to Income from Foreign Subsidiaries not subject to Canadian Tax	(22,516)	(7.1)	**(41,921)**	**(9.2)**
Tax Exempt Income				
Dividends from Taxable Canadian Corporations	(56,508)	(17.7)	**(71,472)**	**(15.6)**
Interest on Income Debentures and Small Business Development Bonds	(36,524)	(11.4)	**(41,658)**	**(9.1)**
Add/(Deduct):				
Non Canadian Taxes Payable by Foreign Subsidiaries	11,151	3.5	**23,495**	**5.1**
Other—Net	(736)	(0.2)	**(1,822)**	**(0.4)**
Tax Provision	56,100	17.6	**99,100**	**21.6**

Provision for Income Taxes

The Bank's provision for income taxes differs from the marginal tax rate applied to earnings before tax because certain sources of income are exempt from tax or are taxed at less than the marginal rate, and also because of differences in the timing of recognition of certain sources of income and expense for reporting and tax purposes.

The effective tax rate increased from 17.6% in 1980 to 21.6% in 1981, partially attributable to a higher marginal rate of tax. Additionally, dividends from taxable Canadian corporations and interest revenue on income debentures and Small Business Development Bonds, which are not subject to tax in the hands of the Bank, comprised a lower portion of balance of revenue in 1981 than in the preceding year.

In reviewing the tax expense of the Bank for the year, it is worth noting that the banking industry also attracts several forms of indirect taxation. The most significant is the interest-free deposits with the Bank of Canada maintained in accordance with the cash reserve requirements of the Bank Act. During 1981 the Bank maintained an average balance of approximately $1,300 million. Using the average prime lending rate as a measure of the opportunity cost of these funds, the notional cost to the Bank of such reserves would have been in the order of $245 million for the year.



Capital Funds
(percentage)

During 1981 the banking industry has been under heavy pressure to maintain a strong capital position in the face of rapid growth in assets. Increases in capital funds are derived from retained earnings and new capital issues. Out of a total balance of revenue after tax of $358.5 million, dividends of $110.2 million were paid leaving $248.3 million in retained earnings. During 1981 the Bank issued convertible preferred shares amounting to $200.1 million.

The high rate of growth in assets was responsible for a decline in the ratio of capital to assets during 1981 from 3.18% to 3.10%. Subsequent to the fiscal year end the Bank has issued $175 million of preferred shares and has also modified the terms of its Series 1 and Series 2 Debentures to enable their conversion into a maximum of 4,675,000 common shares during a 30 day period ending January 13, 1982.

1977	1978	1979	1980	**1981**	($ in millions)
665.8	867.7	991.6	1,255.2	**1,618.4**	Shareholders' Equity
197.3	256.9	259.0	300.2	**356.6**	Accumulated Appropriations for losses
863.1	1,124.6	1,250.6	1,555.4	**1,975.0**	Total Equity and Accumulated Appropriations
203.9	282.8	433.8	383.6	**653.5**	Debentures Issued and Outstanding
1,067.0	1,407.4	1,684.4	1,939.0	**2,628.5**	Total Capital Funds
3.43	3.50	3.28	3.18	**3.10**	Ratio of Total Equity and Accumulated Appropriations to Total Assets (%)
4.24	4.39	4.41	3.97	**4.12**	Ratio of Total Capital Funds to Total Assets (%)

Quarterly Financial Data
($ in thousands except per share amounts)

	1980 Quarter Ended				1981 Quarter Ended			
	January 31	April 30	July 31	October 31	**January 31**	**April 30**	**July 31**	**October 31**
Interest revenue	$1,145,650	$1,242,274	$1,286,803	$1,291,062	**$1,622,975**	**$1,873,861**	**$2,219,360**	**$2,467,148**
Interest expense	913,271	1,005,682	1,034,436	995,814	**1,296,527**	**1,549,670**	**1,866,111**	**2,110,328**
Net interest earnings	232,379	236,592	252,367	295,248	**326,448**	**324,191**	**353,249**	**356,820**
Other operating revenue	56,881	61,732	64,493	68,707	**74,146**	**71,925**	**79,467**	**77,948**
Gross operating earnings	289,260	298,324	316,860	363,955	**400,594**	**396,116**	**432,716**	**434,768**
Operating expenses	217,351	231,421	241,924	258,429	**279,369**	**259,850**	**311,938**	**319,404**
Balance of revenue	71,909	66,903	74,936	105,526	**121,225**	**100,266**	**120,778**	**115,364**
Provision for income taxes	9,900	4,300	8,900	33,000	**32,700**	**14,900**	**26,800**	**24,700**
Balance of revenue after provision for income taxes	$ 62,009	$ 62,603	$ 66,036	$ 72,526	**$ 88,525**	**$ 85,366**	**$ 93,978**	**$ 90,664**
Return on								
Average assets	0.64	0.62	0.61	0.62	**0.70**	**0.63**	**0.64**	**0.59**
Average funds employed	0.70	0.68	0.66	0.69	**0.79**	**0.70**	**0.72**	**0.66**
Dividends—common shares	$ 18,062	$ 19,769	$ 21,390	$ 22,349	**$ 23,432**	**$ 24,568**	**$ 25,779**	**$ 27,024**
—preferred shares	—	—	—	—	**—**	**—**	**$ 5,265**	**$ 4,133**
Average number of shares outstanding (thousands)	48,817	50,106	53,962	55,087	**55,698**	**55,790**	**55,946**	**56,159**
Per common share								
Balance of revenue after provision for income taxes	$1.27	$1.25	$1.22	$1.32	**$1.59**	**$1.53**	**$1.61**	**$1.54**
Dividends	$0.37	$0.38	$0.39	$0.40	**$0.42**	**$0.44**	**$0.46**	**$0.48**

Distribution of Assets by Location of Ultimate Risk

As at September 30

	1980		1981	
Geographic Classification	$ in millions	%	**$ in millions**	**%**
Canadian Currency	$30,315	64.5	**$36,427**	**58.9**
Foreign Currency				
North America	6,650	14.1	**12,883**	**20.9**
Europe				
European Economic Community	2,802	6.0	**4,046**	**6.5**
Other European Countries	1,319	2.8	**1,184**	**2.0**
Latin America and Caribbean	3,848	8.2	**4,336**	**7.0**
Asia, Oceania, Australasia	1,715	3.6	**2,563**	**4.1**
Africa and Middle East	357	0.8	**364**	**0.6**
Total Foreign Currency	16,691	35.5	**25,376**	**41.1**
Total Assets	$47,006	100.0	**$61,803**	**100.0**

	1980		1981	
Economic Classification	$ in millions	%	**$ in millions**	**%**
Canadian Currency	$30,315	64.5	**$36,427**	**58.9**
Foreign Currency				
I. Industrialized Countries				
A. Major	9,376	20.0	**16,708**	**27.0**
B. Other	1,280	2.7	**1,490**	**2.4**
II. Developing Countries				
A. Oil Exporting	610	1.3	**807**	**1.4**
B. Non-Oil				
i. Net Oil Exporters	1,407	3.0	**1,538**	**2.5**
ii. Major Exporters of Manufactured Goods (Medium Income)	2,682	5.7	**3,246**	**5.3**
iii. Low Income	101	0.2	**88**	**0.1**
iv. Other Net Oil Importers (Medium Income)	841	1.8	**1,155**	**1.9**
III. Centrally Planned Economies	394	0.8	**344**	**0.5**
Total Foreign Currency	16,691	35.5	**25,376**	**41.1**
Total Assets	$47,006	100.0	**$61,803**	**100.0**

IMF and World Bank Classifications.

Restated in Accordance
with the Bank Act of 1980
for the years 1977 to 1981

Bank of Montreal

Restatement Under the Bank Act of 1980

The Bank Act of 1980 became effective December 1, 1980 replacing the Bank Act of 1967 as the primary legislation governing the Canadian banking industry. The Bank Act of 1980 substantially revises many of the financial accounting and reporting provisions applicable to chartered banks. The new accounting rules are applicable to financial periods commencing on or after November 1, 1981. However, for certain purposes such as prospectuses, comparable financial statements are required for a period of up to five years. This restatement for the fiscal years 1977 through 1981 has been prepared by the Bank and is presented on the following pages.

The following summary of the significant changes is provided to assist in reviewing the impact of the restatement.

Consolidation and Equity Accounting

All subsidiaries are consolidated whereas previously only wholly-owned banking entities were consolidated. The effect of this change is to increase the reported assets of the Bank. Similarly, the earnings and losses of the formerly non-consolidated subsidiaries are consolidated and increase or decrease reported earnings of the bank to the extent that they exceed or fall below dividends paid to the Bank during the period.

The Bank's equity in the earnings of 20% to 50% of owned affiliates is recorded in the net income of the Bank in the year earned, in contrast to the former practice of recording dividends received as income.

Guarantees and Letters of Credit

The contingent liability of the Bank under letters of credit and guarantees no longer is shown on the Balance Sheet as a liability offset by an equal contingent asset. The effect of removing these items from the Balance Sheet is to reduce total assets.

Appropriations Account

The new accounting rules require that several types of transactions previously recorded in the Accumulated Appropriations for Losses be reflected in the Statement of Income. The principal items are the gains or losses on sale of mortgages and investment securities. In addition, specific provisions to reduce the carrying value of investment securities to the lower of cost or market value are eliminated.

Further information concerning the effect on the restatement for each of the years 1977 through 1981 is presented in Note 13 to the Financial Statements.

Significant Accounting Policies and Practices
For Financial Statements
Restated Under the Bank Act of 1980

The following summary of significant accounting policies and practices is presented to aid the reader in understanding the Bank's financial statements. The Bank Act of 1980 and regulations issued thereunder prescribe revised accounting policies, designed to improve disclosure in financial statements of banks. These revised policies affect principally the accounting for investments, guarantees and letters of credit, capital and reserves and gains and losses on disposals of investments and mortgages and have been applied by the Bank on a retroactive basis. The impact of these changes is summarized in Note 13.

Basis of Consolidation
The assets and liabilities and results of operations of the Bank and subsidiaries are reported in the financial statements on a consolidated basis. Material inter-company accounts and transactions are eliminated in the consolidated financial statements.

The principal subsidiaries included in the consolidated financial statements are as follows:

Canadian
Bank of Montreal Mortgage Corporation (formerly, First Canadian Investments Limited)
Bank of Montreal Realty Inc. (formerly, Bankmont Realty Company Limited)
Canadian-Dominion Leasing Corporation Limited
Bank of Montreal Realty Finance Ltd. (formerly, BM-RT Ltd.)

Foreign
Bank of Montreal Asia Limited—Singapore
Bank of Montreal (California)—San Francisco
Bank of Montreal International Ltd.—Nassau
Bank of Montreal Trust Company—New York
Banco de Montreal Investimento S.A.—Rio de Janeiro

The investment in 20% to 50% owned affiliates is reported in Other Securities in the Consolidated Statement of Assets and Liabilities. The Bank's interest in the results of operations of these affiliates is recorded using the equity method of accounting.

The Bank accounts for the acquisition of subsidiaries on the purchase method. Under this method the difference between the cost of the investment and the value of net assets acquired is added to or deducted from other assets and amortized over a period not exceeding 40 years or charged to income when value no longer exists.

Securities
Securities held for investment purposes, of entities in which the Bank has less than 20% ownership, are carried at cost with the exception of those securities issued or guaranteed by Canada and the Provinces, which are carried at amortized value. Any permanent impairment in value of investment securities is recognized through a charge to income.

Gains and losses resulting from disposals of fixed maturity debt securities held in the investment account are deferred and amortized to income over five years on a straight line basis. Gains and losses resulting from disposals of equity securities held in the investment account are recorded when realized.

Trading account securities are recorded at market value. Gains and losses resulting from disposals and valuations to market are recorded in income in the year incurred.

The effect of the amortization of premiums and discounts, the gains and losses realized 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.

Loans

Loans are recorded at the principal amount less unamortized discount, where applicable and less specific provision for losses.

The provision for losses on loans reported in the Consolidated Statement of Income is an amount determined by calculating the ratio of the most recent five years including the current year of loan loss experience to the most recent 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 actual loss experience on loans for the year and the provision for losses on loans is reported in the Consolidated Statement of Appropriations for Contingencies.

Interest income is recorded on the accrual basis. Accrued but uncollected interest is reversed whenever loans are placed on a non-current basis. The Bank classifies a loan as non-current when, in the opinion of management, there is significant doubt as to collectability, either in whole or in part, of principal or interest or where the borrower has not paid interest on the loan at the agreed rate throughout a period of two years.

Land, Buildings and Equipment

Land, buildings and equipment are stated at cost less allowances for depreciation and amortization. Depreciation and amortization are calculated using varying rates so as to depreciate and amortize these assets over their estimated useful lives.

Appropriations for Contingencies

The Bank makes appropriations for contingencies with respect to possible unforeseen future losses on loans, through transfers from Retained Earnings. The maximum amount of such transfers, which are made on a tax deductible basis, is prescribed by regulations of the Minister of Finance. In addition, the Bank may make transfers from Retained Earnings to Tax Paid Appropriations as deemed appropriate.

These transfers are in addition to the specific provisions for losses on loans that have been deducted from the value of loans as reported on the balance sheet.

Translation of Foreign Currencies

Assets and liabilities in foreign currencies are translated into Canadian dollars at exchange rates prevailing at year-end. Revenue and expenses are translated at the average exchange rates prevailing throughout the year.

Realized and unrealized gains and losses on foreign currency positions are reported in Other Income except for unrealized gains and losses on positions of a capital nature which are deferred.

Direct Finance Leases

Lease contracts under which total non-cancellable rentals exceed the cost of leased equipment plus anticipated financing costs are accounted for as financing leases and the gross lease receivable, the estimated residual value of the leased equipment and the unearned lease income are recorded at the time such a lease transaction is executed. A portion of the unearned lease income, which approximates the initial direct costs incurred in consummating the lease, is recognized as revenue at the time the lease is executed and the remainder is deferred and taken into income over the lease term so as to produce a constant rate of return on the net investment in the lease.

Bank of Montreal and Subsidiaries

Consolidated Statement of Assets and Liabilities

Restated Under the Bank Act of 1980
($ in thousands)

	October 31				
Assets	1977	1978	1979	1980	**1981**
Cash Resources					
Cash and deposits with Bank of Canada	$ 777,784	$ 1,260,342	$ 926,515	$ 1,139,759	**$ 1,283,241**
Deposits with other banks	1,640,663	1,967,137	2,585,519	4,709,040	**7,910,557**
Cheques and other items in transit, net	473,182	343,039	812,902	552,842	**766,695**
	2,891,629	3,570,518	4,324,936	6,401,641	**9,960,493**
Securities Issued or Guaranteed by (Note 1)					
Government of Canada	1,804,321	1,844,059	1,951,926	1,937,507	**2,195,114**
Provinces & municipal or school corporations	194,494	180,120	89,088	108,246	**124,872**
Other	973,256	1,913,528	2,348,187	2,505,903	**2,879,229**
	2,972,071	3,937,707	4,389,201	4,551,656	**5,199,215**
Loans					
Day, call and short loans to investment dealers and brokers, secured	425,884	331,695	498,032	717,209	**481,840**
Banks	950,644	1,267,900	1,423,390	1,747,485	**1,832,607**
Mortgages	1,809,063	2,281,714	3,440,498	4,070,356	**5,085,725**
Other	14,702,763	18,717,011	21,648,848	27,218,609	**36,358,504**
	17,888,354	22,598,320	27,010,768	33,753,659	**43,758,676**
Other					
Customers' liability under acceptances (Note 2)	342,474	475,229	678,996	1,673,331	**1,628,692**
Land, buildings and equipment (Note 3)	188,620	226,727	276,685	361,907	**479,168**
Other assets	264,107	499,222	650,794	804,780	**1,347,599**
	795,201	1,201,178	1,606,475	2,840,018	**3,455,459**
Total Assets (Note 13)	$24,547,255	$31,307,723	$37,331,380	$47,546,974	**$62,373,843**

Liabilities and Shareholders' Equity	1977	1978	October 31 1979	1980	**1981**
Deposits (Note 4)					
Payable on demand	$ 4,001,505	$ 4,790,453	$ 4,084,104	$ 5,142,198	**$ 5,272,102**
Payable after notice	8,124,465	9,128,612	8,062,599	10,310,211	**13,587,903**
Payable on a fixed date	10,909,049	15,074,820	21,820,896	27,168,693	**36,914,215**
	23,035,019	28,993,885	33,967,599	42,621,102	**55,774,220**
Other					
Acceptances (Note 2)	342,474	475,229	678,996	1,673,331	**1,628,692**
Liabilities of subsidiaries, other than deposits (Note 5)	1,642	35,255	346,599	427,050	**741,392**
Other liabilities	93,194	397,383	639,540	792,476	**1,491,545**
Minority interest in subsidiary	—	—	—	54,718	**55,300**
	437,310	907,867	1,665,135	2,947,575	**3,916,929**
Subordinated Debt					
Bank debentures (Note 6)	203,870	282,789	433,792	383,574	**653,453**
Capital and Reserves					
Appropriations for contingencies	122,057	149,626	134,568	175,229	**202,680**
Shareholders' equity					
Capital stock (Note 7)					
Authorized					
50,000,000 Class A Preferred shares					
12,500,000 Class B Preferred shares					
100,000,000 Common shares of $2 each					
Issued					
Class A Convertible Preferred shares	—	—	—	—	**200,100**
Common shares	84,921	95,694	97,634	111,159	**112,598**
Contributed surplus	201,204	296,694	314,157	459,555	**476,446**
General reserve	75,728	111,105	134,569	135,389	**180,555**
Retained earnings	387,146	470,063	583,926	713,391	**856,862**
Total Capital and Reserves (Note 13)	871,056	1,123,182	1,264,854	1,594,723	**2,029,241**
Total Liabilities and Shareholders' Equity	$24,547,255	$31,307,723	$37,331,380	$47,546,974	**$62,373,843**

William D. Mulholland,
Chairman and
Chief Executive Officer

William E. Bradford,
President

Bank of Montreal and Subsidiaries

Consolidated Statement of Income

Restated Under the Bank Act of 1980

($ in thousands except per share amounts)

	Year Ended October 1981				
	1977	1978	1979	1980	**1981**
Interest, Dividend and Fee Income					
Loans	$1,582,986	$2,035,284	$3,021,294	$4,234,662	**$7,028,306**
Lease financing	—	11,322	24,057	38,073	**38,116**
Securities	189,933	250,111	358,410	431,876	**601,761**
Deposits with banks	85,309	127,579	257,709	428,048	**823,202**
Total interest, dividend and fee income	1,858,228	2,424,296	3,661,470	5,132,659	**8,491,385**
Interest Expense					
Deposits	1,151,741	1,561,628	2,712,685	4,010,538	**7,005,699**
Bank debentures	19,706	18,961	32,647	45,921	**68,329**
Liabilities other than deposits	150	5,753	16,881	46,154	**59,436**
Total interest expense	1,171,597	1,586,342	2,762,213	4,102,613	**7,133,464**
Net Interest Income	686,631	837,954	899,257	1,030,046	**1,357,921**
Provision for loan losses	45,569	62,409	94,108	123,686	**196,320**
Net Interest Income After Provision for Loan Losses	641,062	775,545	805,149	906,360	**1,161,601**
Other operating income	161,009	177,960	206,016	236,842	**288,443**
Net Interest and Other Income	802,071	953,505	1,011,165	1,143,202	**1,450,044**
Non-Interest Expense					
Salaries	331,705	360,662	403,780	458,339	**540,247**
Pension and other staff benefits (Note 8)	28,666	42,050	40,722	44,344	**62,303**
Premises and equipment	113,345	127,791	135,301	159,101	**184,678**
Other expenses	113,908	130,279	150,940	183,728	**213,485**
Total non-interest expense	587,624	660,782	730,743	845,512	**1,000,713**
Income Before Provision for Income Taxes	214,447	292,723	280,422	297,690	**449,331**
Provision for income taxes (Note 9)	92,389	106,133	58,307	48,757	**92,147**
Income Before Minority Interest in Earnings of Subsidiary	122,058	186,590	222,115	248,933	**357,184**
Minority interest in earnings of subsidiary	—	—	—	1,800	**4,320**
Net Income (Note 13)	$ 122,058	$ 186,590	$ 222,115	$ 247,133	**$ 352,864**
Average number of common shares outstanding (000's)	38,339	43,211	48,480	51,993	**55,898**
Net income per common share (Note 7)	$3.18	$4.32	$4.58	$4.75	**$6.16**

Consolidated Statement of Appropriations for Contingencies

Restated Under the Bank Act of 1980
($ in thousands)

	Year Ended October 31				
	1977	1978	1979	1980	**1981**
Beginning of Year					
Tax allowable	$ 80,931	$117,157	$143,226	$119,068	**$153,829**
Tax paid	3,800	4,900	6,400	15,500	**21,400**
Total	84,731	122,057	149,626	134,568	**175,229**
Changes During Year					
Loss experience on loans less provision for loan losses included in the Consolidated Statement of Income (Note 10)	7,280	(7,608)	(33,419)	(30,508)	**(71,764)**
Transfer from retained earnings	30,046	35,177	18,361	71,169	**99,215**
Net Change During Year	37,326	27,569	(15,058)	40,661	**27,451**
End of Year					
Tax allowable	117,157	143,226	119,068	153,829	**180,680**
Tax paid	4,900	6,400	15,500	21,400	**22,000**
Total	$122,057	$149,626	$134,568	$175,229	**$202,680**

Bank of Montreal and Subsidiaries

Consolidated Statement of Changes in Shareholders' Equity

Restated Under the Bank Act of 1980
($ in thousands)

	Year Ended October 31 1977	1978	1979	1980	**1981**
Capital Stock					
Balance at beginning of year	$ 75,382	$ 84,921	$ 95,694	$ 97,634	**$111,159**
Increases during the year—Common	9,539	10,773	1,940	13,525	**1,439**
—Preferred	—	—	—	—	**200,100**
Balance at end of year	84,921	95,694	97,634	111,159	**312,698**
Contributed Surplus					
Balance at beginning of year	142,845	201,204	296,694	314,157	**459,555**
Capital stock issues	58,359	95,490	17,463	145,398	**16,891**
Balance at end of year	201,204	296,694	314,157	459,555	**476,446**
General Reserve					
Balance at beginning of year	68,771	75,728	111,105	134,569	**135,389**
Transfer from retained earnings	6,957	35,377	23,464	820	**45,166**
Balance at end of year	75,728	111,105	134,569	135,389	**180,555**
Retained Earnings					
Balance at beginning of year	330,731	387,146	470,063	583,926	**713,391**
Prior period adjustments	(270)	—	—	—	**—**
Net income for the year	122,058	186,590	222,115	247,133	**352,864**
Dividends—Common	(40,280)	(47,954)	(64,200)	(81,570)	**(100,803)**
—Preferred	—	—	—	—	**(9,397)**
Direct costs of share issue net of related tax	(1,026)	(1,420)	—	(1,283)	**(3,511)**
Transfer to appropriations for contingencies	(30,046)	(35,177)	(18,361)	(71,169)	**(99,215)**
Income taxes related to the above transfer (Note 9)	12,936	16,255	(2,227)	37,174	**48,699**
Transfer to general reserve	(6,957)	(35,377)	(23,464)	(820)	**(45,166)**
Balance at end of year	$387,146	$470,063	$583,926	$713,391	**$856,862**

Auditors' Report
To the Directors of the Bank of Montreal

We have examined the Consolidated Statement of Assets and Liabilities of the Bank of Montreal as at October 31, 1977, 1978, 1979, 1980 and 1981 and the Consolidated Statements of Income, Appropriations for Contingencies and Changes in Shareholders' Equity for each of the years ended on those dates as restated under the Bank Act of 1980. 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 as restated present fairly the financial position of the Bank as at October 31, 1977, 1978, 1979, 1980 and 1981 and its income, appropriations for contingencies and changes in shareholders' equity for each of the years ended on those dates in accordance with accounting principles prescribed by the Bank Act of 1980 and the rules and regulations issued thereunder by the Minister of Finance up to November 23, 1981, applied on a consistent basis.

Peat, Marwick, Mitchell & Co.
As to the years ended October 31, 1978, 1979, 1980 and 1981

Touche Ross & Co.
As to the years ended October 31, 1977, 1980 and 1981

Coopers & Lybrand
As to the years ended October 31, 1977, 1978 and 1979

Montreal, November 24, 1981

Chartered Accountants

1 Securities

($ in millions)	1977	1978	1979	1980	**1981**
Investment securities					
Issued or Guaranteed by Government of Canada	$1,756.4	$1,792.6	$1,926.6	$1,902.3	**$2,173.9**
Provincial governments	124.6	114.6	43.1	71.7	**100.4**
Municipalities and School Corporations	67.6	63.5	45.0	35.2	**23.7**
Debt of Canadian Issuers					
Floating Rate Income Debentures	256.5	589.1	866.5	833.4	**747.6**
Fixed Rate Income Debentures	25.5	146.4	140.5	107.8	**104.2**
Floating Rate Small Business Development Bonds	—	—	—	—	**154.4**
Other	230.0	136.0	44.8	69.1	**278.8**
Debt of Foreign Issuers	62.5	97.6	84.5	138.0	**191.5**
Total Debt Securities	2,523.1	2,939.8	3,151.0	3,157.5	**3,774.5**
Equity of Canadian Issuers					
Floating Rate Preferred Shares (1)	275.0	824.2	1,050.7	1,133.2	**1,176.8**
Other	96.2	100.0	103.3	164.7	**159.6**
Equity of Foreign Issuers	13.4	18.4	56.9	59.8	**58.7**
Total Investment Securities	2,907.7	3,882.4	4,361.9	4,515.2	**5,169.6**
Trading Securities	64.4	55.3	27.3	36.5	**29.6**
Total Securities	$2,972.1	$3,937.7	$4,389.2	$4,551.7	**$5,199.2**

(1) of which $825.4 million (1980—$870.7 million; 1979—$924.1 million; 1978—$703.4 million; 1977—$149.4 million) is guaranteed by third parties.

Total Debt Securities by Maturities
($ in millions)

	1981 Maturity					
	Within 1 year	Over 1 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Over 10 years	**Total**
Investment Securities						
Issued or Guaranteed by Government of Canada	$2,082.9	$ 82.7	$ 8.3	$ —	$ —	**$2,173.9**
Provincial governments	76.5	4.6	17.6	—	1.7	**100.4**
Municipalities and School Corporations	10.0	10.3	2.0	—	1.4	**23.7**
Debt of Canadian Issuers						
Floating Rate Income Debentures	6.9	169.4	141.1	376.9	53.3	**747.6**
Fixed Rate Income Debentures	1.1	12.7	—	90.4	—	**104.2**
Floating Rate Small Business Development Bonds	—	—	154.4	—	—	**154.4**
Other	258.2	—	12.0	0.1	8.5	**278.8**
Debt of Foreign Issuers	33.2	90.7	45.8	20.3	1.5	**191.5**
Total Debt Securities	$2,468.8	$370.4	$381.2	$487.7	$66.4	**$3,774.5**

2 Acceptances, Guarantees and Letters of Credit

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 and are as follows:

($ in thousands)	1977	1978	1979	1980	**1981**
Guarantees	$ —	$ 524,863	$ 805,253	$ 687,611	**$1,040,446**
Letters of credit	—	497,285	564,466	771,702	**923,135**
	$654,147 (1)	$1,022,148	$1,369,719	$1,459,313	**$1,963,581**

(1) The breakdown between letters of credit and guarantees is not available for 1977.

3 Land, Buildings and Equipment

($ in thousands)	1977	1978	1979	1980	**1981**
	Net Book Value	Net Book Value	Net Book Value	Net Book Value	**Net Book Value**
Land	$ 37,511	$ 47,858	$ 58,611	$ 85,793	**$ 97,735**
Buildings	58,260	69,708	90,945	133,849	**187,976**
Equipment	54,636	63,080	64,843	72,976	**86,790**
Leasehold interests and improvements	38,213	46,081	62,286	69,289	**106,667**
	$188,620	$226,727	$276,685	$361,907	**$479,168**

4 Deposits

($ in millions)	1977	1978	1979	1980	**1981**
Deposits by Canada	$ 539.9	$ 900.1	$ 537.9	$ 656.2	**$ 752.3**
Deposits by Provinces	301.2	510.3	341.9	520.6	**110.2**
Deposits by banks	3,968.6	5,479.5	6,875.1	10,174.7	**14,746.2**
Deposits by individuals	8,796.2	9,665.2	12,176.3	15,310.7	**21,667.4**
Other deposits	9,429.1	12,438.8	14,036.4	15,958.9	**18,498.1**
	$23,035.0	$28,993.9	$33,967.6	$42,621.1	**$55,774.2**

5 Liabilities of Subsidiaries Other than Deposits

($ in thousands)	1977	1978	1979	1980	**1981**
Bank of Montreal Mortgage Corporation					
Debentures	$ —	$ —	$304,163	$389,255	**$449,983**
Bank of Montreal Realty Inc.					
Debentures	—	—	—	—	**100,000**
Mortgages	1,642	1,604	2,123	1,516	**2,184**
Bank of Montreal Realty Finance Ltd.					
Debentures	—	—	—	—	**153,625**
Canadian-Dominion Leasing Corporation Limited					
Long Term Notes Payable (secured)	—	33,651	40,313	36,279	**35,600**
	$ 1,642	$ 35,255	$ 346,599	$ 427,050	**$741,392**

6 Debentures Issued and Outstanding

($ in thousands)	Interest Rate(%)	Redeemable at the option of the Bank beginning	1977	1978	1979	1980	**1981**
Series A, maturing in 1992	7.50	April, 1986	$ 50,000	$ 3,919	$ 3,798	$ 3,663	**$ 3,590**
Series B, maturing in 1982	7.75	—	3,870	3,870	3,870	3,870	**3,870**
Series C, maturing in 1987	7.25	February, 1983	50,000	50,000	1,124	1,041	**1,016**
Series D, maturing in 1980	10.25	—	50,000	50,000	50,000	—	**—**
Series E, maturing in 1982	9.00	September, 1981	50,000	50,000	50,000	50,000	**50,000**
Series 1, maturing in 1984	9.00	—	—	50,000	50,000	50,000	**50,000**
Series 2, maturing in 1984	9.25	—	—	75,000	75,000	75,000	**75,000**
Floating Rate Series 3, maturing in 1989	18.12*	April, 1984	—	—	75,000	75,000	**75,000**
Floating Rate Series 4, maturing in 1991	19.32*	August, 1984	—	—	125,000	125,000	**125,000**
Floating Rate Series 5, maturing in 1990	16.75*	December, 1985	—	—	—	—	**119,990**
Floating Rate Series 6, maturing in 1991	17.06*	October, 1988	—	—	—	—	**149,987**
			$203,870	$282,789	$433,792	$383,574	**$653,453**

Floating Rate Series 5 and 6 debentures are denominated in U.S. currency amounting to U.S. $100 million and U.S. $125 million respectively.

The debentures are direct unsecured obligations of the Bank and are subordinated in right of payment to the claims of depositors and certain other creditors of the Bank. In accordance with the formula prescribed in the Bank Act, the Bank has the capacity, as of November 1, 1981, to issue an additional $313.7 million of debentures. Subsequent to October 31, 1981 the Bank issued U.S. $150 million, of 10 year, fixed rate debentures. See Note 14.

*Interest rate as at October 31, 1981

7 Capital Stock

	1977	1978	1979	1980	**1981**
Common Shares					
Beginning of year fully paid shares	37,360,384	42,429,709	47,698,486	48,816,963	**54,750,555**
New shares issued and fully paid	4,460,959	4,983,643	–	5,933,592	**508,351**
Prior year partly paid shares now fully paid	608,366	285,134	1,118,477	–	**1,040,260**
Number of fully paid common shares	42,429,709	47,698,486	48,816,963	54,750,555	**56,299,166**
Number of partly paid common shares	285,134	1,118,477	–	1,040,260	**–**
Average number of common shares	38,339,484	43,210,911	48,480,472	51,993,052	**55,898,341**
Preferred Shares					
\$2.85 Convertible Class A Preferred Shares Series 1	–	–	–	–	**5,800,000**
Number of fully paid preferred shares	–	–	–	–	**5,800,000**

In 1981, the Bank introduced plans under which eligible holders of common shares and preferred shares may elect to receive their dividends in common shares or to reinvest cash dividends in common shares at 95% of the average market price of the Bank's common shares. In addition, eligible shareholders may invest up to \$5,000 per quarter in new common shares at 100% of the average market price.

Subsequent to October 31, 1981 the Bank has undertaken to issue \$175 million \$25 preferred shares with warrants. See Note 14.

On October 27, 1981 the Bank announced a proposal to permit holders of Series 1 and Series 2 debentures to convert their securities into common shares of the Bank during the specified period. See Note 14.

Earnings per common share have been calculated on the monthly average equivalent of fully paid shares outstanding.

8 Pension Fund

An actuarial valuation of the pension fund is performed every three years in accordance with statutory requirements. As at December 31, 1980, the date of the latest valuation, the pension fund was fully funded.

The amount charged to expense for employer's contributions for 1981 was \$26.0 million (1980 – \$21.4 million; 1979 – \$18.3 million; 1978 – \$20.1 million; 1977 – \$17.4 million).

9 Provision for Income Taxes

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

($ in thousands)	1977	1978	1979	1980	**1981**
Consolidated Statement of Income					
Current	$94,499	$64,425	$45,961	$45,585	**$94,881**
Deferred	(2,110)	41,708	12,346	3,172	**(2,734)**
	92,389	106,133	58,307	48,757	**92,147**
Retained Earnings					
Current	(957)	(1,338)	—	(1,300)	**(3,632)**
Deferred	(12,936)	(16,255)	2,227	(37,174)	**(48,699)**
	(13,893)	(17,593)	2,227	(38,474)	**(52,331)**
Total provision for income taxes	$78,496	$88,540	$60,534	$10,283	**$39,816**

10 Appropriations for Contingencies

Additions to and deductions from Appropriations for Contingencies relating to loans are comprised of the following:

($ in thousands)	1977	1978	1979	1980	**1981**
Loss experience for the year on loans (Net new reservations for losses on loans less recoveries of loans previously written off)	$(38,289)	$(70,017)	$(127,527)	$(154,194)	**$(268,084)**
Provision for losses on loans based on five-year average loss experience included in the provision for loan losses in the Consolidated Statement of Income	45,569	62,409	94,108	123,686	**196,320**
Net addition to (deduction from) Appropriations for Contingencies	$ 7,280	$ (7,608)	$ (33,419)	$ (30,508)	**$ (71,764)**

11 Long Term Commitments for Leases

Future rental commitments for buildings and equipment involving annual rentals in excess of $25,000, excluding commitments to Bank of Montreal Realty Inc., are as follows:

($ in thousands)	Buildings	Equipment	Total
1982	$51,578	$9,191	$60,769
1983	49,098	7,903	57,001
1984	45,992	5,042	51,034
1985	42,832	822	43,654
1986	39,802	135	39,937

Thereafter the long-term commitment for leases amounts to approximately $610 million of which $437 million is attributable to the lease for First Canadian Place, Toronto.

12 Legal Proceedings

Legal proceedings against the Bank have been initiated in Alberta and British Columbia alleging that, in May 1979, the Bank, as a creditor, acted improperly in its appointment of the original receiver manager under debentures from Abacus Cities Ltd. ("Abacus") held by it. The action in Alberta was commenced in May 1981 by Thorne Riddell Inc., as trustee of the estate of Abacus (which is now in bankruptcy), against the Bank and the original receiver manager claiming $300 million. By agreement of counsel, the Alberta action is now in abeyance. The action in British Columbia was taken in May 1981 by three shareholders and former officers of Abacus who are claiming from the Bank and others, including Thorne Riddell damages of approximately $1.4 billion. No statements of claim have been issued in the British Columbia litigation. The Bank has received a legal opinion that the Bank acted properly and has good defences to the British Columbia litigation. The Bank's Alberta counsel has advised that based upon their present knowledge of the facts, there is a reasonable defence against the imposition of any liability in the Alberta legal action and that no substantial damages ought to be awarded against the Bank in the event that the Alberta court found the Bank's debenture security was not enforceable.

13 Impact of Bank Act Revisions

The changes in total assets, capital and reserves and net income resulting from Bank Act revisions are summarized as follows:

Total Assets ($ in thousands)	1977	1978	1979	1980	**1981**
Originally reported	$25,175,395	$32,090,136	$38,180,278	$48,842,110	**$63,779,888**
Restated	24,547,255	31,307,723	37,331,380	47,546,974	**62,373,843**
Change	$ (628,140)	$ (782,413)	$ (848,898)	$ (1,295,136)	**$ (1,406,045)**
Letters of Credit	$ (654,147)(1)	$ (497,285)	$ (564,466)	$ (771,702)	**$ (923,135)**
Guarantees					
Non-consolidated subsidiaries	—	—	(528,567)	(1,783,354)	**(2,702,958)**
Other	—	(524,863)	(805,253)	(687,611)	**(1,040,446)**
Consolidation of assets of non-banking subsidiaries	16,614	188,591	990,582	1,929,034	**3,215,253**
Securities(2)	499	3,799	10,113	10,384	**26,639**
Other	8,894	47,345	48,693	8,113	**18,602**
	$ (628,140)	$ (782,413)	$ (848,898)	$ (1,295,136)	**$ (1,406,045)**

(1) The breakdown between letters of credit and guarantees is not available for 1977.
(2) Reversal of provision reducing securities to the lower of cost and market.

Impact of Bank Act Revisions
(continued)

Capital and Reserves ($ in thousands)	1977	1978	1979	1980	**1981**
Originally reported:					
Accumulated appropriations for losses	$197,286	$ 256,932	$ 259,024	$ 300,234	**$ 356,596**
Capital stock	84,921	95,694	97,634	111,159	**312,698**
Rest account	580,725	771,815	893,778	1,143,837	**1,305,517**
Undivided profits	200	162	158	162	**196**
	$863,132	$1,124,603	$1,250,594	$1,555,392	**$1,975,007**
Restated:					
Appropriations for contingencies	$122,057	$ 149,626	$ 134,568	$ 175,229	**$ 202,680**
Capital stock	84,921	95,694	97,634	111,159	**312,698**
Contributed surplus	201,204	296,694	314,157	459,555	**476,446**
General reserve	75,728	111,105	134,569	135,389	**180,555**
Retained earnings	387,146	470,063	583,926	713,391	**856,862**
	$871,056	$1,123,182	$1,264,854	$1,594,723	**$2,029,241**
Change	$ 7,924	$ (1,421)	$ 14,260	$ 39,331	**$ 54,234**
Unamortized portion of loss on sale of fixed maturity securities	$ 1,327	$ 4,453	$ 8,289	$ 10,529	**$ 7,958**
Unamortized portion of loss on sale of mortgages to 3rd parties	788	(269)	543	404	**61**
Unamortized discount on sale of mortgages to a subsidiary	4,060	2,656	9,130	13,873	**7,310**
Reversal of specific provision reducing securities to market	499	3,799	10,113	10,384	**26,639**
Unrealized foreign currency losses	—	—	—	1,676	**4,422**
Consolidation of non-banking subsidiaries	2,734	2,906	4,191	106	**4,680**
Equity in affiliates	3,079	1,940	314	1,603	**2,769**
Prior years' taxes	(2,087)	(12,215)	(12,084)	—	**—**
Other	(2,476)	(4,691)	(6,236)	756	**395**
	$ 7,924	$ (1,421)	$ 14,260	$ 39,331	**$ 54,234**

The transfer of a portion of the Tax-paid Appropriation for Contingencies to General Reserve represents an accounting change introduced pursuant to Bank Act of 1980.

Impact of Bank Act Revisions
(continued)

Net Income ($ in thousands)	1977	1978	1979	1980	**1981**
Originally reported	$122,024	$193,516	$228,696	$263,174	**$358,533**
Restated	122,058	186,590	222,115	247,133	**352,864**
Change	$ 34	$ (6,926)	$ (6,581)	$ (16,041)	**$ (5,669)**
Consolidation of non-banking subsidiaries	$ 337	$ (258)	$ 165	$ (3,670)	**$ (2,143)**
Equity in earnings of affiliates	1,313	(847)	(569)	1,289	**1,317**
Appropriations account adjustments	(3,925)	396	(3,451)	(7,611)	**(4,485)**
Share issue costs charged to retained earnings	1,026	1,420	—	—	**—**
Prior years' taxes	1,725	(5,422)	(1,181)	—	**—**
Other	(442)	(2,215)	(1,545)	(6,049)	**(358)**
	$ 34	$ (6,926)	$ (6,581)	$ (16,041)	**$ (5,669)**
Earnings per Share (Note 7)					
Net Income					
Originally reported	$ 3.18	$ 4.48	$ 4.72	$ 5.06	**$ 6.27**
Restated	3.18	4.32	4.58	4.75	**6.16**
Change	$ —	$ (0.16)	$ (0.14)	$ (0.31)	**$ (0.11)**

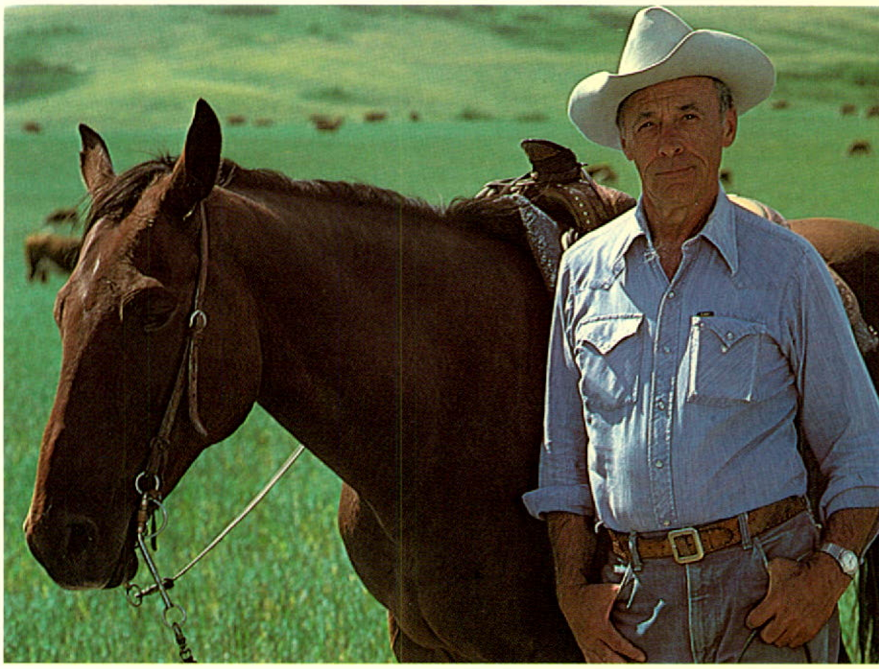
14 Subsequent Events

On October 27, 1981, the Bank announced that it was proposing to modify the terms of its Series 1 and Series 2 Debentures by adding a conversion option entitling the holders of such debentures to exchange their debentures for common shares of the Bank following the approval of the proposal by the holders of said series. A meeting of the Series 1 and Series 2 debenture-holders has been called for December 3, 1981. Once this modification is approved by the debenture-holders, holders of Series 1 and Series 2 debentures will be entitled to convert each $1000 debenture into 38 and 37 common shares respectively during a 30 day period.

On November 3, 1981, the Bank announced an agreement with underwriters for the sale of U.S. $150,000,000 16.25% Debentures, Series 7, due 1991.

On November 24, 1981, the Bank entered into an agreement for the sale to underwriters of 7,000,000 Class A Preferred Shares Series 2 with a stated value of $25 each for the sum of $169,750,000 after deducting underwriting commission.

Fred McNeil Retires



Fred McNeil retired as Chairman of the Board of Directors on July 1 of this year. Although he remains a member of the Board of Directors, Mr. McNeil will now devote most of his time to his new career: that of rancher near Lethbridge, Alberta.

Mr. McNeil's contributions to the Bank during his 16 years of service are too numerous to list. Particularly noteworthy, however, were his role in the decision to commit the Bank to mechanization, and his courage in staying with the program through some difficult times; the successful implementation of Master Charge; and the introduction to the Bank of modern management techniques. A native westerner, educated at the universities of Manitoba and Saskatchewan, Mr. McNeil has been unflagging in his encouragement of the Bank's development in Western Canada.

He came to the Bank in 1966 as General Manager, Personnel Planning, from the Ford Motor Company of Canada. Prior to his business career, Mr. McNeil was a journalist for nine years, and was an R.C.A.F. squadron leader during the Second World War.

Mr. McNeil served the Bank as Chief General Manager, President, Deputy Chairman and Chairman. For the four years from 1975 to 1979, he was the Bank's Chief Executive Officer.

In an organization as large as the Bank, it is difficult to gauge the contribution of any one person, but Mr. McNeil's efforts are widely recognized as essential to bringing the Bank to its present position of leadership in Canada and the world. The high regard in which he is held within the Bank is shared by the general public, among whom Mr. McNeil's community activities have earned him wide respect.

At the time of Mr. McNeil's retirement as chairman, he was saluted by his successor, Chairman and Chief Executive Officer William D. Mulholland, who described their partnership as "a rare and rewarding experience. Fred has been a far-sighted, wise, and patient partner".

To him and to Mrs. McNeil we extend our best wishes for good health and happiness in their new career together at the M-Bar Ranch.

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Housewife

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President
Bell Canada

Lorne C. Webster
Montreal
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Prenor Group Ltd.

H. Richard Whittall
Vancouver
Deputy Managing Partner
Richardson Securities
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James C. Thackray

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William D. Mulholland
Chairman
Thomas M. Galt
Donald S. Harvie
Grant L. Reuber
Lorne C. Webster

The **Board of Directors** meets monthly to exercise its overall policy and management responsibility and to review the Bank's global operations. The Directors bring to the Board diverse backgrounds and experience from Canada and abroad.

The **Executive Committee** discharges responsibilities for management and direction of the Bank as delegated by the Board.

The **Audit Committee** undertakes auditing duties specified in the Bank Act, and performs other similar functions as delegated by the Board.

The **Management Resources and Compensation Committee** reviews the manpower and compensation policies of the Bank.

The **Donations Committee** recommends to the Board appropriate donations policy and reviews the Bank's corporate contributions.

The **Pension Advisory Committee** advises the Pension Fund Society and reports to the Board on the affairs of the Society.

The Board of Directors at a regular monthly meeting.

Executive Officers

Corporate

W.D. Mulholland
Chairman and
Chief Executive Officer

S.M. Davison
Vice-Chairman

H.M. MacDougall
Vice-Chairman

J.H. Warren
Vice-Chairman

CREDIT POLICY

J.A. Whitney
Executive Vice-President
and Chairman, Credit
Policy Committee

CORPORATE PLANNING

R.H. Call
Senior Vice-President

CORPORATE
AND LEGAL AFFAIRS

Vice-Presidents
R. Muir
Secretary
L.R. O'Hagan
J.E. Toten

ADMINISTRATION

J.D.C. de Jocas
Senior Vice-President

G.L. Reuber
Deputy Chairman and
Deputy Chief Executive

ACCOUNTING
AND CONTROL

W.K. Smith, C.A.
Senior Vice-President and
Comptroller

Vice-Presidents
G.J.L. Carrier
D.F. Clark
Chief Auditor
H.A. Erian
Chief Accountant
C.R. Kingsford

HUMAN RESOURCES

T.G. Handley
Senior Vice-President

Vice-Presidents
W.F. Chadwick
D.E. Kreikle
M.B. Lowe
G.T. Robertson

OPERATIONS AND
SYSTEMS

G.W. Hopkins
Senior Vice-President

Vice-Presidents
R.D. Chard
F.A. Comper

W.E. Bradford
President and
Principal Operating Officer

TREASURY

G.E. Neal
Executive Vice-President
and Treasurer

Vice-Presidents
C.E. Bartliff
F.P. Keefe
I.A.C. McCallum
R.B. Wells
A.M.S. White

REAL ESTATE

J.W. McCool
Senior Vice-President

ECONOMICS

Dr. P.G. Kirkham
Senior Vice-President and
Chief Economist

F. Ballmann
Vice-President

Stanley M. Davison, Vice-Chairman. The building reflected in the glass behind Mr. Davison is First Canadian Centre, the Bank's Calgary executive offices now under construction.

William B. Bateman, Executive Vice-President, World Corporate Banking, and Jack H. Warren, Vice-Chairman, in Rio de Janeiro with Pedro Leitao da Cunha, President, Banco de Montreal Investimento S.A. – Montrealbank.

Worldwide
...Corporate Banking
...Government Banking
...Merchant Banking

WORLD CORPORATE BANKING GROUP

W.B. Bateman
Executive Vice-President and General Manager

E.L. Mercaldo
K.E. Palmer
Senior Vice-Presidents and Deputy General Managers

Senior Vice-Presidents
J. Bradlow
R.R. Curtis
G.W.G. Day
S.W. Henry
J.A. Horton
R.G. Lammers
D. Munford
P.D. Waters

Vice-Presidents
R.N. Benson
S.K. Christensen
P.C. Conradi
C.F. Davis
R.J. Feys
H.B. Garbe
C.E. Garin
J.C. Gorman
J.A. Graham
J.D. Jenikov
W.G. Jestley
D.H.D. Johnston
A.L. Luce, Jr.
D.M. Luyt
N.R. Macmillan
J.P. McCollom
W.H. Moise
G.D. Nash
R.G. Rogers
G.R. Rourke
M.R. Rowe
G.W. Scalf
F.M. Thomson
J.D. Topley
A.S. Yankovich
B.H. Walters
F.A. Whittaker
W.G. Wright

NORTH AMERICAN CORPORATE BANKING GROUP

C.G. Stratton
Executive Vice-President and General Manager*

J.J. Byrnes
Senior Vice-President and Deputy General Manager

Senior Vice-Presidents
J.M. Denson
J.D. Gibson
D.W. Gough
B.C. Marshall
D.C. McLean
N.F. Potter
J.L. Richard

Vice-Presidents
J.W. Bolus
F.H. Buck
E.J. Dato
M.A. Graham
Dr. P.H. Grimley
J.F.D. Haskell
I.E. Henke
E.S. Hogg
J.A.N. Jarry
D.J. Kavanagh
D.A. Lunney
M.J.S. Macnab
C.R. Myers
R.H. Nicholls
R.J. Normand
K.D. Robson
G.W. Squibb
D.F. Willis
T.C. Wright

*Effective February 1, 1982

Hartland M. MacDougall, Vice-Chairman, directs worldwide corporate, government and merchant banking activities from the Bank's Toronto executive offices at First Canadian Place.

World Corporate Banking Senior Vice-Presidents Edward L. Mercaldo, Deputy General Manager for Merchant Banking, and Keith E. Palmer, Deputy General Manager for Account Management, with George E. Neal, Executive Vice-President and Treasurer.

Overseas Banking

INTERNATIONAL BANKING GROUP

I.M. Sweatman
Executive Vice-President and General Manager

M.W. Barrett
Senior Vice-President and Deputy General Manager

Vice-Presidents
H.G. Ackstein
J.N. Baillie
L.H. Boynton
K.R. Bushell
T.J.Guiheen
H.C. Hartmann
W.H. Hill
R.T. Kazuta
E.T. Little
A.G. McNally
A.W.B. Mendels

BANKING SUBSIDIARIES*

Pedro Leitao da Cunha
President
Banco de Montreal Investimento S.A. — Montrealbank
Rio de Janiero

W.H. Hill
Managing Director
Bank of Montreal (Bahamas and Caribbean) Ltd.
Nassau

T.B.A.
President
Bank of Montreal (California)
San Francisco

W.C. Kheng
Managing Director
Bank of Montreal Asia Ltd.
Singapore

J.N. Baillie
Managing Director
Bank of Montreal International Ltd.
Nassau

R.T. Kazuta
Managing Director
First Canadian Financial Corporation Ltd.
Hong Kong

A.G. McNally
Managing Director
First Canadian Financial Services (U.K.) Ltd.
London

*More than 50% owned

BANKING AFFILIATES

Allgemeine Deutsche Credit-Anstalt
Frankfurt

Australian International Finance Corporation
Sydney

Banque Transatlantique
Paris

Joh. Berenberg Gossler & Co.
Hamburg

I. Michael Sweatman, Executive Vice-President and General Manager of the International Banking Group.

Senior Vice-Presidents Matthew W. Barrett (left) Deputy General Manager, International Banking and James J. Byrnes, Deputy General Manager, North American Corporate Banking. With them is Dale G. Parker (right), Executive Vice-President, recently appointed head of Domestic Banking.

Canadian
...Personal Banking
...Commercial Banking

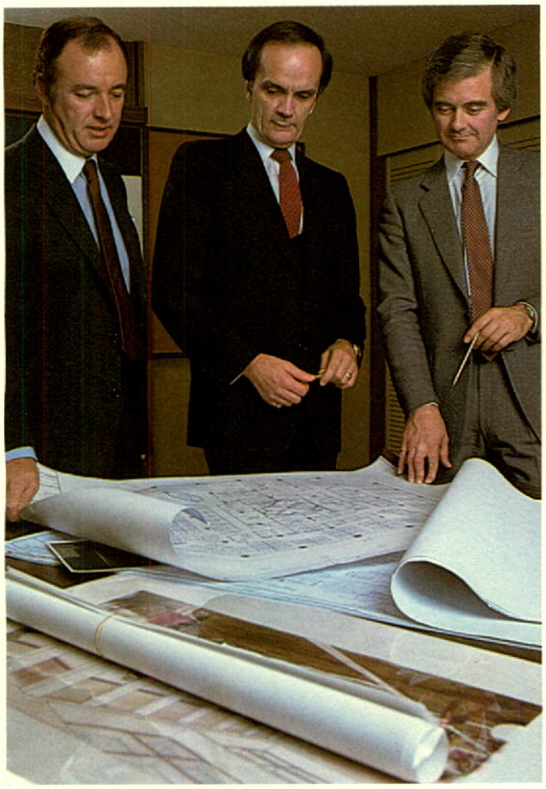
DOMESTIC BANKING GROUP

D.G. Parker
Executive Vice-President and General Manager*

Senior Vice-Presidents
A.E. Bates
J.R. Ellis
R.M. Forster
R.A. Franklin
W.C. Harker
S. Kouwenhoven
P. MacDonald
J.A.E. Morel

Vice-Presidents
B.C. Barth
M.A. Burke
L.F. Darlington
J.L. Demers
H.F. Dooyeweerd
L.R. Fite
R.S. Gammon
F.G. Hacquoil
R. Holmes
W. Holmes
J.R.G. Jarry
R.G. Ketcheson
R.C. Legge
G. MacAskill
L.E. McDannold
D.L. Moore
F.J. Morgan
M.R. Mourton
T.W.S. Pope
R.W. Saddington
J.G.J. Savard
W.J. Speers
R.J. Stranks
G.C. Strachan
K.J. Summers
A. Taylor
C.D.J. Troutman
A.R. White

*Effective February 1, 1982



John W. McCool (left), Senior Vice-President, Real Estate Division, and George W. Hopkins (centre), Senior Vice-President, Operations and Systems Division, review plans for new personal banking facilities with William C. Harker, Senior Vice-President, Domestic Banking, who heads the Bank's largest domestic unit.

John A. Whitney, Executive Vice-President and Chairman of the Credit Policy Committee, with Carson G. Stratton, Executive Vice-President, North American Corporate Banking.

Directory of Major Offices, Foreign Branches, and Representative Offices

CANADA

EXECUTIVE OFFICES
OFFICE OF THE CHAIRMAN

MONTREAL (Head Office)
129 St. James Street
Montreal, Quebec
H2Y 1L6
TELEX: 055-60513 MYBANK MTL
TEL: (514) 877-7110

TORONTO
FirstBank Tower
First Canadian Place
Toronto, Ontario
M5X 1A1
TELEX: 065-24041 MYBANK TOR
TEL: (416) 867-5000

CALGARY
140 8th Avenue SW
Calgary, Alberta
T2P 1B3
TELEX: 03-822827 MYBANK CGY
TEL: (403) 261-9111

GROUP HEADQUARTERS

NORTH AMERICAN CORPORATE BANKING GROUP
FirstBank Tower
First Canadian Place
Toronto, Ontario
M5X 1A1
TELEX: 065-24041 MYBANK TOR
TEL: (416) 867-5000

WORLD CORPORATE BANKING GROUP
FirstBank Tower
First Canadian Place
Toronto, Ontario
M5X 1A1
TELEX: 065-24041 MYBANK TOR
TEL: (416) 867-5000

INTERNATIONAL BANKING GROUP
1000 Sherbrooke Street W.
Montreal Quebec
H3A 3C3
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TEL: (514) 877-7110

DOMESTIC BANKING GROUP
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TEL: (416) 867-5000

TREASURY DIVISION
FirstBank Tower
First Canadian Place
Toronto, Ontario
M5X 1A1
TELEX: 065-24041 MYBANK TOR
TEL: (416) 867-5000

HALIFAX

ATLANTIC PROVINCES DIVISION
INTERNATIONAL BANKING SERVICE CENTRE
TREASURY
5151 George Street
Halifax, Nova Scotia
B3J 2M3
TELEX: 019-21730 MYBANK HFX
TEL: (902) 429-7620

MONTREAL

QUEBEC DIVISION
630 Dorchester Blvd. W.
Montreal, Quebec
H3B 1S6
TELEX: 055-61133 MYBANK QDV
TEL: (514) 877-7110

CORPORATE AND GOVERNMENT BANKING
1000 Sherbrooke Street W.
Montreal, Quebec
H3A 3C3
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TEL: (514) 877-7110

INTERNATIONAL BANKING SERVICE CENTRE
105 St. James Street
Montreal, Quebec
H2Y 1L6
TELEX: 055-60513 MYBANK MTL
TEL: (514) 877-7110

TREASURY
129 St. James Street
Montreal, Quebec
H2Y 1L6
TELEX: 055-61021 REALFOREX MTL
TEL: (514) 877-7110

TORONTO

ONTARIO RETAIL DIVISION
ONTARIO COMMERCIAL DIVISION
3rd Floor
First Canadian Place
Toronto, Ontario
M5X 1A1
TELEX: 065-24041 MYBANK TOR
TEL: (416) 867-5000

CORPORATE AND GOVERNMENT BANKING
FirstBank Tower
First Canadian Place
Toronto, Ontario
M5X 1A1
TELEX: 065-24041 MYBANK TOR
TEL: (416) 867-5000

INTERNATIONAL BANKING SERVICE CENTRE
TREASURY
FirstBank Tower
First Canadian Place
Toronto, Ontario
M5X 1A1
TELEX: 06-22735 MONTFOREX TOR
Trading Department: 06-22791 MONTSEC TOR
TEL: (416) 867-5000

LONDON, ONTARIO

WESTERN ONTARIO DIVISION
Northern Life Tower
380 Wellington Street
London, Ontario
N6A 5C3
TELEX: 064-7131 MYBANK LDN
TEL: (519) 679-9120

WINNIPEG

MANITOBA/SASKATCHEWAN DIVISION
330 Portage Avenue
Winnipeg, Manitoba
R3C 0C3
TELEX: 07-587836 DIVOFF WPG
TEL: (204) 985-2211

INTERNATIONAL BANKING SERVICE CENTRE
TREASURY
335 Main Street
Winnipeg, Manitoba
R3C 2R6
TELEX: 07-57738 MYBANK WPG
TEL: (204) 985-2211

CALGARY

ALBERTA DIVISION
140 8th Avenue SW
Calgary, Alberta
T2P 1B3
TELEX: 03-822827 MYBANK CGY
TEL: (403) 261-9111

CORPORATE AND GOVERNMENT BANKING
300 5th Avenue SW
Calgary, Alberta
T2P 3C4
TELEX: 03-822827 MYBANK CGY
TEL: (403) 261-9111

INTERNATIONAL BANKING SERVICE CENTRE
TREASURY
808 1st Street SW
Calgary, Alberta
T2P 2K1
TELEX: 03-826826 INTLBANK CGY
TEL: (403) 261-9111

VANCOUVER

BRITISH COLUMBIA DIVISION
CORPORATE AND GOVERNMENT BANKING
INTERNATIONAL BANKING SERVICE CENTRE
TREASURY
FirstBank Tower
595 Burrard Street
Vancouver, B.C.
V7X 1L5
TELEX: 04-51496 MYBANK VCR
B.C. Division
04-53413 OSVP-VCR
International Banking
04-53387 MTL FOREX VCR
TEL: (604) 665-2665

UNITED STATES

NEW YORK CITY

NEW YORK BRANCH
2 Wall Street
New York, N.Y.
10005
TELEX
(WUD) 12380 BK MTL NYK
(WUD) 129250 BK MONTSEC NYK
(WUD) 129251 BK MONTSEC NYK
(WUD) 62960 BK MTL NYK
(ITT) 420064 BK MTL NYK
(RCA) 232321 BMNUR
(TRT) 177620 BKMTL UT
(FTCC) 82712 BK MTL
TEL (212) 964-1100
H.G. Ackstein
Vice-President and Manager

TREASURY DIVISION
2 Wall Street
New York, N.Y.
10005
Telex, Telephone through New York Branch

CORPORATE AND GOVERNMENT BANKING
430 Park Ave.
New York, N.Y.
10022
TELEX (RCA) 238 121 MTLA UR
(WUD) 968 721 BKM TLA COM NYK
TEL (212) 758-6300
J.M. Denson
Senior Vice-President
I.E. Henke
J. McCollom
C.R. Myers
F.M. Thomson
T.C. Wright
Vice-Presidents

BANK OF MONTREAL TRUST COMPANY
2 Wall Street
New York, N.Y.
10005
Telex, Telephone through New York Branch

CHICAGO, ILLINOIS

CORPORATE AND GOVERNMENT BANKING
30 North Lasalle Street
Chicago, Illinois
60602
TELEX 25-4332 BANK MONT CGO
TEL (312) 726-7766
J.A. Graham
Vice-President

HOUSTON, TEXAS

CORPORATE AND GOVERNMENT BANKING
1 Houston Center
Houston, Texas
77010
TELEX:
77-5640 BKMONTREAL HOU
TEL (213) 652-2027
W.H. Moise
Vice-President

SAN FRANCISCO, CALIFORNIA

SAN FRANCISCO AGENCY
Four Embarcadero Center
San Francisco, California
94111
TELEX (WUD) 340297 BKMONTREAL SFO
TEL (415) 391-8060

CORPORATE AND GOVERNMENT BANKING
Four Embarcadero Center
San Francisco, California
94111
TELEX (WUD) 340927 BKMONTREAL SFO
TEL (415) 391-8060
E.J. Dato
D.A. Lunney
Vice-Presidents

BANK OF MONTREAL (CALIFORNIA)
HEAD OFFICE
333 California Street
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94104
TELEX (WUD) 340927 BKMONTREAL SFO
TEL (415) 391-8060

BANK OF MONTREAL (CALIFORNIA)
SAN FRANCISCO BRANCH
333 California Street
San Francisco, California
94104
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TEL (415) 391-8060
E.H. Delap
Vice-President and Cashier

LOS ANGELES, CALIFORNIA

BANK OF MONTREAL (CALIFORNIA)
LOS ANGELES BRANCH
707 Wilshire Blvd.
Los Angeles, California
90017
TELEX 674177 BKMONTREAL LSA
TEL (213) 624-0255
D. Porter
Vice-President

EUROPE

LONDON, ENGLAND

LONDON BRANCH
246 Bishopsgate
London, England
EC2M4PA
TELEX 889068 BOMLDN G
889069 BOMLDN G
TEL (441) 638-1722
A.G. McNally
Vice-President and Manager

FIRST CANADIAN FINANCIAL SERVICES (U.K.) LTD.
246 Bishopsgate
London, England
EC2M4PA
TELEX 883577 BOMLDN
TEL (441) 638-1722
A.G. McNally
Managing Director

CORPORATE AND GOVERNMENT BANKING
47 Threadneedle Street
London, England
EC2R8AN
TELEX 883577 BOMLDN
TEL (441) 638-1722
P.C. Conradi
H.B. Garbe
J.C. Gorman
Vice-Presidents
J.A. Horton
Senior Vice-President
A.L. Luce, Jr.
M.R. Rowe
A.S. Yankovich
Vice-Presidents

TREASURY DIVISION
246 Bishopsgate
London, England
EC2M4PA
Telex 883574 BOMLDN G
Tel (441) 638-1722

MADRID, SPAIN

REPRESENTATIVE OFFICE
Torre de Valencia
O'Donnell 4
Madrid 9, Spain
TELEX 43088 BOMS E
TEL (341) 275-4539
M. Simon
Representative

MILAN, ITALY

REPRESENTATIVE OFFICE
7 Via San Paolo
20121 Milan, Italy
TELEX 320353 BKMONT
TEL (392) 87-5608
A.V. Russo
Representative

PARIS, FRANCE

REPRESENTATIVE OFFICE
10 Place Vendôme
75001 Paris, France
TÉLEX 230645 MONTBANK PARIS
TEL (331) 260-58-78
(331) 260-56-37
B. Ramell
Representative

FRANKFURT, FEDERAL REPUBLIC OF GERMANY

FRANKFURT BRANCH
D-6000 Frankfurt am Main 17
Ulmenstrasse 37-39
Postfach 17-4075
Fed. Rep. of Germany
TELEX 414800 BOM D
414835 BOM D
TEL (49-611) 720-301
G.A. Fischer
W. Luettringhaus
Managers

C.F.B. EUROPE

LAHR SCHWARZWALD BRANCH
6/8 Schwarzwaldstrasse
7630 Lahr/Schwarzwald
Fed. Rep. of Germany
TELEX 754826 BOMLB D
TEL (49-7821) 25330
C.J. Newell
Senior Manager

BADEN-SOELLINGEN BRANCH
7571 Baden-Soellingen
Fed. Rep. of Germany
TELEX Through Lahr
TEL (49-7229) 2601
M. Belsek
Manager

BAHAMAS

BANK OF MONTREAL (BAHAMAS & CARIBBEAN) LIMITED
Harrison Building
P.O. Box N7118
Nassau, Bahamas
TELEX 20141 BAHAMONT
TEL (809) 322-1690
W.H. Hill
Managing Director

BANK OF MONTREAL INTERNATIONAL LIMITED
Harrison Building
P.O. Box N7118
TELEX 20315 BOMIL
TEL (809) 322-1690
J.N. Baillie
Managing Director

The Bank's offices at 2 Wall Street, New York, house the New York Branch, Treasury operations, and Bank of Montreal Trust Company.

LATIN AMERICA

BUENOS AIRES, ARGENTINA

REPRESENTATIVE OFFICE
Rivadavia 611
Buenos Aires
Argentina
TELEX: 012 2744 AR MON BA
TEL: (541) 33-4461
A.G. Racedo
Senior Representative

CARACAS, VENEZUELA

REPRESENTATIVE OFFICE
Edificio Xerox
Avenida Libertador
Bello Campo
Caracas 1062
Venezuela
TELEX: 26386 MTLBK VC
TEL: (582) 32-1189
(582) 32-4275
J.L. Schneider
Representative

MEXICO CITY, MEXICO

REPRESENTATIVE OFFICE
Paseo de la Reforma 300
Mexico 6 D.F.
Mexico
TELEX: 01771066 BK MONTREAL MEX
TEL: (905) 533-30-20
(905) 514-02-43
F. Palarea-Mayorga
Senior Representative

SAO PAULO, BRAZIL

REPRESENTATIVE OFFICE
Alameda Santos 1800
Sao Paulo S.P. 01418
Brazil
TELEX: 1124577 FICA BR SPO
TEL: (55-21) 289-2682
(55-21) 289-2734
R.J. Cotter
Senior Representative

RIO DE JANEIRO, BRAZIL

BANCO DE MONTREAL
INVESTIMENTO, S.A.–
MONTREALBANK
Travessa do Ouvidor Nr. 4
Rio de Janeiro—GB
Brazil
TELEX: 2121956 BCBIBR
2123995 BCBIBR
TEL: (55-21) 244-1800
Pedro Leitao da Cunha
President

ASIA AND AUSTRALIA

BOMBAY, INDIA

REPRESENTATIVE OFFICE
Maker Towers E.
Cuffe Parade
Bombay 400 005, India
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TEL: Operator-21-55-29
C. Van Dongen
Senior Representative

HONG KONG

HONG KONG BRANCH
Alexandra House
16-20 Chater Road
Hong Kong
TELEX: 7 3731 MONTBNK 3731
TEL: (852-5) 22-41-82
R.T. Kazuta
Vice-President and
Manager

FIRST CANADIAN FINANCIAL
CORPORATION LIMITED
Alexandra House
16-20 Chater Road
Hong Kong
R.T. Kazuta
Managing Director

JAKARTA INDONESIA

REPRESENTATIVE OFFICE
Wisma Kosgoro
Jalan M.H. Thamrin 53
Jakarta, Pusat
Indonesia
TELEX: 44533 MYBANK JKT
TEL: Operator-36-53-45
A.D. Do
Senior Representative

MANILA, PHILIPPINES

REPRESENTATIVE OFFICE
Metrobank Plaza Building
Buenida Avenue Extension
Makati
Metro Manila, Philippines
TELEX: 3917 MONTBK PN
TEL: (632) 85-6956
J.M. Hilado
Senior Representative

SEOUL, REPUBLIC OF KOREA

SEOUL BRANCH
Dong Sung Building
17-7, 4 Ka. Namdaemun-Ro
Chung-Ku
C.P.O. Box 8485
Seoul, Republic of Korea
TELEX: 23198 MONBANK K
TEL: (822) 778-4495
Y. Bourdeau
Manager

SINGAPORE, REPUBLIC OF SINGAPORE

SINGAPORE BRANCH
UIC Building
5 Shenton Way
Singapore 0106
Republic of Singapore
TELEX: 20660 MONTBK RS
20659 MONTBK RS
TEL: (65) 220-7266
E.J. Ansley
Manager

BANK OF MONTREAL
ASIA LIMITED
UIC Building
5 Shenton Way
Singapore 0106
Republic of Singapore
TELEX: 20670 MONTBK RS
TEL: (65) 224-7711
C.K. Wong
Managing Director

ASIA/PACIFIC
DIVISION
UIC Building
5 Shenton Way
Singapore 0106
Republic of Singapore
TELEX: 23589 MONTBK RS
24590 MONTBK RS
TEL: (65) 220-7266
H.C. Hartmann
Vice-President

TREASURY DIVISION
5 Shenton Way
Singapore 0106
Republic of Singapore
TELEX: 24490 MONTBK RS
24590 MONTBK RS
TEL: (65) 220-7266

SYDNEY, AUSTRALIA

CORPORATE AND GOVERNMENT
BANKING
MLC Centre
19-29 Martin Place
Sydney, N.S.W. 2000
Australia
TELEX: 25773 MYBANK AA 25773
TEL: (612) 221-2566
B.H. Walters
Vice-President

TOKYO, JAPAN

TOKYO BRANCH
Shin Tokyo Building
3-3-1 Marunouchi
3-Chome, Chiyoda-Ku
Tokyo 100, Japan
TELEX: 26637 BANKMONT J26637
TEL: (813) 211-8884
E.T. Little
Vice-President and
Manager

Subsidiary Companies

Financial statements of the following subsidiaries are included in the consolidated financial statements of the Bank of Montreal.

UNITED STATES

BANK OF MONTREAL TRUST COMPANY

2 Wall Street
New York, N.Y. 10005

Telex: through New York Branch
Tel: (212) 964-1100

Bank of Montreal Trust Company, created in 1937, is a service organization chartered under the laws of New York State engaging in corporate trust activities. Its functions include those of trustee, transfer agent for stock issues, registrar for stock and bond issues, disbursing agent for dividends and interest payments, fiscal agent, custodian and escrow agent.

The trust company has full commercial banking powers which it exercises mainly to service large institutional customers.

Assets	U.S. $27.3 million
Capital	U.S. $ 7.8 million

U.S. $1=Can $1.1999

BANK OF MONTREAL (CALIFORNIA)

333 California Street
San Francisco
California 94104

Telex: (WUD) 340927
BKMONTREAL SFO
Tel.: (415) 391-8060

Bank of Montreal (California) was the first Canadian bank chartered by the State of California. With branches in San Francisco and Los Angeles, it offers credit and commercial banking services to businesses in the western United States.

Assets	U.S. $93.5 million
Capital	U.S. $29.2 million

Directors

W.B. Bateman
J.M. Denson
D.A. Lunney
R.D. Mackenzie
F.H. McNeil
D.P. Renda
I.M. Sweatman

Branches

San Francisco Branch
333 California St.
San Francisco 94104

Los Angeles Branch
United California
Bank Building
707 Wilshire Blvd.
Los Angeles 90017

BAHAMAS

BANK OF MONTREAL (BAHAMAS & CARIBBEAN) LIMITED

Harrison Building
P.O. Box N7118
Nassau, Bahamas

Telex: 20141 BAHAMONT
Tel.: (809) 322-1690

Bank of Montreal (Bahamas and Caribbean) Limited is a full service retail bank serving the local Bahamian market and providing offshore deposit facilities in major foreign currencies. It is the only clearing bank incorporated in the Bahamas. Two branches are located in Nassau and one in Freeport.

Assets	Bah. $151.2 million
Capital	Bah. $ 5.0 million

The Bahamian dollar is at par with the U.S. dollar.

Directors

Resident in the Bahamas
T. Baswell Donaldson, C.B.E. F.I.B. Ph.D.,
Chairman
Sir Guy W. Henderson, Kt., Q.C.
A.J. Miller, M.B.E.
W.H. Hill
Managing Director

Resident in Canada
W.D. Mulholland
I.M. Sweatman
J.H. Warren

Branches

Freeport Branch
Churchill Building West
P.O. Box F2608
Freeport, Bahamas

Nassau Branch
Harrison Building
P.O. Box N3922
Nassau, Bahamas

Bay and East Streets Branch
P.O. Box N3922
Nassau, Bahamas

BANK OF MONTREAL INTERNATIONAL LIMITED

Harrison Building
P.O. Box N7118
Nassau, Bahamas

Telex: 20315 BOMIL
Tel.: (809) 322-1690

Bank of Montreal International Limited was incorporated in the Bahamas in 1975 and registered as a non-resident corporation. The Bank carries on an offshore banking business, principally Eurocurrency loans. As a non-resident, BMI is precluded by law from doing business in the local Bahamas market.

Assets	U.S. $828.3 million
Capital	U.S. $ 50.8 million

Directors

Resident in the Bahamas
Sir Guy W. Henderson, Kt., Q.C.
A.J. Miller, M.B.E.
J.N. Baillie
Managing Director

Resident in Canada
W.D. Mulholland
I.M. Sweatman
J.H. Warren
Chairman

BRAZIL

BANCO DE MONTREAL
INVESTIMENTO, S.A. – MONTREALBANK
Travessa do Ouvidor Nr. 4
Rio de Janeiro – GB
Brazil

Telex: 2121956 BCBIBR
2123995 BCBIBR
Tel.: (55-21) 244-1800

Banco de Montreal Investimento S.A. is a Brazilian investment bank with headquarters in Rio de Janeiro and offices in Sao Paulo, Belo Horizonte, Brasilia, Campinas, Porto Alegre, Recife, and Salvador. Its principal activity is providing medium term loans, in both local and foreign currencies, for capital investment and working capital needs. It also manages pension and mutual funds, underwrites debentures and stock issues and leases real estate. Through its subsidiaries the Bank offers consumer financing, equipment leasing, money management and insurance risk management.

Assets	32,362.9 million Cruzeiros
Capital	\$3,409.8 million Cruzeiros
	Cruzeiro=Can. \$0.011

President
Pedro Leitao da Cunha

THE NETHERLANDS

FIRST CANADIAN FINANCIAL
CORPORATION B.V.
c/o Caron & Stevens
Gebouw Hirsch
Leidseplein 29
1017 Ps Amsterdam
Postbus 19178
The Netherlands

Telex: 16474 ABOGA NL
Tel.: (31-20) 22-11-50

Established in Amsterdam in 1970, First Canadian Financial Corporation B.V. is a holding company for various investments of the Bank of Montreal; it has no active operations.

Assets	U.S. \$12.8 million
Capital	U.S. \$11.4 million

HONG KONG

FIRST CANADIAN FINANCIAL
CORPORATION LIMITED
Alexandra House
16-20 Chater Road
Hong Kong

Telex: 73731 MONTBNK 3731
Tel.: (852-5) 22-41-82

Incorporated in 1973 as a deposit-taking company in Hong Kong, FCFC provides loan syndication and other wholesale financial services to local and multinational corporations as well as to other financial institutions.

Assets	U.S. \$253.9 million
Capital	U.S. \$ 21.9 million

Managing Director
R.T. Kazuta

SINGAPORE

BANK OF MONTREAL
ASIA LIMITED
UIC Building
5 Shenton Way
Singapore 0106
Republic of Singapore

Telex: 20670 MONTBK RS
Tel.: (65) 224-7711
Incorporated in the Republic of Singapore in 1978, BOMAL is empowered to provide a wide range of financial services both in Singapore and abroad. It plays a prominent role in the loan syndication field primarily in the Asia Pacific area.

Assets	Singapore \$1,054.0 million
Capital	Singapore \$ 55.0 million
	Singapore \$1.=Can. \$0.577

Managing Director
K.C. Wong

UNITED KINGDOM

FIRST CANADIAN FINANCIAL
SERVICES (U.K.) LTD.
246 Bishopsgate
London, England
EC2M4PA

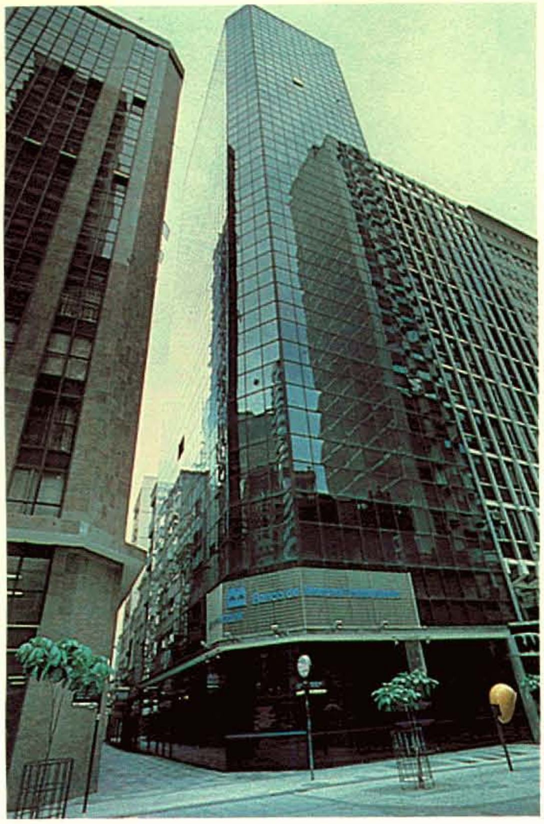
Telex: 883577 BOMLDN G
Tel.: (441) 638-1722

Incorporated in the United Kingdom in 1974, First Canadian Financial Services (U.K.) Ltd. provides a wide range of financial services both in the United Kingdom and abroad.

Assets	£ Stg 122.1 million
Capital	£ Stg 5.2 million
	£ Sterling = Can. \$2.2537

Managing Director
A.G. McNally

Financial statements of the following subsidiaries are not consolidated with those of the Bank of Montreal. However, $3,059 million of $3,424 million of the external debt of the subsidiaries is guaranteed by the Bank. As a result, the guaranteed portion of the debt is reflected in the consolidated balance sheet of the Bank under the item "Customers' liability under acceptances, guarantees, and letters of credit, as per contra (note 6)." Funds loaned to the subsidiary by the Bank, if any, are included in the Bank's balance sheet under the item "Securities of and loans to corporations controlled by the Bank."



This new building in the heart of Rio de Janeiro's business district houses the head office of the Bank's Brazilian subsidiary, Banco de Montreal Investimento S.A. – Montrealbank. With branches in seven other large Brazilian cities, Banco de Montreal provides a wide variety of financial services.

CANADA

BANK OF MONTREAL
MORTGAGE CORPORATION
140-8th Avenue, SW
Calgary, Alberta
T2P 1B3

Telex: 03-822827 MYBANK CGY
Tel.: (403) 261-9460

Incorporated as First Canadian Investment Limited, the name of the company was changed to Bank of Montreal Mortgage Corporation (BMMC) on March 31, 1981. BMMC, a wholly-owned subsidiary of the Bank, operates under the federal Loan Companies Act and serves as the principal mortgage funding vehicle of the Bank. Acquiring mortgage assets from the Bank, BMMC's assets grew by 82% to $3.1 billion during 1981.

BMMC's borrowings are guaranteed by the Bank.

Assets	$3,089.0 million
Capital	$ 137.5 million

Chairman
R. Giroux, C.C.

President
G.L. Reuber

BANK OF MONTREAL
REALTY INC.
129 St. James Street
Montreal, Quebec
H2Y 1L6

Telex: 055-60513 MYBANK MTL
Tel.: (514) 877-7110

Bank of Montreal Realty Inc., incorporated under the laws of Canada, is the principal operating vehicle in the Bank's real estate operations. The company is in the business of acquiring, owning, developing and managing real property required by the Bank for its operations. These properties are in turn leased to the Bank and to other tenants.

Assets	$175.8 million
Capital	$ 10.3 million

Chairman
G.L. Reuber

President
J.W. McCool

BANK OF MONTREAL
REALTY FINANCE LTD.
129 St. James Street
Montreal, Quebec
H2Y 1L6

Telex: 055-60513 MYBANK MTL
Tel: (514) 877-7110

Bank of Montreal Realty Finance Ltd., formerly BM-RT Limited, became a wholly-owned subsidiary in 1981 when Bank of Montreal purchased the shares held by Royal Trustco Limited.

Assets	$373.7 million
Capital	$ 5.3 million

CANADIAN DOMINION
LEASING CORPORATION LIMITED
8 King Street East,
Toronto, Ontario
M5C 1C2

Telex: 065-24041 MYBANK TOR
Tel.: (416) 363-3272

A wholly-owned subsidiary since 1978, Canadian Dominion Leasing Corporation Limited leases and finances the purchase of large ticket equipment. Based in Toronto, CDL has offices in Montreal and Calgary and is represented in other large Canadian centres through the Bank's system.

Assets	$282.5 million
Capital	$ 2.4 million

Chairman
B.H. Rieger

President
H.M. Smith

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The interior of the Main Branch has been restored and enlarged several times since 1847, most notably in 1901-05 by the celebrated firm of McKim, Mead, and White. The statue of Patria by James Earl Fraser holds a sword and palm fronds and symbolizes the Canadian nation.