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Established in 1817

BANK OF MONTREAL
ANNUAL REPORT
1978

Meeting Notice

Established in 1817

The 161st Annual General Meeting of Shareholders will be held in Montreal at the Château Champlain Hotel, Place du Canada, at 11:00 A.M. on Monday January 15th, 1979. Shareholders of the Bank of Montreal are invited to attend.

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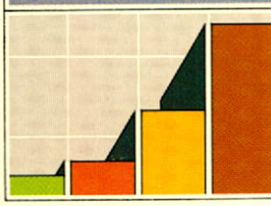
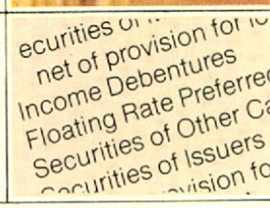




Chairman's and President's Report to Shareholders

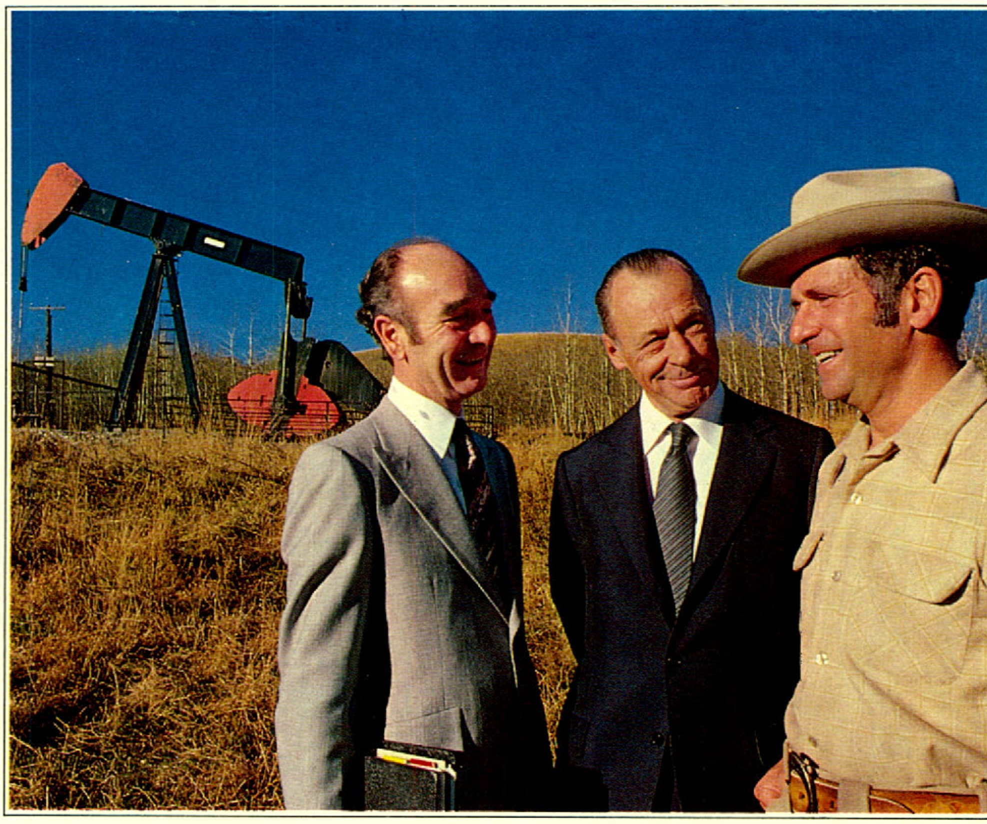
It is a pleasure to report to you the results of the operations of the Bank during 1978, which were most satisfactory.

During the past year, progress was made toward realizing several of our objectives which have significance beyond the context of a single year.

Asset growth during the year was once again very strong, contributing importantly to earnings and comparing favourably with the experience of the banking industry generally. This is a reflection, we believe, of a general policy of bringing the Bank to the customer, to improvements in our service and products on the lending side of the business, and to a number of market initiatives, with some of which you may be familiar. Among these are our nationwide small business program, the corporate banking group, and, in the international area, our trade financing units located in major cities in Canada and the international loan syndication units, all of which have been highly successful and contributed importantly to an improved competitive position for the Bank.

Concurrent with a record increase in assets, the Bank's ratio of capital to assets increased moderately year over year. This is the fourth consecutive year of improvement. At year-end, the Bank's capital ratio exceeded industry levels.

As you will observe from an examination of the accompanying report, the past year also saw continued progress in the control of operating expenses. This is reflected in many ways but an important element in this progress has been the ability to maintain a constant comple-



Fred H. McNeil, Chairman and Chief Executive Officer *(Centre)* with Jack M. Pierce, President, Ranger Oil Company Limited (Right) and Derek Whittle, Senior Vice-President, Alberta Division.

William D. Mulholland, President *(Centre)* with *(From Left to Right)* Pieter G. K. Oosthuizen, Executive Vice-President and General Manager, International Banking Group, Charles F. MacNaughton, Executive Vice-President and General Manager, Domestic Banking Group, Hartland M. MacDougall, Executive Vice-President and General Manager, Corporate Banking Group, and S. M. Davison, Executive Vice-President and Chief General Manager.

ment level while increasing earning assets. That this is possible is due in no small measure to the implementation of the branch mechanization program which, at this writing, includes 931 branches. The conversion of other branches to on-line operation will continue during 1979. Notwithstanding the gratifying progress in the control of operating costs, this is an area in which we are not yet fully competitive and efforts to bring about improved performance will continue.

Partly due to effective control of operating expenses but also reflecting strong asset growth and the current balance sheet management policies of the Bank, overall efficiency, as measured by the return on funds employed, showed continued improvement during the year. For the year 1978, return on funds employed was above the average for the banking system.

Strong earnings growth is, of course, to be desired both as evidence of a healthy business and as a source of income to its owners through the payment of dividends. It is perhaps timely to recall that it is also a source of capital to support the growth of the business. In this respect banking is similar to other businesses except that few in Canada have capital requirements of comparable magnitude. During the year, the Bank increased its capital and reserves, by $261.5 million not counting $19.4 million of deferred payments in respect of the last rights offering. If debentures were included, the total increase would be $340.4 million. Although 1978 saw record earnings and satisfactory profitability, at least by current standards, only $145.5 million of this increase was provided from earnings. It goes without saying that strong earnings performance is an essential element in a strong, healthy banking system capable of meeting the expanding needs of individuals, businesses and governments for banking accommodation.

It seems unlikely, in the near future at least, that heavy requirements for additional capital will moderate significantly. Accordingly, dividend policy must, of necessity, reflect a judicious balance between present and future considerations. Since it would not seem to be in the best interests of our shareholders to restrict deliberately the *profitable* growth of the Bank so long as it can be supported on a prudent and economic basis, the proportion of earnings paid out as dividends has been allowed to decline gradually to its current level. The proportion is now comparable to that of the other large chartered banks. This policy, which is subject to frequent review by the Board of Directors, is considered to be one which, over the long-run, will benefit our shareholders the most.

In a tangible way, shareholders have contributed significantly to the progress of the Bank by the very strong support given to rights issues, the largest and most recent of which was launched last August. This issue, which raised $122 million, was the largest ever offered to shareholders of a chartered bank and was highly successful. The proceeds augmented the capital of the Bank and, together with retained earnings of $145.5 million, support the asset growth which is such an important factor in the Bank's earnings performance.

During 1978 the Bank experienced strong deposit growth which funded the large growth in assets. Growth in the demand deposit and personal savings categories, while showing evidence of relative improvement, still remains an area in which better performance is necessary. Less than satisfactory results in this area, combined with a high rate of asset growth, tend to result in a higher cost deposit mix, increasing the pressure on margins. While this process has been taking place, the impact has tended to be obscured by favourable performance in other areas. Nonetheless, it is a matter to which a great deal of attention is being given and will continue to be given until consistent results are more nearly in accord with our objectives.

On a somewhat wider stage, increasing attention is being given to broadening the base of our banking operations with a view to enhancing, if possible, our potential for earnings growth. A step in this direction was taken late in the year with the announcement of the discussions which were underway with Banker's Trust Company looking to the acquisition of most of their banking offices in the New York Metropolitan area. While it is too early to predict the outcome either of these discussions or of the required regulatory proceedings, the essentially constructive nature of this proposal, from the standpoint of the two banks as well as from that of the community, led us to devote a considerable effort to its detailed investigation.

As to the outlook for 1979, we expect a somewhat sluggish domestic economy and relatively high levels of inflation and unemployment. On a cautionary note, we have observed some deterioration of credit quality in the market place, and our lending officers have been advised to exercise appropriate precautions. Until we experience more robust business conditions and a return to economic and fiscal stability, it is unlikely that this situation will improve greatly. On the international scene, unsettled conditions in the foreign exchange and financial markets seem likely to continue with the concomitant problems which such an environment presents for those engaged in international trade and finance.

On the whole, the coming year promises to provide a series of challenges to which we are confident the men and women of the Bank will rise in a manner calculated to bring credit upon themselves and upon your Bank. To them, we offer our congratulations on their splendid achievements and our thanks for their devoted efforts during the past year.

F. H. McNeil

Fred H. McNeil
Chairman of the Board
and Chief Executive Officer

W. D. Mulholland

William D. Mulholland
President

The Year's Highlights

For The Year Ended October 31	1978	1977	% Change
Total Revenue	$ 2,588,831,860	$ 2,008,098,814	28.9
Balance of Revenue	$ 292,315,710	$ 215,723,700	35.5
Balance of Revenue After Income Taxes	$ 193,515,710	$ 122,023,700	58.6
Dividends	$ 47,953,588	$ 40,280,441	19.0
At Year End			
Total Assets	$32,090,136,219	$25,175,394,690	27.5
Loans and Mortgages	$21,336,138,541	$17,122,112,026	24.6
Deposits	$29,034,940,713	$23,025,331,485	26.1
Debentures Issued and Outstanding	$ 282,789,500	$ 203,870,000	38.7
Accumulated Appropriations for Losses	$ 256,931,687	$ 197,286,228	30.2
Total Shareholders' Equity	$ 867,670,908	$ 665,845,803	30.3
Total Equity and Accumulated Appropriations	$ 1,124,602,595	$ 863,132,031	30.3
Total Capital Funds	$ 1,407,392,095	$ 1,067,002,031	31.9
Number of Shares	47,846,798	42,460,536	12.7
Number of Shareholders	57,259	55,969	2.3
Per Share			
Balance of Revenue After Income Taxes	$ 4.48	$ 3.18	40.9
Dividends	$ 1.09	$ 1.03	5.8

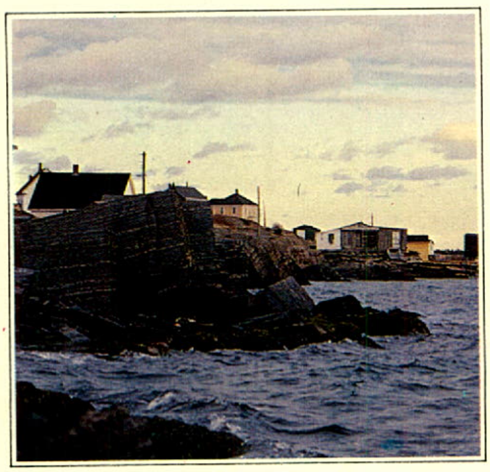
Common Share Market Information

1978	High	Low	Close	Shares Traded	Dividends Paid
First Quarter	18	16⅛	17½	1,775,535	$0.265
Second Quarter	20	17½	19½	2,008,368	$0.265
Third Quarter	23½	19⅜	22⅜	2,008,153	$0.28
Fourth Quarter	25⅞	22½	23⅞	3,670,205	$0.28
Fiscal Year	25⅞	16⅛	23⅞	9,462,261	$1.09

Valuation Day (Dec. 22, 1971) share price: Common	$18.50

Domestic Banking Group

Bringing more convenient banking services to people and business through the branch banking network across Canada remains a high priority of the Bank of Montreal. The Domestic Group has earned a reputation as an innovator in retail and commercial banking in Canada.



Since 1817 the Bank of Montreal has grown by meeting the banking needs of Canadians in every section of the country and in all walks of life. It follows naturally that, today, bringing more convenient banking services to people as individuals, proprietors of businesses, in agriculture, fisheries and in other occupations—remains a high priority of the Bank. In the year just passed, the introduction by Domestic Banking of a wide range of new product and service features reflects our continuing commitment to provide higher quality banking services to Canadians.

The objective of the Domestic Banking Group, the largest in the Bank, is to be fully competitive in every region of Canada, in personal and commercial banking. In 1978 the response to this policy by clients of the Bank was particular gratifying. Record levels in total assets and strong rates of growth in all major loan categories were realized.

During the year the divisional offices were strengthened to facilitate a more flexible and rapid response to customers' requirements across the country. The three regions comprising the Ontario Division were raised to the level of Divisions which now serve Eastern and Northern Ontario, Central Ontario and Western Ontario. The latter Division is headquartered in London, Ontario.

Small and Medium Businesses

The Domestic Group provides specialized services to meet the financial requirements of the small and medium business sector which accounts for a high percentage of the total economic output and employment of Canadians.

Continuing strong market acceptance of the FirstBank Business Finance Plan for small business borrowing needs produced high levels of growth in all Divisions across Canada. To sustain the steady increase in share of this competitive market, our lending programs have incorporated greater flexibility as to term and interest rates structuring. FirstBank Term Loans, tailored to meet the needs of medium-sized businesses with requirements up to $1,000,000. came into wide use in 1978 and, again, were a key element in the Bank's very successful results in the small and medium business sector.

During the year, we acquired 100% ownership of Canadian-Dominion Leasing Corporation Limited. Leasing programs through the First Canadian Leasing Division of Canadian-Dominion Leasing, the parent Company, were broadened and revitalized in line with our plan to expand in this area.

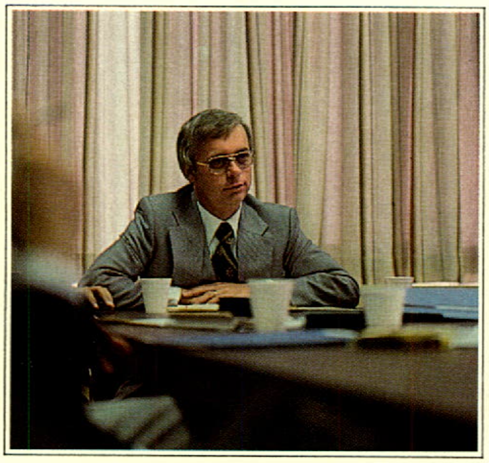
Emphasis was placed on developing financial services to meet the needs of the fishing industry in anticipation of its growth and expansion in capital project financing requirements in the near future.

In 1978, the Domestic Group inaugurated additional commercial branches staffed with experienced bankers qualified to deal with the generally more sophisticated financing requirements of small and medium-sized businesses, and opened a commercial banking centre in Mississauga, Ontario. An active "calls-on-business" program brings the Bank of Montreal to customers and prospective clients across the country.

Agriculture

Canadian farmers turned to the banking system for increasing proportions of their financing needs in 1978, a trend which is expected to continue into the 1980's. The Bank's vital interest in the agricultural sector is evidenced by the

Commercial Banking Managers across Canada specialize in the financial needs of small to medium sized business accounts. Ben Smidtsra, Manager, Mississauga Branch directs an active calls-on-business program.



Bottom left: Walter Reszytniak, President, Super Plastics Corporation Limited and Larry Gowland, Manager, Dixie Crestlawn Branch, Mississauga.

Bottom right: Steve Stavro, President, Knob Hill Farms Limited with Keith Conway, Manager, Danforth and Ferrier Branch.

on-going development and marketing of its FirstBank Agri-Services program.

During 1978 the Agriculture Department was expanded to provide increased representation in both Western and Eastern Canada. The FirstBank Farm Profit Management newsletter, written for commercial farmers and emphasizing agriculture commodity market outlook and farm financial management articles, was launched in January.

In 1978 the Bank added important features to its Farm Creditor Insurance Plan which now allows farmers to insure their bank loans for disability, loss of limb, and loss of sight in addition to the previous life insurance features.

The FirstBank Agri-Credit Plan has been well received by the farming industry and was developed to meet the total short, intermediate and long-term financing needs of commercial farmers and ranchers. The flexibility of this comprehensive credit plan which provides true "one-stop credit packaging" for this industry is an important feature in ensuring that the Bank's share of this important market will continue to grow.

Personal Deposits

The 1239 branches of the Domestic Group compete aggressively for higher shares of total personal deposits. During the past year, new products and services were introduced to the retail market aimed at satisfying existing customers and at making prospective customers into regular clients of the Bank.

Early in 1978, in a first for the Canadian banking industry, Bank of Montreal launched its 1-2-3-4- cheque cashing service. This permits Bank customers with current, true chequing or chequable savings accounts and a valid Bank of Montreal Master Charge card to cash cheques at any Bank branch. In a subsequent development, this facility was extended to encompass virtually any cheque presented in Canada, by customers or non-customers alike.

Patricia Burns, the Bank's Home Money Management Consultant, continued her series of radio and television appearances. Through numerous personal meetings with groups across Canada, she has helped thousands of Canadians with their personal money affairs. Her latest booklet entitled "It's Your Money" is available on request at any Bank of Montreal branch, as is her earlier booklet "Money – What every woman should know".

Programs to attract greater participa-

Top: The Bank places a high priority on services for Agri-Business. Williamsburg Ontario Manager James B. Kelsey meets with client John Dalrymple, Farmer.

Bottom: Kerr Controls Limited, Truro, Nova Scotia is an important, supplier of cellulose insulation materials. Company Vice-President Andrew H. Keirstead (Centre) discusses plant operations with Jack Connell, Business Development Manager, Atlantic Provinces Division and David Lake, Manager, Truro Branch.

tion in registered retirement savings plans (RRSP) and registered home ownership savings plans (RHOSP) were notably successful with share of this market increasing. In late summer, a savings incentive program, "Double Your Money" was introduced.

The gain in total Canadian currency deposits of $3.3 billion or 21.1% during the year just ended reflects a high level of consumer acceptance of the Bank's programs.

Loans for People

In a year of "Firsts", the Bank realized strong growth in the personal lending area. Contributing to this increase was the introduction of an innovative service option added to personal loans: Low Cost Disability Insurance on Personal Loans.

Early in 1978, special lower rates were made available for customers buying an energy efficient 1975 or later model car, or undertaking home improvement projects which could be shown to contribute to the worthy cause of energy conservation.

In the retail sales financing market, the FirstBank Purchase Plan was introduced to facilitate the financing of retail sales by dealer customers.

Mortgage Lending

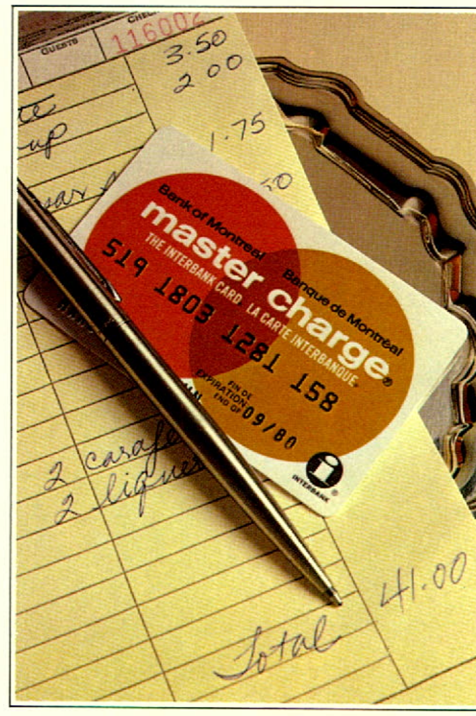
Despite generally sluggish market conditions in Canada, continued expansion marked the Bank's mortgage and portfolio activities during the past year.

A major factor in this growth was the considerable broadening of the range of available mortgage options. Borrowers may now select loans with three year or five year maturities, with amortization calculated over a twenty-five year period. They may also obtain open "bonus-free" mortgages which can be prepaid at any time without penalty. These options permit each customer to select a mortgage package most suited to his or her own individual requirements.

A program now underway to automate mortgage administration in divisional offices will result in greater efficiency and better customer service.

Master Charge Growth Continues

From the "first steps" taken at its introduction in 1973, Master Charge has come of age and, today, enjoys a firm footing. During the year the number of Master Charge cardholders grew by 16%, and the number of outlets in Canada honouring Master Charge reached 130,000.



In addition to services normally associated with a credit card, Master Charge cardholders enjoy many plus privileges with the continuing introduction of new services.

In July 1978, a major retail chain became the first of Canada's full-line department stores to accept the Master Charge card.

Expanded private label and affiliate member participation, improved operating efficiencies and close attention to cost control produced significantly higher revenues and profit contribution in 1978.

Television Banking

The Bank is involved in a pioneering project right under Winnipeg's world famous intersection of Portage and Main. The historic Bank of Montreal main branch will be directly linked into a spacious underground concourse – FirstBank Square.

In this square, we have installed a "first" for Western Canada in convenient banking services: television tellers. Banking hours have been extended to coincide with the schedules of shoppers and workers in the area.

Automation

More than three-quarters of the Canadian branches have now been converted to the mechanization system, bringing the total number of deposit accounts and daily transaction volume processed over the 4,200 teller terminals to in excess of 4.0 million and 1.3 million respectively.

With the installation program now largely completed, emphasis is being placed on the development of enhancements designed to further reduce branch workloads as well as provide new products and improved customer services.

System performance, reliability and availability continued to be monitored closely and were maintained at acceptable levels in 1978.

Right: Chris Thomas, Deputy Manager of the Bank's Main Branch, Vancouver talks with Elizabeth Chapman, Manager of Edward Chapman Limited's Hotel Georgia Store. Edward Chapman Limited, a retailer of fine men's apparel, is a long-term client of the Bank.

Below: Continuing a long-term association of the Bank with the Canadian fisheries industry, G. R. F. (Butch) Cook, Manager, Liverpool Branch calls on Crosby McLeod, (Left) President, C. W. McLeod Fisheries Limited.

Bottom: Bowater Mersey Paper Company Limited, Brooklyn, Nova Scotia is a valued client of the Bank.

Corporate Banking Group

Specialist bankers based in Toronto, Montreal and Calgary provide corporations with a full range of fast, efficient, custom-built credit and non-credit banking services.

Corporate Banking was established in 1976 as a full-fledged operating division of the Bank to provide large corporations in virtually all fields of enterprise with prompt, efficient and innovative service to meet their banking and financial needs. During the past year the Division has continued to expand its operation and range of specialized services. Headquartered in Toronto and with operating groups in Montreal and Calgary, experienced corporate bankers provide a complete range of credit and non-credit services for customers and prospective clientele. Due to the substantial nature and unique requirements of the accounts managed, services are frequently tailored to meet customers' special needs.

Prior to the formation of the Corporate Banking Group, the management of all large, diversified corporate accounts was, primarily, the responsibility of the domestic branch offices. In recent years, with the increasingly complex financing needs and alternatives available to national and multi-national corporations, this arrangement was no longer entirely satisfactory.

Today, the Bank's services for corporate accounts are optimized by the close co-operation between Corporate Banking specialists who assume overall account management responsibility, and the Domestic Banking branch network which provides essential day-to-day banking services and administrative support. In 1978, a record number of clients put this combination to work for them.

The three original account management units—Commercial and Industrial, Natural Resources and Project Financing—were joined, in 1978, by additional units comprised of bankers experienced in the insurance and real estate development industries.

The Natural Resources unit receives strong support from its technical specialists in Oil and Gas, and Mining, the former located in Calgary and the latter in Toronto. Both groups are leaders in their fields and are active in their respective specialty areas in Canada and internationally. During the year, a fully-staffed operational unit was established in Calgary to serve the growing needs of customers in this economically buoyant region.

The Insurance unit is unique within Corporate Banking; services to clients are more of a non-credit nature because the normal cash flow of insurance companies is generally sufficient to fund requirements and primary emphasis is on effective cash management through utilization of the Bank's computer services for the electronic transfer of funds and electronic debiting and crediting.

The Real Estate unit was established to meet a growing volume of business transacted with major Canadian real estate developers. In 1978, financing for numerous major projects in Canada and the United States was arranged by this group.

Project Financing

Project Financing, a unit with broadly based experience in developing major financing packages, continued to expand its activities in Canada and abroad.

Typically, required financing is arranged with project cash flow a key element of loan security and with minimum recourse to the sponsors. Project financing does not rely on a single technique, the primary goal is to work toward the client's objective using a balanced mix of innovation, research and the application of sound lending practice.

In 1978, solutions to clients' financing requirements employed a wide variety of financing methods—term lending, long term institutional funding, after-tax vehicles, commercial paper, government agency credits and equity funding.

Mike Zahorchak, Chairman, Chris Salmon, President and David Allen, Executive Vice-President of Canadian Odeon Theatres with David Luyt, Vice-President, Wilson Seatle, Manager, Credit and John Traynor, Manager, Corporate Banking, who negotiated $31 million acquisition of the Odeon Theatres chain across Canada by Canadian Theatres of St. Catharines, Ontario.

Project financing expertise, developed initially to meet the needs of the Canadian market, is now being applied by Bank of Montreal personnel throughout the world. The Project Financing unit acts as consultant to International Banking account managers or may develop solutions for Canadian corporate clients. In 1978, the unit was involved in projects as diverse as mining in Australia, metal refining in Mexico and oil and gas exploration on the United States Continental Shelf.

Integrated Money Market Facility

Market-Oriented Bankers' Acceptances were introduced by the Bank in October 1977 to improve the viability of acceptances for Canadian corporations using the commercial paper market and whose acceptances are eligible for rediscount by the Bank of Canada. However, these did not assist many other top-rated Canadian corporations with ready access to the commercial paper market but unable to issue acceptances eligible for rediscount.

In March, 1978, the Bank introduced FirstBank Acceptances which made it possible, for the first time in Canada, for all corporations using the commercial paper market to also issue bankers' acceptances. FirstBank Acceptances offer a flexible combination of banker and money market facilities at a cost frequently lower than traditional short-term financing alternatives if purchased separately. They recognize the changing financing requirements of Canadian corporations by allowing for maturities of from 10 to 180 days from date of issue.

Another major innovation, introduced with and complementary to FirstBank Acceptances, is the Guaranteed Term Option, a dynamic line of credit which incorporates virtually all of the credit needs of borrowers at lowest cost. Lower standby fees are made possible by combining the commercial paper standby credit and the Bankers' Acceptances credit which also provides for the issuance of acceptances at no additional cost.

The third significant feature of the Guaranteed Term Option is an unrestricted, guaranteed, direct borrowing option with interest charges related to the Bank's cost of funds. This approach required the creation of the FirstBank Rate, a pricing mechanism based on clearly defined factors.

The innovative features presented by FirstBank Acceptances, Guaranteed Term Option and FirstBank Rate provide borrowers with the widest possible flexibility in the management and cost of their short-term funding requirements.

Investors have found FirstBank Acceptances attractive as a safe investment vehicle fully backed by the Bank and available in almost any short-term maturity.

When seven executives of Vickers Canada Inc acquired all outstanding shares of this public Company, financing was arranged by Bank of Montreal. Seated, from the left, are Bob Nicholls, Senior Account Manager, Syd Grey, Vice-President, Finance, Harold Blakley, President, and Account Manager, Peter Conradi.

Bottom: Bank of Montreal is a major participant in the financing of Canada's resource development. When Thompson Oil, a subsidiary of Atco Industries Limited required financing for drilling rigs and oilfield equipment, Project Financing designed a $60 Million agreement.

International Banking Group

Branches and offices around the world assist Canadian exporters with record volume of trade financing. Bank of Montreal consistently ranks among the leading banks in the world as manager or co-manager in international loan syndication.

The International Banking Group provides financial services to governments, public sector and institutions, multinational corporations, banks and businesses in Canada and abroad. Operations worldwide are the responsibility of five Divisions—International Banking Canada, headquartered in Toronto; Europe, Middle East and Africa, headquartered in London; Asia/Pacific in Singapore; United States in New York; and Latin America and Caribbean in Montreal.

Financing Canada's Trade

As a major trading nation, Canada and associated countries have a growing requirement for financing to facilitate international commerce.

The International Banking Canada Division, with offices in Toronto, Montreal, Calgary and Vancouver, oversees all Canadian-based international banking activity. With the co-operation of domestic branches, overseas offices, affiliates and correspondents around the world, International Banking Canada is well positioned to advise and assist the Bank's customers with their international transactions.

Through partnership with Canada's export industries, and by maintaining close relationships with federal and provincial agencies involved in foreign trade, International Banking Canada supports the export of Canadian goods and services by arranging supplier or buyer credits, or local cost financing.

The ability of producers to arrange convenient payment terms, along with price, quality and speed of delivery, are all-important in gaining a competitive advantage in export sales. This is particularly evident in the case of capital goods and services involving substantial amounts and longer payment terms.

Bank of Montreal assists Canadian suppliers by providing financing during production or after-sale. The Bank may purchase from the exporter, on a non-recourse basis, the promissory notes of a foreign buyer in payment of goods or services. The supplier thereby obtains immediate cash payment on completion of the contract. In other instances, we may provide financing for the overseas buyer, over a specified term, for disbursement to the seller under pre-arranged conditions. Under this arrangement, the exporter's domestic credit position remains unaffected, and the sale is, in effect, for cash. Security is frequently provided by a guarantee from a financial or governmental institution in the buyer's country or from the Canadian Export Development Corporation.

A full range of services—foreign exchange transactions, foreign drafts, money orders, letters of credit and collections—available through the Bank's domestic branch network are processed by International Banking.

The Eurocurrency Markets

During 1978, the Eurocurrency markets were characterized by extreme liquidity which drove profit margins down to near historical lows. In an exceptionally competitive environment, the Group was able to meet acceptable pricing criteria and rank consistently amongst the world's leading banks as manager or co-

Top: The signing of $1.250 billion loan agreement between Hydro-Quebec and a consortium of 51 Canadian and International Banks in London, England.
In the foreground, *(from left to right)*: Mr. C.T.V. Arentschildt, Senior Vice-President, International Banking; M. Jean Trudel, Directeur de la Dette, Province de Québec, Mr. William D. Mulholland, President, Bank of Montreal, Mr. Robert A. Boyd, President, Hydro-Quebec.
Participating in the closing of the U.S. $700 million loan agreement for the Banco Nacional de Comercio Exterior, S.A. of Mexico in Montreal are (from left to right), Mr. J. E. S. Hodgson, Director, Lloyds Bank International Ltd.; Mr. F. A. Quintero, Director General, Banco Nacional de Comercio Exterior S.A.; Mr. P. G. K. Oosthuizen, Executive Vice-President and General Manager, International Banking, Bank of Montreal; Mr. P. J. Mimoz, Minister of Finance, Mexico; Mr. A. B. Gomez, Mexican Ambassador to Canada.

manager of international loan syndications. The Loan Syndication Department established in London in 1976 plays a leading role in these agreements and is now operating in Singapore and Canada as well. This unit, which works in close co-operation with other major banks, consists of specialists in the marketing, pricing and documentation of large loans.

One of the more interesting financings arranged by the Bank was the U.S. $1.25 billion loan for Hydro-Québec in January, 1978, the largest non-government loan ever arranged internationally.

Another loan, arranged for the Banco Nacional de Comercio Exterior, S.A. of Mexico, brought in a total of U.S. $700 million, the largest loan ever to a Mexican financial institution.

Also typical of the type of business done by International Banking was a U.S. $50 million loan agreement by Aeroportos de Rio de Janeiro S.A. of the State of Rio de Janeiro and a consortium of Canadian banks led by the Bank of Montreal. Proceeds of the loan were used to finance construction of a runway system for Rio de Janeiro's international airport. Acres International Limited, Consulting Engineers, and Searle Wilbec Rowland, Architects, both of Toronto, are involved in the airport project.

New Offices Overseas

In 1978, the International Banking Group was particularly active in the countries of the Pacific region and of Asia. The importance of this region was recognized with the establishment of a full service branch in Hong Kong and the decision to open a new branch in Seoul, Republic of Korea. These will complement the Bank's offices located in Australia, Japan, the Philippines, Indonesia, Singapore and India.

To service expanding business relationships between Canada and Central and South America, an office was opened in Caracas complementing Bank of Montreal branches and representative offices located in Mexico, Brazil and Argentina.

Country Risk Management

Inherent in the International Banking Groups' overseas lending activities are elements of risk associated with the social and political environments of countries where borrowers reside or those countries' future capacity to honour foreign debt commitments.

Internationally, as within Canada, Bank

of Montreal follows a policy of risk diversification. Current or potential future loan losses are maintained at a level consistent with sound lending practices by avoiding excessive concentration of outstanding credits in any particular country, industry or other category.

Procedures followed by the Bank in appraising country risk and establishing country lending limits are discussed in the next section of this report.

Figures 1 and 2 provide a breakdown of the International Group's total loans outstanding by geographical distribution and country economics classifications. Figure 3 shows the distribution by industry classification.

A high percentage of the Group's loans is to borrowers in the industrialized countries. In the case of the developing countries, financial resources are provided for sound economic reasons, with priority attached to projects which will increase agricultural or industrial production. Overall, the volume of loans to borrowers in the developing countries is consistent with the Bank's policy of risk diversification.

Inspecting ship under construction at Marine Industries Limited, Sorel, Quebec for Cie Algerienne de Navigation are Mr. Gilles Léveillé, Vice-President, Finance and Mr. Laurent Marchand. Treasurer of Marine Industries Limited with Rosaile Bourbeau, Senior Account Manager, International Banking, Quebec. Financing was arranged by the Bank of Montreal.

Distribution of Foreign Currency Loans

"Location of Ultimate Risk"

% of total as at September 30,	1977	1978
Africa	4.44	3.79
Asia	9.77	10.63
Europe	37.53	35.93
Middle East	1.24	1.48
United States	19.70	17.47
Central America	9.87	9.29
South America	9.17	10.95
Oceania & Indonesia	2.50	2.88
Shipping	0.73	0.64
Canada	5.05	6.94
	100.00%	100.00%

1

Economic Classification

% of total as at September 30,	1977	1978
Developed Economies	53.30	46.69
Centrally Planned Economies	16.17	8.13
Developing Economies		
Oil Exporting Economies	4.58	5.36
Advance Stage of Development	5.01	4.81
Less Developed Countries		
High Income	21.04	22.19
Middle Income	3.15	3.66
Low Income	0.96	1.38
Shipping	0.73	0.64
Canada	5.06	6.94
	100.00%	100.00%

2

Industry Classification

% of total as at October 31,	1977	1978
Foreign Banks	21.82	22.65
Foreign Government	13.93	14.71
Industry	29.45	31.13
Public Utilities Transportation and Communications	14.03	13.31
Government and other Public Services	1.72	0.62
Finance Co. & Investment Dealers	2.14	1.66
Construction Contractors	1.16	0.83
Personal	0.81	0.57
Other Business	14.94	14.52
	100.00%	100.00%

3

Above distributions exclude U.S. Dollar Loans in Canadian Branches, Swaps or Foreign Exchange forward contracts

Head Office

The Bank's Head Office includes a number of activities which support and complement the operations of the three Banking Groups. Major Divisions within Head Office are Personnel, Finance, Administration, Funds Management and Credit Policy.

Funds Management

Regional Employment of Funds

Subject to the Bank's regular policies and credit standards, each of the eight domestic Divisions which collects deposits has first call upon those funds for profitable employment within their own region. Most of the decisions as to how these funds are employed are made by Bank officers resident in each of the regional Divisions across Canada.

Where operating units have loan requests exceeding deposits or, conversely, deposits exceeding viable loan opportunities, the differences are netted each day. The resulting surplus or shortfall is dealt with by officers of the domestic money management department who serve as a "central bank" to the operating Divisions, supplying funds to Divisions with a shortfall of deposits and purchasing funds from Divisions with a surplus. The Bank's overall position is then adjusted in the national money market. As the money market determines the price of money, not its destination, it may be readily understood how funds flow back and forth across the country depending on where the supply of funds and demand for funds are out of balance.

Asset and Liability Management

Management of the Bank's liquid asset position centres on compliance with statutory reserve requirements. However, to ensure access to liquid resources sufficient to meet deposit withdrawals and fund credit commitments, the Bank also maintains a supplemental layer of very liquid assets encashable on short notice.

Funds Management obtains funds in the money market in the form of large term deposits and negotiable deposit instruments. The "bought money" pool provides funding necessary to satisfy loan and other credit obligations which are in excess of deposits held by the Bank in the branch system. The money market also serves as an avenue for the temporary employment of surplus Bank funds.

Introduction of an improved information system in 1979 will supply more timely and useful information thereby improving the Division's ability to control interest expense.

Trading and Underwriting

Keeping with the Bank of Montreal's goal of providing convenient and comprehensive services to corporate, institutional and governmental clients, Funds Management Division conducts active bond desk, money desk and bond underwriting operations. Fully integrated bond desks and money desks are located in Toronto, Montreal and Vancouver to serve both the borrowing and investment needs of clients.

The underwriting group specializes in Government of Canada, Provincial and Municipal securities.

Finance

The Finance Division is responsible for the collection, consolidation, analysis and reporting of financial information. It also supports the operating groups in the areas of taxation, insurance and investor relations.

A number of meetings were held during the year with representatives of the investment community, part of the on-going program to facilitate fuller communications between the Bank and investors.

In June, 1978, the Bank made a presentation to bank analysts associated with the New York Society of Financial Analysts, the first time a Canadian bank had been invited to do so.

A view of the Bank's Money Desk in Toronto. Government and corporate customers of the Bank, either directly or through their branch, are able to obtain, with one telephone call, dealing quotations on major foreign currencies, foreign or domestic term deposits, government treasury bills, bonds, bankers' acceptances or commercial paper.

Real Estate

Early in 1978, the Real Estate Development Department was formed with responsibility for planning for the Bank's real estate needs and management responsibility for developments in which the Bank is interested. Working closely with the real estate development industry, its objective is to ensure that the Bank will acquire the use of properties and facilities which best serve its banking needs and interests in the most efficient and economical manner.

Personnel

In keeping with its objective to promote effective two-way communications with its employees, the Bank in the fall of 1978 conducted a survey of all employees across the organization on their communication needs, interests and concerns. A massive reply of almost 17,000 responses was received, providing a solid information base for renewed communication in the months and years to come.

Early in the year, as part of the communications reinforcement process, the employee magazine *Concordia* was replaced by a newspaper, *FirstBank News*, emphasizing more timely and comprehensive news and information.

Credit Risk Management

The decentralization of credit granting authority from headquarters to the Domestic, Corporate and International Groups has, in recent years, strengthened local credit authority. With broader discretionary lending limits and a streamlined approvals process, individual branch and divisional offices now respond rapidly and knowledgeably to customer requirements.

At the same time, the Bank has taken steps to ensure that consistent credit standards and a high-quality loan portfolio will be maintained.

Credit Policy Committee

The Credit Policy Committee is the body through which the lending activities of the operating groups are coordinated in a manner consistent with the Bank's overall credit policy objectives and uniform standards of credit risk are maintained. The Committee meets weekly and is served by a staff of experienced lending officers and analysts.

Proposed credit decisions related to the Bank's larger accounts are reviewed by the Committee to ensure consistency and conformity with policy criteria. Recommendations for major changes in these criteria or exceptions to standing policy guidelines are reviewed in this forum.

Credit Administration

Credit administration involves the continuing analysis of the Bank's domestic and international loan portfolio in terms of type of industry, geographical location, size of borrower, or other concentrations of risk exposure. The objective is to identify developing problem areas and maintain a well balanced high-quality mix of loans. Ongoing monitoring of the quality of the loan portfolio is the responsibility of a team of experienced loan officers reporting to the Chairman of the Credit Policy Committee. The loan officers review all major lending decisions and bring any important deviations from the Bank's credit policy or stan-

Members of the Bank's Credit Policy Committee meet regularly to review major credit proposals. In the foreground, *(from left to right)* are: J.A. Whitney, Executive Vice-President and Chairman of the Credit Policy Committee, C.F. MacNaughton, Executive Vice-President and General Manager, Domestic Banking, P.G.K. Oosthuizen, Executive Vice-President and General Manager, International Banking, H.M. MacDougall, Executive Vice-President and General Manager, Corporate Banking and S.M. Davison, Executive Vice-President and Chief General Manager.

dards to the attention of the appropriate senior executive.

A continuously updated "watch list" of accounts which require close attention is maintained and reviewed with the Committee regularly.

Country Exposure Evaluation

The Bank continuously monitors economic and political developments in other countries and maintains lending guidelines based on procedures similar to those used to set credit limits for individuals or business accounts.

The decision process involves field and headquarters line and staff officers and considers each country's liquidity situation, its ability to service foreign debt burden, and the nature of marketing opportunities presented. The analysis relies upon economic analytical techniques as well as up-to-date economic, political and business information from officers in the field.

Country limit proposals are presented for approval by the Credit Policy Committee, and all changes in country lending limits are placed before the Board of Directors. Country limits are re-examined at least once annually and are amended as often as is deemed necessary.

Provision for Loan Losses

With loans outstanding in excess of $20 billion to customers located in 117 countries, it is inevitable that the Bank of Montreal will incur some loans losses, notwithstanding all efforts. A major concern of the Bank is, therefore, to establish adequate provisions for possible losses on loans on which principal repayment has become doubtful.

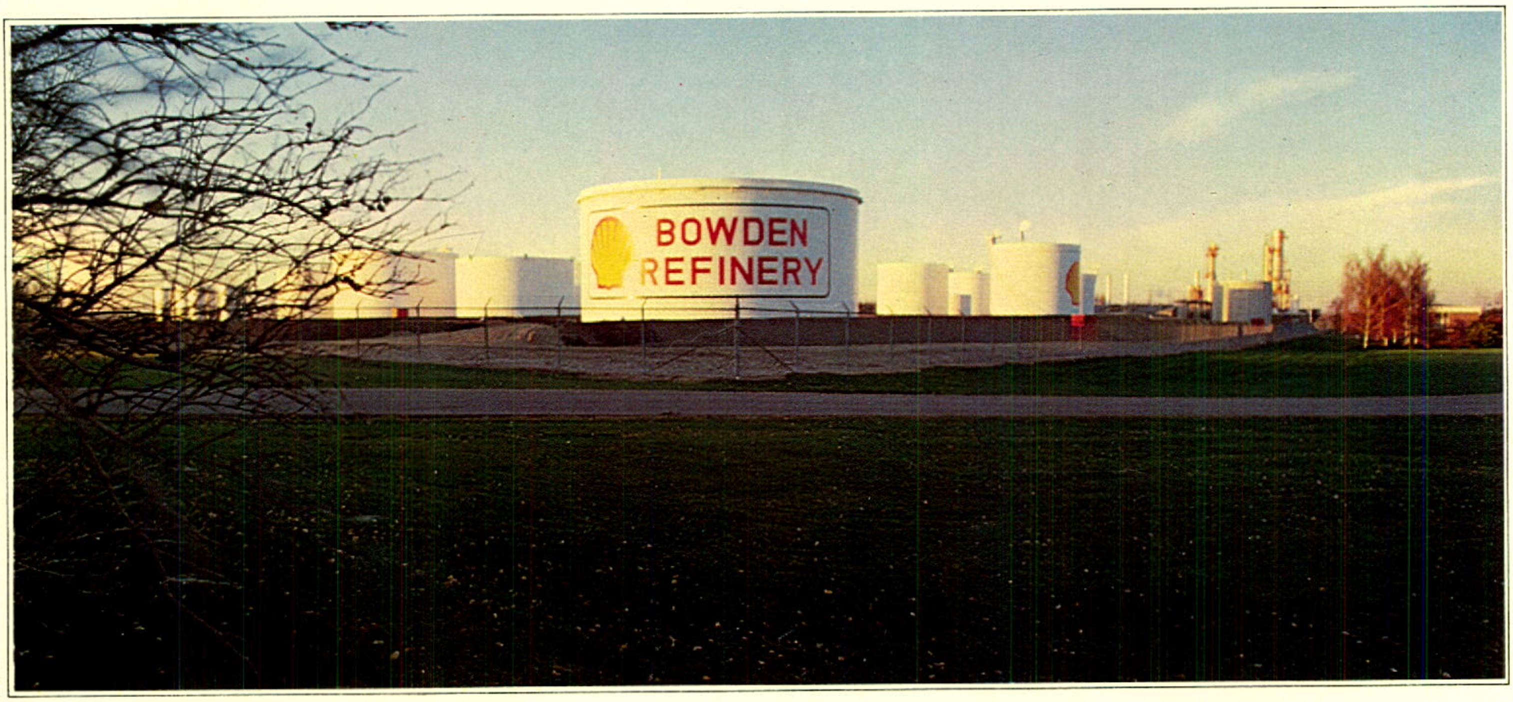
Branch management formally review each account quarterly and, where doubt exists regarding the safety of a loan, a "reservation" is established for the amount considered to be doubtful. Authority to establish or modify existing reservations on accounts rests with the branch manager, the senior officer in each division, or senior headquarters officers.

In addition to regular evaluations of individual loans, the status of foreign countries in which borrowers are domiciled is reviewed periodically. Reservations are established on loans to countries which may be encountering difficulty in meeting financial obligations.

Once a reservation is established, interest subsequently due on the loan is placed on a non-accrual basis, and is taken into income only when received. Any accrued but unpaid interest that may have already been taken into income is reversed.

At the end of each fiscal year, results of the most recent quarterly evaluations and country assessments are used to establish net new reservations for the year. Adequacy of the net new reservations is then reviewed by senior executives of the Bank, by a committee of the Board of Directors and by the Shareholders' Auditors who also undertake an examination of the evaluation procedures. The amount of net new reservations involved, less recoveries on loans written off in previous years, represents the Bank's "Loss Experience" for the year.

Needless to say, actual loan losses can vary widely from year to year. To avoid such wide fluctuations in balance of revenue, the annual loss experience is smoothed by a five year averaging formula in accordance with regulations issued by the Minister of Finance.



Management Analysis

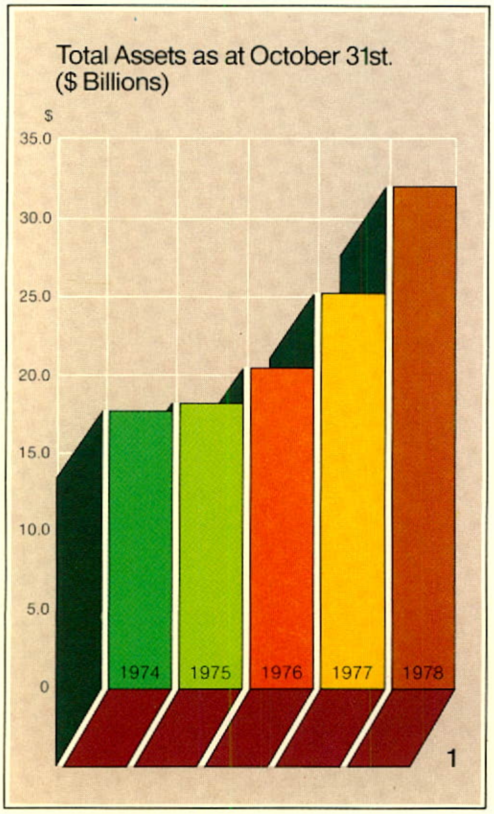
Strong growth in assets and strong control of operating expenses were major contributors to improved earnings performance in 1978.

1978 Operating Results

Growth in Assets (Figure 1)

The strong growth in assets was the major contributor to the improved earnings performance in 1978. Total assets at October 31st, 1978 were $32.1 billion, up $6.9 billion from the year-earlier level of $25.2 billion.

For the fiscal year ended October 31st, 1978, substantial growth occurred in Canadian currency commercial and retail loans and mortgages, $2.4 billion, holdings of securities of Canadian corporate issuers, $0.9 billion, and foreign currency loans, $1.9 billion. Of the increase in foreign currency loans, approximately 15.0% was attributable to the appreciation in value of certain foreign currencies, notably the U.S. dollar relative to the Canadian dollar.



Funds Employed (Figure 2)

In this section of the report, average funds employed is used as the denominator in the calculation of ratios which measure the operating efficiency and productivity of the Bank's financial and human resources. Funds employed is defined as total assets less customers' liability under acceptances, guarantees and letters of credit; average funds employed for the year consists of the average of 13 month-end balances. At $27.0 billion, average funds employed by the Bank in 1978 were $5.3 billion or 24.3% higher than in 1977.

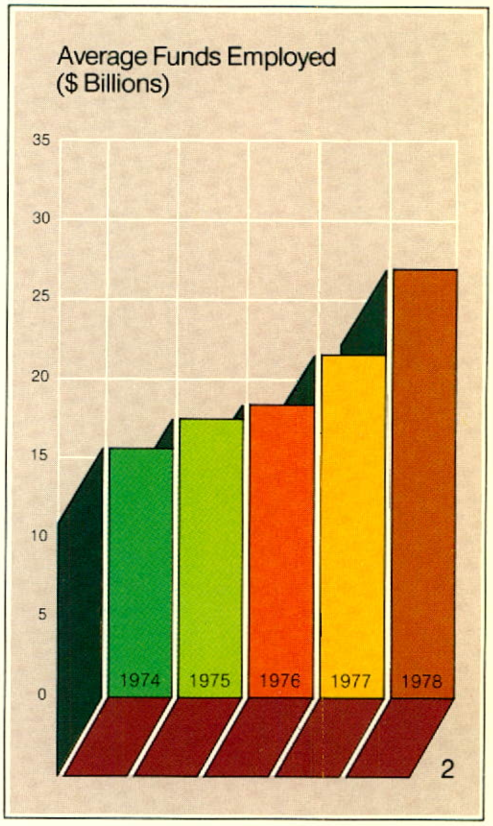
Net Interest Earnings as % of Average Funds Employed (Figure 3)

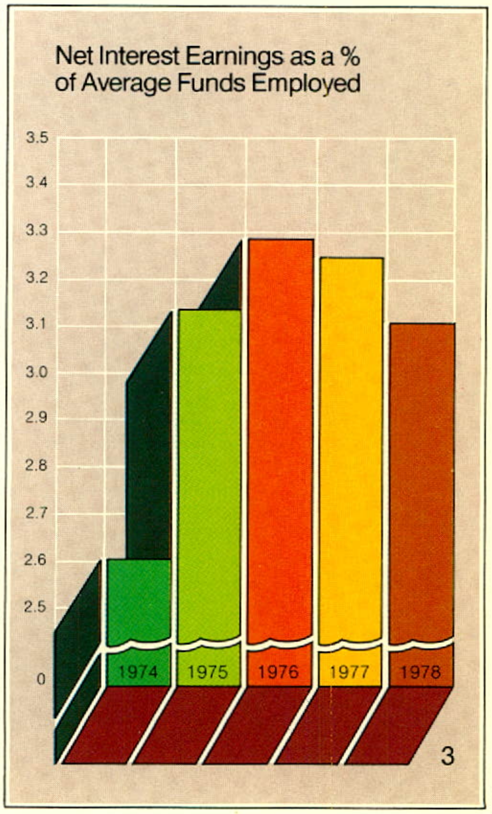
Net interest earnings is the difference between the interest revenue earned on total earnings assets and interest expense incurred on interest-bearing liabilities. The Bank's net interest earnings increased to $837.3 million for 1978, up $134.8 million or 19.2% from 1977.

Interest rates in Canada rose sharply during the year responding to five successive increases in the Bank Rate aggregating 2.75 percentage points. For the year, the average prime lending rate of 9.07% was 0.30 percentage points higher than the 1977 experience. A marginally higher percentage increase in the average interest rate paid on deposits with the Bank caused a net reduction of 0.13 percentage points in the interest rate spread on average funds employed.

The decline in domestic net interest rate spreads was due to the cost of funds increasing at a relatively faster rate than the yield on assets, and a more expensive mix of deposits as the Bank increased its use of bought money to fund strong loan growth.

In the Bank's international operations, the downwards pressure on interest rate spreads continued. Contributing factors were the extreme liquidity in the international market as well as in a number of national markets which prompted intense competition amongst the International banks.

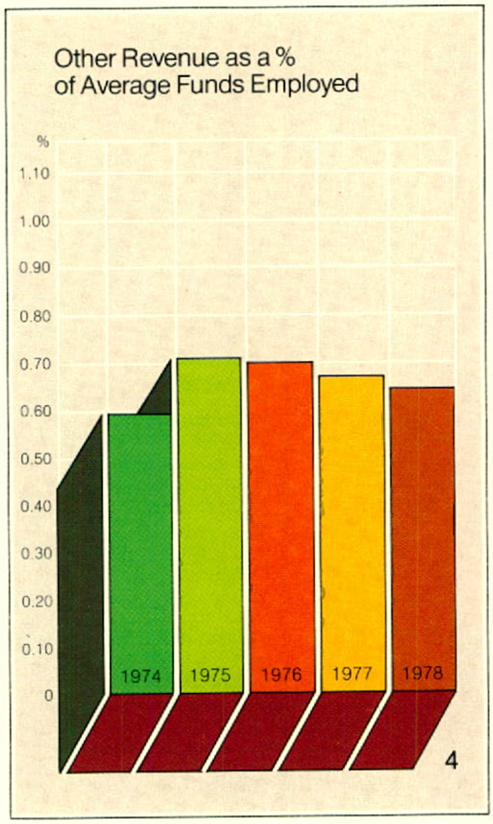


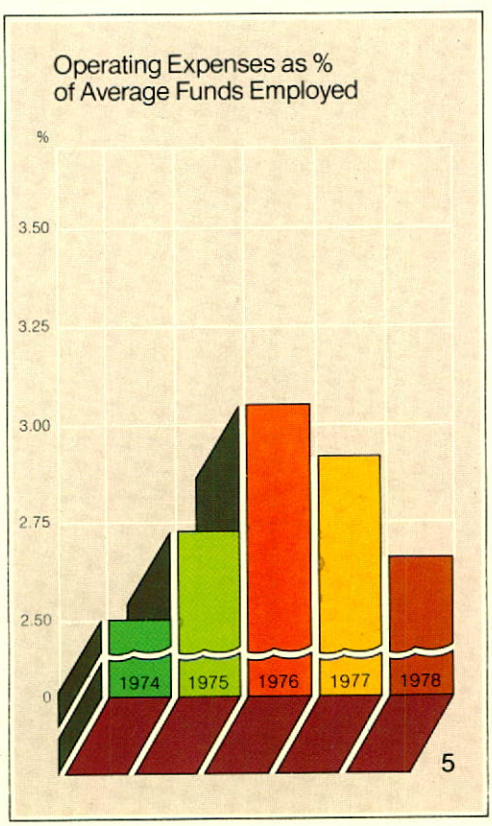


Other Revenue as % of Average Funds Employed (Figure 4)

Other Revenue includes standby and administration fees for loans, activity fees on chequing accounts, proceeds from foreign currency transactions, commission income and numerous other non-interest revenue categories. At $173.4 million, Other Revenue in 1978 was $27.7 million or 19.0% higher than previous year.

A major contributor to the increase was the Bank's Master Charge Division which earns merchant discount fees based on volume of transactions.





Operating Expenses as % of Average Funds Employed (Figure 5)

Operating expenses, expressed as a percentage of average funds employed, decreased sharply in 1978 to 2.66% from 2.92% in 1977 reflecting management's continuing emphasis of expense control and greater efficiency of operation in all areas.

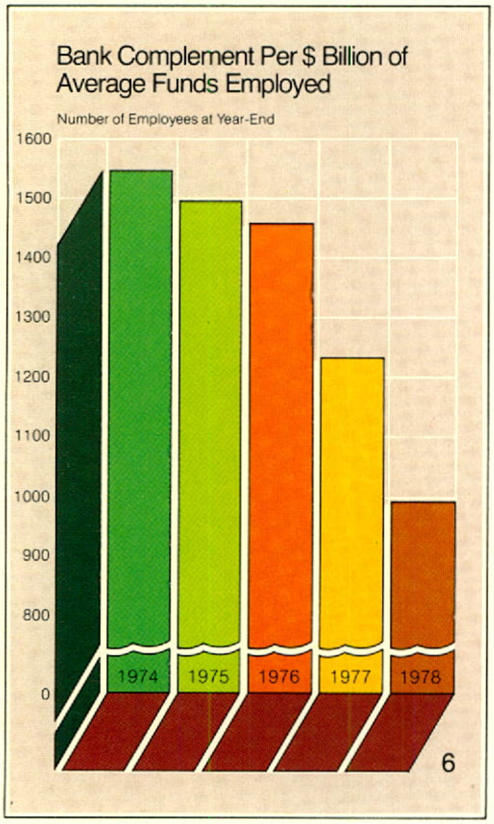
In absolute dollar terms, at $718.5 million, operating expenses in 1978 were $85.8 million or 13.6% higher than for the previous year. This can be compared to an increase in average funds employed of 24.3% over 1977 levels.

Employment costs comprise the major portion of operating expenses for the Bank. For the third successive year, total complement was maintained at a relatively constant level. Over the same three year period, average funds employed by the Bank have risen by more than 45%. Bank complement in relation to the average funds employed for the period 1974 through 1978 is illustrated in Figure 6.

Total employee expenses for 1978 were $399.9 million, up 11.1% over 1977. The increase is the result of general salary adjustments plus merit and promotional increases awarded selectively throughout the year.

Property expenses, which include depreciation, computer costs, rental on leasehold premises and other property maintenance costs were $127.0 million, up 12.4% over the previous year.

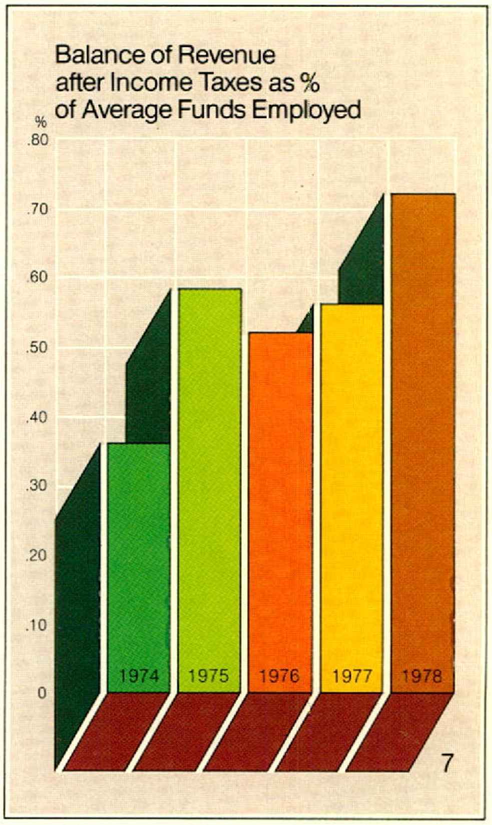
Other operating expenses at $191.5 million were 20.0% higher than in 1977. The largest single item is the provision for losses on loans. The five-year averaging formula resulted in $60.4 million being charged against operating expenses in 1978 versus $44.2 million in 1977. Exclusive of the provision for loan losses, other operating expenses were up 13.6% over 1977.



After Tax Earnings on Average Funds Employed (Figure 7)

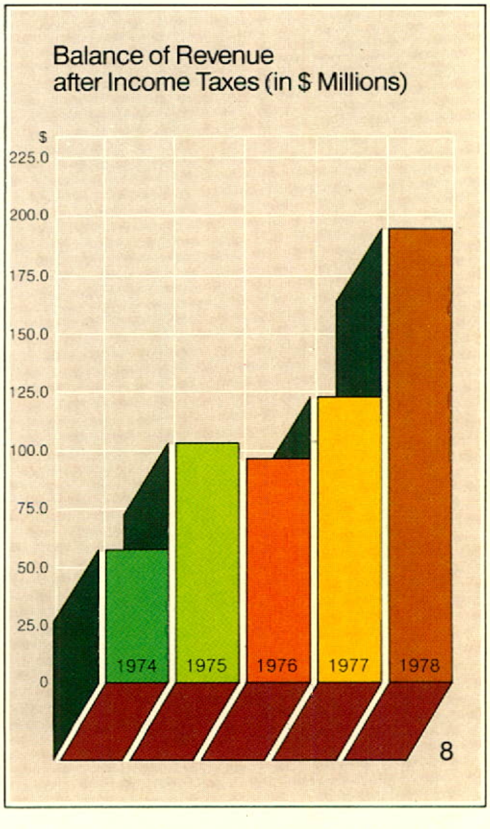
Return on funds employed provides a broad measure of the operating efficiency and profitability of a bank.

On a pre-tax basis, return on funds employed in 1978 averaged 1.08% as compared to 0.99% in 1977 and 0.94% in 1976. Through its investment in after-tax securities, Bank of Montreal experienced an effective tax rate of 33.8%, a drop of 9.6 percentage points from the previous year. After tax return on funds employed was up strongly at 0.72% from 0.56% in 1977.



Balance of Revenue After Income Taxes (Figure 8)

Balance of revenue after income taxes for the year ended October 31st, 1978 reached a record level of $193.5 million, a growth of 58.6% over the 1977 level of $122.0 million. On a per-share basis, balance of revenue after income taxes was $4.48, an increase of 40.9% over previous year.



Year-end Capital Position/ Capital Funds

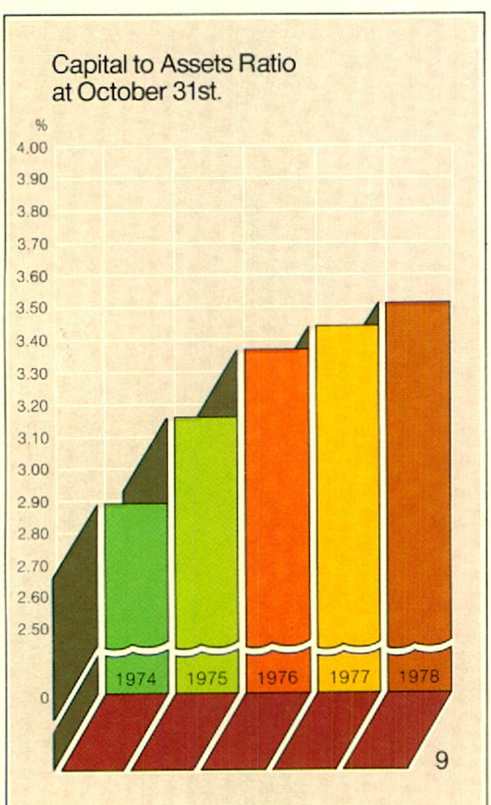
Growth in capital funds supports continued growth of earning assets which, in turn, establishes the basis for the increase in future earnings.

Continuing high levels of asset growth in recent years have been paralleled by major additions to the capital funds of the Bank.

Capital to Assets Ratios (Figure 9)

For the fourth consecutive year, the Bank of Montreal registered an improvement in its capital base measured either as the ratio of shareholders' equity and accumulated appropriations to total assets or as the ratio of total capital funds (including debentures) to total assets.

At year-end, the ratio of shareholders' equity plus accumulated appropriations to total assets stood at 3.50% up from 3.43% at October 31, 1977.



This reflects relative growth rates in 1978 of 27.5% in total assets versus the increase in shareholders' equity plus accumulated appropriations of 30.3%.

Capital Funds (Figure 10)

In 1978, shareholders' equity increased by $201.8 million to $867.7 million at year-end, 30.3% higher than at year-end 1977.

The balance of proceeds from the common stock rights issue of 1977 combined with the proceeds of the August, 1978 rights issue contributed $106.2 million to the growth in shareholders' equity with an additional $19.4 million to be received under the instalment plan payment option in 1979.

Earnings retained by the Bank, after the appropriation for possible losses and the payout of common share dividends, provided the remaining $95.6 million of the equity increase.

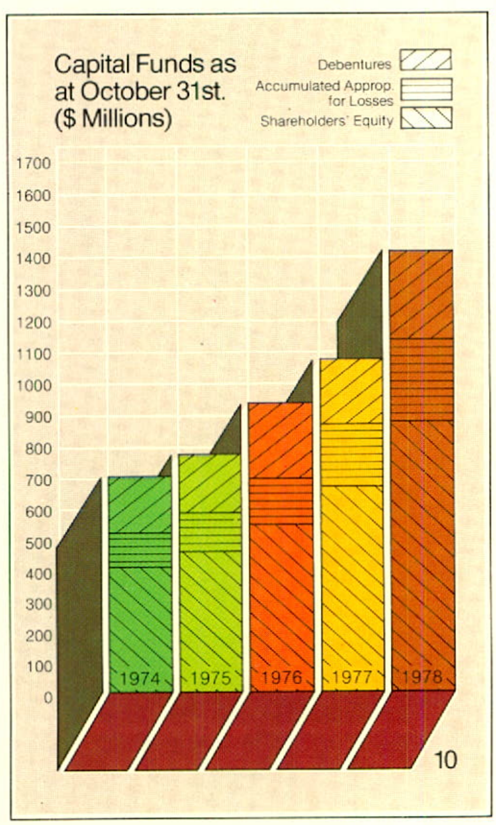
The accumulated appropriations for losses account increased by $59.6 million over the year to a new total of $256.9 million at October 31st, 1978. Of this amount $50 million was an appropriation from balance of revenue. Such transfers, made at management's discretion, represent a contingency provision for possible losses on any of the Bank's assets.

Total shareholders' equity and accumulated appropriations combined increased by $261.5 million or 30.3% over the year to reach $1124.6 million at October 31st, 1978.

The final component of the Bank's capital funds are its debentures, direct unsecured obligations of the Bank which are subordinated in rights of payment to the claims of depositors and certain other creditors.

At October 31st, 1978, debentures of $282.8 million were outstanding, an increase of $78.9 million from a year earlier due to a $75.0 million issue at 9¼% maturing 1984 and a $50.0 million issue at 9% also maturing in 1984 offset by the partial redemption of the 7½% Series A issue maturing in 1992.

In accordance with the formula contained in the Bank Act, the Bank, at November 1st, 1978, had the capacity to increase its outstanding debentures by $195.0 million in 1979.



Annual Statement

Statement of Revenue and Expenses

For the year ended October 31

		1978	1977
Revenue	Income from loans	$2,160,532,945	$1,670,851,191
	Income from securities	254,875,639	191,486,632
	Other operating revenue	173,423,276	145,760,991
	Total revenue (Note 2)	2,588,831,860	2,008,098,814
Expenses	Interest on deposits and bank debentures	1,578,057,773	1,159,747,902
	Salaries, pension contributions and other staff benefits	399,918,644	359,963,897
	Property expenses, including depreciation	127,008,661	113,009,933
	Other operating expenses including provision of $60,383,933 ($44,176,300 in 1977) for losses on loans based on five-year average loss experience	191,531,072	159,653,382
	Total expenses	2,296,516,150	1,792,375,114
Balance of revenue		292,315,710	215,723,700
	Provision for income taxes relating thereto (Notes 2 and 3)	98,800,000	93,700,000
Balance of revenue after provision for income taxes		193,515,710	122,023,700
	Appropriation for possible losses	50,000,000	25,000,000
Balance of profits for the year		$ 143,515,710	$ 97,023,700
Per share (Note 12)	Balance of revenue after provision for income taxes	$ 4.48	$ 3.18
	Dividends	$ 1.09	$ 1.03

Statement of Undivided Profits

For the year ended October 31

	1978	1977
Undivided profits at beginning of year	$ 200,348	$ 157,089
Balance of profits for the year	143,515,710	97,023,700
	143,716,058	97,180,789
Dividends	47,953,588	40,280,441
Transferred to rest account	95,600,000	56,700,000
	143,553,588	96,980,441
Undivided profits at end of year	$ 162,470	$ 200,348

Statement of Accumulated Appropriations for Losses

For the year ended October 31

		1978	1977
Accumulated appropriations at beginning of year:	General	$116,726,722	$ 74,442,058
	Tax-paid	80,559,506	72,506,766
Total		197,286,228	146,948,824
Additions (deductions) during year:	Appropriation from current year's operations	50,000,000	25,000,000
	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 4)	(5,363,954)	4,853,387
	Profits and losses on securities, including provisions to reduce securities other than those of Canada and provinces to values not exceeding market (Note 4)	(10,069,519)	(2,015,878)
	Other profits, losses and non-recurring items, net (Note 4)	1,691,659	6,205,119
	Recovery of income taxes, including credit of $18,615,000 (1977–$15,445,000) relating to appropriation from current year's operations (Note 3)	23,387,273	16,294,776
Accumulated appropriations at end of year		$256,931,687	$197,286,228
Accumulated appropriations at end of year:	General	139,566,159	116,726,722
	Tax-paid	117,365,528	80,559,506
Total		$256,931,687	$197,286,228

Statement of Assets and Liabilities

As at October 31

ASSETS		1978	1977
Cash resources	Cash and due from banks (Note 5)	$ 4,537,961,816	$ 3,396,643,907
	Cheques and other items in transit, net	343,038,888	473,181,826
		4,881,000,704	3,869,825,733
Securities (Note 6)	Securities issued or guaranteed by Canada, at amortized value	1,868,353,080	1,825,279,932
	Securities issued or guaranteed by provinces, at amortized value	119,309,587	127,812,369
	Other securities, not exceeding market value	1,983,125,855	1,010,971,892
		3,970,788,522	2,964,064,193
Loans	Day, call and short loans to investment dealers and brokers, secured	331,695,031	425,884,394
	Other loans, including mortgages, less specific provisions for losses (Note 7)	21,004,443,510	16,696,227,632
		21,336,138,541	17,122,112,026
Sundry Assets	Bank premises at cost, less amounts written off (Note 8)	218,452,200	181,123,949
	Securities of and loans to corporations controlled by the bank (Note 15)	60,488,279	8,439,551
	Customers' liability under acceptances, guarantees and letters of credit, as per contra (Note 9)	1,497,376,916	996,620,955
	Other assets	125,891,057	33,208,283
		1,902,208,452	1,219,392,738
Total		$32,090,136,219	$25,175,394,690

William D. Mulholland,
President

S.M. Davison,
Executive Vice-President and Chief General Manager

LIABILITIES		1978	1977
Deposits (Note 10)	Deposits by Canada	$ 868,883,567	$ 532,481,581
	Deposits by provinces	509,476,792	300,609,923
	Deposits by banks	5,543,247,438	3,968,591,880
	Personal savings deposits payable after notice, in Canada, in Canadian currency	9,686,944,426	8,796,217,609
	Other deposits	12,426,388,490	9,427,430,492
		29,034,940,713	23,025,331,485
Sundry Liabilities	Acceptances, guarantees and letters of credit, as per contra (Note 9)	1,497,376,916	996,620,955
	Other liabilities	150,426,495	86,440,219
		1,647,803,411	1,083,061,174
Capital Funds			
Debentures issued and outstanding (Note 11)		282,789,500	203,870,000
Accumulated appropriations for losses		256,931,687	197,286,228
Shareholders' Equity	Capital stock– Authorized– 50,000,000 shares of $2 each Issued (Note 12)	95,693,597	84,921,073
	Rest account (Note 12)	771,814,841	580,724,382
	Undivided profits	162,470	200,348
Total Shareholders' Equity		867,670,908	665,845,803
Total Equity and Accumulated Appropriations		1,124,602,595	863,132,031
Total Capital Funds		1,407,392,095	1,067,002,031
Total		$32,090,136,219	$25,175,394,690

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, 1978 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.

In our opinion, these financial statements present fairly the financial position of the Bank as at October 31, 1978 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.

Warren Chippindale, C.A.,
of the firm of
Coopers & Lybrand

James R. Brown, C.A.,
of the firm of
Peat, Marwick, Mitchell & Cie

Auditors
Montreal, November 28, 1978

Bank of Montreal Trust Company	(Incorporated under the laws of the State of New York)		
Statement of Assets and Liabilities		As at September 30 (U.S. Currency) 1978	1977
Assets	Due from banks	$ 4,844,825	$ 2,648,172
	United States government securities (Note 16)	777,725	790,780
	Other securities (Note 16)	100	100
	Loans and advances	41,819,198	11,838,788
	Other assets	444,853	502,753
Total Assets		$47,886,701	$15,780,593
Liabilities	Demand deposits	$43,177,899	$11,604,619
	Income taxes	108,864	34,507
	Other liabilities	145,779	127,268
Total Liabilities		43,432,542	11,766,394
Shareholders' Equity	Capital stock– Authorized, issued and fully paid– 10,000 shares of $100 each	1,000,000	1,000,000
	Surplus	1,000,000	1,000,000
	Undivided profits	2,454,159	2,014,199
Total Shareholders' Equity		4,454,159	4,014,199
Total Liabilities and Shareholders' Equity		$47,886,701	$15,780,593

Canadian-Dominion Leasing Corporation Limited

And its wholly-owned subsidiary company (Incorporated under the laws of Ontario)

Condensed Consolidated Statement of assets and liabilities as at October 31

		1978
Assets	Cash	$ 2,496,896
	Investment in leases— less unearned income of $37,612,165	170,336,092
	Advances and other receivables	1,664,489
	Investment in affiliated company	8,724
	Fixed assets, at cost, less accumulated depreciation and amortization	942,818
	Deferred charges	440,673
Total Assets		$175,889,692
Liabilities	Borrowings:	
	Commercial paper	$ 87,327,939
	Long term notes payable	29,499,367
	Bank of Montreal	34,833,311
	Accounts payable and accrued liabilities	3,493,885
	Deferred income taxes	8,524,440
	Other liabilities	975,036
Total Liabilities		164,653,978
Shareholders' Equity	Capital stock—	
	Authorized— 6,499,000 common shares without nominal or par value	
	Issued and fully paid— 5,000,000 shares	5,000,000
	Contributed surplus	122,100
	Retained earnings	6,113,614
Total Shareholders' Equity		11,235,714
Total Liabilities and Shareholders' Equity		$175,889,692

Bankmont Realty Company Limited	And its wholly-owned subsidiary company (Incorporated under the laws of Canada)		
Condensed Consolidated Statement of Assets and Liabilities As at October 31		1978	1977
Assets	Cash	$ —	$1,051,407
	Accounts receivable	10,047	14,989
	Other assets	123,649	142,883
	Real estate and buildings—at cost, less accumulated depreciation	7,363,560	7,495,447
Total Assets		$7,497,256	$8,704,726
Liabilities	Loan from Bank of Montreal	$ 694,965	$ —
	Accounts payable	56,968	49,109
	Mortgage payable	1,603,793	1,642,055
Total Liabilities		2,355,726	1,691,164
Shareholders' Equity	Capital stock—		
	Authorized—		
	10,500 (1977—30,000) 5% non-cumulative preferred shares of the par value of $100 each (redeemable at par)		
	100,000 common shares without nominal or par value		
	Issued and fully paid—		
	Nil (1977—19,500) preferred shares (Note 17)	—	1,950,000
	100,000 common shares	5,000,000	5,000,000
		5,000,000	6,950,000
	Retained earnings	141,530	63,562
Total Shareholders' Equity		5,141,530	7,013,562
Total Liabilities and Shareholders' Equity		$7,497,256	$8,704,726

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 the dates indicated. 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 statements of assets and liabilities present fairly the financial position of the corporations as at the dates indicated on a basis consistent with that of the preceding year.

Warren Chippindale, C.A.,
of the firm of
Coopers & Lybrand

James R. Brown, C.A.,
of the firm of
Peat, Marwick, Mitchell & Cie

Auditors
Montreal, November 28, 1978

Notes to Financial Statements

1. Significant Accounting Policies

The Bank Act supported by Rules issued under the authority of the Minister of Finance stipulates the form and content of the financial statements published by Canadian Chartered Banks.
The significant accounting policies involved are:

(a) Basis of consolidation
The financial statements of the Bank include the assets and liabilities and results of operations of all wholly-owned banking subsidiaries, which are:
Bank of Montreal International Limited and subsidiary
Bank of Montreal (California)
Bank of Montreal Trust Corporation Cayman Limited
Bank of Montreal Jamaica Ltd. (Sold February 1978)
First Canadian Assessoria e Serviços Ltda.
First Canadian Financial Corporation B.V. and subsidiaries
First Canadian Financial Services (U.K.) Limited
Investments in shares of the following controlled corporations are carried at cost:
Bank of Montreal Trust Company
Bankmont Realty Company Limited
Canadian-Dominion Leasing Corporation Limited

(b) Appropriation for Losses
In addition to the provision for losses on loans based on five-year average loss experience, an appropriation for losses may be made from balance of revenue after provision for income taxes to provide for possible unforeseen future losses on loans, securities and other assets.

(c) Securities
Securities issued or guaranteed by Canada and the provinces are recorded at amortized cost. Other securities are recorded at the lower of cost and market values.
Gains and losses on disposals and write-downs to market of securities held in the Bank's investment account are included in the Statement of Accumulated Appropriations for Losses.
Gains and losses on disposals and write-downs to market of securities held in the Bank's trading account are included in "Income from securities" in the Statements of Revenue and Expenses and Undivided Profits.

(d) Translation of foreign currencies
Assets, liabilities and profits and losses in foreign currencies are translated into Canadian dollars at rates prevailing on October 31.
Gains and losses on foreign currency positions held in the Bank's trading account are included in "Other operating revenue". Profits and losses on disposal of, and provisions for losses on, net long foreign exchange positions which are of a capital nature are included in the Statement of Accumulated Appropriations for Losses. Unrealized profits are deferred.

(e) Depreciation
Depreciation of buildings and equipment is computed by the reducing balance method and amortization of leasehold improvements is computed by the straight-line method.

2. Total Revenue

Total revenue for the year includes $78,024,270 of income from securities and investments in Canadian corporations (1977–$17,082,246) representing after-tax payments from Canadian corporations, not subject to additional tax.

3. Provision for Income Taxes

	1978	1977
Statement of Revenue and Expenses	$98,800,000	$93,700,000
Statement of Accumulated Appropriations for Losses	(23,387,273)	(16,294,776)
Net provision for income taxes	$75,412,727	$77,405,224

The recovery of income taxes shown in the Statement of Accumulated Appropriations for Losses includes an income tax reduction of $18,615,000 (1977–$15,445,000) arising from $38,400,000 (1977–$32,000,000) of appropriation for losses which is deductible in the determination of taxable income.

4. Accumulated Appropriations for Losses

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

Loans	1978	1977
Loss experience for the year on loans (Net new reservations for losses on loans less recoveries of loans previously written off)	($65,747,887)	($39,322,913)
Provision for losses on loans based on five-year average loss experience included in other operating expenses in the Statement of Revenue and Expenses	60,383,933	44,176,300
Net addition to (deduction from) Accumulated Appropriations for Losses	($5,363,954)	$ 4,853,387

Eligible loans is the total of those categories of loans, as defined in Regulations of the Minister of Finance, for which banks may establish Specific Provisions out of General Appropriations.

On the balance sheet loans are stated "less specific provision for losses" that is, after reducing doubtful loans to estimated realizable values. The charge for "provision for losses on loans" included in other operating expenses, is based upon a formula prescribed under the Bank Act by the Minister of Finance, designed to average the loss experience of the five-year period. The difference between the charge and the amount which management determined to be required for the year when valuing the loan portfolio is shown in the Statement of Accumulated Appropriations for Losses.

Securities held for investment and mortgages	1978	1977
Net profits (losses) on disposals of:		
Government of Canada securities	($ 8,568,555)	($1,210,532)
Mortgages	1,028,559	(5,997,782)
Other securities	770,731	(791,877)
Net change in specific provisions on securities to adjust to values not exceeding market	(3,300,254)	5,984,313
Net deduction from Accumulated Appropriations for Losses	($10,069,519)	($2,015,878)

Other items		
Profits (losses) on disposals of, and provision for losses on, net long foreign exchange positions of a capital nature	$ 3,202,326	$4,944,231
Net profit (loss) on disposals of bank premises	2,315,927	(35,549)
Miscellaneous	(3,826,594)	1,296,437
Net addition to Accumulated Appropriations for Losses	$ 1,691,659	$6,205,119

5. Cash and Due from Banks	1978	1977
Included in cash and due from banks are term deposits at interest	$3,049,382,376	$2,538,862,400

6. Securities, Net Book Value	1978	1977
Securities issued or guaranteed by Canada		
Treasury Bills	$ 865,000,643	$ 758,753,486
Government of Canada maturing within 3 years	581,687,787	472,999,116
Government of Canada maturing after 3 years	421,664,650	593,527,330
Total	1,868,353,080	1,825,279,932
Securities issued or guaranteed by Provinces	119,309,587	127,812,369
Other Securities, net of provisions for losses		
Securities of Municipal or School Corporations	58,696,673	64,223,391
Income Debentures	742,491,379	282,012,508
Floating Rate Preferred Shares (of which $703,384,553 is guaranteed by third parties in 1978; $149,434,110 in 1977)	830,609,662	274,964,610
Securities of Other Canadian Issuers	231,327,290	312,847,357
Securities of Issuers Other than Canadian	120,000,851	76,924,026
Total	1,983,125,855	1,010,971,892
Total Securities	$3,970,788,522	$2,964,064,193

7. Other Loans, net of provisions for losses	1978	1977
N.H.A. Mortgages	$ 1,160,785,670	$ 866,703,924
Loans to Provinces	35,199,561	26,603,924
Loans to Municipalities and School Corporations	304,120,508	341,376,227
Other Loans in Canadian currency	13,713,101,337	11,558,333,120
Other Loans in currencies other than Canadian	5,791,236,434	3,903,210,437
Total Other Loans	$21,004,443,510	$16,696,227,632

8. Bank Premises	1978	1977
Land, buildings, furniture, equipment and leasehold improvements	$380,623,302	$327,834,251
Amounts written off (accumulated depreciation)	162,171,102	146,710,302
	$218,452,200	$181,123,949

9. Acceptances, Guarantees and Letters of Credit	1978	1977
Acceptances	$ 475,229,206	$ 342,474,369
Guarantees and Letters of Credit	1,022,147,710	654,146,586
	$ 1,497,376,916	$ 996,620,955

10. Deposits

	1978	1977
Demand Deposits	$ 4,748,869,313	$ 3,990,084,046
Notice Deposits	9,138,111,556	8,125,204,540
Fixed Term Deposits	15,147,959,844	10,910,042,899
	$29,034,940,713	$23,025,331,485

11. Debentures

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.

	1978	1977
7½% Series A, maturing in 1992	$ 3,919,500	$ 50,000,000
7¾% Series B, maturing in 1982	3,870,000	3,870,000
7¼% Series C redeemable in 1979, at holder's option, maturing in 1987	50,000,000	50,000,000
10¼% Series D, maturing in 1980	50,000,000	50,000,000
9% Series E redeemable in 1981, at the option of the Bank, maturing in 1982	50,000,000	50,000,000
9% Series 1, maturing in 1984	50,000,000	–
9¼% Series 2, maturing in 1984	75,000,000	–
	$282,789,500	$203,870,000

In accordance with the formula prescribed in the Bank Act, as of November 1, 1978 the Bank has the capacity to issue an additional $195,000,000 of debentures.

12. Capital Stock and Rest Account

During the year 6,102,120 shares were issued pursuant to the rights offering which expired October 2, 1978. Changes for the year in Capital Stock and Rest Account resulting from the issue of these additional shares, and from the final proceeds of partly paid shares relative to the 1977 rights offering, are as follows:

	Capital Stock			Rest Account
	Number of Shares			
	Issued and Fully Paid	Partly Paid	Amount	
October 31, 1977	42,429,709	285,134	$84,921,073	$580,724,382
Proceeds from 1977 rights offering:				
Final proceeds from partly paid shares	285,134	(285,134)	508,613	3,115,257
	42,714,843	–	85,429,686	583,839,639
Proceeds from 1978 rights offering:				
Proceeds from fully paid shares	4,983,643	–	9,967,286	89,705,574
Proceeds from partly paid shares	–	1,118,477	296,625	2,669,628
Transfer from Undivided Profits				95,600,000
October 31, 1978	47,698,486	1,118,477	$95,693,597	$771,814,841

The 1,118,477 partly paid shares are being paid for by instalments as provided by the Bank Act and, when fully paid, the balances of the Capital Stock and Rest Account will be increased by $1,940,329 and $17,462,958 respectively. Earnings per share figures have been calculated on a monthly average of equivalent fully paid shares outstanding, reflecting the rights issues in June 1976 and October 1977 and 1978. The average number of shares outstanding for the year ended October 31, 1978 was 43,210,911 (1977 — 38,339,484).

Partly paid shares receive dividends in proportion to the amounts paid thereon.

13. Pension Fund

Included in Other Assets as a deferred charge at October 31, 1978 is an amount of $30,758,634 representing the unamortized portion, net of related deferred income taxes, of a payment to the Pension Fund Society of the Bank of Montreal which completely eliminated the unfunded liability of the Society as at December 31, 1977. The deferred charge is being amortized on a straight-line basis through 1992 by an annual charge to operations, replacing a charge previously made in accordance with recommendations for the amortization of the unfunded liability.

14. Anti-inflation legislation

The Bank is subject to the Federal anti-inflation legislation relative to income and dividends until October 31, 1978 and to employee compensation until December 31, 1978.

Controlled Corporations

15. Interest of Bank of Montreal in Controlled Corporations	1978	1977
Investment in shares – at cost		
Bank of Montreal Trust Company	$ 1,489,551	$1,489,551
Bankmont Realty Company Limited	5,000,000	6,950,000
Canadian-Dominion Leasing Corporation Limited	18,470,452	–
Loans to:		
Bankmont Realty Company Limited	694,965	–
Canadian-Dominion Leasing Corporation Limited and its subsidiaries	34,833,311	–
	$60,488,279	$8,439,551

16. Securities

Securities held by Bank of Montreal Trust Company are carried at cost which approximates market value.

17. Bankmont Realty Company Limited

During the year, the company redeemed 19,500 preferred shares of the par value of $100 each and reduced the authorized preferred shares to 10,500.

18. Canadian-Dominion Leasing Corporation Limited

The controlling interest in Canadian-Dominion Leasing Corporation Limited was acquired by the Bank during the year. Accordingly, only 1978 figures are shown in the condensed consolidated statement of Assets and Liabilities.

10 Year Financial Highlights

Thousands of dollars except where noted

*Per share figures have been calculated on a monthly average of equivalent fully paid shares outstanding.

**Source: Toronto Stock Exchange. Quotations are to Fiscal Year End.

For the information of shareholders, the valuation day value of the Bank's capital stock for capital gains tax purposes as published by the Department of National Revenue, Taxation, is $18.50.

For the Year ended October 31	1978	1977
Total Revenue	2,588,832	2,008,099
Total Expenses	2,296,516	1,792,375
Balance of Revenue	292,316	215,724
Income Taxes	98,800	93,700
Balance of Revenue after Income Taxes	193,516	122,024
Dividends	47,954	40,280
Salaries and Benefits paid to Employees	399,919	359,964

As at October 31		
Assets	32,090,136	25,175,395
Loans	21,336,139	17,122,112
Deposits	29,034,941	23,025,331
Debentures	282,790	203,870
Accumulated Appropriations for Losses	256,932	197,286
Shareholders' Equity	867,671	665,846
Total Equity and Accumulated Appropriations	1,124,603	863,132
Total Capital Funds	1,407,392	1,067,002

Dollars Per Share*		
Balance of Revenue after Income Taxes	4.48	3.18
Dividends	1.09	1.03

OTHER INFORMATION		
Number of Employees at Year-End	26,481	26,727
Number of Branches at Year-End	1,239	1,234
Number of Shareholders at Year-End	57,259	55,969
Average Numbers of Shares Outstanding	43,210,911	38,339,484
Share Price Range in Dollars: ** High	25⅞	16¾
Low	16⅛	13¼

1976	1975	1974	1973	1972	1971	1970	1969
1,798,722	1,705,816	1,582,865	987,758	734,946	682,197	702,131	577,693
1,623,888	1,510,081	1,473,872	856,189	616,289	586,131	608,806	496,560
174,834	195,735	108,993	131,569	118,657	96,066	93,325	81,133
78,900	93,600	52,500	63,067	55,132	48,420	48,763	41,548
95,934	102,135	56,493	68,502	63,525	47,646	44,562	39,585
35,181	32,805	32,805	30,755	28,704	26,312	25,629	23,184
327,146	273,963	221,859	175,896	146,498	133,710	125,076	127,240
20,492,379	18,242,634	17,650,974	14,409,288	11,323,389	10,165,397	8,730,051	8,152,864
14,128,978	12,314,667	10,625,900	8,701,829	6,981,553	5,866,849	4,980,583	4,767,813
18,577,969	16,550,477	16,088,762	13,290,935	10,356,739	9,450,161	8,022,958	7,506,316
240,000	190,000	190,000	140,000	90,000	–	–	–
146,949	122,658	105,703	117,033	103,346	119,934	97,670	104,901
541,204	451,185	402,855	390,667	364,479	315,026	302,972	291,575
688,153	573,843	508,558	507,700	467,825	434,960	400,642	396,476
928,153	763,843	698,558	647,700	557,825	434,960	400,642	396,476
2.71	2.99	1.65	2.00	1.86	1.39	1.30	1.22
0.98	0.96	0.96	0.90	0.84	0.77	0.75	0.70
26,887	26,114	24,231	22,008	20,172	19,305	18,253	17,063
1,243	1,243	1,221	1,186	1,151	1,113	1,069	1,039
52,452	51,253	49,756	47,777	44,757	44,173	44,416	45,645
35,380,014	34,171,875	34,171,875	34,171,875	34,171,875	34,171,875	34,158,730	32,319,856
16⅞	17⅞	20⅞	23⅜	22⅝	17	17¼	17⅝
14⅞	11¼	11¼	17	15½	14	13¼	13½

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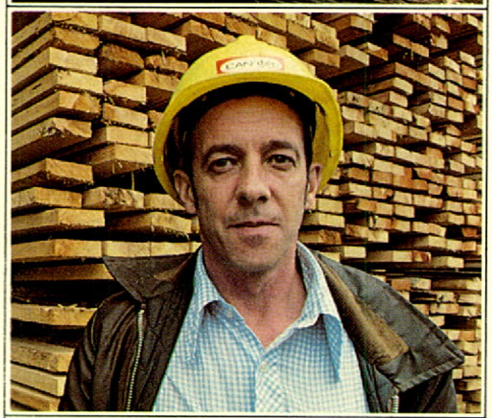
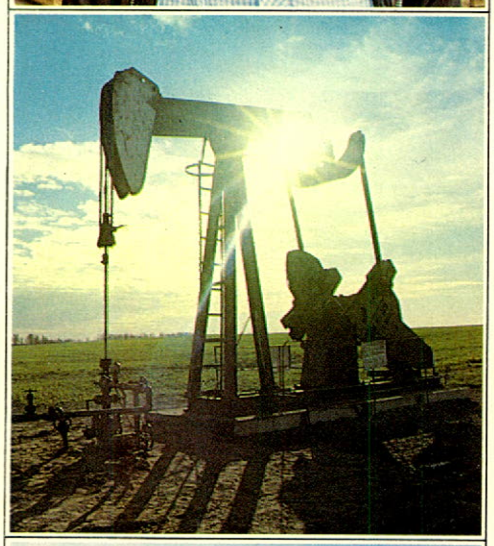
Figures denote age as at December 31, 1978





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Pierre MacDonald *42*
Senior Vice-President

J. R. G. Jarry *37*
Vice-President, Eastern Region

J. G. J. Savard *56*
Vice-President, Western Region

J. L. Demers *50*
Vice-President and Manager, Montreal Branch

Eastern and Northern Ontario Division

D. G. Parker *42*
Senior Vice-President

Central Ontario Division

G. L. Purcell *45*
Senior Vice-President

J. A. E. Morel *42*
Vice-President

M. A. Burke *57*
Vice-President and Manager, Toronto Branch

Western Ontario Division

R. A. Franklin *50*
Senior Vice-President

Manitoba/Saskatchewan Division

R. W. MacKie *55*
Senior Vice-President

R. Holmes *49*
Vice-President
(resident in Regina)

R. A. Brown *43*
Vice-President and Manager, Winnipeg Branch

Alberta Division

D. Whittle *50*
Senior Vice-President

F. G. Hacquoil *42*
Vice-President
(resident in Edmonton)

R. S. Gammon *49*
Vice-President and Manager, Calgary Branch

British Columbia Division

M. E. Nesmith *50*
Senior Vice-President

M. W. Barrett *34*
Vice-President

R. J. Stranks *48*
Vice-President and Manager, Vancouver Branch

Operations and Systems Division

W. C. Harker *40*
Senior Vice-President

F. A. Comper *33*
Vice-President

P. F. Starita *37*
Vice-President

International Banking Group

P. G. K. Oosthuizen *46*
Executive Vice-President
and General Manager

N. F. Potter *42*
Senior Vice-President

International Banking Staff

C. T. V. Arentschildt *44*
Senior Vice-President,
Planning & Marketing

R. G. Lammers *52*
Vice-President & Senior
Manager, International Credit

E. L. Mercaldo *37*
Vice-President, Loan Syndication
(resident in London)

I. A. C. McCallum *42*
Vice-President, International
Money Management

Canada Division, Toronto

B. G. Hull *38*
Senior Vice-President

J. D. Jenikov *58*
Vice-President

Europe, Middle East and Africa
Division, London

J. A. Horton *49*
Senior Vice-President

W. H. Hill *54*
Vice-President

D. Munford *47*
Vice-President

F. W. van der Sleesen *64*
Vice-President
(resident in Amsterdam)

Asia/Pacific Division, Singapore

J. A. Gillespie *42*
Vice-President

L. H. Boynton *49*
Vice-President

H. C. Hartmann *43*
Vice-President

United States Division, New York

W. B. Bateman *54*
Senior Vice-President

J. J. Byrnes *37*
Vice-President,
(resident in New York)

M. P. Murphy *47*
Vice-President,
(resident in San Francisco)

Latin America and Caribbean
Division, Montreal

F. M. Thomson *42*
Vice-President

J. N. Baillie *53*
Vice-President

Major Offices

Head Office
129 St. James Street,
Montreal, Quebec H2Y 1L6

Domestic Banking Group
First Bank Tower,
First Canadian Place,
Toronto, Ontario M5X 1A1

Atlantic Provinces Division
5151 George Street,
Halifax, Nova Scotia B3S 3M3

Quebec Division
C.I.L. House,
630 Dorchester Blvd. W.,
Montreal, Quebec H3B 1S6

Central Ontario Division
First Bank Tower,
First Canadian Place,
Toronto, Ontario M5X 1A1

Eastern and Northern Ontario Division
First Bank Tower,
First Canadian Place,
Toronto, Ontario M5X 1A1

Western Ontario Division
Northern Life Tower,
380 Wellington Street,
London, Ontario N6A 5H1

Manitoba/Saskatchewan Division
330 Portage Avenue,
Winnipeg, Manitoba R3C 1B3

Alberta Division
140 Eighth Avenue S.W.,
Calgary, Alberta T2P 1B3

British Columbia Division
First Bank Tower,
595 Burrard Street,
Vancouver, B.C. V7X 1N1

Corporate Banking Group
First Bank Tower,
First Canadian Place,
Toronto, Ontario M5X 1A1

International Banking Group
129 St. James Street,
Montreal, Quebec H2Y 1L6

Asia/Pacific Division
U.I.C. Building,
5 Shenton Way,
Singapore 1,
Republic of Singapore

Canada Division
First Bank Tower,
First Canadian Place,
Toronto, Ontario M5X 1A9

Europe, Middle East & Africa Division
246 Bishopsgate,
London, England EC2M 4PA

Latin America & Caribbean Division
129 St. James Street
Montreal, Quebec H2Y 1L6

United States Division
2 Wall Street,
New York, N.Y. 10005

Foreign Branches and Representative Offices

Europe

Amsterdam, The Netherlands
Museumplein 11,
P.O. Box 3800,
Amsterdam, O.Z.

Baden-Soellingen, West Germany
C.F.B. Europe,
7571 Baden-Soellingen
Federal Republic of Germany

Frankfurt, West Germany
D-6000 Frankfurt am
Main 17,
Ulmenstrass 37-39,
Postfach 17-4075,
Federal Republic of Germany

Lahr/Schwarzwald, West Germany
C.F.B. Europe
7630 Lahr/Schwarzwald,
Federal Republic of Germany

London, England,
47 Threadneedle Street,
London, England EC2R 8AN

Madrid, Spain
Torre de Valencia,
O'Donnell 4,
Madrid 9, Spain

Milan, Italy
7 Via San Paolo,
20121 Milan, Italy

Paris, France
10 Place Vendôme,
75001 Paris, France

United States

Chicago, Illinois
2 First National Plaza
Chicago, Illinois,
U.S.A. 60603

Houston, Texas
1 Houston Center,
Suite 1106, Houston, Texas,
U.S.A. 77002

New York Agency
2 Wall Street,
New York, N.Y.,
U.S.A. 10005

San Francisco Agency
425 California Street,
San Francisco, California,
U.S.A. 94120

Mexico & Central America

Mexico City, Mexico
Paseo de la Reforma 300,
Piso 16, Mexico 6, D.F.

South America

Buenos Aires, Argentina
Palacio de la Sociedades
Anonimas, Florida 1
Argentina

Caracas, Venezuela
Edificio Centro Altamira,
Avenda San Juan Basco,
Altamira,
Caracas 106
Venezuela

Sao Paulo, Brazil
Alameda Santos 1800,
9th Floor, Conj. 9-A,
Sao Paulo, S.P. — 01418,
Brazil

Asia/Pacific

Hong Kong
Alexandra House,
16-20 Chater Road, Hong Kong

Jakarta, Indonesia
Jalan Cikini Raya 24,
Jakarta, Pusat, Indonesia

Manila, Philippines
Pacific Bank Building,
7th Floor,
6776 Ayala Avenue,
Makati, Metro Manila

New Delhi, India
Ashoka Hotel,
Room 234,
50-B Chanakyapuri (21)
New Delhi,
India

Seoul, Republic of Korea
Sert Building,
112-44 Sokong-Dong,
Chung-Ku

Singapore Republic of Singapore
U.I.C. Building,
5 Shenton Way,
Singapore 1,
Republic of Singapore

Sydney, Australia
7th Floor,
Macquarie House,
167 Macquarie Street,
Sydney, N.S.W. 2000,
Australia

Tokyo, Japan
New Tokyo Building,
Room 419,
3-1 Marunouchi,
3-Chome, Chiyoda-ku,
Tokyo 100, Japan

Subsidiary Companies

United States

Bank of Montreal Trust Company
2 Wall Street,
New York, N.Y. 10005

President
W. B. Bateman

Bank of Montreal (California)
425 California Street,
San Francisco,
California 94104

President
M. P. Murphy

Directors
Resident in San Francisco
R. D. Mackenzie
D. E. Mundell
M. P. Murphy

Resident in Los Angeles
N. Paschall, Chairman
J. G. Braun
D. P. Renda

Resident in Montreal
F. H. McNeil
P. G. K. Oosthuizen

Resident in New York
W. B. Bateman, Vice-Chairman

Branches

San Francisco Branch
333 California Street,
San Francisco 94104

Los Angeles Branch
811 Wilshire Blvd.
P.O. Box 71469
Los Angeles 90017

Bahamas

Bank of Montreal International Limited
Harrison Building,
P.O. Box N7118,
Nassau, Bahamas

General Manager
F. Medoro

Bank of Montreal (Bahamas & Caribbean) Ltd.
Head Office
Harrison Building,
P.O. Box N7118,
Nassau, Bahamas

Managing Director
H. G. Ackstein

Directors
Residents in The Bahamas
Hon. K. G. L. Issacs, C.B.E., Q.C., Chairman
Sir G. W. Henderson, Q.C.
F. Medoro
A. J. Miller

Resident in Montreal
W. D. Mulholland
N. F. Potter
S. W. Henry

Branches

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

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

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

The Netherlands

First Canadian Financial Corporation B. V.
Museumplein 11,
P.O. Box 3800,
Amsterdam,
The Netherlands

Managing Director
F. W. van der Sleesen

Hong Kong

First Canadian Financial Corporation Ltd.
Alexandra House, 16th Floor,
16-20 Chater Road,
Hong Kong

Managing Director
G. R. Rourke

Canada

Bankmont Realty Company Ltd.
129 St. James Street,
Montreal, Quebec,
Canada H2Y 1L6

Canadian Dominion Leasing Corporation Limited,
8 King Street East,
Toronto, Ontario
M5C 1C2

Brazil

First Canadian Assessoria e Serviços Ltda.
Alameda Santos No. 1800, 9th Floor,
Conj-9 A, Sao Paulo,
Brazil

Managing Quotaholder
J. P. Cotter

Associated Corporations and Organizations

Canada

First Canadian Mortgage Fund,
First Bank Tower,
First Canadian Place,
Toronto, Ontario

First Canadian Investments Ltd.,
First Bank Tower,
First Canadian Place,
Toronto, Ontario

BM-RT Realty Investments,
Royal Trust Tower,
Toronto, Ontario

BM-RT Ltd.,
129 St. James Street,
Montreal, Quebec

Australia

Australian International
Finance Corporation Limited
Head Office
10th Floor,
Dalgety House,
461 Bourke Street,
Melbourne, Australia 3001

Australian International
Limited
P.O. Box 213,
Melitco House,
Rue Pasteur,
Vila, New Hebrides

Europe

Banque Transatlantique
17 Boulevard Haussmann,
Paris, France 75428

Joh. Berenberg, Gossler & Co.
2000 Hamburg 36,
Neuer Jungfernstieg 20,
Federal Republic of Germany

International Resources &
Finance Bank S.A.
Head Office
31 Grande Rue, Luxembourg

London Office
18 Finsbury Circus,
London, England EC2M 7BR

*Penny and half penny tokens,
dated from 1837 to 1844, were issued by Bank of Montreal to provide a readily negotiable medium of exchange in an expanding world of commerce.
These historically and numismatically interesting copper pieces show the Bank's Head Office, the first building in Canada to be designed specifically for banking purposes, on the obverse, and its coat of arms on the reverse.
It was not until some twenty years later, in 1858, that the Province of Canada introduced its first coins.*

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Bank of Montreal

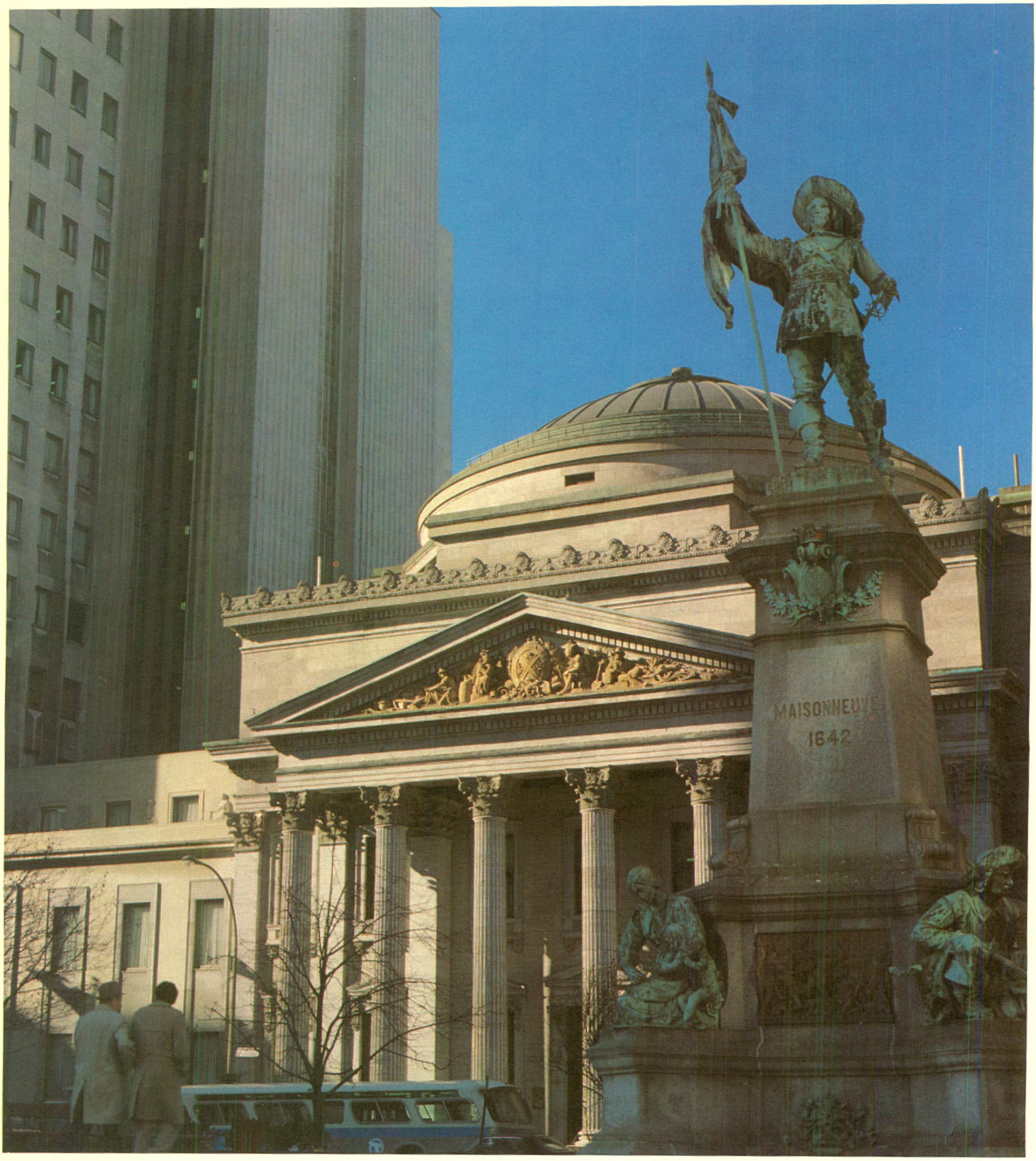
162nd Annual Report

1979

Table of Contents

Meeting Notice
The 162nd Annual General Meeting of Shareholders will be held in Montreal at the Château Champlain Hotel, Place du Canada, at 10:30 A.M. on Monday January 14th, 1980. Shareholders of the Bank of Montreal are invited to attend.

Legal deposit, 4th quarter (1979)
Bibliothèque nationale du Québec
(On peut obtenir sur demande
un exemplaire français)


MAISONNEUVE
1842

To Our Shareholders

Main Branch
Montreal, Canada

The year 1979 turned out, unfortunately, very much as expected. Overall economic activity in Canada, as elsewhere, began to slacken and this trend is expected to continue into 1980. The rate of inflation, however, displayed no similar moderating tendency and, in fact, behaved with a vigour quite out of keeping with the numerous proclamations of its demise. Another round of oil price increases, begun during the year and still in process, does not augur well for an early return either to lower rates of inflation or stable conditions in the financial and exchange markets.

Notwithstanding the unsettled and generally deteriorating monetary and economic environment during the year, most banking markets worldwide were characterized by excessive liquidity, intense competition and narrow spreads. The fact that interest rates reached historic highs in many markets was certainly not indicative of any shortage of funds. By and large, any credit-worthy borrower willing to pay the price could obtain all the money needed – or, in some cases, wanted. Events during the year suggest that speculative activity, if not actually encouraged, was certainly not constrained by the availability of funds. Needless to say, the restoration of stable conditions necessary for legitimate trade and investment to flourish will be a long and difficult task.

Understandably, 1979 was not the best of years from an operating standpoint. Yet when all is said and done it stands as a quite satisfactory chapter in terms of results, both competitively and in absolute terms. That this is so is due to the skill, hard work and loyalty of the more than 26,000 men and women of the world-wide Bank family. Their true mettle is revealed as our "hidden reserve".

The report which follows, covering the activities of the Bank's major operating groups, necessarily focuses upon the year just concluded. It details the considerable accomplishments of these units, in which their staffs may take justifiable pride. Unspoken, but nevertheless present between the lines, is the awareness that the adjustment process which occasioned so much difficulty a few short years ago is now a thing of the past. True, much remains to be done, but like an individual moving on to a new and more challenging job, it is a beginning not an ending, and the focus is rightly on the challenges of the future, not upon the accomplishments of the past. In short, the task is no longer one of just "catching up", rather, it is now one of building for the future.

Any attempt to forecast the future, particularly in these times, suffers from severe limitations but some trends, visible today, seem likely to play an important role in shaping our future.

Canada's first bank opened its doors in 1817 on St. Paul St. in the City of Montreal. The founders of the Montreal Bank were progressive merchant traders who saw banking as a vital necessity to the proper conduct of business and as an inevitable adjunct to the development of Canada.

It is unlikely that we will see an early return to the stable conditions that fostered the world's tremendous economic growth in the decades of the fifties and sixties. The highlight of the seventies was the destruction of this stability, and the legacy of the eighties will be the Herculean task of its restoration. In this environment it will be both useful and timely to remind ourselves of the traditional principles of sound banking. It will be a time for attention to capital adequacy, to liquidity, to strong reserves, to careful control of costs and, in particular, to the control of risk – credit risk, currency risk, term exposure, rate exposure and so on. This note of bankerly caution, however, need not be at the expense of innovation, competitiveness and soundly based expansion. It is possible to be a strong and constructive force in the market place without being imprudent.

On numerous occasions in the past we have reported on the Bank's on-line banking system, now operational in 1050 of our branches, with additional conversions planned for 1980. During the new year we shall also move into a new central computer complex at Scarborough, Ontario. The existing complex at Willowdale will continue in service giving us the flexibility of either a parallel operation or a completely separate back-up facility. Since the first branch was converted to on-line operation in 1975, the system has undergone many modifications to improve its efficiency and broaden the scope of its service capability. A number of these enhancements are visible in the form of new customer services – Multi Branch Banking and daily interest savings accounts, for example – and many more are in the development stage. Not visible to the public, but equally important to both our customers and our shareholders, are the system benefits in the areas of improved security, efficiency, accuracy and working environment.

Our purpose in mentioning these developments is not to extoll the deeds of the past but to suggest to you that we have only seen the tip of the iceberg. The new technology represents an irreversible step into the future with profound implications for banking. Customers will enjoy banking services and a level of banking convenience undreamt of only a short time ago.

While the cashless society may not be as near at hand as some reports would suggest, it is fair to say that cash is only one of many transaction options readily available to the modern day banking customer. These, together with a range of credit options, savings and investment alternatives, electronic money transfer facilities and instantaneous information retrieval, hold out to the customer an array of conveniently available services that enable him, if he so wishes, to become truly the master of his money.

Similarly, the services available to commercial customers reflect the impact of new technology. Cash management and funds transfer services used in conjunction with the tremendously improved information retrieval and reporting capability enable business firms to use their funds more efficiently. With interest rates at current levels, this is an important benefit to Bank customers.

As today's developments dwarf the expectations of the earlier years of the decade, so today's capabilities will seem puny by comparison to those of a decade hence. This explosive growth in service capability seems likely to accelerate another trend already evident – the growing internationalization of banking. Despite the handicaps of out-dated regulatory concepts and a strong bias toward financial protectionism in many countries, our divided world is moving inexorably toward one world financially. Electronic banking not only makes this possible, but in the long run it will probably also make it very difficult to forestall. The inability of modern democratic governments to devise and implement policies conducive to economic and financial stability, which at the same time satisfy reasonable standards of productivity and equity, lends further impetus to this trend. People no longer vote just with ballots, they also vote with their money, whether it be the hard-won savings of the labourer or the greater wealth of the successful entrepreneur. Although impediments will be raised from time to time, it is likely that the banking market of the future will increasingly take on the characteristics of a world market.

Finally, as improbable as it may sound in today's circumstances of world-wide excess liquidity, the future is more likely to bring a shortage of capital, in relation to the world's needs, than a surplus. This situation will probably be aggravated by the immense transfer of wealth now taking place as a result of OPEC related developments, and the attendant difficulties of re-employing this capital in productive endeavours. So far as banking is concerned, we believe that the competition for savings will probably become more intense and that the skill and efficiency with which deposits are attracted will affect to an important degree the relative competitive position of financial institutions. As many shareholders will be aware, the liability management function within the Bank has been substantially strengthened. At the same time, considerable time and money have been invested in the effort to provide this Bank with a service capability second to none. We expect to employ this capability as vigorously and as effectively as possible in the competitive market place.

Our view of the future may, of course, prove to be no clearer than that of anyone else. Nevertheless, while we see problems ahead, we also see many opportunities for those prepared to seize them. With both alertness to the opportunities and caution for the uncertainties, the staff of the Bank will continue to build for a future in which we have all invested our confidence and to which we have committed our energies.

F. H. McNeil

W. D. Mulholland

Fred H. McNeil,
Chairman

William D. Mulholland,
President and Chief Executive Officer

The Year's Highlights

For the Year ended October 31st	1979	1978	Increase
Total Revenue	**$ 3,823,264,418**	$ 2,588,831,860	47.7%
Balance of Revenue after Income Taxes	**$ 228,696,176**	$ 193,515,710	18.2%
Dividends	**$ 64,200,419**	$ 47,953,588	33.9%
At Year End			
Assets	**$ 38,180,277,817**	$ 32,090,136,219	19.0%
Loans and Mortgages	**$ 24,791,687,677**	$ 21,336,138,541	16.2%
Deposits	**$ 33,756,648,013**	$ 29,034,940,713	16.3%
Debentures Issued and Outstanding	**$ 433,791,500**	$ 282,789,500	53.4%
Shareholders' Equity	**$ 991,569,952**	$ 867,670,908	14.3%
Capital Funds	**$ 1,684,385,121**	$ 1,407,392,095	19.7%
Per Share			
Balance of Revenue after Income Taxes	**$ 4.72**	$ 4.48	5.4%
Dividends	**$ 1.32**	$ 1.09	21.1%
Shareholders' Equity	**$ 20.31**	$ 18.13	12.0%
Other Statistics at Year End			
Number of Shares	**48,816,963**	47,846,798	
Number of Shareholders	**54,582**	57,259	
Number of Branches	**1,257**	1,239	
Number of Employees	**26,378**	26,481	

Report on Operations

Summary

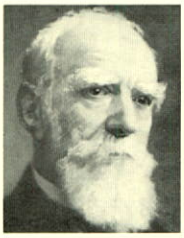
No matter what the changes in banking over the years – and there have been many – one thing has remained constant: the need to give customers the best possible service. That need has been a constant since we first started banking, and it was our aim once again in the year just ended.

At Bank of Montreal, we are also known as "The First Canadian Bank." The phrase is a reflection of Canada's history and our place in it. There is nothing abstract about our roots in this country. We were, quite literally, Canada's first bank. Nor is there anything abstract about our role in contemporary banking. We continue to strive to be, and in many respects are, Canada's first bank.

1979 was a year of significant progress for Bank of Montreal, its customers and shareholders. Multi-Branch Banking was the development of the decade in Canadian banking. The introduction of Daily Interest Savings was a first among the major chartered banks. Overseas, we acquired a branch banking presence in Germany and Korea, established a wholly owned subsidiary in Singapore, and were the only Canadian bank ranked among the top few international banks in the world in the management of international loan syndications.

It was also the year in which we stirred the public imagination with another kind of action: the announcement that our Chairman, Fred H. McNeil, himself a son of the West, had moved from Head Office in Montreal to Calgary, where a number of important Bank activities were already centred. At the same time, we disclosed plans to build a major new office and banking complex in downtown Calgary.

In myriad ways, at home and abroad – through acquisitions and expansions, new personal deposit programs, diversified forms of lending, improved services to business and markedly more efficient banking systems – 1979 was a year of solid accomplishment.



Sir Donald A. Smith, Lord Strathcona; President 1887-1905; Honorary President 1905-1914, was a prominent member of the syndicate that financed the building of the transcontinental Canadian Pacific Railroad. Bank of Montreal was the fiscal agent of the C.P.R., and played a major role in its financing.

Canadian Banking Operations

Domestic Banking Group

Past accomplishments, however durable, cannot shelter a dynamic institution such as Bank of Montreal from the recurrent need for new initiatives. The needs and habits of customers are constantly changing and the services they expect from their bank must keep pace.

We kept pace this year on many fronts. Indeed, the introduction of Multi-Branch Banking in February set a pace that no other bank in North America is likely soon to match – and that only one other major Canadian bank has attempted to duplicate. Based on a centralized computer network that spans five time zones from Atlantic to Pacific, MBB allows customers who have an account at any "on-line" branch to make deposits and withdrawals at any of the nearly 1,050 branches now on the network. MBB transactions are instantaneous, accomplished with the same ease that our customers would experience were they in their own home branch. It is a radical departure from the cumbersome banking procedures of the past – but one that our customers have been quick to appreciate. MBB now accounts for a substantial proportion of all transactions recorded by our on-line branches.

Another major service made possible by automation was daily interest savings accounts. Bank of Montreal was the first of the major chartered banks to introduce DIS, on August 1, 1979. Featuring a competitive interest rate, along with no charges for withdrawals, no minimum balance and the convenience of MBB, it has already attracted thousands of new customers to the Bank.

To our minds, the introduction of our new technology is, in itself, one of the most fundamental and exciting changes we have ever made in our banking operations. It gives us the basis for an entirely new structure of banking services. Multi-Branch Banking and daily interest savings are only the beginning. Indeed, they are only a hint of the innovations that are yet to come.

Bank of Montreal meets the banking needs of Canadians through a national network of 1,257 branches. The Domestic Banking Group has earned a reputation as an innovator in developing flexible, convenient services – from savings and deposit plans to personal and commercial lending programs.

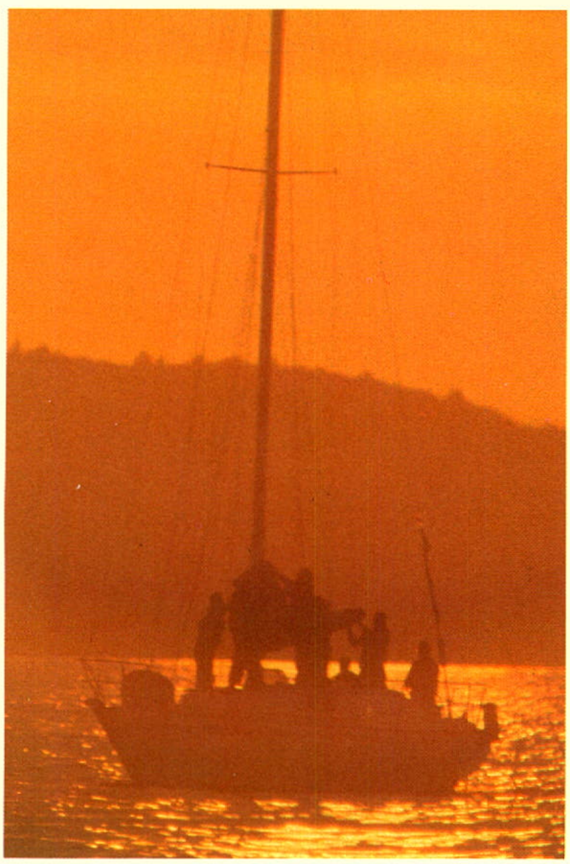
Branches from Halifax to Vancouver Island are linked together and are supported by one of the largest commercial computer system in Canada.

This on-line banking system permits us to develop and to deliver services customers want. For example, in 1979 we introduced Multi-Branch Banking to Canadians. This service, unique to the Bank of Montreal, gives our customers access to their personal accounts, instantly, at any one of 1,050 branches in Canada, for deposit or withdrawal.

Mechanical savings banks of cast iron were a popular means in the late 19th and early 20th centuries of encouraging children to save their pennies.

In the early days of banking in Canada, heavy strong-boxes were used to transfer coin, bullion and bills of exchange from branch to branch, between cities or countries – often under difficult conditions. An important reason for Bank of Montreal's early success lay in its ability to handle, at lower costs than had existed previously, the exchange transactions required in Canadian commercial enterprise.


AVEC
Inter-Service
EFFECTUEZ: DÉPÔTS
RETRAITS
VIREMENTS
DE FONDS
MISES
À JOUR
DE LA BANQUE DE MONTRÉAL
Bank of Montreal introduces
DAILY
INTEREST
SAVINGS
Make every dollar count



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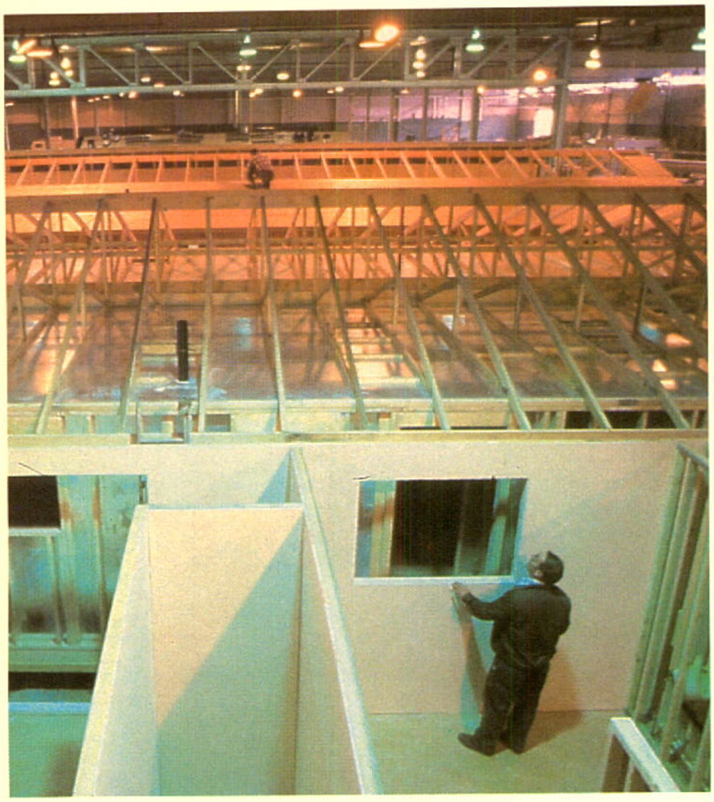

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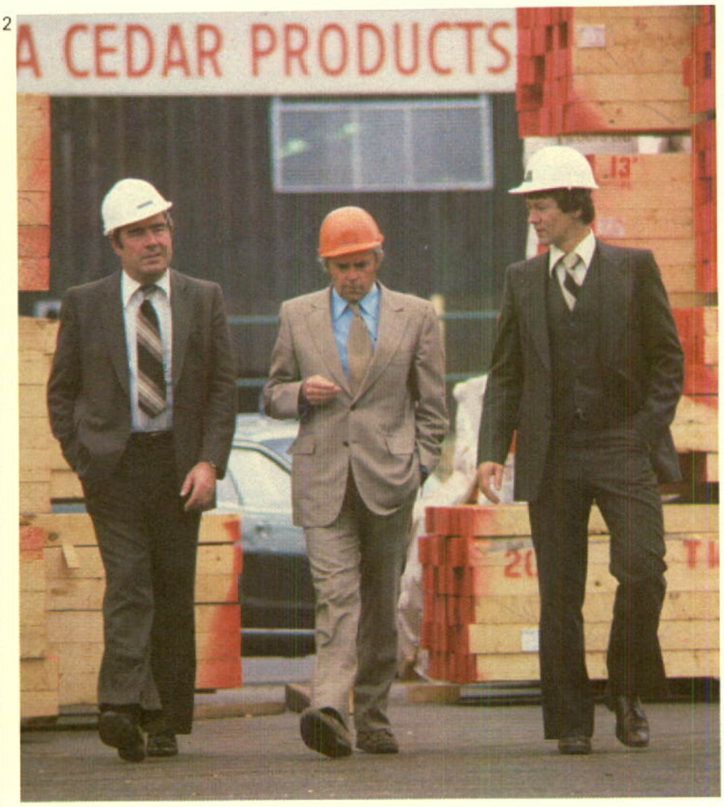

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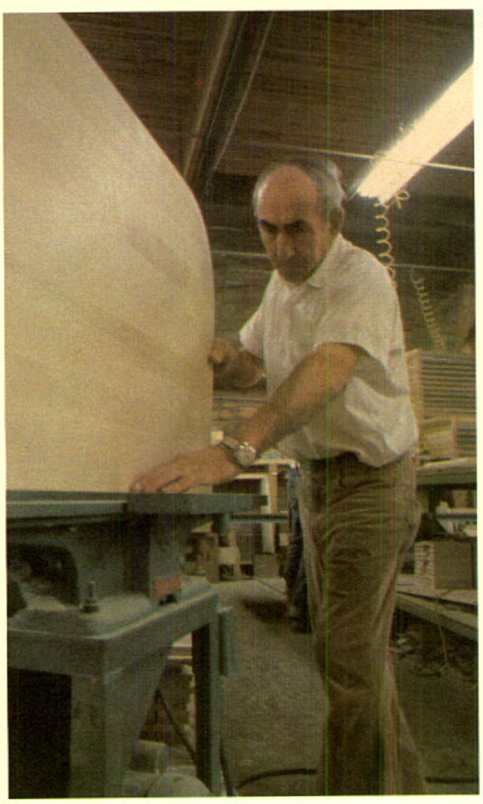

3


1 Atlantic Design Homes, a division of Lundrigans Limited, was formed in 1968 to manufacture wood frame homes and components for use in the general building trade.

At the Atlantic Design Homes plant in Stephenville, Newfoundland, homes, portable classrooms, offices, construction camps and other portable units are built under cost-effective, factory controlled conditions.

This account is served by Bank of Montreal's Corner Brook, Newfoundland branch.

2 Delta Cedar Products Limited of Delta, British Columbia is an important producer of finished lumber, sold in Canadian and numerous export markets. New Westminster branch manager Al Hickey (left) and Ken Martens discuss operations with owner Errol Wintemute (centre).

3 Starting with a single aircraft flying out of St. John's, Newfoundland in 1949, Eastern Provincial Airways (E.P.A.) has grown to become Canada's fourth largest airline. Employing 850 people, E.P.A. is a substantial contributor to the Atlantic economy.

Controlling interest in the firm was purchased by Newfoundland businessman H. R. Steele, with financing provided by Bank of Montreal. Bank of Montreal subsequently assumed financing for E.P.A.

4 Six years ago, Gilbert Rousseau set up the facilities to manufacture furniture with the assistance of a loan by the Bank's St. Bruno, Québec branch manager, Roger Gosselin.

Today, Meubles Quebeko is a major supplier of unpainted furniture to the Quebec market and to customers across Canada.

Serving Smaller Business

Successes have also been registered in the Bank's dealings with small and medium business. More than 95 per cent of all incorporated businesses in Canada have fewer than 200 employees. Smaller, independent businesses employ close to two million Canadians and generate 25 per cent of total business sales. Again in 1979, an increase in share of this important sector of the economy was achieved through the Bank's commercial marketing "call" program, coupled with services designed to accommodate the full range of banking needs of small businesses. First Bank Business Life Insurance, for example, is available on reasonable terms at minimal cost to cover business loans up to $250,000. Our First Bank Business Finance Plan is a special term loan package designed to assist small businesses with equipment loans, premises loans, refinancing and expansion.

Following the recent revision of the Small Business Loans Act, we have become a leader in the granting of government-guaranteed loans across the country. Similarly, active promotion of the Loans to Professionals package has produced steady and significant loan growth to professional men and women.

During the past year, Bank of Montreal introduced a series of Problem Solver booklets and Ready-Reference Guides specifically designed to assist small business entrepreneurs in identifying and resolving common business problems.

Also during the year, we became the first bank in Canada to establish, within its corporate structure, a division specializing in providing Current Asset Financing Services. An extension of existing commercial lending services, Current Asset Financing embodies the concept of structuring a line of credit based on the value of accounts receivable and inventory. Such an approach qualifies more

Before the Montreal Bank issued Canada's first permanent bank-notes, most business was done by barter. The issue of these bank-notes and of coinage proved a great boon to early merchants, traders and the general population.

businesses for bank credit and is particularly suited to well managed companies in their early stages of development, those enjoying rapid growth and those with high seasonal requirements.

Farm Lending

Bank of Montreal has also been progressively developing credit packages to meet the financial requirements of Canadian farmers. The recent introduction of the First Bank Farm Mortgage package, with a 25-year term, is an example of our efforts to make available to farmers banking services comparable to those available to other basic industries. Through the First Bank Agri-Credit Plan we can now satisfy virtually all of the specific needs of farming operations across Canada.

As part of our commitment to agriculture, planning services aimed at facilitating farm management have been developed in the past year. These services consist of an all inclusive package of financial planning forms in easy-to-follow format, supplemented with the Bank's regular Farm Profit Management newsletter. They have benefited farmers and their bankers alike.

During the past year, the Bank's team of agricultural specialists was further expanded. These experts provide direct financial advice to farmers as well as assistance to our branch managers in their handling of the progressively more sophisticated farm-related business.

Cards and Payrolls

In 1979, Bank of Montreal's Master Charge card completed its sixth year of operation, recording a ten per cent increase over the previous year in the number of active accounts and a 26 per cent increase in the value of transactions by our cardholders. In October, the Bank signed an agreement with the Canadian Co-operative Credit Society which will allow the Society's 2,000 credit unions to issue Master Charge cards. Agreement was also reached with the Municipal Savings and Loan Corporation for the operation of a Master Charge plan under the new affiliation program being offered to other financial institutions.

Agricultural specialists stationed across Canada work closely with farmers and growers on problems and opportunities in this key sector. The range of clients' projects, and forms of financial assistance provided by the Bank, are as diverse as the country itself.

1 Ken Moyaert (right) of Prince Edward Island started tobacco farming in 1975 at the age of twenty-one when he share-cropped a fifty acre farm. Today, after several successful harvests of excellent quality, with the aid of outside long-term assistance and an operating credit from the Bank of Montreal, he and his wife June now manage their own seventy-five acre farm.

2 Large grain elevator recently completed in Trenton, Ontario is the first inland elevator constructed under Agriculture Canada. The owner, Donald Thrasher, President of Thrasher Feeds Limited, is a second generation Bank of Montreal customer. Financing was provided by the Canadian Government and the Bank of Montreal.

3 Newly completed rapeseed crushing facility owned by Alberta Food Products Limited at Fort Saskatchewan, Alberta. Bank of Montreal provided credit to assist with building of the plant.

A Bank branch under construction in Kingston Ontario about 1923.

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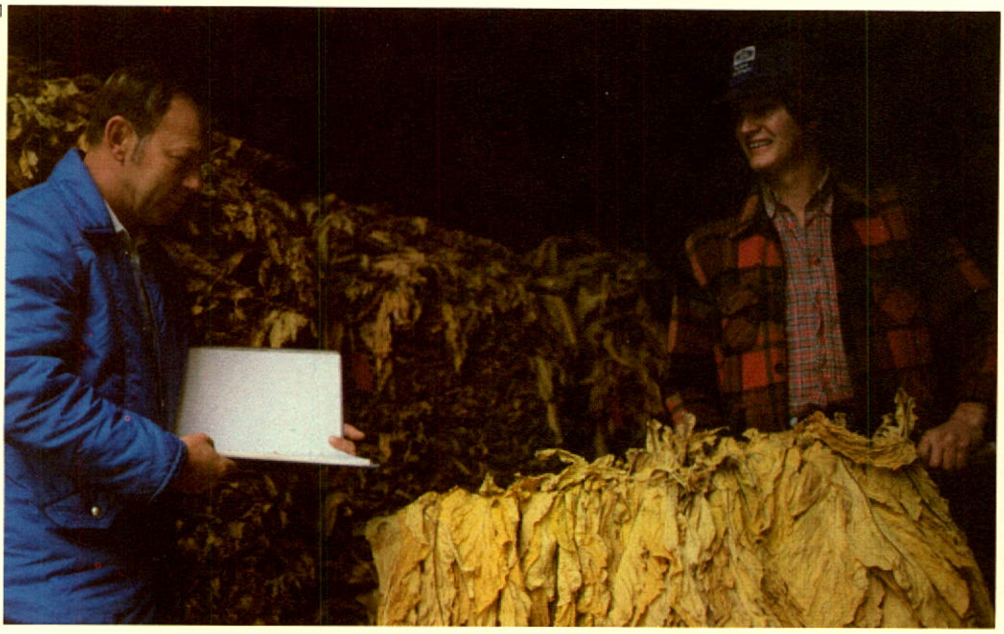

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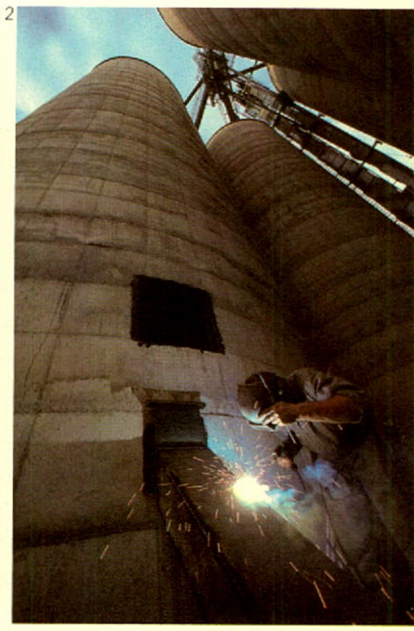

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In July, the Bank announced a major development in the Payroll Service area. The newly formed Canadian Automatic Data Processing Services Limited is a joint venture between the Bank and A.D.P. Dealer Services of Toronto, a subsidiary of Automatic Data Processing Inc. This new company is dedicated to the sale and service of Payroll Systems for commercial users in Canada.

Credit Management

The provision of credit to the widest possible range of customers, from individuals to small businesses to large corporations, is undoubtedly one of the most important functions of a bank in terms of service to its customers. The key to healthy loan growth lies not only in the marketing of the Bank's lending facilities, but also in the corresponding operations of the credit decision process. The pursuit of profitable lending opportunities must be closely supported by an efficient and informed credit decision-making operation.

In 1979, the process initiated several years ago to decentralize, streamline and strengthen credit decision-making was further advanced, with gratifying results. Today, the Bank has in place, in national and in local markets across Canada, senior credit officers who provide fast and informed responses to the needs of our customers.

Our own prosperity as a bank is intrinsically tied to the interests of our customers. To help ensure that credit facilities are used effectively, Bank of Montreal is placing greater emphasis on counselling individual and smaller business borrowers in the proper use of credit. Credit training sessions for limited groups and our booklet entitled *It's Your Money* deal with problems of personal budgeting.

The Alberta Wheat Pool, an association of approximately 57,000 grower-owners, is a client of the Bank. Pictured opposite are grain elevators at Gibbons, Alberta.

The use of early typewriters, such as the 1880 Blickensderfer, proved time-saving in banking and throughout the business community.


ALBERTA
WHEAT POOL
FARMER OWNED
CO-OPERATIVE
GIBBONS

Corporate Banking Group

Helping Canadian industry develop markets, products and capacity is the main reason for Corporate Banking's existence. Since its inception in 1976 – with carefully selected and trained personnel and specialized techniques – it has compiled an impressive record.

One of the year's largest projects was the formulation of a financing plan for the development of an important Canadian-owned base metal mine in the Highland Valley area of British Columbia. Totalling approximately $161 million, the financial support was underwritten completely by Bank of Montreal, depending for security on project assets and for repayment upon cash-flow from the on-going mining operation.

In Thunder Bay, we helped finance a coal trans-shipment facility that will provide an important link in Canada's national energy system. The financing of Calgary's Gulf Canada Square, a $90 million complex that employs a radical new energy-efficient heating and cooling system, was also arranged by the Bank.

Two of the three projects cited above are in Western Canada. In recognition of the growing importance of the West and its needs in the field of corporate finance, Corporate Banking last year substantially strengthened its senior management in the region and invested it with expanded authority.

New Group

At the beginning of the year, the Corporate Banking Group consisted of three divisions: Commercial and Industrial, Natural Resources and Project Financing. During the year, continued growth in the scope of our services led to the formation of a fourth division servicing Real Estate, Insurance and Financial Institutions.

The Financial Institutions unit, the latest to commence operations, is designed to serve the needs of trust, finance and loan companies. Its emphasis is on funds transfer and reporting systems, custom-designed by the Bank's computer systems specialists. The Real Estate unit, composed of experienced real estate lenders, provides financing for multi-million dollar projects in Canada and the United States and has already established a leading position in serving the property development industry. The Insurance unit

In 1886, the Bank of Montreal opened a branch in the new settlement of Calgary, population 1200. Construction of our first permanent building was completed shortly thereafter.

Corporate Banking's Real Estate specialists have established a leading position in serving the real estate development industry. Two important projects for which Bank of Montreal has provided financing are shown opposite.

1 Gulf Canada Square, a $90 million complex covering two blocks and providing two million square feet of office and retail space, nears completion in Calgary. Designed and built by Canada Square Corp., the project will rank as Canada's most energy-efficient building, having no boiler or heating plant of any kind and utilizing a heat recovery and storage system fed by warmth from machinery, lighting and people.

2 444 Market Street, San Francisco is a joint venture project of Cadillac Fairview California Inc. and Daon Corporation. The building will be ready for occupancy in March, 1980 and has, as anchor tenant, the Shaklee Corporation. Unique design of exterior walls provides each floor with eight corner offices and the stepping of upper floors creates landscaped terraced patios.

3 Versatile Cornat Corporation is a successful Canadian industrial company engaged in the manufacture of farm equipment, components for the oil and gas industry, development of oil and gas properties, environmental protection equipment, and in shipyard operations and aluminium fabrication.

The company has realized strong growth in domestic and international sales of tractors produced at the Versatile Manufacturing Company Winnipeg plant and will be expanding this facility.

Bank of Montreal is a major participant in the company's operating lines.

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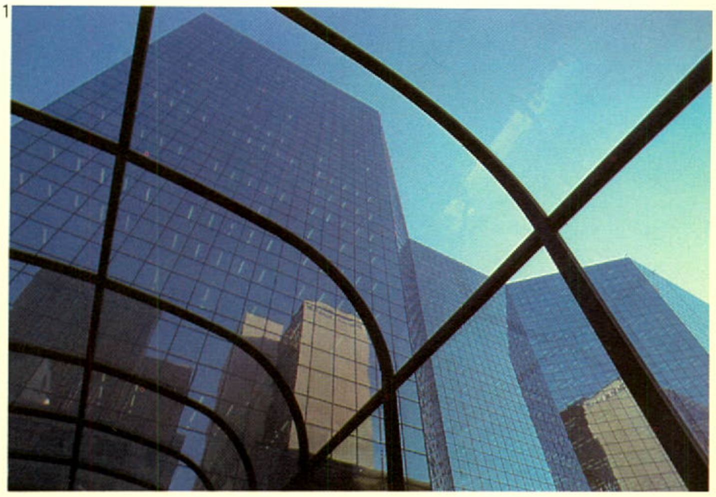

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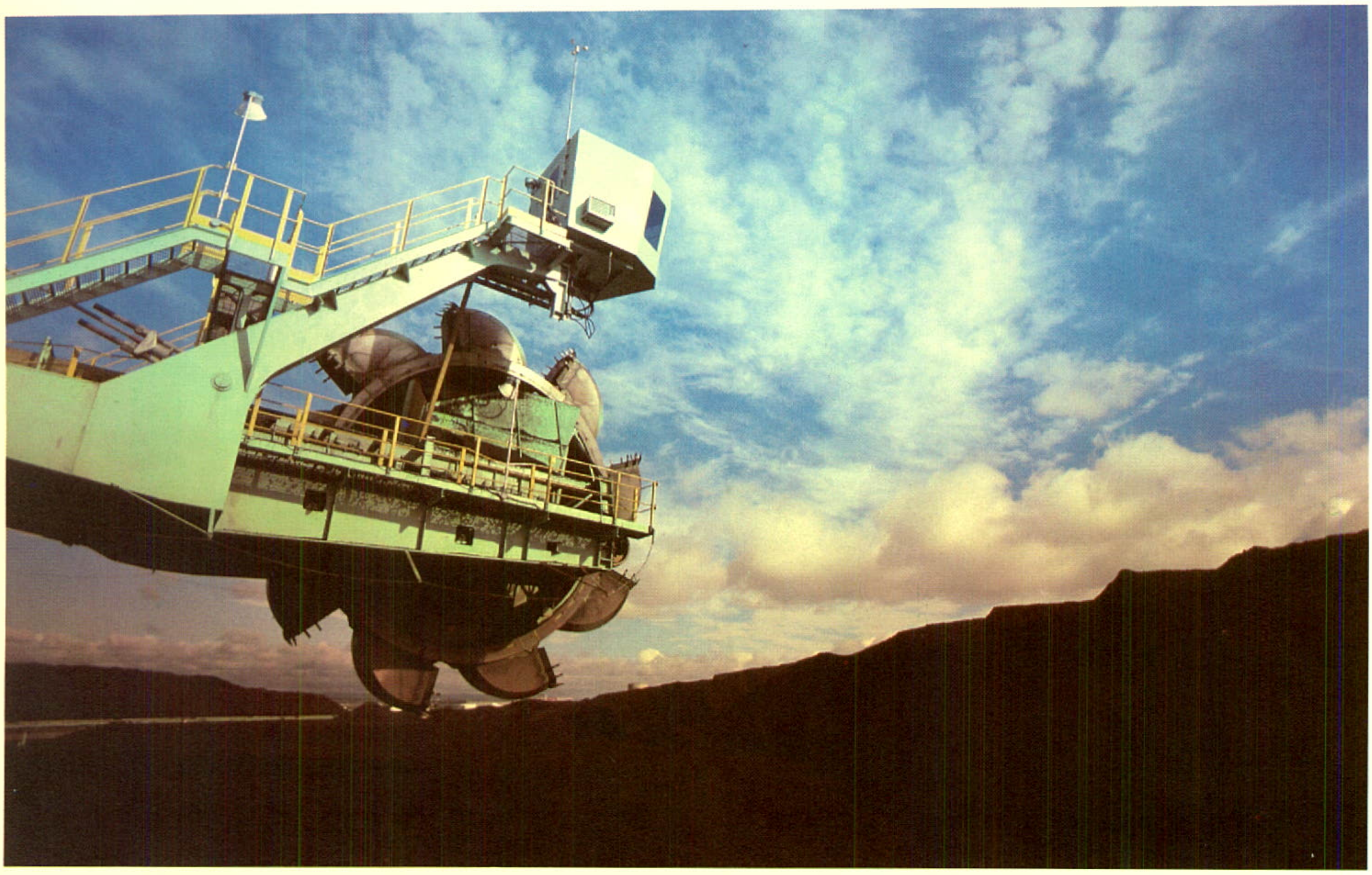

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1 Corporate Banking's Insurance Industry group sponsors semi-annual cash management seminars for industry representatives. Monthly investment forums (shown opposite) sponsored by Corporate Banking bring together representatives from Bank of Montreal's Economics and Treasury departments to discuss, with investment managers, developments in the money and investment markets.

2 Thunder Bay Terminals Limited bulk handling facility at Thunder Bay, Ontario receives British Columbia coal and trans-ships it to Ontario Hydro's thermal generators on Lake Erie. Thunder Bay Terminals Ltd. is a wholly-owned subsidiary of Federal Industries Limited of Winnipeg.

This technically advanced facility was built with the environment foremost in mind. Financed in part by the Bank of Montreal, it creates a vital link in an energy supply system using domestic resources.

3 Tree Island Steel Company Limited of Richmond, British Columbia is a major producer of wire rope, nails, wire mesh, reinforcing rods and related products.

The Bank has enjoyed a long association with Tree Island Steel. Recently, we arranged a financial package for the construction of a large-scale rod producing mill adjacent to the existing wire-drawing mill at Richmond.

specializes in cash management services for our insurance company clients. It too makes extensive use of the Bank's computer system for the electronic transfer of funds and electronic debiting and crediting.

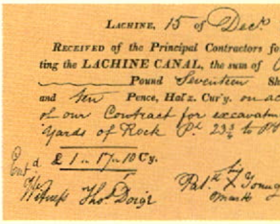
Also in 1979, a specialist section was created within Corporate Banking in recognition of the importance and unique requirements of the television and communications industry.

Within both the Commercial and Industrial and the Natural Resources Division, the concentration of expertise and broad awareness of industry trends and developments enabled our corporate bankers to provide clients with innovative financing and cash management proposals. Direct lines of communication between the groups and their clients ensure optimum response time in keeping with the varied and often complex financing needs of corporate accounts. As a result, substantial progress was made both in the growth in numbers of active clients and in the size of portfolios.

Project Financing

Another corporate banking service is project financing. In the broadest sense, project financing involves the gathering of funds – through loans, the issue of shares, or from other sources – to enable the construction or development of major projects. Traditionally, loans extended for these purposes have been the responsibility of the project owner or venturers, and repayment has been derived from two sources – from the profits of other business and from the cash flow generated by the project itself. As a major world lender, the Bank has been heavily involved in project financing for more than 160 years.

In 1979, our Project Financing unit was instrumental in financing a broad range of domestic and international projects totalling several billion dollars.



The Lachine canal, built to bypass the mighty Lachine rapids, was the first great project in Canadian water transportation. Work was completed in 1825 with the aid of advances from the Bank. This is one of many receipts for work by contractors.

A C.P.R. passenger train making its way through Field, B.C. around 1890. The Bank played an important role in the funding of this railway.

International Banking Operations

International trade and commerce have always been an important part of the Canadian scene. The needs of trade preceded settlement, whether by explorers seeking a northwest passage to the spices of the Orient or the fur traders in remote outposts. Bank of Montreal began following trade 50 years before Confederation, providing the first banking services to the fur exporters and shippers alike. The Bank established operations in New York and London in 1818, a year after its founding in Montreal. Operations were extended to Mexico in 1906 and to Paris in 1919, and overseas growth continues today in step with the needs of Canada as a trading nation.

The centre of our worldwide operations is in Montreal, but our five International Banking divisions are distributed across the globe. Canada Division is headquartered in Toronto, with offices in Montreal, Winnipeg, Calgary and Vancouver. The Europe, Middle East and Africa Division is based in London, the Asia/Pacific Division in Singapore, the United States Division in New York and the Latin America and Caribbean Division in Montreal.

A desk used by travelling bankers in the 1840's which could be conveniently folded up into a suitcase.

For a country such as Canada, in which exports of goods account for nearly 25 per cent of the Gross National Product, millions of jobs depend on the economic livelihood of trade-related industries. While raw and semi-processed natural resources – historically Canada's principal exports – still predominate, the last decade has seen a significant shift toward manufactured goods and high technology products and services. Bank of Montreal, through partnership with Canadian exporters and in cooperation with government agencies promoting foreign trade, provides information, assistance and financing to ensure that Canada maintains its place in the highly competitive international marketplace.

Export Assistance

The positioning of our branches and agencies in the financial and trade centres of the world enables Bank of Montreal to provide timely data on economic trends and conditions in markets abroad, as well as on foreign exchange and interest rates in world money markets. Identification of potential overseas customers or suppliers may be arranged for clients of the Bank through our global network of offshore units and banking correspondents, and our sensitivity to client needs in various markets enables the Bank to tailor assistance and financing to fit the requirements of each situation.

Bank of Montreal lends substantial funds to support Canadian trade. Over the past three years, authorized loan commitments specifically for exports have grown at an annual rate of 26% compared with the annual growth rate of 16% for Canadian exports over the same period. Much of this growth has been in connection with the export of capital goods and related engineering and technical services.

The Bank provides a wide range of specialized services to Canadian exporters. Information on product markets abroad, assistance in identifying potential overseas customers, introduction to offshore agents, may be arranged through our global network of foreign branches and banking correspondents.


FESCO

Head Office building of Allgemeine Deutsche Credit-Anstalt (ADCA) in Frankfurt, West Germany. ADCA provides a full range of banking services in the major cities of West Germany which is Canada's fourth largest trading partner.

In 1979, Bank of Montreal acquired 25.1 per cent of the shares of ADCA and retains the option to purchase an additional 25 per cent.

The decision to acquire a West German banking partner reflects a basic objective of the Bank of Montreal which is to establish an operating presence in the major financial and trading communities of the world.

Above and beyond the substantial funds lent by Bank of Montreal to finance the manufacture, or the purchase by foreign buyers, of Canadian export goods, the purchase and sale of foreign currencies enables our customers to transact business in other than Canadian dollars, at a time of uncertainty in world money markets. Active forward currency dealing permits exporters or importers to eliminate foreign exchange risk when future financial commitments are set. The vast demand for foreign exchange services by Canadian customers creates daily turnover measured in the hundreds of millions of dollars. The majority of our foreign exchange dealings is coordinated by the foreign exchange department of the Bank's Treasury Division, where traders maintain daily contact with counterparts in many foreign banks, allowing for up-to-the-second price quotations in a variety of currencies.

A further service area to our international clients is that of specialized "documentary collection" and "letter of credit" facilities, which do much to ensure the smooth conduct of international trade.

International Initiatives

During 1979, much of the lending in the international sphere of our operations was concerned with the export of capital goods and related engineering and technical services – an area of emerging strength for Canada. In support of the current requirements of our international clients, three major expansions were undertaken.

- In February, an International Banking branch was opened in Winnipeg, offering export trade and financing services to businesses in Manitoba, Saskatchewan and Northwestern Ontario. Rapidly expanding export trade necessitated the establishment of this fifth International Banking office in Canada, and it has since become heavily involved in support of a variety of products destined for the United States market and overseas.
- In April, Bank of Montreal acquired 25.1 per cent of the outstanding shares of a West German bank, Allgemeine Deutsche Credit-Anstalt, with an option to purchase an additional 25 per cent. With assets of approximately \$2.5 billion, this associated banking organization offers a full range of banking services in all of the principal commercial centres of the Federal Republic. In a complementary move, we are expanding our own staff and operations in Germany. The

Scale used for weighing gold and silver. Dealings in precious metals and in foreign exchange provided much of the Bank's early profits.

One of the Bank's early international ventures was this branch in Mexico.

Federal Republic of Germany is Canada's fourth largest trading partner and we look forward, together with our German partners, to this opportunity to assist in expanding the trading relationship between the two countries.

■ In the Asia/Pacific Division, expanding economies led to the establishment of a full service branch in Seoul, Korea and a wholly owned subsidiary in Singapore – Bank of Montreal Asia Limited. Both operations are already profitable and have enjoyed considerable success in their respective areas, the latter, for example, having been involved in the management of credits to both public and private sector borrowers totalling in excess of $2.9 billion.

In the Netherlands, after five years' experience the Amsterdam branch was closed and activities will henceforth be concentrated in our subsidiary, First Canadian Financial Corporation B. V., Amsterdam.

Syndication Leadership

Although extreme liquidity in the Eurocurrency markets in 1979 severely limited profit margins, the Bank's Loan Syndication Department was able to manage a record volume of transactions meeting our pricing criteria, thus placing the Bank consistently among the leading banks in the management of international loan syndications. Two of the major syndications during the year were:

■ *Romania* – Bank of Montreal was lead manager in a consortium of chartered banks lending $320 million to the government as part of a $1 billion financing package for the purchase of four CANDU nuclear reactors. The balance of the loan was provided by the federal Export Development Corporation, and was the largest of its kind ever arranged through EDC. It will produce 33,600 work-years of employment at 15 major supplier firms across Canada.

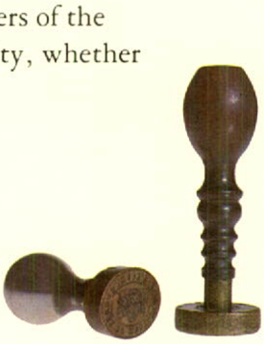
■ *Mexico* – Bank of Montreal was the agent for a consortium including 71 Canadian and international banks which raised U.S. $600 million for the Comisión Federal de Electricidad (CFE). Proceeds of the loan will be used for general financing requirements as part of the hydro authority's major investment program.

As the year drew to a close, the Bank received a mandate from Hydro Québec to lead a U.S. $1.25 billion financing. The syndication, which involves 49 banks from nine countries, has been completed successfully and the loan is expected to be closed in January 1980.

Just as the Bank of Montreal was the second bank to enter California (not far behind the Pony Express) when the need for banking services arose, so today our policy is to establish an operating presence in high growth areas of the financial and trading world. That presence, we believe, is of measurable service to the members of the international financial community, whether they be Canadian or not.

Mexicana de Cobre S.A. was created in 1968 to develop La Caridad, a major ore body located in north-western Mexico. The company is owned by private Mexican investors, Nacional Financiera, S.A. and by the Comision de Fomento Minero, the mining group of the Government of Mexico. La Caridad ranks amongst the world's largest open pit copper mines.

In 1979, Mexicana de Cobre S.A., now one of Mexico's largest mining companies, borrowed $660 million from a consortium of international banks. This loan syndication, co-led by the Bank of Montreal, Bank of America International Group and Manufacturers Hanover Limited, was the largest ever arranged for a Mexican private sector borrower. The loan will be used for the continued development of La Caridad and for construction of a smelter and refinery. Upon completion in 1983, La Caridad will produce 140,625 tonnes of blister and 118,220 tonnes of electrolytic copper annually.



Seal of the Bank of Montreal.

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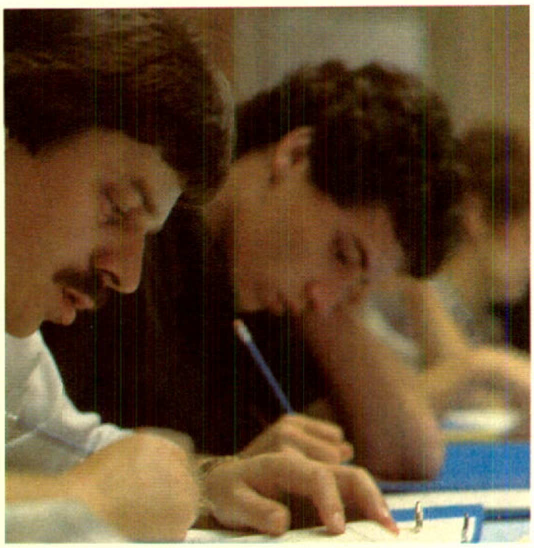

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Finance and Administration

Banking today requires close teamwork amongst people having a vast range of educational backgrounds and work-related experience.

1 To assist our employees in adding to their knowledge and qualifications, the Bank encourages and supports involvement in a wide variety of educational programs such as courses offered by the Institute of Canadian Bankers. Additionally, under the tuition refund plan employees are encouraged to pursue university-level courses related to their work areas. Management training sessions provide the opportunity to upgrade skills and develop new management techniques.

2 The Treasury Division is responsible for the day-to-day management of approximately $15 billion of the Bank's rate sensitive assets and liabilities as well as the Bank's statutory and supplemental liquidity. Shown opposite are views of the active money desk and bond desk and for foreign exchange trading in Toronto. Other major dealing centres are in Montreal, Winnipeg, Calgary and Vancouver. Treasury maintains contact and dealing with over 250 large government, national and corporate accounts involved in financial markets.

Personnel

In the present rapidly changing and increasingly competitive business environment, the Bank's employees are its greatest and most important resource. Corporate Personnel is responsible for the total Bank staffing strategy, the predominate thrust of which is to ensure our ability to place qualified people in a personally challenging work environment, when and where needed.

In the year just ended, the Bank continued in its policy of identifying, developing and promoting talented employees from within its own ranks who aspire to greater challenge and responsibility. To augment this process of internal advancement, high potential candidates from business and university graduating classes were admitted to new Management Development Programs. These programs were initiated to prepare capable personnel, with the capacity for absorbing accelerated training in core banking disciplines, to assume substantial management positions.

Open employer-employee communications are another important dimension to the effective management of people and special efforts have been made to upgrade the communication process across the Bank.

A survey initiated in 1978, to which more than 17,000 employees responded, indicated that employees draw much personal satisfaction from their work and generally think well of the Bank as an employer. The survey also pointed to a number of subjects, notably career and advancement, about which employees want more and better information. Some sources and processes of communication also were found capable of being made more effective. Action in response to these findings is being taken.

Real Estate

The newly formed Real Estate Department of the Bank is responsible for the profitable use of all Bank-owned real estate and the development of major facilities projects. These latter include the recently announced First Canadian Centre in Calgary and the new Central Computer Complex in Scarborough, Ontario. Planning for and construction of these and other major projects is proceeding on schedule.

A 1943 cadet wearing a typical page-girl uniform.

Open and ready for business. Glenwood, Alberta, 1926.

In the Bank's first account ledger customers' accounts were recorded in the flowing penmanship of the day–in pounds, shillings and pence.

In the past year, significant land assemblies for regional headquarters buildings were effected in several Canadian cities.

Extensive planning and development work has been completed for buildings in downtown Edmonton and Fredericton.

Treasury

The Treasury Division is the Bank's bank. It functions as a clearing house for divisions having a temporary excess of funds on deposit or a shortfall of deposits to fund loan commitments. To the extent that the Bank's branch networks generate insufficient deposits overall to fund the Bank's assets, Treasury is responsible for acquiring funds from world money markets to meet the shortfall. The acquisition and effective management of rate-sensitive money market deposit liabilities will have an increasingly important effect on the Bank's earnings in the foreseeable future.

To meet the challenges presented by liability management, we have reorganized and committed additional resources to Treasury. When completed in 1980, this reorganization will consolidate our domestic and international money market and foreign exchange activities. It will give the Bank of Montreal improved access to world money markets.

Enhancement to the Management Information System (M.I.S.) implemented this past year has greatly improved the Division's ability to manage the Bank's rate-sensitive term deposits in the most effective manner.

The Treasury organization is responsible for raising funds for a number of our subsidiary and associated corporations as well as for the Bank itself. An example of the capital funding activities was the issue, in the year just ended, of a $125 million floating rate debenture in the domestic bond market – the first public offering of such an instrument in Canada.

Also, during the year, First Canadian Investments Limited became a wholly-owned subsidiary of the Bank of Montreal and now serves as the principal mortgage investment arm of the Bank. A substantial portion of the Bank's existing holdings of residential mortgages was added to the assets of this subsidiary in 1979. Funding of F.C.I.L. with respect to this and future years' growth in assets will be carried out by Treasury.

Annual Statement

Statement of Revenue and Expenses

For the year ended October 31

	1979	1978
Revenue		
Income from loans	$ 3,254,879,523	$ 2,160,532,945
Income from securities	363,660,381	254,875,639
Other operating revenue	204,724,514	173,423,276
Total revenue	3,823,264,418	2,588,831,860
Expenses		
Interest on deposits and bank debentures	2,727,695,665	1,578,057,773
Salaries, pension contributions and other staff benefits	439,348,086	399,918,644
Property expenses, including depreciation	134,538,505	127,008,661
Other operating expenses including provision of $86,701,864 ($60,383,933 in 1978) for losses on loans based on five-year average loss experience	236,285,986	191,531,072
Total expenses	3,537,868,242	2,296,516,150
Balance of revenue	285,396,176	292,315,710
Provision for income taxes relating thereto (Note 2)	56,700,000	98,800,000
Balance of revenue after provision for income taxes	228,696,176	193,515,710
Appropriation for possible losses	60,000,000	50,000,000
Balance of profits for the year	$ 168,696,176	$ 143,515,710
Per share (Note 10)		
Balance of revenue after provision for income taxes	$ 4.72	$ 4.48
Dividends	$ 1.32	$ 1.09

Statement of Undivided Profits

For the year ended October 31

	1979	1978
Undivided profits at beginning of year	$ 162,470	$ 200,348
Balance of profits for the year	168,696,176	143,515,710
	168,858,646	143,716,058
Dividends	64,200,419	47,953,588
Transferred to rest account	104,500,000	95,600,000
	168,700,419	143,553,588
Undivided profits at end of year	$ 158,227	$ 162,470

Statement of Accumulated Appropriations for Losses

For the year ended October 31

	1979	1978
Accumulated appropriations at beginning of year		
General	**$ 139,566,159**	$ 116,726,722
Tax-paid	**117,365,528**	80,559,506
Total	**256,931,687**	197,286,228
Additions (deductions) during year		
Appropriation from current year's operations	**60,000,000**	50,000,000
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 3)	**(30,859,751)**	(5,363,954)
Profits and losses on securities and mortgages, including provisions to reduce securities other than those of Canada and provinces to values not exceeding market (Note 3)	**(35,076,565)**	(10,069,519)
Other profits, losses and non-recurring items, net (Note 3)	**(1,913,782)**	1,691,659
Net recovery of income taxes, including credit of $18,014,000 (1978 – $18,615,000) relating to appropriation from current year's operations (Note 2)	**9,942,080**	23,387,273
Accumulated appropriations at end of year	**$ 259,023,669**	$ 256,931,687
Accumulated appropriations at end of year		
General	**109,025,694**	139,566,159
Tax-paid	**149,997,975**	117,365,528
Total	**$ 259,023,669**	$ 256,931,687

Statement of Assets and Liabilities

As at October 31

Assets	1979	1978
Cash resources		
Cash and due from banks (Note 4)	**$ 5,023,758,469**	$ 4,537,961,816
Cheques and other items in transit, net	**812,901,535**	343,038,888
	5,836,660,004	4,881,000,704
Securities (Note 5)		
Securities issued or guaranteed by Canada, at amortized value	**1,966,805,204**	1,868,353,080
Securities issued or guaranteed by provinces, at amortized value	**43,946,607**	119,309,587
Other securities, not exceeding market value	**2,403,167,698**	1,983,125,855
	4,413,919,509	3,970,788,522
Loans		
Day, call and short loans to investment dealers and brokers, secured	**498,031,593**	331,695,031
Other loans, including mortgages, less specific provision for losses (Note 6)	**24,293,656,084**	21,004,443,510
	24,791,687,677	21,336,138,541
Sundry Assets		
Bank premises at cost, less amounts written off (Note 7)	**263,622,219**	218,452,200
Securities of and loans to corporations controlled by the Bank (Note 13)	**155,331,280**	60,488,279
Customers' liability under acceptances, guarantees and letters of credit, as per contra (Note 8)	**2,577,282,358**	1,497,376,916
Other assets	**141,774,770**	125,891,057
	3,138,010,627	1,902,208,452
Total	**$ 38,180,277,817**	$ 32,090,136,219

William D. Mulholland,
President and Chief Executive Officer

S. M. Davison,
Executive Vice-President and Chief General Manager

Liabilities

	1979	1978
Deposits		
Deposits by Canada	**$ 503,972,438**	$ 868,883,567
Deposits by provinces	**339,880,093**	509,476,792
Deposits by banks	**7,016,879,344**	5,543,247,438
Personal savings deposits payable after notice, in Canada, in Canadian currency	**12,190,279,396**	9,686,944,426
Other deposits	**13,705,636,742**	12,426,388,490
	33,756,648,013	29,034,940,713
Sundry Liabilities		
Acceptances, guarantees and letters of credit, as per contra (Note 8)	**2,577,282,358**	1,497,376,916
Other liabilities	**161,962,325**	150,426,495
	2,739,244,683	1,647,803,411

Capital Funds

	1979	1978
Debentures issued and outstanding (Note 9)	**433,791,500**	282,789,500
Accumulated appropriations for losses	**259,023,669**	256,931,687
Shareholders' Equity		
Capital stock (Note 10)		
Authorized – 100,000,000 (1978 – 50,000,000) shares of $2 each		
Issued	**97,633,926**	95,693,597
Rest account (Note 10)	**893,777,799**	771,814,841
Undivided profits	**158,227**	162,470
Total Shareholders' Equity	**991,569,952**	867,670,908
Total Equity and Accumulated Appropriations	**1,250,593,621**	1,124,602,595
Total Capital Funds	**1,684,385,121**	1,407,392,095
Total	**$38,180,277,817**	$ 32,090,136,219

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, 1979 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.

In our opinion, these financial statements present fairly the financial position of the Bank as at October 31, 1979 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.

Warren Chippindale, C.A.,
of the firm of Coopers & Lybrand

James R. Brown, C.A.,
of the firm of Peat, Marwick, Mitchell & Cie

Auditors
Montreal, November 27, 1979

Controlled Corporations

(Non-Consolidated)

Bank of Montreal Trust Company

(Incorporated under the laws of the State of New York)

Statement of Assets and Liabilities

As at September 30 (U.S. Currency)	1979	1978
Assets		
Due from banks	**$ 899,263**	$ 4,844,825
United States government securities (Note 14)	**188,438**	777,725
Other securities (Note 14)	**100**	100
Loans and advances	**44,845,994**	41,819,198
Other assets	**2,118,632**	444,853
Total Assets	**$ 48,052,427**	$ 47,886,701
Liabilities		
Demand deposits	**$ 42,599,091**	$ 43,177,899
Income taxes	**151,942**	108,864
Other liabilities	**37,686**	145,779
Total Liabilities	**42,788,719**	43,432,542
Shareholders' Equity		
Capital stock		
Authorized, issued and fully paid – 10,000 shares of $100 each	**1,000,000**	1,000,000
Surplus	**1,000,000**	1,000,000
Undivided profits	**3,263,708**	2,454,159
Total Shareholders' Equity	**5,263,708**	4,454,159
Total Liabilities and Shareholders' Equity	**$ 48,052,427**	$ 47,886,701

Canadian-Dominion Leasing Corporation Limited
(Incorporated under the laws of Ontario)

Condensed Consolidated Statement of Assets and Liabilities

As at October 31	1979	1978
Assets		
Cash	**$ 2,413,116**	$ 2,496,896
Investment in leases – less unearned income of $57,730,455 (1978 – $44,439,847)	**209,006,809**	163,508,410
Advances and other receivables	**9,158,961**	1,664,489
Investment in affiliated company	**9,076**	8,724
Fixed assets, at cost, less accumulated depreciation and amortization	**1,067,834**	942,818
Deferred charges	**473,578**	440,673
Total Assets	**$ 222,129,374**	$ 169,062,010
Liabilities		
Borrowings		
Commercial paper	**$ 107,161,328**	$ 87,327,939
Long term notes payable	**40,313,024**	29,499,367
Bank of Montreal	**57,906,746**	34,833,311
Accounts payable and accrued liabilities	**4,130,940**	3,493,885
Deferred income taxes	**4,633,746**	5,213,011
Other liabilities	**1,263,511**	975,036
Total Liabilities	**215,409,295**	161,342,549
Shareholders' Equity		
Capital stock		
Authorized – 6,499,000 common shares without nominal or par value		
Issued and fully paid – 5,000,000 shares	**5,000,000**	5,000,000
Contributed surplus	**122,100**	122,100
Retained earnings (Note 16)	**1,597,979**	2,597,361
Total Shareholders' Equity	**6,720,079**	7,719,461
Total Liabilities and Shareholders' Equity	**$ 222,129,374**	$ 169,062,010

Bankmont Realty Company Limited
(Incorporated under the laws of Canada)

Condensed Consolidated Statement of Assets and Liabilities
As at October 31

	1979	1978
Assets		
Accounts receivable	**$ 732,089**	$ 10,047
Other assets	**104,220**	123,649
Real estate and buildings – at cost, less accumulated depreciation (Note 7)	**11,994,981**	7,363,560
Total Assets	**$ 12,831,290**	$ 7,497,256
Liabilities		
Loan from Bank of Montreal	**$ 5,003,700**	$ 694,965
Accounts payable and other liabilities	**382,645**	56,968
Mortgage payable	**2,123,262**	1,603,793
Total Liabilities	**7,509,607**	2,355,726
Shareholders' Equity		
Capital stock (Note 17)		
Authorized –		
unlimited number of common shares		
Issued and fully paid –		
100,100 (1978 – 100,000) common shares	**5,005,000**	5,000,000
Retained earnings	**316,683**	141,530
Total Shareholders' Equity	**5,321,683**	5,141,530
Total Liabilities and Shareholders' Equity	**$ 12,831,290**	$ 7,497,256

First Canadian Investments Limited
(Incorporated under the laws of Ontario)

Condensed Consolidated Statement of Assets and Liabilities

As at October 31	1979
Assets	
Residential mortgages – at outstanding principal amount	**$ 841,387,889**
Less unamortized purchase discount	**18,259,106**
	823,128,783
Accounts receivable	**9,108,809**
Unamortized discount on notes and debentures	**4,137,864**
Other assets	**2,147,869**
Total Assets	**$ 838,523,325**
Liabilities	
Borrowings	
Due within one year	**$ 246,220,313**
Due beyond one year	**533,307,881**
	779,528,194
Accrued interest on notes and debentures	**11,586,306**
Other liabilities	**2,510,845**
Total Liabilities	**793,625,345**
Shareholders' Equity	
Capital stock	
Authorized –	
50,000 6% cumulative voting Class A preference shares of the par value of $1 each	
290,000 7% non-cumulative non-voting Class B preference shares of the par value of $10 each	
10,000,000 $0.25 non-cumulative participating non-voting Class C preference shares without par value	
50,000 common shares without par value	
Issued and fully paid –	
50,000 Class A preference shares	**50,000**
265,000 Class B preference shares	**2,650,000**
4,100,000 Class C preference shares	**41,000,000**
50,000 common shares	**50,000**
Retained earnings	**1,147,980**
Total Shareholders' Equity	**44,897,980**
Total Liabilities and Shareholders' Equity	**$ 838,523,325**

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 the dates indicated. 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 statements of assets and liabilities present fairly the financial position of the corporations as at the dates indicated on a basis consistent with that of the preceding year as restated (Note 16).

Warren Chippindale, C.A.,
of the firm of Coopers & Lybrand

James R. Brown, C.A.,
of the firm of Peat, Marwick, Mitchell & Cie

Auditors
Montreal, November 27, 1979

Notes to Financial Statements

Bank of Montreal

1. Significant Accounting Policies

The Bank Act supported by Rules issued under the authority of the Minister of Finance stipulates the form and content of the financial statements published by Canadian Chartered Banks.
The significant accounting policies involved are:

a) Basis of Consolidation

The financial statements of the Bank include the assets and liabilities and results of operations of all wholly-owned banking subsidiaries, which are:

Bank of Montreal International Limited and subsidiary
Bank of Montreal (California)
Bank of Montreal Trust Corporation Cayman Limited
Bank of Montreal Jamaica Ltd. (Sold February 1978)
First Canadian Assessoria e Serviços Ltda.
First Canadian Financial Corporation B.V. and subsidiaries
First Canadian Financial Services (U.K.) Limited
Bank of Montreal Asia Limited (incorporated January 1979)

Investments in shares of the following wholly-owned non-consolidated subsidiaries are carried at cost:

Bank of Montreal Trust Company
Bankmont Realty Company Limited
Canadian-Dominion Leasing Corporation Limited
First Canadian Investments Limited (Purchased May 1979)

b) Appropriation for Losses

In addition to the provision for losses on loans based on five-year average loss experience, an appropriation for losses may be made from balance of revenue after provision for income taxes to provide for possible unforeseen future losses on loans, securities and other assets.

c) Securities

Securities issued or guaranteed by Canada and the provinces are recorded at amortized cost. Other securities are recorded at the lower of cost and market values.

Gains and losses on disposals and write-downs to market of securities held in the Bank's investment account are included in the Statement of Accumulated Appropriations for Losses.

Gains and losses on disposals and write-downs to market of securities held in the Bank's trading account are included in "Income from securities" in the Statement of Revenue and Expenses.

d) Loans

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

Interest revenue on non-discount loans is calculated on the daily outstanding balance of principal and, on discounted loans, is accrued on a basis which results in a consistent rate of return over the life of the loan.

Previously accrued 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 the collectability. However, in accordance with the Bank Act, Section 29(2), under no circumstances is a loan classified as current where the borrower has not paid interest on the loan at the agreed rate of return throughout a period of two years.

e) Translation of Foreign Currencies

Assets, liabilities and profits and losses in foreign currencies are translated into Canadian dollars at rates prevailing on October 31. Gains and losses on foreign currency positions held in the Bank's trading account are included in "Other operating revenue".

Profits and losses on disposal of, and provisions for losses on, net long foreign exchange positions which are of a capital nature are included in the Statement of Accumulated Appropriations for Losses. Unrealized profits are deferred.

f) Depreciation

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.

2. Provision for Income Taxes

	1979	1978
Statement of Revenue and Expenses	**$ 56,700,000**	$ 98,800,000
Statement of Accumulated Appropriations for Losses	**(9,942,080)**	(23,387,273)
Net provision for income taxes	**$ 46,757,920**	$ 75,412,727

The recovery of income taxes shown in the Statement of Accumulated Appropriations for Losses includes an income tax reduction of $18,014,000 (1978 – $18,615,000) arising from $37,000,000 (1978 – $38,400,000) of appropriation for losses which is deductible in the determination of taxable income.

Total revenue for the year includes $150,156,696 of income from securities and investments in Canadian corporations (1978 – $78,024,270) representing after-tax payments from Canadian corporations, not subject to additional tax.

3. Accumulated Appropriations for Losses

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

Loans	**1979**	1978
Loss experience for the year on loans (Net new reservations for losses on loans less recoveries of loans previously written off)	**$ (117,561,615)**	$ (65,747,887)
Provision for losses on loans based on five-year average loss experience included in other operating expenses in the Statement of Revenue and Expenses	**86,701,864**	60,383,933
Net deduction from Accumulated Appropriations for Losses	**$ (30,859,751)**	$ (5,363,954)

The charge for "provision for losses on loans" included in other operating expenses, is based upon a formula prescribed under the Bank Act by the Minister of Finance, designed to average the loss experience over a five-year period. The difference between the charge and the amount which management determined (loss experience for the year) to be required for the year when valuing the loan portfolio is shown in the Statement of Accumulated Appropriations for Losses.

Securities held for investment and mortgages	**1979**	1978
Net profits (losses) on disposals of		
Government of Canada securities	**$ (10,468,525)**	$ (8,568,555)
Provincial Government securities	**(1,498,565)**	—
Mortgages	**(18,070,727)**	1,028,559
Other securities	**1,275,937**	770,731
Net change in specific provision on securities to adjust to values not exceeding market	**(6,314,685)**	(3,300,254)
Net deduction from Accumulated Appropriations for Losses	**$ (35,076,565)**	$ (10,069,519)

Other items	**1979**	1978
Profits on disposals of foreign exchange positions of a capital nature	**$ 2,992,482**	$ 3,202,326
Net profit on disposals of Bank premises	**875,303**	2,315,927
Miscellaneous	**(5,781,567)**	(3,826,594)
Net addition to (deduction from) Accumulated Appropriations for Losses	**$ (1,913,782)**	$ 1,691,659

4. Cash and Due from Banks

	1979	1978
Included in cash and due from banks are:		
Non-interest bearing		
Cash and deposits with Bank of Canada	**$ 926,515,466**	$ 1,260,341,801
Operating balances with banks	**121,974,973**	228,237,639
	1,048,490,439	1,488,579,440
Interest bearing loans and deposits	**3,975,268,030**	3,049,382,376
	$ 5,023,758,469	$ 4,537,961,816

5. Securities

	Maturity					1979	1978
	Within 1 year	Over 1 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Over 10 years	**Total**	Total
Securities Issued or Guaranteed by							
Canada	$1,461,260,037	$389,762,601	$115,782,566	—	—	**$1,966,805,204**	$1,868,353,080
Provinces	2,312,944	38,529,083	1,379,484	—	$1,725,096	**43,946,607**	119,309,587
Other Securities							
Debt Securities							
Securities of Municipal or School Corporations	14,377,393	18,627,376	7,748,087	$1,090,226	1,193,168	**43,036,250**	58,696,673
Floating Rate Income Debentures	46,142,138	87,791,492	293,430,652	399,596,573	50,000,000	**876,960,855**	596,105,679
Fixed Rate Income Debentures	16,134,483	13,454,966	25,195,466	30,672,415	56,232,756	**141,690,086**	146,385,700
Securities of other Canadian Issuers	17,565,617	7,099,899	—	7,283	10,584,685	**35,257,484**	135,082,812
Securities of Issuers other than Canadian	6,963,317	58,554,727	6,298,127	9,709,809	2,142,366	**83,668,346**	100,849,983
	$1,564,755,929	$613,820,144	$449,834,382	$441,076,306	$121,878,071		
Equity Securities							
Floating Rate Preferred Shares[1]						**1,061,429,979**	830,609,662
Securities of other Canadian Issuers						**102,862,735**	96,244,478
Securities of Issuers other than Canadian						**58,261,963**	19,150,868
						$4,413,919,509	$3,970,788,522

[1] Of which $924,065,600 is guaranteed by third parties.

6. Other Loans

	1979 Book Value (Net of Specific Provision)	1978 Book Value (Net of Specific Provision)
N.H.A. and Conventional mortgages	**$ 2,654,572,089**	$ 2,328,811,363
Loans to Provinces	**19,666,164**	35,199,561
Loans to Municipalities and School Corporations	**352,134,935**	304,120,508
Other loans in Canadian currency	**14,715,286,960**	12,545,075,644
Other loans in currencies other than Canadian	**6, 551,995,936**	5,791,236,434
	$24,293,656,084	$ 21,004,443,510

During the year the Bank sold $575,767,923 principal amount of mortgages to its wholly-owned subsidiary, First Canadian Investments Limited at current market values and thereby incurred losses on the sales, due to higher interest rates, aggregating $15,927,390. The total losses on mortgage sales were charged directly to Accumulated Appropriations for Losses. First Canadian Investments Limited is the principal mortgage investment arm of the Bank.

7. Bank Premises

	Cost	Accumulated Depreciation	1979 Net Book Value	1978 Net Book Value
Land	$ 56,398,078	$ —	**$ 56,398,078**	$ 45,645,122
Buildings	142,316,464	57,186,179	**85,130,285**	64,557,471
Equipment	187,176,650	123,149,020	**64,027,630**	62,410,823
Leasehold Improvements (unamortized)	—	—	**58,066,226**	45,838,784
	$ 385,891,192	$ 180,335,199	**$ 263,622,219**	$ 218,452,200

The Bank proposes to sell, at net book values, a total of $82,468,975 of land and buildings to Bankmont Realty Company Limited, its principal real estate arm.

8. Acceptances, Guarantees and Letters of Credit

	1979	1978
Acceptances	**$ 678,995,720**	$ 475,229,206
Guarantees, including in 1979 $528,567,260 relating to First Canadian Investments Limited	**1,333,820,748**	524,862,789
Letters of Credit	**564,465,890**	497,284,921
	$ 2,577,282,358	$ 1,497,376,916

9. Debentures

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, as of November 1, 1979 the Bank has the capacity to issue an additional $112,000,000 of debentures.

	1979	1978
7½% Series A, maturing in 1992	**$ 3,797,500**	$ 3,919,500
7¾% Series B, maturing in 1982	**3,870,000**	3,870,000
7¼% Series C, maturing in 1987	**1,124,000**	50,000,000
10¼% Series D, maturing in 1980	**50,000,000**	50,000,000
9% Series E, redeemable in 1981, at the option of the Bank, maturing in 1982	**50,000,000**	50,000,000
9% Series 1, maturing in 1984	**50,000,000**	50,000,000
9¼% Series 2, maturing in 1984	**75,000,000**	75,000,000
Floating Rate Series 3, maturing in 1989[1]	**75,000,000**	—
Floating Rate Series 4, redeemable after 1984 at the option of the Bank, maturing in 1991[2]	**125,000,000**	—
	$ 433,791,500	$ 282,789,500

[1]The Series 3 debentures bear interest at a floating rate 1½% above the average daily True Savings Rate of the Bank during the six month period immediately preceding April 1 and October 1.

[2]The Series 4 debentures bear interest at a rate of 11.25% per annum through February 1, 1980 and at the rate per annum for each half-yearly period thereafter of ½% above the average 91 day Government of Canada Average Treasury Bill Rates. The minimum rate for any half-yearly period shall not be less than 7% per annum.

10. Capital Stock and Rest Account

Changes for the year in Capital Stock and Rest Account resulting from the final proceeds of partly paid shares relative to the 1978 rights offering are as follows:

	Capital Stock			
	Number of Shares			
	Issued and Fully Paid	Partly Paid	Amount	Rest Account
October 31, 1978	47,698,486	1,118,477	$ 95,693,597	$ 771,814,841
Final proceeds from partly paid shares relating to 1978 rights offering	1,118,477	(1,118,477)	1,940,329	17,462,958
Transfer from Undivided Profits	—	—	—	104,500,000
October 31, 1979	48,816,963	—	$ 97,633,926	$ 893,777,799

Earnings per share figures have been calculated on the monthly average equivalent of fully paid shares outstanding, reflecting the rights issues in October 1977 and 1978. The average number of shares outstanding for the year ended October 31, 1979 was 48,480,472 (1978 – 43,210,911).

During the year the authorized capital of the Bank was increased by 50,000,000 shares to 100,000,000 shares of the par value of $2 each.

11. Long-term Commitments for Leases

Rental expense under long-term non-cancellable leases for buildings and equipment for the year ended October 31, 1979 was $36,167,592. Future rental commitments for buildings and equipment are as follows:

	Premises	Equipment*	Total
1980	$ 26,480,100	$ 8,236,060	$ 34,716,160
1981–1984	87,986,976	11,541,493	99,528,469
1985–1989	75,181,024	—	75,181,024
1990–1994	46,098,247	—	46,098,247
Thereafter	8,853,185	—	8,853,185
	$ 244,599,532	$ 19,777,553	$ 264,377,085

*Excludes equipment with annual rental below $25,000.

12. Pension Fund

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 evaluation to be carried out every year.

Controlled Corporations

13. Bank of Montreal Interest in Non-Consolidated Wholly-Owned Subsidiaries

	1979	1978
Investment in shares – at cost		
Bank of Montreal Trust Company	**$ 1,489,551**	$ 1,489,551
Bankmont Realty Company Limited	**5,005,000**	5,000,000
Canadian-Dominion Leasing Corporation Limited	**18,470,452**	18,470,452
First Canadian Investments Limited	**43,750,000**	—
Loans to:		
Bankmont Realty Company Limited	**5,003,700**	694,965
Canadian-Dominion Leasing Corporation Limited	**57,906,746**	34,833,311
First Canadian Investments Limited	**23,705,831**	—
	$ 155,331,280	$ 60,488,279

The Bank's investment in and loans to First Canadian Investments Limited at October 31, 1978 were $15,450,000 and $18,250,000 respectively and have been excluded from the above as the Company was not controlled at that date.

14. Securities

Securities held by Bank of Montreal Trust Company are carried at cost which approximates market value.

15. First Canadian Investments Limited

The controlling interest in First Canadian Investments Limited was acquired by the Bank during the year. Accordingly, only 1979 figures are shown in the Condensed Consolidated Statement of Assets and Liabilities.

16. Canadian-Dominion Leasing Corporation Limited

During 1979 the company revised the basis for recognizing income on leases. As a result retained earnings at October 31, 1978 has been reduced by $3,516,253 net of income taxes to give retroactive effect to this change. Certain comparative figures for 1978 have been changed to comply with this treatment.

17. Bankmont Realty Company Limited

During 1979, the company was continued under the Canada Business Corporations Act and amended its authorized capital structure. Also during the year, the company issued an additional 100 common shares for a cash consideration of $5,000.

The Pension Fund Society of the Bank of Montreal

Balance Sheet

As at December 31, 1978

	1978	1977
	Thousands of dollars	
Assets		
Cash	$ 635	$ 3,229
Accounts receivable and accrued interest	4,229	3,979
	4,864	7,208
Investments (Note 2)	305,209	212,344
	$ 310,073	$ 219,552
Liabilities		
Accounts payable	$ 339	$ 828
Capital		
Accumulated capital, being funds accumulated for the payment of pensions in future years	300,541	218,894
Unrealized gain (loss) on investments	9,193	(170)
	309,734	218,724
	$ 310,073	$ 219,552

Statement of Accumulated Capital

For the year ended December 31, 1978

	1978	1977
	Thousands of dollars	
Income		
Interest	$ 16,502	$ 13,186
Dividends and rentals	3,312	3,160
Gain (loss) on sale of investments	145	(461)
Gain on foreign exchange	329	289
	20,288	16,174
Contributions		
Bank (Note 3)	72,799	12,865
Members, net of refunds	1,382	1,292
	74,181	14,157
Pensions and annuities paid	12,822	12,207
Increase in capital	81,647	18,124
Accumulated capital at beginning of year	218,894	200,770
Accumulated capital at end of year	$ 300,541	$ 218,894

Statement of Unrealized Gain (Loss) on Investments

For the year ended December 31, 1978

	1978	1977
	Thousands of dollars	
Balance at beginning of year	$ (170)	$ (1,738)
Increase during the year	9,363	1,568
Balance at end of year	$ 9,193	$ (170)

Notes to Financial Statements

For the year ended December 31, 1978

1. Summary of Significant Accounting policies

a) Investments are stated at market value with the unrealized gains (losses) included in capital. In prior years, investments were stated at book value plus a portion of unrealized gains on common stocks when the market value exceeded book value. For comparative purposes, the 1977 figures have been restated to reflect the accounting policy adopted in 1978.

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

2. Investments (thousands of dollars)

	1978		1977	
	Market value	**Book value**	Market value	Book value
Commercial paper	**$ 65,406**	**$ 65,408**	$ 7,850	$ 7,850
Common stocks				
Cdn	**63,610**	**50,402**	52,044	50,898
U.S.	**19,605**	**16,884**	15,867	14,530
Bonds and debentures				
Government of Canada	**10,336**	**11,004**	1,546	1,865
Provincial Governments	**16,610**	**17,340**	7,258	7,236
Municipalities and Schools	**1,565**	**1,981**	1,617	1,996
Corporate	**70,448**	**74,054**	62,814	64,035
Mortgages	**43,943**	**43,963**	49,294	49,097
Fund units	**12,327**	**13,621**	12,668	13,621
Leasebacks	**1,359***	**1,359**	1,386*	1,386
	$ 305,209	**$ 296,016**	$ 212,344	$ 212,514

* at cost – market not available

3. Unfunded Liability

The last full actuarial valuation of the fund disclosed an unfunded liability as at December 31, 1977 which was fully funded in 1978.

4. Other Funds

The funds bequeathed to the Society by the late Sir Vincent Meredith, Bart. for specific purposes are kept separate from the Society's own funds and are not included in these financial statements. As at December 31, 1978 these funds amounted to $271,000 (1977 – $261,000).

5. Comparative Figures

Certain 1977 figures have been restated to conform with the 1978 presentation.

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, 1978 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, 1978 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change in the basis of valuation of investments as described in note 1(a), on a basis consistent with that of the preceding year.

We further report that the Society has not invested in shares of the capital stock of a Canadian Chartered Bank during the year.

Thorne Riddell & Co.
Chartered Accountants
Montreal, Canada
February 16, 1979

10 Year Financial Highlights

Thousands of dollars except where noted

	1979	1978
For the Year ended October 31		
Total Revenue	**3,823,264**	2,588,832
Total Expenses	**3,537,868**	2,296,516
Balance of Revenue	**285,396**	292,316
Income Taxes	**56,700**	98,800
Balance of Revenue after Income Taxes	**228,696**	193,516
Dividends	**64,200**	47,954
Salaries and Benefits paid to Employees	**439,348**	399,919
As at October 31		
Assets	**38,180,278**	32,090,136
Loans	**24,791,688**	21,336,139
Deposits	**33,756,648**	29,034,941
Debentures	**433,791**	282,790
Accumulated Appropriations for Losses	**259,024**	256,932
Shareholders' Equity	**991,570**	867,671
Total Equity and Accumulated Appropriations	**1,250,594**	1,124,603
Total Capital Funds	**1,684,385**	1,407,392
Other Statistics		
Average Number of Shares Outstanding	**48,480,472**	43,210,911
Balance of Revenue after Income Taxes – per Share	**$ 4.72**	$ 4.48
Dividends per Share	**$ 1.32**	$ 1.09
Book Value[1]	**$25.62**	$23.50
Share Price Range* – High	**27¼**	25⅞
– Low	**21⅞**	16⅛
Number of Employees	**26,378**	26,481
Number of Branches	**1,257**	1,239
Number of Shareholders	**54,582**	57,259

[1] Shareholders' equity plus accumulated appropriations for losses divided by the number of fully paid shares outstanding at fiscal year-end.

*Source: Toronto Stock Exchange. Quotations are to fiscal year-end.

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.

1977	1976	1975	1974	1973	1972	1971	1970
2,008,099	1,798,722	1,705,816	1,582,865	987,758	734,946	682,197	702,131
1,792,375	1,623,888	1,510,081	1,473,872	856,189	616,289	586,131	608,806
215,724	174,834	195,735	108,993	131,569	118,657	96,066	93,325
93,700	78,900	93,600	52,500	63,067	55,132	48,420	48,763
122,024	95,934	102,135	56,493	68,502	63,525	47,646	44,562
40,280	35,181	32,805	32,805	30,755	28,704	26,312	25,629
359,964	327,146	273,963	221,859	175,896	146,498	133,710	125,076

25,175,395	20,492,379	18,242,634	17,650,974	14,409,288	11,323,389	10,165,397	8,730,051
17,122,112	14,128,978	12,314,667	10,625,900	8,701,829	6,981,553	5,866,849	4,980,583
23,025,331	18,577,969	16,550,477	16,088,762	13,290,935	10,356,739	9,450,161	8,022,958
203,870	240,000	190,000	190,000	140,000	90,000	—	—
197,286	146,949	122,658	105,703	117,033	103,346	119,934	97,670
665,846	541,204	451,185	402,855	390,667	364,479	315,026	302,972
863,132	688,153	573,843	508,558	507,700	467,825	434,960	400,642
1,067,002	928,153	763,843	698,558	647,700	557,825	434,960	400,642

38,339,484	35,380,014	34,171,875	34,171,875	34,171,875	34,171,875	34,171,875	34,158,730
$3.18	$2.71	$2.99	$1.65	$2.00	$1.86	$1.39	$1.30
$1.03	$0.98	$0.96	$0.96	$0.90	$0.84	$0.77	$0.75
$20.33	$18.12	$16.79	$14.88	$14.86	$13.69	$12.73	$11.72
16¾	16⅞	17⅞	20⅞	23⅜	22⅝	17	17¼
13¼	14⅞	11¼	11¼	17	15½	14	13¼
26,727	26,887	26,114	24,231	22,008	20,172	19,305	18,253
1,234	1,243	1,243	1,221	1,186	1,151	1,113	1,069
55,969	52,452	51,253	49,756	47,777	44,757	44,173	44,416

Management Analysis of Operations

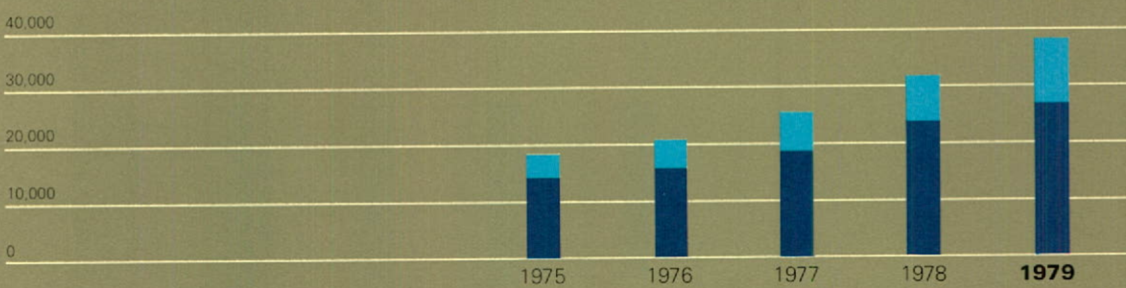
In this section of the report, assets and income of the Bank have been divided into "domestic" and "international" components. Domestic encompasses all of our business, including foreign currency operations, carried on in Canada. International refers to the operations of our International Banking Group.

In order to arrive at the division of earnings between "domestic" and "international", earnings attributed to capital (excluding debentures) has been allocated in proportion to average assets administered by each of these two components.

Similarly, Head Office expenses have been prorated in proportion to average assets employed in domestic versus international operations.

International
Domestic

Total Asset Growth
(millions of dollars)

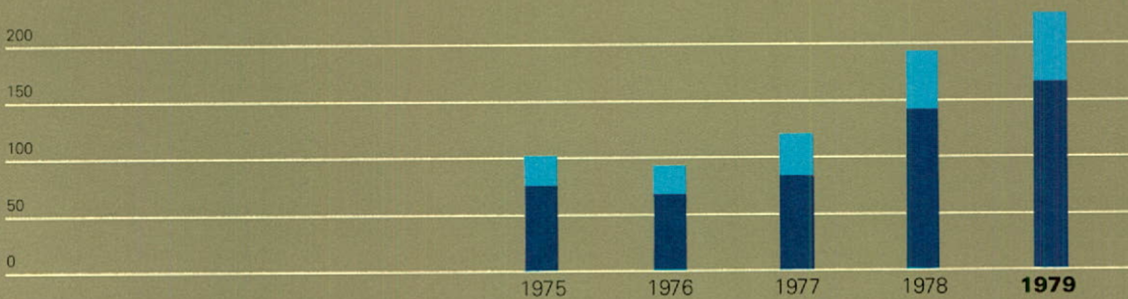


	1975	1976	1977	1978	1979
International	4,169	4,400	6,360	8,432	**10,859**
Domestic	14,074	16,092	18,815	23,658	**27,321**
Total Assets	18,243	20,492	25,175	32,090	**38,180**

Continuing strong growth in assets had an important influence on the Bank's earnings performance in fiscal 1979. Total assets at October 31, 1979 reached $38.2 billion, up $6.1 billion or 19.0% over the previous year-end level of $32.1 billion.

For the fiscal year ended October 31, 1979, substantial growth was realized in Canadian currency commercial and retail loans and mortgages, $2.5 billion. The increase in foreign currency loans for this period was $1.4 billion or 15.5%

Balance of Revenue after Provision for Income Taxes
(millions of dollars)

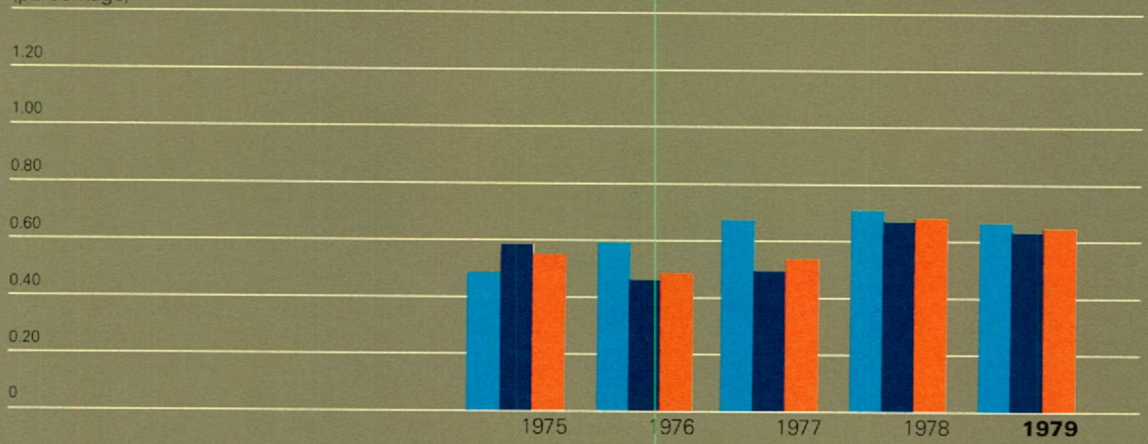


	1975	1976	1977	1978	1979
International	24.9	26.1	34.9	51.0	**62.7**
Domestic	77.2	69.8	87.1	142.5	**166.0**
Total Bank	102.1	95.9	122.0	193.5	**228.7**

Balance of revenue after income taxes for the year ended October 31, 1979 reached $228.7 million, a gain of $35.2 million or 18.2% over the previous year's result.

Of the amount of $228.7 million, $166.0 million or 73% was derived from our Canadian dollar operations while the balance, $62.7 million or 27%, was earned on international operations.

Return on Average Assets
(percentage)



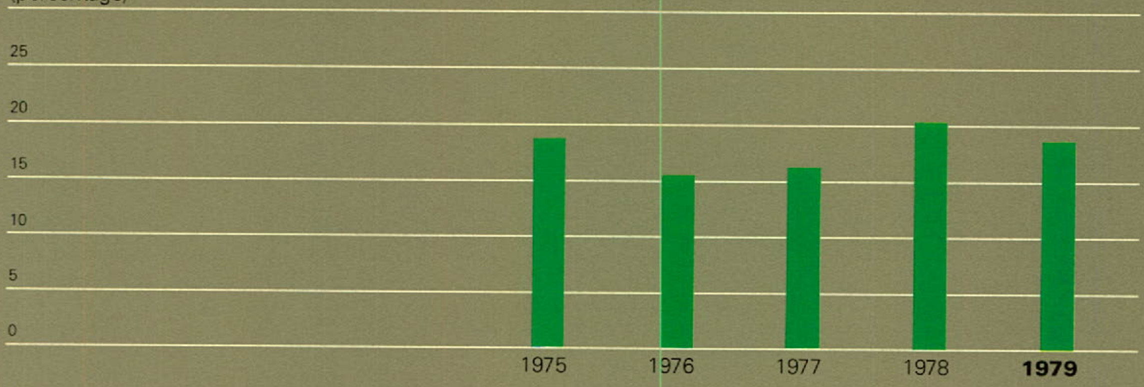
	1975	1976	1977	1978	1979
International	0.48	0.60	0.68	0.72	**0.68**
Domestic	0.59	0.46	0.50	0.68	**0.64**
Total Bank	0.56	0.49	0.54	0.69	**0.65**

Return on average assets under administration relates the profitability of a bank or division of a bank to the volume of business.

For fiscal 1979, balance of revenue after taxes expressed as a percentage of average assets was 0.65% as compared to 0.69% in 1978, and the average for the five year period 1975-1979 of 0.60%.

Reflecting the narrowing of domestic margins in the year just ended, return on average assets in Canadian operations was 0.64% as compared to 0.68% in 1978. For the Bank's international operations, return on assets was 0.68% as compared to the 1978 result of 0.72%.

Return on Shareholders' Equity and Accumulated Appropriations
(percentage)



(millions of dollars)	1975	1976	1977	1978	1979
Average Shareholder's Equity and Accumulated Appropriations[1]	539	625	738	944	**1,213**
Balance of Revenue after Taxes as a Percentage of Average Total Shareholder's Equity and Accumulated Appropriations[1]	19.0	15.3	16.5	20.5	**18.9**

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

The return achieved on average shareholders' equity plus accumulated appropriations for losses measures the overall profitability of the shareholders investment in the Bank. For 1979, this rate of return was 18.9%.

Net Interest Earnings

(millions of dollars)

		1975	1976	1977	1978	1979
Net Interest Earnings – as reported		548	610	703	837	**891**
Net Interest Earnings – Taxable equivalent						
International	(light blue)	74	74	93	132	**167**
Domestic	(dark blue)	482	543	625	779	**866**
Total Bank		556	617	718	911	**1,033**

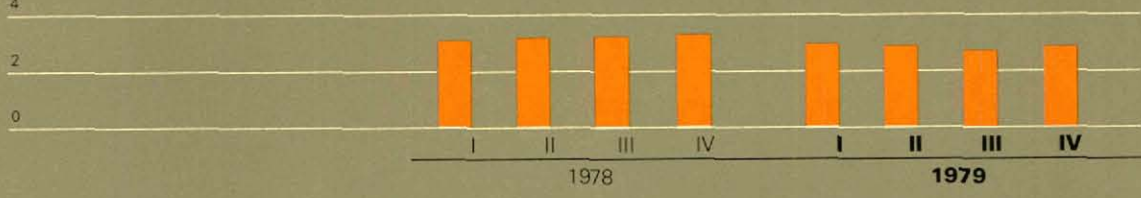
Net interest earnings is the difference between the interest and dividend revenue earned on total earning assets and interest expense incurred on interest-bearing liabilities and debentures.

The Bank receives a portion of its revenue – specifically dividends and interest on income debentures – which has already been subjected to taxation. Accordingly, such income has been grossed-up to a pre-tax equivalent in calculating the net interest earnings on a taxable equivalent basis.

The Bank's net interest earnings on a taxable equivalent basis were $1,033 million in 1979, an increase of $122 million or 13.4% over 1978.

Interest Rate Spread – Taxable Equivalent

(percentage)

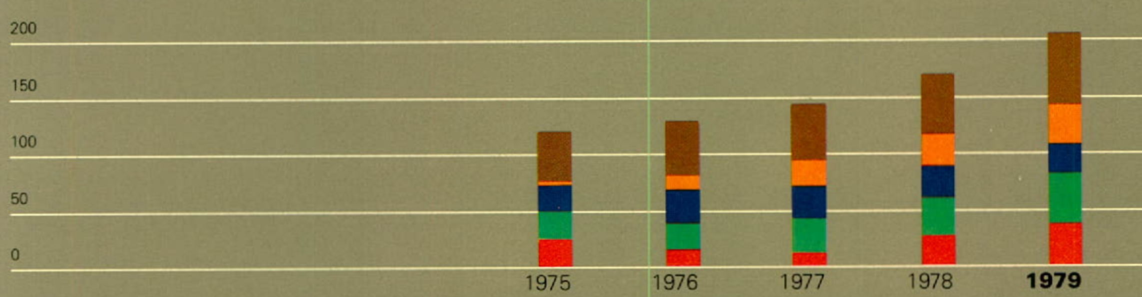


		1978 I	1978 II	1978 III	1978 IV	1979 I	1979 II	1979 III	1979 IV
Average Prime Rate		8.25	8.66	9.25	10.12	**11.61**	**12.00**	**12.04**	**13.04**
Income from loans and securities as a percentage of average assets (taxable equivalent basis)	——	8.33	8.33	9.01	9.51	**10.42**	**10.34**	**10.71**	**11.19**
Interest on deposits and bank debentures as a percentage of average assets	– – –	5.14	5.19	5.75	6.19	**7.33**	**7.50**	**7.84**	**8.25**
Spread – taxable equivalent	(orange)	3.19	3.14	3.26	3.32	**3.09**	**2.84**	**2.87**	**2.94**

In Canada, the quarterly average prime lending rates in 1979 were substantially higher than the 1978 experience. The relatively greater increase in the cost of deposits used to fund the Bank's domestic loans as compared to the yield on domestic loans, and more expensive mix of deposits, resulted in a decline in *domestic net interest spread.*

Internationally, excess liquidity and strong competition in a number of national markets contributed to a moderate decline in margins.

Non-Interest Revenue
(millions of dollars)

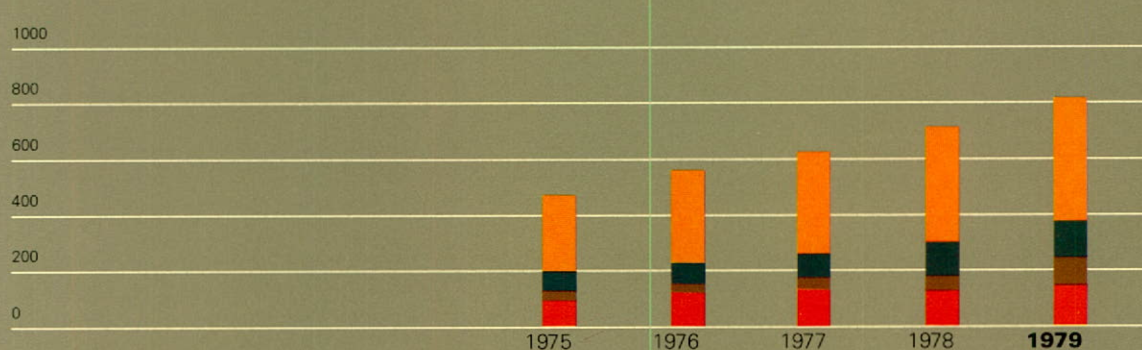


		1975	1976	1977	1978	**1979**
Service Charges		43.9	48.3	50.5	54.1	**61.0**
Master Charge Fees		7.4	11.7	21.9	27.2	**34.9**
Foreign Exchange		23.2	28.7	27.8	30.2	**30.3**
Loan Fees, Fees for Standby Commitments, Guarantees and Letters of Credit		22.6	24.1	30.6	33.6	**41.3**
Other		27.6	17.6	15.0	28.3	**37.2**
Total		124.7	130.4	145.8	173.4	**204.7**

Non-interest revenue includes standby and administration fees for loans, activity fees on chequing accounts, proceeds from foreign currency transactions, commission income and numerous other non-interest revenue categories.

In 1979, revenue from these sources grew by 18.0% to $204.7 million. Master Charge revenues in the form of merchant discount fees based on volume of transactions advanced strongly by $7.7 million or 28.3% over previous year.

Non-Interest Expenses
(millions of dollars)



		1975	1976	1977	1978	**1979**
Employee Expenses		274.0	327.1	360.0	399.9	**439.3**
Property Expenses		85.1	95.0	113.0	127.0	**134.5**
Provision for Loan Losses		32.3	37.7	44.2	60.4	**86.7**
Other Expenses		85.4	105.8	115.4	131.2	**149.7**
Total		476.8	565.6	632.6	718.5	**810.2**

Non-interest expenses as a percentage of average assets declined for the fourth successive year, to 2.30% in 1979 from 2.55% in 1978.

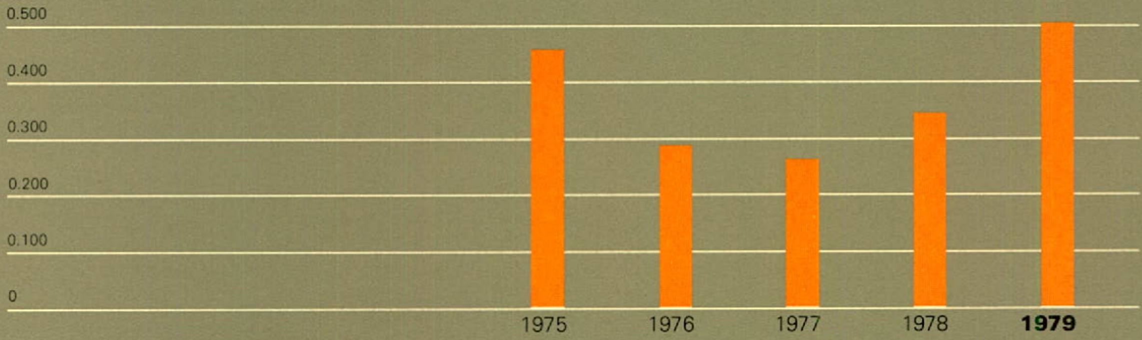
In absolute dollar terms, at $810.2 million, operating expenses were $91.7 million or 12.8% higher than for the previous year. This can be compared to an increase in average assets of 25.0% over 1978 levels.

Total employee expenses for 1979 were $439.3 million, up 9.9% over the previous year. The increase is a result of general salary adjustments plus selective merit and increases due promotions.

Property expenses which include depreciation, rental on leasehold premises and other property maintenance costs were $134.5 million, up 5.9% over the previous year.

Loan Loss Experience*

(as a percentage of eligible loans)



	1975	1976	1977	1978	1979
Loan Loss Experience as a Percentage of Eligible Loans	.457	.284	.264	.346	**.512**
Loan Loss Experience	48,568	35,176	39,323	65,748	**117,562**
Five Year Average Loan Loss Experience	32,288	37,739	44,176	60,384	**86,702**
Net Addition to (Deduction from) Accumulated Appropriations for Losses	(16,280)	2,563	4,853	(5,364)	**(30,860)**

*As defined under Provision for Loan Losses on page 56.

The loan loss experience when expressed as a percentage of eligible loans was 0.512 per cent, up from 0.346 per cent for the previous fiscal year.

For expense reporting purposes in the current year, the annual loan loss experience is smoothed by a five-year averaging formula in accordanc with regulations issued by the Minister of Finance.

Provision for Income Taxes

	1978 ($000)	1978 (%)	**1979 ($000)**	**1979 (%)**
Balance of Revenue	292,316	100.0	**285,396**	**100.0**
Provisions for taxes thereon at Canadian Marginal Income Tax Rates	141,773	48.5	**138,988**	**48.7**
Deduct Canadian Marginal Tax Rate applied to:				
Income from Foreign Subsidiaries not subject to Canadian tax	(8,962)	(3.1)	**(13,869)**	**(4.9)**
Tax Exempt Income				
Dividends from Taxable Canadian Corporations	(20,427)	(7.0)	**(38,120)**	**(13.3)**
Interest on Income Debentures	(17,398)	(5.9)	**(35,006)**	**(12.3)**
Add/(Deduct):				
Non Canadian Taxes Payable by Foreign Subsidiaries	2,463	0.8	**5,020**	**1.8**
Other – Net	1,351	0.5	**(313)**	**(0.1)**
Reported Tax Provision	98,800	33.8	**56,700**	**19.9**

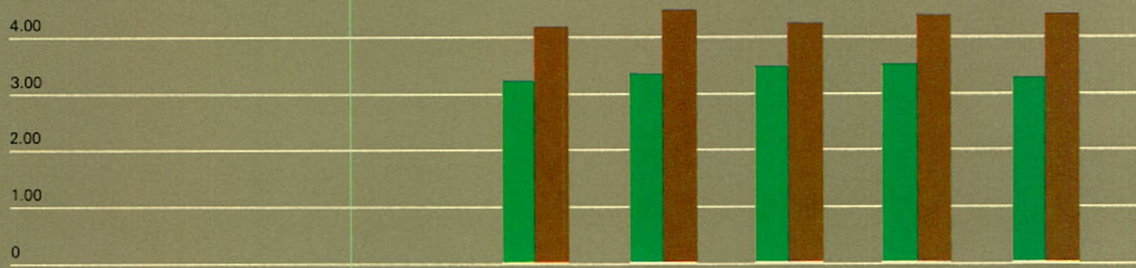
The Bank's reported 1979 tax provision was 19.9% as compared to 33.8% in 1978.

Higher average holdings of non-taxable securities combined with higher interest rates contributed to a reduction in net interest earnings as a percentage of average assets – from 2.97% in 1978 to 2.53% in 1979.

In effect, the Bank accepts a dividend (or interest) rate on these securities equal to approximately one-half the usual rate and the borrower (or issuer) assumes any tax liability arising from his resulting higher taxable income.

From the Table opposite, it may be seen that the reduction in reported tax provision was largely the result of higher earnings of tax exempt income in 1979 than in the previous year.

Capital to Assets Ratio at October 31
(percentage)



(millions of dollars)	1975	1976	1977	1978	**1979**
Shareholders' Equity	451.2	541.2	665.8	867.7	**991.6**
Accumulated Appropriations for Losses	122.7	146.9	197.3	256.9	**259.0**
Total Equity and Accumulated Appropriations	573.9	688.1	863.1	1,124.6	**1,250.6**
Debentures Issued and Outstanding	190.0	240.0	203.9	282.8	**433.8**
Total Capital Funds	763.9	928.2	1,067.0	1,407.4	**1,684.4**
Ratio of Total Equity and Accumulated Appropriations to Total Assets (%)	3.15	3.36	3.43	3.50	**3.28**
Ratio of Total Capital Funds to Total Assets (%)	4.19	4.53	4.24	4.39	**4.41**

Asset and Liability Management

Uses of Funds

Total loans outstanding at October 31, 1979 were $24.8 billion, an increase of 16% over the previous year end.

Loans in Canadian currency totalled $18.1 billion and were widely distributed amongst industrial, commercial and other classifications.

Foreign currency loans (excluding funds due from banks) reached a level of $6.7 billion at October 31, 1979. In line with the Bank's policy of emphasizing loans to commercial borrowers, the ratio of non-money markets credits outstanding to total international loans was 73% at the end of fiscal 1979.

Sources of Funds

As illustrated in Figure 3, page 57, the Bank's funding sources are well diversified. Basic deposits as a percentage of total Canadian dollar deposits declined from 76.7% at year-end 1976 to 70.6% in 1978, but then increased to 73.2% at October 31, 1979.

Liquidity Management

Bank of Montreal maintains liquid assets totalling approximately $2.0 billion in compliance with statutory reserve requirements. To ensure that the Bank has sufficient usable liquidity at acceptable cost, we maintain, for domestic and international operations, a supplemental layer of very liquid assets encashable on short notice and funded with earmarked liabilities.

These assets, which are in addition to normal working liquidity, are available to accommodate customers as lender of last resort, to absorb large and erratic clearing swings, and to enable the Bank to ease back from money markets during temporary periods of thin or disorderly markets.

The Treasury Division is responsible for the day-to-day management of the statutory and supplemental liquidity positions. This group obtains funds in the money market in the form of large term deposits and negotiable deposit instruments. The "bought money" pool provides funding necessary to satisfy loan and other credit obligations which are in excess of deposits held by the Bank in the branch system. The money market also serves as an avenue for the temporary employment of surplus Bank funds.

Credit Risk Management

Because the effectiveness of credit risk management has an important influence on Bank earnings, our credit policies and controls are designed to ensure that the high quality of the loan portfolio is maintained. The lending activities of the three operating groups are coordinated through the Credit Policy Committee. The Committee ensures that such lending is consistent with overall credit policy objectives and that uniform standards of credit risk are maintained.

In 1979, a change in policy was made to require more rapid automatic write-off of consumer loans in arrears, although the percentage of such loans in arrears has not changed significantly in recent years. This change resulted in a charge of $24 million to the accumulated appropriations for losses account and is expected to improve the control of loan losses, result in increased recoveries, and, in time, reduce loan loss expense in this segment of the Bank's loan portfolio.

Credit Administration

Credit administration involves the continuing analysis of the Bank's domestic and international loan portfolio in terms of type of industry, geographical location, size of borrower, or other concentrations of risk exposure. Ongoing monitoring of the quality of the loan portfolio is the responsibility of a team of experienced loan officers who identify developing problem areas. The loan officers review all major lending decisions and bring any important deviations from the Bank's credit policy or standards to the attention of the appropriate senior executive.

Country Exposure Evaluation

The Bank's overseas lending activities must take into consideration elements of risk associated with the social and political environments of countries where borrowers reside or those countries' future capacity to honour foreign debt commitments.

Internationally, as within Canada, Bank of Montreal follows a policy of risk diversification. Figures 1 and 2 provide a breakdown of international loans by geographical distribution and country economics classification. A high percentage of loans is to borrowers in the industrialized countries.

Economic and political developments in other countries are constantly monitored. The Bank maintains lending guidelines based on procedures similar to those used to set credit limits for individuals or business accounts.

The decision process involves field and headquarters line and staff officers and considers each country's liquidity situation, its ability to service foreign debt burden, and the nature of marketing opportunities presented. Country limit proposals are presented for approval by the Credit Policy Committee and changes in country lending limits are placed before the Board of Directors.

Provision for Loan Losses

Each loan account is reviewed on a formal basis quarterly by the appropriate management, and where doubt exists regarding the safety of a loan, a "reservation" is established for the amount considered to be doubtful. Reservations may also be established on loans to countries encountering difficulty in meeting financial obligations.

Sovereign or government accounts are treated no differently than private sector accounts. Although actual losses on sovereign loans are quite rare, the Bank may decide to establish reservations on all accounts relating to a particular country when it concludes that the subject country may be unable to repay its obligations in a timely manner. In 1979, 27% (22% in 1978) of net new reservations were established on loans, including loans to banks, in our international portfolio. Of this figure, 70% (77% in 1978) was related to sovereign risk loans, those made to other countries or to their official agencies.

Once a reservation is established, interest subsequently due on the loan is placed on a non-accrual basis, and is taken into income only when received. Any accrued but unpaid interest that may have already been taken into income is reversed.

At the end of each fiscal year, results of the most recent quarterly evaluations and country assessments are used to establish net new reservations for the year. Adequacy of the net new reservations is then reviewed by senior executives of the Bank, by a committee of the Board of Directors and by the Shareholders' Auditors who also undertake an examination of the evaluation procedures. The amount of net new reservations involved, less recoveries on loans written off in previous years, represents the Bank's "loan loss experience" for the year.

Approximately $24 million of the increase in reported "loan loss experience", (from $65.7 million in fiscal 1978 to $117.6 million in fiscal 1979) was attributable to the change in Bank policy requiring faster write-off of consumer loans in arrears, as discussed under the Credit Risk Management section, while an additional $13.8 million was attributable to the increase of 21% in eligible loans. The principal factor accounting for the balance was the higher "loan loss experience" — as a percentage of eligible loans — in respect of larger Canadian commercial loans (over $5 million).

Figure 1 **Distribution of Foreign Currency Loans***

As at September 30	1978		**1979**	
	$ Millions	%	**$ Millions**	**%**
Location of Ultimate Risk				
Africa	282.3	3.75	**271.9**	**2.78**
Asia	794.5	10.55	**1,054.6**	**10.79**
Europe	2,705.6	35.93	**3,143.8**	**32.17**
Middle East	116.0	1.54	**128.6**	**1.31**
United States	1,315.4	17.47	**2,112.8**	**21.62**
Mexico, Caribbean and Central America	699.2	9.29	**714.1**	**7.31**
South America	823.8	10.94	**1,129.8**	**11.56**
Australasia and Oceania	222.1	2.95	**231.4**	**2.37**
Shipping	48.8	0.65	**43.4**	**0.44**
Canada	521.8	6.93	**943.4**	**9.65**
Total Foreign Currency Loans	7,529.5	100.00	**9,773.8**	**100.00**

* Excludes U.S. dollar loans in Canadian branches, swaps or foreign exchange forward contracts

Figure 2

Distribution of Foreign Currency Loans*

As at September 30	1978		**1979**	
	$ Millions	%	**$ Millions**	**%**
Economic Classification**				
Developed Economies	3,355.7	44.57	**4,626.0**	**47.34**
Centrally Planned Economies	625.0	8.30	**683.1**	**6.99**
Developing Economies				
Oil Exporting	61.0	0.81	**71.7**	**0.73**
Advanced Stage of Development	2,005.8	26.64	**2,309.4**	**23.63**
Less Developed Countries				
High Income	331.4	4.40	**465.3**	**4.76**
Middle Income	225.3	2.99	**309.6**	**3.17**
Low Income	354.7	4.71	**321.9**	**3.29**
Shipping	48.8	0.65	**43.4**	**0.44**
Canada	521.8	6.93	**943.4**	**9.65**
Total Foreign Currency Loans	7,529.5	100.00	**9,773.8**	**100.00**

*Excludes U.S. dollar loans in Canadian branches, swaps or foreign exchange forward contracts

**World Bank Definitions

Figure 3

Sources of Funds

As at October 31	1978		**1979**	
	$ Millions	%	**$ Millions**	**%**
Deposits – Demand, Notice & Fixed Term				
Demand Deposits	4,749	16.4	**4,044**	**12.0**
Notice and Fixed Term Deposits	24,286	83.6	**29,713**	**88.0**
	29,035	100.0	**33,757**	**100.00**
Deposits by Category				
Deposits by Canada	869	3.0	**504**	**1.5**
Deposits by Provinces	509	1.7	**340**	**1.0**
Deposits by Banks:				
in Canadian currency	205	0.7	**162**	**0.5**
in currencies other than Canadian	5,338	18.4	**6,855**	**20.3**
Personal Savings Deposits payable after Notice	9,687	33.4	**12,190**	**36.1**
Other Deposits:				
Payable after Notice in Canadian currency	5,058	17.4	**5,341**	**15.8**
Payable on Demand in Canadian currency	2,868	9.9	**2,879**	**8.5**
In currencies other than Canadian	4,501	15.5	**5,486**	**16.3**
Total Deposits	29,035	100.0	**33,757**	**100.0**

Source: Schedule M – Bank Act (1967)

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President and Chief Executive Officer

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Vice-Chairman

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Deputy Managing Partner, Richardson Securities of Canada

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H. Roy Crabtree
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Figures denote age
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Senior Vice-President and Assistant General Manager

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G. W. Scalf *49*
Vice-President

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Central Ontario Division
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First Canadian Place,
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Eastern and Northern Ontario Division
First Bank Tower,
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Toronto, Ontario M5X 1A1

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Federal Republic of Germany

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South America

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Argentina

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Avenda San Juan Basco,
Altamira,
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Venezuela

Sao Paulo, Brazil
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Asia/Pacific

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JL M. H. Thamrin 53,
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Makati,
Metro Manila, Philippines

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Backbay Reclamation,
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17-7, 4-Ka, Namdaemun-Ro,
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Singapore, Republic of Singapore
U.I.C. Building,
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Republic of Singapore

Sydney, Australia
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Macquarie House,
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New Tokyo Building,
Room 419,
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Tokyo 100, Japan

Subsidiary Companies

United States

Bank of Montreal Trust Company
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New York, N.Y. 10005

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Bank of Montreal (California)
425 California Street,
San Francisco,
California 94104

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D. A. Lunney

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D. E. Mundell

Resident in Los Angeles
J. G. Brown, Chairman
D. P. Renda

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Resident in Montreal
P. G. K. Oosthuizen

Resident in New York
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J. J. Byrnes

Branches

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333 California Street,
San Francisco 94104

Los Angeles Branch
811 Wilshire Blvd.,
P.O. Box 71469,
Los Angeles 90017

Bahamas

Bank of Montreal International Limited
Harrison Building,
P.O. Box N7118,
Nassau

Managing Director
J. N. Baillie

Bank of Montreal (Bahamas & Caribbean) Ltd.
Head Office,
Harrison Building,
P.O. Box N7118,
Nassau

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A. J. Miller, m.b.c.
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Resident in Montreal
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S. W. Henry
N. F. Potter

Branches

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

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

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

The Netherlands

First Canadian Financial Corporation B. V.
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Amsterdam, O.Z.
The Netherlands

Managing Director
E. J. Squires

Hong Kong

First Canadian Financial Corporation Ltd.
Alexandra House,
16th Floor, 16-20 Chater Rd.

Managing Director
T. E. Weidman

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Bankmont Realty Co. Ltd.
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H2Y 1L6

Canadian Dominion Leasing Corporation Limited
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First Canadian Investments Ltd.
First Bank Tower
First Canadian Place
Toronto, Ontario
M5X 1A1

Singapore

Bank of Montreal Asia Ltd.
27th Floor, U.I.C. Bldg.
5 Shenton Way,
Singapore 1,
Republic of Singapore

Manager
A. Leong

Associated Corporations and Organizations

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First Canadian Mortgage Fund,
First Canadian Place,
First Bank Tower,
Toronto, Ontario

BM-RT Realty Investments,
Royal Trust Tower,
Toronto, Ontario

BM-RT Ltd.,
129 St. James Street,
Montreal, Quebec,
H2Y 1L6

Australia

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Finance Corporation Limited,
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Rue Pasteur,
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Europe

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Neuer Jungfernstieg 20,
Federal Republic of
Germany

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