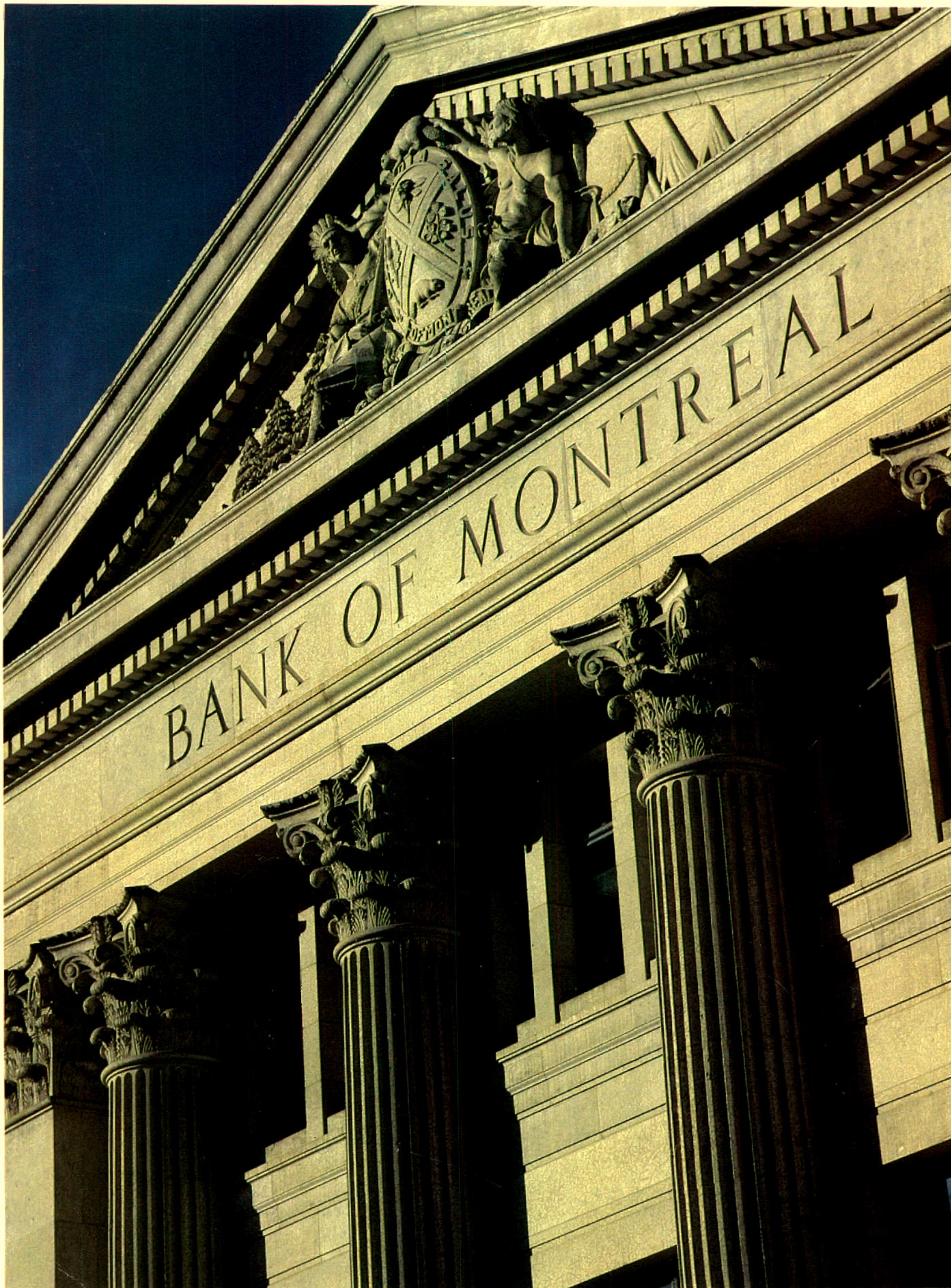
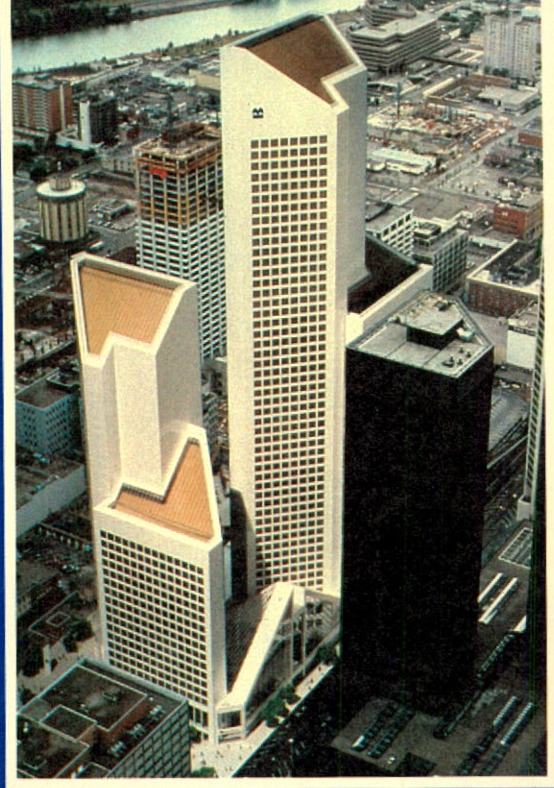
BANK OF MONTREAL

163rd Annual Report 1980





Traditional Bank of Montreal architecture, with Corinthian columns and the Bank seal in the pediment, is typified by the gracious Main Branch Building in Calgary, shown on the cover. The Bank opened its first Calgary branch in 1886, three years after the arrival of the Canadian Pacific Railway, and two years after incorporation of the Town of Calgary.

Modern Bank architecture, as represented by this model of the First Canadian Centre now under construction in Calgary, features functional engineering and space-age aesthetics. The polished granite towers, connected by a three-storey glass banking pavilion, will soar sixty-four and forty-three storeys. At 800 feet, the Centre will be the tallest structure west of Toronto. The Main Branch will eventually move into the new building, which will house a number of important banking operations serving western Canada, as well as the office of the Bank's senior executive.

The Year's Highlights

For the Year ended October 31st	1980	1979	Change
Total Revenue	$ 5,217,601,137	$ 3,823,264,418	36.5%
Balance of Revenue after Income Taxes	$ 263,173,814	$ 228,696,176	15.1%
Dividends	$ 81,569,624	$ 64,200,419	27.1%
At Year End			
Assets	$ 48,842,110,383	$ 38,180,277,817	27.9%
Loans and Mortgages	$ 30,550,100,571	$ 24,791,687,677	23.2%
Deposits	$ 41,794,790,853	$ 33,756,648,013	23.8%
Debentures Issued and Outstanding	$ 383,573,500	$ 433,791,500	(11.6)%
Shareholders' Equity	$ 1,255,158,896	$ 991,569,952	26.6%
Capital Funds	$ 1,938,966,227	$ 1,684,385,121	15.1%
Per Share			
Balance of Revenue after Income Taxes	$ 5.06	$ 4.72	7.2%
Dividends	$ 1.54	$ 1.32	16.7%
Shareholders' Equity	$ 22.93	$ 20.31	12.9%
Other Statistics at Year End			
Number of Shares	54,750,555	48,816,963	
Number of Shareholders	55,515	54,582	
Number of Branches	1,296	1,257	
Number of Employees	26,904	26,378	

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The year 1980 has not been easy. In Canada, as elsewhere around the globe, we have seen a slowdown of economic activity, high interest rates, unabating inflation, and disturbing levels of unemployment. Earlier this year, a publication of the International Monetary Fund, The World Economic Outlook, opened with the statement, "The world economic picture is rather grim." As the report details, serious dislocations are apparent in world trade patterns; in the international monetary system; and in the progress of the developing countries. Over and above these issues, the spirit of international cooperation necessary to progress toward a more stable and prosperous world seems to be lacking.

The overriding factor in the current world situation is the high price of oil. All indications are that prices in real terms will continue to rise.

In the past year, virtually all non-oil exporting free market economies grappled with balance of payments deficits, while members of the Organization of Petroleum Exporting Countries registered a surplus of $120 billion. It should by now have become evident that the recycling phenomenon is an immutable fact of the international financial picture, and one of the most important issues confronting us. Yet while remitting billions of dollars to oil-producing countries, the international community has failed to develop a satisfactory long-range mechanism for either stabilizing the real price of petroleum or re-distributing the oil money when it flows back through financial institutions of the industrialized countries. The world banking system has handled this task since the early 1970's. But it is becoming more and more doubtful whether the level of financing which many deficit developing countries

F. H. McNeil, Chairman, and
W. D. Mulholland, President and
Chief Executive Officer.

require can for much longer come entirely from private banking sources. International financial organizations probably will have to participate in the recycling process to a much more important extent if major difficulties are to be avoided.

Although Canada remains a net energy exporter, and possesses an abundance of natural resources, the country is far from insulated from the effects of the world situation. In its most recent annual review, the Economic Council of Canada points out that Canada has "put off or slowed down its adjustments to major changes now occurring in the international economy." Government and citizens must face hard facts and make difficult choices in the next few years.

As the Economic Council notes, the medium-term future of Canada appears difficult indeed, but natural advantages should serve us well in the long run. Decisions must be reached on exploitation of natural resources and distribution of economic powers and revenues. Questions currently being raised about the Confederation, although expressed in terms of constitutional reform, ultimately rest on these issues. There is little doubt that in order to realize the vast potential represented by oil and other mineral wealth, Canadians must work together to undertake capital projects on a scale that far exceeds previous achievements. The ultimate effect of the current political debates on these urgent projects remains to be seen, but the immediate effect has been on balance discouraging.

This climate of uncertainty, both within Canada and abroad, is one to which banking operations are particularly sensitive. Nevertheless, in most respects the Bank's progress during the past year was satisfactory. Balance of revenue after taxes, at $263.2 million, was up 15.1% over 1979. Domestic operations contributed $181 million of these earnings – up 9.3% from the previous year. The return on average domestic assets was, however, lower by

4 basis points, reflecting slimmer domestic margins and an environment characterized by strong competition and sluggish economic growth. Domestic asset growth in 1980 was slower than we would ordinarily like to see, but we would prefer not to achieve our growth at the expense of asset quality or a satisfactory return.

Deposit performance, on the other hand, was quite strong and the growth in basic deposits has been of substantial benefit to the Bank. The men and women of the Domestic Banking Group have worked hard to achieve this result and it is encouraging to see their efforts rewarded with such gratifying results.

On the international side, asset growth was a good deal stronger with some pressure on loan spreads evident earlier in the year. Earnings from international operations were up 30% over last year to $82 million. Due to the volatile interest rate environment during the year, opportunities were available to maximize funding spreads. These opportunities were utilized to a modest degree with the result that our return on average international assets was held at about the same level as the

J. W. Warren, Vice-Chairman; G. L. Reuber, Executive Vice-President, (standing); S. M. Davison, Vice-Chairman.

previous year. The operating policies of the Bank preclude aggressive position-taking, and the discretionary authority accorded operating officers in mismatching is set at what we believe to be conservative levels.

As many shareholders already know, the key element in a bank's earnings picture is not the absolute level of interest rates, but rather what is known as spread. This is, put simply, the difference between interest paid on deposits and interest collected on loans. As noted above, average spreads were narrower last year – proof that the cost of loan funding rose for banks, just as the cost of credit did for our customers. As a result, our net interest earnings as a percentage of average total assets declined last year compared to 1979. Obviously, no one wins from high interest rates: neither the banks nor the borrowing public.

Executive vice-presidents W. B. Bateman, General Manager, International Banking; H. M. MacDougall, General Manager, Corporate Banking; C. G. Stratton, General Manager, Domestic Banking; J. A. Whitney, Chairman, Credit Policy Committee; and (seated) W. E. Bradford, Chief General Manager.

A positive development in our business environment was passage by Parliament of a new Bank Act. For the first time since the last Act expired in 1977, our regulatory framework is clearly defined. This will greatly assist in our planning efforts. The Canadian banking picture will change substantially with the creation of numerous chartered banks as a result of the conversion of the near-bank subsidiaries of foreign banks. All banks will compete on even terms, although Canadian-owned banks will continue to account for a substantial share of total assets.

Historically, Canada, a vast country with far-flung population centres, has benefitted from an efficient system of national chartered banks. The national network of bank branches permits money to flow easily from those areas with surplus funds to invest, to those places with a need for capital.

The entry of foreign banks into our domestic market, far from being a threat, is a reflection of the increasingly international character of banking and finance. The Bank of Montreal is moving rapidly to keep pace with these developments, maintaining an active presence in financial markets around the world and stressing increased service to both Canadian and international customers.

One of the consequences of contemporary economic conditions is the progressive wastage of capital, savings and the value of certain kinds of assets. We feel that these conditions call for a measure of caution, with close attention to liquidity, asset quality, reserves and capital adequacy. The assumption which has been tacitly accepted for the past few decades – namely, that the next swing of the interest rate cycle will largely restore impaired asset values – is no longer to be relied upon. Financial institutions, among others, must exercise care that optimism, based upon earlier experience, does not lull them into permitting a cumulative build-up of over-stated balance sheet values which are unlikely to come back on side. Like many things today, this calls for an exercise of judgment without very much in the way of precedent or experience to rely on for guidance.

Speaking of judgment, however, it would be shortsighted to allow the problems of the day to blind us to the challenges and opportunities of the future. One of our objectives has been to encourage the evolution of the Bank toward a more customer-oriented (and competitive) organization through more flexible structuring of the organization, decentralization of authority, product development tuned to customer requirements, first class technological support, professionalism in the management and staff and, finally, and most importantly, personnel management policies which harmonize the objectives of the Bank and those of the individual. We have had a good measure of success in most if not all of these areas. However, a good deal more remains to be done and, notwithstanding the turbulent times in which we find ourselves, the process of building for the future will continue.

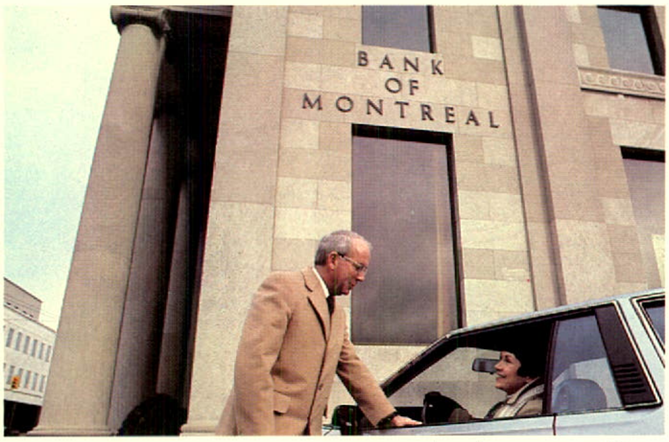
As shareholders of the Bank, you are well aware that we have been attentive to the requirements of the Bank for financial capital and, thanks to your strong support, have not lacked in this regard. However, as a service organization, the Bank is equally dependent for sound growth upon its "human capital". As we see the future and its opportunities, we feel that no element is more critical to our success than our ability to build our human capital and, in the process, assist the men and women who make up our organization to realize their own potential, to the limit of each individual's ability.

Fred H. McNeil,
Chairman

William D. Mulholland,
President and Chief Executive Officer

For the Domestic Banking Group, 1980 was a year of broad advance, with progress evident in both our retail and commercial banking business. Innovations in automation, as well as a commitment to improved and expanded service on all fronts, served the Bank well. The Bank's leadership in computer technology permitted us to offer some of the most complete banking services in Canada to both retail and commercial customers.

Multi-Branch Banking, introduced last year, met wide public acceptance and is now available through the 1200 "on-line" branches. In addition, the Bank expanded personal contact with the public. Saturday banking service was extended to more than 150 branches. Personal Service Units, small branches with small staffs, were introduced across the country to complement the full service branch network. The installation of automated teller machines as part of the national on-line banking system represents a further enhancement of the convenience and accessability of personal banking services.



James Long, manager of the Bank's Main Branch in Brantford, Ontario speaks to his wife, Avis Long, who is manager of the branch in St. George, a town near Brantford. Mrs. Long was a winner of the President's Award of Excellence for branch managers.

In the commercial market place, the Bank was a leader in the provision of new and improved services to Canada's business community. The special needs of businesses, both small and medium-size, including the important agriculture sector, were recognized through a variety of service innovations, several of which are discussed elsewhere in this report, reflecting the Bank's continued commitment to these groups.

The Bank has a long tradition of serving Canadian national development. We pushed west with the frontier, establishing branches to serve pioneer settlers and traders. We have continued this participation in the nation's future by significantly expanding our presence in the west.

Commercial Banking

Commercial banking operations within the Domestic Banking Group were expanded during the year, with the goal of better meeting the financial requirements of small and medium size businesses. This market sector comprises well in excess of 90% of all businesses in Canada and over 60% of the work force. These include a wide spectrum of companies with sales ranging up to a hundred million dollars per year, as well as professionals such as lawyers, doctors, and accountants. On occasion, these businesses face problems of undercapitalization, insufficient management experience, and high market risk in an extremely competitive environment. In addition, recessionary conditions have adversely affected consumer demand,

The Bank has participated actively in the development of Canadian transport since 1821, when it financed the first canal project. Above, a Lockheed 1011 jet of Air Canada taxis at Montreal's Mirabel Airport. At left, a CN Rail diesel locomotive is serviced at Taschereau Yard in Montreal. The Bank has enjoyed a long relationship with both Air Canada and Canadian National.

while a generally high interest rate structure has made financing more burdensome. Commercial banking officers and staff reacted energetically to help customers deal with these conditions and, as a result, we have improved our share of this market.

We intensified our Calls on Business program which involves direct calls to introduce ourselves and Bank products. This kept our lending officers fully aware of the needs and problems of the market and of individual businesses. We expanded our group of Commercial Development Managers to bring added strength to our field operations.

To assist customers in managing their affairs effectively, we sponsored Small Business Seminars across Canada, covering a variety of subjects.

Our Current Asset Finance Division, which we introduced last year to structure lines of credit based on the value of accounts receivable and inventory, was expanded as well. In effect, the new receivables management service takes over administrative worries so the customer can concentrate on production and sales.

Agriculture

The Bank's Agri-Credit lending programs were tested in 1980. Due to the general downward cycle in the agricultural industry, there was little incentive for farmers to expand operations. Rather, they consolidated debt positions. The Bank's continued assistance to the farm industry under these trying circumstances was well-received.

Recognizing the strong interrelationship between farming, governments, and lending institutions, the Bank's senior agriculture staff worked with provincial governments and farm organizations to develop special initiatives in support of the agricultural sector.

The Bank achieved another "first" in extending Farm Creditor Insurance to cover loans of up to $500,000, another service to the increasingly capital-intensive business of farming.

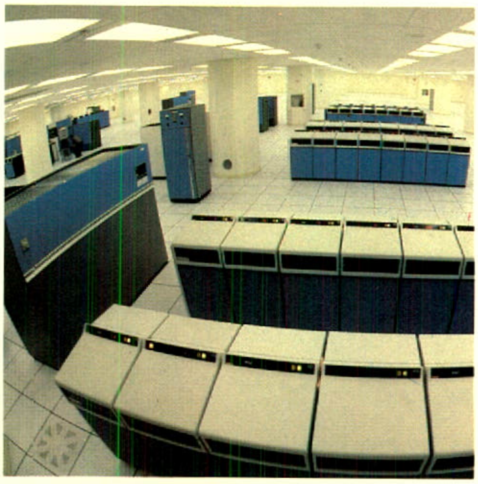
Computer Services

The Bank's commitment to growth and improved service received an important boost in July, when the

As a leader in services to agriculture, the Bank is responsible for nearly one-quarter of the money loaned to Canadian farmers by all banks. Bank officers with specific knowledge of agriculture work closely with both farmers and government to develop the most comprehensive programs possible.

In Temiscaming, Quebec, employees of Tembec Inc. joined with townspeople and the provincial government to purchase an obsolete pulp mill, the town's major employer. Bank of Montreal made personal loans to help individuals buy shares necessary to help save the company. Today, the modern Tembec mill employs 600 people to produce bleached sulfite wood pulp used in a variety of industrial applications. At left, employees of the Tembec mill in Temiscaming. Above, wood chips are blown through a pipe from a storage bin onto a pile.

The atrium of the new Scarborough Computer Centre, near Toronto, represents latest developments in aesthetic, functional architecture and engineering. The new centre, officially opened October 28, has set a standard for such facilities in North America.



The Scarborough Computer Centre, together with the Willowdale Complex, is a central facility for the Bank's network of smaller computer centres across Canada. At year end, 1200 branches coast-to-coast had joined the computer system.

new Scarborough Computer Centre near Toronto commenced operations. The Centre was opened officially on October 28.

The new facility, which employs 500 people, complements the existing centre at Willowdale. Together, the two computer complexes are central facilities for the expanding Bank network of smaller computer installations spread across Canada. The new centre should provide sufficient capacity to serve the needs of the Bank for the rest of the decade. The research and development effort for the planning of the centre has resulted in a new standard for computer facility design in North America.

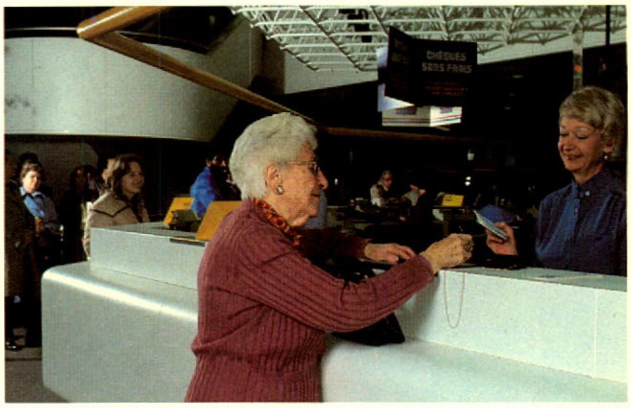
Personal Banking

For the customer, computerization has resulted in dramatically improved and more easily accessible Bank services, as well as better control and monitoring of money as it passes through the financial system.

The Bank was the first major chartered bank in Canada to introduce Multi-Branch Banking in February 1979 and continues to lead in the wide range of features offered customers. Newfoundland joined the computer system on February 25, 1980, thus stretching our on-line MBB network over all six Canadian time zones.

Bank customers possessing an MBB card and holding a personal bank account can get cash, deposit money, transfer money, update their passbooks, or obtain account information at any on-line branch in Canada. In addition, MBB is the only such service offered by a major chartered bank which works on "real time" for all transactions, meaning that customers can perform most normal banking activities any business day at any on-line branch in Canada, and have the transaction recorded instantly at the branch of account.

Following the very successful Daily Interest Savings Accounts introduced in August, 1979, the Bank again took the lead as the first major chartered bank offering Daily Interest with No-Charge Chequing, introduced in April, 1980. This service, made possible by the Bank's sophisticated computer systems, calculates interest on the daily closing balance of the account, which enables customers to get the greatest rate of earnings on their deposits. A printed monthly statement of all transactions helps improve record-keeping. The optional



Automation has made Bank services more complete and efficient, allowing employees to concentrate on the all-important personal contact with customers.

"Bottom Line" balance feature provides a summary of accounts held in on-line branches across Canada.

The increases in market share of personal deposits experienced during the year by the Bank are, we believe, indicative of the positive reception accorded these developments by our customers.

FirstBank Bill Payment Service, started July 7, offers great advantages both to the bill payer and to the company receiving payment. Available at all on-line branches, the computerized service transmits information automatically to the company receiving payment, and funds are transferred to the proper account. The bill payer is thus assured that payment will be received by the company on the next business day, while the company benefits from more efficient management of accounts receivable and cash flow.

Another use of computer science to streamline everyday banking was introduced in Calgary. The city-wide installation of on-line automated teller machines has met enthusiastic public response. These machines are accessible to customers using specially striped Multi-Branch Banking or MasterCard cards. The new customer-operated machines significantly expand Instabank services and Instabank Centres will continue to be expanded to other geographic areas.

Card Services

"MasterCard"™ is the new name for the MasterCharge® card service which the Bank has offered since 1973. The rapid growth in the MasterCard plan in Canada has brought thousands of new customers to the Bank.

The Bank expanded its services in June with the introduction of the American Express Gold Card, a prestige card available through no other bank in Canada.

The Bank remains the only Canadian chartered bank operating a Private Label Charge Service, under which we operate credit card plans for companies in their own names. The service, launched in 1975, registered important gains this year. In a period of fluctuation in the cost of money and of higher operating costs, this service is particularly attractive because the Bank can in many instances manage credit card operations more economically than can individual merchants.

Public Information

In response to intense public interest in financial planning and money management, the Bank increased the scope of its Consumer Education program. A speakers' program was launched in September.

Programs for secondary schools and universities have also been broadened with a series of teaching aids designed to complement courses in consumer education and economics. The goal is to inform future Bank customers on money management and on the Canadian banking system.

"Instabank Centres" were introduced in Calgary to speed up routine banking business. The Centres, located in special vestibules of branch banks, permit customers with specially-striped Multi-Branch Banking or MasterCard cards to conduct normal banking business without waiting in teller lines and outside normal banking hours. The service will be expanded to other geographic areas.

For the Corporate Banking Group it was a year of expansion and development, which saw a significant growth in professional staff and the portfolio of assets under management. Expansion into new geographic and industrial markets and specialty industries continued with the opening of a Vancouver unit in May, 1980.

Emphasis on Cash Management services was an on-going priority, and in August, DirectLine Banking was introduced, a new Cash Management tool that gives business and government entities instantaneous, minute-by-minute access and control over the funds in all their Bank of Montreal accounts in Canada. Clients use a computer terminal located in their offices.

The system offers corporate clients several advantages. It provides information on what is happening at the moment in their bank accounts. It allows them to transfer funds instantaneously from one account to another. It also allows them to collect excess funds into a master account for purposes of investment, or, conversely, to tap into their lines of credit to compensate for negative balances.

The new DirectLine service for corporate clients permits access to accounts held at any on line Bank branch in Canada through a computer terminal located in the customer's office. The Bank's "real time" computer network means that information is always up-to-the-minute, and service is available at any time of day.

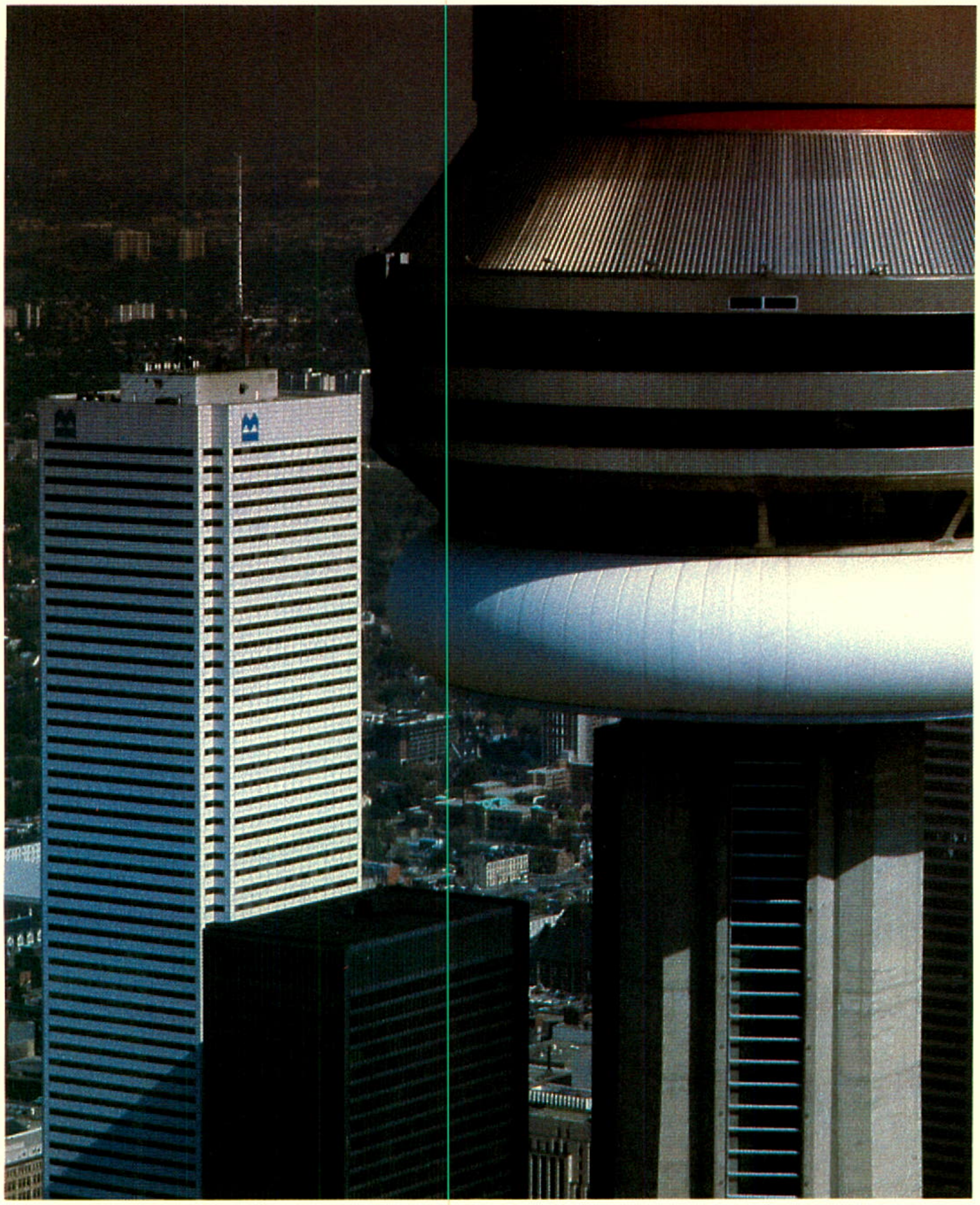
The system uses the most sophisticated hardware and software to scramble and to de-code information, ensuring the integrity of the Bank's data base and the privacy of customer account information.

The Bank's three new major Cash Management products (Cash Concentrator, Bill Payment Service, and Consolidated Balance Reporting) were successfully launched in the second quarter of 1980, with a series of Cash Management seminars attended by the senior financial personnel of over 600 corporations across Canada.

Project Financing

The Project Financing group of Corporate Banking is organized to provide funds for large projects throughout the world. In many cases repayment of the loan is primarily dependent on cash flow generated by the project itself. An important emphasis is thus placed on the lender's expertise in assessing the viability of the project. In addition, the Project Financing group is active in acquisition financing, a specialized lending area which requires rapid credit appraisals and responses.

For the group, 1980 was a year of substantially increased activity and considerable expansion of staff. A particularly noteworthy transaction was provision of U.S. $1.4 billion by a syndicate of banks to Woodside Petroleum Limited to help finance development of natural gas reserves off the northwest coast of Western Australia.



FirstBank Tower, housing the Bank's offices at First Canadian Place in Toronto, is a short distance from the most prominent city landmark, the CN Tower, which belongs to Canadian National railway company. The 1,815-foot tower is the tallest free-standing structure in the world, and serves as a telecommunications and broadcasting facility. It also contains a revolving restaurant.

Other important transactions included provision of credits to Denison Mines Limited, and other sponsors for the development of the Prinos Oil Field off the coast of Greece, and supplying finance to Atco Limited, of Calgary to assist in its repatriation of the controlling interest in Canadian Utilities Limited.

Natural Resources

The Natural Resources unit, working with the Mining Services Department, the Oil and Gas Department, and the Project Financing group, specializes in the financing requirements of major natural resources projects in Canada, including petroleum, pipelines, petrochemicals, coal, and uranium. During the year, the Natural Resources unit was involved in structuring a number of acquisition financings in the petroleum and mining sector.

The enlarged Mining Services Department, which employs mining engineers and other specialists, provides expertise to line officers engaged in mine financing world-wide.

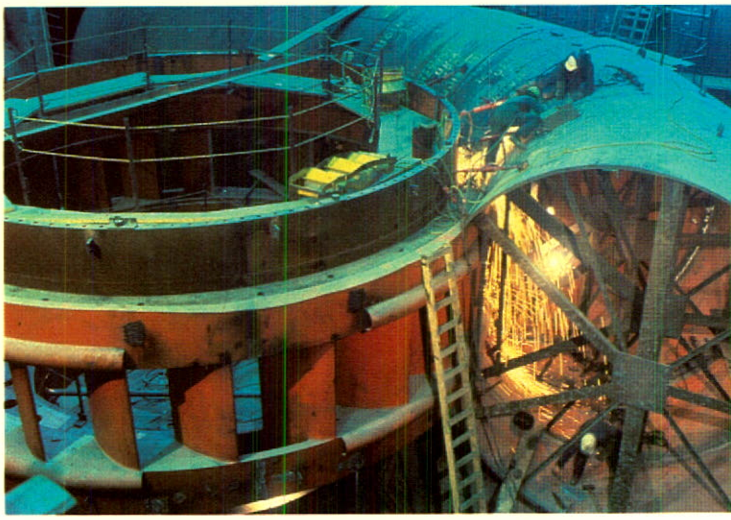
The Oil and Gas Department, composed of experienced engineers and technicians, works with Corporate Banking petroleum specialists in Calgary and with line officers in the United States and other countries.

This teamwork has resulted in a substantial increase in loan business for the Bank and a significant improvement in our market share of large petroleum financings.

Real Estate

With increased activity of the Bank's real estate clients in the United States, principally in the "Sunbelt," the Real Estate unit moved to meet this trend and continued to expand its operations, achieving excellent growth in loan volumes.

One large commercial development financed by the Bank was a hotel-apartment complex in Houston, Texas being developed by The Cadillac Fairview Corporation Limited, Texas Eastern Corporation, and Four Seasons Hotels Limited. Another important project was the Fifth Avenue and Second Street complex in Calgary, which includes a 1.5 million square foot office building, being developed by Olympia & York Developments Limited.



This turbine is one of 16 in the LG-2 powerhouse, part of the huge LaGrande Hydroelectric Complex under construction on the James Bay in northern Quebec. When phase one of the project is completed in 1985, it will supply 10,269 megawatts to the existing system of Hydro-Quebec, the provincial power authority. This year, Bank of Montreal was lead manager in a $1.25 billion re-financing for Hydro-Quebec.

The Bank was lead manager for the $146 million financing of construction of a mine and mill at the Teck Corporation's Highmont project in the Highland Valley of British Columbia. The mine, which will begin operation in early 1981, has a capacity of 25,000 tons a day of copper and molybdenum ore, and has estimated reserves of 145 million tons.

International Banking has been included among the Bank's services to customers since 1818, when we first established agencies in London and New York. From the beginning, the Bank rendered important services to Canada in establishing the first organized foreign exchange operations, in developing export and import trade, and in financing on international markets the vast capital projects necessary to develop the Canadian potential. The Bank continues to promote Canadian economic expansion, while taking its place as an important force on the international financial scene.

Today, we serve Canadian and international customers through a worldwide network of operating units, representative offices, and banking subsidiaries and affiliates.

The Bank is thus positioned to compete globally to provide loan funds for channelling into projects both in Canada and abroad. In a very competitive market, the Bank responds to opportunities to arrange project financing as well as syndicated and commercial loans for Canadian and international customers virtually anywhere in the world.

Canada, with its natural riches, manufacturing capabilities, and relatively limited domestic market, has always looked to international trade as a significant contributor to the national economy. Export of goods now accounts for a quarter of the Gross National Product. The Bank's presence in major financial and trade centres worldwide has permitted us to keep abreast of economic trends and market conditions, enabling us to aid individual Canadian businesses through a full range of trade financing services for transactions ranging from small sales involving short term credits to large syndicated loans arranged for major sales of Canadian capital goods abroad.

Extensive foreign exchange services essential to international trade and finance are provided through the Foreign Exchange Department of the Bank's Treasury Division. As a major international bank, we put particular emphasis on analysis of financial market trends which allows us to maintain markets in a wide range of foreign currencies and helps our customers conduct business as smoothly as possible.

□ Formal agreement was reached in June on the acquisition of a Brazilian holding company which owns all shares of the Banco Brascan de Investimento S.A., an investment bank with head offices in Rio de Janeiro and offices in Sao Paulo and other major Brazilian cities. Consolidated assets of the holding company on September 30, 1980 exceeded 24 billion cruzeiros, or approximately $486.6 million.

The transaction gives the Bank a significant presence in the third largest economy in the western hemisphere, and will complement the Bank's other Brazilian business.

In Toronto on May 28, the President of the Republic of Mexico, His Excellency José Lopez Portillo presided at loan-signing ceremonies involving the Republic and the Bank.

Corcovado Mountain dominates Guanabara Bay and the modern city of Rio de Janeiro. Brazil is the third-largest economy in the western hemisphere. The Bank this year purchased the Banco Brascan de Investimento, S.A., an investment bank with headquarters in Rio de Janeiro and offices in Sao Paulo and other major Brazilian cities.

□ The Bank of Montreal Asia Limited, which is locally incorporated in Singapore, now ranks among the leading syndicate managers in Asia.

□ The Bank continued during the past year to maintain a leading position in the management of international syndicated loans. As a leading syndicate manager, the Bank provides a professional service to large borrowers for which it is compensated by fees. During fiscal 1980, the loans for which the Bank was lead manager or manager, or had a club role, totalled $16.11 billion. However, of that amount only about 7.2% was reflected in a *gross* increase in the Bank's loan balances, a ratio consistent with those of previous years.

In many respects, the professional service aspect of this activity is just as significant as the actual lending itself, if not more so.

Of the three largest syndicated loans for which the Bank acted as lead manager since last year's report, one was for a Canadian corporation, one was on behalf of a wholly-owned subsidiary of a Canadian company, and one was for an Australian-based company.

Three Boeing 747 aircraft, assembled at this Boeing Aircraft plant in Everett, Washington, were purchased at a cost of almost $142 million by the People's Republic of China after Bank of Montreal (California) issued letters of credit on Boeing's behalf to the PRC. The last aircraft was delivered in September. The Bank has long experience dealing with the People's Republic of China, and has issued letters of credit for a wide range of purchases.

□ Reflecting the more favourable conditions available in the Euromarkets for prime borrowers, Hydro-Quebec concluded a U.S. $1.25 billion refinancing in January. Forty-nine banks and financial institutions from eleven countries participated in the syndication, of which the Bank was lead manager.

□ In the largest widely syndicated loan ever to a corporate borrower, the Bank was lead manager along with Citibank N.A. and Manufacturers Hanover Trust Company of a U.S. $3.0 billion financing on behalf of Joseph E. Seagram and Sons, Inc., a wholly-owned subsidiary of The Seagram Company Limited of Montreal.

□ In what is believed to be the largest international financing of energy development by a company in the private sector, the Bank assumed a lead manager role along with several other international banks in a U.S. $1.4 billion financing of a natural gas development on the continental shelf off Western Australia. The loan to Woodside Petroleum Limited and its subsidiaries will help finance its share of a joint venture which includes The Broken Hill Proprietary Company Limited, Shell, British Petroleum, and Standard Oil of California. The project will develop facilities to provide natural gas to the State Energy Commission of Western Australia and for export markets.

This financing, which has been several years in developing, represented a cooperative effort among several units of the Bank whose teamwork was instrumental in securing a major role for the Bank in this landmark financing.

The Bank moved in July to bring about closer coordination of the activities of the Treasury Division with those of the Economics Department and the Funds Management Committee, our senior policy committee, as well as with three wholly-owned domestic non-banking subsidiaries — First Canadian Investments Limited, Bankmont Realty Company Limited and Canadian-Dominion Leasing Corporation Limited.

Treasury provides central co-ordination for many related activities, plays a key role in funding the loan portfolio and acts for the Bank in the financial markets.

The central task of the Funds Management Committee is to manage the Bank's balance sheet, with careful regard to both profitability and risk. The year's main challenge in asset-liability management arose from highly volatile interest rates in all major money markets. The successful performance of banks depended critically on the sensitive and prompt adjustment of the balance sheet to rapidly changing conditions.

In keeping with the Bank's international status, Treasury is giving emphasis to broadening its funding sources and market representation world-wide. From its base in Toronto, the Division calls into play a global communications network to co-ordinate trading across Canada, in Montreal, Winnipeg, Calgary, and Vancouver as well as in major overseas financial centers of New York, London, and Singapore.

Treasury, also responsible for raising capital for the Bank and its subsidiaries, was active in the capital market last year. This underlined the Bank's conviction that a strong capital base is essential to maintain the confidence of depositors and investors and to reinforce the foundations of a growing business.

The Funds Management Committee sets the policy framework for Treasury and related operations. It is also the central authority managing the Bank's balance sheet. In this photo, it is chaired by Grant L. Reuber, executive vice-president, and vice-chairman of the Committee.

The year saw re-structuring of the personnel functions of the Bank into a new Human Resources Division, charged with anticipating and meeting the Bank's staffing needs over the coming years. For Bank customers, the new division will support even better professional service from Bank staff members.

As the decade unfolds, the Bank will place more emphasis on improved development and use of the skills of its 26,800 people. For the individual employee, the re-organization will mean better matching of people to jobs through career planning, and more efficient administration of the Bank's many development and training programs.

Training

In 1981, the Bank will launch a wide-ranging series of education programs based on a comprehensive study of Bank management policies and directions.

The Management Development Program, which prepares candidates with advanced educational qualifications or equivalent experience for senior management positions, is receiving special attention in order to enable the Bank to satisfy the demand for qualified management-level personnel.

The Branch Managers Program prepares employees who have undergraduate degrees or the equivalent for careers in branch administration and management. This program is being upgraded to place a greater emphasis on branch banking improvement and consumer needs of the 1980's.

An extra effort is made to bring qualified members of minority groups and women into the management programs.

Award Program

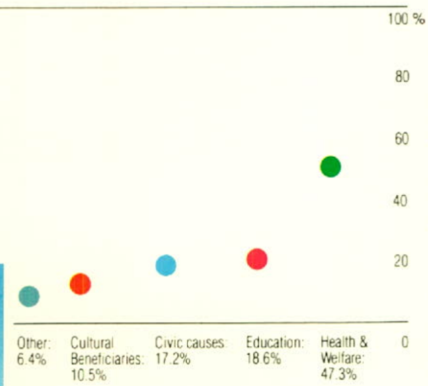
Each year outstanding performance by branch managers is given formal recognition through the President's Award of Excellence.

Donations Policy

The Bank has made a practice of giving financial support to worthy causes which benefit the community at large.

During fiscal year 1980, the total amount disbursed for charitable purposes by the Bank was $1,981,970. The largest proportion, or almost half, went to health and welfare charities, including hospitals, health and welfare associations, and federated appeals. About 18.5 percent went to educational causes, and another 17 percent to civic groups including community and youth organizations. About ten percent went to cultural beneficiaries such as arts organizations and museums. The remainder of the funds was allocated to various other programs, including conservation.

Fiscal 1980:
Total expenditure on charitable donations:
$1,981,970



The Bank's "human capital" is our most important resource. The Bank has made a considerable investment in programs to develop individual capacities and to encourage the highest possible performance and job satisfaction.

The Bank of Montreal found unique ways of recognizing the 75th anniversaries of Saskatchewan and Alberta as provinces during 1980.

In January at Regina, a framed enlargement of a photograph of the Bank's first Regina branch was presented to Premier Allan Blakeney by Chairman Fred H. McNeil. The branch was opened in 1883, six months after Regina had been founded as the capital of the North West Territories. The branch was located at what was known as "Pile o' Bones Crossing." The photo, which now hangs in the Saskatchewan Legislature building, was from a historic negative by William Notman, the pioneer Canadian photographer from Montreal.

In June at Saskatoon, President and Chief Executive Officer William D. Mulholland presented a cheque to the Saskatchewan Western Development Museum for the development and purchase of a permanent exhibit of early Canadian currency. Museum staff, assisted by Freeman Clowery, archivist for the Bank and curator of the Bank of Montreal Museum, completed the exhibit of currency circulated in the West during the 1900-1914 period in time for an official unveiling in December.

In September at Edmonton, the Bank donated a pastel portrait by Alberta artist Nicholas de Grandmaison to the Government House permanent collection of Canadian art. The Bank was represented by the Chairman, and the portrait of an Alberta Blood Indian named Black White Man was officially unveiled by the artist's widow, Mrs. Sonia de Grandmaison.

To mark a meeting of Alberta-Northwest Territories Directors in Yellowknife August 14, the Chairman presented the original of R. D. Wilson's Canada Centennial Tableau sketch "Old Town, Yellowknife, N.W.T." to the Prince of Wales Northern Heritage Centre there.

Annual
Statement

Bank of
Montreal

Statement of
Revenue and Expenses
For the year ended October 31

		1980		1979
Revenue				
Income from loans	$	4,525,681,890	$	3,254,879,523
Income from securities		440,106,575		363,660,381
Other operating revenue		251,812,672		204,724,514
Total revenue		5,217,601,137		3,823,264,418
Expenses				
Interest on deposits and bank debentures		3,949,202,513		2,727,695,665
Salaries, pension contributions and other staff benefits		496,514,275		439,348,086
Property expenses, including depreciation		159,219,569		134,538,505
Other operating expenses including provision of $116,598,185 (1979 – $86,701,864) for losses on loans based on five-year average loss experience		293,390,966		236,285,986
Total expenses		4,898,327,323		3,537,868,242
Balance of revenue		319,273,814		285,396,176
Provision for income taxes relating thereto (Note 3)		56,100,000		56,700,000
Balance of revenue after provision for income taxes		263,173,814		228,696,176
Appropriation for possible losses		80,000,000		60,000,000
Balance of profits for the year	$	183,173,814	$	168,696,176
Per share (Note 12)				
Balance of revenue after provision for income taxes	$	5.06	$	4.72
Dividends	$	1.54	$	1.32

Statement of
Undivided Profits
For the year ended October 31

		1980		1979
Undivided profits at beginning of year	$	158,227	$	162,470
Balance of profits for the year		183,173,814		168,696,176
		183,332,041		168,858,646
Dividends		81,569,624		64,200,419
Transferred to rest account		101,600,000		104,500,000
		183,169,624		168,700,419
Undivided profits at end of year	$	162,417	$	158,227

Statement of Accumulated Appropriations for Losses
For the year ended October 31

		1980		1979
Accumulated appropriations at beginning of year				
General	$	109,025,694	$	139,566,159
Tax-paid		149,997,975		117,365,528
Total		259,023,669		256,931,687
Additions (deductions) during year				
Appropriation from current year's operations		80,000,000		60,000,000
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)		(26,333,952)		(30,859,751)
Profits and losses on mortgages and securities, including provisions to reduce securities other than those of Canada and provinces to values not exceeding market (Note 4)		(50,342,495)		(35,076,565)
Other profits, losses and non-recurring items, net (Note 4)		(4,020,423)		(1,913,782)
Net recovery of income taxes, including credit of $54,750,000 (1979 – $18,014,000) relating to appropriation from current year's operations (Note 3)		41,907,032		9,942,080
Accumulated appropriations at end of year	$	300,233,831	$	259,023,669
Accumulated appropriations at end of year				
General		143,778,181		109,025,694
Tax-paid		156,455,650		149,997,975
Total	$	300,233,831	$	259,023,669

Statement of
Assets and Liabilities
As at October 31

Assets		**1980**		1979
Cash resources				
Cash and due from banks (Note 5)	$	**7,731,987,933**	$	5,023,758,469
Cheques and other items in transit, net		**552,841,801**		812,901,535
		8,284,829,734		5,836,660,004
Securities (Note 6)				
Securities issued or guaranteed by Canada, at amortized value		**1,951,499,711**		1,966,805,204
Securities issued or guaranteed by provinces, at amortized value		**71,126,349**		43,946,607
Other securities, not exceeding market value		**2,414,715,672**		2,403,167,698
		4,437,341,732		4,413,919,509
Loans				
Day, call and short loans to investment dealers and brokers, secured		**717,209,373**		498,031,593
Other loans, including mortgages, less specific provision for losses (Note 7)		**29,832,891,198**		24,293,656,084
		30,550,100,571		24,791,687,677
Sundry Assets				
Bank premises at cost, less amounts written off (Note 8)		**293,388,201**		263,622,219
Securities of and loans to corporations controlled by the Bank (Note 9)		**152,421,471**		155,331,280
Customers' liability under acceptances, guarantees and letters of credit, as per contra (Note 10)		**4,915,997,619**		2,577,282,358
Other assets		**208,031,055**		141,774,770
		5,569,838,346		3,138,010,627
Total	$	**48,842,110,383**	$	38,180,277,817

William D. Mulholland,

President and
Chief Executive Officer

William E. Bradford,

Executive Vice-President and
Chief General Manager

Liabilities	1980	1979
Deposits		
Deposits by Canada	**$ 661,148,888**	$ 503,972,438
Deposits by provinces	**521,362,295**	339,880,093
Deposits by banks	**10,383,253,904**	7,016,879,344
Personal savings deposits payable after notice, in Canada, in Canadian currency	**14,782,386,843**	12,190,279,396
Other deposits	**15,446,638,923**	13,705,636,742
	41,794,790,853	33,756,648,013
Sundry Liabilities		
Acceptances, guarantees and letters of credit, as per contra (Note 10)	**4,915,997,619**	2,577,282,358
Other liabilities	**192,355,684**	161,962,325
	5,108,353,303	2,739,244,683
Capital Funds		
Debentures issued and outstanding (Note 11)	**383,573,500**	433,791,500
Accumulated appropriations for losses	**300,233,831**	259,023,669
Shareholders' Equity		
Capital stock (Note 12)		
Authorized –		
100,000,000 shares of $2 each		
Issued	**111,159,244**	97,633,926
Rest account (Note 12)	**1,143,837,235**	893,777,799
Undivided profits	**162,417**	158,227
Total Shareholders' Equity	**1,255,158,896**	991,569,952
Total Equity and Accumulated Appropriations	**1,555,392,727**	1,250,593,621
Total Capital Funds	**1,938,966,227**	1,684,385,121
Total	**$ 48,842,110,383**	$ 38,180,277,817

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, 1980 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, 1980 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.

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

John W. Beech, F.C.A.,
of the firm of
Touche Ross & Co.

Auditors

Montreal, November 25, 1980.

Controlled Corporations
(Non-Consolidated)

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

Condensed Consolidated Statement of Assets and Liabilities
As at October 31

		1980		1979
Assets				
Cash and short term deposits	$	**15,156,447**	$	2,413,116
Investment in leases – less unearned income of $80,757,992 (1979 – $57,730,455)		**262,515,235**		209,006,809
Advances and other receivables		**8,586,178**		9,158,961
Investment in affiliated company		**38,094**		9,076
Fixed assets, at cost, less accumulated depreciation and amortization		**1,095,430**		1,067,834
Deferred charges		**336,140**		473,578
Total Assets		**287,727,524**		222,129,374
Liabilities				
Borrowings				
Commercial paper		**—**		107,161,328
Short term notes		**67,487,120**		—
Long term notes payable		**184,589,164**		40,313,024
Bank of Montreal		**24,667,448**		57,906,746
Accounts payable and accrued liabilities		**2,679,857**		4,130,940
Deferred income taxes		**2,558,373**		4,633,746
Other liabilities		**1,335,925**		1,263,511
Total Liabilities		**283,317,887**		215,409,295
Shareholders' Equity				
Capital stock		**5,000,000**		5,000,000
Contributed surplus		**122,100**		122,100
Retained earnings		**(712,463)**		1,597,979
Total Shareholders' Equity		**4,409,637**		6,720,079
Total Liabilities and Shareholders' Equity	$	**287,727,524**	$	222,129,374

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

Condensed Consolidated Statement of Assets and Liabilities
As at October 31

		1980		1979
Assets				
Accounts receivable	$	41,504	$	732,089
Other assets		1,622,210		104,220
Real estate and buildings – at cost, less accumulated depreciation		67,424,484		11,994,981
Total Assets		69,088,198		12,831,290
Liabilities				
Loan from Bank of Montreal		5,618,207		5,003,700
Accounts payable and other liabilities		2,894,032		382,645
Mortgage payable		1,516,384		2,123,262
Notes due 1988		50,000,000		—
Total Liabilities		60,028,623		7,509,607
Shareholders' Equity				
Capital stock		5,005,002		5,005,000
Contributed surplus		3,946,971		—
Retained earnings		107,602		316,683
Total Shareholders' Equity		9,059,575		5,321,683
Total Liabilities and Shareholders' Equity	$	69,088,198	$	12,831,290

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

Condensed Consolidated Statement of Assets and Liabilities

As at October 31	1980	1979
Assets		
Residential mortgages – at outstanding		
principal amount	$ 1,600,722,435	$ 841,387,889
Less unamortized purchase discount	27,744,580	18,259,106
	1,572,977,855	823,128,783
Income debentures	113,350,000	—
Cash	24,848,886	147,590
Interest receivable	18,156,185	9,108,809
Unamortized discount on notes		
and debentures	5,464,477	4,137,864
Other assets	4,214,873	2,000,279
Total Assets	1,739,012,276	838,523,325
Liabilities		
Borrowings		
Due within one year	510,850,046	246,220,313
Due beyond one year	1,055,130,064	533,307,881
	1,565,980,110	779,528,194
Accrued interest on notes and debentures	51,137,833	11,586,306
Other liabilities	8,828,494	2,510,845
Total Liabilities	1,625,946,437	793,625,345
Shareholders' Equity		
Capital stock:		
Common shares	50,000	50,000
Preferred shares	112,297,600	43,700,000
Retained earnings	718,239	1,147,980
Total Shareholders' Equity	113,065,839	44,897,980
Total Liabilities and Shareholders' Equity	$ 1,739,012,276	$ 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 October 31, 1980. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, the accompanying condensed consolidated statements of assets and liabilities present fairly the financial position of the corporations as at October 31, 1980 on a basis consistent with that of the preceding year.

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

John W. Beech, F.C.A.,
of the firm of
Touche Ross & Co.

Auditors

Montreal, November 25, 1980.

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

Basis of Consolidation
The assets and liabilities and results of operations of all wholly-owned banking subsidiaries are reported in the Annual Statement of the Bank on a consolidated basis.

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

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

Appropriation for Possible Losses
The Bank makes an appropriation from balance of revenue after provision for income taxes in respect of possible unforeseen future losses on loans, securities and other assets. This is reported as an appropriation from current year's operations in the Statement of Accumulated Appropriations for Losses.

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

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

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

The provision for losses on loans reported in other operating expenses in the Statement of Revenue and Expenses is an amount determined by calculating the ratio of the last five years of loan loss experience to the last five years of eligible loans and applying this ratio to the outstanding eligible loans at the end of the current year. The difference between the actual loss experience on loans for the year and the provision for losses on loans is reported in the Statement of Accumulated Appropriations for Losses.

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

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

Acceptances, Guarantees and Letters of Credit
The potential liability of the Bank under acceptances, guarantees and letters of credit is reported as a liability in the Statement of Assets and Liabilities. An offsetting asset is reported to reflect the Bank's recourse against customers in the case of a call on any of these commitments.

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

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

Income Taxes
Deferred income taxes are provided to recognize the effect of timing differences, that is, those items of income and expense that may affect income for tax purposes in a period different from that in which they affect income for accounting and reporting purposes. As a result the total income taxes provided represents the taxes applicable to the income reported in the Statement of Revenue and Expenses and in the Statement of Accumulated Appropriations for Losses regardless of when such taxes are actually paid. The tax effect of these timing differences is recorded in Other Assets.

1 Consolidation of Bank of Montreal Trust Company

For 1980, the financial statements of Bank of Montreal Trust Company have been reported in the Annual Statement of the Bank on a consolidated basis. The effect on the Annual Statement of the Bank for the year was not significant.

2 Acquisition of Banco Brascan

In June 1980, the Bank acquired from Brascan Limited its interest in a Brazilian holding company which owns all of the shares of Banco Brascan de Investimento S.A. of Brazil (Banco Brascan). The purchase price was satisfied by exchanging for all the shares of the Brazilian holding company, 1,400,000 shares of the Bank and 539,976 cumulative non-voting senior preference shares of its wholly-owned subsidiary, First Canadian Investments Limited, with a par value of $100 each carrying an 8% dividend. The assets and liabilities of Banco Brascan and its earnings since acquisition have been reported in the Annual Statement on a consolidated basis.

3 Provision for Income Taxes

($ in thousands)	1980	1979
Statement of Revenue and Expenses	$ 56,100	$ 56,700
Statement of Accumulated Appropriations for Losses	(41,907)	(9,942)
Rest Account (Note 12)	(1,300)	—
Net provision for income taxes	$ 12,893	$ 46,758

The recovery of income taxes shown in the Statement of Accumulated Appropriations for Losses includes an income tax reduction of $54,750,000 (1979 – $18,014,000) arising from $108,468,000 (1979 – $37,000,000) of appropriation for losses which is deductible in the determination of income for tax purposes in future years. In 1979 the reduction was utilized in that year.

Total revenue for the year includes $184,222,000 of income from securities and investments in Canadian corporations (1979 – $150,156,696) representing after-tax payments from Canadian corporations, not subject to additional tax.

4 Accumulated Appropriations for Losses

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

Loans ($ in thousands)	1980	1979
Loss experience for the year on loans (Net new reservations for losses on loans less recoveries of loans previously written off)	$ (142,932)	$ (117,562)
Provision for losses on loans based on five-year average loss experience included in other operating expenses in the Statement of Revenue and Expenses	116,598	86,702
Net deduction from Accumulated Appropriations for Losses	$ (26,334)	$ (30,860)

Mortgages and Securities held for Investment ($ in thousands)	1980	1979
Net gains (losses) on disposals of:		
Government of Canada securities	$ (9,421)	$ (10,469)
Provincial Government securities	(152)	(1,499)
Mortgages	(23,563)	(18,071)
Other securities	(2,874)	1,276
Reduction in carrying value of investments in controlled corporations	(14,060)	—
Net change in specific provision on securities to adjust to values not exceeding market	(272)	(6,314)
Net deduction from Accumulated Appropriations for Losses	$ (50,342)	$ (35,077)

Other items ($ in thousands)	1980	1979
Net gains (losses) on disposals of foreign exchange positions of a capital nature	$ 245	$ 2,992
Net gains on disposals of bank premises	1,257	875
Miscellaneous	(5,522)	(5,781)
Net deduction from Accumulated Appropriations for Losses	$ (4,020)	$ (1,914)

5 Cash and Due from Banks

($ in thousands)	1980	1979
Non-interest bearing:		
Cash and deposits with Bank of Canada	$ 1,139,759	$ 926,515
Operating balances with banks	183,571	121,975
	1,323,330	1,048,490
Interest bearing deposits	2,761,344	1,145,942
Interest bearing loans	3,647,314	2,829,326
	$ 7,731,988	$ 5,023,758

6 Securities

($ in millions)

	1980						1979
	Maturity						
	Within 1 year	Over 1 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Over 10 years	Total	Total
Investment Securities							
Issued or Guaranteed by:							
Government of Canada	$1,725.6	$ 141.8	$ 46.0	$ —	$ —	**$1,913.4**	$1,941.5
Provincial Governments	25.5	19.8	24.1	—	1.7	**71.1**	43.0
Municipalities and School Corporations	12.4	15.8	4.7	—	1.2	**34.1**	43.0
Debt of Canadian Issuers:							
Floating Rate Income Debentures	50.6	184.1	212.5	233.4	50.0	**730.6**	877.0
Fixed Rate Income Debentures	5.4	11.5	23.0	25.8	42.3	**108.0**	141.7
Other	12.0	7.3	7.4	.1	10.1	**36.9**	34.0
Debt of Foreign Issuers	16.3	66.1	32.1	5.9	18.6	**139.0**	83.7
	$1,847.8	$ 446.4	$ 349.8	$ 265.2	$ 123.9		
Equity of Canadian Issuers:							
Floating Rate Preferred Shares[1]						**1,141.9**	1,061.4
Other						**164.2**	102.9
Equity of Foreign Issuers						**58.7**	58.3
Total Investment Securities						**4,397.9**	4,386.5
Trading Securities						**39.4**	27.4
Total Securities						**$4,437.3**	$4,413.9

[1] Of which $870,651,545 (1979 – $924,065,600) is guaranteed by third parties.

7 Other Loans

($ in thousands)

	1980	1979
	Book Value (Net of Specific Provision)	Book Value (Net of Specific Provision)
N.H.A. and Conventional mortgages	**$ 2,514,123**	$ 2,654,572
Provincial Governments	**41,368**	19,666
Municipalities and School Corporations	**293,040**	352,135
Others in Canadian currency	**16,989,978**	14,715,287
Others in foreign currencies	**9,994,382**	6,551,996
	$ 29,832,891	$ 24,293,656

During the year the Bank sold $808,602,965 principal amount of mortgages to its subsidiary, First Canadian Investments Limited at current market values and thereby incurred losses on the sales, due to higher market rates of interest, aggregating $19,744,038. The total losses on mortgage sales were charged to Accumulated Appropriations for Losses.

8 Bank Premises

($ in thousands)

	1980			1979
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	$ 71,647	$ —	**$ 71,647**	$ 56,398
Buildings	144,649	59,328	**85,321**	85,130
Equipment	209,961	137,881	**72,080**	64,028
Leasehold improvements			**64,340**	58,066
	$ 426,257	$ 197,209	**$ 293,388**	$ 263,622

The Bank intends to sell its developed properties at net book values to Bankmont Realty Company Limited, a subsidiary established to own properties for use of the Bank. During the year, properties sold aggregated $52,448,000 and subsequent to October 31, 1980, additional properties were sold for $100,256,000.

9 Securities of and Loans to Corporations Controlled by the Bank

($ in thousands)

	1980	1979
Investment in shares:		
Bank of Montreal Trust Company (Note 1)	**$ —**	$ 1,489
Bankmont Realty Company Limited	**8,952**	5,005
Canadian-Dominion Leasing Corporation Limited	**4,410**	18,470
First Canadian Investments Limited	**58,350**	43,750
Loans to:		
Bankmont Realty Company Limited	**5,618**	5,004
Canadian-Dominion Leasing Corporation Limited	**24,667**	57,907
First Canadian Investments Limited	**50,424**	23,706
	$ 152,421	$ 155,331

10 Acceptances, Guarantees and Letters of Credit

($ in thousands)		1980		1979
Acceptances	$	**1,673,331**	$	678,996
Guarantees:				
Controlled corporations		**1,783,354**		528,567
Other		**687,611**		805,253
Letters of credit		**771,702**		564,466
	$	**4,915,998**	$	2,577,282

11 Debentures Issued and Outstanding

($ in thousands)	Interest Rate (%)		1980		1979
Series A, maturing in 1992	7.50	$	**3,663**	$	3,798
Series B, maturing in 1982	7.75		**3,870**		3,870
Series C, maturing in 1987	7.25		**1,041**		1,124
Series D, maturing in 1980	10.25		**—**		50,000
Series E, redeemable in 1981 at the option of the Bank, maturing in 1982	9.00		**50,000**		50,000
Series 1, maturing in 1984	9.00		**50,000**		50,000
Series 2, maturing in 1984	9.25		**75,000**		75,000
Floating Rate Series 3, maturing in 1989	12.21*		**75,000**		75,000
Floating Rate Series 4, redeemable after 1984 at the option of the Bank, maturing in 1991	10.65*		**125,000**		125,000
		$	**383,574**	$	433,792

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, 1980 the Bank has the capacity to issue an additional $244,000,000 of debentures.

*Interest rate as at October 31, 1980

12 Capital Stock and Rest Account
($ in thousands)

	Capital Stock			
	Number of Shares			
	Issued and Fully Paid	Partly Paid	Amount	Rest Account
October 31, 1978	47,698,486	1,118,477	$ 95,694	$ 771,815
Final proceeds from partly paid shares relating to 1978 rights offering	1,118,477	(1,118,477)	1,940	17,463
Transfer from undivided profits	—	—	—	104,500
October 31, 1979	48,816,963	—	97,634	893,778
Proceeds from 1980 rights offering:				
Proceeds from fully paid shares	4,533,592	—	9,067	97,472
Proceeds from partly paid shares	—	1,040,260	1,658	17,825
Direct costs of issue net of related tax	—	—	—	(1,283)
Shares not subscribed for by shareholders in 1980 rights offering, issued in connection with the acquisition of Banco Brascan (Note 2)	1,400,000	—	2,800	30,100
Retained earnings of Bank of Montreal Trust Company at October 31, 1979 (Note 1)	—	—	—	4,345
Transfer from undivided profits	—	—	—	101,600
October 31, 1980	54,750,555	1,040,260	$ 111,159	$ 1,143,837

During the year the Bank issued to its Shareholders the right to subscribe for additional shares on the basis of one additional share for each seven shares held at a subscription price of $23.50 per share which may be paid by instalments over the period to December 29, 1980. The value to be received from the 6,973,852 shares allotted in connection with this offer will approximate $162,600,000. To October 31, 1980 proceeds received have amounted to $157,639,725 and have been applied to increase Capital Stock and the Rest Account.

Earnings per share figures have been calculated on the monthly average equivalent of fully paid shares outstanding. The average number of shares outstanding for the year ended October 31, 1980 was 51,993,052 (1979 – 48,480,472).

13 Long-term Commitments for Leases

Rental expense under long-term non-cancellable leases for buildings and equipment for the year ended October 31, 1980 was $56,309,084 (1979 – $36,167,592). Future rental commitments to 1995 for buildings and equipment involving annual rentals in excess of $25,000 are as follows:

($ in thousands)	Buildings	Equipment	Total
1981	$ 44,852	$ 10,949	$ 55,801
1982 – 1985	155,879	12,364	168,243
1986 – 1990	133,521	—	133,521
1991 – 1995	85,129	—	85,129

14 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 valuation to be carried out every year. As at December 31, 1979, the date of the latest interim valuation, the pension fund was fully funded.

Balance Sheet
As at December 31
($ in thousands)

		1979		1978
Assets				
Cash and short term investments	$	32,173	$	66,041
Accounts receivable and accrued interest		5,881		4,229
		38,054		70,270
Investments (note 2)		295,855		239,803
Total Assets	$	333,909	$	310,073
Liabilities				
Accounts payable	$	1,980	$	339
Capital				
Accumulated capital, being funds accumulated for the payment of pensions in future years		340,015		300,541
Unrealized gain (loss) on investments		(8,086)		9,193
Total capital		331,929		309,734
Total Liabilities and Capital	$	333,909	$	310,073

Statement of Accumulated Capital
For the Year Ended December 31
($ in thousands)

		1979		1978
Income				
Interest	$	26,222	$	16,502
Dividends and rentals		3,120		3,312
Gain on sale of investments		14,367		145
Gain on foreign exchange		32		329
		43,741		20,288
Contributions				
Bank		8,126		72,799
Members, net of refunds		1,143		1,382
		9,269		74,181
		53,010		94,469
Pensions and annuities paid		13,536		12,822
Increase in Capital		39,474		81,647
Accumulated Capital at Beginning of Year		300,541		218,894
Accumulated Capital at End of Year	$	340,015	$	300,541

Statement of Unrealized Gain (Loss) on Investments
For the Year Ended December 31
($ in thousands)

		1979		1978
Balance at Beginning of Year	$	9,193	$	(170)
Increase (decrease) during the year		(17,279)		9,363
Balance at End of Year	$	(8,086)	$	9,193

1 Summary of Significant Accounting Policies

(a) Investments are stated at market value with the unrealized gains (losses) included in capital.

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

2 Investments

($ in thousands)	1979 Market value	1979 Book value	1978 Market value	1978 Book value
Common stocks				
Canadian	**$ 59,302**	**$ 42,387**	$ 63,610	$ 50,402
Foreign	**20,844**	**18,286**	19,605	16,884
Bonds and debentures				
Government of Canada	**40,732**	**46,450**	10,336	11,004
Provincial Governments	**23,061**	**26,868**	16,610	17,340
Municipalities and Schools	**1,712**	**2,276**	1,565	1,981
Corporate	**74,202**	**86,277**	70,448	74,054
Mortgages	**57,880**	**61,444**	43,943	43,963
Fund units	**11,790**	**13,621**	12,327	13,621
Real estate trust units	**5,000**	**5,000**		
Leasebacks	***1,332**	**1,332**	*1,359	1,359
	$295,855	**$303,941**	$239,803	$230,608

*at cost — market not available

3 Unfunded Liability

The last full actuarial valuation of the Society filed as required by the Pension Benefits Standards Act, disclosed an unfunded liability as at December 31, 1977 which was fully funded in 1978.

Auditors' Report to the Directors

We have examined the balance sheet of The Pension Fund Society of the Bank of Montreal as at December 31, 1979 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, 1979 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Montreal, Canada
February 18, 1980

Thorne Riddell
Chartered Accountants

10 Year Financial Highlights

Thousands of dollars
except where noted

	1980	1979
For the Year ended October 31		
Total Revenue	**5,217,601**	3,823,264
Total Expenses	**4,898,327**	3,537,868
Balance of Revenue	**319,274**	285,396
Income Taxes	**56,100**	56,700
Balance of Revenue after Income Taxes	**263,174**	228,696
Dividends	**81,570**	64,200
Salaries and Benefits paid to Employees	**496,514**	439,348
As at October 31		
Assets	**48,842,110**	38,180,278
Loans	**30,550,101**	24,791,688
Deposits	**41,794,791**	33,756,648
Debentures	**383,574**	433,791
Accumulated Appropriations for Losses	**300,234**	259,024
Shareholders' Equity	**1,255,159**	991,570
Total Equity and Accumulated Appropriations	**1,555,393**	1,250,594
Total Capital Funds	**1,938,966**	1,684,385
Other Statistics		
Average Number of Shares Outstanding	**51,993,052**	48,480,472
Balance of Revenue after Income Taxes – per Share	**$ 5.06**	$ 4.72
Dividends per Share	**$ 1.54**	$ 1.32
Book Value[1]	**$28.41**	$25.62
Share Price Range* – High	**30⅞**	27¼
– Low	**21⅝**	21⅞
Number of Employees	**26,904**	26,378
Number of Branches	**1,296**	1,257
Number of Shareholders	**55,515**	54,582

[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.

1978	1977	1976	1975	1974	1973	1972	1971
2,588,832	2,008,099	1,798,722	1,705,816	1,582,865	987,758	734,946	682,197
2,296,516	1,792,375	1,623,888	1,510,081	1,473,872	856,189	616,289	586,131
292,316	215,724	174,834	195,735	108,993	131,569	118,657	96,066
98,800	93,700	78,900	93,600	52,500	63,067	55,132	48,420
193,516	122,024	95,934	102,135	56,493	68,502	63,525	47,646
47,954	40,280	35,181	32,805	32,805	30,755	28,704	26,312
399,919	359,964	327,146	273,963	221,859	175,896	146,498	133,710
32,090,136	25,175,395	20,492,379	18,242,634	17,650,974	14,409,288	11,323,389	10,165,397
21,336,139	17,122,112	14,128,978	12,314,667	10,625,900	8,701,829	6,981,553	5,866,849
29,034,941	23,025,331	18,577,969	16,550,477	16,088,762	13,290,935	10,356,739	9,450,161
282,790	203,870	240,000	190,000	190,000	140,000	90,000	—
256,932	197,286	146,949	122,658	105,703	117,033	103,346	119,934
867,671	665,846	541,204	451,185	402,855	390,667	364,479	315,026
1,124,603	863,132	688,153	573,843	508,558	507,700	467,825	434,960
1,407,392	1,067,002	928,153	763,843	698,558	647,700	557,825	434,960
43,210,911	38,339,484	35,380,014	34,171,875	34,171,875	34,171,875	34,171,875	34,171,875
$ 4.48	$3.18	$2.71	$2.99	$1.65	$2.00	$1.86	$1.39
$ 1.09	$1.03	$0.98	$0.96	$0.96	$0.90	$0.84	$0.77
$23.50	$20.33	$18.12	$16.79	$14.88	$14.86	$13.69	$12.73
25⅞	16¾	16⅞	17⅞	20⅞	23⅜	22⅝	17
16⅛	13¼	14⅞	11¼	11¼	17	15½	14
26,481	26,727	26,887	26,114	24,231	22,008	20,172	19,305
1,239	1,234	1,243	1,243	1,221	1,186	1,151	1,113
57,259	55,969	52,452	51,253	49,756	47,777	44,757	44,173

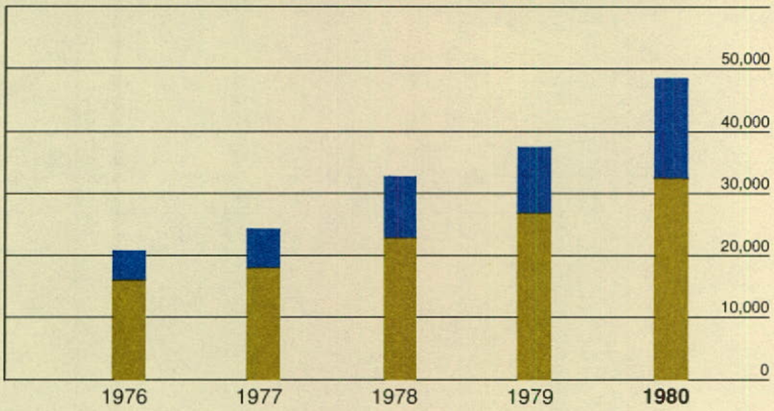
Management Analysis of Operations

The assets and income of the Bank have been divided into "domestic" and "international" components in this section of the report. Domestic encompasses all business handled in Canada with the exception of the Canadian Division of the International Banking Group and the International Money Management and Foreign Exchange Departments of the Treasury Division located in Toronto. International refers to the operations of our International Banking Group, including its Canadian Division, and the International Treasury function.

In order to arrive at the division of earnings between "domestic" and "international", earnings attributed to equity capital, as well as Head Office expenses, have been allocated to each of these two components in proportion to average assets employed.

Total Asset Growth
(millions of dollars)

Total assets reached $48.8 billion at October 31, 1980 on growth of 27.9% compared with the preceding fiscal year end. Growth of $5.3 billion in international assets accounted for approximately half of the total, including growth of $2.9 billion in commercial loans and $2.3 billion of interest-bearing deposits with other banks. Domestic assets also increased by $5.3 billion.

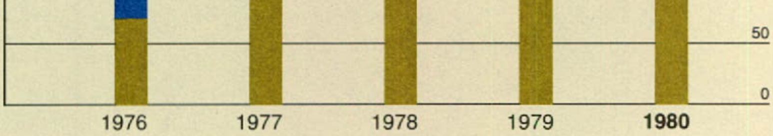


	1976	1977	1978	1979	1980
International	4,400	6,360	8,432	10,859	**16,204**
Domestic	16,092	18,815	23,658	27,321	**32,638**
Total Assets	20,492	25,175	32,090	38,180	**48,842**

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

Balance of revenue after income taxes for the year ended October 31, 1980 was $263.2 million, a gain of $34.5 million or 15.1% over fiscal 1979. Of the $263.2 million, $181.5 million or 69% was derived from our domestic dollar operations, while the balance, $81.7 million or 31%, was earned on international operations.

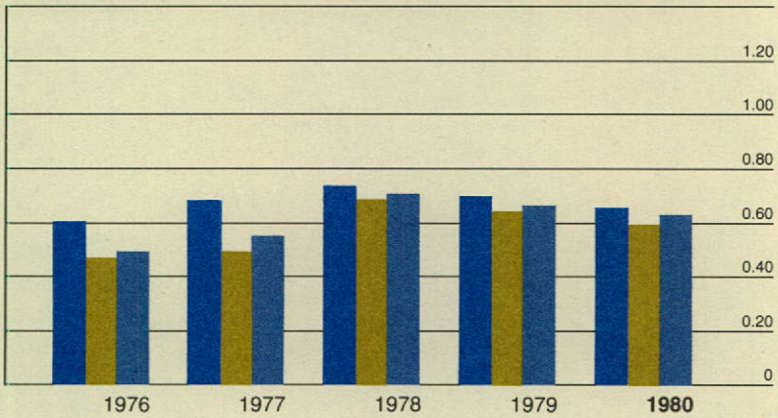
Per share earnings in 1980 was $5.06 as compared to $4.72 in 1979 and reflects the higher average number of shares outstanding (1980 – 51,993,052, 1979 – 48,480,472) in the year just ended.



	1976	1977	1978	1979	1980
International	26.1	34.9	51.0	62.7	**81.7**
Domestic	69.8	87.1	142.5	166.0	**181.5**
Total Bank	95.9	122.0	193.5	228.7	**263.2**

Return on Average Assets
(percentage)

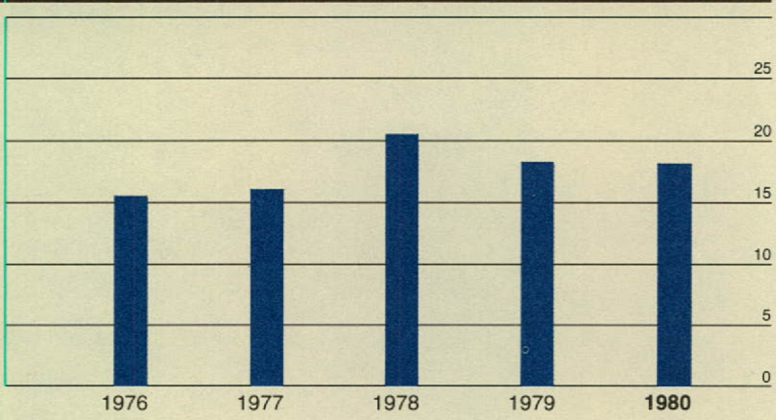
Return on average assets under administration relates the profitability of a bank or unit thereof to its volume of business. The balance of revenue after taxes expressed as a percentage of average assets for the total Bank was 0.62% compared with 0.65% in 1979, largely as a result of a decline in spreads in the domestic segment of the business. The decline in the return on domestic assets from 0.64% to 0.60% is the result of narrower margins, particularly during the period of rapidly declining interest rates during the third quarter of the year. International spreads differed, on balance, very little from the previous year, reflecting a mixture of both positive and negative factors.



	1976	1977	1978	1979	1980
International	0.60	0.68	0.72	0.68	**0.67**
Domestic	0.46	0.50	0.68	0.64	**0.60**
Total Bank	0.49	0.54	0.69	0.65	**0.62**

Return on Shareholders' Equity and Accumulated Appropriations
(percentage)

Shareholders' equity grew by 26.6% during the fiscal year through retained earnings and the proceeds of the rights issue in March, reaching $1,255.2 million at October 31, 1980. Average shareholders' equity plus accumulated appropriations for losses increased by 16.6% to $1,414 million for the year. The return on average shareholders' equity plus accumulated appropriations for losses measures the overall profitability of the shareholders' investment in the Bank. This return for the year was 18.6% representing a slight decline from the level of 1979.



	1976	1977	1978	1979	1980
Average Shareholders' Equity and Accumulated Appropriations[1] (millions of dollars)	625	738	944	1,213	**1,414**
Balance of Revenue after Taxes as a Percentage of Average Total Shareholders' Equity and Accumulated Appropriations[1]	15.3	16.5	20.5	18.9	**18.6**

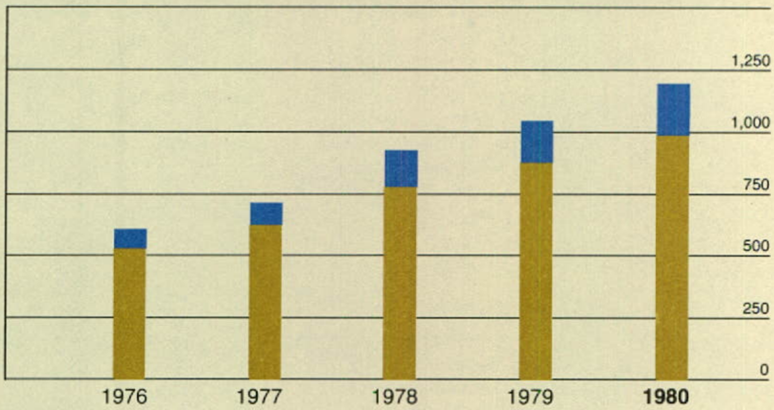
[1] Includes paid-up capital, rest account, undivided profits and accumulated appropriations for losses

Net Interest Earnings
(millions of dollars)

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

Certain income received by the Bank – specifically dividends and interest on income debentures – has already been subjected to taxation. This income has been adjusted to a pre-tax equivalent in calculating net interest earnings on a taxable equivalent basis.

In fiscal 1980, net interest earnings on a taxable equivalent basis were $1,204 million, a gain of $171 million or 16.6% over 1979. This compares to the growth in average assets employed of 20.3%.



	1976	1977	1978	1979	**1980**
Net Interest Earnings – as reported	610	703	837	891	**1,017**
Net Interest Earnings – taxable equivalent					
International	74	93	132	167	**211**
Domestic	543	625	779	866	**993**
Total Bank	617	718	911	1,033	**1,204**

Interest Rate Spread – Taxable Equivalent
(percentage)

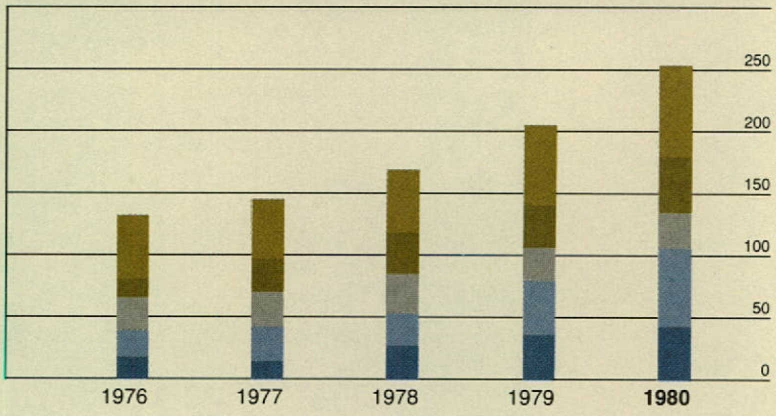
In the highly volatile interest rate environment of 1980, interest rate spreads on the domestic loan portfolio were under pressure. For the year, domestic rate spread decreased 11 basis points to 2.34% reflecting the relatively greater increase in the cost of deposits used to fund domestic loans as compared to the increase in yield on loans. In particular, during the third quarter of fiscal 1980, the sharp decline in yield on prime-related loans was not matched by an equivalent decline in the cost of short-term deposit receipts outstanding.

	1979 I	1979 II	1979 III	1979 IV	**1980 I**	**1980 II**	**1980 III**	**1980 IV**
Average Prime Rate	11.61	12.00	12.04	13.04	**15.00**	**15.85**	**13.93**	**12.43**
Income from loans and securities as a percentage of average assets (taxable equivalent basis)	10.42	10.34	10.71	11.19	**12.28**	**12.81**	**12.28**	**11.41**
Interest on deposits and bank debentures as a percentage of average assets	7.33	7.50	7.84	8.25	**9.43**	**9.95**	**9.52**	**8.53**
Spread – taxable equivalent	3.09	2.84	2.87	2.94	**2.85**	**2.86**	**2.76**	**2.88**

Non-Interest Revenue
(millions of dollars)

Non-interest revenue includes all income other than interest earned directly on funds employed in deposits with other banks, investments and loans. This source of earnings is gaining in importance to banks as an increasing proportion of total source funds is drawn from the money markets, which tends to put pressure on interest margins.

The largest percentage growth in non-interest revenue came in the credit related fees as customers shifted their borrowings from loans to bankers acceptances because of a favorable rate differential. Substantial growth also was realized in service fees.

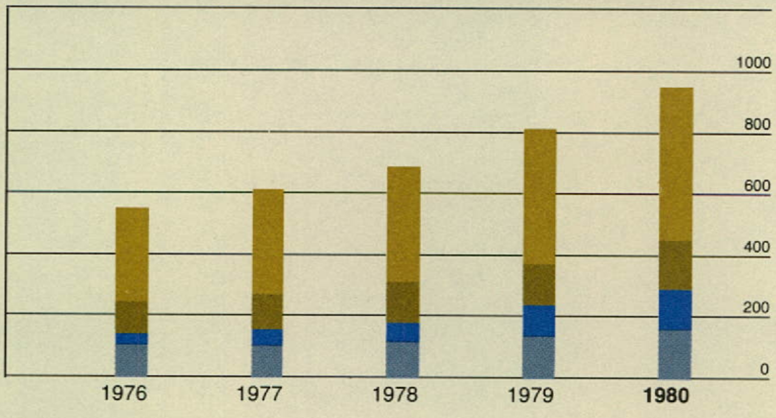


	1976	1977	1978	1979	1980
Service Charges	48.3	50.5	54.1	61.0	**72.5**
MasterCard Fees	11.7	21.9	27.2	34.9	**44.4**
Foreign Exchange	28.7	27.8	30.2	30.3	**33.8**
Loan Fees, Fees for Standby Commitments, Guarantees and Letters of Credit	24.1	30.6	33.6	41.3	**57.7**
Other	17.6	15.0	28.3	37.2	**43.4**
Total	130.4	145.8	173.4	204.7	**251.8**

Non-Interest Expenses
(millions of dollars)

Non-interest expenses during 1980 continued to grow at a slower rate than did total assets, and for the fifth consecutive year declined as a percentage of total assets, dropping to 2.24% as compared with 2.30% in 1979. The non-interest expenses grew by $138.9 million or 17.1% to $949.1 million.

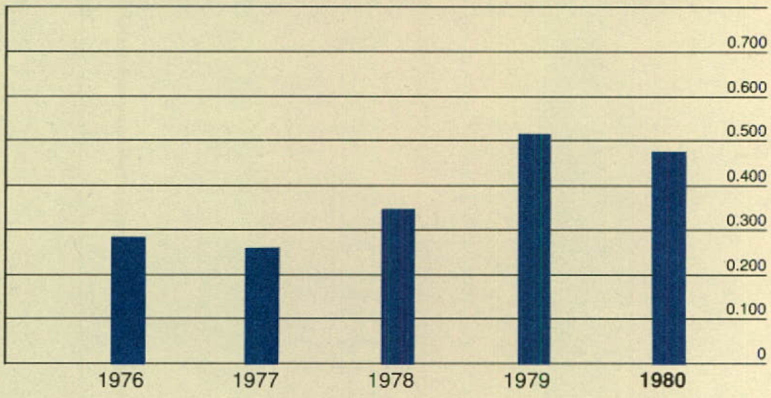
The provision for loan losses charged to income on the five year moving average basis increased by 34.5% to $116.6 million. Personnel costs were held to an increase of 13.0% for the year despite the high rate of inflation by holding the growth in the full time complement to less than 2% during the year. Property costs increased by 18.4% to $159.2 million reflecting, in part, the payment of market rentals on premises where ownership has been transferred to Bankmont Realty, the Bank's wholly-owned real estate subsidiary.



	1976	1977	1978	1979	1980
Employee Expenses	327.1	360.0	399.9	439.3	**496.5**
Property Expenses	95.0	113.0	127.0	134.5	**159.2**
Provision for Loan Losses	37.7	44.2	60.4	86.7	**116.6**
Other Expenses	105.8	115.4	131.2	149.7	**176.8**
Total	565.6	632.6	718.5	810.2	**949.1**

Loan Loss Experience*

(as a percentage of eligible loans)



The loan losses for each year represents the net new reservations placed on loans outstanding less the amount of recoveries on loans previously written off. The loan loss experience as a percentage of total eligible loans declined from 0.512% in 1979 to 0.477% in 1980.

Based upon the five year moving average approach that is used for charging losses against income, prescribed for chartered banks by the Minister of Finance, $116.6 million of the total was reflected in Non-Interest Expense and $26.3 million was charged to Accumulated Appropriations for Losses. The level of the loss experience reflects a generally conservative evaluation of potential losses which may or may not materialize over a period of years.

	1976	1977	1978	1979	1980
Loan Loss Experience as a Percentage of Eligible Loans	.284	.264	.346	.512	**.477**
Loan Loss Experience	35,176	39,323	65,748	117,562	**142,932**
Five Year Average Loan Loss Experience	37,739	44,176	60,384	86,702	**116,598**
Net Addition to (Deduction from) Accumulated Appropriations for Losses	2,563	4,853	(5,364)	(30,860)	**(26,334)**

*As defined under Provision for Loan Losses on page 57.

Provision for Income Taxes

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

The effective rate of tax declined slightly from 19.9% in 1979 to 17.6% in 1980 despite a higher marginal rate of tax in the latter year. This change is the result of high levels of income derived from foreign subsidiaries that are not subject to tax in Canada, and because of increased amounts of income in the form of dividends from financing extended to domestic corporations. In the latter case, the dividend rate paid by customers of the Bank usually is approximately one-half the rate a borrower would have paid on a comparable debt instrument.

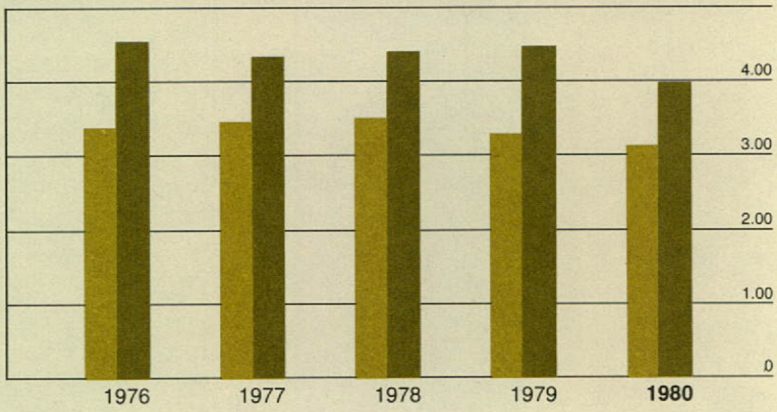
	1979		**1980**	
	($000)	(%)	**($000)**	**(%)**
Balance of Revenue	285,396	100.0	**319,274**	**100.0**
Provisions for taxes thereon at Canadian Marginal Income Tax Rates	138,988	48.7	**161,233**	**50.5**
Deduct Canadian Marginal Tax Rate applied to:				
Income from Foreign Subsidiaries not subject to Canadian tax	(13,869)	(4.9)	**(22,516)**	**(7.1)**
Tax Exempt Income:				
Dividends from Taxable Canadian Corporations	(38,120)	(13.3)	**(56,508)**	**(17.7)**
Interest on Income Debentures	(35,006)	(12.3)	**(36,524)**	**(11.4)**
Add/(Deduct):				
Non Canadian Taxes Payable by Foreign Subsidiaries	5,020	1.8	**11,151**	**3.5**
Other – Net	(313)	(0.1)	**(736)**	**(0.2)**
Reported Tax Provision	56,700	19.9	**56,100**	**17.6**

Capital to Assets Ratio at October 31

(percentage)

Total shareholders' equity and accumulated appropriations reached $1,555.4 million at October 31, 1980 an increase of 24.4% over the previous year-end. Proceeds from the rights offering concluded in March added $157.6 million to Bank capital.

At fiscal year-end, debentures outstanding were $383.6 million, the result of redemptions during the period of $50.2 million.



(millions of dollars)	1976	1977	1978	1979	1980
Shareholders' Equity	541.2	665.8	867.7	991.6	**1,255.2**
Accumulated Appropriations for Losses	146.9	197.3	256.9	259.0	**300.2**
Total Equity and Accumulated Appropriations	688.1	863.1	1,124.6	1,250.6	**1,555.4**
Debentures Issued and Outstanding	240.0	203.9	282.8	433.8	**383.6**
Total Capital Funds	928.2	1,067.0	1,407:4	1,684.4	**1,939.0**
Ratio of Total Equity and Accumulated Appropriations to Total Assets (%)	3.36	3.43	3.50	3.28	**3.18**
Ratio of Total Capital Funds to Total Assets (%)	4.53	4.24	4.39	4.41	**3.97**

Quarterly Financial Data

(unaudited)
In thousands of dollars except where indicated otherwise.

	1979 Quarter Ended				1980 Quarter Ended			
	January 31	April 30	July 31	October 31	January 31	April 30	July 31	October 31
Interest revenue	833,563	853,722	917,895	1,013,360	**1,145,650**	**1,242,274**	**1,286,803**	**1,291,062**
Interest expense	609,393	645,910	699,182	773,210	**913,271**	**1,005,682**	**1,034,436**	**995,814**
Net interest earnings	224,170	207,812	218,713	240,150	**232,379**	**236,592**	**252,367**	**295,248**
Other operating revenue	47,477	47,609	53,372	56,266	**56,881**	**61,732**	**64,493**	**68,707**
Gross operating earnings	271,647	255,421	272,085	296,416	**289,260**	**298,324**	**316,860**	**363,955**
Operating expenses	194,356	197,289	204,139	214,389	**217,351**	**231,421**	**241,924**	**258,429**
Balance of revenue	77,291	58,132	67,946	82,027	**71,909**	**66,903**	**74,936**	**105,526**
Provision for income taxes	18,770	10,130	9,920	17,880	**9,900**	**4,300**	**8,900**	**33,000**
Balance of revenue after provision for income taxes	58,521	48,002	58,026	64,147	**62,009**	**62,603**	**66,036**	**72,526**
Dividends paid	14,960	15,070	16,597	17,573	**18,062**	**19,769**	**21,390**	**22,349**
Per share:								
Balance of revenue after provision for income taxes	$1.22	$0.99	$1.19	$1.32	**$1.27**	**$1.25**	**$1.22**	**$1.32**
Dividends	$0.31	$0.31	$0.34	$0.36	**$0.37**	**$0.38**	**$0.39**	**$0.40**
Average number of shares outstanding (thousands)	48,037	48,409	48,692	48,783	**48,817**	**50,106**	**53,962**	**55,087**

In addition to the provision for losses on loans, at the discretion of management an appropriation is made annually at year-end out of earnings to provide for possible losses on loans or securities and for other contingencies. This appropriation, which is taken into account in determining the annual Balance of Profits, is not provided for in the quarterly financial data.

Uses of Funds
Total assets at October 31, 1980 were $48.8 billion, which represented growth of $10.7 billion or 27.9% as compared with a year earlier.

Loans outstanding, excluding loans due from banks, reached $30.6 billion which is an increase of 23% over the preceding year-end. Of the $30.6 billion, $20.4 billion or 67% consisted of loans in Canadian dollars; $10.2 billion were denominated in foreign currencies, 85% in United States dollars with the balance mainly in the currencies of major industrial countries.

During the year, Canadian currency loans increased by only $2.3 billion, reflecting, in part, the sale of $0.8 billion in mortgages to First Canadian Investments Limited, the Bank's mortgage subsidiary.

The growth in foreign currency loans to governments and commercial borrowers, both foreign and domestic, was $3.5 billion. Although the interbank deposits of the Bank grew by $2.5 billion during the year, it continues to be the policy of the Bank to emphasize the basic loan business.

Sources of Funds
The Bank of Montreal experienced a significant strengthening of its domestic liability structure during fiscal 1980 as the proportion of its funding provided by basic deposits increased as a percentage of the total sources of funds. Canadian dollar basic deposits grew by $3.2 billion to $18.7 billion during the year, which permitted the Bank to reduce the amount of purchased term deposits by $0.5 billion.

The Bank continued the successful raising of term funds in its non-consolidated Canadian subsidiaries, First Canadian Investments Limited (FCIL), Canadian-Dominion Leasing Limited (CDL), and Bankmont Realty Company Limited (Bankmont). FCIL for example increased its term debt funding to match its asset profile by a net $766 million which included $594 million of new investment certificates and $125 million of new debenture financing.

During the year the Bank increased its shareholders equity and strengthened its capital position through the issuance to shareholders of the right to subscribe for additional shares of common stock. The value to be received from the shares issued will approximate $162.6 million net of associated expenses of which $157.6 million had been received at October 31, 1980.

Liquidity Management
Management continued to take a conservative position during 1980 in maintaining a high degree of liquidity within the asset and liability structure of the Bank. As outlined in the preceding paragraphs, basic deposits provided a larger portion of funding. In addition, the average maturity of term deposits was extended.

The Bank's multiple layered structure of liquidity was strengthened. The Bank maintains approximately $2.3 billion of primary and secondary reserves in accordance with statutory requirements. In addition, a supplemental layer of liquidity is maintained both within the domestic and foreign segments of the business. This supplemental liquidity is invested in highly liquid assets with the funds being provided by non-encashable liabilities that have an average maturity substantially beyond that of the corresponding assets. In response to the economic conditions, this supplemental layer of liquidity was increased during 1980.

The multiple layers of liquidity are available to protect the Bank against possible disruptions in the flow of funds in domestic and international money markets, and to meet the substantial changes in the level of credit needs of our customers, particularly by those who customarily rely upon money market borrowing.

Credit Risk Management
The potential for loss in the Bank's investment and loan portfolios is carefully monitored and controlled through the Credit Policy Committee and its supporting staff, located at the Head Office in Montreal. In dealing with domestic credit risks, the Credit Policy Committee sets credit standards for the guidance of line management regarding the types of credit that may be extended, the manner in which the various types of credit may be structured, and the terms on which it may be granted. It also monitors the adherence to policy, the quality of the credit-granting function, and the adequacy of the reserves for losses.

The extension of credit is handled through the branch system and the line banking officers supported by credit officers, who are responsible for reviewing and concurring in the granting of credits. The quality of outstanding credits is evaluated on an on-going basis by the credit officers, by line banking management, and by the Bank's Internal Auditors during the course of their regular examinations of each division and department of the Bank.

The foreign lending activities of the Bank have the added elements of country risk exposure. The country or sovereign risk exposure is managed through continuous evaluations of the economic and political conditions in each area of the world in which the Bank extends credit. The Credit Policy Committee, based upon these evaluations, sets limits upon the total amount of exposure that may be undertaken in each country or area, and the basis on which this business may be done. As shown in Figures 1 and 2, the international banking assets are concentrated in the stronger and more stable areas of the world. Policies and management actions are directed continually to reducing the credit exposure in the weaker and potentially less stable countries.

Provision for Loan Losses

Management reviews both domestic and foreign commercial loans on a quarterly basis. Where doubt exists concerning the ultimate collection of all or a portion of the principal or interest, a reservation is established against the loan. At the time the reservation is established, accrued but unpaid interest is reversed and interest is thereafter taken into income only as collected.

Potential losses on consumer installment credit is provided for on a formula basis related to repayment experience of each loan.

Loans to foreign governments or their agencies are treated on the same basis as regular commercial relationships. Although losses on such sovereign risks are rare, the Bank may decide to establish reservations on loans relating to a particular country, when it is concluded that the country may not be in a position to meet its obligations in a timely manner.

The results of the most recent quarterly evaluations of the individual loans and the country risk assessments are used at the year end by the Credit Policy Committee to establish the net new reservations for the year. The adequacy of the net new reservations is then reviewed by senior executives of the Bank, by the Shareholders' Auditors, and by a committee of the Board of Directors. The amount of the net new reservations, less recoveries on loans written off in previous years, represents the Bank's loan loss experience for the year. These losses are charged against income on the basis of the average loan loss experience over five years, including the current year, with the difference between the total loss experience and the charge to income based upon the five-year average debited or credited to the Accumulated Appropriations for Losses.

Figure 1 **Distribution of Major International Banking Assets***

As of October 31

	1979		**1980**	
	$ Millions	%	**$ Millions**	**%**
Location of Ultimate Risk				
Africa	268.3	2.67	**241.5**	**1.53**
Asia	1,142.5	11.36	**1,793.5**	**11.39**
Europe	3,313.1	32.95	**4,531.1**	**28.78**
Middle East	143.4	1.43	**93.9**	**0.60**
United States	1,898.2	18.88	**3,560.1**	**22.61**
Mexico, Caribbean and Central America	755.3	7.51	**1,556.7**	**9.89**
South America	1,283.3	12.77	**2,258.5**	**14.34**
Australasia and Oceania	233.3	2.32	**278.9**	**1.77**
Shipping	7.1	0.07	**5.5**	**0.03**
Canada	1,009.9	10.04	**1,426.3**	**9.06**
Total	10,054.4	100.00	**15,746.0**	**100.00**

*Expressed in Canadian dollar equivalent. Includes loans, deposits with banks and contingent liabilities, but excludes U.S. dollar loans in Canadian branches.

Figure 2

Distribution of Major International Banking Assets*

As of October 31

	1979		1980	
	$ Millions	%	**$ Millions**	**%**
Economic Classification**				
Developed Economies	4,601.5	45.77	**7,711.8**	**48.98**
Centrally Planned Economies	679.9	6.76	**657.9**	**4.18**
Developing Economies				
Oil Exporting	83.3	0.83	**43.6**	**0.28**
Advanced Stage of Development	2,659.9	26.45	**4,539.8**	**28.83**
Less Developed Countries				
High Income	497.7	4.95	**707.7**	**4.49**
Middle Income	332.3	3.30	**431.6**	**2.74**
Low Income	182.8	1.83	**221.8**	**1.41**
Shipping	7.1	0.07	**5.5**	**0.03**
Canada	1,009.9	10.04	**1,426.3**	**9.06**
Total	10,054.4	100.00	**15,746.0**	**100.00**

*Expressed in Canadian dollar equivalent. Includes loans, deposits with banks and contingent liabilities, but excludes U.S. dollar loans in Canadian branches.

**World Bank Definitions

Figure 3

Source of Funds

As at October 31

	1979		1980	
	$ Millions	%	**$ Millions**	**%**
Deposits – Demand, Notice and Fixed Term				
Demand Deposits	4,044	12.0	**5,193**	**12.4**
Notice and Fixed Term Deposits	29,713	88.0	**36,602**	**87.6**
	33,757	100.0	**41,795**	**100.0**
Deposits by Category				
Deposits by Canada	504	1.5	**661**	**1.6**
Deposits by Provinces	340	1.0	**521**	**1.2**
Deposits by Banks:				
in Canadian currency	162	0.5	**238**	**0.6**
in currencies other than Canadian	6,855	20.3	**10,146**	**24.3**
Personal Savings Deposits payable after Notice	12,190	36.1	**14,782**	**35.4**
Other Deposits:				
Payable after Notice in Canadian currency	5,341	15.8	**4,809**	**11.5**
Payable on Demand in Canadian currency	2,879	8.5	**3,305**	**7.9**
In currencies other than Canadian	5,486	16.3	**7,333**	**17.5**
Total Deposits	33,757	100.0	**41,795**	**100.0**

Source: Schedule M – Bank Act (1967)

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Montreal
President and Chief
Executive Officer

Vice-Presidents

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Toronto
Chairman and Chief
Executive Officer,
Stelco, Inc.

Lucien G. Rolland,
Montreal
President and Chief
Executive Officer,
Rolland Inc.

Directors

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Toronto
Chairman and Chief
Executive Officer,
Inco Limited

Peter J. G. Bentley,
Vancouver
President and Chief
Executive Officer, Canadian
Forest Products Ltd.

Claire P. Bertrand,
Montreal
Housewife

S. Robert Blair, O.C.,
Calgary
President and Chief
Executive Officer, Nova,
An Alberta Corporation

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Montreal
Deputy Chairman
Chairman, Executive
Committee, The Seagram
Company Ltd.

The Hon. Sidney L. Buckwold,
Saskatoon
Vice-President and General
Manager, Buckwold's Ltd.

F. S. Burbidge,
Montreal
President, Canadian
Pacific Limited

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Counsel, Messrs.
Borden & Elliot

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Celanese Canada Inc.

H. Roy Crabtree,
Montreal
Chairman and President,
Wabasso Inc.

C. William Daniel,
Toronto
President and Chief
Executive Officer,
Shell Canada Limited

Nathanael V. Davis,
Osterville, Mass.
Chairman
Alcan Aluminium Limited

Stanley M. Davison,
Calgary
Vice-Chairman,
Bank of Montreal

Graham R. Dawson,
Vancouver
Chairman and President
Dawson Construction
Limited

Louis A. Desrochers, Q.C., Edmonton
Partner, Messrs. McCuaig
Desrochers

John J. Devlin,
Toronto
Chairman, Rothmans of Pall
Mall Canada Limited

A. John Ellis,
Vancouver
Chairman of the Board,
Canada Development
Corporation

J. Trevor Eyton, Q.C.,
Toronto
President and Chief
Executive Officer, Brascan
Limited

Thomas M. Galt,
Toronto
Chairman and Chief
Executive Officer, Sun Life
Assurance Company
of Canada

Lord Garnock,
London, England
Director, Crossley Karastan
Carpets Limited

Roger Gaudry, C.C., D.Sc.,
Montreal
President, International
Association of Universities

Roland Giroux, C.C.,
Montreal
Chairman of the Board
Consolidated Bathurst Inc.

G. Arnold Hart,
Mountain, Ontario
Former Chairman of the
Board and Chief
Executive Officer,
Bank of Montreal

Donald S. Harvie,
Calgary
Chairman, The Devonian
Group of
Charitable Foundations

Bruce I. Howe,
Vancouver
President and Chief
Executive Officer
British Columbia Resources
Investment Corporation

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Allpak Limited

Betty Kennedy,
Toronto
Public Affairs Editor,
CFRB Limited

Raymond Lavoie,
Montreal
Chairman of the Board,
Crédit-Foncier

Joseph A. Likely,
Saint John, N.B.
President, Likely
Equipment Ltd.

J. Blair MacAulay,
Toronto
Partner, Fraser & Beatty

Hartland M. MacDougall,
Toronto
Executive Vice-President
and General Manager,
Corporate Banking,
Bank of Montreal

Charles S. MacNaughton,
Exeter, Ontario
Company Director

Donald A. McIntosh, Q.C., Toronto
Partner, Fraser & Beatty

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J. Bartlett Morgan,
Montreal
Honorary Chairman, Morgan
Intercapital, Inc.

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Chairman, Rothmans
International Limited

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Chairman, Lindwood
Holdings Limited

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Executive Officer, Century
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Forrest Rogers,
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Winnipeg
Investment Consultant

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Chairman and Chief
Executive Officer, Sobeys
Stores Limited

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Regina
President, Western Limited

James C. Thackray,
Montreal
President, Bell Canada

Jack H. Warren,
Montreal
Vice-Chairman
Bank of Montreal

Lorne C. Webster,
Montreal
Chairman, Prenor Group Ltd.

H. Richard Whittall,
Vancouver
Deputy Managing Partner,
Richardson Securities
of Canada

Bank of Montreal
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Charles F. Baird


The Hon. Sidney L. Buckwold


H. Roy Crabtree


Graham R. Dawson


J. Trevor Eyton


Roland Giroux


William D. Mulholland


Peter J. G. Bentley


F. S. Burbidge


C. William Daniel


Louis A. Desrochers


Thomas M. Galt


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John H. Devlin


Lord Garnock


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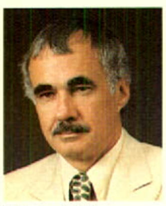

S. Robert Blair


Pierre Côté


Stanley M. Davison


A. John Ellis

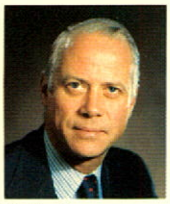

Roger Gaudry


Bruce I. Howe


Charles R. Bronfman


A meeting of the Board of Directors in Montreal is presided over by Chairman Fred H. McNeil (center), with President and Chief Executive Officer William D. Mulholland at his right, and Executive Vice-President and Chief General Manager William E. Bradford at his left.

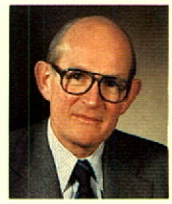

R. M. Ivey


Hartland
M. MacDougall


The Hon.
Victor de B. Oland

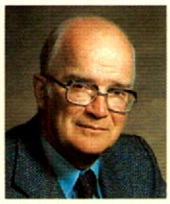

William M. Sobey


Jack H. Warren


H. Richard Whittall


Betty Kennedy


Charles
S. MacNaughton


H. J. S. Pearson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Donald A. McIntosh


Forrest Rogers


James C. Thackray


Lorne C. Webster


Joseph A. Likely


Ronald N. Mannix


George H. Sellers


J. Blair MacAulay


J. Bartlett Morgan


Sir David Nicolson

Executive Committee

Fred H. McNeil
Chairman

William D. Mulholland
Vice-Chairman

Charles F. Baird
The Hon. Sidney L. Buckwold
F. S. Burbidge
H. Roy Crabtree
C. William Daniel
Nathanael V. Davis
Louis A. Desrochers
Roland Giroux
J. P. Gordon
G. Arnold Hart
Lucien G. Rolland
James C. Thackray

Audit Committee

H. Roy Crabtree
Chairman

Charles F. Baird
Charles R. Bronfman
Pierre Côté
G. Arnold Hart
Lorne C. Webster

Donations Committee

Betty Kennedy
Chairman

Claire P. Bertrand
John H. Devlin
Donald S. Harvie
Fred H. McNeil
The Hon. Victor de B. Oland

Management Resources and Compensation Committee

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Chairman

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F. S. Burbidge
Pierre Côté
Nathanael V. Davis
Louis A. Desrochers
G. Arnold Hart
Fred H. McNeil
William D. Mulholland
James C. Thackray

Pension Advisory Committee

William D. Mulholland
Chairman

Thomas M. Galt
Donald S. Harvie
Raymond Lavoie
Lorne C. Webster

The Executive Committee of the Board of Directors meets in Montreal, with William D. Mulholland, Vice-Chairman of the Committee, presiding.

The Donations Committee of the Board of Directors holds a regular meeting under the chairmanship of Betty Kennedy.

Head Office

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Chief Executive Officer

Vice-Chairmen

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J. H. Warren

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Chief General Manager

J. A. Whitney
Chairman, Credit Policy Committee

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R. Muir
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L. R. O'Hagan
J. E. Toten

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Senior Vice-President
and Comptroller

Vice-Presidents

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H. A. Erian
C. M. Stuart

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T. G. Handley
Senior Vice-President

Vice-Presidents

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M. B. Lowe

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G. L. Reuber
Executive Viĉe-President

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F. Ballmann
Vice-President

Treasury

G. E. Neal
Senior Vice-President
and Treasurer

Vice-Presidents

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F. P. Keefe
I. A. C. McCallum
A. G. McNally
R. B. Wells

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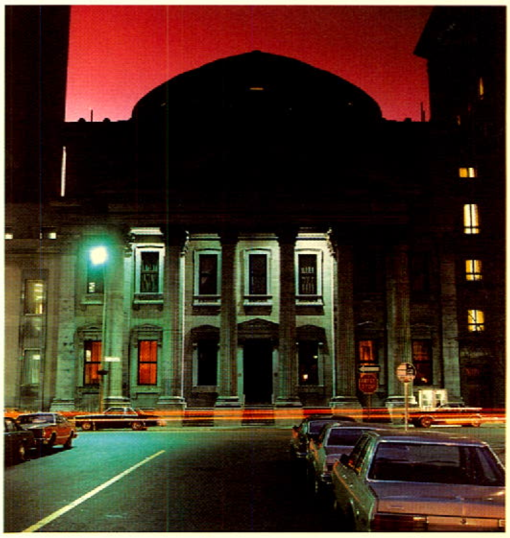
Senior Vice-President,

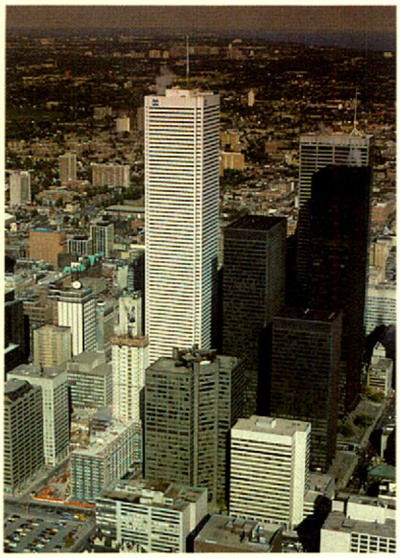
Leasing

H. M. Smith
President,
CDL Corporation, Ltd.



The Bank's Head Office on Place d'Armes in Montreal, the city where the Bank was founded in 1817.

FirstBank Tower at First Canadian Place houses the Bank's Toronto offices.



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Executive Vice-President and General Manager

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R. G. Lammers
E. L. Mercaldo

Vice-Presidents

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L. H. Boynton
K. R. Bushell
G. W. G. Day
C. E. Garin
H. C. Hartmann
W. H. Hill
J. D. Jenikov
E. Y. Little
G. D. Nash
F. M. Thomson
A. S. Yankovich

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Assistant General Manager

D. Munford

Vice-Presidents

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J. V. Guntensperger
R. C. Legge
D. E. McLean
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K. J. Summers

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Senior Vice-President

Vice-Presidents

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F. A. Comper

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D. G. Parker
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C. D. J. Troutman

- *Alberta Division*

A. N. Tait
Senior Vice-President

Vice-Presidents

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W. Holmes
R. G. Ketcheson
L. E. McDannold

▪ *Manitoba/Saskatchewan Division*

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Senior Vice-President

Vice-Presidents

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R. Holmes

▪ *Western Ontario Division*

R. A. Franklin
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G. L. Purcell
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Vice-President

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M. W. Barrett
Senior Vice-President

G. C. Strachan
Vice-President

▪ *Quebec Division*

P. MacDonald
Senior Vice-President

Vice-Presidents

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J. R. G. Jarry
J. G. J. Savard

▪ *Atlantic Provinces Division*

J. R. Ellis
Senior Vice-President

▪ *Current Asset Finance Division*

A. Taylor
Vice-President

Corporate Banking Group

Toronto

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Executive Vice-President and General Manager

Senior Vice-Presidents

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Deputy General Manager
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J. J. Byrnes
J. D. Gibson
D. W. Gough
S. W. Henry
B. C. Marshall
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N. F. Potter
P. D. Waters

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M. J. S. McNab
V. Schwartz
D. F. Willis

Montreal

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

R. H. Nicholls
Vice-President

Calgary

R. R. Curtis
Senior Vice-President and Deputy General Manager
Western Operations

Vice-Presidents

G. W. Scalf
W. G. Wright
J. L. Richard

Vancouver

M. A. Graham
Vice-President

Canada

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
B3J 1M5

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

Metropolitan Ontario Division

Eastern and Northern Ontario Division

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

Western Ontario Division
Northern Life Tower
Suite 2300
380 Wellington Street
London, Ontario N6A 5C3

Manitoba/Saskatchewan Division
330 Portage Avenue
Winnipeg, Manitoba
R3C 0C3

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

British Columbia Division
First Bank Tower
595 Burrard Street
Vancouver, B.C. V7X 1L5

▪ *Corporate Banking Group*

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

▪ United States

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

Chicago, Illinois
30 North LaSalle Street
Suite 3930
Chicago, Illinois
U.S.A. 60602

Houston, Texas
1 Houston Center
Suite 1106
Houston, Texas
U.S.A. 77010

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. 94104

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

Canada Division

First Bank Tower
First Canadian Place
Toronto Ontario M5X 1A1

Europe

Europe, Middle East and Africa Division
246 Bishopsgate
London, England
EC2M4PA

London, England
47 Threadneedle Street
London, England EC2R8AN

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

Federal Republic of Germany (West Germany)

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

Frankfurt
D-6000 Frankfurt am Main 17
Ulmenstrasse 37-39
Postfach 17-4075
Federal Republic of
Germany

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

Mexico & Central America

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

South America

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

Caracas, Venezuela
Edificio Centro Altamira
Avenida San Juan Bosco
Altamira
Caracas 106
Venezuela

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

Asia Pacific

Asia/Pacific Division
UIC Building
33rd Floor, 5 Shenton Way
Singapore 0106
Republic of Singapore

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

Jakarta, Indonesia
15th Floor, Wisma Kosgoro
JL M H Thamrin 53
Jakarta, Indonesia

Manila, Philippines
14th Floor, Metrobank Plaza
Building
Buendia Avenue Extension
Makati
Metro Manila, Philippines

Bombay, India
Maker Towers E.
Office No 41-A-2
4th Floor
Backbay Reclamation
Cuffe Parade
Bombay 400 005, India

Seoul, Republic of Korea
4th Floor, Dong Sung
Building
17-7, 4-Ka, Namdaemun-Ro
Chung-Ku
Seoul, Republic of Korea

Singapore, Republic of Singapore
UIC Building
27th Floor,
5 Shenton Way
Singapore 0106
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

Angel Square in the heart of Mexico City, where the Bank first opened a branch office in 1906.

Modern towers rise above traditional sampans in the harbour of Singapore, headquarters of the Bank of Montreal, Asia, Limited.

United States

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

President,
J. J. Byrnes

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

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

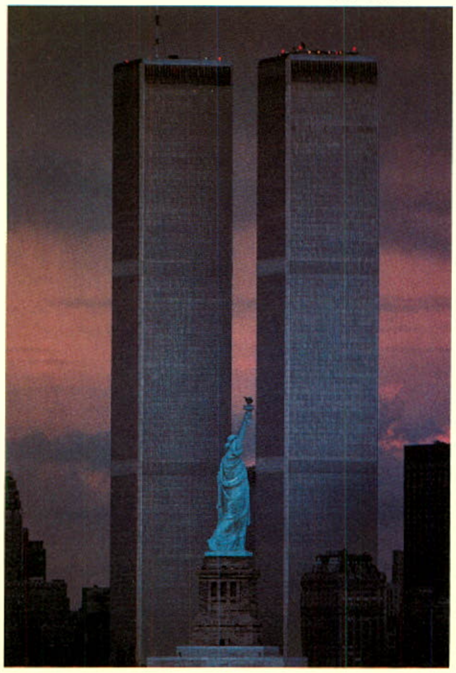
**** Bank of Montreal (California)**
425 California Street
San Francisco
California 94104

President
D. A. Lunney

The Bank of Montreal (California) is chartered by the State of California with full commercial banking powers. With branches in San Francisco and Los Angeles, it offers credit and other banking services to business in the western United States. The Bank actively provides financing for real estate development, geothermal energy and natural resource projects and for other corporate purposes.

Directors	Branches
Resident in San Francisco **R. D. Mackenzie** **D. A. Lunney**	San Francisco Branch 333 California St. San Francisco 94104
Resident in Los Angeles **D. P. Renda**	Los Angeles Branch United California Bank Building 707 Wilshire Blvd. Suite 4840 Los Angeles 90017
Resident in Calgary **F. H. McNeil**	
Resident in Toronto **W. B. Bateman**	
Resident in New York **J. J. Byrnes** **J. M. Denson**	

The twin towers of the World Trade Center frame the Statue of Liberty in New York, where the Bank's offices are located on Wall Street.



The Golden Gate Bridge in San Francisco, where the Bank of Montreal (California) main office is located.

Bahamas

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

Bank of Montreal International Limited was incorporated in the Bahamas in 1975 and registered as a non-resident corporation. The Bank participates in offshore lending activities, principally medium-term Eurocurrency loans, and as a non-resident bank is precluded by law from doing business in the local Bahamas market.

Assets	U.S. $655.4 million
Capital	U.S. $ 40.7 million

*as at October 31st, 1980. These results are unconsolidated, that is, exclude Bank of Montreal (Bahamas & Caribbean) Limited.

Directors

Managing Director
J. N. Baillie

Resident in the Bahamas
K. G. L. Isaacs, C.B.E., Q.C., Chairman
Sir G. W. Henderson, Kt., Q.C.
A. J. Miller, M.B.E.
J. N. Baillie

Resident in Canada
W. D. Mulholland
N. F. Potter
J. H. Warren

**** Bank of Montreal (Bahamas & Caribbean) Limited**
Harrison Building, 3rd Floor
P.O. Box N7118
Nassau, Bahamas

Bank of Montreal (Bahamas & Caribbean Limited) is a full service retail bank serving the local Bahamian market. It is the only clearing bank incorporated in the Bahamas. Two branches are located in Nassau, and one in Freeport.

Assets	Bah. $119.0 million
Capital	Bah. $ 4.4 million

*as at September 30, 1980. The Bahamian dollar is at par with the U.S. dollar.

Directors

Managing Director
W. H. Hill

Chairman
Sir Guy W. Henderson, Kt., Q.C.
A. J. Miller, M.B.E.
W. H. Hill

Resident in the Bahamas
T. Baswell Donaldson, C.B.E., F.I.B. Ph.D.,

Resident in Canada
W. D. Mulholland
N. F. Potter
J. H. Warren

Branches

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

Nassau Branch
Harrison Building
P.O. Box 3922
Nassau, Bahamas

Bay and East Streets Branch
P.O. Box N 3922
Nassau, Bahamas

Brazil

**** Banco Brascan de Investimento, S.A.**
(principal holding of Empresa Tecnica de Organizaca E. Participacoes S.A.)
Rua da Candelaria
60-10 andar
Rio de Janiero – GB
Brazil

Banco Brascan is a Brazilian investment bank with headquarters in Rio de Janeiro and offices in Sao Paulo and six other major cities. Its principal activity is providing medium term loans, in both local and foreign currencies, for capital investment and working capital needs. It also manages pension and mutual funds, underwrites debentures and stock issues and leases real estate. Through its subsidiaries the Bank offers consumer financing, equipment leasing, and money management.

President
Pedro Leitao da Cunha

The Netherlands

**** First Canadian Financial Corporation B.V.**
c/o Caron & Stevens
Gebouw Hirsch
Leidseplein 29
1017 Ps Amsterdam
Postbus 19178
The Netherlands

Established in Amsterdam in 1971, First Canadian Financial Corporation B.V. is a holding company for various investments of the Bank of Montreal. Its assets include its wholly-owned subsidiary, the First Canadian Financial Corporation Ltd. of Hong Kong and participation in companies in Europe, Australia and Asia.

The port of Nassau, in the Bahamas, where the Bank has two subsidiaries, Bank of Montreal International Limited, and Bank of Montreal (Bahamas and Caribbean) Limited.

Big Ben on the Parliament buildings in London, the city where the Bank's offices for Europe, Middle East, and Africa are located.

ong Kong

rst Canadian Financial orporation Limited
exandra House
th Floor 16-20 Chater Rd.
ong Kong

Incorporated in 1973 as a deposit-taking company in Hong Kong, FCFC provides loan syndication and other wholesale financial services to local and multinational corporations as well as other financial institutions. Its principal activities comprise loans to corporations involved in shipping, real estate and manufacturing.

Managing Director
T. E. Weidman

Assets	U.S. $185.8 million
Capital	U.S. $ 17.7 million

*as at October 31, 1980

ngapore

ank of Montreal sia Limited
th Floor, U.I.C. Bldg.
Shenton Way
ngapore 0106
epublic of Singapore

Incorporated in the Republic of Singapore in 1978, BOMAL is empowered to provide a wide range of financial services both in Singapore and abroad. It plays a prominent role in the loan syndication field primarily in the Asia Pacific area.

Managing Director
C. K. Wong

nada

st Canadian estments Limited
t Bank Tower
t Canadian Place
onto, Ontario
(1A1

Since 1979, when it became a wholly owned subsidiary of Bank of Montreal, First Canadian Investments Limited (FCIL) has served as the principal mortgage funding vehicle of the Bank. Acquiring mortgage assets from the Bank, FCIL's assets grew to approximately $1.74 billion at year end.

Funding operations are carried out under the supervision of the Bank's Treasury Division and all of the company's borrowings are guaranteed by Bank of Montreal.

Chairman
R. Giroux, C.C.

President
G. L. Reuber

Assets	$1,739.0 million
Capital	$ 113.1 million

nkmont Realty mpany Limited
St. James Street,
treal, Quebec,
1L6

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

President
G. L. Reuber

General Manager
J. W. McCool

Assets	$69.1 million
Capital	$ 9.1 million

nadian Dominion asing Corporation nited
ing Street East,
onto, Ontario
C 1C2

A wholly-owned subsidiary since 1978, Canadian Dominion Leasing Corporation Limited both leases and finances the purchase of equipment ranging from small office machines to large ticket items such as generating plants. Based in Toronto, CDL has 17 offices from coast to coast.

Chairman
B. H. Rieger

President
H. M. Smith

Assets	$287.7 million
Capital	$ 4.4 million

** *The financial statements of the asterisked subsidiaries are included in the consolidated financial statements of the Bank of Montreal.*

Canada

First Canadian Mortgage Fund,
First Canadian Place,
First Bank Tower,
Toronto, Ontario M5X 1A1

BM-RT Realty Investments,
Royal Trust Tower,
Toronto, Ontario M5W 1P9

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

Australia

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

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

Europe

Banque Transatlantique,
17 Boulevard Haussmann,
Paris, France 75428
Cedex 09

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

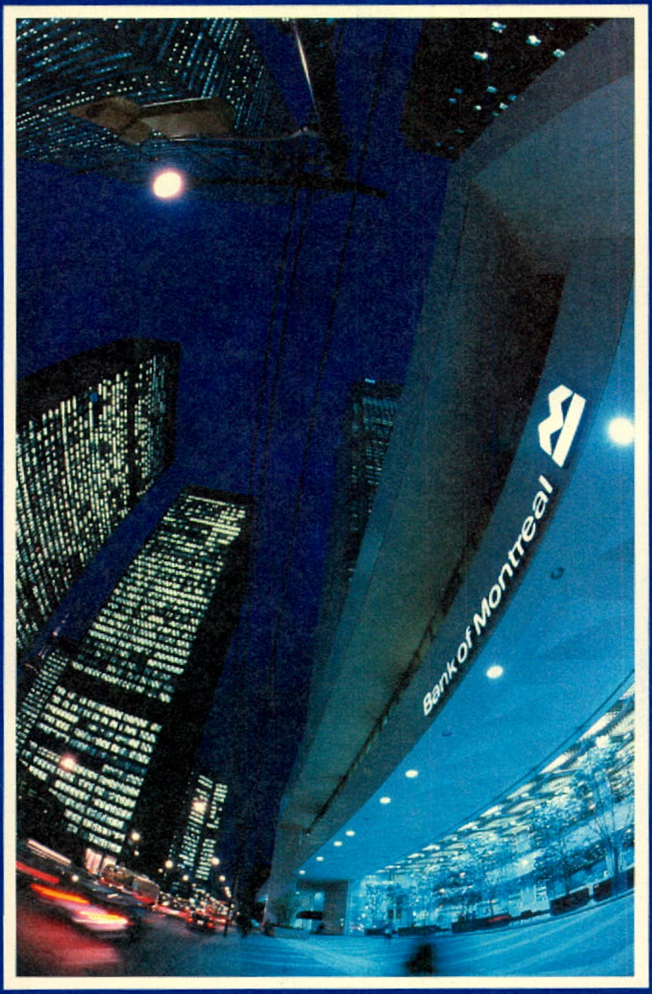
London Office, IRFB
18 Finsbury Circus,
London, England EC2M 7B

Allgemeine Deutsche Credit-Anstalt,
6000 Frankfurt am Main,
Lindenstrasse 27,
Federal Republic of
Germany

Meeting Notice

The 163rd general meeting of the Bank of Montreal's shareholders will be held on Monday, January 19th, 1981, at 10:30 a.m., at the Château Champlain, Place du Canada, in Montreal. The Bank of Montreal's shareholders are invited to attend the meeting.

Legal deposit, 4th quarter (1980)
Bibliothèque nationale du Québec (On peut obtenir sur demande un exemplaire français)



First Canadian Place, a spectacular Toronto landmark in the heart of the financial district, at King and Bay Streets, houses the Bank's Toronto main office as well as other Bank units. The seventy-two storey, marble-clad FirstBank Tower, tallest bank building in the world, includes several architectural and engineering innovations.

A second tower, under construction, will house the Toronto Stock Exchange.

Bank of Montreal 1980