BANK OF MONTREAL

166th
Annual Report
1983

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The 43-storey office tower, First Canadian Centre, was opened in January, 1983, a half-mile from where the Bank of Montreal opened its first branch in Calgary in 1886. The granite tower is the new home of the Bank's executive offices for Western Canada. On the lower left of the building is the glass-walled banking pavilion of the new Main Branch of Calgary.

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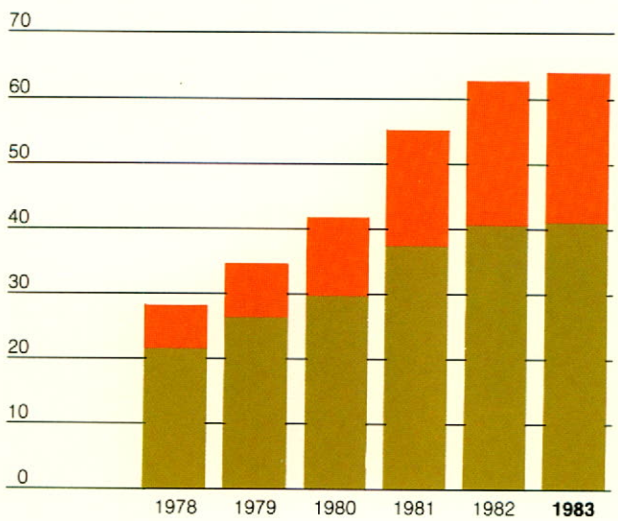
Bank of Montreal, founded in 1817, is the oldest bank in Canada. It has participated in many projects furthering Canadian development, including the first canals, railway and telegraph, construction of the transcontinental Canadian Pacific Railway, major hydroelectric projects and the development of the energy and mining industries. The first foreign representation in London and New York was established in 1818. The Bank's continuing role in promoting Canadian trade abroad and in securing foreign sources of capital for development projects has contributed significantly to Canada's economic growth.

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

($ in thousands except per common share amounts)

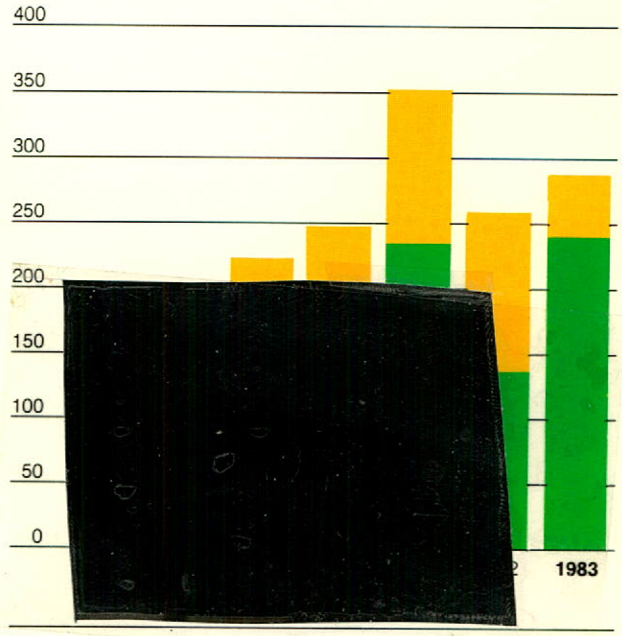
	1982	1983
For the Year Ended October 31		
Net income	$ 257,046	**$ 282,550**
Dividends		
Common shares	121,338	**126,486**
Preferred shares	33,106	**34,029**
At Year End		
Assets	$62,026,965	**$63,194,231**
Loans	44,082,067	**41,546,319**
Deposits	53,874,626	**55,319,685**
Capital and contingency reserves	2,315,852	**2,387,561**
Per Common Share		
Net income	$ 3.70	**$ 3.87**
Dividends	1.96	**1.96**
Book value	30.29	**30.52**
Other Statistics at Year End		
Number of common shares	62,552,739	**65,383,266**
Number of common shareholders	68,102	**74,481**
Number of branches	1,259	**1,218**
Number of employees	29,866	**29,125**

Total Assets
($ in billions)



At year end	31.3	37.3	47.5	62.4	62.0	**63.2**
Average						
Domestic	21.1	25.5	29.9	37.3	41.2	**41.3**
International	6.8	8.8	11.6	17.7	21.6	**22.4**
Total Bank	27.9	34.3	41.5	55.0	62.8	**63.7**

Net Income
($ in millions)



Domestic	143.7	169.7	157.8	235.3	138.7	**234.0**
International	42.9	52.4	89.3	117.6	118.3	**48.6**
Total Bank	186.6	222.1	247.1	352.9	257.0	**282.6**

Chairman William D. Mulholland answers questions at a news conference in Chicago at which a proposed association with Harris Bankcorp was announced, subject to approval by U.S. regulatory authorities and shareholders.

It's a changing world!

More attention is currently being devoted to analyzing changes in the Canadian and world economies than at any time in recent memory, but the focus is mostly on short-term change, specifically relating to the transition from recession to recovery. Equally, if not more important, however, are certain developing features of the economic landscape that herald major and long-term changes, and these are of particular significance to us. Whether we are in recession or recovery, it is clear that national economies are becoming more highly interdependent, financial markets more integrated, and technological advances in telecommunications and automation a driving force of increasing intensity. These basic trends are among those shaping the context in which economic recovery will take place and the competitive environment in which businesses such as our own must plan their strategies.

Two of these long-term trends became highly visible during the recession. The degree of our economic interdependence was underlined by the three-year period of stagnation in world trade, unprecedented in the post-war era. Continuing concern about the protectionist threat, even as the recovery proceeds, stems from the fact that in all the major industrial and developing countries, particularly in Canada, a large slice of output, and employment, is derived from trade.

The second long-term trend, the integration of worldwide financial markets, is largely the product of rapid expansion in world trade during the past 30 years, combined with technological advances that facilitated international communications and capital flows. The extent of this integration was underlined during the recession by the so-called international debt crisis. Integration may then have seemed a negative development, but it has since been put in a more positive light by the co-operative debt management efforts of official agencies and financial institutions. Their success is due, in no small way, to their appreciation of the reality of financial integration and economic interdependence.

The Bank has, of course, been affected by the recession and its aftershocks, most recently by slack loan demand. But its basic business strategy is a long-term one, reflecting long-term economic and financial trends. Throughout the recession, this strategy has remained constant.

Our strategy has three main elements. The first is to reinforce the Bank's capacity to expand its business and to compete effectively across North America and in major financial centres overseas. For example, we are building on our Canadian base, placing major emphasis on improving and extending our service capabilities in the principal domestic markets. Middle-sized and independent Canadian business will be served in future by a group whose sole concern is the special needs of these customers. Our personal banking clients are also being given specialized attention, in a continuing effort to improve the quality of service. For our large corporate and institutional customers, we have evolved over the last few years a system of worldwide account management; and we now have in place an international treasury organization which deals in all the world's major financial markets and is active, somewhere in the world, around the clock.

To support this organization, we have been building a global transactions processing and information system. This, the second element in our strategy, is a major undertaking which began five years ago and will enormously improve our service capability, as well as dramatically change the way we conduct our business. All foreign units are being automated, utilizing Bank-developed state-of-the-art systems, and these are being brought "on line" and integrated with the Canadian on-line banking system, which has been modified to accommodate this development. Just as automation has been used to support the Bank's Canadian branches, so it will be employed to support the Bank's international network. Of even greater significance, however, is the fact that these two networks—domestic and international—will soon be operating as one.

A third element of our strategy is the recruitment of high calibre men and women and the training of banking professionals, without whom everything else we are doing becomes meaningless. This is probably our greatest single challenge. It entails both overcoming the weaknesses in our skills inventory, and training our personnel in the individual and team skills required to operate in a dramatically new environment, all the while maintaining a strong competitive face to the market.

An initiative of significance to the Bank's global business strategy and of special interest to shareholders, is the agreement providing for the merger of a wholly-owned subsidiary of Bank of Montreal with Harris Bankcorp, Inc., of Chicago. Harris Bankcorp is the parent of Harris Trust and Savings Bank, Chicago's third largest bank and 33rd largest in the United States. The Harris Bank is a well-capitalized, conservatively managed bank, in business for more than a century and enjoying an excellent reputation. The proposed merger, which is subject to approval by Harris shareholders on January 18 and by regulatory authorities in the United States, would significantly increase our operations in the world's largest banking market.

It is particularly important for Canadian banks to have a strong presence in the United States, which is, by far, Canada's most important trading partner. To cite just one dimension of this relationship, each country is the other's largest export market and their two-way merchandise trade, amounting to $106 billion in 1982, exceeded that between any other two countries in the world. The Tokyo Round tariff cuts as well as various sectoral initiatives will open up new opportunities in coming years and could result in a substantial increase in Canada-U.S. trade.

The federal government, in an important new paper on trade policy issued during the year, points out clearly the extent to which the livelihood of Canadians depends upon trade. One of the ways Canada can increase its exports, the paper suggests, is by using the strengths of Canadian banks established in other countries. The same document notes that banking services themselves constitute an important Canadian export; they earn substantial foreign exchange and "make an important contribution to Canada's exports of sophisticated high-value services and offer potential for further export growth."

Acquisition of Harris will allow us to expand considerably our services to our Canadian customers in the United States and vice-versa. At the same time, it will help to promote bilateral trade and to strengthen the Bank's competitive position in key markets.

It is important for Canadian banks to have a strong international presence—and this implies expansion in the U.S.—for other reasons. One is to become internationally competitive. Barriers to foreign banks in Canada are falling, as indeed they should. As a result, Canadian banks must be internationally competitive, not just to succeed in foreign markets but also to maintain their competitive position in the domestic market. Competing with international banks requires large sustained investments, and the Canadian market is too small to support investment at the level required. Canadian banks must therefore go abroad to achieve the economies of scale, and to perfect the skills, which will allow them to compete with other world-class institutions.

Expansion into the large and politically stable U.S. marketplace helps us achieve those economies of scale, while at the same time providing our Canadian customers— —

entrepreneurs, traders, and investors—with a Canadian affiliated full service alternative for their U.S. banking needs.

Harris management, in endorsing the proposed merger, has given similar reasons: by merging with a larger bank, Harris would benefit from economies of scale—with substantial benefits also accruing to their U.S. customers.

For both institutions, the complementary nature of their respective businesses constitutes a strong argument for joining forces. The Harris Bank has a substantial regional and national commercial banking business, particularly in the midwest; the Bank of Montreal, while enjoying a large business in the United States, is concentrated largely in the east and in the far west. In the trust and investment management area, the Harris ranks as one of the leading banks in the United States; the Bank of Montreal has no capability in this area, but its advanced securities processing and information systems, with their international capability, complement the Harris services and will thus provide substantial potential benefits to both. Similarly, the Harris, a predominantly "domestic" bank, will be able to offer to its customers a wider range of international services, while contributing additional throughput from its U.S. customer base to the Bank of Montreal's international network.

Shareholders will understandably question whether international status doesn't entail greater risk. In some ways it does. We feel, however, that the competitive risks of standing still are even greater, while the banking risks, on the other hand, can be managed. With some of the best banks in the world entering the Canadian market, and racing to offer corporate customers worldwide banking services, the Canadian bank that neglects to take the steps necessary to provide at least a comparable level of service will, in the long run, find itself at a competitive disadvantage. If we fail to equip ourselves now to compete successfully, we shall have failed both our customers and our shareholders.

Our success in future years will depend on how well we answer two basic questions. First, how current and comprehensive is our information and how quickly and effectively can we act upon it? Second, how skilled is our staff and how effectively is their skill focused upon the banking needs of our customers? In essence, our global banking strategy is directed to producing positive, profitable answers to these questions.

The best insurance against banking risks is, of course, sustained economic growth and financially healthy customers. In this regard, the understanding by governments and their citizens of the realities of international economic interdependence, and of the importance of an open and dynamic world trading system, still has some way to go. Businesses, on the other hand, will be well advised to press on with efforts to rebuild their balance sheets by broadening their equity bases, by controlling growth in their debt, especially short-term debt, and by improving their cost competitiveness and profitability. Though such a prescription may not result in an immediate resumption of buoyant demand for bank credit in Canada, it will establish strong foundations for sustainable growth in business investment. The sooner this occurs, the better. Strong investment performance is absolutely necessary to ensure the productive efficiency and international competitiveness of our economy, without which our hopes for inflation-free prosperity and strong job creation will be in vain.

William D. Mulholland,
Chairman of the Board

The world economy is on the mend and the outlook for 1984 is for continued improvement. A recovery from the global recession began in the United States and Canada early in 1983, spread gradually to other industrial nations, and by year's end was also beginning to have a positive impact on the economies of developing countries.

Especially significant is the fact that inflation rates continued to decline during the year and there was much greater stability in world financial, oil and commodity markets. This trend is expected to continue.

The strength of the recovery both in the United States and Canada stemmed from changes in economic policies. Both countries adopted more expansionary monetary policies, which brought about a dramatic fall in interest rates that served to expand real output and employment. Growth in output in the United States leapt ahead at an annual rate of 6.7% during the first three quarters of 1983, and employment through November grew by a strong 3.6% over its trough in December 1982. In Canada, the rebound was even stronger: growth in output amounted to 7.5% for the first three quarters, and the employment gain through November was a strong 3.6% over its low point in November 1982.

Both countries, like those throughout the industrial world, continued to record a decline in inflation rates. In the United States, the 12 month rate of inflation dropped to 2.9% from 6% in 1982; in Canada, to 4.9% (October) from 10.5% a year earlier; and in the industrial world as a whole, to 5% from 7.5%.

Despite significant growth in employment, and reductions in unemployment rates, both Canada and the United States continued to experience high unemployment.

The continued deterioration of the U.S. trade balance was a source of weakness in the United States' economy. This was due to the relative strength of the U.S. economy compared to markets outside North America and to the continuing strength of the U.S. dollar. The dollar's strength stemmed mainly from the massive inflow of long-term capital, reflecting the attractiveness in the United States of long-term interest rates and equity markets, its political stability, and recent changes in tax and investment laws.

In Canada, the large 1982 trade surplus slipped moderately over the course of the year, as imports rose more rapidly than exports as the recovery took hold.

World trade continued to be threatened by a rise in protectionism, especially in the form of non-tariff barriers, most notably government export subsidies. The rise in protectionist pressure was prompted mainly by the persistence of high levels of unemployment.

A positive development in both the United States and Canada was the marked improvement in business profits. This, combined with lower interest rates and rising stock market values, provided corporations with the opportunity to restructure their balance sheets. By the end of the third quarter, however, Canadian corporations still had a long way to go to reach pre-recession levels of balance sheet health.

Of vital importance to Canada's economic performance last year was the return of stability to the financial markets. For the first time in many years, there was very little change either in the external value of the Canadian dollar, or in the prime lending rate, which at year's end was 11%, unchanged since April.

As 1983 progressed, there were signs of developing strength in the United Kingdom, Germany, and Japan, but the pace of recovery in these countries lagged well behind that in the U.S. and Canada. In other parts of the industrial world, however, economic activity was even less buoyant.

Drastic deflationary policies, curtailment of hard currency imports, and increased exports of Soviet oil restored a measure of balance to

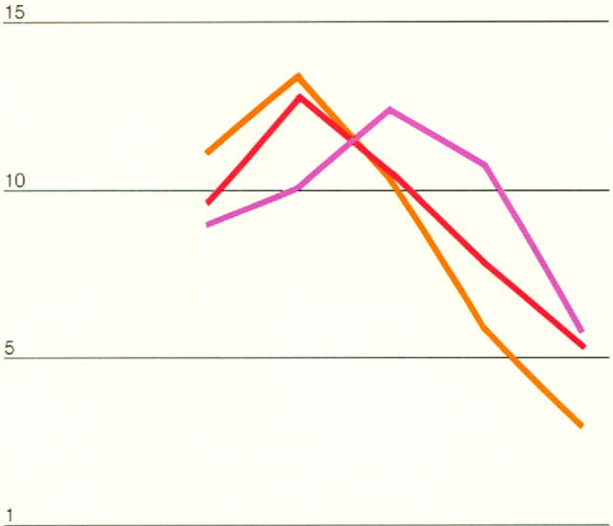
Eastern Europe's external accounts. These external improvements were, however, at the expense of lower growth and, in some cases, higher domestic inflation.

Developing countries still face serious economic problems, although there was a slight improvement in their situation during 1983. The sharp decline in interest rates of the previous year worked its way through to lower interest payments on floating rate debt. In addition, export demand and prices for commodity exports began to pick up as the industrial economies began to recover. Oil-importing developing countries were helped by the significant drop in the world price of oil.

Co-operation among the International Monetary Fund, governments, and the international banking community led to positive debt reschedulings with new funds being made available to some countries that were effectively shut out of the Eurodollar loan market. Many of the heavily indebted developing countries implemented austerity programs aimed at deflating their economies and reducing their demands for foreign exchange. These policies were largely responsible for the continuing weakness in output performance in the developing world.

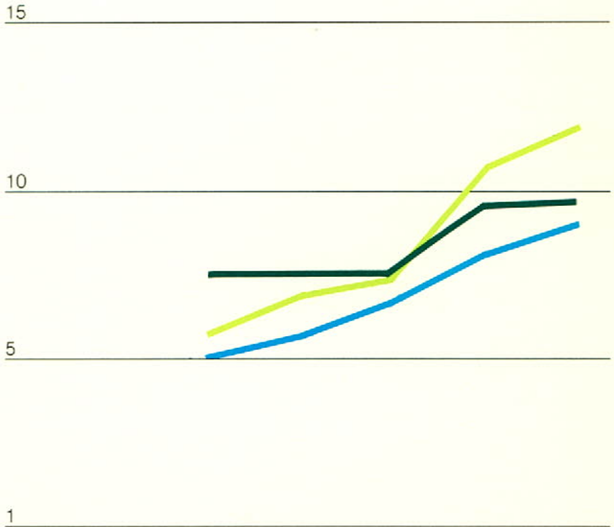
In sum, there were positive economic developments in 1983 in many parts of the world, and because of world economic interdependence,

Consumer Price Index



	1979	1980	1981	1982	**1983***
Canada	9.2	10.2	12.5	10.8	**5.8**
United States	11.3	13.5	10.4	5.9	**3.0**
OECD Average†	9.8	12.8	10.5	7.8	**5.3**

Rate of Unemployment



	1979	1980	1981	1982	**1983***
Canada	7.5	7.5	7.6	11.0	**12.1**
United States	5.8	7.1	7.6	9.7	**9.8**
OECD Average†	5.1	5.8	6.7	8.4	**9.2**

*1983 figures are Bank estimates.
†OECD countries are Australia, Austria, Belgium, Canada, Denmark, Federal Republic of Germany, Finland, France, Greece, Iceland, Ireland, Italy, Japan, Luxembourg, The Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, United Kingdom, U.S.A.

their influence is widening. In general, the effect of developments this past year, both in the developing and the industrial world, appear to be laying the foundations of an era of greater economic stability and progress.

Outlook

For 1984, the outlook is for continued emergence from the recession, led by the United States and Canada. The inflation performance will continue to be positive and consumer confidence will grow. Business investment is expected to be strong and the prospect of relatively stable interest rates and prices, as well as continued growth in consumer spending, will have an increasingly positive effect.

European countries will experience a more sluggish recovery. Most European countries will continue to face serious obstacles to renewed growth, including outdated industrial profiles, rigidities built into employment patterns and a demographic bulge in youth labour force growth.

Overall, real GNP growth in the industrialized countries is likely to be around 3.25%, a substantial improvement over recent years, but one which will be dominated by developments in North America.

The key player will be the United States. The Federal Reserve Board is committed to holding down the rate of inflation, even at the price of a slower recovery and only a gradual decline in unemployment. The U.S. federal government deficit remains a major question mark, as it could dampen the recovery in 1985 and beyond by pushing up interest rates or, less likely, could prompt the Federal Reserve to expand the money supply to accommodate the deficit, thus re-fueling inflation.

The revival of activity in the industrialized world is, of course, good news for the developing countries, which rely heavily on industrial countries' markets for their exports. A major concern, however, is the growth of protectionist pressures, which constitute a continuing threat to world prosperity. Should governments yield to these pressures, economic recovery will be compromised. Even with increased export earnings and austerity measures to control domestic demand, developing nations will continue to depend upon international financial markets to an important extent and a major challenge will be to develop adequate responses to the requirements of these countries.

William E. Bradford
Deputy Chairman

The Bank's business performance in 1983 was conditioned by the economic and financial environment in Canada and the world marketplace. It presented a mixed picture. The key negative feature was slack business demand for bank credit in most industrialized countries In Canada, business loans by banks actually decreased by 14%. The key positive features were the sharp reductions in interest rates to more affordable and stable levels, and moderate growth in residential mortgage lending. Stable interest and exchange rates during the latter half of the year, however, afforded less opportunity for trading profits.

The Bank's financial results reflected these economic cross-currents, as earnings increased moderately in the fiscal year 1983. Net income was $282.6 million, an increase of $25.5 million or 9.9% above the previous year. In terms of net income per common share, this represented $3.87 in 1983, compared to $3.70 in 1982.

As a result of the improvement in net interest and other operating income, combined with disciplined cost control, the Bank's income before tax increased by $143.8 million, or 60.2% in the year. The rise in net income was considerably more modest, however, because of a $118.2 million increase in the provision for income taxes. This disproportionately large increase in income taxes reflected mainly a decreasing proportion of non-taxable to total interest income.

Grant L. Reuber
President

Because of weak loan demand, the Bank experienced excess liquidity during most of the year and its assets grew but marginally. At October 31, 1983, assets totalled $63.2 billion—$1.2 billion or 1.9% higher than a year earlier. Loans were down $2.5 billion to $41.5 billion. At the same time, the Bank registered a strong inflow of relatively inexpensive savings and demand deposits in Canada. The resulting liquidity was profitably invested in securities, primarily Government of Canada treasury bills. The Bank's dependence on money markets for domestic funding has for some time been minimal, putting it in a strong position to take advantage of a recovery in loan demand.

Although asset growth was marginal, net interest income rose $211.6 million, or 15.4%, to $1,581.7 million. The improvement came largely in Canada, where interest spreads widened to more normal levels after having been sharply compressed in 1982. This trend was reinforced by the inflow of domestic savings and demand deposits. Interest revenues were also boosted by significantly improved yields on non-current loans.

Other operating income rose $60.6 million, or 17.3%, to $411.1 million. This reflected increases both in transaction volumes and fees on a broad range of financial services.

Non-interest expense, in contrast, rose moderately, by $86.1 million or 7.4% to $1,249.1 million. Strict control of expenses reduced the rate of increase to less than half that registered the previous year—despite major investments in the worldwide expansion of the Bank's automated systems and expenses associated with the Domestic Development Program.

Net income as a percentage of average assets was 0.44% in 1983, compared to 0.41% in 1982. The return on domestic operations increased to 0.57% in 1983 from 0.34% a year earlier, largely reflecting more normal spreads. Return on average assets for international operations declined to 0.22% from 0.55% in 1982, mainly reflecting a compression of spreads in international financial markets and increased operating expense.

In 1984, the Bank intends to refine further its policy of maintaining appropriate reservations against sovereign risks by establishing a "general specific reservation" against country exposure, in addition to specific reservations placed against individual loans to sovereign borrowers. The purpose of this "general specific reservation" is to permit management to provide from time to time against possible loan losses when in its judgement, regional liquidity or payments problems, or such problems affecting groups of countries with similar economic characteristics, are such as to give rise to concern—even though events may not, in fact, have occurred which would justify the classification of individual loans as "non-current".

Loan Portfolio Valuation

The Bank's policies governing the valuation of loan assets follow a consistent and conservative approach. Every loan (except those covered by mandatory write-off policies) is reviewed quarterly and if collectibility of the loan is in doubt, a "specific reservation" is placed against it and it is classified as "non-current". In addition, when arrears in the payment of interest or principal on a loan reaches 90 days, a review is automatically triggered and, if collectibility is in doubt, the loan is classified "non-current". If the arrears reach 180 days, a loan is automatically classified "non-current", regardless of the judgement as to its collectibility. Whenever a loan is classified as "non-current", all accrued and uncollected interest owing on such a loan, is deducted from current income and, thereafter, interest may be taken into current income only when it is received in cash. Every loan against which a specific reservation has been placed is classified "non-current". However, not every loan classified "non-current" necessarily has a "specific reservation" against it; this would depend upon whether there is doubt about its collectibility.

Specific reservations are deducted from loan balances shown on the balance sheet and are not included in capital funds as shown in the financial statements.

Specific reservations for losses on loans are intended to provide against the possibility that loan principal will not be repaid. The total in any given year of these specific reservations, less any reversals of specific reservations made in earlier years but no *longer required, and less any recoveries of loans previously written off, is referred to as current "loan loss experience". An averaging formula, which is based on the latest five years' "loan loss experience" and total "eligible loans" as defined by the Minister of Finance, is used to establish the "provision for losses on loans" as it appears in the Bank's financial statements. This provision is deducted from income. Generally speaking, the effect of the averaging formula is to smooth the charges to income in respect of loan losses, presumably in recognition of the fact that only over a period of time can the results be precisely determined.*

When a loan is judged to be partly or totally uncollectible, the loan is partially or wholly written off. There is ordinarily no impact on income when a loan is written off, since a reservation for the possible loss would have already been made.

In 1983, interest receipts on "non-current" loans increased significantly over 1982—to the point, in fact, where the yield on net "non-current" loans exceeded the average prime rate for the year. In part, this reflected the improvement in general economic conditions.

Although the "provision for losses on loans" charged to current income in 1983 increased by 13%, reflecting the effect of the five-year averaging formula, the growth in current "loan loss experience" reached its high point in the first quarter of 1983 and has evidenced a declining trend in succeeding quarters. This improving trend is expected to continue in 1984.

Current forecasts indicate that in 1984 a reduction in new specific reservations may be expected, as well as a relatively high level of recoveries of unpaid interest and principal (i) upon loans currently classified as "non-current" and (ii) upon loans already written-off. At the same time, while loan write-offs in 1984 may not necessarily decline as rapidly as new specific reservations, neither are they expected to increase dramatically.

Ordinarily, the expected effect of the foregoing would be a reduction in the "loan loss experience" for the year and also in the aggregate level of specific reservations which, at October 31, 1983, totalled $743 million. The effect of the establishment of a "general specific reservation", as we now see it, will be to slow, if not arrest, the decrease in the aggregate level of total specific reservations, which might otherwise be expected to occur, and to slow the rate of decline in the "provision for losses on loans".

As envisaged at present, the creation of such a "general specific reservation" is not expected to give rise in 1984 to incremental charges to income in respect of possible loan losses.

Until return to a more stable international economic environment is assured, your management believes that continued caution is appropriate.

Turning to the domestic scene, improvements in the Bank's domestic lending performance, in terms both of market share and loan quality, are expected to result from the Domestic Development Program. The Program, one of the more fundamental changes undertaken in branch banking operations and now more than half-completed, has proceeded with relatively few difficulties. The substantial commitment of resources to the Program is evidence both of the strategic importance of the Bank's Canadian operations and of the high priority accorded to raising the standard of service to Canadian customers. In both the personal and commercial markets, an enhancement of product lines, increased marketing activity and emphasis upon quality of service is the order of the day.

Concurrent with the Domestic Development Program, the process of integrating the functions of the International Banking Group with those of the Treasury and Corporate and Government Banking Groups is nearing completion, as is the evolution of these latter two Groups into organizations with world-wide capabilities.

With the completion in 1984 of these organizational changes, the Bank will have four operating groups, each with well-defined functional responsibilities and market mandates. Not only will this result in a stronger, more competitive Bank, but also it will usher in a period of organizational stability and a reduction in the costs, direct and indirect, necessarily associated with major change. The parallel evolution of the Bank's information systems, which is progressing well, will take somewhat longer to complete. It will support a Bank organization already in place which has been designed to operate in this new environment and to capitalize upon its competitive advantages.

The Bank's capital position remained strong throughout 1983. At October 31, 1983, the ratio of capital and reserves to assets stood at 3.78%, up from a year earlier. Capital and reserves reached $2,387 million by 1983 year-end, while total capital funds, including subordinated debentures, reached $3,116 million and amounted to 4.93% of total assets.

At present, the Bank's capital ratio is at its highest level in the past decade. This has put the Bank in a strong position to meet increased credit demand as the economy improves and to pursue major opportunities for growth, such as the proposed association with Harris Bankcorp. A broad capital base and long-term capital planning give the Bank flexibility in choosing the best timing and most favourable means to approach the capital markets for external financing.

G.L. Reuber
President

Business Profile

The Bank of Montreal is a major international financial institution, with a strong Canadian base. The Bank's diversified asset portfolio of $63.2 billion reflects its active presence in a broad range of markets. Its organization, which has evolved rapidly in the last decade, is market-oriented. This allows the Bank to adjust its business strategies to changing economic and market conditions.

The Bank has four line groups. Corporate and Government Banking offers a wide spectrum of credit products and fee-generating services to large corporations, institutions and governments. Canadian Commercial Banking was formed a year ago to make the same quality of service easily accessible to mid-market and independent business in Canada. Domestic Banking manages a panoply of retail financial services, including personal loans, and fills the strategic role of gathering core deposits, mainly from individuals. Treasury Group gathers funds for all groups in the money markets, and manages the Bank's liquid assets, investments and mortgage portfolio.

The distinct roles of the line groups are evident from an examination of the Bank's uses and sources of funds, depicted in the accompanying graph.

Credit operations, the principal use of funds, are largely the responsibility of three groups: Corporate and Government Banking, with a credit portfolio of $26.8 billion, including $3.1 billion in bankers' acceptances; Canadian Commercial Banking, with a portfolio of $8.4 billion; Domestic Banking, with a personal loan portfolio of $5.2 billion. The portfolios of the two commercial groups include $2 billion of loan substitution securities, consisting of income debentures, term preferred shares and small business development bonds. Credit operations also include $5.2 billion in mortgages managed by Bank of Montreal Mortgage Corporation, which operates under the aegis of Treasury Group.

Treasury manages $14.7 billion in liquid assets, such as Government of Canada treasury bills, and a small portfolio of longer term investments. In addition to money market and bond dealing, Treasury generates substantial income from foreign exchange trading.

Canadian currency loans are divided into the following major business categories: personal loans 27%; industrial, 14%; residential mortgages, 22%; construction and real estate, 7%; merchandise and financial, 10%; agricultural, 5%. The remainder are in diverse other business categories.

Loan activity in Canada dropped in 1983 due to the recession and a general reluctance among borrowers to increase their debt loads, as well as a return of companies to equity markets for financing. The business loans of Canadian Commercial Banking and Corporate and Government Banking declined, while personal loans showed an increase.

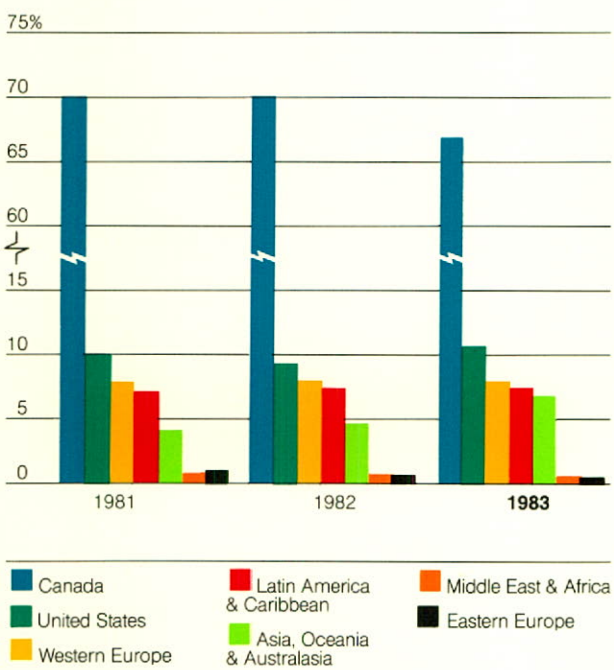
The drop in loan activity created excess liquidity, which was profitably invested by Treasury Group in short-term, high-yielding Government of Canada treasury bills, amounting to 7% of total assets, as compared to 3% in 1982. This higher than usual liquidity places the Bank in a strong position to take advantage of increasing loan demand as recovery takes hold.

Foreign currency lending, both in Canada and abroad, accounted for 44% of the loan portfolio and showed a slight increase. However, stiff competition for high-quality business in international markets kept spreads very narrow. Treasury Group increased its participation in international money markets, responding to profit opportunities and continuing its policy of broadening the business base.

The Bank's main source of funds is deposits, as is evident from the graph. Deposits fund 88% of assets. Responsibility largely rests with Domestic Banking, which manages core personal deposits amounting to $18.6 billion, and Treasury, which manages term deposits funding both Canadian dollar and foreign currency advances. Treasury deposits total $28.2 billion. Together, these two groups manage 85% of total Bank deposits.

Deposits grew moderately in 1983, as the Bank did not pursue deposits aggressively in a climate characterized by weak loan demand. Domestic Banking saw a significant shift in its Canadian currency deposits: more reasonably priced personal and commercial demand and savings deposits increased 9%, while more expensive term deposits decreased 12%, thus improving the deposit mix.

Geographic Distribution of Assets by Location of Ultimate Risk at October 31, 1983
(Percent of Total Assets)

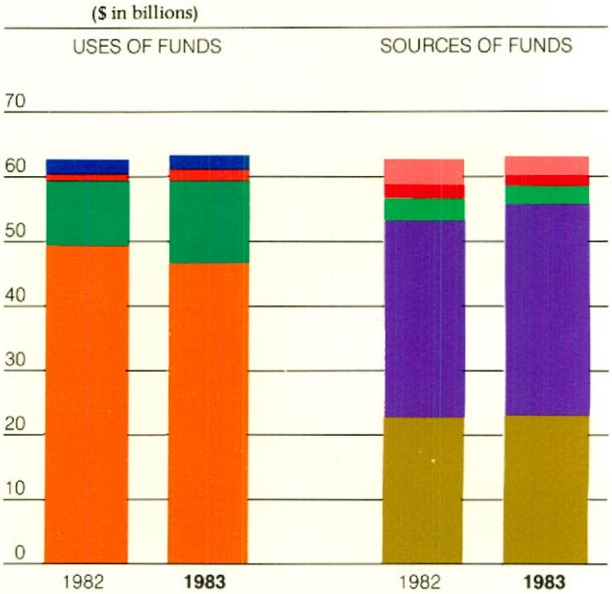


Distribution of Assets by Percentage

	1981	1982	**1983**
Canada	70.1%	70.1%	**66.7%**
United States	10.0	9.3	**10.6**
Western Europe	7.5	7.7	**7.9**
Latin America and Caribbean	6.9	7.2	**7.2**
Asia, Oceania and Australasia	4.2	4.7	**6.8**
Middle East, Africa	0.5	0.5	**0.4**
Eastern Europe	0.8	0.5	**0.4**

Business Profile
As at October 31

($ in billions)



($ in millions)

USES OF FUNDS	1982	**1983**
Credit Operations	$49,478	**$46,650**
Liquidity	9,571	**12,948**
Investments	1,042	**1,774**
Other Assets	1,936	**1,822**
Total Uses of Funds	$62,027	**$63,194**

SOURCES OF FUNDS	1982	**1983**
Personal Deposits	$22,025	**$22,132**
Commercial and Money Market Deposits	31,849	**33,188**
Acceptances	3,050	**3,065**
Other Liabilities	2,061	**1,693**
Capital Funds	3,042	**3,116**
Total Sources of Funds	$62,027	**$63,194**

In the planning of its global communications, transaction processing, and information systems, the Bank of Montreal has utilized the extensive experience in advanced systems and telecommunications which it acquired in the development of its domestic network over the past 15 years.

In Canada, a single integrated on-line network links over 1,650 service outlets—conventional branches, Commercial Banking Units, automated teller centres and customer terminals for "DirectLine" corporate cash management. This domestic system provides support for a wide range of commercial and personal transaction services, denominated in both Canadian and U.S. dollars.

The worldwide systems infrastructure, now being developed and installed as part of a long-range integrated plan, will support the requirements of the Treasury and commercial banking groups, both in Canada and abroad. The network will automate product delivery and communications between each Bank location worldwide and between each location and the primary and back-up central computer complexes in the Toronto area.

The product delivery system includes global on-line transaction processing; transaction-driven generation of accounting records; access to the integrated global data base; international funds transfer; support systems for around-the-clock dealing, investment, and funding services.

To enhance its communications capabilities the Bank has leased its first satellite channel which will be operational in early 1984 for voice and data transmission between North America and Europe.

Listed below are global banking systems facilities and the telecommunications network—operational and planned.

Transaction Processing Systems

Links now Operational:
Throughout Canada and in London, New York, Los Angeles, San Francisco.

Planned Integration:
During 1984: Nassau, Frankfurt, Hong Kong, Singapore, Tokyo. During 1985: Chicago, Seoul.

Global Product Delivery System

will provide integrated automated processing support for the existing range of services including both domestic and worldwide deposits, loans, money market dealing, foreign exchange, loan syndication, correspondent banking, securities and cash management. Phased implementation worldwide during 1984 and 1985.

International Funds Transfer System

will automate payment instructions and funds transfers and will provide international banking services electronically to Canadian customers through integration with the domestic network. This system will also provide connections to correspondent banks in 148 countries and multinational clients worldwide. Phased implementation during 1984 and 1985.

FirstBank Securities Service

links customers to Bank offices in key financial centres allowing them to control their securities transactions as they are processed and generating next-day information. Operational between Canada, the United Kingdom and New York.

Information Systems

Links now Operational:
Throughout Canada and New York, Chicago, Los Angeles, San Francisco, Houston, Denver, London, Hong Kong, Singapore, Seoul, Tokyo, Sydney.

Planned Integration:
Frankfurt, Mexico City, Nassau, Caracas, Buenos Aires, São Paulo.

Integrated Financial System

collates Bank-wide financial information generated by the transaction systems with full automation and centralization of domestic and international General Ledger processing. In operation domestically, international integration during 1984.

Global Information System

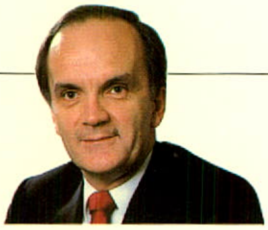
enables the Bank to meet customers' and its own management needs for up-to-the-minute information on all facets of products and services. The system will enable the Bank to review the status of its global portfolio in, for example, a specific foreign currency or an industrial sector. Implementation during 1984.

Worldwide Electronic Mail

connects the majority of Bank locations through a global text-transfer network. Fully operational worldwide by end of 1984.

Upon approval of the proposed association with Harris Bankcorp, Inc., Chicago, by its shareholders and by U.S. regulatory authorities, access to these networks will be made available to Harris Bank.

Operations and Systems



G.W. Hopkins
Senior Vice-President

A long-term commitment to technological superiority is enabling the Bank of Montreal to provide its customers in Canada, as well as elsewhere, services of an international standard at least comparable to those offered by leading institutions based in other countries.

The Operations and Systems Division was responsible for building the highly automated domestic system, now one of the most advanced retail banking systems in the world. This same organization was charged in 1978 not only with providing the same level of capability for our international operations, but also with responsibility for assuring that systems architecture was consistent with the Bank's objective of worldwide systems integration.

A team of highly qualified computer specialists and engineers first worked with bankers to analyse the requirements of a global banking system, and then designed and commenced installation of the component parts. Many of them are now in place and already reflected in an improved level of international services.

For example, in 1983, we upgraded our domestic systems to provide support for U.S. dollar accounts, connected our New York branch to our Canadian on-line network, and made major progress on a multi-currency processing system for Canada and the United States. We also began automating our wire-rooms which handle the Bank's international payments. All wirerooms will be automated during 1984, allowing the Bank to speed up international payments, improve security, and provide rapid access to information.

In fact, throughout the Bank—in North America, Europe and Asia—engineers and computer specialists are working on all fronts to automate our international operations and integrate them with our domestic network.

A broad look at the geographic distribution of assets by location of ultimate risk reveals that almost 90% are situate in industrialized countries and over 77% in North America. This pattern has remained fairly steady in recent years.

Assets in Canada, at 66.7%, declined slightly from recent levels of about 70%, due to the year's slow economy. Assets in the U.S. increased to 10.6%, as a result of the expanding economy and corresponding business opportunities.

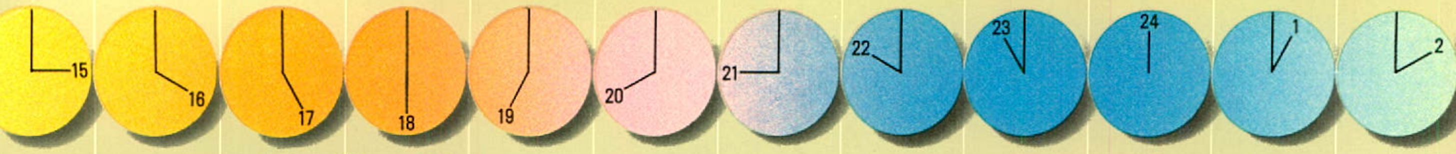
Outside North America, the largest percentage of Bank funds—7.9%—is invested in Western European countries, primarily members of the European Economic Community. This percentage has remained fairly steady in recent years.

In Asia, Oceania, and Australasia, where assets are almost 7% of the total, the Bank is represented in the major financial centres. In Japan, assets have increased strongly, partly as a result of the opening of the Tokyo branch in 1981. The Bank's business in Australia and elsewhere in the Pacific Basin is an important and growing product of its presence in this region of strong economic activity.

Assets in Latin America, principally Brazil, Mexico, and Venezuela, comprising 7.2% of the Bank's portfolio, have remained relatively constant over the past few years. As these countries work with international financial institutions and commercial banks, it has been the policy of the Bank to work towards orderly, co-operative debt management arrangements, to the success of which a curtailment of credit would be prejudicial.

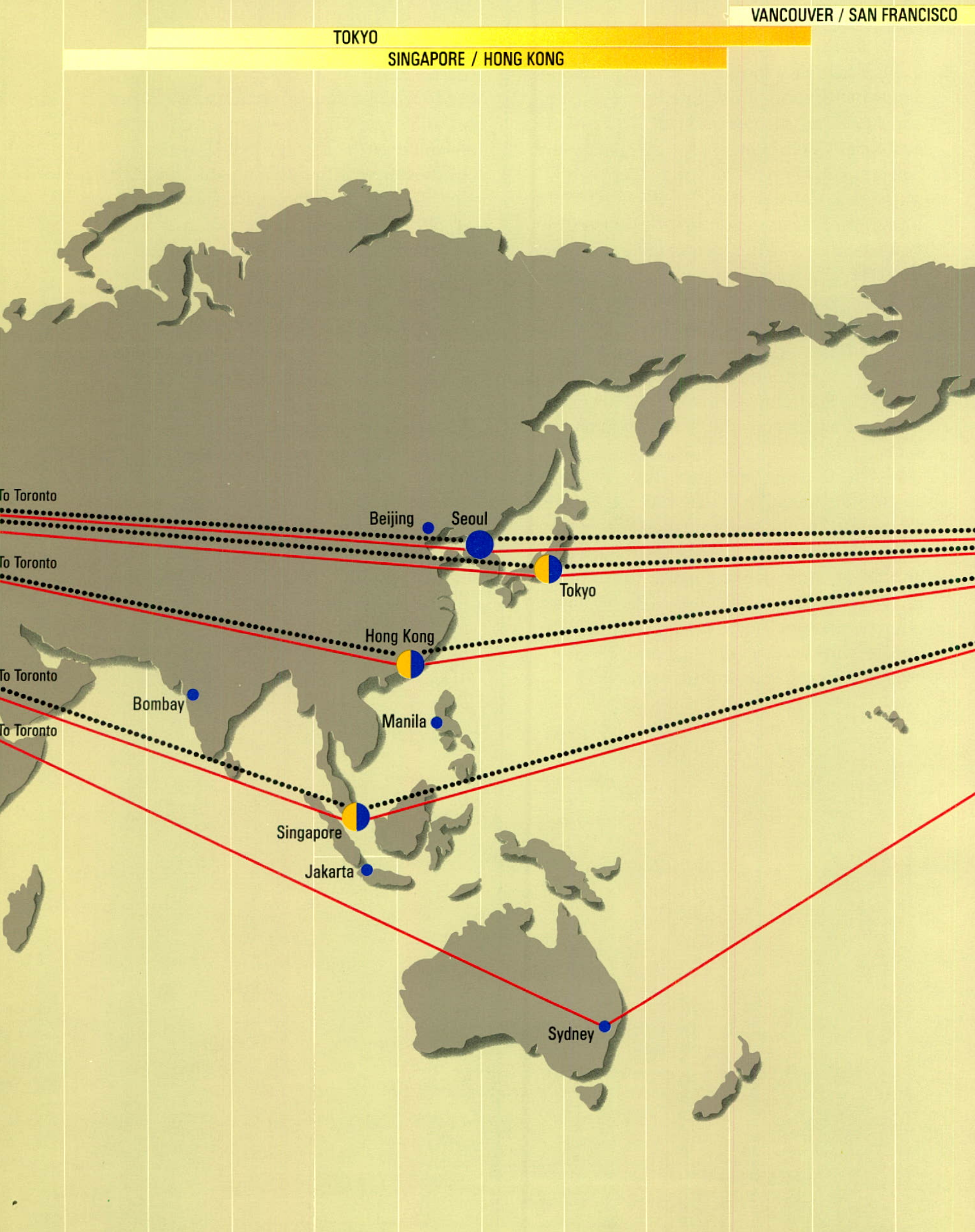
The portion of the Bank's portfolio represented by loans to borrowers in other areas—Eastern Europe, the Middle East and Africa—amounts to less than 1%.

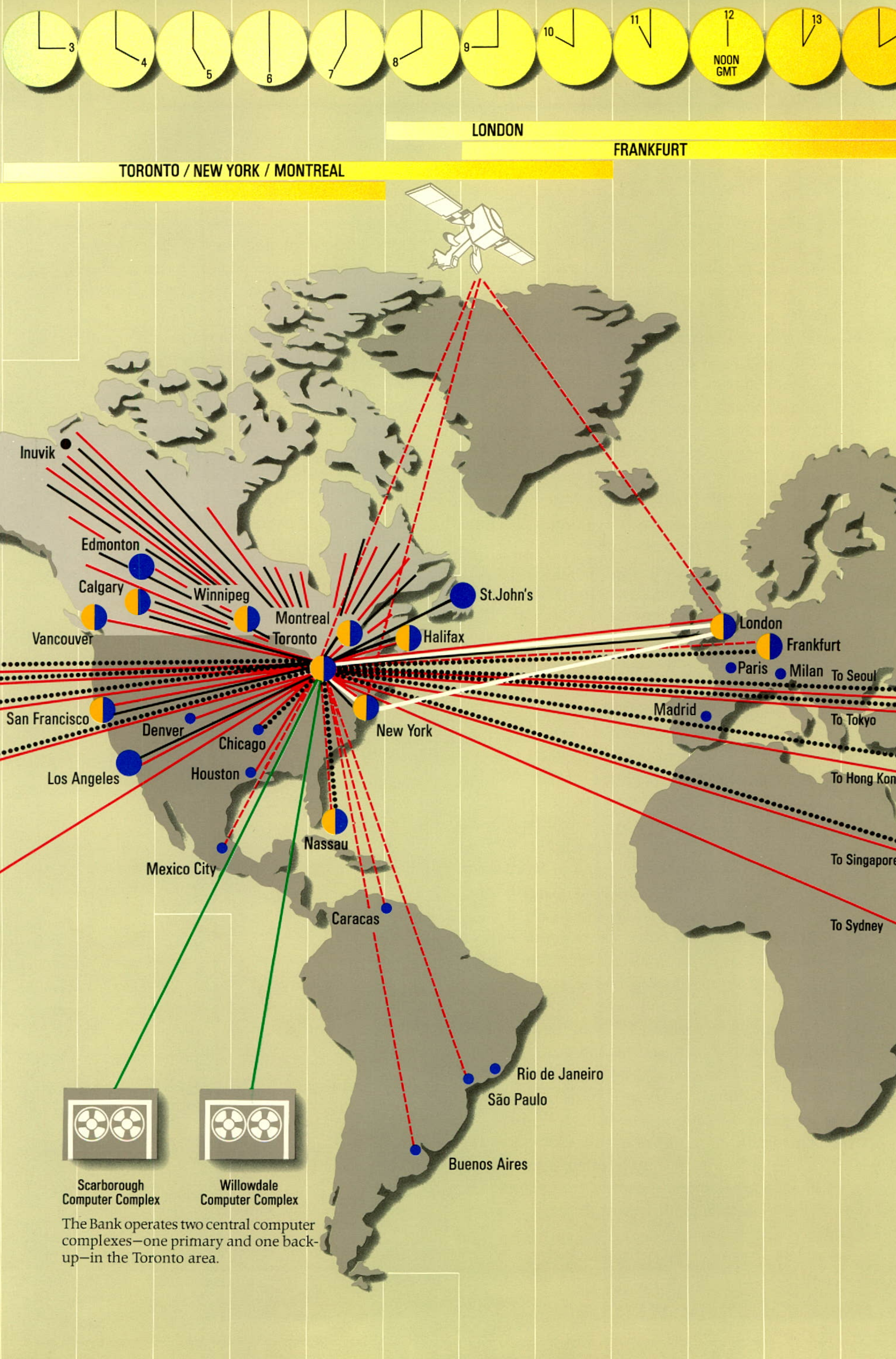
In general, the worldwide recession, which is only now abating in the industrialized countries outside of North America, has precluded any important shifts in the Bank's international portfolio. In future, the major area of growth is expected to be in North America as this region continues to lead in the resumption of economic growth and investment.



Trading Hours

The Bank, through its dealing desks at major offices around the world, is active 24 hours a day in the financial markets. Clocks above show local time when it is 12 Noon GMT (London). Colored bands below show trading hours of dealing rooms at various Bank locations beginning at 8:00 a.m. local time.





The Bank operates two central computer complexes—one primary and one back-up—in the Toronto area.

Investments throughout the 1970s also allowed the Bank to assemble a top-flight team of computer specialists and engineers who work with all divisions, to ensure that the Bank remains in the forefront of technology, that it manages technological change in an orderly fashion, and that its strategic objectives are pursued in a coherent, consistent manner and at a steady, sustainable pace. Encompassing many individual projects of intrinsic benefit to the Bank, some of which have already been completed, the goal of an integrated, on-line global banking system, operating in real time, is well on its way to realization.

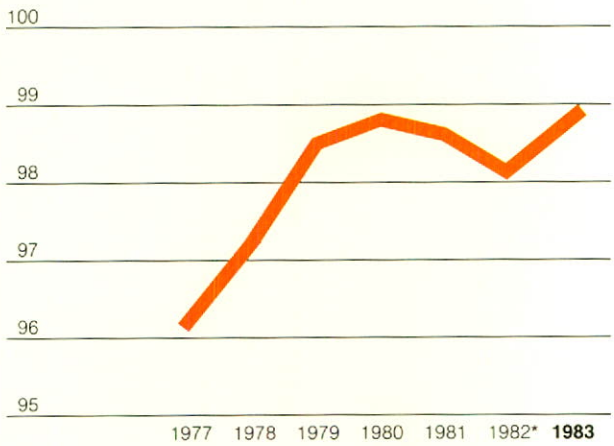
Global banking will be a major competitive advantage in itself, and it will provide two further competitive advantages for the Bank. It will give the Bank a command of information that few other multinational companies will be able to match—information that can be used on behalf of both customers and the Bank; it will also allow the Bank, by exploiting the technology of the worldwide system, to create new products and services. At the same time, the use of high technology is cutting costs, which in the longer run will be reflected in the price of services and products.

What distinguishes the Bank of Montreal's approach to systems is its early start on long-range planning, continuous investment throughout the past decade, in good years and bad, and, as a result, its capacity now to integrate its systems, worldwide.

Integration not only permits operational efficiencies in the transfer of funds and data, thereby cutting time and costs, it also—and more importantly—enables the Bank to build a centrally-managed information base for all its operations, domestic and worldwide. The ability to mobilize information—on customer accounts, products, interest rates and the Bank's financial position, for example—is fast becoming as important to banking as money. The Bank becomes, in effect, a vast data processing system, which can provide a global service to customers and support for the Bank itself.

For Bank customers, one advantage will be quick access to information on their own Bank transactions worldwide, as well as up-to-date, comprehensive financial and market information from worldwide sources. Canadian customers with international interests, for instance, will find this capability an important competitive aid, one which can enhance their effectiveness in overseas markets as well as the efficiency of their financial management.

Availability of On-line Banking



	1977	1978	1979	1980	1981	1982*	**1983**
Percentage of time available	96.2	97.2	98.5	98.8	98.6	98.1	**98.9**

*In early 1982, the on-line system was down more than normal due to installation of equipment.

As a result, the Bank will be able, when this program is completed, to transfer funds and information instantaneously, from place to place anywhere we operate and, through our network of correspondent banks, even to areas where the Bank does not have a direct presence. The map on the following pages tells the story.

The capacity to deliver our services and products electronically worldwide is essential to remaining competitive in the 1980s and '90s, and it is for this reason that the Bank has for many years been investing heavily in high technology. In the 1983 fiscal year, the Bank spent $70 million to extend its automation program. Spending for this purpose in 1984 is expected to be about 20% greater. The investments necessary for a global system are so substantial that they must be spread out over a number of years. In addition, of course, it takes many years to build such a sophisticated system.

The first major step the Bank took was in the 1970s, when it automated and linked all its branches across Canada and created a single, unified data base. One of the strengths of this system is that the Bank can keep adding services and products, which indeed has been done. The Bank's initial investments have allowed it to lead in the development of innovative products and services such as daily interest savings and chequing, Multi-Branch Banking, and on-line customer-activated transactions devices such as Instabanks for personal banking and DirectLine service for corporate cash managers. More are being added all the time.

Worldwide Product Delivery Systems

Corporate and Government

Full service branch.

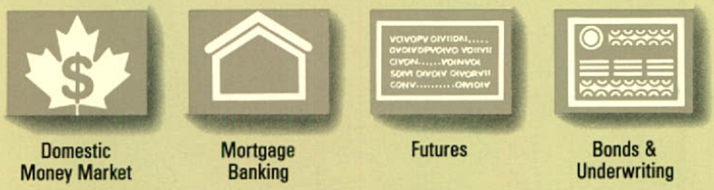
Representative offices through which banking services may be accessed.

Services are available across Canada and in New York, Chicago, Denver, Houston, Los Angeles, San Francisco, London, Paris, Frankfurt, Madrid, Milan, Tokyo, Hong Kong, Seoul, Beijing, Manila, Singapore, Bombay, Jakarta, Sydney, Nassau, Mexico City, Caracas, Rio de Janeiro, São Paulo, and Buenos Aires.

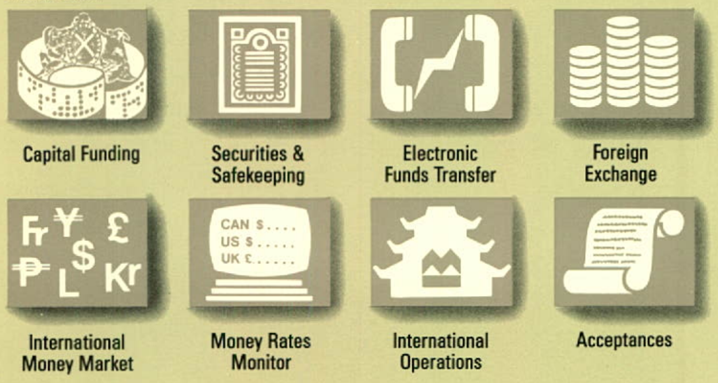
Treasury

Facilities are located in Montreal, Toronto, Vancouver, Calgary, Winnipeg, Halifax, New York, London, Frankfurt, Hong Kong, Tokyo, San Francisco, Nassau and Singapore.

In Canada, Treasury products and services include:



In Canada and abroad, Treasury products and services include:



Corporate and Government/ Treasury

Full service branch.

Another advantage will be new products and services, some of them created by combining those now offered by different divisions within the Bank. As well, since Bank Account Managers will have access to information about customer transactions worldwide, the quality of their service to customers will be improved as well as the management of their loan portfolios.

For the Bank, integration of its systems will be of inestimable value in providing information for use in managing the Bank. For example, by mid-1984, the Bank will have a daily worldwide consolidated balance sheet, enabling it to monitor its worldwide position in relation to customers, as well as its own loan portfolio, country risk exposure, money market and foreign exchange positions.

This will be made possible by an integrated financial system—the automatic entry each day of all financial information from all divisions of the Bank into one single general ledger. It can now take several days before financial information from the Bank's worldwide operations gets into its books.

The automated general ledger, now nearing completion, is one of the largest of its kind in the world. Along with associated financial control systems, this component alone will have cost close to $11 million to develop, but the savings will be significant. Automation of the general ledger for Head Office and the domestic branches alone is already saving the Bank about $5 million a year.

The general ledger is only one segment of a global information system that the Bank is building for the use of management in running the Bank. Eventually, the information system will cover all key resources of the Bank—customers, products, financial and human resources.

The Bank is constantly taking advantage of improvements to the telecommunications networks that connect its systems. Early in 1984, the Bank will become the first Canadian multinational corporation to employ a dedicated satellite communications channel between Canada and Europe. Operated by Teleglobe Canada, the link will connect First Canadian Place in Toronto with the Bank's offices in London, England. It will be used both for voice and data transmission.

While the Bank was taking the steps necessary to integrate the international and domestic networks, it was also upgrading and refining the capacity of the domestic system. For example, this past year, the Bank expanded its network of automated teller machines, or Instabanks, introducing French-language support for machines in Ottawa and Hull last September; 500 powerful new teller terminals were installed in branches to improve customer service and increase productivity; and in November, the Bank took the lead in computerized home banking through a test project in Manitoba.

In short, the Bank's domestic service is constantly being improved and expanded, and this has been the case since domestic operations were automated and linked in the 1970s. Application of high technology to the Bank's worldwide operations will allow it to make the same progress in global services in the years ahead. In a manner of speaking, for our Canadian customers the world will soon be no further away than the nearest computer terminal.

Treasury

G.E. Neal
Executive Vice-President and Treasurer

The Bank's Treasury Group, operating 24 hours a day in the world's financial markets, has been transformed from a basically domestic operation to one with a global reach. This has been achieved in a few short years through a redeployment of resources throughout the world, a rounding out of its mix of professional skills, and the use of advanced technology. These improvements not only strengthen the quality of Treasury services, they also strengthen the Bank as a whole.

Treasury plays an important role in many areas of Bank activity: participating in the bond and money markets; managing a portfolio of liquid assets; generating revenue through foreign exchange activities and through services to clients.

Treasury manages a $28.2 billion deposit base, which is one of the Bank's principal sources of funds. The Group concentrates its funding activity in the areas of interbank money market deposits and commercial term deposits by companies and governments; these total $24.8 billion and provide the major portion of the foreign currency funding for both domestic and international operations. Canadian and U.S. dollar personal term deposits are a key source of funds for mortgages and a variety of loans by other Bank groups. Canadian currency funding requirements are met largely by personal deposits and by business and government demand and notice deposits. The domestic money market is not currently an important source of funds for loans.

Treasury also manages a substantial asset portfolio which in fiscal 1983 totalled $19.9 billion, including $6.0 billion in cash, statutory reserves and short-term securities; $6.9 billion in interbank deposits; $1.8 billion in other investment securities. Mortgages, managed through the Bank of Montreal Mortgage Corporation, amounted to $5.2 billion.

Holdings of securities grew by $3 billion over fiscal 1982, due largely to increased holdings of Government of Canada Treasury Bills. Excess liquidity from other Bank groups arising from weak loan demand and continued deposit growth was profitably invested by Treasury in these short-term, relatively high-yielding assets.

Treasury also manages the Bank's capital funding, totalling more than three billion dollars. This base, on which the Bank builds its asset portfolio, is particularly strong, reinforcing the Bank's capacity to support asset growth as economic conditions improve.

Dealing in securities, money market instruments and foreign exchange produces revenue for the Bank, supports the business of other Bank groups, and provides service for clients on whose behalf Treasury deals. Transactions averaging more than $7.5 billion a day pass over Treasury desks around the world.

Foreign exchange trading requires only a modest commitment of Bank funds, but it is an essential service to corporate and institutional clients. It is also a growing source of operating income. Foreign exchange revenues totalled $45.8 million in fiscal 1983, an improvement of $11.7 million over the previous year. This increase was due to continued strong performance in both interbank and commercial foreign exchange trading in Canada, coupled with an expansion of business volumes generated by more active foreign exchange desks in New York and London.

The trading room in London, England, handles more than $2 million in transactions per minute on behalf of the Bank and its customers. Dealing rooms around the world, such as this one, allow the Bank to deal in the financial markets 24 hours a day.

In 1983, the Group broadened and diversified its United States dollar funding base. It increased the issuance of certificates of deposit and commercial paper in New York, set up an International Banking Facility in New York for offshore deposits and, in Canada, introduced a new personal U.S. dollar term deposit instrument to attract retail deposits. In addition, expanded account coverage around the world increased the Bank's direct contact with corporations and governments with excess funds to invest.

Treasury Group moved to broaden service to these clients last year by structuring innovative financial transactions for the management of interest rate exposure. These included participation in interest rate and currency swaps aggregating more than $750 million. The Bank is a major participant in the market for these transactions, which provide a new option for a customer's financial management activities.

Treasury's Bond Department emphasized development of two areas of business: financial futures and government bond underwriting.

Treasury now actively trades financial future contracts for its own account. The objective is ultimately to provide these services to customers as they, too, begin to use such hedging techniques to reduce the risk of interest rate fluctuations.

The Group significantly increased its bond market activity last year, sometimes acting as primary distributor of government bonds and in other cases working with investment dealers as members of selling groups. The Bank of Montreal became the first chartered bank in several years to lead an underwriting syndicate for a provincial government agency. The Bank is also active in secondary market trading of bonds.

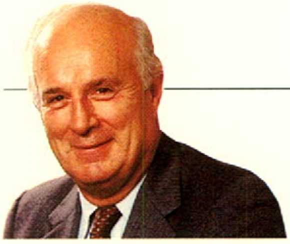
One of Treasury's key growth areas is in the provision of top-quality service to financial institutions, including insurance companies, pension funds, securities dealers, investment managers and banks. As major participants in financial markets around the world, these institutions need products and services specifically designed to facilitate the rapid processing of investment transactions and associated financial information.

In the U.K. and Canada, a new automated securities product—FirstBank Securities Services—has been favourably received in the marketplace. The service, employing advanced electronic data processing and telecommunications facilities, enables the Bank's international securities custody customers to be notified of their equity trades in New York automatically; confirmations are reported directly to the customer.

A more comprehensive financial information service is being developed. Initial trials have been completed in the U.K. to provide Bank customers with computer terminals that give them direct access to information on their entire financial position: deposits, loans, securities holdings, and foreign exchange and money market transactions. This service is being prepared for use internationally.

The expanded role of Treasury Group, as new products and services are brought to market, has seen a parallel increase in its skilled, professional staff, constant improvements in electronic data processing and communications technology, and a wider geographic distribution of Treasury offices.

Corporate and Government Banking



W.B. Bateman
Executive Vice-President

The Corporate and Government Banking Group has been operating in an environment characterized by a gradual but steady rebuilding of confidence after a severe world recession. Loan demand remained soft in the past year as many corporations used expanding cash flows to rebuild their balance sheets and governments continued to impose austerity programs. Business opportunities exist for strong international institutions but the environment is highly competitive. In 1983, the Group demonstrated a capacity for innovation and leadership that positions it to take advantage of economic recovery and the attendant growth in demand for financial services.

The Corporate and Government Banking Group manages a diversified credit portfolio of \$26.8 billion, which represented almost 60% of all Bank lending at the end of fiscal 1983. The Group's portfolio includes \$22.1 billion of loans as well as \$3.1 billion of acceptances, which are used to provide short-term credit to corporate and institutional customers, and \$1.6 billion in loan substitution securities. More than half of the Group's business continues to be in North America, one of the most attractive markets in the world.

Overall, \$20.4 billion is outstanding to a broad range of non-financial corporations, which require an equally broad range of credit products. Loans to North American commercial and industrial corporations—principally short-term operating credits and medium-term loans for plant and equipment—amount to \$7.5 billion, or 28% of the Group's portfolio. Lending to the petroleum industry—mainly project financings and production loans—accounts for another \$6.6 billion, or 25%. Loans to the real estate industry—mainly bridge financings and term loans secured by prime commercial properties and corporate guarantees—total \$3.2 billion, or 12%. Lending to multinational corporations for a variety of purposes totals \$3.1 billion, or 11% of the Group's portfolio.

The remaining \$6.4 billion, or 24%, represents the Bank's extension of credit to governments, government agencies and government-owned corporations and to official banking institutions. It is the Bank's policy to make sovereign loans abroad primarily for the purpose of financing specific projects which help countries promote economic development and generate foreign exchange.

Worldwide, a number of forces are having a major impact on markets in which Corporate and Government Banking operates. One is the difficulty several sovereign borrowers face in servicing their debt. The Bank is playing an active role in efforts to strengthen the international financial system, working with the International Monetary Fund, other commercial banks and governments, to help developing countries correct their liquidity problems.

As is evident from the debt management process, the global marketplace is more closely integrated than ever before. The trade boom of the 1960s and 1970s extended interdependence and advances in information technology intensified it.

This trend has been accompanied by heightened competition for prime business in world financial markets. More banks are seeking an international presence. Traditional distinctions between banks and other financial institutions are eroding in key national markets around the world. Financial management by large, multinational corporations and institutional customers is increasingly sophisticated;

many now perform "in house" functions that used to be the preserve of financial institutions: bond underwriting and issuance of commercial paper. In recent years, a number of corporations have been going directly to the money markets to obtain short- and medium-term financing. This has tended to erode the traditional role of banks as financial intermediaries.

In consequence, corporate and government banking now involves much more than simply lending money. It is a skill-intensive, information-intensive business. Bankers must understand customers' business strategies and remain keenly aware of rapid shifts in financial market trends. Even negotiating a loan is rarely a routine matter. It is often the product of extensive consultation, examination of financing options and expert financial advice. Timing and precise execution are vital in a fast-paced marketplace, where opportunities to close major deals must often be recognized and acted upon quickly.

To meet all these demands, the Group maintains a worldwide network of Account Managers in 20 countries. In pursuit of business opportunities, they can assemble teams of specialists —in cash management, money market trading, loan syndication and project finance, among others—to help them devise a package that best suits a client's needs.

Account Managers draw constantly on the Bank's state-of-the-art information and communications technology. Operational support is provided by a network of branches, representative offices, subsidiaries and affiliates across North America and in the major financial centres of Europe, Latin America and Asia.

The Group's strategy rests on a system of global account management, and the process of evolution toward global relationship management is well-advanced. Its organizational structure, which has taken seven years to develop, groups Account Managers by type of customer rather than by geography. They are thus able to serve customers worldwide, meeting the specific needs of multinational corporations in various sectors of the service, manufacturing, natural resource and energy industries, all of whose operations increasingly cut across national borders. The organization of the Group is designed to permit the Bank to make the most effective use of the information and service capabilities of a globally integrated systems structure, the development of which is discussed elsewhere in this report. The evolution of both has been progressing in tandem over the past few years.

Account Managers are supported actively by specialists in trade finance and by a Merchant Banking Division, which is responsible for loan syndication, project finance and corporate finance. They also draw upon the trading expertise of Treasury Group and the technological skills of Cash Management specialists.

Through cohesive teamwork, all these skilled professionals have learned to work in concert to make global relationship management a reality at the Bank. The visible result has been improved service and a broad spectrum of competitive products and services.

Treasury Group, for example, has arranged interest rate and currency swaps for a number of corporate and government clients. These facilities permit companies that lack ready access to fixed-rate financing to obtain similar service at substantial savings; clients on the other side of the transaction obtain floating rate funds, also at substantial savings.

For many corporate and institutional customers, quick access to information about the flow, cost and investment of money can be as important as money itself. The purpose of the Bank's numerous Cash Management services is to meet the demand for financial information and to use it as a foundation for building strong, well-rounded relationships with clients. Here, the Bank's technological lead is invaluable.

For example, the automation of U.S. dollar demand deposit accounts held in Canada now allows the Bank to offer the same range of Cash Management services for U.S. dollar accounts as it does for accounts in Canadian currency. Cash Management service will be enhanced considerably by a second generation DirectLine service in the spring of 1984. In 1985, completion of the worldwide funds transfer system will greatly facilitate international cash management by corporate customers. A multinational will be able to consolidate funds from Bank accounts around the world in a matter of seconds. The same corporation could invest surplus funds in major financial markets with assistance from the Bank's Treasury dealers, or draw on a line of credit to cover a temporary shortfall.

The Merchant Banking Division is generating substantial fee income while pursuing key opportunities for loan growth. Its specialty is structuring complex transactions that generate high returns—for example, project finance, acquisition credits and credits for emerging business.

In project finance, the Bank has built on its depth of experience in the North American energy and mining industries to expand into the world market; it has assumed a leading role in several international financings, including major projects in Australia. The Petroleum Division, active for several years, continues to pursue business in energy projects in the U.S., the North Sea, the Pacific Basin and elsewhere. The financing of major natural resource projects often involves many groups in Merchant Banking and can lead to more broadly-based relationships with major corporate clients.

The Bank has maintained a leading position in syndicated lending. It was instrumental in arranging the year's largest single syndication, a U.S. $1.24 billion loan to the European Economic Community. Management fees for loan syndication were a significant source of non-interest income.

The Bank also seeks short-term, low-risk loans, especially in the area of trade finance, where transactions tend to be self-liquidating. Technology and global account management techniques have improved the Bank's competitive position in this market. Trade finance specialists generate fee income and new business by arranging official concessionary financing of imports from various countries for Bank clients around the world.

Another of the Group's strategies is to use its foreign branch network as a base for increasing penetration of national banking markets overseas. The Tokyo branch, established in 1981, has built a substantial volume of business by lending to large Japanese companies and dealing in the money market. The London branch has developed a strong market position in the U.K. financial services industry. Corporate and Government Banking is also expanding its presence at the branch in Frankfurt, one of Europe's main financial centres.

The Group now has in place the global business strategy, organization and staff of professional bankers that will permit it to pursue growth opportunities as they emerge in the rest of the 1980s.

Canadian Commercial Banking

D.G. Parker
Executive Vice-President

The market served by the Canadian Commercial Banking Group has evolved rapidly and is now as challenging and complex as any. Armed with the sophisticated information resources that grew out of the computer revolution, managers and owners of small and mid-market businesses, including those in the important agribusiness sector, have broadened their horizons. They expect the bankers who serve them to have specialized knowledge and creativity that complement the familiar skills. Canadian Commercial Banking, established at the start of the year, aims to be second to none in meeting these demands.

The Group manages a loan portfolio of $8.4 billion, or almost 20% of the Bank's total lending. Of this total, more than $1.8 billion is in loans of less than $200,000, made mainly to independent business enterprises. The mid-market accounts for $3.7 billion in demand loans of a larger average size. The portfolio is highly diversified through the service, manufacturing, construction and natural resource industries. Because of the breadth of its customer base, Canadian Commercial Banking manages 90% of the Bank's business loan accounts.

The only significant concentration of commercial loans is in Canadian agriculture, which accounts for $1 billion or 12% of the Group's portfolio. Its demonstrated expertise and leadership in this sector has been reflected by growth in the Bank's market share of agricultural loans, which exceeds 20%.

Overall, loan demand has been flat as Canadian businesses attempt to build sales volumes and restore themselves to financial health after the most severe recession since the 1930s. Canadian Commercial Banking has been active in assisting independent and agricultural business through the federal Small Business Bond program, which allows troubled concerns to obtain financing at below-market interest rates. The Bank holds $375 million of these loan substitution securities. Last year, we earmarked an additional $125 million for investment in the bonds.

The development of small businesses also continues to receive the Bank's strong support through extensive use of the Small Business Loans Act program. During 1983, more than 5,000 businesses were assisted through the program.

Strategy for the new Canadian Commercial Banking Group has been built on several guiding principles: the recognition of a need to upgrade service to a much more demanding market segment; a determination to better understand customers' businesses and financial needs; a resolve to maintain the decision-making process and its attendant specialist skills close to the customer.

This strategy called for the creation of a network of special purpose branches across Canada. Known as Commercial Banking Units (CBUs), they are the keystones of the Canadian Commercial Banking Group. They have been designed to serve the specific commercial banking requirements of businesses with annual sales of up to $100 million. During 1983, 33 CBUs were established in Ontario. The full network, initially planned at 97 units, will be in operation by October of 1984.

Account Managers and Independent Business Managers at these special service branches know and understand their clients' businesses, including the organization, the technology and the competitive climate. They are moving beyond the traditional parameters of lending to become commercial banking managers in the fullest sense of the word. They take the broad-gauge approach, making recommendations on money management, automatic direct payroll deposits and a host of other non-credit services. The ability to provide such services is fast becoming an important element in the banking relationship, as well as a significant source of revenue.

The broad-gauge approach means, as well, that the new commercial banker will practice relationship management. This is accomplished by drawing upon the expertise of all relevant areas, whether it be the experience and special perspectives of Treasury and Corporate and Government Banking Groups or the supply of technology-based information through Operations and Systems. The object, in all events, is the provision of a full range of banking services by knowledgeable, skilled staff devoted exclusively to serving the needs of the Bank's commercial customers.

The separate staffing of the commercial banking and personal banking functions has been accompanied by a major preparation program. In commercial banking, this is aimed at enhancing the skills of our bankers to satisfy the high performance levels necessary to serve an already impressive cross-section of clients and to attract new business. The skill and knowledge qualifications which have been established for commercial bankers will serve as a guide to their ongoing training, enabling them to enjoy a more rewarding business relationship with their customers and success in their chosen careers.

Even as the Bank initiated the specialized commercial service concept, the need was apparent to retain for all our customers the convenience of being able to do their regular, day-to-day banking transactions at any of our more than 1,500 branches and Instabank outlets. This, too, has been achieved.

Canadian Commercial Banking's report card for its first full year of operation shows one very important plus—a more efficiently managed commercial loan portfolio. Computerized information systems allow monitoring of loans to provide both Bank and client with early warning of developing problems.

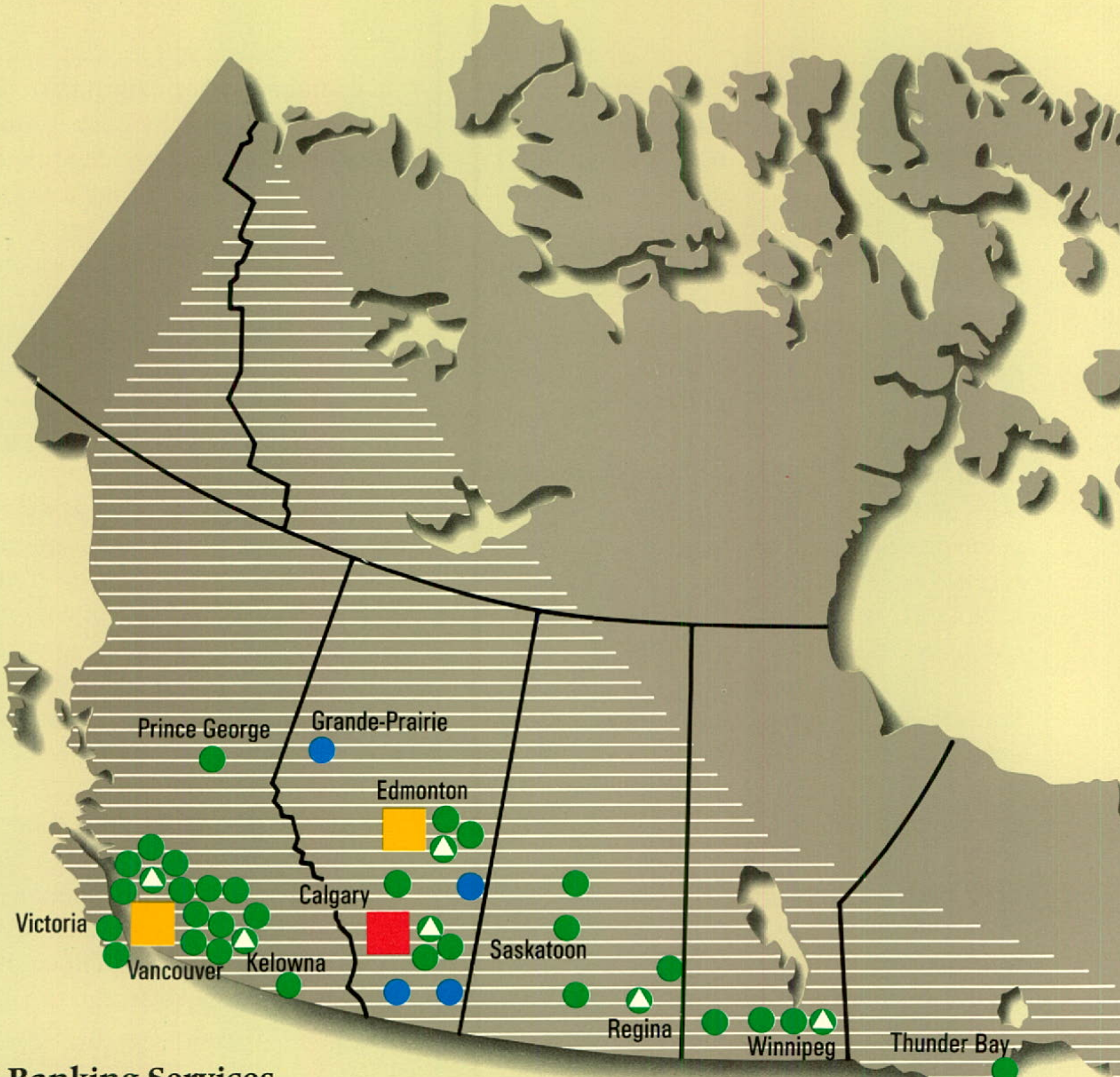
In addition to restructuring its commercial banking operations, the Bank is meeting the requirements of the new generation of small business clients through the introduction of a series of specific services, products and marketing programs. Building on the successful experience of the Agricultural Advisory Panels, the Bank established five regional Business Advisory Panels composed of prominent regional business people who meet quarterly with senior Bank officials to exchange ideas on products and services.

One popular new product is the FirstBank Financial Agreement, which outlines in detail the terms of all credit and non-credit services contracted by each client. Introduced in April, the Agreement is the first comprehensive document provided to business by a Canadian bank, and is proving to be important in improving communication between customers and Account Managers. Commercial banking services were further promoted through a series of television messages.

In agriculture, new products such as the Fixed Rate Farm Operating Loan and the Farm Machinery Line of Credit helped the Bank maintain leadership status in the past year. Success in this sector has also been due, in part, to recognition of the special relationship between private and public agri-credit programs. For example, the Bank initiated a Small Business Bond Program for New Brunswick potato farmers in co-operation with the provincial government and participates in the Saskatchewan government's Farm Purchase Program and in the Ontario government's Beginning Farmers Program.

In agriculture, as in other areas, the Bank's innovative approach to individually specialized business services and products that respond to client needs and expectations is creating a firm new partnership between bankers and business people that will have beneficial, long-lasting effects for all.

Banking services are available through more than 1650 service outlets across Canada–conventional branches, Commercial Banking Units, Instabank Centres, and customer terminals for "DirectLine" corporate cash management.

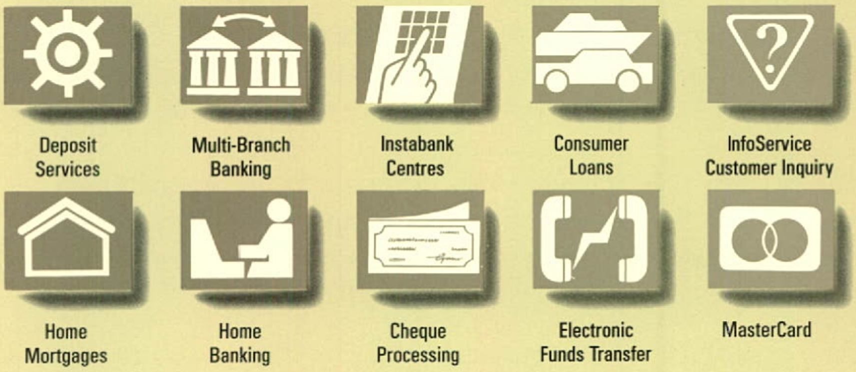


Personal Banking Services

Personal banking services are accessible from 1,189 branches and 328 Instabank automated teller centres across Canada.

Regional Headquarters
Montreal, Toronto, Calgary.

△ **District Headquarters**
Montreal, Toronto, Quebec City, Halifax, Winnipeg, Regina, Calgary, Edmonton and Vancouver.



Regional Data Centres

Montreal, Toronto, Burlington, Ont. London, Ont., Winnipeg, Halifax, Calgary, Vancouver.

Commercial Banking Services

97 Commercial Banking Units

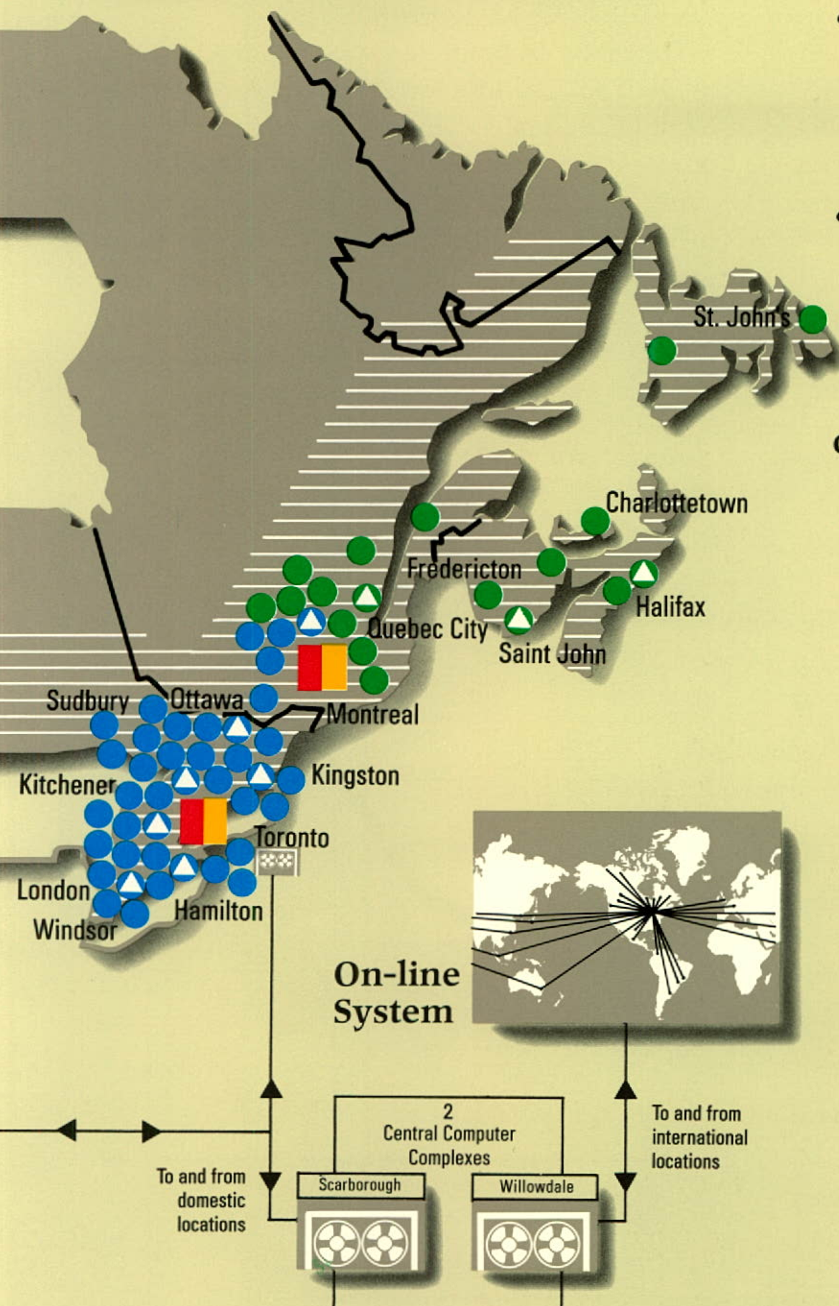
- In Operation as of Jan. 1, 1984
- Operational during 1984

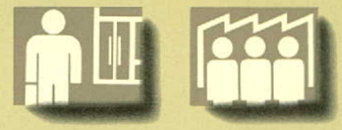
Divisional Headquarters
Montreal, Toronto, Edmonton, Vancouver.

District Headquarters
Montreal, Toronto, Saint John, Halifax, Quebec City, Ottawa, Kingston, Hamilton, Kitchener, London, Winnipeg, Regina, Calgary, Edmonton, Vancouver, Kelowna.

Branch Network

Commercial services are also accessible from 1,189 branches across Canada and customer terminals for "DirectLine" corporate cash management.





Small Business & Mid-Market

Cash Management

- Collection
  - –Bill Payment Service
  - –Cash Concentrator
  - –Current Accounts
  - –Direct Delivery, Debits
  - –Funds Transfer Service
  - –Lock Box Service
  - –Pre-Authorized Payments
  - –Zero Balancing
- Disbursement
  - –Direct Delivery, Deposits
  - –Payroll
- Control
  - –Account Reconciliation
  - –Automated Clearing
  - –Balance Reporting
  - –Consolidated Balance
  - –DirectLine Terminals
- Investment/Treasury
  - –Foreign Currency
  - –Deposit Accounts
  - –Foreign Exchange
  - –Securities
  - –Stock and Bond Services

Credit

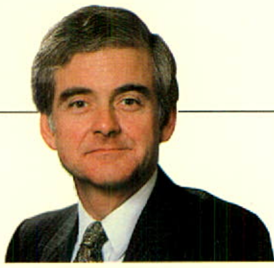
–Advance Payment Bonds
–Back-to-back Loans
–Bank Financed Agents Credits
–Bid Bonds
–Business Improvement Loans
–Capital Goods Financing
–Commercial Mortgages
–Corporate Finance
–Credit Review Committees
–Current Asset Financing
–Daylight Overdrafts
–Discounting Notes
–Documentary Credits
–FirstBank Acceptances
–FirstBank Business Finance Plan
–FirstBank Business Protection Plan
–FirstBank Financial Agreement
–FirstBank Term Loans
–Fisheries Improvement Loans
–Foreign Buyer Credits
–Foreign Currency Loans
–Foreign Exchange Forward Contracts
–Franchise Financing Service
–Guarantees
–Leasing
–Loan Syndication
–Mining Services
–Oil & Gas Finance
–Operating Loans
–Performance Bonds
–Project Finance
–Supplier Credits
–Tender Cheques

Banking Services

–Around-the-Clock Depository
–Collections
–Deferred Profit Sharing Plan
–Home Banking
–International Payments/Collections
–Telephone Transfer

Agriculture Market

–Farm Building and Equipment Loans
–Farm Equipment Line of Credit
–Farm Improvement Loans
–Farm Loan Insurance
–Farm Mortgages
–Farm Operating Loans
–Farm Profit Outlook Letters
–Fixed Rate Operating Loans
–Special Government Programs



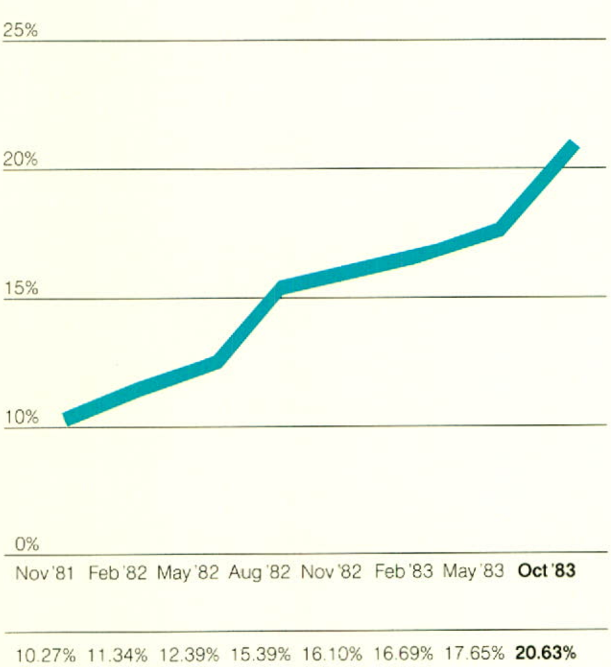
W.C. Harker
Executive Vice-President

Although banking has become a high-technology business, it remains intensely personal. What happens to a customer inside a Bank branch is the responsibility of the Domestic Banking Group. The challenge in recent years has been to ensure that, in conjunction with changing technology, customers continue to experience a banking environment that is as welcoming and accessible as it is informed and efficient. Domestic Banking made a number of important advances in this direction in 1983.

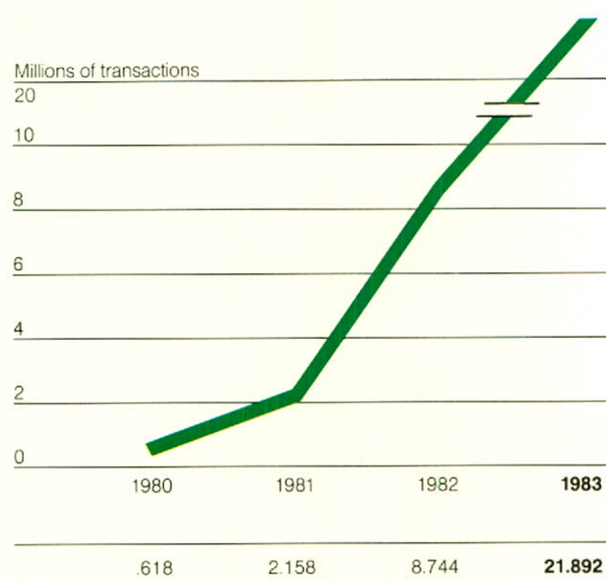
These improvements reflect the market. Personal banking customers are becoming much more sophisticated in the management of their money. They require a wider range of banking products and services than ever before. To this end, the Domestic Banking Group continued to implement changes designed to deliver even more specialized services by people with more expertise, throughout the coast-to-coast branch network. At the same time, through a stepped-up expansion of our Instabank network, the Group made personal banking services available at more locations, for more hours of the day and night. A 9% improvement in branch productivity helped the Bank hold down internal costs.

The Domestic Banking Group's loan portfolio totalled $5.2 billion, or 13% of the Bank's total lending, in fiscal 1983. As economic recovery proceeded during the year, consumer confidence quickened. In this improving environment, the Bank launched a successful series of promotion and advertising campaigns to increase market share in both the personal loan and mortgage sectors.

Percentage of Banking Transactions Handled by Multi-Branch Banking



Annual Number of Banking Transactions Made by ATMs



Approximately 60%, or $3.1 billion, of Domestic Banking's loan portfolio is in personal instalment loans. Retail demand loans make up almost $945 million and the growing credit card segment totals more than $790 million. Through its branch system, the Domestic Banking Group has played a central role in building the Bank's residential mortgage portfolio of $5.2 billion and in marketing Guaranteed Investment Certificates to fund this activity.

Domestic Banking maintained its share of the personal deposits market. Total Domestic Banking deposits at the end of the fiscal year were $18.6 billion, or 34% of all the Bank's deposits. These core deposits, which fund not only personal loans but commercial lending activity across Canada as well, are gathered in branches through a number of deposit instruments. Most popular with Bank customers is the True Savings Account (non-chequing) which has generated $7.2 billion in personal savings by Canadian customers. Personal term deposits account for almost $4 billion of the total, and Daily Interest Savings $3.3 billion. Other sizeable segments of the Domestic Banking deposit base include True Chequing Accounts, Chequeable Savings Accounts, Registered Savings Plans and Daily Interest Chequing accounts, which provide $3.7 billion.

An improving economy was also reflected in Domestic Banking loan portfolio management. The personal loan deliquency rates declined in the second half of 1983, while delinquency levels in the Card Services Division declined dramatically over last year. In historical terms, however, write-offs remained high, a residual effect of the recession.

In line with the trend toward specialization, the Domestic Banking Group has begun to concentrate primarily on personal banking—that is, banking by people, not companies. The Group is in the middle of an ambitious program aimed at converting most domestic branches into personal banking centres, offices that specialize in "people banking," just as our expanding network of Commercial Banking Units (CBUs) specializes in serving commercial clients. This realignment has already been completed in more than 400 Ontario branches, and has begun in Alberta and Quebec. The entire Domestic Development Program—of which the branch conversions are a key element—is scheduled to be completed by the end of fiscal 1984.

As part of this program, the Domestic Banking Group has been redesigning branches to encourage closer contact between Branch Managers and their customers. The Group has also offered an expanded range of staff training programs, and the response has been enthusiastic. Domestic Banking employees participated in more than 9,000 training days in 1983. The Group also established a number of regional InfoService Centres, staffed by experienced branch officers, who responded to 25,000 calls and letters of enquiry or complaint between January and October.

The Bank introduced Canada's first home banking service in Manitoba and Ontario in November 1983, using equipment which connects with any standard home telephone outlet. Doug Stow, a Graysville, Man. seed distributor, shows his son Murray how to review statements and transfer funds between accounts.

Domestic Banking's use of market research to determine customers' preferences resulted in a number of moves last year that proved popular. One was the Bank's decision not to impose a user fee for MasterCard, even though most issuers of competitive credit cards now charge such a fee. Also popular was the introduction of Automatic Overdraft Protection, designed to protect customers from small overdraft mistakes (up to $50) which are usually the result of oversights. Similar protection was extended to customers wishing to use overdrafts for short-term borrowing. This service, called Personal Overdraft Protection, assures customers that overdrafts will be available up to their preauthorized credit limits.

A major improvement in the Domestic Banking lending area was the introduction of Personal Lines of Credit. Under this system, credit-worthy customers who borrow frequently are no longer required to make a new application each time they apply for a personal loan. This streamlined procedure not only speeds up the lending process, it also reduces the Bank's processing costs.

Domestic Banking took numerous steps during the year to deliver personal banking service at more convenient times and places. The number of hours banking services are available increased even while 49 branches closed as part of the consolidation and relocation of branches under an ongoing rationalization program. The number of branches that are open on Saturday now exceeds 300, more than any other Canadian bank. Business hours of many branches were extended, either by opening earlier or closing later.

The Bank also increased to 328 the number of Instabank automated banking machines, thus giving customers access to a variety of personal banking services seven days a week. Instabanks, now located in seven major cities across Canada, processed about 22 million transactions in 1983. In the markets in which Instabank service is available, about 35% of all personal financial transactions were handled by these machines.

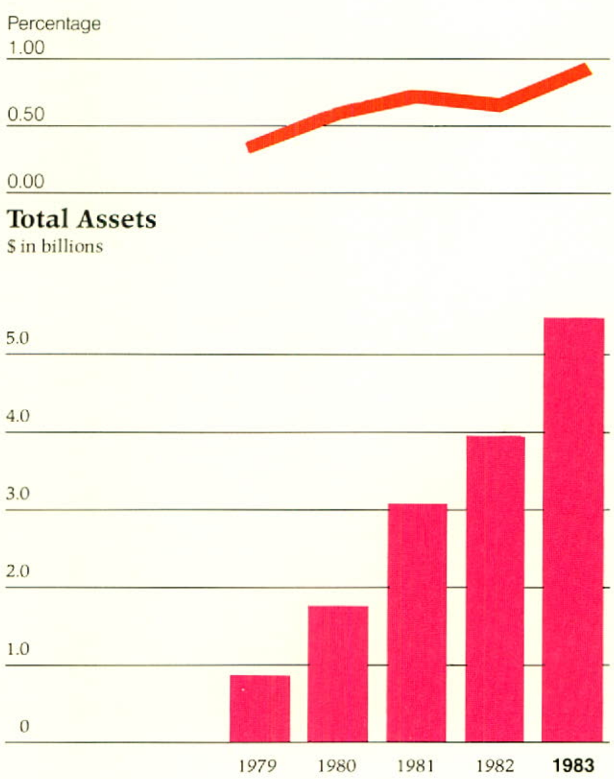
Another convenience being developed is home banking, using advanced Telidon videotex technology. In addition to the "Grassroots" test project for Manitoba farmers, the Bank is also participating in an experimental home banking project involving 100 Toronto-area homes equipped with personal computers. This is part of a continent-wide study being conducted in partnership with 19 U.S. banks.

An interesting example of high-tech banking applications is the Exchange Tower branch at First Canadian Place in Toronto, which offers a preview of banking of the future. Visitors are welcome and our branch staff will be pleased to demonstrate the new technology in actual operation.

Bank of Montreal Mortgage Corporation

Bank of Montreal Mortgage Corporation (BMMC), a wholly-owned subsidiary, operates under the Federal Loan Companies Act and is a member of the Canada Deposit Insurance Corporation. It is the Bank's principal mortgage-funding vehicle, operating under the aegis of the Treasury Group. At year-end, about 94% of the Bank's consolidated mortgage assets of $5.2 billion were held by BMMC. BMMC's total assets increased by $1.5 billion or 38.6% in 1983, and net income increased to $47.6 million.

After Tax Return on Average Total Assets



	1979	1980	1981	1982	1983
After tax return on average assets	0.33%	0.58%	0.70%	0.63%	**0.94%**
Total assets at year end	0.84	1.74	3.09	3.95	**5.47**

The Canadian mortgage market experienced renewed growth in 1983, prompted by declining interest rates, renewed consumer confidence and various government incentive programs. The Bank frequently led the way in reducing rates and implementing more flexible lending policies. For instance, the Bank introduced a 10% penalty-free prepayment option on mortgages—a popular manifestation of the Bank's desire to help homeowners manage their debt positions more effectively. Ongoing enhancements to the Bank's automated mortgage system will continue to assure customers of close attention to their mortgage service needs.

Loan loss experience continued at a low level, with the provision for losses being less than $1 million in fiscal 1983. Over 55% of the portfolio is covered by mortgage insurance, and the balance represents loans with a loan-to-value ratio of 75% or less.

BMMC's borrowings are guaranteed by the Bank and consist primarily of Guaranteed Investment Certificates (GICs) which are offered for sale at Bank branches. GICs are issued for terms of from one to five years, with interest paid monthly, semi-annually or annually, at the customers' option. Total GICs outstanding surpassed $2.7 billion in 1983.

BMMC also issues short and medium-term notes, mainly to institutional investors, and mid-term debt in the Canadian and Eurodollar capital markets. This range of funding options allows BMMC to match the terms of its liabilities with those of its mortgage assets, in order to manage its interest-rate spreads. Current policy requires matching of asset and liability terms to the extent it is feasible to do so; essentially, the market determines the level of interest rates at which these fund flows balance.

Banco de Montreal Investimento S.A.-Montrealbank

A wholly-owned subsidiary acquired in 1980, Banco de Montreal Investimento S.A.-Montrealbank is an investment bank enjoying an excellent reputation in Brazilian business circles. Its head office is located in Rio de Janeiro, with branches in eight major Brazilian cities. Montrealbank provides a wide range of financial services to a broad spectrum of both Brazilian and foreign-owned companies and government agencies.

In addition to medium-term credit facilities, which constitute a major portion of the Bank's earnings base, Montrealbank acts as an intermediary in overnight trading in government and commercial negotiable investments. Its range of corporate financial services includes mergers and acquisitions; share issues and debenture offerings; managing investment portfolios as well as pension fund management services.

Due to recessionary conditions affecting the Brazilian economy, loan demand is low. In order to maintain profitability, Montrealbank develops new products and services in response to market needs. Money market operations are being developed to open loans to new corporate customers with good growth potential, particularly in Sao Paulo, the financial and business centre of Brazil.

In line with a trend evident in several overseas markets, Montrealbank is pursuing leasing and instalment credit services. While demand for leasing is currently flat due to economic conditions, Montrealbank is increasing its share of selected consumer finance markets, where returns are attractive.

Montrealbank was founded in 1965. With total assets of CR. 274 billion (Can.$ 400 million) at October 31,1983, Montrealbank earned an operating profit in Brazil for the year of CR. 3 billion, (Can.$ 9 million).

Brazilian economic conditions and prospects are currently the subject of some uncertainty, and the country undoubtedly faces a difficult period of adjustment. Given the excellent standing of Montrealbank, however, and a gradual economic recovery, it is expected that Montrealbank will become an increasingly significant contributor to the earnings of the Bank in the years ahead.

Indicative of the Bank's commitment to strengthening existing links between Canada and Brazil, Montrealbank has created an Advisory Board, composed of Brazilian and Canadian business leaders, which held its first meeting in September. The Advisory Board will provide Bank management with advice and counsel, as well as provide a forum for communication in furtherance of the overall objective of promoting Brazilian-Canadian trade and economic relations.

Human Resources

Like so many other employers, the Bank of Montreal faces a major challenge: to attract, to develop, and to retain skilled, motivated employees; to compensate them well while controlling total employee expense; and to maintain stable staff levels while experiencing an increase in both the volume and the complexity of its business. Unlike many other businesses, however, the Bank has been undergoing a major transformation intended both to upgrade the quality of its services as well as to strengthen its future competitive position. While these activities, in the short term, add to the workload of the staff, a major concern of management is to stabilize employment and to avoid increases in complement which are unsustainable in the longer term.

Productivity improvement and expense control programs were instituted several years ago; these initiatives, while necessary, are not adequate alone. Competitive compensation and benefit policies; greatly increased emphasis upon staff training and development, and upon job content and career planning; and sustained investment in automation, equipment and premises, are equally, if not even more, vital elements in enabling the Bank to meet its productivity goals. All contribute to strengthening the Bank's long-term competitive position and to the achievement of a satisfactory and sustainable level of profitability.

Total complement, measured on a Full Time Equivalent basis, was 28,328 at year-end; the comparable figure at October 31, 1976 was 28,200. Both figures exclude personnel of Bank of Montreal Leasing Corporation and Banco de Montreal Investimento S.A., which were acquired by the Bank subsequent to 1976.

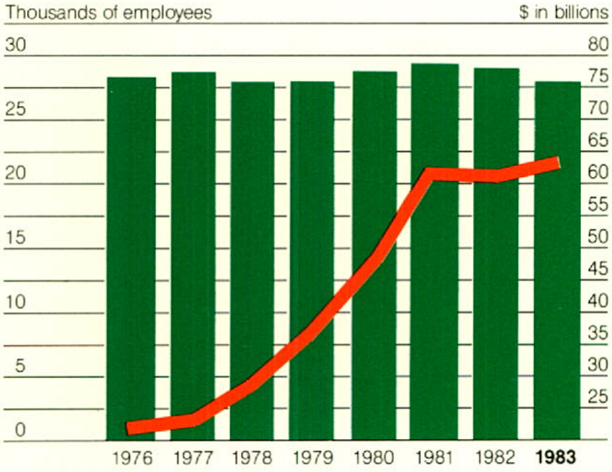
Productivity at the Bank has improved significantly in recent years. Since 1976, for example, the average number of transactions processed per month by an employee in Domestic Banking has increased by about 48 per cent. For the Bank as a whole, the improvement in productivity has been comparable. This is illustrated by the fact that the value of Bank assets administered per employee, adjusted to eliminate the effect of inflation, has increased by 65% since 1976.

These productivity gains were achieved during a period when banking transactions were becoming increasingly complex, and when the Bank was taking numerous steps to upgrade the quality of its services. Moreover, they were achieved under conditions of both buoyant and sluggish asset growth.

Compensation is important to productivity in that it is an important element in employee recognition and motivation, and in the attraction and retention of highly skilled people. Over the seven-year period referred to above, the Bank has made a systematic effort to bring its compensation and benefit programs into line with competitive standards. At the same time, it has placed increasing emphasis on merit and job performance, not only in promotion but also in compensation decisions.

Bank Complement* 1976-1983 (left axis)

Bank Assets (right axis)



*Bank complement measured as Full Time Equivalent excluding Banco de Montreal Investimento S.A.-Montrealbank which was acquired in 1980 and Bank of Montreal Leasing Corporation, acquired in 1977.

For example, the Bank no longer grants across-the-board salary increases, the practice having been phased out starting in the late '70s and completed a year ago. Instead, the Bank instituted "Pay for Performance," a compensation program designed to encourage and reward high performance, and at the same time provide the Bank with better control over total employee expense.

Since the end of 1976, the average individual salary increase for both management and non-management personnel exceeded the compound rate of inflation. As a result, salaries are now not only generally competitive but also represent real gains for employees over the period.

In a major effort, designed to facilitate competitive compensation policies, accurate and equitable performance appraisals, and better career planning, all jobs in the Bank—management and non-management—are being evaluated and scored. By year-end, approximately two-thirds of the management jobs and 85% of non-management positions in the Bank had been evaluated. These evaluations form the basis for job grading, compensation policy and career path management within the Bank. At the same time, a new concept of "personal grading" has been introduced to the system, applicable to certain job families such as branch managers. Briefly, by assigning multiple grades to certain jobs, it permits promotions "in-place". One of the objectives is to reduce the number of promotional transfers and consequent frequent personnel changes, a common source of customer complaints.

In order that employees' performance can be more accurately assessed and accordingly more properly recognized and remunerated, the Bank introduced a new employee evaluation method in 1983. Entitled Management Appraisal of Performance and Potential System (MAPPS), the new appraisal system couples performance ratings to tailored specifications of job criteria. MAPPS ensures that employees precisely identify their key responsibilities and that they know how they will be evaluated in carrying out those tasks and responsibilities. This year, 1,200 management employees in four areas of the Bank were appraised using MAPPS. By the end of 1984, all management staff will be ranked on the qualitative and quantitative scales of the new system so that top performers can be recognized and rewarded for their accomplishments.

Productivity has also been reinforced by initiatives relating to employee benefits. The Bank has in recent years maintained or improved individual employee benefit programs, such as health and hospital insurance, and introduced new programs, such as dental insurance, while at the same time reducing the underwriting and administrative expenses associated with these programs.

The Bank, too, benefitted while implementing these improvements in employee compensation and benefit programs. In the same period, 1977 to 1983, inclusive, employee expense, expressed as a per cent of total Bank expenses (excluding interest) declined from 62.0% to 58.2%. This is equivalent to a savings in 1983 of about $47.5 million. By way of comparison, this savings exceeds the total amount paid out by the Bank in 1983 to fund pension costs—$36.4 million, which included $7.9 million in supplementary grants paid to pensioners to help offset increases in the cost of living.

More than 5,000 management and 9,000 clerical employees participated in a range of training sessions during 1983, including classroom seminars, in-branch workshops and Bank-sponsored courses at outside institutions. Here, Pamela Ward, Director of Marketing and Management Training, addresses a Branch Manager Administration Seminar at the Bank of Montreal Institute in Toronto.

The conventional measures of productivity do not always capture the importance of quality of performance. Such factors as customer service, revenue generation and conservation of Bank assets are important elements in the overall productivity of the Bank. In the broadest sense, therefore, improved productivity is very much related to the building of individual and collective employee skills. The Bank makes a considerable investment each year in its employees, designed to provide them with the opportunity to upgrade their skills. More than 5,000 management and 9,000 non-management employees took advantage of these opportunities in 1983, participating in training courses either on the job, or through the Bank of Montreal Institute, the Institute of Canadian Bankers, or Bank-sponsored outside courses.

During the seven-year period just concluded, although the total number of employees has remained constant, the proportion of management-graded professional, technical and managerial staff has risen significantly, while the clerical component has declined. This trend toward a more highly skilled workforce is expected to continue and is being actively encouraged by the Bank's recruitment, training, organization, and automation policies. At the same time, a major effort is being made through training, self-development and communications programs to encourage and assist employees at all levels to upgrade their skills. The objectives are to maximize the "value added" per dollar of employee expense while giving employees enhanced opportunities to realize their full potential as individuals.

The Bank offers courses to its employees in a variety of specific subjects covering most areas of Bank activity. For instance, several courses designed to improve customer service in domestic branches were introduced last year; as well, there are workshops and seminars in such areas as commercial services, cash management and Treasury operations; and numerous courses for managers in both commercial and domestic banking.

Training activities, such as the various courses designed for commercial bankers, contribute directly to the profitability of the Bank, both by enhancing the individual officer's ability to generate revenue as well as by sharpening his or her professional skill in conserving the assets of the Bank.

The Bank also offers a number of comprehensive training programs designed for new entrants and emphasizing one of the basic Bank career paths. The Management Development Program, now in its fifth year, is one example. Inaugurated in 1983, the Commercial Banking Officer Program is another example. The latter is designed, with an emphasis upon financial analysis, to prepare the individual for placement in one of the research and analysis teams supporting the commercial banking function, with career progression to account officer, in one of the line banking units.

These training programs, both specific and comprehensive, facilitate the evolution of the Bank's human resources as they keep pace with our need for employees capable of handling highly complex jobs calling for substantial knowledge and well-developed skills. Their advantage to the employee is also considerable. In conjunction with well-defined career paths, these programs and other opportunities for self-development enable the employee to prepare himself or herself for a career embodying job satisfaction as well as increasing compensation based on merit.

The Bank in the Community

The role of the Bank in the business life of the country touches, literally, millions of Canadians. In the broader sense of accepting social responsibilities, the activities of the Bank and its people reach well beyond the confines of commerce. In addition to providing a dependable national banking service, the Bank contributes measurably to the quality of life in Canada through a country-wide program of donations, grants and sponsorships. These embrace education, health, medical research and a wide variety of cultural, civic and community activities.

Through charitable donations, totalling $2.7 million last year, the Bank becomes part of the very fabric of Canadian society. To the extent that these commitments help enrich the social environment we all share, they contribute to the Bank's business performance through the creation of goodwill.

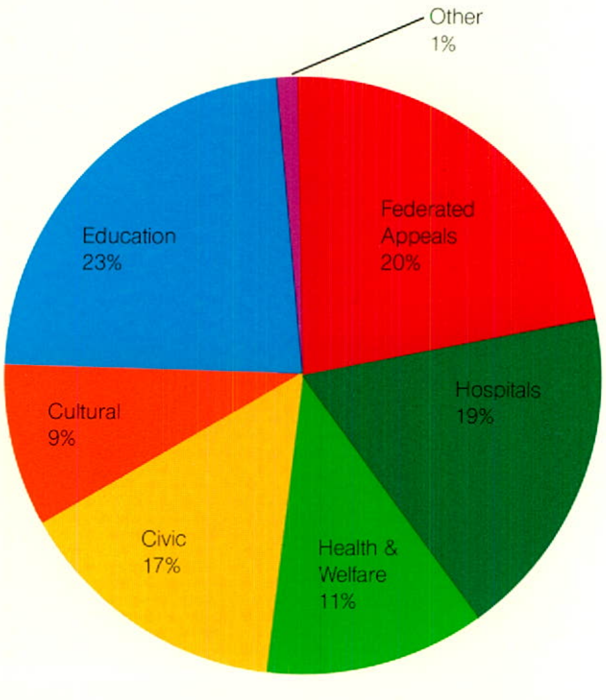
The contributions the Bank makes as a conscientious corporate citizen are not limited to financial support. No amount of money could be used to measure the voluntary contributions in time and effort by Bank personnel in a host of community and charitable undertakings, ranging from involvement in amateur sports to canvassing for major fund drives, to serving on boards of educational, charitable, medical, cultural and civic organizations.

When major issues facing governments and the economy are under public discussion, the Bank participates through articles and speeches by senior executives, and by submissions and representations to governments or to government commissions. It is Bank policy to contribute, as appropriate, to official consideration of issues of public concern in which the Bank has a natural interest. In 1983, for example, the Bank made submissions to the House of Commons subcommittee on agriculture, which was studying farm foreclosures, and to the Macdonald Royal Commission on Canada's economic prospects. On a variety of other subjects, the Bank conveyed to the authorities its thoughts and suggestions in less formal ways.

The Bank is vigilant in its response to a concern that goes to the heart of public confidence in the banking system: the right to privacy. In a policy statement entitled Your Privacy, the Bank has made clear its commitment to protect the confidentiality of customer information, unless required by law to disclose it or the customer consents to its release.

With the growth of computerized banking, public concern about confidentiality has also grown, and understandably so. Security is built into all the Bank's automated information systems from the planning stage onwards. It is ensured by rigorous internal and external audits, as well as by limiting physical and electronic access to the Bank's computer memories. Security planning and auditing are integral to the design of the Bank's systems, both in Canada and abroad. The Bank has also centralized its security functions, in line with technological and organizational developments.

Distribution of Bank Donations by Category



On another public issue, this one supranational in character, the Bank, in response to the continuing concern of certain shareholders about lending policies and loans to borrowers in South Africa, has despatched to that country, on its own account, three separate fact-finding missions headed by senior Bank executives. Their task, in each case, was to establish that the lending decisions we had made measured up to our principles and were morally acceptable and that loans were being used for the stated and identifiable purposes for which they were made. The Bank does not lend for purposes that, in its view, support policies or activities which suppress individual freedoms or discriminate on racial grounds.

As the oldest bank in Canada, the Bank of Montreal possesses not only an understandable sensibility to continuity and tradition but itself owns several notable buildings. Where feasible, these buildings are preserved and restored, while adapted to modern use. There is active dialogue between the Bank's Real Estate Division and Heritage Canada.

When constructing new buildings, the Bank deals with local authorities to respect the compatibility of surrounding architecture. A major effort in synthesis of old and new styles was recently achieved in Winnipeg, where a modern building was erected beside the old building, dating from 1913. The lobby of the new tower was integrated into the foyer and mezzanine of the older building, and similar facing materials are used on the exteriors.

In Montreal, the Bank acquired during the year the two remaining buildings on the city block on historic Place d'Armes that has been the Bank's home for 164 of its 166 years. The newly purchased unit, formerly known as the Royal Trust Building, will be modernized inside but its exterior appearance will be preserved, retaining an architectural blend with the facade of the Bank's Dome Building, unchanged since 1847.

With concern over the management of personal finances heightened by recent economic conditions, the Bank has continued promotion of its broad-based consumer education program, reaching out to audiences ranging from schoolchildren to grandparents.

The Bank has long been recognized for its support of higher education. It has been a matter of policy to encourage excellence in those fields of academic endeavour of particular interest to the Bank. Last year, for example, the Bank donated funds to establish a Chair in International Finance at the University of British Columbia. More recently, a major donation was authorized to be used to establish a Bank of Montreal Chair in Banking and Finance at Queen's University. Generally, these funds are used to supplement, not replace, those customarily allocated to senior faculty appointments, thus permitting the institutions to attract the most highly qualified incumbents.

Recognizing that universities face a scarcity of funding that is unprecedented in recent history, the Bank, in 1983, reinforced its commitment to higher education by establishing a Matching Gift Program through which the Bank matches, dollar for dollar, donations by its employees and Directors to eligible colleges and universities in Canada and the United States. The individual maximum is $1,000 per institution, up to a total of $3,000 per year.

At the secondary level, the Bank and Shell Canada co-sponsor Junior Achievement's highly successful "Project Business" program in which business people visit classrooms to discuss economic issues. The Bank itself promotes study of economics in high schools by distributing teaching materials and a video series on money and banking. With the cooperation of the JayCees of Canada, the Bank is a sponsor of the Outstanding Young Farmer Program. Each year, the search for award winners involves Bank officers with the rural community across the country.

Real Estate

Because of the size and scope of its operations, the Bank is a major owner of real estate. Administration of these holdings worldwide is the responsibility of the Real Estate Division. As a general policy, the Bank seeks where feasible to own the major facilities which it occupies, so as to stabilize operating costs and ensure adherence to satisfactory standards of maintenance and security.

In 1983, Phase One of First Canadian Centre in Calgary was completed in time for the Bank's Annual General Meeting. This prestigious building, pictured on the cover of this Report, was completely leased prior to its opening. In Fredericton, the new Bank of Montreal building, fully occupied by the Bank and the New Brunswick Power Commission, opened in October. A new Bank of Montreal Building, in which the Bank is the principal tenant, opened in Regina in November. Scheduled to open in early 1984, the Bank's new 24-storey headquarters building at Portage and Main, next door to historic Winnipeg Branch, is 95% leased.

Other Bank real estate developments in 1983:

- In Edmonton, construction began on a new building which will house Edmonton Main Branch, divisional headquarters for Canadian Commercial Banking and other Bank units .
- In Toronto, 250,000 square feet of office space were leased at 55 Bloor Street West with an option to purchase a 50-year leasehold interest in the entire 350,000-square-foot office tower, to be renamed Bank of Montreal Tower. The headquarters of the Domestic Banking Group and other Bank units were established there.
- In Montreal, the Bank purchased the balance of the city block it occupies on the north side of historic Place d'Armes. The building, adjacent to Head Office and the Montreal Main Branch, will be renovated to accommodate both newly formed and relocated Montreal-based units of the Bank.
- In Montreal and Toronto respectively, historic buildings at St. Peter and St. James Street (the Molsons Bank Building) and the former branch premises at Front and Yonge Streets were refurbished. Both buildings are being used as Bank offices.
- In London, England, the Bank's offices were consolidated in new premises at 9 Queen Victoria Street, in the heart of the financial district.
- In New York, major units now at 2 Wall Street will be moved to the Bank of Montreal Building at 430 Park Avenue in mid-1984. Bank of Montreal Trust Co. and related securities-processing activities will remain at 2 Wall Street.
- As part of its responsibility for the Bank's changing physical requirements, the Division executed over 157 major projects in 1983, including the opening or relocation of 67 branches or Commercial Banking Units.

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Consolidated Statement of Assets and Liabilities

As at October 31
($ in thousands)

Assets	1982	**1983**
Cash Resources		
Cash and deposits with Bank of Canada	$ 1,122,450	**$ 1,132,384**
Deposits with other banks	6,416,168	**6,936,239**
Cheques and other items in transit, net	–	**248,193**
	7,538,618	**8,316,816**
Securities Issued or Guaranteed by (note 1)		
Government of Canada	2,147,922	**4,831,053**
Provinces and municipal or school corporations	161,293	**296,338**
Other	3,111,178	**3,316,428**
	5,420,393	**8,443,819**
Loans Net of Reservations for Losses (note 2)		
Day, call and short loans to investment dealers and brokers, secured	460,721	**306,429**
Banks	1,702,101	**2,017,946**
Mortgages	5,223,505	**5,162,801**
Other	36,695,740	**34,059,143**
	44,082,067	**41,546,319**
Other		
Customers' liability under acceptances	3,050,219	**3,065,234**
Land, buildings and equipment (note 3)	618,617	**707,019**
Other assets (note 4)	1,317,051	**1,115,024**
	4,985,887	**4,887,277**
Total Assets	$62,026,965	**$63,194,231**

Liabilities and Shareholders' Equity	1982	1983
Deposits (note 6)		
Payable on demand	$ 4,443,339	**$ 5,273,285**
Payable after notice	13,949,771	**15,057,585**
Payable on a fixed date	35,481,516	**34,988,815**
	53,874,626	**55,319,685**
Other		
Cheques and other items in transit, net	9,030	**–**
Acceptances (note 7)	3,050,219	**3,065,234**
Liabilities of subsidiaries, other than deposits (note 8)	733,216	**639,674**
Other liabilities (note 9)	1,262,942	**998,502**
Minority interest in subsidiaries	55,477	**55,216**
	5,110,884	**4,758,626**
Subordinated Debt		
Bank debentures (note 10)	725,603	**728,359**
Capital and Reserves		
Appropriations for contingencies	215,566	**193,166**
Shareholders' equity		
Capital stock (note 11)		
Class A Preferred shares	375,086	**375,086**
Common shares	125,105	**130,767**
Contributed surplus	619,785	**689,697**
Retained earnings	980,310	**998,845**
Total Capital and Reserves	2,315,852	**2,387,561**
Total Liabilities and Shareholders' Equity	$62,026,965	**$63,194,231**

William D. Mulholland,
Chairman and
Chief Executive Officer

Grant L. Reuber,
President

Bank of Montreal and Subsidiaries

Consolidated Statement of Income

For the Year Ended October 31
($ in thousands except per share amounts)

	1982	1983
Interest, Dividend and Fee Income		
Loans	$7,307,819	**$5,588,114**
Lease financing	45,501	**73,303**
Securities	635,312	**612,767**
Deposits with banks	935,477	**746,828**
Total interest, dividend and fee income	8,924,109	**7,021,012**
Interest Expense		
Deposits	7,360,976	**5,270,436**
Bank debentures	113,012	**88,609**
Liabilities other than deposits	80,059	**80,306**
Total interest expense	7,554,047	**5,439,351**
Net Interest Income	1,370,062	**1,581,661**
Provision for loan losses	318,673	**360,897**
Net Interest Income After Provision for Loan Losses	1,051,389	**1,220,764**
Other operating income	350,535	**411,095**
Net Interest and Other Income	1,401,924	**1,631,859**
Non-Interest Expense		
Salaries	631,559	**644,427**
Pension and other staff benefits	62,901	**82,812**
Premises and equipment	220,724	**256,784**
Other expenses	247,774	**265,050**
Total non-interest expense	1,162,958	**1,249,073**
Income Before Provision for Income Taxes	238,966	**382,786**
Provision (credit) for income taxes (note 13)	(22,400)	**95,800**
Income Before Minority Interest in Earnings of Subsidiaries	261,366	**286,986**
Minority interest in earnings of subsidiaries	4,320	**4,436**
Net Income	$ 257,046	**$ 282,550**

Net income per common share (note 12)	$3.70	**$3.87**

Consolidated Statement of Appropriations for Contingencies

For the Year Ended October 31
($ in thousands)

	1982	1983
Beginning of Year		
Tax allowable	$180,680	$ 92,889
Tax paid	22,000	122,677
Total	202,680	215,566
Changes During Year		
Loan loss experience for the year	(550,187)	(550,297)
Provision for losses on loans based on five-year average loss experience	318,673	360,897
Transfer from retained earnings	244,400	167,000
Net Change During Year	12,886	(22,400)
End of Year		
Tax allowable	92,889	35,533
Tax paid	122,677	157,633
Total	$215,566	$193,166

Consolidated Statement of Changes in Shareholders' Equity

For the Year Ended October 31
($ in thousands)

Class A Preferred Shares (note 11)	Convertible Series 1 $2.85	Series 2 $2.50	Total
Balance at October 31, 1981	$ 200,100	$ –	$ 200,100
Proceeds of the sale of 7,000,000 shares on December 15, 1981	–	175,000	175,000
Conversion of 400 shares to common shares during the year ended October 31, 1982	(14)	–	(14)
Balance at October 31, 1982 and 1983	$ 200,086	$ 175,000	$ 375,086
Number of shares at October 31, 1982 and 1983	5,799,600	7,000,000	

Common Shares and Contributed Surplus (note 11)	Number of Shares	Common Shares	Contributed Surplus
Balance at October 31, 1981	56,299,166	$ 112,598	$ 476,446
Shareholder dividend reinvestment and share purchase plan	2,144,447	4,288	43,974
Stock dividend program	356,265	713	6,540
Conversion of Series 1 Preferred Shares	400	1	13
Conversion of Series 1 and Series 2 Debentures	3,749,106	7,498	92,708
Conversion of Bank of Montreal Mortgage Corporation exchangeable debentures	3,355	7	104
Balance at October 31, 1982	62,552,739	125,105	619,785
Shareholder dividend reinvestment and share purchase plan	2,477,841	4,957	61,542
Stock dividend program	350,053	700	8,294
Exercise of Series 2 Preferred Share Warrants	1,500	3	41
Conversion of Bank of Montreal Mortgage Corporation exchangeable debentures	1,133	2	35
Balance at October 31, 1983	65,383,266	$ 130,767	$ 689,697

Retained Earnings	1982	**1983**
Balance at beginning of year	$1,037,417	**$ 980,310**
Net income for the year	257,046	**282,550**
Dividends–Common	(121,338)	**(126,486)**
–Preferred	(33,106)	**(34,029)**
Direct costs of share issue net of related tax	(3,525)	–
Prior period adjustment (note 14)	16,361	–
Transfer to appropriations for contingencies	(244,400)	**(167,000)**
Income taxes related to the above transfer (note 13)	71,855	**63,500**
Balance at October 31	$ 980,310	**$ 998,845**

Significant Accounting Policies and Practices

The major accounting policies and the format of financial statement presentation adopted by Canadian Banks are prescribed under the Bank Act and regulations issued thereunder by the Minister of Finance. The accounting principles followed in the determination of net income differ from generally accepted accounting principles otherwise applicable in Canada most notably in the deferral of gains and losses on the disposal of debt securities, the translation of foreign currencies and the accounting for losses on loans. The significant accounting policies of the Bank are outlined below.

Basis of Consolidation

The assets and liabilities and results of operations of the Bank and subsidiaries are reported in the financial statements on a consolidated basis. The investment in 20% to 50% owned affiliates is reported in Other Securities in the Consolidated Statement of Assets and Liabilities. The Bank's interest in the results of operations of these affiliates is recorded using the equity method of accounting. The subsidiaries and affiliates of the Bank of Montreal are listed in Note 18.

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

Securities

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

Gains and losses resulting from disposals of fixed maturity debt securities held in the investment account are deferred and reflected in the Consolidated Statement of Income over five years on a straight line basis. Gains and losses resulting from disposals of equity securities held in the investment account are recorded as realized.

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

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

Loans

Loans are stated at their principal amount after deducting therefrom reservations for losses and unearned discount, where applicable.

Interest income is recorded on the accrual basis. Accrued but uncollected interest is reversed whenever a loan is classified as non-current. Thereafter, interest on non-current loans is recorded as received. A non-current loan may be restored to an accrual basis when interest and principal payments are current and prospects for future payments are no longer in doubt.

Personal plan loans are classified as non-current with accrued interest reversed once payments are six months in arrears and are automatically written-off once payments are one year in arrears. Credit card balances are written-off once payments are six months in arrears and accrued interest is reversed. Subsequent payments received on these non-current loans, net of collection costs, are applied firstly to interest and then to principal. Mortgage loans are reviewed quarterly and are classified as non-current when they are in default by 90 days or more and there is significant doubt as to the collectibility of principal or interest.

All other loans are reviewed at least quarterly and are classified as non-current if principal or interest is 90 days or more past due, providing there is significant doubt as to the collectibility of principal or interest. In any event, loans are presumed to be non-current when payment of principal or interest is 180 days or more past the scheduled due date.

Reservations for Losses on Loans and Appropriations for Contingencies

The Bank provides for potential loan losses through the establishment of reservations, which are reported as a deduction from Loans in the Consolidated Statement of Assets and Liabilities. Loans are written-off against the reservations.

The net new reservations established, reduced by recoveries on loans previously written-off, represents the loan loss experience which is charged to the Consolidated Statement of Appropriations for Contingencies. The Provision for Loan Losses reported in the Consolidated Statement of Income is credited to Appropriations for Contingencies. The charge to income is determined by calculating the ratio of the most recent five years loan loss experience to the most recent five years eligible loans and applying the ratio to the outstanding eligible loans at the fiscal year-end.

The Bank also establishes an appropriations for contingencies with respect to possible unspecified future losses on loans through transfers from Retained Earnings. The maximum amount of such transfers which can be made on a tax deductible basis is prescribed by regulations issued by the Minister of Finance. Transfers in excess of this tax deductible amount are made on a tax paid basis.

Land, Buildings and Equipment

Land, buildings and equipment are stated at cost less an allowance for depreciation and amortization. Major Canadian properties are depreciated using the sinking fund method, while all other buildings and leasehold improvements are depreciated on a straight line basis over their estimated useful lives. Equipment is depreciated using the declining balance method.

Translation of Foreign Currencies

Assets and liabilities in foreign currencies are translated into Canadian dollars at the exchange rates prevailing at year-end. Revenue and expense are translated at the average exchange rates prevailing throughout the year. Realized and unrealized gains and losses on foreign currency positions are considered current items and are recorded in Other Operating Income.

Foreign currency investments in subsidiaries and affiliates are translated at the exchange rates prevailing at year-end, with the resultant gains or losses on translation recorded in Other Operating Income.

Direct Finance Leases

Lease contracts under which total non-cancellable rentals exceed the cost of leased equipment plus anticipated financing costs are accounted for as financing leases. At the time such a lease transaction is executed, the gross lease receivable and the estimated residual value of the leased equipment are recorded. Unearned lease income is also recorded and reduced by an amount approximating the initial direct costs which is recognized as lease financing revenue, with the remaining unearned lease income and the estimated residual value deferred in the accounts and taken into income over the lease term to produce a constant rate of return on the net investment in the lease.

1 **Securities**
($ in millions)

	1982	1983					
			Maturity				
	Total	**Total**	Within 1 Year	Over 1 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Over 10 Years
Investment Securities							
Issued or guaranteed by:							
Government of Canada	$2,114.9	**$4,714.1**	$4,653.2	$ 8.2	$ 5.0	$ 47.7	$ –
Provincial governments	119.4	**263.6**	243.8	18.2	–	–	1.6
Municipalities and school corporations	13.8	**5.3**	2.4	1.3	0.2	–	1.4
Debt of Canadian issuers:							
Floating rate income debentures	766.8	**638.0**	109.6	122.8	130.8	274.8	–
Fixed rate income debentures	87.0	**82.1**	–	–	82.1	–	–
Floating rate small business development bonds (1)	388.0	**373.8**	28.1	42.3	303.4	–	–
Other	32.3	**227.7**	92.0	12.3	–	123.3	0.1
Debt of foreign issuers	509.2	**824.9**	748.8	23.9	50.4	1.7	0.1
Total Debt Securities	4,031.4	**7,129.5**	$5,877.9	$229.0	$571.9	$447.5	$3.2
Equity of Canadian issuers:							
Floating rate preferred shares (2)	1,103.8	**944.6**					
Other	171.1	**190.5**					
Equity of foreign issuers	52.7	**14.7**					
Total Investment Securities (3)	5,359.0	**8,279.3**					
Trading Securities	61.4	**164.5**					
Total Securities (4)	$5,420.4	**$8,443.8**					

(1) The non-current portion of floating rate small business development bonds is $20.8 million (1982–$8.8 million) net of specific provisions of $8.4 million (1982–$1.2 million).
(2) Of which $515.4 million (1982–$638.2 million) is guaranteed by third parties.
(3) Included in Total Investment Securities for 1983 are $2,038.5 million (1982–$2,345.6 million) of income debentures, term preferred shares and small business development bonds which are loan substitutions, having been acquired directly from the issuer as an alternative for a loan. As such, these securities are included in eligible loans in the calculation of the provision for loan losses and are accorded accounting treatment as loans.
(4) The quoted value of Total Securities is $8,452.6 million (1982–$5,410.1 million).

2 Loans Net of Reservations for Losses
($ in millions)

	1982			1983		
	Canadian Currency	Foreign Currency	Total	Canadian Currency	Foreign Currency	**Total**
Current loans, gross						
Day, call and short loans	$ 349.1	$ 111.6	$ 460.7	$ 267.3	$ 39.1	**$ 306.4**
Banks	64.0	1,543.7	1,607.7	103.4	1,838.1	**1,941.5**
Mortgages	5,217.0	6.5	5,223.5	5,151.1	11.7	**5,162.8**
Other loans	19,870.6	15,795.5	35,666.1	16,882.4	15,991.7	**32,874.1**
	25,500.7	17,457.3	42,958.0	22,404.2	17,880.6	**40,284.8**
Non-current loans	899.6	578.1	1,477.7	1,102.8	901.4	**2,004.2**
Specific provisions	(206.7)	(146.9)	(353.6)	(393.2)	(349.5)	**(742.7)**
Net non-current loans	692.9	431.2	1,124.1	709.6	551.9	**1,261.5**
	$26,193.6	$17,888.5	$44,082.1	$23,113.8	$18,432.5	**$41,546.3**

3 Land, Buildings and Equipment
($ in thousands)

	1982	1983		
	Net Book Value	Cost	Accumulated Depreciation	**Net Book Value**
Land	$108,075	$111,990	$ –	**$111,990**
Buildings	257,812	330,193	22,070	**308,123**
Equipment	126,560	350,353	207,415	**142,938**
Leasehold interests and improvements	126,170	–	–	**143,968**
	$618,617			**$707,019**

Depreciation of buildings and equipment and amortization of leasehold improvements amounted to $52,475,000 for the year ended October 31, 1983 (1982–$38,024,000).

4 Other Assets
($ in thousands)

	1982	**1983**
Accrued interest receivable	$ 827,525	**$ 664,636**
Deferred income taxes	186,558	**230,967**
Deferred loss on fixed maturity debt securities	10,695	**4,861**
Other items	292,273	**214,560**
	$1,317,051	**$1,115,024**

Included in Securities Income for 1983 is ($5,815,000) (1982–($7,300,000)) of amortization of gains (losses) on disposal of fixed maturity debt securities.

The $4,861,000 remaining balance is to be amortized as follows: 1984–($3,257,000); 1985–($890,000); 1986–($413,000); 1987–($303,000) and 1988–$2,000.

5 Geographic Distribution of Assets by Location of Ultimate Risk

	September 30, 1982			**September 30, 1983**		
	Millions of Cdn $	Millions of U.S. $	Other Foreign Currencies in Millions of	**Millions of Cdn $**	**Millions of U.S. $**	**Other Foreign Currencies in Millions of**
Canada	36,835	5,576	36 £ 84 D.M. 102 S.F. 9 Cdn $ Equiv.	**35,927**	**5,257**	**46 £ 100 D.M. 64 S.F. 15 Cdn $ Equiv.**
United States	138	4,392	30 £ 39 D.M. 19 S.F. 4 Cdn $ Equiv.	**68**	**5,177**	**28 £ 23 D.M. 36 S.F. 44 Cdn $ Equiv.**
Europe						
United Kingdom	32	540	380 £ 35 D.M. 114 S.F. 15 Cdn $ Equiv.	**121**	**528**	**319 £ 90 D.M. 57 S.F. 54 Cdn $ Equiv.**
Italy	33	392	1 £ 63 D.M. 11 S.F. 5 Cdn $ Equiv.	**39**	**400**	**21 £ 38 D.M. 24 S.F. 78 Cdn $ Equiv.**
West Germany	2	100	7 £ 709 D.M. 39 S.F. 6 Cdn $ Equiv.	**1**	**143**	**1 £ 610 D.M. 12 S.F. 1 Cdn $ Equiv.**
Other European Countries	75	1,420	63 £ 266 D.M. 337 S.F. 135 Cdn $ Equiv.	**151**	**1,355**	**31 £ 518 D.M. 238 S.F. 284 Cdn $ Equiv.**
Latin America and Caribbean						
Brazil	1	920	72,327 Cruz. 12 D.M.	**62**	**933**	**231,737 Cruz.**
Mexico	–	1,159	1 Cdn $ Equiv.	**200**	**1,050**	**1 Cdn $ Equiv.**
Venezuela	–	439		**–**	**448**	
Other Latin America and Caribbean	9	674	1 D.M. 1 S.F. 43 Cdn $ Equiv.	**22**	**663**	**9 D.M. 2 S.F. 51 Cdn $ Equiv.**

	September 30, 1982			**September 30, 1983**		
	Millions of Cdn $	Millions of U.S. $	Other Foreign Currencies in Millions of	**Millions of Cdn $**	**Millions of U.S. $**	**Other Foreign Currencies in Millions of**
Asia, Oceania and Australasia						
Japan	7	821	17 £	**26**	**1,622**	**21 £**
			35 D.M.			**194 D.M.**
			23 S.F.			**149 S.F.**
			18,905 Yen			**50,466 Yen**
			70 Cdn $ Equiv.			**72 Cdn $ Equiv.**
Other Asia, Oceania and Australasia	2	1,088	7 £	**6**	**1,071**	**2 £**
			65 D.M.			**79 D.M.**
			65 S.F.			**95 S.F.**
			206 Cdn $ Equiv.			**170 Cdn $ Equiv.**
Africa and Middle East	10	198		**4**	**196**	**3 £**
			18 D.M.			**25 D.M.**
			34 S.F.			**9 S.F.**
			2 Cdn $ Equiv.			**2 Cdn $ Equiv.**

The countries noted separately above each represent an ultimate risk of one percent or more of the Bank's aggregate outstanding securities, deposits with banks, customers' liability under acceptances and loans excluding mortgages, which, at October 31, 1983, totalled Cdn $54,829 million (1982—Cdn $53,745 million).

Assets are shown in source currencies, with Canadian dollar equivalents noted for sundry foreign currency outstandings. Translation rates to Canadian dollars used to make the above determination were:

	Sept. 30, 1982	**Sept. 30, 1983**
U.S. $	1.2361	**1.2322**
Pound Sterling (£)	2.0958	**1.8425**
Deutsche Mark (D.M.)	0.4894	**0.4691**
Swiss Franc (S.F.)	0.5700	**0.5820**
Cruzeiro (Cruz.)	0.006125	**0.001670**
Yen	0.004602	**0.005239**

6 Deposits
($ in millions)

	1982			1983		
	Canadian Currency	Foreign Currency	Total	Canadian Currency	Foreign Currency	**Total**
Deposits by Canada	$ 547.8	$ 20.7	$ 568.5	$ 660.8	$ 15.6	**$ 676.4**
Deposits by provinces	97.3	16.5	113.8	161.9	0.5	**162.4**
Deposits by banks	290.1	14,494.5	14,784.6	486.2	14,635.6	**15,121.8**
Deposits by individuals	21,302.8	722.6	22,025.4	21,364.6	767.7	**22,132.3**
Other deposits	7,793.9	8,588.4	16,382.3	7,351.9	9,874.9	**17,226.8**
	$30,031.9	$23,842.7	$53,874.6	$30,025.4	$25,294.3	**$55,319.7**

7 Acceptances, Guarantees and Letters of Credit

The contingent liability of the Bank under acceptances is reported as a liability in the Consolidated Statement of Assets and Liabilities. An offsetting asset is reported to reflect the Bank's recourse to a customer in the event of a call under any of these commitments.

The Bank also issues letters of credit and guarantees the payment of liabilities on behalf of customers. These amounts are not reported in the Consolidated Statement of Assets and Liabilities and are as follows:

($ in millions)	1982	**1983**
Guarantees	$1,154.1	**$1,137.1**
Letters of credit	938.3	**1,375.0**
	$2,092.4	**$2,512.1**

8 Liabilities of Subsidiaries Other than Deposits

($ in thousands)

	Interest Rate	Date Maturing	1982	**1983**
Bank of Montreal Mortgage Corporation				
Series A debentures	7.75%	October, 1987	$ 1,598	**$ 1,583**
Series B debentures	9.00	February, 1989	1,424	**1,355**
Series G debentures	9.25	April, 1983	41,515	**–**
Series 1 debentures	10.00	June, 1984	50,000	**50,000**
Series 2 debentures	11.25	October, 1984	50,000	**50,000**
Series 3 debentures	13.625	May, 1985	50,000	**50,000**
Series 4 debentures	11.50	August, 1985	75,000	**75,000**
Exchangeable debentures (1)	11.75	September, 1991	95,699	**95,662**
Bank of Montreal Realty Finance Ltd.				
Debentures	8.75	November, 1982	75,000	**–**
Bank of Montreal Realty Inc.				
Series 1 debentures	13.625	December, 2000	100,000	**100,000**
Notes	16.75	March, 1988	75,000	**75,000**
Mortgages	(2)	(2)	7,869	**8,355**
Bank of Montreal Leasing Corporation				
Series G notes, secured	10.50	February, 1986	15,600	**15,600**
Series I notes, secured	(2)	(2)	–	**8,916**
Short term notes, unsecured, subordinated to Bank of Montreal Leasing Corporation secured notes and medium term notes	(3)	(3)	94,511	**108,203**
			$733,216	**$639,674**

(1) Exchangeable into common shares of the Bank as described in note 11.

(2) At varying rates of interest and varying terms to maturity until August, 1992.

(3) At varying rates of interest and varying terms to maturity within one year.

9 Other Liabilities
($ in thousands)

	1982	1983
Accrued interest payable	$1,036,630	**$ 752,724**
Accounts payable and accrued expenses	208,855	**224,186**
Deferred front end loan fees	17,457	**21,592**
	$1,262,942	**$998,502**

Included in Income from Loans for 1983 is $12,222,000 (1982–$11,074,000) of amortization of front end loan fees.

10 Debentures Issued and Outstanding
($ in thousands)

	Interest Rate	Date Maturing	Redeemable at the option of the Bank beginning	1982	1983
Series A	7.50%	April, 1992	April, 1986	$ 3,481	**$ 3,346**
Series C	7.25	February, 1987	February, 1983	1,001	**975**
Series 1	9.00	March, 1984	–	8,516	**8,516**
Series 2	9.25	October, 1984	–	16,278	**16,278**
Series 3	8.28*	April, 1989	April, 1984	75,000	**75,000**
Series 4	9.74*	August, 1991	August, 1984	125,000	**125,000**
Series 5	10.25*	December, 1990	December, 1985	122,550	**123,270**
Series 6	9.94*	October, 1991	October, 1988	153,187	**154,088**
Series 7	16.25	December, 1991	–	183,825	**184,905**
Series 8	15.25	July, 1994	–	36,765	**36,981**
				$725,603	**$728,359**

Series 5, 6, 7 and 8 debentures are denominated in U.S. currency, for which the principal amounts are U.S. $100 million, U.S. $125 million, U.S. $150 million and U.S. $30 million respectively. The equivalent Canadian dollar liability of these debentures at year-end reflects the conversion rate of 1.2327 (1982–1.2255).

All debentures are direct unsecured obligations of the Bank and are subordinated in right of payment to the claims of depositors and certain other creditors. In accordance with the formula prescribed in the Bank Act, the Bank has the capacity, as of November 1, 1983, to issue an additional $253.4 million of debentures.

The aggregate sinking fund requirements and maturities within and beyond the next 5 years of the Bank's debentures as at October 31, 1983, are as follows:

($ in thousands)	1983
Within 1 year	**$ 24,896**
From 1 to 2 years	**163**
From 2 to 3 years	**163**
From 3 to 5 years	**1,037**
From 5 to 10 years	**692,855**
Over 10 years	**9,245**
	$728,359

*Floating rate debentures, interest rate stated is as at October 31, 1983

11 **Capital Stock**

The authorized capital of the Bank totals $1,450,000,000 consisting of 100,000,000 Common Shares of the par value of $2 each, 50,000,000 Class A Preferred Shares without nominal or par value, issuable in series, and 12,500,000 Class B Preferred Shares without nominal or par value, issuable in series, provided the aggregate consideration for which all the Class A Preferred Shares and all of the Class B Preferred Shares that may be issued shall not exceed $1,000,000,000 and $250,000,000, respectively. The Class B Preferred Shares may be issued in a currency other than Canadian dollars.

Class A Preferred Shares

Series 1 Convertible Preferred Shares have a stated value of $34.50 per share and a fixed annual, cumulative dividend of $2.85. Each share is convertible at the option of the holder into one common share, subject to adjustment in certain events, at any time before May 26, 1991. Under certain conditions, the Bank has the right to convert the Series 1 shares into common shares prior to May 25, 1991 at prices ranging from $31.91 to $32.78 per common share. The Series 1 shares are redeemable on and after May 26, 1986 at declining premiums.

Series 2 Preferred Shares have a stated value of $25 per share and a fixed annual cumulative dividend of $2.50 and carry the following share purchase warrants:

–7,000,000 First Warrants issued January 15, 1982 entitling shareholders to purchase one common share at $29.50 until June 14, 1985 or thereafter at $33 until December 15, 1988.

–7,000,000 Second Warrants to be issued June 14, 1985 entitling shareholders to purchase one common share at $33 from June 17, 1985 to December 15, 1988.

Holders of the warrants have the option to exercise each warrant by delivering one Series 2 Preferred Share plus cash equivalent to the difference between the exercise price and $25. The Series 2 shares are redeemable on and after December 16, 1988 at declining premiums.

Exchangeable Debentures

The holders of the $95,662,000 Exchangeable Debentures due September 8, 1991 of the Bank of Montreal Mortgage Corporation have the right to exchange the debentures for common shares of the Bank at a price of $33 per common share on or before September 8, 1991. Bank of Montreal Mortgage Corporation may redeem the debentures on or after September 8, 1986 at declining premiums. Under certain conditions, the Bank has the right to exchange the debentures for common shares of the Bank prior to September 8, 1991 at $31.35 per common share.

Shares Reserved for Issue

The following table, as at October 31, 1983, indicates the maximum remaining number of common shares allocated and reserved by the Board of Directors for issue in respect of:

	Number of Shares
Dividend reinvestment and share purchase plan and stock dividend program	663,043
Series 1 Preferred Shares	5,799,600
Series 2 First Warrants	6,998,500
Series 2 Second Warrants	7,000,000
Bank of Montreal Mortgage Corporation exchangeable debentures	3,315,512
	23,776,655

12 **Net Income per Common Share**

Net income per common share has been calculated on the daily average of common shares outstanding. For the year ended October 31, 1983 this average was 64,164,442 (1982–60,910,845). Fully diluted net income per common share was $3.72 (1982–$3.57) and has been calculated as if: (a) all outstanding Class A Series 1 Convertible Preferred Shares had been converted into common shares on April 30, 1981 (the date of issue) and; (b) all outstanding Class A Series 2 Preferred Shares had been converted into common shares on December 15, 1981 (the date of issue) with the exercise of the First Warrants, and assets at the current rate of leverage had been generated producing income at the current rate of return on total assets.

13 Provision for Income Taxes

The Provision (Credit) for Income Taxes recorded in the Consolidated Statement of Income represents the taxes applicable to the income reported therein. The deferred tax portion of this provision represents timing differences related primarily to the recognition of the loan loss provision for tax and financial statement purposes. The Provision (Credit) for Income Taxes recorded in Retained Earnings represents the income tax effect related to the transfers from Retained Earnings to Appropriations for Contingencies and expenses related to the issuance and sale of equity securities of the Bank that are recorded in Retained Earnings.

($ in thousands)	1982	**1983**
Consolidated Statement of Income		
Current	$ 74,687	**$ 83,254**
Deferred	(97,087)	**12,546**
	(22,400)	**95,800**
Retained Earnings		
Current	(3,492)	**(6,545)**
Deferred	(71,855)	**(56,955)**
	$(75,347)	**$(63,500)**

The Bank's provision for income taxes differs from the marginal tax rate applied to earnings before tax as certain sources of income are exempt from tax or are taxed at other than the marginal rate.

($ in thousands)	1982		**1983**	
Income before provision for income taxes	$238,966	100.0%	**$382,786**	**100.0%**
Provision for taxes thereon at Canadian marginal income tax rates	$119,005	49.8%	**$185,651**	**48.5%**
Marginal tax rate reductions due to:				
Dividends from taxable Canadian corporations	(65,372)	(27.4)	**(41,366)**	**(10.8)**
Interest on income debentures and small business development bonds	(48,560)	(20.3)	**(28,568)**	**(7.5)**
Income of foreign subsidiaries	(41,334)	(17.3)	**(39,859)**	**(10.4)**
Other items—net	(10,068)	(4.2)	**(9,047)**	**(2.4)**
Foreign taxes payable by foreign subsidiaries	23,929	10.0	**28,989**	**7.6**
Provision (credit) for income taxes	$(22,400)	(9.4)%	**$95,800**	**25.0%**

14 Prior Period Adjustment

Regulations issued by the Minister of Finance during fiscal 1982 required the Bank to revalue as at April 30, 1982 its foreign currency investments in subsidiaries and affiliates at current exchange rates. The effect of this change resulted in an adjustment of $16.4 million, which was reported as a Prior Period Adjustment in the Consolidated Statement of Changes in Shareholders' Equity for 1982.

15 Lease Commitments

The Bank and its subsidiaries lease buildings and equipment under operating lease agreements. Annual contractual rental commitments of more than $25,000 are as follows:

($ in thousands)

1984	$70,623
1985	64,291
1986	56,619
1987	50,728
1988	44,615

Thereafter the long-term lease commitments amount to approximately $659 million, of which $325 million is attributable to First Canadian Place, Toronto.

16 Legal Proceedings

In 1981, legal proceedings were initiated against the Bank in Alberta and British Columbia alleging that, in May 1979, the Bank, as a creditor, acted improperly in its appointment of the original receiver manager under debentures it held from Abacus Cities Ltd. ("Abacus").

The Alberta action was commenced by the trustee, in bankruptcy of Abacus against, amongst others, the Bank and the original receiver manager claiming $300 million. The proceedings were authorized to be commenced for the purpose of preserving any cause of action and pending directions being received from inspectors of the bankrupt estate or the court. The proceedings are in abeyance pending the inspectors' review of the report of the joint trustee, who was appointed for the limited purpose of dealing with any possible claims the estate might possess arising out of the appointment of the original receiver manager. The Bank's Alberta counsel has advised that based upon their present knowledge of the facts, there is a reasonable defence against the imposition of any liability in the Alberta legal action and that no substantial damages ought to be awarded against the Bank in the event that the Alberta court found that the Bank's debenture security was not enforceable.

The British Columbia action was taken by three shareholders and former officers of Abacus who are claiming from the Bank and others, damages alleged to be recoverable by them independent of the damages claimed by Abacus in the Alberta action. On September 22nd, 1982, the Supreme Court of British Columbia declined jurisdiction in the action and ordered, subject to certain terms, that the action be stayed. The plaintiffs appealed the decision and the Court of Appeal has not yet pronounced judgment. The Bank's British Columbia counsel have advised, that based upon their present knowledge of the facts, if the plaintiffs were permitted to proceed in British Columbia, there are reasonable defences against the imposition of liability. It is counsel's opinion that the plaintiffs have no right to recover for damages alleged to have been suffered by Abacus and that the damages claimed appear to substantially duplicate those claimed by Abacus in the Alberta action.

17 Pension Fund

An actuarial valuation of the pension fund is performed every three years in accordance with statutory requirements. As at December 31,1980, the date of the latest valuation, the pension fund was fully funded. The amount charged to expense for all employer's pension contributions for 1983 was $35,551,000 (1982—$31,357,000).

18 Subsidiary and Affiliated Corporations

The following is a list of corporations in which the Bank owns more than 10% of the issued and outstanding voting shares.

	Head Office	Percent of Issued and Outstanding Voting Shares Owned by the Bank	Book Value of Voting Shares Owned by the Bank (Cdn $ in thousands)
CANADA			
Bank of Montreal Export Finance Corporation	Montreal	100.0	*
Bank of Montreal Leasing Corporation	Toronto	100.0	2,629
Bank of Montreal Mortgage Corporation	Calgary	100.0	180,407
BMRI Realty Investments	Montreal	100.0	
Bank of Montreal Realty Finance Ltd.	Montreal	100.0	4,768
Bank of Montreal Realty Inc.	Montreal	100.0	54,745
Bank of Montreal Realty Developments Inc.	Montreal	100.0	
Lindhill Holdings Limited	Toronto	100.0	
Bank of Montreal Receivables Management Corporation	Toronto	100.0	(1,106)
Doreal Investments Limited	Montreal	30.0	1,181
Dorchester University Holdings Limited	Montreal	30.0	
First Canadian Capital Corporation	Vancouver	100.0	*
First Canadian Credit Corporation	Vancouver	100.0	*
First Canadian Equity Corporation Limited	Montreal	100.0	*
Monroy Holdings Limited	Montreal	100.0	125
UNITED STATES			
APLN, Inc.	New York	100.0	1
Bank of Montreal (California)	San Francisco	100.0	42,989
Bank of Montreal Trust Company	New York	100.0	12,898
BM Canada Corporation	Wilmington	100.0	*
First Canadian Financial Inc.	Wilmington	100.0	*
98765 Corporation Inc.	Wilmington	100.0	2
FOREIGN			
Bank of Montreal Asia Limited	Singapore, Republic of Singapore	100.0	50,166
Bank of Montreal International Ltd.	Nassau, Bahamas	100.0	76,572
Bank of Montreal (Bahamas & Caribbean) Limited	Nassau, Bahamas	100.0	
Bank of Montreal Trust Corporation Cayman Ltd.	Nassau, Bahamas	100.0	742

	Head Office	Percent of Issued and Outstanding Voting Shares Owned by the Bank	Book Value of Voting Shares Owned by the Bank (Cdn $ in thousands)
Empresa Técnica de Organizaçào e Participaçoes S.A.	Rio de Janeiro, Brazil	100.0	51,324
Banco de Montreal Investimento S.A.	Rio de Janeiro, Brazil	100.0	
Montrealbank S.A.	Rio de Janeiro, Brazil	100.0	
Montrealbank Administradora de Fundos de Sequridade Social Ltda.			
Montrealbank Corretora de Seguras Ltda.	Rio de Janeiro, Brazil	100.0	
Montrealbank Financeira S.A.	Rio de Janeiro, Brazil	100.0	
Montrealbank Leasing S.A.	Rio de Janeiro, Brazil	100.0	
OEG—Serviços Ltda.	Rio de Janeiro, Brazil	100.0	
Montrealbank Prestadora de Serviços Ltda.	Rio de Janeiro, Brazil	100.0	
First Canadian Assessoria e Serviços Ltda.	Sao Pāulo, Brazil	100.0	111
First Canadian Leasing Limitada	Sao Pāulo, Brazil	100.0	
First Canadian Financial Corporation B.V.	Amsterdam, Netherlands	100.0	26,961
Australian International Finance Corporation Ltd.	Melbourne, Australia	20.0	
Concordia Holdings N.V.	Curaçao, Dutch Antilles	100.0	
First Canadian Financial Corporation Ltd.	Hong Kong	100.0	
First Canadian Financial Services (U.K.) Limited	London, England	100.0	14,863
United Provinces Property	Amsterdam, Netherlands	50.0	120

The book value of the Corporations shown above represent the equity value of the direct holdings of the Bank.
*Denotes a book value of less than $500.

19 Commitments

The Bank has reached agreement with the Board of Directors of Harris Bankcorp Inc. of Chicago, Illinois, to acquire for cash all of the outstanding shares at a price of U.S.$82 each, for a gross acquisition price of approximately U.S.$547 million.

Consummation of the acquisition, which is expected before the end of fiscal 1984, requires approval by the shareholders of Harris Bankcorp Inc. and is contingent upon the approval of state and federal authorities in the United States.

Highlights of the Consolidated Harris Bankcorp Inc. position as at December 31, 1982 and 1981 and its operating results for the years then ended, as reported to its shareholders, are summarized below.

(U.S.$ in millions)	1981	1982
Loans and leases, net	U.S.$3,966.5	U.S.$3,984.9
Total assets	7,488.0	7,136.8
Deposits	4,574.5	4,896.5
Shareholders' equity	359.9	381.8
Net interest income	134.8	165.4
Provision for credit losses	9.0	16.0
Non-interest income	90.9	107.8
Non-interest expense	178.3	204.7
Income before securities gains or losses	33.4	40.1
Net income	29.9	35.8

The application of the Canadian five-year averaging provision for loan losses would reduce the provision for credit losses to U.S.$10.4 million in 1982 (1981–U.S.$8.8 million), offset by a reciprocal amount in reserves, to result in no change to capital and reserves.

Statement of Responsibility for Financial Data

The consolidated financial statements of the Bank of Montreal have been prepared by, and are the responsibility of, the Bank's management. The presentation and information provided therein has been prepared in accordance with the provisions of the Bank Act of Canada and with appropriate generally accepted accounting principles, and include amounts based on informed judgements and estimates of the expected effects of current events and transactions. The financial information elsewhere in this report is consistent with that in the financial statements.

In meeting its responsibility for the reliability of financial data, management relies on comprehensive internal accounting, operating and system controls. The Bank's overall controls include an organizational structure providing for effective segregation of responsibilities, delegation of authority and personal accountability; a careful selection and training of personnel; the application of accounting and administrative policies and procedures consistent with the highest standards of business conduct; as well as a continued program of extensive internal audits. These controls are designed to provide reasonable assurance that financial records are reliable for preparing financial statements and maintaining accountability for assets, and that assets are safeguarded against unauthorized use or disposition.

The Board of Directors pursues its oversight role for these financial statements through the Audit Committee, which is composed solely of directors who are not officers or employees of the Bank. The Shareholders' auditors and the Bank's Chief Auditor have full and free access to the Audit Committee to discuss audit, financial reporting and related matters.

Touche Ross & Co. and Coopers & Lybrand, the Shareholders' auditors for 1983, whose report is included in this annual report, examined the accompanying financial statements in accordance with generally accepted auditing standards to express an opinion on the Bank's consolidated financial statements. Their opinion is based on procedures believed by them to be sufficient to provide reasonable assurance that the financial statements present fairly the financial position of the Bank of Montreal and subsidiaries as at October 31, 1983, and the results of its operations for the year then ended.

William D. Mulholland,
Chairman and
Chief Executive Officer

Grant L. Reuber,
President

Auditors' Report
To the Shareholders of the Bank of Montreal

We have examined the consolidated statement of assets and liabilities of the Bank of Montreal and subsidiaries as at October 31, 1983 and the consolidated statements of income, appropriations for contingencies and changes in shareholders' equity for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Bank of Montreal and subsidiaries as at October 31, 1983 and the results of its operations for the year then ended in accordance with prescribed accounting principles applied on a basis consistent with that of the preceding year.

Touche Ross & Co.
Coopers & Lybrand
Chartered Accountants

Touche Ross & Co.
Coopers & Lybrand

Montreal, November 29, 1983

The Pension Fund Society of the Bank of Montreal
Balance Sheet

As at December 31
($ in thousands)

Assets	1981	1982
Cash and short term investments	$ 25,995	**$ 77,607**
Accounts receivable and accrued interest	10,948	**8,663**
	36,943	**86,270**
Investments (note 2)	342,095	**397,157**
Total Assets	$379,038	**$483,427**

Liabilities and Capital	1981	1982
Accounts payable	$ 37	**$ 2,127**
Capital		
Accumulated capital, being funds accumulated for the payment of pensions in future years	429,883	**476,433**
Unrealized gain (loss) on investments	(50,882)	**4,867**
Total Capital	379,001	**481,300**
Total Liabilities and Capital	$379,038	**$483,427**

Statement of Accumulated Capital

For the Year Ended December 31
($ in thousands)

	1981	1982
Income		
Interest	$ 33,312	**$ 36,766**
Dividends and rentals	5,306	**5,967**
Oil and gas properties	1,392	**1,360**
Gain (loss) on sale of investments	9,286	**(2,602)**
Gain (loss) on foreign exchange	(70)	**365**
Total income	49,226	**41,856**
Contributions		
Bank	14,318	**18,821**
Members, net of refunds	1,195	**1,108**
Total contributions	15,513	**19,929**
Total Income and Contributions	64,739	**61,785**
Pensions and annuities paid	14,523	**15,165**
Administrative expenses	–	**70**
	14,523	**15,235**
Increase in capital	50,216	**46,550**
Accumulated capital at beginning of year	379,667	**429,883**
Accumulated capital at end of year	$429,883	**$476,433**

Statement of Unrealized Gain (Loss) on Investments

For the Year Ended December 31
($ in thousands)

	1981	1982
Balance at beginning of year	$ (3,950)	**$ (50,882)**
Increase (decrease) during the year	(46,932)	**55,749**
Balance at end of year	$ (50,882)	**$ 4,867**

1 **Summary of Significant Accounting Policies**

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

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

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

2 **Investments**
($ in thousands)

	1981		**1982**	
	Market value	Book value	**Market value**	**Book value**
Common stocks				
Canadian	$ 79,142	$ 70,113	**$ 87,240**	**$ 73,257**
Foreign	28,702	26,522	**37,293**	**31,534**
Bonds and debentures				
Government of Canada	53,291	67,830	**75,885**	**75,085**
Provincial governments	20,197	29,760	**23,642**	**27,063**
Municipalities and schools	2,233	3,178	**5,002**	**5,142**
Corporate	70,065	97,604	**70,862**	**80,878**
Mortgages	54,317	62,652	**55,260**	**57,331**
Fund units	11,544	13,621	**12,417**	**13,621**
Real estate trust units	11,573	10,666	**18,635**	**17,458**
Leasebacks	1,273*	1,273	**1,292***	**1,292**
Oil and gas properties	9,758*	9,758	**9,629***	**9,629**
	$342,095	$392,977	**$397,157**	**$392,290**

*at cost less accumulated amortization—market value not available

3 Actuarial Valuation

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

Auditors' Report

To the Directors of the Pension Fund Society of the Bank of Montreal

We have examined the balance sheet of The Pension Fund Society of the Bank of Montreal as at December 31, 1982 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, 1982 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, February 18, 1983.

Thorne Riddell
Chartered Accountants

While economic conditions showed an improving trend from 1982, the year still reflected the effects of the worldwide recession both domestically and internationally. Bank assets were relatively unchanged from 1982 levels as opportunities for profitable growth were limited. The small increase that did occur came primarily in the United States. Although the loan loss experience stabilized in 1983, the provision for loan losses increased by 13%, due to the working of the averaging formula used by the chartered banks.

Net income increased by $25.5 million or 9.9% in 1983 to $282.6 million. Attention placed on generating income from fees and services combined with containing operating expense growth to 7% were factors in the total improvement. Domestic earnings registered a considerable improvement due primarily to improvements in earnings on non-current loans and in funding spreads. International profitability declined from a year ago due to a narrowing of international spreads and an increase in operating expenses.

The liquidity position and capital base continue to be very strong and position the Bank well to support increased growth in loan demand.

The Bank's operations and financial position are covered in greater detail in the following analysis.

Domestic and International Operations

The basis for the segmentation into domestic and international operations is primarily the residency of the customer. In the Statement of Assets and Liabilities, the assets and liabilities are allocated based on residency of the customer. The capital and reserves are allocated in proportion to average assets.

In the segmented Statement of Income, net interest earnings are determined by the customer's residency. The difference between each segment's average assets and liabilities is provided for at a rate equivalent to the other segment's average cost of funds. The provision for loan losses, other operating income and non-interest expense, other than Head Office, are allocated based on the booking location. Head Office expenses are allocated in proportion to average assets employed.

Net Income

($ in millions)

Net income for the year at $282.6 million was $25.5 million higher than 1982. Improvement in taxable equivalent net interest income of 9% or $147.2 million combined with higher other operating income were the major contributing factors to increased earnings during the year. The increase in net interest income was attributable to better spreads in domestic operations. These improvements were partially offset by a higher provision for loan losses and increased non-interest expense.

Domestic earnings of $234.0 million represented 83% of total net income and were $95.3 million or 69% above 1982. Increased income on non-current loans, lower levels of interest reversals, and improved funding spreads were the most significant factors in the improved domestic earnings.

International earnings were $48.6 million, representing a decline of $69.7 million or 59% from 1982, due to decreased international spreads and increased operating expenses.

Net Interest Income

($ in millions)

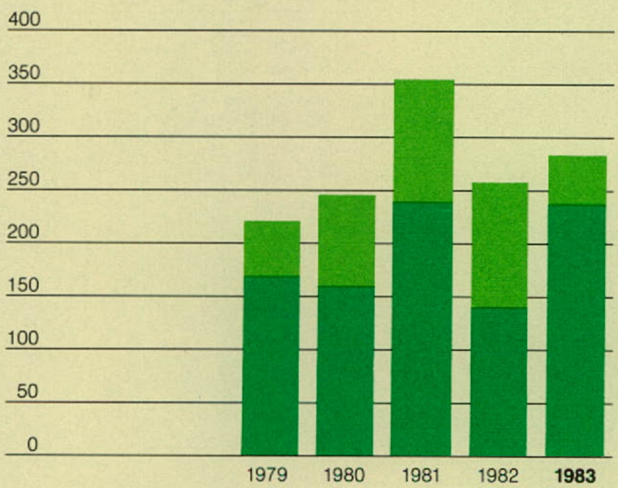
Net interest income for the year at $1,581.7 million was $211.6 million higher than the previous year. Higher earnings on non-current loans were the key factor in this improvement. Also of note, the more stable interest rate environment allowed the funding spreads on domestic operations to improve over the lower levels experienced in 1982.

Certain revenues which the Bank receives, such as dividends from taxable Canadian corporations, have already been taxed and are therefore tax exempt to the Bank. Accordingly, the taxable equivalent net interest income is adjusted for the value of this tax benefit.

Domestic taxable equivalent net interest income at $1,369.1 million was $195.5 million better than 1982 levels. International taxable equivalent net interest income declined $48.3 million or 12% to $368.1 million. The reasons for these changes are further discussed in the section which follows on taxable equivalent spreads.

Net Income

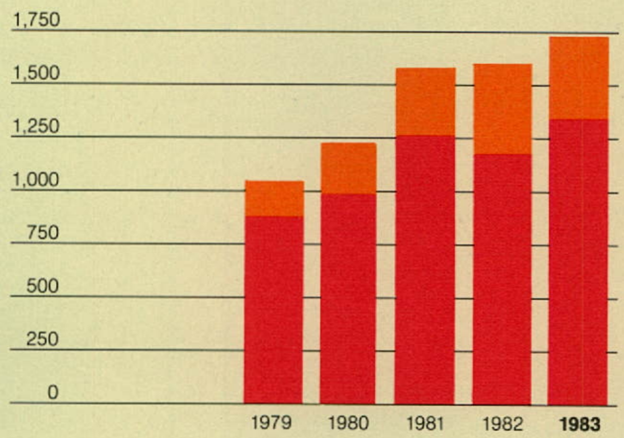
($ in millions)



	1979	1980	1981	1982	1983
Domestic	169.7	157.8	235.3	138.7	**234.0**
International	52.4	89.3	117.6	118.3	**48.6**
Total Bank	222.1	247.1	352.9	257.0	**282.6**

Net Interest Income

($ in millions)



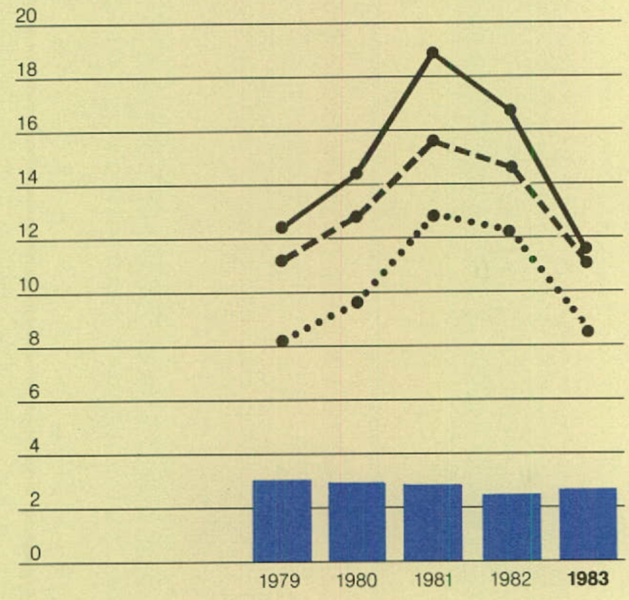
	1979	1980	1981	1982	1983
Net interest income—as reported	899.3	1,030.0	1,357.9	1,370.1	**1,581.7**
Taxable equivalent basis					
Domestic	886.9	980.5	1,265.2	1,173.6	**1,369.1**
International	154.3	236.5	315.0	416.4	**368.1**
Total Bank	1,041.2	1,217.0	1,580.2	1,590.0	**1,737.2**

Interest Revenue, Expense and Spread–Taxable Equivalent Basis

(percentage)

Taxable equivalent spread of 2.73% for 1983 was a significant improvement over 1982 although still below historical levels. The increase in spread over the prior year reflects the net impact of two larger offsetting changes in Domestic and International operations. Domestically, the generally better economic environment saw an improvement in returns on non-current loans as previously noted. As well, the rapidly falling prime rate late in 1982 caused a decline in domestic spreads, as the cost of deposits lagged behind the drop in yields of the prime-based advances. As the rates stabilized in 1983, this compression was worked out of the portfolio. The lower interest rate environment prevalent in 1983 also resulted in improved spreads on fixed-rate assets. Internationally, interest rate spreads have reduced as interest rates declined and funding spreads in international money markets narrowed.

Interest Revenue, Expense and Spread–Taxable Equivalent Basis
(percentage)



	1979	1980	1981	1982	1983
Average Prime Rate	12.17	14.29	18.91	16.79	**11.54**
Interest, dividend and fee income as a percentage of average assets (taxable equivalent basis)	11.08	12.79	15.85	14.56	**11.27**
Interest expense as a percentage of average assets	8.05	9.89	12.97	12.02	**8.54**
Interest Rate Spread–Taxable Equivalent Basis	3.03	2.90	2.88	2.54	**2.73**
Domestic	3.47	3.25	3.39	2.85	**3.32**
International	1.75	2.04	1.78	1.93	**1.64**

Five-Year Average Loan Loss Experience

($ in millions)

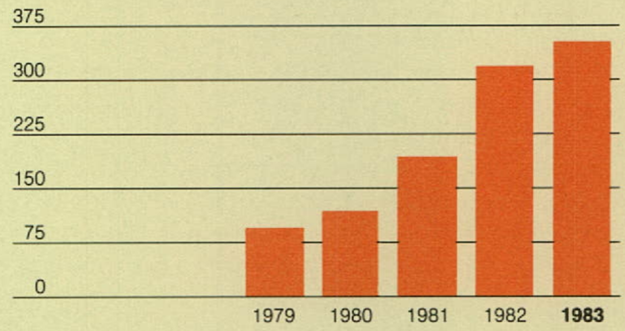
The loan loss experience of the Bank is the amount of net new reservations for loan losses, less principal recoveries on loans previously written off. The amount of net new reservations is determined through a quarterly management review of the collectibility of individual loans. The provision for loan losses is determined by calculating the ratio of the most recent five years loan loss experience to the most recent five years eligible loans and applying the ratio to the outstanding eligible loans at the fiscal year end.

Loan loss experience has levelled off during the year, and at $550.3 million for 1983 remains unchanged from 1982. Loan loss experience on Domestic business and other loans and on International loans improved but were offset by an increase in the consumer loan plans and MasterCard category. The Domestic business and other loans segment includes commercial loans booked in Canada throughout Canadian Commercial and Corporate and Government banking divisions. Loan loss experience improved by $14.3 million in this portfolio in 1983. The growth of loan loss experience relative to smaller and medium sized commercial loans has tapered off substantially this year, due to the improvement in the economic climate in Canada. Partly offsetting this improvement has been some deterioration of the loss experience with respect to Real Estate accounts, Agriculture and Mining and Energy sector loans, as well as other larger commercial accounts. The International loan loss experience declined by $12.5 million, attributable solely to commercial accounts, as the loan loss experience on sovereign accounts continued to increase.

The five-year average loan loss experience represents the provision for loan losses charged to the Consolidated Statement of Income. Although the loan loss experience has remained stable and eligible loans for 1983 are lower than 1982, the provision for loan losses has increased $42.2 million or 13%. The high levels of loan loss experience of the past few years are the reason for the increase in the 1983 provision. The five-year averaging formula that is used to determine the provision tends to moderate the year-to-year changes in the provision for loan losses and will maintain the provision at relatively high levels even should the actual loan loss experience begin to decline.

Five-Year Average Loan Loss Experience

($ in millions)



	1979	1980	1981	1982	**1983**
Actual Loan Loss Experience for the Year					
Domestic					
Consumer loan plans and MasterCard	44.1	32.8	42.7	67.4	**94.3**
Business and other loans	50.3	94.6	138.0	292.6	**278.3**
International	33.1	26.8	87.4	190.2	**177.7**
Total	127.5	154.2	268.1	550.2	**550.3**
Distribution of Actual Loan Loss Experience					
Charge to Consolidated Statement of Income	94.1	123.7	196.3	318.7	**360.9**
Charge to Appropriations for Contingencies	33.4	30.5	71.8	231.5	**189.4**
Total	127.5	154.2	268.1	550.2	**550.3**
Eligible loans outstanding (1)					
Domestic					
Consumer loan plans and MasterCard	3,509	3,947	4,701	4,198	**3,911**
Business and other loans	16,314	19,516	26,244	27,730	**26,338**
International	6,915	9,778	13,631	16,670	**15,911**
Total	26,738	33,241	44,576	48,598	**46,160**
Actual loan loss experience as a percentage of eligible loans					
Domestic					
Consumer loan plans and MasterCard	1.26%	0.83%	0.91%	1.61%	**2.41%**
Business and other loans	0.31	0.49	0.54	1.06	**1.06**
International	0.48	0.27	0.64	1.14	**1.12**
Total	0.48%	0.46%	0.61%	1.13%	**1.19%**
Five-year average loan loss experience as a percentage of eligible loans	0.35%	0.37%	0.44%	0.66%	**0.78%**

(1) The five years of eligible loans have been restated to comply with the 1983 definition of eligible loans. Changes from the previous definition include the addition of term preferred shares which qualify as loan substitutes and the exclusion of call and short loans in Canada and accrued interest.

Other Operating Income

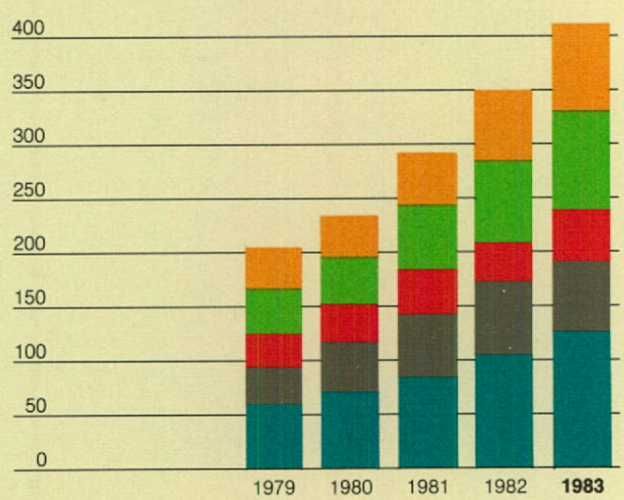
($ in millions)

Other operating income includes all sources of income except interest and loan fees that actually increase the yield on a loan. Other operating income at $411.1 million for 1983 was $60.6 million or 17% higher than 1982. Revenues from service charges rose $18.9 million or 17% due to both higher transaction volumes and price increases to cover the rising costs of providing many bank services. MasterCard fees rose $1.9 million or 3% reflecting a slight decline in the volume of MasterCard transactions and a reduction in the average merchant discount rate.

Foreign exchange revenues generated by trading improved $11.7 million in 1983. Fees on loans, guarantees and letters of credit rose $15.7 million or 20%, largely due to higher fees earned on FirstBank Acceptances. Other revenues include securities and safekeeping fees, operations revenue, commissions and miscellaneous revenues. The increase in other revenues of $12.4 million or 19% represents primarily gains on the sale of properties in 1983, combined with price increases relating to a number of bank services, and offset by a $12.8 million loss on the translation, for statement purposes from local to Canadian currency, of the Bank's equity in certain foreign investments, primarily the Brazilian subsidiary. To protect the Bank's equity in its Brazilian subsidiary from major devaluation the equity is fully matched on an after-tax basis, by investments in government bonds pegged to the U.S. dollar and in real estate.

Other Operating Income

($ in millions)



	1979	1980	1981	1982	**1983**
Service Charges	61.0	72.5	87.4	108.8	**127.7**
MasterCard Fees	34.9	44.4	57.7	64.4	**66.3**
Foreign Exchange	33.3	34.0	42.5	34.1	**45.8**
Fees on Loans, Guarantees and Letters of Credit, excludes loan fees amortized to Interest Income	36.6	47.4	58.9	77.0	**92.7**
Other*	40.2	38.5	46.6	66.2	**78.6**
Total Bank	206.0	236.8	293.1	350.5	**411.1**
Domestic	166.5	189.5	227.3	289.6	**351.9**
International*	39.5	47.3	65.8	60.9	**59.2**

*Includes gains (losses) on translation of equity in subsidiaries, as required by 1982 banking regulations, ($12,849,000) in 1983 (1982—$700,000).

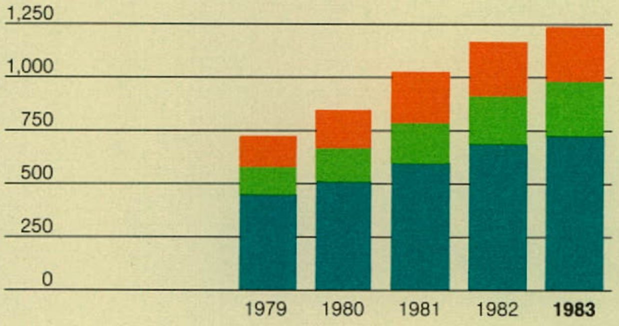
Non-Interest Expense

($ in millions)

Non-interest expense for 1983 increased $86.1 million or 7% over 1982. Employee costs rose $32.7 million or 5% compared to 15% in the previous year. The increase reflects merit and fringe benefit increases partially offset by a decrease in complement. In its continued efforts to control expenses, the Bank has eliminated automatic across the board salary increases. All compensation adjustments are now tied to individual performance. Occupancy costs, which include computer expenses, rose $36.1 million or 16% during the year, compared to 19% in 1982. Computer operating costs accounted for $5.8 million of the increase; with depreciation charges and other property expenses responsible for the balance. Other expenses grew by $17.3 million or 7%, primarily due to higher business promotion expenses, professional fees, and deposit insurance costs. This compares to a 14% growth last year.

The Bank has continued to place emphasis on its Profit Improvement Program which has resulted in significant cost savings during the past year. Although operating expenses continue to rise, the rate of increase of 7% over 1982 is substantially below the average annual growth rate of 17% in the previous three years.

Non-Interest Expense
($ in millions)



	1979	1980	1981	1982	**1983**
Employee	444.5	502.7	602.6	694.5	**727.2**
Occupancy	135.3	159.1	184.7	220.7	**256.8**
Other	150.9	183.7	218.1	247.8	**265.1**
Total Bank	730.7	845.5	1,005.4	1,163.0	**1,249.1**
Domestic	665.1	755.8	892.0	990.3	**1,050.5**
International	65.6	89.7	113.4	172.7	**198.6**

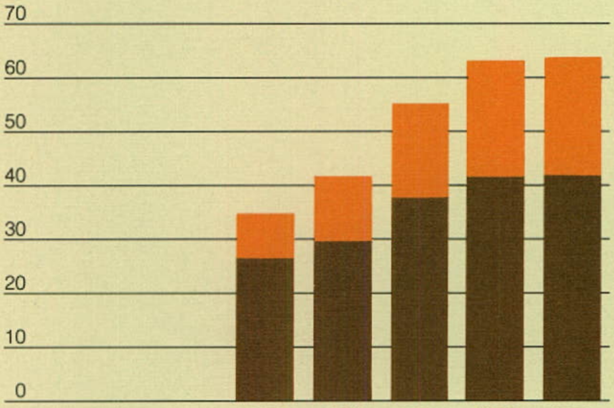
Total Assets

($ in billions)

Total Assets were $63.2 billion at October 31, 1983, an increase of $1.2 billion or 2% over the prior year. The most significant change in the balance sheet this year has been the decline in loans of $2.5 billion and the increase in securities of $3.0 billion and deposits with banks of $0.5 billion.

Average assets increased $0.9 billion or 1% in 1983. Domestic average assets remained relatively flat while international assets rose $0.8 billion to $22.4 billion.

Total Assets
($ in billions)



	1979	1980	1981	1982	**1983**
At year end	37.3	47.5	62.4	62.0	**63.2**
Average:					
Domestic	25.5	29.9	37.3	41.2	**41.3**
International	8.8	11.6	17.7	21.6	**22.4**
Total Average Assets	34.3	41.5	55.0	62.8	**63.7**
Percent of average:					
Domestic	74%	72%	68%	66%	**65%**
International	26	28	32	34	**35**
Total	100%	100%	100%	100%	**100%**

Securities at Year End

($ in millions)

At October 31, 1983, securities were $8.4 billion, an increase of $3.0 billion from 1982. Most of the increase occurred in Government of Canada Treasury Bills. With the decline in loan demand and the increase in deposits, the resulting excess liquidity has been profitably invested in these short-term, relatively high yielding assets.

Securities at Year End
($ in millions)

	1979	1980	1981	1982	**1983**	Five Year Compound Annual Growth Rate %
Investment Securities						
Issued or Guaranteed by: Government of Canada Treasury Bills	1,355	1,510	1,986	2,033	**4,631**	32.79
Other	572	392	188	82	**83**	(41.35)
Provincial Governments	43	72	100	119	**263**	24.12
Municipalities and school corporations	45	35	24	14	**5**	(37.82)
Debt of Canadian issuers: Floating rate income debentures*	867	833	748	767	**638**	(0.22)
Fixed rate income debentures*	140	108	104	87	**82**	(11.69)
Floating rate small business development bonds*	–	–	154	388	**374**	–
Other	45	69	279	32	**228**	8.82
Debt of foreign issuers	84	138	191	509	**825**	59.69
Equity of Canadian issuers: Floating rate preferred shares*	1,051	1,133	1,177	1,104	**945**	2.52
Other	103	165	160	171	**190**	14.37
Equity of foreign issuers	57	60	59	53	**15**	(3.22)
Total Investment Securities	4,362	4,515	5,170	5,359	**8,279**	13.85
Trading Securities	27	37	29	61	**165**	24.59
Total Securities	4,389	4,552	5,199	5,420	**8,444**	13.99

*Loan substitution securities

Loans by Borrower Classification

As at September 30*
($ in millions)

At September 30, 1983 total loans were $41.6 billion, a decrease of $3.1 billion from September 30, 1982. The decline occurred in Canadian currency loans, as foreign currency loans remained relatively unchanged. In Canadian dollar loans, the only growth came in personal loans. Although economic conditions showed an improving trend during 1983, loan demand continued to be weak.

Deposits at Year End

($ in millions)

At October 31, 1983, the Bank held $55.3 billion in deposits, an increase of $1.4 billion over 1982. Total Canadian dollar deposits were unchanged over the prior year end, as the Bank's excess liquidity position reduced funding requirements. Personal and commercial deposits rose $1.5 billion while term deposits decreased $1.6 billion. This change in deposit mix has had a positive impact on the domestic net interest income.

The substantial increase in the Bank's foreign currency deposits reflects its active participation in foreign currency money markets.

Loans by Borrower Classification

As at September 30*
($ in millions)

	1979	1980	1981	1982	**1983**	Five Year Compound Annual Growth Rate %
Canadian Currency						
Personal	4,935	5,433	6,073	5,715	**6,297**	7.08
Industrial	2,376	3,395	4,448	4,487	**3,159**	14.28
Mortgages						
Insured under N.H.A.	1,462	1,589	1,696	1,744	**1,712**	8.55
Other	1,989	2,552	3,417	3,563	**3,440**	23.78
Construction and real estate	1,820	1,953	2,556	2,181	**1,703**	4.75
Merchandise and financial	1,623	1,729	2,460	2,970	**2,232**	15.54
Agricultural	1,303	1,403	1,396	1,385	**1,258**	3.71
All other loans	3,386	3,429	4,268	4,304	**3,306**	3.93
Total Canadian Currency Loans	18,894	21,483	26,314	26,349	**23,107**	9.79
Foreign Currency Loans						
Loans booked in Canada	2,451	3,806	6,744	4,770	**4,259**	17.02
Loans booked outside Canada	5,367	7,649	10,352	13,546	**14,215**	28.19
Total Foreign Currency Loans	7,818	11,455	17,096	18,316	**18,474**	25.00
Total Loans	26,712	32,938	43,410	44,665	**41,581**	15.16

*Prepared at this date rather than the fiscal year end for regulatory reporting purposes.

Deposits at Year End

($ in millions)

	1979	1980	1981	1982	**1983**	Five Year Compound Annual Growth Rate %
Canadian Currency						
Personal chequing & savings	7,972	9,823	11,572	12,880	**13,904**	15.24
Commercial demand & savings	2,985	3,617	3,800	3,679	**4,130**	7.03
Government of Canada	483	643	706	548	**661**	(2.40)
Personal term	4,973	6,289	8,316	8,422	**7,461**	18.10
Non-personal term	5,305	4,705	5,391	4,503	**3,870**	(4.22)
Total Canadian Currency Deposits	21,718	25,077	29,785	30,032	**30,026**	10.22
Foreign Currency						
By banks	6,713	9,937	14,170	14,495	**14,636**	24.85
Other	5,536	7,607	11,819	9,348	**10,658**	19.38
Total Foreign Currency Deposits	12,249	17,544	25,989	23,843	**25,294**	22.44
Total Deposits	33,967	42,621	55,774	53,875	**55,320**	14.97

Return on Average Total Assets

(Taxable Equivalent Basis)
(percentage)

Return on average total assets increased from 0.41% for 1982 to 0.44% for 1983.

The return on domestic assets increased 0.23% from 1982 to 0.57%, due primarily to increased income from non-current loans, lower levels of interest reversals, and improved funding spreads.

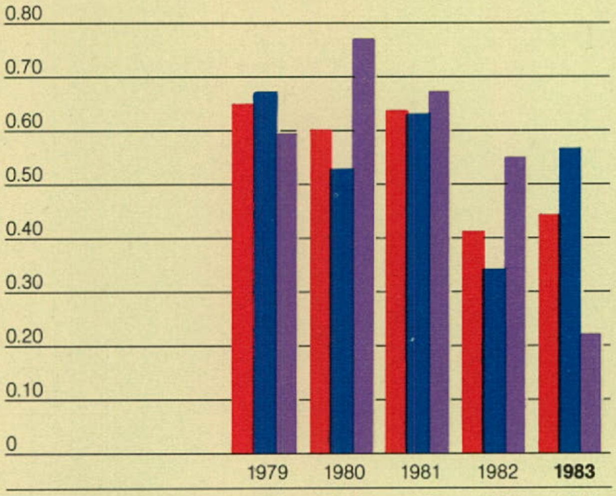
The return on our international assets declined sharply from 0.55% in 1982 to 0.22% in 1983, due to decreased international spreads and increased operating expenses.

Return on Average Capital Funds

(percentage)
($ in millions)

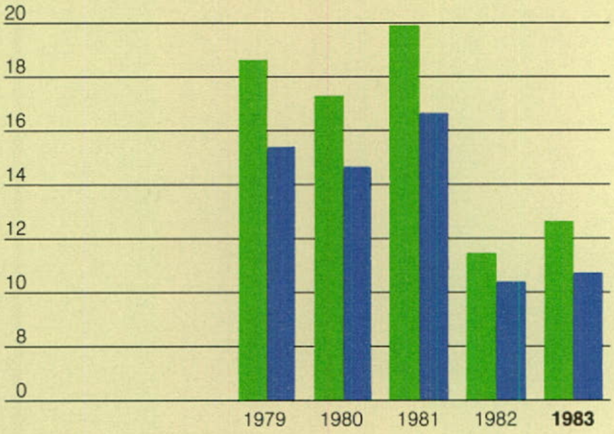
Average common equity including appropriations for contingencies remained essentially unchanged in 1983 at $1,968 million. The return on common equity at 12.6% for 1983 showed a slight improvement over 1982, due to the increase in earnings. Average capital and reserves and debentures rose $14 million to $3,070 million in 1983.

Return on Average Total Assets
(Taxable Equivalent Basis)
(percentage)



	1979	1980	1981	1982	**1983**
Net interest income	3.03	2.90	2.88	2.53	**2.73**
Provision for loan losses	0.27	0.30	0.36	0.51	**0.57**
Net interest income after provision for loan loss	2.76	2.60	2.52	2.02	**2.16**
Other operating income	0.60	0.58	0.53	0.56	**0.64**
Net interest and other income	3.36	3.18	3.05	2.58	**2.80**
Non-interest expense	2.13	2.04	1.83	1.85	**1.96**
Income before provision for income taxes	1.23	1.14	1.22	0.73	**0.84**
Total Bank Net Income	0.65	0.60	0.64	0.41	**0.44**
Domestic	0.67	0.53	0.63	0.34	**0.57**
International	0.59	0.77	0.67	0.55	**0.22**

Return on Average Capital Funds
(percentage)
($ in millions)



	1979	1980	1981	1982	**1983**
Average common shareholders' equity*	$1,198	$1,425	$1,722	$1,966	**$1,968**
Return on average common shareholders' equity*	18.5%	17.2%	19.9%	11.4%	**12.6%**
Average capital and reserves and debentures (1)	$1,556	$1,849	$2,330	$3,056	**$3,070**
Return on average capital and reserves and debentures** (1)	15.3%	14.6%	16.6%	10.3%	**10.7%**

*Average common shareholders' equity includes appropriations for contingencies. The returns indicated exclude preferred dividends.

**Return on average capital and reserves and debentures is before debenture interest, less applicable income taxes.

(1) Capital and reserves include shareholders' equity plus appropriations for contingencies. Reservations for losses on loans are not included.

Capital to Assets Ratio

(percentage)
($ in millions)

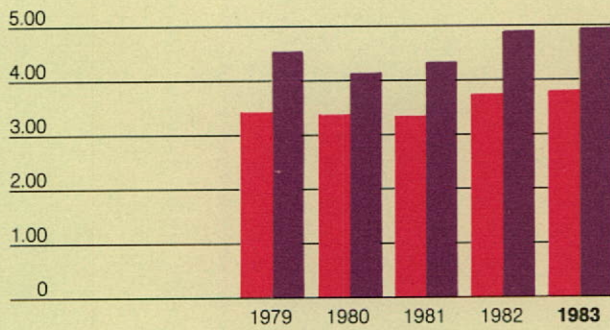
The combination of the Bank's retained earnings and appropriations for contingencies represents the Bank's earnings retention had the loan loss experience been recognized in the year incurred. The Bank's 1983 operations contributed $156.6 million to internally generated capital. This is composed of $282.6 million of net income reduced by $126.0 million of loan loss experience in excess of the provision for loan losses, net of related income tax.

The external capital increased by $75.6 million during the year through the shareholder dividend reinvestment and share purchase plan, the stock dividend program, the exercise of Series 2 Preferred Share Warrants and the conversion of Bank of Montreal Mortgage Corporation exchangeable debentures. There were no capital issues in 1983.

The ratio of total capital and reserves to assets at October 31, 1983 was 3.78%, while when debentures were included the ratio was 4.93%. The Bank's capital position is the strongest in recent history.

Capital to Assets Ratio

(percentage)
($ in millions)



	1979	1980	1981	1982	**1983**
Internally generated capital					
Appropriations for contingencies	134.6	175.2	202.7	215.6	**193.2**
Retained earnings	718.5	848.8	1,037.4	980.3	**998.8**
Total Internally Generated Capital	853.1	1,024.0	1,240.1	1,195.9	**1,192.0**
External capital					
Common shares, including contributed surplus	411.8	570.7	589.0	744.9	**820.5**
Preferred shares	–	–	200.1	375.1	**375.1**
Total Capital and Reserves(1)	1,264.9	1,594.7	2,029.2	2,315.9	**2,387.6**
Debentures issued and outstanding	433.8	383.6	653.5	725.6	**728.4**
Total Capital and Reserves and Debentures(1)	1,698.7	1,978.3	2,682.7	3,041.5	**3,116.0**
Ratio of Total Capital and Reserves to Total Assets (%) (1)	3.39	3.35	3.25	3.73	**3.78**
Ratio of Total Capital and Reserves and Debentures to Total Assets (%) (1)	4.55	4.16	4.30	4.90	**4.93**

(1) Capital and reserves include shareholders' equity plus appropriations for contingencies. Reservations for losses on loans are not included.

Capital Adequacy

Persuant to regulations issued by the Inspector General of Banks, the Bank's capital leverage ratios, as at October 31, 1983 were as follows:

Primary Capital Ratio	3.36
Total Capital Ratio	4.78

Temporary liquidity problems in certain countries, including Mexico, Brazil, Venezuela and Argentina, have occasioned delays in the receipt of payments from both private and public sector borrowers in these countries.

Each of these countries is resolving these liquidity problems through a program of internal economic adjustment with the assistance of their commercial bank lenders, official institutions (such as the International Monetary Fund (IMF), the World Bank and the Inter American Development Bank) and direct assistance from the major industrialized countries.

Activities, both underway and completed, include the negotiation of new loans and adjusting of principal repayment schedules. Based on its assessment at the present, Bank of Montreal does not believe that the situation in any of these countries will ultimately have a material adverse effect on its future operating results or financial condition.

Mexico

Total loans, interbank placements, and acceptances outstanding to borrowers in Mexico were U.S. $1,050 million and Cdn. $201 million at September 30th, 1983. Of this amount, 70% was due from the public sector.

Interest payments on Mexican public sector debt have adhered to payment schedules. In conjunction with an approved IMF facility, principal payments for calendar years 1983 and 1984 have been refinanced on a term basis.

Portions of private sector principal and interest payments have been deferred and will be rescheduled on a term basis through a trust created in Mexico to provide foreign exchange coverage over the life of these loans.

Brazil

Total outstandings to Brazil at September 30th, 1983 were 231.7 billion Cruzeiros, U.S. $933 million and Cdn. $62 million. Of this amount, 75% is due from the public sector. Principal payments on both public and private sector debt for calendar years 1983 and 1984 are being refinanced on a term basis. In concert with other lenders and conditional upon an approved IMF facility, the Bank will commit to lend an additional U.S. $106 million to Brazil on a term basis, tied to IMF disbursement.

In general, interest payments have been maintained within 90 days of due date, and are to be brought to current status by December 31st, 1983 in accordance with the country's agreement with the IMF.

Venezuela

Total outstandings to Venezuela at September 30th, 1983 were U.S. $448 million, with 88% due from the public sector. Interest payments on Venezuelan public sector debt have generally been made as agreed, principal payments, however, have been deferred and will be refinanced on a term basis in concert with other lenders and an approved IMF facility.

Argentina

Total outstandings to Argentina at September 30th, 1983 were U.S. $240 million, with 61% due from the public sector. Principal and interest arrears exist pending formalization of the Argentina Refinancing Program, which is under active negotiation and will proceed when legal documentation has been completed. In conjunction with an approved IMF facility, the Bank will lend an additional U.S. $17 million to the public sector on a term basis.

Average Non-Current Loans Net of Specific Provisions

($ in millions)

At the time a loan is classified as non-current accured but uncollected interest is reversed, and the loan then becomes a part of the average non-current loan balance. In 1983 $48.5 million (1982—$62.0 million) of interest revenue was reversed, some of which represents interest recognized in prior periods. The indicated interest income on non-current loans reflects the year's cash receipts, which may relate to more than the one year period.

In 1983, the net non-current loan average balance of $1.3 billion increased substantially over 1982. This reflects largely the full year's impact of the rapid growth in non-current loan balances in 1982.

At October 31, 1983 the net non-current loan balance was below the average for the year, reflecting a downturn in the level of non-current loans.

Cash receipts on non-current loans increased $76.2 million to $162.9 million in 1983. In part this reflects the high level of interest reversals in the last two years, as well as the generally improved economic environment.

Although loans are written off against specific provisions, collection efforts are continued and in 1983 resulted in cash receipts of $17.8 million of interest on loans previously written off.

Average Non-Current Loans	1982			1983			**1983 versus 1982**		
								Increase/(Decrease) due to Change in	
	Average Balance $	Interest* $	Average Rate %	Average Balance $	Interest* $	Average Rate %	Net Change $	Volume $	Rate $
Domestic									
Consumer loan plans and MasterCard	67.6	1.0	1.48	84.6	1.3	1.54	0.3	0.2	0.1
Business and other loans	706.1	51.8	7.34	1,184.2	96.1	8.12	44.3	36.9	7.4
Total Domestic	773.7	52.8	6.82	1,268.8	97.4	7.68	44.6	37.1	7.5
International	462.5	33.9	7.33	691.8	65.5	9.47	31.6	19.9	11.7
Total Average Non-Current Loans	1,236.2	86.7	7.01	1,960.6	162.9	8.31	76.2	57.0	19.2
Average Specific Provisions									
Domestic	277.0	—	—	392.2	—	—	—	—	—
International	142.6	—	—	240.4	—	—	—	—	—
Total Average Specific Provisions	419.6	—	—	632.6	—	—	—	—	—
Total Average Non-Current Loans Net of Specific Provisions	816.6	86.7	10.62	1,328.0	162.9	12.27	76.2	57.0	19.2
Loans previously written off	—	8.8	—	—	17.8	—	9.0	—	9.0

*Interest income includes interest on a cash basis relating to both the current and prior years.

Quarterly Financial Data

($ in millions except per share amounts)

	1982 Quarter Ended			
	January 31	April 30	July 31	October 31
Interest, dividend and fee income	2,363.0	2,190.8	2,286.6	2,083.7
Interest expense	2,028.4	1,857.8	1,940.8	1,727.1
Net interest income	334.6	333.0	345.8	356.6
Provision for loan losses	64.8	65.2	87.1	101.6
Net interest income after provision for loan losses	269.8	267.8	258.7	255.0
Other operating income	79.7	86.3	96.3	88.3
Net interest and other income	349.5	354.1	355.0	343.3
Non-interest expense	281.0	298.7	290.0	293.3
Income before provision for income taxes	68.5	55.4	65.0	50.0
Provision (credit) for income taxes	(2.8)	(6.0)	(6.2)	(7.4)
Income before minority interest	71.3	61.4	71.2	57.4
Minority interest	1.1	1.1	1.1	1.0
Net income	70.2	60.3	70.1	56.4
Average Total Assets	62,311	63,002	63,486	62,814
Return on average assets (%)	0.45	0.39	0.44	0.36
Per common share:				
Net income—basic	$1.10	$0.84	$0.99	$0.77
—fully diluted	$1.05	$0.82	$0.95	$0.75
Dividends	$0.49	$0.49	$0.49	$0.49
Average number of common shares outstanding (000's)	57,895	61,488	61,932	62,328
Dividends declared—common shares	30,064	30,218	30,406	30,650
—preferred shares	7,584	8,507	8,508	8,507

1983 Quarter Ended			
January 31	April 30	July 31	October 31
1,872.8	1,728.3	1,685.8	1,734.1
1,472.5	1,338.5	1,288.8	1,339.6
400.3	389.8	397.0	394.5
109.5	101.7	83.9	65.7
290.8	288.1	313.1	328.8
102.6	95.9	101.8	110.8
393.4	384.0	414.9	439.6
303.8	303.4	313.4	328.5
89.6	80.6	101.5	111.1
14.0	17.3	23.2	41.3
75.6	63.3	78.3	69.8
1.2	1.1	1.1	1.1
74.4	62.2	77.2	68.7
62,966	64,223	63,664	63,845
0.47	0.40	0.48	0.43
$1.04	$0.84	$1.07	$0.92
$1.00	$0.82	$1.01	$0.89
$0.49	$0.49	$0.49	$0.49
63,093	63,999	64,540	65,026
31,243	31,503	31,702	32,038
8,507	8,508	8,507	8,507

Five-Year Statements of Income Per $100 of Average Assets

(Taxable Equivalent Basis)

	1979	1980	1981	1982	1983
DOMESTIC					
Net interest income	$ 3.47	$ 3.25	$ 3.39	$ 2.85	**$ 3.32**
Provision for loan losses	0.25	0.31	0.37	0.51	**0.54**
Net interest income after provision for loan losses	3.22	2.94	3.02	2.34	**2.78**
Other operating income	0.65	0.63	0.61	0.70	**0.85**
Net interest and other operating income	3.87	3.57	3.63	3.04	**3.63**
Non-interest expense	2.61	2.53	2.39	2.40	**2.55**
Income before provision for income taxes	1.26	1.04	1.24	0.64	**1.08**
Net Income	$ 0.67	$ 0.53	$ 0.63	$ 0.34	**$ 0.57**
Average Total Assets ($ in millions)	$25,482	$29,895	$37,328	$41,225	**$41,241**
Net Income ($ in millions)	$ 169.7	$ 157.8	$ 235.3	$ 138.7	**$ 234.0**
INTERNATIONAL					
Net interest income	$ 1.75	$ 2.04	$ 1.78	$ 1.93	**$ 1.64**
Provision for loan losses	0.34	0.27	0.33	0.50	**0.61**
Net interest income after provision for loan losses	1.41	1.77	1.45	1.43	**1.03**
Other operating income	0.45	0.41	0.37	0.29	**0.27**
Net interest and other income	1.86	2.18	1.82	1.72	**1.30**
Non-interest expense	0.75	0.77	0.64	0.80	**0.89**
Income before provision for income taxes	1.11	1.41	1.18	0.92	**0.41**
Net Income	$ 0.59	$ 0.77	$ 0.67	$ 0.55	**$ 0.22**
Average Total Assets ($ in millions)	$ 8,838	$11,593	$17,652	$21,616	**$22,431**
Net Income ($ in millions)	$ 52.4	$ 89.3	$ 117.6	$ 118.3	**$ 48.6**

Five-Year Financial Highlights

($ in millions except per share comments)

	1979	1980	1981	1982	**1983**
Selected Financial Information					
Total assets	$37,331	$47,547	$62,374	$62,027	**$63,194**
Securities	4,389	4,552	5,199	5,420	**8,444**
Loan portfolio (net of reservations)	27,011	33,754	43,759	44,082	**41,546**
Deposit liabilities	33,967	42,621	55,774	53,875	**55,320**
Bank debentures	434	384	654	726	**728**
Shareholders' equity plus appropriations for contingencies	1,265	1,595	2,029	2,316	**2,388**
Total capital funds (shareholders' equity and debentures)	1,699	1,979	2,683	3,042	**3,116**
Net income	222	247	353	257	**283**
Per Common Share					
Net income—basic	$4.58	$4.75	$6.16	$3.70	**$3.87**
—fully diluted	—	—	6.00	3.57	**3.72**
Dividends declared	$1.32	$1.54	$1.80	$1.96	**$1.96**
Book value at year end	$24.72	$27.29	$30.86	$30.29	**$30.52**
Share price during calendar year—high	$27.500	$34.750	$33.375	$26.750	**$33.500***
—low	$21.375	$22.500	$23.500	$17.000	**$25.000***
Other Statistics					
Number of common shares outstanding at year end (000's)	48,817	54,751	56,299	62,553	**65,383**
Average number of common shares outstanding (000's)	48,480	51,993	55,898	60,911	**64,164**
Number of common shareholders at year end	54,582	55,515	58,455	68,102	**74,481**
Number of employees at year end	28,310	28,897	30,488	29,866	**29,125**
Number of branches at year end	1,257	1,296	1,322	1,259	**1,218**

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.

*January 1st to October 31st

Consolidated Statement of Assets and Liabilities

As at October 31
($ in millions)

Assets	1979	1980	1981	1982	**1983**	Five Year Compound Annual Growth Rate
Cash Resources						
Cash and deposits with Bank of Canada	$ 926	$ 1,140	$ 1,283	$ 1,123	**$ 1,133**	0.46%
Deposits with other banks	2,586	4,709	7,911	6,416	**6,936**	31.36
Cheques and other items in transit, net	813	553	767	–	**248**	–
	4,325	6,402	9,961	7,539	**8,317**	19.85
Securities Issued or Guaranteed by						
Government of Canada	1,952	1,937	2,195	2,148	**4,831**	16.11
Provinces and municipal or school corporations	89	108	125	161	**296**	13.43
Other	2,348	2,507	2,879	3,111	**3,317**	11.25
	4,389	4,552	5,199	5,420	**8,444**	13.99
Loans Net of Reservations for Losses						
Day, call and short loans to investment dealers and brokers, secured	498	717	482	461	**306**	(2.92)
Banks	1,423	1,748	1,833	1,702	**2,018**	8.68
Mortgages	3,441	4,070	5,086	5,223	**5,163**	17.21
Other	21,649	27,219	36,358	36,696	**34,059**	14.92
	27,011	33,754	43,759	44,082	**41,546**	14.61
Other						
Customers' liability under acceptances	679	1,672	1,629	3,050	**3,065**	48.34
Land, buildings and equipment	276	362	479	619	**707**	27.07
Other assets	651	805	1,347	1,317	**1,115**	20.92
	1,606	2,839	3,455	4,986	**4,887**	35.42
Total Assets	$37,331	$47,547	$62,374	$62,027	**$63,194**	16.37%

Liabilities and Shareholders' Equity	1979	1980	1981	1982	**1983**	Five Year Compound Annual Growth Rate
Deposits						
Payable on demand	$ 4,084	$ 5,142	$ 5,272	$ 4,443	**$ 5,273**	2.19%
Payable after notice	8,062	10,310	13,588	13,950	**15,058**	13.47
Payable on a fixed date	21,821	27,169	36,914	35,482	**34,989**	18.62
	33,967	42,621	55,774	53,875	**55,320**	14.97
Other						
Cheques and other items in transit, net	–	–	–	9	**–**	–
Acceptances	679	1,673	1,629	3,050	**3,065**	48.34
Liabilities of subsidiaries, other than deposits	347	427	741	733	**640**	64.05
Other liabilities	639	792	1,492	1,263	**998**	23.10
Minority interest in subsidiaries	–	55	55	55	**55**	–
	1,665	2,947	3,917	5,110	**4,758**	40.62
Subordinated Debt						
Bank debentures	434	384	654	726	**728**	21.45
Capital and Reserves						
Appropriations for contingencies	134	175	203	216	**193**	8.56
Shareholders' equity						
Capital stock						
Class A Preferred shares	–	–	200	375	**375**	–
Common shares	98	111	113	125	**131**	6.80
Contributed surplus	314	460	476	620	**690**	19.69
Retained earnings	719	849	1,037	980	**999**	11.59
Total Capital and Reserves	1,265	1,595	2,029	2,316	**2,388**	18.12
Total Liabilities and Shareholders' Equity	$37,331	$47,547	$62,374	$62,027	**$63,194**	16.37%

Bank of Montreal and Subsidiaries
Consolidated Statement of Income

For the Year Ended October 31
($ in millions except per share amounts)

	1979	1980	1981	1982	**1983**	Five Year Compound Annual Growth Rate
Interest, Dividend and Fee Income						
Loans	$3,021	$4,235	$7,028	$7,308	**$5,588**	26.43 %
Lease financing	24	38	38	46	**73**	38.56
Securities	358	432	602	635	**613**	20.53
Deposits with banks	258	428	823	935	**747**	46.38
Total interest, dividend and fee income	3,661	5,133	8,491	8,924	**7,021**	27.47
Interest Expense						
Deposits	2,713	4,011	7,006	7,361	**5,270**	31.68
Bank debentures	32	46	68	113	**89**	40.48
Liabilities other than deposits	17	46	59	80	**80**	70.91
Total interest expense	2,762	4,103	7,133	7,554	**5,439**	32.06
Net Interest Income	899	1,030	1,358	1,370	**1,582**	14.43
Provision for loan losses	94	124	196	319	**361**	44.70
Net Interest Income After Provision for Loan Losses	805	906	1,162	1,051	**1,221**	9.94
Other operating income	206	237	293	351	**411**	18.68
Net Interest and Other Income	1,011	1,143	1,455	1,402	**1,632**	11.81
Non-Interest Expense						
Salaries	404	458	540	631	**644**	13.38
Pension and other staff benefits	41	44	63	63	**83**	15.53
Premises and equipment	135	159	185	221	**257**	15.74
Other expenses	151	184	218	248	**265**	16.08
Total non-interest expense	731	845	1,006	1,163	**1,249**	14.53
Income Before Provision for Income Taxes	280	298	449	239	**383**	3.71
Provision (credit) for income taxes	58	49	92	(22)	**96**	–
Income Before Minority Interest in Earnings of Subsidiaries	222	249	357	261	**287**	8.91
Minority interest in earnings of subsidiaries	–	2	4	4	**4**	–
Net Income	$ 222	$ 247	$ 353	$ 257	**$ 283**	8.54 %

Net income per common share	$4.58	$4.75	$6.16	$3.70	**$3.87**	(2.62)%

Bank of Montreal and Subsidiaries
Consolidated Statement of Appropriations for Contingencies

For the Year Ended October 31
($ in millions)

	1979	1980	1981	1982	**1983**
Beginning of Year					
Tax allowable	$143	$119	$154	$181	**$ 93**
Tax paid	6	15	21	22	**123**
Total	149	134	175	203	**216**
Changes During Year					
Loan loss experience for the year	(127)	(154)	(268)	(550)	**(551)**
Provision for losses on loans based on five-year average loss experience	94	124	196	319	**361**
Transfer from retained earnings	18	71	100	244	**167**
Net Change During Year	(15)	41	28	13	**(23)**
End of Year					
Tax allowable	119	154	181	93	**35**
Tax paid	15	21	22	123	**158**
Total	$134	$175	$203	$216	**$193**

Bank of Montreal and Subsidiaries

Consolidated Statement of Changes in Shareholders' Equity

For the Year Ended October 31
($ in millions)

	1979	1980	1981	1982	**1983**
Capital Stock					
Balance at beginning of year	$ 96	$ 98	$ 111	$ 313	**$500**
Increases during the year–Common	2	13	2	12	**6**
–Preferred	–	–	200	175	**–**
Balance at end of year	98	111	313	500	**506**
Contributed Surplus					
Balance at beginning of year	297	314	459	476	**619**
Capital stock issues	17	145	17	143	**71**
Balance at end of year	314	459	476	619	**690**
Retained Earnings					
Balance at beginning of year	581	719	849	1,037	**980**
Net income for the year	222	247	353	257	**283**
Dividends–Common	(64)	(82)	(101)	(121)	**(126)**
–Preferred	–	–	(9)	(33)	**(34)**
Direct costs of share issue net of related tax	–	(1)	(4)	(4)	**–**
Prior period adjustment	–	–	–	16	**–**
Transfer to appropriations for contingencies	(18)	(71)	(100)	(244)	**(167)**
Income taxes related to the above transfer	(2)	37	49	72	**63**
Balance at end of year	$719	$849	$1,037	$ 980	**$999**

Bank of Montreal and Subsidiaries

Consolidated Statement of Changes in Financial Position

For the Year Ended October 31
($ in millions)

	1979	1980	1981	1982	**1983**
Funds Provided by:					
Operations					
Net income	$ 222	$ 247	$ 353	$ 257	**$ 283**
Charges not requiring the use of funds					
Depreciation and amortization	20	23	29	38	**52**
Provision for loan losses	94	124	196	319	**361**
Deferred income taxes	12	3	(3)	(97)	**12**
Funds provided by operations	348	397	575	517	**708**
Increase in					
Deposits	4,974	8,654	13,153	–	**1,445**
Capital stock	19	159	219	331	**76**
Other liabilities	554	288	1,014	–	**–**
Decrease in					
Cash resources	–	–	–	2,422	**–**
Loans (net)	–	–	–	–	**2,536**
Other assets	–	–	–	127	**189**
Issue of subordinated debt	200	–	270	221	**–**
Increase in subordinated debt due to foreign exchange valuation	–	–	–	6	**3**
Tax credit in respect of appropriations	–	37	49	72	**64**
Revaluation of equity in subsidiaries	–	–	–	16	**–**
Total Funds Provided	$6,095	$9,535	$15,280	$3,712	**$5,021**
Funds Applied To:					
Cash dividends declared	$ 64	$ 82	$ 110	$ 154	**$ 161**
Loss experience on loans	127	154	268	550	**550**
Increase in					
Cash resources	754	2,077	3,559	–	**787**
Securities issued or guaranteed	452	162	648	221	**3,024**
Loans (net)	4,412	6,743	10,005	323	**–**
Land, buildings and equipment	70	109	146	178	**141**
Other assets	164	157	540	–	**–**
Decrease in					
Deposits	–	–	–	1,900	**–**
Other liabilities	–	–	–	228	**358**
Repayment of subordinated debt	49	50	–	154	**–**
Tax debit in respect of appropriations	3	–	–	–	**–**
Direct costs of share issue net of related tax	–	1	4	4	**–**
Total Funds Applied	$6,095	$9,535	$15,280	$3,712	**$5,021**

Capital Stock

At October 31, 1983, the Bank had three types of shares outstanding: Convertible Class A Preferred Shares Series 1, Class A Preferred Shares Series 2, and common shares. The Class A Preferred Shares Series 1 pay cumulative preferred dividends at an annual rate of $2.85 per share and are convertible at the option of the holder at any time prior to May 26, 1991 on a one-for-one basis (subject to adjustment for certain events). The Class A Preferred Shares Series 2 pay cumulative preferred dividends at an annual rate of $2.50 per share and entitle holders of record on June 14, 1985 to receive one common share purchase warrant entitling them to purchase one common share at $33.00 from June 17, 1985 to December 15, 1988.

Listing of Stock

The common shares of the Bank are listed on the Montreal, Toronto, Winnipeg, Alberta and Vancouver stock exchanges in Canada and The Stock Exchange, London, England. The shares list under the following stock symbols on Canadian exchanges: "BMO" for the common stock, "BMOU" for the Convertible Class A Preferred Shares Series 1, and "BMOX" for the Class A Preferred Shares Series 2.

Stock Prices

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

Year	High	Low	Volume
1977	$18.125	$13.625	3,756,500
1978	26.125	17.375	7,848,300
1979	27.500	21.375	6,208,000
1980	34.750	22.500	8,458,828
1981	33.375	23.500	7,198,981
1982	26.750	17.000	10,990,400
1983 Jan. 1-Oct. 31	33.500	25.000	10,249,700

Transfer Agent and Registrar

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

Dividends

Dividends paid on the common shares of the Bank over the past five years are shown in the following table:

	Year ended October 31				
	1979	*1980*	*1981*	*1982*	**1983**
Dividends paid per common share	$1.24	$1.50	$1.72	$1.95	**$1.96**

Dividend Options

Shareholders of Bank of Montreal may choose from several dividend options including:

- Shareholder Dividend Reinvestment and Share Purchase Plan
- Stock Dividend Program
- Electronic Funds Transfer Service

Shareholder Dividend Reinvestment and Share Purchase Plan

The Shareholder Dividend Reinvestment and Share Purchase Plan provides a means for holders of record of common shares or Class A Preferred Shares Series 1 or Series 2, resident in Canada, to reinvest cash dividends in new common shares of the Bank at a purchase price of 95% of the average market price, without the payment of any commissions or service charges. Shareholders may also purchase additional common shares of the Bank at 100% of the average market price by making optional cash payments of up to $5,000 per quarter, whether or not dividends on shares are being reinvested.

Stock Dividend Program

The Stock Dividend Program provides a means for holders of record of at least 100 common shares or 100 Class A Preferred Shares Series 1 or Series 2 to acquire common shares of the Bank at 95% of the average market price by electing that dividends be paid by the issue of common shares of the Bank having a value substantially equivalent to the cash dividend otherwise payable.

Electronic Funds Transfer Service

Shareholders not wishing to participate in the Shareholder Dividend Reinvestment and Share Purchase Plan or the Stock Dividend Program may choose to have dividends deposited directly to an account in any financial institution which provides electronic funds transfer facilities.

Details of the dividend options and enrolment forms may be obtained by contacting
The Royal Trust Company, Corporate Trust Division, 630 Dorchester Boulevard West, Montreal, Quebec H3B 1S6.

Restraints on Bank Shares Under the 1980 Bank Act

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

Distibution of Shareholders

The following table indicates the distribution of common shareholders by country of residence at October 31, 1983:

	Shareholders
Canada	97.7%
United States	1.0
Other	1.3
	100.0%

Copies of Annual Report

Additional copies of this Annual Report may be obtained by contacting the Bank's Public Affairs Department, P.O. Box 6002, Place d'Armes, Montreal, Quebec H2Y 3S8, or any Division headquarters in Canada. (See listing at the back of this report.)

Distribution of Canadian Branches and Foreign Representation

Canadian Branches

The distribution of the Bank's 1,194 branches by province and territory as at October 31, 1983 was:

Newfoundland	35	Manitoba	66
Nova Scotia	31	Saskatchewan	62
Prince Edward Island	3	Alberta	145
New Brunswick	26	British Columbia	155
Quebec	205	Northwest Territories	3
Ontario	462	Yukon Territory	1

At October 31, 1983 the Bank had in operation 324 Automatic Teller Machines and 33 Commercial Banking Units in cities across Canada.

Foreign Representation

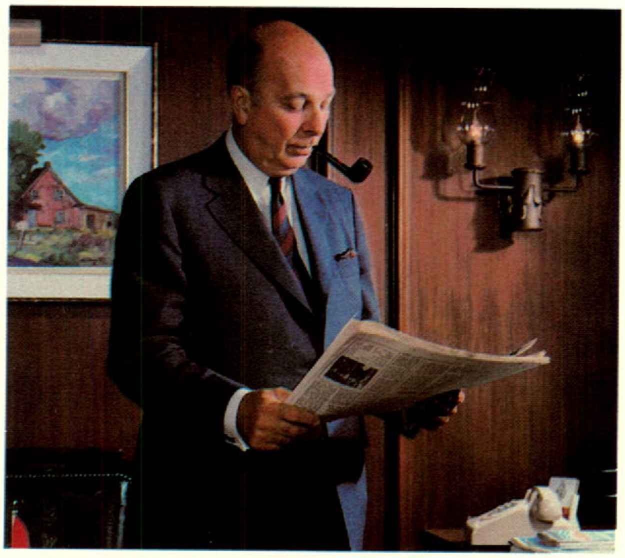
Outside of Canada, the geographic location of the Bank's branches, representative offices and wholly-owned subsidiaries as at October 31, 1983 was:

	Asia and Pacific	Caribbean	Europe	Mexico and South America	United States	Total
Banking Branches (including those of subsidiaries)	4	4	4	9	3	24
Agencies	–	–	–	–	1	1
Representative Offices	5	–	3	4	4	16
Head Offices of Wholly-Owned Subsidiaries	2	2	1	1	2	8
TOTAL	11	6	8	14	10	49
Number of countries in which offices are located	9	1	5	4	1	20

The Board of Directors exercises its overall policy and management responsibility and reviews the Bank's global operations. The Directors bring to the Board diverse backgrounds and experience from Canada and abroad.

Executives in Treasury and three other line banking groups run the day-to-day operations of the Bank, delivering financial services through a worldwide network of branches, representative offices and subsidiaries. Bank of Montreal has correspondent banks in 148 countries.

G. Arnold Hart, M.B.E., C.M.



After a long and distinguished career of more than half a century with the Bank of Montreal, Arnold Hart has reached the mandatory retirement age for Directors and will be leaving the Board at the Annual General Meeting on January 16, 1984.

Mr. Hart was the Bank's longest tenured Chairman, serving in that position from 1964 until 1975. During his 52 years of service, his contributions to the Bank have been numerous and invaluable. Under his chairmanship the Bank rose to prominence in world banking and established a base for its technological development which in its foresightedness has few equals.

Mr. Hart joined the Bank in 1931 following in the footsteps of his father. His many talents were quickly recognized as he progressed to positions of increasing responsibility in the Bank. Elected to the Board of Directors in 1958, he was subsequently President, Chief Executive Officer, Chairman of the Board, and Chairman of the Executive Committee.

During the Second World War, Mr. Hart served overseas with the Canadian Army and was discharged with the rank of Major. He was decorated for his military services with the Order of the British Empire (Military Division). Active in a wide range of community and business affairs, his contributions were recognized by investiture in the Order of Canada.

We join his legion of friends in Canada and throughout the world in extending to him and to Mrs. Hart our warmest wishes for their continued good health and happiness and the enjoyment of many years of well-earned leisure.

Directors

W.D. Mulholland, LL.D.
Chairman of the Board

Grant L. Reuber, Ph.D.
President

William E. Bradford, F.C.G.A.
Deputy Chairman

Stanley M. Davison
Vice-Chairman

Hartland M. MacDougall, C.M.
Vice-Chairman

Jack H. Warren, O.C.
Vice-Chairman

Charles F. Baird, LL.D.
Toronto
Chairman and Chief Executive Officer
Inco Limited

Peter J.G. Bentley, O.C.
Vancouver
President and Chief Executive Officer
Canfor Corporation

Claire P. Bertrand
Montreal
Company Director

S. Robert Blair, O.C., LL.D.
Calgary
President and Chief Executive Officer
NOVA, AN ALBERTA CORPORATION

Robert A. Boyd, O.C.
Montreal
Vice-President
Gendron Lefebvre Inc.

Charles R. Bronfman, O.C.
Montreal
Deputy Chairman
Chairman, Executive Committee
The Seagram Company Ltd.

Hon. Sidney L. Buckwold, LL.D.
Saskatoon
President
Buckwold's Ltd.

Fred S. Burbidge
Montreal
Chairman and Chief Executive Officer
Canadian Pacific Limited

Pierre Côté, C.M.
Quebec
Chairman of the Board
Celanese Canada Inc.

H. Roy Crabtree, LL.D., D.C.L.
Montreal
Chairman of the Board
Wabasso Inc.

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

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

Graham R. Dawson
Vancouver
President
G.R. Dawson Holdings Limited

John H. Devlin
Toronto
Chairman
Rothmans of Pall Mall Canada Limited

A. John Ellis
Vancouver
Honorary Chairman
Canada Development Corporation

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

The Viscount Garnock
London, England
Chairman
Crossley Karastan Carpets Limited

Roger Gaudry, C.C., D.Sc.
Montreal
Former Rector
Université de Montréal

Roland Giroux, C.C.
Montreal
Honorary Chairman, Consolidated-Bathurst Inc.

J. Peter Gordon, LL.D.
Toronto
Chairman and Chief Executive Officer
Stelco Inc.

G. Arnold Hart, M.B.E., C.M.
Mountain, Ont.
Former Chairman of the Board and Chief Executive Officer

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

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

Richard M. Ivey, Q.C., LL.D.
London, Ont.
Chairman of the Board
Allpak Limited

Betty Kennedy, O.C., LL.D.
Toronto
Public Affairs Editor
CFRB Limited

Walther Leisler Kiep
Kronberg/Taunus, Hessen
Federal Republic of Germany
Managing General Partner
Gradmann & Holler

J. Blair MacAulay
Toronto
Partner
Fraser & Beatty

Fred H. McNeil, LL.D.
Calgary
Rancher and Company Director

Ronald N. Mannix
Calgary
Chairman
Manalta Coal Ltd.

Jerry E.A. Nickerson
North Sydney, N.S.
Chairman
H.B. Nickerson & Sons Ltd.

Sir David Nicolson, Kt., M.E.P.
London, England
Chairman
Rothmans International Plc.

Lucien G. Rolland, D.C.Sc.
Montreal
President and Chief Executive Officer
Rolland inc.

George H. Sellers
Winnipeg
President
Riverwood Investments Ltd.

William M. Sobey
Stellarton, N.S.
Chairman
Sobeys Stores Limited

George C. Solomon, LL.D.
Regina
President
Western Limited

James C. Thackray
Toronto
Chairman and Chief Executive Officer
Bell Canada

Lorne C. Webster
Montreal
Chairman and Chief Executive Officer
Prenor Group Ltd.

The Executive Committee

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

Chairman: **William D. Mulholland**

Vice-Chairman: **Grant L. Reuber**

Charles F. Baird William E. Bradford Hon. Sidney L. Buckwold Fred S. Burbidge H. Roy Crabtree C. William Daniel Nathanael V. Davis Roland Giroux J. Peter Gordon G. Arnold Hart Fred H. McNeil Lucien G. Rolland James C. Thackray

The Audit Committee

The Audit Committee reviews the annual statement and the internal control standards of the Bank, as well as the findings of both the independent and internal auditors which result from their auditing of financial statements and internal controls. Management's responses to their findings are monitored to ensure appropriate measures are taken. In addition, the Committee reviews matters relating to the financial position of the Bank and its controlled corporations which are referred to it by the Board of Directors.

Chairman: **H. Roy Crabtree**

Charles R. Bronfman Pierre Côté G. Arnold Hart Lucien G. Rolland Lorne C. Webster

The Management Resources and Compensation Committee

The Management Resources and Compensation Committee reviews and makes recommendations to the Board concerning the manpower and compensation (including employee benefits) policies of the Bank. It also reviews senior officer requirements in relation to resources available, the appointment of senior officers and the development of opportunities for women and linguistic capability throughout the Bank.

Chairman: **J. Peter Gordon**

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

The Donations Committee

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

Chairman: **Betty Kennedy**

Peter J.G. Bentley Claire P. Bertrand John H. Devlin Donald S. Harvie Jack H. Warren

The Pension Advisory Committee

The Pension Advisory Committee advises the Pension Fund Society, which has fiduciary responsibility for the management of Fund assets and disbursement of employee pensions, and reports to the Board on the affairs of the Society.

Chairman: **Grant L. Reuber**

Thomas M. Galt Donald S. Harvie J. Blair MacAulay Lorne C. Webster

Executive Officers

W.D. Mulholland
Chairman and Chief Executive Officer

G.L. Reuber
President

W.E. Bradford
Deputy Chairman

H.M. MacDougall
Vice-Chairman

S.M. Davison
Vice-Chairman

J.H. Warren
Vice-Chairman

W.B. Bateman
Executive Vice-President Corporate and Government Banking

G.E. Neal
Executive Vice-President and Treasurer

D.G. Parker
Executive Vice-President Canadian Commercial Banking

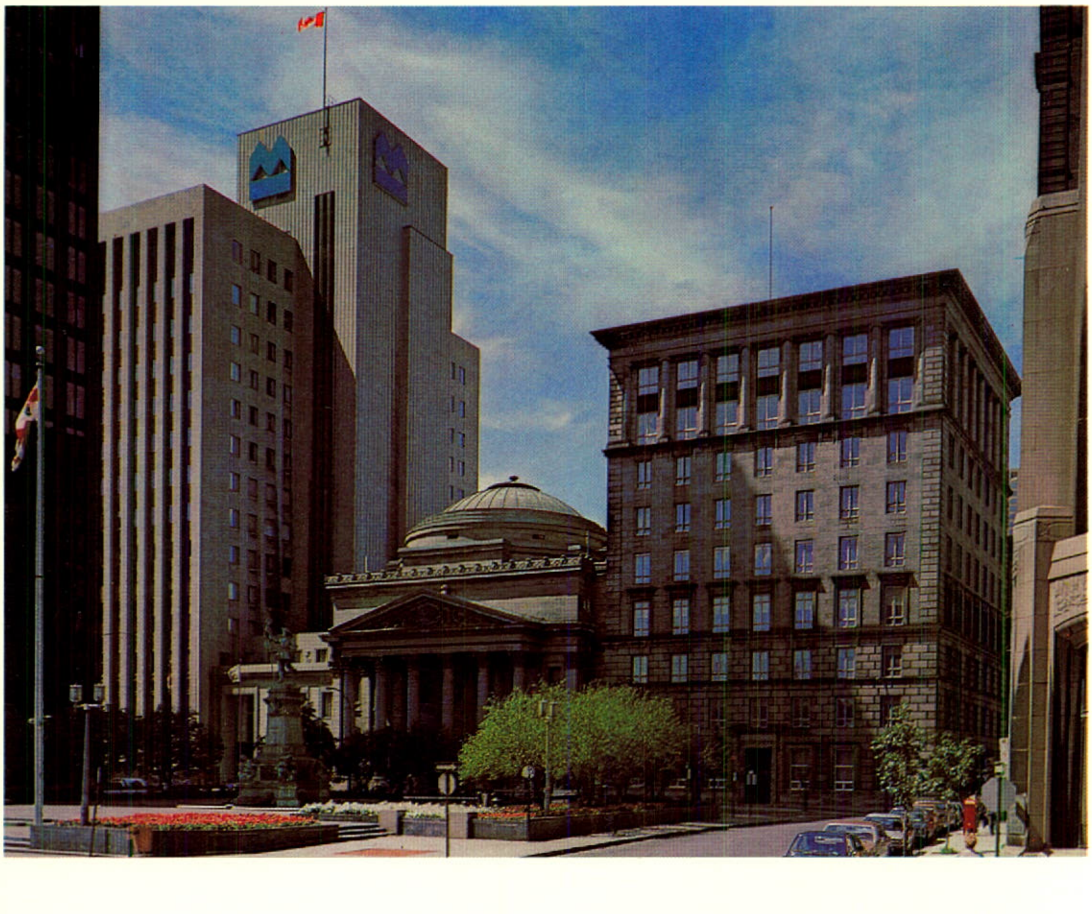
W.C. Harker
Executive Vice-President Domestic Banking

K.O. Dorricott, C.A.
Senior Vice-President and Chief Auditor

H.A. Erian
Vice-President and Chief Accountant

Robert Muir
Vice-President and Secretary

MONTREAL: Acquired in 1983, the former Royal Trust building at right will house new Montreal-based units and expand to a full city block the Bank's operations on historic Place d'Armes. In the financial district since the Bank opened its doors in 1817, premises also include the Head Office tower at left and, centre, the 137-year-old domed Main Branch which now also houses a new Commercial Banking Unit.



Corporate Staff

Executive Vice-Presidents:

I.M. Sweatman J.A. Whitney

Senior Vice-Presidents:

Dr. L.C. Atkinson M.L. Cully J.D.C. de Jocas G.W. Hopkins Dr. P.G. Kirkham P.A. Manson J.W. McCool R.B. Wells, C.A.

Vice-Presidents:

D.D. Alexander Franz Ballmann G.J.L. Carrier, C.A. W.F. Chadwick N.J.F. Conway R.F. Dolan D.A. Fry B.K. Gilmour C.R. Kingsford, C.A. Colin McGregor, C.A. R.K. Moorthy L.R. O'Hagan G.T. Robertson R.W. Saddington D.E. Smee C.E. Stait-Gardner M.J. White, C.A.

TORONTO: First Canadian Place at King and Bay Streets in the financial district houses executive offices and headquarters for Treasury and line banking groups. A satellite communications dish was installed in 1983 atop the building.

...Corporate Banking
...Government Banking
...Correspondent Banking
...Merchant Banking

Corporate and Government Banking Group

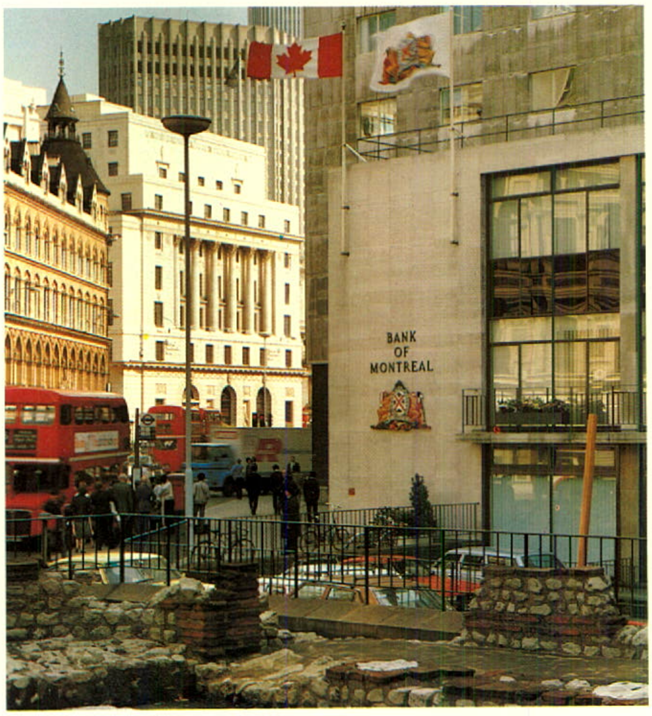
Executive Vice-President and Group Executive:
W.B. Bateman

Senior Vice-Presidents and Deputy Group Executives:
E.L. Mercaldo K.E. Palmer M.R.P. Rayfield

Executive Vice-President:
C.G. Stratton

Senior Vice-Presidents:
J.R. Bradlow C.F. Davis G.W.G. Day J.M. Denson J.D. Gibson D.W. Gough S.W. Henry R.G. Lammers N.R. Macmillan A.C. Marple D.C. McLean Donald Munford C.R. Myers N.F. Potter J.L. Richard Sanjiv Tandon H.M. Tucher T.J. Wacker P.D. Waters

Vice-Presidents:
R.E. Barnes P.A. Blanar J.W. Bolus W.T. Calder S.K. Christensen P.C. Conradi J.H. Darrow E.J. Dato J.G. Day W.F. Durlacher J.A. Farstad H.B. Garbe C.E. Garin J.W. Goodale J.C. Gorman J.A. Graham M.A. Graham Dr. P.H. Grimley G.R. Hammond I.E. Henke E.S. Hogg J.A.N. Jarry J.D. Jenikov W.G. Jestley D.H.D. Johnston P.M. Jurist C.R. Kremp B.N. Loomer M.B. Lowe A.L. Luce, Jr. D.A. Lunney D.M. Luyt M.J.S. Macnab D.P. McNaught R.W. Mitchell W.H. Moise G.D. Nash D.A. Ottersen Peter Patkowski J.W. Robertson K.D. Robson R.G. Rogers G.R. Rourke M.R. Rowe G.W. Scalf W.R. Seatle Allan Taylor F.M. Thomson D.W. Tutt B.H. Walters F.A. Whittaker R.J.H. Willingham D.F. Willis J.C. Wilson E.B. Wright T.C. Wright A.S. Yankovich



LONDON, England: The Bank's new offices in Queen Victoria Street consolidate U.K. operations in "The City", home of many of the world's major financial institutions. In the foreground are stone ruins of the 2nd Century Temple of Mithras, unearthed in 1954 during excavation for the building.

(opposite)

SCARBOROUGH, Ont., The operating hub of the Bank's global on-line network, the Scarborough Central Computer Complex is the largest data centre in Canada in both processing capability and area and is among the most advanced commercial computer facilities in the world. It is one of two such facilities operated by the Bank in Canada.

Worldwide

...Money Market Dealing
...Foreign Exchange Dealing
...Bond Dealing
...Securities Services
...Capital Funding
...Corporate Trust Services *(U.S. only)*
...Government Bond Underwriting *(Canada only)*
...International Operations

Treasury Group

Executive Vice-President and Treasurer:	**G.E. Neal**
Senior Vice-President and Deputy Group Executive:	**M.W. Barrett**
Senior Vice-President:	**F.A. Comper**
Vice-Presidents:	**H.G. Ackstein J.N. Baillie C.E. Bartliff Y.J.P. Bourdeau J.H.W. Brewer B.W. Broad K.R. Bushell T.J. Guiheen W.H. Hill R.T. Kazuta B.R. Leader E.T. Little A.G. Lodge A.G. McNally A.W.B. Mendels A.D. Mutch A.M.S. White, F.C.A. P.S. Wilson R.J. Williams**
President Bank of Montreal Mortgage Corporation:	**T.R. Alton**

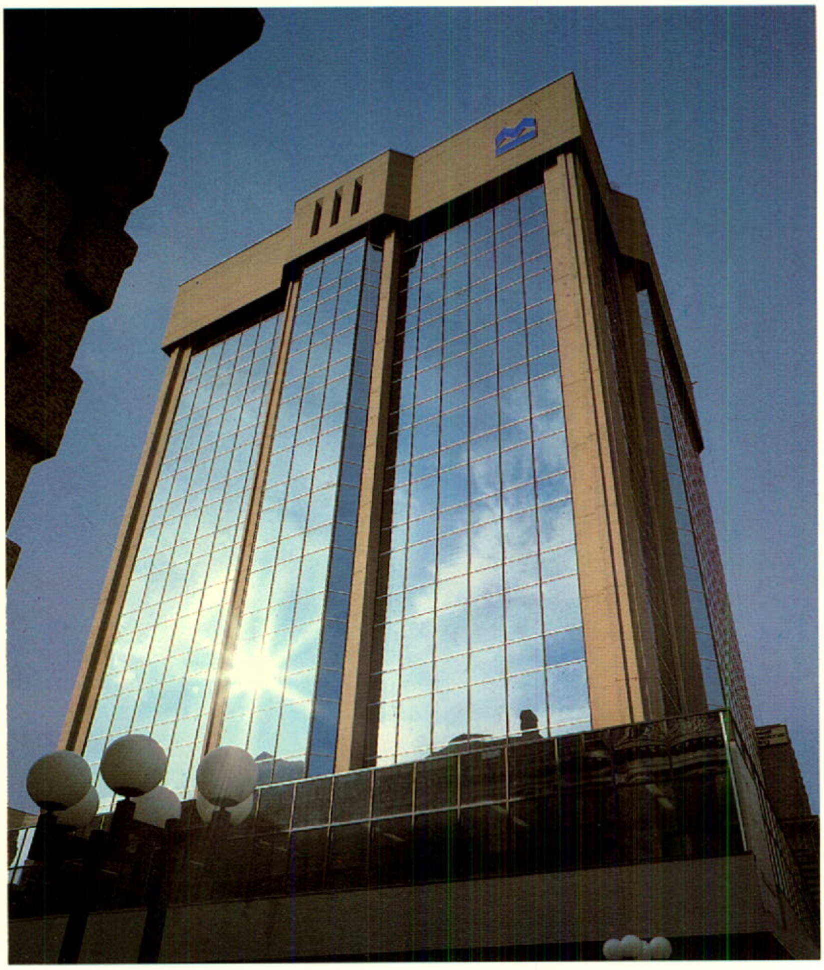
Canadian Commercial Banking Group

Executive Vice-President and Group Executive: **D.G. Parker**

Senior Vice-President and Deputy Group Executive: **J.J. Byrnes**

Senior Vice-Presidents: **B.C. Barth R.M. Forster J.A. Horton D.J. Kavanagh Simon Kouwenhoven J.A.E. Morel A.N. Tait**

Vice-Presidents: **J.P.Y.E. Bouchard W.D. Brash W.F. Cummings J.L. Demers H.F. Dooyeweerd R.S. Gammon F.R.G. Hardy J.F.D. Haskell Ross Holmes W.W. Holmes R.G. Ketcheson R.M.J. Leslie D.K. MacMillan W.D. Marshall F.J. Morgan H.K. Munro R.J. Normand D.P. Nowlan T.W.S. Pope Deanna Rosenswig J.G. Savard R.J. Shore R.J. Stranks K.J. Summers C.D.J. Troutman P.S. Vale P.A.E.J. Van der Elst**



REGINA: Main Branch, Commercial Banking Unit and District Head-quarters are housed in the new Bank of Montreal Building. The 12-storey tower opened in Fall, 1983.

Domestic Banking Group

Executive Vice-President and Group Executive: **W.C. Harker**

Senior Vice-Presidents: **A.E. Bates R.H. Call L.F. Darlington J.R. Ellis R.A. Franklin J.C. Larsen Pierre MacDonald**

Vice-Presidents: **J.C.P. Beauchamp J.L.J.F. Beaudoin M.A. Burke D.F. Clark L.R. Fite F.G. Hacquoil C.J. Irwin J.R.G. Jarry J.W. Kirk D.E. Kriekle J.M. Kyle Gordon MacAskill J.D. McIlquham D.L. Moore M.R. Mourton L.T. Peddle H.G. Rowe W.J. Speers D.J. Stojsic G.C. Strachan G.M. Thompson A.R. White**

WINNIPEG: The 24-storey Bank of Montreal Building, which will house District Headquarters and a new Commercial Banking Unit, adds a modern dimension to the historic Main Branch at Portage and Main.

Corporate Organization Chart

CHAIRMAN & CHIEF EXECUTIVE OFFICER
W.D. Mulholland

VICE-CHAIRMAN
S.M. Davison

VICE-CHAIRMAN
H.M. MacDougall

PRESIDENT
G.L. Reuber

EXEC. VICE-PRESIDENT & CHAIRMAN, CREDIT POLICY COMMITTEE
J.A. Whitney

SR. VICE-PRESIDENT CORPORATE PLANNING
M.L. Cully

SR. VICE-PRESIDENT & CHIEF AUDITOR
K.O. Dorricott, C.A.

SR. VICE-PRESIDENT CORPORATE & LEGAL AFFAIRS
P.A. Manson

EXEC. VICE-PRESIDENT & GROUP EXECUTIVE CORPORATE & GOVERNMENT BANKING
W.B. Bateman

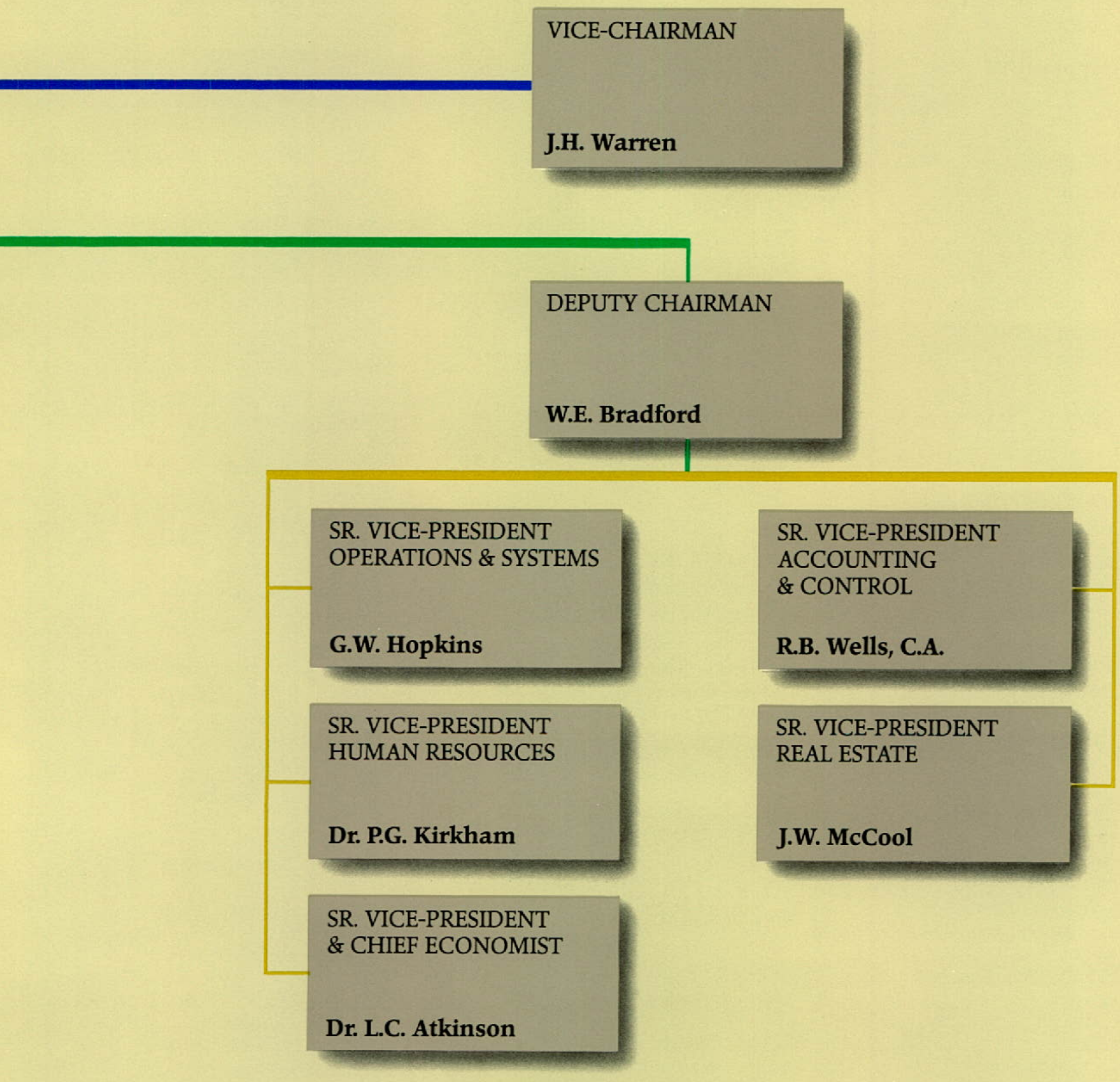
EXEC. VICE-PRESIDENT & GROUP EXECUTIVE CANADIAN COMMERCIAL BANKING
D.G. Parker

EXEC. VICE-PRESIDENT & TREASURER
G.E. Neal

EXEC. VICE-PRESIDENT & GROUP EXECUTIVE DOMESTIC BANKING
W.C. Harker

EXEC. VICE-PRESIDENT
I.M. Sweatman

BANCO DE MONTREAL INVESTIMENTO S.A.-MONTREALBANK PRESIDENT
P. Leitão da Cunha


VICE-CHAIRMAN
J.H. Warren
DEPUTY CHAIRMAN
W.E. Bradford
SR. VICE-PRESIDENT OPERATIONS & SYSTEMS
G.W. Hopkins
SR. VICE-PRESIDENT ACCOUNTING & CONTROL
R.B. Wells, C.A.
SR. VICE-PRESIDENT HUMAN RESOURCES
Dr. P.G. Kirkham
SR. VICE-PRESIDENT REAL ESTATE
J.W. McCool
SR. VICE-PRESIDENT & CHIEF ECONOMIST
Dr. L.C. Atkinson

Directory of Major Offices, Foreign Branches and Representative Offices

CANADA

Executive Offices

Office of the Chairman

MONTREAL
(Head Office)
P.O. Box 6002
Place d'Armes
Montreal, Quebec
H2Y 3S8
Telex: 055-60513 MYBANK MTL
Tel: (514) 877-7110

TORONTO
1 First Canadian Place
Toronto, Ontario
M5X 1A1
Telex: 065-24041 MYBANK TOR
Tel: (416) 867-5000

CALGARY
1 First Canadian Centre
Calgary, Alberta
T2P 3N9
Telex: 03-822827 MYBANK CGY
Tel: (403) 261-9111

Group, Division and District Headquarters

ST. JOHN'S
CANADIAN COMMERCIAL BANKING GROUP
F.J. Morgan
Vice-President
238 Water Street
St. John's, Newfoundland
A1C 5J9
Telex: 016-4545 MYBANK SNF
Tel: (709) 754-0800

SAINT JOHN
CANADIAN COMMERCIAL BANKING GROUP
15 Market Square
Saint John, New Brunswick
E2L 4E6
Telex: 014-47219 MYBANK SJ
Tel: (506) 657-8740

HALIFAX
CANADIAN COMMERCIAL BANKING GROUP
J.F.D. Haskell
Vice-President and District Executive

DOMESTIC BANKING GROUP
G.C. Strachan
Vice-President and District Executive

INTERNATIONAL BANKING SERVICE CENTRE

TREASURY OFFICE
Bank of Montreal Tower
5151 George Street
Halifax, Nova Scotia
B3J 3C4
Atlantic Provinces Division:
Telex: 019-21730 MYBANK HFX
Tel: (902) 429-7620
International Banking Service Centre:
Telex: 019-23574 BKMTLFOREX HFX
Tel: (902) 425-8150
Treasury Office:
Telex: 019-23574 BKMTLFOREX HFX
Tel: (902) 425-8110

QUEBEC CITY
CANADIAN COMMERCIAL BANKING GROUP

DOMESTIC BANKING GROUP
J.C.P. Beauchamp
Vice-President and District Executive
800 Place Youville
Quebec City, Quebec
G1K 7L6
Telex: 051-2241 MYBANK QBC
Tel: (418) 692-1850

MONTREAL
EASTERN DIVISION
CANADIAN COMMERCIAL BANKING GROUP
J.A. Horton
Senior Vice-President and Division Executive

EASTERN REGION
DOMESTIC BANKING GROUP
Pierre MacDonald
Senior Vice-President and Regional Executive
630 Dorchester Blvd W.*
Montreal, Quebec
H3B 1S6
Telex: 055-61133 MYBANK QDV
Tel: (514) 877-7110

CORPORATE AND GOVERNMENT BANKING GROUP
J.L. Richard
Senior Vice-President and Division Executive
1000 Sherbrooke Street W.*
Montreal, Quebec
H3A 3C3
Telex: 055-60513 MYBANK MTL
Tel: (514) 877-7110

INTERNATIONAL BANKING SERVICE CENTRE
288 St. James Street
Montreal, Quebec
H2Y 1N1
Telex: 055-60513 MYBANK MTL
Tel: (514) 877-7110

TREASURY OFFICE
P.O. Box 6002
Place d'Armes
Montreal, Quebec
H2Y 3S8
Foreign Exchange
Telex: 055-61021 REALFOREX MTL
Tel: (514) 877-7110

OTTAWA
CANADIAN COMMERCIAL BANKING GROUP
J.L. Demers
Vice-President and District Executive
112 Kent Street
Tower A, Suite 1401
Ottawa, Ontario
K1P 5W5
Telex: 053-3260 HOCHELAGA OTT
Tel: (613) 566-3495

*In July 1984, Eastern Division, Canadian Commercial Banking Group; Eastern Region, Domestic Banking Group; and Division IV, Corporate and Government Banking Group, will move to the Bank's newly acquired building on Place d'Armes.

Toronto

Corporate and Government Banking Group
W.B. Bateman
Executive Vice-President and Group Executive

Canadian Commercial Banking Group
D.G. Parker
Executive Vice-President and Group Executive

International Banking Service Centre

Treasury Group
G.E. Neal
Executive Vice-President and Treasurer

1 First Canadian Place
Toronto, Ontario
M5X 1A1
Telex: 065-24041 MYBANK TOR
Tel: (416) 867-5000

TREASURY TRADING
Telex: 062-2735 MONTFOREX TOR
Trading Department:
Eurocurrency International
Telex: 062-17774 MONTOR FX
Tel: (416) 867-4651

Foreign Exchange International
Telex: 062-17788 MONTOR FX
Tel: (416) 867-5095

Domestic Money Management
Telex: 062-2791 TRESEC TOR
062-9443 TRESEC TOR
Tel: (416) 867-7830

Domestic Bond Dept.
Telex: As per Domestic Money Management
Tel: (416) 867-5301

Domestic Banking Group
W.C. Harker
Executive Vice-President and Group Executive

Central Division
Canadian Commercial Banking Group
R.M. Forster
Senior Vice-President and Division Executive

Central Region
Domestic Banking Group
A.E. Bates
Senior Vice-President and Regional Executive

Bank of Montreal Tower
55 Bloor Street West
Toronto, Ontario
M4W 3N5
Telex: 065-24041 MYBANK TOR
Tel: (416) 927-7772

Hamilton

Canadian Commercial Banking Group
H.K. Munro
Vice-President and District Executive

1 James Street N.
Hamilton, Ontario
L8N 3H7
Telex: 061-8363 MYBANK HAM
Tel: (416) 526-2000

Kingston

Canadian Commercial Banking Group
W.E. Cummings
Vice-President and District Executive

259 King Street E.
Kingston, Ontario
K7L 5J8
Tel: (613) 549-7441

Kitchener

Canadian Commercial Banking Group
K.J. Summers
Vice-President and District Executive

Canada Life Square
235 King Street E.
Kitchener, Ontario
N2G 4N5
Tel: (519) 885-9218

London, Ontario

Canadian Commercial Banking Group
J.A.E. Morel
Senior Vice-President and District Executive

Northern Life Tower
380 Wellington Street
London, Ontario
N6A 5H1
Telex: 064-7109 W DIV ONT LDN
Tel: (519) 679-9120

Windsor, Ontario

Canadian Commercial Banking Group
W.D. Marshall
Vice-President and District Executive

Victoria Park Place
380 Victoria Avenue
Windsor, Ontario
M9A 4M6
Telex: 064-77616 MYBANK WND
Tel: (519) 256-5561

Winnipeg

Canadian Commercial Banking Group
R.S. Gammon
Vice-President and District Executive

Domestic Banking Group
J.W. Kirk
Vice-President and District Executive

330 Portage Avenue*
Winnipeg, Manitoba
R3C 0C3
Telex: 07-587836 DIVOFF WPG
Tel: (204) 985-2211

International Banking Service Centre

Treasury Office
335 Main Street*
Winnipeg, Manitoba
R3C 2R6
Telex: 07-57738 MYBANK WPG
Tel: (204) 985-2211

Regina

Canadian Commercial Banking Group
T.W.S. Pope
Vice-President and District Executive

Domestic Banking Group
L.T. Peddle
Vice-President and District Executive

Bank of Montreal Building
1800 Scarth Street
Regina, Saskatchewan
S4P 2G3
Telex: 07-12505 MYBANK RGA
Tel: (306) 569-1262

Calgary

Canadian Commercial Banking Group
W.W. Holmes
P.A.E.J. Van der Elst
Vice-Presidents and District Executives

Western Region Domestic Banking Group
R.A. Franklin
Senior Vice-President and Regional Executive

Corporate and Government Banking Group
D.W. Gough
Senior Vice-President

International Banking Service Centre

Treasury Office
1 First Canadian Centre
Calgary, Alberta
T2P 3N9
Telex: 03-822827 MYBANK CGY
Tel: (403) 234-3000

Edmonton

Midwestern Division Canadian Commercial Banking Group
Simon Kouwenhoven
Senior Vice-President and Division Executive

Domestic Banking Group
F.G. Hacquoil
Vice-President and District Executive

Standard Life Building
10405 Jasper Avenue
Edmonton, Alberta
T5J 3N4
Telex: 037-2825 MYBANK EDM
Tel: (403) 428-7360

Vancouver

Pacific Division Canadian Commercial Banking Group
D.J. Kavanagh
Senior Vice-President and Division Executive

Domestic Banking Group
M.R. Mourton
Vice-President and District Executive

Corporate and Government Banking Group
G.W.G. Day
Senior Vice-President and Division Executive

International Banking Service Centre

Treasury Office
FirstBank Tower
595 Burrard Street
Vancouver, British Columbia
V7X 1L5
Pacific Division:
Telex: 04-53413 OSVP VCR
International Division:
Telex: 04-53387 MTL FOREX VCR
Tel: (604) 665-2665

Kelowna

Canadian Commercial Banking Group
R.M.J. Leslie
Vice-President and District Executive

3155 Lakeshore Road
Kelowna, British Columbia
V1Y 1W5
Tel: (604) 762-3430

*In the spring of 1984, the Bank offices in Winnipeg will move to the new Bank of Montreal Building, adjacent to Winnipeg Main Branch at Portage and Main.

The Bank's Canadian Commercial Banking Group consults with leading members of the Business and Agricultural communities in regular meetings of Advisory Panels across Canada.

Business Advisory Panels

EASTERN DIVISION

Atlantic Provinces

Ralph Brenan
President
G.E. Barbour Co. Ltd.
Sussex, New Brunswick

Dr. Angus Bruneau
President
Bruneau Resources Management Ltd.
St. John's, Newfoundland

J.C. Clarence Giroux
President
Giroux Enterprises Ltd.
Charlo, New Brunswick

Frederick E. Hyndman
Managing Director
Hyndman & Co. Ltd.
Charlottetown, Prince Edward Island

Norman Newman
President
Capital Stores Limited
Armdale, Halifax, Nova Scotia

Quebec and Eastern Ontario

Marcel Baril
President
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Montreal, Quebec

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Cunningham & Associates
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Lake Canada Leasing
Burlington, Ontario

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Vice-President
London Free Press
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Delta, British Columbia

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St. Bernardin, Ontario

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Oak River, Manitoba

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S. Clare Phillips
Tisdale, Saskatchewan

Jerry Thacker
H. Thacker & Sons Farms Ltd.
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T4 Ranch Ltd.
Carnduff, Saskatchewan

PACIFIC DIVISION

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Surrey, British Columbia

Gerald Green
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Surrey, British Columbia

Doug Mervyn
Alkali Lake Ranch
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Allan Toop
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New York City

New York Branch

H.G. Ackstein
Vice-President and Manager

C.E. Bartliff
Vice-President Treasury

2 Wall Street*
New York, N.Y.
10005

Telex:
(WUD) 12380 BK MONTREAL NYK
(WUD) 129250 BKMONTREAL NYK
(WUD) 129251 BKMTLSEC NYK
(WUI) 62960 BKMTLS
(ITT) 420064 BKMTLNY
(RCA) 232321 BMNY UR
(TRT) 177620 BKMTL UT
(FTCC) 82712 BKMTL
Foreign Exchange:
(ITT) 424644 SVBO MX 424644
(WUI) 62213 BK MONTFX 62213
Tel: (212) 306-7000

Bank of Montreal Trust Company

Z.G. Klodnicki
Vice-President and Trust Officer

2 Wall Street
New York, N.Y.
10005

Telex and Telephone through New York Branch

Corporate and Government Banking Group

J.M. Denson
Senior Vice-President and Division Executive

430 Park Avenue
New York, N.Y.
10022

Telex: (RCA) 238 121 MTLA UR
(WUD) 968 721 BKM TLA COM NYK
(TRD) 177607
TEL: (212) 758-6300

Chicago, Illinois

Representative Office

Corporate and Government Banking Group

J.G. Day
Vice-President and Division Executive

30 North Lasalle Street
Chicago, Illinois
60602

Telex: 25-4332 BANKMONT CGO
Tel: (312) 726-7766

Denver, Colorado

Representative Office

Corporate and Government Banking Group

T.C. MacMillan
Representative

600 Seventeenth Street
Denver, Colorado
80202

Telex: 00450679 BKMONTREAL DVR
Tel: (303) 592-1400

Houston, Texas

Representative Office

Corporate and Government Banking Group

W.H. Moise
Vice-President

4400 RepublicBank Center
Houston, Texas
77002

Telex: 77-5640 BKMONTREAL HOU
Tel: (713) 223-4400

Los Angeles, California

Representative Office

Corporate and Government Banking Group

707 Wilshire Blvd.
Los Angeles, California
90017

Telex: (WUD) 674177 BKMONTREAL LSA
Tel: (213) 239-0600

Bank of Montreal (California)

Los Angeles Branch

M.L. Roth
Operations Officer

First Interstate Tower
707 Wilshire Blvd.
Los Angeles, California
90017

Telex: (WUD) 674177 BKMONTREAL LSA
Tel: (213) 239-0600

San Francisco, California

San Francisco Agency

C.R. Myers
Senior Vice-President and Agent

P.A.N. Goodier
Manager Treasury

Four Embarcadero Center
San Francisco, California
94111

Telex: (WUD) 34201 BKMONTREAL SFO
Tel: (415) 391-8060

*In 1984, New York Branch will move to the Bank of Montreal Building at 430 Park Avenue.

CORPORATE AND GOVERNMENT BANKING GROUP

C.R. Myers
Senior Vice-President and District Executive

Four Embarcadero Center
San Francisco, California
94111
Telex: (WUD) 34201
BKMONTREAL SFO
Tel: (415) 391-8060

BANK OF MONTREAL (CALIFORNIA) HEAD OFFICE

C.R. Myers
President

425 California Street
San Francisco, California
94104
Telex: (WUD) 34201
BKMONTREAL SFO
Tel: (415) 391-8060

BANK OF MONTREAL (CALIFORNIA) SAN FRANCISCO BRANCH

Po Fong Liang
Operations Officer

425 California Street
San Francisco, California
94104
Telex: (WUD) 34201
BKMONTREAL SFO
Tel: (415) 391-8060

BAHAMAS

NASSAU, BAHAMAS

NASSAU BRANCH

J.N. Baillie
Vice-President and Manager

Harrison Building
P.O. Box N7118
Nassau, Bahamas
Telex: 20453 BOMNAS
Tel: (809) 322-1690

BANK OF MONTREAL INTERNATIONAL LIMITED

J.N. Baillie
Managing Director

Harrison Building
P.O. Box N7118
Nassau, Bahamas
Telex: 20315 BOMIL
Tel: (809) 322-1690

BANK OF MONTREAL BAHAMAS LIMITED

W.H. Hill
Managing Director

Harrison Building
P.O. Box N7118
Nassau, Bahamas
Telex: 20141 BAHMONT
20504 BAHMONT
Tel: (809) 322-1690

EUROPE

LONDON, ENGLAND

LONDON BRANCH

A.G. McNally
Vice-President and Manager

A.G. Lodge
Vice-President Treasury

9 Queen Victoria Street
London, England
EC4N 4XN
Telex: 883577 BOMLDN G
889068 BOMLDN G
889069 BOMLDN G
Tel: (44-1) 236-1010
Forex and deposit dealers
883574 BOMLDN G
883875 BOMLDN G
887095 BOMLDN G
887046 BOMLDN G
885985 BOMLDN G
8952104 BOMLDN G
Tel: FX (44-1) 236-9161
MM (44-1) 236-7041

FIRST CANADIAN FINANCIAL SERVICE (U.K.) LTD.

A.G. McNally
Managing Director

9 Queen Victoria Street
London, England
EC4N 4XN
Telex: 889068 BOMLDN G
Tel: (44-1) 236-1010

CORPORATE AND GOVERNMENT BANKING GROUP

T.J. Wacker
Senior Vice-President and Division Executive

9 Queen Victoria Street
London, England
EC4N 4XN
Telex: 883577 BOMLDN G
889068 BOMLDN G
889069 BOMLDN G
Tel: (44-1) 236-1010

INTERNATIONAL LOAN SYNDICATION

A.S. Yankovich
Vice-President

9 Queen Victoria Street
London, England
EC4N 4XN
Telex and Telephone through Corporate and Government Banking

MADRID, SPAIN

REPRESENTATIVE OFFICE

CORPORATE AND GOVERNMENT BANKING GROUP

Michel Simon
Representative

Torre de Valencia
O'Donnell 4
Madrid 9, Spain
Telex: 43088 BOMS E
Tel: (341) 275-4539
(341) 275-2422

Milan, Italy

Representative Office

Corporate and Government Banking Group

A.V. Russo
Representative

7 Via San Paolo
20121 Milan, Italy
Telex: 320353 BKMONT I
Tel: (392) 87-56-08
(392) 87-49-44

Paris, France

Representative Office

Corporate and Government Banking Group

Björn Ramell
Representative

10 Place Vendôme
75001 Paris, France
Telex: 230645 BOMPAR
Tel: (331) 260-58-78
(331) 260-56-37

Federal Republic of Germany

Frankfurt Branch

G.A. Fischer
Walter Luettringhaus
Managers

D-6000 Frankfurt am Main 17
Ulmenstrasse 37-39
Fed. Rep. of Germany
Telex: 414800 BOM D
Tel: (49-611) 72-03-01
Foreign Exchange and Money Market
Telex: 414835 BOM D
Tel: (49-611) 72-42-44/5/6

Corporate and Government Banking Group

Peter Patkowski
Vice-President and District Executive

D-6000 Frankfurt am Main 17
Ulmenstrasse 37-39
Fed. Rep. of Germany
Telex and Telephone through Frankfurt Branch

Canadian Forces Branches Europe

M.D. Belsek
Manager

CFB Baden-Soellingen
7571 Baden-Soellingen
Fed. Rep. Of Germany
Telex: 781304 BOMLB D
Tel: (49-7229) 2601

Cameron McLean
Manager

CFB Lahr/Schwarzwald
6/8 Schwarzwaldstrasse
7630 Lahr/Schwarzwald
Fed. Rep. of Germany
Telex: 754826 BOMLB D
Tel: (49-7821) 25330

ASIA AND AUSTRALIA

Beijing, People's Republic of China

Representative Office

Corporate and Government Banking Group

Thomas Mah
Representative

Room 104-106
Jianguo Hotel
Jianguomenwai Da Jie
Beijing, People's Republic of China
Telex: 20444 BMBJ CN
22439 JGHBJ CN
Room No. 104
Tel: (Operator) 59-52-61, local 104

Bombay, India

Representative Office

Corporate and Government Banking Group

K.K. Venkatesan
Representative

Maker Towers E.
Cuffe Parade
Bombay 400 005, India
Telex: 011 4197 MT BK
Tel: Operator-21-55-29
21-55-48

Hong Kong

Hong Kong Branch

R.T. Kazuta
Vice-President and Manager

B.R. Leader
Vice-President Treasury

Alexandra House
16-20 Chater Road
Hong Kong
Telex: 73731 MONTB HX
Tel: (852-5) 22-41-82
Foreign Exchange and Deposits
Telex: 71955 MONFX HX
Tel: (852-5) 22-41-82
(852-5) 26-00-20
(852-5) 26-00-29
(852-5) 24-39-35

Corporate and Government Banking Group

J.W. Goodale
J.C. Wilson
Vice-Presidents

Alexandra House
16-20 Chater Road
Hong Kong
Telex: 73731 MONTB HX
Tel: (852-5) 21-35-93

First Canadian Financial Corporation Limited

R.T. Kazuta
Managing Director

Alexandra House
16-20 Chater Road
Hong Kong
Telex: 73731 MONTB HX
Tel: (852-5) 22-41-82

Jakarta, Indonesia

Representative Office

Corporate and Government Banking Group

Wisma Kosgoro
Jalan M.H. Thamrin 53
Jakarta, Pusat
Indonesia
Telex: 44533 MYBANK JKT
Tel: Operator-32-53-45

Manila, Philippines

Representative Office

Corporate and Government Banking Group

J.M.L. Hilado
Representative

Metrobank Plaza Building
Buendia Avenue Extension
Makati
Metro Manila, Philippines
Telex: 63917 MONTBK PN
Tel: (632)85-6956

Seoul, Republic of Korea

Seoul Branch

Y.J.P. Bourdeau
Vice-President and Manager

Dong Sung Building
17-7, 4 Ka.
Namdaemun-Ro
Chung-Ku
C.P.O. Box 8485
Seoul, Republic of Korea
Telex: 23198 MONTBANK K 23198
Tel: (822) 778-4491/5

Singapore, Republic of Singapore

Singapore Branch

E.J. Ansley
Manager

Peter Tay
Manager
Foreign Exchange and Money Market

UIC Building
5 Shenton Way
Singapore 0106
Republic of Singapore
Telex: 20660 MONTBK RS
20659 MONTBK RS
Tel: (65) 220-1688

Foreign Exchange and Deposits:
Telex: 24490 MONTBK RS
24590 MONTBK RS
34756 MONTBK RS
Tel: (65) 220-2750
(65) 220-2805

Bank of Montreal Asia Limited

E.J. Ansley
Director

UIC Building
5 Shenton Way
Singapore 0106
Republic of Singapore
Telex: 20670 MONTBK RS
Tel: (65) 224-7711

Sydney, Australia

Representative Office

Corporate and Government Banking Group

B.H. Walters
Vice-President

Level 55
MLC Centre
Martin Place
Sydney, N.S.W. 2000
Australia
Telex: 25773 MYBNK AA
Tel: (612) 221-2566

Tokyo, Japan

Tokyo Branch

E.T. Little
Vice-President and Manager

Tsuneo Kurata
Manager
Foreign Exchange and Money Market

Shin Tokyo Building
3-1 Marunouchi
3-chome, Chiyoda-Ku
Tokyo 100, Japan
Telex: 26637 BANKMONT J
Tel: (81-3) 211-8884

Foreign Exchange and Deposits
Telex: 26105 BANKMONT J
Tel: (81-3) 213-0405

LATIN AMERICA

Buenos Aires, Argentina

Representative Office

Corporate and Government Banking Group

A.G. Racedo
Representative

Rivadavia 611 (1002)
Buenos Aires
Argentina
Telex: 332 2744 AR MON BA
Tel: (541) 33-4461
(514) 33-6917
(514) 33-4739

Caracas, Venezuela

Representative Office

Corporate and Government Banking Group

J.L. Schneider
Representative

Edificio Xerox
Avenida Libertador
Bello Campo
Caracas 1062
Venezuela
Telex: 26386 MTLBK VC
Tel: (582) 32-1189
(582) 32-4275

Mexico City, Mexico

Representative Office

Corporate and Government Banking Group

R.J. Salcedo
Representative

A.W. Rogacki
Manager, Corporate Accounts

Paseo de la Reforma 300
06600 Mexico D.F.
Mexico
Telex: 1771066 BMROME
Tel: (905) 533-30-20

São Paulo, Brazil

Representative Office

Corporate and Government Banking Group

P.J. Cotter
Representative

C.M. Hall
Manager, Corporate Accounts

Alameda Santos 1800
São Paulo S.P. 01418
Brazil
Telex: 1124577 FICA BR SPO
Tel: (55-11) 289-2682
(55-11) 289-2734
(55-11) 251-2248
(55-11) 284-6198

Rio de Janeiro, Brazil

Banco de Montreal Investimento, S.A.–Montrealbank

Pedro Leitão da Cunha
President

Travessa do Ouvidor Nr. 4
Rio de Janeiro–GB
Brazil CEP 20.149
Telex: 2121956 BAMI BR
2123995 BAMI BR
Tel: (55-21) 224-1800

Branches

São Paulo

Praça Dom José Gaspar, 134, 12° andar
São Paulo, Brazil
CEP 01.000
Telex: 01123278 BCBI BR
Tel: 258-0522

Paulo Prado
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São Paulo Region

Belo Horizonte

Rua Tupinambas, 360
conjunto 610
Ed. Maranhao
Belo Horizonte, Brazil
CEP 30.000
Tel: 212-1188

Vitor José de Paula
Manager

Brasilia

SCS Ed. Bandeirantes, Q6
Lotes 02/05
Conjunto 501
CEP 70.300
Tel: 255-8833

J.C. de Souza Filho
Manager

Campinas

Rua José Paulino
1248, 4° andar
Campinas, Brazil
CEP 13.100
Tel: 8-2100/8-2108

Fabio Iaderozza
Manager

Curitiba

Rua Marechal Deodoro, 235
Conjunto 808
Curitiba, Brazil
CEP 80.000
Tel: 222-4122/222-4244

F.U.L. Motta
Manager

Porto Alegre

Rua dos Andradas 1121
Conjunto 601
Porto Alegre, Brazil
CEP 90.000
Tel: 26-5800/26-5976

Italo Ferlauto Filho
Manager

Recife

Av. Guararapes, 111
4° andar
Recife, Brazil
CEP 50.000
Telex: 0811236 BCBI BR
Tel: 224-0871/224-0721/224-0200

A.J.A. de Souza
Manager

Salvador

Rua Miguel Calmon, 555
conjunto 408/409
Salvador, Brazil
CEP 40.000
Tel: 243-5099

B.A. Baptista
Manager

Subsidiaries

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Nassau

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Managing Director

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Sir G.W. Henderson, Kt, Q.C.
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A.J. Miller, M.B.E.
W.D. Mulholland
J.V.C. Munroe
I.M. Sweatman

Bank of Montreal (California)
San Francisco

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R.D. Mackenzie
F.H. McNeil
C.R. Myers
D.P. Renda
I.M. Sweatman

Bank of Montreal Leasing Corporation
Toronto

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Serge Gouin
S.W. Henry
E.J. Lang
H.M. Smith
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J.R. Yarnell

Banco de Montreal Investimento S.A.–MONTREALBANK,
Rio de Janeiro

Pedro Leitão da Cunha
President

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Pedro Leitão da Cunha, *Chairman*
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D.J. Long
A.O. Novais
Paulo Prado
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J.G. Schreiber
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J.H. Warren

Bank of Montreal International Limited
Nassau

J.N. Baillie
Managing Director

DIRECTORS
J.H. Warren, O.C., *Chairman*
J.N. Baillie
Sir G.W. Henderson, Kt, Q.C.
A.J. Miller, M.B.E.
W.D. Mulholland
I.M. Sweatman

The above wholly-owned subsidiaries issue their own annual reports. Copies of these publications may be obtained directly from that subsidiary or from the Public Affairs Department, Bank of Montreal Head Office, P.O. Box 6002, Place d'Armes, Montreal, Quebec, H2Y 3S8

Bank of Montreal Mortgage Corporation
Calgary

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President

DIRECTORS
Roland Giroux, C.C., *Chairman*
T.R. Alton
G.D. Birks
André Bureau
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G.L. Reuber
Sanford Treat

Bank of Montreal Realty Inc.
Montreal

J.W. McCool
President

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G.L. Reuber, *Chairman*
T.C. Camp, Q.C.
D.J. MacKenzie
J.W. McCool
R.J. Plant

Banking Subsidiaries*

Bank of Montreal Asia Limited
Singapore
E.J. Ansley
Director

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

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

*Wholly owned

Banking Affiliates

Australian International Finance Corporation
Sydney

Banque Transatlantique
Paris

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London, England: Academy Studios
Aerial: George Hunter
Colour Separations: Techno-Colour Co. Inc.
Typesetting: M&H Typography Ltd.
Printing: Matthews Ingham and Lake Inc.

Correspondent Banking

The Bank of Montreal has Correspondent Banking arrangements in 148 countries world-wide.

Algeria	Andorra	Antigua	Argentina	Australia	Austria	Bahamas	Bahrain	Bangladesh	Barbados
Belgium	Belize	Benin	Bolivia	Botswana	Brazil	Brunei	Bulgaria	Burma	Burundi
Cameroon	Central African Republic	Chad	Chile	China (People's Rep.)	Colombia	Congo	Costa Rica	Cuba	Cyprus
Czechoslovakia	Denmark	Djibouti	Dominica	Dominican Republic	Ecuador	Egypt	El Salvador	Equatorial Guinea	Ethiopia
Fiji	Finland	France	Gabon	Gambia	Germany (Dem. Rep.)	Germany (Fed. Rep.)	Ghana	Greece	Grenada
Guatemala	Guinea	Guyana	Haiti	Honduras	Hungary	Iceland	India	Indonesia	Iran
Iraq	Ireland	Israel	Italy	Ivory Coast	Jamaica	Japan	Jordan	Kenya	Kuwait
Lebanon	Lesotho	Liberia	Libya	Liechtenstein	Luxembourg	Malagasy Republic	Malawi	Malaysia	Mali
Malta	Mauritania	Mauritius	Mexico	Monaco	Morocco	Mozambique	Nepal	Netherlands	New Zealand
Nicaragua	Niger	Nigeria	Norway	Oman	Pakistan	Panama	Papua New Guinea	Paraguay	Peru
Philippines	Poland	Portugal	Qatar	Romania	Rwanda	St. Lucia	St. Vincent	Saudi Arabia	Senegal
Seychelles	Sierra Leone	Singapore	Solomon Islands	Somalia	South Africa	South Korea	Spain	Sri Lanka	Sudan
Surinam	Swaziland	Sweden	Switzerland	Syria	Taiwan	Tanzania	Thailand	Togo	Trinidad & Tobago
Tunisia	Turkey	Uganda	U.S.S.R.	United Arab Emirates	United Kingdom				
United States	Upper Volta	Uruguay	Vanuatu	Venezuela	Vietnam				
Western Samoa	Yemen (People's Dem. Rep.)	Yugoslavia	Zaire	Zambia	Zimbabwe				

as well as the following offshore dependencies:

Azores (Port.)
Bermuda (U.K.)
Cayman Is. (U.K.)
Ceuta (Sp.)
Faroe Is. (Den.)
Gibraltar (U.K.)
Greenland (Den.)
Guadeloupe (Fr.)
Guam (U.S.)
Guiana (Fr.)
Hong Kong (U.K.)
Macao (Port.)
Madeira (Port.)
Marshall Is. (U.S.)
Martinique (Fr.)
Melilla (Sp.)
Montserrat (U.K.)
Netherlands Antilles (Neth.)
New Caledonia (Fr.)
Okinawa (Japan)
Puerto Rico (U.S.)
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St. Pierre & Miquelon (Fr.)
Tahiti (Fr.)
Turks & Caicos Is. (U.K.)
Virgin Is. (U.K.)
Virgin Is. (U.S.)

Meeting Notice

The 166th general meeting of the Bank of Montreal's shareholders will be held on Monday, January 16, 1984, at 10:30 a.m. at the Chateau Champlain Hotel, Montreal, Quebec. All shareholders of the Bank of Montreal are invited to attend the meeting.

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

Legal deposit, 4th quarter (1983). Bibliothèque nationale du Québec. (On peut obtenir sur demande un exemplaire en français).

For copies of the Annual Report, please write to the Public Affairs Department, P.O. Box 6002, Place d'Armes, Montreal, Que. H2Y 3S8, or to the Division headquarters in your region.
(See listing at the back of this report).

The First Canadian Bank