$75,000,000

Continental Bank Mortgage Corporation

Guaranteed Floating Rate Notes due 2083

(unsecured and redeemable)

Guaranteed by Continental Bank of Canada

and

redeemable by delivery of

Floating Rate Bank Debentures due 2083

(unsecured and redeemable) of

CONTINENTAL BANK OF CANADA

To be dated November 15, 1984 — To mature November 1, 2083

Guaranteed Floating Rate Notes

Interest on the Guaranteed Notes will accrue at a rate per annum equal to the 30-day Bankers' Acceptance Rate plus 0.50% and will be payable monthly. The Guaranteed Notes will be unconditionally guaranteed by Continental Bank of Canada.

At the option of the Corporation exercisable after November 15, 1988 all outstanding Guaranteed Notes will be redeemable by delivery of Bank Debentures.

Floating Rate Bank Debentures

Interest on the Bank Debentures will be payable at the same rate as on the Guaranteed Notes. **If in any fiscal quarter the Bank does not declare dividends on its common shares aggregating at least $0.10 per share the Bank may during the following fiscal quarter satisfy its interest obligations on the Bank Debentures by the issue of common shares of the Bank at 90% of their Market Price as described under "Details of the Offering".** The Bank Debentures will rank equally with other bank debentures and will be subordinate in right of payment to the claims of depositors and other unsubordinated creditors.

In the opinion of counsel the Guaranteed Notes will be eligible investments under certain statutes as set out under "Eligibility for Investment".

Price: 100

We, as principals, conditionally offer the Guaranteed Notes, subject to prior sale, if, as and when issued by the Corporation and accepted by us in accordance with the conditions contained in the underwriting agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters on behalf of the Corporation and the Bank by Tory, Tory, DesLauriers & Binnington and on our behalf by Aird & Berlis.

	Price to Public (1)	Underwriter's Fee	Net Proceeds to the Corporation (1)(2)
Per unit	100.00%	1.25%	98.75%
Total	$75,000,000	$937,500	$74,062,500

(1) Plus accrued interest, if any, from November 15, 1984 to the date of delivery.

(2) Before deducting expenses of issue estimated at $225,000. These expenses and the underwriting fee will be paid out of the general funds of the Corporation.

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that the Guaranteed Notes in definitive form will be available for delivery on November 15, 1984.

October 31, 1984

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DOCUMENTS INCORPORATED BY REFERENCE

The following documents filed with the Inspector General of Banks and the various securities commissions or similar authorities in the provinces of Canada are specifically incorporated by reference into this short form prospectus:

(a) Annual Information Form of Continental Bank of Canada dated February 16, 1984;

(b) Audited Consolidated Financial Statements of Continental Bank of Canada provided on pages 30 through 37 and the Auditors' Report to the Shareholders provided on page 38 of the Annual Report for the year ended October 31, 1983;

(c) Management Proxy Circular of Continental Bank of Canada dated November 30, 1983; and

(d) Consolidated statement of income and the condensed balance sheet included in the consolidated highlights as set forth in the interim report to shareholders of Continental Bank of Canada for the three months ended January 31, 1984, six months ended April 30, 1984 and nine months ended July 31, 1984.

Any documents of the type referred to above and any material change reports (excluding confidential reports) subsequently filed by Continental Bank of Canada with a securities commission or any similar authority in Canada, after the date of this short form prospectus and prior to the termination of the offering, shall be deemed to be incorporated by reference into this short form prospectus.

ELIGIBILITY FOR INVESTMENT

In the opinion of Tory, Tory, DesLauriers & Binnington and Aird & Berlis, the Guaranteed Notes, at the date of issue, will be eligible investments, without resort to the so-called "basket" provisions, but subject to the general investment provisions:

(a) for insurance companies registered under the Canadian and British Insurance Companies Act (Canada) or the Foreign Insurance Companies Act (Canada), for insurers incorporated or organized under the Insurance Act (Ontario), for insurance companies governed by the Insurance Act (Alberta) and for provincial companies as defined in the Insurance Act (British Columbia);

(b) for loan companies regulated under the Loan Companies Act (Canada), for trust companies regulated under the Trust Companies Act (Canada) and for loan corporations and trust companies registered under the Loan and Trust Corporations Act (Ontario) and for provincial companies governed by the Trust Companies Act (Alberta); and

(c) for pension plans registered under the Pension Benefits Standards Act (Canada), the Pension Benefits Act (Ontario), an Act respecting supplemental pension plans (Quebec) and the Pension Benefits Act (Alberta).

In the opinion of such counsel, the provisions of an Act respecting Insurance (Quebec) would not preclude the investment by an insurance company in the Guaranteed Notes, subject to the general investment provisions of that Act.

In the opinion of such counsel, the Guaranteed Notes will be qualified investments for registered retirement savings plans and for registered home ownership savings plans under the Income Tax Act (Canada).

SUMMARY

Issue:	Guaranteed Floating Rate Notes due 2083 of Continental Bank Mortgage Corporation guaranteed by Continental Bank of Canada and redeemable at the option of the Corporation by delivery of Floating Rate Bank Debentures due 2083 of the Bank.
Amount:	$75,000,000.
Issue Price:	100 plus accrued interest, if any.
Maturity:	November 1, 2083.
Form and Denominations:	The Guaranteed Notes and, if issued, the Bank Debentures will be in fully registered form only, in denominations of $25,000 and multiples thereof.
Guaranteed Notes:	***Floating Rate Interest*** — Interest on the Guaranteed Notes in respect of each month (an "Interest Period") will be calculated on the basis of the number of days elapsed and will be payable on the first day of the following month. Such interest will accrue at a rate per annum equal to the sum of 0.50% and the 30-day Bankers' Acceptance Rate reported by the Bank of Canada for the last Wednesday of the month preceding the Interest Period. Interest for the period from November 15, 1984 to December 31, 1984 will be paid at the rate of 12.25% per annum. ***Redemption for Cash*** — The Guaranteed Notes will be redeemable after November 15, 1989 in whole or in part for cash at a redemption price equal to the principal amount thereof plus a premium of 1% declining to par over five years. (See also "Redemption for Bank Debentures".) ***Rank*** — Direct unsecured obligations of the Corporation. ***Guarantee*** — Unconditionally guaranteed by the Bank, such guarantee ranking equally and rateably with deposit liabilities of the Bank. **The Guaranteed Notes will not be insured deposits as defined by the Canada Deposit Insurance Corporation Act.**
Redemption for Bank Debentures:	At the option of the Corporation, after November 15, 1988 all outstanding Guaranteed Notes will be redeemable by delivery of Bank Debentures. (See "Tax Effect of Redemption for Bank Debentures".)
Bank Debentures:	***Floating Rate Interest*** — Except as described herein, interest on the Bank Debentures will be payable at the same rate and in the same manner as on the Guaranteed Notes. **If in any fiscal quarter the Bank does not declare dividends on its common shares aggregating at least $0.10 per share the Bank may during the following fiscal quarter satisfy its interest obligations on the Bank Debentures by the issue of common shares of the Bank at 90% of their Market Price.** (See "Details of the Offering" and "Tax Effect of Receipt of Common Shares".) ***Redemption*** — The Bank Debentures will be redeemable after the fifth anniversary of their date of issue at the redemption prices which would have been applicable to the Guaranteed Notes at the date of redemption of the Bank Debentures. ***Subordination*** — The Bank Debentures will be direct unsecured obligations of the Bank ranking equally and rateably with other bank debentures and subordinate in right of payment to the claims of depositors and other unsubordinated creditors of the Bank. **The Bank Debentures will not be insured deposits as defined by the Canada Deposit Insurance Corporation Act.**
Interest Coverage:	After giving effect to this issue and assuming its redemption for Bank Debentures, consolidated earnings of the Bank for the 12 months ended July 31, 1984 available to meet interest on bank debentures were 1.46 times the consolidated interest requirements on all bank debentures.
Asset Coverage:	After giving effect to this issue and assuming its redemption for Bank Debentures, consolidated adjusted net assets of the Bank at July 31, 1984 of $378,212,000 were equivalent to $3,723 for each $1,000 of the $101,600,000 principal amount of bank debentures.
Application of Proceeds:	The net proceeds from this issue will be added to the Corporation's general funds and will be utilized to acquire income-earning assets from the Bank.

This is a summary only and is qualified by the more detailed information appearing elsewhere, or incorporated by reference, in this short form prospectus.

DETAILS OF THE OFFERING

The following is a summary of the material attributes and characteristics of the Guaranteed Floating Rate Notes due 2083 (the "Guaranteed Notes") of Continental Bank Mortgage Corporation (the "Corporation"), the Floating Rate Debentures due 2083 (the "Bank Debentures") of Continental Bank of Canada (the "Bank") and the common shares of the Bank.

Guaranteed Notes

General

The Guaranteed Notes will be issued under a trust indenture (the "Guaranteed Note Indenture") dated as of November 15, 1984 and to be made among the Corporation, the Bank and Central Trust Company (the "Trustee") and will mature on November 1, 2083. The Guaranteed Notes will be issued in fully registered form only, in denominations of $25,000 and multiples thereof. Interest on the Guaranteed Notes will be payable in lawful money of Canada by cheque and sent by prepaid mail to the registered holder. Upon due notice to the Trustee, a registered holder will be entitled to have interest payments made to an account in Canada maintained by the registered holder at any financial institution that is a member of the Canadian Payments Association. Payment of the principal of the Guaranteed Notes will be made at maturity against surrender of such notes at any branch of the Bank. The Guaranteed Note Indenture will restrict the aggregate principal amount of notes that may be issued thereunder to $75,000,000.

The Guaranteed Notes will be direct unsecured obligations of the Corporation ranking equally and rateably with all other unsecured indebtedness of the Corporation. **The Guaranteed Notes will not be insured deposits as defined by the Canada Deposit Insurance Corporation Act.**

Floating Rate Interest

Interest on the Guaranteed Notes in respect of each month (an "Interest Period") will be payable on the first day of the following month. Interest will accrue at a rate per annum equal to the sum of 0.50% and the 30-day bankers' acceptance rate (the "30-day Bankers' Acceptance Rate") reported by the Bank of Canada in its weekly financial statistics for the last Wednesday of the month preceding the Interest Period. Interest will be calculated on the basis of the actual number of days elapsed in each Interest Period divided by 365.

Interest for the period from November 15, 1984 to December 31, 1984 will accrue at the rate of 12.25% per annum and will be payable on January 1, 1985.

If the applicable 30-day Bankers' Acceptance Rate is not available from the Bank of Canada, the 30-day Bankers' Acceptance Rate shall be deemed to be the average of mid-market quotations for 30-day bankers' acceptances of at least three major banks named in Schedule A to the Bank Act (Canada) (the "Bank Act"), obtained at 11:00 a.m. (Toronto time) on the last Wednesday of the month preceding the Interest Period from at least three Money Market Dealers chosen by the Corporation. For this purpose a "Money Market Dealer" means a financial institution (excluding the Bank) designated by the Bank of Canada to enter into purchase and resale agreements of Government of Canada debt obligations with the Bank of Canada.

If, in the reasonable judgment of the Corporation, 30-day bankers' acceptances are no longer traded in Canada in a material way, the interest rate per annum will be equal to the sum of 0.75% and the average of mid-market quotations for Government of Canada Treasury Bills maturing in or about 30 days from the date of quotation obtained at 11:00 a.m. (Toronto time) on the last Wednesday of the month preceding the applicable Interest Period from at least three Money Market Dealers chosen by the Corporation.

Guarantee

The payment of the principal of, premium, if any, and interest on the Guaranteed Notes will be unconditionally guaranteed by the Bank. The liability of the Bank under the guarantee will rank equally and rateably with the Bank's deposit liabilities.

Redemption for Cash

The Guaranteed Notes will not be redeemable for cash by the Corporation before November 16, 1989. Thereafter the Guaranteed Notes may be redeemed for cash on any interest payment date, at the option of the

Corporation, in whole or in part on not more than 60 and not less than 30 days' prior notice at redemption prices equal to the following percentages of the principal amount thereof plus, in each case, accrued and unpaid interest to the date fixed for redemption:

If redeemed in the 12 months ending November 15,	
1990	101.00%
1991	100.80%
1992	100.60%
1993	100.40%
1994	100.20%
1995 and thereafter	100.00%

In the case of redemptions for cash of less than all the Guaranteed Notes, the Guaranteed Notes to be redeemed will be selected by the Trustee by lot or in such other manner as the Trustee deems equitable.

The Corporation will have the right to purchase Guaranteed Notes in the market or by tender or by private contract at prices not exceeding 101% of the principal amount thereof if purchased prior to November 16, 1989 and at prices not exceeding the redemption price applicable at the date of purchase if purchased on or after November 16, 1989, together, in all cases, with accrued and unpaid interest to the date of purchase and costs of purchase.

Modification

The Guaranteed Note Indenture will provide that modifications and alterations of the Guaranteed Note Indenture and of the notes issued thereunder may be made if authorized by extraordinary resolution. The term "extraordinary resolution" will be defined in the Guaranteed Note Indenture to mean, in effect, a resolution passed by the affirmative vote of the holders of not less than two-thirds of the principal amount of the Guaranteed Notes represented and voted at a meeting of such note holders or an instrument or instruments in writing signed by the holders of not less than two-thirds of the principal amount of Guaranteed Notes then outstanding.

Redemption for Bank Debentures

The Guaranteed Note Indenture will provide that, at the option of the Corporation, after November 15, 1988 all but not less than all of the Guaranteed Notes will be redeemable on any interest payment date prior to the fifth year preceding maturity, on not more than 270 and not less than 180 days' prior notice, by the delivery by the Corporation to the Trustee of Bank Debentures in an aggregate principal amount equal to the aggregate principal amount of the Guaranteed Notes outstanding at such date registered in the names of the registered holders of the outstanding Guaranteed Notes. Under the Guaranteed Note Indenture the Bank will grant the Corporation the right in certain circumstances to purchase the Bank Debentures required to effect such redemption. The Corporation may only redeem the Guaranteed Notes by delivery of Bank Debentures if the Trustee receives a legal opinion to the effect that the Bank Debentures are not subject to material resale restrictions in Canada.

On the date of delivery to the Trustee of such Bank Debentures the Guaranteed Notes will be redeemed. No interest will be payable on the Guaranteed Notes after the date of their redemption. Holders of such redeemed Guaranteed Notes will only be entitled to receive Bank Debentures corresponding to their redeemed Guaranteed Notes upon the surrender of such Guaranteed Notes to the Trustee. Upon surrender of their Guaranteed Notes to the Trustee, holders shall receive Bank Debentures in the same principal amount, together with all interest payable thereon from the date of issue of the Bank Debentures to the most recent interest payment date prior to the date of surrender of the corresponding Guaranteed Notes (without interest on any such unpaid interest). (See "Tax Effect of Redemption for Bank Debentures".) If the provisions of applicable securities legislation of jurisdictions outside Canada would require registration or the filing of a prospectus in respect of the delivery of Bank Debentures to any holder of redeemed Guaranteed Notes, the Trustee will be permitted to sell such Bank Debentures in the open market and distribute the proceeds received to such holder of redeemed Guaranteed Notes.

The Bank Act contains a provision that a chartered bank may not issue any bank debentures if, as a result of such issue, the aggregate principal amount of all bank debentures outstanding that have a stated maturity after the end of the financial year of the bank in which the issue is made would exceed one-half of the total paid-up capital, contributed surplus, retained earnings and general reserve of the bank. The Bank Act also contains a provision pursuant to which certain indebtedness (amounting to $323 million at July 31, 1984) incurred by the Bank prior to it becoming a chartered bank was deemed to be "bank debentures" for this purpose. According to the retirement schedules relating to this indebtedness, such indebtedness will be substantially retired by October 31, 1987. **As a result of this indebtedness, the Bank does not have the capacity at the present time to issue bank debentures, including the Bank Debentures.**

Bank Debentures

General

The Bank Debentures will be issued under a trust indenture (the "Bank Debenture Indenture") dated as of November 15, 1984 and to be made between the Bank and the Trustee and will mature on November 1, 2083. The Bank Debentures will be issued in fully registered form only, in denominations of $25,000 and multiples thereof. Except as described under "Floating Rate Interest" below, interest on the Bank Debentures will be payable in lawful money of Canada by cheque and sent by prepaid mail to the registered holder. Upon due notice to the Trustee, a registered holder will be entitled to have such interest payments made to an account in Canada maintained by the registered holder at any financial institution that is a member of the Canadian Payments Association. Payment of the principal of the Bank Debentures will be made against surrender of such debentures at any branch of the Bank. The Bank Debenture Indenture will contain no restriction on the amount of debentures that may be issued thereunder.

Under the terms of the Bank Debenture Indenture and the Bank Act, in the event of the insolvency or winding up of the Bank, the indebtedness evidenced by the Bank Debentures and by all other bank debentures issued and outstanding under the Bank Debenture Indenture will be subordinate in right of payment to the prior payment in full of the deposit liabilities of the Bank and all other Indebtedness of the Bank which is not Subordinated Indebtedness.

The Bank Debentures will be direct unsecured obligations of the Bank ranking equally and rateably with all other bank debentures from time to time issued and outstanding under the Bank Debenture Indenture and all other bank debentures issued by the Bank. **The Bank Debentures will not be insured deposits as defined by the Canada Deposit Insurance Corporation Act.**

Pursuant to the Bank Act, the Bank Debenture Indenture will provide that the principal amount of the Bank Debentures cannot be paid by the Bank at any time prior to the fifth anniversary of the date of their issuance except in the event of the insolvency or winding up of the Bank.

Floating Rate Interest

The Bank Debentures will bear a floating rate of interest which is calculated and payable in the same manner as the Guaranteed Notes except as described below with respect to satisfaction of interest payment obligations by the distribution of common shares of the Bank.

Issue of Common Shares

If the Bank does not declare dividends on its common shares in an aggregate amount at least equal to the Reference Dividend in any fiscal quarter of the Bank, the Bank may elect that its obligation to make interest payments on the Bank Debentures in respect of any Interest Period in the following fiscal quarter shall be satisfied by the distribution of common shares of the Bank to holders of Bank Debentures. If such election is made by the Bank each holder of Bank Debentures will receive that number of whole common shares which could be acquired at a price equal to 90% of the Market Price with the interest then payable by the Bank to such holder under his Bank Debentures together with a cash payment in respect of any fractional share to which such holder would otherwise be entitled. (See "Tax Effect of Receipt of Common Shares".) In order to satisfy requirements under the Bank Act, the common shares will be issued by the Bank pursuant to the right and obligation of the Trustee to take up and pay for the common shares.

Notice of the foregoing election must be given by the Bank to the Trustee not less than 20 days prior to the relevant interest payment date. Common shares may only be so distributed if the Trustee shall have received a legal opinion to the effect that such shares are not subject to material resale restrictions in Canada. The Reference Dividend shall be $0.10 per common share subject to adjustment in certain events including certain changes in the capital stock of the Bank and certain distributions on the outstanding securities of the Bank.

If the provisions of the Bank Act or any other applicable legislation would prohibit the issue to or registration of any common shares in the name of any holder of Bank Debentures or if the provisions of applicable securities legislation of jurisdictions outside Canada would require registration or the filing of a prospectus in respect of the delivery of common shares to any holder of Bank Debentures, the Trustee will be permitted to sell such common shares in the open market and distribute the proceeds received to such holder of Bank Debentures. (See "Restraints on Bank Shares Under the Bank Act".)

Redemption

The Bank Debentures will not be redeemable by the Bank before the end of the fifth year following the date of their issue. Thereafter, the Bank Debentures may be redeemed on any interest payment date, at the option of the Bank, prior to maturity in whole or in part on not more than 60 and not less than 30 days' prior notice at redemption prices equal to the following percentages of the principal amount thereof plus, in each case, accrued and unpaid interest to the date fixed for redemption:

If redeemed in the 12 months ending November 15,	
1990	101.00%
1991	100.80%
1992	100.60%
1993	100.40%
1994	100.20%
1995 and thereafter	100.00%

In the case of redemptions of less than all the Bank Debentures, the Bank Debentures to be redeemed will be selected by the Trustee by lot or in such other manner as the Trustee deems equitable.

Commencing on the date on which the Bank Debentures shall become redeemable the Bank will have the right to purchase Bank Debentures in the market by tender or by private contract at prices not exceeding the redemption price applicable at the date of purchase together, in all cases, with accrued and unpaid interest to the date of purchase and costs of purchase.

Modification

The Bank Debenture Indenture will provide that modifications and alterations of the Bank Debenture Indenture and of the debentures thereunder may be made if authorized by extraordinary resolution. The term "extraordinary resolution" will be defined in the Bank Debenture Indenture to mean, in effect, a resolution passed by the affirmative vote of the holders of not less than two-thirds in aggregate principal amount of the debentures affected by such modification or alteration represented and voted at a meeting of such debenture holders or an instrument or instruments in writing signed by the holders of not less than two-thirds in aggregate principal amount of such debentures then outstanding. If any modification or alteration affects the rights of the holders of any series of debentures in a manner substantially different from that in which it affects the holders of other series, such extraordinary resolution must, in addition, be approved in a similar manner by the holders of the series of debentures so affected.

Definitions

The Bank Debenture Indenture will contain, among others, definitions of terms used herein substantially as follows:

"*Market Price*" means, on any day, the average of the closing prices per common share for a board lot of the common shares of the Bank on The Toronto Stock Exchange (or, if the common shares are not listed on The Toronto Stock Exchange, on a stock exchange on which the common shares are listed as may be selected for such purpose by the Board of Directors of the Bank and approved by the Trustee or, if not listed on any stock exchange, in the over-the-counter market) for the tenth through the sixth trading days preceding such day.

"*Indebtedness*" means

(a) the deposit liabilities of the Bank at such time; and

(b) all other liabilities and obligations (other than any penalties as referred to in the Bank Act) of the Bank to third parties (other than shareholders of the Bank, as such) which would entitle such third parties to participate in a distribution of the Bank's assets in the event of the insolvency or winding up of the Bank.

"Subordinated Indebtedness" means

(a) the liability of the Bank in respect of the principal of and premium, if any, and interest on debentures issued under the Bank Debenture Indenture;

(b) any Indebtedness which ranks equally with and not prior to the Bank Debentures in right of payment in the event of the insolvency or winding up of the Bank and which, pursuant to the terms of the instrument evidencing or creating the same, is expressed to be subordinate in right of payment to all Indebtedness to which the Bank Debentures are subordinate in right of payment to at least the same extent as such debentures are made subordinate thereto; and

(c) any Indebtedness which ranks subordinate to and not equally with or prior to the Bank Debentures in right of payment in the event of the insolvency or winding up of the Bank and which, pursuant to the terms of the instrument evidencing or creating the same, is expressed to be subordinate in right of payment to all Indebtedness to which the Bank Debentures are subordinate in right of payment to at least the same extent as such debentures are made subordinate thereto.

Common Shares

General

The holders of common shares of the Bank are entitled to receive dividends as and when declared by the Board of Directors of the Bank, subject to the preference of the preferred shares and any other class of shares ranking in priority to the common shares; to receive notice of, attend and vote (on the basis of one vote for each common share held) at all meetings of shareholders other than meetings at which only the holders of preferred shares of one or more series are entitled to vote separately; and, in the event of the liquidation, dissolution or winding-up of the Bank, after payment of all outstanding debts and subject to the preference of the preferred shares and any other class of shares ranking in priority to the common shares, to receive pro rata the remaining property of the Bank.

Restraints on Bank Shares Under the Bank Act

The Bank Act contains restrictions on the allotment, acquisition, holding and voting of all shares of a bank. By way of summary, these restrictions do not allow existing banks, including the Bank, to issue or permit the transfer of shares of any class to:

(a) a non-resident, if the total number of shares of the class held by non-residents would exceed 25% of the issued and outstanding shares of that class;

(b) any person, if the total number of shares of that class held by that person and others associated with him, exceeds or would thereby exceed 10% of the issued and outstanding shares of that class; or

(c) Her Majesty, an agent of Her Majesty, a foreign government or any agent of a foreign government.

In addition, no person is permitted to acquire, hold or beneficially own shares of a class of a bank if the total number of shares of that class held or beneficially owned by that person and others associated with him exceeds or would thereby exceed 10% of the issued and outstanding shares of that class. The restrictions on voting rights relevant to the Bank contained in the Bank Act provide that a Canadian resident holding shares of the Bank in the right of and for the use or benefit of a non-resident may not exercise the voting rights pertaining to such shares and, generally, prohibit the voting of shares of a class held by or for a person or his associates if the shares of that class held by or for that person and his associates are in excess of 10% of the issued and outstanding shares of that class.

Holders of Bank Debentures may be required to furnish declarations relative to the foregoing in the form prescribed by the Bank if common shares of the Bank are to be issued as described under "Issue of Common Shares".

TAX EFFECT OF REDEMPTION FOR BANK DEBENTURES

In the opinion of Tory, Tory, DesLauriers & Binnington and Aird & Berlis, for purposes of the Income Tax Act (Canada), the redemption of the Guaranteed Notes by the delivery of Bank Debentures will constitute a disposition of the Guaranteed Notes for proceeds of disposition equal to the fair market value of the Bank Debentures at the time of the redemption and such Bank Debentures will be considered to have been acquired at a cost equal to that fair market value. Such fair market value will not necessarily be equal to the principal amount of the Guaranteed Notes so redeemed which could result in a person holding Guaranteed Notes as capital property having a taxable capital gain or allowable capital loss on the redemption.

TAX EFFECT OF RECEIPT OF COMMON SHARES

In the opinion of Tory, Tory, DesLauriers & Binnington and Aird & Berlis, for purposes of the Income Tax Act (Canada), where a person holding Bank Debentures as capital property receives common shares, such person may be required to include in computing income, in respect of interest, an amount equal to the fair market value of the common shares (plus cash received in lieu of a common share fraction) and may be considered to have acquired the common shares at a cost equal to such amount (less such cash).

APPLICATION OF PROCEEDS

The proceeds to the Corporation from the sale of the Guaranteed Notes offered hereby, after deducting estimated expenses of the issue and the underwriting fee to be paid out of the general funds of the Corporation, will amount to $73,837,500. The net proceeds from this issue will be added to the Corporation's general funds and will be utilized in acquiring income-earning assets from the Bank. The purpose of providing for the redemption of Guaranteed Notes for Bank Debentures is to enable the Bank to enlarge its capital base in the future allowing it to pursue growth opportunities in both domestic and international activities. Until redemption for Bank Debentures the proceeds of this issue will not be considered, under the Bank Act, to be capital of the Bank.

CONTINENTAL BANK MORTGAGE CORPORATION

The Corporation was incorporated by letters patent dated July 4, 1980 under the Loan Companies Act (Canada) with its head office in Toronto, Ontario. The Corporation is a wholly-owned subsidiary of the Bank and is its principal mortgage lending subsidiary.

The Corporation acquires all of its mortgages from the Bank or affiliated corporations. These mortgages bear interest at fixed rates for terms of up to two years. Provided that satisfactory payment history is maintained, mortgages are normally renewed for a further term at interest rates prevailing at the time of renewal. Residential mortgage loans are secured by single family dwellings, duplexes, townhouses or multiple family dwellings. The Corporation does not make any mortgage loans in amounts that exceed 75% of the value of the underlying property.

As at June 30, 1984, the Corporation held mortgages in the principal amount of approximately $133.6 million. The geographic distribution of the Corporation's mortgage portfolio by amount as at June 30, 1984 was:

	June 30, 1984 (In millions of dollars) (unaudited)
Atlantic Provinces	$ 4.7
Quebec	12.6
Ontario	47.8
Prairie Provinces	51.7
British Columbia	16.8
	$133.6

The Corporation funds its acquisition of mortgages through the issue of Actionbank Investment Certificates ("ABIC's"), which are guaranteed by the Bank. ABIC's are generally issued with maturity dates that match those of the mortgage assets being acquired. As prescribed by the Loan Companies Act (Canada) the Corporation's liabilities are limited to 15 times its shareholder's equity. It is the Bank's intention to subscribe for sufficient additional shares of the Corporation to maintain the ratio of its liabilities to shareholder's equity prescribed by the Loan Companies Act (Canada).

CONTINENTAL BANK OF CANADA

The Bank is a Schedule A bank chartered under the Bank Act. The Bank is the seventh largest Canadian chartered bank on the basis of total assets. As at July 31, 1984 total assets of the Bank were $5.69 billion. The Bank's prime target market is medium and larger size commercial business. The Bank also actively pursues personal, major corporate, government and international banking business. The Bank's head and principal office is located in Continental Bank of Canada Building, 130 Adelaide Street West, Toronto, Ontario, M5H 3R2.

The Bank services the needs of its Canadian customers from branches located in key commercial centres across Canada. Each major market area is serviced by a branch of the Bank which is:

— located, designed and staffed to deliver a full range of services effectively and efficiently to that market;

— managed so that decision making and implementation consistent with Bank policies is handled speedily and as close to the market as possible.

The Bank Act governs the operations of the Bank. Under the Bank Act, the Bank may engage in and carry on such business as appertains to the business of banking. The Bank's corporate structure is as follows:

CONTINENTAL BANK OF CANADA

CONTINENTAL BANK MORTGAGE CORPORATION	*To hold mortgage assets in accordance with the Bank Act*
CONTINENTAL BANK LEASING CORPORATION	To hold leasing assets in accordance with the Bank Act
CONTINENTAL BANK CAPITAL CORPORATION	Special corporations allowed under provision of the Bank Act
CONTINENTAL BANK REALTY CORPORATION	
CONTINENTAL BANK FINANCIAL CORPORATION	

The three special corporations noted above are allowed by the Federal Cabinet under provision of the Bank Act. These corporations can continue in existence until June 30, 1987 and may maintain reserve-free liabilities to a combined limit of $2.89 billion until October 31, 1985, declining thereafter in accordance with the following schedule:

October 31, 1985	Reduce to $2.4 billion
April 30, 1986	Reduce to $2.1 billion
October 31, 1986	Reduce to $1.8 billion
April 30, 1987	Reduce to $1.5 billion
May 31, 1987	Reduce to $1.2 billion
June 30, 1987	Eliminated

Of these three corporations, only Continental Bank Financial Corporation actively seeks new business. As at July 31, 1984, reserve-free liabilities were approximately $2.89 billion compared with $2.64 billion as at October 31, 1983.

Share and Loan Capital of the Bank

On May 29, 1984, the Bank issued 2,000,000 Floating Rate Class A Preferred Shares, Series I at a price of $25.00 per share. Such Floating Rate Preferred Shares are redeemable at the option of the Bank on and after July 15, 1989 subject to the approval of the Inspector General of Banks at $26.00 per share declining thereafter to $25.00 per share on July 15, 1994. Such shares are not redeemable at the option of the holder. The net proceeds from the issue of such shares, after deducting estimated expenses of issue and the underwriting fee, amounted to $49,300,000.

The following table sets out the share and loan capital of the Bank as at the respective dates:

	July 31, 1984	October 31, 1983
	(In thousands of dollars)	
	(unaudited)	
Bank debentures	$ 26,564	$ 26,603
Appropriations for contingencies	10,300	3,931
Capital stock	112,227	62,188
Retained earnings	155,283	152,309
	$304,374	$245,031

The Bank intends to repay any Bank Debentures of this issue outstanding at maturity out of the proceeds of issues of capital stock of the Bank completed subsequent to December 31, 2073.

Recent Developments

Total assets of the Bank at July 31, 1984 were $5.69 billion, an increase of $939 million or 19.8% since July 31, 1983. In the first nine months of fiscal 1984 assets increased $648 million. The percentage of domestic assets to total assets was 88.4% at July 31, 1984 compared to 88.3% at October 31, 1983. Almost all of the growth in assets in Canada occurred in Ontario, Quebec and the Atlantic provinces. The Bank began operating a New York branch in January 1984 and this branch accounted for approximately $153 million or 24% of the growth in assets from October 31, 1983 to July 31, 1984. International loans made in the first nine months of 1984 were restricted to Western European and Pacific Rim countries.

Consolidated net income of the Bank for the nine months ended July 31, 1984 was $10,627,000 compared with $10,003,000 for the same period last year. For the nine months ended July 31, 1984 the Bank's return on average assets was 0.27% by comparison to 0.31% for same period in 1983. The net interest margin decreased to 2.57% in the first nine months of 1984 compared to 2.74% in the same period last year. This reduction resulted from a decrease in the spread between income earned on loans and securities and the cost of deposits which was principally caused by the rise in interest rates that began in the wholesale markets in December 1983. This had a *short term negative impact on earnings from the Bank's liquid and Eurodollar asset portfolios as the average term* of the funding was less than that of the corresponding loans and investments. Additionally although the Bank's level of non-performing loans, net of specific provisions, decreased to $68 million at July 31, 1984 from $78 million at October 31, 1983, the carrying cost of these loans increased because of higher interest rates. Offsetting this pressure on the Bank's net interest margin has been a significant increase in the Bank's total assets and higher level of other income. The Bank's asset growth continues to be sourced from its principal target market of commercial lending. This sector accounted for most of the $419 million of growth in loans during the nine months ended July 31, 1984. The higher level of non-interest income arose principally from increasing domestic branch service charges and fees.

The Bank's actual loan loss experience in the first nine months of 1984 declined to $14.3 million from $14.6 million in the same period in 1983. Despite lower loan loss experience, the application of the averaging formula to a higher level of eligible assets resulted in a loan loss provision for the nine months ended July 31, 1984 of $20.7 million as compared to $16.9 million in the same period in 1983.

Non-interest expenses continued to be tightly controlled during the nine months ended July 31, 1984. Non-interest expenses represented 1.87% of average assets compared to 2.09% for the same period last year. This reduction was achieved principally because of growth in assets and savings in pension and staff benefits.

Net income per common share was $0.69 compared with $0.70 for the nine months ended July 31, 1983. This reduction, despite higher net income, resulted from payment of dividends on Floating Rate Class A Preferred Shares, Series I issued by the Bank in May 1984.

INTEREST COVERAGE

After giving effect to this issue and assuming its redemption for Bank Debentures the maximum annual interest requirements on all bank debentures (assuming a 30-day Bankers' Acceptance Rate of 11.65% for this issue) will amount to $11,436,000. Consolidated earnings of the Bank for the 12 months ended July 31, 1984 before interest on bank debentures and after recovery of income taxes were $16,744,000. This amount would cover such maximum annual interest requirements 1.46 times.

ASSET COVERAGE

As at July 31, 1984 and after giving effect to this issue, the consolidated adjusted net assets of the Bank are as follows:

	July 31, 1984	
	(In thousands of dollars)	
Total assets		5,685,622
Deduct: Deposit liabilities	4,491,459	
Other liabilities (excluding bank debentures)	889,789	5,381,248
Net assets		304,374
Add: Net proceeds of this issue		73,838
Adjusted net assets available for bank debentures		378,212

The consolidated adjusted net assets of the Bank of $378,212,000 are equivalent to $3,723 for each $1,000 of the $101,600,000 principal amount of bank debentures outstanding as at July 31, 1984, after giving effect to this issue and assuming its redemption for Bank Debentures.

DIVIDEND RECORD

The following table sets forth the common share dividends declared and paid by the Bank over the periods indicated:

	Year Ending October 31, 1984				Years Ended October 31			
	4th Qtr	3rd Qtr	2nd Qtr	1st Qtr	1983	1982	1981	1980
Dividends per common share	$0.15	$0.15	$0.15	$0.15	$0.55	$0.40	$0.40	$0.40

PLAN OF DISTRIBUTION

Under an agreement dated October 31, 1984 among the Corporation, the Bank and Burns Fry Limited (the "Underwriter"), the Corporation has agreed to sell and the Underwriter has agreed to purchase on November 15, 1984, or such later date as may be agreed upon, but not later than November 30, 1984, subject to the terms and conditions stated therein, all but not less than all the $75,000,000 principal amount of Guaranteed Notes at a purchase price of $100 per $100 principal amount of Guaranteed Notes plus accrued interest, if any, from November 15, 1984 to the date of delivery, payable in cash to the Corporation against delivery of such Guaranteed Notes. The Underwriter will be paid a fee of $937,500 for services rendered in connection with the offering, which will be paid out of the general funds of the Corporation. The obligations of the Underwriter under such agreement may be terminated at its discretion on the basis of its assessment of the state of the financial markets and may also be terminated on the occurrence of certain stated events. However, the Underwriter is obligated to take up and pay for all the Guaranteed Notes if any are purchased under the agreement.

In connection with this offering the Underwriter may overallot the Guaranteed Notes or effect transactions which stabilize or maintain the market price of the Guaranteed Notes at a level above that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

TRUSTEE, REGISTRAR AND TRANSFER AGENT

Central Trust Company at its principal transfer office in the cities of Halifax, Montreal, Toronto, Winnipeg, Calgary and Vancouver will be the trustee and registrar for the Guaranteed Notes and, if issued, for the Bank Debentures. The transfer agent and registrar for the common shares of the Bank is Montreal Trust Company of Canada at its principal office in Montreal, Toronto, Winnipeg, Regina, Calgary and Vancouver.

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages where the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, but such remedies must be exercised by the purchaser within the time limit prescribed by the securities legislation of his province. Purchasers in Saskatchewan, as a term of this offering, are given the same rights of rescission and withdrawal as if it had been necessary to have had a prospectus and any amendments accepted by the Saskatchewan Securities Commission. The purchaser should refer to any applicable provisions of the securities legislation of his province for the particulars of these rights or consult with a legal advisor.