Canada Trustco Mortgage Company

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Canada Trustco Annual Report 1981

CONTENTS

Contents	1
Directors	2
Performance Against Objectives	3
1982 Objectives	6
Simplified Financial Statements	7
Ten Year Record	8
Report to Shareholders	10

FINANCIAL STATEMENTS AND ANALYSIS

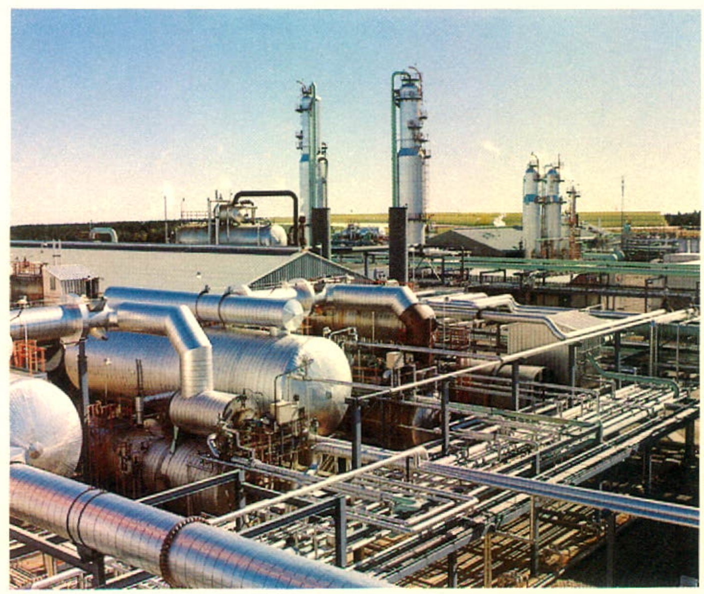
Statement of Earnings	19
Statement of Condition	20
Contributed Surplus Retained Earnings	22
Changes in Financial Condition	23
Notes to Financial Statements	24
Auditors' Report Management Statement	28
Quarterly Analysis of Net Earnings Net Interest Differential	29
Interest Rate Sensitivity	30
Maturities Liquidity Management	31
Interest Rate Sensitivity Management	32
Five Year Analysis Table of Average Holdings	34
Fourth Quarter Earnings	35
Executive & Senior Management	36
Financial Services Branches	37
Real Estate Offices	40

FOCUS ON CORPORATE LOANS

Significant growth in corporate loans occurred over the past two years, with the December 31, 1981 portfolio standing at close to $1.1 billion. Development of a strong corporate lending operation has been integral to improvement in interest rate sensitivity management.

Clients include top credits in a wide variety of industries, crown corporations and major Canadian financial institutions.

This year's report to shareholders features several corporate loan clients, one of whom is Canterra Energy Ltd. of Calgary. Shown below is their Ram River hydrogen sulphide facility.



Annual and Special General Shareholders' Meeting 11 a.m., Tuesday, February 23, 1982, Holiday Inn, City Centre Tower, London, Ontario.

Preference shares series B convertible and common shares are listed on Toronto, Montreal and Alberta Stock Exchanges.

V-Day valuation of common shares as at December 22, 1971 is $25.00.

Head Office: Canada Trust Tower, 275 Dundas Street, London, Ontario, Canada N6B 3L1.

Executive Office: Canada Trust Building, 110 Yonge Street, Toronto, Ontario, Canada M5C 1T4.

Member of The Trust Companies Association of Canada.

Additional information on the company is available by writing or phoning E. Donald L. Miller, Vice-President, Corporate Affairs, Canada Trust Tower, 275 Dundas Street, London, Ontario, Canada N6B 3L1 (519) 673-6293.

DIRECTORS

All those listed are Directors of Canada Trust.

*Canada Trustco Directors

After each name, age and number of years service as a Director are shown. Average age is 62 years and average service is 10 years.

J. W. ADAMS (57-1)
London
President
Emco Limited

*A. E. BARRON (63-21)
Toronto
Chairman
Canadian Tire Corporation Limited

*WALTER A. BEAN (73-14)
Waterloo
Chairman, Economical Mutual Insurance Company

*WALTER J. BLACKBURN (67-26)
London
Chairman & Publisher, London Free Press Printing Company Limited

RUDOLPH P. BRATTY (49-5)
Toronto
Barrister and Solicitor

C.W. BRAZIER (71-13)
Vancouver
Barrister and Solicitor

HUGH CAMPBELL (73-10)
Ottawa
Corporate Director

*JOHN B. CRONYN (61-10)
London
Corporate Director and Consultant

*FREDERICK W. DAKIN (56-7)
Hamilton
President and Chief Executive Officer
The G. W. Robinson Company Limited

G. H. DOBBIE (63-11)
Cambridge
Chairman, Glenelg Textiles Limited

ERIC F. FINDLAY (55-5)
Toronto
Chairman and President
Silverwood Industries Limited

REFORD GARDHOUSE (65-4)
Milton
Corporate Director

W. HOWARD HEMPHILL (65-11)
Stratford
Chairman, Krug Furniture Inc.

ELMORE HOUSER (69-13)
Toronto
Barrister and Solicitor

MRS. BERYL M. IVEY (57-1)
London
Vice-President and Director
The Richard Ivey Foundation

A. H. JEFFERY (72-13)
London
Deputy Chairman
London Life Insurance Company

*M. L. LAHN (48-4)
London
President and Chief Executive Officer
Canada Trustco

*TOM LAWSON (66-26)
London
Vice-President, Canada Trustco
Honorary Chairman
Lawson & Jones Limited

DUNCAN McINTOSH (71-11)
Cambridge
Retired Executive

*M. C. G. MEIGHEN (73-23)
Toronto
Vice-President, Canada Trustco
Chairman, Canadian General Investments Limited

F. T. METCALF (60-2)
Toronto
President and Chief Operating Officer
Maclean-Hunter Limited

*ARTHUR H. MINGAY (62-18)
Toronto
Chairman of the Board and the Executive Committee, Canada Trustco

KENNETH G. MURRAY (57-6)
Kitchener
President, J. M. Schneider Inc.

CARL O. NICKLE (67-12)
Calgary
President, Conventures Limited

*EARL H. ORSER (53-1)
London
President, London Life Insurance Company

*JOHN H. PANABAKER (53-3)
Waterloo
President and Chief Executive Officer
The Mutual Life Assurance Company of Canada

D. H. PARKINSON (56-2)
Vancouver
Senior Vice-President, Finance and Planning, MacMillan Bloedel Limited

*G. E. SHARPE (73-16)
Winnipeg
President, Sharpe's Limited

*W. J. STENASON (51-10)
Montreal
President, Canadian Pacific Enterprises Limited

H. R. STEPHEN (68-2)
Victoria
Corporate Director

R. W. STEVENS (55-12)
Toronto
Barrister and Solicitor

J. D. STEVENSON (52-11)
Toronto
Barrister and Solicitor

*J. J. STUART (69-16)
Windsor
Corporate Director

*NOAH TORNO (71-20)
Toronto
Chairman
Niagara Gas Transmission Limited

PETER N. T. WIDDRINGTON (51-7)
London
President and Chief Executive Officer
John Labatt Limited

EXECUTIVE COMMITTEE

A. H. Mingay, Chairman
A. E. Barron
J. B. Cronyn
F. W. Dakin
M. L. Lahn
T. Lawson
E. H. Orser
J. H. Panabaker
W. J. Stenason

NOMINATING COMMITTEE

A. E. Barron, Chairman
W. J. Blackburn
J. B. Cronyn
F. W. Dakin
T. Lawson
M. C. G. Meighen
E. H. Orser
J. H. Panabaker
G. E. Sharpe
W. J. Stenason
J. J. Stuart
Noah Torno

AUDIT COMMITTEE

T. Lawson, Chairman
J. B. Cronyn
E. H. Orser
W. J. Stenason
J. D. Stevenson
J. J. Stuart

COMPENSATION/HUMAN RESOURCES COMMITTEE

J. H. Panabaker, Chairman
A. E. Barron
F. W. Dakin
E. F. Findlay
P. N. T. Widdrington

HONORARY DIRECTORS

Honorary Directors neither attend meetings of the Board, nor receive remuneration.

J. A. TAYLOR, Honorary Chairman
W. J. BEATTY
HENRY BORDEN
J. V. CLYNE
T. EDMONDSON
W. W. FOOT
J. D. HARRISON
K. R. MacGREGOR
O. E. MANNING
C. A. MARTIN
H. S. MATTHEWS
H. L. McCULLOCH
L. RASMINSKY
G. E. ROBERTSON
E. G. SCHAFER
J. W. SCOTT
W. H. SPRAGUE
J. G. THOMPSON
A. S. UPTON
A. E. WALFORD
CLARENCE WALLACE
J. D. WILSON
R. B. WILSON

Substantial progress was made in 1981 toward achieving several key objectives. Following is a comparison of performance against each of these objectives.

Objective 1

Achieve a 15% return on common shareholders' average equity-fully diluted over the last five year period.

Performance: Return on equity was 10.5% and averaged 13.7% over the 1977-1981 period.

Objective 2

Achieve a return of 65¢ per $100 of average corporate assets over the last five year period.

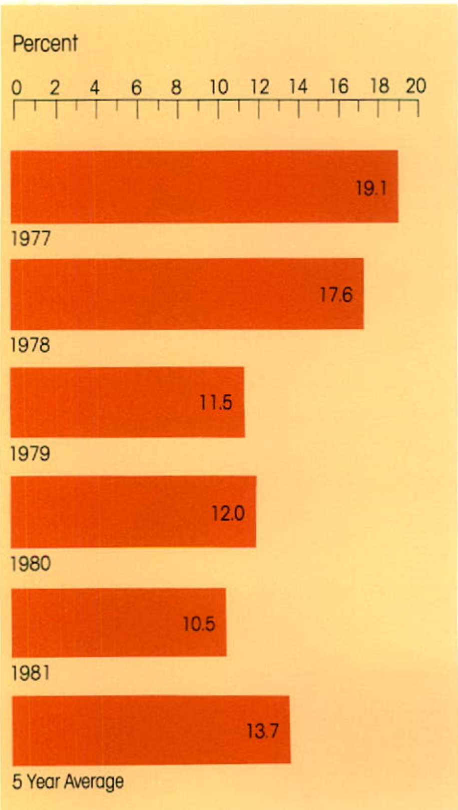
Performance: Return on corporate assets was 34¢ and averaged 48¢ over the 1977-1981 period.

Objective 3

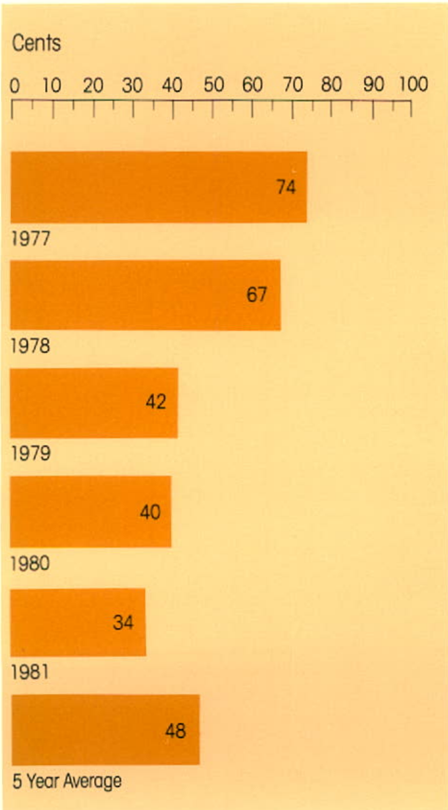
Reduce by $500 million the amount by which rate sensitive liabilities exceed rate sensitive assets.

Performance: Exposure to interest rate fluctuation was lessened by reducing the rate sensitive liability excess by $532 million.

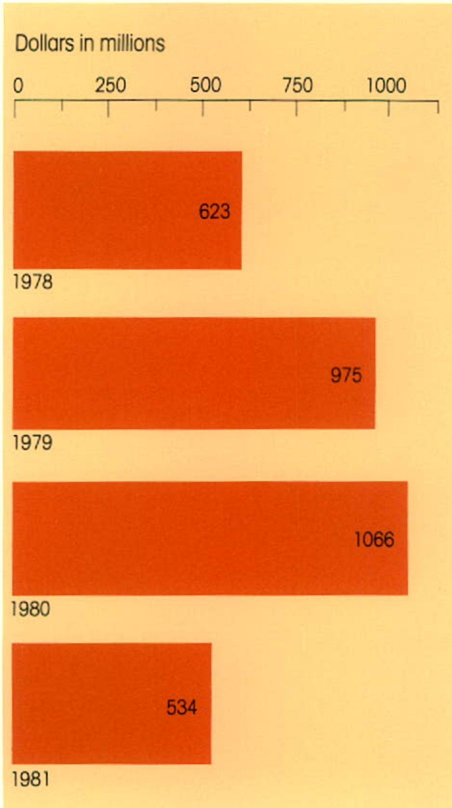
Return on common shareholders' average equity-fully diluted



Return on corporate assets



Excess of rate sensitive liabilities over rate sensitive assets



PERFORMANCE AGAINST OBJECTIVES

Objective 4
Generate $745,000 in pre-tax earnings from real estate sales.

Performance: Pre-tax earnings from real estate sales were $208,000.

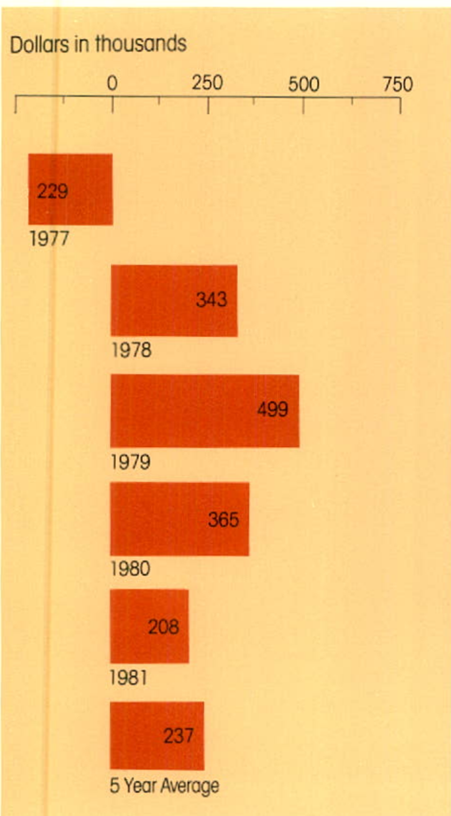
Objective 5
Generate over $1.5 million in first year fees as a result of new business developed in various trust services.

Performance: $2.5 million in first year fees were generated as follows: corporate trust $1.5 million; personal trust $0.6 million; pension trust $0.4 million.

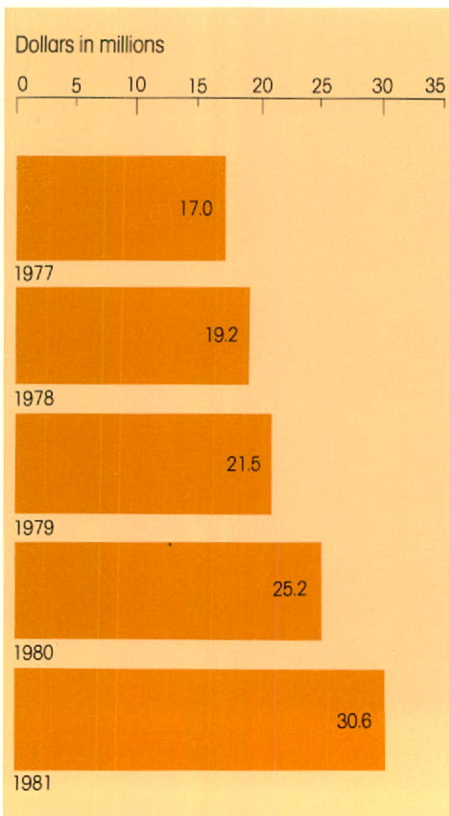
Objective 6
Obtain over $100 million in RSP transfers from other financial institutions.

Performance: RSP transfers were $115.3 million; an increase of 63% over 1980.

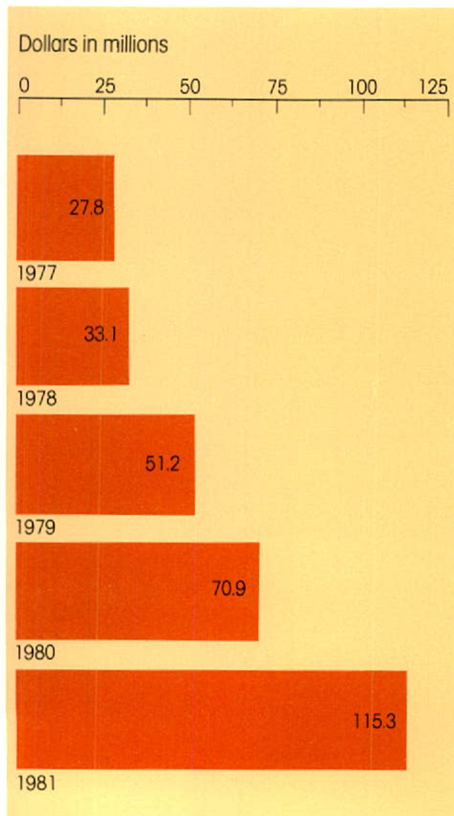
Real estate earnings



Personal, pension and corporate trust fees



RSP transfers from other financial institutions



Objective 7
Enhance service to the rapidly growing savings and chequing account base by averaging, during the year, 98% network computer availability.

Performance: New data centre and installation of second computer resulted in 98% network computer availability between prime hours of 8 a.m. and 8 p.m.

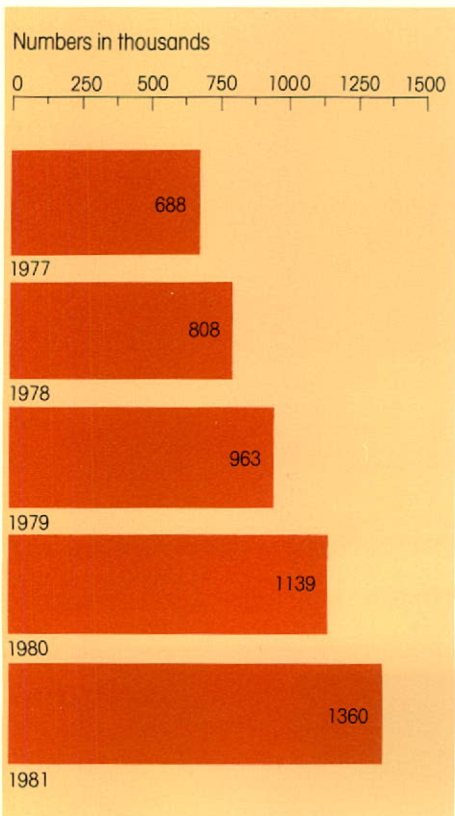
Objective 8
Continue to diversify lending activities outside the mortgage market by increasing corporate loan portfolio by $350 million.

Performance: Corporate loans increased $551.4 million; a new Calgary corporate loans group added significantly to efforts of the established Toronto group.

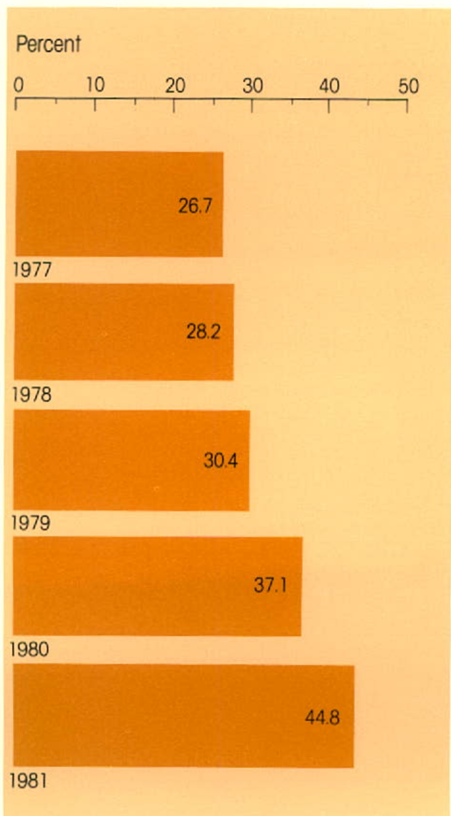
Objective 9
Become a member of the Canadian Payments Association.

Performance: Membership was announced in May and a senior officer appointed to the Association board. Participation in the actual clearing process will begin in 1982.

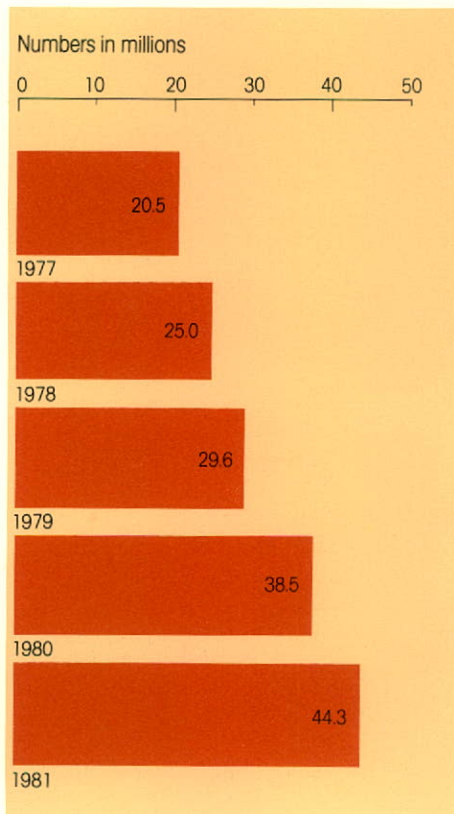
Savings and chequing accounts



Non-mortgage investments as a percent of total assets



Clearing transactions



1982 OBJECTIVES

Publishing objectives for the year ahead is a new feature of the 1981 report. Comparison of performance will appear in the 1982 report. This is not an all-inclusive list of objectives, but rather several key ones.

OBJECTIVE 1

Return on Equity
Achieve a 15% return on common shareholders' average equity-fully diluted over the last five year period.

OBJECTIVE 2

Return on Corporate Assets
Achieve a return of 65¢ per $100 of average corporate assets over the last five year period.

OBJECTIVE 3

Retirement Savings Plans
Surpass $2 billion in total RSP portfolio.

OBJECTIVE 4

Investment Properties
Increase the portfolio of real estate investment properties owned by $50 million.

OBJECTIVE 5

Demand Deposits
Increase demand deposits by 18%.

OBJECTIVE 6

Loans
Increase residential mortgage and consumer loan portfolios on which the interest rate is subject to change within one year by $350 million.

OBJECTIVE 7

Branch Computerization
Complete phase one of branch conversion to direct data entry for term savings products.

OBJECTIVE 8

Interest Rate Sensitivity Management
Complete strategy to match assets on which the interest rate is subject to change within one year, with like deposit liabilities.

OBJECTIVE 9

Real Estate Sales
Generate $650,000 in pre-tax earnings from real estate sales.

OPERATIONS FOR YEAR ENDED DECEMBER 31

	1981	1980
HOW INCOME WAS EARNED		
The most significant segment of operations is investing depositors' and shareholders' funds in income producing assets. Gross investment income was	$ 1,124,549,000	$ 782,325,000
Most of this income was paid to depositors as interest on savings accounts, certificates of deposit, investment certificates and other types of investments	1,021,682,000	684,700,000
This left net investment income of	102,867,000	97,625,000
Fees and commissions earned		
(i) from trust operations	30,605,000	25,175,000
(ii) by selling real estate	25,610,000	22,930,000
(iii) from service charges of all types, including credit cards	19,482,000	11,127,000
Other sources of income, including foreign exchange	6,867,000	2,997,000
Total income earned	$ 185,431,000	$ 159,854,000
HOW INCOME WAS USED		
Over half of the income was paid as salaries, commissions and benefits to employees	$ 100,056,000	$ 79,742,000
Cost of operating branches and offices, including maintenance	16,552,000	13,342,000
Computer support systems are vital to operations and were a significant cost	12,427,000	8,916,000
All other costs including advertising, stationery and communications	35,071,000	28,873,000
Income taxes	(7,230,000)	790,000
Dividends to shareholders	19,815,000	18,002,000
Earnings retained to finance future growth	8,740,000	10,189,000
Total income used	$ 185,431,000	$ 159,854,000

POSITION AT YEAR-END

	1981	1980
WHERE MONEY TO INVEST WAS OBTAINED		
Shareholders provide the investment necessary to finance current operations and future growth. As well, shareholders' funds provide additional security for depositors.		
(i) shareholders' funds were	$ 314,727,000	$ 255,761,000
(ii) depositors' funds were	8,269,072,000	7,289,741,000
(iii) other liabilities were	60,673,000	59,171,000
Total money obtained	$8,644,472,000	$7,604,673,000
WHERE MONEY WAS INVESTED		
Some investments are held in liquid form to meet deposit withdrawals, deposit maturities and fund loans and other contractual commitments	$ 1,384,823,000	$ 957,344,000
Most investments are loans, such as mortgages, corporate and personal loans	6,388,203,000	5,831,855,000
All other investments, including those made by Truscan, the real estate investment subsidiary	826,850,000	782,106,000
Land, premises and equipment owned and used in operations	44,596,000	33,368,000
Total money invested	$8,644,472,000	$7,604,673,000

	Compound Growth Rate 10 Year %	5 Year %	1981	1980	1979
For the year (in thousands)					
Investment income	25.6	30.9	$ 1,124,549	$ 782,325	$ 589,918
Interest on deposits	28.3	34.0	1,021,682	684,700	511,345
Net investment income	13.0	12.8	102,867	97,625	78,573
Fees and commissions	18.5	18.2	75,697	59,232	49,365
Other income	52.3	47.5	6,867	2,997	2,550
Earnings before operating expenses	15.4	15.5	185,431	159,854	130,488
Operating expenses					
Salaries, commissions and benefits	21.2	19.7	100,056	79,742	66,002
Other	20.9	22.4	63,921	51,131	41,029
	21.1	20.7	163,977	130,873	107,031
Earnings before income taxes	.6	(3.9)	21,454	28,981	23,457
Income taxes			(7,230)	790	(965)
Net earnings	10.8	10.1	$ 28,684	$ 28,191	$ 24,422
At year-end (in thousands)					
Assets under administration	17.9	19.5	$16,790,000	$14,299,000	$11,840,000
Personal, pension and pooled trust funds	16.6	20.6	8,146,000	6,694,000	5,438,000
Deposits	19.5	18.6	8,269,000	7,290,000	6,103,000
Loans	17.7	16.5	6,388,000	5,832,000	5,072,000
Shareholders' equity	17.3	16.5	315,000	256,000	247,000
Return on common shareholders' average equity-fully diluted	(4.6)	(5.9)	10.5%	12.0%	11.5%
Per common share					
Net earnings					
Basic	3.4	.3	$ 2.61	$ 2.82	$ 2.64
Fully diluted	3.1	.5	2.53	2.72	2.54
Dividends paid	9.9	4.8	1.52	1.52	1.52
Shareholders' equity	7.7	9.3	24.50	23.07	21.75
Market price					
High	2.6	5.1	34	28⅝	27½
Low	2.4	6.0	25⅛	18	21⅜
December 31	1.7	6.7	29	26½	22½
Price-fully diluted earnings multiple, December 31	(1.4)	6.2	11.5	9.7	8.9
Price-equity multiple, December 31	(5.4)	(1.6)	1.2	1.1	1.0
Statistical data at year-end					
Number of shares outstanding					
Preference		22.7	5,237,356	3,712,095	3,844,028
Common	4.5	4.2	8,570,294	7,867,770	7,829,611
Number of shareholders	3.3	(3.1)	6,312	6,930	7,263
Volume of shares traded during the year					
Preference		35.1	968,000	563,000	1,630,000
Common	10.6	25.7	1,261,000	1,796,000	1,352,000
Number of financial services branches	8.7	8.5	185	173	162
Number of full-time equivalent employees	9.3	12.3	4,676	4,282	3,705
Number of real estate offices	11.9	4.9	71	66	63
Number of real estate sales representatives	17.8	6.0	774	708	623

1978	1977	1976 Base Year	1975	1974	1973	1972	1971 Base Year
$ 466,325	$ 396,591	$ 292,724	$ 219,984	$ 181,346	$ 149,793	$ 129,796	$ 114,946
372,683	307,312	236,345	175,005	148,038	110,055	92,779	84,573
93,642	89,279	56,379	44,979	33,308	39,738	37,017	30,373
43,962	39,405	32,859	30,529	25,359	19,887	16,272	13,919
940	978	984	577	490	480	354	102
138,544	129,662	90,222	76,085	59,157	60,105	53,643	44,394
57,149	51,273	40,786	34,362	27,816	22,002	17,635	14,625
37,793	32,239	23,224	18,284	14,743	13,007	11,648	9,560
94,942	83,512	64,010	52,646	42,559	35,009	29,283	24,185
43,602	46,150	26,212	23,439	16,598	25,096	24,360	20,209
11,718	16,164	8,509	9,360	7,569	12,194	11,178	9,952
$ 31,884	$ 29,986	$ 17,703	$ 14,079	$ 9,029	$ 12,902	$ 13,182	$ 10,257
$9,484,000	$7,860,000	$6,891,000	$5,563,000	$4,771,000	$4,167,000	$3,704,000	$3,228,000
4,333,000	3,460,000	3,189,000	2,937,000	2,547,000	2,259,000	2,039,000	1,753,000
4,884,000	4,163,000	3,524,000	2,483,000	2,111,000	1,808,000	1,577,000	1,398,000
4,022,000	3,393,000	2,974,000	2,151,000	1,868,000	1,610,000	1,410,000	1,251,000
222,000	189,000	147,000	121,000	89,000	78,000	72,000	64,000
17.6%	19.1%	14.2%	13.1%	11.2%	17.2%	19.3%	16.8%
$ 3.88	$ 3.76	$ 2.57	$ 2.17	$ 1.61	$ 2.34	$ 2.39	$ 1.86
3.61	3.50	2.47	2.14	1.61	2.34	2.39	1.86
1.34	1.30	1.20	1.20	1.20	1.15	.93	.59
20.66	18.15	15.71	15.06	14.54	14.15	13.06	11.66
29⅛	29	26½	27	31¾	34¼	35	26¼
22½	20⅝	18¾	22	16⅛	26½	24½	19¾
23¾	29	21	24½	23½	31¾	34	24½
6.6	8.3	8.5	11.4	14.6	13.6	14.2	13.2
1.1	1.6	1.3	1.6	1.6	2.2	2.6	2.1
3,868,436	3,118,496	1,881,437	1,880,280	425,000			
6,988,971	6,988,763	6,988,663	5,521,088	5,521,088	5,521,088	5,521,088	5,521,088
7,241	7,252	7,401	6,309	4,612	4,654	4,617	4,558
347,000	450,000	215,000	263,000				
696,000	582,000	402,000	443,000	321,000	480,000	423,000	459,000
150	136	123	93	91	86	81	80
3,227	2,921	2,615	2,332	2,321	2,169	1,999	1,913
53	58	56	48	46	42	36	23
531	594	578	460	368	320	245	151

DIRECTORATE

At the annual shareholders' meeting on February 24, 1981, Louis Rasminsky, Ottawa, and J. Allyn Taylor, London, did not stand for election as directors because of age limitation. Their wise counsel will be missed and appreciation is extended for their interest and support over many years. Mr. Rasminsky was appointed honorary director and Mr. Taylor continues as honorary chairman.

Alex H. Jeffery, London, did not stand for election as a director of Canada Trustco but continued as a director of Canada Trust. Mrs. Richard M. Ivey and John W. Adams, both of London, were elected directors of Canada Trust.

Earl H. Orser, London, was elected a director of Canada Trustco and Canada Trust and appointed a member of the executive committee. George E. Sharpe, Winnipeg, John J. Stuart, Windsor and Noah Torno, Toronto, directors of Canada Trust were elected directors of Canada Trustco.

The deaths of three honorary directors are recorded with deep regret: Harold H. Leather, Hamilton, a director from 1953 to 1971; Colin S. Glassco, Hamilton, a director from 1972 to 1975; and George E. G. Whitaker, London, a director from 1967 to 1976 and for many years a senior officer.

LEGISLATION

Reference to proposed industry legislation in the 1978 annual report stated, "It is vital that there be no undue delay in proceeding with necessary revisions to this important legislation." The 1980 annual report optimistically forecast that, "Tabling of the bill containing new legislation should occur before parliament recesses for summer."

Another year has gone by without concrete government action in this matter and much damage is being done to the trust industry meanwhile. Its ability to compete with the chartered banks, if not its very survival, demands broader investment powers and a leverage more comparable to those the chartered banks have long enjoyed. The need is urgent, brought into sharp focus by the high interest rate structure that prevailed through 1981.

ACKNOWLEDGMENT

The combination of strong organization and loyal employees met challenges and opportunities in a difficult environment throughout 1981. Skills and positive attitudes which exist, combined with improved interest rate spread in prospect, will enable achievement of higher levels of performance in future years.

SUPPLEMENT TO ANNUAL REPORT

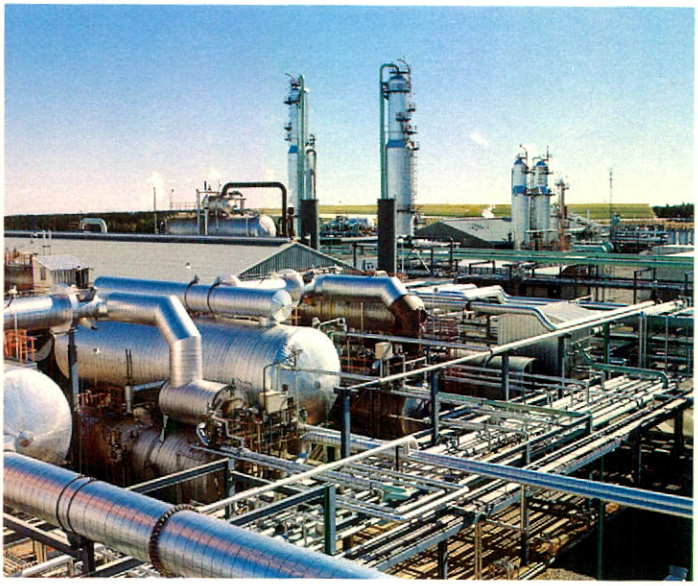
Canada Trustco is proud of its century-old reputation for integrity. Philosophies and standards of conduct are stated in an accompanying booklet.

EARNINGS

The combination of historically high and volatile interest rates, high unemployment, continuing double-digit inflation and an unsettled economic environment presented operating conditions which did not permit worthwhile earnings growth.

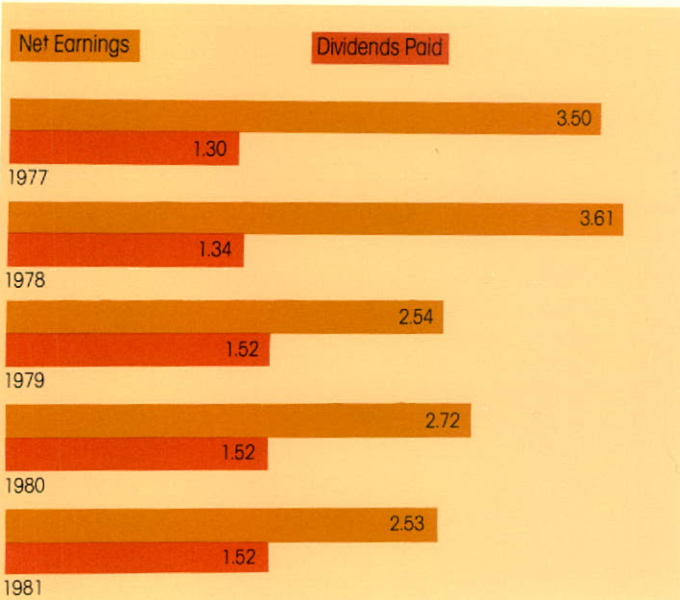
Net earnings at $28.7 million improved marginally from $28.2 million in 1980. After dividends attributed to preference shares, basic net earnings per common share were $2.61 compared with $2.82 in 1980 on the weighted average number of common shares outstanding. On a weighted average and

General purpose and expansion financing was supplied Slater Steel Industries of Hamilton, Ontario. Slater manufactures a number of metal products from rolled steel to aluminum castings. Pictured is the forging of anchor bolts, used on power utility poles.

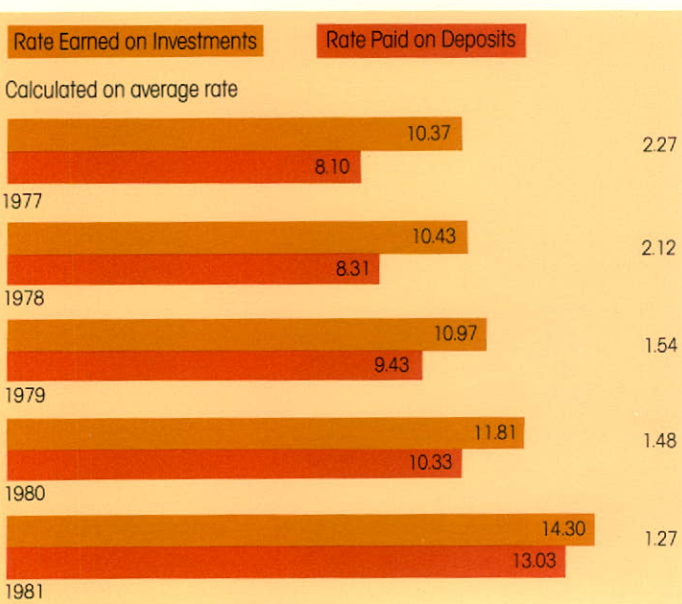


Funds for general corporate purposes were provided Canterra Energy Ltd. of Calgary. The fourth largest Canadian petroleum company, Canterra is also the country's largest producer of sulphur. Pictured is the Ram River hydrogen sulphide facility.

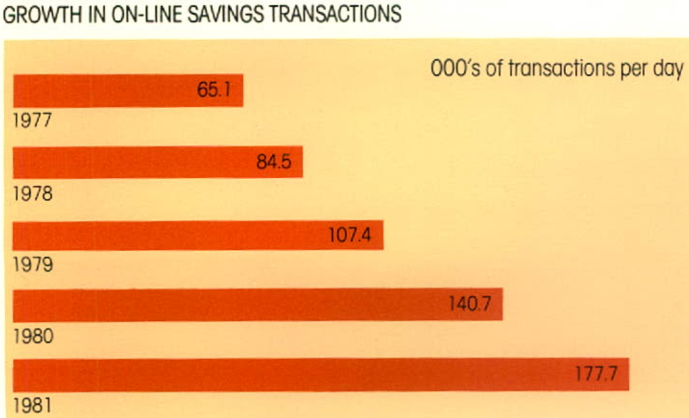
NET EARNINGS—FULLY DILUTED AND DIVIDENDS PAID PER COMMON SHARE—$



INTEREST RATE SPREAD — TAXABLE EQUIVALENT BASIS — %



GROWTH IN ON-LINE SAVINGS TRANSACTIONS



fully diluted basis, which assumes conversion of outstanding convertible preference shares into common shares, net earnings per common share were \$2.53, down 7% from \$2.72 in 1980.

Fourth quarter 1981 earnings presented on page 35 showed dramatic improvement over the first three quarters reflecting both improved spread as interest rates declined and commissions from sale of inordinately attractive 1981 series Canada savings bonds. On a fully diluted basis, fourth quarter net earnings per common share were \$0.99, up 86 cents from previous quarter but down four cents from the same quarter of 1980.

Contribution to earnings before unallocated expense and income taxes by business segment is detailed in note 10. Intermediary contribution was 75% of total, fiduciary 24% and real estate sales 1%, compared with 82%, 17% and 1% respectively in 1980.

In the intermediary segment, a determined effort to reduce the mismatch of interest sensitive liabilities and offsetting assets is producing positive results. Thorough discussion of interest rate sensitivity management appears on pages 32 and 33.

Fiduciary segment earnings contribution at \$9.9 million increased 27% from \$7.8 million in 1980 due in large measure to strong growth in corporate trust fees, up 58% over 1980.

After a strong first half, real estate sales plateaued in the third quarter and declined in the fourth. Contribution to earnings from this segment continued to be modest, notwithstanding stringent expense control. Improvement from current depressed levels in real estate sales activity and commissions will quickly be reflected in earnings since overhead costs are largely fixed.

Income taxes in the consolidated statement of earnings were negative for 1981. As explained in note 7, tax-exempt interest and dividends earned gave rise to this condition. Since it is virtually certain that the tax loss carry forward benefit will be used, the negative tax provision is reflected through the future income taxes account. Should it become advisable, the special mortgage reserve claimed for tax purposes over the years can be drawn into taxable income to the extent necessary to fully utilize the tax loss carry forward.

Loan loss experience deteriorated materially. Considering unsettled business conditions throughout 1981 the higher loss experience is not surprising. Loan losses, net of recoveries, charged to the allowance for investment losses rose to \$2.5 million from \$1.3 million in 1980. Consumer and personal loan loss experience was in line with past years. However, losses in the mortgage and collateral loans portfolios were substantially higher. Investment gains, net of income taxes, credited to the allowance were \$3.0 million compared with \$2.7 million in 1980. At December 31, 1981 the allowance for investment losses, as set out in note 4, stood at \$31.8 million versus \$28.8 million one year earlier.

The tax-paid portion of the allowance, being \$30.1 million, can sustain pre-tax losses of double that amount assuming a 50% tax rate. Consequently, the allowance is capable of absorbing \$62 million of pre-tax losses which, based on 1981 experience, equates to 25 years losses. Loan losses are charged to the allowance when incurred or foreseen. Management believes that, overall, loan losses are within acceptable levels and the allowance is more than ample protection against unforeseen future losses.

Rapidly escalating operating expenses due to growth in business and the inflationary environment are of ongoing concern. Actions being taken to retard this rate of growth include sharp reduction in number of branch openings planned for 1982 compared with immediately prior years.

ASSETS UNDER ADMINISTRATION

Business volumes, as measured by assets administered, were $16.8 billion. Corporate assets increased by $1.0 billion to $8.6 billion. Personal, pension and pooled trust funds increased by $1.5 billion to $8.2 billion. Growth rates compared with 1980 were: total assets, 17% versus 21%; corporate assets, 14% versus 19% and trust funds, 22% versus 23%.

Shareholders' equity was $315 million, up $59 million from one year prior. Contributed surplus increased $18 million to $87 million. Retained earnings increased $8 million to $105 million. Shareholders' equity was augmented by two private placements of capital stock — 550,000 common shares in June at $28.50 per share for net proceeds of $15,504,000 and 1,750,000 series F floating rate preference shares in November at $20.00 per share for net proceeds of $34,913,000. With a view to further broadening the permanent capital base the series C 7¾% convertible preference shares were called for redemption on December 15, 1981. As anticipated, virtually all shares outstanding were converted into common shares.

The deposit multiple of shareholders' equity calculated in the prescribed manner was 22.87 times compared with 22.94 times at December 31, 1980. The present maximum multiple allowed is 25 times. Prudence dictates that, market conditions permitting, further expansion of the capital base be undertaken during 1982, preferably by issuance of additional common shares.

FINANCE

Treasury — Asset-liability management strategies were dramatically influenced by necessity to eliminate imbalance between interest sensitive liabilites and offsetting assets. The year began with a mismatch in excess of $1 billion. A long-standing program was accelerated to eliminate this mismatch by 1983. This goal affected most corporate investment decisions as each was analyzed as to impact on matching.

Deposit growth indicated the prevailing preference of depositors for high liquidity. Demand and cashable term deposits experienced high growth but deposits with a fixed term of one year or greater, slow growth. The extraordinarily high subscription to Canada savings bonds in the last quarter restrained deposit growth.

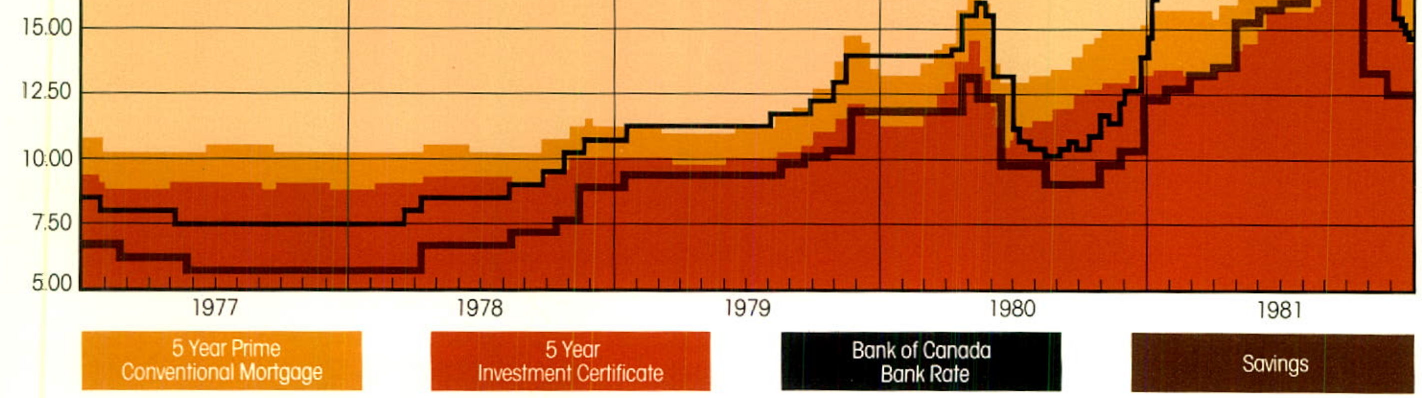
Cashable term deposits increased by $222 million and stood at $1.1 billion at year-end. These were offset with assets of similar maturity. This strategy was successful because market conditions enabled achievement of satisfactory spread while maintaining a high level of liquidity.

A major thrust, to make earnings less vulnerable to interest rate changes, continues to be acquisition of floating-rate assets. Over the year $716 million of such assets were acquired, of which $586 million constituted loans to major Canadian corporations. Such lending will continue to be a cornerstone of matching efforts.

Another aid to matching was contraction of the fixed rate residential mortgage portfolio. Many mortgagors coped with high interest rates by reducing the amount owing upon renewal.

Trust Investments — With interest rates escalating to unprecedented heights, individuals and corporations alike faced a most difficult environment. Surprisingly, economic

COMPARATIVE INTEREST RATES



activity moved along at a steady, if somewhat unspectacular, pace through the first half of 1981. By mid-year, however, it became increasingly apparent that major economic sectors had succumbed to unrelenting pressure of escalating interest rates and that North American economies had entered a recessionary phase.

Additionally, the Canadian economy faced unique problems, including an unsettled political environment due to federal-provincial disagreements over both the constitution and revenue sharing from the oil and gas producing sector. Canadian dollar weakness was apparent, necessitating an often criticized stance by the Bank of Canada designed to support the dollar by maintaining a sufficiently wide spread between Canadian and U.S. interest rates.

Bond markets suffered another distressing year with yields rising to historic highs. By autumn there was some relief, as the resultant decline in economic activity led to lower rates, but the extremely volatile nature of fixed income security markets places a premium on investment flexibility. A conservative stance continues to be appropriate.

High real rates of interest available on short-term debt instruments, combined with poor corporate earnings prospects, led to significant capital erosion in equity markets in sharp contrast to excellent returns during 1978-1980.

In the prevailing environment investment policies were directed toward preserving capital through maintaining short average term fixed income portfolios and reducing equity content of portfolios in favour of building cash equivalent reserves. In view of greater than average uncertainty associated with forecasts for 1982, a cautious and flexible approach to investing is warranted, at least through the first half. Normal cyclical forces may bring renewed economic expansion by mid-1982 but this will require close monitoring prior to shifting from high cash equivalent positions.

PROPERTY INVESTMENTS

Real Estate Investments — Significant growth occurred with the portfolio reaching $130 million compared with $72 million one year earlier. A diversified mix of investment properties in major urban centres has been developed or purchased, including $48 million in office buildings, $50 million in shopping centres and $32 million in properties held for development and resale.

Head office management was strengthened and the first decentralized unit was established in Vancouver. Plans call for a Calgary office early in 1982. These steps, coupled with improvement in operating efficiencies, contributed to improved return on assets employed.

Highlights included completion and occupancy of the 25% owned Canada Trust Tower in Vancouver and agreement to build and lease a 121,000 square foot corporate office for Petrosar in Sarnia with occupancy in May 1983.

Branches and Premises — Thirteen financial services branches were opened — Canada Trust Tower, Four Bentall Centre, Vancouver and Port Coquitlam in British Columbia; Edmonton 156th Street at 87th and Calgary 14th Street at Northmount in Alberta; Burlington Plains Road at King, Burlington Guelph Line at Upper Middle, Hamilton King at Rosedale, Toronto Bloor at Islington, Toronto 5400 Yonge across from Northtown Plaza, Don Mills Centre, Oakville Place, Ottawa Bank at Heron and Owen Sound in Ontario. One branch was closed in Edmonton.

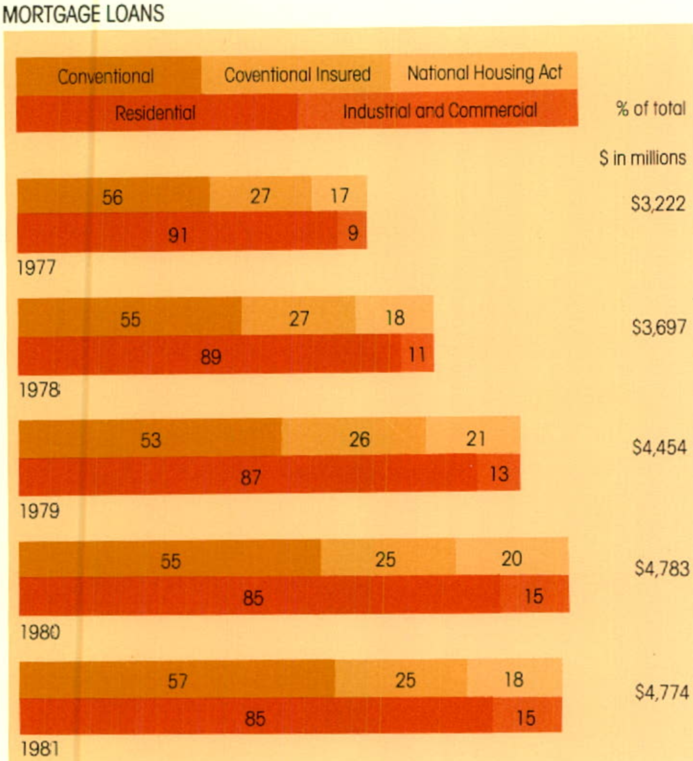
Major renovations were completed at Vancouver 41st at Yew, London Richmond at University, Stratford, Waterloo Westmount Place, Toronto Eglinton west of Avenue Road and Oakville Lakeshore at Trafalgar.

London Dundas at Talbot and Brampton Shoppers' World Mall were relocated in leased premises while Guelph Wyndham at Cork, Windsor Ouellette at Wyandotte, Chatham

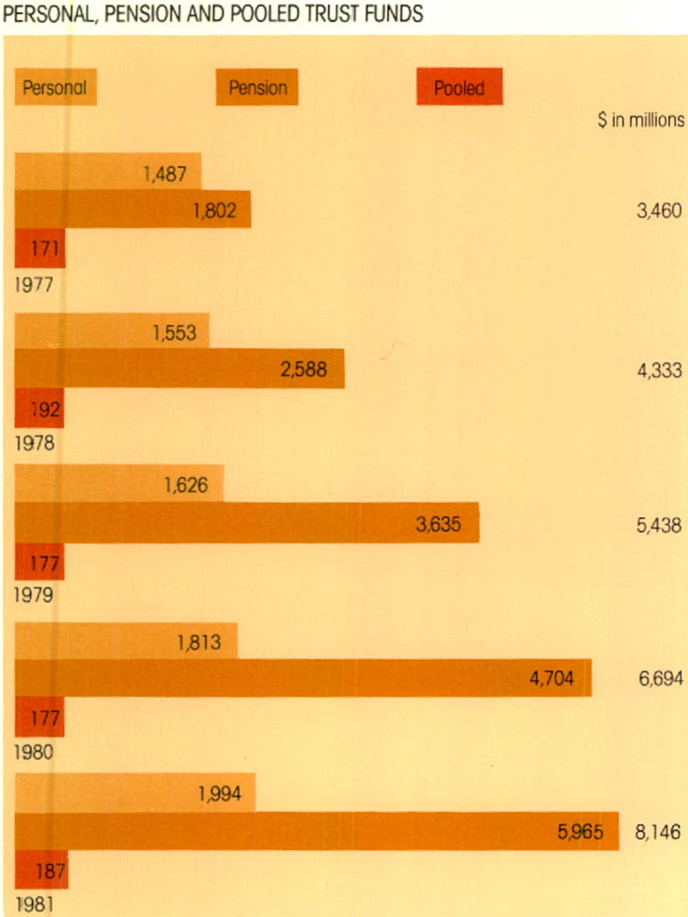
IBM Canada Ltd. was provided bridge financing to facilitate construction of their new head office. This 650,000 square foot complex located in Markham, Ontario, will accommodate approximately 1,800 staff.

Canada Trust is a financing source for Cadillac Fairview Corporation, the largest public real estate company in North America. One of Cadillac's many outstanding developments is the community of Erin Mills, just outside Toronto.

MORTGAGE LOANS



PERSONAL, PENSION AND POOLED TRUST FUNDS



King at 3rd and London Huron at Highbury were relocated into new owned buildings.

Two financial services branches are committed for opening in 1982 — London Dundas at Clarke Road, in an owned project under development and Toronto Warden Woods Mall in leased premises. In addition Saskatoon, Brandon, Dunnville and Oshawa branches will be relocated to new owned quarters.

Long range planning resulted in acquisition of several sites for future expansion, including a key site in downtown Ottawa for regional and main branch facilities.

Owned land and buildings were independently appraised as of September 30. The appraisal surplus totalled $64 million over net depreciated values of $151 million.

REAL ESTATE SALES

Gross commissions were $25.6 million, an increase of 12% over 1980. Commissions earned by area were: 65% in Ontario, 20% in British Columbia and 15% in the prairie provinces.

Real estate services are offered at 71 locations. New residential real estate offices were opened in Port Coquitlam and Kelowna, British Columbia; Fergus, Ingersoll, New Hamburg and London Wharncliffe at Commissioners in Ontario. Relocations to larger quarters took place in Vancouver 41st at Yew, Nanaimo and Prince George, British Columbia; Lethbridge and Calgary MacLeod Trail north of Anderson in Alberta; Burlington, Woodstock, Hamilton, London Huron at Highbury, Kitchener Highland Road east of Westmount and Waterloo Westmount Place in Ontario. Brampton Main at Queen and Kitchener King at Water in Ontario were renovated.

Industrial, commercial offices were opened in Kitchener, relocated in Vancouver and expanded in London.

Segment earnings of $208,000 pre-tax were down 43% from 1980. Several key operational changes have been implemented and should lead to improved earnings in 1982.

During the year eight sales personnel were promoted to branch managers. The sales force at year-end was 774, up 66 from 708 at the end of 1980.

SAVINGS AND LOANS SERVICES

Demand Savings — Deposits increased by $1.0 billion, including $849 million in demand and cashable term deposits compared with $1.2 billion and $903 million respectively in 1980.

Thirteen financial services branches opened and one closed bringing the total at year-end to 185 compared to 173 at December 31, 1980. Extended hour service, "8 to 8, six days straight", is now offered at 110 branches compared to 95 branches in 1980.

In June, the "One and Only" daily interest savings and chequing account was improved with addition of a semi-annual interest payment option. This account now has a variety of options which provide flexibility to meet everyday requirements of virtually all customers. Response has been exceptional.

U.S. dollar daily interest accounts continue to grow in number and balance. Although the interest rate was double the best rate offered by major competitors for most of the year, a satisfactory interest spread was earned.

Cost of delivering demand savings services rose rapidly. Service charges were monitored and increased to partially compensate. As a member of the Canadian Payments Association direct access to the clearing system will be achieved during 1982.

Term Savings and Registered Retirement Savings Plans — Term deposits increased 3% compared with 8% in 1980. A majority of investment certificates purchased were for terms of three years or less.

To meet demand for a flexible alternative to traditional five year investment certificates, "Cash 'n Carry" certificates were introduced in June. These five year certificates offer depositors the choice on each anniversary date of automatic rate change to the prevailing one year rate or of cashing without penalty.

Retirement savings plan contributions exceeded $343 million and new planholders opened 48,000 accounts. Over 206,000 RRSP's had a collective investment of $1.7 billion at December 31, 1981.

Income averaging contracts and registered home ownership savings plans again experienced modest growth. The IAC portfolio stood at $155 million; deposits of 33,000 participants in the RHOSP portfolio totalled $103 million.

Credit Card Services — Record high interest rates had a serious impact on operations. Credit standards and collection policies were tightened considerably. Operating expenses reduced on a relative basis and revenue increased 68% over 1980.

Receivables increased 16% from one year earlier to $33 million. Card usage produced 3.2 million transactions, representing gross sales of $136 million. Losses incurred, comprising bad debts and frauds, amounted to $0.7 million. The loss ratio of 0.52% of gross sales was well within industry standards.

The announced increase in interest rate to 24.6%, March 1, 1982 will increase revenue and partially offset higher operating costs. Only if the cost of money continues to decrease will MasterCard operating loss be significantly reduced in 1982.

When MasterCard was launched in 1979 several years of operating losses were anticipated. That prospect was adjudged acceptable within the overall strategy of providing customers the fullest possible range of financial services. Additionally, credit and debit cards were seen destined to play an integral role in the evolving electronic funds transfer system. Those reasons for entry remain equally valid today.

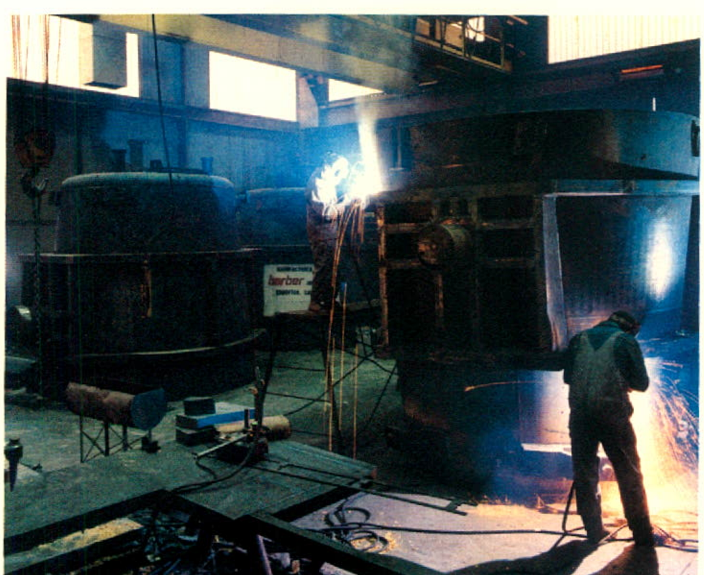
Loans Services — Consumer loan demand was weak. Opportunity was afforded to further improve control systems, operating policies and procedures. "HomeOwner Loans" were successfully introduced and resulted in volumes anticipated. The sales finance program was expanded to a third region, and the portfolio now stands at $19 million.

During the year 60,000 loans representing $378 million were granted. The year-end portfolio stood at $509 million comprised of 83,000 loan accounts.

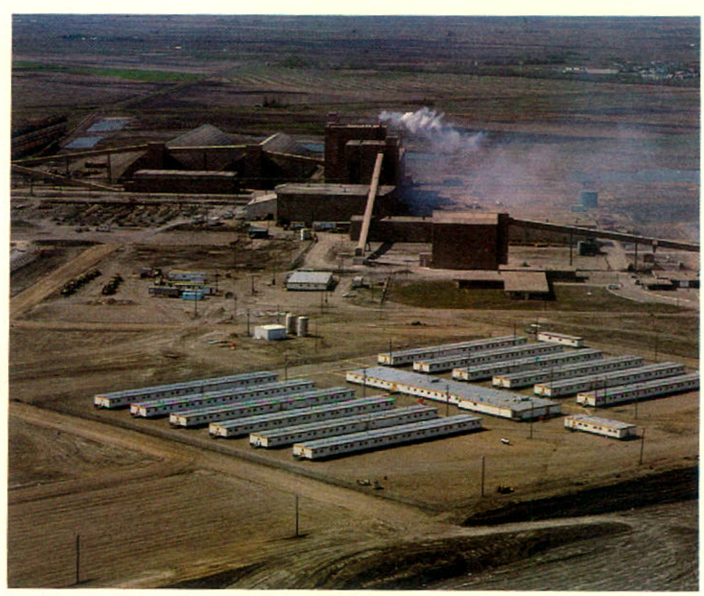
Thirty day arrears ratio at 1.30% compared to 0.76% as at December 31, 1980. Net losses were $1.9 million or 0.40% of the portfolio, compared to $860,000 or 0.18% in 1980.

Residential Mortgage Services — Demand was extremely weak as interest rates fluctuated at record high levels. Applications approved totalled $344 million, down from $615 million in 1980.

During 1981, 80% of new mortgages and 85% of renewals were written with terms of one year or less. Six month open mortgages contributed significantly to asset-liability matching as this segment of the mortgage portfolio grew to $200 million



Bralorne Resources of Calgary was provided funds for significant expansion. Bralorne is involved in various energy areas from petroleum exploration and production to supplying related products and services. Pictured is the manufacture of smeltering buckets.



ATCO Ltd. of Calgary, a world-wide leader in manufactured shelter products was supplied funds for general corporate purposes. This ATCO camp, built for the Potash Corporation of Saskatchewan, includes accommodation, recreation and dining facilities for 500 workers.

from $29 million at December 31, 1980.

Industrial, Commercial Mortgages — Approved applications were $51 million, down from $190 million in 1980. The December 31, 1981 portfolio increased to $746 million from $732 million a year earlier. Over 47% of new mortgages were written on a floating-rate basis bringing this portion of the mortgage portfolio to $197 million.

1981 Mortgage Statistics — Residential and Industrial, Commercial — Applications approved amounted to $459 million including $64 million for pension and other clients. The total portfolio administered at December 31, 1981 was $5.3 billion.

At year-end, accounts in arrears one month or more were 1.46% of portfolio compared to 1.37% at December 31, 1980. Three months or more arrears accounts were 0.56% compared to 0.49% at year-end 1980.

During 1981, 432 properties were acquired in settlement of loans with an outstanding balance of $16.8 million compared to 676 properties totalling $26.7 million in 1980. Real estate acquired in settlement of loans at December 31, 1981 was $3.8 million comprising 597 properties. By dollar claim 66% of foreclosures were acquired from loans insured under the National Housing Act and 11% from loans with private insurers. The balance of 23% comprises uninsured mortgage foreclosures. Disposition of 472 foreclosed properties during 1981 resulted in a net loss of $0.6 million.

TRUST AND CORPORATE SERVICES

Personal Trust Services — A refocused marketing approach saw first year fees move to $0.6 million, up 59% from 1980. Coupled with productivity and profit improvements achieved in 1979 and 1980, and maintained despite inflationary pressures, the services contributed significantly to earnings.

Trust system reprogramming now provides clients the benefit of daily interest on uninvested balances.

Pension Trust Services — Earnings continued to grow with revenue up 14% to $8.2 million. Assets administered grew by more than $1 billion for the third consecutive year to reach $5.9 billion, up 26% over 1980. Over 70% of this growth came from existing accounts, reflecting quality service supported by up-to-date computerized systems.

Investment management, master trust and custodian services are augmented by employee savings plan administration. Computerized record keeping services help manage the myriad details of some 650 such plans ranging in size from five to 6,000 lives.

Corporate Trust Services — Records were achieved in both revenue and activity. Stock transfer was the major source of fee generation. In excess of one million share certificates were issued.

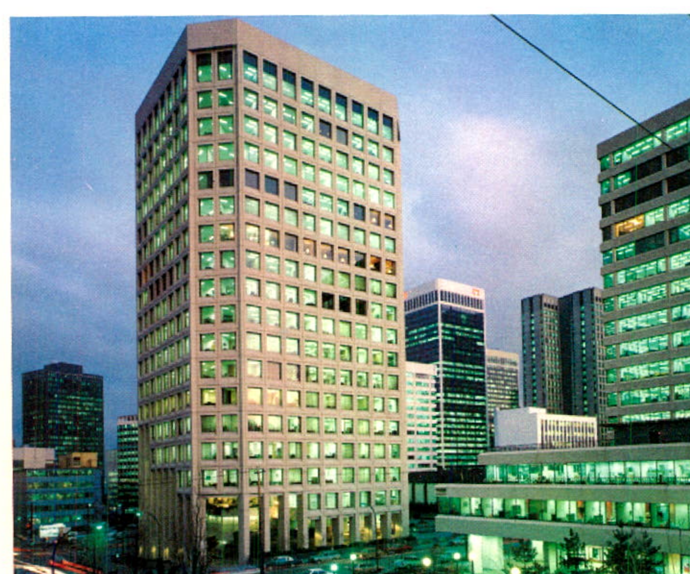
A record level of new transfer agent appointments contributed to results. Growth experienced in western Canada since 1979, arising out of the natural resource group of companies, continued. Legislation to encourage Canadianization of the oil and gas industry gave rise to additional new business opportunities.

Corporate debt financing was restrained by high interest rates. Principal value of appointments for new debt issues was substantially lower than in 1980.

DATA RESOURCES

Data processing remains critical to ongoing operations and to delivery of products and services to customers. Highly dependent on uninterrupted operation of the central computing facility, major strides were made to reduce vulnerability to long periods of down-time. These included a move to a new, high-security computer centre with contingency electrical

Simpsons-Sears Limited was provided long-term financing for general corporate purposes. One of Canada's leading retailers, Sears has 70 stores and 1,115 catalogue sales offices coast-to-coast.



Long-term financing for the construction of Vancouver's distinctive Georgia Place was supplied Highfield Property Investments of Calgary. Highfield specializes in Western Canada downtown development.

power and installation of a second large computer to provide back-up to on-line data processing services.

Systems development work accomplished in 1981 will have strategic impact on the conduct of business later in the decade. A major project is currently underway to provide terminals in branches which will handle activities beyond those currently provided by teller installations. Improved productivity and customer service will result.

A key ingredient for success in the 1980's will be availability of information for analyzing, projecting and modelling, to give management better information for decision making. To this end a financial information system is in final stage of development.

Computerized applications are kept technologically current to ensure that systems remain highly flexible and can be adapted quickly to marketplace requirements. In 1981 major enhancements concentrated on retirement savings, pension and corporate trust systems.

PLANNING

While planning in turbulent times is more difficult, it is also more necessary. Emphasis is placed on responsiveness to trends and needs. The process focuses on allocating resources by priority and increasing productivity.

Action plans in 1982 will be integrated with and supported by marketing, systems, personnel resources and premises design and construction.

MARKETING SERVICES

The current environment underscores the need for flexibility and innovation in the marketing process. Continued emphasis is placed on maximizing marketing productivity, with effort concentrated on the effect on earnings rather than on volume. To this end objectives are aimed at co-ordinating product promotions with asset-liability matching goals, strengthening retail deposit-gathering ability and generating fee-based business.

Success in plan execution was evident in business derived from merchandising campaigns for new branches, "One and Only" accounts, U.S. dollar daily interest accounts, "8 to 8, six days straight" service, "Cash 'n Carry" certificates, RSP's, RHOSP's and Canada savings bonds. Several campaigns produced record results. Enhancements to branch opening programs produced record volumes and strong local identification.

Projects were completed to support various sales forces. Market research in term deposit and personal trust areas helped chart future direction.

PERSONNEL SERVICES

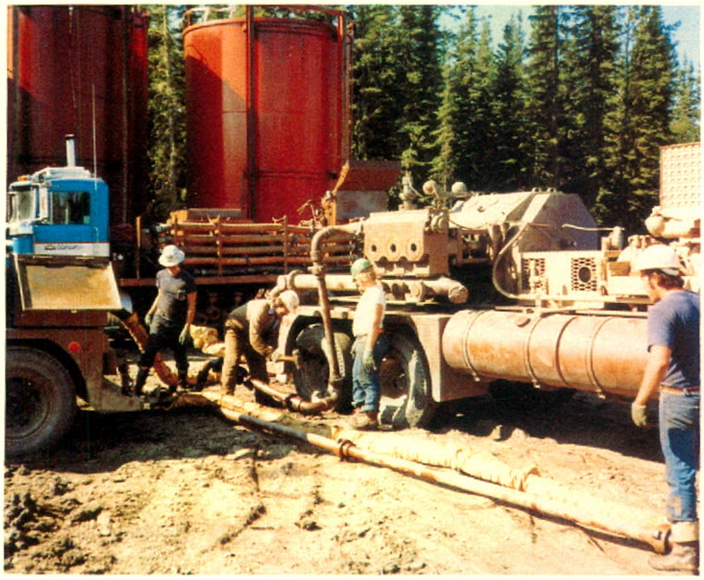
Continued volume growth, opening of new branches and expanded business hours contributed to rapidly increasing salary costs. Part-time employees were utilized during hours of peak volumes and to staff branches with extended hours. These employees now constitute 34% of total staff. Salary administration was modified to reflect marketplace pressures for specific positions and geographic influence on salaries.

Development and implementation of modules for training employees in branches continued to be a key priority. Programs focused on direct data entry, branch administration, cross-selling and supervisory management. Video playback facilities were established in each region supported by a head office production studio.

Management succession planning was improved to better identify and prepare candidates for future positions in support of growth objectives.

ORGANIZATION

Executive and senior management appointments during



On-site heavy equipment was financed for Canan Well Services of Calgary. Canan, a division of Digitech Services Ltd., specializes in the completion of oil and gas wells in Western Canada and the United States.

A new high-tech manufacturing facility was financed for Hammond Manufacturing of Guelph, Ontario. Hammond is a rapidly growing producer of electronic transformers and cabinetry, as well as high technology equipment for the aero-space industry.

1981 were:

Vice-Chairman
Derek J. Warren — Prairie Region

Executive Vice-Presidents
Archie H. Kerr — Regional Operations
Peter C. Maurice — Finance
Jack H. Speake — Client and Corporate Services

Senior Vice-Presidents
Jed L. Purcell — Pacific Region
John D. Richardson — Central Ontario Region

Vice-Presidents
John L. Doran — Comptroller
J. Brent Kelman — Data Resources
Ken J. McCubbin — Prairie Region
Charlie C. Parsons — Central Ontario Region

Assistant Vice-Presidents
Alan K. J. Bolam — Accounting Services
Richard B. Coles — Corporate Lending
Doug R. Dolman — Office Systems and Services
Gary L. Ford — Midwestern Ontario Region
Don M. Gage — Planning
Dave B. Gregory — Prairie Region
Bob B. Hamilton — Property Investments
Jack F. M. Hawthorne — Corporate Business Development, Southwestern Ontario Region
Dave W. James — Edmonton Main
Stan A. Martin — Demand Savings
Steve C. Merrill — Hamilton Main
W. Garn Misener — Vancouver Main
George Pace — Toronto Main
Ken G. Rennie — Victoria Main
Brian W. Ross — Corporate Lending, Prairie Region
Don W. Snyder — Winnipeg Main
W. Lindsay Somerville — Pacific Region
Bob D. M. Strachan — Northern Ontario/Quebec/Atlantic Region
Norm White — Clearing Systems

THE YEAR AHEAD

The recession Canada entered in the third quarter 1981 is expected to continue until at least mid-1982. Flagging consumer and business spending should lead to a moderating inflation rate which, in turn, should permit some further reduction in interest rates. Resumption of real growth in the economy and attendant decrease in unemployment levels are not expected to occur until late 1982.

On balance this scenario, if accurate, presents conflicting influences on prospective earnings. A reduction in inflation and interest rates would be positive to the extent that interest rate spread would increase and upward pressures on operating expenses would ameliorate. On the negative side, a deepening recession would undoubtedly witness an increase in number and size of loan losses.

In summary, despite countervailing pressures, earnings are expected to show marked improvement in 1982. Personnel at all levels of the organization have firmly committed their many abilities to that objective.

Arthur H. Mingay Chairman of the Board and the Executive Committee	Mervyn L. Lahn President and Chief Executive Officer

January 22, 1982, London, Canada

Great Lakes Investments, parent of Great Lakes Power, was supplied equity financing for general corporate purposes. Pictured is the new 54 megawatt Great Lakes Power generating plant being built in Sault Ste. Marie, Ontario.

Long-term financing for general corporate purposes, was supplied Laidlaw Transportation Limited of Hamilton, Ontario. One of Canada's largest trucking companies, Laidlaw is also a leader in passenger service and waste management.

CANADA TRUSTCO MORTGAGE COMPANY

CONSOLIDATED STATEMENT OF EARNINGS, *year ended December 31*

	1981	1980	% Increase (Decrease)
Investment income			
Short term notes	$ 156,313,000	$ 72,023,000	117
Bonds and debentures	90,823,000	63,908,000	42
Stocks	34,031,000	26,290,000	29
Mortgages	584,490,000	506,425,000	15
Corporate loans	153,385,000	45,506,000	237
Consumer and personal loans	61,145,000	42,370,000	44
Collateral loans	34,763,000	19,388,000	79
Net real estate investment properties	7,379,000	4,068,000	81
Equipment leases	2,220,000	2,347,000	(5)
	1,124,549,000	782,325,000	44
Interest on deposits			
Demand	366,746,000	192,504,000	91
Cashable term	185,309,000	95,658,000	94
Term	469,627,000	396,538,000	18
	1,021,682,000	684,700,000	49
Net investment income	102,867,000	97,625,000	5
Fees and commissions			
Personal trust	12,399,000	11,192,000	11
Pension and pooled trust funds	10,803,000	9,296,000	16
Corporate trust	7,403,000	4,687,000	58
Real estate sales	25,610,000	22,930,000	12
Service	19,482,000	11,127,000	75
	75,697,000	59,232,000	28
Other income	6,867,000	2,997,000	129
Earnings before operating expenses	185,431,000	159,854,000	16
Operating expenses			
Salaries	76,443,000	60,214,000	27
Pension and other benefits	4,667,000	3,470,000	34
Real estate commissions	18,946,000	16,058,000	18
Net occupancy	16,552,000	13,342,000	24
Computer, furniture and equipment	12,427,000	8,916,000	39
Communications	6,347,000	5,618,000	13
Stationery	4,836,000	2,916,000	66
Advertising	6,084,000	5,770,000	5
Insurance, commissions and fees	8,022,000	5,650,000	42
Provincial taxes on capital	2,278,000	1,902,000	20
Other	7,375,000	7,017,000	5
	163,977,000	130,873,000	25
Earnings before income taxes	21,454,000	28,981,000	(26)
Income taxes	(7,230,000)	790,000	
Net earnings	$ 28,684,000	$ 28,191,000	2
Attributed to			
Preference shares non-convertible	$ 5,204,000	$ 3,902,000	33
Preference shares convertible	2,024,000	2,184,000	(7)
Common shares	21,456,000	22,105,000	(3)
	$ 28,684,000	$ 28,191,000	2
Net earnings per common share-basic	$ 2.61	$ 2.82	(7)
Net earnings per common share-fully diluted	$ 2.53	$ 2.72	(7)
Net earnings ratios			
To averaged			
Assets	.34%	.40%	
Convertible preference and common shareholders' equity	10.52%	11.95%	

See notes to consolidated financial statements commencing on page 24.

CONSOLIDATED STATEMENT OF CONDITION, *December 31*

	1981	1980	% Increase (Decrease)
ASSETS			
Investments			
Cash	$ 99,846,000	$ 79,184,000	26
Short term notes	984,546,000	547,414,000	80
	1,084,392,000	626,598,000	73
Securities			
Bonds and debentures			
Canada	251,159,000	341,824,000	(27)
Provincial	230,439,000	219,838,000	5
Corporate	44,261,000	72,672,000	(39)
	525,859,000	634,334,000	(17)
Stocks			
Preference	392,392,000	315,724,000	24
Common	46,730,000	46,911,000	
	439,122,000	362,635,000	21
	964,981,000	996,969,000	(3)
Loans			
Mortgages			
Conventional	2,709,418,000	2,638,109,000	3
Conventional insured	1,178,597,000	1,218,088,000	(3)
National Housing Act	886,407,000	926,629,000	(4)
	4,774,422,000	4,782,826,000	
Corporate	1,070,195,000	518,790,000	106
Consumer and personal	345,657,000	349,882,000	(1)
Collateral	197,929,000	180,357,000	10
	6,388,203,000	5,831,855,000	10
Real estate acquired in settlement of loans	3,762,000	13,431,000	(72)
Real estate investment properties	129,905,000	71,780,000	81
Receivables under equipment leases	28,545,000	30,589,000	(7)
Total investments	8,599,788,000	7,571,222,000	14
Income taxes recoverable	88,000	83,000	6
Land, premises and equipment	44,596,000	33,368,000	34
	$8,644,472,000	$7,604,673,000	14

Approved on behalf of the board

Mervyn L. Lahn, Director

Tom Lawson, Director

See notes to consolidated financial statements commencing on page 24.

	1981	1980	% Increase (Decrease)
LIABILITIES			
Deposits			
Demand	$3,037,951,000	$2,411,385,000	26
Cashable term	1,078,943,000	856,854,000	26
Term	4,152,178,000	4,021,502,000	3
	8,269,072,000	7,289,741,000	13
Mortgages	24,165,000	15,672,000	54
Dividends	5,190,000	3,887,000	34
	29,355,000	19,559,000	50
Future income taxes	31,318,000	39,612,000	(21)
	8,329,745,000	7,348,912,000	13
SHAREHOLDERS' EQUITY			
Capital stock			
Preference shares	104,747,000	74,242,000	41
Common shares	17,141,000	15,736,000	9
	121,888,000	89,978,000	35
Contributed surplus	87,429,000	69,113,000	27
Retained earnings	105,410,000	96,670,000	9
	314,727,000	255,761,000	23
	$8,644,472,000	$7,604,673,000	14

CONSOLIDATED STATEMENT OF CONTRIBUTED SURPLUS
year ended December 31

	1981	1980
Balance at beginning of year	$ 69,113,000	$ 68,115,000
Premium on issue of common shares	18,316,000	921,000
Discount on preference shares series B purchased for cancellation		77,000
Balance at end of year	$ 87,429,000	$ 69,113,000

CONSOLIDATED STATEMENT OF RETAINED EARNINGS
year ended December 31

	1981	1980
Balance at beginning of year	$ 96,670,000	$ 86,481,000
Net earnings	28,684,000	28,191,000
	125,354,000	114,672,000
Dividends on		
Preference shares series A	401,000	510,000
Preference shares series B	1,986,000	2,105,000
Preference shares series C	38,000	79,000
Preference shares series D	2,578,000	2,121,000
Preference shares series E	1,546,000	1,272,000
Preference shares series F	679,000	
Common shares	12,587,000	11,915,000
	19,815,000	18,002,000
Expenses, net of income taxes, incurred on issue of shares	129,000	
	19,944,000	18,002,000
Balance at end of year	$105,410,000	$ 96,670,000

See notes to consolidated financial statements commencing on page 24.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL CONDITION
year ended December 31

	1981	1980
CASH DERIVED FROM		
Increase in deposits		
Demand	$ 626,566,000	$ 735,675,000
Cashable term	222,089,000	167,314,000
Term	130,676,000	283,996,000
	979,331,000	1,186,985,000
Operations		
Net earnings	28,684,000	28,191,000
Future income taxes	(8,294,000)	1,468,000
Depreciation	4,877,000	3,071,000
	25,267,000	32,730,000
Other		
Issue of shares	51,331,000	
Net gain on disposal of investments, net of income taxes	2,988,000	2,680,000
Other	6,149,000	
	60,468,000	2,680,000
	1,065,066,000	1,222,395,000
CASH APPLIED TO		
Increase (decrease) in investments		
Short term notes	437,132,000	61,698,000
Bonds and debentures	(108,671,000)	232,756,000
Stocks	76,487,000	37,175,000
Mortgages	(5,170,000)	332,281,000
Corporate loans	551,405,000	281,905,000
Consumer and personal loans	(4,425,000)	85,147,000
Collateral loans	17,572,000	64,119,000
Real estate investment properties	46,893,000	25,008,000
Receivables under equipment leases	(2,044,000)	(1,392,000)
	1,009,179,000	1,118,697,000
Dividends paid on		
Preference shares	6,158,000	6,100,000
Common shares	12,354,000	11,906,000
	18,512,000	18,006,000
Other		
Preference shares purchased for cancellation	1,105,000	1,564,000
Additions to land, premises and equipment	15,479,000	13,801,000
Expenses, net of income taxes, incurred on issue of shares	129,000	
Other		435,000
	16,713,000	15,800,000
	1,044,404,000	1,152,503,000
INCREASE IN CASH	$ 20,662,000	$ 69,892,000

See notes to consolidated financial statements commencing on page 24.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
year ended December 31, 1981

1. Summary of significant accounting policies

(a) Consolidation

The financial statements include the accounts of Canada Trustco Mortgage Company and its subsidiary companies, The Canada Trust Company and Truscan Realty Limited.

(b) Investments

Investments, reduced by an allowance for investment losses where applicable and investment income are stated as follows:

(i) Securities

Bonds and debentures are stated at amortized cost plus accrued interest and stocks are stated at cost plus accrued dividends.

(ii) Loans

Mortgages are stated at cost, which includes amounts advanced, interest capitalized and accrued, taxes and other charges, less repayments and unamortized mortgage discounts. Interest income is accrued on a daily basis, except for any mortgage discounts which are amortized over the remaining term of the loan using the sum-of-digits method.

Corporate, consumer, personal and collateral loans are stated at cost which includes amounts advanced and accrued interest on a daily basis, less repayments.

(iii) Real estate acquired in settlement of loans is stated at a value which does not exceed market.

(iv) Real estate investment properties held for development and resale are stated at the lower of cost or estimated net realizable value. Properties held as investments are stated at cost less accumulated depreciation. Depreciation is provided on a 5% 40 year sinking fund basis.

(v) Receivables under equipment leases are stated at gross rentals receivable net of unearned income. Any gains resulting from the residual values of leased equipment are reflected in earnings only when realized.

An allowance for investment losses is deducted from the applicable investment on the consolidated statement of condition. This allowance recognizes the historical trend of investment losses and existing economic conditions. Provision for investment losses, if any, is included in other expense and is based on both the historical five year (including the current year) moving average ratio of losses to average investments and other factors which in management's judgment deserve recognition. Net gains or losses realized on disposal of investments (with the exception of properties held for development and resale) are recorded in this allowance and are reflected in the consolidated statement of earnings only to the extent of their effect on the annual provision, if any, charged to other expense.

(c) Land, premises and equipment

Land, premises and equipment comprise assets used by the company in its daily operation. Land is stated at cost and premises and equipment are stated at cost less accumulated depreciation. Depreciation is provided on the straight-line basis over the estimated useful life of each asset at annual rates of 10% to 33% on leasehold improvements and equipment. Depreciation on buildings is provided on a 5% 40 year sinking fund basis.

(d) Fees and commissions

Fees and commissions are recorded as income when received.

(e) Pension plan

A contributory pension plan is available to substantially all employees after three months of continuous service. The cost of funding current service pension benefits is expensed as incurred. Unfunded liabilities or experience deficiencies which may occur are funded in accordance with actuarial recommendations and the required additional contributions are expensed as incurred.

(f) Net earnings per common share

Net earnings per common share-basic are calculated using the weighted average number of common shares outstanding, and the net earnings attributable to common shares.

Net earnings per common share-fully diluted are calculated on the assumption that all preference shares series B outstanding at the end of the year were converted to common shares at the beginning of the year and the amount of net earnings attributable to these preference shares is included in the amount available to common shares. Warrants, if exercised, would have no material effect on earnings per common share-fully diluted.

2. Capital stock

(a) Authorized and issued

	Number of Shares		Amount (in thousands of dollars)	
	1981	1980	1981	1980
Cumulative redeemable preference shares, of $20 par value each, issuable in series				
Authorized	14,505,919	14,730,658	$290,118	$294,613
Issued				
Series A – 8¾%	200,000	250,000	$ 4,000	$ 5,000
Series B – 7¼% convertible	1,287,356	1,418,011	25,747	28,360
Series C – 7¾% convertible		44,084		882
Series D – floating % retractable	1,250,000	1,250,000	25,000	25,000
Series E – floating % retractable	750,000	750,000	15,000	15,000
Series F – floating % retractable	1,750,000		35,000	
	5,237,356	3,712,095	$104,747	$ 74,242
Common shares of $2 par value each				
Authorized	20,000,000	20,000,000	$ 40,000	$ 40,000
Issued	8,570,294	7,867,770	$ 17,141	$ 15,736

(b) Terms of issue

(i) Preference shares

Each series of preference shares outstanding is subject to separate terms and conditions respecting redemption, retraction and purchase for cancellation, all of which require the prior consent of the Superintendent of Insurance (Canada). These terms and conditions, including conversion privileges, if any, together with dividend rates are summarized as follows:

Dividends

The dividend rates on series A and B are 8¾% and 7¼% respectively. The dividend rate on series D, E and F is adjusted quarterly and, expressed on a per annum basis, is equal to the sum of (i) one half of the average bank prime rate and (ii) 1.25% in respect of series D and E and 1.125% in respect of series F.

Redemption

Series A

September 15, 1979 at $21.40 reducing tri-annually by $.20 to $20.40 at September 15, 1994 and thereafter.

Series B

June 1, 1981 at $20.58 reducing annually by $.145 to $20.00 at June 1, 1985 and thereafter.

Series D
May 1, 1981 at $20.45 reducing annually by $.15 to $20.00 at May 1, 1984 and thereafter.

Series E
Anytime at $20.00.

Series F
November 5, 1984 and thereafter at $20.00.

Conversion
Series B
Convertible into common shares at the option of the holder at a conversion price of $26.51 per common share at any time on or prior to May 31, 1985 or at any time prior to ten days before the date specified for redemption of such shares, whichever is earlier.

Retraction
Series D
Retractable at the option of the holder at $20.00 on April 1, 1987.

Series E
Retractable at the option of the holder at $20.00 on April 1, 1988.

Series F
Retractable at the option of the holder at $20.00 on February 14, 1992.

Purchase for cancellation
Series A
The company, annually to 1984, is obligated to offer to purchase for cancellation at a price equal to par value plus accrued dividends, the lesser of 50,000 shares or the number of shares which can be purchased by 10% of the consolidated net earnings of the prior year. Thereafter this obligation is reduced to the lesser of 5% of the number of shares outstanding at the beginning of the year or the number of shares which can be purchased by 10% of the consolidated net earnings of the prior year.

Series B
A purchase fund was established in 1981 in an amount of $874,000 of which $40,000 was expended. The total fund in 1982 will not exceed $1,631,000. The fund shall be applied by the company to purchase shares for cancellation in the open market, if available, at a price not exceeding the par value thereof plus the costs of purchase.

Series D
The company may at any time or times, purchase shares for cancellation in the market or by invitation for tenders at a price not exceeding the redemption price, together with accrued dividends.

Series E and F
The company may at any time or times, purchase shares for cancellation in the market or by invitation for tenders at the lowest price at which shares are available in the opinion of the directors or the duly authorized officer or officers of the company.

(ii) Common shares
The maximum number of common shares that may be issued is 20,000,000 shares, of which 1,011,238 shares have been reserved for conversion rights attached to preference shares series B and for warrants outstanding to purchase common shares. The company is a constrained share company and as such the total number of shares that can be registered and voted by any one shareholder is limited to 10% on a fully diluted basis.

(c) Warrants
At December 31, 1981 warrants were outstanding to purchase 40,015 common shares exercisable at $21.26 per share until December 15, 1983 (1980 – 40,075 warrants).

(d) Changes in capitalization
During the year 50,000 preference shares series A were purchased for cancellation at $20.00 per share plus accrued dividends (1980 – 62,059 shares).
During the year 2,008 preference shares series B were purchased for cancellation at an average price of $20.24 per share (1980 – 20,000 shares).
During the year 128,647 preference shares series B were converted into 97,030 common shares at $26.51 per share (1980 – 40,944 preference to 30,887 common).
During the year 41,040 preference shares series C were converted into 33,379 common shares at $24.55 per share (1980 – 8,930 preference to 7,272 common) and 3,044 shares, being the balance outstanding, were redeemed on December 15, 1981 at $20.75 per share.
During the year 1,750,000 preference shares series F were issued for cash consideration of $35,000,000 (1980 – nil).
During the year 60 common share purchase warrants were exercised (1980 – nil).
During the year 572,055 common shares were issued for cash consideration of $16,331,000 (1980 – nil).
The weighted average number of common shares outstanding during 1981 was 8,235,487 (1980 – 7,840,316).

3. Securities

	1981		1980	
	Stated value	Market value	Stated value	Market value
	(in thousands of dollars)			
Bonds and debentures				
Canada	$251,159	$242,079	$341,824	$ 335,278
Provincial	230,439	227,427	219,838	218,054
Corporate	44,261	36,281	72,672	67,707
	525,859	505,787	634,334	621,039
Stocks				
Preference	392,392	372,366	315,724	308,036
Common	46,730	60,410	46,911	71,718
	439,122	432,776	362,635	379,754
	$964,981	$938,563	$996,969	$1,000,793

4. Allowance for investment losses

	1981	1980
	(in thousands of dollars)	
Balance at beginning of year		
General	$ 4,737	$ 6,446
Tax-paid	24,048	19,659
	28,785	26,105
Changes during the year		
Investment gains (losses)		
Securities, net of income taxes of $1,179 (1980 – $1,405)	4,605	4,389
Loans, net of recoveries of $344 (1980 – $96)	(2,468)	(1,266)
Real estate acquired in settlement of loans	(600)	(443)
Real estate investment properties, net of income taxes of $718 (1980 – nil)	1,451	
	2,988	2,680
Balance at end of year		
General	1,669	4,737
Tax-paid	30,104	24,048
	$ 31,773	$ 28,785

5. Real estate investment properties

(a) Cost and net depreciated values

	1981			1980
	Cost	Accumulated depreciation	Net	Net
	(in thousands of dollars)			
Properties held for development and resale				
Land	$ 28,053	$	$ 28,053	$28,215
Buildings	3,699	123	3,576	2,770
	31,752	123	31,629	30,985
Properties held as investments				
Land	22,482		22,482	8,690
Buildings	85,127	9,333	75,794	32,105
	107,609	9,333	98,276	40,795
	$139,361	$9,456	$129,905	$71,780

(b) Net real estate investment properties income

	1981	1980
	(in thousands of dollars)	
Land sales	$16,471	$5,233
Cost of land sales	11,518	2,732
	4,953	2,501
Rental income	6,616	4,393
Maintenance	3,770	2,582
	2,846	1,811
Net income before depreciation	7,799	4,312
Depreciation	420	244
	$ 7,379	$4,068

6. Land, premises and equipment

(a) Cost and net depreciated values

	1981			1980
	Cost	Accumulated depreciation	Net	Net
	(in thousands of dollars)			
Land	$ 4,415	$	$ 4,415	$ 3,835
Buildings	21,021	4,252	16,769	13,951
Leasehold improvements	17,032	6,092	10,940	7,822
Furniture and equipment	26,201	14,144	12,057	7,470
Automobiles	696	281	415	290
	$69,365	$24,769	$44,596	$33,368

(b) Net occupancy expense

	1981	1980
	(in thousands of dollars)	
Rent	$ 6,322	$ 5,218
Maintenance	8,395	6,990
Depreciation	2,044	1,379
	16,761	13,587
Rental income	209	245
	$16,552	$13,342

(c) Computer, furniture and equipment expense

	1981	1980
	(in thousands of dollars)	
Rent	$ 8,561	$6,777
Maintenance	1,453	691
Depreciation	2,413	1,448
	$12,427	$8,916

(d) The aggregate minimum rentals payable under premises and equipment leases in effect at December 31, 1981 are as follows for each of the periods shown:

	Premises	Equipment	Total
	(in thousands of dollars)		
1982-1986	$30,301	$16,399	$46,700
1987-1991	17,169		17,169
1992-1996	6,710		6,710
thereafter	3,371		3,371

7. Income taxes

The negative rate of income tax of 34% in 1981 and the effective rate of 3% in 1980 is a result of receiving tax-exempt income from stocks and income debentures. This fact, along with the timing differences referred to below, creates tax losses. Under current tax law, these amounts can be used to offset taxable income, if any, in the one previous and five subsequent tax years. As long as it is virtually certain that the benefit will be used, accounting recognition is given through the future income taxes account.

Certain items of income and expense are recognized in time periods different for financial reporting than for income tax purposes. Full provision for income taxes is made in the consolidated statement of earnings using the tax allocation method and income taxes related to the following items are recorded in future income taxes in the consolidated statement of condition.

	1981	1980
	(in thousands of dollars)	
Taxes applicable to:		
Special mortgage reserve claimed	$30,034	$30,240
Allowance for investment losses	(785)	(2,312)
Excess of capital cost allowances claimed over depreciation provided	17,512	14,420
Tax loss carry forward	(24,287)	(9,484)
Other items – net	8,844	6,748
	$31,318	$39,612

8. Other income

	1981	1980
	(in thousands of dollars)	
Foreign exchange	$1,352	$ 751
Miscellaneous	5,515	2,246
	$6,867	$2,997

9. Other expense

	1981	1980
	(in thousands of dollars)	
Travelling	$1,166	$1,032
Employee training and development	2,559	2,207
Miscellaneous	3,650	3,778
	$7,375	$7,017

10. Segmented information

Operations consist of the following segments:

(a) Intermediary: investment of depositors' and shareholders' funds in income producing assets together with other revenue from a variety of financial services.

(b) Fiduciary: administration of personal and pension trust assets and acting as stock transfer agent and bond trustee for corporate clients.

(c) Real estate sales: listing and selling of residential, commercial and industrial real estate.

Contribution to earnings represents segment income less direct and allocated expenses based on cost allocation methods believed to be reasonable. However, other cost allocation methods are possible. The company's policy is to price inter-segment transactions below market value. These are insignificant in amount and are applied to reduce segment expense. Owned building operations have been included in the intermediary segment and rents have been charged to remaining segments for their share of operating costs. Leasehold and equipment costs have been allocated to segments based on their proportionate use.

	1981		1980	
	Income	Contribution to earnings - pre-tax	Income	Contribution to earnings - pre-tax
	(in thousands of dollars)			
Intermediary	$1,150,898	$30,227	$796,449	$36,182
Fiduciary	30,605	9,871	25,175	7,792
Real estate sales	25,610	208	22,930	365
	$1,207,113	40,306	$844,554	44,339
Unallocated expense		(18,852)		(15,358)
Earnings before income taxes		$21,454		$28,981

11. Loan commitments

Outstanding commitments for future loan advances are $195,462,000 at December 31, 1981 and were $352,077,000 at December 31, 1980.

12. Pension plan

The actuarial valuation as of December 31, 1980 indicates no unfunded liability exists. The plan had assets at market value of $56,222,000 as of December 31, 1981 and $54,436,000 as of December 31, 1980.

Total contributions by the company in 1981 were $1,056,000 (1980 – $1,025,000). Contributions are included in pension and other benefits.

13. Remuneration of directors and senior officers

Senior officers serving as directors do not receive directors' fees. The aggregate direct remuneration, including the cost of all pension benefits, paid or payable to directors and senior officers of the company was as follows:

	1981		1980	
	Number	Amount	Number	Amount
Directors	37	$ 205,000	44	$ 215,000
Senior officers	30	2,271,000	26	2,058,000
	67	$2,476,000	70	$2,273,000

14. Related party transactions

Transactions with related parties are on terms that are equivalent to those with unrelated parties. The total of these transactions is not material.

AUDITORS' REPORT

To The Shareholders of
Canada Trustco Mortgage Company

We have examined the consolidated statement of condition of Canada Trustco Mortgage Company as at December 31, 1981 and the consolidated statements of earnings, retained earnings, contributed surplus and changes in financial condition 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 condition of the company as at December 31, 1981 and the results of its operations and changes in its financial condition for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

January 22, 1982
London, Canada

Thorne Riddell
Chartered Accountants

MANAGEMENT STATEMENT ON FINANCIAL REPORTING

To The Shareholders of
Canada Trustco Mortgage Company

Management has responsibility for preparing the accompanying financial statements and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and making judgments and estimates in accordance with generally accepted accounting principles in Canada.

The statements conform in all material respects with international accounting standards except for the absence of supplementary inflation-adjusted data, since an acceptable method of calculation for the trust and loan industry does not currently exist.

Ultimate responsibility for the financial statements to shareholders rests with the board of directors. An audit committee of non-management directors is appointed by the board to review the financial statements in detail with management and to report to the directors prior to their approval of the financial statements for publication. The directors have established standards of conduct for employees to prevent conflicts of interest and unauthorized disclosure of confidential information.

Shareholders' auditors review the financial statements in detail and meet separately with both the audit committee and management to review their findings. The shareholders' auditors report directly to shareholders and their report appears above.

Mervyn L. Lahn
President and
Chief Executive Officer

John L. Doran
Vice-President
Comptroller

January 22, 1982, London, Canada

QUARTERLY ANALYSIS OF NET EARNINGS

(in thousands of dollars except interest rate differential and earnings per share)

Quarter	Interest rate differential	Net investment income	Fees and commissions	Non interest expenses	Net earnings	Net earnings per common share-fully diluted
1st	2.01%	$19,007	$ 9,985	$ 19,012	$ 6,299	$ .76
2nd	2.22	21,404	9,495	20,472	7,078	.82
3rd	2.44	24,226	10,226	22,088	8,224	.95
4th	2.39	24,642	9,699	21,940	8,385	.97
1977	2.27	89,279	39,405	83,512	29,986	3.50
1st	2.24	23,932	10,678	22,219	8,165	.95
2nd	2.24	23,942	10,558	23,234	8,228	.94
3rd	2.09	23,808	10,938	24,776	7,653	.85
4th	1.93	21,960	11,788	24,713	7,838	.87
1978	2.12	93,642	43,962	94,942	31,884	3.61
1st	1.55	18,235	11,422	25,001	5,404	.56
2nd	1.76	20,935	11,207	26,767	6,327	.68
3rd	1.63	21,306	13,692	28,798	6,485	.69
4th	1.25	18,097	13,044	26,465	6,206	.61
1979	1.54	78,573	49,365	107,031	24,422	2.54
1st	1.11	17,273	14,256	29,511	4,274	.35
2nd	1.30	20,492	13,440	31,538	5,315	.48
3rd	1.66	27,739	16,010	33,975	8,607	.86
4th	1.81	32,121	15,526	35,849	9,995	1.03
1980	1.48	97,625	59,232	130,873	28,191	2.72
1st	1.40	26,723	19,346	39,305	7,280	.71
2nd	1.48	29,386	18,612	42,036	7,432	.70
3rd	.94	20,048	18,073	42,206	2,667	.13
4th	1.26	26,710	19,666	40,430	11,305	.99
1981	1.27	102,867	75,697	163,977	28,684	2.53

NET INTEREST DIFFERENTIAL *(in thousands of dollars)*

Interest rate differential on a taxable equivalent basis decreased from an average of 1.48% in 1980 to 1.27% in 1981, as the average cost of deposits rose more rapidly than the average yield on investments. Average rates and change in net interest differential are shown below:

	1981	1980	Increase (Decrease)
Investment income	$1,124,549	$782,325	$342,224
Taxable equivalent adjustment	34,531	26,890	7,641
	1,159,080	809,215	349,865
Deposit interest expense	1,021,682	684,700	336,982
Differential	$ 137,398	$124,515	$ 12,883

Differential allocated to:	Volume	Rate	Net
Investments	$ 148,397	$201,468	$349,865
Deposits	124,895	212,087	336,982
Differential	$ 23,502	$(10,619)	$ 12,883

Interest rate differential (taxable equivalent basis)	1981	1980	Increase (Decrease)
Average investment yield	14.30%	11.81%	2.49 %
Average deposit cost	13.03	10.33	2.70
Differential	1.27%	1.48%	(.21)%

INTEREST RATE SENSITIVITY *(in thousands of dollars)*

Net interest differential is the most significant factor in determining earnings. Rate sensitivity, or the mix of the floating and fixed rate portions of investments and deposits, determines how quickly this differential responds to changing rates.

Net interest will change immediately on the net difference between those balances which float with the level of prime interest rates and then gradually on fixed term balances which mature under one year. Rate changes will not affect the current year's net interest on investments and deposits maturing beyond one year.

In periods when rates are rising, an excess of floating rate liabilities over floating rate assets has an immediate deleterious effect on earnings. Conversely, when rates fall an immediate and positive effect on earnings results.

Ideally, an intermediary should have surplus floating rate assets in periods of rising rates and surplus floating rate liabilities in periods of falling rates but this is almost impossible and to so manage can be risky. Consequently, the company is striving to balance the equation to effect a reasonably constant earned spread, thus ameliorating the vagaries of interest rate cycles.

The following table shows year-end distribution of interest sensitive and non-sensitive balances adjusted to exclude accrued income. Non-convertible preference shares are shown as deposits because dividends are deducted in determining fully diluted net earnings attributable to common shares.

	1981				1980			
	Floating rates	Fixed rate under 1 yr.	Fixed rate over 1 yr.	Total	Floating rates	Fixed rate under 1 yr.	Fixed rate over 1 yr.	Total
Investments								
Cash and short term investments	$ 63,990	$1,004,437	$	$ 1,068,427	$ 79,184	$ 538,816	$	$ 618,000
Securities	465,243	61,742	417,826	944,811	376,500	194,282	406,629	977,411
Loans	1,495,562	2,154,296	2,661,358	6,311,216	852,933	1,546,801	3,377,048	5,776,782
Other		11,214	147,236	158,450		10,810	90,919	101,729
	2,024,795	3,231,689	$3,226,420	$8,482,904	1,308,617	2,290,709	$3,874,596	$ 7,473,922
Deposits								
Demand	2,826,272	129,051	$	$ 2,955,323	2,138,161	230,314	$	$ 2,368,475
Cashable term and term		2,760,602	2,285,219	5,045,821		2,257,258	2,490,187	4,747,445
	2,826,272	2,889,653	2,285,219	8,001,144	2,138,161	2,487,572	2,490,187	7,115,920
Non-convertible preference shares	75,000		4,000	79,000	40,000		5,000	45,000
	2,901,272	2,889,653	$2,289,219	$ 8,080,144	2,178,161	2,487,572	$2,495,187	$ 7,160,920
Surplus (deficiency) rate sensitive investments	$ (876,477)	$ 342,036		$ (534,441)	$ (869,544)	$ (196,863)		$(1,066,407)

MATURITIES *(in thousands of dollars)*

Investments

Maturity dates	Cash and short term	Securities (1)	Mortgages (2)	Other loans and investments	December 31, 1981 Total	%	December 31, 1980 Total	%
On demand and within I year	$1,068,427	$ 247,721	$2,228,039	$ 520,613	$4,064,800	47.3	$2,726,640	36.0
1-2 years		118,171	950,645	142,330	1,211,146	14.1	1,297,168	17.1
2-3 years		92,092	855,696	154,271	1,102,059	12.8	978,671	12.9
3-4 years		37,658	381,296	87,629	506,583	5.9	824,224	10.9
4-5 years		44,639	131,534	241,441	417,614	4.8	641,782	8.5
after 5 years		287,399	186,139	593,482	1,067,020	12.4	897,554	11.9
stocks (non-retractable)		117,131			117,131	1.4	121,314	1.6
accrued interest	15,965	20,170	41,073	36,227	113,435	1.3	83,869	1.1
	$1,084,392	$ 964,981	$4,774,422	$1,775,993	$8,599,788	100.0	$7,571,222	100.0

Deposits

Maturity dates	Demand	Cashable term	Term (2)	December 31, 1981 Total	%	December 31, 1980 Total	%
Payable after notice and within I year	$2,955,323	$1,055,862	$1,704,513	$5,715,698	69.1	$4,625,733	63.5
I-2 years			802,973	802,973	9.7	738,086	10.1
2-3 years			553,882	553,882	6.7	682,599	9.4
3-4 years			450,755	450,755	5.5	483,756	6.6
4-5 years			347,505	347,505	4.2	414,082	5.7
after 5 years			130,331	130,331	1.6	171,664	2.3
accrued interest	82,628	23,081	162,219	267,928	3.2	173,821	2.4
	$3,037,951	$1,078,943	$4,152,178	$8,269,072	100.0	$7,289,741	100.0

(I) Securities include various types of bonds, debentures and preference and common stocks, all reflected at stated cost. Preference stocks which have a specific redemption feature at the option of the holder are reflected in the year when the option may first be exercised.

(2) Historically, approximately 60% of term deposits are renewed at maturity. Of mortgages not fully paid on maturity, approximately 80% are expected to be renewed usually on the same amortization schedule adjusted for any variation in interest rates.

(3) The maturities have been arranged to reflect anticipated principal repayments on mortgages, other loans, equipment leases and income averaging contracts in the years they are due.

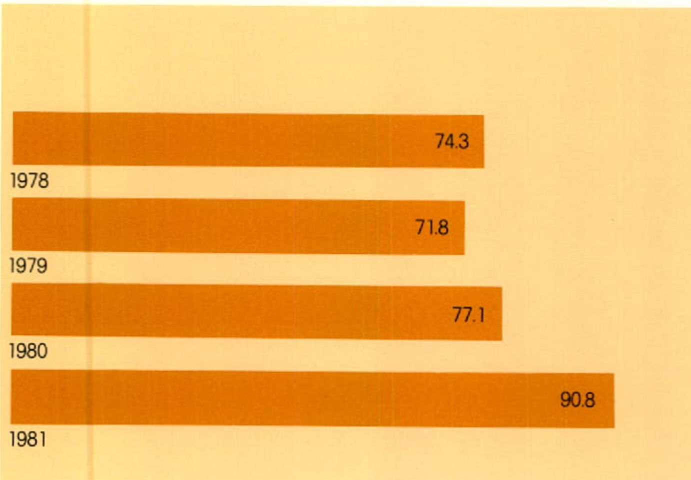
LIQUIDITY MANAGEMENT

Liquidity management is the continuing ability to meet deposit withdrawals, deposit maturities and fund loans and other contractual commitments. Liquidity represents the total value of assets which can be converted quickly into cash to meet requirements. Two liquidity requirements have been defined. The first is by statute, the second and more stringent is financial standards as defined by the Department of Insurance (Canada). Liquidity management practices followed are more conservative than the requirements. Both short and long term requirements are monitored daily and asset and liability management strategies are adopted in concert therewith.

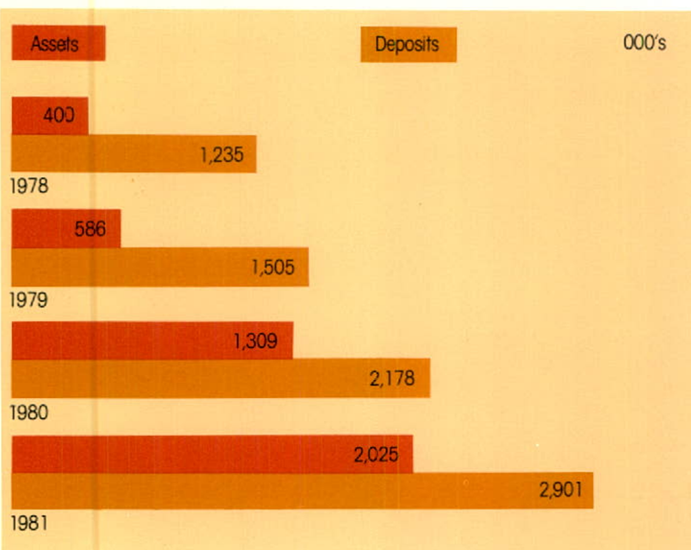
Consolidated Liquidity, December 31
(in thousands of dollars)

	Approved for statutory liquidity at book value		Approved for financial standards test at market value	
Liquidity reserve	1981	1980	1981	1980
Cash	$ 99,846	$ 79,184	$ 99,846	$ 79,184
Canada and provincial securities	481,598	561,662	469,506	553,332
Eligible short term notes of original term under 1 year	803,379	316,498	959,781	547,414
	1,384,823	957,344	1,529,133	1,179,930
Less:				
Statutory liquidity requirement, 20% of cashable and demand deposits and term deposits maturing within 100 days	888,370	708,451		
Financial standards test liquidity requirement			1,027,797	807,177
Surplus Liquidity	$ 496,453	$248,893	$ 501,336	$ 372,753

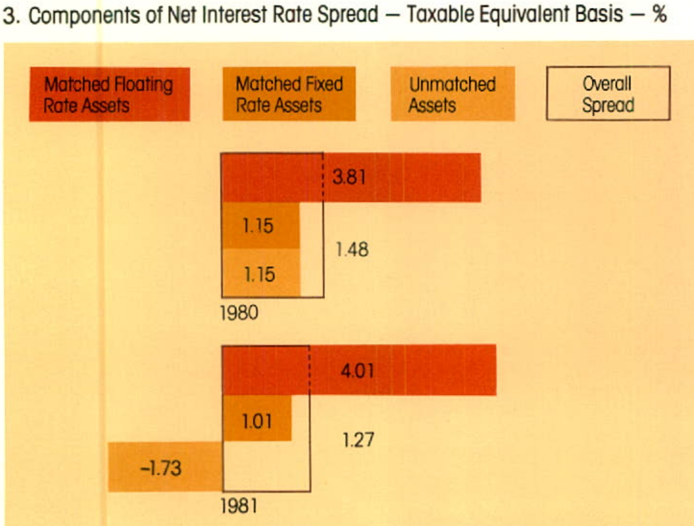
1. Matching Index — % Rate Sensitive Assets to Rate Sensitive Liabilities



2. Floating Rate Assets to Floating Rate and Demand Deposits —$



3. Components of Net Interest Rate Spread — Taxable Equivalent Basis — %



INTEREST RATE SENSITIVITY MANAGEMENT

For many years earnings have fluctuated with rate changes, because the cost of deposits responded faster to change than income from loans and other assets. The degree of response is called interest rate sensitivity. Matching assets and deposit liabilities by interest rate sensitivity adds stability to earnings.

CHART 1

The company's prime objective in interest rate sensitivity management is to have equal amounts of assets and deposits rate sensitive within one year. Chart 1 shows progress on this measure. At 1980 year-end 77.1% of assets rate sensitive within one year were matched with like liabilities. At the end of 1981 this advanced to 90.8%.

The core of interest rate sensitive assets are loans and securities, the return on which is linked to bank prime rates. The core of interest rate sensitive deposits are savings and chequing accounts. These assets and deposits are called "floating rate".

CHART 2

As illustrated in this chart, floating rate deposit liabilities have substantially exceeded floating rate assets for several years. At December 31, 1980, floating rate liabilities exceeded floating rate assets by $869 million. During the year $716 million in floating rate assets and $723 million in floating rate liabilities were added, leaving a mismatch at year-end of $876 million.

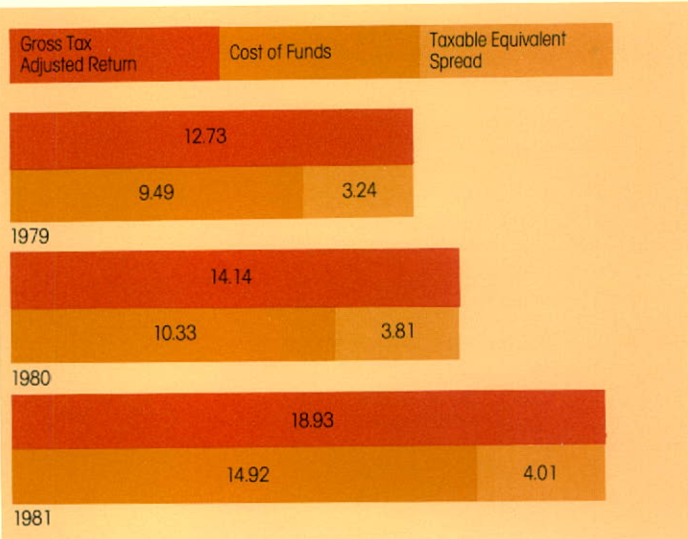
CHART 3

Shown is net spread, or the difference between total return on assets and cost of borrowing generated by matched and non-matched assets. The spread on matched assets and deposits is further broken down to show spread on matched floating rate assets and matched fixed rate assets.

It is evident matched floating rate assets are the most profitable of intermediary assets, and during 1981 the profitability of these assets improved despite rising interest rates. The profitability of matched fixed rate assets is also evident.

In 1980 a profit was earned on unmatched assets, but interest rate movements in 1981 resulted in a significant loss. Had active steps not been taken to improve the degree of matching, earnings would have been significantly lower. Elimination of the remaining mismatch should lead to material earnings improvement in future years.

4. Components of Floating Rate Net Interest Spread — %



5. Composition of Floating Rate Assets

	1981	1980
	(in millions of dollars)	
Government direct & guaranteed debentures	$ 203	$ 192
Canadian banks – schedule A	234	170
– schedule B	132	
Other financial institutions	109	90
Corporate loans & debt securities	600	240
Preference shares	258	179
Mortgages	197	60
Secured loans	135	146
Other	157	232
	$2,025	$1,309

6. Number of Corporate Floating Rate Investments

CHART 4

Shown here is the gross tax adjusted return, cost of funds and taxable equivalent spread on the floating rate portfolio.

CHART 5

During the year $716 million in floating rate loans and securities to both corporations and individuals were added, bringing total holdings of floating rate assets to over $2.0 billion, 23% of total assets.

Over half the portfolio of loans and securities are obligations of provincial governments and crown corporations, chartered banks and major Canadian public corporations. HomeOwner loans make up a large component of floating rate loans to individuals. These are floating rate mortgages, fully secured by real estate.

CHART 6

The average corporate investment, excluding commercial mortgages, is $15 million, compared with $18 million in 1980 and ranges from a high of $75 million to a low of $260,000.

Completion of the matching program will require a substantial addition of floating rate assets of all types in 1982. At December 31, 1981 commitments for floating rate corporate loans, securities and commercial mortgages were $195 million, the bulk of which are expected to be funded during first quarter 1982.

FIVE YEAR FINANCIAL ANALYSIS, *year ended December 31*

	1981	1980	1979	1978	1977
EARNINGS *(as % of income)*					
Income					
Investment	93.1%	92.6%	91.9%	91.2%	90.8%
Fees and commissions	6.3	7.0	7.7	8.6	9.0
Other	.6	.4	.4	.2	.2
	100.0	100.0	100.0	100.0	100.0
Expense					
Interest on deposits	84.6	81.1	79.7	72.9	70.3
Salaries, employee benefits and commissions	8.3	9.4	10.3	11.2	11.7
Other	5.3	6.1	6.4	7.4	7.4
	98.2	96.6	96.4	91.5	89.4
Earnings before income taxes	1.8	3.4	3.6	8.5	10.6
Income taxes	(.6)	.1	(.2)	2.3	3.7
Net earnings	2.4%	3.3%	3.8%	6.2%	6.9%
NET EARNINGS RATIOS					
To averaged					
Assets	.34%	.40%	.42%	.67%	.74%
Convertible preference and common shareholders' equity	10.5%	12.0%	11.5%	17.6%	19.1%
Full-time equivalent employee	$6,134	$6,584	$6,592	$9,880	$10,265
ASSETS, LIABILITIES AND EQUITY *(as % of total assets)*					
Assets					
Cash and short term notes	12.5%	8.3%	7.7%	8.4%	10.7%
Securities	11.2	13.1	11.3	11.9	10.5
Loans	73.9	76.7	79.2	78.1	77.1
Other investments	1.9	1.5	1.4	1.2	.9
Land, premises and equipment	.5	.4	.4	.4	.8
	100.0%	100.0%	100.0%	100.0%	100.0%
Liabilities					
Deposits payable after notice	47.6%	43.0%	36.9%	33.6%	34.2%
Term deposits	48.0	52.9	58.4	61.2	60.4
Total deposits	95.6	95.9	95.3	94.8	94.6
Other liabilities	.3	.2	.2	.2	.4
Future income taxes	.4	.5	.6	.7	.7
	96.3	96.6	96.1	95.7	95.7
Shareholders' equity	3.7	3.4	3.9	4.3	4.3
	100.0%	100.0%	100.0%	100.0%	100.0%
RATIOS					
Loans					
To total deposits	77.3%	80.0%	83.1%	82.3%	81.5%
Shareholders' equity					
To loans	4.9%	4.4%	4.9%	5.5%	5.6%
Deposit multiple	22.87 x	22.94 x	19.64 x	18.64 x	18.48 x
Preference share portion of shareholders' equity	33.3%	29.0%	31.1%	34.9%	33.0%
Dividends paid per common share as a percentage of attributable net earnings	57.6%	53.9%	56.7%	34.5%	33.5%

TABLE OF AVERAGE HOLDINGS *(in millions of dollars)*

	1981	1980	1979	1978	1977
Investments					
Cash, short term notes and securities	$1,894	$1,477	$1,039	$ 991	$ 797
Mortgages	4,746	4,515	4,004	3,370	2,936
Loans, real estate and receivables under equipment leases	1,465	857	567	297	198
Average investments	$8,105	$6,849	$5,610	$4,658	$3,931
Deposits					
Demand	$2,631	$2,053	$1,578	$1,359	$1,145
Cashable term	1,130	772	470	300	214
Term	4,076	3,803	3,376	2,827	2,434
Average deposits	$7,837	$6,628	$5,424	$4,486	$3,793

Computed principally on average weekly balances

FOURTH QUARTER CONSOLIDATED STATEMENT OF EARNINGS

three months ended December 31
(unaudited)

	1981	1980	% Increase (Decrease)
Investment income			
Short term notes	$ 46,806,000	$ 15,399,000	204
Securities	32,939,000	25,050,000	31
Mortgages	152,601,000	134,208,000	14
Loans and equipment leases	69,251,000	34,742,000	99
Net real estate investment properties	1,391,000	2,705,000	(49)
	302,988,000	212,104,000	43
Interest on deposits	276,278,000	179,983,000	54
Net investment income	26,710,000	32,121,000	(17)
Fees and commissions			
Personal trust	2,276,000	2,408,000	(5)
Pension and pooled trust funds	926,000	806,000	15
Corporate trust	2,299,000	1,757,000	31
Real estate sales	4,523,000	6,825,000	(34)
Service	9,642,000	3,730,000	158
	19,666,000	15,526,000	27
Other income	4,985,000	1,247,000	300
Earnings before operating expenses	51,361,000	48,894,000	5
Operating expenses			
Salaries, pension and other benefits	20,681,000	16,579,000	25
Real estate commissions	3,510,000	4,923,000	(29)
Net occupancy	4,219,000	2,818,000	50
Computer, furniture and equipment	3,274,000	2,602,000	26
Communications	1,443,000	1,453,000	(1)
Stationery	1,007,000	790,000	27
Advertising	1,597,000	1,615,000	(1)
Insurance, commissions and fees	1,867,000	2,163,000	(14)
Provincial taxes on capital	620,000	475,000	31
Other	2,212,000	2,431,000	(9)
	40,430,000	35,849,000	13
Earnings before income taxes	10,931,000	13,045,000	(16)
Income taxes	(374,000)	3,050,000	
Net earnings	$ 11,305,000	$ 9,995,000	13
Attributed to			
Preference shares non-convertible	$ 1,982,000	$ 871,000	128
Preference shares convertible	470,000	536,000	(12)
Common shares	8,853,000	8,588,000	3
	$ 11,305,000	$ 9,995,000	13
Net earnings per common share-basic	$ 1.06	$ 1.10	(4)
Net earnings per common share-fully diluted	$ .99	$ 1.03	(4)
Dividends paid per common share	$ .33	$ .33	
Net earnings ratios-annualized			
To averaged			
Assets	.52%	.54%	
Convertible preference and common shareholders' equity	16.02%	17.57%	

EXECUTIVE AND SENIOR MANAGEMENT

One of our greatest assets is the strength of management. After each name, age and years of service are shown. Average age is 44.6 and average service 17.4 years.

*Arthur H. Mingay (62-44)
Chairman of the Board and the Executive Committee

Mervyn L. Lahn (48-27)
President and Chief Executive Officer

REGIONAL

*Archie H. Kerr (57-22)
Executive Vice-President
Regional Operations

PACIFIC REGION

Regional Office
Four Bentall Centre, Vancouver

G. L. (Jed) Purcell (48-0)
Senior Vice-President

W. Lindsay Somerville (39-12)
Assistant Vice-President

W. Garner Misener (41-21)
Assistant Vice-President
Manager, Vancouver Main

Kenneth G. Rennie (36-16)
Assistant Vice-President
Manager, Victoria Main

Peter A. Davidson (42-5)
Assistant Vice-President
Corporate Business Development

PRAIRIE REGION

Regional Office
3rd Street S.W. at 5th, Calgary

Derek J. Warren (50-22)
Vice-Chairman

Brian W. Ross (39-1)
Assistant Vice-President
Corporate Lending

Kenneth L. Sutherland (49-30)
Assistant Vice-President
Corporate Business Development

Kenneth J. McCubbin (43-11)
Vice-President

David B. Gregory (34-8)
Assistant Vice-President

Richard J. Holloway (37-14)
Assistant Vice-President
Manager, Calgary Main

David W. James (37-4)
Assistant Vice-President
Manager, Edmonton Main

Donald W. Snyder (36-15)
Assistant Vice-President
Manager, Winnipeg Main

SOUTHWESTERN ONTARIO REGION

Regional Office
Dundas at Clarence, London

A. James Scafe (49-27)
Vice-President

Robert P. Morneau (43-13)
Assistant Vice-President

Robert B. James (52-17)
Assistant Vice-President
Manager, London Main

O. Evan Whitehead (48-29)
Assistant Vice-President
Manager, Windsor Main

John F. M. Hawthorne (61-43)
Assistant Vice-President
Corporate Business Development

MIDWESTERN ONTARIO REGION

Regional Office
King at Water, Kitchener

J. Terence Osbourne (52-25)
Vice-President

Gary L. Ford (35-12)
Assistant Vice-President

Wilfred W. Park (54-34)
Assistant Vice-President
Manager, Kitchener Main

CENTRAL ONTARIO REGION

Regional Office
Yonge at Adelaide, Toronto

John D. Richardson (43-10)
Senior Vice-President

Charles C. Parsons (52-19)
Vice-President

Liam S. O'Brian (53-15)
Vice-President
Corporate Business Development

George Pace (49-33)
Assistant Vice-President
Manager, Toronto Main

NORTHERN ONTARIO/QUEBEC/ ATLANTIC REGION

Regional Office
Laurier at Metcalfe, Ottawa

Leonard W. Stoll (47-29)
Vice-President

Robert D. M. Strachan (33-12)
Assistant Vice-President

W. Robert DeCelles (54-17)
Assistant Vice-President
Manager, Montreal Main

James R. Wilken (45-20)
Assistant Vice-President
Manager, Ottawa Main

HAMILTON/NIAGARA REGION

Regional Office
King at Hughson, Hamilton

Leo P. Sauve (50-18)
Vice-President

Warren C. Elliott (42-21)
Assistant Vice-President

Stephen C. Merrill (35-10)
Assistant Vice-President
Manager, Hamilton Main

HEAD OFFICE

Canada Trust Tower
Dundas at Wellington, London

CLIENT & CORPORATE SERVICES

Jack H. Speake (53-32)
Executive Vice-President

John L. Doran (45-18)
Vice-President-Comptroller

Alan K. J. Bolam (35-1)
Assistant Vice-President
Accounting Services

Philip A. Heiland (51-10)
Vice-President
Trust & Corporate Services

*Donald A. MacDonald (54-36)
Assistant Vice-President
Corporate Trust Services

James T. McDougall (39-15)
Assistant Vice-President
Personal Trust Services

Douglas E. Wannamaker (45-25)
Assistant Vice-President
Pension Trust Services

J. Brent Kelman (39-4)
Vice-President
Data Resources

James T. Lindores (49-13)
Vice-President
Personnel Services

Duncan F. Tilly (39-10)
Assistant Vice-President
Personnel Resources

Frank W. Pratt (40-15)
Vice-President
Marketing Services

Gwyn E. Williams (44-23)
Vice-President
Savings & Loans Services

D. Eric MacMillan (47-28)
Assistant Vice-President
Term & RSP Savings Services

Stan A. Martin (35-14)
Assistant Vice-President
Demand Savings Services

Sean J. McNamara (39-14)
Assistant Vice-President
Credit Card Services

Robert M. Overholt (42-11)
Assistant Vice-President
Loans Services

William C. Thornhill (34-10)
Assistant Vice-President
Residential Mortgage Services

Douglas R. Dolman (43-10)
Assistant Vice-President
Office Systems & Services

Donald M. Gage (29-8)
Assistant Vice-President
Planning

Norman White (54-22)
Assistant Vice-President
Clearing Systems

FINANCE

*Peter C. Maurice (44-9)
Executive Vice-President

*W. James Blowers (48-28)
Vice-President
Investments

*Garry Rubacha (34-13)
Assistant Vice-President
Pension Investments

*Raymond H. Brackstone (42-3)
Vice-President
Treasurer

*Richard B. Coles (35-2)
Assistant Vice-President
Corporate Lending

*G. Tomlinson Gunn (39-4)
Assistant Vice-President
Treasury Systems

REAL ESTATE SALES

B. Eric Minns (52-18)
Vice-President

PROPERTY INVESTMENTS

John F. Schucht (37-16)
Vice-President

Robert B. Hamilton (34-8)
Assistant Vice-President

GENERAL COUNSEL & SECRETARY

C. Robert Clarke (61-32)
Vice-President

CORPORATE AFFAIRS

E. Donald L. Miller (63-35)
Vice-President

AUDIT SERVICES

Robert E. Redgwell (48-23)
Vice-President

*Located at Executive Offices
Canada Trust Building
Yonge and Adelaide, Toronto

Total national branches: 185
Regional branches in brackets
*Company Owned
**Company Has Ownership Interest

PACIFIC REGION (23)

BURNABY
5000 Kingsway Plaza

CLEARBROOK
**Meadow Fair Plaza

KELOWNA
*Harvey at Spall

LANGLEY
Willowbrook Mall

NANAIMO
Terminal Park Plaza

NEW WESTMINSTER
6th Street at 7th

PORT COQUITLAM
*Lougheed at Westwood

PRINCE GEORGE
*Victoria at 5th

RICHMOND
No. 3 Road at Cook
Francis at No. 1 Road
Lansdowne Park Mall
No. 3 Road at Williams

SURREY
152nd Street at 103rd

VANCOUVER
**Four Bentall Centre
Cambie at 41st
Denman at Comox
41st at Yew
Main at Pender
Park Royal Shopping Centre
West Pender at Hornby

VICTORIA
*View at Broad
Quadra at McKenzie

WHITE ROCK
Semiahmoo Shopping Centre

PRAIRIE REGION (27)

BRANDON
*Rosser at 8th

CALGARY
3rd Street S.W. at 5th
Centre Street N. at 12th
8th Ave. S.W. at 2nd
14th Street at Northmount
Market Mall Professional Building
Memorial Drive N.E. at 52nd
Richmond Road S.W. at Sarcee
17th Ave. S.W. at 11th
Southcentre Mall

EDMONTON
*100th Street at 101A
Castle Downs Town Square
82nd Street at 130th
Millbourne Mall
156th Street at 87th
St. Albert Mall

LETHBRIDGE
*3rd Ave. S. at 7th
Park Meadow Mall

MEDICINE HAT
*3rd Street S.E. at 5th

MOOSE JAW
*318 Main Street

RED DEER
*4928 Ross Street
50th Ave. at Bennett

REGINA
11th Ave. at Cornwall
Albert at Gordon

SASKATOON
2nd Ave. S. at 21st

WINNIPEG
*Portage at Fort
Unicity Mall

Terminal Park Plaza
Nanaimo, British Columbia

St. Albert Mall
Edmonton, Alberta

SOUTHWESTERN ONTARIO REGION (27)

CHATHAM
*King at 3rd
Chatham Place

LEAMINGTON
Talbot at Erie

LONDON
**City Centre Mall
Adelaide at Cheapside
Boler at Commissioners
Bradley at Ernest
*Dundas at Clarence
Dundas at English
Dundas at Talbot
*Huron at Highbury
*Oxford near Hyde Park Road
*Oxford at Platt's Lane
*Richmond at University
*Wonderland at Sherwood Forest Mall
Wonderland at Westmount Mall
*Wortley at Elmwood

SARNIA
*Christina at London Road
*Lambton Mall Road
Lochiel near Christina

ST. THOMAS
*Talbot at Elgin
Elgin Mall

STRATHROY
Caradoc at Ontario

WINDSOR
University at Victoria
Devonshire Mall
*Ouellette at Wyandotte
Tecumseh at Annie

MIDWESTERN ONTARIO REGION (26)

CAMBRIDGE
*44 Main Street
Franklin at Highway 8
John Galt Mall
*King at Westminster

ELMIRA
*53 Arthur Street

FERGUS
*St. Andrews at Tower

GUELPH
*Wyndham at Cork
Edinburgh at Municipal
Willow West Mall
Woolwich at Speedvale

KITCHENER
*King at Water
*Belmont at Claremont
Fairview Park Mall
Forest Hill Plaza
*King at Ontario
Market Square
Pioneer Park Plaza
Stanley Park Mall
Strasburg at Blockline

LISTOWEL
Listowel Plaza, 975 Wallace N.

OWEN SOUND
*2nd Ave. at 10th

STRATFORD
*Downie at Albert

WATERLOO
*Erb at King
Conestoga Mall
*Weber at Lincoln
Westmount Place

HAMILTON/NIAGARA REGION (30)

ANCASTER
Wilson west of Fiddler's Green

BRANTFORD
*King George at Charing Cross

BURLINGTON
*Brant at Caroline
Burlington Mall
Guelph Line at Upper Middle
New at Appleby Line
Plains Road at King

DELHI
Church at Queen

DUNDAS
*King at Sydenham

DUNNVILLE
*Lock at Queen

FORT ERIE
*70 Jarvis Street

GRIMSBY
Main at Christie

HAMILTON
*King at Hughson
Centre Mall
Eastgate Square
Jackson Square
King at Rosedale
*Upper James at Mohawk
Upper Ottawa at Fennell
Upper Wentworth at Fennell

King at 3rd
Chatham, Ontario

Wyndham at Cork
Guelph, Ontario

NIAGARA FALLS
*Queen at St. Clair
Portage north of Thoroldstone
Niagara Square

PORT COLBORNE
Clarence at Elm

SIMCOE
*Norfolk at Young
Simcoe Mall

ST. CATHARINES
*James at King
Grantham Plaza
Pen Centre

WELLAND
*Main at Cross

CENTRAL ONTARIO REGION (36)

BARRIE
Dunlop at Memorial

BRAMPTON
*Main at Queen
Bramalea City Centre
Shoppers' World Mall

HALTON HILLS
*Main at James

MILTON
*Main at Charles

MISSISSAUGA
*Highway 10 south of 5
Burnhamthorpe at Erin Mills
Meadowvale Town Centre
Square One

OAKVILLE
*Lakeshore at Trafalgar
Oakville Place

ORANGEVILLE
Orangeville Mall

OSHAWA
*Simcoe at Bond

RICHMOND HILL
Hillcrest Mall

TORONTO CENTRAL
*Yonge at Adelaide
Bloor at Bathurst
*Eglinton west of Avenue Road
*St. Clair at Yonge
Yonge at Erskine

TORONTO EAST
Shoppers' World, 3003 Danforth
Don Mills Centre
Lawrence at Burnview
Lawrence at Golf Club Road
Lawrence at Pharmacy

TORONTO NORTH
Fairview Mall
5400 Yonge across from Northtown Plaza
Finch at Birchmount
Finch east of Bayview
Sheppard east of Warden
St. Andrews Plaza

TORONTO WEST
Bloor east of Royal York
Bloor at Islington
Richview Plaza, Eglinton west of Islington
Markland Wood Plaza
Royal York north of Eglinton

NORTHERN ONTARIO/QUEBEC/ ATLANTIC REGION (16)

CORNWALL
Cornwall Square

HALIFAX
Quinpool at Monastery

KAPUSKASING
Model City Mall

KINGSTON
*Princess at Wellington
Bath at Gardiners

KIRKLAND LAKE
*51 Government Road W.

MONTREAL
800 Dorchester Boulevard W.

NEW LISKEARD
Timiskaming Square

NORTH BAY
Fraser at McIntyre
North Bay Mall

OTTAWA
Laurier at Metcalfe
*Bank at Heron
Richmond at Carling
Westgate Shopping Centre

SUDBURY
Cedar north of Lisgar

TIMMINS
*Third at Cedar

New at Appleby Line
Burlington, Ontario

Bank at Heron
Ottawa, Ontario

REAL ESTATE OFFICES

Total national offices: 71
Regional offices in brackets
*Company Owned Premises
**Company Has Ownership Interest

PACIFIC REGION (11)
Harry J. Boyd
Regional Manager

KELOWNA
* Harvey at Spall
NANAIMO
Terminal Park Plaza
PORT COQUITLAM
*Lougheed at Westwood
PRINCE GEORGE
Massey at Westwood
RICHMOND
No. 3 Road at Cook
SURREY
152nd Street at 104th
VANCOUVER
**Four Bentall Centre (I.C.I.)
41st at Yew
Lonsdale at East 18th
VICTORIA
2254 Oak Bay Ave.
WHITE ROCK
Semiahmoo Shopping Centre

PRAIRIE REGION (11)
Ken J. Webber
Regional Manager

BRANDON
*Rosser at 8th
CALGARY
Centre Street N.E. at 13th
52nd Street N.E. at 14th
MacLeod Trail north of Anderson
EDMONTON
71st Street at 98th
LETHBRIDGE
3rd Ave. S. near 12th
MEDICINE HAT
*3rd Street S.E. at 5th
RED DEER
*4928 Ross Street
REGINA
Albert at 3rd
SASKATOON
Plaza 22, Confederation Drive
WINNIPEG
*Pembina Highway at Hector

SOUTHWESTERN ONTARIO REGION (14)
Gene L. Baillargeon
Regional Manager

INGERSOLL
Zehrs Shopping Centre
LONDON
*Commissioners W. at Boler
*Huron at Highbury
King near Waterloo (I.C.I.)
Pall Mall at Richmond
Sherwood Forest Mall
Wellington Road S. at Bradley
Wharncliffe at Commissioners
Wonderland at Westmount Mall
NORWICH
Stover near Main
SARNIA
*Lambton Mall Road
ST. THOMAS
*Talbot at Elgin
STRATHROY
Caradoc at Ontario
WOODSTOCK
Dundas at Burtch

MIDWESTERN ONTARIO AND HAMILTON/NIAGARA REGIONS (19)
Robert C. Mair
Regional Manager

BURLINGTON
Fairview at Walker's Line
CAMBRIDGE
Hespeler Road at Bishop
DUNDAS
*King at Sydenham
ELMIRA
*53 Arthur Street
FERGUS
St. David at St. Andrew
GUELPH
*Wyndham at Cork
HANOVER
10th near 7th
HAMILTON
Upper James south of Fennell
KITCHENER
Stanley Park Mall
*Highland Road east of Westmount
*King at Water
*King at Water (I.C.I.)
NEW HAMBURG
Peel at Huron
NIAGARA FALLS
*Queen at St. Clair
ST. CATHARINES
Welland at Clark
STRATFORD
Ontario at Waterloo
WATERLOO
*Weber at Lincoln
Westmount Place
WELLAND
* Main at Cross

CENTRAL ONTARIO AND NORTHERN ONTARIO/QUEBEC/ ATLANTIC REGIONS (16)
Nat Green
Regional Manager

BARRIE
Dunlop at Simcoe
BRAMPTON
*Main at Queen
Bramalea Road at Steeles
HALTON HILLS
*Main at James
MISSISSAUGA
*Highway 10 south of 5
OAKVILLE
*Trafalgar at Lakeshore
ORANGEVILLE
Broadway near First
OSHAWA
*Simcoe at Bond
OTTAWA
Westgate Shopping Centre
RICHMOND HILL
Hillcrest Mall
TORONTO EAST
Eglinton at Kennedy
TORONTO NORTH
Yonge at Sheppard
TORONTO WEST
Bloor near Royal York
*Eglinton west of Avenue Road
Markland Wood Plaza
Rexdale Boulevard
near Islington (I.C.I.)

Lougheed at Westwood
Port Coquitlam, B.C.

Huron at Highbury
London, Ontario

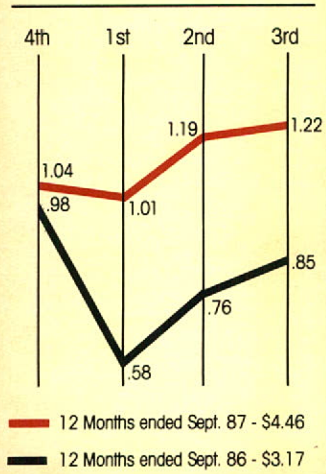
C

CANADA TRUSTCO

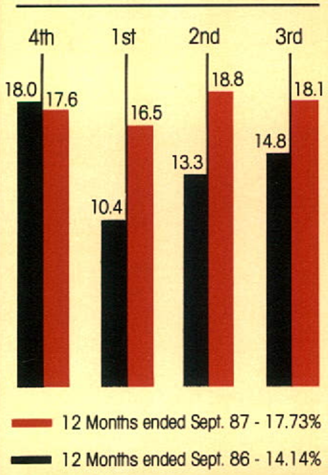
Shareholder Quarterly

Consolidated Financial Statements (unaudited), September 30, 1987

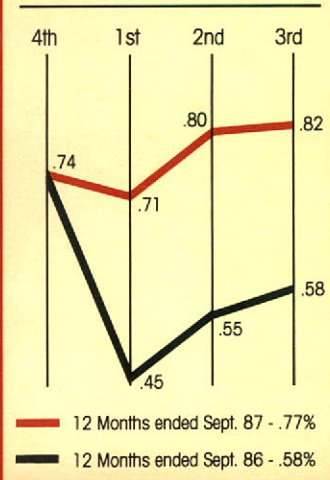
Net Earnings Per Common Share - Fully Diluted - $



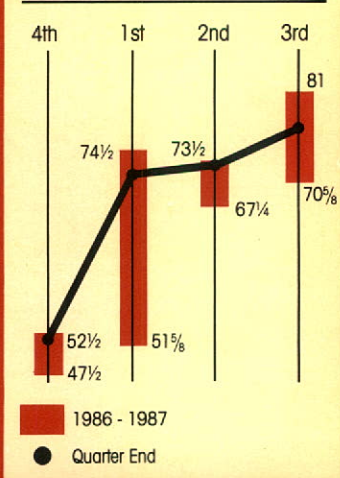
Annualized Return on Common Shareholders' Averaged Equity - Fully Diluted - %



Annualized Return on Averaged Assets — %



Common Share Price Range — $



Canada Trust

CONDENSED CONSOLIDATED EARNINGS (taxable equivalent basis — in thousands except percentages)

	THREE MONTHS ENDED SEPTEMBER 30			NINE MONTHS ENDED SEPTEMBER 30			TWELVE MONTHS ENDED SEPTEMBER 30		
	1987	1986	% Increase (Decrease)	1987	1986	% Increase (Decrease)	1987	1986	% Increase (Decrease)
Investment income	$652,991	$613,819	6	$ 1,904,238	$ 1,845,801	3	$2,526,819	$2,432,977	4
Interest expense and provision for possible investment losses	475,107	473,004		1,391,872	1,442,460	(4)	1,877,232	1,905,707	(1)
Net investment income after provision for possible investment losses	177,884	140,815	26	512,366	403,341	27	649,587	527,270	23
Fees, net commissions and other income	62,248	56,589	10	194,726	157,824	23	276,971	229,512	21
Earnings before operating expenses	240,132	197,404	22	707,092	561,165	26	926,558	756,782	22
Operating expenses	135,861	128,790	5	416,501	383,098	9	550,705	499,778	10
Earnings before income taxes	104,271	68,614	52	290,591	178,067	63	375,853	257,004	46
Income taxes	51,770	33,231	56	144,941	86,763	67	187,628	125,778	49
Net earnings	$ 52,501	$ 35,383	48	$ 145,650	$ 91,304	60	$ 188,225	$ 131,226	43

QUARTERLY ANALYSIS OF NET EARNINGS (in thousands except percentages and common share amounts)

Quarter	Taxable equivalent basis Interest rate differential	Taxable equivalent basis Net investment income	Fees and net commissions	Operating expenses	Operating expenses to averaged corporate assets	Net earnings	Net earnings per common share - fully diluted	Dividends paid per common share	Net earnings to averaged corporate assets	Net earnings to common shareholders' averaged equity -fully diluted
1st	1.68%	$ 78,710	$ 40,979	$ 79,935	2.04%	$ 17,512	$ .47	$ .10	.45%	11.27%
2nd	1.77	83,860	45,255	83,421	2.07	18,695	.50	.17	.46	11.67
3rd	1.92	91,712	44,292	84,222	2.07	20,300	.53	.12	.50	12.01
4th	2.21	105,833	43,710	90,417	2.15	29,277	.78	.28	.70	17.43
1983	1.90	360,115	174,236	337,995	2.07	85,784	2.28	.67	.53	13.18
1st	1.91	94,971	37,102	88,701	2.05	22,354	.59	.11	.52	12.68
2nd	1.94	100,195	40,221	89,756	2.01	25,159	.66	.20	.56	14.07
3rd	1.93	103,706	40,405	90,918	1.95	25,252	.67	.14	.54	13.65
4th	2.11	115,915	48,769	103,613	2.17	53,019	1.51	.83	1.11	29.03
1984	1.97	414,787	166,497	372,988	2.04	125,784	3.43	1.28	.69	17.36
1st	1.91	109,910	40,556	99,059	2.02	25,458	.67	.96	.52	13.16
2nd	2.12	123,240	44,359	103,283	2.03	31,782	.85	.17	.63	15.84
3rd	2.17	129,245	47,458	101,964	1.94	38,305	.95	.20	.73	18.32
4th	2.31	140,812	61,178	116,680	2.17	39,922	.98	1.41	.74	17.99
1985	2.13	503,207	193,551	420,986	2.04	135,467	3.45	2.74	.66	16.28
1st	2.03	126,910	45,732	122,819	2.23	24,650	.58	.30	.45	10.38
2nd	2.40	150,616	52,066	131,489	2.30	31,271	.76	.30	.55	13.25
3rd	2.33	150,815	54,579	128,790	2.13	35,383	.85	.35	.58	14.84
4th	2.35	162,221	63,604	134,204	2.33	42,575	1.04	.35	.74	17.64
1986	2.33	590,562	215,981	517,302	2.24	133,879	3.23	1.30	.58	14.08
1st	2.50	166,055	55,953	136,332	2.26	42,996	1.01	.35	.71	16.55
2nd	2.49	170,927	72,056	144,308	2.31	50,153	1.19	.35	.80	18.77
3rd	2.46	175,384	59,860	135,861	2.17	52,501	1.22	.40	.82	18.11
1987	2.48	512,366	187,869	416,501	2.23	145,650	3.42	1.10	.78	17.78

INTEREST RATE DIFFERENTIAL (in thousands except percentages)

	THREE MONTHS ENDED SEPTEMBER 30, 1987			NINE MONTHS ENDED SEPTEMBER 30, 1987		
	Average Volume	Income/ Expense	Average Rate	Average Volume	Income/ Expense	Average Rate
Investments	$24,549,022	$623,884	10.17%	$24,057,706	$1,815,030	10.06%
Taxable equivalent adjustment		29,107	.47		89,208	.49
	$24,549,022	$652,991	10.64	$24,057,706	$1,904,238	10.55
Deposits and notes	$23,354,818	$477,607	8.18	$22,992,774	$1,391,872	8.07
Differential			2.46%			2.48%

Average volumes computed on daily balances exclusive of accrued interest.

It is with deep regret that directors record the death of Alexander E. Barron on September 18. Mr. Barron was a valued member of the board for 27 years. He served the company with distinction and dedication and will be greatly missed.

Third quarter net earnings of \$52.5 million increased 48% from \$35.4 million in the comparable quarter of 1986. For the nine months ended September 30, 1987 net earnings of \$145.7 million increased 60% from \$91.3 million in first nine months of 1986. Fully diluted net earnings per common share were \$1.22 for third quarter and \$3.42 for nine months compared with 85¢ and \$2.19 respectively in 1986.

Expressed as an annualized return on averaged corporate assets, nine months net earnings represented 78¢ per \$100 compared with 53¢ in nine months 1986 and 58¢ in full year 1986. Annualized return on common shareholders' averaged equity — fully diluted was 17.78% against 12.84% one year earlier and 14.08% in full year 1986.

Net investment income on a taxable equivalent basis increased to \$512.4 million from \$428.3 million in nine months 1986. Interest rate differential on a taxable equivalent basis was 2.46% for third quarter and 2.48% for nine months compared with 2.33% and 2.26% in like periods one year earlier.

Trust fees totalled \$68.5 million compared with \$62.0 million in nine months 1986, an increase of 10%. Service fees rose 52% to \$64.9 million from \$42.8 million in the comparable 1986 period.

Net real estate sales commissions at \$54.5 million compared with \$47.7 million in first nine months 1986. The division achieved pre-tax earnings of \$11.4 million compared with \$11.1 million in the same period last year.

Operating expenses in third quarter increased 5% and in nine months by 9% over comparable periods one year earlier. Expressed on an annualized basis as a percentage of averaged corporate assets, operating expenses were 2.17 and 2.23 for three and nine months ended September 30, 1987 respectively, compared with 2.13 and 2.22 for same periods one year earlier. The 1987 objective to maintain operating expenses at a level no greater than 1986 will not be achieved.

Pre-tax gains and recoveries, net of pre-tax losses and write-downs, were \$12.6 million in the first nine months compared with pre-tax losses and write-downs, net of pre-tax gains and recoveries, of \$36.8 million charged to the allowance for possible investment losses in same nine months last year.

At September 30, 1987 the allowance stood at \$76.3 million on a pre-tax equivalent basis providing 1.4 times coverage of non-performing investments compared with \$58.5 million and 0.7 times at December 31, 1986. Non-performing investments stood at \$54.5 million at September 30 compared with \$64.5 million at June 30 and \$85.0 million at year-end. The guideline of 1.4 times coverage of non-performing investments by the allowance for possible investment losses on a pre-tax equivalent basis as a maximum has been reached. Future investment gains and recoveries, net of losses and write-downs, will flow through the allowance into the consolidated statement of earnings unless extenuating circumstances exist. Over time the amounts could be significant. Securities of BCE Development Corporation, Carma Ltd., Dome Petroleum Limited and Turbo Resources Limited, all carried at nominal value, have a current indicated market value of approximately \$40 million which may be realized over several years. Additionally, the market values of the companies' common stock portfolios, excluding the aforementioned companies, currently exceed cost by about \$60 million. Some of this appreciation is likely to be realized in the near future.

Given the aforementioned situation, it was deemed advisable in the third quarter to reverse the \$2½ million provision for possible investment losses recorded in first quarter 1987, thus returning that amount to earnings before income taxes.

Assets under administration measured at book value increased to \$58.5 billion from \$52.4 billion at year-end and \$51.5 billion at September 30, 1986. Corporate assets increased from \$22.9 billion one year earlier and \$24.1 billion at December 31, 1986 to \$25.7 billion. Personal, pension and pooled trust funds rose \$4.2 billion during the twelve months and \$4.4 billion during the nine months to \$32.8 billion.

Current year trust business development is encouraging, particularly considering a tough competitive environment. Pension and corporate trust first year fees were \$4.0 million for the nine months, up 90% from \$2.1 million last year. Personal trust new business fees increased 14% to \$4.1 million from \$3.6 million for the same period in 1986.

During the third quarter four financial services branches were opened — Burnaby East Hastings at Madison, Oshawa Stevenson at King, Calgary Macleod Trail at Heritage and Winnipeg McPhillips north of Inkster — and two merged bringing the total to 303. Five branches were relocated and three expanded.

Year to date, five real estate sales offices were opened — Calgary 8th Ave west of 4th (commercial), London Richmond at Highway 22, Toronto Bayview at Cummer, Pointe Claire Hymus at St. Jean and Longueuil St. Charles near Chambly — and one closed. In addition, five sub offices were opened and six closed bringing the network total to 180. Twelve offices relocated. For the same period, real estate franchise offices grew to 62, as 12 offices opened and two closed.

Net earnings outlook for fourth quarter is excellent. Full-year net earnings per common share — fully diluted are now expected to exceed \$4.60.

Mervyn L. Lahn Chairman and Chief Executive Officer London, Canada	Peter C. Maurice President and Chief Operating Officer Toronto, Canada

October 15, 1987

CONSOLIDATED STATEMENT OF CONDITION (in thousands except percentages)

	SEPTEMBER 30, 1987	% Increase (Decrease)	SEPTEMBER 30, 1986	DECEMBER 31, 1986
ASSETS				
Investments				
Cash and short term notes	$ 1,878,979	(1)	$ 1,894,941	$ 2,038,369
Securities	4,487,125	2	4,408,833	4,617,709
Mortgages	13,490,282	12	11,997,515	12,343,584
Loans and equipment leases	5,407,413	29	4,181,645	4,680,296
Real estate investment properties	299,172	15	259,308	267,359
	25,562,971	12	22,742,242	23,947,317
Land, premises and equipment	161,482	27	127,575	142,178
Other		(100)	67,543	6,360
	$25,724,453	12	$22,937,360	$24,095,855
LIABILITIES				
Deposits				
Demand	$10,809,764	16	$ 9,306,163	$10,232,315
Cashable term	547,452	(12)	623,155	567,415
Convertible term	76,860	(46)	141,343	143,943
Term	12,712,952	11	11,428,494	11,870,671
	24,147,028	12	21,499,155	22,814,344
Notes payable and other liabilities	168,740	(52)	349,393	170,306
Future income taxes	127,126	41	90,278	86,054
	24,442,894	11	21,938,826	23,070,704
SHAREHOLDERS' EQUITY	1,281,559	28	998,534	1,025,151
	$25,724,453	12	$22,937,360	$24,095,855

	SEPTEMBER 30, 1987	SEPTEMBER 30, 1986	DECEMBER 31, 1986
Number of shares outstanding			
Preference	8,867,756	4,885,080	4,877,280
Common	39,291,110	37,775,504	37,818,761
Equity per common share - fully diluted	$27.59	$23.80	$24.55
Common share price range			
Nine months ended	\$51⅝ — \$81	\$41 — \$57½	
Twelve months ended			\$41 — \$57½
Price-earnings multiple - fully diluted			
Twelve months ended	17.3	15.0	15.9
Price-equity multiple - fully diluted	2.8	2.0	2.1
Deposit multiple	17.0	19.5	20.4

CONSOLIDATED STATEMENT OF CASHFLOW (in thousands)

	NINE MONTHS SEPTEMBER 30, 1987	NINE MONTHS SEPTEMBER 30, 1986	TWELVE MONTHS DECEMBER 31, 1986
Increase in deposits	$ 1,332,684	$ 1,341,446	$ 2,656,635
Operations			
Net earnings	145,650	91,304	133,879
Non-cash items	60,992	38,288	62,314
Issue of shares	167,194	550	1,885
Other	(1,980)	(47,064)	(190,256)
	1,704,540	1,424,524	2,664,457
Less Purchase of preference shares for cancellation	190	389	545
Dividends paid	51,529	38,556	54,133
Additions to land, premises and equipment	37,167	23,490	42,615
Net funds provided for investment	1,615,654	1,362,089	2,567,164
Investments, beginning of period	23,947,317	21,380,153	21,380,153
Investments, end of period	$25,562,971	$22,742,242	$23,947,317

CONSOLIDATED STATEMENT OF EARNINGS (in thousands except percentages and common share amounts)

	THREE MONTHS ENDED SEPTEMBER 30			NINE MONTHS ENDED SEPTEMBER 30			TWELVE MONTHS ENDED SEPTEMBER 30		
	1987	1986	% Increase (Decrease)	1987	1986	% Increase (Decrease)	1987	1986	% Increase (Decrease)
Investment income									
Short term notes	$ 25,173	$ 36,066	(30)	$ 69,357	$ 143,789	(52)	$ 102,047	$ 191,679	(47)
Securities	98,133	104,434	(6)	298,383	285,784	4	394,539	362,124	9
Mortgages	354,104	335,681	5	1,042,020	993,339	5	1,385,897	1,331,963	4
Loans and equipment leases	142,076	104,455	36	393,252	332,111	18	505,693	426,672	19
Net real estate investment properties	4,398	3,567	23	12,018	8,780	37	15,551	9,835	58
	623,884	584,203	7	1,815,030	1,763,803	3	2,403,727	2,322,273	4
Interest on deposits and notes	477,607	463,004	3	1,391,872	1,417,460	(2)	1,852,232	1,863,824	(1)
Net investment income	146,277	121,199	21	423,158	346,343	22	551,495	458,449	20
Provision for possible investment losses	(2,500)	10,000	(125)		25,000	(100)	25,000	41,883	(40)
Net investment income after provision for possible investment losses	148,777	111,199	34	423,158	321,343	32	526,495	416,566	26
Fees									
Personal trust	9,398	9,871	(5)	31,047	31,369	(1)	48,442	45,799	6
Pension and pooled trust funds	7,099	4,981	43	25,143	19,302	30	29,613	22,705	30
Corporate trust	4,298	3,632	18	12,329	11,281	9	16,141	15,615	3
Service	20,135	14,408	40	64,855	42,756	52	91,304	69,719	31
	40,930	32,892	24	133,374	104,708	27	185,500	153,838	21
Net real estate sales commissions									
Real estate sales	77,770	70,365	11	188,306	152,685	23	244,171	201,088	21
Real estate sales personnel	58,840	48,678	21	133,811	105,016	27	178,198	141,371	26
	18,930	21,687	(13)	54,495	47,669	14	65,973	59,717	10
Other income	2,388	2,010	19	6,857	5,447	26	25,498	15,957	60
Earnings before operating expenses	211,025	167,788	26	617,884	479,167	29	803,466	646,078	24
Operating expenses									
Salaries, pension and other benefits	72,100	64,317	12	210,199	194,589	8	277,879	252,267	10
Occupancy	17,142	16,783	2	51,765	46,524	11	68,288	60,634	13
Computer, furniture and equipment	13,599	14,399	(6)	41,837	39,421	6	52,550	51,849	1
Communications	5,896	5,698	3	18,279	17,651	4	23,376	22,723	3
Stationery	3,401	2,518	35	11,354	10,264	11	14,550	13,012	12
Advertising	4,966	7,027	(29)	20,385	25,480	(20)	28,478	33,915	(16)
Insurance, commissions and fees	7,040	7,534	(7)	20,122	17,689	14	25,737	24,202	6
Capital taxes	4,133	3,184	30	13,500	9,552	41	16,531	11,458	44
Deposit insurance	4,916	4,600	7	14,326	12,206	17	18,927	13,512	40
Other	2,668	2,730	(2)	14,734	9,722	52	24,389	16,206	50
	135,861	128,790	5	416,501	383,098	9	550,705	499,778	10
Earnings before income taxes	75,164	38,998	93	201,383	96,069	110	252,761	146,300	73
Income taxes	22,663	3,615	527	55,733	4,765		64,536	15,074	328
Net earnings	$ 52,501	$ 35,383	48	$ 145,650	$ 91,304	60	$ 188,225	$ 131,226	43
Attributed to									
Preference shares	$ 4,032	$ 2,355	71	$ 11,585	$ 7,075	64	$ 13,935	$ 9,435	48
Common shares	48,469	33,028	47	134,065	84,229	59	174,290	121,791	43
	$ 52,501	$ 35,383	48	$ 145,650	$ 91,304	60	$ 188,225	$ 131,226	43
Net earnings per common share - basic	$ 1.24	$ .87	43	$ 3.50	$ 2.23	57	$ 4.56	$ 3.24	41
Net earnings per common share - fully diluted	$ 1.22	$ .85	44	$ 3.42	$ 2.19	56	$ 4.46	$ 3.17	41
Dividends paid per common share	$ .40	$ .35	14	$ 1.10	$ .95	16	$ 1.45	$ 2.36	(39)
Net earnings ratios - annualized									
To averaged									
Corporate assets	.82%	.58%		.78%	.53%		.77%	.58%	
Common shareholders' equity - fully diluted	18.11%	14.84%		17.78%	12.84%		17.73%	14.14%	

Booming with Toronto

Ontario's upbeat economy is the backdrop for dramatic growth in Metro Toronto Central and East Region. Major retail products, sales finance and commercial mortgage results are up substantially over 1986. Aggressive marketing and quality customer service are the order of the day. Over 90% of regional branches are open 8 to 8 Monday to Friday and 9 to 5 Saturdays and three-quarters offer JohnnyCash 24 hour money machine service.

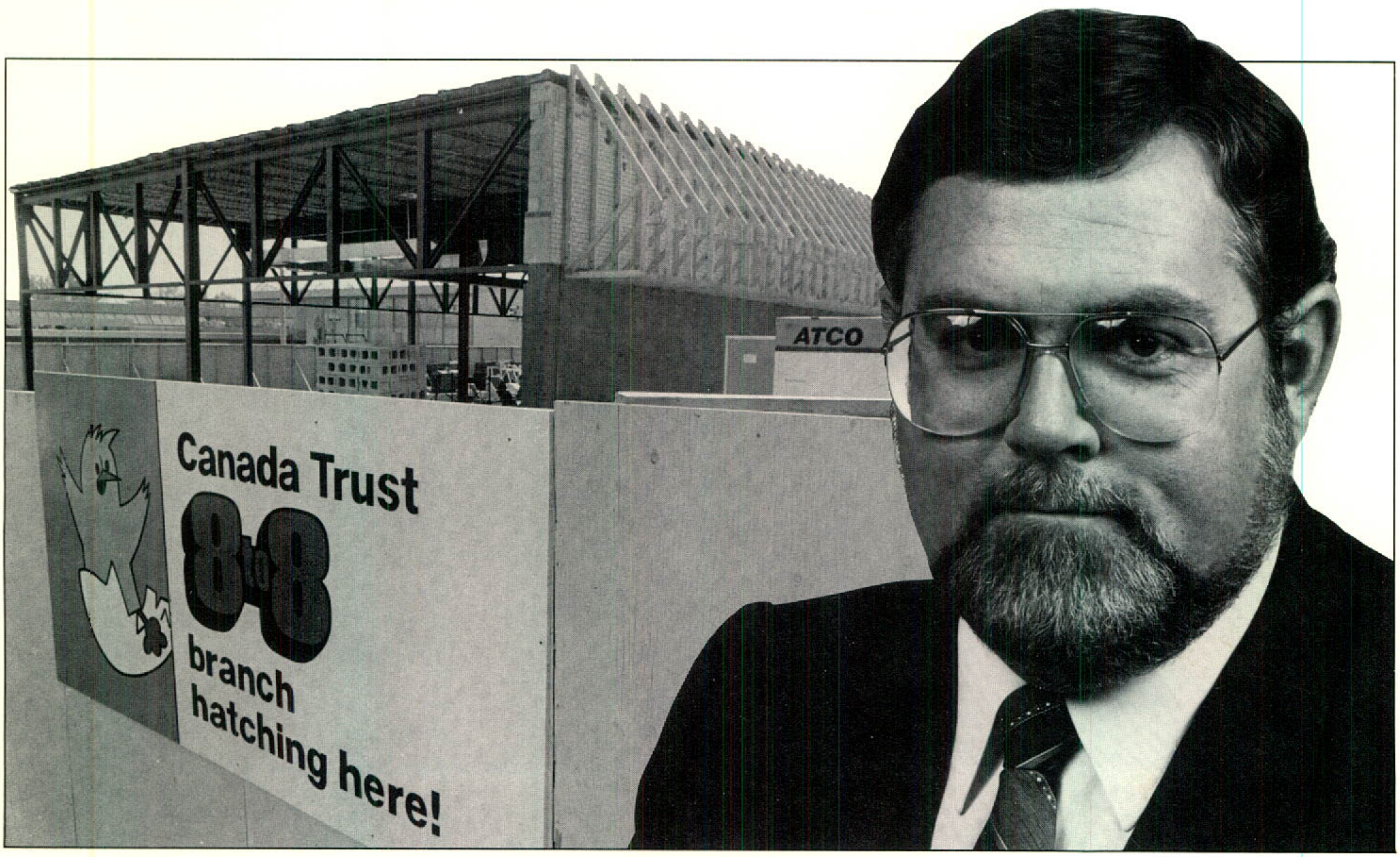
The regional branch network will grow to 34 this year with three new branches opening — Toronto Danforth at Woodington, Toronto Queen at Lee and Oshawa Stevenson at King.

Performance at several existing branches has been enhanced through significant renovations at eight branches during 1986 and 1987, with plans for seven more in 1988.

Metro Toronto Central and East — the company's largest region with assets of $2.4 billion — will exceed this year's objectives by wide margin and is setting the stage for even better results tomorrow!

Growth at a Glance

	Sept. 30, 1987	Sept. 30, 1986	% Inc.
Mortgage loans	$1,938,107,000	$1,508,705,000	28
Consumer and collateral loans	467,914,000	341,546,000	37
Deposits	3,381,634,000	3,087,835,000	10
RSPs	841,483,000	791,160,000	6
Total book of business	5,787,655,000	4,938,086,000	17
ICI approvals	447,603,000	317,053,000	41
Sales finance retail volume	66,672,000	39,249,000	70



D.B. (Dave) Gregory, *Vice-President, Metropolitan Toronto Central and East Region*

Canada Trust