

# TRADERS

GROUP LIMITED

60TH ANNUAL REPORT 1980



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## Annual Meeting

The Annual Meeting of Shareholders will be held at 11:30 a.m., Thursday, March 12th, 1981, in Toronto, in the Ballroom of the Royal York Hotel.

## Assemblée annuelle

L'assemblée annuelle des actionnaires aura lieu à 11:30, jeudi, le 12 mars 1981 à Toronto. Endroit: salon "Ballroom", Hôtel Royal York.

## Rapport annuel

Si vous désirez recevoir en exemplaire en français du Groupe Traders Limitée, veuillez vous adresser au service de la trésorerie, Le Groupe Traders Limitée, 625 Church Street, Toronto, Ontario M4Y 2G1.





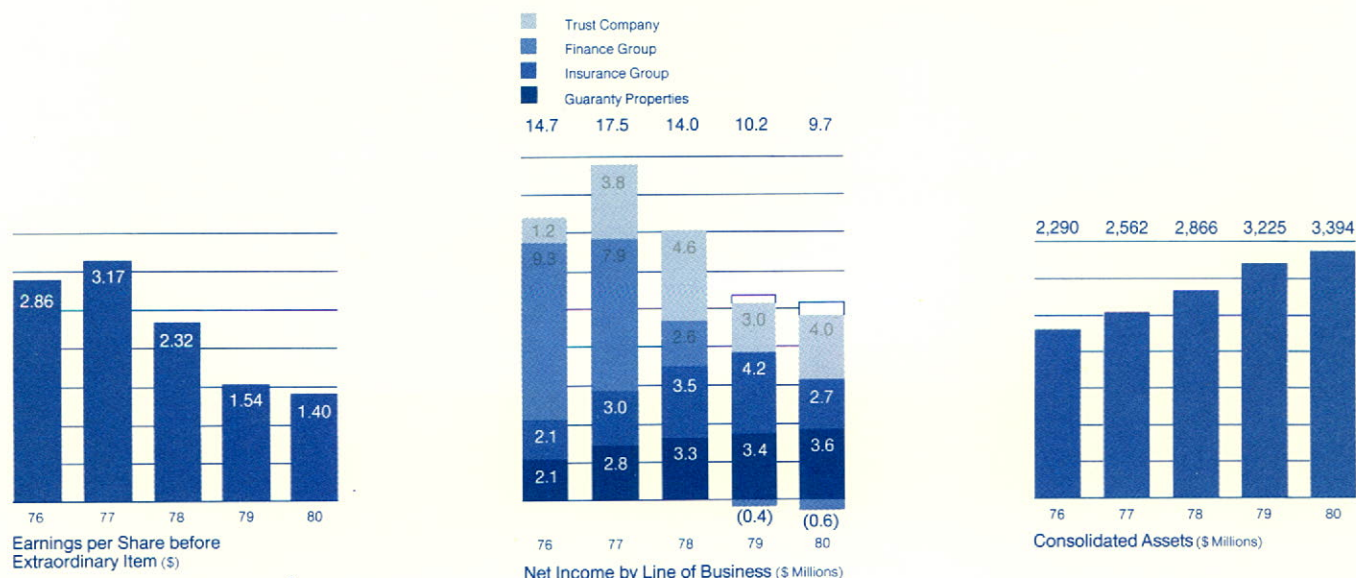
Traders Group Limited

## Highlights

	1980	1979	% Increase (Decrease)
Consolidated gross income	<b>\$ 518,527,000</b>	\$ 460,650,000	13
Consolidated net income—continuing operations	<b>11,606,000</b>	9,343,000	24
Consolidated net income	<b>9,740,000</b>	10,239,000	(5)
Earnings per common share—continuing operations	<b>1.76</b>	1.36	29
Earnings per common share	<b>1.40</b>	1.54	(9)
Dividends declared per common share	<b>1.25</b>	1.25	—
Return on average common equity	<b>5.89%</b>	6.41%	(8)
Consolidated assets	<b>\$3,393,743,000</b>	\$3,224,843,000	5
Consolidated shareholders' equity	<b>155,512,000</b>	155,337,000	—
Weighted average number of common shares outstanding	<b>5,122,000</b>	4,941,000	4
Employees	<b>3,526</b>	3,507	—
Branches	<b>329</b>	330	—

### Net Income (Loss) by Line of Business

Trust Company	<b>\$ 4,004,000</b>	\$ 3,007,000	33
Finance Group—Continuing operations	<b>1,289,000</b>	(1,327,000)	197
—Discontinued operation	<b>(1,866,000)</b>	896,000	(308)
Insurance Group	<b>2,706,000</b>	4,192,000	(35)
Guaranty Properties	<b>3,607,000</b>	3,471,000	4
Consolidated net income	<b>\$ 9,740,000</b>	\$ 10,239,000	(5)







Traders Group Limited

## Chairman's Report to Shareholders



Left to right. M. A. Hasley, Senior Vice-President Corporate Financial Services; R. E. Bethell, President and Chief Executive Officer Canadian General Insurance Group; E. A. Fricker, Senior Vice-President Finance and Administration; E. W. Flanagan, President; A. R. Marchmont, Chairman and Chief Executive Officer; J. D. Derbyshire, Senior Vice-President Consumer Financial Services; absent G. D. Wallace, Senior Vice-President Real Estate and Land Development.

In 1980, Traders Group Limited marked its 60th Anniversary. Throughout the decades, the Company has responded to the changing needs of Canadian businesses and consumers. In 1920, the Company was formed to provide financial services to the then infant new automotive industry. Since then, the Company has grown and diversified. Its current core businesses include lending to a wide variety of industries including oil and gas, construction, manufacturing and others; consumer lending of all types and deposit services; fiduciary services to corporations and individuals; property and casualty and life insurance serv-

ices and a broad range of real estate services including land development and brokerage operations.

The year 1980 was a year of great economic and political uncertainty both nationally and internationally, characterized by slow economic growth, high inflation and increasingly large and sharp fluctuations in interest rates. It was an unusually difficult year for management to control interest margins and operating costs and maintain the quality of loan portfolios while at the same time achieving growth and diversification objectives.

We are pleased to report that net income from continuing operations

rose 24.2 percent to \$11,606,000 or \$1.76 per common share for the year ended December 31, 1980. However, losses from the discontinued international operations of \$1,866,000 reduced final net income for the year to \$9,740,000. Consolidated net income available per common shareholder was \$7,152,000 or \$1.40 per common share compared with \$7,625,000 or \$1.54 per common share in 1979. A common dividend of \$1.25 was paid in both years.

Total assets rose to \$3,393,743,000 at December 31, 1980, up 5 percent from the preceding year. The trust company's consumer and corporate lending portfolios showed significant volume improvement despite unprecedented high levels of interest.

While these comments deal with the overall operations of the Corporation, summary balance sheets and statements of net income are included for each of the four major business groups—Guaranty Trust Company, the Finance Group, Canadian General Insurance Group and Guaranty Properties. In addition, a more detailed report of each of these major business units is included under the "Review of Operations", pages 4 through 8.

In the Finance Group, the excellent results from consumer and commercial lending portfolios were negated by credit losses incurred by Aetna Financial Services Limited and the International lending portfolio. More stringent credit controls have been introduced for factoring in view of the deterioration in the retail trades. Because of the unsatisfactory experience in commercial lending to the shipping industry, the Company has discontinued further participation in that market and this overseas portfolio is largely wound up except for the settlement of remaining claims.

The quality of the lending receivables of the trust company and the domestic consumer and commercial lending portfolios of the Finance Group are judged to be excellent with rates of delinquency and credit losses at satisfactory levels.





## Traders Group Limited

Gains in the volume of insurance written and the resulting earned premiums and investment income were exceeded by higher claims. This was caused by unrealistically low premium rate pricing throughout the property/casualty insurance industry which did not keep pace with the escalating cost of repairs and replacements.

The restructuring of the operating units of the Company to reflect "lines of business" as well as the integration of the staff services of the finance company operations and the trust company was completed in 1980. It has improved the marketing effectiveness of the respective business units with their sharply defined financial services. The integration of staff services of the Trust Company and Finance Group together with other productivity improvement programs have been largely responsible for the excellent results in containing general and administrative expenses. In 1980 these totalled \$106,695,000 an increase of 7 per cent from the 1979 level.

The orderly transfer of lending assets as permitted from Traders to Guaranty Trust which began in 1979 in order to take advantage of the trust company's greater financial leverage was continued. In 1980, \$75,611,000 in consumer mortgages and \$26,424,000 in commercial lending receivables were transferred to Guaranty Trust. In addition, the Land Development subsidiaries were reorganized under Guaranty Properties Limited.

After more than 6 years of discussion and revision the long-awaited Bank Act came into effect December 1, 1980. Certain provisions of this Act will directly or indirectly affect Canada's financial system.

For trust companies, a long-awaited result is that it provided for the establishment of the Canadian Payments Association (CPA) as a clearing house for negotiable instruments drawn on all deposit-accepting financial institutions. The CPA will provide trust companies with direct access to the payment system and a voice in its operation. Direct participation will help ensure our continuing ability to compete in the offering of financial services as the payment system continues to evolve.

The Act extends business powers of the Canadian and foreign banks to include financial leasing and factoring. While these are activities in which we are now engaged, this revision is not expected to seriously erode our competitive position since through subsidiaries, several Canadian and a multitude of foreign banks have been actively engaged in these areas for some years.

With the passage of the Bank Act, the way is now cleared for the introduction of the trust companies legislation in 1981. We anticipate this legislation will provide trust companies with expanded investment and lending powers and increased leverage. This would place trust companies in a more favourable position with other financial institutions and in the case of our Company, would facilitate the transfer of additional assets to Guaranty Trust and expand the scope of its financial services for Canadian consumers and businesses. The Company is well positioned to take advantage of these opportunities when the new bill is enacted.

To anticipate and provide for the many ongoing changes in the field of financial services the Company is heavily committed to employee training and the upgrading of their skills at all levels. In addition to on-the-job training and internal courses, the Company encourages and supports a wide range of professional education programs conducted by accredited Canadian Universities and Colleges as well as those of the Trust Companies Institute and the Insurance Institute of Canada. An active education policy is considered essential to provide the necessary technical and managerial competence so necessary in this period of rapid change.

It is difficult, if not impossible, to forecast the Canadian economy in 1981 with any degree of certainty. In balance, it is likely that for at least the first half of 1981 Canadian economic conditions will remain relatively static. Real gross national product may improve slightly while the rate of inflation and unemployment should rise marginally. Consumer spending influenced by inflation, unemployment and high interest rates will probably not show any significant increase. The

rate of growth in business investment is expected to be minimal, although it will be greatly influenced by the timing and manner in which the domestic energy questions are resolved.

Interest rates appear to have peaked at year-end, however, a dramatic decline such as was experienced last spring is not expected. Rates should decline in an orderly fashion during the first half of 1981 but will still remain at historically high levels. Any reduction in interest rates, should it be sustained, would substantially benefit the Company's earnings.

For the foreseeable future, it will be the Company's objective to stress cost control and operating efficiencies while refining its organization and systems to provide improved marketing and customer service.

I thank the Board of Directors for their continued support. In particular, I wish to recognize the valuable counsel of Mr. Charles S. Lee of Calgary, a director since 1978, who will not be standing for re-election in line with the Board's retirement policy. The dedication and competence of the management and staff throughout the organization is reflected in the Company's achievements in a very difficult business climate.

Alan R. Marchment  
Chairman of the Board and  
Chief Executive Officer





Traders Group Limited

## Review of Operations—Consumer and Real Estate Services

### CONSUMER SERVICES

#### Branch Deposit Operations

Total deposits in Guaranty Trust increased 15 per cent to \$2,065,919,000 at December 31, 1980.

Demand and time deposits increased 24 per cent to \$757,142,000. The average rate paid on these deposits rose to 9.8 per cent from 8.5 per cent in 1979.

Term deposits with maturities from 6 months to 5 years gained 10 per cent to \$1,308,777,000 with an average rate paid of 10.5 per cent compared with 9.7 per cent the previous year.

With the opening of a new retail branch in Winnipeg, Manitoba the branch network was expanded to 53. Four branches in Vancouver and Toronto were moved to more favourable locations. The upgrading of facilities will be continued in 1981.

An increase in the Trust Company borrowing capacity to 25 times the statutory borrowing base was approved by federal authorities in December 1980. This will permit continuing deposit expansion.

#### Guaranty Plan Consumer Loans

Consumer loan receivables outstanding increased \$104,090,000 to \$266,945,000 including \$75,611,000 in consumer mortgages purchased from Traders Finance Group on April 1, 1980.

Delinquencies were reduced to 1.4 per cent of receivables outstanding while credit losses declined to 0.3 per cent of receivables compared with 0.5 per cent the previous year. The allowance for credit losses was 0.5 per cent of outstandings at December 31, 1980.

#### Dealer Services

Guaranty Trust was the first Canadian trust company to provide a comprehensive dealer financing program for automobiles and recreational vehicles. A separate specialized branch network was established in Quebec and Western Canada utilizing the expertise in this field of the personnel of Traders which was one of the pioneers in automobile instalment financing in Canada.

Automobile and recreational vehicle financing outstanding increased to \$86,683,000 comprised of \$33,948,000 of retail accounts and \$52,735,000 of dealer inventory, capital loan and lease financing.

At December 31, 1980, delinquencies declined to 1.1 per cent of retail receivables while credit losses declined to .62 per cent of outstanding retail receivables.

Further expansion of this business is anticipated in 1981.

#### Personal Loans

Trans Canada Credit Corporation services the major Canadian consumer finance markets through its 220 branch offices.

During the year, 12 branches were consolidated which resulted in a reduction in branch operating and supervisory personnel which combined with a continued control of other operating expenses resulted in a reduction in total general and administrative expense.

Cash lending receivables outstanding decreased \$354,000 to \$245,359,000. Residential mortgages outstanding declined to \$149,482,000 from \$230,415,000 in 1979 with the sale of \$75,611,000 of eligible mortgages to Guaranty Trust.

Continued emphasis on selective credit granting and collection activity were reflected in substantially lower delinquency levels as well as the decline of \$1,627,000 to \$8,267,000 in net credit losses for the year.

Amendments to the Small Loans Act in December 1980 which eliminated the rate ceilings on cash lending of \$1,500 or less enables the Company to provide loans to customers requiring smaller amounts. This class of business was previously restricted because the low legislated rate ceilings made this business unprofitable at the Company's current cost of borrowing.

The outlook for 1981 is favourable. Profitability should be enhanced because of planned improvement in loan yields and a continuation of stringent expense controls, and maintenance of the current level of credit losses.

#### Visa

In January 1981, Guaranty Trust launched its VISA Chargex program to its existing customers. This facility, besides providing additional consumer service to customers, is considered essential to the inevitable move into electronic funds services in the years to come.

#### Personal Trust Services

The book value of Guaranty Trust Registered Retirement Savings Plans under administration rose 27 per cent to \$675,800,000. This significant increase derived primarily from the growth of special (self-managed) plans, now \$340,000,000 and the excellent growth achieved in the Guaranteed Investment Certificate RSP, introduced in 1978. The GIC-RSP, which is invested in deposits at current company GIC rates, with no fees, increased 67 per cent to a total of \$172,767,000 at year end.





## Traders Group Limited

Guaranty Trust has investment funds which have achieved outstanding performances. The Managed Fund has grown from net assets of \$27,812,650 at the end of 1979 to \$36,094,515 at the end of 1980.

Fee revenue of Investment Funds Services increased from \$3,400,000 for 1979 to \$4,300,000 for 1980.

Gross income from Estates, Trust and Agencies increased 16% to \$3,100,000. During the year, reorganization of Personal Trust Services resulted in further consolidation of branches, thereby realizing increased operating efficiency. The on-line "Trust-Aide" system has been further enhanced by the inclusion of security movement and dividend processing capabilities.

### REAL ESTATE SERVICES

#### Guaranty Properties

During 1980, the land development activities were reorganized under a new entity, Guaranty Properties Limited. Guaranty Properties replaces the wholly-owned land development companies, Forest Glenn (Dixie) Limited, Traders Developments Limited and Les Développements Val-Forêts Ltée. Guaranty Properties is also involved in several joint ventures, the largest of which is Traders Associates which, in conjunction with S. B. McLaughlin Associates Limited, are developing 2,200 acres of choice industrial and residential property in Mississauga, Ontario. Others located in Ontario include Verity Investments, Scarborough; Albion Road, Ottawa; Apple Creek Business Park, Markham and 360 Bloor Street East, Toronto.

At year end, the inventory of land stood at 3,300 acres compared with 3,500 acres the previous year. No new land was acquired during 1980.

Several major developments are ongoing. The first phase of the Industrial Park in Mississauga involving 140 acres has been registered, serviced and sales are proceeding. The second phase involving an additional 290 acres is scheduled for completion and sale during 1981.

The Company has entered into a joint venture for the construction of a luxury condominium known as 360 Bloor Street East in Toronto overlooking the Rosedale Valley. This apartment complex containing 162 units is scheduled for completion in the Spring of 1982.

The Victoria Trail Shopping Centre in the Clareview development in Edmonton was completed and was 96 per cent leased at year end. Residential sales are proceeding on plan while the large Clareview Town Centre in the City of Edmonton has obtained outline approval.

In 1981, further sales of developed residential property should take place in Edmonton, Alberta as well as industrial lots in Markham, Ontario. A lower level of sales volume is anticipated because of restrained building starts. The Company will actively pursue new projects to replace those in the process of completion.

#### Property Management

The Property Management operations are active in the greater Toronto and Ottawa areas. An advanced computer system was introduced to improve efficiency as well as the timeliness and quality of client reports and services.

#### Real Estate Sales

Gross real estate sales, commissions and income all registered record gains.

Despite escalating mortgage rates in the fourth quarter, real estate sales were maintained with the result that this division completed sales involving more than \$200,000,000 in real estate during 1980.

The sales force was expanded with the acquisition of two branch offices in Ottawa while six smaller branches were closed in marginal markets.

While high mortgage rates are projected to curtail new building in some areas, a strong 1981 resale market is expected in many of the major communities serviced by Guaranty Trust Realtor.





## Review of Operations—Corporate Financial Services

### Corporate Financing

The merging of the business financing operations of Guaranty Trust and Traders initiated in 1979 has been completed and has resulted in more effective marketing and improved income. This expanded network which now includes 21 offices from coast to coast is identified as "Guaranty Trust Corporate Financing".

The combined commercial lending portfolios increased to \$412,000,000. Together with the commercial mortgages and automobile dealer wholesale loans mentioned earlier the commercial assets of the two companies reached \$650,000,000.

Corporate loans and equipment financing for end users increased 16 per cent to \$246,000,000 while inventory financing for manufacturers and distributors of capital equipment decreased to \$29,000,000 as the result of the decline in outstandings for the dealers of a farm equipment manufacturer.

As anticipated, the lease portfolio declined to \$124,000,000 reflecting previous tax revisions which substantially reduced the benefits of this type of financing for large corporate borrowers.

Notwithstanding the poor economy, delinquency and losses remained below traditional levels, reflecting the high quality of the Company's assets. In spite of the forecasted weak economic performance in 1981, this group plans a year of profitable growth through its broadened market coverage.

### Mortgages

The mortgage market continued to be very competitive. Widely fluctuating interest rates caused uncertainty and reduced demand in some areas, with a marked shift away from five year mortgages to shorter terms. However, strong construction activity in Alberta and British Columbia partially offset the reduced volume in Ontario.

In 1980, Guaranty Trust advanced \$214,000,000 for guaranteed and trust clients. The guaranteed residential mortgage portfolio increased 8 per cent to \$1,170,170,000, and the commercial/industrial mortgage portfolio increased 7 per cent to \$194,028,000.

Despite the slowing economy, there was only a slight deterioration in arrears.

During 1981, it is anticipated that demand for funds will not increase substantially, but interest rates may be less volatile. Continued strong growth in Western Canada should permit mortgage commitments in 1981 to approximate the 1980 level.

### Corporate Trust Services

Pension, stock transfer and corporate trust fees and commissions rose 43 per cent to \$6,200,000 for 1980.

Pension services assets under administration gained 33 per cent to \$515,000,000.

A 44 per cent increase was recorded by the pooled pension fund to \$140,000,000 and its performance continued to rank on a total fund basis in the top 25 per cent of Canadian Funds over a four year period.

Master Trust Service, an electronic accounting system for corporate clients with more than one investment manager, is planned for introduction early in 1981. This new service will be the first full data-based system available in Canada.

Gross income from transfer services increased 48 per cent to \$4,600,000. The expanded Transfer Services offices, providing facilities from coast to coast, achieved record levels of activity and fees. The Company was appointed registrar and transfer agent for several of the largest equity underwritings made by companies during the year. By means of the FAST (Fully Automated Stock Transfer) System, it now acts for 820 companies or 26 per cent of all publicly-owned Canadian corporations. In 1980, 1,600,000 new share certificates were issued, an increase of 80 per cent. The department handled more stock splits, share exchanges, acquisitions, redemptions and stock dividends than at any time in its history.

During the first quarter of 1981, a new dividend reinvestment service will be introduced which will provide, in addition to regular services, a unique retirement savings plan option.

### Securities and Money Market

Cash and bank deposit receipts of Guaranty Trust were increased to

\$240,868,000 from \$200,237,000 the previous year-end. Of this amount, \$186,589,000 was matched against a like amount of time deposits producing an increased spread.

The bond portfolio remains relatively unchanged at \$53,506,000 compared to \$52,844,000. The redemptions as a result of normal maturities were largely offset by the purchase of short term discount bonds with maturities of less than 2 years.

Investments in stocks decreased \$4,218,000 to \$76,356,000 the largest portion of which is held in preferred issues.

### Factoring

As a result of the high credit losses in 1979 credit policies were significantly tightened in 1980. Aetna Financial Services Limited basically left the commercial finance market and concentrated on factoring with more conservative lending criteria. Factoring commission rates were increased and expenses were tightly controlled.

In spite of these positive steps, the retail environment in which Aetna does most of its business was not strong. Large numbers of retailers failed, creating increased customer losses. In addition, two clients, who barely survived 1979's difficulties, succumbed in 1980 resulting in additional write-offs. Traders share of the net loss amounted to \$1,793,000.

Although 1981 appears to be another difficult year for retailing, the higher commissions and stricter credit-granting should result in Aetna returning to a profitable position.

### International Operations

Traders Finance S.A. and subsidiaries which conduct corporate lending and leasing overseas experienced adverse results during 1980. Because of the unsatisfactory experience in commercial lending to the shipping industry, steps were taken to discontinue further participation in that market and an orderly liquidation of the portfolio was commenced. As a result, receivables outstanding at December 31, 1980 amounted to \$8,372,000 compared to \$36,271,000 at the preceding year-end.

This overseas portfolio is largely wound up except for the settlement of remaining claims. Loss reserves have been provided for these accounts where necessary.





Traders Group Limited

## Review of Operations—Insurance Services

### **CANADIAN GENERAL INSURANCE COMPANY**

### **TORONTO GENERAL INSURANCE COMPANY**

### **TRADERS GENERAL INSURANCE COMPANY**

### **CANADIAN GENERAL LIFE INSURANCE COMPANY**

Canadian General Insurance Group contributed \$2,706,000 to the net income of Traders Group Limited in 1980 compared with \$4,192,000 in 1979.

#### **Income**

The general companies and the life company achieved increases in the volume of gross written premiums. The general companies gross written premium increased 6.8 per cent to \$104,682,000. The life company realized an 18.6 per cent increase in premium volume to \$17,915,000.

Investment income rose significantly as the result of higher interest rates during the year as well as the return on the higher level of premium income. Capital gains on the sale of securities remained relatively constant.

#### **Claims**

The general companies suffered a deteriorating claims ratio for the year as did the Canadian property-casualty insurance industry. The industry as a whole experienced record underwriting losses in 1980 as premium rate levels fell well short of the increased cost of claims.

Unrealistic competitive pricing kept premium rate increases well below the rate of inflation whereas the cost of auto damage repairs for example increased more than 20 per cent for the year.

There has been a rapid growth in market capacity in recent years with the entry of a number of overseas insurers into the Canadian market. This excess capacity together with the drive for investment income, has kept premium levels at an artificially low level and delayed rate increases which were necessary to meet the inflated costs of claims settlements.

General and administrative expenses were well controlled in line with the increased level of business written.

#### **Outlook**

Although some premium increases were introduced during 1980 and further increases were introduced in January 1981, the continuing impact of inflation on the cost of claims and the forecast decline in income from investments will preclude an early return to the profit levels of prior years.

The Insurance Group will be seeking more realistic rate levels during 1981 and if they are forthcoming, there should be some improvement shown in 1982.





## Review of Operations—Finance and Administration

### Treasury Operations

Dividends paid during 1980 were \$1.25 per common share, unchanged from the previous year. The year end quarterly dividend brought to 131 the number of consecutive common dividend payments.

During 1980, interest rates rose to unprecedented levels. The chartered bank prime rate reached a record rate of 17.50 per cent early in April, falling back to 12.25 per cent by mid-year. A resurgence of interest rate increases followed with the prime peaking at 18.25 per cent by year-end. These rates were reflected in the borrowing costs of Traders. The average placement rate for short term senior notes increased to 13.66 per cent from 11.98 per cent for the previous year. Average senior short term outstandings were \$214 million, compared with \$264 million in 1979. Money market dealers placed nearly \$1.1 billion of these short term notes during the year. The decline in outstandings was the result of transfers of portfolios to Guaranty Trust and the planned liquidation of the International portfolio.

Holders of two outstanding issues of Debentures had the right to exercise prepayment options in 1980. The Company also had the option to increase the coupon rates for the remaining terms of the issues. The interest rate on the 11 1/4 per cent Debentures due June 15, 1990 was increased to 14 3/4 per cent. The Company did not elect to increase the rate on the 11 1/2 per cent Debentures due November 1, 1990. \$15 million of the latter issue was retracted and replaced by \$15 million of subordinated debt, provided by two Canadian banks.

At year-end, total short term senior debt was 28 per cent of the total debt of the Company as opposed to 35 per cent at the end of 1979. Medium term and total long term debt was 72 per cent in contrast to 65 per cent at the end of 1979. The ratio of finance receivables to debt maturing in one year has improved to 125% at the end of 1980.

The Company strengthened its capital structure in 1980 through the transfer of assets to Guaranty Trust and concurrent repayment of senior debt. Senior obligations to Capital Base, which under the Deed of Trust and Mortgage shall not be in excess of 350 per cent, was 275 per cent at year end as compared with 321 per cent a year earlier.

Total bank lines of credit at the end of 1980 were \$382 million which included \$115 million for subsidiaries. Bank lines of the Company at year end represented 153 per cent of short term borrowings compared with 119 per cent at the end of 1979. These lines which support the short term debt are maintained with eight Canadian, and twenty four United States banks.

### Administration

The Company has accelerated its emphasis on cost control and improved productivity. In 1980, a specially trained internal team of productivity and methods analysts were assigned to define and analyze jobs in various departments in conjunction with the respective supervisor, so as to improve methods, provide an equitable distribution of work and to recognize and reward good performance. During the year, the program was introduced to the Finance and Administration Division, the Payroll Department and the Transfer Services Department. Favourable results are evident both in achieving significant cost reductions and improving the quality of first line supervision, as well as increasing employee job satisfaction. In 1981, this program will be expanded to other areas of the Company's head office and branch operations.

### Computer Systems

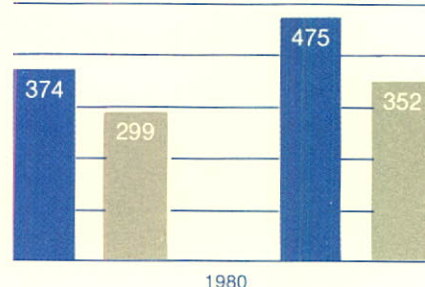
Early in 1980, the Canada Systems Group assumed the computer processing services for the Company and its subsidiaries. As anticipated, this has provided improved security, eliminated the need for continued updating of hardware and improved controls.

By August 1980, all Guaranty Trust branches were converted to an on-line banking service developed by Guaranty Trust in partnership with other leading trust companies. This system currently services savings and chequing deposits and provides an on-line interface with the Company's general ledger. In 1981, the system will be expanded to add additional services such as time and term deposits and registered funds.

The development of an advanced mortgage accounting and reporting system has been completed and was introduced in Toronto in January 1981. All other mortgage branches will be converted to this system during 1981.

These changes, together with the planned automation of Guaranty Trust personal and corporate loans in 1981, will result in all major business systems being automated and on line by the end of this year.

Due Within One Year		Due Beyond One Year	
Finance Receivables	Debt	Finance Receivables	Debt



Maturities of Debt vs. Maturities of Finance Receivables (\$ millions)



## Summary of Accounting Policies

### Principles of Consolidation:

The consolidated financial statements include the accounts of all subsidiaries as set out on page 32. Financial data covering the Company's significant business segments are included in the summarized financial information of subsidiaries which is an integral part of the consolidated financial statements.

### Foreign Exchange:

Foreign currency receivables and debt of the Company due within one year are translated to Canadian dollars at either the exchange rate at balance sheet date or at forward contract rates where such contracts have been made. Foreign currency receivables and debt of the Company due beyond one year are included in the consolidated financial statements at the Canadian dollar amount received at date of issue.

Foreign cash balances of the Company are translated to Canadian dollars at the exchange rate at balance sheet date.

The financial statements of foreign subsidiaries have been translated to Canadian dollars at the exchange rate in effect at the balance sheet date.

Realized gains or losses arising from market fluctuations are reflected in current operations, while those arising from revaluation of currencies are recorded as extraordinary items.

### Income Taxes:

Income taxes are provided on the tax allocation basis which relates income taxes to the accounting income for the year. Income taxes deferred to future years arise principally from direct financing lease contracts and from claiming a mortgage reserve for tax purposes.

The Company's income tax provisions vary with the amount of after-tax dividend income it receives from Canadian corporations.

### Depreciation and Amortization:

Property and equipment are carried at cost and depreciated over estimated productive lives or terms of the lease using various rates and methods.

### Trust Company Accounting:

Securities are stated at amortized cost except for corporate notes and stocks which are stated at cost. Loans are stated at cost less any provision for losses which management considers necessary in the circumstances.

Income is recorded on an accrual basis. Discounts or premiums on the purchase of government bonds are amortized on a yield to maturity basis. Discounts or premiums on the other bonds and loans are amortized on a straight-line basis over the term to maturity.

Realized gains or losses on investments are included in the statement of income.

The Company follows accrual accounting for all corporate services it provides including the stock transfer agency business. Accrual accounting is also followed for most fees arising from the estate, trust and agency business.



## Summary of Accounting Policies (Continued)

### **Finance Accounting:**

Unearned income on direct financing lease contracts and certain long term instalment contracts is computed on an actuarial yield basis. Unearned income on other instalment contracts is computed by the sum of the digits method. Income from interest bearing loans is recorded on an accrual basis.

The Finance Group holds up to 50% of the equity shares in associated companies, which are accounted for on an equity basis.

### **Insurance Accounting:**

Bonds and mortgages are stated at amortized cost. Stocks are stated at cost. Cost of investments is reduced by the amount considered to be permanently impaired and such write-down is charged to income in the year of recognition. Gains or losses are recognized in income when realized.

Unearned premiums are taken into income over the term of the policies, on a semi-monthly basis.

Commission and premium taxes which approximate 20% of premiums written are deferred. These costs are amortized over the life of the policy and are recoverable on a pro rata basis in the event of policy cancellation.

Reinsurance premiums ceded are recorded as a reduction of gross premiums. Net premiums earned are determined after deducting the reinsurance earned on a pro rata basis. Claims recoverable from reinsurers are deducted from gross claims incurred. Commissions received from reinsurers are deducted from gross commissions paid to agents. In the case of reinsurance contracts where the premium or commission rate is subject to its loss experience, the insurance subsidiary records its liability at the estimated ultimate rate.

The provision for claims in the course of settlement is based on estimates of the net loss and related expenses for investigating and settling claims.

Losses incurred but not reported are determined by estimating the liability based on past results. Anticipated salvage and subrogation recoveries are not recorded until received in cash.

### **Guaranty Properties Accounting:**

Income on land sales is recorded after all material conditions have been fulfilled and at least 15% of the sale price has been received in cash.

Land is carried at the lower of cost including direct carrying charges (primarily interest and realty taxes) and development costs to date, and estimated realizable value.

The proportionate share of the individual assets, liabilities, income and expenses of real estate associated companies and joint ventures is included in the consolidated financial statements.



## Consolidated Statement of Income

Year ended December 31

	1980	1979
<b>Gross income</b>		
Trust company loan, investment and fee income . . . . .	\$250,004,000	\$194,518,000
Finance charges and related income. . . . .	137,380,000	139,185,000
Insurance premiums and investment income . . . . .	112,088,000	103,652,000
Guaranty Properties, sales and other income . . . . .	17,494,000	21,997,000
Gain on sale of investments . . . . .	1,561,000	1,298,000
	<b>518,527,000</b>	<b>460,650,000</b>
<b>Expenses</b>		
Interest expense—trust . . . . .	196,637,000	152,838,000
—finance and property . . . . .	82,945,000	77,911,000
	<b>279,582,000</b>	<b>230,749,000</b>
Insurance claims. . . . .	79,225,000	68,686,000
Insurance commissions and premium taxes. . . . .	17,998,000	18,195,000
Cost of land sales . . . . .	6,824,000	13,199,000
Credit losses. . . . .	14,468,000	19,494,000
Salaries and staff benefits . . . . .	55,467,000	52,967,000
Premises including depreciation . . . . .	11,751,000	11,556,000
Other expenses . . . . .	39,477,000	35,721,000
	<b>504,792,000</b>	<b>450,567,000</b>
Income before income taxes and minority interest . . . . .	13,735,000	10,083,000
Income taxes—current . . . . .	1,654,000	2,844,000
—deferred . . . . .	901,000	(1,215,000)
	<b>2,555,000</b>	<b>1,629,000</b>
<b>Net operating income</b> . . . . .	<b>11,180,000</b>	<b>8,454,000</b>
Minority interest and consolidation adjustments. . . . .	426,000	889,000
<b>Net operating income from continuing operations</b> . . . . .	<b>11,606,000</b>	<b>9,343,000</b>
(Loss) net income from discontinued operation (Note 6) . . . . .	(1,866,000)	896,000
<b>Net income for the year</b> . . . . .	<b>\$ 9,740,000</b>	<b>\$ 10,239,000</b>
<b>Available for</b>		
Preferred shares . . . . .	\$ 2,588,000	\$ 2,614,000
Common shares . . . . .	7,152,000	7,625,000
	<b>\$ 9,740,000</b>	<b>\$ 10,239,000</b>
<b>Earnings per common share</b> —continuing operations . . . . .		
—discontinued operation . . . . .	\$1.76	\$1.36
	(.36)	.18
	<b>\$1.40</b>	<b>\$1.54</b>
Weighted average number of common shares outstanding after inter-company elimination . . . . .	<b>5,122,000</b>	<b>4,941,000</b>



**Consolidated Balance Sheet**

December 31	1980	1979
<b>Assets</b>		
<b>Trust</b>		
Cash and securities .....	<b>\$ 392,940,000</b>	\$ 354,278,000
Loans .....	<b>1,814,214,000</b>	1,574,370,000
	<b>2,207,154,000</b>	1,928,648,000
<b>Finance</b>		
Cash and money market instruments .....	<b>8,512,000</b>	6,796,000
Receivables .....	<b>838,994,000</b>	996,221,000
	<b>847,506,000</b>	1,003,017,000
<b>Insurance</b>		
Cash and investments .....	<b>143,360,000</b>	136,412,000
Premiums receivable and deferred acquisition costs .....	<b>24,498,000</b>	23,429,000
	<b>167,858,000</b>	159,841,000
<b>Guaranty Properties</b>		
Cash and mortgages receivable .....	<b>22,863,000</b>	19,746,000
Real estate .....	<b>94,833,000</b>	70,783,000
	<b>117,696,000</b>	90,529,000
<b>Other</b>		
Investments in associated companies and other investments .....	<b>3,629,000</b>	3,271,000
Fixed assets .....	<b>17,073,000</b>	16,012,000
Miscellaneous assets .....	<b>32,827,000</b>	23,525,000
	<b>\$3,393,743,000</b>	\$3,224,843,000

**Auditors' Report****To the Shareholders of Traders Group Limited:**

We have examined the consolidated balance sheet of Traders Group Limited as at December 31, 1980 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination of Traders Group Limited and those subsidiaries of which we are the auditors was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. We have relied on the report of the auditors who have examined the financial statements of Aetna Financial Services Limited and subsidiary.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1980 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, February 4, 1981.

PRICE WATERHOUSE & CO.  
Chartered Accountants



December 31	1980	1979
<b>Liabilities</b>		
<b>Trust</b>		
Savings and chequing accounts .....	\$ 570,553,000	\$ 473,215,000
Time deposits .....	186,589,000	137,681,000
Guaranteed investment certificates .....	1,308,777,000	1,185,086,000
	<u>2,065,919,000</u>	<u>1,795,982,000</u>
<b>Finance</b>		
Debt (Note 2) .....	650,607,000	764,236,000
Unearned finance charges .....	97,366,000	120,374,000
	<u>747,973,000</u>	<u>884,610,000</u>
<b>Insurance</b>		
Claims in course of settlement .....	76,397,000	68,432,000
Unearned premiums .....	44,020,000	46,264,000
	<u>120,417,000</u>	<u>114,696,000</u>
<b>Guaranty Properties</b>		
Bank loans and mortgages payable (Note 2) .....	74,676,000	58,236,000
<b>Other</b>		
Accounts payable and accrued expenses .....	163,078,000	150,586,000
Deferred income taxes .....	47,956,000	45,139,000
Minority interest (including Trust company preference shares) .....	18,212,000	20,257,000
<b>Shareholders' equity (Note 2)</b>		
Preferred shares .....	33,789,000	34,062,000
Common shares .....	64,465,000	64,465,000
	<u>98,254,000</u>	<u>98,527,000</u>
Retained earnings .....	85,659,000	84,859,000
	<u>183,913,000</u>	<u>183,386,000</u>
Elimination of inter-company holdings .....	(28,401,000)	(28,049,000)
	<u>155,512,000</u>	<u>155,337,000</u>
	<u>\$3,393,743,000</u>	<u>\$3,224,843,000</u>

The accompanying notes form an integral part of the consolidated financial statements.

Approved by the Board:

A. R. Marchment, Director

I. R. Gerstein, Director



Traders Group Limited

## Consolidated Statement of Retained Earnings

Year ended December 31	1980	1979
<b>Balance at beginning of year</b> .....	<b>\$ 84,859,000</b>	\$ 83,388,000
Adjustments arising during the year—		
Change in holdings in subsidiaries .....	<b>8,000</b>	20,000
Amortization of cost of issuing preferred shares, net of gain on redemption .....	<b>44,000</b>	25,000
	<b>84,911,000</b>	83,433,000
<b>Net income for the year</b> .....	<b>9,740,000</b>	10,239,000
Less dividends on preferred shares—		
4½% .....	<b>136,000</b>	136,000
5% .....	<b>58,000</b>	58,000
5%, Series A .....	<b>66,000</b>	71,000
\$2.16, Series B .....	<b>413,000</b>	422,000
10¼% .....	<b>768,000</b>	768,000
7.5% .....	<b>1,147,000</b>	1,159,000
	<b>2,588,000</b>	2,614,000
<b>Earnings available for common shares</b> .....	<b>7,152,000</b>	7,625,000
Less dividends on common shares, net of inter-company holdings (1980 and 1979—\$1.25 per share) .....	<b>6,404,000</b>	6,199,000
<b>Earnings retained for the year</b> .....	<b>748,000</b>	1,426,000
<b>Balance at end of year</b> .....	<b>\$ 85,659,000</b>	\$ 84,859,000



## Consolidated Statement of Changes in Financial Position

Year ended December 31	1980	1979
<b>Funds provided by:</b>		
Operations:		
Net income .....	\$ 9,740,000	\$ 10,239,000
Add non cash items:		
Depreciation and amortization .....	1,818,000	1,990,000
Deferred income taxes .....	901,000	(1,215,000)
	12,459,000	11,014,000
Proceeds from issue and redemption of shares of the Company .....		
	(273,000)	2,437,000
Net increase (decrease) in:		
Trust company deposits .....	269,937,000	258,375,000
Finance debt .....	(113,629,000)	34,538,000
Guaranty Properties debt .....	16,440,000	30,663,000
Insurance claims in course of settlement .....	7,965,000	11,125,000
Unearned insurance premiums .....	(2,244,000)	7,934,000
Other .....	2,403,000	10,639,000
	\$193,058,000	\$366,725,000
<b>Funds applied to:</b>		
Dividends .....	\$ 8,992,000	\$ 8,813,000
Addition to fixed assets .....	2,879,000	4,573,000
Net increase (decrease) in:		
Trust company cash, loans and investments .....	278,506,000	283,096,000
Finance cash and receivables, net of unearned finance charges .....	(132,503,000)	8,093,000
Insurance cash, investments and other .....	8,017,000	20,233,000
Guaranty Properties cash, mortgages and real estate .....	27,167,000	41,917,000
	\$193,058,000	\$366,725,000



## Financial Information of Subsidiaries

Statement of  
Income

## Guaranty Trust Company of Canada

Year ended December 31	1980	1979
<b>Gross income</b>		
Interest from mortgage and other loans . . . . .	\$ 190,304,000	\$ 141,626,000
Interest and dividends from securities and bank deposit receipts . . . . .	37,430,000	35,652,000
Real estate fees and commissions . . . . .	6,913,000	5,456,000
Other fees and commissions . . . . .	15,357,000	11,784,000
	<u>250,004,000</u>	<u>194,518,000</u>
<b>Expenses</b>		
Interest on deposits . . . . .	196,637,000	152,838,000
Credit losses . . . . .	1,291,000	1,123,000
Salaries and staff benefits . . . . .	23,852,000	18,522,000
Premises including depreciation and amortization . . . . .	5,990,000	4,720,000
Real estate commissions paid . . . . .	5,028,000	3,921,000
Other expenses . . . . .	14,673,000	11,619,000
	<u>247,471,000</u>	<u>192,743,000</u>
Income before income taxes . . . . .	2,533,000	1,775,000
Income taxes deferred . . . . .	(2,071,000)	(1,997,000)
<b>Net operating income</b> . . . . .	4,604,000	3,772,000
Net gain on investments, less applicable income taxes . . . . .	132,000	26,000
Net income before minority interest . . . . .	4,736,000	3,798,000
Minority interest and consolidation adjustments . . . . .	732,000	791,000
<b>Net contribution to Traders</b> . . . . .	<u>\$ 4,004,000</u>	<u>\$ 3,007,000</u>

Summary  
Balance Sheet

December 31	1980	1979
<b>Assets</b>		
Cash and securities		
Cash and bank deposit receipts . . . . .	\$ 240,868,000	\$ 200,237,000
Securities and loan income due and accrued . . . . .	22,210,000	20,623,000
Securities (Note 9) . . . . .	129,862,000	133,418,000
	<u>392,940,000</u>	<u>354,278,000</u>
Loans		
Consumer . . . . .	266,945,000	162,855,000
Mortgages, residential . . . . .	1,170,170,000	1,085,064,000
Mortgages, commercial . . . . .	194,028,000	180,981,000
Corporate . . . . .	96,388,000	59,482,000
Sales finance . . . . .	86,683,000	85,988,000
	<u>1,814,214,000</u>	<u>1,574,370,000</u>
Other		
Fixed assets . . . . .	5,823,000	9,902,000
Miscellaneous assets . . . . .	16,611,000	11,909,000
	<u>\$2,229,588,000</u>	<u>\$1,950,459,000</u>
<b>Liabilities</b>		
Deposits		
Savings and chequing accounts . . . . .	\$ 570,553,000	\$ 473,215,000
Time deposits . . . . .	186,589,000	137,681,000
Guaranteed investment certificates . . . . .	1,308,777,000	1,185,086,000
	<u>2,065,919,000</u>	<u>1,795,982,000</u>
Other		
Interest accrued and other payables . . . . .	66,277,000	57,140,000
Unearned finance charges . . . . .	5,244,000	5,192,000
Deferred income taxes . . . . .	577,000	2,518,000
Minority interest (primarily preference shares) . . . . .	14,889,000	15,759,000
Traders investment, at equity value . . . . .	76,682,000	73,868,000
	<u>\$2,229,588,000</u>	<u>\$1,950,459,000</u>



## Financial Information of Subsidiaries

	<b>Finance Group*</b>	
Year ended December 31	1980	1979
<b>Gross income</b>		
Consumer	\$ 85,601,000	\$ 90,913,000
Commercial	39,610,000	32,628,000
Factoring	11,193,000	14,662,000
Other	976,000	982,000
	<b>137,380,000</b>	<b>139,185,000</b>
<b>Expenses</b>		
Interest expense—		
Secured debt		
Short term	30,053,000	32,467,000
Medium and long term	35,143,000	28,928,000
Debt of finance subsidiaries	3,753,000	3,262,000
Unsecured debt	10,568,000	10,793,000
Other borrowing costs	1,632,000	1,573,000
	<b>81,149,000</b>	<b>77,023,000</b>
Credit losses—finance	8,884,000	11,073,000
—factoring	4,293,000	7,298,000
Salaries and staff benefits	22,670,000	26,413,000
Premises including depreciation	4,182,000	5,578,000
Other expenses	15,032,000	15,686,000
	<b>136,210,000</b>	<b>143,071,000</b>
Income (loss) before income taxes and minority interest	1,170,000	(3,886,000)
Income taxes—current	503,000	422,000
—deferred	573,000	(1,253,000)
	<b>1,076,000</b>	<b>(831,000)</b>
Net income (loss)	94,000	(3,055,000)
Minority interest in loss of finance subsidiaries	1,195,000	1,728,000
<b>Net contribution from continuing operations</b>	<b>1,289,000</b>	<b>(1,327,000)</b>
(Loss) net income from discontinued operation (Note 6)	(1,866,000)	896,000
Net contribution	<b>(577,000)</b>	<b>(431,000)</b>
Equity share in net income of non-finance subsidiaries:		
Guaranty Trust Company of Canada	4,004,000	3,007,000
Canadian General Insurance Group	2,706,000	4,192,000
Guaranty Properties	3,607,000	3,471,000
<b>Net income for the year</b>	<b>\$ 9,740,000</b>	<b>\$ 10,239,000</b>

### Statement of Income

	<b>Finance Group*</b>	
December 31	1980	1979
<b>Assets</b>		
Cash and money market instruments	\$ 8,512,000	\$ 6,796,000
Receivables		
Finance, including \$373,640,000 due within one year (1979—\$419,428,000)		
Consumer	497,132,000	572,403,000
Commercial	286,505,000	321,722,000
Factoring	56,408,000	81,513,000
International (Note 6)	8,372,000	36,271,000
	<b>848,417,000</b>	<b>1,011,909,000</b>
Loans to associated companies	16,304,000	16,780,000
	<b>864,721,000</b>	<b>1,028,689,000</b>
Less: Allowance for credit losses	25,727,000	32,468,000
Investments and advances:	<b>838,994,000</b>	<b>996,221,000</b>
Investments in non-finance subsidiaries at equity value		
Guaranty Trust Company of Canada	76,682,000	73,868,000
Canadian General Insurance Group	31,900,000	30,685,000
Guaranty Properties	11,033,000	9,629,000
Investment in associated companies and other investments	3,629,000	3,271,000
	<b>123,244,000</b>	<b>117,453,000</b>
Other		
Fixed assets	9,002,000	3,792,000
Miscellaneous assets	5,921,000	6,209,000
	<b>\$ 985,673,000</b>	<b>\$1,130,471,000</b>
<b>Liabilities</b>		
Debt (Note 2)	\$ 650,607,000	\$ 764,236,000
Unearned finance charges	97,366,000	120,374,000
Other		
Accounts payable and accrued expenses	45,462,000	53,175,000
Deferred income taxes	33,765,000	33,192,000
Minority interest in finance subsidiaries	2,961,000	4,157,000
Shareholders' equity	155,512,000	155,337,000
	<b>\$ 985,673,000</b>	<b>\$1,130,471,000</b>

### Summary Balance Sheet

\*Includes the following subsidiary companies:  
 Trans Canada Credit Corporation Limited  
 Trans Canada Credit Realty Limited  
 Traders Homeplan Limited and subsidiary  
 Traders Realty Limited  
 Traders Finance Corporation (1966) Limited  
 Aetna Financial Services Limited and subsidiary  
 Traders Finance S.A. and subsidiaries  
 Traders Finance Corporation (1976) Limited



## Financial Information of Subsidiaries

### Statement of Income

#### Canadian General Insurance Group\*

Year ended December 31	1980	1979
Gross written premiums . . . . .	\$122,597,000	\$113,036,000
Reinsurance ceded . . . . .	22,745,000	12,991,000
Net written premiums . . . . .	<u>\$ 99,852,000</u>	<u>\$100,045,000</u>
<b>Gross income</b>		
Net earned premiums . . . . .	\$ 99,075,000	\$ 92,117,000
Investment income . . . . .	13,013,000	11,535,000
	<u>112,088,000</u>	<u>103,652,000</u>
Gain on sale of securities . . . . .	1,429,000	1,272,000
	<u>113,517,000</u>	<u>104,924,000</u>
<b>Expenses</b>		
Claims . . . . .	79,225,000	68,686,000
Commissions and premium taxes . . . . .	17,998,000	18,195,000
Salaries and staff benefits . . . . .	8,120,000	7,371,000
Premises including depreciation . . . . .	1,360,000	1,130,000
Other expenses . . . . .	4,312,000	4,096,000
	<u>111,015,000</u>	<u>99,478,000</u>
Income before income taxes . . . . .	2,502,000	5,446,000
Income taxes—current . . . . .	(196,000)	483,000
—deferred . . . . .	(45,000)	723,000
	<u>(241,000)</u>	<u>1,206,000</u>
Net income before minority interest . . . . .	2,743,000	4,240,000
Minority interest . . . . .	37,000	48,000
<b>Net contribution to Traders</b> . . . . .	<u>\$ 2,706,000</u>	<u>\$ 4,192,000</u>

### Summary Balance Sheet

December 31	1980	1979
<b>Assets</b>		
Cash and short term investments . . . . .	\$ 25,891,000	\$ 28,741,000
Bonds (market value 1980—\$62,341,000; 1979—\$59,546,000) . . . . .	68,319,000	65,378,000
Stocks (market value 1980—\$32,925,000; 1979—\$24,155,000) . . . . .	29,886,000	21,726,000
Mortgages . . . . .	19,264,000	20,567,000
	<u>143,360,000</u>	<u>136,412,000</u>
Premiums receivable from agents and policyholders . . . . .	18,278,000	16,854,000
Deferred acquisition costs . . . . .	6,220,000	6,575,000
Fixed assets . . . . .	2,158,000	2,258,000
Miscellaneous assets . . . . .	7,072,000	4,632,000
	<u>\$177,088,000</u>	<u>\$166,731,000</u>
<b>Liabilities</b>		
Claims in course of settlement . . . . .	\$ 76,397,000	\$ 68,432,000
Unearned insurance premiums . . . . .	44,020,000	46,264,000
Provision for policy obligations . . . . .	11,400,000	9,936,000
Accounts payable and accrued expenses . . . . .	9,509,000	7,528,000
Deferred income taxes . . . . .	3,500,000	3,545,000
Minority interest . . . . .	362,000	341,000
Traders investment, at equity value . . . . .	31,900,000	30,685,000
	<u>\$177,088,000</u>	<u>\$166,731,000</u>

\*Includes the following subsidiary companies:

Canadian General Insurance Company  
Toronto General Insurance Company  
Traders General Insurance Company  
Canadian General Life Insurance Company.



Traders Group Limited

## Financial Information of Subsidiaries

### Guaranty Properties Limited\*

### Statement of Income

13 months ended December 31 (Note 12)	1980	1979 (Note 12)
<b>Gross income</b>		
Sales .....	\$ 15,561,000	\$20,838,000
Other .....	1,933,000	1,159,000
	<b>17,494,000</b>	<b>21,997,000</b>
<b>Expenses</b>		
Cost of sales .....	6,824,000	13,199,000
Interest expense .....	1,796,000	888,000
Salaries and staff benefits .....	825,000	661,000
Premises including depreciation .....	219,000	128,000
Other expenses .....	432,000	399,000
	<b>10,096,000</b>	<b>15,275,000</b>
Income before income taxes .....	<b>7,398,000</b>	6,722,000
Income taxes—current .....	1,347,000	1,939,000
—deferred .....	2,444,000	1,312,000
	<b>3,791,000</b>	<b>3,251,000</b>
<b>Net contribution to Traders</b> .....	<b>\$ 3,607,000</b>	<b>\$ 3,471,000</b>

### Summary Balance Sheet

December 31 (Note 12)	1980	1979 (Note 12)
<b>Assets</b>		
Cash .....	\$ 875,000	\$ —
Mortgages receivable and other secured receivables .....	21,988,000	19,746,000
Real estate		
Land inventory .....	90,411,000	69,911,000
Housing under construction .....	2,884,000	—
Income producing property .....	1,538,000	872,000
	<b>94,833,000</b>	<b>70,783,000</b>
Other		
Fixed assets .....	90,000	60,000
Miscellaneous assets .....	3,223,000	775,000
	<b>\$121,009,000</b>	<b>\$91,364,000</b>
<b>Liabilities</b>		
Debt (Note 2)		
Bank loans .....	\$ 70,246,000	\$ 52,235,000
Mortgages payable .....	4,430,000	6,001,000
	<b>74,676,000</b>	<b>58,236,000</b>
Other		
Bank indebtedness .....	—	254,000
Accounts payable and accrued expenses .....	19,456,000	13,986,000
Deferred income taxes .....	10,114,000	5,884,000
Advance from associated companies .....	5,730,000	3,375,000
Traders investment, at equity value .....	11,033,000	9,629,000
	<b>\$121,009,000</b>	<b>\$91,364,000</b>

\*Includes interest in the following associated companies and joint ventures:  
Traders Associates  
Verity Investments Limited  
Albion Road Estates Limited  
Apple Creek Business Park  
360 Bloor Street East



**1. Summary of accounting policies:**

The summary of accounting policies followed by the Company and its subsidiaries as outlined on pages 9 and 10 is an integral part of these financial statements.

**2. Capitalization:**

Details of the secured and unsecured debt and capital position are included in the Capitalization Schedule on pages 22, 23 and 24.

**3. Commitments and contingencies:**

- (i) The Company and its subsidiaries in the normal course of business, have guaranteed letters of credit and bank loans on behalf of customers, and bank loans of associated companies, in the aggregate amount of \$36,400,000 at December 31, 1980.
- (ii) The nature of the Company's operations gives rise, in the normal course of business, to litigation involving the Company or its subsidiaries. The only significant action at December 31, 1980 involves the factoring subsidiary which is being sued for damages of \$25,000,000 for alleged misconduct of certain of its employees. Legal counsel advises that this action has no merit.

**4. Foreign exchange:**

Debt of the Company due beyond one year in foreign currencies is carried at the Canadian funds received at date of issue. The total Canadian dollar liability on such notes at current rates of exchange at December 31, 1980 is greater than the Canadian funds received at date of issue, indicating a contingent future foreign exchange loss of approximately \$12,500,000. Foreign exchange conditions in the future could alter this position materially.

**5. Related party transactions:**

During the year the Company conducted the following transactions within the consolidated group:

The Finance Group sold \$75,611,000 of consumer mortgages and \$26,424,000 of equipment finance and wholesale receivables at fair market value to Guaranty Trust Company of Canada.

The Finance Group bought furniture, equipment and leasehold improvements at their net book value of \$6,136,000 from Guaranty Trust Company of Canada on a sale and lease-back basis.

General and administrative expenses include an allocation among the Trust Group, the Finance Group and Guaranty Properties for the cost of shared head office personnel and facilities.

**6. Discontinued operation:**

During 1980 the Company discontinued its International operation. The remaining finance receivables are being liquidated and credit loss reserves have been provided for these accounts where necessary.

**7. Income taxes:**

At December 31, 1980 certain of the subsidiaries have losses for income tax purposes of \$20,820,000 which may be applied against future earnings.



**8. Pension plans:**

The Company and its subsidiaries have two pension plans which cover substantially all employees. The most recent independent actuarial valuations of the plans were made at December 31, 1979 and showed a surplus which is available to offset future pension costs.

**TRUST COMPANY****9. Securities:**

	<u>1980</u>	<u>1979</u>
Government of Canada and Provinces of Canada . . . . .	<b>\$ 45,294,000</b>	\$ 44,531,000
Other securities:		
Municipal . . . . .	<b>1,667,000</b>	1,689,000
Corporation bonds and debentures . . . . .	<b>6,545,000</b>	6,624,000
Stocks . . . . .	<b>76,356,000</b>	80,574,000
(Market value 1980—\$79,485,000; 1979—\$86,193,000). . . . .	<b>84,568,000</b>	88,887,000
	<b><u>\$129,862,000</u></b>	<b><u>\$133,418,000</u></b>

**10. Guaranteed trust account:**

Included in the balance sheet are assets and liabilities of the guaranteed trust account of \$2,137,599,000 (1979—\$1,854,784,000).

**FINANCE****11. Direct financing lease contracts:**

The Company has the following net investment in direct financing lease contracts:

	<u>1980</u>	<u>1979</u>
Commercial receivables		
Aggregate rentals receivable . . . . .	<b>\$118,662,000</b>	\$136,215,000
Residuals on expiry of leases		
Contractual . . . . .	<b>1,403,000</b>	1,565,000
Non-contractual . . . . .	<b>1,796,000</b>	1,810,000
	<b>121,861,000</b>	139,590,000
Unearned income . . . . .	<b>32,758,000</b>	39,180,000
	<b><u>\$ 89,103,000</u></b>	<b><u>\$100,410,000</u></b>

Deferred income taxes relating to direct financing lease contracts amount to approximately \$34,000,000 (1979—\$33,000,000).

**GUARANTY PROPERTIES****12. Accounting changes:**

In 1980 the proportionate share method of accounting for the investments in real estate associated companies was adopted, whereas in prior years they were accounted for on the equity method. Comparative figures for the prior year have been restated to reflect this change which had no effect on net income or retained earnings.

In 1980 certain wholly owned companies were amalgamated and the fiscal year end changed from November 30 to December 31 to be consistent with that of the parent company and all other subsidiaries.



**Consolidated Capitalization** December 31, 1980**Finance Group Debt**

	Due within one year	Due beyond one year	Total
<b>Summary</b>			
Secured Debt			
Senior Secured Debt			
Short term notes—in Canadian funds . . . . .	\$150,711,000	\$ —	\$150,711,000
—in U.S. funds at current or forward exchange rates . . . . .	23,770,000	—	23,770,000
Medium term notes . . . . .	82,068,000	14,000,000	96,068,000
Long term notes . . . . .	21,445,000	221,343,000	242,788,000
Other Secured Debt . . . . .	1,590,000	16,294,000	17,884,000
	<u>279,584,000</u>	<u>251,637,000</u>	<u>531,221,000</u>
Unsecured Debt			
Debentures . . . . .	2,800,000	85,312,000	88,112,000
Subordinated Notes . . . . .	—	15,000,000	15,000,000
Debt of Finance Subsidiaries . . . . .	16,274,000	—	16,274,000
	<u>\$298,658,000</u>	<u>\$351,949,000</u>	<u>\$650,607,000</u>

**Senior Secured Debt**

The senior secured notes of the Company are secured by a first specific charge on finance receivables and eligible securities, a first floating charge on the undertaking and certain other property and assets of the Company and are protected by operating restrictions provided in borrowing agreements.

**Long Term Notes**

Series	Maturity date	Maximum annual purchase fund	Outstanding
6¾% AF	June 15, 1981	\$ —	\$ 5,982,000
5¾% Y	September 15, 1981	—	7,639,000
9¾% AS	March 15, 1982	156,000	18,863,000
5¾% Z	April 15, 1983	250,000	6,423,000
5¼% AA <sup>(i)</sup>	May 15, 1983	298,000	9,677,000
9¼% AU	August 15, 1983	600,000	25,918,000
5¾% AB	May 1, 1984	250,000	5,919,000
9½% AT	June 15, 1984	600,000	25,404,000
5¾% AC	September 15, 1984	375,000	8,673,000
5¾% AD	April 15, 1985	375,000	8,709,000
6¼% AE <sup>(i)</sup>	April 1, 1986	—	13,457,000
7¾% AH	December 1, 1986	79,000	1,696,000
7¼% AI <sup>(i)</sup>	July 1, 1987	—	19,034,000
7¾% AJ	September 15, 1987	125,000	3,464,000
8% AK <sup>(i)</sup>	December 1, 1988	893,000	12,341,000
8¾% AL	December 15, 1988	8,000	249,000
9¾% AM	December 15, 1989	29,000	1,072,000
9½% AN	May 15, 1990	5,000	213,000
10½% AO <sup>(i)</sup>	October 15, 1990	1,090,000	12,251,000
9% AP	February 15, 1991	625,000	17,352,000
10⅞% AR <sup>(i)</sup>	March 15, 1991	1,666,000	18,847,000
11¼% AQ	January 6, 1995(ii)	400,000	19,605,000
		<u>\$7,824,000</u>	<u>\$242,788,000</u>

(i) U.S. dollar issues.

(ii) The holders of this series have the right to elect an early maturity date for such senior secured notes.



**Other Secured Debt**

The Company has obligations of \$17.9 million secured on leased property, bearing current interest rates from 8.35% to 10.25% and payable from 1981 through 1990.

**Debentures**

Series	Maturity date	Annual sinking fund or maximum annual purchase fund	Outstanding
6%	October 15, 1982	\$ 225,000	\$ 4,289,000
6%	November 1, 1984	180,000	3,849,000
6%	June 1, 1985	120,000	2,710,000
14¾%	June 15, 1990	381,000	7,612,000
11½%	November 1, 1990	238,000	4,705,000
10¾%	April 15, 1991 (i)	300,000	9,900,000
9½%	June 15, 1991	106,000	3,139,000
9¾%	April 15, 1992 (i)	300,000	9,533,000
8¾%	October 15, 1992 (i)	—	12,500,000
10¼%	April 15, 1993 (i)	200,000	9,938,000
8¾%	May 1, 1993	375,000	9,962,000
9%	October 15, 1993	375,000	9,975,000
		<u>\$2,800,000</u>	<u>\$88,112,000</u>

- (i) The holders of these series have the right to elect an early maturity date for such debentures. The Company has the right to increase the interest rates on such series, except the 8¾% debentures.

**Subordinated Notes**

The Company has unsecured subordinated notes which rank after the debentures, bearing interest at bank prime plus 2% and mature May 15, 1982.

**Debt of Finance Subsidiaries**

The debt of finance subsidiaries bears current interest rates from 11% to 19.25% and matures in 1981.

**Debt of Guaranty Properties**

	Due within one year	Due beyond one year	Total
Bank loans . . . . .	\$29,174,000	\$41,072,000	\$70,246,000
Mortgages payable . . . . .	2,120,000	2,310,000	4,430,000
	<u>\$31,294,000</u>	<u>\$43,382,000</u>	<u>\$74,676,000</u>

The debt of Guaranty Properties bears current interest rates from 8% to 18¼% and matures from 1981 to 1987.



Traders Group Limited  
**Capitalization** (concluded)

**Share Capital**

**Cumulative redeemable preferred shares**

	Authorized		Issued and Outstanding	
	Shares	Amount	Shares	Amount
4½%, par value \$100 . . . . .	35,000	\$ 3,500,000	35,000	\$ 3,500,000
Less: held by subsidiaries . . . . .			5,135	513,000
			<u>29,865</u>	<u>2,987,000</u>
5%, par value \$40. . . . .	29,149	1,166,000	29,149	1,166,000
Shares issuable in series, par value \$30 . . . . .	351,917	10,558,000		
Series A, 5% . . . . .			44,413	1,332,000
Less: cancelled by purchase during 1980 . . . . .			700	21,000
			<u>43,713</u>	<u>1,311,000</u>
Series B, \$2.16 . . . . .			192,240	5,767,000
Less: cancelled by purchase during 1980 . . . . .			2,200	66,000
			<u>190,040</u>	<u>5,701,000</u>
Shares issuable in series, par value \$10 . . . . .	5,000,000	50,000,000		
10¼% preferred shares. . . . .			749,500	7,495,000
Less: cancelled by purchase during 1980 . . . . .			4,099	41,000
			<u>745,401</u>	<u>7,454,000</u>
7.5%, par value \$50 . . . . .	331,100	16,555,000	306,302	15,315,000
Less: cancelled by purchase during 1980 . . . . .			2,915	145,000
			<u>303,387</u>	<u>15,170,000</u>
				<u>\$33,789,000</u>

The terms of issue of preferred shares issued in series include provisions by which the Company is to provide (subject to certain conditions) an annual purchase fund for the purchase and cancellation of these preferred shares in the aggregate amount of \$1,413,000.

**Common shares without nominal or par value**

	Authorized	Issued and outstanding	
		Shares	Amount
Class A . . . . .	unlimited	6,546,181	\$63,985,000
Class B . . . . .	720,000	720,000	480,000
		<u>7,266,181</u>	<u>\$64,465,000</u>
Less: elimination of shares held through a subsidiary (i) . . . . .		2,169,828	
Common shares effectively outstanding . . . . .		<u>5,096,353</u>	

(i) The common shares of Traders Group Limited held directly and indirectly through a subsidiary for a total cost of \$28,401,000 have been eliminated on consolidation as noted below. This includes the acquisition in 1980 of 26,859 Class A shares for cash consideration of \$352,000:

Class A . . . . .	1,693,944
Class B . . . . .	475,884
Total common shares . . . . .	<u>2,169,828</u>



## Operating Policies—Finance Group

### Accounting policies

Accounting policies with respect to the Company, including the Finance Group, are presented on pages 9 and 10 as an integral part of the consolidated financial statements.

### Lending policy

Loan applications are subject to prudent credit policies. Maximum credit limits for the various levels are recommended by the credit committee and ratified by the executive committee.

Credit levels for management are recommended by the next level of authority; approval is granted by the level above the recommending level; e.g. the Branch Manager's limit is recommended by the Regional Manager and approved by the Assistant Vice President.

Specific credit granting authority is assigned to specific eligible employees in each division according to the employee's experience, credit record, portfolio knowledge and overall credit capability.

In the Personal Financial Services division, all loans over \$1 million are approved by the board of directors of Traders Group Limited, or in the case of Aetna Financial Services Limited and Traders Finance S.A., by the boards of directors of those companies.

In both the Sales Finance division and the Corporate Lending and Leasing division, all loans over \$3 million are approved by the executive committee.

For Guaranty Properties the executive committee must approve all loans over \$2 million.

Loans up to and including the amounts previously mentioned above and exceeding the amounts indicated in the table showing maximum credit granting authority are approved by the credit committee of Traders or by the operating committees of Aetna Financial Services Limited and Traders Finance S.A. In addition, the Sales Finance and Corporate Lending and Leasing divisions each have their own division credit committees which have credit limits up to \$1 million.

In every division, all loans over \$1 million and above are automatically reported to the executive committee.

The Company has a policy not to provide financing to any concerns in which its officers, directors, major stockholders, or their families have a material beneficial interest.

### Renewals

A renewal is the processing of a new account to pay out an existing account for the same customer. It is an accommodation for customer requirements of reduced instalments, extended terms and/or additional funds. New documentation is completed with the customer and the appropriate guarantors. Credit authorization is the same as for new customer accounts except for the Equipment Financing division which requires approval by the Zone level or above for renewals.

### Extensions

An extension is the deferment of an instalment to a later date as a temporary accommodation for the customer. Extensions are carefully monitored by management to ensure they comply with the policies established for each portfolio.

### Delinquencies

Delinquency for direct cash loans and sales financing in the personal loan portfolio is determined on both a contractual and recency of payment basis. Delinquency on all other accounts is determined only on a contractual basis. An account is contractually delinquent when the current month's instalment plus more than 10% of the previous month's instalment remains unpaid. An account is delinquent by recency when no payment has been received for 60 days or more.

### Write-offs of finance receivables

Credit losses are written-off monthly, as soon as identified, after all reasonable effort has been made to effect recovery from the obligant, collateral or guarantor. In addition direct cash loans are written-off if at least 10% of a contractual payment has not been received in the last six calendar months; consumer finance receivables will be written-off if no instalment has been received for nine months. Residential mortgages are written-off if a full instalment has not been received in the last twelve calendar months unless an extension is approved by Head Office.

### Allowance for credit losses

An allowance for credit losses is established as a result of regular detailed analyses of individual delinquent accounts. In addition to specific reserves, a general reserve is established based on a percentage of outstanding receivables determined by the characteristics of the particular class of receivables, past write-off experience, and other related considerations. The Company's auditors review these analyses.

### Maximum credit granting authority

(in thousands of dollars)

Portfolio	Senior Vice President	Vice President	Assistant Vice President	Regional Manager	Branch Manager
Direct cash loans	\$100	\$ 25	\$ 10	\$ 6.5	\$ 4.5
Consumer retail notes and contracts	300	100	50	25	15
Residential mortgages and home improvements	100	50	30	25	15
Industrial and commercial equipment	—	500	250	125	75
Corporate loans	—	500	250	125	—
Leasing	—	500	250	125	—
Factoring and commercial financing	—	200	—	—	—
Wholesale					
Personal Financial Services division	400	300	150	—	—
Corporate Lending and Leasing division	—	500	250	125	—



## Five Year Statistical Review

	1980	1979	1978	1977	1976
<b>Consolidated Condensed Statement of Income</b>					
Gross income					
Trust company	\$ 250,004,000	\$ 194,518,000	\$ 155,128,000	\$ 130,914,000	\$ 114,002,000
Finance Group	137,380,000	139,185,000	130,883,000	136,278,000	126,603,000
Insurance Group	112,088,000	103,652,000	84,017,000	70,406,000	56,305,000
Guaranty Properties	17,494,000	21,997,000	19,309,000	13,039,000	13,612,000
Gain (loss) on sale of investments	1,561,000	1,298,000	350,000	(94,000)	(276,000)
Gross income	<u>518,527,000</u>	<u>460,650,000</u>	<u>389,687,000</u>	<u>350,543,000</u>	<u>310,246,000</u>
Expenses					
Interest expense	279,582,000	230,749,000	178,648,000	157,176,000	150,215,000
Insurance claims	79,225,000	68,686,000	51,259,000	41,777,000	34,153,000
Insurance commissions and premium taxes	17,998,000	18,195,000	14,759,000	13,246,000	10,155,000
Cost of land sales	6,824,000	13,199,000	12,020,000	6,311,000	8,134,000
Credit losses	14,468,000	19,494,000	17,250,000	14,227,000	10,075,000
Salaries and staff benefits	55,467,000	52,967,000	50,366,000	44,393,000	37,751,000
Premises including depreciation	11,751,000	11,556,000	10,215,000	7,368,000	5,729,000
Other expenses	39,477,000	35,721,000	32,557,000	28,475,000	25,217,000
Total expenses	<u>504,792,000</u>	<u>450,567,000</u>	<u>367,074,000</u>	<u>312,973,000</u>	<u>281,429,000</u>
Income before income taxes and minority interest	13,735,000	10,083,000	22,613,000	37,570,000	28,817,000
Income taxes (current and deferred)	2,555,000	1,629,000	7,344,000	15,112,000	12,816,000
Net operating income	11,180,000	8,454,000	15,269,000	22,458,000	16,001,000
Minority interest and consolidation adjustments	(426,000)	(889,000)	920,000	549,000	1,134,000
Net operating income from continuing operations	11,606,000	9,343,000	14,349,000	21,909,000	14,867,000
(Loss) net income from discontinued operation	(1,866,000)	896,000	(338,000)	(4,415,000)	(187,000)
Net income for the year	<u>\$ 9,740,000</u>	<u>\$ 10,239,000</u>	<u>\$ 14,011,000</u>	<u>\$ 17,494,000</u>	<u>\$ 14,680,000</u>
Available for					
Preferred shares	\$ 2,588,000	\$ 2,614,000	\$ 2,661,000	\$ 2,716,000	\$ 2,759,000
Common shares	7,152,000	7,625,000	11,350,000	14,778,000	11,921,000
	<u>\$ 9,740,000</u>	<u>\$ 10,239,000</u>	<u>\$ 14,011,000</u>	<u>\$ 17,494,000</u>	<u>\$ 14,680,000</u>
Earnings per common share	\$ 1.40	\$ 1.54	\$ 2.32	\$ 3.17	\$ 2.86
Dividends declared per common share	1.25	1.25	1.25	1.19%	1.12
Return on average annual common equity	5.89%	6.41%	9.93%	14.41%	13.53%
<b>Consolidated Assets</b>					
Trust company	\$2,207,154,000	\$1,928,648,000	\$1,645,552,000	\$1,400,259,000	\$1,214,673,000
Finance Group	847,506,000	1,003,017,000	1,002,044,000	975,509,000	915,059,000
Insurance Group	167,858,000	159,841,000	139,608,000	114,665,000	94,902,000
Guaranty Properties	117,696,000	90,529,000	42,041,000	28,796,000	28,119,000
Other assets	53,529,000	42,808,000	36,968,000	42,481,000	37,731,000
Total assets	<u>\$3,393,743,000</u>	<u>\$3,224,843,000</u>	<u>\$2,866,213,000</u>	<u>\$2,561,710,000</u>	<u>\$2,290,484,000</u>
<b>Consolidated Capitalization</b>					
Finance Group Debt					
Secured Debt					
Short term	\$ 174,481,000	\$ 254,584,000	\$ 229,298,000	\$ 214,780,000	\$ 200,903,000
Medium term	96,068,000	93,795,000	62,837,000	72,647,000	82,778,000
Long term	242,788,000	250,304,000	275,922,000	253,052,000	238,718,000
Other secured	17,884,000	19,421,000	20,790,000	22,134,000	24,826,000
	<u>531,221,000</u>	<u>618,104,000</u>	<u>588,847,000</u>	<u>562,613,000</u>	<u>547,225,000</u>
Debentures and Subordinated Notes	103,112,000	110,112,000	112,297,000	103,924,000	96,225,000
Debt of finance subsidiaries	16,274,000	36,020,000	28,553,000	36,931,000	20,825,000
	<u>650,607,000</u>	<u>764,236,000</u>	<u>729,697,000</u>	<u>703,468,000</u>	<u>664,275,000</u>
Guaranty Properties	74,676,000	58,236,000	23,677,000	14,559,000	8,515,000
Shareholders' equity and minority interest	158,473,000	159,494,000	156,221,000	151,915,000	134,498,000
Total capitalization	<u>\$ 883,756,000</u>	<u>\$ 981,966,000</u>	<u>\$ 909,595,000</u>	<u>\$ 869,942,000</u>	<u>\$ 807,288,000</u>
Book value per share	\$ 23.77	\$ 23.67	\$ 23.89	\$ 22.90	\$ 21.99
<b>Income by Line of Business</b>					
Trust company	\$ 4,004,000	\$ 3,007,000	\$ 4,624,000	\$ 3,846,000	\$ 1,150,000
Finance Group	(577,000)	(431,000)	2,565,000	7,856,000	9,327,000
Insurance Group	2,706,000	4,192,000	3,555,000	3,007,000	2,140,000
Guaranty Properties	3,607,000	3,471,000	3,267,000	2,785,000	2,063,000
Extraordinary items	—	—	—	—	759,000
Consolidated net income	<u>\$ 9,740,000</u>	<u>\$ 10,239,000</u>	<u>\$ 14,011,000</u>	<u>\$ 17,494,000</u>	<u>\$ 15,439,000</u>
<b>Number of</b>					
Weighted average number of common shares outstanding	5,122,000	4,941,000	4,884,000	4,669,000	4,164,000
Employees	3,526	3,507	3,465	3,448	3,012
Branches	329	330	342	375	268



## Quarterly Analysis of Rate Spread and Net Earnings by Source

(unaudited, in thousands of dollars where applicable)

Quarter	Net Rate Spread		Net Earnings					Per Share
	Trust(1) (Restated)	Finance(2)	Trust	Finance	Insurance	Property	Total	
1976 Q1	0.95%	7.37%	\$ 201	\$2,287	\$ 222	\$ 269	\$ 2,979	\$0.56
Q2	0.97	7.11	224	2,138	1,005	377	3,744	0.74
Q3	0.98	7.59	186	2,647	733	40	3,606	0.69
Q4	1.05	7.90	539	2,255	180	1,377	4,351	0.87
	0.98	7.49	1,150	9,327	2,140	2,063	14,680	2.86
1977 Q1	1.18	7.84	444	1,765	512	1,155	3,876	0.75
Q2	1.43	8.23	1,074	1,276	1,033	759	4,142	0.73
Q3	1.54	8.58	1,137	498	1,348	587	3,570	0.60
Q4	1.34	8.79	1,191	4,317(3)	114	284	5,906	1.09
	1.37	8.37	3,846	7,856	3,007	2,785	17,494	3.17
1978 Q1	1.48	8.52	1,226	1,772	283	278	3,559	0.59
Q2	1.48	8.26	1,121	1,237	1,403	1,409	5,170	0.92
Q3	1.36	7.96	983	679	548	1,351	3,561	0.60
Q4	1.36	8.02	1,294	(1,123)	1,321	229	1,721	0.21
	1.43	8.18	4,624	2,565	3,555	3,267	14,011	2.32
1979 Q1	1.12	6.99	608	698	632	308	2,246	0.33
Q2	1.24	6.73	984	497	1,591	(140)	2,932	0.46
Q3	1.31	6.69	960	590	1,471	132	3,153	0.51
Q4	1.14	5.99	455	(2,216)	498	3,171	1,908	0.24
	1.20	6.59	3,007	(431)	4,192	3,471	10,239	1.54
1980 Q1	1.19	5.83	482	857	(279)	223	1,283	0.12
Q2	1.24	6.18	1,294	(1,219)	1,666	23	1,764	0.22
Q3	1.28	6.62	1,341	(17)	463	475	2,262	0.32
Q4	1.34	7.02	887	(198)	856	2,886	4,431	0.74
	1.26	6.41	4,004	(577)	2,706	3,607	9,740	1.40

Notes: (1) Rate earned on investments (excluding fee income) less rate paid on deposits. Taxable equivalent basis.

(2) Gross yield on average funds in use less the average total cost of borrowed money. Includes the carrying costs of investments in Guaranty Trust, Insurance Group and Guaranty Properties. Excludes credit losses.

(3) Includes an investment gain after tax of \$4,585,000 from the sale of Traders' interest in Inter-City Gas Limited.

## Comparison of Maturities of Finance Receivables with Debt

(in millions of dollars)

	1981	1982	1983	1984	1985	1986 1990	1991 1995	Total
<b>Finance Receivables</b>								
Direct cash loans	\$ 116.2	\$ 72.6	\$ 40.0	\$ 12.8	\$ 3.0	\$ 1.8	\$ —	\$ 246.4
Consumer retail notes and contracts								
Motor vehicles	16.5	9.2	4.6	1.1	0.2	—	—	31.6
Mortgages	31.0	32.7	40.2	31.2	9.4	0.2	—	144.7
Other	37.0	16.8	9.0	8.4	3.3	—	—	74.5
	84.5	58.7	53.8	40.7	12.9	0.2	—	250.8
Commercial loans and contracts								
Industrial and commercial equipment	59.4	35.0	16.5	6.9	1.9	0.5	—	120.2
Commercial loans	7.5	2.3	10.3	0.7	0.1	0.2	—	21.1
Leasing	18.2	15.8	14.0	12.5	10.7	50.9	—	122.1
Factoring and commercial financing	56.4	—	—	—	—	—	—	56.4
	141.5	53.1	40.8	20.1	12.7	51.6	—	319.8
Wholesale	31.4	—	—	—	—	—	—	31.4
	\$ 373.6	\$ 184.4	\$ 134.6	\$ 73.6	\$ 28.6	\$ 53.6	\$ —	\$ 848.4
<b>Debt</b>								
Short term notes								
Bank	\$ 4.2	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 4.2
Commercial paper	170.3	—	—	—	—	—	—	170.3
	174.5	—	—	—	—	—	—	174.5
Medium term notes	82.1	14.0	—	—	—	—	—	96.1
Long term notes	21.4	36.2	46.5	41.8	12.3	65.7	18.9	242.8
Other secured debt	1.6	1.8	2.0	2.2	2.4	7.9	—	17.9
	279.6	52.0	48.5	44.0	14.7	73.6	18.9	531.3
Debentures	2.8	19.2	7.1	14.0	13.1	14.4	17.5	88.1
Subordinated notes	—	15.0	—	—	—	—	—	15.0
Debt of finance subsidiaries	16.2	—	—	—	—	—	—	16.2
	\$ 298.6	\$ 86.2	\$ 55.6	\$ 58.0	\$ 27.8	\$ 88.0	\$ 36.4	\$ 650.6



## Directors and Officers

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### DIRECTORS

J. P. BASSEL, Q.C.  
Partner, Bassel, Sullivan & Leake  
Barristers and Solicitors

R. E. BETHELL  
President and Chief Executive Officer  
Canadian General Insurance Group

W. J. A. BULMAN  
President, The Bulman Group Limited

G. R. CHATER  
President, Grafton Group Limited

E. W. FLANAGAN  
President, Traders Group Limited

I. R. GERSTEIN  
President, Peoples Jewellers Limited

R. G. GRAHAM  
President, Inter-City Gas Corporation

C. S. LEE  
Chairman of the Board  
and Chief Executive Officer  
Petrorep (Canada) Limited

A. R. MARCHMENT, F.C.A.  
Chairman of the Board  
and Chief Executive Officer

F. Y. McCUTCHEON  
President  
Arachnae Management Limited

JAMES W. McCUTCHEON, Q.C.  
Partner  
Shibley, Righton & McCutcheon  
Barristers and Solicitors

E. L. G. SMITH  
Chairman of the Board  
E. D. Smith & Sons Limited

D. I. WEBB, F.C.A.  
Financial Consultant

### OFFICERS

A. R. MARCHMENT, F.C.A.  
Chairman of the Board and  
Chief Executive Officer

E. W. FLANAGAN  
President

### Senior Vice Presidents

J. D. DERBYSHIRE  
Consumer Financial Services

E. A. FRICKER, C.A.  
Finance and Administration

M. A. HASLEY  
Corporate Financial Services

G. D. WALLACE  
Real Estate and Land Development

### Vice Presidents

R. W. CHISHOLM, C.A.  
Controller

W. L. COCHRANE  
Corporate Lending and Leasing

R. J. HEROLD  
Public Relations

T. R. HIXSON  
Credit

L. D. McCALLUM  
Marketing

D. R. PEACH  
Treasurer

D. J. SKENE  
Personnel

M. J. VEAUDRY  
Information Services

G. E. WHITLEY, Q.C.  
Secretary and General Counsel



## COMMITTEES

### EXECUTIVE

Chairman: James W. McCutcheon, o.c.  
J. P. Bassel, o.c., G. R. Chater, E. W. Flanagan,  
I. R. Gerstein, R. G. Graham, A. R. Marchment

Function: During intervals between meetings of the Board of Directors, the Executive Committee has all the powers of the Board except those powers that are required by legislation or Company by-law to be exercised by the Board itself.

### FINANCE

Chairman: G. R. Chater  
E. W. Flanagan, A. R. Marchment,  
James W. McCutcheon, o.c., D. I. Webb

Function: The Finance Committee reviews and makes recommendations with respect to the Company's capitalization program.

### AUDIT

Chairman: I. R. Gerstein  
J. P. Bassel, o.c., W. J. A. Bulman,  
G. R. Chater, James W. McCutcheon, o.c.

Function: The Audit Committee reviews financial information intended for publication, and the adequacy thereof, before such information is submitted to the Board. It also reviews, on a continuing basis, control procedures in effect throughout the Company.

### PENSION PLANS TRUSTEES

Chairman: A. R. Marchment  
R. E. Bethell, G. R. Chater, E. W. Flanagan

Function: The Pension Plans Trustees review and make recommendations with respect to the funding of employee pension benefits, the selection of investment managers and funding vehicles, the investment return objectives and the investment strategies and performance for the Traders and subsidiaries pension plans.

### COMPENSATION

Chairman: G. R. Chater  
I. R. Gerstein, R. G. Graham,  
A. R. Marchment, James W. McCutcheon, o.c.

Function: The Compensation Committee reviews manpower planning and the performance of management personnel and makes recommendations to the Board concerning executive compensation.

## SUBSIDIARIES

### GUARANTY TRUST COMPANY OF CANADA

*Chairman of the Board, President and  
Chief Executive Officer*  
A. R. Marchment

*Vice Chairman of the Board*  
E. W. Flanagan

### CANADIAN GENERAL INSURANCE GROUP CANADIAN GENERAL INSURANCE COMPANY TORONTO GENERAL INSURANCE COMPANY TRADERS GENERAL INSURANCE COMPANY

*Chairman of the Board*  
James W. McCutcheon, o.c.

*President and Chief Executive Officer*  
R. E. Bethell

### CANADIAN GENERAL LIFE INSURANCE COMPANY

*Chairman of the Board*  
James W. McCutcheon, o.c.

*President*  
C. P. Flood

### AETNA FINANCIAL SERVICES LIMITED

*Chairman of the Board*  
A. R. Marchment

*President*  
D. G. Higgins



## Locations

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### Guaranty Trust Deposit Services

W. J. Perkins  
Vice-President, Operations  
625 Church Street  
Toronto, Ontario  
(416) 925-1461

#### TORONTO MAIN

M. J. Broadbent  
Regional Vice-President  
366 Bay Street  
Toronto, Ontario  
(416) 862-5024

#### ONTARIO EAST AND QUEBEC

D. K. Bogert  
Regional Vice-President  
109 Bank Street  
Ottawa, Ontario  
(613) 232-2691  
Branches—9

#### ONTARIO CENTRAL

A. R. Mitchell  
Regional Vice-President  
625 Church Street  
Toronto, Ontario  
(416) 925-1461  
Branches—13

#### ONTARIO WEST

R. A. Thompson  
Regional Vice-President  
305 Victoria Avenue  
Windsor, Ontario  
(519) 252-4434  
Branches—10

#### ONTARIO NORTH, MANITOBA AND SASKATCHEWAN

E. D. Skuce  
Regional Vice-President  
105 Durham Street South  
Sudbury, Ontario  
(705) 675-2441  
Branches—12

#### ALBERTA

R. L. Schmidt  
Regional Vice-President  
Gulf Canada Square  
401 - 9th Avenue, Suite 370  
Calgary, Alberta  
(403) 263-0270  
Branches—2

#### BRITISH COLUMBIA

P. H. Hebb  
Regional Vice-President  
800 West Pender Street  
Vancouver, British Columbia  
(604) 681-0151  
Branches—4

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### Guaranty Trust Mortgage Division

S. D. Arnott  
Vice-President  
335 Bay Street  
Toronto, Ontario M5H 3N8

D. J. Davison  
National Manager  
of Mortgage Investments  
335 Bay Street  
Toronto, Ontario M5H 3N8

#### ONTARIO CENTRAL AND WEST

P. Simpson  
Regional Vice-President  
335 Bay Street  
Toronto, Ontario M5H 3N8  
Branches—6

#### ONTARIO EAST, NORTH, QUEBEC AND MARITIMES

E. Rourke  
Regional Vice-President  
225 Metcalfe Street  
Suite 102  
Ottawa, Ontario K1P 1P9  
Branches—4

#### WESTERN CANADA

W. Stone  
Regional Vice-President  
401 - 9th Avenue South West  
Calgary, Alberta T2P 3C5  
Branches—6

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### Guaranty Trust Dealer Services Division

J. G. Hunter  
Vice-President  
625 Church Street  
Toronto, Ontario  
M4Y 2G1

#### PACIFIC-WESTERN ZONE

R. S. Campbell  
Assistant Vice-President  
625 Church Street  
Toronto, Ontario M4Y 2G1  
Branches—7

#### ALBERTA ZONE

G. W. Aldridge  
Assistant Vice-President  
10160-112 St., Suite 340  
Edmonton, Alberta T5K 2K4  
Branches—8

#### EASTERN ZONE

P. Gosselin  
Assistant Vice-President  
880 Chemin Ste-Foy  
Suite 935  
Quebec, Quebec G1S 2L2  
Branches—4

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### Traders Consumer Financial Services

G. H. Greenfield  
Vice-President  
625 Church Street  
Toronto, Ontario M4Y 2G1

A. M. Cline  
Vice-President  
Loan and Mortgage  
Administration  
625 Church Street  
Toronto, Ontario M4Y 2G1

#### WESTERN ZONE

T. L. Sallenbach  
Assistant Vice-President  
2426A Douglas Crescent  
Post Office Box 3188  
Langley, British Columbia  
V3A 4R5  
Branches—51

#### CENTRAL ZONE

J. E. Van Leeuwen  
Assistant Vice-President  
1185 Eglinton Avenue East  
Suite 200  
Nestle Building  
Don Mills, Ontario M3C 3C7  
Branches—66

#### QUEBEC DIVISION

J. Dunberry  
Vice-President  
3 Place Laval  
Suite 540  
Laval, Quebec H7N 1A2  
Branches—49

#### EASTERN ZONE

R. A. Wilson  
Assistant Vice-President  
6080 Young Street  
Suite 711  
Halifax, Nova Scotia B3K 5L2  
Branches—54



Traders Group Limited

## Locations (concluded)

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### Guaranty Trust Corporate Financing

#### EQUIPMENT FINANCING AND LEASING

J. S. Ridout  
Assistant Vice-President  
366 Bay Street  
Toronto, Ontario  
M5H 2W5  
Offices—11

R. C. Hodges  
Assistant Vice-President  
366 Bay Street  
Toronto, Ontario  
M5H 2W5  
Offices—5

#### MANUFACTURER AND DISTRIBUTOR SERVICES

A. B. Duff  
Assistant Vice-President  
366 Bay Street  
Toronto, Ontario  
M5H 2W5  
Offices—3

#### CORPORATE LOANS

W. Ferguson  
National Manager,  
Operations  
366 Bay Street  
Toronto, Ontario  
M5H 2W5  
Offices—2

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### Guaranty Trust Real Estate Division

T. R. Merrick  
Vice-President and  
National Manager  
625 Church Street  
Toronto, Ontario M4Y 2G1  
Branches—17

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### Guaranty Properties

A. Lomaga  
Vice-President  
625 Church Street  
Toronto, Ontario  
M4Y 2G1

#### WESTERN DIVISION

C. J. Small  
156 Victoria Trail  
Shopping Centre  
550 Clareview Drive  
Edmonton, Alberta  
T5H 4A2

#### MONTRAD INC.

G. St. Pierre  
General Manager  
Alexis Nihon Plaza  
1500 Atwater Avenue  
Montreal, Quebec  
H3Z 1X8

### Aetna Financial Services Limited

D. G. Higgins  
President  
4150 St. Catherine  
Street West  
Montreal, Quebec  
H3Z 1X8

#### EASTERN REGION

J. P. Lafontaine  
Vice-President  
4150 St. Catherine  
Street West  
Montreal, Quebec  
H3Z 1X8

#### CENTRAL REGION

C. C. Evans  
Vice-President  
2 Bloor Street East  
Suite 3300  
Toronto, Ontario  
M4W 1A8

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### International

#### TRADERS FINANCE S.A.

2 Boulevard Royale  
Luxembourg

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### Canadian General Insurance Group

R. E. Bethell  
President and  
Chief Executive Officer

#### CANADIAN GENERAL INSURANCE COMPANY

#### TORONTO GENERAL INSURANCE COMPANY

#### TRADERS GENERAL INSURANCE COMPANY

170 University Avenue  
Toronto, Ontario  
M5H 3B5

#### WESTERN REGION

F. J. Melenka  
Regional Manager  
10010 - 106th Street  
Suite 800  
Edmonton, Alberta  
T5J 3L8  
Branches—3

#### ONTARIO REGION

W. R. Gore  
Regional Vice-President  
170 University Avenue  
Toronto, Ontario  
M5H 3B5  
Branches—8

#### QUEBEC REGION

M. Laramee  
Regional Manager  
Place Sherbrooke  
1010 Sherbrooke Street West  
Montreal, Quebec  
H3A 2V9  
Branches—1

#### ATLANTIC REGION

A. G. Hunter  
Regional Manager  
6080 Young Street  
Suite 808  
Halifax, Nova Scotia  
B3K 5L2  
Branches—4

#### CANADIAN GENERAL LIFE INSURANCE COMPANY

C. P. Flood  
President  
Post Office Box 918  
105 Main Street East  
Suite 702  
Hamilton, Ontario  
L8N 3P6

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## Bankers and Other

### Head Office

625 Church Street  
Toronto, Ontario  
M4Y 2G1

### Auditors

Price Waterhouse & Co.  
Chartered Accountants  
Toronto, Ontario

### Stock Exchange Listings

(Symbol: TG)

Toronto Stock Exchange:  
Class A & B common,  
preferred (all classes)

Montreal Stock Exchange:  
Class A & B common,  
preferred (10¼%, 7.5%)

Vancouver Stock Exchange:  
Class A & B common,  
preferred (4½%, 10¼%, 7.5%)

### Share Transfer Agents and Registrars

Guaranty Trust Company of Canada  
Toronto, Montreal, Winnipeg,  
Calgary, Vancouver

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

### Trustees

Senior Secured Debt—  
The Royal Trust Company  
Toronto, Ontario

Debentures—  
The Canada Trust Company  
Toronto, Ontario

### Bankers

#### IN CANADA (8)

Bank of British Columbia  
Bank of Montreal  
Canadian Imperial Bank of Commerce  
National Bank of Canada  
The Bank of Nova Scotia  
The Mercantile Bank of Canada  
The Royal Bank of Canada  
The Toronto-Dominion Bank

#### IN THE UNITED STATES

##### OF AMERICA (24)

AmeriTrust of Cleveland  
Bank of America  
Bankers Trust Company  
The Chase Manhattan Bank, N.A.  
Chemical Bank  
Citibank, N.A.  
Continental Illinois National Bank and  
Trust Company of Chicago  
Crocker National Bank  
The First National Bank of Boston  
The First National Bank of Chicago  
French American Banking Corporation  
Harris Trust & Savings Bank  
Irving Trust Company  
Manufacturers Hanover Trust Company  
Manufacturers National Bank of Detroit  
Marine Midland Bank  
Mellon Bank, N.A.  
National Bank of Detroit  
Seattle-First National Bank  
Security Pacific National Bank  
Swiss Bank Corporation  
Union Bank  
United California Bank  
Wells Fargo Bank, N.A.

#### IN EUROPE (1)

The Royal Bank of Canada

### Principal Subsidiary Companies

December 31, 1980

Effective  
% held by  
Traders

### Consolidated Subsidiaries

#### Finance Group

Trans Canada Credit Corporation Limited . . . . .	100.0%
Trans Canada Credit Realty Limited . . . . .	100.0
Traders Homeplan Limited and subsidiary . . . . .	99.9
Traders Realty Limited . . . . .	100.0
Traders Finance Corporation (1966) Limited . . . . .	100.0
Aetna Financial Services Limited and subsidiary . . . . .	60.0
Traders Finance S.A. and subsidiaries . . . . .	100.0
Traders Finance Corporation (1976) Limited . . . . .	100.0
<b>Guaranty Properties</b>	
Guaranty Properties Limited . . . . .	100.0
<b>Trust Company</b>	
Guaranty Trust Company of Canada . . . . .	99.2
<b>Insurance</b>	
Canadian General Insurance Company . . . . .	99.4
Toronto General Insurance Company . . . . .	98.9
Traders General Insurance Company . . . . .	99.5
Canadian General Life Insurance Company . . . . .	97.9



## Services

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### Traders Group Limited

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#### Consumer Services

Personal Loans  
Refinancing and Debt Consolidation  
Purchase Plans for:  
    Vacation Homes and Lots  
    Furniture and Appliances  
    Home Improvements  
First and Second Residential Mortgages

#### Business Services

Factoring  
Accounts Receivable Financing  
Export-Import Financing  
Land Development

### Canadian General Insurance Group

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General Casualty Insurance for:  
    Automobiles  
    Properties

Individual and Group:  
    Life Insurance  
    Sickness and Accident Insurance

### Guaranty Trust Company of Canada

(member, the Canada Deposit Insurance Corporation)

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#### Consumer Services

Personal Chequing Accounts  
Premium Savings Accounts  
Regular Savings Accounts  
Guaranteed Daily Interest Savings Accounts  
Guaranty Service  
GT 60 Service  
Personalized Cheques  
Deposit by Mail  
Travellers Cheques  
Money Orders and Company Drafts  
Safety Deposit Boxes  
Safekeeping Services  
Guaranteed Investment Certificates  
Guaranteed Option 5 Certificates  
Time Deposit Certificates  
Personal Financial Planning  
Registered Home Ownership Savings Plans  
Registered Retirement Savings Plans:  
    Guaranteed RSP  
    Guaranteed Investment Certificate RSP  
    Managed RSP  
    Mortgage Fund RSP  
    Special Administered RSP  
    Group RSP  
Registered Retirement Income Funds:  
    Guaranteed RRIF  
    Self Administered RRIF  
Income Averaging Annuity Contracts

Mortgage Fund  
Investors Fund  
Personal Loans  
First and Second Residential Mortgages  
Purchase Plans for:  
    Cars and Trucks  
    Recreational Vehicles  
Investment Management  
Estate Planning  
Estate and Trust Administration  
Real Estate Sales  
Property Management  
VISA

#### Corporate Services

Medium and Long Term Loans for:  
    Acquisitions  
    Expansion  
    Modernization  
    Cash Flow Improvement  
Equipment Financing and Leasing  
Manufacturer Floor Plans  
Distributor Capital Loans  
Commercial Mortgages  
Corporate Trust Services  
Stock Transfer Agents  
Trustee of Pension and Other  
    Employee Benefit Plans  
Property Management  
Master Trust



