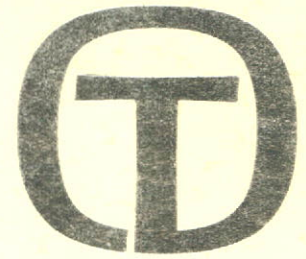


TRADERS
GROUP LIMITED

58TH ANNUAL REPORT 1978



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Shareholders and other interested persons wishing more detailed information may request the financial statistical supplement by writing to the Corporate Finance Department, Traders Group Limited, 625 Church Street, Toronto, Ontario M4Y 2G1.

Rapport annuel

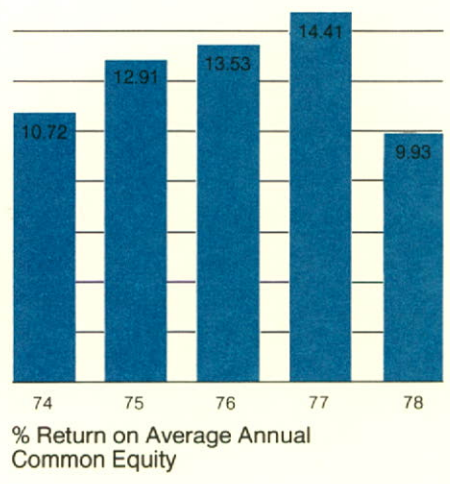
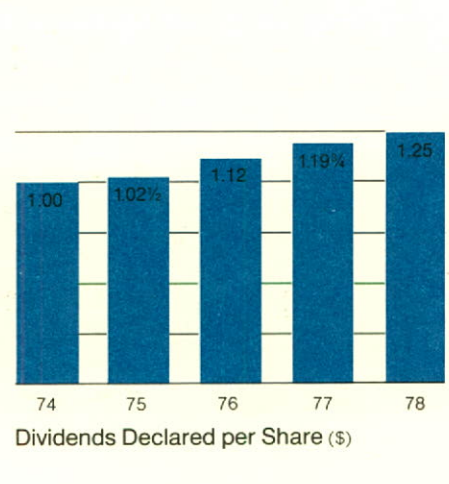
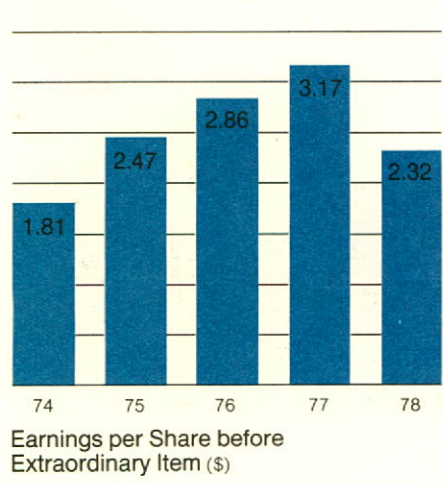
Si vous désirez recevoir en exemplaire en français du Groupe Traders Limitée, veuillez vous adresser au service de la trésorerie, Le Groupe Traders Limitée, 625 Church Street, Toronto, Ontario M4Y 2G1.

Highlights

	1978	1977
INCOME (\$000's)		
Net income by source		
Finance	\$ 2,565	\$ 7,856
Guaranty Trust	4,624	3,846
Canadian General Insurance Group	3,555	3,007
Land Development	3,267	2,785
	<u>14,011</u>	<u>17,494</u>
Dividends on preferred shares	2,661	2,716
Earnings available for common shares	<u>\$ 11,350</u>	<u>\$ 14,778</u>
Return on average annual common equity	9.93%	14.41%
Return on average annual assets	1.24%	1.64%

	1978	1977
PER SHARE (dollars)		
Net income by source		
Finance	\$ 0.52	\$ 1.68
Guaranty Trust	0.95	0.82
Canadian General Insurance Group	0.73	0.65
Land Development	0.67	0.60
Earnings per common share	2.32	3.17
Common dividends—Declared	1.25	1.19 ^{3/4}
Book value	\$ 23.89	\$ 22.90
Average number of common shares (000's)	4,884	4,669

	1978	1977
OPERATIONS (\$000's)		
At Year-end		
Finance receivables outstanding	\$1,000,637	\$ 970,251
Total trust assets under administration	2,754,700	2,335,701
During the year		
Gross operating income	152,185	145,378
Insurance premiums earned	75,685	63,943
Trust revenues	155,763	131,495



Seated, left to right.
H. E. Dynes, Chairman of the Board and Chief Executive Officer; A. R. Marchment, Vice Chairman of the Board.
Standing, left to right.
E. W. Flanagan, President and Chief Operating Officer; R. E. Bethell, President, Canadian General Insurance Group.



Left to right. Senior Vice Presidents, J. D. Derbyshire, Personal Financial Services; T. R. Hixson, Banking Services; M. A. Hasley, Corporate Financial Services; G. D. Wallace, Real Estate and Land Development.
Absent. E. A. Fricker, Finance and Administration.



Chairman's Report to Shareholders

Earnings available for common shares for the year ended December 31, 1978 were \$11,350,000 or \$2.32 per common share compared with \$14,778,000 or \$3.17 per share in 1977.

An extensive review of the Company's four major areas of interest follows in the President's Report as well as the sections in this annual report dealing specifically with the trust company and the insurance group.

In view of Traders increase in ownership of Guaranty Trust and the growing inter-relationship between the finance, trust and insurance operations, it was considered desirable to have greater uniformity between the Executive Committees of the parent company and its two major subsidiaries. To ensure that the members have a more extensive background and an improved overview of all segments. Common outside directors, together with the operating head of each unit, were appointed to the respective Executive Committees.

In November 1978, A. R. Marchment, President and Chief Executive Officer of Guaranty Trust was appointed Vice Chairman of the Board of Traders, and E. W. Flanagan, President and Chief Operating Officer of Traders was appointed Vice Chairman of Guaranty Trust.

Over the past year, organizational studies have been conducted by Traders in conjunction with Guaranty Trust. Several areas have been identified where some integration of functions between the two companies would be beneficial in improving efficiency and marketing effectiveness. At the same time, it was recognized that there was a need to ensure the special expertise necessary for each organization's future growth in market share and profit.

Co-ordination of such functions as personnel administration, planning, marketing services, real estate sales and land development, internal audit and commercial lending are under way on a phased basis. Other functions, such as banking, trust services and consumer lending will remain separate to serve the special requirements of these markets. Accordingly, M. A. Hasley was

appointed Senior Vice President, Corporate Financial Services adding to his responsibilities with Guaranty Trust the industrial and commercial lending and leasing portfolios of Traders.

G. D. Wallace was appointed Senior Vice President, Real Estate and Land Development adding the real estate sales and management activities of Guaranty Trust to his accountability for Traders Land Development operations. E. A. Fricker has been appointed Senior Vice President, Finance and Administration to head up the major staff areas of both companies. T. R. Hixson was appointed Senior Vice President, Banking Services with responsibility for the Guaranty Trust retail branch network. J. D. Derbyshire Senior Vice President, Personal Financial Services will continue to direct the consumer lending and financing activities of Traders branches.

The Company's management and its trade associations have been in frequent consultation with the Federal government on pending legislation which could have impact on our business. The Borrowers and Depositors Protection Bill, which encountered substantial resistance from all quarters of the financial community, was withdrawn.

The long awaited amendments to the Bank Act have encountered additional delays. The bill provides for banks' direct entry into capital goods leasing and factoring. It would enable them to increase their mortgage lending as well as permit foreign banks to set up small branch networks in Canada. While these changes would increase competition, they do not pose a serious new threat. For several years, the major Canadian and foreign banks have engaged in leasing through subsidiaries. Canadian banks previously have had unused mortgage lending capacity. Anticipating a change in the factoring field, Traders, seven years ago, entered into a partnership agreement with the Royal Bank of Canada involving our factoring subsidiary, Aetna Financial Services Limited.

The amendments reflect many of the positions put forward in the Trust Companies Association brief. Trust companies will be provided access to

the Canadian Payments Association system and, will not, as originally proposed, be required to maintain reserves with the Bank of Canada. However, with the indicated expansion and broadening of powers of banks, it is essential that trust companies quickly receive expanded investment powers, and reduced capital base constraints on allowable deposits, as well as competitive leverage limits similar to the chartered banks. While we are encouraged by indications of possible changes to be incorporated in the Trust Companies Act, it is necessary that these changes be effected rapidly to preserve healthy competition in the trust companies proven areas of service.

The Canadian Payment Systems Standard Group studying a Canadian Electronic Funds Transfer System has submitted its initial report but no further action has been taken. The Company is assured of access to any ultimate system through Guaranty Trust as a deposit-taking institution.

Quebec Bill 101, The Charter of the French Language, has posed no problems for the Company and it expects to obtain its Francization Certificate in the normal course.

I wish to once again pay tribute to the dedication and competence of the Company's board of directors, management and staff. They have enthusiastically faced the challenges of a difficult business climate while at the same time laying the groundwork for the Company's future development.

The current economic and political outlook is clouded and there is little evidence to support a bullish outlook for 1979. A return to more normal interest rate levels, however, which may occur late in the year, would have a modest positive effect on the results of the finance company and be of somewhat greater benefit to the trust company.



H. E. Dynes
Chairman of the Board and
Chief Executive Officer

President's Report

The operating profit of the Finance Group for 1978 was \$2,565,000 compared with \$3,271,000 the previous year. In 1977, there was an additional investment gain after-tax of \$4,585,000 to bring total profit of the Finance Group to \$7,856,000. There was no similar investment gain in 1978.

Personal Financial Services

The Personal Financial Services Group, which provides diversified lending services to the Canadian consumer, suffered a substantial profit decline for the year. The adverse economic conditions which prevailed in 1977 continued and in some areas were intensified during 1978. These include high unemployment, inflation, escalating interest costs, intense rate competition and restrained demand.

Depressed consumer confidence was reflected in some reluctance on the part of the public to borrow. The growth in consumer credit outstandings that did occur was achieved in deposit-taking institutions by aggressive promotion and rate competition. This, coupled with Traders planned reduction in certain sales finance portfolios for profitability

considerations, resulted in reduced outstandings in wholesale and retail sales financing and to a lesser degree a reduction in direct consumer cash loans. While gains were registered in the residential mortgage portfolio and the company's revolving credit program, they were unable to sustain total outstandings. The result was a reduction in consumer receivables of approximately 3 per cent overall.

Credit losses and the perceived need to increase loss reserves for outstanding business adversely affected the profit contribution of the consumer loan portfolio. The number of bankruptcies in Canada escalated during the year increasing 28 per cent. Nearly 16,000 personal bankruptcies were recorded reflecting continued high unemployment, depressed regional economic conditions and the increased ease and accessibility of personal bankruptcy as a result of legislative changes. Because of higher than normal delinquencies and the higher rate of bankruptcies, it was considered prudent to increase credit loss reserves to \$13.9 million or 2.45 per cent of gross receivables compared with 2.26 per cent of receivables a year earlier. In the closing months of the year, total delinquencies began a downward trend and are expected to improve further with continuing emphasis on collection and quality of receivables.

To combat the declining earning assets, 56 branches, 12 regions and 3 zone offices were closed or consolidated. This will have a favourable cost impact in 1979. However, during 1978 one-time costs involved with the closings and the carry-forward effect of the large Pacific Finance acquisition in mid-1977, resulted in higher overall operating expense in 1978. This process of consolidation, albeit at a lesser rate, will be continued in 1979. At the same time, care will be taken to ensure adequate branch coverage of major Canadian markets for the future.

To improve the company's marketing effectiveness and control in the growing mortgage portfolio, a specialized mortgage division has been introduced on a national basis. This new organization, with greater specialization, should produce favourable results this year.

Business Financial Services

The Business Financial Services Group, which provides a broad range of financing and credit services to business and industry, improved its profit performance in 1978.

The volume of business transacted and receivables outstanding in equipment financing and leasing increased. In keeping with the emphasis on close supervision of accounts and improved collection activities, delinquencies as a percentage of dollars outstanding declined to 2.1 per cent in 1978 compared with 3.8 per cent a year earlier. Delinquencies and repossessions outstanding are currently at the lowest level in the division's 20-year history.



Traders factoring subsidiary, Aetna Financial Services Limited, reversed the operating loss of the previous year. Factoring volume and receivables outstanding were considerably higher than in 1977.

The major challenge for 1979 for the Business Financial Services Group is the increased pressure on profit margins. Two factors have combined to reduce margins throughout 1978. One element is greatly increased competition from both domestic chartered banks and lending subsidiaries of foreign banks as a result of the excess liquidity in the Canadian financial system. This has kept customer rates down. The artificially low rates have combined with the other element, the escalating costs of funds to create the pressure.

A solution to shrinking profit margins is a higher volume of business. During 1978, the Group increased its share of market and in 1979 emphasis is being placed on continuing these gains while adhering to the credit quality criteria that produced a satisfactory year in 1978.

International Operation

The company's International Operations, which provides corporate loans and leasing overseas, recorded a substantial turnaround from its performance in 1977, reporting a small profit contribution in the year 1978.

It was the company's intent to diversify into areas other than maritime financing during the past year. After careful examination, the company did not find viable substitute products. In the markets explored, the yields were not considered adequate for the class of risk involved. Overall, the International portfolio is assessed as being in an improved condition compared to 1977.

This division will continue to consolidate its position and should provide a nominal future profit contribution.

1979 Outlook

The outlook for 1979 does not indicate any dramatic turnaround from the conditions experienced in 1978. While demand for business and industrial financing should improve somewhat, many conditions which depressed results in the consumer lending portfolios will persist, compounded by the high interest rates forecast to continue until late in the year.

Some consolidation within the Traders organization and in conjunction with Guaranty Trust should improve operating efficiencies while at the same time enhancing the organization's marketing capability. For example, in the first half of 1979 Traders personnel together with Guaranty Trust will aggressively compete in the automobile financing field.

This is the business upon which Traders was founded. The company has considerable expertise and advanced systems in place. In recent years, rate competition from banks and automobile manufacturers finance company subsidiaries reduced yields to an unsatisfactory level for an independent finance company. By utilizing Guaranty Trust's funding capability, however, the Company is confident it can compete effectively for the long term in this large and stable market. Extensive growth in Traders other lending portfolios, however, is not anticipated.

E. W. Flanagan
President and
Chief Operating Officer



	1978	1977
FINANCE RECEIVABLES OUTSTANDING (\$000's)		
Direct cash loans		
Precomputed	\$ 223,535	\$ 231,190
Interest bearing	27,874	31,165
	251,409	262,355
Consumer retail notes and contracts		
Motor vehicles	59,037	70,196
Mobile homes	9,638	14,397
Residential mortgages and home improvements	199,206	170,624
Miscellaneous	38,296	42,745
	306,177	297,962
Commercial loans and contracts		
Industrial and commercial equipment	102,971	91,116
Commercial loans	52,054	39,442
Leasing	153,171	157,485
Factoring and commercial financing	81,680	61,216
	389,876	349,259
Wholesale		
Motor vehicles	36,485	40,591
Other	16,690	20,084
	53,175	60,675
	\$1,000,637	\$ 970,251
FINANCE RECEIVABLES ACQUIRED (\$000's)		
Direct cash loans	\$ 226,560	\$ 310,074
Consumer retail notes and contracts	224,856	212,396
Commercial loans and contracts	636,363	544,164
Wholesale	222,986	285,714
	\$1,310,765	\$1,352,348
FINANCE INCOME (\$000's)		
Gross finance operating income	\$ 134,223	\$ 138,472
Expenses: Borrowing costs	63,951	61,585
Provision for credit losses	17,552	17,892
General and administrative	47,949	43,530
	129,452	123,007
Income	4,771	15,465
Net contribution to Traders	\$ 2,565	\$ 7,856



Highlights

November 30	1978	1977
Land inventory (acres)	2,744	2,307
Land inventory at development cost (\$000's)	28,461	19,325
Net contribution to Traders (\$000's)	3,267	2,785
Total assets (\$000's)	43,452	29,480

The Land Development Division purchases land in selected suburban growth areas close to growing metropolitan communities. It develops and services the land and sells lots to qualified builders for homes, apartment buildings and shopping centres.

Profit contribution from land development operations increased 17 per cent to a record \$3,267,000 in 1978.

The inventory of land was increased by 19 per cent to 2,744 acres by fiscal year end. At present, 47 per cent of this land bank is located in Alberta, 47 per cent in Ontario and 6 per cent in Quebec.

Housing starts in 1979 are expected to be flat or to decline somewhat compared with 1978. The division nevertheless looks to 1979 with considerable confidence based upon the strategic locations of its land inventory, and expects the profit to be maintained at approximately the 1978 level notwithstanding the present housing climate.

Summary of Assets and Liabilities (\$000's)

November 30	1978	1977
ASSETS		
Mortgages receivable	\$13,580	\$ 9,471
Land inventory at development cost	28,461	19,325
Investments in associated companies, at equity value	1,364	636
Fixed assets (net of depreciation)	47	48
	\$43,452	\$29,480
LIABILITIES		
Bank indebtedness	\$ 2,065	\$ 255
Payables	3,000	1,139
Bank loans	14,500	9,850
Mortgages payable	9,177	4,709
Income taxes (current and deferred)	4,371	4,714
Advances from parent and associated companies	806	884
Traders investment, at equity value	9,533	7,929
	\$43,452	\$29,480

Summary Statement of Income (\$000's)

Year Ended November 30	1978	1977
Income		
Sales	\$17,311	\$11,755
Other	1,021	1,284
	18,332	13,039
Investment in associated companies	977	—
	19,309	13,039
Expenses		
Cost of sales	12,020	6,311
General and administrative	1,887	1,418
	13,907	7,729
Income before income taxes	5,402	5,310
Income taxes	2,135	2,525
Net contribution to Traders	\$ 3,267	\$ 2,785

Financial Review

Dividends

During 1978, dividends were paid at the rate of \$1.25 per common share, an increase of 4% from the 1977 level. Dividend payments represented a 54% payout of the earnings available to common shareholders for the year. The January 1979 payment is the 123rd consecutive quarterly dividend of the Company.

Shareholders and Capital

Book value per common share rose 4.3% to \$23.89 from \$22.90 a year ago.

During 1978, the volume of trading in Traders' common shares on the Toronto Stock Exchange reached a record 1.4 million shares, an increase of 16 percent from 1.2 million in 1977 and more than double the 1976 level. This volume level represents 29% of the average shares outstanding and reflects the greater interest in Traders by individual investors and the support of the investment community.

The number of common shareholders at year-end was 10,174 and preferred shareholders totalled 6,873. Canadian residents held 98% of all shares effectively outstanding.

At December 31, 1978, 246,845 Class A common shares were reserved for issue on exercise of outstanding share purchase warrants. The warrants have an exercise price of \$13 and expire on October 31, 1979. If all warrants are exercised in 1979, the common equity of Traders will increase by about \$3.2 million.

Capital Structure

Traders and its subsidiaries are strongly capitalized. At December 31, 1978, Traders' Senior Secured Notes were 2.7 times its Capital Base, providing additional borrowing capacity of over \$155 million. Guaranty Trust Company of Canada had additional deposit taking capacity of over \$365 million and the Canadian General Insurance Group has capital resources to substantially increase its business.

Borrowings

In 1978, Traders issued \$40 million of term debt in the Canadian capital mar-

kets. This included a \$30 million issue of 9¼ percent Senior Secured Notes due August 15, 1983 as well as a \$10 million issue of 10¼ percent Debentures due April 15, 1993 with a retractable option on April 15, 1985. The Company's credit rating from the Canadian Bond Rating Service was upgraded on the debenture issue. The Debentures are rated B++ by Canadian Bond Rating Service and BBB by Dominion Bond Rating Service. Selected long term Senior Secured Note issues have been rated "A" by Moody's Investors Service Inc., Standard & Poor's Corporation, Canadian Bond Rating Service and Dominion Bond Rating Service.

Through its Selling Group, composed of Canadian investment dealers, Traders placed \$25 million in medium term notes at an average rate of 9.57% with an average maturity of twenty-eight months.

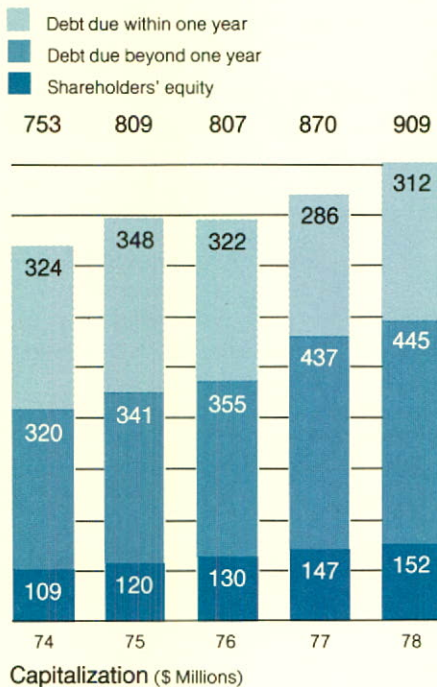
Money Market

Short term rates exhibited a significant upward trend in 1978. Short term notes outstanding at the end of 1978 were \$229.3 million, of which \$9.5 million were international bank borrowings for funding European activities. Average commercial paper borrowings during the year amounted to \$193 million, the average placement rate being 8.71% compared to 7.72% a year earlier. Traders received excellent support from its Selling Group members as well as investors in Canada, the United States and Europe.

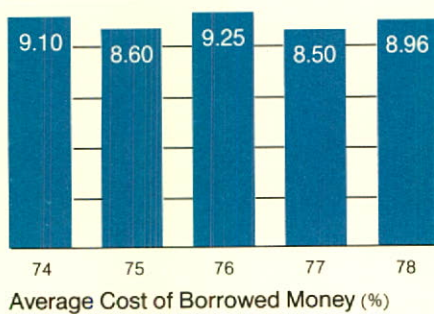
Total bank credit lines at the end of 1978 were \$317 million which included \$47 million for subsidiaries. These lines were maintained with nine Canadian banks, 23 American and two European banks.

Trust Deed Amendments

Early in 1979, the Company called Noteholders' meetings to propose amendments to its Trust Deed for its Senior Secured Notes. The amendments, which are expected to be approved this spring, are principally designed to remove restrictions that limited the profitable growth of Guaranty Trust and to provide greater flexibility in corporate operations.



Capitalization (\$ Millions)



Average Cost of Borrowed Money (%)



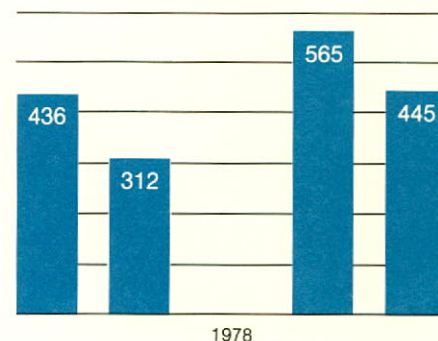
Consolidated Summary of Maturities (\$000's)

	Assets		Liabilities		Difference
	Receivables	Other	Debt	Other	
Maturity Dates Within:					
1979.....	\$ 436,145	\$ 7,836	\$308,189	\$ 69,388	\$ 66,404
1980.....	189,417	—	64,048	—	125,369
1981.....	135,662	—	34,348	—	101,314
1982.....	79,120	—	76,713	—	2,407
1983.....	80,610	—	60,293	—	20,317
	<u>920,954</u>	<u>7,836</u>	<u>543,591</u>	<u>69,388</u>	<u>315,811</u>
Beyond 1983	<u>79,683</u>	<u>—</u>	<u>190,106</u>	<u>—</u>	<u>(110,423)</u>
Finance	1,000,637	7,836	733,697	69,388	205,388
Unearned income ..	(127,494)	—	—	—	(127,494)
Loans to associated companies.....	17,309	—	—	—	17,309
Allowance for credit losses	(25,803)	—	—	—	(25,803)
Land development and other.....	16,617	132,003	23,677	42,914	82,029
	<u>\$ 881,266</u>	<u>\$139,839</u>	<u>\$757,374</u>	<u>\$112,302</u>	<u>\$151,429</u>

Traders Group Limited Funding Activities (\$000's)

December 31	1978	1977	Increase (Decrease)	
			Amount	Percent
Secured debt				
Short term notes				
—Bank.....	\$ 9,493	\$ —	\$ 9,493	—%
—Open market.....	219,805	214,780	5,025	2.3
Medium term notes.....	62,837	72,647	(9,810)	(13.5)
Long term notes.....	275,922	253,052	22,870	9.0
Unsecured debt.....	112,297	103,924	8,373	8.1
Capital and surplus	151,429	147,269	4,160	2.8
Bank credit lines	269,124	245,875	23,249	9.5

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



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

Balance Sheet (\$000's)

Traders Group Limited
and Consolidated Subsidiaries

December 31	<u>1978</u>	<u>1977</u>
ASSETS		
CASH (Note 2)	\$ 7,836	\$ 10,941
RECEIVABLES		
Finance, including \$436,145 due within one year (1977—\$412,318)		
Consumer	557,586	560,317
Commercial (Note 3)	389,876	349,259
Wholesale	53,175	60,675
	<u>1,000,637</u>	<u>970,251</u>
Loans to associated companies	17,309	17,060
	<u>1,017,946</u>	<u>987,311</u>
Less: Allowance for credit losses	25,803	22,998
	<u>992,143</u>	<u>964,313</u>
INVESTMENTS		
Land inventories of subsidiaries, at cost	28,461	19,325
Investments in associated companies, at equity value and other investments, at cost	4,035	2,456
Investment in subsidiaries not consolidated—		
—Guaranty Trust Company of Canada (Note 4)	61,899	61,468
—Canadian General Insurance Group	29,022	25,228
	<u>123,417</u>	<u>108,477</u>
OTHER ASSETS		
Receivables of Land Development subsidiaries and other receivables	16,617	20,526
Income taxes recoverable	—	129
Fixed assets, at cost less accumulated depreciation of \$4,391 (1977—\$4,388)	4,079	3,883
Unamortized cost of borrowed money	4,507	4,776
	<u>25,203</u>	<u>29,314</u>
Approved by the Board:		
H. E. Dynes, Director		
I. R. Gerstein, Director		
	<u><u>\$1,148,599</u></u>	<u><u>\$1,113,045</u></u>

December 31

19781977**LIABILITIES**

PAYABLES

Accounts payable and accrued expenses	\$ 25,881	\$ 28,645
Wholesale due to manufacturers	5,314	5,077
Dividends payable	2,370	2,382
Dealers' balances and factoring liabilities	38,650	32,334
Income taxes payable	759	—
	72,974	68,438

DEFERRED CREDITS

Unearned finance charges	127,494	136,672
Deferred income taxes	38,536	37,993
	166,030	174,665

SECURED DEBT OF THE COMPANY (Note 5)

Due within one year:

Short term	229,298	214,780
Medium and long term	47,235	39,445
Due beyond one year	312,314	308,388
	588,847	562,613

DEBT OF SUBSIDIARIES (Note 5)

Due within one year	32,618	28,559
Due beyond one year	23,612	26,931
	56,230	55,490

UNSECURED DEBT OF THE COMPANY (Note 5)

Due within one year	3,103	2,903
Due beyond one year	109,194	101,021
	112,297	103,924

MINORITY INTEREST in consolidated subsidiaries

792 646

CAPITAL AND SURPLUS (Note 5)

Preferred shares	34,716	35,463
Common shares	61,374	61,345
	96,090	96,808
Surplus	83,388	78,510
	179,478	175,318
Elimination of inter-company holdings (Note 5)	(28,049)	(28,049)
	151,429	147,269

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

\$1,148,599**\$1,113,045**

Statement of Surplus (\$000's)

Traders Group Limited
and Consolidated Subsidiaries

Year ended December 31	1978	1977
BALANCE AT BEGINNING OF YEAR	\$78,510	\$69,595
Adjustments arising during the year—		
Change in holdings in subsidiaries	44	14
Amortization of cost of issuing preferred shares, net of gain on redemption	25	49
Cost of issuing shares (net of income taxes)		
The Company	—	(270)
Unconsolidated subsidiary (preference shares)	(436)	—
	78,143	69,388
NET INCOME FOR THE YEAR	14,011	17,494
Less: Dividends on preferred shares—		
4½%	135	136
5%	58	58
5%, Series A	82	94
\$2.16, Series B	434	445
10¼%	768	768
7.5%	1,184	1,215
	2,661	2,716
EARNINGS AVAILABLE FOR COMMON SHARES (Note 5)	11,350	14,778
Less: Dividends on common shares—net of inter-company holdings (1978—\$1.25 per share; 1977—\$1.19¼ per share)	6,105	5,656
EARNINGS RETAINED FOR THE YEAR	5,245	9,122
BALANCE AT END OF YEAR of which \$4.0 million is designated as capital surplus under the Canada Corporations Act	\$83,388	\$78,510
 Earnings Per Common Share		
EARNINGS PER COMMON SHARE	\$ 2.32	\$ 3.17
Weighted average number of shares outstanding after inter-company elimination (000's)	4,884	4,669

Statement of Changes in Financial Position (\$000's)

Traders Group Limited
and Consolidated Subsidiaries

Increase (Decrease) year ended December 31	1978	1977
CHANGES IN CONSOLIDATED ASSETS		
CASH	\$ (3,105)	\$ (17,327)
RECEIVABLES (net of unearned finance charges and allowance for credit losses)	37,008	60,950
INVESTMENTS		
Land inventories of subsidiaries	9,136	870
Associated companies and other investments	1,579	(3,784)
Guaranty Trust Company of Canada	431	24,684
Canadian General Insurance Group	3,794	3,045
	14,940	24,815
OTHER ASSETS	(4,111)	6,513
NET INCREASE in consolidated assets	\$ 44,732	\$ 74,951
SOURCES OF FUNDS TO FINANCE THE INCREASE IN CONSOLIDATED ASSETS		
DEBT		
Secured	\$ 26,234	\$ 15,388
Debt of subsidiaries	740	22,150
Unsecured debt of the Company	8,373	7,699
	35,347	45,237
EQUITY		
Share capital	(718)	8,801
Increase in surplus	4,878	8,915
	4,160	17,716
OTHER LIABILITIES AND DEFERRED CREDITS		
Payables	4,536	4,726
Deferred income taxes	543	7,571
Minority interest in consolidated subsidiaries	146	(299)
	5,225	11,998
	\$ 44,732	\$ 74,951

The above statement shows the changes in consolidated assets from the prior year end, and the three major sources of funds (debt, equity and other liabilities and deferred credits).

A conventional statement of changes in financial position is not appropriate to finance companies since "working capital" for such companies includes long term receivables and long term debt as well as current items. The above statement has been designed to show comparable information appropriate to the operations of the Company's business.

Notes to the Financial Statements

December 31, 1978

Traders Group Limited
and Consolidated Subsidiaries

1. Accounting practices:

The major accounting practices followed by the Company and its consolidated subsidiaries are outlined on page 16.

Summary financial statements of subsidiaries not consolidated appear on pages 27 to 31 and 34.

2. Cash:

Cash includes \$2.6 million (1977—\$2.6 million) in balances in U.S. banks maintained in accordance with agreements for lines of credit with these banks, and \$4.2 million (1977—\$10.1 million) in money market instruments.

3. Direct financing lease contracts:

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

	(\$000's)	1978	1977
Commercial finance receivables		<u>1978</u>	<u>1977</u>
Aggregate rentals receivable		\$149,572	\$152,794
Residuals on expiry of leases:			
Contractual		1,789	2,870
Non-contractual		1,810	1,816
		<u>153,171</u>	<u>157,480</u>
Unearned income		45,772	49,780
		<u>\$107,399</u>	<u>\$107,700</u>

Deferred income taxes amounting to \$35.0 million (1977—\$32.9 million) relate primarily to direct financing lease contracts.

4. Guaranty Trust Company of Canada:

The carrying value of the investment in Guaranty Trust Company of Canada is \$1.0 million (1977—\$1.4 million) less than the underlying book value of the tangible net assets acquired. This reflects the difference between book value and fair value of certain tangible assets on the books of Guaranty Trust Company of Canada as at the dates of acquisition in 1977. The difference results in a higher yield on such assets and is being amortized to income over 48 months.

5. Capitalization:

Details of the secured and unsecured debt, capital position and potential dilution are included in the Capitalization Schedule on pages 17 to 20.

6. Contingent liabilities:

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 \$14.9 million at December 31, 1978.

A factoring subsidiary is being sued for damages of \$25.0 million for alleged misconduct of certain of its employees. Legal counsel advises that this action has no merit.

7. 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, 1978 is greater than the Canadian funds received at date of issue, indicating a contingent future foreign exchange loss of approximately \$12.5 million. Foreign exchange conditions in the future could alter this position materially.

8. Remuneration of directors and officers:

The aggregate direct remuneration paid to the directors and senior officers of the Company during the year ended December 31, 1978 was:

	As directors		As officers	
	Number	Amount (\$000's)	Number	Amount (\$000's)
Paid by the Company	21	\$61	23	\$1,176
Paid by subsidiaries	18	50	4	262

Four officers were also directors of the Company.

Accounting Practices

Traders Group Limited
and Consolidated Subsidiaries

Principles of Consolidation

The consolidated financial statements include the accounts of all subsidiaries, except Guaranty Trust Company of Canada and the Canadian General Insurance Group because their assets and investments are regulated and are not freely interchangeable with those of the Company. Consolidation would not provide a more informative presentation, accordingly, investment in and earnings of these subsidiaries are accounted for on an equity basis. Reference is made to "Principal Subsidiary Companies".

All subsidiaries are consolidated as of their fiscal year-ends of December 31, except for the Land Development companies whose fiscal year-ends are November 30. The earlier year-ends are employed to ensure the availability of the financial statements of these companies in time for consolidation with the accounts of Traders.

Associated Companies

The Company and certain subsidiaries hold up to 50% of the equity shares in a number of associated companies. The investments in associated companies are carried at cost plus excess of earnings over dividends received from date of acquisition. Income pertaining to these investments is accounted for on an equity basis.

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 exchange fluctuations are reflected in current operations, while those arising from revaluation of currencies are recorded as extraordinary items.

Unearned and Deferred Income

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.

Land Development subsidiaries defer gross margins on land sales until at least 15% of the sale price has been received in cash.

Land Inventories of Subsidiaries

Land development and carrying costs are accumulated in the carrying value of land and charged against income proportionate to the sales to date of each development. Land is carried at development cost to date, but not in excess of estimated market value.

Principal Subsidiary Companies (December 31, 1978)

	Effective % held by Traders	Investment at cost and advances from Traders (\$000's)
Traders Group Limited		
Consolidated Subsidiaries		
FINANCE GROUP		
Trans Canada Credit Corporation Limited	100.0%	\$ 16,261
Traders Homeplan Limited and subsidiary	99.9	3,152
Traders Realty Limited	100.0	203,980
Traders Finance Corporation (1966) Limited	100.0	1,318
Aetna Financial Services Limited and subsidiary	60.0	3,034
Traders Finance S.A. and subsidiaries	100.0	37,647
Traders Finance Corporation (1976) Limited	100.0	6,642*
LAND DEVELOPMENT		
Forest Glenn (Dixie) Limited	100.0	**
Traders Developments Limited	100.0	**
Les Développements Val-Forêts Ltée.	100.0	1
Subsidiaries not consolidated		
Guaranty Trust Company of Canada	98.7	55,316
Canadian General Insurance Group	98.8	2,902

*After elimination of \$28,049 inter-company holdings.

**Cost of investment less than one thousand dollars.

Capitalization

December 31, 1978

Traders Group Limited
and Consolidated Subsidiaries

Secured Debt (\$000's)

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.

Traders Group Limited	Due within one year	Due beyond one year	Total
SENIOR SECURED DEBT			
Short term notes:			
Bank Loans			
—in U.S. funds at current exchange rates	\$ 9,493		\$ 9,493
Other			
—in Canadian funds	186,275		186,275
—in U.S. funds at current or forward exchange rates	33,530		33,530
	<u>229,298</u>		<u>229,298</u>
Medium term notes	29,800	\$ 33,037	62,837
Long term notes	16,021	259,901	275,922
	<u>45,821</u>	<u>292,938</u>	<u>338,759</u>
OTHER SECURED DEBT	1,414	19,376	20,790
TOTAL SECURED DEBT	<u>\$276,533</u>	<u>\$312,314</u>	<u>\$588,847</u>

MEDIUM TERM NOTES MATURE IN

1979	\$ 29,800
1980	14,025
1981	8,512
1982	10,500
	<u>\$ 62,837</u>

LONG TERM SENIOR SECURED NOTES

Series	Maturity dates	Maximum annual purchase fund	Issued	Outstanding
5¾% X	April 1, 1979	\$ —	\$ 7,500	\$ 7,500
6¾% AF	June 15, 1981	250	10,000	6,574
5¾% Y	September 15, 1981	375	15,000	9,396
9¾% AS	March 15, 1982	750	25,000	21,738
5¾% Z	April 15, 1983	250	10,000	7,350
5¼% AA	May 15, 1983	297	10,000 u.s.	9,677
9¼% AU	August 15, 1983	600	30,000	29,293
5¾% AB	May 1, 1984	250	10,000	7,084
9½% AT	June 15, 1984	600	30,000	29,300
5¾% AC	September 15, 1984	375	15,000	9,626
5¾% AD	April 15, 1985	375	15,000	10,371
6¼% AE	April 1, 1986	—	12,500 u.s.	13,457
7¾% AH	December 1, 1986	79	3,150	2,214
7¼% AI	July 1, 1987	—	17,700 u.s.	19,034
7¾% AJ	September 15, 1987	125	5,000	3,625
8% AK	December 1, 1988	858	15,450 u.s.	13,705

Capitalization (continued)

Series	Maturity dates	Maximum annual purchase fund	Issued	Outstanding
8¾% AL	December 15, 1988	\$ 8	\$ 306	\$ 270
9¾% AM	December 15, 1989	29	1,165	1,117
9½% AN	May 15, 1990	5	215	213
10½% AO	October 15, 1990	1,083	14,600 U.S.	13,430
9% AP	February 15, 1991	625	25,000	21,109
10½% AR	March 15, 1991	1,187	20,000 U.S.	19,839
11¼% AQ	January 6, 1995 ⁽ⁱ⁾	400	20,000	20,000
		<u>\$8,521</u>		<u>\$275,922</u>

(i) The holders of Series AQ Notes maturing January 6, 1995 have the right to elect pre-payment on January 6, 1982. Such election may be made only after July 1, 1981 and prior to December 4, 1981.

OTHER SECURED DEBT

The Company has obligations of \$20.8 million secured on leased property, bearing current interest rates from 8.35% to 10.25% and payable from 1979 through 1990.

Unsecured Debt (\$000's)

DEBENTURES

Series	Maturity dates	Annual sinking fund or maximum annual purchase fund	Issued	Outstanding
9¾%	November 2, 1980	\$ 72	\$ 2,416	\$ 2,273
6%	October 15, 1982	225	7,500	4,493
6%	November 1, 1984	180	6,000	3,976
6%	June 1, 1985	120	4,000	2,756
11¼%	June 15, 1990 ⁽ⁱ⁾	250	12,500	12,500
11½%	November 1, 1990 ⁽ⁱ⁾	600	20,000	20,000
10¾%	April 15, 1991 ⁽ⁱ⁾	300	10,000	10,000
9½%	June 15, 1991	106	3,527	3,250
9¾%	April 15, 1992 ⁽ⁱ⁾	300	10,000	9,845
8¾%	October 15, 1992 ⁽ⁱ⁾	—	12,500	12,500
10¼%	April 15, 1993 ⁽ⁱ⁾	200	10,000	9,984
8¾%	May 1, 1993	375	12,500	10,350
9%	October 15, 1993	375	12,500	10,370
		<u>\$3,103</u>		<u>\$112,297</u>

(i) The holders of the following series have the right to elect that the Company shall pay such debentures at the early maturity date indicated below:

Series	After	Prior to	Early maturity date
11¼% June 15, 1990	December 15, 1979	May 15, 1980	June 15, 1980
11½% November 1, 1990	May 15, 1980	October 15, 1980	November 15, 1980
8¾% October 15, 1992	October 15, 1981	April 15, 1982	October 15, 1982
10¾% April 15, 1991	October 15, 1982	March 15, 1983	April 15, 1983
9¾% April 15, 1992	October 15, 1983	March 15, 1984	April 15, 1984
10¼% April 15, 1993	October 15, 1984	March 15, 1985	April 15, 1985

A purchase fund will apply to the 8¾% debentures outstanding after October 15, 1982.

DEBT OF SUBSIDIARIES (\$000's)

Bearing current interest rates from 8.00% to 13.00% and maturing from 1979 to 1987.	Due within one year	Due beyond one year	Total
Finance subsidiaries	\$28,553	\$ 4,000	\$32,553
Other subsidiaries	4,065	19,612	23,677
	<u>\$32,618</u>	<u>\$23,612</u>	<u>\$56,230</u>

Share Capital**CUMULATIVE REDEEMABLE PREFERRED SHARES**

	Authorized		Issued and outstanding	
	Shares	Amount	Shares	Amount
		(\$000's)		(\$000's)
4½%, par value \$100	35,000	\$ 3,500	35,000	\$ 3,500
Less: held by subsidiaries			5,135	513
			<u>29,865</u>	<u>2,987</u>
5%, par value \$40.	29,149	1,166	29,149	1,166
Shares issuable in series, par value \$30	351,917	10,558		
Series A, 5%			58,528	1,756
Less: cancelled by purchase during 1978			8,186	246
			<u>50,342</u>	<u>1,510</u>
Series B, \$2.16			203,092	6,092
Less: cancelled by purchase during 1978			5,248	157
			<u>197,844</u>	<u>5,935</u>
Shares issuable in series, par value \$10	5,000,000	50,000		
10¼% preferred shares			749,500	7,495
7.5%, par value \$50	331,100	16,555	319,342	15,967
Less: cancelled by purchase during 1978			6,888	344
			<u>312,454</u>	<u>15,623</u>
				<u>\$34,716</u>

The terms of issue of Series A, Series B, 10¼% and 7.5% preferred shares include provisions by which the Company is to provide (subject to certain conditions) the following purchase fund for the purchase and cancellation of these preferred shares:

	Maximum purchase price per share	Annual purchase fund
		(\$000's)
Series A	\$28	\$ 210
Series B	30	150
10¼% shares	10	750
7.5% shares	50	312
		<u>\$1,422</u>

Capitalization (concluded)

COMMON SHARES WITHOUT NOMINAL OR PAR VALUE

	Authorized	Issued and Outstanding	
		Shares	Amount (\$000's)
Class A	10,000,000	6,306,204	\$60,865
Add—issued during 1978 on exercise of share purchase warrants		2,175	29
		6,308,379	60,894
Class B	720,000	720,000	480
		7,028,379	\$61,374
Less—elimination of shares held directly and indirectly through a subsidiary (i)		2,142,969	
Common shares effectively outstanding		<u>4,885,410</u>	

246,845 Class A common shares were reserved for issue at December 31, 1978 on exercise of share purchase warrants issued in 1969 to Series B preferred shareholders. These warrants have an exercise price of \$13 and expire on October 31, 1979. If imputed earnings on the proceeds from exercise of these warrants were calculated at the average rate of return for the period on actual outstanding equity, the dilution from actual earnings per share would have been insignificant.

(i) The common shares of Traders Group Limited held directly and indirectly by a subsidiary and the portion eliminated on consolidation are as follows:

	Common Shares		Total
	Class A	Class B	
Indirect holding	275,080	582,794	857,874
Applicable to subsidiary	182,426	386,494	568,920
Direct holding	1,484,659	89,390	1,574,049
Total shares eliminated on consolidation	<u>1,667,085</u>	<u>475,884</u>	<u>2,142,969</u>
Cost of shares eliminated on consolidation			<u>\$28,049,000</u>

Auditors' Report

To the Shareholders of Traders Group Limited:

We have examined the balance sheet of Traders Group Limited and consolidated subsidiaries as at December 31, 1978 and the statements of net income, surplus and changes in financial position for the year then ended. Our examination of Traders Group Limited and the 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. The assets of these companies, as included in the consolidated balance sheet amounted to 6.8% of the total consolidated assets.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1978 and the results of their operations and the changes in their 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 12, 1979

PRICE WATERHOUSE & CO.
Chartered Accountants

Accounting Practices

Accounting practices with respect to the principles of consolidation, associated companies, foreign exchange, unearned and deferred income and the land inventories of subsidiaries are presented as an integral part of the consolidated financial statements.

Lending Policy

Loan applications are subject to prudent credit policies. Specific credit granting authority is assigned to management according to the portfolio, position, experience and proven capabilities. The larger the transaction, the more senior the level of management authorized to grant approval.

All loans over \$1 million are approved by the executive committee of 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.

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

For statistical reporting a delinquent account is one on which an entire instalment is past due and the unpaid amount has been outstanding for one month 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, residential mortgages are written-off if a full instalment has not been received in the last twelve calendar months.

Allowance for Credit Losses

The allowance for credit losses is established as the result of regular detailed analyses of individual delinquent accounts. In addition to specific reserves, a general reserve is established based on a percentage of outstandings 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.

Traders Pension Plan

Traders has operated an employee pension plan for 36 years. The plan is contributory, providing for normal retirement at age 65, and voluntary retirement without penalty at age 62. Pension benefits are based upon an employee's final five year average earnings. The employee's contributions were supplemented by Company contributions of \$709,500 in 1978 and \$661,000 in 1977 to keep the plan fully funded, based on current actuarial valuations.

The Traders Pension Fund, not reflected in the consolidated financial statements, is administered by Trustees on behalf of members of the plan.

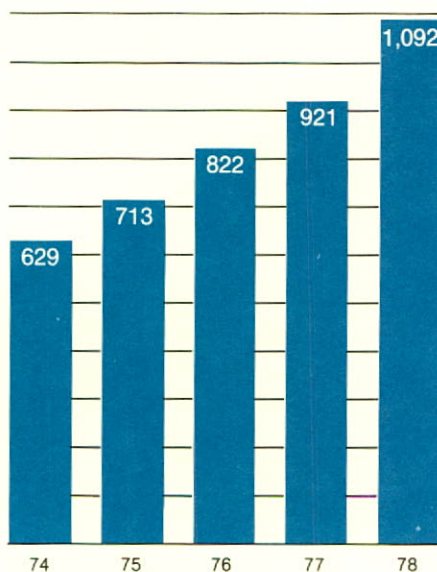
Financial Highlights



(\$000's omitted)	1978	1977	%Change
Investment Income	\$ 140,990	\$ 118,448	19.0
Fees and Commissions	14,773	13,047	13.2
Total Revenue	\$ 155,763	\$ 131,495	18.5
Profit from Operations	\$ 5,214	\$ 4,357	19.7
Net Profit for the Year	5,366	4,354	23.2
Earnings per Common Share	0.64	0.65	(1.5)
Dividends per Common Share	\$ 0.16	\$ 0.16	—
Assets Under Administration:			
Company and Guaranteed Funds	\$1,662,350	\$1,414,803	17.5
Estate, Trust and Agency Assets	1,092,350	920,898	18.6
Total Assets Under Administration	\$2,754,700	\$2,335,701	17.9



Interest Rate Spread on a Taxable Equivalent Basis



Estate, Trust and Agency Assets Under Administration (\$ millions)

President's Report

The early stages of 1978 showed considerable promise for Guaranty Trust. Despite two bank prime rate increases in March and April, profit for the first six months exceeded that of the previous year. However, in the second half of the year, four further increases raised rates to record levels which more than offset the earlier gains.

Net profit after preferred dividends was \$4,267,000 compared with \$4,354,000 in 1977.

The contribution to Traders amounted to \$4,624,000 compared with \$3,846,000 the preceding year. This increased contribution resulted from Traders increased ownership of the trust company for the full year, as well as the continuing amortization of the difference between fair value and book value of certain assets of the Company as described in Note 4 of Traders consolidated financial statement.

The unprecedented escalation of rates together with excess liquidity in the financial system caused rates paid on deposits to rise faster than rates on investments resulting in a decline in margins. This occurrence offset gains in almost all other areas of the Company's operations.

Operating Highlights

Company and guaranteed fund assets increased 17% to \$1,662 million while estate, trust and agency assets increased 19% to \$1,092 million to bring total assets under administration to \$2,754 million. The growth in both areas was the highest in the history of the Company.

Gross revenue increased 18% to \$155 million. Income from loans and investments amounted to \$141 million and in spite of the negative effect on the investment spread caused by significant increases in the bank prime rate, the Company was able to increase its interest rate spread on a taxable equivalent basis. This was made possible by substantial acquisitions of term preferred

shares and income debentures of taxable Canadian companies. The Company's income from these investments is not subject to further income tax. The chart on page 23 reflects the interest rate spread as though the income had been earned on a taxable basis.

Fee and commission income increased 13% to \$14.8 million largely as a result of gains of \$623,000 in real estate commissions, \$300,000 in pension trust fees and \$464,000 in retirement savings plan fees.

Operating expenses, exclusive of interest and real estate commissions, increased \$5.2 million. Significant contributors to the increase were the continued expansion of the regional mortgage organization and the staffing and training involved in four new banking branches. The other increase resulted from the full year's operation of the Company's computerized on-line stock transfer and trust and portfolio accounting systems, as well as the conversion of the remaining branches to the Company's on-line banking system.

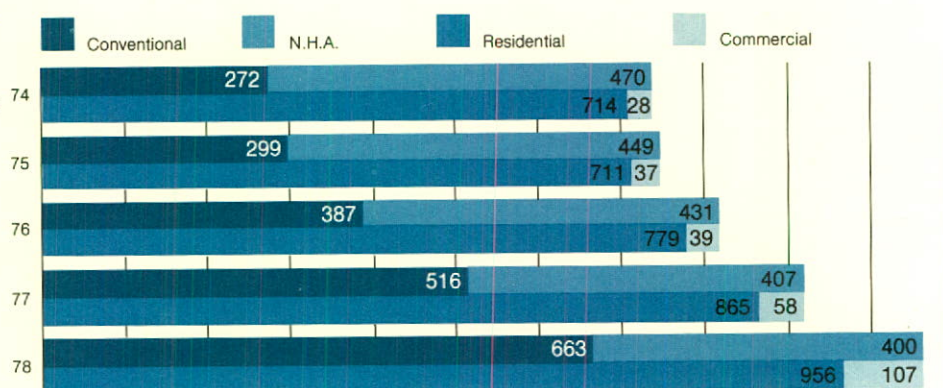
Development is underway on an advanced mortgage accounting and reporting system to further improve the administration of this large and growing portfolio. Work continues on a joint

venture basis with other leading trust companies in developing a sophisticated on-line banking service which will improve our marketing capability and customer service. The completion of the branch conversions during the year was an important step in this project.

The Company feels confident that it has now and in process efficient computerized systems for all major portfolios and is well prepared to handle additional growth on a cost-efficient basis.

Mortgages

Despite increased competition from all financial institutions for available mortgage investments, volume and outstandings reached new highs reflecting the successful expansion of the mortgage division. Mortgage advances for both guaranteed and trust clients increased approximately 25% to over \$250 million. The guaranteed mortgage portfolio exceeded the \$1 billion level for the first time, reaching \$1,063 million at year end. The Company generated approximately \$300 million in commitments during the year, an increase of over 40%. Unadvanced commitments at December 31, 1978 substantially exceeded the 1977 year end level, a positive indicator for 1979, a year that promises a continuation of the intense competition in this portfolio.



Mortgages 5 year portfolio growth (\$ millions)



Consumer Loans

Consumer loans outstanding increased 24% to \$123 million. During the year a new variable rate program was introduced providing increased flexibility and a broader customer base. This program has been well received and should assist in achieving future growth objectives in a highly competitive market while at the same time improve yields without unduly increasing credit exposure. Despite rising interest rates during 1978, competition forced a lowering of consumer loan rates. The quality of receivables was maintained. Delinquency rates remained constant and compatible with industry experience.

Corporate Loans

Loans to Canadian business and industry increased 43% to \$44 million at December 31, 1978. Most loans provide a floating rate tied to the bank prime rate to protect the Company against increases in the cost of funds. As a result, the yield on this portfolio improved somewhat from the previous year. The quality of the portfolio is excellent with no delinquent accounts at year end.

Marketing effectiveness is expected to improve further in 1979 with the introduction of a regional corporate lending organization.

Securities and Money Market

Cash and short term securities, primarily bank deposit receipts, increased from \$200 million to \$247 million. Of this amount, \$78 million was matched against a like amount of time deposits producing an increased spread during the year. This matched "money market" operation will be expanded to utilize the Company's excess borrowing capacity as long as satisfactory spreads can be achieved between the cost of funds and the return on investments.

The bond portfolio decreased \$10 million to \$80 million reflecting normal maturities together with selected sales

to shorten the remaining maturities of this portfolio. The stock component increased by \$37 million in part from the investment of the proceeds of the January 1978 preferred issue of approximately \$14.5 million. In addition, there were the substantial purchases of income debentures and term preferred shares referred to earlier.

Deposits

Total deposits gained 17% to \$1.5 billion at year end. Savings and chequing deposits increased 5% to \$345 million, registered savings plans 52% to \$129 million, G.I.C.'s 18% to \$985 million and time deposits 19% to \$78 million.

Four new banking branches were opened; one each in Stratford and Waterloo late in 1978 and two in Toronto in January 1979. For the first time, use was made of Traders Group Limited personnel and resources. Public response has been excellent and the Company plans further expansion of the branch network taking advantage of the association with Traders as well as other marketing opportunities.

At December 31, 1978 the Company had the capacity to take on more than \$365 million in additional deposits without raising further capital.

Corporate Services

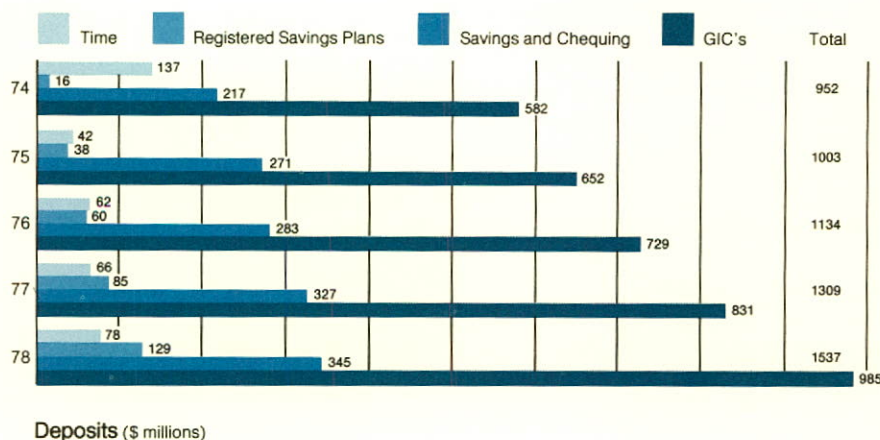
Revenue from stock transfer operations increased 18% for the year reflecting not only increased activity but also the appointment of Guaranty Trust as transfer agent by a number of major Canadian public companies.

The installation of "F.A.S.T." (Fully Automated Stock Transfer) system was completed in Calgary early in the year and now provides on-line service to all major stock exchange cities in Canada. During 1979, "F.A.S.T." will also be in a position to provide improved service to bond trusteeship clients.

The pension services area continued its growth, increasing assets under administration at market value by 40% to \$245 million. The Company's Pooled Pension Fund which increased 57% to \$62 million, was ranked first on the equity portion and third overall on the basis of rate of return over a four year period, in comparison with over 400 pension funds managed in Canada. The record of superior investment performance and administration efficiency has resulted in excellent acceptance of all pension services.

Personal Financial Services

Retirement savings plans under administration at book value increased 26% to



\$405 million. Self-administered or special plans continue to be the largest segment amounting to \$246 million at year end.

During 1978, a new G.I.C. R.S.P. plan (Guaranteed Investment Certificate Retirement Savings Plan) was introduced. This plan, which provides term deposits at current company G.I.C. rates, with no fees, has been well accepted. Gains were also recorded in deposit-based R.S.P. and Mortgage Funds.

The restructuring and consolidation of the estate, trust and agency services into ten strategically located offices across the country, which was commenced in 1977, showed positive results in 1978. The efficiencies of Trust-Aid II, the on-line computer system, enabled this operation to provide improved service at reduced cost.

Real Estate

For the second consecutive year real estate operations continued to show favourable results in terms of sales and profit performance. Gross commissions increased 15% to \$4.8 million while net commissions rose 20% to \$1.4 million compared with 1977.

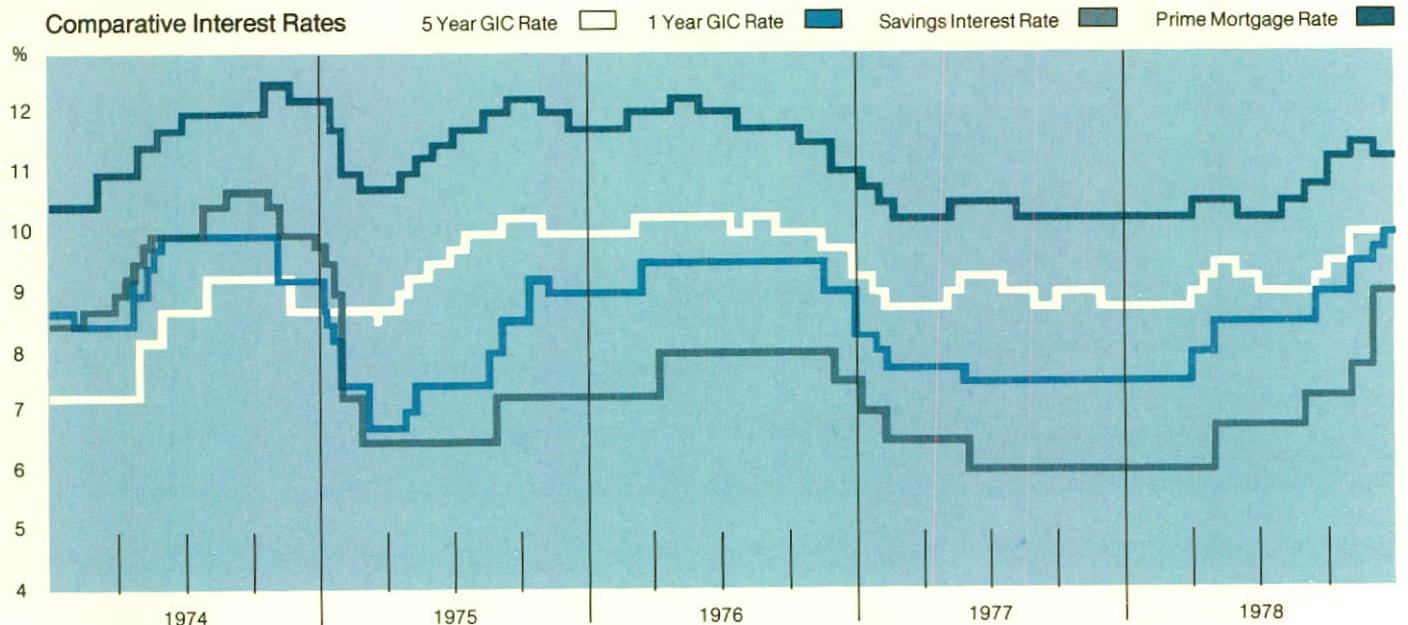
The acquisition of selective independent real estate broker firms both expanded the division's branch network and provided an additional profit contribution. Further expansion and increased emphasis on property management is planned for 1979.

The Company is fully committed to constantly strive to improve the quality of our service. To this end, resources will continue to be directed to ensure the most effective support systems and professionally trained personnel. The accomplishments of the past year are a reflection of the dedication and competence of our management and staff at all levels in the organization.

1979 Outlook

There are some signs of cautious optimism for the latter part of 1979. Nevertheless, it appears that we will continue to be plagued with high interest rates which have adversely affected our profit performance in 1978. The Company will continue to stress the quality of its service, employees, and investments, as well as asset/liability management and marketing plans to be in a position to capitalize on future opportunities.

Alan R. Marchment,
President and Chief Executive Officer



Statement of Revenue and Expense (\$000's)

Guaranty Trust Company of Canada



Year ended December 31	1978	1977
REVENUE		
Interest from mortgages and other loans	\$112,362	\$ 98,182
Interest and dividends from securities and bank deposit receipts	28,628	20,266
Real estate fees and commissions	4,770	4,147
Other fees and commissions	10,003	8,900
	155,763	131,495
EXPENSE		
Interest on deposits and subordinated shareholder loans . . .	116,308	97,112
Salaries and staff benefits	15,741	13,892
Premises including depreciation and amortization of \$747 (1977—\$582)	3,318	2,868
Real estate commissions paid	3,416	3,022
Other operating expenses	10,779	7,889
	149,562	124,783
Operating profit before taxes	6,201	6,712
Deferred income tax provision	987	2,355
Net operating profit	5,214	4,357
Net gain (loss) on investments less applicable income taxes	152	(3)
Net profit for the year	\$ 5,366	\$ 4,354
Earnings per common share*		
Net operating profit	\$ 0.62	\$ 0.65
Net gain on investments	0.02	—
Net profit for the year	\$ 0.64	\$ 0.65
*Based on common shares outstanding (000's)	6,667	6,667

Summary of Accounting Policies

The Company follows accounting policies common to trust companies. The significant policies are as follows:

A) Investments:

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. Other investments are stated at cost.

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 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 revenue and expense.

B) Revenue from Fees and Commissions:

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.

C) Depreciation and Amortization:

The reducing balance basis is used to compute depreciation on buildings at 5% and equipment at 20%. Computer equipment is depreciated on the straight-line basis at the rate of 20%. Amortization of leasehold improvements is computed using the straight-line method over the life of the lease plus the first renewal option period.

D) 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 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.

Balance Sheet (\$000's)

Guaranty Trust Company of Canada

December 31	<u>1978</u>	<u>1977</u>
ASSETS		
INVESTMENTS		
Cash and bank deposit receipts	\$ 241,941	\$ 178,243
Securities and loan income due and accrued	15,735	12,853
Collateral loans to investment dealers	—	7,920
Securities (Note 2)	153,919	144,380
Loans:		
Consumer	122,708	98,893
Corporate	44,115	30,799
Mortgages	<u>1,063,272</u>	<u>923,084</u>
	<u>1,230,095</u>	<u>1,052,776</u>
Other investments	3,862	4,087
	<u>1,645,552</u>	<u>1,400,259</u>
OTHER ASSETS		
Premises, leasehold improvements and equipment, at cost less accumulated depreciation and amortization of \$6,514 (1977—\$5,767)	7,095	6,646
Accounts receivable and other assets	9,703	7,898
	<u>\$1,662,350</u>	<u>\$1,414,803</u>
LIABILITIES		
Guaranteed Trust Account (Note 3):		
Savings and chequing accounts	\$ 344,923	\$ 327,326
Registered savings plan deposits	129,059	84,833
Guaranteed investment certificates	985,349	831,385
Time deposits	78,276	65,756
Interest accrued and other payables	38,622	30,112
	<u>1,576,229</u>	<u>1,339,412</u>
Other liabilities	2,227	1,494
Deferred income taxes	5,342	4,546
Subordinated shareholder loans	—	8,500
SHAREHOLDERS' EQUITY (Notes 4 and 5)		
Capital Stock	28,277	13,333
Contributed surplus	25,741	25,741
Retained earnings	24,534	21,777
	<u>78,552</u>	<u>60,851</u>
	<u>\$1,662,350</u>	<u>\$1,414,803</u>

We hereby certify that to the best of our knowledge and belief the balance sheet as at December 31, 1978 and the statements of revenue and expense, retained earnings and the statement of changes in financial position for the year then ended are correct and show truly and clearly the financial condition of the Company's affairs and the results of its operations.

H. E. Dynes, Chairman of the Board
A. R. Marchment, President & Chief Executive Officer
J. P. Bassel, Director & Chairman of the Audit Committee

Statement of Changes in Financial Position (\$000's)



Year Ended December 31	1978	1977
FUNDS PROVIDED BY		
Operations:		
Net profit	\$ 5,366	\$ 4,354
Add non cash items:		
Depreciation and amortization	747	582
Deferred income taxes	987	2,355
	<u>7,100</u>	<u>7,291</u>
Net increase in:		
Savings and chequing accounts	17,597	44,411
Registered savings plan deposits	44,226	24,938
Guaranteed investment certificates	153,964	101,814
Time deposits	12,520	3,944
Other liabilities and accrued interest	9,052	5,295
Proceeds from issue of preference shares (Note 4)	14,556	—
	<u>\$259,015</u>	<u>\$187,693</u>
FUNDS APPLIED TO		
Net increase (decrease) in:		
Cash, bank deposit receipts and collateral loans to investment dealers	\$ 55,778	\$ 79,007
Securities	9,539	(14,467)
Consumer and corporate loans	37,131	14,908
Mortgages	140,188	105,252
Other	5,658	2,377
Repayment (increase) of subordinated shareholder loans ..	8,500	(450)
Dividends	2,165	1,066
Purchase for cancellation of preference shares, Series A ..	56	—
	<u>\$259,015</u>	<u>\$187,693</u>

Statement of Retained Earnings (\$000's)

Balance at beginning of the year	\$ 7,900	\$ 4,612
Transfer from general reserve (Note 5)	13,877	13,877
Restated balance at beginning of the year	21,777	18,489
Net profit for the year	5,366	4,354
Expenses of issue of preference shares (Note 4)	(444)	—
	<u>26,699</u>	<u>22,843</u>
Deduct—Dividends—preference shares	1,099	—
—common shares (1978 and 1977— \$0.16 per share)	1,066	1,066
Balance at end of the year	<u>\$ 24,534</u>	<u>\$ 21,777</u>

Notes to Financial Statements

Guaranty Trust Company of Canada
December 31, 1978

1. Summary of Accounting Policies:

These financial statements comply with all disclosure requirements of the Trust Companies Act (Canada). The significant accounting policies are in the "Summary of Accounting Policies" which is an integral part of these financial statements.

2. Securities (\$000's):

	1978	1977
Government of Canada and Provinces of Canada	\$ 59,864	\$ 64,086
Corporate notes	4,911	22,159
Other securities:		
Municipal	2,461	2,570
Corporation bonds and debentures	17,324	23,418
Stocks	69,359	32,147
(Market value 1978—\$88,408; 1977—\$56,600).	89,144	58,135
	<u>\$ 153,919</u>	<u>\$ 144,380</u>

3. Assets Held for Guaranteed Trust Account (\$000's):

Cash and bank deposit receipts.	\$ 221,957	\$ 158,416
Securities	105,429	105,176
Mortgages	1,063,272	923,084
Other loans	166,823	137,612
Accrued interest and other	18,748	15,124
	<u>\$1,576,229</u>	<u>\$1,339,412</u>

4. Capital Stock (\$000's):

Authorized—		
1,247,175 Preference shares of \$20 par value issuable in series (1977—1,250,000)		
10,000,000 Common shares of \$2 par value		
Issued and outstanding—		
747,175 8% Cumulative redeemable preference shares, Series A	\$ 14,944	\$ —
6,666,600 Common shares.	13,333	13,333
	<u>\$ 28,277</u>	<u>\$ 13,333</u>

On January 31, 1978 the Company issued 750,000 8% cumulative redeemable preference shares, Series A for a total cash consideration of \$15,000,000. Fees and expenses of the issue less applicable income tax reductions were charged to retained earnings.

Preference shares are redeemable at \$21.00 per share in 1983, reducing by \$0.20 per share per year until December 31, 1987 and at \$20.00 per share thereafter.

During the year 2,825 preference shares for a total consideration of \$56,000 were purchased and cancelled.

5. Contributed Surplus and Retained Earnings:

In prior years the Company made discretionary allocations from retained earnings to general reserve and at December 31, 1977 the general reserve balance comprised \$25,741,000 of contributed surplus and \$13,877,000 of accumulated discretionary allocations. In the year ended December 31, 1978 the Company transferred the accumulated discretionary allocations to retained earnings and reclassified the balance of the general reserve account as contributed surplus in the balance sheet. Comparative figures for 1977 have been reclassified to conform with the 1978 presentation.

6. Long Term Leases:

The Company leases premises for various periods up to 14 years. The aggregate amount of rentals incurred in the year ended December 31, 1978 was \$1,376,000 (1977—\$1,133,000) and the aggregate minimum rental expense under these leases for the five years subsequent to December 31, 1978 is approximately \$6,840,000 (1977—\$3,820,000).

7. Remuneration of Directors and Senior Officers:

The amount of the aggregate direct remuneration paid or payable by the Company to the directors and senior officers of the Company for the year ended December 31, 1978 was \$844,000 (1977—\$762,000).



To the Shareholders of Guaranty Trust Company of Canada:

We have examined the balance sheet of Guaranty Trust Company of Canada as at December 31, 1978 and the statements of revenue and expense, retained earnings and changes in financial position for the year then ended and have obtained all the information and explanations we have required. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the Company, these financial statements present fairly the financial position of the Company as at December 31, 1978 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, January 23, 1979

PRICE WATERHOUSE & CO.
Chartered Accountants

Maturities

Loans: The estimated principal repayments on mortgage, consumer and corporate loans outstanding at December 31, 1978 are as follows:

Repayments during year ending December 31	Principal Amount (\$ millions)	Percentage
1979	\$ 226	18.4%
1980	167	13.6
1981	202	16.4
1982	229	18.6
1983	271	22.0
1984	24	2.0
after 1984	111	9.0
	<u>\$1,230</u>	<u>100.0%</u>

Note 1: The above estimates include an allowance for prepayment of loans which normally occurs in the daily conduct of the Company's business. Based on past experience it has been found that a large number of maturing mortgages and loans are renewed or refinanced but this has not been reflected in the estimates.

Guaranteed Investment Certificates: The following is the scheduled maturities of the fixed term Guaranteed Investment Certificates:

Maturing during year ending December 31	Principal Amount (\$ millions)	Percentage
1979	\$202	22.8%
1980	138	15.6
1981	162	18.3
1982	183	20.7
1983	200	22.6
	<u>\$885</u>	<u>100.0%</u>

Note 2: The Company also has \$100 million in Guaranty Option 5 Certificates (GO 5's) which may be redeemed at the depositor's option on the anniversary dates of the certificates.

Canadian General Insurance Group

Highlights

December 31	<u>1978</u>	<u>1977</u>
General Insurance		
Net earned premiums (\$000's)	67,061	57,466
Claims to earned premiums	65.7%	63.8%
Other expenses to net written premiums	34.9	34.7
Combined ratio	100.6%	98.5%
Life and Disability Insurance		
Life insurance in force (\$000's)	1,178,359	723,504
Net earned premiums (\$000's)	8,624	6,477

President's Report

The Insurance Group is comprised of three general insurance companies: Canadian General Insurance Company, Toronto General Insurance Company and Traders General Insurance Company; providing general casualty insurance for automobiles and property together with surety, performance and bid-bonding. The Group is completed by Canadian General Life Insurance Company providing life, sickness and accident coverage.

The Insurance Group contributed \$3,555,000 to the profit of Traders Group Limited in 1978, a gain of \$548,000 or 18 per cent compared with 1977.

Income

The increase in profits resulted from a significant increase in the amount of business written during the year.

The added volume in the life insurance company was largely attributable to the acquisition of a major creditor life and disability group account.

Investment income, including gains and losses on securities sold, rose 34 per cent for the year as a result of a substantial improvement in yields, together with the additional cash flow generated from the higher volume of premiums.

Gross written premiums increased to \$89.5 million. Property/casualty lines were up 16 per cent for the year; while the life company gross premiums increased 22 per cent. As a result, combined net earned premiums increased by 18 per cent to \$75.6 million.

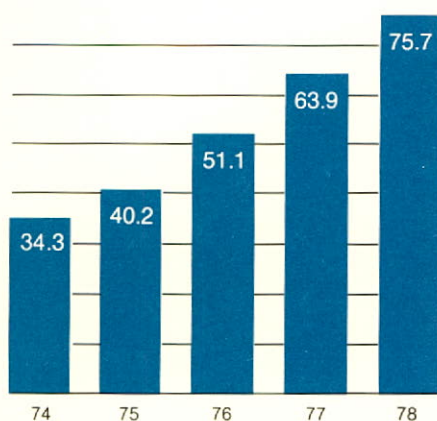
Some changes in presentation of the statement of income and the balance sheet have been made. Representatives from the



general insurance industry, from the Canadian Institute of Chartered Accountants and from the Department of Insurance have been working together to provide financial statements prepared in accordance with generally accepted accounting principles which will satisfy the needs of all three interested parties. Deferred acquisition costs are now shown as an asset on the balance sheet and unearned insurance premiums at 100% are shown as a liability. In previous years, unearned insurance premiums were shown net of deferred acquisition costs.

Claims

The claims ratio in the property/casualty operations remained relatively constant. The life company loss ratio increased 6 per cent reflecting increased policy reserves in addition to the normal claims incurred.



Net Earned Premiums (\$ Millions)

Systems

The Policy Management System (PMS), an on-line computer system connecting all branches and head office, which was reported as being in the development stages in 1977, was partially implemented during 1978. This system which provides instant detailed customer and agency service and claims data, as well as management information, was introduced in 1978 for habitational property files. Later in 1979, auto policies will go on-line. While some benefits have been realized, and the company's agents and clients are pleased with the speed and accuracy with which inquiries and claims can be handled, the full impact of the system in reducing record-keeping and improving productivity will be realized in subsequent years. PMS should make an added contribution by containing increases in operating expenses and enabling economies of scale.

In prior years, a suit for damages in the amount of \$6.5 million was reported as a contingent liability. The suit was dismissed by the Supreme Court of Ontario in 1978 and the company was awarded costs of defending the action.

Outlook

The effects of the Anti-Inflation Board rulings over the past three years, together with the loss of substantial bodily injury premiums in Quebec, as a result of government take-over, has exerted competitive pressures in the industry. This is presently having the effect of depressing rate levels. There are some companies who continue to have excess revenue into 1979 and are forced to freeze prices. This has had the effect of exerting similar influence on all companies. In addition, it is quite evi-

dent that the frequency of loss is on the rise again, and the average cost of claims will continue upwards as a result of inflationary pressures, compounded by the reduced value of the Canadian dollar.

The impact of this pressure is being offset to some degree by the improvement in investment yields and higher interest rates. However, unless these yields continue at existing levels through 1979, prospects are not favourable for increased profitability from the insurance companies. As a result, the profit outlook does not indicate a continuation of the substantial profit gains achieved in prior years.

It is expected that by the end of 1979 there will be some upward movement in premium levels which should be beneficial as we enter the 1980's.

R. E. Bethell
President



Summary Balance Sheet (\$000's)

Canadian General Insurance Group

December 31	1978	1977
ASSETS		
Cash and bank term deposits	\$ 23,558	\$ 30,043
Bonds (market value 1978—\$55,011; 1977—\$29,733)	58,530	31,905
Stocks (market value 1978—\$17,774; 1977—\$15,613)	16,494	16,493
Mortgages	22,811	18,943
	121,393	97,384
Premiums receivable from Agents and Policyholders	11,913	11,915
Other assets	2,257	2,133
Deferred acquisition costs	6,302	5,366
Fixed assets, at cost less depreciation	2,255	2,242
	<u>\$144,120</u>	<u>\$119,040</u>
LIABILITIES		
Claims in course of settlement	\$ 57,307	\$ 43,969
Other liabilities	9,266	6,231
Payables	5,746	6,507
Mortgage payable	359	500
Income taxes—current	889	2,432
—deferred	2,822	2,613
Unearned insurance premiums	38,330	30,871
Minority interests	379	689
Traders investment, at equity value	29,022	25,228
	<u>\$144,120</u>	<u>\$119,040</u>

Statement of Income (\$000's)

Year ended December 31	1978	1977
Gross written premiums	\$ 89,479	\$ 76,634
Reinsurance ceded	9,351	9,280
Net written premiums	80,128	67,354
Net earned premiums	75,685	63,943
Investment income	8,332	6,463
Gain (loss) on sale of securities	198	(91)
	84,215	70,315
Claims	51,259	41,777
Commissions and premium taxes	15,695	13,710
Increase in deferred acquisition costs	(936)	(464)
General and administrative expenses	12,448	9,642
	78,466	64,665
Income before income taxes	5,749	5,650
Income taxes	2,149	2,565
Net income before minority interests	3,600	3,085
Minority interests	45	78
Net contribution to Traders	<u>\$ 3,555</u>	<u>\$ 3,007</u>



DIRECTORS

J. P. BASSEL, O.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

H. E. DYNES
Chairman of the Board and
Chief Executive Officer
Traders Group Limited

E. W. FLANAGAN
President and Chief Operating Officer
Traders Group Limited

I. R. GERSTEIN
President
Peoples Jewellers Limited

BRIG. GEN. W. P. GILBRIDE,
C.B.E., D.S.O., E.D., LL.D.
Chairman of the Board
Grafton Group Limited

R. G. GRAHAM
President
Inter-City Gas Limited

C. S. LEE
President
Petrorep (Canada) Limited

J. C. LOCKWOOD
Chairman of the Board and President
Carling O'Keefe Limited

G. C. MacDONALD
Chairman of the Board
McLeod Young Weir Limited

A. R. MARCHMENT, F.C.A.
President and Chief Executive Officer
Guaranty Trust Company of Canada

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

W. J. SHEA, O.C.
Partner
Shea, Weaver & Simmons
Barristers and Solicitors

R. L. SHEARD, F.I.B.
Financial Consultant

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

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

G. E. WHITLEY, O.C.
Vice President, Secretary and
General Counsel
Traders Group Limited

OFFICERS

H. E. DYNES
Chairman of the Board and
Chief Executive Officer

A. R. MARCHMENT
Vice Chairman of the Board

E. W. FLANAGAN
President and Chief Operating Officer

Senior Vice Presidents

J. D. DERBYSHIRE
Personal Financial Services

E. A. FRICKER
Finance and Administration

M. A. HASLEY
Corporate Financial Services

G. D. WALLACE
Real Estate and Land Development

Vice Presidents

W. C. ATTEWELL, Corporate Planning

D. K. CLARKSON, Credit

A. M. CLINE
Personal Financial Services—
National Mortgage Division

W. L. COCHRANE
Corporate Lending and Leasing

J. DUNBERRY
Personal Financial Services—
Quebec Division

G. H. GREENFIELD
Personal Financial Services—
Western Division

R. J. HEROLD
Advertising and Public Relations

J. G. HUNTER, Corporate Development

F. P. KEEFE, C.A., Finance

B. D. LAMBIE, International Operations

W. G. McGUIRE, Personnel and Organization

A. R. MITCHELL
Personal Financial Services—
Eastern Division

M. E. MURPHY, Administrative Services

D. R. PEACH, Treasurer

D. F. POLS, C.A., Controller

M. J. VEAUDRY, Information Services

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

Assistant Treasurers

J. F. ELLIS
Assistant Vice President
Money Market

A. L. BUTLER, A.I.B.

Assistant Secretary

J. F. VARCOE
Associate General Counsel

COMMITTEES

EXECUTIVE COMMITTEE

James W. McCutcheon, Chairman
J. P. Bassel
G. R. Chater
H. E. Dynes
E. W. Flanagan
I. R. Gerstein
R. G. Graham
J. C. Lockwood
A. R. Marchment

AUDIT COMMITTEE

I. R. Gerstein, Chairman
J. P. Bassel
G. R. Chater
H. E. Dynes
James W. McCutcheon

FINANCE COMMITTEE

G. R. Chater, Chairman
H. E. Dynes
E. W. Flanagan
F. P. Keefe
A. R. Marchment
James W. McCutcheon
D. I. Webb

SUBSIDIARIES

GUARANTY TRUST COMPANY OF CANADA

Chairman of the Board
H. E. Dynes

Vice Chairman of the Board
E. W. Flanagan

President and Chief Executive Officer
A. R. Marchment, F.C.A.

CANADIAN GENERAL INSURANCE GROUP
Canadian General Insurance Company
Toronto General Insurance Company
Traders General Insurance Company

Chairman
James W. McCutcheon, O.C.

President
R. E. Bethell

CANADIAN GENERAL LIFE INSURANCE COMPANY

Chairman
James W. McCutcheon, O.C.

President
C. P. Flood

AETNA FINANCIAL SERVICES LIMITED

Chairman
E. W. Flanagan

President
D. G. Higgins

Locations

Traders Personal Financial Services

EASTERN DIVISION

ATLANTIC ZONE

R. J. McNeil
Assistant Vice President
1133 St. George Boulevard
Post Office Box 250
Moncton, New Brunswick
E1C 8K9
Branches—27

EASTERN ZONE

R. A. Wilson
Assistant Vice President
6080 Young Street
Suite 711
Halifax, Nova Scotia
B3K 5L2
Branches—29

ONTARIO EAST/WEST ZONE

D. R. Jarvis
Assistant Vice President
625 Church Street
Toronto, Ontario
M4Y 2G1
Branches—29

QUEBEC DIVISION

MONTREAL ZONE

P. Gosselin
Assistant Vice President
1 Place du Commerce
Suite 410
Ile-des-Soeurs
Montreal, Quebec
H3E 1A2
Branches—33

QUEBEC ZONE

L. Levasseur
Assistant Vice President
Edifice Bois-Fontaine
Suite 840
880 Chemin Ste Foy
Quebec, Quebec
G1S 2L2
Branches—25

WESTERN DIVISION

ONTARIO CENTRAL ZONE

J. E. Van Leeuwen
Assistant Vice President
1185 Eglinton Avenue East
Suite 200, Nestle Building
Don Mills, Ontario
M3C 3C7
Branches—44

PRAIRIE ZONE

G. W. Aldridge
Assistant Vice President
12316 Jasper Avenue
Edmonton, Alberta
T5N 3K5
Branches—31

ROCKY MOUNTAIN ZONE

T. L. Sallenbach
Assistant Vice President
Suite 105
508 Clarke Road
Box 1143
Coquitlam, British Columbia
V3J 6Z4
Branches—33

NATIONAL MORTGAGE DIVISION

CENTRAL MORTGAGE ZONE

A. M. Cline
Vice President
625 Church Street
Toronto, Ontario
M4Y 2G1
Branches—7

EAST/WEST MORTGAGE ZONE

T. R. Carnegie
Assistant Vice President
625 Church Street
Toronto, Ontario
M4Y 2G1
Branches—6

Traders Business Financial Services

EASTERN REGION

R. C. Hodges
Regional Manager
Suite 806
4881 Yonge Street
Willowdale, Ontario
M2N 5X3

J. F. Johnston
Regional Operations Manager
625 Church Street
Toronto, Ontario
M4Y 2G1
Branches—5

QUEBEC REGION

G. H. Desrosiers
Regional Manager
3633 Boulevard des Sources
Piece 202
Dollard des Ormeaux, Quebec
H9B 2K4

P. E. Carbonneau
Regional Operations Manager
625 Church Street
Toronto, Ontario
M4Y 2G1
Branches—4

CENTRAL REGION

R. L. Foster
Regional Manager
Suite 201
200 James Street South
Post Office Box 920
Hamilton, Ontario
L8N 3P6

O. R. Lewis
Regional Operations Manager
625 Church Street
Toronto, Ontario
M4Y 2G1
Branches—4

WESTERN REGION

E. Nutter
Regional Manager
Suite 890
999 West Broadway
Vancouver, British Columbia
V5Z 1K5
Branches—4

Land Development

EASTERN DIVISION

W. R. Winnicki
625 Church Street
Toronto, Ontario
M4Y 2G1

FOREST GLENN (DIXIE)
LIMITED and subsidiaries

TRADERS DEVELOPMENTS
LIMITED and subsidiaries

LES DÉVELOPPEMENTS
VAL-FORÊTS LTÉE
and subsidiaries

WESTERN DIVISION

C. J. Small
13623 38th Street
Edmonton, Alberta
T5A 2N1

FOREST GLENN (DIXIE)
LIMITED and subsidiaries

MONTRAD LTD.

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

**Aetna Financial
Services Limited**

Alexis Nihon Plaza
1500 Atwater Avenue
Montreal, Quebec
H3Z 1X8

EASTERN REGION

J. P. Lafontaine
Vice President
Alexis Nihon Plaza
1500 Atwater Avenue
Montreal, Quebec
H3Z 1X8

CENTRAL REGION

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

International

TRADER FINANCE S.A.

2 Boulevard Royale
Luxembourg

**TRADERS FINANCE AND
LEASING INC.**

133A Filonos Street
Piraeus
Greece

**TRAFINCO SERVICES
LIMITED**

27 Upper Brooke Street
London W1Y 1PD
England

Guaranty Trust Company of Canada

**ONTARIO EAST &
QUEBEC REGION**

D. K. Bogert
Regional Vice President
Post Office "D" Box 2067
109 Bank Street at
Albert Street
Ottawa, Ontario
K1P 5X8

Branches—12

**ONTARIO NORTH,
MANITOBA &
SASKATCHEWAN REGION**

E. D. Skuce
Regional Vice President
Post Office Box 668
105 Durham Street South
Sudbury, Ontario P3E 4T7

Branches—14

ONTARIO CENTRAL REGION

W. G. Schmida
Regional Vice President
366 Bay Street
11th Floor
Toronto, Ontario
M5H 2W5
Branches—11

ALBERTA REGION

R. Schmidt
Regional Vice President
311 - 8th Avenue South West
at 2nd Street
Calgary, Alberta
T2P 1C7
Branches—7

TORONTO MAIN REGION

W. J. Perkins
Regional Vice President
366 Bay Street
11th Floor
Toronto, Ontario
M5H 2W5
Branches—8

**BRITISH COLUMBIA
REGION**

R. Low
Regional Vice President
540 Burrard Street
and Dunsmuir
Vancouver, British Columbia
V6C 2K1
Branches—4

ONTARIO WEST REGION

R. A. Thompson
Regional Vice President
Post Office Box 1510
305 Victoria Avenue
Windsor, Ontario
N9A 6V5
Branches—8

Canadian General Insurance Group

**CANADIAN GENERAL
INSURANCE COMPANY**

**TORONTO GENERAL
INSURANCE COMPANY**

**TRADERS GENERAL
INSURANCE COMPANY**

170 University Avenue
Toronto, Ontario
M5H 3B5

**CANADIAN GENERAL LIFE
INSURANCE COMPANY**

P.O. Box 918
105 Main Street East
Suite 1202
Hamilton, Ontario L8N 3P6

ATLANTIC REGION

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

QUEBEC REGION

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

ONTARIO REGION

W. R. Gore
Regional Manager
170 University Avenue
Toronto, Ontario
M5H 3B5
Branches—7

Winnipeg, Manitoba
Calgary, Alberta
Edmonton, Alberta
Vancouver, British Columbia

Consolidated Ten Year Highlights

(amounts in thousands, except where noted)

	1978	1977
Traders Group Limited		
Net income by source		
Finance	\$ 2,565	\$ 7,856
Guaranty Trust	4,624	3,846
Canadian General Insurance Group	3,555	3,007
Land Development	3,267	2,785
Subsidiary sold in 1971	—	—
	<u>14,011</u>	<u>17,494</u>
Preferred dividends	2,661	2,716
Earnings for common shareholders	11,350	14,778
Extraordinary items	—	—
	<u>\$ 11,350</u>	<u>\$ 14,778</u>
Per common share (dollars)		
Earnings before extraordinary items	\$ 2.32	\$ 3.17
Earnings after extraordinary items	2.32	3.17
Dividends—declared	1.25	1.19%
Book value, at year-end	23.89	22.90
Total assets, at year-end	1,148,599	1,113,045
Total outstandings, at year-end	1,000,637	970,251
Average cost of borrowed money	8.96%	8.50%
Debt to equity ratio (times)	5.0	4.9
Return on average annual assets	1.24%	1.64%
Return on average annual common equity	9.93%	14.41%
Monthly average of common shares outstanding	4,884	4,669
Number of shareholders	17.0	17.5
Canadian General Insurance Group		
Life insurance in force	\$1,178,359	\$ 723,504
Net earned premiums		
General	67,061	57,466
Life and Disability	8,624	6,477
	<u>75,685</u>	<u>63,943</u>
Net contribution to Traders		
General	2,814	2,488
Life and Disability (acquired in 1972)	741	519
	<u>\$ 3,555</u>	<u>\$ 3,007</u>
Ratios		
Claims to earned premiums	65.7%	63.8%
Other expenses to net written premiums	34.9	34.7
Combined ratio	100.6%	98.5%
Guaranty Trust Company of Canada		
Assets under administration		
Company and Guaranteed Funds	\$1,662,350	\$1,414,803
Estates, Trust and Agency Assets	1,092,350	920,898
Total assets under administration	<u>2,754,700</u>	<u>2,335,701</u>
Net income	5,366	4,354
Net contribution to Traders	\$ 4,624	\$ 3,846

1976	1975	1974	1973	1972	1971	1970	1969
\$ 9,327	\$ 9,279	\$ 8,121	\$ 6,470	\$ 6,450	\$ 6,061	\$ 5,542	\$ 4,062
1,150	1,102	71	1,448	2,100	1,467	353	353
2,140	1,405	281	1,760	1,201	(192)	(853)	989
2,063	1,511	1,687	1,537	843	457	376	329
—	—	—	—	—	113	359	501
14,680	13,297	10,160	11,215	10,594	7,906	5,777	6,234
2,759	2,256	1,094	843	879	1,066	1,191	1,015
11,921	11,041	9,066	10,372	9,715	6,840	4,586	5,219
759	479	926	953	—	7,379	—	—
<u>\$ 12,680</u>	<u>\$ 11,520</u>	<u>\$ 9,992</u>	<u>\$ 11,325</u>	<u>\$ 9,715</u>	<u>\$ 14,219</u>	<u>\$ 4,586</u>	<u>\$ 5,219</u>

\$ 2.86	\$ 2.47	\$ 1.81	\$ 2.07	\$ 2.01	\$ 1.50	\$ 1.03	\$ 1.18
3.05	2.58	1.99	2.26	2.01	3.11	1.03	1.18
1.12	1.02½	1.00	0.90	0.75	0.72½	0.60	0.60
21.99	20.36	17.55	16.13	16.27	15.20	12.00	11.60
1,022,086	1,023,755	934,947	913,027	707,980	592,573	569,557	569,355
891,546	903,907	841,257	823,199	628,776	522,652	472,295	482,167
9.25%	8.60%	9.10%	7.60%	7.00%	7.40%	7.26%	6.98%
5.2	5.8	5.9	6.8	5.3	4.8	5.1	5.1
1.44%	1.36%	1.10%	1.38%	1.63%	1.36%	1.01%	1.13%
13.53%	12.91%	10.72%	12.98%	13.08%	11.10%	8.57%	9.84%
4,164	4,467	5,021	5,021	4,828	4,571	4,441	4,433
15.9	16.7	9.8	8.6	9.1	9.9	10.4	18.3

\$ 510,581	\$ 398,112	\$ 361,620	\$ 102,985	\$ 120,331	\$ 106,382	\$ 78,817	\$ 32,172
45,202	35,477	29,971	28,593	27,399	30,136	29,399	28,330
5,861	4,737	4,301	3,484	2,970	2,518	1,872	1,469
51,063	40,214	34,272	32,077	30,369	32,654	31,271	29,799
1,725	975	(157)	1,401	1,030	(192)	(853)	989
415	430	438	359	171	—	—	—
<u>\$ 2,140</u>	<u>\$ 1,405</u>	<u>\$ 281</u>	<u>\$ 1,760</u>	<u>\$ 1,201</u>	<u>\$ (192)</u>	<u>\$ (853)</u>	<u>\$ 989</u>
65.7%	67.4%	72.5%	65.0%	67.1%	76.3%	75.4%	63.8%
30.9	34.2	37.6	37.0	38.2	41.6	38.2	38.2
96.6%	101.6%	110.1%	102.0%	105.3%	117.9%	113.6%	102.0%

\$1,228,308	\$1,086,179	\$1,034,722	\$ 953,188	\$ 793,046	\$ 760,737	\$ 648,059	\$ 619,558
822,443	712,677	629,000	579,595	551,747	480,759	429,709	393,919
2,050,751	1,798,856	1,663,722	1,532,783	1,344,793	1,241,496	1,077,768	1,013,477
1,963	1,863	140	3,515	5,382	3,822	2,017	2,788
<u>\$ 1,150</u>	<u>\$ 1,102</u>	<u>\$ 71</u>	<u>\$ 1,448</u>	<u>\$ 2,100</u>	<u>\$ 1,467</u>	<u>\$ 353</u>	<u>\$ 353</u>

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), warrants

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** ⁽⁹⁾

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

IN THE UNITED STATES OF AMERICA ⁽²³⁾

Bank of America
Bankers Trust Company
Chemical Bank
Citibank, N.A.
Continental Illinois National Bank and
Trust Company of Chicago
Crocker National Bank
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
The Chase Manhattan Bank, National
Association
The Cleveland Trust Company
The First National Bank of Boston
The First National Bank of Chicago
Union Bank
United California Bank
Wells Fargo, National Association

IN EUROPE ⁽¹⁾

Bank of Tokyo and Detroit
(International) Limited

HOWARD ROSS LIBRARY
OF MANAGEMENT

AUG 23 1979

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