Canada Permanent Mortgage Corporation

C

Annual Report 1983

The Permanent

Savings and Loans Mortgages Trust Real Estate

The Permanent

The Permanent holds a unique place among Canadian financial institutions. Founded in Toronto in 1855, the Canada Permanent Building and Savings Society was the first mortgage corporation in Canada. The Permanent also traces its history to one of the first trust companies in Canada, The Toronto General Trusts Corporation, which received its charter in 1882. Both the mortgage and trust operations served as models for the industry.

Today, The Permanent group of companies represents the third largest Canadian trust and mortgage loan operation, with branches and offices in every province, and with operations in the United States and the United Kingdom. The Permanent provides quality service in five principal areas of market specialization.

1. FINANCIAL INTERMEDIARY SERVICES—chequing, savings and term deposits, registered savings plans, mortgages, personal loans, commercial loans and commercial leases.
2. TRUST SERVICES—estate, personal, corporate, and pension trust services and investment planning services.
3. REAL ESTATE BROKERAGE SERVICES—residential and industrial, commercial, and investment sales brokerage, corporate relocation services.
4. COMMERCIAL REAL ESTATE DEVELOPMENT—buying, developing and managing industrial and commercial properties.
5. U.S. MORTGAGE SERVICING—packaging, selling, and servicing pools of first and second mortgages.

In 1981, The Permanent entered a new era of opportunity when it became a member of the Genstar family of companies. Genstar Corporation is a leading manufacturer and supplier of building materials and services, a major developer of land and real estate, and a significant supplier of financial services throughout Canada and the United States.

A Genstar
Financial Services Company

Highlights

	1983	1982	Increase (Decrease)
	(thousands of dollars)		
Assets			
Corporate assets	**$ 7,036,001**	$ 6,398,915	10.0%
Assets under administration			
—Canada	**5,874,229**	4,614,892	27.3%
—U.S. mortgage servicing	**2,731,425**	4,400,000	(37.9%)
Total	**$15,641,655**	$15,413,807	1.5%
Customers' deposits	**$ 6,354,673**	$ 5,656,890	12.3%
Shareholders' equity	**$ 285,078**	$ 270,670	5.3%
Income before gains and losses on investments and loans and income taxes	**$ 40,308**	$ 7,348	
Net income	**$ 23,420**	$ 12,769	83.4%
Employees and locations			
The Permanent			
Full and part-time employees	**3,661**	3,650	
Real estate sales agents	**2,336**	2,049	
Subsidiaries—employees	**281**	434	
Canadian Financial Intermediary Branches			
—Retail	**101**	97	
—Commercial	**6**	4	
Trust Services Branches	**18**	18	
Real Estate Brokerage			
—Branch Offices (including sub-offices)	**98**	91	
—Franchised Offices	**32**	29	
Subsidiary Offices	**8**	10	

Contents

John A. C. Hilliker (left), Chairman, in the banking hall of The Permanent's Head Office branch at 320 Bay Street, Toronto with Bruce Erskine, branch manager.

1983 witnessed the best annual improvement in the Canadian economy in almost a decade. Although the recovery has not been shared equally by all regions, the GNP growth and decline in inflation for the nation as a whole exceeded expectations, with interest rates remaining stable. This economic environment was favourable to The Permanent, facilitating the achievement of our Corporate growth and profit objectives.

Corporate assets grew by 10% during the year, passing the $7 billion level in the fourth quarter, a new milestone for The Permanent. Operating performance was significantly improved over 1982 reflecting the healthy asset growth, improved asset and liability matching, the successful marketing of trust services and a revived real estate market. Pre-tax operating income before gains and losses on investments and loans amounted to $40.3 million for 1983, a substantial improvement over the $7.3 million earned in 1982.

The improved performance was accompanied by loan loss provisions of $32.9 million. The loan loss provisions follow an extensive review of the Company's loan portfolio and respond to all identified areas of potential loan weakness. Actual loan write-offs amounted to $11.2 million in 1983 compared to $4.1 million in 1982. Despite the provision, net income for 1983 totalled $23.4 million, an increase of $10.7 million or 83% over 1982.

The Permanent accomplished important redirections during 1983 as management introduced new policies and priorities. In this report, I would like to focus on the progress made towards achieving several of the principal corporate priorities which have been established to enhance customer service and strengthen operating controls and procedures.

Expansion of Product Lines

The financial intermediary and personal trust departments have been particularly busy with the launching of new products during 1983. Seven financial intermediary products were introduced—four variable rate loan products, two deposit vehicles, and Any Branch Service which allows customers to conduct deposit and loan business at any financial intermediary branch in Canada. Following a thorough review of The Permanent's personal trust products, services were repackaged to better match market requirements. Four alternative plans are now offered for Personal Investment Services, designed to satisfy any combination of needs.

Our Estate Settlement Services have also been revised and a new Retirement Income Fund has been introduced which is unique to the industry.

Integration of Services

In the past, The Permanent's business lines operated relatively independent of each other, with little attempt to develop a common customer base. In recognition of the fact that we are one of a select number of institutions in Canada that can effectively offer financial intermediary, trust, and real estate brokerage services, particularly to the retail banking client, a major program to integrate these operations was initiated in 1983. The program includes cross referral of services and joint advertising efforts between divisions as well as preferred pricing to customers who use the services of more than one division. This program contributed significantly to business growth during the year.

Systems Enhancements

A considerable number of computerized systems activities were completed in 1983. For example, office automation has been accelerated and under this program new micro-computer techniques have been introduced in our Treasury, Branch Administration, Corporate Custodial, and Investment Departments at Head Office. The final conversion of products to our unique, on-line, branch delivery system was accomplished during the year. This system incorporates an integrated customer file providing a capability for us to steadily enhance the quality of our services to the public.

Control Policies and Procedures

A comprehensive review of all existing control systems was undertaken and completed during 1983. New controls were introduced, supplemented by the strengthening of existing controls. Revised mandates were established for the Credit Committee and the Trust Investment Committee and a Systems Security Program was initiated to improve control over the Company's information resources.

It is The Permanent's policy and commitment to operate within the limits prescribed by the legislation which governs our businesses, both federally and provincially. In addition, all transactions between The Permanent and its parent, Genstar Corporation, or any affiliate of Genstar, identified as material by Management are presented to both the Audit Committee and the Board of Directors for review. The Audit Committee, which is composed of "outside" directors, obtains confirmation from The Permanent's external auditors that authorization for each such transaction

W. Thomas Hodgson (3rd from left), Senior Vice-President, Treasury, at weekly Money Management meeting. Committee members (Left to right): S. Robert Rudd, Vice-President, Commercial Lending; Desmond P. R. Bethell, Vice-President, Deposit Services; W. T. Hodgson; Sidney A. Lindsay, Vice-President, Finance; Susan F. Dabarno, Vice-President, Treasury; Earl Bederman, Vice-President and Chief Economist; Peter A. Stuart, Assistant Vice-President, Corporate Investments; Gary Johnson (seated), Manager, Money Market.

was proper and that appropriate steps were taken to evaluate the transaction.

Improved communication between Head Office and our field operational units has been implemented this past year. A Quarterly Activity Communication Package and an Employee Suggestion Program were introduced. Steps initiated by our employees through the suggestion program resulted in improved customer service and substantial annual cost savings. Successful sales competitions during the year also demonstrated the enthusiasm of our employees.

The Company is indebted to its Board of Directors for counsel and support. During 1983 the resignation of Mr. William James, who became a director

(Left to right) James E. Donahoe, Senior Vice-President, Administration, viewing plans of the new open office concept being developed for Head Office, with Ronald M. Dragan, Senior Vice-President, Planning and Communications and Edward H. Smith, Senior Vice-President, Human Resources.

in 1976 and has served both on the Audit Committee and on the Compensation and Benefits Committee, was accepted with regret.

During my first full year as Chairman of The Permanent I have enjoyed working with our management team and I have been impressed by the energy and qualities of our staff members. It is the dedication of these employees that ultimately determines our success and I wish to congratulate and thank them all for their accomplishments and support.

1983 has indeed been a year of repositioning and rebuilding for The Permanent. Our emphasis has been and will continue to be on the quality of all aspects of our operations—our dealings with the public, the quality of our personnel, our delivery system, our products and services, and our technical expertise. Significant progress has been made in 1983 and I have every expectation that this progress will continue.

John A. C. Hilliker
Chairman, President and
Chief Executive Officer

Net income after taxes for 1983 was $23.4 million, an increase of 83% over the $12.8 million earned in 1982. Income per common share was $2.29 in 1983 and $1.30 in 1982. Return on average equity for 1983 and 1982 was 8.5% and 5.3% respectively and return on average assets was .35% and .21%.

Income before gains and losses on investments and loans and income taxes increased by more than five times, from $7.4 million in 1982 to $40.3 million in 1983. This turnaround is largely a result of healthy asset growth and improved asset and liability matching, successful marketing of trust services and a revived real estate market.

Total corporate assets grew by 10% during 1983 to $7,036 million and Canadian financial intermediary assets grew by more than 12%. The interest margin for Canadian financial intermediary operations rose to 1.94% in 1983 from 1.61% in 1982. As a result, net investment income improved by 33% to $101.8 million in 1983 from $76.4 million in 1982.

Trust services revenue grew by 10% over 1982, to $41.6 million from $37.9 million.

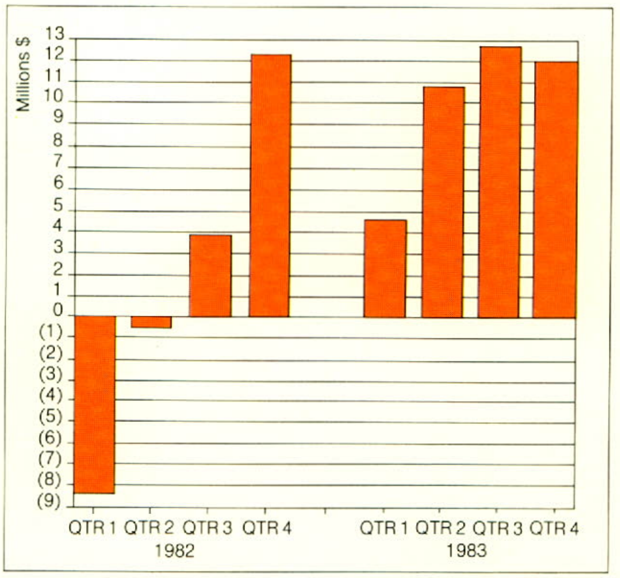
Gross real estate brokerage commissions grew by 33% to $74.7 million in 1983 from $56.2 million in 1982. Net commissions were $29.9 million, an increase of 25% over the $23.9 million in 1982.

Genstar Mortgage Corporation, the U.S. mortgage servicing subsidiary, generated $30.8 million in loan servicing fees and other operating revenues net of interest expenses. In addition, the sale of servicing portfolios contributed $10.2 million to the pre-tax income of The Permanent. The discount on a purchase by The Permanent, of a loan payable by this subsidiary, was netted against the loan acquisition costs of Genstar Mortgage which resulted in a reduction in the amortization of these costs.

Rental property income rose by 24% over 1982 to $16.4 million. Through the sale of Lime Ridge Mall in Hamilton, Ontario, Sutter Hill Developments Limited contributed an additional $5.4 million to pre-tax income.

In 1983, administrative expenses, excluding those which relate to the U.S. mortgage servicing operation which were not included in 1982 results, were held to a growth of 7.4%. Provisions for loan losses increased to $32.9 million from $7.5 million in 1982 and deferred income taxes were $3.7 million compared to a recovery of $6.6 million in 1982.

Quarterly pre-tax income before gains and losses on investments and loans

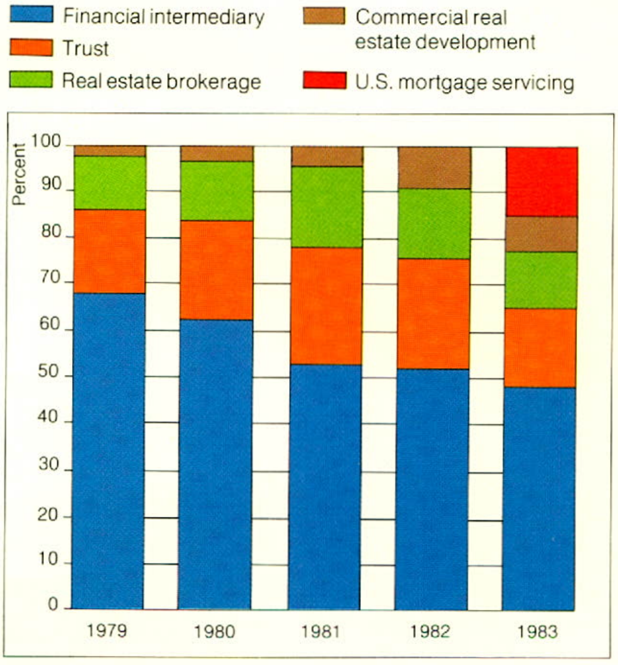


Quarterly pre-tax income before gains and losses on investments and loans (millions of dollars)

$ (8.3) $ (0.6) $ 3.9 $12.3 $ 4.7 $10.8 $12.8 $12.0

Revenue contribution

Net investment income, fees and commissions per business activity



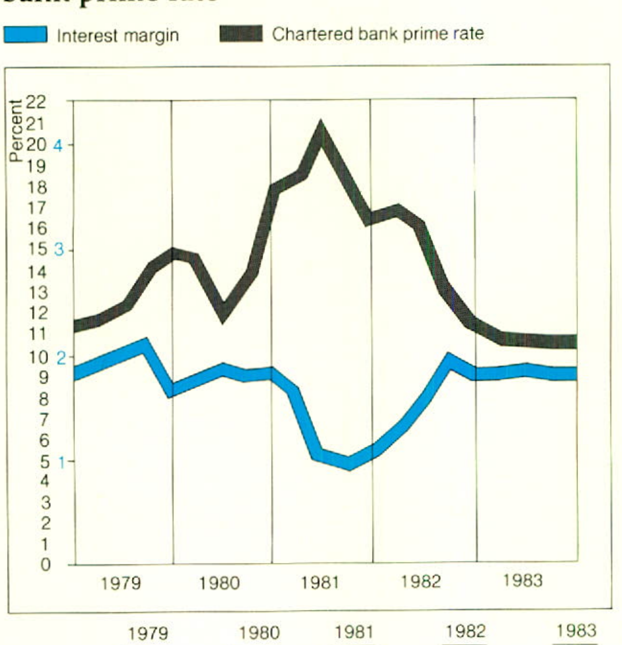
In February 1983, the Treasury Division was formed to centralize the management of balance sheet strategy. During the year, the division has further developed our advanced asset and liability management reporting system which includes monthly forecasts and weekly reviews of progress. These reports address all issues of asset and liability management: growth, diversification, matching, spreads, associated non-interest expenses, inherent asset risk, tax planning, liquidity and capital adequacy.

The Permanent seeks to balance the targets of maximum profitability and asset growth and to ensure that the funding of growth does not lead to insufficient liquidity positions or to significant mismatches between assets and liabilities. As illustrated by Chart 1, from 1979 to 1981 our interest margin was squeezed due to the rise in interest rates at a time when there were major mismatches between our assets and liabilities. The interest margin improvement during 1982 and 1983 was a direct result of both lower rates and improved matching of portfolios.

Financial intermediaries must manage two distinct types of mismatch, an interest-sensitive mismatch and a maturity mismatch.

The interest-sensitive mismatch is defined as the total dollar amount by which liabilities sensitive to changes in short-term interest rates (such as savings and chequing deposits) exceed assets sensitive to changes in short-term interest rates (such as treasury bills and variable rate loans). A large interest-sensitive mismatch has a positive impact on earnings during periods of falling interest rates, as the cost of liabilities falls faster than the return on assets. However, a large interest-sensitive mismatch has a negative impact on earnings during periods of rising interest rates, as the cost of liabilities rises faster than the return on assets.

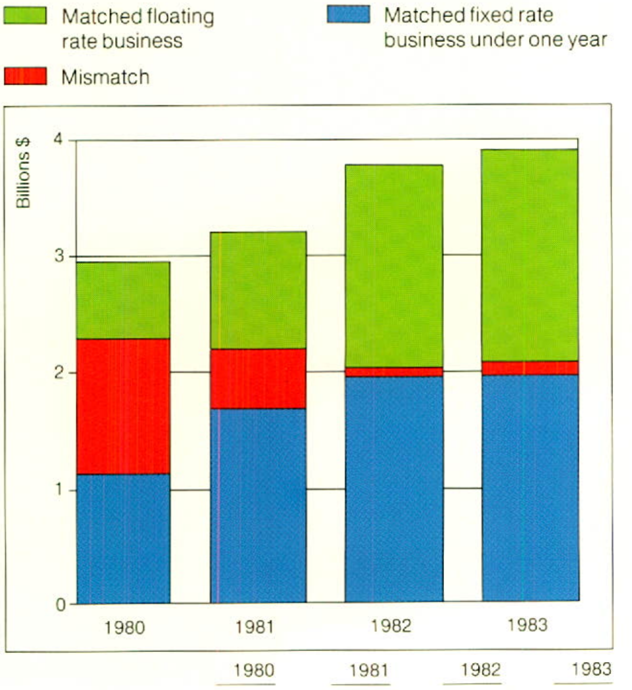
Chart 1—Interest margin versus chartered bank prime rate



	1979	1980	1981	1982	1983
Interest:					
earned	10.72%	11.41%	12.94%	13.31%	11.75%
paid	8.66	9.54	11.47	11.70	9.81
margin*	2.06%	1.87%	1.47%	1.61%	1.94%
Average prime	12.81%	14.31%	19.21%	15.92%	11.27%

*Taxable equivalent basis

Chart 2—Interest rate sensitivity

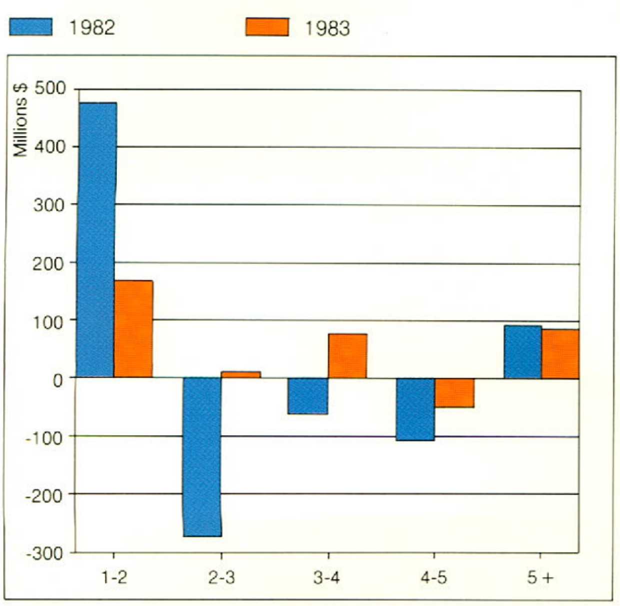


	1980	1981	1982	1983
Matched Floating Rate	$ 631	$1,029	$1,780	$1,848
Mismatch	$1,193	$ 516	$ 61	$ 122
Matched Fixed Rate Under One Year	$1,143	$1,690	$1,977	$1,975

As illustrated by Chart 2, The Permanent's interest-sensitive mismatch amounted to $1,193 million at December 31, 1980, or 21.8% of total Canadian interest earning assets. As interest rates increased dramatically during 1981, this mismatch caused a significant drop in net investment income, from $79 million in 1980 to $66 million in 1981. During 1982 and 1983, The Permanent instituted strategies to reduce its interest rate exposure and by December 31, 1983, the interest-sensitive mismatch amounted to $122 million, or 1.9% of total Canadian interest earning assets. The Permanent intends to control the interest-sensitive mismatch to ensure consistently growing levels of net investment income.

The maturity mismatch is measured for each calendar year into the future as the amount by which fixed interest rate assets (such as mortgages) maturing during any one year, exceed fixed interest rate liabilities (such as debentures and guaranteed investment certificates) maturing during the same year. From 1980 to 1982, The Permanent wrote some fixed interest rate asset business which was funded by fixed interest rate liabilities with different terms to maturity. In particular, during periods of rising interest rates, fixed interest rate assets were largely written with terms of five years, funded by fixed interest rate liabilities with terms of one year. The reverse occurred during periods of falling rates. The resulting maturity mismatches posed two problems. First, they caused unsatisfactory spreads to be locked-in until maturity. Second, they aggravated the interest-sensitive mismatch applicable to future years.

Chart 3—Maturity mismatch



1982	$479	$(276)	$(63)	$(107)	$93
1983	$170	$ 10	$ 78	$ (49)	$89

As illustrated by Chart 3, the maturity mismatches were substantially reduced during 1983. Strategies employed to achieve this reduction included securities trading, product pricing, and new product introductions. The Permanent intends to continue matching maturities for all future fixed interest rate business written, and to maintain appropriate spreads, with the objective of achieving steady and acceptable levels of net investment income over time.

One important component of balance sheet management is the monitoring of ratios on a daily basis to ensure that the company satisfies, at all times, the operating restrictions prescribed in the legislation which governs the trust and loan companies in Canada. The three principal restricted areas are Asset Quality, Liquidity, and Capital Adequacy. Details of these restrictions and The Permanent's adherence to them are provided in the Statistical Review section of this report.

The Superintendent of Insurance (Canada) administers the Acts under which federally incorporated trust and loan companies are regulated. These companies are required to submit quarterly, semi-annual, and annual statements in prescribed form to the Superintendent. In addition, the Superintendent or a duly qualified member of his staff, is required by the Acts to visit the head office of such companies at least once a year to examine their affairs and report thereon to the Minister of Finance.

First Mortgage Lending

First mortgage loans increased by $449 million during 1983 to $3,989 million, or 57% of total assets. At December 31, 1983, the mortgage loan portfolio was distributed as follows: single residential—72%, mulitiple residential—17%, industrial, commercial, and other—11%. At the same date 58.5% were conventional mortgage loans, 18.5% were insured under the National Housing Act, and 23.0% were high ratio loans insured by other government approved insurers. At December 1982, this latter category accounted for 32.6% of our portfolio; as part of our loan quality program, however, the high ratio loans approved during 1983 dropped significantly. The number of mortgage loans in arrears 60 days or more as a percent of the total number of mortgage loans outstanding was 1.08% at year end, compared with 1.46% at year end 1982.

Two new first residential mortgage products were introduced recently, a Variable Rate Mortgage and Six Month Mortgage. The Permanent's Variable Rate First Mortgage is one of the most flexible in the industry, offering terms of from one to five years. The rate is adjusted on the first day of each month and the loan is open and may be paid off in whole or in part without penalty on any payment date, subject to a minimum prepayment of $500. Our Six Month Mortgage is automatically renewed for up to nine additional six month periods (five years in total) providing the loan has been maintained in good standing. This mortgage is also an open loan and may be paid off on any payment date without penalty.

During 1983, The Permanent expanded its portfolio of industrial, commercial, and investment (ICI) mortgages. These loans are secured by a variety of properties: shopping centres, hotels, and office buildings. Approximately one third of new mortgage loan dollars approved in 1983 were ICI mortgages.

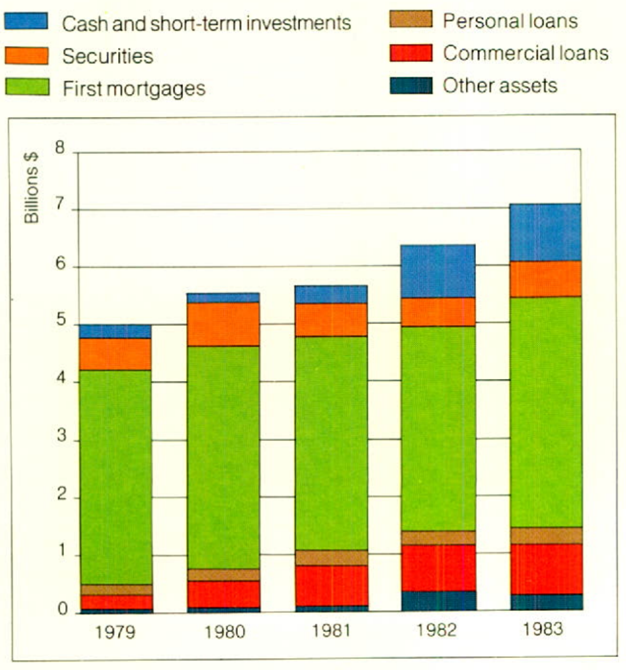
Personal Lending

At December 31, 1983, our personal loan portfolio consisted of consumer loans—43%, second mortgages—45%, and demand loans—12%.

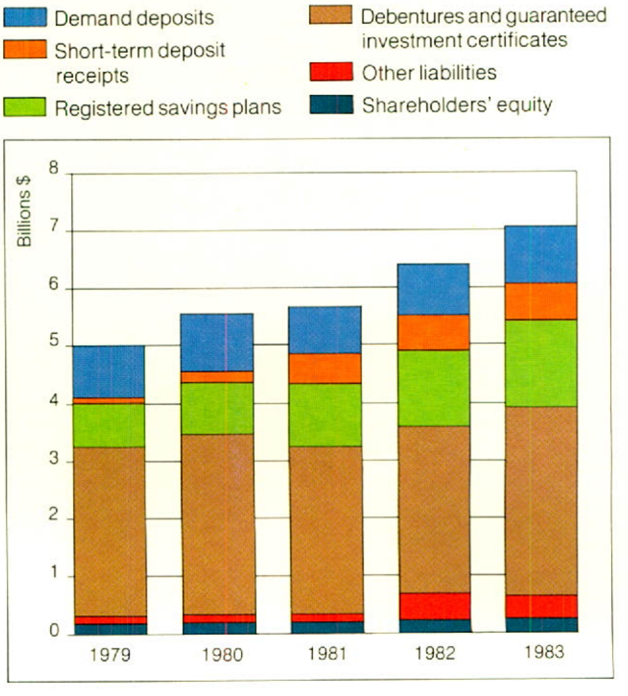
Two new personal lending products were launched during the year, a Variable Rate Personal Loan and a Variable Rate Second

Asset growth and distribution

Excluding assets under administration



Liability growth and distribution



Mortgage. The Permanent is now one of the few financial intermediaries in Canada to offer these two products. Both are open loans and the rates vary on a day-to-day basis in accordance with prime rate movements. The loans may be structured on a principal and interest repayment basis or on an interest only basis and the payments may be deducted automatically from a Permanent savings or chequing account.

As part of the effort to integrate areas of market specialization, The Permanent has made a renewed commitment to the Interim Financing product. This product provides bridge financing to customers who have finalized a sale on their home and who need an advance against the sale proceeds in order to purchase a new home. The rate on this product fluctuates with prime. We are now providing Interim Financing to our real estate customers as well as to our savings customers.

Commencing in January of 1984, The Permanent adopted a new approach to the retail banking client. All branch lending officers are now administering both residential mortgages and personal loans; they are being trained as "all purpose credit lenders". All branches now accept mortgage applications, thereby making the product more conveniently available. The underwriting of new mortgages has also been decentralized, reducing the application turnaround time. These measures are aimed at enhancing the quality of service to our retail clients.

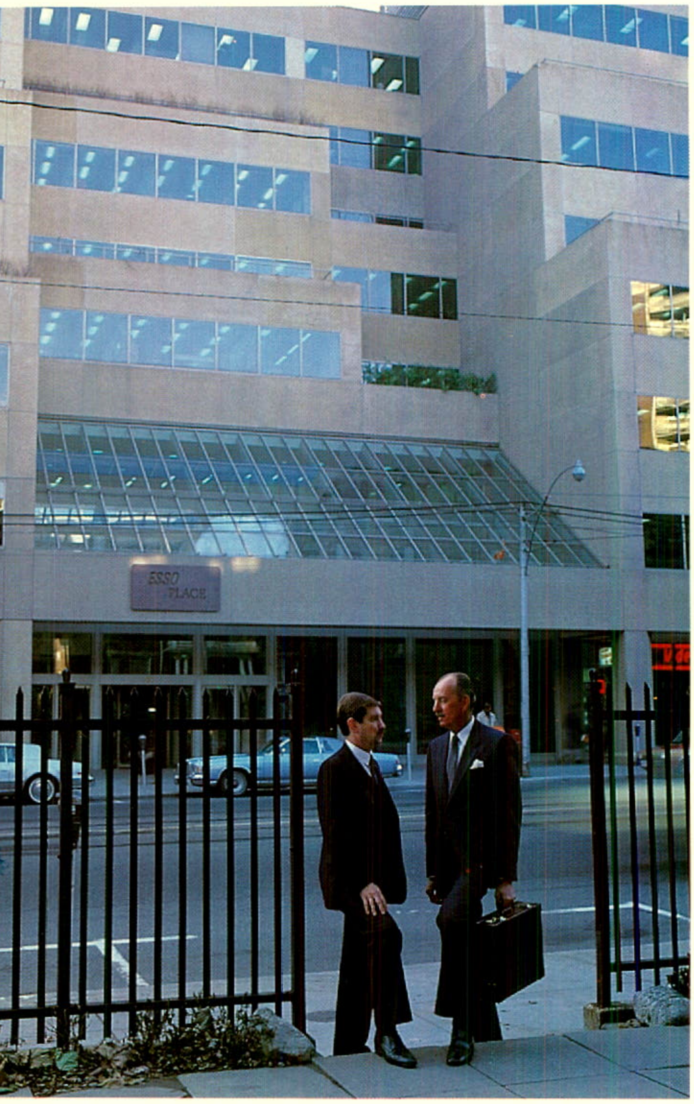
Commercial Lending

The Permanent is committed to the continued development of a professional commercial credit capability. Three principal Canadian commercial lending units are consolidated under the Commercial Division—Commercial Lending, the Corporate Loans Department, and the Leasing Division.

Since 1975, The Permanent has made fixed and variable rate term commercial loans, generally to medium-sized corporations with assets between $5 million and $25 million, a market niche where the company sees competitive opportunities. At December 31, 1983, loans outstanding in the portfolio totalled $268.5 million. The average size of loan approved in 1983 was $2 million.

High grade variable rate loans to provincial and federal governments and to large corporations were first made by The Permanent in 1980. The Corporate Loans Department currently manages such a portfolio totalling $434.1 million.

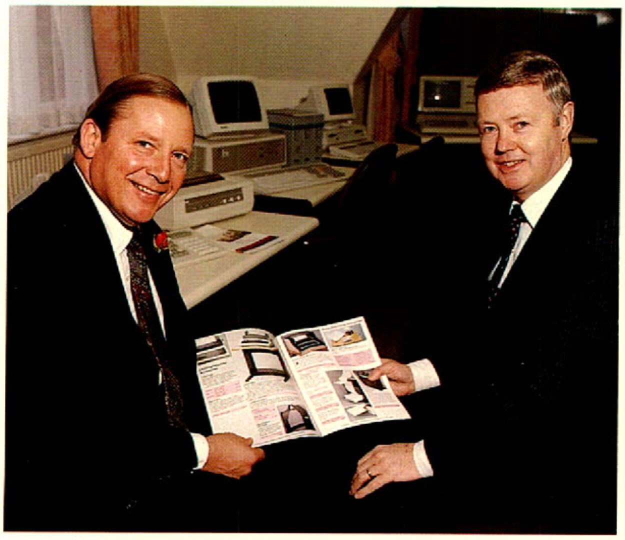
The Leasing Division began operations in late 1981 and currently maintains three offices, in Toronto, Montreal and Calgary. A fourth office will be opening in Vancouver during 1984. Customers are large and medium-sized corporations who seek leasing and financing for large items of capital equipment with values ranging from $300,000 to more than $10,000,000.



(Above) John F. Hartos (right), Vice-President, Leasing, with M. F. Watkins, Regional Marketing Manager, Leasing, in front of Esso Place, Toronto. Imperial Oil is a major leasing client of The Permanent.

(Upper right) Colin Currie, Senior Vice-President, Financial Intermediary Operations at demonstration of The Permanent's new automated teller machine with Wendy Wynn, Project Manager, ATM's.

(Lower right) Victor T. Norberg (centre), Senior Vice-President, Commercial Division, with (left) J. Bruce Baldock, President, Permanent Commercial Limited, and client Peter Francis, President, ACF Grew Inc., of Penetanguishene, Ontario. Grew is the largest producer of sports run-a-bouts in Canada and also manufactures under licence for Chris-Craft.



Raymond B. Jones (right), Acting Managing Director, Canada Permanent Trust Company (UK) Ltd., with one of the Company's major British clients, Clive Richards, Chairman, Micro Business Systems and Harris Agricultural Group. Micro is in the forefront of the micro-computer rental business and Harris is one of the largest dealers in farm machinery. Mr. Jones has returned to Toronto and Terrence G. Squires has been appointed Managing Director.

During 1983, the Leasing Division generated a significant amount of business despite a highly competitive market. At year end, the leasing portfolio totalled $92.0 million.

The Permanent has carried on commercial lending activities in the United Kingdom since 1974, through Canada Permanent Trust Company (UK) Limited. This subsidiary operates from one office in London and provides three principal services to small and medium-sized corporations—banking services (accounts and loans), commercial mortgages, and industrial finance. During 1983, The Permanent commissioned a thorough review of the U.K. loan portfolio and conducted a strategic review of the U.K. operations. The result was a renewed commitment to this subsidiary. Canada Permanent Trust Company (UK) Limited currently maintains a high quality loan portfolio and has identified a niche in the medium-term mortgage market where it can earn good returns and where it faces very little direct competition. In addition, over the next two years the company will be shifting its asset mix more towards residential first and second mortgages, consistent with The Permanent's expertise in Canada. At December 31, 1983, the U.K. loan portfolio totalled $37.8 million.

In 1982, as part of a strategy to reduce the interest-sensitive mismatch by increasing variable rate commercial loans, The Permanent granted limited commercial credit authority to one Regional Office. In the first half of 1983, a review of this portfolio revealed that a number of loans did not meet Company standards for documentation and quality. Following discussion with the external auditors, a provision for possible losses of $15 million was established.

During 1983, The Permanent initiated four structural changes to improve its credit control procedures. The Credit Committee was restructured, accountability for the delegation of lending authorities has been strengthened, internal audit procedures and related controls have been improved and an Internal Head Office Credit Department has been structured to provide essential credit control support.

Deposit Taking

Customer deposits grew by 13% during 1983. At December 31, the deposit portfolio composition was as follows:

	December 31			
	1983	1982	1983	1982
	(000s)		(Percent)	
Daily Interest Chequing Account	$ 216,461	$ 57,749	3.4%	1.0%
Other Chequing Accounts	84,037	89,367	1.3	1.6
Savings Accounts	551,347	635,916	8.7	11.3
Other Savings Vehicles	124,928	90,661	2.0	1.6
Short-term Deposit Receipts	656,286	612,803	10.3	10.8
RRSP and RHOSP	1,495,659	1,274,575	23.5	22.5
Debentures and GICs	3,225,955	2,895,819	50.8	51.2
	$6,354,673	$5,656,890	100.0%	100.0%

Following the introduction of the third interest rate option for our daily interest chequing account, The Permanent Plus Account, whereby a premium rate is paid on balances $5,000 and over, The Permanent's DICA account became one of the most attractive in the industry. This product grew from $58 million at year end 1982 to $216 million at year end 1983.

Activity in short-term deposit receipts has increased during the year as a result of two developments. First, The Permanent introduced in August short-term deposit receipts for amounts $1,000 to $4,999. We are one of the few institutions to offer this product. Second, The Permanent has developed its money market operations to facilitate the acceptance of short-term wholesale deposits in amounts $100,000 and over.

Delivery System

During 1983, a comprehensive five year plan was developed for our delivery system. The strategy examines the integration of trust, real estate brokerage and financial intermediary branches, the installation of Permateller machines, relocations, renovations, openings and consolidations of branches. The delivery system strategy will be updated annually to accommodate changes in goals and markets and to incorporate new technological developments such as point of sale and home banking.

Five new intermediary branches were opened during the past year, bringing the total number to 101. One new branch at Downsview, Ontario, attracted a record of $1 million in deposits within the first week of opening. Location sites of the four other new branches are: Kelowna, B.C., Vancouver, B.C., Newmarket, Ontario, and Mississauga, Ontario.

Extended hours and weekend hours are maintained by a majority of The Permanent branches. Any Branch Service was launched during 1983, allowing customers to conduct most transactions at any savings branch across the country. This service is supported by a plastic identification card which will also serve to access our new Permateller machines, ten of which are expected to be positioned in 1984. The Permanent machines will provide maximum security and convenience. Transaction screens are horizontal rather than vertical for greater privacy; customers will choose their own personal identification number (PIN) thereby enhancing security; account balances will be accessible for most products (including loans, RSP accounts, and term deposits, as well as savings and chequing deposits); and selected interest rate information will be provided.

During 1983, personal trust services generated 67% of total trust fee revenue, corporate trust services contributed 22% and pension trust services 11%.

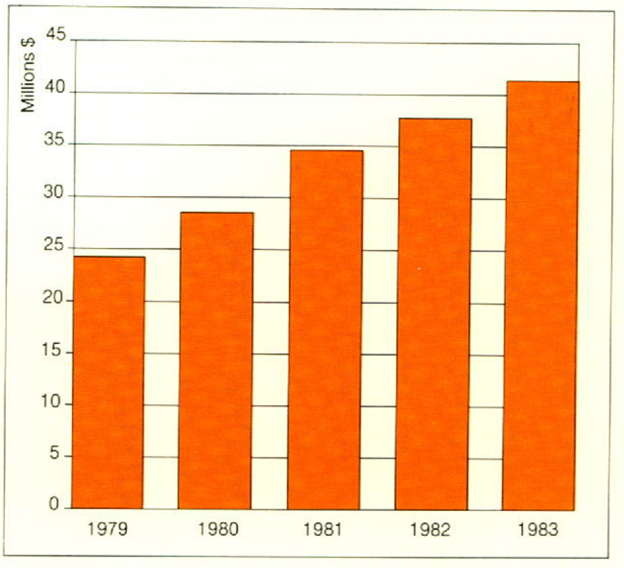
Personal Trust Services

During the year, individuals with aggregate assets totalling over $261 million appointed The Permanent as executor in their wills. This compares with $202 million in 1982 and augers well for growth in future administration revenues. In addition, sale of investment services resulted in new annualized fee revenue of more than double the level of 1982. The growth is largely a result of the new marketing focus adopted by the Personal Trust Department during the year.

Market research has helped us identify varying life-cycle needs and customer desire for more flexibility and choice of services. Four Investment Service Plans were introduced in mid-year, designed to satisfy any combination of needs. Two of the plans are particularly attractive to the young professional or entrepreneur who is interested in growth and pro-active management, while the other two plans continue to provide quality service to those who are interested in a balanced portfolio with a regular income stream. The four plans offer a variety of options as well as a premium rate on The Permanent's term deposits, special chequing privileges, a line-of-credit and tax services.

The Estate Services program was also repackaged during the year to achieve greater flexibility. A customer can choose to receive any level of service, from the Estate Advisory Service (designed to provide essential and inexpensive advice in smaller estates), to acting as agent for individual executors, to performing the full fiduciary role as corporate executor. Our trust officers and investment and client consultants are trained to professionally serve with skill, empathy and tact.

Trust fee revenue

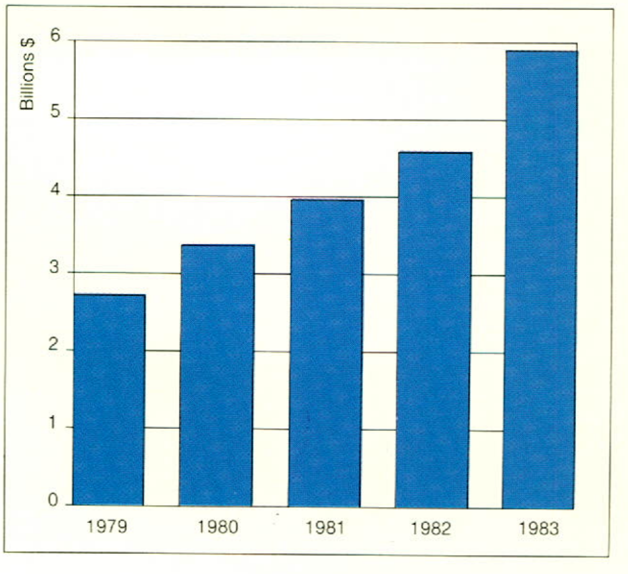


Trust fee revenue (millions of dollars)

$24.3	$28.7	$34.6	$37.9	$41.6

Trust assets under administration—Canada

Growth



In December, The Permanent introduced a new and uniquely designed Retirement Income Fund (RIF) presenting a viable alternative to the usual annuity vehicle. Our RIF provides not only for payment flexibility, with payment provisions which can be structured to the cash flow needs of the individual, but also for investment flexibility, with a self-directed or managed investment portfolio and a savings and term deposit portfolio. This investment choice permits self-directed RSP holders to maintain the investment portfolios which they have carefully cultivated over the years, by transferring the investments from their RSP directly into The Permanent's RIF. The Permanent's self-directed RSP now also provides a fully-managed option.

In early 1984, an on-line inquiry system for our personal trust accounts was introduced. This system will improve response time for client enquiries, facilitate centralization of accounting, and support our entry into more market areas.

The Permanent has played a leading role in representing the Trust Companies Association before the Ontario Law Reform Commission Project on the Administration of Estates.

Corporate Trust Services

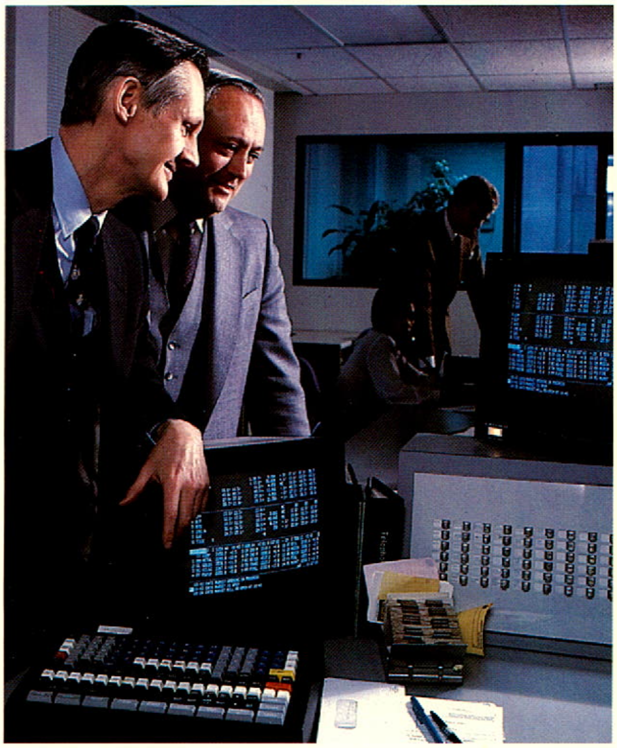
The Permanent's Corporate Trust Services Department administers 17% of the stock transfer market and 12% of the bond trustee market in Canada. The Permanent holds a unique position in the industry, with offices located in every province and satisfying the special controls and strict turnaround times needed to qualify as Dual Transfer Agent and Registrar under rules of the New York Stock Exchange. Client needs can be fully satisfied without approaching another trust company for additional transfer points in other provinces or in the United States.

The Corporate Trust Services Department is extremely conscious of client company shareholder relations. Our staff responds promptly to shareholder questions and manages effectively the various dividend payment options available to our clients.

During 1983, a Service Review Program was introduced to ensure frequent and constructive communication between our account officers and our corporate clients. Regular meetings and account officer attendance at client annual meetings are all part of this program. A Client Information Forum was introduced in 1983 to allow two-way communication and input into the development of The Permanent's future services. Officers of The Permanent meet with clients quarterly to discuss emerging and on-going issues for corporate trust services. Following each meeting, a Corporate Services Newsletter is distributed to all clients to inform them of the discussions and conclusions of the Forum.

Pension Trust Services

The Pension Trust Department offers both custodial and investment management services. Total assets administered by this department doubled during the year to $3.75 billion from $1.88 billion at year end 1982. This growth was largely due to the enthusiastic reception of INFOVEST, a state-of-the-art, computerized investment accounting and reporting system for corporate custodial and pension services clients. Twenty-eight new customers with almost one billion dollars in assets were added to the INFOVEST client portfolio during the year. The major development work for the INFOVEST system was completed in 1982 but refinements continued throughout 1983 and some client statement upgrades are planned for 1984.



G. Burton Clapperton (right), Vice-President, Personal Trust, in the Company's investment trading area with A. J. Keyes, Senior Investment Officer, monitoring The Permanent's expanded personal investment service system.

(Left to right) Norman G. Wright, Senior Vice-President, Trust, at the Toronto Stock Exchange with Walter E. Montgomery, Vice-President, Pension Trust Services and James P. McClocklin, Vice-President, Corporate Trust Services.

The investment management group manages specific funds on behalf of others, such as segregated pension funds, as well as funds which are offered to the public. The funds include four pooled pension funds, two RSP funds, a closed-end investment fund (Canada Permanent Income Investments—CPII) and an open-end investment fund (Canada Permanent Investment Fund—CPIF).

National Securities Services

This Department will be launching a new trust product during April 1984 called SPAC Services. SPAC is an acronym for Securities Processing And Control and provides a quality service to portfolio managers consisting of securities custody, trade settlements, income research and collection, research of capital reorganization, pricing, and reporting on all of the foregoing. Also included are an impressive array of optional services such as on-site consulting, management of securities in transit and a United States Securities Settlement Service.

The SPAC Services trade/income/cash reporting system is one-of-a-kind in Canada, providing the ultimate in securities communications via a direct link between the client's operating location on any continent and National Securities Services.

The Permanent is Canada's third largest real estate brokerage company with 98 company-managed offices and 32 franchisee locations. More than 2,300 sales agents operate from the company-managed offices. The Permanent increased the number of franchisee offices from 29 to 32 during 1983 and looks forward to a more rapid growth in the franchise operations for 1984.

Gross commission revenue in 1983 at $74.6 million is 34% above 1982. The division returned to profitability in 1983 with an operating profit for the year of $2.9 million, compared to an operating loss of $6.7 million in 1982. The active market and effective cost controls producing the turnaround in 1983 are expected to carry forward into 1984.

In addition to full residential brokerage services, the Real Estate Brokerage Division is active in the industrial, commercial, and investment (ICI) real estate market. It offers complete ICI brokerage services in the major market areas—Montreal, Toronto, Edmonton and Vancouver. The Permanent perceives ICI as an important growth area and will pursue this market segment in 1984.

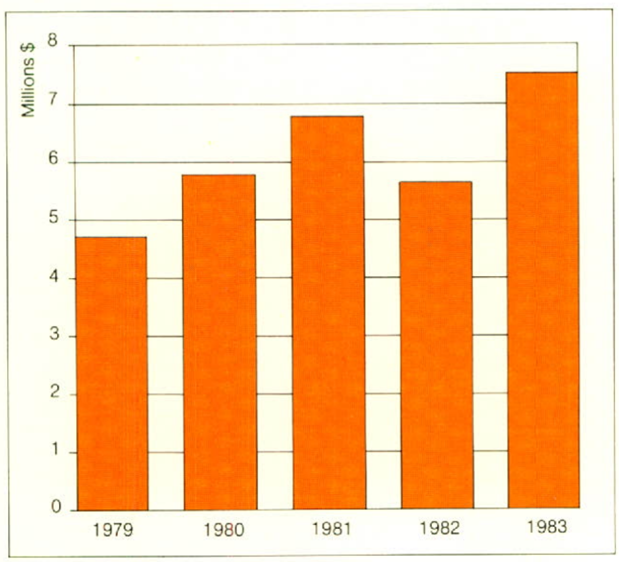
The division also offers employee relocation services for corporations and currently represents 83 corporate clients. The Permanent handled in excess of 1,000 employee relocations during 1983.

The division has been active with programs designed to strengthen its profile in the market place and improve service to the public. The most notable is the Preferred Customer Card program. Customers who list their home for sale with The Permanent and/or purchase a home through The Permanent receive this card which enables them to obtain discounts on a wide range of goods and services useful during a homeowner's move. Since the program's inception in late 1982, more than 54,000 Preferred Customer Cards have been issued.

The contribution made by the Real Estate Brokerage Division to the Company's cross-sell program has been noteworthy.

John Erickson (right), Vice-President, Real Estate Services, with Michael McMurray, General Manager, Real Estate Services reviewing details of a Toronto listing.

Real estate brokerage gross commission income



Gross commissions (millions of dollars)

1979	1980	1981	1982	1983
$46.6	$57.2	$67.6	$56.2	$74.7

Business generated by this division for the financial intermediary and trust services divisions increased significantly during 1983.

Commercial Real Estate Development

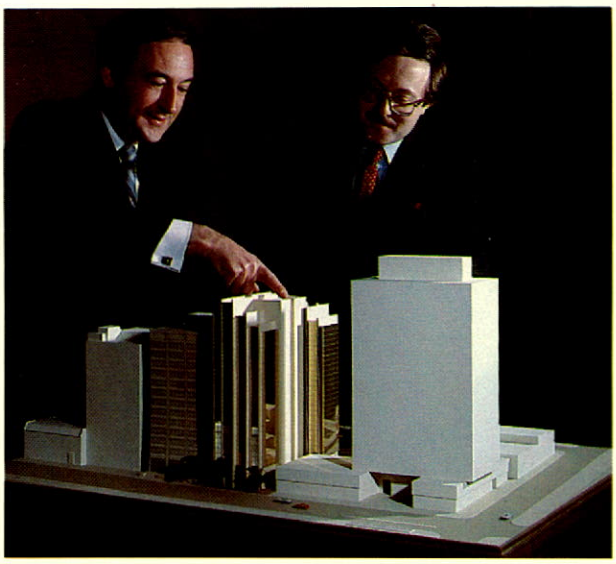
Through a subsidiary, Sutter Hill Developments Limited, The Permanent is active in the commercial real estate development and investment market. Industrial, office and shopping center properties are developed, operated and sold in the major metropolitan centers of Canada. At December 31, 1983, assets of this subsidiary totalled \$153.9 million and included six office buildings, five shopping centers with a total of 1.2 million square feet of leasable space, and twenty acres of land on which six separate developments are planned. It is the intention of Sutter Hill management to maintain at all times approximately 80% of assets in income producing investments (properties and mortgages). At year end, these investments amounted to \$127.3 million, or 83% of total assets.

In 1983, Sutter Hill contributed \$7.9 million to the pre-tax income of The Permanent. This contribution was largely a result of the sale of Lime Ridge Mall in Hamilton, Ontario, which realized a pre-tax profit of \$5.4 million.

U.S. Mortgage Servicing

On December 30, 1982, The Permanent acquired Genstar Securities Corporation for \$61.9 million from Genstar Corporation. Results of this company's operations are included for the first time in our 1983 income.

The operating subsidiary of Genstar Securities Corporation is Genstar Mortgage Corporation. This subsidiary is located in Los Angeles, California and is principally engaged in the business of purchasing, packaging, and selling first mortgage loans on residential properties, retaining the servicing rights. The activities of Genstar Mortgage under its servicing agreements consist of collecting and accounting for the monthly payments on the loans, maintaining escrow accounts for payment of property taxes and hazard insurance, and accounting for payoffs and assumptions. At December 31, 1983, the first mortgage loan servicing portfolio totalled \$2.1 billion (U.S.). Loan production during the year totalled \$672 million (U.S.) compared to \$314 million (U.S.) for 1982.



(Upper) Ronald M. Kirshner (left), President, Sutter Hill Developments Limited (a subsidiary), viewing model of a proposed new project with D. Court, Vice-President, Development.

(Lower) John A. C. Hilliker, Chairman of The Permanent, discussing U.S. mortgage banking strategy with Erich H. Plaga, President of Genstar Mortgage Corporation.

There is substantial breadth in the secondary market for first mortgage loan servicing portfolios. During 1983, \$1.8 billion (U.S.) of servicing portfolio was sold, realizing a significant pre-tax gain for The Permanent.

Genstar Mortgage also packages, sells, and services pools of second mortgages on residential property through its subsidiary, American Funding Limited. At December 31st, American Funding Limited was servicing a portfolio of loans with an aggregate principal amount of \$134 million (U.S.). Total production for this subsidiary during 1983 was \$89 million (U.S.) compared to \$51 million (U.S.) for 1982.

Consolidated Statement of Income

Year Ended December 31, 1983

(in thousands of dollars with comparative figures for 1982)

Income:	**1983**	1982
Investment income from—		
Short-term investments	**$ 92,139**	$ 91,204
Securities	**57,417**	59,013
Mortgages	**481,007**	457,275
Personal loans	**34,340**	38,505
Commercial loans	**101,539**	122,873
	766,442	768,870
Fees and commissions from—		
Real estate sales	**74,691**	56,225
Estates, trusts and agencies	**21,627**	19,044
Stock transfer and bond trustee services	**8,717**	9,218
Pension trust and investment management	**5,111**	4,449
Mortgage administration	**6,396**	4,304
Loan servicing fees	**15,978**	
Rental property income	**16,429**	13,260
Other income	**27,808**	10,291
	176,757	116,791
	943,199	885,661
Expenses:		
Interest	**664,628**	692,467
Commissions to real estate agents	**44,747**	32,328
Staff remuneration and benefits	**87,702**	74,454
Premises	**23,053**	19,909
Marketing	**13,299**	11,134
Computer and office	**15,576**	14,180
Communications and stationery	**12,135**	9,799
Business taxes, capital taxes and licences	**6,047**	4,567
Rental property expense	**7,235**	5,744
Other expense	**28,469**	13,731
	193,516	153,518
Total expenses	**902,891**	878,313
Income before gains and losses on investments and loans	**40,308**	7,348
Gains on disposal of securities, premises and investment properties	**9,525**	6,333
Gains on sale of U.S. mortgage servicing contracts	**10,241**	
Provision for loan losses	**(32,891)**	(7,537)
Income before income taxes	**27,183**	6,144
Deferred income taxes (recovery) (note 11)	**3,763**	(6,625)
Net income	**$ 23,420**	$ 12,769
Net income per common share—basic (note 13)	**$2.29**	$1.30

(See accompanying notes)

Consolidated Statements of Contributed Surplus and Retained Earnings

Year Ended December 31, 1983

(in thousands of dollars with comparative figures for 1982)

Contributed Surplus	1983	1982
Contributed surplus, beginning of year	$ 97,397	$ 56,002
Amounts arising on issuance of common shares (note 9)		41,062
Amounts arising on purchase for cancellation of preference shares (note 9)	149	333
Contributed surplus, end of year	$ 97,546	$ 97,397

Retained Earnings		
Retained earnings, beginning of year	$128,095	$117,390
Net income for the year	23,420	12,769
	151,515	130,159
Deduct:		
Dividends—series A preference shares	582	582
—series B preference shares	1,376	1,482
—common shares	5,056	
	7,014	2,064
Retained earnings, end of year	$144,501	$128,095

(See accompanying notes)

Consolidated Balance Sheet

December 31, 1983

(in thousands of dollars with comparative figures at December 31, 1982)

Assets	1983	1982
Cash and short-term investments	$ 957,533	$ 948,195
Securities (note 3)	611,042	494,563
Loans:		
Mortgages	3,989,308	3,540,352
Personal	282,694	242,441
Commercial	912,342	851,611
	5,184,344	4,634,404
Investment properties (note 4)	145,121	117,933
Premises and equipment (note 5)	39,030	41,856
Acquisition cost of loan servicing contracts	28,846	59,982
Other assets (note 10)	70,085	101,982
	$7,036,001	$6,398,915

(See accompanying notes)

On behalf of the Board:

John A. C. Hilliker, Director

John F. Perrett, Director

Liabilities and Shareholders' Equity	1983	1982
Demand deposits	$ 976,773	$ 873,693
Short-term deposit receipts	656,286	612,803
Registered savings plans deposits	1,495,659	1,274,575
Debentures and guaranteed investment certificates	3,225,955	2,895,819
	6,354,673	5,656,890
Other liabilities:		
Accounts payable and other liabilities	128,836	80,060
Notes payable (note 6)	211,764	212,555
Due to affiliates (note 7)	15,680	146,078
	356,280	438,693
Deferred income taxes	39,970	32,662
Shareholders' equity:		
Capital stock (note 9)	44,116	45,178
Contributed surplus	97,546	97,397
Retained earnings	144,501	128,095
Unrealized foreign exchange loss on translation (note 1(g))	(1,085)	
	285,078	270,670
	$7,036,001	$6,398,915

(See accompanying notes)

Auditors' Report
To the Shareholders

We have examined the consolidated balance sheet of Canada Permanent Mortgage Corporation as at December 31, 1983 and the consolidated statements of income, contributed surplus, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1983 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, except for the change in foreign currency translation as explained in note 1(i) to the financial statements with which we concur, on a basis consistent with that of the preceding year.

Toronto, Canada,
January 27, 1984.

Coopers & Lybrand
Chartered Accountants

Consolidated Statement of Changes in Financial Position

Year Ended December 31, 1983
(in thousands of dollars with comparative figures for 1982)

	1983	1982
Funds were provided by:		
Net income before deferred income taxes, depreciation and other non-cash items of $51,272 ($12,089 in 1982)	$ 74,692	$ 24,858
Demand deposits less withdrawals	103,080	70,590
Short-term deposit receipts issued less redemptions	43,483	78,409
Registered savings plans deposits less withdrawals	221,084	194,779
Debentures and guaranteed investment certificates issued	1,761,951	1,092,800
Securities sold or redeemed	305,238	177,946
Mortgage repayments	661,184	577,589
Net repayment of personal loans		20,289
Issuance of common shares		43,550
Issuance of notes payable less repayments		43,557
Loan servicing contracts sold less acquisitions	15,704	
Other	58,441	8,522
Total funds provided	3,244,857	2,332,889
Funds were applied to:		
Acquisition of Genstar Securities Corporation and its subsidiaries		61,835
Less: Cash and short-term investments acquired		5,325
		56,510
Investment in securities	421,717	82,167
Mortgage advances	1,110,140	228,769
Personal loans less repayments	40,253	
Commercial loans less repayments	60,731	119,738
Purchase of investment properties net of disposals	27,987	84,404
Investment in premises and equipment net of disposals	5,436	7,457
Debentures and guaranteed investment certificates redeemed	1,431,815	1,134,921
Dividends	7,042	2,078
Due to affiliates	130,398	
Total funds applied	3,235,519	1,716,044
Increase in cash and short-term investments during the year	9,338	616,845
Cash and short-term investments, beginning of year	948,195	331,350
Cash and short-term investments, end of year	$ 957,533	$ 948,195

(See accompanying notes)

Notes to Consolidated Financial Statements
December 31, 1983

1. Summary of significant accounting policies

The following is a summary of significant accounting policies followed in the preparation of these consolidated financial statements:

(a) Consolidation—

These consolidated financial statements include the accounts of Canada Permanent Mortgage Corporation and all its subsidiary companies. Significant subsidiaries, all of which were wholly-owned at December 31, 1983 unless otherwise noted, are:

Canada Permanent Trust Company

Canada Permanent Trust Company (U.K.) Limited

Sutter Hill Developments Limited

Genstar Securities Corporation and its significant subsidiaries

Genstar Mortgage Corporation

American Funding Limited (a limited partnership) (87.5%)

Effective December 30, 1982 the Corporation acquired, from an affiliated company, all the issued and outstanding shares of Genstar Securities Corporation for $61.9 million. As this acquisition occurred on December 30, 1982, the operating results of Genstar Securities Corporation and its subsidiaries are reflected in these financial statements commencing January 1, 1983.

The minority interest in American Funding Limited of $1.6 million at December 31, 1983 (1982—$1.2 million) is included in accounts payable and other liabilities in the consolidated balance sheet.

(b) Securities and loans—

Bonds and debentures are carried at amortized cost and stocks generally at cost, together with accrued interest and dividends receivable. Mortgages, personal loans and commercial loans are carried at cost plus accrued interest, less repayments and provisions for losses.

Provisions are made annually for possible losses on uninsured mortgages and other loans based upon payment arrears information, prior loss experience and current economic conditions. Losses are charged against the provisions as realized. Securities gains and losses are included in net income as realized; however, provisions for losses are made in advance of realization in instances where declines in values of particular securities are considered to be other than temporary.

Included with commercial loans in the consolidated balance sheet are receivables under equipment rental contracts (direct financing leases) with a carrying value at December 31, 1983, net of unearned income, of $44.2 million (1982—$40.2 million). Income on the leases is recognized over the terms thereof in decreasing amounts as the amounts receivable are reduced through rental payments.

(c) Investment properties—

Revenue-producing properties are carried at cost less accumulated depreciation; land held for development is carried at cost. Cost includes development and construction costs, including interest, realty taxes and other related costs and certain overhead expenses, less rentals earned, during the construction and initial leasing periods.

Income is recognized when the break-even point in cash flow in respect of a particular property is attained, subject to a maximum period of time, prior to which expenses less related income are capitalized as indicated above.

Revenue-producing properties are depreciated on a 5% 40-year sinking fund method. Investment property gains and losses are included in net income as realized.

(d) Premises and equipment—

Premises and equipment are stated at cost less accumulated depreciation and amortization. Rates of depreciation and amortization applied on a straight-line basis to amortize the cost of these assets over their estimated economic lives are as follows:

Buildings	—	2½%
Major building alterations	—	10%
Equipment	—	15%—20%
Leasehold improvements	—	over the terms of the leases

Gains and losses on disposals of premises and equipment are included in net income as realized.

(e) Acquisition cost of loan servicing contracts—

Acquisition costs of loan servicing contracts are capitalized and reduced by amortization on a declining-balance method which relates the amortization of these costs to the estimated net loan servicing income. This amortization is augmented by reductions in income taxes due to the utilization of pre-acquisition losses for tax purposes and other tax benefits.

(f) Deferred income taxes—

The Corporation follows the tax allocation basis of accounting. Accordingly deferred income taxes are provided in order to reflect the income tax effects of timing differences between accounting income and income for tax purposes (such differences being principally attributable to depreciation provisions and security and mortgage loss allowances).

(g) Foreign currency translation—

Assets and liabilities are translated from foreign currencies into Canadian dollars at year-end rates of exchange. Income and expenses are translated at average rates of exchange for the year.

Exchange gains and losses arising on the translation of assets and liabilities of foreign operations, and related notes payable that hedge these net foreign assets, are excluded in determining net income and shown as a separate component of shareholders' equity. All other exchange gains and losses are included in determining net income.

(h) Income and expenses—

Estate, trust and agency fees and commissions from real estate sales are included in income as received.

The discounted present value of future interest income in excess of the yield to the investor and of prepayment penalties on second trust deeds sold on a fixed yield basis to maturity are included in income at the time of sale.

All other income and expenses are recorded on an accrual basis.

(i) Change in accounting policies—

Effective January 1, 1983, the Corporation adopted prospectively the recommendations of the Canadian Institute of Chartered Accountants for foreign currency translation. In prior years the Corporation included all exchange gains and losses on translation in determing net income except for unrealized gains or losses on long-term loans made by Canada Permanent Trust Company (U.K.) Limited which were deferred and amortized to income over the remaining term of such loans. Unamortized gains or losses were included in the carrying value of these loans.

The change to the method of translation outlined in note 1(g) has resulted in an increase in net income in 1983 of $0.9 million. An analysis of the unrealized foreign exchange translation account included in shareholders' equity is as follows:

	(in thousands of dollars)
Balance, beginning of year	$ (900)
Translation adjustments for the year	(185)
Balance, end of the year	$(1,085)

In 1982 the Corporation retroactively changed its accounting policy for depreciation of investment properties from the straight-line method to the sinking fund method. As a result of this accounting policy change, 1982 net income increased by $0.3 million and 1982 opening retained earnings increased by $0.6 million.

2. Segmented information

The Corporation is engaged in several lines of business activity, the more significant of which are as follows:

Financial intermediary services—

Investing shareholder funds and funds provided from deposits and the issue of debentures and guaranteed investment certificates in securities, mortgages and personal and commercial loans.

Trust services—

Providing estate, personal, corporate and pension trust services as well as investment management and related services.

Real estate brokerage services—

Acting as agent in the purchase and sale of residential, industrial and commercial real estate.

Commercial real estate development—

Engaging in commercial and industrial real estate development.

U.S. mortgage servicing—

Packaging, selling and servicing of mortgage portfolios based predominantly in the United States.

The following table summarizes certain financial information for these business segments:

Statement of income	1983 Gross Income	1983 Net Income	1982 Gross Income	1982 Net Income
	(in thousands of dollars)			
Financial intermediary services	$744,175	$ (1,997)	$775,630	$ 3,760
Trust services	41,587	6,169	37,871	4,808
Real estate brokerage services	75,056	2,894	56,665	(6,744)
Commercial real estate development	18,150	7,925	15,495	4,320
U.S. mortgage servicing	64,231	12,192		
	$943,199	27,183	$885,661	6,144
Deferred income taxes (recovery)		3,763		(6,625)
Net income		$23,420		$12,769

Financial intermediary services income includes net gains on disposal of securities and premises of $4.8 million in 1983 and $5.7 million in 1982. Commercial real estate development income includes net gains on disposal of investment properties of $4.7 million in 1983 and $0.6 million in 1982. U.S. mortgage servicing income for 1983 includes net gains on disposal of servicing contracts of $10.2 million.

Assets	1983 Capital expenditures in year	1983 Carrying value of assets at year-end	1982 Capital expenditures in year	1982 Carrying value of assets at year-end
	(in thousands of dollars)			
Financial intermediary services	$ 4,115	$6,606,919	$ 5,415	$5,899,111
Trust services	886	6,269	507	5,372
Real estate brokerage services	598	2,320	1,696	2,746
Commercial real estate development	104,787	153,877	92,414	131,986
U.S. mortgage servicing	310	266,616		359,700
	$110,696	$7,036,001	$100,032	$6,398,915

Depreciation and amortization in year	1983	1982
Financial intermediary services	$ 5,911	$ 6,041
Trust services	770	665
Real estate brokerage services	1,083	1,138
Commercial real estate development	824	610
U.S. mortgage servicing	473	
	$ 9,061	$ 8,454

3. Securities

Securities consist of:

	1983 Carrying value	1983 Market value	1982 Carrying value	1982 Market value
	(in thousands of dollars)			
Bonds and debentures—				
Bonds of or guaranteed by—				
Government of Canada	$ 51,795	$ 49,496	$141,990	$ 140,819
Provinces of Canada	12,884	10,143	19,191	16,509
Corporate and other	304,433	305,124	170,081	169,350
	369,112	364,763	331,262	326,678
Stocks—				
Preferred	215,475	212,914	136,079	119,805
Common	26,455	33,151	27,222	30,626
	241,930	246,065	163,301	150,431
Total securities	$611,042	$ 610,828	$494,563	$ 477,109

4. Investment properties

Investment properties consist of:

	1983	1982
	(in thousands of dollars)	
Revenue-producing properties	$123,069	$103,106
Land held for development	23,365	16,528
	146,434	119,634
Less: accumulated depreciation	1,313	1,701
	$145,121	$117,933

Depreciation included in rental property expense totalled $0.8 million in 1983 (1982—$0.6 million).

5. Premises and equipment

Premises and equipment consist of:

	1983	1982
	(in thousands of dollars)	
Land	$ 4,697	$ 4,780
Buildings, equipment and leasehold improvements	90,135	85,261
	94,832	90,041
Less: accumulated depreciation and amortization	55,802	48,185
	$ 39,030	$ 41,856

Depreciation and amortization included in premises and computer and office expenses totalled $8.3 million in 1983 (1982—$7.9 million).

6. Notes payable

	1983	1982
	(in thousands of dollars)	
Canada Permanent Mortgage Corporation		
11% notes repayable quarterly in equal blended instalments of principal and interest to 1990. Assets carried in the balance sheet at December 31, 1983 at $20.4 million (1982—$22.6 million) have been pledged as security against the notes.	$ 13,460	$ 14,685
U.S. prime plus ¼ of 1% (or similar rates) repayable in U.S. dollars in instalments of U.S. $4,375, U.S. $4,375 and U.S. $26,250 in 1986, 1987 and 1988 respectively. The Corporation has pledged that it will not dispose of the shares of Genstar Securities Corporation while the note remains outstanding.	43,568	43,285
U.S. prime (or similar rates) repayable in U.S. dollars in 1985.	7,286	8,325
13¼% effective rate fully-hedged Swiss Franc notes repayable in 1990.	18,023	
Sutter Hill Developments Limited		
9% to 13% mortgages payable on investment properties due to 1996.	33,393	3,393
Genstar Securities Corporation and its subsidiaries		
U.S. commercial paper supported by a bank letter of credit and maturing within 45 days at interest rates which approximate or are below U.S. prime rate. Mortgages carried in the balance sheet at December 31, 1983 at $35.7 million (1982—$54.7 million) secure the bank letter of credit.	35,696	54,678
U.S. prime plus ½% to 1¾% (or similar rates) repayable in U.S. dollars as related mortgage payments are received subject to minimum repayment requirements. Mortgages carried in the balance sheet at December 31, 1983 at $90.0 million (1982—$124.6 million) secure the notes payable.	39,585	56,288
Other notes generally with variable rates based on U.S. prime and repayable in U.S. dollars on demand or to 1987.	20,753	31,901
	$211,764	$212,555

7. Due to affiliates

	1983	1982
	(in thousands of dollars)	
Advances from affiliates	$ 15,680	$ 77,055
Term loan from affiliate		69,023
	$ 15,680	$146,078

The advances from affiliates are repayable on demand in U.S. dollars. The term loan from an affiliate was purchased during 1983 (note 10).

8. *Guaranteed* trust account

Total assets include assets held for the guaranteed trust account as follows:

	1983	1982
	(in thousands of dollars)	
Assets—		
Cash and short-term investments	$ 325,518	$ 468,415
Securities	296,329	258,737
Loans:		
Mortgages	2,665,889	2,298,925
Personal	127,940	104,722
Commercial	371,491	397,563
	3,165,320	2,801,210
Total assets	3,787,167	3,528,362
Excess of assets over guaranteed trust liabilities	75,989	91,186
	$3,711,178	$3,437,176
Guaranteed trust liabilities—		
Demand deposits	$ 427,541	$ 392,761
Short-term deposit receipts	164,721	185,309
Registered savings plans deposits	1,495,659	1,274,575
Guaranteed investment certificates	1,623,257	1,584,531
	$3,711,178	$3,437,176

9. Capital stock

The authorized and issued share capital of the Corporation was as follows:

Authorized at December 31, 1983—

3,829,700 preference shares of the par value of $25 each, issuable in series

20,000,000 common shares of the par value of $2 each

Issued and fully paid—	1983	1982
	(in thousands of dollars)	
344,687 tax deferred cumulative redeemable convertible preference shares series A (344,687 shares in 1982)	$ 8,617	$ 8,617
670,841 8% cumulative redeemable preference shares series B (713,341 shares in 1982)	16,771	17,833
9,363,900 common shares (9,363,900 shares in 1982)	18,728	18,728
	$ 44,116	$ 45,178

During 1983 no common shares were issued. During 1982, 1,244,299 common shares were issued for $35.00 per share of which $33.00 per share was credited to contributed surplus. Of these shares, 530,014 were issued in connection with the acquisition of Genstar Securities Corporation. The remaining 714,285 shares were issued to Genstar Corporation in connection with the acquisition of an investment property.

Tax deferred dividends on the series A preference shares are payable at an annual rate of 6¾% until October 1, 1991 after which date taxable dividends at an annual rate of 8¾% become payable. The series A preference shares are redeemable after March 31, 1983 at $26.25 per share reducing $0.25 per annum to March 31, 1987 after which date the shares are redeemable at par value. The shares are convertible at the option of the holder into common shares at any time to October 1, 1991 at $21.00 per common share if converted on or before April 1, 1984, increasing in $1.00 per share stages to $25.00 per common share after April 1, 1990. Of the 3,829,700 authorized preference shares, 1,200,000 were issued as series A convertible preference shares of which 855,313 have been converted into common shares since issue.

In each twelve-month period commencing on April 1 of the year, and subject to certain conditions, the Corporation is required to endeavour to purchase in the open market for cancellation a certain dollar value of series A preference shares based on a defined formula. As all the series A preference shares are owned by the Corporation's parent, no shares were purchased during either 1983 or 1982.

The series B preference shares are redeemable after December 31, 1983 at $26.35 per share reducing $0.15 per annum to December 31, 1992 after which date the shares are redeemable at par value. In each calendar year, and subject to certain conditions, the Corporation is required to endeavour to purchase in the open market for cancellation an aggregate of 42,500 series B preference shares at not more than par value. Under this provision, 42,500 shares were purchased and cancelled in each of 1983 and 1982 with the aggregate difference of $0.1 million in 1983 ($0.3 million in 1982) between the purchase price and the par value recorded in contributed surplus.

10. Related party transactions

During 1983, the Corporation and its subsidiaries purchased, in the normal course of business, investment properties and loans totalling $11.2 million (1982–$97.9 million) from Genstar Corporation and its affiliates. The Corporation and its subsidiaries also rendered certain property rental and trust services to Genstar Corporation and its affiliates during 1983 from which gross income amounted to $0.7 million (1982–$0.6 million).

Also during 1983, a subsidiary of the Corporation purchased for U.S. $42.65 million a U.S. $55.5 million 10% term loan of a U.S. subsidiary of the Corporation from an affiliate of Genstar Corporation. The difference between the par value and the purchase price was netted against the acquisition costs of pre-1983 loan servicing contracts and is amortized in proportion to the amortization of these costs.

Included in other assets at December 31, 1983 is $13.7 million (1982–$30.8 million) owed to Genstar Securities Corporation and its subsidiaries by Genstar Corporation and its affiliates. Amounts due to Genstar Corporation and its affiliates at December 31, 1983 total $15.7 million (1982–$146.1 million) (note 7).

11. Income taxes

Reconciliation of statutory and effective rates of income tax:

	1983		1982	
	Amount (in thousands of dollars)	Rate	Amount (in thousands of dollars)	Rate
Income before income taxes	**$27,183**		$ 6,144	
Income taxes at statutory federal and provincial rates	**$13,591**	**50.0%**	$ 3,072	50.0%
Increase (decrease) from statutory rates				
Tax-exempt securities income	**(8,121)**	**(29.9)**	(7,776)	(126.5)
Non-taxable/deductible portion of capital (gains)/losses	**1,101**	**4.0**	(2,192)	(35.7)
Other items	**(2,808)**	**(10.3)**	271	4.4
Income taxes reported	**$ 3,763**	**13.8%**	$ (6,625)	(107.8)%

12. Commitments and contingency

(a) At December 31, 1983, outstanding commitments for mortgage advances amounted to $148.5 million.

Contractual obligations at December 31, 1983 in respect of lease rentals were as follows:

	Payable in the period (in thousands of dollars)		Payable in the period (in thousands of dollars)
1984	$13,446	1987	9,109
1985	12,128	1988	7,554
1986	10,609	thereafter	24,294

(b) The Corporation has agreed to partially indemnify one of the defendants in certain actions in which specified damages of substantial amounts are claimed. Management of the Corporation is of the opinion that these actions will not succeed and accordingly no provision has been made in the accompanying financial statements for such liability, if any, as may arise therefrom.

13. Net income per common share

Net income per common share is computed on the basis of the weighted average number of common shares outstanding in the year.

Had all the series A preference shares been converted into common shares, net income per common share would have been diluted from $2.29 per common share to $2.26 per common share.

14. Comparative figures

Certain 1982 comparative figures have been reclassified from those previously reported to correspond with the presentation adopted in 1983.

Five Year Summary
(in millions of dollars)

YEAR-END POSITION	1983	1982	1981	1980	1979
Assets					
Cash and short-term investments	$ 957.5	$ 948.2	$ 331.4	$ 165.6	$ 201.8
Securities	611.0	494.6	587.2	731.2	552.7
Loans—					
Mortgages	3,989.3	3,540.4	3,673.4	3,888.4	3,779.9
Personal	282.7	242.4	262.7	207.7	141.5
Commercial	912.4	851.6	731.9	492.5	250.2
	5,184.4	4,634.4	4,668.0	4,588.6	4,171.6
Other assets	283.1	321.7	98.2	77.0	75.5
Total corporate assets	$ 7,036.0	$ 6,398.9	$ 5,684.8	$ 5,562.4	$ 5,001.6
Assets under administration (book value)—					
Canada	$ 5,874.2	$ 4,614.9	$ 3,974.6	$ 3,382.9	$ 2,722.2
U.S. mortgage servicing	2,731.4	4,400.0			
Total assets under administration	$ 8,605.6	$ 9,014.9	$ 3,974.6	$ 3,382.9	$ 2,722.2
Total	$15,641.6	$15,413.8	$ 9,659.4	$ 8,945.3	$ 7,723.8
Liabilities					
Customers' deposits	$ 6,354.7	$ 5,656.9	$ 5,355.2	$ 5,239.9	$ 4,686.9
Other liabilities	356.2	438.6	74.4	67.5	71.3
Deferred income taxes	40.0	32.7	38.1	47.9	52.1
Total liabilities	$ 6,750.9	$ 6,128.2	$ 5,467.7	$ 5,355.3	$ 4,810.3
Shareholders' equity	$ 285.1	$ 270.7	$ 217.1	$ 207.1	$ 191.3
RESULTS FOR THE YEAR					
Income					
Net investment income	$ 101.8	$ 76.4	$ 66.0	$ 79.4	$ 81.8
Fees and other income	102.1	60.5	45.2	36.3	31.6
Commissions from real estate sales (net of commission paid)	29.9	23.9	25.6	19.3	15.2
Total income	$ 233.8	$ 160.8	$ 136.8	$ 135.0	$ 128.6
Expenses					
Staff remuneration and benefits	$ 87.7	$ 74.5	$ 71.0	$ 60.0	$ 51.5
Premises	23.1	19.9	16.9	14.0	12.2
Other	82.7	59.1	53.2	43.0	36.6
Total expenses	$ 193.5	$ 153.5	$ 141.1	$ 117.0	$ 100.3
Income (loss) before gains and losses on investments and loans	$ 40.3	$ 7.3	$ (4.3)	$ 18.0	$ 28.3
Gains on disposal of securities, premises and investment properties less non-recurring corporate expenses in 1981	9.5	6.4	15.5	9.9	2.2
Gains on sale of U.S. mortgage servicing contracts	10.2				
Provision for loan losses	(32.8)	(7.5)	(1.1)	(2.7)	(4.0)
Income before income taxes	27.2	6.2	10.1	25.2	26.5
Income taxes (recovery)	3.8	(6.6)	(9.9)	(3.4)	4.7
Net income	$ 23.4	$ 12.8	$ 20.0	$ 28.6	$ 21.8
Net income as a percent of average common shareholders' equity—					
Basic	8.5%	5.3%	10.1%	17.2%	13.5%
Fully diluted	8.5%	5.4%	9.7%	15.4%	12.3%
Net income as a percent of average assets	.35%	.21%	.35%	.54%	.45%
Number of employees full-time—					
Canadian	2,925	2,962	2,982	3,225	3,089
Subsidiaries	281	434	26	21	21
Number of employees part-time	736	688	801	736	673
Number of real estate commissioned sales agents	2,336	2,049	1,984	1,858	1,672

Maturities

(Canadian Financial Intermediary Services)
(in millions of dollars)

Maturity Dates	December 31, 1983 Cash and Short-term	Securities	Loans	Total	%	December 31, 1982 Total	%	December 31, 1981 Total	%
Assets									
Due or callable within 1 year	$945.4	$ 83.8	$2,049.9	**$3,079.1**	**45.1**	$3,076.8	50.9	$2,143.9	37.8
1 to 2 years		207.3	1,129.0	**1,336.3**	**19.6**	1,107.8	18.3	1,090.5	19.3
2 to 3 years		26.8	679.2	**706.0**	**10.4**	743.7	12.3	909.0	16.1
3 to 4 years		25.4	470.3	**495.7**	**7.3**	224.4	3.7	648.3	11.5
4 to 5 years		19.8	452.0	**471.8**	**6.9**	222.1	3.7	455.9	8.1
After 5 years		72.5	153.5	**226.0**	**3.3**	286.4	4.7	156.9	2.7
Non-retractable shares		158.6		**158.6**	**2.3**	99.2	1.6	84.8	1.5
Accrued interest	7.8	14.1	60.9	**82.8**	**1.2**	84.8	1.4	81.4	1.4
	$953.2	$608.3	$4,994.8	**6,556.3**	**96.1**	5,845.2	96.6	5,570.7	98.4
Other Assets				**262.8**	**3.9**	205.1	3.4	90.7	1.6
Total Assets				**$6,819.1**	**100.0**	$6,050.3	100.0	$5,661.4	100.0

Maturity Dates	Demand Deposits	Registered Savings Plans Deposits	Debentures and GIC's*	Notes Payable	Total	%	Total	%	Total	%
Deposits and Borrowings										
Due or callable within 1 year	$938.8	$ 922.5	$1,893.0	$ 8.7	**$3,763.0**	**55.2**	$3,564.9	58.9	$3,162.2	55.8
1 to 2 years		303.5	720.6	1.5	**1,025.6**	**15.0**	578.9	9.5	673.4	11.9
2 to 3 years		104.2	474.8	1.7	**580.7**	**8.5**	835.1	13.8	384.6	6.8
3 to 4 years		30.9	209.9	1.9	**242.7**	**3.6**	233.9	3.8	691.9	12.2
4 to 5 years		69.2	409.6	2.1	**480.9**	**7.1**	160.5	2.7	192.1	3.4
After 5 years			5.2	22.9	**28.1**	**0.4**	15.9	0.3	32.2	0.6
Accrued interest	6.0	65.4	171.2		**242.6**	**3.5**	251.8	4.2	224.4	4.0
	$944.8	$1,495.7	$3,884.3	$38.8	**6,363.6**	**93.3**	5,641.0	93.2	5,360.8	94.7
Other liabilities and shareholders' equity					**455.5**	**6.7**	409.3	6.8	300.6	5.3
Total liabilities and shareholders' equity					**$6,819.1**	**100.0**	$6,050.3	100.0	$5,661.4	100.0

*Short-term Deposit Receipts, Debentures and Guaranteed Investment Certificates

Interest Rate Sensitivity as at December 31, 1983

(Canadian Financial Intermediary Services)
(in millions of dollars)

	Floating Rates	Fixed Rates Under 1 year	Fixed Rates Over 1 year	Total
Assets				
Cash and Short-term Investments	$ 945.4			$ 945.4
Securities	145.5	$ 66.0	$ 382.7	594.2
Loans	757.4	1,827.0	2,349.5	4,933.9
Accrued Interest		82.8		82.8
	$1,848.3	$1,975.8	$2,732.2	6,556.3
December 31, 1982	$1,790.0	$2,027.7	$2,027.5	
December 31, 1981	$1,029.3	$1,785.5	$2,755.9	
Other Assets				262.8
Total Assets				$6,819.1
Deposits and Borrowing				
Demand Deposits	$ 745.3	$ 193.5		$ 938.8
Short-term Deposit Receipts	651.7			651.7
Registered Savings Plans Deposits	522.0	400.5	$ 507.8	1,430.3
Debentures and Guaranteed Investment Certificates	.1	1,241.2	1,820.1	3,061.4
Notes Payable	7.3	1.4	30.1	38.8
Accrued Interest		183.4	59.2	242.6
	1,926.4	2,020.0	2,417.2	6,363.6
Non-Convertible Preference Shares			16.8	16.8
	$1,926.4	$2,020.0	$2,434.0	6,380.4
December 31, 1982	$1,779.8	$1,977.3	$1,901.7	
December 31, 1981	$1,640.4	$1,690.1	$2,049.2	
Other Liabilities and Shareholders' Equity				438.7
Total Liabilities and Shareholders' Equity				$6,819.1
Surplus/(Deficiency) Rate Sensitive Instruments	$ (78.1)	$ (44.2)	$ 298.2	$ 175.9
December 31, 1982	$ 10.2	$ 50.4	$ 125.8	$ 186.4
December 31, 1981	$ (611.1)	$ 95.4	$ 706.7	$ 191.0

Interest Margin

(Canadian Financial Intermediary Services)

	1983	1982	1981	1980	1979
Assets					
Cash and Short-term Investments	**9.71%**	14.34%	17.85%	14.46%	11.56%
Securities	**13.01**	13.08	13.70	12.11	11.62
Loans	**12.55**	13.62	12.73	11.24	10.75
Income earned as a % of total assets	**11.75**	13.31	12.94	11.41	10.72
Deposits and Borrowings					
Demand Deposits	**5.72**	8.86	10.96	8.60	7.58
Short-term Deposit Receipts	**8.14**	13.34	16.54	9.75	12.64
Registered Savings Plans Deposits	**11.19**	13.62	13.26	10.87	9.94
Debentures and Guaranteed Investment Certificates	**11.96**	12.57	11.21	10.33	9.46
Notes Payable	**11.26**	12.71	14.66	11.14	11.12
Interest paid as a % of total assets	**9.81**	11.70	11.47	9.54	8.66
Interest margin as a % of total assets	**1.94%**	1.61%	1.47%	1.87%	2.06%

Quarterly Analysis

(in millions of dollars)

	Net Investment Income	Commissions from Real Estate Sales (Net)	Fees and Other Income	Expenses	Income Before Gains and Losses on Investments and Loans	Percent Earned in each Quarter	Net Income
1st	$ 19.6	$ 2.0	$ 6.2	$25.3	$ 2.5	8.8%	$ 2.8
2nd	19.6	3.9	7.4	26.1	4.8	17.0	4.4
3rd	21.3	4.8	7.8	26.0	7.9	27.9	5.9
4th	21.3	4.5	10.2	22.9	13.1	46.3	8.7
1979	81.8	15.2	31.6	100.3	28.3	100.0	21.8
1st	17.6	1.9	7.2	27.4	(.7)	(3.9)	1.9
2nd	19.5	4.8	8.3	28.2	4.4	24.5	4.6
3rd	21.6	6.1	8.5	29.1	7.1	39.4	6.6
4th	20.7	6.5	12.3	32.3	7.2	40.0	15.5
1980	79.4	19.3	36.3	117.0	18.0	100.0	28.6
1st	22.6	3.9	8.4	34.6	.3	7.0	3.1
2nd	19.8	7.5	11.8	35.2	3.9	90.7	5.4
3rd	12.8	9.2	8.7	35.7	(5.0)	(116.3)	(1.8)
4th	10.8	5.0	16.3	35.6	(3.5)	(81.4)	13.3
1981	66.0	25.6	45.2	141.1	(4.3)	(100.0)	20.0
1st	13.2	3.9	11.1	36.5	(8.3)	(113.7)	.9
2nd	17.0	6.3	13.9	37.8	(.6)	(8.2)	1.2
3rd	20.4	6.5	14.7	37.7	3.9	53.4	3.7
4th	25.8	7.2	20.8	41.5	12.3	168.5	7.0
1982	76.4	23.9	60.5	153.5	7.3	100.0	12.8
1st	23.2	4.0	21.8	44.3	4.7	11.4	3.7
2nd	23.5	8.0	26.2	46.9	10.8	26.8	4.2
3rd	26.8	10.1	24.4	48.5	12.8	31.8	3.8
4th	28.3	7.8	29.7	53.8	12.0	30.0	11.7
1983	$101.8	$29.9	$102.1	$193.5	$40.3	100.0%	$23.4

Historical Summary of Loan Losses

Loan Loss Experience Per Loan Category

(thousands of dollars)	**1983**	1982	1981	1980	1979
First Mortgages	**$ 2,801**	$ 2,283	$ 616	$ 995	$ 755
Commercial Loans	**6,811**	400	31	657	3,089
Personal Loans	**1,540**	1,440	664	404	362
Total Losses	**$11,152**	$ 4,123	$ 1,311	$ 2,056	$ 4,206

Losses as a Percent of Average Balances

(percent)	**1983**	1982	1981	1980	1979	5 Year Avg.
First Mortgages	**.074**	.063	.016	.026	.021	.040
Commercial Loans	**.761**	.050	.005	.176	1.469	.381
Personal Loans	**.582**	.568	.281	.230	.290	.418
Total	**.226%**	.088%	.028%	.047%	.107%	.101%

End of Period Reserve Per Loan Category

(thousands of dollars)	**1983**	1982	1981	1980	1979
First Mortgages	**$ 7,731**	$ 5,594	$ 4,200	$ 5,017	$ 5,483
Commercial Loans	**22,045**	3,917	2,673	1,506	590
Personal Loans	**2,693**	1,218	442	969	706
Total Reserve	**$32,469**	$10,729	$ 7,315	$ 7,492	$ 6,779

Reserves as a Percent of Ending Balances

(percent)	**1983**	1982	1981	1980	1979	5 Year Avg.
First Mortgages	**.193**	.158	.114	.129	.145	.148
Commercial Loans	**2.359**	.458	.364	.305	.235	.940
Personal Loans	**.944**	.500	.168	.464	.496	.527
Total	**.622%**	.231%	.156%	.163%	.162%	.278%

*Weighted averages, computed as the sum of total losses or reserves for 1979-83, divided by the sum of total average or ending loan balances for 1979-83.

Summary of Principal Legislative Operating Restrictions for Trust and Loan Companies

CONSOLIDATED LIQUIDITY (December 31)	Approved for Statutory Liquidity at book value (20% Liquidity)		Approved for Financial Standards Test at market value (S.7 Liquidity)	
(millions of dollars)	**1983**	1982	**1983**	1982
Liquidity Reserve				
Cash	**$ 15.3**	$ 16.5	**$ 15.3**	$ 16.5
Canada and provincial securities	**670.4**	537.2	**663.8**	433.8
Eligible corporate securities	**24.4**	115.2	**723.8**	662.1
	710.1	668.9	**1,402.9**	1,112.4
Less:				
Statutory liquidity requirements, 20% of demand deposits and term deposits maturing within 100 days	**494.6**	445.8	**—**	—
Financial standards test liquidity requirement	**—**	—	**531.7**	491.6
Surplus liquidity	**$215.5**	$223.1	**$ 871.2**	$ 620.8

Two principal measures are used to monitor the degree of liquidity of trust and loan companies. One is contained in the Acts ("20% Liquidity"), and is monitored quarterly by the Superintendent of Insurance (Canada). This measure requires that at least 20% of deposits due or payable within 100 days be maintained in "liquid assets". Liquid assets include cash and bank deposits, government securities, loans secured by government securities, and certain categories of bank credit. The other liquidity measure ("S.7 Liquidity") is a financial standard contained in the Regulations under the Acts and is also monitored regularly. It requires "liquid assets" to be maintained in an amount at least equal to 50% of the first $100 million of demand deposits plus 25% of the remaining demand deposits. Liquid assets for this measure also include certain corporate securities. The Permanent aims to maintain substantial liquidity in excess of the statutory requirements on a daily basis.

CAPITAL ADEQUACY

The standard used to control leverage is known as the borrowing ratio. This is the ratio of liabilities to unimpaired capital, where unimpaired capital consists of total shareholders' equity, deferred taxes, and accumulated general provisions for losses, less the value of any unadmitted assets and certain deficiencies of asset market value to book value. The maximum allowable borrowing ratio is set by individual company by-laws, with the approval of the Minister of Finance. At present, The Permanent's allowable borrowings are 25 times the unimpaired capital. To date, no ratio has been approved for any trust or loan company which is greater than 25 times. At December 31, 1983, The Permanent's actual ratio amounted to 22.8 times.

ASSET QUALITY

Under the Acts, at least 93% of the assets must be invested in a range of eligible investments, and at least two-thirds of the assets must be comprised of "quality assets." Eligible investments include mortgage loans, bonds of or guaranteed by a government of Canada or a municipal corporation in Canada, and the bonds of Canadian corporations which meet tests of earnings and security. Quality assets are principally insured mortgage loans, uninsured conventional mortgage loans on residential properties, Canadian government and chartered bank paper and short-term securities of Canadian corporations. Up to 7% of assets are permitted in a wider range of investments which include certain personal and business loans and real estate equity investments.

MANAGEMENT AND ORGANIZATION

John A. C. Hilliker
Chairman, President and Chief Executive Officer

Harry J. Riva
Vice-President, General Counsel and Corporate Secretary

OPERATIONS SUPPORT

Administration Division

James E. Donahoe
Senior Vice-President

Sidney A. Lindsay
Vice-President, Finance

Glenn H. Temple
Assistant Vice-President
and Assistant Controller

Gary M. Comerford
Assistant Vice-President
Corporate Marketing

John R. Dorken
Assistant Vice-President
Premises and Administrative Services

A. Graham Gardner
Manager, Audit Services

Human Resources Division

Edward H. Smith
Senior Vice-President

Gerrit T. Bakker
Vice-President

A. Duncan Truscott
Assistant Vice-President
Operations

Planning and Communications Division

Ronald M. Dragan
Senior Vice-President

Dorothea Penman
Vice-President, Information Services

Arthur M. Hounsell
Assistant Vice-President
Systems Development

John P. Pistilli
Assistant Vice-President
Management Services

Ronald J. Siddaway
Assistant Vice-President
Systems Operations

Raymond B. Jones
Assistant Vice-President
Corporate Communications

Denman Sinclair
Assistant Vice-President
Public Relations

FINANCIAL INTERMEDIARY SERVICES

Commercial Division

Victor T. Norberg
Senior Vice-President

John F. Hartos
Vice-President, Leasing

Arnold L. Kuchinsky
Assistant Vice-President
Administration, Commercial Division

David S. Langford
Assistant Vice-President
Commercial Leasing

S. Robert Rudd
Vice-President
Commercial Lending

Clarke G. Hopkins
Assistant Vice-President, Credit

Treasury Division

W. Thomas Hodgson
Senior Vice-President

Earl D. Bederman
Vice-President and Chief Economist

Susan F. Dabarno
Vice-President, Treasury

Peter A. Stuart
Assistant Vice-President
Corporate Investments

Financial Intermediary Operations Division

Colin Currie
Senior Vice-President

Branch Support Services

Desmond P. R. Bethell
Vice-President
Deposit Services

H. Keith Minns
Assistant Vice-President
Term, Retirement Savings and Fund Services

J. Steven Mould
Assistant Vice-President
New Product Development Systems

John M. Clarke
Vice-President, Mortgages

C. Frank Feere
Assistant Vice-President
Retail Credit

Frank McNeill
Assistant Vice-President
Mortgages ICI

Regional Operations

Pacific

Joseph M. Morabito
Vice-President
Vancouver, B.C.

Western

Robert S. Robson
Vice-President
Calgary, Alta.

A. Keith Forsyth
Assistant Vice-President
and Branch Manager
Winnipeg, Man.

Ontario—West

Larry J. Dunsdon
Vice-President
Hamilton, Ont.

Ontario—Central

Douglas E. Scott
Vice-President
Toronto, Ont.

Ontario—North and East

Carol V. Cotton
Assistant Vice-President
Ottawa, Ont.

Quebec

Steven P. McDonald
Assistant Vice-President
Montreal, Que.

Atlantic

John E. Brodie
Assistant Vice-President
Halifax, N.S.

TRUST SERVICES

Norman G. Wright
Senior Vice-President

Personal Trust
G. Burton Clapperton
Vice-President
Personal Trust Services

Gordon E. Galbraith
Assistant Vice-President

Christopher J. Stringer
Assistant Vice-President
Personal Trust Services
Yonge-Eglinton Branch, Toronto

Carson J. Taylor
Assistant Vice-President
Personal Trust Services
Ontario North and Eastern
Region, Ottawa

Pension Trust
Walter E. Montgomery
Vice-President
Pension Trust Services

Raymond W. La Force
Assistant Vice-President
Corporate Custodial Services

Alan C. Leach
Assistant Vice-President
Pension Investments

Corporate Trust
James P. McClocklin
Vice-President
Corporate Trust Services

Regional Operations Western Canada
Sydney Mentiply
Vice-President
Vancouver, B.C.

Lionel Tokrud
Assistant Vice-President
Personal Trust & Manager
Vancouver Branch

J. Emmett Duff
Assistant Vice-President
Corporate Services
Vancouver

Noel A. Edwards
Assistant Vice-President
Trust Services Alberta
Edmonton, Alta.

Hamish A. Manson
Assistant Vice-President
Trust Services & Manager
Victoria Branch

Atlantic
Albert W. Nicolle
Vice-President
Halifax, N.S.

James B. Ells
Assistant Vice-President
Trust Services
Halifax

REAL ESTATE BROKERAGE SERVICES

John Erickson
Vice-President

Michael McMurray
General Manager

Jamie Johnston
Marketing Manager

Regional Operations Western Canada
John F. Poole
Regional Manager
Vancouver, B.C.

Maritimes
Arthur G. Wesley
Regional Manager
Lower Sackville, N.S.

Ontario
Mary Wolf
Regional Manager
Toronto, Ont.

Paul Legault
General Manager Quebec
Montreal, Que.

Stephen Knight
National Manager
I.C.I.

George Demeter
General Manager
Corporate Relocation

Kevin Bigelow
National Manager
Administration Services

COMMERCIAL REAL ESTATE DEVELOPMENT

Sutter Hill Developments Limited
Toronto, Ont.

Ronald M. Kirshner
President

Paul S. Chehab
Vice-President & Comptroller

David W. Court
Vice-President
Development

E. Claude Molleur
Vice-President and Secretary

A. P. Vaughan Bennett
General Manager Construction

Regional Operations Eastern
Nizar E. Kanji
Vice-President

Alberta
Joseph L. Szucs
Vice-President

British Columbia
Ronald D. Mendel
Vice-President

U.S. MORTGAGE SERVICING

Genstar Mortgage Corporation
Glendale, Cal.

Erich H. Plaga
President

James K. Casper
Executive Vice-President

Catherine C. Derieg
Senior Vice-President

Arthur F. Collins
Senior Vice-President

Maurice E. McGrath
Senior Vice-President

BOARD OF DIRECTORS

Robert D. Armstrong, F.C.A.,
Toronto
Chairman, Canron Inc.

Roger L. Beaulieu, Q.C.,
Montreal
Partner, Martineau Walker

Eric J. Brown, Q.C.,
Toronto

A. Lorne Campbell, Q.C., LL.D.,
Winnipeg
Partner, Aikins, MacAulay & Thorvaldson

John H. C. Clarry, Q.C.,
Toronto
Partner, McCarthy & McCarthy

Edward F. Crease
Halifax
Chairman, Alfred J. Bell & Grant Limited

Robert C. Dowsett
Toronto
Director, Wm. M. Mercer Ltd.

John A. C. Hilliker
Toronto
Chairman, President & Chief Executive Officer, The Permanent

The Hon. P. Derek Lewis, Q.C.,
St. John's
Member of The Senate of Canada

Angus A. MacNaughton, C.A.,
San Francisco
Chairman & Chief Executive Officer, Genstar Corporation

John F. Perrett, Q.C.,
Toronto
Partner, Robertson, Perrett

William P. Pigott,
Hamilton
Chairman, Pigott Construction Limited

Robert Stollery
Edmonton
Chairman & President, PCL Construction Ltd.

Ross J. Turner
San Francisco
President & Chief Executive Officer, Genstar Corporation

Roger D. Wilson, Q.C.,
Toronto
Partner, Fasken & Calvin

Executive Committee

John A. C. Hilliker*
Robert D. Armstrong
Roger L. Beaulieu
Eric J. Brown
John H. C. Clarry
Angus A. MacNaughton
Ross J. Turner
Roger D. Wilson

The Executive Committee may exercise all or any of the powers, authorities, and discretions vested in or exercisable by the directors, except those required by law to be exercised by the Board of Directors.

Audit Committee

John F. Perrett*
A. Lorne Campbell
Edward F. Crease
Robert C. Dowsett
P. Derek Lewis

The Audit Committee examines and considers all matters relating to the accounts of the company and the internal and external audit of such accounts. The Committee may further review any of the company's business affairs with the view to ensuring that they are in compliance with applicable legislation and are in the best interests of the company, its depositors, and the beneficial owners of funds entrusted to the company's care and administration.

Compensation and Benefits Committee

Robert D. Armstrong*
Angus A. MacNaughton
William P. Pigott
Robert Stollery
Ross J. Turner

The Compensation and Benefits Committee makes recommendations to the Board of Directors regarding employee remuneration, including pension matters and benefit programs.

*Chairman

FINANCIAL INTERMEDIARY AND TRUST SERVICES BRANCHES

Total Branches: 101   Trust Service Branches: 18

ATLANTIC REGION (10)

Newfoundland
- St. John's
  - 240 Water Street†*

Nova Scotia
- Dartmouth
  - 63 Tacoma Drive
- Halifax
  - 1646 Barrington Street†*
- Lunenburg
  - 36 King Street†
- New Glasgow
  - 141 Provost Street
- Sydney
  - 199 Charlotte Street†

Prince Edward Island
- Charlottetown
  - 129 Kent Street

New Brunswick
- Fredericton
  - 426 Queen Street†
- Moncton
  - 814 Main Street
- Saint John
  - 53 King Street†*

QUEBEC REGION (5)

Montreal
- 600 Dorchester Blvd. West*
- 5222 Queen Mary Road

Pointe Claire
- 183 Hymus Blvd. East

St. Laurent
- Place Vertu Shopping Centre

Westmount
- 1326 Greene Avenue

ONTARIO–WEST REGION (22)

Brantford
- Brantford Mall
- 70 Market Street†*

Burlington
- 500 Guelph Line†
- 2201 Brant Street

Cambridge
- 27 Water Street North†

Guelph
- 9 Wyndham Street North

Hamilton
- 39 James Street South†*
- 1053 King Street West†
- Mountain Plaza
- 308 Ottawa Street North
- Westcliffe Mall

Kitchener
- 692 Belmont Avenue
- 67 King Street East†*

London
- Byronwood Centre
- 361 Richmond Street†*

Sarnia
- 195 Christina Street North

St. Catharines
- 63 Church Street

Stoney Creek
- Fiesta Mall
- Queenston Mall

Tillsonburg
- Tillsonburg City Centre

Windsor
- 545 Ouellette Avenue†

Woodstock
- 539 Dundas Street†*

ONTARIO–CENTRAL REGION (30)

Toronto
- Agincourt Mall
- 3114 Bathurst St.
- 320 Bay Street†
- 50 Bloor St. W.
- 2972 Bloor St. W.†
- Burnhamthorpe Mall
- Cedar Heights Plaza
- 2901 Danforth
- 1881 Steeles Avenue West
- 20 Eglinton Avenue W.*
- Eglinton Square Shopping Centre
- 123 Eglinton Avenue E.
- Finch West Mall
- Iona Square
- Markham Place
- Parkway Plaza
- Sheppard Centre
- 10 St. Clair Ave. W.
- Tomken Centre, 925 Rathburn Rd. E.
- 1943 Weston Rd.
- Woodside Square Mall
- 1901 Yonge St.
- 3335 Yonge St.
- Yorkdale Shopping Centre
- York Mills Plaza

Newmarket
- 104 Davis Drive

Oakville
- 260 Lakeshore Road East

Oshawa
- 22 King Street West†

Peterborough
- 138 Simcoe Street

Port Hope
- 113 Walton Street†

ONTARIO–NORTH AND EAST REGION (6)

Ottawa
- 30 Metcalfe Street†*
- Merivale Mall

Brockville
- 20 King Street West

Sault Ste. Marie
- 629 Queen Street East

Sudbury
- 120 Durham Street South†

Thunder Bay
- 215 River Road

WESTERN REGION (14)

Manitoba
- Winnipeg
  - 433 Portage Avenue†*
  - St. Vital Shopping Centre

Saskatchewan
- Regina
  - 1778 Scarth Street†*
- Saskatoon
  - Place Riel Campus Centre
  - 170 Second Avenue South†*

Alberta
- Calgary
  - 311–6th Avenue S.W.*
  - Beddington Heights Mall
  - Brentwood Village Mall
  - Marlborough Mall
  - Sunridge Mall
  - Willow Park Village Mall
- Edmonton
  - Heritage Mall
  - 10038 Jasper Avenue†*
  - Meadowlark Park Shopping Centre

PACIFIC REGION (14)

British Columbia
- Chilliwack
  - 1 Wellington Avenue
- Kamloops
  - 191 Victoria Street
- Kelowna
  - 1475 Ellis Street
- Penticton
  - 262 Main Street
- Prince George
  - 299 Victoria Street
- Vancouver
  - 2699 Granville Street
  - Lansdowne Park Mall (Richmond)
  - 1604 Lonsdale Avenue (North Vancouver)
  - Pacific Centre*
  - Park Royal Shopping Centre (West Vancouver)
  - Scott "72" Shopping Centre (Delta)
  - 2154 West 41st Avenue
- Victoria
  - Cedar Hill Mall
  - 1125 Douglas Street†*

( ) Number of branches per region
† Premises owned by The Permanent
* Branches offering Trust Services

REAL ESTATE BROKERAGE OFFICES

Residential Offices: 94 I.C.I.: 4

NOVA SCOTIA (3)

Dartmouth
21 Micmac Blvd.

Halifax
7001 Mumford Rd.

Sackville
800 Sackville Drive

NEW BRUNSWICK (2)

Moncton
987 Main Street

Saint John
551 Westmorland Place

QUEBEC (33)
South District

Boucherville
1001 boul. Montraville

Beloeil
524 boul. Sir Wilfred Laurier

Brossard Taschereau
7350 boul. Taschereau

Brossard Lapiniere
3200 boul. Lapiniere

Chateauguay
115 boul. d'Anjou

Longueuil
1999 Roland Therrien

St. Hubert
5950 boul. Cousineau

St. Jean
423 rue St. Jacques

St. Bruno
1317 rue Roberval

North District

Chomedey
1600 boul. Le Corbusier

Duvernay
3100 boul. de la Concorde

Repentigny
100 boul. Brien

St. Jerome
#9, 400 boul. des Laurentides

St. Leonard
7373 boul. Langelier

Ste. Therese
300 boul. Sicard

Terrebonne
561 Des Seigneurs

Montreal West and Lakeshore

Dollard des Ormeaux
4230 boul. St. Jean

LaSalle
8182 boul. Champlain

Montreal
4964 rue Queen Mary

Pointe Claire
183-E boul. Hymus

St. Laurent
1740 Cote Vertu

Dorion
140 boul. Harwood
Hudson*
Valleyfield*

Beaconsfield
40 C boul. St. Charles

Central and Eastern Quebec

Charlesbourg
805, 47e rue Est

Quebec City
5500 boul. des Gradins

Ste. Foy
2925 Chemin Ste. Foy

Rimouski
143 West St. Germain
Sept-Isles*
Shawinigan*

Sherbrooke
2273 King Ouest

Trois Rivieres
1100 Des Recollets

ONTARIO (31)
Metro Toronto

2968 Bloor Street W.
899 Eglinton Avenue W.
1901 Yonge Street
Towne & Countrye Square
3107 Sheppard Avenue E.
1560 Bayview Avenue
109 Ravel Road, Willowdale
255 Morningside Avenue
1940 Eglinton Avenue E.

Thornhill
8055 Yonge Street

Richmond Hill
10165-B Yonge Street

Mississauga
90 Dundas Street West
925 Rathburn Road E.

Bramalea
44 Peel Centre Drive, Brampton

Oakville
351 Church Street

Oshawa
500 Rossland Road W.

Peterborough
727 Lansdowne Street W.

Southwestern Ontario

Brantford
484 West Street

Burlington
3235 Fairview Street

Hamilton
1012 Upper James Street
1309 Main Street W.

London
1775 Ernest Avenue
585 Richmond Street

Sarnia
270 Christina Street North

St. Catharines
318 Ontario Street

Windsor
4505 Tecumseh Road E.
Woodstock*
Kitchener*

Ottawa District

Ottawa
2315 Riverside Drive
2339 Ogilvie Road
2685 Iris Street

MANITOBA (4)

Winnipeg
3900 Grant Avenue
1910 Pembina Highway
2305 McPhillips Street
1360-360 Main Street

SASKATCHEWAN (2)

Regina
2727 Parliament

Saskatoon
1209-22nd Street W.

ALBERTA (8)

Calgary
2, 3802 Morley Trail N.W.
180-94th Avenue S.E.
3109 Palliser Drive S.W.
999-8th Street S.W.**
11-6624 Centre Street S.

Edmonton
39 Centennial Shopping Centre
318, 8925-51 Avenue
2012 Tudor Glen Shopping Centre

BRITISH COLUMBIA (11)

Burnaby
150-5665 Kingsway

Chilliwack
46294 Yale Road E.

Langley
20269 Fraser Highway

Richmond
6740 No. 3 Road

Surrey
10558 King George Highway

Vancouver
2629 Kingsway
1991 Lonsdale Avenue, N. Van.
5455 West Boulevard
107 Park Royal South, W. Van.

Saanich/Victoria
270-1555 McKenzie Avenue
Victoria*

I.C.I. OFFICES (4)

Montreal Commercial**
110 boul. Cremazie Ouest

Toronto Commercial**
145 Front Street E.

Edmonton Commercial
10020-101A Avenue

Vancouver Commercial**
701 West Georgia Street

*Sub-offices
**Corporate Relocation Services

SERVICES

CHEQUING SERVICES
Daily Interest Chequing Account (Permanent Plus)
Statement Chequing Account
Passbook Chequing Account

SAVINGS SERVICES
Daily Interest Savings Account
Monthly Interest Savings Account

CONVENIENCE SERVICES
Safe Deposit Boxes
Permateller Automated Teller Units
Direct Deposit Service
Money Orders
Travellers' Cheques
Utility Bill Payments
60 and Over Services
Permaservice

INVESTMENT SERVICES
Guaranteed Investment Certificates
Debentures
Short-term Deposit Receipts
Canada Permanent Investment Fund

REGISTERED FUNDS SERVICES
Retirement Savings Plans
- Retirement Term Deposits
- Retirement Savings Deposits
- Fixed Income Section
- Equities Section
- Personally Managed RSP

Home Ownership Savings Plan
Retirement Income Fund

MORTGAGES
Fixed Rate Conventional First Mortgage
Variable Rate First Mortgage
6 Month First Mortgage
Fixed Rate Second Mortgage
Variable Rate Second Mortgage

LOANS
Demand Loan
Fixed Rate Personal Loan
Variable Rate Personal Loan
Commercial Loans through The Permanent's ICI Division

PERSONAL TRUST SERVICES
Investment Services
Estate and Will Planning
Estate and Trust Administration
Tax Services

CORPORATE TRUST SERVICES
Stock Transfer
Bond Trustee
Payment of Dividends and Interest
Administration of Dividend Reinvestment
Infovest Corporate Custodial Services
Pension Investment Management
Employee Benefits Plans
Securities Processing and Control Services

REAL ESTATE BROKERAGE SERVICES
Residential Real Estate Services
Industrial, Commercial and Investment Real Estate Services
Corporate Relocation Services
Franchise Services

CAPITAL EQUIPMENT LEASING
Leasing
Lease Financing
Lease Discounting
Sale and Leaseback Financing

COMMERCIAL REAL ESTATE DEVELOPMENT

U.S. MORTGAGE SERVICING

SUBSIDIARIES

Canada Permanent Trust Company (UK) Limited
Terrence G. Squires,
Managing Director
1-2 Finsbury Square
London, England

Business: Commercial mortgages, loans, and leases
Year End Assets: $39 million
Employees: 14

Sutter Hill Developments Limited
Ronald M. Kirshner,
President
790 Bay Street
Toronto, Ontario

Business: Real estate development and investment
Year End Assets: $154 million
Employees: 34

Genstar Mortgage Corporation
Erich H. Plaga,
President
700 North Central Avenue
Glendale, California

Business: Mortgage banking
Year End Assets: $210 million
Servicing Assets: $2,731 million
Employees: 233

Printed in Canada