1981 Annual Report 1981 Annual Report 1981

National Trust

SINCE 1898

Highlights of the Year

Operating Results	1981	1980	Increase or (Decrease) $	%
Gross Income	$ 332,446,000	$ 269,117,000	63,329,000	23
Expenses	329,766,000	258,857,000	70,909,000	27
Net Operating Income	4,373,000	7,403,000	(3,030,000)	(41)
Position at Year End				
Securities	586,785,000	404,799,000	181,986,000	45
Mortgages and Other Loans	1,618,640,000	1,538,814,000	79,826,000	5
Total Company Assets	2,576,233,000	2,201,224,000	375,009,000	17
Estates, Trusts and Agencies Assets	8,543,400,000	7,225,468,000	1,317,932,000	18
Guaranteed Account	2,466,261,000	2,094,158,000	372,103,000	18
Shareholders' Equity	85,304,000	81,963,000	3,341,000	4
Per Share				
Net Operating Income	$1.15	$ 1.95	(.80)	(41)
Gain (Loss) on Investments	.85	.37	.48	130
Net Income Transferred to Retained Earnings	2.00	2.32	(.32)	(14)
Dividends	1.15	1.15	—	—
Shareholders' Equity	22.47	21.62	.85	4

Sources and Allocations of 1981 Revenue

Revenue

47 % Fees and Commissions

53 % Net Investment Income

100 % Total $72,925,000

Expense and Profit

5 % Net Operating Income

(2) % Taxes

32 % Others

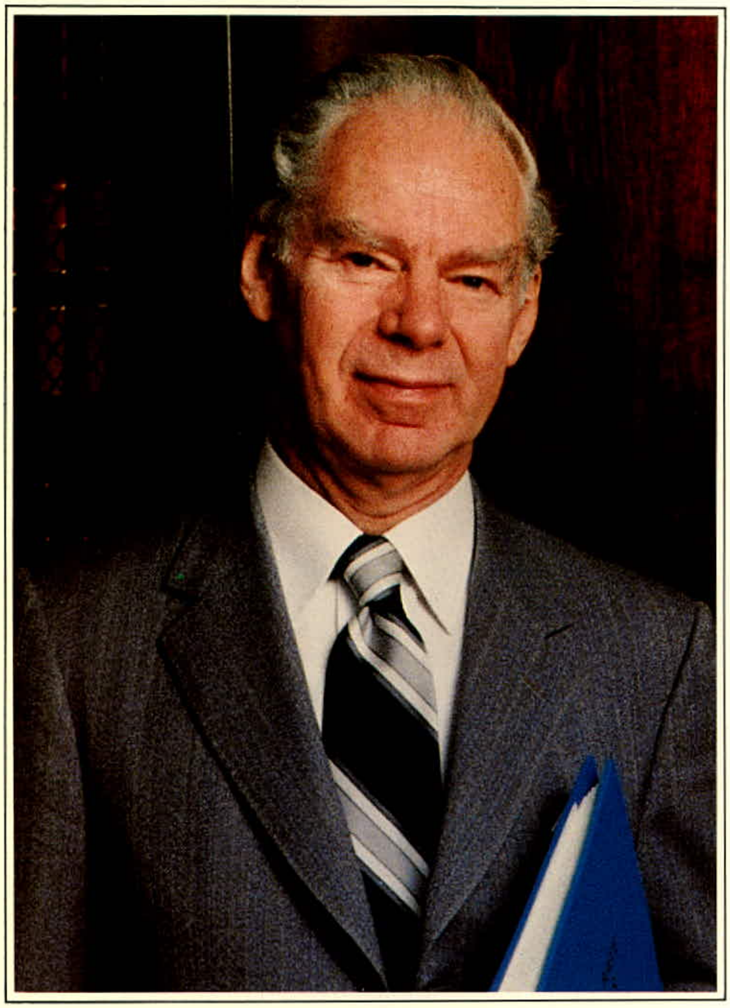
9 % Premises

56 % Salaries and Staff Benefits

100 % Total $72,925,000

Chairman's Report to Shareholders

December 16, 1981



J. L. A. COLHOUN
Chairman and Chief Executive Officer

In recent times there has not been a year when the staff and management of the Company faced so many difficult challenges as in fiscal 1981. The modest financial results being reported mask a great number of significant accomplishments achieved throughout the Company during the year.

Taking the year as a whole, our net operating income amounted to $1.15 per share compared with $1.95 for 1980, a decline of 41%. More significant perhaps is the fact that at the end of our first six months of 1981 net operating income of $1.10 per share was over 77% ahead of the same period in 1980. Rates on our interest-sensitive demand deposits had moved up during the first quarter from 10.50% as of November 1st to a steady 13.50% throughout our second quarter. Nonetheless, we were able to hold our net investment income during the first two quarters of 1981 in the same range as we had achieved with lower interest rates on demand deposits during the third and fourth quarters of 1980 – that is in the neighbourhood of $9.5 million to $10 million.

However, at the beginning of our third quarter, rates began escalating rapidly reaching 19% on September 1st compared with 9% exactly one year before. No financial intermediary whose assets are mainly in fixed term, fixed interest obligations, whether they be bonds, debentures, mortgages or consumer loans, can respond sufficiently quickly to such a drastic upward movement of rates. As a result, our net investment income declined in the third and fourth quarters to the $7 million to $7.5 million range.

Notwithstanding this squeeze on net investment income, the Company continued its investment in the future and charged out as expenses the total cost of major systems improvements amounting to 35¢ per share after tax compared with 22¢ last year. Net investment profits arising from security transactions and other disposals of assets added 85¢ per share to net income so that we ended our 1981 fiscal year with net income of $7,597,000 or $2.00 per share compared with $2.32 per share last year.

Shareholders' equity now stands at $85,304,000 or $22.47 per share compared with $21.62 last year.

In the circumstances, no change was made in dividend policy so that dividends paid during the calendar year 1981 were the same as those paid during the previous year – namely $1.15

per share. Further, on December 1st, the Directors declared the same dividend payable on January 4, 1982 as last year – that is 40¢ – being the regular quarterly dividend of 25¢ and an extra of 15¢.

Our major problem in 1981 was coping with the rapid change in interest rates to which I have referred. To have had substantially more floating rate assets would have been to our advantage. Until recently, when the marketplace became more amenable to floating rate residential mortgages and consumer loans, the main source of floating rate assets was in commercial lending. Yet, the trust industry has still to receive the power that it has been promised to engage in this type of lending.

I have spoken in the past about our expectations with respect to changes in our governing legislation that would give us substantially more flexibility in our asset mix. These changes, which are vitally important to the industry, were expected immediately following passage of the Bank Act in December 1980. We still await them. With leadership in this matter having been accorded the federal government and acknowledging its pre-occupation with questions of greater profile, I doubt that we shall see this long awaited federal legislation being granted first reading in Parliament before the spring of 1982 – possibly later. This is scarcely satisfactory to an industry facing such volatile rate changes as have been the feature of the last several years and which are expected to continue into the foreseeable future. The banks faced the same pressures as the trust companies during 1981 with respect to the squeeze on earnings from their mortgage and consumer loan portfolios but posted excellent profit increases largely because such a large proportion of their assets was in the form of commercial loans at floating rates.

In August and September, as we watched the seemingly inexorable rise in short term interest rates, we felt it would be prudent to take some profits from our equity portfolio and, to the extent that these profits were taxable, offset the taxes with losses on the realization of low interest-bearing bonds, so that the net proceeds of our equity and bond sales could be reinvested at substantially higher rates – in most cases at an improvement of 12% or more. We virtually broke even on the tax offset but, as a portion of the capital gains resulting from the sale of equities was not subject to tax, we show a profit of just over $3.3 million from this series of transactions. Note 3 to the Statements shows that the market value of our stocks at year end was about $3.5 million less than book value while last year we had a substantial surplus. Part of the difference arises because of the sales I have just mentioned. On the other hand, a closer examination will disclose the substantial addition of preferred stocks which are up from $52.4 million to $79.4 million. The dividends from these stocks, being non-taxable, generally provide a better return in taxable situations than interest on bonds. However, their market value responded to the sharp rise in interest rates in the middle of 1981 so that, at the end of our fiscal year on October 31st, their market value was over $4.4 million below their book value. Yet, they have been a good investment for us in the past and, having regard to our projections for next year, should continue to be so in the future.

Earlier in my remarks, I alluded to the costs we are incurring on major systems improvements. These costs are over and above the costs we incur in the maintenance and routine enhancements of our operating systems.

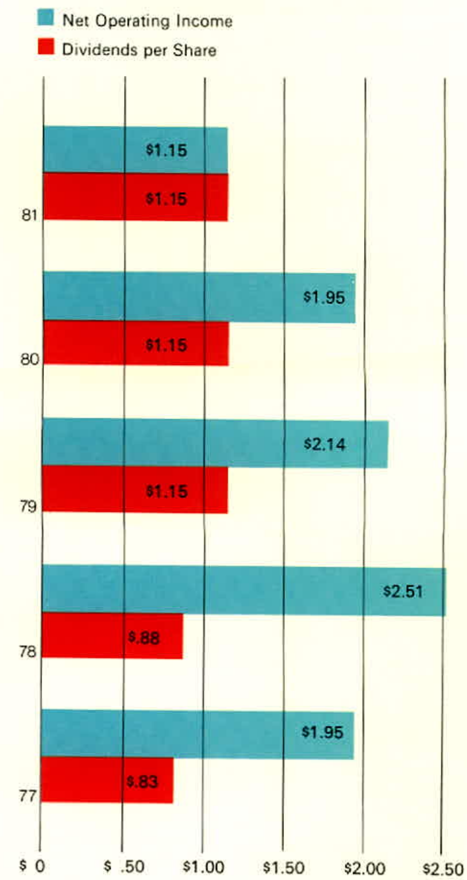
At the time we introduced data processing equipment to the Company, we were using it for record-keeping purposes. Nowadays, if we do not have the system, we probably cannot provide the service and that is why, despite the squeeze on interest margins, we must continue with our staged programme of major systems developments. It is our intention that the Company will always have the capability to undertake any business for which it wishes to compete.

As I have reported in the past, our major project is a new trust system, estimated to cost $6 million over 6 years. We started the project in September, 1979 and Phase I of its three phases has been virtually completed. It is within budget and only four months behind schedule which is not consequential since planning for Phase II is well under way and we expect to complete it on schedule in late 1982.

The substantial completion of Phase I has established an expanded data base. It also put the whole system on-line so that information is now available instantly to all our staff serving customers. This, in itself, is a major step forward in improving customer service. Phase II will provide improved reporting to our clients and give us better management information. Phase III is designed to automate those processes which in the past have defied automation such as fee calculations, tax reporting and security movement and control. When the project is complete, we shall have the finest system in Canada for delivering trust services and by the time it is fully operational we expect to have recovered through improved productivity most of the costs expended on it. Indeed, we are already beginning to reap benefits from the staged introduction of the various parts of Phase I and further benefits will accrue during 1982 as each part of Phase II is implemented.

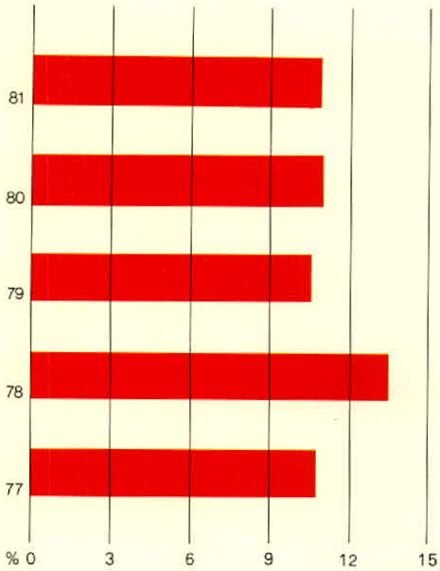
Also planned for completion in 1982 are

Net Operating Income and Dividends per Share



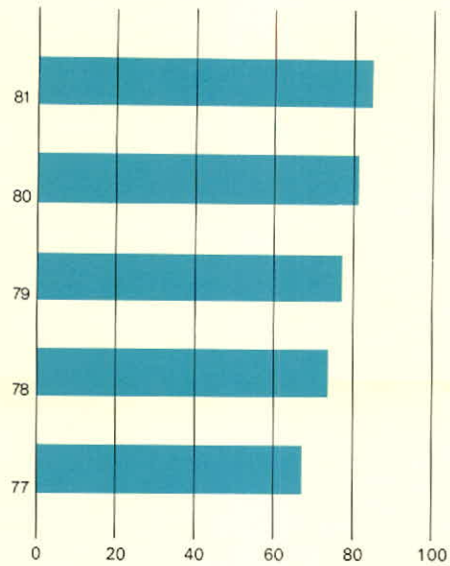
Return on Shareholders' Equity

(Net Income)



Shareholders' Equity

(Millions of Dollars)



improvements to the systems used by our Stock Transfer Department, and the bringing in-house, from IBM's service bureau, of our on-line system relating to our Savings Services which will make this system more responsive to our needs in the future.

Last year I mentioned the fact that we were conducting a review of our organizational structure with the assistance of outside consultants. We involved 40 of our most senior staff as well in the review and concluded that we could strengthen the operations of the Company and focus more clearly on our target markets if we were to divide our operations into our two principal lines of business. Accordingly, in May last, a Trust Division, headed by a Senior Vice-President, Mr. D. W. S. Dunlop, was established. He has been given bottom line responsibility for our Trust business throughout Canada and we have delegated to him the necessary responsibility and authority so that he is accountable for the performance of the Trust business within established corporate goals and objectives. Similarly, a Savings and Loan Division was established with identical bottom-line responsibility. Initially, this was placed under the direct supervision of the President, who will pass over control to a Senior Vice-President to be appointed in the New Year.

Mr. E. A. Walker, Senior Vice-President, Investments, will head our portfolio management operations so that we can continue to produce the outstanding investment performance for our clients which now distinguishes us from our competition.

Support for our business lines is provided by three staff departments located in head office – namely Administration under Mr. D. M. Vass, Senior Vice-President; Marketing under Mr. B. F. Patterson, Vice-President; and Personnel and Organizational Planning under Mr. J. A. Watson, Vice-President.

The changes we are making are designed to point the Company on a new and aggressive course. We intend to focus our attention on our strongest markets and, by delegating both authority and responsibility, to improve our competitive edge and responsiveness both in the trust and savings and loan business.

Following the re-organization, a great deal of time was spent on long-range strategic planning, using the facilities of the American Management Association at their Centre for Planning and Implementation. As a result, our somewhat informal approach to planning took on a more formal aspect and a three-year corporate plan was developed which will be updated annually using the same facilities.

As part of our planning, we restated the mission of the Company as follows:

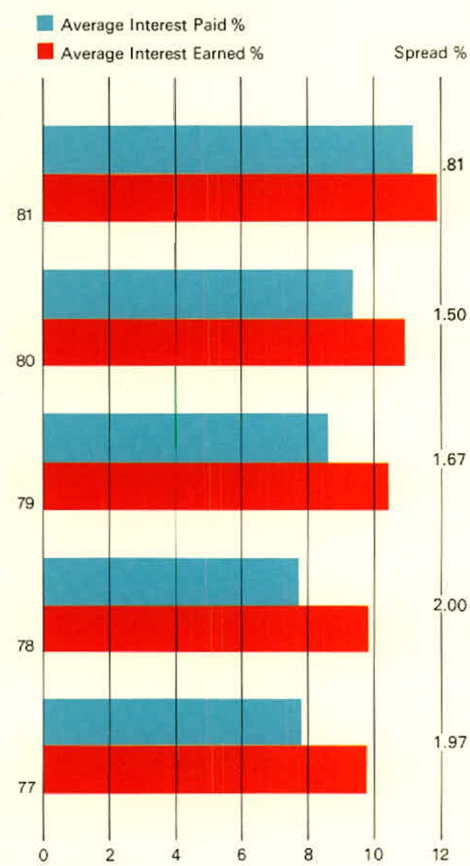
> "The mission of National Trust is to be *the* recognized leader in the provision of financial, fiduciary and related services of superior quality to individuals, corporations and institutions.
>
> Our purpose is to achieve an above-average return for our shareholders, and to provide a challenging environment with above-average rewards for our employees, while being good corporate citizens".

We are not intent on being the largest company in the industry but we do intend to enhance the reputation we have for providing services of superior quality – in short, to be the recognized leader in those services we offer.

The momentum gained from our efforts produced an excellent flow of new trust business last year and our growth on the savings and loan side was by far the largest in recent years. To provide the capital base needed to sustain

Interest Rate Spread on Guaranteed Funds

(Tax Equivalent Basis)



this momentum, it is probable that we shall have to do some financing within the next year. We do have the right under by-law No. 108 to issue subordinated debentures but not the power to issue preferred stock. To give us some flexibility in raising capital in the future, the directors have enacted a by-law – by-law No. 119 – creating a class of 4 million preferred shares with a par value of $25 each from which series, with attributes appropriate to market conditions at the time, can be issued. This by-law will be presented to the shareholders later in this meeting for confirmation.

In speaking to the staff following the announcement of our annual results, I urged them to reflect on many significant accomplishments achieved during the year in spite of the modest financial results reported. I would urge the shareholders to do likewise because a strong foundation has been put in place to support future growth and, with more rational money markets developing, we anticipate very much better financial results in the future.

The challenges of 1981 could not have been met successfully without the support given by the staff who are dedicated to the concept that the Company be the recognized leader in our industry. It is with great pleasure that I extend to them the thanks and appreciation of the directors and the shareholders. In doing so, I would like to note that the Trust Institute, which is the educational arm of the Trust Companies Association of Canada, graduated its first eleven students this year, of whom four were from the Company. As a former Chairman of the Institute and as the current President of the Association, this effort on the part of our staff pleases me very much indeed.

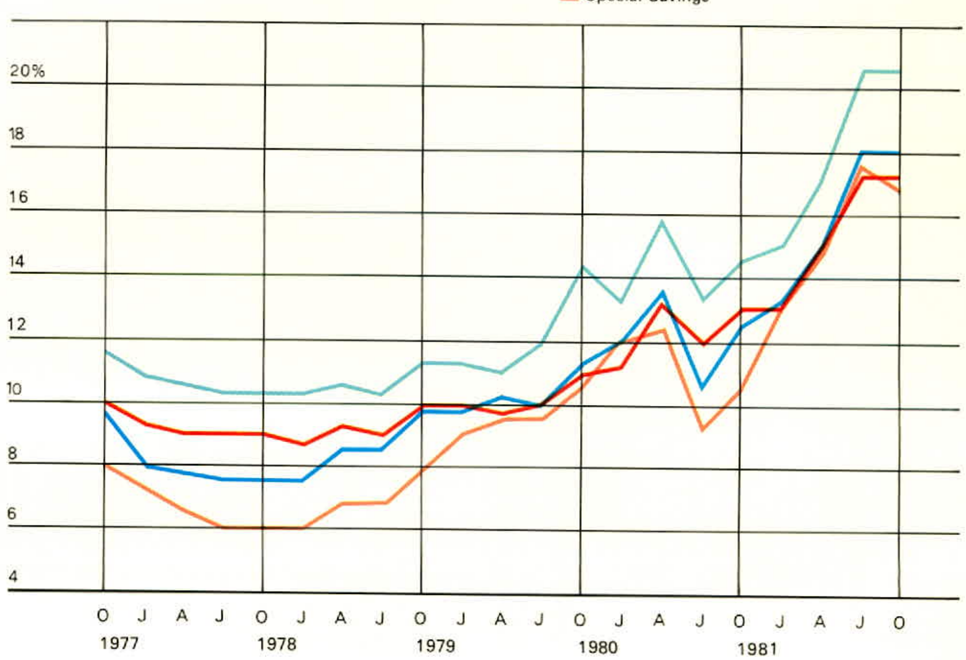
Last year I took this opportunity of saying a few words from my perspective as President of the Association and I would like to do so again. Our primary concern is the delay, to which I referred earlier, by the federal government in bringing in new trust company legislation to give the industry the expanded powers and flexibility it needs to respond to the challenges of the 1980's.

Of great concern to the industry has been the problems of homeowners facing mortgage renewals in the late summer and autumn of 1981 in the 22% range on mortgages that were granted in the 11¾% range 5 years ago. The Association became an important part of the Federal Task Force addressing these problems and many of the provisions of the November 12th budget relating to homeowner mortgages were the result of suggestions made by the Association whose members are committed to

Personalized, efficient service is the trademark of National Trust's Personal Trust Department. Behind the scenes, trust officers enter new information about client accounts immediately to ensure that accurate up-to-date information is always available.

Selected Interest Rate Chart

(Beginning of the quarter)



Pension fund administration and investment management are two important services we provide to corporate clients. Comprehensive portfolio reviews, outlining the performance of the funds we manage on their behalf, are conducted regularly as part of a continuing program of client communication.

helping mortgagors with any problems they may have.

We deplore, however, the action of the Saskatchewan government taken last week in enacting Bill 27 entitled, "The Home Owners' Protection Act". It was given first reading on Monday and Royal Assent on Thursday without any opportunity being given for discussion. This Act provides for a moratorium on all residential mortgages on principal residences until January 1, 1983. During that time, no action can be taken with respect to such mortgages except after specific authorization by the Court.

Unless proceedings are taken and the Court directs otherwise, the mortgagor is at liberty to suspend all payments, whether for interest or principal, under the mortgage and thus cut off all cash flow to the lender until 1983. In many cases, mortgages are important investments of estates and trusts, although registered in the name of a trust company, and the income is need to maintain families who themselves are suffering from the ravages of inflation. Where the mortgage has been provided by the trust company from depositors' funds, the depositors are demanding the higher rates on their deposits so that the Company is faced with the problem of renewing these deposits at current rates and accepting a negative spread because it simply cannot allow itself to lose deposits which are locked into non-liquid assets. This is a complete aberration of the marketplace. Any short-term benefits perceived by the Saskatchewan government in enacting this legislation are more than likely going to be outweighed by the substantial disadvantages that will follow as mortgage lenders withdraw from the Province.

By-law No. 118 decreasing the number of directors from 32 to 29 will also be presented to the shareholders at this meeting for their approval.

The death occurred during the year of Mr. A. Hazlett Lemmon, a director of the Company for over 17 years and a Vice-President of the Board for more than 13 years. He will be greatly missed by his fellow directors and the Company is deeply indebted to him for his outstanding contribution to its growth and success.

Three of our directors, Mr. Bryan Ellis of Vancouver, Mr. W. B. Harris of Toronto, and Mr. Ian McDougall, accepted appointments to bank boards and, accordingly, were obliged by law to relinquish their directorships with the Company, although Mr. Ellis will continue as a member of our Vancouver Advisory Board. We are sorry to lose them and wish to express to each of them our appreciation for their support over the years.

Early in 1981 we were pleased to welcome to the Board Mrs. Nancy G. Thomson, who is President of Nancy Thomson, Investing for Women, a company involved in the education of women with respect to investment matters.

Leaving our Advisory Boards because of age limitations are Mr. W. Allan Pendray of Victoria and Mr. Earl R. Davey and Mr. H. E. Harris, both of St. Catharines. Because it is appropriate at this time not to re-constitute the St. Catharines Advisory Board, Mr. Gordon Godwin will also retire. Our Advisory Boards are important to the Company and it gives me great pleasure to thank each of these gentlemen for their interest in the affairs of the Company and their individual help so freely given to us.

The death also occurred during the year of Mr. C. F. Carsley, M.B.E., whose association with the Company spanned 19 years as a member of the Board of Directors from 1962 to 1966 and as a member of our Montreal Advisory Board from 1967 to the time of his death. His substantial contribution to the Company will be missed.

The members of our Board and Advisory Boards provide valuable counsel and guidance to management and their efforts on behalf of the Company are deeply appreciated.

To create a closer link with management, I proposed that a Planning and Review Committee of the Board be established to work with management on its planning and also to act as the Board's personnel planning and compensation committee. My recommendation was approved and a committee comprised of Messrs. Barford, Carlson, Duff, MacLean, Muncaster, Sheppard, Young and myself was appointed on November 4th. It is my belief that this Committee will be of inestimable help to management in these uncertain times.

OUTLOOK FOR THE FUTURE

In addressing the future, I would like to make one general comment. There must be a clearer definition of Canada's economic objectives. If we want growth, then there are some things which we should not be doing. For example, we should not be doing those things which stifle savings and investment and that is precisely what part of the federal budget of November 12th did. Many of the provisions of that budget may be justified individually but, when measured as to whether or not they will contribute to Canada's economic growth, they fail the test. The investment capital required for the opportunities that lie ahead of us will not be raised through taxes, but disincentives created by our tax structure will all too easily dissuade other sources from providing that capital.

On a particular point, we wish to protest the proposed changes in the tax treatment of staff mortgages granted on a transfer. Staff cannot be expected to incur penalties on accepting a transfer from one area to another and it is not possible to deal with this problem in salary ranges which are set in relation to the scope and responsibility of the job. It is our earnest hope that the federal government will appreciate the difficulty and amend its budget proposals accordingly.

The course of interest rates is of vital importance to the Company. Over the past year, we have made progress as will be seen from the Maturity Schedule that will appear as part of our published Annual Report, in improving the match between our assets and deposit liabilities.

Many forecasters are predicting slow economies in both Canada and the U.S. until at least the middle of 1982. In our view, this is a reasonable prediction and the recent downward trend in business activity and profitability reflects, in part, that many businesses have fallen upon hard times as a result of the punitive interest rates they have faced.

While the prime interest rate at banks and trust companies has fallen from a high of $22\frac{3}{4}$% to $17\frac{1}{4}$% currently, it is still too high to encourage business expansion. When this fact is coupled with the disincentives to entrepreneurship contained in the recent budget, it lends further weight to the view that economic activity will be slow in the months ahead.

If this turns out to be the case, interest rates should continue to decline. The drop will not be fast nor in all likelihood very far because falling demand for our exports continues to place downward pressure on the value of the Canadian dollar and some further support from short term interest rates will be needed to maintain its value.

Summing up, we can see very little in the economic picture which should cause a recurrence of the dramatic rise in interest rates that were such a feature of 1981. If the trend to lower interest rates continues, the outlook for the Company will be positive.

Further, we expect a large capital gain to accrue during the second quarter. By acquisitions made in 1971, 1979 and again in 1980, we completed the assembly of all the land lying on the south side of West Pender Street in Vancouver between Burrard and Hornby Streets, having acquired in 1947 the lots on which our Vancouver office is now located. We concluded during 1981 that it was not appropriate for the Company to re-develop this site because of the cost of doing so in relation to the size of the Company's capital account.

As a result, we offered the site for sale early in October, subject to conditions that would enable us to carry on our business during the development of the site; take space in the new development; have the new building named "The National Trust Building", and give us the right to acquire a substantial ownership interest in the development when it was essentially completed. As indicated in Note 11 to our statements, the site was sold for net cash proceeds of $20 million under these conditions, the closing to take place on March 1, 1982.

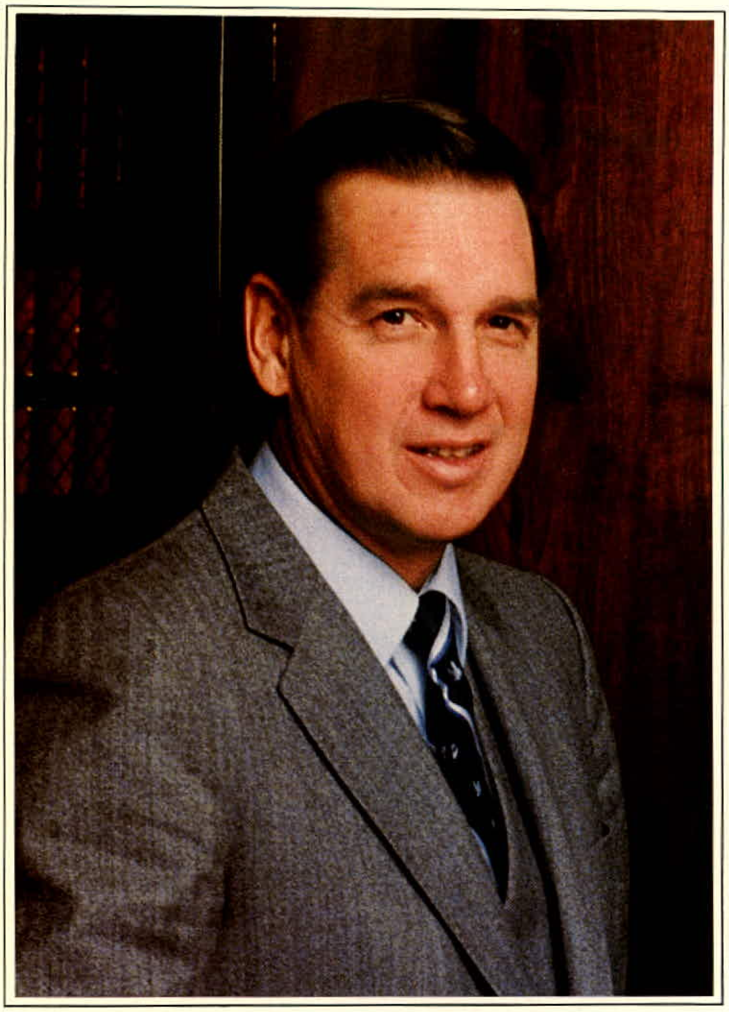
The gain on the disposal, after provision for capital gains tax will be in the neighbourhood of $12 million or about $3.16 per share. The investment of the net proceeds of sale will, of course, contribute to net investment income in 1982. If we decide to do some further restructuring of our bond portfolio, as part of our programme to improve our matching of assets with deposits, some part of the capital gains arising from this sale will be used to offset losses arising from bond sales.

On the subject of premises, we expect our new Edmonton main office, which is being constructed in conjunction with Scotia Place, to be ready for occupancy before summer.

In conclusion, much has been accomplished during 1981 to place us in a stronger position to meet successfully the challenges of 1982. Our action plans call for a substantial increase in business, for major improvements in productivity as we begin to take advantage of the substantial expenditure made in the past on major systems developments, and for continued emphasis on the matching process with respect to assets and liabilities. Given more stable money markets, we are looking forward to significantly better results in 1982.

President's Report to Shareholders

December 16, 1981



J. C. C. WANSBROUGH
President

My concluding remarks to shareholders last year noted that interest rates on non-chequing savings deposits had surpassed all previous levels. The rate which had surpassed all previous levels was 13% but by September 1st this year it had climbed to a high of 19%. While every effort is being made to reduce the impact of high interest rates on earnings by matching the term of our assets and liabilities, the rapidity and magnitude of the rise has had a severe effect this year.

This background is important in assessing the results of the year and accounts for a large part of the increase in total investment income. It also accounts for the even larger increase in interest expense which was the primary cause of the decline in earnings.

Total investment income rose by 33% to $293 million. Interest from mortgages increased by only 9% as mortgage holdings remained at virtually the same level throughout the year in line with our policy to reduce mortgage holdings as a percentage of total assets. Our emphasis was directed to building up short term and floating rate investments and the result was a 65% increase in income from loans and an 85% increase in income from securities.

Interest paid on deposits was 38% higher at $259 million, resulting in net investment income of $34.3 million, just 3% higher than a year earlier and well below the 17% increase in the level of deposits. Although earnings of the Company continue to be affected by changes in interest rates, progress is being made to lessen this dependence. One year ago liabilities due on demand or within one year exceeded investments of similar term by $474 million and this has been reduced to $253 million. The matching of fixed term assets and liabilities will eliminate the volatility of earnings from this portion of our business. However, interest rates paid on deposits and the yield on short term or floating rate securities do not move in unison and we will continue to experience volatility in earnings to some extent.

The widely fluctuating interest rates of the past few years have brought about a fundamental change in our savings and loan business. Depositors are choosing either demand accounts or short term maturities and, as a consequence, we have very limited funds to invest for a term longer than one year. We recently restricted new mortgage loans and renewals to a term of one year and are currently offering only floating rate personal loans.

Fees and commissions totalled $38.6 million which is a 12% increase if the commissions from real estate sales are excluded from the 1980 figures. The largest increase was 21% in fees received from pension trusts and retirement savings plans. Competition for business in the pension field is particularly acute but we are continuing to obtain a satisfactory level of new accounts. Our servicing capability is improving greatly as we make progress on the development of our new trust system. The RRSP business is also highly competitive and during the year we undertook a comprehensive study to determine the future direction National Trust should take. We expect to increase the number of investment options we offer to clients in 1982 so that our service will appeal to a wider section of the RRSP market. In terms of self-directed plans, we will continue to offer a competitive service because we believe that there are important advantages for clients using the full range of trust company facilities and we have recently realigned our fees to reflect this strategy.

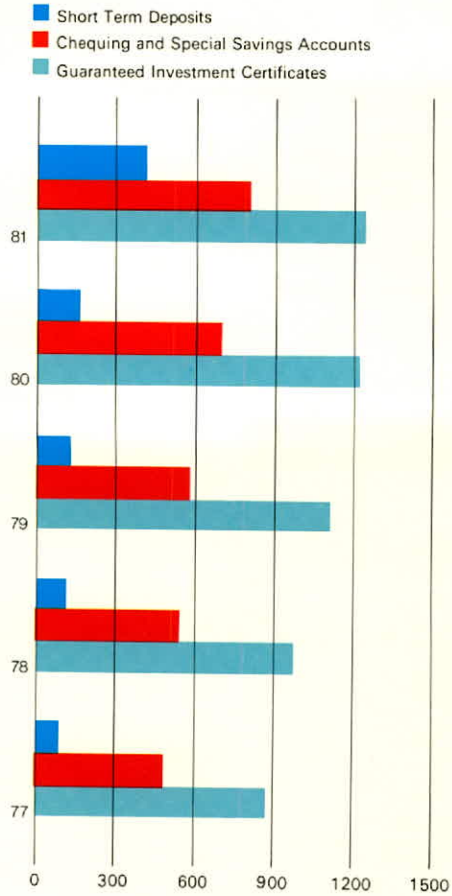
Bond trusteeship and stock transfer fees increased by 17% to $9.5 million. We were successful in acquiring many significant corporate appointments because of the excellent service offered by Mr. B. R. Matthews, Vice-President, Stock Transfer, and his team. While our stock transfer system is one of the best in the country, we will be spending about $800,000 to improve it in 1982 to ensure our continued superiority in this field. We have been strongly supportive of the Canadian Depository for Securities and are aware that, if it is successful, as we believe it will be, there will be a restructuring of this business in the future. However, there will still be a requirement for good transfer agents and we intend to be the leader.

Total expenses other than interest expense increased by 11.6% to $70.2 million. The increase was 22% if expenses relating to the real estate operation were omitted from the 1980 figures. The main reasons for the increase in salary expense were the heavy volume of work in the stock transfer departments across the country and the very substantial commitment made to the expansion and improvement of data processing. Very good progress is being made in the design and implementation of the new trust system and we will be handling all our savings transactions on our own computer by the middle of 1982. All of this development is expensive but we must have the highly skilled people necessary to carry out this work successfully.

While premises expenses declined marginally due to the sale of the Real Estate Division, expenses other than salaries and premises rose by 15% in the published figures and by 33.5% excluding real estate expenses last year. The 33.5% is an increase of $5.9 million. Almost half of the increase is directly related to the development of systems and upgrading of the data processing environment. This process is essential if we are to remain competitive in both the savings and loan and the trust business. The first of three phases of the new trust system is

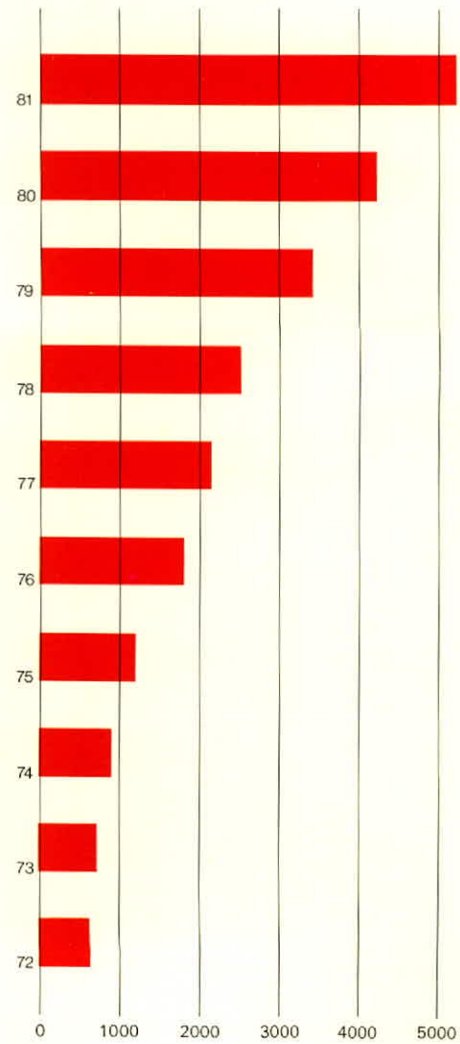
Growth in Deposits

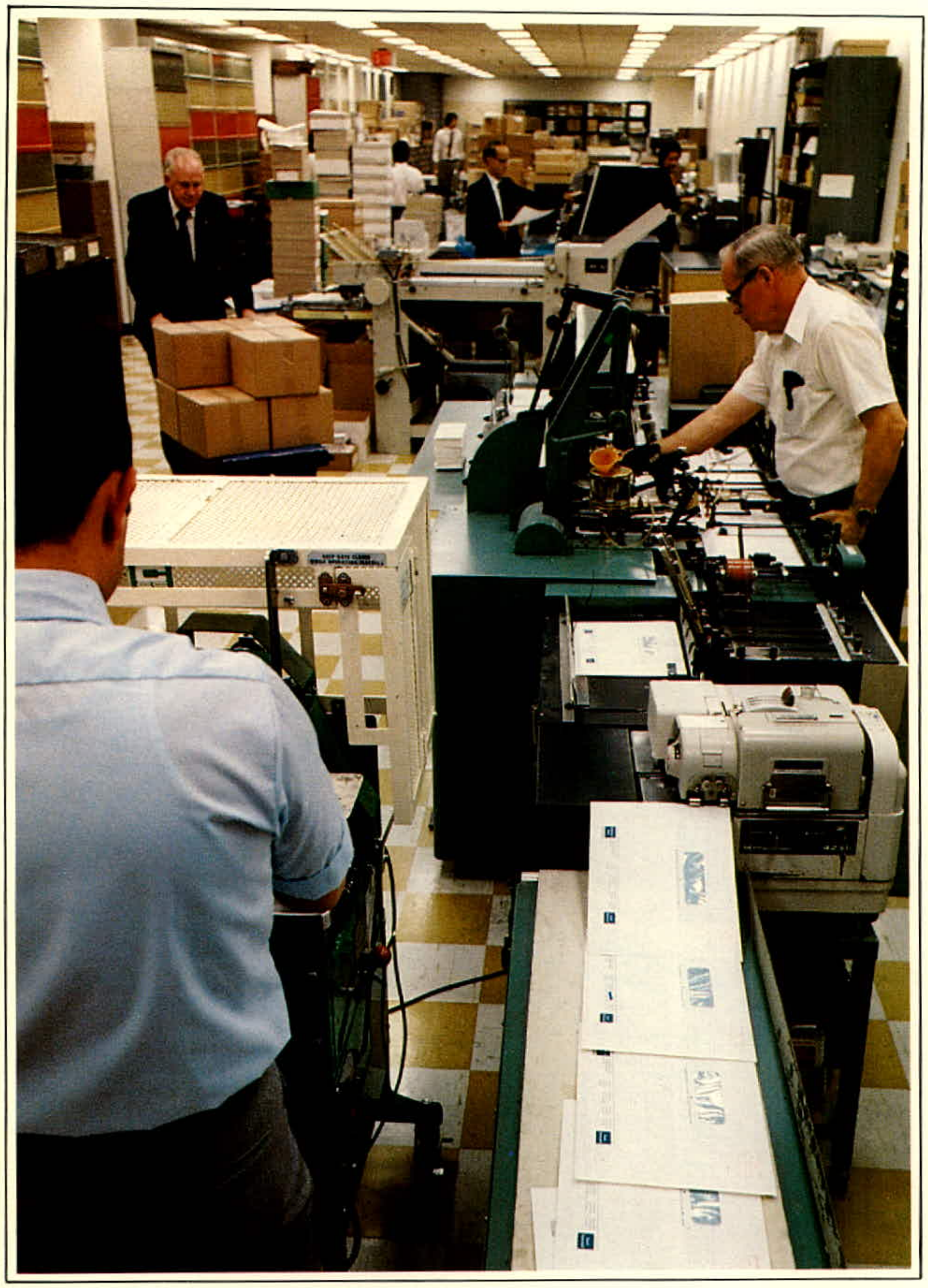
(Millions of Dollars)



Total Pension and Other Employee Benefit Assets Under Administration

(Millions of Dollars)





The Company's success in the Stock Transfer business is due to its ability to provide comprehensive, reliable and timely service for clients of varying sizes and needs. Mail room personnel, a vital link in the system, process hundreds of thousands of pieces of shareholder information each year on behalf of those clients.

not quite complete but it has already eliminated the need to hire an additional 75 people based on the productivity levels of two years ago. We estimate that the costs of handling our savings business will be about one half the present charge when the system is on our own computer.

Of equal importance in today's marketplace is an efficient and cost effective branch system. To that end we have established a number of guidelines and productivity goals with respect to existing and new branches. In keeping with this policy, our branches in Sudbury, London and Guelph, which were operating below acceptable levels, were closed earlier this year.

There are a few other expenses which deserve a comment. When Real Estate Division charges are omitted from the previous year, advertising costs increased by $550,000 from a relatively low level in 1980. While advertising cannot take all the credit, we had the largest increase in savings deposits in our history. The provision for loss on personal loans rose by $334,000 only because of our success in building up the loan portfolio. We believe that the provision of 1% of loans is overly conservative and, accordingly, it will be changed to one-half of 1% on future loans, which is the practice of many other financial institutions. Actual losses on personal loans were $285,000 or .15% of loans, the same percentage as a year ago. Additional expenses were also incurred in connection with the reorganization and planning to which Mr. Colhoun referred. We believe all of these expenses were essential to place the Company in a strongly competitive position within the industry. Systems development costs are charged to operations as they are incurred rather than capitalized and amortized over the life of the system.

Operating income of $2,680,000 was depressed in part by the reduction in net investment income in the third and fourth quarters and in part as a result of having $7 million in the form of tax exempt income. This income, however, allowed us to claim a refund of 1980 taxes which, after allowing for deferred income taxes, amounted to $1,692,000. As a result, net operating income after taxes was $4,373,000, compared to $7,403,000 last year.

Turning to the Balance Sheet, total assets of the Company increased by $375 million due to the record growth in savings deposits. Demand and short term deposits grew by 37% reflecting clients' preference for liquidity and higher rates. Guaranteed investment certificates grew by only 3.4% and virtually all the new sales and renewals were for a term of one year.

In response to the increasing demand for short term deposits, two new deposit accounts were introduced. The Everyday Interest Chequing Account, offered on September 1st, with extensive marketing support, features a fully competitive rate of interest calculated on the daily closing balance and credited monthly. There is no charge for chequing when a minimum balance is maintained throughout the month and personal withdrawals are free. By the end of October acceptance was well ahead of our objectives.

A Term Investment Account was introduced at the end of October. For our customers it is a more convenient alternative to 30-day term deposits. Deposits are automatically reinvested at month-end, eliminating the need on the part of the customer to monitor maturity dates of various deposits. A passbook is provided as a ready record of transactions and interest is calculated and credited monthly.

All of the funds received in short term deposits were invested in short term or floating rate assets. As a result, cash and bank deposit receipts, which earned a high rate of interest during the year, increased by $108 million. Other bonds maturing in less than one year nearly doubled to $325 million; floating rate bonds and preferred shares rose by $43 million; and demand personal loans were $68 million higher. This very substantial increase in liquidity will help to reduce the squeeze on earnings from rising interest rates.

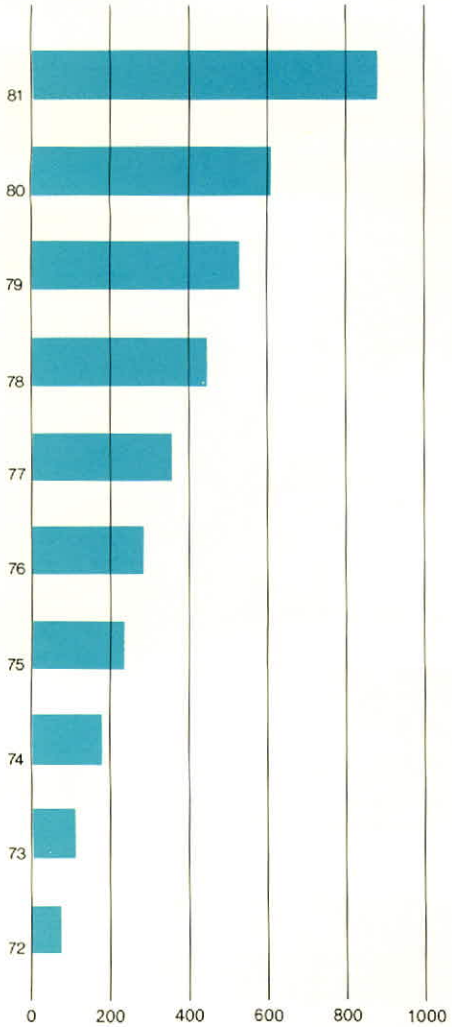
The growth in personal loans continued the trend of previous years and total loans outstanding at the year end were $195 million, a gain of 58%. Virtually all of the increase was in floating rate demand loans.

In line with the plan to reduce the reliance on mortgages as a primary investment, our mortgage holdings remained unchanged at just over $1.4 billion representing 57.7% of deposits, a substantial reduction from 67.5% in 1980. Commitments to make future mortgage loans totalled $17.4 million, down from $31.2 million. Losses and provision for losses on mortgages were $380,000 compared to $466,000 and these are now included in expenses rather than as a loss on the sale of investments. Both the number of accounts in arrears and the amount involved has decreased since 1980, reflecting the high quality of the portfolio.

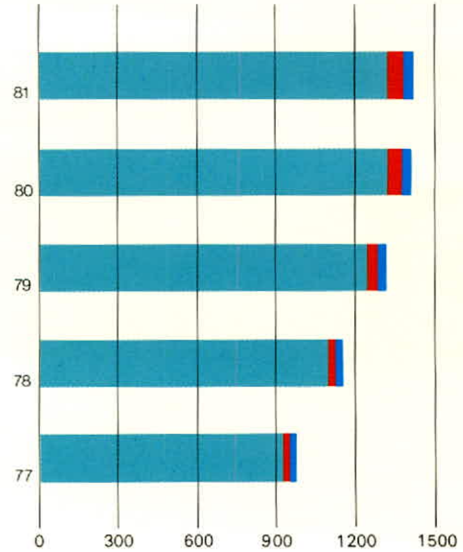
Despite the unparalleled level of mortgage rates in the latter part of the year, the Company has witnessed little evidence of reluctance on the part of our mortgagors to renew because of hardship. Nevertheless, if clients express a need, our mortgage personnel are fully prepared to discuss alternatives on an individual basis.

In an attempt to assist mortgagors and to aid the Company's objective to reduce low yielding assets, two prepayment offers were introduced. The first, during the summer months, waived

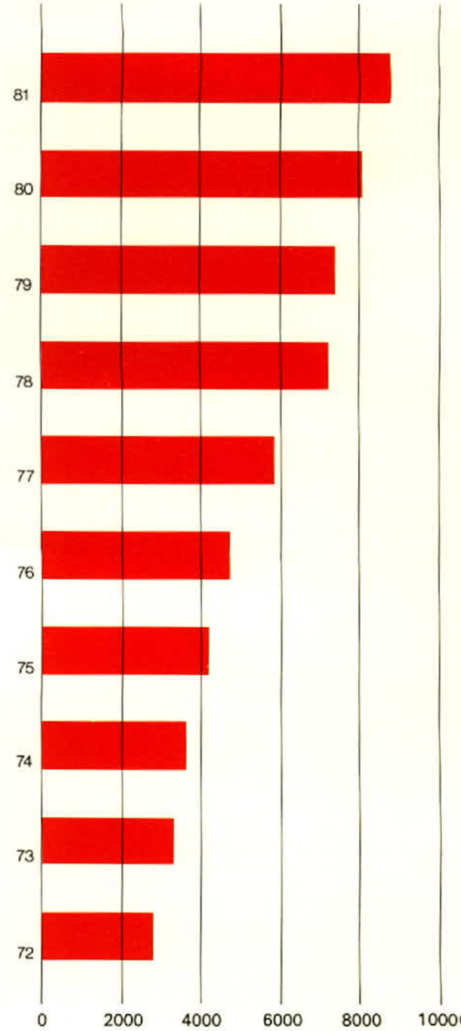
Registered Retirement Savings Plans
(Millions of Dollars)



Mortgage Loans
Residential
Commercial and Industrial
Other
(Millions of Dollars)

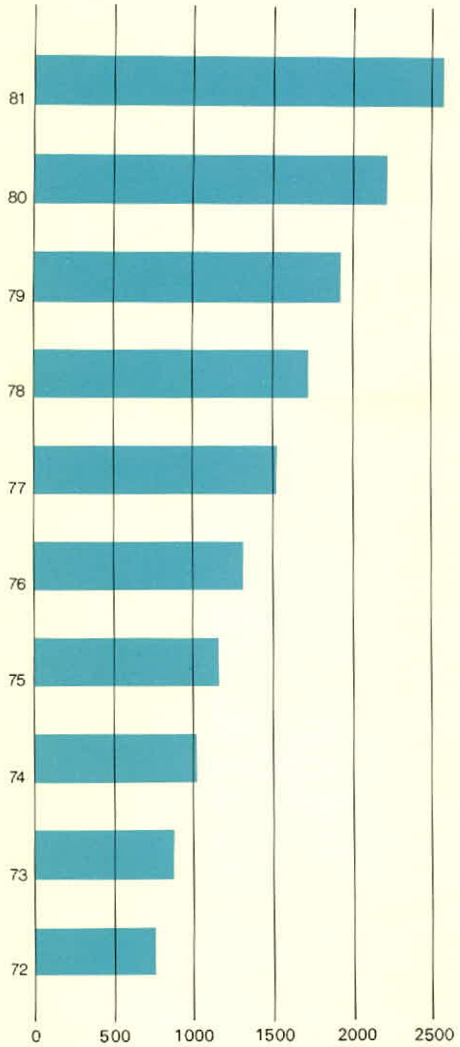


Corporate Bond and Debenture Issues Under Administration
(Millions of Dollars)



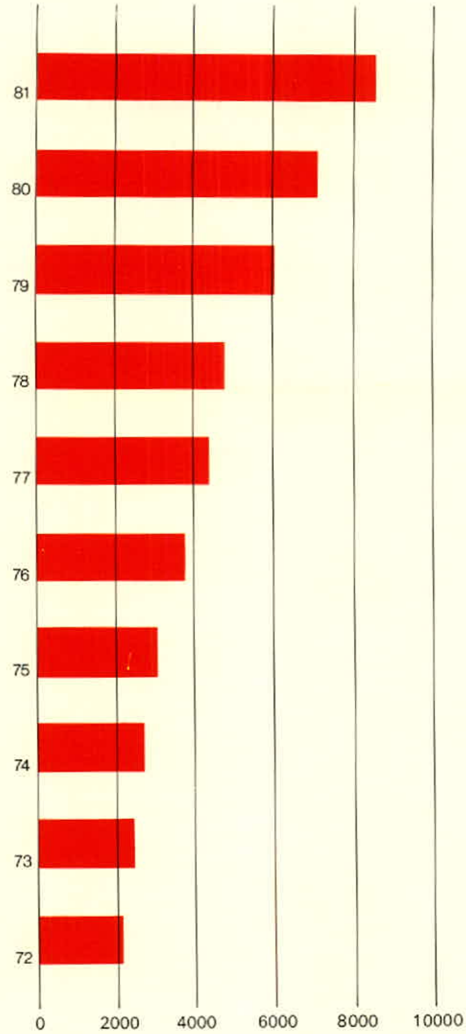
Total Company Assets

(Millions of Dollars)



Estates, Trusts and Agencies Assets Under Administration

(Millions of Dollars)



all charges for full or partial prepayment and encouraged increased monthly payments if it suited the borrower. On the basis of the response, the Company made a second offer in October, allowing a discount from the principal based upon the interest rate of the mortgage and its remaining term. This latter offer is open until December 31st, 1981.

Income taxes recoverable result partially from having paid tax installments on account of 1981 income when the final result was that we have none to pay. We are also able to reclaim taxes paid in 1980 as a result of having substantial tax-exempt income in the form of dividends in 1981.

Assets held for estates, trusts and agencies, which do not form part of the statements, increased by 18% to $8.5 billion. Total assets now administered by the Company are slightly in excess of $11 billion.

A number of executive appointments were made during the year. Mr. E. A. Walker and Mr. D. M. Vass were appointed Senior Vice-Presidents. Mr. B. R. Matthews was appointed Vice-President, Stock Transfer; Mr. T. G. McAlister, Vice-President, Mortgages; Mr. M. W. Petit, Vice-President, Trust, Quebec; Mr. W. J. Rhind, Vice-President, Trust, Prairie Region; and Mr. G. T. Wood, Vice-President, Information Services. Mr. A. C. C. Hedge and Mr. G. B. Empey left the Company and we acknowledge with thanks their contribution over the years.

We look to 1982 with confidence, knowing that we have an excellent staff and a sound financial condition which will enable us to meet the anticipated challenges. In concluding, I would like to add my personal thanks to the staff for their contribution to the Company throughout the year.

J. C. Ulansbrough

Our most important resource is our people. Tellers and administrative officers in the savings branches provide friendly, courteous service and information to thousands of our customers every business day.


Le saviez-vous
C'est mieux qu'un compte d'épargne.
C'est même mieux qu'un dépôt à terme.
C'est notre NOUVEAU
Compte de placement à terme!
National's NEW
Term Investment Account

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President, Valleydene Corporation Limited

J. R. Beattie
Economic and Financial Consultant

Agnes M. Benidickson

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André Charron, Q.C.
President, Lévesque, Beaubien Inc.

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Mining Engineer

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President, V. L. Horte Associates Limited

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Graham Morrow, O.B.E.

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President, Canadian Tire Corporation, Limited

Smiley Raborn, Jr.
Petroleum Consultant

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Nancy G. Thomson
President, Nancy Thomson, Investing for Women

J. C. C. Wansbrough
President

W. H. Young†
Vice-President of the Board,
President, The Hamilton Group Limited

**Members of the Audit Committee*
†Members of the Planning and Review Committee

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President, Lévesque, Beaubien Inc.

Ross T. Clarkson, Q.C.
Courtois, Clarkson, Parsons & Tétrault

Robert Desprès, O.C.
Chairman of the Board,
Atomic Energy of Canada Limited

C. A. Duff
Vice-President, Henry Birks & Sons Limited

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J. R. Beattie
Economic and Financial Consultant

Agnes M. Benidickson

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Secretary-Treasurer, Lander-Stark Oil Limited.

Douglas G. Langmaid, D.D.S.
Dentist

E. Richard S. McLaughlin

Edward G. Storie

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Senior Partner
The LM Architectural Group

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MacKimmie Matthews

Smiley Raborn, Jr.
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A. V. Carlson Construction Corp. Ltd.

Hugh McColl
President, Hugh McColl's
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A. Hoadley Mitchell
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Oil & Gas Consultants

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Chairman, Inland Natural Gas Co. Ltd.

Graham R. Dawson
President, Dawson Construction Limited

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Associated Engineering Services Ltd.

H. M. Gale

R. M. Hungerford
President, Flex-Lox Industries Ltd.

Victor F. MacLean
Business Consultant

Forrest Rogers

Peter Paul Saunders
Chairman and President, Versatile Corporation

F. Cameron Wilkinson
President, Wilkinson Company Limited

Victoria

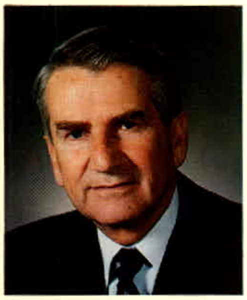
Thomas G. Denny

G. Fitzpatrick Dunn, F.C.A.

Logan Mayhew

Executive Officers

D. W. S. Dunlop
Senior Vice-President
Trust



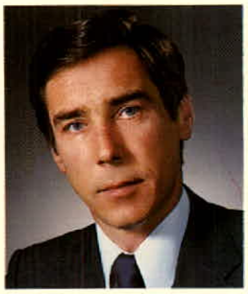
D. M. McClelland, C.A.
Senior Vice-President
and Executive Assistant

D. M. Vass, C.A.
Senior Vice-President
Administration

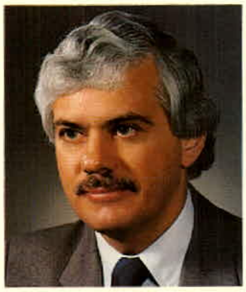
E. A. Walker
Senior Vice-President
Investments

D. K. Burlton
Vice-President
Consumer Lending

B. R. Matthews
Vice-President
Stock Transfer



B. F. Patterson
Vice-President
Marketing

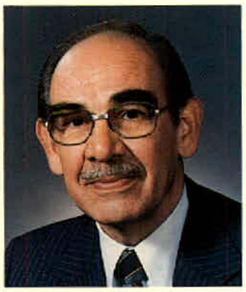


A. N. Smith
Vice-President
Savings and Loans
Eastern Region

R. G. Darling
Vice-President
Personal Services

T. G. McAlister
Vice-President
Mortgages

M. W. Petit
Vice-President Trust
Quebec

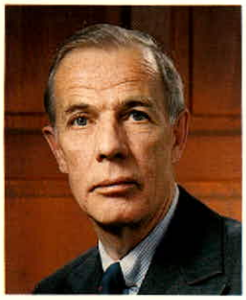


R. G. Smith
Vice-President
Hamilton

D. C. Dique
Vice-President
Finance

D. D. Landreville
Vice-President
Employee Benefits

R. D. Dexter
Assistant Vice-President
Administration



J. S. McKendy
Vice-President Trust
Pacific Region

D. McNab, C.A.
Vice-President
and Secretary

W. A. Foote
Assistant Vice-President
Finance

W. J. Rhind
Vice-President Trust
Prairie Region

A. P. Smibert, C.A.
Vice-President
and Comptroller

J. A. Watson
Vice-President
Organization
and Personnel Planning

G. T. Wood
Vice-President
Information Services

Balance Sheet as at October 31, 1981

(with comparative figures for 1980)

Assets	**1981**	1980
Cash and bank deposit receipts	**$ 338,925,000**	$ 230,294,000
Securities (note 3):		
Bonds	**497,277,000**	334,281,000
Stocks	**89,508,000**	70,518,000
	586,785,000	404,799,000
Loans:		
Loans on securities	**158,000**	278,000
Personal loans	**195,577,000**	123,816,000
Mortgages	**1,422,905,000**	1,414,720,000
	1,618,640,000	1,538,814,000
Income taxes recoverable	**5,288,000**	—
Real estate held for sale	**2,023,000**	3,092,000
Premises and equipment (notes 4 and 11)	**14,926,000**	14,031,000
Other assets	**9,646,000**	10,194,000
	$2,576,233,000	$2,201,224,000

Auditors' Report to the Shareholders

We have examined the balance sheet of National Trust Company, Limited as at October 31, 1981 and the statements of income, retained earnings and changes in financial position for the year then ended and have obtained all the information and explanations we have required. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, according to the best of our information and the explanations given to us and as shown by the books of the Company, these financial statements present fairly the financial position of the Company as at October 31, 1981 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada, December 1, 1981

Clarkson Gordon
Chartered Accountants

Liabilities	1981	1980
Guaranteed account (note 5):		
Demand deposits	**$ 801,205,000**	$ 727,125,000
Short term deposits	**415,554,000**	159,255,000
Guaranteed investment certificates	**1,249,502,000**	1,207,778,000
	2,466,261,000	2,094,158,000
Other liabilities	**8,620,000**	7,246,000
Income taxes payable	**—**	2,723,000
Deferred income taxes	**16,048,000**	15,134,000
	24,668,000	25,103,000
Shareholders' equity (note 7):		
Capital stock –		
Authorized: 5,000,000 shares without par value		
Issued and fully paid: 3,797,110 shares (1980 – 3,791,860)	**22,953,000**	22,846,000
Retained earnings	**62,351,000**	59,117,000
	85,304,000	81,963,000
	$2,576,233,000	$2,201,224,000

(See accompanying notes to financial statements)

On behalf of the Board:

J.L.A. Colhoun, Chairman and Chief Executive Officer

J.C.C. Wansbrough, President

Statement of Income

For the year ended October 31, 1981 (with comparative figures for 1980)

	1981	1980
Income:		
Investment –		
Interest from mortgages	$ 160,029,000	$ 147,243,000
Interest on loans	28,098,000	16,983,000
Interest and dividends from securities	105,729,000	57,207,000
Total investment income	293,856,000	221,433,000
Fees and commissions –		
Pension trusts and retirement plans	11,963,000	9,882,000
Bond trusteeships and stock transfer agencies	9,556,000	8,187,000
Estates, other trusts and agencies	14,286,000	13,105,000
Real estate sales	—	13,168,000
Other	2,785,000	3,342,000
Total fees and commissions	38,590,000	47,684,000
Total income	332,446,000	269,117,000
Expense:		
Interest on guaranteed account	259,521,000	187,965,000
Salaries and staff benefits	40,387,000	35,625,000
Real estate commissions	—	8,390,000
Premises	6,455,000	7,081,000
Data processing and office equipment	5,983,000	4,228,000
Communications and stationery	4,364,000	4,161,000
Advertising	1,598,000	2,243,000
Other	11,458,000	9,164,000
Total expense	329,766,000	258,857,000
Operating income before income taxes	2,680,000	10,260,000
Income taxes (note 6)	(1,693,000)	2,857,000
Net operating income	4,373,000	7,403,000
Other net gains (losses) after related income taxes (note 6):		
On investments	3,329,000	1,731,000
On closing of real estate sales operations	44,000	—
On other assets	(149,000)	(341,000)
Net income transferred to retained earnings	$ 7,597,000	$ 8,793,000
Earnings per share:		
Net operating income	$ 1.15	$ 1.95
Other net gains (losses)	.85	.37
Net income	$ 2.00	$ 2.32

(See accompanying notes to financial statements)

Statement of Retained Earnings

For the year ended October 31, 1981 (with comparative figures for 1980)

	1981	1980
Balance at beginning of year	**$ 59,117,000**	$ 54,682,000
Add net income for the year	**7,597,000**	8,793,000
	66,714,000	63,475,000
Deduct dividends aggregating $1.15 per share ($1.15 per share in 1980)	**4,363,000**	4,358,000
Balance at end of year	**$ 62,351,000**	$ 59,117,000

Statement of Changes in Financial Position

For the year ended October 31, 1981 (with comparative figures for 1980)

	1981	1980
Funds derived from:		
Operations –		
Net income	**$ 7,597,000**	$ 8,793,000
Add non-cash items charged against net income:		
Depreciation and amortization	**2,715,000**	2,195,000
Amortization of goodwill	**—**	81,000
Deferred income taxes	**945,000**	478,000
	11,257,000	11,547,000
Increase in deposits –		
Demand	**74,080,000**	124,421,000
Short term	**256,299,000**	30,634,000
Guaranteed investment certificates	**41,724,000**	93,264,000
	372,103,000	248,319,000
Other –		
Decrease (increase) in other assets	**548,000**	(1,353,000)
Decrease in real estate held for sale	**1,069,000**	10,495,000
Disposal of premises and equipment	**799,000**	512,000
Issue of common shares under employee stock option plan	**107,000**	100,000
	2,523,000	9,754,000
	$ 385,883,000	$ 269,620,000
Funds applied to:		
Increase in cash and bank deposit receipts	**$ 108,631,000**	$ 82,829,000
Increase in investments –		
Securities	**181,986,000**	69,723,000
Mortgages	**8,185,000**	87,287,000
Other loans	**71,641,000**	24,328,000
	370,443,000	264,167,000
Other –		
Decrease (increase)in other liabilities, including income taxes	**6,668,000**	(6,565,000)
Additions to premises and equipment	**4,409,000**	7,660,000
Dividends paid	**4,363,000**	4,358,000
	15,440,000	5,453,000
	$ 385,883,000	$ 269,620,000

(See accompanying notes to financial statements)

Notes to Financial Statements

As at October 31, 1981

1. Summary of significant accounting policies

The financial statements have been prepared in accordance with generally accepted accounting principles. Accounting policies of particular significance are set out below.

(a) Securities and loans

Bonds and debentures are stated at amortized cost. Stocks are stated at cost. Loans on securities, personal loans and mortgages are stated at cost less repayments. Provisions for anticipated losses are made and deducted from related assets. Interest and dividends are accrued where applicable and included with the stated value of the securities.

(b) Real estate held for sale

Real estate acquired in settlement of mortgage loans is stated at the lower of cost or estimated realizable value.

(c) Premises and equipment

Premises and equipment including leasehold improvements are recorded at cost less accumulated depreciation and amortization. Depreciation and amortization are based on the estimated useful life of the assets, calculated on a straight-line or diminishing balance method as considered appropriate for each type of asset. Annual depreciation and amortization rates range between $2\frac{1}{2}$% on new buildings and $33\frac{1}{3}$% on certain computer equipment, on a straight-line basis, and 30% on automobiles, on a diminishing balance basis.

(d) Income taxes

Income taxes deferred to future years as a result of timing differences between reported income and income for tax purposes are recorded as deferred income taxes. The timing differences relate principally to depreciation and reserves deductible for tax purposes on certain mortgages and other investments.

(e) Fees and commissions

Fees and commissions are generally recorded as earned, except for certain capital fees from estates and trusts which are included in income only upon final approval, usually by the courts.

(f) Systems development costs

Systems development costs are expensed in the period incurred.

(g) Earnings per share

Earnings per share are based on the weighted average number of shares outstanding during the year.

2. Segmented information

The principal segments of the Company's operations are as follows:

Financial intermediary:	Investing shareholders' funds and those of depositors in securities, personal loans and mortgages.
Fiduciary:	Providing management and administrative services for estates, personal and pension trust, investment, bond trusteeship and stock transfer clients.
Real estate sales:	Selling, as agent, residential, commercial and industrial real estate.

(Thousands of dollars)	**1981**		1980	
Statement of Income	*Income*	*Contribution to Earnings*	*Income*	*Contribution to Earnings*
Financial intermediary	**$296,191**	**$5,501**	$224,076	$12,236
Fiduciary	**36,256**	**2,416**	31,873	4,960
Real estate sales	*	*	13,168	(717)
	$332,447	**$7,917**	$269,117	$16,479
Unallocated expenses		**(5,237)**		(6,219)
Other net gains (losses) (note 6)		**3,102**		1,917
Income taxes (note 6)		**1,815**		(3,384)
		$7,597		$ 8,793

*The Company disposed of its real estate sales operations in 1981.

Segmented information related to capital expenditures, assets and depreciation and amortization has not been presented. Due to the nature of the Company's operations, meaningful segmentation of these items is not possible.

3. Securities

Securities consist of the following:

(Thousands of dollars)	**1981**		1980	
	Book value	*Market*	*Book value*	*Market*
Bonds –				
Government of Canada	**$ 37,842**	**$ 35,252**	$ 65,930	$ 59,948
Provinces of Canada	**50,569**	**46,085**	55,986	52,366
Municipalities	**2,887**	**2,364**	4,172	3,683
Other – maturing within one year	**325,039**	**324,958**	163,850	163,792
– other maturities	**61,185**	**55,226**	36,505	32,150
Interest income due and accrued	**19,755**	**19,755**	7,838	7,838
	497,277	**483,640**	334,281	319,777
Stocks – common	**8,875**	**9,766**	17,422	29,872
– preferred	**79,489**	**75,047**	52,474	52,297
Dividend income due and accrued	**1,144**	**1,144**	622	622
	89,508	**85,957**	70,518	82,791
	$586,785	**$569,597**	$404,799	$402,568

4. Premises and equipment

The accumulated depreciation and amortization at the end of the year was $9,976,000 (1980-$9,000,000). Depreciation and amortization included in operating expense amounted to $2,715,000 (1980-$2,195,000). Rents paid in 1981 amounted to $3,828,000 (1980-$4,260,000).

5. Assets held for guaranteed account

Assets held in trust, earmarked and segregated with respect to moneys received for guaranteed account are as follows:

(Thousands of dollars)	**1981**	1980
Cash and bank deposit receipts	**$ 315,707**	$ 196,196
Securities	**532,131**	359,514
Mortgages	**1,422,878**	1,414,670
Other loans	**195,545**	123,778
	$2,466,261	$2,094,158

6. Income taxes

Income taxes, current and deferred, have been provided as follows:

	1981		1980	
	On operating income	*On other net gains (losses)*	*On operating income*	*On other net gains (losses)*
Current	**$(2,638,000)**	**$(122,000)**	$2,379,000	$527,000
Deferred	**945,000**	**—**	478,000	—
	$(1,693,000)	**$(122,000)**	$2,857,000	$527,000

Operating income before taxes includes non-taxable dividends; accordingly, the effective tax rate is less than the general corporate rate.

7. Shareholders' equity

Between 1969 and 1974 options to purchase capital stock at prices ranging between $10.25 and $22.00 per share were granted to certain employees. During 1981, options on 5,250 shares were exercised for a consideration of $107,000 (1980-5,780 shares), options on 1,400 shares were forfeited and no new options were granted. Options to purchase 22,290 shares (1980-28,940 shares) were outstanding at October 31, 1981.

The exercise of the outstanding options would not materially dilute earnings per share.

8. Remuneration of directors and senior officers

The aggregate direct remuneration paid to directors and senior officers amounted to $1,585,000 (1980-$1,345,000).

9. Contractual obligations

(a) Commitments outstanding for future advances on mortgages at October 31, 1981 amount to $17,430,000 (1980-$31,302,000).

(b) Contractual obligations in respect of leases outstanding at October 31, 1981 are as follows:

	Total payable
Within 5 years	$11,839,000
1987-1991	7,426,000
1992-1996	995,000
Thereafter	77,000
1981 Total	$20,337,000
1980 Total	$23,742,000

(c) Contractual arrangements have been made with an outside organization to assist in the development of a new support system for fiduciary operations. The contract extends to 1983 and the total cost still to be incurred is approximately $1,500,000. Costs incurred during the current year and included in other expense amounted to $1,980,000 (1980-$1,000,000).

(d) Outstanding contractual obligations at October 31, 1981 with respect to participation in re-development of the site of the Edmonton main office are approximately $1,650,000. The project is scheduled for completion in 1982.

10. Pension plans

Based on the latest actuarial valuations as at December 31, 1980 the pension plans were fully funded.

11. Sale of premises

The Company has entered into an agreement to sell on March 1, 1982 the site and building of its main office in Vancouver, together with adjoining properties which it owns, for net cash proceeds of approximately $20,000,000. The gain on disposal after tax will amount to approximately $12,000,000. In any redevelopment of the properties, the Company retains the right to lease space according to its needs and to purchase an ownership interest in the completed development.

12. Comparative figures

The comparative figures for 1980 have been reclassified to conform with the financial statement presentation adopted in the current year.

Maturities

(in thousands of dollars)

Investments

	Cash and bank deposit receipts	*Securities*	*Mortgages*	*Other Loans*	*October 31, 1981 Total*	*%*	*October 31, 1980 Total*	*%*
On demand and within one year	$338,925	$413,117	$520,409	$116,202	$1,388,653	54.5	$ 783,508	36.0
1-2 years		15,464	349,379	15,832	380,675	14.9	394,378	18.1
2-3 years		7,368	252,939	30,114	290,421	11.4	379,305	17.4
3-4 years		11,495	168,083	26,152	205,730	8.1	245,410	11.3
4-5 years		12,353	83,101	7,069	102,523	4.0	219,074	10.1
Over 5 years		17,725	38,414		56,139	2.2	63,495	2.9
Stocks		88,364			88,364	3.5	69,897	3.2
Accrued Interest		20,899	12,603	1,966	35,468	1.4	21,932	1.0
	$338,925	$586,785	$1,424,928	$197,335	$2,547,973	100.0	$2,176,999	100.0

Deposits

	Demand	*Short Term*	*Guaranteed Investment Certificates*	*October 31, 1981 Total*	*%*	*October 31, 1980 Total*	*%*
On demand and within one year	$797,723	$408,789	$ 435,527	$1,642,039	66.6	$1,257,385	60.0
1-2 years			203,895	203,895	8.3	223,658	10.7
2-3 years			213,330	213,330	8.6	188,325	9.0
3-4 years			193,285	193,285	7.8	197,273	9.4
4-5 years			155,290	155,290	6.3	187,559	9.0
Over 5 years			10,274	10,274	.4	6,550	.3
Accrued interest	3,482	6,765	37,901	48,148	2.0	33,407	1.6
	$801,205	$415,554	$1,249,502	$2,466,261	100.0	$2,094,157	100.0

Summary of Growth

	1981	1980	1979	1978
Operating Results				
Fees and Commissions	$ 38,590,000	$ 47,684,000	$ 43,064,000	$ 39,243,000
Investment Income	293,856,000	221,433,000	185,684,000	153,540,000
Interest Paid on Deposits and Certificates	259,521,000	187,965,000	154,479,000	119,753,000
Salaries and Other Expenses	70,245,000	70,892,000	61,874,000	56,127,000
Income Taxes	(1,138,000)	2,857,000	4,279,000	7,406,000
Net Operating Income	4,373,000	7,403,000	8,116,000	9,498,000
Dividends	4,363,000	4,358,000	4,351,000	3,328,000
Position at Year-End				
Securities	$ 586,785,000	$ 404,799,000	$ 335,076,000	$ 269,581,000
Mortgages	1,422,905,000	1,414,720,000	1,327,433,000	1,158,589,000
Total Company Assets	2,576,233,000	2,201,224,000	1,944,352,000	1,745,002,000
Estates, Trusts and Agencies Assets	8,543,400,000	7,255,500,000	6,071,000,000	4,865,000,000
Savings Deposits	801,205,000	709,748,000	595,603,000	559,639,000
Guaranteed Investment Certificates	1,249,502,000	1,225,155,000	1,121,615,000	976,065,000
Term Deposits	415,554,000	159,255,000	128,621,000	119,423,000
Shareholders' Equity	85,304,000	81,963,000	77,428,000	73,711,000
Shares Outstanding	3,797,110	3,791,860	3,786,080	3,782,423
Per Share*				
Net Operating Income	$ 1.15	$ 1.95	$2.14	$ 2.51
Dividends	1.15	1.15	1.15	.88
Shareholders' Equity	22.47	21.62	20.45	19.49
Price/Earnings Ratios (based on net operating income)				
Per Share – Net Income	$1.15	$1.95	$2.14	$2.51
Share Price – High/Low	$30/19	$29/20	$26/19¾	$23¼/14⅝
P/E Ratios – High/Low	26.1/16.5	14.9/10.3	12.1/9.2	9.3/5.8
Regular Full-time Staff	1,950	1,958	1,912	1,860

*(Adjusted to reflect subdivision in 1973 of capital stock of the Company on a two for one basis, thereby doubling the number of shares authorized and issued.)

Note: The Valuation Day Value for income tax purposes on the $2.00 par value share was $32.50 as of December 22, 1971. After the stock split, the value is now $16.25 per share.

1977	1976	1975	1974	1973	1972
$ 35,171,000	$ 29,280,000	$ 21,846,000	$ 18,593,000	$ 16,918,000	$ 15,251,000
135,340,000	115,620,000	95,554,000	84,811,000	63,477,000	50,727,000
106,594,000	89,735,000	74,087,000	66,397,000	45,683,000	35,484,000
51,379,000	39,216,000	29,513,000	24,866,000	21,842,000	18,173,000
5,178,000	7,200,000	6,576,000	5,936,000	6,338,000	5,804,000
7,361,000	8,750,000	7,224,000	6,206,000	6,532,000	6,516,000
3,139,000	3,138,000	2,986,000	2,645,000	2,564,000	1,955,000
$ 261,739,000	$ 192,388,000	$ 240,969,000	$ 221,423,000	$ 227,328,000	$ 234,860,000
980,257,000	808,067,000	719,414,000	622,691,000	538,006,000	440,254,000
1,534,414,000	1,316,084,000	1,162,975,000	1,025,297,000	885,661,000	756,357,000
4,388,000,000	3,840,500,000	3,146,500,000	2,721,000,000	2,442,000,000	2,090,000,000
495,527,000	411,092,000	395,061,000	324,727,000	318,100,000	302,714,000
869,071,000	764,615,000	639,598,000	560,851,000	460,722,000	362,197,000
88,259,000	67,706,000	53,721,000	76,245,000	48,456,000	39,200,000
67,496,000	63,598,000	58,348,000	53,893,000	50,190,000	46,116,000
3,781,818	3,781,238	3,780,798	3,779,430	3,773,034	3,763,572
$ 1.95	$ 2.31	$ 1.91	$ 1.64	$ 1.73	$ 1.73
.83	.83	.79	.70	.68	.52
17.85	16.82	15.43	14.26	13.30	12.25
$1.95	$2.31	$1.91	$1.64	$1.73	$1.73
$18⅛/14½	$16½/13½	$18½/14	$19/11¼	$25½/16½	$23¾/15½
9.3/7.4	7.1/5.8	9.7/7.3	11.6/6.9	14.7/9.5	13.7/9.0
1,846	1,573	1,534	1,424	1,378	1,305


GF
Micron 785

Main and Savings Offices

Toronto and Area

Head Office
21 King Street East, M5C 1B3
(416) 364-9141 Cable: Nastrusco
Telex: 06-22028

Savings Offices
21 King Street East, M5C 1B3
K. A. Doyle
(416) 364-9141

50 Bloor Street West, M4W 1A1
(416) 925-1173

45 St. Clair Avenue West, M4V 1K9
R. W. Lillie, Manager
(416) 925-3848

938 St. Clair Avenue West, M6C 1C8
W. R. Longley, Manager
(416) 654-4751

350 Eglinton Avenue West, M5N 1A2
R. W. van Leersum, Manager
(416) 487-4684

1547 Bayview Avenue, M4G 3B5
H. Robinson, Manager
(416) 487-2826

2072 Danforth Avenue, M4C 1J6
G. W. Zaharuk, Manager
(416) 425-8444

Golden Mile Plaza
1882 Eglinton Avenue East,
Scarborough M1L 2L1
J. Colangelo, Manager
(416) 757-6208

Eastown Shopping Centre
2646 Eglinton Avenue East,
Scarborough M1K 4S3
D. C. Smith, Manager
(416) 266-4446

Scarborough Town Centre
300 Borough Drive,
Scarborough M1P 4P5
G. J. Rueckert, Manager
(416) 296-5660

Agincourt Mall
3850 Sheppard Avenue East,
Agincourt M1T 3L2
D. J. Cooper, Manager
(416) 291-3733

Bridlewood Mall
2900 Warden Avenue,
Scarborough M1W 2S8
G. R. Leitch, Manager
(416) 497-7012

3350 Yonge Street, M4N 2M7
(416) 485-7617

Northtown Shopping Centre
5385 Yonge Street,
Willowdale M2N 5R7
W. L. Smith, Manager
(416) 224-0300

203 Roncesvalles Avenue, M6R 2L5
E. A. McDowell, Manager
(416) 536-1196

2360 Bloor Street West, M6S 1P3
G. R. Keep, Manager
(416) 763-4148

2860 Lakeshore Boulevard West,
M8V 1H9
J. D. McKee, Manager
(416) 255-0169

Cloverdale Mall
250 The East Mall,
Islington M9B 3Y8
E. F. Browse, Manager
(416) 239-4388

Sherway Gardens
25 The West Mall,
Etobicoke M9C 1B8
(416) 621-8700

1922 Weston Road,
Weston M9N 1W2
I. S. Pinney, Manager
(416) 249-7215

Bramalea City Centre
Highway 7 and Dixie Road,
Bramalea L6T 3R5
D. Cardinal, Manager
(416) 793-4686

Cliffcrest Plaza
3041 Kingston Road,
Scarborough M1M 1P1
(416) 261-6149

Sheridan Mall
1700 Wilson Avenue,
Downsview M3L 1A6
P. G. Natale, Manager
(416) 248-5671

Montreal

1350 Sherbrooke Street West, H3G 1J1
M. W. Petit, Vice-President, Trust
R. Bertheau, Manager,
Savings & Loans
(514) 281-1570

Savings Offices
1350 Sherbrooke Street West, H3G 1J1
G. Lefebvre, Manager
(514) 281-1570

1011 St. Catherine Street West,
H3B 1H1
Peter Raimondo, Manager
(514) 281-1995

Rockland Shopping Centre
2237 Rockland Road, H3P 2Z3
Pierre A. Séguin, Manager
(514) 739-4758

Cavendish Mall
5800 Cavendish Boulevard, H4W 2T5
J. P. Parent, Manager
(514) 482-3430

Ottawa

99 Bank Street, K1P 6B9
J. G. Dent, Manager
(613) 563-0271

Oshawa

32 Simcoe Street South, L1H 7L5
J. T. Morris, Manager
(416) 723-5207

Whitby

352 Brock Street South, L1N 4K4
R. J. Ingram, Manager
(416) 666-1800

Hamilton

11 Main Street East, L8N 3B5
R. G. Darling, Vice-President,
Hamilton
(416) 526-1200

Savings Offices
11 Main Street East, L8N 3B5
Mrs. P. J. Eccles, Manager
(416) 526-1200

The Centre Mall
1227 Barton Street East, L8H 2V4
B. J. Fortune, Manager
(416) 549-3521

Fennell Square Shopping Plaza
Upper Gage and Fennell, L8T 1R1
R. A. Grace, Manager
(416) 389-2261

999 King Street West, L8S 1K9
Mrs. V. O. Gavey, Manager
(416) 525-2640

Burlington

527 Brant Street, L7R 2G6
J. Darling, Manager
(416) 637-3451

St. Catharines

26 Queen Street, L2R 7A3
M. M. Gollert, Manager
(416) 682-6683

Winnipeg

250 Portage Avenue, R3C 0B5
H. H. Holst, Manager
(204) 947-0281

Savings Office
Polo Park Shopping Centre
1485 Portage Avenue, R3G 0W4
Mrs. E. Hamel, Manager
(204) 786-5436

Calgary

150 Toronto-Dominion Square
320-8th Avenue S.W., T2P 3B2
W. J. Rhind, Vice-President Trust,
Prairie Region
(403) 263-1460

Savings Office
179 Chinook Centre
6455 Macleod Trail South, T2H OK8
J. L. Cox, Manager
(403) 252-0166

Edmonton

10157-101 Street, T5J 1V8
W. F. Gliddon, Manager
(403) 429-4361

Savings Office
Westmount Shoppers' Park
111 Avenue and Groat Road, T5M 3L7
Miss J. G. Wallington, Manager
(403) 455-9171

Kamloops

205 Victoria Street, V2C 2A1
A. W. S. Donald, Manager
(604) 374-0353

Vancouver

510 Burrard Street, V6C 2J7
J. S. McKendy, Vice-President Trust,
Pacific Region
(604) 684-8431

Savings Offices
1037 Denman Street, V6G 2M3
Mrs. M. Bailey, Manager
(604) 682-4581

Park Royal Shopping Centre
Marine Drive,
West Vancouver V7T 1A1
Mrs. E. Gilbert, Manager
(604) 922-9191

Brentwood Shopping Centre
Willingdon Avenue, Burnaby V5C 3Z6
M. A. Coulson, Manager
(604) 299-9585

Victoria

1280 Douglas Street, V8W 2X5
W. A. Southwell, Manager
(604) 388-5451

Savings Offices
2190 Oak Bay Avenue, V8R 1G3
Mrs. P. M. Evans, Manager
(604) 598-4537

Hillside Shopping Centre
3108 Shelbourne Street, V8T 3A7
D. R. Okurily, Manager
(604) 595-2961

Our rapid growth in RRSP assets under administration reflects the strong interest of our customers in saving for their retirement years. Personnel, well versed in the legislation that governs these plans and the products the Company offers, can respond quickly and fully to client enquiries.

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– N.H.A.
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Investment Advisor

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Dividend Reinvestment Plan for Shareholders
Scrutineer for Corporate Proceedings

Trustee for Bonds, Debentures and Warrant Issues
Depository and Escrow Agent
Interest Disbursing Agent

Mortgage Financing

Trustee and Agent for Foundations and other Funds

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