



**LAURENTIAN BANK  
OF CANADA**

**ANNUAL INFORMATION FORM**

**February 28, 2002**

## **PREFACE**

### **Introduction**

Laurentian Bank of Canada (the "Bank") has provided its Management's Discussion and Analysis of Results of Operations and Financial Condition (the "MD&A") on pages 28 to 44 of the Bank's Annual Report for the fiscal year ended October 31, 2001 (the "2001 Annual Report").

### **Documents incorporated by reference**

Certain parts of the following documents are incorporated by reference to this Annual Information Form, as indicated herein:

- (i) the MD&A in its entirety;
- (ii) the 2001 Annual Report;
- (iii) the Management Proxy Circular attached to the Notice of Annual and Special Meeting of Shareholders of the Bank dated January 22, 2002 (the "Circular").

## TABLE OF CONTENTS

<b>ITEM 1 – COVER PAGE</b> .....	
<b>ITEM 2 – CORPORATE STRUCTURE</b> .....	4
<b>ITEM 3 – GENERAL DEVELOPMENT OF THE BUSINESS</b> .....	4
<b>ITEM 4 – NARRATIVE DESCRIPTION OF THE BUSINESS</b> .....	6
Organization .....	6
Management Committee .....	6
Planning Committee .....	6
Retail Banking and Corporate and Commercial Banking.....	6
B2B Trust and Agency Banking .....	8
Wealth Management and Brokerage.....	10
Corporate Sectors.....	10
Treasury, Financial Markets and Risk Management .....	10
Finance and Strategic Development .....	11
Information Technology, Administrative Services and Real Estate Management.....	11
Human Resources and Corporate Affairs.....	11
Audit and Security .....	12
Competition .....	12
Material Reorganization.....	12
Liquidities and Investments.....	12
Loan Portfolio.....	13
Impaired Loans .....	13
Real Estate.....	13
Environmental Protection .....	13
Deposits.....	14
Capital.....	14
Related Party Transactions .....	14
Consolidated Financial Information of the Bank .....	14
<b>ITEM 5 – SELECTED CONSOLIDATED FINANCIAL INFORMATION</b> .....	14
Annual data .....	14
Dividends.....	15
Dividend Policy.....	15
B2B Trust .....	15
<b>ITEM 6 - MANAGEMENT'S DISCUSSION AND ANALYSIS</b> .....	15
<b>ITEM 7 - MARKET FOR SECURITIES</b> .....	16
<b>ITEM 8 - DIRECTORS AND OFFICERS</b> .....	16
Directors.....	16
Officers .....	16
<b>ITEM 9 - ADDITIONAL INFORMATION</b> .....	20

# ANNUAL INFORMATION FORM

## ITEM 2 – CORPORATE STRUCTURE

Laurentian Bank of Canada (the "Bank") was founded in Montreal in 1846 as a savings mutual. It became a share-issuing corporation under a charter granted on April 27, 1871, pursuant to an act of the Parliament of Canada concerning savings banks.

Prior to September 28, 1987, the Bank was known as the Montreal City and District Savings Bank. On that date, the Bank became a chartered bank under Schedule II of the *Bank Act* (Canada) pursuant to letters patent issued by the Minister of Finance of Canada.

On November 12, 1997, Desjardins-Laurentian Financial Corporation, which held 10,357,623 common shares of the Bank, representing 57.5% of this class of shares, sold the said shares by secondary distribution. The Bank thereby became a bank listed in Schedule I of the *Bank Act* (Canada).

The head office and principal place of business of the Bank is located at 1981 McGill College Avenue, Montreal (Quebec) H3A 3K3.

As at October 31, 2001, the Bank held, directly or indirectly, all the voting and non-voting shares, as the case may be, of the following subsidiaries:

- Laurentian Trust of Canada Inc. ("Laurentian Trust"), incorporated under *An Act respecting Trust Companies and Savings Companies* (Quebec);
- LBC Trust (previously Laurentian Bank Savings and Mortgage Corporation), incorporated under the *Trust and Loan Companies Act* (Canada);
- Laurentian Bank Securities Inc. (previously BLC Securities Inc. and BLC Rousseau Inc.), incorporated under the *Canada Business Corporations Act*;
- LBC Financial Services Inc. (previously Laurentian Bank Investment Services Inc.), incorporated under the *Canada Business Corporations Act*;
- LBC Capital II Inc., incorporated under the *Canada Business Corporations Act*.

As at October 31, 2001, the Bank held 74.3% of the common shares of B2B Trust (previously Sun Life Trust Company), regulated by the *Trust and Loan Companies Act* (Canada); 51% of the common shares of Brome Financial Corporation Inc., incorporated under Part IA of the *Companies Act* (Quebec); and 50.1% of the common shares of BLC-Edmond de Rothschild Asset Management Inc., incorporated under the *Canada Business Corporations Act*.

## ITEM 3 – GENERAL DEVELOPMENT OF THE BUSINESS

On November 1, 1998, the Bank acquired 51% of the shares of Brome Financial Corporation Inc. ("Brome") by way of a new issue of shares. Brome, which has existed since 1994, is active in providing factoring and financing services to small and medium-

sized businesses. Due in part to the Bank's investment, Brome acquired, on November 6, 1998, the Commcorp Mercantile Financial division of Newcourt Financial Ltd. The Bank's main partner in Brome is the Fonds de solidarité des travailleurs du Québec (FTQ).

On September 14, 1999, the Bank and the Compagnie Financière Edmond de Rothschild Banque announced the creation of a joint venture to market investment funds under the name BLC-Edmond de Rothschild Asset Management Inc. A few months later, the Bank completed the sale of all the shares of its subsidiary Laurvest Inc., a portfolio management company, to BLC-Edmond de Rothschild Asset Management Inc. and merged both companies.

On February 1, 2000, Laurentian Bank Securities Inc., a wholly-owned subsidiary of the Bank, completed the purchase of all the issued and outstanding shares of the Tassé & Associés, Limitée brokerage firm, which operated in 13 Quebec municipalities. The Bank thus recruited, through its subsidiary, over one hundred advisors in Quebec and extended Laurentian Bank Securities' retail services to more than 12,000 customers.

On March 1, 2000, the Bank acquired all the issued and outstanding capital stock of Sun Life Trust Company. This acquisition enabled the Bank to add residential mortgage loans to its product offering to independent financial advisors and to increase by over 500 the number of such advisors with whom the Bank does business. Then on April 5, 2000, the Bank announced that Sun Life Trust Company would become B2B Trust, a subsidiary that supplies generic and complementary financial and banking products to independent financial advisors, non-bank financial institutions and retailers across Canada.

On November 1, 2000, the Bank completed the acquisition of 43 Quebec Scotiabank branches. Located mostly outside large urban centres, these new branches represent a pool of 165,000 customers. Additional information regarding this acquisition can be found in Note 2 - "Acquisitions" - to the Consolidated Financial Statements, on page 65 of the 2001 Annual Report.

The Bank and B2B Trust announced the filing of a final prospectus on June 20, 2001, for an initial public offering of 5,560,000 common shares of B2B Trust at a price of \$9 per share, representing gross proceeds of approximately \$50 million. Following the exercise of options to cover excess allotments, 834,000 common shares were issued, for a total of 6,394,000 common shares representing gross proceeds of approximately \$57 million.

On August 29, 2001, the Board of Directors of the Bank approved a business plan intended to make the Bank a more customer-centred organization. The new structure of the Bank includes the following lines of business: Retail Banking; Corporate and Commercial Banking, these two business lines reflecting all the banking services, grouped under a unified leadership; B2B Trust and Agency Banking; Wealth Management and Brokerage - supported by corporate sectors : Finance and Strategic Development; Information Technology, Administrative Services and Real Estate Management; Treasury, Financial Markets and Risk Management; Human Resources and Corporate Affairs; along with an independent function, Audit and Security.

Further information regarding the development of the Bank can be found under the heading "Report on Operations" on pages 11 to 27 of the 2001 Annual Report.

## **ITEM 4 – NARRATIVE DESCRIPTION OF THE BUSINESS**

### **Organization**

The main operations of the Bank are divided into lines of business - Retail Banking; Corporate and Commercial Banking, these two business lines reflecting all the banking services, grouped under a unified leadership; B2B Trust and Agency Banking; Wealth Management and Brokerage - supported by corporate sectors : Finance and Strategic Development; Information Technology, Administrative Services and Real Estate Management; Treasury, Financial Markets and Risk Management; Human Resources and Corporate Affairs; along with an independent function, Audit and Security.

Wealth Management and Brokerage is a new business line that encompasses the activities of BLC-Edmond de Rothschild Asset Management and Laurentian Bank Securities. The Bank began to disclose the complete results of Wealth Management and Brokerage at the end of the first quarter of the 2002 fiscal year.

### **Management Committee**

Executive Management of the Bank is the responsibility of the President and Chief Executive Officer. A Management Committee composed of the President, four Senior Executive Vice-Presidents, five Executive Vice-Presidents and one Senior Vice-President plans the Bank's long-term strategies and discusses important matters for the Bank. This Committee meets regularly, usually every two weeks.

### **Planning Committee**

Members of the Management Committee are also members of the Bank's Planning Committee. Other officers of the Bank also sit on this committee. The list of all the members of the committee is provided in Item 8. This committee meets under the supervision of the President at least twice a year to review the Bank's business plan.

### **Retail Banking and Corporate and Commercial Banking**

The Bank decided to combine all of its banking services - Retail Banking and Corporate and Commercial Banking, along with Visa credit card services - under common management to maximize synergies and optimize operations. A Senior Executive Vice-President heads this common management. He is supported within the Retail Banking sector by two Senior Vice-Presidents who are responsible for business development management for Retail Banking in the regions served by the Bank, namely Quebec as well as Ontario and Western Canada, and a Senior Vice-President, Marketing, and two Vice-Presidents who assume responsibilities in matters of human resources and finance and control. In the Corporate and Commercial Banking sector, an Executive Vice-President oversees the Commercial Banking, Real Estate Financing, and Corporate Banking centres.

Retail Banking and Corporate and Commercial Banking nonetheless each pursue their own strategic objectives, intended to foster the growth of their operations and clientele and enhance their financial results.

## **Retail Banking**

Retail Banking offers a wide array of financial services through its network of 230 branches, 165 of which are located in Quebec, 51 in Ontario and 14 in Western Canada. The Bank also has a network of 367 automated teller machines.

### *Banking Services*

Through its branch network, the Bank offers a range of simplified personal deposit accounts. Pricing encourages the use of banking plans – including, among others, low-cost plans established by the Bank in accordance with the standards of the Office of the Superintendent of Financial Institutions – together with electronic services. This approach reflects market trends and corresponds to the new needs of customers.

The Bank, as well as its subsidiaries Laurentian Trust, LBC Trust and B2B Trust, are members of the Canada Deposit Insurance Corporation. Laurentian Trust, LBC Trust and B2B Trust are also registered with the Régie de l'assurance-dépôts du Québec. Consequently, insurable deposits made with any of these institutions are covered by deposit insurance for up to \$60,000 per person and per institution.

The Bank offers several other products and services including Visa credit cards, debit cards, safety deposit boxes, traveller's cheques, foreign exchange, money orders, overdraft protection, life and disability credit insurance and a range of banking plans. The Bank also provides a telephone service, operating from a telebanking centre, as well as a range of electronic services available via a Web site.

Through LBC Financial Services, the Bank offers Laurentian Bank Selection, a line of 30 mutual funds selected from among seven Canadian mutual fund families: AIC; AIM Funds (Trimark Investments); CI Funds; Fidelity Investments; Mackenzie; Spectrum Investments; and R Funds.

Moreover, in December 2001, the Bank assigned the management contract for IRIS funds to BLC-Edmond de Rothschild Asset Management in order to group the funds under the R Fund banner. Today, the 22 R Funds are the largest mutual fund family distributed by the Bank.

The Bank's retail credit products include a variety of personal loans, lines of credit, student loans and mortgage loans.

As with other banking services, credit products must be adapted to the needs and expectations of consumers. The development of new products and new distribution networks meets the requirements of changing customer habits. In response to this trend, the Bank now makes financing available to consumers at points of sale and offers public services, distributors and retailers financing programs that are adapted to their needs and those of their customers.

Residential mortgage loans constitute a large part of the Bank's loan portfolio. These loans bear interest at a fixed or floating rate for terms ranging from six months to ten years and are normally amortized over 20 or 25 years. Under the *Bank Act*, the Bank may not lend more than 75% of the value of the mortgaged property except where the loan is guaranteed under the *National Housing Act*, in which case the Bank may lend up to 95% of the value of the property.

### *Administrative and Fiduciary Services*

Through its subsidiary Laurentian Trust, the Bank offers its customers fiduciary services including asset management and administration of registered retirement savings plans.

A more detailed presentation of the business operations and results of Retail Banking is provided on pages 11 to 13 of the 2001 Annual Report under the heading "Report on Operations". The financial results for Retail Banking can be found in Note 21 - "Segmented Information" - to the Consolidated Financial Statements on pages 80 and 81 of the 2001 Annual Report.

### **Corporate and Commercial Banking**

Since 1987, the Bank has offered a variety of financial services to small, medium-sized and large Canadian businesses, as well as to real estate developers and contractors. These services include commercial financing, participation in larger financing projects within banking syndicates, commercial mortgage financing and factoring.

Since the beginning of 2001, this clientele has also had access to a Web site oriented to its specific needs. Roughly 80% of the Corporate and Commercial Banking customers have registered on the site and use it to obtain information and carry out a wide range of electronic transactions.

In the past few years, the Corporate and Commercial Banking business line has grown rapidly with respect to both its assets and its profitability, assets having increased from \$1.6 billion in 1995 to \$2.8 billion in 2001. At the end of the 2001 fiscal year, its contribution to the Bank's net income stood at 35.4%.

In 2001, the management of all commercial loans between \$250,000 and \$1 million was transferred from the Small Business Banking sector of Retail Banking to Corporate and Commercial Banking.

As at October 31, 2001, Corporate and Commercial Banking was managing a portfolio of commercial loans and commercial mortgages totalling \$2.1 billion and \$0.9 billion respectively. A detailed description of this portfolio is provided on pages 35 to 42 of the 2001 Annual Report, under the heading "Balance Sheet Assets and Assets under Administration".

A more detailed presentation of the business operations and results of Corporate and Commercial Banking is provided on pages 13 to 17 of the 2001 Annual Report under the heading "Report on Operations". The financial results for Commercial and Corporate Banking can be found in Note 21 - "Segmented Information" - to the Consolidated Financial Statements on pages 80 and 81 of the 2001 Annual Report.

### **B2B Trust and Agency Banking**

Since 1995, the services provided by the Bank to independent financial advisors (mainly financial planners, investment counsellors and deposit brokers) have enjoyed exceptional growth.

B2B Trust, a regulated financial institution, supplies generic and complementary banking and financial products to independent financial advisors, non-bank financial institutions and retailers across Canada.

To this end, B2B Trust has a wide range of technological tools – including a dedicated Internet site — that enables it to offer independent financial advisors and retailers access to a full range of generic payment, savings and credit products as well as to certain complementary products offered by authorized agents. Independent financial advisors and retailers can also use the B2B Trust technology platforms to distribute their products, provide their services, offer transactional portals and produce integrated account statements.

B2B Trust maintains business relationships with more than 10,000 independent financial advisors across Canada, 80% of which are established outside Quebec. It has also concluded distribution agreements with several non-bank financial institutions.

Within the Bank's organization, responsibility for the operations and development of B2B Trust is assumed by two Executive Vice-Presidents, who are also Co-Chief Operating Officers of this subsidiary.

Under the responsibility of an Executive Vice-President, Agency Banking is responsible, among other things, for a term deposit and mortgage loan portfolio offered by independent financial advisors.

#### *Deposits*

Through its independent distribution network that principally comprises deposit and securities brokers, B2B Trust and Agency Banking offer a selection of term deposits which, at the customers' choice, can be made with the Bank, B2B Trust, LBC Trust or Laurentian Trust. Combined with a centralized and efficient client services structure, this approach enables the Bank to reach investors who wish to combine high return with traditional investment security.

In 2001, B2B Trust and Agency Banking's average deposit portfolio totalled \$4.8 billion.

#### *Personal loans*

With regard to credit products, B2B Trust and Agency Banking offers a complete line of investment loans and cash advances on Visa cards. Investment loans are distributed by independent financial advisors to investor clients who wish to increase their capacity to purchase mutual funds through loans on attractive terms.

In 2001, B2B Trust and Agency Banking's average loan portfolio totalled \$3.5 billion.

A more detailed presentation of the business operations and results of B2B Trust and Agency Banking operations and results is provided on pages 17 to 20 of the 2001 Annual Report under the heading "Report on Operations". The financial results for B2B Trust and Agency Banking can be found in Note 21 - "Segmented Information" - to the Consolidated Financial Statements on pages 80 and 81 of the 2001 Annual Report.

## **Wealth Management and Brokerage**

During the 2001 fiscal year, the restructuring of the Bank's activities resulted in the creation of a new business line, Wealth Management and Brokerage. This entity now encompasses the activities of BLC-Edmond de Rothschild Asset Management and Laurentian Bank Securities.

Wealth Management and Brokerage began to disclose its complete results at the end of the first quarter of 2002.

A more detailed presentation of the business operations and results of BLC-Edmond de Rothschild Asset Management and Laurentian Bank Securities is provided on pages 20 and 21 of the 2001 Annual Report under the heading "Report on Operations". In Note 21 - "Segmented Information" - to the Consolidated Financial Statements on pages 80 and 81 of the 2001 Annual Report, the category "Other" includes, among other things, the financial results of Laurentian Bank Securities, along with the Bank's share of the joint venture BLC-Edmond de Rothschild Asset Management.

## **Corporate Sectors**

The business lines of the Bank are assisted by Corporate Sectors: Treasury, Financial Markets and Risk Management; Finance and Strategic Development; Information Technology, Administrative Services and Real Estate Management; Human Resources and Corporate Affairs; along with an independent function, Audit and Security.

### **Treasury, Financial Markets and Risk Management**

To better co-ordinate all of its transactional activities while ensuring optimal management of the inherent risks, the Bank has grouped the treasury, financial markets and risk management departments within a single corporate sector.

Under the responsibility of the Senior Executive Vice-President, Treasury and Capital Markets and Chief Risk Officer, this sector is responsible for the Bank's asset-liability management and net interest income management.

This sector also includes credit risk management for the entire Bank, with respect to consumer and commercial credit approval, as well as collection. The Bank maintains a conservative credit policy: no loan to any single private borrower may exceed \$40 million without the express consent of the Board of Directors' Credit Committee.

All loan applications exceeding authorized lending limits must be submitted to an internal committee of the Bank. Those exceeding the limits attributed to the internal committee must be submitted to the Credit Committee of the Board of Directors.

The Senior Executive Vice-President is also the chairman of the Asset and Liability Management Committee and the Operating Risk Management Committee. He is supported in his functions by a Senior Vice-President and Treasurer, who is the chairman of the Finance Committee, and by a Vice-President, Credit and a Vice-President, Risk Integration and Operational Risk Management.

The mandates and attributions of these committees are described on page 46 of the 2001 Annual Report.

## **Finance and Strategic Development**

Under the responsibility of the Senior Executive Vice-President and Chief Financial Officer, the Finance and Strategic Development sector plays a dual role of co-ordination and support for initiatives of the Bank's business lines along with a managerial function. As part of the Bank's strategic plan, this sector ensures that all of the Bank's activities meet the defined objectives.

The Finance and Strategic Development sector also oversees financial planning. Accordingly, it ensures the recording of operations, planning and financial control over activities of the Bank, development of financial management information systems, investor relations and all taxation related matters. It is supported in its functions by two senior Vice-Presidents, the Senior Vice-President and Controller and the Senior Vice-President, Taxation.

## **Information Technology, Administrative Services and Real Estate Management**

Under the responsibility of the Executive Vice-President and Chief Information Officer, the Information Technology, Administrative Services and Real Estate Management sector is responsible for defining orientations and strategies in matters of technology and for managing real estate owned by the Bank.

This sector also oversees all aspects of strategic planning, technological orientations, systems architecture, information security as well as management of projects and service agreements.

As at October 31, 2001, the net book value of the Bank's information systems hardware and software (including software in development) stood at \$115.3 million.

## **Human Resources and Corporate Affairs**

Under the responsibility of the Executive Vice-President, Human Resources and Corporate Affairs, this sector is responsible for the planning and development of the Bank's human resources, legal affairs, compliance, public affairs and communications.

It is also responsible for the secretariat of the Bank and its subsidiaries, along with establishing, implementing and overseeing the compliance programs to ensure that the Bank abides by laws, regulations and guidelines applicable to the activities of a financial institution.

The Human Resources and Corporate Affairs sector includes the Legal Affairs and Compliance service, which plays a role in all legal and regulatory matters. It also assists in the implementation of agreement and partnership projects, transactions and development of new financial products.

The Public Affairs and Communications department produces all of the Bank's internal and external communications, and promotes the brand image and contribution of the Bank through sponsorships, media relations, public relations programs, along with support programs for recognized organizations.

As at October 31, 2001, the Bank had 3,884 employees (full-time equivalent), slightly more than half of whom were members of a union accredited to represent employees in Quebec and the Ottawa area. The collective agreement governing the Bank's relations

with its unionized employees expired on June 30, 2001. Negotiations have been under way since September 20, 2001 and a conciliation officer was appointed on January 17, 2002, upon request by the Bank.

### **Audit and Security**

The Audit function is an independent function whose mission is to contribute to the attainment of the objectives of the Bank and its subsidiaries by identifying risks inherent to the Bank's activities, reinforcing the control of these risks and ensuring the efficient and effective use of resources.

The Security and Protection function also contributes to attaining the objectives of the Bank and its subsidiaries by protecting their employees and their assets along with the integrity of operations, and by preserving the Bank's reputation and credibility in the business world.

### **Competition**

The Bank ranks seventh among Canadian Schedule I banks. The Bank competes with a great number of other financial services providers (notably, other Canadian chartered banks, trust and loans companies, "caisses populaires" and Credit Unions, and insurance companies) in all segments of its operations. The Bank strives to meet the banking and financial needs of individuals and businesses by offering highly competitive products and superior personalized services.

### **Material Reorganization**

Between April 22, 2000 and July 4, 2000, B2B Trust completed a reorganization (the "Reorganization"), with the primary objective of combining within B2B Trust most of the activities previously carried out by the Bank through its agency banking division (other than credit card and credit insurance activities and term deposits) and certain other groups of assets of strategic importance for achieving B2B Trust's business plan with the customer deposits of Sun Life Trust Company. In addition, as part of the Reorganization, B2B Trust transferred certain assets unrelated to its core business to the Bank. As part of the consideration for the assets transferred to B2B Trust by the Bank, as described above, B2B Trust issued to the Bank 333.33 common shares (after giving effect to a three-for-one share consolidation), paid cash and assumed obligations in the form of self-directed RRSP deposits totalling approximately \$150 million. All regulatory approvals required to complete the transactions described above have been obtained.

### **Liquidities and Investments**

The Bank holds a securities portfolio to meet its current liquidity and short- and medium-term investment requirements, in order to ensure a better balance of the various maturities of its assets and liabilities or simply for yield enhancement purposes.

Liquidities and securities are detailed under the heading "Balance Sheet Assets" and in Table 7 "Balance Sheet Assets" on pages 35 and 36 of the 2001 Annual Report. Liquidity risk management appears on page 48 of the 2001 Annual Report.

## **Loan Portfolio**

The composition and evolution in the Bank's loan portfolio are described in pages 36 to 38 of the 2001 Annual Report, in Table 7 "Balance Sheet Assets" on page 36 of the 2001 Annual Report, and in the "Consolidated Balance Sheets" on page 50 of the 2001 Annual Report.

The maturity dates for the Bank's entire loan portfolio as at October 31, 2001, are detailed in Note 19 b) - "Interest Rate Risk" - to the Consolidated Financial Statements on page 78 of the 2001 Annual Report.

## **Impaired Loans**

Impaired loans as at October 31, 2001, are presented in Table 8 "Impaired Loans" on page 39 of the 2001 Annual Report and under the heading "Impaired Loans" on pages 38 and 39 of the 2001 Annual Report. Furthermore, impaired loans and the evolution in the allowances for credit losses in 2001 are presented in Note 4 - "Impaired Loans and Allowance for Credit Losses" - to the Consolidated Financial Statements on page 67 of the 2001 Annual Report.

Details on the allowances for credit losses for the last three years are presented in Table 5 "Provision for Credit Losses" on page 33 of the 2001 Annual Report.

As at October 31, 2001, net impaired loans between 90 days and 179 days amounted to \$14.2 million, whereas net impaired loans over 180 days amounted to \$11.9 million. The Bank maintains sufficient provisions to cover these impaired loans.

As at October 31, 2001, the Bank did not carry impaired loans to non-residents.

The interest revenue shortfall related to non-performing loans, renegotiated reduced rate loans and restructured loans amounted to \$3.9 million for the year ended October 31, 2001.

Information regarding the Bank's collection policies is detailed under the heading "Balance Sheet Assets and Assets under administration" on pages 35 to 39 of the 2001 Annual report as well as under the heading "Credit Risk management" on page 48 of the 2001 Annual Report.

## **Real Estate**

The Bank owns 40 buildings in which 35 of its branches are located. A number of these properties also include space that is leased for residential or commercial purposes.

Information relating thereto is set out in Note 6 - "Premises and Equipment" - to the Consolidated Financial Statements on page 68 of the 2001 Annual Report.

## **Environmental Protection**

Environmental legislation and regulations can give rise to certain financial risks. The Bank therefore considers environmental issues in its credit evaluation and asset acquisition procedures to ensure that the Bank's interests are reasonably protected. To

date, environmental risks have had no material effect on the Bank's operations and results.

### **Deposits**

The evolution in the Bank's deposits for the last three years is presented in Table 10 "Deposits" on page 40 of the 2001 Annual Report.

The maturity dates for the Bank's entire deposit portfolio as at October 31, 2001 are presented in Note 19 b) - "Interest Rate Risk" - to the Consolidated Financial Statements on page 78 of the 2001 Annual Report.

### **Capital**

The information regarding the Bank's capital and debentures is presented under the heading "Capital" on pages 40 to 41 of the 2001 Annual Report, as well as in Note 11 - "Capital Stock" - to the Consolidated Financial Statements on pages 70 to 72 of the 2001 Annual Report.

The description of the assets under administration is presented in Table 9 "Assets Under Administration" on page 39 of the 2001 Annual Report.

### **Related Party Transactions**

Related party transactions are presented in Note 17 - "Related Party Transactions" - to the Consolidated Financial Statements on page 75 of the 2001 Annual Report.

### **Consolidated Financial Information of the Bank**

The Bank's consolidated financial information is presented on pages 56 to 82 of the 2001 Annual Report.

## **ITEM 5 - SELECTED CONSOLIDATED FINANCIAL INFORMATION**

### **Annual data**

Summaries of the financial data for the last five fiscal years are presented under the headings "Consolidated Balance Sheets" and "Consolidated Statements of Income", which are contained on pages 50 and 51 of the 2001 Annual Report.

A summary of the quarterly financial results for the last eight quarters ended October 31, 2000 and 2001 is presented under the heading "Quarterly Highlights" on page 52 of the 2001 Annual Report.

## Dividends

During the years specified below, the Bank paid the following dividends:

	Year ended October 31		
	<u>2001</u>	<u>2000</u>	<u>1999</u>
	(\$)	(\$)	(\$)
Per common share .....	1.06	0.94	0.92
Total amount (in thousands of dollars) .....	24,098	18,945	18,540
Per Class A Preferred Share, Series 2.....	7.00	7.00	7.00
Total amount (in thousands of dollars) .....	28	28	28
Per Class A Preferred Share, Series 6	2.19	2.19	2.19
Total amount (in thousands of dollars) .....	5,250	5,250	5,250
Per Class A Preferred Share, Series 7.....	1.94	1.94	1.94
Total amount (in thousands of dollars) .....	3,875	3,875	3,875
Per Class A Preferred Share, Series 8.....	1.94	1.94	1.94
Total amount (in thousands of dollars) .....	3,875	3,875	3,875

## Dividend Policy

The Bank's dividend policy is to distribute between 30% and 40% of available net income per share to its common shareholders.

## B2B Trust

B2B Trust does not intend to pay any dividends in the foreseeable future. B2B Trust currently intends to reinvest its earnings for the long-term growth of the company. Any future determination to pay dividends will be at the discretion of the Board of Directors of B2B Trust and in accordance with the terms and conditions of any outstanding indebtedness and will depend upon the financial condition, results of operations, capital requirements and such other functions as the Board of Directors of B2B Trust considers relevant.

## ITEM 6 - MANAGEMENT'S DISCUSSION AND ANALYSIS

This analysis can be found under the heading "Management's Discussion and Analysis of Results of Operations and Financial Condition" on pages 28 to 44 of the 2001 Annual Report.

## ITEM 7 - MARKET FOR SECURITIES

As at October 31, 2001, the Common Shares and the Class A Preferred Shares, Series 6, Series 7 and Series 8 were listed on the Toronto Stock Exchange. On November 7, 2001, the Bank issued 4,000,000 Class A Preferred Shares, Series 9. Furthermore, on November 26, 2001, the Bank redeemed all its Class A Preferred Shares, Series 6.

## ITEM 8 - DIRECTORS AND OFFICERS

As a group, the directors and senior officers of the Bank exercised control over 193,284 (0.84%) Common Shares of the Bank and 47,200 (0.19%) Common Shares of B2B Trust as at January 8, 2002.

### Directors

Information concerning directors of the Bank can be found on pages 5 to 7 of the Circular.

The Board of Directors of the Bank has formed five committees to which it has delegated certain responsibilities and functions. The mandate and composition of these committees are presented in detail on pages 84 and 85 of the 2001 Annual Report.

### Officers

The following table gives the names of the members of the Management Committee and of the Planning Committee of the Bank, together with their municipality of residence and their respective position. Members of the Management Committee (\*) all belong to the Planning Committee.

<b><u>Name and municipality of residence</u></b>	<b><u>Position</u></b>
<b>Marcel Beaulieu</b> Laval, Quebec	Vice-President, Retail Financial Services, North Shore and West of Quebec
<b>Chantal Bélanger</b> Verdun, Quebec	Senior Vice-President, Retail Financial Services, Quebec
<b>Luc Bernard</b> Longueuil, Quebec	Senior Vice-President, Marketing, Retail and Commercial Financial Services
<b>Louise Bourassa</b> Montreal, Quebec	Senior Vice-President, Administrative Services
<b>Denise Brisebois</b> Laval, Quebec	Vice-President, Human Resources, Retail and Commercial Financial Services
<b>Jean-Guy Calvé</b> Laval, Quebec	Vice-President and Senior Advisor, Audit

**Name and  
municipality of residence**

**Position**

**Robert Cardinal \***  
Brossard, Quebec

Senior Executive Vice-President and Chief Financial Officer

**Jacques Daoust \***  
Verdun, Quebec

Senior Executive Vice-President, Wealth Management and Brokerage  
Chairman of the Board and Chief Executive Officer, BLC-Edmond de Rothschild Asset Management Inc.  
Chairman of the Board, Laurentian Bank Securities Inc.

**François Desjardins**  
Lachine, Quebec

Vice-President, Call Centre and e-Banking Services

**Jean-François Doyon**  
Saint-Lambert, Quebec

Vice-President, Audit and Security

**André Dubuc \***  
Outremont, Quebec

Senior Executive Vice-President, Treasury and Capital Markets and Chief Risk Officer

**Philippe Duby**  
Laval, Quebec

Vice-President, Technology Outsourcing and Project Management

**Claude Dulude**  
Kirkland, Quebec

Vice-President, Commercial Financial Services, Quebec  
President, LBC Capital II Inc.

**Richard Fabre**  
Westmount, Quebec

Vice-President, Retail Financial Services, Downtown and South-West Montreal Region

**Marco Fortier**  
Montreal, Quebec

Senior Vice-President, e-initiatives

**France Gagné**  
Longueuil, Quebec

Vice-President, Compensation and Benefits

**William Galbraith**  
Newmarket, Ontario

Vice-President, Corporate Banking, Ontario and Western Canada Region

**Mario Galella**  
Montreal, Quebec

Vice-President, Retail Financial Services, Northern Montreal and West-Island Region

**Michel Gendron**  
Candiac, Quebec

Vice-President, Corporate Banking, Quebec Region

**Luc Gingras**  
Saint-Bruno, Quebec

Vice-President, Retail Financial Services, South of Quebec

**Name and  
municipality of residence**

**Position**

**Richard Guay \***  
Pointe-Claire, Quebec

Senior Executive Vice-President, Retail and  
Commercial Financial Services  
Chairman of the Board, Brome Financial  
Corporation Inc.  
Chairman of the Board, LBC Capital II Inc.  
President and Chief Executive Officer, LBC Trust  
President, Laurentian Trust of Canada Inc.

**Allan B. Hodgson**  
London, Ontario

Vice-President, Retail Financial Services, Ontario

**Paul Hurtubise**  
Scarborough, Ontario

Senior Vice-President, Real Estate Financing

**Rick C. Lane**  
Scarborough, Ontario

Vice-President, Real Estate Financing, Ontario

**Richard Leclerc**  
Candiac, Quebec

Senior Vice-President, Client Origination, Retail  
Financial Services  
President, LBC Financial Services Inc.

**Jacques Lussier**  
Sillery, Quebec

Vice-President, Retail Financial Services, Quebec  
and Eastern Quebec Region

**Yves Magnan**  
Kirkland, Quebec

Senior Vice-President, Taxation

**Louis Marquis**  
Verdun, Quebec

Vice-President, Credit

**Suzanne Masson \***  
Saint-Lambert, Quebec

Executive Vice-President, Human Resources,  
Corporate Affairs and Secretary  
Secretary, Laurentian Trust of Canada Inc.  
Secretary, LBC Trust

**Chris McMillan**  
Mississauga, Ontario

Vice-President, Retail Financial Services, Greater  
Toronto Region

**Pierre Minville**  
Blainville, Quebec

Vice-President, Finance, Planning and Regulated  
Products, Retail and Commercial Financial Services  
Chairman of the Board, LBC Financial Services Inc.

**Charles Murphy \***  
Montreal, Quebec

Executive Vice-President  
President and Chief Executive Officer, Laurentian  
Bank Securities Inc.

**Michael Murray**  
Montreal West, Quebec

Vice-President, Planning and Investors Relations

**Marlène Otis**  
Montreal, Quebec

Vice-President, Commercial Financial Services,  
Partners Relationships

**Name and  
municipality of residence**

**Position**

**Marc Paradis**  
Laval, Quebec

Senior Vice-President and Controller

**Michel Pelletier \***  
Beaconsfield, Quebec

Executive Vice-President, Agency Banking  
Co-Chief Operating Officer, B2B Trust

**V.P. Pham \***  
Town of Mount-Royal, Quebec

Executive Vice-President and Chief Information  
Officer

**Bernard Piché \***  
Toronto, Ontario

Executive Vice-President  
Co-Chief Operating Officer and Chief Financial  
Officer, B2B Trust

**Lorraine Pilon**  
LaSalle, Quebec

Senior Vice-President, Legal Affairs and Compliance  
and Assistant Secretary  
Vice-President, Legal Affairs and Assistant  
Secretary, Laurentian Trust of Canada Inc.  
Secretary, B2B Trust  
Secretary, BLC-Edmond de Rothschild Asset  
Management Inc.

**Réjean Robitaille**  
Laprairie, Quebec

Senior Vice-President and Treasurer

**Henri-Paul Rousseau \***  
Outremont, Quebec

President and Chief Executive Officer, Laurentian  
Bank  
President and Chief Executive Officer, B2B Trust  
Vice-Chairman and Chief Executive Officer,  
Laurentian Trust of Canada Inc.

**Claude Sasseville**  
Montreal, Quebec

Vice-President, Retail Financial Services, East of  
Montreal and Mauricie

**André Scott**  
Boucherville, Quebec

Executive Vice-President, Commercial Financial  
Services

**Marie-Josée Sigouin**  
Laprairie, Quebec

Vice-President, Labour Relations and Human  
Resources, Head Office

**John L. Smith**  
Mississauga, Ontario

Senior Vice-President, Commercial Banking

**Robert Teasdale \***  
Lorraine, Quebec

Senior Vice-President, Retail Financial Services,  
Ontario and Western Canada

**Jean Patrice Venne**  
Verdun, Quebec

Vice-President, Sales and Marketing, Credit Cards

**Rollie Zellmer**  
Edmonton, Alberta

Vice-President, Retail Financial Services, Western  
Canada

**Name and  
municipality of residence**

**Position**

**Alicia Zemanek**  
Vaudreuil-Dorion, Quebec

Vice-President, Risk Integration and Operational  
Risk Management

All the officers of the Bank mentioned above have held their present positions or other management positions at the Bank during the last five years with the exception of Mr. Jacques Daoust who, prior to April 1998, was Executive Vice-President of General Trust of Canada; Mr. Luc Bernard who, prior to December 2001, was President of Osmoz Marketing and, prior to October 1999, Vice-President, Marketing and Actuarial, at Unindal Group; Ms. Denise Brisebois who, prior to September 2001, was Vice-President, Human Resources at Laurentian Bank Securities Inc. and, prior to April 2000, Senior Manager, Human Resources at Laurentian Bank of Canada; Mr. Jean-François Doyon who, prior to December 2000, was Manager, Internal Audit, at the Desjardins-Laurentian Financial Corporation and, prior to March 1999, was Manager, Internal Audit, at the Banque Nationale de Paris (Canada); Mr. André Dubuc who, prior to March 1998, was Senior Vice-President at Laurentian Bank Securities Inc.; Mr. Philippe Duby who, prior to February 1998, was a consultant and, prior to August 1997, General Manager, Information Systems at Videotron Information Systems; Mr. Marco Fortier who, prior to June 2000, was a consultant at Laurentian Bank of Canada and, prior to August 1999, Vice-President, Development, Investments at Desjardins-Laurentian Life Group Inc.; Ms. France Gagné who, prior to August 2000, was Senior Manager, Human Resources and International Compensation at Bell Canada International Inc., prior to February 1999, was Senior Advisor, Compensation at Canadian National, and prior to January 1998, was Consultant, Executive Compensation at Towers Perrin; Mr. Michel Gendron who, prior to March 1997, was Senior Vice-President, Corporate Finance at Canadian Corporate Funding Limited; Mr. Luc Gingras, who, prior to February 1998, was Section Head at Diners Club, Citibank (Montreal) and before September 1997, has held various positions at Laurentian Bank of Canada; Mr. Richard Leclerc who, prior to June 2000, was Vice-President, Wealth Management at National Bank of Canada and prior to November 1998 has held various positions also at National Bank of Canada; Ms. Suzanne Masson who, prior to May 1998, was Senior Vice-President, Corporate Services at ING Canada; Mr. Pierre Minville who, prior to January 2000, was Director, Corporate Finance, Mergers and Acquisitions at BCE Inc., and prior to June 1997, was Associate, Investment Banking at Gordon Capital Corporation; Mr. Michael Murray who, prior to August 1998, was Assistant Controller at Power Corporation of Canada; Mr. André Scott who, prior to February 2002, was Executive Vice-President, Administration and Customer Service at B2B Trust and, prior to May 2000, Senior Vice-President, Credit at Laurentian Bank of Canada; and Mr. Rollie Zellmer who, prior to February 1998, was the Owner/Operator of The Great Canadian Bagel.

**ITEM 9 - ADDITIONAL INFORMATION**

The Bank will provide to any person or corporation, upon written request to the Secretary of the Bank, at 1981 McGill College Avenue, 20th Floor, Montreal, Quebec H3A 3K3:

- (a) when securities of the Bank are in the course of a distribution pursuant to a short form prospectus or a preliminary short form prospectus:

- (i) one copy of the latest annual information form of the Bank, together with one copy of any document, or the pertinent pages of any document, incorporated therein by reference;
  - (ii) one copy of the comparative financial statements of the Bank for the Bank's most recently completed financial year, together with the report of the auditor thereon, and one copy of any interim financial statements of the Bank submitted, if applicable, for all periods following the end of the last fiscal year;
  - (iii) one copy of the information circular of the Bank in respect of its most recent annual meeting of shareholders that involved the election of directors or one copy of any annual documents submitted in lieu of that information circular, if applicable; and
  - (iv) one copy of any other documents which are incorporated by reference into the preliminary short form prospectus or the short form prospectus; and that the Bank is not bound to supply under clauses (a)(i), (ii) and (iii) above
- (b) at any other time, one copy of the documents referred to in clauses (a)(i), (ii) and (iii) above, for which the Bank may require the payment of a reasonable charge from such a person or corporation who is not a security holder of the Bank.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Bank's securities, options to purchase securities and interest of insiders in material transactions, if applicable, is contained in the Bank's information circular for its most recent annual meeting of shareholders that involves the election of directors. Additional financial information is provided in the Bank's comparative financial statements for its most recently completed financial year.