



Annual Information Form

December 7, 2011

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

In this document and in other documents filed with Canadian regulatory authorities or in other communications, Laurentian Bank of Canada may from time to time make written or oral forward-looking statements within the meaning of applicable securities legislation. Forward-looking statements include, but are not limited to, statements regarding the Bank's business plan and financial objectives. The forward-looking statements contained in this document are used to assist the Bank's security holders and financial analysts in obtaining a better understanding of the Bank's financial position and the results of operations as at and for the periods ended on the dates presented and may not be appropriate for other purposes. Forward-looking statements typically use the conditional, as well as words such as prospects, believe, estimate, forecast, project, expect, anticipate, plan, may, should, could and would, or the negative of these terms, variations thereof or similar terminology.

By their very nature, forward-looking statements are based on assumptions and involve inherent risks and uncertainties, both general and specific in nature. It is therefore possible that the forecasts, projections and other forward-looking statements will not be achieved or will prove to be inaccurate. Although the Bank believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct.

The *pro forma* impact of Basel III on regulatory capital ratios is based on the Bank's interpretation of the proposed rules announced by the Basel Committee on Banking Supervision (BCBS) and related requirements of the Office of the Superintendent of Financial Institutions Canada (OSFI). The *pro forma* impact of Basel III on regulatory capital ratios also includes the anticipated impact of International Financial Reporting Standards (IFRS) conversion. The Basel rules and impact of IFRS conversion could be subject to further change, which may impact the results of the Bank's analysis.

The Bank cautions readers against placing undue reliance on forward-looking statements when making decisions, as the actual results could differ considerably from the opinions, plans, objectives, expectations, forecasts, estimates and intentions expressed in such forward-looking statements due to various material factors. Among other things, these factors include capital market activity, changes in government monetary, fiscal and economic policies, changes in interest rates, inflation levels and general economic conditions, legislative and regulatory developments, competition, credit ratings, scarcity of human resources and technological environment. The Bank further cautions that the foregoing list of factors is not exhaustive. For more information on the risks, uncertainties and assumptions that would cause the Bank's actual results to differ from current expectations, please also refer to the Bank's Annual Report under the title "Integrated Risk Management Framework" and other public filings available at www.sedar.com.

With respect to the MRS Companies transaction, such factors also include, but are not limited to: the anticipated benefits from the transaction such as it being accretive to earnings and synergies may not be realized in the time frame anticipated; the ability to promptly and effectively integrate the businesses; reputational risks and the reaction of B2B Trust's or MRS Companies' customers to the transaction; and diversion of management time on acquisition-related issues.

The Bank does not undertake to update any forward-looking statements, whether oral or written, made by itself or on its behalf, except to the extent required by securities regulations.

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Note: Unless otherwise specified, all information presented herein is as at October 31, 2011. References herein to the 2011 Annual Report are references to the Annual Report of Laurentian Bank of Canada for the fiscal year ending October 31, 2011. References to Annual Reports and MD&A are references to the Annual Reports and MD&A of Laurentian Bank of Canada. All documents referred to herein are available on SEDAR (www.sedar.com) and are incorporated herein by reference.

1. CORPORATE STRUCTURE

1.1 Name, Address and Incorporation

The full name of the issuer is Laurentian Bank of Canada (the “Bank”). Its head office is located at 1981 McGill College Avenue, Montreal, Quebec, Canada, H3A 3K3.

The Bank is incorporated under the *Bank Act* (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 January 1, 1994, Desjardins-Laurentian Financial Corporation became the majority shareholder of the Bank following its acquisition of the Bank’s parent corporation, Laurentian Group Corporation. On November 12, 1997, Desjardins-Laurentian Financial Corporation, which held 57.5% of the common shares of the Bank, sold its shares by secondary distribution. The Bank thereby became a bank listed in Schedule I of the *Bank Act* (Canada).

1.2 Intercorporate Relationships

The principal subsidiaries of the Bank are: B2B Trust, Laurentian Trust of Canada Inc., LBC Trust, Laurentian Bank Securities Inc., LBC Financial Services Inc., LBC Investment Management Inc. and V.R. Holding Insurance Company Ltd. The Bank holds directly or indirectly 100% of all issued and outstanding shares of all such subsidiaries (V.R. Holding Insurance Company Ltd. is a wholly-owned subsidiary of LBC Investment Management Inc.). All the foregoing subsidiaries are incorporated or continued in Canada under the provisions of a federal act, except V.R. Holding Insurance Company Ltd., which is incorporated under the provisions of an act of Barbados.

2. GENERAL DEVELOPMENT OF THE BUSINESS

2.1 Three-Year History

Fiscal 2009

In 2009, the Bank pursued its business plan, emphasizing volume growth and improvement of its effectiveness. The Bank met or exceeded all of its published objectives for fiscal 2009. Considering the prevailing economic conditions, this is a significant achievement. In addition, the Bank has continued to generate strong internal growth and maintained a solid financial position through the year. Record increases in loan and deposit portfolios, solid core operating revenue growth and stringent cost control contributed to sound performance from our business segments in 2009.

Several business development initiatives were launched in 2009. On June 19, 2009, the Bank announced that, subsequent to a call for tenders, Métrocom s.e.c. – the company that manages the commercial spaces for the Société de transport de Montréal’s (STM) Metro – has entrusted the Bank with the exclusive mandate to operate the automatic banking machines in all of the STM’s Metro stations. The Bank now operates 70 machines in 63 different subway stations. Moreover, the growth of deposit volumes is mostly attributable, on the one hand, to the Tax-Free Savings Account (TFSA) and GIC products, supported by an excellent 2009 RRSP campaign and on the other hand, to B2B Trust’s High Interest Investment Account (HIIA), which has generated the most important part of this growth. This product's competitiveness and ease of access for financial advisors are key contributors to its popularity and adds to B2B Trust’s leading position in the financial intermediary market.

The Bank continues to be very visible in Quebec. Based on a Léger Marketing survey published in the magazine *Commerce* in March 2009, the Bank is the second most admired financial institution (and the first bank) in Quebec.

On December 5, 2008, the Bank announced that Mr. Robert Cardinal, Senior Executive Vice-President, Finance, Administration and Strategic Development and Chief Financial Officer, had decided to retire after 18 years of service with the organization. Mr. Michel C. Lauzon succeeded him on January 5, 2009.

Further information on the Bank's development during the 2009 fiscal year can be found on pages 14 to 54 of the 2009 Annual Report.

Fiscal 2010

For the fourth year in a row, the Bank reported record results, despite the very challenging economic conditions around the world and fierce competition in most retail segments. The Bank's financial results for fiscal 2010 are presented in the 2010 Financial Statements and the 2010 MD&A.

The continued success of the Bank was moreover reflected in various ways during the year:

- On July 22, 2010, the Standard & Poor's rating agency raised the Bank's credit ratings. The upgrade is an acknowledgement of the overall improvement in the profitability of the Bank over the last five years, despite the economic turmoil of recent years. More information on the credit ratings of the Bank can be found under the heading "Ratings (Assigned by Credit Rating Agencies)" of this Annual Information Form.
- Mr. Réjean Robitaille, President and Chief Executive Officer of the Bank, was ranked first among the most influential people within Quebec's financial sector according to a ranking sanctioned and published by *Finance et Investissement Magazine*.
- Mr. François Desjardins, President and Chief Executive Officer of B2B Trust, a subsidiary of the Bank, and Executive Vice President of the Bank, was named a recipient of Canada's Top 40 Under 40™ for 2009.
- The Bank's Evolution Chip Card project, which was aimed at meeting the requirements of a joint international initiative to combat credit and debit card fraud, earned an OCTAS Award (the OCTAS competition recognizes each year the best achievements within Quebec's Information Technologies sector and the OCTAS Award is one of the most coveted distinctions in this sphere of activity).

Continuing its growth, the Bank opened a new financial services boutique in Laval in June 2010. In addition, the Bank announced on October 28, 2010 the establishment of nine new automatic banking machines (ABMs) at train stations and bus terminals in the Greater Montréal area after obtaining an exclusive five year contract with Agence métropolitaine de transport (AMT). As at October 31, 2010, the Bank operated a network of 157 branches and 413 ABMs. The Bank operates the third largest retail branch network in Quebec.

On October 25, 2010, the Bank announced the issuance in Canada of \$250 million principal amount of 2010-1 3.70% Medium Term Notes (subordinated indebtedness) due November 2, 2020 under its Medium Term Note Program. The issuance of the notes closed on November 2, 2010. Net proceeds from the issue were added to the Bank's general funds and will be used for general banking purposes. Further information on this issuance can be found under the heading "Prior Sales" of this Annual Information Form.

On November 23, 2009 the Bank announced executive organizational changes following the retirement of Mr. Bernard Piché, who held the position of Senior Executive Vice-President, Treasury, Capital Markets and Brokerage. Further information on this reorganization can be found under the heading "Reorganizations" of this Annual Information Form.

Further information on the Bank's development during the 2010 fiscal year can be found on pages 22 to 65 of the 2010 Annual Report.

Fiscal 2011

The year 2011 marked the Bank's 165th anniversary. Once again this year, the organization posted positive results, thus demonstrating its effective implementation of its business plan.

The Bank also continued to set itself apart through its proximity to its clientele and high quality client service, as well as via its distinctive positioning within growth markets.

The organization's success was recognized in a number of different ways throughout the course of the fiscal year:

- Mr. Réjean Robitaille, President and CEO, was ranked fourth among the most influential individuals in Québec's financial sector according to a classification sanctioned and published by *Finance et investissement* Magazine. This marks the third consecutive year that Mr. Robitaille places among the top five in this ranking.
- The Bank's sustained focus on client interests was recognized for the third consecutive year by a Léger Marketing survey. More specifically, the organization ranked as the second most admired banking institution in Québec.
- J.D. Power underlined the Bank's client satisfaction efforts in an annual survey conducted among retail clients. The Bank placed second in the survey among Canada's major banks.
- On October 13, 2011, the Bank was selected as one of the winners of the Canada's 10 Most Admired Corporate Cultures™ competition (Québec and Atlantic Canada region), organized by Waterstone Human Capital.

The following major developments also marked the past fiscal year:

- On September 2, 2011, the Bank's B2B Trust subsidiary announced its intention to acquire 100% of M.R.S. Trust Company and M.R.S. Inc. by way of a stock purchase transaction, and this transaction was concluded on November 16, 2011. Thus, B2B Trust has become a prime provider of products and services to the Canadian financial advisor community. The combined entities will serve more than 22,000 advisors, boasting a loan portfolio of \$6 billion, deposits of \$10 billion, and \$25 billion of assets under administration.
- On September 2, 2011, the Bank and Mackenzie Investments also announced their intention to conclude an agreement for the distribution of Mackenzie mutual funds, and

this agreement was signed on October 14, 2011. According to the terms of the accord, as principal distributor, the Bank will supply a preferred family of Mackenzie funds as of mid-January 2012.

- On December 2, 2010, the Bank relocated a branch into entirely renovated premises in Québec City, marking the latest evolution of its financial services boutique concept. The branch embodies a new approach that features an innovative layout and a refined and warm atmosphere characterized by simplicity, accessibility, proximity, and client service and support. A second branch designed in accordance with this evolved concept was inaugurated in Longueuil on October 24, 2011.
- On January 18, 2011, the Bank opened a permanent recruitment centre inside the Berri-UQÀM subway station known as *Laurentian Bank Career Station*. Representing a first in the Canadian banking industry, the concept of this recruitment centre is aimed not only at attracting new talent in support of the Bank's growth and development, but also to offer a full range of transactional services and banking advice.
- On March 15, 2011, the Bank announced an important investment program to impact its branch network. This initiative will see 43 additional branches of its 158 branches, or 30% of its network, undergo renovations by the beginning of 2012. With the work that has been done over the past years, this latest announcement means that most of the Bank's branch network will have undergone a makeover.

Additional information related to the development of the Bank during fiscal 2011 can be found on pages 22 to 67 of the 2011 Annual Report.

3. NARRATIVE DESCRIPTION OF THE BUSINESS

3.1 General Description of the Business

The Bank is a banking institution operating across Canada and offering its clients diversified financial services. Distinguishing itself through excellence in service, as well as through its simplicity and proximity, the Bank serves individual consumers and small and medium-sized businesses. The Bank also offers its products to a wide network of independent financial intermediaries through B2B Trust, as well as full-service brokerage solutions through Laurentian Bank Securities.

The Bank is well established in the Province of Quebec, operating the third-largest retail branch network. Elsewhere throughout Canada, it operates in specific market segments where it holds an enviable position. The Bank has more than \$24 billion in balance sheet assets and more than \$35 billion in assets under administration (including the assets under administration of the MRS companies). Founded in 1846, the Bank employs nearly 3,700 people (in full time equivalents).

As at October 31, 2011, the Bank operated a network of 158 branches and 427 automatic banking machines. It has five business segments (Retail & SME Quebec, Real Estate & Commercial, B2B Trust, Laurentian Bank Securities and Capital Markets, and Other).

Further information, including financial information, on the business of the Bank, its principal markets, products and services and distribution methods, can be found in Schedule A to this Annual Information Form as well as under the heading "Review of 2011 Business Segment Operations And 2012 Priorities" on pages 23 to 27 of the 2011 Annual Report and in Note 27 "Segmented Information" on page 116 and 117 of the 2011 Annual Report.

3.2 Additional Information Relating to the Business

3.2.1 Markets and Competition

The Bank is well established in the Province of Quebec, operating the third-largest retail branch network and is also a performing player in specific markets segments elsewhere in the country. As at October 31, 2011, 36% of the Bank's total loans came from outside Quebec. The Bank ranks seventh among Canadian Schedule I chartered banks on the basis of assets.

The financial products and services industry is a mature industry with many types of competitors (notably Canadian chartered banks, foreign banks, trust and loan companies, credit unions, insurance companies, alternative financing companies, mutual fund companies, independent brokers and securities brokers). The Bank competes with them in all its areas of business. The main differentiation factors between suppliers of financial products and services are among others rates and prices offered on products and services, service quality, offering and flexibility of products and services, proximity and the use of technology.

3.2.2 Loans

To control credit risks, the Bank has implemented credit and financial management policies that include limits on the maximum commitment that may be made to an individual or commercial borrower or a financial institution.

Within the limits set for loans granted to commercial borrowers, sub-limits have been established to control the risks the Bank is prepared to assume in sectors deemed to entail higher risk. The sub-limits apply to individual commitments as well as to commitments for specific industries and products.

Lastly, the Bank has established lending commitment limits for each region. The Bank's policies exclude the possibility of granting loans outside Canada. All exceptions to the policies require the approval of the Risk Management Committee of the Board of Directors.

3.2.3 Product Development

Always seeking to offer products and services that meet its clients' needs, the Bank continuously evaluates the relevance of its product offering and performs the research necessary to ensure its optimization. Product development is mainly done internally. Drawing on the expertise of the specialists of each business segment and the Marketing team, it constitutes a normal and regular activity of the Bank.

3.2.4 Skills and Specialized Knowledge

The success of a financial institution's business is based on, among other things, the skills and expertise of its human resources. As a result, the recruitment of competent resources, continuous training and the transfer of knowledge are key activities crucial to the Bank's performance. Despite a highly competitive job market, the working conditions and challenges offered by the Bank give it access to the resources necessary for its operation. The skill of its employees is an undeniable asset for the Bank.

3.2.5 Intangible Assets

The Bank attaches great value to its trademarks and other intellectual property rights. It has registered or applied to register a number of trade names and trademarks. The Bank follows up on

its rights in this area; the duration and effects involved are variable. Further information thereon can be found under the heading “Goodwill, other intangible assets and other assets” on page 59 of the 2011 Annual Report and in Note 8 “Goodwill and Other Intangible Assets” on page 90 of the 2011 Annual Report.

3.2.6 Economic Dependence

Due to the nature of its activities and resources, the Bank is highly autonomous in its operations. However, it has entered into agreements with certain suppliers who provide strategic services to it on an outsourcing basis. For example, the Bank has entered into agreements with suppliers of information technology services that cover the processing and execution of all transactions related to its central information systems. Also in the information technology field, the Bank has outsourced the development and maintenance of its office automation applications and specialized applications to certain information technology consulting firms.

3.2.7 Business Cycle

The Bank’s business generally follows economic cycles, and seasonal variation is relatively minor. However, the second quarter of the fiscal year, which has less days than the others (89 days compared to 92 days for the three other quarters) generates lower net interest income. This income generally accounts for more than 65% of the Bank’s total income and is affected by this shorter period. Further information thereon can be found under the heading “Analysis of the evolution of the quarterly results” on pages 37 and 38 of the 2011 Annual Report.

3.2.8 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 its interests are reasonably protected. To date, environmental risks have had no material effect on the Bank’s operations and results.

Due to the nature of the Bank’s activities, environmental protection requirements have little impact on its business. However, the Bank is careful to manage its resources so as to limit the impact of its activities on the environment, in particular by encouraging recycling and optimal use of physical resources.

3.2.9 Reorganizations

On November 23, 2009, the Bank announced executive organizational changes following the decision of Mr. Bernard Piché, Senior Executive Vice-President, Treasury, Capital Markets and Brokerage, to retire in December 2009. Since that date:

- The Corporate Treasury department is led by Mr. Michel C. Lauzon, Executive Vice-President and Chief Financial Officer;
- Capital Markets activities is under the direction of Mr. Michel C. Trudeau, President and Chief Executive Officer of Laurentian Bank Securities; and
- Mr. Paul Hurtubise, Senior Vice-President, is responsible for the Real Estate & Commercial business segment in its entirety, which also includes the Foreign Exchange sector.

In light of the growing importance of risk management, the Bank decided to group together, as of September 3, 2010, all sectors involved in this activity. The Credit sector is now under the responsibility of Mr. Pierre Minville, Senior Vice-President, Integrated Risk Management, who reports directly to the President and Chief Executive Officer.

On October 27, 2011, the Bank announced the appointment of Mr. Michel C. Trudeau, Executive Vice-President of Capital Markets and President and CEO of Laurentian Bank Securities Inc., and Mr. Pierre Minville, Executive Vice-President and Chief Risk Officer, to sit as members of the organization's Management Committee. Moreover, the Bank introduced the Human Resources function in the Retail and SME-Québec sector under the direction of Mr. Luc Bernard, Executive Vice-President, Retail Financial Services and SME. For its part, the corporate Human Resources function is managed by Ms. Lorraine Pilon, Executive Vice-President, Corporate Affairs, Human Resources, and Secretary.

Information concerning the nature and results of other material reorganizations of the Bank or its subsidiaries, as the case may be, is presented under the heading "Three-Year History" herein and in the section "Discontinued Operations" on page 67 of the 2011 Annual Report.

3.2.10 Social Policies

The Bank is concerned with being a good corporate citizen and contributing to the well-being of the community. Each year, approximately 1% of the Bank's net after-tax income is paid out in the form of donations to organizations and institutions that provide services to the public. The Bank concentrates its actions in a certain number of sectors and its key goals are: to contribute to build the future of our children, build a healthy society and encourage mutual support. The Bank also encourages its employees to get involved in their communities.

Equity is a principle that the Bank applies in all its activities. Determined to provide equal employment opportunities to all its employees and all potential candidates, the Bank has implemented an employment equity program. More than 50% of the Bank's managers are women.

3.3 Risk Factors

The information regarding the Bank's significant risk factors is presented under the "Outlook and Objectives for 2012" and "Integrated Risk Management Framework" headings on pages 28 and 29 and on pages 45 to 57 of the 2011 Annual Report and in Note 21 "Financial Instruments - Risk Management" on page 105 to 110 of the 2011 Annual Report. Reference is also made to the "Caution Regarding Forward-Looking Statements" on page 2 of this Annual Information Form.

4. DIVIDENDS

During the fiscal years specified below, the Bank declared the following dividends:

Dividends Declared			
	2011	2010	2009
	Per share (\$)	Per share (\$)	Per share (\$)
Common shares	1.62	1.44	1.36
Class A Preferred Shares			
Series 9	1.50	1.50	1.50
Series 10	1.31	1.31	1.31

At its meeting on December 9, 2009, the Board of Directors approved a \$0.02 per common share or 6% increase in the quarterly dividend, to \$0.36 per common share.

At its meeting on December 8, 2010, the Board of Directors approved a \$0.03 per common share or 8% increase in the quarterly dividend, to \$0.39 per common share.

At its meeting on June 2, 2011, the Board of Directors approved a \$0.03 per common share or 8% increase in the quarterly dividend, to \$0.42 per common share.

At its meeting on December 7, 2011, the Board of Directors approved a \$0.03 per common share or 7% increase in the quarterly dividend, to \$0.45 per common share.

Restrictions

Restrictions to the declaration and payment of dividends are described at Note 13 “Capital Stock” on page 91 to 93 of the 2011 Annual Report.

Policy

The Bank aims to pay a dividend on its common shares that will fall within the range of 40% to 50% of net income per share, while ensuring that capital is maintained at an optimal level for supporting its operations. The Bank’s common share dividend payout ratio could, however, fall outside the range:

- to the extent necessary to ensure that capital is maintained at an optimal level for supporting the Bank’s operations;
- if the net income per share is affected by the result of operations or events of a non-recurring nature;
- if the net income per share is at an atypical level and the forecasts indicate a return of the net income per share to a normal level.

Reference is also made to the heading “Dividends” on page 44 of the 2011 Annual Report.

5. CAPITAL STRUCTURE

5.1 General Description of Capital Structure

Information regarding the Bank’s capital structure can be found under the heading “Shareholders’ Equity” on page 39 and under the heading “Capital Management” on pages 42 to 44 of the 2011 Annual Report as well in Note 13 “Capital Stock” on page 91 to 93 of the 2011 Annual Report.

The holders of common shares are entitled to one vote for each share held at all meetings of shareholders, except meetings at which only holders of preferred shares of one or more series are entitled by law to vote. The holders of common shares are entitled to receive dividends if, as and when declared by the Board of Directors, subject to the rights of holders of preferred shares. In the event of any liquidation, dissolution or winding-up of the Bank, subject to the rights of holders of preferred shares, the holders of common shares are entitled to participate rateably in any distribution of the remaining property of the Bank.

The characteristics of non-cumulative Class A Preferred Shares Series 9 can be found in the final Short Form Prospectus dated October 25, 2001, and more specifically on pages 5 to 9, relating to the issuance of this series of shares.

The characteristics of non-cumulative Class A Preferred Shares Series 10 can be found in the final Short Form Prospectus dated April 6, 2004, and more specifically on pages 5 to 9, relating to the issuance of this series of shares.

On November 17, 2010, the Bank announced that it irrevocably waives and renounces to its right of conversion into common shares of the Bank of the non-cumulative Class A Preferred Shares Series 9 and 10 of the Bank.

5.2 Ratings (Assigned by Credit Rating Agencies)

Information regarding the ratings assigned by credit rating agencies can be found in the following tables and under the heading “Liquidity and Funding Risk Management” on pages 53 to 55 of the 2011 Annual Report.

Standard & Poor’s (S&P)

Deposits and debts	BBB+	<ul style="list-style-type: none"> ▪ BBB is the fourth highest of S&P’s ten long-term credit categories ▪ The sign “+” means that the securities should be considered as belonging in the upper echelon of the category
Subordinated debentures	BBB	<ul style="list-style-type: none"> ▪ BBB is the fourth highest of S&P’s ten long-term credit categories
Preferred shares	BBB- [or P-2 (Low) on the Canadian scale]	<ul style="list-style-type: none"> ▪ BBB is the fourth highest of S&P’s ten long-term credit categories ▪ The sign “-” means that the securities should be considered as belonging in the lower echelon of the category
Short-term instruments	A-2 [A-1 (Low) on the Canadian scale]	<ul style="list-style-type: none"> ▪ A-2 is the second highest of S&P’s six short-term credit categories

DBRS Limited (DBRS)

Deposits and debts	BBB (High)	<ul style="list-style-type: none"> ▪ BBB is the fourth highest of DBRS’s ten long-term credit categories ▪ The qualifier “High” means the securities should be considered as belonging in the upper echelon of the category
Subordinated debentures	BBB	<ul style="list-style-type: none"> ▪ BBB is the fourth highest of DBRS’s ten long-term credit categories
Preferred shares	Pfd-3 (Low)	<ul style="list-style-type: none"> ▪ Pfd-3 is the third of DBRS’s six preferred share credit categories ▪ The qualifier “Low” means the securities should be considered as belonging in the lower echelon of the category
Short-term instruments	R-1 (Low)	<ul style="list-style-type: none"> ▪ R-1 is the first of DBRS’s six short-term credit categories ▪ The qualifier “Low” means the securities should be considered as belonging in the lower echelon of the category

A rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating organization.

Rating Trends and Outlooks

As at the date of this Annual Information Form, the credit rating agencies' rating outlooks are as follows:

S&P	Stable
DBRS	Stable

A S&P rating outlook assesses the potential direction of a long-term credit rating over the intermediate term (typically six months to two years). In determining a rating outlook, consideration is given to any changes in the economic and/or fundamental business conditions. An outlook is not necessarily a precursor of a rating change or future action. The S&P rating outlooks have the following meanings:

- "Positive" means that a rating may be raised
- "Negative" means that a rating may be lowered
- "Stable" means that a rating is not likely to change
- "Developing" means a rating may be raised or lowered

Each DBRS rating category is appended with one of three rating trends—"Positive," "Stable," "Negative"—in addition to "Under Review." The rating trend helps to give the investor an understanding of DBRS's opinion regarding the outlook for the rating in question. However, the investor must not assume that a positive or negative trend necessarily indicates that a rating change is imminent.

6. MARKET FOR SECURITIES

6.1 Trading Price and Volume

The common and preferred shares of the Bank are listed on the Toronto Stock Exchange (TSX).

<u>Price Range and Volume Traded</u>			
Laurentian Bank of Canada (Common Shares) Symbol: "LB" on the TSX			
Month	High (\$)	Low (\$)	Volume
November 2010	45.78	44.26	1,362,699
December 2010	49.16	45.40	2,104,869
January 2011	53.10	48.53	1,614,180
February 2011	55.44	53.17	1,554,933
March 2011	54.95	49.93	2,565,586
April 2011	50.75	48.57	1,518,035
May 2011	52.40	49.48	1,236,118
June 2011	51.65	44.00	2,303,456
July 2011	45.63	42.86	1,133,962
August 2011	44.02	39.18	1,812,653
September 2011	44.79	42.55	1,666,230
October 2011	46.03	42.92	1,519,251
Total			20,391,972

Price Range and Volume Traded Laurentian Bank of Canada (Preferred Shares Series 9) Symbol: "LB.PR.D" on the TSX			
Month	High (\$)	Low (\$)	Volume
November 2010	25.75	25.25	64,033
December 2010	25.59	25.03	71,365
January 2011	25.54	25.30	40,816
February 2011	25.56	25.32	66,647
March 2011	25.60	25.21	64,684
April 2011	25.50	25.21	98,237
May 2011	25.49	25.25	75,810
June 2011	25.58	25.20	81,302
July 2011	25.58	25.32	52,132
August 2011	25.80	25.25	87,272
September 2011	25.95	25.33	58,993
October 2011	25.70	25.19	50,612
Total			811,903

Price Range and Volume Traded Laurentian Bank of Canada (Preferred Shares Series 10) Symbol: "LB.PR.E" on the TSX			
Month	High (\$)	Low (\$)	Volume
November 2010	25.45	23.21	99,031
December 2010	24.66	23.66	68,467
January 2011	24.38	23.81	93,671
February 2011	24.92	24.47	68,193
March 2011	24.95	24.20	113,146
April 2011	24.95	23.95	92,085
May 2011	25.20	24.54	85,306
June 2011	25.15	24.65	87,946
July 2011	25.20	24.90	57,757
August 2011	25.39	24.90	75,642
September 2011	25.45	24.78	46,624
October 2011	25.31	24.62	63,920
Total			951,788

6.2 Prior Sales

The Bank did not issue any shares or subordinated indebtedness not listed or quoted on a marketplace in the 2011 fiscal year. However, on October 25, 2010, the Bank announced the issuance in Canada of \$250 million principal amount of 2010-1 3.70% Medium Term Notes (subordinated indebtedness) due November 2, 2020 under its Medium Term Note Program. The issuance of the notes closed on November 2, 2010.

Security	Date issued	Issue Price to Public per \$1,000 Principal Amount	Number of securities issued
\$250 million principal amount of 2010-1 3.70% Medium Term Notes (subordinated indebtedness) due November 2, 2020	November 2, 2010	\$997.33	250,000

On January 25, 2011, the Bank exercised its right to redeem all of its 4.90% Debentures, Series 10, due 2016, of an aggregate principal amount of \$150 million.

7. DIRECTORS AND OFFICERS

7.1 Name, Position and Security Holding

As at October 31, 2011, the directors and executive officers of the Bank, as a group, beneficially own, directly or indirectly, or exercise control or direction over, 63,077 common shares of the Bank (representing 0.264% of the issued and outstanding common shares of the Bank).

Directors

As at the date of this Annual Information Form, the directors of the Bank are:

Name	Place of residence	Director since	Principal occupation
Pierre Anctil	Westmount (Quebec)	2011	President and Chief Executive Officer, Fiera Axiom Infrastructure Inc.
Lise Bastarache	Candiac (Quebec)	2006	Economist and corporate director
Jean Bazin	Montreal (Quebec)	2002 (and from 1990 to 2000)	Counsel, Fraser Milner Casgrain LLP
Richard Bélanger	Lac-Beauport (Quebec)	2003	President, Toryvel Group Inc.
Ève-Lyne Biron	Candiac (Quebec)	2003	President and General Manager, Biron Health Group Inc.
Isabelle Courville	Montreal (Quebec)	2007	President, Hydro-Québec Distribution
L. Denis Desautels ¹	Ottawa (Ontario)	2001	Chartered accountant and corporate director
Pierre Genest	Quebec (Quebec)	2006	Chairman of the Board, SSQ, Life Insurance Company Inc.
Michel Labonté	Montreal (Quebec)	2009	Corporate director
Jacqueline C. Orange	Toronto (Ontario)	2008	Corporate director
Marie-France Poulin	Quebec (Quebec)	2009	Vice-President, Camada Group Inc.
Réjean Robitaille	Montreal (Quebec)	2006	President and Chief Executive Officer, Laurentian Bank of Canada
Jonathan I. Wener	Hampstead (Quebec)	1998	Chairman of the Board, Canderel Management Inc.

¹ Chairman of the Board

All directors will hold office until the close of the next annual meeting of the shareholders of the Bank or until the election or appointment of their successors.

All the directors of the Bank have held their present positions or other management positions in the same or related companies during the last five years, with the exception of Mr. Pierre Anctil who, prior to June 2008, was Executive Vice-President – Office of the President at SNC-Lavalin Inc.; Ms. Isabelle Courville who, prior to January 2007, was President of Bell Canada’s Enterprise Group; Mr. L. Denis Desautels who, prior to October 2008, was Executive-in-Residence of the School of Management of the University of Ottawa; Mr. Michel Labonté who, prior to December 2008, was a financial consultant and Ms. Jacqueline C. Orange who, prior to June 2008, was Governor of the University of Toronto and Chair of its business Board (2003-2007).

The Bank has three committees of the Board of Directors, the members of which are as follows:

Audit Committee: Pierre Anctil, Richard Bélanger (Chair), Ève-Lyne Biron, L. Denis Desautels and Jacqueline C. Orange.

Risk Management Committee: Lise Bastarache, Richard Bélanger, Pierre Genest (Chair), Michel Labonté and Jonathan I. Wener.

Human Resources and Corporate Governance Committee: Jean Bazin, Isabelle Courville (Chair), L. Denis Desautels, and Marie-France Poulin.

Executive Officers

The Bank’s executive officers as at the date of this Annual Information Form and their place of residence are:

Name	Position	Place of Residence
Réjean Robitaille	President and Chief Executive Officer	Montreal (Quebec)
Luc Bernard	Executive Vice-President, Retail Financial Services and SMEs	Longueuil (Quebec)
François Desjardins	Executive Vice-President, Bank, and President and Chief Executive Officer, B2B Trust	Toronto (Ontario)
Michel C. Lauzon	Executive Vice-President and Chief Financial Officer	Rosemère (Quebec)
Pierre Minville	Executive Vice-President and Chief Risk Officer	Blainville (Quebec)
Lorraine Pilon	Executive Vice-President, Corporate Affairs, Human Resources and Secretary	Montreal (Quebec)
Michel C. Trudeau	Executive Vice-President, Capital Markets and President and Chief Executive Officer of Laurentian Bank Securities.	Town of Mount-Royal (Quebec)

All the executive officers of the Bank have held their present positions or other management positions at the Bank or its subsidiaries during the last five years, with the exception of Mr. Michel C. Lauzon who, prior to August 2007, was Senior Vice-President, Corporate Development and Chief Financial Officer of Centria Commerce Inc.

8. LEGAL PROCEEDINGS AND REGULATORY ACTIONS

8.1 Legal Proceedings

Relevant information with respect to legal proceedings can be found in Note 26 “Contingencies” on page 116 of the 2011 Annual Report.

8.2 Regulatory Actions

On December 21, 2009, a settlement agreement was reached between the Autorité des marchés financiers (AMF) and Laurentian Bank Securities Inc. (LBS), a subsidiary of the Bank, whereby LBS agreed among other things to pay \$2.8 million as an administrative penalty and \$400,000 as investigation fees, in connection with its activities of distribution and sale of asset-backed commercial paper (ABCP).

9. TRANSFER AGENTS AND REGISTRARS

The transfer agent and registrar of the Bank is Computershare Investor Services Inc. The transfer books for each class of shares of the Bank are kept in Chicago, Illinois, United States.

10. MATERIAL CONTRACTS

By way of an agreement dated October 11, 2011, for which a closing occurred on November 16, 2011, B2B Trust, a Bank subsidiary, acquired 100% of M.R.S. Trust Company and M.R.S. Inc. through a stock purchase transaction. The share purchase agreement is filed with this annual information form.

An agreement was entered into on October 14, 2011 between the Bank and Mackenzie Investments for the distribution of Mackenzie Mutual Funds. According to the terms of the agreement, as principal distributor, the Bank will supply a preferred family of Mackenzie funds as of mid-January 2012. The distribution agreement is filed with this annual information form.

11. INTERESTS OF EXPERTS

11.1 Names of Experts

The external auditor of the Bank is Ernst & Young LLP. The external auditor has confirmed that it is independent in accordance with the applicable rules of professional conduct.

12. AUDIT COMMITTEE DISCLOSURE

12.1 Mandate of the Audit Committee

The mandate of the Audit Committee can be found in Schedule B to this Annual Information Form.

12.2 Composition of the Audit Committee

The Audit Committee of the Bank is formed of:

Richard Bélanger, Chair
Pierre Anctil
Ève-Lyne Biron
L. Denis Desautels
Jacqueline C. Orange

According to the evaluation made by the Human Resources and Corporate Governance Committee, each member of the Audit Committee is independent and financially literate within the meaning of Rule 52-110 on Audit Committees.

12.3 Relevant Education and Experience

Richard Bélanger, FCA – Mr. Bélanger is president of Toryvel Group Inc. Prior to June 2004, he was Senior Vice-President, Eastern Operations and Corporate Development of Canfor Corporation. He has also served as, among other positions, President and Chief Executive Officer of Daaquam Lumber Inc. and Chairman and Chief Executive Officer of Produits forestiers Anticosti Inc. From 1982 to 1992, he was managing partner of the Bélanger, Girard, Lavoie, Mooney accounting firm, which he founded after having served as an auditor for the Raymond, Chabot, Martin, Paré accounting firm.

A chartered accountant since 1980, Mr. Bélanger was awarded the Prix Émérite and the designation Fellow by the Ordre des comptables agréés du Québec in 2004. Since 1997, he is a member of the Board of Directors and of the Audit Committee of Stella-Jones Inc., a publicly-traded company. He is also Chairman of the Board and a member of the Audit Committee of Genivar Inc., a publicly-traded entity. Mr. Bélanger is a member of the Board of Directors and Audit Committee of the Bank since March 20, 2003 and also a member of the Risk Management Committee and Chairman of the Audit Committee since March 7, 2006.

Pierre Anctil – Mr. Anctil is President and Chief Executive Officer of Fiera Axiom Infrastructure Inc. since January 2009. From May 1997 to June 2008, Mr. Anctil held various management positions for SNC-Lavalin Inc., more particularly as Executive Vice-President – Office of the President from May 2001 to June 2008, period during which he held corporate responsibility for investments in infrastructure and public-private partnership projects. From 1994 to 1996, Mr. Anctil was successively Chief of Staff to the Premier of Quebec and Chief of Staff to the leader of the official opposition in Quebec's National Assembly.

Mr. Anctil is an engineer and holder of a master's degree in business administration and has more than 25 years of public and private sector experience in strategic planning, business development and executive management. Since August 2004, he is a member of the Board of directors of Gaz Métro inc. and sat on various committees, particularly as Chair of the Pension Fund Committee. He is also member of the Board of directors of the Montreal Heart Institute since December 2004 and Chairman since December 2009.

Ève-Lyne Biron – Ms. Biron is President and General Manager of Biron Health Group Inc., a private company of diagnostic and therapeutic services with annual sales of more than \$40 million. In this capacity, Ms. Biron is actively involved in the process of preparing financial reports. Ms. Biron sits on the Board of Directors of the Bank since March 20, 2003. She was a member of the Bank's audit committee from March 2003 to May 2004 and is a member since March 11, 2008. During such times, she had the opportunity to perfect her understanding of internal controls and reporting of financial information. Ms. Biron holds a masters of business administration degree and a certification of the Institute of Corporate Directors, affiliated to McGill University. Ms. Biron is also a member of the Board of Directors of Corporation Épiderma Inc.

L. Denis Desautels, O.C., FCA – Mr. Desautels is a chartered accountant since 1964. He worked as a certified public accountant, auditor and senior partner of the Ernst & Young accounting firm (formerly Clarkson Gordon) from 1964 to 1991. Mr. Desautels was appointed Auditor General of Canada in 1991, a position he held until 2001. As such, he was responsible for auditing the

financial statements of the Canadian government, territorial governments and many Crown corporations.

The Ordre des comptables agréés du Québec and the Institute of Chartered Accountants of Ontario awarded him the title of Fellow in 1986 and 1991 respectively. More recently, he has received honorary doctorates from the University of Ottawa, Waterloo University and Saint Paul University and has also been appointed an Officer of the Order of Canada.

Mr. Desautels is a member of the boards of directors and president of the audit committees of Bombardier Inc. and The Jean Coutu Group (PJC) Inc. He is also president of the Accounting Standards Oversight Council. He was a member of the board of directors and president of the audit committee of Alcan Inc. from 2003 to 2007. Mr. Desautels sits on the Board of Directors of the Bank since December 4, 2001. He chaired the Audit Committee from March 21, 2002 to March 20, 2003, at which time he became Chairman of the Board.

Jacqueline C. Orange – Ms. Orange is a corporate director and sits on the Board of Directors and Audit Committee of the Bank since March 11, 2008. From 1996 to 2005, she was President and Chief Executive Officer of Canada Investment and Savings, a special operating agency of the Department of Finance, Government of Canada, where she was responsible for \$22 billion in assets and over \$3 billion in annual sales. For the seventeen years prior, she held increasingly senior positions in the banking, trust and insurance industries. Ms. Orange is a member of the Independent Review Committee of First Trust Portfolios Canada and a member of the Board and the Audit Committee of the Accountants Council of the Province of Ontario. She was a member of the Governing Council of the University of Toronto from 1999 to 2008, where she was chair of its Business Board from 2003 to 2007 (the Audit Committee of the University reported to the Business Board, which reviewed and accepted the financial statements).

Ms. Orange holds a master of business administration degree from The Richard Ivey School of Business, University of Western Ontario. In 2008, she received the ICD.D director designation from the Institute of Corporate Directors, including completion of the Directors Education Program at the Rotman Business School of the University of Toronto.

12.4 Prior Approval Policies and Procedures

During the fiscal year, the Audit Committee reviewed the Bank's policy regarding the services that could be provided by its external auditor. The policy specifies the prior approval procedures for non-auditing services provided by the Bank's auditor. The policy generally prohibits the Bank from hiring its auditor to provide certain services unrelated to audits at the Bank and its subsidiaries, including services related to bookkeeping and to the financial statements; to the design and implementation of financial information systems; to evaluation, actuarial, internal audit and investment banking services; to management and human resources functions; and to legal services. The policy allows the Bank to retain the services of the auditor for non-auditing services in certain cases and only with the prior approval of the Audit Committee. The Committee thus approved in accordance with the policy certain services to be rendered by the external auditor in connection with the Bank's transition towards International Financial Reporting Standards (IFRS). In addition, the policy sets out various restrictions on the hiring of personnel who have worked for the external auditor.

12.5 Fees for the Services of the External Auditor (Broken Down by Category)

The following table presents by category the fees billed by the external auditor Ernst & Young LLP for the fiscal years ended October 31, 2011 and 2010.

Fee category	2011 (\$)	2010 (\$)
Audit fees	1,822,000	1,876,000
Fees for audit-related services	522,000	249,000
Fees for tax services	129,000	19,000
Other fees	312,000	134,000
Total	2,785,000	2,278,000

“**Audit fees**” include all fees of Ernst & Young LLP for the audit of the annual consolidated financial statements, examination of the interim financial statements, the other statutory audits and submissions, and the fees related to consultation regarding standards of accounting and financial disclosure.

“**Fees for audit-related services**” include all fees of Ernst & Young LLP for certification services and other related services traditionally carried out by the independent auditor, including the services related to the adoption of International Financial Reporting Standards, the audit of various trusts and other entities required in the context of securitization of mortgage loans receivables.

“**Fees for tax services**” include all fees of Ernst & Young LLP for tax-related advice other than the time devoted to the review of fiscal impacts as part of the audit and examination of the financial statements.

“**Other fees**” include all fees of Ernst & Young LLP for all services other than those posted in the Audit Fees, Fees for audit-related services and Fees for tax services categories, in particular translation services and business recovery services where the auditor acts as privately appointed receiver and manager pursuant to the terms of a security instrument held by the Bank, as well as services pertaining to the improvement of the credit processes.

13. ADDITIONAL INFORMATION

Additional information relating to the Bank may be found on SEDAR (www.sedar.com) and on the Bank’s website (www.laurentianbank.ca).

Additional information, including directors’ and officers’ remuneration and indebtedness, principal holders of the Bank’s securities and securities authorized for issuance under equity compensation plans, if applicable, is contained in the Bank’s Management Proxy Circular for its most recent annual meeting of security holders that involved the election of directors.

Additional financial information is provided in the Bank’s financial statements and MD&A for its most recently completed financial year.

The Bank will provide to any person or corporation, upon written request to the Executive Vice-President, Corporate Affairs, Human Resources and 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 management proxy 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 management proxy circular, if applicable;
 - (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.

SCHEDULE A

PROFILE OF BUSINESS SEGMENTS As at October 31, 2011

Business Segment	Retail & SME Quebec	Real Estate & Commercial	B2B Trust	Laurentian Bank Securities and Capital Markets	Other
Profile	<p>Complete line of products and services for individuals and small and medium-sized enterprises in Quebec offered through:</p> <ul style="list-style-type: none"> ▪ 158 branches, including 36 financial services boutiques and 2 Espresso Bank Cafés; ▪ 14 commercial banking centres and 8 agricultural banking centres; ▪ 427 automated banking machines with exclusive presence in Montreal's metro. <p>Point-of-sale financing offered through a merchants' network across Canada.</p>	<p>Real estate financing in Canada through 8 real estate financing centres across the country;</p> <p>Commercial financing in Ontario through 4 commercial financing centres;</p> <p>Corporate financing in Quebec offered by the National Accounts team based in Montreal and Quebec City.</p>	<p>Financial products and services offered through a network of more than 15,000 independent financial advisors (financial advisors, planners and brokers) for distribution to their clients throughout Canada.</p>	<p>Complete range of investment products (offered through a network of 15 offices in Quebec and Ontario) grouped under five business lines:</p> <ul style="list-style-type: none"> ▪ Institutional – Fixed Income ▪ Institutional – Equity ▪ Retail Brokerage ▪ Discount Brokerage ▪ Business Services 	<p>Services include:</p> <ul style="list-style-type: none"> ▪ Treasury, Finance and Technology ▪ Risk Management ▪ Corporate Affairs and ▪ Human Resources.
Number of Employees (in full time equivalents)	Approximately 2,500	Approximately 120	Approximately 400	Approximately 240	Approximately 440

Business Segment	Retail & SME Quebec	Real Estate & Commercial	B2B Trust	Laurentian Bank Securities and Capital Markets	Other
Summary of Products and Services	<p>Retail Transactional products, mortgage solutions, loans, lines of credit, investment products (guaranteed investment certificates, term deposits, mutual funds, etc.), VISA credit cards, debit cards and credit insurance</p> <p>SME Short- and long-term financing solutions, investment products, transactional services, VISA credit cards, electronic services, foreign exchange transactions and international transaction settlement</p>	<p>Real estate, commercial and corporate financing</p> <p>International services dedicated to the foreign trade activities of small and medium-sized businesses</p>	<p>Investment and RRSP loans, guaranteed investment certificates and High Interest Investment Account deposits, residential broker mortgages, self-directed accounts and banking services</p>	<p>Institutional – Fixed Income Research and trading of government and corporate securities Financing of governments and corporations</p> <p>Institutional – Equity Research and trading of securities issued by small-cap companies for portfolio managers Financing of small-cap companies</p> <p>Retail Brokerage Advisory, trading and research, as well as Immigrant Investor Program</p> <p>Discount Brokerage Execution of attractively priced transactions for informed clients</p> <p>Business Services Complete back-office administrative services</p>	

SCHEDULE B

MANDATE OF THE AUDIT COMMITTEE

1. Establishment

The Audit Committee (the «Committee») is constituted by the Bank's Board of Directors in order to support it in exercising its oversight and communication and disclosure functions.

The Committee reviews its mandate annually.

2. Appointment and Membership

The Committee consists of at least three directors.

At the Board meeting that follows the annual meeting of shareholders, the Board of Directors appoints the directors who make up the Committee and its Chair. The Committee shall be formed of members who are not employees or officers of the Bank or a subsidiary and a majority of whom are not affiliated with the Bank. All Committee members must meet the independence requirements established by the Board and are financially literate as stipulated in *Multilateral Instrument 52-110 – Audit Committees*.

Unless they are replaced in the interim by decision of the Board, the Committee members shall remain in office until the Board meeting that follows the annual meeting of shareholders.

3. Compensation

For their services, the members of the Committee receive the compensation established by resolution of the Board.

4. Meetings

The Committee meets at least once every quarter.

Committee meetings may be held without notice provided the members waive such notice, as often as the members deem appropriate and at the location determined by them.

The Committee Chair, the President and Chief Executive Officer, the Chief Financial Officer, the officer in charge of internal audit and the external auditor can demand that a meeting be held.

The external auditor receives notice of and may attend Committee meetings.

5. Quorum

Quorum at Committee meetings shall be constituted by a majority of the members.

6. Chair

The Committee Chair, as designated by the Board of Directors, chairs the Committee meetings. In the Chair's absence, the members present may elect from their number a Chair pro tempore.

The external auditor, the officer in charge of internal audit and the officer in charge of Regulatory Risk Management may communicate directly with the Chair.

7. Procedure

The procedure for Committee meetings shall be the same as that for meetings of the Board of Directors.

8. Powers of the Committee

In carrying out its mandate, the Committee, if it deems appropriate, may:

- (a) call a meeting of directors;
- (b) communicate with or meet privately with any officer or employee of the Bank as well as with its internal and/or external auditors; and
- (c) call on the services of resources external to and independent of the Bank and determine and pay the related fees in compliance with the policy of the Board of Directors regarding the use of external advisors.

9. Secretary

The Secretary of the Bank or any other officer designated by the President of the Bank shall carry out, with respect to the Committee's mandate, the duties of the secretary and those assigned by the Committee Chair.

10. Functions

The Committee discharges its statutory obligations and exercises the following functions which are delegated by the Board as well as any other functions that may from time to time be delegated to it by the Board:

10.1 Oversight Functions

With respect to the external auditor:

- 10.1.1 recommend to the Board the appointment or dismissal of the external auditor;
- 10.1.2 assure itself of the competence, independence and the adequacy of the resources of the external auditor, review and, if appropriate, approve its mandate and engagement letter and recommend its compensation to the Board;
- 10.1.3 assure itself of the competence and independence of the external audit firm's partner in charge of the Bank's account and assure itself of his/her periodic rotation;
- 10.1.4 assure itself that the scope of the audit plan is appropriate, risk based, and addresses major areas of concern, and that the audit plan is reviewed with appropriate frequency;
- 10.1.5 oversee the external auditor's activities and resolve all issues that may arise between the external auditor and Management;
- 10.1.6 periodically review the external auditor's performance;
- 10.1.7 establish criteria for any non-audit services that the external auditor may provide, including rules stipulating when advance approval by the Committee is required, and approve such services in advance when required;
- 10.1.8 review and, if appropriate, approve the hiring policies with respect to the partners and employees and former partners and employees of the current and former external auditors;

With respect to financial information:

- 10.1.9 oversee the integrity and quality of financial statements and assure itself that the institution's accounting practices are prudent and appropriate;
- 10.1.10 discuss the quality of financial statements with the external auditor and assure itself that the financial statements fairly present the financial position, the results of operations and the cash flows of the Bank;
- 10.1.11 discuss the audit results, financial statements and related documents, audit report and any related concern of the external auditor with Management and the external auditor;

- 10.1.12 hold regular meetings with the external auditor, without Management present, to understand all issues that may have arisen during meetings between the auditor and Management in the course of the audit and how those issues have been resolved, and to determine the extent to which accounting practices being used by the Bank are appropriate relative to materiality of the item;
- 10.1.13 review the external auditor's recommendation letter which follows the annual audit and the corresponding follow-ups, material changes to accounting practices, the main value judgements on which the financial reports are based and how these reports are drafted;
- 10.1.14 review the annual and interim financial statements, management's discussion and analysis and press releases regarding annual and interim results, the annual information form and any statement required by regulatory authorities prior to their publication and recommend their adoption by the Board, if appropriate;
- 10.1.15 examine all investments and transactions likely to undermine the Bank's financial position that are reported by the external or internal auditor or an officer, including loans referred to in section 328 of the *Bank Act*, and meet with the external auditor to discuss them;
- 10.1.16 recommend to the Board the declaration of dividends and review the related press release;
- 10.1.17 review and, if appropriate, approve transfers of tax between the Bank and its affiliates;
- 10.1.18 review and, if appropriate, approve the financial statements of the pension plans offered by the Bank to its employees;

With respect to the internal audit function:

- 10.1.19 approve the selection of the officer in charge of internal audit and assure itself of his/her competence, independence and the adequacy of his/her resources and of his/her compensation and review and, if appropriate, approve his/her mandate;
- 10.1.20 assure itself that the internal audit activities have a sufficient degree of independence, sufficient status and visibility and that they are subject to periodic reviews;
- 10.1.21 assure itself that the scope of the audit plan is appropriate, risk based, and addresses major areas of concern, and that the audit plan is reviewed with appropriate frequency;
- 10.1.22 discuss with the officer in charge of internal audit his/her material findings and recommendations and follow up thereon;
- 10.1.23 periodically review the performance of the officer in charge of internal audit;

With respect to internal controls:

- 10.1.24 assure itself that Management implements appropriate internal control and management information systems, review, assess and approve such systems and assure itself of their integrity and effectiveness, including the elements comprised in any certification required by regulations;
- 10.1.25 meet with the external auditor, the officer in charge of internal audit and Management to discuss the effectiveness of the implemented internal control and management information systems and the measures taken to rectify any material weaknesses and deficiencies;
- 10.1.26 assure itself that Management implements procedures regarding the receipt, retention and handling of complaints received with respect to accounting, internal accounting controls or audit as well as regarding confidential anonymous submissions by employees on questionable accounting or audit matters, and review and, if appropriate, approve the policy on the handling of complaints and comments about suspicious accounting and audit-related activities and assure itself of its respect;

With respect to supervisory agencies:

10.1.27 meet with regulatory authorities, discuss their findings and recommendations and follow up thereon.

10.2 Communication and Disclosure Functions

10.2.1 review and, if appropriate, approve the ways by which the shareholders and other stakeholders can communicate with the Bank;

10.2.2 assure itself that adequate procedures are in place to examine communication of financial information to the public excerpted or derived from financial statements, assure itself of their effectiveness, review and, if appropriate, approve the financial information disclosure policy and assure itself of its respect;

10.2.3 report to the shareholders on the Bank's performance.

11. Reporting

The Committee reports on its activities to the Board of Directors, verbally at the Board meeting that normally follows the Committee meeting, and in writing at the subsequent Board meeting.

The Committee also reports yearly on its activities to the shareholders in the course of the annual shareholders' meeting.