



**LAURENTIAN BANK  
OF CANADA**

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## **ANNUAL INFORMATION FORM**

**March 1<sup>st</sup>, 2001**

# **PREFACE**

## **Introduction**

Laurentian Bank of Canada (the "Bank") has provided its Management's Discussion and Analysis of Financial Condition and Results of Operations (the "MD&A") on pages 21 to 37 of the Bank's Annual Report for the fiscal year ended October 31, 2000 (the "2000 Annual Report").

## **Documents incorporated by reference**

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

- (i) the MD&A;
- (ii) the 2000 Annual Report;
- (iii) the Management Proxy Circular of the Bank attached to the Notice of Annual Meeting of Shareholders dated February 8, 2001 (the "Circular").

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# ANNUAL INFORMATION FORM

## ITEM 1 - INCORPORATION OF THE BANK AND ITS SUBSIDIARIES

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, 2000, the Bank held, directly or indirectly, all the voting and non-voting shares, as the case may be, of the following subsidiaries: B2B Trust (previously Sun Life Trust Company), regulated by the *Trust and Loan Companies Act* (Canada); LBC Trust (previously Laurentian Bank Savings and Mortgage Corporation), incorporated under the *Trust and Loans Companies Act* (Canada); Laurentian Trust of Canada Inc. ("Laurentian Trust"), regulated by *An Act respecting Trust Companies and Savings Companies* (Quebec); 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*; and LBC Capital Inc. (previously Laurentian Bank Capital Corporation), incorporated under the *Canada Business Corporations Act*. The Bank also held 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 2 - DEVELOPMENT OF THE BANK

On June 1996, Laurentian Trust, a wholly owned subsidiary of the Bank, acquired all of the common and subordinated shares of Trustco Prêt et Revenu Inc. This company operated a network of 9 branches in Quebec and in Ontario through its subsidiary Savings and Investment Trust. With the integration of this network, Savings and Investment Trust merged with Laurentian Trust of Canada Inc. on December 30, 1996 to create Laurentian Trust of Canada Inc. The retail network is now operated jointly by the Bank and Laurentian Trust.

On November 1<sup>st</sup>, 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 created 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<sup>st</sup>, 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 financial advisors in Quebec and extended Laurentian Bank Securities' retail services to more than 12,000 customers.

On March 1<sup>st</sup>, 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 acting as a wholesaler of generic financial products and services to independent financial advisors and to retail and financial business organizations to provide them with banking and financial products and services under their own brands. On January 11, 2001, the Bank and B2B Trust announced the filing of a preliminary prospectus for an initial public offering of B2B Trust common shares; however, on February 22, 2001, the Bank and B2B Trust also announced that due to unfavourable market conditions, its proposed initial public offering of common shares was deferred.

On November 1<sup>st</sup> 2000, the Bank completed the acquisition of 43 Quebec Bank of Nova Scotia branches. Located mostly outside large Quebec urban centres, these new branches represent a pool of 165,000 customers.

On March 1<sup>st</sup>, 2001, the Bank announced that the following change was made to the segmented information reporting in its financial statements: there are now three reportable lines of business in accordance with accounting principles: Retail Banking, B2B Trust and Agency Banking and Commercial and Corporate Banking. The Brokerage and Financial Markets sectors are now included in the "Other" category.

Further information regarding the development of the Bank can be found under the heading "Report on Operations" at pages 9 to 19 of the 2000 Annual Report. This text is incorporated by reference.

### **ITEM 3 - BUSINESS OF THE BANK**

#### **Organization of the Bank**

The main operations of the Bank are divided into four lines of business: Retail Financial Services; Commercial and Corporate Banking; B2B Trust and Agency Banking; Brokerage and Financial Markets. These lines of business are supported by an array of corporate services.

## **Management Committee**

Executive Management of the Bank is the responsibility of the President and Chief Executive Officer. A Management Committee composed of the President, eight 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 6. This committee meets under the supervision of the President at least twice a year to review the Bank's business plan.

## **Retail Financial Services**

Under the responsibility of the Executive Vice-President, Retail Financial Services, this line of business offers a wide range of financial services through a network of 246 branches, 177 of which are located in Quebec, 52 in Ontario and 17 in Western Canada. The Bank also has a network of 367 automated teller machines. Through the Interac and Plus System networks, the Bank's customers have access to more than 836,000 automated teller machines throughout the world.

Business development management for retail services for regions served by the Bank is the responsibility of two senior vice-presidents, while a third one is responsible for all administrative services. One Vice-President is responsible for financial services to small businesses, while another manages, for the territory served by the Bank, regulated products (such as IRIS mutual funds), distribution of external mutual funds, fiduciary services, the Telebanking Centre and national financing accounts at points of sale.

Responsibilities of a corporate nature are shared between two vice-presidencies:

- 1) Administration, which includes planning and financial control, sales support, electronic financial services and quality improvement programs;
- 2) Marketing, which is responsible for the strategic positioning of products as well as for customer information systems.

### *Banking Services*

Through an extensive branch network, the Bank offers a range of simplified personal deposit accounts. Pricing favours the use of banking plans – including, among others, low-cost plans established by the Bank in accordance with the federal standards – as well as users of electronic services. This approach reflects market trends and corresponds to the new needs of customers.

The Bank offers several other products and services, including 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 telebanking service, *LBCDirect*, operating from a telebanking centre, as well as a range of electronic services available via a Web site.

Furthermore, the Bank offers its own mutual funds family – the IRIS funds – as well as the R Funds and the Merrill Lynch Funds, for which there exist formal distribution agreements. In addition, the Bank has selected 30 mutual funds amongst six Canadian mutual funds families – AIC; AIM; CI Mutual Funds; Fidelity Investments; Mackenzie; and Spectrum Investments – which it offers under the name Laurentian Bank Selection.

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.

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.

#### *Administrative and Fiduciary Services*

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

The Executive Vice-President, Retail Financial Services is also President of Laurentian Trust of Canada Inc.

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.

A detailed presentation of the business operations and results of Retail Financial Services (Retail Banking) is provided on pages 9 to 11 of the 2000 Annual Report under the heading "Report on Operations". The financial results for Retail Financial Services can be found under note 18, "Segmented Information", to the Consolidated Financial Statements on pages 61 and 62 of the 2000 Annual Report. This information is incorporated by reference.

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

Since the acquisition of North American Trust Company in 1995, services provided by the Bank to independent financial advisors (planners and deposit brokers) have enjoyed exceptional growth. The Bank has thus become for those independent financial advisors one of Canada's largest administrators of self-directed registered plans (RRSPs and RRIFs), ranks first in the deposit agent market and is a leader in the investment loans market.

Under the responsibility of the Executive Vice-President, Agency Banking, Insurance and Visa, this line of business is responsible, among other things, for strategic alliances as well as for the

development and management of portfolios of self-directed registered plans, investment loans and term deposits.

Agency Banking encompasses the marketing of creditor insurance and credit card products offered to the Bank's and independent financial advisors' customers. The Bank also provides independent financial advisors with a range of electronic services via a Web site specifically designed to meet their needs.

### *Deposits*

Through its independent distribution network made up principally of deposit and securities brokers, the Bank offers 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 to reach investors who wish to combine high return with traditional investment security.

As at October 31, 2000, Agency Banking's deposit portfolio – including B2B Trust's deposit portfolio – totalled \$4.5 billion, compared to \$2.3 billion at the same date in 1999.

### *Personal Loans*

Among the credit products offered to individuals, Agency Banking offers a complete range of investment loans and Visa advances. 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.

As at October 31, 2000, B2B Trust and Agency Banking held a personal loan portfolio of \$1.2 billion, compared to \$993 million as at October 31, 1999.

A detailed presentation of B2B Trust and Agency Banking operations and results is provided on pages 11 to 13 of the 2000 Annual Report under the heading "Report on Operations". The financial results for Agency Banking can be found under note 18, "Segmented Information", to the Consolidated Financial Statements on pages 61 and 62 of the 2000 Annual Report. This information is incorporated by reference.

### *B2B Trust*

B2B Trust was created following the acquisition by the Bank, on March 1<sup>st</sup>, 2000, of Sun Life Trust Company. On June 14, 2000, amending letters patent, under the *Trust and Loan Companies Act*, effective July 1<sup>st</sup>, 2000, authorized the change of this name to B2B Trust.

On December 15, 2000, B2B Trust obtained amending letters patent, under the *Trust and Loan Companies Act*, aimed at eliminating from its instrument of incorporation the restrictions regarding private companies. On February 5, 2001, B2B Trust obtained from the Superintendent of Financial Institutions (Canada) approval of the consolidation of its common shares on a three to one basis. The head office of B2B Trust is located at 130 Adelaide St. West, Toronto, Ontario, M5H 3P5.

The main business activity of B2B Trust is to enable non-banking partners to provide banking and other financial services to their customers.

To successfully carry out this mission, B2B Trust has a wide range of technological tools – including a dedicated Web site – thanks to which this subsidiary can offer to its customers

effective access to a full range of generic payment, savings and credit products as well as to certain complementary products offered by authorized agents, such as mutual funds. Advisors and retailers can also use the same 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. The subsidiary pays particular attention to institutions and companies that have already established close business relationships with the Bank.

In the course of fiscal year 2000, the Bank and B2B Trust signed letters of agreement with the Sun Life Assurance Company of Canada and with the Canadian Association of Mutual Insurance Companies; at the beginning of the year 2001 two other agreements of principle were reached with Capital Teraxis and with Canada Post Corporation. In this last case, the agreement provides for the provision of certain Bank and B2B Trust customer deposit services in rural areas and cities that are not served by their branch and automated teller machine network.

On January 11, 2001, the Bank and B2B Trust announced the filing of a preliminary prospectus for an initial public offering of B2B Trust common shares. This IPO is intended to enable B2B Trust to fulfil its growth potential in a developing sector of activities; however, on February 22, 2001, the Bank and B2B Trust also announced that due to unfavourable market conditions, the proposed initial public offering of common shares was deferred.

#### *B2B Trust Financial Information*

	Balance sheet as at October 31, 2000
	(in thousands of dollars)
<b>ASSETS</b>	
Cash Resources	378,249
Securities	126,586
Loans	1,758,387
Other	30,458
<b>LIABILITIES</b>	
Notice Deposits	1,975,976
Other	143,937
<b>SHAREHOLDERS' EQUITY</b>	
Common Shares	134,094
Contributed Surplus	30,609
Retained Earnings	9,064
	Statement of Income for the year ended October 31, 2000
	(in thousands of dollars)
Interest Income	150,943
Interest Expense	97,474
Net Interest Income	53,469
Other Income	13,456
Other Operating Expenses	37,370
Income before Income Taxes	29,355
Income Taxes	13,666
Net Income	15,689

## **Commercial and Corporate Banking**

Since 1987, the Bank has offered a variety of financial services to medium-sized and large Canadian businesses, as well as to real estate developers and contractors. Since the beginning of 2001, this clientele has also had access to a Web site oriented to its specific needs. These services are under the responsibility of the Executive Vice-President, Commercial and Corporate Banking, who is also Chairman of the Board of Brome Financial Corporation Inc.

In the course of the past years, this line of business has grown rapidly with respect to both its assets and its profitability, assets having increased from \$1.6 billion in 1995 to \$2.9 billion in 2000, and direct contribution from \$4.8 million to \$56.1 million for the same period.

As at October 31, 2000, Commercial and Corporate Banking was managing a portfolio of commercial loans and commercial mortgages totalling \$2.9 billion. A detailed description of this portfolio is provided on pages 24 to 31 of the 2000 Annual Report, under the heading "Balance Sheet Assets and Assets under Administration". This information is incorporated by reference. Commercial loans, totalling \$1.3 billion, are geographically distributed throughout the country and are managed through a network of 12 commercial centres and two Commercial and Corporate financing centres. The Bank expects to open two new commercial centres in 2001.

A detailed presentation of Commercial and Corporate Banking operations and results is provided on pages 13 and 14 of the 2000 Annual Report under the heading "Report on Operations". The financial results for Commercial and Corporate Banking can be found under note 18, "Segmented Information", to the Consolidated Financial Statements on pages 61 and 62 of the 2000 Annual Report. This information is incorporated by reference.

## **Brokerage and Financial Markets**

The Bank operates its brokerage activities through its subsidiary Laurentian Bank Securities Inc.

On February 1, 2000, Laurentian Bank Securities integrated Tassé & Associés, Limitée's operations into its own operations.

Laurentian Bank Securities has three main focuses of development: institutional brokerage, retail brokerage and the agency banking services.

A detailed presentation of the operations and results of the Brokerage and Financial Markets is provided on pages 14 and 15 of the 2000 Annual Report under the heading "Report on Operations". The financial results for Brokerage Operations can be found under note 18, "Segmented Information", to the Consolidated Financial Statements on pages 61 and 62 of the 2000 Annual Report. This information is incorporated by reference.

## **Corporate Sectors**

The four lines of business are assisted in their mission by four other sectors that carry out the Bank's corporate tasks: Treasury, Capital Markets and Risk Management; Finance and Audit; Information Technologies and Real Estate Management; and Human Resources and Corporate Affairs.

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

Under the responsibility of the Executive Vice-President, Treasury, Capital Markets and Risk Management, this sector is responsible for the Bank's asset-liability management, as well as for the net interest income management. The Executive Vice-President is President of the Asset-Liability Management Committee. A Vice-President and Treasurer is responsible for issues of capital.

The Executive Vice-President, Treasury, Capital Markets and Risk Management is also chairman of the Risk Management Committee. The mandate of this committee is to examine the overall financial risks as well as other risks to which the Bank is exposed, to report thereon to the Bank's management and to recommend corrections, if required.

The Bank's Asset-Liability Management Committee establishes financial risk management policies, other than those related to credit, and ensures their application. This committee places particular emphasis on establishing an appropriate balance between the Bank's fixed and variable interest rate assets and liabilities, as well as mismatched fixed interest rate assets maturing more than one year hence. Furthermore, the Committee reviews on a monthly basis the application of the various treasury policies related to capital and risk management in the areas of investments, foreign exchange, liquidity and interest rates. A report is submitted periodically to the Audit Committee of the Board of Directors.

The Treasury, Capital Markets and Risk Management sector also includes credit risk management for the entire Bank, with respect to credit approval on personal and commercial loans as well as collection of receivables. 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 Vice-President and Treasurer chairs the Finance Committee, which sets the pricing for the Bank's products on a weekly basis.

## **Finance and Audit**

Under the responsibility of the Executive Vice-President and Chief Financial Officer, the Finance sector is responsible for the Bank's accounting, financial control and planning functions, for the development of financial management information systems and for all matters concerning taxation. This sector is also responsible for strategic planning and for investors relations.

Moreover, the Audit and Security sector independently assesses the adequacy of risk management and controls, identifies existing or developing problems and supports managers in applying corrective measures. This sector is also in charge of the Security Department.

## **Information Technologies and Real Estate Management**

Under the responsibility of the Executive Vice-President, Information Technologies and Real Estate Management, this sector is responsible for setting orientations and strategies in matters of technology and for managing real estate owned by the Bank. Its operations embrace functions relating to development, systems evolution, technology infrastructures and operations.

In 1999, the Information Technologies sector was deeply involved in the implementation of its Year 2000 compliance plan. At the same time, it modernized the whole of the Bank's technology and telecommunications infrastructures, and set up the first transactional Web site, Natlink.com. Other informational and transactional sites have since then rounded out the Bank's service offerings to its various clientele.

As at October 31, 2000, the total value of the Bank's computer hardware and software, at cost less accumulated depreciation, amounted to \$108 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, public affairs, legal affairs, compliance and corporate secretariat.

As at October 31, 2000, the Bank had 3,098 employees (full-time equivalent) of whom 45% 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, which expired on December 31, 1999, has been extended to June 30, 2001.

The Bank is pursuing the development of employee training and compensation programs in order to stimulate and support the development of each of its lines of business.

This sector also promotes the Bank's image, so as to ensure the greatest visibility through sponsorships, media relations and public relations programs.

The Human Resources and Corporate Affairs sector is also responsible for the corporate secretariat of the Bank and its subsidiaries, as well as for the establishment, implementation and supervision of compliance programs.

## **Liquidity 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.

Cash resources are detailed under the heading "Balance Sheet Assets Quality" and in Table 2, "Balance Sheet Assets" on page 23 of the 2000 Annual Report. Liquidity risk management appears on page 37 of the 2000 Annual Report. This text and the table are incorporated by reference.

## **Loan Portfolio**

Details of the Bank's loan portfolio can be found in Table 2, "Balance Sheet Assets" on page 23, in Table 3, "Impaired Loans" on page 28, and under the heading "Balance Sheet Assets Quality" on pages 23 and 24 of the 2000 Annual Report, as well as in the "Consolidated Balance Sheet" table found on page 38 of the 2000 Annual Report. These texts and tables are incorporated by reference. The maturity dates for the Bank's entire loan portfolio as at October 31, 2000, are detailed in note 16, "Interest Rate Risk", to the Consolidated Financial Statements on pages 60 and 61 of the 2000 Annual Report. This table is incorporated by reference.

## **Impaired Loans**

Impaired loans as at October 31, 2000, are presented in Table 3, "Impaired Loans", on page 28 of the 2000 Annual Report. This information is incorporated by reference. Furthermore, impaired loans and the evolution in 2000 of the allowances for credit losses are presented in note 4, "Impaired Loans and Allowances for Credit Losses", to the Consolidated Financial Statements on pages 52 and 53 of the 2000 Annual Report. This information is incorporated by reference.

As at October 31, 2000, net impaired loans between 90 days and 179 days amounted to \$3.4 million, whereas net impaired loans over 180 days amounted to \$3.0 million. The Bank maintains sufficient provisions to cover these impaired loans. The information relating thereto is set out in note 4, "Allowance for Credit Losses", to the Consolidated Financial Statements on pages 52 and 53 of the 2000 Annual Report, as well as on pages 27 and 28 under the heading "Impaired Loans" and in Table 3 on page 28 of the 2000 Annual Report.

As at October 31, 2000, 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 amounts to \$5.9 million for the year ended October 31, 2000.

Details on the allowances for credit losses for the last three years are presented in Table 10, "Provision for Credit Losses", on page 33 of the 2000 Annual Report. This information is incorporated by reference.

Information regarding the Bank's collection policies is detailed under the heading "Credit Risk Management" on pages 36 and 37 of the 2000 Annual report as well as under the heading "Balance Sheet Assets Quality" on pages 23 and 24 of the 2000 Annual Report. This information is incorporated by reference.

## **Real Estate**

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

Information relating thereto is set out in note 5, "Premises and Equipment", to the Consolidated Financial Statements on page 53 of the 2000 Annual Report. The information is incorporated by reference.

## **Environmental Protection**

Environmental legislation and regulations can give rise to certain financial risks. The Bank therefore considers environmental questions 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 of the Bank's deposits for the last three years is presented in Table 5, "Deposits", on page 29 of the 2000 Annual Report. This table is incorporated by reference.

The maturity dates for the Bank's entire deposit portfolio as at October 31, 2000 are presented in note 16 B), "Interest Rate Risk", to the Consolidated Financial Statements on page 60 of the 2000 Annual Report. This table is incorporated by reference.

## **Capital**

The information regarding the Bank's capital and debentures is presented under the heading "Capital" on page 30 of the 2000 Annual Report, as well as in note 10, "Capital Stock", to the Consolidated Financial Statements on pages 55 and 56 of the 2000 Annual Report. This information is incorporated by reference.

The description of the assets under administration is presented in Table 4, "Assets Under administration", on page 28 of the 2000 Annual Report. The description is incorporated by reference.

## **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 (Schedules I and II), 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.

## **Consolidated Financial Information for the Bank and its Subsidiaries**

The Bank's consolidated financial information is presented on pages 42 to 63 of the 2000 Annual Report. This information is incorporated by reference.

## **Related Party Transactions**

Related party transactions are presented in note 14, "Related Party Transactions", of the Consolidated Financial Statements on page 57 of the 2000 Annual Report. This information is incorporated by reference.

## 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 on 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.

## ITEM 4 - SUMMARY OF THE BANK'S CONSOLIDATED FINANCIAL INFORMATION

Summaries of the financial data for the last six fiscal years are presented under the headings "Consolidated Balance Sheet" and "Consolidated Statement of Income", which are contained on pages 38 and 39 of the 2000 Annual Report. This information is incorporated by reference.

A summary of the quarterly financial results for the last eight quarters ended October 31, 1999 and 2000 is presented under the heading "Quarterly Highlights" on page 40 of the 2000 Annual Report. This summary is incorporated by reference.

## Dividends

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

	<i>Year ended October 31</i>				
	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
	(\$)	(\$)	(\$)	(\$)	(\$)
Per Common Share .....	0.94	0.92	0.92	0.90	0.76
Total amount (in thousands of dollars).....	18,945	18,540	18,048	16,200	13,680
Per Class A Preferred Shares, Series 2.....	7.00	7.00	7.00	7.00	7.00
Total amount (in thousands of dollars).....	28	28	28	28	28
Per Class A Preferred Shares, Series 6.....	2.19	2.19	2.19	2.19	2.19
Total amount (in thousands of dollars).....	5,250	5,250	5,250	5,250	5,250
Per Class A Preferred Shares, Series 7.....	1.94	1.94	1.94	1.94	1.94
Total amount (in thousands of dollars).....	3,875	3,875	3,875	3,875	3,875
Per Class A Preferred Shares, Series 8.....	1.94	1.94	1.94	1.94	1.94
Total amount (in thousands of dollars).....	3,875	3,875	3,875	3,875	3,875

The Bank's quarterly dividend policy is to distribute between 30% and 40% of available net income per share to its common shareholders. This rate fluctuated between 44% in the first quarter and 19% in the last quarter of the year ending October 31, 2000.

#### **ITEM 5 - MARKET FOR NEGOTIATION OF SECURITIES**

As at October 31, 2000, the Common Shares and the Class A Preferred Shares Series 6, Series 7 and Series 8 were listed on the Toronto Stock Exchange.

#### **ITEM 6 - BOARD OF DIRECTORS AND OFFICERS**

As a group, the directors and senior officers of the Bank exercised control over 165,201 (0.73%) common shares of the Bank as at February 8, 2001.

##### **Board of Directors**

Information concerning directors of the Bank can be found on pages 5 and 6 of the Circular. This information is incorporated by reference.

The committees of the Board of Directors and the members of each committee are identified on page 24 of the Circular. This information is incorporated by reference.

##### **Officers**

The following table gives, as of the date hereof, the names of the officers of the Bank who are members of the Management Committee (identified by an asterisk) and of the Planning Committee of the Bank, their municipality of residence, and their respective position:

<b><u>Name and municipality of residence</u></b>	<b><u>Position</u></b>
<b>Marcel Beaulieu</b> Auteuil, Laval, Quebec	Vice-President, Retail Financial Services, North Shore, West of Quebec and Downtown Montreal Region
<b>Chantal Bélanger</b> Nuns' Island, Verdun, Quebec	Senior Vice-President, Retail Financial Services, Quebec
<b>Louise Bourassa</b> Montreal, Quebec	Senior Vice-President, Administrative Services, Retail Financial Services
<b>Jean-Guy Calvé</b> Vimont, Laval, Quebec	Vice-President and Senior Advisor, Audit

<b><u>Name and municipality of residence</u></b>	<b><u>Position</u></b>
<b>Robert Cardinal</b> * Brossard, Quebec	Executive Vice-President and Chief Financial Officer <i>Executive Vice-President, Finance of Laurentian Trust of Canada Inc., Vice-President, Finance of LBC Trust</i>
<b>Jacques Daoust</b> * Nuns' Island, Verdun, Quebec	Executive Vice-President, Retail Financial Services <i>President of Laurentian Trust of Canada Inc., Vice-President, Branch Relations of Laurentian Bank Securities Inc.</i>
<b>Chantal Décarie</b> Montreal, Quebec	Vice-President, Human Resources Management and Development
<b>André Dubuc</b> * Outremont, Quebec	Executive Vice-President, Treasury, Capital Markets and Risk Management <i>Vice-President, Risk Management of Laurentian Bank Securities Inc.</i>
<b>Philippe Duby</b> Duvernay, Laval, Quebec	Vice-President, Projects and Development, Information Technology
<b>Claude Dulude</b> Kirkland, Quebec	Vice-President, Commercial Banking
<b>Richard Fabre</b> Westmount, Quebec	Vice-President, Retail Financial Services, Downtown and South-West Montreal Region
<b>Marco Fortier</b> Montreal, Quebec	Senior Vice-President, e-initiatives
<b>France Gagné</b> Otterburn Park, Quebec	Vice-President, Compensation and Benefits
<b>William Galbraith</b> Newmarket, Ontario	Vice-President, Corporate Banking, Ontario and Western Canada
<b>Mario Galella</b> Montreal, Quebec	Vice-President, Retail Financial Services, Northern Montreal and West-Island Region
<b>Michel Gendron</b> Candiac, Quebec	Vice-President, Corporate Banking, Quebec Region
<b>Luc Gingras</b> St-Bruno, Quebec	Vice-President, Retail Financial Services, South Shore and South-West of Montreal Region

<b><u>Name and municipality of residence</u></b>	<b><u>Position</u></b>
<b>Richard Guay</b> * Pointe-Claire, Quebec	Executive Vice-President, Commercial and Corporate Banking <i>President of LBC Capital Inc., Chairman of the Board of Brome Financial Corporation Inc.</i>
<b>Allan B. Hodgson</b> London, Ontario	Vice-President, Retail Financial Services, Ontario
<b>Paul Hurtubise</b> Scarborough, Ontario	Senior Vice-President, Real Estate Financing
<b>Rick C. Lane</b> Scarborough, Ontario	Vice-President, Real Estate Financing, Ontario
<b>Richard Leclerc</b> Candiac, Quebec	Vice-President, Regulated Products and Telebanking Centre <i>Chairman of the Board of LBC Financial Services Inc.</i>
<b>Jean L'Heureux</b> Lévis, Quebec	Vice-President, Commercial Banking
<b>Jacques Lussier</b> Sillery, Quebec	Vice-President, Retail Financial Services, Quebec and Eastern Quebec Region
<b>Yves Magnan</b> Kirkland, Quebec	Vice-President, Taxation
<b>Louis Marquis</b> Nuns' Island, Verdun , Quebec	Vice-President, Credit <i>Vice-President, Credit of Laurentian Trust of Canada Inc., Vice-President of LBC Capital Inc.</i>
<b>Suzanne Masson</b> * St-Lambert, Quebec	Executive Vice-President, Human Resources, Corporate Affairs and Secretary <i>Secretary of Laurentian Trust of Canada Inc., Secretary of LBC Trust</i>
<b>Chris McMillan</b> Mississauga, Ontario	Vice-President, Retail Financial Services, Greater Toronto Region <i>Compliance Officer, Ontario of LBC Financial Services Inc.</i>
<b>Pierre Minville</b> Blainville, Quebec	Vice-President, Administration, Retail Financial Services
<b>Michael Murray</b> Montreal West, Quebec	Vice-President, Planning and Investors Relations <i>Chief Financial Officer of LBC Capital Inc.</i>
<b>Marlène Otis</b> Montreal, Quebec	Vice-President, Commercial Banking

<b><u>Name and municipality of residence</u></b>	<b><u>Position</u></b>
<b>Marc Paradis</b> Laval, Quebec	Senior Vice-President and Controller
<b>Ghislain Parent</b> Varenes, Quebec	Vice-President, Audit and Security
<b>Michel Pelletier</b> * Beaconsfield, Quebec	Executive Vice-President, Agency Banking, Insurance and Visa <i>Co-Chief Operating Officer of B2B Trust</i>
<b>VP Pham</b> * Town of Mount Royal, Quebec	Executive Vice-President, Information Technology and Real Estate Management
<b>Bernard Piché</b> * Toronto, Ontario	Executive Vice-President <i>Chairman of the Board of Laurentian Bank Securities Inc., Co-Chief Operating Officer and Chief Financial Officer of B2B Trust</i>
<b>Lorraine Pilon</b> LaSalle, Quebec	Senior Vice-President, Legal Affairs and Compliance, Assistant Secretary <i>Vice-President, Legal Affairs and Assistant Secretary of Laurentian Trust of Canada Inc., Secretary of BLC-Edmond de Rothschild Asset Management Inc., Vice-President, Legal Affairs and Secretary of B2B Trust</i>
<b>David R. Pogue</b> Edmonton, Alberta	Regional Vice-President, Retail Financial Services, Western Canada
<b>Réjean Robitaille</b> Laprairie, Quebec	Vice-President and Treasurer
<b>Henri-Paul Rousseau</b> * Outremont, Quebec	President and Chief Executive Officer <i>Chairman of the Board of BLC-Edmond de Rothschild Asset Management Inc., President and Chief Executive Officer of B2B Trust, Vice-Chairman of the Board and Chief Executive Officer of Laurentian Trust of Canada Inc., Vice-President of LBC Capital Inc.</i>
<b>Danielle Saint-Denis</b> Montreal, Quebec	Vice-President, Marketing
<b>Claude Sasseville</b> Montreal, Quebec	Vice-President, Retail Financial Services, South Eastern Montreal
<b>John L. Smith</b> Mississauga, Ontario	Senior Vice-President, Commercial Banking
<b>Robert Teasdale</b> * Toronto, Ontario	Senior Vice-President, Retail Financial Services, Ontario and Western Canada

**Name and municipality of residence**    **Position**

**Jean Patrice Venne**  
Nuns' Island, Verdun, Quebec

Vice-President, Credit cards  
*Vice-President, Retail Partner Development  
of B2B Trust*

**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 in 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; of Mrs. Chantal Décarie who, prior to December 2000, was Director, Human Resources at Teleglobe Inc. and before March 1997, was Executive Director for the Association des professionnels en ressources humaines du Québec; of Mr. Philippe Duby who, prior to February 1998, was a consultant, prior to August 1997, was General Manager, Information Technology at Videotron Information Systems and prior to January 1997, was Marketing Manager at DMR Group Inc.; of Mr. André Dubuc who, prior to March 1998, was Senior Vice-President at BLC Securities Inc., a subsidiary of the Bank; of Mr. Marco Fortier who, prior to June 2000, was a consultant, prior to 1999, was Vice-President, Development, Investing of Groupe Vie Desjardins-Laurentienne, and prior to 1996, was Vice-President, Counsel and Indemnity Canada of Boreal Insurance; of Mrs. France Gagné who, prior to August 2000, was Senior Manager, Human Resources and International Compensation of Bell Canada International, prior to February 1999, was Senior Advisor, Compensation of Canadian National and prior to January 1998, was Consultant, Executive Compensation of Towers Perrin; of Mr. Michel Gendron who, prior to March 1997, was Senior Vice-President, Corporate Finance at Canadian Corporate Funding Limited; of Mr. Luc Gingras who, prior to February 1998, was Section Head at Diners Club, City Bank (Montreal) and before September 1997, has held various positions at Laurentian Bank of Canada; of Mr. Rick C. Lane who, prior to May 1996, was Vice-President, Lending at Prenor Trust Company and has thereafter continued working for the liquidator of Prenor Trust; of Mr. Richard Leclerc who, prior to June 2000, was Vice-President, Wealth Management at National Bank of Canada; of Mrs. Suzanne Masson who, prior to May 1998, was Senior Vice-President, Corporate Services for ING Canada; of Mr. Pierre Minville who, prior to January 2000, was Director, Mergers and Acquisitions, Corporate Finance of BCE Inc., prior to June 1997, was Associate, Investment Banking of Gordon Capital Corporation, and prior to October 1996, was Manager, Financial Analysis at National Bank of Canada; of Mr. Michael Murray who, prior to August 1998, was Assistant Controller at Power Corporation; of Mr. Ghislain Parent who, prior to April 1998, was Senior Advisor for the International Monetary Fund, Washington D.C.

**ITEM 7 – ADDITIONAL INFORMATION**

The Bank will provide to any person or corporation, upon written request made by such person or corporation 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 has been filed in respect of a distribution of its securities,

- (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, management's discussion and analysis of financial condition and results of operations, as prescribed, and one copy of any interim financial statements of the Bank subsequent to the date of the latest annual financial statements;
  - (iii) one copy of the information circular of the Bank in respect of the most recent annual meeting of shareholders of the Bank which involves the election of directors; 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
- (b) at any other time, the documents referred to in clauses (a)(i), (ii) and (iii) above, provided that 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, where the documents are furnished under this clause (b).

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 information is also provided in the Bank's comparative financial statements for its most recent completed financial year.

#### **ITEM 8 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

This analysis can be found under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 21 and following of the 2000 Annual Report and is incorporated herein by reference.