



**LAURENTIAN BANK  
OF CANADA**

# **ANNUAL INFORMATION FORM**

**February 27, 2003**

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*Note: Unless otherwise specified, all information herein is presented as at October 31, 2002. Unless otherwise specified, references herein to the Annual Report are references to the 2002 Annual Report of Laurentian Bank of Canada. All such references are incorporated herein.*

## **ITEM 2: CORPORATE STRUCTURE**

### **Name and Incorporation**

The full name of the issuer is Laurentian Bank of Canada (the “Bank”). 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<sup>st</sup>, 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 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).

### **Intercorporate Relationships**

This information can be found on page 84 of the Annual Report. All subsidiaries identified therein are incorporated under the *Canada Business Corporations Act*, except B2B Trust and LBC Trust, which are incorporated under the *Trust and Loan Companies Act* (Canada), Laurentian Trust of Canada Inc., which is incorporated under the *Act respecting Trust Companies and Savings Companies* (Quebec) and Brome Financial Corporation Inc., which is incorporated under Part IA of the *Companies Act* (Quebec).

## **ITEM 3: GENERAL DEVELOPMENT OF THE BUSINESS**

### **Three Year History**

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 800 the number of such advisors with whom the Bank does business. Then, on April 5, 2000, the Bank announced that SunLife Trust Company would become B2B Trust, a subsidiary that supplies generic and complementary financial and banking products and services to independent financial advisors, non-bank financial institutions and retailers across Canada.

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

On November 1<sup>st</sup>, 2000, the Bank completed the acquisition of 43 Scotiabank branches in the Province of Quebec. Located mostly outside large urban centres, these new branches represented a pool of 165,000 customers. Further information on this acquisition can be found under the heading “Acquisitions” on pages 59 and 60 of the Annual Report.

On June 4, 2001, the Bank and CGI Group, an information technology services firm, announced the signing of an agreement for the outsourcing of the information technology services of the Bank and its subsidiaries. The approximate value of the 10-year agreement is \$300 million. On June 14, 2001, the Bank transferred most of its information technology services to CGI, as contemplated in the agreement.

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

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

On October 2, 2001, the Board of Directors of the Bank adopted a shareholder rights plan to ensure, to the extent possible, that all shareholders of the Bank are treated fairly in connection with any take-over offer or other acquisition of control of the Bank.

On April 29, 2002, the Bank announced an additional provision of \$70 million for credit losses representing a total amount of \$80 million for the second quarter given the deterioration of the credit quality of some of its commercial loans, including the loan of US\$25 million (approximately CDN\$39 million) to Teleglobe, and given the constitution of an unallocated provision to facilitate the strategic repositioning of the commercial and corporate lending activities of the Bank.

On May 29, 2002, the resignation of Mr. Henri-Paul Rousseau, who was President and Chief Executive Officer of the Bank since 1994, was announced. Mr. Rousseau remained President and Chief Executive Officer of the Bank and B2B Trust until July 31, 2002, at which time he ceased to be an officer of the Bank and B2B Trust. He remained employed as special advisor to the new President and Chief Executive Officer, Mr. Raymond McManus, until August 31, 2002. Reference is made to Note 1 on page 15 of the Bank's Management Proxy Circular dated January 21, 2003, which is incorporated herein. Mr. McManus was appointed as President and Chief Executive Officer of the Bank on June 6, 2002, effective on August 1<sup>st</sup>, 2002.

On December 4, 2002, the Bank announced that, as part of its business plan, it had decided to cease its transformation into a holding company and to maintain its present structure. Further information on this decision can be found under the heading "Outlook" on page 39 of the Annual Report.

Further information regarding the development of the Bank over the last three financial years can be found under the heading "Review of Operations" on pages 10 to 19 of the Annual Report, under the heading "Report on Operations" on pages 11 to 27 of the Bank's 2001 Annual Report and on pages 9 to 19 of the Bank's 2000 Annual Report, which are incorporated by reference herein.

## **Trends**

Information about the trends, commitments, events and uncertainties presently known to the Bank's management and reasonably expected to have a material effect on the Bank's business can be found throughout Management's discussion and analysis of results of operations and financial condition on pages 20 to 43 of the Annual Report.

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

### **General**

The Bank ranks seventh among Canadian Schedule I banks, with assets in excess of \$18.5 billion. The Bank's current lines of business are Retail Financial Services, Commercial Financial Services, B2B Trust, and Wealth Management and Brokerage; they are supported by four corporate sectors and an independent audit function.

### ***Retail Financial Services***

Retail Financial Services offers the whole range of savings, investment, financing and transactional products and services through its network of 214 branches (155 in Quebec, 48 in Ontario and 11 in Western Canada). The Bank also has a network of 360 automated banking machines. Through its branch network, the Bank offers a range of personal deposit accounts. Pricing encourages the use of banking plans, together with electronic services. This approach reflects market trends and corresponds to the new needs of customers. The Bank (a member of the Canada Deposit Insurance Corporation), as well as its subsidiaries Laurentian Trust, LBC Trust and B2B Trust (all members of the Canada Deposit Insurance Corporation and registered with the Régie de l'assurance-dépôts du Québec) also offer a variety of term deposits. The Bank offers several other products and services including Visa credit cards, debit cards, safety deposit boxes, traveller's cheques, foreign exchange, money orders, overdraft protection, life and disability credit insurance and a range of banking plans. The Bank also provides a telephone service, operating from a telebanking centre, as well as a range of electronic services available via a Web site. Through LBC Financial Services, the Bank offers the R Funds (a group of mutual funds managed by BLC-Edmond de Rothschild Asset Management, a subsidiary of the Bank), as well as a selection of other mutual funds. 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. In response to this trend, the Bank now makes financing available to consumers at almost 7,600 merchant establishments across Canada and offers public services, distributors and retailers financing programs that are adapted to their needs and those of their customers. Since the beginning of 2003, financial results of Agency Banking (a division of the Bank which supplies wholesale deposit services to financial advisors and deposit agents and mortgage loans to independent brokers), which up to then were grouped with the financial results of B2B Trust, are grouped with those of Retail Financial Services. Retail Financial Services now manages all direct and indirect retail financial services of the Bank, including point-of-sale financing, agent deposits and broker mortgages across Canada. This will bring more focus and synergies to retail financial services operations.

### ***Commercial Financial Services***

Commercial Financial Services offers a variety of financial services to small, medium-sized and large Canadian businesses, real estate developers and farming enterprises. This line of business is active mainly in Quebec and Ontario through six Commercial Financial Services Centres, which provide commercial financing over \$250,000 and up to approximately \$10 million to small and medium-sized businesses, and two Corporate Banking Centres, which are involved in larger financings as part of banking syndicates. Real estate financing is conducted across Canada through five Real Estate Financing Centres. Agricultural financing is offered in Quebec through a network of seven specialized centres. Brome Commercial Corporation offers factoring services to clients mainly in Quebec and Ontario.

### ***B2B Trust***

B2B Trust is a regulated financial institution which is a subsidiary of the Bank and a publicly traded company based in Toronto. B2B Trust provides generic and complementary banking and financial products and services to independent financial advisors, non-bank financial institutions and retailers across Canada. These products and services include investment loans, self-directed RRSPs, term deposits as well as basic banking products such as savings and chequing accounts, lines of credit and debit cards.

### ***Wealth Management and Brokerage***

Wealth Management and Brokerage includes the business of BLC-Edmond de Rothschild Asset Management Inc. in the area of private and institutional portfolio management and the business of Laurentian Bank Securities Inc. in securities brokerage. The services of BLC-Edmond de Rothschild Asset Management and the retail services of Laurentian Bank Securities are currently offered mainly in Quebec. Laurentian Bank Securities also is a Canadian leader in fixed income securities brokerage activities aimed at the institutional market.

Further information on the Bank's lines of business and corporate sectors can be found under the headings "Review of Operations" on pages 10 to 19 and "Segmented Information" on pages 77 and 78 of the Annual Report. Further information on the principal products and services of the Bank can also be found in Management's discussion and analysis of results of operations and financial condition on pages 20 to 43 of the Annual Report.

### **Competitive Conditions**

The Bank ranks seventh among Canadian Schedule I banks. The Bank competes with a great number of other financial services providers (notably, other Canadian chartered banks, trust and loan 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, businesses and independent financial advisors by offering highly competitive products and superior personalized services.

### **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.

## Employees

As at October 31, 2002, the Bank had 3,730 employees (full-time equivalent). Negotiations to renew the collective agreement with the union representing some 2,000 of its professional and office employees in Quebec and Ottawa, have been ongoing since the collective agreement expired on June 30, 2001. On February 2, 2003, the Bank and the union accepted a mediator's recommendation to empower an arbitration board to determine the content of the next collective agreement, which will be in effect for three years.

## ITEM 5: SELECTED CONSOLIDATED FINANCIAL INFORMATION

### Annual Information

This information can be found under the heading "Statistical Review" on pages 44 to 46 of the Annual Report. Further financial information can be found in the Consolidated Financial Statements on pages 47 to 78 of the Annual Report.

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

	Year ended October 31		
	<u>2002</u>	<u>2001</u>	<u>2000</u>
	(\$)	(\$)	(\$)
Per common share .....	1.16	1.06	0.94
Per Class A Preferred Share, Series 2 .....	7.00	7.00	7.00
Per Class A Preferred Share, Series 6 (redeemed on Nov. 26, 2001) .....	N/A	2.19	2.19
Per Class A Preferred Share, Series 7 .....	1.94	1.94	1.94
Per Class A Preferred Share, Series 8 .....	1.94	1.94	1.94
Per Class A Preferred Share, Series 9 (issued on Nov. 7, 2001) .....	1.28	N/A	N/A

During the years specified below, B2B Trust declared the following dividends:

	Year ended October 31	
	<u>2002</u>	<u>2001</u>
	(\$)	(\$)
Per common share .....	0.14	0

## **Dividends**

The dividend policy of the Bank and B2B Trust is to distribute between 30% and 40% of available net income to their common shareholders.

Holders of Class A Preferred Shares of the Bank have priority over the holders of common shares of the Bank as to the right to receive dividends. Furthermore, the Bank and B2B Trust may be restricted under the *Bank Act* and the *Trust and Loan Companies Act* (Canada), respectively, from declaring or paying dividends in certain circumstances.

## **ITEM 6: MANAGEMENT'S DISCUSSION AND ANALYSIS**

This information can be found in Management's discussion and analysis of results of operations and financial condition on pages 20 to 43 of the Annual Report.

## **ITEM 7: MARKET FOR SECURITIES**

The Bank's common shares and Class A preferred shares, series 7, 8 and 9 as well as the common shares of B2B Trust are listed on the Toronto Stock Exchange.

## **ITEM 8: DIRECTORS AND OFFICERS**

As a group, the directors and executive officers of the Bank and B2B Trust beneficially owned, directly or indirectly, or exercised control or direction over 189,977 (0.81%) common shares of the Bank and 34,422 (0.14%) common shares of B2B Trust as at January 10, 2003.

### ***Directors***

Information regarding the Bank's directors can be found on page 81 of the Annual Report. 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, except as disclosed on page 7 of the Bank's Management Proxy Circular dated January 21, 2003, which is incorporated herein by reference, and except for Mr. Jon K. Grant, who, prior to November 2001, was Chairman of the Board of Canada Lands Company Limited and Mrs. Margot Northey, who, prior to July 2002, was Dean of Queen's School of Business. Information on the committees of the Board of Directors of the Bank can be found on pages 79 and 80 of the Annual Report.

### ***Executive Officers***

Information regarding the Bank's executive officers can be found on page 82 of the Annual Report. The municipalities of residence of the executive officers of the Bank are:

Raymond McManus	Baie-d'Urfé, Qc
Robert Cardinal	Brossard, Qc
Jacques Daoust	Verdun, Qc
André Dubuc	Outremont, Qc
Richard Guay	Pointe-Claire, Qc
Suzanne Masson	Saint-Lambert, Qc
Charles Murphy	Boucherville, Qc
Michel Pelletier	Beaconsfield, Qc
V.P. Pham	Town of Mount-Royal, Qc
Bernard Piché	Toronto, Ont.
André Scott	Boucherville, Qc
Robert Teasdale	Lorraine, Qc
Marcel Beaulieu	Laval, Qc
Chantal Bélanger	Verdun, Qc
Luc Bernard	Longueuil, Qc
André Bolduc	St-Lambert, Qc
Louise Bourassa	Montreal, Qc
Denise Brisebois	St-Laurent, Qc
Jean-Guy Calvé	Laval, Qc
François Desjardins	Longueuil, Qc
Jean-François Doyon	Saint-Lambert, Qc
Philippe Duby	Laval, Qc
Claude Dulude	Kirkland, Qc
Richard Fabre	Westmount, Qc
Marco Fortier	Montreal, Qc
France Gagné	Longueuil, Qc
William Galbraith	Newmarket, Ont.

Mario Galella	Montreal, Qc
Michel Gendron	Candiac, Qc
Luc Gingras	Saint-Bruno, Qc
Ronald Hodges	Toronto, Ont.
Allan B. Hodgson	London, Ont.
Paul Hurtubise	Scarborough, Ont.
Rick C. Lane	Scarborough, Ont.
Richard Leclerc	Candiac, Qc
André Lopresti	Laprairie, Qc
Jacques Lussier	Sillery, Qc
Chris McMillan	Mississauga, Ont.
Yves Magnan	Kirkland, Qc
Louis Marquis	Verdun, Qc
Pierre Minville	Blainville, Qc
Michael Murray	Montreal West, Qc
Marlène Otis	Montreal, Qc
Marc Paradis	Laval, Qc
Lorraine Pilon	LaSalle, Qc
Nathalie Roberge	Le Gardeur, Qc
Réjean Robitaille	Laprairie, Qc
Claude Sasseville	Montreal, Qc
Marie-Josée Sigouin	Candiac, Qc
Al Spadaro	Burlington, Ont.
Jean-Patrice Venne	Verdun, Qc
Rollie Zellmer	North Vancouver, B.C.
Alicia Zemanek	Vaudreuil-Dorion, Qc

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. André Bolduc who, prior to January 1999, was Vice-President, Operations and Brokerage, at National Bank Securities, prior to December 1998, was interim President of National Bank Securities and, prior to April 1998, was also Vice-President, Operations and Brokerage, at National Bank Securities; Mr. Jacques Daoust who, prior to April 1998, was Executive Vice-President of General Trust of Canada; Mr. Luc Bernard who, prior to December 2001, was President of Osmoz Marketing and, prior to October 1999, was Vice-President, Marketing and Actuarial, at Unindal Group; Mr. Jean-François Doyon who, prior to December 2000, was Manager, Internal Audit, at the Desjardins-Laurentian Financial Corporation and, prior to March 1999, was Manager, Internal Audit, at Banque Nationale de Paris (Canada); Mr. Marco Fortier who, prior to June 2000, was a consultant at Laurentian Bank of Canada and, prior to August 1999, was Vice-President, Development, Investments at Desjardins-Laurentian Life Group; Ms. France Gagné who, prior to August 2000, was Senior Manager, Human Resources and International Compensation at Bell Canada International and, prior to February 1999, was Senior Advisor, Compensation at Canadian National; Mr. Ronald Hodges who, prior to October 2001, was Chief Operating Officer at TD Waterhouse; Mr. Richard Leclerc who, prior to June 2000, was Vice-President, Wealth Management at National Bank of Canada and, prior to November 1998, held various positions also at National Bank of Canada; Mr. André Lopresti who, prior to April 2002, was Senior Manager at

Ernst & Young LLP and, prior to June 2000, was Senior Manager at Ernst & Young Audit (France); Ms. Suzanne Masson who, prior to May 1998, was Senior Vice-President, Corporate Services at ING CANADA; Mr. Pierre Minville who, prior to January 2000, was Director, Corporate Finance, Mergers and Acquisitions at BCE; and Mr. Michael Murray who, prior to August 1998, was Assistant Controller at Power Corporation of Canada.

#### **ITEM 9: ADDITIONAL INFORMATION**

The Bank will provide to any person or corporation, upon written request to the Secretary of the Bank, at 1981 McGill College Avenue, 20<sup>th</sup> 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; and
  - (iv) one copy of any other documents which are incorporated by reference into the preliminary short form prospectus or the short form prospectus; and that the Bank is not bound to supply under clauses (a)(i), (ii) and (iii) above;
- (b) at any other time, one copy of the documents referred to in clauses (a)(i), (ii) and (iii) above, for which the Bank may require the payment of a reasonable charge from such a person or corporation who is not a security holder of the Bank.

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