C

ANNUAL REPORT 1979

Laurentide Financial Corporation Ltd.

a subsidiary of

NATIONAL BANK OF CANADA

Head Office:
Board of Trade Tower,
1177 West Hastings Street,
Vancouver, B.C.,
Canada, V6E 2K3

Ce rapport annuel est aussi disponible en langue française.

Laurentide
Financial Corporation Ltd.

Contents

Report of the Directors

This is the first Annual Report for the Corporation formed by the amalgamation on February 12, 1979, of Procan Holdings Ltd., (a wholly-owned subsidiary of the then The Provincial Bank of Canada), and Laurentide Financial Corporation Ltd., a financial services company incorporated in British Columbia in 1950 and continued under the Canada Business Corporations Act in 1979. October 31st was selected as the fiscal year-end of the Corporation to coincide with the statutory fiscal year-end of its parent Bank. This first report covers the slightly less than nine-month period from the commencement of business on February 9, 1979 to October 31, 1979. Notes 1 and 7 to the financial statements provide more detailed information on the amalgamation and the terms and conditions attaching to the Corporation's new preferred shares.

The amalgamation has been accounted for as a purchase of Laurentide by Procan. No comparative figures for earlier periods are provided in the audited financial statements for the reasons that Procan conducted no business prior to February 9, 1979, and the changes in capital structure and adjustments brought about by amalgamation prevent relevant comparison.

On November 1, 1979, The Provincial Bank of Canada and Bank Canadian National amalgamated to form National Bank of Canada; therefore, Laurentide is now a subsidiary of National Bank of Canada, the sixth largest Bank in Canada having assets in excess of $15 billion. Laurentide's new preferred shares will be convertible into shares of National Bank upon the amalgamation of Laurentide with its parent Bank.

Your Directors are pleased to report that the Corporation's consolidated net earnings for the period were $4.5 million before an extraordinary item. These earnings are 1.78 times the dividends paid to October 31, 1979 on the new preferred shares, and represent $.06 per common share after payment of dividends on all classes of preferred shares outstanding during the period. Net earnings per common share after the extraordinary item were $.08.

Because it is intended that Laurentide eventually will be amalgamated with its parent, major objectives during this period have been the reduction of duplications both in services provided to the public and in internal corporate services, and the disposing of businesses not compatible with the business of banking. Therefore, the Corporation has withdrawn from the consumer finance business in Quebec and in parts of Ontario and New Brunswick. Certain consumer finance offices have been closed and related finance receivables have been moved into branches of the parent Bank for management on a fee basis. In instances where the Bank did not have a nearby office, the Laurentide office has either been retained to form a future bank branch or has been sold.

As should be expected in the liquidation of a portfolio, the ratios of past-due and charged-off consumer finance receivables have shown a marked increase. Therefore, a special charge of $1 million has been made against earnings to strengthen the allowance for credit losses. At $9,170,000, the allowance is 2.3% of total net finance receivables compared with 2.0% of the "old" Laurentide at December 31, 1978.

Although substantial portfolio growth was achieved in both the Industrial Division and the Real Estate and Mortgage Division, repayments generated by the liquidating branches in the Consumer Finance Division and the proceeds from the sale of certain receivables brought about an overall decline of $30.3 million in net finance receivables during the period.

The margin between the interest rates paid on borrowed money and the rates charged to customers narrowed during the period as short-term money market rates marched steadily upward. Competitive factors and regulated rates on small loans limited the Corporation's ability to pass on increased interest expenses. On the other hand, margins were helped by elimination of costs related to commitment fees and compensating balances for bank lines of credit enabled by the replacement of such lines with a line from the parent Bank. Average cost of borrowings during the period was 10.2%.

At the end of June, the Corporation's casualty insurance subsidiary, Elite Insurance Company, was sold to a group which included certain of Elite's senior management personnel. An extraordinary gain of $301,201 was realized.

During the period, the value of the Corporation's investment in its wholly-owned Jamaican subsidiary was eliminated following receipt of $1,200,000, the amount at which that investment had previously been carried.

Norco Financial Services Ltd., owned jointly by Laurentide and B.A. Financial Services Ltd. has been liquidating its portfolio satisfactorily and made a contribution to the Corporation's earnings.

Consumer Division

The integration of the Division's branches into branches of the parent Bank started in April. Of the 158 offices in operation at the beginning of the period, 100 have been integrated, 18 have been sold, and 40 currently remain in operation.

Industrial Division

New business activity was buoyant during the early part of the period, but declined latterly as business resisted progressively higher interest rates.

Consistent with the Corporation's objectives, five branches were closed during the year; their accounts were transferred to other offices. The Division now serves its market through 20 branch offices, and maintains resident representatives in certain areas not directly served by a branch.

Real Estate and Mortgage Division

This Division experienced aggressive competition for available commercial mortgage loans; notwithstanding, its mortgage loans outstanding increased by $22 million or 36% during the period. The Seattle, Washington, office which was opened in June 1978, contributed the majority of that increase which included the acquisition of approximately $13 million of receivables from another lender.

* * * * * * * *

From the beginning of the association between the Corporation and the Bank, it has been a primary objective, as Laurentide's operations were integrated with those of the Bank, that rewarding and challenging career opportunities would be offered to Laurentide's employees. For example, J. A. Seigneuret, formerly Vice-President and Chief Financial Officer, is now a Senior Vice-President and General Manager of the Bank in Montreal. H. K. Thakur, formerly Director, Corporate Planning and Development is now Vice-President, Corporate Planning with the Bank in Montreal. R. R. Rousseau, while retaining his responsibility as Vice-President, Consumer Finance Division, is also Assistant Vice-President of the Bank in Vancouver. T. L. Hunt, while also retaining his responsibility as Vice-President, Industrial Finance Division, is also Divisional Manager, Industrial Credit, for the Bank in Toronto.

Executive Changes

By the end of 1979, Messrs. Cliff G. Simpson, President and Chief Executive Officer, Howard Smith, Vice-President and Treasurer, and Thomas R. Wilson, Vice-President, Personnel, will have relinquished their offices pursuant to amicable arrangements. William Aldridge, C.A., the Corporation's Controller, was promoted to the additional office of Vice-President during the year. James D. Helmcken, will cease to be an employee of the Company at the end of the year, but will thereafter continue to hold the offices of Vice-President, Secretary and General Counsel.

The Corporation's annual meeting will be held at 9:00 a.m. on Friday, February 8, 1980, in the Ballroom Centre of the Holiday Inn, 1133 West Hastings Street, Vancouver, B.C. The holders of the new preferred shares are invited to attend.

Michel Bélanger
Chairman

Cliff G. Simpson
President & Chief Executive Officer

Vancouver, B.C., Canada
November 27, 1979

Laurentide Financial Corporation Ltd.

Consolidated Balance Sheet

October 31, 1979

Assets

Cash and short-term deposits		$ 2,894,629
Commercial paper, at cost		1,796,740
Finance receivables (Notes 4, 6 and 9):		
Consumer loans	$133,423,150	
Consumer sales contracts	17,326,690	
Residential mortgages	44,316,967	
Industrial	112,231,662	
Leases	64,636,955	
Commercial real estate mortgages	82,873,924	
Wholesale and other	2,519,723	
Total finance receivables	457,329,071	
Less: unearned finance income	57,671,052	
allowance for credit losses	9,170,197	390,487,822
Accounts receivable		1,111,771
Repossessions and property held for sale, at lower of cost or estimated realizable value		2,784,710
Prepaid interest and other expenses		1,416,178
Shares of and advances to affiliates, at equity value		951,651
Investments, at cost (market value $920,000)		1,000,000
Premises and equipment, at cost less accumulated depreciation of $2,332,576		1,522,138
		$403,965,639

On behalf of the Board:

Michel Bélanger
Director
Cliff G. Simpson
Director

Liabilities

Short-term notes (Notes 5 and 6):		
Commercial paper		$105,612,545
Bank		9,000,000
Other		5,589,592
		120,202,137
Accounts payable and accrued liabilities		8,903,786
Income taxes		7,285,594
Dealers' balances		640,046
Secured long-term notes (Schedule A) (Note 6)		159,826,425
Debentures (Schedule B) (Note 6)		37,682,998
Minority interest		1,022,471
		335,563,457

Shareholders' Equity

Capital stock (Note 7):		
New preferred	$ 23,989,132	
Common	25,000,000	
	48,989,132	
Contributed surplus, per accompanying statement	18,504,086	
Retained earnings, per accompanying statement (Note 8)	908,964	68,402,182
		$403,965,639

See accompanying notes to consolidated financial statements.

Laurentide Financial Corporation Ltd.

Consolidated Statement of Earnings

Period from Commencement of Business,
February 9, 1979 to October 31, 1979

Gross income:		
Finance		$ 52,832,175
Investment		162,864
		52,995,039
Cost of borrowings including interest of $13,557,026 on long-term debt		24,612,994
Earnings before other expenses		28,382,045
Other expenses:		
Salaries and benefits	$ 8,497,857	
Provision for credit losses	5,441,858	
Other operating expenses including depreciation of $1,233,368	7,811,769	21,751,484
Earnings before income taxes		6,630,561
Income taxes		2,511,771
Earnings before minority interest		4,118,790
Minority interest		190,978
Earnings from continuing operations		3,927,812
Earnings of casualty insurance subsidiary to date of sale		564,013
Earnings before extraordinary item		4,491,825
Gain on sale of casualty insurance subsidiary, net of income taxes (Note 2)		301,201
Net earnings		$ 4,793,026
Earnings per common share:		
Before extraordinary item		$ .06
After extraordinary item		$ .08

See accompanying notes to consolidated financial statements.

Laurentide Financial Corporation Ltd.

Consolidated Statement of Retained Earnings

Period from Commencement of Business,
February 9, 1979 to October 31, 1979

Net earnings		$ 4,793,026
Dividends paid:		
Series preferred shares	$ 160,575	
Secondary preferred shares	201,877	
New preferred shares	2,521,610	2,884,062
Net earnings available to common shareholders		1,908,964
Dividends paid on common shares		1,000,000
Retained earnings at end of period		$ 908,964

Consolidated Statement of Contributed Surplus

Period from Commencement of Business,
February 9, 1979 to October 31, 1979

Arising on amalgamation of Procan Holdings Ltd. and Laurentide Financial Corporation Ltd. (Note 1)	$ 18,501,685
Gain on redemption of preferred shares	2,401
Contributed surplus at end of period	$ 18,504,086

See accompanying notes to consolidated financial statements.

Laurentide Financial Corporation Ltd.

Consolidated Statement of Changes in Financial Position

Period from Commencement of Business,
February 9, 1979 to October 31, 1979

Source of funds:		
Operations:		
Earnings before extraordinary item		$ 4,491,825
Add (deduct):		
Depreciation	$ 1,233,368	
Deferred income taxes	1,800,000	
Equity in earnings of affiliates	(101,154)	
Equity in earnings of casualty insurance subsidiary	(564,013)	
Dividend from casualty insurance subsidiary	800,000	3,168,201
Total funds from operations		7,660,026
Issue of capital stock		25,000,000
Sale of casualty insurance subsidiary, net of income taxes		5,575,000
Decrease in advances to unconsolidated subsidiary		1,200,000
Decrease in premises and equipment, net		533,016
Total funds provided		39,968,042
Use of funds:		
Redemption of secured long-term notes and debentures	17,410,187	
Decrease in short-term notes	27,622,664	
Dividends	3,884,062	
Preferred shares purchased for cancellation	17,144,293	
Increase in other net assets	4,176,181	70,237,387
Decrease in net finance receivables		30,269,345
Net finance receivables, at February 9, 1979		420,757,167
Net finance receivables, at end of period		$390,487,822

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

October 31, 1979

1. Corporate Reorganization

Procan Holdings Ltd. ("Procan") was incorporated on December 12, 1978 as a wholly-owned subsidiary of The Provincial Bank of Canada for the purpose of acquiring all of the common shares of Laurentide Financial Corporation Ltd. ("Laurentide"). On February 8, 1979 Procan agreed to purchase Laurentide and entered into an amalgamation agreement with Laurentide. This amalgamation was completed on February 12, 1979.

Under the provisions of the amalgamation agreement the issued shares of Laurentide and Procan were converted into issued shares of the continuing corporation ("the Corporation") as follows:

(a) the holders of common shares of Laurentide received 2 fully paid New Preferred Shares of the Corporation for each 2¾ issued common shares of Laurentide.

(b) the holders of the shares of Procan received one fully paid common share for each issued share of Procan.

(c) the holders of Series Preferred Shares and $2.00 Secondary Preferred Shares of Laurentide respectively received Series Preferred Shares and $2.00 Secondary Preferred Shares of the Corporation on the basis of one Series Preferred Share and one $2.00 Secondary Preferred Share of the Corporation for each such issued share of Laurentide.

This amalgamation has been accounted for as a purchase of Laurentide by Procan. A summary of net assets acquired is set out below:

	$000
Assets acquired at fair value	440,292
Liabilities assumed	380,655
	59,637
Minority interest (Series and $2.00 Secondary Preferred Shares)	17,129
Consideration paid	42,508

Consideration paid is the value attributed to the New Preferred Shares issued by the Corporation and is based on the fair value at February 8, 1979 of the common shares of The Provincial Bank of Canada (see Note 7).

The New Preferred Shares are included in the balance sheet at $24,006,559 (before partial share redemptions), being their stated value in the predecessor company and the balance of the consideration amounting to $18,501,685 has been shown as contributed surplus.

The consolidated financial statements include the accounts of the Corporation and its subsidiaries for the period February 12, 1979 to October 31, 1979 and the consolidated accounts of Procan for the period from February 9, 1979 to February 11, 1979. Procan had no operations prior to February 9, 1979 and, thus, no comparative figures are presented.

It is the intention of the Corporation to amalgamate the Corporation with the National Bank of Canada (The Provincial Bank of Canada prior to November 1, 1979) when, and if, appropriate enabling legislation is enacted and the approvals of certain governmental authorities are obtained.

2. Continuing Operations

As a result of the Corporation's intention to amalgamate with the Bank, the following operations of the Corporation have been changed to ensure that they are compatible with those of the Bank:

(i) the cessation of writing new consumer loans and consumer sales financing in Quebec and certain parts of Ontario and the orderly merger and liquidation by the Bank of branches where the Bank is in a position to serve the public adequately;

(ii) the sale of the casualty insurance subsidiary; and

(iii) the sale of certain finance branches which the Bank does not intend to operate after the amalgamation of the Corporation and the Bank.

This merger, liquidation and disposal of operations commenced in April 1979 and will continue.

3. Summary of Significant Accounting Policies

(a) Principles of consolidation: The consolidated financial statements include the accounts of the Corporation and all of its subsidiaries except Laurentide Finance Company Limited, a wholly-owned Jamaican subsidiary, which is excluded from the consolidated financial statements because significant foreign exchange restrictions concerning the movement of funds from Jamaica have made consolidation of this subsidiary's accounts inappropriate. The Corporation's investment in the subsidiary was written down in prior years to its estimated realizable value and this amount was collected during the period; thus the consolidated financial statements do not reflect any investment in this subsidiary.

The subsidiaries included in the consolidated financial statements are:

Commonwealth Industrial Bank Limited (Bahamas)
Laurentide Acceptance Corporation Ltd.
Laurentide Finance Company
Laurentide Financial Realty Corporation Ltd.
Laurentide Financial Realty Corporation (Western) Ltd.
Laurentide Financial Services Ltd.
Laurentide Insurance & Mortgage Co. Ltd. (Bahamas)
Lincoln Investments Ltd.
and 21 small inactive companies.

(b) Foreign exchange:
United States and other foreign currency accounts included in the consolidated financial statements are translated into Canadian dollars at rates of exchange current at the balance sheet date, except that items of income and expense are at rates prevailing during the year. Foreign exchange gains or losses resulting from the above translations are included in the consolidated statement of earnings.

(c) Unearned finance income and income recognition:
Income is recognized on a limited accrual basis. Income is accrued monthly account-by-account for those accounts which are less than 90 days past due, using the sum of the digits accrual method for precompute charge accounts and simple interest method for interest bearing accounts. Extension fees, late charges and income on accounts 90 days or more past due are recorded only as payments are received.

(d) Allowance for credit losses:
All portfolios are regularly reviewed for collectibility. All known losses are charged to income immediately. Specific loss reserves on an account-by-account basis are provided out of income for all anticipated losses. All consumer instalment accounts 180 days past due, except to the extent secured by real estate, are charged to income. In addition to specific reserves, the companies maintain general reserves for all categories of finance receivables, calculated as a percentage of net investment therein.

(e) Income taxes:
Tax allocation procedures are followed in recording charges for income taxes. Taxes deferred as a result of reporting for tax purposes amounts different from those recorded in the accounts are charged against current earnings. The timing differences relate mainly to lease income and foreign exchange. Income taxes on the consolidated balance sheet include deferred income taxes of $9,200,000 less current income taxes recoverable of $1,914,406.

4. *Finance Receivables*

Finance receivables of the Corporation and certain of its finance subsidiaries are pledged as collateral to secure certain short and long-term notes. These notes are further secured by first floating charges upon all other property and assets of the Corporation.

5. *Short-Term Notes*

Bank lines of credit	$202,369,000
Commercial paper, secured	$105,612,545
Issued by subsidiaries, unsecured:	
Bank loan	9,000,000
Other	5,589,592
	$120,202,137

Cash and short-term deposits, prime short-term money market securities and unused bank lines are at all times equal to at least 100% of commercial paper outstanding.

6. *Maturities of Gross Receivables and Debt*

	In thousands of dollars		
	Gross receivables	Debt	Excess of receivables (debt)
Due in			
One year	$197,450	148,538	48,912
Two years	132,189	13,607	118,582
Three years	75,877	40,979	34,898
Four years	34,732	34,314	418
Five years	10,679	35,312	(24,633)
Six to ten years	5,516	25,910	(20,394)
Over ten years	886	19,052	(18,166)
	$457,329	317,712	139,617

Debt issues which have retractable option features have been included in the above maturities at the earlier repayment date.

7. Capital Stock

The Corporation is authorized to issue an unlimited number of common shares and preferred shares. Details of the issued and outstanding capital stock at October 31, 1979 are as follows:

	Number of shares	Amount
New preferred shares	3,001,746	$23,989,132
Common shares	25,000,000	25,000,000
		$48,989,132

During the period the Corporation issued the following shares on the amalgamation of Procan Holdings Ltd. and Laurentide Financial Corporation Ltd.

	Number of shares	Amount
Series preferred:		
5¼% Series Cumulative Redeemable Preferred Shares	7,047	$ 140,940
6¼% Series Cumulative Redeemable Preferred Shares	12,835	256,700
$1.40 Series Cumulative Redeemable Preferred Shares	125,247	3,131,175
$1.25 Series Cumulative Redeemable Preferred Shares	185,445	3,708,900
		$ 7,237,715
$2.00 Cumulative Redeemable Secondary Preferred Shares	269,304	$ 9,891,552
New Preferred Shares	3,001,746	$23,989,132
Common Shares	25,000,000	$25,000,000

During the period prior to amalgamation Procan Holdings Ltd. issued 25,000,000 Common Shares for cash.

During the period the Corporation purchased for cancellation or redeemed all of the Series Preferred and $2.00 Secondary Preferred Shares.

The New Preferred Shares ("Preferred Shares") have attached the following rights, privileges, restrictions and conditions:

(a) Preference of Preferred Shares:
The Preferred Shares shall be entitled to a preference over the Common Shares of the Corporation with respect to priority in payment of dividends and in the distribution of assets in the event of liquidation, dissolution or winding up of the Corporation.

(b) Dividends:
The holders of the Preferred Shares shall be entitled to receive cumulative preferential cash dividends equal to the dividends declared by the Board of Directors of the Bank to be payable on each Common Share in the capital of the Bank.

(c) Amalgamation:
Each Preferred Share shall be exchanged, upon an amalgamation of the Corporation with the Bank having become effective in accordance with applicable law, into the same number of Common Shares of the continuing corporation resulting from such amalgamation as each Common Share of the Bank is exchanged into upon such amalgamation.

(d) Redemption:
The Preferred Shares are redeemable under certain terms and conditions at a price per share based on the market value, at the time of redemption, of one Bank common share

8. *Retained Earnings*

The Articles of the Corporation pertaining to the New Preferred Shares and trust agreements and indentures pertaining to collateral trust notes, collateral trust bonds, and debentures of the Corporation contain various provisions restricting the payment of dividends. At October 31, 1979, all of the consolidated retained earnings are available for the payment of dividends.

9. *Related Party Transactions*

The Corporation is a subsidiary of the National Bank of Canada (The Provincial Bank of Canada prior to November 1, 1979) and where practicable the Corporation and its subsdidiaries conduct their banking transactions through branches of such Bank and also maintain bank lines of credit with this Bank in the amount of $200,000,000. All transactions with The Provincial Bank of Canada are transacted under normal commercial terms.

Certain of the Corporation's Consumer Finance Division branch offices situate in the Provinces of Quebec, Ontario and New Brunswick and the security instruments relating to finance receivables administered therein have been physically relocated to premises of the parent, and the personnel of these branches have become employees of the Bank. Routine administrative functions required in connection with such accounts are supplied by the Bank to the Corporation for a fee. The aggregate amount of fees paid to the Bank under such agreement for the period ended October 31, 1979 was $874,334.

Finance receivables include loans to employees and to a director of $1,169,000 of which $297,000 are interest free housing loans.

10. *Contingent Liabilities*

The records of the predecessor corporation and certain of its subsidiaries were recently reviewed by Revenue Canada, Taxation, for the 1973 to 1977 taxation years. No re-assessments have been issued as a result of this review but Revenue Canada is considering the deductibility of certain expenses in 1976 and 1977. If Revenue Canada re-assesses these years and does not allow the deduction of these expenses, the Corporation will be assessed additional income taxes for 1976 and 1977 of approximately $550,000 and a further $600,000 for 1978 when similar expenses were incurred. No provision has been made for these possible liabilities as the Corporation intends to appeal any re-assessments if they are issued.

Guy Chabot, C.A.,
of Raymond, Chabot,
Martin, Paré & Associés

Guy Amideneau, C.A.
of Maheu, Noiseux, Roy
& Associés

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Laurentide Financial Corporation Ltd. (formerly Procan Holdings Ltd.) as at October 31, 1979 and the consolidated statements of earnings, retained earnings, contributed surplus and changes in financial position for the period from commencement of business, February 9, 1979 to October 31, 1979. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at October 31, 1979 and the results of its operations and the changes in its financial position for the period from commencement of business, February 9, 1979 to October 31, 1979 in accordance with generally accepted accounting principles.

November 16, 1979
Montreal, Quebec

Guy Chabot, C.A.

Guy Amideneau, C.A.

Laurentide Financial Corporation Ltd.

Details of Consolidated Secured Long-Term Notes

Schedule A

October 31, 1979

	Year of Issue	Series	Rate %		Maturity Date	Par Value U.S.	
Payable in Canadian funds:							
Collateral Trust Notes	1960 to 1961	E	6¼ to 6½		Various from November 17, 1980 to March 1, 1981 . . .		$ 900,000
	1965	H	6⅜	(1)	December 1, 1980		1,530,000
	1969	I	9¾		December 5, 1984		3,275,000
	1974	L	9⅝	(1)	February 1, 1994		12,508,000
	1977		9½		June 30, 1982		20,000,000
	1978	O	10	(1) (3)	February 22, 1993		14,118,000
	1960	UD	7¼		February 15, 1980		1,000,000
	1964	UH	6⅛		June 15, 1980 to 1984		1,000,000
	1964	UI	6⅛		June 15, 1980 to 1984		2,000,000
	1965	UJ	6⅛		April 15, 1980 to 1985		600,000
	1965	UK	6⅛		April 15, 1980		1,000,000
	1974	UN	9½	(1)	April 15, 1980 and 1990 . . .		9,037,000
							66,968,000
Payable in U.S. funds:							
Collateral Trust Notes	1964 to 1978	E		(4)	Various from November 20, 1979 to January 13, 1985	$40,500,000	47,976,300
	1965	G	5¾	(1)	December 1, 1980	2,960,000	3,506,416
	1971	J	9	(1)	September 1, 1986	7,000,000	8,292,200
	1972	K	8½	(1)	December 1, 1992	11,200,000	13,267,520
	1976	M	10¾	(1)	April 15, 1991	15,300,000	18,124,380
Collateral Trust Bonds	1960		6½	(1) (2)	February 1, 1980	1,428,000	1,691,609
						$78,388,000	92,858,425
							$159,826,425 (5)

(1) These notes and bonds have sinking and/or purchase fund provisions.

(2) Demand Series E Notes payable in U.S. funds are issued and lodged with the Trustee as collateral security.

(3) The holders of Series O notes have the right to elect repayment in 1984.

(4) Interest rates on some of these notes are adjusted periodically based on certain prime lending rates. The interest rates on these notes were 5⅛% to 9%.

(5) Secured long-term notes maturing within one year amount to $16,767,539.

Laurentide Financial Corporation Ltd.

Details of Consolidated Debentures

October 31, 1979

Schedule B

	Year of Issue	Series	Rate %	Maturity Date	Par Value U.S.	
Payable in Canadian funds:						
Laurentide Financial						
Corporation Ltd.	1960	4	6½ (1)	September 1, 1980		$ 998,000
	1961	5	6½ (1)	March 1, 1981		842,000
	1973	8	8½ (1) (2)	April 15, 1993		8,591,000
	1975	9	11¾ (1) (2)	October 31, 1985		10,000,000
	1976	10	11¾ (1) (2)	May 15, 1991		12,500,000
						32,931,000
Assumed from Union Acceptance						
Corporation Ltd. (3)	1961		6¼ (1)	December 15, 1981		1,001,500
	1962		6½ (1)	December 1, 1983		443,500
	1964	H	6¾	July 2, 1980 to 1984		1,400,000
	1973	K	9¼ (1)	August 1, 1989		1,753,000
						4,598,000
Payable in U.S. funds:						
Assumed from Union Acceptance						
Corporation Ltd. (3)	1966	I	6¼	May 15, 1980	$130,000	153,998
						$37,682,998 (4)

(1) These debentures have sinking and/or purchase fund provisions.

(2) The holders of Series 8, Series 9 and Series 10 debentures of Laurentide Financial Corporation Ltd. have the right to elect repayment in 1983, 1980 and 1984 respectively.

(3) On September 1, 1978, the liabilities of Union Acceptance Corporation Ltd. were assumed by a predecessor corporation as a step in the winding up of that subsidiary.

(4) Debentures maturing within one year amount to $11,568,588.

Historical Five Year Consolidated Summary of a Predecessor Corporation, Laurentide Financial Corporation Ltd.

	1978	1977	1976	1975	1974
FINANCIAL: (000's)					
Balance Sheet as at December 31					
Total assets	$ 481,940	$ 480,080	$ 467,543	$ 429,156	$ 398,211
Cash and short-term deposits	17,615	23,845	21,787	15,859	19,303
Finance receivables — gross	506,559	501,959	499,750	462,590	424,877
Investment in Affiliates and other companies	2,597	4,616	5,196	6,122	5,822
Secured short-term borrowings (senior debt)	155,462	156,579	170,049	156,116	147,964
Secured long-term borrowings (senior debt)	163,292	168,930	141,891	132,087	126,027
Unsecured borrowings (junior debt)	47,562	45,749	45,404	39,113	29,684
Total borrowings	366,316	371,258	357,344	327,316	303,675
Shareholders' equity	70,642	69,392	67,465	65,680	64,227
Earnings Summary year ended December 31					
Gross income					
Finance	74,180	73,084	70,263	62,297	58,327
Insurance and investment	9,395	8,095	10,099	10,084	11,028
Total gross income	83,575	81,179	80,362	72,381	69,355
Cost of borrowings	34,411	31,589	30,846	26,032	26,756
Salaries and benefits	14,497	13,731	13,522	13,222	11,765
Provisions for credit losses	5,186	5,590	4,789	3,864	3,621
Insurance claims and related expenses	5,388	5,634	7,242	8,279	9,627
Other operating expenses	12,679	11,454	10,322	9,780	9,417
Earnings before extraordinary item	5,684	6,811	6,051	5,516	3,754
Extraordinary item	327	700	—	—	—
Net earnings	5,357	6,111	6,051	5,516	3,754
Ratios					
Senior debt to junior debt plus equity:times	2.70	2.83	2.76	2.75	2.92
Senior debt to equity:times	4.51	4.69	4.62	4.39	4.27
Total borrowings to equity:times	5.19	5.35	5.30	4.98	4.73
Net tangible asset coverage of secured borrowings:times	1.36	1.34	1.35	1.35	1.33
Net tangible asset coverage of unsecured borrowings:times	2.40	2.43	2.39	2.58	3.04
Consolidated earnings available for interest on consolidated borrowings:times	1.31	1.40	1.41	1.43	1.30

Corporate Information

As at November 27, 1979

Laurentide Financial Corporation Ltd.

Amalgamated under the Canada Business Corporations Act, is a subsidiary of National Bank of Canada

Directors

***Michel Bélanger**
President and Chief Executive Officer,
National Bank of Canada

***Claude Bruneau**
Vice-President,
Power Corporation of Canada, Limited

Pierre Castonguay
Senior Vice-President and General Manager,
National Bank of Canada

†*John C. Gilmer, F.C.A.
Company Director, formerly President and Chief Executive Officer,
Canadian Pacific Air Lines, Limited

James D. Helmcken
Vice-President, Secretary and General Counsel,
Laurentide Financial Corporation Ltd.

Thomas L. Hunt
Vice-President, Industrial Finance Division,
Laurentide Financial Corporation Ltd.

†Lawrence C. Jolivet
President
Oakwood Holdings Ltd.

A. Frank Knowles, C.A.
Vice-President, Finance and Treasurer,
Power Corporation of Canada, Limited

†Gordon F. MacFarlane
Chairman and Chief Executive Officer,
British Columbia Telephone Company

Gilles Mercure
Executive Vice-President,
National Bank of Canada

***Paul Britton Paine, Q.C.**
Chairman, President and Chief Executive Officer,
Montreal Trust Company

***Gilles Roch**
Executive Vice-President,
National Bank of Canada

Réal René Rousseau
Vice-President, Consumer Finance Division,
Laurentide Financial Corporation Ltd.

†*Edgar J. Saba
President,
Saba Brothers Limited

Jacques A. Seigneuret, C.A.
Senior Vice-President and General Manager,
National Bank of Canada

***Clifford G. Simpson**
President and Chief Executive Officer,
Laurentide Financial Corporation Ltd.

Officers

Michel Bélanger
Chairman of the Board

C. G. Simpson
President and Chief Executive Officer

W. Aldridge, C.A.
Vice-President and Controller

J. D. Helmcken
Vice-President,
Secretary and General Counsel

T. L. Hunt
Vice-President,
Industrial Finance Division

R. R. Rousseau
Vice-President,
Consumer Finance Division

R. L. Sheppard
Vice-President,
Real Estate and Mortgage Division

T. R. Wilson
Vice-President,
Personnel

K. F. Harwood
Assistant Vice-President,
Credit

N. T. Stott
Assistant Treasurer

J. W. Thompson, C.G.A.
Assistant Treasurer

* Member, Executive Committee
† Member, Audit Committee

Registrar and Transfer Agents

Preferred Shares — Montreal Trust Company, *Halifax, Montreal, Toronto, Winnipeg, Regina, Calgary and Vancouver*

Trustees

Collateral Trust Notes — National Trust Company, Limited, *Vancouver*

6½% Collateral Trust Bonds — Citibank, N.A., *New York*

Debentures — The Canada Trust Company, *Vancouver*

Shares Listed

Preferred Shares — Toronto, Montreal and Vancouver Stock Exchanges

PRINTED IN VANCOUVER, CANADA
BY WESTERN MINER PRESS LTD.