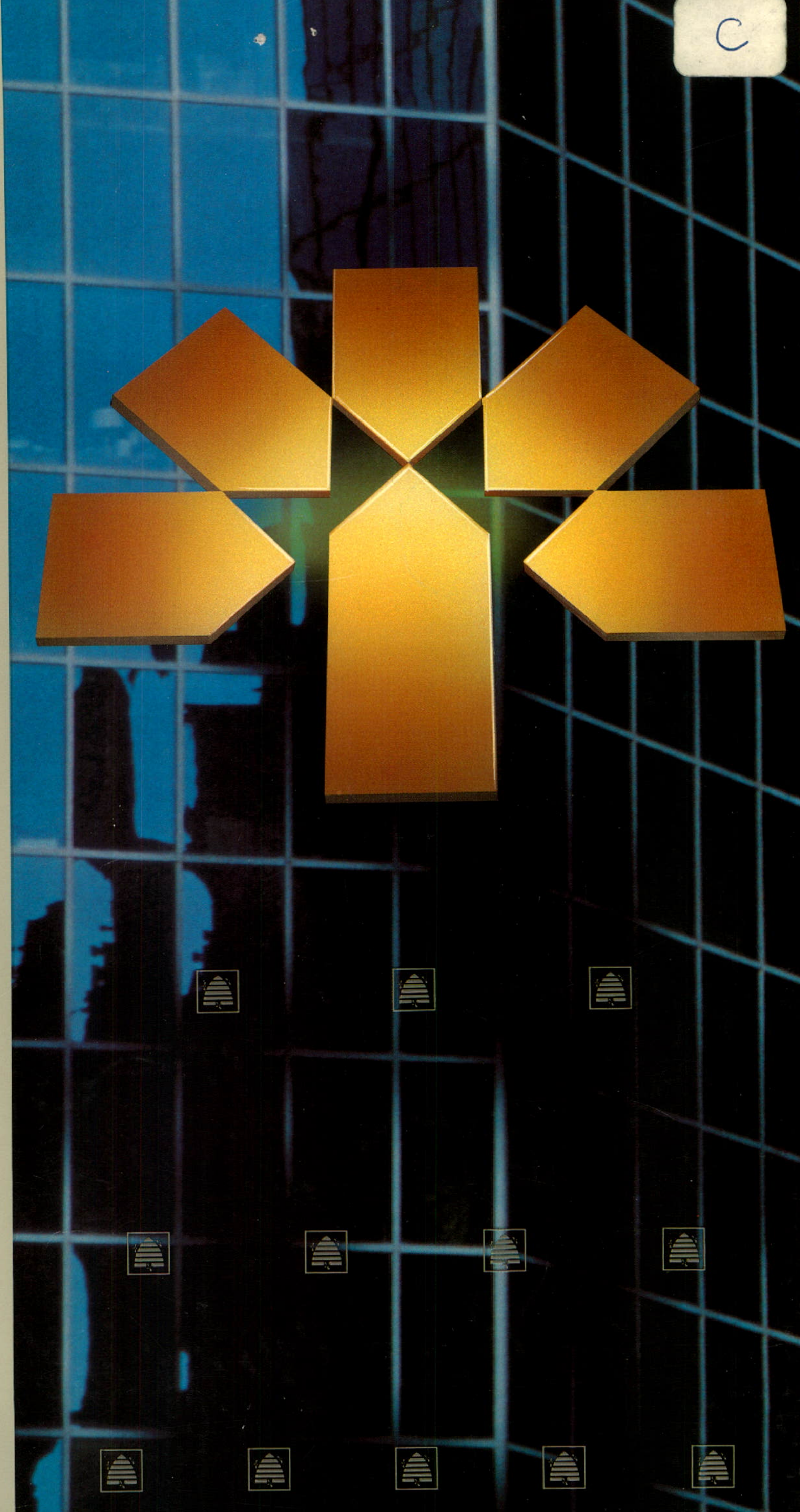
LAURENTIAN BANK
OF CANADA



141st
Annual Report
1987

Our Cover

In 1987, when our institution became the Laurentian Bank of Canada, we adopted The Laurentian Group's gold logo depicted in the centre of our front cover. The filigree beehives remind us of our 141-year history as The Montreal City and District Savings Bank. In 1988, the Bank will move its head office to a complex in downtown Montreal which will become the Laurentian Bank of Canada Tower. One of the glass surfaces of this building is also depicted.

Mission

The Laurentian Bank of Canada is a Canadian chartered bank affiliated with The Laurentian Group. By providing superior services, the Bank aims to respond to the total banking and financial needs of both consumers and small and medium-sized businesses.

Our tradition of financial strength and personalized service goes back more than a century, and the Laurentian Bank is now seeking to grow more rapidly by expanding geographically, diversifying its range of products and taking full advantage of its ties with the other Laurentian Group members.

In order to achieve this goal, the Laurentian Bank intends to draw on its profitable operations and the competence, creativity and devotion of its personnel, as well as on its adaptability and its firm roots in those areas where it is already established.

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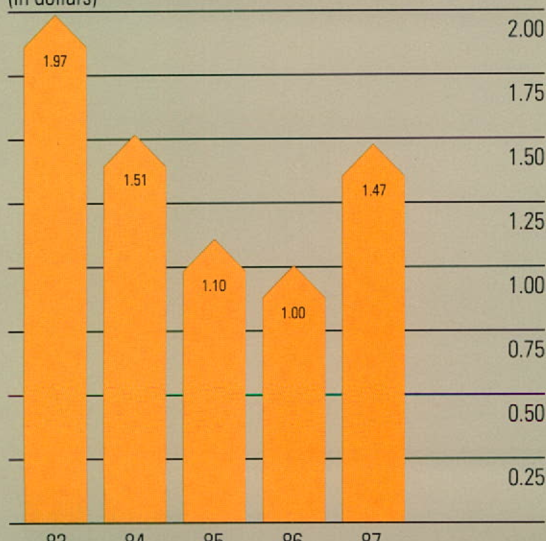
Highlights of Consolidated Financial Statements as at October 31

(in thousands of dollars, except for per share amounts)

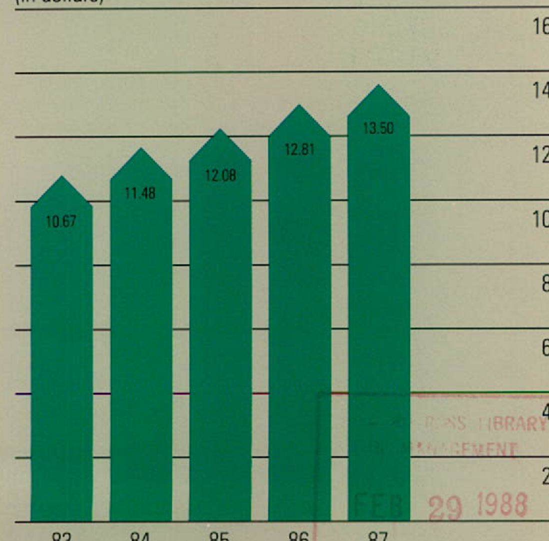
	1987	1986	Per cent change
Assets and Liabilities			
Total assets	**$ 3,930,103**	$ 3,841,248	2.32
Cash resources and securities	**$ 1,443,642**	$ 1,943,744	(25.73)
Loans	**$ 2,405,439**	$ 1,815,977	32.46
Deposit liabilities	**$ 3,573,814**	$ 3,504,422	1.99
Capital and reserves	**$ 259,374**	$ 249,404	4.00
Income			
Income before extraordinary item	**$ 24,654**	$ 20,286	21.54
Net income	**$ 26,874**	$ 20,286	32.48
Net income attributable to common shares	**$ 21,099**	$ 14,371	46.82
As percentage of average total assets:			
Income before extraordinary item	**0.63%**	0.56%	12.50
Net income	**0.68%**	0.56%	21.43
As percentage of average common shareholders' equity and appropriations for contingencies:			
Income before extraordinary item	**9.90%**	8.02%	23.45
Net income	**11.06%**	8.02%	37.91
Per Common Share			
Book value	**$ 13.50**	$ 12.81	5.39
Income before extraordinary item	**$ 1.31**	$ 1.00	31.00
Net income	**$ 1.47**	$ 1.00	47.00
Dividends *	**$ 0.51**	$ 0.50	2.00
Share quoted price (after 2 for 1 split)			
High	**$ 25.00**	$ 15.375	—
Low	**$ 12.00**	$ 9.063	—
Closing	**$ 12.25**	$ 14.563	—
Other			
Average number of common shares outstanding	**14,400,000**	14,400,000	—
Number of common shareholders	**2,403**	2,422	(0.79)
Number of employees	**1,806**	1,603	12.67
Number of branches	**121**	121	—

* On September 2, 1987 the Board of Directors approved a quarterly dividend of $0.135, which represents a yearly dividend of $0.54.

Net Income per Share
(in dollars)



Book Value of Common Shares
(in dollars)



To All Our Shareholders

It seems like years have passed since the publication of our last Annual Report. We were exceedingly busy throughout 1987; changes followed one another at an uninterrupted pace.

In accordance with the mandate our shareholders gave us at the special meeting held on September 2, 1987, the Bank has changed its name and status.

We wanted the Bank to become a chartered bank at the same time that it became the Laurentian Bank of Canada. The new name and the speed and efficiency with which the changes were brought about elicited an extremely positive response from all concerned.

The Bank and The Laurentian Group

Last fall, The Laurentian Group became the Bank's major shareholder. This important step was the culmination of many years' efforts.

It was also one of the Group's fundamental objectives. It enables The Laurentian Group to make the widest possible range of financial services available to Quebec and Canadian consumers.

The Laurentian Bank of Canada accounts for approximately 30% of The Laurentian Group's consolidated assets. And as banking is an essential service for both consumers and companies, the Bank holds a key position within the Group. We are also the only group in Canada operating in each of the four main sectors of financial services.

The establishment of close ties between the Group and the Bank in no way alters the Bank's identity as a distinct financial institution. The Group has always operated according to the principle of decentralization. Each member company retains a great deal of autonomy within a dynamic and positive framework of interdependence with the other member companies.

The Bank will continue to pursue its corporate objectives. It is up to the Board of Directors and its executive to take the necessary steps to meet these objectives. This is one of the reasons the Bank's executive was strengthened last year. In addition, the Board of Directors will take on new dimensions this year.

Unlike other chartered banks, the Laurentian Bank benefits from the presence of a major shareholder. This gives the Bank continuity and stability in the pursuit of its objectives, and is likely to prevent it from leaning towards growth and prestige, rather than performance and profitability.

Through membership in The Laurentian Group, while retaining its independence the Bank can collaborate with other member companies on projects that would otherwise tax its resources too heavily or be beyond its capability.

Data Processing and Marketing

This is particularly true with respect to two sensitive areas of the Bank's activities: data processing and the distribution of products and services. In collaboration with Laurentian Technology Inc., our subsidiary specialized in data processing, the Bank can remain at the leading edge of computer technology.

With respect to marketing, the Bank benefits from the considerable advantages associated with the Laurentian name. Furthermore, thanks to the Group's distribution network the Bank can expand geographically without necessarily having to absorb the prohibitive costs associated with traditional expansion of the branch network.

Membership in The Laurentian Group means that the Bank now has the human and financial resources to compete on a national scale.

Claude Castonguay
Chairman of the Board

International Competition

However, significant challenges and opportunities have already arisen as a result of the inevitable deregulation of exchange and the extremely rapid internationalization of financial markets.

As of right now, here on our own territory, we must compete not only with Canadian financial institutions, but also with powerful conglomerates from Japan, the United States, Germany and several other countries.

It is clear that the Bank must soon commit itself to the internationalization of its services, if it is to remain competitive and continue to meet the needs of its customers.

Government Actions

The prospect of increased competition was what coloured our reaction, last year, to federal and Quebec government bills concerning financial services.

The financial services sector is one of the most, if not the most, important in the Canadian economy. At present, financial institutions are more regulated and closely monitored than any other sector in our economy.

As our Group offers all types of financial services, we bear the full weight of the legislation and regulations imposed by both levels of government and the various monitoring agencies.

We deplore the fact that the application of this legislation is often meddlesome, unnecessarily rigid and sometimes even contradictory.

In their desire to effectively protect consumers' interests, our governments must not lose sight of the importance of having a dynamic financial sector that will be competitive in the current context of deregulation.

In short, we are once again asking our governments to coordinate their legislation and avoid increasing the heavy burden we already bear. As regards conflicts of interest and integrity, we are firmly convinced that the system of self-regulation that has gradually developed over the years has more than proven itself. It must be upheld and improved, and not replaced by a rigid bureaucratic system.

The Bank's Performance

The Bank's results during the 1987 fiscal year were very encouraging and augur well for the future. The Laurentian Bank's increase in net earnings clearly exceeds that of all other Canadian chartered banks.

Return on shareholders' equity increased from 8.0% to 11.1% over the year. This allowed our Board of Directors to increase the dividend on common shares. On an annual basis, the dividend is now \$0.54, compared to \$0.50 previously.

These excellent results were achieved at a time when the Bank had to deal with extraordinary expenses related to its change of name and status. Our performance can also be partially explained by the fact that we have no loans to foreign countries and have no intention of changing our policy in that respect.

The Bank's solid financial position means it will be able to take advantage of the opportunity, made available by our Group, to rapidly assume a truly national dimension which conforms perfectly with its new status as a chartered bank.

The Laurentian Mutual Insurance

I would like to draw attention to the fiftieth anniversary of The Laurentian Mutual Insurance, which will be celebrated in 1988. Founded in Levis in 1938, The Laurentian Mutual Insurance has grown from a modest little company to one that is now recognized as a leader in personal insurance in Quebec and Canada. This company gave birth to The Laurentian Group, of which it is now the major shareholder.

During its fifty-year existence, The Laurentian Mutual has developed an identity, principles and a way of doing things that are now bearing fruit and have, above all, lent continuity to our actions. Thanks to this valuable experience, The Laurentian Group can aspire to the role of leader in diversified financial services in Canada.

The pioneers of The Laurentian Mutual also bequeathed to us the values of integrity, sound financial management, solvency and an openness to the needs of consumers, on which we hope to build our future.

The Board of Directors

In conclusion, I would like to mention a number of changes within our Board of Directors. Pierre Goyette and Guy A. Beaudin left the Board during the year. Josette D. Leman, Michael B. Harding and Jean-Marie Poitras decided not to seek re-election for the 1988 fiscal year.

We would like to thank each of them for their contributions to the Bank's development, particularly Mr. Poitras who assumed the role of Chairman of the Board for more than two years.

Finally, I would like to thank all our shareholders for the interest, loyalty and confidence they have shown over the past year.

With its new name, new charter, extended powers, dynamic and competent executive, and status as a member of The Laurentian Group, the Laurentian Bank approaches 1988 with optimism.

Claude Castonguay
Chairman of the Board

Report on Operations

The Bank's activities over the past year enabled us to reach and even exceed the objectives we set at the beginning of the year.

Our objectives were to change the City and District Savings Bank into a chartered bank, position the Bank in such a way that it could broaden its line of products and services, build the foundations for a bank that would be national in scope, strengthen our ties with The Laurentian Group and its other members, and increase the average return on shareholders' equity to 11%.

September 28, 1987, was a historic moment in the development of our financial institution. On that date, we became the Laurentian Bank of Canada (Banque Laurentienne du Canada, in French). This new chartered bank is the seventh largest in the country that is wholly owned by Canadians.

Our change in legal status and name was a large-scale operation, that occupied the time, resources and talents of many people.

The Bank's directors, and those of The Laurentian Group, prepared the project before taking it to the appropriate government authorities; the Board of Directors approved it and the shareholders ratified that decision; finally, our personnel enthusiastically brought the project to completion.

Thanks to this concerted effort, we can state today that the operation as a whole was a resounding success. Our approximately 500,000 customers and the general public identify strongly with our new colours. As the Laurentian Bank of Canada and its objectives become better known, its financial performance is strengthened.

Necessary Changes

The changes in status and name became desirable and necessary for more than one reason. The Canadian government became increasingly hesitant about maintaining the Quebec Savings Banks Act under which our operations were governed. We thus had to take some form of action.

Furthermore, we felt that deregulation of financial institutions would leave no place for The Montreal City and District Savings Bank, limited geographically by the regional connotations of its name and limited in power by its restricted status as a savings bank.

The Bank would never have been able to reach its objective of increased profitability in a legal environment that was too restricted to ensure the harmonious development of its services and the geographical expansion of its operations.

Numerous Advantages

In becoming the Laurentian Bank of Canada we became the only institution wholly owned by Canadians that comes under Schedule B of the Bank Act. This enables us to maintain our ties with The Laurentian Group, reap all the benefits arising from this association and take advantage of the growth of both the Group and its member companies.

In the near future, we will be able to distribute our products and services throughout an extensive network; we will be able to offer our customers certain financial products of other member companies; we will be able to benefit from the development of the Group's resources; we will have the financial support of a strong ally; we will profit from the economies of scale of sharing costs with other group members, and we will be able to offer our personnel better prospects with respect to employment and career development.

On the other hand, the Laurentian Bank of Canada's financial services will complement those already available from the Group, thus giving the Group an advantage over other financial groups. We can also complete the Group's distribution network for certain financial products.

We had a clear reason for becoming a chartered bank and adopting a new name: to enable us to operate on a national scale, in any regional market where our diverse services prove to be needed and profitable.

Our customers and the general public reacted very favourably to our name change. The operations surrounding the name change were well organized. Our new name was officially announced on September 28, 1987, at a press conference attended by (left to right) André Monette, President and Chief Operating Officer of our subsidiary, Laurentian Trust; Roland Breton, President and Chief Executive Officer; and Claude Castonguay, Chairman of the Board.

Roland Breton
President and Chief
Executive Officer

Increased Powers

When it became a chartered bank, the Laurentian Bank of Canada obtained powers and prerogatives that place it in a position from which it can operate on a national scale and compete more effectively.

This is particularly true in the case of commercial and consumer loans, especially in terms of flexibility and loan amounts. The elimination of the $100,000 ceiling for commercial loans gives us new opportunities with respect to loans to the self-employed, professionals, and small and medium businesses. Furthermore, the $25,000 ceiling on unsecured consumer loans has been eliminated, opening new doors for us.

There are also many other types of banking and financial activities in which we may now become involved. We may negotiate foreign Treasury bills, play a more active role in government and private bond issues, have greater freedom on the stock market, authorize inter-bank loans, brokers' loans and loans on securities portfolios, offer leasing, and so on.

While gradually expanding our commercial activities, we will continue to exercise the same caution that has always characterized our philosophy and management style. Our growth will be strictly controlled; we will always have the best interest of our current and potential customers, our shareholders and other investors in mind.

Our Two Subsidiaries

The steps leading up to our change in status and name included two other actions. Our subsidiary, The Montreal City and District Trustees Limited, founded in 1939, changed its name to become "Laurentian Trust of Canada Inc.".

We also created a new subsidiary, The Laurentian Bank of Canada Mortgage Corporation, which now holds part of the Bank's mortgage loan portfolio and investment certificates.

Our Values

Armed with a new corporate identity and a specific purpose, the Bank's directors reaffirmed the corporate philosophy that has always characterized our institution. The Bank intends to spread its philosophy through a value system which will be upheld throughout our institution in order to ensure solidarity among all employees.

These values well illustrate where we are heading and the way in which we want to be perceived by those who witness our growth.

- We place the needs of our customers at the heart of our development; we want to be innovative and dynamic in responding to the changing needs of customers;
- We are growth oriented. As such, we recognize that a balance exists between short-term profitability and long-term development;
- We adhere to high standards in all key aspects of our operation: personnel, products, know-how, level of productivity, integrity, management and financial soundness;
- We want to merit the public's confidence by being financially solid and offering top quality personalized service;
- We want a staff that is motivated and proud, that demonstrate a spirit of entrepreneurship, and is interested in actively participating in the Bank's development; to this end, we believe that compensation should be based on performance and merit;
- We want to be an active member of The Laurentian Group, known for its special expertise. While retaining complete responsibility for its own results, the Bank will contribute to the Group and benefit from the economies of scale and other advantages to be gained from membership in such a group;
- Our success is measured by continued profitability;
- We abide by high ethical standards and integrity when dealing with both our customers and other members of the Group;

The Laurentian Bank of Canada places great emphasis on meeting customers' needs. Indeed, this policy is central to our development. In 1987, the Bank strengthened its position in the Ottawa valley by inaugurating a new branch in Gatineau.

- We value communication at all levels of our organization;
- We want to be recognized as a good corporate citizen and contribute to each of the communities in which we are located.

Financial Performance

As a result of the favourable impact of the changes experienced over the past months, the enthusiasm of our personnel, and a healthy economy, the Bank greatly exceeded the growth objectives established one year ago.

The Bank's consolidated net income for the fiscal year was $26.9 million, an impressive increase of 32.5% over that of the preceding year. Net earnings per common share rose from $1.00 to $1.47.

You will find a detailed analysis of our results and comments on our financial statements starting on page 15 of our Annual Report.

The stock market crash last fall had little impact on the Bank's income. We did not have a very large stock portfolio, and our losses on the stock market were largely offset by the increased value of our bond portfolio.

In addition, we reacted very quickly to these events and were thus able to lessen the repercussions of the drop in value of the shares we held.

Throughout the past fiscal year, we placed emphasis on financial planning as part of our strategy to rationalize and improve our financial information.

Our Organizational Structure

The changes in legal status and name, as well as the resulting objective to expand our operations, led the Bank to take a look at certain aspects of its organizational structure.

Consequently, some highly qualified people joined our management team to help us meet the challenges in the coming years, while others were given increased or different responsibilities.

Network Management

We were also able to successfully pursue our program to set up administrative centres housing the branches' purely clerical and administrative operations.

After obtaining favourable results at the centres set up in the Quebec City region, Hull-Ottawa and Laval, the Bank decided to apply the concept throughout its network. Over the past year, some 20 branches were thus relieved of purely administrative duties.

We plan to continue to implement this program during the upcoming fiscal year. Our branch personnel will thus be able to devote most of their time to customer service and business development.

During the past year, the Bank opened two new branches, one in Gatineau and the other in Rivière-des-Prairies, in Montreal. However, as a result of our rationalization program, we still have 121 branches.

Our shared automatic tellers, part of the national Interac network and the international Plus System network, also contributed to our success. At present, the Bank has 65 shared automatic tellers.

Training and Upgrading

Throughout fiscal 1987, the Bank put sustained effort into training and upgrading personnel at all levels. All our branch managers participated in our "Business Development Program" in order to become more attuned to their heightened role in sales, consultation and customer service.

As is the case every year, several of our employees seeking to upgrade their skills and improve their prospects for career development, registered, with the support and encouragement of the Bank, for the Institute of Canadian Bankers' training program.

In addition to a new name, we acquired new powers. We now have greater scope with respect to commercial loans, as illustrated by this photo taken in the workshops of Centre d'armoires Delta, in Anjou. In 1987, as a result of an exceptional increase in our volume of loans, particularly mortgage loans, our loans/assets ratio climbed to more than 60%.

Marketing and Communications

The Laurentian Bank of Canada completed its first year in operation with encouraging prospects, based on the positive reaction of customers and the general public to its change in name and status.

A well-planned communications program led to a smooth transition for our customers. Our personnel answered customers' questions and helped them realize the advantages to be gained by our actions.

The changes were accomplished quickly, in a professional and orderly manner. In just a few weeks, our signature, colours, signs and literature were transformed. An extensive advertising campaign was put in action at the end of September to help the public associate our new name, logo and predominating colour of turquoise.

At approximately the same time, the Bank introduced its "Investment Excellence" account, a high yield savings account with chequing privileges. In a very short period of time this account exceeded our objectives, confirming consumers' acceptance of our new name.

Another reflection of positive consumer response to our changing in name and status on September 28 was the 7,000 new accounts which were opened between that date when we officially became the Laurentian Bank of Canada, and our year-end of October 31, 1987.

Earlier in the 1987 fiscal year, the Bank launched its Golden Years Program, in collaboration with Laurentian Trust of Canada. This successful program deals with retirement income options, preparing a will and settling an estate.

Our Objectives for 1988

The Laurentian Bank of Canada, as a chartered bank, now has the means necessary to continue to build for its future and carry out its strategy.

It intends to build on its accomplishments, in other words, to continue to offer quality products with competence and courtesy, and at competitive prices.

We also plan to expand more rapidly outside our traditional boundaries. We will open up new branches in strategically chosen locations in Quebec and Canada — three are already planned for the Quebec City region — and install new automatic tellers, while expanding through acquisitions which contribute to the achievement of our objectives.

A specific step towards expansion was taken on January 15, 1988, when our shareholders approved the merger between the Bank, Eaton Trust Company and Eaton Bay Holdings Limited. It will result in ten new points of sale — four branches and four mortgage centres for the Bank, as well as two additional outlets for our subsidiary, Laurentian Trust — in several large Canadian cities.

Financially, we plan to continue to increase our loans/assets ratio until it is comparable to that of other Canadian chartered banks. This objective is part of our overall goal to increase the profitability of the Bank, in 1988.

This relative decrease in investments as a percentage of total assets will in no way reduce their importance as a profit centre. With time, our current range of investment activities will be broadened to include a number of transactions we are now permitted to perform.

With respect to commercial loans, however, we will give priority to the financial needs of small and medium businesses.

We will maintain an equilibrium between our desire to expand and our concern for profitability. Our objective is to increase the average yield on shareholders' equity from 11% to 15%, within three years.

In 1988, we will concentrate on increasing productivity, in order to increase our rate of return while financing our expansion program. We will do so by controlling costs and undertaking professional studies of production costs. We will put certain resources back into use, and improve our administrative systems and methods in order to accomplish more with the means at our disposal.

While conforming to the standards for managing reserves inherent in our status as a chartered bank, we plan to penetrate the foreign exchange market and place emphasis on our specialized investments, particularly debentures.

We will develop the range of products and services currently available from our subsidiary, Laurentian Trust of Canada. We also want to increase the number of establishments offering its services.

We will continue to devote the energy and resources necessary to train our personnel.

Finally, we will promote high ethical standards in all our transactions with customers, personnel, shareholders, partners in The Laurentian Group, and others with whom we do business.

The Bank's directors intend to pay particular attention to the various aspects of tax reform at the federal level and any adjustments that may follow at the provincial level.

The Laurentian Bank of Canada will soon move its head office into a new location on McGill College Avenue, in the building currently designated as the Esso Tower. In a few months, that building will become the Laurentian Bank of Canada Tower.

Our Personnel

In closing, I would like to emphasize the invaluable support of our some 1,550 regular employees throughout the past year. They were truly an important element in our successful change of name and status.

Our personnel has always stood firmly behind our objectives and strategy. Their talents, energy and devotion enabled us to bring about the changes made.

I have full confidence that the Bank's employees will continue to represent a key asset within our institution and The Laurentian Group.

Roland Breton

Roland Breton
President and Chief Executive Officer

Report on Operations

Fiscal 1986-1987 was a milestone in our institution's history with the adoption of a new name, "Laurentian Trust of Canada Inc.". In March of 1987, I was appointed as President and Chief Operating Officer of Laurentian Trust and as Senior Vice-President — Operations of the Laurentian Bank.

Priorities in 1986-1987

At the operations level, the Management Committee set out the strategic orientation for the three main areas of Laurentian Trust's development, namely: its financial intermediary role, Corporate Trust Services and Personal Trust Services. This orientation is in line with the implementation of the three-year development plan prepared in the previous year.

Concerning financial intermediary activities, we established the groundwork for a branch expansion program starting in fiscal 1987-1988. It is noteworthy that the Mortgage Loans Department achieved a record level of growth and at the same time maintained excellent portfolio quality.

The acquisition of a new computer system for Corporate Trust Services has consolidated our market positioning as a transfer agent. Business development efforts during the year focused primarily on offering transfer agent services to medium-sized businesses.

With regard to Personal Trust Services, the department was reorganized to emphasize business development while, at the same time, ensuring sound administrative control. In addition, as a result of our active participation in the Laurentian Bank's Golden Years Program, we have been receiving new business related to will planning.

In general, the computerization of our overall operations has continued with the aim of further upgrading customer service and efficiency within the organization.

Financial Results for 1986-1987

The rise in net income is due to a substantial increase in both net financial revenues and fees along with tighter cost control. However, during the year the company had to absorb additional costs related to its name change.

Laurentian Trust of Canada Inc. recorded net income of $1,303,000 for the year ended October 31, 1987, compared with $1,201,000 for the previous year, up 8.5%.

Net earnings attributable to common shares amounted to $1,039,000, which was an increase of $191,000 or 22.5% versus the previous year. The average net earning per common share totalled $0.21, compared with $0.19 for the previous year.

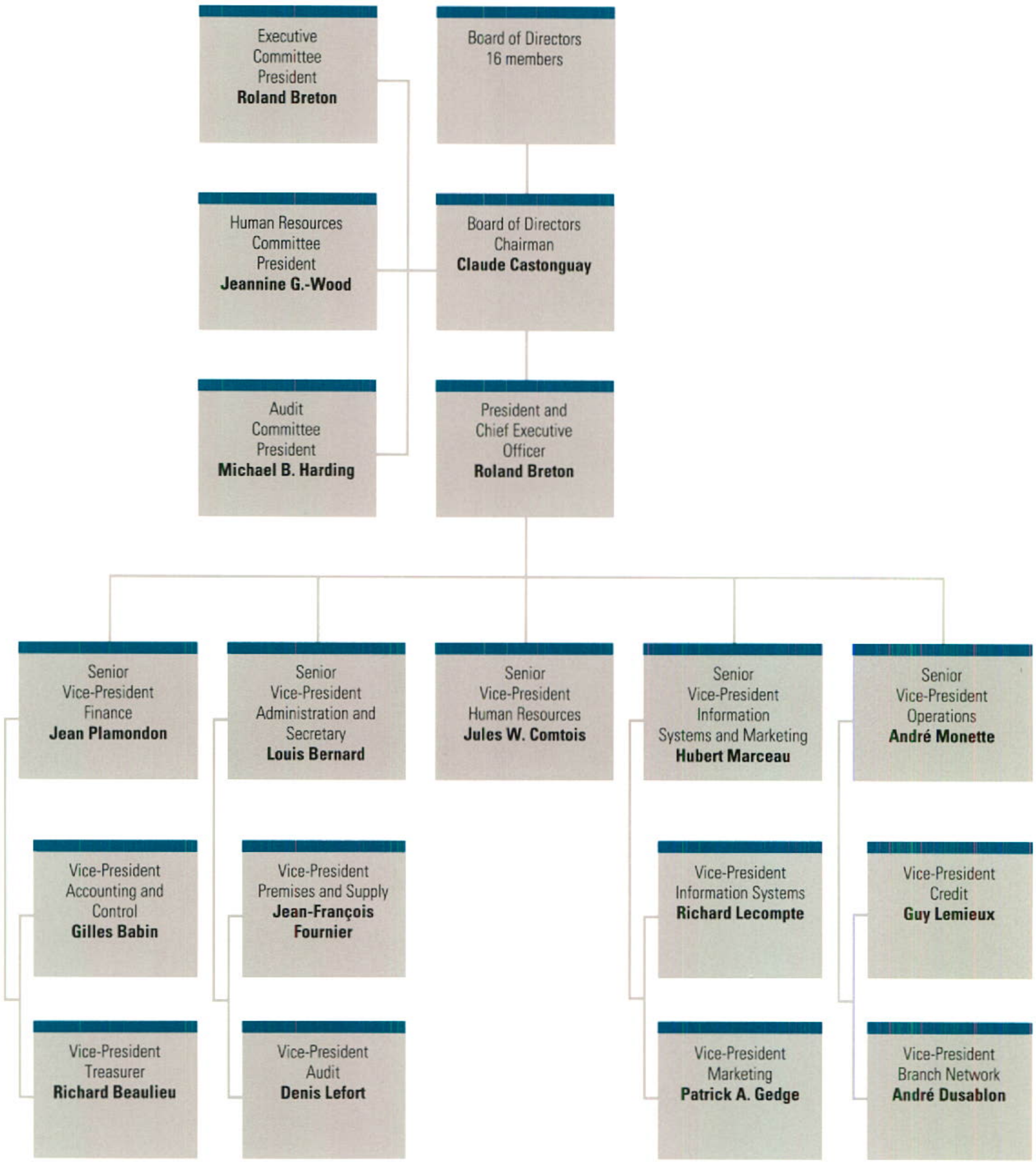
Laurentian Trust's assets stood at $400,495,000 as at October 31, 1987 compared with $377,429,000 one year earlier, an increase of 6.1%. Assets under administration increased by $29,799,000, or 14.6%, from $204,146,000 as at October 31, 1986 to $233,945,000 as at October 31, 1987. Furthermore, total assets administered by Laurentian Trust rose to $634,440,000 as at October 31, 1987, up 9.1% over the previous year.

André Monette

André Monette
President and Chief Operating Officer

Organization Chart of the Laurentian Bank of Canada

as at October 31, 1987



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Management's Comments on the Financial Statements

The purpose of this section of the Annual Report is to present and comment on the Bank's financial position and operating results. All figures are on a consolidated basis, including the operations of the Laurentian Bank of Canada and its wholly-owned subsidiaries, Laurentian Trust of Canada Inc. and The Laurentian Bank of Canada Mortgage Corporation. The highlights of the balance sheets and statements of income for these subsidiaries are provided on pages 40 and 41.

Highlights for the Year

The net consolidated income for the year totalled $26.9 million, a significant increase of 32.5% compared with the previous year's total of $20.3 million.

Net income per share rose to $1.47 in fiscal 1986-1987 from $1.00 in the previous year, up 47%.

There are several explanations for the excellent performance of the Bank's net income. First, the percentage of loans grew strongly in relation to total assets. In one year, this percentage increased from 47.3% to 61.2%.

Also, the sale of a subsidiary at the end of 1986 had a positive impact on our overall financial results. In connection with the sale of this subsidiary, the Bank acquired investments as well as certain real estate assets and securities which were almost entirely disposed of by the end of the year.

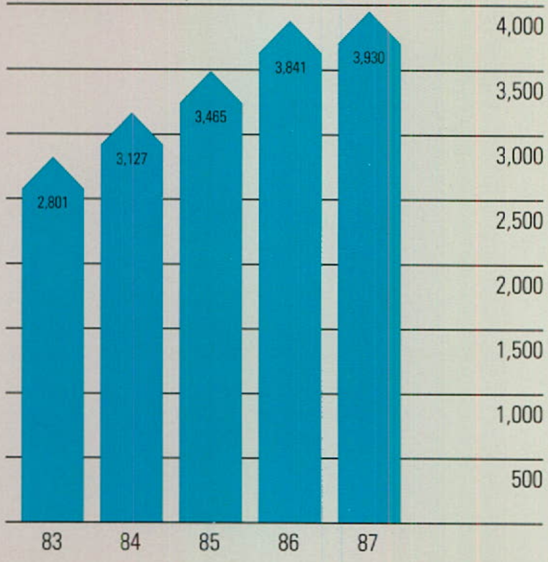
Consequently, the Bank achieved a higher gross margin on the sale of this subsidiary. Moreover, it recorded an extraordinary gain of $2.2 million (net of related income taxes) in the consolidated statement of income, which contributed strongly to absorbing costs related to our institution's new name and change in status totalling $4.2 million ($2.4 million after taxes).

The major changes concerning the Bank's name and status were unquestionably the highlights of the year. On September 28, 1987, The Montreal City and District Savings Bank obtained letters patent in order to become a chartered bank. It now carries out its operations under the name of the "Laurentian Bank of Canada".

As a chartered bank, our institution enjoys more flexibility in terms of commercial and consumer loans. At the same time, its geographic expansion capacity is greatly increased. The favourable impact of these changes will be experienced over the coming years.

Changes in the Bank's legal status have also required the creation of a new subsidiary, The Laurentian Bank of Canada Mortgage Corporation, which now holds part of the Bank's mortgage loan and guaranteed investment certificate portfolios. All deposits received by this corporation are unconditionally guaranteed by the Bank. In addition, this subsidiary is a member of the Canada Deposit Insurance Corporation.

Total Assets
(in millions of dollars)

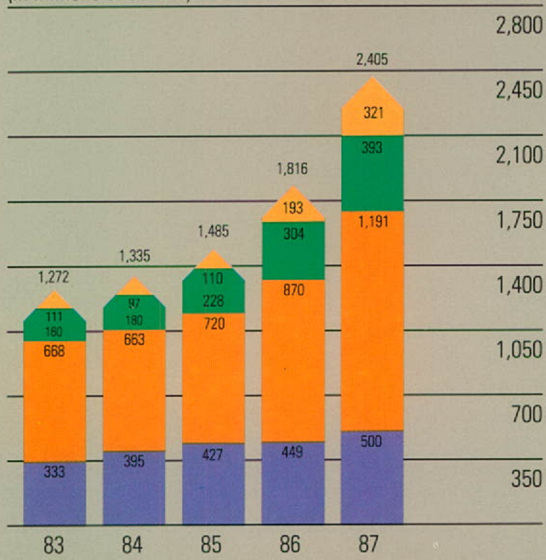


Total Assets

At the end of the year, the Laurentian Bank of Canada's total assets stood at $3.9 billion, a slight increase of 2.3% compared with October 31, 1986.

During the second half of the year, the Bank decided to reduce certain cash flow operations involving large financial volumes with marginal returns. This step was taken to improve profitability and reduce the cost of statutory reserves and non-producing interest which the Bank must maintain under the Bank Act. Approximately $200 million was taken from the assets for this purpose.

Loans
(in millions of dollars)



Commercial loans
Personal loans
Other mortgages
Mortgages, insured under the National Housing Act

Loans

Fiscal 1986-1987 saw very strong growth in the loan portfolio which rose by $589.5 million. The Bank's loan performance indicates the buoyancy of the markets throughout the year, but also reflects the Bank's efforts to increase its market shares.

Mortgage loans rose by $372.2 million or 28.2% over one year, totalling close to $1.7 billion as at October 31, 1987.

The growth of personal loans was just as outstanding, with an increase of 29.3%, mainly due to the strong demand in this area which the Bank was able to meet. Personal loans amounted to $393 million as at October 31, 1987 versus $304 million for the previous year.

Commercial loans and loans to brokers amounted to $202.5 million and $118.5 million respectively, compared with $135.6 million and $57.5 million as at October 31, 1986.

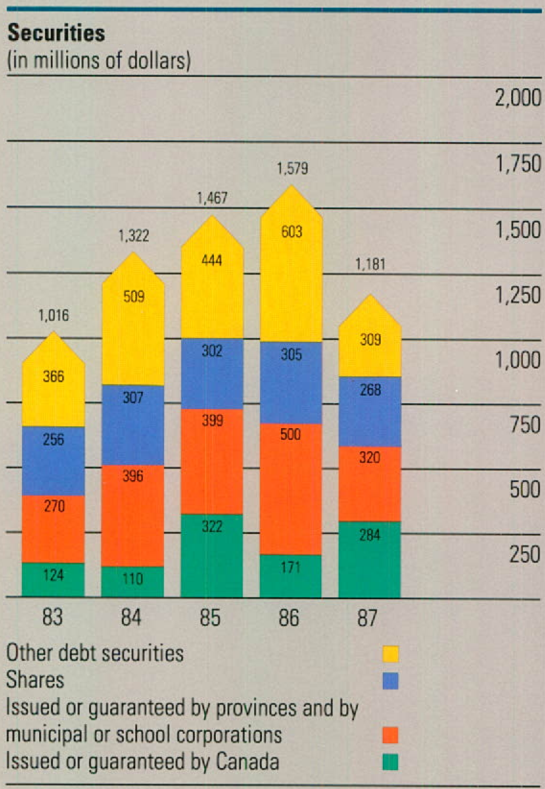
Non-Performing Loans

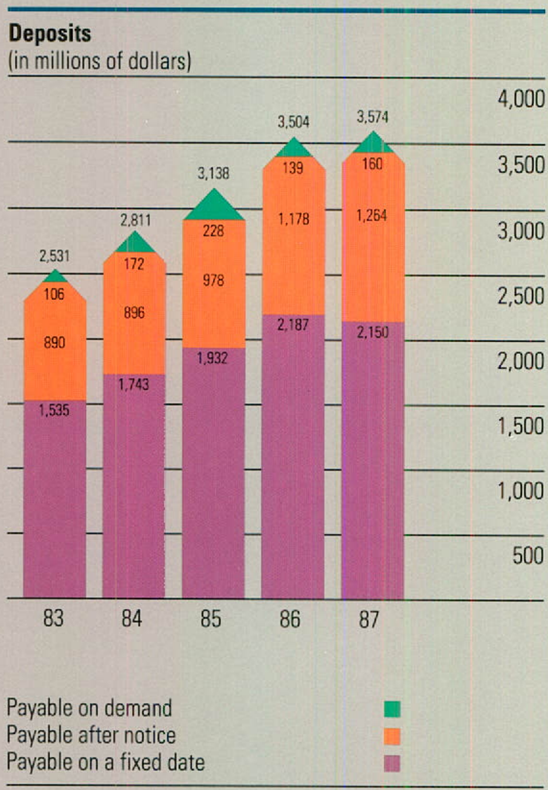
Non-performing loans are loans for which the principal or interest payments are 90 days late or over and, consequently, accrued interest is no longer recorded. As at October 31, 1987, these loans amounted to $3.9 million, distributed as follows:

• mortgage loans	$1.4 million
• personal loans	$1.6 million
• commercial loans	$0.9 million

The Bank has made provisions for possible loan losses concerning these loans.

It should be noted that most loans are granted to Quebec residents and the Bank has no loans to large corporations. Accordingly, our loans are relatively low-risk assets considering the current economic climate.





Securities

The strong rise in its loans has led the Bank to reduce its securities by approximately $400 million.

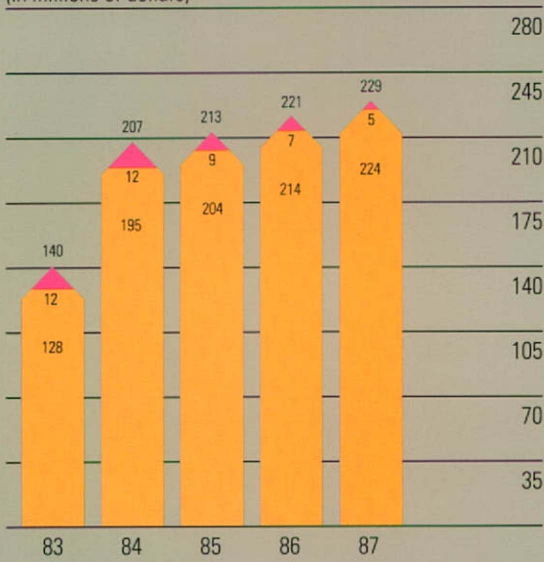
The majority of these securities are liquid investments which generate significant income and allow the Bank to achieve its objectives concerning assets and liabilities matching.

Deposits

The modest 2.0% growth in deposits appearing in liabilities reflects the Bank's decision to reduce its low-return treasury operations.

However, it is noteworthy that personal deposits rose by 6.1% during the past year to a total of $3.0 billion, or 85% of total deposits, compared with $2.8 billion as at October 31, 1986.

Capital Ratios
(in millions of dollars)



Supplementary capital*
Base capital

	1983	1984	1985	1986	1987
Common shareholders' equity	$ 108	$ 144	$ 152	$ 158	$ 175
Permanent preferred shares	—	30	30	30	30
Appropriations for contingencies	20	21	22	26	19
Base capital	128	195	204	214	224
Supplementary capital based on the base capital equivalent*	12	12	9	7	5
Base capital equivalent	140	207	213	221	229
Gross assets	$2,801	$3,127	$3,465	$3,841	$3,930
Base capital ratio	21.9/1	16.0/1	17.0/1	17.9/1	17.5/1
Ratio of base capital equivalent*	20.0/1	15.1/1	16.3/1	17.4/1	17.2/1

* The supplementary capital components are amortized on the straight-line method over a five-year period prior to maturity. In addition, only one third of the unamortized balance is considered in the calculation of the base capital equivalent ratio.

Capital Ratios

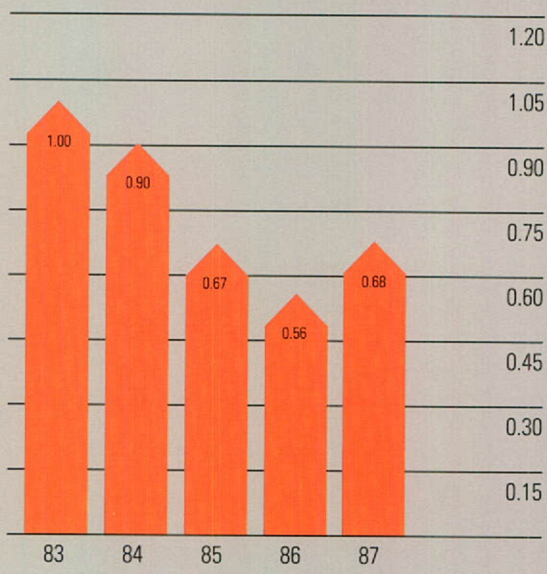
The Bank's capital for purposes of establishing capital ratios is divided into two major categories: base capital and supplementary capital.

Base capital consists of items meeting certain criteria such as continuity, absence of mandatory fixed charges against income and a subordinated status to the rights of depositors and other creditors.

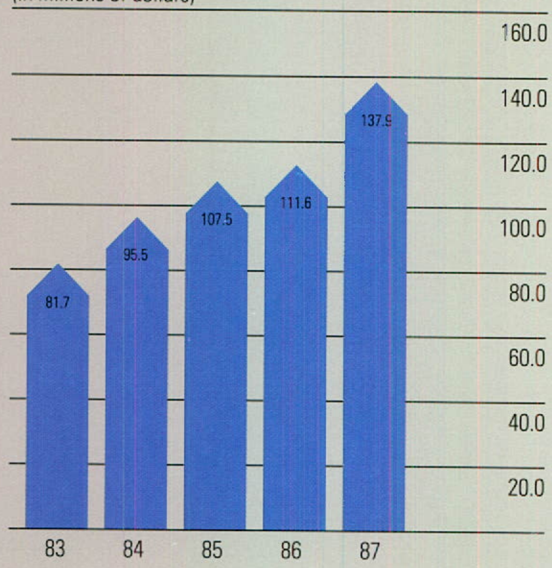
Supplementary capital consists of items that do not meet the criteria of base capital. These items are amortized on the straight-line method over a five-year period prior to their maturity; only one third of the unamortized balance is eligible in the calculation of the base capital equivalent ratio.

The base capital equivalent ratio was 17.2/1 as at October 31, 1987.

Return on Assets
(net income as a percentage of average total assets)



Net Interest Income
(on a taxable equivalent basis)
(in millions of dollars)



Return on Assets

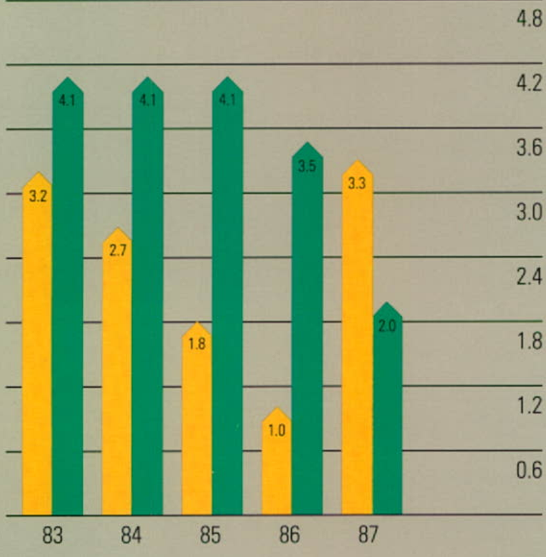
The return on consolidated average total assets rose to 0.68% as at October 31, 1987 from 0.56% for the previous year. It compares very favourably with that of other Canadian chartered banks.

A table showing the changes over the past five years for each of the components of the return on assets is shown on page 25.

Net Interest Income

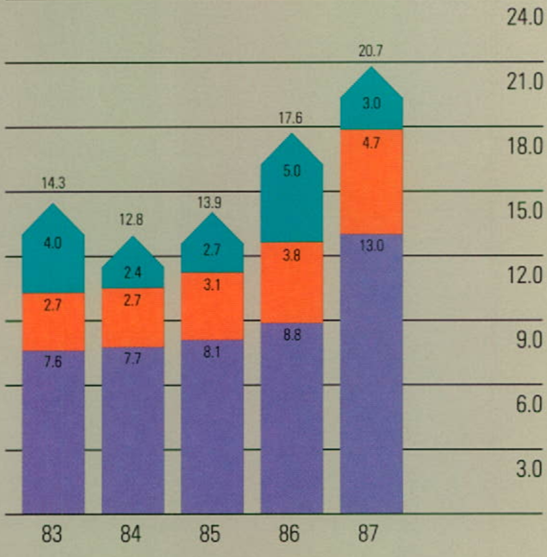
Net interest income on a taxable equivalent basis, i.e. increased by imputed income tax related to certain non-taxable income for the Bank, amounted to $137.9 million in 1987 compared with $111.6 million in 1986. As a percentage of average total assets for the same periods, gross margin rose considerably from 3.09% in 1986 to 3.50% in 1987. The two main factors explaining this improvement are the reinvestment of proceeds arising from the sale of a subsidiary at the end of fiscal 1986 and the increase in the loan portfolios.

Provision for Loan Losses
(in millions of dollars)



Loan losses
Provision for loan losses

Other Income
(in millions of dollars)



Loan operations
Service charges on deposits
Fees and commissions

Provision for Loan Losses

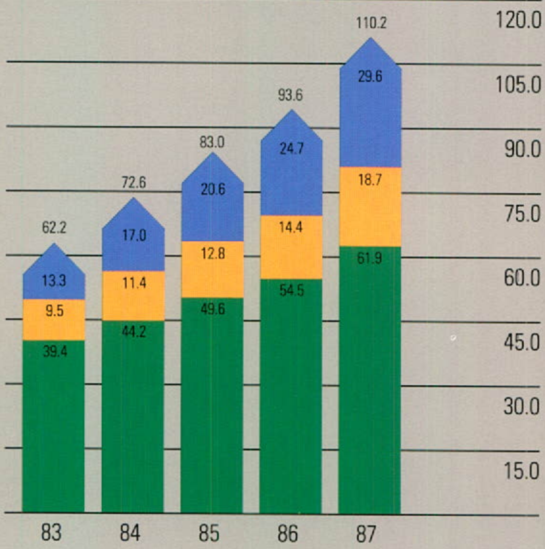
The provision for loan losses, charged to expenses for fiscal 1987, decreased by $1.5 million compared with that recorded in the preceding year. It amounted to $2.0 million compared with $3.5 million in 1986. This decrease results from the calculation of the provision for loan losses based on the five-year moving average, in accordance with the rules issued by the Minister of Finance of Canada.

Loan losses totalled $3.3 million in 1987 versus $1 million in 1986. This increase in losses mainly results from personal loans and, specifically, balances due on VISA credit cards.

Other Income

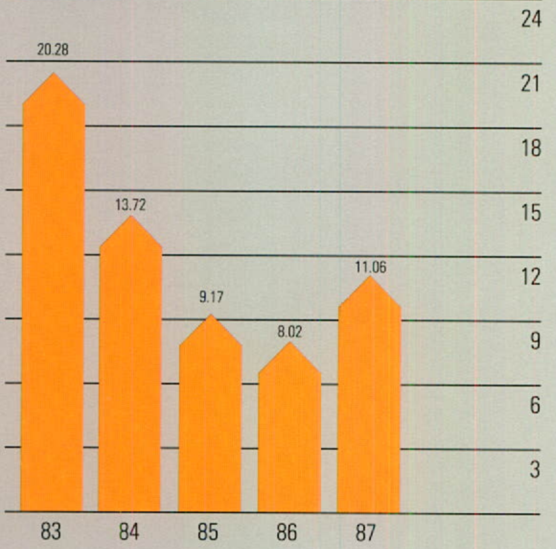
Other income increased by $3.1 million, from $17.6 million in 1986 to $20.7 million in 1987. This growth shows the Bank's continued interest in expanding the range of products offered to its customers.

Non-Interest Expenses
(in millions of dollars)



Other expenses
Premises and equipment
Salaries and staff benefits

Return on Common Shareholders' Equity*
(in percent)



* Ratio of net income less dividend paid on preferred shares on average common shareholders' equity plus appropriations for contingencies.

Non-Interest Expenses

Non-interest expenses increased significantly during the year, from $93.6 million in 1986 to $110.2 million in 1987.

These expenses were incurred for the Bank's development and expansion. In particular, additional sales personnel were hired and data processing equipment and systems were upgraded.

Return on Common Shareholders' Equity

This year, this important indicator of the Bank's profitability improved markedly mainly as the result of the strong rise in the gross margin, as mentioned previously, subsequent to the reinvestment of proceeds arising from the sale of a wholly-owned subsidiary in 1986.

Fiscal 1987 also reflected the impact of certain unusual expenses such as the Bank's new name and change of status. However, the effect after taxes of these non-recurring expenses was offset by the realization of extraordinary income following the disposal of certain real estate assets and investments acquired by the Bank in connection with the sale of a subsidiary in 1986.

Consolidated Quarterly Income

(in thousands of dollars, except for per share amounts)

	1987				1986			
	Quarter Ended				Quarter Ended			
	Oct. 31	**July 31**	**April 30**	**Jan. 31**	Oct. 31	July 31	April 30	Jan. 31
Interest income	**$96,099**	**$96,301**	**$92,380**	**$92,392**	$90,683	$90,393	$90,910	$85,357
Interest expense	**65,186**	**64,766**	**63,189**	**64,967**	65,247	64,924	66,080	62,151
Net interest income	**30,913**	**31,535**	**29,191**	**27,425**	25,436	25,469	24,830	23,206
Provision for loan losses	**(400)**	**907**	**733**	**707**	885	853	842	893
Net interest income after loan loss provision	**31,313**	**30,628**	**28,458**	**26,718**	24,551	24,616	23,988	22,313
Other income	**4,813**	**5,439**	**4,899**	**5,524**	4,628	4,679	3,987	4,313
Net interest and other income	**36,126**	**36,067**	**33,357**	**32,242**	29,179	29,295	27,975	26,626
Non-interest expenses	**29,391**	**28,537**	**26,945**	**25,303**	24,588	23,990	23,244	21,748
Income before unusual items, provision for income taxes and extraordinary item	**6,735**	**7,530**	**6,412**	**6,939**	4,591	5,305	4,731	4,878
Unusual items								
Reorganization expenses	**(4,208)**	—	—	—	—	—	—	—
Share in net income of a subsidiary sold	—	—	—	—	—	—	1,226	701
Total unusual items	**(4,208)**	—	—	—	—	—	1,226	701
Income before provision for income taxes and extraordinary item	**2,527**	**7,530**	**6,412**	**6,939**	4,591	5,305	5,957	5,579
Provision for income taxes	**(2,357)**	**504**	**(127)**	**734**	(129)	255	375	645
Income before extraordinary item	**4,884**	**7,026**	**6,539**	**6,205**	4,720	5,050	5,582	4,934
Extraordinary gain	**2,220**	—	—	—	—	—	—	—
Net income	**$ 7,104**	**$ 7,026**	**$ 6,539**	**$ 6,205**	$ 4,720	$ 5,050	$ 5,582	$ 4,934
Net income as a percentage of average total assets	**0.72%**	**0.70%**	**0.65%**	**0.65%**	0.50%	0.56%	0.64%	0.57%
Per common share								
Average number of common shares outstanding	**14,400,000**	**14,400,000**	**14,400,000**	**14,400,000**	14,400,000	14,400,000	14,400,000	14,400,000
Income before extraordinary item	**$ 0.24**	**$ 0.39**	**$ 0.35**	**$ 0.33**	$ 0.23	$ 0.25	$ 0.28	$ 0.24
Net income	**$ 0.40**	**$ 0.39**	**$ 0.35**	**$ 0.33**	$ 0.23	$ 0.25	$ 0.28	$ 0.24
Dividends	**$ 0.135**	**$ 0.125**	**$ 0.125**	**$ 0.125**	$ 0.125	$ 0.125	$ 0.125	$ 0.125
Dividends								
Preferred	**$ 1,445**	**$ 1,443**	**$ 1,444**	**$ 1,443**	$ 1,448	$ 1,515	$ 1,493	$ 1,459
Common	**$ 1,944**	**$ 1,800**	**$ 1,800**	**$ 1,800**	$ 1,800	$ 1,800	$ 1,800	$ 1,800

Five-Year Statistical Review Consolidated Statement of Assets and Liabilities

(in thousands of dollars)

as at October 31	1987	1986	1985	1984	1983
ASSETS					
Cash resources					
Cash and deposits with Bank of Canada	**$ 85,731**	$ 49,578	$ 51,787	$ 52,940	$ 37,004
Deposits with other banks	**150,008**	299,284	353,818	294,436	381,507
Cheques and other items in transit, net	**27,356**	15,528	26,760	43,416	16,702
	263,095	364,390	432,365	390,792	435,213
Securities					
Issued or guaranteed by Canada	**283,827**	171,193	322,345	109,686	123,667
Issued or guaranteed by provinces and by municipal or school corporations	**319,601**	500,196	399,383	395,822	269,912
Investment in a subsidiary sold at equity value	**—**	—	145,464	148,385	143,718
Other securities	**577,119**	907,965	599,489	668,496	479,185
	1,180,547	1,579,354	1,466,681	1,322,389	1,016,482
Loans					
Brokers	**118,500**	57,400	40,200	5,000	15,600
Mortgages	**1,691,166**	1,318,948	1,147,347	1,057,700	1,001,370
Other loans	**595,773**	439,629	297,048	271,846	254,727
	2,405,439	1,815,977	1,484,595	1,334,546	1,271,697
Other					
Land, buildings and equipment	**44,450**	35,063	32,452	28,050	19,341
Other assets	**36,572**	46,464	49,111	51,075	58,766
	81,022	81,527	81,563	79,125	78,107
	$3,930,103	$3,841,248	$3,465,204	$3,126,852	$2,801,499
LIABILITIES					
Deposits					
Payable on demand	**$ 160,084**	$ 138,895	$ 227,498	$ 172,000	$ 106,152
Payable after notice	**1,264,106**	1,178,514	977,816	895,628	890,324
Payable on a fixed date	**2,149,624**	2,187,013	1,932,477	1,743,275	1,534,465
	3,573,814	3,504,422	3,137,791	2,810,903	2,530,941
Other liabilities	**96,915**	87,422	88,545	85,709	107,567
Capital and reserves					
Appropriations for contingencies	**19,460**	26,508	21,989	20,915	19,514
Shareholders' equity					
Capital stock	**106,800**	106,800	106,800	106,800	54,600
Retained earnings	**133,114**	116,096	110,079	102,525	88,877
	259,374	249,404	238,868	230,240	162,991
	$3,930,103	$3,841,248	$3,465,204	$3,126,852	$2,801,499

Five-Year Statistical Review Consolidated Statement of Income

(in thousands of dollars, except for per share amounts)

for the year ended October 31	1987	1986	1985	1984	1983
Interest income					
Loans	**$219,044**	$183,901	$173,391	$163,389	$169,088
Securities	**138,625**	140,699	142,919	120,835	85,712
Deposits with banks	**19,503**	32,743	31,823	30,071	45,870
Total interest income, including dividends	**377,172**	357,343	348,133	314,295	300,670
Interest on deposits	**258,108**	258,402	250,341	227,878	223,577
Net interest income	**119,064**	98,941	97,792	86,417	77,093
Provision for loan losses	**1,947**	3,473	4,060	4,058	4,125
Net interest income after loan loss provision	**117,117**	95,468	93,732	82,359	72,968
Other income	**20,675**	17,607	13,870	12,764	14,289
Net interest and other income	**137,792**	113,075	107,602	95,123	87,257
Non-interest expenses					
Salaries	**54,349**	47,620	43,733	38,894	34,479
Pension contributions and other staff benefits	**7,513**	6,919	5,822	5,258	4,945
Premises and equipment expenses, including depreciation	**18,688**	14,397	12,778	11,440	9,521
Other	**29,626**	24,634	20,649	16,990	13,226
Total non-interest expenses	**110,176**	93,570	82,982	72,582	62,171
Income before unusual items, provision for income taxes and extraordinary item	**27,616**	19,505	24,620	22,541	25,086
Unusual items					
Reorganization expenses	**(4,208)**	—	—	—	—
Share in net income of a subsidiary sold	—	1,927	1,811	8,015	8,820
Total unusual items	**(4,208)**	1,927	1,811	8,015	8,820
Income before provision for income taxes and extraordinary item	**23,408**	21,432	26,431	30,556	33,906
Provision for income taxes	**(1,246)**	1,146	4,612	4,199	7,688
Income before extraordinary item	**24,654**	20,286	21,819	26,357	26,218
Extraordinary gain	**2,220**	—	—	—	—
Net income	**$ 26,874**	$ 20,286	$ 21,819	$ 26,357	$ 26,218
Average number of common shares outstanding	**14,400,000**	14,400,000	14,400,000	14,400,000	12,000,000
Per common share					
Income before extraordinary item	**$1.31**	$1.00	$1.10	$1.51	$1.97
Net income	**$1.47**	$1.00	$1.10	$1.51	$1.97

Consolidated Statement of Income as a Percentage of Average Total Assets

for the year ended October 31	1987	1986	1985	1984	1983
(on a tax equivalent basis)*					
Net interest income*	**3.50**	3.09	3.28	3.25	3.10
Provision for loan losses	**(0.05)**	(0.10)	(0.12)	(0.14)	(0.16)
Other income	**0.52**	0.49	0.42	0.44	0.54
Non-interest expenses	**(2.80)**	(2.59)	(2.53)	(2.47)	(2.36)
Unusual items	**(0.11)**	0.05	0.06	0.27	0.34
Provision for income taxes*	**(0.44)**	(0.38)	(0.44)	(0.45)	(0.46)
Extraordinary gain	**0.06**	—	—	—	—
Net income	**0.68**	0.56	0.67	0.90	1.00
Average total assets (in thousands of dollars)	**$3,941,097**	$3,612,577	$3,276,746	$2,941,702	$2,631,636

* To facilitate comparison, net interest income and provision for income taxes have been increased by the tax benefit associated with certain income from Canadian stocks which is tax exempt for the Bank.

Management's Responsibility for Financial Reporting

The following consolidated financial statements have been prepared and are presented by the Management of Laurentian Bank of Canada, in accordance with the requirements of the Bank Act.

The financial information presented elsewhere in this Annual Report is consistent with that in the financial statements.

The Management of the Bank discharges its responsibility for the reliability and integrity of the published financial information and the supporting accounting system as follows:

- The Bank has established and maintains a system of internal control that ensures as far as possible that its affairs are conducted in accordance with sound and efficient management practices, that its assets are safeguarded and that proper accounting records are kept. Furthermore, the Bank selects and trains qualified staff and sets up organizational structures that provide a well-defined segregation of responsibilities.
- Internal auditors audit various aspects of the Bank's operations, ensure that the internal control system operates properly and make recommendations to Management for improvements in controls.
- During each year, the Superintendent of financial institutions (Canada) makes such examinations and inquiries as he deems necessary to satisfy that the provisions of the Bank Act relating to the protection of depositors and shareholders of the Bank are being duly observed and that the Bank is in a sound financial position.
- Poissant Richard and Raymond, Chabot, Martin, Paré, two firms of independent auditors appointed by the shareholders, audit the Bank's consolidated financial statements and express their opinion of the statements in their report.
- Periodically, the internal and external auditors meet with the Audit Committee to discuss all aspects of their mandate and submit comments on the Bank's accounting and internal control systems.

The Audit Committee, which is appointed by the Board of Directors, consists of three directors who are neither officers nor employees of the Bank. One of the committee's responsibilities is among other things, to review the consolidated financial statements of the Bank before they are submitted to the Board of Directors for approval.

Roland Breton
President and Chief Executive Officer

Auditors' Report to the Shareholders of Laurentian Bank of Canada

We have examined the Consolidated Statement of Assets and Liabilities of Laurentian Bank of Canada as at October 31, 1987 and the Consolidated Statements of Income, Appropriations for Contingencies and Changes in Shareholders' Equity for the year then ended. 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 Bank as at October 31, 1987 and the results of its operations for the year then ended in accordance with prescribed accounting principles, applied on a basis consistent with that of the preceding year.

Poissant Richard

Poissant Richard
Chartered Accountants

Raymond, Chabot, Martin, Paré

Raymond, Chabot, Martin, Paré
Chartered Accountants

Montreal, Canada
December 1, 1987

Consolidated Statement of Assets and Liabilities

(in thousands of dollars)

as at October 31	1987	1986
ASSETS		
Cash resources		
Cash and deposits with Bank of Canada	**$ 85,731**	$ 49,578
Deposits with other banks	**150,008**	299,284
Cheques and other items in transit, net	**27,356**	15,528
	263,095	364,390
Securities (note 3)		
Issued or guaranteed by Canada	**283,827**	171,193
Issued or guaranteed by provinces and by municipal or school corporations	**319,601**	500,196
Other securities	**577,119**	907,965
	1,180,547	1,579,354
Loans		
Brokers	**118,500**	57,400
Mortgages	**1,691,166**	1,318,948
Other loans	**595,773**	439,629
	2,405,439	1,815,977
Other		
Land, buildings and equipment (note 4)	**44,450**	35,063
Other assets (note 5)	**36,572**	46,464
	81,022	81,527
	$3,930,103	$3,841,248

Consolidated Statement of Assets and Liabilities

		(in thousands of dollars)
as at October 31	**1987**	1986
LIABILITIES		
Deposits (note 6)		
Payable on demand	**$ 160,084**	$ 138,895
Payable after notice	**1,264,106**	1,178,514
Payable on a fixed date	**2,149,624**	2,187,013
	3,573,814	3,504,422
Other liabilities (note 7)	**96,915**	87,422
Capital and reserves		
Appropriations for contingencies	**19,460**	26,508
Shareholders' equity		
Capital stock (note 8)	**106,800**	106,800
Retained earnings	**133,114**	116,096
	259,374	249,404
	$3,930,103	$3,841,248

Claude Castonguay
Chairman of the Board

Roland Breton
President and
Chief Executive Officer

Consolidated Statement of Income

(in thousands of dollars, except for per share amounts)

for the year ended October 31	1987	1986
Interest income		
Loans	$219,044	$183,901
Securities	138,625	140,699
Deposits with banks	19,503	32,743
Total interest income, including dividends	377,172	357,343
Interest on deposits	258,108	258,402
Net interest income	119,064	98,941
Provision for loan losses	1,947	3,473
Net interest income after loan loss provision	117,117	95,468
Other income	20,675	17,607
Net interest and other income	137,792	113,075
Non-interest expenses		
Salaries	54,349	47,620
Pension contributions and other staff benefits	7,513	6,919
Premises and equipment expenses, including depreciation	18,688	14,397
Other	29,626	24,634
Total non-interest expenses	110,176	93,570
Income before unusual items, provision for income taxes and extraordinary item	27,616	19,505
Unusual items		
Reorganization expenses (note 9)	(4,208)	—
Share in net income of a subsidiary sold	—	1,927
Total unusual items	(4,208)	1,927
Income before provision for income taxes and extraordinary item	23,408	21,432
Provision for income taxes (note 10)	(1,246)	1,146
Income before extraordinary item	24,654	20,286
Extraordinary gain (note 11)	2,220	—
Net income	$ 26,874	$ 20,286
Average number of common shares outstanding	14,400,000	14,400,000
Income per common share before extraordinary item	$ 1.31	$ 1.00
Net income per common share	$ 1.47	$ 1.00

Consolidated Statement of Appropriations for Contingencies

(in thousands of dollars)

for the year ended October 31	1987	1986
Tax allowable		
Balance at beginning	**$26,508**	$21,989
Loss experience on loans	**(3,295)**	(1,004)
Provision for loan losses included in the Consolidated Statement of Income	**1,947**	3,473
Transfer from (to) retained earnings	**(5,700)**	2,050
Balance at end	**$19,460**	$26,508

Consolidated Statement of Changes in Shareholders' Equity

(in thousands of dollars)

for the year ended October 31	1987	1986
Capital stock (note 8)		
Balance at beginning and end	**$106,800**	$106,800
Retained earnings		
Balance at beginning	**$116,096**	$110,079
Net income of the year	**26,874**	20,286
Dividends		
Preferred	**(5,775)**	(5,915)
Common	**(7,344)**	(7,200)
Transfer from (to) appropriations for contingencies	**5,700**	(2,050)
Income taxes related to the above transfer (note 10)	**(2,437)**	896
Balance at end	**$133,114**	$116,096

Notes to the Consolidated Financial Statements

as at October 31, 1987

The tabular amounts are in thousands of dollars.

1. Transformation of the Bank

a) Statute

On September 28, 1987, The Montreal City and District Savings Bank (the Savings Bank), governed by the Quebec Savings Bank Act, obtained letters patent transforming it into a bank governed by the Bank Act. According to these letters patent, the Savings Bank is continuing its activities under the name of Laurentian Bank of Canada (the Bank) entered as of this date in appendix B of the Bank Act. The assets and liabilities of the Savings Bank have become the assets and liabilities of the Bank which also remains liable for the other obligations of the Savings Bank.

b) Incorporation of a mortgage subsidiary

The Laurentian Bank of Canada Mortgage Corporation (the Corporation), incorporated according to the Loan Companies Act on September 17, 1987 is a wholly-owned subsidiary of Laurentian Bank of Canada.
By virtue of a sale agreement on September 28, 1987, the Bank transferred to the Corporation mortgage loans and deposit certificates. This transfer was carried out in accordance with the provisions of Section 85 of the Canadian Income Tax Act and Section 518 of the Quebec Income Tax Act. The Bank manages the mortgage loans and the deposit certificates for the Corporation by virtue of a management agreement.
The Bank guarantees the deposit certificates and undertakes to take back the loans considered unsatisfactory by the Corporation.

Notes to the Consolidated Financial Statements

2. Significant accounting policies

The consolidated financial statements have been prepared according to the accounting principles prescribed by the Bank Act and the rules issued by the Minister of Finance.

These accounting principles conform with the generally accepted accounting principles in Canada except for those related to the accounting for losses on loans and gains and losses on disposal of certain debt securities.

a) Consolidation

The consolidated financial statements include the accounts of the wholly-owned subsidiaries: Laurentian Trust of Canada Inc. (formerly The Montreal City and District Trustees Limited) and The Laurentian Bank of Canada Mortgage Corporation.

b) Securities

i) Investment account

Fixed term securities held in the investment account are recorded net of amortization. Other securities are recorded at cost. Gains and losses realized on the sale of debt securities other than Treasury bills are deferred and recorded in income over a five-year period. Gains and losses realized on the sale of other securities, and the provisions to reflect permanent impairments in value are recorded in the Consolidated Statement of Income at the time they occur.

ii) Trading account

The securities held in the trading account are recorded at market value. Gains and losses on disposals and adjustment to market value are recorded in income at the time they occur.

c) Loans

Loans are stated in the Consolidated Statement of Assets and Liabilities net of specific provisions for loan losses. Loan portfolios are reviewed quarterly in order to determine the specific provisions required so that loans can be adjusted to an amount not exceeding the estimated net realizable value. Credit card balances are written off when no payment has been received for 180 days.
Commissions and fees related to loans are recorded in the income of the year with the exception of those related to the changes in credit terms as well as those received as interest which are amortized over the term of the loan.

d) Non-accrual loans

Interest income is recorded on the accrual basis. The Bank reverses against income for the year uncollected interest if repayment of principal or payment of interest is past due 90 days, unless, in the opinion of management, there is no doubt as to the collectibility of principal and interest. Subsequent recoveries on non-accrual mortgage and commercial loans are initially applied against the principal up to the amount of the specific provision, if any, and then included in income. On non-accrual personal loans, subsequent receipts, net of collection costs, are initially applied against interest in arrears, and then to repayment of principal.

e) Loan losses

Loan losses consist of write-offs, less collections on previously written-off loans and adjustments to specific provisions on loans and repossessed properties.
The provision for loan losses shown in the Consolidated Statement of Income is calculated at an average rate (the ratio between losses and eligible loans for the previous five years) applied to the balance of eligible loans at year-end.

f) Appropriations for contingencies

In addition to the specific provisions for loan losses deducted from the value of loans shown in the Consolidated Statement of Assets and Liabilities, the Bank sets up appropriations for contingencies to provide for unforeseen loan losses.
During the year, appropriations for contingencies are decreased by actual loan losses and increased by the provision for loan losses included in the Consolidated Statement of Income.
At year-end, the balance is adjusted by transfers from or to retained earnings; the maximum amount of the transfer that is deductible for tax purposes is prescribed by the Minister of Finance.

g) Land, buildings and equipment

Fixed assets are recorded at cost less accumulated depreciation. Fixed assets are depreciated over their estimated useful lives on the declining balance method, except for leasehold improvements which are amortized on the straight-line basis over the term of the lease.
The costs relating to the development and implementation of application software are charged to expenses in the year in which they are incurred.

h) Translation of foreign currencies

The assets and liabilities in foreign currencies are translated at the exchange rate prevailing at year-end. Income and expenses are translated at the average exchange rate of the year.

Notes to the Consolidated Financial Statements

3. Securities

	Within 1 year	1 to 3 years	3 to 5 years	5 to 10 years	Over 10 years	No stated maturity	1987 Total	1986 Total
Issued or guaranteed								
by Canada	$267,686	$ —	$ 15,088	$ —	$ 1,053	$ —	**$ 283,827**	$ 171,193
by provinces	67,236	72,072	37,133	86,129	—	—	**262,570**	397,734
by municipal or school corporations	16,776	34,733	3,522	2,000	—	—	**57,031**	102,462
Other debt securities	111,304	55,793	87,689	37,650	17,000	—	**309,436**	603,117
Preferred shares	20,868	25,879	40,281	69,508	17,043	64,789	**238,368**	277,664
Other shares	—	—	—	—	—	29,315	**29,315**	27,184
	$483,870	$188,477	$183,713	$195,287	$35,096	$94,104	**$1,180,547**	$1,579,354

The estimated market value of securities amounted to $1,172,732,000 in 1987 compared to $1,591,603,000 in 1986.

4. Land, buildings and equipment

	1987 Cost	1987 Accumulated depre-ciation	1987 Net book value	1986 Net book value
Office premises	$36,524	$15,617	**$20,907**	$19,739
Computer equipment	26,042	12,890	**13,152**	10,235
Other	25,048	14,657	**10,391**	5,089
	$87,614	$43,164	**$44,450**	$35,063

Depreciation charged to expenses for the year amounted to $7,283,000 in 1987 compared to $5,766,000 in 1986.

5. Other assets

	1987	1986
Accrued interest	**$29,043**	$42,468
Other	**7,529**	3,996
	$36,572	$46,464

6. Deposits

	1987				1986
	Payable on demand	Payable after notice	Payable on a fixed date	**Total**	Total
Canada	$ 21,979	$ —	$ 54,039	**$ 76,018**	$ 139,168
Individuals	60,998	1,214,491	1,744,647	**3,020,136**	2,846,427
Others	77,107	49,615	350,938	**477,660**	518,827
	$160,084	$1,264,106	$2,149,624	**$3,573,814**	$3,504,422

7. Other liabilities

	1987	1986
Accrued interest	**$80,855**	$82,350
Other	**16,060**	5,072
	$96,915	$87,422

8. Capital stock

- **Authorized:**

3,000,000 Class A Preferred Shares, without par value, issuable in series for a total consideration of $75,000,000.

30,000,000 Common Shares, without par value, issuable for a total consideration of $200,000,000.

- **Issued and fully paid:**

	1987	1986
1,400,000 $2.625 Cumulative Redeemable Retractable Class A Preferred Shares, Series 1	**$ 35,000**	$ 35,000
300,000 Floating Rate Cumulative Redeemable Class A Preferred Shares, Series 2	**30,000**	30,000
14,400,000 Common Shares	**41,800**	41,800
	$106,800	$106,800

Effective January 16, 1987, shareholders approved a by-law providing for the split of each issued Common Share of the Bank's capital stock into two Common Shares.

The Class A Preferred Shares, Series 1, will be retractable on February 1, 1990 at the price of $25.00 per share. The Bank may elect, no later than November 6, 1989, to create a further series of Class A Preferred Shares for which the Preferred Shares, Series 1 may be exchanged at the option of the holders. These shares will be redeemable starting February 1, 1990 at the price of $25.00 per share plus a premium of $1.25 per share, such premium declining annually to zero by 1996. Furthermore, the Bank has agreed to make all reasonable efforts to purchase for cancellation on the market, at a price not exceeding $25.00 per share plus costs of purchase, 7,000 shares during each calendar quarter until December 31, 1989 and 1% of the number of shares outstanding on February 1, 1990 during each calendar quarter commencing January 1, 1990.

The Class A Preferred Shares, Series 2, will be redeemable starting July 1, 1989 at the price of $100.00 plus a premium of $4.00 per share, such premium declining annually to zero by 1994. Furthermore, the Bank may purchase for cancellation, on the market or by invitation tender to all holders, any Preferred Share at a price not exceeding $104.00 per share, if the purchase is made on or before June 30, 1989, and thereafter, at a price per share not exceeding the redemption price applicable on that date, plus costs of purchase.

Notes to the Consolidated Financial Statements

9. Reorganization expenses

On September 28, 1987, The Montreal City and District Savings Bank became the Laurentian Bank of Canada. Some of the expenses related to such reorganization, namely expenses for the name change and improvements to the computer system, were incurred by the Bank as at October 31, 1987. These expenses were charged to income of the year and total $4,208,000.

10. Income taxes

	1987	1986
Income taxes related to:		
Consolidated Statement of Income		
Net income before income taxes	**$(1,246)**	$1,146
Retained earnings		
Transfer from (to) appropriations for contingencies	**2,437**	(896)
Total income taxes	**$ 1,191**	$ 250

Income taxes are calculated on accounting income which is reduced by certain non-taxable income. The Bank records in other assets or other liabilities, as the case may be, the deferred income taxes resulting from timing differences between amounts recorded in the Consolidated Statement of Income as well as in retained earnings and amounts claimed for income tax purposes.

Income taxes consist of the following:		
Current	**$(1,357)**	$1,084
Deferred	**2,548**	(834)
Total income taxes	**$ 1,191**	$ 250

The difference between statutory income tax rates and effective tax rates on income before income taxes results almost entirely from income derived from Canadian corporations' securities, not subject to tax and net gains from investments only partly subject to tax.

11. Extraordinary gain

Pursuant to the sale in 1986 of all outstanding shares of a wholly-owned subsidiary, the Bank had acquired investments in Francana Real Estate Limited. The Bank had also acquired through a wholly-owned subsidiary certain real estate and securities.

During the year:

a) the Bank realized its investments in Francana Real Estate Limited; and

b) the subsidiary sold its securities and most of its real estate. On October 28, 1987, this subsidiary was wound up.

As a result of these transactions, an extraordinary gain of $2,220,000, net of related taxes of $999,000, has been recorded in the Consolidated Statement of Income.

Notes to the Consolidated Financial Statements

12. Related party transactions

On October 1, 1987, The Laurentian Group Corporation acquired control of the Bank. Transactions carried out during the year as well as the balances as at October 31 with the parent company and its affiliated companies are as follows:

a) during the year

Parent company	**1987**	1986
Expenses		
Other	**$ 1,101**	$ 245
Affiliated companies		
Assets		
Purchase of securities	**$ 5,000**	$ 2,077
Sale of securities	**$ 5,613**	$ 1,000
Additions to fixed assets	**$ 1,812**	—
Income		
Income from securities	**$ 817**	$ 577
Other	**$ 487**	$ 83
Expenses		
Interest on deposits	**$ 1,207**	$ 1,207
Staff benefits	**$ 1,440**	$ 1,215
Reorganization	**$ 1,191**	—
Other	**$ 1,586**	$ 877

b) as at October 31

Affiliated companies		
Assets		
Other securities	**$ 9,841**	$10,454
Liabilities		
Deposits	**$11,250**	$11,250
Other liabilities	**$ 1,231**	$ 40

Notes to the Consolidated Financial Statements

13. Pension plans

The Bank and its subsidiaries have pension plans covering almost all employees. Actuarial valuations showed an actuarial surplus of approximately $6,784,000 as at December 31, 1986. As certain improvements to the plans were suggested, the Bank would use the actuarial surplus to offset costs, if any, of these improvements.

14. Lease commitments

The Bank has commitments under non-cancellable long-term leases for premises. The minimum lease payments for each of the next five years and subsequent years are as follows:

1988	$ 2,439
1989	3,988
1990	3,671
1991	3,341
1992	3,154
1993 and subsequent years	45,482
	$62,075

Total rental expenses for premises charged to expenses for the year amount to $3,003,000 in 1987 compared to $2,733,000 in 1986.

15. Planned amalgamation with Eaton Trust Company and Eaton Bay Holdings Limited

On December 1, 1987, the Board of Directors of the Bank ratified an agreement in principle entered into on November 24, 1987. Under this agreement, the Bank would amalgamate its operations with two other companies under the control of The Laurentian Group Corporation, that is Eaton Trust Company (Eaton) and Eaton Bay Holdings Limited (Eaton Bay).

Following the approval by the shareholders of the Bank, of Eaton and of Eaton Bay and the deliverance of letters patent by the Minister of Finance, the amalgamation would then be deemed to have occurred on November 1, 1987. The amalgamated bank would carry on its operations under the name "Laurentian Bank of Canada".

The Bank's Common Shares would be exchanged for Common Shares of the amalgamated bank. In addition, the Bank's Class A Preferred Shares, Series 1 and 2 would be exchanged for Class A Preferred Shares, Series 1 and 2 of the amalgamated bank and would have essentially the same rights, privileges, restrictions and conditions as prior to the amalgamation.

The Common Shares of Eaton and Eaton Bay would be acquired as consideration for the assumption of liabilities and the issue of Common Shares of the amalgamated bank for a total amount of approximately $27,000,000. Eaton's First Preferred Shares, Series A and B would be exchanged for Class A Shares, Series 3 and 4 of the amalgamated bank. Eaton Bay's Preferred Shares, Series A would be exchanged for Class A Shares, Series 5 of the amalgamated bank. These shares would have essentially the same rights, privileges, restrictions and conditions as prior to the amalgamation.

Balance Sheet

as at October 31	1987	(in thousands of dollars) 1986
HIGHLIGHTS		
Assets		
Deposits and short-term investments	**$ 32,203**	$ 93,579
Bonds	**27,379**	35,723
Stocks	**11,266**	12,223
Mortgage loans	**322,406**	231,897
Other loans	**4,738**	1,889
Other	**2,503**	2,118
	$400,495	$377,429
Liabilities		
Deposits	**$ 12,521**	$ 16,482
Certificates	**369,379**	344,696
Other	**964**	720
	382,864	361,898
Subordinated notes	**5,500**	2,000
Shareholders' equity		
Capital stock	**10,800**	12,918
Contributed surplus	**118**	—
Retained earnings	**1,213**	613
	12,131	13,531
	$400,495	$377,429

Statement of Earnings

for the year ended October 31	1987	(in thousands of dollars) 1986
HIGHLIGHTS		
Revenue		
Interest on mortgage loans	**$29,010**	$26,133
Other investment income	**13,199**	15,592
Fees and commissions	**3,517**	3,040
	45,726	44,765
Expenditure		
Interest	**35,607**	35,961
Salaries and staff benefits	**4,836**	4,721
Other operating expenses	**3,961**	2,952
	44,404	43,634
Income before income taxes	**1,322**	1,131
Income taxes	**19**	(70)
Net earnings	**$ 1,303**	$ 1,201

Note: The Bank owns 100% of the capital stock of Laurentian Trust of Canada Inc.

Balance Sheet

as at October 31	(in thousands of dollars) 1987
HIGHLIGHTS	
Assets	
Cash resources	$ 76,660
Securities	73,818
Mortgage loans	1,013,704
Other	4,506
	$1,168,688
Liabilities	
Deposits payable on a fixed date	$1,057,469
Other	40,974
	1,098,443
Shareholders' equity	
Capital stock	70,000
Retained earnings	245
	70,245
	$1,168,688

Statement of Income

for the one-month period ended October 31	(in thousands of dollars) 1987
HIGHLIGHTS	
Revenue	
Interest on loans	$ 8,863
Other	1,277
	10,140
Expenses	
Interest on deposits	8,405
Other	1,307
	9,712
Income before provision for income taxes	428
Provision for income taxes	183
Net income	$ 245

Note: The Bank owns 100% of the capital stock of
The Laurentian Bank of Canada Mortgage Corporation.

Board of Directors of the Laurentian Bank of Canada
as at October 31, 1987

* *** **Claude Castonguay**
Chairman of the Board of the Bank
Chairman of the Board and
Chief Executive Officer
The Laurentian Group Corporation

* *** **** **Roland Breton**
President and Chief Executive
Officer of the Bank

The Hon. Martial Asselin
Senate Vice-President
Partner, Jolin, Fournier & Assoc.
(advocates)

**** **Pierre Bourgie**
President and Chief Operating Officer
Urgel Bourgie Ltd.

Jacques A. Drouin
Executive Vice-President and
Chief Operating Officer
The Laurentian Group Corporation
Chairman of the Board and Chief
Executive Officer, Laurentian General,
Insurance Company Inc.

Raphaël Esposito
Partner, Esposito, Esposito, St-Onge,
Esposito & Beaulieu (notaries)

* *** **** **Réjean Gagné**
Chairman of the Board and Chief
Executive Officer, Famcorp Inc.

** **Michael B. Harding**
President, Alumicor Limited

Josette D. Leman
Counsellor and Agent
Hainault Travel Agency

* ** **** **Pierre H. Lessard**
Vice-Chairman of the Board
Pathonic Network Inc.

* *** **Jean-Marie Poitras**
Chairman of the Board
The Laurentian Mutual
Insurance Company

* ** **** **Philippe Roberge**
Partner, Watson, Poitevin,
Javet, Roberge, Stephenson,
Corn, Whitney & Lapointe (notaries)

* **Henri A. Roy**
Executive Vice-President, Provigo Inc.

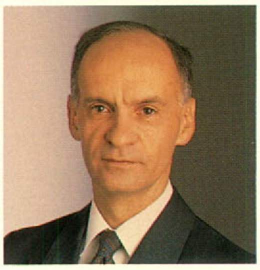
Louise Roy
President and General Manager
Société de transport de la
Communauté urbaine de Montréal

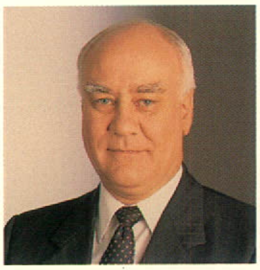
*** **Jeannine Guillevin-Wood**
President, Guillevin International Inc.

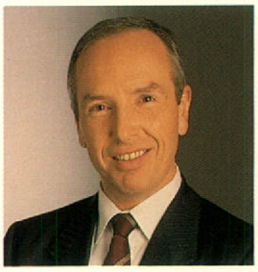
* **Member of the Executive Committee**
** **Member of the Audit Committee**
*** **Member of the Human Resources Committee**
**** **Member of the Credit Committee**

Executive Officers of the Laurentian Bank of Canada



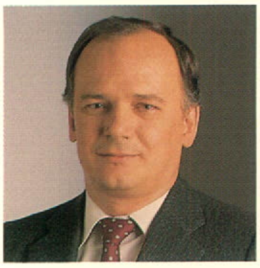
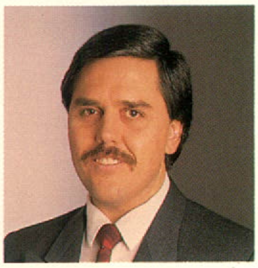










Jules W. Comtois, Senior Vice-President — Human Resources; Jean Plamondon, Senior Vice-President — Finance and Jean-François Fournier, Vice-President — Premises and Supply.

Gilles Babin, Vice-President — Accounting and Control and Patrick A. Gedge, Vice-President — Marketing.

Louis Bernard, Senior Vice-President — Administration and Secretary; André Monette, Senior Vice-President — Operations; André Dusablon, Vice-President — Branch Network and Denis Lefort, Vice-President — Audit.

From top to bottom:

Roland Breton, President and Chief Executive Officer; Hubert Marceau, Senior Vice-President — Information Systems and Marketing; Richard Beaulieu, Vice-President — Treasurer; Richard Lecompte, Vice-President — Information Systems and Guy Lemieux, Vice-President — Credit.

Board of Directors of Laurentian Trust of Canada Inc.

as at October 31, 1987

Roland Breton

** Claude Castonguay

*** Réjean Gagné

* Pierre H. Lessard

André Monette

*** Jean-Marie Poitras

* Member of the Audit Committee

** Member of the Salary and Human Resources Committee

Executive Officers of Laurentian Trust of Canada Inc.

Roland Breton
Chairman of the Board and
Chief Executive Officer

André Monette
President and
Chief Operating Officer

Michel Côté
Vice-President —
Corporate Trust and
Personal Trust Services

Maurice Fortier
Vice-President —
Investments and Treasurer

Bruce Smith
Vice-President —
Financial Intermediary
Services and Marketing

Head Office of the Laurentian Bank of Canada

Departments	Managers
Accounting	Louise Bourassa
Administration Services (Treasury)	John Kirouac
Bond Investments	Joseph Danisi
Clearing	Jean-Guy Calvé
Commercial Development	Marc Taillon
Commercial Loans	Daniel Brault
Commercial, Residential and Mortgage Development	Gilles Laforest
Communications and Customer Services	Richard Desroches
Compensation and Industrial Relations	Robert Teasdale
Control	Lise Filiatrault
Data Processing	Serge Trottier
Development of Information Systems	Gilles Godbout
Electronic Banking Services	Duc Tan Le
Financial Planning	Claude Tessier
Foreign Exchange	Stephen Conyers
Insurance and Security	Jacques Parent
Internal Auditing	Chantal Bélanger
Internal Communications	Paul Bouchard
Maintenance and Real Estate Works	Jacques Duquette
Manpower Planning and Development	Jean-Pierre Maheu
Marketing	Armand Dion
Money Market (Assistant Treasurer)	Léo Labelle
Mortgage Loans	Viateur Ouellet
Personal Loans	Serge Martel
Protection and Security	Robert Mercure
Purchasing and Supply	Alain Laplante
Real Estate Administration	Claude De Cesare
Research and Development	Gérard Vallée
Securities	Claude Jodoin
Special Investments	Ronald P. Vinet
Special Projects Development	Jacques Pelletier
Systems and Methods	Benoît Breton
Users Services and Administration – Information Systems	Jean Tessier
Visa Centre	Angèle Barrington

Branch Network Management of the Laurentian Bank of Canada

Departments	Managers
Senior Operation Manager — Network Division	Bert Bednarchuk
District Managers	Pierre Bussières
	Serge Joly
	Richard Longpré
	Robert Ménard
	Pierre Nolin
	Jean St-Pierre
Administrative Centres:	
Montreal-West	André Leblanc
North-Shore	Suzanne Riendeau
South-Shore	France Castonguay

Branches of the Laurentian Bank of Canada

Montreal

400 Beaubien Street E.
Manager: Robert Larocque

3160 Beaubien Street E.
Manager:
Jean-Guy St-Onge

4945 Beaubien Street E.
Manager: Gilles Leduc

6593 Beaubien Street E.
Manager: Claude Parent

1101 Bélanger Street
Manager: Roméo Gauthier

▲ 4155 Bélanger Street
Manager: Gilles Beausoleil

290 Chabanel Street W.
Manager:
Raymond Coderre

1100 Condé Street
Manager: Yvon Couture

5199 Côte-des-Neiges Road
Manager: Jacques Danis

5990 Côte-des-Neiges Road
Manager: Bernard Benoit

3830 Dandurand Street
Manager: Robert Goyer

▲ 6225 Darlington Avenue
Manager: Michel McCann

5159 Décarie Blvd.*
Manager: Michel Leduc

1493 De LaSalle Avenue
Manager:
Raymond Larivée

6500 De Lorimier Avenue
Manager: Jean-Guy Poulin

2490 De Salaberry Street
Manager: Marcel Lauzon

5180 De Salaberry Street
Manager:
Normand Lemieux

▲ 1100 Dorchester Blvd. W.
Manager: Claude Lussier

885 Fleury Street E.
Manager: Raoul Vézina

1780 Fleury Street E.
Manager: Guy Pelletier

▲ 2200 Fleury Street E.
Manager:
Raymond Brabant

50 Henri-Bourassa Blvd. W.
Manager: Michel Mailhot

8595 Hochelaga Street
Manager: Gilles Madore

790 Jarry Street W.
Manager: Claude Lalonde

10 Jean-Talon Street W.*
Manager: Normand Binet

2490 Jean-Talon Street E.
Manager: Paul Portugais

▲ 555 Jean-Talon Street W.
Manager: Aimé Cuillerier

9095 Lajeunesse Street
Manager: Laurent Parisien

2937 Masson Street
Manager: René Laverdière

▲ 7952 Maurice-Duplessis Blvd.
Manager:
Michel Cournoyer

6270 Monk Blvd.
Manager: André Letarte

5487 Monkland Avenue
Manager: Claude Gauthier

▲ 1100 Mont-Royal Avenue E.
Manager: Réal Sauvé

2046 Mont-Royal Avenue E.
Manager:
Raymond Hébert

1551 Ontario Street E.
Manager: Guy Labelle

3720 Ontario Street E.
Manager: Yvon Choquet

7705 Papineau Avenue
Manager: Mario Galella

5059 Park Avenue
Manager: Jean-Paul Fluet

5677 Park Avenue
Manager: Jean Juneau

936 Ste-Catherine Street E.
Manager:
Yves Desrochers

2400 Ste-Catherine Street E.
Manager:
Jacques Lanouette

▲ 777 Ste-Catherine Street W.
Manager: René Delisle

▲ 1472 Ste-Catherine Street W.
Manager: André Boisvert

4190 St-Denis Street
Manager:
François Clusiau

▲ 5000 St-Denis Street
Manager: Robert Bourget

7501 St-Denis Street
Manager:
Richard Rousseau

▲ 8090 St-Denis Street
Manager: Normand Audet

▲ 262 St-Jacques Street*
Manager: Claude Rainville

2401 St-Jacques Street
Manager:
Patricia Blanchet

4080 St-Jacques Street
Manager:
Rolland Désormeaux

▲ 3730 St-Laurent Blvd.
Manager: Marcel Bédard

4467 St-Laurent Blvd.
Manager: Georges Harvey

6700 St-Laurent Blvd.
Manager: Joseph Giuliano

7192 St-Michel Blvd.
Manager:
Jean-Louis Mongeon

8930 St-Michel Blvd.
Manager: Maurice Renaud

801 Sherbrooke Street E.
Manager:
Richard Turcotte

▲ 6615 Sherbrooke Street E.
Manager: Denis Lavigne

▲ 12050 Sherbrooke Street E.
Manager:
Isidore Blanchard

245 Sherbrooke Street W.
Manager: Robert Marois

5651 Sherbrooke Street W.
Manager: Michel Crête

6260 Sherbrooke Street W.
Manager: Diane Émond

▲ 7420 Sherbrooke Street W.
Manager: Michel Jutras

6640 Somerled Avenue
Manager:
Claude Desmarais

4790 Van Horne Avenue
Manager:
Albert Maisonneuve

Anjou

7050 Jarry Street E.
Manager: Philippe Picard

6651 Joseph-Renaud Blvd.
Manager: Réal Guilbault

Beloeil

706 Laurier Blvd.
Manager: Pierre Riva

Boucherville

999 Montarville Blvd.
Manager: Yves de Blois

Brossard

6845 Taschereau Blvd.
Manager: André Dubreuil

▲ 1635 Rome Blvd.
Manager: André Laporte

Châteauguay

▲ 111 St-Jean-Baptiste Blvd.
Manager: André Brunet

Côte St-Luc

5501 Cavendish Blvd.
Manager: Robert Proulx

5479 Westminster Avenue
Manager:
Jean-Marie Benson

Dollard-des-Ormeaux

▲ 3500 Des Sources Blvd.
Manager: Lyse Pelland

▲ 4057 Montée St-Jean
Manager: André Danis

Dorval

325 Dorval Avenue*
Manager: Albert Burke

Gatineau

▲ 372 Gréber Blvd.
Manager: André Jacques

Granby

▲ 15 Authier Street
Manager:
Michel Choinière

Hull

770 St-Joseph Blvd.
Manager: Pierre Filteau

Lachine

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Manager:
Serge Bombardier

LaSalle

▲ 8787 Newman Blvd.
Manager: Jean St-Denis

1291 Shevchenko Blvd.
Manager: Gilles Faucher

8262 Champlain Blvd.
Manager: Gilles Émond

Laval

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Manager: Roger Lemieux

▲ 3387 Dagenais Blvd., Fabreville
Manager: Jean Dubois

▲ 510 des Laurentides Blvd., Pont-Viau
Manager: André Gagnon

▲ 3870 Notre-Dame Blvd., Chomedey
Manager: René Monté

4640 Samson Blvd., Chomedey
Manager: André Defoy

▲ 1995 St-Martin Blvd.*, Chomedey
Manager:
Jean-Maurice Tourangeau

750 Montrose Street, Duvernay
Manager: Lucien Latreille

▲ 1857 René-Laennec Blvd., Vimont
Manager: Ginette Roy

Longueuil

▲ 2836 Chambly Rd.
Manager:
Serge Létourneau

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Manager: Michel Blanchet

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Manager:
Maurice Tremblay

Montréal-Nord

4135 Amiens Street*
Manager:
Maurice Montpetit

▲ 5501 Henri-Bourassa Blvd. E.
Manager: Jean Bazinet

6525 Léger Blvd.
Manager: Georges Provost

▲ 6263 Maurice-Duplessis Blvd.
Manager: Donald Ruel

Ottawa

1237 Donald Street
Manager: Jean Racine

Outremont

1447 Van Horne Avenue
Manager: Richard Brunet

Québec

▲ 3333 Clémenceau Street, Beauport
Manager:
Bertrand Lévesque

▲ 200 de L'Auvergne Blvd., Neufchâtel
Manager: Jean-Yves Paré

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Manager: Gaston Lafond

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Manager:
Edmond Tremblay

▲ 1430 Poirier Street
Manager: Pierre Périard

St-Léonard

5900 Bélanger Street
Manager: Gérald Charest

4725 Jarry Street E.
Manager: Aimé Jolicoeur

5355 Jean-Talon Street E.
Manager: Roger Graillon

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Manager: Joseph Ruffolo

Ste-Thérèse

▲ 95 Labelle Blvd.
Manager: Jacques Plante

Terrebonne

1035 des Seigneurs Blvd.
Manager: Yvan Poirier

Verdun

5501 Verdun Avenue
Manager: Yvon Labrecque

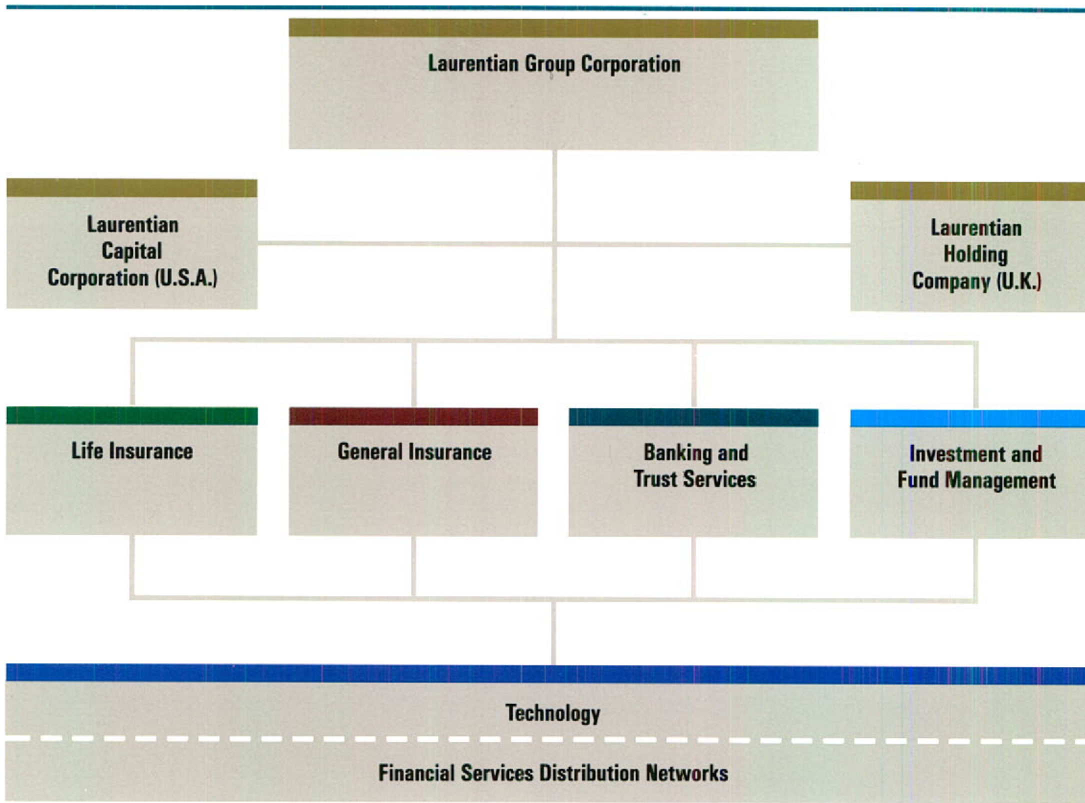
▲ 4214 Wellington Street
Manager: Michel Blain

Westmount

▲ 4848 Sherbrooke Street W.
Manager: Lucien St-Pierre

*** Commercial services available.**
▲ Automatic teller "OSCAR".

Organization Chart of The Laurentian Group



Holding

The Laurentian Group Corporation

Laurentian Capital Corporation

Laurentian Holding Company

Life Insurance

The Laurentian Mutual Insurance Company

The Imperial Life Assurance Company of Canada

Laurier Life Insurance Company

Laurentian/Imperial

Imperial Trident Life Limited

Loyal American Life Insurance Company

Life of Boston Insurance Company

Prairie States Life Insurance Company

American Defender Life Insurance Company

American Guaranty Life Insurance Company

Omega National Insurance Company

General Insurance

Laurentian General, Insurance Company Inc.

Laurentian Farm Insurance Company Inc.

The Laurentian Shield Insurance Company

The Laurentian Pacific Insurance Company

The Personal Insurance Company of Canada

Laurentian Casualty Company of Canada

Banking and Trust Services

Laurentian Bank of Canada

Laurentian Trust of Canada

Canadian Laurentian Bank (U.K.)

Investment and Fund Management

Geoffrion, Leclerc Inc.

Eaton Funds Management Ltd.

Canagex Investments Ltd.

Impco Investment Management Limited

Laurentian Investment Management Limited

F-I-C Fund Inc.

Imbrook Properties Limited

Laurentian Unit Trust

Laurwood

Financial Services Distribution

Laurentian Financial Services

Laurentian Financial Centre

Others

Laurentian Technology Inc.

Impco Health Services Ltd.

Laurentian Asia Limited

Information for Shareholders

Special Meeting
January 15, 1988
Le Windsor
1170 Peel Street
Montreal, Quebec

Inquiries from Shareholders
Any inquiries other than change of address or change in registration of shares may be directed to the Secretary, head office of the Bank.

Listing of Shares
The common shares and the class A preferred shares, series 1 of the Bank are listed for trading on the Montreal and Toronto stock exchanges.

Stock Symbol
The trading symbols for the Bank's common shares and class A preferred shares, series 1 on the stock exchanges are LB and LB.PR.A. The CUSIP numbers are 51925D 10 6 and 51925D 20 5.

Transfer Agent
Laurentian Trust of Canada Inc. at its principal office in Montreal and Montreal Trust Company at its principal offices in Halifax, Toronto, Winnipeg, Regina, Calgary and Vancouver.

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Published Information
Information published by the Bank for its shareholders and others, including the Annual Report and Interim Reports, may be obtained by writing to the Secretary, Laurentian Bank of Canada, 266 Saint-Jacques Street, Montreal, Quebec, Canada H2Y 1N1.

Secretariat: 284-7520
Customer Services: 284-3931

Version française
Si vous désirez recevoir un exemplaire de la version française de ce rapport, veuillez communiquer avec le Secrétaire, Banque Laurentienne du Canada, 266, rue Saint-Jacques, Montréal (Québec) Canada H2Y 1N1.

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