

COMMITTED

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

From time to time, the Bank makes written and oral forward-looking statements, included in this Annual Report, in other documents submitted to Canadian regulatory agencies, in reports to shareholders and in other communications. These forward looking-statements include, among others, statements regarding the business and objectives for the coming years, medium- and long-term strategies to achieve these objectives and statements with respect to the Bank's beliefs, plans, expectations, anticipations, estimates and intentions. These statements typically use the conditional and words such as prospects, believe, estimate, forecast, project, should, could and would. By their very nature, forward-looking statements involve inherent risks and uncertainties, and it is possible that the forecasts, projections and other forward-looking statements will not be achieved. The Bank cautions readers against placing undue reliance on these statements when making decisions, as the actual results could differ appreciably from the opinions, plans, objectives, expectations, forecasts, estimates and intentions expressed in such forward-looking statements due to various material factors. These factors include, among other things, capital market activity, changes in government monetary, economic and fiscal policies, changes in interest rates, inflation levels and general economic conditions, legislative and regulatory developments, competition, credit ratings, scarcity of human resource and technological change, as well as the Bank's success at increasing revenues and managing costs related to carrying out its business plan. The Bank cautions that the foregoing list of factors is not exhaustive. The Bank does not undertake to update any forward-looking statements, oral or written, made by itself or on its behalf.

TOWARDS OUR CLIENTS,

BY GIVING THE HIGHEST PRIORITY TO THE SATISFACTION OF THEIR FINANCIAL SERVICES NEEDS AND TO THE ONGOING IMPROVEMENT OF THE CLIENT EXPERIENCE.

TOWARDS OUR SHAREHOLDERS,

BY ENSURING THE PROFITABLE GROWTH OF OUR ORGANIZATION IN KEEPING WITH THE PRINCIPLES OF TRANSPARENCY, INTEGRITY AND ETHICS.

TOWARDS OUR EMPLOYEES,

BY RECOGNIZING AND ACKNOWLEDGING THE QUALITY OF THEIR WORK AND THEIR DEDICATION, ENCOURAGING THE DEVELOPMENT OF THEIR COMPETENCIES AND OFFERING A WORK ENVIRONMENT OF EQUITY, DYNAMISM AND RESPECT.

TOWARDS OUR COMMUNITY,

BY PURSUING AND SUPPORTING ACTIVE INVOLVEMENT.

YEAR 2004

A FIRM COMMITMENT TO
OUR GOALS

LAUNCH
of the new marketing
positioning and of the
DARE
slogan

JANUARY 2004

Issuance
of Preferred
Shares,
Series 10

APRIL 15, 2004



PRIVATIZATION
OF B2B TRUST

JUNE 8, 2004

OCTOBER 31, 2003

Sale of
57
BRANCHES
in Ontario and
Western Canada

FEBRUARY 2, 2004

Sale of the
VISA portfolio
outside Quebec

JUNE 1, 2004

Redemption
of the Series 7
Debentures

Inauguration
of the new
ESPRESSO
BANK-CAFÉ
concept



SEPTEMBER 13, 2004

Signing of
an exclusive
TEN-YEAR
DISTRIBUTION
AGREEMENT
with Industrial Alliance

REDEMPTION
of the Series 8 Debentures

DECEMBER 15, 2004

DECEMBER 31, 2004

REPURCHASE
OF THE
PREFERRED
SHARES,
SERIES 7 & 8

JUNE 16, 2004

Partial ruling
concerning the
renewal of
the collective
agreement

DECEMBER 10, 2004

SALE
of BLC-Edmond
de Rothschild

DECEMBER 31, 2004

YEAR 2005

DETERMINED TO DEPLOY

OUR PLAN

Five-year contract
for the operation
of ATMs inside
several Montreal
Metro stations

JANUARY 24, 2005

Implementation
of the Western Union
product offering at all
Laurentian Bank
branches

JUNE 9, 2005

NOVEMBER 25, 2004

OPENING
of the first Financial Services
Boutique in Blainville
and subsequent openings in:

Gatineau (Hull) December 8, 2004
Mascouche December 8, 2004
Sainte-Dorothée December 8, 2004
La Prairie February 2, 2005
Vaudreuil-Dorion August 29, 2005



MARCH 7, 2005

RENEWAL OF
THE COLLECTIVE
AGREEMENT WITH
THE UNIONIZED
EMPLOYEES

APRIL 11, 2005

Opening
of a new Commercial
Banking Centre
in Longueuil

OPENING
OF A NEW
COMMERCIAL
BANKING CENTRE
IN LAVAL

AUGUST 15, 2005

Launch of
the Laurentian Bank
Complicité Program for the
550,000 FTQ members

OCTOBER 12, 2005

Redemption
of the Series 6 Debentures

OCTOBER 18, 2005

FALL 2005

Opening of a new
Laurentian Bank
Securities branch in
Sainte-Thérèse

OCTOBER 3, 2005

LAUNCH
of **M³**,
a Multi-dimensional
Managed Account
Program offered by
Laurentian Bank
Securities



EVERY ACTION COUNTS

BY RAYMOND McMANUS

Two years ago, Laurentian Bank of Canada adopted an extensive business plan with a specific goal: to significantly improve the Bank's financial results and further its growth. To reach this goal, the Bank renewed its focus on its core market and activities, while implementing a series of initiatives to capitalize on its distinct competitive advantages.

The Bank's results as at the end of fiscal 2005 provide measurable indications of the progress we have made over this short period of time, and attest to the positive impact our plan has had on our operational efficiency and on our balance sheet.

Our business plan would have remained a mere *plan* however, were it not for the strong support of our employees. At all levels within our organization, employees have adhered to the strategies and objectives of our business plan with enthusiasm and determination. Given such an asset, we are confident of holding all the necessary tools to pursue our plan to its full implementation.

TANGIBLE RESULTS

With a strong sense of achievement we can report that, at the close of fiscal 2005, the Bank has reached its earnings objectives as set out in its business plan. Moreover, our core business lines – most notably Retail Financial Services and B2B Trust – have enhanced their performances, thereby accounting for a significant portion of the increase in the Bank's revenues.

Net interest income increased from \$267.2 million in 2004 to \$325.7 million in 2005. This result is largely attributable to the sound management strategies we put into place within the framework of our business plan, as well as to the growth in loan portfolios and the increase in net interest margins.

Given the economic and competitive environment in the banking industry, increasing net interest margins is a critical factor in furthering revenue growth. Over the course of fiscal 2005, the Bank has actually succeeded in improving its net interest margins on a continuing basis, thereby measurably improving its overall results. At year end, the margin stood at 1.99%, compared to 1.64% in 2004.

We are also satisfied with our 2005 results with regard to return on common shareholders' equity. While we had set a realistic objective of 4.5% to 5.5% in our business plan, return on common shareholders' equity stood at 7.8% (6.4% from continuing operations) on October 31, 2005, compared to 4.6% on October 31, 2004.

The Bank's financial condition remains sound. Tier 1 capital ratio is strong at 10.2%, compared to 10.5% at year end in 2004. At year end, the Bank's total capital ratio stood at 12.3%, compared to our 2005 objective of 13%. This ratio decreased as a result of the repurchase of debentures and the actual growth of our loan volumes.

While we are certainly satisfied with the Bank's results for fiscal 2005, we must not lose sight of our long-term objectives nor, given the economic climate



and our competitive environment, waver in our resolution to enhance the Bank's profitability. In this view, becoming even better managers is an imperative requirement for the attainment of our financial objectives. Continue to adhere to the best management and operating practices will enable us to realize this goal and is an integral part of our commitment to the Bank's shareholders.

CONCRETE REALIZATIONS

Through the implementation of our business plan's initiatives, we also aim at becoming better operators. In this regard, fiscal 2005 has seen some significant steps being taken in the development of our range of products and services, as well as in the overall enhancement of our operations.

In March 2005, the Bank and the Union representing some 2,000 of our employees accepted the arbitration board's decision relative to the collective agreement. Both parties expressed their satisfaction with this agreement which will be valid until December 2007.

Moreover, the renewed dialogue between the Bank and its employees' representatives has given rise to an innovative partnership between the Bank, its employees' Union and the union's confederation, the *Fédération des travailleurs et travailleuses du Québec (FTQ)*. The three organizations developed strong work relations which, in turn, led to the launch of the Laurentian Bank *Complicité* program offering a score of highly competitive banking and financial products to the 550,000 FTQ members and their families.

I am confident that the collective agreement and our partnership with the Union, at both the local and provincial levels, will benefit the Bank as well as its employees in the short and long terms. I would also like to gratefully acknowledge the valued collaboration and input of the president of the Bank employees' union, as well as that of the members of the FTQ executive.

Another partnership that is proving beneficial for both parties is the one between the Bank and Industrial Alliance. Following the purchase of BLC-Edmond de Rothschild, Asset Management Inc. by Industrial Alliance, completed in December 2004, the Bank concluded a 10-year distribution agreement whereby the Bank continues offering R Funds, along with Industrial Alliance's mutual funds, to its clients through various distribution channels. Sharing the same values with regard to product quality and customer service has been instrumental in making this collaboration work effectively.

In this regard, it is well worth noting that the Bank has recorded net sales of mutual funds well above the sales thresholds set in its agreement with Industrial Alliance. This result is attributable to the hard work, dedication and business "savvy" of those employees and managers who are on the front line, while carefully respecting their clients' needs and the Bank's products and services.

The Bank's comprehensive program of optimization and expansion of the branch network has also generated promising results in 2005. For one, the implementation of our "financial services boutique"

concept—already fully operational in fifteen locations, of which six are completely new branches,—has been very well received. Thanks to our employees' dedication, as well as specific promotional campaigns and direct marketing initiatives, the Bank's financial services boutiques stand out as an innovative environment for clients to access quality products and services.

Similarly, we are giving special consideration to the specific needs of our commercial and brokerage clienteles, particularly with regard to access to our products and services. During fiscal 2005, Commercial Financial Services opened two new commercial banking centres in order to bring account managers closer to their clients and enhance business development. Laurentian Bank Securities has also opened a new office and plans to open others in carefully targeted regions, with a view to better serve its clients and increase its share of the retail brokerage market.

During fiscal 2005, the Bank has given in-depth consideration to all aspects of its management processes and practices. Moreover, our structure has been modified. From now on, Retail Financial Services, Commercial Financial Services, and B2B Trust are grouped under one executive officer, Réjean Robitaille, in order to enhance operational synergies between these three business lines.

We also plan to pursue the development of the training programs offered to employees and managers alike. These programs will be instrumental in refining our managing and operating skills, and should contribute to our ability to attract and retain the best candidates. Consequently, we will be giving partic-

ular attention to these matters during fiscal 2006 with an aim at encouraging all employees to put their best qualities forward.

THE ROAD AHEAD

At this point, I would like to express my sincere appreciation to the Bank's shareholders. Over the last few years, they have shown remarkable patience in the face of significant changes and somewhat underwhelming results. They have also expressed their steadfast support for the Bank's management and Board of Directors. I wish to assure them that their best interests are foremost in our daily pursuits.

I am equally grateful to all of our employees for their dedication to the Bank and to our business plan. One need only set foot inside one of our branches today to sense the infectious enthusiasm and strong work ethic of our staff.

In many aspects, 2005 has been an eventful and rewarding period in the Bank's development. Our financial results provide a tangible indication of the success of our business plan and the soundness of our objectives. Nevertheless, we recognize that our accomplishments to date are merely stepping stones toward reaching the levels that we are confident we can attain in the months and years ahead.

Laurentian Bank is committed to becoming a leading financial institution in Quebec and a performing player elsewhere in Canada, recognized for offering the best products to its various clienteles with a quality of service unsurpassed by any bank.



RAYMOND McMANUS
PRESIDENT AND CHIEF EXECUTIVE OFFICER

GUIDED BY RIGOUR AND TRANSPARENCY

Over the last few years, Laurentian Bank of Canada has made significant changes to its business strategies and structures.

BY L. DENIS DESAUTELS, O.C.

Fiscal 2005 has been an eventful period, and we are starting to see positive results produced from our business plan. It encourages us to stay the course and to pursue our goals to their full realization.

Laurentian Bank operates in a heavily regulated and strictly monitored industry within the context of a highly competitive economic environment. Given these circumstances, especially in light of the financial scandals that have shaken the business world in recent years, the role of sound corporate governance built on solid foundations of clear rules and regulations and of transparency becomes absolutely critical.

Fortunately, we can count on Laurentian Bank's life-long tradition of high standards of corporate governance, making it one of Canada's most reputable financial institutions in this regard.

Furthermore, we also benefit from a spirit of close collaboration between the Bank's Board of Directors and Management. These relations are in constant evolution, further refining their respective roles and responsibilities. More precisely, this true partnership is based on the ongoing commitment of all concerned to act in the best interests of the Bank, of its employees, of its clients and of its shareholders.

The members of the Board therefore act as fiduciaries of the Bank's values and guardians of the shareholders' assets. We advocate long-term growth vision and strategy for the Bank with focus on its profitability, viability and sustainability. Moreover, we are convinced that the principles of transparency and integrity are of the utmost importance for the sound management of our financial institution. These qualities are essential to safeguard the best interests of the shareholders whom we represent.

In this regard, the work of the Board committees becomes crucial. It is at the committee level that



all the rigour and transparency prescribed by the applicable laws and regulations and vital for the implementation of appropriate policies and procedures become most apparent.

In short, the Board and the Management Committee have proven again that the synergy they have developed in discharging their duties and responsibilities is a valuable asset for the Bank's development. Each has shown discipline and constancy necessary to reach the set targets within the framework of a well-defined business plan and in the best interests of our employees, clients and shareholders.

Therefore, I would like to thank and congratulate all members of the Management Committee on their great performance. Their steadfast efforts, their dedication and their commitment to the Bank's success and progress, as well as their rigour, expertise and knowledge became a determining factor in the financial results for fiscal 2005 and are a guarantee for the remaining stretch of our business plan. On behalf of the Board of Directors, I therefore wish to reiterate our support to them.

Finally, I would like to take this opportunity to thank Mr. Ronald Corey and Mr. Gordon Ritchie, who will have stepped down as directors at the time of the Annual Meeting of Shareholders, for their invaluable contribution to the work and deliberations of the Board. After more than ten years of dedicated service, Mr. Corey is retiring pursuant to the retirement policy for the Board of Directors. Recognized for his commitment to social issues in Montreal and elsewhere in Canada, he also made a significant contribution to the consolidation of the Bank's relations with the business circles, as well as of the Bank's relations with the communities in which we operate. The contribution of Mr. Ritchie, in particular his work on the Audit Committee, has been greatly appreciated. We are grateful to both Mr. Corey and Mr. Ritchie for their support and their contribution.

A handwritten signature in black ink, which appears to read "L. Denis Desautels". The signature is fluid and cursive, with a large loop at the end.

L. DENIS DESAUTELS, O.C.
CHAIRMAN OF THE BOARD

BOARD OF DIRECTORS

2002 **JEAN BAZIN O.C.** PARTNER, FRASER MILNER CASGRAIN

Attorney since 1965, appointed Queen's Counsel in 1984 and a member of the Senate from 1986 to 1989, Jean Bazin chaired the Canadian Bar Association in 1987-1988 and the Quebec-Japan Business Forum in 1999. Jean Bazin has sat on the board of directors of the Bank from 1990 to 2000 and was Chairman of B2B Trust from 2000 to 2002. Very active within the business community and various cultural organizations, he is known for his discipline and rigour. Mr. Bazin sits on the boards of directors of different companies, including the Société générale de financement du Québec.

2003 **RICHARD BÉLANGER** PRESIDENT, TORYVEL GROUP INC.

A chartered accountant since 1980, Richard Bélanger was awarded the Prix Émélite and the designation "Fellow" by the Ordre des comptables agréés du Québec in May 2004. Toryvel Group Inc. is a holding company which main investment fields lie in the forest and transportation sectors, as well as in that of private and stock market investment. Mr. Bélanger is President and co-owner of this company and he is also President of Stetson Timberlands Inc. as well as of Theseus Capital Inc., a Capital Pool Company ("CPC") listed on the Toronto TSX Venture Exchange. He sits on the board of directors and the audit committee of Stella-Jones Inc. and he is a member of the board of InterTrade Systems Inc.

2003 **ÈVE-LYNE BIRON** PRESIDENT AND GENERAL MANAGER, LABORATOIRE MÉDICAL BIRON INC.

With a Master degree in administration to her credit, Ève-Lyne Biron is a young manager who aims for very concrete results and who is actively involved in her community. Her company was ranked 37th of the top 100 Canadian companies directed by women in 2003. She was a 2004 award winner of the Nouveaux Performants competition, "Entrepreneur" category and finalist for the 2005 Femmes d'affaires du Québec award. Ms. Biron sits on the board of directors of the Orchestre symphonique de Longueuil, the Armand-Frappier Foundation and of DEL (Développement économique Longueuil).

1994 **RONALD COREY C.M.** PRESIDENT, RONALD COREY GROUPE CONSEIL LTEE

Member of the Order of Canada, Ronald Corey has displayed exceptional strategic abilities and exemplary social involvement throughout his career, both as honorary president of large fund-raising campaigns and foundations, and as president and CEO of Molson Centre or chairman of the board of the Port of Montreal. The organizations with which he collaborates benefit greatly from his rich experience in the business world.

2001 **L. DENIS DESAUTELS O.C.** CHAIRMAN OF THE BOARD, LAURENTIAN BANK OF CANADA, EXECUTIVE-IN-RESIDENCE SCHOOL OF MANAGEMENT, UNIVERSITY OF OTTAWA

Officer of the Order of Canada, Fellow of the Ordre des comptables agréés du Québec and of the Institute of Chartered Accountants of Ontario, and involved with a number of professional committees including the Accounting Standards Oversight Council of the Canadian Institute of Chartered Accountants, Denis Desautels is a recognized Canadian authority on governance. He was Auditor General of Canada from 1991 to 2001. He also sits on the boards of directors of Alcan Inc., Bombardier Inc., The Jean Coutu Group (PJC) Inc. and CARE Canada.

1990 **GEORGES HÉBERT** PRESIDENT, PROSYS-TEC INC.

George Hébert is, since July 2003, president of ProSys-Tech, one of the largest assemblers of computers, laptops and servers in Canada. Mr. Hébert has long been active in the transport sector. He was notably president of Clarke Transport Inc. before acquiring, in 1988, J.A. Provost Inc., a supplier of home and commercial security systems. He also sits on the board of directors of MDS Aerospace and Vitran Corporation.

2001 **VERONICA S. MAIDMAN** CHAIR ADVISORY COUNCIL, EQUIFAX CANADA INC.

Veronica Maidman is an executive with outstanding strategic vision and a great capacity to meet challenges in a constantly evolving environment. Having recently completed her term as Vice-Chair of Sunnybrook & Women's College Health Sciences Centre, Mrs. Maidman is now a member of the Sunnybrook & Women's Foundation Governing Council. She also sits on different corporate boards. Throughout the years she's worked with all levels of government concerning legislative and regulatory issues with particular emphasis on consumer privacy. She was featured in a report on the leaders of tomorrow in Canadian Business Magazine.

1988 **RAYMOND McMANUS** PRESIDENT AND CHIEF EXECUTIVE OFFICER, LAURENTIAN BANK OF CANADA

Raymond McManus has worked in the banking industry since 1960. On the strength of the expertise he developed in corporate loans early in his career, he was promoted to positions of increasing responsibility, including that of Senior Vice-President at the Mercantile Bank. He also founded Cafa Financial Corporation, a private investment bank specializing in mergers and acquisitions, corporate financing and real estate. Mr. McManus is president and chief executive officer of the Bank since August 2002.

1990 **PIERRE MICHAUD, C.M.** VICE-CHAIRMAN OF THE BOARD, LAURENTIAN BANK OF CANADA, CHAIRMAN OF THE BOARD, PROVIGO INC.

Member of the Order of Canada, Pierre Michaud has a vast experience in the retail business as much as in corporate governance. He is director of different companies including Loblaw Companies Limited, Bombardier Recreational Products Inc., Gaz Métro Inc. and Old Port of Montreal Corporation Inc.. Very active in many charitable organizations, Mr. Michaud is a member of the board of governors of Centraide, the Fondation de l'Hôpital Sainte-Justine and the Fondation du Centre hospitalier universitaire de Montréal (CHUM).

2004 **CARMAND NORMAND** CHAIRMAN OF THE BOARD, CHIEF EXECUTIVE AND INVESTMENT OFFICER, ADDENDA CAPITAL INC.

With over 35 years of experience in the field of finance, Carmand Normand is an accomplished businessman with a keen entrepreneurial sense. An excellent investment strategist, Mr. Normand won particular recognition in 2000, when he received the Hermès Award for outstanding career accomplishments from the Faculty of Business Administration of Université Laval. His vast professional involvement includes extensive work as Vice-Chairman of the Board and member of the Audit Committee of the Montreal Exchange. Mr. Normand is also a co-author of *Caisses de retraite et placements*, in bookstores since September 1994.

2003 **GORDON RITCHIE** CHAIRMAN, PUBLIC AFFAIRS, HILL & KNOWLTON CANADA

Gordon Ritchie was one of the main architects of the Free Trade Agreement between Canada and the United States. Throughout his illustrious career within the federal public service, he focused on economic development and international trade. On leaving government, he became a business consultant and is now Chairman of Hill & Knowlton Canada. He is also serving on the board of directors of Maple Leaf Foods Inc.

1998 **DOMINIC J. TADDEO** PRESIDENT AND CHIEF EXECUTIVE OFFICER, MONTREAL PORT AUTHORITY

Dominic Taddeo has dedicated most of his career to the maritime industry. Appointed president and chief executive officer of the Montreal Port Authority in 1984, he has played a pivotal role in the economic development of Montreal. He has received many honours and merits, including Transport Personality of the Year for the Province of Quebec and awards of distinction from the Faculty of Commerce and Administration of Concordia University and the Corporation professionnelle des administrateurs agréés du Québec. He is chairman of the board of EDICOM, a Montreal-based EDI project of strategic importance to Canada's transportation and trade community.

1998 **JONATHAN I. WENER, C.M.** CHAIRMAN OF THE BOARD, CANDEREL MANAGEMENT INC.

Member of the Order of Canada, Jonathan Wener, a renowned expert in the real estate sector, has vast experience in the commercial, industrial, residential, recreational and hotel sectors. Associated for 30 years with the success of Canderel Management, Mr. Wener contributes to the well-being of the community through his involvement in numerous professional associations and charitable organizations. Mr. Wener is Vice-Chair of Concordia University and he also sits on different boards of directors including The Foundation of the Montreal Museum of Fine Arts, Fondation du Grand Montreal, The Jewish General Hospital and its Foundation and the Festival des Arts de Mont St-Sauveur.

FINANCIAL HIGHLIGHTS

(in millions of dollars, except per share amounts)	2005	2004	2003
Per common share			
Diluted net income	\$ 2.26	\$ 1.33	\$ 3.32
Diluted income from continuing operations	\$ 1.85	\$ 1.33	\$ 3.32
Dividends	\$ 1.16	\$ 1.16	\$ 1.16
Book value	\$ 29.85	\$ 28.78	\$ 28.73
Share price			
High	\$ 32.79	\$ 29.35	\$ 29.25
Low	\$ 22.51	\$ 25.42	\$ 24.91
Close	\$ 30.35	\$ 25.45	\$ 27.75
Financial ratios			
Price/earnings ratio	13.4x	19.1x	8.3x
Market to book value	102%	88%	97%
Dividend yield	3.82%	4.56%	4.18%
Net interest income as a percentage of average assets	1.99%	1.64%	1.81%
Earnings			
Total revenue	\$ 502.1	\$ 466.1	\$ 622.2
Net income	\$ 65.3	\$ 39.9	\$ 84.0
Net income from continuing operations	\$ 55.6	\$ 39.9	\$ 84.0
Efficiency ratio			
<i>Non-interest expenses as a % of total revenue</i>	76.1%	79.3%	71.0%
Return on common shareholders' equity	7.8%	4.6%	12.4%
Financial position			
Balance sheet assets	\$16,507	\$16,607	\$16,738
Loans, bankers' acceptances and assets purchased under reverse repurchase agreements, net	\$12,374	\$12,434	\$12,151
Net impaired loans	\$ (8.9)	\$ (13.0)	\$ 22.0
Net impaired loans as a % of loans, bankers' acceptances and assets purchased under reverse repurchase agreements	(0.1)%	(0.1)%	0.2%
Personal deposits	\$10,575	\$10,454	\$10,509
Assets under administration and assets under management	\$13,766	\$14,878	\$15,488
Personal deposits <i>As a % of total deposits</i>	77.2%	81.0%	79.1%
Number of common shares (in thousands)	23,557	23,511	23,436
Capitalization			
Shareholders' equity, non-controlling interest in a subsidiary and debentures ⁽¹⁾	\$ 1,063	\$ 1,137	\$ 1,315
BIS capital ratios			
Tier I	10.2%	10.5%	10.2%
Total capital	12.3%	14.0%	15.2%
Tangible common equity as a percentage of risk-weighted assets	7.5%	7.6%	7.8%
Other information			
Number of full-time equivalent employees	3,180	3,125	3,159
Number of branches	157	153	155
Number of automated banking machines	313	293	284
Brokerage Offices	11	9	10
Commercial banking Centres	28	26	22
Independant Financial Advisors	14,316	13,667	13,183

(1) In 2003, includes liability related to preferred shares

COMMITMENT

WITHOUT RESERVATION

A strong team



RAYMOND McMANUS

PRESIDENT AND CHIEF EXECUTIVE OFFICER

A career banker and a renowned financial strategist, Mr. McManus has held this position since 2002. As a Board member since 1988, he already had good knowledge of the organization. Prior to joining Laurentian Bank, he founded and successfully headed a private investment bank specializing in mergers and acquisitions, corporate financing and real estate. He is also Chairman of B2B Trust.



ROBERT CARDINAL

SENIOR EXECUTIVE VICE-PRESIDENT
FINANCE, ADMINISTRATION AND STRATEGIC
DEVELOPMENT AND CHIEF FINANCIAL OFFICER

A chartered accountant, Mr. Cardinal has been with Laurentian Bank since 1991. His knowledge, experience and integrity earned him several promotions within the organization. Prior to joining the Bank, he held various positions in the banking industry and audit.



RÉJEAN ROBITAILLE

SENIOR EXECUTIVE VICE-PRESIDENT
RETAIL AND COMMERCIAL
FINANCIAL SERVICES

At Laurentian Bank since 1988, Mr. Robitaille has profound knowledge of the organization as he has held a variety of positions with the Bank, including his work as Financial Planner, manager in charge of the branch network and Treasurer. He is also President of Laurentian Trust and President and CEO of LBC Trust of Canada Inc.

**ANDRÉ SCOTT**

EXECUTIVE VICE-PRESIDENT
COMMERCIAL FINANCIAL SERVICES

Specializing in business financing and credit, Mr. Scott is an experienced banker. At Laurentian Bank since 1991, he has held several important positions, namely in business development and credit risk management. He also contributed to the establishment and development of B2B Trust.

**LORRAINE PILON**

EXECUTIVE VICE-PRESIDENT
CORPORATE AFFAIRS AND HUMAN
RESOURCES, AND SECRETARY

A lawyer by training, Ms. Pilon joined Laurentian Bank in 1990 in the Legal Affairs department. She climbed the career ladder quickly thanks to her expertise in the banking industry and to her keen business sense.

**BERNARD PICHÉ**

EXECUTIVE VICE-PRESIDENT
TREASURY, CAPITAL MARKETS
AND BROKERAGE

At Laurentian Bank, Mr. Piché contributes his diversified experience acquired both in Canada and abroad. His extensive knowledge of economics, treasury and capital markets is a sure asset for Laurentian Bank that he joined in 1994. He is also Chairman of the board of Laurentian Bank Securities.

CORPORATE GOVERNANCE

Laurentian Bank of Canada is recognized as a forerunner in the Canadian banking sector for its strong corporate governance culture. Indeed, in 1987, Laurentian Bank became the first financial institution to separate the roles of Chairman of the Board and of President and CEO. Moreover, its corporate governance policies and procedures are among the most exemplary ones in the Canadian banking and financial industry.

All members of the Board of Directors are independent and unrelated to the Bank's management, with the exception of the President and Chief Executive Officer. The independent status of directors is evaluated in accordance with the requirements defined by the Human Resources and Corporate Governance Committee and approved by the Board of Directors.

The role of the Board of Directors is essentially to supervise the management of the business and affairs of the Bank. The Board members thus commit to act in accordance with the principles and requirements set forth in the *Code of Conduct for Directors* with respect to various dimensions ranging from general conduct to financial situation, conflict of interest, information and data security, and insider transactions.

The Board of Directors has delegated specific responsibilities and functions to three Board committees: the Audit Committee, the Human Resources and Corporate Governance Committee as well as the Risk Management Committee. Their members are appointed from among the Board Directors. These committees provide regular written and verbal updates and reports on their work to the Board. Furthermore, they present a report to be included in the management proxy circular.

AUDIT COMMITTEE

The primary function of the Audit Committee is to support the Board of Directors in overseeing the integrity of the Bank's financial reporting, the pertinence and effectiveness of its internal controls, the qualifications and independence of the external auditors, the performance of the Bank's internal audit function and of the external auditors, as well as the Bank's compliance with regulatory requirements.

More specifically, the responsibilities and duties of the Audit Committee include:

External audit: recommending the appointment of external auditors to shareholders; supervising their work; assessing the scope of their expertise and qualifications, their independence and objectivity; reviewing the mandate of the external auditors and of the external audit programs;

Internal audit function: assessing the effectiveness of the internal controls set up by Management; reviewing the internal audit mandate and programs, the function's staffing resources and the follow-up on the recommendations of the internal auditors;

Financial information disclosure and reporting: reviewing the Management's discussion and analysis of the annual report; examining annual and quarterly financial statements, as well as Management's discussion and analysis and related press releases; reviewing the annual information form, Management's quarterly reports and the annual report of the Chief Compliance Officer with regard to questions of compliance and regulations;

Internal controls: reviewing, evaluating and approving appropriate procedures of internal control and of communication of financial information; verifying all investments and operations that might have a negative impact on the Bank's financial situation; establishing procedures for the receipt, retention and treatment of complaints regarding accounting, internal controls or auditing matters; establishing procedures for the confidential anonymous submission of concerns by employees of the Bank regarding questionable accounting or auditing matters;

Supervising authorities: reviewing all recommendations made by the Office of the Superintendent of Financial Institutions; monitoring the application of recommendations from regulatory authorities.

HUMAN RESOURCES AND CORPORATE GOVERNANCE COMMITTEE

The Human Resources and Corporate Governance Committee is responsible for performing two functions:

Human Resources: ensuring that compensation programs of the Bank are aligned with the attainment of the Bank's objectives and to the prudent management of activities and risks; reviewing and approving the compensation structure for Executives; assessing, in collaboration with the Board, the performance of the President and CEO and reviewing the performance of the Management Committee members.

The Committee also reviews short-term and long-term incentive programs, approves the annual salary policy, periodically reviews the Bank's organizational structure and approves the appointment of executive officers.

It ensures the succession planning relating to senior management, supervises various aspects of labour relations, including the collective bargaining process of unionized employees, and receives regular reports on the status of relations between the Bank and its employees.

Governance: overseeing the development and application of the corporate governance principles and rules, and making recommendations to the Board of Directors in this regard; ensuring the proper functioning and effectiveness of the Board and of its committees, and reviewing the composition and renewal of the Board. It is this Committee that identifies and recommends candidates for election or appointment to the Board and oversees the assessment of performance of current Directors.

This Committee also ensures that orientation and training programs for Board members are in place, reviews the compensation levels for Directors based on their responsibilities, ensures that shareholders are properly informed of the Bank's affairs, and deals with any major disagreement between the Bank and its shareholders.

Moreover, it reviews the scope of responsibilities and authorities of the Board committees.

RISK MANAGEMENT COMMITTEE

The Risk Management Committee ensures that the Bank has adopted an adequate risk management process intended to identify, measure and manage risks, and has established relevant policies to manage credit, market, structural, capital management, operational and regulatory risks.

The Committee groups three functions: review, credit and oversight.

Review: overseeing the application of procedures for reviewing transactions with individuals or organizations affiliated with the Bank. It verifies the procedures established to make the disclosure of information to clients with regard to banking fees and monitors the procedures established for dealing with client complaints. It conducts annual reviews of the *Code of Ethics* governing the Bank's employees and officers as well as the one governing the Bank's service providers, and approves standards for business conduct and ethics that take risks into account.

Credit: reviewing the Bank's credit policies and procedures, and ensuring the highest standards of quality. It also approves loan and advance transactions in excess of the limits established by the Board of Directors including loans and advances to the Bank's employees and officers.

Oversight: reviewing the Bank's internal policies and procedures in relation to risk management, and reviewing situations of conflict of interest at the Bank.

RETAIL

FINANCIAL SERVICES

IN 2005, RETAIL FINANCIAL SERVICES CONTINUED TO MAKE GREAT STRIDES IN REVITALIZING ITS BRANCH NETWORK, INCREASING THE IMPACT OF ITS COMMERCIALIZATION ACTIVITIES, FINE-TUNING ITS MARKETING INITIATIVES AND REITERATING ITS COMMITMENT TO SERVICE QUALITY.

157 BRANCHES,
including 6 new financial
services boutiques

RENOVATION
of nearly 20% of the
branch network

**INCREASED
ACCESSIBILITY**
of our services, now with
313 ATMs, an increase
of 20, namely in the
Montreal Metro

OUR EMPLOYEES ARE THE KEY TO OUR SERVICE QUALITY

Our employees are the pivot of our unique approach to make the Bank stand out from the competition. Their talents, their commitment and their professionalism are essential to the Bank's development and growth.

Over the next few years, we will introduce several concrete measures, such as new training strategies and programs, to make certain our employees can reach their full potential within our organization and therefore contribute to the outstanding quality of our services.

Cards

Strategic initiatives to increase our credit card market share, more specifically the new VISA Reward Me card and the new VISA Gold Reward program.

GREAT SENSE OF PARTNERSHIP

The new Laurentian Bank *Complicité* Program offered exclusively to 550,000 FTQ members and their families, including the VISA Laurentian Bank *Complicité* card, banking packages for daily banking transactions, as well as various mortgage products promoting access to homeownership, and a Homeowners Hotline exclusive to Laurentian Bank.

EYE-CATCHING BOUTIQUES

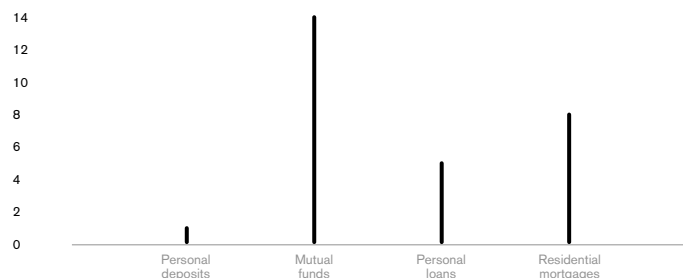
Now with 15 service boutiques, including 6 new locations, this unique concept became a trademark of Laurentian Bank. Play areas for kids, a Café corner, and a library are among the distinctive features that allow our clients to live a unique banking experience.

State-of-the-art tools

The operationalization of our marketing campaign management system is an important phase in our ongoing efforts to design and adopt highly performing business tools to become truly attuned to our clientele and to maximize the effectiveness, efficiency and pertinence of our client communications. A new marketing campaign management system has been added to our data warehouse, our analytical environment as well as our business intelligence tools.

Our next step will be to integrate our customer relations management strategy throughout the branch network and at the Call Centre with specific applications. It will allow us to fulfil our promise always to treat our clients like our guests, whichever distribution channel they choose.

2005 GROWTH OF PORTFOLIOS
(as a percentage)



COMMERCIAL FINANCIAL SERVICES

IN 2005, COMMERCIAL FINANCIAL SERVICES CHANNELLED ITS ENERGY AND EFFORTS INTO THE CONSOLIDATION AND DEVELOPMENT OF ITS PORTFOLIOS AND INTO THE IMPLEMENTATION OF VARIOUS BUSINESS DEVELOPMENT AND MARKETING INITIATIVES.

HIGHER LEVEL OF EXCELLENCE

In line with the raison d'être of our line of business, i.e. to provide outstanding service while fostering a humane approach and to offer competitive products, our employees spare no effort to maintain the high level of excellence of their service that they are recognized for. With new experts joining our team during the year, we were poised to put forth maximum effort in business development.

Growth

Increase in assets in the Agricultural and Real Estate Financing sectors.

Accessibility

Opening of two new Commercial Banking Centres, on the South Shore and on the North Shore of Montreal.

Sustained performance

Again this year, exceptional results in the Real Estate Financing sector with regard to business volumes and profitability.

INITIATIVES

Effective and profitable promotional campaigns allowing to generate new volumes of business and new clients, mainly among Quebec SMEs.

**SME
FINANCING**

**REAL ESTATE
FINANCING**

**AGRICULTURAL
FINANCING**

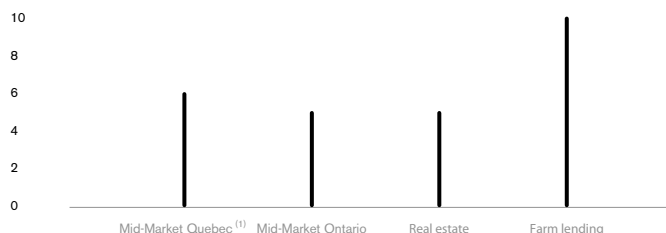
**MICRO-
BUSINESS
FINANCING**

Set priorities to grow

Our key priority for the coming year is to redouble our efforts with the goal to accelerate the growth of our business operations. With this in mind, our initiatives will include enhancing our product offering to ensure even more added-value to our clients. We will work to further fine-tune the segmentation of our clientele to make access to our products and services even simpler and faster.

Strengthening synergies with Retail Financial Services will also contribute to reaching this goal by maximizing our expertise and using our full potential.

2005 ASSET GROWTH
(as a percentage)



Growth based on average assets, except for Real Estate which is based on year-end balances.
⁽¹⁾ Excluding micro business and corporate assets.

B2B TRUST

B2B TRUST IS DEDICATED TO SERVING THE NEEDS OF THE FINANCIAL INTERMEDIARY COMMUNITY ACROSS CANADA. B2B TRUST PROVIDES FINANCIAL ADVISORS, PLANNERS AND BROKERS WITH SUPERIOR FINANCIAL PRODUCTS AND SERVICES FOR DISTRIBUTION TO THEIR CLIENTS. IN 2005, B2B TRUST CONTINUED TO ENJOY STANDING AS THE LEADING THIRD-PARTY SUPPLIER OF WHOLESALE DEPOSITS, INVESTMENT LENDING PRODUCTS, AND RSP LENDING PRODUCTS IN CANADA.

2005 – YEAR OF DIRECTION

Above and beyond achieving sustained organic growth, B2B Trust re-evaluated its market context, opportunity and strategic direction. The result: a redefined mission statement, a revisited business plan and new key metrics.

Moreover, key people were added and increased efforts were deployed to mobilize staff, while processing and tools have also been improved.

Increased investments in business development and marketing were made to stimulate revenue generation and build market presence.

2006 YEAR OF MOMENTUM

B2B Trust will be concentrating its focus on its primary markets, long-term growth opportunities and its most productive business relationships.

Efforts will be dedicated to construction of a solid organizational foundation that can support accelerated future growth, enhanced performance and continuous improvements to the operational efficiency baseline.

Organic growth will be cultivated as resources are specifically dedicated to garner maximum value from highest profit contribution product categories and distribution channels.

In preparation for the future, we will continuously evaluate new manufacturing and distribution opportunities, review product offerings and reposition them into market opportunities while selectively using technology to improve capacity, improve service levels or to reduce costs.

PRODUCTS

- Investment Loans
- RSP Loans
- Secured Loans – Mortgages/
Home Equity Lines
- GICs
- Banking Products and Services
- Self-directed Accounts

MARKETS AND DISTRIBUTION CHANNELS

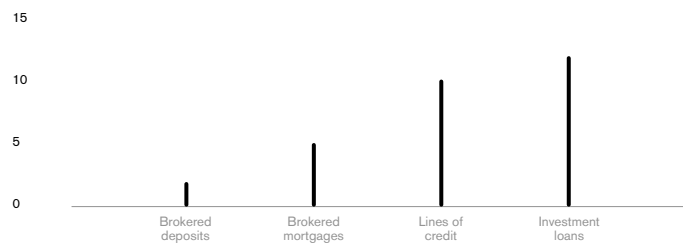
B2B Trust serves more than 14,000 financial advisors across Canada.

- Mutual Fund Manufacturers
- Mutual Fund Dealers
- Investment Brokers
- Insurance Manufacturers – Segregated Funds
- Insurance Brokers
- Mortgage Brokers
- Deposit Brokers

MORE FLEXIBILITY FOR INVESTORS

Building on the success of its 100% Accelerator Investment Loan product which was launched in 2004, B2B Trust has streamlined the application process and increased the maximum loan amount to \$100,000. The Accelerator product offers financial advisors and their clients a rich feature set which is now complimented by a highly efficient application process and funding within 24 hours of loan approval.

2005 GROWTH OF PORTFOLIOS
(as a percentage)



NB 2004 was adjusted to include Mortgages business into B2B Business Line.

LAURENTIAN BANK

SECURITIES

FISCAL 2005 WAS A GOOD YEAR FOR LAURENTIAN BANK SECURITIES: LAUNCHING NEW PRODUCTS AND SERVICES, RECRUITING ADDITIONAL SPECIALISTS TO EXPAND ITS TEAM OF INVESTMENT ADVISORS, AND REGISTERING A SIGNIFICANT INCREASE IN ASSETS UNDER MANAGEMENT.

A SOLID REPUTATION IN THE INSTITUTIONAL SECTOR

Laurentian Bank Securities has positioned itself as a leader in the institutional sector, mainly in the bond market. Recognized for its efficiency, effectiveness and know-how, the team intends to continue the development of the sector with the goal to become an inevitable player.

The solid expertise acquired in this market is the foundation for the development of our retail services division, which is now regarded as our new growth priority.

INCREASED PRESENCE

A team of nearly 175 specialists, including 25 new investment advisors, as well as 11 brokerage offices across Quebec and Ontario, including 1 new location in Sainte-Thérèse.

NEW PRODUCT OFFER

Launch of M³, Multi-dimensional Managed Account Program, a new tailored product offering high flexibility in order to meet the different needs of investors with various size portfolios.

IMPROVED SERVICES

The Discount Brokerage division now offers a simple and efficient online transaction service allowing to do online trading in various North American markets, as well as an electronic bond market platform that provides real-time quotes and performance information updates.

**FULL-SERVICE
BROKERAGE**
 —
**DISCOUNT
BROKERAGE**
 —
**CAPITAL
MARKETS**
 —
**INTRODUCING
BROKER SERVICES**

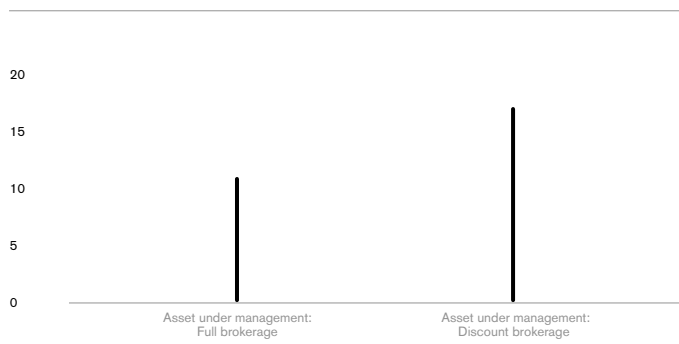
**OUR PRIORITY:
GROWTH OF THE RETAIL
BROKERAGE DIVISION**

Laurentian Bank Securities has introduced various initiatives to stimulate the growth of its retail brokerage division, such as hiring some 25 new investment advisors, expanding the Research department with new analysts, implementing IT and technological developments to stay on the cutting edge, as well as ensuring a continued employee training program to be better equipped to meet the growing needs and expectations of its expanding client base.

**PROFITABLE AND
SUSTAINABLE GROWTH**

Since 2001,
 Laurentian Bank
 Securities has been largely
 investing in its growth
 while reaching its
 profitability targets.

2005 GROWTH
(as a percentage)



CORPORATE SECTORS

IN PERFORMING THEIR FUNCTIONS TO SUPPORT THE OPERATIONS OF THE BANK, THE CORPORATE SECTORS OF THE BANK SHOW AS MUCH DETERMINATION TO BE EFFICIENT AND EFFECTIVE AS THE BUSINESS SECTORS DO. THEY ARE DRIVEN BY RIGOUR, EFFECTIVENESS, EFFICIENCY AND INTEGRITY.

CONTROLS

During the year, the Bank started the application of the new Canadian regulations with the goal to enhance financial controls and to ensure rigorous financial accounting and reporting to shareholders. The Bank currently reviews and documents major processes and controls concerning the management of its financial operations in order to comply with the prescribed deadlines.

NEW FOUNDATION FOR LABOUR RELATIONS

No doubt, the signing of the new collective agreement that will govern the terms and conditions of employment for some 2,000 unionized employees of the Bank and the settlement of the main issues that were the subject of disagreement are among the key highlights of 2005. These achievements are the foundation for renewed relations between the Bank and the Union and contribute to building their long-term partnership based on the common goal, i.e. the success of Laurentian Bank.

EFFICIENT PROCESSES TO THE BENEFIT OF OUR CLIENTS

To ensure good service to our clients, the Bank's advisors, account managers, customer service agents and all front-desk personnel count on the support of our administrative teams for the rigorous and efficient management of client transactions. While staying in the background, these teams play a very important role of implementing efficient processes to make life easier for our clients.

OPTIMIZATION AND IMPROVEMENT OF OUR PREMISES

The Bank's numerous initiatives to renovate and extend its branch network have been largely publicized. Moreover, we have made great efforts to optimize our premises – branch locations and corporate offices – which will allow us to generate substantial savings over the next few years.

MOBILIZED EMPLOYEES TO PURSUE OUR DEVELOPMENT

The quality of our workforce is one of the pillars of the Bank. We will step up efforts to help our employees enhance their knowledge and skills and to allow them to reach their full potential.

Therefore, we will invest in strengthening their sense of belonging to the Bank and in reinforcing their commitment to our organization. Service recognition programs, various initiatives to acknowledge and promote employee achievements and improved communication are the projects we work on to ensure a work environment of equity, dynamism and respect.

CORPORATE
AFFAIRS
—
CREDIT
—
FINANCE,
ADMINISTRATION
AND STRATEGIC
DEVELOPMENT
—
HUMAN
RESOURCES
—
TREASURY

REVIVED TECHNOLOGICAL ENVIRONMENT

IT tools and systems are an integral part of operations of any financial institution. Each year, the Bank invests in its infrastructures, IT hardware and software to ensure the most efficient environment for its clients. Therefore, we channel substantial resources in our ATM network, our internal office network and our data warehouse, which contributes to raising the efficiency of our operations.