THIRD
QUARTER
2004

QUARTERLY REPORT FOR THE PERIOD ENDED JULY 31, 2004

LAURENTIAN BANK OF CANADA

Report to shareholders

Laurentian Bank of Canada reports net income of $13.7 million for the third quarter of 2004

SUMMARY RESULTS

Laurentian Bank of Canada reported net income of $13.7 million or $0.31 diluted per common share for the third quarter ended July 31, 2004, compared to $10.3 million or $0.29 diluted per common share for the same period in 2003. Return on common shareholders' equity was 4.2% for the quarter, compared to 4.3% for the same period in 2003.

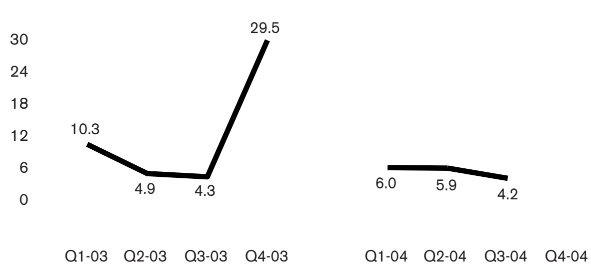
Results for the third quarter included the costs associated with the modification in the share capital and debentures of the Bank undertaken during the second quarter. The overlap in dividend payments resulting from the issuance of the Class A Preferred Shares Series 10 in the second quarter and redemption of the Class A Preferred Shares Series 7 and 8 on June 16, 2004, combined with the $2 million premium paid on redemption had a negative impact on the quarter of $0.13 diluted per common share. As part of the redemption of the Debentures Series 7, costs amounting to $1.1 million also affected results by $0.03 diluted per common share during the quarter.

During the quarter, the Bank sold its debit and credit card transaction processing activities, as other banks have recently done to increase efficiency. Also, certain rights to service mutual funds accounts in Ontario and Western Canada were transferred in relation with the sale of the branches in these provinces in 2003. These transactions generated a $5.6 million gain ($4.7 million net of income taxes) or $0.20 diluted per common share.

Following the completion of the systems conversions related to the Ontario and Western Canada branches sold last October, other revenues were increased by $3.5 million ($0.10 diluted per common share), to reflect a change in estimate of provisions for related costs, as actual costs incurred were lower than anticipated. These revenues increase the gain resulting from the sale of the branches initially recorded in the fourth quarter of 2003.

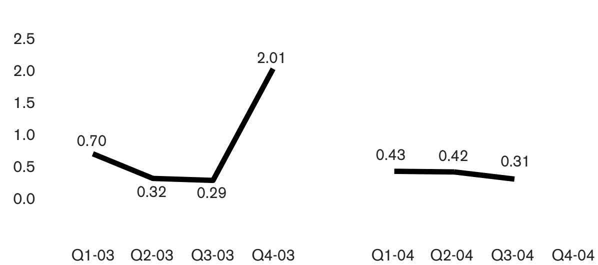
Return on common shareholders' equity

As a percentage



Diluted net income per common share

In dollars



The significant items mentioned above had a favorable impact on net income of $6.3 million, on net income available to common shareholders of $3.2 million and of $0.14 on diluted net income per common share, as detailed in the table below. During the quarter, earnings were also affected by the lower revenues from Treasury and Financial market activities, as a result of the recent changes in the interest rate environment.

Significant items affecting results

In millions of dollars, except per share amounts	Items, before income taxes	Items, net of income taxes	Diluted, per common share
Sale of the debit and credit card transaction processing activities and certain rights to service mutual funds accounts	$ 5.6	$ 4.7	$ 0.20
Review of the provisions related to the Ontario and Western Canada branches sold during the fourth quarter of 2003	3.5	2.4	0.10
Costs associated with the redemption of the Debentures Series 7	(1.1)	(0.7)	(0.03)
Effect on net income		6.3	0.27
Redemption premium paid on the repurchase of Class A Preferred shares Series 7 and 8 and overlap in dividend payments in the Class A preferred shares	(3.1)	(3.1)	(0.13)
Effect on net income available to common shareholders		$ 3.2	$ 0.14

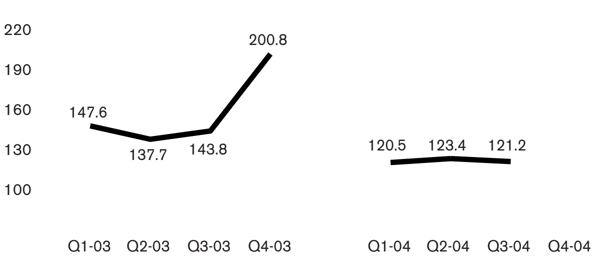
When compared to the second quarter of 2004, net income improved by $0.4 million, from $13.3 million to $13.7 million, principally as a result of the above-mentioned items. However, net income available to common shareholders declined by $2.7 million as it was affected by the redemption premium paid and the overlap in dividend payments in the Class A preferred shares.

For the first nine months of 2004, net income totaled $40.6 million or $1.16 diluted per common share, compared to net income of $41.1 million or $1.31 diluted per common share in 2003. Return on common shareholders' equity was 5.4% for the nine-month period ended July 31, 2004, compared to 6.5% for the same period in 2003.

"The steps that we have taken over the last 18 months have improved our competitive positioning. The disposal of the Ontario and Western Canada branches, the privatization of B2B Trust, the disposal of certain other assets and activities combined with the repricing of the preferred shares have all contributed positively to the repositioning of the Bank. These transactions were accretive to the Bank and are contributing to maintain strong capital ratios during the transition period", said Raymond McManus, President and Chief Executive Officer. "However, the strong competitive environment combined with delays in the deployment of certain of our Retail Financial Services initiatives and lower demand for commercial credit have limited our ability to increase loan volumes and put pressure on revenue growth. Although this should not substantially compromise our 2004 objectives, it may be reason for concern in 2005 and 2006. We will reconsider the situation during the fourth quarter and, if necessary, realign our objectives. Notwithstanding, we are still committed to our plan and determined to restore the Bank's profitability in order to continue to enhance shareholders' value".

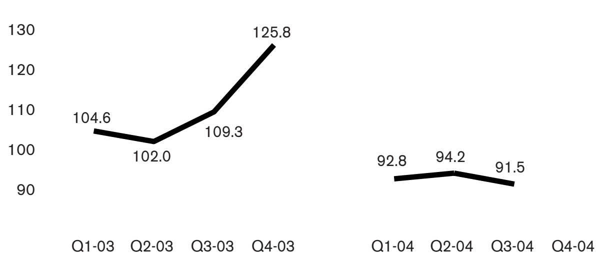
Total revenue

In millions of dollars



Non-interest expenses

In millions of dollars



Management discussion and analysis of results of operations and financial condition

PERFORMANCE AND FINANCIAL OBJECTIVES

Laurentian Bank publishes its Financial Objectives at the beginning of each financial year and then reports actual results quarterly. The Bank's practice is not to provide interim guidance.

Strictly for information purposes, the following table presents the performance compared to objectives that have been set by Management for 2004:

Performance for 2004

	2004 Objectives	Nine-month period ended July 31, 2004 Actual
Return on common shareholders' equity	5%	5.4%
Diluted earnings per share	$1.44 (annual)	$1.16
Total revenue	$503 million (annual)	$365 million
Efficiency ratio	77%	76.3%
Capital ratios		
Tier 1 capital ratio	Minimum of 9.5%	10.3%
Total capital ratio	Minimum of 13.0%	14.4%
Credit quality (loan loss ratio)	0.22%	0.25%

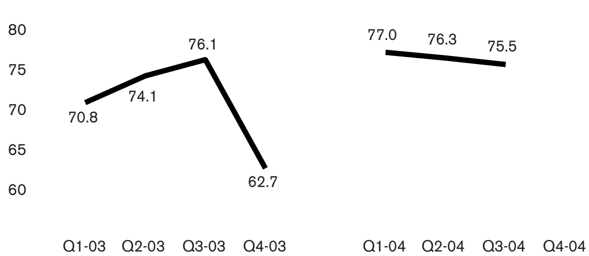
HIGHLIGHTS

This section presents highlights regarding activities of the third quarter ended July 31, 2004 and details significant items affecting results, when compared to the second quarter of 2004 and the third quarter of 2003.

– The systems conversions related to the Ontario and Western Canada branches sold last October were completed during the quarter. The Bank reviewed all provisions initially recorded for technology related activities and other costs. As a result, provisions in the amount of $3.5 million ($0.10 diluted per common share) were released during the quarter reflecting the reduced level of actual costs incurred and the gain on disposal of branches was increased accordingly.
– The privatization of B2B Trust was finalized on June 8, 2004. The results of this business line will now reflect the fact that B2B Trust is a wholly-owned subsidiary.
– During the quarter, Class A Preferred Shares Series 7 and 8 were redeemed in the aggregate amount of $100 million, plus a $2.0 million premium. The redemption premium had a negative impact on net income available to common shareholders, resulting in a $0.08 charge to diluted earnings per common share. Furthermore, the overlap in dividend payments resulting from the issuance of the Class A Preferred Shares Series 10 during the second quarter and the redemption of the Class A Preferred Shares Series 7 and 8 on June 16th of this quarter had a negative impact on diluted earnings per common share of $0.05.
– All of the Debentures Series 7 in the amount of $100 million were redeemed during the quarter, resulting in a $1.1 million charge reflecting the expensing of certain costs associated with the debentures. Going forward, this transaction is accretive to earnings through a reduction in the Bank's cost of capital and tax savings.

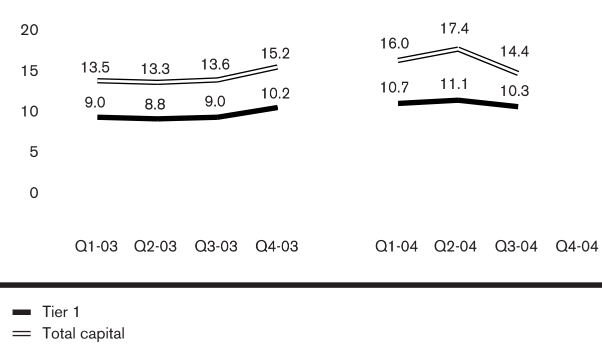
Efficiency ratio

Non-interest expenses as a percentage of total revenue



BIS Capital Ratio

As a percentage



– Total revenue decreased to $121.2 million in the third quarter of 2004 compared to $123.4 million in the second quarter of 2004, a decrease of $2.2 million.
  – Other income decreased by $3.7 million to $52.9 million in the third quarter from $56.6 million in the second quarter. Revenues generated during the quarter by the sale of the debit and credit card transaction processing activities and the transfer of certain rights to service mutual funds accounts in Ontario and Western Canada were offset by lower treasury and financial market operations. Also other revenues include the impact of the change in provisions related to the disposal of the Ontario and Western Canada branches of $3.5 million. Revenues of the second quarter included the favorable impact of the sale of the Ontario and Western Canada Visa loan portfolio.
  – Net interest income improved to $68.2 million or 1.68% of average assets in the third quarter of 2004, compared to $66.8 million or 1.66% for the second quarter.
– Non-interest expenses decreased by $2.7 million or 3% to $91.5 million in the third quarter of 2004 from $94.2 million in the second quarter, due to a decrease in technology costs and other expenses.
– The efficiency ratio (expenses divided by total revenue) improved to 75.5% for the third quarter of 2004 compared to 76.3% in the second quarter.
– The provision for credit losses increased slightly to $10.9 million in the third quarter of 2004 from $10.5 million in the second quarter.
– Income tax expense increased to $4.9 million in the third quarter of 2004 from $4.7 million in the second quarter.
– The variation in results, when compared to the third quarter of 2003, is mainly explained by the significant changes in operations resulting from the sale of the Ontario and Western Canada branches and the implementation of the cost reduction program in the second half of 2003. Also, the compression in net interest income and other income impacted results negatively. However, this was more than offset by lower credit losses in 2004, as well as by a lower effective income tax rate in 2004 at 25.9% compared to an effective rate of 39.5% in 2003.

DETAILED FINANCIAL REVIEW

Total revenue decreased slightly to $121.2 million in the third quarter of 2004 from $123.4 million in the second quarter of 2004, a decrease of $2.2 million. The Bank's net interest income increased by $1.4 million from $66.8 million in the second quarter of 2004 to $68.2 million in the third quarter of 2004. Other income was $52.9 million in the third quarter of 2004, a decrease of $3.7 million compared to the second quarter.

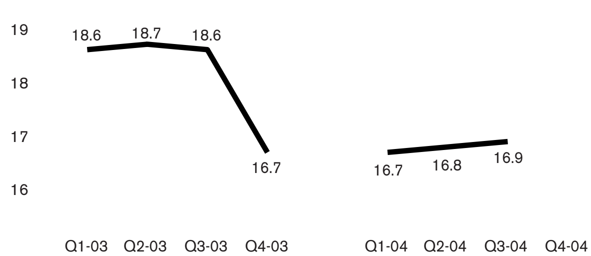
The $1.4 million improvement in interest income from the second quarter of 2004 to the third quarter resulted from an improvement of net interest margin on the Bank's liquidities, increased returns from the variable rate portfolio and the favorable impact of the longer quarter (2 additional days). However, the $1.1 million charge related to the redemption of the Series 7 Debentures also adversely affected interest margin during the quarter.

The $3.7 million decrease in Other income is principally attributable to the decrease in treasury and financial markets operations of $5.7 million, in lending fees of $1.1 million and in insurance revenues of $0.5 million. Gains of $5.6 million during the quarter resulting from the disposal of debit and credit card transaction processing activities ($3.6 million) and certain rights to service mutual funds accounts in Ontario and Western Canada ($2.0 million) were slightly higher than the second quarter gain on the sale of the Ontario and Western Canada Visa loan portfolio, which stood at $4.4 million. Third quarter revenues also included the adjustment to the gain resulting from the sale of branches in the amount of $3.5 million, as mentioned above.

Revenues for the third quarter of 2003 stood at $143.8 million. The year-over-year decrease is mainly attributable to the combined effect of the reduction of volumes resulting from the sale of the Ontario and Western Canada branches and the reduced spreads on various portfolios. Net interest margins declined to 1.68% in the third quarter of 2004 from 1.87% in the same quarter of 2003, reflecting the low interest rate environment.

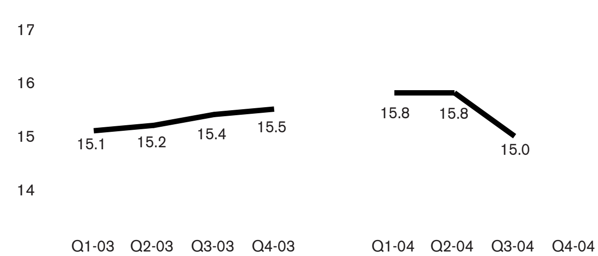
Balance sheet assets

In billions of dollars



Assets under administration

In billions of dollars



The **provision for credit losses** increased to $10.9 million or 0.27% of average assets in the third quarter of 2004, from $10.5 million or 0.26% of average assets during the second quarter of 2004. The increase in the level of provision results from the ongoing revaluation of impaired loans. Also, this reflects the efforts of the Bank to reduce impaired loans.

The provision for credit losses in the third quarter of 2003 stood at $16.0 million and included a $5.0 million provision ($0.13 diluted per common share) related to an exposure to a single borrower in the aerospace sector.

Net impaired loans continued to improve, decreasing by $7.3 million during the quarter. At July 31, 2004, they were –$5.6 million or –0.05% of total loans, bankers' acceptances and assets purchased under reverse repurchase agreements, while they were $1.6 million (+0.0%) at April 30, 2004 and $22.0 million (+0.2%) at October 31, 2003. Gross impaired loans also decreased significantly to $132.9 million at July 31, 2004, compared to $185.2 million at October 31, 2003. The Bank's general provision remained unchanged at $77.3 million at July 31, 2004 compared to year-end 2003. See Note 3 to the Interim Consolidated Financial Statements for more details.

Non-interest expenses decreased by 3% to $91.5 million for the third quarter of 2004, compared to $94.2 million for the second quarter of 2004. The decrease mainly results from lower premises and technology costs, where amortization expenses were significantly reduced. Other expenses also declined as a result of numerous other initiatives. Non-interest expenses decreased by $17.8 million from the $109.3 million recorded during the third quarter of 2003, reflecting the sale of the Ontario and Western Canada branches, the Bank's cost reduction program and other efficiency initiatives.

The efficiency ratio (expenses divided by total revenue) was 75.5% in the third quarter of 2004, compared to 76.3% in the second quarter of 2004. The improvement is mainly derived from the reduction in expenses and the items mentioned previously. The ratio also slightly improved by 0.6%, when compared to the third quarter of 2003, where it stood at 76.1%. Results for the third quarter of 2003 included a restructuring charge of $3.1 million, while results for the current quarter include the gains on disposal of certain assets and activities, as discussed earlier. Excluding these items, the efficiency ratio would have increased to 80.6% for the third quarter of 2004, which reflects the impact of the sale of the Ontario and Western Canada branches and the reduction in revenues. The number of employees (full time equivalent basis) increased slightly to 3,202 at July 31, 2004 compared to 3,167 at April 30, 2004, while it stood at 3,731 a year ago.

Income tax expense was $4.9 million (25.9% effective tax rate) in the third quarter of 2004 compared to $4.7 million (25.2% effective tax rate) in the second quarter of 2004. Lower income taxes on the gain on sale of the debit and credit card transaction processing activities and certain rights to service mutual funds accounts in Ontario and Western Canada favorably reduced the effective taxation rate. The second quarter tax rate also benefited from the Visa loan portfolio disposal. Excluding these favorable items, the effective tax rates would have been 28.9% and 29.9% in the second and third quarters of 2004 respectively. In the third quarter of 2003, the effective tax rate was 39.5%, reflecting among other things the higher tax rates applied to revenues earned by the Ontario and Western Canada branches.

Balance sheet assets stood at $16.9 billion at July 31, 2004, compared to $16.7 billion at October 31, 2003. Liquidities, including assets purchased under reverse repurchase agreements and securities were $4.9 billion or 29% of total assets at July 31, 2004, while they stood at $4.8 billion or 29% as at year-end 2003.

The portfolio of loans and bankers' acceptances remained stable at $11.4 billion at July 31, 2004, compared to October 31, 2003. Residential mortgages included on the Bank's balance sheet, which stood at $5.4 billion as at July 31, 2004, increased by $171 million compared to year-end 2003, taking into account that since the beginning of the year, the Bank has securitized $150 million of residential mortgage loans. Commercial loans decreased by $138 million and commercial mortgages by $69 million since October 2003. Personal loans decreased by $34 million since year-end 2003; however, there has been $19 million of volume growth in the third quarter. The decrease in the first half of the year resulted mainly from the modification in pricing and commissioning strategies of point-of-sale loans and the sale of the Ontario and Western Canada Visa loan portfolio in the amount of $28 million.

Total personal deposits decreased slightly since year-end 2003 to $10.4 billion at July 31, 2004 from $10.5 billion at October 31, 2003. The decrease resulted essentially from a decline in fixed-term deposits sourced through brokers, while demand and notice deposits, generated through the branch network, grew by $47 million over the same period. Business and other deposits decreased by $385 million since October 31, 2003, as other funding sources were sufficient to finance activities. Personal deposits increased to 81% of total deposits of $12.8 billion at July 31, 2004 compared to 79% at October 31, 2003. During the third quarter ended July 31, 2004, deposits increased by $439 million, mainly as a result of the growth in short-term institutional deposits and the closing of an $80 million 5-year term financing with a German Bank. These newly raised deposits provided additional liquidities to, among other things, add flexibility following the repurchase of the Debentures Series 7 and the repurchase of the minority interest of B2B Trust.

Total capital of the Bank, comprised of common shareholders' equity, preferred shares and debentures, reached $1,189 million at July 31, 2004, compared to $1,315 million at October 31, 2003, a decrease of $126 million over the period. The variation results from the modifications to the Bank's capital structure completed since the beginning of the year, which aimed at realigning capital with anticipated needs and lowering the overall cost of capital. During the third quarter, the redemption of the 7.75% Non-Cumulative Class A Preferred Shares Series 7 and 8 in the amount of $102 million completed the repricing strategy initiated during the second quarter with the public offering of the 5.25% Non-Cumulative Class A Preferred Shares Series 10 in the amount of $110 million. At the time, the Bank was able to take advantage of the lower rate environment. As a result, quarterly preferred share dividends will now amount to approximately $2.9 million ($0.13 diluted per common share), down from $3.4 million ($0.15 diluted per common share) prior to the transactions. The redemption of the 5.75% Debentures, Series 7, in June 2004, also reduced total capital by $100 million. Furthermore, capital decreased by $43 million as a result of the privatization of B2B Trust.

Common shareholders' equity increased to $679 million at July 31, 2004 from $673 million at October 31, 2003. There were 23,505,068 common shares outstanding as at July 31, 2004 and the Bank's book value per common share increased to $28.90 from $28.73 at year-end 2003.

The BIS Tier 1 capital ratio improved to 10.3% since October 31, 2003, as a result of the decrease in risk-weighted assets and the BIS Total capital ratio decreased to 14.4% from 15.2% at October 31, 2003, as a result of the issuance and redemption of the preferred shares, as well as the redemption of debentures and the privatization of B2B Trust, as discussed above. These ratios compare favorably with other Canadian banks. Tangible common equity (common equity less goodwill and other intangibles) to risk-weighted assets ratio declined to 7.5% from 7.8% at October 31, 2003, essentially as a result of the privatization of B2B Trust.

At its meeting on August 26, 2004, considering the net income per share of $0.31, as well as the sound financial condition of the Bank as evidenced by its capital ratios, the Board of Directors declared regular dividends on the various series of preferred shares payable on September 15, 2004 to shareholders of record on September 9, 2004, as well as a dividend of $0.29 per common share, payable on November 1, 2004 to shareholders of record on October 1, 2004.

Assets under administration stood at $15.0 billion at July 31, 2004 compared to $15.5 billion at October 31, 2003 and $15.4 billion at July 31, 2003.

SEGMENTED INFORMATION

Third quarter results for the Commercial Financial Services and Other sectors improved significantly, as a result of lower loan losses and the items detailed on page 2. Revenues for the Retail Financial Services and B2B Trust sectors were relatively stable, compared to the second quarter, however their contribution to results decreased, mainly as a result of higher loan losses.

Net income contributions

In millions of dollars	Retail Financial Services	Commercial Financial Services	B2B Trust	Wealth Management and Brokerage	Other	Total (1)
Q3-2004						
Net income	4.7	6.1	1.4	0.8	0.7	13.7
	36%	47%	11%	6%	n/a	100%
Q2-2004						
Net income	7.6	4.7	2.3	1.0	(2.3)	13.3
	49%	30%	15%	6%	n/a	100%
Q3-2003						
Net income	3.3	4.9	2.7	0.3	(0.9)	10.3
	29%	44%	24%	3%	n/a	100%

(1) Percentage net income contribution from the four lines of business, not including the Other sector.

Retail Financial Services

The Retail Financial Services business contribution to consolidated results declined to $4.7 million for the third quarter of 2004, compared to $7.6 million for the second quarter of 2004. Results for the second quarter included a portion of the gain on the sale of the Visa portfolio amounting to $2.4 million, while third quarter results include revenues of $1.2 million from the gain on the sale of the debit and credit card transaction processing activities and certain rights to service mutual funds accounts.

Net interest revenues increased by 3% during the third quarter of 2004 to $60 million, mainly as a result of the increase in average loan volumes which improved by $64 million during the same period and the additional number of days in the quarter. This was however offset by higher loan losses, a decrease in other revenues and higher operating expenses. Net residential mortgage loans volumes generated by the branch network over the quarter exceeded $100 million, which met the Bank's objective for the Spring campaign.

Retail Financial Services improved its contribution to results by 42% over the third quarter of 2003, with net income improving by $1.4 million from $3.3 million. Compared to 2003, the loss in volumes resulting from the sale of the Ontario and Western Canada branches was more than offset by the increased profitability of the point-of-sale loan portfolio, as well as lower loan losses and income taxes.

The openings of the new branches in Gatineau, as well as in Blainville, Mascouche, Ste-Dorothée and La Prairie are also moving ahead. The process has proven to be more complex and lengthy than anticipated, however, these branch openings will contribute to growing the Bank's portfolios in 2005.

The Retail Financial Services line of business maintains its strong commitment to sustainable and profitable business growth. Initiatives are aligned with the strategies presented in the three-year plan:

- *The Deployment of the Entrepreneurship project*
- *The New Laurentian Bank Signature*
- *The Optimization of branch network*
- *The Retailer approach*

The Bank has continued its efforts to increase market awareness throughout Quebec with recent initiatives specifically aimed at supporting local markets and communities. During the quarter, the Bank also initiated some very successful promotions designed to increase the issuance of new Visa cards and increase transaction volumes. The issuance for the nine-month period already exceeds last year's total, with a corresponding increase in transaction volumes compared to the same period last year.

Announced earlier this year, the Espresso pilot project is now a reality. The new branch, located in the Outremont borough of Montreal, is operating in conjunction with a café-bistro specialist – Café bistro Van Houtte. The innovative concept has generated considerable interest among customers and has been well received.

During the quarter, results from an independent study on financial advisors in Quebec, prepared by Jasmin Bergeron, professor at the Business Strategy Department of the Université du Québec à Montréal, were published. The study, which surveyed ten financial institutions, measured client perceptions of their financial advisors. The Bank scored as well or better than its peers on over 95% of the 63 questions, clearly demonstrating the strong positioning of Laurentian Bank Retail Financial Services in its core market.

Commercial Financial Services

The Commercial Financial Services line of business substantially improved its contribution to net income for the third quarter of 2004 to $6.1 million, compared to the second quarter of 2004 at $4.7 million. The improvement essentially results from the reduction in loan losses of $3.2 million for the third quarter. The loan portfolio credit quality has improved since the beginning of the year as evidenced by the decrease in the level of impaired loans of more than $40 million.

Compared to the third quarter of 2003, results also improved significantly by $1.2 million, from $4.9 million. The improvement essentially results from the lower level of loan losses, as the 2003 results included a $5.0 million charge related to an exposure to a single borrower in the aerospace sector. The lower effective income tax rate also contributed to improve results in 2004.

As a result of the efforts made over the last two years, the risk profile of the portfolio has decreased significantly, allowing the sector to be less subject to severe losses and to contribute positively to the Bank's results. Commercial Financial Services accounted for 47% of the earnings of the Bank during the third quarter of 2004. Since the beginning of the year, the persistent low level of demand for commercial credit has limited the ability to increase the volume of loans. However, volumes have grown slightly since April. Commercial Financial Services is committed to increasing its revenues and is pursuing its strategies in the mid-market segment, real estate and construction lending, as well as agricultural lending.

B2B Trust

Following the privatization of B2B Trust on June 8, 2004, results for the line of business now reflect the fact that B2B Trust is a wholly-owned subsidiary. Net income for the quarter was $1.4 million, compared to $2.3 million for the second quarter ended April 30, 2004 and $2.7 million for the same period in 2003. The increase in loan losses of $1.6 million, principally related to the personal lines of credit portfolio, has hampered results, compared to the second quarter of 2004 and the third quarter of 2003. B2B Trust is closely monitoring the ongoing performance of this relatively new portfolio to ensure appropriate credit scoring, underwriting and pricing procedures are being applied. Although the growth potential of the line of credit portfolio remains strong, B2B Trust is striving to ensure that this product meets with its profitability objectives. Other expenses decreased by $0.5 million or 5% during the third quarter.

Since the beginning of the year, investment loan volumes increased by $28 million to $1,141 million. During the quarter, mutual fund loans have increased by $6.5 million, mainly as a result of the good performance of the new 100% Accelerator Loan product launched earlier this year. This improvement is encouraging, considering the performance of the market over that period. In accordance with their normal life cycle, RRSP loans decreased by $21.6 during the third quarter, which translated in a net reduction in investment loan volumes of $15 million. A year ago, the investment loan portfolio stood at a similar level at $1,130 million. The quality of the portfolio remains very good.

B2B Trust's non-interest expenses and efficiency ratio remained stable during the last quarter.

B2B Trust loan portfolios

In thousands of dollars	July 31 2004	April 30 2004	October 31 2003
Investment	**$1,141**	$1,156	$1,113
Residential mortgages	**672**	768	784
Lines of credit	**117**	112	97
	$1,930	$2,036	$1,994

Wealth Management and Brokerage

The Wealth Management and Brokerage line of business reported net income of $0.8 million for the third quarter of 2004, compared to $1.0 million in the second quarter of 2004 and $0.3 million for the third quarter of 2003.

Laurentian Bank Securities (LBS) substantially improved its contribution to results in 2004. For the third quarter, net income was $0.6 million, a significant improvement over the contribution for the same period last year of $0.3 million, although lower than second quarter results, which stood at $1.0 million. Total revenues amounted to $4.9 million in the third quarter, compared to $4.6 million in the third quarter of 2003 and $5.5 million in the second quarter of 2004. LBS operates in two lines of business: it has a leading fixed income division and retail brokerage activities.

The BLC-Edmond de Rothschild Asset Management (BLC-EdR) joint venture improved its results at $0.2 million for the third quarter, when compared to the second quarter where it reported break-even results. Management fees remained stable at $2.9 million ($1.5 million – 50% participation) for the third quarter ended July 31, 2004, compared to the second quarter ended April 30, 2004. A year ago, management fees were $2.2 million ($1.1 million – 50% participation). Mutual funds under management remained stable at $894 million, as positive sales performance offset recent declines in market values. Total assets under management remained at $1.7 billion at July 31, 2004, compared to April 30, 2004, while they stood at $1.6 billion at October 31, 2003. BLC-EdR manages portfolios for its retail mutual funds and its private and institutional money management divisions.

Other sector

The contribution of the Other sector for the third quarter of 2004 includes the $4.4 million portion of the gain on the sale of the debit and credit card transaction processing activities and certain rights to service mutual funds accounts, as well as the favorable impact of changes in estimates for certain provisions related to the sale of the Ontario and Western Canada branches of $3.5 million. These items were however partially offset by the $5.7 million decrease in revenues from treasury and financial market activities.

CORPORATE GOVERNANCE

The Board of Directors and the Audit Committee of Laurentian Bank reviewed this report prior to its issuance. The disclosure controls and procedures of Laurentian Bank support the ability of the President and Chief Executive Officer and the Senior Executive Vice-President and Chief Financial Officer of Laurentian Bank to assure that Laurentian Bank's Interim Consolidated Financial Statements are fairly presented.

L. Denis Desautels, O.C.
Chairman of the Board

Raymond McManus
President and
Chief Executive Officer

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This report may contain forward-looking statements, including statements regarding the business and anticipated financial performance of Laurentian Bank. These statements are subject to a number of risks and uncertainties. Actual results may differ from results contemplated by the forward-looking statements. Such differences may be caused by factors which include, among others, global capital market activity, changes in government monetary and economic policies, changes in interest rates, inflation levels and general economic conditions, legislative and regulatory developments, competition and technological change. When relying on forward-looking statements to make decisions, investors and others should carefully consider the foregoing factors and other uncertainties and should not place undue reliance on such forward-looking statements. The Laurentian Bank does not undertake to update any forward-looking statements, oral or written, made by itself or on its behalf.

Financial highlights

In millions of dollars, except per share amounts (unaudited)	Q3-04	Q3-03	Percentage variation Q3-04/Q3-03	For the nine-month periods ended July 31 2004	July 31 2003	Percentage variation 2004/2003
Earnings						
Net income	**$13.7**	$10.3	33.0 %	**$ 40.6**	$ 41.1	(1.2)%
Net income available to common shareholders	**$ 7.2**	$ 6.8	5.9 %	**$ 27.2**	$ 30.7	(11.4)%
Return on common shareholders' equity	**4.2 %**	4.3 %		**5.4 %**	6.5 %	
Per common share						
Net income						
Basic	**$0.31**	$ 0.29	6.9 %	**$ 1.16**	$ 1.31	(11.5)%
Diluted	**$0.31**	$ 0.29	6.9 %	**$ 1.16**	$ 1.31	(11.5)%
Dividends	**$0.29**	$ 0.29	– %	**$ 0.87**	$ 0.87	– %
Book value				**$ 28.90**	$ 27.01	7.0 %
Share price – close				**$ 28.02**	$ 26.00	7.8 %
Financial position						
Balance sheet assets				**$16,906**	$18,609	(9.2)%
Assets under administration				**$14,979**	$15,398	(2.7)%
Loans, bankers' acceptances and assets purchased under reverse repurchase agreements, net				**$12,403**	$14,706	(15.7)%
Personal deposits				**$10,448**	$12,123	(13.8)%
Shareholders' equity, non-controlling interest in a subsidiary and debentures				**$ 1,189**	$ 1,277	(6.9)%
Number of common shares (in thousands)				**23,505**	23,413	0.4 %
Net impaired loans (as a % of loans, bankers' acceptances and assets purchased under reverse repurchase agreements)				**(0.0)%**	0.1 %	
Risk-weighted assets				**$ 8,136**	$ 9,245	(12.0)%
Capital ratios						
Tier I BIS				**10.3 %**	9.0 %	
Total BIS capital				**14.4 %**	13.6 %	
Balance sheet assets to BIS capital ratio				**14.5 x**	14.9 x	
Tangible common equity as a percentage of risk-weighted assets				**7.5 %**	6.8 %	
FINANCIAL RATIOS						
Per common share						
Price/earnings ratio (trailing four quarters)				**8.8 x**	14.2 x	
Market to book value				**97 %**	96 %	
Dividend yield	**4.14 %**	4.46 %		**4.14 %**	4.46 %	
Dividend payout ratio	**94.8 %**	100.4 %		**75.1 %**	66.4 %	
As a percentage of average assets						
Net interest income	**1.68 %**	1.87 %		**1.68 %**	1.87 %	
Provision for credit losses	**0.27 %**	0.34 %		**0.25 %**	0.31 %	
Net income	**0.34 %**	0.22 %		**0.33 %**	0.30 %	
Net income available to common shareholders	**0.18 %**	0.14 %		**0.22 %**	0.22 %	
Profitability						
Other income (as a % of total revenue)	**43.7 %**	38.8 %		**43.8 %**	39.4 %	
Efficiency ratio (non-interest expenses as a % of total revenue)	**75.5 %**	76.1 %		**76.3 %**	73.6 %	
OTHER INFORMATION						
Number of full-time equivalent employees				**3,202**	3,731	
Number of branches				**154**	213	
Number of automated banking machines				**288**	345	

Consolidated statement of income

In thousands of dollars, except per share amounts (unaudited)	July 31 2004	For the three-month periods ended April 30 2004	July 31 2003	For the nine-month periods ended July 31 2004	July 31 2003
Interest income					
Loans	**$169,749**	$171,224	$225,882	**$521,302**	$656,220
Securities	**12,384**	11,271	17,695	**43,025**	58,759
Deposits with other financial institutions	**2,410**	2,601	3,780	**7,662**	8,212
	184,543	185,096	247,357	**571,989**	723,191
Interest expense					
Deposits and other liabilities	**109,258**	111,523	152,446	**346,165**	442,295
Subordinated debentures (note 6)	**7,047**	6,814	6,992	**20,848**	20,749
	116,305	118,337	159,438	**367,013**	463,044
Net interest income	**68,238**	66,759	87,919	**204,976**	260,147
Provision for credit losses (note 3)	**10,862**	10,500	16,000	**31,112**	43,000
	57,376	56,259	71,919	**173,864**	217,147
Other income					
Fees and commissions on loans and deposits	**22,076**	22,830	25,585	**67,120**	76,896
Revenues from treasury and financial market operations	**5,734**	11,391	16,505	**29,831**	41,186
Commissions from brokerage operations	**4,579**	5,128	4,221	**15,163**	12,675
Revenues from registered self-directed plans	**2,885**	3,326	3,208	**9,262**	9,550
Revenues from sale and management of mutual funds	**3,140**	3,582	2,570	**9,704**	7,850
Insurance revenues	**1,141**	1,591	1,868	**4,557**	5,513
Securitization revenues (losses)	**2,191**	1,713	(464)	**4,171**	1,168
Adjustment to the gain on disposal of branches (note 10)	**3,523**	–	–	**3,523**	–
Other (note 2)	**7,644**	7,082	2,363	**16,727**	14,117
	52,913	56,643	55,856	**160,058**	168,955
	110,289	112,902	127,775	**333,922**	386,102
Non-interest expenses					
Salaries and employee benefits	**46,330**	45,844	49,946	**138,312**	149,061
Premises and technology	**25,049**	26,998	33,026	**78,381**	96,177
Restructuring costs	**–**	–	3,091	**–**	3,091
Other	**20,121**	21,324	23,279	**61,739**	67,612
	91,500	94,166	109,342	**278,432**	315,941
Income before income taxes and non-controlling interest in net income of a subsidiary	**18,789**	18,736	18,433	**55,490**	70,161
Income taxes	**4,860**	4,719	7,281	**12,933**	26,126
Income before non-controlling interest in net income of a subsidiary	**13,929**	14,017	11,152	**42,557**	44,035
Non-controlling interest in net income of a subsidiary	**260**	677	893	**1,916**	2,889
Net income	**$ 13,669**	$ 13,340	$ 10,259	**$ 40,641**	$ 41,146
Preferred share dividends, including applicable income taxes	**4,486**	3,431	3,497	**11,444**	10,477
Premium on preferred shares redemption (note 7)	**2,000**	–	–	**2,000**	–
Net income available to common shareholders	**$ 7,183**	$ 9,909	$ 6,762	**$ 27,197**	$ 30,669
Average number of common shares (in thousands)	**23,490**	23,481	23,413	**23,476**	23,412
Average number of common shares after dilution (in thousands)	**23,524**	23,519	23,452	**23,515**	23,455
Net income per common share					
Basic	**$ 0.31**	$ 0.42	$ 0.29	**$ 1.16**	$ 1.31
Diluted	**$ 0.31**	$ 0.42	$ 0.29	**$ 1.16**	$ 1.31

The accompanying notes are an integral part of the interim consolidated financial statements.

Consolidated balance sheet

In thousands of dollars (unaudited)	July 31 2004	October 31 2003	July 31 2003
ASSETS			
Cash resources			
Cash and due from other financial institutions without interest	**$ 59,485**	$ 100,001	$ 89,703
Interest-bearing deposits with other financial institutions	**545,227**	622,923	497,397
Cheques and other items in transit, net	**–**	111,809	27,393
	604,712	834,733	614,493
Securities			
Investment account	**2,150,791**	2,064,301	1,669,286
Trading account	**934,037**	1,006,575	905,306
	3,084,828	3,070,876	2,574,592
Assets purchased under reverse repurchase agreements	**1,179,985**	882,036	1,307,332
Loans (notes 3 and 4)			
Personal	**3,611,716**	3,646,070	3,988,472
Residential mortgages	**5,444,690**	5,274,128	6,791,178
Commercial mortgages	**636,478**	705,101	835,312
Commercial and other	**1,484,413**	1,571,491	1,699,137
	11,177,297	11,196,790	13,314,099
Allowance for loan losses	**(138,517)**	(163,177)	(181,685)
	11,038,780	11,033,613	13,132,414
Other			
Customers' liability under acceptances	**183,933**	235,286	266,731
Capital assets	**102,640**	114,479	136,906
Goodwill	**54,029**	54,029	54,029
Other intangible assets (note 5)	**19,490**	1,878	2,066
Other assets	**637,250**	510,838	520,728
	997,342	916,510	980,460
	$16,905,647	$16,737,768	$18,609,291
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits			
Personal	**$10,448,156**	$10,508,592	$12,122,768
Business and other	**2,399,552**	2,784,357	2,698,059
	12,847,708	13,292,949	14,820,827
Other			
Cheques and other items in transit, net	**76,803**	–	–
Obligations related to assets sold short	**1,283,637**	969,663	1,225,689
Obligations related to assets sold under repurchase agreements	**464,732**	173,246	285,168
Acceptances	**183,933**	235,286	266,731
Other liabilities	**859,461**	751,484	733,471
	2,868,566	2,129,679	2,511,059
Subordinated debentures	**300,000**	400,000	400,000
Non-controlling interest in a subsidiary	**–**	41,827	45,035
Shareholders' equity			
Capital stock (note 7)			
Preferred shares	**210,000**	200,000	200,000
Common shares	**248,455**	246,813	246,330
Retained earnings	**430,918**	426,500	386,040
	889,373	873,313	832,370
	$16,905,647	$16,737,768	$18,609,291

The accompanying notes are an integral part of the interim consolidated financial statements.

Consolidated statement of changes in shareholders' equity

In thousands of dollars (unaudited)	For the nine-month periods ended July 31 2004	July 31 2003
CAPITAL STOCK (note 7)		
Preferred shares		
Balance at beginning of period	**$200,000**	$200,400
Issued during the period	**110,000**	–
Redeemed during the period	**(100,000)**	(400)
Balance at end of period	**210,000**	200,000
Common shares		
Balance at beginning of period	**246,813**	246,230
Issued during the period	**1,642**	100
Balance at end of period	**248,455**	246,330
RETAINED EARNINGS		
Balance at beginning of period	**426,500**	375,740
Net income	**40,641**	41,146
Dividends		
Preferred shares, including applicable income taxes	**(11,444)**	(10,477)
Common shares	**(20,430)**	(20,369)
Preferred share issue costs, net of income taxes	**(2,349)**	–
Premium on preferred shares redemption	**(2,000)**	–
Balance at end of period	**430,918**	386,040
TOTAL SHAREHOLDERS' EQUITY	**$889,373**	$832,370

The accompanying notes are an integral part of the interim consolidated financial statements.

Consolidated statement of cash flows

In thousands of dollars (unaudited)	July 31 2004	For the three-month periods ended April 30 2004	July 31 2003	For the nine-month periods ended July 31 2004	July 31 2003
Cash flows relating to operating activities					
Net income	**$ 13,669**	$ 13,340	$ 10,259	**$ 40,641**	$ 41,146
Adjustments to determine net cash flows relating to operating activities:					
Provision for credit losses	**10,862**	10,500	16,000	**31,112**	43,000
Gains on securitization operations	**(167)**	(1,270)	–	**(1,437)**	(1,859)
Net loss (gain) on disposal of capital assets	**(7)**	520	–	**233**	2,491
Restructuring costs	**–**	–	2,365	**–**	2,365
Gain on sale of assets (note 2)	**(5,559)**	–	–	**(5,559)**	–
Gain on sale of a loan portfolio (note 2)	**–**	(4,435)	–	**(4,435)**	–
Gain on disposal of branches (note 10)	**(3,523)**	–	–	**(3,523)**	–
Net gains on sale of securities held for investment	**(771)**	(5,823)	(9,799)	**(13,642)**	(21,676)
Future income tax expense (recovery)	**(1,461)**	(100)	(565)	**(2,783)**	6,432
Depreciation and amortization	**8,291**	9,534	11,191	**27,424**	32,014
Net change in trading securities	**(20,870)**	108,469	20,149	**72,538**	60,166
Change in accrued interest receivable	**7,344**	880	18,002	**13,956**	12,092
Decrease (increase) in unrealized gains and amounts receivable on derivative financial instruments	**32,806**	39,560	4,675	**(83,374)**	(19,788)
Change in accrued interest payable	**(5,811)**	(49,613)	11,455	**(4,006)**	24,868
Decrease (increase) in unrealized losses and amounts payable on derivative financial instruments	**(50,460)**	(29,877)	(6,380)	**49,183**	14,999
Other, net	**12,948**	3,683	(7,046)	**16,267**	9,196
	(2,709)	95,368	70,306	**132,595**	205,446
Cash flows relating to financing activities					
Net change in deposits	**438,741**	(85,486)	113,117	**(445,241)**	(147,447)
Net change in obligations related to assets sold short	**101,172**	(507,419)	222,540	**313,974**	364,669
Net change in obligations related to assets sold under repurchase agreements	**(219,544)**	611,490	(351,509)	**291,486**	(162,694)
Repayment of subordinated debentures (note 6)	**(100,000)**	–	–	**(100,000)**	–
Issuance of preferred shares, net of issue costs (note 7)	**–**	106,682	–	**106,682**	–
Redemption of preferred shares (note 7)	**(102,000)**	–	(400)	**(102,000)**	(400)
Issuance of common shares, net of issue costs (note 7)	**610**	56	25	**1,642**	100
Redemption of common shares of a subsidiary	**–**	–	(3,390)	**–**	(3,390)
Dividends, including applicable income taxes	**(11,298)**	(10,621)	(10,719)	**(32,634)**	(32,174)
	107,681	114,702	(30,336)	**33,909**	18,664
Cash flows relating to investing activities					
Net proceeds from the sale of assets (note 2)	**5,853**	–	–	**5,853**	–
Consideration paid for the privatization of a subsidiary (note 5)	**(60,470)**	–	–	**(60,470)**	–
Net proceeds from the sale of a loan portfolio (note 3)	**–**	32,216	–	**32,216**	–
Net cash flows related to an acquisition of net assets	**–**	–	–	**–**	(28,427)
Net change in interest-bearing deposits with other financial institutions	**(10,638)**	(149,473)	(64,112)	**77,696**	(232,425)
Acquisitions of securities held for investment	**(5,683,530)**	(8,574,119)	(7,546,072)	**(19,634,631)**	(22,973,789)
Maturities of securities held for investment	**–**	2,774	4,601	**27,072**	22,603
Proceeds from sales of securities held for investment	**5,751,569**	8,111,773	8,279,391	**19,534,711**	23,388,161
Net change in loans	**(198,538)**	(182,701)	(23,059)	**(213,862)**	(64,840)
Net change in assets purchased under reverse repurchase agreements	**(169,923)**	325,062	(684,038)	**(297,949)**	(437,502)
Proceeds from mortgage loan securitizations (note 4)	**96,438**	52,634	–	**149,072**	39,836
Acquisitions of capital assets	**(7,421)**	(8,557)	(4,671)	**(18,232)**	(16,988)
Proceeds from disposal of capital assets	**42**	30	–	**2,892**	7,658
	(276,618)	(390,361)	(37,960)	**(395,632)**	(295,713)
Net change in cash and cash equivalents	**(171,646)**	(180,291)	2,010	**(229,128)**	(71,603)
Cash and cash equivalents at beginning of period	**154,328**	334,619	115,086	**211,810**	188,699
Cash and cash equivalents at end of period	**$ (17,318)**	$154,328	$117,096	**$ (17,318)**	$117,096
Cash and cash equivalents are detailed as follows:					
Cash and due from other financial institutions without interest	**$ 59,485**	$ 47,479	$ 89,703	**$ 59,485**	$ 89,703
Cheques and other items in transit, net	**(76,803)**	106,849	27,393	**(76,803)**	27,393
	$ (17,318)	$154,328	$117,096	**$ (17,318)**	$117,096
Supplemental disclosure relating to cash flows:					
Interest paid during the period	**$126,154**	$164,198	$149,435	**$372,387**	$445,814
Income taxes paid during the period	**$ 3,146**	$ 5,561	$ 5,436	**$ 19,622**	$ 19,861

The accompanying notes are an integral part of the interim consolidated financial statements.

Notes to consolidated financial statements

(unaudited)

1. ACCOUNTING POLICIES

The unaudited interim consolidated financial statements of Laurentian Bank of Canada have been prepared by management, which is responsible for the integrity and fairness of the financial information presented. These interim consolidated financial statements have been prepared in accordance with the *Bank Act*, which states that except as otherwise specified by the Superintendent of Financial Institutions of Canada, the interim consolidated financial statements are to be prepared in accordance with Canadian generally accepted accounting principles (GAAP) for interim financial statements. Accordingly, they do not reflect all of the information and disclosures required by GAAP for complete financial statements. The significant accounting policies used in the preparation of these interim consolidated financial statements, including the accounting requirements of the Superintendent, are the same as those in the Bank's annual consolidated audited financial statements as at October 31, 2003, except as described below. These accounting policies conform, in all material respects, to GAAP. These interim consolidated financial statements should be read in conjunction with those annual consolidated audited financial statements. These interim consolidated financial statements reflect amounts, which must, of necessity, be based on the best estimates and judgement of management with appropriate consideration as to materiality. Actual results may differ from these estimates. Certain comparative figures have been reclassified to conform to the current period presentation.

DERIVATIVE FINANCIAL INSTRUMENTS

On November 1, 2003, the Bank adopted the Canadian Institute of Chartered Accountants' (CICA) Accounting Guideline no. 13 "Hedging Relationships" (AcG-13) and Emerging Issues Committee Abstract no. 128 "Accounting for trading, speculative or non-hedging derivative financial instruments" (EIC-128). This guideline establishes certain qualifying conditions for the use of hedge accounting, which are more stringent and formalized than previous standards.

Derivatives are primarily used to manage the Bank's exposure to interest rate and currency risks. Derivatives are also used in trading activities or to serve the needs of customers.

Derivatives used to manage interest rate risks are accounted for using the accrual method. Under this method, interest income or expense on these derivative instruments is accrued and included in interest income or expense in the consolidated statements of income and reported in other assets or other liabilities on the consolidated balance sheet.

When derivatives are used to manage its own exposure, the Bank determines for each derivative whether hedge accounting can be applied. If hedge accounting can be applied, a hedge relationship is designated as a fair value hedge or a cash flow hedge. The hedge is documented at inception detailing the particular risk management objective and the strategy for undertaking the hedge transaction. The documentation identifies the specific asset or liability being hedged, the risk that is being hedged, the type of derivative used and the method of measuring its effectiveness. The derivative must be highly effective in accomplishing the objective of offsetting either changes in the fair value or cash flows attributable to the risk being hedged both at inception and over the life of the hedge.

Fair value hedge transactions predominantly use interest rate swaps to hedge the changes in the fair value of an asset, liability or firm commitment. Cash flow hedge transactions predominantly use interest rate swaps to hedge the variability in cash flows related to a variable rate asset or liability. When a derivative is designated and functions effectively as a fair value or cash flow hedge, the fair value of the derivative is recognized in other assets or liabilities, on a gross basis, and the profit or loss of the derivative is deferred.

Hedge accounting is discontinued prospectively when the derivative no longer qualifies as an effective hedge or the derivative is terminated or sold. The deferred gain or loss is recognized in net interest income during the periods in which the hedged item affects income. Hedge accounting is also discontinued upon the sale or early termination of the hedged item. At that time, the deferred gain or loss is recognized in other income.

Non-trading derivatives that do not qualify for hedge accounting are carried at fair value in other assets or liabilities, on a gross basis, with changes in fair value recorded in other income. These non-trading derivatives are still eligible for designation in future hedging relationships. Upon a designation, any previously recorded fair value on the Consolidated balance sheet is amortized to other income over the remaining life of the derivative.

When used in trading activities or to serve the needs of customers, the realized and unrealized gains and losses on derivatives are recognized in other income. Unrealized gains and losses are reported on a gross basis in other assets or liabilities.

Market values are determined using pricing models that incorporate current market and contractual prices of the underlying instruments, time value of money, yield curve and volatility factors.

Margin requirements are also included in other assets.

As a result of applying this guidance, as at November 1, 2003, other assets and deferred gains were increased by $108,810,000, of which $19,087,000 related to derivative financial instruments still qualifying for hedge accounting. In addition, other liabilities and deferred losses were increased by $102,553,000, of which $4,434,000 related to derivative financial instruments still qualifying for hedge accounting. Under the new guidance transition rules, the net deferred losses related to the derivative financial instruments no longer qualifying for hedge accounting as at November 1, 2003 amounted to $8,396,000. These deferred losses are recognized in earnings over the remaining term of the hedging items.

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

In July 2003, the CICA issued handbook section 1100, "Generally Accepted Accounting Principles". This section establishes standards for financial reporting in accordance with GAAP, and provides guidance on sources to consult when selecting accounting policies and determining appropriate disclosures when a matter is not dealt with explicitly in the primary sources of GAAP. The initial adoption of the new section, on a prospective basis, on November 1, 2003 did not have any significant impact on the Bank's consolidated financial statements. However, the Bank is presently pursuing its analysis of the impact of the new section and, upon the completion of the analysis, certain balance sheet items, which have historically been presented on a net basis according to the Canadian banking industry practice, may be reclassified and presented on a gross basis.

FUTURE CHANGES TO ACCOUNTING POLICIES

Liabilities and equity presentation

In November 2003, the Accounting Standards Board approved a modification to the CICA Section 3860, "Financial Instruments – Disclosure and Presentation", to require that obligations that can be settled at the issuer's option, by a variable number of the issuer's own equity instruments be presented as liabilities. The implication of the proposed revision is that securities issued by the Bank that give the unrestricted right to settle the principal amount in cash or in the equivalent value of its own equity instruments will no longer be presented as equity. The recommendations will be applied retroactively for all years beginning on or after November 1, 2004. The application of this modification is not expected to have a material impact on the Bank's consolidated financial statements.

2. DISPOSAL OF ASSETS

(A) DISPOSAL OF THE DEBIT AND CREDIT CARD TRANSACTION PROCESSING ACTIVITIES

On July 9, 2004, the Bank entered into an agreement to sell its debit and credit card transaction processing activities. The sales proceeds, payable in cash, amounted to $3,900,000, for a gain of approximately $3,631,000 ($3,042,000 net of taxes), net of related transaction costs. Capital assets, in the amount of $244,000, net of accumulated depreciation were sold as part of the transaction. These operations were previously presented in the Other line of business. The gain resulting from the sale was attributed to the Retail Financial Services and Other segments for $300,000 and $3,331,000 respectively.

(B) DISPOSAL OF CERTAIN RIGHTS TO SERVICE MUTUAL FUND ACCOUNTS

On July 8, 2004, the Bank completed the sale of certain rights to service mutual fund accounts in Ontario and Western Canada. The sales proceeds, payable in cash, amounted to $1,953,000, for a gain of $1,928,000 ($1,605,000 net of taxes), net of related transaction costs. These operations were previously presented in the Retail Financial Services segment. The gain was attributed to the Retail Financial Services and Other segments for $900,000 and $1,028,000 respectively.

(C) DISPOSAL OF A CREDIT CARD LOAN PORTFOLIO

On February 2, 2004, the Bank sold its $27,891,000 Ontario and Western Canada credit card loan portfolio and related contract rights. The sale price, paid in cash on February 2, 2004, amounted to approximately $32,216,000, for a gain of $4,435,000 ($3,794,000 net of taxes), net of related transaction and conversion fees. These assets were presented in the Retail Financial Services line of business The gain resulting from the sale was attributed to the Retail Financial Services and Other segments for $2,400,000 and $2,035,000 respectively.

3. LOANS

(A) LOANS AND IMPAIRED LOANS

As at July 31, 2004

In thousands of dollars	Gross amount of loans	Gross amount of impaired loans	Specific allowances	General allowances	Total allowances
Personal loans	**$ 3,611,716**	**$ 20,514**	**$ 7,304**	**$19,284**	**$26,588**
Residential mortgages	**5,444,690**	**12,199**	**3,237**	**5,436**	**8,673**
Commercial mortgages	**636,478**	**8,388**	**4,388**	**5,039**	**9,427**
Commercial loans and other	**1,484,413**	**91,770**	**46,338**	**23,697**	**70,035**
Unallocated general allowance	**–**	**–**	**–**	**23,794**	**23,794**
	$11,177,297	**$132,871**	**$61,267**	**$77,250**	**$138,517**

As at October 31, 2003

In thousands of dollars	Gross amount of loans	Gross amount of impaired loans	Specific allowances	General allowances	Total allowances
Personal loans	$ 3,646,070	$ 19,594	$ 9,311	$19,715	$ 29,026
Residential mortgages	5,274,128	13,991	3,741	5,611	9,352
Commercial mortgages	705,101	13,030	6,048	7,561	13,609
Commercial loans and other	1,571,491	138,571	66,827	20,167	86,994
Unallocated general allowance	–	–	–	24,196	24,196
	$11,196,790	$185,186	$ 85,927	$77,250	$163,177

As at July 31, 2003

In thousands of dollars	Gross amount of loans	Gross amount of impaired loans	Specific allowances	General allowances	Total allowances
Personal loans	$ 3,988,472	$ 21,845	$ 8,086	$21,355	$ 29,441
Residential mortgages	6,791,178	10,997	4,082	6,950	11,032
Commercial mortgages	835,312	16,959	10,140	8,717	18,857
Commercial loans and other	1,699,137	150,547	73,627	19,797	93,424
Unallocated general allowance	–	–	–	28,931	28,931
	$13,314,099	$200,348	$95,935	$85,750	$181,685

(B) SPECIFIC ALLOWANCES FOR LOAN LOSSES

For the nine-month periods ended July 31

In thousands of dollars	Personal loans	Residential mortgages	Commercial mortgages	Commercial loans and other	2004 Total specific allowances	2003 Total specific allowances
Balance at beginning of period	**$9,311**	**$3,741**	**$6,048**	**$66,827**	**$85,927**	$132,381
Provision for credit losses recorded in the consolidated statement of income	**15,876**	**920**	**1,452**	**12,864**	**31,112**	43,000
Allowance for loan losses resulting from sale of branches (note 10)	**(356)**	**–**	**46**	**(427)**	**(737)**	–
Write-offs	**(20,784)**	**(1,633)**	**(3,172)**	**(33,431)**	**(59,020)**	(82,609)
Recoveries	**3,257**	**209**	**14**	**505**	**3,985**	3,163
Balance at end of period	**$7,304**	**$3,237**	**$4,388**	**$46,338**	**$61,267**	$ 95,935

(C) GENERAL ALLOWANCES FOR LOAN LOSSES

In thousands of dollars	Personal loans	Residential mortgages	Commercial mortgages	Commercial loans and other	Unallocated general allowance	Total general allowances	Total general allowances
						2004	2003
	For the nine-month periods ended July 31						
Balance at beginning of period	**$19,715**	**$5,611**	**$7,561**	**$20,167**	**$24,196**	**$77,250**	$85,500
Change during the period	**(431)**	**(175)**	**(2,522)**	**3,530**	**(402)**	**–**	–
Allowance for loan losses resulting from an acquisition	**–**	**–**	**–**	**–**	**–**	**–**	250
Balance at end of period	**$19,284**	**$5,436**	**$5,039**	**$23,697**	**$23,794**	**$77,250**	$85,750

4. LOAN SECURITIZATION

During the quarter, the Bank securitized residential mortgages insured by the Canadian Mortgage and Housing Corporation (CMHC) in the amount of $97,541,000 through the creation of mortgage-backed securities. The Bank subsequently sold such mortgage-backed securities. As part of this transaction, the Bank received total proceeds of $96,438,000 and recognized a gain on sale net of transaction costs, of $167,000 in other income. The Bank also retained rights to excess interest earned on these securitized mortgage loans, for an estimated $2,360,000.

The total principal amount of securitized loans totalled $611,498,000 as at July 31, 2004 ($940,513,000 as at October 31, 2003).

5. PRIVATIZATION OF B2B TRUST

Following the approval of B2B Trust's shareholders at a special meeting of shareholders, B2B Trust and a wholly-owned subsidiary of the Bank amalgamated on June 8, 2004. As part of this amalgamation, the Bank acquired all of the outstanding common shares of B2B Trust that it previously did not own. The purchase price for the additional participation of 22.7% (25.2% taking into account the exercised options issued in accordance with B2B Trust's stock option plan) was $60,225,000, which was paid in cash. The purchase method of accounting was used to account for the acquisition of the B2B Trust non-controlling interest.

This transaction resulted in increases in other intangible assets of $18,278,000, a net credit adjustment of $2,813,000 to reflect the fair value of financial instruments acquired, the recognition of a future income tax liability of $5,413,000, as well as a reduction in non-controlling interest in a subsidiary of $50,173,000. Other intangible asset consists of contractual relations with financial intermediaries and the related client relationships. This asset is amortized over 15 years.

6. REPAYMENT OF SUBORDINATED DEBENTURES

On June 1, 2004, the Bank redeemed all of its 5.75% Debentures, Series 7, due 2009, of an aggregate amount of $100,000,000, including accrued and unpaid interest to the date of repayment. As part of this transaction, costs of $1,063,000 were charged to income.

7. CAPITAL STOCK

Issuance of preferred shares

On April 15, 2004, the Bank issued 4,400,000 Preferred Shares, Series 10 at a price of $25 per share, for an aggregate amount of $110,000,000, entitling the holders to a non-cumulative preferential quarterly dividend of $0.328 per share. On or after June 15, 2009, the Bank will be able to redeem these shares at a price of $25 each plus, if the redemption takes place before June 15, 2013, a premium of $1 which will decrease to zero depending on the date of redemption. Moreover, the Bank will be able, on or after June 15, 2009, to convert all or a portion of the Preferred Shares, Series 10, into a round number of common shares determined by dividing the redemption price then applicable by the greater of $2.50 or 95% of the weighted average prevailing market price of the common shares at that date. Net proceeds totalled $106,682,000 (net of issue costs).

7. CAPITAL STOCK (CONTINUED)

Redemption of preferred shares

On June 16, 2004, the Bank redeemed all of its Non-Cumulative Class A Preferred Shares, Series 7 and 8 at a price of $25.50 per share, for a total consideration of $102,000,000, including a redemption premium of $2,000,000, together with declared and unpaid dividends to the redemption date. These preferred shares called for redemption ceased to be entitled to dividends from the redemption date.

Issuance of common shares

During the third quarter of 2004, 23,055 common shares (69,483 common shares for the nine-month period ended July 31, 2004) were issued under the management share purchase option plan for a total cash consideration of $610,000 ($1,642,000 for the nine-month period ended July 31, 2004).

Issued and outstanding	**As at July 31, 2004**		As at October 31, 2003	
In thousands of dollars, except number of shares	**Number of shares**	**Amount**	Number of shares	Amount
Class A Preferred Shares [1]				
Series 7	**–**	**$ –**	2,000,000	$ 50,000
Series 8	**–**	**–**	2,000,000	50,000
Series 9	**4,000,000**	**100,000**	4,000,000	100,000
Series 10	**4,400,000**	**110,000**	–	–
Total preferred shares	**8,400,000**	**210,000**	8,000,000	200,000
Common Shares	**23,505,068**	**248,455**	23,435,585	246,813
Total capital stock		**$458,455**		$446,813

(1) The preferred shares are convertible into common shares. However, the number of shares issuable on conversion is not determinable until the date of conversion.

	As at July 31, 2004	As at October 31, 2003
	Number	Number
Share purchase options		
Outstanding, end of period	**500,981**	595,522
Exercisable, end of period	**415,881**	476,848

8. EMPLOYEE FUTURE BENEFITS

	For the three-month periods ended July 31		For the nine-month periods ended July 31	
	2004	2003	**2004**	2003
Defined benefit pension plans expense	**$3,183**	$2,258	**$9,456**	$6,401
Defined contribution provision	**519**	642	**1,501**	1,755
Other plans expense	**654**	505	**1,947**	1,498
Total	**$4,356**	$3,405	**$12,904**	$9,654

9. RESTRUCTURING COSTS

The following table shows changes in restructuring costs. This costs balance is included in other liabilities in the consolidated balance sheet.

2003 program

In thousands of dollars	Write-off of computer equipment and software and lease terminations	Human resources expenses	Total restructuring costs
Balance as at October 31, 2003	**$5,944**	**$3,163**	**$9,107**
Amount utilized during the six-month period ended April 30, 2004			
Retail Financial Services	**1,830**	**997**	**2,827**
Commercial Financial Services	**255**	**413**	**668**
Other segments	**829**	**630**	**1,459**
Balance as at April 30, 2004	**$3,030**	**$1,123**	**$4,153**
Amount utilized during the three-month period ended July 31, 2004			
Retail Financial Services	**107**	**305**	**412**
Commercial Financial Services	**155**	**305**	**460**
Wealth Management and Brokerage	**–**	**10**	**10**
Other segments	**227**	**303**	**530**
Balance as at July 31, 2004	**$2,541**	**$ 200**	**$2,741**

10. COSTS RELATED TO THE TRANSFER OF ACTIVITIES AND OTHER COSTS TO DISPOSE OF THE ONTARIO AND WESTERN CANADA BRANCHES

As at October 31, 2003, a provision of $11,783,000 was set up to cover expenses related to the transfer of activities and other costs to dispose of the Ontario and Western Canada branches, of which $1,839,000 was utilized at that time. During the nine-month period ended July 31, 2004, the amount utilized totalled $4,408,000 ($1,479,000 during the three-month period ended July 31, 2004). Following the completion of the systems conversions during the quarter, provisions were reduced by $2,785,000 as actual costs were lower than initially estimated. Also, an allowance for loan losses associated with the Ontario and Western Canada branches initially set up on October 31, 2003, was reduced during the quarter for $737,000 as recoveries were better than anticipated.

11. SEGMENTED INFORMATION

For the three-month period ended
July 31, 2004

In thousands of dollars	RFS	CFS	B2B	WMB	Other	Total
Net interest income [(1)]	**$ 59,975**	**$ 14,140**	**$ 10,781**	**$ 336**	**$ (16,994)**	**$ 68,238**
Other income	**21,923**	**7,331**	**3,247**	**6,088**	**14,324**	**52,913**
Total revenue	**81,898**	**21,471**	**14,028**	**6,424**	**(2,670)**	**121,151**
Provision for credit losses	**5,751**	**2,897**	**2,214**	**–**	**–**	**10,862**
Non-interest expenses	**68,892**	**9,140**	**9,062**	**5,233**	**(827)**	**91,500**
Income (loss) before income taxes and non-controlling interest in net income of a subsidiary	**7,255**	**9,434**	**2,752**	**1,191**	**(1,843)**	**18,789**
Income taxes (recovery)	**2,527**	**3,308**	**1,065**	**419**	**(2,459)**	**4,860**
Non-controlling interest in net income of a subsidiary	**–**	**–**	**260**	**–**	**–**	**260**
Net income	**$ 4,728**	**$ 6,126**	**$ 1,427**	**$ 772**	**$ 616**	**$ 13,669**
Average assets [(2)]	**$8,338,125**	**$2,365,007**	**$2,520,234**	**$1,430,699**	**$ 1,463,905**	**$16,117,970**
Average loans [(2)]	**$8,139,877**	**$1,949,714**	**$1,855,260**	**$ 8**	**$(1,246,321)**	**$10,698,538**
Average deposits [(2)]	**$9,247,462**	**$ 86,578**	**$2,209,407**	**$ 59**	**$ 1,259,022**	**$12,802,528**
Efficiency ratio [(3)]	**84.1%**	**42.6%**	**64.6%**	**81.5%**	**n/a**	**75.5%**

11. SEGMENTED INFORMATION (CONTINUED)

For the three-month period ended April 30, 2004

In thousands of dollars	RFS	CFS	B2B	WMB	Other	Total
Net interest income (1)	$ 58,144	$ 14,293	$ 10,420	$ 333	$ (16,431)	$ 66,759
Other income	23,536	8,454	4,251	6,617	13,785	56,643
Total revenue	81,680	22,747	14,671	6,950	(2,646)	123,402
Provision for credit losses	3,793	6,077	630	–	–	10,500
Non-interest expenses	66,125	9,352	9,560	5,439	3,690	94,166
Income (loss) before income taxes and non-controlling interest in net income of a subsidiary	11,762	7,318	4,481	1,511	(6,336)	18,736
Income taxes (recovery)	4,074	2,619	1,507	519	(4,000)	4,719
Non-controlling interest in net income of a subsidiary	–	–	677	–	–	677
Net income (loss)	$ 7,688	$ 4,699	$ 2,297	$ 992	$ (2,336)	$ 13,340
Average assets (2)	$ 8,261,976	$2,372,764	$2,588,525	$1,533,702	$ 1,622,870	$16,379,837
Average loans (2)	$ 8,075,479	$1,918,150	$1,919,507	$ 9	$(1,337,839)	$10,575,306
Average deposits (2)	$ 9,152,820	$ 81,657	$2,289,302	$ 187	$ 1,183,180	$12,707,146
Efficiency ratio (3)	81.0%	41.1%	65.2%	78.3%	n/a	76.3%

For the three-month period ended July 31, 2003

In thousands of dollars	RFS	CFS (4)	B2B	WMB	Other	Total
Net interest income	$ 68,655	$ 15,305	$ 11,731	$ 288	$ (8,060)	$ 87,919
Other income	24,533	7,944	4,082	5,373	13,924	55,856
Total revenue	93,188	23,249	15,813	5,661	5,864	143,775
Provision for credit losses	8,555	6,999	446	–	–	16,000
Non-interest expenses	79,240	8,094	9,739	5,246	7,023	109,342
Income (loss) before income taxes and non-controlling interest in net income of a subsidiary	5,393	8,156	5,628	415	(1,159)	18,433
Income taxes (recovery)	2,115	3,212	2,052	162	(260)	7,281
Non-controlling interest in net income of a subsidiary	–	–	893	–	–	893
Net income (loss)	$ 3,278	$ 4,944	$ 2,683	$ 253	$ (899)	$ 10,259
Average assets (2)	$10,963,733	$2,665,907	$2,648,071	$1,396,231	$ 996,796	$18,670,738
Average loans (2)	$10,763,939	$2,138,615	$2,054,303	$ 11	$(2,050,072)	$12,906,796
Average deposits (2)	$11,058,493	$ 32,583	$2,371,795	$ 258	$ 1,732,461	$15,195,590
Efficiency ratio (3)	85.0%	34.8%	61.6%	92.7%	n/a	76.1%

For the nine-month period ended

July 31, 2004

In thousands of dollars	RFS	CFS	B2B	WMB	Other	Total
Net interest income [1]	$ 178,534	$ 43,169	$ 31,956	$ 1,010	$ (49,693)	$ 204,976
Other income	66,632	24,116	11,730	19,497	38,083	160,058
Total revenue	245,166	67,285	43,686	20,507	(11,610)	365,034
Provision for credit losses	14,264	13,374	3,474	–	–	31,112
Non-interest expenses	200,354	27,099	27,989	15,953	7,037	278,432
Income (loss) before income taxes and non-controlling interest in net income of a subsidiary	30,548	26,812	12,223	4,554	(18,647)	55,490
Income taxes (recovery)	10,629	9,344	3,255	1,565	(11,860)	12,933
Non-controlling interest in net income of a subsidiary	–	–	1,916	–	–	1,916
Net income (loss)	$ 19,919	$ 17,468	$ 7,052	$ 2,989	$ (6,787)	$ 40,641
Average assets [2]	$ 8,325,018	$ 2,392,755	$ 2,582,994	$ 1,439,886	$ 1,588,997	$ 16,329,650
Average loans [2]	$ 8,129,059	$ 1,945,889	$ 1,907,746	$ 8	$ (1,329,701)	$ 10,653,001
Average deposits [2]	$ 9,193,456	$ 84,840	$ 2,281,365	$ 170	$ 1,287,783	$ 12,847,614
Efficiency ratio [3]	81.7%	40.3%	64.1%	77.8%	n/a	76.3%

For the nine-month period ended

July 31, 2003

In thousands of dollars	RFS	CFS [4]	B2B	WMB [5]	Other	Total
Net interest income	$ 208,412	$ 47,541	$ 35,561	$ 932	$ (32,299)	$ 260,147
Other income	71,851	23,422	11,883	24,386	37,413	168,955
Total revenue	280,263	70,963	47,444	25,318	5,114	429,102
Provision for credit losses	22,605	19,190	1,205	–	–	43,000
Non-interest expenses	230,970	24,976	28,311	14,933	16,751	315,941
Income (loss) before income taxes and non-controlling interest in net income of a subsidiary	26,688	26,797	17,928	10,385	(11,637)	70,161
Income taxes (recovery)	10,481	10,528	6,597	2,460	(3,940)	26,126
Non-controlling interest in net income of a subsidiary	–	–	2,889	–	–	2,889
Net income (loss)	$ 16,207	$ 16,269	$ 8,442	$ 7,925	$ (7,697)	$ 41,146
Average assets [2]	$11,035,161	$2,744,151	$2,646,350	$1,437,305	$ 719,355	$18,582,322
Average loans [2]	$10,805,644	$2,192,559	$2,125,138	$ 10	$(2,327,540)	$12,795,811
Average deposits [2]	$10,960,640	$ 30,772	$2,365,327	$ 255	$ 1,862,587	$15,219,581
Efficiency ratio [3]	82.4%	35.2%	59.7%	59.0%	n/a	73.6%

RFS – The Retail Financial Services segment covers the full range of savings, investment, financing and transactional products and services offered through its direct distribution network, which includes branches, the electronic network and the call centres, as well as Point-of-Sale financing, agent deposits and broker mortgages across Canada. This business line also offers Visa credit card services and insurance products as well as trust services.

CFS – The Commercial Financial Services segment handles commercial loans and larger financings as part of banking syndicates, as well as commercial mortgage financing, leasing, factoring and other services.

B2B – The B2B Trust segment supplies generic and complementary banking and financial products to independent financial advisors and non-bank financial institutions across Canada.

WMB – Wealth Management and Brokerage consists of the activities of the subsidiary Laurentian Bank Securities Inc. and the Bank's share of the joint venture BLC-Edmond de Rothschild Asset Management Inc.

Other – The category "Other" includes treasury and securitization activities and other activities of the Bank including revenues and expenses that are not attributable to the above-mentioned segments.

(1) In 2004, the Bank reviewed its internal transfer pricing assumptions and modified net interest margin allocation between segments.

(2) Assets and liabilities are disclosed on an average basis as this measure is most relevant to a financial institution.

(3) Corresponds to non-interest expenses as a percentage of total revenue.

(4) Includes the provision for loan losses of $5.0 million ($3.2 million net of taxes) related to the exposure to Air Canada during the third quarter of 2003 and $10.0 million ($6.5 million net of taxes) during the nine-month period ended July 31, 2003.

(5) Includes the gain of $8.5 million ($6.7 million net of taxes) on the sale of shares of TSX Group Inc.

Shareholder information

Head office
Tour Banque Laurentienne
1981, avenue McGill College
Montréal (Québec) H3A 3K3
Telephone: (514) 284-4500
ext. 5996
Fax: (514) 284-3396
Telebanking Centre, Automated
Banking and customer service:
Montréal region: (514) LBC-1846
Toll-free: 1-800-LBC-1846
Internet address:
www.laurentianbank.com
Telex: 145069

Transfer Agent and Registrar
Computershare Trust
Company of Canada
1500, rue University
Bureau 700
Montréal (Québec) H3A 3S8

Investors and analysts
Investors and analysts may contact
the Investor Relations Department
at Head Office by calling
(514) 284-4500 ext. 5916.

Media
Journalists may contact the
Public Affairs and Communications
Department at Head Office by calling
(514) 284-4500 ext. 7511.

Change of address and inquiries
Shareholders should notify the
Transfer Agent of a change of
address. Inquiries or requests may
be directed to the Secretary's
Office at Head Office or by calling
(514) 284-4500 ext. 7545.

Ombudsman's office
Laurentian Bank of Canada
Tour Banque Laurentienne
1981, avenue McGill College
14e étage
Montréal (Québec) H3A 3K3
(514) 284-7192
1-800-473-4782

Stock symbol and dividend payment

The common and preferred shares indicated below are listed on the Toronto Stock Exchange.	Stock Symbol Code CUSIP	Dividend Record Date*	Dividend Payment Date*
Common shares	51925D 10 6 LB	First business day of:	First business day of:
		January	February
		April	May
		July	August
		October	November
Preferred shares			
Series 9	51925D 87 4 LB.PR.D	**	March 15
Series 10	51925D 86 6 LB.PR.E	**	June 15
			September 15
			December 15

* Subject to the approval of the Board of Directors.
** On such day (which shall not be more than 30 days preceding the date fixed for payment of such dividend) as may be determined from time to time by the Board of Directors of the Bank.

LAURENTIAN BANK
OF CANADA