Notes by Robert Cardinal
Senior Executive Vice-President,
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Chief Financial Officer

In fiscal 2005, Laurentian Bank showed strong improvement in profitability. The Bank reported net income of $65.3 million in 2005, compared to $39.9 million in 2004, a 64% increase. Return on common shareholders' equity stood at 7.8%. Diluted net income per common share was up 70%, from $1.33 to $2.26 in 2005.

These results include 41 cents per share from discontinued operations related to the sale of the BLC-Edmond de Rothchild joint venture.

For continuing operations, the Bank reported net income of $55.6 million, return on common shareholders' equity of 6.4%, diluted net income per common share of $1.85, and exceeded most of its main objectives for 2005. Before reviewing our performance results versus targets, I would like to remind you that our objectives did not include the impact of special gains on discontinued operations mentioned earlier. Therefore, we'll compare our objectives with our results from continuing operations.

Return on common shareholders' equity stood at 6.4%, exceeding our target of 4.5% to 5.5%.

We exceeded our net income per share objective set at $1.30 to $1.60 per share with the $1.85 per share result in 2005. Our total revenue amounted to $502 million, up 9% from a year ago, exceeding our target. Efficiency ratio was 76.1%, in line with our target of 79% to 77.5%, essentially as a result of significantly higher revenues while our non-interest expenses remained stable compared to the previous year.

The Tier 1 Capital Ratio stood at 10.2% as at October 31, 2005, compared to our 9.5% target. The Total Capital Ratio was 12.3% while our target was set at 13%. It is the only objective that we failed to attain. It is mainly attributable to the $100 million redemption of debentures during the year and to the significant growth in loan portfolios – two positive elements for the Bank, but which affected this ratio.

Our credit quality is stable. Our loan loss ratio as a percentage of average assets was 0.24% in 2005, similar to 2004, which is in line with our target for 2005 set between 0.22% and 0.25%.

The main factors that contributed to these performance results are: improvement in our net interest margins from 1.64% in 2004 to 1.99% in 2005, growth in our loan and deposit portfolios, as well as tighter management of operating expenses with priority given to business development initiatives.

For fiscal 2006, our objective is return on common shareholders' equity of 7% to 8% or earnings per common share of $2.05 to $2.35. This objective corresponds to a 11% to 27% increase in our diluted net income per share. Our total revenue target is set at 4% to 6% or between $522 million and $532 million. Our efficiency ratio target is between 75% and 73.5%, while our credit quality objective is maintained at 0.22% to 0.25%. The Tier 1 Capital Ratio objective was maintained at 9.5%, and the Total Capital Ratio target was reduced to 12%, which is comparable to the banking industry.

The First Quarter results announced last weeks are generally in line with our objectives for the year 2006.

Return on common shareholders' equity from continuing operations was 7.7% for the First Quarter, which corresponds to our targets for fiscal 2006, which are an ROE of between 7.0% to 8.0%.

Revenues increased 10.3% compared to the First Quarter of 2005 results, and stood at $131.5 million, mainly as a result of the improvement in net interest income by $12.2 million or 16.2%. Net interest margins and our loan and deposit portfolios continued to grow, while non-interest income remained relatively stable. Our loan and deposit portfolios continue to grow, and net income per share was $0.58 for the First Quarter of 2006 compared to $0.38 for the same Quarter last year.

In summary, we are satisfied with the financial results for 2005 and for the First Quarter of 2006, and continue to work to accelerate the growth and development of all our lines of business while improving our profitability.