OUR PLAN IN BLACK AND WHITE

ANNUAL REPORT 2003 157th EDITION

LAURENTIAN BANK OF CANADA

Cautionary note on forward-looking statements

From time to time, the Bank makes written and oral forward-looking statements, included in this Annual Report, in other filings with Canadian regulators, 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, and the medium- and long-term strategies to achieve these objectives, as well as statements with respect to the Bank's beliefs, plans, expectations, anticipations, estimates and intentions. This Annual Report contains such forward-looking statements. These statements are subject to a number of risks and uncertainties, several of which are independent of the Bank's will, and can have an impact on the Bank's operations, performance and results. These factors may affect actual results which could 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, along with the Bank's success at increasing revenues and managing costs related to executing its business plan. The Bank cautions that the foregoing list of factors is not exhaustive. 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 Bank does not undertake to update any forward-looking statements, oral or written, made by itself or on its behalf.

“OUR TRANSITION **TO GROWTH HAS BEGUN.**”

RAYMOND MCMANUS, PRESIDENT AND CHIEF EXECUTIVE OFFICER

ON AUGUST 15, 2003, LAURENTIAN BANK OF CANADA ANNOUNCED ITS INTENTION TO CONCENTRATE ITS OPERATIONS IN MARKETS IN WHICH IT HOLDS A STRATEGIC POSITION, NAMELY QUEBEC FOR DIRECT RETAIL FINANCIAL SERVICES, AND ALL OF CANADA FOR OTHER SERVICES. THROUGH THIS REPOSITIONING, THE BANK WANTS TO ENSURE ITS PROFITABILITY AND GROWTH OVER THE MEDIUM AND LONG TERM. THE THREE-YEAR ACTION PLAN THAT RESULTS FROM THIS DECISION CONSISTS OF CAPITALIZING ON THE BANK’S STRONGEST ASSETS IN ORDER TO ENHANCE ITS EFFICIENCY, CUSTOMER RELATIONS AND PERFORMANCE. THIS ACTION PLAN IS THE FOCAL POINT OF THIS ANNUAL REPORT. HEREIN WE WILL PRESENT A SUMMARY OF THE DECISIONS WE HAVE MADE AND THE MOTIVATIONS FOR THESE CHOICES, TOGETHER WITH AN OBJECTIVE FORECAST OF OUR ANTICIPATED RESULTS.

Message from the President and Chief Executive Officer

Although the Canadian economy recovered somewhat in 2003, the Bank's profitability in the past fiscal year was much less than expected. Several factors explain our results, some, linked to the economic climate or the intensity of the competition, are beyond our control, while others reflect our decision to find, once and for all, solutions to problems that the Bank has grappled with for several years.

A CRUCIAL YEAR

The most important factors that hampered our profitability in 2003 are undoubtedly the reduction in other income from securitization activities, lower treasury and financial market revenues, as well as a decline in lending fees and the reduction in net interest margins due to fierce competition in rates offered on mortgage markets and in point-of-sale financing. The financial difficulties of Air Canada also significantly affected our results; we consequently absorbed, in the year, an additional provision for losses of $10 million.

Factors ensuing from the choices we have made have caused our results to be less than satisfactory in the short term, but we believe our decisions as a whole will spur the Bank's growth over the medium and long term. For instance, restructuring costs generated by the implementation in the third and fourth quarters of the expense reduction program will undermine our immediate results, but will help us lower our costs beginning in 2004. Furthermore, our decision to withdraw from certain markets outside Quebec, owing to the absence of sustained growth and the critical mass required to ensure profitability, will enable us to truly concentrate our direct retail financial services in Quebec.

After having abandoned the project that would transform the Bank into a holding company in 2002, we set about assessing the Bank's strengths along with the areas requiring improvement. This exercise prompted us to take the necessary steps to ensure the Bank's growth.

Vital repositioning

These decisions are the cornerstone of a three-year business plan, announced earlier, intended to reposition the Bank by capitalizing on its strengths and the features that truly differentiate it from the competition. The outline of this plan, which the management committee and I have presented on page 12 of this Annual Report, is ambitious yet realistic. Ambitious because it spans all of our sectors of activity, and realistic because it is the product of a concerted analysis.

The exhaustive analysis that we performed in 2003 clearly demonstrated that we would benefit considerably by targeting our efforts more precisely. Renowned, especially in Quebec, for its quality service, the Bank is also known for its dynamic commercial sector and its indirect financial services. Because of its relatively modest size, the Bank can quickly adapt to diverse situations. Outside of Quebec, however, awareness of the Bank mainly centres on its indirect services, and its commercial activities.

We have therefore outlined different strategies: one for our direct retail financial services, one for our indirect services and one for our commercial financial services. Implementing these strategies is indeed our goal for the new fiscal year.

Banking on our strengths

By concentrating our direct retail financial services in Quebec, we can boost our efficiency and consolidate our position as a leading bank in this market, which we have served for 157 years.

The sale of our branches in Ontario and Western Canada will enable the Bank to focus its energies and resources on the sectors of activity and markets in which it is well positioned. We can thus gain market share and enhance the efficiency of our operations, along with the quality of our customer service and our long-term development. This decision will reposition us as a regional bank that is aiming for growth in its core market.

Moreover, the gain on the sale of the 57 branches to The Toronto Dominion Bank (TD Bank) has brought us into 2004 with a stronger balance sheet and a lower risk profile, with the highest Tier I and total capital ratios in the Bank's history. Such strong capital ratios will enhance our flexibility with a view to future business expansion and strategic opportunities in our principal markets.

We will now channel our energies and resources into directly serving our Quebec customers through our branch network, automatic banking machines, telebanking center and electronic services. We will invest unprecedented resources in this sector, and we will put in place unique initiatives to better serve our clientele and in order to outperform the competition.

This quest to expand our branch network in Quebec has been a priority at the Bank for several years. Our purchase of 43 Quebec branches from another Canadian bank in 2000 reflects our goal of significantly increasing our presence both in the Greater Montreal area and in other regions in Quebec and thus improving our efficiency. Time has since confirmed the soundness of that decision.

In addition to extending our direct retail services to locations where demographic changes warrant, we plan to continue to implement the *Entrepreneurship* project, whose main characteristics will now be introduced in all regions of Quebec. Our customers will notice an improvement in service, while our branches will enjoy greater autonomy.

As for our Commercial Financial Services, experience has demonstrated their instrumental role in bolstering the Bank's reputation. By grouping our commercial services, including those that we offer to microentreprises, we intend to become even more efficient, accessible and profitable. Companies that do business with Laurentian Bank will never doubt that they have come to the right place, whatever their size, or their needs. They will find that our staff is always available, easily accessible and eager to help them quickly and efficiently.

“The decision to concentrate and grow our direct retail financial services in Quebec in no way detracts from our efforts to remain in the rest of Canada.”

Maintaining a strong presence in the rest of Canada

The decision to concentrate and grow our direct retail financial services in Quebec in no way detracts from our efforts to remain in the rest of Canada. On the contrary, we plan to substantially develop our indirect financial services, notably by offering mortgage credit through brokers and a specialized sales team, and growing our point of sale financing activities, a niche in which the Bank is already a leader across Canada. In addition, we will highlight brokered deposits and agency services, particularly through B2B Trust, which has maintained good profitability since its creation three years ago, despite the market turmoil. B2B Trust intends to improve its profitability, namely by diversifying its revenue sources and developing new credit products.

The Bank has a very clear plan to bring about its strategic repositioning, and I am confident that this approach will deliver concrete results over the coming years. We realize that all will not be done in a day.

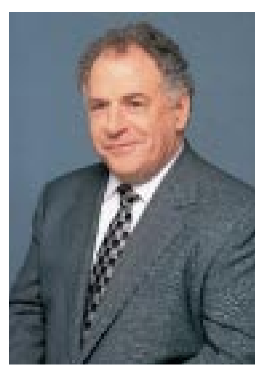
A new beginning

The Bank has a strong belief in the importance of human resources and, accordingly, will endeavour through the arbitration process to obtain a labour agreement which will offer the necessary flexibility to operate in a competitive environment while providing our unionized employees with fair working conditions. The arbitration process is binding and a decision is expected by mid year 2004. We will intensify our efforts towards building a more constructive relationship with our union. Given the scope of the challenge set forth in our business plan, it is more crucial than ever that the Bank put in place labour conditions that propel us forward. Far from being a disadvantage, our size gives us a definite edge; we can thus optimally emphasize service quality and better grasp the needs of the communities we serve. I am convinced that we can provide exceptional service, which will clearly differentiate us from our competition.

2004 will be a crucial year: it will be Year 1 of our strategic repositioning plan. I believe in the success of Laurentian Bank: a Bank more focused and disciplined. The success of this plan rests on the support of all our partners, namely our clients, for their continued loyalty, our shareholders for their patience, and our employees for their understanding and support. I have the utmost confidence in Laurentian Bank and I am convinced that collectively we can spur the Bank’s success for the benefit of our customers, employees and shareholders.

"I have the utmost confidence in Laurentian Bank and I am convinced that collectively we can spur the Bank's success for the benefit of our customers, shareholders and employees."

Raymond McManus
President and Chief Executive Officer



Message from the Chairman of the Board

"In my first year as a board member, and then as chairman, I could not help but notice the extent that our management committee, with the support of our directors, has made the right decisions to build the Bank's future upon solid foundations."

SOLID FOUNDATIONS, DISCIPLINE AND DETERMINATION: THE KEYS TO OUR SUCCESSFUL FUTURE

In my first year as a board member, and then as chairman, I could not help but notice the extent that our management committee, with the support of our directors, has made the right decisions to build the Bank's future upon solid foundations. After having produced an objective profile of the strengths and weaknesses of the Bank, Mr. Raymond McManus and his team effectively gave precedence to rules of conduct that would emphasize the strategic repositioning of the Bank and the optimal harnessing of our strengths over immediately gratifying yet ephemeral results. This courageous approach reflects a clear intention to manage our institution in a rigourous fashion and to nurture the growth of shareholder value in a sustainable manner.

Exemplary discipline

The first bank to separate the positions of chairman of the board and president and chief executive officer 20 years ago, the Bank has repeatedly demonstrated the vital importance that it places on rules of governance and the protection of its shareholders' interests.

Through its composition and its guiding principles, the Bank's Board of Directors is keeping this tradition alive. We have been fortunate enough to appoint experienced directors with varied areas of expertise, who hail from diverse sectors of business. They not only actively participate in strategic decision making, but also take their responsibilities as shareholders' representatives and defenders of shareholders' interests very seriously. In addition, our directors actively contribute to various board committees on an ongoing basis, and ensure rigorous compliance with the principles that underlie responsible management.

Such discipline is more important than ever. To this effect, the board thoroughly reviewed all of its corporate governance processes in 2003, and reiterated its commitment to ensuring that the Bank set an example in this respect.

Three members of the board of directors departed during the year: Mr. Réjean Gagné, who had sat on the board since 1980, Mr. Jean-Guy Desjardins, who joined us in 2002, and Ms. Suzanne Masson, who had agreed to act as an interim board member. We extend our heartfelt thanks to these individuals for their invaluable assistance.

The Board of Directors welcomed three new members during fiscal year 2003: Mr. Richard Bélanger, Ms. Ève-Lyne Biron and Mr. Gordon Ritchie. I would like to thank them all, along with our other directors, for the time and energy they have dedicated to fulfilling their role, which is so pivotal to the Bank's development.

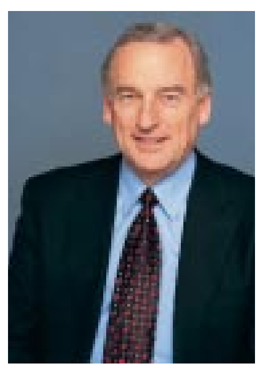
A management team that deserves our trust

I can also state that the priorities of the management committee, as elaborated in its three-year plan, are perfectly compatible with those of the board of directors, and that we fundamentally share the same objectives. While being very conscious of the principles of corporate governance, there has resulted a very positive synergy between the Board and management which will surely serve the interests of our shareholders.

Since his appointment as president and chief executive officer slightly more than one year ago, Mr. Raymond McManus has exhibited exceptional leadership and determination, and has instilled in his team his drive to make Laurentian Bank a very strong bank in its principal market and a respected player in the rest of Canada. He and his team deserve our trust and support as they carry out the strategic repositioning plan that they have initiated.

“Mr. McManus and his team deserve our trust and support as they carry out the strategic repositioning plan that they have initiated.”

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

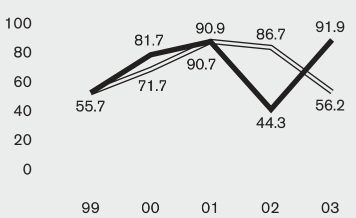


Financial highlights

In millions of dollars, except per share amounts	2003	2002	2001
Per common share			
Net income			
Basic	**$ 3.33**	$ 1.27	$ 3.40
Diluted	**$ 3.32**	$ 1.26	$ 3.37
Dividends	**$ 1.16**	$ 1.16	$ 1.06
Book value	**$ 28.73**	$ 26.57	$ 27.08
Share price			
High	**$ 29.25**	$ 41.30	$ 33.25
Low	**$ 24.91**	$ 25.53	$ 24.00
Close	**$ 27.75**	$ 28.08	$ 27.41
Number of common shares (in thousands)			
Average	**23,416**	23,095	22,710
End of period	**23,436**	23,409	22,868
Price/earnings ratio	**8.3x**	22.1x	8.1x
Market to book value	**97%**	106%	101%
Dividend yield	**4.18%**	4.13%	3.87%
Earnings			
Total revenue	**$ 629.9**	$ 600.4	$ 630.8
Net income	**$ 91.9**	$ 44.3	$ 90.7
Net income available to common shareholders	**$ 77.9**	$ 29.3	$ 77.2
Other income			
As a % of total revenue	**45.5%**	42.4%	42.1%
As a % of average assets	**1.55%**	1.37%	1.55%
Return on average assets	**0.50%**	0.24%	0.53%
Efficiency ratio			
Non-interest expenses as a % of total revenue	**70.1%**	67.8%	70.6%
Return on common shareholders' equity	**12.4%**	4.8%	13.1%
Balance sheet assets and assets under administration			
Balance sheet assets	**$16,738**	$18,596	$17,696
Cash resources and securities	**$ 3,906**	$ 3,504	$ 2,506
Loans, bankers' acceptances and assets purchased under reverse repurchase agreements, net	**$12,151**	$14,324	$14,426
Personal deposits	**$10,509**	$12,008	$11,520
Assets under administration	**$15,488**	$14,893	$15,095
Cash resources and securities			
As a % of balance sheet assets	**23.3%**	18.8%	14.2%
Personal deposits			
As a % of total deposits	**79.1%**	80.2%	79.3%
As a % of loans, bankers' acceptances and assets purchased under reverse repurchase agreements, net	**86.5%**	83.8%	79.9%

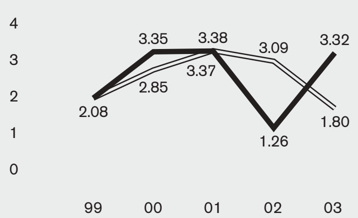
Net income

In millions of dollars



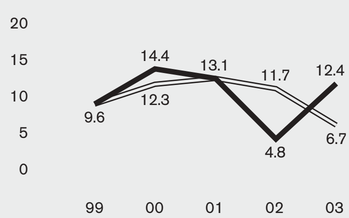
Diluted net income per common share

In dollars



Return on common shareholders' equity

As a percentage



As per financial statements
Excluding special items

As per financial statements
Excluding special items

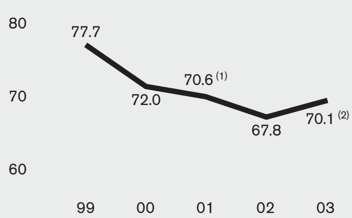
As per financial statements
Excluding special items

As at October 31	**2003**	2002	2001
Quality of assets			
Net impaired loans			
As a % of loans, bankers' acceptances and assets purchased under reverse repurchase agreements	**0.2%**	0.1%	0.2%
Allowance for loan losses	**$ 163**	$ 218	$ 134
As a % of gross impaired loans	**88%**	96%	84%
As a % of gross loans, bankers' acceptances and assets purchased under reverse repurchase agreements	**1.33%**	1.50%	0.93%
Geographic distribution of loans			
Quebec	**64%**	53%	54%
Other Canadian provinces	**36%**	47%	46%
Loan distribution			
Personal	**32%**	28%	25%
Residential mortgages	**46%**	49%	50%
Commercial mortgages	**6%**	7%	7%
Commercial and other	**16%**	16%	18%
CMHC insured mortgages			
As a % of residential mortgages	**57%**	61%	59%
Capitalization			
Shareholders' equity, non-controlling interest in a subsidiary and debentures	**$1,315**	$1,269	$1,222
BIS capital ratios			
Tier I	**10.2%**	8.8%	8.1%
Total capital	**15.2%**	13.5%	12.4%
Common equity to risk-weighted assets	**8.5%**	7.2%	7.0%
Other information			
Number of full-time equivalent employees	**3,159**	3,730	3,884
Number of branches	**155**	214	230
Number of automated banking machines	**284**	351	360

As at October 31	**Quebec**	**Other**	**2003 Total**	2002 Total
Point-of-sale Financing	3,271	4,884	**8,155**	7,580
Point-of-sale Terminals	1,331	384	**1,715**	2,131
Brokerage Offices	8	2	**10**	10
Business Service Centers	13	9	**22**	18
Independant Financial Advisors	3,126	10,057	**13,183**	12,130

Efficiency ratio

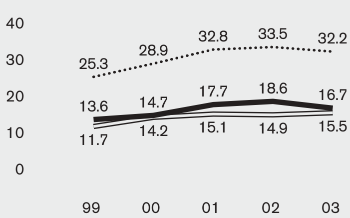
Non-interest expenses as a percentage of total revenue



(1) 70.4% excluding special items
(2) 75.4% excluding special items

Balance sheet assets and assets under administration

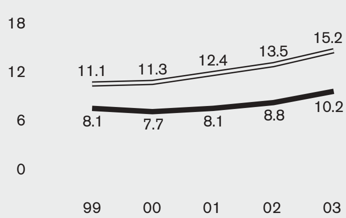
In billions of dollars



Balance sheet assets
Assets under administration
Total

BIS Capital Ratio

As a percentage



Tier I
Total capital

PERFORMANCE AND FINANCIAL OBJECTIVES

ADJUSTING TO SUCCEED

Performance

We have reviewed our last year objectives against the performance of the Bank, excluding special items. To this effect, please refer to the "Management's discussion and analysis of results of operations and financial conditions" on page 33 of this Annual Report.

Objectives	Performance (excluding special items)	Comments
Diluted earnings per share of $2.80	$1.80	Earnings per share reached $1.80, short of our $2.80 objective, mainly due to the lack of total revenue growth in Retail Financial Services, Commercial Financial Services and B2B Trust.
Improvement of efficiency ratio in each line of business	Only one line of business showed improvement (75.4% in 2003 vs. 67.8% in 2002)	Efficiency has declined in Retail Financial Services, Commercial Financial Services and B2B Trust as a result of lack of growth in revenues. Efficiency ratio in Wealth Management and Brokerage benefited from the gain on sale of TSX Group Inc. shares.
Maintain strong capital ratios – Tier I capital ratio of at least 8.5% – Total capital ratio of at least 13.0%	8.9% 13.5%	Capital ratios are very strong at year-end and exceed our objective. On a reported basis, Tier I and total capital ratios stand at 10.2% and 15.2% respectively.

Objectives

Comparative figures for 2003 have been adjusted to a pro forma basis which excludes special items and the marginal contribution generated by the 57 branches sold (estimated at $26 million pre-tax for 2003 or $0.73 per common share). Our 2004-2006 targets have been set as follows:

	2003 PRO FORMA	2004	2005	2006
Return on common shareholders' equity	**4%**	5%	8%	10%
Diluted earnings per share	**$1.07**	$1.44	$2.37	$3.13
Total revenue	**$498M**	+ 1%	+ 8% to 10%	+ 7% to 9%
Efficiency ratio	**78%**	77%	73%	69%
Capital ratios				
Tier I capital ratio	**10.2%**(1)		Minimum of 9.5%	
Total capital ratio	**15.2%**(1)		Minimum of 13.0%	
Credit quality (loan loss ratio)	**0.24%**	0.22%	0.25%	0.25%

(1) As reported

Return on equity and earnings per share will be impacted in the short term by the lost contribution from the sale of our retail activities outside Quebec. The lost contribution, for these operations for 2004, 2005 and 2006, was forecasted at $24 million, $20 million and $17 million, respectively.

We expect to grow our loan and deposit books on an average of 8% per annum, which is expected to contribute directly to our objective of growing our revenues by an average of 6% per year.

The cost reduction program of 2003 will have an immediate positive impact on our efficiency ratios. However, improving productivity remains a priority for the Bank as our efficiency ratio still remains too high.

We are aiming at reducing our credit loan loss ratio in 2004 and increasing it slightly thereafter to reflect changes in the portfolio mix.

Our new business plan

The three-year business plan announced on December 3, 2003, represents a major change for Laurentian Bank. Given the financial results of the past two years and the increasingly fierce competition among financial institutions in Canada, the Bank decided to adopt a very rigorous business plan that affects all of the Bank's sectors of activity, and that precisely defines the strategies and actions that will enable us to turn this situation around over a three-year period, that is by 2006.

This plan results from the decision to capitalize on the Bank's strengths and highlight its distinctive traits. Overall, we are returning to basic principles and clearer positioning. The first concrete gesture spawned by this initiative was made in late fiscal 2003, when the Bank sold 57 branches in Ontario and Western Canada in order to better focus its efforts on reinforcing its market share in Quebec in the direct retail financial services sector. We already initiated a shift in June 2003 by implementing a major expense reduction program that notably lowered the number of members of our management committee and simplified our structure. The Bank also centralized its finance, risk management and human resources functions, reorganized its technology sector and enhanced the efficiency of its administrative centres.

Our business plan goes much further, but it also considers the fact that we will need the next three years to restore the Bank's growth and profitability, and enable it to build all of its operations on truly solid foundations.

We project, on a pro forma basis, a return on shareholders' equity of 5% in the first year (compared with 4% in 2003), 8% in 2005 and 10% in 2006. Projected earnings per share are $1.44 in 2004, $2.37 in 2005 and $3.13 in 2006, a growth of nearly 50% per year compared with 2003, again on a pro forma basis excluding special items.

OUR BUSINESS PLAN IN DETAIL

Retail Financial Services

For all aspects of this sector, we will emphasize our retail market in Quebec, while improving our already efficient strategy for distribution of indirect financial services throughout Canada.

To reach these goals, Retail Financial Services will deploy a four-pronged strategy:

1. It will renew the corporate "signature" of the Bank and optimize the branch network;
2. It will extend the innovative *Entrepreneurship* concept throughout the Quebec network;
3. It will adopt a "Retailer Approach" to better serve its customers; and
4. It will enhance its multi-channel strategy across Canada.

New Laurentian Bank "signature" and optimization of branch network

Ranked third in Quebec based on the number of branches, the Bank plans to reinforce its presence and reputation by opening 20 new branches by 2006, and by renovating, relocating or merging several of its existing branches. A special team, in charge of ensuring the success of the three-year optimization program, will supervise these changes and will analyse each of our current locations and other possible locations for our branches, according to precise criteria. It is essential that we follow our customers wherever they move, and be present in areas where our services can be appreciated. We can thus considerably build the loyalty of our customers—the acquisition of 43 branches in Quebec in 2000 is a step in this direction—and become the principal banker of even more Quebecers. At the same time, we will increase the number of automatic banking machines by 10% in the first year of the program, to better serve all our clientele.

We will also establish new standards governing every aspect of the design of our branches, and create a new official corporate "signature" for Laurentian Bank. To help us achieve this architectural repositioning, we have issued a call for tenders to five of the main architectural firms that specialize in retail trade. We have hired a designer firm to produce the exterior design of the branch, along with a new advertising firm. Our first branch with the new Laurentian Bank signature is expected to open in the Montreal suburbs of La Prairie by June 2004.

Expansion of the Entrepreneurship *concept*
The *Entrepreneurship* pilot project, launched in three local markets in early 2003, was primarily aimed at improving customer satisfaction. This project was intended to galvanize the sales force of our branch network, and thus stimulate profitable growth. The *Entrepreneurship* pilot project has definitely boosted the motivation of the staff, improved customer relations and consequently fuelled growth. Naturally, we want to ensure that our network benefits as much as possible from this initiative.

Concretely, the *Entrepreneurship* project will quickly spawn new actions and measures that will arouse the entrepreneurial spirit in our employees, while heightening their autonomy. First, we have grouped the branches into 25 local area markets, including the two existing local area markets (LAM)—Innova (in Eastern Montreal) and Longueuil—and appointed a manager to each LAM. While LAM managers will direct 3 to 10 branches, each branch will now be under the responsibility of a branch manager who will cultivate the development of the branch and ensure that the team of employees provides the best possible service to the customers. This decision is a major change in the Bank's branch network structure, but will in no way lead to staff reduction in the branches.

To ensure the success of each of these initiatives, we have designed a recognition program to promote awareness of our best employees and branches, which will serve as role models to create standards of excellence. We are also introducing an incentive compensation plan based on the profitability of each LAM.

"Retailer Approach" to customer service
As independent surveys clearly demonstrate, the Bank's customers are already highly satisfied with the Bank's services, but we must go further and offer quality service that differentiates the Bank from all of its competitors. We want to treat our customers like guests, by emphasizing a more consumer-oriented retailing approach.

Furthermore, to regularly gauge customer satisfaction and thus better grasp our clientele's expectations, a permanent evaluation panel composed approximately of 3,000 customers will be consulted four times a year, via the Internet. A new highly elaborate database will allow the Bank to precisely meet the needs of specific groups of customers during direct marketing campaigns, while a new advertising campaign starting January 2004 will aim to attract new customers to the Bank.

There is tremendous market potential for increasing the number of financial products and services offered to our customers. Specifically, we intend to significantly increase the average number of products held by a customer, notably by repositioning some of our products such as our VISA Gold card. Our newly implemented data warehouse will be instrumental in helping us attain this objective by enabling us to compile customer lists according to the specific objectives of our mass mailing campaigns and inbound and outbound activities performed by our Telebanking Centre.

Enhancing the multi-channel strategy across Canada
Business development activities in our indirect financial services network will be closely linked to direct Retail Financial Services. Already recognized as a leader in point-of-sale financing, particularly for recreational and motorized vehicles, the Bank has put in place mechanisms that will enable it to optimize the profitability of this type of activity within the next year. As a result, moderate growth is anticipated over the next three years.

Commercial Financial Services
Commercial Financial Services initiated a major turnaround in the past two years. Significant loan losses in our corporate portfolio prompted us to embark on a repositioning plan that included the reduction of our credit risk exposure, more stringent risk management processes and the development of a more personalized approach to meeting the needs of our commercial clients. This personalized approach is even more vital in that it is the main differentiating strength of Commercial Financial Services.

Regarding participation in syndicated loans and other corporate lending, the Bank will maintain its existing policy of not granting loans in excess of $20 million per single borrower. In the mid-market segment, the Bank intends to significantly increase the volume of high quality commercial loans in this portfolio by 2006.

We are recognized in the real estate market as a prime construction lender, a reputation we will continue to build on for years to come, notably by developing our real estate loan portfolio both inside and outside Quebec.

The Bank has realized that in small business banking, the market segment of the $250,000 to under $1 million loan exposures offers great potential. To streamline our structure and better serve this market segment, we decided to put Commercial Financial Services in charge of all commercial activities directed at businesses whose financial requirements exceed $100,000, while Retail Financial Services will meet the needs of businesses whose financial needs do not exceed $100,000.

We want to become a recognized player in farm lending, and plan to significantly increase the size of our agricultural loan portfolio in Quebec. To do so, we will draw on the expertise of a team of specialists that will focus exclusively on meeting the specific needs of agricultural entrepreneurs. These experts will be working out of five agricultural service centres in specially targeted regions.

B2B Trust

The turbulence in the mutual fund market in recent years has prompted B2B Trust to concentrate on developing credit products.

As B2B Trust's revenues have traditionally been closely linked to the sales performance of the mutual fund manufacturers and distributors, B2B Trust has had to cope with a difficult environment in the past two years. Despite capital markets' improvements, especially in the second half of 2003, investors have retained a cautious approach, as exemplified by sluggish mutual fund sales and continued redemptions in equity mutual funds. In 2003, B2B Trust consequently multiplied its efforts to increase its distribution alliances and solidify its leadership position in its traditional markets, while taking the first steps to diversify its sources of revenues, notably by reducing its exposure to mutual fund loans. B2B Trust has also maintained tight control of its expenses.

This diversification will continue: B2B Trust's asset growth for the coming years will progressively become less dependent on its mutual fund lending business. Indeed, B2B Trust will strive to achieve its growth through two strategies: an enlarged investment loan offering in terms of product design, delivery channels and markets reached, and a growing consumer loans business offered both through our traditional channels and through large retailers. The future growth of both top and bottom lines will rely on these two development axes.

Wealth Management and Brokerage

Regarding Laurentian Bank Securities, we will concentrate on growing our corporate finance and institutional activities. In our retail brokerage activities, we will stimulate referrals by other business lines and bolster our sales team. Moreover, we will add a transactional platform to our Internet site to support retail brokerage transactions. In addition, BLC-Edmond de Rothschild Asset Management will continue to generate organic growth in mutual funds, as well as in institutional and private portfolio management.

ADVANTAGES FOR OUR SHAREHOLDERS

Our shareholders have long benefited from our uninterrupted tradition of dividend payout. Subject to approval by the Board of Directors, we plan to maintain the dividend on common shares at its current level of $0.29 per share per quarter, providing that our financial objectives are attained and that we successfully maintain our capital ratios at high levels. The ratio of dividends paid should be 45% on average over a four-year period, including 2003.

CONCLUSION

Granted, this plan is ambitious, but it is also realistic. Everyone should emerge a winner: the shareholders can rely on a stable dividend from an institution that is consolidating its foundations; our employees will develop new competencies while increasing their autonomy; our customers will enjoy unparalleled service, and the Bank will develop its brand image that differentiates it from its competitors while building customer loyalty.

Management committee

2003	1991	2003	2002	2003	1998	1994
Réjean Robitaille	**Robert Cardinal**	**André Scott**	**Raymond McManus**	**Lorraine Pilon**	**André Dubuc**	**Bernard Piché**
Executive Vice-President, Retail Financial Services	Senior Executive Vice-President Finance, Administration and Strategic Development and Chief Financial Officer	Executive Vice-President, Commercial Financial Services	President and Chief Executive Officer (member of the Board of Directors since 1988)	Executive Vice-President, Corporate Affairs and Secretary	Senior Executive Vice-President and Treasurer, Treasury, Capital Markets, Wealth Management and Brokerage	President and Chief Executive Officer of B2B Trust and Executive Vice-President of Laurentian Bank
Chartered accountant and financier for 20 years At Laurentian Bank for 15 years	Chartered accountant for 33 years At Laurentian Bank for 12 years	Banker for 28 years At Laurentian Bank for 10 years	Banker for 43 years At Laurentian Bank for 15 years	Attorney for 14 years At Laurentian Bank for 13 years	Economist for 28 years At Laurentian Bank for 7 years	Financier for 29 years At Laurentian Bank for 9 years

Corporate governance

BOARD COMMITTEES

Laurentian Bank has often been a frontrunner in corporate governance in the Canadian banking sector. For one, it was the first bank to separate the functions of chairman of the board and president and chief executive officer. Its rules and corporate governance polices are among the most exemplary in the Canadian banking and financial industry.

As the executive committee was disolved at the start of the fiscal year upon recommendation by the Human Resources and Corporate Governance Committee, the Board of Directors itself has since then exercised all of the powers delegated to it.

The Board has established three committees, to which it has delegated particular responsibilities and functions. Their composition takes into account legislative requirements and the nature of their mandate. All of the Board committees are composed of outside directors who are independent of the management of the Bank. They all report in writing to the Board on their work.

The **Audit Committee** reviews the annual and quarterly financial statements of the Bank, along with all documents that are part of annual and quarterly financial disclosures, including press releases on quaterly financial results and Management's discussion and analysis of results of operations and financial condition. Moreover, the Committee ensures the implementation of appropriate control measures and of any financial matters that it deems appropriate or that is referred to it by the Board.

With regard to risk management, the Audit Committee:

– Ensures that the Bank has adopted control measures that allow adequate management of its activities and risks; and
– Ensures that Management and the Board have pertinent, precise and complete information, and that the Bank complies with regulations.

Moreover, the Committee is specifically in charge of supervising the Bank's internal audit function. In discharging their responsibilities, the Committee members meet, together and separately, with the officers and the external auditors to discuss financial matters within their terms of reference. They also meet annually with the Superintendent of Financial Institutions of Canada or his representative.

The **Human Resources and Corporate Governance Committee** results from the amalgamation, on May 29, 2002, of the Human Resources Committee and the Nominating and Governance Committee. As part of its human resources function, the Committee ensures that the compensation plan is compatible with the attainment of objectives and prudent management of its activities and risks; reviews and approves senior executive compensation, assesses in cooperation with the Board of Directors the performance of the President and Chief Executive Officer and reviews the performance of the members of the management and planning committees. It also reviews the administration of short-term and long-term incentive programs, approves the annual salary policy, periodically reviews the Bank's organizational structure and approves the appointment of the executive officers. It ensures the succession of senior management, and supervises the collective bargaining process of unionized employees and receives regular reports on relations between the Bank and its employees. As part of its corporate governance function, the Committee is in charge of implementing and monitoring the corporate governance rules. It ensures the proper functioning and the efficiency of the Board and its committees, and reviews their composition and nominations. It is this committee that proposes the appointment of new directors and evaluates current directors. Among other duties, it establishes orientation and training programs for board members, reviews the compensation of the directors in relation to their responsibilities, ensures that shareholders are properly informed of Bank affairs and deals with any major disagreement between the Bank and its shareholders. It also establishes the responsibilities and powers of the board committees.

The **Risk Management Committee** ensures that the Bank has adopted an adequate risk management process intended to identify, evaluate and manage risk, along with the formulation of adequate policies to manage credit, market, structural, capital management and operational risk. The Committee groups together three functions: conduct, credit and oversight. As part of its conduct function, the Committee monitors the application of methods for reviewing transactions with individuals or organizations related to the Bank. It monitors procedures for disclosure of information to customers concerning banking fees and of procedures for examining customer complaints. Annually, it reviews the Code of Ethics governing the Bank's employees and officers and approves the rules of conduct and behaviour that take risk into account. As part of its credit function, the Committee reviews the Bank's credit policies and procedures and ensures that the highest standards of quality are maintained. It also approves loans and advances exceeding the limit established by the Board, including loans and advances to employees and officers. Furthermore, in its oversight function, the Committee reviews conflict of interest situations between the Bank and its subsidiaries, along with conflicts concerning any individual that holds a dual position. It also examines the important agreements between the Bank and its subsidiaries.

Audit Committee

The Audit Committee consists of five outside directors:

Dominic J. Taddeo, Chair
Richard Bélanger
Ève-Lyne Biron
L. Denis Desautels
Gordon Ritchie

Human Resources and Corporate Governance Committee

The Human Resources and Corporate Governance Committee consists of four outside directors:

Pierre Michaud, Chair
Ronald Corey
Christiane Germain
L. Denis Desautels

Risk Management Committee

The Risk Management Committee consists of five outside directors:

Jonathan I. Wener, Chair
Jean Bazin
Gordon Ritchie
Georges Hébert
Veronica S. Maidman

Aimed at providing the Board with the authority, autonomy and information required to assume its responsibilities with regard to Management and shareholders, these policies and practices are evaluated regularly by the various Board of Directors' committees to ensure that they abide by the guidelines of the Toronto Stock Exchange for effective governance. A comparison with these guidelines can be found in the Management Proxy Circular prepared in connection with the 2003 fiscal year Annual Meeting.

Board of Directors

1998

Jonathan I. Wener

Chairman of the Board
Canderel Management Inc.

A renowned expert in the real estate sector, Jonathan Wener has vast experience in the commercial, industrial, residential, recreational and hotel sectors. Associated for 27 years with the success of Canderel Management, Mr. Wener contributes to the well-being of his community through his involvement in numerous professional associations and charitable organizations. He sits on different boards of directors including the Board of Governors of Concordia University, the Foundation of the Montreal Museum of Fine Arts, the Fondation du maire de Montréal (pour la jeunesse) and The Jewish General Hospital and its Foundation.

2001

Christiane Germain

Copresident
Germain Group Inc.

Renowned for her vitality, rigour and great dedication, Christiane Germain made her mark in the restaurant and hotel sector. Her achievements earned her many awards and distinctions, and she has headed the Office du tourisme et des congrès de la Communauté urbaine de Québec, the Festival d'été de Québec and the Association des restaurateurs. Ms. Germain sits on the boards of directors of private companies. She actively participates in many fund-raising campaigns.

1990

Pierre Michaud, O.C.

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, Capital d'Amérique and Société du Vieux-Port de Montréal and is a member of the Advisory Board of Mont-Tremblant. Very active in many charitable organizations, Mr. Michaud is a member of the board of trustees of Centraide, on the board of governors of the Fondation de l'Hôpital Sainte-Justine and the Fondation du Centre hospitalier universitaire de Montréal (CHUM).

2001

L. Denis Desautels, O.C.

Chairman of the Board
Laurentian Bank of Canada
Executive-in-residence
School of Management
University of Ottawa

Fellow of the Ordre des comptables agréés du Québec 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. Auditor General of Canada from 1991 to 2001, he was appointed Officer of the Order of Canada in 2001. He also sits on the boards of directors of Alcan Inc., Bombardier Inc., Jean Coutu Inc. (PJC) and CARE Canada.

1994

Ronald Corey, O.C.

President
Ronald Corey Groupe Conseil Ltée

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

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. Ms. Maidman sits on different corporate boards as well as the board of directors of Sunnybrook and Women's College Health Sciences Centre, recently completing her term as Vice Chair. 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*.

2002

Jean Bazin, Q.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. 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.

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.

2003

Richard Bélanger

Senior Vice-President, Eastern Operations and Corporate Development Canfor Corporation

A chartered accountant since 1980, Richard Bélanger became a member of the senior management of Canfor Corporation in 2003, following Canfor's purchase of Bois Daaquam, a company of which he was president and co-owner. His managerial qualities made him a leader in the timber industry. He is also co-chairman of the Canadian Lumber Trade Alliance, co-chairman of the International Trade Committee of the Quebec Forest Industry Council and administrator of Stella-Jones Inc.

2003

Ève-Lyne Biron

President and General Manager Laboratoire Médical Biron Inc.

With a masters 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 and is a 2004 award winner of the Nouveaux Performants competition, "Entrepreneur" category. Ms. Biron sits on the board of directors of l'Orchestre symphonique de Longueuil and of DEL (Développement économique Longueuil).

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.

1998

Dominic J. Taddeo

President and Chief Executive Officer Montreal Port Authority

A Montrealer by birth, Dominic J. 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.

2003

Suzanne Masson

Senior Vice-President, Institutional Affairs Caisse de dépôt et placement du Québec

An attorney by training, Suzanne Masson has held numerous high level positions within the Quebec public service and within an international financial institution. Ms. Masson was appointed interim administrator when she was a member of the management committee, Executive Vice-President, Corporate Affairs and Human Resources and Secretary of the Bank. She is now Senior Vice-President, Institutional Affairs for the Caisse de dépôt et placement du Québec. She sits on the boards of directors of the Conseil des arts et des lettres du Québec and the Arion Ensemble.

1990

Georges Hébert

President Prosys-Tec Inc.

Georges Hébert, director of the Bank since 1990, has long been active in the transport sector. Notably he was president of Clarke Transport Inc. before acquiring, in 1988, J.A. Provost Inc., a supplier of home and commercial security systems. He sits on various boards of directors among which is MDS Aerospace.

Mr. Jean-Guy Desjardins and Mr. Réjean Gagné, absent from the photo, resigned from the Board of Directors in March 2003 and July 2003 respectively. Ms. Suzanne Masson left the Bank and the Board at the end of the fiscal year.