

# USING OUR STRENGTH

2004 ANNUAL REPORT

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**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 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.  
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# FOCUSING OUR STRENGTH



FOLLOWING OUR STRATEGIC REVIEWS OF THE PAST FEW YEARS, WE HAVE DEVELOPED A LONG-TERM PLAN TO ENSURE THE BANK'S ONGOING SUCCESS AND PROFITABILITY. IT FOCUSES OUR STRENGTHS ON AREAS WHERE WE BELIEVE WE HAVE OR CAN DEVELOP COMPETITIVE ADVANTAGES OVER OTHER BANKS AND FINANCIAL INSTITUTIONS. ONE SIGNIFICANT ACTION WAS TO CONSOLIDATE ALL OUR RETAIL BRANCH OPERATIONS IN QUEBEC. BUT AS YOU WILL SEE, THE PLAN HAS INSPIRED A HOST OF OTHER PROMISING INITIATIVES. IT'S A GOOD PLAN. IT'S A SOUND PLAN. AND WE WILL STICK WITH IT.

# STRENGTH OF HEART



ALL OUR EMPLOYEES, FROM THE BANKING FLOOR TO TOP MANAGEMENT, ARE DEDICATED, HIGHLY MOTIVATED INDIVIDUALS WHO ARE SOLIDLY IN FAVOUR OF THE BANK'S NEW DIRECTION AND LONG-TERM PLAN. THE SUCCESS OF OUR ENTREPRENEURSHIP PROJECT WHERE EMPLOYEES BECOME OUR FRONT-LINE AMBASSADORS CLEARLY DEMONSTRATES THIS STATE OF MIND. WE KNOW THAT OUR EMPLOYEES ARE OUR GREATEST ASSET, AND MANAGEMENT IS DETERMINED TO CONTINUE TO BUILD A HEALTHY AND HARMONIOUS RELATIONSHIP WITH THEM.

# GROWING STRENGTH



AS PART OF OUR COMMITMENT TO GROWTH IN QUEBEC, WE WILL HAVE OPENED 5 NEW BRANCHES IN THE PROVINCE BY THE TIME YOU RECEIVE THIS REPORT, WITH MORE NEW LOCATIONS TO OPEN IN THE YEARS TO COME. THIS IS ONLY ONE OF OUR STRATEGIES TO PURSUE AND PROMOTE GROWTH, INCLUDING MAINTAINING OUTSTANDING CAPITAL RATIOS AND ENTERING INTO A LONG-TERM CONTRACT TO SIGNIFICANTLY INCREASE THE NUMBER OF ATMS UNDER THE BANK'S BANNER.



# STRENGTHENING RELATIONSHIPS



COMMERCIAL BANKING IS ONE OF THE BANK'S MOST IMPORTANT SECTORS OF ACTIVITY AND ONE WHERE WE STRIVE TO CONTINUE TO IMPROVE. INDEED, A RECENT NATION-WIDE SURVEY RANKED THE BANK AS A LEADER IN TERMS OF CUSTOMER SATISFACTION AMONG ALL CANADIAN FINANCIAL INSTITUTIONS. ESPECIALLY APPRECIATED WERE THE BUSINESS RELATIONSHIPS CLIENTS HAD WITH THEIR ADVISORS: HIGH MARKS FOR THE WAY THEY WERE TREATED, BUSINESS UNDERSTANDING, AND AVAILABILITY. WE'RE CERTAINLY ON THE RIGHT TRACK – AND WE INTEND TO STAY THE COURSE.

# STRENGTH THROUGH SIMPLICITY



WE ALWAYS ADD A PERSONAL TOUCH TO FACILITATE BANKING. A RECENT STUDY COVERING FINANCIAL INSTITUTIONS IN QUEBEC SHOWED THE BANK OUTSCORED THE COMPETITION'S AVERAGE ON RETAIL CUSTOMER SATISFACTION. CUSTOMERS ESPECIALLY APPRECIATED THE KNOWLEDGE AND PERSONAL APPROACH OF THEIR ADVISORS. AND MORE THAN 75% OF THEM WERE PREPARED TO RECOMMEND US AS THEIR BANK OF CHOICE. THAT'S THE KIND OF CHOOSINESS WE HEARTILY APPROVE OF.

# INNOVATIVE STRENGTH



COFFEE, TEA, AND YOUR BANK STATEMENT? IT'S A NEW UNDERTAKING IN MONTREAL, TEAMING UP THE BANK WITH A VAN HOUTTE CAFÉ-BISTRO. AND JUST ONE OF A HOST OF NOVEL INITIATIVES INTENDED TO MAKE THE BANK THE INNOVATIVE LEADER IN QUEBEC BANKING. AN AGGRESSIVE RETURN TO ADVERTISING IN MULTIPLE MEDIA. A NEW ARCHITECTURAL LOOK FOR OUR BRANCHES. AS WELL AS OUR B2B TRUST 100% ACCELERATOR LOAN. NOW THAT'S WAKING UP AND SMELLING THE COFFEE.



**FROM STRENGTH  
TO STRENGTH**

# MESSAGE FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

**THROUGHOUT 2004, LAURENTIAN BANK'S BOARD OF DIRECTORS, MANAGERS AND EMPLOYEES FOCUSED THEIR ENERGIES AND RESOURCES ON THE IMPLEMENTATION OF THE INITIAL MEASURES OUTLINED IN THE BANK'S BUSINESS PLAN ADOPTED TOWARDS THE END OF 2003.**

This plan – whose foremost objectives are to concentrate activities in areas where we hold a leading position, and to further grow in order to improve efficiency and results – represents a veritable turning point in the Bank's development.

A new business plan of this magnitude calls for the unfailing support of everyone involved and concerned by its implementation. I am proud to say that our plan gave rise to a large mobilization throughout the Bank's organization. Managers and employees alike took this challenge to heart and seized the opportunity to contribute, in a concrete manner, to the Bank's growth and success.

The Bank is eager to nourish this spirit of cooperation and teamwork, and we put great stock in the continuing improvement of our relations with all our employees. To this end, various initiatives have been undertaken during the past year and already proven to be rewarding. We are determined to foster such a win-win relationship, in the short term as well as in the long term, as it will benefit both management and employees, and ultimately our clients and shareholders.

The measures put in place during fiscal 2004 within the framework of our business plan have shown early signs of promising success. These early indicators attest to the relevance of our plan and to its impact on the Bank's development.

The past year also brought to light some of the challenges we must take up toward the full realization of our business plan's objectives. For one, its implementation

unfolded during a period in which financial institutions throughout Canada were engaged in a fierce competition, particularly in the commercial and retail markets. Moreover, various factors – some of which were beyond our control – have hampered some of our initiatives and, consequently, the expected growth of our volumes of business.

The key to the improvement of the Bank's results is now to pursue our business plan with the same dedication and determination as were shown throughout this first year. We must adhere resolutely to our strategy, dedicate our energy and resources to its continuing implementation and maximize the early returns of our initiatives.

## **OUR STEADFAST DETERMINATION**

The Bank's business plan stems, in a large measure, from our decision to reposition and refocus our activities in those markets and in those market niches where the Bank holds distinctive advantages and can compete efficiently with other financial institutions. The results of the Retail Financial Services and Laurentian Bank Securities, in particular, attest to the soundness and to the relevance of this fundamental orientation.

The Bank's business plan is also supported by our steadfast determination to manage the Bank's affairs in a rigorous and efficient manner in order to improve its profitability, in the short and long terms, and grow shareholder value on a sustainable basis. In this regard, our continuing cost reduction efforts and a host of other financial and organi-

**THE BANK'S BUSINESS PLAN IS ALSO SUPPORTED BY OUR STEADFAST DETERMINATION TO MANAGE THE BANK'S AFFAIRS IN A RIGOROUS AND EFFICIENT MANNER IN ORDER TO IMPROVE ITS PROFITABILITY, IN THE SHORT AND LONG TERMS, AND GROW SHAREHOLDER VALUE ON A SUSTAINABLE BASIS.**

zational initiatives designed to ensure a steady growth in revenue have had a positive impact on the Bank's results.

Among other cost reduction measures adopted in 2004, for instance, the Bank decided to redeem outstanding preferred shares and issue new preferred shares, at a lower cost. The redemption of all Debentures Series 7 will further translate into tax savings and contribute to the reduction of the Bank's cost of capital. These initiatives moreover enable the Bank to maintain strong capital ratios and continue improving its capital structure.

Credit quality is another area where a proactive management approach is proving successful. Several measures have been introduced in this regard to improve, among other things, the overall performance of our commercial loans portfolio. As a result, the level of impaired loans has decreased by over 30% in 2004 and net impaired loans have shrunk from \$22 million in 2003 to minus \$13 million in 2004.

#### **OUR DEFINING STRENGTHS**

Our commitment to manage the Bank's affairs in the most rigorous manner and to monitor its day-to-day operations as closely as possible goes hand-in-hand with our commitment to leverage the Bank's defining strengths in order to grow each of our business lines efficiently and profitably.

In other words, through the implementation of our business plan, we are strengthening our experience and expertise as managers and operators; we are continuously

improving our skills and competence in both areas and, thereby, bringing to the fore the distinctive features of the Bank.

Our business plan is quite explicit in this regard and, throughout fiscal 2004, several initiatives have been implemented that will contribute, directly and indirectly, to the attainment of our performance objectives and to the enhancement of our position in our core market, Quebec, and in our privileged market niches.

Foremost, the *Entrepreneurship* project, now expanded to the Bank's entire retail network, has been instrumental in mobilizing managers and employees to improve the performance of each of our retail branches. As they gain a greater degree of autonomy as well as a greater sense of accountability, employees participate more fully in the Bank's activities and assume accrued responsibility with regard to its long-term development.

The development of this entrepreneurial spirit enables us to build on one of the Bank's foremost strengths – quality of service – and enhance it with distinctive features, such as simplicity, flexibility and personalized attention. Moreover, the positive impact of this entrepreneurship, as embodied in our retail branches, is already measurable, as evidenced by the success of our recent Visa, RRSP and mortgage loans campaigns.

The Retail Financial Services business plan has so far been executed with as much dynamism as positive results. Five new branches will have opened by the time this Annual



RAYMOND  
McMANUS  
PRESIDENT AND  
CHIEF EXECUTIVE  
OFFICER

**THE POSITIVE REACTION OF OUR CLIENTS, IN BOTH THE RETAIL AND COMMERCIAL SECTORS, AS WELL AS THE HEIGHTENED NOTORIETY GAINED BY THE BANK IN ITS PRINCIPAL MARKETS, REINFORCE OUR COMMITMENT TO THE FULL REALIZATION OF THE INITIATIVES ADOPTED UNDER THIS PLAN.**

Report is published. Simultaneously, some 12% of our retail branches have gone through a major design overhaul. This drive, which will gain momentum in the coming months, is designed to enhance the Bank's visibility and also to expand our retail network, particularly in those Quebec municipalities with booming demographics.

To support these actions, the Bank launched a new advertising campaign in January 2004, under the theme DARE, which has noticeably raised our notoriety in all of our markets. Another initiative that has garnered significant attention, from both the media and our clients, is the inauguration of our Espresso Bank-Café in the Outremont borough of Montreal. Operating in partnership with Van Houtte Café, a leader in food services in Quebec, this innovative concept stands as a veritable showcase for our values of proximity and quality of service.

Commercial financial services are another area where the Bank stands out as a quality provider of products and services, and where it enjoys a solid reputation from which we can continue building our client base and improving our profitability. Indeed, a recent independent survey has shown that 93% of our clients in Quebec and 89% of our clients in Ontario, as a whole, are satisfied with the range of products and services offered by the Bank. Moreover, Commercial Financial Services recorded a substantial improvement in the credit quality of its commercial loan portfolio for fiscal 2004, thereby contributing very positively to the Bank's financial condition.

The newly privatized B2B Trust, for its part, further consolidated its business relations with independent financial advisors through a leading line of products and services, and contributed to the enhancement of the Bank's presence across Canada. These assets, as well as a strong equity market, will allow B2B Trust to continue improving its performance. Finally, the contribution of our Wealth Management and Brokerage business line, more specifically Laurentian Bank Securities, was superior to the financial objectives set in our business plan.

**OUR LONG-TERM COMMITMENT**

More than a year after its adoption, our business plan – in its general principles as well as in its specific measures – has proven as sound and relevant as ever. The Bank's directors, managers and employees fully support its objectives and, most importantly, contribute actively to its implementation within our day-to-day operations.

The positive reaction of our clients, in both the retail and commercial sectors, as well as the heightened notoriety gained by the Bank in its principal markets, reinforce our commitment to the full realization of the initiatives adopted under this plan.

In line with this commitment, two major initiatives were announced toward the end of fiscal 2004. On November 4, 2004, the Bank concluded an agreement whereby Industrial Alliance Insurance and Financial Services Inc. will acquire all of the shares of BLC-Edmond de Rothschild Asset Management Inc. The transaction, completed on December 31, 2004, also provides for the Bank to continue to distribute the R Funds over the next 10 years. Moreover, on November 9, 2004, the Bank announced the redemption of all of its Debentures, Series 8, which will allow it to reduce its cost of capital for the future.

We are keenly aware that the positive impact of our business plan on the Bank's results will not be fully realized as early as we had hoped and expected. Nevertheless, we are confident that this plan is the right plan and we will not deviate from our commitment to implement it efficiently and thoroughly.

We are just as confident that the Bank and its four business lines are on the right track to achieve their performance and financial objectives, and to enhance shareholder value in a sustainable manner.

The support and contribution of our employees, clients and shareholders are the foundations of this confidence and I wish to thank every one of them for their continuing commitment to the future and to the success of Laurentian Bank of Canada.





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

## MESSAGE FROM THE CHAIRMAN OF THE BOARD

2004 has been quite a busy year for the Laurentian Bank of Canada. Indeed, in the wake of its repositioning, the Bank undertook numerous initiatives and completed several significant transactions.

All this activity has enabled the Bank, on the one hand, to better channel its energy in those sectors where it can really distinguish itself from its competitors. On the other hand, it has also enabled the Bank to consolidate its foundations as a solid financial institution, in order to further its growth in the medium and long terms. In a word, the Board of Directors and myself are convinced that, within the framework of the Bank's business plan, these initiatives and transactions will have a positive impact on employees, clients and shareholders alike.

Although the short-term results of the implementation of this business plan did not measure up to our expectations, the Bank's repositioning was nevertheless imperative. In our present competitive environment, the members of the Board of Directors and the members of the Management Committee are of the opinion that the Bank's business plan must be supported and carried out with determination and focus.

Throughout the year moreover, the Board of Directors has steadfastly played its role as the representative of the Bank's shareholders and advocate of their interests. This role calls for a vigilant oversight of the Bank's evolution, with regard to the planning of strategies and their execution, as well as to the monitoring of results. The members of the Board of Directors thus carry on one of the Bank's foremost traditions, which is to stay as vigilant as possible with regard to the observance of exemplary corporate gov-

ernance rules and policies. In that regard, the Laurentian Bank of Canada remains one of the most reputable institutions in Canada.

In this business environment, the members of the Board of Directors represent important complementary resources, adding to the expertise of the Management Committee members. The sheer diversity of their competence and experience offers a rich and relevant perspective on the overall management of the Bank's operations, as well as on the specific strategies adopted for each of its sectors.

I wish to personally express my thanks to each of the members of the Board of Directors for their active participation and for their strategic input. In 2004, Christiane Germain left the Board of Directors where she had been sitting since 2001. I wish to thank her for her invaluable collaboration. It gives me great pleasure moreover to announce the nomination of a new director, namely Carmand Normand, Chairman of the Board, Chief Executive and Investment Officer at Addenda Capital Inc.

I also wish to underline the vision and pragmatism evidenced by the members of the Bank's Management Committee. They applied much energy in deploying efficient strategies, in accordance with the fundamental principles of our business plan, all within a framework of discipline and rigour.

On behalf of the Board of Directors, I therefore wish to reiterate our support to our President and Chief Executive Officer, Raymond McManus, and to the members of our Management Committee. They manage Laurentian Bank's destiny with considerable determination and competence, and they fully deserve our trust.

# FINANCIAL HIGHLIGHTS

IN MILLIONS OF DOLLARS, EXCEPT PER SHARE AMOUNTS	2004	2003	2002
<b>Per common share</b>			
Net income			
Basic	\$ 1.33	\$ 3.33	\$ 1.27
Diluted	\$ 1.33	\$ 3.32	\$ 1.26
Dividends	\$ 1.16	\$ 1.16	\$ 1.16
Book value	\$ 28.78	\$ 28.73	\$ 26.57
Share price			
High	\$ 29.35	\$ 29.25	\$ 41.30
Low	\$ 25.42	\$ 24.91	\$ 25.53
Close	\$ 25.45	\$ 27.75	\$ 28.08
Number of common shares (in thousands)			
Average	23,485	23,416	23,095
End of period	23,511	23,436	23,409
Price/earnings ratio	19.1x	8.3x	22.1x
Market to book value	88%	97%	106%
Dividend yield	4.56%	4.18%	4.13%
<b>Earnings</b>			
Total revenue	\$ 474.0	\$ 629.9	\$ 600.4
Net income	\$ 47.8	\$ 91.9	\$ 44.3
Net income available to common shareholders	\$ 31.3	\$ 77.9	\$ 29.3
Other income			
As a % of total revenue	42.0%	45.5%	42.4%
As a % of average assets	1.22%	1.55%	1.37%
Return on average assets	0.29%	0.50%	0.24%
Efficiency ratio			
Non-interest expenses as a % of total revenue	78.0%	70.1%	67.8%
Return on common shareholders' equity	4.6%	12.4%	4.8%
<b>Balance sheet assets and assets under administration</b>			
Balance sheet assets	\$16,607	\$16,738	\$18,596
Cash resources and securities	\$ 3,331	\$ 3,906	\$ 3,504
Loans, bankers' acceptances and assets purchased			
under reverse repurchase agreements, net	\$12,434	\$12,151	\$14,324
Personal deposits	\$10,454	\$10,509	\$12,008
Assets under administration	\$14,878	\$15,488	\$14,893
Cash resources and securities			
As a % of balance sheet assets	20.1%	23.3%	18.8%
Personal deposits			
As a % of total deposits	81.0%	79.1%	80.2%
As a % of loans, bankers' acceptances and assets purchased under reverse repurchase agreements, net	84.1%	86.5%	83.8%

AS AT OCTOBER 31	2004	2003	2002
<b>Quality of assets</b>			
Net impaired loans			
As a % of loans, bankers' acceptances and assets purchased under reverse repurchase agreements	(0.1)%	0.2%	0.1%
Allowance for loan losses	\$ 140	\$ 163	\$ 218
As a % of gross impaired loans	110%	88%	96%
As a % of gross loans, bankers' acceptances and assets purchased under reverse repurchase agreements	1.11%	1.33%	1.50%
Geographic distribution of loans			
Quebec	65%	64%	53%
Other Canadian provinces	35%	36%	47%
Loan distribution			
Personal	32%	32%	28%
Residential mortgages	48%	46%	49%
Commercial mortgages	5%	6%	7%
Commercial and other	15%	16%	16%
CMHC insured mortgages			
As a % of residential mortgages	51%	57%	61%
<b>Capitalization</b>			
Shareholders' equity, non-controlling interest in a subsidiary and debentures			
	\$1,137	\$1,315	\$1,269
BIS capital ratios			
Tier I	10.5%	10.2%	8.8%
Total capital	14.0%	15.2%	13.5%
Tangible common equity as a percentage of risk-weighted assets			
	7.6%	7.8%	6.7%
<b>Other information</b>			
Number of full-time equivalent employees	3,125	3,159	3,730
Number of branches	153	155	214
Number of automated banking machines	293	284	351

AS AT OCTOBER 31	2004		2003
	QUEBEC	OTHER	TOTAL
Point-of-sale Financing	2,740	5,641	8,381
Brokerage Offices	9	2	11
Business Service Centers	18	10	28
Independant Financial Advisors	3,187	10,480	13,667

# MANAGEMENT COMMITTEE

1994

**Bernard Piché**

Senior Executive  
Vice-President and  
Treasurer, Treasury,  
Capital Markets,  
Wealth Management  
and Brokerage  
Financier for 30 years  
At Laurentian Bank  
for 10 years

2002

**Raymond McManus**

President and Chief  
Executive Officer  
(member of the  
Board of Directors  
since 1988)  
Banker for 44 years  
At Laurentian Bank  
for 16 years

1991

**Robert Cardinal**

Senior Executive  
Vice-President,  
Finance,  
Administration  
and Strategic  
Development and  
Chief Financial Officer  
Chartered accountant  
for 34 years  
At Laurentian Bank  
for 13 years

2003

**Réjean Robitaille**

Executive  
Vice-President,  
Retail Financial  
Services  
Chartered accountant  
and financier for  
21 years  
At Laurentian Bank  
for 16 years

2003

**Lorraine Pilon**

Executive  
Vice-President,  
Corporate Affairs  
and Secretary  
Attorney for 15 years  
At Laurentian Bank  
for 14 years

2003

**André Scott**

Executive  
Vice-President,  
Commercial  
Financial Services  
Banker for 29 years  
At Laurentian Bank  
for 11 years





# CORPORATE GOVERNANCE

## BOARD OF DIRECTORS' COMMITTEES

Within the Canadian banking sector, Laurentian Bank of Canada has often been a front-runner in corporate governance. 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 policies, moreover, are among the most exemplary in the Canadian banking and financial industry.

The Board of Directors has established three committees, to which it has delegated particular responsibilities and functions. Their composition takes into account legislative requirements, best corporate governance practices, and the nature of their mandate. All of the Board of Directors' committees are composed of outside directors who are independent of the Bank's management. On a continuous basis, they all report, both in writing and verbally, on their work to the Board of Directors. Furthermore, the **Audit Committee** and the **Human Resources and Corporate Governance Committee** present, in the management proxy circular, a report on their work for the last completed fiscal year.

The **Audit Committee** reviews, before their submission to the Board of Directors, the annual and quarterly financial statements of the Bank, along with all documents that are part of the annual and quarterly financial disclosures, including press releases on quarterly financial results and Management's discussion and analysis of results of operations and financial condition, as prepared and presented by the Bank's management. Moreover, the committee supports the Board of Directors in its supervisory role on the implementation of appropriate control measures, reviews the performance and the reports of the internal auditor, and considers any financial matter that it deems appropriate or that is referred to it by the Board of Directors.

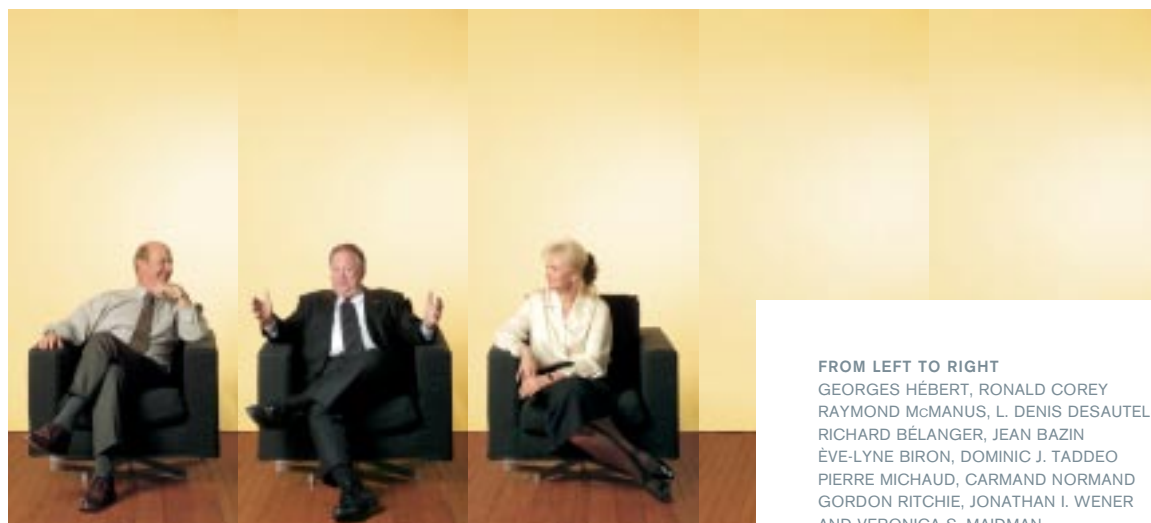
With regard to risk management, the Audit Committee requires that the management implements the appropriate internal control and financial information disclosure mechanisms, and reviews and assesses periodically these mechanisms and ensures that the Board of Directors has pertinent, precise and complete information, and that the Bank complies with regulations. Moreover, the committee is specifically in charge of supervising and evaluating the work, the independence and the fees of the Bank's external auditors. 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.

As part of its human resources function, the **Human Resources and Corporate Governance Committee** ensures that the compensation plan is compatible with the attainment of the Bank's objectives and with the prudent management of its activities and risks, reviews and approves senior executive compensation, assesses the performance of the President and Chief Executive Officer,

in cooperation with the Board of Directors, and reviews the performance of the members of the Management Committee. 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, supervises the various issues that relate to labour relations, including 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, and formulates recommendations to the Board of Directors in this regard. It ensures the proper functioning and the efficiency of the Board of Directors 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 ensures that orientation and training programs for board members are implemented, reviews the compensation of the directors in relation to their responsibilities, ensures that shareholders are properly informed of the Bank's affairs and deals with any major disagreement between the Bank and its shareholders. It also reviews the responsibilities and powers of the Board of Directors' 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, operational and regulatory risks. 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 as well as procedures for examining customer complaints. Annually, it reviews the Code of Ethics governing the Bank's employees and officers, as well as the one governing the Bank's service providers, and approves the rules of conduct and behaviour that take risks 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 of Directors, including loans and advances to employees and officers. Furthermore, in its oversight function, the committee reviews the internal policies of the Bank that relate to risk management, and reviews conflict of interest situations between the Bank and its subsidiaries, along with conflicts concerning any individual who holds a dual position. It also examines the important agreements between the Bank and its subsidiaries.

# BOARD OF DIRECTORS



FROM LEFT TO RIGHT  
GEORGES HÉBERT, RONALD COREY  
RAYMOND McMANUS, L. DENIS DESAUTELS  
RICHARD BÉLANGER, JEAN BAZIN  
ÈVE-LYNE BIRON, DOMINIC J. TADDEO  
PIERRE MICHAUD, CARMAND NORMAND  
GORDON RITCHIE, JONATHAN I. WENER  
AND VERONICA S. MAIDMAN

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, including the Société générale de financement.

2003

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

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, the Fondation Armand-Frappier and of DEL (Développement économique Longueuil).

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

**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 of the Institute of Chartered Accountants of Ontario, and involved with a number of professional committees including the Accounting Standards Oversight Council of the Canadian Institute of Chartered Accountants, Denis Desautels is a recognized Canadian authority on governance. 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., The Jean Coutu Group (PJC) Inc. and CARE Canada.

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, and Vitran Corporation.

2001

**Veronica S. Maidman** Chair Advisory Council, Equifax Canada Inc.  
Veronica Maidman is an executive with outstanding strategic vision and a great capacity to meet challenges in a constantly evolving environment. 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*.

1988

**Raymond McManus** President and Chief Executive Officer, Laurentian Bank of Canada

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

1990

**Pierre Michaud, 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, Bombardier Recreational Products Inc., Gaz Métro Inc. and Old Port of Montreal Corporation Inc. 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 governors of Centraide, the Fondation de l'Hôpital Sainte-Justine and the Fondation du Centre hospitalier universitaire de Montréal (CHUM).

2004

**Carmand Normand** Chairman of the Board, Chief Executive and Investment Officer, Addenda Capital Inc.

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

2003

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

1998

**Dominic J. Taddeo** President and Chief Executive Officer, Montreal Port Authority

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.

1998

**Jonathan I. Wener, O.C.** 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 30 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 Fondation of the Montreal Museum of Fine Arts, the Fondation du maire de Montréal (pour la jeunesse) and The Jewish General Hospital and its Fondation.

# REVIEW OF OPERATIONS

THROUGHOUT THE 2004 FISCAL YEAR, LAURENTIAN BANK OF CANADA HAS MOBILIZED ALL OF ITS RESOURCES AND CHANNELLED ALL OF ITS ENERGY INTO THE MEASURES NECESSARY TO ATTAIN ITS BUSINESS OBJECTIVES. SUCH MOBILIZATION ENSURED THE SUCCESS OF MANY INITIATIVES THROUGHOUT THE YEAR, AND STILL REMAINS A KEY ELEMENT IN THE SUCCESS OF THE BANK'S BUSINESS PLAN.

HOWEVER, THIS PLAN CANNOT BE APPLIED WITHOUT CONSIDERATION FOR EXTERNAL FACTORS. THE OVERALL ECONOMIC CLIMATE, CONSUMER CONFIDENCE, INTEREST RATE FLUCTUATIONS AND THE FIERCE COMPETITION AMONG CANADIAN FINANCIAL INSTITUTIONS HAD AN IMPACT ON THE BANK AND WILL CONTINUE TO IMPACT ITS OPERATIONS.

THE SUSTAINED VIGILANCE OF THE BANK AND OF ITS LINES OF BUSINESS THROUGHOUT THE 2004 FISCAL YEAR CONTRIBUTED TO THE OPTIMAL IMPLEMENTATION OF THE BUSINESS PLAN, AS YOU WILL SEE IN THE FOLLOWING PAGES.



## RETAIL FINANCIAL SERVICES

Following the sale of the Ontario and Western Canada branches in 2003 and the adoption of the new business plan, Retail Financial Services has stepped up its initiatives to increase the Bank's visibility and the level of awareness of the organization in Quebec, where its branch operations are now concentrated, while supporting its indirect financial services nationwide.

These initiatives were guided by the Bank's constant concern for the values that give the Bank and its offer of products and services an ever-growing competitive advantage: continuous improvement of service quality; proximity, to meet the needs of the clients in their immediate environment; simplicity, to offer products and services with easy access and adapted to their particular needs; and flexibility, to be fully attuned to the clients' needs, at all times.

With this in mind, Retail Financial Services shows particular care for the employees who are the "role models" in respecting the quality and values of the Bank, and for the branches that are the Bank's "showcases" in its different business markets.

### ENTREPRENEURSHIP:

#### A NEW MANAGEMENT MODEL

Essentially, the *Entrepreneurship* project revolves around the implementation of a disciplined and decentralized

management method, which promotes the individual and collective role of employees at the branch and local and regional area market level, through various concrete measures to encourage their autonomy, develop their sense of responsibility and acknowledge their contribution to the Bank's growth and development.

Launched in 2003, the *Entrepreneurship* project proved to be a great success. It was decided to expand the project throughout the branch network in fiscal 2004, which translated into a revised structure: each branch is now under the responsibility of a branch manager, and the branches are grouped into 25 local and regional area markets, each reporting to an assistant vice-president.

This structure has proven efficient on different levels. On the one hand, it is a framework that entrusts the employees with a larger share of responsibility in the results of their branch and of their market. On the other hand, it builds on the entrepreneurship of its employees, allowing the Bank to better understand its clientele and to tailor its products and services to the particular needs and expectations of the local and regional area markets. Moreover, to encourage employees and to acknowledge their contribution to the growth and profitability of the organization, the Bank has adopted incentive compensation programs based on the profitability of such markets.

This management method also contributes to the growing satisfaction of the Bank's clients, who benefit

## IN THE FIRST QUARTER OF FISCAL 2005, THE BANK OPENED THE FIRST FIVE OF ITS NEW-CONCEPT “FINANCIAL SERVICES BOUTIQUES” OFFERING A TOTALLY REDESIGNED APPROACH TO BANKING SERVICES.

from the services provided by motivated employees with keen interest in the quality of customer relations.

A number of other measures to promote and to apply the highest standards of quality and excellence have been implemented across the branch network, including continuous training programs, quality service indicators and “mystery shoppers”.

### OPTIMIZATION AND EXPANSION OF THE BRANCH NETWORK

Throughout the year, Retail Financial Services pursued several initiatives as part of the branch network optimization and expansion program. A new permanent and multidisciplinary committee oversees the implementation of the program. Among other responsibilities, the committee is to analyze the profitability and to assess the potential of the existing branch network in order to pinpoint the markets where the Bank could improve its standing through renovating, relocating or merging its branches, and to identify new markets where it could establish its presence by opening new branches.

The *Espresso* Bank-Café is another example of the network optimization and expansion program. A pilot project was launched in September 2004 with the inauguration of the first *Espresso* Bank-Café in Outremont borough of Montreal, which offers a complete line of products and services from the Bank, complemented by café services from Van Houtte Café. This concept, unique in Canada, has attracted a lot of interest and contributes to promoting the Bank's client-friendly approach, and to strengthening the existing client relations and establishing new ones.

The accessibility, proximity and quality of service offered by the Bank to both individuals and businesses ensure its competitive advantage. The Bank will continue to build on these values by opening new branches, especially in fast-growing municipalities, and installing new automatic banking machines.

In the first quarter of fiscal 2005, the Bank opened the first five of its new-concept branches – called “financial

services boutiques” – offering a totally redesigned approach to banking services, in Blainville, Mascouche, Gatineau (Hull), Sainte-Dorothée and La Prairie.

This innovative concept plays up the interaction between the Bank's employees and clients, therefore enhancing the Bank's involvement in the communities where it does business. The new concept is based on the analysis of the best practices in the banking industry and in the retail industry worldwide, and is the result of an in-depth evaluation of the client in-branch experience.

By opening the doors of the new financial services boutiques, the Bank attempts to make the banking experience of its clients more pleasurable, to offer them a destination where they will find answers to their needs and expectations in a warm and welcoming atmosphere. Among the distinct features of such financial services boutiques are service islands (instead of traditional counters), play areas for children, a library zone and a café lounge.

The Bank has also adopted new trademark standards, including its corporate signature (logo design and colours) and certain elements of the branch design to ensure the consistency of its brand image throughout the network.

### MARKETING: LEARN TO DARE

In January 2004, the Bank launched a multimedia advertising campaign under the theme “DARE”. The new campaign dares consumers to step off the travelled roads and to do business with a financial institution that has more to offer than just another bank alternative.

This daring advertising campaign caught the eye of the media and the public right away. It spanned a sequence of ads and marketing activities that continue to promote the Bank, and its products and services among its target clientele.

Moreover, Retail Financial Services made a more systematic use of the data warehouse for relational marketing purposes. Backed by a customer relation management approach, such activities have already proven their efficiency and profitability. The line of business then plans to

## **IN JANUARY 2004, THE BANK LAUNCHED A MULTIMEDIA ADVERTISING CAMPAIGN UNDER THE THEME “DARE”. THE NEW CAMPAIGN DARES CONSUMERS TO STEP OFF THE TRAVELLED ROADS AND TO DO BUSINESS WITH A FINANCIAL INSTITUTION THAT HAS MORE TO OFFER THAN JUST ANOTHER BANK ALTERNATIVE.**

decentralize these tools, handing them over to the branch network. The sector also armed itself with campaign management tools to efficiently manage its initiatives in this domain.

### **DEVELOPMENT OF DISTRIBUTION CHANNELS**

Throughout the 2004 fiscal year, Retail Financial Services focused on developing the Bank's offer of products and services through various distribution channels intended for well-defined target clientele. These activities include forming a new mortgage sales team of about 20 people; appointing five new Quebec managers in the construction domain to ensure the growth of this important business sector; in Quebec, consolidating a team of mortgage brokers in early 2004, and outside Quebec, reinforcing a similar team with a sales manager.

The accessibility of its services continues to be of great importance to Retail Financial Services, which offers a high-quality service, 24 hours a day, 7 days a week through its network of automatic banking machines, its Telebanking Centre and the Bank's Website. With the accessibility of services in mind, the line of business launched a pilot project, under which an “online” advisor was assigned to certain clients to facilitate their banking.

Moreover, Retail Financial Services continues to invest into detection and prevention of electronic fraud, through its 24/7 transaction watch centre.

Finally, Retail Financial Services and Commercial Financial Services are currently working on a mutual project designed specifically for the Quebec micro-business market. The two sectors will review the Bank's offer of products and services and simplify certain business processes to meet the particular needs of this growing clientele.

The sustained efforts of Retail Financial Services produced convincing results in fiscal 2004, as seen from the success of the marketing campaigns and the sales results of RRSP loans, mortgage loans and Visa credit cards. For example, the number of new Visa Gold card-

holders has more than tripled over the year and the number of mortgage commitments was up as well.

### **COMMERCIAL FINANCIAL SERVICES**

The repositioning strategy adopted by Commercial Financial Services two years ago has translated into the business plan that guided its operations throughout the 2004 fiscal year.

As part of this plan, Commercial Financial Services has the mandate to provide basic financial services, complemented by certain products from its partners, to such target clientele as small- and medium-sized businesses in Quebec, medium-sized businesses in Ontario; real estate developers in the main metropolitan areas of Canada; and agricultural producers in Quebec.

Like the other lines of business, Commercial Financial Services has adopted measures to offer services of the highest quality with the focus on efficiency, innovation, availability and personalized approach.

### **SMALL- AND MEDIUM-SIZED BUSINESSES**

Over fiscal 2004, Commercial Financial Services has been given the responsibility to oversee all commercial operations related to the market of small- and medium-sized enterprises (SMEs), which entailed the reorganization of its business operations. The line of business now operates six regional centres in Quebec. Moreover, to offer better solutions to the needs of this particular market segment, it has established three micro-business service centres.

Commercial Financial Services' objective for 2005 is to boost its SME client base and therefore ensure the growth of its assets, while contributing to the Bank's status of a key player in this Quebec market.

The main objective of its strategy in the Ontario SME market is to become recognized as a niche player. In 2005, Commercial Financial Services will launch a pilot project in Kitchener, which will transform its business

## FISCAL 2004 WAS ANOTHER GOOD YEAR FOR COMMERCIAL FINANCIAL SERVICES WITH REGARD TO ITS PERFORMANCE RESULTS IN THE REAL ESTATE MARKET.

centres into commercial branches. In the same year, it will conduct a telemarketing campaign targeting medium-sized businesses in Ontario.

### REAL ESTATE MARKET SECTOR

Fiscal 2004 was another good year for Commercial Financial Services with regard to its performance results in the real estate market. However, slowdown in the construction sector remains a possibility. To ensure the stability of its portfolio, the Bank will adopt a more aggressive approach to term financing. With its expertise and reputation in this market, the line of business expects to increase its presence in Western Canada.

### AGRICULTURAL MARKET SECTOR

The growth potential of the agricultural sector remains very promising, and Commercial Financial Services has the necessary resources to meet, efficiently and effectively, the banking needs of farmers.

For 2005, once again, Commercial Financial Services set an objective to increase the Bank's visibility, while expanding its client base and its assets in the agricultural financing sector.

Therefore, the line of business will widen the geographical scope of its operations and will improve the accessibility of its services in Quebec agricultural sector through new "satellite" branches. Moreover, it will enhance its product line in order to help the Bank stand out among other financial institutions that currently offer services in this market.

In short, Commercial Financial Services is well positioned for efficient growth in 2005.

### B2B TRUST

The decision of the Bank to privatize B2B Trust is undoubtedly one of the highlights of the 2004 fiscal year. This transaction, finalized in the third quarter of 2004, was first and foremost part of the Bank's plan to realize cost

savings, evaluated at \$1 million to \$2 million a year, through eliminating costs associated with the requirements of compliance and corporate governance for public companies.

The B2B Trust line of business is hence determined to pursue its development strategy at the service of intermediaries, all across Canada.

### DISTRIBUTION THROUGH INDEPENDENT FINANCIAL INTERMEDIARIES

B2B Trust considers independent financial intermediaries, through their brokerage firms, one of the main distribution networks. B2B Trust offers an array of products and services, such as investment and RRSP loans, deposits, banking products and administrative services for self-directed plans.

The key event of the 2004 fiscal year with regard to investment loan activities was the launch of *100% Accelerator Loan*. This new loan product offers investors and their financial advisors a streamlined process with simplified credit application, underwriting and processing. Funds are normally made available within 24 hours. This product was enthusiastically received by the investment community and is now among the "star" products of the line of business. Anticipating market tendencies and offering innovative solutions to client needs, B2B Trust strengthened its forefront position in the investment loan market.

In the same segment, B2B Trust has already established its position of a Canadian leader in the market of RRSP loans and of self-directed mortgages, a product that is quickly gaining popularity.

### DISTRIBUTION THROUGH DISTRIBUTION ALLIANCES IN THE INVESTMENT MARKET

B2B Trust believes that distribution alliances with investment companies, such as mutual fund and life insurance companies, are mutually profitable to the business parties and contribute to strengthening its leading position in the investment market.



In the 2004 fiscal year, as the investment loan and mutual fund market was gaining ground, B2B Trust made the most of these powerful distribution alliances.

#### **DISTRIBUTION THROUGH DISTRIBUTION ALLIANCES WITH RETAILERS**

For B2B Trust, distribution alliances with retailers started in 2003 with a marketing agreement with one of the largest retailers in Canada, Canadian Tire Financial Services. Today, B2B Trust supplies a line of credit product that Canadian Tire offers to its clients.

Throughout the 2004 fiscal year, B2B Trust invested significant energy and resources in the implementation and development of this consumer-market product. Particular attention has been given to personal lines of credit, since they represent a relatively new portfolio for B2B Trust, which has to make sure that the processes are adequate to the clients' needs and correspond to its own performance and profitability objectives.

#### **DISTRIBUTION THROUGH DEPOSIT AND MORTGAGE BROKERS**

Besides managing broker deposits as part of its own business, B2B Trust provides business relations and administrative services for deposits on behalf of Laurentian Bank. A leader in this domain, B2B Trust ensured access to this important funding source that accounts for over one-fourth of the Bank's deposits.

At the beginning of 2005, the Bank decided to hand the operations of its Toronto Mortgage Broker Centre over to B2B Trust. Well-known in the domain for the excellence of service, the Centre offers a full range of mortgage lines and loans, and specializes in a few specific products intended for the clientele in the domain of multi-unit housing and multi-purpose buildings.

#### **B2B TRUST: AN OVERVIEW**

The competitive advantage of B2B Trust is directly linked with the expertise and competency of its employees, who

stand apart thanks to their first-hand knowledge of the investment industry and to their capacity to innovate, as well as with the technological tools at disposal of their clients.

In this regard, the 2004 fiscal year validated the success of the electronic platform for online adjudication for RRSP loan applications that was used extensively at over 50% by the partners of B2B Trust during the RRSP campaign.

While ensuring tight cost management and safeguarding revenue growth, B2B Trust will, from now on, prioritize the diversification of its offer of products and services, as well as new agreements with key partners.

## **WEALTH MANAGEMENT AND BROKERAGE**

Laurentian Bank Securities operates four business sectors: capital market, retail brokerage, discount brokerage operations, as well as introducing broker.

Laurentian Bank Securities, a full-service security broker, puts the expertise and the know-how of its team of experienced managers and advisors at the service of governments, institutions and private individuals. It is well known and highly regarded in the Canadian brokerage domain for its research service, trading desks and advanced technology.

Specialized in corporate financing, Laurentian Bank Securities offers institutions, governments and retail clientele a full array of debt financing instruments. Its retail brokerage service, offered to all clients, through a reference agreement with the branch network, is a valuable addition to the Bank's offer of products and services, which also includes the Private Portfolio service for the more wealthy among its clients.

The 2004 fiscal year was exceptionally good for Laurentian Bank Securities, which registered a considerable increase in its contribution to the Bank's financial results and a substantial growth of its net revenue.

The results can be attributed to the efforts of the organization to develop and fine-tune the distribution

network, as well as to the measures implemented to rationalize and optimize its operations. Laurentian Bank Securities has enhanced its product offer and developed different functions of its Internet-based transactional platform in order to promote its discount brokerage service.

In fiscal 2005, Laurentian Bank Securities plans to pursue the expansion of its distribution network, to improve its online brokerage service and to strengthen its cooperation with the Bank's branch network through a reference agreement.

The Wealth Management and Brokerage line of business also included the joint-venture BLC-Edmond de Rothschild Asset Management Inc. specializing in mutual fund portfolio management and providing private and institutional financial management services.

However, at the beginning of fiscal 2005, the Bank announced an agreement whereby Industrial Alliance Insurance and Financial Services Inc. acquires all of the shares of BLC-Edmond de Rothschild Asset Management Inc. This transaction, completed on December 31, 2004, also includes a 10-year distribution agreement, in accordance with which the Bank can continue offering the R Fund family mutual funds to its clients through its different distribution channels.

The sale of the BLC-Edmond de Rothschild Asset Management Inc. is part of the measures necessary to execute the Bank's business plan. This agreement completes the Bank's main reorientation actions.

On the one hand, the gain that the Bank realized thanks to this agreement, the amount of which is subject to certain conditions, will provide additional resources that the Bank can use to further strengthen its financial position and to proceed with the execution of its business plan, with all confidence.

On the other hand, it will enhance the offer of products and services of the Bank's network, giving its employees an additional competitive asset in quality service to their clients.

## CORPORATE SECTORS

Besides the four lines of business, the organizational structure of the Bank includes four corporate sectors: Treasury and Financial Markets; Finance, Administration and Strategic Development; Credit; Corporate Affairs, Human Resources and Secretariat.

Each of these sectors made an invaluable contribution to the development of the Bank's business plan and, throughout fiscal 2004, continued to support the lines of business in their day-to-day operations and to participate in the implementation and seamless application of measures aimed at ensuring the growth of profitability for the Bank.

### TREASURY AND FINANCIAL MARKETS

In the unfavourable market conditions with fluctuating interest rates, the Treasury and Financial Markets sector had to show a lot of determination and rigour in order to offset the narrow interest margins, in particular at the end of 2004.

Since the main role of the Treasury and Financial Markets sector is to manage the Bank's capital, it has been closely involved in the preparation and conclusion of the transactions that marked fiscal 2004 and the beginning of fiscal 2005.

Moreover, this sector also invested significant efforts into the review and evaluation of the Bank's policies and procedures related to the distribution of assets and to matching cash flows. Based on the results, the Treasury and Financial Markets sector will make certain adjustments over the 2005 fiscal year.

The sector also ensures a dynamic and rigorous management of all the elements linked to credit ratings, despite the Bank's relatively limited needs in institutional financing.

### FINANCE, ADMINISTRATION AND STRATEGIC DEVELOPMENT

This corporate sector, whose mandate is to support the day-to-day operations of the Bank and to participate in the

## IN FISCAL 2005, LAURENTIAN BANK SECURITIES PLANS TO PURSUE THE EXPANSION OF ITS DISTRIBUTION NETWORK, TO IMPROVE ITS ONLINE BROKERAGE SERVICE AND TO STRENGTHEN ITS COOPERATION WITH THE BANK'S BRANCH NETWORK.

development of its lines of business and of its subsidiaries, includes five departments: Information Technology; Real Estate Management and Procurement; Administrative Services; Finance; Investor Relations and Integrated Risk Management.

To ensure the optimal management of the Bank's significant technology investments, the *Information Technology* department reviewed and assessed all technology assets, as well as implemented and ensured the application of preventive measures to avert and respond to faults and eventual failures of electronic and information systems. In 2004, this department prepared and distributed a strategic technology plan and an information security master plan to boost systems' security and to offer better solutions to the business needs of the Bank.

The *Real Estate Management and Procurement* department plays a central role in the optimization of the Bank's branch network and of the new financial services boutiques. While continuing to support the development of the network in fiscal 2005, this service set an objective to reduce lease management costs for the branch network and corporate facilities, as well as to limit and optimize vacant space. It also mapped out a three-year master plan for real estate operations with the objective to support the Bank's strategic plan.

*Administrative Services* has been closely involved in finalizing the transfer of the Ontario and Western Canada branches, and made sure that this major operation is completed to the satisfaction of the buyer and the clients. In the 2005 fiscal year, this service plans to optimize various administrative operations, including outsourced compensation activities, and to finalize the application of performance indicators to be used in budgeting and budget follow-up.

The *Finance* department worked closely on the major transactions of the 2004 fiscal year, including the sale of BLC-Edmond de Rothschild Asset Management Inc. and the distribution agreement with Industrial Alliance, among others. This service plays a crucial role in tax planning, strategy and control, in particular with respect to the

Bank's business plan. Therefore, it ensures a continuous control over various elements of the business plan and could quickly intervene should the Bank deviate from its objectives. In 2005, the Finance department will play an active role in the profitability of the Bank's various lines of business through such measures as analysis tools and models, and rigorous cost control.

The business plan attracted the attention of the partners, shareholders and investors, who have an interest in it or who closely follow the Bank's development. Throughout the 2004 fiscal year, *Investor Relations* used various communication means to provide accurate and exhaustive information to all concerned parties.

The Bank's procedures and operations will be largely affected by the New Basel Capital Accord which will apply soon. The Integrated Risk Management department is responsible for the coordination of the in-depth analysis of the Accord, as well as of the Bank's capital and operating costs to ensure its rigorous and optimal implementation at the Bank.

### CREDIT

The Credit department manages all approval mechanisms with regard to commercial and personal consumer loans. All approval processes are centralized. The Credit sector also relies on the risk management team, which is responsible for the implementation and management of scorecards to be used for the approval of loans and for the follow-up of portfolios. The sector is responsible for the collection and recovery of impaired loans, through its collection and recovery centre. It also employs specialists with expertise in company turnaround and commercial recovery.

### CORPORATE AFFAIRS, HUMAN RESOURCES AND SECRETARIAT

The Corporate Affairs, Human Resources and Secretariat sector includes Human Resources, Internal Audit, Legal Affairs, Corporate Security, Public Affairs and Communications, and Secretariat.

## THE BUSINESS PLAN ATTRACTED THE ATTENTION OF THE PARTNERS, SHAREHOLDERS AND INVESTORS WHO CLOSELY FOLLOW THE BANK'S DEVELOPMENT.

Throughout the year, *Human Resources* continued to ensure optimal management of all related aspects for the whole of the Bank. Besides its on-going management of allocation and hiring of human resources, compensation programs, and development and training of personnel, the Bank has persisted in improving its relations with the Union representing the Bank's unionized employees. At the beginning of fiscal 2005, the arbitrage tribunal that was commissioned to determine the contents of the next collective agreement gave a partial ruling on the monetary aspects of the agreement. The final arbitration with respect to all other aspects is expected in early 2005.

The mandate of the *Internal Audit* department is to provide a systematic and structured approach allowing the Bank to evaluate and improve its risk management processes, control measures and corporate governance. It reports directly to the Audit Committee of the Board of Directors, which ensures the independence and objectivity of the Bank's internal auditors, the two fundamentals of the quality and credibility of their work. In 2005, this sector will form a new function of *Counsel and Support* to offer competency-building tools to the Bank's managers and to increase their contribution to the rigorous management of operations in their responsibility.

Throughout fiscal 2004, the *Legal Affairs* sector contributed to the preparation and implementation of the

strategic agreements signed by the Bank, all the while ensuring conformity of such transactions and of the Bank's operations to the applicable laws, regulations and guidelines issued by governments and regulatory authorities.

The *Corporate Security* department ensures that the Bank complies with legislative obligations with respect to reporting suspicious operations to the Financial Transactions Reports Analysis Centre of Canada, minimizes the risk of the Bank's involuntary association with money laundering activities, fights fraud and safeguards the security of the clients, the personnel and the property of the Bank.

Besides providing effective and timely communication of information to various audiences, the *Public Affairs and Communications* department also manages sponsorship and donation programs of the Bank. All donations are managed through the Fondation Banque Laurentienne. As a responsible corporate citizen, each year the Foundation gives substantial amounts of money back to the community, in particular for the health care, education and arts programs, as well as for community organizations.

The *Secretariat* plays an essential supporting role for the Board of Directors by performing tasks related to the secretariat of the Bank and of its subsidiaries.

The financial results of each line of business are presented in Note 23 of the consolidated financial statements, on page 101 of the Annual Report.