



**LAURENTIAN BANK  
OF CANADA**

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**PRESS RELEASE**

For immediate release

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**DECEMBER 9, 2005**

**LAURENTIAN BANK REPORTS NET INCOME OF \$ 65.3 MILLION FOR 2005, COMPARED TO \$39.9 MILLION FOR 2004**

For the year ended October 31, 2005, Laurentian Bank reported net income of \$65.3 million or \$2.26 diluted per common share, compared to \$39.9 million or \$1.33 diluted per common share in 2004. Return on common shareholders' equity was 7.8% in 2005, compared to 4.6% in 2004. Income from continuing operations stood at \$55.6 million or \$1.85 diluted per common share for 2005, excluding income from discontinued operations of \$9.7 million, related to the sale of BLC-Edmond de Rothschild Asset Management Inc. Net income for 2004 stood at \$35.9 million or \$0.97 diluted per common share, excluding the effects of certain significant items, as detailed on page 4.

For the fourth quarter ended October 31, 2005, the Bank reported net income of \$21.6 million or \$0.79 diluted per common share, compared to \$7.1 million or \$0.17 diluted per common share for the fourth quarter of 2004. Return on common shareholders' equity was 10.6% for the fourth quarter of 2005 versus 2.4% for the same quarter of 2004. For the fourth quarter of 2005, results from continuing operations stood at \$17.4 million or \$0.61 diluted per common share.

Commenting on the results for the year, Mr. McManus, President and Chief Executive Officer stated: "I am very satisfied with the progress made in 2005, particularly with regards to the implementation of our business plan and to our improved relations with our union. We have exceeded all our earnings objectives and have been successful in growing our loan and deposit portfolios. These results are a testimony to the strong commitment and dedication of all our employees. Our objectives for 2006 assume that we will maintain this momentum going forward. However we need to continue to stay focused, as the competitive and economic environments remain challenging."

## DETAILED FINANCIAL REVIEW

This section presents a summary analysis of the Bank's financial condition and operating results for the year ended October 31, 2005, as well as for the fourth quarter of 2005, as presented in the unaudited interim consolidated financial statements. A detailed analysis by management of the Bank's financial condition and operating results for the year ended October 31, 2005 will be published upon the completion of the audited consolidated financial statements and the annual report to shareholders for 2005.

The analyses provided herein generally refer to results from continuing operations for 2005, which exclude the favorable effect of the sale of the BLC-Edmond de Rothschild Asset Management joint-venture.

### 2005 performance and objectives for 2006

The following summarizes the Bank's performance with regards to its 2005 objectives. All objectives were met, except for the Total capital ratio, which nonetheless remains comparable to the Canadian banking industry. The table also presents management's objectives for 2006.

	2005 objectives	2005 performance	2006 objectives
Return on common shareholders' equity	4.5% to 5.5%	7.8% [6.4% from continuing operations]	7% to 8%
Diluted net income per share	\$1.30 to \$1.60	\$2.26 [\$1.85 from continuing operations]	\$2.05 to \$2.35
Total revenue	+ 4% to 6% [\$480 to \$490 million]	+ 9% \$502 million	+ 4% to 6% [\$522 to \$532 million]
Efficiency ratio	79% to 77.5%	76.1%	75% to 73.5%
Capital ratios			
Tier 1	minimum of 9.5%	10.2%	minimum of 9.5%
Total	minimum of 13.0%	12.3%	minimum of 12.0%
Credit quality (loan losses as a % of average assets)	0.25% to 0.22%	0.24%	0.25% to 0.22%

The specific hedging and investment strategies initiated in 2004 to improve net interest income have contributed to reach earnings objectives. Furthermore, the strong growth performance of the Retail Financial Services and B2B Trust segments and the cost savings resulting from the capital structure realignment also helped to exceed targets. The ability of the Bank to grow its loan portfolios and the capital transactions undertaken in 2005 have however affected the Total capital ratio during the year. Management believes the current capital ratio is more appropriate, considering the balance between the level of equity and profitability, and therefore has set a minimum level of 12.0% for 2006.

## **Analysis of consolidated results**

For the year ended October 31, 2005, Laurentian Bank reported net income of \$65.3 million or \$2.26 diluted per common share, compared to \$39.9 million or \$1.33 diluted per common share in 2004. Return on common shareholders' equity was 7.8% in 2005, compared to 4.6% in 2004. Income from continuing operations stood at \$55.6 million or \$1.85 diluted per common share for 2005, excluding income from discontinued operations of \$9.7 million. Net income for 2004 stood at \$35.9 million or \$0.97 diluted per common share, excluding the effects of the significant transactions detailed on page 4.

Income from continuing operations has improved significantly year over year. As mentioned above, the improvement is largely attributable to the tighter asset and liability management strategies initiated since 2004, the capital structure realignment, as well as the growth in loan portfolios. Discontinued operations, resulting from the sale of the BLC-Edmond de Rothschild Asset Management Inc. joint-venture, as detailed below, have also contributed to the overall increase in net income.

For the fourth quarter ended October 31, 2005, the Bank reported net income of \$21.6 million or \$0.79 diluted per common share, compared to \$7.1 million or \$0.17 diluted per common share for the fourth quarter of 2004. Return on common shareholders' equity was 10.6% for the fourth quarter of 2005 versus 2.4% for the same quarter of 2004. For the fourth quarter of 2005, income from continuing operations stood at \$17.4 million or \$0.61 diluted per common share. The increase in profitability, compared to the fourth quarter of 2004, is largely attributable to same items as detailed above and a lower tax expense resulting from adjustments due to favorable results.

### *Discontinued operations – Sale of the BLC-Edmond de Rothschild Asset Management Inc. joint-venture.*

On December 31, 2004, Industrial Alliance Insurance and Financial Services Inc. acquired all of the shares of BLC-Edmond de Rothschild Asset Management Inc. previously held by Laurentian Bank and La Compagnie financière Edmond de Rothschild Banque.

As reported in the previous quarters, a portion of the proceeds was subject to recovery clauses, based on net annual sales of mutual funds, and as a result a \$26.2 million portion of the gain on sale was deferred. As net sales, as of the end of November 2005, significantly exceeded the minimum requirements of \$50 million, a gain of \$5.2 million (\$4.4 million, net of income taxes) was recognized during the fourth quarter. Note 2 to the interim consolidated financial statements provides the full details of the transaction.

**Total revenue** was \$502.1 million in 2005, compared with \$466.1 million in 2004. While results for 2005 can generally be viewed as normal operating revenues, results for 2004 included the favorable impact from asset disposals and other transactions, as shown in the table on page 4, including the effect of the reclassification of the dividend payments on Class A Preferred Shares Series 7 and 8, as a result of the application of the revised accounting policy on financial instruments (see note 1 to the unaudited interim consolidated financial statements). Excluding these items, revenues for 2004 would have stood at \$461.1 million for a year over year increase in revenues of approximately \$41.0 million or 9%.

The Bank's net interest income improved to \$325.7 million in 2005, compared to \$267.2 million in 2004, or \$275.7 million excluding the effect of the significant transactions detailed below. This improvement was mainly a result of the stricter asset and liability management strategies pursued in 2005, the capital structure realignment and the effect of the reclassification of the dividends in 2004. Net interest margin improved from 1.64% in 2004 to 1.99% in 2005.

### Significant items affecting results of 2004

(in millions of dollars, except per share amounts)		Items, before income taxes	Items, net of income taxes	Diluted, per common share
		[favorable (unfavorable) in 2004]		
<b>Items affecting net interest income</b>				
Interest expense resulting from the reclassification of dividends and of the redemption premium on Class A Preferred Shares Series 7 and 8, including the overlap in dividends	Q1/2/3	\$(7.4)	\$(7.6)	\$(0.32)
Costs associated with the redemption of the Debentures Series 7	Q3	(1.1)	(0.7)	(0.03)
		(8.5)	(8.3)	(0.35)
<b>Items affecting other income</b>				
Sale of the Ontario and Western Canada Visa loan portfolio	Q2	\$ 4.4	3.8	0.16
Sale of the debit and credit card transaction processing activities and certain rights to service mutual funds accounts	Q3	5.6	4.6	0.20
Review of the provisions related to the Ontario and Western Canada branches sold during the fourth quarter of 2003	Q3	3.5	2.4	0.10
		13.5	10.8	0.46
<b>Items affecting income taxes</b>				
Increase in future tax assets arising from the increase in Ontario income tax rates, net of non-controlling interest	Q1		1.5	0.06
			1.5	0.06
<b>Effect on net income</b>			<b>\$4.0</b>	<b>\$0.17</b>
Effect of reclassification of dividends on Class A Preferred Shares Series 7 and 8				
	Q1/2		3.9	0.17
Partial dividend on Class A Preferred shares Series 10	Q3		0.5	0.02
<b>Effect on net income available to common shareholders</b>			<b>\$8.4</b>	<b>\$0.36</b>

Other income was \$176.4 million in 2005, compared with \$198.9 million in 2004. Excluding the effect of the sale of assets in 2004, other revenues would have stood at \$185.4 million. The net \$9.0 million decrease in 2005 is mainly attributable to a decline in treasury and financial markets revenues, following a change in liquidity management, aimed at reducing the volatility of other revenues to the benefit of net interest margins, and evolution in financial market and regulatory environments. However, this decrease was partially offset by an increase in securitization activities, as a result of the growth in loan portfolios in 2005.

Total revenue for the fourth quarter amounted to \$133.8 million, compared to \$108.9 million for the same quarter in 2004. The improvement results mainly from the increase in net interest income, as well as from the additional revenues from securitization and treasury and financial market activities.

**The provision for credit losses**, amounted to \$40.0 million for 2005, the same level as for 2004. However, the provision for 2004 included the favorable impact of a \$12.0 million reversal of general allowance. At 0.24% of average assets, loan losses are in line with the objectives set at the beginning of the year. For the fourth quarter, the provision for credit losses rose to \$11.8 million, compared to \$8.9 million for the same quarter a year ago and \$9.8 million for the third quarter of 2005. Higher loan losses related to a specific personal lines of credit portfolio, as well as specific loans in commercial portfolios had a negative impact on loan loss provision.

Credit quality has remained relatively stable throughout the year as gross impaired loans decreased from \$127.0 million in 2004 to \$120.9 million in 2005, an improvement of 5%. As at October 31, 2005, net impaired loans stood at -\$8.9 million (-0.1% of total loans, bankers' acceptances and assets purchased under reverse repurchase agreements), while they stood at -\$13.0 million (-0.1% of total loans, bankers' acceptances and assets purchased under reverse repurchase agreements) a year ago. General allowances remained unchanged at \$65.3 million throughout the year. See Note 3 to the Interim Consolidated Financial Statements for more details.

**Non-interest expenses** were \$382.0 million in 2005, while they stood at \$369.7 million in 2004. The efficiency ratio improved to 76.1% in 2005, compared to 79.3% in 2004, essentially as a result of higher revenues. Expenses increased mainly as a result of higher variable compensation costs, reflecting the improvement in revenues and profitability, and higher technology costs. Other expenses remained stable at approximately \$82 million, as additional marketing and business development expenses were offset by lower professional fees and taxes.

For the fourth quarter of 2005, non-interest expense amounted to \$99.0 million, compared to \$91.3 million for the fourth quarter of 2004. The year over year increase mainly results from higher salaries and employee benefits related to variable compensation, as well as from higher technology costs.

**Income tax expense** for fiscal 2005 was \$24.5 million, a 30.6% effective tax rate, compared to 25.9% for 2004. The lower tax rate in 2004 resulted from the favorable impact of lower income taxes on gains resulting from the various disposals of assets and from the adjustment to the future tax assets due to the increase in Ontario income tax rates.

For the fourth quarter of 2005, the income tax expense amounted to \$5.6 million (a 24.5% effective tax rate) and includes the effect of adjustments of \$1.7 million, related to certain initiatives during the quarter to optimize the Bank's tax position and the favorable results of the quarter.

**Balance sheet assets** stood at \$16.5 billion at October 31, 2005, relatively unchanged compared to a year ago. The liquidity level was slightly lowered, in part as a result of the new investment and capital management strategies, as well as the repurchase of debentures.

The portfolio of loans and bankers' acceptances rose by 5% to \$12.0 billion at October 31, 2005, compared to \$11.4 billion at October 31, 2004, mainly due to the strong performance of the Retail Financial Services and B2B Trust segments.

As detailed in the table below, total residential mortgage loan portfolios, including both reported and securitized loans grew by 8% or \$470 million from October 31, 2004 to October 31, 2005. The continuing favorable housing market and economic conditions were again key factors which allowed the Bank to grow its portfolios, despite intense competition. Investment loans, including RRSP and mutual fund loans, grew by 12% to \$1,280 million, benefiting from the improvement in the mutual fund market environment and innovative products in response to clients' needs.

***Residential mortgages portfolio***

(in millions of dollars)	As at October 31	
	2005	2004
Residential mortgage loans, as reported on the balance sheet	\$5,807	\$5,509
Securitized loans	654	482
Total residential mortgage loans, including securitized loans	\$6,461	\$5,991

Total personal deposits increased slightly to \$10.6 billion as at October 31, 2005, compared to \$10.5 billion as at October 31, 2004. The increase of \$121 million, was essentially driven by the Retail Financial Services segment. Business and other deposits increased by 27% or \$665 million since October 31, 2004. The growth in deposits was used to finance lending activities. Personal deposits represent 77% of total deposits as at October 31, 2005 compared with 81% as at October 31, 2004.

**Total capital** of the Bank, comprised of shareholders' equity and subordinated debentures, reached \$1,063 million at October 31, 2005, compared to \$1,137 million at October 31, 2004, a decrease of \$74 million over the year. The variation is essentially related to the repurchase of the remaining balance of Series 8 debentures for \$50.5 million during the first quarter and of the Series 6 debentures for \$50 million during the fourth quarter, partially offset with the increase in retained earnings.

Common shareholders' equity increased to \$703 million at October 31, 2005 from \$677 million at October 31, 2004. There were 23,556,545 common shares outstanding as at October 31, 2005 and the Bank's book value per common share increased to \$29.85 from \$28.78 at year-end 2004.

The BIS Tier I capital ratio stood at 10.2% as at October 31, 2005, slightly lower than a year ago, when it stood at 10.5%. The decrease is mainly attributable to the growth in loan portfolios. The BIS Total capital ratio decreased to 12.3% from 14.0% at October 31, 2004, as a result of the redemption of debentures and the increase in risk-weighted assets. These ratios nonetheless compare favorably with other Canadian banks. Tangible common equity (common equity less goodwill and other intangibles) to risk-weighted assets ratio remained relatively stable at 7.5% at October 31, 2005, compared to a year ago.

At its meeting on December 9, 2005, the Board of Directors declared a dividend of \$0.29 per common share, payable on February 1, 2006 to shareholders of record on January 4, 2006. Also, at its meeting on November 3, 2005, the Board of Directors declared regular dividends on the various series of preferred shares payable on December 15, 2005 to shareholders of record on December 9, 2005.

**Assets under administration** stood at \$13.8 billion at October 31, 2005 compared to \$14.9 billion at October 31, 2004. Assets under administration have decreased during the year essentially as a result of the sale of the BLC-Edmond de Rothschild Asset Management Inc. joint-venture during the first quarter.

#### SEGMENTED INFORMATION

All segments contributed positively to the performance of the Bank in 2005. The major improvement was achieved in the Other sector, where net interest income increased by more than \$36 million. Furthermore, the effect of the sale of BLC-Edmond de Rothschild Asset Management Inc., reported as part of discontinued operations, also generated a significant increase in net income of the Other sector and the Retail Financial Services segment.

The growth in average loan portfolios of the Retail Financial Services and B2B Trust segments of \$492 million or 5% is a tribute to the implementation of the Bank's business plan and positively impacted the contributions of these segments. The Commercial financial services segment's contribution has decreased as a result of lower loan volumes. For its part, the Laurentian Bank Securities segment's slightly reduced contribution was due mainly to the costs incurred to develop its retail sales force during the year.

#### Net income contributions

(in millions of \$)	Retail Financial Services	Commercial Financial Services	B2B Trust	Laurentian Bank Securities	Other	Total
<b>2005</b>	29.8 [25.4 from cont. operations]	21.6	16.3	3.4	(5.8) [[11.1] from cont. operations]	65.3 [55.6 from cont. operations]
<b>2004</b>	22.2	24.4	12.5 <sup>[note 1]</sup>	4.3	(23.5)	39.9
<b>Q4-2005</b>	11.9 [7.5 from cont. operations]	4.1	4.4	1.1	0.1 [0.3 from cont. operations]	21.6 [17.4 from cont. operations]
<b>Q3-2005</b>	6.3	5.5	4.3	0.6	(0.9)	15.8
<b>Q4-2004</b>	3.9	7.0	3.4	1.3	(8.5)	7.1

(1) Based on a 77% participation prior to the privatization of B2B Trust in June of 2004.

#### Retail Financial Services

For the year, Retail Financial Services' contribution to consolidated results improved to \$29.8 million or \$25.4 million, excluding the \$5.2 million (\$4.4 million net of income taxes) portion of the gain on the sale of BLC-Edmond de Rothschild Asset Management Inc., compared to \$22.2 million in 2004. Results for 2004 included a portion of the gain on the sale of a Visa portfolio as well as on the sale of the debit and credit card transaction processing activities and on certain rights to service mutual funds accounts amounting to \$3.1 million, net of income taxes.

The improvement in earnings results mainly from higher net interest income and other revenues, driven by the 5% or \$370 million increase in average loans compared to last year. Loan losses slightly increased to \$20.7 million, compared to \$19.7 million for 2004. Expenses increased by \$12.2 million, mainly as a result of higher salaries and employee benefits.

Results for the fourth quarter improved to \$11.9 million or \$7.5 million from continuing operations, compared to \$3.9 million for the fourth quarter of 2004. Improvements are largely attributable to same items as detailed above and to the \$4.4 million gain related to the sale of BLC-Edmond de Rothschild Asset Management Inc.

During the fourth quarter, the new *Complicité* Program, designed exclusively for the Fédération des travailleurs et travailleuses du Québec (FTQ) members, was launched. This program, which constitutes a significant business development opportunity for the Retail Financial Services segment, is now offered exclusively to the 550,000 FTQ members and their families through all Laurentian Bank branches. Since March 2005, the two organizations have worked in close collaboration to put together a program that would meet the needs and expectations of the Federation's members. This agreement became possible thanks to the solid partnership between the Bank and the Federation representing its unionized employees.

During the year, 6 new financial services boutiques were opened in some of the fastest growing markets in Quebec. So far these boutiques' operations have met expectations. In addition to its plan to open 3 new boutiques in 2006, the Bank is pursuing its renovation program where, in certain instances, the financial services boutique concept will be implemented. At the end of 2005, almost 20% of all branches, predominantly those on the Island of Montreal, will have been renovated.

Over the past several months, the Bank has introduced a number of other initiatives to assure its growth in Quebec. Capitalizing on its data warehouse implementation, the Bank deployed its Business Intelligence system and campaign management software, thereby further enhancing its customer cross selling capacity.

### **Commercial Financial Services**

For the year, Commercial Financial Services contribution to consolidated results was \$21.6 million, compared to \$24.4 million in 2004. The segment continued to deliver relatively steady results throughout the year, however, the decline in average loans has hampered revenue generation. Lower loan losses for the year, compared to 2004, contributed to maintain the profitability and is a good indicator of the overall credit quality of the portfolios.

Results for the fourth quarter of 2005 were \$4.1 million, compared to \$7.0 million for the fourth quarter of 2004. Higher loan losses and non-interest expenses related to variable compensation costs were the major items affecting results in 2005.

New loans in the small and mid-sized business market in Quebec and Ontario, as well as in the agricultural sector generated some growth over the last quarters, despite fierce competition. The Commercial Financial Services segment is actively pursuing its strategies toward these markets where it believes it can compete efficiently. The Real Estate group has again benefited from the strong real estate market in Canada and has maintained its



profitability, through limited loan losses and relatively stable loan volumes over the year. Also, the reduction in corporate loan volumes, following the realignment of the lending policy in 2003, is now substantially completed.

### **B2B Trust**

The net income contribution of B2B Trust improved by 30% to \$16.3 million in 2005, from \$12.5 million for 2004. The year over year increase is related to the higher net interest income resulting from the additional loan volumes, partially offset by higher loan losses on a specific line of credit portfolio and non-interest expenses. Results for 2004 also included a minority interest adjustment of \$1.9 million, prior to the privatization of B2B Trust in June of 2004.

Net income for the fourth quarter was \$4.4 million, a year over year increase of \$1.0 million. Total revenue increased to \$17.7 million, versus \$15.5 million for the fourth quarter of 2004. Non-interest expenses were \$9.4 million compared to \$8.8 million for the same quarter a year ago, mainly as a result of higher salaries and professional fees.

The B2B Trust segment has continued its strong performance in the fourth quarter of 2005, with average loan volumes up 8 % compared to the same quarter a year ago. B2B Trust is again confirming its leading position in the provision of third-party investment loans, RRSP loans and banking programs to the financial advisors community with more than 40 active distribution alliances, including 4 new ones in 2005.

### **Laurentian Bank Securities**

The Laurentian Bank Securities (previously Wealth Management and Brokerage) business segment reported net income of \$3.4 million for 2005, compared to \$4.3 million for 2004. Excluding the effect of the BLC-Edmond de Rothschild Asset Management Inc. joint-venture operations (which were included in this segment prior to the sale), the lower profitability results mainly from the increase in expenses driven by the hiring of more than 25 new brokers and support staff during the year. Revenues for the brokerage activities remained relatively unchanged at \$21.6 million [excluding \$1.0 million related to the operations of BLC-Edmond de Rothschild Asset Management Inc. sold in December 2004], compared to \$21.7 million [excluding \$5.6 million related to the operations of BLC-Edmond de Rothschild Asset Management Inc.] a year ago. Also, brokerage assets under management have increased by more than 17% or \$233 million since the beginning of the year.

Laurentian Bank Securities opened two new offices during the year: one in Ste-Thérèse, a Montreal suburb, and a second one in Longueuil. These openings, coupled with the active recruiting over the last year have better positioned this business segment for growth in 2006.

### **Other sector**

The contribution of the Other sector for 2005 stood at \$(5.8) million or \$(11.1) million from continuing operations, compared to \$(23.5) million a year ago. Results for 2004 included gains on the sale of certain assets and other favorable adjustments amounting to \$7.7 million (net of income taxes), as well as an \$8.3 million charge related to the dividend and repurchase of Class A Preferred shares Series 7 and 8 and the redemption of Series 7

Debentures. Excluding the effect of these items in 2004, net income for the Other sector significantly improved as a result of tighter asset and liability management, partially offset by lower treasury and financial market revenues.

Results for the fourth quarter of 2005 stood at \$0.1 million or \$0.3 million from continuing operations, compared to \$(8.5) million for the fourth quarter of 2004. The increase is mainly related to the improvement in net interest income and treasury and financial markets revenues, which were particularly low for this quarter in 2004.

## **About Laurentian Bank**

Founded in 1846, Laurentian Bank ranks seventh among Canadian Schedule I banks, with balance sheet assets of more than \$16 billion and close to \$14 billion in assets under administration. The Bank offers highly competitive products and superior personalized service to meet the banking and financial needs of individuals and small and medium-sized businesses, and independent financial advisors. The Bank's common shares (ticker symbol: LB) trade on the Toronto Stock Exchange.

## **Net income, excluding special items**

To facilitate analysis, net income excluding significant items has been presented at certain points in the document. In management's opinion, these items, which have been excluded, must be considered separately when analyzing the Bank's performance. Net income, excluding significant items is not based on Canadian generally accepted accounting principles and may not be comparable to another company's net income.

## **Corporate governance**

The Board of Directors and the Audit Committee of Laurentian Bank reviewed this press release prior to its release today. The disclosure controls and procedures support the ability of the President and Chief Executive Officer and the Senior Executive Vice-President and Chief Financial Officer to assure that Laurentian Bank's interim consolidated financial statements are fairly presented.

## **Caution regarding forward-looking statements**

This press release and related communications may contain forward-looking statements, including statements regarding the business and anticipated financial performance of Laurentian Bank. These statements are subject to a number of risks and uncertainties. Actual results may differ from results contemplated by the forward-looking statements. Such differences may be caused by factors which include, among others, capital market activity, changes in government monetary, fiscal and economic policies, changes in interest rates, inflation levels and general economic conditions, legislative and regulatory developments, competition, credit ratings, scarcity of human resources and technological change. When relying on forward-looking statements to make decisions, investors and others should

carefully consider the foregoing factors and other uncertainties and should not place undue reliance on such forward-looking statements. The Laurentian Bank does not undertake to update any forward-looking statements, oral or written, made by itself or on its behalf.

### **Conference call**

Laurentian Bank invites members of the media and the public to listen to the conference call with financial analysts to be held December 9, 2005 at 2:00 P.M. Eastern Time. The live, listen-only, toll free call-in number is 1-866-898-9626.

You can listen to the call on a delayed basis at any time from 6:00 P.M., December 9 until midnight, December 16 by dialing the play back number: 1-800-408-3053 Code 3165736#.

The conference call can also be listened to through the Bank's Web site at its Investors Relations section.

Additional financial information is available on the Bank's Web site at:  
[www.laurentianbank.ca](http://www.laurentianbank.ca).

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Chief Financial Officer:	Robert Cardinal,	(514) 284-4500 #7535
Media and Investor Relations contact:	Gladys Caron,	(514) 284-4500 #7511; cell (514) 893-3963

## Financial highlights

In millions of dollars, except per share amounts (unaudited)			Percentage variation	For the years ended		Percentage variation
	Q4-05	Q4-04		October 31 2005	October 31 2004 <sup>(1)</sup>	
<b>Earnings</b>						
Net income	\$ 21.6	\$ 7.1	204.2 %	\$ 65.3	\$ 39.9	63.7 %
Income from continuing operations	\$ 17.4	\$ 7.1	145.1 %	\$ 55.6	\$ 39.9	39.3 %
Net income available to common shareholders	\$ 18.6	\$ 4.1	353.7 %	\$ 53.3	\$ 31.3	70.3 %
Return on common shareholders' equity	10.6 %	2.4 %		7.8 %	4.6 %	
<b>Per common share</b>						
Diluted net income	\$ 0.79	\$ 0.17	364.7 %	\$ 2.26	\$ 1.33	69.9 %
Diluted income from continuing operations	\$ 0.61	\$ 0.17	258.8 %	\$ 1.85	\$ 1.33	39.1 %
Dividends	\$ 0.29	\$ 0.29	- %	\$ 1.16	\$ 1.16	- %
Book value				\$ 29.85	\$ 28.78	3.7 %
Share price - close				\$ 30.35	\$ 25.45	19.3 %
<b>Financial position</b>						
Balance sheet assets				\$ 16,507	\$ 16,607	(0.6) %
Assets under administration				\$ 13,766	\$ 14,878	(7.5) %
Loans, bankers' acceptances and assets purchased under reverse repurchase agreements, net				\$ 12,374	\$ 12,434	(0.5) %
Personal deposits				\$ 10,575	\$ 10,454	1.2 %
Shareholders' equity and debentures				\$ 1,063	\$ 1,137	(6.5) %
Number of common shares (in thousands)				23,557	23,511	0.2 %
Net impaired loans (as a % of loans, bankers' acceptances and assets purchased under reverse repurchase agreements)				(0.1) %	(0.1) %	
Risk-weighted assets				\$ 8,523	\$ 7,986	6.7 %
<b>Capital ratios</b>						
Tier I BIS				10.2 %	10.5 %	
Total BIS capital				12.3 %	14.0 %	
Assets to capital multiple				15.8 x	15.0 x	
Tangible common equity as a percentage of risk-weighted assets				7.5 %	7.6 %	
<b>FINANCIAL RATIOS</b>						
<b>Per common share</b>						
Price/earnings ratio				13.4 x	19.1 x	
Market to book value				102 %	88 %	
Dividend yield	3.82 %	4.56 %		3.82 %	4.56 %	
Dividend payout ratio	36.8 %	167.6 %		51.2 %	87.1 %	
<b>As a percentage of average assets</b>						
Net interest income	2.06 %	1.71 %		1.99 %	1.64 %	
Provision for credit losses	0.28 %	0.22 %		0.24 %	0.24 %	
Net income	0.52 %	0.17 %		0.40 %	0.24 %	
Net income available to common shareholders	0.45 %	0.10 %		0.33 %	0.19 %	
<b>Profitability</b>						
Other income (as a % of total revenue)	36.2 %	35.7 %		35.1 %	42.7 %	
Efficiency ratio (non-interest expenses as a % of total revenue)	74.0 %	83.8 %		76.1 %	79.3 %	
<b>OTHER INFORMATION</b>						
Number of full-time equivalent employees				3,180	3,125	
Number of branches				157	153	
Number of automated banking machines				313	293	

<sup>(1)</sup> Restated, see note 1 to the interim consolidated financial statements.

# Consolidated statement of income

In thousands of dollars, except per share amounts (unaudited)	For the three-month periods ended			For the years ended	
	October 31 2005	July 31 2005	October 31 2004	October 31 2005	October 31 2004
					Restated (note 1)
<b>Interest income</b>					
Loans	\$ 174,932	\$ 173,359	\$ 169,487	\$ 682,591	\$ 690,789
Securities	14,710	13,744	14,521	59,744	57,546
Deposits with other financial institutions	2,341	1,967	2,145	7,864	9,807
	<b>191,983</b>	<b>189,070</b>	<b>186,153</b>	<b>750,199</b>	<b>758,142</b>
<b>Interest expense</b>					
Deposits and other liabilities	102,802	99,655	109,785	408,309	455,950
Subordinated debentures (note 5)	3,769	3,935	6,336	16,199	27,184
Liability related to preferred shares (note 1)	-	-	-	-	7,814
	<b>106,571</b>	<b>103,590</b>	<b>116,121</b>	<b>424,508</b>	<b>490,948</b>
<b>Net interest income</b>	<b>85,412</b>	<b>85,480</b>	<b>70,032</b>	<b>325,691</b>	<b>267,194</b>
<b>Provision for credit losses (note 3)</b>	<b>11,750</b>	<b>9,750</b>	<b>8,888</b>	<b>40,000</b>	<b>40,000</b>
	<b>73,662</b>	<b>75,730</b>	<b>61,144</b>	<b>285,691</b>	<b>227,194</b>
<b>Other income</b>					
Fees and commissions on loans and deposits	22,689	22,784	22,063	89,164	89,183
Revenues from treasury and financial market operations	4,805	5,637	789	16,223	30,620
Brokerage operations	5,603	4,734	5,060	20,167	20,223
Revenues from sale and management of mutual funds	2,335	2,165	3,182	9,570	12,886
Revenues from registered self-directed plans	3,008	2,839	2,979	11,830	12,241
Insurance revenues	2,510	1,515	1,504	7,687	6,061
Securitization revenues (note 4)	4,852	3,032	266	11,664	4,437
Gain on disposal	-	-	-	-	13,517
Other	2,598	2,925	3,048	10,066	9,781
	<b>48,400</b>	<b>45,631</b>	<b>38,891</b>	<b>176,371</b>	<b>198,949</b>
	<b>122,062</b>	<b>121,361</b>	<b>100,035</b>	<b>462,062</b>	<b>426,143</b>
<b>Non-interest expenses</b>					
Salaries and employee benefits	51,091	50,618	44,617	192,163	182,929
Premises and technology	27,518	26,467	26,301	107,559	104,682
Other (note 8)	20,401	21,409	20,369	82,229	82,108
	<b>99,010</b>	<b>98,494</b>	<b>91,287</b>	<b>381,951</b>	<b>369,719</b>
<b>Income from continuing operations before income taxes and non-controlling interest in net income of a subsidiary</b>	<b>23,052</b>	<b>22,867</b>	<b>8,748</b>	<b>80,111</b>	<b>56,424</b>
Income taxes (note 1)	5,642	7,660	1,618	24,488	14,637
<b>Income from continuing operations before non-controlling interest in net income of a subsidiary</b>	<b>17,410</b>	<b>15,207</b>	<b>7,130</b>	<b>55,623</b>	<b>41,787</b>
Non-controlling interest in net income of a subsidiary	-	-	-	-	1,916
<b>Income from continuing operations</b>	<b>17,410</b>	<b>15,207</b>	<b>7,130</b>	<b>55,623</b>	<b>39,871</b>
<b>Income from discontinued operations, net of income taxes (note 2)</b>	<b>4,149</b>	<b>600</b>	<b>-</b>	<b>9,659</b>	<b>-</b>
<b>Net income</b>	<b>\$ 21,559</b>	<b>\$ 15,807</b>	<b>\$ 7,130</b>	<b>\$ 65,282</b>	<b>\$ 39,871</b>
Preferred share dividends, including applicable income taxes (note 1)	2,998	2,998	3,062	12,030	8,606
<b>Net income available to common shareholders</b>	<b>\$ 18,561</b>	<b>\$ 12,809</b>	<b>\$ 4,068</b>	<b>\$ 53,252</b>	<b>\$ 31,265</b>
<b>Average number of common shares (in thousands)</b>					
Basic	23,546	23,532	23,511	23,525	23,485
Diluted	23,586	23,557	23,539	23,552	23,521
<b>Income per common share from continuing operations</b>					
Basic	\$ 0.61	\$ 0.52	\$ 0.17	\$ 1.85	\$ 1.33
Diluted	\$ 0.61	\$ 0.52	\$ 0.17	\$ 1.85	\$ 1.33
<b>Net income per common share</b>					
Basic	\$ 0.79	\$ 0.54	\$ 0.17	\$ 2.26	\$ 1.33
Diluted	\$ 0.79	\$ 0.54	\$ 0.17	\$ 2.26	\$ 1.33

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

## Consolidated balance sheet

In thousands of dollars (unaudited)	October 31 2005	October 31 2004
<b>ASSETS</b>		
<b>Cash resources</b>		
Cash and due from other financial institutions without interest	\$ 57,737	\$ 47,681
Interest-bearing deposits with other financial institutions	259,791	280,751
	<b>317,528</b>	<b>328,432</b>
<b>Securities</b>		
Investment account	1,911,819	2,007,471
Trading account	1,028,587	995,004
	<b>2,940,406</b>	<b>3,002,475</b>
<b>Assets purchased under reverse repurchase agreements</b>		
	<b>508,073</b>	<b>1,133,920</b>
<b>Loans (notes 3 and 4)</b>		
Personal	3,907,320	3,638,991
Residential mortgages	5,806,853	5,509,022
Commercial mortgages	595,946	604,085
Commercial and other	1,539,893	1,542,760
	<b>11,850,012</b>	<b>11,294,858</b>
Allowance for loan losses	(129,806)	(140,042)
	<b>11,720,206</b>	<b>11,154,816</b>
<b>Other</b>		
Customers' liability under acceptances	145,629	144,830
Capital assets	93,793	94,490
Amounts related to derivative financial instruments	143,453	201,717
Goodwill	53,790	54,029
Other intangible assets	16,547	18,897
Other assets	567,559	473,870
	<b>1,020,771</b>	<b>987,833</b>
	<b>\$ 16,506,984</b>	<b>\$ 16,607,476</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Deposits</b>		
Personal	\$ 10,575,416	\$ 10,454,368
Business and other	3,121,522	2,456,672
	<b>13,696,938</b>	<b>12,911,040</b>
<b>Other</b>		
Obligations related to assets sold short	726,063	1,495,574
Obligations related to assets sold under repurchase agreements	60,065	15,907
Acceptances	145,629	144,830
Amounts related to derivative financial instruments	105,326	189,489
Other liabilities	709,723	713,359
	<b>1,746,806</b>	<b>2,559,159</b>
<b>Subordinated debentures (note 5)</b>		
	<b>150,000</b>	<b>250,525</b>
<b>Shareholders' equity</b>		
Preferred shares (notes 1 and 6)	210,000	210,000
Common shares (note 6)	249,633	248,593
Contributed surplus (note 6)	73	-
Retained earnings (note 1)	454,124	428,159
Treasury shares (note 6)	(590)	-
	<b>913,240</b>	<b>886,752</b>
	<b>\$ 16,506,984</b>	<b>\$ 16,607,476</b>

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

## Consolidated statement of changes in shareholders' equity

In thousands of dollars (unaudited)	October 31 2005	For the years ended October 31 2004 Restated (note 1)
<b>Preferred shares (notes 1 and 6)</b>		
Balance at beginning of year and as previously reported	\$ 210,000	\$ 200,000
Impact of adopting the new accounting policy regarding presentation of liabilities and equity	-	(100,000)
Restated balance at beginning of year	210,000	100,000
Issued during the year	-	110,000
Restated balance at end of year	210,000	210,000
<b>Common shares (note 6)</b>		
Balance at beginning of year	248,593	246,813
Issued during the year	1,040	1,780
Balance at end of year	249,633	248,593
<b>Contributed surplus (note 6)</b>		
Balance at beginning of year	-	-
Stock-based compensation	73	-
Balance at end of year	73	-
<b>Retained earnings (note 1)</b>		
Balance at beginning of year	428,159	426,500
Net income	65,282	39,871
Dividends		
Preferred shares, including applicable income taxes	(12,030)	(8,606)
Common shares	(27,287)	(27,248)
Preferred share issue costs, net of income taxes	-	(2,358)
Balance at end of year	454,124	428,159
<b>Treasury shares (note 6)</b>		
Balance at beginning of year	-	-
Purchase	(590)	-
Balance at end of year	(590)	-
<b>Shareholders' equity</b>	<b>\$ 913,240</b>	<b>\$ 886,752</b>

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

## Consolidated statement of cash flows

In thousands of dollars (unaudited)	For the three-month periods ended				For the years ended	
	October 31 2005	July 31 2005	October 31 2004	October 31 2005	October 31 2004	Restated (note 1)
<b>Cash flows relating to operating activities</b>						
Net income	\$ 21,559	\$ 15,807	\$ 7,130	\$ 65,282	\$ 39,871	
Adjustments to determine net cash flows :						
Provision for credit losses	11,750	9,750	8,888	40,000	40,000	
Gains on securitization operation (note 4)	(4,222)	(2,326)	-	(8,995)	(1,437)	
Net loss on disposal of capital assets	948	353	175	1,312	408	
Net gain from discontinued operations (note 2)	(4,771)	(903)	-	(10,595)	-	
Gain on disposal	-	-	-	-	(13,517)	
Net loss (gain) on sale of securities held for investment	1,210	(1,626)	(190)	(2,019)	(13,832)	
Future income taxes	3,124	3,527	(521)	9,869	(3,304)	
Depreciation and amortization	7,105	6,928	8,331	29,707	35,755	
Change in trading securities	47,901	108,580	(28,813)	(18,431)	21,319	
Change in accrued interest receivable	(4,703)	12,038	(2,611)	(5,460)	11,345	
Change in assets related to derivative financial instruments	39,628	(10,550)	(26,071)	58,264	(109,445)	
Change in accrued interest payable	200	5,135	(7,079)	(45,086)	(11,085)	
Change in liabilities related to derivative financial instruments	(38,136)	(3,153)	45,614	(84,163)	94,797	
Other, net	(23,235)	6,191	113,371	(69,668)	123,890	
	<b>58,358</b>	<b>149,751</b>	<b>118,224</b>	<b>(39,983)</b>	<b>214,765</b>	
<b>Cash flows relating to financing activities</b>						
Change in deposits	435,047	108,960	63,332	785,898	(381,909)	
Change in obligations related to assets sold short	(26,057)	(235,018)	211,937	(769,511)	525,911	
Change in obligations related to assets sold under repurchase agreements	19,190	(437,869)	(448,825)	44,158	(157,339)	
Redemption of subordinated debentures (note 5)	(50,000)	-	(49,723)	(100,525)	(149,723)	
Redemption of preferred shares (note 1)	-	-	-	-	(100,000)	
Issuance of preferred shares, net of issue costs	-	-	(94)	-	106,588	
Issuance of common shares, net of issue costs	443	597	138	1,040	1,780	
Purchase of treasury shares	(590)	-	-	(590)	-	
Dividends, including applicable income taxes	(9,821)	(9,825)	(9,880)	(39,317)	(36,614)	
	<b>368,212</b>	<b>(573,155)</b>	<b>(233,115)</b>	<b>(78,847)</b>	<b>(191,306)</b>	
<b>Cash flows relating to investing activities</b>						
Net proceeds from the sale of discontinued operations (note 2)	5,040	-	-	45,670	-	
Net proceeds from the sale of assets	-	-	-	-	38,069	
Consideration paid for the privatization of a subsidiary	-	-	245	-	(60,225)	
Change in interest-bearing deposits with other financial institutions	134,351	(198,760)	276,228	20,960	387,401	
Change in securities held for investment						
Acquisitions	(7,019,676)	(5,664,151)	(8,443,069)	(26,117,606)	(28,052,727)	
Proceeds from sales and maturities	6,553,923	6,326,776	8,554,425	26,189,909	28,113,641	
Change in loans	(194,680)	(331,340)	(124,927)	(948,243)	(338,789)	
Change in assets purchased under reverse repurchase agreements	(75,738)	217,469	46,065	625,847	(251,884)	
Proceeds from mortgage loan securitizations (note 4)	179,621	100,228	-	341,408	149,072	
Acquisitions of capital assets	(11,158)	(7,007)	(5,533)	(29,165)	(18,017)	
Proceeds from disposal of capital assets	5	40	17	106	2,909	
	<b>(428,312)</b>	<b>443,255</b>	<b>303,451</b>	<b>128,886</b>	<b>(30,550)</b>	
Change in cash and cash equivalents during the period	(1,742)	19,851	188,560	10,056	(7,091)	
Cash and cash equivalents at beginning of period	59,479	39,628	(140,879)	47,681	54,772	
<b>Cash and cash equivalents at end of period</b>	<b>\$ 57,737</b>	<b>\$ 59,479</b>	<b>\$ 47,681</b>	<b>\$ 57,737</b>	<b>\$ 47,681</b>	
<b>Supplemental disclosure relating to cash flows:</b>						
Interest paid during the period	\$ 100,876	\$ 98,977	\$ 104,578	\$ 475,255	\$ 476,965	
Income taxes paid during the period	\$ 5,686	\$ (1,157)	\$ 3,751	\$ 31,640	\$ 23,373	

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



# Notes to consolidated financial statements

(unaudited)

## 1. ACCOUNTING POLICIES

The unaudited interim consolidated financial statements of Laurentian Bank have been prepared by management, which is responsible for the integrity and fairness of the financial information presented. These interim consolidated financial statements have been prepared in accordance with the *Bank Act*, which states that, except as otherwise specified by the Superintendent of Financial Institutions of Canada, the interim consolidated financial statements are to be prepared in accordance with Canadian generally accepted accounting principles (GAAP) for interim financial statements. The significant accounting policies used in the preparation of these interim consolidated financial statements, including the accounting requirements of the Superintendent, are the same as those in the Bank's annual consolidated audited financial statements as at October 31, 2004, except as described below. These accounting policies conform to GAAP. However, these interim consolidated financial statements do not reflect all of the information and disclosures required by GAAP for complete financial statements. Accordingly, these interim consolidated financial statements should be read in conjunction with the annual consolidated audited financial statements as at October 31, 2004. These interim consolidated financial statements reflect amounts, which are based on the best estimates and judgement of management. Actual results may differ from these estimates. Certain comparative figures have been reclassified to conform to the current period presentation.

### **Consolidation of variable interest entities**

In September 2004, the Canadian Institute of Chartered Accountants (CICA) issued a revised version of Accounting Guideline no. 15 (AcG-15), "Consolidation of Variable Interest Entities". AcG-15 provides guidance for applying consolidation principles to certain entities that are subject to control on a basis other than ownership of voting interests. Under this new standard, the Bank must consolidate these entities if it is the primary beneficiary thereof, that is, if as a result of its investments or the relationships it has with these entities, the Bank risks being exposed to a majority of their expected losses or is in a position to benefit from a majority of their expected residual returns. Where the Bank holds a significant variable interest in a variable interest entity (VIE) that it has not consolidated, certain information regarding the nature, purpose, size and activities of the VIE must also be provided. On November 1, 2004, the Bank adopted this guideline on a retroactive basis without restatement of prior period figures. The main impacts are detailed below.

### **Securitization conduits**

The Bank securitizes its own assets through single-seller and multi-seller securitization conduits, which are normally considered VIEs. As at November 1, 2004, the Bank consolidated one of these conduits, whose total assets amounted to approximately \$109,900,000. During the first quarter, this conduit was converted into a qualified special-purpose entity and consequently it was deconsolidated. These operations did not have a material impact on the interim consolidated financial statements.

The other conduits were not consolidated under AcG-15, because the Bank's level of participation relative to other variable interest holders in the VIEs does not expose the Bank to a majority of the expected losses.

Note 5 to the annual consolidated financial statements as at October 31, 2004 presents more details on the Bank's securitization activities.

### **Mutual funds**

Through its ownership interest in the joint venture BLC-Edmond de Rothschild Asset Management Inc., the Bank was the sponsor of mutual funds that met VIE criteria, as at November 1, 2004 with assets totaling \$910,200,000. The Bank's joint venture charged fees, mainly based on the value of assets under management, in respect of the management and administration of these funds. This joint venture has been disposed as of December 31, 2004 (see note 2). The Bank also holds units relating to investments in seed capital for certain funds amounting to \$14,899,000 as at October 31, 2005. Based on the analysis made, the Bank is not the primary beneficiary of these entities because the variability of the variable interests that the Bank holds is not significant relative to the other investors or beneficiaries. Therefore, these entities have not been consolidated.

### **Other entities**

The Bank also acts as trustee of a certain number of personal trusts for which it levies fees. Based on the analyses made, the Bank is not the primary beneficiary of these entities because the variability in the fees earned is not significant relative to the risk assumed by the beneficiaries. Therefore, these entities have not been consolidated.

### **Presentation of liabilities and equity**

In January 2004, the CICA issued revised Section 3860, "Financial Instruments – Disclosure and Presentation", to require that obligations that can be settled, at the issuer's option, by a variable number of the issuer's own equity instruments, under conditions that are potentially unfavorable, be presented as liabilities. The dividend payments on these shares will be presented as interest expense in the statement of income. The revised recommendations are applicable on a retroactive basis with restatement of corresponding amounts.

The application of this revised standard as at November 1, 2004 did not have any impact on the liabilities and equities of the Bank since the securities issued and outstanding as at November 1, 2004 qualified as equity.

However, the comparative figures relative to the Preferred Shares, Series 7 and 8, for a total amount of \$100,000,000 which were redeemed in June 2004, were restated. For the year ended October 31, 2004, the dividends and the premium on redemption related to these instruments that were previously reported in the consolidated statement of changes in shareholders' equity amounting to \$7,900,000 including income taxes were restated to the interim consolidated statement of income as interest expense for an amount of \$7,814,000 and income taxes for an amount of \$86,000. This reclassification had no impact on net income available to common shareholders and on earnings per share.

#### **Future changes to accounting policies**

##### ***Financial Instruments***

On April 1, 2005, the CICA issued three accounting standards: "Financial Instruments – Recognition and Measurement", "Hedges" and "Comprehensive income". These new standards will be effective for the Bank on November 1, 2006. The impact of implementing these standards on the Bank's financial statements cannot yet be determined as it is dependent on the Bank's hedging positions and strategies, as well as on market volatility at the time of application of these standards.

##### ***Financial Instruments – Recognition and Measurement***

All financial assets and liabilities will be carried at fair value in the consolidated balance sheet, except loans and receivables, held-to-maturity investments and non-trading financial liabilities, which will be carried at amortized cost. Realized and unrealized gains and losses on trading financial assets and liabilities will be recorded immediately in the consolidated statement of income. Unrealized gains and losses on financial assets that are available for sale will be recorded in other comprehensive income until their realization, after which these amounts will be recognized in the consolidated statement of income. All derivative financial instruments will be recorded at fair value in the consolidated balance sheet.

##### ***Hedges***

In a fair value hedge, hedging derivatives are carried at fair value, with changes in fair value recognized in the consolidated statement of income. The changes in the fair value of the hedged items attributable to the hedged risk will also be recorded in consolidated income by way of an adjustment of the carrying amount of the hedged items recognized in the consolidated balance sheet. In a cash flow hedge, the change in fair value of the derivative financial instrument will be recorded in other comprehensive income. These amounts will be reclassified in the consolidated statement of income in the periods in which results are affected by the cash flows of the hedged item. Similarly, any hedge ineffectiveness will be recorded in the consolidated statement of income.

##### ***Comprehensive income***

Other comprehensive income will be included in the consolidated balance sheet as a separate component of shareholders' equity.

## 2. DISCONTINUED OPERATIONS

### Sale of BLC-Edmond de Rothschild Asset Management Inc.

On December 31, 2004, the Bank completed the acquisition of the 49.9% share of BLC-Edmond de Rothschild Asset Management Inc. that was owned by La Compagnie Financière Edmond de Rothschild Banque (LCFER) for an amount of \$23,397,000, subject to certain post-closing adjustments. Subsequently, on December 31, 2004, Industrial Alliance Insurance and Financial Services Inc. (Industrial Alliance) acquired all of the shares of BLC-Edmond de Rothschild Asset Management Inc. from the Bank. The net sale price, paid in cash, amounted to \$67,795,000, based on the assets under management as at December 31, 2004. This sale price is subject to certain recovery clauses initially amounting to \$26,930,000, based on net sales of mutual funds over the next 6 years ending December 31, 2010 and on the balance of institutional funds under management on December 31, 2005. Consequently, an initial pre-tax gain amounting to \$9,777,000 (\$8,139,000 net of related income taxes), was recognized under income from discontinued operations, net of related transaction fees estimated at \$2,261,000 and a deferred gain was recorded for an amount of \$26,217,000. In addition, the Bank, Industrial Alliance and BLC-Edmond de Rothschild Asset Management Inc. entered into a ten-year distribution agreement. Under this agreement, the Bank will distribute the R Funds family acquired by Industrial Alliance to the Bank's clients, along with the Industrial Alliance mutual funds. The Bank will continue to receive commissions related to the distribution of funds, under terms equivalent to those prevailing in the industry.

Under a recovery clause, the Bank must repay Industrial Alliance an annual amount of \$5,183,000, for the five years following the sale, if net annual sales of mutual funds do not reach \$50,000,000. The sale proceeds related to the first year's sales threshold were recognized in income at year end, in light of the net sales as of October 31, 2005, in relation to the sale threshold to be reached as at December 31, 2005. The deferred portion of the proceeds will be recognized over the next four years as the net sales thresholds are achieved. At the end of the six-year period ending on December 31, 2010, if cumulative net sales of mutual funds reach \$290,000,000, the amounts that would have been repaid to Industrial Alliance under the recovery clause would be reimbursed to the Bank. Moreover, a final payment of \$8,300,000 would be made to the Bank at the end of the first five-year period of the agreement if cumulative net sales of mutual funds reach \$350,000,000. Including this premium, the total sale price related to the transaction would be \$76,095,000. The gain relating to this final payment will be recognized in income once the conditions are met.

Under a separate recovery clause, the Bank could be required to repay up to \$1,015,000 to Industrial Alliance based on retention of institutional assets under management in the twelve-month period ending on December 31, 2005. The Bank deferred revenues of \$300,000 related to this clause.

The Bank also owns investments related to seed capital that were carried at cost. Since the Bank is no longer involved in the management of mutual funds, it was agreed that these investments would be disposed of. As a result, an initial \$4,400,000 charge was recorded in income from discontinued operations to carry the investments at market value. During the year, the Bank recorded revenues of \$35,000 (\$24,000 net of income taxes) to reflect the realized and unrealized net gains related to these investments. During the fourth quarter, a charge of \$412,000 was recorded (\$273,000 net of taxes).

Results related to these items were reported in discontinued operations. The initial gain, as well as the change in value of the investments related to seed capital were attributed to the Other sector, while the gain subject to the recovery clauses was attributed to the Retail Financial Services segment.

### Transaction summary

In thousands of dollars

Net sale price	\$	67,795
Less: Deferred revenue under the recovery clauses		26,217
Net assets sold, including the amount related to the purchase of LCFER's shares <sup>(1)</sup>		29,540
		12,038
Transaction fees		2,261
Gain before the following items		9,777
Initial write-down of investments related to seed capital		(4,400)
Net gain before income taxes		5,377
Income taxes		164
<b>Net gain after income taxes</b>		<b>5,213</b>
Revenue subsequently recognized, in respect of the recovery clauses (\$5,183 before income taxes)		4,422
Subsequent change in value of investments related to seed capital and other, net of income taxes (\$35 before income taxes)		24
<b>Income from discontinued operations, net of income taxes</b>	<b>\$</b>	<b>9,659</b>

<sup>(1)</sup> Net assets sold consist mainly of goodwill and other intangible assets related to the acquisition of the interest acquired from LCFER, as well as cash of \$1,507,000.

The operating results and the financial position related to these operations, included in the attached interim consolidated financial statements, are presented hereafter. These operations are presented in the Laurentian Bank Securities segment.

The results related to these operations, included in Income from continuing operations in the consolidated statement of income, are as follows:

In thousands of dollars	For the three-month periods ended			For the years ended	
	October 31 2005	July 31 2005	October 31 2004	October 31 2005	October 31 2004
Other income	\$ -	\$ -	\$ 1,446	\$ 1,036	\$ 5,629
Net income (loss)	\$ -	\$ -	\$ (7)	\$ 29	\$ 204

Assets held for sale and liabilities related to these assets are detailed as follows:

In thousands of dollars	October 31 2005	October 31 2004
Total assets	\$ 14,899	\$ 34,245
Total liabilities	\$ -	\$ 1,528

### 3. LOANS

#### A) LOANS AND IMPAIRED LOANS

As at October 31, 2005

In thousands of dollars	Gross amount of loans	Gross amount of impaired loans	Specific allowances	General allowances	Total allowances
Personal loans	\$ 3,907,320	\$ 16,919	\$ 7,267	\$ 24,828	\$ 32,095
Residential mortgages	5,806,853	9,783	3,735	5,559	9,294
Commercial mortgages	595,946	12,173	5,904	4,648	10,552
Commercial loans and other	1,539,893	82,063	47,650	25,818	73,468
Unallocated general allowance	-	-	-	4,397	4,397
	\$ 11,850,012	\$ 120,938	\$ 64,556	\$ 65,250	\$ 129,806

As at October 31, 2004

In thousands of dollars	Gross amount of loans	Gross amount of impaired loans	Specific allowances	General allowances	Total allowances
Personal loans	\$ 3,638,991	\$ 18,103	\$ 10,059	\$ 23,795	\$ 33,854
Residential mortgages	5,509,022	13,199	3,935	5,832	9,767
Commercial mortgages	604,085	15,482	6,064	3,625	9,689
Commercial loans and other	1,542,760	80,213	54,734	23,063	77,797
Unallocated general allowance	-	-	-	8,935	8,935
	\$ 11,294,858	\$ 126,997	\$ 74,792	\$ 65,250	\$ 140,042

#### B) SPECIFIC ALLOWANCES FOR LOAN LOSSES

For the years ended October 31  
2005 2004

In thousands of dollars	Personal loans	Residential mortgages	Commercial mortgages	Commercial loans and other	Total specific allowances	Total specific allowances
Balance at beginning of year	\$ 10,059	\$ 3,935	\$ 6,064	\$ 54,734	\$ 74,792	\$ 85,927
Provision for credit losses	25,069	626	1,557	12,748	40,000	52,000
Write-offs	(33,020)	(1,097)	(1,724)	(20,160)	(56,001)	(67,887)
Recoveries	5,159	271	7	328	5,765	5,489
Allowance for loan losses resulting from sale of branches	-	-	-	-	-	(737)
Balance at end of year	\$ 7,267	\$ 3,735	\$ 5,904	\$ 47,650	\$ 64,556	\$ 74,792

#### C) GENERAL ALLOWANCES FOR LOAN LOSSES

For the years ended October 31  
2005 2004

In thousands of dollars	Personal loans	Residential mortgages	Commercial mortgages	Commercial loans and other	Unallocated general allowance	Total general allowances	Total general allowances
Balance at beginning of year	\$ 23,795	\$ 5,832	\$ 3,625	\$ 23,063	\$ 8,935	\$ 65,250	\$ 77,250
Change during the year	1,033	(273)	1,023	2,755	(4,538)	-	-
Reduction in provision for credit losses recorded in the consolidated statement of income	-	-	-	-	-	-	(12,000)
Balance at end of year	\$ 24,828	\$ 5,559	\$ 4,648	\$ 25,818	\$ 4,397	\$ 65,250	\$ 65,250

## 4. LOAN SECURITIZATION

During the fourth quarter, the Bank securitized residential mortgages insured by the Canadian Mortgage and Housing Corporation in the amount of \$104,570,000 through the creation of mortgage-backed securities. The Bank subsequently sold such mortgage-backed securities. As part of this transaction, the Bank received total proceeds of \$104,383,000 and recognized a gain on sale net of transaction costs of \$1,921,000 in other income. The Bank also retained rights to excess interest earned on these securitized mortgage loans, for an estimated amount of \$5,217,000. During the quarter, the Bank also securitized conventional residential mortgages for \$75,998,000 under an other program. As part of this transaction, the Bank received total proceeds of \$75,238,000 and recognized a gain on sale net of transaction costs of \$2,301,000 in other income. The Bank retained rights for an estimated amount of \$2,145,000 to excess interest earned on these securitized mortgage loans.

The total principal amount of securitized loans outstanding amounted to \$702,718,000 as at October 31, 2005 (\$551,963,000 as at October 31, 2004).

## 5. REDEMPTION OF SUBORDINATED DEBENTURES

On October 18, 2005, the Bank redeemed all of its 8.90% Debentures, Series 6, due 2010, for an aggregate principal amount of \$50,000,000, plus the accrual interest not paid at the date of the redemption.

On December 15, 2004, the Bank redeemed all of its 7.00% Debentures, Series 8, maturing in 2009 of a notional amount of \$100,000,000, including debentures amounting to \$49,475,000 that it had purchased as at October 31, 2004, plus the accrued interest not paid at the date of the redemption.

## 6. CAPITAL STOCK

### Issuance of common shares

During the quarter, 16,476 common shares (45,202 common shares during the year ended October 31, 2005) were issued under the employee share purchase option plan for the management of the Bank for a cash consideration of \$442,000 (\$1,040,000 during the year ended October 31, 2005).

Issued and outstanding	As at October 31, 2005		As at October 31, 2004	
	Number of shares	Amount	Number of shares	Amount
<i>In thousands of dollars, except number of shares</i>				
Class A Preferred Shares <sup>(1)</sup>				
Series 9	4,000,000	\$ 100,000	4,000,000	\$ 100,000
Series 10	4,400,000	110,000	4,400,000	110,000
Total preferred shares	8,400,000	210,000	8,400,000	210,000
Common Shares	23,556,545	249,633	23,511,343	248,593
Treasury stock	20,000	(590)	-	\$ -

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

	As at October 31, 2005	As at October 31, 2004
	Number	Number
Share purchase options		
Outstanding at end of year	429,037	476,089
Exercisable at end of year	404,037	416,239

### Other stock-based compensation plans

During the quarter, the Bank granted 20,000 common shares under a new performance-based share program. The compensation expense related to this program will be accrued over the vesting period, until January 2007. To provide for the obligation related to this program, 20,000 common shares were acquired in the open market and are held in trust for issuance upon vesting. These shares are presented as Treasury shares, as a deduction of shareholder equity.

## 7. EMPLOYEE FUTURE BENEFITS

<i>In thousands of dollars</i>	For the three-month periods ended October 31		For the years ended October 31	
	2005	2004	2005	2004
Defined benefit pension plans expense	\$ 3,378	\$ 2,159	\$ 13,408	\$ 11,615
Defined contribution pension plan expense	551	469	2,183	1,970
Other plans expense	628	676	2,497	2,623
Total	\$ 4,557	\$ 3,304	\$ 18,088	\$ 16,208

## 8. RESTRUCTURING COSTS

During the quarter, the amounts used amounted to \$77,000 (\$501,000 during the year ended October 31, 2005). The restructuring costs balance as at October 31, 2005 amounted to \$1,173,000 (\$2,371,000 as at October 31, 2004). During the previous quarters of 2005, a restructuring provision for remaining lease rentals, initially recorded on October 31, 2003, was reduced by an amount of \$697,000 as a result of adjustments to the anticipated occupancy level of certain premises.

# 9 . SEGMENTED INFORMATION

For the three-month period ended  
October 31, 2005

In thousands of dollars	RFS <sup>(2)</sup>	CFS	B2B <sup>(2)</sup>	LBS	Other <sup>(2)</sup>	Total
Net interest income	\$ 64,443	\$ 14,195	\$ 14,127	\$ 292	\$ (7,645)	\$ 85,412
Other income	22,925	7,381	3,570	5,660	8,864	48,400
Total revenue	87,368	21,576	17,697	5,952	1,219	133,812
Provision for credit losses	5,126	4,957	1,667	-	-	11,750
Non-interest expenses	70,745	10,238	9,441	4,255	4,331	99,010
Income (loss) from continuing operations before income taxes	11,497	6,381	6,589	1,697	(3,112)	23,052
Income taxes (recovery)	4,016	2,272	2,238	586	(3,470)	5,642
Income from continuing operations	7,481	4,109	4,351	1,111	358	17,410
Income from discontinued operations, net of income taxes	4,422	-	-	-	(273)	4,149
Net income	\$ 11,903	\$ 4,109	\$ 4,351	\$ 1,111	\$ 85	\$ 21,559
Average assets <sup>(1)</sup>	\$ 7,938,238	\$ 2,255,775	\$ 2,511,238	\$ 1,274,537	\$ 2,450,951	\$ 16,430,739
Average loans <sup>(1)</sup>	\$ 7,728,934	\$ 2,045,642	\$ 2,484,708	\$ -	\$ (601,503)	\$ 11,657,781
Average deposits <sup>(1)</sup>	\$ 9,409,441	\$ 100,952	\$ 2,210,174	\$ -	\$ 2,039,153	\$ 13,759,720

For the three-month period ended  
July 31, 2005

In thousands of dollars	RFS <sup>(2)</sup>	CFS	B2B <sup>(2)</sup>	LBS	Other <sup>(2)</sup>	Total
Net interest income	\$ 63,387	\$ 14,180	\$ 14,123	\$ 299	\$ (6,509)	\$ 85,480
Other income	22,282	7,281	3,388	4,756	7,924	45,631
Total revenue	85,669	21,461	17,511	5,055	1,415	131,111
Provision for credit losses	4,871	3,146	1,733	-	-	9,750
Non-interest expenses	71,193	9,829	9,207	4,085	4,180	98,494
Income (loss) from continuing operations before income taxes	9,605	8,486	6,571	970	(2,765)	22,867
Income taxes (recovery)	3,346	3,008	2,234	331	(1,259)	7,660
Income (loss) from continuing operations	6,259	5,478	4,337	639	(1,506)	15,207
Income from discontinued operations, net of income taxes	-	-	-	-	600	600
Net income	\$ 6,259	\$ 5,478	\$ 4,337	\$ 639	\$ (906)	\$ 15,807
Average assets <sup>(1)</sup>	\$ 7,781,862	\$ 2,195,513	\$ 2,466,553	\$ 1,602,932	\$ 2,379,217	\$ 16,426,077
Average loans <sup>(1)</sup>	\$ 7,580,146	\$ 1,994,542	\$ 2,442,112	\$ -	\$ (440,221)	\$ 11,576,579
Average deposits <sup>(1)</sup>	\$ 9,459,250	\$ 97,851	\$ 2,205,265	\$ -	\$ 1,593,543	\$ 13,355,909

For the three-month period ended  
October 31, 2004

In thousands of dollars	RFS <sup>(2)</sup>	CFS	B2B <sup>(2)</sup>	LBS	Other <sup>(2)</sup>	Total
Net interest income	\$ 58,617	\$ 13,691	\$ 11,822	\$ 334	\$ (14,432)	\$ 70,032
Other income	20,219	8,268	3,706	6,533	165	38,891
Total revenue	78,836	21,959	15,528	6,867	(14,267)	108,923
Provision for credit losses	5,066	2,272	1,550	-	-	8,888
Non-interest expenses	67,892	8,894	8,841	5,503	157	91,287
Income (loss) before income taxes	5,878	10,793	5,137	1,364	(14,424)	8,748
Income taxes (recovery)	1,943	3,832	1,742	79	(5,978)	1,618
Net income	\$ 3,935	\$ 6,961	\$ 3,395	\$ 1,285	\$ (8,446)	\$ 7,130
Average assets <sup>(1)</sup>	\$ 7,449,484	\$ 2,304,221	\$ 2,326,154	\$ 1,487,091	\$ 2,751,169	\$ 16,318,119
Average loans <sup>(1)</sup>	\$ 7,205,699	\$ 2,044,871	\$ 2,301,240	\$ 7	\$ (449,486)	\$ 11,102,331
Average deposits <sup>(1)</sup>	\$ 9,354,573	\$ 85,734	\$ 2,242,237	\$ 24	\$ 1,309,887	\$ 12,992,455

**9. SEGMENTED INFORMATION (CONTINUED)**

 For the year ended  
**October 31, 2005**

In thousands of dollars	RFS <sup>(2)</sup>	CFS	B2B <sup>(2)</sup>	LBS <sup>(3)</sup>	Other <sup>(2)</sup>	Total
Net interest income	\$ 250,055	\$ 56,174	\$ 55,194	\$ 1,290	\$ (37,022)	\$ 325,691
Other income	87,528	29,112	13,947	21,361	24,423	176,371
Total revenue	337,583	85,286	69,141	22,651	(12,599)	502,062
Provision for credit losses	20,685	13,107	6,208	-	-	40,000
Non-interest expenses	277,856	38,745	38,275	17,535	9,540	381,951
Income (loss) from continuing operations before income taxes	39,042	33,434	24,658	5,116	(22,139)	80,111
Income taxes (recovery)	13,616	11,797	8,377	1,733	(11,035)	24,488
Income (loss) from continuing operations	25,426	21,637	16,281	3,383	(11,104)	55,623
Income from discontinued operations, net of income taxes	4,422	-	-	-	5,237	9,659
Net income	\$ 29,848	\$ 21,637	\$ 16,281	\$ 3,383	\$ (5,867)	\$ 65,282
Average assets <sup>(1)</sup>	\$ 7,697,432	\$ 2,221,761	\$ 2,438,147	\$ 1,439,039	\$ 2,531,155	\$ 16,327,534
Average loans <sup>(1)</sup>	\$ 7,490,265	\$ 2,006,398	\$ 2,414,217	\$ 3	\$ (464,456)	\$ 11,446,427
Average deposits <sup>(1)</sup>	\$ 9,433,089	\$ 92,137	\$ 2,239,732	\$ -	\$ 1,584,603	\$ 13,349,561

 For the year ended  
**October 31, 2004**

In thousands of dollars	RFS <sup>(2)</sup>	CFS	B2B <sup>(2)</sup>	LBS	Other <sup>(2)</sup>	Total
Net interest income	\$ 233,650	\$ 56,860	\$ 48,846	\$ 1,344	\$ (73,506)	\$ 267,194
Other income	85,774	32,384	14,878	26,030	39,883	198,949
Total revenue	319,424	89,244	63,724	27,374	(33,623)	466,143
Provision for credit losses	19,663	15,646	4,691	-	-	40,000
Non-interest expenses	265,607	35,993	37,215	21,456	9,448	369,719
Income (loss) before income taxes and non-controlling interest in net income of a subsidiary	34,154	37,605	21,818	5,918	(43,071)	56,424
Income taxes (recovery)	11,911	13,176	7,432	1,644	(19,526)	14,637
Non-controlling interest in net income of a subsidiary	-	-	1,916	-	-	1,916
Net income	\$ 22,243	\$ 24,429	\$ 12,470	\$ 4,274	\$ (23,545)	\$ 39,871
Average assets <sup>(1)</sup>	\$ 7,309,320	\$ 2,370,500	\$ 2,314,738	\$ 1,451,752	\$ 2,880,441	\$ 16,326,751
Average loans <sup>(1)</sup>	\$ 7,119,845	\$ 2,052,924	\$ 2,292,772	\$ 8	\$ (494,636)	\$ 10,970,913
Average deposits <sup>(1)</sup>	\$ 9,230,089	\$ 85,065	\$ 2,275,396	\$ 133	\$ 1,293,339	\$ 12,884,022

- RFS - The Retail Financial Services segment covers the full range of savings, investment, financing and transactional products and services offered through its direct distribution network, which includes branches, the electronic network and the call centre, as well as Point-of-Sale financing and agent deposits across Canada. This business segment also offers Visa credit card services and insurance products as well as trust services.
- CFS - The Commercial Financial Services segment handles commercial loans and larger financings as part of banking syndicates, as well as commercial mortgage financing, leasing, factoring and other services.
- B2B - The B2B Trust business segment supplies generic and complementary banking and financial products to independent financial advisors and non-bank financial institutions across Canada.
- LBS - LBS segment consists of the activities of the subsidiary Laurentian Bank Securities Inc. and up to December 31, 2004, the activities of BLC - Edmond de Rothschild Asset Management Inc.
- Other - The category "Other" includes treasury and securitization activities and other activities of the Bank including revenues and expenses that are not attributable to the above-mentioned segments.

<sup>(1)</sup> Assets and liabilities are disclosed on an average basis as this measure is most relevant to a financial institution.

<sup>(2)</sup> Since November 1, 2004 results from broker-sourced mortgages are now included with the B2B Trust business segment while they were previously included with the RFS business segment. Also, B2B Trust's treasury operations were integrated into the Bank's treasury operations and certain other items related to corporate activities were reclassified in the Other category. Comparative figures were restated to reflect the current period presentation.

<sup>(3)</sup> Results for the first quarter of 2005 include a \$0.03 million contribution from BLC-Edmond de Rothschild Asset Management Inc. for the two months prior to the sale (note 2).

## Other income

In thousands of dollars (unaudited)	Q4	Q3	Q2	Q1	2005 Total
<b>Fees and commissions on loans and deposits</b>					
Deposit service charges	\$ 11,960	\$ 12,096	\$ 12,145	\$ 11,538	\$ 47,739
Lending fees	7,693	7,666	7,517	7,499	30,375
Card service revenues	3,036	3,022	2,483	2,509	11,050
<b>Sub-total - fees and commissions on loans and deposits</b>	<b>22,689</b>	<b>22,784</b>	<b>22,145</b>	<b>21,546</b>	<b>89,164</b>
<b>Other</b>					
Revenues from treasury and financial market operations	4,805	5,637	1,566	4,215	16,223
Brokerage operations	5,603	4,734	4,899	4,931	20,167
Revenues from sale of mutual funds	2,335	2,165	2,238	2,832	9,570
Revenues from registered self-directed plans	3,008	2,839	3,023	2,960	11,830
Insurance revenues	2,510	1,515	2,004	1,658	7,687
Securitization revenues	4,852	3,032	719	3,061	11,664
Other	2,598	2,925	2,297	2,246	10,066
<b>Sub-total - other</b>	<b>25,711</b>	<b>22,847</b>	<b>16,746</b>	<b>21,903</b>	<b>87,207</b>
<b>Total - other income</b>	<b>\$ 48,400</b>	<b>\$ 45,631</b>	<b>\$ 38,891</b>	<b>\$ 43,449</b>	<b>\$ 176,371</b>
<b>As a % of average assets</b>	<b>1.17 %</b>	<b>1.10 %</b>	<b>0.99 %</b>	<b>1.05 %</b>	<b>1.08 %</b>

In thousands of dollars (unaudited)	Q4	Q3	Q2	Q1	2004 Total
<b>Fees and commissions on loans and deposits</b>					
Deposit service charges	\$ 11,317	\$ 11,461	\$ 11,728	\$ 11,311	\$ 45,817
Lending fees	8,255	7,487	8,572	7,814	32,128
Card service revenues	2,491	3,128	2,530	3,089	11,238
<b>Sub-total - fees and commissions on loans and deposits</b>	<b>22,063</b>	<b>22,076</b>	<b>22,830</b>	<b>22,214</b>	<b>89,183</b>
<b>Other</b>					
Revenues from treasury and financial market operations	789	5,734	11,391	12,706	30,620
Brokerage operations	5,060	4,579	5,128	5,456	20,223
Gain on disposal	-	9,082	4,435	-	13,517
Revenues from sale and management of mutual funds	3,182	3,140	3,582	2,982	12,886
Revenues from registered self-directed plans	2,979	2,885	3,326	3,051	12,241
Insurance revenues	1,504	1,141	1,591	1,825	6,061
Securitization revenues	266	2,191	1,713	267	4,437
Other	3,048	2,085	2,647	2,001	9,781
<b>Sub-total - other</b>	<b>16,828</b>	<b>30,837</b>	<b>33,813</b>	<b>28,288</b>	<b>109,766</b>
<b>Total - other income</b>	<b>\$ 38,891</b>	<b>\$ 52,913</b>	<b>\$ 56,643</b>	<b>\$ 50,502</b>	<b>\$ 198,949</b>
<b>As a % of average assets</b>	<b>0.95 %</b>	<b>1.31 %</b>	<b>1.41 %</b>	<b>1.22 %</b>	<b>1.22 %</b>



## Non - interest expenses

In thousands of dollars (unaudited)	Q4	Q3	Q2	Q1	2005 Total
Salaries and employee benefits	\$ 51,091	\$ 50,618	\$ 45,647	\$ 44,807	\$ 192,163
Premises and technology					
Depreciation	6,799	6,624	7,462	7,475	28,360
Rent and property taxes	8,092	8,253	8,389	8,387	33,121
Equipment and computer services	9,712	9,608	9,036	9,243	37,599
Maintenance and repairs	1,436	1,222	1,550	1,131	5,339
Public utilities	231	220	333	276	1,060
Other	1,248	540	(62)	354	2,080
Sub-total - premises and technology	27,518	26,467	26,708	26,866	107,559
Other expenses					
Taxes and insurance	5,458	5,989	5,691	6,447	23,585
Fees and commissions	4,576	4,435	3,965	3,545	16,521
Communications and travelling expenses	4,331	4,539	4,362	4,373	17,605
Advertising and business development	2,531	4,008	3,736	2,935	13,210
Stationery and publications	1,402	1,312	1,603	1,705	6,022
Recruitment and training	586	612	493	643	2,334
Other	1,517	514	554	367	2,952
Sub-total - other expenses	20,401	21,409	20,404	20,015	82,229
Total - non-interest expenses	\$ 99,010	\$ 98,494	\$ 92,759	\$ 91,688	\$ 381,951
As a % of average assets	2.39 %	2.38 %	2.37 %	2.22 %	2.34 %

In thousands of dollars (unaudited)	Q4	Q3	Q2	Q1	2004 Total
Salaries and employee benefits	\$ 44,617	\$ 46,330	\$ 45,844	\$ 46,138	\$ 182,929
Premises and technology					
Depreciation	7,740	8,000	9,345	9,412	34,497
Rent and property taxes	8,373	8,442	8,433	8,116	33,364
Equipment and computer services	9,585	6,750	6,960	6,824	30,119
Maintenance and repairs	1,477	1,068	1,292	994	4,831
Public utilities	193	212	344	277	1,026
Other	(1,067)	577	624	711	845
Sub-total - premises and technology	26,301	25,049	26,998	26,334	104,682
Other expenses					
Taxes and insurance	5,488	5,381	7,454	6,771	25,094
Fees and commissions	4,925	4,319	4,447	3,431	17,122
Communications and travelling expenses	3,755	4,187	3,962	4,167	16,071
Advertising and business development	3,239	3,438	2,527	2,410	11,614
Stationery and publications	1,470	1,445	1,766	1,333	6,014
Recruitment and training	567	328	519	779	2,193
Other	925	1,023	649	1,403	4,000
Sub-total - other expenses	20,369	20,121	21,324	20,294	82,108
Total - non-interest expenses	\$ 91,287	\$ 91,500	\$ 94,166	\$ 92,766	\$ 369,719
As a % of average assets	2.23 %	2.26 %	2.34 %	2.24 %	2.26 %

## Regulatory capital - BIS

In thousands of dollars (unaudited)	As at October 31 2005	As at October 31 2004
<b>Tier I capital</b>		
Common shares	\$ 249,043	\$ 248,593
Contributed surplus	73	-
Retained earnings	454,124	428,159
Non-cumulative preferred shares	210,000	209,685
Non-controlling interests in subsidiaries	6,715	6,333
Less: goodwill	(53,790)	(54,029)
<b>Total - Tier I capital (A)</b>	<b>866,165</b>	<b>838,741</b>
<b>Tier II capital</b>		
Non-cumulative preferred shares <sup>(1)</sup>	-	315
Subordinated debentures	150,000	250,525
General allowances	65,250	65,250
<b>Total - Tier II capital</b>	<b>215,250</b>	<b>316,090</b>
Investment in non-consolidated corporations, securitization and other	(32,364)	(41,016)
<b>Regulatory capital - BIS (B)</b>	<b>\$ 1,049,051</b>	<b>\$ 1,113,815</b>
<b>Total risk-weighted assets (C)</b>	<b>\$ 8,522,568</b>	<b>\$ 7,985,731</b>
Tier I BIS capital ratio (A/C)	10.2 %	10.5 %
Total BIS capital ratio (B/C)	12.3 %	14.0 %
Assets to capital multiple	15.8 x	15.0 x
Tangible common equity as a percentage of risk-weighted assets	7.5 %	7.6 %

<sup>(1)</sup> Represents the amount of preferred shares exceeding 25% of Tier 1 capital.

## Risk-weighted assets

In thousands of dollars (unaudited)	As at October 31 2005	As at October 31 2004
<b>BALANCE SHEET ITEMS</b>		
Cash resources	\$ 87,652	\$ 68,268
Securities	396,881	255,088
Mortgage loans	2,328,913	2,123,238
Other loans and customers' liability under acceptances	5,063,069	4,827,273
Other assets	496,652	542,900
General allowances	65,250	65,250
<b>Total - balance sheet items</b>	<b>8,438,417</b>	<b>7,882,017</b>
<b>OFF-BALANCE SHEET ITEMS</b>		
Derivative financial instruments	33,040	50,185
Credit-related commitments	51,111	53,529
<b>Total - risk-weighted assets</b>	<b>\$ 8,522,568</b>	<b>\$ 7,985,731</b>

## Assets under administration

In thousands of dollars (unaudited)	As at October 31 2005	As at October 31 2004
<b>Self-directed RRSPs and RRIFs</b>	<b>\$ 7,958,593</b>	<b>\$ 8,378,207</b>
Institutional	1,808,809	2,695,221
Clients' brokerage assets	1,622,608	1,390,073
Mutual funds	1,212,810	1,331,900
Mortgage loans under management	843,015	799,663
Other - Personal	319,683	283,432
<b>Total - assets under administration</b>	<b>\$ 13,765,518</b>	<b>\$ 14,878,496</b>