

# Laurentian Bank

**RAYMOND MCMANUS**  
**President & CEO**

**Scotia Capital Financials Summit 2006**  
**September 12, 2006**



# Forward Looking Statements

Laurentian Bank of Canada (the "Bank") may from time to time, in this presentation and in other documents filed with Canadian regulatory authorities or in other communications, make forward-looking statements within the meaning of applicable securities legislation, whether written or oral, including statements regarding the business plan and financial objectives of the Bank. These statements typically use the conditional and words such as "prospects", "believe", "estimate", "forecast", "project", "should", "could" and "would", etc.

By their very nature, forward-looking statements are based on assumptions and involve inherent risks and uncertainties, both general and specific in nature. It is therefore possible that the forecasts, projections and other forward-looking statements will not be achieved or will be prove to be inaccurate.

The Bank cautions readers against placing undue reliance on forward-looking statements when making decisions, as the actual results could differ appreciably from the opinions, plans, objectives, expectations, forecasts, estimates and intentions expressed in such forward-looking statements due to various material factors. These factors include, among other things, 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 resource and technological change. The Bank cautions that the foregoing list of factors is not exhaustive.

The Bank does not undertake to update any forward-looking statements, oral or written, made by itself or on its behalf, except to the extent required by securities regulations.

**For questions on this presentation, please contact:**

**Gladys Caron, Vice-President, Public Affairs, Communications and Investor Relations**

**Tel: 514 284-4500, extension 7511**

**Cel: 514 893-3963**

**[gladys.caron@banquelaurentienne.ca](mailto:gladys.caron@banquelaurentienne.ca)**



# Highlights - 9 Months 2006

- **7 % increase in total revenue and more than 20 % increase in net income from continuing operations after 9 months compared to same period last year**
- **Continuous growth on loan volumes and total revenues over the same period last year**
- **In line with budget after 9 months**



# Highlights - Tax Issues

- **Neutral impact after 9 months of a few major income tax elements that occurred in the last two quarters**
- **Second quarter:**
  - **\$10.7 million favorable tax adjustment due to various tax-related issues**
- **Third quarter:**
  - **Federal tax reduction impacted future tax assets : \$11 million tax charge**

# Up to date 2006 Performance and 2006 Objectives

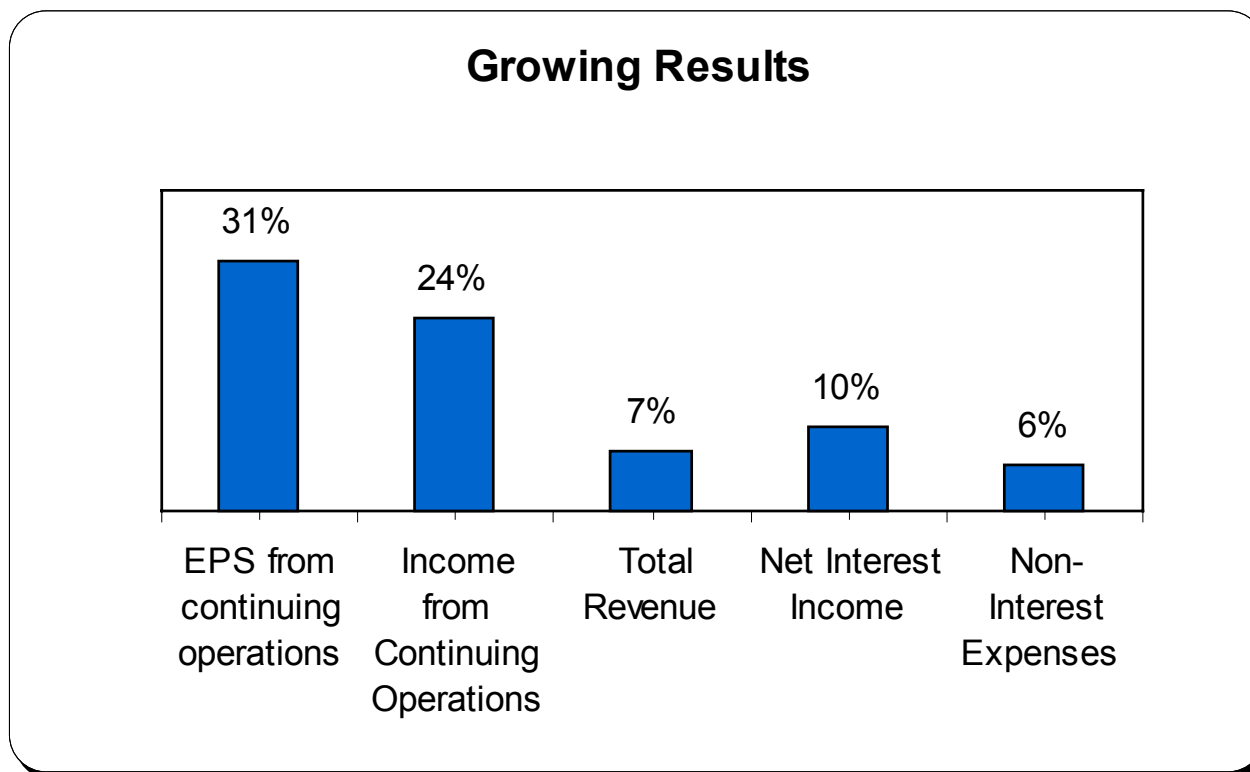
Performance Measure	9 Months Period Ended July 31, 2006 Actual	2006 Objectives
<b>Return on Equity</b>	7.3%	7% to 8%
<b>Diluted Net Income per Share</b>	\$1.64	\$2.05 to \$2.35
<b>Total Revenue</b>	\$396M	\$522M to \$532M
<b>Efficiency Ratio</b>	75.6%	75% to 73.5%
<b>Capital Ratios</b>		
- Tier 1	10.3%	Min of 9.5%
- Total	12.5%	Min of 12.0%
<b>Credit Quality (PCL Ratio)<sup>1</sup></b>	0.24%	0.25% to 0.22%

(1) PCL ratio is calculated over Average Assets



# Highlights

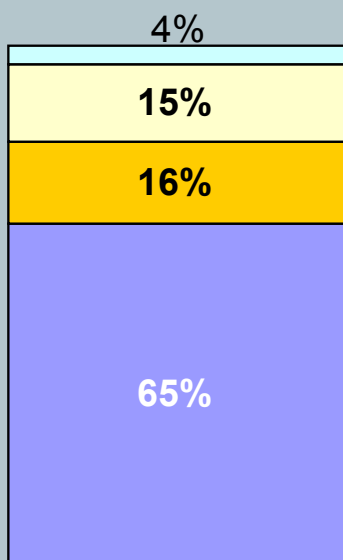
## 9 Months 2006 versus 9 Months 2005



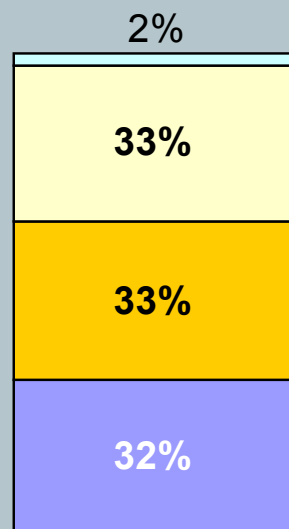
- Efficiency ratio improved by 120 basis points for the first 9 months 2006 compared to the first 9 months 2005

# Revenue and Net Income Mix - Q3 2006

## Total Revenue by Business Line



## Net Income Contribution by Business Line



- Laurentian Bank Securities
- Commercial Financial Services
- B2B Trust
- Retail Financial Services

Total revenue and net income contribution excluding Other segment



# Financial Highlights by Business Line - Q3 2006 versus Q3 2005

## Retail Financial Services

- Retail average assets grew by 7%
- Total revenue rose by 5 % coming namely from higher loan and deposit volume, commissions on credit insurance and mutual funds distribution as well as Visa credit card
- Higher non-interest expenses related to higher employee future benefit costs and increased salary charge coming from the expansion of operations and higher pension costs

## Commercial Financial Services

- Commercial average assets rose by 3%
- Excluding the impact of Brome Financial Corporation which was sold in the first quarter, revenues were up by \$1.1 million compared to last year
- Net income grew by 26% to reach \$6.9 million (including the sale of Brome Financial Corporation)
- Loan losses decreased by \$1.9 million



# Financial Highlights by Business Line - Q3 2006 versus Q3 2005

## **B2B Trust**

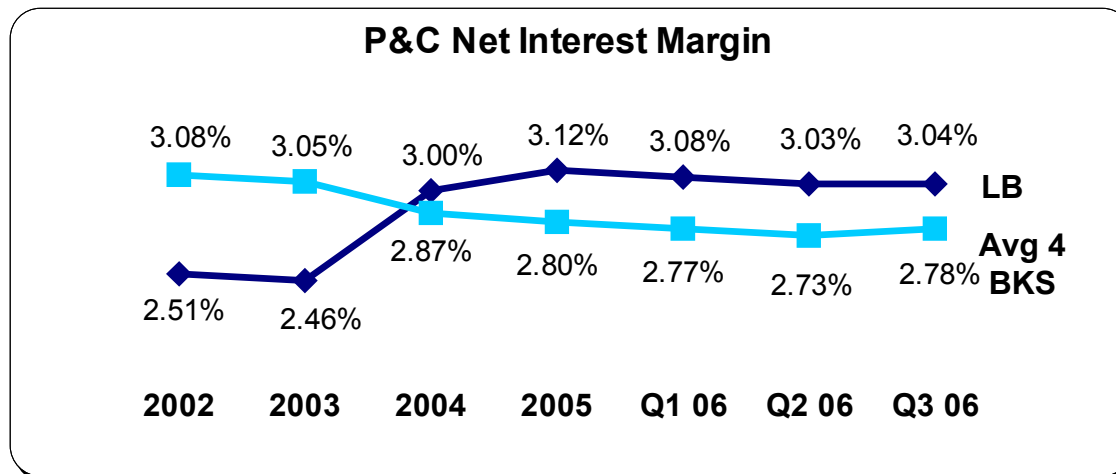
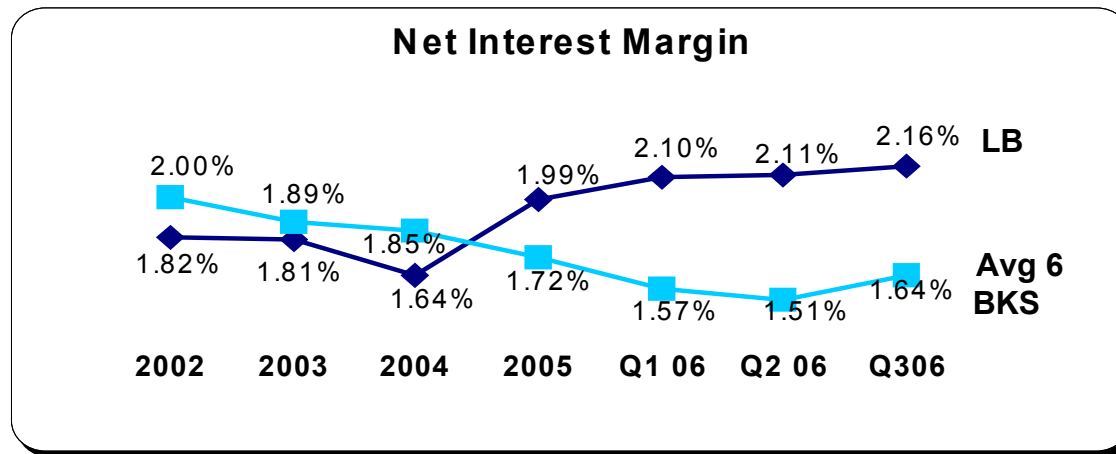
- Total revenue went up by 13% coming from higher loan volumes and net interest margins
- Net income strongly rose by 35% mainly coming from higher total revenue
- Investment loans (including RRSP loans) increased by \$267 million or 21%

## **Laurentian Bank Securities**

- Total revenue rose by 1% to amount to \$5.1 million
- Non-interest expenses grew by 12% to reach \$4.6 million reflecting hiring of employees and other business development initiatives
- Net income amounted to \$0.5 million compared to \$0.6 million in Q3-2005



# Laurentian Bank's NIM Is Stabilizing



For P&C NIM:

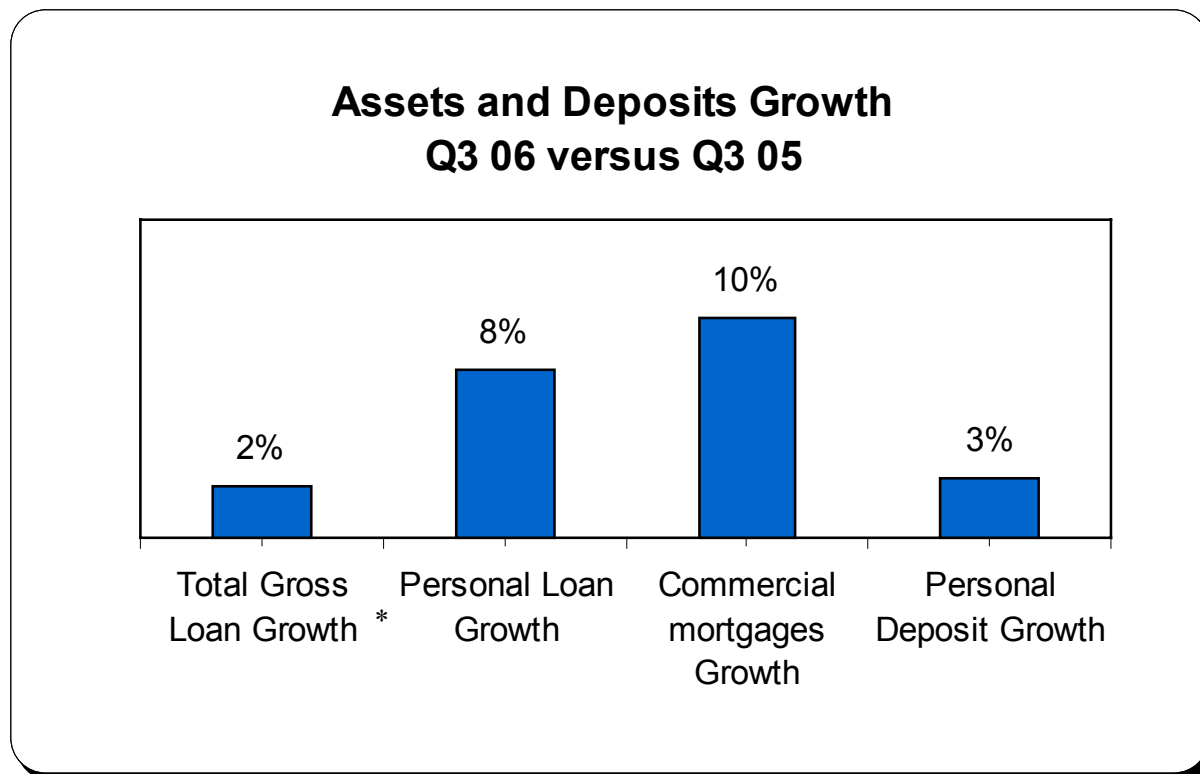
Includes Retail & Commercial Services but not B2B Trust and is calculated on average assets

Excluding Scotia (reported numbers only based on average earnings assets)

Excluding TD (only P&C average loans available)



# Sustained Growth of Portfolios

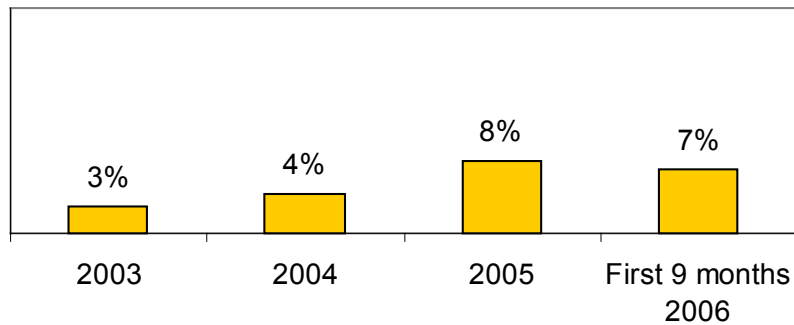


\*After securitization of \$116 million in Q3 06

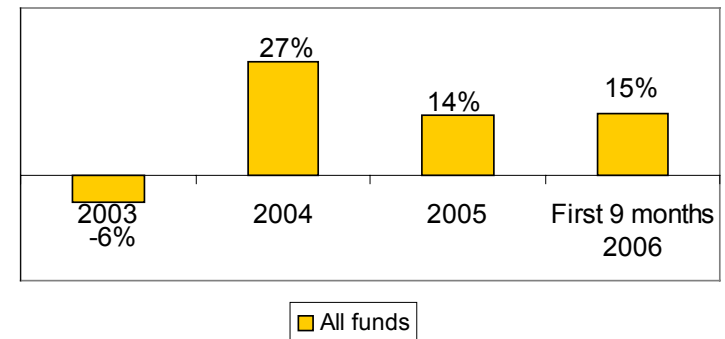
# Sustained Growth of Portfolios

## Retail Financial Services

Residential Mortgage Loans Volume Growth

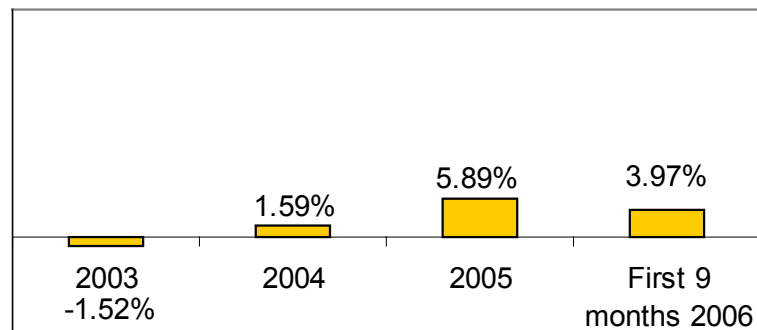


Mutual Funds Volume Growth \*



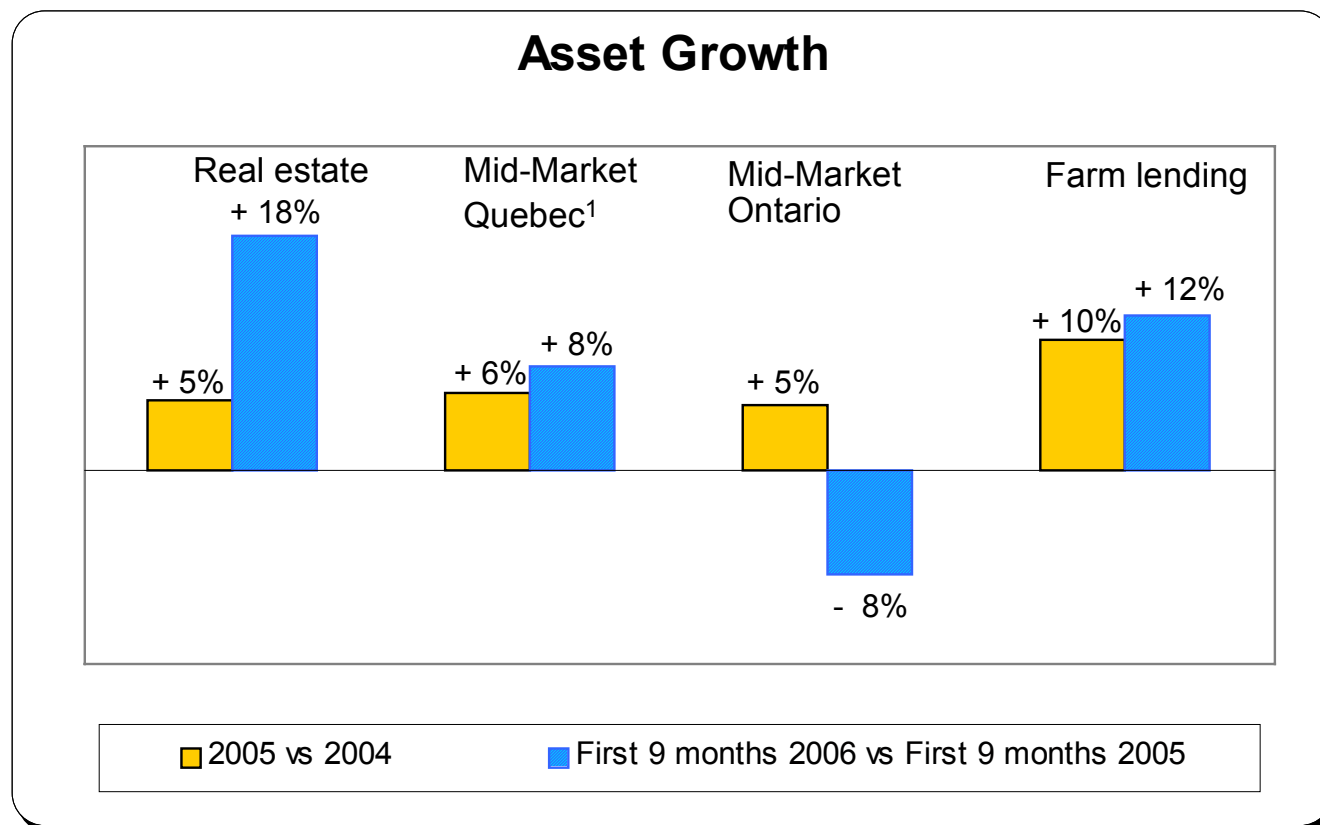
\*Mutual funds under administration

VISA Card Volume Growth



# Sustained Growth of Portfolios

## Commercial Financial Services



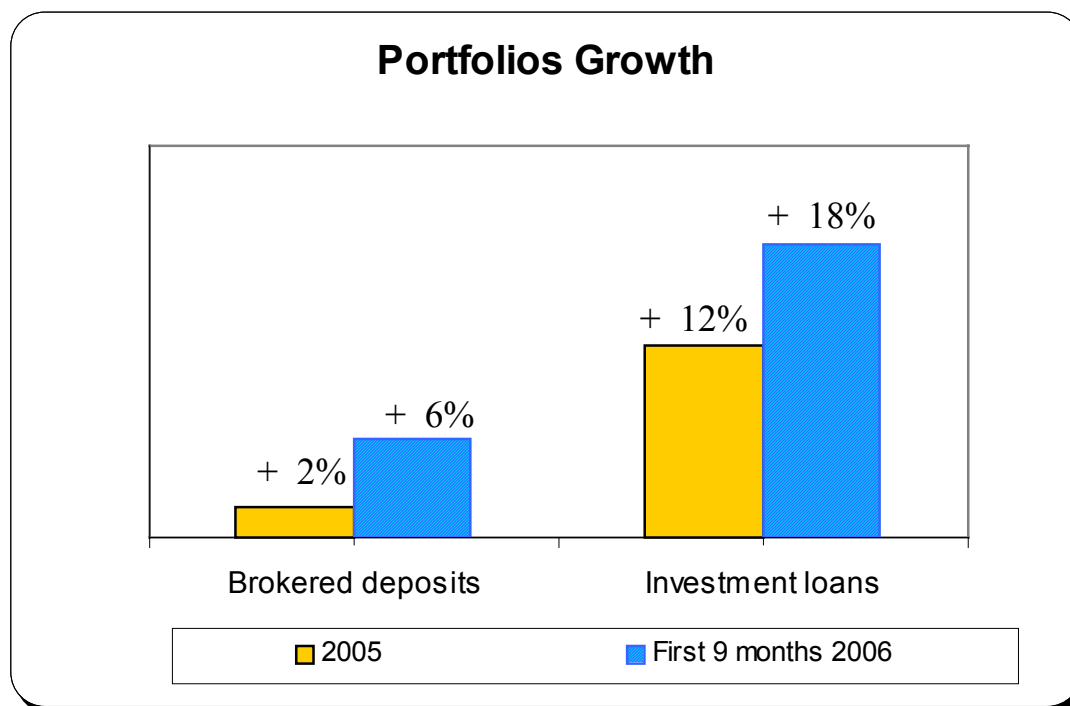
Growth based on average assets, except for Real Estate which is based on balances

(1) Mid-Market Quebec: excluding micro business and corporate assets



# Sustained Growth of Portfolios

## B2B Trust



Notes: Since November 1, 2005 results from all deposit brokerage operations are now included with the B2B Trust business segment. Investment loans includes RRSP loans.

# Provision for Credit Losses

in millions of \$	2002	2003	2004	2005	9 months 2006
Personal loans	23.2	26.3	25.6	25.1	20.9
Residential mortgage loans	2.9	1.2	1.7	0.6	0.4
Commercial mortgage loans	2.6	1.6	3.1	1.6	-0.1
Commercial and other loans	82.3	28.9	21.6	12.7	8.8
Total - Provision for credit losses	111.0	58.0	52.0	40.0	30.0
Reversal of general allowances	-	4.0	12.0	-	-
<b>Net losses</b>	<b>111.0</b>	<b>54.0</b>	<b>40.0</b>	<b>40.0</b>	<b>30.0</b>

# Deposits

<b>Composition of deposits</b>	<b>October 31, 2005</b>	<b>July 31, 2006</b>	
	<b>LBC</b>	<b>LBC</b>	<b>Average Big 6</b>
Personal	77.2%	81.0%	40.8%
Business and other	22.8%	19.0%	59.2%
Total of deposits	100.0%	100.0%	100.0%



# Assets Under Administration (AUA)

- **AUA has increased by 6% over Q3 2005**

( in billions of \$)	<b>Q3 05</b>	<b>Q3 06</b>
Self-directed RRSPs and RRIFs	8.1	8.2
Institutional	1.8	1.7
Client's brokerage assets	1.6	1.9
Mutual Funds	1.2	1.4
Mortgage loans under management	0.7	1.3
Other - Personal	0.3	0.2
<b>Total</b>	<b>13.8</b>	<b>14.6</b>

# Retail Financial Services' Strategy

- **Acquire new customers**
- **Optimization of the Branch and ABMs Network**
  - 8 new branches, 15 major branch renovations and 2 branch relocations and 31 new ABMs since Fall 2004
- **Improve product and service offering**
- **Capitalize on our human resources**
  - Namely with Training, Entrepreneurship Model
- **Increase the share of wallet of our customers**



# Commercial Financial Services

## Concentrating on our core activities

- Improve our product and service offering
- Focus on relationship approach instead of asset based approach
- Restructuring of sales force in Quebec
- Launching of commercial signature “MaxAffaires”
- Continue to grow the small and medium sized business sector, as well as agriculture by loan development activities

# B2B Trust

- Focus on primary markets
  - 5 core distribution channels: mutual fund industry, insurance industry, investment industry, mortgage brokerage and deposit brokerage
- Build a solid organizational foundation
- Sell by cultivating organic growth within highest profit categories
- Evaluate new market opportunities

B2B Trust deals with more than 14,000 financial professionals and has more than 40 distribution alliances for investment loans, RSP loans and banking products



# Laurentian Bank Securities

- Pursue consolidation of network and team
- Pursue the development of institutional brokerage activities - fixed income
- Develop synergies between business segments
- Develop retail brokerage operations
- Develop institutional services in equity markets and financing of SME

# Conclusion

- ❑ **Pursue our plan aiming at becoming the undisputable #3 in Quebec through a focussed and disciplined strategy**
- ❑ **Appointment of Réjean Robitaille as COO and eventually CEO**
- ❑ **Employees are committed and have fully bought into the plan**
- ❑ **Laurentian Bank is being managed in a conservative manner with a long term vision**



# Appendices

# Laurentian Bank: an Overview

- ❑ Founded in 1846
- ❑ 3<sup>rd</sup> largest financial institution in Quebec in terms of number of branches
- ❑ 7<sup>th</sup> largest Canadian Schedule 1 chartered bank
- ❑ Balance sheet assets: \$17.1 billion (as at July 31, 2006)
- ❑ Assets under administration: \$14.6 billion (as at July 31, 2006)
- ❑ Number of branches: 157



# Laurentian Bank's Vision

**After building solid foundations, we are developing the Bank through many actions and initiatives in order to become the undisputed #3 banking institution in Quebec and continue to be a performing player in specific market segments elsewhere in Canada**

# A Clear Geographical and Business Focus

## □ **Laurentian Bank's main market is Quebec**

- With 157 retail, 20 commercial and 14 brokerage branches, Quebec is LBC's main market. All our business lines are active in this market.

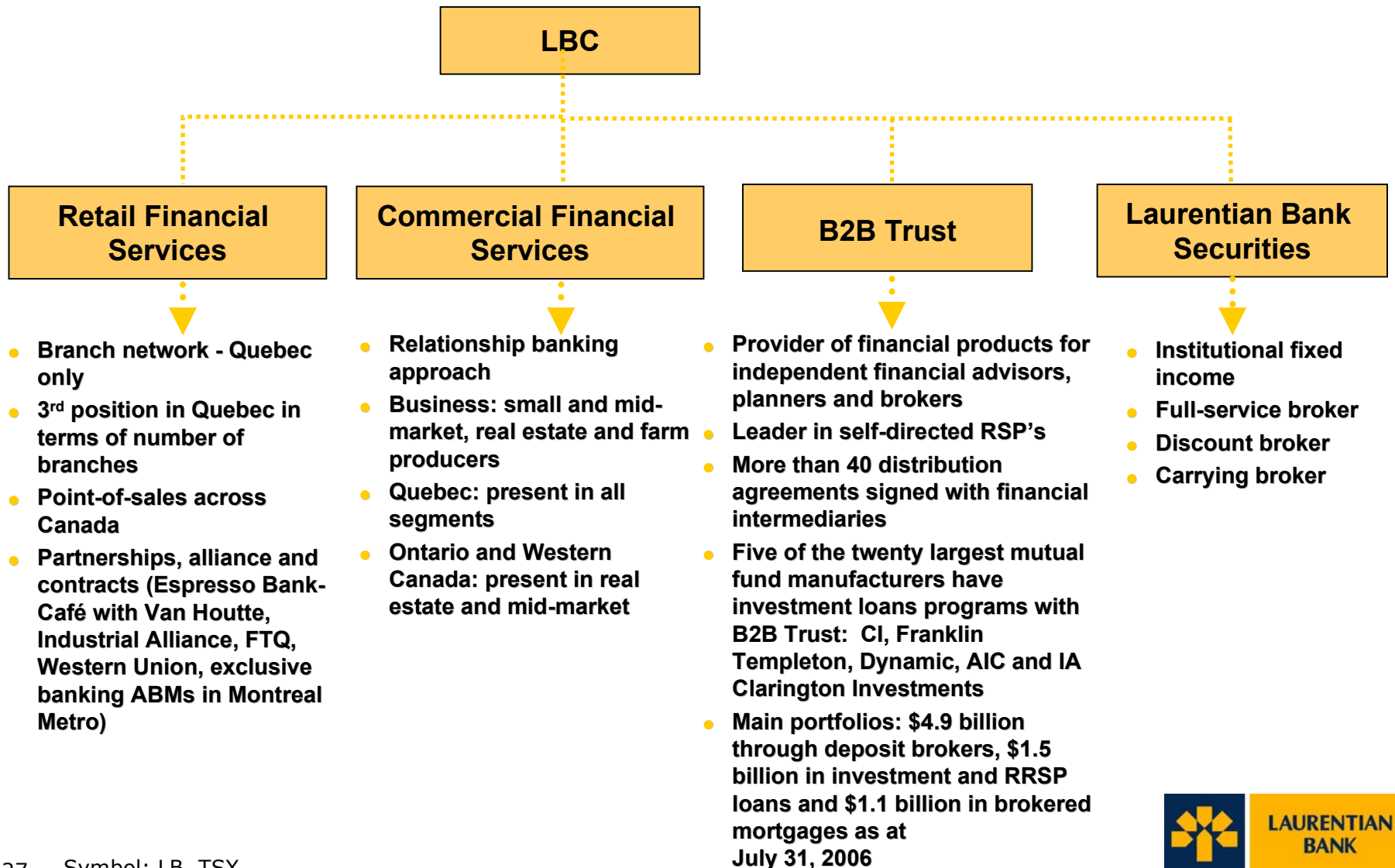
## □ **A performing player across Canada**

- In the sectors and markets in which LBC excels and has a competitive edge, that is B2B Trust, Commercial Financial Services and our indirect points-of-sale network, Laurentian Bank Securities as well as mortgages and deposits through brokers.

✓ 36% of LBC's total loans are outside Quebec (as at October 31<sup>st</sup>, 2005)

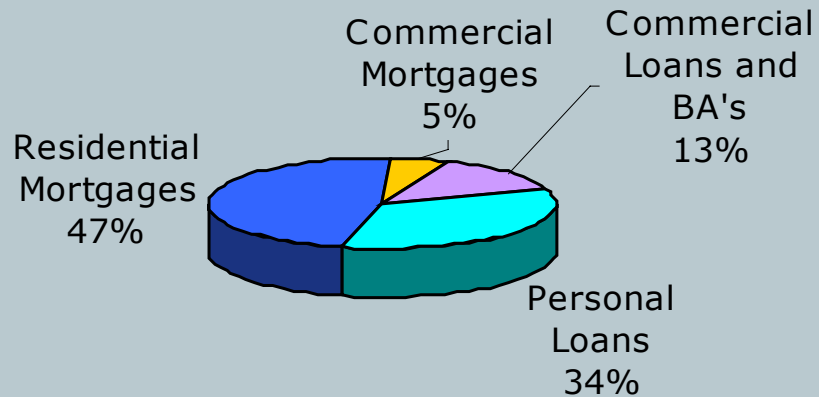


# Four Business Lines

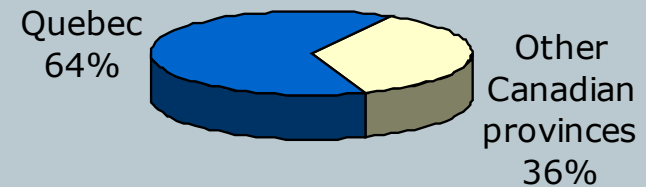


# Diversification of Loan Portfolio

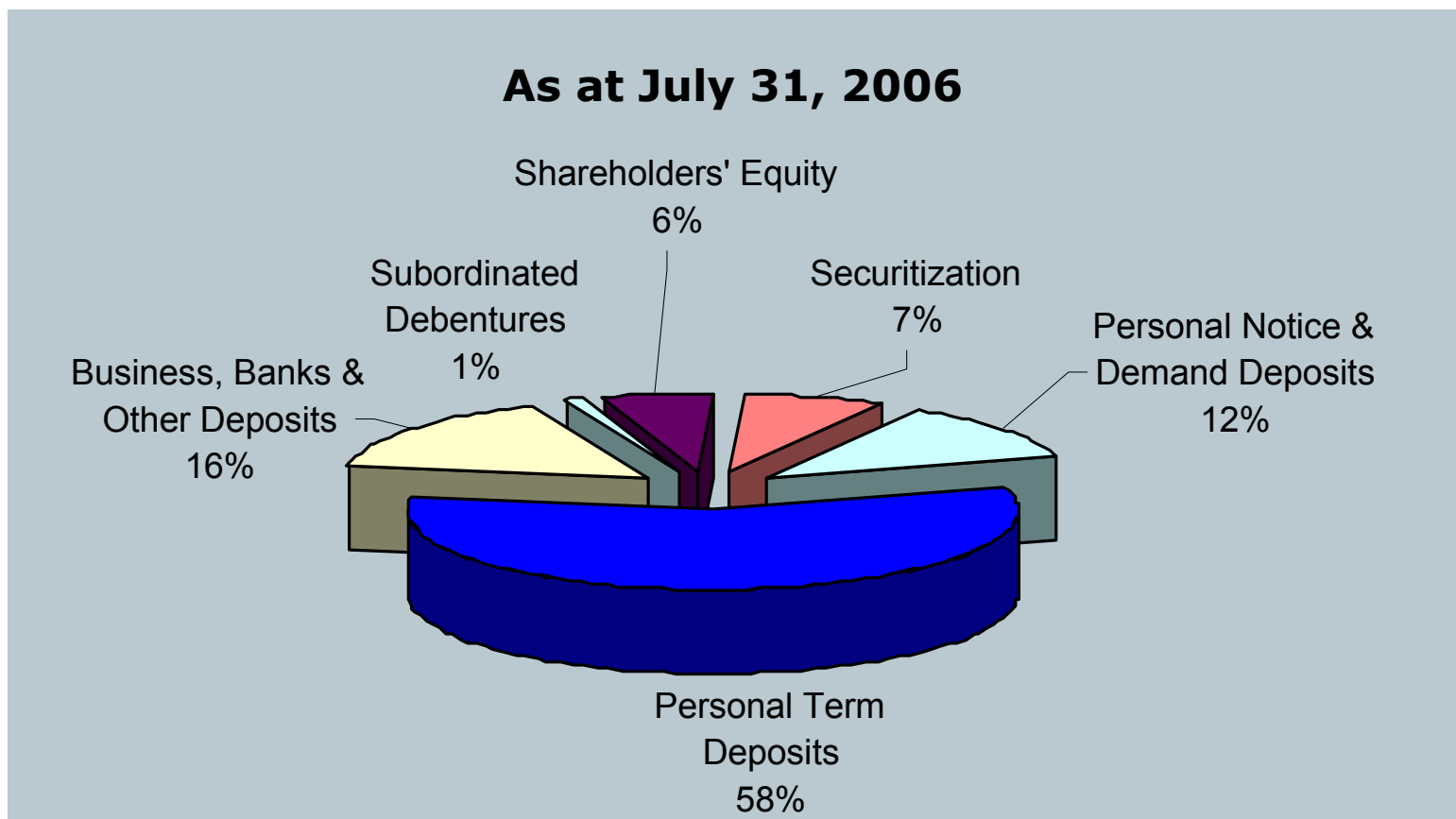
**Loan Portfolio**  
As at July 31, 2006



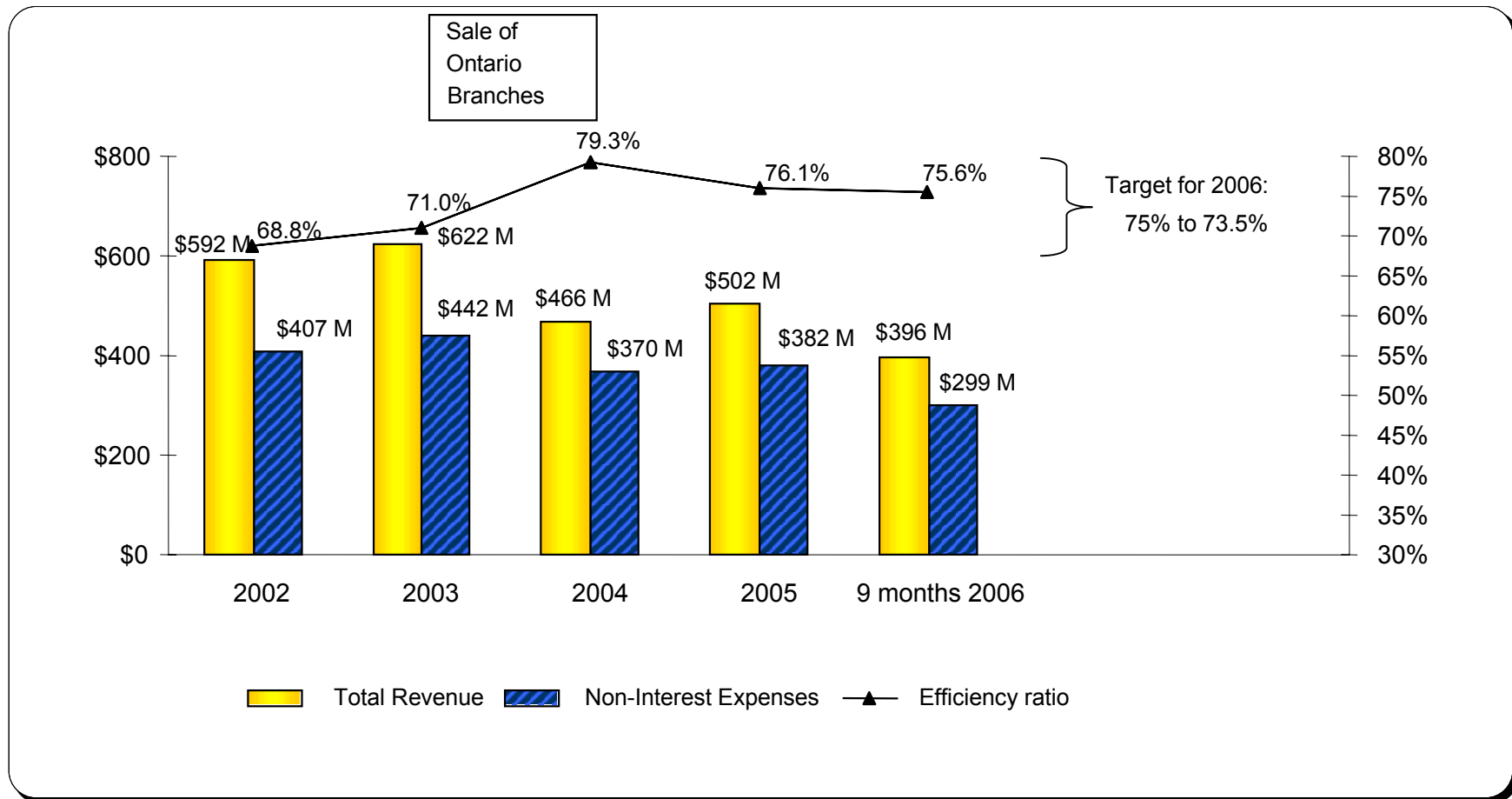
**Geographic Distribution of Loans**  
As at October 31, 2005



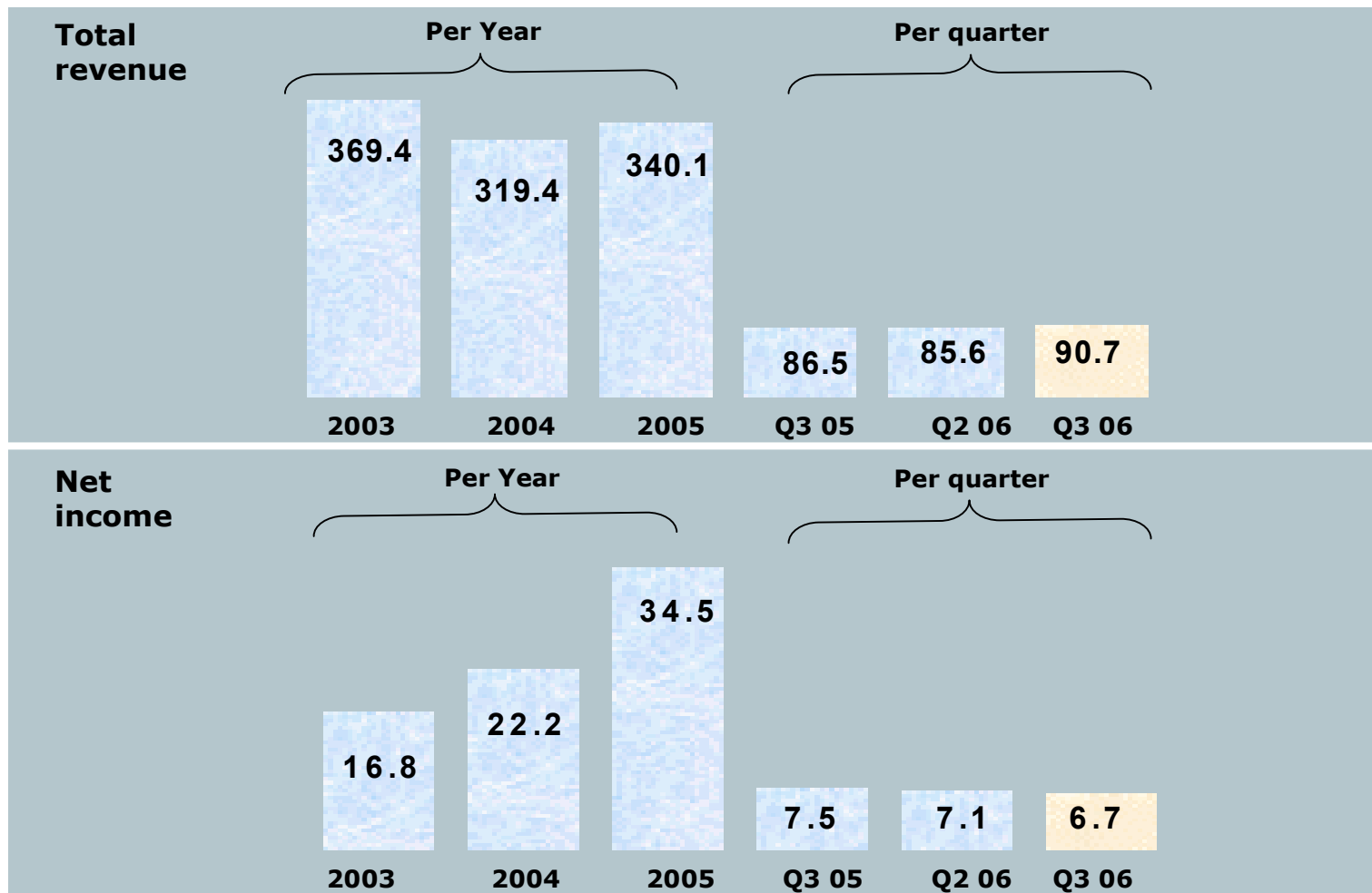
# Funding sources



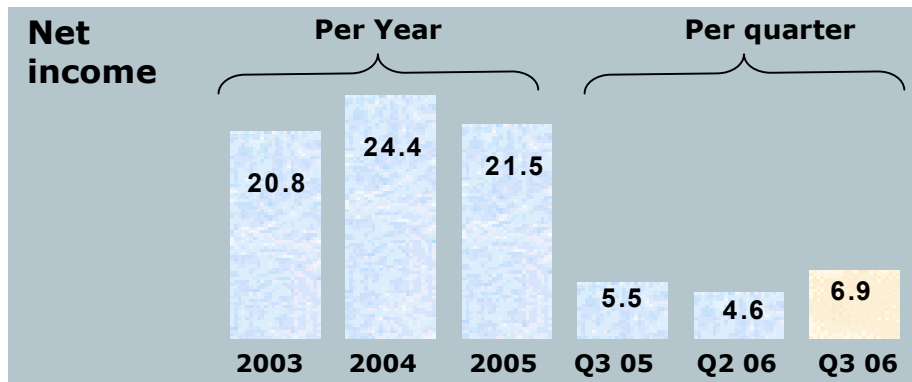
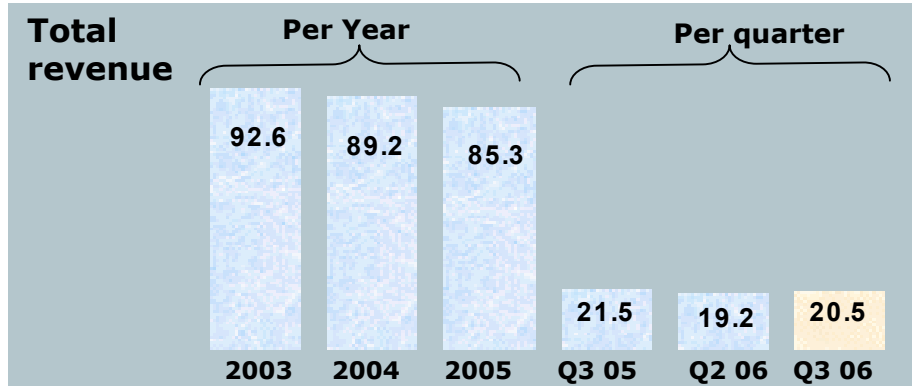
# Efficiency Ratio Evolution



# Retail Financial Services Performance



# Commercial Financial Services Performance



## Geographical Distribution - Q3 2006

	Quebec	Ontario	Western Cda
Real Estate	30%	57%	13%
Mid-Market	62%	38%	-
Agriculture	100%	-	-

Corporate lending was transferred to treasury in Q1-2005

## Relative Contribution- July 31, 2006

	% of Net Income	Efficiency Ratio	Avg Assets (\$M)	PCL (%) <sup>3</sup>
Real Estate <sup>1</sup>	59%	29.0%	1,023	-0.18%
Mid-Market Quebec <sup>2</sup>	9%	47.1%	602	1.08%
Mid-Market Ontario	28%	33.8%	424	0.03%
Agriculture	4%	59.2%	172	-0.05%

(1) Real estate assets are based on ending period

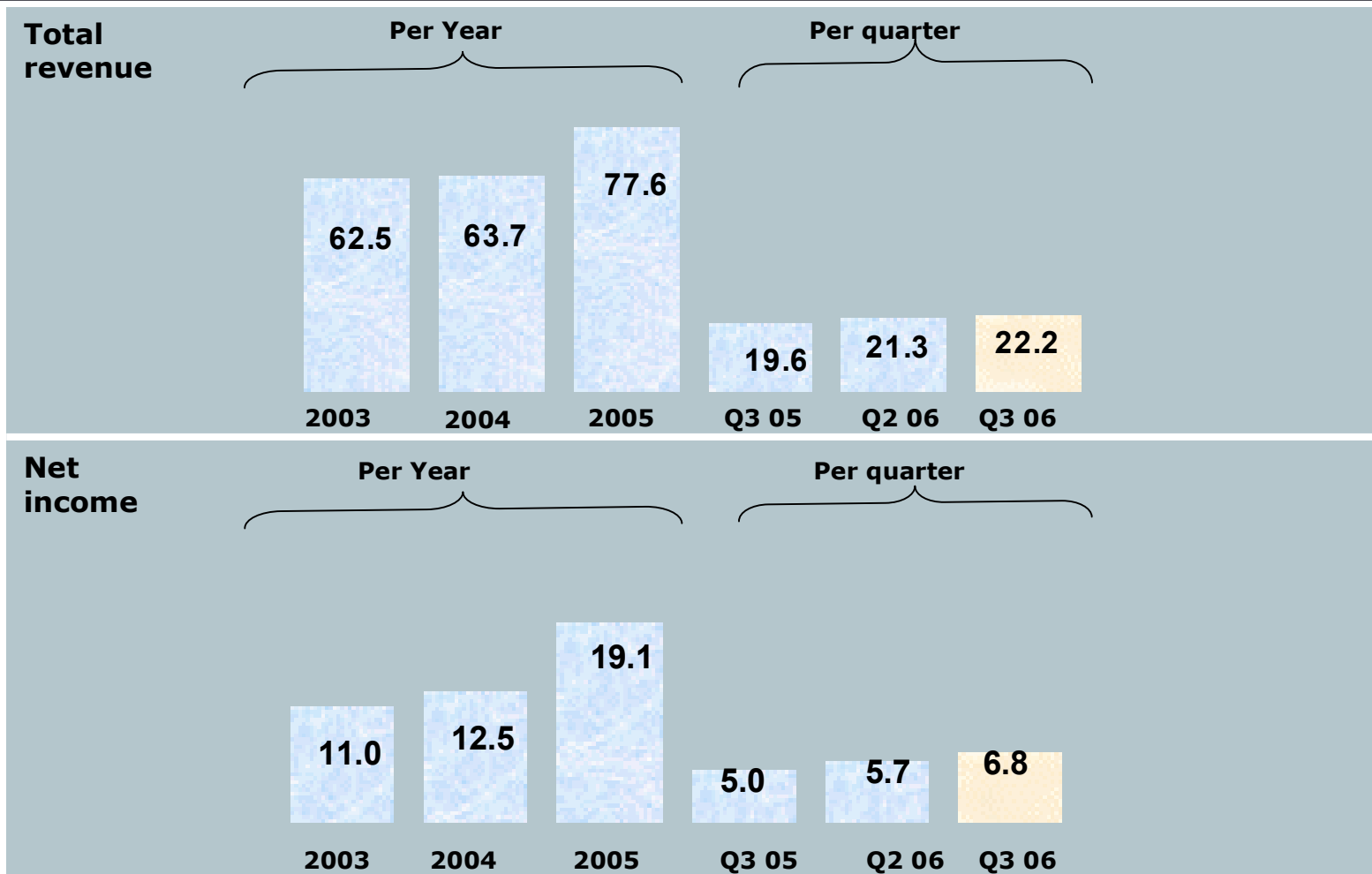
(2) Excludes small business lending and corporate lending

(3) PCL as of % of business lines average assets

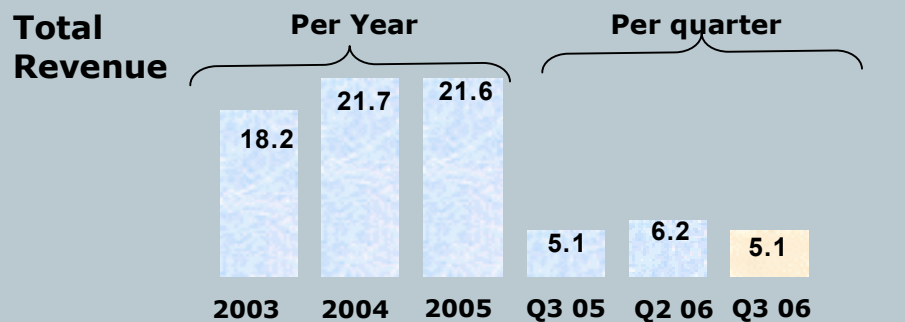




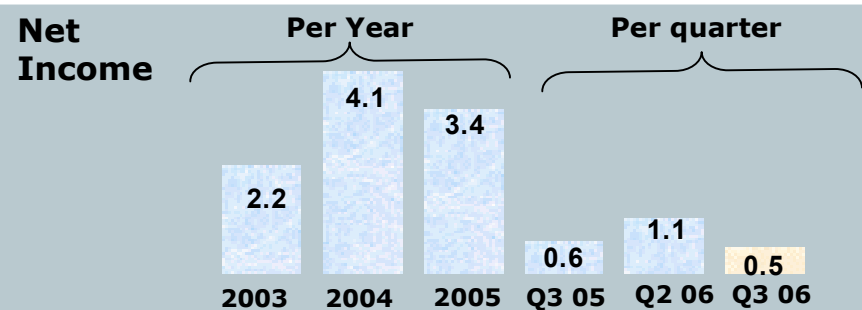
# B2B Trust Performance



# Laurentian Bank Securities Performance



Excluding a gain of \$8.5M before taxes on the sale of TSX shares for 2003



Excluding a \$6.7M after-tax gain on the sale of TSX shares for 2003

Retail Brokerage	Assets under Management (\$M)		# Financial Advisors
	Full Service	Discount	
Q3 06	1,626	94	65
Q2 06	1,625	99	65
Q1 06	1,576	94	61
2005	1,440	78	50
2004	1,297	67	42

# Strong Capital Ratios

As of July 31, 2006	Tier 1 Capital Ratio	
	in %	Rank
TD	12.1%	1st
<b>LBC</b>	<b>10.3%</b>	<b>2<sup>nd</sup></b>
BMO	10.1%	3 <sup>rd</sup>
Scotia	10.0%	4 <sup>th</sup>
RBC	9.6%	5 <sup>th</sup>
CIBC	9.6%	5 <sup>th</sup>
NBC	9.4%	6 <sup>th</sup>
<b>Aver. Big 6</b>	<b>10.2%</b>	

As of July 31, 2006	Total Capital Ratio	
	in %	Rank
CIBC	14.0%	1st
TD	13.2%	2 <sup>nd</sup>
<b>LBC</b>	<b>12.5%</b>	<b>3<sup>rd</sup></b>
RBC	12.4%	4 <sup>th</sup>
NBC	12.4%	4 <sup>th</sup>
Scotia	11.6%	5 <sup>th</sup>
BMO	11.6%	5 <sup>th</sup>
<b>Aver. Big 6</b>	<b>12.3%</b>	








As of July 31, 2006	Tangible Common Equity as a % of RWA	
	in %	Rank
TD	9.1%	1st
Scotia	8.5%	2 <sup>nd</sup>
BMO	7.9%	3 <sup>rd</sup>
<b>LBC</b>	<b>7.7%</b>	<b>4<sup>th</sup></b>
RBC	7.1%	5 <sup>th</sup>
CIBC	7.0%	6 <sup>th</sup>
NBC	6.9%	7 <sup>th</sup>
<b>Aver. Big 6</b>	<b>7.8%</b>	

In June 2006, we repurchased our debentures Series 9 for an aggregate principal amount of \$150 million.



# Distribution Network across Canada

## RETAIL FINANCIAL SERVICES





- |                                                                                   |                           |               |
|-----------------------------------------------------------------------------------|---------------------------|---------------|
|  | Branch network            | Quebec        |
|  | Mortgage through brokers  | Across Canada |
|  | Mortgage through builders | Quebec        |
|  | Point-of-sale financing   | Across Canada |
|  | VISA                      | Across Canada |
|  | Deposit through brokers   | Across Canada |
|  | Small business            | Quebec        |

## B2B TRUST






- REGIONS**  
Across Canada

## COMMERCIAL FINANCIAL SERVICES

- |                                                                                   |                     |                            |
|-----------------------------------------------------------------------------------|---------------------|----------------------------|
|  | Commercial services | Quebec and Ontario         |
|  | Corporate lending   | Across Canada              |
|  | Real estate lending | Major cities across Canada |
|  | Farm lending        | Quebec                     |

## LAURENTIAN BANK SECURITIES

- |                                                                                   |                                     |
|-----------------------------------------------------------------------------------|-------------------------------------|
|  | Full Service                        |
|  | Discount                            |
|  | Institutional fixed income offering |

## REGIONS

- Quebec and Ontario  
Across Canada  
Major cities across Canada  
Quebec

## REGIONS

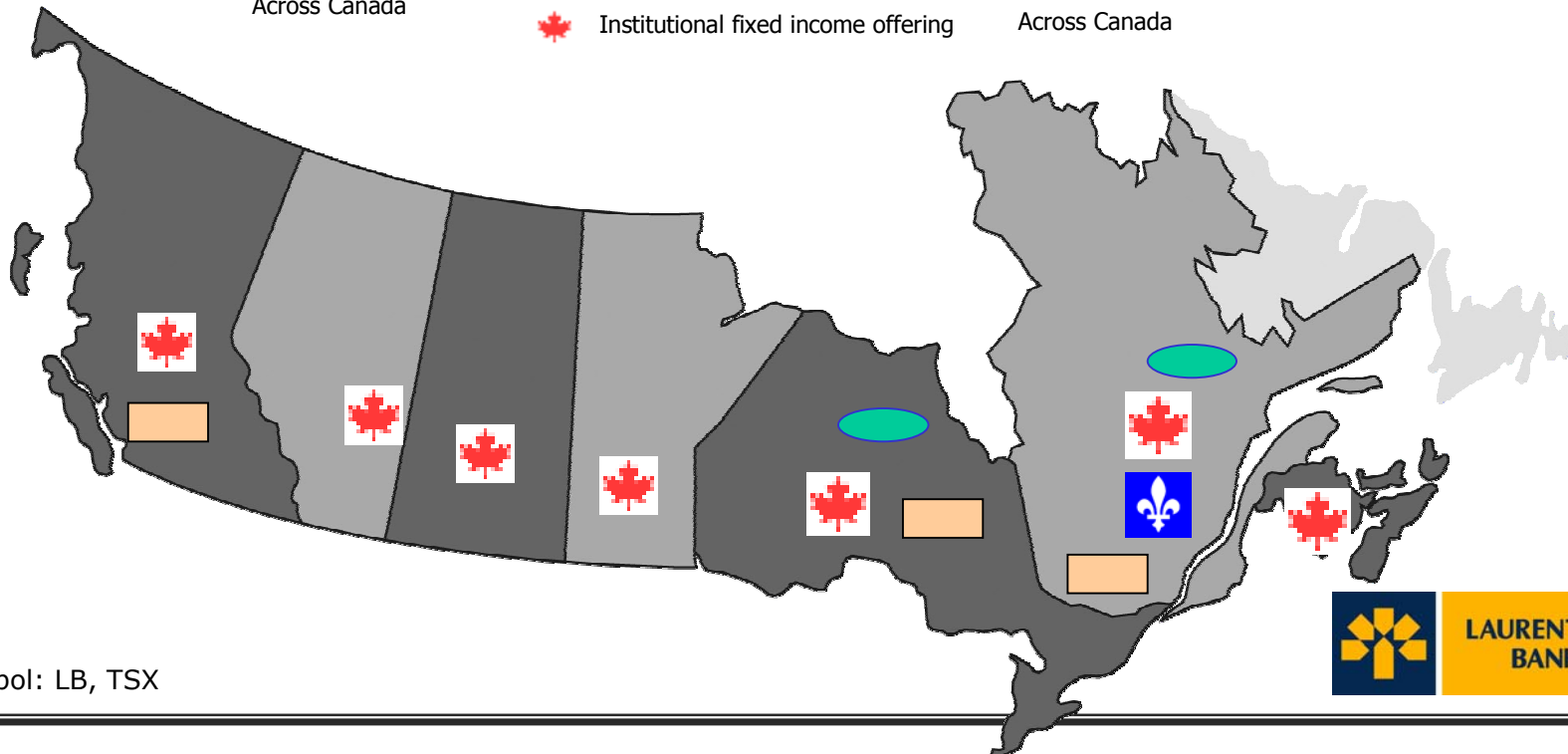
- Quebec, Ontario and British Columbia  
Quebec and Ontario  
Across Canada

## Highlights:

▫ **36% of total loans are outside Quebec (as of October 31, 2005)**

**As at July 31, 2006:**

- **3,804 point of sales**
- **157 branches**
- **more than 14,000 independent advisors**



# Historical Dividend per Year

