



# **Focussing on our Strength**

**Raymond McManus,  
President & CEO  
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**Institutional Investor & Analyst Meetings**

**June 2005**

# Table of Contents



Laurentian Bank's Vision and Strategy	Page 3
Quebec : Laurentian Bank's Main Market	Page 4
A Strong Presence in Canada	Page 5
Early Results from the Implementation of our Strategy	Page 6
- Significant Achievements	Pages 7 to 8
- Performance to Date	Pages 9 to 14
- Sale of BLC-Edmond de Rothschild	Pages 15
- Segmented Performance	Pages 16 to 28
Conclusion	Page 29

# Laurentian Bank's Vision and Strategy

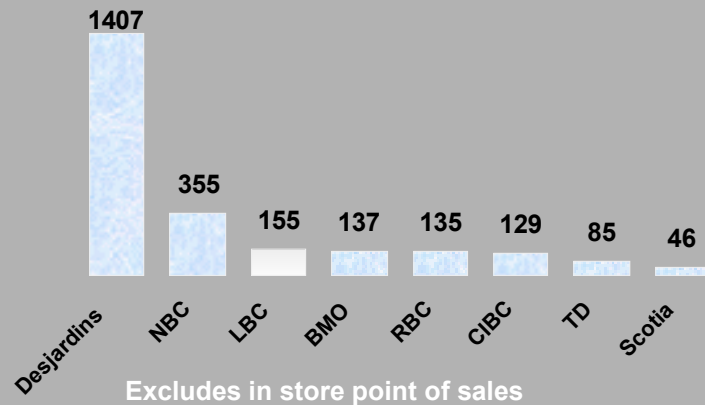


- **To become the undisputed #3 banking institution in Quebec and a highly performing niche player accross Canada**
- **Through a growth objective aiming at improving our profitability and results**
- **With a focussed strategy and a clear positioning**
- **And the dedication, discipline and competency of our over 3,000 employees**
- **To always better serve our clients in our four business lines : Retail, Commercial, B2B Trust and Laurentian Bank Securities**

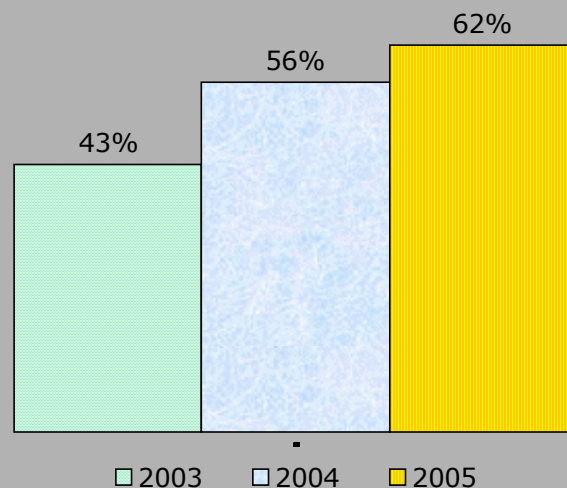
# Quebec : Laurentian Bank's Main Market



# of Full-Service Branches in Quebec - Q2 2005



Ranking of Most Admired Financial Institutions



Survey done in Quebec by Léger Marketing

- **With 155 retail, 19 commercial and 5 brokerage branches, Quebec is Laurentian Bank's main market in which all of its business lines are active**
- **Increased marketing and promotional activities have already improved the Bank's visibility and notoriety**

# A Strong Presence in Canada



With more than 150 years of history in serving its clients, Laurentian Bank is an important player in the Canadian financial services sector from coast to coast.

## **Business Strategy Outside Quebec**

- Through its B2B Trust subsidiary, its Commercial Financial Services sector, its indirect point of sales network, as well as its brokerage and foreign exchange services, the Bank is determined to focus its energy and resources to become a performing niche player in the sectors and markets in which it excels and has a competitive edge

## **Sustainable Growth Across Canada**

- More than 13,000 independent financial intermediaries and deposit agents distributing B2B Trust's and Laurentian Bank's products: representing an increase of at least 30% since 2001
- A billion-dollar portfolio of residential mortgage loans outside Quebec, which is one-sixth of the Bank's total portfolio of residential mortgage loans
- Loans issued outside Quebec represented 35% of total loans as of October 31, 2004



# Early Results from the Implementation of our Strategy

# Significant Achievements



Q2 05	Final Settlement of Collective Agreement
Q1 05	Five New Financial Services Boutiques
Q1 05	Sale of BLC - Edmond de Rothschild & Distribution Agreement with Industrial Alliance
Q1 05	Redemption of Debentures Series 8
Q3 04	New Branch Concept: Espresso
Q3 04	Redemption of Preferred Series 7 & 8 at 7.75%
Q3 04	Redemption of Debentures Series 7
Q3 04	Sale of Mutual Fund Rights Outside Quebec
Q3 04	Sale of Merchant Terminals
Q3 04	B2B Trust Privatization
Q2 04	Sale of VISA Portfolio Outside Quebec
Q2 04	Issuance of Preferred Series 10 at 5.25%
Q4 03	Sale of 57 Branches Outside Quebec
Q4 03	Management Reduction Program

*Special transactions initiated since Q4 03 have created shareholder value by giving the Bank the means to better implement its Plan and maintain strong capital ratios*

# Settlement of the Collective Agreement



*"This is an historical moment... In the coming months, we will appeal to all our members and their families to make Laurentian Bank their business institution of choice if they are currently clients of a non-unionized financial institution."*

Serge Cadieux, VP FTQ and Director for Quebec, Office and Professional Employees Union

## **FORMING A LASTING PARTNERSHIP WITH OUR UNION**

- Since March 7, 2005, a new collective agreement is in force which will be valid until December 31, 2007
- We are working closely with our Union in order to concretely improve our labour relations and to develop a real partnership with the Union representing our employees
- LBC and FTQ are working together to offer financial products to FTQ's 550,000 members



# Performance to Date



Performance Measure	3 Months Period Ended April 30, 2005	6 Months Period Ended April 30, 2005	2005 Annual Target
	Actual	Actual	
Return on Equity	4.6% (4.8% from continuing operations) <sup>2,3</sup>	6.5% (5.0% from continuing operations) <sup>2,3</sup>	4.5% to 5.5%
Earnings per Share	\$0.33 (\$0.34 from continuing operations) <sup>2,3</sup>	\$0.93 (\$0.72 from continuing operations) <sup>2,3</sup>	\$1.30 to \$1.60
Total Revenue	\$118.0M	\$237.1M	\$480M to \$490M
Efficiency Ratio	78.6%	77.8%	79% to 77.5%
Capital Ratios			
- Tier 1 Capital Ratio	10.2%	10.2%	Min of 9.5%
- Total Capital Ratio	12.9%	12.9%	Min of 13.0%
Credit Quality (PCL Ratio) <sup>1</sup>	0.22%	0.23%	0.25% to 0.22%

(1) PCL ratio is calculated internally over Average Assets and not Loans, Acceptances & Reverse Repos

(2) For Q2/05: excluding the change in value of investments in seed capital of -\$0.3M held as a result of the sale of BLC-Edmond de Rothschild in Q1/05

(3) For Q1/05: excluding the gain on the sale of BLC-Edmond de Rothschild of \$9.8M (\$8.1M or \$0.35/share net of income taxes)

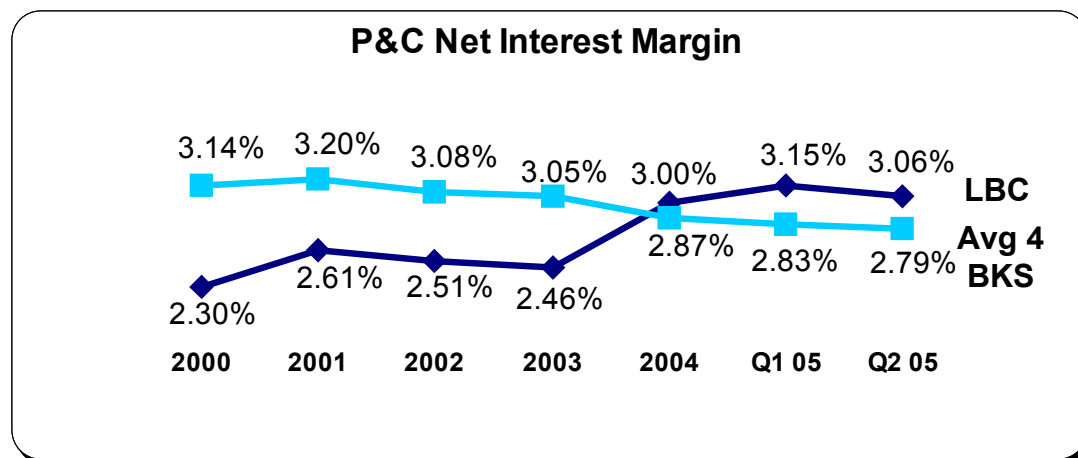
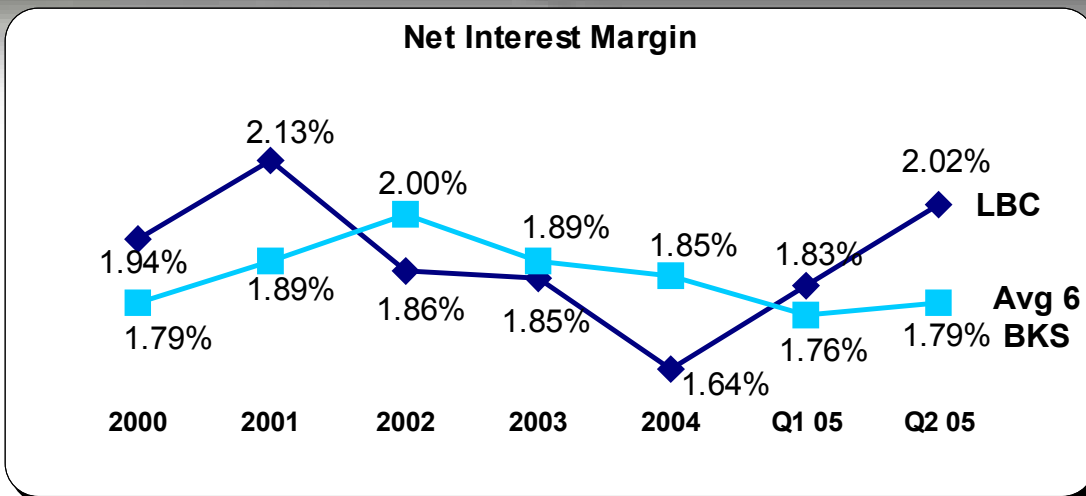
For Q1/05: excluding the securities write-down of \$4.4M (\$2.9M or \$0.12/share net of income taxes)

- **Performance is on target for net earnings in 2005**
- **Revenues positively impacted by higher NIM and loan and deposit increase**
- **Measures implemented have increased profitability and demonstrate ability to execute on the plan**

# Bank's NIM is Back on Track



For the first 6 months of 2005, there has been a significant increase in the Bank's net interest margin coming mostly from tighter asset and liability management



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 because only P&C average loans available

For 2000 and 2001, excluding NBC because P&C average assets not reported

# Loan and Deposit Growth



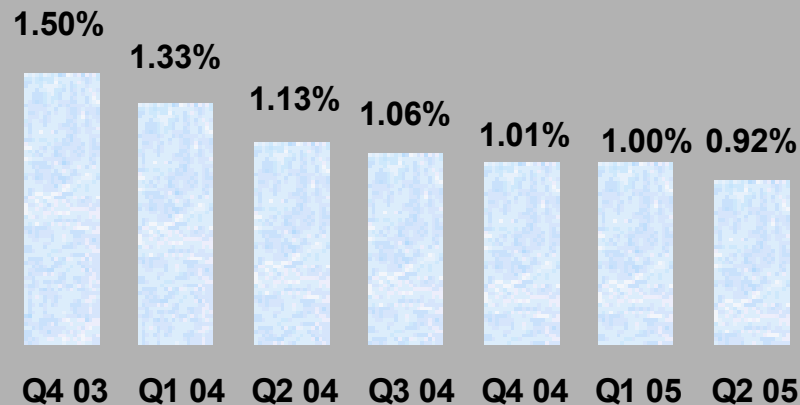
In million of dollars	Growth (\$million)		Growth %	
	Q205/Q105	Q205/Q204	Q205/Q105	Q205/Q204
Loans				
Personal	141.4	184.0	4%	5%
Residential mortgages	134.9	372.6	2%	7%
Commercial mortgages	-32.3	-67.8	-5%	-11%
Commercial and other	32.6	41.9	2%	3%
<b>Total Loans</b>	<b>276.5</b>	<b>530.7</b>	<b>2%</b>	<b>5%</b>
Deposits				
Personal	-59.0	301.3	-1%	3%
Business and other	298.3	442.7	14%	22%
<b>Total Deposits</b>	<b>239.3</b>	<b>744.0</b>	<b>2%</b>	<b>6%</b>

- **Increase in personal loans, residential mortgages, commercial and other loans on a quarterly and yearly basis**
- **Increase in business and other deposits on a quarterly and yearly basis**
- **Increases result from initiatives put in place since the implementation of the plan**

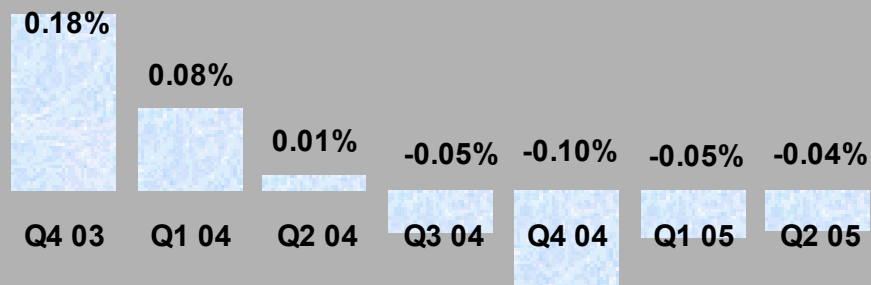
# Credit Quality Remains Strong



Gross Impaired Loans as a % of Gross Loans, BA's & Reverse Repos

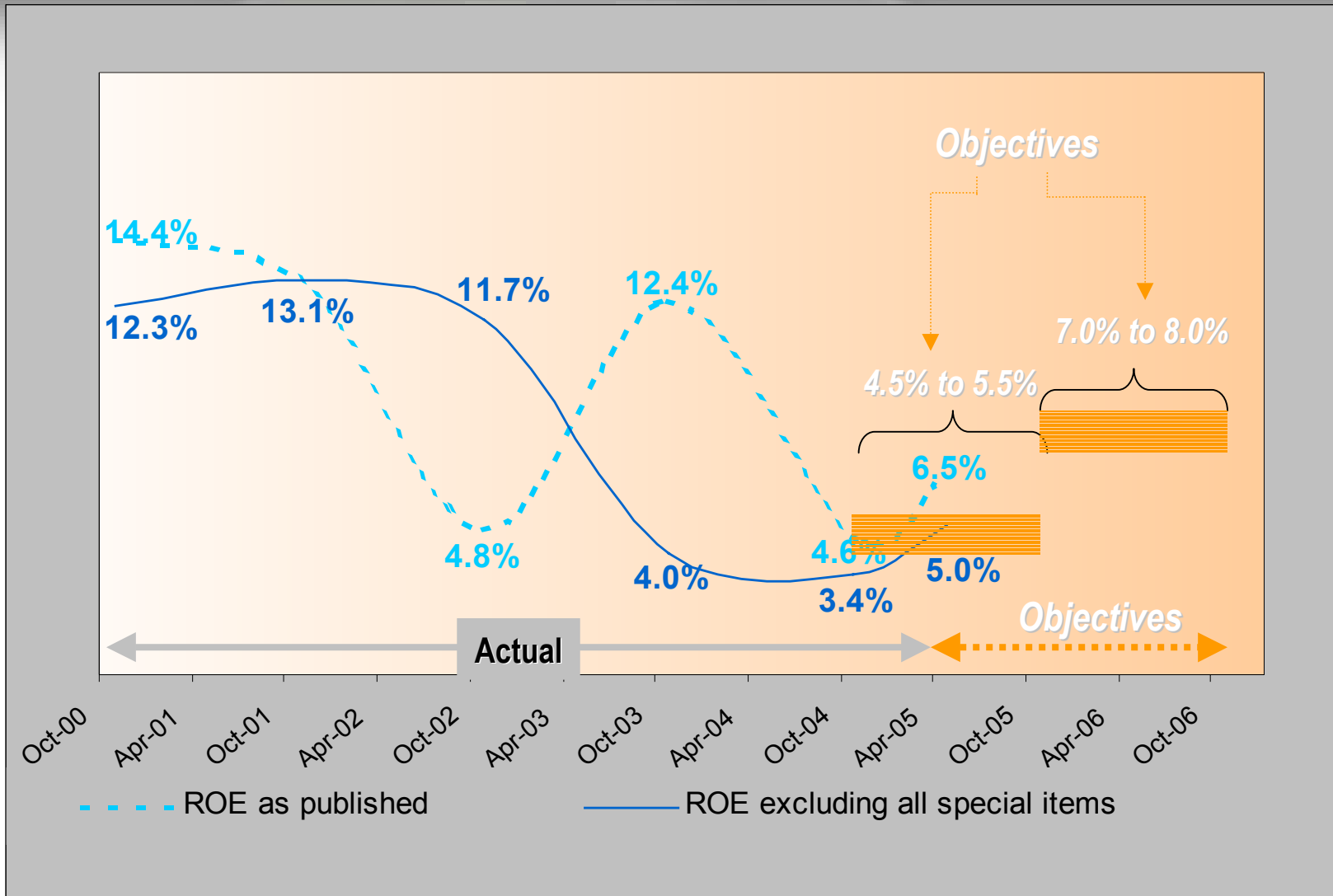


Net Impaired Loans as a % of Net Loans, BA's & Reverse Repos



- **Gross impaired loans have decreased by \$25M or 18% compared with Q2 2004**
- **Improvement in net impaired loans which amounted to -\$5.2M compared to +\$1.6M a year ago**

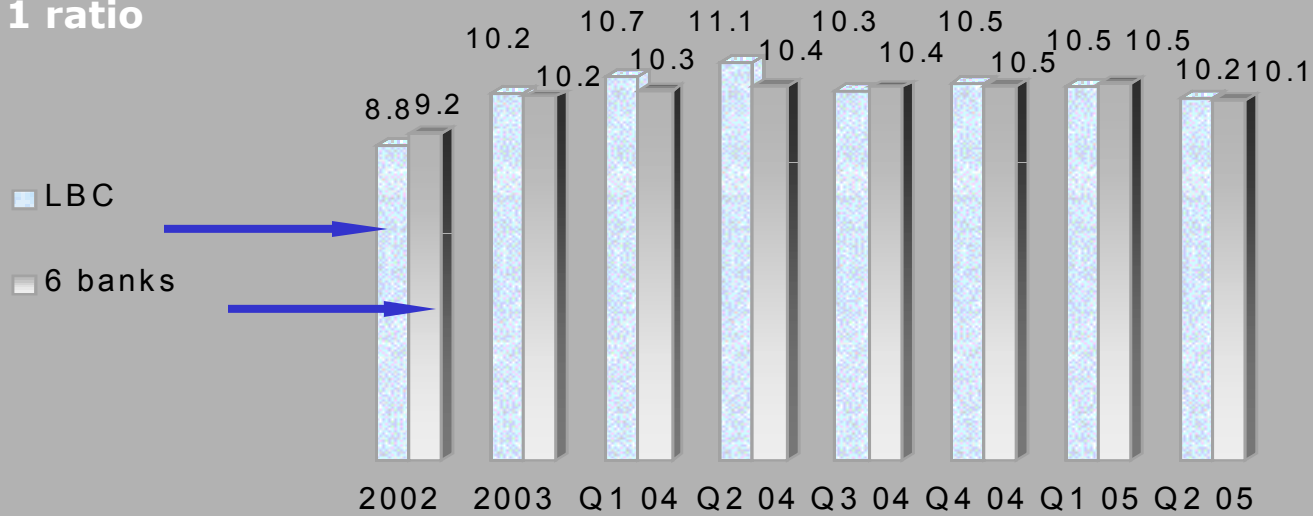
# Anticipated Growth in ROE Going Forward



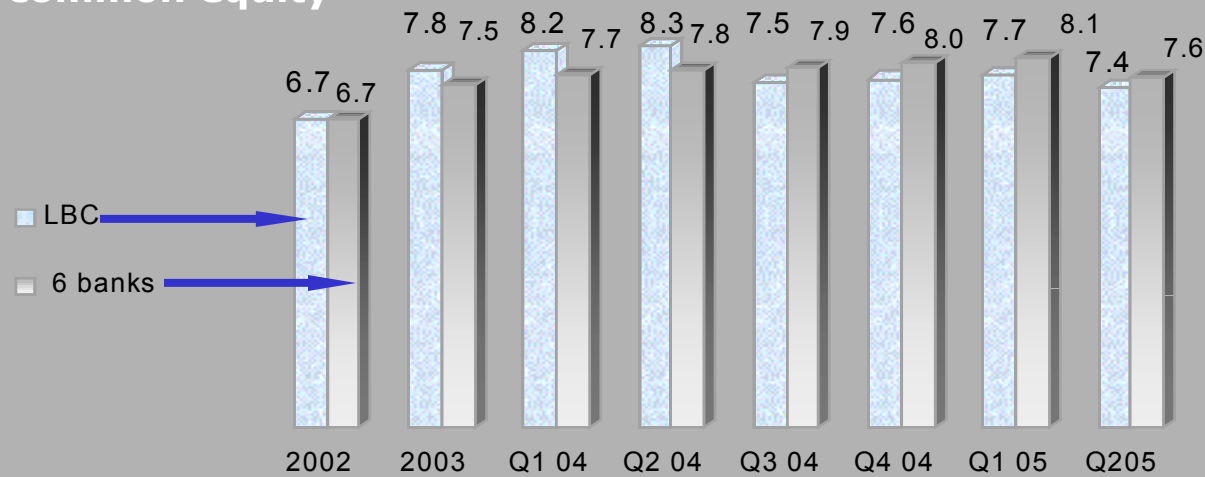
# Strong Capital Ratios Maintained



## Tier 1 ratio



## Tangible common equity



# Sale of BLC-Edmond de Rothschild



## First quarter of 2005

*In millions of dollars*

Net sale price	\$	67.8
Less:		
Deferred revenue under the recovery clauses	-\$	26.2
Net assets sold, including the amount related to the purchase of LCFER's shares	-\$	29.5
	\$	12.0
Transaction fees	-\$	2.3
Write-down of investments related to seed capital	-\$	4.4
Net gain before income taxes	\$	5.4
Income taxes	-\$	0.2
Net gain after income taxes	\$	5.2

- Sale of non-core assets
- Wealth management generated only \$0.2M or less than 1% of total core net income of \$36.2M in 2004
- R funds continue to be distributed via a 10-year distribution agreement with Industrial Alliance

## Recovery clauses

- Claw-backs (5 year period):
  - \$5.2M / year if annual net sales do not reach \$50M for a maximum of \$26.2M
  - Catch up provision, provided cumulative net sales reach \$290M at year 6
- LBC's R Funds net sales performance as April 2005: \$70M
- Claw-backs to up to \$1M based on retention of institutional assets under management at the end of year 1
- Additional \$8.3M if cumulative net sales reach \$350M by the end of year 5



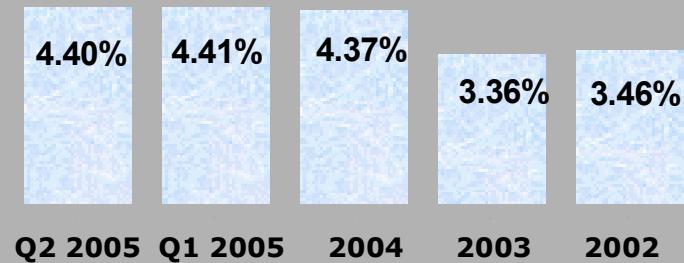
# Retail Financial Services



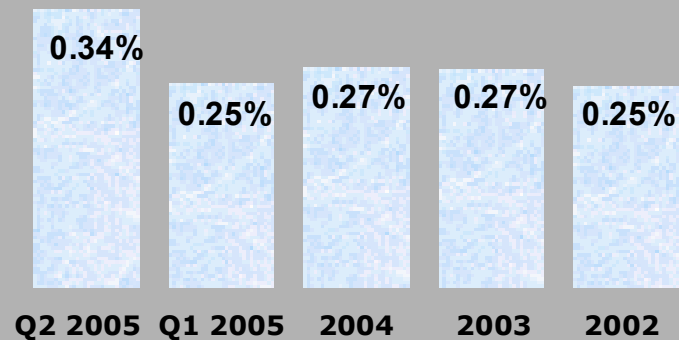
# Retail Financial Services Performance



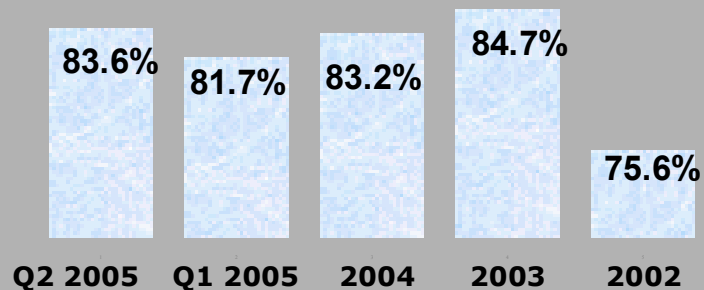
Total operating revenue as a % of ave assets



PCL as a % of average loans



Efficiency ratio



- Compared with Q1 2005, lower NII results mostly from the shorter quarter. On a year over year basis, higher revenues come from higher net interest income.
- Loan volumes increased by \$165 million versus Q1 2005
- PCL ratio increased due to higher loan losses
- Slight rise in the efficiency ratio is related to lower net interest income

# RFS 2005 Strategic Plan



New Laurentian Bank Signature

Optimization of the Branch Network

Entrepreneurship Business Model

Retailer Approach to Client Servicing

Enhancement of Multichannel Strategy



## Expansion and Optimization of the Branch Network

- Opening of three new financial services boutiques in the coming months in Boisbriand, Chambly and Vaudreuil (after the opening of the first five ones in Q1 2005)
- New branches have up to 10 different zones such as children playground, service islands instead of traditional counters, library zone, etc.
- Bank Café Espresso:
  - One other opening by the end of the year in the Montreal area
- Renovations in several branches

## Marketing

- New non-traditional and challenging corporate brand positioning and slogan "Dare"
- Integrated-media advertising campaign (ex. RRSP campaign)
- Use of data warehouse has begun to show results
- Launching of new products

## Others

- ABMs: 32 new installations (including the 10 ABMs in the Montreal Metro)
- Deployment of Western Union money transfer and payment services to the entire branch network. This exclusive partnership is starting in mid-June.

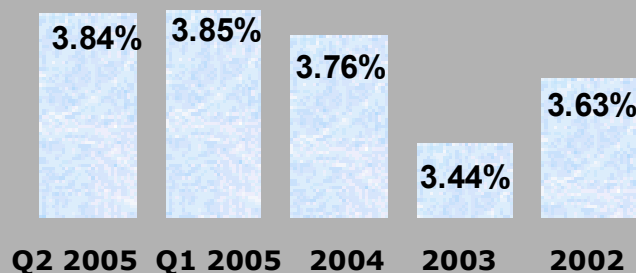


# Commercial Financial Services

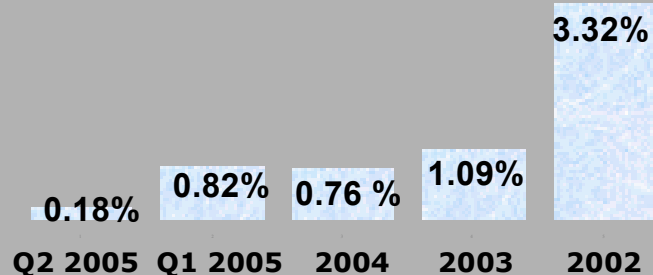


# Commercial Financial Services

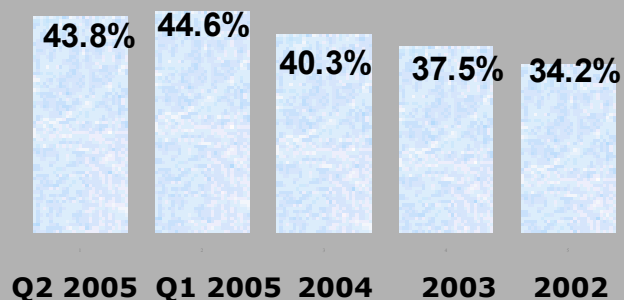
Total operating revenue as a % of ave assets



PCL as a % of average loans



Efficiency ratio



- **Lower NII resulting from a shorter quarter versus Q1 2005**
- **Significant improvement in PCL coming from some recoveries of previously reserved loans**
- **Improvement in efficiency ratio due to lower non-interest expenses**

# Commercial Financial Services



## Geographical Distribution - Q2-2005

	Québec	Ontario	Western Cda
Real Estate	32%	61%	7%
Mid-Market	60%	40%	0%
Agriculture	100%	0%	0%

Corporate lending was transferred to Mid-Market in Q1-2005

## Relative Contribution

April 30, 2005

	% of Net Income	Efficiency Ratio	Avg O/S (\$M)	PCL (%) <sup>2</sup>
Real Estate	47%	24.2%	818	0.05%
Mid-Market Quebec <sup>1</sup>	22%	33.9%	719	0.42%
Mid-Market Ontario	28%	18.7%	480	0.26%
Agriculture	3%	57.4%	145	0.08%

(1) Excludes small business lending but includes corporate lending

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

- **Real Estate continues to perform very well**
- **Farm lending group continues to grow slowly but surely**
- **Quebec Commercial mid group opened a new Business Center on the South-Shore of Montreal. Another center will be opened in Laval, on the North-Shore of Montreal in Q3 2005.**
- **Different marketing and promotional activities are on-going**
- **In Quebec, our goal is to be present in most segments of the market**
- **Outside Quebec, we are a niche player in specific fields of expertise**

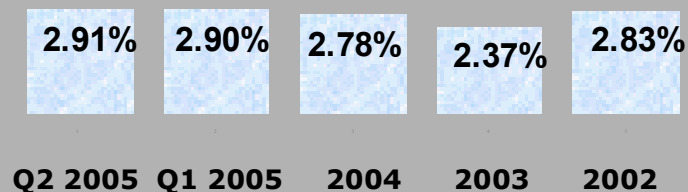


# B2B Trust



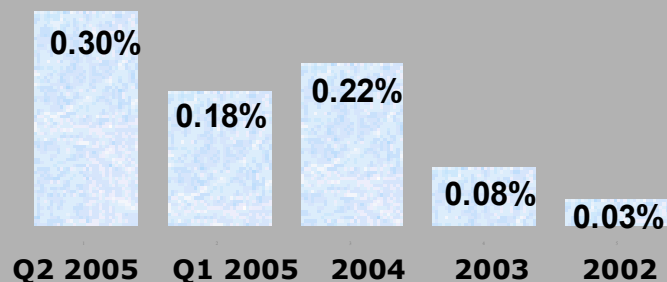
# B2B Trust Performance

Total operating revenue as a % of ave assets



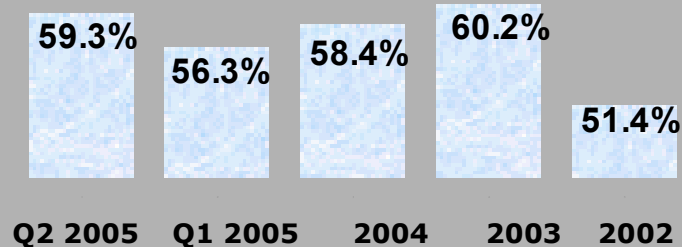
- Operating revenues remained stable as NII increase was offset by lower other income on a yearly and quarterly basis

PCL as a % of average loans



- PCL increased due mostly to higher loan losses related to the consumer line of credit portfolio on a yearly and quarterly basis

Efficiency ratio



- Rise in efficiency ratio coming from higher non-interest expenses related to the RRSP season versus the previous quarter. On a yearly basis, efficiency ratio improved slightly resulting from higher revenues.



## Strategic review in May 2005

- Focus on high potential relationships/markets
- Build a solid organizational foundation that can support accelerated future growth
- Continuously improve the operational efficiency baseline
- Increase sales and marketing efforts through mutual fund and insurance industries
- Continuously evaluate new distribution opportunities
- Selectively use technology to improve capacity, service levels or to reduce costs

**Four of the ten largest mutual fund manufacturers have investment loans programs with B2B Trust: CI, Franklin Templeton, Dynamic and AIC**



# Recent Developments in B2B Trust



We deal with more than 13,000 independent financial advisors and deposit agents and have also entered into more than 40 banking, investment loan and RSP loan programs

## List of distribution alliances in Banking, Investment Loan and RSP Loan Programs

### Investment Loan Programs

#### *Acuity Funds Ltd (New)*

AIC Limited  
Berkshire Investment Group Inc.  
Berkshire Securities Inc.  
CI Mutual Funds Inc.  
ClaringtonFunds Inc.  
Dynamic Mutual Funds Ltd.  
Franklin Templeton Investment Corp.  
Northwest Mutual Funds Inc.  
Standard Life Assurance Co.

### Segregated Fund Loan Programs

CI Mutual Funds Inc.  
Equitable Life Insurance Company of Canada  
Standard Life Assurance Co.  
Transamerica Life Canada

### Banking Programs

Goodman and Company, Investment Counsel Ltd.<sup>1</sup>  
IPC Financial Network Inc.  
Canadian Tire Financial Services

### RSP Loan Programs

Aegon Fund Management Inc.  
AIC Limited  
Algonquin Power Venture Fund Inc.  
Armstrong & Quaille Associates Inc.  
AXA Services Financiers Inc.  
Berkshire Investment Group Inc.  
Berkshire Securities Inc.  
BLC-Edmond De Rothschild Asset Management  
CI Mutual Funds Inc.  
ClaringtonFunds Inc.  
Dundee Private Investors Inc.  
Dundee Securities Corporation  
Equitable Life Insurance Company of Canada  
Franklin Templeton Investment Corp.  
Goodman and Company, Investment Counsel Ltd.1  
Groupe Furtur Inc. 2  
HUB Capital Inc.  
Iforum Financial Services Inc.  
Laurentian Bank Securities  
Norboung Capital Inc. 2  
Northwest Mutual Funds Inc.  
Peak Investments Services Inc.  
Queensbury Insurance Brokers Inc.  
Queensbury Strategies Inc.  
Queensbury Securities Inc.  
Return on Innovation Management Ltd.  
Standard Life Assurance Co.  
Sun Life Assurance Company of Canada  
Tandem Wealth Management Inc. 2  
Transamerica Life Canada

<sup>1</sup> Goodman and Company, Investment Counsel Ltd regroup now Cartier Mutual Funds Inc. and Dynamic Mutual Funds Ltd.

<sup>2</sup> Groupe Futur Inc, Norboung Capital Inc. and Tandem Wealth Management Inc. are the new names for Capital Teraxis.



# Treasury and Brokerage

# Treasury's Performance



## Treasury & Financial Markets

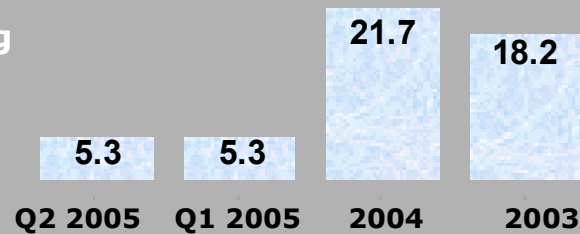
	Quarterly Non Interest Income (\$M)	As a % of Other Income	Annual Non Interest Income (\$M)
Q2 2005	1.6	4%	
Q1 2005	4.2	10%	
2004		15%	30.6
Q4 2004	0.8	2%	
Q3 2004	5.7	11%	
Q2 2004	11.4	20%	
Q1 2004	12.7	25%	
2003		18%	50.9
2002		24%	61.9

- **Trading activity at LBC is relatively less important than at other banks**
- **The contribution as a % of other income has slipped, which is explained by market conditions, but also in part due to accounting guidelines (ACG 13)**

# Laurentian Bank Securities' Performance

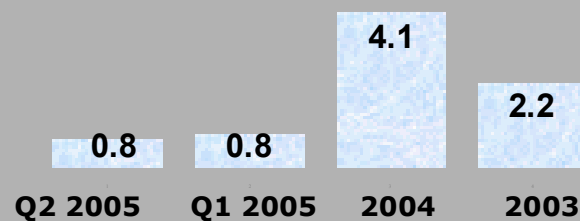


## Total Operating Revenue



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

## Net Income



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

## Retail Brokerage

Assets under Management (\$M) # Financial Advisors

	Full	Discount	
--	------	----------	--

Q2 05	1,389	75	49
Q1 05	1,369	74	50
Q4 04	1,297	67	42
Q3 04	1,288	69	42
Q2 04	1,306	84	39
Q1 04	1,314	91	38

- **Stable revenues and net income compared to the previous quarter**
- **LBS is opening new offices with the first one in June on the South-Shore of Montreal**
- **AUM have increased by 1% over the previous quarter for the full service brokerage and for the discount sector**

# A Pragmatic Strategy



*" The growth in loan and deposit volumes realized in the quarter demonstrates the progress we are making in the implementation of our plan."*

Raymond McManus

✓ **Focussed**

✓ **Strong quality of service and solid brand name**

✓ **3,000 plus fully committed and mobilized employees**

**Laurentian Bank fully intends to make the most of these strengths**



Q & A

# Forward Looking Statements



This presentation 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, global 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 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.

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

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