



SCOTIA CAPITAL - FINANCIALS SUMMIT 2007 – SEPTEMBER 11, 2007  
PRESENTATION BY RÉJEAN ROBITAILLE

**(Slide 1)** Thank you, Kevin. Good afternoon everyone.

I am very pleased to be here today as a speaker at the Scotia Financials Summit. During this presentation, I will comment on Laurentian Bank's most recent results and the Bank's strategy.

**(Slide 2)** No text

**(Slide 3)** When I was appointed last December, one of the first actions that I took was to give us three priorities. Thus, I wanted to ensure that the Bank concentrate on common targets and therefore achieve a sustained double-digit return on equity.

These three priorities are to increase our profitability, improve our efficiency and to further develop our human capital.

This strategy has already started to bear fruit, as shown by the third-quarter results we announced last week.

**(Slide 4)** Our results have shown constant and sustained growth for several quarters now, with increases of 42% in core EPS and of 35% in core net income compared to last year.

Our loans and deposits continue to grow with loans increasing by more than \$1.2 billion and deposits by more than \$350 million. Assets and revenues of each of our four business lines increased year-over-year.

For the first nine months, all of our 2007 objectives have been met or exceeded.

**(Slide 5)** If you look at these results in more detail, you can see that our profitability has increased over the last quarters.

Our earnings per share for the third quarter of 2007 were 85 cents and the return on equity was 10.5%. For the same quarter in 2006, we had posted an EPS of 13 cents. However, this included an unfavourable net tax adjustment of \$11 million. Excluding this tax adjustment, EPS for the third quarter of 2006 would have been 60 cents. On this basis, core diluted EPS rose by 25 cents, representing a 42% increase on a year-over-year basis. The effective tax rate for the third quarter of 2007 was 29.1%, compared with 30.8% last year, excluding this tax item.



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**(Slide 6)** This graph shows the trend of our core results over the last three years. These numbers exclude all special items such as the income related to our partnership with Industrial Alliance, special gains and tax adjustments. We are working on improving our core bottom lines results. But we also want to make sure to have a sustained increase in our profitability. This is what has been achieved in the last few years and we are certainly on the right track, now.

**(Slide 7)** After 9 months, our net earnings per share stand at \$2.34, compared with \$1.64 for the same period last year. This represents a substantial 43% increase. The return on common shareholders' equity now reaches 9.9%, compared with 7.3% for the same period last year.

As I stated earlier, after three quarters, all 2007 objectives have been met or exceeded. We continue to show stronger and less volatile earnings on a year-over-year basis.

The main factors for these improvements are:

- continued improvement in our net interest margin;
- increased other income originating from core activities;
- strong loan growth while loan losses remained stable; and
- reduction of the effective tax rate.

**(Slide 8)** Now if we look at our loan and deposit growth, total loans increased by 10% and total deposits by 3% over the last 12 months. This growth reflects our development strategies and initiatives, such as our sustained investments in the optimization of our branch network, the reinforcement of our sales networks and our effective marketing campaigns.

For Retail Financial Services, total loans increased by \$570 million or 7%, while we had a 3% growth in personal deposits year-over-year.

For Commercial Financial Services, the total loan portfolio rose by 10% over the third quarter of last year. The Real Estate financing group increased by 18% compared with the same period last year.

B2B Trust portfolios have continued to show strong growth. Total deposits are up by 8%, an increase of \$392 million over Q3-2006. B2B Trust's investment loans have increased by \$625 million, a 45% increase compared with last year.

All divisions of Laurentian Bank Securities performed well during the quarter, even though the third quarter is usually a softer one. Assets under administration were up 8% from last year.



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**(Slide 9)** Total revenue increased by 9% to \$151.0 million in the third quarter of 2007, compared to last year. The variation mainly results from the increase in net interest income.

For the third quarter, net interest margin reached 2.39% compared with 2.16% in Q3-2006. This increase is mainly due to volume growth and, to a lesser extent, to better liquidity management as well as asset and liability management.

We are focussing on increasing sales of high margin products and having a better balance sheet asset mix.

The net interest margin's improvement is expected to stabilize going forward.

**(Slide 10)** In addition to our profitability indicators, our efficiency ratio improved significantly and now stands at 73.4% after 9 months. This figure is very encouraging, showing the soundness of our results and the Bank's capacity to generate internal growth and maintain good cost control.

**(Slide 11)** Our credit quality has improved over the last five years as we continue to stay prudent in our management approach and apply policies to reduce risks.

Our net impaired loans are now at minus \$8 million and our gross impaired loans continue to decrease.

**(Slide 12)** The recent turmoil related to the liquidity crisis has retained our attention in the last month.

Earlier during the quarter, we have mentioned that we are supporting the "Montreal agreement" and that our exposure to the conduits covered by this agreement is approximately \$20 million. This position represents less than 1% of our liquidity. Moreover, we are not a liquidity provider for any bank- or non-bank-sponsored conduit.

Finally, none of our retail client own paper issued by these conduits and the Bank is not exposed at all to the US sub-prime mortgages.

Now let's have an overview on our strategies and actions underway to improve our performance.



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**(Slide 13)** To pursue our development, we continue to rely on our three priorities. Well focused, we are banking on the quality of our execution and give priority to internal growth.

The 3 main markets on which we are concentrating are:

- Retail, where we are the Family Bank, with the 3rd largest branch network in Quebec;
- B2B Trust, which serves the entire community of financial intermediaries in Canada and is the leader in investment loans and RRSP loans;
- Commercial financing, particularly with real estate financing, in which our team has one of the strongest reputations, with activities across Canada.

Now here's how we are proceeding.

**(Slide 14)** We are working on a series of concerted actions, prioritizing files that can bring the most value added to the organization and our shareholders. All this, I most point out, is within a perspective of the Bank's profitability and long-term development.

Our approach mainly seeks to:

1. Increase sales of high-margin products
2. Improve products and services offering
3. Optimize our distribution network
4. Increase the customers' share of wallet
5. Improve our processes.

**(Slide 15)** Firstly, our actions focus on increasing high-margin products. VISA, mutual funds and investment loans are three of the products on which we have concentrated our energies. They respectively increased by 16%, 30% and 45% over the past 12 months.

Our balance sheet's asset mix has also improved, thanks to the growth of our loans and deposits generating higher margin.

While the management team is concentrating on a limited number of priorities, we expect no less from our field teams. Through our internal sales support programs, we thus ensure that we clearly orient their sales actions to our priority products. All this, of course, while first ensuring high standards in quality of service. This is where our teams excel, as they have demonstrated for many years.



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**(Slide 16)** Secondly, we are working continuously to refine our products in order to make them more competitive and respond better to the increasingly specific needs of consumers.

Several products have been added and others have been improved for retail banking and commercial clients. In addition, a complete overhaul of investment loans products was steered at B2B Trust, while at Laurentian Bank Securities, we completely reviewed our discount brokerage services and launched our Institutional equity division one year ago.

These advances in terms of products now allow us to be more sophisticated in serving our clients. They have also required us to expand our service offering to ensure adequate distribution. Thus, within our perspective of operational efficiency, we have begun to optimize some of our administrative processes to reduce their costs, so that we can invest more energy in human resources dedicated to sales and service.

In particular, we have created our team of mobile bankers, who now number 60 and who increasingly contribute to the development of our mortgage portfolio by supporting our branch teams. Similarly, new commercial account managers have been added to accelerate this sector's growth. Finally, Laurentian Bank Securities has almost doubled the number of investment advisors to about sixty.

These investments in personnel have always been made in a long-term perspective and with a constant concern for limiting the rise in expenditures.

**(Slide 17)** We have talked about it on many occasions, but optimization of our distribution network has now been a priority for the past 4 years. We have made sound investments in each of our business lines to better ensure the Bank's presence with our clientele with higher growth potential. We now have about 200 points of service (including branches and offices), mainly in Quebec and Ontario, but also in Vancouver, Calgary and the Maritimes.

In particular, we have opened 9 new retail branches and merged a few others. Over 25% of our branch network has now been renovated.

The 22 Commercial Banking Centres we had in 2003 have now increased to 29. Finally, Laurentian Bank Securities has opened 4 new offices since 2003 and B2B Trust now has a presence in 5 cities across Canada, from Vancouver to the Maritimes. B2B Trust continues to develop strategic partnerships with major players in the investment sector, such as Fidelity Investments. It now has 47 partnerships.



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**(Slide 18)** To continue to build the loyalty of our current clients and become their principal banker for as many of them as possible, we are concentrating primarily on share of wallet and bottom line results instead of the market share. For instance, the number of our clients that are exclusive to our institution and doing only doing business with us has increased by 43% since 2004.

It is also important to find the right balance between quality of service and development of our clientele by nurturing a greater sales culture within our teams. For this purpose, last year we established a brand-new performance management program, with the objective of being much clearer in how we value performing employees, while providing better support for competency development. In the past, we were a bit socialist and every one at the Bank would get a small piece of the pie. Now, we are recognizing our high performing employees versus the less performing ones and adequately allocate performance-based compensation.

Our training programs have also been rethought to support the organization's business priorities better.

**(Slide 19)** Finally, in line with our priority of improving operational efficiency, we are working on a series of initiatives to optimize our administrative processes. This is a long-term effort which will extend over a number of years.

Among the actions we have already undertaken, we have simplified administrative processes of the B2B Trust investment loan program, both for the clients and for our teams. The account opening process for individuals in the retail division is also being improved, as well as certain processes which had added to our commercial account managers' workload.

Similarly, at Laurentian Bank Securities, we must now turn to improving their business processes to provide better support to the team of investment advisors, whose number has almost doubled in the past 3 years. Because this team is much bigger, we need to establish new and more efficient methods to support their growth.

**(Slide 20)** In conclusion, we maintain our focus on our 3 priorities. Employees are committed and have fully bought into these priorities. Our results show continued improvement and we maintain investments in business development so that we can manage both for the short and long term. We also maintain a conservative management approach and keep a low risk profile. Finally, discipline execution is the key, in which I personally strongly believe.

Thank you for your attention and I would be pleased to answer any of your questions now.