

Laurentian Bank of Canada



Presentation related to second quarter 2002 financial
results press release

Credit quality review and general provisions

May 30, 2002



Introduction

During the second quarter of 2002, Laurentian Bank increased its provision for credit losses to \$80 million, which represents \$70 million more than initially projected.

The additional provision for credit losses is being used to cover possible credit losses caused by:

1. the loan of \$25 million US (approximately \$39 million CDN), which represents the Bank's total exposure to Teleglobe;
2. the recent deterioration of the credit quality of some of its commercial loans; and
3. the constitution of an unallocated provision to facilitate the strategic repositioning of Commercial and Corporate lending activities, which represent 12% of the Bank's total loan portfolio.

The goal of the strategic positioning review is to allow the Bank to better optimize the use of its total capital, which is in excess of \$1.2 billion, and its total general reserves of \$85 million.

During the second quarter, the Bank completed an in-depth the review of all its loan portfolios and of its strategies for commercial lending.



Portfolio review

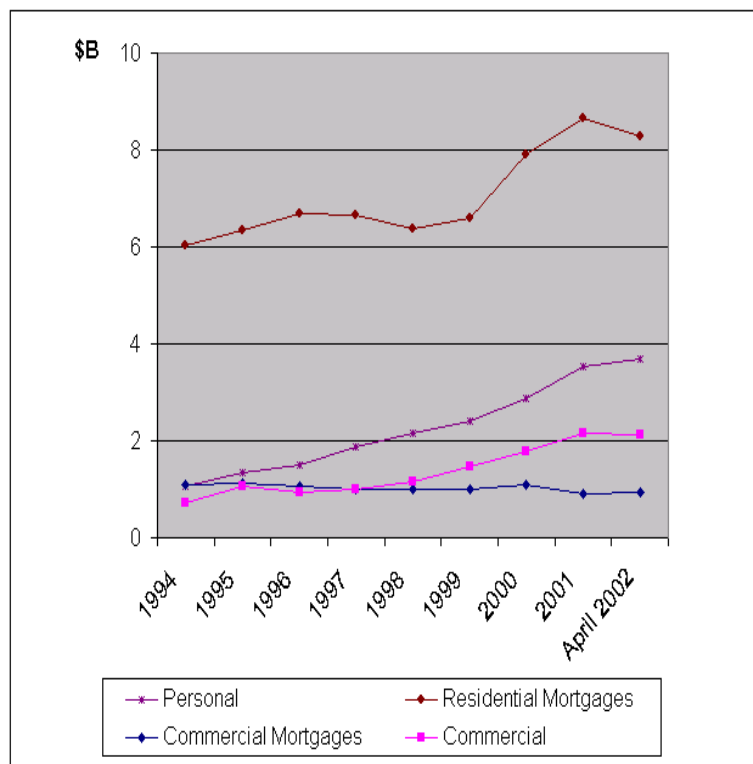
The portfolio of loans in the amount of \$13.7 billion is comprised of four types of loans: \$3.7 billion of personal loans, \$7.0 billion of residential mortgages, \$0.9 billion of commercial mortgages and \$2.1 billion of commercial loans. The Bank had also \$310 million in bankers acceptances as at April 30, 2002. Based on a ten year history, the quality of the first three portfolios has remained stable, as measured by the percentage of impaired loans and credit losses to total loans. These portfolios represent 83% of total loans and bankers' acceptances. General provisions in the amount of \$34.9 million were allocated to these portfolios according to the methodology described in Note 3 to the Interim Consolidated Financial Statements.

As to the Commercial and Corporate loan portfolio, the percentage of impaired loans, including the Teleglobe and other Commercial loans, and the percentage of credit losses, have increased significantly. Using the new general provision methodology, an amount of \$25.9 million has been allocated to this portfolio.

The unallocated balance of the \$85 million general provision in the amount of \$24.2 million is being maintained for prudential reasons.



Evolution of Laurentian Bank's four loan portfolios



Portfolio mix (in \$ billions)

	LBC		Industry	
	1994	%	2002	%
1. Personal	1.1	12%	3.7	27%
2. Residential Mortgages	6.0	68%	7.0	51%
3. Commercial Mortgages	1.1	12%	0.9	7%
4. Commercial	0.7	8%	2.1	15%
Total	8.9	100%	13.7	100%

Evolution of Laurentian Bank's four loan portfolios



Growth Initiatives

Personal and residential mortgage loan portfolios

- Acquisition of North American Trust in 1995 and development of investment loans through Agency Banking and B2B Trust
- Launched point-of-sale effort in 1998 and signed agreements with manufacturers and retailers which stimulated personal loan growth
- Acquired Sun-Life Trust, adding \$1.7 billion in personal loans and residential mortgages
- Acquired 43 branches in Quebec from Scotia, adding \$1.8 billion in personal loans and residential mortgages

Risk Management Initiatives

- Acquisition and integration of North American Trust investment loans credit monitoring systems
- Implementation of credit scoring for other personal loans in 1996
- Implementation of credit scoring for residential mortgages in 1999
- Implementation of CMHC credit scoring program in 2000 for insured mortgages.
- Prudently structured acquisitions of portfolios
- Launch of capital management and securitization program - two steps:
 - Securitization in 1997
 - CMHC loan portfolio insurance program in 2000
- Ongoing IT effort/significant investments since 1998

Evolution of Laurentian Bank's four loan portfolios



Growth Initiatives

Commercial mortgage loan portfolio

- After acquiring terms loans from 1991 to 1995, as part of its numerous Trust acquisitions, the Bank has since returned to its original mission of construction lending under strict policies such as pre-sales and pre-rentals. It has also created securitization vehicles

Commercial loan portfolio

- Growth of the commercial loan portfolio with the objective of becoming the primary banker for the majority of our clients. Growth occurred following the acquisition of North American Trust, which served as a launch pad for the Bank's Ontario activities.

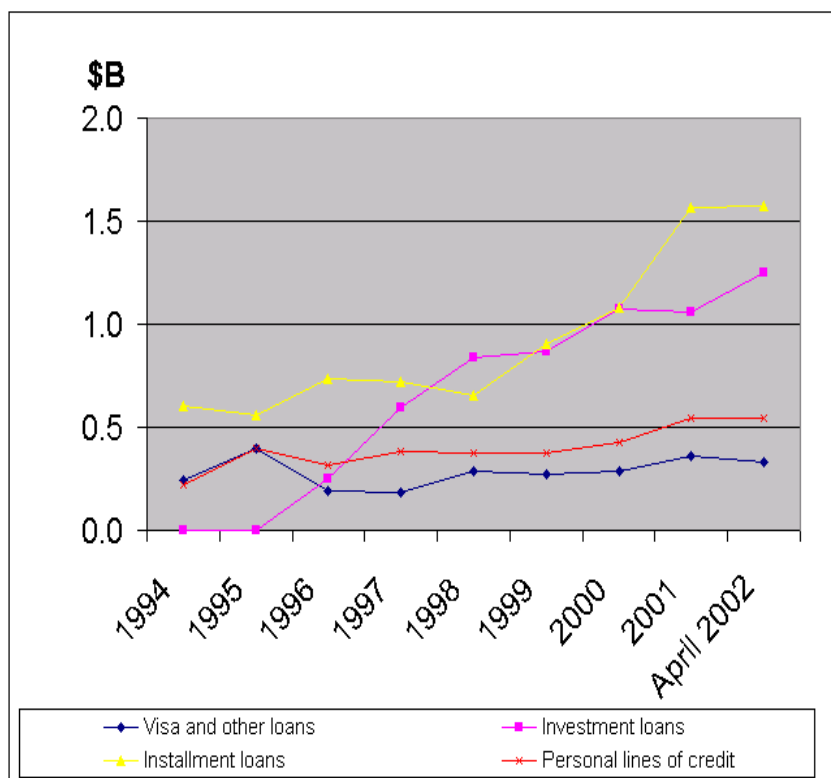
Risk Management Initiatives

- Introduction in 1995 of an internal policy limiting the size of the portfolio to approximately \$1.1B which has had the effect of gradually reducing the portfolio's relative importance

- The average level of losses has remained low until recent years due to the good economic conditions and proper risk management. The Bank's policies are being reviewed to include more controls on this type of financing as discussed later in the presentation



Portfolio 1: Personal loan portfolio

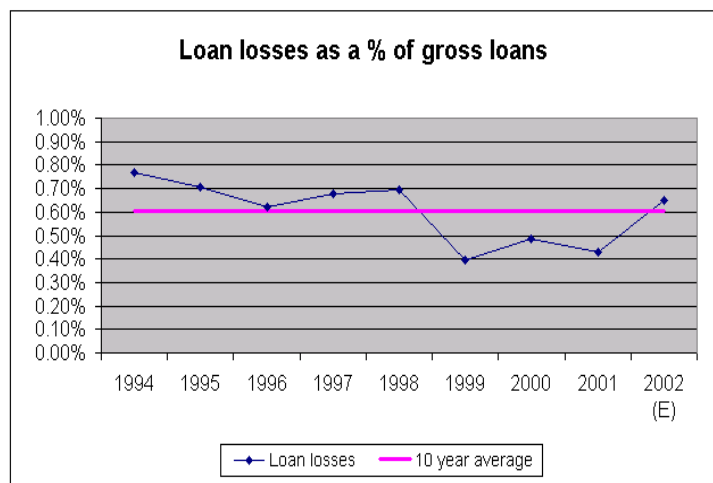
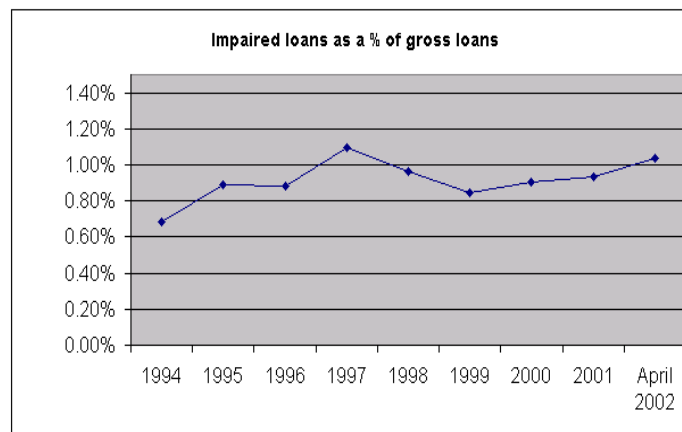
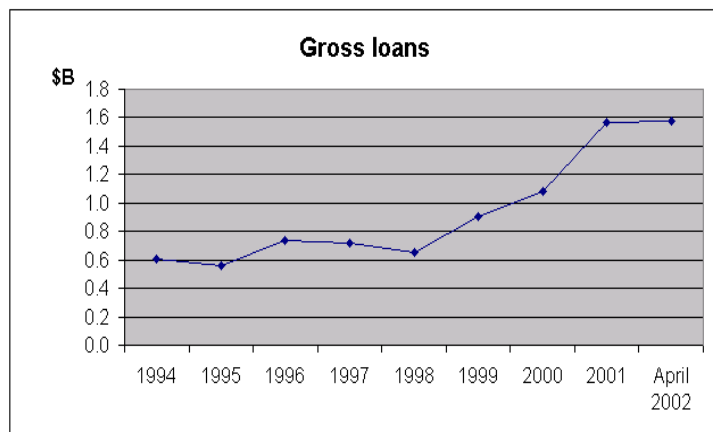


Portfolio mix (in \$ billions)

	LBC			
	1994	%	2002	%
1.1 - Installment loans	0.6	56%	1.6	43%
1.2 - Investment loans	0.0	0%	1.3	34%
1.3 - Personal lines of credit	0.2	21%	0.5	15%
1.4 - Visa and other loans	0.2	23%	0.3	9%
Total	1.1	100%	3.7	100%



Portfolio 1.1: Installment loan portfolio (mainly point-of-sale)

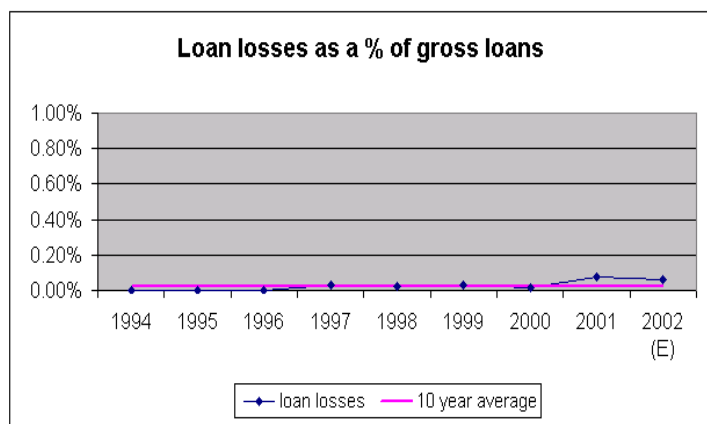
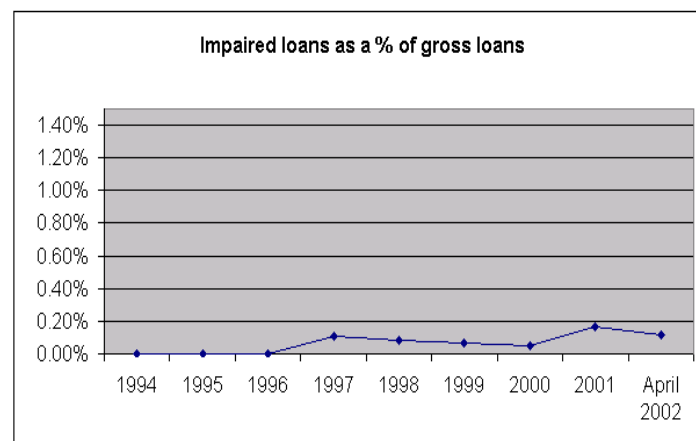
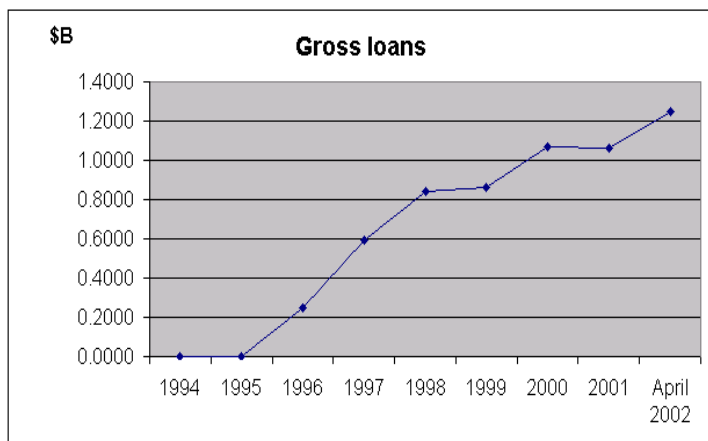


Impaired loans and provisions (in \$ millions)

	2001	2002
Gross impaired loans	14.7	16.3
As a % of loans	0.94%	1.04%
Specific provisions	4.8	5.5
% of coverage	33%	34%
General provisions (A*B*C)		9.7
Risk Weighted Loans (A)		1,542
10 yr-avg losses as a % of RWL (B)		0.63%
Economic cycle factor (C)		1.0



Portfolio 1.2: Investment loan portfolio (B2B Trust)

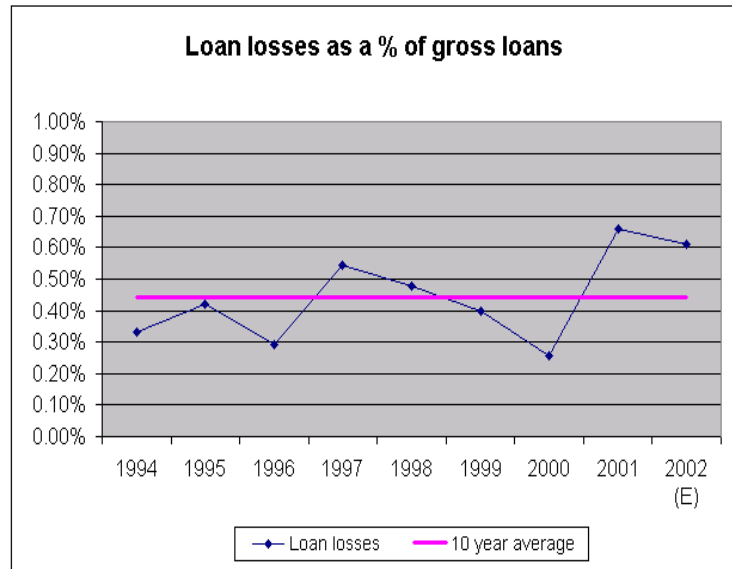
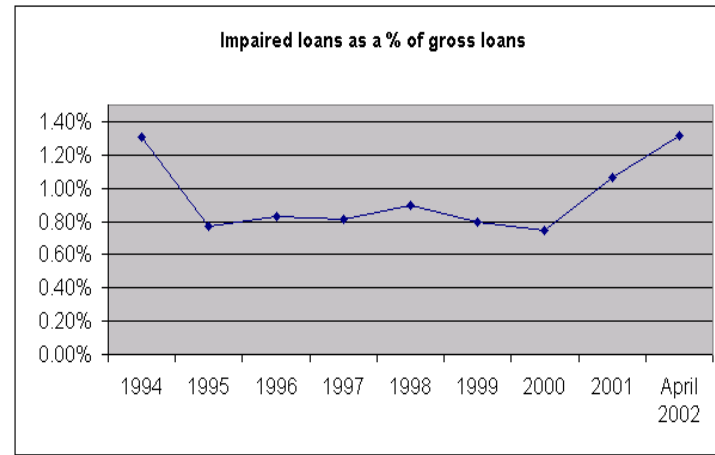
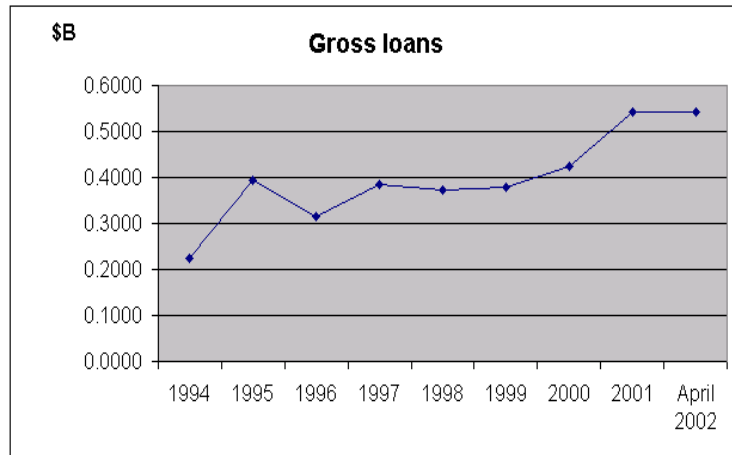


Impaired loans and provisions (in \$ millions)

	2001	2002
Gross impaired loans	1.8	1.5
As a % of loans	0.17%	0.12%
Specific provisions	0.6	0.8
% of coverage	35%	51%
General provisions (A*B*C)		0.5
Risk Weighted Loans (A)		1,250
10 yr-avg losses as a % of RWL (B)		0.04%
Economic cycle factor (C)		1.00



Portfolio 1.3: Personal lines of credit portfolio

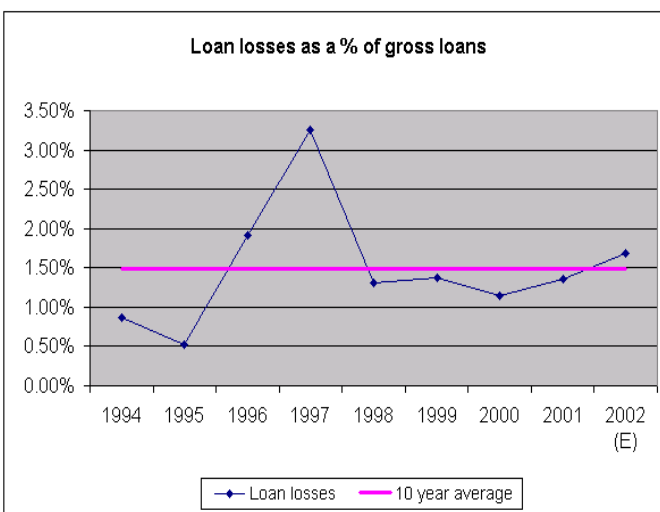
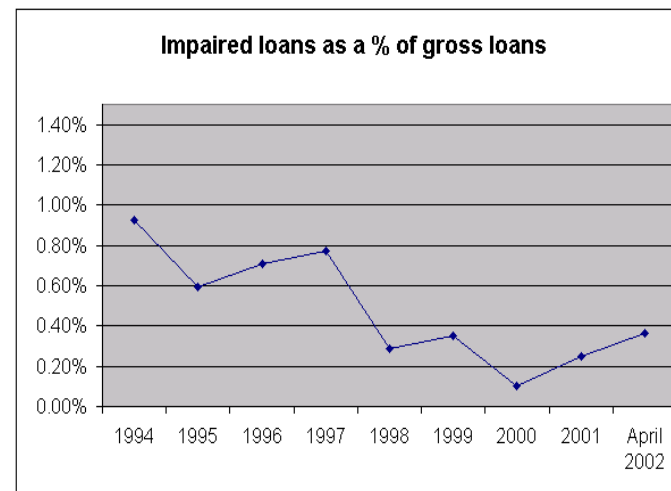
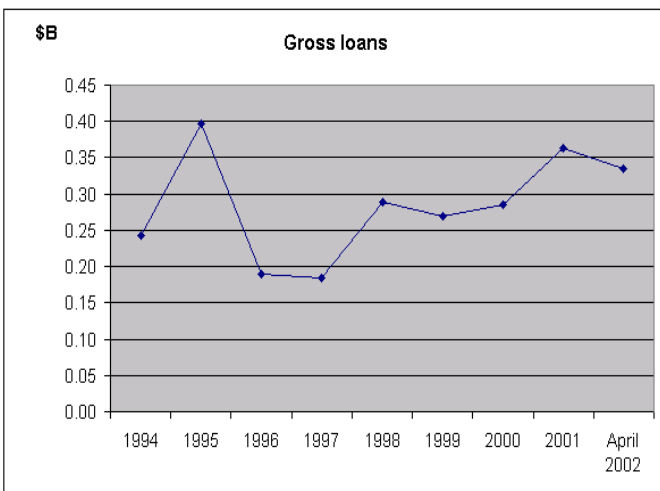


Impaired loans and provisions (in \$ millions)

	2001	2002
Gross impaired loans	5.8	7.1
As a % of loans	1.06%	1.32%
Specific provisions	0.8	1.2
% of coverage	14%	17%
General provisions (A*B*C)		2.6
Risk Weighted Loans (A)		540
10 yr-avg losses as a % of RWL (B)		0.47%
Economic cycle factor (C)		1.00



Portfolio 1.4: Visa and other loans portfolio

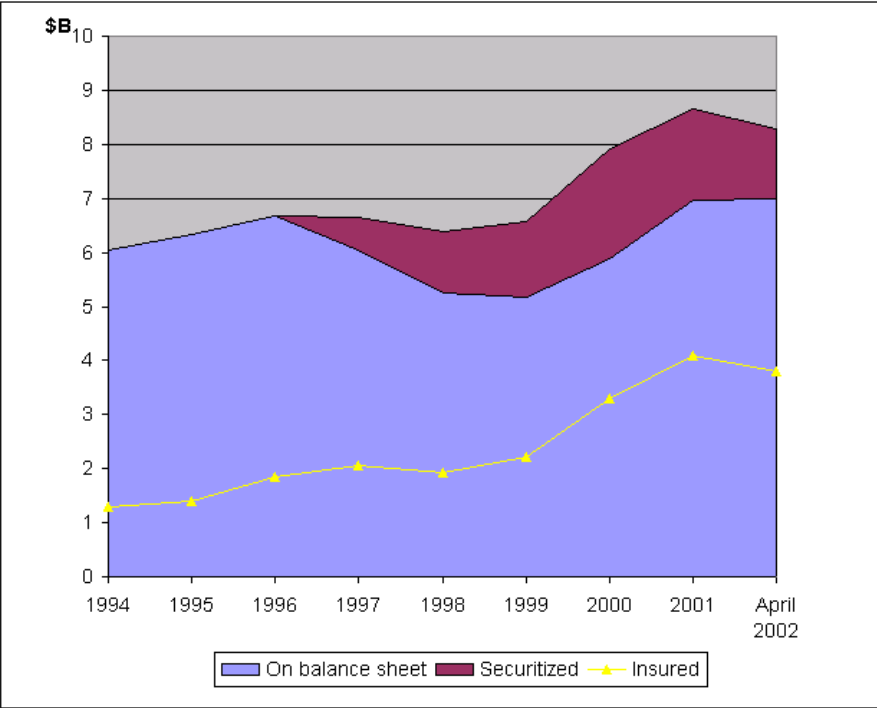


Impaired loans and provisions (in \$ millions)

	2001	2002
Gross impaired loans	0.9	1.2
As a % of loans	0.25%	0.36%
Specific provisions	0.3	0.3
% of coverage	34%	26%
General provisions (A*B*C)		5.2
Risk Weighted Loans (A)		226
10 yr-avg losses as a % of RWL (B)		2.30%
Economic cycle factor (C)		1.00



Portfolio 2: Residential mortgage loan portfolio

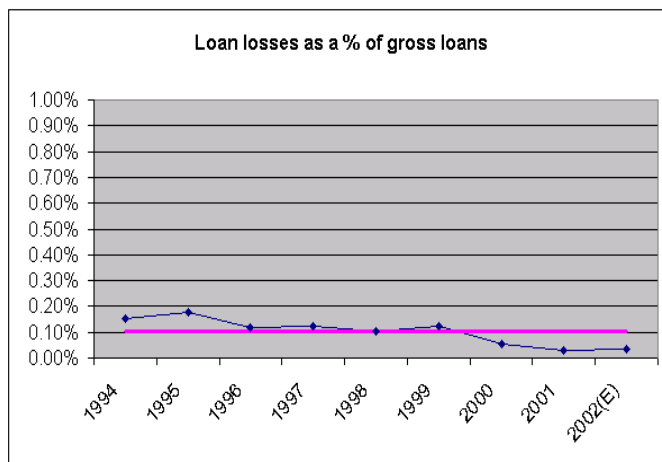
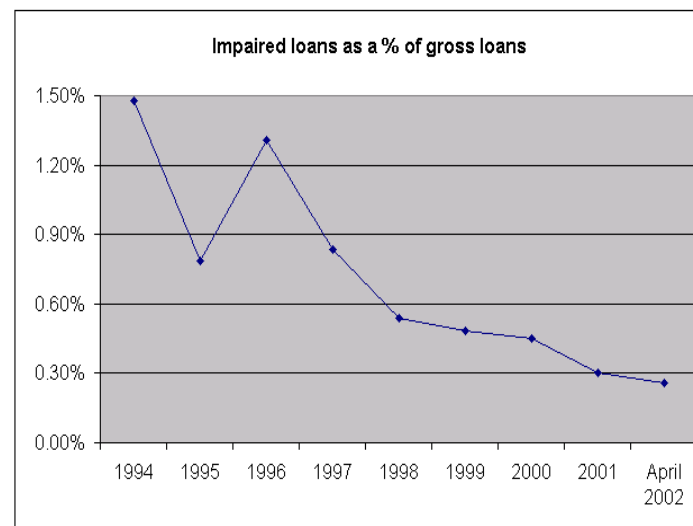
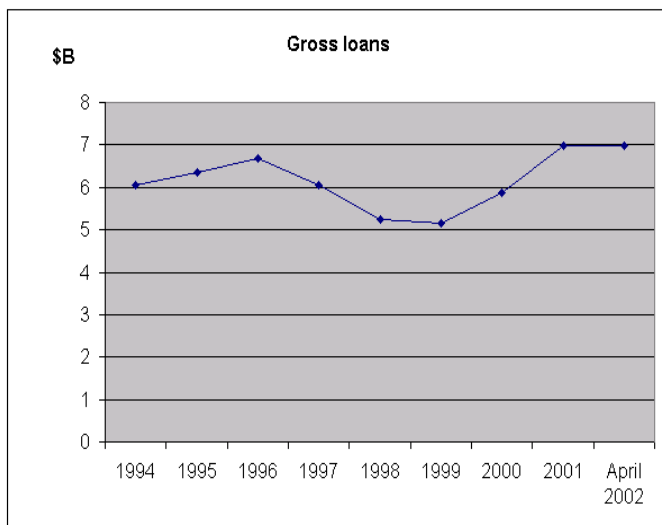


Portfolio mix (in \$ billions)

	LBC	
	1994	2002
Securitized	0%	16%
Insured	22%	46%
Uninsured	78%	38%
	<u>100%</u>	<u>100%</u>



Portfolio 2: Residential mortgage loan portfolio

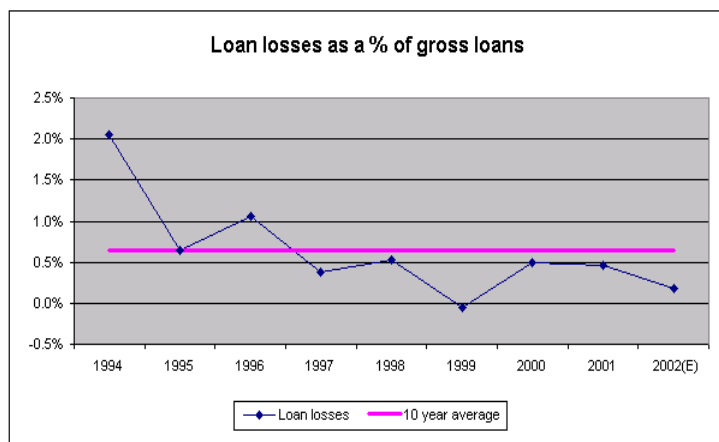
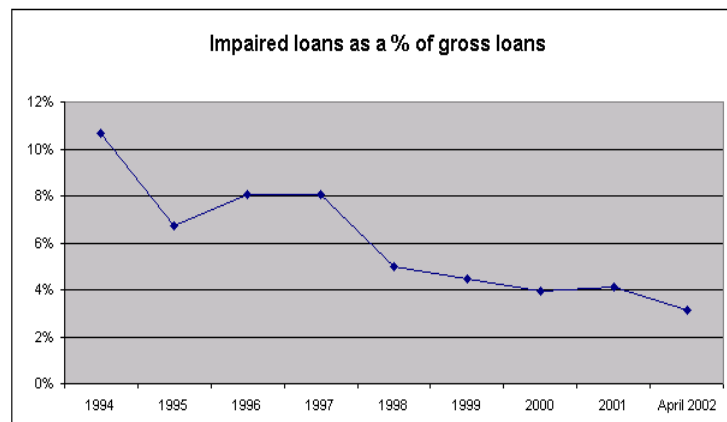
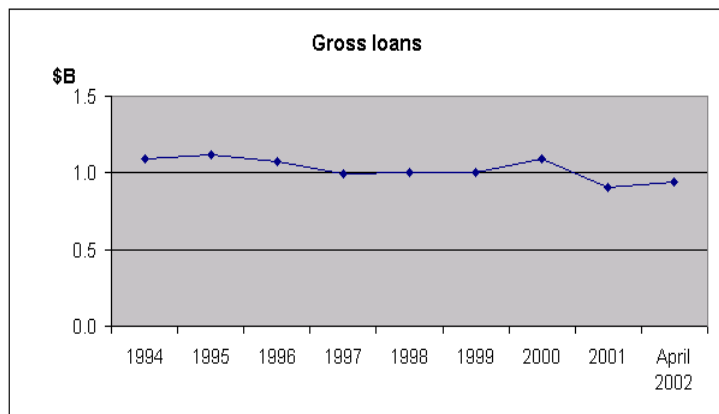


Impaired loans and provisions (in \$ millions)

	2001	2002
Gross impaired loans	21.1	17.9
As a % of loans	0.30%	0.26%
Specific provisions	5.0	5.9
% of coverage	24%	33%
General provisions (A*B*C)		8.2
Risk Weighted Loans (A)		1,953
10 yr-avg losses as a % of RWL (B)		0.28%
Economic cycle factor (C)		1.50



Portfolio 3: Commercial mortgage loan portfolio

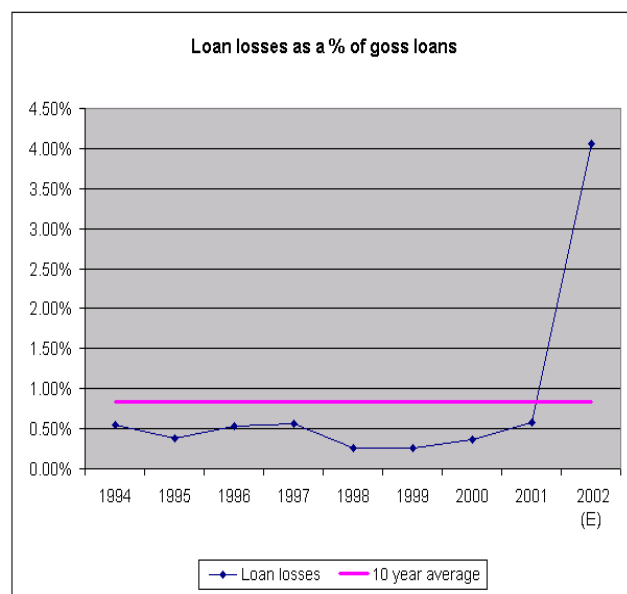
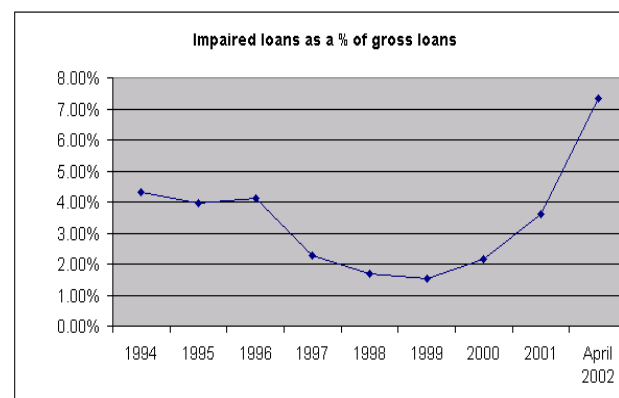
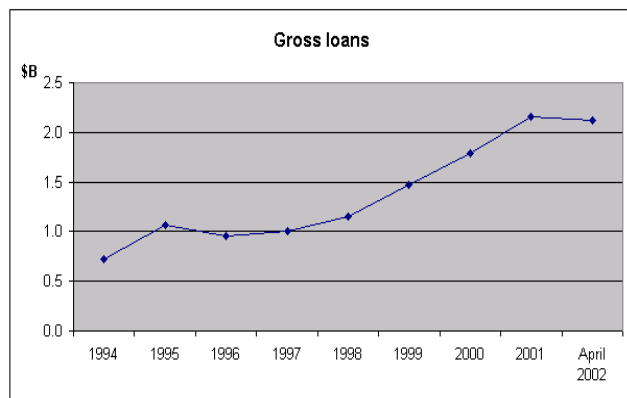


Impaired loans and provisions (in \$ millions)

	2001	2002
Gross impaired loans	37.2	29.2
As a % of loans	4.09%	3.10%
Specific provisions	15.9	16.2
% of coverage	43%	56%
General provisions (A*B*C)		8.8
Risk Weighted Loans (A)		905
10 yr-avg losses as a % of RWL (B)		0.65%
Economic cycle factor (C)		1.50



Portfolio 4: Commercial loan portfolio



Impaired loans and provisions (in \$ millions)

	2001	2002
Gross impaired loans	78.3	155.1
As a % of loans	3.62%	7.32%
Specific provisions	21.1	96.2
% of coverage	27%	62%
General provisions		25.9
Risk Weighted Loans		2,082
10 yr-avg losses as a % of RWL (B)		1.07%
Economic cycle factor (C)		1.00
Average rating factor		1.10



Loan portfolio quality assessment

Personal, residential mortgage and commercial mortgage loan portfolios

- Quality of the Installment loan portfolio was maintained during the recent economic slowdown
- Quality of the Investment loan portfolio was maintained despite the significant financial market corrections in 1998 (Asian crisis) and 2001 (Market correction and slowdown)
- Quality of the Personal line of credit portfolio was maintained despite the recent slowdown
- Quality of the Visa and other loans portfolio was maintained despite the recent slowdown
- Delinquency and loan losses were constantly declining for the residential and commercial mortgage loan portfolios
- Very dynamic real estate market in Canada in the last 3 to 5 years, despite the recent economic slowdown

Commercial loan portfolio

- The Teleglobe loan accounts for a large part of the additional \$70 million provision
- Deterioration in the manufacturing sector in Ontario and to a lesser extent in Quebec



Summary of loan portfolios as at April 30, 2002

(in \$ thousands)

	Gross loans	Gross NPL	Specific Provisions	General Provisions	Total Provisions
1. Personal loan portfolio					
1.1 Installment loans	1,572,486	16,308	5,503	9,665	15,168
1.2 Investment loans	1,251,497	1,497	760	499	1,259
1.3 Personal lines of credit	541,131	7,137	1,199	2,554	3,753
1.4 VISA and other loans	334,492	1,211	310	5,207	5,517
	3,699,606	26,153	7,772	17,925	25,697
2. Residential Mortgage loan portfolio	6,991,256	17,903	5,940	8,182	14,122
3. Commercial Mortgage loan portfolio	939,727	29,171	16,227	8,821	25,048
4. Commercial loan portfolio	2,118,055	155,090	96,182	25,861	122,043
General unallocated provision				24,211	24,211
	13,748,644	228,317	126,121	85,000	211,121
Bankers' acceptances	309,761				
Total	14,058,405	228,317	126,121	85,000	211,121

Commercial loan portfolios by sector



The Commercial loan portfolio is well diversified in terms of sectors. Specifically, loans to the communications and other utilities sector, excluding the \$25 million US (approximately \$39 million CDN) loan to Teleglobe, were \$37 million at April 30, 2002. Excluding the Teleglobe loan, there are no other impaired loans in the Bank's loan portfolios that are in excess of \$10 million.

Commercial loan and bankers' acceptance portfolio by sector



Sectors	Outstanding balance at April 30, 2002 (in \$ millions)	Percentage
Manufacturing industries	573.0	23.6%
Other service industries	297.1	12.2%
Wholesale trade industries	198.3	8.2%
Agricultural industries	181.8	7.5%
Logging industries	137.4	5.7%
Retail trade industries	135.7	5.6%
Construction industries	134.9	5.6%
Finance and insurance industries	128.3	5.3%
Transportation and storage industries	112.9	4.6%
Real estate industries	106.0	4.4%
Food industries	94.2	3.9%
Communications and other utilities	76.3	3.1%
Paper industries	46.6	1.9%
Business service industries	45.7	1.9%
Health and social service industries	43.3	1.8%
Accommodation, food and beverage service industries	39.9	1.6%
Mining industries	25.5	1.0%
Educational service industries	17.6	0.7%
Forest industries	9.2	0.4%
Government service industries	4.0	0.2%
Fishing industries	0.8	0.0%
Other	<u>19.3</u>	<u>0.8%</u>
Total	2,427.8	100.0%

Before provisions for credit losses

Changes to Commercial and Corporate lending policies



- Reduction of the limit for maximum new loan to a single borrower from \$40 million to \$20 million
- Improvement in loan underwriting and pricing to optimize RAROC



Conclusion

- Management is of the opinion that the current level of specific provisions is adequate and that the level of general provisions at \$85 million is considered prudent
- The Bank plans to strengthen its capital ratios through active balance sheet management over the next two quarters

SOURCES: Laurentian Bank annual reports and industry statistics