

Staying Focused

**RAYMOND MCMANUS, President & CEO
Laurentian Bank of Canada**

January 2006



**LAURENTIAN
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Laurentian Bank: an Overview



- ❑ Founded in 1846
- ❑ 3rd largest financial institution in Quebec in terms of number of branches
- ❑ 7th largest Canadian Schedule 1 chartered bank
- ❑ Balance sheet assets: \$16.5 billion (as of October 31, 2005)
- ❑ Assets under administration: \$13.8 billion (as of October 31, 2005)
- ❑ Number of branches: 158
- ❑ Number of full-time equivalent employees: 3,200

Major Achievements 2003-2005



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Q2 05

Final Settlement of Collective Agreement

Q1 05

**Sale of BLC - Edmond de Rothschild &
Distribution Agreement with Industrial Alliance**

Q3 04

B2B Trust Privatization

Q4 03

Sale of 57 Branches Outside Quebec

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



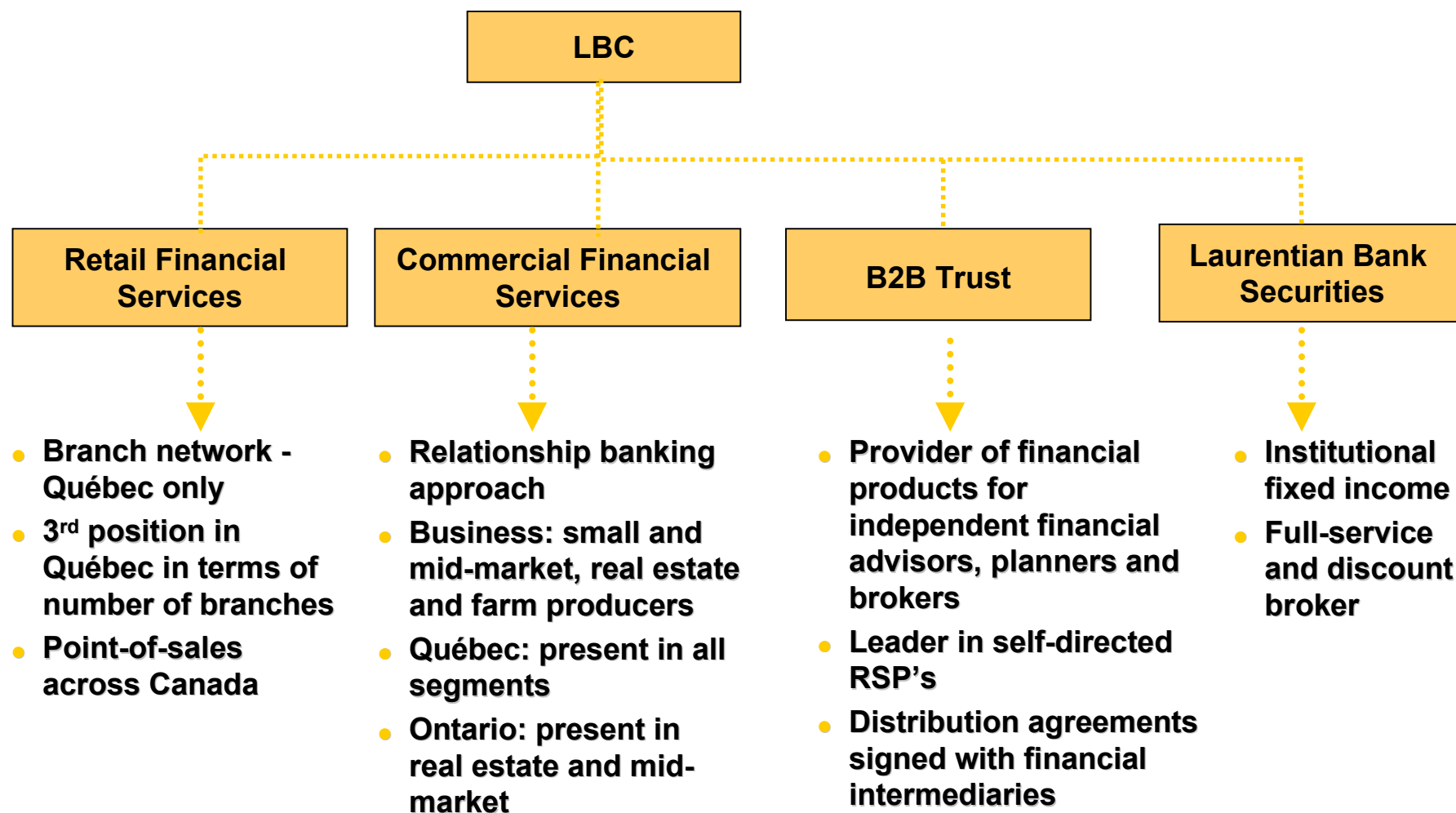
- **Laurentian Bank's main market is Quebec**
 - With 158 retail, 20 commercial and 13 brokerage branches, Quebec is LBC's main market. All our business lines are active in this market.

- **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

Four Business Lines



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Highlights 2005 versus 2004



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	GAAP 2004	GAAP 2005	Change
Increase in net interest income	\$267.2M	\$325.7M	\$58.5M
NIM improvement	1.64%	1.99%	+35 b.p.
Efficiency ratio improvement	79.3%	76.1%	+320 b.p.
Higher EPS from continuing operations	\$1.33	\$2.26	+\$0.93
Higher ROE from continuing operations	4.6%	7.8%	+320 b.p.

2005 Performance and 2006 Objectives

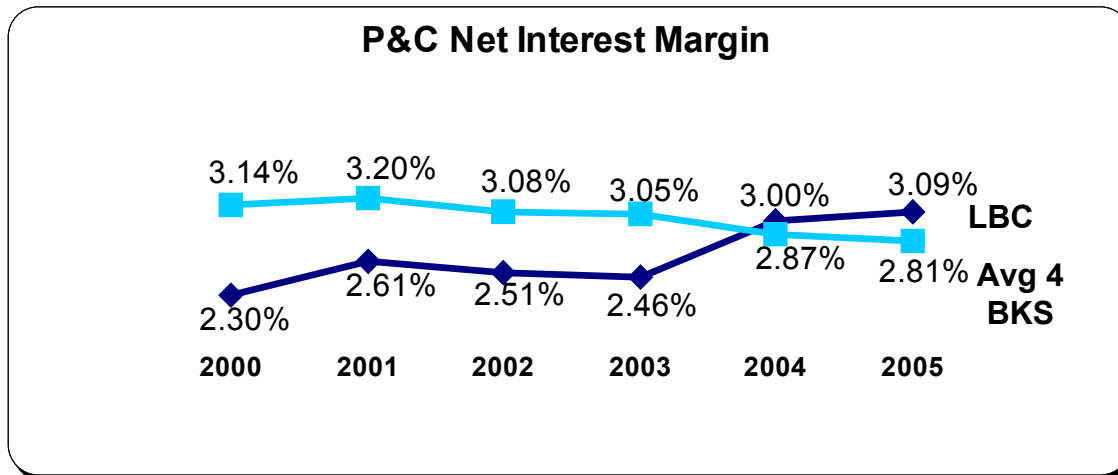
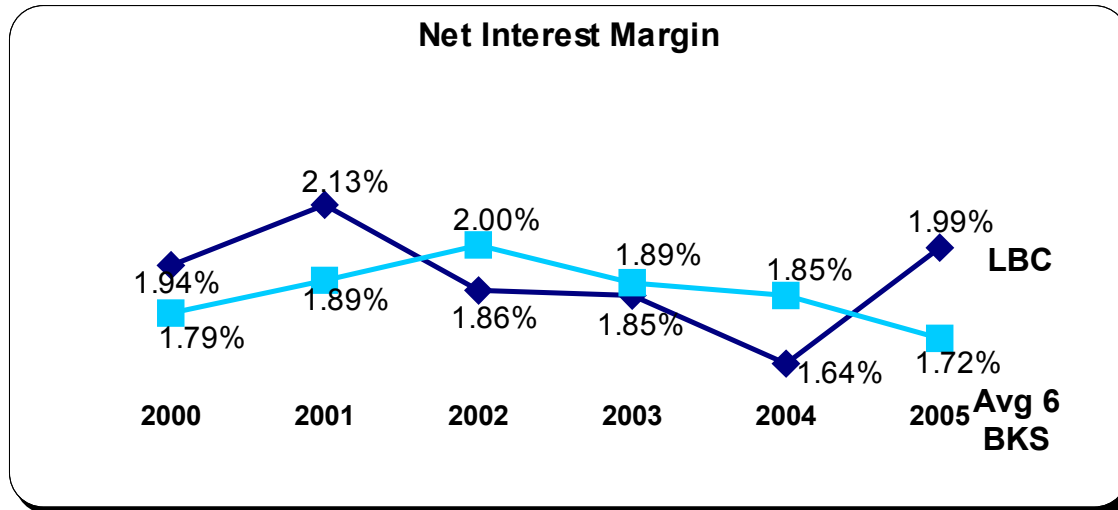


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Performance Measure	2005 Annual Target	12 Months Period Ended October 31, 2005 Actual	2006 Objectives
Return on Equity	4.5% to 5.5%	7.8% (6.4% from continuing operations)	7% to 8%
Earnings per Share	\$1.30 to \$1.60	\$2.26 (\$1.85 from continuing operations)	\$2.05 to \$2.35
Total Revenue	\$480M to \$490M	\$502M	\$522M to \$532M
Efficiency Ratio	79% to 77.5%	76.1%	75% to 73.5%
Capital Ratios			
- Tier 1	Min of 9.5%	10.2%	Min of 9.5%
- Total	Min of 13.0%	12.3%	Min of 12.0%
Credit Quality (PCL Ratio)¹	0.25% to 0.22%	0.24%	0.25% to 0.22%

(1) PCL ratio is calculated over Average Assets

Bank's NIM Major Improvement



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

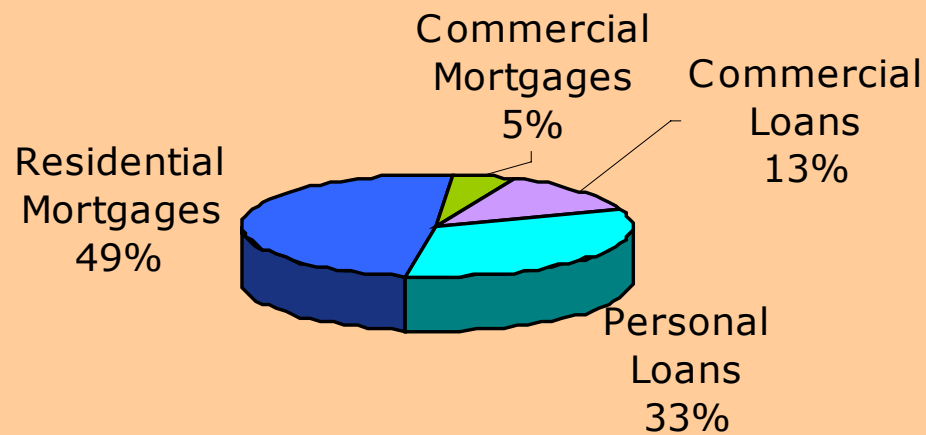
Diversification of Loan Portfolio



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Loan Portfolio Mix

Loan Portfolio As of October 31, 2005



At October 31st, 2005, 36% of our loan portfolio were originated from outside of Quebec.

Our loan portfolio is diversified geographically and by loan types.

Loan and Deposit Growth



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In millions of dollars	Growth 2005 vs 2004	Growth % 2005 vs 2004
Loans		
Personal	268.3	7%
Residential mortgages*	469.8	8%
Commercial mortgages*	-29.1	-4%
Commercial and acceptance	-2.1	0%
Total Loans	707.0	6%
Deposits		
Personal	121.0	1%
Business and other	664.9	27%
Total Deposits	785.9	6%

* Residential mortgage loans, excluding securitized loans, grew by \$298M or 5% in 2005

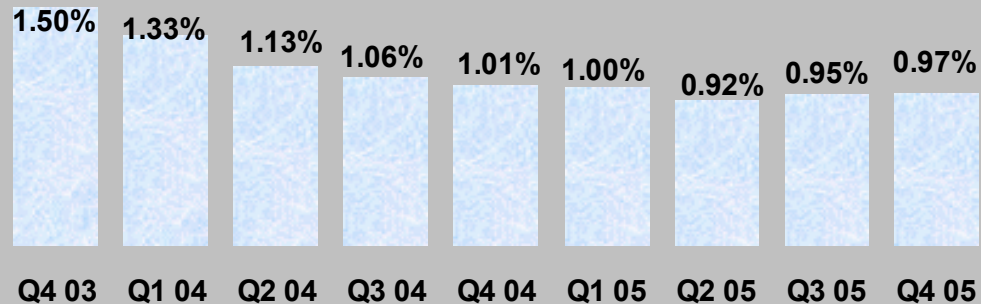
* Commercial mortgage loans, excluding securitized loans, decreased by \$8M or 1% in 2005

Credit Quality Remains Stable



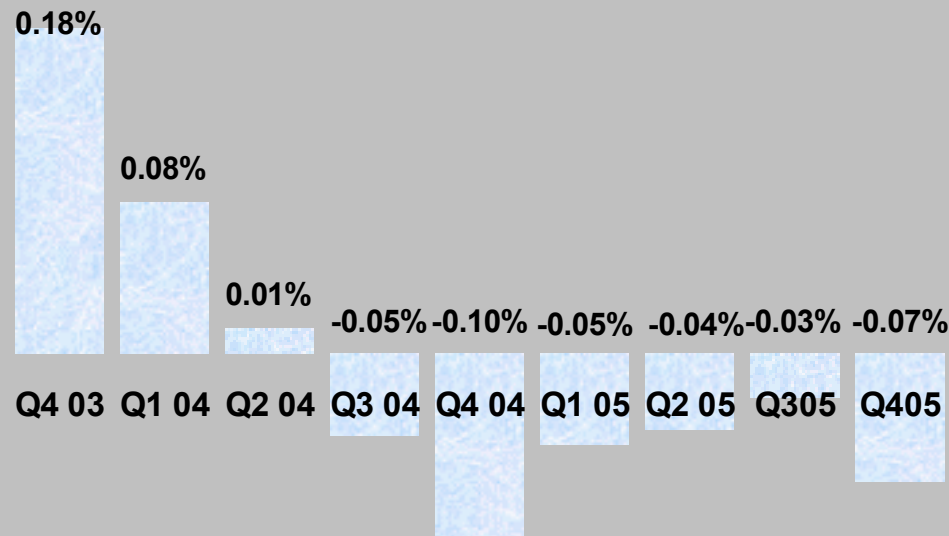
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Gross Impaired Loans as a % of Gross Loans, BA's & Reverse Repos



- In Q4 2005, gross impaired loans have decreased 4% compared with Q4 2004

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



- Since Q3 2004, provisions continue to exceed our impaired loans

Strong Capital Ratios



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As of October 31 st , 2005	Tier 1 Capital Ratio		Tangible Common Equity as a % of RWA	
	in %	Rank	in %	Rank
Scotia	11.1%	1 st	9.3%	1 st
BMO	10.3%	2 nd	7.9%	2 nd
LBC	10.2%	3rd	7.5%	3rd
TD	10.1%	4 th	7.4%	4 th
RBC	9.6%	5 th	7.4%	5 th
NBC	9.6%	6 th	7.4%	6 th
CIBC	8.5%	7 th	6.1%	7 th
Aver. Big 6	9.9%		7.6%	

Total Capital Ratio



Before the issuance of new debenture

As of October 31 st , 2005	Total Capital Ratio	
	in %	Rank
Scotia	13.2%	1 st
TD	13.2%	2 nd
RBC	13.1%	3 rd
NBC	12.8%	4 th
CIBC	12.7%	5 th
LBC	12.3%	6th
BMO	11.8%	7 th
Aver. Big 6	12.8%	

Capital Structure



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As of October 31, 2005

In millions of dollars

Debentures	150
Preferred Shares	210
Common Equity	<u>703</u>
Total Capitalization	1,063

Credit Ratings



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	DBRS	S&P
Short-Term Instruments	R-2 (high)	A-2
Long-Term Deposits and Senior Debt	BBB	BBB
Subordinated Debentures	BBB (low)	BBB-
Non-Cumulative Preferred Shares	P-3	BB+
Rating Outlook	Stable	Negative

Laurentian Bank's Liabilities



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As of October 31 st , 2005	Composition of deposits	
	LBC	Average Big 6
Personal	77.2%	34.3%
Business and other	22.8%	58.6%
Total of deposits	100.0%	100.0%

Laurentian Bank's Strengths



- **Conservative financial position**
 - Strong balance sheet and capital ratios
 - Strong proportion of insured mortgages
 - Limited capital market exposure compared to peer group
 - Large proportion of personal loans secured

- **Strategic focus and flexibility**
 - Selective regional positioning
 - Niche and partnership approach
 - Experienced management team and committed employees
 - Quality and efficiency of our products and services

Conclusion



“ The strong commitment and dedication of all our employees was instrumental to this performance...

Our objectives for 2006 assume that we will maintain the momentum going forward.”

Raymond McManus

- **We have adopted a very focused strategy and we intend to continue to build on our accomplishments**
- **The Bank and the Union are working closely together to make the Bank a stronger #3 in Quebec and a performing player in specific markets across Canada**
- **Our confidence in the future rests on the fact that our employees believe in the plan and are fully committed**

Forward Looking Statements



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This presentation and related communications may contain forward-looking statements, including statements regarding the business and anticipated financial performance of Laurentian Bank. These forward looking-statements include, among others, statements regarding the business and objectives for the coming years, medium- and long-term strategies to achieve these objectives and statements with respect to the Bank's beliefs, plans, expectations, anticipations, estimates and intentions. These statements typically use the conditional and words such as prospects, believe, estimate, forecast, project, should, could and would. By their very nature, forward-looking statements involve inherent risks and uncertainties, and it is possible that the forecasts, projections and other forward-looking statements will not be achieved. The Bank cautions readers against placing undue reliance on these 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, economic and fiscal 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, as well as the Bank's success at increasing revenues and managing costs related to carrying out its business plan. 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.

**For questions on this presentation, please call:
Gladys Caron, Vice-President, Public Affairs, Communications and
Investor Relations**

Q & A



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Appendices



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4 Lines of Business



1. Retail Financial Services:

- ✓ 3rd position in Quebec in terms of number of branches - we are focussing our retail expansion strategy in this region
- ✓ Leader in point-of-sale financing across Canada
- ✓ Strategies and actions:
 - Launching of the Entrepreneurship model starting in 2003
 - Building on culture of high quality of service
 - Re-investments in our physical assets and in the development of our human resources
 - Marketing activities
 - Partnerships, alliances and contracts (Espresso Bank-Café with Van Houtte, Industrial Alliance, FTQ, Western Union, exclusive banking ABMs in Montreal Metro)

2. Commercial Financial Services:

- ✓ Commitment to Relationship Banking where the Bank provides core financial services to small and medium-sized businesses, real estate promoters and farm producers
- ✓ In Quebec, our goal is to be present in all segments of the market
- ✓ Outside Quebec, we are a niche player in specific fields of expertise (SME'S and real estate)

4 Lines of Business



3. B2B Trust:

- ✓ Provider of financial products and services designed to be marketed either by independent financial advisors or by distributors under their private label
- ✓ A leader in the administration of Self-Directed RSP's and a leading supplier in broker deposits
- ✓ Main portfolios:
 - ✓ \$4.6 billion through deposit brokers
 - ✓ \$1.2 billion in investment and RRSP loans
 - ✓ \$1.1 billion in brokered mortgages
- ✓ More than 40 distribution agreements signed with financial intermediaries

4. Laurentian Bank Securities:

- ✓ Main 3 sectors: full-service broker, discount brokerage and institutional fixed income
- ✓ AUM: \$1.4 billion for full-service broker and \$78 million for discount brokerage

Sale of BLC-Edmond de Rothschild



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In millions of dollars

Net sale price	\$ 67.8
Less:	
Deferred income 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
Initial write-down of investments related to seed capital	-\$ 4.4
Net gain before income taxes	\$ 5.4
Income taxes	-\$ 0.2
Gain on discontinued operations	\$ 5.2
Recovery clauses	\$ 4.4
Income from discontinued operations, net of income taxes	\$ 9.7

- **Transaction completed during the first quarter of 2005 (December 31st, 2004)**
- **Recovery clauses**
 - Claw-backs:
 - 5-year period
 - \$ 5.2 M / year if annual net sales do not reach \$ 50 M for a maximum of \$ 26.2 M
 - Catch up provision, provided cumulative net sales reach \$ 290 M at year 6
 - LBC's R Funds net sales performance in 2005: more than doubled of the sales requirement
 - Additional \$ 8.3 M if cumulative net sales reach \$ 350 M by the end of year 5

Partnership with the FTQ



“This is an historical moment... In the coming months, we will appeal to all our 550,000 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

Annual shareholders meeting, March 2005

Laurentian’s Bank *Complicité* Program

(launched on October 12, 2005):

- *Offered exclusively to the 550,000 FTQ members and their families*
- 3 types of products:
 - VISA Laurentian Bank *Complicité* card
 - 3 money-saving banking packages to reduce fees related to daily banking transactions
 - Homebuyers Program with different options for future owners