



LAURENTIAN BANK  
OF CANADA

## OUR PLAN IN BLACK AND WHITE

**Building a  
foundation  
for the long  
term**

**Raymond  
McManus  
President & CEO**

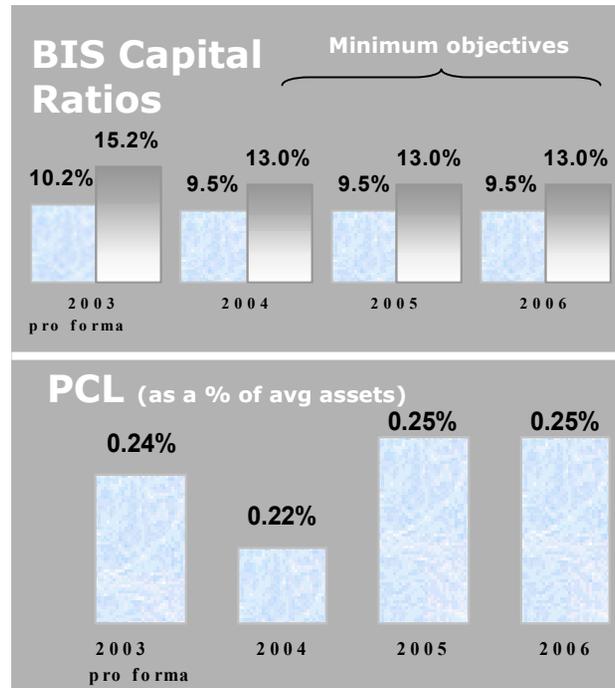
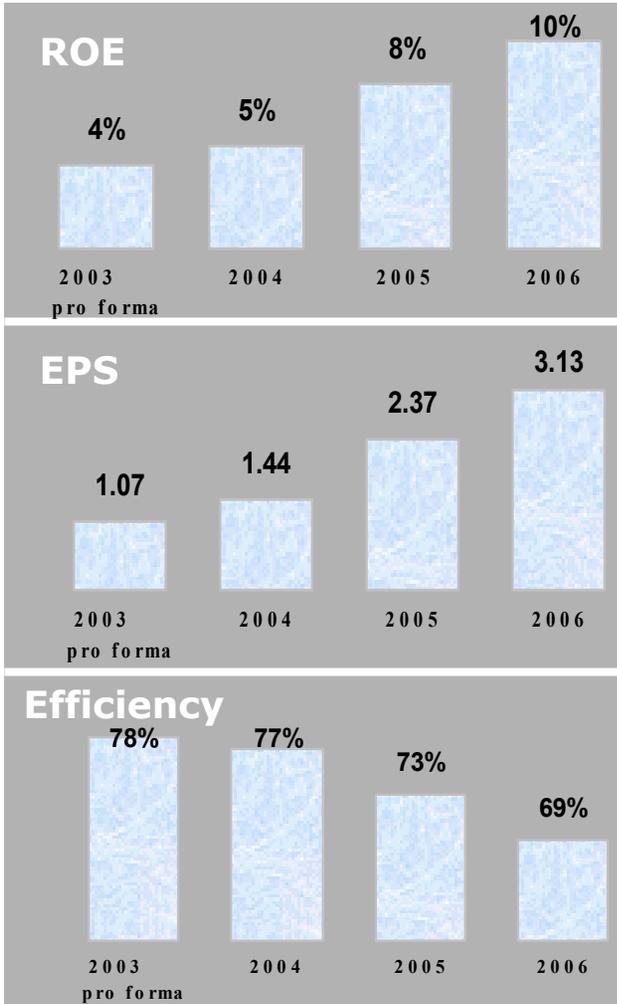


**SERVICE EMPLOYEES PERFORMANCE**

**Scotia Capital  
Financials Summit 2004  
Toronto - September 15, 2004**

# Our 3-year plan

*As published in fourth quarter 2003*



We estimated that three years were necessary to restore the Bank's growth and profitability and enable it to build all of its operations on truly solid foundations



# Our performance to date is on track

Performance Measure	2004 Annual Target	9 Months Period Ended July 31, 2004
Return on Equity	5%	5.4%
Earnings per Share	\$1.44	\$1.16
Total Revenue	\$ 503 M	\$ 365 M
Efficiency Ratio	77%	76.3%
<b>Capital Ratios</b>		
- Tier 1 Capital Ratio	Min of 9.5%	10.3%
- Total Capital Ratio	Min of 13.0%	14.4%
Credit Quality (PCL Ratio) <sup>1</sup>	0.22%	0.25%

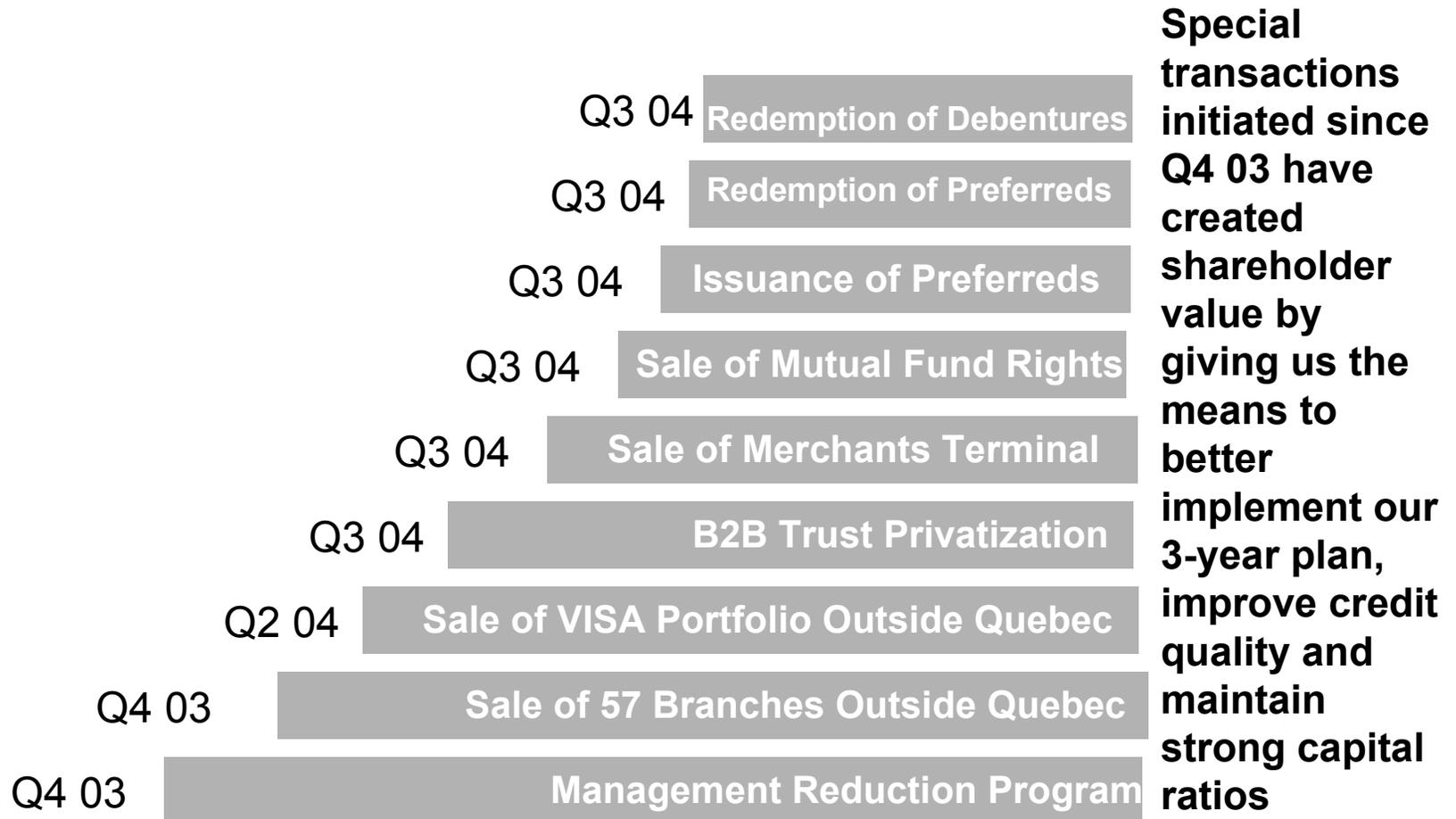
**Our first 9 months results are on track with our first year financial objectives and demonstrate the progress we have made to date**

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





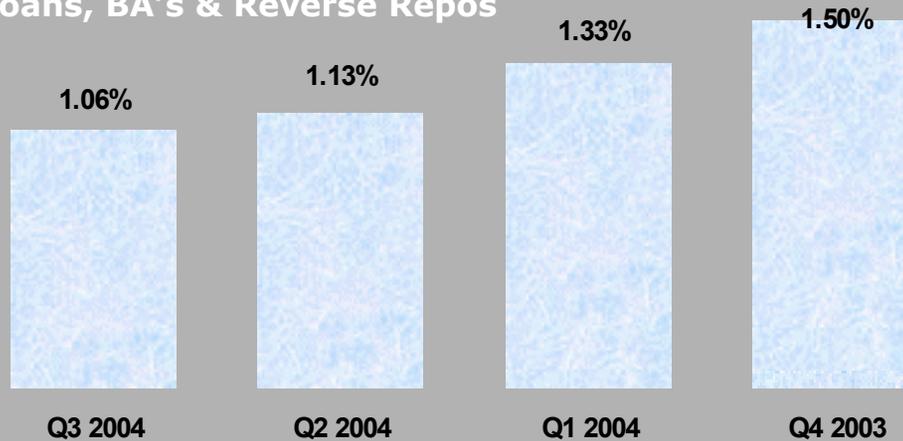
# We have created value for our shareholders



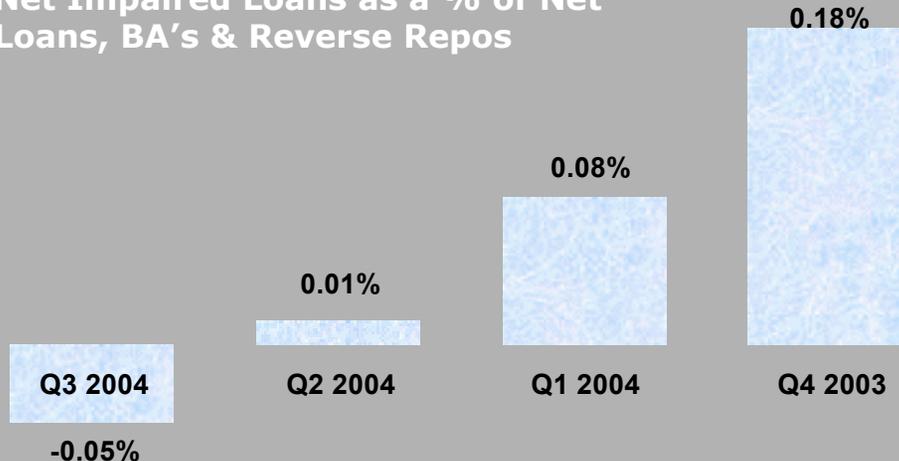


# We have improved credit quality

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



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

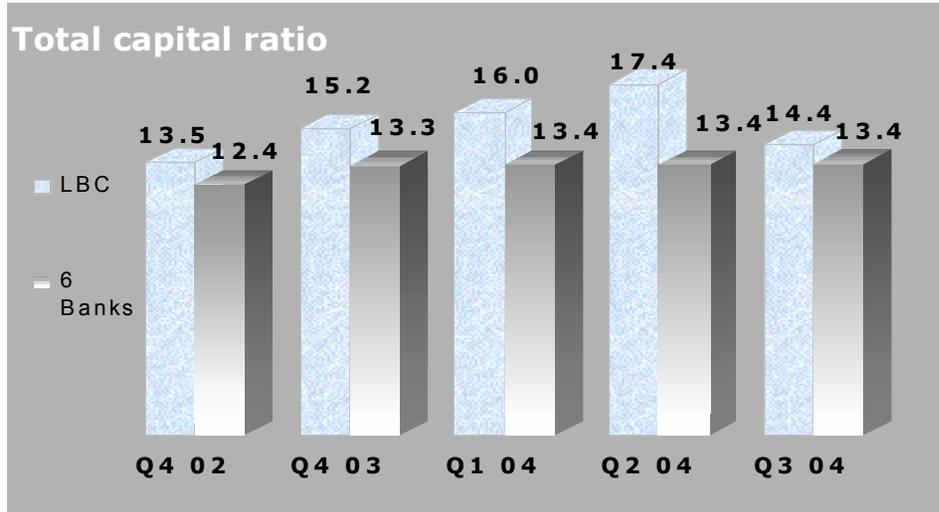


**Although our level of PCL's remained stable, for the first time since 1999, our loan losses provisions exceeded gross impaired loans by \$5.6 M compared to a shortfall of \$22 M at the end of last year**

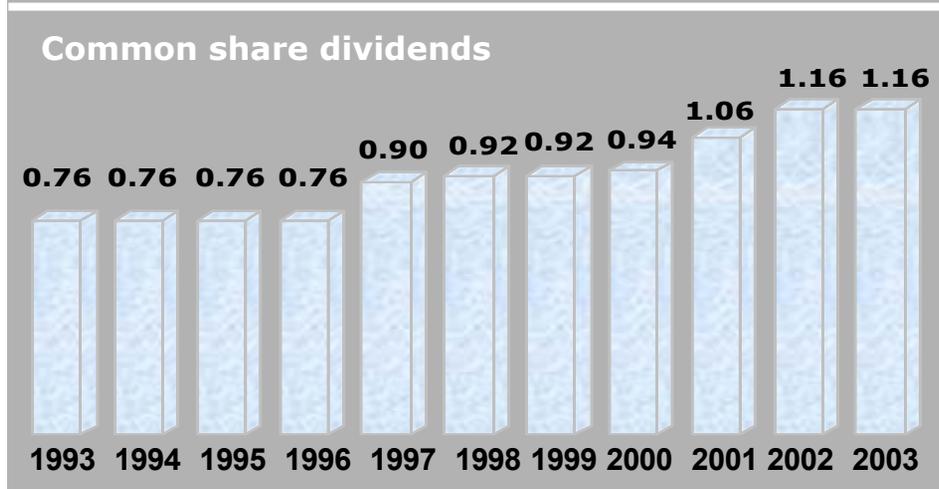




# We have maintained strong capital ratios



- **Our capital ratios remain strong compared to the industry**
- **We have the highest dividend yield in the industry at 4.1%**

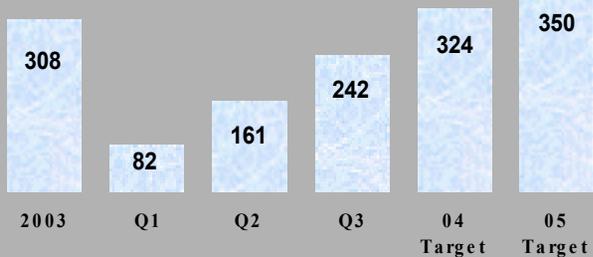


- **We will maintain our dividend at current level if financial targets are met and capital ratios remain strong**

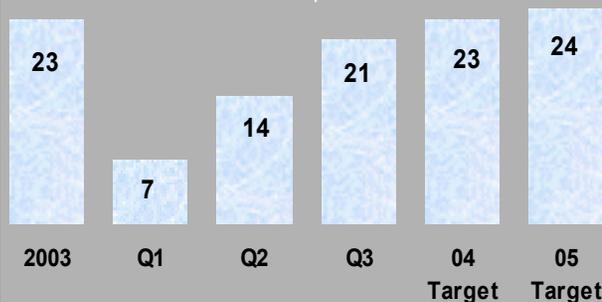
# But revenue growth has been slower than anticipated in 2 out of 4 business lines



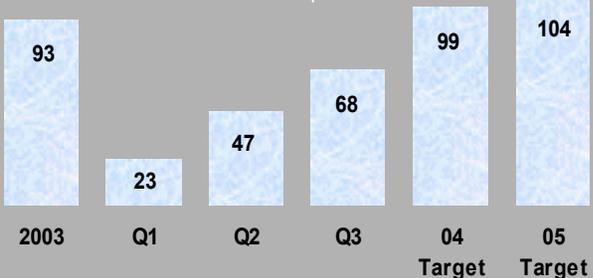
**Retail Financial Services**  
Cum. Total Revenues in \$M<sup>1,2</sup>



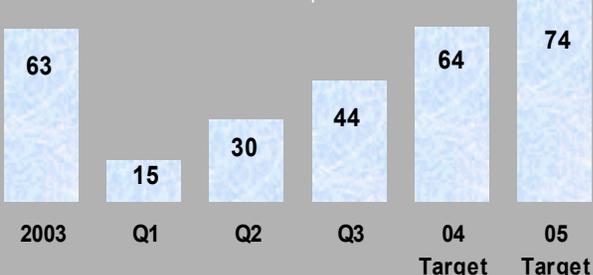
**Wealth Mgt & Brokerage**  
Cum. Total Revenues in \$M<sup>1</sup>



**Commercial Financial Services**  
Cum. Total Revenues in \$M<sup>1</sup>



**B2B Trust**  
Cum. Total Revenues in \$M<sup>1</sup>



- RFS is on target to meet its 2004 growth objective
- CFS revenue growth has been hampered by weak commercial demand
- B2B revenue growth relied a lot on its banking operations which were slowed down due to higher than anticipated loan losses
- WM&B performed very well and exceeded its growth objective

(1) Excluding special items (2) Excluding the lost contribution from the branches sold outside Quebec



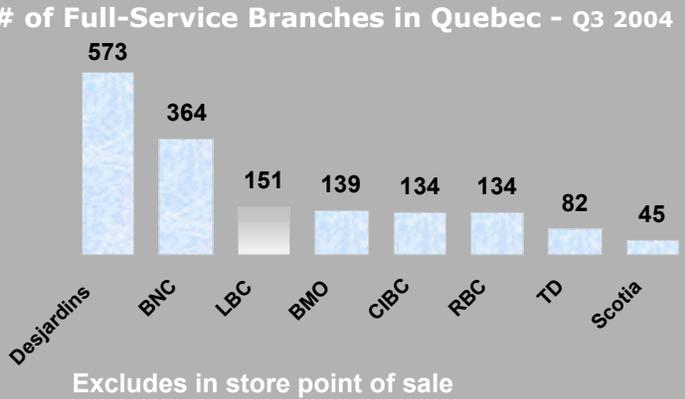
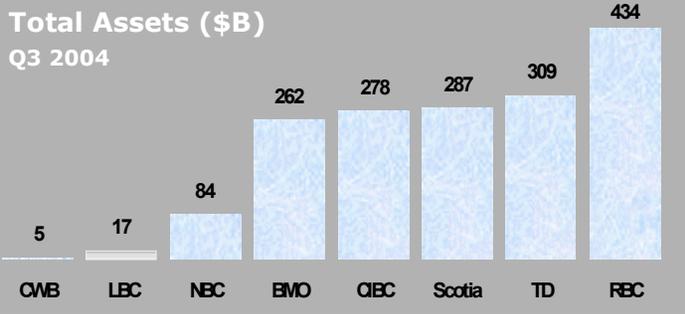
# Our Strategy

How we intend to better  
compete and  
differentiate ourselves





# Our market position is strong in Quebec



**Market Share in Quebec Q1 2004**

	LBC	Desjardins	Other Banks
Retail Loans	5.0%	44.1%	50.9%
Commercial Loans	3.5%	32.8%	63.7%
Deposits	5.8%	45.6%	48.6%

- LBC ranks 7<sup>th</sup> among schedule 1 banks
- LBC ranks 3<sup>rd</sup> in terms of full-service branches in Quebec
- LBC's market share in Quebec is below its two main competitors but is better positioned to compete in the Quebec market than some of the Big 5 banks

Source: Bank of Canada, Statistics Canada, Banks' internet site



# How we will differentiate ourselves?

## MY CLIENTS MY BANK MY SUCCESS Entrepreneurship Project

- Quality of service
- Flexibility
- Simplicity
- Proximity - Community involvement

## Awareness and Visibility

- New slogan ***Dare !***
- New Signature

- Considering the success we've had with the entrepreneurship deployment in our retail branches, we want to extend the entrepreneurial spirit to the whole Bank and become the banker whose service is recognized for its quality, flexibility, simplicity and proximity
- We need to become the "***First to Mind***" bank for Quebecers
- We want clients to know that Laurentian Bank is first and foremost a "***People's Bank***"





# Retail Financial Services – Update on 2004 Plan

## *What we said we would do in Q4 03 and where we stand*



<i>New Laurentian Bank Signature</i>	
▣ Development of a new branch design and concept	<b>Done</b>
<i>Optimization of Branch Network</i>	
▣ Creation of permanent expansion team	<b>Done</b>
▣ Opening of 20 branches in 3 years (first one in June)	Opening of 5 branches by Jan. 2005
▣ Relocation, renovation or merging of existing branches	<b>In progress</b> As of Sept. 04: 9 branches impacted By Dec. 04: a total of 18 branches
▣ Increase by 10% the number of ATMs in 2004	As of Sept. 04: 4% By Dec. 04: 11%
<i>Deployment of the Entrepreneurship Project</i>	
▣ Deployment throughout the whole network	<b>Done</b>
▣ Creation of a recognition program	<b>Done</b>
▣ Creation of standards of excellence	<b>Done</b>
<i>"Retailer Approach" Client Servicing</i>	
▣ Creation of a permanent evaluation panel composed of 3,000 customers	<b>Done</b>
▣ Development of CRM tools for direct marketing	<b>Done</b>
▣ New advertising campaign	<b>Done</b>
▣ Repositioning of our VISA Gold card	<b>On Track</b>
<i>Enhancement of the Multi-Channel Strategy</i>	
▣ Optimization of the profitability of point-of-sales loans	<b>On Track</b>

- Although branch openings have been slower than anticipated, Retail Financial Services is strongly executing on its plan
- Now we need to translate these actions into greater revenue growth going forward



# Our strength is quality of service



Perception survey conducted in Quebec covering 10 banks and 1,000 clients	Rating 1 (low) to 7 (strong)	
	LBC	9 Banks
<b>Overall Rating</b>	<b>6.16</b>	<b>5.95</b>
<b>Perceptions that distinguished LBC most</b>		
★ Will probably make business with this financial advisor in the future		
★ I would refer clients to my financial advisor if he asks		
★ I have already given positive feedback to my bank about my financial advisor		
★ I was well received by my financial advisor		
★ My financial advisor has succeeded in helping me meet my financial objectives		
★ My financial advisor has an excellent sense of humour		
★ For me, service is more important than a good rate		
★ I was impressed following my meeting with my financial advisor		

- In 2004, an independent survey produced among 10 banks covering more than 1,000 clients in Quebec revealed that LBC ranked *first* in relationship banking
- Not only is service considered more important than rates but LBC was the only bank that distinguished itself on this criteria



# Retail Financial Services – 2005 Strategic Plan

## RFS 2004-2006 Strategic Plan

New Laurentian Bank Signature

Optimization of Branch Network

Deployment of the Entrepreneurship Project

“Retailer Approach” to Client Servicing

Enhancement of the Multi-Channel Strategy



- Our plan for 2005 will remain essentially the same
- We expect significant organic growth in 2005 from branch openings, direct marketing initiatives and our recent advertising campaigns
- We will continue to build around our client model by growing our distribution network through builders, mortgage brokers, merchants and road reps
- The “Espresso project” is proof that we must become more of a community-type bank



# Commercial Services – Update on 2004 Plan

## *What we said we would do in Q4 03 and where we stand*

### *Improving Credit Quality*

▣ Reducing corporate lending exposure

***On Track***

From \$ 433 M to \$318 M

▣ Reducing loan losses

***On Track***

From 1.28% to 0.92%

### *Growing the Commercial Portfolio*

▣ Increasing the mid-market portfolio

***On Track***

From \$ 954 M to \$971 M

▣ Increasing the real estate portfolio

***In progress***

From \$ 933 M to \$860 M

▣ Increasing significantly the agricultural portfolio

***In progress***

From \$ 137 M to \$136 M

**We have improved the risk profile of our portfolio but growth in some of our core activities is slower than anticipated in part due to slower demand for commercial credit**





# Commercial Services – 2005 Strategic Plan

Canadian Market Share 2003					
	LBC	NBC	Desjardins	Big 5	Others
Real Estate <sup>1</sup>	3.3%	4.4%	n/a	76.7%	15.6%
Mid-Market Quebec <sup>2</sup>	2.6%	28.0%	23.6%	42.9%	2.9%
Mid-Market Ontario	3.2%	2.7%	0.0%	87.4%	6.7%
Agriculture	1.5%	25.0%	37.4%	15.3%	20.8%

(1) Includes only non-residential mortgages (2) Includes small business

Geographical Distribution			
	Quebec	Ontario	Western Cda
Real Estate	37%	55%	8%
Mid-Market	54%	46%	0%
Corporate	64%	36%	0%
Agriculture	100%	0%	0%

Relative Contribution			
	% of Net Income	Efficiency Ratio	Avg O/S (\$M)
Real Estate	48%	19.6%	860
Mid-Market Quebec <sup>1</sup>	19%	30.1%	533
Mid-Market Ontario	9%	2.4%	437
Corporate	21%	13.0%	318
Agriculture	3%	39.1%	136

(1) Excludes small business lending

- Real Estate has been a main driver of the CFS profitability. We intend to grow this business in Canada by increasing term lending activities, and thus, be less dependent on construction lending
- Commercial Mid-Market in Ontario & Quebec have been identified as a core activity for CFS and we intend to grow this business
- We intend to grow agricultural lending aggressively in Quebec



# B2B Trust – Update on 2004 Plan

*What we said we would do in Q4 03 and where we stand*



## *Grow Less Dependent on our Mutual Fund Lending*

- ▣ Growing investment & consumer loans business through partnerships

***In progress***

From \$ 1,210 M to \$1,258 M

- ▣ Enlargement of investment loan offering in terms of product design, delivery channels and markets reached

***Done***

Launch of the 100% Accelerator and new delivery channel through brokers

- Our mutual fund investment loan portfolio has grown for two quarters in a row and we are pleased with the results generated by our 100% Accelerator Loan program
- We have also signed an agreement with an investment brokerage firm which will complement our existing delivery channels



# B2B Trust – 2005 Strategic Plan

## Investment Lending

Large contribution to net income

- ❑ Growth is linked to the health of the mutual funds sales. The excellent margin and low credit losses have recently brought new participants
- ➔ We must therefore broaden our market reach with IDA dealerships

## Self-Directed Products

Medium contribution to net income

- ❑ MFDA has encouraged dealerships to manage their self-directed plans in-house, thus reducing potential business growth for B2B

## Deposit Products

Medium contribution to net income

- ❑ B2B with the Bank are the biggest participants in this market with a combined market share of 17% with 30% of the business coming from full-service brokers
- ➔ More marketing effort will be targeted to full service brokers

## Banking Products

Low contribution to net income

- ❑ We must compete against the larger banks and newcomers such as ING
- ➔ Identify profitable opportunities





# Wealth Mgt & Brokerage – Update on 2004 Plan

## *What we said we would do in Q4 03 and where we stand*

### *Organic Growth in BLC-Edmond de Rothschild*

- ▣ Organic growth in mutual funds, institutional and private portfolio management

***Outperformed Plan***

From \$ 1,596 M to \$1,735 M

### *Growing Brokerage Activities*

- ▣ Growing institutional activities
- ▣ Launching a transactional internet platform

Provincial market share stable at 6.5%. Have increased our participations in corporate syndicates from 6 in 2003 to 9 to date

***On Track***

Launch in Fall 2004

- Our asset management division has continued to show improving profitability
- Our brokerage operations continue on its growth for both top and bottom line



# Treasury, Wealth Management & Brokerage – 2005 Strategic Plan



Treasury & Financial Mkts Non Interest Income

	Interest Income (M)	Annual Growth	As a % of Other Income
Q3 04	29.8	-22%	19%
03	50.9	-18%	18%
02	61.9	27%	24%
01	48.7	20%	18%
00	40.5	-7%	19%
99	43.7		21%

## Primary & Secondary Liquidity Portfolios

Canada	49%
Provinces	18%
Banks	15%
Corporates	7%
MBC, CMBS	4%
Other	7%

## Retail Brokerage

	Assets under Mgmt (\$M)		# Financial Advisors
	Full Service	Discount	
Q3 04	1,272	69	42
Q2 04	1,265	84	39
Q1 04	1,314	91	38
2003	1,306	80	37
2002	1,289	43	53

- **Improvement in net interest margin due to tighter management of asset and liability gap**
- **Margin should benefit slightly from a rising rate environment**
- **Increased contribution from investment portfolios through greater diversification of products**
- **Growth in retail brokerage through increased internal referrals and new internet platform**





# We have built the foundation, now we must...

**“Strong revenue growth will take time, but in the meantime, we remain extremely focussed and are committed to creating value for our shareholders”**

Raymond McManus



- ❑ **Maintain a highly focused strategy**
- ❑ **Continue to execute on our 3-year plan to generate meaningful revenue growth**
- ❑ **Develop a more sales-driven culture**
- ❑ **Maintain strong employee commitment**
- ❑ **Remain highly credible by being transparent**



# 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 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:  
Alicia Zemanek, Vice President, Investor Relations and  
Integrated Risk Management**

