

# Laurentian Bank

Second Quarter 2006

**RAYMOND MCMANUS**  
President & CEO

**Institutional Investor & Analyst Meetings**  
**June 2006**



# 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 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. 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, except if required by applicable securities legislations.

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Symbol: LB, TSX



# Highlights

- ❑ **Significant improvements in net earnings for the second quarter of 2006 compared to last year**
- ❑ **Continuous growth on loan volumes and total revenues over the same period last year**
- ❑ **Strong RRSP campaign season and mutual funds higher than last year**

# Laurentian Bank's Vision

**After building solid foundations, we are developing the Bank through many actions and initiatives in order to become the undisputed #3 banking institution in Quebec and continue to be a performing player in specific market segments elsewhere in Canada**

Symbol: LB, TSX



# A Focussed Strategy Based on 4 Pillars

- Development of our network and partners
- Development of our people  
(entrepreneurship model, training, more sales-oriented culture)
- Emphasis on internal growth via improved efficiency and profitable development
- Increase synergies between our 4 business lines



# Financial Performance

Symbol: LB, TSX



# Up to date 2006 Performance and 2006 Objectives

Performance Measure	3 Months Period Ended April 30, 2006 Actual	6 Months Period Ended April 30, 2006 Actual	2006 Objectives
<b>Return on Equity</b>	12.5%	10.1%	7% to 8%
<b>Diluted Net Income per Share</b>	\$0.91	\$1.51	\$2.05 to \$2.35
<b>Total Revenue</b>	\$128.5M	\$260.0M	\$522M to \$532M
<b>Efficiency Ratio</b>	75.9%	76.2%	75% to 73.5%
<b>Capital Ratios</b>			
- Tier 1	10.3%	10.3%	Min of 9.5%
- Total	13.9%	13.9%	Min of 12.0%
<b>Credit Quality (PCL Ratio)<sup>1</sup></b>	0.25%	0.24%	0.25% to 0.22%

(1) PCL ratio is calculated over Average Assets

Symbol: LB, TSX



# Improved Operating Performance

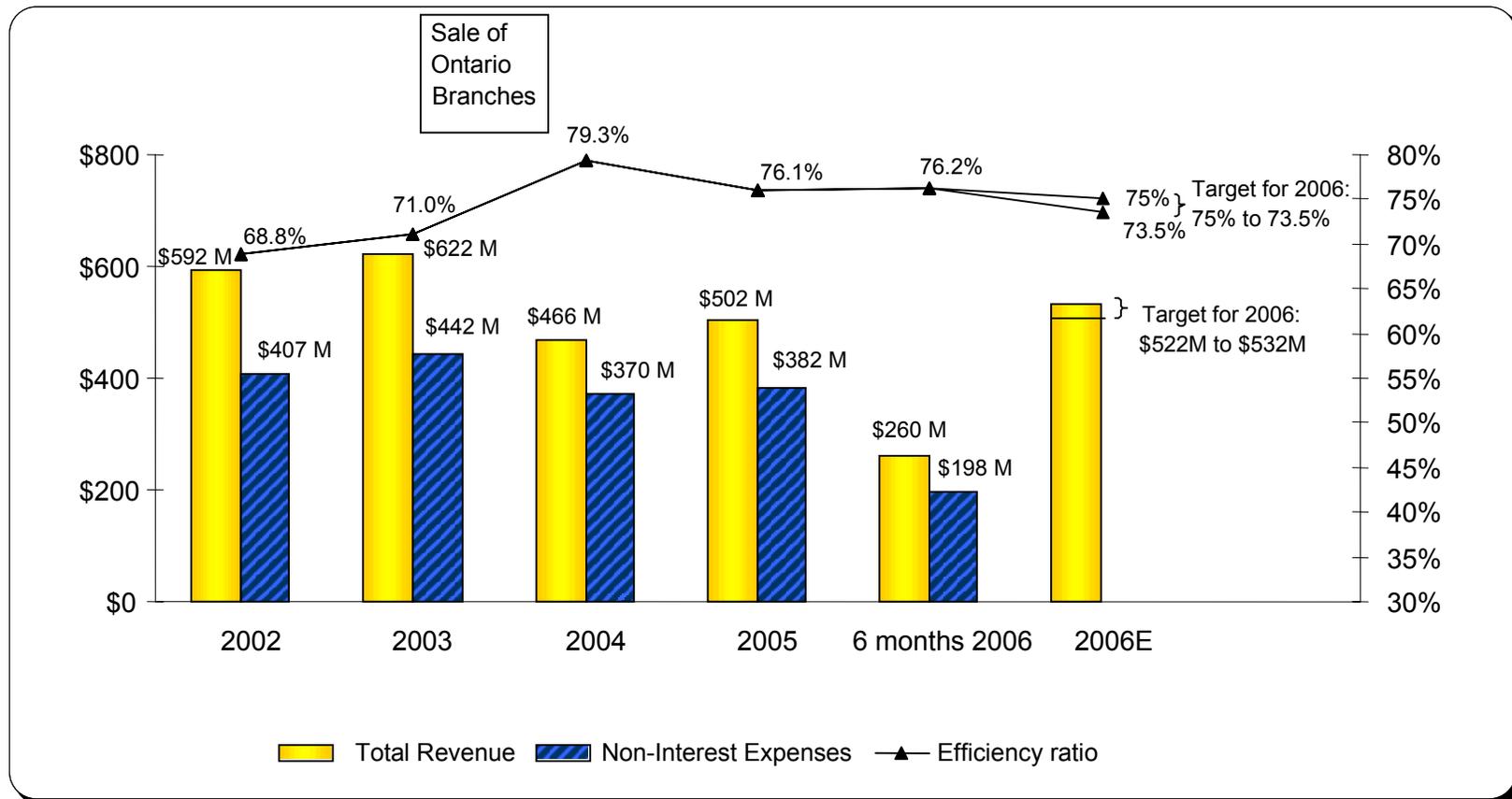
## Q2 06 versus Q2 05

⇒ Total Gross Loan Growth	2%
⇒ Personal Loan Growth	9%
⇒ Personal Deposit Growth	2%
⇒ Total Revenue Growth	9%
⇒ Non-Interest Expenses Growth	5%
⇒ Efficiency Ratio Improvement	-270 b.p. (favorable)

Symbol: LB, TSX



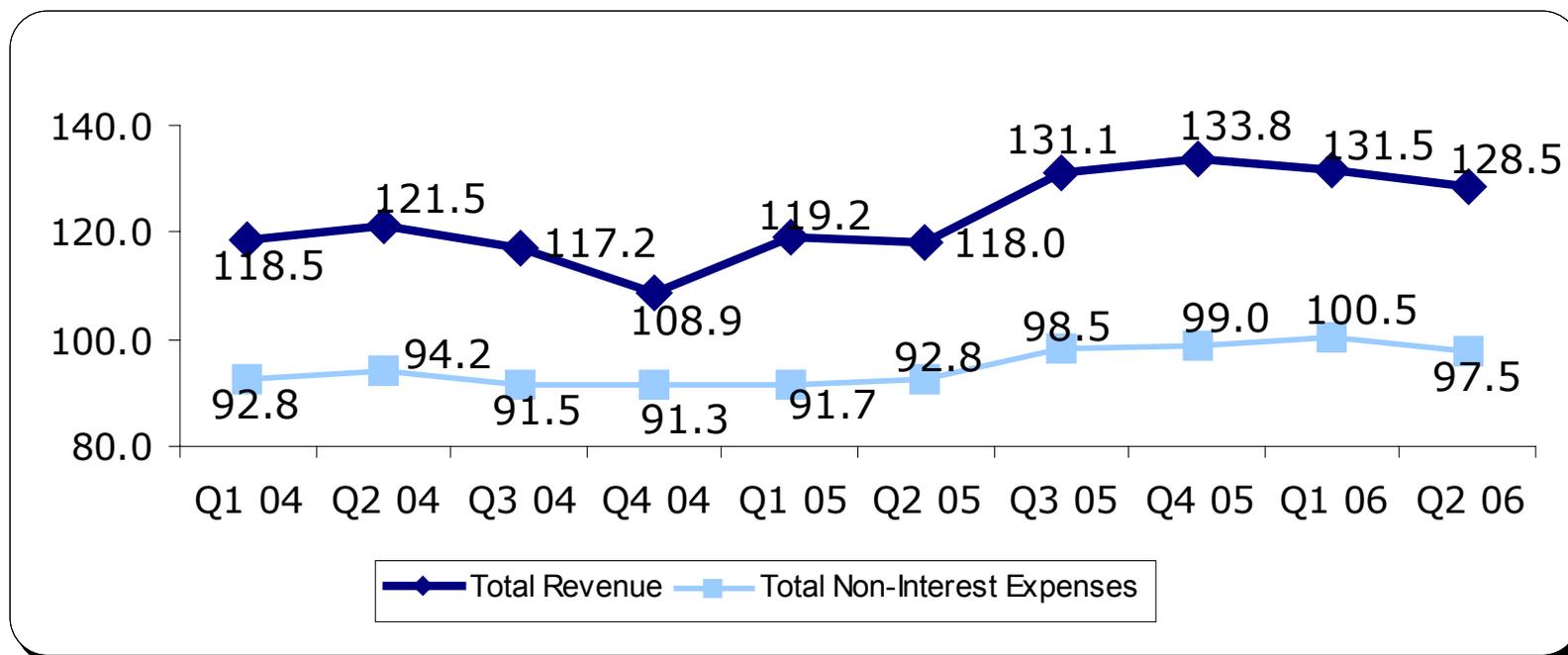
# Efficiency Ratio Evolution



Symbol: LB, TSX



# Revenue versus Non-Interest Expenses

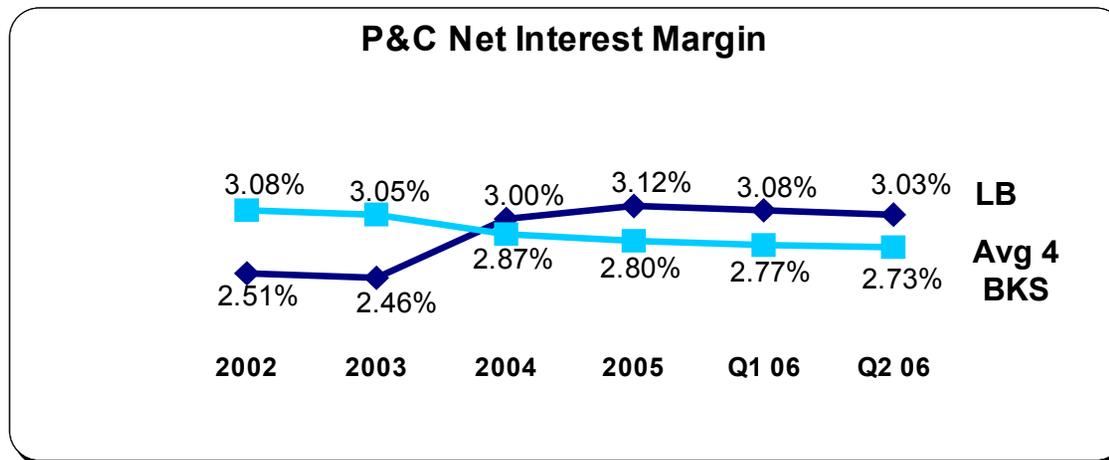
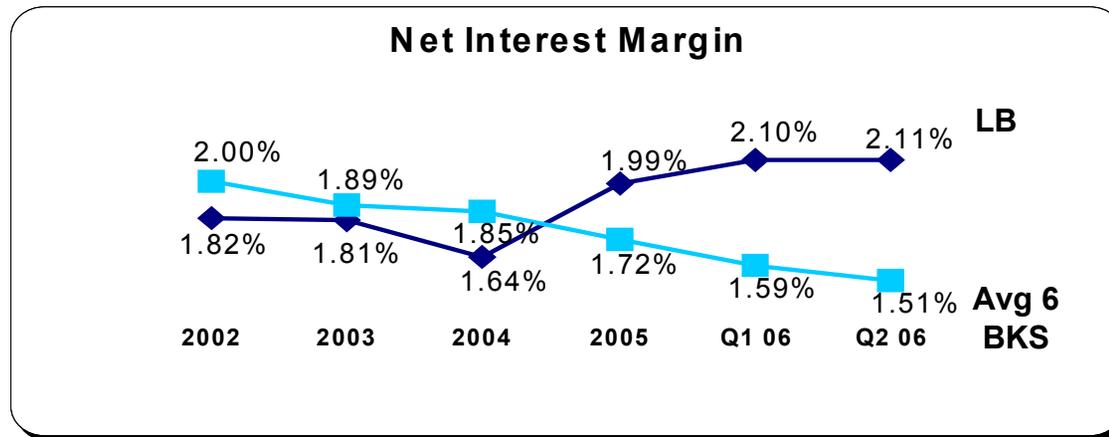


Period	Revenue Growth	Non-Interest Expenses Growth
Q2 06 vs Q2 05:	8.9%	5.1%
Q1 06 vs Q1 05:	10.4%	9.6%
Q4 05 vs Q4 04:	22.8%	8.5%
Q3 05 vs Q3 04:	11.9%	7.6%

Symbol: LB, TSX



# Laurentian Bank's NIM Major Improvement



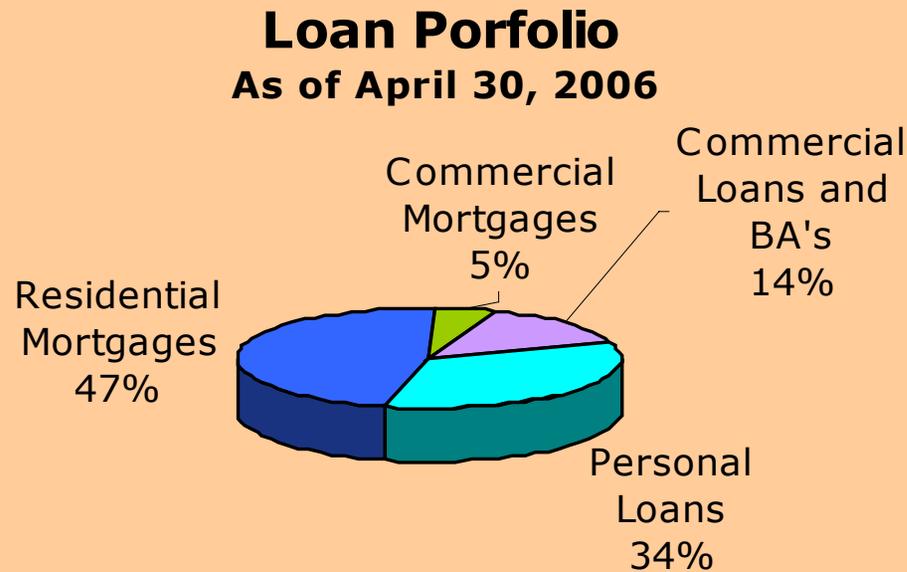
For P&C NIM:  
 Includes Retail & Commercial Services but not B2B Trust and is calculated on average assets  
 Excluding Scotia (reported numbers only based on average earnings assets)  
 Excluding TD (only P&C average loans available)



Symbol: LB, TSX

# Diversification of Loan Portfolio

## Loan Portfolio Mix



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

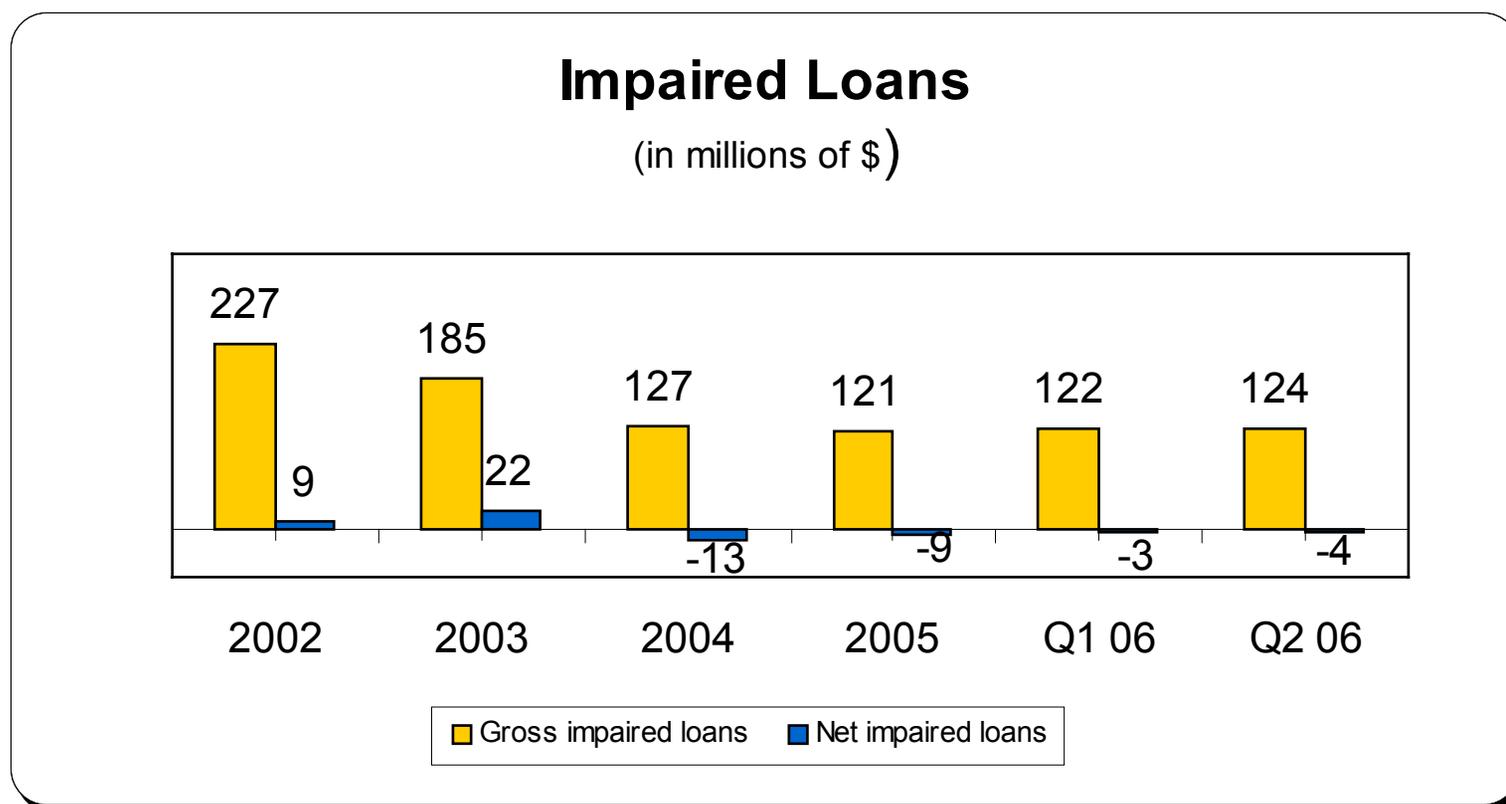
Our loan portfolio is diversified geographically and by loan types.

Symbol: LB, TSX



# Credit Quality

## Evolution of gross and net impaired loans



Symbol: LB, TSX



# Provision for Credit Losses

in millions of \$	2002	2003	2004	2005	6 months 2006
Personal loans	23.2	26.3	25.6	25.1	12.7
Residential mortgage loans	2.9	1.2	1.7	0.6	0.2
Commercial mortgage loans	2.6	1.6	3.1	1.6	0.4
Commercial and other loans	82.3	28.9	21.6	12.7	6.7
<b>Total - Provision for credit losses</b>	<b>111.0</b>	<b>58.0</b>	<b>52.0</b>	<b>40.0</b>	<b>20.0</b>
Reversal of general allowances	0.0	4.0	12.0	-	-
<b>Net losses</b>	<b>111.0</b>	<b>54.0</b>	<b>40.0</b>	<b>40.0</b>	<b>20.0</b>

Symbol: LB, TSX

# Deposits

Composition of deposits	April 30, 2006		October 31, 2005
	LBC	Average Big 6	LBC
Personal	83.1%	41.4%	77.2%
Business and other	16.9%	58.6%	22.8%
Total of deposits	100.0%	100.0%	100.0%

Symbol: LB, TSX



# Strong Capital Ratios

As of April 30, 2006	Tier 1 Capital Ratio	
	in %	Rank
TD	12.1%	1 <sup>st</sup>
<b>LBC</b>	<b>10.3%</b>	<b>2<sup>nd</sup></b>
Scotia	10.2%	3 <sup>rd</sup>
BMO	10.2%	3 <sup>rd</sup>
RBC	9.5%	4 <sup>th</sup>
CIBC	9.2%	5 <sup>th</sup>
NBC	9.1%	6 <sup>th</sup>
<b>Aver. Big 6</b>	<b>10.1%</b>	

As of April 30, 2006	Tangible Common Equity as a % of RWA	
	in %	Rank
TD	9.0%	1 <sup>st</sup>
Scotia	8.6%	2 <sup>nd</sup>
BMO	8.0%	3 <sup>rd</sup>
<b>LBC</b>	<b>7.6%</b>	<b>4<sup>th</sup></b>
RBC	7.1%	5 <sup>th</sup>
NBC	7.0%	6 <sup>th</sup>
CIBC	6.7%	7 <sup>th</sup>
<b>Aver. Big 6</b>	<b>7.7%</b>	

As of April 30, 2006	Total Capital Ratio	
	in %	Rank
TD	14.1%	1 <sup>st</sup>
<b>LBC</b>	<b>13.9%</b>	<b>2<sup>nd</sup></b>
CIBC	13.7%	3 <sup>rd</sup>
RBC	12.5%	4 <sup>th</sup>
NBC	12.2%	5 <sup>th</sup>
Scotia	11.9%	6 <sup>th</sup>
BMO	11.7%	7 <sup>th</sup>
<b>Aver. Big 6</b>	<b>12.9%</b>	

In April 2006, we announced the repurchase of our debentures Series 9, effective June 1<sup>st</sup>.



# Assets Under Administration

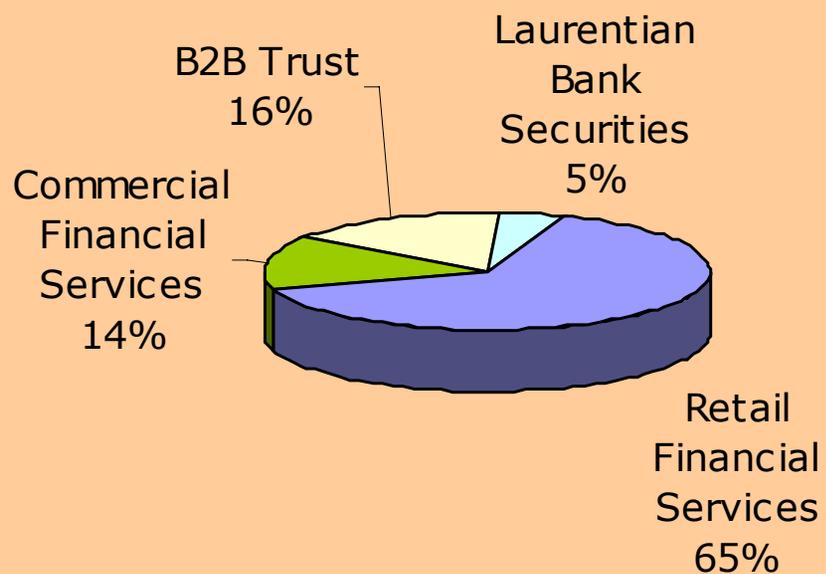
( in billions of \$)	Q2 05	Q2 06
Self-directed RRSPs and RRIFs	7.9	8.3
Institutional	1.9	1.8
Client's brokerage assets	1.7	1.9
Mutual Funds	1.2	1.4
Mortgage loans under management	0.8	1.3
Other - Personal	0.3	0.3
<b>Total</b>	<b>13.7</b>	<b>15.0</b>

Symbol: LB, TSX

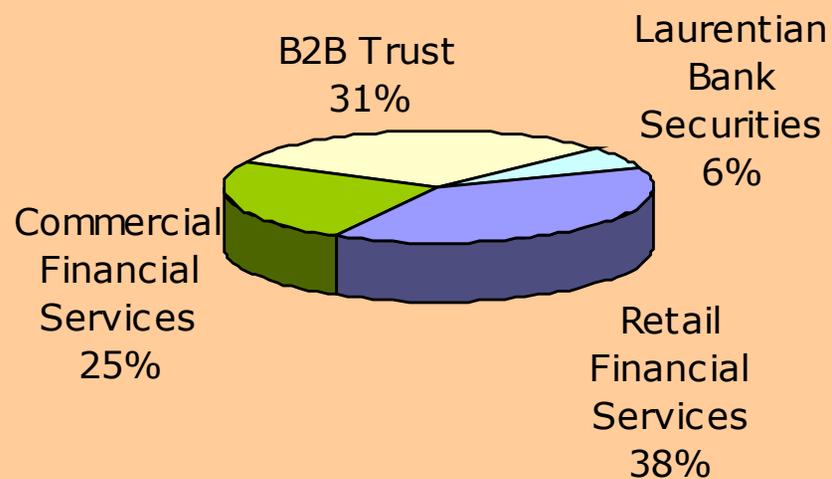


# Revenue and Net Income Mix

## Total Revenue by Business Line



## Net income contribution by Business Line



Symbol: LB, TSX



# Retail Financial Services

Symbol: LB, TSX



# Retail Financial Services

## Financial highlights

### Q2 2006 versus Q2 2005

- Retail average assets grew by 7%
- Total revenue rose by 4 % to amount to \$85.6 million due to stronger:
  - Net interest income: higher interest margins and growing loan and deposit portfolios
  - Other income: higher commissions on mutual funds distribution, credit card revenue and credit insurance revenue
- Net income rose by 19% reaching \$7.1 million
- PCLs were reduced by 23%
- RRSP campaign broke a record with 8% growth
- Revenue increase was partly offset by:
  - Higher non-interest expenses related to higher employee future benefit costs and salary charge coming from the expansion in the operations

# Retail Financial Services' Strategy

- **Acquire new customers**
  - **Optimization of the Branch and ABMs Network**
    - 8 new branches with the Financial Services Boutiques concept since November 2004
    - 15 major branch renovations and 2 branch relocations (since September 2004)
    - 28 new ABMs (since November 2004)
  - **Improve product and service offering**
    - Laurentian's Bank *Complicité* Program offered to FTQ members
    - New mortgages and investments products

# Retail Financial Services' Strategy

## □ Capitalize on our human resources

### □ Entrepreneurship Model

- Empowerment - Accountability- Rewards
- 26 Local Area Markets with a manager in each branch
- Continued Measure (Profitability, sales, quality of service, compliance...)

### □ Training

- Management skills
- Sales skills
- Product knowledge

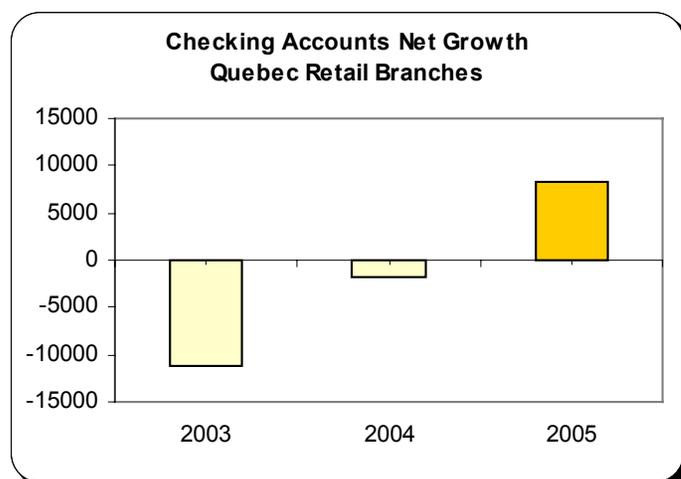
# Retail Financial Services' Strategy

- **Increase the share of wallet of our customers**

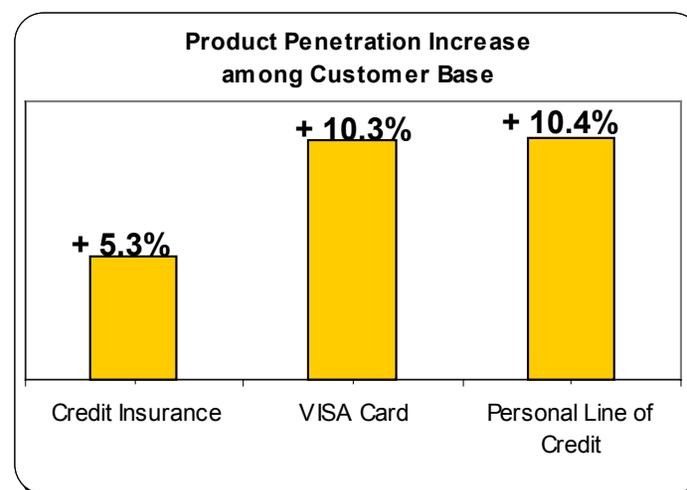
Extensive use of datawarehouse to increase cross-selling

For the past 3 years, we have put in place a robust analytical CRM environment in order to better understand our customers and increase the share of wallet ...

... and making sure that we are the main financial institution for our customers day-to-day banking transactions



## January 2006 versus October 2004



Symbol: LB, TSX

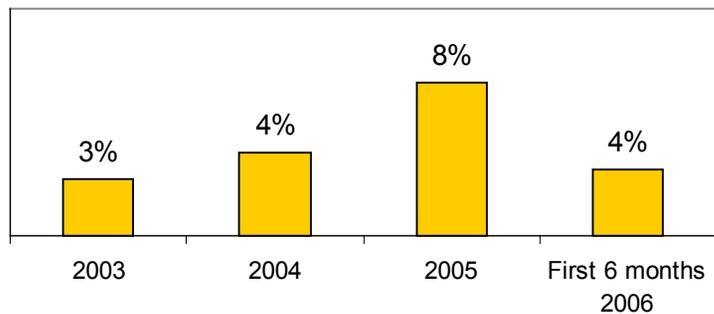


# Retail Financial Services' Strategy

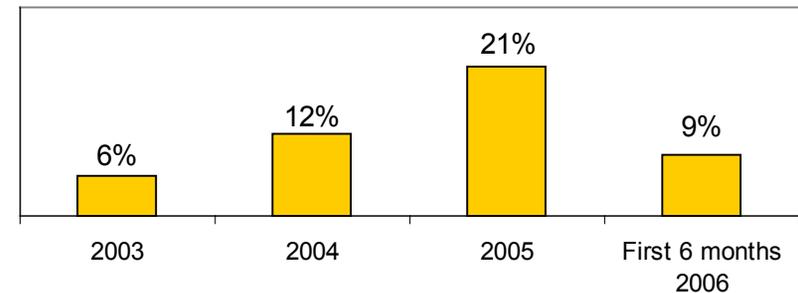
**Build the Laurentian Bank brand by differentiating ourselves**

## Loans and Credit Cards

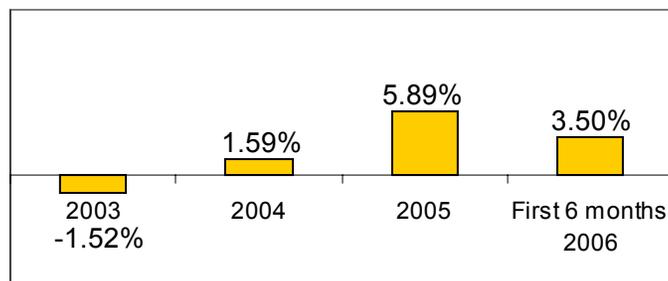
Mortgage Loans Volume Growth



Line of Credit Volume Growth



VISA Card Volume Growth



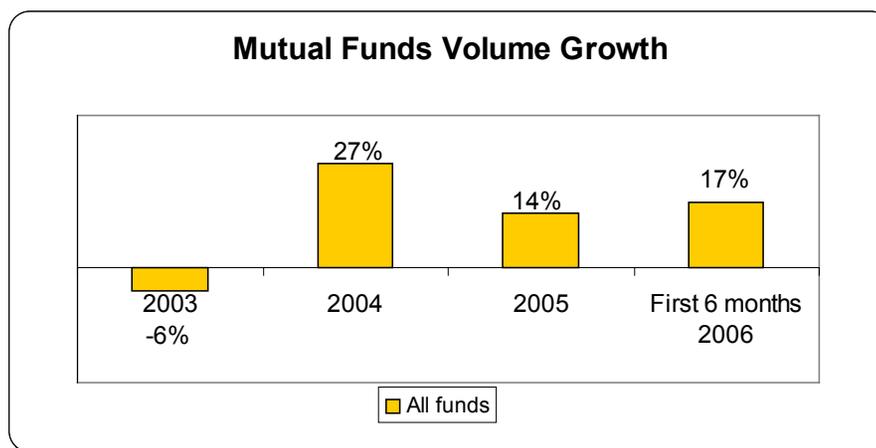
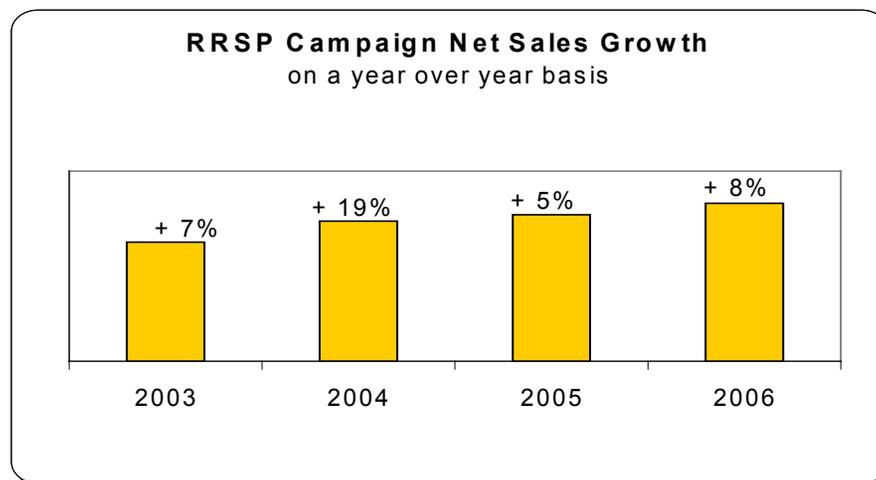
- First 6 months 2006: not annualized for all the charts

Symbol: LB, TSX



# Retail Financial Services' Growth

## Growth in major products



First 6 months 2006: not annualized





# Commercial Financial Services

Symbol: LB, TSX



# Commercial Financial Services

## Financial highlights

### Q2 2006 versus Q2 2005

- Loan portfolio increased by close to \$100 million compared to a year ago
- Excluding the lost stream of \$1.9 million revenue related to the sale of Brome Financial Corporation (sold in Q1 2006), revenues of \$19.2 million were up by \$0.3 million resulting mainly from higher loan volume
- Net income was \$4.6 million versus \$6.9 million in the same period last year
- Non-interest expenses decreased by \$0.8 million resulting mainly from the effect of the sale of Brome
- Loan losses rose by \$3.0 million due to the fact that during Q2 2005 results benefit from significant recoveries and a provision on a specific loan was incurred during Q2 2006

Symbol: LB, TSX

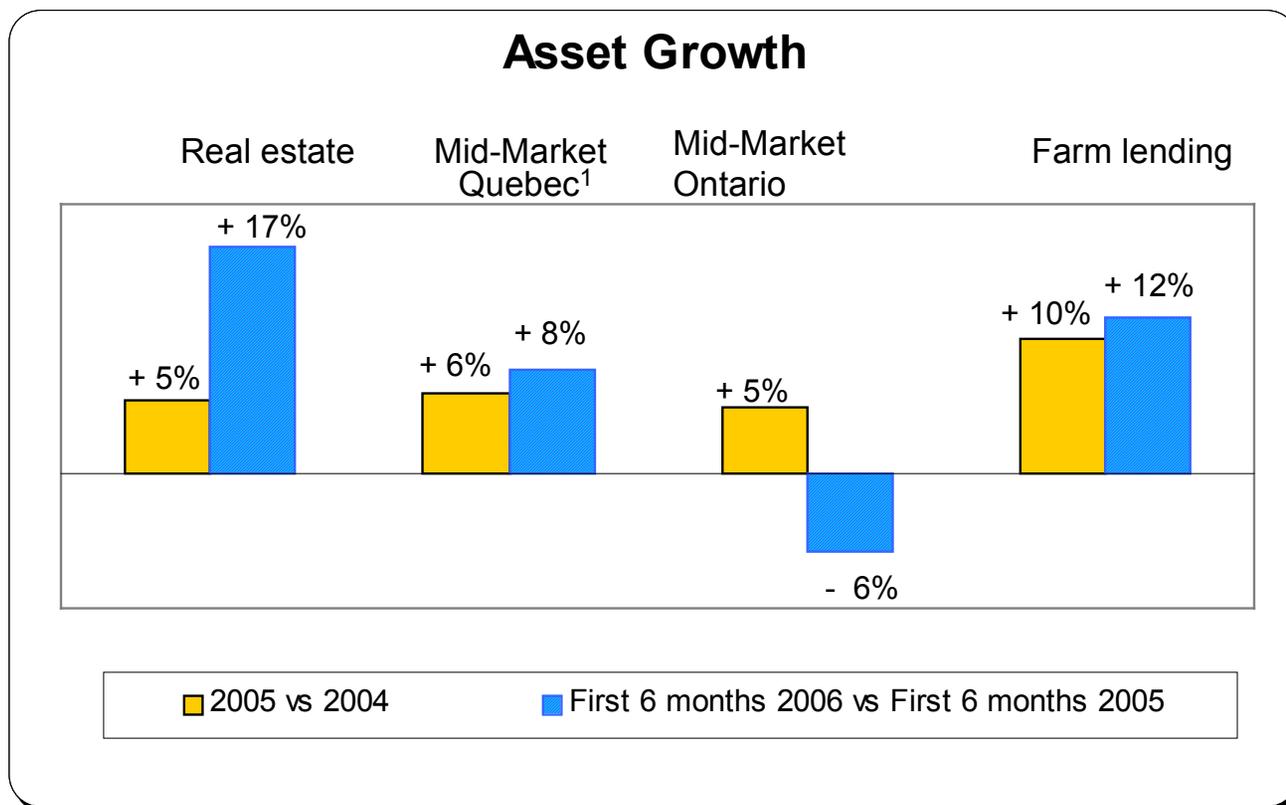
# Commercial Financial Services

## Concentrating on our core activities

- Focus on relationship approach instead of asset based approach
- Restructuring of sales forces in Quebec
- Launching of commercial signature “MaxAffaires”
- Continue to grow the small and medium sized business sector, as well as agriculture by loan development activities
- Improve our product and service offering

# Commercial Financial Services

**We are seeing the results of our efforts**



Growth based on average assets, except for Real Estate which is based on year-end balances

(1) Mid-Market Quebec: excluding micro business and corporate assets

Symbol: LB, TSX

# B2B Trust

Symbol: LB, TSX



# B2B Trust' Strategy

## Financial highlights

### Q2 2006 versus Q2 2005

- Total revenue went up by 13% coming from higher loan volume and net interest margins
- Net income strongly rose by 43% coming from higher total revenue and lower provisions for credit losses

### Q2 2006 versus Q1 2006

- Loan volumes increase: investment loans (+\$136 million), mortgage loans (+\$9 million) and deposit volumes (\$152 million)

# B2B Trust

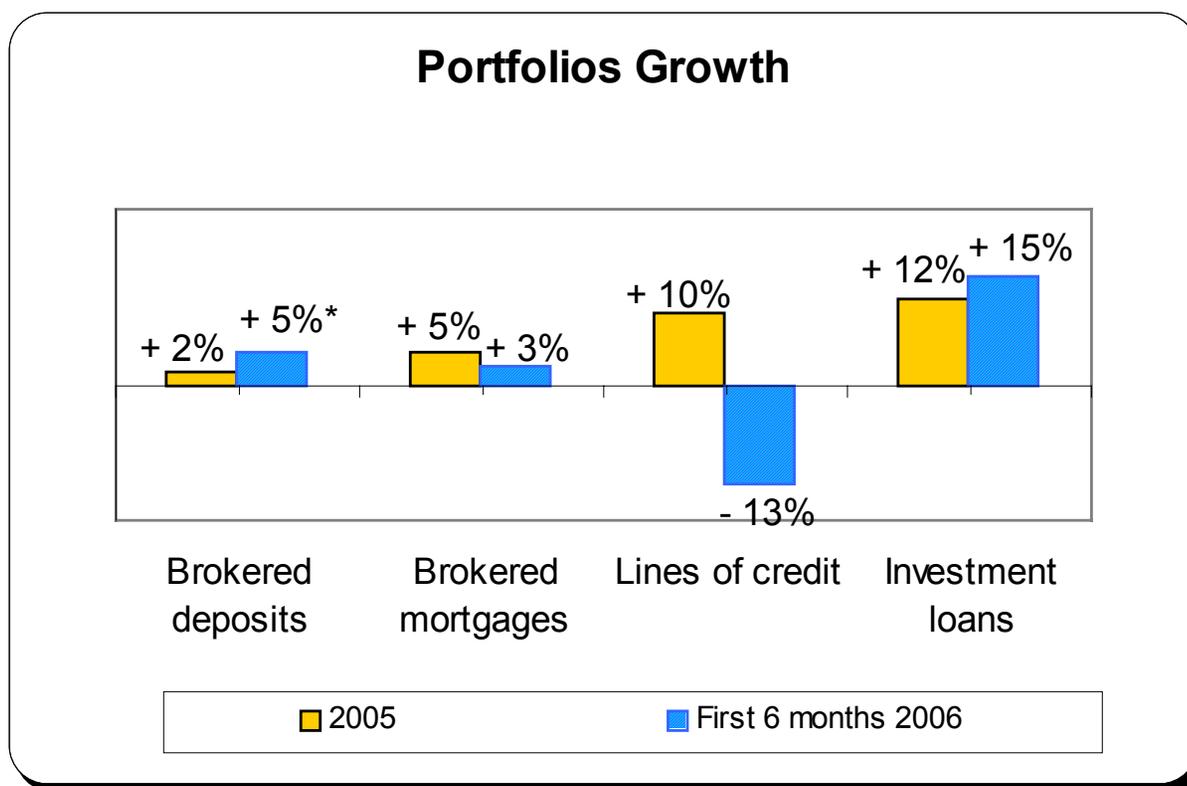
- Focus on primary markets
  - 5 core distribution channels: mutual fund industry, insurance industry, investment industry, mortgage brokerage and deposit brokerage
- Build a solid organizational foundation
- Sell by cultivating organic growth within highest profit categories
- Evaluate new market opportunities

B2B Trust deals with more than 14,000 financial professionals and has more than 40 distribution alliances for investment loans, RSP loans and banking products

Symbol: LB, TSX

# B2B Trust's Strategy

## Main portfolios are growing



\* Since November 1, 2005 results from all deposit brokerage operations are now included with the B2B Trust business segment

Symbol: LB, TSX

# Laurentian Bank Securities

Symbol: LB, TSX



# Laurentian Bank Securities

## Financial highlights

### Q2 2006 versus Q2 2005

- 17% rise in total revenue amounting to \$6.2 million coming from both institutional and retail division over Q2 2005
- Non-interest expenses grew by 10% to reach \$4.6 million reflecting hiring of employees and other business development initiatives
- 47% growth in net income that amounted to \$1.1 million

# Laurentian Bank Securities

- Pursue consolidation of network and team
  - After opening 4 new offices and hired approximately 30 investment advisors and staff since October 31<sup>st</sup>, 2004
- Pursue the development of institutional brokerage activities - fixed income
- Develop synergies between business segments
- Develop retail brokerage operations
- Develop institutional services in equity markets and financing of SME

# 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
  - Specific market segments outside Quebec
  - Partnership approach
  - Experienced management team and committed employees
  - Quality and efficiency of our products and services

# Conclusion

- **Employees are committed and have fully bought into the plan**
- **Using our strengths and a very focused strategy, we intend to continue to build on our accomplishment**
- **Laurentian Bank is being managed in a conservative manner with a long term vision**

Symbol: LB, TSX



# Appendices

# Laurentian Bank: an Overview

- ❑ Founded in 1846
- ❑ 3<sup>rd</sup> largest financial institution in Quebec in terms of number of branches
- ❑ 7<sup>th</sup> largest Canadian Schedule 1 chartered bank
- ❑ Balance sheet assets: \$17.3 billion (as of April 30, 2006)
- ❑ Assets under administration: \$15.0 billion (as of April 30, 2006)
- ❑ Number of branches: 157
- ❑ Number of full-time equivalent employees: 3,230

Symbol: LB, TSX

# A Clear Geographical and Business Focus

- **Laurentian Bank's main market is Quebec**

- With 157 retail, 20 commercial and 14 brokerage branches, Quebec is LBC's main market. All our business lines are active in this market.

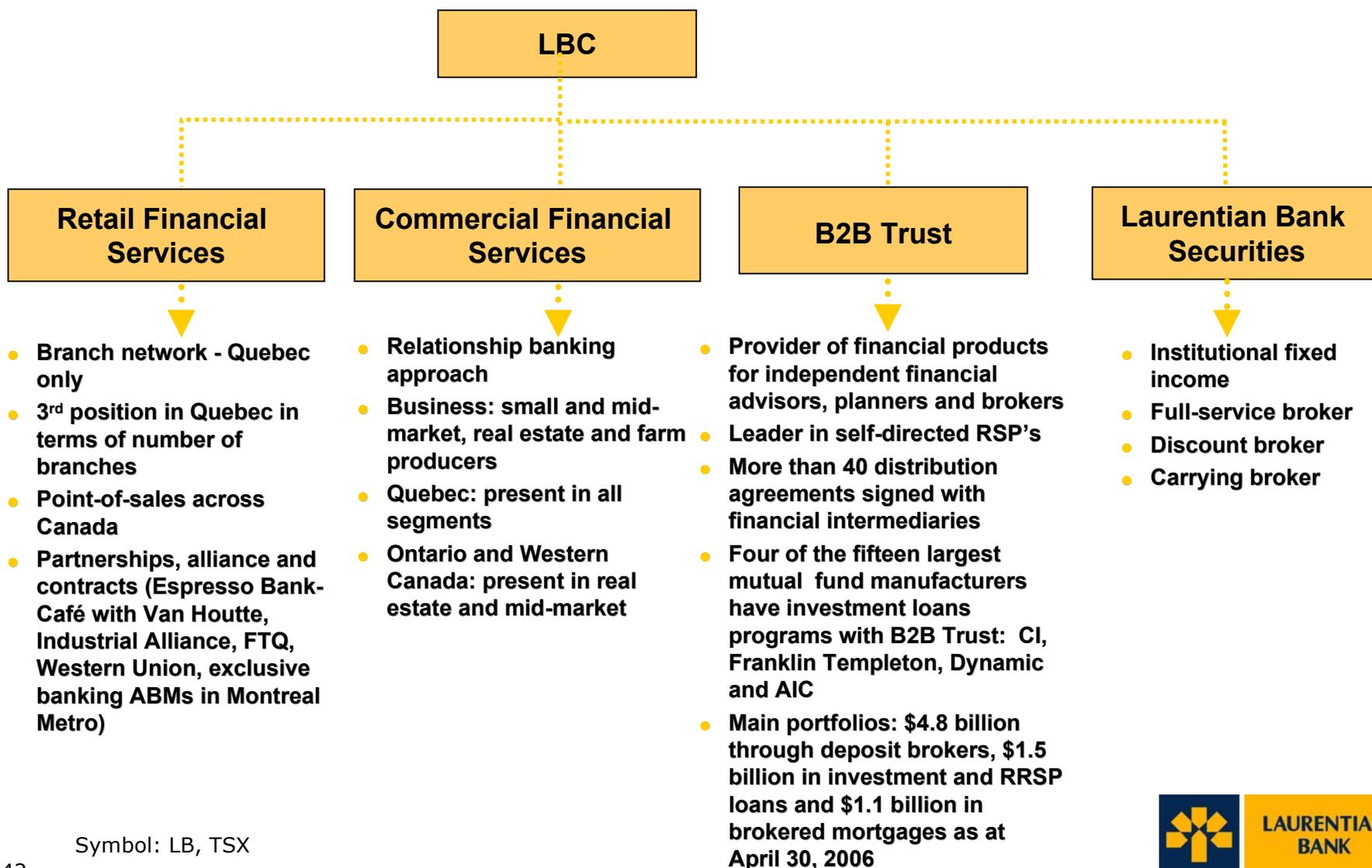
- **A performing player across Canada**

- 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 (as of October 31<sup>st</sup>, 2005)

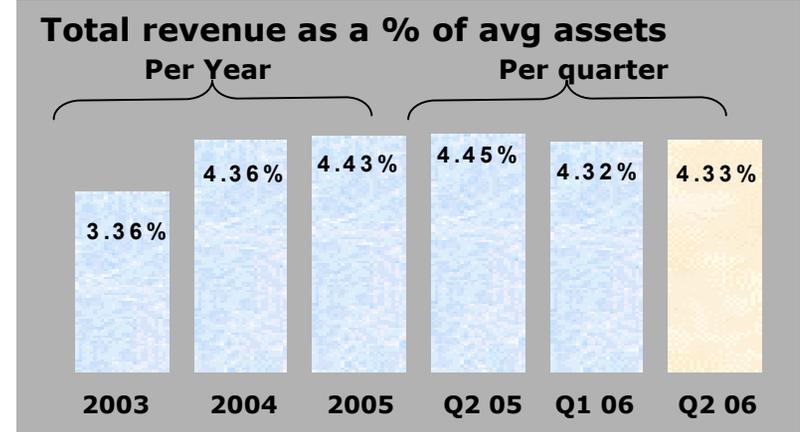
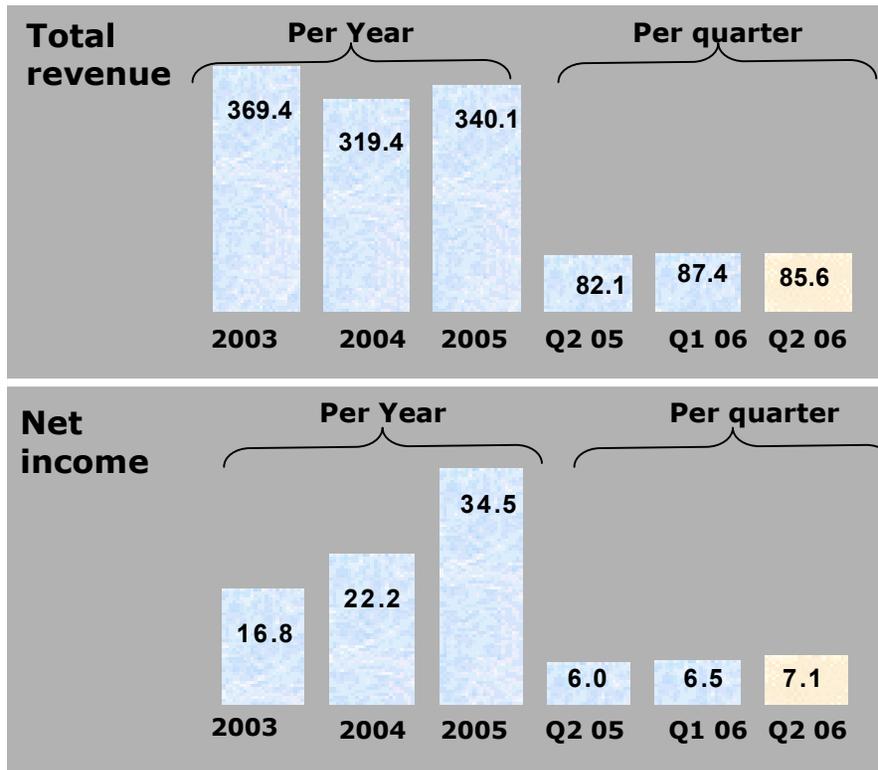


# Four Business Lines



Symbol: LB, TSX

# Retail Financial Services Performance



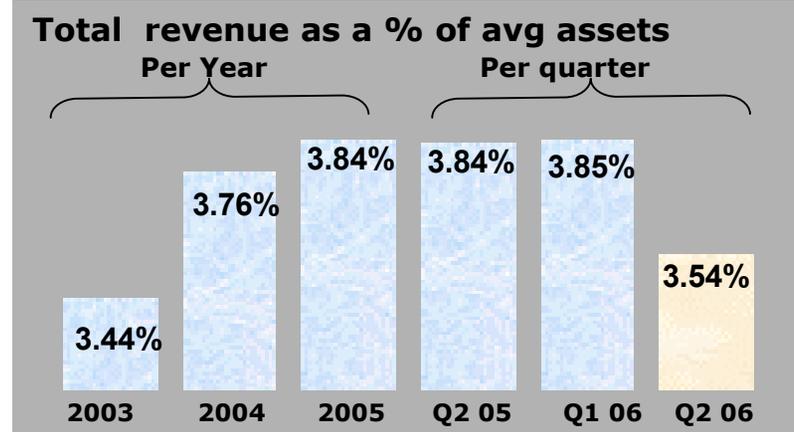
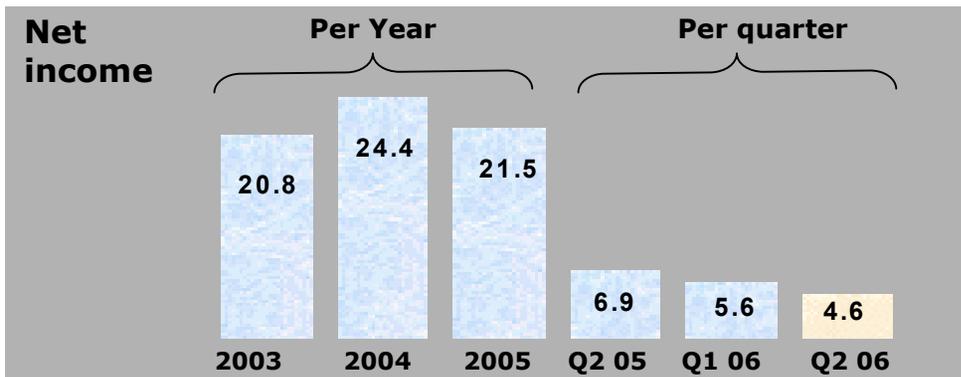
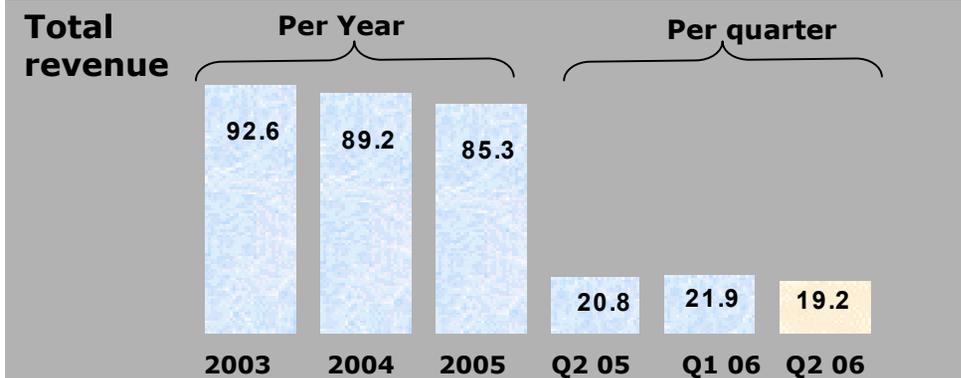
- Over the same period last year, average assets rose by 7% (Q2 2006 vs Q2 2005) partly due to a record RRSP campaign

- In Q2 2006, 4% rise in total revenue over Q2 2005 coming from higher interest margins and growing loan and deposit portfolios. Also, other income increased over the same period last year due to higher commissions on credit insurance and mutual funds distribution as well as credit card revenue
- Net income was impacted by higher non-interest expense coming mainly from future benefit costs and higher salary charge related to the expansion. This was partly offset by lower provisions for credit losses

Symbol: LB, TSX



# Commercial Financial Services Performance



- Average assets remain relatively stable compared to Q2 2005 even with the strategic actions to decrease our corporate lending portfolio

- Total revenue decreased in Q2 2006 versus Q2 2005 resulting from the sale of 51% stake in Brome Financial Corporation in Q1 2006. Excluding the lost stream of revenues of \$1.9 million from Brome, total revenue would have slightly increased
- Higher provisions for credit losses (PCLs) in Q2 2006 versus Q2 2005 can be explained by some elements:
  - 1) significant recoveries on certain loans during Q2 2005
  - 2) provision on a specific loan which was resolved in May 2006 at no additional cost
- Higher PCLs were partly offset by lower non-interest expenses and taxes



# Commercial Financial Services

## Geographical Distribution - Q2 2006

	Quebec	Ontario	Western Cda
Real Estate	33%	54%	13%
Mid-Market	60%	40%	-
Agriculture	100%	-	-

Corporate lending was transferred to treasury in Q1-2005

## Relative Contribution April 30, 2006

	% of Net Income	Efficiency Ratio	Avg Assets (\$M)	PCL (%) <sup>3</sup>
Real Estate <sup>1</sup>	55%	30.8%	959	0.05%
Mid-Market Quebec <sup>2</sup>	15%	46.0%	583	0.62%
Mid-Market Ontario	30%	32.2%	444	0.04%
Agriculture	0%	64.2%	163	0.95%

(1) Real estate assets are based on ending period.

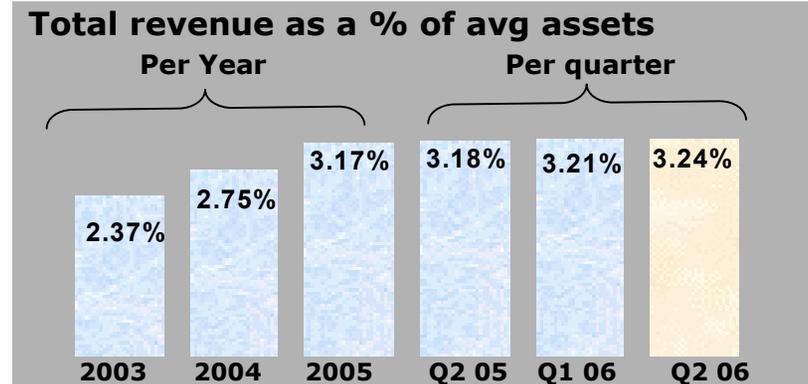
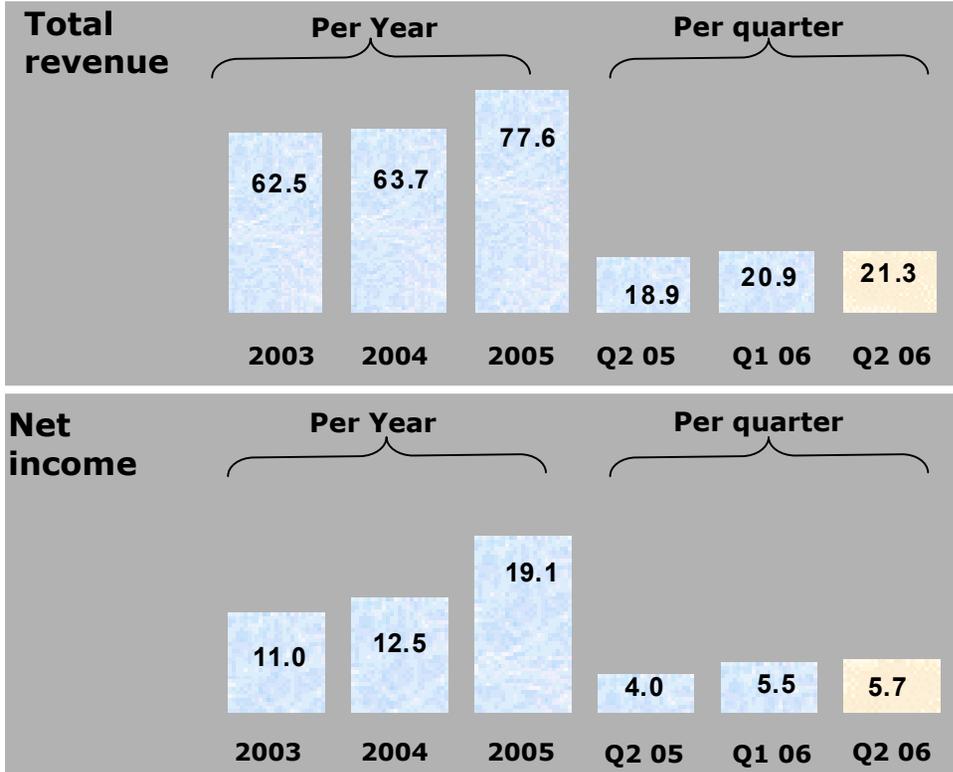
(2) Excludes small business lending and corporate lending

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

- **Real Estate continues to perform very well**
- **Small and mid-markets segment remains stable**



# B2B Trust Performance

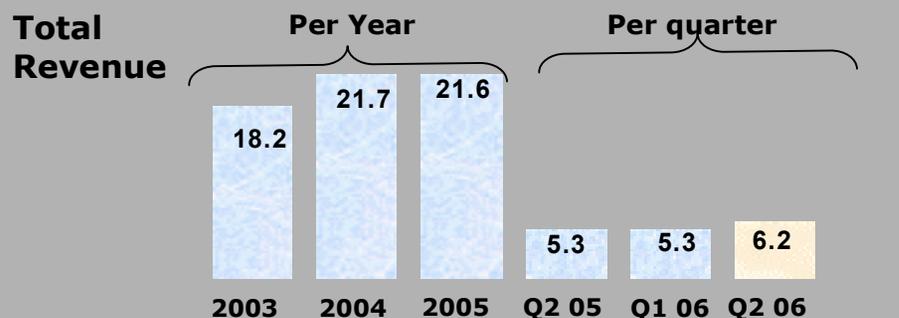


- In Q2 2006, average assets grew by 11% versus Q2 2005 partly due to a very strong RRSP season

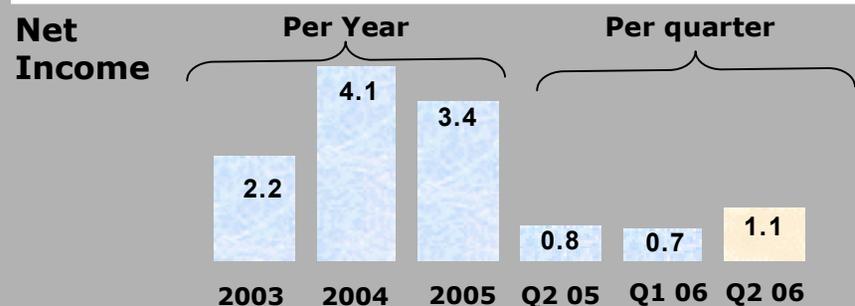
- Total revenue went up by 13% over Q2 2005 coming from higher loan volumes and higher net interest margins
- Net income strongly rose by 43% over the same quarter last year with higher total revenue and lower provisions for credit losses



# Laurentian Bank Securities Performance



Excluding a gain of \$8.5M before taxes on the sale of TSX shares for 2003



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

**Retail Brokerage**

	Assets under Management (\$M)		# Financial Advisors
	Full Service	Discount	
Q2 06	1,625	99	65
Q1 06	1,576	94	61
2005	1,440	78	50
2004	1,297	67	42

- In Q2 2006, total revenue rose by 17% compared to Q2 2005. This is on a comparable basis as BLC-EdR sale was completed in Q1 2005
- Net income increased by 47% over the same period last year due to stronger revenue related to business development initiatives
- In Q2 2006, AUM have increased by 17% for the full service brokerage and 32% for the discount sector over Q2 2005



# Distribution Network across Canada

## RETAIL FINANCIAL SERVICES REGIONS

-  Branch network Quebec
-  Mortgage through brokers Across Canada
-  Mortgage through builders Quebec
-  Point-of-sale financing Across Canada
-  VISA Across Canada
-  Deposit through brokers Across Canada
-  Small business Quebec

## B2B TRUST



**REGIONS**  
Across Canada

## COMMERCIAL FINANCIAL SERVICES REGIONS

-  Commercial services Quebec and Ontario
-  Corporate lending Across Canada
-  Real estate lending Major cities across Canada
-  Farm lending Quebec

## LAURENTIAN BANK SECURITIES

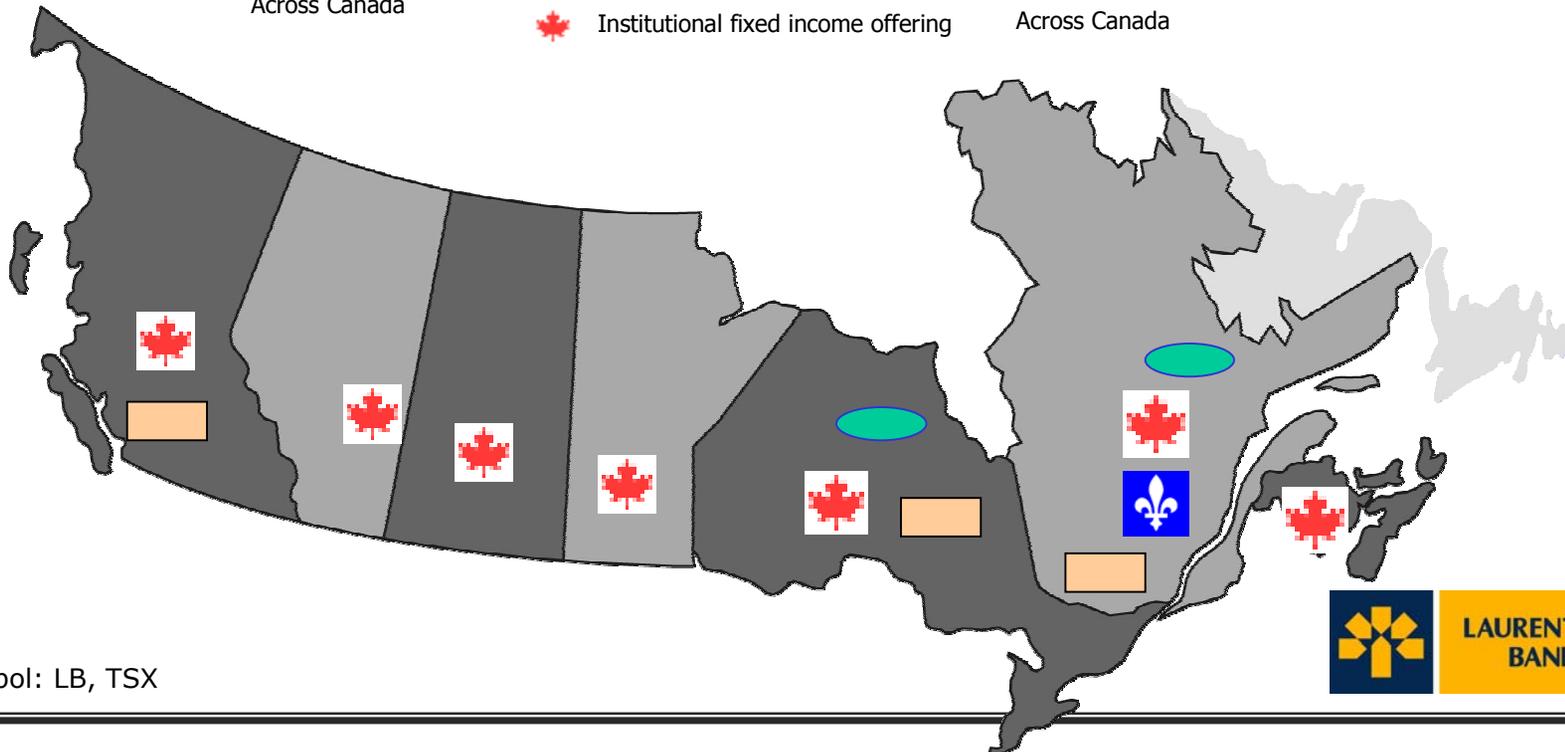
-  Full Service Quebec, Ontario and British Columbia
-  Discount Quebec and Ontario
-  Institutional fixed income offering Across Canada

## Highlights:

▫ **36% of total loans are outside Quebec (as of October 31, 2005)**

**As of April 30, 2006:**

- **3,787 point of sales**
- **157 branches**
- **more than 14,000 independent advisors**



# Historical Dividend per Year

