



**LAURENTIAN BANK
OF CANADA**

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**ADDRESS BY THE PRESIDENT AND CEO OF LAURENTIAN BANK SECURITIES TO THE
CHAMBRE DE COMMERCE ET D'INDUSTRIE DE LA RIVE-SUD: CHALLENGES TO SMEs**

Montreal, March 20, 2006 – Mr. Michel C. Trudeau, President and Chief Executive Officer of Laurentian Bank Securities (LBS), delivered a speech last February at the *Salon PME* (SME Show) organized by the *Chambre de commerce et d'industrie de la Rive-Sud*. Under the theme “Business challenges in the current economic environment”, Mr. Trudeau broached the subject of the four key challenges having an impact on the economy: major economic changes as a result of the growing Asian presence; geographic diversification of portfolio investments; the evolution of consumer needs; and the impact of the population’s aging.

1. Major economic changes as a result of the Asian market invasion

According to Mr. Trudeau, the impact of the growing presence of China and of its neighbours goes beyond the manufacturing sector. It also affects financial markets, where such presence has a stabilizing effect. Thus, investing China’s savings and reserves in the US fixed income market has a direct impact on the interest rate structure. As the surplus of the Chinese economy has been redistributed towards North America, it resulted in a substantial decrease in long-term interest rates.

Moreover, China’s status as the world leader in the manufacturing industry places a downward pressure on prices. “It helps to keep inflation – and interest rates – at a very low level. These two factors have contributed to promoting consumption, which reached a record high in the last few years,” stated Mr. Trudeau.

He also pointed out that the world economy destabilized by the first wave and rise of China in the manufacturing industry should prepare for a second wave characterized by the growing attention of the Asian economies towards activities with high value-added, such as research and development and marketing.

2. Wider access to investment abroad – geographical diversification

Further, Mr. Trudeau showed that the economic activity of the Asian industrial powers also offered new international investment opportunities. Prompted by the abolition of the foreign content limit for registered savings plans, diversification is not just a way to mitigate geographic risks, it is also a means to hedge the risks of economic sectors.

3. Evolution of consumer needs

According to Mr. Trudeau, today's consumers are better informed with regard to products and services, and banking institutions must adapt accordingly in order to be efficient and effective in meeting consumers' growing expectations, in particular regarding the income tax consequences of investments. The most advanced ways to achieve it call for appropriate technological solutions to raise the quality and efficiency of customer service, more specifically process automation, a costly but essential solution, according to Mr. Trudeau.

Services like M³ launched by LBS last fall allow to suggest the best portfolio manager according to the client's profile to ensure efficient and effective portfolio management. Another product is the fixed income transactional platform that offers consumers the possibility to buy and sell fixed income securities as easily as trade stocks.

4. Population aging

Lastly, Mr. Trudeau talked about the growing implications of demographic changes for the economy. Today, people aged 65 and over comprise 19% of Canada's population. In 20 years, the percentage of the elderly will increase to 40%, and even up to 45% in Quebec, the region most affected by this demographic change in Canada. "The needs will change, and the society – just like the business world – must adapt," said Mr. Trudeau. "It will affect our operations and our human resources management alike."

Mr. Trudeau also expressed concerns caused by the retirement of skilled resources and the eventual weakening of the governments' tax revenues. However, recently we see a strong trend to rethink the concept of retirement. Thus dynamic and driven professionals return to work on a part-time basis or as consultants; and phased or gradual retirement becomes more common. Furthermore, the changing demographics make the tasks of recruiting and of planning the succession of SME managers more difficult.

In conclusion, Mr. Trudeau pointed out that the globalization trend will continue and even grow stronger, and that we must be prepared and well poised for the future.

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