NOTES FOR A SPEECH BY RÉJEAN ROBITAILLE, PRESIDENT AND
CHIEF EXECUTIVE OFFICER,
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This speech 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, unless required by securities regulation.

Only the delivered speech shall be considered as authoritative.
Good afternoon, Ladies and Gentlemen,

Thank you, Kevin, for having invited me to speak at this Financials Summit Conference.

My presentation, today, will first review the strong results that Laurentian Bank recently reported for the third quarter of 2009. Then I will discuss how the development that the Bank has experienced the past few years has literally transformed our organization into a much stronger and more solid institution, one that has been able to successfully navigate through the current economic and financial crisis. This is why I will take some time to explain where we stand right now in the deployment of our strategic plan.

Before I proceed with my presentation, please note the usual caution that my remarks may contain forward-looking statements on which investors and other interested parties should not place undue reliance while analyzing the Bank’s performance.

As shown on slide 3, Laurentian Bank’s third quarter results were strong. Net income reached $28.7 million or $1.08 diluted per common share. Results for the same quarter last year, included the gain on sale of Montréal Exchange shares partly offset by an increase in the general allowances for loan losses. Excluding these special items, diluted earnings per share would have been $0.94 in the third quarter of 2008. Therefore, this quarter’s results would represent an increase of 15% of diluted EPS over the third quarter of 2008.

These results were achieved due to the solid foundation on which we are building our growth as well as our ability to efficiently execute our strategies. There are several
elements that I would like to emphasize. Firstly, the measures that we have been taking since the beginning of the year have yielded positive results with net interest margin recovering sharply. Secondly, we continued to experience loan and deposit growth, reflecting the continued effectiveness of our distribution network and our marketing efforts as well as the ability to develop our presence in our target markets. And thirdly, our profitability remained strong despite the fact that earnings were impacted by higher loan losses and security write-downs.

(Slide 4) All these elements allow me to say that, after nine months, we are well positioned to reach our 2009 performance goals.

In addition to our strong Tier I capital ratio of 10.8%, our tangible common ratio of 8.8% is among the highest in the industry and testifies to the high quality of the Bank’s capital.

That being said, the economic and credit conditions remain challenging. However, our strong capital position, the quality of our assets and our prudent approach have served us well to date and should continue to provide flexibility. This will allow us to take advantage of opportunities to pursue profitable growth, while continuing to invest in our development.

(Slide 5) One of the main drivers of the Bank’s improving results is loan and deposit growth. Total loans and BAs, excluding securitization activity, rose by 11% over the last 12 months. Contributing to this growth were residential mortgages which increased by 14%. Total deposits increased by 19% over the last 12 months, mainly attributable to the launching of B2B Trust’s new High Interest Investment Account, which generated $2.6 billion in volumes in approximately nine months. This being said, we are on track to deliver another year of record loan and deposit growth.
(Slide 6) Benefitting the Bank’s third quarter performance was a sharp recovery in net interest margin. After having been under pressure in the past few quarters, margins improved significantly. Measures that we introduced earlier in the year, such as loan and deposit repricing, contributed to this rebound.

(Slide 7) As for credit quality, we have been proactive and have taken several steps, over the last quarters, to improve our risk profile. For example, we exited corporate loan activities some time ago and have been reviewing our underwriting criteria for the past 24 months in retail credit particularly in point of sales financing. This has resulted in the credit quality of our loan portfolio remaining relatively stable throughout 2009.

The increase in loan losses this year has been evident in all consumer loan portfolios and is in line with the increase in unemployment and bankruptcies. In the latest quarter, we increased our provisions for commercial lending. This was primarily due to the deteriorating liquidation prospects of some accounts that were previously classified as impaired. As we started tightening our consumer and commercial credit underwriting well in advance of the current cycle, we believe the pressure of loan losses on consumer loans should start to decrease within the next few quarters. This should help to compensate for added pressure on the credit quality of the commercial and real estate loan portfolio.

(Slide 8) Overall, our credit quality continues to be very satisfactory, as evidenced by this graphic which compares our loan losses to the average loan losses of our peer group. We have benefited from the fact that the Quebec economy, where we originate about 60% of our loans, has to date held up relatively well.

(Slide 9) All of our business segments contribute to achieving our goals. This chart, reflecting the performance of the nine months of 2009, highlights the contribution of each business segment to the Bank’s profitability. The three largest business segments are: Retail and SME-Quebec, Real Estate and Commercial Financing, and B2B Trust. While
the fourth segment, Laurentian Bank Securities, is smaller, it still factors into our future growth. Let’s look at each of them in more detail.

(Slide 10) The division serving Retail and Small and Medium Enterprises in Quebec focuses on three main market segments. They include: retail services, with the third largest retail branch network in Quebec; Commercial financing to Small-and-Medium businesses with financing needs of $3 million and less, and point-of-sale financing.

While Retail and Commercial Financing activities are growing, the size of the point-of-sale portfolio is gradually declining, following a proactive decision to reduce this portfolio. Totalling $1.5 billion three years ago, today it stands at less than $850 million.

The total loan portfolio is composed of $7.5 billion of residential mortgages, of which more than 50% are insured by CMHC. Commercial loans and Personal loans account for the rest of the loan portfolio, representing about 60% of the Bank’s overall loan activities.

The primary activity of this business segment, though, is Retail Banking in Quebec. While aiming to offer highly competitive products to its clientele, Laurentian Bank utilizes its main competitive advantage, that being its customized service approach and quality of service. This customer-focused approach is paying off. In fact, according to a recent survey by J.D.Power, Laurentian Bank ranked second among the 7 largest Canadian banks in terms of customer satisfaction.

Our improved visibility in the market, the innovative distribution strategies we have adopted as well as the improvement in our performance, have allowed us to be considered as a privileged partner for various organizations. We are particularly pleased with the granting of the exclusive contract for operating all ATMs in the Montreal Metro. With a total of 70 machines, we will have a presence in each station of the network, thus ensuring high visibility with our target market in the retail segment.

(Slide 11) We are very pleased with the progression of earnings in the Real Estate and Commercial lending segment. We have experienced significant growth in the Real Estate lending portfolio, partially due to the opportunities presented in the market place as the
number of players in this area has been reduced. Therefore, over the past 6 months, we have seized the opportunity to replace a part of our interim lending activities by term lending. Furthermore, the tightening of credit in the market place has provided us with excellent new lending opportunities at very conservative underwriting standards. And our standards have always been very rigorous, as evidenced by the excellent credit quality of our portfolio. We also continue to focus on construction loans in major Canadian centers, with a maximum exposure of $30 million per project. These loans will mainly be granted for residential condominium and housing projects, shopping centers, and to a lesser extent, office buildings. Furthermore, due to our conservative risk profile, we mitigate market risk through a high level of presales when financing residential projects and a strong level of preleasing for commercial properties. The loan to value ratio approximates 65% and the average loan size this year has been $8 million. Our construction loans are provided for an average term of 18 months and term loans for up to 5 years. The outstanding portfolio is comprised of 61% variable rate and 39% fixed rate loans. Given its composition, the risk of this real estate financing portfolio is low.

The commercial lending portfolio approximates $800 million, with just over half of the loans in Quebec and just under half in Ontario. The size of the Ontario portfolio has been relatively stable throughout 2009, while the Quebec portfolio has exhibited modest growth. We remain comfortable with this portfolio in light of challenging economic conditions.

(Slide 12) B2B Trust is a leader in offering retail banking products solely to financial intermediaries, such as independent financial advisors and brokers. It provides a competitive array of products and services, mainly composed of investment loans and residential mortgages which it holds on its balance sheet, as well as self-directed accounts which has resulted in $3.7 billion of assets under administration. Furthermore, it has significantly contributed to the Bank’s overall loan and deposit growth over the past year. B2B Trust was particularly successful in generating $2.6 billion in deposits year to date. This provides liquidity to the entire Bank and is an effective funding vehicle, helping to support the Bank’s overall growth initiatives. Consequently, B2B is not perfectly matched. In fact, it has 2 times more deposits than loans. With the pressure on deposit costs that
characterized much of 2008 and the early part of 2009, margins had contracted. This pressure has recently been easing, which is allowing for the repricing of the deposit book. In addition, the gradual redeployment of deposits into loans and taking advantage of opportunities for further market penetration, should contribute to net income increasing over time for B2B Trust.

(Slide 13) Laurentian Bank Securities is a full service broker, providing an array of products and services to both institutional and retail clients. Its deep relationships with many government and corporate clients and recognized expertise in the bond market have resulted in the Fixed Income operation being a significant contributor to net income. While the overall improvement in equity markets has positively impacted results, LBS’ niche approach, that of specializing in small cap equities, differentiates itself in the marketplace.

(Slide 14) Additional analysis of our loan portfolio highlights that the retail market accounts for 80% of our loan book. It is also important to recall that 41% of our loans are outside Quebec. Let me remind you that we do not have any direct exposure to the U.S. mortgage market or the subprime market and have very limited ABCP exposure. Furthermore, retail deposits, which tend to be a relatively cheaper and stable source of funding, represent more than 80% of total deposits.

(Slide 15) We have been and will continue to be committed to the pursuit of profitable growth. To do so, we firstly focus on our three strategic priorities of increasing profitability, improving efficiency and developing our human capital. Secondly, we continue to invest in our businesses to achieve short to medium term profitability as well as long-term development. Thirdly we perpetuate a customer-focused culture and sales performance culture to remind us of our raison d’être. Lastly, we uphold a prudent approach to risk management and a conservative approach to capital and liquidity to ensure a solid financial position from which to take advantage of opportunities. Most importantly, these
guiding principles will continue to drive our decisions and actions and should result in growth and double-digit returns on a sustainable and long-term basis.

Thank you for your attention. I would now be pleased to take your questions.