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PRESENTATION

Operator

All participants, please stand by; your meeting is about to begin. Good afternoon, ladies and gentlemen. Welcome to the Laurentian Bank conference call. I would now like to turn the meeting over to Ms. Gladys Caron. Please go ahead, Ms. Caron.

Gladys Caron, Vice-President Public Affairs, Investor Communications and Relations

(French spoken). Good afternoon, everyone. Our press release was issued today on Canada Newswire and is posted on our website.

This afternoon we'll review our third quarter 2011 results and of the two transactions that the Bank announced today will be provided by Rejean Robitaille, our President and CEO; Francois Desjardins, President and CEO of B2B Trust; Luc Bernard, Executive Vice-President of Retail and SME Financial Services; and Michel Lauzon, our CFO. Other members of our senior management team are also present on this call to answer any questions. You will find their names and positions on slide 27 of the presentation available on our website. This presentation will be referred to throughout their speeches.

During this conference call forward-looking statements may be made and it is possible that actual results may differ materially from those projected in such statements. For a complete cautionary of notes regarding forward-looking statements, please refer to our press release or to slide two of the presentation.

I will now turn the floor over to Rejean Robitaille.

Rejean Robitaille, President and Chief Executive Officer

Thank you, Gladys, and good afternoon, ladies and gentlemen. I am very pleased to have this opportunity to discuss the news that was released this morning. First, we published our earnings for the third quarter, which are solid in our continuation of the progress that we have been making. Second, we announced two transactions that we have entered into with Mackenzie Financial that allow us to pursue our growth and development.

The first transaction is the acquisition of the MRS Companies from Mackenzie Financial, which provides B2B Trust with new growth opportunities, while creating a best-in-class provider of products and services tailored to the financial advisory community.

The second transaction is a distribution agreement with Mackenzie Financial, which enhances our wealth management offering with the launch of a series of Mackenzie funds to our Quebec retail customers.

Now, let's go back to our third quarter results and then we will further discuss these two transactions.

In the third quarter we significantly increased our profitability year-over-year in what has been a challenging retail banking environment. Credit quality in most of our portfolios continued to improve, thanks to the product decisions that we took in the recent past. Continued investment in our businesses is contributing to strong organic growth as loans and DAs, including fixed assets, increased by 7 percent year-over-year, as shown on slide four of our PowerPoint presentation for the third quarter of 2011. Earnings per share increased by 19 percent year-over-year. Stable margins sequentially and strong growth in other income contributed to net income reaching $35.3 million in the third quarter of 2011, and return on equity was 12.1 percent.

Turning to slide five, after nine months, management believes that the Bank should meet its ROE and EPS objectives, as set out at the beginning of the year. However, objectives of revenue growth and efficiency could most likely miss our mark this year, reflecting slower revenue growth owing to margin compressions stemming from a highly competitive pricing environment.

I will now call upon Michel to provide you with a more
in-depth analysis of our financial performance for the quarter.

Michel Lauzon, Chief Financial Officer

Thank you, Rejean. Financial highlights of the third quarter of 2011 can be found on slide six. Total revenue increased by 1 percent year-over-year, with net interest income declining from 5 percent, and other income rising 14 percent. Loan loss provisions fell sharply by 60 percent, as a result of improving credit quality, a reduction in the general allowance, and the loan recovery. Non-interest expenses rose 7 percent, reflecting ongoing business development initiatives and high regulatory costs.

I will now discuss the main drivers of the Bank's performance during the third quarter of 2011. Firstly, net interest income of $123.8 million in the third quarter of 2011 decreased from $129.9 million a year earlier. Strong year-over-year growth in loans and deposits did not fully offset lower interest margins. As highlighted on slide seven, the net interest margin at 2 or 3 percent has been quite stable for the last three quarters. However, the 19 basis points decline from the third quarter of 2010 is largely explained by two factors. First, intense competition is sustaining pricing pressure on loans and deposits and second, a change in hedging strategies related to securitization activities initiated in the first quarter of 2011 generated a shift in some net interest income to other income.

Secondly, other income of $67.2 million in the third quarter of 2011 was 14 percent higher than the year earlier. As shown on slide eight, this increase was broadly based. Given market conditions that prevailed in 2011, the Bank strategy was to fund most of its loan growth through securitizations, as it was a favourably priced funding source. This quarter $400 million of mortgageables were securitized, which resulted in net securitization income of $10.2 million. I would like to remind you that these core operating earnings will show up in net interest income, once we convert to IFRS.

We are particularly pleased that revenues from current services and income from sales and mutual funds increased by a substantial 25 and 20 percent respectively, given that the Bank is targeting these product lines for their growth potential. Partially offsetting these revenue gains are areas, such as brokerage operations, which fell 12 percent owing to very challenging capital market conditions.

Thirdly, as highlighted on slide nine, provisions for loan losses of $8 million in the third quarter of 2011 were $12 million lower than the year ago, and $4 million lower than in the previous quarter. This reduction reflects the strong credit quality of the portfolio, a 1.7 million recovery on a commercial mortgage exposure, and a $2.1 million reduction in the general allowance. The latter was a result of adjustments to provisioning models in anticipation of conversion to IFRS.

Turning to slide 10, there was an uptick in the third quarter of 2011 from the prior period with growths and net impaired loans totalling $172 million and $24 million respectively. One residential real estate project explains most of this increase. We remain very comfortable with the overall credit quality of our portfolios.

The next slide shows that the efficiency ratio for the first nine months of 2011 was 71.1 percent. In the third quarter of 2011, the ratio stood at 71.6 percent, largely reflecting growth in expenses and slower revenue growth owing to margin compression.

Non-interest expenses increased 7 percent year-over-year. Salaries and employee benefits rose by $1.4 million compared with the third quarter of 2010. Premises and technology costs at $36.2 million were $3 million higher than a year ago. Other expenses at $28.1 million were $4.5 million higher, reflecting expenses related to advertising campaigns, consistent with the Bank's focus on developing organic growth, and increased costs required to meet regulatory requirements.

Despite a very competitive environment, our sustained development efforts are meeting with success as the Bank continues to grow its balance sheet. As highlighted on side 12, total loans and BAs, including securitized assets, rose by $1.4 billion, or 7 percent over the last 12 months. Contributing to this growth were residential mortgages which, including securitizations, increased by $0.9 billion, or 8 percent. Excluding a $175 million reduction in point-of-sale financing year-over-year, personal loans rose by 5 percent. Commercial mortgages, loans, NBAs grew by a substantial—11 percent, and deposits increased by 2 percent.

At the end of the third quarter, our Tier 1 capital ratio was 11 percent and the tangible common equity ratio was 9.3 percent. Furthermore, based on our understanding of the Basel III rules and some estimates, our pro forma July 31st, 2011 Tier 1 common equity ratio would have been 7.1 percent.

We will now turn to the performance of our business segments. Slide 13 shows that retail and SME Quebec's contribution to net income of $11.7 million in the third quarter of 2011, while declining year-over-year, increased 17 percent sequentially, owing to an improvement in net interest income year-over-year. Volume increases in loans and deposits was insufficient to completely offset the impact on margins from the reduction in the point-of-sale financing portfolio and competitive pricing pressures.

Revenues from card services and the sale of mutual funds increased. Higher salary costs related to additional business development positions and regular annual salary increases, as well as higher payroll taxes and pension costs contributed to rising non-interest expenses. Loan losses fell to $6.2 million in the third quarter of 2011 from $9.6 million a year earlier, reflecting improved credit quality of the portfolios.

Slide 14 highlights the real estate and commercial segments' contribution to net income of $14.1 million in the third quarter of 2011, compared to $10.4 million a year earlier. Revenue was down slightly, owing to other income related to foreign exchange and underwriting fees.

Loan losses improved to $3.5 million in the third quarter of 2011, from $9.4 million a year earlier. Third quarter 2011 benefitted from a $1.7 million recovery on a single commercial mortgage loan.

The modest increase in non-interest expenses was a result of higher salaries associated with additional headcount and pension costs.

As shown on slide 15, B2B Trust's contribution to net income was $10.7 million in the third quarter of 2011, compared to $11.8 million a year earlier. Revenues declined marginally as a result of a decrease in other income.

Third quarter 2011 loan losses of $0.4 million, which include losses on investment and lending activities, continued to improve from $1 million recorded the year earlier.

Non-interest expenses rose to $16.9 million, from $14.7 million. This was mainly attributable to higher salary and employee benefits related to regular salary increases, and business development, and service center headcount, as well as higher allocated technology costs and rental costs, all with the aim of supporting increased business development and enhancing service levels.

As can be seen from slide 16, Laurentian Bank securities and capital markets contributions can then get—net income was $0.7 million in the third quarter of 2011, compared to $2.1 million a year earlier. Revenues fell to $11.9 million, from $14 million, reflecting difficult market conditions, which resulted in reduced brokerage, trading, and underwriting revenues. Expenses remained unchanged year-over-year.

The other sector, presented on side 17, posted a negative contribution to net income of $2 million in the third quarter of 2011, compared with a negative contribution of $8.9 million in the third quarter of 2010. The improved results were largely attributable to two factors. One, the higher securitization income resulting from gains on sale and the increased level of securitized assets; and two, the $2.1 million reduction in the general allowance.

This concludes my comments regarding the third quarter results, and so I will return the floor to Rejean.

Rejean Robitaille, President and Chief Executive Officer

Thank you, Michel. I would now like to further discuss the acquisition of the MRS Companies and the distribution agreement with Mackenzie Financial.

These transactions are financially attractive, perfectly aligned with our business plan, and provide an opportunity to invest in our growth engines. The strong strategic fit of both deals further develops the competitive advantages of B2B Trust and the retail segment. As well, both transactions are beneficial to the Bank, as they will generate additional fee-based income and income previously—progressively more profitable, as revenue and expense synergies are realized. Furthermore, these transactions capitalize on two solid assets of the Bank. One, B2B Trust's capability to serve the financial intermediary market; and two, the effectiveness of the Bank's sales force in Quebec to serve retail customers.

I'll now invite Francois Desjardins, President and CEO of B2B Trust, followed by Luc Bernard, Executive Vice-President of Retail and SME, Quebec, to further discuss these transactions. Then Michel will provide highlights of the transactions and the financials. Francois?

Francois Desjardins, President and Chief Executive Officer, B2B Trust

Thank you, Rejean. A good place for me to start is with a brief overview of the MRS Company, as presented on slide 20. MRS is one of the largest carrying dealers in Canada. It serves over 135 dealer firms and 14,000 advisors, and manages more than 280,000 investor accounts placed through financial advisors. It has approximately $21.5 billion of assets under administration and is owned by Mackenzie Financial Corp., a subsidiary of IGM Financial.

But, what I really want to share with you today is why I am so excited about combining MRS with B2B Trust. First, this acquisition strengthens B2B Trust's product line within the financial advisory community. In fact, on one hand B2B Trust is a leader in offering loan and deposit products to advisors, and on the other hand, MRS is a leader in offering self-directed products to this group. Supporting this product are strong systems, which will benefit the combined operation. Second, it expands the advisors' network and encompasses more than 22,000 advisors on a combined basis. More advisors offering more products and services to clients give rise to cross-sell opportunities, further leveraging our distribution capabilities. Third, this acquisition provides critical scale in self-directed products, and an enhanced operating system. Fourth, the combination increased fee-based revenue and diversified B2B Trust business mix. And finally, this acquisition creates revenue and expense synergies, accelerating growth and operating earnings.

The table on slide 21 highlights the complementary strength of these companies. With closing expected in November 2011, we will then begin the integration process, which should span 12 to 18 months. On a combined basis, the B2B Trust business segment will go forward with close to 6 billion of high quality investment loans and mortgages, 10 billion of deposits, and more than 25 billion of assets in self-directed accounts. For all of the reasons that I have outlined, it is clear that the integration of MRS with B2B Trust accelerates our business plan and advances our commitment of being a core growth engine for the Laurentian Bank.

With this, I would ask Luc Bernard, head of Retail, to give some comments on the distribution agreement. Luc?

Luc Bernard, Executive Vice-President, Retail and SME Financial Services

Thank you, Francois. The strategic rationale for the mutual fund distribution agreement with Mackenzie is equally clear as the Bank, once again, improved its product offering. Our retail clients in Quebec can access one of the leading families of funds in Canada, when launched in our branches in 2012. We improved the competitiveness of our wealth management offer, which will be an additional lever in helping us to increase the share of wallet of our customers. Moreover, the structure of the deal increases fee-based revenues, and we expect growing revenues as progressively higher volumes of net funds are accumulated over the years. Therefore, I too firmly believe that this—sorry, agreement accelerates the business plan of the retail and SME Quebec segment, and should—amends profitability over the medium term.

This transaction comes at a time when we have developed a solid base in the area of wealth management. For example, in the first nine months of 2011, income from the sale of mutual funds have increased by a substantial 18 percent, compared to the same period a year earlier. This is largely owing to the fact that the skills and investment knowledge of our advisors have been reinforced through training and development, and tools have been built to further support our advisory ability to provide our customers with sound wealth management advice. This distribution agreement with Mackenzie further advances our progress.

Now, Michel will discuss the details of the transactions and the corresponding financial aspects.

Michel Lauzon, Chief Financial Officer

Thank you, Luc. Turning to slide 23, B2B Trust will purchase the MRS Companies for a cash consideration of approximately $165 million. The price is based on a book value of $114.8 million, to be adjusted at closing, and a premium of $50 million. Closing is expected in November 2011.

With respect to capital, this transaction is very manageable for the Bank, and we will proceed in accordance with our capital management objectives. They are, in order of priority, to first, maintain strong capital ratios; second, invest in our development; and third, continue to regularly increase our dividends. On a Basel II basis, this deal reduced the Tier 1 ratio by about 70 basis points as of the third quarter of 2011, still well above current Basel II requirements. Given that we manage our capital prudently there is a high probability that we will issue up to $50 million of common equity by the end of 2012, depending on market conditions and tone. In order to raise the Bank's capital comfortably above the Basel III minimum threshold by the January 2013 transition date, on an expected Basel III basis, in the first quarter of 2013, including the acquisition, but excluding any capital issue, we expect our Tier 1 common ratio to reach the minimum requirements we have today. In 2012 we anticipate a non-recurring charge of $25 million pre-tax, related to the integration costs associated with the MRS Companies acquisition, to be accrued. In addition, we expect additional IT investments, mainly related to systems and equipment, of $13 million. This does not take into consideration any amortization from the intangible assets derived from the acquisition. This transaction should be marginally accretive in 2012, excluding the aforementioned charges in 2013 we predict earnings will increase by approximately $0.15 to $0.20 per share, factoring in a potential $50 million common share issue in 2012. Going forward, this transaction will become increasingly accretive.

Now turning to the distribution agreement, this too is expected to be accretive on an operating basis. Earnings accretion is anticipated to be marginal at the beginning of this agreement, and progressively grow as the volumes of mutual funds accumulate. A non-recurring charge of $7.6 million relating to a penalty to be paid to Industrial Alliance to terminate early in 2012 the existing distribution agreement with IA Clarington will be accrued in the fourth quarter of 2011.

Rejean will now offer some closing remarks.

Rejean Robitaille, President and Chief Executive Officer

And, thank you, Michel. So, to conclude, we are very excited that we can move forward with these two compelling transactions. They are driven by the Bank's focus, strategy, and agile growth approach which, through rigorous execution, will be effectively integrated. In so doing, we are taking significant steps toward enhancing the capabilities of two of our growth engines. The benefits are numerous and tangible. They range from solidifying the leadership position of B2B Trust; expanding our wealth management activities; accelerating our growth, both on and off balance sheet and in operating earnings; to last, but not least, creating shareholder value.

I will now turn the floor back to Gladys.

Gladys Caron, Vice-President Public Affairs, Communications and Investor Relations

At this point I would like to turn the call over to the conference Operator for the question and answer session. Please feel free to ask your questions in French or in English.

Operator

Thank you. We will now take questions from the telephone lines. If you have a question and you are using a speaker phone, please lift your handset before making your selection. If you have a question, please press star, one, on your telephone keypad. If at any time you wish to cancel your question, please press the pound sign. Please press star, one, at this time if you have a question.

The first question is from Michael Goldberg from Desjardins Securities. Please go ahead.

Michael Goldberg

Thank you, a couple of questions actually, just on the results. Your net interest margin actually increased sequentially. Can you explain—give us some colour on how the margin increased during the quarter?

Rejean Robitaille, President and Chief Executive Officer

Okay. Thank you, Michael. I'll ask Michel to answer that question.

Michel Lauzon, Chief Financial Officer

Thank you, Michael. We had given guidance that the net interest margin would be fluctuating around 2 percent, plus or minus 5. As you know, in the course of a quarter liquidity can go up and down, and in this case we managed our balance sheet mix a big tighter and so we ended up in the quarter with slightly lower levels of liquidity and securities, and plus we had slightly higher growth in higher margin areas with—it tweaked the margin a bit higher.

Rejean Robitaille, President and Chief Executive Officer

And, we already mentioned during, I think it was the last conference call, that we won't sacrifice margin over growth. So, we are continuing to see profitable growth and that's the target that we have for our future.

Michael Goldberg

So, should we think about 2 percent plus or minus 5 basis points as the—as still in force?

Michel Lauzon, Chief Financial Officer

For the next little while. But there is, as you—as several of you have commented, there is significant headwind in terms of pricing and pressure—competitive pressure in the marketplace. We'll—we think we'll be able to sustain that over the next little while. However, I'd remind you that under IFRS, starting in Q1 of next year, margins will be affected lower as we add back mortgages, back to the balance sheet.

Michael Goldberg

Okay. And also on loan quality, can you give us some colour on what looks like a $20 million residential project loan that was classified non-conforming during the quarter? And, why do you expect that there won't be any loss on this loan?

Rejean Robitaille, President and Chief Executive Officer

Okay, and Louis Marquis, who has operated, will answer our question.

Louis Marquis, Senior Vice-President, Credit

It's the residential condo project that's being sold right now, at a much lower pace than we anticipated. So, it's cash flow issues for the loan to be kept current, but the coverage certainly appears to be there.

Michael Goldberg

Do you have some idea of what the loan to value is?

Louis Marquis, Senior Vice-President, Credit

Based on current sales levels and price levels, we've probably got 15, 20 percent margin.

Michael Goldberg

Okay, and where is it?

Rejean Robitaille, President and Chief Executive Officer

We can't tell that. It's a specific loan and so we can't answer that question. It's in Canada.

Michael Goldberg

Okay, that's good to know. Thank you.

Rejean Robitaille, President and Chief Executive Officer

Thank you, Michael.

Operator

The next question is from Sumit Malhotra from Macquarie. Please go ahead.

Sumit Malhotra

Good afternoon. First question is on the acquisition. You've given some targets on how accretive this transaction can be for you in 2013, and even 2012 ex of the integration costs. So, you must have some view on potential revenue contribution. Is there—is that something that you can provide in terms of how much this acquisition you're contemplating will acquire—or will add to your revenue in 2012?

Rejean Robitaille, President and Chief Executive Officer

Well, in 2000 we mentioned mostly the overall impact including the potential issue of capital in 2013. But, Michel also said in his speech that it should be excluding integration costs in 2012, marginally accretive.

Sumit Malhotra

Yes, I got that part. I guess I'm hoping you can tell us exactly how this business has been performing in terms of revenue, what it's done over the past year, and what you? Well, maybe that's the starting point. Is that something you're willing to provide?

Rejean Robitaille, President and Chief Executive Officer

Okay, so I'll ask Francois to answer that question. Francois, did you hear what I'm saying?

Francois Desjardins, President and Chief Executive Officer, B2B Trust

Sure. Unfortunately, although the MRS Trust Company is—financials is of public knowledge, the other three companies that we're buying are not public entities, and we're not at liberty to disclose those past revenues and other financials for those companies.

Sumit Malhotra

All right. It's fair to say that there's obviously some lending portion of this, which I assume will be net interest income related. The bulk of it would be, I think what you're calling revenue from self-directed plans. Is that really those fee income, wealth management type line items are the ones that will benefit from this transaction? Is that the right way to think about it?

Rejean Robitaille, President and Chief Executive Officer

Francois, again.

Francois Desjardins, President and Chief Executive Officer, B2B Trust

Yes, thank you, Rejean. Yes, it is. You know, some of the key metrics I think are stated, but if I can repeat: in terms of total loans $398 million, which includes $284 of investments loans and $114 of mortgages; deposits are $742 million; whereas the bulk of their revenues is in the management of the 280,000 self-directed accounts and those activities. So, mostly fee revenue will be impacted.

Sumit Malhotra

Okay, if I can move back to the net interest income side. A few references to the competitive environment, but I wanted to ask you, it certainly seems like, for all the Canadian banks, the pace of reduction in posted mortgage rates has slowed. I think the last time the Bank changed posted mortgage rates was back in mid-July and we've certainly seen bond yields fall significantly since then. Am I correct in saying that perhaps there has been some easing in the competitive environment, at least insofar as changes to mortgage rates are concerned?

Rejean Robitaille, President and Chief Executive Officer

Michel Lauzon will answer that question.

Michel Lauzon, Chief Financial Officer

I wouldn't say that simply because the decline in the government bond yield has far outpaced the decline in the GIC rates and so, in fact, GICs have remained flat despite all the fluctuations in the marketplace. So, in fact, the mortgage rates (inaudible) have actually been compressing significantly over the last year. So, that is also what the banks are upon—what the banks should be factoring in.

Rejean Robitaille, President and Chief Executive Officer

I'm sure—I think Michel Trudeau might have something to add.

Michel Trudeau, President and Chief Executive Officer, Laurentian Bank Securities Inc.

No, Rejean. I think another thing to look at is that credit spreads have changed a lot. So, financing conditions in August changed. It could make an impact on the landscape.

Sumit Malhotra

It doesn't seem like, at least on the calculations I did. It doesn't seem like your cost of funding has—I could be early here. It doesn't seem like your cost of funding has changed substantially to this point. Is that a fair statement?

Michel Trudeau, President and Chief Executive Officer, Laurentian Bank Securities Inc.

It is, but we have been managing it very carefully.

Sumit Malhotra

Last one for me is on expenses. And, this quarter, I think especially if I look at the non-compensation expenses, it seems like we took another leg up from what we saw last quarter, which was already a step higher. I think you mentioned specifically in relation to marketing and advertising being one factor, but at least the way I'm looking at it, it looked like another $5 million quarter-over-quarter increase in your non-compensation costs. I guess the way I want to get around this is, is there a specific program for advertising that maybe went on over the summer that you don't see as sustainable, or is the level of spend that we're seeing now something that you expect to continue at these levels through 2012?

Rejean Robitaille, President and Chief Executive Officer

Michel, again.

Michel Trudeau, President and Chief Executive Officer, Laurentian Bank Securities Inc.

I'd say first of all, quarter-over-quarter there is a number of days which impact (inaudible), and so that is one factor. Another thing is advertising expenses, given the nature of our campaigns, tend to be chunky and we just happen to have a lot of expenses in the quarter—this quarter, which should—we think should subside in the next quarter. We also had a level of regulatory costs of an either tax or consultants nature, which have been brought on board to help us with some of the regulatory issues. And, those should come and go depending on where the requirements are. So, the other expense line is a bit high this quarter, but it should subside, and there is a few chunky items in there.

Sumit Malhotra

Thanks for your time.

Rejean Robitaille, President and Chief Executive Officer

Thank you, Sumit.

Operator

Thank you. The next question is from Subha Khan, National Bank Financial. Please go ahead.

Subha Khan

Hi. Thanks. Good afternoon. So, if I could start off with a couple of quick questions on the MRS transaction. I appreciate that you can't reveal too many details about the operating performance in the last 12 months, but maybe you can help me ballpark the kind of margins that this type of business is earning. Would a C margin, maybe in the 20 basis point range as a percent of AOM, be a reasonable assumption?

Rejean Robitaille, President and Chief Executive Officer

Francois?

Francois Desjardins, President and Chief Financial Officer, B2B Trust

I think Michel is better, Rejean, to answer those question.

Michel Trudeau, President and Chief Executive Officer, Laurentian Bank Securities Inc.

These are the fees that we should be charged by MRS will not be different than any other fees charged in the marketplace. These would be regular self-directed annual fees and there would be other charges for specific transaction handling that might occur for account openings and closings. And, Francois, maybe you can elaborate on the nature of the fees that?

Francois Desjardins, President and Chief Executive Officer, B2B Trust

Sure, almost 100 percent of the fees are ones like you described, not based on assets under administration, but on number of accounts. Those are usually trustee fees or transaction fees.

Subha Khan

Okay, so specifically administration fees and not management fees?

Francois Desjardins, President and Chief Executive Officer, B2B Trust

That's right.

Subha Khan

Okay, got that. And, over what timeframe will you have expensed the $38 million in integration costs? Will it all be sort of recognized over the next 18 months?

Rejean Robitaille, President and Chief Executive Officer

Michel will answer that question.

Michel Trudeau, President and Chief Executive Officer, Laurentian Bank Securities Inc.

Of the $38 we expect that $25 would be expensed, mostly in the—in year one, 2012. There could be some spillage into 2013, depending on how fast we proceed with the integration program. And, there's 13 of systems costs which are—and equipment costs which will be amortized over a period of say anywhere between five and 10 years.

Subha Khan

I see. Okay, and finally I can't—and my apologies if this question has been asked and whether—if you can't answer it, but can you quantify what you're ultimate revenue and expense synergy targets will be, as in the long term?

Rejean Robitaille, President and Chief Executive Officer

Michel, again.

Michel Trudeau, President and Chief Executive Officer, Laurentian Bank Securities Inc.

I won't quantify specifically the revenue versus expense. They can—as Francois mentioned in his speech, there are significant revenue synergy opportunities since—even though there is an overlap in the advisor base, there is not an overlap on the product side within the advisor base, and that queue provides us significant revenue plus synergies. In the distribution agreement, even though it would be marginally accretive at the beginning, as we grow the AUM pool over the medium term, it can become significantly accretive, and those are two big components. And, then we are now in the process of detailing our integration plans, which would help us detail any overlaps in synergies on an operating basis, and we'll have a more—clearer idea of exactly how much operating synergy we'll be able to muster from this transaction over the course of the next few quarters.

Subha Khan

Okay, thanks, and, if I just then move onto this quarter's results. When I look at your total residential mortgage portfolio, so that's on balance sheet and securitized loans, I see that loan growth has accelerated in the last two quarters. Can you talk about some of the factors that are driving that against, you know, a backdrop of the slowing housing market? And, are you gaining market share in Quebec at all? And, have you seen the tighter mortgage rules, that were introduced earlier this year, begin to set your loan origination?

Rejean Robitaille, President and Chief Executive Officer

As we probably mentioned before, we have continued to invest in our business allotments and also developed over the years very good partnerships in Quebec. And, we also have higher numbers of mortgage road reps—representatives, close to 100 right now. Luc, am I right?

Luc Bernard, Executive Vice-President, Retail and SME Financial Services

Yes.

Rejean Robitaille, President and Chief Financial Officer

So, we've done a lot of few things before, and when we compared the mortgage growth this year versus where we were last year, where in fact we have a stronger growth this year, even if the market is probably a little bit more, I would say, difficult than it was last year. So, higher growth based on better knowledge of our customers, good relationships with partners, and those role representatives. We expect that going forward. And, maybe Luc, you could elaborate on this? What are you expecting in terms of loan growth for the coming quarters?

Luc Bernard, Executive Vice-President, Retail and SME Financial Services

Thank you, Rejean. I think we are expecting about the same growth, so it's high single-digit. As Rejean stressed out, we're have invested in our mobile sales force, we're doing business with a realtor—big realtor in Quebec, and we're expecting to be able to show the same level of growth in the next quarter without sacrificing, as I said earlier, the net interest margin. But, there is also a good opportunities of cross-sell those mortgages, and we're quite good at that.

Subha Khan

Okay. So you—and the competitive environment, the tighter mortgage rules, you don't see those factors as being particularly clinching as to your long growth going forward?

Rejean Robitaille, President and Chief Executive Officer

It's there, but we think that it's manageable.

Subha Khan

Okay, and one final question from me, then, on specifically on loan loss provisions this quarter. I mean, part of the writ improvement was the lower general allowance. So, going forward, if credit quality remains fairly stable, should we think of quarterly loan losses in the $10 million range rather than the $8 million you got this quarter?

Rejean Robitaille, President and Chief Executive Officer

We—Michel, on the credit?

Michel Trudeau, President and Chief Executive Officer, Laurentian Bank Securities Inc.

That could be on the loan side, actually, when you look at the quarter. We had reversal of both general and reversal a bit higher than we usually have on one commercial mortgage loan.

Subha Khan

Okay, so $12 million is maybe closer to the real run rate?

Michel Trudeau, President and Chief Executive Officer, Laurentian Bank Securities Inc.

It would make sense.

Subha Khan

Okay. Thank you.

Operator

Thank you. Once again, if you have a question, please press star, one.

The next question is from Michael Goldberg, from Desjardins Securities.

Michael Goldberg

Thank you. I just want to clarify the $7.6 million in penalties that have been paid to Industrial Alliance. Did you say that that would be recognized in the fourth quarter?

Rejean Robitaille, President and Chief Financial Officer

Michel Lauzon, please.

Michel Lauzon, Chief Financial Officer

Yes.

Michael Goldberg

Yes. Okay, and separately, given that we're getting close to the implementation of IFRS, can you give us some idea how much your book value will go down under IFRS?

Michel Lauzon, Chief Financial Officer

We haven't finalized all of our estimates and we—as you know, we still have 'til the end of Q1 to make our final choices. We indicate in the past that we would be impacted by adjustments to good will and adjustments to goodwill and adjustments to our pension—unamortized pension obligations or pension deficits. The impact on equity could be in the vicinity of $150 million.

Michael Goldberg

Pardon?

Rejean Robitaille, President and Chief Executive Officer

I would say a little bit more than $100 million pre-tax. It could be roughly $100 to $120 million. That's—effectively should impact, as we mentioned, the book value, but on the other side return on equities should increase because the equity will be a little bit more lower.

Michael Goldberg

And would your—would there be a normal tax rate against that amount?

Michel Lauzon, Chief Financial Officer

That's right.

Michael Goldberg

Okay. Thank you.

Operator

Thank you. Once again, please press star, one, if you have a question.

There are no more questions registered at this time. I would like to return the meeting over to Ms. Gladys Caron.

Gladys Caron, Vice-President Public Affairs, Investor Communications and Relations

Thank you all for joining us today, and if you have any further questions do not hesitate to contact us. Our phone numbers are listed on the presentation. Thank you.

Rejean Robitaille, President and Chief Executive Officer

Thank you.

Operator

Thank you. The teleconference has now ended. Please disconnect your lines at this time. We thank you for participation.
