# NOTES FOR THE SPEECH OF MR. MICHEL LAUZON,
# EXECUTIVE VICE-PRESIDENT AND
# CHIEF FINANCIAL OFFICER
# LAURENTIAN BANK

## ANNUAL MEETING OF SHAREHOLDERS
## MARCH 15, 2011 AT 9:30 AM
## AT THE PIERRE-PÉLADEAU CENTER, IN MONTRÉAL

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Only the delivered speech shall be considered as authoritative

SPEECH BY MICHEL LAUZON

EXECUTIVE VICE-PRESIDENT AND
CHIEF FINANCIAL OFFICER

LAURENTIAN BANK

AT

LAURENTIAN BANK'S

ANNUAL MEETING OF SHAREHOLDERS

MARCH 15, 2011

**Speech of the Executive Vice President and Chief Financial Officer**

**Annual meeting of Shareholders – March 15, 2011**

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Thank you Mr. Desautels.
Good morning ladies and gentlemen.

**2010 Results**

Fiscal 2010 was a very good year for Laurentian Bank. We met or exceeded all of the objectives that we had established for the year and posted record net income of $122.9 million which represents an increase of 21% over fiscal 2009 income from continuing operations. Return on common shareholders' equity was 11.5%, compared to 10.1% from continuing operations in 2009. Diluted earnings per share from continuing operations grew by 23% to $4.63 in 2010.

Total revenue increased by 11%, to $737.4 million, as a result of improved net interest margins and higher loan and deposit volumes. Net interest income increased by 17%, to $496.4 million, reflecting strong growth in mortgages and commercial loans. Other income was stable for the year, at $241.0 million, as higher fees and commissions resulting from solid core business growth, as well as higher income from treasury and financial market operations, offset a decrease in securitization income.

Non interest expenses were up 7%, to $504.2 million, largely due to higher costs to support growth initiatives and elevated business activity levels. The efficiency ratio improved significantly to 68.4% for 2010, compared to 70.8% for 2009.

We are satisfied with the credit quality of the loan portfolio. The provision for loan losses rose to $68.0 million from $56.0 million in 2009. This equates to a ratio of provision for loan loss as a percentage of average loans and BAs of only 40 basis points in 2010 compared to 38 basis points a year earlier, which is considered to be a very manageable level. The higher provision mainly reflects certain commercial and real estate accounts, which were impacted by the soft North American economic environment, as well as the higher loan volumes. Nonetheless, overall credit quality improved in the latter part of the year. Retail portfolios performed well during fiscal 2010, as borrowers benefited from improved employment conditions in Canada.

One of the main drivers of the Bank's improving results is loan growth. Total loans and bankers' acceptances rose by $1.8 billion to $17.7 billion at year-end 2010. Residential mortgages as well as commercial credit, fuelled by low interest rates and continued favourable housing market conditions, helped drive this 11% year-over-year growth, which represents one of the highest growth rates amongst Canadian banks.

Total deposits increased by $1.4 billion or 8% to $19.7 billion as at October 31, 2010. With sustained competition for retail deposits, we have been diversifying our deposit base by growing commercial deposits and returning to the institutional funding market.

I would also like to point out that, at year-end, our capital position was solid, with a Tier 1 capital ratio of 10.9% and a tangible common equity ratio of 9.0%. In November, the Bank issued $250 million, 10 year, Medium Term Notes and recently redeemed the $150 million subordinated debentures that was previously on our books. These transactions will provide the Bank with additional flexibility to pursue its growth and development initiatives. Furthermore, based on what is publicly known at this time, we believe that the Bank is well positioned to meet the new capital requirements effective January 2013.

In order to elaborate further, I will now have a look at the performance of our business segments. Our 3 primary growth engines reported improved revenues and profitability in 2010 compared with 2009.

In Retail and Small and Medium-sized Enterprises Quebec, net income of $47.0 million improved by 19% from 2009 income from continuing operations. Revenue increased by $27.6 million in 2010, largely as a result of continued growth in loan and deposit volumes. Notably, residential mortgages and commercial loans increased by 10% and 9% respectively. In accordance with our business growth, non-interest expenses were higher, while the provision for loan losses was slightly lower.

The Real Estate & Commercial segment's net income of $49.1 million in 2010 was 43% higher than in 2009. Total revenue rose by 28% to $119.3 million in 2010. Higher net interest income, owing to strong loan growth and initiatives to increase commercial deposits as well as lower non-interest expenses, was partially offset by larger provisions on commercial and real estate loans.

B2B Trust's net income of $46.4 million in 2010 rose by 45% from 2009. Revenues increased by 24% to $124.6 million, largely due to loan growth and higher net interest margins. Residential mortgage loans rose by $600 million or 37%. Deposits, which totalled $9.2 billion at year-end 2010, represent an important source of funding for the Bank.

Laurentian Bank Securities and Capital Markets net income was $10.0 million in 2010 compared to $12.0 million in 2009. Retail brokerage and institutional equity divisions reported improved performance which was offset by weaker results from capital market operations and the fixed-income division.

The Other sector, which largely reflects revenues and expenses related to certain treasury operations, as well as other corporate activities, posted a negative contribution to net income of $29.5 million in 2010, compared with a negative contribution of $16.4 million in 2009.

**2011 Objectives**

We have established even more ambitious objectives for fiscal 2011. We are targeting our return on common shareholders' equity of 11% to 13%, and diluted earnings per share of $4.80 to $5.40. Our goal is to achieve revenue growth of more than 5% and an efficiency ratio of 70% to 67%.

**2011 First Quarter Results**

I would now like to review our results for the first quarter of 2011, which were announced on March 9th. Net income reached $33.5 million, as compared to $32.0 million in the first quarter of 2010, which represented a 5% increase. Return on common shareholders' equity was 11.9%, compared to 12.3% a year earlier. Although early in the fiscal year, the Bank's results are in line with the 2011 objectives after three months.

Total revenue was $189.5 million, 5% higher than in the first quarter of 2010. Net interest income increased slightly as a result of strong loan and deposit growth that was largely offset by lower interest margins.

Other income rose 14% from the first quarter of 2010, primarily due to higher securitization income and card services revenue. As well, higher income from treasury and financial market operations and brokerage operations contributed to the increase, compared to the same period a year earlier.

The efficiency ratio for the first quarter of 2011 of 69.1% was higher than in the first quarter of 2010.

The credit quality of the loan portfolio is improving. Net impaired loans of $22.1 million at the end of the first quarter of 2011 fell sharply from $50.0 million at the end of the fourth quarter of 2010. Loan loss provision of $15 million improved by $1 million compared to the first quarter of 2010.

At the end of the first quarter of 2011, balance sheet assets stood at $23.3 billion. Loans and bankers' acceptances were up marginally from year-end 2010, but including securitized loans, increased by $265 million. Deposits were marginally lower than at year-end 2010, as it was advantageous for the Bank to use sources other than deposits to meet its funding requirements. I would also like to point out that, our capital position continued to strengthen from year-end, with a Tier 1 capital ratio of 11.1% at the end of the first quarter. The composition of the balance sheet positions the Bank well for the future.

Each of our four business lines contributed to these solid results with all of them generating year-over-year revenue growth. Our three engines of growth continued to demonstrate the diversification of our business activities with each segment accounting for about 30% of the Bank's profitability.

In sum, we are very pleased with the Bank's performance, both in 2010 and in the first quarter of 2011. We will continue to pursue and invest in growth initiatives while improving our efficiency and maintaining an appropriate approach to risk management. This should allow us to continue to achieve sustainable profitability and the long-term development of the Bank.

Thank you for you attention, and I will now give the floor to our President, Mr. Robitaille.