CONFERENCE CALL TRANSCRIPT
FIRST QUARTER 2008
FEBRUARY 27, 2008

TÉLÉPHONISTE : Bienvenue à la conférence de la Banque Laurentienne. Welcome to the Laurentian Bank conference call. Je cède maintenant la parole à madame Gladys Caron. I would now like to turn the meeting over to Ms. Gladys Caron. À vous la parole. Please go ahead, Ms. Caron.

Mme G.Caron: Merci.

Bienvenue. Good afternoon everyone.

Our press release was issued today on Canada Newswire and is posted on our website. This afternoon's overview of our first quarter 2008 will be provided by our President and CEO, Réjean Robitaille, followed by a presentation by our CFO, Robert Cardinal, who will highlight Laurentian Bank's financial performance. Finally, Réjean will conclude.

The following members of our senior management team are also present at this call to answer any questions:

Bernard Piché, Head of Treasury, Capital Markets and Brokerage;

Luc Bernard, Head of Retail Financial Services and SMEs;

François Desjardins, Head of B2B Trust;

Lorraine Pilon, Head of Corporate Affairs;

Michel Trudeau, Head of Laurentian Bank Securities;

Louis Marquis, Head of Credit;

Marc Paradis, Controller;

Pierre Minville, Head of Integrated Risk Management;

André Lopresti, Chief Accountant;

and myself, Head of Public Affairs, Communications and Investor Relations.

In order to facilitate the understanding of our results, a PowerPoint presentation is available on our website. It will be referred to by Réjean Robitaille and Robert Cardinal throughout their speeches. During this conference call, forward-looking statements may be made, and it is possible that actual results could differ materially from those projected in such statements. For the complete cautionary note regarding forward-looking statements, please refer to our press release or to the PowerPoint presentation.

I will now turn the floor over to Réjean Robitaille.

Thank you, Gladys. Good afternoon everyone.

I am pleased to report that the Bank has achieved strong core results in the first quarter of 2008. Net income reached $19.1 million or $0.68 diluted per share, which included a $5.6 million unfavourable tax adjustment. Excluding tax adjustments in this quarter and the first quarter of 2007, net income improved by 25% and diluted net income per share, by 30%. Volume growth, improvement in our asset mix, adequate expense control and operational efficiency contributed to these results. Our total revenue was up by 7% with higher net interest income, reflecting the growth of our loans and deposits as well as other income.

As shown on slide 4, for the first quarter of 2008, total revenue growth and efficiency ratio exceeded our 2008 performance indicators. The return on equity and net diluted earnings per share, excluding the one significant item, were in line with our performance indicators set for the year. Tier 1 capital ratio was also in line with our performance indicator.

As presented on slide 5, our efficiency ratio improved over the first quarter of last year, reaching 71.9% compared with 73.2% for 2007. We will continue working on business development to increase revenues and enhance our business processes which, in turn, should continue to contribute to improve our efficiency, a priority for us in 2008.

Now, as shown on slide 6, our volumes are continuing to grow. Our total loans and BA's increased by 7% and total deposits by 8% over last year. Excluding all securitization activities, total loans would have increased by 13%. In the Retail & SME Quebec sector, total loans rose by 8% while the Real Estate and Commercial portfolio increased by 16% over the last twelve months. Real Estate Financing group continues to perform extremely well with 24% loan growth compared with last year.

B2B Trust's loan portfolios continue to post strong growth. The Investment loan portfolio has increased by $871 million over the same period last year. Moreover, total deposits were up by 12% over the first quarter of 2007. Assets under administration of Laurentian Bank Securities remain stable over last year.

In the prevailing financial market conditions and the uncertain economic environment, our prudent and disciplined approach is more than ever appropriate. Laurentian Bank's financial situation is solid and we are well positioned to continue to reinforce it. I would like to remind you that we have no exposure to sub-prime, CDOs, CDS or SIVs and that our exposure to the securities issued by the conduits covered by the Montreal agreement is very limited.

I will now ask Robert to provide you with more details on our financial performance.

Thank you Réjean,

Let us turn to slide 7 for the highlights of our results for the first quarter of 2008. On a GAAP basis, in the middle of the slide, diluted earnings per share amounted to $0.68 and the return on equity was 8.1%. For the first quarter of 2007, diluted earnings per share was $0.74 and return on equity, 9.4%.

Net income in both quarters included a significant item of a nonrecurring nature related to taxes, as described in our press release.

The first quarter of 2008 included an unfavourable tax adjustment to our future tax assets of $5.6 million or $0.23 per share following the further reductions in the federal income tax rates following the third reading by the House of Commons in December 2007. Results for the first quarter of 2007 included a favourable tax adjustment of $0.9 million, or $0.04 per share resulting from the adoption of certain amendments to the Income Tax Act, namely to the Part VI federal minimum tax on financial institutions. Including these tax items, the effective tax rate for the first quarter of 2008 was 42.1% while that of the first quarter of 2007 was 24.6%. Excluding these non recurring tax items, the effective tax rate was 25.2% for the current quarter compared with 27.9% last year. The reduction in the rate, year over year, mainly reflects the favourable effect of holding investments in Canadian securities which generate non taxable income, the lower taxes on foreign credit insurance operations, the further reduction in federal income tax rates as well as other tax planning measures to optimize the overall tax burden of the Bank.

These measures also contributed to reduce substantially the future tax asset of the Bank to $65 million on January 31, 2008 compared with $87 million on October 31, 2007 as shown in our balance sheet, and to $101 million before the changes to the Part VI tax. These changes on tax assets reduced the corresponding funding cost of the Bank and also contributed to improve net interest margins.

Now let’s go back to bottom of the slide 7. Excluding these tax items, earnings per share would have been $0.91 in the first quarter of 2008, compared with $0.70 for the same quarter last year, representing a growth of 30%. On this basis, the return on common equity was 10.9% compared to 9% last year and 9.7% in the fourth quarter of 2007.

The main drivers of our current results are shown on slide 8, namely:

- Net interest income improvement, due mainly to loan and deposit growth and a tight asset and liability management. Net interest income grew by $4.3 million, or 5%, to $99.5 million. Net interest margin was stable at 2.27% in both quarters. The decrease in the prime-BA spread over the year was mainly offset by the improvement in asset mix and the lower cost of personal deposits and securitization. Growth in our personal loan portfolio reached $852 million, or 20%.

- Other income increased to $51.5 million or 11% compared with the same quarter last year. This increase is mainly attributable to higher income associated with the securitization of $400 million of residential mortgages loans during the quarter which generated a $6-million gain on sale. This gain was partially offset by a $2-million charge on an economic hedge related to a warehoused commercial mortgage portfolio. The increase in other income is also due to higher revenues from mutual funds sales, the Visa and debit cards, deposit service charges as well as treasury and financial market activities.

- The provision for credit losses remained relatively stable at $9.5 million versus $10-million for last year.

- A positive operating leverage; non-interest expenses increased by 4%, or $4.2 million, mainly in salary and technology expenses, compared to a growth of 7% in our total revenues.

As shown on slide 9, our net impaired loans amounted to minus $4.5 million in the first quarter of 2008 versus minus $2.8 million at the end of the same quarter last year. Our credit quality situation remained very good.

As I stated previously, risk management continues to be a very important element at Laurentian Bank. Our capital ratios have slightly improved while the Bank has adopted the new Basel II framework. The Bank has adopted the standard approach for the credit risk and the Basic Indicator Approach for operational risk. In our view, these methods are appropriate for the Bank considering its size at this point. We continue to closely monitor our loan and securities portfolios as well as the credit and market environments.

Contribution of business lines

First, let me point out that we have reorganized two of our business lines as explained in the note of the bottom of slides 10 and 11. Small and medium enterprises Quebec is now grouped with Retail's. Comparative figures for all quarters of 2007 have been restated and are available on our Web site.

Slide 10 shows that total revenue of Retail & SME Quebec increased by $4 million, or 4%, over the same quarter last year, to reach $100.4 million coming mainly from higher loan and deposit volumes. Average loans and deposits grew by $665 million and $302-million respectively. This was partially offset by higher provisions for credit losses in the SME Quebec portfolio and by a $4.5-million increase in salaries and employee benefits to support our growth initiatives. The sector net contribution decreased by $1 million over last year to $9.1-million.

As shown on slide 11, the net income contribution of Real Estate and Commercial increased by 20% to $6.8 million. Total revenue rose by 7% to $17.1 million resulting mainly from higher loan volumes in commercial mortgages and commercial loans. Average loan growth was 22% over the same period last year. Provisions for credit losses were slightly lower while non-interest expenses were relatively stable.

The next slide shows that the net income contribution of the B2B Trust line of business rose by 28% to $9.4-million. Total revenue increased by 9 % to $24.7 million. The business line continues to benefit from strong growth in loans and deposits – namely $871-million in investment loans and $533-million in average deposits. The business line also benefited from lower loan losses on both the mortgage and the personal line of credit portfolios as well as from stable non-interest expenses, leading to a strong improvement of the efficiency ratio which reached a record 42% during the quarter.

As can be seen from slide 13, the net income contribution of Laurentian Bank Securities was $0.5-million during the quarter versus $1-million the same quarter last year. The lower contribution was mainly due to the lower level of the retail operations while the Institutional Equity and Institutional Fixed Income divisions levels remain unchanged compared with the first quarter of last year.

On slide 14, the Other sector total revenues improved by $2.9 million over the same period last year. This increase resulted mainly from the $6-million gain on securitization and higher treasury and financial market revenues which was partially offset by the $2 million charge related to an economic hedge on a warehoused commercial mortgage loan portfolio and a decrease in net interest income related to higher level of securitized loans. Let me remind you that the hedging strategy relative to the warehouse commercial mortgage loan portfolio was modified at the beginning of the second quarter of 2008, as explained in our press release. Non-interest expenses were stable. The net contribution was mostly affected by the unfavourable tax adjustment of $5.6-million during quarter as already explained.

This concludes my comments. Now, back to Réjean.

Thank you, Robert.

Now, turning to some of our initiatives during the quarter, the Bank has taken other steps in its development, as can be seen on Slide 15.

We continued to work on our processes and operations in order to make them more efficient and competitive. We also made, well-targeted and rigorously executed marketing and business development initiatives in growth sectors.

We completed the upgrade of our ABM network, which now provides state of the art customer experience. We also opened a second Espresso Bank Café branch in Montreal, in collaboration with our partner Van Houtte, which operates a full service Bistro within the branch. The first branch of this type was opened in 2004 and was very well received. Volumes were boosted in this branch further to the transformation. Concerning the SME sector in Quebec --now part of Retail —we hired over a dozen account managers to enhance business development.

B2B Trust signed a new agreement with Aim Trimark Investment to distribute RRSP and investment loan programs. This new agreement means that B2B Trust now has 50 distribution alliances offering loans for more than 1,100 mutual funds Canada-wide.

Laurentian Bank Securities continues to strengthen its base. The Institutional Equity and Institutional Fixed Income divisions are continuing their development with the hiring of new employees. As well, the Institutional Equity division continues to steadily grow and now has nine analysts covering different industries, namely industrials, information technologies, consumer products, special situation, mining and clean technologies.

In summary, on slide 16, we can conclude that results for the first quarter of 2008 confirm that our strategies are bringing concrete results, with the increase in revenue from organic growth, the improvement in operational efficiency and the increase in core results.

We are maintaining our focus on our three priorities and are working at all levels of the Bank to improve our performance and pursue our development. The focus for 2008 will continue to be made on operational efficiency improvements and the development of our human resources to ensure the Bank's long-term and sustained development.

This wraps up my comments and I will now turn the floor back to Gladys.

MS. G. CARON: 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 English or in French.

TÉLÉPHONISTE : Merci, madame Caron. Thank you, Ms. Caron.
(QUESTION PERIOD)

OPERATOR: There are no further questions registered. So I would now like to turn the meeting back over to Ms. Caron.

MS. G: CARON: Thank you all for joining us today. Merci de votre participation.
If you have any further questions, the phone numbers are listed on the press release.

Thank you.

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

MICHAEL GOLDBERG: Thank you. I have a few questions. First of all about loan quality. You kept your loss provision pretty level at around $9.5 million, but I figure that you had about $16 million of net formations during the quarter, up from about 9 million last quarter and about $2 million in the first quarter a year ago.

Could you give us some idea of what kind of loans contributed to the higher level of formations in the latest quarter? Were there any particular large single credits or was it widely spread around? And if it was single credits, what's the prognosis?

RÉJEAN ROBITAILLE (President and CEO, Laurentian Bank): Okay, good afternoon, Michael. I will ask Louis Marquis, our Senior Vice President, Credit, to answer that question.

LOUIS MARQUIS (Senior Vice-President, Credit, Laurentian Bank): Michael, there is indeed one commercial credit within a quarter of about $9 million that has been classified as impaired in the quarter. This loan is secured mostly by real estate and to a lesser extent by equipment and we think we are well secured.

RÉJEAN ROBITAILLE: Does that cover it all, or...?

MICHAEL GOLDBERG: And the remaining $7 million.

LOUIS MARQUIS: That would be various things, but nothing material anywhere.

MICHAEL GOLDBERG: Okay, and turning to the securitization, you've done about $400 million of mortgage sales in each of the past two quarters. You insured a portion of the loans that are still on your balance sheet. What level of mortgage securitizations should we think of as being sustainable on a regular basis and what sort of revenue level can be thought of as normal?

RÉJEAN ROBITAILLE: I'll ask Bernard Piché to answer that one.

BERNARD PICHÉ (Senior Executive Vice-President, Treasury, Capital Markets and Brokerage): In terms of the volumes, we have ample mortgages to securitize as we go ahead this year. Also I'm expecting that we're securitizing to raise money to fund new mortgages. So this pipeline has gone and refurbished itself as we move into the mortgage season later on this spring.

So that's for the first part of your question. If it's not complete I can come back. The second part was about revenues, Michael?

MICHAEL GOLDBERG: Yes.

BERNARD PICHÉ: As you've seen over the last few years now, as we've grown the business and grown the lending business, we've been using securitization on a more regular basis. And that has generated revenues in '06 and '07 and again this year.

It's difficult for me to say what's ahead in terms of revenue. It's clear that the plan for the bank is to continue to grow its loan business, and as the treasurer I will make sure that I fund it. The bank uses retail deposits and securitization. So securitization is part of the plan going forward. As you know, revenues generated by securitization varies depending of market conditions. But I'm expecting to use that tool as we've done in the last two years.

MICHAEL GOLDBERG: How much in the way of CMHA insured mortgages do you still have on your balance sheet that you could securitize?

BERNARD PICHÉ: I don't have the exact number. We have actually billions of mortgages that are CMHA insured. The ones that would qualify for securitization change, you know, these things evolve quarter over quarter. We have ample supply for this year and we will be generating new ones. But I can't go much further than that.

MICHAEL GOLDBERG: Okay, I have a number question also, if I could. What were the commission expenses in Laurentian Bank Securities this quarter?

RÉJEAN ROBITAILLE: Michel Trudeau.

MICHEL TRUDEAU (President and Chief Executive Officer Laurentian Bank Securities): Yes, good afternoon. I have to get back to you. I don't have the exact number with me. It obviously is a percentage of the overall commission revenues, but I can come back to you on that one, easily.

MICHAEL GOLDBERG: Okay, that's great. Thank you.

OPERATOR: Thank you. The next question is from Sumit Malhotra of Merrill Lynch. Please go ahead.

SUMIT MALHOTRA: Good afternoon.

RÉJEAN ROBITAILLE: Good afternoon, Sumit.

SUMIT MALHOTRA: Hi. I'll start with securitization as well. I mean, when I look at the amounts, you did $399 million in Q1, $405 million in Q4. Just try and get an idea here, and the big difference and obviously the bottom line you booked, and you had things move against you each time. Last quarter it was the swaps and residential mortgages. This time, you talked about commercial.

But what about starting on the top line in Note 4, the difference in cash proceeds. Was there any change in assumptions that you put through? Was there just movement in rates quarter over quarter? Were the rates being lower? Is that the big differential on the cash proceeds you received?

RÉJEAN ROBITAILLE: There was no change in assumptions, to answer the first part of your question. Mostly the impact, as you know, will, and interest rate, they were lower in Q1 than they were in Q4. And that might fluctuate also depending of, well, the overall mortgage portfolio. But the main reason is the evolution of the interest rate.

SUMIT MALHOTRA: Okay, let's move over to something else. Looking at business-to-business loans, I guess two things here. You have a note saying that you sold off a portion of the personal loan portfolio so you could focus specifically on the investment loan side. I just wanted to get the thought process behind moving out of that business, although it looked like it was a relatively small amount. Just wanted to get your thought process.

And then secondly, obviously this business has had your best growth in the last few years. It's been underpinned by what's been happening in terms of strong market-sensitive revenues for the industry, with mutual fund flows specifically starting to slow. Where are you thinking about the growth rates for this business going forward if there's less activity on the wealth management side?

RÉJEAN ROBITAILLE: Okay, we'll ask François Desjardins, of B2B Trust, to answer the question.

FRANÇOIS DESJARDINS (Executive Vice-President of the Bank and President and Chief Executive Officer, B2B Trust, Laurentian Bank): Well, first of all, I'll give two portions of answer. The first is the thought process behind the portfolio that we sold off is the same thought process that we've had since I think 2005, that we wanted to concentrate all our efforts on financial intermediaries and that we had taken that decision at the time to mitigate those portfolios. That was the only one that was left, and now that is gone.

These are line-of-credit portfolios generated by retail-based activities from retailers.

The second part of your question has to do, I think, with the mutual fund loans, which is generated by financial advisors and brokers and dealers. And I think your question is how's it looking toward the current market situation?

I guess my answer to that is, if that is your question, is it's looking not bad at all. It's for sure the current market situation has slowed down the sales a tad bit, but I think it's just a wait-and-see attitude from investors at this point. To me it's still... it's significant in terms of going forward and looking at our yearly objectives.

SUMIT MALHOTRA: Okay, that's very helpful. And two numbers ones to wrap up. First off, on the tax rate, obviously there's been a lot of moving parts over the last year. Even if we clean up this number, I think we're around 25 per cent, which is lower than the 27%, 28% sustainable that I think was talked about last quarter. You know, with the investment gains that you seem to be receiving on your book on a regular basis should we be thinking about a lower tax rate going forward, or what's the number you would think is reasonable from here?

And number two, prime BA, it was talked about a lot last quarter. You guys were actually very helpful in terms of giving us some exact numbers on where you've seen this thing move according to your numbers. It bounced back in Q4, but the impact on NIM seemed limited. Is this just a reflection of the fact that even though you don't use wholesale funding as much as your peers directly, it's something that on the ALM side is going to continue to affect you and we shouldn't bake in NIM improving just because prime BA does? Sorry, it's a bit kind of... I'm making it complicated, but I think you know where I'm going.

RÉJEAN ROBITAILLE: It's not complicated at all.

SUMIT MALHOTRA: Okay.

RÉJEAN ROBITAILLE: It's a good question, Sumit. I will ask the first part of your question, Robert Cardinal could talk about the tax rate.

ROBERT CARDINAL (Senior Executive Vice-President, Finance, Administration and Strategic Development, and Chief Financial Officer, Laurentian Bank): Yes, in our press release, we have given some, as you mentioned, some indication about the tax rate, excluding the two special items; and in fact, in this quarter it's about 25 per cent compared to roughly 28 per cent a year ago.

Things are evolving. You have a number of reasons why we're now at 25 per cent. The reasons are always the same. We're creating and generating more and more revenues from Canadian securities. We're growing our portfolio.

The second element is, of course, we benefit from the drop in the income tax rates, starting from now, and which will continue in the further quarters, in other quarters. We continue to generate tax reductions on... or good tax rates on our insurance business and also other measures. And I think this 25 per cent is a good indication for the future.

RÉJEAN ROBITAILLE: As for the second part of your question, in terms of the prime BA, Bernard, do you want to answer that?

BERNARD PICHÉ: Sumit, would you go ahead and explain again... I can talk about prime BA, but what's your question?

SUMIT MALHOTRA: Sure. It doesn't look like you guys have too much of a need, strictly just looking at your loan book and your personal deposits, it doesn't look like you use wholesale funding as much as some of your peers. And you know, obviously there was a big impact on NIM in Q4 and this quarter even with the prime BA bouncing back, your margin didn't come back as much.

The impact for Laurentian Bank, is it mostly related to some of the swaps that you'll put on in your ALM side, that prime BA... that the differential affects you in terms of wholesale funding?

BERNARD PICHÉ: Well, yes, when the prime BA improves it does affect us positively. As you know we have a significant book of prime-based business. We fund most of them through retail deposits. So we use receiver swaps to hedge this thing and put it squarely.

The short leg of those swaps is the BA rate. What's important to notice is that there is a lag between when the prime falls and then the BA rate follows, the repricing of the swap is not instant in use. So although over three, four, five months the full impact of an improvement in prime BA will affect our result very positively, there is some lag.

So it's very difficult to look at the margin from one month to the other and say we've had an improvement in prime BA, we should see that many dollars. There is noise there. But overall the impact is there, and can materialize.

In the first quarter of this year our margin is about the same as last quarter. Even if we had an improvement in prime BA that lag is one part of the explanation, but the other more important part of the explanation is the liquidity level. You've noticed, Sumit, that we've increased liquidities significantly from last quarter. And when I look at the liquidity profile our ratios, our survival ratios are much improved. In fact, we are in a more liquid situation than we've been in the last 16 months.

So that naturally has a cost. I think it's useful for us, given the circumstances. I want to make sure that we enter the next mortgage loan campaign with ample liquidities, but it does have some impact on the ability of the bank to improve its margin from quarter to quarter.

SUMIT MALHOTRA: Well, that's great, Bernard. Thanks a lot for helping. And you're right, I see that the liquidity is much higher than we've seen over the last year at the end of Q1, so I appreciate that answer very much. Thanks.

BERNARD PICHÉ: A pleasure.

OPERATOR: Thank you. The next question is from Ian de Verteuil from BMO Capital Markets. Please go ahead.

IAN DEVERTEUIL: Thank you. Note 2 of the financial statements talks about a loss of $0.5 million. Is that right?

RÉJEAN ROBITAILLE: Yes, I think you refer to the sale of the $30 million portfolio. You refer to the portfolio of lines of business we just talked about...

IAN DEVERTEUIL: Right.

RÉJEAN ROBITAILLE: ... that François Desjardins referred to.

IAN DEVERTEUIL: And is that in the B2B trust line? Is that loss in there?

RÉJEAN ROBITAILLE: It's where, in other sectors?

UNIDENTIFIED MALE SPEAKER: It's in other sectors.

RÉJEAN ROBITAILLE: No, it's not in the B2B line of business. It's in other sectors.

IAN DEVERTEUIL: Okay, thank you. The second, and it sort of follows on this question on tax, if I would ask you what your tax rate was on a TEB basis, adjusting for dividend income, could you give us that, Robert?

RÉJEAN ROBITAILLE: We presently don't calculate that information, unfortunately.

IAN DEVERTEUIL: And the last question is relating to risk weighted. Can you tell us what your risk weighteds are under Basel I?

RÉJEAN ROBITAILLE: Robert, if you want to answer that one also.

ROBERT CARDINAL: Yes, we adopted the standard approach so that we don't have to publish both the information under Basel I and Basel II as I understand other banks have to, because they have to run a parallel. But if you... we provided some information in the additional tables attached to the press release and you will find a lot of information. We didn't have too many changes in the real risk weighted percentages, so the difference wouldn't be that big.

We estimate that the impact of the implementation of Basel II is about 0.3 per cent. As you can see the tier-one ratio was 9.8 per cent at the end of 2007 and it increased to 10.3 per cent. That's an increase of 0.5 per cent, and we estimated that 0.3 of that 0.5 per cent is due to the implementation of Basel II.

IANDE VERTEUIL: Thanks. Just to make sure I'm clear, when you say the additional tables, you presented risk weighteds, the one way and the other, presumably the big decline is the new mortgage book. That looked to be down $0.5 million on Basel II. But the consumer loan, the other loans are also down meaningfully. Is that... were you able to put a lot of the commercial loans into that category that got relatively low risk weighting? Is that why those two are down that much?

ROBERT CARDINAL: Yes, one of the reasons, we mentioned that we insured certain residential mortgages. That's probably the reason for the drop in the risk weighted residential mortgages. As to the other loans, it's probably the change in the risk weight percentage when going from Basel I to Basel II.

IAN DEVERTEUIL: Okay, but 30 BPs you would say of the 50 is a shift in... the shift to Basel II. Thank you.

ROBERT CARDINAL: You're welcome.

OPERATOR: Thank you. Once again, please press *1 if you have a question. De nouveau, n'hésitez pas de faire *1 pour toute question.

Next question is from Robert Sedran of National Bank Financial. Please ago ahead.

ROBERT SEDRAN: Hello, good afternoon.

RÉJEAN ROBITAILLE: Hello.

ROBERT SEDRAN: Most of my questions have been answered. I just have a quick one for you. The segment realignment, is there any change in the way these businesses are being managed, or is it purely just in the disclosure of the businesses, and can you give us a small idea as to why you decided to do that?

RÉJEAN ROBITAILLE: It's difficult to hear you well, Rob. Could you say it again?

ROBERT SEDRAN: Sorry. I'll try to speak up. The segment realignment that you've reported on this quarter, is there anything different in the way the businesses are being managed, or is it just in the way they are being presented, and perhaps why did you decide to do that?

ROBERT CARDINAL: Yes, you refer to the changes we made to the lines of business. In fact, we moved the Quebec small and medium enterprises from the commercial sector to the retail sector. In fact, maybe Réjean will want to...

RÉJEAN ROBITAILLE: Oh, that is just because... that reflects how we operate in the bank. So small and medium enterprise are now under the responsibility of Luc Bernard, who's head of Retail Financial Services.

And that small and medium enterprise, which represents let's say loan, commercial loans lower than $3 million. We thought at that time that we will have better synergies with commercial activities, small commercial activities, with our retail branch activities also. So that's just a reflect... we reflect how now we operate in the bank.

ROBERT SEDRAN: Okay, thank you.

RÉJEAN ROBITAILLE: You're welcome.

OPERATOR: Thank you. The next question is from Michael Goldberg, of Desjardins Securities. Please go ahead.

MICHAEL GOLDBERG: Thanks. I wanted to follow up further on the loan that you mentioned, the $9 million loan that was classified this quarter. Do you foresee this loan being cured in the near term, or do you think that it's going to take some time for it to be resolved?

RÉJEAN ROBITAILLE: Louis Marquis.

LOUIS MARQUIS: The prospect is that the company is going to go through a major restructuring, and I would suspect that it's going to remain impaired for most of the year, if not all of the year.

MICHAEL GOLDBERG: So what gives you comfort that you won't experience any loss on this loan?

LOUIS MARQUIS: We, first there is already a minor reserve that was posted on the first quarter as is prudent, but most of our security is real estate. And really from that perspective we don't see that it's a file where we could take a big hit. So in the worst-case scenario, maybe we need to have some reserve, but nothing that would affect our results going forward. That's really not the way we see it because it's mostly secured by real estate, and a bit by equipment, but mostly real estate.

MICHAEL GOLDBERG: Okay, and turning back to the securitization and you know, what you're doing on the mortgage side, but can you give us some idea of what your mortgage originations were and what portion of those originations actually are... they insured?

RÉJEAN ROBITAILLE: I think that we provided the information in terms of what is insured in overall portfolio in our annual report. It's probably, I think 60 per cent of the overall portfolio is insured, 40 per cent non-insured, first of all. In terms of... well, you've seen the growth that we had in 2007, we were able to securitize a lot of that. That's close to in terms of net growth I would say 500 or $600 million per year. And we have seen also a significant growth, if we exclude the securitization in the first quarter of 2008. So we continue to see strong growth in that portfolio.

ROBERT CARDINAL: If you look at the balance sheet from October 31st to January 31st in the last quarter, you can see that there is a negative growth of about $225 million, but which takes into account the fact that we securitized $400 million. So before securitization the growth was about $275 million in the first quarter. And this has been our run rate over the past year about.

And mind you in the last few years we have invested a lot in terms of having a good engine of growth in terms of mortgages. So we have put more mortgage… so we're quite confident that in fact, when we start the mortgage campaign that the volume will be there.

MICHAEL GOLDBERG: So on a run-rate basis, you know, it looks like $400 million is a higher level of mortgages than you would normally securitize. You know, taking let's say $250, $275 million of mortgage originations per quarter, and 60 per cent of those insured, would that 60 per cent of the 250 to 275, would that give us some idea of the normal level of loan sales that we could think of?

RÉJEAN ROBITAILLE: You have to remain that when we talked about growth that's net growth. So in terms of adding new mortgages, that's more in that growth. So that's probably kind of not necessary double the size, but quite...

UNIDENTIFIED MALE SPEAKER: Closer.

RÉJEAN ROBITAILLE: That's quite close to that.

MICHAEL GOLDBERG: Okay, thank you.

RÉJEAN ROBITAILLE: You're welcome.

OPERATOR: Thank you. The next question is from Sumit Malhotra, of Merrill Lynch. Please go ahead.

SUMIT MALHOTRA: Sorry, just one more quick one. You talked... I just heard you talking there, and I totally agree with how strong the loan growth has been, particularly over the last year, especially if you back out the securitizations. And you know, coming into this year we had seen the bank post $10 million in provisions on a quarterly basis for eight straight quarters. And if anything, I expected that line to start to move up, to keep pace with what was happening on the lending side.

It's not very much, but it is a 5-per-cent decrease in provisions and this is obviously an area where you guys have some flexibility. I was wondering if you could just give us... is this a formulaic move? Is it because the book is more retail, gross impaireds are pretty flat? What's the thinking behind actually moving the loan loss provision down instead of up to match the loan growth you've had?

RÉJEAN ROBITAILLE: I will ask Louis Marquis to answer that question, Sumit.

LOUIS MARQUIS: First, not that it was material, but in Q1, we did benefit from a small recovery on a commercial loan, as we do from time to time. And all other portfolios actually performed quite well. And so that's how we ended up at 9.5. And there really was no need, when we do our assessment, to have the higher provision.

As you mentioned, it's not a significant variance from the recent run rate. If there's anything I could add, it's that there's not been any material deterioration in any of our credit portfolios to this date.

SUMIT MALHOTRA: So as we stand now, I mean, you don't see this... this number sounds like moving too much from where we've been in the last couple of years, even though loan growth is better than it's been for the bank in quite some time.

LOUIS MARQUIS: No, it's really not a significant variance.

SUMIT MALHOTRA: Okay. Thank you.

OPERATOR: Thank you. There are no further questions for the moment. I would now like to turn the call back to Miss Caron.

GLADYS CARON: Thank you all for joining us today. Merci de votre participation. If you have any further questions, do not hesitate to call us. The phone numbers are listed on the press release. Thank you.

OPERATOR: Thank you. The conference has now ended. Please disconnect your lines at this time and thank you for your participation.

**

Disclaimer

The information contained in this transcript is a textual representation of Laurentian Bank 's first quarter 2008 results conference call and while efforts are made to provide an accurate transcription, there may be material omissions, errors or inaccuracies in the reporting of the substance of the conference call.

The webcast, the transcript and the accompanying presentation are made available for your information only. The documents are current only as of the date of the webcast and may be replaced by more current information. Laurentian Bank does not undertake to update the information, whether as a result of new information, future events or otherwise. Laurentian Bank does not assume any responsibility for any investment or other decisions made based upon the information provided in the webcast, the transcript, the accompanying presentation or otherwise on Laurentian Bank's web site. Users are advised to review Laurentian Bank's filling with the Canadian securities regulators.

Caution Regarding Forward-Looking Statements

In this document and in other documents filed with Canadian regulatory authorities or in other communications, Laurentian Bank of Canada (the "Bank") may from time to time make written or oral forward-looking statements within the meaning of applicable securities legislation, including statements regarding the Bank's business plan and financial objectives. These statements typically use the conditional, as well as words such as prospects, believe, estimate, forecast, project, expect, anticipate, plan, may, should, could, would or the negative of these terms or variations of them or similar terminology.

By their very nature, forward-looking statements are based on assumptions and involve inherent risks and uncertainties, both general and specific in nature. It is therefore possible that the forecasts, projections and other forward-looking statements will not be achieved or will prove inaccurate. Although the Bank believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct.

The Bank cautions readers against placing undue reliance on forward-looking 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. Among other things, these factors include capital market activity, changes in government monetary, fiscal and economic policies, changes in interest rates, inflation levels and general economic conditions, legislative and regulatory developments, competition, credit ratings, scarcity of human resources and technological environment. The Bank cautions that the foregoing list of factors is not exhaustive. For more information on the risk, uncertainties and assumptions that would cause the Bank's actual results to differ from current expectations, please also refer to the Bank's public filings available at www.sedar.com.

The Bank does not undertake to update any forward-looking statements, whether oral or written, made by itself or on its behalf, except to the extent required by securities regulations.