LAURENTIAN BANK

CONFERENCE CALL

JUNE 2, 2006

TÉLÉPHONISTE : Bienvenue à la conférence de la Banque Laurentienne. Welcome to the Laurentian Bank conference call.

Soyez avisés que cette conférence est enregistrée.

Je cède maintenant la parole à madame Gladys Caron.

Please be advised that this call is being recorded.

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 Web site.

This afternoon's overview of our second quarter will be provided by Ray McManus, President and CEO; Robert Cardinal, CFO; Bernard Piché, Head of Treasury, Capital Markets and Brokerage; Réjean Robitaille, Head of Retail and Commercial Financial Services; Luc Bernard, Head of Retail Financial Services; André Scott, Head of Commercial Financial Services; and François Desjardins, in charge of B2B Trust.

The following members of our senior management team are also present at this call: Lorraine Pilon, Head of Corporate Affairs and Human Resources;

Michel Trudeau, Head of Laurentian Bank Securities; Marc Paradis, Controller; Louis Marquis, Head of Credit; André Lopresti, Chief Accountant; and myself, Head of Public Affairs, Communications and Investor Relations.

At this time, I would invite Mr. McManus to begin.

MR. R. McMANUS: Thank you, Gladys.

Good afternoon everyone.

I am satisfied with our results for the second quarter as we continue to see constant improvements. The latest RRSP campaign was the best ever and to date, we have had greater mutual fund sales compared with last year. As well, the sustained growth in revenues and assets of our four business lines are all very positive signs.

For the second quarter, our return on equity reached 12.5% or 91 cents per share. These results include some special items, the most important being a favourable tax adjustment. Robert Cardinal will provide more details in a few minutes. However, even excluding these elements, we are still doing much better than the same quarter last year and we are still on plan.

Insofar as the different business lines, we have seen improvement in Retail Financial Services and B2B Trust with both benefiting from growing personal loans. Commercial Financial Services benefited from higher commercial mortgages which grew by 5% over the same quarter last year. Finally, after hiring new reps and opening new offices, Laurentian Bank Securities continues its development by entering into the institutional stock market and financing of mid-cap companies.

In summary, we will not deviate from our long-term objective to become the third largest retail and commercial institution in Quebec and a performing player in specific markets across Canada. Many initiatives, such as intensified marketing activities and the implementation of a more sales driven culture, have been put in place in order to grow our assets and revenues while maintaining our passion for service.

We were also very pleased with Standard and Poor's recent decision to change the outlook on Laurentian Bank's credit rating from negative to stable. We will do our utmost to ensure their confidence is not misplaced.

To conclude, as some of you may already know, we are celebrating our 160th anniversary this year. More precisely, the exact date was May 26th. Without forgetting our past, we are working with determination to keep on building a solid bank that will continue to pursue its development over the next decade.

I will now ask Robert Cardinal, our Chief Financial Officer, to say a few words on our financial results.

MR. R. CARDINAL: Thank you, Ray.

As usual, my comments will cover a comparison of our results for the quarter with the same quarter last year, the previous quarter and our 2006 objectives.

On a gap basis, diluted earnings per share were 91 cents, and the ROE – return on equity – was 12.5% for the quarter. Discontinued operations had no material impact on the current quarter results, which however included an important favourable tax adjustment of $10.7 million or 45 cents per share resulting from the reduction of certain tax exposures explained in detail under *Income Tax Recovery* on page 4 of our press release.

Our results were also favourably impacted by a reversal of $1.3 million or 4 cents per share from the stock appreciation rights plan.

This brings me to the comparison with the same quarter last year.

Excluding the two items, earnings per share would have been 42 cents for this quarter versus 34 cents for the corresponding quarter last year. This represents an increase of 24%.

Compared to the same quarter last year, Total Revenue rose by 9%. Net interest income increased by 8% or $6.6 million while Other Income rose by 10% or $3.9 million. Stronger Securitization revenues, Treasury and Financial Market revenues, Insurance revenues, as well as higher Brokerage revenues, were the main drivers. Fees and commissions on loans and deposits were slightly lower.

Non-interest expenses increased by $4.8 million versus the same quarter last year, resulting mainly from an increase in employee future benefits and higher salaries and benefits related to retail business development activities in Retail Financial Services and Laurentian Bank Securities.

The Bank’s core activities have continued to improve in the following areas.

We continue to see an improvement in our net interest income. Our net interest margin stood at 2.11% versus 2.02% in the second quarter of 2005. This improvement results mainly from asset and liability management and loan and deposit growth.

Secondly, personal loans increased by 9% over 2005 in investment loans, RRSP loans, as well as mortgage secured lines of credit.

Thirdly our efficiency ratio continued to improve resulting from total revenue growth.

Finally, we continue to maintain strong capital ratios. Tier 1 capital ratios stood at 10.3% for the second quarter of 2006 versus 10.2% for the same quarter last year.

Now, I will compare our current quarter results versus the previous quarter.

I had reported three months ago that the first quarter results included three important items that had an impact on our results, namely an adjustment to future tax assets, a charge related to the stock appreciation rights plan, and a gain resulting from the sale of Brome.

Excluding these elements, earnings per share were 53 cents for the first quarter of 2006, stronger on an equivalent basis than the 42 cents of the current quarter of which approximately 6 cents is due to the shorter current quarter.

Total revenues of $128.5 million for the current quarter were lower compared to $131.5 million in the previous quarter. This can be explained by a 3% decrease of net interest income or $2.3 million mainly due to the shorter quarter.

Our net interest margin was 2.11% versus 2.10% in the first quarter of 2006.

Other Income decreased slightly by $0.7 million.

Loan losses and net impaired loans remained stable during the quarter.

Non-interest expenses decreased by $3 million, 3% from the first quarter, explained mainly by the $4.1 million reduction in salaries and employee benefits related mostly to the stock appreciation rights plan.

Personal loans grew by 4% while personal deposits rose by 2% over the previous quarter.

Now, the comparison to our 2006 annual objectives.

Our earnings to date on a gap basis are well in line with our objectives while our efficiency ratio is slightly above the target range as it was affected by higher salaries and employee benefits following a strong appreciation in Q1, a strong stock appreciation in Q1, as well as higher professional fees and advertising and business development expenses.

As you probably noted, the two following important elements on page 2 of our press release could materially affect our net earnings and capital ratios for the second half of the year: first, the redemption of $150 million of debentures and secondly, the tax charge of approximately $11 million related to the re-evaluation of our future tax assets during the quarter when the federal income tax rate reduction is approved in third reading by Parliament.

This completes my comments.

Now, Bernard for Treasury and Brokerage.

MR. B. PICHÉ: Well, thank you, Robert.

Treasury and Financial Markets Other Revenues stood at $2.9 million for the quarter as compared to $1.6 million for the same quarter last year and relatively unchanged from last quarter.

Our asset and liability management activities are on target as reflected by the continued good behaviour of the Bank's net interest margin.

For their part, Securitization revenues stood at $3.6 million for the quarter mainly reflecting the revenues generated by our securitization this quarter of $307 million of conventional residential mortgages.

With the excellent liquidity situation of the Bank, the amount of new securitization activity will probably diminish in the coming few quarters.

During the quarter, and more precisely on April 6th, the Bank announced the repurchase of its debentures Series 9 effective June 1st. Given the strong capital position of the Bank, we do not plan to replace these debentures in the immediate future.

Laurentian Bank Securities had a good second quarter with total revenues of $6.2 million as compared to $5.3 million for the same quarter last year. Institutional fixed income activities, as well as retail brokerage revenues, both contributed to this good performance.

It should be noted that this quarter, Laurentian Bank Securities launched a new business unit specializing in institutional brokerage services in the equity market. This new unit will have a very focused approach aiming at small- and mid-sized businesses and will benefit from the brokerage's solid team and reputation.

This concludes my remarks, and I now turn to Réjean Robitaille.

MR. R. ROBITAILLE: Thank you, Bernard.

The second quarter results for Retail Financial Services and B2B are promising and higher than those recorded at the same period last year. The positive trend on volume growth continues, and both business lines posted higher total revenue.

Retail Financial Services' net contributions stood at $7.1 million for the second quarter, an increase of $1.1 million compared to the same quarter of last year. The plan continues to give good results with volume growth of over $500 million since last year.

As for B2B Trust, net income increased by 43% over last year and reached $5.7 million for this quarter. Once again, a strong performance in investment loans mostly explains this increase. Year over year, this portfolio grew by more than 19%.

As for Commercial, the contribution to net income for the quarter was weaker as it did not benefit from loan loss reversal, as it was the case in 2005. The loan portfolio has however increased by close to $100 million compared to a year ago, which bodes well for the future.

I will let Luc, André and François provide more details on their business line results and main activities during the second quarter.

Luc.

MR. L. BERNARD: Thank you, Réjean.

As you know, strategy is good but the key to its success lies in the execution. I am happy to report that my team's commitment to implementation has given way to improved results.

On a year-over-year basis, net income grew by 19%; retail assets grew by 8%; and the RRSP campaign broke a record with 6% growth.

Revenue growth was broad based and included strong performance from high-return products, such as credit insurance, mutual funds, and credit card revenues.

Our customer obsession consistently delivers high-quality experience in terms of service, improving the retention rate and generating cross-selling opportunities. We continue to make significant investments to benefit future growth, namely our new Mobile Banker, our sales driven technology and the modernization of our distribution network.

Since we introduced our Visa Growth business plan in 2005, we have already begun to see the following positive results: a 20% increase in the transaction level; a 9% increase in our standing; and a record high level for new card acquisition. The introduction of the cash-in promotion and the Reward-Me card have stimulated activity levels, and more people are starting to use our Visa products as their primary card.

Our talented team members are doing a great job implementing our vision of a performance driven Bank.

This wraps up my comments, and I would now like to turn it over to André Scott, Head of Commercial.

MR. A. SCOTT: Thank you, Luc.

As Réjean already mentioned, Q2 was somewhat disappointing for our group.

Excluding the impact of Brome Financial Corporation which was sold in the first quarter, revenues compared to 2005 were up $300,000 but down $700,000 compared to Q1. In the latter case, most of the decrease came from the shorter quarter, but we did experience lower fees from our Commercial portfolio.

The main variances told in Q2 of this year were the loan losses. In as much as 2005 results benefited from significant recovery, this year, we incurred a significant provision on a specific loan, which was subsequently resolved in May 2006 at no additional cost.

We nevertheless remain on track with our objectives.

On a sector basis, our Real Estate group continues to enjoy growth of assets and the pipeline remains top solid. Slowdown in the Eastern Canada condo market is compensated by increased activity from Alberta and B.C., as well as diversification in other provinces, such as retail and retirement facilities.

Our Small- and Mid-Market Commercial business remained relatively stable in Q2, notwithstanding that we experienced partial or full repayment of some list accounts.

Two main events occurred in Q2 on the Commercial side.

First, we reorganized our sales force in Quebec by better focusing our people on business development and with a better tip with our Retail group, we want to increase our market share while maintaining the highest quality of service.

To complement this initiative, we finalized and launched our Commercial signature, MAXAFFAIRES. The latter will from now on identify all the Bank’s Commercial services offerings. This signature is intended to increase awareness of our commercial capacity and attract new clients. We are supporting the launch of the new signature with an advertising campaign in Quebec's main newspaper and also some TV and Web ads. A second phase is planned for next fall when we will use the signature to brand commercial products.

This wraps up my comments, and I will now pass it on to François Desjardins for B2B.

MR. F. DESJARDINS: Thank you, André.

B2B results for Q2 are reflective of the continued growth of core products offered through the Advisor community, include margins as well as effective expense containment.

Investor loans, mortgage loans and deposit volumes are up from the previous quarter by \$93 million, \$9 million and \$151 million respectively.

Total revenue has increased by \$2.4 million or 12.7% over the last year's second quarter, and \$0.4 million or 2% over the first quarter of 2006.

Note that after adjusting for fewer days in the second quarter, Q2 versus Q1 revenue growth, we have then 4%.

Loan losses and costs remain contained and managed tightly, as reflected in the efficiency ratio of 52.4% for the second quarter, an improvement of over 6% versus the same period a year ago.

The year-to-date strategy of B2B is building on the direction we set out for ourselves in 2005 by simply concentrating on our primary market, building growth organically through our most productive business relationships, and enhancing our operational efficiency through continuous improvements.

Some notable items in the quarter include the achievement of the best financial results for the last 10 quarters. We also celebrated record loan sales, and we increased customer satisfaction, notably by introducing enactments to the Ease loan submission tool and working closely with our customers.

In essence, we are diligently executing a common sense strategy based on steady growth in core markets across.

At this point, B2B business line leads at $2.7 billion in loans, $4.9 billion in deposits, and is entrusted with $5.3 billion held in self-directed accounts.

This wraps up my comments. I will now turn it back over to Gladys.

MS. G. CARON: Thank you, François.

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

OPERATOR: Thank you. Merci.

Pour poser votre question, appuyez sur *1. Si vous désirez annuler votre question, appuyez sur le dièse.

If you wish to ask a question, please press *1 on your telephone keypad. To cancel your question, please press the # key.

The first question is from Ian de Verteuil from BMO Nesbitt Burns.

Vous pouvez maintenant procéder. You can now proceed.

MR. I. DE VERTEUIL (BMO Nesbitt Burns): Good afternoon everyone.

One of the things that give me a headache is trying to understand securitization, and I think it must be from my past sins. I have to think about this.

It seemed as if you had pretty strong securitization revenues again this quarter. I know the other Banks have talked to the reduced profitability in securitization or the reduced ability to book in on sales given the rising interest rate environment.

Can you talk to the sustainability of the $3.5 million and maybe why you were able to still have a pretty strong securitization revenue this quarter even with rates up quite a bit?

MR. B. PICHÉ: Yes. Bernard Piché speaking.

Sustainability of securitization revenues, as you know, is dependent on, first, doing volume in securitization and also of the interest rate environment.

As I said in my comments, it may well be that in the coming quarters, we will have less volumes to do given the good liquidity situation of the Bank.

As for individual transactions, we did two transactions this quarter. And you are right. In a rising rate environment, some of the excess spread was very small on the first transaction but on the second block of mortgages, it was bigger.

So the revenues are what you see for this quarter, but it is no indication of what they could be in the next securitization where they could be somewhat smaller, or if we were to reduce the volume of securitization, then naturally that could affect also the revenues.

So it depends of when the losses are generated, how they have been hedged, and the rate environment at the time of securitization.

We have had spreads that have been smaller or wider depending on the market conditions.

MR. I. DE VERTEUIL (BMO Nesbitt Burns): That is great, Bernard. Thank you very much.

I guess you mentioned that the first one was a smaller gain, and then the second one was bigger. I would have thought that with rates rising through the quarter, it would have been the other way around.

MR. B. PICHÉ: I think it is the way I have just described. You know, it is a question of when, which blocks you isolate at which time and how they are hedged.

MR. I. DE VERTEUIL (BMO Nesbitt Burns): So this would be as originating mortgages or guaranteeing consumers before you actually give them the money for the mortgages. You would hedge that because you know you are going to batch it.

MR. B. PICHÉ: We are not always hedging.

MR. I. DE VERTEUIL (BMO Nesbitt Burns): Right.

MR. B. PICHÉ: When we feel that the time is right for that, we do hedge.

MR. I. DE VERTEUIL (BMO Nesbitt Burns): Okay. Because it looked as if – I think – you did $306 million of securitization this quarter. So that is the highest level you have ever done.

MR. B. PICHÉ: That is a high volume. That is why I am saying I am not sure it is going to be sustained in the next two quarters in terms of volume. In terms of profit, it will really depend on the interest rate environment.

MR. I. DE VERTEUIL (BMO Nesbitt Burns): Yes, and the rates will be the single biggest variable. As rates rise, there is less margin to take out, less gain on sale from each transaction. Is that right?

MR. B. PICHÉ: Yes.

MR. I. DE VERTEUIL (BMO Nesbitt Burns): That is great. Thanks.

MR. B. PICHÉ: Thanks.

OPERATOR: Thank you.

The next question is from Jordan Himovitz from Philadelphia Financial.

You may now proceed.

MR. J. IMMOVITZ (Philadelphia Financial): Hi guys!

A question: Why did your business deposits go down in the quarter and why did the reverse, “repose(ph)” go up?

MR. B. PICHÉ: I can answer that. Bernard Piché again.

There is no specific reason. In fact, what we call business deposits, a lot of it is institutional. It is whether we want it or not. We tend to prefer repose because they are cheaper. So there is nothing there that would make a fundamental difference. It could be the reverse next quarter depending on what we can repose, what are the repose rates, what is available in the market. If somebody is offering a sizeable amount of cheap money, which I think we had the previous quarter, and we take it, then we will do less repose. If the reverse happens, then we will do more repose. You should not interpret that in terms of availability of funding.

I am not sure I am answering the question.

MR. J. HIMOVITZ (Philadelphia Financial): No, that is good enough.

How about the number of checking accounts in the quarter? What is that trend with your business checking specifically?

MR. B. PICHÉ: André.

MR. A. SCOTT: Business checking accounts in the quarter are up. I do not have the numbers in front of me, but they have been up for the last five quarters now, at a percentage which I do not have on hand but I could provide later on.

MR. J. HIMOVITZ (Philadelphia Financial): Okay.

Any update on the union membership drive in terms of getting them to open up accounts?

MR. R. McMANUS: Yes. As I mentioned before, we are still very committed and it is working very well, but it is a long process. But let us say for competitive reasons, we cannot say any more than that, but it is progressing very well.

MR. J. HIMOVITZ (Philadelphia Financial): The final question is: Why did the margin go down in the quarter, or am I calculating it wrong?

MR. R. McMANUS: The margin?

MR. J. HIMOVITZ (Philadelphia Financial): The net interest margin from last quarter?

MR. R. McMANUS: Why did it not go down, or did it go down?

MR. B. PICHÉ: They were stable. They were around 2.10 and 2.11. They were very stable.

MR. J. HIMOVITZ (Philadelphia Financial): Yes. I must be mistaken in the model. Then, I am sorry.

I thank you very much.

OPERATOR: Thank you.

The next question is from Michael Goldberg from Desjardins Securities.

You may now proceed.

MR. M. GOLDBERG (Desjardins Securities): Thanks. Good afternoon everybody.

MR. R. McMANUS: Hi, Michael. Go ahead Michael.

OPERATOR: Mr. Goldberg, your line is open.

MR. M. GOLDBERG (Desjardins Securities): Okay. Can you hear me now?

MR. R. McMANUS: Yes.

MR. M. GOLDBERG (Desjardins Securities): Okay. I have a couple of questions.

First of all, with the bond redemption, what should I be thinking of as the funding cost saving going forward, and should I be thinking of this fixed or floating?

MR. B. PICHÉ: Robert Cardinal will answer the question, Michael.

MR. R. CARDINAL: Yes. Well, I just made the calculation. If you take the differential of rates, the saving going forward on the run rate on an annual basis should be approximately $2.5 million.

MR. M. GOLDBERG (Desjardins Securities): $2.5 million annualized. Okay.

And you mentioned also the pending tax changes. I just want to make sure that I understand the impact.

Basically, what I think you are saying is that you are going to have a write-down of your tax assets of $11 million, but going forward your tax rate would be lower.

First of all, is that correct?

And secondly, what would you expect would be your recurring tax rate going forward?

MR. R. CARDINAL: Okay. We mentioned that in the last budget, they announced a reduction in the income tax rate from 21 to 19. That is what we are talking about.

The reason why it makes a charge of $11 million is that when it is finally approved and when you have a minority government, you have to wait until the third reading. That probably will happen in the third quarter. Then, we would record that $11 million in the third quarter.

What the $11 million represents is the re-evaluation of our tax assets from using a rate of 21% to using a rate of 19%.

MR. M. GOLDBERG (Desjardins Securities): Right.

MR. R. CARDINAL: And we have to simulate when the level of our tax assets and when the rates will take force. So that is the impact that is expected for the third quarter.

When we say that in the future, the tax rates will go down, it is not immediately because in the coming quarters, the tax rate should go back to approximately 30% where it is usually.

When the reduction in the tax rates take force, then our 30%-32% will go down, and that is only in 2008 and 2009. That is when the tax reductions are planned.

Did I answer your question? It is a little complex, but did you get it?

MR. M. GOLDBERG (Desjardins Securities): Yes, I did.

I have one more question for André Scott.

You said that you had the increased provision in Commercial due mainly to one account that was then subsequently resolved in May.

Will there be a recovery in the third quarter? And what is the amount of the declassification that will come out in the third quarter?

MR. A. SCOTT: Yes, we did a provision of one specific account. As mentioned, that was resolved in May at no additional costs. So, on this specific account, there will not be a recovery in May, no additional charge on this specific account.

On the rest of other accounts, there could be fluctuations as usual, but on that specific account, there is not going to be any impact in the third quarter.

MR. L. MARQUIS: If I could complete – Louis Marquis from Credit – to be exact, in the next quarter, it is kind of public information anyway. We had an exposure, something out of $10 million of that loan is the wood manufacturing first and secondary transformation, and we sold the assets for around $3 million.

MR. M. GOLDBERG (Desjardins Securities): I am sorry. I did not hear you well.

MR. L. MARQUIS: Okay. It is public anyways that the company went bankrupt. It was an account in the first and secondary transformation of wood, and we had an exposure, something around $10 million, and the assets were sold for $3 million.

MR. M. GOLDBERG (Desjardins Securities): Okay. Thank you very much.

OPERATOR: Thank you.

Il n’y a pas d’autres questions enregistrées à ce moment.

There are no further questions registered at this time.

Je voudrais maintenant céder la parole à madame Gladys Caron. I would now like to turn the meeting back over to Ms. Gladys Caron.

À vous la parole. Please go ahead, 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.

End of conference call

Caution regarding forward-looking statements