



CONFERENCE CALL TRANSCRIPT
SECOND QUARTER 2009
MAY 27, 2009

OPERATOR: 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.

MS. 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 2009 results will be provided by our President and CEO, Réjean Robitaille, as well as by our CFO, Michel C. Lauzon.

Other members of our senior management team are also present on this call to answer any questions. You will find their names and titles on Slide 18 of the presentation available on our Web site. Réjean Robitaille and Michel Lauzon will refer to that presentation 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 the complete cautionary note regarding forward-looking statements, please refer to our press release or to Slide 2 of the presentation.

I will now turn the floor over to Réjean Robitaille.

RÉJEAN ROBITAILLE SECTION

Thank you, Gladys. Good afternoon ladies and gentlemen.

We are satisfied with the underlying strengths of this quarter's results, considering the unprecedented low interest rate environment that has impacted our profitability. As shown on Slide 3 of our PowerPoint presentation, for the second quarter of 2009, net income reached \$21.2 million or \$0.76 diluted per common share. We are particularly pleased with the record core loan and deposit growth that the Bank achieved during the quarter. Furthermore, we continued to exert disciplined expense control. These factors, combined with the fact that we maintained stable credit quality in the second quarter of 2009, despite weaker economic conditions, demonstrate the soundness of our strategies. However, rapidly declining interest rates and continued competitive pricing pressure for retail deposits resulted in further margin compression. That being said, after bottoming out in March, our net interest margin rebounded significantly in April, owing to several initiatives that the Bank has been implementing, such as personal and commercial loan repricing. Those initiatives have started to allow margins to expand and should contribute positively to our profitability going forward.

Combined loan growth and deposit volumes were highlights of the Bank's second quarter. As shown on Slide 4, total loans and BAs rose by 8% and total deposits by 20% over the last 12 months. Of the \$2.8 billion increase in deposits, \$2.1 billion came from retail deposit sources. Excluding securitization activities, total loans and

BAAs increased by a very strong 10%. This loan and deposit growth reflects the continued effectiveness of our distribution network and our marketing efforts. In fact, early indications suggest that the pipeline for loans for the remainder of the year remains strong, which when added to our existing book of business, should result in 2009 being another record year for loan and deposit growth at Laurentian Bank.

Slide 5 shows how the Bank is tracking with regard to the 2009 financial objectives established at the beginning of the year. After six months, our efficiency ratio and Tier 1 capital ratio meet the 2009 performance goals, while the other indicators have fallen slightly below the target range. However, we believe that our 2009 objectives continue to be achievable given the measures undertaken in the first half of the year to improve the Bank's performance. It should also be noted that not only are our capital ratios strong, but they are of the highest quality, largely composed of tangible common equity.

The economic environment and volatile market conditions remain sources of concern, but we are convinced that our conservative approach to risk management, high liquidity levels and strong capital ratios position us well to take advantage of growth opportunities.

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

MICHEL LAUZON SECTION

Thank you Réjean.

Financial highlights of the second quarter of 2009 can be found on Slide 6. Total revenue approximated that of a year earlier mainly reflecting the negative impact of compressed spreads on net interest income, being mostly offset by strength in other income. Disciplined cost control allowed us to contain the growth in non-interest expenses to less than 3%. Drilling deeper into the results, I will discuss the main drivers of the Bank's second quarter 2009 performance.

Firstly, net interest income of \$94.1 million in the second quarter of 2009, decreased from \$99.0 million in the second quarter of 2008. As highlighted on Slide 7, competitive pricing on deposits over the past 18 months, combined with the lower interest rate environment, have squeezed margins, more than offsetting the benefit of higher loan and deposit volumes.

At the end of April, liquidity levels stood at \$4.6 billion. This is \$600 million higher than a year earlier and \$332 million higher than at year-end 2008. We believe that this remains a prudent strategy which also provides flexibility to support growth initiatives, even though it continued to penalize margins in the short run. However, the net interest margin, like short-term market rates, has most likely bottomed in the second quarter as the benefits of loan repricing and improvements in retail deposit pricing take hold. I want to draw your attention to the fact that our margins reached

a low in March at 1.86%. In April, margins significantly rebounded to 2.01%. The measures that we have taken and continue to take, combined with seasonality where a greater portion of loan disbursements occur in the third and fourth quarters, should continue to be positive for net interest income.

Secondly, other income of \$60.7 million in the second quarter of 2009 rose by \$4.2 million from the second quarter of 2008. Revenue from brokerage operations was particularly strong. A quarter over quarter improvement of \$3.8 million was mainly due to the strong performance of Laurentian Bank Securities' Institutional Fixed Income division. As well, fees and commissions on loans and deposits improved by \$2.1 million over the same period last year, owing to an overall increase in business activity. Revenues from securitization were lower at \$8.6 million in the second quarter of 2009 compared to \$9.5 million in the second quarter of 2008. The gain on sale of residential mortgages totalled \$9.2 million this quarter, the same as a year earlier. During the quarter, the Bank securitized \$172 million of residential mortgages versus \$405 million in the second quarter of 2008. The reduced amounts reflected the Bank's lower funding requirements in light of strong retail deposit growth.

Thirdly, as highlighted on Slide 8, the provision for loan losses increased to \$12.0 million in the second quarter of 2009 from \$10.0 million a year ago. However, this is equal to the provision in the first quarter of 2009. The \$2 million year over year increase relates to some commercial exposures and, to a lesser extent, to higher

loan volumes and a slight deterioration in consumer loan portfolios, specifically Visa and Unsecured lines of credit. Credit conditions have been stable since the first quarter of 2009 as is evidenced on Slide 9. Net impaired loans stood at \$12.5 million at April 30, 2009, relatively unchanged from \$13.0 million at January 31, 2009. After increasing by \$23 million in the first quarter, gross impaired loans rose by only \$1 million during the last three months to \$125.7 million which, in the current economic environment, is quite satisfactory.

As presented in Slide 10, the efficiency ratio for the 6 months ending April 30, 2009 rose to 72.2% from 70.7% for 2008. Salaries and advertising expenses were the main drivers of the 2.9% increase in non interest expenses. However, lower net interest income in the second quarter of 2009 was largely responsible for the increase in the efficiency ratio.

Now let's have a look at the performance of our business segments on Slide 11. Most segments reported improved results in the second quarter of 2009 versus the same quarter last year, both in terms of revenue and net income.

Slide 12 shows that total revenue in Retail and Small and Medium-sized Enterprises Quebec rose by \$2.7 million or 3% over the same quarter last year, reaching \$103.8 million. This increase was largely due to continued growth in loan and deposit volumes. Despite economic conditions, loan losses declined by \$0.4 million to \$8.1 million, as credit quality remained relatively stable. Non-interest expenses rose by

2.4%, or \$1.9 million, to \$83.1 million, mainly as a result of increases in advertising expenses. Earning a total of \$9.8 million, this segment accounted for 36% of the Bank's overall profitability in the second quarter.

As shown on Slide 13, total revenue of the Real Estate & Commercial segment rose by 16%, or \$2.8 million, to \$20.4 million. Net interest income, owing to strong growth in loan volumes, propelled revenues. However, loan losses were \$3.2 million compared to \$1.0 million a year earlier, with the increase relating to loss provisioning on some commercial accounts. With \$7.5 million in net earnings, this segment accounted for 28% of the Bank's overall profitability this quarter.

The next slide shows that B2B's net income totalled \$7.8 million in the second quarter of 2009 compared with \$9.2 million a year earlier. Revenues decreased by \$1.1 million to \$23.9 million. The combination of competitive pricing pressure and the premium pricing related to the introduction of B2B Trust's High Interest Investment Account, more than offset the continued strong loan and deposit growth, resulting in a \$0.8 million decline in net interest income. As mentioned earlier, measures that have been taken should contribute to margin pressure easing and the resumption of revenue growth for the remainder of the year.

The widening of B2B Trust's product offering to the advisory community through the High Interest Investment Account was responsible for deposit growth of more than

\$2.1 billion since the beginning of the year. Clearly, this product has met a requirement from our clients for positive yielding low-risk investments.

Year over year, B2B Trust's average loans increased by \$423 million. Loan losses remained low at \$0.7 million in the second quarter of 2009 compared with \$0.5 million in the second quarter of 2008. B2B Trust accounted for 29% of the Bank's second quarter net income.

As can be seen from Slide 15, the net income contribution of Laurentian Bank Securities rose to \$1.9 million in the second quarter of 2009 from \$0.4 million a year earlier. The solid performance from the Institutional Fixed Income division and better performance from retail brokerage activities contributed to the improved profitability. Higher variable compensation costs contributed to non-interest expenses increasing by \$1.4 million to \$8.7 million.

The Other sector, presented on Slide 16, posted a negative contribution to net income of \$5.8 million in the second quarter of 2009, compared with a negative contribution of \$0.4 million in 2008. Contributing to the negative net interest income of \$17.8 million versus negative \$10.4 million a year earlier, were higher funding costs and lower margins from liquidity management. Other income eased by \$1.3 million to \$13.1 million, mainly because of the effect of lower securitization revenues, while non-interest expenses improved by \$2.1 million to \$4.1 million.

This concludes my comments. Now Réjean will offer some closing remarks.

RÉJEAN ROBITAILLE SECTION

Thank you Michel.

In conclusion, while our financial results for the quarter are slightly below target given the challenges presented by the economy and markets, as well as the unprecedented low interest rate environment, we are encouraged by the performance of all our business segments in the second quarter of 2009. We are particularly optimistic on several fronts. Firstly, our strong growth in loan and deposit volumes is a fundamental indicator of our ability to pursue our long term profitability strategy through top line growth and improved efficiency. Secondly, the fact that our credit quality has held up nicely so far bodes well for the remainder of the year as we bear the brunt of the recession. Thirdly, measures aimed at reversing margin compression and restoring revenue growth have begun to yield benefits.

Furthermore, our strong capital base, high liquidity level, conservative risk management approach and rigorous execution of our business plan should allow us to take advantage of opportunities and deliver prudent and profitable growth.

I will now turn the floor back to Gladys.

GLADYS CARON SECTION

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 you questions in English or in French.

OPERATOR: Merci, thank you. Pour poser votre question, veuillez s'il vous plaît appuyer sur les touches *1 de votre clavier téléphonique. Si vous désirez annuler votre question, appuyez sur le #.

If you wish to ask a question, please press *1 on your telephone keypad. To cancel your question, please press the # sign. Vous pouvez maintenant procéder. You may now proceed.

The first question is from Gabriel Dechaine from Genuity Capital Markets. La première question est de Gabriel Dechaine de Genuity Capital Markets. Please go ahead.

QUESTION PERIOD

GABRIEL DECHAINE: Good afternoon. Just on the net interest margins, am I correct in understanding that the third and fourth quarters are a big renewal period for a lot of your loans and therefore that's when you'll be able to take more repricing action and improve your NIMs?

RÉJEAN ROBITAILLE: Well, we have taken already some actions, as I said earlier; but you're absolutely right. There will be new re-pricing based on the fact that there will be some maturity in the third and fourth quarters.

GABRIEL DECHAINE: Can you put some numbers about that maybe?

RÉJEAN ROBITAILLE: Pardon me?

GABRIEL DECHAINE: Can you put some numbers around that in terms of how skewed your loan book is towards those periods?

RÉJEAN ROBITAILLE: I will ask Bernard to answer that question. Bernard Piché.

BERNARD PICHÉ (Senior Executive Vice-President, Treasury, Capital Markets and Brokerage, Laurentian Bank): Yes, Gabriel, I don't have specific numbers, but I think in Q3 overall, there should be about \$500 million of loan business coming to the book, with the mortgage campaign especially. So that will be priced at new rates. But also, what's important is the asset mix shift. That is, those mortgages will be funded through a reduction in our liquidities that are yielding a lot less than the mortgages.

GABRIEL DECHAINE: Okay. And just the other side of the coin, the funding costs, the introductory rate on this high interest savings account, could you delve a bit into that, and how long that's expected to weigh on the NIMs and what the appetite for new deposits through that channel are now?

RÉJEAN ROBITAILLE: Okay, I will ask François Desjardins, CEO of B2B Trust, to answer that question.

FRANÇOIS DESJARDINS (Executive Vice-President of the Bank, and President and Chief Executive Officer of B2B Trust): Well, the impact on the NIM is behind us at this point. I would say that the growth on the product that could be expected is about to fund our loan book, and we would not see the growth of this product continue at the speed that we've seen in the beginning of the year.

GABRIEL DECHAINE: Okay. So you're not... Okay. And then lastly, I'll re-queue if I have to here, but the commercial loans, you had a pretty big... it's small numbers, but pretty big uptake in the PCLs ratio. Can you talk about what segments of that portfolio are demonstrating more credit deterioration?

RÉJEAN ROBITAILLE: Okay, Louis Marquis, head of Credit will answer that question.

LOUIS MARQUIS (Senior Vice-President, Credit, Laurentian Bank): There is no specific industries to speak of. They were commercial loans and I will say that probably that compares to what levels a year ago were not sustainable levels. They were very, very good levels last year. So they're not that high.

GABRIEL DECHAINE: Okay, so this is more, what you would consider a more normal PCL ratio then?

LOUIS MARQUIS: Yes, especially in the current environment.

GABRIEL DECHAINE: Okay, thank you.

OPERATOR: Thank you. The next question is from Michael Goldberg, from Desjardins Securities. La prochaine question est de Michael Goldberg de Desjardins Securities. Please go ahead.

MICHAEL GOLDBERG: Thanks. Your securitization revenue was 5 per cent of the loans you sold this quarter. Do you think that margin's sustainable?

RÉJEAN ROBITAILLE: Bernard Piché, head of Treasury, will answer that question.

BERNARD PICHÉ: Michael, as you know, it's very difficult to determine. It's really a function of where the rates are versus the swap rate. I think... I don't see much change in the next quarter, let's say, but I can't speak for any further down the road.

MICHAEL GOLDBERG: Well, it looked like you also had a hedge benefit this quarter that wasn't there last quarter. And, you know, it seems like that swap spread has been quite wide for some time and may be coming in, so that's why I'm just wondering whether that 5 per cent... And the 5 per cent is certainly quite

a bit higher than it was last quarter. So I'm trying to get an idea of what you think is more of a normal type of margin on securitizations.

BERNARD PICHE: It's difficult for me to answer that question. What we've seen, as you know, is that the spreads on the five-year mortgages have been very high since the start of the crisis. We saw some reduction in that spread, but it's still higher than what it was in the pre-crisis level. So it may well be that the revenues will taper off a bit, but I don't see a major move now.

MICHAEL GOLDBERG: And what about the hedge benefit that you had this quarter?

RÉJEAN ROBITAILLE: I think Michel Lauzon could answer that one.

MICHEL LAUZON: Right. We didn't have particularly a hedge benefit this quarter. In Q1 we did some model adjustments which meant we reduced the fair market value of some of these top hedges we have in securitization conduits, which was a one-time hit. As we adjusted some of the hypothesis in the modelling, given the volatility we're seeing in the market, in Q2 we didn't have any of those adjustments.

MICHAEL GOLDBERG: Okay, and also just another question on the high interest investment account in B2B. Do you think that you can hold on to the

deposits that you built up now that you've reduced the rate you're paying on them quite a bit? And if so, why?

RÉJEAN ROBITAILLE: Okay, François Desjardins will answer that one.

FRANÇOIS DESJARDINS: Well, as you've seen, we've reduced the rate gradually since the end of February. And no, on the contrary we continue to see growth in this product. As for the stickiness, well, the stickiness is very good. We did our homework and I would say that this new product really serves our community, the financial advisor community. So I'm really happy that it meets the needs of their clients.

MICHAEL GOLDBERG: Thanks.

RÉJEAN ROBITAILLE: You're welcome.

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

IAN DE VERTEUIL: Thank you. Two questions. First, there was very solid performance out of LB Securities. And you specifically referenced the solid performance of the Institutional Fixed Income division. Was there a significant

amount of issuance or underwriting or deals that bolstered the results this quarter?

RÉJEAN ROBITAILLE: Ian, I will ask Michel Trudeau, CEO of LBS, to answer the question.

MICHEL TRUDEAU (President and Chief Executive Officer, Laurentian Bank Securities): Hi, Ian. Actually not. I mean, we're seeing a bit more issuance, but it was pretty much a product mix of all the sort of expansion business development that we've done that's contributed to that; so no one specific item. Though I have to admit there has been a bit more issuance in the government market.

IAN DE VERTEUIL: So, as you look forward if the activity levels... I guess what I'm trying to get at, is it activity level, sort of the underwriting cycle that drives this business or is it really, as you mentioned, more driven by the fact that you've built this business out of a time and up to sort of a new plateau of earnings?

MICHEL TRUDEAU: I'd say the latter's more important, but obviously it's a blend of new issuance and activity. But what we've done as expansion and business development certainly contributed. But the new issuance did not hurt.

IAN DE VERTEUIL: And these revenues, these are the ones that show up in your income statement under fees from brokerage, is that right?

MICHEL TRUDEAU: That's correct.

IAN DE VERTEUIL: Income from brok... Okay, thank you. The second question, I think, follows up on what Michael was asking about. The securitization gains, there was a revaluation of a retained interest this quarter. Can you talk to what happened there?

MICHEL TRUDEAU: In the retained...

IAN DE VERTEUIL: The retained interest in the securitization, so page 22 of your note to shareholders.

MICHEL TRUDEAU: Yes, the revaluation actually occurred last quarter in terms of our modelling and it relates to prepayment modelling within the conduits. That occurred last quarter, and we've had obviously an increase in prepayment activity because of the current low interest rate environment. And that has affected the retained interest component of our securitization accounting.

IAN DE VERTEUIL: So the \$6.3 million reduction in securitization revenues, that is as a result of prepayment activity?

ANDRÉ LOPRESTI (Vice-President and Chief Accountant, Laurentian Bank):
Yes. André Lopresti. I'm Chief Accountant at Laurentian.

IAN DE VERTEUIL: Yes.

ANDRÉ LOPRESTI: What we're doing also these retained interests, they're mark to market also, so what we're really trying to do is to offset... like I get eventual gains and losses on both swap, seller swaps and financial instruments held as economic hedges, as well as retained interests. So what we're really trying to do is offset as much as possible the volatility of both lines together. So what Michel was explaining, I guess, earlier, is what's happening in Q1 was I guess unusual and we've since then adjusted our models to lessen the effect of volatility and prepayment.

So what we can see in Q2 is a net effect which is much smaller and in line with what we expect for the following quarters.

IAN DE VERTEUIL: Okay. I don't want to get everyone bogged down. I'll follow up off-line. Thank you very much.

OPERATOR: The next question is from Darko Mihelic from CIBC. La prochaine question est de Darko Mihelic de CIBC. La parole est à vous. Please go ahead.

DARKO MIHELIC: Thank you. Good afternoon. I have a few questions, maybe I'll just ask them one at a time and then follow up.

My first question is maybe what would help me, I think, is if you could list for me the measures that you are taking to improve your margin and maybe do it in order of importance. From what I can gather it looks like it's a loan re-price combined with lower liquidity levels. That seems to be the big driver of what should improve margins. And then as a tag-on to that, what are you shooting for? Is it reasonable to see 220 again in margin from Laurentian Bank in the immediate future?

RÉJEAN ROBITAILLE: Well, first of all in terms of the actions I think that you're absolutely right. What happened in the month of April, mostly because of the fact that we have reduced the pricing on the high interest investment account and also the re-pricing that we already did in March and April, re-pricing of our loan. There's still other, as Bernard mentioned earlier, other loan re-pricing that has to come. So we might expect that going down the road the interest margin should continue to improve, probably... well, I would say above the 2.01 level that we had in April. It's too early to say if we will be at the same level than a year ago. But we will still continue to work on our action plan.

DARKO MIHELIC: And maybe a second question with respect to deposits. You've had tremendous growth with B2B Trust, but if I were to look at core deposits, the deposits that have come through the branch network, which I would think would be something that you'd really want to target, how should I view Laurentian's growth in that area? I mean, it doesn't seem on the surface to be

higher than market. I would suspect that you're probably losing market share in Quebec on core deposits and term deposits that come to the branch.

Can you speak to that a little bit and is there a campaign on or is there something you can do on that front to maybe balance out the deposit growth and have a core deposit growth increase from current levels?

RÉJEAN ROBITAILLE: Well, once again this year on the retail side there was another RSP campaign and we had a very successful campaign in the last few months. In fact, the growth was about \$250 million in fixed term deposits, so it was another successful campaign.

Sometimes we just look at the transfer in and transfer out and this year again, we had more transfer in than transfer out; so it's a way to see that no, we're not losing market share in Quebec, with that product.

DARKO MIHELIC: Where do you think your market share sits in Quebec right now with respect to core deposits, with the chequing accounts and savings accounts and excluding the B2B Trust?

RÉJEAN ROBITAILLE: Market share in terms of fixed term deposits around 8, 9 per cent, depending of the year, the region. It's higher than that in the Montreal area, lower in some regions. But overall in Quebec it's around 8 per cent. Demand notice would be maybe a little bit lower. I would say 5, 6 per cent.

DARKO MIHELIC: Okay, thank you. And would that be relative...

RÉJEAN ROBITAILLE: So there's still a lot of room to continue to grow.

DARKO MIHELIC: And that's relatively stable year over year, or much... I mean, I'm going to check my numbers, but I thought that it was higher last year.

DARKO MIHELIC: Well, last year we had a record RSP campaign. This year, based on... And that was including the mutual fund sales. This year, with the volatility in the market it was, well, kind of the same thing that we had last year, but not a record campaign. But it was, though, a very successful campaign this year again.

DARKO MIHELIC: Okay, thanks very much.

RÉJEAN ROBITAILLE: You're welcome.

OPERATOR: Thank you, merci. Once again, please press *1 if you wish to ask a question. De nouveau, n'hésitez pas à appuyer sur *1 pour poser une question. La prochaine question est de Sumit Malhotra de Macquarie Capital. The next question is from Sumit Malhotra from Macquarie Capital. Please go ahead.

SUMIT MALHOTRA: Good afternoon. Your tone on the outlook for loan growth seems to be much more bullish and optimistic than some of your peers. I just wanted to compare that with the actions you're taking in the personal and commercial loan portfolio. Has this re-pricing stemmed the demand in any way that you're seeing from your customer base, or is it because it's an industry-wide phenomenon that really hasn't been the case to this point?

RÉJEAN ROBITAILLE: Well, even if there was slower demand in loans, I think that all the other Banks mentioned that, we have invested a lot in our business development over the last few years. For mortgages, for instance, we have developed some partnerships. We have also put in place what we call the mortgage road rep. So there's still a lot of opportunities that we're seeing on the residential mortgage side.

On the commercial loan and real estate financing, based on the fact that some of our competitors, let's say, have exceeded the market, we're seeing, in fact, more deals, even if the demand, let's say, have slowed in the overall economy. And we're seeing good credit deals. So that's why we are optimistic and as I said in my previous comments, when we had the... what we have after six months with the current pipeline that's why we could say that 2009 will be another record year for Laurentian Bank, in that matter.

SUMIT MALHOTRA: If I switch to a different area here, you've given us some detail in the past, when markets were a lot lower, about how the B2B loan book

was performing from a credit quality perspective, and I was looking at something here. I think your non-performing loan ratio last quarter was five basis points. I didn't see that disclosure.

Now your comments on this, Réjean, have been it's much more of an employment and perhaps housing price issue more than it is an equity market issue. Well, equity markets are a lot better since we last met and perhaps the employment and real estate situation isn't.

I didn't see this disclosure. Can you give us an update on how that book is performing, if there's been any change and just your thoughts on it as we roll forward?

RÉJEAN ROBITAILLE: Well, the book's performing very well. You've seen that we've published the loan losses for B2B was quite minimal. The book's still performing very well. We felt at this time, based on the fact that we already published that information last quarter it wasn't necessary to publish it once again. But I think that we were below the ten basis points. Am I correct, Louis?

LOUIS MARQUIS: Yes, the impaired loans are at 2.4 million which is (inaudible) just something (inaudible) 0.1 per cent. And the loan losses in investment loans were \$500,000 for the quarter, which in view of a portfolio of close to 2 billion is minimal.

SUMIT MALHOTRA: Thank you for that. And last one, I just want to make sure we're on the same page. I believe in Michael's comments he said that, and the way I calculate it, it looks like liquidity was actually up this quarter, first off, is that correct?

RÉJEAN ROBITAILLE: Yes, it is.

SUMIT MALHOTRA: Okay, so that ratio looks higher to me. Your deposit growth has been very good. Your securitization slowed. Is it reasonable to expect a lower level of securitization activity going forward now that you have this higher balance, you have a bigger base of deposits? Should we expect securitization to be in a lower level going forward?

RÉJEAN ROBITAILLE: Bernard?

BERNARD PICHÉ: Sumit, I don't expect that. Bernard Piché speaking. We continue with the program. For us it's a complement to our deposit base. It's a cheap source of funding, so we... I expect that we will continue to tap that market quarter over quarter for the next few quarters anyways.

RÉJEAN ROBITAILLE: Probably at a lower volume. And so you could expect something between \$150 million to \$250 million per quarter.

SUMIT MALHOTRA: Okay, so we're gradually slowing from the...

RÉJEAN ROBITAILLE: That's right.

SUMIT MALHOTRA: Over the last year you were more than 300, 400, and...

RÉJEAN ROBITAILLE: That's right.

SUMIT MALHOTRA: Okay.

BERNARD PICHE: It's more like the last few.

SUMIT MALHOTRA: Okay, thanks, guys.

RÉJEAN ROBITAILLE: Welcome, thank you.

OPERATOR: Thank you. The next question is from John Aiken from Dundee Securities. La prochaine question est de John Aiken de Dundee Securities. Please go ahead.

JOHN AIKEN: Yes, I was wondering if you could give us some indication as to whether or not there's a difference in the credit performance of your portfolio

outside of Quebec, looking more specifically at the commercial side of the business?

RÉJEAN ROBITAILLE: Louis Marquis, Head of Credit.

LOUIS MARQUIS: There's not been any material impact. Of course, the economy is softer as we go west. Our real estate, commercial real estate portfolio seems to be a bit softer out there, although there's no big issues to this point. There's no major issue in Ontario and anything we deal with right now, there's no difference, regional difference in our credit portfolios.

JOHN AIKEN: Great. Thanks for the update.

RÉJEAN ROBITAILLE: Welcome.

OPERATOR: Thank you. Merci. The next question is from Robert Sedran from National Bank Financial. La prochaine question est de Robert Sedran de la Financière Banque Nationale. Please go ahead.

ROBERT SEDRAN: Hi, good afternoon. Sorry, just one quick follow-up question to take you back to securitization revenue again. But I thought I heard Bernard suggest that one of the things to help improve the margin was to use some of the existing liquidity to fund mortgages in the third and fourth quarter. Does that...

should that imply that perhaps we're going to see less securitization revenue in the next couple... or securitization activity at least in the next couple of quarters?

BERNARD PICHÉ: No, as I said, I expect that we will continue to use this conduct for about between \$150 million to \$250 million for the coming quarters.

ROBERT SEDRAN: Okay, so you're expecting origination obviously well in excess of that.

BERNARD PICHÉ: Yes. Oh, yes.

RÉJEAN ROBITAILLE: Yes, the answer is yes to that.

ROBERT SEDRAN: Okay. Thank you.

OPERATOR: Thank you. De nouveau, n'hésitez pas à appuyer sur *1 pour poser une question. Please press *1 if you wish to ask a question.

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

Il n'y a plus de questions pour l'instant. J'aimerais céder la parole à Mme Caron.

GLADYS CARON: Thank you all for joining us today. If you have any further questions, do not hesitate to contact us. Our phone numbers are listed on the presentation and the press release. Thank you.

RÉJEAN ROBITAILLE: Thank you. Have a nice day.

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

La conférence est maintenant terminée. Veuillez s'il vous plaît raccrocher votre ligne et merci à tous pour votre participation.

DISCLAIMER

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