LAURENTIAN BANK

Press release

FOR IMMEDIATE RELEASE

PREFERRED INVESTMENT VEHICLES FOR THE 2012 RRSP SEASON

Montréal, January 31, 2012 – As a new year gets underway, and with the RRSP season in full swing, Laurentian Bank Securities (LBS) is pleased to be presenting its forecasts for 2012 as seen by its Vice-President and Strategist, Mr. Sylvain Ratelle. LBS is advising investors and savers to periodically review their investor profile so as to take the evolution of economic activity and the subsequent repercussions on their personal financial strategy into account.

Preserving Capital of Prime Importance

The performance of financial markets was generally disappointing in 2011, particularly during the second half of the year. The principal global stock market benchmark — the MSCI Country World Index — reports a return of -7.1%. For its part, the bond market fared somewhat better with a return of 9.6%[1]. Thus, a portfolio made up equally of these two categories of assets would have generated a total return of 1.2%. It is in view of these returns that LBS is recommending an investment strategy that rests on a rebalancing of asset categories in the medium-term.

Given the global economic slowdown and the headaches being caused by the sovereign debts of certain European countries, the preferred strategy for 2012 is to focus on the preservation of capital. “Because global economic growth will be more modest in 2012 than 2011, and since there remains a preponderant risk of decline, it would be preferable to adopt a conservative investment strategy,” explains Mr. Ratelle. “Taking all of the positive and negative elements into consideration, our advice is to take a prudent approach, favouring fixed income government securities over stock.”

A More Fragile World Economy

The low rate of global economic growth has revealed major structural weaknesses, especially within the context of disagreements amidst extreme tensions where governments demonstrated their inability to act rapidly enough to bolster financial markets. “It is due to these factors, as well as to extreme volatility, that the appetite for risk within the markets has diminished even more than economic performance levels,” notes Mr. Ratelle. “We will continue to see a high aversion to risk in the first half of 2012, which should then be followed by steadying economic growth.”

The aggravating sovereign debt crisis in Europe is expected to remain in the forefront and will continue to threaten the global economy given the close financial and commercial ties to the rest of the world. The Euro zone is shrinking, and the risks of downward movement persist despite the numerous political summits and the European Central Bank’s measures. Within the context of this scenario, the recession will strike a ruthless blow in Europe but not in the rest of the world, where there will nonetheless be a deceleration of economic growth.

For their part, emerging economies are expected to be more resistant despite a slower rate of growth, and they will again account for two-thirds of global growth in 2012-2013. “In view of the greater volatility of emerging markets, an active rebalancing strategy between stocks and bonds is advisable,” according to Mr. Ratelle.

[1] XBB Canadian Bond Index — end of December 2010 to December 19, 2011

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The Canadian Market: Relatively Secure Within a Transforming World

Canada is expected to post particularly moderate growth in 2012-2013. Household spending is showing signs of fatigue, job creation is more sluggish, and real estate activity has also slowed. “It is thanks to the quality of the banking system and to natural resources-producing companies that Canada is enjoying relative security,” underlines Mr. Ratelle. “However, the country is not sheltered from international developments.” Indeed, the nation’s economy remains largely reliant on global growth, particularly in the natural resource-based sectors. Within the stock market, small cap companies remain the most attractive because their profits should rise more rapidly, thereby offering greater value.

Presently under pressure, the Canadian dollar will eventually find its way to parity with its American counterpart due to more solid fundamental budgetary and financial factors. When it comes to bonds, interest rates continue to be low, but the safe investment nature of these instruments makes them nevertheless more attractive. “Capital preservation and purchasing power are the golden rules within the current context of uncertainty,” emphasizes Mr. Ratelle. The return **of** capital is more important than the return **on** capital.” The most preferable bonds in 2012 are medium-term instruments issued by Canadian provinces that offer a superior return.

Recovery Anticipated in the United States

The American market is presently the one that is closest to a technical recovery. However, despite the improvements in employment, consumer confidence, residential construction and retail sales, a structural problem threatens to limit the country to modest growth in 2012-2013. Furthermore, the weakening of the global economic cycle does not favour the United States, which remains vulnerable to the recession in Europe where it ships close to 20% of its exports.

Indicators also point to a possible third wave of quantitative easing giving rise to market growth. Moreover, the efficiency of American companies keeps them in a favourable position, as they have learned to do more (production) with less (costs), thus accumulating liquid assets verging on $2,000 billion. Comprised primarily of high-tech companies, the NASDAQ index is expected to show the greatest gains in view of these companies’ robust balance sheets, record profits and anticipated continued growth.

From the bond market standpoint, rates of return are at their lowest levels ever, and this situation is expected to remain unchanged in 2012. That being said, the difficulty that European governments are having in finding acceptable solutions will see American bonds continue to be popular as this new year gets off to a start.

About Laurentian Bank

Laurentian Bank of Canada is a banking institution operating across Canada and offering its clients diversified financial services. Distinguishing itself through excellence in service, as well as through its simplicity and proximity, the Bank serves individual consumers and small and medium-sized businesses. The Bank also offers its products to a wide network of independent financial intermediaries through B2B Trust, as well as full-service brokerage solutions through Laurentian Bank Securities.

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Laurentian Bank is well established in the Province of Québec, operating the third-largest retail branch network. Elsewhere throughout Canada, it operates in specific market segments where it holds an enviable position. Laurentian Bank of Canada has more than $24 billion in balance sheet assets and more than $35 billion in assets under administration. Founded in 1846, it has been selected as the Québec and Atlantic Canada regional winner of the Canada's 10 Most Admired Corporate Cultures™ program presented by Waterstone Human Capital. The Bank employs close to 3,700 people.

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