

HAVE YOU
LOOKED
AT US LATELY?

2010 Annual Report



CONTENTS

2	Key numbers of the last 3 years
3	Business Segments
4	2010 Performance
5	Financial Highlights
6-9	Message from the President and Chief Executive Officer
10-11	Message from the Chairman of the Board
	BUSINESS REVIEW
12-13	Retail and SME Québec
14-15	Real Estate and Commercial
16-17	B2B Trust
18	Laurentian Bank Securities and Capital Markets
19	Corporate Services
20-21	Our people
22	MANAGEMENT'S DISCUSSION AND ANALYSIS
65	CONSOLIDATED FINANCIAL STATEMENTS
115	Statistical Review – Consolidated Balance Sheet
116	Statistical Review – Consolidated Statement of Income
117	Quarterly Highlights
118-119	Corporate Governance
120	Board of Directors
121	Management Committee
122	Planning Committee
123	Branches
124	Offices and Subsidiaries
125	Shareholders Information

With 157 branches, 413 automated banking machines, more than \$23 billion in assets, and over 3,600 employees, Laurentian Bank is firmly rooted in Québec, where it operates the third largest branch network. Elsewhere in Canada, the Bank has secured a choice position in certain specific market segments. Moreover, with 37% of its loans originating from other provinces, the Bank enjoys the benefits of nationwide geographic diversification.

Established in 1846, Laurentian Bank is widely recognized today for its exceptional service, simplicity and proximity. The Bank offers varied financial services to individuals and to Small and Medium-Sized Enterprises. It also provides products to an extensive external network of independent financial advisors through B2B Trust, as well as full-service brokerage services via Laurentian Bank Securities.

Stock symbol: LB on TSX

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 may from time to time make written or oral forward-looking statements within the meaning of applicable securities legislation. Forward-looking statements include, but are not limited to, statements regarding the Bank's business plan and financial objectives. The forward-looking statements contained in this document are used to assist the Bank's security holders and financial analysts in obtaining a better understanding of the Bank's financial position and the results of operations as at and for the periods ended on the dates presented and may not be appropriate for other purposes. Forward-looking statements typically use the conditional, as well as words such as prospects, believe, estimate, forecast, project, expect, anticipate, plan, may, should, could and would, or the negative of these terms, variations thereof 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 to be 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 considerably 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 further cautions that the foregoing list of factors is not exhaustive. For more information on the risks, 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.



LOOK CLOSER.

Jing Xu is one of 3,600 employees who are delivering on the transformation of Laurentian Bank to an even more solid and profitable financial institution. Find out more in this report and meet Jing and her award-winning colleagues.

We've been busy in the last 3 years.

36%

Net income from continuing operations grew to **\$122.9 million** in 2010; a 36% increase from 2007, with all of our business segments increasingly contributing to the Bank's success.

35%

Loans and Bankers' Acceptances, excluding securitizations, increased 35% to **\$20.3 billion** over the past 3 years, without compromising credit quality. Growth was generated both in Québec and in the rest of Canada.

Efficiency

Our focus on expanding revenues, while investing in technology and processes, resulted in our efficiency ratio improving by 480 basis points to **68.4%** over the past 3 years.

44%

The high quality residential prime mortgage portfolio, excluding securitizations, grew by 44% to **\$11.3 billion** since 2007.

33%

Personal deposits, a stable and low cost source of funding for the Bank, increased 33% to **\$15.4 billion** since 2007.

ACCESSIBILITY

The number of ATMs increased by 75 to 413 since 2007, an increase of **22%**, enhancing accessibility for our clients and visibility for the Bank.

Dividends

The dividend was raised by **24%** over the past 3 years, signaling our confidence in our future.

26%

Book value per common share increased by 26% to **\$41.87** over the past 3 years, highlighting our solid capital base.

Our culture of service keeps us close to our customer

Since 2007, our full-time equivalent employees increased by 11% to **3,600** as we added: mobile bankers and financial planners in the Retail segment; commercial account managers to better serve our commercial clients; sales people to better support the financial advisors dealing with B2B Trust; and specialized staff and brokers at Laurentian Bank Securities.

2010

The numbers tell the story.

PERFORMANCE OF BUSINESS SEGMENTS

Contribution to the Bank's net income (excluding the Other segment)

PERSONAL BANKING AND SME QUÉBEC

■ Personal Banking:

Transactional, financing and investment products and services in Québec

■ Small and Medium-Sized Enterprises:

Banking solutions and services such as operating credit facilities, deposits, electronic banking and processing of international transactions, in Québec

PRESENCE

- 157 branches
- 413 automatic teller machines
- 16 commercial business centres
- 7 agricultural business centres

AVERAGE TOTAL LOANS
\$11.7 billion

AVERAGE TOTAL DEPOSITS
\$8.6 billion

POSITIONING

3rd largest branch network in Québec
Well known for its superior service to SMEs as well as its specialization in certain sectors

31%

REAL ESTATE AND COMMERCIAL

■ Real estate financing for condominiums and office buildings, shopping centres and residential developers

■ Commercial financing for medium-sized enterprises in Québec and Ontario

PRESENCE

- 8 real estate financing centres in Canada
- 4 financing centres in Ontario
- 2 financing centres in Québec

AVERAGE TOTAL LOANS
\$2.7 billion

AVERAGE TOTAL DEPOSITS
\$0.5 billion

POSITIONING

Widely recognized leadership and expertise in the area of real estate financing within Canada

32%

B2B TRUST

Personal banking products such as investment loans, mortgage loans, high yield investment accounts and self-managed accounts distributed by a network of 15,000 independent financial advisors

PRESENCE

- 4 sales offices across Canada

AVERAGE TOTAL LOANS
\$5.0 billion

AVERAGE TOTAL DEPOSITS
\$9.2 billion

POSITIONING

Canadian leader in serving the financial intermediary market

30%

LAURENTIAN BANK SECURITIES AND CAPITAL MARKETS

Full-service brokerage services

■ Institutional brokerage – Fixed income

■ Institutional brokerage – Equity

■ Retail brokerage

■ Institutional services

Bank-related capital market activities

PRESENCE

- 15 offices in Québec and Ontario

TOTAL ASSETS UNDER MANAGEMENT
\$2.3 billion

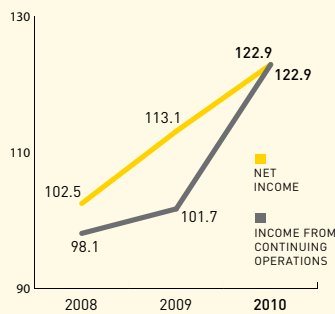
POSITIONING

Recognized and choice provider of fixed income institutional brokerage services in Canada and the only Bank-owned dealer with a niche small cap focus

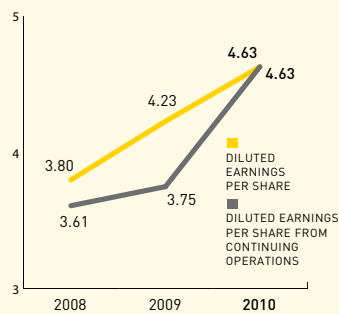
7%

2010 PERFORMANCE

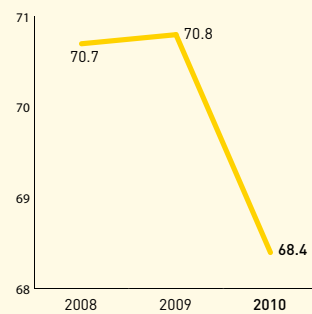
NET INCOME
(in millions of dollars)



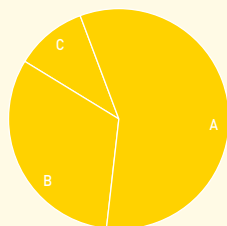
DILUTED EARNINGS PER SHARE
(in dollars)



EFFICIENCY RATIO
(Non-interest expenses as a percentage of total revenue)

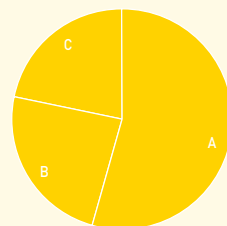


LOAN PORTFOLIO MIX
(as a percentage)



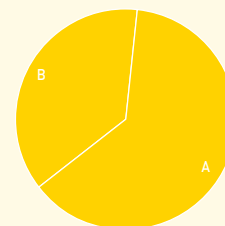
A MORTGAGE LOANS	57.7%
B PERSONAL LOANS	31.8%
C COMMERCIAL AND OTHER LOANS (INCLUDING ACCEPTANCES)	10.5%

DEPOSIT PORTFOLIO MIX
(as a percentage)



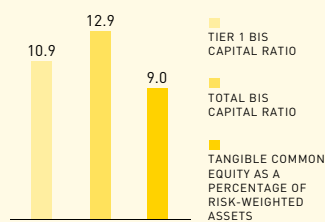
A PERSONAL TERM DEPOSITS	54.6%
B PERSONAL NOTICE AND DEMAND DEPOSITS	23.8%
C BUSINESS, BANKS AND OTHER DEPOSITS	21.6%

GEOGRAPHIC DISTRIBUTION OF LOANS
(as a percentage)

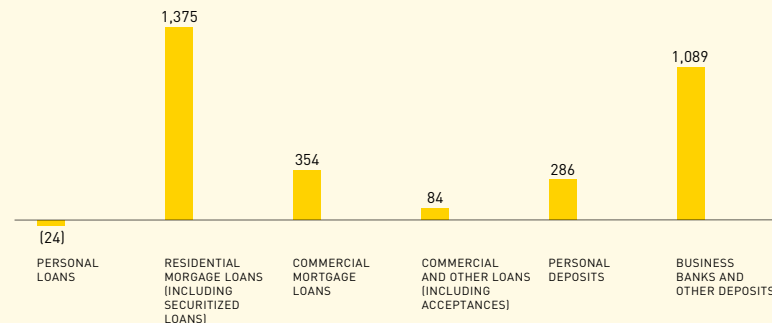


A QUÉBEC	63%
B OTHER CANADIAN PROVINCES	37%

CAPITAL RATIO
(as a percentage)



LOAN AND DEPOSIT GROWTH IN 2010
(in millions of dollars)



HIGHLIGHTS

As at or for the years ended October 31
(in thousands of dollars, except per share and percentage amounts)

	2010	2009	2008
Earnings			
Total revenue	\$737,446	\$666,502	\$630,481
Net income	\$122,941	\$113,133	\$102,531
Income from continuing operations	\$122,941	\$101,664	\$ 98,108
Profitability			
Diluted earnings per share	\$4.63	\$4.23	\$3.80
Diluted earnings per share from continuing operations	\$4.63	\$3.75	\$3.61
Return on common shareholders' equity	11.5%	11.4%	11.0%
Return on common shareholders' equity for continuing operations	11.5%	10.1%	10.5%
Net interest income as a percentage of average assets	2.15%	2.07%	2.21%
Efficiency ratio			
<i>Non-interest expenses as a % of total revenue</i>	68.4%	70.8%	70.7%
Per common share			
Share price			
High	\$47.67	\$43.50	\$44.85
Low	\$37.76	\$23.90	\$31.30
Close	\$44.25	\$39.53	\$40.88
Price/earnings ratio	9.6x	9.3x	10.7x
Book value	\$41.87	\$38.68	\$35.84
Market to book value	106%	102%	114%
Dividends declared	\$1.44	\$1.36	\$1.30
Dividend yield	3.25%	3.44%	3.18%
Financial position			
Balance sheet assets	\$23,800,003	\$22,164,780	\$19,579,472
Loans and acceptances	\$17,570,694	\$15,818,124	\$14,262,840
Deposits	\$19,675,595	\$18,299,966	\$15,333,812
Other information			
Number of full-time equivalent employees	3,643	3,528	3,393
Number of branches	157	156	156
Number of automated banking machines	413	408	342
Number of brokerage offices	15	15	15
Number of commercial banking centres	36	31	30

This table includes non GAAP mesures. See notice on page 64.

“It’s **not** **the same** **bank** anymore”

A continuing period of strong growth and innovation is changing the face of the Bank.



Réjean Robitaille
President and
Chief Executive Officer

Laurentian Bank continues to go through an extraordinary evolution.

The Bank has delivered record profitability for five consecutive years. It has delivered record growth in loans and deposits for four of those five years. And for six years it has consistently recorded increased earnings per share, the only Canadian bank to do so.

It is a remarkable progression

More specifically in 2010, total revenues were up 11% and earnings per share up 9% compared to 2009. These are satisfying gains. But measured on the basis of continuing operations, the improvement is much stronger: earnings per share increased by 23% and return on common shareholders' equity improved by 140 basis points, from 10.1% last year to 11.5% in 2010. (Details are in the MD&A.)

We also grew our loans and bankers' acceptances by \$1.8 billion in 2010, an increase of 11%.

Our solid performance resulted in the Bank once again meeting the financial objectives that we established at the beginning of the year, as can be seen from the table on page 7.

“The growth drivers will likely remain the same in 2011: maximizing the returns on our recent investments and excellence in execution.”

Our geographic profile is also strong. Although about 63% of our loan portfolio was in Québec in 2010, approximately half of our profitability came from activities in the rest of Canada.

Over the past three years, which include the worst economic conditions in many decades, we have grown revenues by 26%, diluted earnings per share by 33%, loans and bankers' acceptances by 35% (before securitization), and we have improved the efficiency ratio from 73.2% to 68.4%.

I am getting used to opening any conversation on the Bank with the words: "You know, it's not the same Bank anymore."

Can we keep it up?

At Laurentian Bank, we believe in continuous improvement. It is our ongoing effort to improve products, services, and processes that has played a large role in the transformation of the Bank. Each year we get better: our people become more skilled, our systems more effective, our methods better targeted and our processes more efficient.

We've accomplished a lot over the last few years. And, we are committed to ensuring growth will be ongoing and profits sustainable. Our view forward promises much of the same, based on the strength of our business plan, our financial management and a dedication to good execution.

The Plan – three growth engines

The Bank's operations are carried out through four well targeted, well functioning and diversified business segments, three of which account for more than 90% of our profitability and which we consider to be the growth engines of the Bank. All four segments had strong years in 2010.

RETAIL AND SME QUÉBEC, under Luc Bernard, contributed \$47.0 million in net income, an increase of 19% from continuing operations.

Retail banking is benefiting from ongoing investment in its three-network strategy: it has

the third largest branch network in Québec with 157 branches; it has a mobile network of 95 "suitcase bankers" who visit customers in their home and have spurred strong growth in new residential mortgages; and it has a rapidly growing virtual network.

Our network of ATMs has grown to 413 and includes 81 located within the Greater Montréal's transit systems, for which the Bank has signed exclusive agreements. It gives the Bank a competitive advantage, both in terms of the visibility gained and the greater accessibility offered to our clients.

The SME activities – servicing Small and Medium-Sized Enterprises – are also meeting with considerable success with financing offers developed for specific business niches such as pharmacies and day-care centres.

I'm pleased to note that the success of Retail and SME Québec played a part in the recent award to Luc from the L'Université du Québec à Montréal. He is a recent recipient of UQAM's Manager Performance Prize which recognizes leadership and professional achievement.

The **B2B TRUST** business segment, led by François Desjardins, delivered net income of \$46.4 million, an exceptional 45% increase over 2009. B2B Trust is being rewarded for an unrelenting focus on execution and is looking forward to continued growth.

Through B2B Trust we are the country's largest supplier of financial products to independent financial independent advisors. Our relationships with over 15,000 advisors in 2010 produced 17% growth both in loans and in average deposits.

"We are committed to ensuring growth will be ongoing and profits sustainable."

2010 OBJECTIVES AND RESULTS

	2010 OBJECTIVES	2010 RESULTS
Revenue growth	5% to 10%	11%
Efficiency ratio	70% to 67%	68.4%
Return on common shareholders' equity	10.0% to 12.0%	11.5%
Diluted earnings per share	\$4.00 to \$4.70	\$4.63
Tier I BIS capital ratio	minimum of 9.5%	10.9%

“Our exclusive ATM network within Montréal’s transit systems gives us a competitive advantage, both in visibility and accessibility.”

The success of B2B Trust gives me an opportunity to congratulate François, who was recently a recipient of Canada’s “Top 40 under 40™” award. This is representative of the very talented management at the Bank today.

REAL ESTATE AND COMMERCIAL is our third growth engine and run by Paul Hurtubise. The segment also had an exceptional year and grew net income by 43%, contributing \$49.1 million to the Bank’s bottom line. Real estate financing accounts for 70% of the business segment’s activities. The focus is on construction project financing where Paul’s team has established a high level of credibility, expertise and adherence to prudent risk management processes. We successfully set up a syndication desk in Toronto at the start of the year which is enabling us to take on bigger projects without adding to our exposure.

Our fourth business unit is **LAURENTIAN BANK SECURITIES AND CAPITAL MARKETS**, managed by Michel C. Trudeau. It continues to develop, and contributed \$10.0 million in 2010 to the Bank’s net income. At the beginning of the year, we transferred Capital Markets from Treasury into this segment.

While the Institutional Fixed Income division remained a bright spot in a challenging year, other divisions within the business segment are gradually being built out to take on more activity. Both the Institutional Equity and Retail Brokerage teams are working closer to the critical mass that will make them important contributors to our success.

More details on the operations of our four business units can be found in this report.

Sound financial management

On the financial management side, our first priority is to have a strong capital base. Events in 2010 attest to the improved stability of the Bank and enhanced it still further.

Net interest income grew substantially, largely as a result of higher net interest margins and loan and deposit growth.

We have sound risk management practices. I believe one of the reasons we have been able to perform well during the economic crisis is because we were pro-active on the risk management side ahead of the problems. However, the lingering effect of the recession on our commercial loan portfolio resulted in higher loan loss provisions, but at 0.29% of average assets, it is still considered to be relatively low. Credit quality in our retail loan portfolios improved and reflects our rigorous and disciplined risk management process.

We continued to focus on a well diversified asset mix in 2010, both by sector and location. It was a strong year for residential mortgages and nearly 50% of our mortgages are insured. Another 30% are personal loans, many of which are guaranteed, and we have 20% of total loans in commercial loans.

Our Tier I capital ratio is 10.9% and our tangible common equity ratio is 9.0%, providing a solid base for growth and development.

And I am pleased to point out that the ongoing profitability and growth of the Bank was recognized during the year by an upgrade of our credit rating from Standard & Poor’s. We are the first North American bank to be upgraded by S&P since the financial crisis.

Execution

Fine execution is not only a reason why we are enjoying good results but also contributes to why we are perceived favorably. For the past two years, third-party surveys rank Laurentian Bank as the second most admired financial institution in Québec.

Our focus on execution has been rigorous and across the board. We have a strong legacy of customer service on which to build.

One of our flagship assets is the Laurentian Bank Academy, our own employee training and development center. We have now had three full years of experience with the Laurentian Bank Academy which has quickly become established as a model of its kind. The purpose is to continuously improve the competencies of our employees and managers.

Our high level of execution is also the direct result of a constructive working climate and harmonious labor relations with our partners.

Tomorrow's challenges

The transformation of the Bank is not based solely on five successful years, but on our positioning for continued momentum.

The growth drivers will likely remain the same in 2011. We will be focused on maximizing the returns on our recent investments and excellence in execution, just as we will continue to make new strategic investments in our business development as opportunities arise.

However, challenges remain. We face new capital requirements affecting all banks which are being finalized by the Basel Committee. While we await the global guidelines, we believe that we are well positioned to meet future requirements.

Our strategy will be to pursue our growth and development through investments and initiatives, as we have done over the last few years. Focusing on our key growth engines and good execution, we remain committed to improve the Bank's performance.

“Over the last three years, the dividend was raised by 24%.”

Given our confidence in the Bank's future and our solid balance sheet and capital ratios, the Board approved an 8% increase in the

quarterly dividend, corresponding to \$0.03 per common share, to \$0.39. Over the last three years, the dividend was raised by 24%.

Acknowledgements

In addition to my profound gratitude to our great employee family, I wish also to recognize the support and contribution of all our stakeholders.

These include our customers who continue to drive our progress with their ongoing trust in the Bank and appreciation of our staff.

They include the Management Committee who represent an exceptional management team, responsible for the planning and strategizing that has brought us this far.

And we are fortunate to have an outstanding Board of Directors which provides solid guidance and governance to management.

Conclusion

This fiscal year we will celebrate the 165th anniversary of the Bank's founding.

I can think of no finer way to mark this significant milestone than by sustaining and accelerating the growth that has raised our profile and energized our entire staff. We all look forward to sharing in the continuation of our transformation.



Réjean Robitaille, FCA
President and
Chief Executive Officer

A strong bank in a **strong** system

Laurentian Bank recorded its strongest results ever while the banking industry was going through a historical financial and economic crisis.



Denis Desautels
Chairman of the Board

We talk a lot about sustainable growth and one of the most rewarding aspects of the Bank's recent performance is the ongoing progression of the results. Not only do we have a consistent record of earnings per share growth over the past six years – as Réjean points out in his Message from the President and Chief Executive Officer – but our goal is for continuing improvement year over year.

These have not been small improvements. Financially, our growth even during the very challenging recent past, has been at record levels. In addition to financial strength, we have been building a Bank better able to serve its customers, thanks to constant attention to service quality.

This is a tribute to the strategic mindset of both senior management and the Board of Directors. Above all, it is a tribute to the excellent execution and dedication of all our employees.

As our economic recovery still remains elusive, other economies both in Europe and next door to us remain under significant threat. We have much to be grateful for in Canada.

Strength and reliability need to be tested to be appreciated. When the world's financial systems were under pressure, Canada was one of the few countries which did not have to invest in the Banks' capital. Canada was in good shape when the crisis occurred, which allowed our governments to pursue pro-active financial strategies.

We have three elements which displayed a remarkable resilience to adversity: the country, the Canadian banking system, and our Bank. I think we can all find in that a great source comfort and satisfaction.

That being said, and considering the ongoing climate, it is critical that the banking industry continues its strategies of prudence and mitigated risk. That is certainly the prevailing thought here at Laurentian Bank. Both the Senior Management and the Board are committed to ensuring the Bank remains capable of weathering any fluctuations in these uncertain conditions.

An effective partnership

This is a good time to comment on the highly effective partnership shared by senior management and the Board.

First, I believe sincerely that we have a strong Board of Directors. Each person is a source of relevant expertise that makes the full board a repository of valuable knowledge and competence that is at the service of the company. I am also proud to say that all but the President and Chief Executive Officer are independents and that five of those members are women, representing the highest female representation among Canadian banks.

We also have a superb and dynamic senior management team. Banking is a complex endeavour which juxtaposes a higher-than-normal understanding of risk and responsibility, with the innovation and entrepreneurial spirit required to profit in a sea of regulation.

At Laurentian Bank, these two entities – Board and Senior Management – work together in a remarkably synergistic and fruitful manner. The Board regularly acts as a sounding board and is an active participant in strategy formulation and discussion. I believe that this exemplary partnership has been an important component in the Bank's recent success.

New regulations ahead

The most important role of the Board is ensuring effective governance. Among other duties, it is an impartial arbiter of corporate conduct and compliance. In this context, we are facing some uncertainty with the implementation of new regulations and, in particular, new capital requirements.

To reduce the risk of another financial crisis such as we have just had, the world's banks are going to have to meet tougher requirements governing capital and liquidity. Laurentian Bank is well capitalized and based on the information that is available now, we are well positioned to meet future requirements.

Another challenge lies in preparing for our conversion to the new International Financial Reporting Standards (IFRS) on Nov 1, 2011.

This project is being managed in a very

competent manner. An important issue will be to explain clearly the impact of these changes in accounting rules so that

shareholders can continue to make fully informed decisions.

Executive compensation

For some time now, the subject of executive remuneration has been of mounting interest among shareholders. This time last year I commented on the work of the Board's Human Resources Committee in making our decisions regarding executive compensation at the Bank.

This was submitted to the Annual Meeting and received strong support from our shareholders. I would like to thank both the Committee for its excellent work and our shareholders for their strong support of management. This will continue to be an active subject for consideration by the Board as we continue to refine our compensation practices. We intend that these should continue to be straightforward, readily understood by shareholders and ensure a fair balance between the interests of the Bank, our shareholders and management.

Acknowledgments

I would like to express my thanks to the many, many people who are contributing to this exceptional period of growth. This includes our 3,600 employees who have earned a well-deserved feeling of achievement. It includes the members of the Management Committee as well as other executives and managers in positions of leadership. And it includes the members of the Board of Directors who continue to contribute meaningfully to the Bank's success as strategists, guardians and guides.

By no means least, I thank you, our shareholders, for your ongoing support and confidence.



Denis Desautels, O.C., FCA
Chairman of the Board

“We have seen a remarkable resilience to adversity in the country, the Canadian banking system, and our Bank. I think we can all find in that a great source comfort.”



Luc Bernard, Executive Vice President, Retail and SME Québec

Record deposits fuel retail growth

Staff training and systems convert growing customer interest in services and products.

FINANCIAL HIGHLIGHTS 2010

INCOME FROM CONTINUING OPERATIONS UP
19%

RESIDENTIAL MORTGAGE LOAN PORTFOLIO UP
10%

COMMERCIAL LOAN (SME QUÉBEC) PORTFOLIO UP
9%

REVENUES UP \$27.6 MILLION OR
6%

The Bank's strategy of taking its services to the customer is generating healthy growth in Retail and SME Québec. The sector, which serves both individual customers and Small and Medium-Sized Enterprises (SME), enjoyed a strong year and pushed total revenues up another 6% to reach \$453.5 million. Net income of \$47.0 million reflected an increase of 19% from continuing operations.

Continued portfolio growth

Despite a general slowdown in the market in the second half of the year, average loans grew 8% to reach \$11.7 billion. This was driven primarily by growth in mortgages, notably an increase of \$804 million in residential mortgage lending. This is the result of the Bank's strategy to build customer loyalty.

Strong growth in investment products reflects an emphasis on financial planning over the past three years. The business segment has made important commitments in training and providing specialized resources to support customers in their financial planning and investment decisions.

"I'm very pleased with our record sales of investment products in 2010," says Luc Bernard, Executive Vice President. "This results from

a sustained effort and validates our strategy. We are now ready for the second phase in our roadmap."

Three networks in one

The retail business is structured in three networks. Customers are reached through the traditional branch network, a network of mobile financial specialists and a virtual network.

"Customers want to manage their banking in a variety of ways," notes Bernard. "They may want to take the time to talk with an advisor in their branch on a Saturday morning, while preferring to do most of their transactions electronically. It's up to us to adapt and provide the flexibility they are looking for."

Evolution of the bricks-and-mortar network in Québec continued in 2010 with the opening of a 32nd Financial Services boutique, a unique branch concept launched in 2004. Laurentian Bank was the first Canadian bank to introduce innovative branch concepts that improved the customer experience. The boutiques stress customer convenience and comfort in a unique setting, which includes private lounge areas and child care zones.

“Customers want to manage their banking in a variety of ways. It’s up to us to adapt and provide the flexibility they are looking for.”

In November, 2010 the Bank launched its second generation of branch upgrades. With their lounge style, these branches contribute to an even more pleasant client experience for making the important decisions that the customer comes to the branch to make.

Renovations and relocations are also part of the strategy. Since 2004, more than 30% of our branches have benefitted from significant investments. The best elements of the boutique model are being incorporated in the renovations to keep branches in line with changing customer patterns.

Launched only four years ago, the mobile banking network in 2010 accounted for approximately 40% of new residential mortgages. Some 95 “suitcase bankers” cover the majority of the Québec market and provide a complete mortgage service in the customer’s home.

Out-of-branch convenience for customers is enhanced by a virtual network which includes having advisors available over the phone. The Bank is the only institution to provide customers with access by phone and email to a financial consultant assigned to them – an option greatly appreciated by customers.

More ATMs on transit system

At the end of the year, the Bank signed a second exclusive agreement for installation of automated banking machines in the Montréal area public transit network. The agreement with the Agence Métropolitaine de Transport places nine new ATM’s at high traffic locations within the Greater Montréal commuter train and bus system.

Under an earlier agreement, the Bank operates 72 ATMs in the Montréal subway system. The machines provide high visibility given the 1.2 million daily trips on the system and have resulted in a high number of transactions. Laurentian is the only Canadian bank with an exclusive agreement of this nature.

Capitalizing on the high profile of the underground ATMs, the Bank will open a recruitment centre in the subway system by the end of December 2010. To be called Career Station, the centre will be literally a store for shopping for a job, illustrating again how the Bank’s accessibility sets it apart.

“The mobile banking network in 2010 accounted for approximately 40% of new residential mortgages.”

Changing the customer experience

Another major milestone was the launch in mid-year of a leading-edge customer relationship management system which enhances still further the level of service to clients throughout the branch network. This follows several years of major investments in database management of client information as well as in leading-edge software for understanding the behavior and needs of clients.

“We want to provide our customers with a different experience,” says Bernard. “This is the core component of our distribution strategy and the focus of our investments in business intelligence systems.”

Advanced Customer Relationship Management (CRM) systems have been adopted by other Canadian banks, but Laurentian Bank will have an advantage over its immediate competitors in the Québec market.

Specialized services to SMEs

Small and Medium-Sized Enterprises are an important component of Retail and SME Québec. With an increase of 9.5% in average loans in 2010, the segment has seen its book of business grow by 45% over the last three years. Some 50 account directors deal with clients having financing needs of up to \$3 million, working out of 16 commercial offices across Québec.

The unit pursues a niche strategy for growth, built around customized solutions for specific market niches and has created a highly specialized sales force fully conversant with the challenges of each sector.

Currently there are three niches – pharmacies, farm lending and private daycares. These are areas with strong potential for development and acceptable risk levels. Developing these niches will be the main growth strategy for the SME team in the years ahead.

In addition to short and long-term financing solutions, the Bank offers a range of services and tools in each niche, including deposits, processing of international transactions, commercial credit cards and payroll management services.

Specialized business services help pharmacies

Two of the most important barriers to providing value to Small and Medium-Sized Enterprises (SME) are the highly diverse nature of the businesses and the specialized needs of each. Laurentian Bank overcomes both with its niche strategy.

“You can’t be everything to everyone,” says Luc Bernard, Executive Vice President, Retail and SME Québec. “That is especially true when the thing that small business managers need most is someone who understands their business. So we’ve created exclusive and highly competitive solutions for entrepreneurs in specific niches.”

One program performing strongly is aimed at pharmacists. A team of specialists has extensive expertise and a well developed knowledge of the issues and environment in the sector.

An example of niche-thinking and expertise is the ability to value goodwill both in assessing the worth of an establishment and in offering pharmacists an improved option for loans on equity.

Pharmacists also benefit from an exclusive program for their personal finances as well as private banking.

The Bank currently has similar teams operating in the agriculture sector and in daycare businesses.



Paul Hurtubise, Senior Vice President, Real Estate and Commercial

Small team posts large contribution

FINANCIAL HIGHLIGHTS 2010

NET INCOME UP

43%

REVENUES UP
\$25.8 MILLION OR

28%

**GOOD CREDIT
QUALITY, DESPITE
INCREASE
IN LOAN LOSSES**

Real Estate and Commercial across Canada delivers another record year.

The Bank's Real Estate and Commercial unit made a record contribution to profits in 2010 for the third consecutive year.

Real Estate and Commercial contributed \$49.1 million of net income, an increase of \$14.7 million over 2009. Total revenue increased by \$25.8 million, or 28%, to reach \$119.3 million, mainly as a result of the successful outcome of the strategies aimed at growing the business and achieving higher net interest income.

As of November 1, 2009, Foreign Exchange and International Services, formerly reported under 'Other', are reported in this business segment.

The Real Estate and Commercial segment is now comprised of Real Estate Financing, Commercial Financing and International Services. This segment is comprised of a total of 120 people.

Real Estate Financing pursues its growth

Real Estate Financing accounts for about 70% of the unit's business, with a loan portfolio of \$2.2 billion at the end of fiscal 2010.

"It's a small team, but one that is very experienced and highly effective," says Paul Hurtubise, Senior Vice President. "This is a world where you are as good as your last deal. We are successful because we get it right the first time and we deliver quickly."

Project financing is pan-Canadian with offices in British Columbia, Alberta, Ontario and Québec. More than half of the business is written in Ontario.

After record growth in 2009, construction project financing continued to grow in 2010 with a 6% increase in new business. The group has built a reputation for its ability to quickly assess the needs of borrowers and to deliver on their offers of financing.

"Loan duration in real estate construction financing averages about 18 months per project, so we have to write a lot of business in order to grow," says Hurtubise. "Turn-around time on term sheet approvals is rated the best in the industry."

Credit quality is solid and risk management mitigation measures include capping single loans at \$30 million per project with a maximum aggregate of \$65 million per client.

An objective of the Real Estate Finance Group is to increase its market share in term loans. This focus met with success in 2009 and continued with portfolio growth of nearly 50% in 2010.

Commercial portfolio shows strong growth

The second component of the Real Estate and Commercial segment concentrates on providing commercial clients with banking products and services, including credit operating facilities, operating accounts and international transactions. These activities are in Québec and Ontario only and represent a portfolio of \$800 million, with roughly 75% of the loans based in Québec.

The group continued its strong growth, particularly in Québec. Several new clients contributed to the portfolio growth in the past four years.

Real Estate and Commercial as a segment performed well against 2010 objectives. A priority to invest in human capital resulted in a 15% increase in the workforce. This included the hiring of an Assistant Vice President in Vancouver and two in Québec, the addition of more Commercial Account Managers and support employees to provide improved and more specialized services to facilitate ongoing growth.

The segment is also diversifying its funding sources by growing commercial deposits. Average deposits grew by more than 60%.

“A focus to increase the amount of term loans continued in 2010 with a nearly **50%** increase in this portfolio.”



Charles and David Mady (centre and right) of the Mady Development Corporation look over a model of a major, 500,000 square foot, mixed use site with the Bank's Rick Lane, Vice President, Real Estate Financing. The Madys are long-standing clients who have grown with the Bank, just as the Bank's Real Estate Financing sector has grown with them.

Syndication team off to a strong start

A testimony to the success of the Bank's Real Estate Financing sector is a high level of repeat customers. But you have to be able to evolve with those clients as they grow.

The core activity of the Bank's real estate financing business is construction project financing in the \$2-\$30 million range. There are additional aggregate limits per borrower and per loan type. Sometimes, clients have projects that surpass the Banks' limits.

The Bank is happy with its existing risk management. So, in order to be able to support these larger projects, the solution was to create a formal syndication process.

“We had done the occasional syndication, but at the start of this year we opened our own syndication desk in Toronto,” says Rick Lane, Vice President, Real Estate Financing. “We're very pleased with the first year's results.”

The syndication desk is managed by Tony Da Silva, Vice President, Loan Syndications and a Bank veteran who rejoined real estate four years ago after running the Toronto credit department. In its first year, the desk did 19 transactions for three-quarters of a billion dollars.

The larger scale projects also tend to be more diversified. One mixed use site is integrating prime retail, office, medical and restaurant space with town homes and a condo tower in a total of some 500,000 square feet.

Thirteen of the syndicated loans were for the Bank's own customers, totaling just under \$400 million.



François Desjardins, President and Chief Executive Officer of B2B Trust

Past decisions build best-ever year

FINANCIAL HIGHLIGHTS 2010

NET INCOME UP

45%

REVENUE GROWTH OF \$24.3 MILLION OR

24%

RESIDENTIAL MORTGAGE LOANS UP \$0.6 BILLION OR

37%

EXCELLENT CREDIT QUALITY, DESPITE THE RECENT ECONOMIC SLOWDOWN

Evolution of its unique product distribution strategy pushes B2B Trust to highest earnings.

Continuing momentum propelled the B2B Trust unit to another year of record growth in 2010.

The business segment grew net income by \$14.3 million to reach \$46.4 million, an increase of 45% over 2009. Revenues increased by \$24.0 million to \$124.6 million, largely from higher net interest income.

“Just like other sectors of the Bank, we’re seeing very strong results of strategies and decisions made earlier,” says François Desjardins, President and Chief Executive Officer of B2B Trust. “We are in the process of a major expansion which has seen very strong growth in deposits, investment loans and residential mortgages while holding our credit risk to extremely low levels.”

Residential mortgages grew by \$614 million during the year. Total loans now stand at \$5.2 billion and deposits at \$9.2 billion. With efficiency ratios remaining under 45%, the increase in business has translated into net income growth of 52% over the past three years.

This improvement goes back to a commitment made a few years ago to build the business line as a core engine of growth. The subsequent financial turmoil created opportunities that served as a springboard: proactive risk management strategies implemented well in advance of the financial crisis allowed B2B Trust to promote growth at a time when some competitors retreated into a defensive mode.

“The increase in business has translated into net income growth of **52%** over the past three years.”

“Our goal is not to have a perfect issue response, it is to take away the issue in the first place.”

Understanding B2B Trust

B2B Trust's business model is quite distinct from its peers. It is a wholesale manufacturer of banking products distributed to independent financial advisors in Canada for their clients. It offers high quality products in five categories: Investment and RRSP loans, Mortgage loans, Banking accounts – High Interest Investment Account and High Interest Savings Account – GIC deposits and Self-Directed Investment Accounts.

B2B Trust markets exclusively through this network, now over 15,000 independent financial advisors across Canada. It does not sell directly to end-customers and therefore does not compete with the advisors. Instead, it has made the advisor its sole focus.

This model has made B2B Trust the national leader in serving the financial intermediary community and created a key source of future growth. There are many opportunities for B2B Trust for deepening relationships with each advisor and reaching more of their customers.

B2B Trust is expanding its product channels and is currently making new inroads into the insurance business. A trend by insurers to outsource distribution has augmented the role of Managing General Agencies (MGA), creating a new opportunity for B2B Trust's business model.

Error-free, hassle-free

B2B Trust continues to develop high quality, competitive products and is currently heavily invested in providing “error-free, hassle-free” product support. This orientation is aimed at improving client satisfaction by moving from responsive customer service to pro-active complaint prevention.

“Our goal is not to have a perfect issue response, it is to take away the issue in the first place,” says Desjardins. “This means proving fast, error-free service. It's a tougher challenge, but a better solution.”

To reduce opportunities for error, and simplify the life of the advisor, the business segment's objective is to simplify its processes. In one example during 2010, an end-to-end review of one application procedure succeeded in reducing the required steps from over 25 to three – giving advisors more time to concentrate on what's important to them – their clients.

B2B Trust is backing up this streamlining with continuing emphasis on people and people skills. Banking is a people business and B2B Trust counts on the dedication and talent of its employees to continue to grow the business segment.



Charlene Ray, Senior Manager, Business Development, Metro Vancouver & Vancouver Island, B2B Trust

Charlene helps to build B.C. business

Investment loans are a core product at B2B Trust. With a portfolio of \$3 billion, B2B Trust is a leader in Canada in this field, requiring a deep understanding of the financial intermediary market.

People like Charlene Ray are key to the Bank's understanding of the evolving needs of the independent financial advisors. Charlene is Senior Manager, Business Development for Metro Vancouver and Vancouver Island. She is also a west coast native with 33 years of banking service, 16 of them specifically with financial planning advisors.

In 2010, despite the challenges in the marketplace, she closed important new accounts and surpassed her objectives for investment loans development.



Michel C. Trudeau, Senior Vice President Capital Markets for the Bank and CEO, Laurentian Bank Securities

Building on our future

FINANCIAL HIGHLIGHTS 2010

REVENUE INCREASES
IN RETAIL AND
INSTITUTIONAL
EQUITY DIVISIONS

SOLID
PERFORMANCE OF
THE INSTITUTIONAL
FIXED INCOME
DIVISION

“We are actively participating in the debt issues of every province and in a growing number of municipal borrowings.”

Fixed Income delivers another solid year, while other divisions continue to build their franchise.

Against a backdrop of weaker markets in the second half of the year, Laurentian Bank Securities and Capital Markets posted net income of \$10.0 million, down from \$12.0 million in 2009.

“I’m satisfied with our performance in a year that was challenging,” says CEO Michel C. Trudeau. “We continued to take measured steps to build the business for future growth.”

The growth strategy of Laurentian Bank Securities and Capital Markets is based on a business model that provides brokerage services to institutional, government and retail clients, as well as to corporations. Thanks to its targeted investments and long-term strategic vision, this business segment represents an important component of the overall operations of the Bank.

Increased participation in syndicates

The largest division, Institutional Fixed Income, is solidly established across the country. Laurentian Bank Securities is playing a progressively more senior role in several provincial syndicates and has a growing presence in the corporate sector. It is actively participating in the debt issues of every province and in an increasing number of municipal borrowings.

Development activity in 2010 continued to build stronger businesses for the Institutional Equity and Retail Brokerage divisions.

The Retail Brokerage division, with 14 offices mainly in Québec, has grown from 30 brokers five years ago to 85 today. Providing a full suite of investment products to its clients, this division offers a lot of potential growth and development as it further builds and strengthens its foundation.

The Institutional Equity division, formed in 2006, transitioned from being a start-up operation to being profitable in 2010. The sector now includes nine analysts providing research coverage of over 50 small cap companies. Laurentian Bank Securities is the only bank-owned investment dealer to specialize in this fast-growing niche.

“We’re moving carefully and being selective,” says Trudeau. “With our solid execution and limited appetite for risk, we are positioned to take advantage of attractive growth opportunities.”



Lorraine Pilon, Executive Vice President, Corporate Affairs and Secretary, with Michel C. Lauzon, Executive Vice President and Chief Financial Officer. Both are members of the Management Committee.

Corporate groups support growth

Finance prepares for new reporting standards in 2011.

“Banking depends upon trust and maintaining your reputation is absolutely critical.”

“We have to strike the right balance between the need for solid corporate standards in IT and the need to be as agile as possible in terms of time-to-market.”

The Corporate Services sector is made up of the following groups: Treasury, Finance and Technology, Corporate Affairs, Human Resources and Integrated Risk Management. These groups support the business units and ensure that all basic requirements are in place to allow the Bank to grow.

Corporate Affairs

A primary task of Corporate Affairs, under the responsibility of Lorraine Pilon, Executive Vice President, Corporate Affairs and Secretary, is to maintain an impeccable reputation for Laurentian Bank. It is involved in the Bank's reputation in three ways: through Communications, Public Affairs and Investor Relations; Legal Affairs and the supervision of regulatory risk; and through Internal Audit and corporate security.

“Banking depends upon trust and maintaining your reputation is absolutely critical”, says Lorraine Pilon.

Treasury, Finance and Technology

Michel C. Lauzon, Executive Vice President and the Bank's Chief Financial Officer, has a broad mandate. In addition to Finance and Corporate Treasury, he is responsible for Information Technology and Real Estate.

Raising and managing the Bank's capital and funding needs means Corporate Treasury is always ensuring that the Bank has relationships with other banks and institutional counterparties. These relationships ensure that the Bank has access to funds at competitive rates as the need for liquidity arises.

This was an active sector for the Bank in 2010, with the issue of a new \$250 million series of debentures at the beginning of November. As

such, the Bank maintains very solid levels of capital and liquidity.

The group is currently engaged in converting to the forthcoming new International Financial Reporting Standards. Canada moves to IFRS in 2011 and the Banks will implement the new standards as of November 1.

Another challenging sector is Information Technology. “We have to strike the right balance between the need for solid corporate standards in IT and the need to stay agile in order to minimize costs and time-to-market,” says Lauzon.

Human Resources and Integrated Risk Management

Over the years, the Bank has developed a unique approach to Human Resources. A feature of the sector, under the responsibility of Denise Brisebois, Senior Vice President, Human Resources, is the Laurentian Bank Academy which consolidates the development programs offered to the Bank's employees. Other approaches include on-line training, interactive coaching and classroom sessions.

A leadership program called Leaders in Action is offered to all of the Bank's managers in order to develop a common management culture and improve management skills.

Risk management is always at the very core of any bank's operations, a position familiar to Senior Vice President and Chief Risk Officer Pierre Minville and his team. Whether the issues are with credit risk, financial risk, market or operational risk, they are carefully and skillfully managed in order to limit potentially negative impacts while enabling the organization to continue its growth.

Bank's reputation starts with **its people**



The five 2009 Guy-Vanier Award winners

Francine Bédard
Annie Dufour
Denis L'Hostie
Donat St-Laurent
Jing Xu

A group of award winners symbolizes the 3,600 employees who build our reputation each year.

Reputations have to be earned. Or, as Henry Ford put it, you can't build a reputation on what you are going to do. Laurentian Bank has established an enviable reputation, and it has taken many years and the efforts of thousands of people to do so. In fact, for the past two years, independent surveys have ranked the Bank as the second most admired financial institution in Québec.

Reputations are tested thousands of times each and every working day, and great employees ensure that they remain intact. At Laurentian Bank, it could be when Francine Bédard greets a client in the Lanaudière region or when Jing Xu accelerates a process in Toronto.

Francine and Jing are but two of more than 3,600 employees who work conscientiously to ensure that the Bank's reputation remains as good or grows even stronger as a result of their respective efforts. Francine and Jing are also among a select group singled out for recognition this past year with five individual annual Guy-Vanier Awards and one Ray McManus Team Award. They would be the first to confirm that they represent the entire workforce at the Bank

because their every action and every client contact has an impact on the reputation of the organization as a whole.

Six products per client

It is unlikely that anyone knows her customers better than Francine Bédard, a Personal Banking Advisor in Lanaudière, northwest of Québec. Her clients – who average six Laurentian Bank products in their portfolios – are totally loyal to her.

Not only is she regularly among the top three sales performers at the Bank but she is also one of those people who will always find time to take on a worthy cause or project.

Jing Xu is another one of these people who can't stay away from a challenge. When she first joined the fast-developing B2B Trust unit she found she had lots of company.

"I was inspired by the people I was working with as soon as I joined the Bank," says Jing Xu. "Everyone tried to contribute a little bit more every day. It made you want to come to work."

Jing has a computer science degree and a knack of being able to setup systems and databases to make processes more efficient. It wasn't long before she was doing more than her share of inspiring her colleagues.



The Ray McManus Team Award

Annie Dufour celebrated her quarter century with the Bank in 2010. She's another award winner and a person passionate about "her Bank".

Annie is a Manager in Direct Sales, a unique sector of the Bank which provides clients with access to experienced financial advisors over the phone. Building relationships over the phone is challenging but the service has become well appreciated by customers and a source of differentiation for the Bank.

Optimizing skills of others

Contributing to the Bank's success and teaching others how to do it are two sides of the same coin. Donate St-Laurent, as a Senior Manager of Human Capital Development, is one of those influencing the Bank's success by optimizing skills and aptitudes.

Donate is responsible for developing the skills of personnel. She has upgraded course content and doesn't hesitate to introduce new solutions. When instruction was needed for the launch of new software to facilitate client investments, she led the team which not only provided the course but met a tough deadline by introducing an e-learning program. Over 1,000 employees were able to complete the training in matter of a few weeks while minimizing participants' travel time and expenses.

Another winner of the Guy-Vanier Award for individual excellence, Denis l'Hostie is a "lifer". He is a man with 28 years of service who still expects to learn something new on the job every day. As Senior Manager of Financial Planning, he and his team are at the centre of the strategic "Focus on Investment" that the Bank introduced in 2008.

He is also responsible for the remarkably successful "Retirement Projections" program offered in the branches. The number of financial analyses completed has doubled in each of five years.

"Financial planners can have a major influence on the lives of their clients," he says. "These clients bring their dreams to us and we help to make them come true. I love that part of the job."

Impressive team success

The Ray McManus Team Award acknowledged a high-profile group success. When the Bank had the chance to bid on installing 34 ATM machines in the Montréal subway, the devil was indeed in the details. The Bank had 15 days to prepare and cost the proposal and a five-week window to install the systems.

First, the team won the bid with an innovative proposal that boosted the number of installed cash machines to 44. Then they mapped out the installation program and lined up suppliers and network providers. Working only when the subway was closed, they installed the new ATMs in 25 nights.

Finally, teams from marketing and public affairs promoted an impressive achievement which has raised the Bank's profile, increased ATM transactions and led to new accounts.

With this calibre of employee support, the Bank's reputation remains in strong hands.

Social Responsibility

Committed to Caring

More companies each year are reporting non-financial and financial information in the same document, recognizing that investors today want to consider environmental, social and governance information in their decisions.

We will continue to report on issues relating to management, employees and customers, the environment and our community involvement. Each March, we issue a comprehensive Social Responsibility Report which is posted on our web site at www.laurentianbank.ca

We are committed to the principles of transparency, integrity and ethical behaviour in our business practices.

Development of the Bank's human resources has been focused around the Laurentian Bank Academy which opened three years ago. In 2010, 35,000 hours of training were given at the Academy and 6,500 online training modules were completed for a total of 42,000 hours of instruction.

We are dedicated to being an integral part of the communities in which we do business. The Bank supports more than 200 organizations and events.