LAURENTIAN BANK OF CANADA

CONFERENCE CALL

FEBRUARY 28, 2006

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

Soyez avisés que cette conférence est enregistrée.

Je cède maintenant la parole à madame Gladys Caron.

Please be advised that this call is being recorded.

I would now like to turn the meeting over to Ms. Gladys Caron.

À vous la parole. Please go ahead, Ms. Caron.

Mme G. CARON : Merci.

Bienvenue. Good afternoon everyone.

Before we comment on our performance for the first quarter of 2006, I would like to remind you that our Shareholders Annual Meeting will be held on March 7th, in Montreal.

Our press release was issued today on Canada newswire and is posted on our Web site.

This afternoon's overview of our first quarter will be provided by Mr. Ray McManus, President and CEO; Robert Cardinal, CFO; Bernard Piché, Head of Treasury, Capital Markets and Brokerage; Réjean Robitaille, Head of Retail and Commercial Financial Services; Luc Bernard, Head of Retail Financial Services; André

Scott, Head of Commercial Financial Services; and François Desjardins, in charge of B2B Trust.

The following members of our senior management team are also present at this call: Lorraine Pilon, Head of Corporate Affairs and Human Resources; Marc Paradis, Controller; Louis Marquis, Head of Credit; André Lopresti, Chief Accountant; and myself, Head of Public Affairs, Communications and Investor Relations.

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

MR. R. McMANUS: Thank you, Gladys.

Good afternoon everyone.

Our results for the quarter represent a substantial improvement over the same quarter last year. However, they are slightly lower than the last quarter of 2005. The cumulative impacts of all the initiatives we have undertaken are showing more and more positive results. The strong performance of our net interest margin is being maintained, and our loan and deposit portfolios continue to grow. In this regard, both the RRSP campaign and our net mutual fund sales are ahead of last year.

We continue to maintain our credit quality as our provisions for credit losses continue to exceed our impaired loans. Last December, we concluded the sale of our 51% stake in Brome Financial Corporation, which was deemed not to be a core activity. We also issued a new series of debentures during the quarter, initially targeted at an amount between $120 and $150 million, but thanks to oversubscription we issued the full $150 million.

We continue to work on the major components of our strategy, which are, first, the growth of our revenues; second, the development of our employees mainly oriented towards high quality of service and a more sales driven culture; and finally, the expansion and modernization of our net worth and product offerings.

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

MR. R. CARDINAL: Thank you, Ray.

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

On a gap basis, the earnings per share for the first quarter of 2006 were 59 cents and the return on equity, 7.9%. These results include a small gain of one cent per share relative to the sale of BLC-Edmond de Rothschild in 2005.

I will now compare the current quarter with the same quarter last year.

We posted an EPS from Continuing Operations of 58 cents during this quarter versus 38 cents in Q1 2005. The return on equity was 7.7% from Continuing Operations in the quarter compared to 5.3% in 2005.

Details relative to the sale of BLC-Edmond de Rothschild and its impact on the 2005 and 2006 first quarter results from Continuing Operations are provided in our press release.

The results from Continuing Operations for the current quarter include three important items that affected overall results.

First, we benefited from a tax expense reduction of $2.4 million, or 10 cents per share, resulting from the favourable adjustment as to future tax assets following an increase in the Quebec corporate income tax rate.

Secondly, we had a variable compensation charge of $3.1 million related to the stock appreciation rights plan for 9 cents per share.

Finally, our results include a $0.9 million gain net of taxes, or 4 cents per share, following the sale of Brome Financial during the quarter.

Excluding these three items, earnings per share would have amounted to 53 cents for the first quarter of 2006 compared to 38 cents for the same quarter last year, representing an increase of 39%.

Compared to the same quarter last year, Total Revenue as published grew by 10%. Our results were positively impacted by higher net interest income that increased by $12.2 million or 15%.

Other Income was stable as higher credit insurance revenues and the gain from the sale of Brome Financial were offset by a lower Treasury and Financial Market income, fees and commissions on loans and deposits, and by mutual fund revenues.

On the cost side, non-interest expenses increased by $8.8 million versus the same quarter last year, mainly as a result of higher variable compensation costs, salaries and pension fund contributions, and business development activities.

We continue to see stronger and less volatile earnings on a year-over-year basis for the following reasons: first, an improvement in our net interest income, which was 2.10% in the quarter versus 1.83% in Q1 2005; secondly, our loan growth continued while our loan losses remained relatively stable at $10 million.

I will now compare our Q1 2006 results versus the previous quarter.

Excluding the three important items I just mentioned, earnings per share for the quarter was 53 cents, lower than the 61 cents posted during the fourth quarter of 2005, which, you will remember, included a 6 cents favourable adjustment from income taxes.

The total revenues as published of $131.5 million for the first quarter of 2006 were slightly lower compared to the $133.8 million the previous quarter. This can be mainly explained by the reduction in non-interest income: $1.8 million in Treasury and Financial Market revenues, $1.7 in securitization revenues and $1.6 million in fees and commissions on loans. These increases were partially offset by the gain on the sale of Brome Financial and higher net interest income.

Our net interest margin was 2.10% versus 2.06% in the fourth quarter of last year. Loan losses decreased by $1.8 million or 15% over Q4 2005. Non-interest expenses increased slightly by $1.5 million to reach $100.5 million due to variable compensation costs, salary and employee benefits, as well as advertising and business development expenses. These expenses were offset by lower premises on technology expenses.

Our Total Capital ratio of 14.1% increased during the quarter versus the 12.3% in the previous quarter. It was positively impacted by the issue of $150 million of debentures.

Now, versus our objectives, I am pleased to report that Total Revenue grew by 10% compared to the same quarter of last year. This growth exceeds to date our targeted 7% to 8% revenue growth for 2006.

Our EPS and our ROE from Continuing Operations, as well as credit quality and capital ratios, are in line with our objectives for the year. Our efficiency ratio is above our target range as it was affected by the stock appreciation right, higher salaries and employee benefits, linked to a stronger financial performance, as well as higher marketing and business development expenses.

This completes my comments.

Now, Bernard for Treasury and Brokerage.

MR. B. PICHÉ: Thank you, Robert.

Treasury and Financial Markets Other Revenues stood at $3 million this quarter as compared to $4.2 million for the same quarter last year. This is mainly due to the fact that we continue to focus more on net interest income growth than on treasury gains. Asset and liability management has continued to have a positive impact on the Bank and has been an important contributor to the sustained improvement in the Bank's net interest margin. As Robert mentioned, this margin for the quarter now stands at 2.1%.

For its part, Laurentian Bank Securities has reported growth in net revenues that were relatively unchanged from the same quarter last year. This has been the result of growth in the retail sector, which has increased the cost base and where we expect revenues to materialize in the coming quarters. During the quarter, two new brokerage offices were opened in Chicoutimi and Saint-Hyacinthe. The Brokerage is now offering its services through a 13-office network in Quebec and Ontario.

Leveraging on its institutional bond expertise, Laurentian Bank Securities launched during the quarter a Web transactional fixed income platform as part of its online discount brokerage and offering.

Finally, securitization revenues were at $3.1 million for the quarter or the same level as the same quarter last year with the Bank proceeding to two securitization transactions amounting to $225 million.

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

MR. R. ROBITAILLE: Thank you, Bernard.

Well, at the end of this first quarter, Retail, Commercial and B2B Trust all have recorded promising results.

Firstly, the trend on volume growth is still very positive and secondly, total revenue for each of these business lines is growing as well. On the other hand, net income was impacted by a higher level of expenses largely attributable to increases in both stock appreciation rights costs and employee future benefits.

Retail Financial Services' net contribution reached $6.5 million, a decrease of $1.6 million compared to the same period last year while its total income increased by 4%. Strong growth in volume has more than compensated the lower margin on demand and notice deposits. Despite the fact that variable compensation costs and loan losses have increased, Continuing Operations are in line with the business plan.

Commercial Financial Services' contribution stands at $5.6 million, a $0.6 million increase compared to the first quarter of 2005. Total Income increased slightly, mostly as a result of solid growth in real estate and the sale of Brome

Financial Corporation. Meanwhile, as I mentioned before, the level of stock appreciation right costs were higher than anticipated.

B2B Trust's net income increased 12% over last year and reached $5.5 million for this quarter. A strong performance in investment loans mostly explains this increase and has more than compensated the slightly higher level of loan losses.

I will let Luc Bernard and François Desjardins to provide more details on their business lines' results and main activities during the first quarter.

Luc.

MR. L. BERNARD: Thank you, Réjean.

In the first quarter, we have maintained the same pace as reflected in the last two quarters of 2005, thus sustaining our revenue momentum. Our revenues are up 4%. Non-interest income is up 11%. Increased fees in several areas, mainly in credit card revenues and mutual funds. Our distribution agreement with Industrielle Alliance is performing very well. Our net sales of mutual funds are ahead by 50% compared to last year's performance.

The modernization plan of our branch network is progressing as planned. Nearly 25% of the program is completed following the recent opening or relocation of four new boutiques in high-growth areas. As outlined, our focus remains on the execution of our plan with a strong emphasis on increasing our share.

The following indicators demonstrate our sustained strategy and it is reflected on a year-over-year basis: a 9% growth of our clientele using us as their primary provider of financial services; a 3% growth of our customer base holding more than five products with us; a 10% growth of our customer base using our credit card; and finally, an 11% growth of our customer base holding a line of credit with us.

Supported by a robust integrated technology environment, our needs based marketing and cross-training strategy has begun producing results.

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

MR. A. SCOTT: Thank you, Luc.

As Réjean already mentioned, Q1 2006 was a satisfactory quarter for the Commercial Financial Services group.

Our revenues, excluding those of loans, remained stable, and our loan losses were substantially lower than for the previous quarter. These items coupled with the profit on the sale of Brome were on the other hand largely offset by the increased non-interest expense.

On a sector basis, our Real Estate group delivered good results which added with average assets growing by almost $100 million or 12% year over year. Two-thirds of this growth came from the term lending further to the new program we introduced last year. Construction lending opportunities remain very good. While we have seen a slowdown in condo construction, there is an increased demand for other products, such as retail, retirement facilities and social housing.

Our Small- and Mid-Market Commercial Business experienced little growth on the loan side, but we are seeing the results of initiatives we launched in the last 12 to 18 months. One trend is the growth of current accounts as well as the demand deposit base. This trend started in 2005 and continued in Q1.

To accelerate further this aspect of the business, we have developed new banking plans which will be launched in Q2. We have also improved during the quarter our Web site functionality to better serve our clients.

Our Farm Lending Group continued its progression as assets were up 12% year over year. We are aggressively recruiting to increase our sales force as we are confident that in this area we can continue to grow.

Finally, we sold our 51% share in Brome Financial Corporation, which only represented $30 million of assets, in order to focus on core activities, which is main street lending.

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

MR. F. DESJARDINS: Thank you, André.

B2B has had a great start again this year. Investment loans, mortgage loans and deposit volumes are up from the previous quarter by $61 million, $20 million and $64 million respectively. This, combined with better interest margins, has increased total revenue by 10% quarter over quarter and 4% compared to the previous quarter. All the while, loan losses and costs are being managed tightly.

Managing constant growth in net contribution and profitability has been quite simple, maintaining focus and managing execution. Nothing spectacular. We have simply done better because we decided to raise the bar and get better at what we do best.

Some notable actions of the quarter are:

- we implemented straight-through RRSP loan processing, increasing productivity and capacity;
- we signed two new distribution agreements with Dundee Group and Assante Corporation;
- we simplified the RRSP loan offering and worked closely with our distribution alliance partners on training, customized marketing materials and sales support tools.

In short, as we do more business, do the right business and do it right, we are on track in achieving our yearly objectives.

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

MS. G. CARON: Thank you, François.

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

OPERATOR: Thank you. Merci.

Pour poser votre question, appuyez sur *1. Si vous désirez annuler votre question, appuyez sur le dièse. If you wish to ask a question, please press *1 on your telephone. To cancel your question, please press the # key.

Vous pouvez maintenant procéder. You may now proceed.

The first question – la première question – is from Michael Goldberg from Desjardins Securities.

Please go ahead. À vous la parole.

Please go ahead, Mr. Goldberg. Your line is now open.

If you are on a speakerphone, please pick up the handset.

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

MR. R. McMANUS: Yes, Michael.

MR. M. GOLDBERG (Desjardins Securities): Okay. During the quarter, it looks like you had $16 million in formations. I am just wondering if you can explain what was going on. Is this just a blip?

MR. R. CARDINAL: Your calculation as to the net formation of impaired loan is about right. I would say that if we say that this quarter would be just a quarter of the year, it would mean indeed that we would have our formation, but those are really small numbers and I have no indication right now to think that there is any kind of a trend.

MR. M. GOLDBERG (Desjardins Securities): Okay. In 2005, the SAR expense for the full year was $1.4 million and the stock price was up $4.90 during the year. In the first quarter, with the stock price up $4.80, the SAR expense is $3.1 million. Why is it so different?

MR. R. McMANUS: The big reason for that is that we had issued… We are talking, it increased about – let me just think about – a year and a half ago or two years ago, we issued about $500,000 of options or stock appreciation rights, which were at about $27, Michael, and that is the reason. So that really what we are looking at, the 3.1 is really approximately $600,000 of options or stock appreciation rights.

MR. M. GOLDBERG (Desjardins Securities): Okay. And what was that in the first quarter actually last year?

MR. R. McMANUS: They were not very… I do not have the exact amount but it was minimal.

MR. M. GOLDBERG (Desjardins Securities): Okay. All right. Thank you.

OPERATOR: Thank you, Mr. Goldberg. Merci.

La prochaine question – the next question – is from Susan Cohen from Dundee Securities.

Please go ahead. À vous la parole.

MS. S. COHEN (Dundee Securities): Thank you.

Do you feel that you have more non-core assets that could be sold at this point or has most of the pruning been done?

MR. R. McMANUS: No, I would say hopefully this is the last of the pruning, Susan, and that we have nothing. Right now, what we want to do is grow our core business lines.

MS. S. COHEN (Dundee Securities): Okay. And secondly, with your net interest margins at 2.10%, do you feel there are further possibilities of widening or have you kind of maxed out the margin appreciation right now?

MR. R. McMANUS: Bernard, do you want to take this?

MR. B. PICHÉ: Yes. Well, Susan, as you know, there are dollars and there are percentages. In terms of percentages, as you know, the margin has improved from the mid-150s to what they are today. In terms of margins, they move up or down given the size of the balance sheet and the restructuring of the future.

The improvement I said a few quarters ago has run most of its course. So I do not see this trend to be pursued. I think it is going to stabilize, but I think what we have shown is that it is a sustainable improvement.

MS. S. COHEN (Dundee Securities): Okay. Thank you very much.

MR. R. McMANUS: Thank you, Susan.

OPERATOR: Thank you. Merci.

The next question – la prochaine question – is from Ian de Verteuil from BMO Nesbitt Burns.

Please go ahead. À vous la parole.

MR. I. DE VERTEUIL (BMO Nesbitt Burns): Good afternoon everyone. It is good to have time to look at your results without pressure from other banks.

MR. R. McMANUS: Hi, Ian.

MR. I. DE VERTEUIL (BMO Nesbitt Burns): The first question I have follows to some extent on Michael’s question.

The expenses, the salaries and employee benefits as quoted is $52.3 million. Included in that was – I think – about just over $3 million of impact of the stock appreciation rights because of the excellent performance of the stock.

When I look back at Q4 and Q3, you seem to be running at sort of $50 million a quarter of salaries and employee benefits. So I think if there was an extra $3 million plus some higher pension costs that the number would have been even higher than it is.

Is there something that is lower this quarter than Q3 or Q4, or maybe a more precise question would be, you know, in the event of not a lot of movement in your stock price, should that number be $49 million?

MR. R. McMANUS: Well, I guess you hit it right with the pension fund and the stock appreciation rights. If you did not have the stock appreciation rights, then the run rate would probably be at the level, at that level.

MR. I. DE VERTEUIL (BMO Nesbitt Burns): At $49 million?

MR. R. McMANUS: Yes.

MR. I. DE VERTEUIL (BMO Nesbitt Burns): Okay. Because it seems as in the last two quarters of last year, it ran closer to the 51. So, presumably, the SAR impact was there in the second half of last year too.

MR. R. McMANUS: But Robert, could you add?

MR. R. CARDINAL: Yes. Maybe the only difference is maybe the variable compensation plan where last year, I think we were ahead of our objectives and we were accruing for the performance of – let us say – 100% as if we exceeded our ROE by half-a-point to 1%. This year, we accrue only on half of that. So this probably makes the difference.

MR. I. DE VERTEUIL (BMO Nesbitt Burns): So a bit of catch-up in accrual in the back half of the year is why that number looked a bit higher than it normally would be.

MR. R. CARDINAL: Maybe if said differently, we have a bonus plan that if we just meet the objectives, the payout is 50% of the potential, but if we exceed by a certain amount, if we exceed enough, then we are eligible to a payout of 100%, which was the case last year, which is not the case this year. Last year, we were at a payout of 100% during Q3 and Q2, 3 and 4, and this year, up to now, we are just right on target. So the variable compensation plan, cost is about half of last year.

MR. I. DE VERTEUIL (BMO Nesbitt Burns): Okay. I got that. Let us hope you pay out all 100%.

MR. R. CARDINAL: So we have to work harder.

MR. I. DE VERTEUIL (BMO Nesbitt Burns): Yes. The second question relates to and – I guess – follows on to, Ray, your point that the stage here is really to try to grow from the base. I have certainly heard some of the comments here that the retail and the commercial book is performing well. But when I look at the size of the balance sheet, you know, you had $11.9 million in loans as of October; you had $11.8 million of loans as of January; and I think you securitized about $200 and a couple of hundred million.

Do you think you are keeping pace with the market?

MR. R. McMANUS: Yes. If we would not have securitized, we have looked at it, and the industry on a yearly basis is growing about 6%, and if you remove on an annual basis, they grew about 1.5% per quarter where we would have about the same volume, the same level of growth.

MR. I. DE VERTEUIL (BMO Nesbitt Burns): And your 6% growth, that is because I perceive faster growth in the residential mortgage and in personal loans.

MR. R. McMANUS: Exactly. We have grown more in the… but I am talking overall assets of the Bank. You are talking about in residential mortgages and in retail.

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

MR. R. McMANUS: And personal lines of credit. Yes, the growth is higher in that area.

MR. I. DE VERTEUIL (BMO Nesbitt Burns): Okay. Maybe I will follow up offline.

Thanks a lot, guys.

OPERATOR: Thank you. Merci.

The next question – la prochaine question – is from Jason Donville from Sprott Securities.

Please go ahead. À vous la parole.

MR. J. DONVILLE (Sprott Securities): Good afternoon.

I just wanted to get a bit more colour on what is happening in terms of the competitive environment with respect to pursuing the consumer because your personal loans, your consumer loans, that is growing nicely, the same with the residential side, as well you are expanding the brokerage, which I believe is predominantly targeted at the consumer.

I am just wondering what has been your competitors' response. You have obviously taken – I am guessing – a nice chunk of market share in the last 12 months. Are people not paying attention to what you are doing or are you finding that your competitors are matching your campaigns? Can you give us a bit of flavour on what is happening in terms at the street level there in Quebec?

MR. R. McMANUS: Réjean, do you want to take that one?

MR. R. ROBITAILLE: Yes.

Well, in fact, this is definitely a competitive environment, but I think that on our side we did a lot of things in terms of marketing campaigns, in terms of new products and, well, we have a stronger growth than them.

As you know, well, we are maybe at 6 or 7% for some products of market share. So there is a huge space that we could still and we will continue on that trend. So maybe we are still on the – well, not necessarily on the radar screen, but they were hurt from us definitely.

MR. J. DONVILLE (Sprott Securities): Okay. And maybe this is a related question.

I think there has been some innovative marketing campaigns, but are you getting, in terms of feedback and in terms of customer satisfaction feedback or service surveys, are you getting a sense that there is a shift in the market place's perception of Laurentian's delivery of consumer products?

MR. R. ROBITAILLE: Yes.

MR. R. McMANUS: I think… Okay. Go ahead, Réjean.

MR. R. ROBITAILLE: Well, the answer to that is yes. We continually do some internal and external surveys. We already mentioned that in terms of the financial advisors in Quebec, we are ranked number one in terms of quality of service.

In terms of marketing campaigns, we also did some surveys and during the last two years, we increased – I think – significantly. Maybe Luc, you could add to that, but we increased significantly our notoriety.

MR. R. McMANUS: I think another thing, Jason, which is very key here, is that our employees have all bought into the plan and are very proud, and I think the proof is in the pudding.

What Luc pointed out, our net sales of mutual funds at the same point in time are 50% ahead of last year. Our RRSP campaign is ahead of last year, and last year was the best year ever this Bank has ever achieved.

It is that enthusiasm. You know, we are all selling the same products. What we have to do, as François pointed out, is we have to do it better, but it is a long process, Jason. There are no quick fixes. We still have a lot to do. We are on the right trend, but we still have a lot more work to do.

MR. J. DONVILLE (Sprott Securities): Okay. Terrific! Well, congratulations once again.

OPERATOR: Thank you. Merci.

Once again, please press *1 at this time if you have any questions or comments. De nouveau, n'hésitez pas à appuyer sur *1 pour toute question ou commentaire.

La prochaine question – the next question – is from Jamie Keating from RBC Capital Markets.

Please go ahead. À vous la parole.

MR. J. KEATING (RBC Capital Markets): Well, Ray, congratulations everyone on a fine quarter.

I wanted to just revisit the rationale on B2B Trust. I am just trying to update myself as to how the product similarities are panning out between… I am thinking of shared costs here, Ray. I am wondering what the product similarities are, if they are there.

I am also curious as what the dynamics going forward. The growth there looks pretty good. Is it going in sync with the main company or is it branching off?

MR. R. McMANUS: François, do you want to take it?

Could you repeat the question, Jamie? We could not hear.

MR. J. KEATING (RBC Capital Markets): Yes, sure. I hope it is not too off base.

I just want to investigate the dynamics in B2B Trust and how they are fitting in with the dynamics of the Laurentian Bank itself on the retail side, if there are product similarities and if you could describe if there is a program there for shared costs, how it is working out.

MR. F. DESJARDINS: Sure. In terms of sharing expertise, the Bank works together whether it be in terms of technology or administrative support or corporate support. There are some shared costs.

Where we have defined ourselves as being different or separate from retail banking and commercial banking is in the expertise of getting similar products out to a very different base of clientele.

So we are trying to fit the best of both worlds here, sharing costs of doing business with the maintenance of a different program designed specifically for the financial professionals that are intermediaries out there.

MR. R. McMANUS: Does that answer? Is that what you are looking for, Jamie?

MR. J. KEATING (RBC Capital Markets): Sorry, Ray. It is Jamie here. I am sorry I was trying to come back to you.

I was curious about the directionality here. They are coming together, are they, the product sets?

MR. R. McMANUS: Well, there are certain things. Like B2B, you know, managers are agent deposits now, which represent about $4.5 billion. Where we are coming together is we have one credit supervision. But as François points out, they are dealing with what is called a third party, with financial intermediaries, while the Bank is dealing with direct and compared to indirect. But we are constantly looking at ways of synergizing and maximizing the synergies.

But I do not know. I cannot, I find it difficult to say any more than that, Jamie.

MR. J. KEATING (RBC Capital Markets): Okay, Ray. I will come back.

MR. R. McMANUS: Go ahead, François.

MR. F. DESJARDINS: Maybe the assumption here is that when B2B was a public company, that we completely had two different operating models. Even as a public company, we were using synergies, whether it be technology or operations or shared costs, and we have continued to do so by buying it back, and we will continue to do so going forward.

MR. J. KEATING (RBC Capital Markets): Okay. Thank you, guys.

OPERATOR: Thank you. Merci.

The next question – la prochaine question – is from Jordan Immovitz(ph) from Philadelphia Financial.

Please go ahead. À vous la parole.

MR. J. IMMOVITZ (Philadelphia Financial): Hey guys. I like the French introduction.

A couple of quick questions.

One, why was business on deposits down so much in the quarter?

MR. R. McMANUS: Why was business on deposits down so much in the quarter? Do you mean wholesale deposits? That is because of our debentures. That is what I think he is talking about.

MR. R. CARDINAL: Are you referring to the wholesale business? I do not think in retail we have had any major movement.

The wholesale deposit business is for us to tap or not to tap. So, as you know, we have issued a debenture during the quarter that has lost $150 million. So, depending on the cash flows and securitization that have dropped $225 million, so then we rely less on institutional wholesale deposits, and that is probably – I think – what you are referring to.

MR. J. IMMOVITZ (Philadelphia Financial): Maybe I am confused by the terminology. The deposits line is business, that is wholesale that went from 3.1 to 2.6.

MR. R. CARDINAL: Yes. That includes wholesale as well as the retail, as the commercial deposits, but when there is a significant variation like that from quarter to quarter, it is the wholesale market. So we are in the market of wholesale with the municipalities, the provinces, the corporate, and our willingness to take money depends naturally on our needs to satisfy our liquidity ratios. When you have an influx of – let us say – 225 plus 150, so it is $375 million, that will reduce our need for wholesale deposits during that period.

MR. J. IMMOVITZ (Philadelphia Financial): Let me ask the question this other way then. What was the increase, if any, in commercial deposits in the quarter?

MR. R. CARDINAL: I will ask André Scott to answer that question.

MR. A. SCOTT: On the commercial side in the quarter, the increase was $32 million to be precise, which represented for the quarter about a 7% increase for the quarter.

MR. J. IMMOVITZ (Philadelphia Financial): And can you tell me from what number to what number it went to?

MR. A. SCOTT: I do not have it exactly on hand. I know the increase was $32 million during the quarter. I know I have the numbers somewhere but I do not have it exactly on hand. We have our controller verifying the numbers as we are talking.

MR. R. McMANUS: Well, if it is 7%, it is around 450.

…(off mike discussion…inaudible)…

MR. A. SCOTT: So that would be around a $450 million range, total.

MR. J. IMMOVITZ (Philadelphia Financial): Is that a sequential increase or 28% annualized?

MR. A. SCOTT: The total deposit base is about $450 million, and there was about – you are mentioning about how much – I am sorry – an average balance increase for the quarter? You say the average balance was $15 million increase. So the deposit was 30 some and the average was 15. So, on a total base of $450 million.

Is that clear?

MR. J. IMMOVITZ (Philadelphia Financial): So 3.5 % sequentially, not 7?

MR. R. McMANUS: That is correct, on average.

MR. J. IMMOVITZ (Philadelphia Financial): And next, on the first question that was asked on the loan losses exceeding the provision in the quarter, you know, you would anticipate that being a one-time thing that is not in your guidance. Correct?

MR. R. McMANUS: No, we did not say the loan losses. He was talking about formations. Our formations were slightly higher this quarter. That is what the question was. Our loan losses were $10 million. Our loan loss reserve was $10 million.

MR. R. CARDINAL: Yes, which is about the same level at the same quarter last year.

MR. R. McMANUS: And it is within our objectives for the year.

MR. J. IMMOVITZ (Philadelphia Financial): Ray, the write-off number was $15 million.

MR. R. McMANUS: No, I am sorry.

MR. A. SCOTT: That is the loan formation. The $15 million figure was the loan formation, the impaired loan. That is the net formation. So that would be the formation minus our recovery.

MR. R. McMANUS: Okay.

MR. A. SCOTT: And yes, if you were to multiply that number by four, it would give the result that would be higher than the past year. Obviously that figure is before any write-off. So we do not publish those figures. All I can say is that I would not draw too much conclusion out of this because the variation from one quarter to the other is not that big. Really, a few small loans can make a difference.

MR. J. IMMOVITZ (Philadelphia Financial): Okay. Maybe I can follow up later. I am a little confused.

My final question is you have had like three quarters in a row where you have beaten numbers. Your stock is up like 30%. You have like seven analysts following you guys all with neutrals or sells. What do you think it is going to take to get a buy rating?

MR. R. McMANUS: I am going to focus on running the Bank! And maintaining!

As I said before, we are managing the Bank for the long term. We are going to keep plugging away.

Any other questions?

OPERATOR: Thank you. Merci.

There are no further questions registered at this time. Nous n'avons plus de questions pour le moment.

J'aimerais retourner la parole à monsieur Raymond McManus. I would now like to turn the meeting back over to Mr. Raymond McManus.

MS. G. CARON: Thank you all for joining us today. Merci de votre participation.

If you have any further questions, the phone numbers are listed on the press release. Thank you.

End of conference call