THIRD QUARTER 2007

QUARTERLY REPORT FOR THE PERIOD
ENDED JULY 31, 2007

LAURENTIAN BANK

REPORT TO SHAREHOLDERS

Laurentian Bank of Canada reports strong net income of $23.2 million for the third quarter of 2007

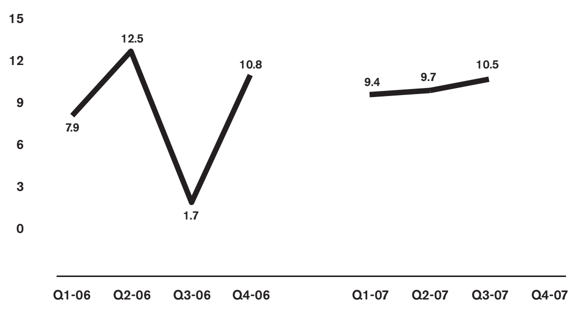
Laurentian Bank of Canada reported net income of $23.2 million or $0.85 diluted per common share for the third quarter ended July 31, 2007, compared to $6.2 million or $0.13 diluted per common share for the same period in 2006. Return on common shareholders' equity was 10.5% for the quarter, compared to 1.7% for the same period in 2006. For the nine-month period ended July 31, 2007, net income totalled $64.4 million or $2.34 diluted per common share, compared to net income of $47.8 million or $1.64 diluted per common share in 2006. Return on common shareholders' equity was 9.9% for the nine-month period, compared to 7.3% for the same period in 2006.

Results for the third quarter of 2006 included an unfavorable tax adjustment of $11.0 million ($0.47 diluted per common share). Excluding this tax adjustment, net income for the third quarter of 2006 would have stood at $17.2 million or $0.60 diluted per common share. Compared to the third quarter of 2006 and considering this adjustment, net income for the third quarter of 2007 improved by $6.0 million or 35% and diluted net income per common share rose by $0.25 or 42%. It should be noted that the unusual tax item mentioned above has no significant effect on the results for the nine-month period ended July 31, 2006, as it was offset by a favorable $10.7 million net tax adjustment recorded during the second quarter of 2006.

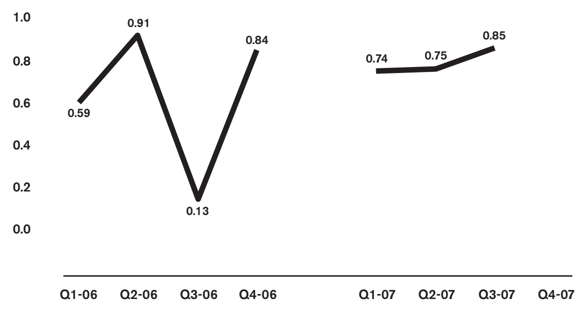
Réjean Robitaille, President and Chief Executive Officer, commented on the results of operations: "The Bank's performance for the third quarter was very solid. After nine months, all lines of business contributed to our growth and results exceeded our objectives. The strong retail loan growth, especially over the last quarter, and steady improvement in net income are good indications of our ability to develop our business. Encouraged by these successes, we remain dedicated to our three priorities: increasing our profitability, improving our efficiency and developing our human capital."

Mr. Robitaille added, "The recent turmoil related to the liquidity crisis has certainly retained our attention over the last month. However, as mentioned in the press release we issued on August 21, the Bank has a very limited exposure to conduits issuing asset-backed commercial paper."

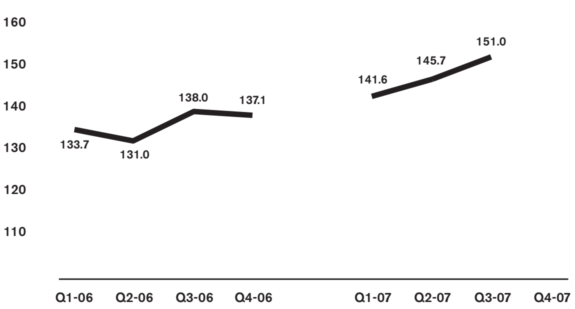
RETURN ON COMMON SHAREHOLDERS' EQUITY
AS A PERCENTAGE



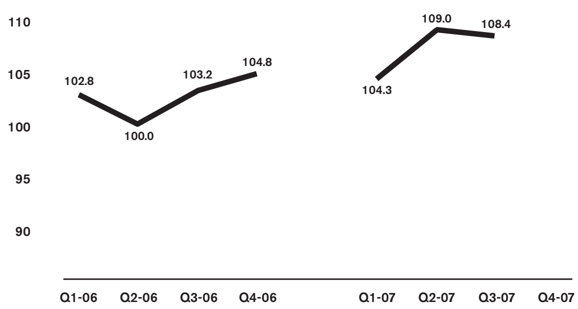
DILUTED NET INCOME PER COMMON SHARE
IN DOLLARS



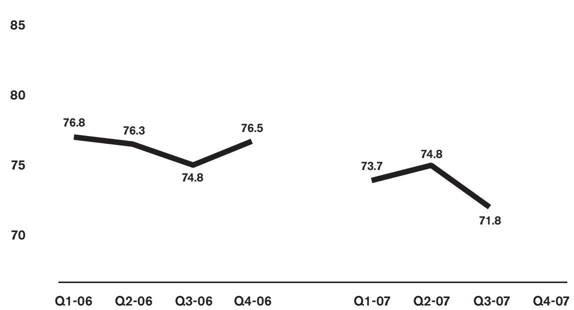
TOTAL REVENUE
IN MILLIONS OF DOLLARS



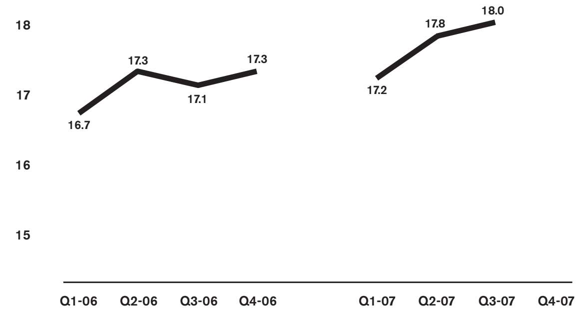
NON-INTEREST EXPENSES
IN MILLIONS OF DOLLARS



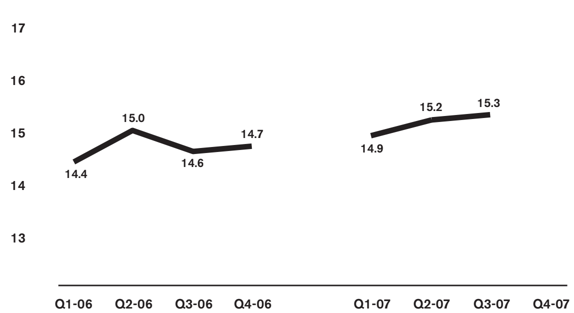
EFFICIENCY RATIO
NON-INTEREST EXPENSES AS A PERCENTAGE OF TOTAL REVENUE



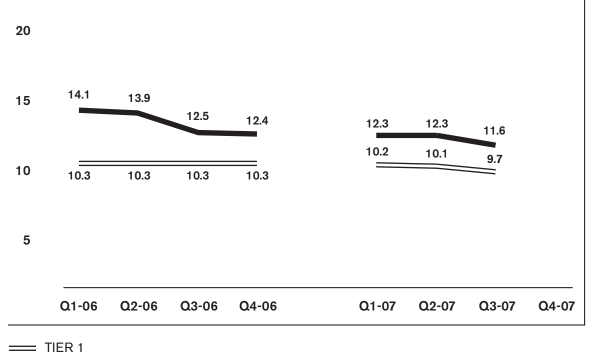
BALANCE SHEET ASSETS
IN BILLIONS OF DOLLARS



ASSETS UNDER ADMINISTRATION
IN BILLIONS OF DOLLARS



BIS CAPITAL RATIO
AS A PERCENTAGE



MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (MD&A) is a narrative explanation, through the eyes of management, of the Bank's financial condition as at July 31, 2007, and of how it performed during the three-month and nine-month periods then ended. This MD&A should be read in conjunction with the unaudited interim consolidated financial statements for the third quarter of 2007. This MD&A is dated September 6, 2007.

Complementary information on subjects such as risk management, accounting policies and off-balance sheet arrangements is also provided in the Bank's 2006 Annual Report.

PERFORMANCE AND FINANCIAL OBJECTIVES

Laurentian Bank publishes its financial objectives at the beginning of each financial year and then reports actual results quarterly. The Bank's practice is not to provide interim guidance. The following table presents, strictly for information purposes, a comparison of the actual performance with the objectives set by management for 2007.

Performance for 2007

	2007 OBJECTIVES	NINE-MONTH PERIOD ENDED JULY 31, 2007 ACTUAL
Return on common shareholders' equity	**8% to 9%**	**9.9%**
Diluted net income per share	**$2.55 to $2.85 (annual)**	**$2.34**
Total revenue	**$550 to $560 million (annual)**	**$438.3 million**
Efficiency ratio	**75% to 73.5%**	**73.4%**
Tier 1 Capital ratio	**Minimum of 9.5%**	**9.7%**
Credit quality (loan losses as a % of average assets)	**0.24% to 0.21%**	**0.24%**

HIGHLIGHTS

This section presents the highlights of the third quarter ended July 31, 2007, and provides details on significant items affecting results, when compared to the third quarter of 2006.

- Total revenue stood at $151.0 million in the third quarter of 2007, compared to $138.0 million in the third quarter of 2006. The increase results mainly from growth in net interest income of $10.3 million stemming from increases of more than $1.2 billion in loans and $350 million in deposits.
- Non-interest expenses increased to $108.4 million in the third quarter of 2007 from $103.2 million in the third quarter of 2006, essentially in salaries and employee benefits.
- The provision for credit losses was $10.0 million in the third quarter of 2007, the same level as a year ago.
- Income taxes stood at $9.5 million in the third quarter of 2007, compared to $18.6 million in the third quarter of 2006. Income taxes for 2006 included an $11.0 million ($0.47 diluted per common share) charge resulting from the federal budget adopted in June 2006.

ANALYSIS OF CONSOLIDATED RESULTS

Summary results

Net income was $23.2 million or $0.85 diluted per common share for the third quarter ended July 31, 2007, compared to $6.2 million or $0.13 diluted per common share for the same period in 2006. Results for the third quarter of 2006 included an unfavorable tax adjustment of $11.0 million ($0.47 diluted per common share). Excluding this tax adjustment, net income for 2006 would have stood at $17.2 million or $0.60 diluted per common share. On this basis, net income improved by $6.0 million or 35% and diluted net income per common share rose by $0.25 or 42%.

For the nine-month period ended July 31, 2007, net income totalled $64.4 million or $2.34 diluted per common share, compared to net income of $47.8 million or $1.64 diluted per common share in 2006. It should be noted that the unusual tax item mentioned above has no significant effect on the results for the nine-month period ended July 31, 2006, as it was offset by the favorable $10.7 million tax adjustment recorded during the second quarter of 2006.

Total revenue increased by $13.0 million or 9% to $151.0 million in the third quarter of 2007, compared to $138.0 million in the third quarter of 2006. The variation mainly results from the $10.3 million increase in net interest income stemming from the strong loan and deposit growth, as well as from the higher interest margin. Net interest margin increased from 2.16% in the third quarter of 2006 to 2.39% in the third quarter of 2007.

The $2.7 million increase in other income reflects continued improvement in most activities, including treasury and financial markets, services related to loans and deposits, mutual fund sales and brokerage operations. These were partially offset by lower securitization revenues, which are largely dependent on market conditions at the time loans are sold, and credit insurance income, as reported life insurance claims were higher for the quarter.

Compared to the second quarter of 2007, net interest income increased by $6.3 million. This quarter-over-quarter improvement is mainly due to the three additional days of the quarter and from growth in loan and deposit volumes. For its part, other income decreased by $0.9 million over the same period, mainly as a result of lower securitization revenues and credit insurance income, and despite the $1.6 million improvement in fees and commission on loans and deposits resulting from the higher transaction volumes. Also, the strong contribution from treasury and financial markets operations, at $6.5 million for the third quarter of 2007, compared to $4.3 million for the second quarter of 2007, was offset by the lower revenues from brokerage operations, which historically have been lower during the third quarter.

For the nine-month period ended July 31, 2007, total revenue was $438.3 million, a $35.6 million or 9% increase compared to the same period for 2006. Net interest income improved by $27.3 million as a result of increases of $1.2 billion in loans and $350 million in deposits, and the improvement in net interest margin. Other income also improved by $8.2 million, mainly as a result of the increase in fees and commission on loans and deposits and of the increase in income from sales of mutual funds derived from the expansion of the Bank's retail activities. Revenues from brokerage operations and income from treasury and financial markets operations also improved.

The significant volatility associated with the recent liquidity and credit crisis has only had a limited effect on the Bank's operations during the third quarter of 2007. The Bank is not a direct participant in the sub-prime mortgage loan market and only had very limited participations in such related securities. The recent events demonstrate the soundness of the Bank's long-term strategy to focus on the lower-risk retail and small- and medium-business markets.

The **provision for credit losses** was stable at $10.0 million or 0.23% of average assets in the third quarter of 2007 when compared to the third quarter of 2006, even though loan volumes have increased by more than 10% over the last twelve months. Lower losses on point-of-sales financing and B2B Trust loan portfolios have offset higher losses on the commercial loan portfolio. Nonetheless, the commercial loan portfolio has performed satisfactorily during the quarter. Net impaired loans improved to –$7.6 million (representing –0.05% of total loans, bankers' acceptances and assets purchased under reverse repurchase agreements), while they stood at $5.4 million (0.04%) as at October 31, 2006. Gross impaired loans stood at $109.3 million as at July 31, 2007, while they stood at $130.6 million as at October 31, 2006. Overall credit quality remained good and continued to benefit from the favorable economic conditions during the third quarter.

Non-interest expenses increased by 5% to $108.4 million in the third quarter of 2007, up from $103.2 million in the third quarter of 2006. At $58.6 million for the third quarter of 2007, salaries and employee benefits increased by $5.2 million, compared to the same quarter a year ago. The increase in salary charges is mainly due to higher bonus provisions and stock-based compensation, as well as the increase in the number of employees to support growth, particularly in the Retail Financial Services and Laurentian Bank Securities business segments. During the quarter, the Bank has hedged a significant portion of its stock-based compensation programs to limit its exposure to variations in the Bank share price. Other expenses for the third quarter of 2007 remained relatively unchanged compared to the same quarter of 2006.

The Bank continued to limit the increase of its expenses. Moreover, specific efforts were made to devote additional resources to the lines of business in order to increase revenues. This has contributed to the improvement in efficiency, which has improved by 300 basis points from 74.8% for the third quarter of 2006 to 71.8% for the third quarter of 2007.

For the nine-month period ended July 31, 2007, non-interest expenses increased by $15.7 million, mainly as a result of higher salaries and employee benefits, including performance-based compensation, as other costs remained relatively stable.

The **income tax expense** was $9.5 million (29.1% effective tax rate) for the third quarter of 2007. The lower tax rate, compared to the statutory rate of approximately 33%, resulted from lower taxes on dividend income generated by the Canadian equity portfolio and on revenues from credit insurance operations.

For the third quarter of 2006, the income tax expense was $18.6 million (75.2% effective tax rate) and included an income tax charge of $11.0 million resulting from the adoption of the 2006 federal budget during that quarter. Excluding this unusual charge, the income tax expense would have stood at $7.6 million (30.8% effective tax rate). This lower tax rate in 2006, compared to the statutory rate, mainly resulted from lower taxes on dividend income and certain capital gains realized during the quarter.

For the nine-month period ended July 31, 2007, the income tax expense was $22.3 million (25.7% effective tax rate). The lower tax rate, compared to the statutory rate, results from the above items, as well as from other favorable adjustments during the first and second quarters amounting to $2.5 million.

For the nine-month period ended July 31, 2006, the income tax expense stood at $19.3 million (29.0% effective tax rate). The lower tax expense in 2006 results mainly from the combined effect of legislative changes, recoveries related to the resolution of various income tax exposures, as well as the decision to repatriate capital from foreign credit insurance operations, as further detailed in Note 8 to the Interim Consolidated Financial Statements. It should be noted that the unusual tax charge of the third quarter of 2006 mentioned above had no significant effect on the results for the nine-month period ended July 31, 2006, as it was offset by other adjustments recorded during the second quarter of 2006.

ANALYSIS OF FINANCIAL CONDITION

Balance sheet assets stood at $18.0 billion at July 31, 2007, compared to $17.3 billion at October 31, 2006.

As at July 31, 2007, liquidities, including cash resources, securities and assets purchased under reverse repurchase agreements, decreased by more than $360 million, compared to levels as at October 31, 2006. This decrease results from the Bank's tighter liquidity management. Since the beginning of the year, the Bank continued to rely on its deposit portfolios and on residential mortgage securitization to fund its strong loan growth. As noted below, the securities are now classified as Available-for-sale, Held-for-trading or Designated as held-for-trading, as of November 1, 2006, to conform to the new accounting standards.

The loans and bankers' acceptances portfolio increased by more than $1.0 billion or 8% since the beginning of the year to $13.5 billion at July 31, 2007, compared to $12.4 billion at October 31, 2006. Personal loans increased by $621.5 million for the nine-month period ended July 31, 2007. The increase is mainly attributable to the B2B Trust's investment loan portfolio, which increased by $435 million in the third quarter alone. The home equity lines of credit also increased significantly since the beginning of the year. The residential mortgage portfolio increased by $363 million for the nine-month period ended July 31, 2007. Considering the increase of $197 million in securitized loans, as shown in the table below, total mortgage loan growth was excellent at $560 million over the same period.

Residential mortgage portfolio

IN MILLIONS OF DOLLARS	JULY 31 **2007**	OCTOBER 31 2006	NET GROWTH
On-balance sheet mortgage loans	**6,349**	5,986	363
Securitized loans (Off-balance sheet)	**1,236**	1,039	197
	7,585	7,025	560

Commercial mortgages increased by $11.9 million for the nine-month period ended July 31, 2007, while commercial loans, including bankers' acceptances, increased by $35.3 million, essentially in Quebec in the small- and medium-sized businesses.

Personal deposits increased by $530.6 million for the nine-month period ended July 31, 2007 to $11.5 billion. The growth mainly came from broker-deposits raised through B2B Trust for $403.2 million and from the branch network for $135.2 million. Business and other deposits increased by $242.2 million during the same period, essentially as a result of new deposits raised from small businesses and municipalities through the branch network. At July 31, 2007, personal deposits accounted for 83% of total deposits of $13.9 billion. These deposits constitute the preferred funding source of the Bank because of their relative stability and lower marginal cost compared to wholesale deposits.

Shareholders' equity, since the beginning of the year, includes Accumulated other comprehensive income (AOCI), as a result of the adoption of the new accounting standards on financial instruments on November 1, 2006. It stood at $970.4 million as at July 31, 2007, compared to $946.4 million at October 31, 2006. The adoption of the new accounting standards initially reduced opening Retained earnings by $3.2 million and opening AOCI by $18.6 million. These decreases were, however, more than offset by the net income generated since the beginning of the year, net of declared dividends, as well as by the favorable adjustment to AOCI resulting from the revaluation by the Bank of its shares of the Montréal Exchange following its initial listing on the TSE. The Bank's book value per common share, excluding AOCI, was $32.50 as at July 31, 2007, compared to $31.18 as at October 31, 2006. The consolidated statement of changes in shareholders' equity and note 1 to the interim consolidated financial statements provide further details. There were 23,750,025 common shares and 230,815 share purchase options outstanding as at August 29, 2007.

The total capital of the Bank, comprised of shareholders' equity and debentures, reached $1,120 million at July 31, 2007, compared to $1,096 million at October 31, 2006. The increase of $24 million results from the same items as noted above. The BIS Tier 1 and Total capital ratios stood at 9.7% and 11.6%, respectively, at July 31, 2007, compared to 10.3% and 12.4% at October 31, 2006. The variance is mainly related to the strong loan growth during the nine-month period.

At its meeting on August 29, 2007, the Board of Directors declared regular dividends on the various series of preferred shares to shareholders of record on September 10, 2007. As well, at its meeting on September 6, 2007, the Board of Directors declared a dividend of $0.29 per common share, payable on November 1, 2007, to shareholders of record on October 1, 2007.

Assets under administration stood at $15.3 billion at July 31, 2007, compared to $14.7 billion at October 31, 2006, and $14.6 billion at July 31, 2006. The increase is attributable to the growth in all types of assets, mainly as a result of market values and business development.

Adoption of CICA's accounting standards on *Financial Instruments – Recognition and Measurement, Hedges* and *Comprehensive Income*

On November 1, 2006, the Bank adopted the new accounting standards on financial instruments issued by the CICA. The effect of the adoption of these standards on shareholders' equity as at November 1, 2006, was mainly attributable to the reclassification of unrealized gains and losses, amounting to $21.7 million, related to hedging relationships. The effect on net income for the three-month and nine-month periods ended July 31, 2007, was not significant. The comparative financial statements were not restated, in accordance with the transitional provisions.

Note 1 to the interim consolidated financial statements provides additional information on the new standards and on the effect of their adoption.

With regard to the calculation of the Return on common shareholders' equity ratio, the Bank has considered that Net income is the best measure of profitability and that Common shareholders' equity, excluding the Accumulated other comprehensive income, would be used as a measure of capital. The calculation of the Bank's book value will also be based on Common shareholders' equity, excluding Accumulated other comprehensive income.

SEGMENTED INFORMATION

For the third quarter of 2007, the contribution from the Retail Financial Services and B2B Trust segments improved by 45% and 20% respectively, when compared to the same quarter of 2006, benefiting from the increase in revenues and lower loan losses. Total revenue also improved for the Laurentian Bank Securities (LBS) and Commercial Financial Services segments, leading to an overall increase in profitability. The significant increase in net interest income has also contributed to the better results for the Other segment.

Compared to the second quarter of 2007, the contribution of the Retail Financial Services, Commercial Financial Services and B2B Trust segments benefited from the three additional days. Also, it should be noted that the LBS segment had benefited from a $4.4 million ($3.7 million net of income taxes) gain on sale on a portion of the Montréal Exchange shares held by the Bank during the second quarter, while the Other sector had incurred a $4.3 million loss ($2.9 million net of income taxes) from the fixed income securities portfolio.

Net income contributions

IN MILLIONS OF DOLLARS	RETAIL FINANCIAL SERVICES	COMMERCIAL FINANCIAL SERVICES	B2B TRUST	LAURENTIAN BANK SECURITIES	OTHER	TOTAL[1]
Q3-2007						
Net income	**$ 9.7**	**$ 6.1**	**$ 8.1**	**$ 0.6**	**$ (1.4)**	**$ 23.2**
	40%	**25%**	**33%**	**2%**	**n/a**	**100%**
Q2-2007						
Net income	$ 6.8	$ 6.0	$ 7.1	$ 5.3	$ (4.6)	$ 20.7
	27%	24%	28%	21%	n/a	100%
Q3-2006						
Net income	$ 6.7	$ 6.9	$ 6.8	$ 0.5	$ (14.7)	$ 6.2
	32%	33%	33%	2%	n/a	100%

1 Percentage of net income contribution from the four business segments, excluding the Other segment.

Retail Financial Services

Net income for the Retail Financial Services business segment improved by $3.0 million, to $9.7 million for the third quarter of 2007, from $6.7 million for the third quarter of 2006. The 45% increase results mainly from higher revenues stemming from the growth in loans and deposits. Mutual fund sales and card service revenues have also contributed to the strong quarter. At $6.4 million, loan losses were $0.9 million lower than for the third quarter of 2006 as the overall credit quality remained good.

Non-interest expenses slightly increased to $75.5 million for the third quarter of 2007, compared to $73.3 million for the same quarter of 2006. The increase is mainly due to the higher salary charge resulting from the expansion in the retail banking operations combined with regular salary increases. As at July 31, 2007, the RFS segment counted 2,068 employees, compared to 1,998 a year ago. Higher advertising expenses also contributed by $0.4 million to the increase in non-interest expenses.

The income tax expense was $3.7 million (27.6% effective tax rate) for the third quarter of 2007, compared to $3.4 million (33.5% effective tax rate) for the third quarter of 2006. This improvement in the effective tax rate results essentially from the lower taxes on revenues from credit insurance operations.

The steady growth in loan and deposit volumes in the Retail Financial Services business segment attests to the soundness of the internal growth strategies adopted by Retail Financial Services over the last few years, as well as to its capacity to ensure continued business development. The formation of a team of approximately 60 “mobile bankers”, expert in mortgage solutions, has spurred growth in mortgage loans. Likewise, the Bank continued to invest in the expansion and renovation of the branch network, which now comprises 158 branches, including nine brand-new financial services boutiques located in areas with strong demographic growth. To date, more than 25% of the Bank’s retail branches have already been either renovated or relocated.

Commercial Financial Services

Net income for the Commercial Financial Services segment declined by $0.8 million to $6.1 million in the third quarter of 2007, compared to $6.9 million for the third quarter of 2006. Total revenue was relatively stable at $20.7 million, as the increase in net interest income resulting from the higher loan and deposit volumes was offset by the lower loan fees, mainly in Ontario. Loan losses in the third quarter of 2007 were $2.4 million, compared to $1.2 million in the third quarter of 2006. The lower loan losses in 2006 resulted from a $0.6 million recovery on a commercial mortgage.

Non-interest expenses were stable at $9.0 million for the third quarter of 2007, compared to the same quarter of 2006, as higher salaries and employee benefits were offset by a reduction of credit and administrative costs.

Commercial Financial Services launched a new range of banking products – the Performance series – tailored for small- and medium-sized businesses with significant transaction volumes and specific needs with regard to commercial deposits. The new Performance series thus complements the BUSINESS packages, launched during spring 2006, which are tailored for the self-employed and for small businesses with lower transaction volumes.

Furthermore, two new credit cards have been launched, namely VISA Business and Business Performance. These new credit cards offer distinctive features, unique in the present market, that meet the specific needs of small- and medium-sized businesses and self-employed workers, including a 28-day payment period (one of the longest in the industry), as well as individual life, disability, medical and dental insurance, that are offered to both card holders and non-card holders employed by the company.

B2B Trust

Net income for the B2B Trust business segment improved by 20% to $8.1 million in the third quarter of 2007, from $6.8 million in the third quarter of 2006. Year-over-year growth of $443 million in average loan volumes and of $269 million in average deposit volumes contributed to the $1.8 million increase in net interest income, which more than offset the slight decrease in revenues from registered self-directed plans.

For the third quarter of 2007, loan losses totalled $1.2 million, compared to $1.5 million for the same quarter of 2006. The improvement reflects the initiatives to reduce B2B Trust credit exposure in the personal line of credit portfolio over the last two years. Non-interest expenses remained relatively stable at $10.5 million for the third quarter of 2007, reflecting the tight control over expenses.

The enhancements to the Investment Loan Program launched in May 2007 and improvements in administrative processes, together with a promotional rate on investment loans under $50,000, built significant market momentum through the period and resulted in increased investment loan gross sales volumes. With 47 partnership agreements with financial intermediaries, B2B Trust is the leading Canadian third-party supplier of investment and RRSP lending products.

Laurentian Bank Securities

The Laurentian Bank Securities business segment contribution to net income was $0.6 million in the third quarter of 2007, compared to $0.5 million for the third quarter of 2006. LBS has been expanding its activities over the last years through the opening of new branches and the introduction of the Institutional equity division. This has led to a 17% or $1.3 million increase in revenues for the third quarter of 2007, compared to the same quarter of 2006.

Every division of Laurentian Bank Securities has performed well during the third quarter. Given that all the foundations of the Institutional Equity division are now well in place and that its operations are being deployed in a timely manner, Laurentian Bank Securities is focusing its energy and resources on consolidating the infrastructure of its Retail Brokerage division. Considering that this division has doubled in size over the last few years, Laurentian Bank Securities is committed to developing new tools and processes to fully support its team of over 60 private investment advisors and enhance their efficiency through the improvement and optimization of business processes.

Other sector

The Other sector reported a negative contribution of $1.4 million for the third quarter of 2007, compared to a negative contribution of $14.7 million for the third quarter of 2006. Results for 2006 included the $11.0 million income tax charge, as noted above. Excluding the effect of this tax charge, the negative contribution to net income for the third quarter of 2006 would have been $3.7 million. The improvement in profitability is mainly attributable to the higher net interest income and treasury and financial market income, partially offset by lower securitization revenues.

ADDITIONAL FINANCIAL INFORMATION – QUARTERLY RESULTS

IN MILLIONS OF DOLLARS, EXCEPT PER SHARE AMOUNTS (UNAUDITED)	2007						2006	2005
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Total revenue	**$ 151.0**	$ 145.7	$ 141.6	$ 137.1	$ 138.0	$ 131.0	$ 133.7	$ 135.9
Income from continuing operations	**23.2**	20.7	20.6	18.1	6.2	24.6	16.7	17.4
Net income	**23.2**	20.7	20.6	22.6	6.2	24.6	17.0	21.6
Income per common share from continuing operations								
Basic	**0.85**	0.75	0.74	0.65	0.13	0.92	0.58	0.61
Diluted	**0.85**	0.75	0.74	0.65	0.13	0.91	0.58	0.61
Net income per common share								
Basic	**0.85**	0.75	0.74	0.84	0.13	0.92	0.59	0.79
Diluted	**0.85**	0.75	0.74	0.84	0.13	0.91	0.59	0.79
Return on common shareholders' equity	**10.5%**	9.7%	9.4%	10.8%	1.7%	12.5%	7.9%	10.6%
Balance sheet assets	**$ 18,011**	$ 17,809	$ 17,177	$ 17,296	$ 17,062	$ 17,307	$ 16,742	$ 16,507

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in the Bank's internal control over financial reporting during the most recent interim period that has materially affected, or is reasonably likely to materially affect, the Bank's internal control over financial reporting.

DIVIDENDS – NEW TAXATION REGIME

Effective January 1, 2006, the Federal Government implemented a new dividend tax regime for dividends paid by Canadian corporations to their shareholders. Certain provinces have also replicated the federal regulations governing such dividends. In accordance with this new regime, the Bank advises that all dividends declared in 2006 and 2007 were eligible dividends and that all future dividends will be eligible, unless indicated otherwise.

CORPORATE GOVERNANCE

The Board of Directors and the Audit Committee of Laurentian Bank reviewed this document prior to its issuance. The disclosure controls and procedures support the ability of the President and Chief Executive Officer and the Senior Executive Vice-President and Chief Financial Officer to ensure that Laurentian Bank's interim consolidated financial statements are fairly presented.

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 (the "Bank") may from time to time make written or oral forward-looking statements within the meaning of applicable securities legislation, including statements regarding the Bank's business plan and financial objectives. These statements typically use the conditional, as well as words such as *prospects, believe, estimate, forecast, project, should, could* or *would*. 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 inaccurate. The Bank cautions readers against placing undue reliance on forward-looking statements when making decisions, as the actual results could differ appreciably 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 cautions that the foregoing list of factors is not exhaustive. 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.

FINANCIAL HIGHLIGHTS

IN MILLIONS OF DOLLARS, UNLESS OTHERWISE INDICATED (UNAUDITED)	Q3-07	Q3-06	VARIATION	FOR THE NINE-MONTH PERIODS ENDED JULY 31 2007	JULY 31 2006	VARIATION
Earnings						
Net income	**$ 23.2**	$ 6.2	274 %	**$ 64.4**	$ 47.8	35 %
Income from continuing operations	**$ 23.2**	$ 6.2	274 %	**$ 64.4**	$ 47.4	36 %
Net income available to common shareholders	**$ 20.2**	$ 3.2	531 %	**$ 55.4**	$ 38.8	43 %
Return on common shareholders' equity	**10.5 %**	1.7 %		**9.9 %**	7.3 %	
Per common share						
Diluted net income	**$ 0.85**	$ 0.13	554 %	**$ 2.34**	$ 1.64	43 %
Dividends	**$ 0.29**	$ 0.29	– %	**$ 0.87**	$ 0.87	– %
Book value				**$ 32.50**	$ 30.63	6 %
Share price – close				**$ 38.00**	$ 30.45	25 %
Financial position						
Balance sheet assets				**$ 18,011**	$ 17,062	6 %
Assets under administration				**$ 15,339**	$ 14,585	5 %
Loans, bankers' acceptances and assets purchased under reverse repurchase agreements, net				**$ 14,111**	$ 12,636	12 %
Personal deposits				**$ 11,480**	$ 10,946	5 %
Shareholders' equity and debentures				**$ 1,120**	$ 1,083	3 %
Number of common shares (in thousands)				**23,700**	23,613	– %
Net impaired loans as a % of loans, bankers' acceptances and assets purchased under reverse repurchase agreements				**(0.1)%**	– %	
Risk-weighted assets				**$ 9,575**	$ 8,533	12 %
Capital ratios						
Tier I BIS				**9.7 %**	10.3 %	
Total BIS capital				**11.6 %**	12.5 %	
Assets to capital multiple				**16.3 x**	16.1 x	
Tangible common equity as a percentage of risk-weighted assets				**7.3 %**	7.7 %	
FINANCIAL RATIOS						
Per common share						
Price / earnings ratio (trailing four quarters)				**11.9 x**	12.5 x	
Market to book value				**117 %**	99 %	
Dividend yield	**3.05 %**	3.81 %		**3.05 %**	3.81 %	
Dividend payout ratio	**34.0 %**	216.0 %		**37.1 %**	52.9 %	
As a percentage of average assets						
Net interest income	**2.39 %**	2.16 %		**2.33 %**	2.12 %	
Provision for credit losses	**0.23 %**	0.24 %		**0.24 %**	0.24 %	
Net income	**0.54 %**	0.15 %		**0.51 %**	0.38 %	
Net income available to common shareholders	**0.47 %**	0.07 %		**0.44 %**	0.31 %	
Profitability						
Other income (as a % of total revenue)	**32.6 %**	33.7 %		**33.3 %**	34.2 %	
Efficiency ratio (non-interest expenses as a % of total revenue)	**71.8 %**	74.8 %		**73.4 %**	76.0 %	
OTHER INFORMATION						
Number of full-time equivalent employees				**3,400**	3,373	
Number of branches				**158**	157	
Number of automated banking machines				**340**	323	

CONSOLIDATED BALANCE SHEET

IN THOUSANDS OF DOLLARS (UNAUDITED)	NOTES	JULY 31 2007[1]	OCTOBER 31 2006	JULY 31 2006
ASSETS				
Cash resources				
Cash and non-interest-bearing deposits with other banks		**$ 69,394**	$ 70,907	$ 56,951
Interest-bearing deposits with other banks		**231,781**	98,722	363,386
		301,175	169,629	420,337
Securities				
Available-for-sale account		**1,067,569**	–	–
Account held-for-trading		**1,225,572**	1,675,058	1,521,076
Account designated as held-for-trading		**504,402**	–	–
Investment account		**–**	1,567,222	1,639,162
		2,797,543	3,242,280	3,160,238
Assets purchased under reverse repurchase agreements		**755,846**	802,546	538,168
Loans	3 AND 4			
Personal		**4,789,477**	4,168,026	4,160,630
Residential mortgages		**6,349,418**	5,985,656	5,799,043
Commercial mortgages		**670,918**	659,014	638,765
Commercial and other		**1,533,864**	1,476,977	1,532,565
		13,343,677	12,289,673	12,131,003
Allowance for loan losses		**(116,915)**	(125,153)	(128,441)
		13,226,762	12,164,520	12,002,562
Other				
Customers' liabilities under acceptances		**128,234**	149,818	95,190
Property, plant and equipment		**126,556**	111,291	102,272
Derivative financial instruments		**72,705**	96,980	118,575
Future tax assets	8	**96,258**	101,048	101,521
Goodwill		**53,790**	53,790	53,790
Other intangible assets		**14,419**	15,333	15,638
Other assets		**437,895**	388,724	453,857
		929,857	916,984	940,843
		$ 18,011,183	$17,295,959	$17,062,148
LIABILITIES AND SHAREHOLDERS' EQUITY				
Deposits				
Personal		**$ 11,480,114**	$10,949,473	$10,946,057
Business, banks and other		**2,387,252**	2,145,028	2,570,125
		13,867,366	13,094,501	13,516,182
Other				
Obligations related to assets sold short		**934,089**	1,077,009	954,885
Obligations related to assets sold under repurchase agreements		**1,141,420**	1,100,385	623,480
Acceptances		**128,234**	149,818	95,190
Derivative financial instruments		**106,730**	81,807	105,940
Other liabilities		**712,982**	696,019	683,278
		3,023,455	3,105,038	2,462,773
Subordinated debentures		**150,000**	150,000	150,000
Shareholders' equity				
Preferred shares	5	**210,000**	210,000	210,000
Common shares	5	**253,240**	251,158	250,948
Contributed surplus		**75**	518	405
Retained earnings		**516,996**	485,334	472,430
Treasury shares	5	**–**	(590)	(590)
Accumulated other comprehensive income (loss)	1	**(9,949)**	–	–
		970,362	946,420	933,193
		$ 18,011,183	$17,295,959	$17,062,148

1 Changes to accounting policies related to financial instruments. Refer to Note 1.

The accompanying notes are an integral part of the interim consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

IN THOUSANDS OF DOLLARS, EXCEPT PER SHARE AMOUNTS (UNAUDITED)	NOTES	FOR THE THREE-MONTH PERIODS ENDED JULY 31 2007	APRIL 30 2007	JULY 31 2006[1]	FOR THE NINE-MONTH PERIODS ENDED JULY 31 2007	JULY 31 2006[1]
Interest income						
Loans		**$ 214,778**	$ 198,582	$ 195,625	**$ 615,050**	$ 555,994
Securities		**13,386**	15,468	19,609	**44,996**	53,129
Deposits with other banks		**3,453**	3,347	3,709	**8,685**	9,302
		231,617	217,397	218,943	**668,731**	618,425
Interest expense						
Deposits and other liabilities		**127,900**	120,004	124,394	**370,473**	342,551
Subordinated debentures		**1,950**	1,887	3,057	**5,788**	10,749
		129,850	121,891	127,451	**376,261**	353,300
Net interest income		**101,767**	95,506	91,492	**292,470**	265,125
Provision for credit losses	3	**10,000**	10,000	10,000	**30,000**	30,000
		91,767	85,506	81,492	**262,470**	235,125
Other income						
Fees and commissions on loans and deposits		**23,206**	21,607	22,097	**66,383**	63,353
Revenues from brokerage operations		**7,664**	9,693	7,020	**25,905**	22,522
Income from treasury and financial market operations		**6,516**	4,274	5,102	**15,374**	11,038
Credit insurance income		**2,453**	3,030	3,131	**9,065**	9,356
Income from sales of mutual funds		**3,521**	3,318	2,717	**9,913**	7,726
Income from registered self-directed plans		**2,490**	2,572	2,540	**7,421**	8,190
Securitization income		**1,236**	3,215	2,245	**5,011**	8,937
Gain on disposal		**–**	–	–	**–**	931
Other		**2,189**	2,456	1,681	**6,762**	5,570
		49,275	50,165	46,533	**145,834**	137,623
		141,042	135,671	128,025	**408,304**	372,748
Non-interest expenses						
Salaries and employee benefits		**58,602**	58,120	53,401	**172,988**	158,054
Premises and technology		**27,758**	28,568	26,769	**83,082**	80,829
Other		**22,013**	22,263	23,075	**65,583**	67,114
		108,373	108,951	103,245	**321,653**	305,997
Income from continuing operations before income taxes		**32,669**	26,720	24,780	**86,651**	66,751
Income taxes	8	**9,491**	6,067	18,624	**22,264**	19,331
Income from continuing operations		**23,178**	20,653	6,156	**64,387**	47,420
Income from discontinued operations, net of income taxes	2	**–**	–	–	**–**	354
Net income		**$ 23,178**	$ 20,653	$ 6,156	**$ 64,387**	$ 47,774
Preferred share dividends, including applicable income taxes		**2,990**	2,990	2,986	**8,970**	8,955
Net income available to common shareholders		**$ 20,188**	$ 17,663	$ 3,170	**$ 55,417**	$ 38,819
Average number of common shares outstanding (in thousands)						
Basic		**23,662**	23,638	23,613	**23,642**	23,601
Diluted		**23,728**	23,685	23,644	**23,690**	23,652
Income per common share from continuing operations						
Basic		**$ 0.85**	$ 0.75	$ 0.13	**$ 2.34**	$ 1.63
Diluted		**$ 0.85**	$ 0.75	$ 0.13	**$ 2.34**	$ 1.63
Net income per common share						
Basic		**$ 0.85**	$ 0.75	$ 0.13	**$ 2.34**	$ 1.64
Diluted		**$ 0.85**	$ 0.75	$ 0.13	**$ 2.34**	$ 1.64

1 Comparatives were reclassified as a result of recognition on a gross basis of income related to brokerage activities. Refer to Note 1.

The accompanying notes are an integral part of the interim consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

IN THOUSANDS OF DOLLARS (UNAUDITED)	NOTES	FOR THE THREE-MONTH PERIODS ENDED JULY 31 2007	APRIL 30 2007	FOR THE NINE-MONTH PERIOD ENDED JULY 31 2007
Net income		**$ 23,178**	$ 20,653	**$ 64,387**
Other comprehensive income (loss), net of income taxes	1			
Change in unrealized gains (losses) on available-for-sale securities		**(2,816)**	19,719	**16,476**
Reclassification to income of realized gains and losses on available-for-sale securities		**(336)**	(1,701)	**(1,790)**
Change in gains (losses) on derivatives designated as cash flow hedges		**(4,686)**	(1,039)	**(6,083)**
		(7,838)	16,979	**8,603**
Comprehensive income		**$ 15,340**	$ 37,632	**$ 72,990**

The accompanying notes are an integral part of the interim consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

IN THOUSANDS OF DOLLARS (UNAUDITED)	NOTES	FOR THE NINE-MONTH PERIODS ENDED JULY 31 2007	JULY 31 2006
Preferred shares			
Balance at beginning and end of period		**$ 210,000**	$210,000
Common shares	5		
Balance at beginning of period		**251,158**	249,633
Issued during the period		**2,082**	1,315
Balance at end of period		**253,240**	250,948
Contributed surplus			
Balance at beginning of period		**518**	73
Attribution of shares under the performance-based share agreement	6	**(590)**	–
Stock-based compensation	6	**147**	332
Balance at end of period		**75**	405
Retained earnings			
Previous balance at beginning of period		**485,334**	454,124
Impact of adopting the new accounting policy regarding financial instruments, net of income taxes	1	**(3,185)**	–
Restated balance at beginning of period		**482,149**	454,124
Net income		**64,387**	47,774
Dividends			
Preferred shares, including applicable income taxes		**(8,970)**	(8,955)
Common shares		**(20,570)**	(20,513)
Balance at end of period		**516,996**	472,430
Treasury shares			
Balance at beginning of period		**(590)**	(590)
Attribution of shares	6	**590**	–
Balance at end of period		**–**	(590)
Accumulated other comprehensive income (loss)	1		
Balance at beginning of period		**–**	–
Impact of adopting the new accounting policy regarding financial instruments, net of income taxes		**(18,552)**	–
Other comprehensive income (loss), net of income taxes		**8,603**	–
Balance at end of period		**(9,949)**	–
Shareholders' equity		**$ 970,362**	$933,193

The accompanying notes are an integral part of the interim consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

IN THOUSANDS OF DOLLARS (UNAUDITED)	NOTES	FOR THE THREE-MONTH PERIODS ENDED JULY 31 2007	APRIL 30 2007	JULY 31 2006	FOR THE NINE-MONTH PERIODS ENDED JULY 31 2007	JULY 31 2006
Cash flows relating to operating activities						
Net income		**$ 23,178**	$ 20,653	$ 6,156	**$ 64,387**	$ 47,774
Adjustments to determine net cash flows relating to operating activities:						
Provision for credit losses		**10,000**	10,000	10,000	**30,000**	30,000
Gains on securitization operations	4	**(1,055)**	(2,625)	(1,251)	**(3,680)**	(6,161)
Net loss (gain) on disposal of property, plant and equipment		**–**	(277)	–	**(380)**	26
Net loss (gain) from discontinued operations	2	**–**	–	1	**–**	(532)
Gain on disposal		**–**	–	–	**–**	(931)
Net loss (gain) on sale of held-for-trading securities		**(711)**	4,386	(127)	**2,371**	1,519
Future income taxes		**8,943**	4,353	12,549	**18,983**	4,935
Depreciation and amortization		**7,187**	7,119	6,552	**21,180**	20,013
Net change in held-for-trading securities		**(100,836)**	457,788	138,461	**99,599**	(436,995)
Change in accrued interest receivable		**11,914**	(7,849)	(1,842)	**15,132**	5,029
Change in assets relating to derivative financial instruments		**(18,981)**	24,306	29,505	**24,275**	24,878
Change in accrued interest payable		**(21,213)**	(19,109)	3,830	**(26,171)**	10,812
Change in liabilities relating to derivative financial instruments		**39,159**	(18,778)	(35,713)	**24,923**	613
Other, net		**40,750**	(46,991)	(76,649)	**(36,334)**	6,782
		(1,665)	432,976	91,472	**234,285**	(292,238)
Cash flows relating to financing activities						
Net change in deposits		**371,471**	327,785	408,326	**772,865**	(180,756)
Change in obligations related to assets sold short		**26,091**	(450,416)	(312,238)	**(142,920)**	228,822
Change in obligations related to assets sold under repurchase agreements		**(165,752)**	717,605	(129,649)	**41,035**	563,415
Issuance of subordinated debentures		**–**	–	–	**–**	150,000
Redemption of subordinated debentures		**–**	–	(150,000)	**–**	(150,000)
Issuance of common shares		**1,573**	237	–	**2,082**	1,315
Dividends, including applicable income taxes		**(9,856)**	(9,846)	(9,829)	**(29,540)**	(29,468)
		223,527	585,365	(193,390)	**643,522**	583,328
Cash flows relating to investing activities						
Change in available-for-sale and designated as held-for-trading securities						
Acquisitions		**(2,015,904)**	(2,703,298)	–	**(6,454,221)**	–
Proceeds from sales		**2,221,718**	2,317,896	–	**6,798,377**	–
Change in investment securities						
Acquisitions		**–**	–	(1,958,771)	**–**	(9,975,973)
Proceeds from sales and maturity		**–**	–	1,865,608	**–**	10,191,617
Change in loans		**(963,207)**	(424,793)	(394,531)	**(1,590,911)**	(978,431)
Change in assets purchased under reverse repurchase agreements		**255,362**	(424,241)	512,339	**46,700**	(30,095)
Proceeds from mortgage loan securitizations		**310,904**	177,857	111,087	**488,761**	631,896
Additions to property, plant and equipment		**(14,257)**	(9,059)	(9,998)	**(36,192)**	(27,560)
Proceeds from disposal of property, plant and equipment		**1**	401	–	**1,225**	405
Net change in interest-bearing deposits with other banks		**(13,596)**	34,067	(19,039)	**(133,059)**	(103,595)
Net cash flows from the sale of a subsidiary		**–**	–	–	**–**	(140)
		(218,979)	(1,031,170)	106,695	**(879,320)**	(291,876)
Net change in cash and non-interest-bearing deposits with other banks during the period		**2,883**	(12,829)	4,777	**(1,513)**	(786)
Cash and non-interest-bearing deposits with other banks at beginning of period		**66,511**	79,340	52,174	**70,907**	57,737
Cash and non-interest-bearing deposits with other banks at end of period		**$ 69,394**	$ 66,511	$ 56,951	**$ 69,394**	$ 56,951
Supplemental disclosure relating to cash flows:						
Interest paid during the period		**$ 150,074**	$ 152,193	$ 125,266	**$ 409,387**	$ 346,943
Income taxes paid during the period		**$ 5,895**	$ 1,094	$ 3,943	**$ 15,085**	$ 17,274

The accompanying notes are an integral part of the interim consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

1. ACCOUNTING POLICIES

The unaudited interim consolidated financial statements of Laurentian Bank have been prepared by management, who is responsible for the integrity and fairness of the financial information presented. These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) for interim financial statements. The significant accounting policies used in the preparation of these interim consolidated financial statements, except for changes to accounting policies stated below, are the same as those in the Bank's annual consolidated audited financial statements as at October 31, 2006. These accounting policies conform to GAAP. However, these interim consolidated financial statements do not reflect all of the information and disclosures required by GAAP for complete financial statements. Accordingly, these interim consolidated financial statements should be read in conjunction with the annual consolidated audited financial statements as at October 31, 2006. These interim consolidated financial statements reflect amounts, which are based on the best estimates and judgement of management. Actual results may differ from these estimates. Certain comparative figures have been reclassified to conform to the current period presentation.

Changes to accounting policies

Income related to brokerage activities

Other income for 2006 was adjusted to reflect the presentation on a gross basis of brokerage operations, which previously were presented net of commissions and other expenses. The impact of the reclassification is as follows:

IN THOUSANDS OF DOLLARS	FOR THE THREE-MONTH PERIOD ENDED JULY 31 2006	FOR THE NINE-MONTH PERIOD ENDED JULY 31 2006
Adjustments for 2006		
Other income – Brokerage operations	$ 2,183	$ 6,884
Non-interest expenses – Salaries and employee benefits	$ 1,871	$ 5,922
Non-interest expenses – Premises and technology	$ 312	$ 962

Financial instruments

On April 1, 2005, the CICA issued the accounting standards: *Financial Instruments – Recognition and Measurement, Financial Instruments – Disclosure and Presentation, Hedges* and *Comprehensive Income*. The Bank prospectively adopted these standards on November 1, 2006. As a result, the financial statements presented for comparison purposes have not been restated, in accordance with the applicable transitional provisions. The accounting consequences of these new standards on the financial statements of the Bank are presented below.

Section 3855, Financial Instruments – Recognition and Measurement

Under Section 3855, *Financial Instruments – Recognition and Measurement*, all financial assets and liabilities are initially carried at fair value with the Bank using the settlement date for recognizing transactions in the consolidated balance sheet. Subsequently, they are re-evaluated at fair value, except for loans and receivables, investments held-to-maturity and non-trading liabilities, which are recognized at amortized cost using the effective interest method of amortization. Realized and unrealized gains and losses on trading assets and liabilities are recognized immediately in the consolidated statement of income under income from treasury and financial market operations. Unrealized gains and losses on financial assets that are available-for-sale are recognized in other comprehensive income until their realization, after which these amounts will be recognized in the consolidated statement of income. Interest income earned, amortization of premiums and discounts as well as dividends received are included in interest income. Interest income related to loans is accounted for using the accrual basis of accounting. Commissions received and origination fees in respect of loans, including restructuring and renegotiation charges, are generally recorded in interest income over the term of the loans. Loan origination and other fees paid are charged to interest income over the terms of the loans. The fees received for mortgage prepayments are included in interest income upon prepayment. Transaction costs, origination cost and other fees are expensed as incurred for financial instruments classified or designated as held-for-trading. Transactions cost, origination cost and other fees related to acquisition of available-for-sale financial instruments or other financial liabilities are added to the acquisition costs of the instruments.

All derivative financial instruments are carried at fair value in the consolidated balance sheet, including those derivatives that are embedded in other contracts but are not considered to be closely related to the host contract.

Derivative financial instruments used to manage the Bank's interest rate risk are accounted for using the accrual method. Under this method, interest income or expense on these derivative instruments is accrued and included in interest expense in the consolidated statement of income. When these derivative financial instruments do not meet the requirements for hedge accounting, as discussed below, the resulting realized and unrealized gains and losses are recognized immediately in income from treasury and financial market operations.

When the derivative financial instruments are used in connection with trading activities or to serve the needs of customers, the resulting realized and unrealized gains and losses are also recognized in income from treasury and financial market operations.

The fair value of a financial instrument on initial recognition is normally the transaction price, i.e. the fair value of the consideration given or received. In certain circumstances, the initial fair value may be based on other observable current market transactions in the same instrument or on a valuation technique whose variables include only data from observable markets.

Subsequent to initial recognition, the fair values of financial instruments that are quoted in active markets are generally based on bid prices for financial assets held and offer prices for financial liabilities. When independent prices are not available, fair values are determined by using valuation techniques which incorporate current market price and, as appropriate, contractual prices of the underlying instruments, yield curves and volatility factors.

Fair values of derivative financial instruments are generally determined by using valuation techniques which incorporate certain observable and non-observable data, such as, notably, current market prices and contractual prices of the underlying instruments, yield curves and volatility factors.

Section 3855 also permits an entity to voluntarily designate a financial instrument as held-for-trading. The Bank elected this fair value measurement option:

- Where the voluntary designation allows the Bank to eliminate or significantly reduce a measurement or recognition inconsistency that would have otherwise resulted from the fact that the assets or liabilities are measured differently, or that gains and losses on these items are recognized differently; and
- Where it is possible to reliably determine the fair value of the financial instruments designated as held-for-trading.

Instruments that are classified as held-for-trading by way of this “fair value option” are subject to certain conditions and additional requirements set out by OSFI.

Section 3865, Hedges

When it uses derivative financial instruments to manage its own exposures, the Bank determines for each derivative financial instrument whether hedge accounting is appropriate. When appropriate, the Bank formally documents the hedging relationship detailing, among other things, the type of hedge (either fair value or cash flow), the item being hedged, the risk management objective, the hedging strategy and the method to be used to measure its effectiveness. The derivative financial instrument must be highly effective in accomplishing the objective of offsetting the changes in the hedged item's fair value attributable to the risk being hedged both at inception and over the life of the hedge. Effectiveness is generally reviewed on a monthly basis using statistical regression models.

Fair value hedge

Fair value hedge transactions predominantly use interest rate swaps to hedge the changes in the fair value of an asset, liability or firm commitment.

Effective derivative financial instruments, held for fair value hedging purposes, are recognized at fair value and the changes in fair value are recognized in the consolidated statement of income under income from treasury and financial market operations. Changes in fair value of the hedged items attributable to the hedged risk are also recognized in the consolidated statement of income under income from treasury and financial market operations, with a corresponding adjustment to the carrying amount of the hedged items in the consolidated balance sheet. When the derivative instrument no longer qualifies as an effective hedge or the hedging instrument is sold or terminated prior to maturity, hedge accounting is discontinued prospectively. The cumulative adjustment of the carrying amount of the hedged item related to a hedging relationship that ceases to be effective is recognized in net interest income in the periods during which the hedged item affects income. Furthermore, if the hedged item is sold or terminated prior to maturity, hedge accounting is discontinued, and the cumulative adjustment of the carrying amount of the hedged item is then immediately recognized in other income.

1. ACCOUNTING POLICIES (CONTINUED)

Cash flow hedge

Cash flow hedge transactions predominantly use interest rate swaps to hedge the variability in cash flows related to a variable rate asset or liability.

Effective derivative financial instruments, held for cash flow hedging purposes, are recognized at fair value and the changes in fair value related to the effective portion of the hedge are recognized in other comprehensive income. Changes in fair value related to the ineffective portion of the hedge are immediately recorded in the consolidated statement of income. Changes in fair value recognized in other comprehensive income are reclassified in the consolidated statement of income under net interest income in the periods during which the cash flows constituting the hedged item affect income. When the derivative instrument no longer qualifies as an effective hedge, or when the hedging instrument is sold or terminated prior to maturity, hedge accounting is discontinued prospectively. Changes in fair value recognized in other comprehensive income related to a cash flow hedging relationship that ceases to be effective are reclassified in the consolidated statement of income under net interest income in the periods during which the cash flows constituting the hedged item affect income. Furthermore, if the hedged item is sold or terminated prior to maturity, hedge accounting is discontinued, and the related changes in fair value recognized in other comprehensive income are then immediately reclassified in the consolidated statement of income under other income.

Other considerations

The derivative financial instruments for which the Bank has ceased applying hedge accounting remain eligible for designation in future hedging relationships. Upon redesignation, any previously recognized fair value in the consolidated balance sheet is amortized to other income over the remaining life of the derivative financial instrument.

Section 1530, Comprehensive Income

Section 1530, *Comprehensive Income*, requires the presentation of a new consolidated statement of comprehensive income and the accumulated other comprehensive income, separately under shareholders' equity in the consolidated balance sheet. The consolidated statement of comprehensive income presents net income, as well as other comprehensive income items: the unrealized gains and losses on the financial instruments classified as available-for-sale, the effective portion of the changes in value of the derivative instruments designated as cash flow hedging instruments and the balance to be reclassified in the consolidated statement of income from terminated cash flow hedges.

IMPACT OF ADOPTING SECTIONS 3855, 3865 AND 1530

The adoption of Sections 3855, 3865 and 1530 had an impact on certain items of the Bank's consolidated balance sheet:

a) The reclassification of investment portfolio securities in new financial asset classes, i.e. *securities available-for-sale, securities designated as held-for-trading* and *securities held-to-maturity*, with adjustments to the opening balances of retained earnings and accumulated other comprehensive income;
b) The reclassification of the balances in the consolidated balance sheet to reflect the new accounting standards regarding hedge accounting, with adjustments to the opening balances of retained earnings and accumulated other comprehensive income.

These items are detailed below.

Reconciliation of opening retained earnings balance

IN THOUSANDS OF DOLLARS

Opening retained earnings balance as reported as at October 31, 2006, before adoption of Sections 3855, 3865 and 1530	$ 485,334
Adjustments, net of income taxes:	
Securities designated as held-for-trading	1,061
Hedging relationships for which hedge accounting is no longer appropriate and other items	(4,246)
Total adjustments	(3,185)
Balance of retained earnings as at November 1, 2006, after adoption of Sections 3855, 3865 and 1530	$ 482,149

Reconciliation of opening of accumulated other comprehensive income

IN THOUSANDS OF DOLLARS	
Balance of accumulated other comprehensive income as reported as at October 31, 2006, before adoption of Sections 3855, 3865 and 1530	$ –
Adjustments, net of income taxes:	
Securities available-for-sale	(2,620)
Hedge accounting	(15,932)
Total adjustments	(18,552)
Balance of accumulated other comprehensive income as at November 1, 2006, after adoption of Sections 3855, 3865 and 1530	$ (18,552)

(a) Securities

The securities in the **investment account** have been reclassified in the following new financial asset classes:

- *Securities available-for-sale* – The remeasurement reflecting the unrealized gains and losses on these securities gave rise to a charge to accumulated other comprehensive income of $3,906,000 ($2,620,000, net of income taxes).
- *Securities designated as financial instruments held-for-trading* – The remeasurement reflecting the unrealized gains and losses on these securities gave rise to an increase to the opening balance of retained earnings of $1,581,000 ($1,061,000, net of income taxes).

No investment account security was reclassified among the *securities held-to-maturity*, or transferred into the account of securities held-for-trading.

The following table summarizes the reclassifications in the investment portfolio subsequent to the adoption of Section 3855.

	CONSOLIDATED BALANCE SHEET AMOUNTS BEFORE ADOPTION OF SECTION 3855, AS REPORTED AS AT OCTOBER 31, 2006	CONSOLIDATED BALANCE SHEET AMOUNTS AFTER ADOPTION OF SECTION 3855 AS AT NOVEMBER 1, 2006		
IN THOUSANDS OF DOLLARS	INVESTMENT ACCOUNT	INVESTMENTS DESIGNATED AS HELD-FOR-TRADING (A)	INVESTMENTS DESIGNATED AS AVAILABLE-FOR-SALE (B)	TOTAL SECURITIES OTHER THAN HELD-FOR-TRADING[1] (A+B)
Securities issued or guaranteed by the				
Government of Canada	$ 1,277,679	$ 13,796	$ 1,260,467	$ 1,274,263
Provinces	2,674	–	2,672	2,672
Other debt securities	196,312	165,720	30,818	196,538
Preferred shares	56,556	–	56,678	56,678
Common and other shares	34,001	–	35,049	35,049
	$ 1,567,222	$ 179,516	$ 1,385,684	$ 1,565,200

1 These amounts now include unrealized gains and losses previously unrecognized as at October 31, 2006 in the investment account.

Trading account securities have been reclassified into the held-for-trading account, without any effect on opening amounts in the consolidated balance sheet.

(b) Hedge accounting

Fair value hedging

Unrealized gains and losses on fair value hedges are included in the opening balance of retained earnings. Prior changes in the fair value of hedged items attributable to the hedged risk have also been recognized in the opening balance of retained earnings, with a corresponding adjustment to the carrying amount of the hedged items in the consolidated balance sheet. These adjustments did not have any effect on the opening balance of retained earnings as they offset one another on November 1, 2006.

1. ACCOUNTING POLICIES (CONTINUED)

Cash flow hedging

The adoption of Section 3865 gave rise to an adjustment to accumulated other comprehensive income in the amount of –$23,750,000 (–$15,932,000, net of income taxes), representing the unrealized loss on interest rate swaps designated as cash flow hedging instruments of $14,075,000 ($9,442,000, net of income taxes) and to deferred losses of $9,675,000 ($6,490,000, net of income taxes) related to previously terminated hedging relationships, which are amortized.

Termination of hedging relationships involving hedging instruments other than derivatives and accumulated ineffectiveness in hedging relationships

In accordance with Section 3865, fair value hedges of securities financial instruments other than derivative financial instruments no longer qualify. Moreover, the accumulated ineffectiveness of hedging relationships must be measured, and the ineffective portion of changes in fair value must be recognized in the consolidated statement of income. The foregoing led to a charge of $6,337,000 ($4,246,000, net of income taxes) to the opening balance of retained earnings, as a result of the adoption of Section 3865.

SUPPLEMENTAL INFORMATION

Ineffectiveness related to hedging relationships

During the quarter ended July 31, 2007, the ineffective portion of accumulated changes in the fair value of hedging instruments recognized in the income statement amounted to –$220,000 (–$280,000 for the nine-month period ended July 31, 2007) as it relates to cash flow hedging relationships and –$47,000 (–$76,000 for the nine-month period ended July 31, 2007) as it relates to fair value hedging relationships.

Breakdown of swap contracts designated as hedging instruments, by category

The following table presents the Bank's swap contracts between those designated as cash flow hedging instruments and those designated as fair value hedging instruments.

The swap contracts designated as hedging instruments are used by the Bank primarily for balance sheet matching purposes and to mitigate net interest revenue volatility. The fair value of such swap contracts may vary considerably. Accordingly, changes in the fair value of the swap contracts designated as cash flow hedging instruments could result in significant changes in accumulated other comprehensive income, in shareholders' equity.

	JULY 31 2007		NOVEMBER 1 2006	
IN THOUSANDS OF DOLLARS	**NOMINAL AMOUNT**	**FAIR VALUE NET AMOUNT**	NOMINAL AMOUNT	FAIR VALUE NET AMOUNT
Contracts designated as hedging instruments				
Interest rate swap contracts				
Swaps used for cash flow hedging	**$ 3,711,000**	**$ (21,407)**	$ 3,822,000	$ (13,830)
Swaps used for fair value hedging	**2,310,000**	**(10,223)**	130,000	220
	$ 6,021,000	**$ (31,630)**	$ 3,952,000	$ (13,610)

Other information on hedging relationships

Of the amount of net deferred losses included in accumulated other comprehensive income as at July 31, 2007, the Bank expects to transfer $5,142,000 into net income over the next twelve months.

The maximum term of cash flow hedging relationships of anticipated transactions was 5 years as at July 31, 2007.

Financial instruments designated as held-for-trading

For the three-month period ended July 31, 2007, a loss of $4,777,000 (a loss of $5,850,000 for the nine-month period ended July 31, 2007) was recognized in trading income for financial instruments designated as held-for-trading under the fair value option.

The Bank designated certain deposits for a nominal amount of $62,815,000 as held-for-trading. The difference between the amount the Bank would be contractually required to pay at maturity to the holder of the deposits and the carrying amount of $62,652,000, is $163,000.

Other comprehensive income

FOR THE THREE-MONTH PERIOD ENDED JULY 31, 2007

IN THOUSANDS OF DOLLARS	AMOUNTS BEFORE INCOME TAXES	INCOME TAXES	AMOUNT NET OF INCOME TAXES
Unrealized gains and losses on available-for-sale securities			
Unrealized gains and losses during the period	$ (4,134)	$ 1,318	$ (2,816)
Less: reclassification to income of realized gains and losses during the period	(498)	162	(336)
Unrealized gains and losses on available-for-sale securities	(4,632)	1,480	(3,152)
Gains and losses on derivatives designated as cash flow hedges	(7,094)	2,408	(4,686)
Other comprehensive income	$ (11,726)	$ 3,888	$ (7,838)

FOR THE NINE-MONTH PERIOD ENDED JULY 31, 2007

IN THOUSANDS OF DOLLARS	AMOUNTS BEFORE INCOME TAXES	INCOME TAXES	AMOUNT NET OF INCOME TAXES
Unrealized gains and losses on available-for-sale securities			
Unrealized gains and losses during the period	$ 19,200	$ (2,724)	$ 16,476
Less: reclassification to income of realized gains and losses during the period	(1,561)	(229)	(1,790)
Unrealized gains and losses on available-for-sale securities	17,639	(2,953)	14,686
Gains and losses on derivatives designated as cash flow hedges	(9,232)	3,149	(6,083)
Other comprehensive income	$ 8,407	$ 196	$ 8,603

Accumulated other comprehensive income

AS AT JULY 31, 2007

IN THOUSANDS OF DOLLARS	CASH FLOW HEDGING	AVAILABLE-FOR-SALE SECURITIES	ACCUMULATED OTHER COMPREHENSIVE INCOME
Balance at beginning of period	$ –	$ –	$ –
Impact of adopting the new accounting policy, net of income taxes	(15,932)	(2,620)	(18,552)
Change during the three-month period ended January 31, 2007	(358)	(180)	(538)
Change during the three-month period ended April 30, 2007	(1,039)	18,018	16,979
Change during the three-month period ended July 31, 2007	(4,686)	(3,152)	(7,838)
Balance at end of period	$ (22,015)	$ 12,066	$ (9,949)

2. DISPOSALS

Sale of the joint-venture BLC-Edmond de Rothschild Asset Management Inc.

On December 31, 2004, the Bank completed the sale of the BLC-Edmond de Rothschild Asset Management Inc. joint-venture (BLCER) to Industrial Alliance Insurance and Financial Services Inc. (Industrial Alliance).

During the first quarter ended January 31, 2006, the Bank recognized a gain of $187,000 ($124,000 net of income taxes) with regards to the recovery clause related to institutional funds under management. As well, in relation with the sale of BLCER, it was agreed that investments in seed capital owned by the Bank at the time of the transaction would be disposed of. Also during the first quarter ended January 31, 2006, the Bank completed the sale of these investments and recorded revenues of $300,000 ($200,000 net of income taxes) to reflect the realized net gains. These gains were entirely attributed to the Other segment.

Income per common share from discontinued operations

IN DOLLARS	FOR THE THREE-MONTH PERIODS ENDED JULY 31 2007	APRIL 30 2007	JULY 31 2006	FOR THE NINE-MONTH PERIODS ENDED JULY 31 2007	JULY 31 2006
Basic	**$ –**	$ –	$ –	**$ –**	$ 0.01
Diluted	**$ –**	$ –	$ –	**$ –**	$ 0.01

3. LOANS

LOANS AND IMPAIRED LOANS

AS AT JULY 31, 2007

IN THOUSANDS OF DOLLARS	GROSS AMOUNT OF LOANS	GROSS AMOUNT OF IMPAIRED LOANS	SPECIFIC ALLOWANCES	GENERAL ALLOWANCES	TOTAL ALLOWANCES
Personal loans	**$ 4,789,477**	**$ 18,627**	**$ 7,167**	**$ 26,663**	**$ 33,830**
Residential mortgages	**6,349,418**	**20,288**	**1,850**	**4,404**	**6,254**
Commercial mortgages	**670,918**	**4,855**	**1,563**	**3,811**	**5,374**
Commercial and other loans	**1,533,864**	**65,516**	**41,085**	**30,372**	**71,457**
	$ 13,343,677	**$ 109,286**	**$ 51,665**	**$ 65,250**	**$ 116,915**

AS AT OCTOBER 31, 2006

IN THOUSANDS OF DOLLARS	GROSS AMOUNT OF LOANS	GROSS AMOUNT OF IMPAIRED LOANS	SPECIFIC ALLOWANCES	GENERAL ALLOWANCES	TOTAL ALLOWANCES
Personal loans	$ 4,168,026	$ 16,100	$ 5,659	$ 26,436	$ 32,095
Residential mortgages	5,985,656	16,501	3,479	4,771	8,250
Commercial mortgages	659,014	8,393	3,472	2,471	5,943
Commercial and other loans	1,476,977	89,603	47,293	26,900	74,193
Unallocated general allowance	–	–	–	4,672	4,672
	$12,289,673	$ 130,597	$ 59,903	$ 65,250	$ 125,153

AS AT JULY 31, 2006

IN THOUSANDS OF DOLLARS	GROSS AMOUNT OF LOANS	GROSS AMOUNT OF IMPAIRED LOANS	SPECIFIC ALLOWANCES	GENERAL ALLOWANCES	TOTAL ALLOWANCES
Personal loans	$ 4,160,630	$ 14,841	$ 5,276	$ 23,855	$ 29,131
Residential mortgages	5,799,043	12,087	3,802	4,676	8,478
Commercial mortgages	638,765	10,194	4,970	3,607	8,577
Commercial and other loans	1,532,565	95,579	49,143	28,407	77,550
Unallocated general allowance	–	–	–	4,705	4,705
	$12,131,003	$ 132,701	$ 63,191	$ 65,250	$ 128,441

SPECIFIC ALLOWANCES FOR LOAN LOSSES

FOR THE NINE-MONTH PERIODS ENDED JULY 31

IN THOUSANDS OF DOLLARS	PERSONAL LOANS	RESIDENTIAL MORTGAGES	COMMERCIAL MORTGAGES	COMMERCIAL AND OTHER LOANS	TOTAL SPECIFIC ALLOWANCES **2007**	TOTAL SPECIFIC ALLOWANCES 2006
Balance at beginning of period	**$ 5,659**	**$ 3,479**	**$ 3,472**	**$ 47,293**	**$ 59,903**	$ 64,556
Provision for credit losses recorded in the consolidated statement of income	**21,318**	**825**	**264**	**7,593**	**30,000**	30,000
Write-offs	**(23,228)**	**(2,489)**	**(2,175)**	**(13,921)**	**(41,813)**	(34,375)
Recoveries	**3,418**	**35**	**2**	**120**	**3,575**	3,421
Provision for credit losses resulting from the sale of a subsidiary	**–**	**–**	**–**	**–**	**–**	(411)
Balance at end of period	**$ 7,167**	**$ 1,850**	**$ 1,563**	**$ 41,085**	**$ 51,665**	$ 63,191

GENERAL ALLOWANCES FOR LOAN LOSSES

FOR THE NINE-MONTH PERIODS ENDED JULY 31

IN THOUSANDS OF DOLLARS	PERSONAL LOANS	RESIDENTIAL MORTGAGES	COMMERCIAL MORTGAGES	COMMERCIAL AND OTHER LOANS	UNALLOCATED GENERAL ALLOWANCE	TOTAL GENERAL ALLOWANCES **2007**	TOTAL GENERAL ALLOWANCES 2006
Balance at beginning of period	**$ 26,436**	**$ 4,771**	**$ 2,471**	**$ 26,900**	**$ 4,672**	**$ 65,250**	$ 65,250
Change during the period	**227**	**(367)**	**1,340**	**3,472**	**(4,672)**	**–**	–
Balance at end of period	**$ 26,663**	**$ 4,404**	**$ 3,811**	**$ 30,372**	**$ –**	**$ 65,250**	$ 65,250

4. LOAN SECURITIZATION

The Bank securitizes residential mortgage loans insured by the Canadian Mortgage and Housing Corporation, as well as conventional mortgages. The gains before income taxes, net of transaction related costs, are recognized in other income.

The following table summarizes the residential loan securitization transactions carried out by the Bank:

IN THOUSANDS OF DOLLARS	FOR THE THREE-MONTH PERIODS ENDED JULY 31 2007	APRIL 30 2007	JULY 31 2006	FOR THE NINE-MONTH PERIODS ENDED JULY 31 2007	JULY 31 2006
Cash proceeds, net of transaction related costs	**$ 310,904**	$ 136,777	$ 111,087	**$ 447,681**	$ 631,896
Rights to future excess interest	**8,504**	4,730	2,856	**13,234**	14,375
Servicing liabilities	**(2,123)**	(1,091)	(733)	**(3,214)**	(4,401)
Cash reserve accounts	**7,419**	1,076	4,629	**8,495**	15,582
Other	**(4,514)**	(1,157)	(872)	**(5,671)**	(3,646)
	320,190	140,335	116,967	**460,525**	653,806
Residential loans securitized and sold	**319,135**	138,134	115,716	**457,269**	647,645
Gains before income taxes, net of transaction related costs	**$ 1,055**	$ 2,201	$ 1,251	**$ 3,256**	$ 6,161

With regard to the transfer of residential mortgages, the key assumptions used to determine the initial fair value of retained interests at the securitization date for transactions carried out during the quarter are summarized as follows:

	JULY 31 2007
Rate of prepayment	**25.9** %
Discount rate	**4.80** %
Rate of credit losses	**0.05** %

No loss is expected on insured residential mortgages.

During the second quarter of 2007, the Bank also securitized commercial mortgages for $40,338,000, generating a $424,000 gain. The Bank has not retained any right or obligation with respect to the commercial mortgages.

The total principal amount of securitized loans outstanding amounted to $1,262,348,000 as at July 31, 2007 ($1,079,026,000 as at October 31, 2006).

5. CAPITAL STOCK

Issuance of common shares

During the quarter, 58,338 common shares (79,589 common shares during the nine-month period ended July 31, 2007) were issued under the employee share purchase option plan for the management of the Bank for a cash consideration of $1,573,000 ($2,082,000 during the nine-month period ended July 31, 2007).

ISSUED AND OUTSTANDING IN THOUSANDS OF DOLLARS, EXCEPT NUMBER OF SHARES	AS AT JULY 31, 2007 NUMBER OF SHARES	AMOUNT	AS AT OCTOBER 31, 2006 NUMBER OF SHARES	AMOUNT
Class A Preferred Shares[1]				
Series 9	**4,000,000**	**$ 100,000**	4,000,000	$ 100,000
Series 10	**4,400,000**	**110,000**	4,400,000	110,000
Total preferred shares	**8,400,000**	**$ 210,000**	8,400,000	$ 210,000
Common shares	**23,700,025**	**$ 253,240**	23,620,436	$ 251,158
Treasury shares	**–**	**$ –**	(20,000)	$ (590)

1 The preferred shares are convertible into common shares at the Bank's option.
However, the number of shares issuable on conversion is not determinable until the date of conversion.

6. STOCK-BASED COMPENSATION

Restricted Share Unit Program

Under the Restricted Share Unit Program, annual bonuses for certain employees amounting to $612,000 were converted into 19,978 entirely vested restricted share units during the first quarter of 2007. The Bank also granted 11,987 additional restricted share units which will vest in December 2009.

Stock option purchase plan

During the first quarter of 2007, the Bank awarded 50,000 stock options with an exercise price of $29.47, at a fair value of $4.55 per stock option. A $29,000 charge to salaries and employee benefits was recorded for the third quarter of 2007 ($75,000 for the nine-month period ended July 31, 2007) with regards to this grant.

The fair value of these options was estimated, on the award date, using the Black-Scholes valuation model, with the following assumptions:

Risk-free interest rate	**4.10 %**
Expected options life	**7 years**
Expected volatility	**19.60 %**
Expected dividend yield	**4.00 %**

Information on outstanding number of options is as follows:

	AS AT JULY 31, 2007	AS AT OCTOBER 31, 2006
	NUMBER	NUMBER
Share purchase options		
Outstanding at end of period	**280,815**	339,604
Exercisable at end of period	**230,815**	339,604

Performance-based share agreement

In accordance with the performance-based share agreement, all rights to the 20,000 common shares granted in 2005 vested in January 2007, as objectives were met. Consequently, the shares were issued to the employee. A $72,000 charge to salaries and employee benefits was recorded for the first quarter of 2007 with regards to this grant.

Stock appreciation rights (SARs) plan

During the third quarter of 2007, the Bank awarded 229,000 stock appreciation rights (SARs) with an exercice price of $34.47.

7. EMPLOYEE FUTURE BENEFITS

IN THOUSANDS OF DOLLARS	FOR THE THREE-MONTH PERIODS ENDED **JULY 31 2007**	APRIL 30 2007	JULY 31 2006	FOR THE NINE-MONTH PERIODS ENDED **JULY 31 2007**	JULY 31 2006
Defined benefit pension plans expense	**$ 4,158**	$ 4,022	$ 4,805	**$ 12,517**	$ 14,040
Defined contribution pension plan expense	**771**	735	691	**2,201**	1,914
Other plans expense	**807**	780	630	**2,394**	1,870
Total	**$ 5,736**	$ 5,537	$ 6,126	**$ 17,112**	$ 17,824

8. INCOME TAXES

For the quarter ended July 31, 2007, the income tax expense was $9,491,000 (29.1% effective tax rate). This lower tax rate, compared to the statutory tax rate of approximately 33%, results from investments in Canadian securities that generate tax-exempt dividend income, as well as the lower taxation level on revenues from credit insurance operations.

For the nine-month period ended July 31, 2007, the income tax expense was $22,264,000 (25.7% effective tax rate). The lower tax rate for this nine-month period results from the items discussed above, as well as to the following items: during the second quarter – the lower income taxes on capital gains for $710,000; and an $848,000 favorable adjustment relative to last year's repatriation of accumulated foreign retained earnings from credit insurance operations; also during the first quarter – a $900,000 favorable adjustment to reflect the increase in value of the future tax assets following the adoption, in December 2006, of Federal fiscal measures which provided for raising the threshold of the federal minimum tax on financial institutions to $1 billion.

For the quarter ended July 31, 2006, the income tax expense was $18,624,000 (75.2% effective tax rate). This rate reflected the decrease of future tax assets of $11,000,000 following the Federal Corporate Income Tax Rate reductions for the years 2008 and thereafter. Excluding the effect of this reduction, the income tax expense for the quarter would have been $7,624,000, for a 30.8% effective tax rate.

For the nine-month period ended July 31, 2006, the income tax expense was $19,331,000 (29.0% effective tax rate). This tax rate reflects the combined effect of the adjustment of the third quarter of $11,000,000, discussed above, and of the following items: during the second quarter – an $11,327,000 recovery related to the resolution of various income tax exposures, the recognition of $2,730,000 of previously unrecognized temporary differences related to the minimum tax on financial institutions and a $3,385,000 charge on the decision to repatriate capital from foreign credit insurance operations; also during the first quarter – the favorable adjustment to future tax assets of $2,398,000, resulting from the increase in Quebec income tax rates and the lower taxes on the gain on sale of Brome Financial Corporation.

9. WEIGHTED AVERAGE NUMBER OF OUTSTANDING COMMON SHARES

	FOR THE THREE-MONTH PERIODS ENDED			FOR THE NINE-MONTH PERIODS ENDED	
	JULY 31 2007	APRIL 30 2007	JULY 31 2006	**JULY 31 2007**	JULY 31 2006
Average number of outstanding common shares	**23,661,820**	23,638,152	23,612,865	**23,642,412**	23,601,426
Dilutive and other share purchase options	**66,522**	47,076	31,025	**47,466**	50,538
Weighted average number of outstanding common shares	**23,728,342**	23,685,228	23,643,890	**23,689,878**	23,651,964
Average number of share purchase options not taken into account in the calculation of diluted net income per common share[1]	**–**	–	124,200	**30,150**	41,855

1 The average number of share purchase options was not taken into account in the calculation of diluted net income per common share since the average exercise price of these options exceeded the average market price of the Bank's share during these periods.

10. SEGMENTED INFORMATION

FOR THE THREE-MONTH PERIOD ENDED JULY 31, 2007

IN THOUSANDS OF DOLLARS	RFS	CFS	B2B	LBS[3]	OTHER	TOTAL
Net interest income	$ 68,847	$ 15,513	$ 20,863	$ 570	$ (4,026)	$ 101,767
Other income	26,483	5,144	3,014	8,005	6,629	49,275
Total revenue	95,330	20,657	23,877	8,575	2,603	151,042
Provision for credit losses	6,414	2,430	1,156	–	–	10,000
Non-interest expenses	75,453	9,019	10,497	7,826	5,578	108,373
Income (loss) from continuing operations before income taxes	13,463	9,208	12,224	749	(2,975)	32,669
Income taxes (recovered)	3,717	3,085	4,136	170	(1,617)	9,491
Income (loss) from continuing operations	9,746	6,123	8,088	579	(1,358)	23,178
Income from discontinued operations, net of income taxes	–	–	–	–	–	–
Net income	$ 9,746	$ 6,123	$ 8,088	$ 579	$ (1,358)	$ 23,178
Average assets[2]	$ 8,797,006	$ 2,481,731	$ 3,213,020	$ 1,479,992	$ 948,407	$ 16,920,156

FOR THE THREE-MONTH PERIOD ENDED APRIL 30, 2007

IN THOUSANDS OF DOLLARS	RFS	CFS	B2B	LBS[3]	OTHER	TOTAL
Net interest income	$ 64,633	$ 15,003	$ 19,551	$ 376	$ (4,057)	$ 95,506
Other income[1]	25,689	5,553	2,998	14,214	1,711	50,165
Total revenue	90,322	20,556	22,549	14,590	(2,346)	145,671
Provision for credit losses	6,721	2,241	1,038	–	–	10,000
Non-interest expenses	74,852	9,225	10,764	7,956	6,154	108,951
Income (loss) from continuing operations before income taxes	8,749	9,090	10,747	6,634	(8,500)	26,720
Income taxes (recovered)	1,944	3,045	3,623	1,341	(3,886)	6,067
Income (loss) from continuing operations	6,805	6,045	7,124	5,293	(4,614)	20,653
Income from discontinued operations, net of income taxes	–	–	–	–	–	–
Net income	$ 6,805	$ 6,045	$ 7,124	$ 5,293	$ (4,614)	$ 20,653
Average assets[2]	$ 8,575,446	$ 2,413,619	$ 2,934,231	$ 1,498,057	$ 1,312,860	$16,734,213

10. SEGMENTED INFORMATION (CONTINUED)

FOR THE THREE-MONTH PERIOD ENDED JULY 31, 2006

IN THOUSANDS OF DOLLARS	RFS	CFS	B2B	LBS[3]	OTHER[4]	TOTAL
Net interest income	$ 66,198	$ 14,648	$ 19,051	$ 207	$ (8,612)	$ 91,492
Other income	24,515	5,873	3,145	7,096	5,904	46,533
Total revenue	90,713	20,521	22,196	7,303	(2,708)	138,025
Provision for credit losses	7,289	1,215	1,496	–	–	10,000
Non-interest expenses	73,307	8,939	10,469	6,748	3,782	103,245
Income (loss) from continuing operations before income taxes	10,117	10,367	10,231	555	(6,490)	24,780
Income taxes	3,388	3,473	3,471	43	8,249	18,624
Income (loss) from continuing operations	6,729	6,894	6,760	512	(14,739)	6,156
Income from discontinued operations, net of income taxes	–	–	–	–	–	–
Net income	$ 6,729	$ 6,894	$ 6,760	$ 512	$ (14,739)	$ 6,156
Average assets[2]	$ 8,277,569	$ 2,265,991	$ 2,771,988	$ 1,464,569	$ 2,052,333	$16,832,450

FOR THE NINE-MONTH PERIOD ENDED JULY 31, 2007

IN THOUSANDS OF DOLLARS	**RFS**	**CFS**	**B2B**	**LBS[3]**	**OTHER**	**TOTAL**
Net interest income	**$ 199,206**	**$ 45,942**	**$ 60,170**	**$ 1,239**	**$ (14,087)**	**$ 292,470**
Other income[1]	**77,530**	**16,540**	**8,806**	**30,931**	**12,027**	**145,834**
Total revenue	**276,736**	**62,482**	**68,976**	**32,170**	**(2,060)**	**438,304**
Provision for credit losses	**19,431**	**7,360**	**3,209**	**–**	**–**	**30,000**
Non-interest expenses	**222,971**	**27,217**	**31,674**	**23,421**	**16,370**	**321,653**
Income (loss) from continuing operations before income taxes	**34,334**	**27,905**	**34,093**	**8,749**	**(18,430)**	**86,651**
Income taxes (recovered)	**8,499**	**9,348**	**11,529**	**1,890**	**(9,002)**	**22,264**
Income (loss) from continuing operations	**25,835**	**18,557**	**22,564**	**6,859**	**(9,428)**	**64,387**
Income from discontinued operations, net of income taxes	**–**	**–**	**–**	**–**	**–**	**–**
Net income	**$ 25,835**	**$ 18,557**	**$ 22,564**	**$ 6,859**	**$ (9,428)**	**$ 64,387**
Average assets[2]	**$ 8,627,827**	**$ 2,412,767**	**$ 2,994,672**	**$ 1,539,471**	**$ 1,180,157**	**$ 16,754,894**

FOR THE NINE-MONTH PERIOD ENDED
JULY 31, 2006

IN THOUSANDS OF DOLLARS	RFS	CFS[5]	B2B	LBS[3]	OTHER	TOTAL
Net interest income	$ 192,988	$ 43,993	$ 54,622	$ 790	$ (27,268)	$ 265,125
Other income	70,656	17,609	9,764	22,749	16,845	137,623
Total revenue	263,644	61,602	64,386	23,539	(10,423)	402,748
Provision for credit losses	17,592	7,890	4,518	–	–	30,000
Non-interest expenses	215,556	27,954	32,657	20,332	9,498	305,997
Income (loss) from continuing operations before income taxes	30,496	25,758	27,211	3,207	(19,921)	66,751
Income taxes (recovered)	10,187	8,627	9,233	896	(9,612)	19,331
Income (loss) from continuing operations	20,309	17,131	17,978	2,311	(10,309)	47,420
Income from discontinued operations, net of income taxes	–	–	–	–	354	354
Net income	$ 20,309	$ 17,131	$ 17,978	$ 2,311	$ (9,955)	$ 47,774
Average assets[2]	$ 8,137,184	$ 2,248,267	$ 2,685,502	$ 1,475,551	$ 2,149,033	$16,695,537

RFS – The Retail Financial Services segment covers the full range of savings, investment, financing and transactional products and services offered through its direct distribution network, which includes branches, the electronic network and the call centre, as well as Point-of-Sale financing across Canada. This business segment also offers Visa credit card services and insurance products as well as trust services.

CFS – The Commercial Financial Services segment handles commercial loans and larger financings as part of banking syndicates, as well as commercial mortgage financing, leasing, factoring and other services.

B2B – The B2B Trust business segment supplies generic and complementary banking and financial products to financial advisors and non-bank financial institutions across Canada.This business segment also consists of deposit brokerage operations.

LBS – LBS segment consists of the activities of the subsidiary Laurentian Bank Securities Inc.

Other – The category “Other” includes treasury and securitization activities and other activities of the Bank including revenues and expenses that are not attributable to the above-mentioned segments.

1 During the second quarter of 2007, the initial public offering of the Montreal Stock Exchange triggered a $21.7 million ($18.2 million net of income taxes) revaluation of the shares held by the Bank through other comprehensive income. A portion of the holding was subsequently sold and a $4.4 million ($3.7 million net of income taxes) gain was reclassified to other income in the LBS segment. Also during the second quarter, a $4.3 million loss on sale of securities was incurred and reported in the Other segment.

2 Assets are disclosed on an average basis as this measure is most relevant to a financial institution.

3 Results for LBS were reclassified for 2006 to present revenues gross of certain commissions and other costs which were previously netted against revenues.

4 Results of the Other segment for the third quarter of 2006 included an $11,000,000 tax charge resulting from the Federal Corporate Income Tax Rate reductions for the years 2008 and thereafter (see Note 8 to the interim consolidated financial statements).

5 Results for the first quarter of 2006 included a $0.05 million contribution to net income from Brome Financial Corporation Inc. for the two months prior to the sale of the subsidiary and the $0.93 million gain from this sale.

SHAREHOLDER INFORMATION

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(international direct dial).

Investors and analysts
Investors and analysts may contact the Investor Relations Department at Head Office by calling (514) 284-4500 ext. 7511.

Media
Journalists may contact the Public Affairs and Communications Department at Head Office by calling (514) 284-4500 ext. 7511.

Ombudsman's office
Laurentian Bank of Canada
1981 McGill College Avenue
14th Floor
Montreal, Quebec H3A 3K3
(514) 284-7192
1-800-473-4782

Change of address and inquiries
Shareholders should notify the Transfer Agent of a change of address. Inquiries or requests may be directed to the Secretary's Office at Head Office or by calling (514) 284-4500 ext. 7545.

STOCK SYMBOL AND DIVIDEND PAYMENT

THE COMMON AND PREFERRED SHARES INDICATED BELOW ARE LISTED ON THE TORONTO STOCK EXCHANGE.	STOCK SYMBOL CODE CUSIP	DIVIDEND RECORD DATE*	DIVIDEND PAYMENT DATE*
Common shares	51925D 10 6 LB	First business day of:	
		January	February 1st
		April	May 1st
		July	August 1st
		October	November 1st
Preferred shares			
Series 9	51925D 87 4 LB.PR.D	**	March 15
Series 10	51925D 86 6 LB.PR.E	**	June 15
			September 15
			December 15

* Subject to the approval of the Board of Directors.
** On such day (which shall not be more than 30 days preceding the date fixed for payment of such dividend) as may be determined from time to time by the Board of Directors of the Bank.

LAURENTIAN BANK