THIRD QUARTER 2006

QUARTERLY REPORT FOR THE PERIOD
ENDED JULY 31, 2006

LAURENTIAN BANK

REPORT TO SHAREHOLDERS

Laurentian Bank of Canada reports net income of $6.2 million for the third quarter of 2006, after an income tax charge of $11.0 million resulting from the adoption of the 2006 federal budget. Excluding this charge, net income would have stood at $17.2 million.

Laurentian Bank of Canada reported net income of $6.2 million or $0.13 diluted per common share for the third quarter ended July 31, 2006, compared to $15.8 million or $0.54 diluted per common share for the same period in 2005. Return on common shareholders' equity was 1.7% for the quarter, compared to 7.4% for the same period in 2005. Results for the third quarter of 2006 include the effect of an income tax charge of $11.0 million resulting from the adoption of the 2006 federal budget. Excluding this unusual charge, net income would have stood at $17.2 million or $0.60 diluted per common share, an 11% increase over the same quarter of 2005, and return on common shareholders' equity would have been 7.7%.

For the first nine months of 2006, net income totaled $47.8 million or $1.64 diluted per common share, compared to net income of $43.7 million or $1.47 diluted per common share in 2005. Return on common shareholders' equity was 7.3% for the nine-month period ended July 31, 2006, compared to 6.8% for the same period in 2005. Income from continuing operations improved in 2006 to $47.4 million, compared to $38.2 million in 2005. 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.

Mr. Raymond McManus, President and Chief Executive Officer, declared: "I am encouraged with the improvement in operating results for the quarter. After nine months, income from continuing operations improved by more than 20%, compared to last year. The strong loan growth that we have experienced and our overall results are valuable indicators of our performance and a tribute to the efforts we have made to optimize the operations of all our business segments."

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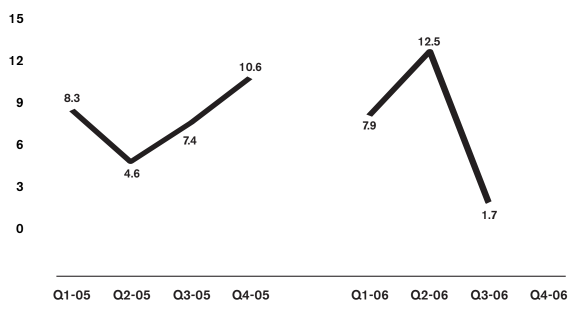
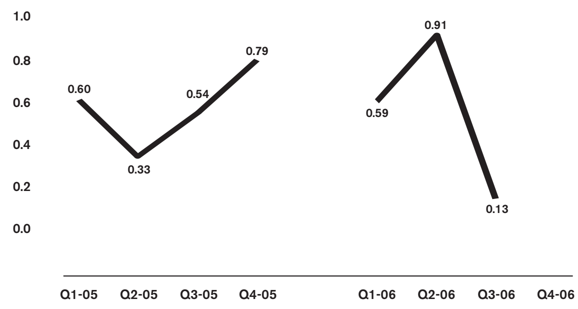
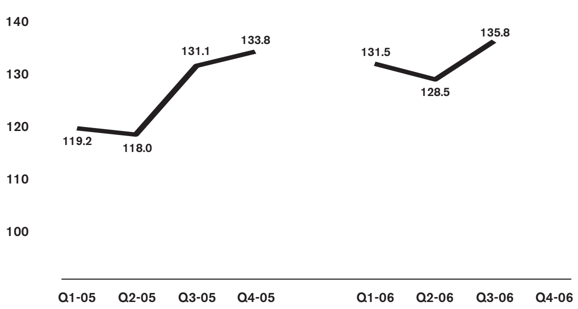
RETURN ON COMMON SHAREHOLDERS' EQUITY
AS A PERCENTAGE



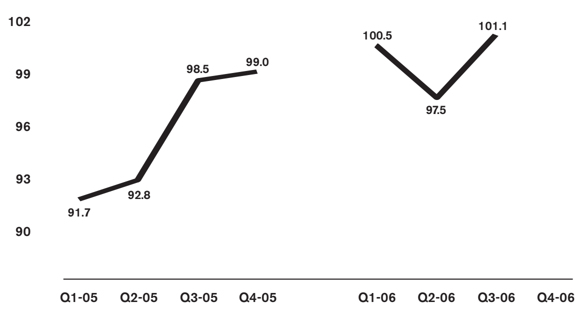
DILUTED NET INCOME PER COMMON SHARE
IN DOLLARS



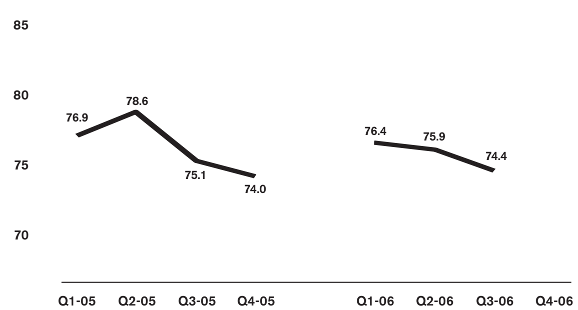
TOTAL REVENUE
IN MILLIONS OF DOLLARS



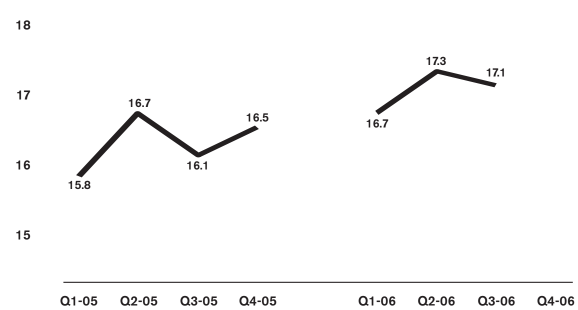
NON-INTEREST EXPENSES
IN MILLIONS OF DOLLARS



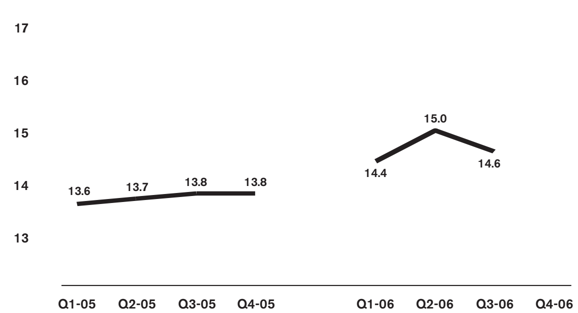
EFFICIENCY RATIO
NON-INTEREST EXPENSES AS A PERCENTAGE OF TOTAL INCOME



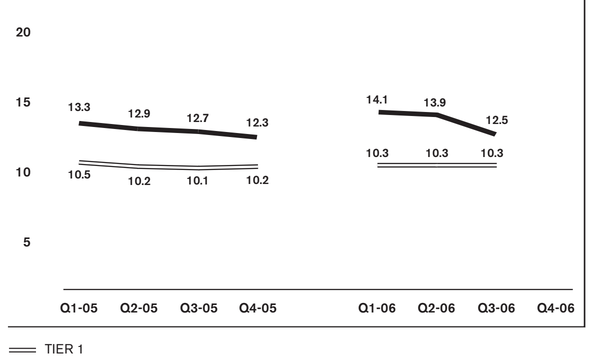
BALANCE SHEET ASSETS
IN BILLIONS OF DOLLARS



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, 2006, 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 2006.

Complementary information on subjects such as on risk management, accounting policies and off-balance sheet arrangements, is also provided in the Bank's 2005 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. Strictly for information purposes, the following table presents the performance compared to objectives that have been set by management for 2006.

Performance for 2006

PERFORMANCE INDICATORS	2006 OBJECTIVES	NINE-MONTH PERIOD ENDED JULY 31, 2006 – ACTUAL
Return on common shareholders' equity	**7% to 8%**	**7.3%**
Diluted net income per share	**$2.05 to $2.35 (annual)**	**$1.64**
Total revenue	**$522 to $532 million (annual)**	**$396 million**
Efficiency ratio	**75% to 73.5%**	**75.6%**
Capital ratios		
Tier 1	**Minimum of 9.5%**	**10.3%**
Total	**Minimum of 12.0%**	**12.5%**
Credit quality (loan losses as a % of average assets)	**0.25% to 0.22%**	**0.24%**

HIGHLIGHTS

This section presents the highlights of the third quarter ended July 31, 2006 and details significant items affecting results, when compared to the third quarter of 2005.

- Total revenue stood at $135.8 million in the third quarter of 2006, compared to $131.1 million in the third quarter of 2005. The improvement, essentially in net interest income, results from the combined effect of increases in net interest margins and loan volumes.
- Non-interest expenses increased to $101.1 million in the third quarter of 2006 from $98.5 million in the third quarter of 2005.
- The provision for credit losses was $10.0 million in the third quarter of 2006 compared to $9.8 million in the third quarter of 2005.
- Income tax expense was $18.6 million in the third quarter of 2006, including an $11.0 million ($0.47 diluted per common share) charge resulting from the tax measures included in the federal budget adopted on June 6, 2006. The income tax charge reflects the reduction in future tax assets coming from the announced reduction in federal tax rates for the years 2008 and thereafter. Consequently, starting in 2008, the applicable income tax rate and taxes payable will be reduced. The tax expense for the third quarter of 2005 stood at $7.7 million.
- On June 1, 2006, the Bank completed the early redemption of all of its 6.50% Debentures, Series 9, due 2011, for an aggregate principal amount of $150 million.

ANALYSIS OF CONSOLIDATED RESULTS

Summary results

Net income was $6.2 million or $0.13 diluted per common share for the third quarter ended July 31, 2006, compared to $15.8 million or $0.54 diluted per common share for the same period in 2005. Discontinued operations had no significant effect on the results of the third quarter of 2006, while they favorably impacted results of the third quarter of 2005 by $0.6 million or $0.02 diluted per common share. Results of the third quarter of 2006 include the effect of the $11.0 million income tax charge ($0.47 diluted per common share), as noted above. Excluding this unusual charge, net income would have stood at $17.2 million or $0.60 diluted per common share.

For the first nine months of 2006, net income totaled $47.8 million or $1.64 diluted per common share, compared to net income of $43.7 million or $1.47 diluted per common share in 2005. For the first nine months of 2006, income from continuing operations improved by more than 20% to $47.4 million, compared to $38.2 million in 2005. For 2005, income from discontinued operations mainly consisted of the $5.4 million ($5.2 million net of income taxes) gain resulting from the sale of the BLC-Edmond de Rothschild

Asset Management joint-venture and subsequent changes to the value of certain investments related to seed capital, as detailed in Note 2 to the Interim Consolidated Financial Statements.

Total revenue increased by 4% to $135.8 million in the third quarter of 2006 from $131.1 million for the same period a year ago.

The Bank's net interest income increased by $6.0 million, from $85.5 million in the third quarter of 2005 to $91.5 million in the third quarter of 2006. The improvement results from the tighter asset and liability management strategies, the growth in loan portfolios, as well as the transactions related to the subordinated debentures.

Other income was $44.4 million in the third quarter of 2006, while it stood at $45.6 million for the same quarter a year ago. The $1.3 million decrease in other income is principally attributable to the forgone contribution of Brome Financial Corporation Inc. sold earlier in 2006, as well as from lower securitization and treasury and financial markets revenues. This decrease was partially offset by higher fees coming from core lending activities, VISA card services, distribution of mutual funds and credit insurance, all of which are closely related to the overall higher level of retail and commercial activities.

Compared to the same period for 2005, total revenue for the nine-month period ended July 31, 2006, improved by $27.6 million, mainly in net interest income, as a result of the items noted above. Other income also improved, as higher fees coming from lending activities, VISA card services, securitization activities, brokerage operations and credit insurance activities more than offset the forgone revenues from Brome Financial Corporation Inc.

The **provision for credit losses** was $10.0 million or 0.24% of average assets in the third quarter of 2006, compared to $9.8 million or 0.24% of average assets during the third quarter of 2005. The level of provisions has stayed relatively stable over the last three years, as the economic environment continued to be favorable. Likewise, the quality of the loan portfolio has remained sound, despite the increase in net impaired loans to $4.3 million, as at July 31, 2006, from –$8.9 million, as at October 31, 2005, which resulted from a single loan exposure in the forestry and wood product manufacturing industries.

For the nine-month period ended July 31, 2006, the provision for credit losses amounted to $30.0 million, compared to a similar level of $28.3 million for the same period a year-ago.

The Bank's general provision remained unchanged at $65.3 million at July 31, 2006 compared to year-end 2005. See Note 3 to the Interim Consolidated Financial Statements for more details.

Non-interest expenses increased by 3% to $101.1 million for the third quarter of 2006, compared to $98.5 million for the third quarter of 2005. The higher level of activities in all segments, including the opening of new branches and the expansion of the retail brokerage activities, as well as the resources to support sales initiatives across the Bank have resulted in an increase in salaries and employee benefits. In addition, pension costs rose by more than $1.7 million. These increases were however partially offset by lower variable compensation costs. Other expenses also increased as a result of additional professional fees mainly incurred to meet new regulatory requirements (Bill-198).

For the nine-month period ended July 31, 2006, non-interest expenses stood at $299.1 million, up from $282.9 million for the same period in 2005. The increase results essentially from the same items noted above, as well as to higher advertising and business development expenses.

The efficiency ratio (non-interest expenses divided by total revenue) improved to 74.4% in the third quarter of 2006, from 75.1% in the third quarter of 2005, benefiting from the increase in net interest income.

Income tax expense was $18.6 million in the third quarter of 2006, including an income tax charge of $11.0 million resulting from the adoption of the 2006 federal budget on June 6, 2006. As noted above, the income tax charge mainly reflects the reduction in future tax assets coming from the announced reduction in federal tax rates for the years 2008 and thereafter. Excluding this unusual charge, the income tax expense would have stood at $7.6 million (30.8% effective tax rate), compared to $7.7 million (33.5% effective tax rate) in the third quarter of 2005. The lower effective tax rate for the third quarter of 2006 results mainly from the lower level of taxation on certain capital gains realized during the quarter.

For the nine-month period ended July 31, 2006, the income tax expense was $19.3 million (29.0% effective tax rate), compared to $18.8 million (33.0% effective tax rate) for the same period last year. 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. See Note 9 to the Interim Consolidated Financial Statements for more details.

ANALYSIS OF FINANCIAL CONDITION

Balance sheet assets were $17.1 billion at July 31, 2006, compared to $16.5 billion at October 31, 2005.

As at July 31, 2006, liquid assets, including cash resources, securities and assets purchased under reverse repurchase agreements, amounting to $4.1 billion, represented 24% of the balance sheet assets, a similar proportion compared to October 31, 2005, when they were at $3.8 billion. The Bank is closely monitoring its liquidity to sustain its growth initiatives, as well as to meet its other obligations. Among other factors impacting liquidities during the quarter, the Bank repurchased its Series 9 Debentures for an amount of $150 million. This was compensated by the securitization of $116 million of residential mortgages and other funding activities.

The portfolio of loans and bankers' acceptances increased from $12.0 billion as at October 31, 2005 to $12.2 billion as at July 31, 2006, a growth of more than $230 million, after securitization of residential mortgages of $648 million. During the third quarter of 2006, the loan portfolio increased by more than $250 million, after the securitization of residential mortgages of $116 million. This performance is very encouraging and denotes the commitment of all business segments to generate loan growth, as well as the favorable market conditions.

Total personal deposits grew by 4% or $371 million over the last nine months to $10.9 billion at July 31, 2006 from $10.6 billion at October 31, 2005. This increase results from the strong contribution from the Retail Financial Services and B2B Trust segments. Business and other deposits decreased by $551 million to $2.6 billion at July 31, 2006, as certain deposits matured and as the availability and pricing of other funding sources, including securitization, assets sold under repurchase agreements and personal deposits, were more attractive. The Bank continues to benefit from very stable and diversified sources of funding through personal deposits. At July 31, 2006, personal deposits accounted for 81% of total deposits of $13.5 billion.

Shareholders' equity stood at $933.2 million as at July 31, 2006, compared to $913.2 million at October 31, 2005. There were 23,612,865 common shares outstanding as at July 31, 2006 (23,612,865 as at August 21, 2006) and the Bank's book value per common share increased to $30.63 from $29.85 at year-end 2005. There were also 372,175 share purchase options outstanding as at July 31, 2006 (372,175 as at August 21, 2006).

The total capital of the Bank, comprised of shareholders' equity and debentures, reached $1,083 million at July 31, 2006 compared to $1,063 million at October 31, 2005, an increase of $20 million over the nine-month period. The BIS Tier 1 and Total capital ratios stood at 10.3% and 12.5%, respectively at July 31, 2006, compared to 10.2% and 12.3% at October 31, 2005. On June 1, 2006, the Bank redeemed all of its 6.50% Debentures, Series 9, due 2011, for an aggregate principal amount of $150 million. When compared to October 31, 2005, the amount of outstanding debentures has not changed, as the Bank has issued $150 million 4.90%, subordinated debentures in January of 2006.

On August 24, 2006, the Board of Directors declared regular dividends on the various series of preferred shares to shareholders of record on September 8, 2006. Also, at its meeting on September 6, 2006, the Board of Directors declared a dividend of $0.29 per common share, payable on November 1, 2006, to shareholders of record on October 2, 2006.

Assets under administration stood at $14.6 billion at July 31, 2006 compared to $13.8 billion at October 31, 2005. Compared to year-end 2005, clients' brokerage assets, self-directed RRSP accounts and mutual funds under administration increased by $238 million, $214 million and $139 million respectively, as a combined result of market revaluation and organic growth. Mortgage loans under management also increased by $468 million as a result of the securitization transactions.

SEGMENTED INFORMATION

When compared to the third quarter of 2005, the significant improvements mainly result from higher net interest income ensuing from the overall growth in loan and deposit portfolios. Loan losses also impacted profitability, mainly for the Retail Financial Services and Commercial Financial Services segments, as further detailed below. Compared to the second quarter of 2006, the contribution from the business segments generally improved, mainly as a result of the three extra days of the third quarter, which enabled the Bank to earn additional interest income.

NET INCOME CONTRIBUTIONS

IN MILLIONS OF DOLLARS[1]	RETAIL FINANCIAL SERVICES	COMMERCIAL FINANCIAL SERVICES	B2B TRUST	LAURENTIAN BANK SECURITIES	OTHER[3]	TOTAL
Q3-2006[2]						
Net income	**$ 6.7**	**$ 6.9**	**$ 6.8**	**$ 0.5**	**$(14.7)**	**$ 6.2**
	32%	**33%**	**33%**	**2%**	**n/a**	**100%**
Q2-2006[2]						
Net income	$ 7.1	$ 4.6	$ 5.7	$ 1.1	$ 6.1	$24.6
	38%	25%	31%	6%	n/a	100%
Q3-2005[2]						
Net income	$ 7.5	$ 5.5	$ 5.0	$ 0.6	$ (2.8)	$15.8
	40%	30%	27%	3%	n/a	100%

1 Percentage of net income contribution from the four business segments, excluding the Other segment.
2 Results from all deposit brokerage operations are now included with the B2B Trust business segment, whereas certain activities were previously included with the Retail Financial Services segment. B2B Trust has developed an expertise with regards to the business generated through intermediaries and, as such, it is well positioned to further develop these operations. As well, certain adjustments were carried to the cost of funds model in 2006. Comparative figures were restated to reflect the current period presentation.
3 Including tax adjustments of $10.7 million and –$11.0 million in the second and third quarters of 2006 respectively.

Retail Financial Services

The Retail Financial Services business segment's contribution to consolidated results declined to $6.7 million for the third quarter of 2006, from $7.5 million for the same quarter of 2005, as the increase in revenues was offset by higher loan losses and expenses. Net interest income benefited from the growth in loan and deposit portfolios, as well as to a better pricing on deposits. As for other income, the increase resulted from higher commissions on credit insurance and mutual funds distribution, as well as higher Visa credit card activity level.

Loan losses, at $7.3 million, were $2.4 million higher, in part because of the increase in loan volumes and also as a result of slightly higher losses on the merchant loan and personal loan portfolios. Nonetheless, net impaired loans were unchanged, as the quality of the portfolios remains sound.

Non-interest expenses increased to $73.3 million for the third quarter of 2006, compared to $70.1 million for the same quarter of 2005. The increase results mainly from higher employee future benefit costs, as well as a higher salary charge coming from the expansion in the retail banking operations.

The Bank has invested time and resources to improve its offering and distribution networks to further develop its client base. The growth in average loan and deposit portfolios of 6.5% and 2.4% respectively, since July 31, 2005, are encouraging signs. Moreover, the Retail Financial Services sector has maintained its efforts during the quarter in order to continue its development. The ongoing residential mortgage campaign is showing promising signs, as well, sustained initiatives to increase sales and activity levels for Visa credits cards and mutual funds continued to reap benefits.

Commercial Financial Services

The Commercial Financial Services business segment's contribution improved to $6.9 million for the third quarter of 2006, compared to $5.5 million for the same period a year ago. Excluding the effect of the forgone revenues of $2.0 million of Brome Financial Corporation Inc. sold earlier in 2006, revenues have improved by $1.1 million or 5%, mainly as a result of the increase in loan volumes.

At $1.2 million for the third quarter of 2006, loan losses were at a relatively low level. Compared to the third quarter of 2005, loan losses improved by $1.9 million. The addition of a significant single loan exposure to the impaired loans has had only a limited impact on loan losses. Otherwise, the overall quality of the loan portfolio has remained sound, despite the increases in energy prices and the Canadian dollar.

Non-interest expenses stood at $8.9 million for the third quarter ended July 31, 2006, compared to $9.8 million for the same quarter a year ago. The decrease is essentially a result of the disposal of Brome Financial Corporation Inc.

B2B Trust

The B2B Trust business segment's net income improved by 35% to $6.8 million in the third quarter of 2006, compared to $5.0 million in the third quarter of 2005. Higher loan volumes and net interest margins have both contributed to the $2.9 million increase in net interest income.

At $1.5 million, loan losses have remained at a satisfactory level. This level is comparable to that of a year ago, in spite of the increase in loan volumes. Non-interest expenses have also remained relatively stable.

Since the beginning of the year, the investment loan portfolio has increased by $232 million or 18% ($43 million since April 30, 2006). The good performance of the mutual fund market, coupled with product developments and efficiency improvements have contributed to the strong performance of B2B Trust.

Fully committed to the financial intermediary community, B2B Trust continues the deployment of its focused strategy by launching a fully redesigned investment loan product suite, offered exclusively through financial advisors, brokers and dealers.

Laurentian Bank Securities

The Laurentian Bank Securities business segment (LBS) reported net income of $0.5 million for the third quarter of 2006, compared to $0.6 million for the same quarter of 2005. Revenues stood at $5.1 million, unchanged from a year ago.

Retail revenues for the third quarter of 2006 have remained unchanged, as the effect of the recent investments in the distribution network was offset by the overall lower volumes resulting from weaker markets in June. Institutional fixed income revenues were also affected by rising interest rates which limited trading activities.

This period has provided the opportunity for LBS to further integrate the recently hired retail financial advisors. This ensures that new advisors adhere to the quality standards, values and rigour, which are the cornerstone of LBS' reputation. Also during the quarter, the new Institutional Equity business unit team began its activities and initiated the coverage of targeted business sectors.

Other sector

The negative contribution of the Other sector for the third quarter of 2006 stood at –$14.7 million, compared to –$2.8 million a year ago. Results for 2006 include the $11.0 million income tax charge, as noted above. Excluding the effect of this tax charge, net income for the Other sector would have stood at –$3.7 million. The decrease in profitability is resulting from the lower level of income coming from securitization, as well as treasury and financial market operations, partially offset by higher net interest margin.

ADDITIONAL FINANCIAL INFORMATION – QUARTERLY RESULTS

IN MILLIONS OF DOLLARS, EXCEPT PER SHARE AMOUNTS (UNAUDITED)	**2006** Q3	Q2	Q1	2005 Q4	Q3	Q2	Q1	2004 Q4
Total revenue	**$ 135.8**	$ 128.5	$ 131.5	$ 133.8	$ 131.1	$ 118.0	$ 119.2	$ 108.9
Income from continuing operations	**6.2**	24.6	16.7	17.4	15.2	11.0	12.1	7.1
Net income	**6.2**	24.6	17.0	21.6	15.8	10.6	17.3	7.1
Income per common share from continuing operations								
Basic	**0.13**	0.92	0.58	0.61	0.52	0.34	0.38	0.17
Diluted	**0.13**	0.91	0.58	0.61	0.52	0.34	0.38	0.17
Net income per common share								
Basic	**0.13**	0.92	0.59	0.79	0.54	0.33	0.61	0.17
Diluted	**0.13**	0.91	0.59	0.79	0.54	0.33	0.60	0.17
Return on common shareholders' equity	**1.7%**	12.5%	7.9%	10.6%	7.4%	4.6%	8.3%	2.4%
Balance sheet assets	**$ 17,062**	$ 17,307	$ 16,742	$ 16,507	$ 16,125	$ 16,671	$ 15,817	$ 16,607

NET INCOME, EXCLUDING SPECIAL ITEMS

To facilitate analysis, net income excluding special items has been presented at certain points in the report. In management's opinion, these significant items, which have been excluded, must be considered separately when analyzing the Bank's performance. Net income excluding special items is not based on Canadian generally accepted accounting principles and may not be comparable to another company's net income.

CORPORATE GOVERNANCE

The Board of Directors and the Audit Committee of Laurentian Bank reviewed this report 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 assure that Laurentian Bank's interim consolidated financial statements are fairly presented.

L. DENIS DESAUTELS, O.C.
Chairman of the Board

RAYMOND McMANUS
President and Chief Executive Officer

Montreal, September 6, 2006

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

The Bank may from time to time, in this report, in other documents filed with Canadian regulatory authorities or in other communications, make forward-looking statements within the meaning of applicable securities legislation, whether written or oral, including statements regarding the business plan and financial objectives of the Bank. These statements typically use the conditional and words such as "prospects", "believe", "estimate", "forecast", "project", "should", "could" and "would", etc. 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 be prove to be 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. These factors include, among other things, 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 resource and technological change. The Bank cautions that the foregoing list of factors is not exhaustive. The Bank does not undertake to update any forward-looking statements, oral or written, made by itself or on its behalf, except to the extent required by securities regulations.

FINANCIAL HIGHLIGHTS

IN MILLIONS OF DOLLARS, EXCEPT PER SHARE AMOUNTS (UNAUDITED)	Q3-06	Q3-05	PERCENTAGE VARIATION	FOR THE NINE-MONTH PERIODS ENDED JULY 31 2006	JULY 31 2005	PERCENTAGE VARIATION
Earnings						
Net income	**$ 6.2**	$ 15.8	(60.8)%	**$ 47.8**	$ 43.7	9.4 %
Income from continuing operations	**$ 6.2**	$ 15.2	(59.2)%	**$ 47.4**	$ 38.2	24.1 %
Net income available to common shareholders	**$ 3.2**	$ 12.8	(75.0)%	**$ 38.8**	$ 34.7	11.8 %
Return on common shareholders' equity	**1.7 %**	7.4 %		**7.3 %**	6.8 %	
Per common share						
Diluted net income	**$ 0.13**	$ 0.54	(75.9)%	**$ 1.64**	$ 1.47	11.6 %
Diluted income from continuing operations	**$ 0.13**	$ 0.52	(75.0)%	**$ 1.63**	$ 1.24	31.5 %
Dividends	**$ 0.29**	$ 0.29	– %	**$ 0.87**	$ 0.87	– %
Book value				**$ 30.63**	$ 29.38	4.3 %
Share price – close				**$ 30.45**	$ 27.25	11.7 %
Financial position						
Balance sheet assets				**$ 17,062**	$ 16,125	5.8 %
Assets under administration				**$ 14,585**	$ 13,778	5.9 %
Loans, bankers' acceptances and assets purchased under reverse repurchase agreements, net				**$ 12,636**	$ 12,287	2.8 %
Personal deposits				**$ 10,946**	$ 10,646	2.8 %
Shareholders' equity and debentures				**$ 1,083**	$ 1,102	(1.7)%
Number of common shares (in thousands)				**23,613**	23,540	0.3 %
Net impaired loans as a % of loans, bankers' acceptances and assets purchased under reverse repurchase agreements				**– %**	– %	
Risk-weighted assets				**$ 8,533**	$ 8,502	0.4 %
Capital ratios						
Tier I BIS				**10.3 %**	10.1 %	
Total BIS capital				**12.5 %**	12.7 %	
Assets to capital multiple				**16.1 x**	15.0 x	
Tangible common equity as a percentage of risk-weighted assets				**7.7 %**	7.4 %	
FINANCIAL RATIOS						
Per common share						
Price / earnings ratio (trailing four quarters)				**12.5 x**	16.5 x	
Market to book value				**99 %**	93 %	
Dividend yield	**3.81 %**	4.26 %		**3.81 %**	4.26 %	
Dividend payout ratio	**216.0 %**	53.3 %		**52.9 %**	59.0 %	
As a percentage of average assets						
Net interest income	**2.16 %**	2.06 %		**2.12 %**	1.97 %	
Provision for credit losses	**0.24 %**	0.24 %		**0.24 %**	0.23 %	
Net income	**0.15 %**	0.38 %		**0.38 %**	0.36 %	
Net income available to common shareholders	**0.07 %**	0.31 %		**0.31 %**	0.29 %	
Profitability						
Other income (as a % of total revenue)	**32.6 %**	34.8 %		**33.0 %**	34.8 %	
Efficiency ratio (non-interest expenses as a % of total revenue)	**74.4 %**	75.1 %		**75.6 %**	76.8 %	
OTHER INFORMATION						
Number of full-time equivalent employees				**3,373**	3,252	
Number of branches				**157**	156	
Number of automated banking machines				**323**	309	

CONSOLIDATED STATEMENT OF INCOME

IN THOUSANDS OF DOLLARS, EXCEPT PER SHARE AMOUNTS (UNAUDITED)	NOTES	FOR THE THREE-MONTH PERIODS ENDED JULY 31 2006	APRIL 30 2006	JULY 31 2005	FOR THE NINE-MONTH PERIODS ENDED JULY 31 2006	JULY 31 2005
Interest income						
Loans		**$ 195,625**	$ 180,062	$ 173,359	**$ 555,994**	$ 507,659
Securities		**19,609**	16,802	13,744	**53,129**	45,034
Deposits with other banks		**3,709**	3,893	1,967	**9,302**	5,523
		218,943	200,757	189,070	**618,425**	558,216
Interest expense						
Deposits and other liabilities		**124,394**	110,352	99,655	**342,551**	305,507
Subordinated debentures	5	**3,057**	4,721	3,935	**10,749**	12,430
		127,451	115,073	103,590	**353,300**	317,937
Net interest income		**91,492**	85,684	85,480	**265,125**	240,279
Provision for credit losses	3	**10,000**	10,000	9,750	**30,000**	28,250
		81,492	75,684	75,730	**235,125**	212,029
Other income						
Fees and commissions on loans and deposits		**22,097**	20,212	22,784	**63,353**	66,475
Brokerage operations		**4,837**	5,812	4,734	**15,638**	14,564
Income from treasury and financial market operations		**5,102**	2,889	5,637	**11,038**	11,418
Income from registered self-directed plans		**2,540**	2,893	2,839	**8,190**	8,822
Securitization income	4	**2,245**	3,554	3,032	**8,937**	6,812
Income from distribution and management of mutual funds		**2,717**	2,636	2,165	**7,726**	7,235
Credit insurance income		**3,131**	3,249	1,515	**9,356**	5,177
Gain on disposal	2	**–**	–	–	**931**	–
Other		**1,681**	1,587	2,925	**5,570**	7,468
		44,350	42,832	45,631	**130,739**	127,971
		125,842	118,516	121,361	**365,864**	340,000
Non-interest expenses						
Salaries and employee benefits		**51,530**	48,260	50,618	**152,132**	141,072
Premises and technology		**26,457**	26,896	26,467	**79,867**	80,041
Other		**23,075**	22,365	21,409	**67,114**	61,828
		101,062	97,521	98,494	**299,113**	282,941
Income from continuing operations before income taxes		**24,780**	20,995	22,867	**66,751**	57,059
Income tax provision (recovery)	9	**18,624**	(3,610)	7,660	**19,331**	18,846
Income from continuing operations		**6,156**	24,605	15,207	**47,420**	38,213
Income from discontinued operations, net of income taxes	2	**–**	30	600	**354**	5,510
Net income		**$ 6,156**	$ 24,635	$ 15,807	**$ 47,774**	$ 43,723
Preferred share dividends, including applicable income taxes		**2,986**	2,987	2,998	**8,955**	9,032
Net income available to common shareholders		**$ 3,170**	$ 21,648	$ 12,809	**$ 38,819**	$ 34,691
Average number of common shares (in thousands)						
Basic		**23,613**	23,612	23,532	**23,601**	23,518
Diluted		**23,644**	23,673	23,557	**23,652**	23,541
Income per common share from continuing operations						
Basic		**$ 0.13**	$ 0.92	$ 0.52	**$ 1.63**	$ 1.24
Diluted		**$ 0.13**	$ 0.91	$ 0.52	**$ 1.63**	$ 1.24
Net income per common share						
Basic		**$ 0.13**	$ 0.92	$ 0.54	**$ 1.64**	$ 1.48
Diluted		**$ 0.13**	$ 0.91	$ 0.54	**$ 1.64**	$ 1.47

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

CONSOLIDATED BALANCE SHEET

IN THOUSANDS OF DOLLARS (UNAUDITED)	NOTES	JULY 31 2006	OCTOBER 31 2005	JULY 31 2005
ASSETS				
Cash resources				
Cash and non-interest-bearing deposits with other banks		**$ 56,951**	$ 57,737	$ 59,479
Interest-bearing deposits with other banks		**363,386**	259,791	394,142
		420,337	317,528	453,621
Securities				
Investment account		**1,639,162**	1,911,819	1,447,059
Trading account		**1,521,076**	1,028,587	1,081,746
		3,160,238	2,940,406	2,528,805
Assets purchased under reverse repurchase agreements		**538,168**	508,073	432,335
Loans	3 AND 4			
Personal		**4,160,630**	3,907,320	3,854,510
Residential mortgages		**5,799,043**	5,806,853	5,836,226
Commercial mortgages		**638,765**	595,946	579,068
Commercial and other		**1,532,565**	1,539,893	1,568,889
		12,131,003	11,850,012	11,838,693
Allowance for loan losses		**(128,441)**	(129,806)	(120,849)
		12,002,562	11,720,206	11,717,844
Other				
Customers' liability under acceptances		**95,190**	145,629	136,669
Property, plant and equipment		**102,272**	93,793	90,272
Derivative financial instruments		**118,575**	143,453	183,081
Future tax assets	9	**101,521**	106,932	106,258
Goodwill		**53,790**	53,790	53,790
Other intangible assets		**15,638**	16,547	16,856
Other assets		**453,857**	460,627	405,491
		940,843	1,020,771	992,417
		$ 17,062,148	$16,506,984	$16,125,022
LIABILITIES AND SHAREHOLDERS' EQUITY				
Deposits				
Personal		**$ 10,946,057**	$10,575,416	$10,646,431
Business, banks and other		**2,570,125**	3,121,522	2,615,460
		13,516,182	13,696,938	13,261,891
Other				
Obligations related to assets sold short		**954,885**	726,063	752,120
Obligations related to assets sold under repurchase agreements		**623,480**	60,065	40,875
Acceptances		**95,190**	145,629	136,669
Derivative financial instruments		**105,940**	105,326	143,462
Other liabilities		**683,278**	709,723	688,429
		2,462,773	1,746,806	1,761,555
Subordinated debentures	5	**150,000**	150,000	200,000
Shareholders' equity				
Preferred shares		**210,000**	210,000	210,000
Common shares	6	**250,948**	249,633	249,190
Contributed surplus		**405**	73	–
Retained earnings		**472,430**	454,124	442,386
Treasury shares	6	**(590)**	(590)	–
		933,193	913,240	901,576
		$ 17,062,148	$16,506,984	$16,125,022

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 2006	JULY 31 2005
Preferred shares			
Balance at beginning and end of period		**$ 210,000**	$ 210,000
Common shares	6		
Balance at beginning of period		**249,633**	248,593
Issued during the period		**1,315**	597
Balance at end of period		**250,948**	249,190
Contributed surplus			
Balance at beginning of period		**73**	–
Stock-based compensation		**332**	–
Balance at end of period		**405**	–
Retained earnings			
Balance at beginning of period		**454,124**	428,159
Net income		**47,774**	43,723
Dividends			
Preferred shares, including applicable income taxes		**(8,955)**	(9,032)
Common shares		**(20,513)**	(20,464)
Balance at end of period		**472,430**	442,386
Treasury shares			
Balance at beginning and end of period		**(590)**	–
Shareholders' equity		**$ 933,193**	$ 901,576

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 2006	APRIL 30 2006	JULY 31 2005	FOR THE NINE-MONTH PERIODS ENDED JULY 31 2006	JULY 31 2005
Cash flows relating to operating activities						
Net income		**$ 6,156**	$ 24,635	$ 15,807	**$ 47,774**	$ 43,723
Adjustments to determine net cash flows relating to operating activities:						
Provision for credit losses		**10,000**	10,000	9,750	**30,000**	28,250
Gains on securitization operation	4	**(1,251)**	(2,664)	(2,326)	**(6,161)**	(4,773)
Net loss on disposal of property, plant and equipment		**–**	28	353	**26**	364
Net loss (gains) from discontinued operations	2	**1**	(46)	(903)	**(532)**	(5,824)
Gain on disposal	2	**–**	–	–	**(931)**	–
Net loss (gains) on sale of securities held for investment		**(127)**	(1,470)	(1,023)	**1,519**	(3,095)
Future income taxes		**12,549**	(7,311)	3,527	**4,935**	6,745
Depreciation and amortization		**6,552**	6,654	6,928	**20,013**	22,602
Net change in trading securities		**138,461**	(280,162)	107,953	**(436,995)**	(66,548)
Change in accrued interest receivable		**(1,842)**	(4,283)	12,038	**5,029**	(757)
Change in assets relating to derivative financial instruments		**29,505**	(9,253)	(10,550)	**24,878**	18,636
Change in accrued interest payable		**3,830**	470	5,135	**10,812**	(45,286)
Change in liabilities relating to derivative financial instruments		**(35,713)**	23,261	(3,153)	**613**	(46,027)
Other, net		**(76,649)**	23,811	6,191	**6,782**	(46,433)
		91,472	(216,330)	149,727	**(292,238)**	(98,423)
Cash flows relating to financing activities						
Net change in deposits		**408,326**	(192,609)	108,960	**(180,756)**	350,851
Change in obligations related to assets sold short		**(312,238)**	313,243	(235,018)	**228,822**	(743,454)
Change in obligations related to assets sold under repurchase agreements		**(129,649)**	480,057	(437,869)	**563,415**	24,968
Issuance of subordinated debentures	5	**–**	–	–	**150,000**	–
Redemption of subordinated debentures	5	**(150,000)**	–	–	**(150,000)**	(50,525)
Issuance of common shares, net of issue costs		**–**	425	597	**1,315**	597
Dividends, including applicable income taxes		**(9,829)**	(9,822)	(9,825)	**(29,468)**	(29,496)
		(193,390)	591,294	(573,155)	**583,328**	(447,059)
Cash flows relating to investing activities						
Net cash flows from the sale of discontinued operations	2	**–**	–	–	**–**	40,630
Net cash flows from the sale of a subsidiary	2	**–**	–	–	**(140)**	–
Net change in interest-bearing deposits with other banks		**(19,039)**	22,610	(198,760)	**(103,595)**	(113,391)
Change in investment securities						
Acquisitions		**(1,958,771)**	(3,371,757)	(5,664,127)	**(9,975,973)**	(19,097,848)
Proceeds from sales and maturity		**1,865,608**	3,437,335	6,326,776	**10,191,617**	19,635,986
Change in loans		**(394,531)**	(386,887)	(331,340)	**(978,431)**	(753,563)
Change in assets purchased under reverse repurchase agreements		**512,339**	(375,934)	217,469	**(30,095)**	701,585
Proceeds from mortgage loan securitizations	4	**111,087**	297,614	100,228	**631,896**	161,787
Additions to property, plant and equipment		**(9,998)**	(9,114)	(7,007)	**(27,560)**	(18,007)
Proceeds from disposal of property, plant and equipment		**–**	5	40	**405**	101
		106,695	(386,128)	443,279	**(291,876)**	557,280
Net change in cash and non-interest-bearing deposits with other banks during the period		**4,777**	(11,164)	19,851	**(786)**	11,798
Cash and non-interest-bearing deposits with other banks at beginning of period		**52,174**	63,338	39,628	**57,737**	47,681
Cash and non-interest-bearing deposits with other banks at end of period		**$ 56,951**	$ 52,174	$ 59,479	**$ 56,951**	$ 59,479
Supplemental disclosure relating to cash flows:						
Interest paid during the period		**$ 125,266**	$ 116,890	$ 94,829	**$ 346,943**	$ 367,839
Income taxes paid (recovered) during the period		**$ 3,943**	$ 5,428	$ (1,157)	**$ 17,274**	$ 25,954

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 are the same as those in the Bank's annual consolidated audited financial statements as at October 31, 2005. 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, 2005. 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.

Future changes to accounting policies

Financial instruments

On April 1, 2005, the CICA issued three accounting standards *Financial Instruments – Recognition and Measurement, Hedges* and *Comprehensive Income.* These new standards will be effective for the Bank on November 1, 2006. The impact of implementing these standards on the Bank's financial statements cannot yet be determined as it is dependent on the Bank's investment and hedging strategies, as well as on market volatility at the time of application of these standards.

Financial Instruments – Recognition and Measurement

All financial assets and liabilities will be carried at fair value in the consolidated balance sheet, except loans and receivables held-to-maturity, investments held-to-maturity and non-trading financial liabilities, which will be carried at amortized cost. Realized and unrealized gains and losses on trading financial assets and liabilities will be recognized immediately in the consolidated statement of income. Unrealized gains and losses on financial assets that are available for sale will be recognized in other comprehensive income until their realization, after which these amounts will be recognized in the consolidated statement of income. All derivative financial instruments will be carried at fair value in the consolidated balance sheet.

Hedges

In a fair value hedge, hedging derivatives are carried at fair value, with changes in fair value recognized in the consolidated statement of income. The changes in the fair value of the hedged items attributable to the hedged risk will also be recorded in consolidated income by way of a corresponding adjustment of the carrying amount of the hedged items recognized in the consolidated balance sheet. In a cash flow hedge, the changes in fair value of derivative financial instruments will be recorded in other comprehensive income. These amounts will be reclassified in the consolidated statement of income in the periods in which results are affected by the cash flows of the hedged items. Similarly, any hedge ineffectiveness will be recorded in the consolidated statement of income.

Comprehensive Income

Other comprehensive income will be included in the consolidated balance sheet as a separate component of shareholders' equity.

2. DISPOSALS

2006

Sale of the subsidiary Brome Financial Corporation Inc.

On December 31, 2005, the Bank completed the sale of its 51% participation in Brome Financial Corporation Inc. The net sale price, paid in cash, amounted to $3,853,000, for a gain of $931,000 ($931,000 net of taxes). At the date of sale, total assets sold amounted to $32,170,000, including cash for an amount of $3,993,000. These operations were presented in the Commercial Financial Services segment. The gain resulting from the sale was entirely attributed to this segment.

Contribution to net income was not significant and total revenue was as follows:

IN THOUSANDS OF DOLLARS	FOR THE THREE-MONTH PERIODS ENDED JULY 31 2006	APRIL 30 2006	JULY 31 2005	FOR THE NINE-MONTH PERIODS ENDED JULY 31 2006	JULY 31 2005	FOR THE YEAR ENDED OCTOBER 31 2005
Total revenue	**$ –**	$ –	$ 2,008	**$ 1,279**	$ 5,793	$ 7,800

2005

Sale of BLC-Edmond de Rothschild Asset Management Inc.

On December 31, 2004, the Bank recognized an initial $5,377,000 gain in income from discontinued operations as a result of the sale of the BLC-Edmond de Rothschild Asset Management Inc. joint-venture (BLCER) to Industrial Alliance Insurance and Financial Services Inc. (Industrial Alliance). The sale price was subject to recovery clauses of an initial amount of $25,917,000 (of which $5,183,000 was recognized in the fourth quarter of 2005) based on net sales of mutual funds over the following six years ending on December 31, 2010 and of $300,000 based on the balance of institutional funds under management on December 31, 2005.

During the first quarter ended January 31, 2006, the Bank recognized an additional gain of $187,000 ($124,000 net of income taxes) in relation with the recovery clause related to institutional funds under management. Gains related to net sales of mutual funds, for each of the years ending on December 31, will be recognized in income once the conditions are met.

Also, 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. Since then, the realized and unrealized net gains and losses related to these investments were recognized under income from discontinued operations. 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.

The gains recognized in 2006 were entirely attributed to the Other segment.

Income per common share from discontinued operations

IN DOLLARS	FOR THE THREE-MONTH PERIODS ENDED JULY 31 2006	APRIL 30 2006	JULY 31 2005	FOR THE NINE-MONTH PERIODS ENDED JULY 31 2006	JULY 31 2005
Basic	**$ –**	$ –	$ 0.02	**$ 0.01**	$ 0.24
Diluted	**$ –**	$ –	$ 0.02	**$ 0.01**	$ 0.23

3. LOANS

A_LOANS AND IMPAIRED LOANS

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 loans and other	**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**

IN THOUSANDS OF DOLLARS	GROSS AMOUNT OF LOANS	GROSS AMOUNT OF IMPAIRED LOANS	SPECIFIC ALLOWANCES	GENERAL ALLOWANCES	TOTAL ALLOWANCES
					AS AT OCTOBER 31, 2005
Personal loans	$ 3,907,320	$ 16,919	$ 7,267	$ 24,828	$ 32,095
Residential mortgages	5,806,853	9,783	3,735	5,559	9,294
Commercial mortgages	595,946	12,173	5,904	4,648	10,552
Commercial loans and other	1,539,893	82,063	47,650	25,818	73,468
Unallocated general allowance	–	–	–	4,397	4,397
	$11,850,012	$ 120,938	$ 64,556	$ 65,250	$ 129,806

IN THOUSANDS OF DOLLARS	GROSS AMOUNT OF LOANS	GROSS AMOUNT OF IMPAIRED LOANS	SPECIFIC ALLOWANCES	GENERAL ALLOWANCES	TOTAL ALLOWANCES
					AS AT JULY 31, 2005
Personal loans	$ 3,854,510	$ 13,074	$ 3,260	$ 26,735	$ 29,995
Residential mortgages	5,836,226	11,698	3,763	5,648	9,411
Commercial mortgages	579,068	14,025	5,707	4,001	9,708
Commercial loans and other	1,568,889	78,959	42,869	24,783	67,652
Unallocated general allowance	–	–	–	4,083	4,083
	$11,838,693	$ 117,756	$ 55,599	$ 65,250	$ 120,849

B_SPECIFIC ALLOWANCES FOR LOAN LOSSES

FOR THE NINE-MONTH PERIODS ENDED JULY 31

					2006	2005
IN THOUSANDS OF DOLLARS	**PERSONAL LOANS**	**RESIDENTIAL MORTGAGES**	**COMMERCIAL MORTGAGES**	**COMMERCIAL LOANS AND OTHER**	**TOTAL SPECIFIC ALLOWANCES**	TOTAL SPECIFIC ALLOWANCES
Balance at beginning of period	**$ 7,267**	**$ 3,735**	**$ 5,904**	**$ 47,650**	**$ 64,556**	$ 74,792
Provision for credit losses recorded in the consolidated statement of income	**20,949**	**377**	**(98)**	**8,772**	**30,000**	28,250
Write-offs	**(26,271)**	**(336)**	**(836)**	**(6,932)**	**(34,375)**	(51,801)
Recoveries	**3,331**	**26**	**–**	**64**	**3,421**	4,358
Provision for credit losses resulting from the sale of a subsidiary (see note 2)	**–**	**–**	**–**	**(411)**	**(411)**	–
Balance at end of period	**$ 5,276**	**$ 3,802**	**$ 4,970**	**$ 49,143**	**$ 63,191**	$ 55,599

3. LOANS (CONTINUED)

C_GENERAL ALLOWANCES FOR LOAN LOSSES

	FOR THE NINE-MONTH PERIODS ENDED JULY 31						
						2006	2005
IN THOUSANDS OF DOLLARS	**PERSONAL LOANS**	**RESIDENTIAL MORTGAGES**	**COMMERCIAL MORTGAGES**	**COMMERCIAL LOANS AND OTHER**	**UNALLOCATED GENERAL ALLOWANCE**	**TOTAL GENERAL ALLOWANCES**	TOTAL GENERAL ALLOWANCES
Balance at beginning of period	**$ 24,828**	**$ 5,559**	**$ 4,648**	**$ 25,818**	**$ 4,397**	**$ 65,250**	$ 65,250
Change during the period	**(973)**	**(883)**	**(1,041)**	**2,589**	**308**	**–**	–
Balance at end of period	**$ 23,855**	**$ 4,676**	**$ 3,607**	**$ 28,407**	**$ 4,705**	**$ 65,250**	$ 65,250

4. LOAN SECURITIZATION

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

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

	FOR THE THREE-MONTH PERIODS ENDED			FOR THE NINE-MONTH PERIODS ENDED	
IN THOUSANDS OF DOLLARS	**JULY 31 2006**	APRIL 30 2006	JULY 31 2005	**JULY 31 2006**	JULY 31 2005
Cash proceeds, net of transaction related costs	**$ 111,087**	$ 297,614	$ 100,228	**$ 631,896**	$ 161,787
Rights to future excess interest	**2,856**	5,018	5,229	**14,375**	7,205
Servicing liabilities	**(733)**	(1,964)	(905)	**(4,401)**	(1,340)
Cash reserve accounts	**4,629**	9,215	–	**15,582**	–
Other	**(872)**	(390)	(1,597)	**(3,646)**	(599)
	116,967	309,493	102,955	**653,806**	167,053
Residential loans securitized and sold	**115,716**	306,829	100,629	**647,645**	162,280
Gain before income taxes, net of transaction related costs	**$ 1,251**	$ 2,664	$ 2,326	**$ 6,161**	$ 4,773

The key assumptions used to measure the fair value of retained interests at the securitization date for transactions carried out during the quarter:

	JULY 31 2006
Weighted average life (in months)	**33**
Rate of prepayment	**23.2 %**
Discount rate	**4.54 %**
Rate of credit losses	**0.05 %**

The total principal amount of securitized loans outstanding amounted to $1,153,902,000 as at July 31, 2006 ($702,718,000 as at October 31, 2005).

5. SUBORDINATED DEBENTURES

On June 1, 2006, the Bank completed the early redemption of all of its 6.50% Debentures, Series 9, maturing in 2011, with an aggregate principal amount of $150,000,000, plus accrued and unpaid interest to the date of redemption.

On January 23, 2006, the Bank issued $150,000,000 of subordinated debentures, Series 10, due in January 2016. Interest on this issue is payable semi-annually at a fixed rate of 4.90% until January 25, 2011, and at a floating rate equal to the rate on 90 days bankers' acceptances plus 1.65% (paid quarterly) thereafter to maturity.

6. CAPITAL STOCK

Issuance of common shares

During the nine-month period ended July 31, 2006, 56,320 common shares were issued under the employee share purchase option plan for the management of the Bank for a cash consideration of $1,315,000. No common shares were issued during the third quarter of 2006.

ISSUED AND OUTSTANDING	**AS AT JULY 31, 2006**			AS AT OCTOBER 31, 2005		
IN THOUSANDS OF DOLLARS, EXCEPT NUMBER OF SHARES	**NUMBER OF SHARES**		**AMOUNT**	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	**23,612,865**	**$**	**250,948**	23,556,545	$	249,633
Treasury shares	**(20,000)**	**$**	**(590)**	(20,000)	$	(590)

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

7. STOCK-BASED COMPENSATION

Restricted Share Unit Program

During the first quarter of 2006, the Bank established a new stock-based compensation program, the Restricted Share Unit Program. The Program provides that 50% of the annual bonus otherwise payable to an eligible employee, under the Bank's short term incentive compensation program, could be held back and converted into entirely vested restricted share units at the employees' option. The Bank undertakes to contribute additional restricted share units for an amount equal to 60% of the held back bonus. These additional units will vest at the end of the three-year period after they have been granted. These share units are entitled to an amount equivalent to the dividend paid on the Bank's common shares, which is also converted into additional share units. The expense related to these units is recognized similarly as for stock appreciation rights, over the rights' vesting period.

On January 19, 2006, annual bonuses of $854,000 were converted into 24,382 entirely vested restricted share units. On the same date, the Bank granted 14,629 additional restricted share units which will vest in December 2008.

Stock option purchase plan

There were no new grants in 2006. Information on outstanding number of options is as follows:

	AS AT JULY 31, 2006	AS AT OCTOBER 31, 2005
	NUMBER	NUMBER
Share purchase options		
Outstanding at end of period	**372,175**	429,037
Exercisable at end of period	**347,175**	404,037

7. STOCK-BASED COMPENSATION (CONTINUED)

Employee share purchase program

During the year, the Bank established a new employee share purchase program. Under this program, employees who meet the eligibility criteria can contribute up to 5% of their annual gross salary by way of payroll deductions. The Bank matches 30% of the employee contribution amount, to a maximum of $1,500 per annum. The Bank's contributions vest to the employee two years after each employee's contribution. The Bank's contributions, amounting to $59,000 in the third quarter of 2006, were charged to salaries and employee benefits when paid.

8. EMPLOYEE FUTURE BENEFITS

IN THOUSANDS OF DOLLARS	FOR THE THREE-MONTH PERIODS ENDED JULY 31 2006	APRIL 30 2006	JULY 31 2005	FOR THE NINE-MONTH PERIODS ENDED JULY 31 2006	JULY 31 2005
Defined benefit pension plans expense	**$ 4,805**	$ 4,542	$ 3,175	**$ 14,040**	$ 10,030
Defined contribution pension plan expense	**691**	645	560	**1,914**	1,632
Other plans expense	**630**	610	630	**1,870**	1,869
Total	**$ 6,126**	$ 5,797	$ 4,365	**$ 17,824**	$ 13,531

9. INCOME TAXES

On June 6, 2006, the third reading in the House of Commons of the draft legislation proposing amendments to the Income Tax Act has confirmed the Federal Corporate Income Tax Rate reductions for the years 2008 and thereafter. These reductions in tax rates resulted in a decrease of future tax assets of $11,000,000 and led to an equivalent charge during the quarter. Excluding the effect of these reductions, the income tax expense for the quarter would have been $7,624,000, for a 30.77% effective tax rate.

For the nine-month period ended July 31, 2006, the income tax expense was $19,331,000 (28.96% 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.

10. WEIGHTED AVERAGE NUMBER OF OUTSTANDING COMMON SHARES

	FOR THE THREE-MONTH PERIODS ENDED JULY 31 2006	APRIL 30 2006	JULY 31 2005	FOR THE NINE-MONTH PERIODS ENDED JULY 31 2006	JULY 31 2005
Average number of outstanding common shares	**23,612,865**	23,611,631	23,532,455	**23,601,426**	23,518,458
Dilutive share options and other	**31,025**	60,820	25,040	**50,538**	22,696
Weighted average diluted number of outstanding common shares	**23,643,890**	23,672,451	23,557,495	**23,651,964**	23,541,154
Average share purchase options that were not taken into account in the calculation of diluted net income per common share[1]	**124,200**	–	302,539	**41,855**	341,672

1 These average share purchase options were 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.

11. SEGMENTED INFORMATION

FOR THE THREE-MONTH PERIOD ENDED JULY 31, 2006

IN THOUSANDS OF DOLLARS	RFS[2, 3]	CFS[3]	B2B[2, 3]	LBS[3]	OTHER	TOTAL
Net interest income	**$ 66,198**	**$ 14,648**	**$ 19,051**	**$ 207**	**$ (8,612)**	**$ 91,492**
Other income	**24,515**	**5,873**	**3,145**	**4,913**	**5,904**	**44,350**
Total revenue	**90,713**	**20,521**	**22,196**	**5,120**	**(2,708)**	**135,842**
Provision for credit losses	**7,289**	**1,215**	**1,496**	**–**	**–**	**10,000**
Non-interest expenses	**73,307**	**8,939**	**10,469**	**4,565**	**3,782**	**101,062**
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[1]	**$ 8,277,569**	**$ 2,265,991**	**$ 2,771,988**	**$ 1,464,569**	**$ 2,052,333**	**$ 16,832,450**

FOR THE THREE-MONTH PERIOD ENDED APRIL 30, 2006

IN THOUSANDS OF DOLLARS	RFS[2, 3]	CFS[3]	B2B[2, 3]	LBS[3]	OTHER[4]	TOTAL
Net interest income	$ 62,175	$ 14,287	$ 17,932	$ 279	$ (8,989)	$ 85,684
Other income	23,392	4,933	3,372	5,909	5,226	42,832
Total revenue	85,567	19,220	21,304	6,188	(3,763)	128,516
Provision for credit losses	4,691	3,864	1,445	–	–	10,000
Non-interest expenses	70,237	8,443	11,159	4,564	3,118	97,521
Income (loss) from continuing operations before income taxes	10,639	6,913	8,700	1,624	(6,881)	20,995
Income taxes (recovery)	3,540	2,316	2,953	507	(12,926)	(3,610)
Income from continuing operations	7,099	4,597	5,747	1,117	6,045	24,605
Income from discontinued operations, net of income taxes	–	–	–	–	30	30
Net income	$ 7,099	$ 4,597	$ 5,747	$ 1,117	$ 6,075	$ 24,635
Average assets[1]	$ 8,109,524	$ 2,223,534	$ 2,700,361	$ 1,505,251	$ 2,136,266	$ 16,674,936

11. SEGMENTED INFORMATION (CONTINUED)

FOR THE THREE-MONTH PERIOD ENDED JULY 31, 2005

IN THOUSANDS OF DOLLARS	RFS[2, 3]	CFS[3]	B2B[2, 3]	LBS[3]	OTHER	TOTAL
Net interest income	$ 64,145	$ 14,192	$ 16,169	$ 299	$ (9,325)	$ 85,480
Other income	22,341	7,281	3,429	4,756	7,824	45,631
Total revenue	86,486	21,473	19,598	5,055	(1,501)	131,111
Provision for credit losses	4,871	3,146	1,733	–	–	9,750
Non-interest expenses	70,145	9,829	10,265	4,085	4,170	98,494
Income (loss) from continuing operations before income taxes	11,470	8,498	7,600	970	(5,671)	22,867
Income taxes (recovery)	3,999	3,012	2,594	331	(2,276)	7,660
Income (loss) from continuing operations	$ 7,471	$ 5,486	$ 5,006	$ 639	$ (3,395)	$ 15,207
Income from discontinued operations, net of income taxes	–	–	–	–	600	600
Net income	$ 7,471	$ 5,486	$ 5,006	$ 639	$ (2,795)	$ 15,807
Average assets[1]	$ 7,769,421	$ 2,195,512	$ 2,480,237	$ 1,602,932	$ 2,377,975	$ 16,426,077

FOR THE NINE-MONTH PERIOD ENDED JULY 31, 2006

IN THOUSANDS OF DOLLARS	**RFS[2, 3]**	**CFS[3, 5]**	**B2B[2, 3]**	**LBS[3]**	**OTHER[4]**	**TOTAL**
Net interest income	**$ 192,988**	**$ 43,993**	**$ 54,622**	**$ 790**	**$ (27,268)**	**$ 265,125**
Other income	**70,656**	**17,609**	**9,764**	**15,865**	**16,845**	**130,739**
Total revenue	**263,644**	**61,602**	**64,386**	**16,655**	**(10,423)**	**395,864**
Provision for credit losses	**17,592**	**7,890**	**4,518**	**–**	**–**	**30,000**
Non-interest expenses	**215,556**	**27,954**	**32,657**	**13,448**	**9,498**	**299,113**
Income (loss) from continuing operations before income taxes	**30,496**	**25,758**	**27,211**	**3,207**	**(19,921)**	**66,751**
Income taxes (recovery)	**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[1]	**$ 8,137,184**	**$ 2,248,267**	**$ 2,685,502**	**$ 1,475,551**	**$ 2,149,033**	**$ 16,695,537**

IN THOUSANDS OF DOLLARS	RFS[2, 3]	CFS[3]	B2B[2, 3]	LBS[3, 6]	OTHER	TOTAL
	FOR THE NINE-MONTH PERIOD ENDED JULY 31, 2005					
Net interest income	$ 187,679	$ 42,015	$ 47,067	$ 998	$ (37,480)	$ 240,279
Other income	64,620	21,731	10,460	15,701	15,459	127,971
Total revenue	252,299	63,746	57,527	16,699	(22,021)	368,250
Provision for credit losses	15,559	8,150	4,541	–	–	28,250
Non-interest expenses	203,622	28,636	31,897	13,280	5,506	282,941
Income (loss) from continuing operations before income taxes	33,118	26,960	21,089	3,419	(27,527)	57,059
Income taxes (recovery)	11,551	9,537	7,196	1,147	(10,585)	18,846
Income (loss) from continuing operations	21,567	17,423	13,893	2,272	(16,942)	38,213
Income from discontinued operations, net of income taxes	–	–	–	–	5,510	5,510
Net income	$ 21,567	$ 17,423	$ 13,893	$ 2,272	$ (11,432)	$ 43,723
Average assets[1]	$ 7,603,502	$ 2,210,299	$ 2,427,413	$ 1,494,476	$ 2,557,065	$ 16,292,755

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 independent 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. and up to December 31, 2004, the activities of BLC-Edmond de Rothschild Asset Management 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 Assets are disclosed on an average basis as this measure is most relevant to a financial institution.

2 Since November 1, 2005 results from all deposit brokerage operations are now included with the B2B Trust business segment while certain activities were previously included with the RFS business segment. Comparative figures were restated to reflect the current period presentation.

3 In 2006, the Bank reviewed its internal transfer pricing assumptions and modified net interest margin allocation between segments. Comparative figures were restated to reflect the current presentation.

4 See note 9 related to income taxes.

5 Results for the first quarter of 2006 include 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 (note 2).

6 Results for the first quarter of 2005 include a $0.03 million contribution to net income from BLC-Edmond de Rothschild Asset Management Inc. for the two months prior to the sale of the joint-venture.

SHAREHOLDER INFORMATION

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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:	First business day of:
		January	February
		April	May
		July	August
		October	November
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