PRESS RELEASE

For immediate release

JUNE 1, 2007

LAURENTIAN BANK OF CANADA REPORTS NET INCOME OF $20.7 MILLION FOR THE SECOND QUARTER OF 2007

Laurentian Bank of Canada reported net income of $20.7 million or $0.75 diluted per common share for the second quarter ended April 30, 2007, compared to $24.6 million or $0.91 diluted per common share for the same period in 2006. Return on common shareholders' equity was 9.7% for the quarter, compared to 12.5% for the same period in 2006. Results for the second quarter of 2007 included favorable tax adjustments of $1.6 million ($0.07 diluted per common share), while 2006 results included a net favorable tax adjustment of $10.7 million resulting from various tax-related issues ($0.45 diluted per common share). Excluding these tax adjustments, net income improved by more than $5.0 million or 37% and diluted net income per common share rose by $0.22 or 48%.

For the six-month period ended April 30, 2007, net income totaled $41.2 million or $1.49 diluted per common share, compared to net income of $41.6 million or $1.51 diluted per common share in 2006, including the effect of the favorable tax adjustments. Return on common shareholders' equity was 9.6% for the six-month period ended April 30, 2007, compared to 10.1% for the same period in 2006.

Réjean Robitaille, President and Chief Executive Officer, commented on the results of operations: “We had good second quarter results and the Bank continued to steadily increase its revenues and profitability. Growth in loan and deposit volumes, combined with the focus on our three priorities, namely: the improvement of our efficiency, profitability and the development of our human capital, enabled us to continue our progression. This performance reflects both our sound strategy of developing the Bank's activities in markets and segments where we can compete advantageously and the strong commitment of our people.”

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 April 30, 2007, and of how it performed during the three-month and six-month periods then ended. This MD&A should be read in conjunction with the unaudited interim consolidated financial statements for the second quarter of 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	Six-month period ended April 30, 2007 Actual
Return on common shareholders' equity	8% to 9%	9.6%
Diluted net income per share	$2.55 to $2.85 (annual)	$1.49
Total revenue	$550 to $560 million (annual)	$287.3 million
Efficiency ratio	75% to 73.5%	74.2%
Tier 1 Capital ratio	Minimum of 9.5%	10.1%
Credit quality (loan losses as a % of average assets)	0.24% to 0.21%	0.24%

Highlights

This section presents the highlights of the second quarter ended April 30, 2007 and provides details on significant items affecting results, when compared to the second quarter of 2006.

- Total revenue stood at $145.7 million in the second quarter of 2007, compared to $131.0 million in the second quarter of 2006. The increase results from growth in net interest income of $9.8 million and growth in other income of $4.9 million.
- Non-interest expenses increased to $109.0 million in the second quarter of 2007 from $100.0 million in the second quarter of 2006, mainly in performance-based compensation, salaries and employee benefits.
- The provision for credit losses was $10.0 million in the second quarter of 2007, the same level as a year ago.
- Income taxes stood at $6.1 million in the second quarter of 2007, compared to a recovery of $3.6 million in the second quarter of 2006. Income taxes included the favorable effect of certain transactions and adjustments of $1.6 million ($0.07 diluted per common share) in 2007 and $10.7 million ($0.45 diluted per common share) in 2006, as detailed below. Income taxes in the second quarter of 2007 also benefited from lower taxes on dividends from Canadian securities and credit insurance income.

Analysis of consolidated results

Summary results

Net income was $20.7 million, or $0.75 diluted per common share, for the second quarter ended April 30, 2007, compared to $24.6 million, or $0.91 diluted per common share, for the same period in 2006. Results of the second quarter of 2007 included the favorable effect of transactions and adjustments of $1.6 million to income taxes, while results of the second quarter of 2006 included a $10.7 million net favorable tax adjustment resulting from various tax-related issues. Excluding these tax adjustments, net income improved by more than $5 million or 37% and diluted net income per common share increased by $0.22 or 48%. For the first six months of 2007, net income totaled $41.2 million, or $1.49 diluted per common share, compared to net income of $41.6 million, or $1.51 diluted per common share, in 2006.

Total revenue increased by $14.7 million or 11% to $145.7 million in the second quarter of 2007, compared to $131.0 million in the second quarter of 2006. The variation reflects the combined effect of of a $9.8 million increase in net interest income and a $4.9 million increase in other income, compared to the same quarter a year ago.

The higher net interest income in the second quarter of 2007 results largely from the growth of loan and deposit portfolios, combined with the reduction in cash resources and securities. Net interest margin increased from 2.11% in the second quarter of 2006 to 2.34% in the second quarter of 2007.

The $4.9 million increase in other income is principally attributable to higher fees and commissions on loans and deposits, income from mutual fund sales, revenues from treasury and financial markets activities and income from brokerage operations. During the quarter, the Bank sold a portion of its holding in the Montréal Exchange, following the listing of its common shares, and realized a $4.4 million ($3.7 million net of income taxes; $0.16 diluted per common share) gain to the statement of income. As at April 30, 2007, the Bank still held 385,000 shares of the Montréal Exchange worth approximately $16.7 million in its available-for-sale account. The ensuing unrealized gain was recorded in other comprehensive income. During the quarter, the Bank incurred a loss of $4.3 million ($2.9 million net of income taxes; $0.12 diluted per common share) on liquidities that it decided to sell prior to maturity in order to take advantage of the interest rate environment (inverted yield curve) currently prevailing and to further improve margins on liquidities.

In the first quarter of 2007, total revenue was $141.6 million and net interest income $95.2 million, while net interest margin was 2.27%. The quarter-over-quarter growth is mainly due to higher securitization income in the second quarter of 2007 resulting from gains on sale of mortgage loans of $2.6 million. Furthermore, the higher loan and deposit volumes and higher yield on liquidities enabled the Bank to post a slight increase in net interest income, despite the shorter quarter.

Compared to the same period for 2006, total revenue for the six-month period ended April 30, 2007, increased by $22.5 million to $287.3 million, mainly as a result of the items noted above.

The **provision for credit losses** was stable at $10.0 million or 0.25% of average assets in the second quarter of 2007 when compared to the second quarter of 2006, as improvements in commercial loan portfolios and a B2B Trust line of credit portfolio offset slight deteriorations in personal loan portfolios. Net impaired loans improved to –$7.0 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 $113.3 million as at April 30, 2007, while they stood at $130.6 million as at October 31, 2006. Benefiting from the prevailing economic environment, overall credit quality remained stable during the quarter.

Non-interest expenses increased by 9% to $109.0 million in the second quarter of 2007, up from $100.0 million in the second quarter of 2006. At $58.1 million for the second quarter of 2007, salaries and employee benefits increased by $7.7 million, compared to the same quarter a year ago. The increase in salary charges is due to higher performance-based compensation of $4.7 million, as well as from the increase in salaries and in the number of employees stemming from the Bank's expansion for $2.2 million.

At $28.6 million for the second quarter of 2007, premises and technology costs increased by $1.3 million, compared to the same quarter a year ago. Higher technology costs resulting from increases in maintenance and depreciation, as well as higher rental expenses for premises essentially explain the variation. At $22.3 million for the second quarter of 2007, other expenses remained relatively stable compared to the same quarter a year ago, despite the higher advertising and business development expenses aimed at supporting the Bank's growth initiatives.

The efficiency ratio (non-interest expenses divided by total revenue) was 74.8% in the second quarter of 2007 compared to 76.3% for the second quarter of 2006.

For the six-month period ended April 30, 2007, non-interest expenses increased by $10.5 million, mainly as a result of higher salaries and employee benefits, including performance-based compensation, since other costs remained relatively stable.

The **income tax expense** was $6.1 million (22.7% effective tax rate) for the second quarter of 2007, compared to a $3.6 million income tax recovery (n/a effective tax rate) for the second quarter of 2006. Income taxes for the second quarter of 2007 included the favorable effect of the reduced income taxes on the gain on sale of a portion of the holding in the Montréal Exchange for $0.7 million, as explained above, and of a $0.9 million favorable adjustment relative to the repatriation of accumulated foreign retained earnings from credit insurance operations during fiscal 2006. Excluding the effect of these favorable adjustments, the income tax expense would have stood at $7.7 million (28.5% effective tax rate) for the second quarter of 2007. The lower effective tax rate also resulted from lower taxes on dividend income generated by the Canadian securities portfolio and on revenues from credit insurance operations. Results of the second quarter of 2006 included a $10.7 million net recovery that was attributable mainly to the resolution of various income tax exposures. Excluding the effect of this favorable adjustment, the income tax expense would have stood at $7.1 million (33.6% effective tax rate) in 2006.

For the six-month period ended April 30, 2007, the income tax expense was $12.8 million (23.7% effective tax rate), while it stood at $0.7 million (1.7% effective tax rate) in 2006. The lower tax rate in 2007, compared to the statutory rate, results from the above items, as well as from a $0.9 million favorable impact resulting from the adoption of certain amendments to federal minimum tax on financial institutions during the first quarter. The lower tax rate in 2006 results from the net income tax recovery discussed above, as well as from the favorable adjustment to future tax assets of $2.4 million, resulting from the increase in Quebec income tax rates and the lower taxes on the gain on sale of Brome Financial Corporation during the first quarter.

Analysis of financial condition

Balance sheet assets stood at $17.8 billion at April 30, 2007, compared to $17.3 billion at October 31, 2006.

As at April 30, 2007, liquidities, including cash resources, securities and assets purchased under reverse repurchase agreements, were relatively stable, compared to levels as at October 31, 2006, as inflows from securitization and deposits more or less offset loan growth. Strategic liquidity management has been one of the key reasons for the improvement of net interest margin in 2007, as the Bank focused on the liquidity portfolio mix and level. 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 $435 million to $12.9 billion at April 30, 2007, compared to $12.4 billion at October 31, 2006. The $280.6 million ($418.7 million considering securitized loans) increase in the residential mortgage portfolio for the six-month period ended April 30, 2007, compares favourably to the $174.0 million decline ($357.9 million increase considering securitized loans) for the same period a year ago. Commercial mortgages increased by $18.4 million for the six-month period ended April 30, 2007, despite the sale of a $40.3 million loan portfolio through a CMBS transaction during the second quarter. Personal loans increased by $147.5 million for the six-month period ended April 30, 2007, mainly as a result of growth in home equity lines of credit and B2B Trust's investment loan portfolio. Commercial loans, including bankers' acceptances, declined by $11.3 million for the six-month period ended April 30, 2007, mainly in Ontario and Western Canada.

The overall growth in loan portfolios results from the ongoing efforts and initiatives of all lines of business, ranging from better execution of operations to improved business development, as well as prevailing market conditions. It further demonstrates the ability of the Bank to pursue its development in various markets and segments where it can compete effectively.

Total personal deposits grew by $301.5 million for the six-month period ended April 30, 2007 to $11.3 billion, while business and other deposits increased by $99.9 million during the same period. Client development initiatives, as well as the availability of certain short-term deposits essentially explain the growth. At April 30, 2007, personal deposits accounted for 83% of total deposits of $13.5 billion. These deposits constitute the preferred funding source of the Bank because of their lower cost and relative stability 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, and stood at $963.3 million as at April 30, 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 of the period, net of declared dividends, as well as by the favorable adjustment to AOCI resulting from the revaluation of the Montréal Exchange shares held by the Bank, as discussed above. The Bank's book value per common share, excluding AOCI, was $31.95 as at April 30, 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 23,641,687 common shares outstanding as at April 30, 2007.

The total capital of the Bank, comprised of shareholders' equity and debentures, reached $1,113 million at April 30, 2007 compared to $1,096 million at October 31, 2006. The increase of $17 million results from the same items as noted above. The BIS Tier 1 and Total capital ratios stood at 10.1% and 12.3%, respectively, at April 30, 2007, compared to 10.3% and 12.4% at October 31, 2006.

At its meeting on May 23, 2007, the Board of Directors declared regular dividends on the various series of preferred shares to shareholders of record on June 8, 2007. As well, at its meeting on June 1, 2007, the Board of Directors declared a dividend of $0.29 per common share, payable on August 1, 2007, to shareholders of record on July 3, 2007.

Assets under administration stood at $15.2 billion at April 30, 2007, compared to $14.7 billion at October 31, 2006, and $15.0 billion at April 30, 2006. The increase is attributable to the growth in self-directed RRSP accounts and mutual funds under administration resulting from market revaluation 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 six-month periods ended April 30, 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 was 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

Revenues for the second quarter of 2007 improved for all business segments when compared to the same quarter of 2006, leading to an overall increase in profitability. The gain on sale on a portion of the Montréal Exchange shares held by the Bank contributed to the strong performance of Laurentian Bank Securities during the quarter, while lower loan losses also contributed positively to the Commercial Financial Services and B2B Trust segments. Despite a decline in reported net income, results for the Other segment were excellent for the second quarter of 2007, mainly as a result of the significant increase in net interest income.

Compared to the first quarter of 2007, net income for the lines of business was generally affected by the shorter second quarter.

Net income contributions

(in millions of $)	Retail Financial Services	Commercial Financial Services	B2B Trust	Laurentian Bank Securities	Other	Total
						[note 1]
Q2-2007						
Net income	6.8	6.0	7.1	5.3	(4.6)	20.7
	27%	24%	28%	21%	n/a	100%
Q1-2007						
Net income	9.3	6.4	7.4	1.0	(3.5)	20.6
	39%	26%	31%	4%	n/a	100%
Q2-2006						
Net income	7.1	4.6	5.7	1.1	6.1	24.6
	38%	25%	31%	6%	n/a	100%

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

Retail Financial Services

Results for the Retail Financial Services business segment declined slightly to $6.8 million for the second quarter of 2007, down from $7.1 million for the second quarter of 2006.

The $2.5 million increase in net interest income reflects the growth in loan and deposit portfolios. Other income also rose by $2.3 million, mainly as a result of the increase in revenues from mutual fund sales, additional fees on deposits and the Visa credit card activity level. At $6.7 million, loan losses were higher than for the second quarter of 2006 as a result of deteriorations in certain personal loan portfolios. The level of losses remains nonetheless at an acceptable level.

Non-interest expenses increased to $74.9 million for the second quarter of 2007, compared to $70.2 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. Higher advertising expenses also contributed to the increase in non-interest expenses.

The income tax expense was $1.9 million (22.2% effective tax rate) for the second quarter of 2007, compared to $3.5 million (33.3% effective tax rate) for the second quarter of 2006. This improvement results essentially from the lower taxes on revenues from credit insurance operations.

Once again this year, the RRSP campaign reached new record heights with contributions of 2007 exceeding those of 2006 by 4%. New products were added, with a strong emphasis on helping customers have a better view of their financial retirement needs.

One of the outstanding events of the quarter was the third place awarded to the Laurentian Bank’s new website according to a Secor study published in Commerce magazine in Quebec. The study reviewed the sites of the 500 largest companies in Quebec. Laurentian Bank’s site was completely overhauled over the past year. It is now much more comprehensive and better reflects the Bank's new image and dynamism, as well as its approach based on simplicity and proximity.

The exclusive banking partnership with the Montreal subway authority was expanded to include the three new Laval subway stations that opened in May, bringing to 24 the number of ABMs in the metro. The Bank's presence in the Montreal subway is part of its value of proximity and accessibility.

Commercial Financial Services

Net income improved by more than 30% at $6.0 million in the second quarter of 2007, compared to $4.6 million for the second quarter of 2006. Total revenue grew by $1.3 million year over year, mainly as a result of higher loan volumes and of the $0.4 million gain resulting from the securitization of commercial mortgages.

Loan losses in the second quarter of 2007 were $2.2 million, compared to $3.9 million in the second quarter of 2006. The lower loan losses in 2007 reflects the improvement in the portfolios' quality, which continue to benefit from the sound Canadian economy.

The $0.8 million increase in non-interest expenses over the second quarter of 2006 is mainly due to the greater number of employees and the higher variable compensation.

Average loans of the line of business increased by 7% year over year, mainly as a result of the strong performance of the Real Estate Financing group, which grew its portfolio by 17% over the period.

B2B Trust

In the B2B Trust business segment, net income improved by 24% to $7.1 million in the second quarter of 2007, up from $5.7 million in the second quarter of 2006. Growth of $237 million in average loan volumes and of $190 million in average deposit volumes directly contributed to the increase in net interest income, which more than offset the lower revenues from registered self-directed plans.

For the second quarter of 2007, loan losses, essentially in a line of credit portfolio, totalled $1.0 million, significantly better than for the same period a year ago, when they stood at $1.4 million. Non-interest expenses remained relatively stable at $10.8 million for the second quarter of 2007, compared to $11.2 million for the second quarter of 2006.

Investments loans distributed by B2B Trust also generated excellent results, with an increase of $254 million, or 19%, since April 2006. At the end of the quarter, the business line launched an offensive, offering a promotional rate on investment loans under $50,000. This promotion was aimed at allowing clients to take advantage of investment opportunities in the post-RRSP season.

Laurentian Bank Securities

The Laurentian Bank Securities business improved its contribution to net income to $5.3 million in the second quarter of 2007, up from $1.1 million in the second quarter of 2006. This strong performance is mainly due to the $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. Excluding this transaction, the contribution from Laurentian Bank Securities nevertheless rose by $0.5 million, or 45%, mainly as a result of the performance of the institutional brokerage division.

Non-interest expenses increased to $8.0 million in the second quarter of 2007, up from $7.0 million in the same quarter of 2006. This increase is mainly due to the hiring of several employees over the past 12 months.

Laurentian Bank Securities is growing at a sustained pace. Assets under administration increased by 9% over the last 12 months. While the institutional segment continues to improve, the retail brokerage activities are gradually reaping the benefits of significant investments made to enlarge the team and open new offices.

Other sector

The Other sector reported a negative contribution of $4.6 million for the second quarter of 2007, compared to a positive contribution of $6.1 million for the second quarter of 2006. Excluding unusual transactions described above, the Other sector performance shows an improvement:

- Net interest income increased by $4.9 million to –$4.1 million for the second quarter of 2007, up from –$9.0 million in 2006, mainly as a result of the continuous efforts to improve liquidity and asset-liability management.

- Other revenues, at $1.7 million for the second quarter of 2007, included losses amounting to $4.3 million from the fixed income securities portfolio. Excluding these losses, other revenues would have been $6.0 million and compare favorably to the revenues of $5.2 million for 2006.

- In 2006, there was a net tax favorable adjustment of $10.7 million resulting from the reduction of certain tax exposures.

Additional financial information – Quarterly results

	2007				2006		2005	
in millions of dollars, except per share amounts (unaudited)	**Q2**	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Total revenue	**$145.7**	$141.6	$137.1	$138.0	$131.0	$133.7	$135.9	$133.0
Income from continuing operations	**20.7**	20.6	18.1	6.2	24.6	16.7	17.4	15.2
Net income	**20.7**	20.6	22.6	6.2	24.6	17.0	21.6	15.8
Income per common share from continuing operations								
Basic	**0.75**	0.74	0.65	0.13	0.92	0.58	0.61	0.52
Diluted	**0.75**	0.74	0.65	0.13	0.91	0.58	0.61	0.52
Net income per common share								
Basic	**0.75**	0.74	0.84	0.13	0.92	0.59	0.79	0.54
Diluted	**0.75**	0.74	0.84	0.13	0.91	0.59	0.79	0.54
Return on common shareholders' equity	**9.7%**	9.4%	10.8%	1.7%	12.5%	7.9%	10.6%	7.4%
Balance sheet assets	**17,809**	17,177	17,296	17,062	17,307	16,742	16,507	16,125

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. The result of these changes is that the top federal personal income tax rate on eligible dividends received by individuals (investors) decreased by 5% in 2006. Some provinces have replicated the new federal regulations governing such dividends.

Eligible dividends generally include dividends paid after 2005 by Canadian corporations out of income subject to the general corporate income tax rate. For 2006, all common and preferred share dividends paid by Laurentian Bank of Canada are considered eligible dividends. For 2007, the designation of dividends as eligible or non-eligible will be done at the declaration date of each dividend. All dividends declared on May 23 and June 1, 2007 are eligible dividends for income tax purposes.

Please contact a tax advisor for help or for further information on this subject.

About Laurentian Bank

Laurentian Bank of Canada, is a Quebec banking institution operating across Canada and is dedicated to meeting its clients' financial needs through excellence in service, as well as through its simplicity and proximity. The Bank serves individual consumers and small and medium-sized businesses, as well as financial advisors through B2B Trust. It also provides full-service brokerage solutions through its Laurentian Bank Securities subsidiary.

Laurentian Bank is well established in the Province of Quebec, operating the third largest retail branch network and is also a performing player in specific market segments elsewhere in the country. Laurentian Bank of Canada has over $17 billion in balance sheet assets and $15 billion in assets under administration. Founded in 1846, the Bank employs more than 3,300 people. Its common shares are listed on the Toronto Stock Exchange (TSX: LB). For more information, please visit www.laurentianbank.ca.

Corporate governance

The Board of Directors and the Audit Committee of Laurentian Bank reviewed this press release prior to its release today. 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

The Bank may from time to time, in this press release, 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 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” 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 realized or will be proved inaccurate.

The Bank cautions readers against placing undue reliance on forward-looking statements when making decisions, since 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 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.

Conference call

Laurentian Bank invites media representatives and the public to listen to the financial analysts conference call to be held Friday June 1, 2007 at 2 p.m. Eastern Time. The live, listen-only, toll free call-in number is 1-866-898-9626.

You may listen to a playback of the call at any time from 6:00 p.m. Friday June 1, 2007 until midnight June 22, 2007, by dialling the following number: 1-800-408-3053 Code 3221256 #.

The conference call can also be heard through the Investors' Relations section of the Laurentian Bank website at www.laurentianbank.ca.

The website also offers additional financial information.

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Chief Financial Officer: Robert Cardinal, (514) 284-4500 #7535
Media and Investors Relations contact: Gladys Caron, (514) 284-4500 #7511; cell (514) 893-3963

FINANCIAL HIGHLIGHTS

IN MILLIONS OF DOLLARS, UNLESS OTHERWISE INDICATED (UNAUDITED)	Q2-07	Q2-06	VARIATION	FOR THE SIX-MONTH PERIODS ENDED APRIL 30 2007	APRIL 30 2006	VARIATION
Earnings						
Net income	$ **20.7**	$ 24.6	(16) %	$ **41.2**	$ 41.6	(1) %
Income from continuing operations	$ **20.7**	$ 24.6	(16) %	$ **41.2**	$ 41.3	- %
Net income available to common shareholders	$ **17.7**	$ 21.6	(18) %	$ **35.2**	$ 35.6	(1) %
Return on common shareholders' equity	**9.7 %**	12.5 %		**9.6 %**	10.1 %	
Per common share						
Diluted net income	$ **0.75**	$ 0.91	(18) %	$ **1.49**	$ 1.51	(1) %
Diluted income from continuing operations	$ **0.75**	$ 0.91	(18) %	$ **1.49**	$ 1.49	- %
Dividends	$ **0.29**	$ 0.29	- %	$ **0.58**	$ 0.58	- %
Book value				$ **31.95**	$ 30.78	4 %
Share price - close				$ **32.24**	$ 32.58	(1) %
Financial position						
Balance sheet assets				$ **17,809**	$ 17,307	3 %
Assets under administration				$ **15,206**	$ 14,954	2 %
Loans, bankers' acceptances and assets purchased under reverse repurchase agreements, net				$ **13,766**	$ 12,896	7 %
Personal deposits				$ **11,251**	$ 10,892	3 %
Shareholders' equity and debentures				$ **1,113**	$ 1,237	(10) %
Number of common shares (in thousands)				**23,642**	23,613	- %
Net impaired loans as a % of loans, bankers' acceptances and assets purchased under reverse repurchase agreements				**(0.1) %**	- %	
Risk-weighted assets				$ **8,991**	$ 8,612	4 %
Capital ratios						
Tier I BIS				**10.1 %**	10.3 %	
Total BIS capital				**12.3 %**	13.9 %	
Assets to capital multiple				**16.2 x**	14.6 x	
Tangible common equity as a percentage of risk-weighted assets				**7.6 %**	7.6 %	
FINANCIAL RATIOS						
Per common share						
Price / earnings ratio (trailing four quarters)				**13.1 x**	11.5 x	
Market to book value				**101 %**	106 %	
Dividend yield	**3.60 %**	3.56 %		**3.60 %**	3.56 %	
Dividend payout ratio	**38.8 %**	31.6 %		**38.9 %**	38.4 %	
As a percentage of average assets						
Net interest income	**2.34 %**	2.11 %		**2.31 %**	2.11 %	
Provision for credit losses	**0.25 %**	0.25 %		**0.24 %**	0.24 %	
Net income	**0.51 %**	0.61 %		**0.50 %**	0.50 %	
Net income available to common shareholders	**0.43 %**	0.53 %		**0.43 %**	0.43 %	
Profitability						
Other income (as a % of total revenue)	**34.4 %**	34.6 %		**33.6 %**	34.4 %	
Efficiency ratio (non-interest expenses as a % of total revenue)	**74.8 %**	76.3 %		**74.2 %**	76.6 %	
OTHER INFORMATION						
Number of full-time equivalent employees				**3,300**	3,230	
Number of branches				**158**	157	
Number of automated banking machines				**337**	318	

CONSOLIDATED BALANCE SHEET

IN THOUSANDS OF DOLLARS (UNAUDITED)	NOTES	APRIL 30 2007[1]	OCTOBER 31 2006	APRIL 30 2006
ASSETS				
Cash resources				
Cash and non-interest-bearing deposits with other banks		$ **66,511**	$ 70,907	$ 52,174
Interest-bearing deposits with other banks		**218,185**	98,722	344,347
		284,696	169,629	396,521
Securities				
Available-for-sale account		**1,300,429**	-	-
Account held-for-trading		**1,124,736**	1,675,058	1,657,575
Account designated as held-for-trading		**489,210**	-	-
Investment account		**-**	1,567,222	1,547,834
		2,914,375	3,242,280	3,205,409
Assets purchased under reverse repurchase agreements		**1,011,208**	802,546	1,050,507
Loans	3 and 4			
Personal		**4,315,553**	4,168,026	4,099,860
Residential mortgages		**6,266,251**	5,985,656	5,632,871
Commercial mortgages		**677,383**	659,014	598,505
Commercial and other		**1,453,814**	1,476,977	1,530,424
		12,713,001	12,289,673	11,861,660
Allowance for loan losses		**(120,311)**	(125,153)	(127,913)
		12,592,690	12,164,520	11,733,747
Other				
Customers' liabilities under acceptances		**161,676**	149,818	111,778
Property, plant and equipment		**119,248**	111,291	98,414
Derivative financial instruments		**53,724**	96,980	148,080
Future tax assets	8	**100,812**	101,048	114,069
Goodwill		**53,790**	53,790	53,790
Other intangible assets		**14,724**	15,333	15,942
Other assets		**502,343**	388,724	378,865
		1,006,317	916,984	920,938
		$ **17,809,286**	$ 17,295,959	$ 17,307,122
LIABILITIES AND SHAREHOLDERS' EQUITY				
Deposits				
Personal		$ **11,250,950**	$ 10,949,473	$ 10,891,554
Business, banks and other		**2,244,945**	2,145,028	2,216,302
		13,495,895	13,094,501	13,107,856
Other				
Obligations related to assets sold short		**907,998**	1,077,009	1,267,123
Obligations related to assets sold under repurchase agreements		**1,307,172**	1,100,385	753,129
Acceptances		**161,676**	149,818	111,778
Derivative financial instruments		**67,571**	81,807	141,652
Other liabilities		**755,699**	696,019	688,828
		3,200,116	3,105,038	2,962,510
Subordinated debentures		**150,000**	150,000	300,000
Shareholders' equity				
Preferred shares	5	**210,000**	210,000	210,000
Common shares	5	**251,667**	251,158	250,948
Contributed surplus		**45**	518	295
Retained earnings		**503,674**	485,334	476,103
Treasury shares	5	**-**	(590)	(590)
Accumulated other comprehensive income (loss)	1	**(2,111)**	-	-
		963,275	946,420	936,756
		$ **17,809,286**	$ 17,295,959	$ 17,307,122

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 APRIL 30 2007	JANUARY 31 2007	APRIL 30 2006[1]	FOR THE SIX-MONTH PERIODS ENDED APRIL 30 2007	APRIL 30 2006[1]
Interest income						
Loans		**$ 198,582**	$ 201,690	$ 180,062	**$ 400,272**	$ 360,369
Securities		**15,468**	16,142	16,802	**31,610**	33,520
Deposits with other banks		**3,347**	1,885	3,893	**5,232**	5,593
		217,397	219,717	200,757	**437,114**	399,482
Interest expense						
Deposits and other liabilities		**120,004**	122,569	110,352	**242,573**	218,157
Subordinated debentures		**1,887**	1,951	4,721	**3,838**	7,692
		121,891	124,520	115,073	**246,411**	225,849
Net interest income		**95,506**	95,197	85,684	**190,703**	173,633
Provision for credit losses	3	**10,000**	10,000	10,000	**20,000**	20,000
		85,506	85,197	75,684	**170,703**	153,633
Other income						
Fees and commissions on loans and deposits		**21,607**	21,570	20,212	**43,177**	41,256
Brokerage operations		**9,693**	8,548	8,280	**18,241**	15,502
Income from treasury and financial market operations		**4,274**	4,584	2,889	**8,858**	5,936
Credit insurance income		**3,030**	3,582	3,249	**6,612**	6,225
Income from sales of mutual funds		**3,318**	3,074	2,636	**6,392**	5,009
Income from registered self-directed plans		**2,572**	2,359	2,893	**4,931**	5,650
Securitization income		**3,215**	560	3,554	**3,775**	6,692
Gain on disposal		**-**	-	-	**-**	931
Other		**2,456**	2,117	1,587	**4,573**	3,889
		50,165	46,394	45,300	**96,559**	91,090
		135,671	131,591	120,984	**267,262**	244,723
Non-interest expenses						
Salaries and employee benefits		**58,120**	56,266	50,374	**114,386**	104,653
Premises and technology		**28,568**	26,756	27,250	**55,324**	54,060
Other		**22,263**	21,307	22,365	**43,570**	44,039
		108,951	104,329	99,989	**213,280**	202,752
Income from continuing operations before income taxes		**26,720**	27,262	20,995	**53,982**	41,971
Income taxes (recovered)	8	**6,067**	6,706	(3,610)	**12,773**	707
Income from continuing operations		**20,653**	20,556	24,605	**41,209**	41,264
Income from discontinued operations, net of income taxes	2	**-**	-	30	**-**	354
Net income		**$ 20,653**	$ 20,556	$ 24,635	**$ 41,209**	$ 41,618
Preferred share dividends, including applicable income taxes		**2,990**	2,990	2,987	**5,980**	5,969
Net income available to common shareholders		**$ 17,663**	$ 17,566	$ 21,648	**$ 35,229**	$ 35,649
Average number of common shares outstanding (in thousands)						
Basic		**23,638**	23,627	23,612	**23,633**	23,596
Diluted		**23,685**	23,656	23,673	**23,670**	23,656
Income per common share from continuing operations						
Basic		**$ 0.75**	$ 0.74	$ 0.92	**$ 1.49**	$ 1.50
Diluted		**$ 0.75**	$ 0.74	$ 0.91	**$ 1.49**	$ 1.49
Net income per common share						
Basic		**$ 0.75**	$ 0.74	$ 0.92	**$ 1.49**	$ 1.51
Diluted		**$ 0.75**	$ 0.74	$ 0.91	**$ 1.49**	$ 1.51

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 APRIL 30 2007	JANUARY 31 2007	FOR THE SIX-MONTH PERIOD ENDED APRIL 30 2007
Net income		**$ 20,653**	$ 20,556	**$ 41,209**
Other comprehensive income (loss), net of income taxes	1			
Change in unrealized gains (losses) on available-for-sale securities		**19,719**	(427)	**19,292**
Reclassification to income of realized gains and losses on available-for-sale securities		**(1,701)**	247	**(1,454)**
Change in gains (losses) on derivatives designated as cash flow hedges		**(1,039)**	(358)	**(1,397)**
		16,979	(538)	**16,441**
Comprehensive income		**$ 37,632**	$ 20,018	**$ 57,650**

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 SIX-MONTH PERIODS ENDED APRIL 30 2007	APRIL 30 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		**509**	1,315
Balance at end of period		**251,667**	250,948
Contributed surplus			
Balance at beginning of period		**518**	73
Stock-based compensation	6	**(473)**	222
Balance at end of period		**45**	295
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		**41,209**	41,618
Dividends			
Preferred shares, including applicable income taxes		**(5,980)**	(5,969)
Common shares		**(13,704)**	(13,670)
Balance at end of period		**503,674**	476,103
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		**16,441**	-
Balance at end of period		**(2,111)**	-
Shareholders' equity		**$ 963,275**	$ 936,756

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 APRIL 30 2007	JANUARY 31 2007	APRIL 30 2006	FOR THE SIX-MONTH PERIODS ENDED APRIL 30 2007	APRIL 30 2006
Cash flows relating to operating activities						
Net income		**$ 20,653**	$ 20,556	$ 24,635	**$ 41,209**	$ 41,618
Adjustments to determine net cash flows relating to operating activities:						
Provision for credit losses		**10,000**	10,000	10,000	**20,000**	20,000
Gains on securitization operations	4	**(2,625)**	-	(2,664)	**(2,625)**	(4,910)
Net loss (gain) on disposal of property, plant and equipment		**(277)**	(103)	28	**(380)**	26
Net gain from discontinued operations	2	**-**	-	(46)	**-**	(533)
Gain on disposal		**-**	-	-	**-**	(931)
Net loss (gain) on sale of held-for-trading securities		**4,386**	(1,304)	(1,470)	**3,082**	1,646
Future income taxes		**4,353**	5,687	(7,311)	**10,040**	(7,614)
Depreciation and amortization		**7,119**	6,874	6,654	**13,993**	13,461
Net change in held-for-trading securities		**457,788**	(257,353)	(280,162)	**200,435**	(575,456)
Change in accrued interest receivable		**(7,849)**	11,067	(4,283)	**3,218**	6,871
Change in assets relating to derivative financial instruments		**24,306**	18,950	(9,253)	**43,256**	(4,627)
Change in accrued interest payable		**(19,109)**	14,151	470	**(4,958)**	6,982
Change in liabilities relating to derivative financial instruments		**(18,778)**	4,542	23,261	**(14,236)**	36,326
Other, net		**(46,991)**	(30,093)	23,811	**(77,084)**	83,431
		432,976	(197,026)	(216,330)	**235,950**	(383,710)
Cash flows relating to financing activities						
Net change in deposits		**327,785**	73,609	(192,609)	**401,394**	(589,082)
Change in obligations related to assets sold short		**(450,416)**	281,405	313,243	**(169,011)**	541,060
Change in obligations related to assets sold under repurchase agreements		**717,605**	(510,818)	480,057	**206,787**	693,064
Issuance of subordinated debentures		**-**	-	-	**-**	150,000
Issuance of common shares		**237**	272	425	**509**	1,315
Dividends, including applicable income taxes		**(9,846)**	(9,838)	(9,822)	**(19,684)**	(19,639)
		585,365	(165,370)	591,294	**419,995**	776,718
Cash flows relating to investing activities						
Change in available-for-sale and designated as held-for-trading securities						
Acquisitions		**(2,703,298)**	(1,735,019)	-	**(4,438,317)**	-
Proceeds from sales		**2,317,896**	2,258,763	-	**4,576,659**	-
Change in investment securities						
Acquisitions		**-**	-	(3,371,757)	**-**	(8,017,202)
Proceeds from sales and maturity		**-**	-	3,437,335	**-**	8,326,009
Change in loans		**(424,793)**	(202,911)	(386,887)	**(627,704)**	(583,900)
Change in assets purchased under reverse repurchase agreements		**(424,241)**	215,579	(375,934)	**(208,662)**	(542,434)
Proceeds from mortgage loan securitizations		**177,857**	-	297,614	**177,857**	520,809
Additions to property, plant and equipment		**(9,059)**	(12,876)	(9,114)	**(21,935)**	(17,562)
Proceeds from disposal of property, plant and equipment		**401**	823	5	**1,224**	405
Net change in interest-bearing deposits with other banks		**34,067**	(153,530)	22,610	**(119,463)**	(84,556)
Net cash flows from the sale of a subsidiary		**-**	-	-	**-**	(140)
		(1,031,170)	370,829	(386,128)	**(660,341)**	(398,571)
Net change in cash and non-interest-bearing deposits with other banks during the period		**(12,829)**	8,433	(11,164)	**(4,396)**	(5,563)
Cash and non-interest-bearing deposits with other banks at beginning of period		**79,340**	70,907	63,338	**70,907**	57,737
Cash and non-interest-bearing deposits with other banks at end of period		**$ 66,511**	$ 79,340	$ 52,174	**$ 66,511**	$ 52,174
Supplemental disclosure relating to cash flows:						
Interest paid during the period		**$ 152,193**	$ 107,120	$ 116,890	**$ 259,313**	$ 221,677
Income taxes paid during the period		**$ 1,094**	$ 8,096	$ 5,428	**$ 9,190**	$ 13,331

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 APRIL 30 2006	FOR THE SIX-MONTH PERIOD ENDED APRIL 30 2006
Adjustments for 2006		
Other income - Brokerage operations	$ 2,468	$ 4,701
Non-interest expenses - Salaries and employee benefits	$ 2,114	$ 4,051
Non-interest expenses - Premises and technology	$ 354	$ 650

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 derivatives 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.

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 tables 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	ACCOUNT OF INVESTMENTS DESIGNATED AS HELD-FOR-TRADING (A)	ACCOUNT OF INVESTMENTS DESIGNATED 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.

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 April 30, 2007, the ineffective portion of accumulated changes in the fair value of hedging instruments recognized in the income statement amounted to $-92,000 as it relates to cash flow hedging relationships and $-22,000 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.

IN THOUSANDS OF DOLLARS	APRIL 30 2007 NOMINAL AMOUNT	APRIL 30 2007 FAIR VALUE NET AMOUNT	NOVEMBER 1 2006 NOMINAL AMOUNT	NOVEMBER 1 2006 FAIR VALUE NET AMOUNT
Contracts designated as hedging instruments				
Interest rate swap contracts				
Swaps used for cash flow hedging	$ 3,096,000	$ (12,549)	$ 3,822,000	$ (13,830)
Swaps used for fair value hedging	1,890,000	(2,964)	130,000	220
	$ 4,986,000	$ (15,513)	$ 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 April 30, 2007, the Bank expects to transfer $4,846,000 into net income over the next twelve months.

The maximum term of cash flow hedging relationships of anticipated transactions was five years as at April 30, 2007.

Financial instruments designated as held-for-trading

For the three-month period ended April 30, 2007, a gain of $176,000 (a loss of $1,248,000 for the six-month period ended April 30, 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 $58,060,000 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 $57,573,000, is $487,000.

Other comprehensive income

FOR THE THREE-MONTH PERIOD ENDED APRIL 30, 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	$ 23,976	$ (4,257)	$ 19,719
Less : reclassification to income of realized gains losses during the period	(1,430)	(271)	(1,701)
Unrealized gains and losses on available-for-sale securities	22,546	(4,528)	18,018
Gains and losses on derivatives designated as cash flow hedges	(1,565)	526	(1,039)
Other comprehensive income	$ 20,981	$ (4,002)	$ 16,979

FOR THE SIX-MONTH PERIOD ENDED APRIL 30, 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	$ 23,334	$ (4,042)	$ 19,292
Less : reclassification to income of realized gains losses during the period	(1,063)	(391)	(1,454)
Unrealized gains and losses on available-for-sale securities	22,271	(4,433)	17,838
Gains and losses on derivatives designated as cash flow hedges	(2,138)	741	(1,397)
Other comprehensive income	$ 20,133	$ (3,692)	$ 16,441

Accumulated other comprehensive income

AS AT APRIL 30, 2007

IN THOUSANDS OF DOLLARS	CASH FLOW HEDGING	LOSSES ON 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
Balance at end of period	$ (17,329)	$ 15,218	$ (2,111)

2. DISPOSALS

2005

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. 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.

During the fourth quarter ended October 31, 2006, the Bank recognized the sale proceeds of $5,183,000 ($4,422,000 net of income taxes) related to net annual sales threshold of mutual funds. This gain was attributed to the Retail Financial Services segment.

Income per common share from discontinued operations

	FOR THE THREE-MONTH PERIODS ENDED			FOR THE SIX-MONTH PERIODS ENDED	
IN DOLLARS	**APRIL 30 2007**	JANUARY 31 2007	APRIL 30 2006	**APRIL 30 2007**	APRIL 30 2006
Basic	**$ -**	$ -	$ -	**$ -**	$ 0.01
Diluted	**$ -**	$ -	$ -	**$ -**	$ 0.02

3. LOANS

LOANS AND IMPAIRED LOANS

AS AT APRIL 30, 2007

IN THOUSANDS OF DOLLARS	GROSS AMOUNT OF LOANS	GROSS AMOUNT OF IMPAIRED LOANS	SPECIFIC ALLOWANCES	GENERAL ALLOWANCES	TOTAL ALLOWANCES
Personal loans	$ 4,315,553	$ 17,896	$ 6,739	$ 26,443	$ 33,182
Residential mortgages	6,266,251	15,678	1,449	4,534	5,983
Commercial mortgages	677,383	6,532	2,645	3,907	6,552
Commercial and other loans	1,453,814	73,175	44,228	30,366	74,594
	$ 12,713,001	$ 113,281	$ 55,061	$ 65,250	$ 120,311

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 APRIL 30, 2006

IN THOUSANDS OF DOLLARS	GROSS AMOUNT OF LOANS	GROSS AMOUNT OF IMPAIRED LOANS	SPECIFIC ALLOWANCES	GENERAL ALLOWANCES	TOTAL ALLOWANCES
Personal loans	$ 4,099,860	$ 16,645	$ 5,762	$ 24,413	$ 30,175
Residential mortgages	5,632,871	10,322	3,703	4,627	8,330
Commercial mortgages	598,505	12,118	5,561	3,548	9,109
Commercial and other loans	1,530,424	84,423	47,637	28,712	76,349
Unallocated general allowance	-	-	-	3,950	3,950
	$ 11,861,660	$ 123,508	$ 62,663	$ 65,250	$ 127,913

SPECIFIC ALLOWANCES FOR LOAN LOSSES

FOR THE SIX-MONTH PERIODS ENDED APRIL 30

IN THOUSANDS OF DOLLARS	2007					2006
	PERSONAL LOANS	RESIDENTIAL MORTGAGES	COMMERCIAL MORTGAGES	COMMERCIAL AND OTHER LOANS	TOTAL SPECIFIC ALLOWANCES	TOTAL SPECIFIC ALLOWANCES
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	14,413	286	195	5,106	20,000	20,000
Write-offs	(15,456)	(2,332)	(1,024)	(8,264)	(27,076)	(23,424)
Recoveries	2,123	16	2	93	2,234	1,942
Provision for credit losses resulting from the sale of a subsidiary	-	-	-	-	-	(411)
Balance at end of period	$ 6,739	$ 1,449	$ 2,645	$ 44,228	$ 55,061	$ 62,663

GENERAL ALLOWANCES FOR LOAN LOSSES

FOR THE SIX-MONTH PERIODS ENDED APRIL 30

IN THOUSANDS OF DOLLARS	2007						2006
	PERSONAL LOANS	RESIDENTIAL MORTGAGES	COMMERCIAL MORTGAGES	COMMERCIAL AND OTHER LOANS	UNALLOCATED GENERAL ALLOWANCE	TOTAL GENERAL ALLOWANCES	TOTAL GENERAL ALLOWANCES
Balance at beginning of period	$ 26,436	$ 4,771	$ 2,471	$ 26,900	$ 4,672	$ 65,250	$ 65,250
Change during the period	7	(237)	1,436	3,466	(4,672)	-	-
Balance at end of period	$ 26,443	$ 4,534	$ 3,907	$ 30,366	$ -	$ 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.

During the quarter, the Bank also securitized commercial mortgages for $40,338,000 (nil for the quarter ended on April 30, 2006), generating a $424,000 gain. The Bank has not retained any right or obligation with respect to the commercial mortgages.

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

IN THOUSANDS OF DOLLARS	FOR THE THREE-MONTH PERIODS ENDED APRIL 30 2007	JANUARY 31 2007	APRIL 30 2006	FOR THE SIX-MONTH PERIODS ENDED APRIL 30 2007	APRIL 30 2006
Cash proceeds, net of transaction related costs	**$ 136,777**	$ -	$ 297,614	**$ 136,777**	$ 520,809
Rights to future excess interest	**4,730**	-	5,018	**4,730**	11,519
Servicing liabilities	**(1,091)**	-	(1,964)	**(1,091)**	(3,668)
Cash reserve accounts	**1,076**	-	9,215	**1,076**	10,953
Other	**(1,157)**	-	(390)	**(1,157)**	(2,774)
	140,335	-	309,493	**140,335**	536,839
Residential loans securitized and sold	**138,134**	-	306,829	**138,134**	531,929
Gains before income taxes, net of transaction related costs	**$ 2,201**	$ -	$ 2,664	**$ 2,201**	$ 4,910

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:

	APRIL 30 2007
Rate of prepayment	**22.0 %**
Discount rate	**4.65 %**
Rate of credit losses	**0.05 %**

No loss is expected on insured residential mortgages.

The total principal amount of securitized loans outstanding amounted to $1,052,147,000 as at April 30, 2007 ($1,079,026,000 as at October 31, 2006).

5. CAPITAL STOCK

Issuance of common shares

During the quarter, 8,740 common shares (21,251 common shares during the six-month period ended April 30, 2007) were issued under the employee share purchase option plan for the management of the Bank for a cash consideration of $24,000 ($51,000 during the six-month period ended April 30, 2007).

ISSUED AND OUTSTANDING IN THOUSANDS OF DOLLARS, EXCEPT NUMBER OF SHARES	AS AT APRIL 30, 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	**23,641,687**	**$ 251,667**	23,620,436	$ 251,158
Treasury shares	**-**	**$ -**	(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.

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 second quarter of 2007 ($45,000 for the six-month period ended April 30, 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:

	FOR THE SIX-MONTH PERIOD ENDED APRIL 30 **2007**
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 APRIL 30, 2007 NUMBER	AS AT OCTOBER 31, 2006 NUMBER
Share purchase options		
Outstanding at end of period	**339,153**	339,604
Exercisable at end of period	**289,153**	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.

7. EMPLOYEE FUTURE BENEFITS

IN THOUSANDS OF DOLLARS	FOR THE THREE-MONTH PERIODS ENDED APRIL 30 **2007**	 JANUARY 31 2007	 APRIL 30 2006	FOR THE SIX-MONTH PERIODS ENDED APRIL 30 **2007**	 APRIL 30 2006
Defined benefit pension plans expense	**$ 4,022**	$ 4,337	$ 4,542	**$ 8,359**	$ 9,235
Defined contribution pension plan expense	**735**	695	645	**1,430**	1,223
Other plans expense	**780**	807	610	**1,587**	1,240
Total	**$ 5,537**	$ 5,839	$ 5,797	**$ 11,376**	$ 11,698

8. INCOME TAXES

For the quarter ended April 30, 2007, the effective tax rate was 22.7%. This lower tax rate, compared to the statutory tax rate of approximately 33%, results in part from lower income taxes on capital gains for $710,000 and from a $848,000 favorable adjustment relative to last year's repatriation of accumulated foreign retained earnings from credit insurance operations. The investments in Canadian securities that generate tax-exempt dividend income, as well as the decision not to recognize income taxes on revenues from credit insurance operations have also enable to reduce the effective tax rate for the quarter.

For the six-month period ended April 30, 2007, the effective tax rate was 23.7%. The lower tax rate in 2007 resulted from the items discussed above during the second quarter, as well as from a $900,000 adjustment which was recorded during the first quarter 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 April 30, 2006, the Bank recorded a $3,610,000 income tax recovery, including the effect of the following items: 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.

For the six-month period ended April 30, 2006, the income tax expense was $707,000 (1.7% effective tax rate). The lower tax rate in 2006 resulted from the income tax recovery discussed above during the second quarter, as well as 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 during the first quarter.

9. WEIGHTED AVERAGE NUMBER OF OUTSTANDING COMMON SHARES

	FOR THE THREE-MONTH PERIODS ENDED			FOR THE SIX-MONTH PERIODS ENDED	
	APRIL 30 2007	JANUARY 31 2007	APRIL 30 2006	**APRIL 30 2007**	APRIL 30 2006
Average number of outstanding common shares	**23,638,152**	23,627,126	23,611,631	**23,632,548**	23,595,611
Dilutive and other share purchase options	**47,076**	28,788	60,820	**37,780**	60,456
Weighted average number of outstanding common shares	**23,685,228**	23,655,914	23,672,451	**23,670,328**	23,656,067
Average number of share purchase options not taken into account in the calculation of diluted net income per common share[1]	**-**	89,467	-	**45,475**	-

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 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

FOR THE THREE-MONTH PERIOD ENDED JANUARY 31, 2007

IN THOUSANDS OF DOLLARS	RFS	CFS	B2B	LBS[3]	OTHER	TOTAL
Net interest income	$ 65,726	$ 15,426	$ 19,756	$ 293	$ (6,004)	$ 95,197
Other income	25,358	5,843	2,794	8,712	3,687	46,394
Total revenue	91,084	21,269	22,550	9,005	(2,317)	141,591
Provision for credit losses	6,296	2,689	1,015	-	-	10,000
Non-interest expenses	72,666	8,973	10,413	7,639	4,638	104,329
Income (loss) from continuing operations before income taxes	12,122	9,607	11,122	1,366	(6,955)	27,262
Income taxes (recovered)	2,838	3,218	3,770	379	(3,499)	6,706
Income (loss) from continuing operations	9,284	6,389	7,352	987	(3,456)	20,556
Income from discontinued operations, net of income taxes	-	-	-	-	-	-
Net income	$ 9,284	$ 6,389	$ 7,352	$ 987	$ (3,456)	$ 20,556
Average assets[2]	$ 8,509,322	$ 2,342,979	$ 2,834,793	$ 1,639,013	$ 1,283,532	$ 16,609,639

FOR THE TREE-MONTH PERIOD ENDED APRIL 30, 2006

IN THOUSANDS OF DOLLARS	RFS	CFS	B2B	LBS[3]	OTHER	TOTAL
Net interest income	$ 62,175	$ 14,287	$ 17,932	$ 279	$ (8,989)	$ 85,684
Other income	23,392	4,933	3,372	8,377	5,226	45,300
Total revenue	85,567	19,220	21,304	8,656	(3,763)	130,984
Provision for credit losses	4,691	3,864	1,445	-	-	10,000
Non-interest expenses	70,237	8,443	11,159	7,032	3,118	99,989
Income (loss) from continuing operations before income taxes	10,639	6,913	8,700	1,624	(6,881)	20,995
Income taxes (recovered)	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[2]	$ 8,109,524	$ 2,223,534	$ 2,700,361	$ 1,505,251	$ 2,136,266	$ 16,674,936

10. SEGMENTED INFORMATION (CONTINUED)

FOR THE SIX-MONTH PERIOD ENDED APRIL 30, 2007

IN THOUSANDS OF DOLLARS	RFS	CFS	B2B	LBS[3]	OTHER	TOTAL
Net interest income	$ 130,359	$ 30,429	$ 39,307	$ 669	$ (10,061)	$ 190,703
Other income[1]	51,047	11,396	5,792	22,926	5,398	96,559
Total revenue	181,406	41,825	45,099	23,595	(4,663)	287,262
Provision for credit losses	13,017	4,930	2,053	-	-	20,000
Non-interest expenses	147,518	18,198	21,177	15,595	10,792	213,280
Income (loss) from continuing operations before income taxes	20,871	18,697	21,869	8,000	(15,455)	53,982
Income taxes (recovered)	4,782	6,263	7,393	1,720	(7,385)	12,773
Income (loss) from continuing operations	16,089	12,434	14,476	6,280	(8,070)	41,209
Income from discontinued operations, net of income taxes	-	-	-	-	-	-
Net income	$ 16,089	$ 12,434	$ 14,476	$ 6,280	$ (8,070)	$ 41,209
Average assets[2]	$ 8,541,836	$ 2,377,714	$ 2,883,688	$ 1,569,703	$ 1,297,953	$ 16,670,894

FOR THE SIX-MONTH PERIOD ENDED APRIL 30, 2006

IN THOUSANDS OF DOLLARS	RFS	CFS	B2B	LBS[3,4]	OTHER	TOTAL
Net interest income	$ 126,790	$ 29,345	$ 35,571	$ 583	$ (18,656)	$ 173,633
Other income	46,141	11,736	6,619	15,653	10,941	91,090
Total revenue	172,931	41,081	42,190	16,236	(7,715)	264,723
Provision for credit losses	10,303	6,675	3,022	-	-	20,000
Non-interest expenses	142,249	19,015	22,188	13,584	5,716	202,752
Income (loss) from continuing operations before income taxes	20,379	15,391	16,980	2,652	(13,431)	41,971
Income taxes (recovered)	6,799	5,154	5,762	853	(17,861)	707
Income from continuing operations	13,580	10,237	11,218	1,799	4,430	41,264
Income from discontinued operations, net of income taxes	-	-	-	-	354	354
Net income	$ 13,580	$ 10,237	$ 11,218	$ 1,799	$ 4,784	$ 41,618
Average assets[2]	$ 8,065,827	$ 2,239,258	$ 2,641,543	$ 1,481,133	$ 2,198,185	$ 16,625,946

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 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.

OTHER INCOME

IN THOUSANDS OF DOLLARS (UNAUDITED)	Q4	Q3	Q2	2007 Q1
Fees and commissions on loans and deposits				
Deposit service charges	$ -	$ -	$ 12,599	$ 12,291
Lending fees	-	-	5,663	5,882
Card service revenues	-	-	3,345	3,397
Sub-total - fees and commissions on loans and deposits	-	-	21,607	21,570
Other				
Brokerage operations	-	-	9,693	8,548
Income from treasury and financial market operations	-	-	4,274	4,584
Credit insurance income	-	-	3,030	3,582
Income from sales of mutual funds	-	-	3,318	3,074
Income from registered self-directed plans	-	-	2,572	2,359
Securitization income	-	-	3,215	560
Other	-	-	2,456	2,117
Sub-total - other	-	-	28,558	24,824
Total - other income	$ -	$ -	$ 50,165	$ 46,394
As a % of average assets	- %	- %	1.23 %	1.11 %

IN THOUSANDS OF DOLLARS (UNAUDITED)	Q4	Q3	Q2	2006 Q1
Fees and commissions on loans and deposits				
Deposit service charges	$ 12,055	$ 12,096	$ 11,926	$ 11,836
Lending fees	5,865	6,414	5,303	6,096
Card service revenues	3,342	3,587	2,983	3,112
Sub-total - fees and commissions on loans and deposits	21,262	22,097	20,212	21,044
Other				
Brokerage operations	8,896	7,020	8,280	7,222
Income from treasury and financial market operations	4,168	5,102	2,889	3,047
Credit insurance income	3,222	3,131	3,249	2,976
Income from sales of mutual funds	2,911	2,717	2,636	2,373
Income from registered self-directed plans	2,325	2,540	2,893	2,757
Securitization income	1,035	2,245	3,554	3,138
Gain on disposal	-	-	-	931
Other	1,158	1,681	1,587	2,302
Sub-total - other	23,715	24,436	25,088	24,746
Total - other income	$ 44,977	$ 46,533	$ 45,300	$ 45,790
As a % of average assets	1.07 %	1.10 %	1.11 %	1.10 %

NON - INTEREST EXPENSES

IN THOUSANDS OF DOLLARS (UNAUDITED)	Q4	Q3	Q2	2007 Q1
Salaries and employee benefits				
Salaries	$ -	$ -	$ 36,266	$ 36,160
Employee benefits	-	-	13,809	12,965
Performance-based compensation	-	-	8,045	7,141
Sub-total - salaries and employee benefits	-	-	58,120	56,266
Premises and technology				
Equipment and computer services	-	-	11,291	10,103
Rent and property taxes	-	-	8,750	8,461
Depreciation	-	-	6,814	6,569
Maintenance and repairs	-	-	1,208	1,200
Public utilities	-	-	417	309
Other	-	-	88	114
Sub-total - premises and technology	-	-	28,568	26,756
Other expenses				
Taxes and insurance	-	-	4,590	5,641
Fees and commissions	-	-	4,845	3,649
Communications and travelling expenses	-	-	4,677	4,373
Advertising and business development	-	-	4,433	3,660
Stationery and publications	-	-	1,691	1,705
Recruitment and training	-	-	708	982
Other	-	-	1,319	1,297
Sub-total - other expenses	-	-	22,263	21,307
Total - non-interest expenses	$ -	$ -	$ 108,951	$ 104,329
As a % of average assets	- %	- %	2.67 %	2.49 %

IN THOUSANDS OF DOLLARS (UNAUDITED)	Q4	Q3	Q2	2006 Q1
Salaries and employee benefits				
Salaries	$ 35,225	$ 36,647	$ 34,102	$ 34,814
Employee benefits	12,727	12,426	12,903	11,923
Performance-based compensation	7,577	4,328	3,369	7,542
Sub-total - salaries and employee benefits	55,529	53,401	50,374	54,279
Premises and technology				
Equipment and computer services	10,485	10,526	10,769	10,244
Rent and property taxes	8,399	8,345	8,372	8,451
Depreciation	6,874	6,249	6,348	6,502
Maintenance and repairs	1,327	1,211	1,209	1,177
Public utilities	265	276	364	316
Other	(28)	162	188	120
Sub-total - premises and technology	27,322	26,769	27,250	26,810
Other expenses				
Taxes and insurance	5,983	5,732	6,110	6,090
Fees and commissions	5,357	5,210	4,903	3,688
Communications and travelling expenses	4,436	4,666	4,371	4,061
Advertising and business development	3,124	3,837	3,728	4,611
Stationery and publications	1,412	1,443	1,490	1,622
Recruitment and training	383	612	490	611
Other	1,272	1,575	1,273	991
Sub-total - other expenses	21,967	23,075	22,365	21,674
Total - non-interest expenses	$ 104,818	$ 103,245	$ 99,989	$ 102,763
As a % of average assets	2.49 %	2.43 %	2.46 %	2.46 %

REGULATORY CAPITAL - BIS

IN THOUSANDS OF DOLLARS (UNAUDITED)	AS AT APRIL 30 2007	AS AT OCTOBER 31 2006	AS AT APRIL 30 2006
Tier I capital			
Common shares	$ **251,667**	$ 250,568	$ 250,358
Contributed surplus	**45**	518	295
Retained earnings	**503,674**	485,334	476,103
Non-cumulative preferred shares	**210,000**	210,000	210,000
Less: goodwill	**(53,790)**	(53,790)	(53,790)
Total - Tier I capital (A)	**911,596**	892,630	882,966
Tier II capital			
Subordinated debentures	**150,000**	150,000	300,000
General allowances	**65,250**	65,250	65,250
Unrealized gains on available for sale equity securities	**15,120**	-	-
Total - Tier II capital	**230,370**	215,250	365,250
Securitization, investment in non-consolidated corporations and other	**(33,514)**	(28,469)	(54,799)
Regulatory capital - BIS (B)	$ **1,108,452**	$ 1,079,411	$ 1,193,417
Total risk-weighted assets (C)	$ **8,990,595**	$ 8,702,241	$ 8,612,247
Tier I BIS capital ratio (A/C)	**10.1 %**	10.3 %	10.3 %
Total BIS capital ratio (B/C)	**12.3 %**	12.4 %	13.9 %
Assets to capital multiple	**16.2 x**	16.1 x	14.6 x
Tangible common equity as a percentage of risk-weighted assets	**7.6 %**	7.7 %	7.6 %

RISK-WEIGHTED ASSETS

IN THOUSANDS OF DOLLARS (UNAUDITED)	AS AT APRIL 30 2007	AS AT OCTOBER 31 2006	AS AT APRIL 30 2006
Balance sheet items			
Cash resources	$ **89,705**	$ 41,931	$ 89,989
Securities	**459,891**	481,035	432,666
Mortgage loans	**2,540,797**	2,400,540	2,232,342
Other loans and customers' liability under acceptances	**5,274,007**	5,146,909	5,221,378
Other assets	**460,660**	462,541	468,302
General allowances	**65,250**	65,250	65,250
Total - balance sheet items	**8,890,310**	8,598,206	8,509,927
Off-balance sheet items			
Derivative financial instruments	**27,195**	26,620	29,655
Credit-related commitments	**73,090**	77,415	72,665
Total - risk-weighted assets	$ **8,990,595**	$ 8,702,241	$ 8,612,247

ASSETS UNDER ADMINISTRATION

IN THOUSANDS OF DOLLARS (UNAUDITED)	AS AT APRIL 30 2007	AS AT OCTOBER 31 2006	AS AT APRIL 30 2006
Self-directed RRSPs and RRIFs	$ **8,560,524**	$ 8,415,222	$ 8,423,400
Clients' brokerage assets	**2,029,054**	1,923,658	1,858,155
Institutional	**1,768,709**	1,724,998	1,819,460
Mutual funds	**1,596,389**	1,405,164	1,392,385
Mortgage loans under management	**1,219,965**	1,223,020	1,292,353
Other - Personal	**31,830**	33,246	168,424
Total - assets under administration	$ **15,206,471**	$ 14,725,308	$ 14,954,177