LAURENTIAN BANK

Press Release

FOR IMMEDIATE RELEASE

May 26, 2010

LAURENTIAN BANK REPORTS NET INCOME OF $28.3 MILLION FOR THE SECOND QUARTER OF 2010

Highlights of the second quarter 2010

- Net income of $28.3 million, up 34% from $21.2 million for the second quarter of 2009
- Return on common shareholders' equity of 10.9%, compared to 8.5% for the second quarter of 2009
- Total revenue of $178.1 million, an increase of 15% from $154.8 million a year ago
- Loan losses of $16 million, unchanged from the first quarter of 2010, and up from $12 million in the second quarter of 2009
- Total loans and bankers' acceptances increased by more than $2.4 billion, or 16%, over the last twelve months
- Significant year-over-year improvement of the efficiency ratio to 69.4%

Laurentian Bank of Canada reported net income of $28.3 million, or $1.06 diluted per common share, for the second quarter ended April 30, 2010, compared to net income of $21.2 million, or $0.76 diluted per common share, for the second quarter of 2009. Return on common shareholders' equity was 10.9% for the quarter, compared to 8.5% for the corresponding period in 2009.

For the six months ended April 30, 2010, net income totalled $60.4 million or $2.26 diluted per common share, compared with net income of $46.2 million or $1.68 diluted per common share in 2009. Return on common shareholders' equity was 11.6% for the six months ended April 30, 2010, compared to 9.3% for the same period in 2009.

Commenting on second-quarter results, Réjean Robitaille, President and Chief Executive Officer, mentioned: "We have maintained our momentum this quarter with earnings per share and ROE improving by 39% and 27% respectively compared to the second quarter of 2009. Year-over-year, revenue growth of 15% once again demonstrated our ability to grow organically and contributed to strong positive operating leverage. Furthermore, we continued to generate significant growth in our loan portfolio and improved the contribution from non-interest income. Overall, credit quality has stabilized in the quarter and certain portfolios, mainly on the retail side, have started to improve."

"All our business segments contributed to the strong quarter. Net income in the Real Estate and Commercial and B2B Trust segments increased by 80% and 45% respectively, as they benefitted from the improvement in net interest margins as well as higher loan and deposit volumes."

Review of Business Highlights

Laurentian Bank has yet again delivered significant loan growth during the quarter. Since the beginning of the year, loans have increased by 8%. This growth furthers the diversification of our portfolios and always conforms to our prudent approach to risk management. With approximately 40% of loans originating outside of Quebec, the Bank is geographically well diversified. Similarly, the distribution of the loan portfolio provides good balance and reduces credit risk.

Laurentian Bank has been pursuing its growth across all of its activities over the past few years, guided by the strategies and business development initiatives that have been put into place. This is exemplified by our loan and deposit portfolios which, over the past 3 years, have grown on average per year by more than 9% and 13% respectively. This growth is due to the agility that our business model offers.

More specifically, in the second quarter of 2010, business lines demonstrated solid performance. Moreover, their profitability is core, strong and sustainable. This year, the RRSP campaign in the Retail and SME Quebec sector again reached a record level, despite economic conditions making it difficult for many to invest for their retirement. This successful campaign demonstrates the Bank's ability to seize opportunities to strengthen and deepen client relationships. Similarly, the expansion of our sales teams serving businesses has helped to improve the quality of service and strengthen the client-Bank bond. This in turn contributed to business loans increasing by almost $300 million since the beginning of the year. Furthermore, B2B Trust continues to maintain its leadership position among financial intermediaries. The strong relationships that are being forged translate into steadily increasing loans and deposits. Finally, Laurentian Bank Securities is reaching more clients with the number of advisors now totalling 85.

The Bank is continuing its efforts to increase its profile. Advertising campaigns in the Retail and SME Quebec segment and at B2B Trust are raising the level of awareness in the Bank's target markets. The Bank is also involved, on a grass roots level, with several of the communities in which it operates. This too enhances the Bank's profile and puts into practice one of its core values, that of proximity.

It wouldn't be possible to forge strong client relationships, raise the profile of the Bank and build a well diversified institution without employees who are flexible and share in the entrepreneurial spirit. Thus, it is not only the agility of the business model but also the agility of all employees that will continue to contribute to the growth of Laurentian Bank.

Non-GAAP Financial Measures

The Bank uses both generally accepted accounting principles ("GAAP") and certain non-GAAP measures to assess performance, such as return on common shareholders' equity, net interest margin and efficiency ratios. With regard to the calculation of the return on common shareholders' equity, the Bank considers that net income is the best measure of profitability and that common shareholders' equity, excluding accumulated other comprehensive income, would be used as a measure of capital. The calculation of the Bank's book value is also based on common shareholders' equity, excluding accumulated other comprehensive income. Tangible common equity is defined as common shareholders' equity, excluding accumulated other comprehensive income, less goodwill and contractual and customer relationship intangible assets.

Non-GAAP measures do not have any standardized meaning prescribed by GAAP and are unlikely to be comparable to any similar measures presented by other companies. The Bank believes that these non-GAAP financial measures provide investors and analysts with useful information so that they can better understand financial results and analyze the Bank's growth and profit potential more effectively.

Caution Regarding Forward-looking Statements

In this document and in other documents filed with Canadian regulatory authorities or in other communications, Laurentian Bank of Canada may from time to time make written or oral forward-looking statements within the meaning of applicable securities legislation. Forward-looking statements include, but are not limited to, statements regarding the Bank's business plan and financial objectives. The forward-looking statements contained in this document are used to assist the Bank's security holders and financial analysts in obtaining a better understanding of the Bank's financial position and the results of operations as at and for the periods ended on the dates presented and may not be appropriate for other purposes. Forward-looking statements typically use the conditional, as well as words such as prospects, believe, estimate, forecast, project, expect, anticipate, plan, may, should, could and would, or the negative of these terms, variations thereof or similar terminology.

By their very nature, forward-looking statements are based on assumptions and involve inherent risks and uncertainties, both general and specific in nature. It is therefore possible that the forecasts, projections and other forward-looking statements will not be achieved or will prove to be inaccurate. Although the Bank believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct.

The Bank cautions readers against placing undue reliance on forward-looking statements when making decisions, as the actual results could differ considerably from the opinions, plans, objectives, expectations, forecasts, estimates and intentions expressed in such forward-looking statements due to various material factors. Among other things, these factors include capital market activity, changes in government monetary, fiscal and economic policies, changes in interest rates, inflation levels and general economic conditions, legislative and regulatory developments, competition, credit ratings, scarcity of human resources and technological environment. The Bank further cautions that the foregoing list of factors is not exhaustive. For more information on the risks, uncertainties and assumptions that would cause the Bank's actual results to differ from current expectations, please also refer to the Bank's public filings available at www.sedar.com.

The Bank does not undertake to update any forward-looking statements, whether oral or written, made by itself or on its behalf, except to the extent required by securities regulations.

FINANCIAL HIGHLIGHTS

IN MILLIONS OF DOLLARS, UNLESS OTHERWISE INDICATED (UNAUDITED)	FOR THE THREE MONTHS ENDED APRIL 30 2010	APRIL 30 2009	VARIANCE	FOR THE SIX MONTHS ENDED APRIL 30 2010	APRIL 30 2009	VARIANCE
Earnings						
Net income	**$ 28.3**	$ 21.2	34 %	**$ 60.4**	$ 46.2	31 %
Net income available to common shareholders	**$ 25.3**	$ 18.2	39 %	**$ 54.2**	$ 40.0	36 %
Return on common shareholders' equity (1)	**10.9 %**	8.5 %		**11.6 %**	9.3 %	
Per common share						
Diluted net income	**$ 1.06**	$ 0.76	39 %	**$ 2.26**	$ 1.68	35 %
Dividends declared	**$ 0.36**	$ 0.34	6 %	**$ 0.72**	$ 0.68	6 %
Book value (1)				**$ 40.22**	$ 36.83	9 %
Share price - close				**$ 44.12**	$ 28.80	53 %
Financial position						
Balance sheet assets				**$ 23,089**	$ 20,403	13 %
Loans, bankers' acceptances and assets purchased under reverse repurchase agreements, net				**$ 17,555**	$ 15,172	16 %
Personal deposits				**$ 15,413**	$ 14,490	6 %
Shareholders' equity and debentures				**$ 1,334**	$ 1,282	4 %
Number of common shares - end of period (in thousands)				**23,921**	23,849	- %
Net impaired loans as a % of loans, bankers' acceptances and assets purchased under reverse repurchase agreements				**0.21 %**	0.08 %	
Capital ratios						
Tier I BIS capital ratio				**10.9 %**	10.0 %	
Total BIS capital ratio				**12.8 %**	12.0 %	
Assets to capital multiple				**18.3 x**	17.3 x	
Tangible common equity as a percentage of risk-weighted assets (2)				**9.0 %**	8.2 %	
FINANCIAL RATIOS						
Per common share						
Price / earnings ratio (trailing four quarters)				**9.2 x**	7.4 x	
Market to book value				**110 %**	78 %	
Dividend yield	**3.26 %**	4.72 %		**3.26 %**	4.72 %	
Dividend payout ratio	**34.1 %**	44.7 %		**31.8 %**	40.6 %	
As a percentage of average assets						
Net interest income	**2.10 %**	1.92 %		**2.12 %**	1.96 %	
Provision for loan losses	**0.29 %**	0.24 %		**0.28 %**	0.24 %	
Profitability						
Efficiency ratio (non-interest expenses as a % of total revenue)	**69.4 %**	73.7 %		**68.0 %**	72.2 %	
OTHER INFORMATION						
Number of full-time equivalent employees				**3,632**	3,453	
Number of branches				**156**	156	
Number of automated banking machines				**407**	351	

(1) With regard to the calculation of the Return on common shareholders' equity ratio, the Bank considers that net income is the best measure of profitability and that common shareholders' equity, excluding accumulated other comprehensive income, would be used as a capital measure. The calculation of the Bank's book value is also based on common shareholders' equity, excluding accumulated other comprehensive income.

(2) Tangible common equity is defined as common shareholders' equity, excluding accumulated other comprehensive income, less goodwill and contractual and customer relationship intangible assets.

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, 2010, and of how it performed during the three-month and six-month periods then ended. This MD&A, dated May 26, 2010, should be read in conjunction with the unaudited interim consolidated financial statements for the second quarter of 2010. Supplemental information on risk management, critical accounting policies and estimates, and off-balance sheet arrangements is also provided in the Bank's 2009 Annual Report.

Additional information about the Laurentian Bank of Canada, including the Annual Information Form, is available on the Bank's website www.laurentianbank.ca and on SEDAR at www.sedar.com.

Performance and Financial Objectives

The following table presents management's financial objectives for 2010 and the Bank's performance to date. These financial objectives are based on the same assumptions noted on page 21 of the Bank's 2009 Annual Report under the title "Key assumptions supporting the Bank's objectives".

2010 FINANCIAL OBJECTIVES

	2010 OBJECTIVES	FOR THE SIX MONTHS ENDED APRIL 30, 2010
Revenue growth	5% to 10%	15 %
Efficiency ratio	70% to 67%	68.0 %
Return on common shareholders' equity	10.0% to 12.0%	11.6 %
Diluted net income per common share	$ 4.00 to $ 4.70	$ 2.26
Tier I BIS capital ratio	Minimum of 9.5%	10.9 %

After six months, management believes that the Bank is well positioned to meet the 2010 objectives set at the beginning of the year, as shown in the table above.

Consolidated Results

Three months ended April 30, 2010 compared to three months ended April 30, 2009

Net income was $28.3 million, or $1.06 diluted per common share, for the second quarter ended April 30, 2010, compared with $21.2 million, or $0.76 diluted per common share, for the second quarter of 2009.

Total revenue

Total revenue increased by more than 15% year-over-year to $178.1 million in the second quarter of 2010, compared with $154.8 million in the second quarter of 2009. The Bank's net interest income increased to $117.6 million for the second quarter of 2010, from $94.1 million in the second quarter of 2009. The strong loan and deposit growth year-over-year combined with higher interest margins contributed to the 25.0% increase in net interest income. The low interest rate environment in 2009 had significantly hampered profitability last year. However, loan repricing measures introduced in 2009 have contributed to improve margins starting in the second half of last year.

Other income was $60.5 million in the second quarter of 2010, compared to $60.7 million in the second quarter of 2009. Securitization income decreased $8.3 million compared to the same quarter a year ago, as a result of lower securitization gains ensuing from the tightening of credit spreads, as well as the effect of mark-to-market revaluations on retained interests and related economic hedges [see note 3 to the interim financial statements for further details on securitization activities]. However, offsetting the decline in securitization income, fees and commissions on loans and deposits, as well as credit insurance income improved appreciably. These increases further demonstrate the Bank's ability to grow its core business and represent a significant achievement as they largely compensated for the decrease in more volatile market driven income. Revenues from brokerage operations also increased markedly during the quarter, benefitting from the overall improvements in market conditions.

Provision for loan losses

The provision for loan losses amounted to $16.0 million in the second quarter of 2010, compared with $12.0 million in the second quarter of 2009. The increase mainly reflects losses associated with a limited number of commercial accounts, which were impacted by the late consequences of the economic slowdown, as well as the significantly higher loan volumes. Nonetheless, overall credit quality has remained satisfactory to date, with some improvements in retail portfolios as retail borrowers benefitted from the recovering economic conditions. The Risk Management section below provides additional information on the credit quality of the Bank's loan portfolios.

Non-interest expenses

Non-interest expenses totaled $123.5 million for the second quarter of 2010, compared to $114.0 million for the second quarter of 2009; an 8.3% year-over-year increase as the Bank continued to invest in its development. Salaries and employee benefits rose by $7.2 million, mainly as a result of salary increases and growth initiatives. Premises and technology costs also increased from $29.8 million for the second quarter of 2009 to $32.0 million for the second quarter of 2010. This increase is mainly explained by higher amortization expense related to IT development projects and overall increases in technology costs to support growth. Other non-interest expenses remained relatively unchanged.

As a result of the strong increase in revenues which more than offset the increase in expenses, the efficiency ratio (non-interest expenses divided by total revenue) significantly improved to 69.4% in the second quarter of 2010, compared with 73.7% in the second quarter of 2009.

Income taxes

For the quarter ended April 30, 2010, the income tax expense was $10.2 million and the effective tax rate was 26.5%. The lower tax rate, compared to the statutory rate, mainly resulted from the favourable effect of holding investments in Canadian securities that generate non-taxable dividend income and the lower taxation level on revenues from credit insurance operations. For the quarter ended April 30, 2009, the income tax expense was $7.6 million and the effective tax rate was 26.4%.

Six months ended April 30, 2010 compared to six months ended April 30, 2009

For the six months ended April 30, 2010, net income totalled $60.4 million or $2.26 diluted per common share, compared with net income of $46.2 million or $1.68 diluted per common share in 2009.

Total revenue

Total revenue improved to $358.6 million for the six months ended April 30, 2010, compared to $311.3 million for the six months ended April 30, 2009. Net interest income increased from $192.8 million for the six months ended April 30, 2009 to $238.3 million for the same period in 2010, as a combined result of higher net interest margins and higher loan and deposit volumes. Other income improved slightly, as higher fees and commissions resulting from overall business growth and higher brokerage revenues more than offset lower securitization income.

Provision for loan losses

The provision for loan losses amounted to $32.0 million for the six months ended April 30, 2010, compared to $24.0 million for the six months ended April 30, 2009. The increase essentially relates to commercial loan portfolios, while the credit quality of consumer loan portfolios has continued to improve.

Non-interest expenses

Non-interest expenses totaled $243.9 million for the six months ended April 30, 2010, compared to $224.8 million for the six months ended April 30, 2009. The increase is principally attributable to higher salaries and growth initiatives. Premises and technology costs also increased as a result of higher amortization expense related to IT development projects and overall increases in technology costs to support higher business activity levels. Other non-interest expenses remained relatively unchanged. For the six months ended April 30, 2010, the efficiency ratio improved significantly to 68.0%, compared to 72.2% for the six months ended April 30, 2009.

Income taxes

For the six months ended April 30, 2010, the income tax expense was $22.3 million and the effective tax rate was 26.9%, compared to $16.3 million and 26.1% for the six months ended April 30, 2009. The lower tax rate, compared to the statutory rate, mainly resulted from the favourable effect of holding investments in Canadian securities that generate non-taxable dividend income, as well as the lower taxation level on revenues from credit insurance operations, as noted above. In addition, income taxes for the six-month period ended April 30, 2010 included the unfavourable effect on future tax assets of the reduction to Ontario’s provincial business tax rates which became effective during the first quarter.

Second quarter 2010 compared to first quarter 2010

Net income was $28.3 million for the second quarter of 2010, compared to $32.0 million for the first quarter ended January 31, 2010. Net interest income decreased by $3.1 million, mainly as a result of three fewer days in the quarter. Net interest margin stood at 2.10% in the second quarter of 2010, only slightly lower than for the first quarter of 2010 where it stood at 2.13%. This decrease was mainly due to changes in business mix and pressure on pricing. Other revenue increased slightly compared to the first quarter of 2010, as higher fees and commissions on loans and deposits, as well as higher income from treasury and financial market operations more than offset lower securitization income.

The provision for loan losses amounted to $16.0 million in the second quarter of 2010, unchanged compared to the first quarter of 2010. Higher losses in commercial loans and commercial mortgages during the second quarter of 2010 were offset by improvements in retail portfolios, when compared to the first quarter of 2010.

Non-interest expenses increased by $3.2 million compared with the first quarter of 2010. The increase mainly relates to salaries and employee benefits partially reflecting the effect of annual increases effective as of January 1st .

Financial Condition

CONDENSED BALANCE SHEET

In thousands of dollars (Unaudited)	**AS AT APRIL 30 2010**	AS AT OCTOBER 31 2009	AS AT APRIL 30 2009
ASSETS			
Cash resources	**$ 258,061**	$ 300,616	$ 301,947
Securities	**4,143,430**	4,432,183	3,789,812
Assets purchased under reverse repurchase agreements	**569,066**	536,064	539,859
Loans, net	**16,837,773**	15,601,307	14,499,055
Other assets	**1,280,683**	1,294,610	1,272,464
	$ 23,089,013	$ 22,164,780	$ 20,403,137
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits	**$ 18,736,752**	$ 18,299,966	$ 17,260,763
Other liabilities	**3,018,525**	2,543,588	1,860,796
Subordinated debentures	**150,000**	150,000	150,000
Shareholders' equity	**1,183,736**	1,171,226	1,131,578
	$ 23,089,013	$ 22,164,780	$ 20,403,137

Balance sheet assets increased by more than $0.9 billion from year-end 2009 and stood at $23.1 billion at April 30, 2010. Over the last twelve months, balance sheet assets increased by $2.7 billion or 13.2%.

Liquid assets

Liquid assets, including cash, deposits with other banks, securities and assets purchased under reverse repurchase agreements, decreased by $298.3 million from year-end 2009, as the Bank gradually reduced its level of liquid assets to fund loan disbursements. Nonetheless, the Bank continues to maintain a relatively high level of liquidity to further support its growth.

Loan portfolio

The portfolio of loans and bankers' acceptances stood at $17.1 billion at April 30, 2010, up $1.2 billion from October 31, 2009. The Bank had another solid quarter of loan growth, up $533.4 million after new securitizations of $182.6 million. Since the beginning of the year, residential mortgages, including securitized loans, increased by $769.6 million, as detailed below.

RESIDENTIAL MORTGAGE PORTFOLIO

In thousands of dollars (Unaudited)	**AS AT APRIL 30 2010**	AS AT OCTOBER 31 2009	VARIANCE
On-balance sheet residential mortgage loans	**$ 8,101,340**	$ 7,219,830	$ 881,510
Securitized residential mortgage loans (off-balance sheet)	**2,590,808**	2,702,762	(111,954)
Total residential mortgage loans, including securitized loans	**$ 10,692,148**	$ 9,922,592	$ 769,556

Commercial mortgages and commercial loans, including bankers' acceptances increased by $124.0 million and $98.5 million, respectively, as the Bank continues to capitalize on growth opportunities in the Canadian market. Personal loans increased by $73.7 million, mainly reflecting growth in investment loans and home equity lines of credit.

Deposits

Total personal deposits increased by $274.6 million since the beginning of the year to $15.4 billion as at April 30, 2010, as growth of more than $300 million during the second quarter of 2010 more than compensated the slight decrease of the first quarter. The Bank continues to actively manage its liquidity levels to meet funding requirements, while exercising rigorous control on pricing. As a result, deposit growth remains tightly managed, with the focus kept on retail deposit gathering. Retail deposits continue to be a particularly stable source of financing for the Bank, owing to their availability and lower cost when compared to institutional deposits. Since the beginning of the year, business and other deposits increased by $162.2 million, for a total $436.8 million increase in deposits. As at April 30, 2010, personal deposits accounted for 82.3% of total deposits of $18.7 billion.

Shareholders' equity

Shareholders' equity stood at $1,183.7 million as at April 30, 2010, compared with $1,171.2 million as at October 31, 2009. The increase in shareholders' equity mainly results from net income accumulated during the first six months of the year; partly offset by a decrease in accumulated other comprehensive income.

The Bank's book value per common share, excluding accumulated other comprehensive income, was $40.22 as at April 30, 2010, compared to $38.68 as at October 31, 2009. There were 23,920,962 common shares and 54,075 share purchase options outstanding as at May 18, 2010.

Assets under administration

Assets under administration increased by $0.4 billion from October 31, 2009 and amounted to $14.7 billion as at April 30, 2010, and increased by $1.0 billion from April 30, 2009 where they stood at $13.7 billion. The increase compared with April 30, 2009 is attributable to the recovery in market value of the assets under administration, mainly as they relate to self-directed RRSPs, client brokerage assets and mutual funds.

Capital Management

The regulatory Tier I capital of the Bank reached $1,081.6 million as at April 30, 2010, compared with $1,045.8 million as at October 31, 2009. The BIS Tier 1 and total capital ratios stood at 10.9% and 12.8%, respectively, as at April 30, 2010, compared to 11.0% and 13.0%, respectively, as at October 31, 2009. These ratios remain strong. The tangible common equity ratio of 9.0% also reflects the high quality of the Bank's capital.

REGULATORY CAPITAL - BIS

In thousands of dollars, except percentage amounts (Unaudited)	**AS AT APRIL 30 2010**	AS AT OCTOBER 31 2009	AS AT APRIL 30 2009
Total - Tier 1 capital (A)	**$ 1,081,593**	$ 1,045,824	$ 989,048
Tier I BIS capital ratio (A/C)	**10.9 %**	11.0 %	10.0 %
Total - capital (B)	**$ 1,270,338**	$ 1,235,866	$ 1,181,510
Total BIS capital ratio (B/C)	**12.8 %**	13.0 %	12.0 %
Total risk-weighted assets (C)	**$ 9,924,365**	$ 9,480,823	$ 9,869,714
Assets to capital multiple	**18.3 x**	18.0 x	17.3 x
Tangible common equity as a percentage of risk-weighted assets (1)	**9.0 %**	9.1 %	8.2 %

(1) Tangible common equity is defined as common shareholders' equity, excluding accumulated other comprehensive income, less goodwill and contractual and customer relationship intangible assets.

RISK-WEIGHTED ASSETS

In thousands of dollars (Unaudited)	**AS AT APRIL 30 2010**	AS AT OCTOBER 31 2009	AS AT APRIL 30 2009
Balance sheet items			
Cash resources	**$ 9,822**	$ 12,697	$ 43,110
Securities	**285,836**	220,257	229,296
Mortgage loans	**3,528,327**	3,222,867	2,874,258
Other loans and customers' liabilities under acceptances	**3,818,244**	3,807,878	4,834,747
Other assets	**527,396**	516,561	458,061
Total - balance sheet items	**8,169,625**	7,780,260	8,439,472
Off-balance sheet items	**557,302**	547,050	326,254
Operational risk	**1,197,438**	1,153,513	1,103,988
Total - risk-weighted assets	**$ 9,924,365**	$ 9,480,823	$ 9,869,714

Basel Committee on Banking Supervision new proposed capital and liquidity regulation

In December 2009, the Basel Committee on Banking Supervision published proposals on new capital and liquidity requirements. The Bank participated during the quarter in a worldwide quantitative impact study (QIS) whose purpose is to help global regulators refine their proposals and define new minimum capital and liquidity requirements. These new guidelines are not expected to become regulation until late 2012 at the earliest. Therefore, at this stage, it is too early to determine the definitive impact on capital ratios and liquidity requirements, considering the proposals are likely to change between now and when final rules take effect.

Dividends

At its meeting on May 26, 2010, the Board of Directors declared regular dividends on the various series of preferred shares to shareholders of record on June 9, 2010. Also at the same meeting, the Board of Directors declared a dividend of $0.36 per common share, payable on August 1, 2010, to shareholders of record on July 2, 2010.

Risk Management

The Bank is exposed to various types of risks owing to the nature of its activities. These risks are mainly related to the use of financial instruments. In order to manage these risks, controls such as risk management policies and various risk limits have been implemented. These measures aim to optimize the risk/return ratio in all operating segments. For additional information regarding the Bank's Risk Management Framework, please refer to the 2009 Annual Report.

Credit risk

The following sections provide further details on the credit quality of the Bank's loan portfolios. Note 2 to these interim consolidated financial statements also provides detailed information on the Bank's loan portfolios and related credit exposures.

PROVISION FOR LOAN LOSSES RECORDED IN THE CONSOLIDATED STATEMENT OF INCOME

In thousands of dollars (Unaudited)	FOR THE THREE MONTHS ENDED APRIL 30 2010	JANUARY 31 2010	APRIL 30 2009	FOR THE SIX MONTHS ENDED APRIL 30 2010	APRIL 30 2009
Loan portfolios					
Personal loans	**$ 7,591**	$ 8,658	$ 7,969	**$ 16,249**	$ 17,142
Residential mortgages	**170**	263	126	**433**	796
Commercial mortgages	**3,069**	794	6	**3,863**	25
Commercial and other loans	**5,170**	6,285	3,899	**11,455**	6,037
Total	**$ 16,000**	$ 16,000	$ 12,000	**$ 32,000**	$ 24,000

The provision for loan losses amounted to $16.0 million in the second quarter of 2010, unchanged compared to the first quarter of 2010 and increased from $12.0 million in the second quarter of 2009.

The increase year-over-year mainly reflects the higher losses in commercial loans and commercial mortgages, where certain commercial businesses were relatively more impacted by the late consequences of the economic slowdown, as well as the significantly higher loan volumes. Compared to the first quarter of 2010, higher losses in commercial mortgages were offset by improvements in retail portfolios. Losses on commercial loans and commercial mortgages during the second quarter of 2010 resulted from a limited number of accounts.

ALLOWANCE FOR LOAN LOSSES

In thousands of dollars, except percentage amounts (Unaudited)	AS AT APRIL 30 2010	AS AT JANUARY 31 2010	AS AT OCTOBER 31 2009	AS AT APRIL 30 2009
Gross impaired loans	**$ 161,930**	$ 157,373	$ 137,494	$ 125,677
Allowance for loan losses	**124,178**	121,364	114,546	113,129
Net impaired loans	**$ 37,752**	$ 36,009	$ 22,948	$ 12,548
Impaired loans as a % of loans, bankers' acceptances and assets purchased under reverse repurchase agreements				
Gross	**0.92 %**	0.90 %	0.83 %	0.82 %
Net	**0.21 %**	0.21 %	0.14 %	0.08 %

Gross impaired loans stood at $161.9 million at April 30, 2010, compared to $157.4 million as at January 31, 2010 and $137.5 million at October 31, 2009. The increase since October 31, 2009 essentially results from commercial loans and mortgages, as the credit quality of retail portfolios has improved significantly. Net impaired loans stood at $37.8 million at April 30, 2010 (representing 0.21% of total loans, bankers' acceptances and assets purchased under reverse repurchase agreements), compared to $23.0 million (0.14%) at October 31, 2009. The lower level of relative provisioning mainly results from the good quality of the underlying collateral of the newly impaired loans.

Market risk

Market risk corresponds to the financial losses that the Bank could incur due to unfavourable fluctuations in the value of financial instruments following variations in the parameters underlying their valuation, such as interest rates, exchange rates or quoted stock market prices. This risk is inherent to the Bank's financing, investment, trading and asset and liability management (ALM) activities.

The purpose of ALM activities is to control structural interest rate risk, which corresponds to the potential negative impact of interest rate movements on the Bank's revenues and economic value. Dynamic management of structural risk is intended to maximize the Bank's profitability while preserving the economic value of common shareholders' equity. As at April 30, 2010, the effect on the economic value of common shareholders' equity and on net interest income before taxes of a sudden and sustained 1% increase in interest rates remained low and was as follows.

STRUCTURAL INTEREST RATE SENSITIVITY

In thousands of dollars (Unaudited)	**AS AT APRIL 30 2010**	AS AT OCTOBER 31 2009
Increase (decrease) in net interest income before taxes over the next 12 months	**$ 2,600**	$ (4,779)
Change in the economic value of common shareholders' equity (Net of income taxes)	**$ (12,034)**	$ (19,626)

While keeping the overall level of risk well under control, the Bank is actively managing its interest rate sensitivity position in order to benefit from current interest rate conditions.

Segmented Information

This section outlines the Bank's operations according to its organizational structure. Services to individuals, businesses, financial intermediaries and institutional clients are offered through the following business segments:

- Retail & SME Quebec
- Real Estate & Commercial
- B2B Trust
- Laurentian Bank Securities and Capital Markets
- Other

As of November 1, 2009, certain capital market activities which were previously reported in the Other segment are now reported with Laurentian Bank Securities activities under the newly formed Laurentian Bank Securities and Capital Markets business segment. In addition, foreign exchange and international services, which were also formerly reported in the Other segment, are now reported in the Real Estate & Commercial segment. The Retail & SME Quebec and B2B Trust business segments were not affected by this reorganization. Comparative figures were reclassified to conform to the current period presentation.

Retail & SME Quebec

In thousands of dollars, except percentage amounts (Unaudited)	FOR THE THREE MONTHS ENDED APRIL 30 2010	JANUARY 31 2010	APRIL 30 2009	FOR THE SIX MONTHS ENDED APRIL 30 2010	APRIL 30 2009
Total revenue	**$ 111,382**	$ 112,503	$ 103,770	**$ 223,885**	$ 208,569
Provision for loan losses	**$ 11,542**	$ 9,790	$ 8,129	**$ 21,332**	$ 17,664
Net income	**$ 10,082**	$ 12,552	$ 9,756	**$ 22,634**	$ 19,936
Efficiency ratio	**78.4 %**	76.9 %	80.1 %	**77.6 %**	79.3 %

The Retail & SME Quebec business segment's contribution to net income improved 3%, totalling $10.1 million for the second quarter of 2010, compared with $9.8 million for the second quarter of 2009.

Total revenue increased by $7.6 million, from $103.8 million in the second quarter of 2009 to $111.4 million in the second quarter of 2010, as a result of higher loan and deposit volumes, as well as higher fee income. However, net interest margins were under pressure during the quarter, due to the particularly low interest rate environment and sustained competition on fixed term retail products. Loan losses increased from $8.1 million in the second quarter of 2009 to $11.5 million in the second quarter of 2010, essentially as a result of a single commercial account, as otherwise, the credit quality of retail loan portfolios has improved. Non-interest expenses increased by 5% or $4.2 million, from $83.1 million in the second quarter of 2009 to $87.3 million in the second quarter of 2010, mainly as a result of annual increases in salaries, as well as an increase in the number of employees.

For the six months ended April 30, 2010, net income improved by 14% to $22.6 million, as higher revenue more than offset increases in loan losses and expenses.

Balance sheet highlights

- Loans up 9% or $ 950 million over the last 12 months
- Increase in deposits of $ 750 million over the last 12 months, to $8.7 billion as at April 30, 2010

Real Estate & Commercial

Foreign exchange and international services, which were reported in the Other segment, are now reported in the Real Estate & Commercial segment. Comparative figures were reclassified to conform to the current period presentation.

In thousands of dollars, except percentage amounts (Unaudited)	FOR THE THREE MONTHS ENDED APRIL 30 2010	JANUARY 31 2010	APRIL 30 2009	FOR THE SIX MONTHS ENDED APRIL 30 2010	APRIL 30 2009
Total revenue	**$ 29,125**	$ 27,590	$ 21,124	**$ 56,715**	$ 41,110
Provision for loan losses	**$ 3,984**	$ 5,150	$ 3,161	**$ 9,134**	$ 4,815
Net income	**$ 13,655**	$ 12,688	$ 7,600	**$ 26,343**	$ 15,640
Efficiency ratio	**19.1 %**	15.4 %	32.7 %	**17.3 %**	32.9 %

The Real Estate & Commercial business segment's contribution to net income improved 80%, reaching $13.7 million for the second quarter of 2010, compared with $7.6 million for the second quarter of 2009.

Total revenue increased by $8.0 million, from $21.1 million in the second quarter of 2009 to $29.1 million in the second quarter of 2010. Higher loan volumes, better interest margins resulting from repricing measures initiated last year, and overall strong business growth contributed to improve revenues. Loan losses were slightly higher at $4.0 million (6.2 basis points to average loans and bankers' acceptances) in the second quarter of 2010, compared to $3.2 million (6.0 basis points to average loans and bankers' acceptances) in the second quarter of 2009 as a result of a limited number of accounts requiring provisions and higher loan volumes. Nonetheless, management remains cautiously optimistic about credit quality in the commercial book for the remainder of the year. Non-interest expenses decreased by $1.3 million to $5.6 million in the second quarter of 2010, from $6.9 million in the second quarter of 2009.

For the six months ended April 30, 2010, net income improved by 68% to $26.3 million. Revenues for the six months ended April 2010 increased essentially for the same reasons as noted above. In addition, expenses for the six months ended April 2010 decreased, as a result of good cost control and certain operational loss provisions amounting to $2.8 million were reversed during the first six months of 2010. Also, loan losses increased as noted above.

Balance sheet highlight

- Loans and BAs up 22% or more than $ 500 million over the last 12 months

B2B Trust

In thousands of dollars, except percentage amounts (Unaudited)	FOR THE THREE MONTHS ENDED APRIL 30 2010	JANUARY 31 2010	APRIL 30 2009	FOR THE SIX MONTHS ENDED APRIL 30 2010	APRIL 30 2009
Total revenue	**$ 29,635**	$ 29,837	$ 23,913	**$ 59,472**	$ 47,414
Provision for loan losses	**$ 474**	$ 1,060	$ 710	**$ 1,534**	$ 1,521
Net income	**$ 11,359**	$ 11,061	$ 7,833	**$ 22,420**	$ 15,959
Efficiency ratio	**43.0 %**	42.3 %	49.1 %	**42.6 %**	47.5 %

The B2B Trust business segment's contribution to net income improved 45%, reaching $11.4 million in the second quarter of 2010, compared with $7.8 million in the second quarter of 2009.

Total revenue increased by $5.7 million, from $23.9 million in the second quarter of 2009, to $29.6 million in the second quarter of 2010. Net interest income increased markedly by $5.4 million as a combined result of volume growth and improved margins. Results for the second quarter of 2009 were particularly affected by the lower interest rate environment, as well as the promotional pricing related to the launch of the High Interest Investment Account. Loan losses, including losses on investment lending activities, remained low at $0.5 million in the second quarter of 2010, compared with $0.7 million in the second quarter of 2009. Non-interest expenses increased slightly to $12.8 million in the second quarter of 2010, compared with $11.7 million in the second quarter of 2009, mainly as a result of higher salary and employee benefits.

For the six months ended April 30, 2010, net income improved by 40% to $22.4 million, as higher revenue more than offset increases in expenses, essentially for the same reasons as noted above.

Balance sheet highlights

- Loans up 19% or $800 million over the last 12 months
- Increase in deposits of $1.0 billion over the last 12 months, to $9.4 billion as at April 30, 2010

Laurentian Bank Securities and Capital Markets

As of November 1, 2009, certain Bank's capital market activities which were previously reported in the Other segment are now reported with Laurentian Bank Securities activities under the newly formed Laurentian Bank Securities and Capital Markets business segment. Comparative figures were reclassified to conform to the current period presentation.

In thousands of dollars, except percentage amounts (Unaudited)	FOR THE THREE MONTHS ENDED APRIL 30 2010	JANUARY 31 2010	APRIL 30 2009	FOR THE SIX MONTHS ENDED APRIL 30 2010	APRIL 30 2009
Total revenue	**$ 15,280**	$ 14,487	$ 14,013	**$ 29,767**	$ 26,275
Net income	**$ 2,586**	$ 1,834	$ 3,344	**$ 4,420**	$ 5,867
Efficiency ratio	**76.3 %**	80.6 %	65.8 %	**78.4 %**	68.0 %

The Laurentian Bank Securities and Capital Markets business segment's contribution to net income amounted to $2.6 million in the second quarter of 2010, compared with $3.3 million in the second quarter of 2009. Revenues continued their progression and increased by 9% to $15.3 million in the second quarter of 2010, mainly as a result of the strong performance from Laurentian Bank Securities Institutional Equity and Retail operations, which more than compensated the decline from the other capital markets operations. Non-interest expenses increased to $11.7 million in the second quarter of 2010, from $9.2 million in the second quarter of 2009, due primarily to an increase in variable compensation in the brokerage business.

For the six months ended April 30, 2010, net income decreased by 25% or $1.5 million compared to the same period last year, as the increase in revenues from Laurentian Bank Securities was offset by lower income from other capital market operations and higher non-interest expenses. The increase in expenses essentially results from variable compensation in the brokerage business.

Balance sheet highlight

- Assets under management up 27% or $468 million over the last 12 months

Other Sector

Certain Bank capital market activities, as well as foreign exchange and international services, which were previously reported in the Other segment, are now reported with the Laurentian Bank Securities and Capital Markets and Real Estate & Commercial business segments. Comparative figures were reclassified to conform to the current period presentation.

In thousands of dollars (Unaudited)	FOR THE THREE MONTHS ENDED APRIL 30 2010	JANUARY 31 2010	APRIL 30 2009	FOR THE SIX MONTHS ENDED APRIL 30 2010	APRIL 30 2009
Total revenue	**$ (7,309)**	$ (3,968)	$ (8,052)	**$ (11,277)**	$ (12,063)
Net loss	**$ (9,333)**	$ (6,121)	$ (7,378)	**$ (15,454)**	$ (11,200)

The Other sector posted a negative contribution to net income of $9.3 million in the second quarter of 2010, compared with a negative contribution of $7.4 million in the second quarter of 2009. Net interest income improved to negative $8.7 million in the second quarter of 2010, compared to negative $17.8 million in the second quarter of 2009. In the second quarter of 2009, net interest income had been particularly affected by higher funding costs and lower margins on liquid assets. Other income for the second quarter of 2010 was $1.4 million, compared to $9.7 million for the second quarter of 2009. This decrease mainly results from lower income from securitization.

For the six months ended April 30, 2010, the negative contribution stood at $15.5 million, compared to negative $11.2 million for the six months ended April 30, 2009. Net interest income improved, as noted above, as the interest rate conditions were more favourable. However, securitization income declined as credit spreads narrowed and the Bank focused less on securitization for funding purposes, having witnessed a solid inflow of retail deposits.

Additional Financial Information – Quarterly Results

In thousands of dollars, except per share and percentage amounts (Unaudited)	APRIL 30 2010	JANUARY 31 2010	OCTOBER 31 2009	JULY 31 2009	APRIL 30 2009	JANUARY 31 2009	OCTOBER 31 2008	JULY 31 2008
Total revenue	**$ 178,113**	$ 180,449	$ 178,540	$ 176,657	$ 154,768	$ 156,537	$ 152,811	$ 171,095
Income from continuing operations	**$ 28,349**	$ 32,014	$ 26,779	$ 28,683	$ 21,155	$ 25,047	$ 22,910	$ 30,937
Net income	**$ 28,349**	$ 32,014	$ 38,248	$ 28,683	$ 21,155	$ 25,047	$ 27,333	$ 30,937
Income per common share from continuing operations								
Basic	**$ 1.06**	$ 1.21	$ 0.99	$ 1.08	$ 0.76	$ 0.92	$ 0.84	$ 1.17
Diluted	**$ 1.06**	$ 1.21	$ 0.99	$ 1.08	$ 0.76	$ 0.91	$ 0.84	$ 1.17
Net income per common share								
Basic	**$ 1.06**	$ 1.21	$ 1.47	$ 1.08	$ 0.76	$ 0.92	$ 1.02	$ 1.17
Diluted	**$ 1.06**	$ 1.21	$ 1.47	$ 1.08	$ 0.76	$ 0.91	$ 1.02	$ 1.17
Return on common shareholders' equity (1)	**10.9 %**	12.3 %	15.3 %	11.6 %	8.5 %	10.0 %	11.5 %	13.4 %
Balance sheet assets (in millions of dollars)	**$ 23,089**	$ 23,184	$ 22,165	$ 21,316	$ 20,403	$ 19,868	$ 19,579	$ 19,301

(1) With regard to the calculation of the Return on common shareholders' equity ratio, the Bank considers that net income is the best measure of profitability and that common shareholders' equity, excluding accumulated other comprehensive income, would be used as a capital measure. The calculation of the Bank's book value is also based on common shareholders' equity, excluding accumulated other comprehensive income.

Accounting Policies

A summary of the Bank's significant accounting policies is presented in notes 2 and 3 of the 2009 audited annual consolidated financial statements. Pages 51 to 53 of the 2009 Annual Report also contain a discussion of critical accounting policies and estimates which refers to material amounts reported in the consolidated financial statements or require management's judgment. The interim consolidated financial statements for the second quarter of 2010 have been prepared in accordance with these accounting policies.

Future changes in accounting policy

International Financial Reporting Standards

In February 2008, the AcSB confirmed the convergence of financial reporting standards for Canadian public companies with International Financial Reporting Standards (IFRS). The Bank will use IFRS for interim and annual financial statements relating to fiscal periods beginning on or after November 1, 2011.

The Bank has prepared a conversion plan and assembled a project team, including both internal and external resources, to coordinate and execute the conversion to IFRS. The Bank considers having the appropriate resources to finalize the IFRS conversion plan on schedule.

The conversion plan consists of the following phases:

- Preliminary assessment – This phase serves to heighten management's awareness of the key conversion issues and establish a timeline mapping out the Bank's priorities with regard to analyses and significant issues.
- Financial standards analysis – This phase consists of a detailed assessment of the quantitative, qualitative and technological impact of IFRS implementation.
- Selection of key accounting policies – The initial adoption of IFRS will require the Bank to make certain elections.
- Implementation – This phase consists of implementing the necessary information systems to comply with the new IFRS requirements.

The Bank completed its preliminary assessment of the IFRS impact during the planning stage of the project in early 2009. Work on the financial standards analysis is well underway and nearly completed at the end of the second quarter, subject to changes to IFRS by the International Accounting Standards Board (IASB). The selection of key accounting policies are currently being assessed concurrently with standards analysis. The Bank is now progressing to the implementation of the necessary changes to processes and systems. The implementation phase is expected to be completed by the end of fiscal 2011. The Bank has therefore not finalized the estimation and analysis of the expected financial impact on the Bank's reported results from the change to IFRS as at the end of the second quarter of 2010.

Another important component of the IFRS conversion plan consists of training key finance and operational staff. This is an ongoing process which was initiated in 2008. As the Bank progresses in the conversion plan in 2010, it will communicate educational information of the IFRS implications to the various constituents affected by the change. The Bank has put in place a Steering Committee that is responsible to ensure the conversion plan is adequately followed. The Bank's Board of Directors, mainly through the Audit Committee members, are also involved in the IFRS conversion plan. They receive quarterly reviews of the timeline for implementation, the implications of IFRS standards on the business and an overview of the impact on the financial statements. The Audit Committee will continue to receive quarterly project status updates to ensure proper oversight of the conversion project.

The following project statuses have been presented to the Audit Committee:

First quarter of 2010

- A preliminary IFRS analysis, which consisted of an assessment of the quantitative, qualitative and technological impact of IFRS implementation;
- A list of potential accounting policy choices at the transition date and going forward;
- A list of technological changes which have been identified with respect to certain items, namely hedging, securitization, impaired loans, share-based compensation and customer loyalty programs. The necessary adjustments to the information system supporting these items are expected to be completed before the end of the year 2010.

Second quarter of 2010

- An assessment of the main IFRS disclosure impacts, based on the year end October 31 2009 financial statements. This exercise was aimed at identifying the areas where additional information of disclosure is required.
- A communication plan highlighting the impact for all the identified constituents.

The following key areas of difference between the Bank's current accounting practices and the corresponding accounting treatment under IFRS have been identified:

a) Loan provisioning

In line with current Canadian GAAP, the Bank's provisioning for impaired loans is designed to take account incurred losses in the Bank's loan portfolio. This principle will not change as IFRS also currently require that provisioning be based on incurred losses. However, under IFRS, loan losses and allowances will be presented based on whether they are assessed individually or collectively for groups of similar loans. The methodologies to calculate these provisions are still being developed. As a result, there may be changes in the amount of the Bank's collective provisioning, mainly for loans which are not classified as impaired.

Provisions for loan losses must be based on the discounted values of estimated future cash flows. The discount unwinds during the period between the initial recognition of the provision and the eventual recovery of the written down amount, resulting in the recording of interest in the statement of income, within interest income. Under Canadian GAAP, the unwinding is presented as a credit to provision for credit losses.

b) Securitization

The combined effect of financial asset derecognition rules and the consolidation of special purpose entity rules will impact securitization arrangements involving the Bank's off balance sheet loans. The rules provide more stringent criteria for the derecognition of financial assets. Based on initial assessments, the criteria would not be met. This should lead to a significant gross-up of the Bank's balance sheet. In addition, prior gains and losses related to these transactions would be eliminated and the corresponding net interest income recorded in period earnings.

c) Employee benefits

At transition, IFRS generally provide for a retrospective adoption of the Employee Benefits standard (IAS 19). To date, the Bank has not undertaken the task to determine this potential impact given the significant challenge resulting from the complexity of pension benefits and the fact that the Bank has been offering pension plans for more than 30 years. However, IFRS gives the choice to not retrospectively apply IAS 19. If this election is made, gains and losses accumulated to the date of transition will be eliminated. This may have a significant effect on shareholders' equity. Actuarial gains or losses post transition to IFRS can be recognized immediately into earnings, amortized to earnings using a “Corridor Method” similar to Canadian GAAP, or directly into equity (the “SORIE Method”). The Bank is currently assessing the options and will make elections, when new BIS capital requirements are defined, presumably toward the end of the year 2010.

d) Share-based payments

IFRS introduces a new requirement for the Bank to recognize as an expense the fair value of stock appreciation rights. Under Canadian GAAP, these rights are presently accounted for using the intrinsic value method. This should lead to an adjustment of the Bank's financial liabilities and shareholders' equity. With respect to stock option awards granted prior to November 1, 2002, the Bank is not required to apply the standard IFRS 2 – Share based payment retrospectively, therefore, the Bank will continue to apply the previous Canadian GAAP standards under which no compensation cost is recognized for these options. In the second quarter of 2010, a new software application has been implemented that will allow the Bank to automate the calculations and ensure appropriate internal controls.

e) Business combinations

IFRS 3 and section 1582 of the CICA Handbook have been harmonized since January 2009. Henceforth, there will be no accounting differences beyond the IFRS transition date. However, at the transition date, the Bank has to make an election to either apply IFRS 3 retrospectively to all past business acquisitions before a chosen date or apply it prospectively from the transition date. The Bank is currently analyzing the impact of the two options and will make an election in the coming months.

f) Earnings per share

IAS 33 is similar to section 3500 of the CICA Handbook on various elements. However, based on preliminary assessments, the Bank's perpetual preferred shares must be included in the calculation of the diluted earnings per share as they may be converted into common shares; even though the conversion option lies with the Bank.

Throughout the current year and the period leading up to the transition to IFRS in 2012, the Bank will continue to follow the above-mentioned accounting policies and finalize its assessment of policy decisions available under IFRS in order to prepare the Bank for an orderly transition to IFRS. Moreover, as the review of accounting policies is completed, appropriate changes to ensure the integrity of internal control over financial reporting and disclosure controls and procedures will be made. Based on existing IFRS, the Bank has not identified the need for any significant modifications to its financial information technology architecture or to existing internal controls over financial reporting and disclosure.

The evolving nature of IFRS will likely also result in additional accounting changes, some of which may be significant, in the years following our initial transition. We continue to monitor changes in the standards and to adjust our transition accordingly.

In addition, the Bank is specifically addressing lending practices and capital issues, as summarized below, as well as all other matters to ensure an orderly transition.

Lending practices
The transition to IFRS will not only impact the Bank's financial statements, but also some of its clients' financial statements. This will have repercussions on the various loan covenants monitored by underwriting groups and the credit department. The Bank is currently working on developing information programs for commercial account managers as well as credit analysts, to foster a better internal understanding of IFRS to properly analyze the clients' IFRS financial statements and the impacts on ratios and covenants.

Capital implications
The Bank is closely monitoring the potential impact of IFRS conversion on capital requirements. Securitization and employee benefits are the two main areas which could have a significant impact on capital.

Corporate Governance and Changes in Internal Control over Financial Reporting

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 Executive Vice-President and Chief Financial Officer in assuring that Laurentian Bank's interim consolidated financial statements are fairly presented.

During the quarter ended April 30, 2010, there have been no changes in the Bank's policies or procedures and other processes that comprise its internal control over financial reporting which have materially affected, or are reasonably likely to materially affect, the Bank's internal control over financial reporting.

About Laurentian Bank

Laurentian Bank of Canada is a banking institution operating across Canada and offering its clients diversified financial services. Distinguishing itself through excellence in service, as well as through its simplicity and proximity, the Bank serves individual consumers and small and medium-sized businesses. The Bank also offers its products to a wide network of independent financial intermediaries through B2B Trust, as well as full-service brokerage solutions through Laurentian Bank Securities.

Laurentian Bank is well established in the Province of Quebec, operating the third-largest retail branch network. Elsewhere throughout Canada, it operates in specific market segments where it holds an enviable position. Laurentian Bank of Canada has more than $23 billion in balance sheet assets and more than $14 billion in assets under administration. Founded in 1846, the Bank employs more than 3,600 people.

Conference Call

Laurentian Bank invites media representatives and the public to listen to the conference call with financial analysts to be held at 3:30 p.m. Eastern Time on Wednesday, May 26, 2010. The live, listen-only, toll-free, call-in number is 1-888-789-9572.

You can listen to the call on a delayed basis at any time from 6:00 p.m. on Wednesday, May 26, until midnight on Friday, June 18th, 2010, by dialing the following playback number: 1-800-408-3053 Code 2555817#. The conference call can also be heard through the Investor Relations section of the Bank's Web site at www.laurentianbank.ca. The Bank's Website also offers additional financial information.

Chief Financial Officer: Michel C. Lauzon, 514-284-4500 #7997
Media and Investor Relations contact: Gladys Caron, 514-284-4500 #7511; cell 514-893-3963

CONSOLIDATED BALANCE SHEET

IN THOUSANDS OF DOLLARS (UNAUDITED)	NOTES	**AS AT APRIL 30 2010**	AS AT OCTOBER 31 2009	AS AT APRIL 30 2009
ASSETS				
Cash and non-interest-bearing deposits with other banks		**$ 63,245**	$ 61,010	$ 60,383
Interest-bearing deposits with other banks		**194,816**	239,606	241,564
Securities accounts	9			
Available-for-sale		**1,061,319**	1,424,043	1,498,457
Held-for-trading		**1,490,777**	1,391,313	856,691
Designated as held-for-trading		**1,591,334**	1,616,827	1,434,664
		4,143,430	4,432,183	3,789,812
Assets purchased under reverse repurchase agreements		**569,066**	536,064	539,859
Loans	2 and 3			
Personal		**5,728,762**	5,655,055	5,732,010
Residential mortgage		**8,101,340**	7,219,830	6,334,599
Commercial mortgage		**1,408,973**	1,285,012	1,053,537
Commercial and other		**1,722,876**	1,555,956	1,492,038
		16,961,951	15,715,853	14,612,184
Allowance for loan losses		**(124,178)**	(114,546)	(113,129)
		16,837,773	15,601,307	14,499,055
Other				
Customers' liabilities under acceptances		**148,399**	216,817	132,670
Premises and equipment		**57,081**	58,163	58,317
Derivative financial instruments		**254,369**	253,661	283,590
Goodwill		**53,790**	53,790	53,790
Software and other intangible assets		**103,030**	103,386	95,122
Other assets		**664,014**	608,793	648,975
		1,280,683	1,294,610	1,272,464
		$ 23,089,013	$ 22,164,780	$ 20,403,137
LIABILITIES AND SHAREHOLDERS' EQUITY				
Deposits				
Personal		**$ 15,413,194**	$ 15,138,637	$ 14,489,829
Business, banks and other		**3,323,558**	3,161,329	2,770,934
		18,736,752	18,299,966	17,260,763
Other				
Obligations related to assets sold short		**1,220,759**	1,054,470	571,182
Obligations related to assets sold under repurchase agreements		**590,168**	284,988	183,424
Acceptances		**148,399**	216,817	132,670
Derivative financial instruments		**231,750**	174,859	147,930
Other liabilities		**827,449**	812,454	825,590
		3,018,525	2,543,588	1,860,796
Subordinated debentures		**150,000**	150,000	150,000
Shareholders' equity				
Preferred shares	4	**210,000**	210,000	210,000
Common shares	4	**259,363**	259,208	257,496
Contributed surplus		**226**	209	193
Retained earnings		**702,530**	665,538	620,732
Accumulated other comprehensive income	8	**11,617**	36,271	43,157
		1,183,736	1,171,226	1,131,578
		$ 23,089,013	$ 22,164,780	$ 20,403,137

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 MONTHS ENDED APRIL 30 2010	JANUARY 31 2010	APRIL 30 2009	FOR THE SIX MONTHS ENDED APRIL 30 2010	APRIL 30 2009
Interest income						
Loans		**$ 180,142**	$ 182,747	$ 171,158	**$ 362,889**	$ 361,806
Securities		**17,241**	17,639	16,723	**34,880**	35,188
Deposits with other banks		**60**	53	509	**113**	3,523
Other, including derivative financial instruments		**29,434**	34,076	34,257	**63,510**	56,532
		226,877	234,515	222,647	**461,392**	457,049
Interest expense						
Deposits		**106,778**	111,498	125,571	**218,276**	254,645
Other, including derivative financial instruments		**579**	351	1,116	**930**	5,794
Subordinated debentures		**1,887**	1,950	1,887	**3,837**	3,834
		109,244	113,799	128,574	**223,043**	264,273
Net interest income		**117,633**	120,716	94,073	**238,349**	192,776
Other income						
Fees and commissions on loans and deposits		**28,488**	26,979	24,665	**55,467**	48,274
Income from brokerage operations		**13,742**	12,665	10,754	**26,407**	19,445
Securitization income	3	**328**	4,180	8,594	**4,508**	19,119
Credit insurance income		**4,556**	4,183	3,768	**8,739**	7,828
Income from sales of mutual funds		**3,786**	3,526	2,985	**7,312**	5,821
Income from treasury and financial market operations		**4,576**	4,159	5,979	**8,735**	10,554
Income from registered self-directed plans		**2,313**	2,088	2,038	**4,401**	4,017
Other		**2,691**	1,953	1,912	**4,644**	3,471
		60,480	59,733	60,695	**120,213**	118,529
Total revenue		**178,113**	180,449	154,768	**358,562**	311,305
Provision for loan losses	2	**16,000**	16,000	12,000	**32,000**	24,000
Non-interest expenses						
Salaries and employee benefits		**67,617**	65,225	60,414	**132,842**	120,803
Premises and technology		**32,017**	32,142	29,790	**64,159**	57,775
Other		**23,915**	23,016	23,830	**46,931**	46,188
		123,549	120,383	114,034	**243,932**	224,766
Income before income taxes		**38,564**	44,066	28,734	**82,630**	62,539
Income taxes		**10,215**	12,052	7,579	**22,267**	16,337
Net income		**$ 28,349**	$ 32,014	$ 21,155	**$ 60,363**	$ 46,202
Preferred share dividends, including applicable taxes		**3,074**	3,074	3,004	**6,148**	6,226
Net income available to common shareholders		**$ 25,275**	$ 28,940	$ 18,151	**$ 54,215**	$ 39,976
Average number of common shares outstanding (in thousands)						
Basic		**23,921**	23,919	23,849	**23,920**	23,849
Diluted		**23,937**	23,935	23,855	**23,936**	23,863
Net income per common share						
Basic		**$ 1.06**	$ 1.21	$ 0.76	**$ 2.27**	$ 1.68
Diluted		**$ 1.06**	$ 1.21	$ 0.76	**$ 2.26**	$ 1.68

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 MONTHS ENDED APRIL 30 2010	FOR THE THREE MONTHS ENDED APRIL 30 2009	FOR THE SIX MONTHS ENDED APRIL 30 2010	FOR THE SIX MONTHS ENDED APRIL 30 2009
Net income		**$ 28,349**	$ 21,155	**$ 60,363**	$ 46,202
Other comprehensive income, net of income taxes	8				
Unrealized gains on available-for-sale securities		**895**	8,369	**3,693**	855
Reclassification of (gains) losses on available-for-sale securities to net income		**(1,480)**	(45)	**(1,877)**	672
Net change in value of derivative instruments designated as cash flow hedges		**(24,232)**	7,763	**(26,470)**	22,804
		(24,817)	16,087	**(24,654)**	24,331
Comprehensive income		**$ 3,532**	$ 37,242	**$ 35,709**	$ 70,533

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 MONTHS ENDED APRIL 30 2010	FOR THE SIX MONTHS ENDED APRIL 30 2009
Preferred shares			
Balance at beginning and end of period		**$ 210,000**	$ 210,000
Common shares	4		
Balance at beginning of period		**259,208**	257,462
Issued during the period under share purchase option plan	5	**155**	34
Balance at end of period		**259,363**	257,496
Contributed surplus			
Balance at beginning of period		**209**	173
Stock-based compensation	5	**17**	20
Balance at end of period		**226**	193
Retained earnings			
Balance at beginning of period		**665,538**	596,974
Net income		**60,363**	46,202
Dividends			
Preferred shares, including applicable taxes		**(6,148)**	(6,226)
Common shares		**(17,223)**	(16,218)
Balance at end of period		**702,530**	620,732
Accumulated other comprehensive income	8		
Balance at beginning of period		**36,271**	18,826
Other comprehensive income, net of income taxes		**(24,654)**	24,331
Balance at end of period		**11,617**	43,157
Shareholders' equity		**$ 1,183,736**	$ 1,131,578

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

CONSOLIDATED STATEMENT OF CASH FLOWS

IN THOUSANDS OF DOLLARS (UNAUDITED)	FOR THE THREE MONTHS ENDED APRIL 30 2010	JANUARY 31 2010	APRIL 30 2009	FOR THE SIX MONTHS ENDED APRIL 30 2010	APRIL 30 2009
Cash flows relating to operating activities					
Net income	**$ 28,349**	$ 32,014	$ 21,155	**$ 60,363**	$ 46,202
Adjustments to determine net cash flows relating to operating activities:					
Provision for loan losses	**16,000**	16,000	12,000	**32,000**	24,000
Gains on securitization operations	**(5,017)**	(3,185)	(9,229)	**(8,202)**	(25,901)
Net loss (gain) on disposal of non-trading securities	**(627)**	(1,789)	725	**(2,416)**	3,410
Future income taxes	**4,155**	5,470	4,294	**9,625**	11,613
Depreciation	**2,667**	2,621	2,802	**5,288**	5,556
Amortization of software and other intangible assets	**6,446**	6,381	5,391	**12,827**	10,682
Net change in held-for-trading securities	**571,817**	(671,281)	196,179	**(99,464)**	212,506
Change in accrued interest receivable	**(14,262)**	12,463	(14,919)	**(1,799)**	(5,543)
Change in assets relating to derivative financial instruments	**(21,836)**	21,128	(5,299)	**(708)**	(45,886)
Change in accrued interest payable	**7,744**	(12,886)	4,480	**(5,142)**	(7,169)
Change in liabilities relating to derivative financial instruments	**59,511**	(2,620)	13,901	**56,891**	461
Other, net	**(46,603)**	2,137	(15,561)	**(44,466)**	(44,913)
	608,344	(593,547)	215,919	**14,797**	185,018
Cash flows relating to financing activities					
Net change in deposits	**310,418**	126,368	1,687,893	**436,786**	1,926,951
Change in obligations related to assets sold short	**(294,918)**	461,207	(334,147)	**166,289**	(248,054)
Change in obligations related to assets sold under repurchase agreements	**(127,699)**	432,879	(968,424)	**305,180**	(952,672)
Issuance of common shares	**9**	146	-	**155**	34
Dividends, including applicable income taxes	**(11,686)**	(11,685)	(11,113)	**(23,371)**	(22,444)
	(123,876)	1,008,915	374,209	**885,039**	703,815
Cash flows relating to investing activities					
Change in securities available-for-sale and designated as held-for-trading					
Acquisitions	**(951,316)**	(1,023,593)	(1,807,299)	**(1,974,909)**	(2,806,215)
Proceeds on sale and at maturities	**894,412**	1,448,322	1,497,435	**2,342,734**	2,333,284
Change in loans	**(826,470)**	(726,143)	(467,955)	**(1,552,613)**	(854,998)
Change in assets purchased under reverse repurchase agreements	**246,383**	(279,385)	35,480	**(33,002)**	121,532
Proceeds from mortgage loan securitizations	**182,256**	101,512	171,816	**283,768**	483,932
Additions to premises and equipment and software, net of disposals	**(11,018)**	(5,659)	(8,356)	**(16,677)**	(13,122)
Change in interest-bearing deposits with other banks	**(20,454)**	65,244	(596)	**44,790**	(147,273)
Cash flows from discontinued operations	**-**	8,308	-	**8,308**	-
	(486,207)	(411,394)	(579,475)	**(897,601)**	(882,860)
Net change in cash and non-interest-bearing deposits with other banks during the period	**(1,739)**	3,974	10,653	**2,235**	5,973
Cash and non-interest-bearing deposits with other banks at beginning of period	**64,984**	61,010	49,730	**61,010**	54,410
Cash and non-interest-bearing deposits with other banks at end of period	**$ 63,245**	$ 64,984	$ 60,383	**$ 63,245**	$ 60,383
Supplemental disclosure relating to cash flows:					
Interest paid during the period	**$ 103,324**	$ 126,503	$ 115,043	**$ 229,827**	$ 261,646
Income taxes paid during the period	**$ 7,654**	$ 11,279	$ 1,709	**$ 18,933**	$ 9,998

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

ALL TABULAR AMOUNTS ARE IN THOUSANDS OF DOLLARS, UNLESS OTHERWISE INDICATED (UNAUDITED)

1. ACCOUNTING POLICIES

These unaudited interim consolidated financial statements of Laurentian Bank of Canada (the “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 and follow the same significant accounting policies as those in the Bank's audited annual consolidated financial statements as at October 31, 2009. 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 audited annual consolidated financial statements as at October 31, 2009. These interim consolidated financial statements reflect amounts which are based on the best estimates and judgment of management. Actual results may differ from these estimates. Certain comparative figures have been reclassified to conform to the current period presentation.

Future changes to accounting policies

International Financial Reporting Standards

The AcSB confirmed the convergence of financial reporting standards for Canadian public companies with International Financial Reporting Standards (IFRS). The Bank will use IFRS for interim and annual financial statements relating to periods beginning as of November 1, 2011. The Bank is assessing the impact of IFRS on its consolidated financial statements upon adoption in the first quarter of 2012.

2. LOANS

Loans and impaired loans

AS AT APRIL 30, 2010

	GROSS AMOUNT OF LOANS	GROSS AMOUNT OF IMPAIRED LOANS	SPECIFIC ALLOWANCES	GENERAL ALLOWANCES	TOTAL ALLOWANCES
Personal loans	**$ 5,728,762**	**$ 20,771**	**$ 6,153**	**$ 31,670**	**$ 37,823**
Residential mortgages	**8,101,340**	**28,377**	**1,639**	**2,861**	**4,500**
Commercial mortgages	**1,408,973**	**29,130**	**6,104**	**4,599**	**10,703**
Commercial and other loans	**1,722,876**	**83,652**	**37,032**	**34,120**	**71,152**
	$ 16,961,951	**$ 161,930**	**$ 50,928**	**$ 73,250**	**$ 124,178**

AS AT OCTOBER 31, 2009

	GROSS AMOUNT OF LOANS	GROSS AMOUNT OF IMPAIRED LOANS	SPECIFIC ALLOWANCES	GENERAL ALLOWANCES	TOTAL ALLOWANCES
Personal loans	$ 5,655,055	$ 23,738	$ 7,048	$ 33,713	$ 40,761
Residential mortgages	7,219,830	32,368	1,878	2,956	4,834
Commercial mortgages	1,285,012	11,230	2,525	5,000	7,525
Commercial and other loans	1,555,956	70,158	29,845	31,581	61,426
	$ 15,715,853	$ 137,494	$ 41,296	$ 73,250	$ 114,546

AS AT APRIL 30, 2009

	GROSS AMOUNT OF LOANS	GROSS AMOUNT OF IMPAIRED LOANS	SPECIFIC ALLOWANCES	GENERAL ALLOWANCES	TOTAL ALLOWANCES
Personal loans	$ 5,732,010	$ 22,057	$ 7,738	$ 31,695	$ 39,433
Residential mortgages	6,334,599	24,025	1,986	3,976	5,962
Commercial mortgages	1,053,537	6,057	1,908	5,660	7,568
Commercial and other loans	1,492,038	73,538	28,247	31,919	60,166
	$ 14,612,184	$ 125,677	$ 39,879	$ 73,250	$ 113,129

2. LOANS (CONTINUED)
Specific allowances for loan losses

					FOR THE SIX MONTHS ENDED APRIL 30	
					2010	2009
	PERSONAL LOANS	**RESIDENTIAL MORTGAGES**	**COMMERCIAL MORTGAGES**	**COMMERCIAL AND OTHER LOANS**	**TOTAL SPECIFIC ALLOWANCES**	TOTAL SPECIFIC ALLOWANCES
Balance at beginning of period	**$ 7,048**	**$ 1,878**	**$ 2,525**	**$ 29,845**	**$ 41,296**	$ 39,184
Provision for loan losses recorded in the consolidated statement of income	**16,249**	**433**	**3,863**	**11,455**	**32,000**	24,000
Write-offs	**(20,617)**	**(772)**	**(284)**	**(4,283)**	**(25,956)**	(26,978)
Recoveries	**3,473**	**100**	**-**	**15**	**3,588**	3,673
Balance at end of period	**$ 6,153**	**$ 1,639**	**$ 6,104**	**$ 37,032**	**$ 50,928**	$ 39,879

Loans past due but not impaired

Personal and residential mortgage loans past due shown in the table below are not classified as impaired because they are less than 90 days past due or they are secured such as to reasonably expect full recovery. Commercial loans past due but not impaired are not significant.

				AS AT APRIL 30, 2010
	1 TO 31 DAYS	**32 TO 90 DAYS**	**OVER 90 DAYS**	**TOTAL**
Personal loans	**$ 92,662**	**$ 28,399**	**$ 6,713**	**$ 127,774**
Residential mortgages	**238,262**	**52,618**	**26,898**	**317,778**
	$ 330,924	**$ 81,017**	**$ 33,611**	**$ 445,552**

				AS AT OCTOBER 31, 2009
	1 TO 31 DAYS	32 TO 90 DAYS	OVER 90 DAYS	TOTAL
Personal loans	$ 88,479	$ 30,522	$ 6,275	$ 125,276
Residential mortgages	218,282	43,839	25,756	287,877
	$ 306,761	$ 74,361	$ 32,031	$ 413,153

3. LOAN SECURITIZATION

Under the mortgage-backed securitization program governed by the National Housing Act, the Bank securitizes residential mortgage loans secured by the Canadian Mortgage and Housing Corporation (CMHC) through the creation of mortgage-backed securities. The Bank also securitized conventional residential mortgages prior to 2008. Gains before income taxes, net of transaction costs, are recognized in other income.

The following table summarizes the residential mortgage securitization transactions carried out by the Bank.

	FOR THE THREE MONTHS ENDED			FOR THE SIX MONTHS ENDED	
	APRIL 30 2010	JANUARY 31 2010	APRIL 30 2009	**APRIL 30 2010**	APRIL 30 2009
Cash proceeds, net of transaction costs	**$ 182,256**	$ 101,512	$ 171,816	**$ 283,768**	$ 483,932
Rights to future excess spreads	**10,524**	4,824	15,180	**15,348**	43,487
Servicing liability	**(1,636)**	(689)	(1,301)	**(2,325)**	(4,099)
Other	**(883)**	(400)	(2,735)	**(1,283)**	(7,793)
	190,261	105,247	182,960	**295,508**	515,527
Residential mortgages securitized and sold	**(182,609)**	(101,538)	(172,039)	**(284,147)**	(484,441)
Write-off of loan origination costs	**(2,635)**	(524)	(1,692)	**(3,159)**	(5,185)
Gains before income taxes	**$ 5,017**	$ 3,185	$ 9,229	**$ 8,202**	$ 25,901

3. LOAN SECURITIZATION (CONTINUED)

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 are summarized as follows.

	DURING THE QUARTER ENDED		
	APRIL 30 2010	JANUARY 31 2010	APRIL 30 2009
Weighted average term (months)	**36**	27	30
Rate of prepayment	**18.0 %**	17.6 %	20.8 %
Discount rate	**1.9 %**	1.3 %	1.4 %

No loss is expected on insured residential mortgages.

Securitization income, as reported in the consolidated statement of income, is detailed in the following table.

	FOR THE THREE MONTHS ENDED			FOR THE SIX MONTHS ENDED	
	APRIL 30 2010	JANUARY 31 2010	APRIL 30 2009	**APRIL 30 2010**	APRIL 30 2009
Gains on securitization operations	**$ 5,017**	$ 3,185	$ 9,229	**$ 8,202**	$ 25,901
Changes in fair value of retained interests related to excess spreads, securitization swaps and financial instruments held for economic hedging purposes	**(4,506)**	667	(2,042)	**(3,839)**	(9,351)
Loan management income	**1,977**	1,975	1,820	**3,952**	3,655
Other	**(2,160)**	(1,647)	(413)	**(3,807)**	(1,086)
	$ 328	$ 4,180	$ 8,594	**$ 4,508**	$ 19,119

As at April 30, 2010, the Bank held rights to future excess spreads of $87,439,000 (of which $85,489,000 related to insured mortgages) and cash reserve accounts of $10,726,000.

The total principal amount of securitized residential mortgages outstanding amounted to $2,590,808,000 as at April 30, 2010 ($2,702,762,000 as at October 31, 2009).

4. CAPITAL STOCK

Issuance of common shares

During the quarter, 275 common shares were issued to management under the Bank's employee share purchase option plan for a cash consideration of $9,000 (6,999 common shares for a cash consideration of $155,000 during the six-month period ended April 30, 2010).

ISSUED AND OUTSTANDING	AS AT APRIL 30, 2010		AS AT OCTOBER 31, 2009	
IN THOUSANDS OF DOLLARS, EXCEPT NUMBER OF SHARES	**NUMBER OF SHARES**	**AMOUNT**	NUMBER OF SHARES	AMOUNT
Class A Preferred Shares (1)				
Series 9	**4,000,000**	**$ 100,000**	4,000,000	$ 100,000
Series 10	**4,400,000**	**110,000**	4,400,000	110,000
Total preferred shares	**8,400,000**	**$ 210,000**	8,400,000	$ 210,000
Common shares	**23,920,962**	**$ 259,363**	23,913,963	$ 259,208

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

Capital management

Capital must meet minimum regulatory requirements, as defined by the Office of the Superintendent of Financial Institutions Canada (OSFI) and internal capital adequacy objectives.

Regulatory guidelines issued by OSFI require banks to maintain a minimum Tier 1 capital ratio of at least 7% and a Total capital ratio of at least 10%. The Bank is monitoring its regulatory capital based on the Standard Approach for credit risk and on the Basic Indicator Approach for operational risk, as proposed by the Bank for International Settlements regulatory risk-based capital framework (Basel II). In addition, Canadian banks are required to ensure that their assets-to-capital multiple, which is calculated by dividing gross adjusted assets by Total capital, does not exceed a maximum level prescribed by OSFI. The Bank has complied with these requirements throughout the six-month period ended April 30, 2010.

5. STOCK-BASED COMPENSATION

Share purchase option plan

There were no new grants during the first six months of 2010. Information on the outstanding number of options is as follows.

	AS AT APRIL 30, 2010	AS AT OCTOBER 31, 2009
	NUMBER	NUMBER
Share purchase options		
Outstanding at end of period	54,075	61,074
Exercisable at end of period	41,575	36,074

Restricted share unit plan

During the first quarter of 2010, under the restricted share unit plan, annual bonuses for certain employees amounting to $1,651,000 were converted into 38,268 entirely vested restricted share units. Simultaneously, the Bank also granted 22,961 additional restricted share units that will vest in December 2012. There were no new grants during the current quarter.

Performance-based share unit plan

During the first quarter of 2010, under the performance-based share unit plan, the Bank granted 50,426 performance-based share units valued at $43.15 each. Rights to 37.5% of these units will vest after three years. The rights to the remaining units will vest after three years, upon meeting certain financial objectives. There were no new grants during the current quarter.

Stock appreciation rights plan

There were no new grants during the first six months of 2010 under the stock appreciation rights plan.

Stock-based compensation plan expense

The following table presents the expense related to all stock-based compensation plans, net of the effect of related hedging transactions.

	FOR THE THREE MONTHS ENDED			FOR THE SIX MONTHS ENDED	
	APRIL 30 2010	JANUARY 31 2010	APRIL 30 2009	**APRIL 30 2010**	APRIL 30 2009
Stock-based compensation plan expense	**$ 4,658**	$ (71)	$ 238	**$ 4,587**	$ (5,677)
Effect of hedges	**(4,384)**	813	(16)	**(3,571)**	8,013
Total	**$ 274**	$ 742	$ 222	**$ 1,016**	$ 2,336

6. EMPLOYEE FUTURE BENEFITS

	FOR THE THREE MONTHS ENDED			FOR THE SIX MONTHS ENDED	
	APRIL 30 2010	JANUARY 31 2010	APRIL 30 2009	**APRIL 30 2010**	APRIL 30 2009
Defined benefit pension plan expense	**$ 1,992**	$ 1,907	$ 1,140	**$ 3,899**	$ 2,611
Defined contribution pension plan expense	**1,132**	1,093	1,031	**2,225**	2,024
Other plan expense	**825**	853	804	**1,678**	1,636
Total	**$ 3,949**	$ 3,853	$ 2,975	**$ 7,802**	$ 6,271

7. WEIGHTED AVERAGE NUMBER OF OUTSTANDING COMMON SHARES

	FOR THE THREE MONTHS ENDED			FOR THE SIX MONTHS ENDED	
	APRIL 30 2010	JANUARY 31 2010	APRIL 30 2009	**APRIL 30 2010**	APRIL 30 2009
Average number of outstanding common shares	**23,920,906**	23,919,297	23,849,313	**23,920,088**	23,848,894
Dilutive share purchase options	**16,035**	16,110	5,289	**16,073**	14,508
Weighted average number of outstanding common shares	**23,936,941**	23,935,407	23,854,602	**23,936,161**	23,863,402
Average number of share purchase options not taken into account in the calculation of diluted net income per common share (1)	**-**	-	105,400	**-**	51,827

(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 shares during these periods.

8. ADDITIONAL INFORMATION REGARDING OTHER COMPREHENSIVE INCOME

Other comprehensive income

	FOR THE THREE MONTHS ENDED APRIL 30 2010			FOR THE THREE MONTHS ENDED APRIL 30 2009		
	BEFORE INCOME TAXES	**INCOME TAXES**	**NET OF INCOME TAXES**	BEFORE INCOME TAXES	INCOME TAXES	NET OF INCOME TAXES
Unrealized net gains on available-for-sale securities	**$ 1,160**	**$ (265)**	**$ 895**	$ 12,054	$ (3,685)	$ 8,369
Reclassification of net (gains) and losses to net income on available-for-sale securities	**(2,037)**	**557**	**(1,480)**	(64)	19	(45)
	(877)	**292**	**(585)**	11,990	(3,666)	8,324
Net change in value of derivative instruments designated as cash flow hedges	**(34,987)**	**10,755**	**(24,232)**	11,777	(4,014)	7,763
Other comprehensive income	**$ (35,864)**	**$ 11,047**	**$ (24,817)**	$ 23,767	$ (7,680)	$ 16,087

	FOR THE SIX MONTHS ENDED APRIL 30 2010			FOR THE SIX MONTHS ENDED APRIL 30 2009		
	BEFORE INCOME TAXES	**INCOME TAXES**	**NET OF INCOME TAXES**	BEFORE INCOME TAXES	INCOME TAXES	NET OF INCOME TAXES
Unrealized net gains on available-for-sale securities	**$ 5,212**	**$ (1,519)**	**$ 3,693**	$ 1,136	$ (281)	$ 855
Reclassification of net (gains) and losses to net income on available-for-sale securities	**(2,612)**	**735**	**(1,877)**	977	(305)	672
	2,600	**(784)**	**1,816**	2,113	(586)	1,527
Net change in value of derivative instruments designated as cash flow hedges	**(38,535)**	**12,065**	**(26,470)**	34,163	(11,359)	22,804
Other comprehensive income	**$ (35,935)**	**$ 11,281**	**$ (24,654)**	$ 36,276	$ (11,945)	$ 24,331

Accumulated other comprehensive income (net of income taxes)

	CASH FLOW HEDGES	**AVAILABLE-FOR-SALE SECURITIES**	**ACCUMULATED OTHER COMPREHENSIVE INCOME**
Balance at October 31, 2009	**$ 32,596**	**$ 3,675**	**$ 36,271**
Change during the three months ended January 31, 2010	**(2,238)**	**2,401**	**163**
Change during the three months ended April 30, 2010	**(24,232)**	**(585)**	**(24,817)**
Balance at April 30, 2010	**$ 6,126**	**$ 5,491**	**$ 11,617**

	CASH FLOW HEDGES	AVAILABLE-FOR-SALE SECURITIES	ACCUMULATED OTHER COMPREHENSIVE INCOME
Balance at October 31, 2008	$ 35,417	$ (16,591)	$ 18,826
Change during the three months ended January 31, 2009	15,041	(6,797)	8,244
Change during the three months ended April 30, 2009	7,763	8,324	16,087
Balance at April 30, 2009	58,221	(15,064)	43,157
Change during the three months ended July 31, 2009	(17,786)	11,797	(5,989)
Change during the three months ended October 31, 2009	(7,839)	6,942	(897)
Balance at October 31, 2009	$ 32,596	$ 3,675	$ 36,271

9. SUPPLEMENTAL INFORMATION ON FINANCIAL INSTRUMENTS

Securities

Gains and losses on the portfolio of available-for-sale securities

The following gains and losses were recognized in net income with regard to the available-for-sale securities.

	FOR THE THREE MONTHS ENDED			FOR THE SIX MONTHS ENDED	
	APRIL 30 2010	JANUARY 31 2010	APRIL 30 2009	**APRIL 30 2010**	APRIL 30 2009
Realized net gains (losses)	**$ 2,037**	$ 575	$ 64	**$ 2,612**	$ (977)
Writedowns for impairment recognized in net income	**(148)**	-	-	**(148)**	-
Total	**$ 1,889**	$ 575	$ 64	**$ 2,464**	$ (977)

Unrealized gains and losses on the portfolio of available-for-sale securities

The following table presents the gross unrealized gains and unrealized losses on available-for-sale securities, recognized in other comprehensive income.

AS AT APRIL 30, 2010	AMORTIZED COST	UNREALIZED GAINS	UNREALIZED LOSSES	FAIR VALUE
Securities issued or guaranteed				
by Canada (1)	**$ 405,393**	**$ 4**	**$ 38**	**$ 405,359**
by provinces	**428,858**	**2,384**	**550**	**430,692**
Other debt securities	**119,703**	**4,383**	**165**	**123,921**
Asset-backed securities	**22,990**	**763**	**369**	**23,384**
Preferred shares	**42,135**	**696**	**935**	**41,896**
Common shares and other securities	**33,628**	**3,369**	**930**	**36,067**
	$ 1,052,707	**$ 11,599**	**$ 2,987**	**$ 1,061,319**

AS AT OCTOBER 31, 2009	AMORTIZED COST	UNREALIZED GAINS	UNREALIZED LOSSES	FAIR VALUE
Securities issued or guaranteed				
by Canada (1)	$ 686,786	$ 69	$ 13	$ 686,842
by provinces	535,422	4,913	2	540,333
Other debt securities	107,827	6,213	27	114,013
Asset-backed securities	18,545	159	600	18,104
Preferred shares	38,839	763	1,262	38,340
Common shares and other securities	26,959	1,062	1,610	26,411
	$ 1,414,378	$ 13,179	$ 3,514	$ 1,424,043

(1) Including mortgage-backed securities that are fully guaranteed by the CMHC pursuant to the National Housing Act.

Available-for-sale securities are assessed for impairment at each reporting date to determine whether it is probable that the amortized cost of the security would be recovered. As at April 30, 2010, gross unrealized losses on available-for-sale securities were $2,987,000. These unrealized losses are mainly related to publicly traded common and preferred shares. Management believes that these unrealized losses are temporary as the underlying financial conditions and prospects of the issuers have remained sound.

9. SUPPLEMENTAL INFORMATION ON FINANCIAL INSTRUMENTS (CONTINUED)

Financial instruments designated as held-for-trading

Management can elect to designate financial instruments as held-for-trading instruments, with changes in fair value recorded in income, provided that such designations meet specific criteria. Certain securities, retained interests related to securitization activities and retail deposits were designated as held-for-trading in order to significantly reduce recognition inconsistencies that would otherwise arise from recognizing gains and losses on different bases. These financial instruments provide an economic hedge for other financial instruments that are measured at fair value. Gains and losses on these instruments are therefore generally offset by changes in value of other financial instruments. The following table shows the impact of changes in value of these instruments.

	FOR THE THREE MONTHS ENDED			FOR THE SIX MONTHS ENDED	
	APRIL 30 2010	JANUARY 31 2010	APRIL 30 2009	**APRIL 30 2010**	APRIL 30 2009
Included in securitization income	**$ (28,120)**	$ 6,637	$ 3,455	**$ (21,483)**	$ 24,701
Included in income from treasury and financial market operations	**-**	-	139	**-**	94
Total	**$ (28,120)**	$ 6,637	$ 3,594	**$ (21,483)**	$ 24,795

Derivative financial instruments

Ineffective portions of hedging relationships

The following tables shows the ineffective portions of the cumulative changes in fair value of hedging instruments recognized in the consolidated statement of income.

	FOR THE THREE MONTHS ENDED			FOR THE SIX MONTHS ENDED	
	APRIL 30 2010	JANUARY 31 2010	APRIL 30 2009	**APRIL 30 2010**	APRIL 30 2009
Cash flow hedges	**$ (141)**	$ (65)	$ 89	**$ (206)**	$ 124
Fair value hedges	**(105)**	88	(227)	**(17)**	(997)
	$ (246)	$ 23	$ (138)	**$ (223)**	$ (873)

Other information on hedging relationships

Net deferred gains of $3,623,000, included in accumulated other comprehensive income as at April 30, 2010, are expected to be transferred into net income over the next twelve months.

The maximum term of cash flow hedging relationships was ten years as at April 30, 2010.

10. SEGMENTED INFORMATION

As of November 1, 2009, certain capital market activities which were previously reported in the Other segment are now reported with Laurentian Bank Securities activities under the newly formed Laurentian Bank Securities and Capital Markets business segment. In addition, foreign exchange and international services, which were also formerly reported in the Other segment, are now reported in the Real Estate & Commercial segment. The Retail & SME Quebec and B2B Trust business segments were not affected by this reorganization. Comparative figures were reclassified to conform to the current period presentation.

FOR THE THREE MONTHS ENDED APRIL 30, 2010

	R & SME QUEBEC	RE&C	B2B	LBS/CM	OTHER	TOTAL
Net interest income	**$ 78,531**	**$ 20,527**	**$ 26,863**	**$ 436**	**$ (8,724)**	**$ 117,633**
Other income	**32,851**	**8,598**	**2,772**	**14,844**	**1,415**	**60,480**
Total revenue	**111,382**	**29,125**	**29,635**	**15,280**	**(7,309)**	**178,113**
Provision for loan losses	**11,542**	**3,984**	**474**	**-**	**-**	**16,000**
Non-interest expenses	**87,305**	**5,558**	**12,757**	**11,657**	**6,272**	**123,549**
Income (loss) before income taxes	**12,535**	**19,583**	**16,404**	**3,623**	**(13,581)**	**38,564**
Income taxes (recovered)	**2,453**	**5,928**	**5,045**	**1,037**	**(4,248)**	**10,215**
Net income (loss)	**$ 10,082**	**$ 13,655**	**$ 11,359**	**$ 2,586**	**$ (9,333)**	**$ 28,349**
Average assets (1)	**$ 11,869,619**	**$ 2,864,115**	**$ 4,965,651**	**$ 2,570,640**	**$ 680,037**	**$ 22,950,062**

FOR THE THREE MONTHS ENDED JANUARY 31, 2010

	R & SME QUEBEC	RE&C	B2B	LBS/CM	OTHER	TOTAL
Net interest income	$ 81,811	$ 19,911	$ 27,340	$ 485	$ (8,831)	$ 120,716
Other income	30,692	7,679	2,497	14,002	4,863	59,733
Total revenue	112,503	27,590	29,837	14,487	(3,968)	180,449
Provision for loan losses	9,790	5,150	1,060	-	-	16,000
Non-interest expenses	86,502	4,242	12,607	11,680	5,352	120,383
Income (loss) before income taxes	16,211	18,198	16,170	2,807	(9,320)	44,066
Income taxes (recovered)	3,659	5,510	5,109	973	(3,199)	12,052
Net income (loss)	$ 12,552	$ 12,688	$ 11,061	$ 1,834	$ (6,121)	$ 32,014
Average assets (1)	$ 11,752,657	$ 2,800,270	$ 4,738,833	$ 2,461,648	$ 741,713	$ 22,495,121

FOR THE THREE MONTHS ENDED APRIL 30, 2009

	R & SME QUEBEC	RE&C	B2B	LBS/CM	OTHER	TOTAL
Net interest income	$ 74,489	$ 15,342	$ 21,496	$ 526	$ (17,780)	$ 94,073
Other income	29,281	5,782	2,417	13,487	9,728	60,695
Total revenue	103,770	21,124	23,913	14,013	(8,052)	154,768
Provision for loan losses	8,129	3,161	710	-	-	12,000
Non-interest expenses	83,105	6,901	11,740	9,225	3,063	114,034
Income (loss) before income taxes	12,536	11,062	11,463	4,788	(11,115)	28,734
Income taxes (recovered)	2,780	3,462	3,630	1,444	(3,737)	7,579
Net income (loss)	$ 9,756	$ 7,600	$ 7,833	$ 3,344	$ (7,378)	$ 21,155
Average assets (1)	$ 10,849,661	$ 2,285,291	$ 4,231,056	$ 1,855,020	$ 890,012	$ 20,111,040

10. SEGMENTED INFORMATION (CONTINUED)

FOR THE SIX MONTHS ENDED APRIL 30, 2010

	R & SME QUEBEC	RE&C	B2B	LBS/CM	OTHER	TOTAL
Net interest income	**$ 160,342**	**$ 40,438**	**$ 54,203**	**$ 921**	**$ (17,555)**	**$ 238,349**
Other income	**63,543**	**16,277**	**5,269**	**28,846**	**6,278**	**120,213**
Total revenue	**223,885**	**56,715**	**59,472**	**29,767**	**(11,277)**	**358,562**
Provision for loan losses	**21,332**	**9,134**	**1,534**	**-**	**-**	**32,000**
Non-interest expenses	**173,807**	**9,800**	**25,364**	**23,337**	**11,624**	**243,932**
Income (loss) before income taxes	**28,746**	**37,781**	**32,574**	**6,430**	**(22,901)**	**82,630**
Income taxes (recovered)	**6,112**	**11,438**	**10,154**	**2,010**	**(7,447)**	**22,267**
Net income (loss)	**$ 22,634**	**$ 26,343**	**$ 22,420**	**$ 4,420**	**$ (15,454)**	**$ 60,363**
Average assets (1)	**$ 11,810,169**	**$ 2,831,663**	**$ 4,850,362**	**$ 2,515,241**	**$ 711,386**	**$ 22,718,821**

FOR THE SIX MONTHS ENDED APRIL 30, 2009

	R & SME QUEBEC	RE&C	B2B	LBS/CM	OTHER	TOTAL
Net interest income	$ 150,743	$ 29,621	$ 42,611	$ 1,344	$ (31,543)	$ 192,776
Other income	57,826	11,489	4,803	24,931	19,480	118,529
Total revenue	208,569	41,110	47,414	26,275	(12,063)	311,305
Provision for loan losses	17,664	4,815	1,521	-	-	24,000
Non-interest expenses	165,338	13,527	22,516	17,875	5,510	224,766
Income (loss) before income taxes	25,567	22,768	23,377	8,400	(17,573)	62,539
Income taxes (recovered)	5,631	7,128	7,418	2,533	(6,373)	16,337
Net income (loss)	$ 19,936	$ 15,640	$ 15,959	$ 5,867	$ (11,200)	$ 46,202
Average assets (1)	$ 10,794,330	$ 2,247,415	$ 4,197,356	$ 1,828,265	$ 788,748	$ 19,856,114

R & SME Quebec - The Retail & SME Quebec 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, insurance products and trust services. As well, it offers all commercial financial services to the small and medium enterprises in Quebec.

RE&C - The Real Estate & Commercial segment handles real estate financing throughout Canada, commercial financing in Ontario and National accounts, as well as foreign exchange and international 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 encompasses deposit brokerage operations.

LBS/CM - Laurentian Bank Securities and Capital Markets segment consists of the Laurentian Bank Securities Inc. subsidiary and capital market activities.

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

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