LAURENTIAN BANK
OF CANADA

PRESS RELEASE

For immediate release

JUNE 2, 2006

LAURENTIAN BANK OF CANADA REPORTS NET INCOME OF $24.6 MILLION FOR THE SECOND QUARTER OF 2006

Laurentian Bank of Canada reported net income of $24.6 million or $0.91 diluted per common share for the second quarter ended April 30, 2006, compared to $10.6 million or $0.33 diluted per common share for the same period in 2005. Return on common shareholders' equity was 12.5% for the quarter, compared to 4.6% for the same period in 2005. Results for the second quarter of 2006 include a net tax favorable adjustment of $10.7 million resulting from various tax-related issues ($0.45 diluted per common share).

For the six-month period ended April 30, 2006, net income totaled $41.6 million or $1.51 diluted per common share, compared to net income of $27.9 million or $0.93 diluted per common share in 2005. Return on common shareholders' equity was 10.1% for the six-month period ended April 30, 2006, compared to 6.5% for the same period in 2005. For the first six months of 2006, income from continuing operations stood at $41.3 million or $1.49 diluted per common share. Income from continuing operations for the first six months of 2005 was $23.0 million or $0.72 diluted per common share. For 2005, income from discontinued operations consisted of the $5.4 million ($5.2 million net of income taxes) gain resulting from the sale of the BLC-Edmond de Rothschild Asset Management joint-venture and subsequent changes to the value of certain investments related to seed capital.

Raymond McManus, President and Chief Executive Officer, commented on the results of operations: "I am pleased with the improvement in results compared to last year, even when excluding the favorable impact of the tax adjustment. This performance reflects our commitment to generate sustainable earnings from core operations. Revenues improved in all lines of business, while personal deposit and loan volumes also showed significant progress. New initiatives in the Commercial Financial Services and Laurentian Bank Securities segments should also contribute to our future growth."

MANAGEMENT DISCUSSION AND ANALYSIS

Performance and Financial Objectives

Laurentian Bank publishes its financial objectives at the beginning of each financial year and then reports actual results quarterly. The Bank's practice is not to provide interim guidance. Strictly for information purposes, the following table presents the performance compared to objectives that have been set by management for 2006.

Performance for 2006

Performance indicators	2006 Objectives	Six-month period ended April, 30 2006 – Actual
Return on common shareholders' equity	7% to 8%	10.1%
Diluted net income per share	\$2.05 to \$2.35 (annual)	\$1.51
Total revenue	\$522 to \$532 million (annual)	\$260 million
Efficiency ratio	75% to 73.5%	76.2%
Capital ratios		
Tier 1	Minimum of 9.5%	10.3%
Total	Minimum of 12.0%	13.9%
Credit quality (loan losses as a % of average assets)	0.25% to 0.22%	0.24%

Highlights

This section presents the highlights of the second quarter ended April 30, 2006 and details significant items affecting results, when compared to the second quarter of 2005.

- Total revenue stood at \$128.5 million in the second quarter of 2006, compared to \$118.0 million in the second quarter of 2005. The increase results from both the improvement in net interest income and other income.
- Non-interest expenses increased to \$97.5 million in the second quarter of 2006 from \$92.8 million in the second quarter of 2005, mainly in salaries and employee benefits.
- The provision for credit losses was \$10.0 million in the second quarter of 2006 compared to \$8.8 million in the second quarter of 2005.
- Income tax recovery, at \$3.6 million, includes a \$10.7 million net tax favorable adjustment resulting from various tax-related issues (\$0.45 diluted per common share), as detailed below.

Other significant events of the quarter

- On April 4, 2006, the Bank decided to exercise its right to redeem on June 1, 2006 all of its 6.50% Debentures, Series 9, due 2011, for an aggregate principal amount of \$150,000,000.
- On May 2, 2006, the Conservative government delivered its first Budget Speech. As the Conservative Party forms a minority government, proposed amendments to the Income Tax Act will not be considered to be substantively enacted until the proposals have passed third reading in the House of Commons. As a result, the Bank has not reflected the effect of the proposed changes in its consolidated financial statements. Based on the Bank's analysis, the proposed changes would imply a revaluation of the future tax assets, which would lead to a total charge to future income tax expense of approximately \$11 million in the period in which the changes would be substantively enacted. However, going forward, the applicable tax rate and taxes payable would be reduced.

The proposed increase to $1 billion of the threshold at which the federal minimum tax on financial institutions begins to apply, as of July 1, 2006, is a very positive announcement for the Bank. The change would enable the Bank to reduce future income tax assets at an accelerated rate and reduce the funding burden of this non-interest producing asset.

Analysis of consolidated results

Summary results

Net income was $24.6 million or $0.91 diluted per common share for the second quarter ended April 30, 2006, compared to $10.6 million or $0.33 diluted per common share for the same period in 2005. Discontinued operations had no significant effect on the results of the second quarter of 2006, while they unfavorably impacted results of the second quarter of 2005 by $0.3 million or $0.01 diluted per common share. Results of the second quarter of 2006 include a $10.7 million net tax favorable adjustment resulting from various tax-related issues ($0.45 diluted per common share).

For the first six months of 2006, net income totaled $41.6 million or $1.51 diluted per common share, compared to net income of $27.9 million or $0.93 diluted per common share in 2005. For the first six months of 2006, income from continuing operations stood at $41.3 million or $1.49 diluted per common share. Income from continuing operations for the first six months of 2005 was $23.0 million or $0.72 diluted per common share. For 2005, income from discontinued operations mainly consisted of the $5.4 million ($5.2 million net of income taxes) gain resulting from the sale of the BLC-Edmond de Rothschild Asset Management joint-venture and subsequent changes to the value of certain investments related to seed capital.

Total revenue increased by $10.5 million or 9% to $128.5 million in the second quarter of 2006, compared to $118.0 million in the second quarter of 2005. The variation reflects the combined effect of the improvement of $6.6 million in net interest income and $3.9 million in other income, compared to the same quarter a year ago.

The $6.6 million increase in net interest income from the second quarter of 2005 results largely from the tighter asset and liability management strategies initiated in 2004 and growth in loan volumes. Net interest margin improved from 2.02% in the second quarter of 2005 to 2.11% in the second quarter of 2006. The $3.9 million increase in other income is principally attributable to higher securitization income, treasury and financial markets revenues and credit insurance income.

Compared to the same period for 2005, total revenue for the six-month period ended April 30, 2006, improved as a result of the items noted above. As well, the $0.9 million ($0.9 million net of income taxes) gain resulting from the sale of Brome Financial Corporation Inc. contributed to the profitability in the first quarter of 2006.

The **provision for credit losses** slightly increased to $10.0 million or 0.25% of average assets in the second quarter of 2006, from $8.8 million or 0.22% of average assets during the second quarter of 2005. Net impaired loans were relatively unchanged at -$4.4 million at April 30, 2006, compared to -$8.9 million at October 31, 2005. Gross impaired loans stood at $123.5 million at April 30, 2006, compared to $120.9 million at October 31, 2005. Credit quality remained stable during the quarter, benefiting from the prevailing economic environment.

Non-interest expenses increased by 5% to $97.5 million in the second quarter of 2006, compared to $92.8 million in the second quarter of 2005. At $48.3 million for the second quarter of 2006, salaries and other employee benefits increased by $2.6 million, compared to the same quarter a year ago. The variation results from the increase in employee future benefit costs, as well as from the higher overall salary charge coming from the expansion in the retail banking and brokerage activities. These increases were partially offset by the $1.3 million reduction to the stock appreciation rights plan.

Premises and technology costs remained at levels similar to a year ago, while other expenses increased as a result of higher professional fees, mainly due to the higher overall level of activity, and various other costs.

The efficiency ratio (non-interest expenses divided by total revenue) was 75.9% in the second quarter of 2006 compared to 78.6% in the second quarter of 2005.

For the six-month period ended April 30, 2006, non-interest expenses increased by $13.6 million, mainly as a result of higher salaries and employee benefits, including the costs associated with incentive compensation, as well as higher advertising and business development expenses.

The **income tax recovery** was $3.6 million for the second quarter of 2006, compared to a $5.5 million income tax expense (33.5% effective tax rate) for the second quarter of 2005. Results of the second quarter of 2006 include a $10.7 million net tax favorable adjustment detailed as follows: an $11.3 million recovery related to the resolution of various income tax exposures, the recognition of $2.8 million of previously unrecognized temporary differences related to the minimum tax on financial institutions (Part VI tax) and a $3.4 million charge on the decision to repatriate capital from foreign credit insurance operations. Excluding the effect of this favorable adjustment, the income tax expense would have stood at $7.1 million (33.6% effective tax rate).

As discussed above, the changes to the Tax Act proposed on May 2, 2006 by the Conservative government may imply a revaluation of the future tax assets, which would lead to an estimated $11 million charge to future income tax expense in the period in which the changes will be substantively enacted. Also, the proposed increase to $1 billion of the threshold at which the federal minimum tax on financial institutions begins to apply, as of July 1, 2006, is a very positive announcement for the Bank. It would enable the Bank to reduce over time future income tax assets to a level similar to that of the industry. Moreover, it would reduce the funding burden of this non-interest producing asset and thus improve profitability.

For the six-month period ended April 30, 2006, the income tax expense was $0.7 million (1.7% effective tax rate), while it stood at $11.2 million (32.7% effective tax rate) in 2005. The lower tax rate in 2006 results from the income tax recovery discussed above, as well as the favorable adjustment to future tax assets of $2.4 million, resulting from the increase in Quebec income tax rates and the lower taxes on the gain on sale of Brome Financial Corporation during the first quarter.

Analysis of financial condition

Balance sheet assets stood at $17.3 billion at April 30, 2006, compared to $16.5 billion at October 31, 2005.

Compared to October 31, 2005, liquidities, including cash resources, securities and assets purchased under reverse repurchase agreements, increased mainly as a result of the higher level of assets purchased under reverse repurchase agreements. This increase must be viewed in relation with the higher level of obligations related to assets sold short. The issuance of the Series 10 debentures and loan securitization activities also generated additional liquidities over the last six months.

As at April 30, 2006, the portfolio of loans and bankers' acceptances remained relatively unchanged at $12.0 billion, compared to October 31, 2005. However, over that period, the Bank securitized more than $530 million of residential mortgage loans ($307 million during the second quarter). The Bank has relied on the well-structured mortgage loan securitization market to raise liquidities to fund growth. Noteworthy is also the $193 million increase in personal loans, resulting from the strong performance of the B2B Trust segment and the increase in mortgage secured lines of credit. The sturdy residential mortgages market and the continued demand for personal credit continue to be important performance drivers for the Bank. Commercial loans, including bankers' acceptances, and commercial mortgages remained relatively stable over the six-month period.

Total personal deposits grew by 3% or $316 million over the last six months to $10.9 billion at April 30, 2006 from $10.6 billion at October 31, 2005. Business and other deposits decreased by $905 million to $2.2 billion at April 30, 2006, as certain deposits matured and as the pricing of other funding sources, including securitization, assets sold under repurchase agreements and personal deposits, became more attractive. The Bank continues to benefit from very stable and diversified sources of funding through personal deposits. At April 30, 2006, personal deposits accounted for 83% of total deposits of $13.1 billion.

Shareholders' equity stood at $936.8 million as at April 30, 2006, while it stood at $913.2 million at October 31, 2005. There were 23,612,865 common shares outstanding as at April 30, 2006 and the Bank's book value per common share increased to $30.78 from $29.85 at year-end 2005.

The total capital of the Bank, comprised of shareholders' equity and debentures, reached $1,237 million at April 30, 2006 compared to $1,063 million at October 31, 2005, an increase of $174 million over the period, essentially as a result of the issuance of Series 10 debentures for $150 million during the first quarter. The BIS Tier 1 and Total capital ratios stood at 10.3% and 13.9%, respectively at April 30, 2006, compared to 10.2% and 12.3% at October 31, 2005. During the quarter, the Bank announced its intention to exercise its right to redeem on June 1, 2006, all of its 6.50% Debentures, Series 9, due 2011, of an aggregate principal amount of $150,000,000. Considering the anticipated redemption, the Total capital ratio would have stood at 12.1%.

On May 25, 2006, the Board of Directors declared regular dividends on the various series of preferred shares to shareholders of record on June 9, 2006. Also, at its meeting on June 2, 2006, the Board of Directors declared a dividend of $0.29 per common share, payable on August 1, 2006, to shareholders of record on July 4, 2006.

Assets under administration stood at $15.0 billion at April 30, 2006 compared to $13.7 billion at April 30, 2005 and $13.8 billion at October 31, 2005. Compared to year-end 2005, self-directed RRSP accounts, clients' brokerage assets and mutual funds under administration increased by $342 million, $236 million and $180 million respectively, as a combined result of market revaluation and organic growth. Mortgage loans under management also increased by $449 million as a result of the securitization transactions.

Segmented information

The improvement in profitability for the second quarter of 2006, when compared to the same quarter of 2005, results mainly from the $10.7 million net tax favorable adjustment recorded in the Other segment, as noted previously. As well, increases in revenues from the various segments and in treasury operations favorably contributed to the results for the quarter.

Compared to the first quarter of 2006, net income generally increased, despite lower net interest income resulting from the shorter quarter. In fact, the second quarter has only 89 days, compared to 92 days for the first quarter.

Net income contributions

(in millions of $)	Retail Financial Services	Commercial Financial Services	B2B Trust	Laurentian Bank Securities	Other	Total
						[note 1]
Q2-2006[note 2]						
Net income	7.1	4.6	5.7	1.1	6.1	24.6
	38%	25%	31%	6%	n/a	100%
Q1-2006[note 2]						
Net income	6.5	5.6	5.5	0.7	(1.3)	17.0
	35%	31%	30%	4%	n/a	100%
Q2-2005[note 2]						
Net income	6.0	6.9	4.0	0.8	(7.0)	10.6
	34%	39%	23%	4%	n/a	100%

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

Note 2: Results from all deposit brokerage operations are now included with the B2B Trust business segment, whereas certain activities were previously included with the Retail Financial Services segment. B2B Trust has developed a recognized expertise with regards to the business generated through intermediaries and, as such, it is well positioned to further develop these operations. As well, certain adjustments were carried to the cost of funds model in 2006. Comparative figures were restated to reflect the current period presentation.

Retail Financial Services

Results for the Retail Financial Services business segment improved by 18% to $7.1 million for the second quarter of 2006, compared to $6.0 million for the second quarter of 2005. The increase in net interest income of $2.0 million reflects higher interest margins, as well as the growth in loan and deposit portfolios. The $1.5 million increase in other income results from higher commissions on credit insurance and mutual funds distribution, as well as higher Visa credit card activity level. At $4.7 million, loan losses were lower than for the second quarter of 2005 and remain at an acceptable level.

Non-interest expenses increased to $70.2 million for the second quarter of 2006, compared to $66.8 million for the same quarter of 2005. The increase results mainly from higher employee future benefit costs, as well as a higher salary charge coming from the expansion in the retail banking operations.

In 2006, the Bank has succeeded in surpassing the record volume of business attained during its 2005 RRSP campaign. New products were offered on the market during that period and they were instrumental in drawing the public's attention to the range of investment products offered by the Bank.

Sales of mutual funds also exceeded the levels recorded during fiscal 2005. Training programs tailored for advisors, as well as the introduction of highly performing business tools in retirement planning, have played a determining role in the success of our latest RRSP campaign.

After investing significantly in advertising and thereby enhancing its market position, the Bank has taken a new step in its visibility strategy. The DARE theme is thus evolving and renewing itself as DARE TO GROW. In addition to the message sent to clients, the theme evokes the initiatives that have been instrumental in furthering the Bank's positioning. This advertising platform also underlines the Bank's more humane outlook, resolutely focused on youth and families, its main target clienteles.

Commercial Financial Services

Net income was $4.6 million in the second quarter of 2006, compared to $6.9 million for the second quarter of 2005. Excluding the lost stream of revenues of $1.9 million that came from Brome Financial Corporation in 2005, revenues grew by $0.3 million in 2006, mainly as a result of higher loan volumes.

Loan losses in the second quarter of 2006 were $3.9 million, compared to $0.9 million in the second quarter of 2005. The lower loan losses in 2005 resulted from significant recoveries on certain loans. At $3.9 million, loan losses for the second quarter of 2006 were higher than for the first quarter of 2006, but remained within management's expectations, as the Canadian economy has, so far, reacted well to the recent increases in energy prices and the Canadian dollar. Also, the recent softwood agreement should ease certain concerns related to that industry.

The decrease in non-interest expense of $0.8 million, when compared to the second quarter of 2005, results mainly from the effect of the sale of Brome Financial Corporation, partially offset by increases in salaries.

In order to support and further the growth of the Bank's Commercial Financial Services, a new business signature has been elaborated and launched in Quebec's mass media during the second quarter of 2006. **MAX**AFFAIRES will, from now on, identify all of the Bank's commercial financial services offering to small- and medium-sized businesses.

B2B Trust

The B2B Trust business segment's net income improved by 43% to $5.7 million in the second quarter of 2006, compared to $4.0 million in the second quarter of 2005. Higher loan volumes and net interest margins have both contributed to the $2.5 million increase in net interest income.

At $1.4 million, loan losses have remained at a satisfactory level. This level is comparable to that of a year ago, in spite of the increase in loan volumes. Non-interest expenses have remained relatively stable.

B2B Trust also recorded excellent results in its RRSP campaign during the second quarter of 2006. Its advertising offensives, combined with aggressive promotions of its products and services, notably its 100% Accelerator Investment Loan, have been instrumental in generating significant volumes of RRSP and investment loans.

Laurentian Bank Securities

The Laurentian Bank Securities business improved its contribution to net income to $1.1 million in the second quarter of 2006, compared to $0.8 million in the second quarter of 2005. Revenues were up more than 17% to $6.2 million, as a result of the strong performance of both the institutional and retail divisions. Non-interest expenses increased to $4.6 million in the second quarter of 2006, up from $4.2 million in the same quarter of 2005. This increase reflects the hiring of several employees over the last 12 months, as well as other business development initiatives.

In order to further its growth, expand its expertise and maximize synergies opportunities, Laurentian Bank Securities launched, on May 9, a new business unit — Institutional Equity. Over the past few years, Laurentian Bank Securities has succeeded in developing its operations and thereby consolidating the foundations of its four original business units, namely retail services, institutional fixed income, discount brokerage and introducing broker operations. The addition of this new business unit will be instrumental in enhancing the products and services offering to the institutional market where Laurentian Bank Securities has already earned an excellent reputation, particularly in the fixed income segment. In line with the Bank's focused strategy, Institutional Equity will primarily serve small- and medium-sized business. The new unit's start-up costs should not have a significant impact on the business segment's profitability.

Other sector

The Other sector reported a positive contribution of $6.1 million, for the second quarter of 2006, compared to a negative contribution of $7.0 million for the second quarter of 2005. The $10.7 million net tax favorable adjustment resulting from the reduction of certain tax exposures, as noted above, contributed significantly to the improvement. Net interest income and other treasury operations, including securitization activities, also contributed to the strong performance of the segment.

Additional financial information – Quarterly results

In millions of dollars, except per share amounts (unaudited)	**2006**		2005				2004	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Total revenue	**128.5**	131.5	133.8	131.1	118.0	119.2	108.9	117.2
Income from continuing operations	**24.6**	16.7	17.4	15.2	11.0	12.1	7.1	9.7
Net income	**24.6**	17.0	21.6	15.8	10.6	17.3	7.1	9.7
Income per common share from continuing operations								
Basic	**0.92**	0.58	0.61	0.52	0.34	0.38	0.17	0.31
Diluted	**0.91**	0.58	0.61	0.52	0.34	0.38	0.17	0.31
Net income per common share								
Basic	**0.92**	0.59	0.79	0.54	0.33	0.61	0.17	0.31
Diluted	**0.91**	0.59	0.79	0.54	0.33	0.60	0.17	0.31
Return on common shareholders' equity	**12.5%**	7.9%	10.6%	7.4%	4.6%	8.3%	2.4%	4.2%
Balance sheet assets	**17,307**	16,742	16,507	16,125	16,671	15,817	16,607	16,906

About Laurentian Bank

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

Laurentian Bank is well established in the Province of Quebec, operating the third largest retail branch network and is a performing player in specific market segments elsewhere in the country. Laurentian Bank of Canada has over $17 billion in balance sheet assets and close to $15 billion in assets under administration. Founded in 1846, the Bank employs more than 3,000 people. Its common shares are listed on the Toronto Stock Exchange (TSX: LB). For more information, please visit www.laurentianbank.ca.

Corporate governance

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

Caution regarding forward-looking statements

This press release and related communications may contain forward-looking statements, including statements regarding the business and anticipated financial performance of Laurentian Bank. These statements typically use the conditional and words such as prospects, believe, estimate, forecast, project, should, could and would. By their very nature, forward-looking statements involve inherent risks and uncertainties, and it is possible that the forecasts, projections and other forward-looking statements will not be achieved. The Bank cautions readers against placing undue reliance on these statements when making decisions, as the actual results could differ appreciably from the opinions, plans, objectives, expectations, forecasts, estimates and intentions expressed in such forward-looking statements due to various material factors. These factors include, among other things, capital market activity, changes in government monetary, economic and fiscal policies, changes in interest rates, inflation levels and general economic conditions, legislative and regulatory developments, competition, credit ratings, scarcity of human resource and technological change. The Bank cautions that the foregoing list of factors is not exhaustive. The Bank does not undertake to update any forward-looking statements, oral or written, made by itself or on its behalf, except if required by applicable securities legislations.

Conference call

Laurentian Bank invites media representatives and the public to listen to the conference call with financial analysts to be held Friday, June 2, 2006 at 2:00 p.m. Eastern Time. The live, listen-only, toll free call-in number is 1-866-898-9626.

You can listen to the call on a delayed basis at any time from 6:00 p.m. Friday June 2 until midnight Friday June 9, 2006, by dialling the following play back number: 1-800-408-3053 Code 3184753#.

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

The Bank's Website also offers additional financial information.

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Financial highlights

In millions of dollars, except per share amounts (unaudited)	Q2-06	Q2-05	Percentage variation	For the six-month periods ended April 30 2006	April 30 2005	Percentage variation
Earnings						
Net income	$ 24.6	$ 10.6	132.1 %	$ 41.6	$ 27.9	49.1 %
Income from continuing operations	$ 24.6	$ 11.0	123.6 %	$ 41.3	$ 23.0	79.6 %
Net income available to common shareholders	$ 21.6	$ 7.7	180.5 %	$ 35.6	$ 21.9	62.6 %
Return on common shareholders' equity	12.5 %	4.6 %		10.1 %	6.5 %	
Per common share						
Diluted net income	$ 0.91	$ 0.33	175.8 %	$ 1.51	$ 0.93	62.4 %
Diluted income from continuing operations	$ 0.91	$ 0.34	167.6 %	$ 1.49	$ 0.72	106.9 %
Dividends	$ 0.29	$ 0.29	- %	$ 0.58	$ 0.58	- %
Book value				$ 30.78	$ 29.14	5.6 %
Share price - close				$ 32.58	$ 26.52	22.9 %
Financial position						
Balance sheet assets				$ 17,307	$ 16,671	3.8 %
Assets under administration				$ 14,954	$ 13,701	9.1 %
Loans, bankers' acceptances and assets purchased under reverse repurchase agreements, net				$ 12,896	$ 12,264	5.2 %
Personal deposits				$ 10,892	$ 10,679	2.0 %
Shareholders' equity and debentures				$ 1,237	$ 1,095	13.0 %
Number of common shares (in thousands)				23,613	23,511	0.4 %
Net impaired loans as a % of loans, bankers' acceptances and assets purchased under reverse repurchase agreements				- %	- %	
Risk-weighted assets				$ 8,612	$ 8,349	3.2 %
Capital ratios						
Tier I BIS				10.3 %	10.2 %	
Total BIS capital				13.9 %	12.9 %	
Assets to capital multiple				14.6 x	15.5 x	
Tangible common equity as a percentage of risk-weighted assets				7.6 %	7.4 %	
FINANCIAL RATIOS						
Per common share						
Price / earnings ratio (trailing four quarters)				11.5 x	18.7 x	
Market to book value				106 %	91 %	
Dividend yield	3.56 %	4.37 %		3.56 %	4.37 %	
Dividend payout ratio	31.6 %	89.1 %		38.4 %	62.3 %	
As a percentage of average assets						
Net interest income	2.11 %	2.02 %		2.11 %	1.92 %	
Provision for credit losses	0.25 %	0.22 %		0.24 %	0.23 %	
Net income	0.61 %	0.27 %		0.50 %	0.35 %	
Net income available to common shareholders	0.53 %	0.20 %		0.43 %	0.27 %	
Profitability						
Other income (as a % of total revenue)	33.3 %	33.0 %		33.2 %	34.7 %	
Efficiency ratio (non-interest expenses as a % of total revenue)	75.9 %	78.6 %		76.2 %	77.8 %	
OTHER INFORMATION						
Number of full-time equivalent employees				3,230	3,140	
Number of branches				157	156	
Number of automated banking machines				318	310	

Consolidated statement of income

In thousands of dollars, except per share amounts (unaudited)	For the three-month periods ended April 30 2006	January 31 2006	April 30 2005	For the six-month periods ended April 30 2006	April 30 2005
Interest income					
Loans	**$ 180,062**	$ 180,307	$ 164,352	**$ 360,369**	$ 334,300
Securities	**16,802**	16,718	15,233	**33,520**	31,290
Deposits with other banks	**3,893**	1,700	1,854	**5,593**	3,556
	200,757	198,725	181,439	**399,482**	369,146
Interest expense					
Deposits and other liabilities	**110,352**	107,805	98,534	**218,157**	205,852
Subordinated debentures (note 5)	**4,721**	2,971	3,817	**7,692**	8,495
	115,073	110,776	102,351	**225,849**	214,347
Net interest income	**85,684**	87,949	79,088	**173,633**	154,799
Provision for credit losses (note 3)	**10,000**	10,000	8,750	**20,000**	18,500
	75,684	77,949	70,338	**153,633**	136,299
Other income					
Fees and commissions on loans and deposits	**20,212**	21,044	22,145	**41,256**	43,691
Brokerage operations	**5,812**	4,989	4,899	**10,801**	9,830
Income from treasury and financial market operations	**2,889**	3,047	1,566	**5,936**	5,781
Income from registered self-directed plans	**2,893**	2,757	3,023	**5,650**	5,983
Securitization income (note 4)	**3,554**	3,138	719	**6,692**	3,780
Income from distribution and management of mutual funds	**2,636**	2,373	2,238	**5,009**	5,070
Credit insurance income	**3,249**	2,976	2,004	**6,225**	3,662
Gain on disposal (note 2)	**-**	931	-	**931**	-
Other	**1,587**	2,302	2,297	**3,889**	4,543
	42,832	43,557	38,891	**86,389**	82,340
	118,516	121,506	109,229	**240,022**	218,639
Non-interest expenses					
Salaries and employee benefits	**48,260**	52,342	45,647	**100,602**	90,454
Premises and technology	**26,896**	26,514	26,708	**53,410**	53,574
Other	**22,365**	21,674	20,404	**44,039**	40,419
	97,521	100,530	92,759	**198,051**	184,447
Income from continuing operations before income taxes	**20,995**	20,976	16,470	**41,971**	34,192
Income taxes (recovery) (note 9)	**(3,610)**	4,317	5,518	**707**	11,186
Income from continuing operations	**24,605**	16,659	10,952	**41,264**	23,006
Income from discontinued operations, net of income taxes (note 2)	**30**	324	(303)	**354**	4,910
Net income	**$ 24,635**	$ 16,983	$ 10,649	**$ 41,618**	$ 27,916
Preferred share dividends, including applicable income taxes	**2,987**	2,982	2,999	**5,969**	6,034
Net income available to common shareholders	**$ 21,648**	$ 14,001	$ 7,650	**$ 35,649**	$ 21,882
Average number of common shares (in thousands)					
Basic	**23,612**	23,580	23,511	**23,596**	23,511
Diluted	**23,673**	23,640	23,534	**23,656**	23,533
Income per common share from continuing operations					
Basic	**$ 0.92**	$ 0.58	$ 0.34	**$ 1.50**	$ 0.72
Diluted	**$ 0.91**	$ 0.58	$ 0.34	**$ 1.49**	$ 0.72
Net income per common share					
Basic	**$ 0.92**	$ 0.59	$ 0.33	**$ 1.51**	$ 0.93
Diluted	**$ 0.91**	$ 0.59	$ 0.33	**$ 1.51**	$ 0.93

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

Consolidated balance sheet

In thousands of dollars (unaudited)	April 30 2006	October 31 2005	April 30 2005
ASSETS			
Cash resources			
Cash and non-interest-bearing deposits with other banks	$ 52,174	$ 57,737	$ 39,628
Interest-bearing deposits with other banks	344,347	259,791	195,382
	396,521	317,528	235,010
Securities			
Investment account	1,547,834	1,911,819	2,128,468
Trading account	1,657,575	1,028,587	1,169,916
	3,205,409	2,940,406	3,298,384
Assets purchased under reverse repurchase agreements	1,050,507	508,073	649,804
Loans (notes 3 and 4)			
Personal	4,099,860	3,907,320	3,776,622
Residential mortgages	5,632,871	5,806,853	5,692,090
Commercial mortgages	598,505	595,946	570,532
Commercial and other	1,530,424	1,539,893	1,576,180
	11,861,660	11,850,012	11,615,424
Allowance for loan losses	(127,913)	(129,806)	(118,541)
	11,733,747	11,720,206	11,496,883
Other			
Customers' liability under acceptances	111,778	145,629	117,557
Property, plant and equipment	98,414	93,793	90,239
Derivative financial instruments	148,080	143,453	172,531
Future tax assets (note 9)	114,069	106,932	109,791
Goodwill	53,790	53,790	53,790
Other intangible assets	15,942	16,547	17,161
Other assets	378,865	460,627	429,893
	920,938	1,020,771	990,962
	$ 17,307,122	$ 16,506,984	$ 16,671,043
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits			
Personal	$ 10,891,554	$ 10,575,416	$ 10,679,458
Business, banks and other	2,216,302	3,121,522	2,473,473
	13,107,856	13,696,938	13,152,931
Other			
Obligations related to assets sold short	1,267,123	726,063	987,138
Obligations related to assets sold under repurchase agreements	753,129	60,065	478,744
Acceptances	111,778	145,629	117,557
Derivative financial instruments	141,652	105,326	146,615
Other liabilities	688,828	709,723	693,061
	2,962,510	1,746,806	2,423,115
Subordinated debentures (note 5)	300,000	150,000	200,000
Shareholders' equity			
Preferred shares	210,000	210,000	210,000
Common shares (note 6)	250,948	249,633	248,593
Contributed surplus	295	73	-
Retained earnings	476,103	454,124	436,404
Treasury shares (note 6)	(590)	(590)	-
	936,756	913,240	894,997
	$ 17,307,122	$ 16,506,984	$ 16,671,043

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)	For the six-month periods ended April 30 2006	April 30 2005
Preferred shares		
Balance at beginning and end of period	**$ 210,000**	$ 210,000
Common shares (note 6)		
Balance at beginning of period	**249,633**	248,593
Issued during the period	**1,315**	-
Balance at end of period	**250,948**	248,593
Contributed surplus		
Balance at beginning of period	**73**	-
Stock-based compensation	**222**	-
Balance at end of period	**295**	-
Retained earnings		
Balance at beginning of period	**454,124**	428,159
Net income	**41,618**	27,916
Dividends		
Preferred shares, including applicable income taxes	**(5,969)**	(6,034)
Common shares	**(13,670)**	(13,637)
Balance at end of period	**476,103**	436,404
Treasury shares		
Balance at beginning and end of period	**(590)**	-
Shareholders' equity	**$ 936,756**	$ 894,997

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

Consolidated statement of cash flows

	For the three-month periods ended			For the six-month periods ended	
In thousands of dollars (unaudited)	**April 30 2006**	January 31 2006	April 30 2005	**April 30 2006**	April 30 2005
Cash flows relating to operating activities					
Net income	**$ 24,635**	$ 16,983	$ 10,649	**$ 41,618**	$ 27,916
Adjustments to determine net cash flows relating to operating activities:					
Provision for credit losses	**10,000**	10,000	8,750	**20,000**	18,500
Gains on securitization operation (note 4)	**(2,664)**	(2,246)	-	**(4,910)**	(2,447)
Net loss (gain) on disposal of property, plant and equipment	**28**	(2)	6	**26**	11
Net gain from discontinued operations (note 2)	**(46)**	(487)	456	**(533)**	(4,921)
Gain on disposal (note 2)	**-**	(931)	-	**(931)**	-
Net loss (gain) on sale of securities held for investment	**(1,470)**	3,116	(1,485)	**1,646**	(2,072)
Future income taxes	**(7,311)**	(303)	1,144	**(7,614)**	3,218
Depreciation and amortization	**6,654**	6,807	7,767	**13,461**	15,674
Net change in trading securities	**(280,162)**	(295,294)	70,022	**(575,456)**	(174,501)
Change in accrued interest receivable	**(4,283)**	11,154	(10,721)	**6,871**	(12,795)
Change in assets relating to derivative financial instruments	**(9,253)**	4,626	15,563	**(4,627)**	29,186
Change in accrued interest payable	**470**	6,512	(47,780)	**6,982**	(50,421)
Change in liabilities relating to derivative financial instruments	**23,261**	13,065	(14,636)	**36,326**	(42,874)
Other, net	**23,811**	59,620	56,157	**83,431**	(52,624)
	(216,330)	(167,380)	95,892	**(383,710)**	(248,150)
Cash flows relating to financing activities					
Net change in deposits	**(192,609)**	(396,473)	239,274	**(589,082)**	241,891
Change in obligations related to assets sold short	**313,243**	227,817	171,852	**541,060**	(508,436)
Change in obligations related to assets sold under repurchase agreements	**480,057**	213,007	472,319	**693,064**	462,837
Issuance of subordinated debentures (note 5)	**-**	150,000	-	**150,000**	-
Redemption of subordinated debentures	**-**	-	-	**-**	(50,525)
Issuance of common shares, net of issue costs	**425**	890	-	**1,315**	-
Dividends, including applicable income taxes	**(9,822)**	(9,817)	(9,817)	**(19,639)**	(19,671)
	591,294	185,424	873,628	**776,718**	126,096
Cash flows relating to investing activities					
Net cash flows from the sale of discontinued operations (note 2)	**-**	-	-	**-**	40,630
Net cash flows from the sale of a subsidiary (note 2)	**-**	(140)	-	**(140)**	-
Net change in interest-bearing deposits with other banks	**22,610**	(107,166)	192,499	**(84,556)**	85,369
Change in investment securities					
Acquisitions	**(3,371,757)**	(4,645,445)	(6,091,880)	**(8,017,202)**	(13,433,721)
Proceeds from sales and maturity	**3,437,335**	4,888,674	5,512,834	**8,326,009**	13,309,210
Change in loans	**(386,887)**	(197,013)	(290,995)	**(583,900)**	(422,223)
Change in assets purchased under reverse repurchase agreements	**(375,934)**	(166,500)	(296,044)	**(542,434)**	484,116
Proceeds from mortgage loan securitizations (note 4)	**297,614**	223,195	-	**520,809**	61,559
Additions to property, plant and equipment	**(9,114)**	(8,448)	(7,527)	**(17,562)**	(11,000)
Proceeds from disposal of property, plant and equipment	**5**	400	61	**405**	61
	(386,128)	(12,443)	(981,052)	**(398,571)**	114,001
Net change in cash and non-interest-bearing deposits with other banks during the period	**(11,164)**	5,601	(11,532)	**(5,563)**	(8,053)
Cash and non-interest-bearing deposits with other banks at beginning of period	**63,338**	57,737	51,160	**57,737**	47,681
Cash and non-interest-bearing deposits with other banks at end of period	**$ 52,174**	$ 63,338	$ 39,628	**$ 52,174**	$ 39,628
Supplemental disclosure relating to cash flows:					
Interest paid during the period	**$ 116,890**	$ 104,787	$ 146,894	**$ 221,677**	$ 273,010
Income taxes paid during the period	**$ 5,428**	$ 7,903	$ 7,846	**$ 13,331**	$ 27,111

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

Notes to consolidated financial statements
(unaudited)

1. ACCOUNTING POLICIES

The unaudited interim consolidated financial statements of Laurentian Bank have been prepared by management, which is responsible for the integrity and fairness of the financial information presented. These interim consolidated financial statements have been prepared in accordance with the *Bank Act,* which states that, except as otherwise specified by the Superintendent of Financial Institutions of Canada, the interim consolidated financial statements are to be prepared in accordance with Canadian generally accepted accounting principles (GAAP) for interim financial statements. The significant accounting policies used in the preparation of these interim consolidated financial statements, including the accounting requirements of the Superintendent, are the same as those in the Bank's annual consolidated audited financial statements as at October 31, 2005. These accounting policies conform to GAAP. However, these interim consolidated financial statements do not reflect all of the information and disclosures required by GAAP for complete financial statements. Accordingly, these interim consolidated financial statements should be read in conjunction with the annual consolidated audited financial statements as at October 31, 2005. These interim consolidated financial statements reflect amounts, which are based on the best estimates and judgement of management. Actual results may differ from these estimates. Certain comparative figures have been reclassified to conform to the current period presentation.

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

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

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

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

2. DISPOSALS

2006

Sale of the subsidiary Brome Financial Corporation Inc.

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

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

	For the three-month periods ended			For the six-month periods ended		For the year ended
In thousands of dollars	**April 30 2006**	January 31 2006	April 30 2005	**April 30 2006**	April 30 2005	October 31 2005
Total revenue	**$ -**	$ 1,279	$ 1,935	**$ 1,279**	$ 3,785	$ 7,800

2005

Sale of BLC–Edmond de Rothschild Asset Management Inc.

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

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

Also, in relation with the sale of BLCER, it was agreed that investments in seed capital owned by the Bank at the time of the transaction would be disposed of. Since then, the realized and unrealized net gains and losses related to these investments were recognized under income from discontinued operations. During the first quarter ended January 31, 2006, the Bank completed the sale of these investments and recorded revenues of $300,000 ($200,000 net of income taxes) to reflect the realized net gains.

These gains were entirely attributed to the Other segment.

Income per common share from discontinued operations

	For the three-month periods ended			For the six-month periods ended	
In dollars	**April 30 2006**	January 31 2006	April 30 2005	**April 30 2006**	April 30 2005
Basic	**$ -**	$ 0.01	$ (0.01)	**$ 0.01**	$ 0.21
Diluted	**$ -**	$ 0.01	$ (0.01)	**$ 0.02**	$ 0.21

3. LOANS

A) LOANS AND IMPAIRED LOANS

As at April 30, 2006

In thousands of dollars	Gross amount of loans	Gross amount of impaired loans	Specific allowances	General allowances	Total allowances
Personal loans	$ 4,099,860	$ 16,645	$ 5,762	$ 24,413	$ 30,175
Residential mortgages	5,632,871	10,322	3,703	4,627	8,330
Commercial mortgages	598,505	12,118	5,561	3,548	9,109
Commercial loans and other	1,530,424	84,423	47,637	28,712	76,349
Unallocated general allowance	-	-	-	3,950	3,950
	$ 11,861,660	$ 123,508	$ 62,663	$ 65,250	$ 127,913

As at October 31, 2005

In thousands of dollars	Gross amount of loans	Gross amount of impaired loans	Specific allowances	General allowances	Total allowances
Personal loans	$ 3,907,320	$ 16,919	$ 7,267	$ 24,828	$ 32,095
Residential mortgages	5,806,853	9,783	3,735	5,559	9,294
Commercial mortgages	595,946	12,173	5,904	4,648	10,552
Commercial loans and other	1,539,893	82,063	47,650	25,818	73,468
Unallocated general allowance	-	-	-	4,397	4,397
	$ 11,850,012	$ 120,938	$ 64,556	$ 65,250	$ 129,806

As at April 30, 2005

In thousands of dollars	Gross amount of loans	Gross amount of impaired loans	Specific allowances	General allowances	Total allowances
Personal loans	$ 3,776,622	$ 13,152	$ 3,213	$ 25,271	$ 28,484
Residential mortgages	5,692,090	10,369	3,811	5,541	9,352
Commercial mortgages	570,532	15,716	5,935	3,467	9,402
Commercial loans and other	1,576,180	74,124	40,332	27,604	67,936
Unallocated general allowance	-	-	-	3,367	3,367
	$ 11,615,424	$ 113,361	$ 53,291	$ 65,250	$ 118,541

B) SPECIFIC ALLOWANCES FOR LOAN LOSSES

For the six-month periods ended April 30

in thousands of dollars	Personal loans	Residential mortgages	Commercial mortgages	Commercial loans and other	**2006** Total specific allowances	2005 Total specific allowances
Balance at beginning of period	$ 7,267	$ 3,735	$ 5,904	$ 47,650	$ 64,556	$ 74,792
Provision for credit losses recorded in the consolidated statement of income	12,711	174	390	6,725	20,000	18,500
Write-offs	(16,098)	(222)	(733)	(6,371)	(23,424)	(42,587)
Recoveries	1,882	16	-	44	1,942	2,586
Provision for credit losses resulting from the sale of a subsidiary (see note 2)	-	-	-	(411)	(411)	-
Balance at end of period	$ 5,762	$ 3,703	$ 5,561	$ 47,637	$ 62,663	$ 53,291

C) GENERAL ALLOWANCES FOR LOAN LOSSES

For the six-month periods ended April 30

in thousands of dollars	Personal loans	Residential mortgages	Commercial mortgages	Commercial loans and other	Unallocated general allowance	**2006** Total general allowances	2005 Total general allowances
Balance at beginning of period	$ 24,828	$ 5,559	$ 4,648	$ 25,818	$ 4,397	$ 65,250	$ 65,250
Change during the period	(415)	(932)	(1,100)	2,894	(447)	-	-
Balance at end of period	$ 24,413	$ 4,627	$ 3,548	$ 28,712	$ 3,950	$ 65,250	$ 65,250

4. LOAN SECURITIZATION

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

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

In thousands of dollars	For the three-month periods ended **April 30 2006**	January 31 2006	April 30 2005	For the six-month periods ended **April 30 2006**	April 30 2005
Cash proceeds, net of transaction related costs	$ **297,614**	$ 223,195	$ -	$ **520,809**	$ 61,559
Rights to future excess interest	**5,018**	6,501	-	**11,519**	1,976
Servicing liabilities	**(1,964)**	(1,704)	-	**(3,668)**	(435)
Cash reserve accounts	**9,215**	1,738	-	**10,953**	-
Other	**(390)**	(2,384)	-	**(2,774)**	998
	309,493	227,346	-	**536,839**	64,098
Residential loans securitized and sold	**306,829**	225,100	-	**531,929**	61,651
Gain before income taxes, net of transaction related costs	$ **2,664**	$ 2,246	$ -	$ **4,910**	$ 2,447

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

	April 30 2006
Weighted average life (in months)	**34**
Rate of prepayment	**16.0 %**
Discount rate	**5.34 %**
Rate of credit losses [(1)]	**0.05 %**

(1) No loss is expected on insured residential mortgages.

5. SUBORDINATED DEBENTURES

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

6. CAPITAL STOCK

Issuance of common shares

During the quarter, 14,362 common shares (56,320 common shares during the six-month period ended April 30, 2006) were issued under the employee share purchase option plan for the management of the Bank for a cash consideration of $425,000 ($1,315,000$ during the six-month period ended April 30, 2006).

Issued and outstanding In thousands of dollars, except number of shares	**As at April 30, 2006** **Number of shares**	**Amount**	As at October 31, 2005 Number of shares	Amount
Class A Preferred Shares [(1)]				
Series 9	**4,000,000**	$ **100,000**	4,000,000	$ 100,000
Series 10	**4,400,000**	**110,000**	4,400,000	110,000
Total preferred shares	**8,400,000**	**210,000**	8,400,000	210,000
Common shares	**23,612,865**	**250,948**	23,556,545	249,633
Treasury shares	**(20,000)**	$ **(590)**	(20,000)	$ (590)

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

6. CAPITAL STOCK (CONTINUED)

	As at April 30, 2006	As at October 31, 2005
	Number	Number
Share purchase options		
Outstanding at end of period	**372,175**	429,037
Exercisable at end of period	**347,175**	404,037

7. STOCK-BASED COMPENSATION

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

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

8. EMPLOYEE FUTURE BENEFITS

	For the three-month periods ended			For the six-month periods ended	
	April 30	January 31	April 30	**April 30**	April 30
In thousands of dollars	**2006**	2006	2005	**2006**	2005
Defined benefit pension plans expense	**$ 4,542**	$ 4,693	$ 3,079	**$ 9,235**	$ 6,855
Defined contribution pension plan expense	**645**	$ 578	$ 546	**$ 1,223**	$ 1,072
Other plans expense	**610**	$ 630	$ 610	**$ 1,240**	$ 1,239
Total	**$ 5,797**	$ 5,901	$ 4,235	**$ 11,698**	$ 9,166

9. INCOME TAXES

For the quarter ended April 30, 2006, the Bank recorded a $3,610,000 income tax recovery, including the effect of the following items: an $11,327,000 recovery related to the resolution of various income tax exposures, the recognition of $2,730,000 of previously unrecognized temporary differences related to the minimum tax on financial institutions and a $3,385,000 charge on the decision to repatriate capital from foreign credit insurance operations. Excluding the net favorable effect of these adjustments, the income tax expense for the quarter would have stood at $7,063,000, reflecting a 33.6% effective tax rate.

For the six-month period ended April 30, 2006, the income tax expense was $707,000 (1.7% effective tax rate). The lower tax rate in 2006 results from the income tax recovery discussed above during the second quarter, as well as the favorable adjustment to future tax assets of $2,398,000, resulting from the increase in Quebec income tax rates and the lower taxes on the gain on sale of Brome Financial Corporation during the first quarter.

10. WEIGHTED AVERAGE NUMBER OF OUTSTANDING COMMON SHARES

	For the three-month periods ended			For the six-month periods ended	
	April 30 2006	January 31 2006	April 30 2005	**April 30 2006**	April 30 2005
Average number of outstanding common shares	**23,612**	23,580	23,511	**23,596**	23,511
Dilutive share options and other	**61**	60	23	**60**	22
Weighted average diluted number of outstanding common shares	**23,673**	23,640	23,534	**23,656**	23,533
Average share purchase options that were not taken into account in the calculation of diluted net income per common share (1)	**-**	-	360,276	**-**	361,563

(1) These average share purchase options were not taken into account in the calculation of diluted net income per common share since the average exercice price of these options exceeded the average market price of the Bank's share during these periods.

11. SUBSEQUENT EVENT

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

12. CONTINGENCIES

On May 2, 2006, the Conservative government delivered its first Budget Speech. As the Conservative Party forms a minority government, proposed amendments to the Income Tax Act will not be considered to be substantively enacted until the proposals have passed third reading in the House of Commons. As a result, the Bank has not reflected in its consolidated financial statements the effect of the proposed reduction in income tax rates and proposed increase in the threshold at which the federal minimum tax on financial institutions begins to apply. Based on the Bank's analysis, the proposed changes would imply a revaluation of the future tax assets, which would lead to an estimated $11,000,000 charge to future income tax expense in the period in which the changes would be substantively enacted.

13. SEGMENTED INFORMATION

For the three-month period ended **April 30, 2006**

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

For the three-month period ended January 31, 2006

In thousands of dollars	RFS [2], [3]	CFS [3], [5]	B2B [2], [3]	LBS [3]	Other	Total
Net interest income	$ 64,615	$ 15,058	$ 17,639	$ 304	$ (9,667)	$ 87,949
Other income	22,749	6,803	3,247	5,043	5,715	43,557
Total revenue	87,364	21,861	20,886	5,347	(3,952)	131,506
Provision for credit losses	5,612	2,811	1,577	-	-	10,000
Non-interest expenses	72,012	10,572	11,029	4,319	2,598	100,530
Income (loss) from continuing operations before income taxes	9,740	8,478	8,280	1,028	(6,550)	20,976
Income taxes (recovery)	3,259	2,838	2,809	346	(4,935)	4,317
Income (loss) from continuing operations	6,481	5,640	5,471	682	(1,615)	16,659
Income (loss) from discontinued operations, net of income taxes	-	-	-	-	324	324
Net income	$ 6,481	$ 5,640	$ 5,471	$ 682	$ (1,291)	$ 16,983
Average assets [1]	$ 8,023,556	$ 2,254,469	$ 2,584,642	$ 1,457,802	$ 2,258,084	$ 16,578,553

For the three-month period ended April 30, 2005

In thousands of dollars	RFS [2], [3]	CFS [3]	B2B [2], [3]	LBS [3]	Other	Total
Net interest income	$ 60,207	$ 13,609	$ 15,434	$ 329	$ (10,491)	$ 79,088
Other income	21,865	7,230	3,467	4,957	1,372	38,891
Total revenue	82,072	20,839	18,901	5,286	(9,119)	117,979
Provision for credit losses	6,127	894	1,729	-	-	8,750
Non-interest expenses	66,785	9,204	11,093	4,160	1,517	92,759
Income (loss) from continuing operations before income taxes	9,160	10,741	6,079	1,126	(10,636)	16,470
Income taxes (recovery)	3,187	3,803	2,074	367	(3,913)	5,518
Income (loss) from continuing operations	$ 5,973	$ 6,938	$ 4,005	$ 759	$ (6,723)	$ 10,952
Income from discontinued operations, net of income taxes	-	-	-	-	(303)	(303)
Net income	$ 5,973	$ 6,938	$ 4,005	$ 759	$ (7,026)	$ 10,649
Average assets [1]	$ 7,566,074	$ 2,225,877	$ 2,439,408	$ 1,354,821	$ 2,475,489	$ 16,061,669

13. SEGMENTED INFORMATION (CONTINUED)

In thousands of dollars	RFS (2), (3)	CFS (3), (5)	B2B (2), (3)	LBS (3)	Other (4)	For the six-month period ended April 30, 2006 Total
Net interest income	$ 126,790	$ 29,345	$ 35,571	$ 583	$ (18,656)	$ 173,633
Other income	46,141	11,736	6,619	10,952	10,941	86,389
Total revenue	172,931	41,081	42,190	11,535	(7,715)	260,022
Provision for credit losses	10,303	6,675	3,022	-	-	20,000
Non-interest expenses	142,249	19,015	22,188	8,883	5,716	198,051
Income (loss) from continuing operations before income taxes	20,379	15,391	16,980	2,652	(13,431)	41,971
Income taxes (recovery)	6,799	5,154	5,762	853	(17,861)	707
Income (loss) from continuing operations	13,580	10,237	11,218	1,799	4,430	41,264
Income from discontinued operations, net of income taxes	-	-	-	-	354	354
Net income	$ 13,580	$ 10,237	$ 11,218	$ 1,799	$ 4,784	$ 41,618
Average assets (1)	$ 8,065,827	$ 2,239,258	$ 2,641,543	$ 1,481,133	$ 2,198,185	$ 16,625,946

In thousands of dollars	RFS (2),(3)	CFS (3)	B2B (2),(3)	LBS (3), (6)	Other	For the six-month period ended April 30, 2005 Total
Net interest income	$ 123,534	$ 27,823	$ 30,898	$ 699	$ (28,155)	$ 154,799
Other income	42,279	14,450	7,031	10,945	7,635	82,340
Total revenue	165,813	42,273	37,929	11,644	(20,520)	237,139
Provision for credit losses	10,688	5,004	2,808	-	-	18,500
Non-interest expenses	133,477	18,807	21,632	9,195	1,336	184,447
Income (loss) before income taxes and non-controlling interest in net income of a subsidiary	21,648	18,462	13,489	2,449	(21,856)	34,192
Income taxes (recovery)	7,552	6,525	4,602	816	(8,309)	11,186
Non-controlling interest in net income of a subsidiary	-	-	-	-	4,910	4,910
Net income	$ 14,096	$ 11,937	$ 8,887	$ 1,633	$ (8,637)	$ 27,916
Average assets (1)	$ 7,519,168	$ 2,217,815	$ 2,400,564	$ 1,439,349	$ 2,648,093	$ 16,224,989

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

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

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

LBS - LBS segment consists of the activities of the subsidiary Laurentian Bank Securities Inc. and up to December 31, 2004, the activities of BLC - Edmond de Rothschild Asset Management Inc.

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

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

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

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

(4) See note 9

(5) Results for the first quarter of 2006 include a $0.05 million contribution to net income from Brome Financial Corporation Inc. for the two months prior to the sale of the subsidiary and the $0.93 million gain from this sale (note 2).

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

Other income

In thousands of dollars (unaudited)	Q4	Q3	Q2	2006 Q1
Fees and commissions on loans and deposits				
Deposit service charges	**$ -**	**$ -**	**$ 11,926**	**$ 11,836**
Lending fees	**-**	**-**	**5,303**	**6,096**
Card service revenues	**-**	**-**	**2,983**	**3,112**
Sub-total - fees and commissions on loans and deposits	**-**	**-**	**20,212**	**21,044**
Other				
Brokerage operations	**-**	**-**	**5,812**	**4,989**
Income from treasury and financial market operations	**-**	**-**	**2,889**	**3,047**
Income from registered self-directed plans	**-**	**-**	**2,893**	**2,757**
Securitization income	**-**	**-**	**3,554**	**3,138**
Income from distribution of mutual funds	**-**	**-**	**2,636**	**2,373**
Credit insurance income	**-**	**-**	**3,249**	**2,976**
Gain on disposal	**-**	**-**	**-**	**931**
Other	**-**	**-**	**1,587**	**2,302**
Sub-total - other	**-**	**-**	**22,620**	**22,513**
Total - other income	**$ -**	**$ -**	**$ 42,832**	**$ 43,557**
As a % of average assets	**- %**	**- %**	**1.05 %**	**1.04 %**

In thousands of dollars (unaudited)	Q4	Q3	Q2	2005 Q1
Fees and commissions on loans and deposits				
Deposit service charges	$ 11,960	$ 12,096	$ 12,145	$ 11,538
Lending fees	7,693	7,666	7,517	7,499
Card service revenues	3,036	3,022	2,483	2,509
Sub-total - fees and commissions on loans and deposits	22,689	22,784	22,145	21,546
Other				
Brokerage operations	5,603	4,734	4,899	4,931
Income from treasury and financial market operations	4,805	5,637	1,566	4,215
Income from registered self-directed plans	3,008	2,839	3,023	2,960
Securitization income	4,852	3,032	719	3,061
Income from distribution and management of mutual funds	2,335	2,165	2,238	2,832
Credit insurance income	2,510	1,515	2,004	1,658
Other	2,598	2,925	2,297	2,246
Sub-total - other	25,711	22,847	16,746	21,903
Total - other income	$ 48,400	$ 45,631	$ 38,891	$ 43,449
As a % of average assets	1.17 %	1.10 %	0.99 %	1.05 %

Non - interest expenses

In thousands of dollars (unaudited)	Q4	Q3	Q2	2006 Q1
Salaries and employee benefits	$ -	$ -	$ 48,260	$ 52,342
Premises and technology				
Equipment and computer services	-	-	10,415	9,948
Rent and property taxes	-	-	8,372	8,451
Depreciation	-	-	6,348	6,502
Maintenance and repairs	-	-	1,209	1,177
Public utilities	-	-	364	316
Other	-	-	188	120
Sub-total - premises and technology	-	-	26,896	26,514
Other expenses				
Taxes and insurance	-	-	6,110	6,090
Communications and travelling expenses	-	-	4,371	4,061
Fees and commissions	-	-	4,903	3,688
Advertising and business development	-	-	3,728	4,611
Stationery and publications	-	-	1,490	1,622
Recruitment and training	-	-	490	611
Other	-	-	1,273	991
Sub-total - other expenses	-	-	22,365	21,674
Total - non-interest expenses	$ -	$ -	$ 97,521	$ 100,530
As a % of average assets	- %	- %	2.40 %	2.41 %

In thousands of dollars (unaudited)	Q4	Q3	Q2	2005 Q1
Salaries and employee benefits	$ 51,091	$ 50,618	$ 45,647	$ 44,807
Premises and technology				
Equipment and computer services	9,712	9,608	9,036	9,243
Rent and property taxes	8,092	8,253	8,389	8,387
Depreciation	6,799	6,624	7,462	7,475
Maintenance and repairs	1,436	1,222	1,550	1,131
Public utilities	231	220	333	276
Other	1,248	540	(62)	354
Sub-total - premises and technology	27,518	26,467	26,708	26,866
Other expenses				
Taxes and insurance	5,458	5,989	5,691	6,447
Communications and travelling expenses	4,331	4,539	4,362	4,373
Fees and commissions	4,576	4,435	3,965	3,545
Advertising and business development	2,531	4,008	3,736	2,935
Stationery and publications	1,402	1,312	1,603	1,705
Recruitment and training	586	612	493	643
Other	1,517	514	554	367
Sub-total - other expenses	20,401	21,409	20,404	20,015
Total - non-interest expenses	$ 99,010	$ 98,494	$ 92,759	$ 91,688
As a % of average assets	2.39 %	2.38 %	2.37 %	2.22 %

Regulatory capital - BIS

In thousands of dollars (unaudited)	As at April 30 2006	As at October 31 2005	As at April 30 2005
Tier I capital			
Common shares	**$ 250,358**	$ 249,043	$ 248,593
Contributed surplus	**295**	73	-
Retained earnings	**476,103**	454,124	436,404
Non-cumulative preferred shares	**210,000**	210,000	210,000
Non-controlling interest in a subsidiary	**-**	6,715	6,462
Less: goodwill	**(53,790)**	(53,790)	(53,790)
Total - Tier I capital (A)	**882,966**	866,165	847,669
Tier II capital			
Subordinated debentures	**300,000**	150,000	200,000
General allowances	**65,250**	65,250	65,250
Total - Tier II capital	**365,250**	215,250	265,250
Investment in non-consolidated corporations, securitization and other	**(54,799)**	(32,364)	(37,271)
Regulatory capital - BIS (B)	**$ 1,193,417**	$ 1,049,051	$ 1,075,648
Total risk-weighted assets (C)	**$ 8,612,247**	$ 8,522,568	$ 8,349,312
Tier I BIS capital ratio (A/C)	**10.3 %**	10.2 %	10.2 %
Total BIS capital ratio (B/C)	**13.9 %**	12.3 %	12.9 %
Assets to capital multiple	**14.6 x**	15.8 x	15.5 x
Tangible common equity as a percentage of risk-weighted assets	**7.6 %**	7.5 %	7.4 %

Risk-weighted assets

In thousands of dollars (unaudited)	As at April 30 2006	As at October 31 2005	As at April 30 2005
BALANCE SHEET ITEMS			
Cash resources	**$ 89,989**	$ 87,652	$ 54,966
Securities	**432,666**	396,881	431,212
Mortgage loans	**2,232,342**	2,328,913	2,246,809
Other loans and customers' liability under acceptances	**5,221,378**	5,063,069	4,956,556
Other assets	**468,302**	496,652	498,601
General allowances	**65,250**	65,250	65,250
Total - balance sheet items	**8,509,927**	8,438,417	8,253,394
OFF-BALANCE SHEET ITEMS			
Derivative financial instruments	**29,655**	33,040	47,804
Credit-related commitments	**72,665**	51,111	48,114
Total - risk-weighted assets	**$ 8,612,247**	$ 8,522,568	$ 8,349,312

Assets under administration

In thousands of dollars (unaudited)	As at April 30 2006	As at October 31 2005	As at April 30 2005
Self-directed RRSPs and RRIFs	**$ 8,300,575**	$ 7,958,593	$ 7,922,020
Institutional	**1,819,460**	1,808,809	1,869,863
Clients' brokerage assets	**1,858,155**	1,622,608	1,657,158
Mutual funds	**1,392,385**	1,212,810	1,183,600
Mortgage loans under management	**1,292,354**	843,015	783,373
Other - Personal	**291,248**	319,683	285,074
Total - assets under administration	**$ 14,954,177**	$ 13,765,518	$ 13,701,088