LAURENTIAN BANK

THIRD QUARTER 2010

Report to shareholders

For the period ended July 31, 2010

Laurentian Bank reports net income of $30.1 million for the third quarter of 2010

Highlights of the third quarter 2010

- Net income of $30.1 million, up 5% from $28.7 million for the third quarter of 2009
- Return on common shareholders' equity of 11.0%, compared to 11.6% for the third quarter of 2009
- Total revenue of $188.8 million, an increase of 7% from $176.7 million a year ago
- Loan losses of $20.0 million, up from $16.0 million in the second quarter of 2010 and the third quarter of 2009
- Total loans and bankers' acceptances increased by more than $1.9 billion, or 12%, over the last twelve months
- Efficiency ratio remained stable at 67.7%

CONTENTS

Laurentian Bank of Canada reported net income of $30.1 million, or $1.13 diluted per common share, for the third quarter ended July 31, 2010, compared to net income of $28.7 million, or $1.08 diluted per common share, for the third quarter of 2009. Return on common shareholders' equity was 11.0% for the quarter, compared to 11.6% for the corresponding period in 2009.

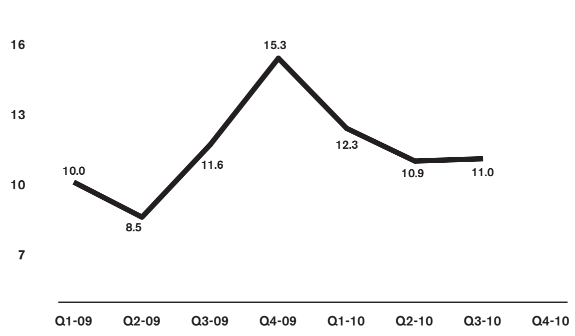
For the nine months ended July 31, 2010, net income totalled $90.4 million or $3.39 diluted per common share, compared with net income of $74.9 million or $2.76 diluted per common share in 2009. Return on common shareholders' equity was 11.4% for the nine months ended July 31, 2010, compared to 10.1% for the same period in 2009.

Commenting on the third quarter results, Réjean Robitaille, President and Chief Executive Officer, mentioned: "We continue to see improvement in earnings and total revenue year-over-year. Higher net interest margins and growth in loan and deposit volumes since last year strongly contributed to these good results. The credit quality of our portfolios has, overall, remained sound, with significant improvements on the retail side, even though loan losses for the quarter were affected by a single commercial exposure. We are pleased to see that all our business lines are contributing to the Bank's success, thanks to the continued strong commitment of all our employees."

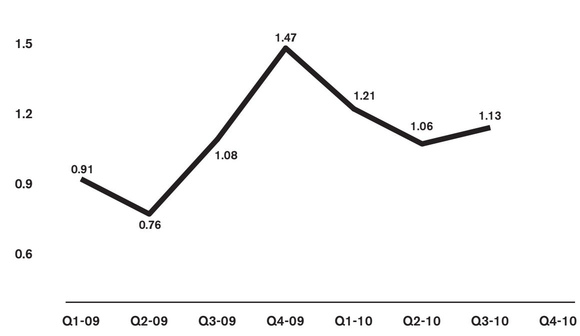
"We are also encouraged by the recent upgrade of our credit rating by Standard & Poors, which is an acknowledgement of our overall improvement in profitability over the last 5 years, despite the economic turmoil of the recent years."

Financial Highlights

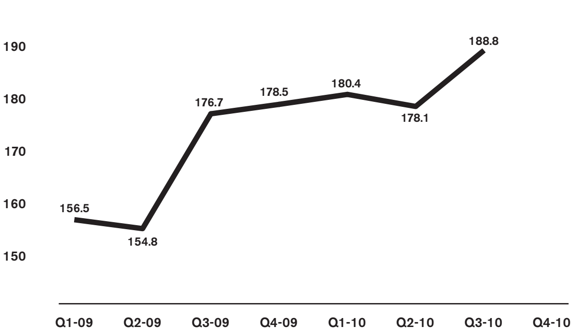
RETURN ON COMMON SHAREHOLDERS' EQUITY
AS A PERCENTAGE



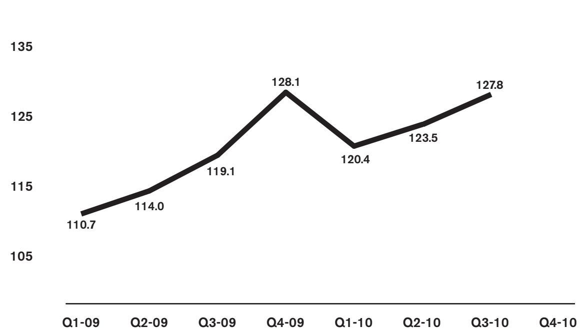
DILUTED NET INCOME PER COMMON SHARE
IN DOLLARS



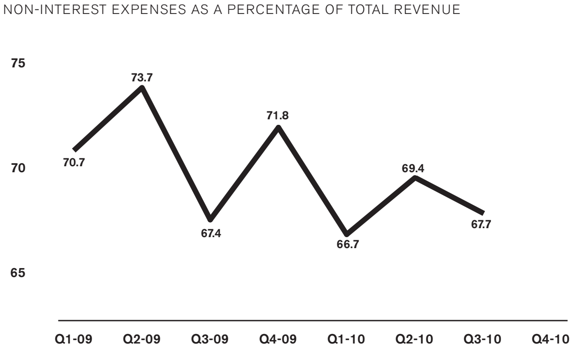
TOTAL REVENUE
IN MILLIONS OF DOLLARS



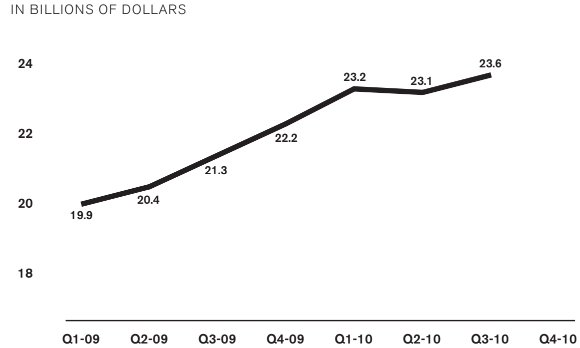
NON-INTEREST EXPENSES
IN MILLIONS OF DOLLARS



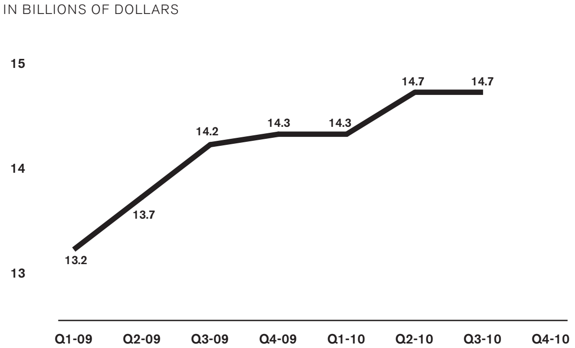
EFFICIENCY RATIO
NON-INTEREST EXPENSES AS A PERCENTAGE OF TOTAL REVENUE



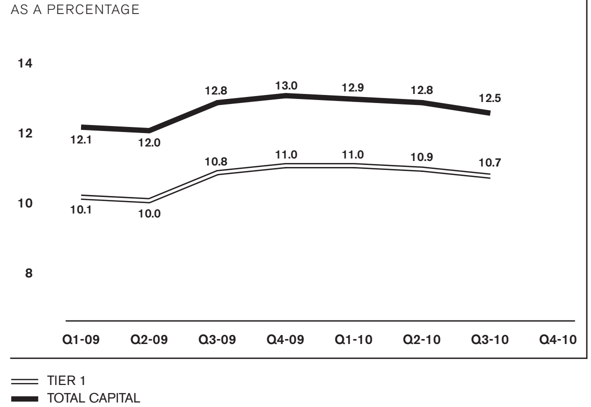
BALANCE SHEET ASSETS
IN BILLIONS OF DOLLARS



ASSETS UNDER ADMINISTRATION
IN BILLIONS OF DOLLARS



BIS CAPITAL RATIO
AS A PERCENTAGE



IN MILLIONS OF DOLLARS, UNLESS OTHERWISE INDICATED (UNAUDITED)	FOR THE THREE MONTHS ENDED JULY 31 2010	JULY 31 2009	VARIANCE	FOR THE NINE MONTHS ENDED JULY 31 2010	JULY 31 2009	VARIANCE
Earnings						
Net income	**$ 30.1**	$ 28.7	5 %	**$ 90.4**	$ 74.9	21 %
Net income available to common shareholders	**$ 27.0**	$ 25.9	4 %	**$ 81.2**	$ 65.8	23 %
Return on common shareholders' equity[1]	**11.0 %**	11.6 %		**11.4 %**	10.1 %	
Per common share						
Diluted net income	**$ 1.13**	$ 1.08	5 %	**$ 3.39**	$ 2.76	23 %
Dividends declared	**$ 0.36**	$ 0.34	6 %	**$ 1.08**	$ 1.02	6 %
Book value[1]				**$ 40.99**	$ 37.57	9 %
Share price – close				**$ 46.00**	$ 35.75	29 %
Financial position						
Balance sheet assets				**$ 23,577**	$ 21,316	11 %
Loans, bankers' acceptances and assets purchased under reverse repurchase agreements, net				**$ 18,009**	$ 15,853	14 %
Personal deposits				**$ 15,592**	$ 14,766	6 %
Shareholders' equity and debentures				**$ 1,367**	$ 1,293	6 %
Number of common shares – end of period (in thousands)				**23,920**	23,856	– %
Net impaired loans as a % of loans, bankers' acceptances and assets purchased under reverse repurchase agreements				**0.29 %**	0.05 %	
Capital ratios						
Tier I BIS capital ratio				**10.7 %**	10.8 %	
Total BIS capital ratio				**12.5 %**	12.8 %	
Assets to capital multiple				**18.4 x**	17.8 x	
Tangible common equity as a percentage of risk-weighted assets[2]				**8.9 %**	8.8 %	
FINANCIAL RATIOS						
Per common share						
Price/earnings ratio (trailing four quarters)				**9.4 x**	9.5 x	
Market to book value				**112 %**	95 %	
Dividend yield	**3.13 %**	3.80 %		**3.13 %**	3.80 %	
Dividend payout ratio	**31.9 %**	31.4 %		**31.8 %**	37.0 %	
As a percentage of average assets						
Net interest income	**2.22 %**	2.15 %		**2.15 %**	2.03 %	
Provision for loan losses	**0.34 %**	0.31 %		**0.30 %**	0.27 %	
Profitability						
Efficiency ratio (non-interest expenses as a % of total revenue)	**67.7 %**	67.4 %		**67.9 %**	70.5 %	
OTHER INFORMATION						
Number of full-time equivalent employees				**3,694**	3,571	
Number of branches				**157**	156	
Number of automated banking machines				**410**	362	

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.

Review of Business Highlights

The third quarter of 2010 reconfirmed the momentum of the Laurentian Bank and the solidity of its business plan. Strategic diversification and the strength of its four businesses provide opportunities to improve the Bank's profitability. This was evidenced by the increase in earnings in the third quarter compared to a year earlier and the continued growth in loans and deposits. The effectiveness and relevance of the Bank's business strategies, over the past few years, have allowed the Bank to generate sustained growth.

Pursuing the objective of optimizing the branch network configuration, the Retail and SME Quebec segment opened its 32nd financial services boutique, in Laval, Quebec. The customers' high level of satisfaction with these non-traditional branches translates into solid business development. This brings the number of retail branches to 157, the third largest network in the Province of Quebec. Furthermore, a growing number of these branches offer the services of financial planners, which not only allows the Bank to pursue its Wealth Management strategy but also helps clients achieve financial security. The Bank is also continuing to see positive results from its growing team of mobile mortgage bankers. This approach is generating an increase in high quality residential mortgage loans and contributes to the achievement of the Bank's overall growth objectives.

Within B2B Trust, the development of the different distribution channels remains a top priority. The 15,000 independent financial advisors dealing with B2B Trust are pleased with the most complete suite of products available in the industry. Offering prime mortgages through brokers is proving to be effective in furthering geographic diversification and contributing to growth. Charged with developing and executing B2B Trust's strategies, its President and CEO, François Desjardins, was a recipient of "Canada's Top 40 Under 40™" award in 2010. This attests to the growing depth of talent within the organization.

The Bank continues to view positively the solid loan growth of the Real Estate and Commercial segment, particularly given challenging market conditions. With last year's lenders' market transitioning into this year's borrowers' market, the team is increasing its disciplined and rigorous approach to ensure profitable growth. The recently-formed Toronto real estate syndication desk is improving the Bank's competitive position, allowing it to participate in a wider range of projects, while maintaining strict underwriting criteria, thereby enhancing both the geographic and sectoral diversification of the portfolio.

Laurentian Bank Securities and Capital Markets continues to gradually build its Institutional Equity division, focusing on the small cap market niche. As well, the growing presence and reputation of the retail brokerage operation are compelling strengths which attract brokers with established books of business. These growth initiatives complement a strong Institutional Fixed Income operation and diversify the source of revenues, thereby strengthening its business base.

Further development of human capital, distribution channels and market capabilities, favors organic growth and sustained profitability for the Bank.

Management's Discussion and Analysis

This Management's Discussion and Analysis (MD&A) is a narrative explanation, through the eyes of management, of the Bank's financial condition as at July 31, 2010, and of how it performed during the three-month and nine-month periods then ended. This MD&A, dated September 2, 2010, should be read in conjunction with the unaudited interim consolidated financial statements for the third 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 at 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 NINE MONTHS ENDED JULY 31, 2010
Revenue growth	5% to 10%	**12%**
Efficiency ratio	70% to 67%	**67.9%**
Return on common shareholders' equity	10.0% to 12.0%	**11.4%**
Diluted net income per common share	$4.00 to $4.70	**$3.39**
Tier I BIS capital ratio	Minimum of 9.5%	**10.7%**

With only three months remaining in the current year, 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.

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.

Consolidated Results

Three months ended July 31, 2010 compared to three months ended July 31, 2009

Net income was $30.1 million, or $1.13 diluted per common share, for the third quarter ended July 31, 2010, compared with $28.7 million, or $1.08 diluted per common share, for the third quarter of 2009.

Total revenue

Total revenue increased by 7% year-over-year to $188.8 million in the third quarter of 2010, compared with $176.7 million in the third quarter of 2009. The Bank's net interest income increased to $129.9 million for the third quarter of 2010, from $112.8 million in the third quarter of 2009. The strong loan and deposit growth year-over-year combined with high interest margins contributed to the 15% increase in net interest income. However, interest margins should remain under pressure, as a result of the sustained competition for retail customers and the continued low interest rate environment, as well as the Bank's higher liquidity level.

Other income was $58.9 million in the third quarter of 2010, compared to $63.9 million in the third quarter of 2009. Securitization income decreased by $8.8 million compared to the same quarter a year ago, as a result of lower securitization gains given the tighter spreads on the mortgages sold. See note 3 to the interim financial statements for further details on securitization activities. This decline was partly offset by higher fees and commissions on loans and deposits, further demonstrating the Bank's ability to grow its core business. Income from treasury and financial market operations improved by $4.2 million compared to the same quarter a year ago, essentially as a result of a $4.8 million charge related to the write-down of certain available-for-sale securities recorded in the third quarter of 2009. Income from brokerage operations decreased by $3.8 million compared to the third quarter of 2009, as a result of the lower level of institutional market activity.

Provision for loan losses

The provision for loan losses amounted to $20.0 million in the third quarter of 2010, compared to $16.0 million for the third quarter of 2009. During the third quarter of 2010, loan losses were particularly affected by a $5.0 million loss on a single commercial exposure. While the credit quality of most retail portfolios has improved, certain sectors of the economy impacted by the last recession continue to contribute to higher loan losses in commercial and real estate portfolios. The Risk Management section below provides additional information on the credit quality of the Bank's loan portfolios.

Non-interest expenses

Non-interest expenses totalled $127.8 million for the third quarter of 2010, compared to $119.1 million for the third quarter of 2009, a 7% year-over-year increase as the Bank continued to invest in its development. Salaries and employee benefits rose by $8.2 million, mainly as a result of salary increases, costs related to growth and service quality initiatives, higher taxes on salaries, as well as higher pension costs. Premises and technology costs also increased from $30.3 million for the third quarter of 2009 to $33.2 million for the third quarter of 2010. This increase results from higher amortization expense related to IT development projects coming on stream, overall increases in technology costs to support business growth and higher rental costs. Other non-interest expenses decreased as a result of tight cost control.

The efficiency ratio (non-interest expenses divided by total revenue) remained relatively unchanged at 67.7% in the third quarter of 2010, compared with 67.4% in the third quarter of 2009.

Income taxes

For the quarter ended July 31, 2010, the income tax expense was $10.9 million and the effective tax rate was 26.7%. 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 July 31, 2009, the income tax expense was $12.9 million and the effective tax rate was 31.0%.

Nine months ended July 31, 2010 compared to nine months ended July 31, 2009

For the nine months ended July 31, 2010, net income totalled $90.4 million or $3.39 diluted per common share, compared with net income of $74.9 million or $2.76 diluted per common share in 2009.

Total revenue

Total revenue improved 12% to $547.4 million for the nine months ended July 31, 2010, compared to $488.0 million for the nine months ended July 31, 2009. Net interest income increased from $305.5 million for the nine months ended July 31, 2009 to $368.2 million for the same period in 2010, as a combined result of improved net interest margins and higher loan and deposit volumes. Net interest margins had temporarily been under pressure in the first part of 2009 as a result of the introductory promotional pricing on B2B Trust's High Interest Investment Accounts and a generally lower interest rate environment. Other income only slightly decreased compared to July 31, 2009, as higher fees and commissions resulting from overall business growth, as well as higher brokerage revenues offset most of the $23.4 million decrease in securitization income.

Provision for loan losses

The provision for loan losses amounted to $52.0 million for the nine months ended July 31, 2010, compared to $40.0 million for the nine months ended July 31, 2009. The increase essentially relates to the commercial loan and mortgage portfolios, while the credit quality of consumer loan portfolios has continued to improve.

Non-interest expenses

Non-interest expenses totalled $371.8 million for the nine months ended July 31, 2010, compared to $343.8 million for the nine months ended July 31, 2009. The increase is principally attributable to higher salaries and costs related to growth initiatives, as well as higher pension costs. 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 decreased slightly. For the nine months ended July 31, 2010, the efficiency ratio improved significantly to 67.9%, compared to 70.5% for the nine months ended July 31, 2009; reflecting a 4% positive operating leverage.

Income taxes

For the nine months ended July 31, 2010, the income tax expense was $33.2 million and the effective tax rate was 26.9%, compared to $29.2 million and 28.1% for the nine months ended July 31, 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.

Third quarter 2010 compared to second quarter 2010

Net income was $30.1 million for the third quarter of 2010, compared to $28.3 million for the second quarter ended April 30, 2010. Net interest income increased by $12.2 million, as a result of higher net interest margins, which stood at 2.22% in the third quarter of 2010, compared to 2.10% for the second quarter of 2010, and the three additional days in the third quarter. Seasonally higher penalty revenues on mortgage loan prepayments, as well as a better product mix helped to lift net interest margins when compared to those in the second quarter. However, funding cost increases in the latter part of the third quarter in the wake of rising short-term market rates and the continued fierce competition in the mortgage market could put pressure on margins in the coming months. Other income remained relatively unchanged compared to the second quarter of 2010.

The provision for loan losses amounted to $20.0 million in the third quarter of 2010, compared to $16.0 million for the second quarter of 2010. The increase is mainly related to the provisioning of the single commercial exposure noted above, as the overall credit condition of the portfolios has otherwise remained relatively stable over the last three months.

Non-interest expenses increased by $4.3 million compared with the second quarter of 2010, essentially as a result of the longer quarter and higher variable compensation costs.

Financial Condition

Condensed balance sheet

IN THOUSANDS OF DOLLARS (UNAUDITED)	**AS AT JULY 31 2010**	AS AT OCTOBER 31 2009	AS AT JULY 31 2009
ASSETS			
Cash resources	**$ 165,427**	$ 300,616	$ 532,226
Securities	**4,436,083**	4,432,183	3,876,632
Assets purchased under reverse repurchase agreements	**656,791**	536,064	403,961
Loans, net	**17,163,829**	15,601,307	15,229,991
Other assets	**1,154,700**	1,294,610	1,273,590
	$ 23,576,830	$ 22,164,780	$ 21,316,400
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits	**$ 19,062,124**	$ 18,299,966	$ 17,957,858
Other liabilities	**3,148,073**	2,543,588	2,065,052
Subordinated debentures	**150,000**	150,000	150,000
Shareholders' equity	**1,216,633**	1,171,226	1,143,490
	$ 23,576,830	$ 22,164,780	$ 21,316,400

Balance sheet assets increased by more than $1.4 billion from year-end 2009 and stood at $23.6 billion at July 31, 2010. Over the last twelve months, balance sheet assets increased by $2.3 billion or nearly 11%.

Liquid assets

Liquid assets, including cash, deposits with other banks, securities and assets purchased under reverse repurchase agreements, remained relatively unchanged at $5.3 billion. However, loans now represent 73% of total assets, compared to 70% at the beginning of the year, as the Bank is gradually reducing its overall excess level of liquidity to fund its loan disbursements.

Loan portfolio

The portfolio of loans and bankers' acceptances stood at $17.5 billion at July 31, 2010, up $1.5 billion from October 31, 2009. The Bank had another solid quarter of loan growth, up $372.3 million, or $734.7 million before new securitizations of $362.4 million. Since the beginning of the year, residential mortgages, including securitized loans, increased by 12% or $1,180.1 million, as the Bank capitalized on favourable market conditions in the first part of the year. However, slower seasonal demand and some softness in the Canadian housing market were noticed recently.

Residential mortgage portfolio

IN THOUSANDS OF DOLLARS (UNAUDITED)	**AS AT JULY 31 2010**	AS AT OCTOBER 31 2009	VARIANCE
On-balance sheet residential mortgage loans	**$ 8,407,188**	$ 7,219,830	$ 1,187,358
Securitized residential mortgage loans (off-balance sheet)	**2,695,550**	2,702,762	(7,212)
Total residential mortgage loans, including securitized loans	**$ 11,102,738**	$ 9,922,592	$ 1,180,146

Commercial mortgages and commercial loans, including bankers' acceptances, increased by $227.9 million and $130.0 million, respectively, as the Bank continues to capitalize on growth opportunities in the Canadian market. Personal loans increased by $4.7 million, mainly reflecting growth in investment loans, as well as home equity lines of credit, offsetting run-offs in point-of-sale financing.

Deposits

Total personal deposits increased by $453.8 million since the beginning of the year and $179.2 million during the last quarter to $15.6 billion as at July 31, 2010. Business and other deposits increased by $308.4 million since the beginning of the year and $146.2 million during the last quarter. The Bank continues to optimize its liquidity levels to meet funding requirements while maintaining its privileged access to the retail market. 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. As at July 31, 2010, personal deposits accounted for 81.8% of total deposits of $19.1 billion.

Shareholders' equity

Shareholders' equity stood at $1,216.6 million as at July 31, 2010, compared with $1,171.2 million as at October 31, 2009. The increase in shareholders' equity mainly resulted from net income accumulated during the first nine months of the year; partly offset by a decrease in the deferred gain related to interest rate swaps presented in accumulated other comprehensive income.

The Bank's book value per common share, excluding accumulated other comprehensive income, was $40.99 as at July 31, 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 August 24, 2010.

Assets under administration

Assets under administration increased by $0.4 billion from October 31, 2009 and amounted to $14.7 billion as at July 31, 2010, and increased by $0.5 billion from July 31, 2009 when they stood at $14.2 billion. The increase compared with July 31, 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 $1,098.7 million as at July 31, 2010, compared with $1,045.8 million as at October 31, 2009. The BIS Tier 1 and total capital ratios stood at 10.7% and 12.5%, respectively, as at July 31, 2010, compared to 11.0% and 13.0%, respectively, as at October 31, 2009. Although slightly lower than at the beginning of the year, due to an 8% increase in risk-weighted assets, these ratios remain strong, while the tangible common equity ratio of 8.9% reflects the high quality of the Bank's capital.

Regulatory capital – BIS

IN THOUSANDS OF DOLLARS, EXCEPT PERCENTAGE AMOUNTS (UNAUDITED)	**AS AT JULY 31 2010**	AS AT OCTOBER 31 2009	AS AT JULY 31 2009
Total – Tier 1 capital (A)	**$ 1,098,670**	$ 1,045,824	$ 1,015,251
Tier I BIS capital ratio (A/C)	**10.7 %**	11.0 %	10.8 %
Total – capital (B)	**$ 1,285,421**	$ 1,235,866	$ 1,205,720
Total BIS capital ratio (B/C)	**12.5 %**	13.0 %	12.8 %
Total risk-weighted assets (C)	**$ 10,244,069**	$ 9,480,823	$ 9,410,447
Assets to capital multiple	**18.4 x**	18.0 x	17.8 x
Tangible common equity as a percentage of risk-weighted assets[1]	**8.9 %**	9.1 %	8.8 %

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 JULY 31 2010	AS AT OCTOBER 31 2009	AS AT JULY 31 2009
Balance sheet items			
Cash resources	**$ 13,611**	$ 12,697	$ 30,088
Securities	**360,248**	220,257	228,187
Mortgage loans	**3,754,609**	3,222,867	3,077,728
Other loans and customers' liabilities under acceptances	**3,813,507**	3,807,878	3,871,995
Other assets	**511,335**	516,561	492,372
Total – balance sheet items	**8,453,310**	7,780,260	7,700,370
Off-balance sheet items	**570,721**	547,050	582,639
Operational risk	**1,220,038**	1,153,513	1,127,438
Total – risk-weighted assets	**$ 10,244,069**	$ 9,480,823	$ 9,410,447

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. In July 2010, additional information was provided by regulatory agencies with regard to certain capital and liquidity requirements, as well as to measures to reduce potential procyclicality. Although these revised guidelines appear less onerous than the initial proposals, the final guidelines are not expected until late 2010. The Bank is devoting significant resources to analyse these new requirements which, when published, are not expected to become regulation until late 2012 at the earliest, with a protracted transition period. At this stage, it is too early to determine the definitive impact on capital ratios and liquidity requirements, considering the proposals are still likely to change between now and when the final rules take effect.

Dividends

At its meeting on August 25, 2010, the Board of Directors declared regular dividends on the various series of preferred shares to shareholders of record on September 9, 2010. At its meeting on September 2, 2010, the Board of Directors declared a dividend of $0.36 per common share, payable on November 1, 2010, to shareholders of record on October 1, 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 the 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

	FOR THE THREE MONTHS ENDED			FOR THE NINE MONTHS ENDED	
IN THOUSANDS OF DOLLARS (UNAUDITED)	JULY 31 2010	APRIL 30 2010	JULY 31 2009	JULY 31 2010	JULY 31 2009
Loan portfolios					
Personal loans	**$ 8,292**	$ 7,591	$ 10,221	**$ 24,541**	$ 27,363
Residential mortgages	**1,715**	170	207	**2,148**	1,003
Commercial mortgages	**3,378**	3,069	595	**7,241**	620
Commercial and other loans	**6,615**	5,170	4,977	**18,070**	11,014
Total	**$ 20,000**	$ 16,000	$ 16,000	**$ 52,000**	$ 40,000

The provision for loan losses amounted to $20.0 million in the third quarter of 2010, while it was $16.0 million in the third quarter of 2009. The year-over-year increase in residential mortgage loan losses was essentially caused by provisions of $1.5 million on two residential construction projects. Also, provisions on commercial loans and commercial mortgages were up a combined $4.4 million compared to the third quarter of 2009 due mainly to a $5.0 million loss on a single commercial exposure. These losses were partly offset by the lower level of losses in personal loan portfolios attributable, in part, to the Bank's reduced exposure to the point-of-sale financing business and overall improvements in the labour market.

Allowance for loan losses

IN THOUSANDS OF DOLLARS, EXCEPT PERCENTAGE AMOUNTS (UNAUDITED)	**AS AT JULY 31 2010**	AS AT APRIL 30 2010	AS AT OCTOBER 31 2009	AS AT JULY 31 2009
Gross impaired loans	**$ 182,451**	$ 161,930	$ 137,494	$ 123,109
Allowance for loan losses	**129,964**	124,178	114,546	114,672
Net impaired loans	**$ 52,487**	$ 37,752	$ 22,948	$ 8,437
Impaired loans as a % of loans, bankers' acceptances and assets purchased under reverse repurchase agreements				
Gross	**1.01 %**	0.92 %	0.83 %	0.77 %
Net	**0.29 %**	0.21 %	0.14 %	0.05 %

Gross impaired loans stood at $182.5 million at July 31, 2010, compared to $161.9 million as at April 30, 2010 and $137.5 million at October 31, 2009. The increase since October 31, 2009 essentially resulted from certain specific commercial loans and commercial mortgages, while the credit quality of retail portfolios has continued to improve. Net impaired loans stood at $52.5 million at July 31, 2010 (representing 0.29% of total loans, bankers' acceptances and assets purchased under reverse repurchase agreements), compared to $23.0 million (0.14%) at October 31, 2009. At approximately 30% of impaired loans, the specific provisioning was relatively stable compared to the beginning of the year and reflects the good quality of the underlying collateral.

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-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 July 31, 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 JULY 31 2010**	AS AT OCTOBER 31 2009
Increase (decrease) in net interest income before taxes over the next 12 months	**$ 3,429**	$ (4,779)
Change in the economic value of common shareholders' equity (Net of income taxes)	**$ (24,153)**	$ (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

	FOR THE THREE MONTHS ENDED			FOR THE NINE MONTHS ENDED	
IN THOUSANDS OF DOLLARS, EXCEPT PERCENTAGE AMOUNTS (UNAUDITED)	**JULY 31 2010**	APRIL 30 2010	JULY 31 2009	**JULY 31 2010**	JULY 31 2009
Total revenue	**$ 116,963**	$ 111,382	$ 109,081	**$ 340,848**	$ 317,650
Provision for loan losses	**$ 9,583**	$ 11,542	$ 12,408	**$ 30,915**	$ 30,072
Net income	**$ 14,633**	$ 10,082	$ 9,674	**$ 37,267**	$ 29,610
Efficiency ratio	**75.4 %**	78.4 %	77.7 %	**76.9 %**	78.7 %

The Retail & SME Quebec business segment's contribution to net income improved 51%, totalling $14.6 million for the third quarter of 2010, compared with $9.7 million for the third quarter of 2009.

Total revenue increased by $7.9 million, from $109.1 million in the third quarter of 2009 to $117.0 million in the third quarter of 2010, mainly as a result of increases in loan and deposit volumes over the last twelve months. In addition, fees have risen 7% year-over-year as strategies aimed at increasing other revenue streams, such as card fees and credit insurance revenues, continue to generate benefits. Loan losses decreased from $12.4 million in the third quarter of 2009 to $9.6 million in the third quarter of 2010, as a result of the significant improvement in the credit quality of retail loan portfolios. Non-interest expenses rose by 4% or $3.4 million, from $84.7 million in the third quarter of 2009 to $88.2 million in the third quarter of 2010, mainly as a result of annual increases in salaries, as well as an increase in the number of employees partly offset by operating productivity improvements.

For the nine months ended July 31, 2010, net income improved by 26% to $37.3 million. Higher revenues stemming from various growth initiatives and favourable market conditions more than offset increases in non-interest expenses, essentially in salaries.

Balance sheet highlights

- Loans up 6% or $699 million over the last 12 months
- Increase in deposits of $720 million over the last 12 months, to $8.2 billion as at July 31, 2010

Real Estate & Commercial

As of November 1, 2009, 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.

	FOR THE THREE MONTHS ENDED			FOR THE NINE MONTHS ENDED	
IN THOUSANDS OF DOLLARS, EXCEPT PERCENTAGE AMOUNTS (UNAUDITED)	**JULY 31 2010**	APRIL 30 2010	JULY 31 2009	**JULY 31 2010**	JULY 31 2009
Total revenue	**$ 31,608**	$ 29,125	$ 25,806	**$ 88,323**	$ 66,916
Provision for loan losses	**$ 9,433**	$ 3,984	$ 2,105	**$ 18,567**	$ 6,920
Net income	**$ 10,427**	$ 13,655	$ 11,170	**$ 36,770**	$ 26,810
Efficiency ratio	**22.8 %**	19.1 %	28.8 %	**19.3 %**	31.3 %

The Real Estate & Commercial business segment's contribution to net income decreased 7%, to $10.4 million for the third quarter of 2010, compared with $11.2 million for the third quarter of 2009.

Total revenue increased by $5.8 million, from $25.8 million in the third quarter of 2009 to $31.6 million in the third quarter of 2010. Continued strong business growth and better interest margins resulting from repricing measures initiated last year helped improve revenues. Loan losses stood at $9.4 million in the third quarter of 2010, compared to

$2.1 million in the third quarter of 2009. Loan losses for the third quarter of 2010 were particularly affected by a $5.0 million loss on a single commercial exposure and losses of $1.5 million on two residential construction projects. Although credit conditions seem to have stabilized lately, there remain some challenges in some sectors of the economy. Non-interest expenses remained stable at $7.2 million in the third quarter of 2010, compared to $7.4 million in the third quarter of 2009.

For the nine months ended July 31, 2010, net income improved by 37% to $36.8 million. For that same period, revenues improved by 32% to $88.3 million, mainly as a result of higher net interest margins and sustained efforts to grow the business. Loan losses increased to $18.6 million for the nine months ended July 31, 2010, from $6.9 million for the nine months ended July 31, 2009, as certain commercial and real estate accounts encountered difficulties as a result of the latest recession having affected some sectors of the economy. For the nine months ended July 31, 2010, expenses remained well under control at $17.0 million, net of a $2.8 million favourable adjustment to operational loss provisions during the first six months of 2010, compared to $21.0 million for the nine months ended July 31, 2009.

Balance sheet highlight

- Loans and BAs up 18% or more than $450 million over the last 12 months

B2B Trust

IN THOUSANDS OF DOLLARS, EXCEPT PERCENTAGE AMOUNTS (UNAUDITED)	FOR THE THREE MONTHS ENDED JULY 31 2010	APRIL 30 2010	JULY 31 2009	FOR THE NINE MONTHS ENDED JULY 31 2010	JULY 31 2009
Total revenue	**$ 32,711**	$ 29,635	$ 26,430	**$ 92,183**	$ 73,844
Provision for loan losses	**$ 984**	$ 474	$ 1,487	**$ 2,518**	$ 3,008
Net income	**$ 11,818**	$ 11,359	$ 8,665	**$ 34,238**	$ 24,624
Efficiency ratio	**44.8 %**	43.0 %	46.5 %	**43.4 %**	47.1 %

The B2B Trust business segment's contribution to net income improved 36%, reaching $11.8 million in the third quarter of 2010, compared with $8.7 million in the third quarter of 2009.

Total revenue increased by $6.3 million, from $26.4 million in the third quarter of 2009, to $32.7 million in the third quarter of 2010, essentially as a result of continued growth in loan and deposit volumes over the last twelve months. In addition, net interest margins also improved due to lower funding costs. Loan losses, including losses on investment lending activities, remained low at $1.0 million in the third quarter of 2010, compared with $1.5 million in the third quarter of 2009. Non-interest expenses increased to $14.7 million in the third quarter of 2010, compared with $12.3 million in the third quarter of 2009, mainly as a result of higher staffing levels, salary and employee benefits.

For the nine months ended July 31, 2010, net income improved by 39% to $34.2 million, essentially as a result of higher net interest income. B2B Trust's margins had been under pressure in the first half of 2009 as a result of the introductory promotional pricing on the High Interest Investment Accounts and a generally lower interest rate environment.

Balance sheet highlights

- Loans up 18% or $801 million over the last 12 months
- Increase in deposits of $0.7 billion over the last 12 months, to $9.4 billion as at July 31, 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 JULY 31 2010	APRIL 30 2010	JULY 31 2009	FOR THE NINE MONTHS ENDED JULY 31 2010	JULY 31 2009
Total revenue	**$ 13,981**	$ 15,280	$ 16,815	**$ 43,748**	$ 43,090
Net income	**$ 2,100**	$ 2,586	$ 3,379	**$ 6,520**	$ 9,246
Efficiency ratio	**79.0 %**	76.3 %	71.4 %	**78.6 %**	69.3 %

The Laurentian Bank Securities and Capital Markets business segment's contribution to net income amounted to $2.1 million in the third quarter of 2010, compared with $3.4 million in the third quarter of 2009. Revenues decreased by $2.8 million to $14.0 million in the third quarter of 2010, mainly as a result of weaker capital markets. Non-interest expenses decreased to $11.1 million in the third quarter of 2010, from $12.0 million in the third quarter of 2009, due primarily to lower variable compensation.

For the nine months ended July 31, 2010, net income decreased by 30% or $2.7 million compared to the same period last year, as increases 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 15% or $290 million over the last 12 months

Other Sector

As of November 1, 2009, certain Bank's 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 JULY 31 **2010**	APRIL 30 2010	JULY 31 2009	FOR THE NINE MONTHS ENDED JULY 31 **2010**	JULY 31 2009
Total revenue	**$ (6,453)**	$ (7,309)	$ (1,475)	**$ (17,730)**	$ (13,538)
Net loss	**$ (8,914)**	$ (9,333)	$ (4,205)	**$ (24,368)**	$ (15,405)

The Other sector posted a negative contribution to net income of $8.9 million in the third quarter of 2010, compared with a negative contribution of $4.2 million in the third quarter of 2009. Net interest income improved to negative $6.7 million in the third quarter of 2010, compared to negative $7.9 million in the third quarter of 2009 as a result of favourable asset-liability management positioning. Other income for the third quarter of 2010 was $0.2 million, compared to $6.4 million for the third quarter of 2009. This decrease mainly resulted from lower income from securitization partly offset by the absence of write-downs on securities as in the third quarter of 2009.

For the nine months ended July 31, 2010, the negative contribution stood at $24.4 million, compared to negative $15.4 million for the nine months ended July 31, 2009. Net interest income improved, as noted above, as asset-liability management activities contributed more positively to results. However, securitization income declined sharply as interest spreads on securitized loans narrowed and the mark-to-market revaluation on seller-swaps affected results.

Additional Financial Information – Quarterly Results

IN THOUSANDS OF DOLLARS, EXCEPT PER SHARE AND PERCENTAGE AMOUNTS (UNAUDITED)	JULY 31 **2010**	APRIL 30 2010	JANUARY 31 2010	OCTOBER 31 2009	JULY 31 2009	APRIL 30 2009	JANUARY 31 2009	OCTOBER 31 2008
Total revenue	**$ 188,810**	$ 178,113	$ 180,449	$ 178,540	$ 176,657	$ 154,768	$ 156,537	$ 152,811
Income from continuing operations	**$ 30,064**	$ 28,349	$ 32,014	$ 26,779	$ 28,683	$ 21,155	$ 25,047	$ 22,910
Net income	**$ 30,064**	$ 28,349	$ 32,014	$ 38,248	$ 28,683	$ 21,155	$ 25,047	$ 27,333
Income per common share from continuing operations								
Basic	**$ 1.13**	$ 1.06	$ 1.21	$ 0.99	$ 1.08	$ 0.76	$ 0.92	$ 0.84
Diluted	**$ 1.13**	$ 1.06	$ 1.21	$ 0.99	$ 1.08	$ 0.76	$ 0.91	$ 0.84
Net income per common share								
Basic	**$ 1.13**	$ 1.06	$ 1.21	$ 1.47	$ 1.08	$ 0.76	$ 0.92	$ 1.02
Diluted	**$ 1.13**	$ 1.06	$ 1.21	$ 1.47	$ 1.08	$ 0.76	$ 0.91	$ 1.02
Return on common shareholders' equity[1]	**11.0 %**	10.9 %	12.3 %	15.3 %	11.6 %	8.5 %	10.0 %	11.5 %
Balance sheet assets (in millions of dollars)	**$ 23,577**	$ 23,089	$ 23,184	$ 22,165	$ 21,316	$ 20,403	$ 19,868	$ 19,579

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 third 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). As a result, the Bank will adopt IFRS commencing on November 1, 2011 and will publish its first consolidated financial statements, prepared in accordance with IFRS, for the quarter ending January 31, 2012. Comparative financial information for fiscal 2011 will be provided at that time, prepared in accordance with IFRS, including an opening balance sheet as at November 1, 2010.

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 served 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, subject to changes to IFRS by the International Accounting Standards Board (IASB). Key differences between IFRS and Canadian GAAP have been summarized below. The impact of certain key differences is still being evaluated. The selection of key accounting policies is 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 of its IFRS conversion as at the end of the third quarter of 2010.

Another important component of the IFRS conversion plan consists of training key finance and operational staff. This ongoing process was initiated in 2008. As the Bank progresses in its conversion plan in 2010, it will also, together with other members of the banking community, communicate IFRS implications to the various interested stakeholders. The Bank has put in place a Steering Committee that is responsible for ensuring the conversion plan is adequately followed. The Bank's Board of Directors, mainly through its Audit Committee, is also involved in the IFRS conversion plan. They receive quarterly updates 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 in 2010:

First quarter

- A preliminary IFRS analysis, which consisted of an assessment of the quantitative, qualitative and technological impact of IFRS implementation.
- A list of potential transition date and ongoing accounting policy choices.
- 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 2010.

Second quarter

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

Third quarter

- A summary of the main findings from a pro forma conversion of the 2009 year-end financial statements to IFRS. This exercise allowed the Bank to better assess the workload and potential impact of first-time adoption and future accounting policy choices under IFRS, as well as to evaluate the potential impact on capital and other financial ratios.
- An update of certain IFRS analyses pursuant to new developments published by the IASB. The Bank will continue to monitor future developments.
- An IT strategy defined to appropriately manage the dual-accounting period in fiscal 2011.

IFRS were developed using a conceptual framework similar to Canadian GAAP, although significant differences exist in certain areas including recognition, measurement and disclosures. The following key differences 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 into 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. This amount is accreted over the period from the initial recognition of the provision to the eventual recovery of the present value of the loan, resulting in the recording of interest in the statement of income, within interest income. Under Canadian GAAP, the accretion amount is generally presented as a reduction of the 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. In July, the IFRS Interpretations Committee issued an Exposure Draft which would modify guidance applicable on transition (IFRS 1) with regard to the derecognition exception. The revised IFRS 1 would provide the option to grandfather certain securitization transactions up to October 31, 2010, instead of January 1, 2004. The Bank will closely monitor this proposed change and reassess its choices accordingly.

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 determined its potential impact given the significant challenge posed by the complexity of pension benefit plans and the fact that the Bank has been offering pension plans for more than 30 years. However, IFRS provide the option of not retrospectively applying 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 could be recognized in income immediately, amortized to income using a "Corridor Method" similar to Canadian GAAP, or directly in equity (the "SORIE Method"). The Bank is currently assessing its options and will make its election, 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 IFRS 2 – Share based payment retrospectively, therefore, the Bank will continue to apply the previous Canadian GAAP 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 in many regards. 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.

The differences identified in the above discussion on IFRS transition should not be regarded as an exhaustive list and other changes may result from the transition to IFRS. Furthermore, the disclosed impacts of the transition to IFRS reflect the most recent assumptions, estimates and expectations, including the assessment of IFRS expected to be applicable at the time of transition. As a result of changes in circumstances, such as economic conditions or operations, and the inherent uncertainty from the use of assumptions, the actual impacts of the transition to IFRS may be different from those presented above.

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. The evolving nature of IFRS will also likely result in additional accounting changes, some of which may be significant, in the years following the initial conversion. The Bank will continue to actively monitor all of the IASB's projects that are relevant to the Bank's financial reporting and accounting policies and adjust its IFRS conversion project accordingly.

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

Internal controls over financial reporting (ICFR)

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 controls. ICFR will be appropriately addressed as processes and system assessments are finalized in the upcoming periods.

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 has met with 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.

The Office of the Superintendent of Financial Institutions (OSFI) has issued an IFRS advisory that permits a five-quarter phase-in of the adjustment to retained earnings arising from the first time adoption of certain IFRS changes for purposes of calculating certain ratios. Transitional relief for the impact to the asset to capital multiple will also be provided in the form of exclusion of the effect of any on-balance sheet recognition of mortgages sold through CMHC programs up to March 31, 2010, that under current practice are not reported on the Bank's balance sheet.

The potential implications of the new proposed capital and liquidity requirements issued by the Basel Committee on Banking Supervision in December 2009 are also being considered closely as part of the IFRS transition plan.

Other considerations

The Bank is also assessing the impact of the IFRS conversion to its performance measurement processes, including planning and budgeting.

Corporate Governance and Changes in Internal Control over Financial Reporting

The Board of Directors and the Audit Committee of Laurentian Bank reviewed this document prior to its release. 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 July 31, 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.

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.

Interim Consolidated Financial Statements

Consolidated Balance Sheet

IN THOUSANDS OF DOLLARS (UNAUDITED)	NOTES	**AS AT JULY 31 2010**	AS AT OCTOBER 31 2009	AS AT JULY 31 2009
ASSETS				
Cash and non-interest-bearing deposits with other banks		**$ 69,213**	$ 61,010	$ 56,240
Interest-bearing deposits with other banks		**96,214**	239,606	475,986
Securities accounts	9			
Available-for-sale		**1,039,864**	1,424,043	1,023,959
Held-for-trading		**1,605,998**	1,391,313	1,277,764
Designated as held-for-trading		**1,790,221**	1,616,827	1,574,909
		4,436,083	4,432,183	3,876,632
Assets purchased under reverse repurchase agreements		**656,791**	536,064	403,961
Loans	2 and 3			
Personal		**5,659,775**	5,655,055	5,664,935
Residential mortgage		**8,407,188**	7,219,830	6,978,469
Commercial mortgage		**1,512,892**	1,285,012	1,148,071
Commercial and other		**1,713,938**	1,555,956	1,553,188
		17,293,793	15,715,853	15,344,663
Allowance for loan losses		**(129,964)**	(114,546)	(114,672)
		17,163,829	15,601,307	15,229,991
Other				
Customers' liabilities under acceptances		**188,824**	216,817	219,533
Premises and equipment		**57,206**	58,163	57,439
Derivatives		**175,130**	253,661	241,239
Goodwill		**53,790**	53,790	53,790
Software and other intangible assets		**106,832**	103,386	97,037
Other assets		**572,918**	608,793	604,552
		1,154,700	1,294,610	1,273,590
		$ 23,576,830	$ 22,164,780	$ 21,316,400
LIABILITIES AND SHAREHOLDERS' EQUITY				
Deposits				
Personal		**$ 15,592,405**	$ 15,138,637	$ 14,765,581
Business, banks and other		**3,469,719**	3,161,329	3,192,277
		19,062,124	18,299,966	17,957,858
Other				
Obligations related to assets sold short		**1,199,018**	1,054,470	700,058
Obligations related to assets sold under repurchase agreements		**794,023**	284,988	251,749
Acceptances		**188,824**	216,817	219,533
Derivatives		**173,584**	174,859	139,348
Other liabilities		**792,624**	812,454	754,364
		3,148,073	2,543,588	2,065,052
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	257,641
Contributed surplus		**234**	209	201
Retained earnings		**720,908**	665,538	638,480
Accumulated other comprehensive income	8	**26,128**	36,271	37,168
		1,216,633	1,171,226	1,143,490
		$ 23,576,830	$ 22,164,780	$ 21,316,400

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 JULY 31 2010	APRIL 30 2010	JULY 31 2009	FOR THE NINE MONTHS ENDED JULY 31 2010	JULY 31 2009
Interest income						
Loans		**$ 193,722**	$ 180,142	$ 178,002	**$ 556,611**	$ 539,808
Securities		**19,075**	17,241	18,031	**53,955**	53,219
Deposits with other banks		**73**	60	278	**186**	3,801
Other, including derivative financial instruments		**29,490**	29,434	40,979	**93,000**	97,511
		242,360	226,877	237,290	**703,752**	694,339
Interest expense						
Deposits		**109,304**	106,778	122,119	**327,580**	376,764
Other, including derivative financial instruments		**1,235**	579	455	**2,165**	6,249
Subordinated debentures		**1,951**	1,887	1,950	**5,788**	5,784
		112,490	109,244	124,524	**335,533**	388,797
Net interest income		**129,870**	117,633	112,766	**368,219**	305,542
Other income						
Fees and commissions on loans and deposits		**29,372**	28,488	26,768	**84,839**	75,042
Income from brokerage operations		**11,607**	13,742	15,417	**38,014**	34,862
Securitization income	3	**935**	328	9,771	**5,443**	28,890
Credit insurance income		**4,287**	4,556	4,767	**13,026**	12,595
Income from sales of mutual funds		**3,739**	3,786	3,225	**11,051**	9,046
Income from treasury and financial market operations		**4,186**	4,576	17	**12,921**	10,571
Income from registered self-directed plans		**2,282**	2,313	2,056	**6,683**	6,073
Other		**2,532**	2,691	1,870	**7,176**	5,341
		58,940	60,480	63,891	**179,153**	182,420
Total revenue		**188,810**	178,113	176,657	**547,372**	487,962
Provision for loan losses	2	**20,000**	16,000	16,000	**52,000**	40,000
Non-interest expenses						
Salaries and employee benefits		**71,021**	67,617	62,828	**203,863**	183,631
Premises and technology		**33,201**	32,017	30,331	**97,360**	88,106
Other		**23,598**	23,915	25,922	**70,529**	72,110
		127,820	123,549	119,081	**371,752**	343,847
Income before income taxes		**40,990**	38,564	41,576	**123,620**	104,115
Income taxes		**10,926**	10,215	12,893	**33,193**	29,230
Net income		**$ 30,064**	$ 28,349	$ 28,683	**$ 90,427**	$ 74,885
Preferred share dividends, including applicable taxes		**3,075**	3,074	2,824	**9,223**	9,050
Net income available to common shareholders		**$ 26,989**	$ 25,275	$ 25,859	**$ 81,204**	$ 65,835
Average number of common shares outstanding (in thousands)						
Basic		**23,921**	23,921	23,854	**23,920**	23,851
Diluted		**23,938**	23,937	23,872	**23,937**	23,866
Net income per common share						
Basic		**$ 1.13**	$ 1.06	$ 1.08	**$ 3.39**	$ 2.76
Diluted		**$ 1.13**	$ 1.06	$ 1.08	**$ 3.39**	$ 2.76

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 JULY 31 2010	FOR THE THREE MONTHS ENDED JULY 31 2009	FOR THE NINE MONTHS ENDED JULY 31 2010	FOR THE NINE MONTHS ENDED JULY 31 2009
Net income		**$ 30,064**	$ 28,683	**$ 90,427**	$ 74,885
Other comprehensive income, net of income taxes	8				
Unrealized gains (losses) on available-for-sale securities		**(420)**	8,674	**3,273**	9,529
Reclassification of (gains) losses on available-for-sale securities to net income		**49**	3,123	**(1,828)**	3,795
Net change in value of derivative instruments designated as cash flow hedges		**14,882**	(17,786)	**(11,588)**	5,018
		14,511	(5,989)	**(10,143)**	18,342
Comprehensive income		**$ 44,575**	$ 22,694	**$ 80,284**	$ 93,227

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

Consolidated Statement of Changes in Shareholders' Equity

IN THOUSANDS OF DOLLARS (UNAUDITED)	NOTES	FOR THE NINE MONTHS ENDED JULY 31 2010	FOR THE NINE MONTHS ENDED JULY 31 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**	179
Balance at end of period		**259,363**	257,641
Contributed surplus			
Balance at beginning of period		**209**	173
Stock-based compensation	5	**25**	28
Balance at end of period		**234**	201
Retained earnings			
Balance at beginning of period		**665,538**	596,974
Net income		**90,427**	74,885
Dividends			
Preferred shares, including applicable taxes		**(9,223)**	(9,050)
Common shares		**(25,834)**	(24,329)
Balance at end of period		**720,908**	638,480
Accumulated other comprehensive income	8		
Balance at beginning of period		**36,271**	18,826
Other comprehensive income, net of income taxes		**(10,143)**	18,342
Balance at end of period		**26,128**	37,168
Shareholders' equity		**$ 1,216,633**	$ 1,143,490

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 JULY 31 2010	APRIL 30 2010	JULY 31 2009	FOR THE NINE MONTHS ENDED JULY 31 2010	JULY 31 2009
Cash flows relating to operating activities					
Net income	**$ 30,064**	$ 28,349	$ 28,683	**$ 90,427**	$ 74,885
Adjustments to determine net cash flows relating to operating activities:					
Provision for loan losses	**20,000**	16,000	16,000	**52,000**	40,000
Gains on securitization operations	**(2,153)**	(5,017)	(5,234)	**(10,355)**	(31,135)
Net loss (gain) on disposal of non-trading securities	**(224)**	(627)	404	**(2,640)**	3,814
Future income taxes	**2,579**	4,155	5,007	**12,204**	16,620
Depreciation	**2,691**	2,667	2,807	**7,979**	8,363
Amortization of software and other intangible assets	**6,679**	6,446	5,604	**19,506**	16,286
Net change in held-for-trading securities	**(115,221)**	571,817	(421,073)	**(214,685)**	(208,567)
Change in accrued interest receivable	**18,814**	(14,262)	13,120	**17,015**	7,577
Change in derivative assets	**79,239**	(21,836)	42,351	**78,531**	(3,535)
Change in accrued interest payable	**(2,067)**	7,744	(42,979)	**(7,209)**	(50,148)
Change in derivative liabilities	**(58,166)**	59,511	(8,582)	**(1,275)**	(8,121)
Other, net	**20,087**	(46,603)	14,969	**(24,379)**	(29,944)
	2,322	608,344	(348,923)	**17,119**	(163,905)
Cash flows relating to financing activities					
Net change in deposits	**325,372**	310,418	697,095	**762,158**	2,624,046
Change in obligations related to assets sold short	**(21,741)**	(294,918)	128,876	**144,548**	(119,178)
Change in obligations related to assets sold under repurchase agreements	**203,855**	(127,699)	68,325	**509,035**	(884,347)
Issuance of common shares	**–**	9	145	**155**	179
Dividends, including applicable income taxes	**(11,686)**	(11,686)	(10,935)	**(35,057)**	(33,379)
	495,800	(123,876)	883,506	**1,380,839**	1,587,321
Cash flows relating to investing activities					
Change in securities available-for-sale and designated as held-for-trading					
Purchases	**(565,447)**	(951,316)	(1,231,326)	**(2,540,356)**	(4,037,541)
Proceeds from sale and maturities	**422,019**	894,412	1,547,606	**2,764,753**	3,880,890
Change in loans	**(708,411)**	(826,470)	(1,000,405)	**(2,261,024)**	(1,855,403)
Change in assets purchased under reverse repurchase agreements	**(87,725)**	246,383	135,898	**(120,727)**	257,430
Proceeds from mortgage loan securitizations	**362,104**	182,256	253,234	**645,872**	737,166
Additions to premises and equipment and software, net of disposals	**(13,296)**	(11,018)	(9,311)	**(29,973)**	(22,433)
Change in interest-bearing deposits with other banks	**98,602**	(20,454)	(234,422)	**143,392**	(381,695)
Cash flows from discontinued operations	**–**	–	–	**8,308**	–
	(492,154)	(486,207)	(538,726)	**(1,389,755)**	(1,421,586)
Net change in cash and non-interest-bearing deposits with other banks during the period	**5,968**	(1,739)	(4,143)	**8,203**	1,830
Cash and non-interest-bearing deposits with other banks at beginning of period	**63,245**	64,984	60,383	**61,010**	54,410
Cash and non-interest-bearing deposits with other banks at end of period	**$ 69,213**	$ 63,245	$ 56,240	**$ 69,213**	$ 56,240
Supplemental disclosure relating to cash flows:					
Interest paid during the period	**$ 115,630**	$ 103,324	$ 172,759	**$ 345,457**	$ 434,405
Income taxes paid during the period	**$ 959**	$ 7,654	$ 3,303	**$ 19,892**	$ 13,301

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 in accounting policies

International Financial Reporting Standards

The Canadian Accounting Standards Board (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 on or after 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 JULY 31, 2010

	GROSS AMOUNT OF LOANS	GROSS AMOUNT OF IMPAIRED LOANS	SPECIFIC ALLOWANCES	GENERAL ALLOWANCES	TOTAL ALLOWANCES
Personal loans	**$ 5,659,775**	**$ 17,837**	**$ 5,486**	**$ 30,219**	**$ 35,705**
Residential mortgages	**8,407,188**	**29,907**	**3,145**	**3,052**	**6,197**
Commercial mortgages	**1,512,892**	**33,510**	**9,456**	**5,620**	**15,076**
Commercial and other loans	**1,713,938**	**101,197**	**38,627**	**34,359**	**72,986**
	$ 17,293,793	**$ 182,451**	**$ 56,714**	**$ 73,250**	**$ 129,964**

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 JULY 31, 2009
	GROSS AMOUNT OF LOANS	GROSS AMOUNT OF IMPAIRED LOANS	SPECIFIC ALLOWANCES	GENERAL ALLOWANCES	TOTAL ALLOWANCES
Personal loans	$ 5,664,935	$ 21,102	$ 7,333	$ 28,949	$ 36,282
Residential mortgages	6,978,469	24,633	1,643	4,091	5,734
Commercial mortgages	1,148,071	9,316	2,503	5,879	8,382
Commercial and other loans	1,553,188	68,058	29,943	34,331	64,274
	$ 15,344,663	$ 123,109	$ 41,422	$ 73,250	$ 114,672

Specific allowances for loan losses

					FOR THE NINE MONTHS ENDED JULY 31	
					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	**24,541**	**2,148**	**7,241**	**18,070**	**52,000**	40,000
Write-offs	**(31,864)**	**(1,040)**	**(429)**	**(9,349)**	**(42,682)**	(44,260)
Recoveries	**5,761**	**159**	**119**	**61**	**6,100**	6,498
Balance at end of period	**$ 5,486**	**$ 3,145**	**$ 9,456**	**$ 38,627**	**$ 56,714**	$ 41,422

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 JULY 31, 2010
	1 TO 31 DAYS	**32 TO 90 DAYS**	**OVER 90 DAYS**	**TOTAL**
Personal loans	**$ 88,883**	**$ 24,201**	**$ 7,041**	**$ 120,125**
Residential mortgages	**238,714**	**39,489**	**34,516**	**312,719**
	$ 327,597	**$ 63,690**	**$ 41,557**	**$ 432,844**

				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 NINE MONTHS ENDED	
	JULY 31 2010	APRIL 30 2010	JULY 31 2009	**JULY 31 2010**	JULY 31 2009
Cash proceeds, net of transaction costs	**$ 362,104**	$ 182,256	$ 253,234	**$ 645,872**	$ 737,166
Rights to future excess spreads	**15,841**	10,524	9,366	**31,189**	52,853
Servicing liability	**(2,814)**	(1,636)	(2,317)	**(5,139)**	(6,416)
Other	**(5,613)**	(883)	61	**(6,896)**	(7,732)
	369,518	190,261	260,344	**665,026**	775,871
Residential mortgages securitized and sold	**(362,355)**	(182,609)	(253,469)	**(646,502)**	(737,910)
Write-off of loan origination costs	**(5,010)**	(2,635)	(1,641)	**(8,169)**	(6,826)
Gains before income taxes	**$ 2,153**	$ 5,017	$ 5,234	**$ 10,355**	$ 31,135

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		
	JULY 31 2010	APRIL 30 2010	JULY 31 2009
Weighted average term (months)	**31**	36	38
Rate of prepayment	**19.3 %**	18.0 %	18.2 %
Discount rate	**2.1 %**	1.9 %	1.7 %

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 NINE MONTHS ENDED	
	JULY 31 2010	APRIL 30 2010	JULY 31 2009	**JULY 31 2010**	JULY 31 2009
Gains on securitization operations	**$ 2,153**	$ 5,017	$ 5,234	**$ 10,355**	$ 31,135
Changes in fair value of retained interests related to excess spreads, securitization swaps and financial instruments held for economic hedging purposes	**(1,929)**	(4,506)	4,879	**(5,768)**	(4,472)
Loan management income	**1,455**	1,977	1,938	**5,407**	5,593
Other	**(744)**	(2,160)	(2,280)	**(4,551)**	(3,366)
	$ 935	$ 328	$ 9,771	**$ 5,443**	$ 28,890

As at July 31, 2010, the Bank held rights to future excess spreads of $93,668,000 (of which $92,172,000 related to insured mortgages) and cash reserve accounts of $9,808,000.

The total principal amount of securitized residential mortgages outstanding amounted to $2,695,550,000 as at July 31, 2010 ($2,702,762,000 as at October 31, 2009).

4. Capital Stock

Issuance of common shares

During the quarter, no common shares were issued to management under the Bank's employee share purchase option plan (6,999 common shares for a cash consideration of $155,000 during the nine-month period ended July 31, 2010).

ISSUED AND OUTSTANDING	AS AT JULY 31, 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	**23,920,262**	**$**	**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 nine-month period ended July 31, 2010.

5. Stock-Based Compensation

Share purchase option plan

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

	AS AT JULY 31, 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 second and third quarters.

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 second and third quarters.

5. Stock-Based Compensation (continued)

Stock appreciation rights plan

There were no new grants during the first nine 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 NINE MONTHS ENDED	
	JULY 31 2010	APRIL 30 2010	JULY 31 2009	**JULY 31 2010**	JULY 31 2009
Stock-based compensation plan expense	**$ 2,579**	$ 4,658	$ 4,024	**$ 7,166**	$ (1,653)
Effect of hedges	**(1,623)**	(4,384)	(4,979)	**(5,194)**	3,034
Total	**$ 956**	$ 274	$ (955)	**$ 1,972**	$ 1,381

6. Employee Future Benefits

	FOR THE THREE MONTHS ENDED			FOR THE NINE MONTHS ENDED	
	JULY 31 2010	APRIL 30 2010	JULY 31 2009	**JULY 31 2010**	JULY 31 2009
Defined benefit pension plan expense	**$ 2,071**	$ 1,992	$ 1,194	**$ 5,970**	$ 3,805
Defined contribution pension plan expense	**1,188**	1,132	1,077	**3,413**	3,101
Other plan expense	**853**	825	832	**2,531**	2,468
Total	**$ 4,112**	$ 3,949	$ 3,103	**$ 11,914**	$ 9,374

7. Weighted Average Number of Outstanding Common Shares

	FOR THE THREE MONTHS ENDED			FOR THE NINE MONTHS ENDED	
	JULY 31 2010	APRIL 30 2010	JULY 31 2009	**JULY 31 2010**	JULY 31 2009
Average number of outstanding common shares	**23,920,962**	23,920,906	23,853,725	**23,920,383**	23,850,522
Dilutive share purchase options	**17,186**	16,035	18,488	**16,448**	15,849
Weighted average number of outstanding common shares	**23,938,148**	23,936,941	23,872,213	**23,936,831**	23,866,371
Average number of share purchase options not taken into account in the calculation of diluted net income per common share[1]	**–**	–	–	**–**	34,361

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 JULY 31 2010			FOR THE THREE MONTHS ENDED JULY 31 2009		
	BEFORE INCOME TAXES	INCOME TAXES	NET OF INCOME TAXES	BEFORE INCOME TAXES	INCOME TAXES	NET OF INCOME TAXES
Unrealized net gains (losses) on available-for-sale securities	**$ (321)**	**$ (99)**	**$ (420)**	$ 12,276	$ (3,602)	$ 8,674
Reclassification of net (gains) and losses to net income on available-for-sale securities	**9**	**40**	**49**	4,523	(1,400)	3,123
	(312)	**(59)**	**(371)**	16,799	(5,002)	11,797
Net change in value of derivative instruments designated as cash flow hedges	**21,422**	**(6,540)**	**14,882**	(26,214)	8,428	(17,786)
Other comprehensive income	**$ 21,110**	**$ (6,599)**	**$ 14,511**	$ (9,415)	$ 3,426	$ (5,989)

	FOR THE NINE MONTHS ENDED JULY 31 2010			FOR THE NINE MONTHS ENDED JULY 31 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	**$ 4,891**	**$ (1,618)**	**$ 3,273**	$ 13,412	$ (3,883)	$ 9,529
Reclassification of net (gains) and losses to net income on available-for-sale securities	**(2,603)**	**775**	**(1,828)**	5,500	(1,705)	3,795
	2,288	**(843)**	**1,445**	18,912	(5,588)	13,324
Net change in value of derivative instruments designated as cash flow hedges	**(17,113)**	**5,525**	**(11,588)**	7,949	(2,931)	5,018
Other comprehensive income	**$ (14,825)**	**$ 4,682**	**$ (10,143)**	$ 26,861	$ (8,519)	$ 18,342

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)**
Change during the three months ended July 31, 2010	**14,882**	**(371)**	**14,511**
Balance at July 31, 2010	**$ 21,008**	**$ 5,120**	**$ 26,128**

	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
Change during the three months ended July 31, 2009	(17,786)	11,797	(5,989)
Balance at July 31, 2009	40,435	(3,267)	37,168
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. Additional Information Regarding 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 NINE MONTHS ENDED	
	JULY 31 2010	APRIL 30 2010	JULY 31 2009	**JULY 31 2010**	JULY 31 2009
Realized net gains (losses)	**$ (9)**	$ 2,037	$ 211	**$ 2,603**	$ (766)
Writedowns for impairment recognized in net income	**(34)**	(148)	(4,734)	**(182)**	(4,734)
Total	**$ (43)**	$ 1,889	$ (4,523)	**$ 2,421**	$ (5,500)

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 JULY 31, 2010
	AMORTIZED COST	**UNREALIZED GAINS**	**UNREALIZED LOSSES**	**FAIR VALUE**
Securities issued or guaranteed				
by Canada[1]	**$ 380,429**	**$ –**	**$ 33**	**$ 380,396**
by provinces	**425,497**	**4,455**	**7**	**429,945**
Other debt securities	**121,038**	**5,929**	**127**	**126,840**
Asset-backed securities	**24,058**	**1,108**	**57**	**25,109**
Preferred shares	**43,352**	**494**	**358**	**43,488**
Common shares and other securities	**32,539**	**2,544**	**997**	**34,086**
	$ 1,026,913	**$ 14,530**	**$ 1,579**	**$ 1,039,864**

				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 July 31, 2010, gross unrealized losses on available-for-sale securities were $1,579,000. 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 outlooks of the issuers have remained sound.

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 NINE MONTHS ENDED	
	JULY 31 2010	APRIL 30 2010	JULY 31 2009	**JULY 31 2010**	JULY 31 2009
Included in securitization income	**$ 28,286**	$ (28,120)	$ (26,498)	**$ 6,803**	$ (1,797)
Included in income from treasury and financial market operations	**–**	–	137	**–**	231
Total	**$ 28,286**	$ (28,120)	$ (26,361)	**$ 6,803**	$ (1,566)

Derivatives

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 NINE MONTHS ENDED	
	JULY 31 2010	APRIL 30 2010	JULY 31 2009	**JULY 31 2010**	JULY 31 2009
Cash flow hedges	**$ 81**	$ (141)	$ 87	**$ (125)**	$ 211
Fair value hedges	**72**	(105)	242	**55**	(755)
	$ 153	$ (246)	$ 329	**$ (70)**	$ (544)

Other information on hedging relationships

Net deferred losses of $580,000, included in accumulated other comprehensive income as at July 31, 2010, are expected to be transferred into net income over the next twelve months.

The maximum term of cash flow hedging relationships was nine years as at July 31, 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 JULY 31, 2010

	R & SME QUEBEC	RE&C	B2B	LBS/CM	OTHER	TOTAL
Net interest income	**$ 83,585**	**$ 22,229**	**$ 30,025**	**$ 701**	**$ (6,670)**	**$ 129,870**
Other income	**33,378**	**9,379**	**2,686**	**13,280**	**217**	**58,940**
Total revenue	**116,963**	**31,608**	**32,711**	**13,981**	**(6,453)**	**188,810**
Provision for loan losses	**9,583**	**9,433**	**984**	**–**	**–**	**20,000**
Non-interest expenses	**88,179**	**7,221**	**14,659**	**11,050**	**6,711**	**127,820**
Income (loss) before income taxes	**19,201**	**14,954**	**17,068**	**2,931**	**(13,164)**	**40,990**
Income taxes (recovered)	**4,568**	**4,527**	**5,250**	**831**	**(4,250)**	**10,926**
Net income (loss)	**$ 14,633**	**$ 10,427**	**$ 11,818**	**$ 2,100**	**$ (8,914)**	**$ 30,064**
Average assets[1]	**$ 12,069,272**	**$ 2,943,601**	**$ 5,136,470**	**$ 2,233,244**	**$ 852,337**	**$ 23,234,924**

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 JULY 31, 2009

	R & SME QUEBEC	RE&C	B2B	LBS/CM	OTHER	TOTAL
Net interest income	$ 77,844	$ 18,355	$ 23,945	$ 501	$ (7,879)	$ 112,766
Other income	31,237	7,451	2,485	16,314	6,404	63,891
Total revenue	109,081	25,806	26,430	16,815	(1,475)	176,657
Provision for loan losses	12,408	2,105	1,487	–	–	16,000
Non-interest expenses	84,734	7,441	12,293	12,007	2,606	119,081
Income (loss) before income taxes	11,939	16,260	12,650	4,808	(4,081)	41,576
Income taxes (recovered)	2,265	5,090	3,985	1,429	124	12,893
Net income (loss)	$ 9,674	$ 11,170	$ 8,665	$ 3,379	$ (4,205)	$ 28,683
Average assets[1]	$11,210,055	$ 2,517,541	$ 4,326,084	$ 2,067,187	$ 668,155	$ 20,789,022

FOR THE NINE MONTHS ENDED JULY 31, 2010

	R & SME QUEBEC	RE&C	B2B	LBS/CM	OTHER	TOTAL
Net interest income	**$ 243,927**	**$ 62,667**	**$ 84,228**	**$ 1,622**	**$ (24,225)**	**$ 368,219**
Other income	**96,921**	**25,656**	**7,955**	**42,126**	**6,495**	**179,153**
Total revenue	**340,848**	**88,323**	**92,183**	**43,748**	**(17,730)**	**547,372**
Provision for loan losses	**30,915**	**18,567**	**2,518**	**–**	**–**	**52,000**
Non-interest expenses	**261,986**	**17,021**	**40,023**	**34,387**	**18,335**	**371,752**
Income (loss) before income taxes	**47,947**	**52,735**	**49,642**	**9,361**	**(36,065)**	**123,620**
Income taxes (recovered)	**10,680**	**15,965**	**15,404**	**2,841**	**(11,697)**	**33,193**
Net income (loss)	**$ 37,267**	**$ 36,770**	**$ 34,238**	**$ 6,520**	**$ (24,368)**	**$ 90,427**
Average assets[1]	**$ 11,897,485**	**$ 2,869,386**	**$ 4,946,779**	**$ 2,420,209**	**$ 758,887**	**$ 22,892,746**

FOR THE NINE MONTHS ENDED JULY 31, 2009

	R & SME QUEBEC	RE&C	B2B	LBS/CM	OTHER	TOTAL
Net interest income	$ 228,587	$ 47,976	$ 66,556	$ 1,845	$ (39,422)	$ 305,542
Other income	89,063	18,940	7,288	41,245	25,884	182,420
Total revenue	317,650	66,916	73,844	43,090	(13,538)	487,962
Provision for loan losses	30,072	6,920	3,008	–	–	40,000
Non-interest expenses	250,072	20,968	34,809	29,882	8,116	343,847
Income (loss) before income taxes	37,506	39,028	36,027	13,208	(21,654)	104,115
Income taxes (recovered)	7,896	12,218	11,403	3,962	(6,249)	29,230
Net income (loss)	$ 29,610	$ 26,810	$ 24,624	$ 9,246	$ (15,405)	$ 74,885
Average assets[1]	$ 10,934,428	$ 2,338,446	$ 4,240,737	$ 1,908,781	$ 748,109	$ 20,170,501

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-sized 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.

Shareholder Information

Head office
Tour Banque Laurentienne
1981 McGill College Avenue
Montreal, Quebec H3A 3K3
Tel.: (514) 284-4500
ext. 5996
Fax: (514) 284-3396

Telebanking Centre, Automated Banking and customer service:
Montreal region:
(514) 252-1846
Toll-free:
1-800-252-1846
Website:
www.laurentianbank.ca
Telex: 145069

Transfer Agent and Registrar
Computershare Investor Services
1500 University Street
Suite 700
Montreal, Quebec H3A 3S8
Phone: 1-800-564-6253
(toll-free in Canada and the United States)
or (514) 982-7555
(international direct dial).

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

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

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

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

Stock symbol and dividend payment

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

* Subject to the approval of the Board of Directors.

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

LAURENTIAN BANK