LAURENTIAN BANK

Press release

FOR IMMEDIATE RELEASE

MONTREAL, MAY 28, 2008

LAURENTIAN BANK OF CANADA REPORTS NET INCOME OF $25.1 MILLION FOR THE SECOND QUARTER OF 2008

Laurentian Bank of Canada reported a net income of $25.1 million or $0.93 diluted per common share for the second quarter ended April 30, 2008, compared with $20.7 million or $0.75 diluted per common share for the same period in 2007. Return on common shareholders' equity was 11.2% for the second quarter of 2008, compared with 9.7% for the same period in 2007.

For the six-month period ended April 30, 2008, net income totalled $44.3 million or $1.61 diluted per common share, compared with net income of $41.2 million or $1.49 diluted per common share in 2007. Return on common shareholders' equity was 9.6% for the six-month period ended April 30, 2008, the same level as for the same period in 2007. Results for the six-month period ended April 30, 2008, included the effect of an unfavourable tax adjustment of $5.6 million ($0.23 diluted per common share) recorded during the first quarter. Results for the six-month period ended April 30, 2007 included the favourable effect of certain tax adjustments of $2.5 million, of which $1.6 million was recorded during the three-month period ended April 30, 2007. Excluding the effect of these tax items, net income would have increased by 29% to $49.9 million for the six-month period ended April 30, 2008, compared with $38.8 million for the same period in 2007.

Réjean Robitaille, President and Chief Executive Officer, commented on the results of operations: “We have been able to maintain our course, and again deliver strong earnings, despite the turmoil which continues to affect the capital markets. Net income has improved by more than 20% year over year. We have continued our business development activities and further increased our loan and deposit portfolios. Moreover, our strong capital and liquidity levels, combined with our limited involvement in complex structured financial instruments clearly contributed to lower our risk profile."

OVERVIEW OF BUSINESS AND CORPORATE DEVELOPMENT ACTIVITIES

Acknowledged as one of the Bank's three priorities, improving operational efficiency has mobilized the energy and resources of both the Bank's management and its employees. Several projects are underway, all designed to optimize approaches and enhance the efficient processing of sales, particularly within the branch network. These projects are part of an overall vision to enhance the experience for each of the Bank's clients.

The Bank is continuing to invest in its infrastructure as well as in its direct services to clients. B2B Trust partners, for instance, can now take advantage of new technology tools as the Bank has deployed a brand-new Web application designed for investment loans. This application will simplify investment loan requests for independent financial advisors and offer distinct advantages to their suppliers. Furthermore, it represents a significant addition to the B2B Trust Web site which offers innovative tools to the entire financial advisor community.

During the second quarter of 2008, three branches were moved to more strategic locations and are now operating as financial services' boutiques, a concept developed by the Bank and still unparalleled in Canada. Their new locations are expected to improve the boutiques' ability to attract new clients in addition to being more accessible to their existing ones.

The Bank is also furthering the development of its sales force, particularly in those segments serving business clients, in order to seize all the opportunities offered by these target markets in a more efficient manner. As well, the Bank is continuing to invest in the skills development of its branch managers and business account directors, and of all of its staff. Such efforts are part of a clear commitment to reinforce a sales culture within the Bank, without compromising its reputation of service quality.

Taken together, these operational efficiency initiatives have helped the Bank achieve its steady growth in profitability, quarter after quarter. Management will continue its focus on maintaining short-term profitability, while ensuring long-term organizational development.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (MD&A) is a narrative explanation, through the eyes of management, of the Bank's financial condition as at April 30, 2008, and of how it performed during the three-month and six-month periods then ended. This MD&A should be read in conjunction with the unaudited interim consolidated financial statements for the second quarter of 2008. This MD&A is dated May 27, 2008.

Complementary information on subjects such as risk management, accounting policies and off-balance sheet arrangements is also provided in the Bank's 2007 Annual Report.

Performance and financial objectives

The following presents management's performance and financial objectives for 2008. The objectives below are solely intended to provide the reader with information about how management measures its performance. It is not intended to disclose the Bank's expectations for future financial results. The following table presents, strictly for information purposes, a comparison of the actual performance with the objectives set by management for 2008.

Performance Indicator	2008 Objectives	Six-Month Period Ended April 30, 2008 – Actual
Return on common shareholders' equity	9.5% to 10.5%	9.6%
Diluted net income per share	$3.30 to $3.60	$1.61
Total revenue	+ 5% ($615 million)	+ 6.7% ($306.6 million)
Efficiency ratio	74% to 72%	71.6%
Tier 1 capital ratio	Minimum of 9.5%	10.2%

Highlights

Three-month period ended April 30, 2008 compared with the three-month period ended April 30, 2007

- **Net income** improved by 21% and stood at $25.1 million ($0.93 diluted per common share) for the second quarter of 2008, compared with $20.7 million ($0.75 diluted per common share) for the second quarter of 2007.
- **Total revenue** increased by 6.7% to $155.5 million in the second quarter of 2008 from $145.7 million in the second quarter of 2007. The increase results from growth in net interest income of $3.5 million and other income of $6.3 million. Securitization revenues increased by $6.1 million compared to a year-ago to $9.3 million for the second quarter of 2008 and include a $9.2 million gain on sale and a $1.2 million charge related to the revaluation of certain swaps related to securitization activities.
- **Non-interest expenses** increased by 1.7% to $110.9 million in the second quarter of 2008 from $109.0 million in the second quarter of 2007.
- The **provision for credit losses** was $10.0 million in the second quarter of 2008, the same level as a year ago.
- **Income taxes** stood at $9.5 million in the second quarter of 2008, compared with $6.1 million in the second quarter of 2007. Income taxes in the second quarter of 2007 included the favourable effect of certain transactions and adjustments of $1.6 million.

Highlights (cont'd.)

Six-month period ended April 30, 2008 compared with the six-month period ended April 30, 2007

- **Net income** stood at $44.3 million ($1.61 diluted per common share) for the six-month period ended April 30, 2008, compared with $41.2 million ($1.49 diluted per common share) for the six-month period ended April 30, 2007.
- **Total revenue** increased by 6.7% to $306.6 million for the six-month period ended April 30, 2008 from $287.3 million for the six-month period ended April 30, 2007. Net interest income improved by $7.9 million, mainly as a result of higher loan and deposit volumes, while other income improved by $11.5 million, mainly as a result of securitization activities.
- **Non-interest expenses** increased by 2.9% to $219.4 million for the six-month period ended April 30, 2008 from $213.3 million for the six-month period ended April 30, 2007. Efficient cost control and continuous business development aimed at increasing revenues have directly contributed to improve the Bank's efficiency.
- The **provision for credit losses** remained stable at $19.5 million for the six-month period ended April 30, 2008, compared with $20.0 million for the six-month period ended April 30, 2007.
- **Income taxes** stood at $23.4 million for the six-month period ended April 30, 2008, including the effect of an unfavourable tax adjustment of $5.6 million ($0.23 diluted per common share), reflecting the reductions in federal income tax rates adopted in December 2007. Income taxes for the six-month period ended April 30, 2007 stood at $12.8 million, including the favourable effect of certain transactions and adjustments of $1.6 million, as noted above, during the second quarter, and of $0.9 million during the first quarter.

Analysis of consolidated results

Summary results

Net income was $25.1 million, or $0.93 diluted per common share, for the second quarter ended April 30, 2008, compared with $20.7 million, or $0.75 diluted per common share, for the same period in 2007. Results of the second quarter of 2007 included favourable tax adjustment of $1.6 million to income taxes resulting from various tax-related issues.

Total revenue increased by $9.8 million or 6.7% to $155.5 million in the second quarter of 2008, compared with $145.7 million in the second quarter of 2007. The variation reflects the combined effect of a $3.5 million increase in net interest income and a $6.3 million increase in other income, compared with the same quarter a year ago.

The higher net interest income in the second quarter of 2008 results largely from the growth of loan and deposit portfolios. Net interest margin decreased from 2.34% in the second quarter of 2007 to 2.23% in the second quarter of 2008, mainly as a result of the higher level of liquidity maintained throughout the quarter.

The increase in other income is principally attributable to higher securitization income, which stood at $9.3 million for the second quarter of 2008, compared with $3.2 million for the same quarter in 2007. During the quarter, the Bank sold $406 million of residential mortgages for funding purposes, which led to a $9.2 million gain. Servicing revenues also increased to $1.6 million for the second quarter of 2008, compared with $0.7 million for the second quarter of 2007, as a result of the higher level of mortgage loans under management. These items were partially offset by the reduction in value of certain swaps related to securitization transactions with bank-sponsored conduits of $1.2 million to reflect prevailing unfavourable market funding costs. Other income also benefited from the improvements in revenues from treasury and financial market activities, as well as, to a lesser extent, increases in card service revenues. These were partially offset by a reduction in income from brokerage operations, which were affected by inventory mark-downs and unfavourable market conditions for retail activities.

Compared with the same period for 2007, total revenue for the six-month period ended April 30, 2008, increased by $19.3 million, or 6.7%, to $306.6 million, mainly as a result of higher net interest income and securitization activities, as noted above.

The provision for credit losses remained unchanged at $10.0 million for the second quarter of 2008, when compared with the second quarter of 2007, as lower loan losses resulting from the sale of a B2B Trust line of credit portfolio offset a slight increase in loan losses of other personal loan portfolios. Credit losses, at $19.5 million for the six-month period ended April 30, 2008, were slightly less compared with $20.0 million for the six-month period ended April 30, 2007.

Net impaired loans stood at –$2.3 million, while they stood at –$11.4 million as at October 31, 2007. Gross impaired loans stood at $107.5 million as at April 30, 2008, compared with $103.9 million as at October 31, 2007. The overall credit quality has remained stable during the quarter, despite the slight slowdown in the economic growth.

Non-interest expenses increased by 1.7% to $110.9 million in the second quarter of 2008, up from $109.0 million in the second quarter of 2007. At $58.8 million for the second quarter of 2008, salaries and employee benefits increased by $0.7 million, compared with the same quarter a year ago. This increase is due to higher salaries and to an increase in the number of employees in lines of business. These were partially offset by lower stock-based compensation and lower pension plan costs. At $29.2 million and $22.9 million for the second quarter of 2008, both premises and technology costs, and other expenses increased by $0.6 million, compared with the same quarter a year ago.

Efficient cost control and continuous business development aimed at increasing revenues have directly contributed to improving the Bank's efficiency. The efficiency ratio (non-interest expenses divided by total revenue) was 71.3% in the second quarter of 2008 compared with 74.8% for the second quarter of 2007.

For the six-month period ended April 30, 2008, non-interest expenses increased by $6.1 million, or 2.9%, to $219.4 million, mainly as a result of the higher salaries and amortization expenses.

The income tax expense was $9.5 million (27.4 % effective tax rate) for the second quarter of 2008. This rate, when compared with the statutory rate of 31.6%, mainly reflects the favourable effect of holding investments in Canadian securities, which generate non-taxable income, as well as the lower income taxes on foreign credit insurance operations. The income tax expense was $6.1 million (22.7% effective tax rate) for the second quarter of 2007. Results of the second quarter of 2007 included the favourable effect of tax recoveries of $1.6 million. Excluding the effect of these favourable adjustments, the income tax expense would have stood at $7.7 million (28.5% effective tax rate) for the second quarter of 2007.

For the six-month period ended April 30, 2008, the income tax expense was $23.4 million (34.6% effective tax rate), while it stood at $12.8 million (23.7% effective tax rate) in 2007. The higher tax rate in 2008, compared with the statutory rate of 31.6%, results from the $5.6-million decrease of the Bank's future income tax assets related to further reductions in the federal income tax rates recorded during the first quarter. Excluding the effect of this adjustment, the income tax expense would have been $17.8 million for the six-month period ended April 30, 2008, for an effective tax rate of 26.3%. The lower tax rate in 2007 mainly resulted from income tax recoveries of $2.5 million.

Analysis of financial condition

Balance sheet assets stood at $18.4 billion at April 30, 2008, compared with $17.8 billion at October 31, 2007.

As at April 30, 2008, liquid assets, including cash resources, securities and assets purchased under reverse repurchase agreements, were $0.5 billion higher, compared with levels as at October 31, 2007, as cash generated by securitization activities and growth in deposit portfolios exceeded net loan growth. Over the last six months, the Bank has increased its level of liquidity in the wake of the recent financial markets uncertainty. Even though this has somewhat affected net interest margins during the second quarter, the higher level of liquidity has improved the Bank's flexibility, which should contribute to stimulating future loan growth.

The loans and bankers' acceptances portfolio increased by $91.0 million to $13.6 billion at April 30, 2008, compared with $13.5 billion at October 31, 2007.

The $379 million decrease in the residential mortgage portfolio for the six-month period ended April 30, 2008 results essentially from the securitization of more than $800 million of mortgage loans for funding purposes. Overall, considering both on- and off-balance sheet loans, the residential mortgage portfolio has increased by $257 million over the last six months, as detailed in the table below.

Residential mortgage portfolio

(millions of $)	April 30, 2008	October 31, 2007	Net growth
On-balance sheet mortgage loans	5,854	6,233	(379)
Securitized loans (Off-balance sheet)	2,198	1,562	636
	8,052	7,795	257

Commercial mortgages and commercial loans, including bankers' acceptances, increased by $128 million and $121 million, respectively, for the six-month period ended April 30, 2008, as the Bank continued to benefit from opportunities in the Canadian market. Personal loans increased by $221 million for the six-month period ended April 30, 2008, mainly as a result of growth in home equity lines of credit and B2B Trust's investment loan portfolio. These increases further demonstrate the Bank's ability to pursue its growth objectives in all markets and segments where it can effectively compete.

Total personal deposits grew by $703 million for the six-month period ended April 30, 2008, to $12.3 billion, while business and other deposits decreased by $140 million during the same period. At April 30, 2008, personal deposits accounted for 85% of total deposits of $14.4 billion. These deposits constitute the preferred funding source of the Bank because of their relatively stable cost compared with wholesale deposits.

Over the last twelve months, the Bank has increased its loan and deposit portfolios by more than $760 million and $946 million respectively.

Shareholders' equity stood at $1,051.8 million as at April 30, 2008, compared with $1,004.7 million at October 31, 2007. The increase in shareholders' equity results from the net income accumulated during the last six months, net of dividends paid, and from the increase in the value of derivatives, designated as cash flow hedges, recorded in other comprehensive income. The Bank's book value per common share, excluding Accumulated other comprehensive income, was $34.30 as at April 30, 2008, compared with $33.34 as at October 31, 2007. There were 23,839,845 common shares and 135,195 share purchase options outstanding as at May 21, 2008.

The regulatory Tier I capital of the Bank, as detailed in note 5 to the unaudited interim consolidated financial statements, reached $935.8 million at April 30, 2008 [based on the Basel II framework] compared with $950.0 million at October 31, 2007 [based on the Basel I framework]. The BIS Tier 1 and Total capital ratios stood at 10.2% and 12.3%, respectively, at April 30, 2008 [based on the Basel II framework], compared with 9.8% and 11.6% at October 31, 2007 [based on the Basel I framework]. As of November 1, 2007, the Bank has adopted the new Basel II regulatory framework. In this regard, the Bank has decided to use the Standard Approach for the credit risk and the Basic Indicator Approach for operational risk.

At its meeting on May 28, 2008, the Board of Directors declared regular dividends on the various series of preferred shares to shareholders of record on June 9, 2008, as well as a dividend of $0.32 per common share, payable on August 1, 2008, to shareholders of record on July 2, 2008.

Assets under administration stood at $15.9 billion at April 30, 2008, compared with $15.6 billion at October 31, 2007, and $15.2 billion at April 30, 2007. The increase is essentially attributable to the growth in mortgage loans under administration resulting from securitization activities, while other assets under administration declined, mainly as a result of market conditions.

Subsequent event

On May 1, 2008, the Bank realized a $12.9 million gain ($11.1 million, net of income taxes) as it sold its remaining shares of the Montréal Exchange as a result of the business combination of the Montréal Exchange with the TSX Group, which took effect May 1, 2008. The unrealized gain was reflected in Accumulated other comprehensive income as at April 30, 2008.

Segmented information

Since November 1, 2007, activities related to commercial lending to small-medium enterprises in Quebec are now grouped with those of retail financial services in the new Retail & SME Quebec segment. These commercial loan activities were previously included in the Commercial Financial Services segment. This segment, now known as Real Estate and Commercial, includes real estate financing throughout Canada, commercial financing in Ontario and national accounts.

Strong growth in net interest income resulting from higher loan and deposit volumes and efficient cost control have clearly contributed to the overall improvement in the Retail and SME Quebec, Real Estate & Commercial and B2B trust segments for the second quarter of 2008, when compared with the same quarter a year ago. The Other segment's results also improved, mainly as a result of higher securitization revenues.

Compared with the first quarter of 2008, net income for the lines of business was generally affected by the shorter second quarter, which only counts 90 days.

Net income contributions

(in millions of $)	Retail & SME Quebec	Real Estate & Commercial	B2B Trust	Laurentian Bank Securities	Other	Total
						[note 1]
Q2-2008						
Net income	8.6	7.4	9.2	0.4	(0.4)	25.1
	34%	29%	36%	2%	n/a	100%
Q1-2008						
Net income	9.1	6.8	9.4	0.5	(6.6)	19.1
	35%	26%	37%	2%	n/a	100%
Q2-2007						
Net income	6.7	6.1	7.1	5.3	(4.6)	20.7
	27%	24%	28%	21%	n/a	100%

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

Retail & SME Quebec

The *Retail & SME Quebec* business segment's contribution to net income improved by 27% and was $8.6 million for the second quarter of 2008, compared with $6.7 million for the second quarter of 2007.

Revenues increased by $6.0 million, from $95.0 million in the second quarter of 2007 to $101.0 million in the second quarter of 2008, mainly as a result of higher net interest income, which reflects the increase in loan and deposit volumes. Other revenues also increased as a result of higher card service revenues. Loan losses were slightly higher, at $8.5 million in the second quarter of 2008, compared with $8.1 million in the second quarter of 2007, mainly as a result of increases in retail portfolios. Non-interest expenses increased by $2.9 million, from $78.2 million in the second quarter of 2007 to $81.2 million in the second quarter of 2008, mainly as a result of increases in salaries and employee benefits, to support growth initiatives.

Real Estate & Commercial

The *Real Estate & Commercial* business segment's contribution to net income improved by 21% and was $7.4 million for the second quarter of 2008, compared with $6.1 million for the second quarter of 2007.

Revenues increased by $1.7 million, from $15.8 million in the second quarter of 2007 to $17.6 million in the second quarter of 2008, mainly as a result of higher net interest income, which reflects the increase in loan volumes. Loan losses were relatively stable at $1.0 million in the second quarter of 2008, compared with $0.8 million in the second quarter of 2007. Non-interest expenses decreased by $0.3 million to $5.5 million in the second quarter of 2008, from $5.8 million in the second quarter of 2007, mainly as a result of efficiency gains stemming from the reorganization of the business segments in 2007.

B2B Trust

The B2B Trust business segment's contribution to net income improved by 29% and was $9.2 million for the second quarter of 2008, compared with $7.1 million for the second quarter of 2007.

Revenues increased by $2.5 million, from $22.5 million in the second quarter of 2007 to $25.0 million in the second quarter of 2008, mainly as a result of higher net interest income, which reflects the strong loan and deposit growth. Loan losses were lower, at $0.5 million in the second quarter of 2008, compared with $1.0 million in the second quarter of 2007, mainly as a result of the sale of a line-of-credit portfolio during the first quarter of 2008. Non-interest expenses remained relatively unchanged at $10.7 million in the second quarter of 2008, compared with $10.8 million in the second quarter of 2007.

Laurentian Bank Securities

The Laurentian Bank Securities business segment's contribution to net income was $0.4 million for the second quarter of 2008, compared with $5.3 million for the second quarter of 2007. Results for the second quarter of 2007 included the favourable effect of the $4.4 million ($3.7 million, net of income taxes) gain on sale of a portion of the Montréal Exchange shares then held by the Bank. Excluding this transaction, results declined mainly as a result of mark-downs of $0.8 million ($0.6 million, net of income taxes) of fixed income positions and of the reduced level of activity in the Retail division.

Non-interest expenses decreased to $7.3 million in the second quarter of 2008, down from $8.0 million in the same quarter of 2007, as a result of lower variable compensation and cost control measures.

Other sector

The Other sector reported a negative contribution of $0.4 million for the second quarter of 2008, compared with a negative contribution of $4.6 million for the second quarter of 2007. The improvement results from higher securitization and Treasury and financial market revenues, partially offset by a reduction in net interest income. Securitization revenues increased to $9.3 million for the second quarter of 2008, compared with $3.2 million for the second quarter of 2007, as detailed above. Income from Treasury and financial market activities also improved in 2008, in part as a result of losses of $4.3 million incurred in the second quarter of 2007 on certain securities. The decrease in net interest income, for the second quarter of 2008, compared with the second quarter of 2007, is mainly due to the higher level of securitized loans, as well as from higher funding costs associated with asset-liability management. Results for the second quarter of 2007 also included favourable tax adjustments totalling $1.6 million.

Additional financial information – Quarterly results

in millions of dollars, except per share amounts (unaudited)	**2008**		2007				2006	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Total revenue	**$155.5**	$151.1	$145.6	$151.0	$145.7	$141.6	$137.1	$138.0
Income from continuing operations	**25.1**	19.1	25.7	23.2	20.7	20.6	18.1	6.2
Net income	**25.1**	19.1	30.2	23.2	20.7	20.6	22.6	6.2
Income per common share from continuing operations								
Basic	**0.93**	0.68	0.96	0.85	0.75	0.74	0.65	0.13
Diluted	**0.93**	0.68	0.95	0.85	0.75	0.74	0.65	0.13
Net income per common share								
Basic	**0.93**	0.68	1.14	0.85	0.75	0.74	0.84	0.13
Diluted	**0.93**	0.68	1.14	0.85	0.75	0.74	0.84	0.13
Return on common shareholders' equity	**11.2%**	8.1%	13.8%	10.5%	9.7%	9.4%	10.8%	1.7%
Balance sheet assets	**18,383**	18,270	17,787	18,011	17,809	17,177	17,296	17,062

New accounting standards

On December 1, 2006, the Canadian Institute of Chartered Accountants (CICA) issued three new accounting standards: Section 1535, Capital Disclosures, Section 3862, Financial Instruments – Disclosures, and Section 3863, Financial Instruments – Presentation. The Bank adopted these reporting standards on November 1, 2007. These new accounting standards had no impact on accounting or measurement of financial instruments or capital. The new disclosure requirements were included in the Bank's unaudited interim consolidated financial statements for the first quarter of 2008. Certain relevant items of information related to these new requirements are also included in the annual consolidated financial statements as at October 31, 2007, which are available on the Bank's Web site, at www.laurentianbank.ca or on SEDAR, at www.sedar.com.

Corporate governance and changes in internal control over financial reporting

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

During the last quarter ended April 30, 2008, there were 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 and efficiency ratios. 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 perform a better analysis of the Bank's growth and profitability potential.

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, including statements regarding the Bank's business plan and financial objectives. These statements typically use the conditional, as well as words such as prospects, believe, estimate, forecast, project, 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 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 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.

About Laurentian Bank

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

Laurentian Bank is well established in the Province of Quebec, operating the third-largest retail branch network. Elsewhere throughout Canada, it operates in specific market segments where it holds an enviable position. Laurentian Bank of Canada has more than $18 billion in balance sheet assets and more than $15 billion in assets under administration. Founded in 1846, the Bank employs close to 3,400 people.

Conference call

Laurentian Bank invites media representatives and the public to listen to the financial analysts conference call to be held Wednesday, May 28, 2008, at 2 p.m. Eastern Time. The live, listen-only, toll-free call-in number is 1-866-225-0198.

You may listen to a playback of the call at any time from 6:00 p.m. May 28, 2008, until midnight June 18, 2008, by dialling the following number: 1-800-408-3053 Code 3247667 #.

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

The Web site also offers additional financial information.

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FINANCIAL HIGHLIGHTS

IN MILLIONS OF DOLLARS, UNLESS OTHERWISE INDICATED (UNAUDITED)	Q2-08	Q2-07	VARIATION	FOR THE SIX-MONTH PERIODS ENDED APRIL 30 2008	APRIL 30 2007	VARIATION
Earnings						
Net income	$ 25.1	$ 20.7	21 %	$ 44.3	$ 41.2	8 %
Net income available to common shareholders	$ 22.2	$ 17.7	25 %	$ 38.4	$ 35.2	9 %
Return on common shareholders' equity	11.2 %	9.7 %		9.6 %	9.6 %	
Per common share						
Diluted net income	$ 0.93	$ 0.75	24 %	$ 1.61	$ 1.49	8 %
Dividends	$ 0.32	$ 0.29	10 %	$ 0.64	$ 0.58	10 %
Book value				$ 34.30	$ 31.95	7 %
Share price - close				$ 42.21	$ 32.24	31 %
Financial position						
Balance sheet assets				$ 18,383	$ 17,809	3 %
Assets under administration				$ 15,861	$ 15,206	4 %
Loans, bankers' acceptances and assets purchased under reverse repurchase agreements, net				$ 14,005	$ 13,766	2 %
Personal deposits				$ 12,267	$ 11,251	9 %
Shareholders' equity and debentures				$ 1,202	$ 1,113	8 %
Number of common shares (in thousands)				23,840	23,642	1 %
Net impaired loans as a % of loans, bankers' acceptances and assets purchased under reverse repurchase agreements				- %	(0.1) %	
Risk-weighted assets				$ 9,167	$ 8,991	2 %
Capital ratios						
Tier I BIS capital ratio				10.2 %	10.1 %	
Total BIS capital ratio				12.3 %	12.3 %	
Assets to capital multiple				16.4 x	16.2 x	
Tangible common equity as a percentage of risk-weighted assets				8.2 %	7.6 %	
FINANCIAL RATIOS						
Per common share						
Price / earnings ratio (trailing four quarters)				11.7 x	13.1 x	
Market to book value				123 %	101 %	
Dividend yield	3.03 %	3.60 %		3.03 %	3.60 %	
Dividend payout ratio	34.4 %	38.8 %		39.8 %	38.9 %	
As a percentage of average assets						
Net interest income	2.23 %	2.34 %		2.25 %	2.31 %	
Provision for credit losses	0.22 %	0.25 %		0.22 %	0.24 %	
Net income	0.57 %	0.51 %		0.50 %	0.50 %	
Net income available to common shareholders	0.50 %	0.43 %		0.43 %	0.43 %	
Profitability						
Other income (as a % of total revenue)	36.3 %	34.4 %		35.2 %	33.6 %	
Efficiency ratio (non-interest expenses as a % of total revenue)	71.3 %	74.8 %		71.6 %	74.2 %	
OTHER INFORMATION						
Number of full-time equivalent employees				3,385	3,300	
Number of branches				156	158	
Number of automated banking machines				337	337	

CONSOLIDATED BALANCE SHEET

IN THOUSANDS OF DOLLARS (UNAUDITED)	NOTES	APRIL 30 2008	OCTOBER 31 2007	APRIL 30 2007
ASSETS				
Cash and non-interest-bearing deposits with other banks		$ 65,298	$ 65,245	$ 66,511
Interest-bearing deposits with other banks		306,652	283,255	218,185
Securities accounts				
Available-for-sale		1,119,563	917,676	1,300,429
Held-for-trading		1,131,149	1,086,958	1,124,736
Designated as held-for-trading		967,755	669,745	489,210
		3,218,467	2,674,379	2,914,375
Assets purchased under reverse repurchase agreements		479,320	540,304	1,011,208
Loans	3 and 4			
Personal		5,179,589	4,958,176	4,315,553
Residential mortgage		5,853,891	6,232,778	6,266,251
Commercial mortgage		812,499	684,625	677,383
Commercial and other		1,693,475	1,556,831	1,453,814
		13,539,454	13,432,410	12,713,001
Allowance for loan losses		(109,798)	(115,322)	(120,311)
		13,429,656	13,317,088	12,592,690
Other				
Customers' liabilities under acceptances		95,838	111,891	161,676
Property, plant and equipment		136,540	137,691	119,248
Derivative financial instruments		125,357	62,745	53,724
Future tax assets	8	54,559	86,534	100,812
Goodwill		53,790	53,790	53,790
Other intangible assets		13,505	14,114	14,724
Other assets		404,293	439,810	502,343
		883,882	906,575	1,006,317
		$ 18,383,275	$ 17,786,846	$ 17,809,286
LIABILITIES AND SHAREHOLDERS' EQUITY				
Deposits				
Personal		$ 12,267,498	$ 11,564,530	$ 11,250,950
Business, banks and other		2,174,424	2,314,178	2,244,945
		14,441,922	13,878,708	13,495,895
Other				
Obligations related to assets sold short		945,755	868,675	907,998
Obligations related to assets sold under repurchase agreements		887,723	928,987	1,307,172
Acceptances		95,838	111,891	161,676
Derivative financial instruments		81,867	70,851	67,571
Other liabilities		728,361	773,053	755,699
		2,739,544	2,753,457	3,200,116
Subordinated debentures		150,000	150,000	150,000
Shareholders' equity				
Preferred shares	5	210,000	210,000	210,000
Common shares	5	257,278	256,445	251,667
Contributed surplus		142	105	45
Retained earnings		560,364	537,254	503,674
Accumulated other comprehensive income	10	24,025	877	(2,111)
		1,051,809	1,004,681	963,275
		$ 18,383,275	$ 17,786,846	$ 17,809,286

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

CONSOLIDATED STATEMENT OF INCOME

IN THOUSANDS OF DOLLARS, EXCEPT PER SHARE AMOUNTS (UNAUDITED)	NOTES	FOR THE THREE-MONTH PERIODS ENDED APRIL 30 2008	JANUARY 31 2008	APRIL 30 2007	FOR THE SIX-MONTH PERIODS ENDED APRIL 30 2008	APRIL 30 2007
Interest income						
Loans		**$ 206,420**	$ 220,718	$ 198,582	**$ 427,138**	$ 400,272
Securities		**14,831**	13,406	15,468	**28,237**	31,610
Deposits with other banks		**6,952**	7,420	3,347	**14,372**	5,232
		228,203	241,544	217,397	**469,747**	437,114
Interest expense						
Deposits		**125,249**	126,720	110,507	**251,969**	222,895
Other liabilities		**2,030**	13,340	9,497	**15,370**	19,678
Subordinated debentures		**1,903**	1,948	1,887	**3,851**	3,838
		129,182	142,008	121,891	**271,190**	246,411
Net interest income		**99,021**	99,536	95,506	**198,557**	190,703
Other income						
Fees and commissions on loans and deposits		**22,535**	21,580	21,607	**44,115**	43,177
Income from brokerage operations		**6,965**	7,392	9,693	**14,357**	18,241
Income from treasury and financial market operations		**6,482**	6,653	4,274	**13,135**	8,858
Income from sales of mutual funds		**3,456**	3,442	3,318	**6,898**	6,392
Credit insurance income		**3,217**	3,056	3,030	**6,273**	6,612
Income from registered self-directed plans		**2,368**	2,180	2,572	**4,548**	4,931
Securitization income	4	**9,304**	5,841	3,215	**15,145**	3,775
Other		**2,157**	1,390	2,456	**3,547**	4,573
		56,484	51,534	50,165	**108,018**	96,559
Total revenue		**155,505**	151,070	145,671	**306,575**	287,262
Provision for credit losses	3	**10,000**	9,500	10,000	**19,500**	20,000
Non-interest expenses						
Salaries and employee benefits		**58,798**	58,267	58,120	**117,065**	114,386
Premises and technology		**29,154**	29,230	28,568	**58,384**	55,324
Other		**22,898**	21,057	22,263	**43,955**	43,570
		110,850	108,554	108,951	**219,404**	213,280
Income before income taxes		**34,655**	33,016	26,720	**67,671**	53,982
Income taxes	8	**9,506**	13,904	6,067	**23,410**	12,773
Net income		**$ 25,149**	$ 19,112	$ 20,653	**$ 44,261**	$ 41,209
Preferred share dividends, including applicable taxes		**2,967**	2,930	2,990	**5,897**	5,980
Net income available to common shareholders		**$ 22,182**	$ 16,182	$ 17,663	**$ 38,364**	$ 35,229
Average number of common shares outstanding (in thousands)						
Basic		**23,837**	23,824	23,638	**23,830**	23,633
Diluted		**23,882**	23,862	23,685	**23,872**	23,670
Net income per common share						
Basic		**$ 0.93**	$ 0.68	$ 0.75	**$ 1.61**	$ 1.49
Diluted		**$ 0.93**	$ 0.68	$ 0.75	**$ 1.61**	$ 1.49

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

IN THOUSANDS OF DOLLARS (UNAUDITED)	NOTES	FOR THE THREE-MONTH PERIODS ENDED APRIL 30 2008	APRIL 30 2007	FOR THE SIX-MONTH PERIODS ENDED APRIL 30 2008	APRIL 30 2007
Net income		**$ 25,149**	$ 20,653	**$ 44,261**	$ 41,209
Other comprehensive income, net of income taxes	10				
Net change in unrealized gains (losses) on available-for-sale securities		**(535)**	19,719	**(2,732)**	19,292
Reclassification of realized gains and losses on available-for-sale securities to net income		**(396)**	(1,701)	**(2,130)**	(1,454)
Net change in gains (losses) on derivative instruments designated as cashflow hedges		**5,278**	(1,039)	**28,010**	(1,397)
		4,347	16,979	**23,148**	16,441
Comprehensive income		**$ 29,496**	$ 37,632	**$ 67,409**	$ 57,650

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

IN THOUSANDS OF DOLLARS (UNAUDITED)	NOTES	FOR THE SIX-MONTH PERIODS ENDED APRIL 30 2008	APRIL 30 2007
Preferred shares			
Balance at beginning and end of period		**$ 210,000**	$ 210,000
Common shares	5		
Balance at beginning of period		**256,445**	251,158
Issued during the period under the stock option purchase plan	6	**833**	509
Balance at end of period		**257,278**	251,667
Contributed surplus			
Balance at beginning of period		**105**	518
Shares awarded under the performance-based share plan	6	**-**	(590)
Stock-based compensation	6	**37**	117
Balance at end of period		**142**	45
Retained earnings			
Balance at beginning of period		**537,254**	482,149
Net income		**44,261**	41,209
Dividends			
Preferred shares, including applicable taxes		**(5,897)**	(5,980)
Common shares		**(15,254)**	(13,704)
Balance at end of period		**560,364**	503,674
Treasury shares			
Balance at beginning of period		**-**	(590)
Shares granted	6	**-**	590
Balance at end of period		**-**	-
Accumulated other comprehensive income	10		
Balance at beginning of period		**877**	-
Effect of adopting the new accounting policy on financial instruments, net of income taxes		**-**	(18,552)
Other comprehensive income, net of income taxes		**23,148**	16,441
Balance at end of period		**24,025**	(2,111)
Shareholders' equity		**$ 1,051,809**	$ 963,275

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

CONSOLIDATED STATEMENT OF CASH FLOWS

IN THOUSANDS OF DOLLARS (UNAUDITED)	NOTES	FOR THE THREE-MONTH PERIODS ENDED APRIL 30 2008	JANUARY 31 2008	APRIL 30 2007	FOR THE SIX-MONTH PERIODS ENDED APRIL 30 2008	APRIL 30 2007
Cash flows relating to operating activities						
Net income		**$ 25,149**	$ 19,112	$ 20,653	**$ 44,261**	$ 41,209
Adjustments to determine net cash flows relating to operating activities:						
Provision for credit losses		**10,000**	9,500	10,000	**19,500**	20,000
Gains on securitization operations	4	**(9,163)**	(6,022)	(2,625)	**(15,185)**	(2,625)
Net loss (gain) on disposal of non-trading securities		**(1,016)**	(2,687)	4,386	**(3,703)**	3,082
Future income taxes		**8,169**	11,981	4,353	**20,150**	10,040
Depreciation and amortization		**7,667**	7,673	7,119	**15,340**	13,993
Net change in held-for-trading securities		**155,250**	(199,441)	457,788	**(44,191)**	200,435
Change in accrued interest receivable		**(9,093)**	2,331	(7,849)	**(6,762)**	3,218
Change in assets relating to derivative financial instruments		**(28,916)**	(33,696)	24,306	**(62,612)**	43,256
Change in accrued interest payable		**(6,886)**	1,380	(19,109)	**(5,506)**	(4,958)
Change in liabilities relating to derivative financial instruments		**14,372**	(3,356)	(18,778)	**11,016**	(14,236)
Other, net		**35,415**	4,046	(47,268)	**39,461**	(77,464)
		200,948	(189,179)	432,976	**11,769**	235,950
Cash flows relating to financing activities						
Net change in deposits		**236,682**	326,532	327,785	**563,214**	401,394
Change in obligations related to assets sold short		**(300,933)**	378,013	(450,416)	**77,080**	(169,011)
Change in obligations related to assets sold under repurchase agreements		**178,956**	(220,220)	717,605	**(41,264)**	206,787
Issuance of common shares		**312**	521	237	**833**	509
Dividends, including applicable taxes		**(10,595)**	(10,556)	(9,846)	**(21,151)**	(19,684)
		104,422	474,290	585,365	**578,712**	419,995
Cash flows relating to investing activities						
Change in securities available-for-sale and designated as held-for-trading						
Acquisitions		**(424,575)**	(788,820)	(2,703,298)	**(1,213,395)**	(4,438,317)
Proceeds on sale and at maturity		**173,038**	557,822	2,317,896	**730,860**	4,576,659
Change in loans		**(509,506)**	(458,303)	(424,793)	**(967,809)**	(627,704)
Change in assets purchased under reverse repurchase agreements		**(36,942)**	97,926	(424,241)	**60,984**	(208,662)
Proceeds from mortgage loan securitizations		**405,200**	401,049	177,857	**806,249**	177,857
Additions to property, plant and equipment		**(7,586)**	(6,069)	(9,059)	**(13,655)**	(21,935)
Proceeds from disposal of property, plant and equipment		**19**	84	401	**103**	1,224
Net change in interest-bearing deposits with other banks		**100,919**	(124,316)	34,067	**(23,397)**	(119,463)
Net cash flows from the sale of a loan portfolio	2	**-**	29,632	-	**29,632**	-
		(299,433)	(290,995)	(1,031,170)	**(590,428)**	(660,341)
Net change in cash and non-interest-bearing deposits with other banks during the period		**5,937**	(5,884)	(12,829)	**53**	(4,396)
Cash and non-interest-bearing deposits with other banks at beginning of period		**59,361**	65,245	79,340	**65,245**	70,907
Cash and non-interest-bearing deposits with other banks at end of period		**$ 65,298**	$ 59,361	$ 66,511	**$ 65,298**	$ 66,511
Supplemental disclosure relating to cash flows:						
Interest paid during the period		**$ 141,444**	$ 146,209	$ 152,193	**$ 287,653**	$ 259,313
Income taxes paid during the period		**$ 5,089**	$ (3,991)	$ 1,094	**$ 1,098**	$ 9,190

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

1. ACCOUNTING POLICIES

The unaudited interim consolidated financial statements of Laurentian Bank have been prepared by management who is responsible for the integrity and fairness of the financial information presented. These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) for interim financial statements. The significant accounting policies used in the preparation of these interim consolidated financial statements, except for changes to accounting policies stated below, are the same as those in the Bank's annual consolidated audited financial statements as at October 31, 2007. These accounting policies conform to GAAP. However, these interim consolidated financial statements do not reflect all of the information and disclosures required by GAAP for complete financial statements. Accordingly, these interim consolidated financial statements should be read in conjunction with the annual consolidated audited financial statements as at October 31, 2007. 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.

Changes to accounting policies

Capital Disclosures and Financial Instruments – Disclosures and Presentation

On December 1, 2006, the CICA issued three new accounting standards: Section 1535, Capital Disclosures, Section 3862, Financial Instruments – Disclosures, and Section 3863, Financial Instruments – Presentation. The Bank adopted these reporting standards on November 1, 2007. The adoption of these new accounting standards had no impact on accounting or measurement of financial instruments or capital.

Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) and whether the entity has complied with any capital requirements and the consequences of non-compliance with such requirements. Note 5 to the consolidated interim financial statements includes the information related to this new standard.

Sections 3862 and 3863 replace Section 3861, Financial Instruments – Disclosure and Presentation, detailing all the disclosure requirements and presentation rules applicable to financial instruments. These new sections require additional disclosure about the nature and extent of risks arising from financial instruments to which the Bank is exposed and how it manages those risks. These consolidated interim financial statements, notably note 11, include information related to these new standards. Moreover, certain relevant information related to these new requirements are included in the annual consolidated financial statement as at October 31, 2007.

2. DISPOSALS

Sale of a personal line of credit portfolio

During the first quarter of 2008, the Bank sold a personal line of credit portfolio of $30,058,000, generating a $426,000 loss which was recognized in other income. The Bank has not retained any rights and obligations in respect of these loans.

3. LOANS

LOANS AND IMPAIRED LOANS

AS AT APRIL 30, 2008

IN THOUSANDS OF DOLLARS	GROSS AMOUNT OF LOANS	GROSS AMOUNT OF IMPAIRED LOANS	SPECIFIC ALLOWANCES	GENERAL ALLOWANCES	TOTAL ALLOWANCES
Personal loans	**$ 5,179,589**	**$ 17,780**	**$ 6,240**	**$ 29,161**	**$ 35,401**
Residential mortgages	**5,853,891**	**20,683**	**1,551**	**2,517**	**4,068**
Commercial mortgages	**812,499**	**4,847**	**1,828**	**3,772**	**5,600**
Commercial and other loans	**1,693,475**	**64,183**	**34,929**	**29,800**	**64,729**
	$ 13,539,454	**$ 107,493**	**$ 44,548**	**$ 65,250**	**$ 109,798**

AS AT OCTOBER 31, 2007

IN THOUSANDS OF DOLLARS	GROSS AMOUNT OF LOANS	GROSS AMOUNT OF IMPAIRED LOANS	SPECIFIC ALLOWANCES	GENERAL ALLOWANCES	TOTAL ALLOWANCES
Personal loans	$ 4,958,176	$ 16,237	$ 6,039	$ 28,446	$ 34,485
Residential mortgages	6,232,778	20,395	1,419	5,144	6,563
Commercial mortgages	684,625	4,342	1,532	4,144	5,676
Commercial and other loans	1,556,831	62,964	41,082	27,516	68,598
	$ 13,432,410	$ 103,938	$ 50,072	$ 65,250	$ 115,322

AS AT APRIL 30, 2007

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

SPECIFIC ALLOWANCES FOR LOAN LOSSES

FOR THE SIX-MONTH PERIODS ENDED APRIL 30

					2008	2007
IN THOUSANDS OF DOLLARS	PERSONAL LOANS	RESIDENTIAL MORTGAGES	COMMERCIAL MORTGAGES	COMMERCIAL AND OTHER LOANS	TOTAL SPECIFIC ALLOWANCES	TOTAL SPECIFIC ALLOWANCES
Balance at beginning of period	**$ 6,039**	**$ 1,419**	**$ 1,532**	**$ 41,082**	**$ 50,072**	$ 59,903
Provision for credit losses recorded in the consolidated statement of income	**13,618**	**508**	**296**	**5,078**	**19,500**	20,000
Write-offs	**(15,718)**	**(398)**	**-**	**(11,589)**	**(27,705)**	(27,076)
Recoveries	**2,301**	**22**	**-**	**358**	**2,681**	2,234
Balance at end of period	**$ 6,240**	**$ 1,551**	**$ 1,828**	**$ 34,929**	**$ 44,548**	$ 55,061

GENERAL ALLOWANCES FOR LOAN LOSSES

FOR THE SIX-MONTH PERIODS ENDED APRIL 30

					2008	2007
IN THOUSANDS OF DOLLARS	PERSONAL LOANS	RESIDENTIAL MORTGAGES	COMMERCIAL MORTGAGES	COMMERCIAL AND OTHER LOANS	TOTAL GENERAL ALLOWANCES	TOTAL GENERAL ALLOWANCES
Balance at beginning of period	**$ 28,446**	**$ 5,144**	**$ 4,144**	**$ 27,516**	**$ 65,250**	$ 65,250
Change during the period	**715**	**(2,627)**	**(372)**	**2,284**	**-**	-
Balance at end of period	**$ 29,161**	**$ 2,517**	**$ 3,772**	**$ 29,800**	**$ 65,250**	$ 65,250

3. LOANS (CONTINUED)
LOANS PAST DUE BUT NOT IMPAIRED

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

	AS AT APRIL 30, 2008		
IN THOUSANDS OF DOLLARS	32 TO 90 DAYS	OVER 90 DAYS	TOTAL
Personal loans	$ 22,059	$ 9,606	$ 31,665
Residential mortgages	34,928	10,435	45,363
	$ 56,987	$ 20,041	$ 77,028

4. LOAN SECURITIZATION

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

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

	FOR THE THREE-MONTH PERIODS ENDED			FOR THE SIX-MONTH PERIODS ENDED	
IN THOUSANDS OF DOLLARS	APRIL 30 **2008**	JANUARY 31 2008	APRIL 30 2007	APRIL 30 2008	APRIL 30 2007
Cash proceeds, net of transaction related costs	**$ 405,200**	$ 401,049	$ 136,777	**$ 806,249**	$ 136,777
Rights to future excess interest	**21,516**	13,109	4,730	**34,625**	4,730
Servicing liability	**(3,284)**	(3,366)	(1,091)	**(6,650)**	(1,091)
Cash reserve accounts	**-**	-	1,076	**-**	1,076
Other	**(8,023)**	(5,333)	(1,157)	**(13,356)**	(1,157)
	415,409	405,459	140,335	**820,868**	140,335
Residential mortgages securitized and sold	**406,246**	399,437	138,134	**805,683**	138,134
Gains before income taxes, net of transaction related costs	**$ 9,163**	$ 6,022	$ 2,201	**$ 15,185**	$ 2,201

With regard to the transfer of residential mortgages, the key assumptions used to determine the initial fair value of retained interests at the securitization date for transactions carried out during the quarter are summarized as follows:

Rate of prepayment	**28.1 %**
Discount rate	**3.6 %**

No loss is expected on insured residential mortgages.

As at April 30, 2008, the Bank held rights to future excess interest of $58,925,000 [of which $48,848,000 related to insured mortgages] and cash reserve accounts of $18,249,000.

The total principal amount of securitized residential mortgages outstanding amounted to $2,198,091,000 as at April 30, 2008 ($1,561,901,000 as at October 31, 2007).

In order to mitigate interest rate risk related to a commercial mortgage loans portfolio to be disposed by way of a securitization transaction, the Bank entered into certain hedging transactions. As securitization activities were disrupted by unfavourable market conditions and the hedging transactions did not meet GAAP requirements for hedge accounting, changes in the fair value of the hedging instruments resulted in a loss of $1,971,000 during the first quarter of 2008 which was recognized in other income, under securitization income.

During the quarter ended April 30, 2008, the Bank recorded a $1,200,000 downward adjustment in the value of interest rate swaps contracted in connection with transfers of residential mortgage loans, subsequent to the liquidity and credit crisis affecting asset backed commercial paper. This adjustment was charged against securitization income.

5. CAPITAL STOCK

Issuance of common shares

During the quarter, 10,000 common shares (29,032 common shares during the six-month period ended April 30, 2008) were issued under the employee share purchase option plan for the management of the Bank for a cash consideration of $312,000 ($833,000 during the six-month period ended April 30, 2008).

ISSUED AND OUTSTANDING	AS AT APRIL 30, 2008			AS AT OCTOBER 31, 2007		
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	**23,839,845**	**$**	**257,278**	23,810,813	$	256,445

(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

Common shareholders' equity

Common shareholders' equity consists of common shares, retained earnings, contributed surplus and accumulated other comprehensive income. Capital management contributes to the Bank's profitability, as capital is allocated to business segments based on profitability objectives and criteria. The Bank maintains capital to support its activities while generating a return for its shareholders, in relation to industry standards and the Bank's risk profile.

Regulatory capital

The Bank's regulatory capital consists primarily of common shareholders' equity, preferred shares and subordinated debentures. Regulatory capital is a factor which allows management to assess the Bank's stability and security in relation to the overall risks inherent in its activities. The Bank's policy is to maintain its regulatory capital ratios consistent with regulatory requirements as defined by the Office of the Superintendent of Financial Institutions Canada (OSFI). Regulatory guidelines issued by the OSFI require banks to maintain a minimum Tier 1 capital ratio of at least 7% and a total capital ratio of at least 10%. As of November 1, 2007, the Bank is now monitoring its regulatory capital based on the Bank for International Settlements (BIS) regulatory risk-based capital framework (Basel II). The Bank has decided to use the Standard Approach for the credit risk and the Basic Indicator Approach for operational risk. Since November 1, 2007, the Bank has complied with these requirements.

A capital plan prepared annually specifies target capital ratios by taking into account projected risk weighted asset levels and expected capital management initiatives. Regulatory capital ratios are reported monthly to management. Regulatory capital ratio monitoring reports are provided on a quarterly basis to the Board of Directors' Risk Management Committee.

Regulatory capital(1)

IN THOUSANDS OF DOLLARS		AS AT APRIL 30 2008		AS AT OCTOBER 31 2007		AS AT APRIL 30 2007
Tier 1 capital						
Common shares	**$**	**257,278**	$	256,445	$	251,667
Contributed surplus		**142**		105		45
Retained earnings		**560,364**		537,254		503,674
Non-cumulative preferred shares		**210,000**		210,000		210,000
Less: goodwill, securitization and other		**(91,973)**		(53,790)		(53,790)
Total - Tier 1 capital		**935,811**		950,014		911,596
Tier 2 capital						
Subordinated debentures		**150,000**		150,000		150,000
General allowances		**65,250**		65,250		65,250
Less : securitization and other		**(27,319)**		(33,827)		(18,394)
Total - Tier 2 capital		**187,931**		181,423		196,856
Total - capital	**$**	**1,123,742**	$	1,131,437	$	1,108,452

(1) Regulatory capital as of November 1, 2007 is now based on capital adequacy requirements under Basel II. Prior year's figures are based on the previous Basel I framework.

6. STOCK-BASED COMPENSATION

Stock Option Purchase Plan

There were no new grants during the first six months of 2008. Information on outstanding number of options is as follows:

	AS AT APRIL 30, 2008	AS AT OCTOBER 31, 2007
	NUMBER	NUMBER
Share purchase options		
Outstanding at end of period	**135,195**	170,027
Exercisable at end of period	**97,695**	120,027

Restricted Share Unit Program

Under the Restricted Share Unit Program, annual bonuses for certain employees amounting to $1,486,000 were converted into 45,786 entirely vested restricted share units during the first quarter of 2008. The Bank also granted 27,472 additional restricted share units which will vest in December 2010.

Performance-based share units program

During the first quarter of 2008, as per the performance-based share units program, the Bank granted 35,816 performance-based share units valued at $40.07 each. Rights to 37.5% of these units will vest after 3 years. The rights to the remaining units will vest after 3 years, upon meeting certain financial objectives.

Stock appreciation rights plan

There were no new grants during the first six months of 2008.

Performance-based share agreement

In accordance with the 2005 performance-based share agreement, all rights to the 20,000 common shares granted vested in January 2007, as objectives were met. Consequently, the shares were issued to the employee.

Charge related to stock-based compensation plans

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

	FOR THE THREE-MONTH PERIODS ENDED			FOR THE SIX-MONTH PERIODS ENDED	
	APRIL 30	JANUARY 31	APRIL 30	APRIL 30	APRIL 30
IN THOUSANDS OF DOLLARS	**2008**	2008	2007	**2008**	2007
Charge (recovery) related to stock-based compensation plans	**$ 4,319**	$ (4,113)	$ 1,235	**$ 206**	$ 2,240
Effect of hedges	**(4,386)**	5,639	252	**1,253**	252
Total	**$ (67)**	$ 1,526	$ 1,487	**$ 1,459**	$ 2,492

7. EMPLOYEE FUTURE BENEFITS

	FOR THE THREE-MONTH PERIODS ENDED			FOR THE SIX-MONTH PERIODS ENDED	
	APRIL 30	JANUARY 31	APRIL 30	APRIL 30	APRIL 30
IN THOUSANDS OF DOLLARS	**2008**	2008	2007	**2008**	2007
Defined benefit pension plans expense	**$ 2,583**	$ 2,640	$ 4,022	**$ 5,223**	$ 8,359
Defined contribution pension plans expense	**929**	816	735	**1,745**	1,430
Other plans expense	**812**	830	780	**1,642**	1,587
Total	**$ 4,324**	$ 4,286	$ 5,537	**$ 8,610**	$ 11,376

8. INCOME TAXES

For the quarter ended April 30, 2008, the income tax expense was $9,506,000 and the effective tax rate was 27.4%. This lower tax rate, compared to the statutory tax rate of 31.6%, mainly reflects the favorable effect of holding investments in Canadian securities which generate non-taxable income, as well as the effect of not recording income taxes on foreign credit insurance operations.

For the quarter ended January 31, 2008, the income tax expense was $13,904,000 and the effective tax rate was 42.1%. This rate reflects the decrease to the Bank's future income tax asset of $5,657,000 related to reductions to the federal income tax rates adopted in the third reading of the House of Commons in December 2007. Excluding the effect of this adjustment, the income tax expense would have been $8,247,000 for the quarter, for an effective tax rate of 25.0%. Compared to the statutory tax rate of 31.6%, the effective tax rate mainly reflected the favorable effect of holding investments in Canadian securities which generate non-taxable income, as well as the effect of not recording income taxes on foreign credit insurance operations.

For the quarter ended April 30, 2007, the income tax expense was $6,067,000 and the effective tax rate was 22.7%. This lower tax rate resulted from favorable adjustments of $1,558,000. Excluding the effect of these adjustments, the income tax expense would have stood at $7,625,000 (28.5% effective tax rate). Compared to the statutory tax rate of 33.0%, the effective tax rate mainly reflected the favorable effect of holding investments in Canadian securities which generate non-taxable income, as well as the effect of not recording income taxes on foreign credit insurance operations.

For the six-month period ended April 30, 2008, the income tax expense was $23,410,000 and the effective tax rate was 34.6%. Compared to the statutory tax rate of 31.6%, the higher effective tax rate in 2008 essentially resulted from the $5,657,000 decrease of the Bank's future income tax assets related to further reductions in the federal income tax rates recorded during the first quarter.

For the six-month period ended April 30, 2007, the income tax expense was $12,773,000 and the effective tax rate was 23.7%. Compared to the statutory tax rate of 33.0%, the lower statutory tax rate in 2007 resulted from the items discussed above during the second quarter, as well as from a $900,000 adjustment which was recorded during the first quarter to reflect the increase in value of the future tax assets following the adoption, in December 2006, of Federal fiscal measures which provided for raising the threshold of the federal minimum tax on financial institutions to $1 billion.

9. WEIGHTED AVERAGE NUMBER OF OUTSTANDING COMMON SHARES

	FOR THE THREE-MONTH PERIODS ENDED			FOR THE SIX-MONTH PERIODS ENDED	
	APRIL 30 **2008**	JANUARY 31 2008	APRIL 30 2007	APRIL 30 **2008**	APRIL 30 2007
Average number of outstanding common shares	**23,836,734**	23,824,005	23,638,152	**23,830,300**	23,632,548
Dilutive share purchase options	**45,108**	37,992	47,076	**41,511**	37,780
Weighted average number of outstanding common shares	**23,881,842**	23,861,997	23,685,228	**23,871,811**	23,670,328
Average number of share purchase options not taken into account in the calculation of diluted net income per common share(1)	-	-	-	-	45,475

(1) The average number of share purchase options was not taken into account in the calculation of diluted net income per common share since the average exercise price of these options exceeded the average market price of the Bank's shares during these periods.

10. SUPPLEMENTAL INFORMATION ON OTHER COMPREHENSIVE INCOME

Other comprehensive income

IN THOUSANDS OF DOLLARS	FOR THE THREE-MONTH PERIOD ENDED APRIL 30 2008 BEFORE INCOME TAXES	INCOME TAXES	NET OF INCOME TAXES	FOR THE THREE-MONTH PERIOD ENDED APRIL 30 2007 BEFORE INCOME TAXES	INCOME TAXES	NET OF INCOME TAXES
Unrealized gains and (losses) on available-for-sale securities						
Unrealized gains and (losses) during the period	$ (710)	$ 175	$ (535)	$ 23,976	$ (4,257)	$ 19,719
Less : reclassification to net income of realized (gains) and losses during the period	(512)	116	(396)	(1,430)	(271)	(1,701)
Unrealized gains and (losses) on available-for-sale securities	(1,222)	291	(931)	22,546	(4,528)	18,018
Gains and (losses) on derivatives designated as cash flow hedges	7,822	(2,544)	5,278	(1,565)	526	(1,039)
Other comprehensive income	$ 6,600	$ (2,253)	$ 4,347	$ 20,981	$ (4,002)	$ 16,979

IN THOUSANDS OF DOLLARS	FOR THE SIX-MONTH PERIOD ENDED APRIL 30 2008 BEFORE INCOME TAXES	INCOME TAXES	NET OF INCOME TAXES	FOR THE SIX-MONTH PERIOD ENDED APRIL 30 2007 BEFORE INCOME TAXES	INCOME TAXES	NET OF INCOME TAXES
Unrealized gains and (losses) on available-for-sale securities						
Unrealized gains and (losses) during the period	$ (3,915)	$ 1,183	$ (2,732)	$ 23,334	$ (4,042)	$ 19,292
Less : reclassification to net income of realized (gains) and losses during the period	(2,525)	395	(2,130)	(1,063)	(391)	(1,454)
Unrealized gains and (losses) on available-for-sale securities	(6,440)	1,578	(4,862)	22,271	(4,433)	17,838
Gains and (losses) on derivatives designated as cash flow hedges	41,412	(13,402)	28,010	(2,138)	741	(1,397)
Other comprehensive income	$ 34,972	$ (11,824)	$ 23,148	$ 20,133	$ (3,692)	$ 16,441

Accumulated other comprehensive income (net of income taxes)

IN THOUSANDS OF DOLLARS	CASH FLOW HEDGING	AVAILABLE-FOR-SALE SECURITIES	ACCUMULATED OTHER COMPREHENSIVE INCOME
Balance at October 31, 2007	$ (10,255)	$ 11,132	$ 877
Change during the three-month period ended January 31, 2008	22,732	(3,931)	18,801
Change during the three-month period ended April 30, 2008	5,278	(931)	4,347
Balance at April 30, 2008	$ 17,755	$ 6,270	$ 24,025

IN THOUSANDS OF DOLLARS	CASH FLOW HEDGING	AVAILABLE-FOR-SALE SECURITIES	ACCUMULATED OTHER COMPREHENSIVE INCOME
Balance at October 31, 2006	$ -	$ -	$ -
Impact of adopting the new accounting policy	(15,932)	(2,620)	(18,552)
Change during the three-month period ended January 31, 2007	(358)	(180)	(538)
Change during the three-month period ended April 30, 2007	(1,039)	18,018	16,979
Balance at April 30, 2007	(17,329)	15,218	(2,111)
Change during the three-month period ended July 31, 2007	(4,686)	(3,152)	(7,838)
Change during the three-month period ended October 31, 2007	11,760	(934)	10,826
Balance at October 31, 2007	$ (10,255)	$ 11,132	$ 877

11. SUPPLEMENTAL INFORMATION ON FINANCIAL INSTRUMENTS AND HEDGING RELATIONSHIPS

Risk management related to financial instruments

The Bank is exposed to various types of risks owing to the nature of the business activities it carries on, including those related to the use of financial instruments. In order to manage the risks associated with using financial instruments, including loan and deposit, securities and derivative financial instrument portfolios, controls such as risk management policies and various risk limits have been implemented. These measures aim to optimize the return/risk ratio in all operating segments. A corporate governance structure was also designed to insure global risk tolerance is consistent with the Bank's strategies and objectives. The main risks to which the Bank is exposed are set out below.

(a) Market risk

Market risk corresponds to the financial losses that the Bank could incur because of unfavourable fluctuations in the value of financial instruments, following variations in the parameters underlying their evaluation, such as interest rates, exchange rates or quoted stock market prices. The Bank has implemented policies and limits designed to mitigate exposure to market risk arising from trading, investment and asset and liability management activities.

With regard to trading and investment activities, the Bank mainly relies on a combination of two groups of measures: i) value at risk (VAR) and the application of stress tests; and ii) notional limits, which allow for the management of the risks that are not captured by the VAR measures and stress tests.

The purpose of asset and liability management 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. This risk is mainly attributable to differences in maturity dates or revaluation dates of balance sheet and off-balance sheet items along with the options embedded in certain banking products, notably clauses on early loan repayment, deposit redemption and mortgage commitments. The Bank periodically measures the effect on the economic value of common shareholders' equity and on its net interest income before taxes of a sudden and sustained 1% increase in interest rates. As at April 30, 2008, a 1% increase in interest rate would have triggered a decrease of approximately $2,716,000 in net interest income before taxes over the next 12 months and a $30,477,000 decrease in the economic value of common shareholders' equity.

(b) Credit risk

The use of financial instruments, including derivatives, can result in credit risk exposure representing the risk of financial loss arising from a counterparty's inability or refusal to fully honour its contractual obligations. The credit risk management policies adopted by the Bank provide for an appropriate assessment of this risk. These policies cover the approval of credit applications by the line of authority concerned, attribution of risk ratings, management of impaired loans, establishment of provisions, and pricing based on risk. With respect to diversification, the credit policy sets the guidelines intended to limit credit concentration by counterparty and sector of activity, and identifies sectors that are considered risky and should thus be avoided. The policies are periodically reviewed and approved by the Board of Directors' Risk Management Committee. The Bank ensures a follow-up of its financial instrument accounts in terms of both quality and quantity through mechanisms and policies related to the review of various types of files and risk rating updating system, and pricing analysis. Note 3 to these interim consolidated financial statements, provides additional information on the Bank's loan portfolios.

The majority of the Bank's credit concentration with respect to derivative financial instruments is with financial institutions, primarily Canadian banks. Credit risk in derivative transactions arises from a potential default by a counterparty on its contractual obligations when one or more transactions have a positive market replacement cost for the Bank. Replacement cost represents what it would cost to replace transactions at prevailing market rates in the event of a default. The credit equivalent amount arising from a derivative financial instrument transaction is defined as the sum of the replacement cost plus an estimated amount reflecting the potential change in market value of the transaction through to maturity.

Derivative-related credit risk is generally managed using the same credit approval, limit and monitoring standards as those used for managing other credit transactions. Moreover, the Bank negotiates derivative master netting agreements with counterparties with which it contracts. These agreements reduce credit risk exposure in the event of a default by providing for the simultaneous netting of all transactions with a given counterparty.

The amount that best represents the maximum exposure to credit risk of the Bank as at April 30, 2008, without taking account of any collateral held or other credit enhancements, essentially corresponds to the sum of financial assets on the consolidated financial statement to which are added credit-related commitments as set-out below.

IN MILLIONS OF DOLLARS	AS AT APRIL 30, 2008
Financial assets, as reported on balance sheet	$ 18,096
Credit commitments and other off-balance sheet items(1)	4,152
Total	$ 22,248

(1) including $1,933,000,000 related to personal credit facilities and credit card lines.

11. SUPPLEMENTAL INFORMATION ON HEDGING RELATIONSHIPS AND FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk

Liquidity risk represents the possibility that the Bank may not be able to gather sufficient cash resources, when required and under reasonable conditions, to meet its financial obligations.

The Bank's overall liquidity risk is managed by the Corporate Treasury and supervised by the Asset and Liability Management Committee, in accordance with the policies for management of collateral, liquidity and financing. The main purpose of these policies is to ensure that the Bank has sufficient cash resources to meet its current and future financial obligations, both under normal and unusual conditions.

The Bank monitors cash resources daily and ensures that liquidity indicators are in compliance with limits established. Liquidity management pays particular attention to deposit and loan maturities, as well as to funding availability and demand when planning financing. The Bank maintains a reserve of unencumbered liquid assets that are readily available to face contingency. It defines its cash requirements based on scenarios evaluating survival horizons that measure the period during which liquid assets could cover the withdrawal of wholesale financing and deposits. The Bank strives to maintain a stable volume of base deposits originating from its retail and deposit brokerage clientele, along with the diversification of its financing sources. Financing strategies also include the securitization of loans and the use of capital markets, either through the issuance of capital stock or debt instruments. A financing and liquidity emergency plan provides for measures to fulfill the Bank's obligations in the event of high demand for liquid assets.

Fair value of financial instruments

The fair value of a financial instrument is defined as the amount of consideration for a financial instrument that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Quoted market prices are not available for a significant portion of the Bank's financial instruments. As a result, for these instruments, the fair values presented are estimates derived using present value or other valuation techniques and may not be indicative of the net realizable value.

When fair value is determined using valuation models, it may be necessary to use assumptions as to the amount and timing of estimated future cash flows and discount rates. These assumptions reflect the risks inherent in financial instruments.

As at April 30, 2008, the fair value of financial assets and liabilities approximate their carrying amount, except for the assets and liabilities presented below.

	AS AT APRIL 30, 2008			AS AT OCTOBER 31, 2007		
IN MILLIONS OF DOLLARS	BOOK VALUE	FAIR VALUE	FAVOURABLE (UNFAVOURABLE) VARIANCE	BOOK VALUE	FAIR VALUE	FAVOURABLE (UNFAVOURABLE) VARIANCE
Assets						
Loans	$ **13,430**	$ **13,520**	$ **90**	$ 13,317	$ 13,316	$ (1)
Liabilities						
Deposits	**14,442**	**14,589**	**(147)**	13,879	13,901	(22)
Subordinated debentures	$ **150**	$ **154**	$ **(4)**	$ 150	$ 150	$ -

Methods and assumptions used in estimating the fair value of financial instruments

Loans

The fair value of loans is estimated by discounting cash flows adjusted to reflect the prepayments, if any, at the prevailing interest rates in the marketplace for new loans with substantially similar terms. For certain variable rate loans subject to frequent rate revisions and loans with indeterminate maturities, the fair value is deemed to represent the carrying amount.

Deposits

The fair value of fixed rate deposits is estimated using discounted cash flows based on current market interest rates for deposits with substantially similar terms. The fair value of deposits without stated maturities or variable rate deposits is deemed to represent their carrying amount.

Subordinated debentures

The fair value of subordinated debentures is estimated using discounted cash flows based on current market interest rates for similar issues or rates currently offered for debt securities with the same term to maturity.

Financial instruments designated as held-for-trading

For the three-month period ended April 30, 2008, a gain of $13,979,000 (a gain of $176,000 for the three-month period ended April 30, 2007) was recognized in income from treasury and financial market operations for financial instruments designated as held-for-trading under the fair value option. These financial instruments were used as part of interest rate risk management. In accordance with the Bank's accounting policy, they were designated as held-for-trading in order to significantly reduce a recognition inconsistency that would otherwise have arisen from recognizing gains and losses on different basis. Accordingly, this gain was essentially offset by losses on derivatives.

The Bank designated certain deposits for a nominal amount of $71,315,000 ($58,060,000 as at April 30, 2007) as held-for-trading. The difference between the amount the Bank would be contractually required to pay at maturity to the holder of the deposits and the carrying amount of $71,652,000 ($57,573,000, as at April 30, 2007), is $-337,000 ($487,000, as at April 30, 2007).

11. SUPPLEMENTAL INFORMATION ON HEDGING RELATIONSHIPS AND FINANCIAL INSTRUMENTS (CONTINUED)

Contractual maturities of financial liabilities

The following table presents the principal obligations related to financial liabilities by their contractual maturities.

					AS AT APRIL 30, 2008
IN THOUSANDS OF DOLLARS	Demand and notice	Term Within 1 year	Term 1 to 5 years	Over 5 years	TOTAL
Deposits	$ 2,867,876	$ 5,420,845	$ 6,148,989	$ 4,212	$ 14,441,922
Obligations related to assets sold short	-	945,755	-	-	945,755
Obligations related to assets sold under repurchase agreeements	-	887,723	-	-	887,723
Subordinated debentures	-	-	150,000	-	150,000
	$ 2,867,876	$ 7,254,323	$ 6,298,989	$ 4,212	$ 16,425,400

Derivative financial instruments

Ineffectiveness related to hedging relationships

The following table presents the ineffective portion of accumulated changes in the fair value of hedging instruments recognized in the consolidated income statement.

	FOR THE THREE-MONTH PERIODS ENDED			FOR THE SIX-MONTH PERIODS ENDED	
IN THOUSANDS OF DOLLARS	APRIL 30 2008	JANUARY 31 2008	APRIL 30 2007	APRIL 30 2008	APRIL 30 2007
Cash flow hedging relationships	$ 7	$ 256	$ (92)	$ 263	$ (60)
Fair value hedging relationships	(352)	100	(22)	(252)	(29)
	$ (345)	$ 356	$ (114)	$ 11	$ (89)

Breakdown of swap contracts designated as hedging instruments, by category

The following table presents the Bank's swap contracts between those designated as cash flow hedging instruments and those designated as fair value hedging instruments.

The swap contracts designated as hedging instruments are used by the Bank primarily for balance sheet matching purposes and to mitigate net interest revenue volatility. The fair value of such swap contracts may vary considerably. Accordingly, changes in the fair value of the swap contracts designated as cash flow hedging instruments could result in significant changes in accumulated other comprehensive income and in shareholders' equity.

	AS AT APRIL 30, 2008		AS AT OCTOBER 31, 2007	
IN THOUSANDS OF DOLLARS	NOMINAL AMOUNT	FAIR VALUE NET AMOUNT	NOMINAL AMOUNT	FAIR VALUE NET AMOUNT
Contracts designated as hedging instruments				
Interest rate swap contracts				
Swaps used for cash flow hedging	$ 3,554,000	$ 33,917	$ 3,891,000	$ (4,748)
Swaps used for fair value hedging	4,073,000	38,587	2,436,000	(784)
	$ 7,627,000	$ 72,504	$ 6,327,000	$ (5,532)

Other information on hedging relationships

Of the amount of net deferred gain included in accumulated other comprehensive income as at April 30, 2008, the Bank expects to transfer $4,389,000 into net income over the next twelve months.

The maximum term of cash flow hedging relationships was 5 years as at April 30, 2008.

12. SEGMENTED INFORMATION

Since November 1, 2007, activities related to small-medium enterprises in Quebec are now grouped with those of Retail Financial Services in the new Retail & SME Quebec segment. These commercial activities were previously included in the Commercial Financial Services segment. The latter now includes real estate financing throughout Canada and commercial financing in Ontario, as well as National accounts.

The other business segments, B2B Trust and Laurentian Bank Securities were not affected by this reorganization. Comparative figures were reclassified to conform to the current period presentation.

FOR THE THREE-MONTH PERIOD ENDED APRIL 30, 2008

IN THOUSANDS OF DOLLARS	R & SME Quebec	RE&C	B2B	LBS	OTHER	TOTAL
Net interest income	**$ 72,690**	**$ 13,692**	**$ 22,297**	**$ 703**	**$ (10,361)**	**$ 99,021**
Other income	**28,331**	**3,890**	**2,737**	**7,141**	**14,385**	**56,484**
Total revenue	**101,021**	**17,582**	**25,034**	**7,844**	**4,024**	**155,505**
Provision for credit losses	**8,545**	**997**	**458**	**-**	**-**	**10,000**
Non-interest expenses	**81,182**	**5,526**	**10,651**	**7,322**	**6,169**	**110,850**
Income (loss) before income taxes	**11,294**	**11,059**	**13,925**	**522**	**(2,145)**	**34,655**
Income taxes (recovered)	**2,728**	**3,672**	**4,700**	**141**	**(1,735)**	**9,506**
Net income	**$ 8,566**	**$ 7,387**	**$ 9,225**	**$ 381**	**$ (410)**	**$ 25,149**
Average assets (1)	**$ 9,917,143**	**$ 2,110,641**	**$ 3,806,798**	**$ 1,431,709**	**$ 809,073**	**$ 18,075,364**

FOR THE THREE-MONTH PERIOD ENDED JANUARY 31, 2008

IN THOUSANDS OF DOLLARS	R & SME Quebec	RE&C	B2B	LBS	OTHER	TOTAL
Net interest income	$ 72,984	$ 13,633	$ 22,004	$ 734	$ (9,819)	$ 99,536
Other income	27,379	3,513	2,661	7,550	10,431	51,534
Total revenue	100,363	17,146	24,665	8,284	612	151,070
Provision for credit losses	7,838	1,497	165	-	-	9,500
Non-interest expenses	80,391	5,538	10,344	7,618	4,663	108,554
Income (loss) before income taxes	12,134	10,111	14,156	666	(4,051)	33,016
Income taxes (recovered)	3,056	3,335	4,772	198	2,543	13,904
Net income	$ 9,078	$ 6,776	$ 9,384	$ 468	$ (6,594)	$ 19,112
Average assets (1)	$ 9,786,171	$ 2,094,553	$ 3,679,876	$ 1,423,406	$ 497,596	$ 17,481,602

FOR THE THREE-MONTH PERIOD ENDED APRIL 30, 2007

IN THOUSANDS OF DOLLARS	R & SME Quebec	RE&C	B2B	LBS	OTHER	TOTAL
Net interest income	$ 68,255	$ 11,382	$ 19,551	$ 376	$ (4,058)	$ 95,506
Other income (3)	26,788	4,453	2,998	14,214	1,712	50,165
Total revenue	95,043	15,835	22,549	14,590	(2,346)	145,671
Provision for credit losses	8,138	824	1,038	-	-	10,000
Non-interest expenses	78,245	5,831	10,764	7,956	6,155	108,951
Income (loss) before income taxes	8,660	9,180	10,747	6,634	(8,501)	26,720
Income taxes	1,915	3,074	3,623	1,341	(3,886)	6,067
Net income	$ 6,745	$ 6,106	$ 7,124	$ 5,293	$ (4,615)	$ 20,653
Average assets (1)	$ 9,173,551	$ 1,815,514	$ 2,934,231	$ 1,498,057	$ 1,312,860	$ 16,734,213

12. SEGMENTED INFORMATION (CONTINUED)

FOR THE SIX-MONTH PERIOD ENDED APRIL 30, 2008

IN THOUSANDS OF DOLLARS	R & SME Quebec	RE&C	B2B	LBS	OTHER	TOTAL
Net interest income	$ 145,674	$ 27,325	$ 44,301	$ 1,437	$ (20,180)	$ 198,557
Other income	55,710	7,403	5,398	14,691	24,816	108,018
Total revenue	201,384	34,728	49,699	16,128	4,636	306,575
Provision for credit losses	16,383	2,494	623	-	-	19,500
Non-interest expenses	161,573	11,064	20,995	14,940	10,832	219,404
Income (loss) before income taxes	23,428	21,170	28,081	1,188	(6,196)	67,671
Income taxes (recovered) (2)	5,784	7,007	9,472	339	808	23,410
Net income	$ 17,644	$ 14,163	$ 18,609	$ 849	$ (7,004)	$ 44,261
Average assets (1)	$ 9,850,937	$ 2,102,509	$ 3,742,640	$ 1,427,512	$ 651,623	$ 17,775,221

FOR THE SIX-MONTH PERIOD ENDED APRIL 30, 2007

IN THOUSANDS OF DOLLARS	R & SME Quebec	RE&C	B2B	LBS	OTHER	TOTAL
Net interest income	$ 138,003	$ 22,786	$ 39,307	$ 669	$ (10,062)	$ 190,703
Other income (3)	53,378	9,064	5,792	22,926	5,399	96,559
Total revenue	191,381	31,850	45,099	23,595	(4,663)	287,262
Provision for credit losses	15,338	2,609	2,053	-	-	20,000
Non-interest expenses	154,129	11,586	21,177	15,595	10,793	213,280
Income (loss) before income taxes	21,914	17,655	21,869	8,000	(15,456)	53,982
Income taxes (recovered)	5,133	5,912	7,393	1,720	(7,385)	12,773
Net income	$ 16,781	$ 11,743	$ 14,476	$ 6,280	$ (8,071)	$ 41,209
Average assets (1)	$ 9,139,314	$ 1,780,236	$ 2,883,688	$ 1,569,703	$ 1,297,953	$ 16,670,894

R & SME Quebec - The Retail & SME Quebec segment covers the full range of savings, investment, financing and transactional products and services offered through its direct distribution network, which includes branches, the electronic network and the call centre, as well as Point-of-Sale financing across Canada. This business segment also offers Visa credit card services, insurance products and trust services. As well, it offers all commercial financial services to the small and medium enterprises in Quebec.

RE&C - The Real Estate & Commercial segment handles real estate financing throughout Canada, commercial financing in Ontario and National accounts.

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

LBS - LBS segment consists of the activities of the subsidiary Laurentian Bank Securities Inc.

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

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

(2) The other segment income taxes include a $5.6 million tax adjustment reflecting the decrease in the Bank's future income tax assets as a result of further reductions in federal income tax rates.

(3) Other income in the LBS segment included a $4.4 million ($3.7 million net of income taxes) gain on the sale of a portion of the holding of the Montréal Exchange shares held by the Bank. Other income for the other segment also included a $4.3 million loss ($3.0 million net of income taxes) on sale of securities.

13. SUBSEQUENT EVENT

Realised gain resulting from the business combination of the Montréal Exchange and the TSX Group

On May 1, 2008, the Bank realised a $12,906,000 gain ($11,066,000, net of income taxes) as it sold its remaining shares of the Montréal Exchange as a result of the business combination of the Montréal Exchange with the TSX Group, which took effect May 1, 2008. This unrealised gain was reflected in Accumulated other comprehensive income as at April 30, 2008.

OTHER INCOME

IN THOUSANDS OF DOLLARS (UNAUDITED)	Q4	Q3	Q2	2008 Q1
Fees and commissions on loans and deposits				
Deposit service charges	$ -	$ -	$ 13,180	$ 12,562
Lending fees	-	-	5,466	5,078
Card service revenues	-	-	3,889	3,940
Sub-total - fees and commissions on loans and deposits	-	-	22,535	21,580
Other				
Income from brokerage operations	-	-	6,965	7,392
Income from treasury and financial market operations	-	-	6,482	6,653
Income from sales of mutual funds	-	-	3,456	3,442
Credit insurance income	-	-	3,217	3,056
Income from registered self-directed plans	-	-	2,368	2,180
Securitization income	-	-	9,304	5,841
Other	-	-	2,157	1,390
Sub-total - other	-	-	33,949	29,954
Total - other income	$ -	$ -	$ 56,484	$ 51,534
As a % of average assets	- %	- %	1.27 %	1.17 %

IN THOUSANDS OF DOLLARS (UNAUDITED)	Q4	Q3	Q2	2007 Q1
Fees and commissions on loans and deposits				
Deposit service charges	$ 12,675	$ 13,083	$ 12,599	$ 12,291
Lending fees	5,904	5,963	5,663	5,882
Card service revenues	3,741	4,160	3,345	3,397
Sub-total - fees and commissions on loans and deposits	22,320	23,206	21,607	21,570
Other				
Income from brokerage operations	6,454	7,664	9,693	8,548
Income from treasury and financial market operations	3,912	6,516	4,274	4,584
Income from sales of mutual funds	3,493	3,521	3,318	3,074
Credit insurance income	3,492	2,453	3,030	3,582
Income from registered self-directed plans	2,231	2,490	2,572	2,359
Securitization income	1,407	1,236	3,215	560
Gain on change in ownership interest	4,000	-	-	-
Other	583	2,189	2,456	2,117
Sub-total - other	25,572	26,069	28,558	24,824
Total - other income	$ 47,892	$ 49,275	$ 50,165	$ 46,394
As a % of average assets	1.11 %	1.16 %	1.23 %	1.11 %

NON - INTEREST EXPENSES

IN THOUSANDS OF DOLLARS (UNAUDITED)	Q4	Q3	Q2	2008 Q1
Salaries and employee benefits				
Salaries	$ -	$ -	$ 38,515	$ 39,165
Employee benefits	-	-	12,762	12,521
Performance-based compensation	-	-	7,521	6,581
Sub-total - salaries and employee benefits	-	-	58,798	58,267
Premises and technology				
Equipment and computer services	-	-	11,173	11,175
Rent and property taxes	-	-	8,760	8,768
Depreciation	-	-	7,364	7,368
Maintenance and repairs	-	-	1,372	1,290
Public utilities	-	-	385	310
Other	-	-	100	319
Sub-total - premises and technology	-	-	29,154	29,230
Other				
Fees and commissions	-	-	5,088	3,607
Taxes and insurance	-	-	4,587	4,466
Communications and travelling expenses	-	-	4,686	4,572
Advertising and business development	-	-	4,050	3,912
Stationery and publications	-	-	1,756	1,655
Recruitment and training	-	-	853	1,564
Other	-	-	1,878	1,281
Sub-total - other	-	-	22,898	21,057
Total - non-interest expenses	$ -	$ -	$ 110,850	$ 108,554
As a % of average assets	- %	- %	2.49 %	2.47 %

IN THOUSANDS OF DOLLARS (UNAUDITED)	Q4	Q3	Q2	2007 Q1
Salaries and employee benefits				
Salaries	$ 36,882	$ 37,606	$ 36,266	$ 36,160
Employee benefits	12,617	13,655	13,809	12,965
Performance-based compensation	6,803	7,341	8,045	7,141
Sub-total - salaries and employee benefits	56,302	58,602	58,120	56,266
Premises and technology				
Equipment and computer services	10,655	10,402	11,291	10,103
Rent and property taxes	8,715	8,617	8,750	8,461
Depreciation	7,127	6,883	6,814	6,569
Maintenance and repairs	1,595	1,424	1,208	1,200
Public utilities	262	296	417	309
Other	123	136	88	114
Sub-total - premises and technology	28,477	27,758	28,568	26,756
Other				
Fees and commissions	5,251	5,208	4,845	3,649
Taxes and insurance	4,094	4,431	4,590	5,641
Communications and travelling expenses	4,634	4,631	4,677	4,373
Advertising and business development	4,143	4,534	4,433	3,660
Stationery and publications	1,420	1,418	1,691	1,705
Recruitment and training	419	684	708	982
Other	1,017	1,107	1,319	1,297
Sub-total - other	20,978	22,013	22,263	21,307
Total - non-interest expenses	$ 105,757	$ 108,373	$ 108,951	$ 104,329
As a % of average assets	2.44 %	2.54 %	2.67 %	2.49 %

REGULATORY CAPITAL - BIS[1]

IN THOUSANDS OF DOLLARS (UNAUDITED)	AS AT APRIL 30 2008	AS AT OCTOBER 31 2007	AS AT APRIL 30 2007
Tier 1 capital			
Common shares	$ **257,278**	$ 256,445	$ 251,667
Contributed surplus	**142**	105	45
Retained earnings	**560,364**	537,254	503,674
Non-cumulative preferred shares	**210,000**	210,000	210,000
Less: goodwill, securitization and other	**(91,973)**	(53,790)	(53,790)
Total - Tier 1 capital (A)	**935,811**	950,014	911,596
Tier 2 capital			
Subordinated debentures	**150,000**	150,000	150,000
General allowances	**65,250**	65,250	65,250
Less : securitization and other	**(27,319)**	(33,827)	(18,394)
Total - Tier 2 capital	**187,931**	181,423	196,856
Total - capital (B)	$ **1,123,742**	$ 1,131,437	$ 1,108,452
Total risk-weighted assets (C)	$ **9,167,435**	$ 9,723,950	$ 8,990,595
Tier I BIS capital ratio (A/C)	**10.2 %**	9.8 %	10.1 %
Total BIS capital ratio (B/C)	**12.3 %**	11.6 %	12.3 %
Assets to capital multiple	**16.4 x**	15.8 x	16.2 x
Tangible common equity as a percentage of risk-weighted assets	**8.2 %**	7.5 %	7.6 %

(1) Regulatory capital as of November 1, 2007 is now based on capital adequacy requirements under Basel II. Prior year figures are based on the previous Basel I framework.

RISK-WEIGHTED ASSETS[1]

IN THOUSANDS OF DOLLARS (UNAUDITED)	AS AT APRIL 30 2008	AS AT OCTOBER 31 2007	AS AT APRIL 30 2007
Balance sheet items			
Cash resources	$ **57,493**	$ 85,613	$ 89,705
Securities	**329,272**	328,325	459,891
Mortgage loans	**2,231,846**	2,636,531	2,540,797
Other loans and customers' liability under acceptances	**4,838,302**	5,906,449	5,274,007
Other assets	**400,317**	476,308	460,660
General allowances	**n.a.**	65,250	65,250
Total - balance sheet items	**7,857,230**	9,498,476	8,890,310
Off-balance sheet items			
Derivative financial instruments	**39,735**	28,647	27,195
Credit-related commitments	**227,832**	196,827	73,090
	267,567	225,474	100,285
Operational risk	**1,042,638**	n.a.	n.a.
Total - risk-weighted assets	$ **9,167,435**	$ 9,723,950	$ 8,990,595

(1) Regulatory capital as of November 1, 2007 is now based on capital adequacy requirements under Basel II. Prior year figures are based on the previous Basel I framework.

ASSETS UNDER ADMINISTRATION

IN THOUSANDS OF DOLLARS (UNAUDITED)	AS AT APRIL 30 2008	AS AT OCTOBER 31 2007	AS AT APRIL 30 2007
Self-directed RRSPs and RRIFs	$ **8,156,063**	$ 8,429,223	$ 8,560,524
Mortgage loans under management	**2,363,825**	1,742,466	1,219,965
Clients' brokerage assets	**1,900,621**	1,994,766	2,029,054
Institutional	**1,827,601**	1,823,965	1,768,709
Mutual funds	**1,584,324**	1,615,886	1,596,389
Other - Personal	**28,700**	29,988	31,830
Total - assets under administration	$ **15,861,134**	$ 15,636,294	$ 15,206,471

ASSET-BACKED SECURITIES

MARKET VALUE, IN THOUSANDS OF DOLLARS (UNAUDITED)			Term notes		AS AT APRIL 30 2008
		ABCP	CMBS	Other ABS	Total
Securities covered by the Montréal Accord	$	7,984	-	8,489	16,473
Other securities		-	3,902	31,690	35,592
Total - Asset-backed securities	$	7,984	$ 3,902	$ 40,179	$ 52,065

ABCP - Asset-backed commercial paper
CMBS - Commercial mortgage-backed securities
ABS - Asset-backed securities