LAURENTIAN BANK

Press release

FOR IMMEDIATE RELEASE

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LAURENTIAN BANK OF CANADA REPORTS STRONG NET INCOME OF $30.9 MILLION FOR THE THIRD QUARTER OF 2008 AND ANNOUNCES A 6% DIVIDEND INCREASE

Laurentian Bank of Canada today reported net income of $30.9 million, or $1.17 diluted per common share, for the third quarter ended July 31, 2008, compared to $23.2 million, or $0.85 diluted per common share, for the same period in 2007. Return on common shareholders' equity was 13.4% for the quarter, up from 10.5% for the same period in 2007.

Results for the third quarter of 2008 include a net gain on sale of securities of $7.6 million ($7.4 million net of income taxes; $0.31 diluted per common share), stemming from a $12.9 million gain on the sale of Montreal Exchange shares, partially offset by losses of $5.3 million on the sale of other securities. The provision for credit losses includes an $8.0 million increase in the general allowance for loan losses ($5.5 million net of income taxes; $0.23 diluted per common share), as explained further on page 4. Excluding the significant items above, net income for the third quarter of 2008 improved $5.8 million, or 25%, and diluted net income per common share rose by $0.24, or 28%, compared to results achieved in the third quarter of 2007, which included no significant items.

For the nine-month period ended July 31, 2008, net income totalled $75.2 million, or $2.78 diluted per common share, compared to $64.4 million, or $2.34 diluted per common share, in 2007. Return on common shareholders' equity was 10.9% over nine months, compared to 9.9% for the same period in 2007.

Results for the nine-month period of 2008 include the items mentioned above as well as an unfavorable tax adjustment of $5.6 million ($0.23 diluted per common share) recorded during the first quarter. Results for the nine-month period in 2007 included the favorable effect of certain tax adjustments of $2.5 million ($0.10 diluted per common share) recorded during the first six months of the fiscal year. Excluding the significant items above, net income for the nine-month period of 2008 improved by $17.0 million, or 27%, and diluted net income per common share rose by $0.70, or 31%, compared to the corresponding nine-month period of 2007.

Réjean Robitaille, President and Chief Executive Officer, commented on the results of operations: "We are pleased with the strong results for this quarter which benefited from excellent loan and deposit growth and a relatively high mortgage securitization gain. Furthermore, all our business segments improved their performance year-over-year and contributed to our growth. However, the recent slowdown of the Canadian economy combined with our strong loan growth have led us to prudently increase our general provision for loan losses."

"In view of our solid financial condition, added Mr. Robitaille, and of our confidence in our ability to pursue the Bank's development, the Board of Directors decided to increase our dividend on common shares by $0.02 per quarter."

OVERVIEW OF BUSINESS AND CORPORATE DEVELOPMENT ACTIVITIES

The Bank's profitability improvement priority is focused primarily on accelerating growth in its business volumes. In keeping with this priority, the Bank took additional steps to further its business development initiatives during the quarter in order to continue to increase its presence in its chosen markets and develop their full potential.

Indeed, given today's uncertain economic context, the Bank is favouring highly targeted development within familiar markets that do not pose a level of risk beyond its comfort zone. It is important to note that the Bank is benefiting from increasingly efficient tools, such as customer relationship management systems, to optimize customer service. Loan growth reached 12% or $1.7 billion (excluding securitization) over the last twelve months, with mortgage loans up 11%, or $830 million, personal loans up 10%, or $476 million and commercial loans up 17%, or $389 million.

On a segmented basis, compared to last year, the Real Estate & Commercial segment continues to perform well with an improvement of 42% in its net income, while Retail & SME Quebec improved its profitability by 11%, B2B Trust by 14% and Laurentian Bank Securities by 91%.

The SME Quebec business has been doing well since the beginning of the year, by focusing on well-known sectors while maintaining rigorous underwriting criteria. This growth particularly results from initiatives taken to free account directors from administrative duties so that they can focus on their portfolios.

B2B Trust continued to show good volume growth in deposits, mortgages and investment loans in spite of the slowdown in the mutual fund market that impeded investment lending growth. B2B Trust added business development personnel to increase its presence among the 15,000 independent financial advisors and brokers who sell its financial products. Moreover, it increased its marketing complement to further product development.

Finally, Laurentian Bank Securities (LBS) continued to strengthen its positioning in each of its divisions, powered mainly by the fixed-income division. The institutional equity group, launched just two years ago and leveraging on the long-standing reputation of LBS' fixed-income services among institutional clients, has moved ahead quickly and is progressing according to plan. Again, the decision to focus on a very specific market, small-cap companies, is proving to be sound.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (MD&A) is a narrative explanation, through the eyes of management, of the Bank's financial condition as at July 31, 2008, and of how it performed during the three-month and nine-month periods then ended. This MD&A should be read in conjunction with the unaudited interim consolidated financial statements for the third quarter of 2008. This MD&A is dated September 4, 2008.

Supplemental 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

Laurentian Bank publishes its financial objectives at the beginning of each fiscal year and then reports actual results quarterly. The Bank's practice is not to provide interim guidance. The following table presents a comparison of the Bank's actual performance with the objectives set by management for 2008 and is strictly for information purposes.

Performance indicators

	2008 Objectives	Nine-month period ended July 31, 2008 (Actual)
Return on common shareholders' equity	9.5% to 10.5%	10.9%
Diluted net income per share	\$3.30 to \$3.60	\$2.78
Total revenue	+ 5% (\$615 million)	+ 9% (\$477.7 million)
Efficiency ratio	74% to 72%	69.7%
Tier 1 Capital ratio	Minimum of 9.5%	10.1%

HIGHLIGHTS OF THE THIRD QUARTER

- Net income improved 33% and stood at \$30.9 million (\$1.17 diluted per common share) for the third quarter of 2008, compared to \$23.2 million (\$0.85 diluted per common share) for the third quarter of 2007.
- Results include a net gain on sale of securities of \$7.6 million (\$7.4 million net of income taxes; \$0.31 diluted per common share) stemming from a \$12.9 million gain on the sale of Montreal Exchange shares, partially offset by losses of \$5.3 million on the sale of other securities.
- The provision for credit losses stood at \$18.5 million, including an \$8.0 million increase in the general allowance for loan losses (\$5.5 million net of income taxes; \$0.23 diluted per common share).
- Loan growth during the third quarter, including securitized mortgage loans, reached \$570 million, compared to \$814 million for the corresponding quarter of 2007. Personal deposit growth reached \$198 million over the same period, compared to \$229 million for the corresponding quarter of 2007.
- Total revenue stood at \$171.1 million for the third quarter of 2008, compared to \$151.0 million for the third quarter of 2007. The 13% increase results mainly from the net gain on sale of securities, as noted above, and higher securitization revenues. Excluding the impact of the net gain on sale of securities, total revenue increased by 8% year-over-year. Net interest margin decreased to 2.20% in the third quarter of 2008, compared to 2.39% for the corresponding quarter of 2007.
- Non-interest expenses increased by 5% to \$113.5 million for the third quarter of 2008, from \$108.4 million for the third quarter of 2007, mainly as a result of higher salaries, employee benefits and technology costs.

ANALYSIS OF CONSOLIDATED RESULTS

Summary results

Net income was $30.9 million or $1.17 diluted per common share for the third quarter ended July 31, 2008, compared to $23.2 million, or $0.85 diluted per common share, for the corresponding period in 2007. Results for the third quarter of 2008 include a net gain on sale of securities of $7.6 million ($7.4 million net of income taxes; $0.31 diluted per common share) comprising a $12.9 million gain on the sale of Montreal Exchange shares, partially offset by losses of $5.3 million on the sale of other securities. The provisions for credit losses include an $8.0 million increase in the general allowance for loan losses ($5.5 million net of income taxes; $0.23 diluted per common share), as further explained on page 4.

Total revenue increased by $20.1 million, or 13%, to $171.1 million for the third quarter of 2008, compared to $151.0 million for the third quarter of 2007, mainly as a result of higher other income, as detailed below.

Net interest income improved by $1.6 million year-over-year mainly as a result of higher loan volumes. Net interest margins stood at 2.20% in the third quarter of 2008, compared to 2.39% in the third quarter of 2007. During the quarter, margin pressure on the personal term deposit portfolio, caused by strong competition and general market conditions, higher levels of liquid assets, and, to a lesser extent, changes in our loan portfolio mix, have reduced net interest margins and growth in net interest income.

Other income improved by $18.4 million during the third quarter of 2008, compared to the third quarter of 2007. Securitization revenues stood at $9.9 million for the third quarter of 2008, up $8.7 million from a year earlier. During the quarter, the Bank securitized $264 million of residential mortgages and recorded gains on sale of $8.2 million, reflecting prevailing market conditions for mortgage lending in Canada. Moreover, servicing revenues increased to $1.7 million for the third quarter of 2008, compared to $0.9 million for the third quarter of 2007, as a result of the higher volume of mortgage loans under management. Treasury and financial market revenues improved by $6.6 million to reach $13.2 million for the third quarter of 2008, essentially as a result of the net gain on sale of securities of $7.6 million noted above. To a lesser extent, insurance income and income from brokerage operations also contributed to the strong quarter.

Compared to the second quarter of 2008, net interest income increased by $4.4 million. This quarter-over-quarter improvement is mainly attributable to the two additional days in the quarter and to growth in loan and deposit volumes. Other income increased by $11.2 million over the second quarter of 2008, mainly as a result of the net gain on sale of securities, as noted above, and higher revenues from brokerage operations.

For the nine-month period ended July 31, 2008, total revenue was $477.7 million, up $39.4 million, or 9%, from the same period in 2007. Net interest income improved by $9.5 million mainly as a result of increases in loans and deposits. Other income also improved by $29.9 million, as a result of higher securitization revenues and a better performance from Treasury and financial operations, including the net gain on sale of securities.

The provision for credit losses stood at $18.5 million for the third quarter of 2008, including an $8.0 million increase in the general allowance for loan losses. The provision for loan losses stood at $10.0 million for the third quarter of 2007. Over the last nine months, lower loan losses resulting from the sale of a B2B Trust line of credit portfolio have offset increases in loan losses of other retail portfolios, thus enabling the Bank to maintain its loan losses approximately unchanged from a year ago. However, the increase in loan portfolios, combined with the recent deterioration in employment data and the economic slowdown, particularly in Quebec and Ontario, led the Bank to record an additional general provision for loan losses of $8.0 million during the third quarter of 2008.

For the nine-month period ended July 31, 2008, the provision for credit losses was $38.0 million, compared to $30.0 million for the corresponding period in 2007. The higher losses result essentially from the increase in the general allowance for loan losses, as noted above.

Net impaired loans improved to –$12.8 million (representing –0.09% of total loans, bankers' acceptances and assets purchased under reverse repurchase agreements), whereas they stood at –$2.3 million (–0.02%) as at April 30, 2008 and –$11.4 million (–0.08%) as at October 31, 2007. Gross impaired loans stood at $102.7 million as at July 31, 2008, compared to $103.9 million as at October 31, 2007.

Non-interest expenses increased 5% to $113.5 million for the third quarter of 2008, up from $108.4 million for the third quarter of 2007. Salaries and employee benefits stood at $60.7 million during the third quarter of 2008, up $2.1 million compared to the corresponding quarter a year ago. Salary increases, higher performance-based compensation, and an increase in the number of employees, particularly in the Retail & SME Quebec business segment, account for most of the variation. Premises and technology costs were $29.9 million for the third quarter of 2008, compared to $27.8 million for the third quarter of 2007. The increase essentially results from higher technology costs. Other expenses for the third quarter of 2008 remained relatively unchanged from those of the third quarter of 2007.

The Bank continued to limit its overall level of expenses while specifically devoting additional resources to increase revenues, mainly within business lines and in communication and business development activities. The efficiency ratio improved to 66.4% for the third quarter of 2008 (69.4% excluding the net gain on sale of securities), from 71.8% for the third quarter of 2007, partly as a result of stringent cost control and the higher level of other income.

For the nine-month period ended July 31, 2008, non-interest expenses increased by $11.3 million, mainly as a result of higher salaries and higher technology costs.

The income tax expense was $8.1 million (20.8% effective tax rate) for the third quarter of 2008, compared to $9.5 million (29.1% effective tax rate) for the third quarter of 2007. The lower tax rate for 2008 mainly resulted from the lower taxation of the gain on sale of Montreal Exchange shares. The favorable effect of holding investments in Canadian securities that generate non-taxable income and the lower taxation level on revenues from credit insurance operations have also contributed to lowering the effective tax rate for both periods.

For the nine-month period ended July 31, 2008, the income tax expense was $31.5 million (29.5% effective tax rate), compared to $22.3 million (25.7% effective tax rate) for the corresponding period in 2007. The lower tax rate for 2008, compared to the statutory tax rate, resulted from the items discussed above, partially offset by the $5.7 million decrease in the Bank's future income tax assets related to further reductions in the federal income tax rates recorded during the first quarter. For the nine-month period ended July 31, 2007, the lower effective tax rate resulted from the items discussed above, as well as from other favorable adjustments during the first and second quarters amounting to $2.5 million.

ANALYSIS OF FINANCIAL CONDITION

Balance sheet assets stood at $19.3 billion at July 31, 2008, compared to $17.8 billion at October 31, 2007.

As at July 31, 2008, liquid assets, including cash resources, securities and assets purchased under reverse repurchase agreements, were $0.9 billion higher than as at October 31, 2007, as cash generated by securitization activities and growth in deposit portfolios exceeded net loan disbursements and other net cash flows. This higher level of liquid assets has slightly affected net interest margins over the last nine months; however, it has also improved the Bank's flexibility, which has contributed to stimulating loan growth.

The loans and bankers' acceptances portfolio increased by $553 million or 4% since the beginning of the year to $14.1 billion at July 31, 2008 compared to $13.5 billion as at October 31, 2007. Personal loans increased by $307 million for the nine-month period ended July 31, 2008. The increase is mainly attributable to growth in home equity lines of credit and B2B Trust's investment loan portfolio.

The $123 million decrease in the residential mortgage portfolio for the nine-month period ended July 31, 2008 essentially results from securitization activities. Overall, considering both on- and off-balance sheet loans, the residential mortgage portfolio has increased by $621 million over the last nine months, as detailed in the following table.

Residential mortgage portfolio

(millions of $)	July 31, 2008	October 31, 2007	Net growth
On-balance sheet mortgage loans	$6,110	$6,233	$(123)
Securitized loans (off-balance sheet)	2,306	1,562	744
	$8,416	$7,795	$621

Commercial mortgages increased by $199 million during the nine-month period ended July 31, 2008, while commercial loans, including bankers' acceptances, increased by $170 million.

Personal deposits increased by $901 million for the nine-month period ended July 31, 2008, to $12.5 billion. At July 31, 2008, personal deposits accounted for 82% of total deposits of $15.2 billion. These deposits constitute the preferred funding source of the Bank because of their relative stability, as well as their lower marginal cost compared to wholesale deposits, despite the strong market rate competition. Business and other deposits increased by $374 million during the nine-month period ended July 31, 2008.

Shareholders' equity stood at $1,060.8 million as at July 31, 2008, compared to $1,004.7 million at October 31, 2007. The increase in shareholders' equity results mainly from net income accumulated over the last nine 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 $35.15 as at July 31, 2008, compared to $33.34 as at October 31, 2007. There were 23,844,050 common shares and 130,990 share purchase options outstanding as at July 31, 2008 and August 26, 2008.

The regulatory Tier I capital of the Bank, as detailed in Note 5 to the unaudited interim consolidated financial statements, reached $956.7 million at July 31, 2008 [based on the Basel II framework] compared to $950.0 million at October 31, 2007 [based on the Basel I framework]. The BIS Tier 1 and Total capital ratios stood at 10.1% and 12.1%, respectively, at July 31, 2008 [based on the Basel II framework], compared to 9.8% and 11.6% at October 31, 2007 [based on the Basel I framework]. As of November 1, 2007, the Bank adopted the new Basel II regulatory framework. In this regard, the Bank has decided to use the Standard Approach for credit risk and the Basic Indicator Approach for operational risk.

At its meeting on September 5, 2008, the Board of Directors approved a $0.02, or 6%, increase in the quarterly dividend to $0.34 per common share. This increase reflects the continued improvement in earnings as well as Management and Board confidence in the Bank's future performance. The dividend will be payable on November 1, 2008, to shareholders of record on October 1, 2008. As well, at its meeting on August 27, 2008, the Board of Directors declared regular dividends on the various series of preferred shares to shareholders of record on September 9, 2008.

Assets under administration stood at $15.5 billion at July 31, 2008, compared to $15.6 billion at October 31, 2007, and $15.3 billion at July 31, 2007. Over the last twelve months, decreases in assets under administration, mainly attributable to market revaluation, were offset by the higher level of mortgage loans under management resulting from securitization activities.

SEGMENTED INFORMATION

Since November 1, 2007, activities related to commercial lending to small and medium enterprises in Quebec have been grouped with retail financial services activities 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 & Commercial, includes real estate financing throughout Canada, commercial financing in Ontario and national accounts.

Compared to the third quarter of 2007, all business segments improved their contribution to net income, benefiting mainly from increases in total revenue. Results for the Other segment include gains from securitization, a net gain on the sale of securities, and the effect of additional general provision for loan losses as discussed above.

Compared to the second quarter of 2008, the contribution of the business segments also improved, mainly due to higher loan and deposit volumes and to the two additional days in the third quarter.

Net income contributions

(in millions of $)	Retail & SME Quebec	Real Estate & Commercial	B2B Trust	Laurentian Bank Securities	Other	Total
						[note 1]
Q3-2008 Net income	**11.6**	**7.7**	**9.2**	**1.1**	**1.3**	**30.9**
	39%	**26%**	**31%**	**4%**	**n/a**	**100%**
Q2-2008 Net income	8.6	7.4	9.2	0.4	(0.4)	25.1
	34%	29%	36%	2%	n/a	100%
Q3-2007 Net income	10.4	5.4	8.1	0.6	(1.4)	23.2
	42%	22%	33%	3%	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 11%, reaching $11.6 million for the third quarter of 2008, compared to $10.4 million for the third quarter of 2007.

Revenues increased by $6.9 million, from $100.6 million for the third quarter of 2007 to $107.5 million for the third quarter of 2008, mainly as a result of higher revenues stemming from the growth in loans and deposits. Credit insurance revenues also increased by $1.5 million, from the combined result of higher business volumes and fewer claims. Loan losses were $9.3 million, up $2.2 million compared to the third quarter of 2007, reflecting slight deteriorations in point-of-sale financing, as well as overall increases in portfolios. Non-interest expenses increased by $3.8 million, from $78.9 million for the third quarter of 2007 to $82.8 million for the third quarter of 2008. The increase is due mainly to higher salary charges resulting from the expansion in retail banking operations, combined with regular salary increases and higher technology costs.

Real Estate & Commercial

The *Real Estate & Commercial* business segment's contribution to net income improved 42% to reach $7.7 million for the third quarter of 2008, compared to $5.4 million for the third quarter of 2007.

Revenues increased by $2.9 million, from $15.4 million for the third quarter of 2007 to $18.3 million for the third quarter of 2008, mainly as a result of higher net interest income, due to higher loan volumes. Loan losses improved to $1.0 million for the third quarter of 2008, compared with $1.7 million for the third quarter of 2007. Non-interest expenses increased slightly by $0.3 million to $5.8 million for the third quarter of 2008, from $5.5 million for the third quarter of 2007.

B2B Trust

The B2B Trust business segment's contribution to net income improved 14%, reaching $9.2 million for the third quarter of 2008, compared with $8.1 million for the third quarter of 2007.

Revenues increased by $0.9 million, from $23.9 million for the third quarter of 2007 to $24.7 million for the third quarter of 2008. Higher net interest income continued to be the key driver during the quarter, influenced positively by volume growth and dampened by margin reductions. On this note, B2B Trust was particularly hit by the higher funding costs of personal term deposits. Loan losses were lower, at $0.2 million for the third quarter of 2008, compared with $1.2 million for the third 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 $10.6 million for the third quarter of 2008, compared with $10.5 million for the third quarter of 2007.

Laurentian Bank Securities

The Laurentian Bank Securities (LBS) business segment's contribution to net income improved 91%, reaching $1.1 million for the third quarter of 2008, compared with $0.6 million for the third quarter of 2007. Results for the third quarter of 2008 were significantly better as a result of a very strong performance of the institutional fixed income division. Results for the third quarter include a further $1.5 million reduction in value of securities issued by conduits covered by the Montréal Accord, reflecting concerns regarding the time required to implement the Accord and the deterioration in market conditions of certain underlying assets.

Non-interest expenses increased to $8.3 million for the third quarter of 2008, from $7.8 million for the corresponding quarter of 2007, mainly as a result of higher variable compensation costs.

Other sector

The Other sector contribution to net income was $1.3 million for the third quarter of 2008, compared with a negative contribution of $1.4 million for the third quarter of 2007.

The increase in earnings for the third quarter of 2008 is partly attributable to higher overall securitization revenues which stood at $5.6 million, compared to −$0.5 million for the third quarter of 2007. For the third quarter of 2008, the Other segment's results include gain on sales of $8.2 million and other revenues related to the securitization operations of $2.6 million, including servicing revenues, as well as net offsetting entries to net interest income of −$5.2 million related to the securitized mortgage loan portfolio. Results for the third quarter of 2007 included other revenues related to the securitization operations of $1.2 million and net offsetting entries to net interest income of −$1.7 million. Based on the Bank's management reporting framework, securitized residential mortgages normally remain assets of the business segment that initially originated the loans (*Retail & SME Quebec* or *B2B Trust* segments) as if they had never been securitized. Consequently, offsetting adjustments are recorded in the Other segment to derecognize the mortgage loans, to recognize assets received and liabilities assumed at the time of sale, and to adjust net interest income and other income accounts.

The decrease in net interest income in the third quarter of 2008, compared with the third quarter of 2007, is due to the higher level of securitized loans, as noted above, as well as to higher funding costs associated with asset-liability management.

Other income also improved as a result of a strong performance by the Treasury and Financial Market group, including a net gain on sale of securities of $7.6 million ($7.4 million net of income taxes) resulting from the $12.9 million gain on the sale of Montreal Exchange shares, partially offset by losses of $5.3 million on the sale of other securities.

The additional general provision for loan losses of $8.0 million was also recorded in the Other segment as this corresponds to internal management reporting.

ADDITIONAL DISCLOSURE – FINANCIAL STABILITY FORUM

In April 2008, the Financial Stability Forum (FSF), comprised of senior representatives of international financial authorities, including central banks and supervisory authorities and international financial institutions, issued recommendations to enhance transparency regarding certain exposures in the wake of recent events affecting global markets. This section provides information for the Bank, as applicable.

Special purpose entities

The Bank uses multi-seller conduits, which are special purpose entities, to securitize mortgage loans. The Bank's involvement with such entities is detailed on pages 41 and 76 of the Bank's 2007 Annual Report, as well as in Note 4 to the unaudited Interim Consolidated Financial Statements. The Bank does not act as an agent for clients in this type of activity and has no significant involvement, such as liquidity and credit enhancement facilities, with any securitization conduit.

Investments in asset-backed securities

The Bank holds investments in asset-backed securities in its investment and trading portfolios, as detailed below.

As at July 31, 2008 (at market value, in thousands of dollars)	ABCP	Term notes CMBS	Term notes Other ABS(1)	Total
Securities issued by conduits covered by the Montreal Accord	6,987	0	7,946	14,933
Other securities	91	2,245	25,776	28,112
Total - Asset-backed securities	7,078	2,245	33,722	43,045

(1) Excluding mortgage-backed securities, which are fully guaranteed by the Canada Mortgage and Housing Corporation under the National Housing Act (NHA).

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

Cumulatively, reductions in values of securities issued by conduits covered by the Montreal Accord amount to $4.3 million, or 22%.

Subprime and Alt-A exposure

The Bank does not market any specific financing products to subprime clients. Subprime loans are generally defined as loans granted to borrowers with a higher credit risk profile than prime borrowers, and the Bank does not grant this type of loan. The Bank occasionally markets Alt-A loans, which are generally defined as loans granted to borrowers who provide limited or no income information. The Bank's Alt-A loan volume was $109 million as at July 31, 2008. Approximately $60 million of these loans are insured by the Canada Mortgage and Housing Corporation.

Other

As at July 31, 2008, the Bank's exposure to highly leveraged loans, to collateralized debt obligations (CDO) or to monoline insurers was nominal.

ADDITIONAL FINANCIAL INFORMATION – QUARTERLY RESULTS

in millions of dollars, except per share amounts (unaudited)	**2008 Q3**	Q2	Q1	2007 Q4	Q3	Q2	Q1	2006 Q4
Total revenue	**$171.1**	$155.5	$151.1	$145.6	$151.0	$145.7	$141.6	$137.1
Income from continuing operations	**30.9**	25.1	19.1	25.7	23.2	20.7	20.6	18.1
Net income	**30.9**	25.1	19.1	30.2	23.2	20.7	20.6	22.6
Income per common share from continuing operations								
Basic	**1.17**	0.93	0.68	0.96	0.85	0.75	0.74	0.65
Diluted	**1.17**	0.93	0.68	0.95	0.85	0.75	0.74	0.65
Net income per common share								
Basic	**1.17**	0.93	0.68	1.14	0.85	0.75	0.74	0.84
Diluted	**1.17**	0.93	0.68	1.14	0.85	0.75	0.74	0.84
Return on common shareholders' equity	**13.4%**	11.2%	8.1%	13.8%	10.5%	9.7%	9.4%	10.8%
Balance sheet assets	**19,301**	18,383	18,270	17,787	18,011	17,809	17,177	17,296

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 initially 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 website, 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 ensuring that Laurentian Bank's unaudited interim consolidated financial statements are fairly presented.

During the last quarter ended July 31, 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, net interest margin and efficiency ratios. In addition, net income excluding significant items has been presented at certain points in the document. Non-GAAP measures do not have any standardized meaning prescribed by GAAP and are unlikely to be comparable to any similar measures presented by other companies. The Bank believes that these non-GAAP financial measures provide investors and analysts with useful information so that they can better understand financial results and analyze the Bank's growth and profitability potential more effectively.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

In this document and in other documents filed with Canadian regulatory authorities or in other communications, Laurentian Bank of Canada may from time to time make written or oral forward-looking statements within the meaning of applicable securities legislation, 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 and provides 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 there. Elsewhere in Canada, it operates in specific market segments, where it holds an enviable position. Laurentian Bank of Canada has more than $19 billion in balance sheet assets and more than $15 billion in assets under administration. Founded in 1846, the Bank employs nearly 3,400 people.

CONFERENCE CALL

Laurentian Bank invites media representatives and the public to listen to the financial analysts' conference call to be held Friday, September 5, 2008, at 2 p.m. Eastern daylight saving 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., Friday, September 5, 2008, to midnight, Friday, September 26, 2008, by dialling the following number: 1-800-408-3053 Code 3247668#.

The conference call can also be heard through the Investor Relations section of the Laurentian Bank website at www.laurentianbank.ca. The website also offers additional financial information.

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

FINANCIAL HIGHLIGHTS

IN MILLIONS OF DOLLARS, UNLESS OTHERWISE INDICATED (UNAUDITED)	Q3-08	Q3-07	VARIATION	FOR THE NINE-MONTH PERIODS ENDED JULY 31 2008	JULY 31 2007	VARIATION
Earnings						
Net income	**$ 30.9**	$ 23.2	33 %	**$ 75.2**	$ 64.4	17 %
Net income available to common shareholders	**$ 28.0**	$ 20.2	39 %	**$ 66.3**	$ 55.4	20 %
Return on common shareholders' equity	**13.4 %**	10.5 %		**10.9 %**	9.9 %	
Per common share						
Diluted net income	**$ 1.17**	$ 0.85	38 %	**$ 2.78**	$ 2.34	19 %
Dividends declared	**$ 0.32**	$ 0.29	10 %	**$ 0.96**	$ 0.87	10 %
Book value				**$ 35.15**	$ 32.50	8 %
Share price - close				**$ 42.00**	$ 38.00	11 %
Financial position						
Balance sheet assets				**$ 19,301**	$ 18,011	7 %
Assets under administration				**$ 15,490**	$ 15,339	1 %
Loans, bankers' acceptances and assets purchased under reverse repurchase agreements, net				**$ 14,825**	$ 14,111	5 %
Personal deposits				**$ 12,466**	$ 11,480	9 %
Shareholders' equity and debentures				**$ 1,211**	$ 1,120	8 %
Number of common shares (in thousands)				**23,844**	23,700	1 %
Net impaired loans as a % of loans, bankers' acceptances and assets purchased under reverse repurchase agreements				**(0.1) %**	(0.1) %	
Risk-weighted assets				**$ 9,505**	$ 9,575	(1) %
Capital ratios						
Tier I BIS capital ratio				**10.1 %**	9.7 %	
Total BIS capital ratio				**12.1 %**	11.6 %	
Assets to capital multiple				**16.9 x**	16.3 x	
Tangible common equity as a percentage of risk-weighted assets				**8.1 %**	7.3 %	
FINANCIAL RATIOS						
Per common share						
Price / earnings ratio (trailing four quarters)				**10.7 x**	11.9 x	
Market to book value				**119 %**	117 %	
Dividend yield	**3.05 %**	3.05 %		**3.05 %**	3.05 %	
Dividend payout ratio	**27.3 %**	34.0 %		**34.5 %**	37.1 %	
As a percentage of average assets						
Net interest income	**2.20 %**	2.39 %		**2.23 %**	2.33 %	
Provision for credit losses	**0.39 %**	0.23 %		**0.28 %**	0.24 %	
Net income	**0.66 %**	0.54 %		**0.56 %**	0.51 %	
Net income available to common shareholders	**0.59 %**	0.47 %		**0.49 %**	0.44 %	
Profitability						
Other income (as a % of total revenue)	**39.6 %**	32.6 %		**36.8 %**	33.3 %	
Efficiency ratio (non-interest expenses as a % of total revenue)	**66.4 %**	71.8 %		**69.7 %**	73.4 %	
OTHER INFORMATION						
Number of full-time equivalent employees				**3,521**	3,400	
Number of branches				**156**	158	
Number of automated banking machines				**340**	340	

CONSOLIDATED BALANCE SHEET

IN THOUSANDS OF DOLLARS (UNAUDITED)	NOTES	JULY 31 2008	OCTOBER 31 2007	JULY 31 2007
ASSETS				
Cash and non-interest-bearing deposits with other banks		$ **63,756**	$ 65,245	$ 69,394
Interest-bearing deposits with other banks		**292,085**	283,255	231,781
Securities accounts				
Available-for-sale		**1,111,747**	917,676	1,067,569
Held-for-trading		**1,129,552**	1,086,958	1,225,572
Designated as held-for-trading		**1,018,698**	669,745	504,402
		3,259,997	2,674,379	2,797,543
Assets purchased under reverse repurchase agreements		**843,068**	540,304	755,846
Loans	3 and 4			
Personal		**5,265,562**	4,958,176	4,789,477
Residential mortgage		**6,109,648**	6,232,778	6,349,418
Commercial mortgage		**883,401**	684,625	670,918
Commercial and other		**1,727,105**	1,556,831	1,533,864
		13,985,716	13,432,410	13,343,677
Allowance for loan losses		**(115,504)**	(115,322)	(116,915)
		13,870,212	13,317,088	13,226,762
Other				
Customers' liabilities under acceptances		**111,966**	111,891	128,234
Property, plant and equipment		**138,000**	137,691	126,556
Derivative financial instruments		**110,370**	62,745	72,705
Future tax assets	8	**50,045**	86,534	96,258
Goodwill		**53,790**	53,790	53,790
Other intangible assets		**13,201**	14,114	14,419
Other assets		**494,494**	439,810	437,895
		971,866	906,575	929,857
		$ **19,300,984**	$ 17,786,846	$ 18,011,183
LIABILITIES AND SHAREHOLDERS' EQUITY				
Deposits				
Personal		$ **12,465,740**	$ 11,564,530	$ 11,480,114
Business, banks and other		**2,688,225**	2,314,178	2,387,252
		15,153,965	13,878,708	13,867,366
Other				
Obligations related to assets sold short		**933,839**	868,675	934,089
Obligations related to assets sold under repurchase agreements		**1,013,995**	928,987	1,141,420
Acceptances		**111,966**	111,891	128,234
Derivative financial instruments		**70,981**	70,851	106,730
Other liabilities		**805,422**	773,053	712,982
		2,936,203	2,753,457	3,023,455
Subordinated debentures		**150,000**	150,000	150,000
Shareholders' equity				
Preferred shares	5	**210,000**	210,000	210,000
Common shares	5	**257,360**	256,445	253,240
Contributed surplus		**158**	105	75
Retained earnings		**580,703**	537,254	516,996
Accumulated other comprehensive income (loss)	10	**12,595**	877	(9,949)
		1,060,816	1,004,681	970,362
		$ **19,300,984**	$ 17,786,846	$ 18,011,183

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 JULY 31 2008	APRIL 30 2008	JULY 31 2007	FOR THE NINE-MONTH PERIODS ENDED JULY 31 2008	JULY 31 2007
Interest income						
Loans		$ 204,237	$ 206,420	$ 214,778	$ 631,375	$ 615,050
Securities		16,161	14,831	13,386	44,398	44,996
Deposits with other banks		6,815	6,952	3,453	21,187	8,685
Other		13,148	4,391	-	17,539	-
		240,361	232,594	231,617	714,499	668,731
Interest expense						
Deposits		128,264	125,249	118,675	380,233	341,570
Other liabilities		6,739	6,421	9,225	26,500	28,903
Subordinated debentures		1,945	1,903	1,950	5,796	5,788
		136,948	133,573	129,850	412,529	376,261
Net interest income		103,413	99,021	101,767	301,970	292,470
Other income						
Fees and commissions on loans and deposits		23,660	22,535	23,206	67,775	66,383
Income from brokerage operations		8,973	6,965	7,664	23,330	25,905
Income from treasury and financial market operations		13,159	6,482	6,516	26,294	15,374
Income from sales of mutual funds		3,943	3,456	3,521	10,841	9,913
Credit insurance income		3,957	3,217	2,453	10,230	9,065
Income from registered self-directed plans		2,249	2,368	2,490	6,797	7,421
Securitization income	4	9,933	9,304	1,236	25,078	5,011
Other		1,808	2,157	2,189	5,355	6,762
		67,682	56,484	49,275	175,700	145,834
Total revenue		171,095	155,505	151,042	477,670	438,304
Provision for credit losses	3	18,500	10,000	10,000	38,000	30,000
Non-interest expenses						
Salaries and employee benefits		60,668	58,798	58,602	177,733	172,988
Premises and technology		29,937	29,154	27,758	88,321	83,082
Other		22,942	22,898	22,013	66,897	65,583
		113,547	110,850	108,373	332,951	321,653
Income before income taxes		39,048	34,655	32,669	106,719	86,651
Income taxes	8	8,111	9,506	9,491	31,521	22,264
Net income		$ 30,937	$ 25,149	$ 23,178	$ 75,198	$ 64,387
Preferred share dividends, including applicable taxes		2,967	2,967	2,990	8,864	8,970
Net income available to common shareholders		$ 27,970	$ 22,182	$ 20,188	$ 66,334	$ 55,417
Average number of common shares outstanding (in thousands)						
Basic		23,842	23,837	23,662	23,834	23,642
Diluted		23,888	23,882	23,728	23,877	23,690
Net income per common share						
Basic		$ 1.17	$ 0.93	$ 0.85	$ 2.78	$ 2.34
Diluted		$ 1.17	$ 0.93	$ 0.85	$ 2.78	$ 2.34

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 JULY 31 2008	JULY 31 2007	FOR THE NINE-MONTH PERIODS ENDED JULY 31 2008	JULY 31 2007
Net income		$ **30,937**	$ 23,178	$ **75,198**	$ 64,387
Other comprehensive income, net of income taxes	10				
Net change in unrealized gains (losses) on available-for-sale securities		**(2,851)**	(2,816)	**(5,583)**	16,476
Reclassification of realized (gains) and losses on available-for-sale securities to net income		**(7,938)**	(336)	**(10,068)**	(1,790)
Net change in gains (losses) on derivative instruments designated as cashflow hedges		**(641)**	(4,686)	**27,369**	(6,083)
		(11,430)	(7,838)	**11,718**	8,603
Comprehensive income		$ **19,507**	$ 15,340	$ **86,916**	$ 72,990

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

IN THOUSANDS OF DOLLARS (UNAUDITED)	NOTES	FOR THE NINE-MONTH PERIODS ENDED JULY 31 2008	JULY 31 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	**915**	2,082
Balance at end of period		**257,360**	253,240
Contributed surplus			
Balance at beginning of period		**105**	518
Shares awarded under the performance-based share plan	6	**-**	(590)
Stock-based compensation	6	**53**	147
Balance at end of period		**158**	75
Retained earnings			
Balance at beginning of period		**537,254**	482,149
Net income		**75,198**	64,387
Dividends			
Preferred shares, including applicable taxes		**(8,864)**	(8,970)
Common shares		**(22,885)**	(20,570)
Balance at end of period		**580,703**	516,996
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		**11,718**	8,603
Balance at end of period		**12,595**	(9,949)
Shareholders' equity		$ **1,060,816**	$ 970,362

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 JULY 31 2008	APRIL 30 2008	JULY 31 2007	FOR THE NINE-MONTH PERIODS ENDED JULY 31 2008	JULY 31 2007
Cash flows relating to operating activities						
Net income		**$ 30,937**	$ 25,149	$ 23,178	**$ 75,198**	$ 64,387
Adjustments to determine net cash flows relating to operating activities:						
Provision for credit losses		**18,500**	10,000	10,000	**38,000**	30,000
Gains on securitization operations	4	**(8,208)**	(9,163)	(1,055)	**(23,393)**	(3,680)
Net loss (gain) on disposal of non-trading securities		**(11,637)**	(1,016)	(711)	**(15,340)**	2,371
Future income taxes		**6,505**	8,169	8,943	**26,655**	18,983
Depreciation and amortization		**7,708**	7,667	7,187	**23,048**	21,180
Net change in held-for-trading securities		**1,597**	155,250	(100,836)	**(42,594)**	99,599
Change in accrued interest receivable		**8,592**	(9,093)	11,914	**1,830**	15,132
Change in assets relating to derivative financial instruments		**14,987**	(28,916)	(18,981)	**(47,625)**	24,275
Change in accrued interest payable		**(8,783)**	(6,886)	(21,213)	**(14,289)**	(26,171)
Change in liabilities relating to derivative financial instruments		**(10,886)**	14,372	39,159	**130**	24,923
Other, net		**5,574**	35,415	40,750	**45,035**	(36,714)
		54,886	200,948	(1,665)	**66,655**	234,285
Cash flows relating to financing activities						
Net change in deposits		**712,043**	236,682	371,471	**1,275,257**	772,865
Change in obligations related to assets sold short		**(11,916)**	(300,933)	26,091	**65,164**	(142,920)
Change in obligations related to assets sold under repurchase agreements		**126,272**	178,956	(165,752)	**85,008**	41,035
Issuance of common shares		**82**	312	1,573	**915**	2,082
Dividends, including applicable taxes		**(10,599)**	(10,595)	(9,856)	**(31,750)**	(29,540)
		815,882	104,422	223,527	**1,394,594**	643,522
Cash flows relating to investing activities						
Change in securities available-for-sale and designated as held-for-trading						
Acquisitions		**(1,113,345)**	(424,575)	(2,015,904)	**(2,326,740)**	(6,454,221)
Proceeds on sale and at maturity		**1,058,878**	173,038	2,221,718	**1,789,738**	6,798,377
Change in loans		**(722,644)**	(509,506)	(963,207)	**(1,690,453)**	(1,590,911)
Change in assets purchased under reverse repurchase agreements		**(363,748)**	(36,942)	255,362	**(302,764)**	46,700
Proceeds from mortgage loan securitizations		**262,707**	405,200	310,904	**1,068,956**	488,761
Additions to property, plant and equipment		**(8,725)**	(7,586)	(14,257)	**(22,380)**	(36,192)
Proceeds from disposal of property, plant and equipment		**-**	19	1	**103**	1,225
Net change in interest-bearing deposits with other banks		**14,567**	100,919	(13,596)	**(8,830)**	(133,059)
Net cash flows from the sale of a loan portfolio	2	**-**	-	-	**29,632**	-
		(872,310)	(299,433)	(218,979)	**(1,462,738)**	(879,320)
Net change in cash and non-interest-bearing deposits with other banks during the period		**(1,542)**	5,937	2,883	**(1,489)**	(1,513)
Cash and non-interest-bearing deposits with other banks at beginning of period		**65,298**	59,361	66,511	**65,245**	70,907
Cash and non-interest-bearing deposits with other banks at end of period		**$ 63,756**	$ 65,298	$ 69,394	**$ 63,756**	$ 69,394
Supplemental disclosure relating to cash flows:						
Interest paid during the period		**$ 140,480**	$ 141,444	$ 150,074	**$ 428,133**	$ 409,387
Income taxes paid (recovered) during the period		**$ (4,568)**	$ 5,089	$ 5,895	**$ (3,470)**	$ 15,085

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) the 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 or obligations in respect of these loans.

3. LOANS

Loans and impaired loans

AS AT JULY 31, 2008

IN THOUSANDS OF DOLLARS	GROSS AMOUNT OF LOANS	GROSS AMOUNT OF IMPAIRED LOANS	SPECIFIC ALLOWANCES	GENERAL ALLOWANCES	TOTAL ALLOWANCES
Personal loans	$ 5,265,562	$ 18,973	$ 6,431	$ 32,289	$ 38,720
Residential mortgages	6,109,648	21,033	1,625	4,433	6,058
Commercial mortgages	883,401	4,029	1,657	4,716	6,373
Commercial and other loans	1,727,105	58,639	32,541	31,812	64,353
	$ 13,985,716	$ 102,674	$ 42,254	$ 73,250	$ 115,504

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 JULY 31, 2007

IN THOUSANDS OF DOLLARS	GROSS AMOUNT OF LOANS	GROSS AMOUNT OF IMPAIRED LOANS	SPECIFIC ALLOWANCES	GENERAL ALLOWANCES	TOTAL ALLOWANCES
Personal loans	$ 4,789,477	$ 18,627	$ 7,167	$ 26,663	$ 33,830
Residential mortgages	6,349,418	20,288	1,850	4,404	6,254
Commercial mortgages	670,918	4,855	1,563	3,811	5,374
Commercial and other loans	1,533,864	65,516	41,085	30,372	71,457
	$ 13,343,677	$ 109,286	$ 51,665	$ 65,250	$ 116,915

Specific allowances for loan losses

FOR THE NINE-MONTH PERIODS ENDED JULY 31

	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	21,464	619	284	7,633	30,000	30,000
Write-offs	(24,749)	(458)	(159)	(16,576)	(41,942)	(41,813)
Recoveries	3,677	45	-	402	4,124	3,575
Balance at end of period	$ 6,431	$ 1,625	$ 1,657	$ 32,541	$ 42,254	$ 51,665

General allowances for loan losses

FOR THE NINE-MONTH PERIODS ENDED JULY 31

	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
Provision for credit losses recorded in the consolidated statement of income	3,843	(711)	572	4,296	8,000	-
Balance at end of period	$ 32,289	$ 4,433	$ 4,716	$ 31,812	$ 73,250	$ 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.

IN THOUSANDS OF DOLLARS		AS AT JULY 31, 2008 32 TO 90 DAYS	OVER 90 DAYS	TOTAL
Personal loans	$	19,471 $	5,883 $	25,354
Residential mortgages		29,578	10,868	40,446
	$	49,049 $	16,751 $	65,800

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:

IN THOUSANDS OF DOLLARS		FOR THE THREE-MONTH PERIODS ENDED JULY 31 2008	APRIL 30 2008	JULY 31 2007	FOR THE NINE-MONTH PERIODS ENDED JULY 31 2008	JULY 31 2007
Cash proceeds, net of transaction related costs	$	262,707 $	405,200 $	310,904 $	1,068,956 $	447,681
Rights to future excess interest		14,353	21,516	8,504	48,978	13,234
Servicing liability		(2,225)	(3,284)	(2,123)	(8,875)	(3,214)
Cash reserve accounts		-	-	7,419	-	8,495
Other		(3,039)	(8,023)	(4,514)	(16,395)	(5,671)
		271,796	415,409	320,190	1,092,664	460,525
Residential mortgages securitized and sold		263,588	406,246	319,135	1,069,271	457,269
Gains before income taxes, net of transaction related costs	$	8,208 $	9,163 $	1,055 $	23,393 $	3,256

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	26.7 %
Discount rate	4.0 %

No loss is expected on insured residential mortgages.

As at July 31, 2008, the Bank held rights to future excess interest of $66,612,000 [of which $58,108,000 related to insured mortgages] and cash reserve accounts of $17,124,000.

The total principal amount of securitized residential mortgages outstanding amounted to $2,306,163,000 as at July 31, 2008 ($1,561,901,000 as at October 31, 2007).

In order to mitigate interest rate risk related to a commercial mortgage loan portfolio to be disposed by way of a securitization transaction, the Bank entered into certain hedging transactions. As securitization activities were disrupted by unfavorable 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. This loss 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 the securitization 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, 4,205 common shares (33,237 common shares during the nine-month period ended July 31, 2008) were issued under the employee share purchase option plan for the management of the Bank for a cash consideration of $82,000 ($915,000 during the nine-month period ended July 31, 2008).

ISSUED AND OUTSTANDING	AS AT JULY 31, 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	**23,844,050**	**$ 257,360**	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 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 JULY 31 2008	AS AT OCTOBER 31 2007	AS AT JULY 31 2007
Tier 1 capital			
Common shares	**$ 257,360**	$ 256,445	$ 253,240
Contributed surplus	**158**	105	75
Retained earnings	**580,703**	537,254	516,996
Non-cumulative preferred shares	**210,000**	210,000	210,000
Less: goodwill, securitization and other	**(91,498)**	(53,790)	(53,790)
Total - Tier 1 capital	**956,723**	950,014	926,521
Tier 2 capital			
Subordinated debentures	**150,000**	150,000	150,000
General allowances	**73,250**	65,250	65,250
Less : securitization and other	**(31,447)**	(33,827)	(31,895)
Total - Tier 2 capital	**191,803**	181,423	183,355
Total - capital	**$ 1,148,526**	$ 1,131,437	$ 1,109,876

(1) Regulatory capital as of November 1, 2007 is 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 nine months of 2008. Information on outstanding number of options is as follows:

	AS AT JULY 31, 2008	AS AT OCTOBER 31, 2007
	NUMBER	NUMBER
Share purchase options		
Outstanding at end of period	**130,990**	170,027
Exercisable at end of period	**93,490**	120,027

Restricted Share Unit Program

During the first quarter of 2008, 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, under 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

During the third quarter of 2008, under the stock appreciation rights plan, the Bank granted 135,600 rights with an exercise price of $41.02. There were no 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 initially 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 NINE-MONTH PERIODS ENDED	
IN THOUSANDS OF DOLLARS	JULY 31 **2008**	APRIL 30 2008	JULY 31 2007	JULY 31 **2008**	JULY 31 2007
Charge related to stock-based compensation plans	$ **595**	$ 4,319	$ 4,158	$ **801**	$ 6,398
Effect of hedges	**121**	(4,386)	(3,199)	**1,374**	(2,947)
Total	$ **716**	$ (67)	$ 959	$ **2,175**	$ 3,451

7. EMPLOYEE FUTURE BENEFITS

	FOR THE THREE-MONTH PERIODS ENDED			FOR THE NINE-MONTH PERIODS ENDED	
IN THOUSANDS OF DOLLARS	JULY 31 **2008**	APRIL 30 2008	JULY 31 2007	JULY 31 **2008**	JULY 31 2007
Defined benefit pension plans expense	$ **2,659**	$ 2,583	$ 4,158	$ **7,882**	$ 12,517
Defined contribution pension plans expense	**1,000**	929	771	**2,745**	2,201
Other plans expense	**830**	812	807	**2,472**	2,394
Total	$ **4,489**	$ 4,324	$ 5,736	$ **13,099**	$ 17,112

8. INCOME TAXES

For the quarter ended July 31, 2008, the income tax expense was $8,111,000 and the effective tax rate was 20.8%. This lower tax rate, compared to the statutory tax rate of 31.6%, mainly results from the lower taxation of the gain on sale of the Montreal Exchange shares, as well as from the favorable effect of holding investments in Canadian securities which generate non-taxable income and the lower taxation level on revenues from credit insurance operations.

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 lower taxation level on revenues from credit insurance operations.

For the quarter ended July 31, 2007, the income tax expense was $9,491,000 and the effective tax rate was 29.1%. This lower tax rate, compared to the statutory tax rate of approximately 33%, results from investments in Canadian securities that generate tax-exempt dividend income, as well as the lower taxation level on revenues from credit insurance operations.

For the nine-month period ended July 31, 2008, the income tax expense was $31,521,000 and the effective tax rate was 29.5%. This lower tax rate for this nine-month period, compared to the statutory tax rate of 31.6%, resulted from the items discussed above, partially offset by 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 nine-month period ended July 31, 2007, the income tax expense was $22,264,000 and the effective tax rate was 25.7%. This lower tax rate for this nine-month period, compared to the statutory tax rate of 33.0%, resulted from the items discussed above during the third quarter, as well as to the following items: during the first quarter, a $900,000 adjustment 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; and favorable adjustments of $1,558,000, during the second quarter.

9. WEIGHTED AVERAGE NUMBER OF OUTSTANDING COMMON SHARES

	FOR THE THREE-MONTH PERIODS ENDED			FOR THE NINE-MONTH PERIODS ENDED	
	JULY 31 **2008**	APRIL 30 2008	JULY 31 2007	JULY 31 **2008**	JULY 31 2007
Average number of outstanding common shares	**23,841,767**	23,836,734	23,661,820	**23,834,150**	23,642,412
Dilutive share purchase options	**46,261**	45,108	66,522	**43,106**	47,466
Weighted average number of outstanding common shares	**23,888,028**	23,881,842	23,728,342	**23,877,256**	23,689,878
Average number of share purchase options not taken into account in the calculation of diluted net income per common share(1)	-	-	-	-	30,150

(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 JULY 31 2008 BEFORE INCOME TAXES	INCOME TAXES	NET OF INCOME TAXES	FOR THE THREE-MONTH PERIOD ENDED JULY 31 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	$	(4,202) $	1,351 $	(2,851) $	(4,134) $	1,318 $	(2,816)
Less : reclassification to net income of realized (gains) and losses during the period		(8,325)	387	(7,938)	(498)	162	(336)
Unrealized gains and (losses) on available-for-sale securities		(12,527)	1,738	(10,789)	(4,632)	1,480	(3,152)
Gains and (losses) on derivatives designated as cash flow hedges		(894)	253	(641)	(7,094)	2,408	(4,686)
Other comprehensive income	$	(13,421) $	1,991 $	(11,430) $	(11,726) $	3,888 $	(7,838)

IN THOUSANDS OF DOLLARS		FOR THE NINE-MONTH PERIOD ENDED JULY 31 2008 BEFORE INCOME TAXES	INCOME TAXES	NET OF INCOME TAXES	FOR THE NINE-MONTH PERIOD ENDED JULY 31 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	$	(8,117) $	2,534 $	(5,583) $	19,200 $	(2,724) $	16,476
Less : reclassification to net income of realized (gains) and losses during the period		(10,850)	782	(10,068)	(1,561)	(229)	(1,790)
Unrealized gains and (losses) on available-for-sale securities		(18,967)	3,316	(15,651)	17,639	(2,953)	14,686
Gains and (losses) on derivatives designated as cash flow hedges		40,518	(13,149)	27,369	(9,232)	3,149	(6,083)
Other comprehensive income	$	21,551 $	(9,833) $	11,718 $	8,407 $	196 $	8,603

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
Change during the three-month period ended July 31, 2008		(641)	(10,789)	(11,430)
Balance at July 31, 2008	$	17,114 $	(4,519) $	12,595

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
Change during the three-month period ended July 31, 2007		(4,686)	(3,152)	(7,838)
Balance at July 31, 2007		(22,015)	12,066	(9,949)
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, security 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 unfavorable 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.

Asset and liability management activities allow the oversight of 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 July 31, 2008, a 1% increase in interest rate would have triggered an increase of approximately $667,000 in net interest income before taxes over the next 12 months and a $36,690,000 decrease in the economic value of common shareholders' equity.

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 Bank has a limited exposure to exchange rate variations as a result of the nature of its operations.

(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 July 31, 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 JULY 31, 2008
Financial assets, as reported on balance sheet	$	19,065
Credit commitments and other off-balance sheet items[1]		4,148
Total	$	23,213

(1) including $2,011,000,000 related to personal credit facilities and credit card lines.

11. SUPPLEMENTAL INFORMATION ON FINANCIAL INSTRUMENTS AND HEDGING RELATIONSHIPS (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, as well as to ensure 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 July 31, 2008, the fair value of financial assets and liabilities approximate their carrying amount, except for the assets and liabilities presented below.

		AS AT JULY 31, 2008			AS AT OCTOBER 31, 2007	
IN MILLIONS OF DOLLARS	BOOK VALUE	FAIR VALUE	FAVORABLE (UNFAVORABLE) VARIANCE	BOOK VALUE	FAIR VALUE	FAVORABLE (UNFAVORABLE) VARIANCE
Assets						
Loans	$ **13,870**	$ **13,941**	$ **71**	$ 13,317	$ 13,316	$ (1)
Liabilities						
Deposits	**15,154**	**15,289**	**(135)**	13,879	13,901	(22)
Subordinated debentures	$ **150**	$ **153**	$ **(3)**	$ 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 July 31, 2008, a loss of $4,347,000 (a loss of $4,777,000 for the three-month period ended July 31, 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 the Bank's overall interest rate risk management and provide for an economic hedge for other financial instruments which are measured at fair value. 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. This loss was therefore essentially offset by gains incurred on other financial instruments.

The Bank designated certain deposits for a nominal amount of $68,560,000 ($62,815,000 as at July 31, 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 $68,704,000 ($62,652,000, as at July 31, 2007), is $144,000 ($163,000, as at July 31, 2007).

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

Contractual maturities of financial liabilities

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

AS AT JULY 31, 2008

IN THOUSANDS OF DOLLARS	Demand and notice	Term Within 1 year	Term 1 to 5 years	Term Over 5 years	TOTAL
Deposits	$ 2,984,544	$ 6,059,271	$ 6,105,200	$ 4,950	$ 15,153,965
Obligations related to assets sold short	-	933,839	-	-	933,839
Obligations related to assets sold under repurchase agreeements	-	1,013,995	-	-	1,013,995
Subordinated debentures	-	-	150,000	-	150,000
	$ 2,984,544	$ 8,007,105	$ 6,255,200	$ 4,950	$ 17,251,799

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.

IN THOUSANDS OF DOLLARS	FOR THE THREE-MONTH PERIODS ENDED JULY 31 2008	APRIL 30 2008	JULY 31 2007	FOR THE NINE-MONTH PERIODS ENDED JULY 31 2008	JULY 31 2007
Favorable (unfavorable) ineffectiveness on cash flow hedging	$ 12	$ 7	$ (220)	$ 275	$ (280)
Favorable (unfavorable) ineffectiveness on fair value hedging	(317)	(352)	(47)	(569)	(76)
	$ (305)	$ (345)	$ (267)	$ (294)	$ (356)

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.

IN THOUSANDS OF DOLLARS	AS AT JULY 31, 2008 NOMINAL AMOUNT	AS AT JULY 31, 2008 FAIR VALUE NET AMOUNT	AS AT OCTOBER 31, 2007 NOMINAL AMOUNT	AS AT OCTOBER 31, 2007 FAIR VALUE NET AMOUNT
Interest rate swap contracts designated as hedging instruments				
Swaps used for cash flow hedging	$ 2,653,000	$ 28,580	$ 3,891,000	$ (4,748)
Swaps used for fair value hedging	3,798,750	31,523	2,436,000	(784)
	$ 6,451,750	$ 60,103	$ 6,327,000	$ (5,532)

Other information on hedging relationships

Net deferred losses of $1,396,000, included in accumulated other comprehensive income as at July 31, 2008, are expected to be transferred into net income over the next twelve months.

The maximum term of cash flow hedging relationships was 5 years as at July 31, 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 JULY 31, 2008

IN THOUSANDS OF DOLLARS	R & SME Quebec	RE&C	B2B	LBS	OTHER	TOTAL
Net interest income	**$ 77,033**	**$ 14,256**	**$ 21,992**	**$ 709**	**$ (10,577)**	**$ 103,413**
Other income [2]	**30,467**	**4,044**	**2,740**	**9,203**	**21,228**	**67,682**
Total revenue	**107,500**	**18,300**	**24,732**	**9,912**	**10,651**	**171,095**
Provision for credit losses [3]	**9,343**	**1,003**	**154**	**-**	**8,000**	**18,500**
Non-interest expenses	**82,789**	**5,786**	**10,628**	**8,346**	**5,998**	**113,547**
Income (loss) before income taxes	**15,368**	**11,511**	**13,950**	**1,566**	**(3,347)**	**39,048**
Income taxes (recovered)	**3,812**	**3,808**	**4,710**	**458**	**(4,677)**	**8,111**
Net income	**$ 11,556**	**$ 7,703**	**$ 9,240**	**$ 1,108**	**$ 1,330**	**$ 30,937**
Average assets [1]	**$ 10,250,590**	**$ 2,117,407**	**$ 3,966,095**	**$ 1,587,308**	**$ 802,582**	**$ 18,723,982**

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 JULY 31, 2007

IN THOUSANDS OF DOLLARS	R & SME Quebec	RE&C	B2B	LBS	OTHER	TOTAL
Net interest income	$ 72,827	$ 11,532	$ 20,863	$ 570	$ (4,025)	$ 101,767
Other income	27,756	3,871	3,014	8,005	6,629	49,275
Total revenue	100,583	15,403	23,877	8,575	2,604	151,042
Provision for credit losses	7,143	1,701	1,156	-	-	10,000
Non-interest expenses	78,946	5,527	10,497	7,826	5,577	108,373
Income (loss) before income taxes	14,494	8,175	12,224	749	(2,973)	32,669
Income taxes	4,062	2,739	4,136	170	(1,616)	9,491
Net income	$ 10,432	$ 5,436	$ 8,088	$ 579	$ (1,357)	$ 23,178
Average assets [1]	$ 9,411,440	$ 1,867,297	$ 3,213,020	$ 1,479,992	$ 948,407	$ 16,920,156

12. SEGMENTED INFORMATION (CONTINUED)

FOR THE NINE-MONTH PERIOD ENDED JULY 31, 2008

IN THOUSANDS OF DOLLARS	R & SME Quebec	RE&C	B2B	LBS	OTHER	TOTAL
Net interest income	**$ 222,707**	**$ 41,581**	**$ 66,293**	**$ 2,146**	**$ (30,757)**	**$ 301,970**
Other income [2]	**86,177**	**11,447**	**8,138**	**23,894**	**46,044**	**175,700**
Total revenue	**308,884**	**53,028**	**74,431**	**26,040**	**15,287**	**477,670**
Provision for credit losses [3]	**25,726**	**3,497**	**777**	**-**	**8,000**	**38,000**
Non-interest expenses	**244,362**	**16,850**	**31,623**	**23,286**	**16,830**	**332,951**
Income (loss) before income taxes	**38,796**	**32,681**	**42,031**	**2,754**	**(9,543)**	**106,719**
Income taxes (recovered) [4]	**9,596**	**10,815**	**14,182**	**797**	**(3,869)**	**31,521**
Net income	**$ 29,200**	**$ 21,866**	**$ 27,849**	**$ 1,957**	**$ (5,674)**	**$ 75,198**
Average assets [1]	**$ 9,985,127**	**$ 2,107,511**	**$ 3,817,668**	**$ 1,481,166**	**$ 702,311**	**$ 18,093,783**

FOR THE NINE-MONTH PERIOD ENDED JULY 31, 2007

IN THOUSANDS OF DOLLARS	R & SME Quebec	RE&C	B2B	LBS	OTHER	TOTAL
Net interest income	$ 210,830	$ 34,318	$ 60,170	$ 1,239	$ (14,087)	$ 292,470
Other income [5]	81,134	12,935	8,806	30,931	12,028	145,834
Total revenue	291,964	47,253	68,976	32,170	(2,059)	438,304
Provision for credit losses	22,481	4,310	3,209	-	-	30,000
Non-interest expenses	233,075	17,113	31,674	23,421	16,370	321,653
Income (loss) before income taxes	36,408	25,830	34,093	8,749	(18,429)	86,651
Income taxes (recovered)	9,195	8,651	11,529	1,890	(9,001)	22,264
Net income	$ 27,213	$ 17,179	$ 22,564	$ 6,859	$ (9,428)	$ 64,387
Average assets [1]	$ 9,231,019	$ 1,809,575	$ 2,994,672	$ 1,539,471	$ 1,180,157	$ 16,754,894

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) Other income in the other segment includes i) a $12.9 million ($11.1 million net of income taxes) gain on the sale of shares of the Montréal Exchange as a result of the business combination of the Montréal Exchange with the TSX Group; ii) losses of $5.3 million ($3.6 million net of income taxes) resulting from the sale of other securities.

(3) The provision for credit losses in the Other segment includes a $8.0 million ($5.5 million net of income taxes) charge resulting from an increase in the general allowance for loan losses.

(4) 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.

(5) 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.

OTHER INCOME

IN THOUSANDS OF DOLLARS (UNAUDITED)	Q4	Q3	Q2	2008 Q1
Fees and commissions on loans and deposits				
Deposit service charges	$ -	$ 13,286	$ 13,180	$ 12,562
Lending fees	-	5,936	5,466	5,078
Card service revenues	-	4,438	3,889	3,940
Sub-total - fees and commissions on loans and deposits	-	23,660	22,535	21,580
Other				
Income from brokerage operations	-	8,973	6,965	7,392
Income from treasury and financial market operations	-	13,159	6,482	6,653
Income from sales of mutual funds	-	3,943	3,456	3,442
Credit insurance income	-	3,957	3,217	3,056
Income from registered self-directed plans	-	2,249	2,368	2,180
Securitization income	-	9,933	9,304	5,841
Other	-	1,808	2,157	1,390
Sub-total - other	-	44,022	33,949	29,954
Total - other income	$ -	$ 67,682	$ 56,484	$ 51,534
As a % of average assets	- %	1.44 %	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	$ -	$ 39,270	$ 38,515	$ 39,165
Employee benefits	-	12,825	12,762	12,521
Performance-based compensation	-	8,573	7,521	6,581
Sub-total - salaries and employee benefits	-	60,668	58,798	58,267
Premises and technology				
Equipment and computer services	-	12,304	11,173	11,175
Rent and property taxes	-	8,419	8,760	8,768
Depreciation	-	7,402	7,364	7,368
Maintenance and repairs	-	1,415	1,372	1,290
Public utilities	-	293	385	310
Other	-	104	100	319
Sub-total - premises and technology	-	29,937	29,154	29,230
Other				
Fees and commissions	-	5,384	5,088	3,607
Taxes and insurance	-	4,432	4,587	4,466
Communications and travelling expenses	-	5,083	4,686	4,572
Advertising and business development	-	4,738	4,050	3,912
Stationery and publications	-	1,580	1,756	1,655
Recruitment and training	-	850	853	1,564
Other	-	875	1,878	1,281
Sub-total - other	-	22,942	22,898	21,057
Total - non-interest expenses	$ -	$ 113,547	$ 110,850	$ 108,554
As a % of average assets	- %	2.41 %	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 JULY 31 2008	AS AT OCTOBER 31 2007	AS AT JULY 31 2007
Tier 1 capital			
Common shares	$ 257,360	$ 256,445	$ 253,240
Contributed surplus	158	105	75
Retained earnings	580,703	537,254	516,996
Non-cumulative preferred shares	210,000	210,000	210,000
Less: goodwill, securitization and other	(91,498)	(53,790)	(53,790)
Total - Tier 1 capital (A)	956,723	950,014	926,521
Tier 2 capital			
Subordinated debentures	150,000	150,000	150,000
General allowances	73,250	65,250	65,250
Less : securitization and other	(31,447)	(33,827)	(31,895)
Total - Tier 2 capital	191,803	181,423	183,355
Total - capital (B)	$ 1,148,526	$ 1,131,437	$ 1,109,876
Total risk-weighted assets (C)	$ 9,504,518	$ 9,723,950	$ 9,574,613
Tier I BIS capital ratio (A/C)	10.1 %	9.8 %	9.7 %
Total BIS capital ratio (B/C)	12.1 %	11.6 %	11.6 %
Assets to capital multiple	16.9 x	15.8 x	16.3 x
Tangible common equity as a percentage of risk-weighted assets	8.1 %	7.5 %	7.3 %

(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 JULY 31 2008	AS AT OCTOBER 31 2007	AS AT JULY 31 2007
Balance sheet items			
Cash resources	$ 53,319	$ 85,613	$ 58,449
Securities	359,413	328,325	466,062
Mortgage loans	2,357,319	2,636,531	2,507,632
Other loans and customers' liability under acceptances	4,950,176	5,906,449	5,778,736
Other assets	431,210	476,308	463,945
General allowances	n.a.	65,250	65,250
Total - balance sheet items	8,151,437	9,498,476	9,340,074
Off-balance sheet items			
Derivative financial instruments	34,608	28,647	25,998
Credit-related commitments	253,323	196,827	208,541
	287,931	225,474	234,539
Operational risk	1,065,150	n.a.	n.a.
Total - risk-weighted assets	$ 9,504,518	$ 9,723,950	$ 9,574,613

(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 JULY 31 2008	AS AT OCTOBER 31 2007	AS AT JULY 31 2007
Self-directed RRSPs and RRIFs	$ 7,852,656	$ 8,429,223	$ 8,458,832
Mortgage loans under management	2,472,855	1,742,466	1,423,358
Clients' brokerage assets	1,815,817	1,994,766	2,002,739
Institutional	1,765,541	1,823,965	1,814,975
Mutual funds	1,558,741	1,615,886	1,608,068
Other - Personal	24,672	29,988	30,823
Total - assets under administration	$ 15,490,282	$ 15,636,294	$ 15,338,795