



Press Release

FOR IMMEDIATE RELEASE

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LAURENTIAN BANK REPORTS NET INCOME OF \$35.3 MILLION FOR THE THIRD QUARTER OF 2011 AND ANNOUNCES TWO TRANSACTIONS WITH MACKENZIE FINANCIAL

Highlights of the third quarter 2011

- Net income of \$35.3 million, up 17% from \$30.1 million for the third quarter of 2010
 - Diluted earnings per share up 19% to \$1.34 from \$1.13 for the third quarter of 2010
 - Continued improvement in credit quality as evidenced by significantly lower loan losses
 - Continued strong growth in loans and BAs totaling 7% year-over-year including securitized assets
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Laurentian Bank of Canada reported net income of \$35.3 million, or \$1.34 diluted earnings per share, for the third quarter ended July 31, 2011, compared to net income of \$30.1 million, or \$1.13 diluted earnings per share, for the third quarter of 2010. Return on common shareholders' equity was 12.1% for the quarter, compared to 11.0% for the corresponding period in 2010.

For the nine months ended July 31, 2011, net income totalled \$98.9 million or \$3.74 diluted per share, compared with \$90.4 million or \$3.39 diluted per share in 2010. Return on common shareholders' equity was 11.6% for the nine months ended July 31, 2011, compared to 11.4% for the same period in 2010.

Commenting on third-quarter results, Réjean Robitaille, President and Chief Executive Officer, mentioned: "I am satisfied with the third quarter's results, as we significantly increased our profitability year-over-year in a challenging retail banking environment. Interest margins have remained stable during the quarter, albeit at a compressed level compared to 2010, and credit quality has continued to improve since the beginning of the year in most of our portfolios. Continued investment in our businesses is contributing to organic growth, as evidenced by sustained loan and deposit volume growth."

TRANSACTIONS WITH MACKENZIE FINANCIAL

Laurentian Bank announced today that it has entered into two transactions with Mackenzie Financial. The first transaction is the acquisition of the MRS Companies by B2B Trust. The second transaction relates to the distribution of Mackenzie funds to the Bank's retail customers in Québec.

Highlights of the transactions with Mackenzie Financial

- Strategic acquisition of the MRS Companies for a cash consideration of approximately \$165 million
- Integration of MRS activities over the next 12 to 18 months, with expected integration costs of \$38 million
- Distribution agreement to offer Mackenzie funds starting in 2012
- Capital ratios expected to meet future Basel III minimum regulatory guidelines
- Both transactions are expected to be accretive to net earnings as early as 2012, before integration costs

Commenting on the above transactions, Réjean Robitaille, President and Chief Executive Officer, mentioned: "We are very pleased to be acquiring the MRS Companies. Our business plan is being accelerated by the two transactions announced today. Each of these is financially attractive and represents a strategic fit with the Bank's business and development strategy and will contribute to the growth of both B2B Trust and of the Retail segment."

Acquisition of the MRS Companies

Today, Laurentian Bank and Mackenzie Financial Corporation (Mackenzie) announced that they had entered into an agreement pursuant to which B2B Trust, a subsidiary of Laurentian Bank, will acquire 100% of the MRS Companies¹ in a share purchase transaction. The MRS Companies provide trust and administrative services to over 135 dealers firms and 14,000 financial advisors. Total assets under administration are approximately \$21.5 billion with more than 280,000 investor accounts placed through financial advisors. The transaction is expected to close in November 2011, subject to regulatory notifications and approvals.

Joining the MRS Companies with B2B Trust will create a best-in-class provider of products and services for the Canadian financial advisor community. While B2B Trust is a leader in offering loan and deposit products to financial advisors, MRS is among the leaders offering self-directed registered products to this group. It also expands the advisor network to encompass more than 22,000 advisors. More advisors offering more products and services to clients create significant cross-sell opportunities, resulting in revenue growth. The acquisition will further diversify the Bank's revenue streams as more fee-based income will be generated. This transaction is a win/win situation as B2B Trust's clients, including Mackenzie Financial, the financial advisory community, as well as the Bank will reap significant and tangible benefits.

As of the closing date, consolidated assets of the MRS Companies should be approximately \$850 million, including marketable securities of approximately \$500 million and retail loan portfolios of \$420 million.

The final purchase price will be based on the net book value of the MRS Companies as of the closing date, plus a premium of \$50.0 million, and should approximate \$165 million, to be paid in cash. Preparation for integration is underway. The process should take 12 to 18 months to complete and cost approximately \$38 million, the majority being systems integration expenses.

After incorporating the estimated capital requirements for the MRS Companies at closing, the Bank's Basel II Tier 1 Capital Ratio would be approximately 10.3% as at July 31, 2011, still comfortably above existing regulatory guidelines. Furthermore, the Bank's Basel III Common Equity Ratio, based on the full Basel III rules applicable in 2019 (i.e. without transition arrangements) and including the effect of the adoption of IFRS, would still respect the minimum requirement of 7%, by the January 1st, 2013 transition date. In order to maintain strong capital ratios and prudently manage capital, the Bank is also contemplating a common share issue of around \$50 million by the end of 2012, depending on market conditions and market tone. The impact of this transaction, including expected integration costs and revenue synergies, and any such capital issue would remain accretive by approximately \$0.15 to \$0.20 per share as of 2013.

Distribution agreement

Also today, Laurentian Bank and Mackenzie Investments announced their intention to conclude a distribution agreement for Mackenzie mutual funds. Under this agreement, Laurentian Bank, as principal distributor, would distribute a preferred series of Mackenzie funds as of the beginning of 2012.

This mutual fund distribution agreement with Mackenzie allows Laurentian Bank to, once again, improve its product offering. Retail clients in Québec gain access to one of the leading family of funds in Canada when launched in Laurentian Bank branches in 2012. The Retail segment thus improves the competitiveness of its Wealth Management offer which will be an additional lever for increasing the share of wallet of customers. Moreover, the transaction is expected to generate growing fee-based revenues as progressively higher volumes of net funds are accumulated over the years. This new product offering should also further contribute to Laurentian Bank's very high ranking of consumer satisfaction according to the latest J. D. Power and Associates survey.

As a result of the conclusion of this agreement, the Bank may be required to pay Industrial Alliance a \$7.6 million penalty to terminate, early in 2012, the existing distribution agreement of IA Clarington funds. This one-time cost would be accrued in the fourth quarter of 2011. Nonetheless, the Bank expects that this new distribution agreement will be gradually accretive starting next year.

¹ The MRS Companies include: MRS Inc.; MRS Trust Company; MRS Securities Services Inc.; and MRS Correspondent Corporation.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

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

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

The pro-forma impact of Basel III on regulatory capital ratios is based on the Bank's interpretation of the proposed rules announced by the Basel Committee on Banking Supervision (BCBS) and related requirements of the Office of the Superintendent of Financial Institutions Canada (OSFI). The pro-forma impact of Basel III on regulatory capital ratios also includes the anticipated impact of International Financial Reporting Standards (IFRS) conversion. The Basel rules and impact of IFRS conversion could be subject to further change, which may impact the results of the Bank's analysis.

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

With respect to the proposed MRS Companies transaction, such factors also include, but are not limited to: the possibility that the proposed transaction does not close when expected or at all because required regulatory or other approvals and other conditions to closing are not received or satisfied on a timely basis or at all; the terms of the proposed transaction may need to be modified to satisfy such approvals or conditions; the anticipated benefits from the proposed transaction such as it being accretive to earnings and synergies may not be realized in the time frame anticipated; the ability to promptly and effectively integrate the businesses; reputational risks and the reaction of B2B Trust's or MRS Companies' customers to the transaction; and diversion of management time on acquisition-related issues.

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.

HIGHLIGHTS

In thousands of dollars, except per share and percentage amounts (Unaudited)	FOR THE THREE MONTHS ENDED			FOR THE NINE MONTHS ENDED		
	JULY 31 2011	JULY 31 2010	VARIANCE	JULY 31 2011	JULY 31 2010	VARIANCE
Earnings						
Total revenue	\$ 190,973	\$ 188,810	1 %	\$ 566,169	\$ 547,372	3 %
Net income	\$ 35,282	\$ 30,064	17 %	\$ 98,917	\$ 90,427	9 %
Profitability						
Diluted earnings per share	\$ 1.34	\$ 1.13	19 %	\$ 3.74	\$ 3.39	10 %
Return on common shareholders' equity ⁽¹⁾	12.1 %	11.0 %		11.6 %	11.4 %	
Net interest margin ⁽¹⁾	2.03 %	2.22 %		2.02 %	2.15 %	
Efficiency ratio ⁽¹⁾	71.6 %	67.7 %		71.1 %	67.9 %	
Per common share						
Share price						
High	\$ 52.49	\$ 46.15		\$ 55.87	\$ 46.15	
Low	\$ 42.44	\$ 41.26		\$ 42.44	\$ 37.76	
Close	\$ 42.86	\$ 46.00	(7) %	\$ 42.86	\$ 46.00	(7) %
Price / earnings ratio (trailing four quarters)				8.6 x	9.4 x	
Book value ⁽¹⁾				\$ 44.41	\$ 40.99	8 %
Market to book value				97 %	112 %	
Dividends declared	\$ 0.42	\$ 0.36	17 %	\$ 1.20	\$ 1.08	11 %
Dividend yield	3.92 %	3.13 %		3.73 %	3.13 %	
Dividend payout ratio ⁽¹⁾	31.2 %	31.9 %		32.0 %	31.8 %	
Financial position						
Balance sheet assets				\$ 24,082,688	\$ 23,548,706	2 %
Loans and acceptances				\$ 18,128,540	\$ 17,352,653	4 %
Deposits				\$ 19,498,038	\$ 19,034,000	2 %
BIS capital ratio						
Tier I				11.0 %	10.7 %	
Other information						
Number of full-time equivalent employees				3,807	3,694	
Number of branches				157	157	
Number of automated banking machines				424	410	

(1) Refer to the non-GAAP financial measures on page 22.

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, 2011, and of how it performed during the three-month and nine-month periods then ended. This MD&A, dated September 2, 2011, should be read in conjunction with the unaudited interim consolidated financial statements for the third quarter of 2011. Supplemental information on risk management, critical accounting policies and estimates, and off-balance sheet arrangements is also provided in the Bank's 2010 Annual Report.

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

ECONOMIC OUTLOOK

Near- and long-term fiscal challenges in the US and growing risks of debt contagion in Europe have led to more tempered optimism going forward. The Canadian economy has been facing headwinds with exporters being challenged by further strengthening in the currency against the US dollar, soft consumer spending growth south of the border and natural disasters in Japan causing supply chain disruptions. Although the Bank expects the speed of the US recovery to reaccelerate mildly this fall, governments' deleveraging and some household borrowing slowdown across Canada should translate into a moderate pace of expansion for the Canadian economy for the remainder of 2011 and throughout 2012. The Federal Reserve's pledge to keep short-term interest rates near zero until mid-2013 should provide a highly accommodative and stable interest rate environment in Canada, supporting both businesses and indebted households. Notably, the Bank of Canada could wait until 2012 before lifting rates at a gradual and modest pace.

2011 FINANCIAL OBJECTIVES

The following table presents management's financial objectives for 2011 and the Bank's performance to date. These financial objectives are based on the same assumptions noted on page 29 of the Bank's 2010 Annual Report under the title "Key assumptions supporting the Bank's objectives".

2011 FINANCIAL OBJECTIVES

	2011 OBJECTIVES	FOR THE NINE MONTHS ENDED JULY 31, 2011
Revenue growth	> 5 %	3 %
Efficiency ratio ⁽¹⁾	70 % to 67 %	71.1 %
Return on common shareholders' equity ⁽¹⁾	11 % to 13 %	11.6 %
Diluted earnings per share	\$ 4.80 to \$ 5.40	\$ 3.74

(1) Refer to the non-GAAP financial measures on page 22.

After nine months, management believes that the Bank should meet its profitability objectives as set out at the beginning of the year. Continued improvements in credit quality, strong loan growth, higher securitization income and lower income taxes contributed to this overall good performance.

However, as shown in the table above, the revenue growth objective is below target, largely due to a very competitive pricing environment. The efficiency ratio is also expected to remain short of expectations, essentially as a result of lower revenues and higher regulatory costs.

ANALYSIS OF CONSOLIDATED RESULTS

	FOR THE THREE MONTHS ENDED			FOR THE NINE MONTHS ENDED	
	JULY 31 2011	APRIL 30 2011	JULY 31 2010	JULY 31 2011	JULY 31 2010
In thousands of dollars, except per share amounts (Unaudited)					
Net interest income	\$ 123,818	\$ 116,434	\$ 129,870	\$ 361,670	\$ 368,219
Other income	67,155	69,283	58,940	204,499	179,153
Total revenue	190,973	185,717	188,810	566,169	547,372
Provision for loan losses	8,000	12,000	20,000	35,000	52,000
Non-interest expenses	136,772	134,824	127,820	402,554	371,752
Income before income taxes	46,201	38,893	40,990	128,615	123,620
Income taxes	10,919	8,751	10,926	29,698	33,193
Net income	\$ 35,282	\$ 30,142	\$ 30,064	\$ 98,917	\$ 90,427
Preferred share dividends, including applicable taxes	3,107	3,109	3,075	9,325	9,223
Net income available to common shareholders	\$ 32,175	\$ 27,033	\$ 26,989	\$ 89,592	\$ 81,204
Earnings per share					
Basic	\$ 1.34	\$ 1.13	\$ 1.13	\$ 3.75	\$ 3.39
Diluted	\$ 1.34	\$ 1.13	\$ 1.13	\$ 3.74	\$ 3.39

THREE MONTHS ENDED JULY 31, 2011 COMPARED TO THREE MONTHS ENDED JULY 31, 2010

Net income was \$35.3 million, or \$1.34 diluted per share, for the third quarter ended July 31, 2011, compared with \$30.1 million, or \$1.13 diluted per share, for the third quarter of 2010.

TOTAL REVENUE

Total revenue increased by \$2.2 million year-over-year to \$191.0 million in the third quarter of 2011, compared with \$188.8 million in the third quarter of 2010. Net interest income decreased to \$123.8 million for the third quarter of 2011, from \$129.9 million in the third quarter of 2010, as strong loan and deposit growth year-over-year did not fully offset lower interest margins. When compared to the third quarter of 2010, margins decreased by 19 basis points to 2.03% in the third quarter of 2011. This decrease is mainly explained by intense competition in many markets, which continues to put pressure on loan and deposit pricing as well as the change in hedging strategies related to securitization activities initiated in the first quarter of 2011, which generated a shift of some net interest income to other income.

OTHER INCOME

Other income was \$67.2 million in the third quarter of 2011, compared to \$58.9 million in the third quarter of 2010, a 14% year-over-year increase. Revenue from card services continued to improve in the third quarter due to higher transaction volumes. Income from sales of mutual funds also contributed to the increase in other income during the quarter, reflecting growth in assets under management over the past 12 months. Securitization income increased by \$9.3 million year-over-year, mainly as a result of higher gains on \$400.0 million of new mortgage loan securitizations during the quarter. Since the beginning of the year, the Bank opted to fund most of its strong mortgage loan growth through securitization as it was a favourably priced funding source given market conditions. The discussion on the Other sector's activity below provides further details on securitization activities. These increases were partially offset by lower income from brokerage operations.

PROVISION FOR LOAN LOSSES

The provision for loan losses amounted to \$8.0 million in the third quarter of 2011, down \$12.0 million from \$20.0 million in the third quarter of 2010. This significant decrease is due to the overall improvement in the Bank's loan portfolios, including a \$1.7 million recovery on a commercial mortgage exposure. In addition, general allowances were reduced by a net \$2.1 million as a result of adjustments to provisioning models in anticipation of conversion to IFRS. In addition, loan losses during the third quarter of 2010 were particularly affected by a \$5.0 million loss on a single commercial exposure. The Risk Management section below provides additional information on credit quality.

NON-INTEREST EXPENSES

Non-interest expenses totalled \$136.8 million for the third quarter of 2011, compared to \$127.8 million for the third quarter of 2010; a 7% year-over-year increase, as the Bank continued to invest in its development.

Salaries and employee benefits for the third quarter of 2011 rose by \$1.4 million compared with the same period in 2010 due to higher salary costs from additional headcount in its businesses and increased pension costs and payroll taxes, which more than offset lower performance-related charges. The Bank continues to invest in its human capital to support growth and service quality initiatives, as well as to meet heightened regulatory requirements. These investments support the Bank's long term growth objectives and should further strengthen its positioning.

Premises and technology costs rose from \$33.2 million for the third quarter of 2010 to \$36.2 million for the third quarter of 2011, mainly as a result of higher technology costs related to ongoing business growth, amortization expenses related to recently completed IT development projects, and higher rental costs. Other non-interest expenses increased from \$23.6 million for the third quarter of 2010 to \$28.1 million for the third quarter of 2011, mainly due to increased advertising expenses related to the Bank's marketing campaigns, consistent with the Bank's focus on developing organic growth, higher HST charges, as well as increased professional fees related to ongoing projects.

The efficiency ratio was 71.6% in the third quarter of 2011, compared with 67.7% in the third quarter of 2010. The deterioration in the efficiency ratio is essentially due to the growth in expenses, which more than offset revenue growth limited by margin compression.

INCOME TAXES

For the quarter ended July 31, 2011, the income tax expense was \$10.9 million and the effective tax rate was 23.6%. The lower tax rate, compared to the statutory rate, mainly resulted from the favourable effect of holding investments in Canadian securities that generate non-taxable dividend income and the lower taxation level on revenues from credit insurance operations. In addition, compared to the same quarter of 2010, income taxes for the third quarter ended July 31, 2011 benefitted from the effect of the reduction in Federal income tax rates of 1.4% which became effective this year and the higher proportion of investments in Canadian securities. For the quarter ended July 31, 2010, the income tax expense was \$10.9 million and the effective tax rate was 26.7%.

NINE MONTHS ENDED JULY 31, 2011 COMPARED TO NINE MONTHS ENDED JULY 31, 2010

For the nine months ended July 31, 2011, net income totalled \$98.9 million or \$3.74 diluted per share, compared with \$90.4 million or \$3.39 diluted per share in 2010.

TOTAL REVENUE

Total revenue improved to \$566.2 million for the nine months ended July 31, 2011, up 3% compared to \$547.4 million for the nine months ended July 31, 2010. Net interest income decreased slightly to \$361.7 million for the nine months ended July 31, 2011 compared with \$368.2 million for the same period in 2010, as higher loan and deposit volumes did not fully compensate for the ongoing run-off of higher margin point-of-sale loans, tighter margins resulting from the change in hedging strategies and competitive pricing, as noted above. Other income increased to \$204.5 million for the nine months ended July 31, 2011 from \$179.2 million for the same period in 2010. This increase is mainly due to higher securitization income resulting from higher volumes of securitized loans and changes in hedging strategies related to securitization activities compared to the previous year. In addition, income from brokerage operations, revenues from card services and credit insurance as well as income from sales of mutual funds also contributed to the overall increase.

PROVISION FOR LOAN LOSSES

The provision for loan losses amounted to \$35.0 million for the nine months ended July 31, 2011, compared to \$52.0 million for the nine months ended July 31, 2010. This 33% decrease mainly reflects the overall improvements in loan portfolios as well as \$2.1 million reversal in the general allowance noted above.

NON-INTEREST EXPENSES

Non-interest expenses totaled \$402.6 million for the nine months ended July 31, 2011, compared to \$371.8 million for the nine months ended July 31, 2010. The increase is principally attributable to higher salaries and employee benefits, as well as continued investment in growth and quality service initiatives, as noted above. Premises and technology costs also increased as a result of higher amortization expense related to IT development projects and overall increases in technology costs. Other non-interest expenses increased, mainly due to higher advertising costs to support business development and increased professional fees as noted above. Additional regulatory requirements, as well as higher payroll taxes and HST charges, have also contributed to the overall increase in non-interest expenses.

For the nine months ended July 31, 2011, the efficiency ratio increased to 71.1% from 67.9% for the nine months ended July 31, 2010.

INCOME TAXES

For the nine months ended July 31, 2011, the income tax expense was \$29.7 million and the effective tax rate was 23.1%, compared to \$33.2 million and 26.9% for the nine months ended July 31, 2010. The lower tax rate, compared to the statutory rate, mainly resulted from the same factors noted above.

THIRD QUARTER 2011 COMPARED TO SECOND QUARTER 2011

Net income was \$35.3 million for the third quarter of 2011, compared to \$30.1 million for the second quarter ended April 30, 2011. Total revenue increased to \$191.0 million in the third quarter of 2011, compared with \$185.7 million in the previous quarter. Net interest income amounted to \$123.8 million, an increase of \$7.4 million sequentially, mainly as a result of the three additional days in the third quarter, higher loan and deposit volumes and a 2 basis point improvement in net interest margins, to 2.03% of average assets during the third quarter of 2011.

Other income decreased by 3% compared to the second quarter of 2011, as higher income from securitization activities were offset by lower income from brokerage operations which were impacted by adverse market conditions.

The provision for loan losses amounted to \$8.0 million in the third quarter of 2011, compared to \$12.0 million for the second quarter of 2011, reflecting overall improvements in credit quality on the loan portfolios, including a \$1.7 million recovery on a commercial mortgage exposure, and a \$2.1 million decrease in the general allowance, as noted above.

Non-interest expenses increased slightly compared with the second quarter of 2011. Salaries and employee benefits decreased \$2.9 million to \$72.5 million as a result of lower variable compensation and lower seasonal salary accruals. Premises and technology costs and other expenses increased by a combined \$4.9 million, due to the same factors noted earlier. As a result of increased revenues during the quarter, the Bank generated a positive operating leverage of 1.4% sequentially.

FINANCIAL CONDITION

CONDENSED BALANCE SHEET

In thousands of dollars (Unaudited)	AS AT JULY 31 2011	AS AT OCTOBER 31 2010	AS AT JULY 31 2010
ASSETS			
Cash and deposits with other banks	\$ 666,799	\$ 166,098	\$ 165,427
Securities	4,086,421	4,258,805	4,436,083
Securities purchased under reverse repurchase agreements	312,647	803,874	656,791
Loans, net	17,930,111	17,405,244	17,163,829
Other assets	1,086,710	1,138,117	1,126,576
	\$ 24,082,688	\$ 23,772,138	\$ 23,548,706
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits	\$ 19,498,038	\$ 19,647,730	\$ 19,034,000
Other liabilities	3,039,068	2,734,993	3,148,073
Subordinated debt	242,072	150,000	150,000
Shareholders' equity	1,303,510	1,239,415	1,216,633
	\$ 24,082,688	\$ 23,772,138	\$ 23,548,706

Balance sheet assets stood at \$24.1 billion as at July 31, 2011, up \$0.3 billion from year-end 2010. Over the last twelve months, balance sheet assets increased by 0.5 billion or 2%.

LIQUID ASSETS

Liquid assets, including cash, deposits with other banks, securities and securities purchased under reverse repurchase agreements, decreased by \$0.2 billion from year-end 2010, essentially as a result of the change in hedging strategies related to securitization activities which triggered the sale of \$0.6 billion of government securities. Otherwise, the Bank has maintained a relatively higher level of cash to support the continued strong loan growth. Overall, liquid assets as a percentage of total assets decreased marginally to 21% compared with 22% as at October 31, 2010.

LOAN PORTFOLIO

The portfolio of loans and bankers' acceptances stood at \$18.3 billion at July 31, 2011, up \$0.6 billion or 3% from October 31, 2010. The Bank had a solid quarter of loan growth, up \$397.7 million sequentially. Since the beginning of the year, the Bank's residential mortgage loan portfolio, including off-balance sheet loans, was up \$746.2 million or 7% as the Bank's sustained development efforts contributed successfully to securing retail clients despite intense competition. During the first three quarters, the Bank used securitization as a preferred funding source, resulting in net securitized residential mortgages increasing \$584.4 million.

RESIDENTIAL MORTGAGE LOAN PORTFOLIO

In thousands of dollars (Unaudited)	AS AT JULY 31 2011	AS AT OCTOBER 31 2010	VARIANCE
On-balance sheet residential mortgage loans	\$ 8,744,411	\$ 8,582,548	\$ 161,863
Securitized residential mortgage loans (off-balance sheet)	3,299,906	2,715,535	584,371
Total residential mortgage loans, including securitized loans	\$ 12,044,317	\$ 11,298,083	\$ 746,234

Personal loans increased by \$97.5 million, reflecting growth in investment loans and home equity lines of credit, which more than offset ongoing run-offs in point-of-sale financing totaling \$125.2 million since October 31, 2010. In addition, commercial mortgage loans and commercial loans, including bankers' acceptances increased by \$102.7 million or 6% and \$205.2 million or 11%, respectively, as the Bank continues to capitalize on growth opportunities in the Canadian market.

DEPOSITS

Total personal deposits increased by \$209.8 million from October 31, 2010 and stood at \$15.6 billion as at July 31, 2011 resulting from continued growth in the third quarter. Business and other deposits (which include institutional deposits) were down \$359.5 million since the beginning of the year to \$3.9 billion as at July 31, 2011 as the Bank had prioritized other sources, such as securitization, to meet its funding requirements. The Bank continues to actively manage its liquidity levels, while exercising rigorous pricing controls and focuses its efforts on retail deposit gathering. Retail deposits continue to be a particularly stable source of financing for the Bank representing 80% of total deposits as at July 31, 2011.

SUBORDINATED DEBT

As at July 31, 2011, subordinated debt increased to \$242.1 million from \$150.0 million as at October 31, 2010. During the first quarter, the Bank issued \$250.0 million Medium Term Notes (subordinated indebtedness) Series 2010-1 due November 2, 2020 and redeemed all of its subordinated debentures, Series 10, maturing in 2016, with an aggregate notional amount of \$150.0 million.

SHAREHOLDERS' EQUITY

Shareholders' equity stood at \$1,303.5 million as at July 31, 2011, compared with \$1,239.4 million as at October 31, 2010. This increase mainly resulted from net income for the first nine months of 2011, net of declared dividends. The Bank's book value per common share, excluding AOCI, appreciated to \$44.41 as at July 31, 2011 from \$41.87 as at October 31, 2010. There were 23,925,037 common shares and 50,000 share purchase options outstanding as at August 23, 2011.

ASSETS UNDER ADMINISTRATION

Assets under administration stood at \$15.7 billion as at July 31, 2011, \$0.7 billion higher than as at October 31, 2010, and \$1.0 billion higher than as at July 31, 2010. The increase compared with July 31, 2010 is attributable to the increase in mortgage loans under management, and the appreciation in market value and volume growth of assets related to mutual funds and self-directed RRSPs.

CAPITAL MANAGEMENT

The regulatory Tier I capital of the Bank reached \$1,192.2 million as at July 31, 2011, compared with \$1,134.3 million as at October 31, 2010. The Tier 1 BIS capital and total BIS capital ratios stood at 11.0% and 13.7%, respectively, as at July 31, 2011, compared to 10.9% and 12.9%, respectively, as at October 31, 2010. These ratios are well above present minimum requirements and reflect the strength of the Bank, as well as the relatively lower-risk profile of its operations. The tangible common equity ratio of 9.3% also reflects the high quality of the Bank's capital.

REGULATORY CAPITAL

In thousands of dollars, except percentage amounts (Unaudited)	AS AT JULY 31 2011	AS AT OCTOBER 31 2010	AS AT JULY 31 2010
Tier 1 capital (A)	\$ 1,192,222	\$ 1,134,291	\$ 1,098,670
Tier I BIS capital ratio (A/C)	11.0 %	10.9 %	10.7 %
Total regulatory capital - BIS (B)	\$ 1,481,221	\$ 1,337,327	\$ 1,285,421
Total BIS capital ratio (B/C)	13.7 %	12.9 %	12.5 %
Total risk-weighted assets (C)	\$ 10,798,557	\$ 10,388,050	\$ 10,244,069
Assets to capital multiple	16.3 x	17.9 x	18.4 x
Tangible common equity as a % of risk-weighted assets ⁽¹⁾	9.3 %	9.0 %	8.9 %

(1) Refer to the non-GAAP financial measures on page 22.

PROPOSAL FOR NEW CAPITAL AND LIQUIDITY REGULATORY MEASURES

In December 2010, the Basel Committee on Banking Supervision (BCBS) published new capital guidelines commonly referred to as Basel III. These new requirements will take effect in January 2013 and will generally provide more stringent capital adequacy standards.

The BCBS published further details in January 2011 with regard to qualifying criteria for capital under the guidelines. The Office of the Superintendent of Financial Institutions Canada (OSFI) subsequently provided additional guidance regarding the treatment of non-qualifying capital instruments in February 2011. As a result, certain capital instruments may no longer qualify fully as capital beginning January 1, 2013. The Bank's non-common capital instruments will be considered non-qualifying capital instruments under Basel III and will therefore be subject to a 10% phase-out per year beginning in 2013. These non-common capital instruments include both Series 9 and 10 preferred shares and Series 2010-1 subordinated Medium Term Notes. The Bank has not issued any hybrids or innovative Tier 1 instruments and none of its capital instruments are subject to a regulatory event redemption clause. Therefore, no regulatory event redemption is expected.

Considering the Bank's capital position and the nature of its operations, and based on current understanding of the Basel III rules, management believes that the Bank is well positioned to meet upcoming capital requirements. The Common Equity Tier 1 ratio, as at July 31, 2011, would be approximately 7.1% when applying the full Basel III rules applicable in 2019 (i.e., without transition arrangements). The Tier 1 ratio under the new Basel III rules would be 8.9%. Given the evolving nature of international capital rules and the projected outlook for balance sheet expansion, the Bank will nonetheless remain cautious with respect to capital deployment.

In December 2009, the BCBS published proposals on new liquidity requirements, which introduced new global liquidity standards. Updates were also published in 2010, providing additional information. At this stage, it is still too early to determine their definitive impact on liquidity requirements, considering the proposals are yet to be finalized at both the international (BCBS) and national (OSFI) levels and may further change between now and when the final rules take effect.

POTENTIAL IMPLICATION OF THE PROPOSED ACQUISITION OF THE MRS COMPANIES

On September 2, 2011, Laurentian Bank and Mackenzie Financial Corporation announced that they had entered into an agreement pursuant to which B2B Trust, a subsidiary of the Bank, will acquire 100% of the MRS Companies. After incorporating the estimated capital requirements for the MRS Companies at closing, the Bank's Basel II Tier 1 Capital Ratio would be approximately 10.3% as at July 31, 2011, still comfortably above existing regulatory guidelines. Furthermore, the Bank's Basel III Common Equity Ratio, based on the full Basel III rules applicable in 2019 (i.e. without transition arrangements) and including the effect of the adoption of IFRS, would still respect the minimum requirement of 7% by the January 1, 2013 transition date. In order to maintain strong capital ratios and prudently manage capital, the Bank is also contemplating a common share issue of around \$50 million by the end of 2012, depending on market conditions and market tone.

DIVIDENDS

On August 24, 2011, the Board of Directors declared regular dividends on the various series of preferred shares to shareholders of record on September 9, 2011. At its meeting on September 2, 2011, the Board of Directors declared a dividend of \$0.42 per common share, payable on November 1, 2011, to shareholders of record on October 3, 2011.

COMMON SHARE DIVIDENDS AND PAYOUT RATIO

In dollars, except payout ratios (Unaudited)	FOR THE THREE MONTHS ENDED			FOR THE NINE MONTHS ENDED	FOR THE YEARS ENDED		
	JULY 31	APRIL 30	JANUARY 31	JULY 31	OCTOBER 31	OCTOBER 31	OCTOBER 31
	2011	2011	2011	2011	2010	2009	2008
Dividends declared per common share	\$ 0.42	\$ 0.39	\$ 0.39	\$ 1.20	\$ 1.44	\$ 1.36	\$ 1.30
Dividend payout ratio ⁽¹⁾	31.2 %	34.5 %	30.7 %	32.0 %	31.1 %	32.1 %	34.2 %

(1) Refer to the non-GAAP financial measures on page 22.

RISK MANAGEMENT

The Bank is exposed to various types of risks owing to the nature of its activities. These risks are mainly related to the use of financial instruments. In order to manage these risks, controls such as risk management policies and various risk limits have been implemented. These measures aim to optimize the risk/return ratio in all operating segments. For additional information regarding the Bank's Risk Management Framework, please refer to the 2010 Annual Report.

CREDIT RISK

The following sections provide further details on the credit quality of the Bank's loan portfolios.

PROVISION FOR LOAN LOSSES

In thousands of dollars, except percentage amounts (Unaudited)	FOR THE THREE MONTHS ENDED			FOR THE NINE MONTHS ENDED	
	JULY 31	APRIL 30	JULY 31	JULY 31	JULY 31
	2011	2011	2010	2011	2010
Provision for loan losses					
Personal loans	\$ 5,375	\$ 5,842	\$ 8,292	\$ 17,112	\$ 24,541
Residential mortgage loans	523	2,601	1,715	4,390	2,148
Commercial mortgage loans	(841)	804	3,378	3,391	7,241
Commercial and other loans	5,019	2,753	6,615	12,183	18,070
Sub-total	10,076	12,000	20,000	37,076	52,000
Change in general allowances	(2,076)	-	-	(2,076)	-
Total	\$ 8,000	\$ 12,000	\$ 20,000	\$ 35,000	\$ 52,000
As a % of average loans and acceptances	0.18 %	0.28 %	0.46 %	0.26 %	0.42 %

The specific provision for loan losses decreased to \$10.1 million in the third quarter of 2011, from \$12.0 million in the second quarter of 2011 and \$15.0 million in the first quarter of 2011 as overall credit quality continued to improve during the quarter. The year-over-year decrease in provisions on personal loans essentially results from improved employment conditions in Canada and a reduced exposure to the point-of-sale financing business. The provisions on residential mortgage loans also decreased in the third quarter of 2011 compared to the third quarter of 2010. Provisions on commercial mortgages and commercial loans remained low during the third quarter, reflecting the good credit quality of this portfolio and further benefitting from a \$1.7 million recovery on a commercial mortgage exposure. Year-over-year provisions improved markedly, as loan losses during the third quarter of 2010 were particularly affected by a \$5.0 million loss on a single commercial exposure.

The total provision for loan losses amounted to \$8.0 million in the third quarter of 2011 benefitting from a \$2.1 million decrease of the general allowance mainly attributable to adjustments to provisioning models in anticipation of conversion to IFRS.

IMPAIRED LOANS

In thousands of dollars, except percentage amounts (Unaudited)	AS AT JULY 31 2011	AS AT OCTOBER 31 2010	AS AT JULY 31 2010
Gross impaired loans			
Personal	\$ 15,369	\$ 16,397	\$ 17,837
Residential mortgages	56,297	39,304	29,907
Commercial mortgages	28,380	34,316	33,510
Commercial and other	71,646	98,106	101,197
	171,692	188,123	182,451
Specific allowances	(76,489)	(64,893)	(56,714)
General allowances	(71,174)	(73,250)	(73,250)
Net impaired loans	\$ 24,029	\$ 49,980	\$ 52,487
Impaired loans as a % of loans and acceptances			
Gross	0.94 %	1.06 %	1.04 %
Net	0.13 %	0.28 %	0.30 %

Gross impaired loans amounted to \$171.7 million as at July 31, 2011, compared to \$155.3 million as at April 30, 2011 and \$188.1 million as at October 31, 2010. Credit quality has remained good during the quarter. The decrease since October 31, 2010 resulted from overall improvements in loan portfolios, with clear progress in the commercial loan portfolios. Retail portfolios also performed well, as borrowers continued to benefit from improving employment conditions in Canada and a low interest rate environment. The increase in impaired residential mortgage loans in the third quarter of 2011 is essentially related to a single residential real estate development project. Specific allowances increased by \$11.6 million to \$76.5 million since the beginning of the year and represented 45% of gross impaired loans as at July 31, 2011.

Net impaired loans amounted to \$24.0 million as at July 31, 2011 (representing 0.13% of average loans and bankers' acceptances), compared to \$50.0 million (0.28%) as at October 31, 2010, reflecting the improved quality of the portfolios as well as a higher level of provisioning of impaired loans.

MARKET RISK

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

The purpose of ALM activities is to control structural interest rate risk, which corresponds to the potential negative impact of interest rate movements on the Bank's revenues and economic value. Dynamic management of structural risk is intended to maximize the Bank's profitability while preserving the economic value of common shareholders' equity. As at July 31, 2011, the effect on the economic value of common shareholders' equity and on net interest income before taxes of a sudden and sustained 1% increase in interest rates across the yield curve was as follows.

STRUCTURAL INTEREST RATE SENSITIVITY ANALYSIS

In thousands of dollars (Unaudited)	AS AT JULY 31 2011	AS AT OCTOBER 31 2010
Increase in net interest income before taxes over the next 12 months	\$ 5,428	\$ 4,650
Decrease in the economic value of common shareholders' equity (Net of income taxes)	\$ (26,484)	\$ (22,638)

As shown in the table above, the Bank is not significantly exposed to a sudden and sustained 1% increase in interest rates and has maintained its ALM positioning relatively unchanged compared to October 31, 2010 in expectation of an eventual slight increase in interest rates.

SEGMENTED INFORMATION

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

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

RETAIL & SME QUÉBEC

	FOR THE THREE MONTHS ENDED			FOR THE NINE MONTHS ENDED	
	JULY 31 2011	APRIL 30 2011	JULY 31 2010	JULY 31 2011	JULY 31 2010
In thousands of dollars, except percentage amounts (Unaudited)					
Net interest income	\$ 82,536	\$ 77,303	\$ 83,585	\$ 239,621	\$ 243,927
Other income	33,492	33,548	33,378	100,222	96,921
Total revenue	116,028	110,851	116,963	339,843	340,848
Provision for loan losses	6,182	6,788	9,583	20,321	30,915
Non-interest expenses	94,289	91,735	88,179	277,513	261,986
Income before income taxes	15,557	12,328	19,201	42,009	47,947
Income taxes	3,812	2,262	4,568	8,607	10,680
Net income	\$ 11,745	\$ 10,066	\$ 14,633	\$ 33,402	\$ 37,267
Efficiency ratio ⁽¹⁾	81.3 %	82.8 %	75.4 %	81.7 %	76.9 %

(1) Refer to the non-GAAP financial measures on page 22.

The Retail & SME Québec business segment's contribution to net income decreased by \$2.9 million from \$14.6 million for the third quarter of 2010 to \$11.7 million for the third quarter of 2011.

Total revenue slightly decreased, from \$117.0 million in the third quarter of 2010 to \$116.0 million in the third quarter of 2011, mainly due to lower net interest income. The decrease in net interest income essentially results from intense competition in many markets, which continues to put pressure on loan and deposit pricing, combined with the run-off of the high-margin point-of-sale financing portfolio, which more than offset increases in loan and deposit volumes compared to a year ago.

Other income remained essentially flat year over year with slight increases in card service revenues and income from sales of mutual funds. Loan losses decreased by 36% or \$3.4 million, from \$9.6 million in the third quarter of 2010 to \$6.2 million in the third quarter of 2011. This significant improvement reflects the improved credit quality of the portfolio compared to last year. Non-interest expenses increased by \$6.1 million, from \$88.2 million in the third quarter of 2010 to \$94.3 million in the third quarter of 2011, mainly as a result of higher salary costs related to additional business development positions, regular annual salary increases, and higher payroll tax rates and pension costs, as well as costs related to increased business activity.

For the nine months ended July 31, 2011, net income declined to \$33.4 million, as decreases in net interest income and higher expenses more than offset improvements in other income and loan losses as explained above.

Balance sheet highlights

- Loans up 7% or \$773 million over the last 12 months
- Increase in deposits of \$454 million over the last 12 months, to \$9.4 billion as at July 31, 2011

REAL ESTATE & COMMERCIAL

	FOR THE THREE MONTHS ENDED			FOR THE NINE MONTHS ENDED	
	JULY 31 2011	APRIL 30 2011	JULY 31 2010	JULY 31 2011	JULY 31 2010
In thousands of dollars, except percentage amounts (Unaudited)					
Net interest income	\$ 22,118	\$ 21,840	\$ 22,229	\$ 66,514	\$ 62,667
Other income	8,837	7,851	9,379	24,782	25,656
Total revenue	30,955	29,691	31,608	91,296	88,323
Provision for loan losses	3,541	4,840	9,433	15,653	18,567
Non-interest expenses	7,592	7,289	7,221	22,448	17,021
Income before income taxes	19,822	17,562	14,954	53,195	52,735
Income taxes	5,675	5,028	4,527	15,230	15,965
Net income	\$ 14,147	\$ 12,534	\$ 10,427	\$ 37,965	\$ 36,770
Efficiency ratio ⁽¹⁾	24.5 %	24.5 %	22.8 %	24.6 %	19.3 %

(1) Refer to the non-GAAP financial measures on page 22.

The Real Estate & Commercial business segment's contribution to net income increased by 36% or \$3.7 million, reaching \$14.1 million for the third quarter of 2011, compared with \$10.4 million for the third quarter of 2010.

Total revenue decreased slightly by \$0.6 million, from \$31.6 million in the third quarter of 2010 to \$31.0 million in the third quarter of 2011, essentially as a result of lower other income related to fees from foreign exchange operations and underwriting fees. Net interest income was relatively unchanged compared to a year ago, as growth in loan volumes was offset by lower margins due to increased competition. Loan losses improved by 63% or \$5.9 million to \$3.5 million in the third quarter of 2011, compared to \$9.4 million in the third quarter of 2010. This relatively low level of losses reflects the good credit quality of portfolios and includes a \$1.7 million recovery on a single commercial mortgage exposure. In addition, loan losses during the third quarter of 2010 were particularly affected by a \$5.0 million loss on a single commercial exposure. Non-interest expenses increased to \$7.6 million in the third quarter of 2011 from \$7.2 million in the third quarter of 2010, mainly as a result of increased salaries and employee benefits from additional headcount and pension costs compared to last year.

For the nine months ended July 31, 2011, net income increased by \$1.2 million to \$38.0 million as higher revenues and lower loan losses more than offset the increase in expenses. Total revenue for the nine months ended July 31, 2011 increased due to volume growth in the commercial mortgage loan portfolio. Non-interest expenses increased by \$5.4 million compared to the nine months ended July 31, 2010, mainly due to increased salary expenses as noted above and as results of 2010 included an expense reversal of \$2.8 million related to partial resolution of certain operational issues.

Balance sheet highlight

- Loans and BAs up 8% or more than \$227 million over the last 12 months

B2B TRUST

	FOR THE THREE MONTHS ENDED			FOR THE NINE MONTHS ENDED	
	JULY 31 2011	APRIL 30 2011	JULY 31 2010	JULY 31 2011	JULY 31 2010
In thousands of dollars, except percentage amounts (Unaudited)					
Net interest income	\$ 29,988	\$ 28,325	\$ 30,025	\$ 87,031	\$ 84,228
Other income	2,110	2,419	2,686	7,054	7,955
Total revenue	32,098	30,744	32,711	94,085	92,183
Provision for loan losses	353	372	984	1,102	2,518
Non-interest expenses	16,852	16,009	14,659	49,083	40,023
Income before income taxes	14,893	14,363	17,068	43,900	49,642
Income taxes	4,223	4,072	5,250	12,446	15,404
Net income	\$ 10,670	\$ 10,291	\$ 11,818	\$ 31,454	\$ 34,238
Efficiency ratio ⁽¹⁾	52.5 %	52.1 %	44.8 %	52.2 %	43.4 %

(1) Refer to the non-GAAP financial measures on page 22.

The B2B Trust business segment's contribution to net income decreased \$1.1 million to \$10.7 million in the third quarter of 2011, compared with \$11.8 million in the third quarter of 2010.

Total revenue decreased by 2% or \$0.6 million, from \$32.7 million in the third quarter of 2010, to \$32.1 million in the third quarter of 2011. Net interest income was down marginally, as better margins on the High Interest Investment Accounts and term deposits as well as loan volume growth were offset by tighter margins on investment and mortgage loans. Other income also decreased year-over-year, partly due to lower income from registered self-directed plans. Loan losses, including losses on investment lending activities, continued to improve and amounted to \$0.4 million in the third quarter of 2011, compared with \$1.0 million in the third quarter of 2010. Non-interest expenses increased to \$16.9 million in the third quarter of 2011, compared with \$14.7 million in the third quarter of 2010. This was mainly due to the combined effect of higher salary and employee benefits related to regular salary increases and additional business development and service center headcount, as well as higher allocated technology costs and rental costs to increase business activity and enhance service levels.

For the nine months ended July 31, 2011, net income decreased to \$31.5 million, as higher expenses more than offset increases in revenues and improved loan losses, essentially for the same reasons as noted above.

Balance sheet highlights

- Loans up 6% or \$305 million over the last 12 months
- Total deposits slightly down 2% or \$143 million over the last 12 months

LAURENTIAN BANK SECURITIES & CAPITAL MARKETS

	FOR THE THREE MONTHS ENDED			FOR THE NINE MONTHS ENDED	
	JULY 31 2011	APRIL 30 2011	JULY 31 2010	JULY 31 2011	JULY 31 2010
In thousands of dollars, except percentage amounts (Unaudited)					
Total revenue	\$ 11,851	\$ 17,872	\$ 13,981	\$ 45,964	\$ 43,748
Non-interest expenses	11,035	14,126	11,050	37,656	34,387
Income before income taxes	816	3,746	2,931	8,308	9,361
Income taxes	130	1,014	831	2,168	2,841
Net income	\$ 686	\$ 2,732	\$ 2,100	\$ 6,140	\$ 6,520
Efficiency ratio ⁽¹⁾	93.1 %	79.0 %	79.0 %	81.9 %	78.6 %

(1) Refer to the non-GAAP financial measures on page 22.

The Laurentian Bank Securities and Capital Markets business segment's contribution to net income decreased to \$0.7 million in the third quarter of 2011, compared with \$2.1 million in the third quarter of 2010.

Total revenue decreased by 15% or \$2.0 million as unfavourable market conditions created a difficult environment for underwriting and trading activities, resulting in lower brokerage and trading revenues during the third quarter of 2011. Non-interest expenses remained unchanged, as increased salaries from new representatives were offset by lower variable compensation costs from decreased transaction volumes during the quarter.

For the nine months ended July 31, 2011, net income decreased by 6% or \$0.4 million compared to the same period last year, as higher revenues from growth in clientele resulting from the recruitment of additional representatives were more than offset by higher expenses due to salaries and employee benefits as noted above.

Balance sheet highlight

▫ Assets under management stood at \$2.2 billion as at July 31, 2011

OTHER SECTOR

In thousands of dollars (Unaudited)	FOR THE THREE MONTHS ENDED			FOR THE NINE MONTHS ENDED	
	JULY 31 2011	APRIL 30 2011	JULY 31 2010	JULY 31 2011	JULY 31 2010
Net interest income	\$ (11,435)	\$ (11,704)	\$ (6,670)	\$ (33,549)	\$ (24,225)
Other income	11,476	8,263	217	28,530	6,495
Total revenue	41	(3,441)	(6,453)	(5,019)	(17,730)
Provision for loan losses	(2,076)	-	-	(2,076)	-
Non-interest expenses	7,004	5,665	6,711	15,854	18,335
Loss before income taxes	(4,887)	(9,106)	(13,164)	(18,797)	(36,065)
Income taxes recovery	(2,921)	(3,625)	(4,250)	(8,753)	(11,697)
Net loss	\$ (1,966)	\$ (5,481)	\$ (8,914)	\$ (10,044)	\$ (24,368)

The Other sector posted a negative contribution to net income of \$2.0 million in the third quarter of 2011, compared with a negative contribution of \$8.9 million in the third quarter of 2010. Net interest income decreased to negative \$11.4 million in the third quarter of 2011, compared to negative \$6.7 million in the third quarter of 2010. The decrease mainly results from the lower level and yield on securities held to hedge securitization activities. In addition, the higher level of securitized assets increases the forgone net interest income related to securitized loans recorded in the Other sector, as these loans remain on balance sheet in the Retail & SME Québec and B2B Trust segments for segmented information purposes.

Other income for the third quarter of 2011 was \$11.5 million, compared to \$0.2 million for the third quarter of 2010. The increase in profitability mainly results from higher securitization income resulting from gains, under current Canadian GAAP, and the increased level of securitized assets. During the quarter, the Bank securitized \$400.0 million of residential mortgage loans, as it had continued to fund most of its loan growth through securitization, which remained a favourably priced funding source.

SECURITIZATION INCOME

In thousands of dollars (Unaudited)	FOR THE THREE MONTHS ENDED			FOR THE NINE MONTHS ENDED	
	JULY 31 2011	APRIL 30 2011	JULY 31 2010	JULY 31 2011	JULY 31 2010
Gains on securitization operations	\$ 9,258	\$ 9,785	\$ 2,153	\$ 30,718	\$ 10,355
Changes in fair value of retained interests related to excess spreads, securitization swaps and financial instruments held for economic hedging purposes	(294)	(3,057)	(1,929)	(7,059)	(5,768)
Management income	1,881	2,082	1,455	5,916	5,407
Other	(644)	(1,246)	(744)	(2,920)	(4,551)
	\$ 10,201	\$ 7,564	\$ 935	\$ 26,655	\$ 5,443

Net income in the third quarter of 2011 was also impacted by a \$2.1 million decrease of the general allowance mainly attributable to adjustments to provisioning models in anticipation of conversion to IFRS. Non-interest expenses remained stable at \$7.0 million for the third quarter of 2011, compared with \$6.7 million for the third quarter of 2010.

For the nine months ended July 31, 2011, the negative contribution stood at \$10.0 million, compared to negative \$24.4 million for the nine months ended July 31, 2010, mainly due to higher securitization revenues and the decrease in the general allowance, as noted above.

SUBSEQUENT EVENTS

On September 2, 2011, Laurentian Bank and Mackenzie Financial Corporation (Mackenzie) announced that they had entered into an agreement pursuant to which B2B Trust, a subsidiary of the Laurentian Bank, will acquire 100% of the MRS Companies in a share purchase transaction. The transaction is expected to close in November 2011 subject to regulatory notifications and approvals.

The transaction would strengthen B2B Trust's product line as it is a leader in offering loan and deposit products to financial advisors while MRS is among the leaders offering self-directed registered products to this group. The final purchase price will be based on the net book value of the MRS Companies as of the closing date, plus a premium of \$50.0 million, and should approximate \$165 million, to be paid in cash. Preparation for integration is underway and should take 12 to 18 months to complete and cost approximately \$38 million, the majority being systems integration expenses. The transaction should be accretive to net earnings as early as 2013, upon the completion of the better part of the integration process and the materialization of expected cost and revenue synergies.

Also on September 2, 2011, Laurentian Bank and Mackenzie Investments announced their intention to conclude a distribution agreement for a preferred series of Mackenzie mutual funds. Under this agreement, Laurentian Bank, as principal distributor, would distribute a preferred series of Mackenzie funds as of the beginning of 2012. As a result of the conclusion of this agreement, the Bank may be required to pay Industrial Alliance a \$7.6 million penalty to terminate, in early 2012, the existing distribution agreement of IA Clarington funds. Nonetheless, the Bank expects that this new distribution agreement will be gradually accretive starting next year.

ADDITIONAL FINANCIAL INFORMATION – QUARTERLY RESULTS

In thousands of dollars, except per share and percentage amounts (Unaudited)	JULY 31 2011	APRIL 30 2011	JANUARY 31 2011	OCTOBER 31 2010	JULY 31 2010	APRIL 30 2010	JANUARY 31 2010	OCTOBER 31 2009
Total revenue	\$ 190,973	\$ 185,717	\$ 189,479	\$ 190,074	\$ 188,810	\$ 178,113	\$ 180,449	\$ 178,540
Income from continuing operations	\$ 35,282	\$ 30,142	\$ 33,493	\$ 32,514	\$ 30,064	\$ 28,349	\$ 32,014	\$ 26,779
Net income	\$ 35,282	\$ 30,142	\$ 33,493	\$ 32,514	\$ 30,064	\$ 28,349	\$ 32,014	\$ 38,248
Earnings per share from continuing operations								
Basic	\$ 1.34	\$ 1.13	\$ 1.27	\$ 1.24	\$ 1.13	\$ 1.06	\$ 1.21	\$ 0.99
Diluted	\$ 1.34	\$ 1.13	\$ 1.27	\$ 1.24	\$ 1.13	\$ 1.06	\$ 1.21	\$ 0.99
Earnings per share								
Basic	\$ 1.34	\$ 1.13	\$ 1.27	\$ 1.24	\$ 1.13	\$ 1.06	\$ 1.21	\$ 1.47
Diluted	\$ 1.34	\$ 1.13	\$ 1.27	\$ 1.24	\$ 1.13	\$ 1.06	\$ 1.21	\$ 1.47
Return on common shareholders' equity ⁽¹⁾	12.1 %	10.7 %	11.9 %	11.8 %	11.0 %	10.9 %	12.3 %	15.3 %
Balance sheet assets (in millions of dollars)	\$ 24,083	\$ 24,059	\$ 23,330	\$ 23,772	\$ 23,549	\$ 23,062	\$ 23,159	\$ 22,140

(1) Refer to the non-GAAP financial measures on page 22.

ACCOUNTING POLICIES

A summary of the Bank's significant accounting policies is presented in Notes 2 and 3 of the 2010 audited annual consolidated financial statements. Pages 58 to 61 of the 2010 Annual Report also contain a discussion of critical accounting policies and estimates which refer to material amounts reported in the consolidated financial statements or require management's judgment. The interim consolidated financial statements for the third quarter of 2011 have been prepared in accordance with these accounting policies.

FUTURE CHANGES IN ACCOUNTING POLICY

INTERNATIONAL FINANCIAL REPORTING STANDARDS

In February 2008, the Accounting Standards Board confirmed the convergence of financial reporting standards for Canadian public companies with International Financial Reporting Standards (IFRS). As a result, the Bank will adopt IFRS commencing on November 1, 2011 and will publish its first consolidated financial statements, prepared in accordance with IFRS, for the quarter ending January 31, 2012. Comparative financial information for fiscal 2011 will be provided at that time, prepared in accordance with IFRS, including an opening balance sheet as at November 1, 2010.

In order to manage the transition to IFRS, the Bank has prepared an enterprise-wide conversion plan supported by a formal governance structure and assembled a dedicated project team, including both internal and external resources, to coordinate and execute the conversion to IFRS. The key elements of the IFRS transition plan include developing a project governance framework, updating accounting policies, preparing financial statements, building financial reporting expertise, identifying impact on business processes and information technology, implementing internal controls over financial reporting (ICFR), and implementing appropriate disclosure controls and procedures (DC&P), including investor relations and communication plans. To date, the conversion plan is proceeding according to the Bank's initial timeline, and operationalization of the IFRS transition is underway. The Bank's conversion plan consists of the following four phases: (i) preliminary assessment; (ii) financial standards analysis; (iii) selection of key accounting policies; and (iv) implementation.

PROJECT STATUS

The Bank completed its preliminary assessment of the IFRS impact during the planning stage of the project in early 2009. Work on the financial standards analysis has allowed the Bank to identify the key accounting differences between IFRS and the Bank's current accounting policies. This phase is substantially completed as at the end of the third quarter of 2011, subject to changes to IFRS by the International Accounting Standards Board (IASB). These key differences have been summarized below. At the end of the third quarter of 2011, the Bank has completed most of the evaluation of key accounting policies but certain choices, mainly with regard to employee benefits and first-time adoption of IFRS, remain outstanding. The Bank will finalize these implementation decisions in the upcoming months. The implementation phase is progressing well with necessary changes made to processes and systems for all critical areas. An IT strategy was defined to appropriately manage the dual-accounting period in fiscal 2011. The implementation phase will be completed during fiscal 2011. The Bank has therefore not finalized the estimation and analysis of the expected financial impact of its IFRS conversion as at the end of the third quarter of 2011.

FIRST-TIME ADOPTION OF IFRS

The adoption of IFRS will require the application of IFRS 1, *First-Time Adoption of International Financial Reporting Standards (IFRS 1)*, which provides guidance for an entity's initial adoption of IFRS. In general, accounting changes resulting from the transition to IFRS will be reflected in the IFRS opening consolidated balance sheet on a retrospective basis. However, IFRS 1 includes certain mandatory exemptions and limited optional exemptions from retrospective application where it would be operationally impracticable. The IFRS 1 elections that the Bank expects to make upon transition are summarized below. This is not an exhaustive list and does not cover all exemptions which the Bank is considering. However, the remaining first-time adoption elections under IFRS 1 are not significant to the Bank's IFRS conversion plan and financial statements. These elections may change pending further developments in IFRS during the 2011 transition year.

a) Securitization

Generally, the Bank's securitization transactions would not meet IAS 39 derecognition criteria. In November 2010, the IASB approved amendments to IFRS 1 with regard to the derecognition exemption, which provide the option to grandfather certain securitization transactions occurring on or after an entity's transition date, or another date of the entity's choosing, instead of the current mandatory date of January 1, 2004. In February 2011, the Office of the Superintendent of Financial Institutions Canada (OSFI) concluded that banks should not early adopt these IFRS amendments and should apply the derecognition requirements in IAS 39 prospectively for transactions occurring on or after January 1, 2004. In line with OSFI's position, the Bank will apply IAS 39 derecognition requirements to past securitization transactions.

b) Designation of financial instruments

Under IAS 39, *Financial Instruments: Recognition and Measurement*, entities are permitted to make certain designations only upon initial recognition. IFRS 1 permits an issuer to classify at the transition date any financial instrument using the fair value option or as available-for-sale. The Bank has documented its financial instruments' classification decisions with regard to redesignations of certain financial instruments on its balance sheet, as well as the classification of financial instruments that will likely be recognized for the first time under IFRS. The redesignations essentially relate to financial instruments that would not meet the criteria for fair value option under IFRS. For other financial instruments, the Bank maintained its existing designations as at November 1, 2010.

c) Hedge accounting

Hedge accounting can be applied to hedging relationships as of November 1, 2010 only if all IFRS criteria are met. Consequently, the Bank's hedging strategies have been reviewed to ensure they qualify for hedge accounting under IFRS. Hedging documentation has been amended effective November 1, 2010 to ensure compliance with IFRS.

d) Employee benefits

At transition, IFRS generally provide for a retrospective adoption of IAS 19, *Employee Benefits*. To date, the Bank has not determined its potential impact given the significant challenge posed by the complexity of pension benefit plans. However, IFRS 1 provides the option to not retrospectively apply IAS 19 and recognize all cumulative actuarial gains and losses currently deferred under Canadian GAAP directly into retained earnings. If this election is made, net losses accumulated to the date of transition amounting to \$130.7 million (approximately \$95.0 million, net of income taxes) would be charged to opening retained earnings. This may have a significant effect on shareholders' equity. The Bank has not finalized its decision with respect to the use of this exemption, awaiting completion of further analysis on regulatory capital requirements.

e) Business combinations

At the transition date, the Bank can elect to not retrospectively restate any of the business combinations that occurred prior to the transition date, or to apply IFRS 3, *Business Combinations*, retrospectively to all past business acquisitions that occurred prior to the transition date or select a date prior to the date of transition and apply IFRS 3 to all business combinations occurring after that date. The Bank is considering selecting a date prior to the transition date in order to review initial assessments related to a specific acquisition, mainly with regard to intangible assets.

ANALYSIS OF KEY DIFFERENCES

IFRS were developed using a conceptual framework similar to Canadian GAAP, although significant differences exist in certain areas including recognition, measurement and disclosures. The following key differences between the Bank's current accounting practices and the corresponding accounting treatment under IFRS have been identified:

a) Loan provisioning

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

Specific provisions for loan losses must be based on the discounted values of estimated future cash flows. This amount is accreted over the period from the initial recognition of the provision to the eventual recovery of the present value of the loan, resulting in the recording of interest in the statement of income, within interest income. Under Canadian GAAP, the accretion amount is generally presented as a reduction of the provision for credit losses.

b) Securitization

The combined effect of financial asset derecognition rules and the consolidation of special purpose entity rules will impact securitization arrangements involving the Bank's off balance sheet loans. The rules provide more stringent criteria for the derecognition of financial assets. Based on the financial standards analysis, the derecognition criteria would not be met. As such, securitized mortgage loans will be recorded as mortgage assets on the balance sheet and the funds received will be recorded as secured borrowing bearing interest at a rate based on the yield of the investments issued to investors by the special purpose entities. In addition, as part of the Canada Mortgage Bond (CMB) Program, the Bank must manage the maturity mismatch between the amortizing mortgage pool and the CMB issued to investors. This requires the Bank to purchase additional assets, which under present Canadian GAAP are not recorded on the Bank's balance sheet. Under IFRS, these additional assets will also be recorded as pledged securities on balance sheet. These should lead to a gross-up of the Bank's balance sheet of approximately \$3.5 billion at transition. Furthermore, prior net unrealized gains on sales related to these transactions would be eliminated. Securitization income will be replaced with the interest income on the underlying mortgage loans and additional assets less the interest expense on the associated secured liability. This change impacts the timing of the recognition on the mortgage loans as the income is recognized over the life of the securitization. The total amount of income earned over the term of the mortgages remains unchanged.

c) Employee benefits

Actuarial gains or losses post transition to IFRS could be recognized in income immediately, amortized to income using a "Corridor Method" similar to Canadian GAAP, or directly in equity (the "SORIE Method"). The Bank is currently assessing its options and will make its election in 2011, based on the potential increase in reported earnings volatility and regulatory capital requirements.

d) Share-based payments

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

e) Earnings per share

IAS 33 is similar to section 3500 of the CICA Handbook in many regards. However, based on its financial standards analysis, the Bank concluded that, in their previous form, its perpetual preferred shares Series 9 and 10 would have been included in the calculation of the diluted earnings per share as they may have been converted into common shares, even though the conversion option was at the Bank's discretion. As a result, in order to maintain historical consistency in the Bank's diluted earnings per share calculation under current GAAP and IFRS and avoid dilution, the Bank unilaterally waived its conversion right on November 17, 2010 and thus removed the potential dilution impact.

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

FUTURE IFRS CHANGES POST INITIAL ADOPTION IN 2012 (EFFECTIVE 2013 OR LATER)

Throughout the current year and the period leading up to the conversion to IFRS in 2012, the Bank will continue to monitor the above-mentioned accounting policies and finalize its assessment of policy decisions available under IFRS in order to prepare for an orderly transition to IFRS. In fiscal 2010, the IASB published a new standard on the classification and measurement of financial assets and financial liabilities, but these changes will not have to be adopted until after the transition date. Key standards affecting financial instruments will likely be amended, in particular the impairment of financial assets, hedge accounting and the offsetting of assets and liabilities. Other standards, including those related to employee benefits, income taxes and financial statement presentation, could also be revised. All these changes are however, not expected to be adopted until after the transition date. The evolving nature of IFRS is also likely to result in additional accounting changes, some of which may be significant. The Bank will continue to actively monitor all of the IASB's projects and OSFI regulations that are relevant to the Bank's financial reporting and accounting policies and adjust its IFRS conversion project accordingly.

Other key elements to the IFRS conversion are summarized below and include: IFRS conversion plan governance framework, communications and training, internal controls over financial reporting, lending practices and capital issues, as well as all other matters to ensure an orderly transition.

IFRS CONVERSION PLAN GOVERNANCE FRAMEWORK

The Bank has put in place a Steering Committee that is responsible for ensuring the conversion plan is adequately followed. The Bank's Board of Directors, mainly through its Audit Committee, is also involved in the IFRS conversion plan. They receive quarterly updates of the timeline for implementation, the implications of IFRS standards on the business and an overview of the impact on the financial statements. The Audit Committee will continue to receive quarterly project status updates to ensure proper oversight of the conversion plan.

COMMUNICATIONS AND TRAINING

In 2008, the Bank initiated training programs for key finance and operational staff, who need to understand and execute on the impact of IFRS. Throughout 2010, training programs and updates were offered to other internal constituents such as the credit, commercial lending and treasury departments. As the Bank progresses in its conversion plan in 2011, it will also, together with other members of the banking community, communicate IFRS implications to the various interested stakeholders and provide additional training to internal constituents as required.

INTERNAL CONTROLS OVER FINANCIAL REPORTING (ICFR)

As the review of accounting policies is completed, appropriate changes to ensure the integrity of internal control over financial reporting and disclosure controls and procedures will be made. Based on existing IFRS, the Bank has not identified the need for any significant modifications to its financial information technology architecture or to existing ICFR and disclosure controls. ICFR will be appropriately addressed as processes and system assessments are finalized in the upcoming periods, including disclosures and associated controls required in respect of the transition to IFRS in 2012.

LENDING PRACTICES

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

CAPITAL IMPLICATIONS

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

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

The implications of the new capital and liquidity requirements issued by the Basel Committee on Banking Supervision in December 2010 are also being considered closely as part of the IFRS transition plan.

OTHER CONSIDERATIONS

The Bank assessed the impact of the IFRS conversion on its performance measurement processes, including planning and budgeting and has not identified any significant changes required to its business activities.

CORPORATE GOVERNANCE AND CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

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

During the last quarter ended July 31, 2011, there have been no changes in the Bank's policies or procedures and other processes that comprise its internal control over financial reporting which have materially affected, or are reasonably likely to materially affect, the Bank's internal control over financial reporting.

NON-GAAP FINANCIAL MEASURES

The Bank uses both generally accepted accounting principles ("GAAP") and certain non-GAAP measures to assess performance. 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. These non-GAAP financial measures are considered useful to investors and analysts in obtaining a better understanding of the Bank's financial results and analyzing its growth and profit potential more effectively. The Bank's non-GAAP financial measures are defined as follows:

RETURN ON COMMON SHAREHOLDERS' EQUITY

Return on common shareholders' equity is a profitability measure that presents the net income available to common shareholders as a percentage of average common shareholders' equity, excluding accumulated other comprehensive income.

BOOK VALUE PER COMMON SHARE

The Bank's book value is defined as common shareholders' equity, excluding accumulated other comprehensive income, divided by the number of common shares outstanding at the end of the period.

TANGIBLE COMMON EQUITY RATIO

Tangible common equity is defined as common shareholders' equity, excluding accumulated other comprehensive income, less goodwill and contractual and customer relationship intangible assets. The tangible common equity ratio is defined as the tangible common equity as a percentage of risk-weighted assets.

NET INTEREST MARGIN

The net interest margin represents net interest income as a percentage of total average assets.

EFFICIENCY RATIO AND OPERATING LEVERAGE

The Bank uses the efficiency ratio as a measure of its productivity and cost control. This ratio is defined as non-interest expenses as a percentage of total revenue. The Bank also uses operating leverage as a measure of efficiency. Operating leverage is defined as the percentage rate of growth in total revenue less the percentage rate of growth in non-interest expenses.

DIVIDEND PAYOUT RATIO

The dividend payout ratio is defined as dividends declared on common shares as a percentage of net income available to common shareholders.

ABOUT LAURENTIAN BANK

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

Laurentian Bank is well established in the Province of Québec, operating the third-largest retail branch network. Elsewhere throughout Canada, it operates in specific market segments where it holds an enviable position. Laurentian Bank of Canada has more than \$24 billion in balance sheet assets and more than \$15 billion in assets under administration. Founded in 1846, the Bank employs more than 3,800 people.

CONFERENCE CALL

Laurentian Bank invites media representatives and the public to listen to the conference call with financial analysts to be held at 1:30 p.m. Eastern Time on Friday, September 2, 2011. The live, listen-only, toll-free, call-in number is 1-866-696-5910 Code 5434570#.

You can listen to the call on a delayed basis at any time from 6:00 p.m. on Friday, September 2, 2011 until 11:59 p.m. on October 2, 2011, by dialing the following playback number: 514-861-2272 or 1-800-408-3053 Code 3782631#. The conference call can also be heard through the Investor Relations section of the Bank's Web site at www.laurentianbank.ca. The Bank's Website also offers additional financial information.

Chief Financial Officer: Michel C. Lauzon, 514-284-4500 #7997

Media and Investor Relations contact: Gladys Caron, 514-284-4500 #7511; cell 514-893-3963

CONSOLIDATED BALANCE SHEET

In thousands of dollars (Unaudited)	NOTES	AS AT JULY 31 2011	AS AT OCTOBER 31 2010	AS AT JULY 31 2010
ASSETS				
Cash and non-interest-bearing deposits with other banks		\$ 69,820	\$ 70,537	\$ 69,213
Interest-bearing deposits with other banks		596,979	95,561	96,214
Securities accounts	10			
Available-for-sale		1,028,953	1,103,744	1,039,864
Held-for-trading		2,044,465	1,496,583	1,605,998
Designated as held-for-trading		1,013,003	1,658,478	1,790,221
		4,086,421	4,258,805	4,436,083
Securities purchased under reverse repurchase agreements		312,647	803,874	656,791
Loans	2 and 3			
Personal		5,728,317	5,630,788	5,659,775
Residential mortgage		8,744,411	8,582,548	8,407,188
Commercial mortgage		1,741,598	1,638,861	1,512,892
Commercial and other		1,863,448	1,691,190	1,713,938
		18,077,774	17,543,387	17,293,793
Allowance for loan losses		(147,663)	(138,143)	(129,964)
		17,930,111	17,405,244	17,163,829
Other				
Customers' liabilities under acceptances		198,429	165,450	188,824
Premises and equipment		63,616	58,536	57,206
Derivatives		147,009	162,610	175,130
Goodwill		53,790	53,790	53,790
Software and other intangible assets		114,812	112,369	106,832
Other assets		509,054	585,362	544,794
		1,086,710	1,138,117	1,126,576
		\$ 24,082,688	\$ 23,772,138	\$ 23,548,706
LIABILITIES AND SHAREHOLDERS' EQUITY				
Deposits				
Personal		\$ 15,606,705	\$ 15,396,911	\$ 15,564,281
Business, banks and other		3,891,333	4,250,819	3,469,719
		19,498,038	19,647,730	19,034,000
Other				
Obligations related to securities sold short		1,436,439	1,362,336	1,199,018
Obligations related to securities sold under repurchase agreements		367,814	60,050	794,023
Acceptances		198,429	165,450	188,824
Derivatives		181,758	199,278	173,584
Other liabilities		854,628	947,879	792,624
		3,039,068	2,734,993	3,148,073
Subordinated debt	4	242,072	150,000	150,000
Shareholders' equity				
Preferred shares	5	210,000	210,000	210,000
Common shares	5	259,492	259,363	259,363
Contributed surplus		227	243	234
Retained earnings		802,795	741,911	720,908
Accumulated other comprehensive income	9	30,996	27,898	26,128
		1,303,510	1,239,415	1,216,633
		\$ 24,082,688	\$ 23,772,138	\$ 23,548,706

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

CONSOLIDATED STATEMENT OF INCOME

In thousands of dollars, except per share amounts (Unaudited)	NOTES	FOR THE THREE MONTHS ENDED			FOR THE NINE MONTHS ENDED	
		JULY 31 2011	APRIL 30 2011	JULY 31 2010	JULY 31 2011	JULY 31 2010
Interest income						
Loans		\$ 203,304	\$ 196,505	\$ 193,722	\$ 606,080	\$ 556,611
Securities		15,618	15,210	19,075	46,394	53,955
Deposits with other banks		1,584	1,581	73	4,167	186
Other, including derivatives		18,221	15,507	29,490	50,649	93,000
		238,727	228,803	242,360	707,290	703,752
Interest expense						
Deposits		112,032	108,851	109,304	334,394	327,580
Other, including derivatives		466	1,166	1,235	2,084	2,165
Subordinated debt		2,411	2,352	1,951	9,142	5,788
		114,909	112,369	112,490	345,620	335,533
Net interest income		123,818	116,434	129,870	361,670	368,219
Other income						
Fees and commissions on loans and deposits		30,240	28,211	29,372	86,635	84,839
Income from brokerage operations		10,221	16,592	11,607	40,097	38,014
Income from treasury and financial market operations		4,555	4,003	4,186	13,645	12,921
Credit insurance income		4,223	4,498	4,287	14,044	13,026
Income from sales of mutual funds		4,483	4,460	3,739	13,050	11,051
Income from registered self-directed plans		1,674	1,990	2,282	5,748	6,683
Securitization income	3	10,201	7,564	935	26,655	5,443
Other		1,558	1,965	2,532	4,625	7,176
		67,155	69,283	58,940	204,499	179,153
Total revenue		190,973	185,717	188,810	566,169	547,372
Provision for loan losses	2	8,000	12,000	20,000	35,000	52,000
Non-interest expenses						
Salaries and employee benefits		72,466	75,416	71,021	220,214	203,863
Premises and technology		36,198	34,845	33,201	105,507	97,360
Other		28,108	24,563	23,598	76,833	70,529
		136,772	134,824	127,820	402,554	371,752
Income before income taxes		46,201	38,893	40,990	128,615	123,620
Income taxes		10,919	8,751	10,926	29,698	33,193
Net income		\$ 35,282	\$ 30,142	\$ 30,064	\$ 98,917	\$ 90,427
Preferred share dividends, including applicable taxes		3,107	3,109	3,075	9,325	9,223
Net income available to common shareholders		\$ 32,175	\$ 27,033	\$ 26,989	\$ 89,592	\$ 81,204
Average number of common shares outstanding (in thousands)						
Basic		23,925	23,923	23,921	23,923	23,920
Diluted		23,943	23,946	23,938	23,944	23,937
Earnings per share						
Basic		\$ 1.34	\$ 1.13	\$ 1.13	\$ 3.75	\$ 3.39
Diluted		\$ 1.34	\$ 1.13	\$ 1.13	\$ 3.74	\$ 3.39

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In thousands of dollars (Unaudited)	NOTES	FOR THE THREE MONTHS ENDED		FOR THE NINE MONTHS ENDED	
		JULY 31 2011	JULY 31 2010	JULY 31 2011	JULY 31 2010
Net income		\$ 35,282	\$ 30,064	\$ 98,917	\$ 90,427
Other comprehensive income, net of income taxes	9				
Unrealized gains (losses) on available-for-sale securities		(986)	(420)	1,410	3,273
Reclassification of net (gains) losses on available-for-sale securities to net income		(752)	49	(2,905)	(1,828)
Net change in value of derivatives designated as cash flow hedges		17,006	14,882	4,593	(11,588)
		15,268	14,511	3,098	(10,143)
Comprehensive income		\$ 50,550	\$ 44,575	\$ 102,015	\$ 80,284

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

In thousands of dollars (Unaudited)	NOTES	FOR THE NINE MONTHS ENDED	
		JULY 31 2011	JULY 31 2010
Preferred shares			
Balance at beginning and end of period		\$ 210,000	\$ 210,000
Common shares	5		
Balance at beginning of period		259,363	259,208
Issued during the period under share purchase option plan		129	155
Balance at end of period		259,492	259,363
Contributed surplus			
Balance at beginning of period		243	209
Stock-based compensation	6	(16)	25
Balance at end of period		227	234
Retained earnings			
Balance at beginning of period		741,911	665,538
Net income		98,917	90,427
Dividends			
Preferred shares, including applicable taxes		(9,325)	(9,223)
Common shares		(28,708)	(25,834)
Balance at end of period		802,795	720,908
Accumulated other comprehensive income	9		
Balance at beginning of period		27,898	36,271
Other comprehensive income, net of income taxes		3,098	(10,143)
Balance at end of period		30,996	26,128
Shareholders' equity		\$ 1,303,510	\$ 1,216,633

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

CONSOLIDATED STATEMENT OF CASH FLOWS

In thousands of dollars (Unaudited)	FOR THE THREE MONTHS ENDED			FOR THE NINE MONTHS ENDED	
	JULY 31 2011	APRIL 30 2011	JULY 31 2010	JULY 31 2011	JULY 31 2010
Cash flows relating to operating activities					
Net income	\$ 35,282	\$ 30,142	\$ 30,064	\$ 98,917	\$ 90,427
Adjustments to determine net cash flows relating to operating activities:					
Provision for loan losses	8,000	12,000	20,000	35,000	52,000
Gains on securitization operations	(9,258)	(9,785)	(2,153)	(30,718)	(10,355)
Net gain on disposal of available-for-sale securities	(1,042)	(653)	(224)	(3,568)	(2,640)
Future income taxes	8,899	4,190	2,579	17,160	12,204
Depreciation	2,859	2,669	2,691	8,129	7,979
Amortization of software and other intangible assets	7,548	7,462	6,679	22,254	19,506
Net change in held-for-trading securities	203,542	(358,921)	(115,221)	(547,882)	(214,685)
Change in accrued interest receivable	13,909	(13,775)	18,814	17,330	17,015
Change in derivative assets	(26,808)	12,575	79,239	15,601	78,531
Change in accrued interest payable	(17,316)	3,813	(2,067)	(17,361)	(7,209)
Change in derivative liabilities	953	(5,256)	(58,166)	(17,520)	(1,275)
Other, net	(26,223)	112,998	21,354	7,757	(20,914)
	200,345	(202,541)	3,589	(394,901)	20,584
Cash flows relating to financing activities					
Net change in deposits	(128,472)	662,510	324,105	(149,692)	758,693
Change in obligations related to securities sold short	(820)	266,442	(21,741)	74,103	144,548
Change in obligations related to securities sold under repurchase agreements	161,891	(263,098)	203,855	307,764	509,035
Issuance of subordinated debt, net of issue costs	-	-	-	248,403	-
Redemption of subordinated debentures	-	-	-	(150,000)	-
Issuance of common shares	8	96	-	129	155
Dividends, including applicable income taxes	(13,156)	(12,440)	(11,686)	(38,034)	(35,057)
	19,451	653,510	494,533	292,673	1,377,374
Cash flows relating to investing activities					
Change in securities available-for-sale and designated as held-for-trading					
Acquisitions	(68,286)	(191,125)	(565,447)	(1,772,905)	(2,540,356)
Proceeds on sale and at maturities	83,422	174,866	422,019	2,481,207	2,764,753
Change in loans	(795,272)	(581,291)	(708,411)	(1,797,185)	(2,261,024)
Change in securities purchased under reverse repurchase agreements	130,809	(111,521)	(87,725)	491,227	(120,727)
Proceeds from mortgage loan securitizations	399,682	450,896	362,104	1,238,491	645,872
Additions to premises and equipment and software	(14,416)	(10,652)	(13,296)	(37,906)	(29,973)
Change in interest-bearing deposits with other banks	44,798	(187,177)	98,602	(501,418)	143,392
Net cash flows from discontinued operations	-	-	-	-	8,308
	(219,263)	(456,004)	(492,154)	101,511	(1,389,755)
Net change in cash and non-interest-bearing deposits with other banks	533	(5,035)	5,968	(717)	8,203
Cash and non-interest-bearing deposits with other banks at beginning of period	69,287	74,322	63,245	70,537	61,010
Cash and non-interest-bearing deposits with other banks at end of period	\$ 69,820	\$ 69,287	\$ 69,213	\$ 69,820	\$ 69,213
Supplemental disclosure relating to cash flows:					
Interest paid during the period	\$ 127,553	\$ 108,285	\$ 115,630	\$ 363,983	\$ 345,457
Income taxes paid during the period	\$ 3,137	\$ 6,686	\$ 959	\$ 27,812	\$ 19,892

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

All tabular amounts are in thousands of dollars, unless otherwise indicated (Unaudited)

1 ACCOUNTING POLICIES

These unaudited interim consolidated financial statements of Laurentian Bank of Canada (the "Bank") have been prepared by management which is responsible for the integrity and fairness of the financial information presented. These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") for interim financial statements and follow the same significant accounting policies as those in the Bank's audited annual consolidated financial statements as at October 31, 2010. These accounting policies conform to GAAP. However, these interim consolidated financial statements do not reflect all of the information and disclosures required by GAAP for complete financial statements. Accordingly, these interim consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements as at October 31, 2010. These interim consolidated financial statements reflect amounts which are based on the best estimates and judgment of management. Actual results may differ from these estimates. Certain comparative figures have been reclassified to conform to the current period presentation.

FUTURE CHANGES IN ACCOUNTING POLICIES

International Financial Reporting Standards

In February 2008, the Accounting Standards Board confirmed the convergence of financial reporting standards for Canadian public companies with International Financial Reporting Standards (IFRS). As a result, the Bank will adopt IFRS commencing on November 1, 2011 and will issue its first consolidated financial statements, prepared in accordance with IFRS, for the quarter ending January 31, 2012. Comparative financial information for fiscal 2011 will be provided at that time, prepared in accordance with IFRS, including an opening balance sheet as at November 1, 2010.

2 LOANS

LOANS AND IMPAIRED LOANS

	AS AT JULY 31, 2011				
	GROSS AMOUNT OF LOANS	GROSS AMOUNT OF IMPAIRED LOANS	SPECIFIC ALLOWANCES	GENERAL ALLOWANCES	TOTAL ALLOWANCES
Personal	\$ 5,728,317	\$ 15,369	\$ 5,267	\$ 27,275	\$ 32,542
Residential mortgage ⁽¹⁾	8,744,411	56,297	8,338	5,587	13,925
Commercial mortgage	1,741,598	28,380	14,295	17,422	31,717
Commercial and other	1,863,448	71,646	48,589	20,890	69,479
	\$ 18,077,774	\$ 171,692	\$ 76,489	\$ 71,174	\$ 147,663

	AS AT OCTOBER 31, 2010				
	GROSS AMOUNT OF LOANS	GROSS AMOUNT OF IMPAIRED LOANS	SPECIFIC ALLOWANCES	GENERAL ALLOWANCES	TOTAL ALLOWANCES
Personal	\$ 5,630,788	\$ 16,397	\$ 5,312	\$ 29,294	\$ 34,606
Residential mortgage ⁽¹⁾	8,582,548	39,304	4,256	2,861	7,117
Commercial mortgage	1,638,861	34,316	10,934	6,212	17,146
Commercial and other	1,691,190	98,106	44,391	34,883	79,274
	\$ 17,543,387	\$ 188,123	\$ 64,893	\$ 73,250	\$ 138,143

	AS AT JULY 31, 2010				
	GROSS AMOUNT OF LOANS	GROSS AMOUNT OF IMPAIRED LOANS	SPECIFIC ALLOWANCES	GENERAL ALLOWANCES	TOTAL ALLOWANCES
Personal	\$ 5,659,775	\$ 17,837	\$ 5,486	\$ 30,219	\$ 35,705
Residential mortgage ⁽¹⁾	8,407,188	29,907	3,145	3,052	6,197
Commercial mortgage	1,512,892	33,510	9,456	5,620	15,076
Commercial and other	1,713,938	101,197	38,627	34,359	72,986
	\$ 17,293,793	\$ 182,451	\$ 56,714	\$ 73,250	\$ 129,964

(1) Includes mortgage loans on residential real estate development properties and projects.

2 LOANS (CONTINUED)

SPECIFIC ALLOWANCES FOR LOAN LOSSES

	FOR THE NINE MONTHS ENDED					
					JULY 31	JULY 31
					2011	2010
	PERSONAL LOANS	RESIDENTIAL MORTGAGE LOANS	COMMERCIAL MORTGAGE LOANS	COMMERCIAL AND OTHER LOANS	TOTAL SPECIFIC ALLOWANCES	TOTAL SPECIFIC ALLOWANCES
Balance at beginning of period	\$ 5,312	\$ 4,256	\$ 10,934	\$ 44,391	\$ 64,893	\$ 41,296
Provision for loan losses recorded in the consolidated statement of income	17,112	4,390	3,391	12,183	37,076	52,000
Write-offs	(19,158)	(959)	(30)	(8,183)	(28,330)	(42,682)
Recoveries	2,001	651	-	198	2,850	6,100
Balance at end of period	\$ 5,267	\$ 8,338	\$ 14,295	\$ 48,589	\$ 76,489	\$ 56,714

GENERAL ALLOWANCES FOR LOAN LOSSES

	FOR THE NINE MONTHS ENDED					
					JULY 31	JULY 31
					2011	2010
	PERSONAL LOANS	RESIDENTIAL MORTGAGE LOANS	COMMERCIAL MORTGAGE LOANS	COMMERCIAL AND OTHER LOANS	TOTAL GENERAL ALLOWANCES	TOTAL GENERAL ALLOWANCES
Balance at beginning of period	\$ 29,294	\$ 2,861	\$ 6,212	\$ 34,883	\$ 73,250	\$ 73,250
Provision for loan losses recorded in the consolidated statement of income	(2,019)	2,726	11,210	(13,993)	(2,076)	-
Balance at end of period	\$ 27,275	\$ 5,587	\$ 17,422	\$ 20,890	\$ 71,174	\$ 73,250

LOANS PAST DUE BUT NOT IMPAIRED

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

	AS AT JULY 31, 2011			
	1 DAY- 31 DAYS	32 DAYS- 90 DAYS	OVER 90 DAYS	TOTAL
Personal loans	\$ 98,428	\$ 25,325	\$ 5,667	\$ 129,420
Residential mortgage loans ⁽¹⁾	210,812	33,310	25,277	269,399
	\$ 309,240	\$ 58,635	\$ 30,944	\$ 398,819

	AS AT OCTOBER 31, 2010			
	1 DAY- 31 DAYS	32 DAYS- 90 DAYS	OVER 90 DAYS	TOTAL
Personal loans	\$ 103,203	\$ 26,478	\$ 7,160	\$ 136,841
Residential mortgage loans ⁽¹⁾	251,282	26,850	21,085	299,217
	\$ 354,485	\$ 53,328	\$ 28,245	\$ 436,058

(1) Include mortgage loans on residential real estate development properties and projects.

3 LOAN SECURITIZATION

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

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

	FOR THE THREE MONTHS ENDED			FOR THE NINE MONTHS ENDED	
	JULY 31 2011	APRIL 30 2011	JULY 31 2010	JULY 31 2011	JULY 31 2010
Cash proceeds, net of transaction costs	\$ 399,682	\$ 450,896	\$ 362,104	\$ 1,238,491	\$ 645,872
Rights to future excess spreads	19,455	18,860	15,841	55,480	31,189
Servicing liability	(3,182)	(3,384)	(2,814)	(9,901)	(5,139)
Other	(3,498)	(2,213)	(5,613)	(3,584)	(6,896)
	412,457	464,159	369,518	1,280,486	665,026
Residential mortgages securitized and sold ⁽¹⁾	(399,994)	(449,278)	(362,355)	(1,237,318)	(646,502)
Write-off of loan origination costs	(3,205)	(5,096)	(5,010)	(12,450)	(8,169)
Gains before income taxes, net of transaction costs	\$ 9,258	\$ 9,785	\$ 2,153	\$ 30,718	\$ 10,355

(1) Fully insured by the CMHC.

Key assumptions used to determine the initial fair value of retained interests regarding the transfer of residential mortgages are summarized as follows.

	DURING THE QUARTER ENDED		
	JULY 31 2011	APRIL 30 2011	JULY 31 2010
Weighted average term (months)	31	30	31
Rate of prepayment	18 %	19 %	19 %
Discount rate	1.9 %	1.9 %	2.1 %

No loss is expected on insured residential mortgages.

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

	FOR THE THREE MONTHS ENDED			FOR THE NINE MONTHS ENDED	
	JULY 31 2011	APRIL 30 2011	JULY 31 2010	JULY 31 2011	JULY 31 2010
Gains on securitization operations	\$ 9,258	\$ 9,785	\$ 2,153	\$ 30,718	\$ 10,355
Changes in fair value of retained interests related to excess spreads, securitization swaps and financial instruments held for economic hedging purposes	(294)	(3,057)	(1,929)	(7,059)	(5,768)
Management income	1,881	2,082	1,455	5,916	5,407
Other	(644)	(1,246)	(744)	(2,920)	(4,551)
	\$ 10,201	\$ 7,564	\$ 935	\$ 26,655	\$ 5,443

As at July 31, 2011, the Bank held rights to future excess spreads of \$108.0 million (of which \$107.8 million related to insured mortgages) and cash reserve accounts of \$5.6 million.

The total principal amount of outstanding securitized residential mortgage loans under management amounted to \$3.3 billion as at July 31, 2011 (\$2.7 billion as at October 31, 2010).

4 SUBORDINATED DEBT

ISSUANCE

On November 2, 2010, the Bank issued \$250.0 million Series 2010-1 Medium Term Notes (Subordinated Indebtedness), for net proceeds of \$248.4 million. The contractual maturity of the Series 2010-1 Medium Term Notes is November 2, 2020. Holders of the Series 2010-1 Medium Term Notes are entitled to receive semi-annually fixed interest payments for the initial five-year period ending November 2, 2015 at a rate of 3.70% per annum. The interest rate on the Series 2010-1 Medium Term Notes will reset on November 2, 2015 at the three-month bankers' acceptance rate plus 1.76% per annum.

The Series 2010-1 Medium Term Notes will not be redeemable prior to November 2, 2015. Subject to the provisions of the *Bank Act*, to the prior consent of OSFI and to the provisions described in the pricing supplement dated October 25, 2010, at any time on or after November 2, 2015, the Bank may redeem all or any part of the then outstanding Series 2010-1 Medium Term Notes, at the Bank's option, by the payment of an amount in cash equal to the par value together with unpaid accrued interest.

The \$250.0 million Series 2010-1 Medium Term Notes are presented net of unamortized issue costs of \$1.6 million on the consolidated balance sheet and include a net fair value adjustment of \$6.3 million to reflect the change in the carrying value previously covered by a fair value hedge.

REDEMPTION

On January 25, 2011, the Bank redeemed all of its 4.90% Subordinated Debentures, Series 10, maturing in 2016, with an aggregate notional amount of \$150.0 million. The Debentures were redeemed at par plus accrued and unpaid interest to the date of redemption.

5 CAPITAL STOCK

ISSUANCE OF COMMON SHARES

During the quarter, 275 common shares were issued to management under the Bank's employee share purchase option plan for a cash consideration of \$8,000 (4,075 common shares for a cash consideration of \$129,000 during the nine-month period ended July 31, 2011).

ISSUED AND OUTSTANDING	AS AT JULY 31, 2011		AS AT OCTOBER 31, 2010	
	NUMBER OF SHARES	AMOUNT	NUMBER OF SHARES	AMOUNT
In thousands of dollars, except number of shares				
Class A Preferred Shares				
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	23,925,037	\$ 259,492	23,920,962	\$ 259,363

PREFERRED SHARES

On November 17, 2010, the Bank irrevocably renounced to its right of conversion of its Class A preferred shares into common shares.

CAPITAL MANAGEMENT

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

Regulatory guidelines issued by OSFI require banks to maintain a minimum Tier 1 capital ratio of at least 7% and a Total capital ratio of at least 10%. The Bank opted for the standard approach for credit risk and, as at January 31, 2011, the Bank has chosen to use the Standardised Approach to account for operational risk instead of the Basic Indicator Approach. In addition, Canadian banks are required to ensure that their assets to capital multiple, which is calculated by dividing gross adjusted assets by Total capital, does not exceed a maximum level prescribed by OSFI. The Bank has complied with these requirements throughout the nine-month period ended July 31, 2011.

6 STOCK-BASED COMPENSATION

SHARE PURCHASE OPTION PLAN

No new share options were granted during the first nine months of 2011. Information relating to outstanding number of options is as follows.

	AS AT JULY 31, 2011	AS AT OCTOBER 31, 2010
	NUMBER	NUMBER
Share purchase options		
Outstanding at end of period	50,000	54,075
Exercisable at end of period	50,000	41,575

RESTRICTED SHARE UNIT PLANS

During the first quarter of 2011, under the restricted share unit plan, annual bonuses for certain employees amounting to \$1.8 million were converted into 39,559 entirely vested restricted share units. Simultaneously, the Bank also granted 23,736 additional restricted share units that will vest in December 2013. There were no new grants during the second and third quarters.

During the first quarter of 2011, under the restricted share unit plan for employees of the Capital Markets sector, annual bonuses for certain employees amounting to \$1.1 million were converted into 25,029 entirely vested restricted share units. This plan does not provide for any employer contribution and a third of the restricted share units are redeemed at each of the three first anniversary dates of the grant. There were no new grants during the second and third quarters.

PERFORMANCE-BASED SHARE UNIT PLAN

During the first quarter of 2011, under the performance-based share unit plan, the Bank granted 50,100 performance-based share units valued at \$45.77 each. Rights to 37.5% of these units will vest after three years. The rights to the remaining 62.5% units will vest after three years and upon meeting certain financial objectives. There were no new grants during the second and third quarters.

STOCK APPRECIATION RIGHTS PLAN

There were no new grants during the first nine months of 2011 under the stock appreciation rights plan.

STOCK-BASED COMPENSATION PLAN EXPENSE

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

	FOR THE THREE MONTHS ENDED			FOR THE NINE MONTHS ENDED	
	JULY 31 2011	APRIL 30 2011	JULY 31 2010	JULY 31 2011	JULY 31 2010
Stock-based compensation plan expense (revenue)	\$(4,471)	\$ (873)	\$ 2,579	\$ 1,864	\$ 7,166
Effect of hedges	5,678	2,029	(1,623)	709	(5,194)
Total	\$ 1,207	\$ 1,156	\$ 956	\$ 2,573	\$ 1,972

7 EMPLOYEE FUTURE BENEFITS

	FOR THE THREE MONTHS ENDED			FOR THE NINE MONTHS ENDED	
	JULY 31 2011	APRIL 30 2011	JULY 31 2010	JULY 31 2011	JULY 31 2010
Defined benefit pension plan expense	\$ 3,659	\$ 3,525	\$ 2,071	\$ 10,704	\$ 5,970
Defined contribution pension plan expense	1,315	1,263	1,188	3,786	3,413
Other plan expense	805	780	853	2,390	2,531
Total	\$ 5,779	\$ 5,568	\$ 4,112	\$ 16,880	\$ 11,914

8 DILUTED WEIGHTED AVERAGE NUMBER OF OUTSTANDING COMMON SHARES

	FOR THE THREE MONTHS ENDED			FOR THE NINE MONTHS ENDED	
	JULY 31 2011	APRIL 30 2011	JULY 31 2010	JULY 31 2011	JULY 31 2010
Weighted average number of outstanding common shares	23,924,959	23,923,315	23,920,962	23,923,322	23,920,383
Dilutive share purchase options	18,524	22,194	17,186	20,208	16,448
Diluted weighted average number of outstanding common shares	23,943,483	23,945,509	23,938,148	23,943,530	23,936,831

9 ADDITIONAL INFORMATION REGARDING OTHER COMPREHENSIVE INCOME

OTHER COMPREHENSIVE INCOME

	FOR THE THREE MONTHS ENDED			FOR THE THREE MONTHS ENDED		
	JULY 31 2011			JULY 31 2010		
	AMOUNTS BEFORE INCOME TAXES	INCOME TAXES	AMOUNTS NET OF INCOME TAXES	AMOUNTS BEFORE INCOME TAXES	INCOME TAXES	AMOUNTS NET OF INCOME TAXES
Unrealized net losses on available-for-sale securities	\$ (1,017)	\$ 31	\$ (986)	\$ (321)	\$ (99)	\$ (420)
Reclassification of net (gains) losses on available-for-sale securities to net income	(1,042)	290	(752)	9	40	49
	(2,059)	321	(1,738)	(312)	(59)	(371)
Net change in value of derivatives designated as cash flow hedges	23,486	(6,480)	17,006	21,422	(6,540)	14,882
Other comprehensive income	\$ 21,427	\$ (6,159)	\$ 15,268	\$ 21,110	\$ (6,599)	\$ 14,511

	FOR THE NINE MONTHS ENDED			FOR THE NINE MONTHS ENDED		
	JULY 31 2011			JULY 31 2010		
	AMOUNTS BEFORE INCOME TAXES	INCOME TAXES	AMOUNTS NET OF INCOME TAXES	AMOUNTS BEFORE INCOME TAXES	INCOME TAXES	AMOUNTS NET OF INCOME TAXES
Unrealized net gains on available-for-sale securities	\$ 2,349	\$ (939)	\$ 1,410	\$ 4,891	\$ (1,618)	\$ 3,273
Reclassification of net gains on available-for-sale securities to net income	(3,568)	663	(2,905)	(2,603)	775	(1,828)
	(1,219)	(276)	(1,495)	2,288	(843)	1,445
Net change in value of derivatives designated as cash flow hedges	5,310	(717)	4,593	(17,113)	5,525	(11,588)
Other comprehensive income	\$ 4,091	\$ (993)	\$ 3,098	\$ (14,825)	\$ 4,682	\$ (10,143)

9 ADDITIONAL INFORMATION REGARDING OTHER COMPREHENSIVE INCOME (CONTINUED)

ACCUMULATED OTHER COMPREHENSIVE INCOME (NET OF INCOME TAXES)

	CASH FLOW HEDGES	AVAILABLE- FOR-SALE SECURITIES	ACCUMULATED OTHER COMPREHENSIVE INCOME
Balance at October 31, 2010	\$ 19,230	\$ 8,668	\$ 27,898
Change during the three months ended January 31, 2011	(8,154)	(1,587)	(9,741)
Change during the three months ended April 30, 2011	(4,259)	1,830	(2,429)
Change during the three months ended July 31, 2011	17,006	(1,738)	15,268
Balance at July 31, 2011	\$ 23,823	\$ 7,173	\$ 30,996

	CASH FLOW HEDGES	AVAILABLE- FOR-SALE SECURITIES	ACCUMULATED OTHER COMPREHENSIVE INCOME
Balance at October 31, 2009	\$ 32,596	\$ 3,675	\$ 36,271
Change during the three months ended January 31, 2010	(2,238)	2,401	163
Change during the three months ended April 30, 2010	(24,232)	(585)	(24,817)
Change during the three months ended July 31, 2010	14,882	(371)	14,511
Balance at July 31, 2010	21,008	5,120	26,128
Change during the three months ended October 31, 2010	(1,778)	3,548	1,770
Balance at October 31, 2010	\$ 19,230	\$ 8,668	\$ 27,898

10 ADDITIONAL INFORMATION REGARDING FINANCIAL INSTRUMENTS

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

The following items were recognized in net income with regard to the portfolio of available-for-sale securities.

	FOR THE THREE MONTHS ENDED			FOR THE NINE MONTHS ENDED	
	JULY 31 2011	APRIL 30 2011	JULY 31 2010	JULY 31 2011	JULY 31 2010
Realized net gains (losses)	\$ 1,042	\$ 653	\$ (9)	\$ 3,568	\$ 2,603
Writedowns for impairment recognized in income	(300)	(69)	(34)	(369)	(182)
Total	\$ 742	\$ 584	\$ (43)	\$ 3,199	\$ 2,421

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

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

	AS AT JULY 31, 2011			
	AMORTIZED COST	UNREALIZED GAINS	UNREALIZED LOSSES	FAIR VALUE
Securities issued or guaranteed				
by Canada ⁽¹⁾	\$ 264,899	\$ 12	\$ -	\$ 264,911
by provinces	355,559	4,095	-	359,654
Other debt securities	259,658	7,254	10	266,902
Asset-backed securities	25,464	1,950	-	27,414
Preferred shares	61,936	1,457	97	63,296
Common shares and other securities	45,004	3,542	1,770	46,776
	\$ 1,012,520	\$ 18,310	\$ 1,877	\$ 1,028,953

10 ADDITIONAL INFORMATION REGARDING FINANCIAL INSTRUMENTS (CONTINUED)

AS AT OCTOBER 31, 2010

	AMORTIZED COST	UNREALIZED GAINS	UNREALIZED LOSSES	FAIR VALUE
Securities issued or guaranteed				
by Canada ⁽¹⁾	\$ 432,649	\$ 45	\$ 24	\$ 432,670
by provinces	407,449	4,498	-	411,947
Other debt securities	132,595	6,996	163	139,428
Asset-backed securities	24,694	1,278	53	25,919
Preferred shares	56,776	1,524	52	58,248
Common shares and other securities	32,796	3,392	656	35,532
	\$ 1,086,959	\$ 17,733	\$ 948	\$ 1,103,744

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

FINANCIAL INSTRUMENTS DESIGNATED AS HELD-FOR-TRADING

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

	FOR THE THREE MONTHS ENDED			FOR THE NINE MONTHS ENDED	
	JULY 31 2011	APRIL 30 2011	JULY 31 2010	JULY 31 2011	JULY 31 2010
Included in securitization income	\$ 6,534	\$ (3,062)	\$ 32,687	\$ (6,171)	\$ 11,954

DERIVATIVES**Ineffective portions of hedging relationships**

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

	FOR THE THREE MONTHS ENDED			FOR THE NINE MONTHS ENDED	
	JULY 31 2011	APRIL 30 2011	JULY 31 2010	JULY 31 2011	JULY 31 2010
Cash flow hedges	\$ (125)	\$ 42	\$ 81	\$ (23)	\$ (125)
Fair value hedges	(153)	(10)	72	179	55
	\$ (278)	\$ 32	\$ 153	\$ 156	\$ (70)

Other information on hedging relationships

Net deferred gains of \$8.7 million included in accumulated other comprehensive income as at July 31, 2011, are expected to be transferred into net income over the next twelve months.

The maximum term of cash flow hedging relationships was eight years as at July 31, 2011.

11. SEGMENTED INFORMATION

The Bank determines its reportable segments based on the different services it provides to individuals, businesses, financial intermediaries and institutional clients. The four business segments of the Bank are: Retail & SME Québec, Real Estate & Commercial, B2B Trust, and Laurentian Bank Securities & Capital Markets.

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

The Real Estate & Commercial segment handles real estate financing throughout Canada, commercial financing in Ontario and national accounts, as well as foreign exchange and international services.

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

Laurentian Bank Securities & Capital Markets segment consists of the Laurentian Bank Securities Inc. subsidiary and capital market activities.

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

FOR THE THREE MONTHS ENDED JULY 31, 2011

	LAURENTIAN BANK SECURITIES & CAPITAL MARKETS						TOTAL
	RETAIL & SME QUÉBEC	REAL ESTATE & COMMERCIAL	B2B TRUST		OTHER		
Net interest income	\$ 82,536	\$ 22,118	\$ 29,988	\$ 611	\$ (11,435)	\$ 123,818	
Other income	33,492	8,837	2,110	11,240	11,476	67,155	
Total revenue	116,028	30,955	32,098	11,851	41	190,973	
Provision for loan losses	6,182	3,541	353	-	(2,076)	8,000	
Non-interest expenses	94,289	7,592	16,852	11,035	7,004	136,772	
Income (loss) before income taxes	15,557	19,822	14,893	816	(4,887)	46,201	
Income taxes (recovered)	3,812	5,675	4,223	130	(2,921)	10,919	
Net income (loss)	\$ 11,745	\$ 14,147	\$ 10,670	\$ 686	\$ (1,966)	\$ 35,282	
Average assets ⁽¹⁾	\$ 12,878,282	\$ 3,155,346	\$ 5,444,043	\$ 2,760,206	\$ (91,759)	\$ 24,146,118	

FOR THE THREE MONTHS ENDED APRIL 30, 2011

	LAURENTIAN BANK SECURITIES & CAPITAL MARKETS						TOTAL
	RETAIL & SME QUÉBEC	REAL ESTATE & COMMERCIAL	B2B TRUST		OTHER		
Net interest income	\$ 77,303	\$ 21,840	\$ 28,325	\$ 670	\$ (11,704)	\$ 116,434	
Other income	33,548	7,851	2,419	17,202	8,263	69,283	
Total revenue	110,851	29,691	30,744	17,872	(3,441)	185,717	
Provision for loan losses	6,788	4,840	372	-	-	12,000	
Non-interest expenses	91,735	7,289	16,009	14,126	5,665	134,824	
Income (loss) before income taxes	12,328	17,562	14,363	3,746	(9,106)	38,893	
Income taxes (recovered)	2,262	5,028	4,072	1,014	(3,625)	8,751	
Net income (loss)	\$ 10,066	\$ 12,534	\$ 10,291	\$ 2,732	\$ (5,481)	\$ 30,142	
Average assets ⁽¹⁾	\$ 12,601,389	\$ 3,077,899	\$ 5,352,666	\$ 2,588,177	\$ 165,908	\$ 23,786,039	

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11. SEGMENTED INFORMATION (CONTINUED)

FOR THE THREE MONTHS ENDED JULY 31, 2010

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

FOR THE NINE MONTHS ENDED JULY 31, 2011

	RETAIL & SME QUÉBEC	REAL ESTATE & COMMERCIAL	B2B TRUST	LAURENTIAN BANK SECURITIES & CAPITAL MARKETS	OTHER	TOTAL
Net interest income	\$ 239,621	\$ 66,514	\$ 87,031	\$ 2,053	\$ (33,549)	\$ 361,670
Other income	100,222	24,782	7,054	43,911	28,530	204,499
Total revenue	339,843	91,296	94,085	45,964	(5,019)	566,169
Provision for loan losses	20,321	15,653	1,102	-	(2,076)	35,000
Non-interest expenses	277,513	22,448	49,083	37,656	15,854	402,554
Income (loss) before income taxes	42,009	53,195	43,900	8,308	(18,797)	128,615
Income taxes (recovered)	8,607	15,230	12,446	2,168	(8,753)	29,698
Net income (loss)	33,402	37,965	31,454	6,140	(10,044)	98,917
Average assets ⁽¹⁾	\$ 12,633,699	\$ 3,089,086	\$ 5,371,266	\$ 2,558,060	\$ 230,040	\$ 23,882,151

FOR THE NINE MONTHS ENDED JULY 31, 2010

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

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

12. SUBSEQUENT EVENTS

On September 2, 2011, the Bank entered into an agreement to acquire the M.R.S. Trust Company and M.R.S. Inc. (together, the MRS Companies) for cash consideration of approximately \$165 million. The MRS Companies, previously part of the Mackenzie Financial Corporation, provides trust and administrative services to dealers, advisors and investors in Canada. Subject to regulatory approvals, the transaction is expected to close in the first quarter of fiscal 2012. The MRS Companies will primarily be part of the B2B Trust reporting segment. The final purchase price is subject to various adjustments to be determined at closing and following the closing.

On September 2, 2011, the Bank also announced its intention to conclude a distribution agreement for a preferred series of Mackenzie mutual funds. Under this agreement, the Bank would distribute the mutual funds as of the beginning of 2012. As a result of the conclusion of this agreement, the Bank may be required to pay Industrial Alliance a \$7.6 million penalty to terminate, early in 2012, the existing distribution agreement of IA Clarington funds.