Laurentian Bank Reports Third Quarter Results

Aug 28, 2014

Highlights of the third quarter of 2014

- Financial highlights on a reported and adjusted basis for the third quarter of 2014:
  - Net income of $40.1 million
  - Return on common shareholders' equity of 11.2%
  - Diluted earnings per share of $1.27

  - Adjusted net income increased 10% to $42.4 million
  - Adjusted return on common shareholders' equity of 11.9%
  - Adjusted diluted earnings per share up 6% to $1.35
- Positive adjusted operating leverage of 2.0% sequentially
- Commercial loan portfolio including BAs up 16% year-over-year
- Strong credit performance, with continued low loan losses of $10.5 million

MONTREAL, Aug. 28, 2014 /CNW Telbec/ - Laurentian Bank of Canada reported adjusted net income of $42.4 million or $1.35 diluted per share for the third quarter of 2014 up 10% and 6% respectively, compared with $38.5 million or $1.27 diluted per share for the same period in 2013. Adjusted return on common shareholders' equity was 11.9% for the third quarter of 2014, compared with 12.0% for the same period in 2013. When including adjusting items[1], net income totalled $40.1 million or $1.27 diluted per share for the third quarter of 2014, compared with $27.0 million or $0.86 diluted per share for the third quarter of 2013. Return on common shareholders' equity was 11.2% for the third quarter of 2014, compared with 8.1% for the same period in 2013.

For the nine months ended July 31, 2014, adjusted net income totalled $121.0 million or $3.92 diluted per share, compared with $116.9 million or $3.81 diluted per share in 2013. Adjusted return on common shareholders' equity was 11.8% for the nine months ended July 31, 2014, compared with 12.2% for the same period in 2013. When including adjusting items, net income was $106.6 million or $3.42 diluted per share for the nine months ended July 31, 2014, compared with $93.6 million or $2.99 diluted per share for the same period in 2013. Return on common shareholders' equity was 10.3% for the nine months ended July 31, 2014, compared with 9.6% for the same period in 2013.

Commenting on the Bank's financial results for the third quarter of 2014, Réjean Robitaille, President and Chief Executive Officer, mentioned: "We continued to deliver solid core earnings in the quarter and maintained our targeted efforts to improve efficiency and maximize operating leverage. In an environment of slowing consumer loan demand and compressed margins, our rigorous control over expenses and the sustained credit quality of the loan portfolio contributed to the good performance for the quarter."

Mr. Robitaille added: "We maintained our focus on further developing our higher-margin commercial activities as evidenced by a 16% increase in our commercial loan portfolio. Looking ahead, we will continue to grow income from non-interest sensitive sources in order to foster profitable revenue growth. Within our B2B Bank business segment, with most cost synergies related to our acquired businesses delivered, our efforts shift from integration to business development. We remain committed to unlocking value for our shareholders and we are working diligently to continuously improve our operations and generate sustained earnings growth in each of our business segments."

[1] Certain analyses presented throughout this document are based on the Bank's core activities and therefore exclude the effect of certain amounts designated as adjusting items. Refer to the Adjusting items and Non-GAAP financial measures sections for further details.

Caution Regarding Forward-looking Statements

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

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

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

With respect to the anticipated benefits from the acquisition AGF Trust Company[1] (AGF Trust) and the Bank's statements with regards to this transaction being accretive to earnings, such factors also include, but are not limited to: the fact that 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 Bank's or AGF Trust's 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.

[1] AGF Trust was amalgamated with B2B Bank as of September 1, 2013.

Highlights [1]

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In thousands of Canadian dollars, except per share and percentage amounts (Unaudited)	FOR THE THREE MONTHS ENDED					FOR THE NINE MONTHS ENDED		
	JULY 31 2014	APRIL 30 2014	VARIANCE	JULY 31 2013	VARIANCE	**JULY 31 2014**	JULY 31 2013	VARIANCE
Profitability								
Total revenue	**$ 219,645**	$ 216,890	1 %	$ 221,042	(1) %	**$ 652,644**	$ 649,806	— %
Net income	**$ 40,097**	$ 30,989	29 %	$ 26,984	49 %	**$ 106,611**	$ 93,611	14 %
Diluted earnings per share	**$ 1.27**	$ 0.99	28 %	$ 0.86	48 %	**$ 3.42**	$ 2.99	14 %
Return on common shareholders' equity [2]	**11.2 %**	9.2 %		8.1 %		**10.3 %**	9.6 %	
Net interest margin [2]	**1.65 %**	1.68 %		1.68 %		**1.66 %**	1.66 %	
Efficiency ratio [2]	**71.0 %**	73.7 %		79.9 %		**72.8 %**	77.2 %	
Operating leverage [2] [3]	**3.7 %**	(0.1) %		(6.4) %		**5.7 %**	n. m.	
Per common share								
Share price								
High	**$ 51.92**	$ 47.54		$ 45.75		**$ 51.92**	$ 45.97	
Low	**$ 46.73**	$ 45.00		$ 42.41		**$ 44.34**	$ 42.41	
Close	**$ 51.55**	$ 47.08	9 %	$ 45.05	14 %	**$ 51.55**	$ 45.05	14 %
Price / earnings ratio (trailing four quarters) [4]	**12.2 x**	12.3 x		n. m.		**12.2 x**	n. m.	

Book value [2]	**$ 45.10**	$ 44.61	1 %	$ 42.60	6 %	**$ 45.10**	$ 42.60	6 %
Market to book value [2]	**114 %**	106 %		106 %		**114 %**	106 %	
Dividends declared	**$ 0.52**	$ 0.51	2 %	$ 0.50	4 %	**$ 1.54**	$ 1.48	4 %
Dividend yield [2]	**4.0 %**	4.3 %		4.4 %		**4.0 %**	4.4 %	
Dividend payout ratio [2]	**40.9 %**	51.3 %		58.0 %		**45.0 %**	49.5 %	
Adjusted financial measures								
Adjusted net income [2]	**$ 42,355**	$ 39,375	8 %	$ 38,547	10 %	**$ 120,991**	$ 116,910	3 %
Adjusted diluted earnings per share [2]	**$ 1.35**	$ 1.29	5 %	$ 1.27	6 %	**$ 3.92**	$ 3.81	3 %
Adjusted return on common shareholders' equity [2]	**11.9 %**	11.9 %		12.0 %		**11.8 %**	12.2 %	
Adjusted efficiency ratio [2]	**70.3 %**	71.7 %		73.3 %		**71.3 %**	72.8 %	
Adjusted operating leverage [2] [3]	**2.0 %**	0.2 %		(1.4) %		**2.1 %**	n. m.	
Adjusted dividend payout ratio [2]	**38.6 %**	39.6 %		39.4 %		**39.2 %**	38.8 %	
Financial position (in millions of Canadian dollars)								
Balance sheet assets	**$ 34,328**	$ 34,261	— %	$ 33,758	2 %			

Loans and acceptances	**$ 27,275**	$ 27,233	— %	$ 27,189	— %
Deposits	**$ 24,213**	$ 23,759	2 %	$ 23,866	1 %
Basel III regulatory capital ratios — All-in basis [5]					
Common Equity Tier I	**7.7 %**	7.6 %		7.5 %	
Tier 1	**9.3 %**	10.0 %		9.0 %	
Total	**12.4 %**	13.3 %		12.6 %	
Other information					
Number of full-time equivalent employees	**3,740**	3,764		4,289	
Number of branches	**152**	153		153	
Number of automated banking machines	**420**	423		422	

[1] Comparative figures reflect the adoption of amendments to IAS 19, *Employee Benefits*. Refer to Note 2 in the unaudited condensed interim consolidated financial statements.

[2] Refer to the non-GAAP financial measures section. Effective November 1, 2013, the Bank has modified its definition of common shareholders' equity, which is now better aligned with regulatory requirements. Book value per common share and return on common shareholders' equity measures in 2013 have been amended accordingly.

[3] Quarterly growth rates are calculated sequentially. Operating leverage for the nine months ended July 31, 2013 is not meaningful as 2012 results were not restated to reflect the adoption of amendments to IAS 19, *Employee Benefits*.

[4] Price / earnings ratios for the three months and nine months ended July 31, 2013 are not meaningful as 2012 results were not restated to reflect the adoption of amendments to IAS 19, *Employee Benefits*.

[5] Regulatory capital ratios for 2013 are presented as filed with OSFI and have not been adjusted to include the impact of the adoption of amendments to IAS 19, *Employee Benefits*.

Review of Business Highlights

Personal & Commercial — ***Business Services*** continues to generate strong growth. The commercial loan portfolio increased by 16% year-over-year and commercial mortgages grew by 9%, excluding the sale of $102 million of commercial mortgage loans in the second quarter of 2014. The leasing and equipment financing division, launched only two quarters ago, is seeing an increase in the number of credit applications and is starting to build a solid pipeline. Business Services continues to be well positioned as a growth engine for the Bank. — ***Retail Services*** is becoming increasingly focused on the wealth management offer, with an emphasis on investment products such as deposits and mutual funds. To accommodate clients' need for more convenient and higher quality service and to enhance this offer, advisory branch hours were recently extended. Furthermore, the momentum in Wealth Management continued as income from mutual fund sales increased by 29% in the third quarter of 2014 compared to a year earlier.

B2B Bank is turning its attention towards business development, now that the integrations are almost completed. With a contribution from the new alternative and expanded mortgage solution successfully rolled out at the end of last quarter, mortgage loans increased by 2% sequentially or 8% on an annualized basis. B2B Bank is well positioned in the mortgage market, having among the most comprehensive offerings in Canada.

Laurentian Bank Securities' focus on the small cap market is reaping benefits. During the quarter, underwriting fees related to small cap securities increased significantly. LBS' broad research coverage, including sectors such as technology, base metals, industrials and healthcare should help drive investment banking opportunities.

Supporting all of the Bank's activities is a solid capital base. After issuing $125 million of preferred shares in the second quarter, the $110 million Series 10 preferred share issue was redeemed on June 15, 2014. The Bank's proactive capital management aims to optimize capital for all stakeholders.

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, 2014, and of how it performed during the three-month and nine-month periods then ended. This MD&A, dated August 28, 2014, should be read in conjunction with the unaudited condensed interim consolidated financial statements for the period ended July 31, 2014, prepared in accordance with IAS 34 *Interim financial reporting,* as issued by the International Accounting Standards Board (IASB). Supplemental information on risk management, critical accounting policies and estimates, and off-balance sheet arrangements is also provided in the Bank's 2013 Annual Report.

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

Adoption of the amended IFRS accounting standard on employee benefits

Effective November 1, 2013, the Bank adopted the amendments to the employee benefits standard under International Financial Reporting Standards (IFRS), which required restatement of the Bank's 2013 comparative information and financial measures. Additional information on the impact of the adoption is available in the notes to the unaudited condensed interim consolidated financial statements and in the Supplementary Information reported for the third quarter of 2014.

Economic Outlook

North American economic growth accelerated this summer, led by the United States and despite the escalating geopolitical tensions. Accordingly, the Federal Reserve should end its accommodative asset purchase program this fall, gradually sowing the seeds for a modest increase in its policy rate in the second half of 2015.

While the discrepancy in economic performances between Western Canada and the rest of the country persists, improving US demand and a lower currency is gradually benefiting a broader number of sectors. In turn, Canadian economic activity and hiring are expected to advance at a slightly faster pace for the remainder of the year and during 2015,which should benefit both personal and commercial lending. As these conditions materialize, the Bank of Canada may start to increase its policy rate sometime before the end of 2015. In the housing sector, homebuilding activity stabilized at a demographic-driven level this summer, while the resale market appears more balanced, with prices generally increasing at a slow-to-moderate pace. As interest rates are expected to remain at historically low levels, all signs point to a soft landing for the Canadian housing sector.

2014 Financial Performance

The following table presents management's financial objectives for 2014 and the Bank's performance to date. These financial objectives are based on the assumptions noted on page 21 of the Bank's 2013 Annual Report under the title "Key assumptions supporting the Bank's objectives" and exclude adjusting items[1].

2014 FINANCIAL OBJECTIVES [1]

	2014 OBJECTIVES	FOR THE NINE MONTHS ENDED JULY 31, 2014
Adjusted return on common shareholders' equity	10.5% to 12.5%	**11.8 %**
Adjusted net income — Annual (in millions of dollars)	$145.0 to $165.0	**$121.0**
Adjusted efficiency ratio	72.5% to 69.5%	**71.3 %**
Adjusted operating leverage [2]	Positive	**2.1 %**
Common Equity Tier I capital ratio — All-in basis	> 7.0%	**7.7 %**

[1] Refer to the non-GAAP financial measures section.

[2] For the purpose of calculating 2014 financial objectives, year-to-date growth rates are calculated year-over-year (i.e. current period versus the corresponding prior year period).

Based on the results for the nine months ended July 31, 2014 and current forecasts, management believes that the Bank is in line to meet its objectives, within the range set out at the beginning of the year. In a slow revenue growth environment, disciplined management of expenses, strong credit quality, strategies to increase other income and good organic growth in the higher-margin commercial businesses were the key drivers of the Bank's good financial performance since the beginning of the year.

Analysis of Consolidated Results

CONDENSED CONSOLIDATED RESULTS [1]

	FOR THE THREE MONTHS ENDED	FOR THE NINE MONTHS ENDED

In thousands of Canadian dollars, except per share amounts (Unaudited)	**JULY 31 2014**	APRIL 30 2014	JULY 31 2013	**JULY 31 2014**	JULY 31 2013
Net interest income	**$ 141,249**	$ 138,726	$ 144,549	**$ 420,831**	$ 427,323
Other income	**78,396**	78,164	76,493	**231,813**	222,483
Total revenue	**219,645**	216,890	221,042	**652,644**	649,806
Amortization of net premium on purchased financial instruments and revaluation of contingent consideration	**1,511**	5,498	1,140	**8,145**	3,420
Provision for loan losses	**10,500**	10,500	9,000	**31,500**	26,000
Non-interest expenses	**155,973**	159,904	176,705	**475,010**	501,428
Income before income taxes	**51,661**	40,988	34,197	**137,989**	118,958
Income taxes	**11,564**	9,999	7,213	**31,378**	25,347
Net income	**$ 40,097**	$ 30,989	$ 26,984	**$ 106,611**	$ 93,611
Preferred share dividends, including applicable taxes	**3,588**	2,501	2,520	**8,590**	9,112
Net income available to common shareholders	**$ 36,509**	$ 28,488	$ 24,464	**$ 98,021**	$ 84,499
Diluted earnings per share	**$ 1.27**	$ 0.99	$ 0.86	**$ 3.42**	$ 2.99

[1] Comparative figures reflect the adoption of amendments to IAS 19, *Employee Benefits*. Refer to Note 2 in the unaudited condensed interim consolidated financial statements.

[1] Refer to Adjusting items and Non-GAAP financial measures sections for further details.

Adjusting items

The Bank has designated certain amounts as adjusting items and presents adjusted GAAP results to facilitate understanding of its underlying business performance and related trends. Adjusting items are included in the B2B Bank business segment's results. The Bank assesses performance on a GAAP basis and on an adjusted basis and considers both to be 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. Adjusted results and measures are non-GAAP measures. Comments on the uses and limitations of such measures are disclosed in the Non-GAAP Financial Measures section hereafter.

IMPACT OF ADJUSTING ITEMS [1] [2]

	FOR THE THREE MONTHS ENDED			FOR THE NINE MONTHS ENDED	
In thousands of Canadian dollars, except per share amounts (Unaudited)	**JULY 31 2014**	APRIL 30 2014	JULY 31 2013	**JULY 31 2014**	JULY 31 2013
Impact on net income					
Reported net income	**$ 40,097**	$ 30,989	$ 26,984	**$ 106,611**	$ 93,611

Adjusting items, net of income taxes					
Amortization of net premium on purchased financial instruments and revaluation of contingent consideration					
Amortization of net premium on purchased financial instruments	**1,109**	1,026	840	**2,971**	2,520
Revaluation of contingent consideration	**—**	4,100	—	**4,100**	—
Costs related to business combinations [3]					
MRS Companies integration related costs	**—**	—	3,977	**474**	9,627
AGF Trust integration related costs	**1,149**	3,260	6,746	**6,835**	11,152
	2,258	8,386	11,563	**14,380**	23,299
Adjusted net income	**$ 42,355**	$ 39,375	$ 38,547	**$ 120,991**	$ 116,910
Impact on diluted earnings per share					
Reported diluted earnings per share	**$ 1.27**	$ 0.99	$ 0.86	**$ 3.42**	$ 2.99
Adjusting items	**0.08**	0.29	0.41	**0.50**	0.82
Adjusted diluted earnings per share [4]	**$ 1.35**	$ 1.29	$ 1.27	**$ 3.92**	$ 3.81

[1] Comparative figures reflect the adoption of amendments to IAS 19, *Employee Benefits*. Refer to Note 2 in the unaudited condensed interim consolidated financial statements.

[2] Refer to the Non-GAAP Financial Measures section.

[3] Also referred to as Transaction and Integration Costs (T&I Costs).

[4] The impact of adjusting items on a per share basis does not add due to rounding for the three months ended April 30, 2014.

Three months ended July 31, 2014 compared with the three months ended July 31, 2013

Net income was $40.1 million or $1.27 diluted per share for the third quarter of 2014, compared with $27.0 million or $0.86 diluted per share for the third quarter of 2013. Adjusted net income was $42.4 million for the third quarter ended July 31, 2014, up from $38.5 million for the same quarter of 2013, while adjusted diluted earnings per share was $1.35, compared with $1.27 diluted per share in 2013. Income available to common shareholders in the third quarter of 2014 included a final dividend on the Preferred Shares Series 10 redeemed in June 2014, a regular dividend on the Preferred Shares Series 11 and an initial partial dividend on the Preferred Shares Series 13 issued in April 2014. As a result, the calculation of diluted earnings per share included an additional one-time net $1.2 million (or $0.04 per share) charge for the third quarter of 2014.

Total revenue

Total revenue decreased by $1.4 million or 1% to $219.6 million in the third quarter of 2014, compared with $221.0 million in the third quarter of 2013, as lower net interest income year-over-year was partly offset by growth in other income.

Net interest income decreased by $3.3 million or 2% to $141.2 million for the third quarter of 2014, from $144.5 million in the third quarter of 2013, mainly due to the revenue impact of a lower level of high-margin personal loans and lower prepayment penalties on residential mortgage loans. Overall, margins decreased to 1.65% in the third quarter of 2014 from 1.68% in the third quarter of 2013, essentially for the same reasons.

Other income increased by $1.9 million or 2% and amounted to $78.4 million in the third quarter of 2014, compared with $76.5 million in the third quarter of 2013. Higher income from brokerage operations driven by improved activity in the small-cap equity underwriting market, as well as continued solid mutual fund commissions and lending fees contributed to the year-over-year increase. These good results were partly offset by lower income from treasury and financial market operations compared to the particularly strong performance of treasury activities in the third quarter of 2013, as well as lower deposit service charges as clients optimized their use of the Bank's offerings.

Amortization of net premium on purchased financial instruments and revaluation of contingent consideration

For the third quarter of 2014, the amortization of net premium on purchased financial instruments amounted to $1.5 million, compared with $1.1 million in the third quarter of 2013. Refer to Note 12 to the unaudited condensed interim consolidated financial statements.

Provision for loan losses

The provision for loan losses increased by $1.5 million to $10.5 million in the third quarter of 2014 from $9.0 million in the third quarter of 2013. Nonetheless, loan losses remained at a low level reflecting the overall underlying quality of the loan portfolios and the continued favourable credit environment. Refer to the Risk Management section below for additional information.

Non-interest expenses

Non-interest expenses decreased by $20.7 million to $156.0 million for the third quarter of 2014, compared with $176.7 million for the third quarter of 2013. This mostly reflects $13.0 million lower T&I Costs as integration work at B2B Bank winds down and a 5% decrease in the Bank's adjusted non-interest expenses through tight cost control, acquisition synergies and process reviews.

Salaries and employee benefits decreased by $6.5 million or 7% to $82.9 million for the third quarter of 2014, compared with the third quarter of 2013, mainly due to lower headcount from acquisition synergies realized over the last twelve months, the optimization of certain retail and corporate activities in the fourth quarter of 2013 and lower employee benefit expenses. Regular salary increases partly offset the decrease year-over-year.

Premises and technology costs increased by $1.0 million to $45.5 million compared with the third quarter of 2013. The increase mostly stems from higher technology costs related to ongoing business growth and enhanced on-line services.

Other non-interest expenses decreased by $2.2 million or 8% to $26.0 million for the third quarter of 2014, compared with the third quarter of 2013. The decrease mainly reflects the full impact of cost synergies in B2B Bank as well as the continued disciplined control over discretionary expenses throughout the Bank in light of a slower retail loan growth environment.

T&I Costs for the third quarter of 2014 totalled $1.6 million compared with $14.6 million a year ago. During the third quarter of 2014, T&I Costs mainly related to completing processes and harmonizing products. Integration of the AGF Trust operations and related T&I Costs are in their final stage and should be completed in the fourth quarter of 2014.

The adjusted efficiency ratio was 70.3% in the third quarter of 2014, compared with 73.3% in the third quarter of 2013, as integration synergies, continued rigorous cost control and efforts to improve operating costs are bearing fruit. As a result, adjusted operating leverage was 4.1% in the third quarter of 2014, with quarterly growth rates calculated versus the third quarter of 2013.

Income taxes

For the quarter ended July 31, 2014, the income tax expense was $11.6 million and the effective tax rate was 22.4%. 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 foreign insurance operations. For the quarter ended July 31, 2013, the income tax expense was $7.2 million and the effective tax rate was 21.1%. Year-over-year, the higher effective tax rate for the quarter ended July 31, 2014 resulted from the relatively higher level of domestic taxable income.

Nine months ended July 31, 2014 compared with the nine months ended July 31, 2013

Net income was $106.6 million or $3.42 diluted per share for the nine months ended July 31, 2014, compared with $93.6 million or $2.99 diluted per share for the nine months ended July 31, 2013. Adjusted net income was $121.0 million for the nine months ended July 31, 2014, compared with $116.9 million in 2013, while adjusted diluted earnings per share was $3.92, compared with $3.81 diluted per share in 2013.

Total revenue

Total revenue increased by $2.8 million to $652.6 million in the nine months ended July 31, 2014, compared with $649.8 million in the nine months ended July 31, 2013. The year-over-year growth in other income more than offset a modest decline in net interest income.

Net interest income decreased by $6.5 million to $420.8 million for the nine months ended July 31, 2014, from $427.3 million in the nine months ended July 31, 2013, mainly reflecting a reduced level of investment loans and lower prepayment penalties on residential mortgage loans. When compared with the nine months ended July 31, 2013, margins were unchanged at 1.66% for the nine months ended July 31, 2014, as a better loan mix offset slightly compressed margins.

Other income increased by $9.3 million or 4% and amounted to $231.8 million in the nine months ended July 31, 2014, compared with $222.5 million in the nine months ended July 31, 2013. Higher lending fees stemming from increased business activity and loan prepayment penalties in the commercial portfolio partly contributed to the year-over-year increase. Solid mutual fund commissions as well as higher income from brokerage operations and insurance income also contributed to the year-over-year increase. These strong improvements were partly offset by lower income from treasury and financial market operations mainly due to lower income from trading activities in the nine months ended July 31, 2014.

Amortization of net premium on purchased financial instruments and revaluation of contingent consideration

For the nine months ended July 31, 2014, the line item "Amortization of net premium on purchased financial instruments and revaluation of contingent consideration" amounted to $8.1 million, compared with $3.4 million in the nine months ended July 31, 2013. The higher charge in 2014 essentially results from a $4.1 million non tax-deductible charge recorded in the second quarter to settle the contingent consideration related to the AGF Trust acquisition. The amortization of net premium on purchased financial instruments amounted to $4.0 million in the nine months ended July 31, 2014, compared with $3.4 million in the nine months ended July 31, 2013. Refer to Note 12 to the unaudited condensed interim consolidated financial statements.

Provision for loan losses

The provision for loan losses increased by $5.5 million to $31.5 million in the nine months ended July 31, 2014 from $26.0 million in the nine months ended July 31, 2013. While still low, this reflects a partial return to more normalized overall loan losses from the very low 2013 levels. Refer to the Risk Management section for additional information.

Non-interest expenses

Non-interest expenses decreased by $26.4 million to $475.0 million for the nine months ended July 31, 2014, compared with $501.4 million for the nine months ended July 31, 2013. This mainly reflects $18.3 million lower T&I Costs and a decrease in the Bank's adjusted non-interest expenses through tight cost control and process reviews as mentioned above.

Salaries and employee benefits decreased by $14.7 million or 5% to $252.9 million for the nine months ended July 31, 2014, compared with the nine months ended July 31, 2013, mainly due to lower headcount from acquisition synergies realized over the last twelve months and the optimization of certain retail and corporate activities in the fourth quarter of 2013, partly offset by regular salary increases. Lower pension costs and expenses related to group insurance programs also contributed to the decrease year-over-year.

Premises and technology costs increased by $11.0 million to $137.0 million for the nine months ended July 31, 2014. As noted above, the increase mostly stems from higher technology costs related to ongoing business growth and enhanced on-line services. Higher amortization expenses related to completed regulatory IT projects and rental costs also contributed to the increase.

Other non-interest expenses decreased by $4.4 million to $75.1 million for the nine months ended July 31, 2014, from $79.5 million for the nine months ended July 31, 2013. As mentioned above, as the bulk of cost synergies related to acquisitions have materialized, the Bank continued to exercise disciplined control over discretionary expenses in light of a slower growth environment.

T&I Costs for the nine months ended July 31, 2014 totalled $10.0 million compared with $28.3 million a year ago. They mainly related to IT systems conversion costs, salaries, professional fees, employee relocation costs and other expenses mostly for the integration of the AGF Trust operations.

The adjusted efficiency ratio was 71.3% in the nine months ended July 31, 2014, compared with 72.8% in the nine months ended July 31, 2013. On the same basis, the Bank generated positive operating leverage of 2.1% year-over-year, mainly due to cost synergies related to acquisitions, continued rigorous cost control and efforts to improve its operations, as well as higher other income.

Income taxes

For the nine months ended July 31, 2014, the income tax expense was $31.4 million and the effective tax rate was 22.7%. The lower tax rate, compared to the statutory rate, resulted mainly from the favourable effect of holding investments in Canadian securities that generate non-taxable dividend income and the lower taxation level on revenues from foreign insurance operations. For the nine months ended July 31, 2013, the income tax expense was $25.3 million and the effective tax rate was 21.3%. Year-over-year, the higher effective tax rate for the nine months ended July 31, 2014 resulted from the relatively higher level of domestic taxable income considering a $4.1 million non tax-deductible charge recorded in the second quarter of 2014 as a result of the final settlement of the contingent consideration related to the AGF Trust acquisition.

Three months ended July 31, 2014 compared with the three months ended April 30, 2014

Net income was $40.1 million or $1.27 diluted per share for the third quarter of 2014 compared with $31.0 million or $0.99 diluted per share for the second quarter of 2014. Adjusted net income was $42.4 million or $1.35 diluted per share, compared with $39.4 million or $1.29 diluted per share for the second quarter of 2014. As noted above, the calculation of diluted earnings per share in the third quarter of 2014 included a final dividend on the Preferred Shares Series 10 redeemed in June 2014, a regular dividend on the Preferred Shares Series 11 and an initial partial dividend on the Preferred Shares Series 13 issued in April 2014, which resulted in an additional one-time net $1.2 million ($0.04 diluted per share) charge for the third quarter of 2014.

Total revenue increased to $219.6 million in the third quarter of 2014, compared with $216.9 million in the previous quarter. Net interest income increased by $2.5 million sequentially to $141.2 million in the third quarter of 2014, mainly due to three more days in the third quarter. This increase was partly offset by lower interest recoveries resulting from favourable settlements in the commercial loan portfolio in the second quarter of 2014. Net interest margin decreased sequentially by 3 basis points to 1.65% in the third quarter of 2014, compared with 1.68% in the second quarter of 2014, mainly due to the lower interest recoveries.

Other income increased by $0.2 million sequentially despite a $3.7 million gain on the sale of a $102.4 million commercial mortgage loan portfolio during the second quarter of 2014. Higher fees and commissions on loans and card service revenues stemming from increased business activity, as well as higher income from treasury and financial market operations mainly contributed to the increase.

The line-item "Amortization of net premium on purchased financial instruments and revaluation of contingent consideration" amounted to $1.5 million in the third quarter of 2014, compared with $5.5 million for the last quarter which included the final $4.1 million contingent consideration charge noted above. Refer to Note 12 to the unaudited condensed interim consolidated financial statements for additional information.

The provision for loan losses remained low at $10.5 million for the third quarter of 2014, unchanged from the second quarter of 2014, reflecting the continued high quality of the portfolio and the favourable credit environment. Refer to the Risk Management section for additional information.

Non-interest expenses amounted to $156.0 million for the third quarter of 2014, compared with $159.9 million for the second quarter of 2014. T&I Costs decreased to $1.6 million in the third quarter of 2014, compared with $4.4 million in the second quarter of 2014 and adjusted non-interest expenses decreased by 1% despite three more days in the third quarter. On the same basis, the Bank generated positive operating leverage of 2.0% sequentially, as the Bank's continued prudent cost control efforts are bearing fruit.

Financial condition

CONDENSED BALANCE SHEET [1]

In thousands of Canadian dollars (Unaudited)	**AS AT JULY 31 2014**	AS AT OCTOBER 31 2013	AS AT JULY 31 2013
ASSETS			
Cash and deposits with other banks	**$ 155,281**	$ 208,838	$ 219,480
Securities	**4,424,262**	4,480,525	4,905,084
Securities purchased under reverse repurchase agreements	**1,804,421**	1,218,255	741,561
Loans and acceptances, net	**27,153,104**	27,113,107	27,074,649
Other assets	**791,087**	890,301	816,943
	$ 34,328,155	$ 33,911,026	$ 33,757,717
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits	**$ 24,212,545**	$ 23,927,350	$ 23,866,365
Other liabilities	**3,327,750**	3,129,918	3,082,116
Debt related to securitization activities	**4,824,777**	4,974,714	4,952,060
Subordinated debt	**446,995**	445,473	444,962
Shareholders' equity	**1,516,088**	1,433,571	1,412,214
	$ 34,328,155	$ 33,911,026	$ 33,757,717

[1] Comparative figures reflect the adoption of amendments to IAS 19, *Employee Benefits*. Refer to Note 2 in the unaudited condensed interim consolidated financial statements.

Balance sheet assets amounted to $34.3 billion at July 31, 2014, up $0.4 billion or 1% from year-end 2013. Over the last twelve months, balance sheet assets increased by $0.6 billion.

Liquid assets

Liquid assets, including cash, deposits with other banks, securities and securities purchased under reverse repurchase agreements, totalled $6.4 billion as at July 31, 2014, an increase of $476.3 million or 8% compared with October 31, 2013. This higher level of liquidity reflects the successful raising of institutional deposits since the beginning of the year in a slower loan growth environment as the Bank maintained diversified funding sources in anticipation of higher growth going forward. Liquid assets as a percentage of total assets were up marginally at 19% compared with October 31, 2013. The Bank continues to prudently manage the level of liquid assets and to hold sufficient cash resources from various sources in order to meet its current and future financial obligations, under both normal and stressed conditions.

Loans

Loans and bankers' acceptances, net of allowances, stood at $27.2 billion as at July 31, 2014, up marginally from October 31, 2013. On a gross basis, continued organic growth in the higher-margin commercial loan portfolios outpaced the decrease in the investment loan portfolio, while the residential mortgage loan portfolio remained unchanged since the beginning of the year. Commercial loans, including bankers' acceptances, increased by $302.3 million or 11% since October 31, 2013 and 16% over the last

12 months, as the Bank continued to grow this portfolio and began to reap results from the launch of the new lease financing offer. Commercial mortgage loans increased by $82.5 million or 3% since October 31, 2013, despite a $102.4 million loan sale in the second quarter of 2014, as the Bank maintained its efforts to develop this portfolio. Personal loans decreased by $329.5 million or 5% since October 31, 2013, mainly reflecting attrition in the investment loan portfolio. Residential mortgage loans decreased marginally by $8.7 million from October 31, 2013, mainly due to the effect of a slower retail loan growth environment in 2014 in Eastern Canada.

Liabilities

Personal deposits stood at $18.8 billion as at July 31, 2014, decreasing slightly from $19.3 billion as at October 31, 2013. Business and other deposits increased by $0.8 billion or 17% since October 31, 2013 to $5.4 billion as at July 31, 2014, mainly explained by new deposits raised during the third quarter of 2014 as the Bank further diversified its funding sources. Personal deposits represented 78% of total deposits as at July 31, 2014, a slight decrease from year-end 2013, as the Bank saw a reduced level of brokered deposits to the benefit of more favourably priced institutional deposits. This ratio remains nonetheless well above the Canadian average and will help to meet upcoming Basel III liquidity requirements.

Debt related to securitization activities and subordinated debt remained relatively unchanged compared with October 31, 2013 and stood at $4.8 billion and $0.4 billion respectively as at July 31, 2014.

Shareholders' equity

Shareholders' equity stood at $1,516.1 million as at July 31, 2014, compared with $1,433.6 million as at October 31, 2013. This increase resulted mainly from the net income contribution for the nine-month period, net of declared dividends and the net effect of preferred share transactions detailed below. In addition, the issuance of 304,865 new common shares under the Shareholder Dividend Reinvestment and Share Purchase Plan further contributed to the increase in shareholders' equity. The Bank's book value per common share[1] appreciated to $45.10 as at July 31, 2014 from $43.19 as at October 31, 2013. There were 28,837,452 common shares and 20,000 share purchase options outstanding as at August 20, 2014.

On April 3, 2014, the Bank issued 5,000,000 Basel III-compliant Non-Cumulative Class A Preferred Shares, Series 13 (the "Preferred Shares Series 13"), at a price of $25.00 per share for gross proceeds of $125.0 million, $120.9 million net of issuance costs of $4.1 million ($2.9 million after income taxes), and yielding 4.3% annually. The Preferred Shares Series 13, which were initially recorded as liabilities as at April 30, 2014, were reclassified during the third quarter within shareholders' equity to align with the presentation retained by the Canadian banking industry and to better meet interested parties' expectations. Refer to Note 7 to the unaudited condensed interim consolidated financial statements for additional information.

On June 15, 2014, the Bank repurchased 4,400,000 Non-Cumulative Class A Preferred Shares, Series 10, yielding 5.3% annually, at a price of $25 per share, for an aggregate amount of $110.0 million.

Capital Management

Regulatory capital

The regulatory capital calculation is determined based on the guidelines issued by the Office of the Superintendent of Financial Institutions Canada (OSFI) originating from the Basel Committee on Banking Supervision (BCBS) regulatory risk based capital framework, "*Basel III: A global regulatory framework for more resilient banks and banking systems*". Under OSFI's Capital Adequacy Requirements Guideline (the CAR Guideline), transitional requirements for minimum Common Equity Tier 1, Tier 1 and Total capital ratios were set at 4.0%, 5.5% and 8.0% respectively for 2014, which, for the Bank, will be fully phased-in to 7.0%, 8.5% and 10.5% by 2019, including the effect of capital conservation buffers.

In its CAR Guideline, OSFI indicated that it expects deposit-taking institutions to attain target capital ratios without transition arrangements equal to or greater than the 2019 minimum capital ratios plus conservation buffer levels (the "all-in" basis). The "all-in" basis includes all of the regulatory adjustments that will be required by 2019, while retaining the phase-out rules of non-qualifying capital instruments. Refer to page 39 of the Bank's 2013 Annual Report under the title "Capital Management" for additional information on the Bank's implementation of Basel III.

In August 2013, OSFI issued a guideline clarifying the application of the Credit Valuation Adjustment (CVA). The CVA capital charge took effect as of January 1, 2014 and will be phased-in over a five-year period beginning in 2014. This has not nor is it expected to have a significant impact on the regulatory capital ratios for the Bank.

In April 2014, OSFI issued a revised CAR guideline, effective immediately, incorporating a number of clarifications to facilitate the interpretation of the guidance. The new guideline had no significant impact on the regulatory capital ratios for the Bank.

As detailed in the table below, on an "all-in" basis, the Common Equity Tier 1, Tier 1 and Total capital ratios stood at 7.7%, 9.3% and 12.4%, respectively, as at July 31, 2014. These ratios meet all current requirements.

REGULATORY CAPITAL [1]

In thousands of Canadian dollars, except percentage amounts (Unaudited)	**AS AT JULY 31 2014**	AS AT OCTOBER 31 2013	AS AT JULY 31 2013
Regulatory capital			
Common Equity Tier 1 capital	**$ 1,051,085**	$ 1,017,659	$ 1,013,588
Tier 1 capital	**$ 1,270,718**	$ 1,222,863	$ 1,218,734
Total capital	**$ 1,705,687**	$ 1,694,167	$ 1,701,438
Total risk-weighted assets [2]	**$ 13,714,954**	$ 13,379,834	$ 13,471,849
Regulatory capital ratios			
Common Equity Tier 1 capital ratio	**7.7 %**	7.6 %	7.5 %
Tier 1 capital ratio	**9.3 %**	9.1 %	9.0 %
Total capital ratio	**12.4 %**	12.7 %	12.6 %

[1] The amounts are presented on an "all-in" basis. Regulatory capital for 2013 is presented as filed with OSFI and has not been adjusted to include the impact of the adoption of amendments to IAS 19, *Employee Benefits*.

[2] Using the Standardized Approach in determining credit risk capital and to account for operational risk.

The Common Equity Tier 1 capital ratio increased to 7.7% as at July 31, 2014 compared with 7.6% as at October 31, 2013. As mentioned previously, effective November 1, 2013, the Bank adopted an amended version of IAS 19, *Employee Benefits* which reduced the Common Equity Tier 1 capital ratio by approximately 0.2%. This impact was more than offset by internal capital generation during the nine months ended July 31, 2014, which increased total equity overall, while risk-weighted assets slightly increased.

On April 3, 2014, the Bank issued 5,000,000 Preferred Shares Series 13 for net proceeds of $120.9 million. These preferred shares fully qualify as Additional Tier 1 capital under the Basel III capital adequacy framework and the CAR Guideline as they include mandatory non-viability contingency capital provisions. These preferred shares are now classified as equity on the balance sheet.

On June 15, 2014, the Bank redeemed all of its 4,400,000 outstanding Non-Cumulative Class A Preferred Shares, Series 10 at a redemption price of $25.00 per share, for an aggregate amount of $110.0 million.

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[1] Effective November 1, 2013, the Bank has modified its definition of common shareholders' equity, which is now better aligned with regulatory requirements. Book value per common share and return on common shareholders' equity measures for the quarters ended in 2013 have been amended accordingly. Refer to the Non-GAAP financial measures section for further information.

Basel leverage ratio requirement

The Basel III capital reforms introduced a non-risk based leverage ratio requirement to act as a supplementary measure to the risk-based capital requirements. The leverage ratio is currently defined as the Tier 1 capital divided by unweighted on-balance sheet assets and off-balance sheet commitments, derivatives and securities financing transactions, as defined within the requirements. It differs from OSFI's current Asset to Capital Multiple (ACM) requirement in that it includes more off-balance-sheet exposures and a narrower definition of capital (Tier 1 Capital instead of Total Capital).

In January 2014, the BCBS issued the full text of Basel III leverage ratio framework and disclosure requirements following endorsement by its governing body. In its leverage ratio requirements draft guideline issued in July 2014, OSFI indicated that it will replace the ACM with the new Basel III leverage ratio as of January 1, 2015. OSFI is expected to issue a final leverage ratio requirements guideline later this year. Federally regulated deposit-taking institutions will be expected to have Basel III leverage ratios that exceed 3%.

Dividends

On August 20, 2014, the Board of Directors declared the regular dividend on the Preferred Shares Series 11 and Preferred Shares Series 13, to shareholders of record on September 8, 2014. At its meeting on August 28, 2014, the Board of Directors declared a dividend of $0.52 per common share, payable on November 1, 2014, to shareholders of record on October 1, 2014. These dividends will be recorded in the fourth quarter of 2014.

COMMON SHARE DIVIDENDS AND PAYOUT RATIO [1]

	FOR THE THREE MONTHS ENDED			FOR THE NINE MONTHS ENDED	FOR THE YEARS ENDED		
In Canadian dollars, except payout	**JULY 31 2014**	APRIL 30 2014	JULY 31 2013	**JULY 31 2014**	OCTOBER 31 2013	OCTOBER 31 2012	OCTOBER 31 2011

ratios (Unaudited)

Dividends declared per common share	**$ 0.52**	$ 0.51	$ 0.50	**$ 1.54**	$ 1.98	$ 1.84	$ 1.62
Dividend payout ratio [2]	**40.9 %**	51.3 %	58.0 %	**45.0 %**	52.0 %	37.0 %	34.8 %
Adjusted dividend payout ratio [2]	**38.6 %**	39.6 %	39.4 %	**39.2 %**	40.3 %	36.9 %	32.9 %

[1] Comparative figures for 2013 reflect the adoption of amendments to IAS 19, *Employee benefits*. Comparative figures for 2012 and 2011 have not been restated. Refer to Note 2 in the unaudited condensed interim consolidated financial statements.

[2] Refer to the Non-GAAP Financial Measures section.

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. Refer to the section "Risk Appetite and Risk Management Framework" on page 42 of the Bank's 2013 Annual Report for additional information.

Credit risk

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

PROVISION FOR LOAN LOSSES

	FOR THE THREE MONTHS ENDED			FOR THE NINE MONTHS ENDED	
In thousands of Canadian dollars, except percentage amounts (Unaudited)	**JULY 31 2014**	APRIL 30 2014	JULY 31 2013	**JULY 31 2014**	JULY 31 2013
Provision for loan losses					
Personal loans	**$ 4,976**	$ 8,003	$ 6,135	**$ 17,452**	$ 21,648
Residential mortgage loans	**1,606**	922	4,645	**3,176**	6,924
Commercial mortgage loans	**3,759**	(2,508)	(3,141)	**4,143**	(1,992)
Commercial and other loans (including acceptances)	**159**	4,083	1,361	**6,729**	(580)
	$ 10,500	$ 10,500	$ 9,000	**$ 31,500**	$ 26,000

As a % of average loans and acceptances	**0.15%**	0.16%	0.13%	**0.16%**	0.13%

The provision for loan losses amounted to $10.5 million in the third quarter of 2014, unchanged from the second quarter of 2014 and up $1.5 million compared to the same quarter a year ago. For the nine months ended July 31, 2014, provisions for loan losses increased by $5.5 million and amounted to $31.5 million compared with $26.0 million for the same period in 2013. Despite the gradual increase from the 2013 very low levels, the provision for loan losses remains low and reflects the underlying strong credit quality of the Bank's loan portfolios and prolonged low interest rates in the Canadian market.

Loan losses on personal loans decreased by $1.2 million compared with the third quarter of 2013, mainly reflecting lower provisions in the point-of-sale financing and investment loan portfolios compared to last year due to the reduced exposure. For the nine months ended July 31, 2014, loan losses on personal loans decreased by $4.2 million, essentially due to lower losses from the reduced exposure in the investment and point-of-sale financing loan portfolios. On a sequential basis, loan losses on personal loans decreased by $3.0 million, mostly explained by lower losses at B2B Bank in the third quarter of 2014.

Loan losses on residential mortgage loans were down $3.0 million from the third quarter of 2013, as loan losses in 2013 were impacted by higher provisions on medium-sized residential real estate properties and projects. On a sequential basis, loan losses on residential mortgage loans increased slightly by $0.7 million, in line with growth in B2B Bank's prime and Alt-A residential mortgage loan portfolio. For the nine months ended July 31, 2014, loan losses on residential mortgage loans decreased by $3.7 million year-over-year, essentially for the same reasons mentioned above.

Loan losses on commercial mortgages and commercial loans cumulatively amounted to $3.9 million in the third quarter of 2014, a year-over-year increase of $5.7 million. Notably, loan losses in 2013 were impacted by a $3.5 million favourable settlement on a single commercial mortgage loan exposure. On a sequential basis, loan losses in these portfolios increased by a combined $2.3 million from low second quarter losses which benefitted from recoveries. For the nine months ended July 31, 2014, loan losses on commercial mortgages and commercial loans totalled $10.9 million compared with a negative amount of $2.6 million for the same period in 2013. The year-over-year increase in loan losses mainly results from growth in the underlying portfolios, as well as from lower favourable settlements and improvements in 2014 compared with 2013.

IMPAIRED LOANS

In thousands of Canadian dollars, except percentage amounts (Unaudited)	**AS AT JULY 31 2014**	AS AT OCTOBER 31 2013	AS AT JULY 31 2013
Gross impaired loans			
Personal	**$ 24,574**	$ 13,971	$ 15,008
Residential mortgages	**33,110**	32,651	25,784
Commercial mortgages	**12,759**	14,082	20,774
Commercial and other (including acceptances)	**35,546**	38,687	36,631
	105,989	99,391	98,197
Allowances for loan losses against impaired loans			
Individual allowances	**(27,563)**	(34,266)	(35,941)

Collective allowances	**(16,414)**	(12,049)	(11,541)
	(43,977)	(46,315)	(47,482)
Net impaired loans	**$ 62,012**	$ 53,076	$ 50,715
Collective allowances against other loans	**$ (78,245)**	$ (69,275)	$ (66,608)
Impaired loans as a % of loans and acceptances			
Gross	**0.39 %**	0.37 %	0.36 %
Net	**0.23 %**	0.19 %	0.19 %

Gross impaired loans amounted to $106.0 million as at July 31, 2014, up from $99.4 million as at October 31, 2013, but slightly down from $107.3 million as at April 30, 2014. Overall, continued improvement in the commercial loan portfolios since the beginning of the year was more than offset by increases in impaired loans in the personal loan portfolio. Despite the increase, gross impaired loans remain historically low and borrowers continue to benefit from the favourable low interest rate environment and business conditions in Canada.

Since the beginning of the year, individual allowances decreased by $6.7 million to $27.6 million mainly explained by favourable settlements on a limited number of impaired commercial loans. Collective allowances against impaired loans increased by $4.4 million over the same period, in-line with the higher impaired loans level. Net impaired loans, calculated as gross impaired loans less individual allowances and collective allowances against impaired loans, amounted to $62.0 million as at July 31, 2014, compared with $53.1 million as at October 31, 2013. At 0.39% of loans and acceptances as at July 31, 2014 and 0.37% as at October 31, 2013, gross impaired loans continue to be at a low level.

Liquidity and funding risk

Liquidity and funding risk represents the possibility that the Bank may not be able to gather sufficient cash resources, when required and on reasonable conditions, to meet its financial obligations. There have been no material changes to the Bank's liquidity and funding risk management framework from year-end 2013. The Bank continues to maintain liquidity and funding that is appropriate for the execution of its strategy, with liquidity and funding risk remaining well within its approved limits.

Regulatory developments concerning liquidity

In December 2010, the BCBS issued the regulatory liquidity framework, "*Basel III: International framework for liquidity risk measurement, standards and monitoring*", which mainly outlines two new liquidity requirements. This document prescribes the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) as minimum regulatory standards effective January 2015 and January 2018, respectively. Further updates regarding these new requirements were also published in 2013 and 2014.

In addition, in January 2014, the BCBS issued its final paper on "*Liquidity coverage ratio disclosure standards*". Banks are expected to comply with the BCBS LCR disclosure standards beginning in the first full fiscal quarter of calendar 2015 (expected to be the second quarter of 2015 for Canadian banks).

In May 2014, OSFI issued a comprehensive domestic Liquidity Adequacy Requirements Guideline that reflects the aforementioned BCBS liquidity standards and monitoring tools and formalized the use of the Net Cumulative Cash Flow (NCCF) supervisory tool. At this stage, it is still too early to determine their definitive impact on liquidity management. The Bank is presently developing its liquidity data and reporting systems to meet the upcoming liquidity requirements. Based on its preliminary review of the regulatory requirements and prior analyses, management expects that the Bank will meet the upcoming standards.

Market risk

Market risk represents the financial losses that the Bank could incur following unfavourable fluctuations in the value of financial instruments subsequent to changes in the underlying factors used to measure them, such as interest rates, exchange rates or equity 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 manage 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 protecting the economic value of common shareholders' equity from sharp interest rate movements. As at July 31, 2014, 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 Canadian dollars (Unaudited)		**AS AT JULY 31 2014**		AS AT OCTOBER 31 2013
Effect of a 1% increase in interest rates				
Increase in net interest income before taxes over the next 12 months	**$**	**8,172**	$	9,984
Decrease in the economic value of common shareholders' equity (net of income taxes)	**$**	**(19,417)**	$	(22,746)

As shown in the table above, the sensitivity to changes in interest rates remained low as at July 31, 2014. Management continues to expect that long term rates will remain within a narrow range for now. These results reflect efforts to take advantage in the movement of short-term and long-term interest rates, while maintaining the sensitivity to these fluctuations within approved risk limits.

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 three business segments: Personal & Commercial, B2B Bank, and Laurentian Bank Securities & Capital Markets. The Bank's other activities are grouped into the Other sector.

Realignment of reportable segments

Commencing November 1, 2013, the Bank reports its retail and commercial activities, which were previously reported in the Retail & SME-Québec and Real Estate & Commercial business segments, in the newly formed Personal & Commercial segment. The new business segment better reflects the interdependencies associated with these activities. In addition, the new segments more closely align the Bank's reporting to the industry practice. The B2B Bank and Laurentian Bank Securities & Capital Markets segments are not affected by this realignment. Furthermore, certain restructurings implemented in the fourth quarter of 2013 resulted in minor adjustments to segment allocations. Comparative figures were reclassified to conform to the current presentation.

Personal & Commercial [1]

	FOR THE THREE MONTHS	FOR THE NINE MONTHS ENDED

In thousands of Canadian dollars, except percentage amounts (Unaudited)	**JULY 31 2014**	APRIL 30 2014	JULY 31 2013	**JULY 31 2014**	JULY 31 2013
	ENDED				
Net interest income	**$ 99,591**	$ 97,592	$ 98,857	**$ 295,237**	$ 289,530
Other income	**50,854**	49,110	49,833	**148,594**	142,130
Total revenue	**150,445**	146,702	148,690	**443,831**	431,660
Provision for loan losses	**8,759**	7,436	6,469	**26,449**	16,921
Non-interest expenses	**102,355**	99,947	108,245	**302,111**	314,281
Income before income taxes	**39,331**	39,319	33,976	**115,271**	100,458
Income taxes	**9,378**	9,037	7,838	**26,758**	22,950
Net income	**$ 29,953**	$ 30,282	$ 26,138	**$ 88,513**	$ 77,508
Efficiency ratio [2]	**68.0 %**	68.1 %	72.8 %	**68.1 %**	72.8 %

[1] Comparative figures reflect the realignment of reportable segments and the adoption of amendments to IAS 19, *Employee Benefits*. Refer to Notes 2 and 11 in the unaudited condensed interim consolidated financial statements.

[2] Refer to the non-GAAP financial measures section.

The Personal & Commercial business segment's contribution to net income was $30.0 million in the third quarter of 2014 compared with $26.1 million in the third quarter of 2013.

Total revenue increased by $1.8 million from $148.7 million in the third quarter of 2013 to $150.4 million in the third quarter of 2014. Net interest income increased by $0.7 million to $99.6 million, reflecting good volume growth in the higher-margin commercial portfolios, partly offset by the lower level of prepayment penalties on residential mortgages. Other income increased by $1.0 million to $50.9 million in the third quarter of 2014, as higher mutual fund commissions and lending fees from underwriting activity more than compensated for lower deposit service charges.

Loan losses increased by $2.3 million from $6.5 million in the third quarter of 2013 to $8.8 million in the third quarter of 2014. The higher level of losses compared to a year ago, is mainly due to a $3.5 million favourable settlement on a single exposure recorded in the corresponding period in 2013, as the overall level of loan losses remains low.

Non-interest expenses decreased by $5.9 million or 5%, from $108.2 million in the third quarter of 2013 to $102.4 million in the third quarter of 2014, mainly due to lower salaries and other expenses from the optimization of certain retail activities in the fourth quarter of 2013 and disciplined control over discretionary expenses.

Compared with the second quarter of 2014, net income decreased by $0.3 million as the impact of three more days in the third quarter was offset by higher loan losses on commercial mortgage loans and slightly higher income taxes.

For the nine months ended July 31, 2014, net income increased 14% to $88.5 million compared with $77.5 million for the same period a year ago. This performance was mainly driven by organic growth in the commercial loan portfolio, up 16% year-over-year, a good increase in other income and lower non-interest expenses in retail services, partly offset by higher loan losses. The efficiency ratio was 68.1% for the nine months ended July 31, 2014, compared with 72.8% for the nine months ended July 31, 2013. The segment generated positive operating leverage of 6.7% year-over-year, reflecting the Bank's focus on rigorous cost control and growth in other income and commercial businesses.

B2B Bank [1]

In thousands of Canadian dollars, except percentage amounts (Unaudited)	FOR THE THREE MONTHS ENDED JULY 31 2014	APRIL 30 2014	JULY 31 2013	FOR THE NINE MONTHS ENDED JULY 31 2014	JULY 31 2013
Net interest income	**$ 44,402**	$ 43,377	$ 48,249	**$ 133,976**	$ 144,856
Other income	**8,804**	9,107	9,359	**27,013**	27,299
Total revenue	**53,206**	52,484	57,608	**160,989**	172,155
Amortization of net premium on purchased financial instruments and revaluation of contingent consideration	**1,511**	5,498	1,140	**8,145**	3,420
Provision for loan losses	**1,741**	3,064	2,531	**5,051**	9,079
Non-interest expenses [2]	**30,553**	30,971	32,138	**93,100**	99,319
Costs related to business combinations [3]	**1,564**	4,437	14,600	**9,950**	28,293
Income before income taxes	**17,837**	8,514	7,199	**44,743**	32,044
Income taxes	**4,802**	3,432	1,966	**13,193**	8,530
Net income	**$ 13,035**	$ 5,082	$ 5,233	**$ 31,550**	$ 23,514
Efficiency ratio [4]	**60.4 %**	67.5 %	81.1 %	**64.0 %**	74.1 %
Adjusted net income [4]	**$ 15,293**	$ 13,468	$ 16,796	**$ 45,930**	$ 46,813
Adjusted efficiency ratio [4]	**57.4 %**	59.0 %	55.8 %	**57.8 %**	57.7 %

[1] Comparative figures reflect the adoption of amendments to IAS 19, *Employee Benefits*. Refer to Note 2 in the unaudited condensed interim consolidated financial statements.

[2] During the first quarter of 2014, the Bank retroactively adjusted its corporate expenses allocation methodology. As a result, non-interest expenses amounting to $1.0 million ($0.7 million net of income taxes) per quarter in 2013, which were previously reported in the Other sector, were reclassified to the B2B Bank business segment.

[3] Integration costs related to the integration of the MRS Companies and AGF Trust (T&I Costs).

[4] Refer to the non-GAAP financial measures section.

The B2B Bank business segment's contribution to adjusted net income was $15.3 million in the third quarter of 2014, down $1.5 million from $16.8 million in the third quarter of 2013. Reported net income in the third quarter of 2014 was $13.0 million compared with $5.2 million a year ago.

Total revenue decreased to $53.2 million in the third quarter of 2014 from $57.6 million in the third quarter of 2013. Net interest income decreased by $3.8 million to $44.4 million in the third quarter of 2014 compared with the corresponding period in 2013. This decrease resulted from the reduced level of high-margin investment loans as investors continue to deleverage, as well as margin compression on certain deposits. Other income amounted to $8.8 million in the third quarter of 2014, down $0.6 million from the third quarter of 2013, mainly impacted by lower income from self-directed accounts.

As shown above, the line item "Amortization of net premium on purchased financial instruments and revaluation of contingent consideration" increased by $0.4 million and amounted to $1.5 million in the third quarter of 2014 compared with $1.1 million for the third quarter of 2013. For additional information, refer to Note 12 to the unaudited condensed interim consolidated financial statements.

Loan losses decreased by $0.8 million compared with the third quarter of 2013 and amounted to $1.7 million in the third quarter of 2014. Lower provisions in the investment loan portfolios due to the reduced exposure compared to last year were partly offset by higher provisions on other personal loans.

Excluding T&I Costs, non-interest expenses decreased by $1.6 million or 5% to $30.6 million in the third quarter of 2014, compared with $32.1 million in the third quarter of 2013 mainly reflecting acquisition synergies. T&I Costs for the third quarter of 2014 decreased by $13.0 million to $1.6 million and mainly related to completing processes and harmonizing products. Integration activities are in their final stage and should be completed in the fourth quarter of 2014.

Compared with the second quarter of 2014, adjusted net income increased by $1.8 million, mainly resulting from lower loan losses in the third quarter of 2014 and three additional days of net income. These items, combined with the favourable impact of lower headcount, the decrease in T&I Costs and the $4.1 million non tax-deductible charge recorded in the second quarter to settle the contingent consideration related to the AGF Trust acquisition, contributed to the $8.0 million increase in reported net income over the same period.

For the nine months ended July 31, 2014, adjusted net income was $45.9 million, $0.9 million lower than the same period of 2013, as the items impacting revenues, as detailed above, were partly compensated by lower non-interest expenses and loan losses. Reported net income for the nine months ended July 31, 2014 increased by $8.0 million to $31.6 million, mainly due to the same factors mentioned above and as a result of lower T&I Costs year-over-year.

Laurentian Bank Securities & Capital Markets [1]

In thousands of Canadian dollars, except percentage amounts (Unaudited)	FOR THE THREE MONTHS ENDED			FOR THE NINE MONTHS ENDED	
	JULY 31 2014	APRIL 30 2014	JULY 31 2013	**JULY 31 2014**	JULY 31 2013
Total revenue	**$ 18,492**	$ 17,590	$ 16,040	**$ 52,247**	$ 50,090
Non-interest expenses	**14,341**	14,059	13,055	**41,487**	39,488
Income before income taxes	**4,151**	3,531	2,985	**10,760**	10,602
Income taxes	**1,114**	947	698	**2,887**	2,659
Net income	**$ 3,037**	$ 2,584	$ 2,287	**$ 7,873**	$ 7,943
Efficiency ratio [2]	**77.6 %**	79.9 %	81.4 %	**79.4 %**	78.8 %

[1] Comparative figures reflect the adoption of amendments to IAS 19, *Employee Benefits*. Refer to Note 2 in the unaudited condensed interim consolidated financial statements.

[2] Refer to the non-GAAP financial measures section.

Laurentian Bank Securities & Capital Markets business segment's contribution to net income increased to $3.0 million in the third quarter of 2014, compared with $2.3 million in the third quarter of 2013. Total revenue increased by $2.5 million to $18.5 million in the third quarter of 2014 compared with $16.0 million in the third quarter of 2013, mainly driven by improved activity in the small-cap equity underwriting market. Non-interest expenses increased by $1.3 million to $14.3 million in the third quarter of 2014, mainly due to higher performance-based compensation, commissions and transaction fees, in-line with higher market-driven income.

For the nine months ended July 31, 2014, net income amounted to $7.9 million, essentially unchanged compared with the same period last year. Total revenue increased by $2.2 million to $52.2 million in the nine months ended July 31, 2014, mainly as the business segment capitalized on growth opportunities in the small-cap equity underwriting market. Non-interest expenses increased by $2.0 million to $41.5 million for the nine months ended July 31, 2014, mainly for the same reasons explained above.

Other sector [1]

In thousands of Canadian dollars (Unaudited)	FOR THE THREE MONTHS ENDED **JULY 31 2014**	APRIL 30 2014	JULY 31 2013	FOR THE NINE MONTHS ENDED **JULY 31 2014**	JULY 31 2013
Net interest income	**$ (3,312)**	$ (2,749)	$ (3,271)	**$ (10,139)**	$ (9,528)
Other income	**814**	2,863	1,975	**5,716**	5,429
Total revenue	**(2,498)**	114	(1,296)	**(4,423)**	(4,099)
Non-interest expenses [2]	**7,160**	10,490	8,667	**28,362**	20,047
Loss before income taxes	**(9,658)**	(10,376)	(9,963)	**(32,785)**	(24,146)
Income taxes recovery	**(3,730)**	(3,417)	(3,289)	**(11,460)**	(8,792)
Net loss	**$ (5,928)**	$ (6,959)	$ (6,674)	**$ (21,325)**	$ (15,354)

[1] Comparative figures reflect the realignment of reportable segments and the adoption of amendments to IAS 19, *Employee Benefits*. Refer to Notes 2 and 11 in the unaudited condensed interim consolidated financial statements.

[2] During the first quarter of 2014, the Bank retroactively adjusted its corporate expenses allocation methodology. As a result, non-interest expenses amounting to $1.0 million ($0.7 million net of income taxes) per quarter in 2013, which were previously reported in the Other sector, were reclassified to the B2B Bank business segment.

The Other sector posted a negative contribution to net income of $5.9 million in the third quarter of 2014 compared with a negative contribution of $6.7 million in the third quarter of 2013.

Net interest income remained essentially unchanged at negative $3.3 million in the third quarter of 2014. Other income decreased to $0.8 million in the third quarter of 2014, compared with $2.0 million in the third quarter of 2013, which was a stronger quarter in treasury activities and included higher net security gains. Non-interest expenses decreased to $7.2 million in the third quarter of 2014 compared with $8.7 million in the third quarter of 2013, mainly as a result of lower unallocated costs.

On a sequential basis, net loss improved by $1.0 million as lower non-interest expenses more than offset the impact of the $2.5 million gain on sale of commercial mortgage loans recorded in the second quarter of 2014.

For the nine months ended July 31, 2014, the negative contribution to net income was $21.3 million, compared to negative $15.4 million for the nine months ended July 31, 2013, mainly explained by non-interest expenses which increased by $8.3 million compared to 2013. The increase in non-interest expenses mainly results from unallocated technology expenses related to new initiatives aimed at improving IT infrastructure and on-line services.

Additional Financial Information - Quarterly Results [1]

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In thousands of Canadian dollars, except per share	**JULY 31 2014**	APRIL 30 2014	JANUARY 31 2014	OCTOBER 31 2013	JULY 31 2013	APRIL 30 2013	JANUARY 31 2013	OCTOBER 31 2012

and percentage amounts (Unaudited)								
Net interest income	**$ 141,249**	$ 138,726	$ 140,856	$ 141,437	$ 144,549	$ 140,430	$ 142,344	$ 142,411
Other income	**78,396**	78,164	75,253	74,094	76,493	74,420	71,570	67,985
Total revenue	**219,645**	216,890	216,109	215,531	221,042	214,850	213,914	210,396
Gain on acquisition, amortization of net premium on purchased financial instruments and revaluation of contingent consideration	**1,511**	5,498	1,136	1,006	1,140	1,224	1,056	(23,795)
Provision for loan losses	**10,500**	10,500	10,500	10,000	9,000	9,000	8,000	8,000
Non-interest expenses	**155,973**	159,904	159,133	172,651	176,705	161,630	163,093	165,377
Income before income taxes	**51,661**	40,988	45,340	31,874	34,197	42,996	41,765	60,814
Income taxes	**11,564**	9,999	9,815	6,008	7,213	9,157	8,977	15,129
Net income	**$ 40,097**	$ 30,989	$ 35,525	$ 25,866	$ 26,984	$ 33,839	$ 32,788	$ 45,685
Earnings per share								
Basic	**$ 1.27**	$ 0.99	$ 1.16	$ 0.82	$ 0.86	$ 1.05	$ 1.07	$ 1.51
Diluted	**$ 1.27**	$ 0.99	$ 1.16	$ 0.82	$ 0.86	$ 1.05	$ 1.07	$ 1.51
Return on common shareholders' equity [2]	**11.2 %**	9.2 %	10.5 %	7.6 %	8.1 %	10.4 %	10.3 %	14.2 %
Balance sheet assets (in millions of Canadian dollars)	**$ 34,328**	$ 34,261	$ 33,631	$ 33,911	$ 33,758	$ 34,480	$ 34,252	$ 34,937
Adjusted financial measures								
Adjusted net income [2]	**$ 42,355**	$ 39,375	$ 39,261	$ 33,919	$ 38,547	$ 39,247	$ 39,116	$ 36,186
Adjusted diluted earnings per share [2]	**$ 1.35**	$ 1.29	$ 1.29	$ 1.10	$ 1.27	$ 1.24	$ 1.30	$ 1.17
Adjusted	**11.9 %**	11.9 %	11.7 %	10.2 %	12.0 %	12.2 %	12.5 %	10.9 %

return on common shareholders' equity [2]	

[1] Comparative figures for 2013 reflect the adoption of amendments to IAS 19, *Employee Benefits*. 2012 results have not been restated. Refer to Note 2 in the unaudited condensed interim consolidated financial statements.

[2] Refer to the non-GAAP financial measures section.

Accounting Policies

A summary of the Bank's significant accounting policies is presented in Notes 2 and 3 of the 2013 audited annual consolidated financial statements. Pages 58 to 61 of the 2013 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 unaudited condensed interim consolidated financial statements for the third quarter of 2014 have been prepared in accordance with these accounting policies, except for accounting changes detailed below.

Accounting changes

Effective November 1, 2013, the Bank adopted new standards and amendments to existing standards on employee benefits, consolidation, fair value measurement, and disclosure of offsetting arrangements. Additional information on the new standards, amendments to existing standards and new accounting policy can be found in Note 2 to the unaudited condensed interim consolidated financial statements.

Future accounting changes

The IASB has issued new standards and amendments to existing standards on financial instruments, offsetting and revenue from contracts with customers. These future accounting changes will be applicable for the Bank in various annual periods beginning on November 1, 2014 at the earliest. The Bank is currently assessing the impact of the adoption of these standards on its financial statements. Additional information on the new standards and amendments to existing standards can be found in Note 3 to the unaudited condensed interim consolidated financial statements.

Corporate Governance and Changes in Internal Control over Financial Reporting

During the third quarter ended July 31, 2014, 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.

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

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:

Common shareholders' equity

Effective November 1, 2013, the Bank has modified its definition of common shareholders' equity, as detailed below. All financial measures for the quarters and for the year ended in 2013 have been amended accordingly.

The Bank's common shareholders' equity is defined as the sum of the value of common shares, retained earnings and accumulated other comprehensive income, excluding cash flow hedge reserves. This definition is now better aligned with regulatory requirements.

Return on common shareholders' equity

Return on common shareholders' equity is a profitability measure calculated as the net income available to common shareholders as a percentage of average common shareholders' equity.

Book value per common share

The Bank's book value per common share is defined as common shareholders' equity divided by the number of common shares outstanding at the end of the period.

Net interest margin

Net interest margin is the ratio of net interest income to total average assets, expressed as a percentage or basis points.

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 the difference between total revenue and non-interest expenses growth rates. Quarterly growth rates are calculated sequentially (i.e. current period versus the immediately preceding period). Year-to-date growth rates are calculated year-over-year (i.e. current period versus the corresponding prior year period).

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.

Dividend yield

The dividend yield is defined as dividends declared per common share divided by the closing common share price.

Adjusted financial measures

Certain analyses presented throughout this document are based on the Bank's core activities and therefore exclude the effect of certain amounts designated as adjusting items, as presented in the table in the Adjusting Items section.

Most of the adjusting items relate to gains and expenses that arise as a result of acquisitions. The gain on acquisition and ensuing amortization of net premium on purchased financial instruments are considered adjusting items since they represent, according to management, significant non-cash adjustments and due to their non-recurrence. The revaluation of the contingent consideration related to the AGF Trust acquisition, transaction and integration-related costs in respect of the MRS Companies and AGF Trust have been designated as adjusting items due to the significance of the amounts and their non-recurrence.

About Laurentian Bank

Laurentian Bank of Canada is a banking institution whose activities extend across Canada. Recognized for its excellent service, proximity and simplicity, the Bank serves one and a half million clients throughout the country. Founded in 1846, the Bank is among the 2014 edition of the Montréal's Top Employers competition, which showcases the city's top 25 companies offering enviable places to work. It currently employs some 3,700 people whose talent and dedication has made it a major player in numerous market segments.

Laurentian Bank distinguishes itself through the excellence of its execution and its agility. Catering to the needs of retail clients via its extensive branch network and constantly evolving virtual offerings, the Bank has also earned a solid reputation among SMEs, larger businesses and real estate developers thanks to its growing presence across Canada and its specialized teams in Ontario, Québec, Alberta and British Columbia. For their part, B2B Bank is a Canadian leader in providing banking and investment products and services to financial advisors and brokers, while Laurentian Bank Securities is an integrated broker widely known for its expert and effective services nationwide. The institution has more than $34 billion in balance sheet assets and more than $41 billion in assets under administration.

Access to Quarterly Results Materials

Interested investors, the media and others may review this press release, unaudited condensed interim consolidated financial statements, supplementary financial information and our report to shareholders which are posted on our web site at www.laurentianbank.ca.

Conference Call

Laurentian Bank invites media representatives and the public to listen to the conference call with financial analysts to be held at 2:00 p.m. Eastern Time on Thursday, August 28, 2014. The live, listen-only, toll-free, call-in number is 416 204-9702 or 1 800 524-8850.

You can listen to the call on a delayed basis at any time from 5:00 p.m. on Thursday, August 28, 2014 until 5:00 p.m. on September 26, 2014, by dialing the following playback number: 647 436-0148 or 1 888 203-1112 Code 8535586. 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 Web site also offers additional financial information.

Unaudited Condensed Interim Consolidated Financial Statements

The unaudited condensed interim consolidated financial statements for the quarter ended July 31, 2014, including the notes to consolidated financial statements, are also available on the Bank's Web site at www.laurentianbank.ca.

Consolidated Balance Sheet [1]

In thousands of Canadian dollars (Unaudited)	**AS AT JULY 31 2014**	AS AT OCTOBER 31 2013	AS AT JULY 31 2013
ASSETS			
Cash and non-interest-bearing deposits with other banks	**$ 86,811**	$ 82,836	$ 91,090
Interest-bearing deposits with other banks	**68,470**	126,002	128,390
Securities			
Available-for-sale	**2,096,307**	1,679,067	2,077,626
Held-to-maturity	**97,786**	648,874	609,236
Held-for-trading	**2,230,169**	2,152,584	2,218,222
	4,424,262	4,480,525	4,905,084
Securities purchased under reverse repurchase agreements	**1,804,421**	1,218,255	741,561
Loans			
Personal	**6,915,950**	7,245,474	7,411,683
Residential mortgage	**14,726,535**	14,735,211	14,696,426
Commercial mortgage	**2,571,309**	2,488,826	2,444,977
Commercial and other	**2,700,858**	2,488,137	2,371,945
Customers' liabilities under acceptances	**360,674**	271,049	263,708
	27,275,326	27,228,697	27,188,739
Allowances for loan losses	**(122,222)**	(115,590)	(114,090)
	27,153,104	27,113,107	27,074,649
Other			
Premises and equipment	**72,250**	73,261	71,054
Derivatives	**119,810**	126,617	102,556
Goodwill	**64,077**	64,077	64,077
Software and other intangible assets	**209,764**	197,594	178,585
Deferred tax assets	**14,886**	21,588	28,222
Other assets	**310,300**	407,164	372,449
	791,087	890,301	816,943
	$ 34,328,155	$ 33,911,026	$ 33,757,717
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits			
Personal	**$ 18,782,447**	$ 19,282,042	$ 19,249,777
Business, banks and other	**5,430,098**	4,645,308	4,616,588
	24,212,545	23,927,350	23,866,365
Other			
Obligations related to securities sold short	**1,579,354**	1,464,269	1,433,525
Obligations related to securities sold under repurchase agreements	**480,899**	339,602	383,886

Acceptances	**360,674**	271,049	263,708
Derivatives	**94,621**	102,041	87,040
Deferred tax liabilities	**517**	9,845	7,770
Other liabilities	**811,685**	943,112	906,187
	3,327,750	3,129,918	3,082,116
Debt related to securitization activities	**4,824,777**	4,974,714	4,952,060
Subordinated debt	**446,995**	445,473	444,962
Shareholders' equity			
Preferred shares	**219,633**	205,204	205,146
Common shares	**460,757**	446,496	442,447
Share-based payment reserve	**91**	91	91
Retained earnings	**824,925**	776,256	762,147
Accumulated other comprehensive income	**10,682**	5,524	2,383
	1,516,088	1,433,571	1,412,214
	$ 34,328,155	$ 33,911,026	$ 33,757,717

[1] Comparative figures reflect the adoption of amendments to IAS 19, *Employee Benefits.* Refer to Note 2 in the unaudited condensed interim consolidated financial statements.

Consolidated Statement of Income [1]

	FOR THE THREE MONTHS ENDED			FOR THE NINE MONTHS ENDED	
In thousands of Canadian dollars, except per share amounts (Unaudited)	**JULY 31 2014**	APRIL 30 2014	JULY 31 2013	**JULY 31 2014**	JULY 31 2013
Interest income					
Loans	**$ 266,872**	$ 260,326	$ 274,778	**$ 796,282**	$ 816,352
Securities	**9,922**	10,136	13,053	**30,379**	46,359
Deposits with other banks	**201**	194	314	**576**	1,727
Other, including derivatives	**10,403**	10,167	10,217	**30,758**	34,863
	287,398	280,823	298,362	**857,995**	899,301
Interest expense					
Deposits	**112,232**	108,811	115,561	**335,063**	349,509
Debt related to securitization activities	**29,758**	29,140	33,950	**89,427**	109,338
Subordinated debt	**4,038**	3,933	4,033	**12,002**	11,984
Other	**121**	213	269	**672**	1,147
	146,149	142,097	153,813	**437,164**	471,978
Net interest income	**141,249**	138,726	144,549	**420,831**	427,323
Other income					
Fees and commissions on loans and deposits	**35,983**	32,964	35,033	**103,702**	98,087
Income from brokerage operations	**16,667**	16,992	14,449	**48,866**	45,494
Income from investment accounts	**7,772**	8,343	8,249	**24,142**	24,001

Income from sales of mutual funds	**7,546**	7,151	5,848	**21,277**	16,403
Income from treasury and financial market operations	**3,909**	2,766	5,840	**11,014**	15,782
Insurance income, net	**4,670**	4,744	4,793	**14,047**	12,603
Other income	**1,849**	5,204	2,281	**8,765**	10,113
	78,396	78,164	76,493	**231,813**	222,483
Total revenue	**219,645**	216,890	221,042	**652,644**	649,806
Amortization of net premium on purchased financial instruments and revaluation of contingent consideration	**1,511**	5,498	1,140	**8,145**	3,420
Provision for loan losses	**10,500**	10,500	9,000	**31,500**	26,000
Non-interest expenses					
Salaries and employee benefits	**82,938**	84,407	89,457	**252,885**	267,593
Premises and technology	**45,465**	45,642	44,491	**137,047**	125,998
Other	**26,006**	25,418	28,157	**75,128**	79,544
Costs related to business combinations	**1,564**	4,437	14,600	**9,950**	28,293
	155,973	159,904	176,705	**475,010**	501,428
Income before income taxes	**51,661**	40,988	34,197	**137,989**	118,958
Income taxes	**11,564**	9,999	7,213	**31,378**	25,347
Net income	**$ 40,097**	$ 30,989	$ 26,984	**$ 106,611**	$ 93,611
Preferred share dividends, including applicable taxes	**3,588**	2,501	2,520	**8,590**	9,112
Net income available to common shareholders	**$ 36,509**	$ 28,488	$ 24,464	**$ 98,021**	$ 84,499
Average number of common shares outstanding (in thousands)					
Basic	**28,775**	28,677	28,385	**28,674**	28,280
Diluted	**28,783**	28,684	28,393	**28,681**	28,291
Earnings per share					
Basic	**$ 1.27**	$ 0.99	$ 0.86	**$ 3.42**	$ 2.99
Diluted	**$ 1.27**	$ 0.99	$ 0.86	**$ 3.42**	$ 2.99
Dividends declared per share					
Common share	**$ 0.52**	$ 0.51	$ 0.50	**$ 1.54**	$ 1.48
Preferred share - Series 9	**n.a.**	n.a.	n.a.	**n.a.**	$ 0.75
Preferred share - Series 10	**$ 0.33**	$ 0.33	$ 0.33	**$ 0.98**	$ 0.98
Preferred share - Series 11	**$ 0.25**	$ 0.25	$ 0.25	**$ 0.75**	$ 0.66
Preferred share - Series 13	**$ 0.22**	n.a.	n.a.	**$ 0.22**	n.a.

[1] Comparative figures reflect the adoption of amendments to IAS 19, *Employee Benefits.* Refer to Note 2 in the unaudited condensed interim consolidated financial statements.

Consolidated Statement of Comprehensive Income [1]

	FOR THE THREE MONTHS ENDED			FOR THE NINE MONTHS ENDED	
In thousands of Canadian dollars	**JULY 31**	APRIL 30	JULY 31	**JULY 31**	JULY 31

(Unaudited)		2014		2014		2013		2014		2013
Net income	**$**	**40,097**	$	30,989	$	26,984	**$**	**106,611**	$	93,611
Other comprehensive income, net of income taxes										
Items that may subsequently be reclassified to the statement of income										
Unrealized net gains (losses) on available-for-sale securities		**2,453**		5,941		(5,277)		**9,152**		(2,677)
Reclassification of net (gains) losses on available-for-sale securities to net income		**(1,532)**		(1,236)		(685)		**(3,829)**		(2,570)
Net change in value of derivatives designated as cash flow hedges		**2,254**		(4,965)		(21,484)		**(165)**		(26,598)
		3,175		(260)		(27,446)		**5,158**		(31,845)
Items that may not be subsequently reclassified to the statement of income										
Actuarial gains (losses) on employee benefit plans		**(6,508)**		(2,012)		19,832		**(2,886)**		15,542
Comprehensive income	**$**	**36,764**	$	28,717	$	19,370	**$**	**108,883**	$	77,308

Income Taxes — Other Comprehensive Income

The following table presents the income taxes for each component of other comprehensive income.

	FOR THE THREE MONTHS ENDED						FOR THE NINE MONTHS ENDED			
In thousands of Canadian dollars (Unaudited)		**JULY 31 2014**		APRIL 30 2014		JULY 31 2013		**JULY 31 2014**		JULY 31 2013
Income tax expense (recovery) on:										
Unrealized net gains (losses) on available-for-sale securities	**$**	**831**	$	2,103	$	(1,838)	**$**	**3,177**	$	(897)
Reclassification of net (gains) losses on available-for-sale securities to net income		**(558)**		(449)		(252)		**(1,397)**		(945)
Net change in value of derivatives designated as cash flow hedges		**829**		(1,808)		(7,839)		**(54)**		(9,710)
Actuarial gains (losses) on employee benefit plans		**(2,386)**		(738)		7,273		**(1,058)**		5,700
	$	**(1,284)**	$	(892)	$	(2,656)	**$**	**668**	$	(5,852)

[1] Comparative figures reflect the adoption of amendments to IAS 19, *Employee Benefits*. Refer to Note 2 in the unaudited condensed interim consolidated financial statements.

Consolidated Statement of Changes in Shareholders' Equity [1]

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FOR THE NINE MONTHS ENDED JULY 31, 2014

In thousands of Canadian dollars (Unaudited)	PREFERRED SHARES	COMMON SHARES	RETAINED EARNINGS	AOCI RESERVES AVAILABLE- FOR-SALE SECURITIES	CASH FLOW HEDGES	TOTAL	SHARE-BASED PAYMENT RESERVE	TOTAL SHARE-HOLDERS' EQUITY
Balance as at October 31, 2013	$ 205,204	$ 446,496	$ 776,256	$ 9,536	$ (4,012)	$ 5,524	$ 91	$ 1,433,571
Net income			106,611					106,611
Other comprehensive income (net of income taxes)								
Unrealized net gains (losses) on available-for-sale securities				9,152		9,152		9,152
Reclassification of net (gains) losses on available-for-sale securities to net income				(3,829)		(3,829)		(3,829)
Net change in value of derivatives designated as cash flow hedges					(165)	(165)		(165)
Actuarial gains (losses) on employee benefit plans			(2,886)					(2,886)
Comprehensive income			103,725	5,323	(165)	5,158		108,883
Issuance of share capital	122,071	14,261						136,332

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Repurchase of share capital	**(107,642)**		**(2,358)**					**(110,000)**
Dividends								
Preferred shares, including applicable taxes			**(8,590)**					**(8,590)**
Common shares			**(44,108)**					**(44,108)**
Balance as at July 31, 2014	**$ 219,633**	**$ 460,757**	**$ 824,925**	**$ 14,859**	**$ (4,177)**	**$ 10,682**	**$ 91**	**$ 1,516,088**

FOR THE NINE MONTHS ENDED JULY 31, 2013

				AOCI RESERVES				
In thousands of Canadian dollars (Unaudited)	PREFERRED SHARES	COMMON SHARES	RETAINED EARNINGS	AVAILABLE- FOR-SALE SECURITIES	CASH FLOW HEDGES	TOTAL	SHARE-BASED PAYMENT RESERVE	TOTAL SHARE-HOLDERS' EQUITY
Balance as at November 1, 2012	$ 303,249	$ 428,526	$ 706,035	$ 12,201	$ 22,027	$ 34,228	$ 227	$ 1,472,265
Net income			93,611					93,611
Other comprehensive income (net of income taxes)								
Unrealized net gains (losses) on available-for-sale securities				(2,677)		(2,677)		(2,677)
Reclassification of net (gains) losses on available-for-sale securities to				(2,570)		(2,570)		(2,570)

net income								
Net change in value of derivatives designated as cash flow hedges					(26,598)	(26,598)		(26,598)
Actuarial gains (losses) on employee benefit plans			15,542					15,542
Comprehensive income			109,153	(5,247)	(26,598)	(31,845)		77,308
Issuance of share capital	(218)	13,921					(136)	13,567
Repurchase of share capital	(97,885)		(2,115)					(100,000)
Dividends								
Preferred shares, including applicable taxes			(9,112)					(9,112)
Common shares			(41,814)					(41,814)
Balance as at July 31, 2013	$ 205,146	$ 442,447	$ 762,147	$ 6,954	$ (4,571)	$ 2,383	$ 91	$ 1,412,214

[1] Comparative figures reflect the adoption of amendments to IAS 19, *Employee Benefits*. Refer to Note 2 in the unaudited condensed interim consolidated financial statements.

SOURCE Laurentian Bank of Canada

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