

2013 ANNUAL REPORT

MAXIMIZING OUR POTENTIAL



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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, it employs some 4,000 people who make it a major player in numerous market segments. The institution has \$34 billion in balance sheet assets and more than \$37 billion in assets under administration.

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 teams in Ontario, Québec, Alberta and British Columbia. For its part, the organization's B2B Bank subsidiary 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 that is also widely known for its expert and effective services nationwide.

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 anticipated benefits from the acquisitions of the MRS Companies and AGF Trust and the Bank's statements with regards to these transactions 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; the reputation risks and the reaction of B2B Bank's or MRS Companies' and AGF Trust's customers to the transaction; and the 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.

WHAT'S NEW?

WHAT'S NEXT?

➤ **Leasing – a new financing alternative** offered to commercial clients

➤ **New transactional website** with increased functionality

➤ **New partnerships with FADOQ and RIQ** – providing credit cards and other banking products to a large pool of potential clients

➤ **New specializations** to provide our commercial clients with even more expertise and added value

➤ **B2B Bank now in the heart of Toronto's financial district** – in a single location to build a more unified and stronger team

TO MAXIMIZE ITS POTENTIAL, LAURENTIAN BANK WILL:

➤ **Complete the integration of B2B Bank's acquisitions** to lever opportunities and realize synergies

➤ **Forge partnerships** to expand its client base and find efficient solutions

➤ Accelerate the development of commercial activities to **improve margins**

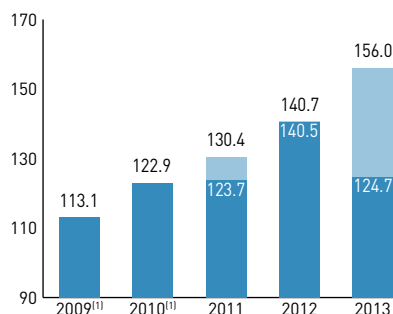
➤ **Expand other income** streams by diversifying its channels and products

➤ Continue its **pan-Canadian expansion**

PERFORMANCE AND HIGHLIGHTS 2013

Net income

(in millions of dollars)

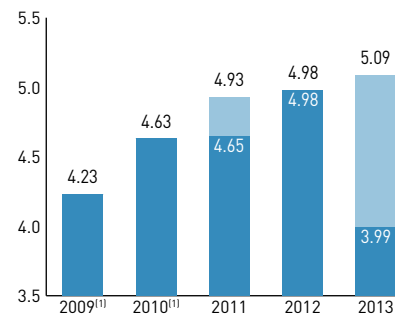


■ Net income
■ Adjusted net income

(1) In accordance with previous GAAP.

Diluted earnings per share

(in dollars)

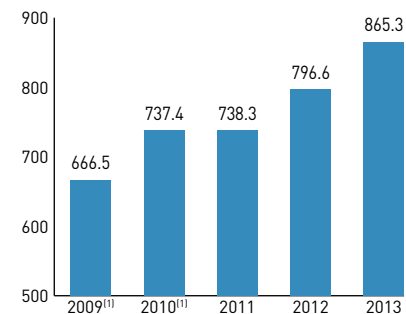


■ Diluted earnings per share
■ Adjusted diluted earnings per share

(1) In accordance with previous GAAP.

Total revenue

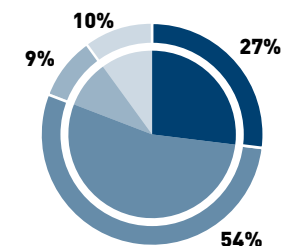
(in millions of dollars)



(1) In accordance with previous GAAP.

Loan portfolio mix

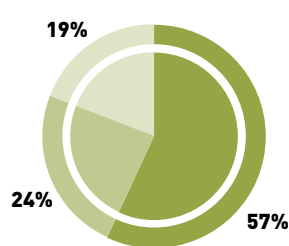
(as a percentage)



■ Personal loans
■ Residential mortgage loans
■ Commercial mortgage loans
■ Commercial and other loans (including acceptances)

Deposit portfolio mix

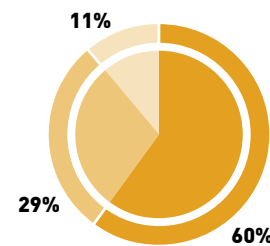
(as a percentage)



■ Personal term deposits
■ Personal notice and demand deposits
■ Business, banks and other deposits

Geographic distribution of loans

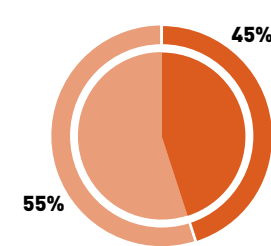
(as a percentage)



■ Québec
■ Ontario
■ Rest of Canada

Geographic distribution of profitability

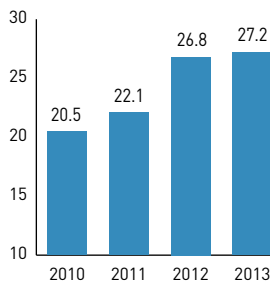
(as a percentage)



■ Québec
■ Rest of Canada

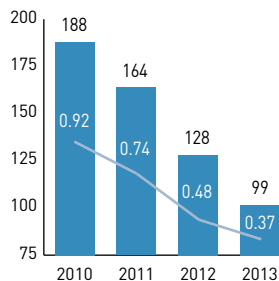
Loans and acceptances

(in billions of dollars)



Credit quality

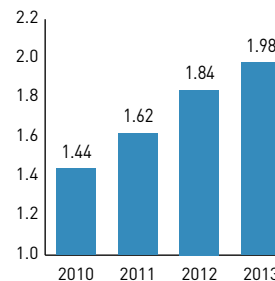
(in millions of dollars or as a percentage)



■ Gross impaired loans
— Gross impaired loans (as a percentage of loans and acceptances)

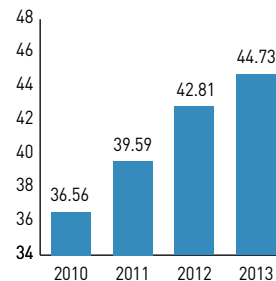
Dividends declared per common share

(in dollars)



Book value per common share

(in dollars)



HIGHLIGHTS

As at or for the years ended October 31

(in thousands of Canadian dollars, except per share and percentage amounts)

	2013	2012	2011
Profitability			
Total revenue	\$865,337	\$796,643	\$738,347
Net income	\$124,680	\$140,508	\$123,717
Diluted earnings per share	\$3.99	\$4.98	\$4.65
Return on common shareholders' equity	9.1 %	12.1 %	12.2 %
Net interest margin	1.66 %	1.69 %	1.82 %
Efficiency ratio	77.1 %	75.9 %	71.8 %
Operating leverage	(1.7) %	(6.1) %	n. a.
Other income (as a % of total revenue)	34.3 %	33.3 %	31.7 %
Effective tax rate	21.1 %	23.2 %	21.3 %
Per common share			
Share price			
High	\$47.15	\$48.68	\$55.87
Low	\$42.41	\$40.66	\$38.62
Close	\$46.55	\$44.45	\$45.98
Price / earnings ratio	11.6 x	8.9 x	9.9 x
Book value	\$44.73	\$42.81	\$39.59
Market to book value	104 %	104 %	116 %
Dividends declared	\$1.98	\$1.84	\$1.62
Dividend yield	4.25 %	4.14 %	3.52 %
Dividend payout ratio	49.6 %	37.0 %	34.8 %
Adjusted financial measures			
Adjusted net income	\$156,032	\$140,660	\$130,383
Adjusted diluted earnings per share	\$5.09	\$4.98	\$4.93
Adjusted return on common shareholders' equity	11.6 %	12.0 %	12.9 %
Adjusted efficiency ratio	72.7 %	73.1 %	70.6 %
Adjusted operating leverage	0.7 %	(3.9) %	n. a.
Adjusted dividend payout ratio	38.8 %	36.9 %	32.9 %
Financial position			
Balance sheet assets	\$33,925,680	\$34,936,826	\$28,963,210
Loans and acceptances	\$27,228,697	\$26,780,879	\$22,087,544
Deposits	\$23,927,350	\$24,041,443	\$20,016,281
Average assets	\$34,198,677	\$31,464,535	\$27,768,297
Average earning assets	\$33,190,556	\$30,614,884	\$27,143,591
Average common shareholders' equity	\$1,244,376	\$1,059,118	\$915,369
Quality of assets			
Gross amount of impaired loans	\$99,391	\$128,023	\$163,725
Allowances for loan losses against impaired loans			
Individual	\$34,266	\$47,849	\$69,450
Collective	\$12,049	\$12,492	\$18,557
Total	\$46,315	\$60,341	\$88,007
Net impaired loans	\$53,076	\$67,682	\$75,718
(as a % of loans and acceptances)	0.19 %	0.25 %	0.34 %
Collective allowances against other loans	\$69,275	\$57,201	\$55,143
Provision for loan losses	\$36,000	\$33,000	\$51,080
(as a % of average loans and acceptances)	0.13 %	0.14 %	0.24 %
Unrealized gains and losses on the portfolio of available-for-sale securities	\$16,442	\$23,487	\$41,054
Basel III regulatory capital ratio – All-in basis			
Common Equity Tier 1	7.6 %	n.a.	n.a.
Other information			
Number of full-time equivalent employees	3,987	4,201	3,669
Number of branches	153	157	158
Number of automated banking machines	422	426	427
Number of brokerage offices	16	16	15
Number of commercial banking centres	35	38	36



Maximizing Our Potential



Réjean Robitaille, FCPA, FCA
President and Chief Executive Officer

Despite an environment characterized by low interest rates, new regulatory constraints, and an economic context that remains uncertain, Laurentian Bank posted record adjusted results for a seventh consecutive year and exceeded the \$150 million mark in adjusted net income for the first time in its history.

Continuously Improving Results

The 2013 results are consistent with those of previous years. In fact, the Bank's adjusted net income grew by 11% to reach \$156 million in 2013. Of course, these solid results were not achieved by accident. They are directly attributable to the complementarity and geographic diversity of our activities, the positive impact of our acquisitions and partnerships, the quality of execution, and our highly targeted strategy. By virtue of these positive results, the Bank has been able to regularly boost the annual dividend paid on its common shares, which amounted to \$1.98 in 2013; an increase of 52% over five years.

Review of Fiscal 2013

Fiscal 2013 was marked by numerous significant accomplishments. Among these were the integration of the MRS Companies and AGF Trust, the launch of our new leasing products, and the implementation of the first phase of our transactional Internet site's modernization.

Moreover, the Bank pursued its objective of expanding its sources of revenue unrelated to interest rates. These sources were highly diversified and grew by 12%. We also worked hard to rigorously and effectively control our operating costs so as to create positive adjusted operating leverage and, thus, be able to free up resources

The Bank's adjusted net income grew by 11% to reach \$156 million in 2013. Of course, these solid results were not achieved by accident. They are directly attributable to the complementarity and geographic diversity of our activities, the positive impact of our acquisitions and partnerships, the quality of execution, and our highly targeted strategy.

needed for investments to fuel business development. Because improving our efficiency is one of our key priorities, we have implemented various measures to further optimize our structure and operations which will translate into efficiency gains in the future.

Our foundations are solid, our balance sheet remains healthy, and our level of capitalization is very sound. A reflection of our rigorous and disciplined management, the Bank's loan portfolio is also characterized by its solidity and reliability, with a loan loss ratio that is among the lowest ever recorded at 0.13% of average loans and bankers' acceptances. We are particularly

satisfied with our credit history over the past several years, which clearly testifies to the Bank's discipline and rigorous execution within a context of strong loan portfolio growth.

Given the volume of its assets, which totalled almost \$34 billion at the end of fiscal 2013, Laurentian Bank ranked among the 40 largest banks in North America. That is a distinction in which we take great pride. Moreover, our institution continues to strengthen its position and presence across Canada. In fact, over the past few years, more than 50% of our profitability has been generated by our activities outside Québec.

The future is very promising for Laurentian Bank, and we are looking ahead with great optimism. However, in order to meet all the challenges that await us, we must continue to invest strategically in our development and to promote the targeted positioning that distinguishes us and fuels our strength.

Intensifying the Development of Business Services

The activities centred on the Bank's commercial clients — small and medium-sized enterprises, as well as larger companies — are at the heart of our strategy and represent a growing proportion of the Bank's revenues and profitability. In fact, net income from commercial activities increased by 139% over the past five years.

With all of our commercial activities recently grouped under a single sector, we can now offer even greater value to our clients, along with significantly enhanced offerings. In addition, this initiative will also generate new synergies and more opportunities for cross-sales.

As part of its overall growth objectives, the Bank has intensified its sales efforts with respect to higher margin products. Due to the nature of its activities, the Business Services

sector lends itself particularly well to this strategy. Therefore, we have decided to add leasing solutions to our product line-up that offer strong development potential for the Bank.

Our specialization approach in specific sectors meets one of the principal requirements of our business clients — that their banker has a full understanding of their industry and realities. This philosophy serves as the very foundation of our specialization strategy that demands we be a source of added value. In that regard, we intend to continue to

B2B Bank: A Canadian Leader in its Field

B2B Bank focused its efforts in 2013 on the integration of MRS Companies and AGF Trust — the two acquisitions made during the past couple of years. B2B Bank's proactive development strategies have seen its contribution to the Bank's adjusted net income grow by 78% over the course of the past five years.

Thanks to these acquisitions, B2B Bank has evolved from an organization already firmly rooted in the financial advisor and broker market into an indisputably

position for itself in Canada. It is a perfect example of the agility and quality of execution of the Bank.

Evolving with the Needs and Expectations of Consumers

Today, our retail clients expect to be served in a multitude of different ways and to have access to their financial information where and when they want. The client is ultimately the one who decides how he will do business with us. Our job is to listen and adapt to their needs, expectations and demands.

In that regard, our clients are increasingly showing their appreciation of mobile and virtual services. In response, we took a first step in 2013 with the launch of our new virtual transactional platform. Having invested considerably in our branch network over the past several years, we now want to ensure that our clients are served as well virtually as they are in our branches.

To continuously improve the support we offer our clientele throughout the entire cycle of their financial life, Laurentian Bank will continue to enhance its product and service offerings within the investment and Wealth Management markets. Our partnership with Mackenzie Financial Corporation — a Canadian leader in fund management — is part of our commitment to strengthen our position in the investment field by offering the highest quality products that meet the needs of all saver and investor profiles.

2013

**Intensifying the Development
of Business Services**

**B2B Bank: A Canadian
Leader in its Field**

**Evolving with the Needs and
Expectations of Consumers**

**Laurentian Bank Securities:
Specialized and Integrated**

reinforce our presence in certain niches, notably health professionals, manufacturing and energy and infrastructure.

Similarly, we want to further develop certain markets to enhance our geographic diversification in the real estate financing sector, where we have already earned an enviable reputation. Our knowledge and expertise of this market have also contributed to the excellent credit quality of our portfolios.

leading Canadian financial institution catering to the needs of financial advisors and brokers. In fact, it is the only bank dedicated exclusively to this market today.

The two acquired enterprises, whose integration is proceeding on schedule, have already made a significant contribution to Laurentian Bank's profitability. Once their integration is fully completed, they will generate major growth opportunities. At the same time, B2B Bank will be able to maximize its leverage among the 27,000 financial advisors it conducts business with by offering them an even more comprehensive range of quality products so as to enable them, in turn, to better serve their own retail clientele.

Although B2B Bank has only been in existence for 13 years, it has succeeded in carving out an enviable leadership

We have become a brand-new Laurentian Bank — stronger and more balanced, possessing greater agility, and better equipped to meet the challenges of the future.

Laurentian Bank Securities: Specialized and Integrated

Having positioned itself as an integrated broker, Laurentian Bank Securities derives its diversified revenues from four business segments, each of which continues to grow and develop.

Laurentian Bank Securities stands out in the market thanks, in part, to the quality of its services intended specifically for small cap companies, and it remains a key player in providing fixed income products throughout Canada. For its part, the retail services division actively pursued the development of its platform in 2013, while the institutional services segment expanded its client pool and added syndication to its scope of expertise, which has already served to enhance the group's position in the market.

Investing in Our Future

Over the past several years, we have been able to build a much more solid Bank. Our portfolios have grown significantly, and our product line has diversified considerably. We are now also equipped with advanced business intelligence tools that lend us an important strategic advantage. We continue to actively seize new business opportunities and are highly proactive

with respect to our development. Our four business segments are fuelled by targeted and productive strategies, while their complementarity assures the Bank's sound risk diversification. Simply, we have become a brand-new Laurentian Bank — stronger and more balanced, possessing greater agility, and better equipped to meet the challenges of the future.

In 2014, our priorities will be to finalize the integration of the MRS Companies and AGF Trust, as well as to further develop our commercial activities. We will also continue to be very disciplined in managing our expenses so as to maintain positive operating leverage. Efficiency will be at the heart of all of our actions, and in that regard, we will place even greater emphasis on technological partnerships with respect to the management of our operations, as we did with the implementation of our new transactional platform. This will not only enable us to offer solutions to our clients in a more timely fashion, but it will also help us reduce costs.

Finally, by continuing to work on diversifying our activities and by accelerating our efforts to extend our presence throughout Canada, we will be in a better position to maximize the potential of our business segments and generate sustained growth of the Bank's profitability.

Thanking Our Stakeholders

We are very proud of our workforce made up of 4,000 dedicated employees who are always highly attentive and spare no effort to satisfy the needs of the Bank's million and a half clients. Among the examples of this commitment is the outstanding work carried out to date with respect to the integration of B2B Bank's two major acquisitions. Our employees' tremendous passion and teamwork are truly remarkable.

I would also like to thank all the members of our Board of Directors and our new Chair, Isabelle Courville, who assumed that position in March 2013. Their steadfast support of the Bank's strategies is invaluable.

In conclusion, I wish to extend my gratitude to our shareholders and clients for the confidence they have shown in us over the years. We are truly privileged to have gained that trust, and we are devoted to continuing to remain worthy of it.



Réjean Robitaille, FCPA, FCA
President and Chief Executive Officer

Sustainable Growth

It is with great enthusiasm that I accepted the invitation to Chair the Bank's Board of Directors last March. It is an honour for me to lead the work of this solid group of directors assembled by my predecessor, Mr. L. Denis Desautels. I am also very proud to contribute to the pursuit of Laurentian Bank's long and fruitful history. The third oldest enterprise founded in Montréal, the Bank has been firmly rooted in Québec for 167 years, and now has established its presence across Canada.



Isabelle Courville, Eng., BCL
Chair of the Board

2013 – A Year Marked by Growth

Fiscal 2013 was one of significant accomplishments for the Bank. Notwithstanding intensifying regulations, the Bank posted excellent financial results, having boosted its adjusted net income by 11%.

Our business plan is providing us with the latitude to increase the quarterly dividend per share on two occasions over

the course of the year. During fiscal 2013, the dividend paid to our shareholders rose by 8%. While preserving solid capitalization, our objective remains to continuously reward our shareholders and increase the value of their investment in the Bank.

The Bank also undertook numerous initiatives aimed at expanding the line of products offered to its different clienteles in all of its sectors of activity. In addition, we continued to reinforce our presence across the country within markets where we enjoy an enviable position.

Pursuing Development Sustainably

Maintaining a proper balance towards all stakeholders is one of the principles that leads to long-term success of any

Laurentian Bank has all the assets required to pursue its development in a sustainable way and to allow our shareholders to benefit from the long-term appreciation of the value and performance of the company.

organization. In that regard, Laurentian Bank has all the assets required to pursue its development in a sustainable way and to allow our shareholders to benefit from the long-term appreciation of the value and performance of the company.

In accordance with its proven business strategies, the Bank is committed to remain relevant to its clients as it particularly focuses on its values of simplicity and proximity. Rather than striving to be everything to everyone, the organization is selecting specific markets and niches in which it holds a competitive advantage and is able to offer its clientele products and services with the highest added value.

Similarly, the Bank devotes a lot of attention to its 4,000 employees — be it in terms of their engagement, maintaining harmonious relations with our Union, the establishment of appropriate compensation practices for employees and management, or with respect to the rigorous and attentive management of its pension plans. Our institution is also

dedicated to remain a responsible corporate citizen, as well as to maintain an active presence and involvement in the communities in which it operates.

All of these subjects are at the heart of the discussions among Board members and management on an ongoing basis. As such, the Bank continues to increase its profitability in the short-term, while remaining firmly focused on promoting sustained growth and performance.

Proactive Committees

I would like to thank all the members of the Board of Directors for the excellent work accomplished in 2013. I also wish to acknowledge the efforts of the three Board Committees that piloted key files for the future of the organization.

The **Audit Committee**, led by Richard Bélanger, looks after the disclosure of the Bank's quarterly and annual results. It must do so within an ever-changing regulatory context in which new measures and constraints have major impacts on our operations.

The **Human Resources and Corporate Governance Committee**, under the direction of Jean Bazin, ensures that the Bank respects the most stringent standards with respect to governance and human resources. The advisory vote on the Bank's compensation policy held at the 2013 shareholders' meeting obtained the approval of the vast majority of shareholders. This clearly underlines, in my view, the excellence of our remuneration practices.

Finally, the **Risk Management**

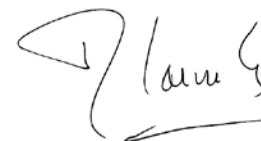
Committee, headed by Michel Labonté, has seen its mandate evolve very rapidly as the Bank is confronted with a range of new risks that must be properly understood, evaluated and managed.

A Diversified and Balanced Board

The strong performance of the Bank has been confirmed over the past few years. Participating in the evolution and transformation of a pan-Canadian organization like ours has been a gratifying challenge for all members of the Board.

For my part, I am very proud to be able to lead such a balanced and diversified Board of Directors. In fact, at 38%, Laurentian Bank has the highest representation of women on its Board of all Canadian banks. Our Board is made up of Directors with many years of experience and some new recruits. It is a group fuelled with a wide range of ideas and expertise to effectively serve the interests of our shareholders. Working with colleagues of such calibre is truly a great privilege.

In conclusion, I would like to extend my gratitude to the management team. Its close collaboration and high level of competence is greatly appreciated by the Board. I would also like to thank our employees, proudly accomplishing our mission and continuing to earn the trust of our clients year after year by serving them with simplicity, proximity and efficiency.



Isabelle Courville, Eng., BCL

Chair of the Board



Our Management Team



Michel C. Trudeau
Executive Vice President
Capital Markets, Laurentian
Bank and President and CEO
of Laurentian Bank Securities

Réjean Robitaille
President and Chief
Executive Officer

Lorraine Pilon
Executive Vice President
Corporate Affairs,
Human Resources,
and Secretary

Michel C. Lauzon
Executive Vice President
and Chief Financial
Officer

Stéphane Therrien
Executive Vice President
Business Services

Pierre Minville
Executive Vice President
and Chief Risk Officer

Gilles Godbout
Executive Vice President
Retail Services and Chief
Information Officer

François Desjardins
Executive Vice President
Laurentian Bank and
President and Chief Executive
Officer, B2B Bank

Our strategy

to maximize our potential

OUR 3 PILLARS

OUR FOCUS, AGILE GROWTH AND EXECUTION SERVE AS THE FOUNDATION FOR THE BANK'S SELECTIVE INVESTMENT, GROWTH AND CONTINUOUS DEVELOPMENT

1

FOCUS

Our focus is clear and sharp – allowing us to know our clients, how to serve them well and how best to invest.

- Our commercial activities target specialized niches from coast to coast – to ensure that we are the best partner for our clients.
- B2B Bank targets financial advisors and brokers across Canada – the only Canadian Bank 100% focused on this market.
- Laurentian Bank Securities specializes in the small cap market.

2

AGILE GROWTH

Our culture of proximity and service as well as our lean organizational structure enable us to be opportunistic – contributing to our agile growth and development.

- Our agility is supportive of the Bank forging partnerships, whether with providers of IT solutions and business partners, in order to propel growth in our retail services.
- Our agility facilitated B2B Bank's strategic acquisitions which will enable the progressive realization of synergies.
- Our agility allows Laurentian Bank Securities to be among the top 10 players in the Canadian Fixed Income market.

3

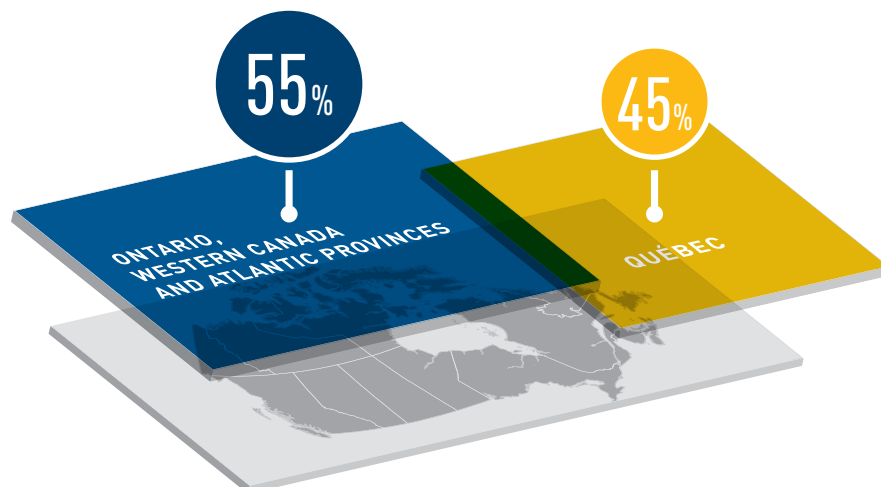
EXECUTION

Our effective business plan and proactive risk management are the foundation of our excellence in execution.

- Effectively executing our business plan has resulted in 7 consecutive years of improving adjusted profitability.
- Our strategies have led to 6 consecutive years of increasing dividends.
- Our proactive approach to risk management has delivered a loan loss ratio among the banking industry's lowest in 2013 and metrics that compare very favorably to the Canadian industry.

A TRUE PAN-CANADIAN PRESENCE

Geographic Distribution of Profitability





Business Services

Client-Centric Approach: Our Prime Focus

Laurentian Bank's level of activity among business clients continues to grow markedly, as evidenced by the 85% increase of loans since 2008. These activities have great development potential, and the Bank's business strategy is firmly focused on seizing opportunities by making optimum use of the Bank's distinctive strengths.

Experts Specialized in Financing

Our Business services are recognized for their rapid responsiveness and in-depth understanding of our clients' realities. In fact, these attributes are precisely what commercial clients expect of their banker — account managers who have a thorough knowledge of their industry and with whom it is easy and efficient to conduct business. In that regard, we will be concentrating even more on our strategy of developing specializations.

One of the segments in which specialization has certainly proven itself is real estate. Our comprehension of the particularities of real estate financing and our rapid execution have contributed significantly to our clients' high level of satisfaction and to the excellent quality of our loan portfolios. The specializations developed more recently in the agricultural and health sectors have also generated excellent results. Moreover, our expertise in the energy and infrastructures field is well received and in considerable demand across Canada, with \$150 million in new financing arrangements having been concluded in these sectors in 2013. In addition, we also developed specializations in food processing, metals processing and aeronautics during the year just ended, and our teams are working diligently to expand these activities.

A Promising Leasing Product

The Bank added a new line of leasing solutions to its product offerings in 2013 that complement its traditional financing products and offer great development potential throughout Canada. The Bank is targeting these solutions at a number of specific markets in which it has a high level of expertise, including transportation, construction, and manufacturing.

Rigorous and Effective Management

Our strategy is also built on maximizing the efficiency of our processes. That is why our organizational structure is designed to promote commercial and operational excellence. Thanks to our client relationship management system, our account managers have a global picture of their clients' files and, thus, are able to offer the most efficient services possible. Similarly, we are working on optimizing the organization's processes to offer the best possible client experience.

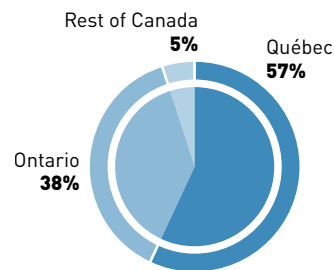
Finally, the geographic diversification of our activities will remain a central focus of our strategy. In fact, the Bank's solid reputation favorably positions it to expand its presence throughout Canada.



85%
growth
in loans
since 2008

139%
increase
in net income
since 2008

Geographic distribution of loans





Retail Services

Strengthening and Extending Our Presence

Retail Services made significant progress in 2013. Thanks to our sound strategies and the firm engagement of our sales forces, other income rose by 14% in 2013, representing the highest rate of growth posted in five years.

These increased revenues were derived from diversified sources, including deposit administration, credit card services, the distribution of mutual funds, and from credit insurance.

Our alliance with the Mackenzie Financial Corporation has also proven to be very beneficial, with record mutual fund sales recorded in 2013 that represented an increase of 54% over the previous year. This positive performance has served to position us more favourably with respect to investment products and Wealth Management, areas with attractive growth prospects. For their part, mortgage products remain a key part of the sector's offerings, and mortgage brokers and in-branch advisors are the pillars supporting our business development efforts.

Strategic Investments in Distribution Channels

While the Bank has devoted considerable effort to refreshing and modernizing its branch network over the past several years, it turned its focus towards the development of its virtual services in 2013. The new transactional platform designed in partnership with a specialized provider of technological solutions has received an enthusiastic welcome from our clients. Additional investments in the virtual network will be undertaken so as to assure that our clients will find it increasingly easier and more convenient to conduct business with us... wherever and whenever they choose.

From the standpoint of operational efficiency, the Bank is continuing to exercise rigorous control over its operating expenses. In addition, the automation of certain processes and the simplification of our product lines have resulted in efficiency and productivity gains.

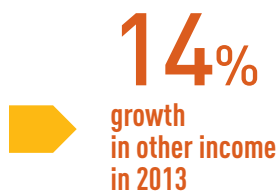
Becoming the Principal Banker for a Growing Clientele

Thanks to the quality of our client relationship management system, we have an increasingly more precise profile of our clients and their specificities. As such, we are better able to help them achieve their financial objectives. In support of our client acquisition strategies and to become the principal banker to an increasing number of clients, we are offering an ever-growing

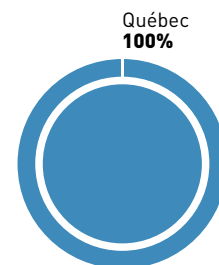
range of investment products, banking packages, and financial and transactional products that are better adapted to meeting the needs of diverse clienteles.

Furthermore, we are pursuing the development of partnerships, such as those established with FADOQ and the Réseau des ingénieurs du Québec in fiscal 2013, that provide us with access to extensive pools of potential clients. The Bank seeks to become increasingly more proactive in forging these kinds of partnerships.

In conclusion, we focus on client satisfaction, the quality of our products, the development of our distribution channels, combined with disciplined cost control.



Geographic distribution of loans





B2B Bank

The Canadian Leader in its Field

B2B Bank posted excellent results in 2013, attributable primarily to the financial impact of strategic acquisitions made during the past few years. B2B Bank's adjusted net income totaled \$62.2 million in 2013, up 25% from 2012.

The acquisitions have increased B2B Bank's market share and have had a positive effect on its reputation as a leading provider of deposits, loans and mortgages to Canadian financial advisors and brokers. Serving the needs of an extensive network of 27,000 financial advisors and their clients, B2B Bank supports a portfolio of 900,000 individual accounts, \$9.2 billion in balance sheet assets, and \$28.7 billion in assets under administration. The B2B Bank brand is now well established and recognized as a Canadian market leader.

A Year of Accomplishments

In 2013, B2B Bank continued the integration of the MRS Companies, began the integration of AGF Trust which it acquired in 2012, and completed its first year of operations as a chartered bank under the B2B Bank banner.

The markets in which B2B Bank operates are undergoing profound change, due in part to the regulatory and competitive environment, as well as to shifting consumer expectations of their financial institutions. Those organizations with a distinct vision of what they can provide to their clientele will be able to successfully maintain their place in the market. B2B Bank is extremely well equipped in that regard, as its mission is very clear — to help Canadians build and

manage their wealth by focusing on delivering quality banking products and services to their financial advisors. Indeed, that has always been and will always be B2B Bank's raison d'être.

New Brand Image

In 2013, considerable effort was devoted to the integration of the loan, deposit and investment account portfolios under the new brand – B2B Bank. With the integration, the suite of mortgages was expanded with the addition of non-traditional mortgage products. B2B Bank has a further opportunity for growth by making traditional and non-traditional mortgage offerings available through all of its mortgage distribution channels and providing brokers and financial advisors working with B2B Bank access to a product suite among the most comprehensive on the market in Canada.

Outlook for 2014

During the first half of 2014, B2B Bank will be putting the final touches on the integration of its acquisitions and planning the next phases of its organic growth. The 27,000 financial advisors and their clients that B2B Bank serves represent a significant opportunity for new sales and substantial cross-sell potential.

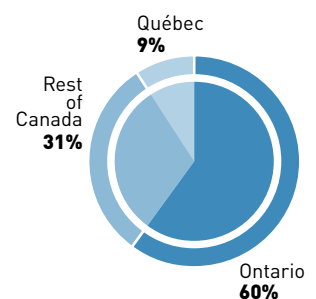
The companies that make up the new B2B Bank had different cultures, and each with its own specific strengths. Our challenge now lies in redefining the unique culture that has characterized B2B Bank over the years, enriched by the competencies of our new personnel. Simply put, our goal is to build a team that is more determined and engaged than ever in assuring the future success of B2B Bank.



78%
increase in
adjusted
net income
since 2008

100%
dedicated
to serving
financial advisors
and brokers

Geographic distribution of loans





LBS and Capital Markets

Growing and Diversifying Our Revenues

The strategy that has been in place for a number of years generated positive results in fiscal 2013, with all divisions of Laurentian Bank Securities and Capital Markets having played a role in boosting the sector's contribution to the Bank's adjusted net income by 27%.

Not only did revenues grow in all business segments, but they became increasingly diversified. This further testifies to the success of the sector's strategy in the face of market conditions that posed a challenge to the entire securities industry in Canada.

Expanding Our Product Line

Fixed Income transactions, for which the organization has earned particular recognition, remain at the heart of Laurentian Bank Securities and Capital Markets' activities. In 2013, the division pursued its development of commercial and NHA MBS product in order to penetrate a growing market. In so doing, it gained new clients, expanded its product line, and improved its profitability.

During the year just ended, Laurentian Bank Securities and Capital Markets also entered the structured products market, thanks to the addition of a team of specialized experts that has enabled it to better meet client needs.

Increasing Recognition

The Institutional Equity division is specialized in the analysis of small cap companies. Our analysts' financial research presently covers 80 companies within seven industry sectors. Transaction volumes and the commissions generated grew in 2013, due primarily to the acquisition of new mandates combined with excellent execution on the part of our teams.

Moreover, we reinforced the depth of our Institutional Equity division in Toronto with the hiring of new professionals to extend our presence in this geographic market where we are increasingly recognized for our distinctive expertise within the Canadian small cap niche.

Going Greener and Boosting Service Quality

By offering better performing tools and enhanced support, including access to a team of strategists and economists with an enviable reputation in Canada, our brokers can provide retail clients with the highest possible quality of service. Furthermore, given our desire to be efficient and ecologically responsible we are now offering institutional clientele electronic confirmation of transactions — an initiative that will progressively be applied to all clients.

Sights Set On Continued Growth

Laurentian Bank Securities and Capital Markets is favourably positioned in each of its business segments. The reinforcement of its presence in the Institutional Equity and Fixed Income markets in the financial centre of Toronto, the activities being conducted in Winnipeg and the pursuit of retail services development strategies are among the numerous initiatives that will pave the way for the sector's continued growth.



27%

increase in net income
in 2013

\$2.5

billion in assets
under administration

16

offices across Canada



Social Responsibility

True to its Mission

Founded in 1846 with the mission of promoting the merits of saving among the middle class, Laurentian Bank has always stayed true to that *raison d'être*. Today, the Bank remains as committed as ever to helping its retail, business and institutional clientele judiciously manage their banking and financial affairs with integrity and simplicity.

Equitable Human Resources Practices

The development of its human capital is at the heart of the Bank's priorities. In that regard, the organization devotes a great deal of attention to continuously improving the employee experience with a varied range of programs aimed at offering a pleasant and efficient working environment and at engaging personnel. In addition, the Bank has adopted human resources practices that are transparent and fair.

These stringent rules of equity are also applied by the Board of Directors in the management of the compensation program for executive officers, which for the past three years, have been subject to a consultative vote conducted among Bank shareholders. A total of 97% of voting shareholders expressed their support of the program at the 2013 annual meeting.

The Bank has a large proportion of women amongst its work force and on its Board, chaired by Ms. Isabelle Courville since March 2013. More specifically, five

of the 13 Directors are women, making for the largest proportion of female Board representation within the Canadian banking sector.

Community Support and Voluntary Involvement

As part of its dedication to social responsibility, the Bank lends its support to more than 200 different causes and organizations each year. In 2013, our employees and management personnel were actively involved in and contributed to numerous fundraising campaigns, including the Ride for Juvenile Diabetes, the CURE Foundation for Breast Cancer, the Cité de la Santé's 300 km pour la VIE, and the Centraide Cup soccer tournament in Montréal. The Bank also showed its innovativeness with the organization of the first edition of the Laurentian Bank Montée des sommets, which attracted more than 400 people to Mont-Sainte-Anne in the Québec City region. Thanks to this event, \$50,000 was raised in aid of the Le Petit Blanchon Foundation, an organization dedicated to assisting children in difficulty.

Preserving the Environment

The Bank is also contributing to reducing its ecological footprint through a number of initiatives. For example, its head office is certified by version 2 of the BOMA BEST environmental standard. Under the banner of its commercial activities, the organization finances non-polluting energy projects and the construction of green buildings that respect LEED norms. It has also adopted a rigorous environmental risk management policy for the granting of credit to its clientele. Finally, the Bank sees to it that its annual shareholder and employee meetings are eco-responsible by ensuring that their environmental impact is as low as possible and by compensating for the greenhouse gas emissions generated by these events.

Photo: Christian Savard



Photo: François Dupont





Economic Outlook

The Canadian Economy in Transition

Carlos Leitao, Chief Economist and Strategist
Laurentian Bank Securities

The Canadian economy entered a period of transition in 2013. Household expenditures, the main source of economic growth since 2010, have become gradually constrained by the relatively high levels of household debt. The inevitable slowdown in household expenditures is not being offset by a pick-up in business investment and exports.

One of the surprises of 2013 on the economic front was the very low level of inflation in developed market economies, which is the direct result of a weak economy and a growing global output gap. In Canada, inflation in 2013 averaged just about 1.0%, down from 1.5% in 2012 and 2.9% in 2011.

One of the main consequences of this low inflation environment is the persistence of very low interest rates. In the spring of 2013, market interest rates (medium to long term government bond yields) moved off the ultra-low levels they had reached in the latter part of 2012 reflecting a real improvement in the private sector economy of the United States. Looking forward, the Bank does not expect market rates to rise at the same pace they did from May to September 2013 due to the absence of inflationary pressures and the firm commitment of the Federal Reserve to maintain its main policy rate at zero until after economic growth improves and the output gap starts to close.

Moreover, as low global inflation persists into 2014, central banks in the OECD area should continue to maintain a highly accommodating monetary policy stance. In Canada, expectations are that the Bank of Canada will keep the policy rate at 1.00% until well into 2015 while in the United States, the Bank does not see the Federal Reserve increasing the Fed funds rate before the end of 2015 at the earliest; it should, however, put an end to its massive asset purchase program in the first half of 2014.

In 2014, the global economic outlook is expected to gradually improve, first in the United States and then in the other developed market economies. The recovery, however, should remain relatively slow and uneven with the main risk being below-target inflation. Real GDP growth in Canada is now expected to reach 2.2%, not convincingly stronger than the 1.7% reached in both 2012 and 2013. This kind of growth is not sufficient to make a significant dent in the rate of unemployment which will remain close to 7.0%.

Interest rates in Canada

(quarterly data, end of period, in percentage)

