



FIRST QUARTER 2014

Report to Shareholders

For the period ended January 31, 2014

Laurentian Bank reports first quarter results

Highlights of the first quarter of 2014

- Financial measures on an adjusted basis for the first quarter of 2014 are as follows:
 - Adjusted net income of \$39.3 million
 - Adjusted return on common shareholders' equity of 11.7%
 - Adjusted diluted earnings per share of \$1.29
 - Reported net income of \$35.5 million, return on common shareholders' equity of 10.5%, and diluted earnings per share of \$1.16
 - Loan losses remain low at \$10.5 million
 - Continued growth in the commercial loan portfolios
 - Positive operating leverage
 - Segment realignment resulting in the Personal & Commercial, B2B Bank and Laurentian Bank Securities & Capital Markets business segments
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Laurentian Bank of Canada reported adjusted net income of \$39.3 million or \$1.29 diluted per share for the first quarter of 2014, compared with \$39.1 million or \$1.30 diluted per share for the same period in 2013. Adjusted return on common shareholders' equity was 11.7% for the first quarter of 2014, compared with 12.5% for the same period in 2013. When including adjusting items¹, net income totalled \$35.5 million or \$1.16 diluted per share for the first quarter ended January 31, 2014, compared with \$32.8 million or \$1.07 diluted per share for the first quarter of 2013. Return on common shareholders' equity was 10.5% for the first quarter of 2014, compared with 10.3% for the same period in 2013.

Commenting on the Bank's financial results for the first quarter of 2014, Réjean Robitaille, President and Chief Executive Officer, mentioned: "We delivered strong earnings and generated positive operating leverage in the quarter, as we continued to execute on our business plan. In an environment where compressed margins and consumer deleveraging still pose a challenge, the continued excellent credit quality of the loan portfolio and rigorous control over expenses contributed to the good performance for the quarter. We also focused on further developing our higher-margin commercial activities and growing income from non-interest sensitive sources in order to foster stronger revenue growth."

Mr. Robitaille added: "As we move forward, we will continue our targeted efforts to improve efficiency, maximize operating leverage, and deliver the synergies related to our acquired businesses. We remain committed to enhancing value for our shareholders and we are working diligently to 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 Company¹ (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.

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

Highlights ^[1]

In thousands of Canadian dollars, except per share and percentage amounts (Unaudited)	FOR THE THREE MONTHS ENDED				
	JANUARY 31 2014	OCTOBER 31 2013	VARIANCE	JANUARY 31 2013	VARIANCE
Profitability					
Total revenue	\$ 216,109	\$ 215,531	— %	\$ 213,914	1 %
Net income	\$ 35,525	\$ 25,866	37 %	\$ 32,788	8 %
Diluted earnings per share	\$ 1.16	\$ 0.82	41 %	\$ 1.07	8 %
Return on common shareholders' equity ^[2]	10.5 %	7.6 %		10.3 %	
Net interest margin ^[2]	1.66 %	1.66 %		1.63 %	
Efficiency ratio ^[2]	73.6 %	80.1 %		76.2 %	
Operating leverage ^{[2][3]}	8.1 %	(0.2)%		n. m.	
Per common share					
Share price					
High	\$ 47.96	\$ 47.15		\$ 45.97	
Low	\$ 44.34	\$ 44.25		\$ 42.90	
Close	\$ 45.73	\$ 46.55	(2)%	\$ 44.10	4 %
Price / earnings ratio (trailing four quarters)	11.8x	12.2x		9.1x	
Book value ^[2]	\$ 44.03	\$ 43.19	2 %	\$ 41.45	6 %
Market to book value	104 %	108 %		106 %	
Dividends declared	\$ 0.51	\$ 0.50	2 %	\$ 0.49	4 %
Dividend yield ^[2]	4.5 %	4.3 %		4.4 %	
Dividend payout ratio ^[2]	44.1 %	61.2 %		45.6 %	
Adjusted financial measures					
Adjusted net income ^[2]	\$ 39,261	\$ 33,919	16 %	\$ 39,116	— %
Adjusted diluted earnings per share ^[2]	\$ 1.29	\$ 1.10	17 %	\$ 1.30	(1)%
Adjusted return on common shareholders' equity ^[2]	11.7 %	10.2 %		12.5 %	
Adjusted efficiency ratio ^[2]	71.8 %	75.5 %		72.7 %	
Adjusted operating leverage ^{[2][3]}	4.9 %	(2.9)%		n. m.	
Adjusted dividend payout ratio ^[2]	39.6 %	45.5 %		37.7 %	
Financial position (in millions of Canadian dollars)					
Balance sheet assets	\$ 33,631	\$ 33,911	(1)%	\$ 34,252	(2)%
Loans and acceptances	\$ 27,092	\$ 27,229	(1)%	\$ 26,847	1 %
Deposits	\$ 23,804	\$ 23,927	(1)%	\$ 23,767	— %
Basel III regulatory capital ratios — All-in basis ^[4]					
Common Equity Tier I	7.6 %	7.6 %		7.5 %	
Tier 1	9.1 %	9.1 %		9.6 %	
Total	12.4 %	12.7 %		13.2 %	
Other information					
Number of full-time equivalent employees	3,850	3,987		4,259	
Number of branches	153	153		155	
Number of automated banking machines	422	422		424	

[1] Comparative figures have been prepared in accordance with current IFRS. 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 for the quarters ended in 2013 have been amended accordingly.

[3] Quarterly growth rates are calculated sequentially. Operating leverage for the three months ended January 31, 2013 is not meaningful as 2012 results were not restated to reflect the adoption of the amended IFRS accounting standard on employee benefits.

[4] Regulatory capital ratios for 2013 are presented as filed with OSFI and have not been adjusted to include the impact of the adoption of the amendments to IFRS.

Review of Business Highlights

Commercial activities continue to be increasingly important at the Bank, with commercial loans and BAs growing by 17% in the first quarter of 2014 compared to a year ago. Successful initiatives in renewable energy, health care and public/private partnerships have helped develop our focused approach. The commercial group is also busy rolling out leasing solutions. While in its infancy, the experienced team that has been assembled and the breadth of products that is being offered are planting the seeds for the generation of a growing and diversified portfolio in the years to come.

B2B Bank is focussed on the RRSP season, working closely with the 27,000 financial advisors and brokers that it has relationships with. After this all-important period, focus will be redirected towards the final phases of integration of its acquisitions and new business development. This will pave the way for leverage of these extensive relationships to be maximized and expected revenue synergies to be fully realized.

The Bank continues to demonstrate its commitment to clients. To this end, four innovative vehicles were introduced for the RRSP season, designed to meet the needs of all savers. Products such as a three-year GIC with a potential return of up to 12%, a 2% Cashback option and a Duo GIC which combines return with guaranteed capital serve investors well and lay the foundation for a successful RRSP campaign. In addition, the LBC mutual fund line-up is performing well and is very popular among clients, with revenues increasing by 28% during the first quarter of 2014 compared to a year earlier. By offering performing products the Bank helps clients build wealth for a more secure future.

Laurentian Bank Securities also continues to raise its profile among investors and issuers as it plans its inaugural small cap conference. A full roster of companies from LBS's research coverage universe will make presentations to a large group of institutional equity investors in April. This event will serve to further solidify LBS as a leader within the small cap market niche.

Laurentian Bank ranked, according to the Mediacorp Canada competition, among Montreal's Top Employers. Based on selection criteria which include employee communications, work atmosphere, employee benefits, performance management, training and skill development and community involvement, the Bank earned a spot among the 25 most enviable places to work. With solid and competitive human resource programs, the Bank continues to demonstrate its commitment to serving its clients through its loyal and dedicated employees.

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 January 31, 2014, and of how it performed during the three-month period then ended. This MD&A, dated March 5, 2014, should be read in conjunction with the unaudited condensed interim consolidated financial statements for the period ended January 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 www.laurentianbank.ca and on SEDAR at www.sedar.com.

Economic Outlook

The first quarter has been characterized by higher volatility in financial markets with the Federal Reserve pursuing its tapering of asset purchases based on continuous improvement of U.S. private demand. As a result, there has been massive capital outflows from emerging markets with significant current account deficits resulting in rapid currency devaluation against the US dollar. Central banks have responded quickly by raising short term interest rates. The Bank does not expect this situation to create any contagion among the advanced economies. The Canadian dollar has also depreciated significantly against the US dollar as the economic indicators published recently suggested that economic growth in the U.S. should surpass that of Canada in 2014. The renewed strength of the U.S. market, the decline in the Canadian dollar and the favourable interest rate environment point to an improvement in the business climate in Canada, particularly for Canadian exporters in the manufacturing sector in Ontario and Québec.

Adoption of the amended IFRS accounting standard on employee benefits

Effective November 1, 2013, the Bank adopted the amendments to the existing International Financial Reporting Standards (IFRS) on employee benefits, which required restatement of the Bank's 2013 comparative information and financial measures. In addition, the Bank issued on February 12, 2014 a separate press release which provides quarterly and full year financial results for 2013 reflecting the adoption of these amendments. The adoption of this standard also impacted regulatory capital as of the adoption date. On a *pro forma* basis, as at October 31, 2013, the Common Equity Tier 1 capital ratio would have been reduced by approximately 0.2% to 7.4%.

Additional information on the impact from the transition is also available in the notes to the unaudited condensed interim consolidated financial statements and in the supplementary information reported for the first quarter of 2014.

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 items¹.

2014 FINANCIAL OBJECTIVES ^[1]	2014 OBJECTIVES	FOR THE THREE MONTHS ENDED JANUARY 31, 2014
Adjusted return on common shareholders' equity	10.5% to 12.5%	11.7%
Adjusted net income (in millions of dollars)	\$145.0 to \$165.0	\$39.3
Adjusted efficiency ratio	72.5% to 69.5%	71.8%
Adjusted operating leverage ^[2]	Positive	1.3%
Common Equity Tier I capital ratio — All-in basis	> 7.0%	7.6%

[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 three months ended January 31, 2014 and current forecasts, management believes that the Bank is in line to meet its objectives as set out at the beginning of the year. Good organic growth in the higher-margin commercial businesses, and the Bank's strategies to diversify other income, combined with a disciplined management of expenses and continued credit quality should contribute to the overall financial performance.

Analysis of Consolidated Results

CONDENSED CONSOLIDATED RESULTS ^[1]

In thousands of Canadian dollars, except per share amounts (Unaudited)	FOR THE THREE MONTHS ENDED		
	JANUARY 31 2014	OCTOBER 31 2013	JANUARY 31 2013
Net interest income	\$ 140,856	\$ 141,437	\$ 142,344
Other income	75,253	74,094	71,570
Total revenue	216,109	215,531	213,914
Amortization of net premium on purchased financial instruments	1,136	1,006	1,056
Provision for loan losses	10,500	10,000	8,000
Non-interest expenses	159,133	172,651	163,093
Income before income taxes	45,340	31,874	41,765
Income taxes	9,815	6,008	8,977
Net income	\$ 35,525	\$ 25,866	\$ 32,788
Preferred share dividends, including applicable taxes	2,501	2,637	2,533
Net income available to common shareholders	\$ 33,024	\$ 23,229	\$ 30,255
Diluted earnings per share	\$ 1.16	\$ 0.82	\$ 1.07

[1] Comparative figures have been prepared in accordance with current IFRS. 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.

IMPACT OF ADJUSTING ITEMS ^{[1][2]}

In thousands of Canadian dollars, except per share amounts (Unaudited)	FOR THE THREE MONTHS ENDED		
	JANUARY 31 2014	OCTOBER 31 2013	JANUARY 31 2013
Impact on net income			
Reported net income	\$ 35,525	\$ 25,866	\$ 32,788
Adjusting items, net of income taxes			
Amortization of net premium on purchased financial instruments	836	744	778
Costs related to business combinations ^[3]			
MRS Companies integration related costs	474	2,028	4,318
AGF Trust integration related costs	2,426	5,281	1,232
	3,736	8,053	6,328
Adjusted net income	\$ 39,261	\$ 33,919	\$ 39,116
Impact on diluted earnings per share			
Reported diluted earnings per share	\$ 1.16	\$ 0.82	\$ 1.07
Adjusting items	0.13	0.28	0.22
Adjusted diluted earnings per share ^[4]	\$ 1.29	\$ 1.10	\$ 1.30

[1] Comparative figures have been prepared in accordance with current IFRS. 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 quarter ended January 31, 2013.

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

Net income was \$35.5 million, or \$1.16 diluted per share, for the first quarter of 2014, compared with \$32.8 million, or \$1.07 diluted per share, for the first quarter of 2013. Adjusted net income was \$39.3 million for the first quarter ended January 31, 2014, essentially unchanged compared with \$39.1 million in 2013, while adjusted diluted earnings per share was \$1.29, compared with \$1.30 diluted per share, in 2013.

Total revenue

Total revenue increased by \$2.2 million or 1% to \$216.1 million in the first quarter of 2014, compared with \$213.9 million in the first quarter of 2013, as the 5% growth in other income year-over-year was partly offset by slightly lower net interest income.

Net interest income decreased by \$1.5 million to \$140.9 million for the first quarter of 2014, from \$142.3 million in the first quarter of 2013, essentially reflecting a reduced level of investment loans and lower residential mortgage loan prepayment penalties, partly offset by improved margins. When compared with the first quarter of 2013, margins increased by 3 basis points to 1.66% for the first quarter of 2014. The maturing of high-coupon securitization liabilities during 2013 and the reduced level of lower-yielding liquid assets compared to a year ago mainly contributed to the increase. These factors more than compensated for modest loan and deposit margin tightening stemming from the repricing of maturing loans and deposits in the very low interest rate environment over the last twelve months.

Other income totalled \$75.3 million in the first quarter of 2014, compared with \$71.6 million in the first quarter of 2013, a \$3.7 million or 5% increase. During the quarter, fees and commissions on loans and deposits benefitted from higher loan prepayment penalties in the commercial portfolios amounting to \$1.8 million. Continued solid income from sales of mutual funds as well as higher insurance income and card service revenues also contributed to the increase year-over-year. These solid increases were partly offset by lower income from brokerage operations compared to a particularly strong quarter a year ago, and lower income from treasury and financial market operations due to lower net realized security gains in the first quarter of 2014.

Amortization of net premium on purchased financial instruments

For the first quarter of 2014, the amortization of net premium on purchased financial instruments amounted to \$1.1 million, unchanged compared with the first quarter of 2013. Refer to Note 12 to the unaudited condensed interim consolidated financial statements for additional information on this item.

Provision for loan losses

The provision for loan losses increased by \$2.5 million to \$10.5 million in the first quarter of 2014 from \$8.0 million in the first quarter of 2013. The Bank maintained its prudent approach to loan loss provisioning. Loan losses remained nonetheless at a low level which reflects the overall underlying quality of loan portfolios. Loan losses on personal loans decreased by \$3.6 million compared with the first quarter of 2013, mainly driven by lower provisions in the investment loan portfolios. Loan losses on residential mortgage loans decreased slightly by \$0.8 million year-over-year. Loan losses on commercial mortgages and commercial loans increased by a combined \$6.8 million year-over-year to \$5.4 million in the first quarter of 2014 compared with a net \$1.5 million reduction in provisions a year ago. The increase in the first quarter of 2014 reflects a return to more normalized overall loan losses from the 2013 low levels.

Non-interest expenses

Non-interest expenses decreased by \$4.0 million to \$159.1 million for the first quarter of 2014, compared with \$163.1 million for the first quarter of 2013. This mainly reflects lower T&I costs while the Bank's other non-interest expenses were held unchanged, through tight cost controls and process reviews.

Salaries and employee benefits decreased by \$5.6 million or 6% to \$85.5 million for the first quarter of 2014, compared with the first quarter of 2013, mainly due to lower headcount from acquisition synergies and the optimization of certain activities in the fourth quarter of 2013, partly offset by regular salary increases. Lower performance-based compensation and slightly lower pension costs also contributed to the decrease year-over-year.

Premises and technology costs increased by \$7.1 million to \$45.9 million compared with the first quarter of 2013, mostly stemming from higher IT costs related to ongoing business growth, regulatory requirements and enhanced on-line services. Higher amortization expense related to completed regulatory IT projects and rental costs related to additional square footage of leased premises for IT development teams also contributed to the increase. Premises and technology costs in the first quarter of 2013 were also favourably impacted by adjustments related to the resolution of contractual IT exposures.

Other non-interest expenses decreased by \$1.8 million to \$23.7 million for the first quarter of 2014, from \$25.5 million for the first quarter of 2013. Helped by realized cost synergies, the Bank continued to exercise disciplined control over discretionary expenses in light of a slower growth environment.

T&I Costs for the first quarter of 2014 totalled \$3.9 million compared with \$7.6 million a year ago, and mainly related to IT systems conversion costs, employee relocation costs, salaries, professional fees and other expenses mostly for the integration of former AGF Trust operations.

The adjusted efficiency ratio was 71.8% in the first quarter of 2014, compared with 72.7% in the first quarter of 2013. On the same basis, the Bank generated 1.3% of positive operating leverage year-over-year, mainly due to higher other income, integration synergies, and continued rigorous cost control and efforts to streamline its operations. Management remains committed to ensuring growth and continues to invest in strategic growth initiatives in each of its business segments.

Income taxes

For the quarter ended January 31, 2014, the income tax expense was \$9.8 million and the effective tax rate was 21.6%. The lower tax rate, compared to the statutory rate, mainly resulted from the favourable effect of holding investments in Canadian securities that generate non-taxable dividend income and the lower taxation level on revenues from foreign insurance operations. For the quarter ended January 31, 2013, the income tax expense was \$9.0 million and the effective tax rate was 21.5%, essentially unchanged compared with the effective tax rate for the first quarter ended January 31, 2014.

Three months ended January 31, 2014 compared with the three months ended October 31, 2013

Net income was \$35.5 million or \$1.16 diluted per share for the first quarter of 2014 compared with \$25.9 million or \$0.82 diluted per share for the fourth quarter of 2013. Adjusted net income was \$39.3 million, or \$1.29 diluted per share, compared with \$33.9 million or \$1.10 diluted per share for the fourth quarter of 2013. Notably, net income in the fourth quarter of 2013 was adversely impacted by one-time restructuring charges of \$6.3 million before income taxes (\$4.6 million after income taxes), or \$0.16 diluted per share, related to the optimization of certain activities.

Total revenue increased to \$216.1 million in the first quarter of 2014, compared with \$215.5 million in the previous quarter. Net interest income decreased by \$0.6 million sequentially to \$140.9 million in the first quarter of 2014. While average assets declined slightly sequentially, net interest margins held stable at 1.66% in the first quarter of 2014, unchanged compared with the fourth quarter of 2013.

Other income increased by \$1.2 million sequentially, essentially as a result of higher income from treasury and financial market operations due to higher net realized security gains in the first quarter of 2014. This was partly offset by lower lending fees in the first quarter of 2014 mainly due to seasonally lower business activity.

The amortization of net premium on purchased financial instruments amounted to \$1.1 million in the first quarter of 2014, compared with \$1.0 million for the last quarter. Refer to Note 12 to the unaudited condensed interim consolidated financial statements for additional information on this item.

The provision for loan losses remained low at \$10.5 million for the first quarter of 2014, compared with \$10.0 million for the fourth quarter of 2013, reflecting the continued high quality of the portfolio.

Non-interest expenses amounted to \$159.1 million for the first quarter of 2014, compared with \$172.7 million for the fourth quarter of 2013. T&I Costs decreased to \$3.9 million in the first quarter of 2014, compared with \$10.0 million in the fourth quarter of 2013. Excluding T&I Costs and \$6.3 million of restructuring charges incurred in the fourth quarter of 2013, non-interest expenses decreased sequentially by 1%, as the Bank benefitted from synergies and the prior quarter's restructuring.

Financial condition

CONDENSED BALANCE SHEET ^[1]

In thousands of Canadian dollars (Unaudited)	AS AT JANUARY 31 2014	AS AT OCTOBER 31 2013	AS AT JANUARY 31 2013
ASSETS			
Cash and deposits with other banks	\$ 176,097	\$ 208,838	\$ 370,789
Securities	4,763,022	4,480,525	5,274,099
Securities purchased under reverse repurchase agreements	923,821	1,218,255	917,007
Loans and acceptances, net	26,972,559	27,113,107	26,727,737
Other assets	795,784	890,301	962,153
	\$ 33,631,283	\$ 33,911,026	\$ 34,251,785
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits	\$ 23,803,938	\$ 23,927,350	\$ 23,767,493
Other liabilities	3,051,203	3,129,918	3,309,783
Debt related to securitization activities	4,865,326	4,974,714	5,244,311
Subordinated debt	445,977	445,473	443,978
Shareholders' equity	1,464,839	1,433,571	1,486,220
	\$ 33,631,283	\$ 33,911,026	\$ 34,251,785

[1] Comparative figures have been prepared in accordance with current IFRS. Refer to Note 2 in the unaudited condensed interim consolidated financial statements.

Balance sheet assets amounted to \$33.6 billion at January 31, 2014, down \$0.3 billion or 1% from year-end 2013. Over the last twelve months, balance sheet assets decreased by \$0.6 billion or 2%.

Liquid assets

Liquid assets, including cash, deposits with other banks, securities and securities purchased under reverse repurchase agreements, totalled \$5.9 billion at January 31, 2014, a slight decrease of \$44.7 million or 1% compared with October 31, 2013. This decrease is mainly due to a reduction in low-yielding replacement assets that were used to reimburse \$0.3 billion of matured debt related to securitization activities during the quarter ended January 31, 2014. Liquid assets as a percentage of total assets remained unchanged at 17% compared with October 31, 2013. Overall, the Bank continues to maintain diverse funding sources, to prudently manage the level of liquid assets and to hold sufficient cash resources 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 \$27.0 billion as at January 31, 2014, marginally down by \$0.1 billion or 1% from October 31, 2013 as continued organic growth in the higher-margin commercial loan portfolios were more than offset by the ongoing decrease in the personal loan portfolio. Commercial loans, including bankers' acceptances, increased by \$38.2 million or 1% since October 31, 2013, and commercial mortgage loans increased by \$43.0 million or 2% over the same period as the Bank maintains focus on developing these portfolios. Personal loans decreased by \$134.6 million or 2% since October 31, 2013, mainly reflecting repayments of Immigrant Investor Program loans, expected ongoing attrition in the investment loan portfolios and limited consumer appetite to increase leverage. Residential mortgage loans decreased slightly by \$83.7 million or 1% from October 31, 2013, mainly in the B2B Bank portfolio as the business segment focused on integration to build the foundation of its future growth, which temporarily slowed business development efforts with certain financial intermediaries.

Deposits

Personal deposits stood at \$19.4 billion as at January 31, 2014, relatively unchanged from October 31, 2013. Business and other deposits, which include institutional deposits decreased by \$0.2 billion or 4% since October 31, 2013 to \$4.4 billion as at January 31, 2014. This decrease is due to the reduction of the level of wholesale deposits, in line with the growth in the Bank's loan portfolio during the quarter. However, the Bank continues to maintain diversified funding sources and to actively manage its liquidity levels. Moreover, in light of future regulatory liquidity requirements, the Bank continues to focus its efforts on retail deposit gathering and maintaining its solid retail funding base. Personal deposits represented 81% of total deposits as at January 31, 2014, unchanged from year-end 2013.

Other Liabilities

Overall, debt related to securitization activities and subordinated debt remained unchanged compared with October 31, 2013 and stood at \$4.9 billion and \$446.0 million respectively as at January 31, 2014.

Shareholders' equity

Shareholders' equity stood at \$1,464.8 million as at January 31, 2014, compared with \$1,433.6 million as at October 31, 2013. This increase resulted mainly from net income for the first quarter, net of declared dividends. As mentioned above, effective November 1, 2013 the Bank adopted the amendments to IFRS on employee benefits, that requires actuarial gains and losses to be presented in shareholders' equity. In this context, for the quarter ended January 31, 2014, the Bank recorded a \$5.6 million actuarial gain within retained earnings. Refer to the Note 2 to the Condensed Interim Consolidated Financial Statements for further details on the adoption of these amendments. In addition, the issuance of 110,189 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 share¹ appreciated to \$44.03 as at January 31, 2014 from \$43.19 as at October 31, 2013. There were 28,642,971 common shares and 20,000 share purchase options outstanding as at February 26, 2014.

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 expected 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 had no significant impact on the regulatory capital ratios for the Bank.

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.

As detailed in the table below, on an "all-in" basis, the Common Equity Tier 1, Tier 1 and Total capital ratios stood at 7.6%, 9.1% and 12.4%, respectively, as at January 31, 2014. These ratios meet all current requirements.

REGULATORY CAPITAL ^[1]

In thousands of Canadian dollars, except percentage amounts (Unaudited)	AS AT JANUARY 31 2014	AS AT OCTOBER 31 2013	AS AT JANUARY 31 2013
Regulatory capital			
Common Equity Tier 1 capital (A)	\$ 1,014,033	\$ 1,017,659	\$ 1,002,778
Tier 1 capital (B)	\$ 1,219,237	\$ 1,222,863	\$ 1,275,674
Total capital (C)	\$ 1,665,670	\$ 1,694,167	\$ 1,753,649
Total risk-weighted assets (D) ^[2]	\$ 13,400,908	\$ 13,379,834	\$ 13,286,829
Regulatory capital ratios			
Common Equity Tier 1 capital ratio (A/D)	7.6%	7.6%	7.5%
Tier 1 capital ratio (B/D)	9.1%	9.1%	9.6%
Total capital ratio (C/D)	12.4%	12.7%	13.2%

[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 the amendments to IFRS.

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

The Common Equity Tier 1 capital ratio held stable at 7.6% as at January 31, 2014, unchanged compared with October 31, 2013. As mentioned, 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 essentially offset by internal capital generation during the the first quarter of 2014, including actuarial net gains on employee benefit plans, and re-invested dividends, which increased total equity, while risk-weighted assets only increased marginally.

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 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 instead of Total Capital).

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

Dividends

On February 12, 2014, the Board of Directors declared regular dividends on the various series of preferred shares to shareholders of record on March 7, 2014. At its meeting on March 5, 2014, the Board of Directors declared a dividend of \$0.51 per common share, payable on May 1, 2014, to shareholders of record on April 1, 2014.

COMMON SHARE DIVIDENDS AND PAYOUT RATIO ^[1]

In Canadian dollars, except payout ratios (Unaudited)	FOR THE THREE MONTHS ENDED			FOR THE YEARS ENDED		
	JANUARY 31 2014	OCTOBER 31 2013	JANUARY 31 2013	OCTOBER 31 2013	OCTOBER 31 2012	OCTOBER 31 2011
Dividends declared per common share	\$ 0.51	\$ 0.50	\$ 0.49	\$ 1.98	\$ 1.84	\$ 1.62
Dividend payout ratio ^[2]	44.1%	61.2%	45.6%	52.0%	37.0%	34.8%
Adjusted dividend payout ratio ^[2]	39.6%	45.5%	37.7%	40.3%	36.9%	32.9%

[1] Comparative figures for 2013 have been prepared taking into consideration current IFRS. 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

In thousands of Canadian dollars, except percentage amounts (Unaudited)	FOR THE THREE MONTHS ENDED		
	JANUARY 31 2014	OCTOBER 31 2013	JANUARY 31 2013
Provision for loan losses			
Personal loans	\$ 4,473	\$ 10,020	\$ 8,058
Residential mortgage loans	648	1,789	1,407
Commercial mortgage loans	2,892	(1,648)	1,101
Commercial and other loans (including acceptances)	2,487	(161)	(2,566)
	\$ 10,500	\$ 10,000	\$ 8,000
As a % of average loans and acceptances	0.15%	0.15%	0.12%

The provision for loan losses amounted to \$10.5 million in the first quarter of 2014, slightly up by \$0.5 million from the fourth quarter of 2013 and up \$2.5 million compared to a year ago. Provision for loan losses continue to be at a low level and reflects the strong overall credit quality of the Bank's loan portfolios and prolonged favourable credit conditions in the Canadian market.

Loan losses on personal loans decreased by \$3.6 million compared with the first quarter of 2013, mainly driven by lower provisions in the investment loan portfolios. Loan losses on residential mortgage loans decreased slightly by \$0.8 million year-over-year.

Totalling \$5.4 million for the first quarter of 2014, loan losses on commercial mortgages and commercial loans remained at a low level but increased by a combined \$7.2 million sequentially and \$6.8 million year-over-year. On a sequential basis, the increase is mainly explained by the relatively higher level of impaired loans and continued growth in the Bank's commercial loan portfolios. The prolonged low level of loan losses continues to reflect the excellent credit quality of these portfolios.

IMPAIRED LOANS

In thousands of Canadian dollars, except percentage amounts (Unaudited)	AS AT JANUARY 31 2014	AS AT OCTOBER 31 2013	AS AT JANUARY 31 2013
Gross impaired loans			
Personal	\$ 22,752	\$ 13,971	\$ 21,185
Residential mortgages	32,384	32,651	23,142
Commercial mortgages	23,701	14,082	36,826
Commercial and other (including acceptances)	35,095	38,687	49,505
	113,932	99,391	130,658
Allowances for loan losses against impaired loans			
Individual allowances	(31,026)	(34,266)	(45,717)
Collective allowances	(18,558)	(12,049)	(14,893)
	(49,584)	(46,315)	(60,610)
Net impaired loans	\$ 64,348	\$ 53,076	\$ 70,048
Collective allowances against other loans	\$ (69,472)	\$ (69,275)	\$ (58,311)
Impaired loans as a % of loans and acceptances			
Gross	0.42%	0.37%	0.49%
Net	0.24%	0.19%	0.26%

Gross impaired loans amounted to \$113.9 million as at January 31, 2014, up from \$99.4 million as at October 31, 2013, as continued improvement in the commercial loan portfolio was more than offset by increases in impaired loans in the personal loan portfolios, mainly in certain acquired portfolios. Higher impaired loans in the commercial mortgage loan portfolio have also contributed to the overall increase in gross impaired loans since the year-end 2013, but are limited to a few specific exposures. Despite the overall increase, gross impaired loans remain at a historically low level and borrowers continue to benefit from the favourable low interest rate environment, as well as the prevailing business conditions in Canada.

Since the beginning of the year, individual allowances decreased by \$3.2 million to \$31.0 million. Collective allowances increased by \$6.5 million over the same period, in-line with higher impaired loans. Net impaired loans, calculated as gross impaired loans less individual allowances and collective allowances against impaired loans, amounted to \$64.3 million as at January 31, 2014, compared with \$53.1 million as at October 31, 2013, and totalled 0.24% of loans and acceptances compared with 0.19% at October 31, 2013. This low level is in line with management's continued prudent approach to provisioning of impaired loans.

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.

In November 2013, OSFI issued a comprehensive domestic Liquidity Adequacy Requirements Guideline in draft form that reflects the aforementioned BCBS liquidity standards and monitoring tools and formalized the use of the Net Cumulative Cash Flow (NCCF) supervisory tool. The guideline is to be finalized in 2014. At this stage, it is still too early to determine their definitive impact on liquidity requirements, considering some aspects of the proposals are yet to be finalized at both the international (BCBS) and national (OSFI) levels and may further change between now and when the final rules take effect. Nevertheless, the Bank is in the process of assessing differences between the current liquidity requirements and its liquidity data and reporting systems.

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 January 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 JANUARY 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	\$ 13,855	\$ 9,984
Decrease in the economic value of common shareholders' equity (Net of income taxes)	\$ (15,277)	\$ (22,746)

As shown in the table above, the Bank increased its short-term ALM sensitivity compared to October 31, 2013 while decreasing its long term sensitivity in the context of an expected steepening of the longer end of the yield curve. These results reflect management's 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 three following 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 will better reflect the interdependencies associated with these activities. In addition, the new segments will 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. Comparative figures were reclassified to conform to the current presentation. Furthermore, certain restructurings implemented in the fourth quarter of 2013 resulted in small adjustments to segment allocations.

Personal & Commercial ^[1]

In thousands of Canadian dollars, except percentage amounts (Unaudited)	FOR THE THREE MONTHS ENDED		
	JANUARY 31 2014	OCTOBER 31 2013	JANUARY 31 2013
Net interest income	\$ 98,054	\$ 97,318	\$ 98,101
Other income	48,630	49,131	43,529
Total revenue	146,684	146,449	141,630
Provision for loan losses	10,254	4,517	4,602
Non-interest expenses	99,809	110,131	102,880
Income before income taxes	36,621	31,801	34,148
Income taxes	8,343	7,392	7,612
Net income	\$ 28,278	\$ 24,409	\$ 26,536
Efficiency ratio ^[2]	68.0%	75.2%	72.6%

[1] Comparative figures have been prepared in accordance with current IFRS and reflect the realignment of reportable segments. 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 \$28.3 million in the first quarter of 2014 compared with \$26.5 million in the first quarter of 2013.

Total revenue increased by \$5.1 million from \$141.6 million in the first quarter of 2013 to \$146.7 million in the first quarter of 2014, mainly driven by growth in other income. Net interest income was essentially unchanged, as lower residential mortgage loan prepayment penalties were offset by good volume growth in the commercial loan portfolios. Other income increased by 12% from \$43.5 million in the first quarter of 2013 to \$48.6 million in the first quarter of 2014, including \$1.5 million from loan prepayment penalties in the commercial portfolios. Continued solid income from sales of mutual funds as well as higher insurance income and card service revenues also contributed to the increase year-over-year.

Loan losses increased by \$5.7 million from \$4.6 million in the first quarter of 2013 to \$10.3 million in the first quarter of 2014, mainly reflecting more normalized overall loan losses. Non-interest expenses decreased by \$3.1 million, from \$102.9 million in the first quarter of 2013 to \$99.8 million in the first quarter of 2014, mainly due to lower headcount from the optimization of certain activities in the fourth quarter of 2013 and disciplined control over discretionary expenses, partly offset by higher premises and technology costs. The efficiency ratio was 68.0% in the first quarter of 2014, compared with 72.6% in the first quarter of 2013. The segment generated 6.6% positive operating leverage year-over-year, mainly due to higher other income and continued rigorous cost control and efforts to streamline its operations.

Compared with the fourth quarter of 2013, net income increased by \$3.9 million from \$24.4 million to \$28.3 million in the first quarter of 2014, mainly due to the restructuring charges of \$5.3 million (\$3.9 million after income taxes) incurred in the fourth quarter of 2013 related to the optimization of certain activities. Higher provisions due to the relatively higher level of impaired loans and continued growth in the commercial loan portfolios were partly offset by a 5% sequential decrease in non-interest expenses excluding the restructuring charges mentioned above, as the segment benefitted from lower expenses once optimized, while continuing to carefully control costs.

B2B Bank ^[1]

In thousands of Canadian dollars, except percentage amounts (Unaudited)	FOR THE THREE MONTHS ENDED		
	JANUARY 31 2014	OCTOBER 31 2013	JANUARY 31 2013
Net interest income	\$ 46,197	\$ 46,072	\$ 49,412
Other income	9,102	9,406	9,056
Total revenue	55,299	55,478	58,468
Amortization of net premium on purchased financial instruments	1,136	1,006	1,056
Provision for loan losses	246	5,483	3,398
Non-interest expenses ^[2]	31,576	32,869	33,985
Costs related to business combinations ^[3]	3,949	9,951	7,557
Income before income taxes	18,392	6,169	12,472
Income taxes	4,959	1,760	3,281
Net income	\$ 13,433	\$ 4,409	\$ 9,191
Efficiency ratio ^[4]	64.2%	77.2%	71.1%
Adjusted net income ^[4]	\$ 17,169	\$ 12,462	\$ 15,519
Adjusted efficiency ratio ^[4]	57.1%	59.2%	58.1%

[1] Comparative figures have been prepared in accordance with current IFRS. 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 per quarter in 2013, which were previously reported in the Other sector, were reclassified to the B2B Bank business segment. This change generated a \$0.7 million decrease in B2B Bank's net income per quarter in 2013.

[3] Integration costs related to the integration of the MRS Companies and AGF Trust.

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

The B2B Bank business segment's contribution to adjusted net income was \$17.2 million in the first quarter of 2014, up \$1.7 million from \$15.5 million in the first quarter of 2013. Reported net income for the first quarter of 2014 was \$13.4 million compared with \$9.2 million a year ago.

Total revenue decreased to \$55.3 million in the first quarter of 2014 from \$58.5 million in the first quarter of 2013. Net interest income decreased by \$3.2 million compared with last year to \$46.2 million in the first quarter of 2014. This decrease resulted from the reduced level of investment loans as investors continue to deleverage, as well as margin compression on mortgage loans, which more than offset the higher spread earned on deposits year-over-year. Other income amounted to \$9.1 million in the first quarter of 2014, unchanged from the first quarter of 2013.

As shown above, the charge related to amortization of net premium on purchased financial instruments amounted to \$1.1 million in the first quarter of 2014, unchanged from the first quarter of 2013. Refer to Note 12 to the unaudited condensed interim consolidated financial statements for additional information on this item.

Loan losses decreased by \$3.2 million compared with the first quarter of 2013 and amounted to \$0.2 million in the first quarter of 2014. This decrease is mainly driven by lower provisions in the investment loan portfolios.

Non-interest expenses, as shown in the table above, decreased by \$2.4 million or 7% to \$31.6 million in the first quarter of 2014, compared with \$34.0 million in the first quarter of 2013, mainly as a result of lower salary and other expenses from integration synergies, partly offset by higher leasing costs. As integration activities are in their winding down phase, T&I Costs for the first quarter of 2014 decreased to \$3.9 million and mainly related to IT systems conversion costs, employee relocation costs, salaries, professional fees and other expenses mostly for the integration of AGF Trust.

Compared with the fourth quarter of 2013, adjusted net income increased by \$4.7 million, essentially as a result of lower loan loss provisions.

Laurentian Bank Securities & Capital Markets ^[1]

In thousands of Canadian dollars, except percentage amounts (Unaudited)	FOR THE THREE MONTHS ENDED		
	JANUARY 31 2014	OCTOBER 31 2013	JANUARY 31 2013
Total revenue	\$ 16,165	\$ 17,741	\$ 17,083
Non-interest expenses	13,087	13,919	13,474
Income before income taxes	3,078	3,822	3,609
Income taxes	826	913	928
Net income	\$ 2,252	\$ 2,909	\$ 2,681
Efficiency ratio ^[2]	81.0%	78.5%	78.9%

[1] Comparative figures have been prepared in accordance with current IFRS. 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 decreased to \$2.3 million in the first quarter of 2014, compared with \$2.7 million in the first quarter of 2013.

Total revenue decreased by \$0.9 million to \$16.2 million in the first quarter of 2014 compared with \$17.1 million for the first quarter of 2013, mainly as a result of lower underwriting fees in the fixed income market compared to a particularly strong quarter a year ago, as well as lower Immigrant Investor Program fees. Non-interest expenses decreased by \$0.4 million to \$13.1 million in the first quarter of 2014, mainly due to lower performance-based compensation, commissions and transaction fees, in-line with lower market-driven income.

Other sector ^[1]

In thousands of Canadian dollars (Unaudited)	FOR THE THREE MONTHS ENDED		
	JANUARY 31 2014	OCTOBER 31 2013	JANUARY 31 2013
Net interest income	\$ (4,078)	\$ (3,611)	\$ (5,850)
Other income	2,039	(526)	2,583
Total revenue	(2,039)	(4,137)	(3,267)
Non-interest expenses ^[2]	10,712	5,781	5,197
Loss before income taxes	(12,751)	(9,918)	(8,464)
Income taxes recovery	(4,313)	(4,057)	(2,844)
Net loss	\$ (8,438)	\$ (5,861)	\$ (5,620)

[1] Comparative figures have been prepared in accordance with current IFRS and reflect the realignment of reportable segments. 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 per quarter in 2013, which were previously reported in the Other sector, were reclassified to the B2B Bank business segment. This change generated a \$0.7 million increase in the Other sector's net income per quarter in 2013.

The Other sector posted a negative contribution to net income of \$8.4 million in the first quarter of 2014 compared with a negative contribution of \$5.6 million in the first quarter of 2013.

Net interest income improved to negative \$4.1 million in the first quarter of 2014, compared with negative \$5.9 million in the first quarter of 2013, mainly as a result of the maturing of high-cost debt related to securitization activities and a lower level of liquid assets compared to a year ago. Other income in the first quarter of 2014 decreased to \$2.0 million, compared with \$2.6 million in the first quarter of 2013, mainly from lower net realized security gains in the first quarter of 2014. Non-interest expenses increased to \$10.7 million in the first quarter of 2014 compared with \$5.2 million in the first quarter of 2013, mainly due to higher technology expenses related to IT regulatory developments. Premises and technology costs in the first quarter of 2013 had also been favourably impacted by adjustments related to the resolution of contractual IT exposures.

On a sequential basis, net income declined by \$2.6 million from the previous quarter as other income improved by \$2.6 million to \$2.0 million from negative \$0.5 million in the fourth quarter of 2013, offset by higher non-interest expenses, mainly related to stock-based compensation.

Additional Financial Information - Quarterly Results ^[1]

In thousands of Canadian dollars, except per share and percentage amounts (Unaudited)	JANUARY 31 2014	OCTOBER 31 2013	JULY 31 2013	APRIL 30 2013	JANUARY 31 2013	OCTOBER 31 2012	JULY 31 2012	APRIL 30 2012
Net interest income	\$ 140,856	\$ 141,437	\$ 144,549	\$ 140,430	\$ 142,344	\$ 142,411	\$ 129,664	\$ 128,324
Other income	75,253	74,094	76,493	74,420	71,570	67,985	64,169	70,346
Total revenue	216,109	215,531	221,042	214,850	213,914	210,396	193,833	198,670
Gain on acquisition and amortization of net premium on purchased financial instruments	1,136	1,006	1,140	1,224	1,056	(23,795)	—	—
Provision for loan losses	10,500	10,000	9,000	9,000	8,000	8,000	7,500	7,500
Non-interest expenses	159,133	172,651	176,705	161,630	163,093	165,377	148,955	147,111
Income before income taxes	45,340	31,874	34,197	42,996	41,765	60,814	37,378	44,059
Income taxes	9,815	6,008	7,213	9,157	8,977	15,129	7,380	10,196
Net income	\$ 35,525	\$ 25,866	\$ 26,984	\$ 33,839	\$ 32,788	\$ 45,685	\$ 29,998	\$ 33,863
Earnings per share								
Basic	\$ 1.16	\$ 0.82	\$ 0.86	\$ 1.05	\$ 1.07	\$ 1.51	\$ 1.06	\$ 1.22
Diluted	\$ 1.16	\$ 0.82	\$ 0.86	\$ 1.05	\$ 1.07	\$ 1.51	\$ 1.06	\$ 1.22
Return on common shareholders' equity ^[2]	10.5%	7.6%	8.1%	10.4%	10.3%	14.2%	10.1%	12.0%
Balance sheet assets (in millions of Canadian dollars)	\$ 33,631	\$ 33,911	\$ 33,758	\$ 34,480	\$ 34,252	\$ 34,937	\$ 31,416	\$ 30,708
Adjusted measures								
Adjusted net income ^[2]	\$ 39,261	\$ 33,919	\$ 38,547	\$ 39,247	\$ 39,116	\$ 36,186	\$ 35,253	\$ 36,302
Adjusted diluted earnings per share ^[2]	\$ 1.29	\$ 1.10	\$ 1.27	\$ 1.24	\$ 1.30	\$ 1.17	\$ 1.27	\$ 1.31
Adjusted return on common shareholders' equity ^[2]	11.7%	10.2%	12.0%	12.2%	12.5%	10.9%	12.1%	13.0%

[1] Comparative figures for 2013 have been prepared in accordance with current IFRS. 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 judgement. The unaudited condensed interim consolidated financial statements for the first 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 and amendments to existing standards 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 and offsetting. 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 first quarter ended January 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. 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.

Laurentian Bank of Canada

Unaudited Condensed Interim Consolidated Financial Statements

As at and for the period ended January 31, 2014

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Consolidated Balance Sheet ^[1]

In thousands of Canadian dollars (Unaudited)	NOTES	AS AT JANUARY 31 2014	AS AT OCTOBER 31 2013	AS AT JANUARY 31 2013
ASSETS				
Cash and non-interest-bearing deposits with other banks		\$ 80,826	\$ 82,836	\$ 87,821
Interest-bearing deposits with other banks		95,271	126,002	282,968
Securities	4			
Available-for-sale		2,131,045	1,679,067	2,280,867
Held-to-maturity		363,063	648,874	862,588
Held-for-trading		2,268,914	2,152,584	2,130,644
		4,763,022	4,480,525	5,274,099
Securities purchased under reverse repurchase agreements		923,821	1,218,255	917,007
Loans	5 and 6			
Personal		7,110,856	7,245,474	7,654,648
Residential mortgage		14,651,545	14,735,211	14,374,220
Commercial mortgage		2,531,812	2,488,826	2,423,742
Commercial and other		2,503,082	2,488,137	2,183,805
Customers' liabilities under acceptances		294,320	271,049	210,243
		27,091,615	27,228,697	26,846,658
Allowances for loan losses		(119,056)	(115,590)	(118,921)
		26,972,559	27,113,107	26,727,737
Other				
Premises and equipment		75,838	73,261	72,556
Derivatives		170,504	126,617	131,470
Goodwill		64,077	64,077	64,077
Software and other intangible assets		201,067	197,594	159,307
Deferred tax assets		11,757	21,588	40,221
Other assets		272,541	407,164	494,522
		795,784	890,301	962,153
		\$ 33,631,283	\$ 33,911,026	\$ 34,251,785
LIABILITIES AND SHAREHOLDERS' EQUITY				
Deposits				
Personal		\$ 19,366,548	\$ 19,282,042	\$ 19,474,971
Business, banks and other		4,437,390	4,645,308	4,292,522
		23,803,938	23,927,350	23,767,493
Other				
Obligations related to securities sold short		1,361,085	1,464,269	1,714,803
Obligations related to securities sold under repurchase agreements		482,634	339,602	291,775
Acceptances		294,320	271,049	210,243
Derivatives		123,369	102,041	92,926
Deferred tax liabilities		3,162	9,845	24,922
Other liabilities		786,633	943,112	975,114
		3,051,203	3,129,918	3,309,783
Debt related to securitization activities	6	4,865,326	4,974,714	5,244,311
Subordinated debt		445,977	445,473	443,978
Shareholders' equity				
Preferred shares	7	205,204	205,204	303,078
Common shares	7	451,415	446,496	434,312
Share-based payment reserve	8	91	91	136
Retained earnings		800,362	776,256	724,851
Accumulated other comprehensive income		7,767	5,524	23,843
		1,464,839	1,433,571	1,486,220
		\$ 33,631,283	\$ 33,911,026	\$ 34,251,785

[1] Comparative figures have been prepared in accordance with current IFRS. Refer to Note 2 in the unaudited condensed interim consolidated financial statements.
The accompanying notes are an integral part of the unaudited condensed interim consolidated financial statements.

Consolidated Statement of Income ^[1]

In thousands of Canadian dollars, except per share amounts (Unaudited)	NOTES	FOR THE THREE MONTHS ENDED		
		JANUARY 31 2014	OCTOBER 31 2013	JANUARY 31 2013
Interest income				
Loans		\$ 269,084	\$ 269,927	\$ 276,870
Securities		10,321	10,845	17,128
Deposits with other banks		181	601	914
Other, including derivatives		10,188	9,475	13,453
		289,774	290,848	308,365
Interest expense				
Deposits		114,020	114,094	121,423
Debt related to securitization activities		30,529	31,115	40,225
Subordinated debt		4,031	4,088	4,024
Other		338	114	349
		148,918	149,411	166,021
Net interest income		140,856	141,437	142,344
Other income				
Fees and commissions on loans and deposits		34,755	35,704	31,330
Income from brokerage operations		15,207	15,113	16,522
Income from investment accounts		8,027	8,693	7,858
Income from sales of mutual funds		6,580	6,098	5,140
Income from treasury and financial market operations		4,339	2,095	5,341
Insurance income		4,633	4,278	3,395
Other income		1,712	2,113	1,984
		75,253	74,094	71,570
Total revenue		216,109	215,531	213,914
Amortization of net premium on purchased financial instruments	12	1,136	1,006	1,056
Provision for loan losses	5	10,500	10,000	8,000
Non-interest expenses				
Salaries and employee benefits		85,540	90,899	91,159
Premises and technology		45,940	45,277	38,881
Other		23,704	26,524	25,496
Costs related to business combinations	12	3,949	9,951	7,557
		159,133	172,651	163,093
Income before income taxes		45,340	31,874	41,765
Income taxes		9,815	6,008	8,977
Net income		\$ 35,525	\$ 25,866	\$ 32,788
Preferred share dividends, including applicable taxes		2,501	2,637	2,533
Net income available to common shareholders		\$ 33,024	\$ 23,229	\$ 30,255
Average number of common shares outstanding (in thousands)				
Basic		28,570	28,474	28,169
Diluted		28,577	28,481	28,182
Earnings per share				
Basic		\$ 1.16	\$ 0.82	\$ 1.07
Diluted		\$ 1.16	\$ 0.82	\$ 1.07
Dividends declared per share				
Common share		\$ 0.51	\$ 0.50	\$ 0.49
Preferred share - Series 9		n.a.	n.a.	\$ 0.38
Preferred share - Series 10		\$ 0.33	\$ 0.33	\$ 0.33
Preferred share - Series 11		\$ 0.25	\$ 0.25	\$ 0.16

[1] Comparative figures have been prepared in accordance with current IFRS. Refer to Note 2 in the unaudited condensed interim consolidated financial statements. The accompanying notes are an integral part of the unaudited condensed interim consolidated financial statements.

Consolidated Statement of Comprehensive Income ^[1]

In thousands of Canadian dollars (Unaudited)	FOR THE THREE MONTHS ENDED		
	JANUARY 31 2014	OCTOBER 31 2013	JANUARY 31 2013
Net income	\$ 35,525	\$ 25,866	\$ 32,788
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	758	2,764	1,116
Reclassification of net (gains) losses on available-for-sale securities to net income	(1,061)	(182)	(1,458)
Net change in value of derivatives designated as cash flow hedges	2,546	559	(10,043)
	2,243	3,141	(10,385)
Items that may not subsequently be reclassified to the statement of income			
Actuarial gains and losses on employee benefit plans	5,634	5,103	2,348
Comprehensive income	\$ 43,402	\$ 34,110	\$ 24,751

Income Taxes — Other Comprehensive Income

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

In thousands of Canadian dollars (Unaudited)	FOR THE THREE MONTHS ENDED		
	JANUARY 31 2014	OCTOBER 31 2013	JANUARY 31 2013
Income tax expense (recovery) on:			
Unrealized net gains (losses) on available-for-sale securities	\$ 243	\$ 927	\$ 433
Reclassification of net (gains) losses on available-for-sale securities to net income	(390)	(75)	(536)
Net change in value of derivatives designated as cash flow hedges	925	242	(3,670)
Actuarial gains and losses on employee benefit plans	2,066	1,871	861
	\$ 2,844	\$ 2,965	\$ (2,912)

[1] Comparative figures have been prepared in accordance with current IFRS. Refer to Note 2 in the unaudited condensed interim consolidated financial statements.
The accompanying notes are an integral part of the unaudited condensed interim consolidated financial statements.

Consolidated Statement of Changes in Shareholders' Equity ^[1]

In thousands of Canadian dollars (Unaudited)	FOR THE THREE MONTHS ENDED JANUARY 31, 2014							
	PREFERRED SHARES (Note 7)	COMMON SHARES (Note 7)	RETAINED EARNINGS	AOCI RESERVES			SHARE- BASED PAYMENT RESERVE (Note 8)	TOTAL SHARE- HOLDERS' EQUITY
				AVAILABLE- FOR-SALE SECURITIES	CASH FLOW HEDGES	TOTAL		
Balance as at October 31, 2013	\$ 205,204	\$ 446,496	\$ 776,256	\$ 9,536	\$ (4,012)	\$ 5,524	\$ 91	\$ 1,433,571
Net income			35,525					35,525
Other comprehensive income (net of income taxes)								
Unrealized net gains (losses) on available-for-sale securities				758		758		758
Reclassification of net (gains) losses on available-for-sale securities to net income				(1,061)		(1,061)		(1,061)
Net change in value of derivatives designated as cash flow hedges					2,546	2,546		2,546
Actuarial gains and losses on employee benefit plans			5,634					5,634
Comprehensive income			41,159	(303)	2,546	2,243		43,402
Issuance of share capital		4,919						4,919
Dividends								
Preferred shares, including applicable taxes			(2,501)					(2,501)
Common shares			(14,552)					(14,552)
Balance as at January 31, 2014	\$ 205,204	\$ 451,415	\$ 800,362	\$ 9,233	\$ (1,466)	\$ 7,767	\$ 91	\$ 1,464,839

In thousands of Canadian dollars (Unaudited)	FOR THE THREE MONTHS ENDED JANUARY 31, 2013							
	PREFERRED SHARES (Note 7)	COMMON SHARES (Note 7)	RETAINED EARNINGS	AOCI RESERVES			SHARE- BASED PAYMENT RESERVE (Note 8)	TOTAL SHARE- HOLDERS' EQUITY
				AVAILABLE- FOR-SALE SECURITIES	CASH FLOW HEDGES	TOTAL		
Balance as at November 1, 2012	\$ 303,249	\$ 428,526	\$ 706,035	\$ 12,201	\$ 22,027	\$ 34,228	\$ 227	\$ 1,472,265
Net income			32,788					32,788
Other comprehensive income (net of income taxes)								
Unrealized net gains (losses) on available-for-sale securities				1,116		1,116		1,116
Reclassification of net (gains) losses on available-for-sale securities to net income				(1,458)		(1,458)		(1,458)
Net change in value of derivatives designated as cash flow hedges					(10,043)	(10,043)		(10,043)
Actuarial gains and losses on employee benefit plans			2,348					2,348
Comprehensive income			35,136	(342)	(10,043)	(10,385)		24,751
Issuance of share capital	(171)	5,786					(91)	5,524
Dividends								
Preferred shares, including applicable taxes			(2,533)					(2,533)
Common shares			(13,787)					(13,787)
Balance as at January 31, 2013	\$ 303,078	\$ 434,312	\$ 724,851	\$ 11,859	\$ 11,984	\$ 23,843	\$ 136	\$ 1,486,220

[1] Comparative figures have been prepared in accordance with current IFRS. Refer to Note 2 in the unaudited condensed interim consolidated financial statements. The accompanying notes are an integral part of the unaudited condensed interim consolidated financial statements.

Consolidated Statement of Cash Flows ^[1]

In thousands of Canadian dollars (Unaudited)	FOR THE THREE MONTHS ENDED		
	JANUARY 31 2014	OCTOBER 31 2013	JANUARY 31 2013
Cash flows relating to operating activities			
Net income	\$ 35,525	\$ 25,866	\$ 32,788
Adjustments to determine net cash flows relating to operating activities:			
Provision for loan losses	10,500	10,000	8,000
Net gain on disposal of available-for-sale securities	(1,702)	(268)	(1,994)
Deferred income taxes	147	5,848	1,390
Depreciation of premises and equipment	4,495	4,926	3,665
Amortization of software and other intangible assets	9,872	9,097	8,904
Change in operating assets and liabilities:			
Loans	130,456	(48,142)	(71,792)
Securities at fair value through profit and loss	(116,330)	65,638	(257,022)
Securities purchased under reverse repurchase agreements	294,434	(476,694)	(285,805)
Accrued interest receivable	(643)	3,881	8,613
Derivative assets	(43,887)	(24,061)	36,173
Deposits	(123,412)	60,985	(273,950)
Obligations related to securities sold short	(103,184)	30,744	364,871
Obligations related to securities sold under repurchase agreements	143,032	(44,284)	47,736
Accrued interest payable	(17,003)	26,082	(57,010)
Derivative liabilities	21,328	15,001	(7,941)
Other, net	17,414	(16,152)	(60,603)
	261,042	(351,533)	(503,977)
Cash flows relating to financing activities			
Change in acceptances	23,271	7,341	(887)
Change in debt related to securitization activities	(109,388)	22,654	(792,786)
Net proceeds from issuance of common shares	10	13	680
Dividends, including applicable income taxes	(22,322)	(12,995)	(16,795)
	(108,429)	17,013	(809,788)
Cash flows relating to investing activities			
Change in available-for-sale securities			
Acquisitions	(964,112)	(461,215)	(359,554)
Proceeds on sale and at maturity	513,364	863,484	901,764
Change in held-to-maturity securities			
Acquisitions	(4,710)	(155,368)	(6,138)
Proceeds at maturity	290,521	115,730	590,301
Proceeds on sale of commercial mortgage loans	—	(708)	—
Additions to premises and equipment and software	(20,417)	(38,045)	(12,862)
Change in interest-bearing deposits with other banks	30,731	2,388	197,215
	(154,623)	326,266	1,310,726
Net change in cash and non-interest-bearing deposits with other banks	(2,010)	(8,254)	(3,039)
Cash and non-interest-bearing deposits with other banks at beginning of period	82,836	91,090	90,860
Cash and non-interest-bearing deposits with other banks at end of period	\$ 80,826	\$ 82,836	\$ 87,821
Supplemental disclosure about cash flows relating to operating activities:			
Interest paid during the period	\$ 172,631	\$ 116,400	\$ 223,778
Interest received during the period	\$ 288,466	\$ 289,514	\$ 320,619
Dividends received during the period	\$ 1,954	\$ 2,021	\$ 1,419
Income taxes paid during the period	\$ 9,769	\$ 7,567	\$ 17,673

[1] Comparative figures have been prepared in accordance with current IFRS. Refer to Note 2 in the unaudited condensed interim consolidated financial statements.

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

Notes to the Condensed Interim Consolidated Financial Statements

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

1. General Information

Laurentian Bank of Canada and its subsidiaries (Laurentian Bank or the Bank) provide banking services to individuals and small and medium-sized enterprises, as well as to independent advisors across Canada, and operate as a full-service brokerage firm. Laurentian Bank is the ultimate parent of the group. The Bank is a chartered bank under Schedule 1 of the Bank Act (Canada) and has its head office in Montréal, Canada. The common shares of Laurentian Bank (stock symbol: LB) are listed on the Toronto Stock Exchange.

The unaudited condensed interim consolidated financial statements (financial statements) for the period ended January 31, 2014 were approved for issuance by the Board of Directors on March 5, 2014.

2. Basis of Presentation

These financial statements have been prepared in accordance with the *Bank Act*, which states that, except as otherwise specified by the Office of the Superintendent of Financial Institutions Canada (OSFI), the financial statements are to be prepared in accordance with Canadian generally accepted accounting principles, which are the International Financial Reporting Standards (IFRS). These financial statements have been prepared under IFRS as issued by the International Accounting Standards Board (IASB) in accordance with IAS 34, *Interim Financial Reporting*.

These financial statements should be read in conjunction with the audited annual consolidated financial statements for the year ended October 31, 2013 prepared in accordance with IFRS. The accounting policies described in Note 3 to these audited annual consolidated financial statements have been applied consistently to all periods presented within these financial statements, except for accounting changes detailed below and the segment realignment discussed in Note 11.

Use of estimates and judgment

The preparation of financial statements in accordance with IFRS requires the Bank to make estimates and assumptions that affect the carrying amounts of assets and liabilities on the balance sheet date, income and other related disclosures. Management has implemented and maintains controls and procedures to ensure these estimates are well controlled, reviewed and consistently applied over time. Management believes that the estimates of the value of the Bank's assets and liabilities are appropriate.

Accounting changes

IAS 19: Employee Benefits

In June 2011, the IASB issued an amended version of IAS 19, Employee Benefits, which is effective for annual periods beginning on or after January 1, 2013. The amendments to IAS 19 eliminate the option to defer the recognition of gains and losses resulting from defined benefit plans, known as the "corridor method", which was historically used by the Bank, and requires that remeasurements be presented in shareholders' equity. Accordingly, actuarial gains and losses will now be recognized in other comprehensive income as they occur, and may not subsequently be reclassified to the statement of income. The Bank elected to transfer those amounts within retained earnings.

The amendments also require full recognition of past service costs or gains immediately in net income, and recognition of expected return on plan assets in net income to be calculated based on the rate used to discount the defined benefit obligation. The amendments include additional disclosures that explain the characteristics of the entity's defined benefit plans and risks associated with the plans, as well as disclosures that describe how defined benefit plans may affect the amount, timing and uncertainty of future cash flows, and details of any asset-liability match strategies used to manage risks.

These amendments have been applied retrospectively by the Bank as of November 1, 2012 and its impact on the consolidated statement of income, consolidated statement of comprehensive income and consolidated balance sheet for prior periods is shown in the tables below. The adoption of this amended standard had no impact on cash flows. For the first quarter ended January 31, 2014, the adoption of these amendments increased salaries and employee benefits by \$1.8 million (\$1.3 million net of income taxes) and other comprehensive income by \$5.6 million.

2. Basis of presentation [Cont'd]

Adjustment to the Consolidated Statement of Income

In thousands of Canadian dollars, except per share amounts (Unaudited)	FOR THE THREE MONTHS ENDED		FOR THE YEAR ENDED
	OCTOBER 31 2013	JANUARY 31 2013	OCTOBER 31 2013
Increase in salaries and employee benefits	\$ 1,778	\$ 1,779	\$ 7,111
Decrease in income taxes	(477)	(477)	(1,908)
Decrease in net income	\$ (1,301)	\$ (1,302)	\$ (5,203)
Decrease in basic and diluted earnings per share	\$ 0.04	\$ 0.05	\$ 0.19

Adjustment to the Consolidated Statement of Comprehensive Income

In thousands of Canadian dollars (Unaudited)	FOR THE THREE MONTHS ENDED		FOR THE YEAR ENDED
	OCTOBER 31 2013	JANUARY 31 2013	OCTOBER 31 2013
Decrease in net income	\$ (1,301)	\$ (1,302)	\$ (5,203)
Increase in actuarial gains and losses on employee benefit plans (net of income taxes)	5,103	2,348	20,645
Increase in comprehensive income	\$ 3,802	\$ 1,046	\$ 15,442

Adjustment to the Consolidated Balance Sheet

In thousands of Canadian dollars (Unaudited)	AS AT OCTOBER 31 2013	AS AT JANUARY 31 2013	AS AT NOVEMBER 1 2012
	Decrease in other assets - defined benefit plan assets	\$ (34,244)	\$ (21,773)
Increase in deferred tax assets	19,590	24,868	25,252
Increase in other liabilities - defined benefit plan liabilities	(38,768)	(70,913)	(72,343)
Net decrease in retained earnings	\$ (53,422)	\$ (67,818)	\$ (68,864)

IFRS 10: Consolidated Financial Statements, IFRS 11: Joint Arrangements and IFRS 12: Disclosure of Interests in Other Entities

In May 2011, the IASB issued IFRS 10, *Consolidated Financial Statements*, IFRS 11, *Joint Arrangements* and IFRS 12, *Disclosure of Interests in Other Entities*, which are effective for annual periods beginning on or after January 1, 2013.

IFRS 10 replaces the consolidation requirements in SIC-12, *Consolidation - Special Purpose Entities*, and IAS 27, *Consolidated and Separate Financial Statements*, and establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. The standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

IFRS 11 supersedes IAS 31, *Interests in Joint Ventures*, and SIC-13, *Jointly-controlled Entities - Non-monetary Contributions by Venturers*, and provides guidance for the accounting of joint arrangements that focuses on the rights and obligations of the arrangement, rather than its legal form.

IFRS 12 provides disclosure requirements about subsidiaries, joint arrangements and associates, as well as structured entities, and replaces existing disclosure requirements.

These standards have been applied by the Bank retrospectively as of November 1, 2012 and do not have any impact on its results or financial position.

IFRS 13: Fair Value Measurement

In May 2011, the IASB issued IFRS 13, *Fair Value Measurement*, which is effective for annual periods beginning on or after January 1, 2013. IFRS 13 establishes a single source of guidance for fair value measurements when fair value is required or permitted by IFRS and provides for enhanced disclosures when fair value is applied.

This standard has been adopted prospectively by the Bank as of November 1, 2013 and does not have any significant impact on its results or financial position. New interim disclosures required as a result of the adoption of IFRS 13 are presented in Note 10. The additional annual disclosures will be provided in the audited financial statements for the year ended October 31, 2014, as required by the standard.

IFRS 7: Financial instruments: Disclosures

In December 2011, the IASB issued amendments to IFRS 7, *Financial Instruments: Disclosures* to include new disclosure requirements that are intended to help users to better assess the effect or potential effect of offsetting arrangements on an entity's financial position. These amendments are effective for annual periods beginning on or after January 1, 2013. The additional disclosures will be provided in the audited financial statements for the year ended October 31, 2014, as required by the amendments.

3. Future Accounting Changes

The following section summarizes accounting standards which have been issued but are not yet effective. The Bank is currently assessing the impact of the adoption of these standards on its financial statements.

IFRS 9: Financial Instruments

In November 2009, the IASB issued, and subsequently amended in October 2010, IFRS 9, *Financial Instruments* as a first phase in its ongoing project to replace IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 provides new requirements for how an entity should classify and measure financial assets and liabilities that are currently in the scope of IAS 39. In July 2013, the IASB tentatively decided to defer the mandatory effective date of IFRS 9, initially planned to be effective for annual periods beginning on or after January 1, 2015, which would have been November 1, 2015 for the Bank, pending the finalisation of the impairment and classification and measurement requirements.

In November 2013, the IASB completed a further step in the reform of financial instruments accounting and announced the changes to hedge accounting. The amendment also removed the January 1, 2015 mandatory effective date of IFRS 9. The IASB is still deliberating on the new effective date.

IAS 32: Financial Instruments: Presentation

In December 2011, the IASB issued amendments to IAS 32, *Financial Instruments: Presentation* to clarify its requirements for offsetting financial instruments. The amendments, which address inconsistencies in current practice when applying the offsetting criteria in IAS 32, are effective for annual periods beginning on or after January 1, 2014, which will be November 1, 2014 for the Bank, and are to be applied retrospectively.

4. Securities

Gains and losses recognized in income

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

The following items were recognized in income from treasury and financial market operations with regard to the portfolio of available-for-sale securities.

	FOR THE THREE MONTHS ENDED		
	JANUARY 31 2014	OCTOBER 31 2013	JANUARY 31 2013
Realized net gains	\$ 1,702	\$ 268	\$ 1,994
Write-downs for impairment recognized in income	(251)	(11)	—
	\$ 1,451	\$ 257	\$ 1,994

Gains and losses recognized in comprehensive income

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

Unrealized gains and losses on available-for-sale securities results mainly from fluctuations in market prices as well as changes in interest and exchange rates. The Bank considers that no objective evidence of impairment related to the securities in an unrealized loss position exists, based on the market conditions at the reporting date, and continues to monitor these investments and market conditions.

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

	AS AT JANUARY 31, 2014			
	AMORTIZED COST	UNREALIZED GAINS	UNREALIZED LOSSES	FAIR VALUE
Securities issued or guaranteed				
by Canada ^[1]	\$ 998,685	\$ 248	\$ 36	\$ 998,897
by provinces	709,814	414	65	710,163
Other debt securities	209,858	6,750	135	216,473
Preferred shares	85,961	579	2,174	84,366
Common shares and other securities	69,187	10,162	847	78,502
Asset-backed securities	41,320	1,346	22	42,644
	\$ 2,114,825	\$ 19,499	\$ 3,279	\$ 2,131,045

	AS AT OCTOBER 31, 2013			
	AMORTIZED COST	UNREALIZED GAINS	UNREALIZED LOSSES	FAIR VALUE
Securities issued or guaranteed				
by Canada ^[1]	\$ 661,167	\$ 288	\$ 35	\$ 661,420
by provinces	642,518	485	34	642,969
Other debt securities	181,280	5,267	607	185,940
Preferred shares	85,177	404	2,713	82,868
Common shares and other securities	60,540	12,806	618	72,728
Asset-backed securities	31,943	1,235	36	33,142
	\$ 1,662,625	\$ 20,485	\$ 4,043	\$ 1,679,067

[1] Including mortgage-backed securities that are fully guaranteed by the Canada Mortgage and Housing Corporation pursuant to the *National Housing Act*.

	AS AT JANUARY 31, 2013			
	AMORTIZED COST	UNREALIZED GAINS	UNREALIZED LOSSES	FAIR VALUE
Securities issued or guaranteed				
by Canada ^[1]	\$ 1,021,668	\$ 4,136	\$ 6	\$ 1,025,798
by provinces	437,164	1,499	20	438,643
Other debt securities	643,170	6,772	197	649,745
Preferred shares	75,471	1,967	474	76,964
Common shares and other securities	63,740	7,893	825	70,808
Asset-backed securities	17,685	1,252	28	18,909
	\$ 2,258,898	\$ 23,519	\$ 1,550	\$ 2,280,867

[1] Including mortgage-backed securities that are fully guaranteed by the Canada Mortgage and Housing Corporation pursuant to the *National Housing Act*.

Held-to-maturity

The following table presents the amortized cost of securities classified as held-to-maturity.

	AS AT JANUARY 31 2014	AS AT OCTOBER 31 2013	AS AT JANUARY 31 2013
Securities issued or guaranteed by Canada ^[1]	\$ 333,272	\$ 620,784	\$ 833,449
Asset-backed commercial paper	29,791	28,090	29,139
	\$ 363,063	\$ 648,874	\$ 862,588

[1] Including mortgage-backed securities that are fully guaranteed by the Canada Mortgage and Housing Corporation pursuant to the *National Housing Act* and treasury bills.

5. Loans

Loans and impaired loans

	AS AT JANUARY 31, 2014					
	COLLECTIVE ALLOWANCES					
	GROSS AMOUNT OF LOANS	GROSS AMOUNT OF IMPAIRED LOANS	INDIVIDUAL ALLOWANCES	AGAINST IMPAIRED LOANS	AGAINST OTHER LOANS	TOTAL ALLOWANCES
Personal	\$ 7,110,856	\$ 22,752	\$ —	\$ 9,825	\$ 29,058	\$ 38,883
Residential mortgage	14,651,545	32,384	—	3,317	5,837	9,154
Commercial mortgage	2,531,812	23,701	7,236	4,246	16,735	28,217
Commercial and other ^[1]	2,797,402	35,095	23,790	1,170	17,842	42,802
	\$ 27,091,615	\$ 113,932	\$ 31,026	\$ 18,558	\$ 69,472	\$ 119,056

[1] Including customers' liabilities under acceptances of \$294.3 million.

	AS AT OCTOBER 31, 2013					
	COLLECTIVE ALLOWANCES					
	GROSS AMOUNT OF LOANS	GROSS AMOUNT OF IMPAIRED LOANS	INDIVIDUAL ALLOWANCES	AGAINST IMPAIRED LOANS	AGAINST OTHER LOANS	TOTAL ALLOWANCES
Personal	\$ 7,245,474	\$ 13,971	\$ —	\$ 7,008	\$ 32,953	\$ 39,961
Residential mortgage	14,735,211	32,651	—	3,122	5,884	9,006
Commercial mortgage	2,488,826	14,082	9,731	254	15,764	25,749
Commercial and other ^[1]	2,759,186	38,687	24,535	1,665	14,674	40,874
	\$ 27,228,697	\$ 99,391	\$ 34,266	\$ 12,049	\$ 69,275	\$ 115,590

[1] Including customers' liabilities under acceptances of \$271.0 million.

5. Loans [Cont'd]

AS AT JANUARY 31, 2013

	GROSS AMOUNT OF LOANS	GROSS AMOUNT OF IMPAIRED LOANS	INDIVIDUAL ALLOWANCES	COLLECTIVE ALLOWANCES		TOTAL ALLOWANCES
				AGAINST IMPAIRED LOANS	AGAINST OTHER LOANS	
Personal	\$ 7,654,648	\$ 21,185	\$ —	\$ 11,082	\$ 26,548	\$ 37,630
Residential mortgage	14,374,220	23,142	—	1,329	2,163	3,492
Commercial mortgage	2,423,742	36,826	14,171	464	16,640	31,275
Commercial and other ^[1]	2,394,048	49,505	31,546	2,018	12,960	46,524
	\$ 26,846,658	\$ 130,658	\$ 45,717	\$ 14,893	\$ 58,311	\$ 118,921

[1] Including customers' liabilities under acceptances of \$210.2 million.

Individual allowances for loan losses

	FOR THE THREE MONTHS ENDED			
	COMMERCIAL MORTGAGE LOANS	COMMERCIAL AND OTHER LOANS ^[1]	TOTAL INDIVIDUAL ALLOWANCES	TOTAL INDIVIDUAL ALLOWANCES
	JANUARY 31 2014	JANUARY 31 2013		
Balance at beginning of period	\$ 9,731	\$ 24,535	\$ 34,266	\$ 47,849
Provision for loan losses recorded in the consolidated statement of income	(2,137)	(223)	(2,360)	(1,286)
Write-offs	(311)	(493)	(804)	(563)
Recoveries	—	1	1	60
Interest accrued on impaired loans	(47)	(30)	(77)	(343)
Balance at end of period	\$ 7,236	\$ 23,790	\$ 31,026	\$ 45,717

[1] Including customers' liabilities under acceptances.

Collective allowances for loan losses

Collective allowances against impaired loans

	FOR THE THREE MONTHS ENDED					
	PERSONAL LOANS	RESIDENTIAL MORTGAGE LOANS	COMMERCIAL MORTGAGE LOANS	COMMERCIAL AND OTHER LOANS ^[1]	TOTAL COLLECTIVE ALLOWANCES	TOTAL COLLECTIVE ALLOWANCES
	JANUARY 31 2014	JANUARY 31 2013				
Balance at beginning of period	\$ 7,008	\$ 3,122	\$ 254	\$ 1,665	\$ 12,049	\$ 12,492
Provision for loan losses recorded in the consolidated statement of income	8,368	695	4,058	(458)	12,663	8,176
Write-offs	(6,701)	(273)	—	(11)	(6,985)	(6,115)
Recoveries	1,269	(116)	—	9	1,162	605
Interest accrued on impaired loans	(119)	(111)	(66)	(35)	(331)	(265)
Balance at end of period	\$ 9,825	\$ 3,317	\$ 4,246	\$ 1,170	\$ 18,558	\$ 14,893

[1] Including customers' liabilities under acceptances.

Collective allowances against other loans

	FOR THE THREE MONTHS ENDED					
	JANUARY 31 2014			JANUARY 31 2013		
	PERSONAL LOANS	RESIDENTIAL MORTGAGE LOANS	COMMERCIAL MORTGAGE LOANS	COMMERCIAL AND OTHER LOANS ⁽¹⁾	TOTAL COLLECTIVE ALLOWANCES	TOTAL COLLECTIVE ALLOWANCES
Balance at beginning of period	\$ 32,953	\$ 5,884	\$ 15,764	\$ 14,674	\$ 69,275	\$ 57,201
Provision for loan losses recorded in the consolidated statement of income	(3,895)	(47)	971	3,168	197	1,110
Balance at end of period	\$ 29,058	\$ 5,837	\$ 16,735	\$ 17,842	\$ 69,472	\$ 58,311

[1] Including customers' liabilities under acceptances.

An allowance for undrawn amounts under approved credit facilities is also recognized in other liabilities and amounted to \$7.0 million as at January 31, 2014, \$7.5 million as at October 31, 2013 and \$6.2 million as at January 31, 2013.

Loans past due but not impaired

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

	AS AT JANUARY 31, 2014			
	1 DAY-31 DAYS	32 DAYS-90 DAYS	OVER 90 DAYS	TOTAL
Personal loans	\$ 91,297	\$ 36,781	\$ 5,136	\$ 133,214
Residential mortgage loans	242,710	40,745	31,031	319,486
	\$ 339,007	\$ 77,526	\$ 36,167	\$ 452,700

	AS AT OCTOBER 31, 2013			
	1 DAY-31 DAYS	32 DAYS-90 DAYS	OVER 90 DAYS	TOTAL
Personal loans	\$ 90,749	\$ 25,051	\$ 5,799	\$ 121,599
Residential mortgage loans	242,398	44,159	46,952	333,509
	\$ 333,147	\$ 69,210	\$ 52,751	\$ 455,108

	AS AT JANUARY 31, 2013			
	1 DAY-31 DAYS	32 DAYS-90 DAYS	OVER 90 DAYS	TOTAL
Personal loans	\$ 104,637	\$ 30,422	\$ 5,309	\$ 140,368
Residential mortgage loans	234,536	40,259	37,016	311,811
	\$ 339,173	\$ 70,681	\$ 42,325	\$ 452,179

6. Loan Securitization

Financial assets not qualifying for derecognition and associated financial liabilities

The following table summarizes the carrying amounts of financial assets that do not qualify for derecognition and their associated financial liabilities included in the consolidated balance sheet.

	AS AT JANUARY 31 2014	AS AT OCTOBER 31 2013	AS AT JANUARY 31 2013
Residential mortgage loans	\$ 4,326,871	\$ 4,241,310	\$ 4,295,717
Replacement Assets			
Cash and deposits with other banks	3,931	12,099	3,248
Securities purchased under reverse repurchase agreements	102,747	8,410	7,268
Other securities	363,063	648,874	862,588
Debt related to securitization activities	\$ (4,865,326)	\$ (4,974,714)	\$ (5,244,311)

The following table summarizes the securitization activities carried out by the Bank.

	FOR THE THREE MONTHS ENDED		
	JANUARY 31 2014	OCTOBER 31 2013	JANUARY 31 2013
Carrying amounts of mortgages transferred during the quarter related to new financing	\$ 239,295	\$ 225,835	\$ 51,414
Carrying amounts of mortgages transferred during the quarter as Replacement Assets	\$ 91,968	\$ 112,369	\$ 99,659

The following table provides information on issuances of debt related to securitization activities since the beginning of the year.

MATURITY	FOR THE THREE MONTHS ENDED JANUARY 31, 2014			INITIAL CARRYING AMOUNT
	RATE	NOMINAL VALUE		
New issuance of debt related to the Canada Mortgage Bond program				
December 2018	2.38%	\$ 236,655	\$	238,686

7. Share Capital

Preferred shares

The variation and outstanding number and amounts of preferred shares were as follows.

	FOR THE THREE MONTHS ENDED			
	JANUARY 31, 2014		JANUARY 31, 2013	
	NUMBER OF SHARES	AMOUNT	NUMBER OF SHARES	AMOUNT
Class A Preferred shares				
Series 9				
Outstanding at beginning and end of period	n.a.	n.a.	4,000,000	\$ 97,885
Series 10				
Outstanding at beginning and end of period	4,400,000	\$ 107,642	4,400,000	\$ 107,642
Series 11				
Outstanding at beginning of period	4,000,000	\$ 97,562	4,000,000	\$ 97,722
Net issuance cost	n.a.	—	n.a.	(171)
Outstanding at end of period	4,000,000	\$ 97,562	4,000,000	\$ 97,551
Total preferred shares outstanding at end of period	8,400,000	\$ 205,204	12,400,000	\$ 303,078

Common shares

The variation and outstanding number and amounts of common shares were as follows.

	FOR THE THREE MONTHS ENDED			
	JANUARY 31, 2014		JANUARY 31, 2013	
	NUMBER OF SHARES	AMOUNT	NUMBER OF SHARES	AMOUNT
Common shares				
Outstanding at beginning of period	28,532,412	\$ 446,496	28,117,520	\$ 428,526
Issuance under the Shareholder Dividend Reinvestment and Share Purchase Plan	110,189	4,919	117,178	5,106
Issuance under the employee share purchase option plan	—	—	20,000	680
Total common shares outstanding at end of period	28,642,601	\$ 451,415	28,254,698	\$ 434,312

Dividend reinvestment and share purchase plan

The Bank determined that reinvestments related to the dividend declared on December 11, 2013 would be made in Common Shares issued from treasury at a 2% discount. On January 1, 2014, 110,189 shares were legally issued under the Plan and are reported in the table above (117,178 shares on February 1, 2013).

Dividends declared

On February 12, 2014, the Board of Directors declared regular dividends on the various series of preferred shares to shareholders of record on March 7, 2014.

At its meeting on March 5, 2014, the Board of Directors declared a dividend of \$0.51 per common share, payable on May 1, 2014, to shareholders of record on April 1, 2014.

Capital management

Regulatory capital

The Office of the Superintendent of Financial Institutions Canada (OSFI) requires banks to meet minimum risk-based capital ratios drawn on the Basel Committee on Banking Supervision (BCBS) capital guidelines, commonly referred to as Basel III. Under OSFI's guideline, minimum Common Equity Tier 1, Total Tier 1 and Total capital ratios were set at 4.0%, 5.5% and 8.0% respectively for 2014. These ratios include phase-in of certain regulatory adjustments through 2019 and phase-out of non-qualifying capital instruments through 2022, (the "transitional" basis). Starting in 2014, the guideline also provides for annual increases in minimum capital ratio requirements, which will reach 7.0%, 8.5% and 10.5% in 2019, including the effect of capital conservation buffers.

Furthermore, 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 level (the "all-in" basis), including a minimum 7.0% Common Equity Tier 1 ratio target. The "all-in" basis includes all of the regulatory adjustments that will be required by 2019 but retains the phase-out rules for non-qualifying capital instruments.

OSFI also requires that Canadian deposit-taking financial institutions maintain an Asset-to-Capital Multiple.

The Bank has complied with current regulatory capital requirements throughout the three-month period ended January 31, 2014. Regulatory capital is detailed below.

7. Share Capital [Cont'd]

	AS AT JANUARY 31, 2014		AS AT OCTOBER 31, 2013 ^[1]	
	ALL-IN BASIS	TRANSITIONAL BASIS	ALL-IN BASIS	TRANSITIONAL BASIS
Common shares	\$ 451,415	\$ 451,415	\$ 446,496	\$ 446,496
Share-based payment reserve	91	91	91	91
Retained earnings	800,362	800,362	829,678	829,678
Accumulated other comprehensive income, excluding cash flow hedge reserve	9,233	9,233	9,535	9,535
Deductions from Common Equity Tier 1 capital ^[2]	(247,068)	(49,414)	(268,141)	n.a.
Common Equity Tier 1 capital	1,014,033	1,211,687	1,017,659	1,285,800
Non-cumulative preferred shares ^[3]	205,204	205,204	205,204	205,204
Deductions from Tier 1 capital	n.a.	(51,262)	n.a.	(64,077)
Additional Tier 1 capital	205,204	153,942	205,204	141,127
Tier 1 capital	1,219,237	1,365,629	1,222,863	1,426,927
Subordinated debt ^[4]	355,048	355,048	399,429	399,429
Collective allowances	94,991	94,991	88,853	88,853
Deductions from Tier 2 capital	(3,606)	(721)	(16,978)	n.a.
Tier 2 capital	446,433	449,318	471,304	488,282
Total capital	\$ 1,665,670	\$ 1,814,947	\$ 1,694,167	\$ 1,915,209

[1] Regulatory capital for 2013 is presented as filed with OSFI and has not been adjusted to include the impact of the adoption of the amendments to IFRS.

[2] Mainly comprised of deductions for software and other intangible assets, goodwill and pension plan assets.

[3] There is currently no deduction related to the 10% phase-out per year of non-qualifying capital instruments under Basel III as the phase-out is calculated on the outstanding balance as at January 1, 2013, which included the Series 9 preferred shares redeemed by the Bank in the second quarter of 2013.

[4] Net of an amount of \$90.9 million (\$46.0 million for 2013) due to the 10% phase-out per year of non-qualifying capital instruments under Basel III.

8. Share-Based Payments

Share purchase option plan

During the first quarter of 2014, no new share options were granted and no share options were exercised. Information relating to outstanding number of options is as follows.

	AS AT JANUARY 31 2014	AS AT OCTOBER 31 2013	AS AT JANUARY 31 2013
	NUMBER	NUMBER	NUMBER
Share purchase options outstanding and exercisable at end of period	20,000	20,000	30,000

Restricted share unit plans

During the first quarter of 2014, under the restricted share unit plan, annual bonuses for certain employees amounting to \$2.5 million were converted into 52,752 entirely vested restricted share units. Simultaneously, the Bank also granted 31,980 additional restricted share units valued at \$47.08 each that will vest in December 2016.

During the first quarter of 2014, under the restricted share unit plan for employees of the Capital Markets sector, annual bonuses for certain employees amounting to \$1.4 million were converted into 29,744 entirely vested restricted share units. This plan does not provide for any employer contribution and a third of these restricted share units are redeemed in December at each of the first three anniversary dates of the grant.

Performance-based share unit plan

During the first quarter of 2014, under the performance-based share unit plan, the Bank granted 173,197 performance-based share units valued at \$47.08 each. The rights to these units will vest in December 2016 and upon meeting certain financial objectives.

Share-based payment plan expense and related liability

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

	FOR THE THREE MONTHS ENDED		
	JANUARY 31 2014	OCTOBER 31 2013	JANUARY 31 2013
Expense arising from cash-settled share-based payment plans	\$ 3,777	\$ 2,529	\$ 3,594
Effect of hedges	248	(1,394)	9
	\$ 4,025	\$ 1,135	\$ 3,603

The carrying amount of the liability relating to the cash-settled plans at January 31, 2014 was \$31.2 million (\$29.1 million at October 31, 2013 and \$24.1 million at January 31, 2013).

9. Post-Employment Benefits

Amendments to IAS 19, Employee Benefits, have been applied retrospectively by the Bank as of November 1, 2012. Refer to Note 2 for further information.

	FOR THE THREE MONTHS ENDED		
	JANUARY 31 2014	OCTOBER 31 2013	JANUARY 31 2013
Defined benefit pension plan expense	\$ 4,263	\$ 4,433	\$ 4,859
Defined contribution pension plan expense	1,653	1,749	1,714
Other plan expense	351	283	336
	\$ 6,267	\$ 6,465	\$ 6,909

10. Financial Instruments – Fair Value

Determining fair value

Fair value is defined as the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable willing parties. Fair value is best evidenced by an independent quoted market price when available. Otherwise, fair value is based on internally developed valuation techniques. Fair value measurements are categorized into levels within a fair value hierarchy based on the nature of valuation inputs (Level 1, 2 or 3). Additional information on the fair value hierarchy and the valuation methodologies used by the Bank to measure the fair value of financial instruments can be found in Notes 23 of the 2013 audited annual consolidated financial statements.

Summary

The table below presents financial instruments with a fair value significantly different from the carrying value.

	AS AT JANUARY 31, 2014	
	CARRYING AMOUNT	FAIR VALUE
Loans	\$ 27,896	\$ 28,048
Deposits	\$ 23,804	\$ 23,922
Debt related to securitization activities	\$ 4,865	\$ 4,929

The carrying value of other financial instruments is equal to or approximates fair value. In addition, financial instruments recorded at fair value in the financial statements are classified in Level 2 of the fair value hierarchy, except for securities of \$442.2 million which are classified in Level 1. Financial instruments classified in Level 3 are not significant. There were no significant transfers between Level 1 and Level 2 of the hierarchy, or changes in fair value measurement methods in the period.

11. Segmented Information

The Bank determines its reportable segments based on the different services it provides to individuals, businesses, financial intermediaries and institutional clients. The three business segments of the Bank are: Personal & Commercial, B2B Bank, and Laurentian Bank Securities & Capital Markets. The Bank's other activities are grouped into the Other sector.

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 will better reflect the interdependencies associated with these activities. The B2B Bank and Laurentian Bank Securities & Capital Markets segments are not affected by this realignment. Comparative figures were reclassified to conform to the current presentation. Furthermore, certain restructurings implemented in the fourth quarter of 2013 resulted in minor adjustments to segment allocations.

The Personal & Commercial segment caters to the financial needs of business clients across Canada and retail clients in Québec. The Bank serves retail clients through a network of branches, ATM and virtual offerings, providing a full range of savings, investment and financing products. Electronic and mobile services, as well as transactional, card and insurance products complete the offering. Small businesses and larger companies, along with real estate developers are provided with a suite of financing options, including leasing solutions as well as, services such as deposits, cash management and foreign exchange complete the offering.

The B2B Bank segment supplies banking and financial products to independent financial advisors and non-bank financial institutions across Canada.

Laurentian Bank Securities & Capital Markets segment consists of the Laurentian Bank Securities Inc. subsidiary, a full-service broker, and the Bank's capital market activities.

The "Other" sector encompasses the Bank's corporate functions, including Corporate Treasury.

Results for the Bank's segments are based on internal financial reporting systems and are consistent with the accounting principles followed in the preparation of the Bank's consolidated financial statements.

All transactions between business segments are eliminated in the Other segment. Transfer pricing regarding the funding of segments' assets and liabilities is based on funding costs which best reflect the nature and maturities of these items. Income and expenses directly associated with each segment are included in determining business segment performance. Corporate expenses are generally allocated pro-rata to each business segment.

FOR THE THREE MONTHS ENDED JANUARY 31, 2014

	PERSONAL & COMMERCIAL	B2B BANK	LAURENTIAN BANK SECURITIES & CAPITAL MARKETS	OTHER	TOTAL
Net interest income	\$ 98,054	\$ 46,197	\$ 683	\$ (4,078)	\$ 140,856
Other income	48,630	9,102	15,482	2,039	75,253
Total revenue (loss)	146,684	55,299	16,165	(2,039)	216,109
Amortization of net premium on purchased financial instruments	—	1,136	—	—	1,136
Provision for loan losses	10,254	246	—	—	10,500
Non-interest expenses	99,809	31,576	13,087	10,712	155,184
Costs related to business combinations ^[1]	—	3,949	—	—	3,949
Income (loss) before income taxes	36,621	18,392	3,078	(12,751)	45,340
Income taxes (recovered)	8,343	4,959	826	(4,313)	9,815
Net income (loss)	\$ 28,278	\$ 13,433	\$ 2,252	\$ (8,438)	\$ 35,525
Average assets ^[2]	\$ 18,039,239	\$ 8,988,071	\$ 2,912,036	\$ 3,708,698	\$ 33,648,044

[1] Costs related to the integration of the MRS Companies and AGF Trust Company (AGF Trust).

[2] Assets are disclosed on an average basis as this measure is most relevant to financial institutions.

FOR THE THREE MONTHS ENDED OCTOBER 31, 2013

	PERSONAL & COMMERCIAL	B2B BANK	LAURENTIAN BANK SECURITIES & CAPITAL MARKETS	OTHER	TOTAL
Net interest income	\$ 97,318	\$ 46,072	\$ 1,658	\$ (3,611)	\$ 141,437
Other income	49,131	9,406	16,083	(526)	74,094
Total revenue (loss)	146,449	55,478	17,741	(4,137)	215,531
Amortization of net premium on purchased financial instruments	—	1,006	—	—	1,006
Provision for loan losses	4,517	5,483	—	—	10,000
Non-interest expenses ^[1]	110,131	32,869	13,919	5,781	162,700
Costs related to business combinations ^[2]	—	9,951	—	—	9,951
Income (loss) before income taxes	31,801	6,169	3,822	(9,918)	31,874
Income taxes (recovered)	7,392	1,760	913	(4,057)	6,008
Net income (loss)	\$ 24,409	\$ 4,409	\$ 2,909	\$ (5,861)	\$ 25,866
Average assets ^[3]	\$ 17,819,473	\$ 9,179,475	\$ 3,021,756	\$ 3,725,365	\$ 33,746,069

FOR THE THREE MONTHS ENDED JANUARY 31, 2013

	PERSONAL & COMMERCIAL	B2B BANK	LAURENTIAN BANK SECURITIES & CAPITAL MARKETS	OTHER	TOTAL
Net interest income	\$ 98,101	\$ 49,412	\$ 681	\$ (5,850)	\$ 142,344
Other income	43,529	9,056	16,402	2,583	71,570
Total revenue (loss)	141,630	58,468	17,083	(3,267)	213,914
Amortization of net premium on purchased financial instruments	—	1,056	—	—	1,056
Provision for loan losses	4,602	3,398	—	—	8,000
Non-interest expenses ^[1]	102,880	33,985	13,474	5,197	155,536
Costs related to business combinations ^[2]	—	7,557	—	—	7,557
Income (loss) before income taxes	34,148	12,472	3,609	(8,464)	41,765
Income taxes (recovered)	7,612	3,281	928	(2,844)	8,977
Net income (loss)	\$ 26,536	\$ 9,191	\$ 2,681	\$ (5,620)	\$ 32,788
Average assets ^[3]	\$ 17,381,495	\$ 9,433,684	\$ 2,922,296	\$ 4,897,220	\$ 34,634,695

[1] 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 per quarter in 2013, which were previously reported in the Other sector, were reclassified to the B2B Bank business segment. This change generated a \$0.7 million decrease in B2B Bank's net income and a \$0.7 million increase in the Other sector's net income per quarter in 2013.

[2] Costs related to the integration of the MRS Companies and AGF Trust.

[3] Assets are disclosed on an average basis as this measure is most relevant to financial institutions.

12. Business Combinations

Contingent consideration

On August 1, 2012, the Bank acquired 100% of the outstanding shares of AGF Trust Company (AGF Trust). The agreement includes a contingent consideration of a maximum of \$20.0 million over five years if credit quality reaches certain criteria. The contingent consideration is recognized in other liabilities and remained unchanged at \$5.9 million as at January 31, 2014 compared with October 31, 2013.

Gain on acquisition and amortization of net premium on purchased financial instruments

In the fourth quarter of 2012, the allocation of the purchase price of AGF Trust resulted in a gain of \$24.3 million (\$16.4 million net of income taxes) arising on acquisition as the estimated fair values of the net assets acquired exceeded the purchase price. The gain mainly represented the favourable effect of the discount or premium to reflect the then current market rates on purchased financial instruments, partly offset by the initial estimated fair value of the contingent consideration. The portion of the gain resulting from the revaluation of the purchased financial instruments is being amortized in net income over the estimated remaining term of the purchased financial instruments and amounted to \$1.1 million for the three-month period ended January 31, 2014, essentially unchanged from the three-month period ended January 31, 2013.

Costs related to business combinations

During the quarter, the Bank incurred costs related to salary, information technology, employee relocation and other costs to integrate the operations of MRS Companies and AGF Trust within the Bank. These costs were recognized directly in net income, under Costs related to business combinations.

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Shareholder Information

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Change of address and inquiries

Shareholders should notify the Transfer Agent of any change of address. Inquiries or requests may be directed to the Corporate Secretary's Office at Head Office or by calling 514 284-4500 ext. 7545.

Investors and analysts

Investors and analysts may contact the Investor Relations Department at Head Office by calling 514 284-4500 ext. 4926.

Media

Journalists may contact the Public Affairs and Communications Department at Head Office by calling 514 284-4500 ext. 3901.

Direct deposit service

Shareholders of the Bank may, by advising the Transfer Agent in writing, have their dividends deposited directly into an account held at any financial institution member of the Canadian Payments Association.

Dividend reinvestment and share purchase plan

The Bank has a dividend reinvestment and share purchase plan for Canadian holders of its common and preferred shares under which they can acquire common shares of the Bank without paying commissions or administration fees. Participants acquire shares through the reinvestment of cash dividends paid on the shares they hold or through optional cash payments of a minimum amount of \$500 per payment, up to an aggregate amount of \$20,000 in each 12 month period ending October 31.

For more information, shareholders may contact the Bank's registrar and transfer agent, Computershare Trust Company of Canada, at 1-800-564-6253. To participate in the plan, the Bank's non-registered common and preferred shareholders must contact their financial institution or broker.

Stock symbol and dividend record and payment dates

The common and preferred shares indicated below are listed on the Toronto Stock Exchange.

	CUSIP CODE / STOCK SYMBOL	RECORD DATE*	DIVIDEND PAYMENT DATE*
Common shares	51925D 10 6 LB	First business day of: January April July October	February 1 May 1 August 1 November 1
Preferred shares			
Series 10	51925D 86 6 LB.PR.E	**	March 15
Series 11	51925D 84 1 LB.PR.F	**	June 15
		**	September 15
			December 15

* Subject to the approval of the Board of Directors.

** On such day (which shall not be more than 30 days preceding the date fixed for payment of such dividend) as may be determined from time to time by the Board of Directors of the Bank.

