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Louis Marquis
Senior Vice-President, Credit, Laurentian Bank

PRESENTATION

Operator

Good afternoon, ladies and gentlemen. Welcome to the Laurentian Bank Conference Call.

I would now like to turn the meeting over to Ms. Gladys Caron. Please go ahead.

Gladys Caron, Vice-President, Public Affairs, Communications and Investor Relations

Merci. Bienvenue. Good afternoon, everyone. The press releases for our Third Quarter 2013 Results were issued today on Canada News Wire and are posted on our website. This afternoon, the review will be provided by our President and CEO, Réjean Robitaille, as well by our CFO, Michel Lauzon. Other members of our senior management team are also present on this call to answer any questions. You will find their names and titles on Slide 21 of the presentation available on our website. Réjean Robitaille and Michel Lauzon will refer to that presentation throughout their speeches.

During this conference call, forward-looking statements may be made and it is possible that actual results may differ materially from those projected in such statements. For the complete cautionary note regarding forward-looking statements, please refer to our press release or to Slide 2 of the presentation.

I will now turn the floor over to Réjean Robitaille.

Réjean Robitaille, President and Chief Executive Officer, Laurentian Bank

Thank you, Gladys, and good afternoon, ladies and gentlemen. The third quarter of 2013 was another good quarter for Laurentian Bank. Net income reached $28.3 million or $39.8 million on an adjusted basis. On that basis, this is 13 percent higher than a year earlier. We are particularly pleased that growth in net interest income and fee-based income were strong as we leveraged our acquisitions.

Balance sheet growth continued over the past 12 months with loans and deposits increasing by 16 and 10 percent, respectively, mostly owing to our latest acquisitions. The sound quality of our loan portfolios also contributed to our solid performance.

The strategies that we have been deploying to expand our revenue base continue to pay off. In fact, all categories of other income were firing on all cylinders and reported good growth, highlighting the broad diversification of our operations. This resulted in other income in the third quarter increasing by 19 percent.

Furthermore, despite the persistence of low interest rates and slower consumer loan demand, the higher margin business in the acquired AGF Trust portfolio contributed to net interest margins remaining stable. With respect to our recent acquisitions, there was a ramp up during the quarter, the efforts to integrate AGF Trust into B2B Bank in preparation for the legal merger of these two entities which will be effective this Sunday.

Going forward, all former AGF Trust products and services will be branded under B2B Bank. Therefore, the two companies can now accelerate the process of integrating their activities, harmonizing products and services and transitioning client accounts. We are still on track to complete the integration by the third quarter of 2014.

Having completed nine months of 2013, we continue to believe we are also on track to meet our financial objectives for 2013, as shown on Slide 4.

Going forward, we expect that margins should remain under pressure due to the low rate environment and economic uncertainty. In this context, we will continue our prudent approach to expense and risk management as well as our focus on fee-based income and higher margin products.

I will now call upon Michel to review third quarter 2013 financial results. Michel?

Michel Lauzon, Executive Vice-President and Chief Financial Officer, Laurentian Bank

Thank you, Réjean. I'll begin on Slide 5, which presents the third quarter of 2013 results compared with the third quarter of 2012.

Total revenue reached $221 million or 14 percent higher than a year ago driven by increase of 11 percent in net interest income and 19 percent in other income.

Our latest acquisition, AGF Trust, added $19 million to revenues for the third quarter of 2013, of which $18.5 million was reported in the B2B Bank segment and $0.5 million was reported in the other segment. The provision for loan losses was $9 million in the third quarter of 2013, $1.5 million higher than the third quarter of 2012. Adjusted non-interest expenses, excluding T&I costs, totaled $160.3 million, $18.5 million higher than a year earlier. This increase includes $7.2 million of new costs related to AGF Trust.

In the third quarter of 2013, adjusted diluted EPS and adjusted ROE reached $1.31 and 11.8 percent, respectively, compared with $1.27 and 12.1 percent in the third quarter of 2012.

I'll now discuss the main factors behind the Bank's performance during the third quarter of 2013.

Net interest income of $144.5 million in the third quarter of 2013 increased by $14.8 million from a year earlier. NIM in the third quarter of 2013 was 1.68 percent, 2 basis points higher than the 1.66 percent reported a year ago. A summary of these items that account for this change are detailed on Slide 6.

NIM was stable on a sequential basis with the most recent quarter benefiting from seasonally higher loan prepayment penalties and lower liquidity levels. We would expect seasonally lower prepayment fees in the fourth quarter of 2013 and the impact of very low interest rates to linger.

Second, the strategies we have been deploying to expand our revenue base continue to pay off as other income of $76.5 million rose 19 percent from the third quarter of 2012, as shown on Slide 7. The increase was broad-based, reflecting improvements in most revenue streams; specifically fees and commissions on loans and deposits grew 9 percent year-over-year due to higher fees and activity levels. Improved capital markets positively impacted income from brokerage (phon) operations and income from treasury and financial market operations with security gains doubling to $937,000 compared to a year earlier. Card service revenues and credit insurance income grew about 18 percent and 30 percent, respectively. Income from the sale of mutual funds increased by 31 percent. Contributing to this strong growth rate are initiatives to grow our wealth management activities which have resulted in net sales in mutual funds in the first nine months of 2013 increasing by 69 percent when compared to last year. In the third quarter of 2013 alone, our loan sales more than doubled.

Third, as highlighted on Slide 8, provision for loan losses amounted to $9 million in the third quarter equal to the second quarter and $1.5 million higher than a year earlier. Despite this modest increase, provisions remain at a very low level reflecting the continued good credit quality of the portfolio. AGF Trust accounted for $0.9 million loss provisions in the third quarter of 2013. A detailed breakdown shows a net credit of $3.1 million of pre-commercial mortgage loans which includes a $3.5 million favourable settlement on one commercial exposure. As well, the provision for residential mortgages rose to $4.6 million from $0.9 million in the second quarter of 2013 and prudently (phon) adjusted the collective provisions by $2.5 million for medium-sized residential real estate properties and projects as well as provision for certain residential mortgage portfolios in Alberta in the aftermath of the floods.

Slide 9 highlights that the declining trend in gross impaired loans continued in the third quarter with gross impaired loans of $98 million. This is 17 percent lower than at the end of the second quarter of 2013 and 37 percent lower than a year ago. For the third quarter of 2013, provision for loan losses as a percentage of average loans and acceptance stood at 0.13 percent. This remained a very low loss level despite management's prudent approach to managing the loan provisioning of impaired loans. However, we continue to expect the provisions should gradually revert to more normal levels during the course of 2014. Our low and relatively stable credit risk profile as demonstrated by this loss ratio should continue to compare favourably to the banking industry.

Turning to Slide 10, the adjusted efficiency ratio, excluding transaction and integration costs for the third quarter of 2013, improved to 72.5 percent compared to

73.2 percent in the third quarter of 2012. In addition, operating leverage was funded at 1 percent year-over-year on the same basis.

Slide 11 highlights that T&I costs in the third quarter of 2013 totaled $14.6 million compared with $6.1 million in the prior period. These included provision related to B2B Bank's project to relocate all of its employees in the same new premises at the beginning of 2014. This will facilitate the integration process and help the realization of synergies.

As well, T&I costs incurred included IT systems conversion costs, salary, professional fees and other expenses for the integration of the two acquisitions. With the MRS account conversion now completed, B2B Bank continues to prioritize the AGF Trust integration so that we may gradually realize the expected synergies. We are on track to complete most of the planned systems conversion and client integration by the end of this calendar year with the final synergies involving data clean up and process streamlining to be achieved by the third quarter of 2014.

With the upcoming legal merger and AGF Trust Accountant system conversions, this will be the last quarter that we will be able to provide separate figures for AGF Trust as these operations will become fully integrated going forward.

Turning to Slide 12. Operating expenses related to AGF Trust totaled $7.2 million in the third quarter and $24 million year-to-date. Non-interest expenses, excluding the impact of AGF Trust and T&I costs, increased by 8 percent year-over-year. Included in non-interest expenses for the third quarter of 2013 was a $1.6 million impairment charge related to discontinued IT projects, a $0.7 million one-time charge related to branch network optimization and a $1 million adjustment to provisional sales tax.

Furthermore, there was an upward adjustment of $1 million to cumulative performance-based compensation that was charged in the third quarter. Non-interest expenses in the first nine months of 2013, excluding the impact of AGF Trust and T&I costs, increased by a more modest 4 percent compared to the same period a year earlier were also impacted by the one-time items that I just mentioned, reflecting our continued focus on expense management.

Slide 13 highlights the continued growth in the balance sheet over the past 12 months, both organic and as a result of our acquisitions. Loans and BAs totaling $27.2 billion rose by $3.8 billion of which residential mortgages increased by $2.1 billion. The increase in personal loans of $1.3 billion was impacted by the expected attrition in the investment loan portfolio and to a lesser extent the continuous strategic exit from point of sales financing.

Commercial loans and mortgages grew by $0.3 billion. However, excluding the sale of a $95 million commercial mortgage portfolio in the second quarter of 2013, growth would have been 8 percent. Deposits totaled $23.9 billion, $2.2 billion higher than a year ago with personal deposits still representing over 80 percent of overall deposits. On a sequential basis, loans and BAs rose by $0.2 billion with growth subdued due to the expected attrition in the acquired investment loan portfolios and lower retail loans due to lower demand and improving pricing policies. Commercial loans increased by 6 percent quarter-over-quarter as the Bank capitalized on higher demand from its business clients.

Commercial mortgages remained relatively unchanged. Deposits were stable from second quarter levels in keeping with the more modest growth in the loan portfolios. As at July 31st, 2013, the Tier 1 common equity ratio was 7.5 percent compared to 7.6 as at April 30th, 2013 and as shown on Slide 14. The modest decrease was driven by decline in unrealized gains on available for sale fixed income securities owing to the recent rise of long-term yields, higher integration costs and higher deductions related to software, coupled with a slight increase in total risk weighted assets under the standardized methodology.

As well, just over 82,000 new shares were issued during the quarter under the dividend reinvestment and share purchase plan. We feel the Bank remains comfortably capitalized.

I will now turn to performance of our four business segments.

Slide 15 show that Retail and SME-Québec contributed $11 million to net income, $2.5 million lower than a year earlier. Total revenue increased by $3.9 million from the third quarter of 2012. Our initiatives to improve other income resulted in higher other income from all revenue streams which contributed to strong growth in other income of 18 percent. However, this was not sufficient to offset the impact of the persistently low interest rate environment which is negatively impacting the repricing of maturing loans and deposits.

Consequently, net interest income declined by 3 percent despite loan volumes increasing by 4 percent year-over-year. Loan losses were up $1.8 million to $8.3 million. Non-interest expenses increased 6 percent or by $5.9

million year-over-year. This included regular salary increases and higher pension costs which accounted for about half of the increase, as well as (phon) higher indirect taxes of $1.3 million and non-recurring items totaling $1.6 million.

Slide 16 highlights the Real Estate Commercial segment's contribution to net income of $17 million in the third quarter of 2013, 6 percent higher than in the third quarter of 2012. Slight margin compression results in net interest income declining by $0.4 million. Increased underwriting activity in the commercial loan portfolio contributed to a 7 percent increase in other income. The net credit of $1.9 million loan losses reflects a $3.5 million favourable settlement on a single commercial mortgage loan exposure as well as the continued excellent quality of the commercial loan portfolio.

Non-interest expenses increased by $1.2 million year-over-year due to regular salary increases, higher performance-based compensation and a higher allocated cost.

As shown on Slide 17, B2B Bank's contribution to adjusted net income was $17.5 million, excluding T&I costs in the third quarter of 2013, a 40 percent improvement from the third quarter of 2012.

AGF Trust contributed additional net income of $7.6 million to the B2B Bank business segment.

Net interest income increased by 50 percent to $48.2 million owing to higher acquisition related to loan and deposit volumes and margins. This compensated for some margin compression largely stemming from a lower level of B2B Bank's higher margin investment loans.

Other income rose by 11 percent in the third quarter of 2013 due to higher B2B Bank dealer services-sourced fees on investment accounts. Loan loss provisions of $2.5 million in the third quarter included $0.9 million of provisions related to AGF Trust portfolios and an adjustment to collected provisions on certain residential mortgage loan portfolios reflecting the recent flood damage in Alberta.

Non-interest expenses increased by $8.2 million, of which $7.1 million is related to AGF Trust. Increased salary and performance-based compensation, as well as higher allocated costs were partially offset by realized cost synergies from both acquisitions.

As shown on Slide 18, Laurentian Bank Securities and Capital Markets' contribution to net income was $2.3 million in the third quarter of 2013, 94 percent higher than in the third quarter of 2012. The 21 percent increase in revenues benefited from improved market conditions for trading and retail brokerage activities as well as LBF taking advantage of growth opportunities in fixed income markets.

Non-interest expenses increased by $1.4 million, reflecting high performance-based compensation, commissions and transaction fees.

The other sector presented on Slide 19, posted a negative contribution to net income of $8 million in the third quarter of 2013 compared with a negative contribution of $7.9 million in the third quarter of 2012.

Net interest income improved by $1.6 million largely due to lower levels of lower yielding liquid assets while other income increased by $1.6 million mainly as a result of strong results from treasury activities including higher security gains.

This concludes my comments. Now Réjean will offer some closing remarks.

Réjean Robitaille, President and Chief Executive Officer, Laurentian Bank

Thank you Michel. We are pleased with the ongoing development in each of our business segments. In Retail banking these are products offering was recently launched to two different associations. The first, FADOQ, is the largest association of people aged 50 and over in Québec with members totaling 275,000 members.

The second is the Réseau des ingénieurs du Québec, a 60,000 member association of Québec engineers. While it is still early days, this credit card initiative targeted at these high potential customer groups is off to a promising start. For commercial clients our strategy of specialization is paying off. Combining commercial loans and SME loans resulted in 6 percent sequential growth and 13 percent year-over-year growth in the overall commercial loan portfolio. This high quality and higher margin business will contribute to profitability going forward.

B2B Bank continues to focus on completing the integration of its two acquisitions working hard towards achieving cost synergies. With the upcoming merger the B2B Bank brands will offer a complete suite of products to satisfy the needs of any financial advisor or broker, and, in turn, allow them to serve their clientele with a best-in-class offering, therefore becoming a one-stop financial shop.

Laurentian Bank Securities is also continuing to selectively build new capabilities. The syndication grew during the quarter, broadened its product offering by adding a team with structure note (phon) expertise. In addition to helping its partner bring product to market in a timely manner, this team is working with investment advisors to customize products to fit the needs of their high net worth customers.

To conclude, we had another good quarter. Moreover, we are pleased that our balance sheet is very sound and our capital base is solid. We will continue to work diligently to increase the value in each of our business segments with an unwavering focus on profitable growth.

I will now turn the floor back to Gladys.

Gladys Caron, Vice-President, Public Affairs, Communications and Investor Relations

Thank you, Réjean. At this point, I would like to turn the call over to the conference Operator for the question-and-answer session. Please feel free to ask your questions in English or in French.

QUESTION AND ANSWER SESSION

Operator

Thank you. Please press star, one at this time if you have a question. You may at all times cancel your question by pressing the pound sign.

Our first question is from Gabriel Dechaine from Credit Suisse. Please go ahead.

Réjean Robitaille, President and Chief Executive Officer, Laurentian Bank

Hello, Gabriel. Hello? Can we go to the second question please, Operator?

Operator

I am very sorry. Due to technical difficulties, we will have to take one moment before the next question. I am very sorry for the inconvenience. Once again, I apologize. We will resume momentarily.

I am very sorry, but due to technical difficulties we will not be able to conduct a question-and-answer session.

Réjean Robitaille, President and Chief Executive Officer, Laurentian Bank

Well, all the people are still online? They can hear us?

Operator

Yes, everyone can still hear you.

Réjean Robitaille, President and Chief Executive Officer, Laurentian Bank

Okay, listen we're really sorry about that. What we're going to do, well, maybe we could just look at the balance sheet and the financial statements and give you also some other colours of each of those products and after that, well, we will be very happy to answer your questions directly to the phone to Michel or myself. So what we could do here is give you some—also even if in the conference call you have seen that we give some colours on expenses. So, what we will do, we'll give you some colours on net interest margin first on credit quality, we'll give you also some colours on expenses because some of you have mentioned that they were unusually high and Michel mentioned that also before.

Gladys Caron, Vice-President, Public Affairs, Communications and Investor Relations

Just got a message from André to the parties suggesting to have people email you a question.

Réjean Robitaille, President and Chief Executive Officer, Laurentian Bank

Okay. So, André Philippe, that's a good suggestion. Could receive email of that. But very rapidly, so I might ask Louis on the credit side, credit quality as we have seen is very good, very strong going forward. What do you see, Louis?

Louis Marquis, Senior Vice-President, Credit, Laurentian Bank

The credit remains favourable. We're expecting the next two quarters to be—to remain positive. Potentially it will trend more towards more slightly higher loan losses but I don't foresee that happening before the latter part of 2014. You've seen that we've made some adjustments to the collective, that's really some smaller parts of some portfolios that we felt—be included—readjusted provisions for those (phon).

Réjean Robitaille, President and Chief Executive Officer, Laurentian Bank

Thank you. Michel, on the NIM side, NIM was at 168, same level than the previous quarter. Sequentially what do you see going forward on the NIM side?

Michel Lauzon, Executive Vice-President and Chief Financial Officer, Laurentian Bank

You know, the 168 as I mentioned in my remarks was helped with—by seasonally high mortgage prepayments. We expect in Q4 and Q1 normally these are a bit lower, and NIM should drop maybe 3 or 4 basis points and we would expect NIM to stabilize at this level with the higher long end of their yield curve helping to offset some of the margin pressure we've been seeing for the last several quarters. So with the seasonal pattern of mortgage prepayments moving in and around by a few basis points per quarter, we should see stabilization at a slightly lower level then what we've seen in Q3 which was seasonally elevated.

Réjean Robitaille, President and Chief Executive Officer, Laurentian Bank

Thank you. On the expenses side you were mentioning some one-time item, could you elaborate a little bit more on this?

Michel Lauzon, Executive Vice-President and Chief Financial Officer, Laurentian Bank

Well, the efficiency ratio even though was on the high side of our range, still within the range that we had set at the beginning of the year but was a bit elevated simply because there were some non-recurring items a bit more than what we normally would have by about three, $3.5 million. I mentioned there was some—the $1.6 million in software write-offs. We did some branch mergers which—where we have some leasehold improvement write-offs and there were some catch up in the first (phon) quarter on tax provisioning and bonus provisioning which meant that we had elevated NIE in the third quarter and some of that should weigh (phon) in the fourth quarter.

Réjean Robitaille, President and Chief Executive Officer, Laurentian Bank

Maybe, François, are you there? Can we (cross talking)…

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

(French spoken)

Réjean Robitaille, President and Chief Executive Officer, Laurentian Bank

Well, on B2B Bank's side we've seen some high integration costs for this quarter and where are you also in terms of potential synergies and are you on track to complete the integration as you said in the last quarter?

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

Sure. Well first of all, for the integration costs in Q3—unusually high. This is due to the fact that we are planning a move to a single location in November, December of this year where all B2B Bank employees will be in the same location regardless of where they came from, MRS, AGF Trust, or B2B. This should help with an alignment in the culture and also help us achieve our synergies. In terms of just generally for how the project is going, still on track I would say very well in terms of the progress. We've now completed the planning stages of account conversion. As you mentioned in your speech we will be merging AGF Trust into B2B Bank on the weekend and that announces the next step, which is account conversions which will take us all the way to the fall and through to the holidays.

In terms of financials, still on track for what we had discussed in the last conference call, which was basically—run rate of AGF Trust was about $24 million. We were looking initially a combination of decrease in revenues, increased loan losses and decreased costs to be able to get four to $6 million more than that and we revised that number up last time we spoke to six to eight.

That is still what we're looking for starting in the second half of 2014. And the last thing maybe I could mention is revenue synergies of course have not started through all of this and we are looking for those activities to start in the latter part of 2014 but for financial impact to start in 2015 and in the following years.

Réjean Robitaille, President and Chief Executive Officer, Laurentian Bank

Thank you, François. Some of you have already sent some e-mail to Susan or Gladys, we've received some mail from Gabriel Dechaine. First question was, can you split the $2.5 million general between the real-estate and the Alberta floods? Louis, would you answer this one?

Louis Marquis, Senior Vice-President, Credit, Laurentian Bank

Oui. The number for the Alberta floods is around $600,000 based on no concrete evidence other than (inaudible) at this point but we sort of think there is going to be small amount there. The amount is around $600,000.

Réjean Robitaille, President and Chief Executive Officer, Laurentian Bank

Another question is, well, with the adjustment that you did during—for the—on the credit side also, why are medium-sized projects included in the mortgage book? It sounds like a commercial loan.

Louis Marquis, Senior Vice-President, Credit, Laurentian Bank

The medium-sized projects are as a multi-res that's part of the retail network but some small construction so with the single resident construction that is—so it's all business that we—at this point because they're more related to the retail book of business than the commercial book of business.

Réjean Robitaille, President and Chief Executive Officer, Laurentian Bank

Once again for Louis. A few quarters ago you gave some indication of the trends you expect from AGF on the credit side. One comment from the PCLs that they would go up but they have declined from a $3 million base to $900 million this quarter. There are credit marks on these assets that is benefitting the trend so when those credit marks fall off? We also might ask François to answer this question. François?

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

On the loan losses they're particularly low—unusually low and we should expect to have loan losses to the level that we had maybe two quarters ago and we have also mentioned that we are in the process of looking at implementing credit processes into the books and that to us will mean higher loan losses through 2014.

Réjean Robitaille, President and Chief Executive Officer, Laurentian Bank

One more question coming from Shubha Khan to François also. Mainly, when you looked at the decline in personal loans. Well, Shubha we think that most of that decline is coming from the AGF Trust portfolios. Is the level of attrition you have seen since the Trust acquisition tracking expectations? First question.

Second question, could you also give us your thoughts on how your props (phon)—on how much more attrition you might be expecting?

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

Sure, great question, thank you for it. For those who are following AGF Trust before we purchased it, all of their portfolios were in decline since 2009. What we said is that our plans was—were to continue those declines as expected and to start curtailing them as time went by. What we are seeing in terms of what we had planned in the personal loan book is pretty much as we had planned.

We have some interesting surprises on the mortgage side. Nothing to write home to mom about but certainly no declines there. And on the deposit side, it's—there's some decline but it's in line with what we need in terms of funding needs for the overall Bank. So we're managing to our plan on that side.

Réjean Robitaille, President and Chief Executive Officer, Laurentian Bank

François, also one more question coming from André-Philippe Hardy. What incremental synergies are expected out of AGF Trust in 2014 and then '15 as the integration is completed—it is completed in 2014?

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

Could you read that back to me, Réjean?

Réjean Robitaille, President and Chief Executive Officer, Laurentian Bank

Okay. What incremental synergies are expected out of AGF Trust in 2014 and '15 as the integration will be completed in 2014?

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

Okay. Thank you, sorry. I think I answered it previously, but basically when we bought the company it was running at about $24 million. So that went right onto the books. There's a combination of cost synergies and decreased revenues, increased loan losses that as combined what we're looking for in the second half of 2014, a six to $8 million yearly lift and that continued into the future as well.

Réjean Robitaille, President and Chief Executive Officer, Laurentian Bank

Okay. Listen guys, we're very sorry for this inconvenience. What we also will do while you—as André Philippe mentioned, you could send us emails of your questions. If you have additional questions, we'll try to give you a broader picture and full colour of what we're seeing going forward and we might also call some of you if you want to continue this.

So based on this, Gladys, do you want to conclude?

Gladys Caron, Vice-President, Public Affairs, Communications and Investor Relations

Sure. So, thank you very much and again we really apologize for this. If you have any further questions, as Réjean said, you may call either myself or Susan and Misha will be (inaudible) available for answering any of your questions. All right, thank you.

Operator

Thank you. That does conclude the conference call. Please disconnect your lines at this time and we thank you for your participation.

3rd Quarter 2013 - Laurentian Bank Conference Call Supplementary Questions and Answers

Questions from Michael Goldberg – Desjardins Securities

- **What items do you consider as one-time expenses for the third quarter.**
  - $1.6 million impairment charge related to discontinued IT
  - $0.7 million one-time charge to the branch network optimization
  - $1.0 million for adjustments to cumulative performance-based compensation

- **For the balance of FY13 and FY14 would your expenses, excluding those one-time items and T&I, be indicative of the run rate?**
  - Yes for the balance of FY13, depending on year-end provisions.
  - As for 2014, we will provide guidance in Q4, when we will publish our 2014 annual financial objectives.

- **Can Q3 fee revenue be sustained or was it elevated?**
  - We are glad to see our strategies working out, and noting that in this particular quarter all cylinders were firing simultaneously. We will continue to focus on fee-based revenue.

- **Were all the MRS T&I costs in Q3 related to the planned move? How much of the AGF T&I was due to the move?**
  - Roughly a third of the integration costs in the quarter were related to the move

- **Are MRS T&I now complete and what should AGF T&I be quarterly over the next 4 quarters?**
  - Approximately $20M, over the next four quarters
  - Expect to complete integrations in the 3rd quarter 2014.

- **Was there any interest recapture on loan declassifications? It looks like there was also a declassification in commercial loans - please elaborate**
  - There was no interest recapture on the loan that was resolved.
  - The $3.5 million favourable settlement related to a single commercial real estate loan of approximately $12.0 million where the outcome of the sale was more favorable than anticipated.

- **What was ACM at quarter-end**
  - 17.2x

<u>Questions from Sumit Malhotra - Macquarie</u>

- **What's your view on the consumer side in Canada right now?**
  - o We expect soft lending in housing.
  - o Low to mid-single digit growth

- **Can you describe what you consider as being non recurring expenses?**
  - o Please refer to the first question

- **What's your view on the efficiency ratio in 2014?**
  - o We will publish our objectives for 2014 next quarter.
  - o We should be completing the integrations by the 3rd quarter 2014

- **How has NIM been impacted by bond yields?**
  - o No impact.
  - o More sensitivity to a rise in short term rates.
  - o Repricing of portfolio on higher mortgage rates will only impact margins over the medium term, but helping nonetheless.
  - o Seasonally weak Q4 and Q1 NIM, and seasonally stronger NIM in Q2 and Q3 because of prepayment penalties.
  - o Expect NIM to stabilise at around 1.64-ish

- **What about your liquidity situation?**
  - o We are where we expect to be in terms of liquidity, in line with Basel 3.

<u>Questions from Gabriel Dechaine – Crédit Suisse</u>

- **How big is the portfolio of loans against which you took the general provision? The whole thing, not just the portion you felt needed a provision.**
  - o The proportion is very minimal.

<u>Questions from Meny Grauman – CIBC World Markets</u>

- **Can you give us a little more colour on the provincial sales tax adjustment that hit expenses? And why doesn't it go through the tax line?**
  - o Adjustment to the harmonizes sales tax due to recalculation under the special allocation method (SAM)
  - o Indirect taxes goes to the Other expenses line

<u>**Questions from Scott Chan, Canaccord Genuity**</u>

- **Can you provide some color on the large derivative loss realized on the cash flow hedges in the quarter? Does it relate to rising bond yields?**
  - Yes, but offset in the yield on balance sheet items

- **In other income, the deposit service charge fees rose by 9% QoQ, what was the reason behind this? Did the bank set a higher service fee?**
  - Both higher service fees and activity.

- **Is the 21% effective tax rate a good run-rate going forward? The last 3 qtrs, it has come in at 21-22%...**
  - The run rate should be 23-25%, but in quarters with elevated T&I costs, the effective rate will tend to be lower