



SECOND QUARTER 2012

For the period ended April 30, 2012

Laurentian Bank reports net income of \$33.9 million for the second quarter of 2012 and increases dividend by \$0.02 per share

Highlights of the second quarter 2012

- Quarterly common share dividend raised by \$0.02 or 4% to \$0.47 per share
- Net income of \$33.9 million, return on common shareholders' equity of 12.1%, and diluted earnings per share of \$1.22
- Continued strong loan growth, up 9% year-over-year
- Credit quality remains excellent as evidenced by loan losses down to \$7.5 million
- Excluding Transaction and Integration Costs related to the acquisition of the MRS Companies:
 - Net income of \$36.3 million, up 17% year-over-year;
 - Return on common shareholders' equity of 13.0%
 - Diluted earnings per share of \$1.31

Laurentian Bank of Canada reported net income of \$33.9 million, or \$1.22 diluted per share, for the second quarter ended April 30, 2012, compared with \$31.0 million, or \$1.17 diluted per share, for the second quarter of 2011. Return on common shareholders' equity was 12.1% for the second quarter of 2012, compared with 12.7% for the second quarter of 2011. Excluding Transaction and Integration Costs¹ (T&I Costs), net income was up 17% to \$36.3 million or \$1.31 diluted per share for the second quarter of 2012 and return on common shareholders' equity was 13.0%. For the six-month period ended April 30, 2012, net income totaled \$64.8 million or \$2.38 diluted per share, compared with \$67.9 million or \$2.58 diluted per share in 2011. Return on common shareholders' equity was 11.8% for the six-month period ended April 30, 2012, compared with 14.0% for the same period in 2011. Excluding T&I Costs, net income was \$69.2 million or \$2.56 diluted per share for the six-month period ended April 30, 2012 and return on common shareholders' equity was 12.7%.

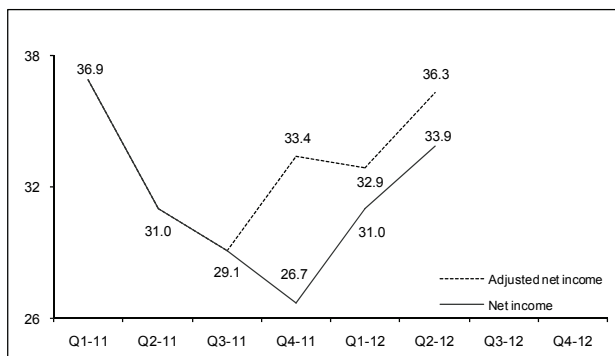
Concurrent with this press release, the Bank issued a separate press release providing details on B2B Trust's proposed acquisition of AGF Trust Company and the simultaneous common share private placement it has secured. Commenting on these transactions, Réjean Robitaille, President and Chief Executive Officer, mentioned: "We are very pleased to be acquiring AGF Trust Company, an established supplier of banking services to the financial advisor community. This significant transaction evidences our continued investment in our growth engines in order to further develop the Bank's competitive advantage and positioning, improve its profitability and create long-term shareholder value. In addition, the \$120 million private placement we secured provides us with the additional financial strength to pursue our strategies."

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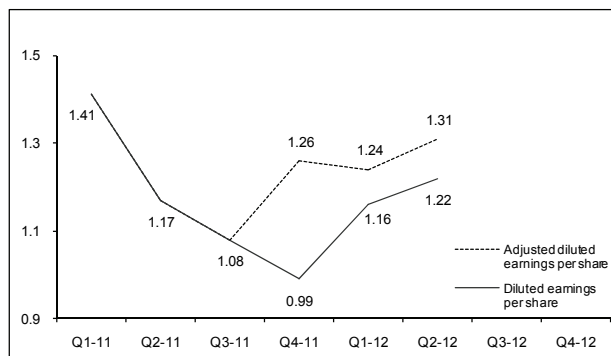
¹ Transaction and Integration Costs (T&I Costs) specifically refer to costs incurred by the Bank to finalize the acquisition of the MRS Companies (which included M.R.S. Inc.; MRS Trust Company; M.R.S. Securities Services Inc.; and M.R.S. Correspondent Corporation) and integrate their operations within the B2B Trust business segment. Refer to the non-GAAP financial measures section.

Highlights

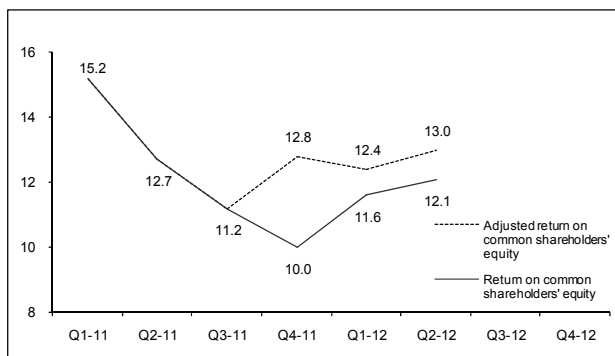
Net income ^[1]
(in millions of dollars)



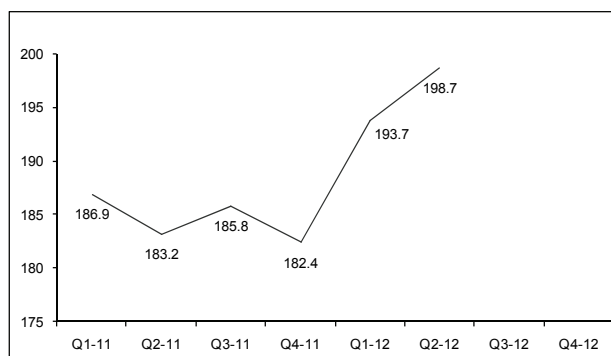
Diluted earnings per share ^[1]
(in dollars)



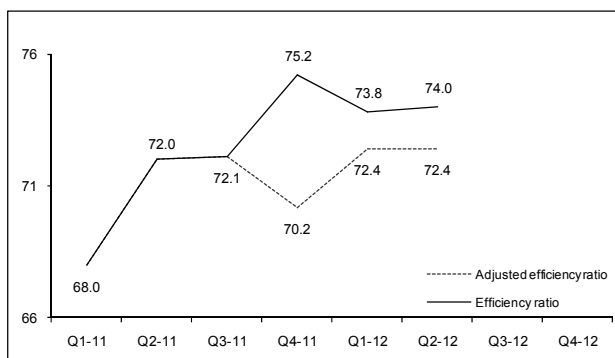
Return on common shareholders' equity ^[1]
(as a percentage)



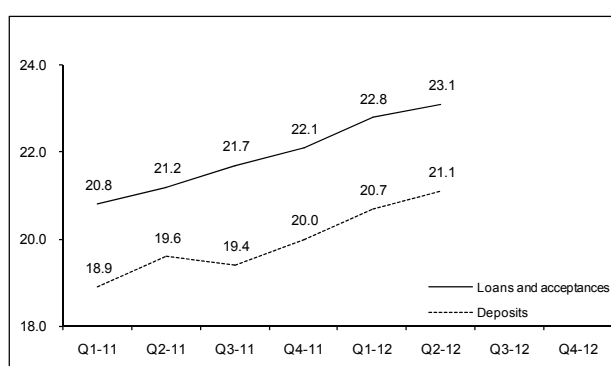
Total revenue
(in millions of dollars)



Efficiency ratio ^[1]
(as a percentage)



Loans and deposits
(in billions of dollars)



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

In thousands of Canadian dollars, except per share and percentage amounts (Unaudited)	FOR THE THREE MONTHS ENDED			FOR THE SIX MONTHS ENDED		
	APRIL 30 2012	APRIL 30 2011	VARIANCE	APRIL 30 2012	APRIL 30 2011	VARIANCE
Profitability						
Total revenue	\$ 198,670	\$ 183,237	8 %	\$ 392,414	\$ 370,092	6 %
Net income	\$ 33,863	\$ 31,016	9 %	\$ 64,825	\$ 67,936	(5) %
Diluted earnings per share	\$ 1.22	\$ 1.17	4 %	\$ 2.38	\$ 2.58	(8) %
Return on common shareholders' equity ^[1]	12.1 %	12.7 %		11.8 %	14.0 %	
Net interest margin ^[1]	1.73 %	1.83 %		1.74 %	1.84 %	
Efficiency ratio ^[1]	74.0 %	72.0 %		73.9 %	70.0 %	
Profitability - Excluding Transaction and Integration Costs ^[2]						
Transaction and Integration Costs	\$ 3,350	\$ -		\$ 6,010	\$ -	
Adjusted net income ^[1]	\$ 36,302	\$ 31,016	17 %	\$ 69,221	\$ 67,936	2 %
Adjusted diluted earnings per share ^[1]	\$ 1.31	\$ 1.17	12 %	\$ 2.56	\$ 2.58	(1) %
Adjusted return on common shareholders' equity ^[1]	13.0 %	12.7 %		12.7 %	14.0 %	
Adjusted efficiency ratio ^[1]	72.4 %	72.0 %		72.4 %	70.0 %	
Per common share						
Share price						
High	\$ 47.65	\$ 55.87		\$ 48.68	\$ 55.87	
Low	\$ 43.90	\$ 48.25		\$ 41.12	\$ 44.14	
Close	\$ 44.03	\$ 50.27	(12) %	\$ 44.03	\$ 50.27	(12) %
Price / earnings ratio (trailing four quarters)				9.9 x	n.a.	
Book value ^[1]				\$ 41.19	\$ 38.17	8 %
Market to book value				107 %	132 %	
Dividends declared	\$ 0.45	\$ 0.39	15 %	\$ 0.90	\$ 0.78	15 %
Dividend yield ^[1]	4.09 %	3.10 %		4.09 %	3.10 %	
Dividend payout ratio ^[1]	37.0 %	33.4 %		37.8 %	30.2 %	
Financial position						
Balance sheet assets				\$ 30,708,474	\$ 27,895,982	10 %
Loans and acceptances				\$ 23,121,470	\$ 21,158,665	9 %
Deposits				\$ 21,060,754	\$ 19,573,777	8 %
Basel II regulatory capital ratio ^[3]						
Tier I				10.4 %	11.1 %	
Other information						
Number of full-time equivalent employees				4,003	3,728	
Number of branches				158	157	
Number of automated banking machines				426	422	

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

[2] Costs related to the acquisition of the MRS Companies.

[3] The ratio for 2011 is presented in accordance with previous Canadian GAAP as filed with OSFI.

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Commenting on the Bank's financial results for the second quarter of 2012, Mr. Robitaille mentioned: "I am pleased with our solid performance for the second quarter considering the ongoing economic concerns and the challenging banking environment. Again this quarter, we maintained momentum and generated organic loan and deposit growth in all our business lines and benefited from excellent credit quality. Furthermore, the integration of the MRS Companies is proceeding according to plan as we remain focused on delivering on the expected synergies and managing expenses very closely."

"I am delighted that we have renewed the collective bargaining agreement with the Bank's unionized employees" added Réjean Robitaille. "This new six-year agreement assures a seamless pursuit of the development of the organization and enables our personnel to continue to enjoy the benefits of competitive working conditions for years to come. In fact, the continued development of our human capital is one of the Bank's three key priorities, and we are firmly committed to the required efforts in that regard." Mr. Robitaille concluded: "As the competitive position of our business lines is contributing to a solid balance sheet and earnings, we are also very pleased to announce an increase in our quarterly common share dividend by a further \$0.02 to \$0.47."

IFRS Conversion

The Bank implemented IFRS as its financial reporting framework on November 1, 2011. Transition to IFRS occurred as at November 1, 2010 and required restatement of the Bank's 2011 comparative information from Canadian GAAP basis to IFRS basis. Additional information on the impact from the transition is also available in the Bank's 2011 Annual Report, in the notes to the unaudited condensed interim consolidated financial statements and in the Supplementary Information reported for the second quarter of 2012.

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.

Financial objectives for 2012 are based on expected results presented on an International Financial Reporting Standards (IFRS) basis. The completion of the IFRS conversion process in October 2012 could lead to changes to these objectives.

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

The Bank cautions readers against placing undue reliance on forward-looking statements when making decisions, as the actual results could differ considerably from the opinions, plans, objectives, expectations, forecasts, estimates and intentions expressed in such forward-looking statements due to various material factors. Among other things, these factors include capital market activity, changes in government monetary, fiscal and economic policies, changes in interest rates, inflation levels and general economic conditions, legislative and regulatory developments, competition, credit ratings, scarcity of human resources and technological environment. The Bank further cautions that the foregoing list of factors is not

exhaustive. For more information on the risks, uncertainties and assumptions that would cause the Bank's actual results to differ from current expectations, please also refer to the Bank's Annual Report under the title "Integrated Risk Management Framework" and other public filings available at www.sedar.com.

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

The 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.

Review of Business Highlights

Laurentian Bank continues to pursue its growth and development, thanks to four well-positioned business segments. At the end of the second quarter of 2012, the Bank reached another milestone, with balance sheet assets exceeding \$30 billion. More importantly, the Bank is growing profitably, with the second quarter of 2012 being the best second quarter in its history.

The Retail and SME-Québec's focused strategy continues to reap benefits. Business development efforts resulted in an additional \$1.0 billion of residential mortgage loans over the past year. The effective team of mobile mortgage bankers, the skilled personnel serving clients in branches and the strong partnerships that have been developed with mortgage brokers and real estate agents contributed to this achievement. Average SME-Québec loans increased by 22% over the past year to reach \$1.1 billion, owing to the group's expertise and targeted client approach.

The Commercial and Real Estate business segment also fueled growth in the commercial loan portfolios. Average balances grew by 13% during the last year, supported by the team's strong reputation and stellar execution.

The B2B Trust segment continues to develop and evolve. During the quarter, solid progress was made with respect to the integration of the MRS Companies. As well, the transformation of B2B Trust to B2B Bank is well underway, with its introduction scheduled for July. This change will neither modify the segment's business model nor strategy, but will help to streamline its processes.

Laurentian Bank Securities, during the quarter, successfully partnered with Investissement Québec, providing financing for a northern Québec resource company. LBS was pleased and privileged to participate in the inaugural investment related to Québec's "Plan Nord". This confirms the growing importance of LBS in the institutional equity market.

Employees of the Bank who are unionized recently voted in favour of an agreement in principle for the renewal of their collective agreement. Effective January 1, 2012, this six-year agreement calls for employees to receive a 2% salary increase for the next 4 years. For the subsequent 2 years, the increase would be 2.5% with the possibility of a further increase of up to 1% based on the Bank's results. This is a win/win agreement and allows the Bank to pursue its development strategy.

The Bank's Management Committee has been further strengthened by the addition of Mr. Gilles Godbout. As Executive Vice President of Operations and Systems and Chief Information Officer, he will assure the dynamic and rigorous management of the Bank's infrastructure and technological investments.

The pursuit of the Bank's business plan is resulting in an institution with greater depth, strength and diversification. Each of our three growth engines generate about one-third of the Bank's profitability. As well, half of its profitability comes from outside of Québec. This is contributing to diversify Laurentian Bank's long-term growth and development.

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 April 30, 2012, and of how it performed during the three-month and six-month periods then ended. This MD&A, dated June 6, 2012, should be read in conjunction with the unaudited condensed interim consolidated financial statements for the second quarter of 2012, prepared in accordance with IAS 34 *Interim financial reporting*, and IFRS 1 *First-time adoption of IFRS*, as issued by the International Accounting Standards Board. The comparative figures as at April 30, 2011 and October 31, 2011 and for the three-month and six-month periods ended April 30, 2011 have been restated to comply with IFRS. For details on the significant adjustments to the interim financial statements, refer to Note 5, "Adoption of IFRS", to the unaudited condensed interim consolidated financial statements. Supplemental information on risk management, critical accounting policies and estimates, and off-balance sheet arrangements is also provided in the Bank's 2011 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

Globally, the economic picture remains dominated by growing concerns in the Euro Zone. In addition to worries about sovereign debt funding in peripheral countries, strong political opposition to fiscal austerity is reviving financial stress. Moreover, credit rating agencies proceeded with a series of credit rating downgrades in the Euro Zone. This situation is the main factor currently supporting the very low yield environment in North America as investors become increasingly risk averse. Furthermore, this massive flight-to-quality movement will likely persist until relevant solutions are found.

In North America, the sources of economic growth are shifting from the public to the private sector. This is becoming clearer now in Canada as well since the federal government and some provinces, Ontario specifically, are reducing spending. Fortunately, private sector full-time employment has been strong and payroll income is gaining traction, bringing some relief to consumers. In fact, inflation in Canada has slowed recently and will most likely oscillate around the 2% target. With inflation under control and a modestly growing economy, the Bank of Canada could start its interest rate normalization process sooner than previously anticipated, particularly considering the need to preserve financial stability. Nonetheless, the Bank still expects the overnight rate to be below 2% by the end of 2013, an accommodating level, thus enabling a moderate expansion of the Canadian economy to continue.

2012 Financial Objectives

The following table presents management's financial objectives for 2012 and the Bank's performance to date. Revenue growth was determined with reference to the restated 2011 IFRS comparative figures. These financial objectives are based on the same assumptions as noted on page 29 of the Bank's 2011 Annual Report under the title "Key assumptions supporting the Bank's objectives" and exclude Transaction and Integration Costs.

2012 FINANCIAL OBJECTIVES ^[1]

(Excluding Transaction and Integration Costs)

	2012 OBJECTIVES	FOR THE SIX MONTHS ENDED APRIL 30, 2012
Revenue growth	> 5 %	6 %
Adjusted efficiency ratio	73 % to 70 %	72.4 %
Adjusted return on common shareholders' equity	11.0 % to 13.5 %	12.7 %
Adjusted diluted earnings per share	\$ 4.80 to \$ 5.40	\$ 2.56

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

Based on the results for the six months ended April 30, 2012 and current forecasts, management expects the Bank to meet its objectives as set out at the beginning of the year. Strong loan growth, the acquisition of the MRS Companies, good cost control and continued improvements in credit quality have contributed to the overall good performance.

Analysis of Consolidated Results

In thousands of Canadian dollars, except per share amounts (Unaudited)	FOR THE THREE MONTHS ENDED			FOR THE SIX MONTHS ENDED	
	APRIL 30 2012	JANUARY 31 2012	APRIL 30 2011	APRIL 30 2012	APRIL 30 2011
Net interest income	\$ 128,324	\$ 130,629	\$ 122,065	\$ 258,953	\$ 248,668
Other income	70,346	63,115	61,172	133,461	121,424
Total revenue	198,670	193,744	183,237	392,414	370,092
Provision for loan losses	7,500	10,000	11,984	17,500	23,441
Non-interest expenses	147,111	143,020	131,986	290,131	259,063
Income before income taxes	44,059	40,724	39,267	84,783	87,588
Income taxes	10,196	9,762	8,251	19,958	19,652
Net income	\$ 33,863	\$ 30,962	\$ 31,016	\$ 64,825	\$ 67,936
Preferred share dividends, including applicable taxes	3,165	3,166	3,109	6,331	6,218
Net income available to common shareholders	\$ 30,698	\$ 27,796	\$ 27,907	\$ 58,494	\$ 61,718
Earnings per share					
Basic	\$ 1.22	\$ 1.16	\$ 1.17	\$ 2.38	\$ 2.58
Diluted	\$ 1.22	\$ 1.16	\$ 1.17	\$ 2.38	\$ 2.58

Impact of Transaction and Integration Costs^[1]

In thousands of Canadian dollars, except per share amounts (Unaudited)	FOR THE THREE MONTHS ENDED			FOR THE SIX MONTHS ENDED	
	APRIL 30 2012 ^[2]	JANUARY 31 2012	APRIL 30 2011	APRIL 30 2012	APRIL 30 2011
Items before income taxes					
Income before income taxes as reported	\$ 44,059	\$ 40,724	\$ 39,267	\$ 84,783	\$ 87,588
Transaction and Integration Costs :					
Integration-related costs	3,350	2,660	-	6,010	-
Adjusted income before income taxes	\$ 47,409	\$ 43,384	\$ 39,267	\$ 90,793	\$ 87,588
Items net of income taxes					
Net income as reported	\$ 33,863	\$ 30,962	\$ 31,016	\$ 64,825	\$ 67,936
Transaction and Integration Costs :					
Integration-related costs	2,439	1,957	-	4,396	-
Adjusted net income	\$ 36,302	\$ 32,919	\$ 31,016	\$ 69,221	\$ 67,936
Diluted, per common share					
Diluted earnings per share as reported	\$ 1.22	\$ 1.16	\$ 1.17	\$ 2.38	\$ 2.58
Transaction and Integration Costs :					
Integration-related costs	0.10	0.08	-	0.18	-
Adjusted diluted earnings per share	\$ 1.31	\$ 1.24	\$ 1.17	\$ 2.56	\$ 2.58

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

[2] The impact of Transaction and Integration Costs on a per share basis does not add due to rounding.

Three months ended April 30, 2012 compared to three months ended April 30, 2011

Net income was \$33.9 million, or \$1.22 diluted per share, for the second quarter ended April 30, 2012, compared with \$31.0 million, or \$1.17 diluted per share, for the second quarter of 2011. Excluding T&I Costs, for the second quarter ended April 30, 2012, net income was \$36.3 million, or \$1.31 diluted per share as presented above.

Total revenue

Total revenue increased \$15.4 million or 8% to \$198.7 million in the second quarter of 2012, compared with \$183.2 million in the second quarter of 2011. The contribution from the MRS Companies to total revenue amounted to \$10.7 million for the second quarter of 2012.

Net interest income increased to \$128.3 million for the second quarter of 2012, from \$122.1 million in the second quarter of 2011, as strong loan and deposit growth year-over-year and higher revenues related to loan prepayments more than offset lower margins. When compared to the second quarter of 2011, margins decreased by 10 basis points to 1.73% in the second quarter of 2012, as the net interest margin was impacted by an increase in lower yielding assets related to securitization activities and the continued very low interest rate environment and flatter yield curve.

Other income was \$70.3 million in the second quarter of 2012, compared to \$61.2 million in the second quarter of 2011, a \$9.2 million or 15% year-over-year increase. This includes a \$7.0 million contribution to other income from the acquisition of the MRS Companies, largely from revenues related to registered self-directed plans, and higher card service revenues year-over-year due to higher transactional volume and fees. In addition, during the second quarter, the Bank completed a sale of \$77.0 million of commercial mortgage loans, which led to the recognition of a \$3.1 million gain in other income. This transaction dovetails with the Bank's syndication strategy and contributes to the proactive management of its risk-weighted assets. These increases were partly offset by lower credit insurance income resulting from a higher level of claims, as well as by lower income from brokerage operations due to unfavourable market conditions.

Provision for loan losses

The provision for loan losses amounted to \$7.5 million in the second quarter of 2012, down \$4.5 million or 37% from \$12.0 million in the second quarter of 2011, reflecting excellent credit conditions in Canada and the quality of the Bank's loan portfolios. Losses in the quarter represented 0.13% of average loans and acceptances, down from 0.24% in the second quarter of 2011. However, the Bank remains cautious and continues to adhere to prudent loan underwriting standards amidst the ongoing economic uncertainty.

Non-interest expenses

Non-interest expenses totaled \$147.1 million for the second quarter of 2012, compared to \$132.0 million for the second quarter of 2011. Excluding T&I Costs of \$3.4 million and the additional operating expenses related to the MRS Companies of \$7.6 million, non-interest expenses increased moderately by \$4.2 million or 3% to \$136.2 million compared to a year ago.

Salaries and employee benefits increased by \$6.1 million or 8% to \$79.3 million compared to the second quarter of 2011, mainly due to increased headcount from the acquisition of the MRS Companies and regular salary increases. In addition, after the quarter end, the Bank announced the acceptance of an agreement in principle by its unionized employees for the renewal of their collective bargaining agreement. The new six-year agreement will be applied retroactively to January 1, 2012 and assures the seamless pursuit of the Bank's business plan, while enabling employees to continue to enjoy the benefits of competitive working conditions.

Premises and technology costs increased by \$3.0 million to \$38.0 million compared to the second quarter of 2011. Rental costs increased due to the acquisition of the MRS Companies and additional square footage of leased premises to accommodate growth and new IT projects. Continued investments in the Bank's technology infrastructure and higher amortization expense related to completed IT development projects also contributed to the increase.

Other non-interest expenses increased by \$2.6 million to \$26.5 million for the second quarter of 2012 from \$23.9 million for the second quarter of 2011, mainly as a result of the acquisition of the MRS Companies and other professional services.

T&I Costs for the second quarter of 2012 totaled \$3.4 million and were related to IT, legal and communication expenses for the integration of the MRS Companies. As at the end of the second quarter, the integration process is progressing according to the planned timeline and budget.

Excluding the T&I Costs, the efficiency ratio was 72.4% in the second quarter of 2012, slightly higher compared to the second quarter of 2011. With pressure on net interest income likely to persist in the near future, as the current low interest rate environment lingers, the Bank is continuing to diversify its revenues from other income and to capitalize on organic growth opportunities while focusing on cost control, generating MRS synergies and improving execution.

Income taxes

For the quarter ended April 30, 2012, the income tax expense was \$10.2 million and the effective tax rate was 23.1%. 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 insurance operations. For the quarter ended April 30, 2011, the income tax expense was \$8.3 million and the effective tax rate was 21.0%. Year-over-year, the higher income tax rate for the second quarter ended April 30, 2012 reflects a lower level of tax-advantaged income, which was partly offset by the 1.5% reduction in Federal income tax rates, effective this year.

Six months ended April 30, 2012 compared to six months ended April 30, 2011

Net income was \$64.8 million, or \$2.38 diluted per share, for the six months ended April 30, 2012, compared with \$68.0 million, or \$2.58 diluted per share, in 2011. Excluding T&I Costs, net income was \$69.2 million, or \$2.56 diluted per share.

Total revenue

Total revenue increased \$22.3 million or 6% to \$392.4 million for the six months ended April 30, 2012, compared with \$370.1 million for the six months ended April 30, 2011. The contribution from the MRS Companies to total revenue amounted to \$19.1 million for the six months ended April 30, 2012.

Net interest income increased to \$259.0 million for the six months ended April 30, 2012, compared with \$248.7 million for the same period in 2011. This increase is mainly explained by strong loan and deposit volume growth year-over-year of \$2.0 billion and \$1.5 billion respectively, which more than offset a decrease in net interest margin of 10 basis points over the same period. As noted above, the compression in net interest margin resulted from the increase in lower-yielding Replacement Assets related to securitization activities compared to last year, as well as to ongoing pricing pressure.

Other income was \$133.5 million for the six months ended April 30, 2012, compared to \$121.4 million for the same period in 2011, a 10% year-over-year increase. This includes a \$12.7 million contribution to other income from the acquisition of the MRS Companies, largely from revenues related to registered self-directed plans. As noted above, during the second quarter of 2012, the Bank also sold commercial mortgage loans, resulting in the recognition of a \$3.1 million gain in other income. The increase in other income is also explained by higher fees and commissions on loans and deposits, as well as higher card service revenues year-over-year. These increases were partly offset by lower credit insurance income resulting from a higher level of claims, as well as by lower income from brokerage operations due to unfavourable market conditions.

Provision for loan losses

The provision for loan losses amounted to \$17.5 million for the six months ended April 30, 2012, a significant decrease of \$5.9 million or 25% from \$23.4 million from the six months ended April 30, 2011, reflecting the excellent credit conditions in the Canadian market and the quality of the Bank's loan portfolios. The decrease relates to improvements in all loan portfolios, with clear progress in the commercial loan portfolios.

Non-interest expenses

Non-interest expenses totaled \$290.1 million for the six months ended April 30, 2012, compared to \$259.1 million for the six months ended April 30, 2011. Excluding T&I Costs of \$6.0 million and current operating costs related to MRS Companies of \$14.7 million, non-interest expenses increased by \$10.4 million or 4% to \$269.5 million.

Salaries and employee benefits increased by \$14.5 million or 10% to \$156.3 million compared to the six months ended April 30, 2011, mainly due to increased headcount from the acquisition of the MRS Companies, as well as to regular salary increases, higher pension costs and higher employee benefits costs related to certain group insurance programs.

Premises and technology costs increased by \$5.6 million compared to the six months ended April 30, 2011, resulting from higher rental costs due to the acquisition of the MRS Companies and increased square footage of leased premises, higher IT costs related to ongoing business growth and amortization expense related to completed IT development projects.

Other non-interest expenses increased by \$5.0 million to \$52.6 million for the six months ended April 30, 2012, from \$47.7 million for the same period of 2011, mainly as a result of the acquisition of the MRS Companies.

T&I Costs for the six months ended April 30, 2012 totaled \$6.0 million and were related to IT, legal and communication expenses for the integration of the MRS Companies.

For the six months ended April 30, 2012, excluding the T&I Costs, the efficiency ratio was 72.4%, compared with 70.0% for the six months ended April 30, 2011. Cost control measures aimed at slowing expense growth did not fully compensate for the impact of compressing margins.

Income taxes

For the six months ended April 30, 2012, the income tax expense was \$20.0 million and the effective tax rate was 23.5%. 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 insurance operations. For the six months ended April 30, 2011, the income tax expense was \$19.7 million and the effective tax rate was 22.4%. Year-over-year, as noted above, the higher income tax rate for the six months ended April 30, 2012 reflects the lower level of revenues from insurance operations, which was partly offset by the 1.5% reduction in Federal income tax rates, effective this year.

Three months ended April 30, 2012 compared to three months ended January 31, 2012

Net income was \$33.9 million or \$1.22 diluted per share for the second quarter of 2012 compared with \$31.0 million or \$1.16 diluted per share for the first quarter of 2012. Excluding T&I Costs, net income was \$36.3 million, or \$1.31 diluted per share, compared to \$32.9 million or \$1.24 diluted per share for the first quarter ended January 31, 2012.

Total revenue increased to \$198.7 million in the second quarter of 2012, from \$193.7 million in the previous quarter as the MRS Companies contributed throughout the second quarter compared to 77 days in the first quarter. Despite growth in loan volumes, net interest income decreased by \$2.3 million to \$128.3 million sequentially. This decrease is mainly explained by the slightly lower net interest margin of 1.73% for the second quarter of 2012 compared with 1.75% for the previous quarter and the two fewer days in the second quarter.

Other income increased by \$7.2 million or 11% sequentially, largely due the \$3.1 million gain on sale of a \$77.0 million commercial mortgage loan portfolio during the second quarter, combined with better performance across all revenue streams.

The provision for loan losses amounted to \$7.5 million in the second quarter of 2012, compared to \$10.0 million for the first quarter of 2012, reflecting the excellent quality of the portfolio and favourable credit conditions.

Non-interest expenses amounted to \$147.1 million in the second quarter of 2012, compared to \$143.0 million in the first quarter of 2012. Excluding T&I Costs of \$3.4 million in the second quarter and of \$2.7 million in the first quarter of 2012, non-interest expenses increased by \$3.4 million sequentially. This was mainly a result of a full quarter of salary increases, non-recurring adjustments in variable compensation in the first quarter and 13 additional days of normal operating expenses related to the MRS Companies compared to the first quarter, which were partly offset by two less days in the second quarter and decreases in other expenses. Excluding T&I Costs, operating leverage was marginally positive sequentially, mainly due to the growth in total revenue quarter-over-quarter, combined with continued cost control initiatives.

Financial Condition

CONDENSED BALANCE SHEET

In thousands of Canadian dollars (Unaudited)	AS AT APRIL 30 2012	AS AT OCTOBER 31 2011	AS AT APRIL 30 2011
ASSETS			
Cash and deposits with other banks	\$ 696,280	\$ 367,059	\$ 717,795
Securities	5,294,610	5,175,866	4,949,223
Securities purchased under reverse repurchase agreements	978,063	720,317	626,168
Loans and acceptances, net	22,982,601	21,944,394	21,022,460
Other assets	756,920	755,574	580,336
	\$ 30,708,474	\$ 28,963,210	\$ 27,895,982
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits	\$ 21,060,754	\$ 20,016,281	\$ 19,573,777
Other liabilities	3,075,005	2,725,215	2,875,652
Debt related to securitization activities	5,051,652	4,760,847	4,051,889
Subordinated debt	243,426	242,551	241,683
Shareholders' equity	1,277,637	1,218,316	1,152,981
	\$ 30,708,474	\$ 28,963,210	\$ 27,895,982

Balance sheet assets stood at \$30.7 billion as at April 30, 2012, up \$1.7 billion from year-end 2011. Over the last twelve months, balance sheet assets increased by \$2.8 billion or 10%.

Liquid assets

Liquid assets, including cash, deposits with other banks, securities and securities purchased under reverse repurchase agreements, increased by \$0.7 billion from year-end 2011, as the Bank continued to actively manage its liquidity levels to support the growth in business activity. Liquid assets as a percentage of total assets increased marginally to 23% from 22% as at October 31, 2011.

Loans

Total loans and bankers' acceptances stood at \$23.1 billion as at April 30, 2012, up \$1.0 billion or 5% from October 31, 2011 and 9% year-over-year. While the acquisition of the MRS Companies added \$0.3 billion to the loan portfolio, the Bank also generated \$0.7 billion in organic growth since the beginning of the year in the midst of intense competition. Personal loans increased by \$342.2 million or 6% since October 31, 2011, as higher investment loans acquired through the MRS Companies transaction, higher home equity lines of credit and personal loans granted under the Immigrant Investor Program more than offset the ongoing albeit slower run-offs in point-of-sale financing. Residential mortgage loans also increased by \$410.1 million over the same period, including \$60.9 million related to the acquisition of the MRS Companies. In addition, commercial mortgage loans grew by \$107.0 million or 5% from October 31, 2011 despite a loan sale of \$77.0 million during the second quarter, while commercial loans, including bankers' acceptances, increased by \$174.7 million or 8% over the same period.

Deposits

Total personal deposits increased by \$804.5 million or 5% from October 31, 2011 and stood at \$16.4 billion as at April 30, 2012 including \$675.2 million resulting from the acquisition of the MRS Companies and \$129.3 million generated from organic growth. Business and other deposits, which include institutional deposits, were up \$240.0 million since the beginning of the year to \$4.6 billion as at April 30, 2012. The Bank took advantage of favourable market conditions and raised \$200.0 million of three-year senior deposit notes during the second quarter to maintain prudent liquidity.

While the Bank continues to actively manage its liquidity levels and to maintain diversified funding sources, it focuses its efforts on retail deposit gathering through its Retail & SME-Québec and B2B Trust business segments; particularly stable sources of financing for the Bank which represented 78% of total deposits as at April 30, 2012.

Other Liabilities

Debt related to securitization activities increased by \$290.8 million since the beginning of the year and stood at \$5.1 billion as at April 30, 2012. Since October 31, 2011, the Bank securitized and legally sold \$354.6 million of residential mortgage loans, \$50.8 million in the first quarter and \$303.8 million in the second quarter, which led to an increase in debt related to securitization activities of \$353.0 million. In addition, loans totaling \$459.3 million were sold as Replacement Assets during the same period, \$228.6 million in the first quarter and \$230.7 million in the second quarter. For additional information on the Bank's debt related to securitization activities, please refer to Note 8 to the unaudited condensed interim financial statements.

Subordinated debt stood at \$243.4 million as at April 30, 2012, relatively unchanged from October 31, 2011.

Shareholders' equity

Shareholders' equity stood at \$1,277.6 million as at April 30, 2012, compared with \$1,218.3 million as at October 31, 2011. This increase resulted from a common share issue for net proceeds of \$60.9 million as well as net income for the first six months of 2012, net of declared dividends, which more than offset the decrease in accumulated other comprehensive income (AOCI). The Bank's book value per common share, excluding AOCI, appreciated to \$41.19 as at April 30, 2012 from \$39.40 as at October 31, 2011. There were 25,250,137 common shares and 50,000 share purchase options outstanding as at May 28, 2012. The increase in the number of common shares from October 31, 2011 resulted from the issuance of 1,325,100 common shares on February 2, 2012 as detailed below.

Assets under administration

Assets under administration stood at \$33.1 billion as at April 30, 2012, \$21.0 billion higher than as at October 31, 2011, and \$20.5 billion higher than as at April 30, 2011. These increases are mainly attributable to the growth in assets related to self-directed RRSPs due to the acquisition of the MRS Companies and mutual funds, which has started to benefit from the new distribution agreement related to Mackenzie funds.

Capital Management

The regulatory Tier I capital of the Bank, measured under IFRS, reached \$1,245.3 million as at April 30, 2012, compared with \$1,217.2 million as at October 31, 2011, measured under previous Canadian GAAP. Taking into account that the Bank has elected to phase-in the IFRS adjustments, the Tier 1 BIS capital and total BIS capital ratios stood at 10.4% and 12.9%, respectively, as at April 30, 2012, compared to 11.0% and 13.7%, respectively, as at October 31, 2011 under previous Canadian GAAP. These ratios remain well above present minimum requirements. The decrease in these ratios mainly results from the combined effect of a lower IFRS transition adjustment and higher risk-weighted assets related to the acquisition of the MRS Companies, partially offset by a common share issue of \$60.9 million during the second quarter. The tangible common equity ratio of 8.0% continues to reflect the high quality of the Bank's capital.

On February 2, 2012, the Bank successfully completed a common share issue for net proceeds of \$60.9 million. This is consistent with its prudent approach to managing capital and objective to maintain capital ratios above new regulatory requirements as detailed below, especially considering good organic growth prospects and the recent balance sheet expansion related to the acquisition of the MRS Companies.

REGULATORY CAPITAL

In thousands of Canadian dollars, except percentage amounts (Unaudited)	AS AT APRIL 30 2012	AS AT OCTOBER 31 ^[2] 2011	AS AT APRIL 30 ^[2] 2011
Tier 1 capital (A)	\$ 1,245,326	\$ 1,217,225	\$ 1,177,648
Tier I BIS capital ratio (A/C)	10.4 %	11.0 %	11.1 %
Total regulatory capital - BIS (B)	\$ 1,543,140	\$ 1,516,840	\$ 1,477,834
Total BIS capital ratio (B/C)	12.9 %	13.7 %	14.0 %
Total risk-weighted assets (C)	\$ 11,935,860	\$ 11,071,971	\$ 10,562,773
Assets to capital multiple	18.1 x	16.2 x	16.4 x
Tangible common equity as a % of risk-weighted assets ^[1]	8.0 %	9.2 %	9.2 %

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

[2] The amounts are presented in accordance with previous Canadian GAAP as filed with OSFI.

Impact of the adoption of IFRS on regulatory capital

Effective November 1, 2011, the Bank adopted IFRS, which impacted its shareholders' equity. The Bank has irrevocably elected to phase-in, over five quarters, the impact of the adjustment to retained earnings arising from the first-time adoption of certain IFRS changes, as allowed by OSFI's transition guidance. As such, for the purposes of calculating capital ratios, the Bank has amortized, since November 1, 2011, the eligible portion of the impact of IFRS on capital initially totaling \$136.0 million on a straight-line basis over the next five quarters until January 31, 2013. Therefore, the total impact of the IFRS conversion on the Bank's capital ratios will only be fully reflected as of January 31, 2013. Excluding this transitional provision, the Tier 1 capital ratio and total capital ratio would have been 9.8% and 12.2%, respectively, as at April 30, 2012.

Upon adoption of IFRS, the Bank's assets increased by the amount of securitized residential mortgage loans and replacements assets. For purposes of the Asset to Capital Multiple (ACM) calculation, securitized mortgages sold through the CMB program on or before March 31, 2010 were excluded as permitted by OSFI. However, securitized mortgages sold after that date are now included in the ACM calculation and mainly contributed to the increase in the ACM, which stood at 18.1 as at April 30, 2012.

Proposal for new capital and liquidity regulatory measures

In December 2010, the Basel Committee on Banking Supervision (BCBS) published new capital guidelines commonly referred to as Basel III. OSFI indicated that it expects deposit-taking institutions to meet the Basel III capital requirements early in the Basel III transition period beginning January 1, 2013, including a 7% Common Equity Tier 1 ratio target (4.5% minimum plus 2.5% capital conservation buffer).

Considering the Bank's capital position, and based on current understanding of the Basel III rules, management believes that the Bank is well positioned to meet upcoming capital requirements as of the initial date of implementation in January 2013. The *pro forma* Common Equity Tier 1 ratio, as at April 30, 2012, would be approximately 7.1% when applying the full Basel III rules applicable in 2019 (i.e., without transition arrangements). Further details on these capital measures, as well as the related new global liquidity standards, are provided in the Capital Management section of the annual MD&A.

Potential capital implication of the proposed acquisition of AGF Trust Company

On June 6, 2012, B2B Trust, a subsidiary of the Bank, and AGF Management Limited announced that they had entered into an agreement under which B2B Trust will acquire 100% of AGF Trust Company in a share purchase transaction. After incorporating the estimated capital requirements for AGF Trust at closing and the expected proceeds from the simultaneous private placement, the Bank's Basel II Tier 1 Capital Ratio would be, on a *pro forma* basis, approximately 10.3% as at April 30, 2012, still comfortably above existing regulatory guidelines. Furthermore, the Bank's Basel III Common Equity Tier 1 ratio based on the full Basel III rules applicable in 2019 (i.e. without transition arrangements), would be, on a *pro forma* basis, approximately 7.3% as at April 30, 2012, in line with expected regulatory requirements.

Dividends

On May 23, 2012, the Board of Directors declared regular dividends on the various series of preferred shares to shareholders of record on June 7, 2012. At its meeting on June 6, 2012, given the Bank's solid balance sheet and earnings as well as its confidence in the Bank's future, the Board of Directors approved an increase of \$0.02 per share, or 4%, to the quarterly dividend and thus declared a dividend of \$0.47 per common share, payable on August 1, 2012, to shareholders of record on July 3, 2012.

COMMON SHARE DIVIDENDS AND PAYOUT RATIO

	FOR THE THREE MONTHS ENDED		FOR THE SIX	FOR THE YEARS ENDED		
	APRIL 30	JANUARY 31	MONTHS ENDED	OCTOBER 31	OCTOBER 31	OCTOBER 31
	2012	2012	APRIL 30	2011	2010	2009
In Canadian dollars, except payout ratios (Unaudited)						
Dividends declared per common share	\$ 0.45	\$ 0.45	\$ 0.90	\$ 1.62	\$ 1.44	\$ 1.36
Dividend payout ratio ^{[1][2]}	37.0 %	38.7 %	37.8 %	34.8 %	31.1 %	32.1 %

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

[2] The ratios for 2010 and 2009 are presented in accordance with previous Canadian GAAP.

Risk Management

The Bank is exposed to various types of risks owing to the nature of its activities. These risks are mainly related to the use of financial instruments. In order to manage these risks, controls such as risk management policies and various risk limits have been implemented. These measures aim to optimize the risk/return ratio in all operating segments. For additional information regarding the Bank's Risk Management Framework, please refer to the 2011 Annual Report.

Credit risk¹

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			FOR THE SIX MONTHS ENDED	
	APRIL 30 2012	JANUARY 31 2012	APRIL 30 2011	APRIL 30 2012	APRIL 30 2011
Provision for loan losses					
Personal loans	\$ 5,856	\$ 6,189	\$ 6,029	\$12,045	\$12,784
Residential mortgage loans	498	284	706	782	1,042
Commercial mortgage loans	2,555	888	3,661	3,443	7,440
Commercial and other loans (including acceptances)	(1,409)	2,639	1,588	1,230	2,175
Total	\$ 7,500	\$10,000	\$11,984	\$17,500	\$23,441
As a % of average loans and acceptances	0.13 %	0.18 %	0.24 %	0.16 %	0.23 %

The provision for loan losses decreased to \$7.5 million in the second quarter of 2012, from \$10.0 million in the first quarter of 2012 and \$12.0 million a year ago, reflecting the good overall credit quality of the Bank's loan portfolios and continued favourable credit conditions in the Canadian market.

The year-over-year decrease in loan losses on personal loans partly results from a reduced exposure to the point-of-sale financing business. The provisions on residential mortgage loans were down marginally in the second quarter of 2012 compared to the second quarter of 2011, and remained at a very low level as the quality of the credit metrics used in establishing the collective provisions remained good.

Loan losses on commercial mortgages and commercial loans remained low during the second quarter and further decreased by a combined \$2.4 million, mainly as a result of improvements in the credit conditions of certain loans and, to a lesser extent, to recoveries. The relatively low level of loan losses continues to reflect the good credit quality of this portfolio.

IMPAIRED LOANS

In thousands of Canadian dollars, except percentage amounts (Unaudited)	AS AT APRIL 30 2012	AS AT OCTOBER 31 2011	AS AT APRIL 30 2011
Gross impaired loans			
Personal	\$ 15,926	\$ 14,395	\$ 16,256
Residential mortgages	14,717	17,053	16,186
Commercial mortgages	60,394	62,541	50,428
Commercial and other (including acceptances)	56,284	69,736	72,392
	147,321	163,725	155,262
Individual allowances	(67,003)	(69,450)	(67,461)
Collective allowances	(71,866)	(73,700)	(68,744)
Net impaired loans	\$ 8,452	\$ 20,575	\$ 19,057
Impaired loans as a % of loans and acceptances			
Gross	0.64 %	0.74 %	0.73 %
Net	0.04 %	0.09 %	0.09 %

Gross impaired loans amounted to \$147.3 million as at April 30, 2012, compared to \$163.7 million as at October 31, 2011 as credit quality continued to improve during the quarter. The decrease since October 31, 2011 essentially resulted from improvements in the commercial loan portfolios. Retail portfolios also performed well and related impaired loans were down \$0.8 million from October 31, 2011 despite the Bank's strong loan growth, as borrowers continued to benefit from the current low interest rate environment and favourable employment conditions in Canada. Since the beginning of the year, individual allowances decreased by \$2.4 million to \$67.0 million. Over the same period, collective allowances decreased by \$5.0 million, partly offset by a \$3.2 million increase related to the acquisition of the MRS Companies, as improvements in credit quality and market conditions more than offset the impact of higher loan volumes. Net impaired loans amounted to \$8.5 million as at April 30, 2012, compared to \$20.6 million as at October 31, 2011.

¹ Mortgage loans on residential real estate development properties and projects, which were previously reported in residential mortgage loans, were reclassified to commercial mortgage loans to better reflect the nature and risk of these loans.

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 control structural interest rate risk, which corresponds to the potential negative impact of interest rate movements on the Bank's revenues and economic value. Dynamic management of structural risk is intended to maximize the Bank's profitability while preserving the economic value of common shareholders' equity. As at April 30, 2012, 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 APRIL 30 2012	AS AT OCTOBER 31 2011
Increase in net interest income before taxes over the next 12 months	\$ 13,155	\$ 22,026
Decrease in the economic value of common shareholders' equity (Net of income taxes)	\$ (26,604)	\$ (15,964)

As shown in the table above, the Bank has slightly reduced its ALM short-term sensitivity compared to October 31, 2011. These results reflect management's efforts to take advantage in the movement of short-term and long-term interest rates, all the while maintaining the sensitivity to these fluctuations within approved limits.

Segmented Information

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

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

Retail & SME-Québec

In thousands of Canadian dollars, except percentage amounts (Unaudited)	FOR THE THREE MONTHS ENDED			FOR THE SIX MONTHS ENDED	
	APRIL 30 2012	JANUARY 31 2012	APRIL 30 2011	APRIL 30 2012	APRIL 30 2011
Net interest income	\$ 76,096	\$ 78,725	\$ 77,881	\$ 154,821	\$ 158,329
Other income	33,422	31,803	33,215	65,225	66,557
Total revenue	109,518	110,528	111,096	220,046	224,886
Provision for loan losses	4,855	6,216	6,570	11,071	14,254
Non-interest expenses	91,268	91,260	90,162	182,528	180,121
Income before income taxes	13,395	13,052	14,364	26,447	30,511
Income taxes	2,737	2,631	2,846	5,368	5,959
Net income	\$ 10,658	\$ 10,421	\$ 11,518	\$ 21,079	\$ 24,552
Efficiency ratio ^[1]	83.3 %	82.6 %	81.2 %	82.9 %	80.1 %

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

The Retail & SME-Québec business segment's contribution to net income was \$10.7 million in the second quarter of 2012, compared with \$11.5 million in the second quarter of 2011.

Total revenue decreased from \$111.1 million in the second quarter of 2011 to \$109.5 million in the second quarter of 2012 as higher other income was more than offset by lower net interest income. Year-over-year, net interest income decreased by \$1.8 million, as significant growth in loan and deposit volumes, notably in the residential mortgage loan portfolio, did not fully compensate for the decline in net interest margin stemming from the ongoing low interest rate environment. Other income increased marginally from \$33.2 million in the second quarter of 2011 to \$33.4 million for the same period in 2012 as

significantly higher revenues from card services due to increased transactional volume and fees was partly offset by lower credit insurance income owing to a higher level of claims.

Loan losses decreased by \$1.7 million, or 22% from \$6.6 million in the second quarter of 2011 to \$4.9 million in the second quarter of 2012. This progress was mainly driven by the continued decrease in the point-of-sale portfolio stemming from the reduced exposure and marked improvements in the SME portfolio. Non-interest expenses increased by \$1.1 million or 1% from \$90.2 million in the second quarter of 2011 to \$91.3 million in the second quarter of 2012 as lower expenses resulting from cost control initiatives were more than offset by regular salary increases and higher rental and operating costs due to increased business activity.

For the six months ended April 30, 2012, net income decreased \$3.5 million to \$21.1 million essentially due to the combined effect of lower interest margins and credit insurance income, which more than offset strong loan growth and the significant improvement in loan losses as explained above. Expenses, as a result of cost control measures were up a marginal \$2.4 million or 1.3% over the same period.

Balance sheet highlights

- Loans up 8% or \$978.1 million over the last 12 months
- Increase in deposits of 6% or \$522.8 million over the last 12 months, to \$9.7 billion as at April 30, 2012

Real Estate & Commercial

In thousands of Canadian dollars, except percentage amounts (Unaudited)	FOR THE THREE MONTHS ENDED			FOR THE SIX MONTHS ENDED	
	APRIL 30	JANUARY 31	APRIL 30	APRIL 30	APRIL 30
	2012	2012	2011	2012	2011
Net interest income	\$ 22,049	\$ 22,212	\$ 22,514	\$ 44,261	\$ 45,609
Other income	10,451	8,006	7,851	18,457	15,945
Total revenue	32,500	30,218	30,365	62,718	61,554
Provision for loan losses	1,755	2,851	4,860	4,606	8,237
Non-interest expenses	7,484	7,756	7,004	15,240	14,363
Income before income taxes	23,261	19,611	18,501	42,872	38,954
Income taxes	6,292	5,305	5,296	11,597	11,151
Net income	\$ 16,969	\$ 14,306	\$ 13,205	\$ 31,275	\$ 27,803
Efficiency ratio ^[1]	23.0 %	25.7 %	23.1 %	24.3 %	23.3 %

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

The Real Estate & Commercial business segment's contribution to net income increased by \$3.8 million or 29% to \$17.0 million in the second quarter of 2012, compared with \$13.2 million in the second quarter of 2011.

Total revenue increased by \$2.1 million, from \$30.4 million in the second quarter of 2011 to \$32.5 million in the second quarter of 2012. This increase largely results from a \$3.1 million gain on the sale of \$77.0 million of commercial mortgage loans recorded in other income, as the Bank looked to manage proactively its risk-weighted assets. This increase was partially offset by lower net interest income due to continued margin compression as the Bank generated strong loan growth year-over-year. Loan losses further reduced by \$3.1 million to \$1.8 million in the second quarter of 2012, compared with \$4.9 million in the second quarter of 2011. This very low level of losses reflects the overall good credit quality of the loan portfolios, enhanced by the ongoing favourable economic conditions in Canada. Non-interest expenses increased marginally to \$7.5 million in the second quarter of 2012 compared with \$7.0 million in the second quarter of 2011 essentially due to higher rental and salary costs related to additional headcount hired to support increased business activity.

For the six months ended April 30, 2012, net income increased by 12% to \$31.3 million as a result of improved loan losses and an increase in revenue due to the gain on sale of some commercial mortgage loans. Non-interest expenses increased by \$0.9 million compared to the six months ended April 30, 2011, mainly due to increased salaries and benefits and rental costs as explained above.

Balance sheet highlights

- Loans and BAs up 10% or \$299.7 million over the last 12 months
- Decrease in deposits of \$38.2 million over the last 12 months

B2B Trust

In thousands of Canadian dollars, except percentage amounts (Unaudited)	FOR THE THREE MONTHS ENDED			FOR THE SIX MONTHS ENDED	
	APRIL 30 2012	JANUARY 31 2012	APRIL 30 2011	APRIL 30 2012	APRIL 30 2011
Net interest income	\$ 30,689	\$ 30,964	\$ 28,410	\$ 61,653	\$ 57,222
Other income	9,116	8,143	2,419	17,259	4,944
Total revenue	39,805	39,107	30,829	78,912	62,166
Provision for loan losses	890	933	554	1,823	950
Non-interest expenses	24,483	23,422	15,666	47,905	31,568
Costs related to an acquisition and other ^[1]	3,350	2,660	-	6,010	-
Income before income taxes	11,082	12,092	14,609	23,174	29,648
Income taxes	2,953	3,221	4,141	6,174	8,403
Net income	\$ 8,129	\$ 8,871	\$ 10,468	\$ 17,000	\$ 21,245
Efficiency ratio ^[2]	69.9 %	66.7 %	50.8 %	68.3 %	50.8 %
Adjusted net income ^[2]	\$ 10,568	\$ 10,828	\$ 10,468	\$ 21,396	\$ 21,245
Adjusted efficiency ratio ^[2]	61.5 %	59.9 %	50.8 %	60.7 %	50.8 %

[1] Costs related to the acquisition of the MRS Companies.

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

Excluding after-tax T&I Costs related to the acquisition of MRS Companies of \$2.4 million, the B2B Trust business segment's contribution to net income was \$10.6 million in the second quarter of 2012, up marginally from the second quarter of 2011. Reported net income for the second quarter of 2012 was \$8.1 million.

Total revenue increased to \$39.8 million in the second quarter of 2012 compared with \$30.8 million in the second quarter of 2011, mainly as a result of the increase in other income from registered self-directed plans related to the acquisition of the MRS Companies. Net interest income also increased by \$2.3 million compared to last year due to organic growth in loan and deposit volumes and the addition of assets from the acquisition of the MRS Companies.

Loan losses slightly increased by \$0.3 million to \$0.9 million in the second quarter of 2012, compared to \$0.6 million in the second quarter of 2011, mainly due to marginally higher provisions required on greater volumes of investment loans. Non-interest expenses increased by \$8.8 million to \$24.5 million in the second quarter of 2012, compared with \$15.7 million in the second quarter of 2011. This increase includes current operating costs of \$7.6 million related to the MRS Companies. Otherwise, expenses increased by \$1.2 million or 8% year-over-year, due to higher salary expenses and other expenses to support the segment's business growth objectives and higher IT costs due to increased activity. Costs related to an acquisition and other amounted to \$3.4 million for the second quarter of 2012, resulting mainly from IT costs incurred and additional headcount hired to integrate the MRS Companies.

Results for the second quarter of 2012 were adversely impacted by two fewer days of activity compared to the first quarter. However, the second quarter results include 90 days of operation of the MRS Companies versus 77 days in the first quarter.

The acquisition of the MRS Companies, after five and a half months, is yielding excellent results and contributing to improve revenue diversification as evidenced by the growth in other income and assets under administration. The integration of the MRS Companies and the realization of anticipated synergies are progressing according to plan, with the IT integration proceeding smoothly. Management remains focused on completing this process in order to ensure anticipated synergies are achieved over the next 9 months.

For the six months ended April 30, 2012, net income, excluding after-tax T&I Costs related to the acquisition of MRS Companies of \$4.4 million, was \$21.4 million, slightly higher than the same period of 2011 essentially as a result of the operating contribution of MRS Companies. Reported net income for the six months ended April 30, 2012 was \$17.0 million.

Balance sheet highlights

- Loans up 11% or \$604.5 million over the last 12 months
- Total deposits up 10% or \$895.7 million over the last 12 months

Laurentian Bank Securities & Capital Markets

	FOR THE THREE MONTHS ENDED			FOR THE SIX MONTHS ENDED	
	APRIL 30 2012	JANUARY 31 2012	APRIL 30 2011	APRIL 30 2012	APRIL 30 2011
In thousands of Canadian dollars, except percentage amounts (Unaudited)					
Total revenue	\$ 16,265	\$ 14,655	\$ 17,872	\$ 30,920	\$ 34,113
Non-interest expenses	12,530	12,160	14,126	24,690	26,621
Income before income taxes	3,735	2,495	3,746	6,230	7,492
Income taxes	956	620	1,014	1,576	2,038
Net income	\$ 2,779	\$ 1,875	\$ 2,732	\$ 4,654	\$ 5,454
Efficiency ratio ^[1]	77.0 %	83.0 %	79.0 %	79.9 %	78.0 %

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

The Laurentian Bank Securities and Capital Markets (LBS & CM) business segment's contribution to net income was up marginally to \$2.8 million in the second quarter of 2012, compared with \$2.7 million in the second quarter of 2011.

Total revenue decreased by \$1.6 million to total \$16.3 million in the second quarter of 2012 compared with \$17.9 million for the same quarter of 2011, as market conditions remained challenging for underwriting and trading activities compared to a year ago. Difficult market conditions also adversely impacted retail brokerage activity and contributed to the decrease in total revenue. Non-interest expenses decreased by \$1.6 million, essentially due to lower performance-based compensation, in line with lower market-driven income, reduced commissions and cost reduction measures implemented during the quarter.

Compared to the first quarter of 2012, the contribution from the LBS & CM business segment continued to progress as markets gained some momentum in the beginning of the second quarter of 2012. This trend was tempered somewhat with the resurgence of global economic concerns, which has dampened results towards the end of the quarter.

For the six months ended April 30, 2012, net income decreased by \$0.8 million compared to the same period last year, as lower expenses did not fully compensate for the decrease in revenues, essentially for the same reasons presented above.

Balance sheet highlight

- Assets under management stood at \$2.2 billion as at April 30, 2012

Other Sector

In thousands of Canadian dollars (Unaudited)	FOR THE THREE MONTHS ENDED			FOR THE SIX MONTHS ENDED	
	APRIL 30 2012	JANUARY 31 2012	APRIL 30 2011	APRIL 30 2012	APRIL 30 2011
Net interest income	\$ (1,206)	\$ (1,781)	\$ (7,410)	\$ (2,987)	\$ (13,934)
Other income	1,788	1,017	485	2,805	1,307
Total revenue	582	(764)	(6,925)	(182)	(12,627)
Non-interest expenses	7,996	5,762	5,028	13,758	6,390
Loss before income taxes	(7,414)	(6,526)	(11,953)	(13,940)	(19,017)
Income taxes recovery	(2,742)	(2,015)	(5,046)	(4,757)	(7,899)
Net loss	\$ (4,672)	\$ (4,511)	\$ (6,907)	\$ (9,183)	\$ (11,118)

The Other sector posted a negative contribution to net income of \$4.7 million in the second quarter of 2012, compared with a negative contribution of \$6.9 million in the second quarter of 2011.

Net interest income improved to negative \$1.2 million in the second quarter of 2012, compared to negative \$7.4 million in the second quarter of 2011, reflecting good market positioning as well as some adjustments to transfer pricing initiated in the first quarter of 2012. Other income for the second quarter of 2012 was \$1.8 million, compared to \$0.5 million for the second quarter of 2011 and essentially relates to gains on treasury activities.

Non-interest expenses in the second quarter of 2012 amounted to \$8.0 million compared to \$5.0 million a year ago, a \$3.0 million increase. Higher pension costs, charges on group insurance programs and share-based incentive program costs, as well as regular salary increases contributed to the increase compared to last year.

For the six months ended April 30, 2012, the negative contribution stood at \$9.2 million, compared to negative \$11.1 million for the six months ended April 30, 2011, mainly due to the same reasons as noted above.

Proposed Acquisition of AGF Trust Company

On June 6, 2012, the Bank and AGF Management Limited announced that they had entered into an agreement pursuant to which B2B Trust, a subsidiary of the Bank, will acquire 100% of AGF Trust Company in a share purchase transaction. The transaction is expected to close in August 2012 subject to regulatory notifications and approvals. As of the closing date, assets of AGF Trust Company are expected to be approximately \$3.8 billion, essentially including cash and marketable securities of \$0.7 billion and retail loan portfolios of approximately \$3.1 billion. The final purchase price will be based on the net book value of AGF Trust Company as at the closing date, estimated at approximately \$242.0 million. The agreement also includes a contingent consideration of a maximum of \$20.0 million over five years if credit quality reaches certain criteria.

To support the Bank's balance sheet, considering this proposed transaction, the Bank entered into arm's length subscription agreements with the Caisse de dépôt et placement du Québec and the Fonds de solidarité FTQ, relating to a private placement of 2,867,383 subscription receipts, which will be issued at a price of \$41.85 per receipt and will be exchangeable, on a one-for-one basis, for common shares of the Bank. The offering of subscription receipts is expected to close, subject to the approval of the Toronto Stock Exchange, no later than June 15, 2012, and the proceeds of such offering will be placed in escrow until closing of the AGF Trust acquisition, at which point the subscription receipts will be automatically exchanged for common shares of the Bank. This agreement will provide net proceeds of \$115.1 million.

Additional Financial Information – Quarterly Results

In thousands of Canadian dollars, except per share and percentage amounts (Unaudited)	IFRS				CANADIAN GAAP			
	APRIL 30	JANUARY 31	OCTOBER 31	JULY 31	APRIL 30	JANUARY 31	OCTOBER 31	JULY 31
	2012	2012	2011	2011	2011	2011	2010	2010
Total revenue	\$ 198,670	\$ 193,744	\$ 182,422	\$ 185,833	\$ 183,237	\$ 186,855	\$ 190,074	\$ 188,810
Net income	\$ 33,863	\$ 30,962	\$ 26,709	\$ 29,072	\$ 31,016	\$ 36,920	\$ 32,514	\$ 30,064
Earnings per share								
Basic	\$ 1.22	\$ 1.16	\$ 0.99	\$ 1.09	\$ 1.17	\$ 1.41	\$ 1.24	\$ 1.13
Diluted	\$ 1.22	\$ 1.16	\$ 0.99	\$ 1.08	\$ 1.17	\$ 1.41	\$ 1.24	\$ 1.13
Return on common shareholders' equity ^[1]	12.1 %	11.6 %	10.0 %	11.2 %	12.7 %	15.2 %	11.8 %	11.0 %
Balance sheet assets (in millions of dollars)	\$ 30,708	\$ 29,921	\$ 28,963	\$ 28,239	\$ 27,896	\$ 26,919	\$ 23,772	\$ 23,549
Excluding Transaction and Integration Costs ^[2]								
Adjusted net income ^[1]	\$ 36,302	\$ 32,919	\$ 33,375	\$ 29,072	\$ 31,016	\$ 36,920	\$ 32,514	\$ 30,064
Adjusted diluted earnings per share ^[1]	\$ 1.31	\$ 1.24	\$ 1.26	\$ 1.08	\$ 1.17	\$ 1.41	\$ 1.24	\$ 1.13
Adjusted return on common shareholders equity ^[1]	13.0 %	12.4 %	12.8 %	11.2 %	12.7 %	15.2 %	11.8 %	11.0 %

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

[2] Costs related to the acquisition of the MRS Companies.

Accounting Policies

A summary of the Bank's significant accounting policies is presented in Notes 2 and 3 of the April 30, 2012 unaudited condensed interim consolidated financial statements. The unaudited condensed interim consolidated financial statements for the second quarter of 2012 have been prepared in accordance with these accounting policies.

Future changes in accounting policy

The International Accounting Standards Board ("IASB") has issued new standards and amendments to existing standards on financial instruments, consolidation, fair value measurement, employee benefits, offsetting and presentation of other comprehensive income. These future accounting changes will be applicable for the Bank in various annual periods beginning on November 1, 2012 at the earliest. The Bank has not yet assessed 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 4 to the unaudited condensed interim consolidated financial statements.

Corporate Governance and Changes in Internal Control over Financial Reporting

On November 16, 2011, the Bank completed the acquisition of the MRS Companies. In accordance with Canadian securities law, which allows an issuer to limit its design of the disclosure controls and procedures, and internal controls over financial reporting to exclude the controls, policies and procedures of a business acquired not more than 365 days before the last day of the period covered by the interim filings, management has excluded the controls, policies and procedures of MRS Companies, the results of which are included in the unaudited condensed interim consolidated financial statements of the Bank for the period ended April 30, 2012. MRS Companies constituted approximately 3% of total assets, 2% of total liabilities, 5% of total revenue and 5% of total net income as at and for the six-month period ended April 30, 2012. For additional information on the assets acquired and liabilities assumed at the date of acquisition, refer to Note 15 to the unaudited condensed interim consolidated financial statements.

During the last quarter ended April 30, 2012, 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 has adopted IFRS as its accounting framework. IFRS are the generally accepted accounting principles (GAAP) for Canadian publicly accountable enterprises for years beginning on or after January 1, 2011. The Bank uses both GAAP and certain non-GAAP measures to assess performance. Non-GAAP measures do not have any standardized meaning prescribed by GAAP and are unlikely to be comparable to any similar measures presented by other companies. These non-GAAP financial measures are considered useful to investors and analysts in obtaining a better understanding of the Bank's financial results and analyzing its growth and profit potential more effectively. The Bank's non-GAAP financial measures are defined as follows:

Return on common shareholders' equity

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

Book value per common share

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

Tangible common equity ratio

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

Net interest margin

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.

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 GAAP and non-GAAP measures

Certain analyses presented throughout this document are based on the Bank's core activities and therefore exclude the effect of the integration costs related to the acquisition of the MRS Companies.

Laurentian Bank of Canada

Unaudited Condensed Interim Consolidated Financial Statements

As at and for the period ended April 30, 2012

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Consolidated Balance Sheet ^[1]

In thousands of Canadian dollars (Unaudited)	NOTES	AS AT APRIL 30 2012	AS AT OCTOBER 31 2011	AS AT APRIL 30 2011	AS AT NOVEMBER 1 2010
ASSETS					
Cash and non-interest-bearing deposits with other banks		\$ 72,029	\$ 81,600	\$ 71,262	\$ 72,444
Interest-bearing deposits with other banks		624,251	285,459	646,533	99,394
Securities	6				
Available-for-sale		2,055,991	2,108,075	2,054,503	2,138,861
Held-to-maturity		1,056,657	885,822	646,713	559,457
Held-for-trading		2,181,962	2,181,969	2,248,007	1,496,583
Designated as at fair value through profit or loss		-	-	-	624,642
		5,294,610	5,175,866	4,949,223	4,819,543
Securities purchased under reverse repurchase agreements		978,063	720,317	626,168	994,674
Loans	7 and 8				
Personal		6,116,400	5,774,207	5,681,527	5,636,203
Residential mortgage		12,279,486	11,869,412	11,252,744	10,859,647
Commercial mortgage		2,470,794	2,363,808	2,213,760	2,166,375
Commercial and other		2,087,886	1,900,977	1,823,234	1,691,190
Customers' liabilities under acceptances		166,904	179,140	187,400	165,450
		23,121,470	22,087,544	21,158,665	20,518,865
Allowances for loan losses		(138,869)	(143,150)	(136,205)	(131,567)
		22,982,601	21,944,394	21,022,460	20,387,298
Other					
Premises and equipment		66,308	61,708	60,966	55,727
Derivatives		161,807	228,261	118,719	158,066
Goodwill		64,077	29,224	29,224	29,224
Software and other intangible assets		142,401	113,949	100,414	101,671
Deferred tax assets		2,467	4,160	21,172	47,995
Other assets		319,860	318,272	249,841	289,289
		756,920	755,574	580,336	681,972
		\$ 30,708,474	\$ 28,963,210	\$ 27,895,982	\$ 27,055,325
LIABILITIES AND SHAREHOLDERS' EQUITY					
Deposits					
Personal		\$ 16,414,315	\$ 15,609,853	\$ 15,510,692	\$ 15,354,851
Business, banks and other		4,646,439	4,406,428	4,063,085	4,250,819
		21,060,754	20,016,281	19,573,777	19,605,670
Other					
Obligations related to securities sold short		1,352,007	1,471,254	1,437,259	1,362,336
Obligations related to securities sold under repurchase agreements		441,532	36,770	205,923	60,050
Acceptances		166,904	179,140	187,400	165,450
Derivatives		128,626	129,969	129,588	115,235
Deferred tax liabilities		1,408	6,362	290	27,543
Other liabilities		984,528	901,720	915,192	945,939
		3,075,005	2,725,215	2,875,652	2,676,553
Debt related to securitization activities	8	5,051,652	4,760,847	4,051,889	3,486,634
Subordinated debt		243,426	242,551	241,683	150,000
Shareholders' equity					
Preferred shares	9	210,000	210,000	210,000	210,000
Common shares	9	320,435	259,492	259,484	259,363
Share-based payment reserve		227	227	227	243
Retained earnings		719,372	683,007	653,541	610,483
Accumulated other comprehensive income		27,603	65,590	29,729	56,379
		1,277,637	1,218,316	1,152,981	1,136,468
		\$ 30,708,474	\$ 28,963,210	\$ 27,895,982	\$ 27,055,325

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

[1] Comparative figures have been prepared in accordance with IFRS. See Note 5.

Consolidated Statement of Income ^[1]

In thousands of Canadian dollars, except per share amounts (Unaudited)	NOTES	FOR THE THREE MONTHS ENDED			FOR THE SIX MONTHS ENDED	
		APRIL 30 2012	JANUARY 31 2012	APRIL 30 2011	APRIL 30 2012	APRIL 30 2011
Interest income						
Loans		\$ 240,943	\$ 245,083	\$ 234,433	\$ 486,026	\$ 476,849
Securities		18,377	18,891	18,199	37,268	36,485
Deposits with other banks		1,276	1,024	1,589	2,300	2,599
Other, including derivatives		14,557	15,697	14,196	30,254	29,304
		275,153	280,695	268,417	555,848	545,237
Interest expense						
Deposits		104,653	107,673	108,851	212,326	222,362
Debt related to securitization activities		39,508	39,672	33,983	79,180	65,858
Subordinated debt		2,374	2,403	2,352	4,777	6,731
Other, including derivatives		294	318	1,166	612	1,618
		146,829	150,066	146,352	296,895	296,569
Net interest income		128,324	130,629	122,065	258,953	248,668
Other income						
Fees and commissions on loans and deposits		29,657	28,511	27,882	58,168	56,225
Income from brokerage operations		14,354	13,549	16,592	27,903	29,876
Credit insurance income		3,662	3,770	4,290	7,432	9,493
Income from treasury and financial market operations		5,856	4,714	3,993	10,570	10,122
Income from sales of mutual funds		4,488	4,329	4,460	8,817	8,567
Income from registered self-directed plans		7,648	6,801	1,990	14,449	4,074
Other income		4,681	1,441	1,965	6,122	3,067
		70,346	63,115	61,172	133,461	121,424
Total revenue		198,670	193,744	183,237	392,414	370,092
Provision for loan losses	7	7,500	10,000	11,984	17,500	23,441
Non-interest expenses						
Salaries and employee benefits		79,282	77,032	73,157	156,314	141,845
Premises and technology		37,998	37,166	34,954	75,164	69,555
Other		26,481	26,162	23,875	52,643	47,663
Costs related to an acquisition and other	15	3,350	2,660	-	6,010	-
		147,111	143,020	131,986	290,131	259,063
Income before income taxes		44,059	40,724	39,267	84,783	87,588
Income taxes		10,196	9,762	8,251	19,958	19,652
Net income		\$ 33,863	\$ 30,962	\$ 31,016	\$ 64,825	\$ 67,936
Preferred share dividends, including applicable taxes		3,165	3,166	3,109	6,331	6,218
Net income available to common shareholders		\$ 30,698	\$ 27,796	\$ 27,907	\$ 58,494	\$ 61,718
Average number of common shares outstanding (in thousands)						
Basic		25,235	23,925	23,923	24,573	23,922
Diluted		25,253	23,943	23,946	24,591	23,944
Earnings per share						
Basic		\$ 1.22	\$ 1.16	\$ 1.17	\$ 2.38	\$ 2.58
Diluted		\$ 1.22	\$ 1.16	\$ 1.17	\$ 2.38	\$ 2.58
Dividends declared per share						
Common share		\$ 0.45	\$ 0.45	\$ 0.39	\$ 0.90	\$ 0.78
Preferred share - Series 9		\$ 0.38	\$ 0.38	\$ 0.38	\$ 0.75	\$ 0.75
Preferred share - Series 10		\$ 0.33	\$ 0.33	\$ 0.33	\$ 0.66	\$ 0.66

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

[1] Comparative figures have been prepared in accordance with IFRS. See Note 5.

Consolidated Statement of Comprehensive Income ^[1]

In thousands of Canadian dollars (Unaudited)	NOTES	FOR THE THREE MONTHS ENDED			FOR THE SIX MONTHS ENDED	
		APRIL 30 2012	JANUARY 31 2012	APRIL 30 2011	APRIL 30 2012	APRIL 30 2011
Net income		\$ 33,863	\$ 30,962	\$ 31,016	\$ 64,825	\$ 67,936
Other comprehensive income, net of income taxes						
Unrealized net gains (losses) on available-for-sale securities	12	(3,751)	(1,483)	(1,617)	(5,234)	(8,556)
Reclassification of net (gains) losses on available-for-sale securities to net income		(888)	(321)	90	(1,209)	(1,625)
Net change in value of derivatives designated as cash flow hedges		(23,980)	(7,564)	(4,004)	(31,544)	(16,469)
		(28,619)	(9,368)	(5,531)	(37,987)	(26,650)
Comprehensive income		\$ 5,244	\$ 21,594	\$ 25,485	\$ 26,838	\$ 41,286

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

[1] Comparative figures have been prepared in accordance with IFRS. See Note 5.

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

In thousands of Canadian dollars (Unaudited)	FOR THE SIX MONTHS ENDED APRIL 30, 2012							
	PREFERRED SHARES (Note 9)	COMMON SHARES (Note 9)	RETAINED EARNINGS	AOCI RESERVES (Note 12)			SHARE- BASED PAYMENT RESERVE (Note 10)	TOTAL SHARE- HOLDERS' EQUITY
				AVAILABLE- FOR-SALE SECURITIES	CASH FLOW HEDGES	TOTAL		
Balance as at October 31, 2011	\$ 210,000	\$ 259,492	\$ 683,007	\$ 22,217	\$ 43,373	\$ 65,590	\$ 227	\$ 1,218,316
Net income			64,825					64,825
Other comprehensive income (net of income taxes)								
Unrealized net gains (losses) on available-for-sale securities				(5,234)		(5,234)		(5,234)
Reclassification of net (gains) losses on available-for-sale securities to net income				(1,209)		(1,209)		(1,209)
Net change in value of derivatives designated as cash flow hedges					(31,544)	(31,544)		(31,544)
Comprehensive income			64,825	(6,443)	(31,544)	(37,987)		26,838
Net proceeds from issuance of common shares		60,943						60,943
Equity dividends								
Preferred shares, including applicable taxes			(6,331)					(6,331)
Common shares			(22,129)					(22,129)
Balance as at April 30, 2012	\$ 210,000	\$ 320,435	\$ 719,372	\$ 15,774	\$ 11,829	\$ 27,603	\$ 227	\$ 1,277,637

In thousands of Canadian dollars (Unaudited)	FOR THE SIX MONTHS ENDED APRIL 30, 2011							
	PREFERRED SHARES (Note 9)	COMMON SHARES (Note 9)	RETAINED EARNINGS	AOCI RESERVES (Note 12)			SHARE- BASED PAYMENT RESERVE (Note 10)	TOTAL SHARE- HOLDERS' EQUITY
				AVAILABLE- FOR-SALE SECURITIES	CASH FLOW HEDGES	TOTAL		
Balance as at November 1, 2010	\$ 210,000	\$ 259,363	\$ 610,483	\$ 37,071	\$ 19,308	\$ 56,379	\$ 243	\$ 1,136,468
Net income			67,936					67,936
Other comprehensive income (net of income taxes)								
Unrealized net gains (losses) on available-for-sale securities				(8,556)		(8,556)		(8,556)
Reclassification of net (gains) losses on available-for-sale securities to net income				(1,625)		(1,625)		(1,625)
Net change in value of derivatives designated as cash flow hedges					(16,469)	(16,469)		(16,469)
Comprehensive income			67,936	(10,181)	(16,469)	(26,650)		41,286
Issuance of common shares under share purchase option plan		121						121
Share-based payments							(16)	(16)
Equity dividends								
Preferred shares, including applicable taxes			(6,218)					(6,218)
Common shares			(18,660)					(18,660)
Balance as at April 30, 2011	\$ 210,000	\$ 259,484	\$ 653,541	\$ 26,890	\$ 2,839	\$ 29,729	\$ 227	\$ 1,152,981

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

[1] Comparative figures have been prepared in accordance with IFRS. See Note 5.

Consolidated Statement of Cash Flows ^[1]

	FOR THE THREE MONTHS ENDED			FOR THE SIX MONTHS ENDED	
	APRIL 30 2012	JANUARY 31 2012	APRIL 30 2011	APRIL 30 2012	APRIL 30 2011
In thousands of Canadian dollars (Unaudited)					
Cash flows relating to operating activities					
Net income	\$ 33,863	\$ 30,962	\$ 31,016	\$ 64,825	\$ 67,936
Adjustments to determine net cash flows relating to operating activities:					
Provision for loan losses	7,500	10,000	11,984	17,500	23,441
Net gain on disposal of available-for-sale securities	(1,789)	(542)	(1,000)	(2,331)	(2,912)
Gain on sale of commercial mortgage loans	(3,102)	-	-	(3,102)	-
Deferred income taxes	11,016	(10,629)	3,692	387	9,135
Depreciation	3,257	3,010	2,744	6,267	5,448
Amortization of software and other intangible assets	8,839	7,676	7,140	16,515	14,061
Change in operating assets and liabilities :					
Change in loans	(384,552)	(413,447)	(385,049)	(797,999)	(656,717)
Change in securities at fair value through profit and loss	(46,116)	46,123	(353,480)	7	(126,782)
Change in accrued interest receivable	(10,939)	11,686	(13,782)	747	2,943
Change in derivative assets	67,440	(986)	10,146	66,454	39,347
Change in deposits	359,467	(40,534)	646,672	318,933	(31,893)
Change in accrued interest payable	27,040	(59,045)	24,906	(32,005)	4,696
Change in obligations related to securities sold short	2,985	(122,232)	266,442	(119,247)	74,923
Change in derivative liabilities	(13,128)	11,785	(2,391)	(1,343)	14,353
Other, net	13,390	50,254	78,806	63,644	(27,376)
	75,171	(475,919)	327,846	(400,748)	(589,397)
Cash flows relating to financing activities					
Change in acceptances	(39,349)	27,113	17,302	(12,236)	21,950
Change in obligations related to securities sold under repurchase agreements	80,910	323,852	(263,098)	404,762	145,873
Change in debt related to securitization activities	253,098	37,707	265,553	290,805	565,255
Issuance of subordinated debt, net of issue costs	-	-	-	-	248,403
Redemption of subordinated debentures	-	-	-	-	(150,000)
Redemption of subordinated debt of a subsidiary	-	(20,000)	-	(20,000)	-
Net proceeds from issuance of common shares	60,943	-	96	60,943	121
Dividends, including applicable income taxes	(14,528)	(13,932)	(12,440)	(28,460)	(24,878)
	341,074	354,740	7,413	695,814	806,724
Cash flows relating to investing activities					
Change in available-for-sale securities					
Acquisitions	(102,192)	(106,961)	(191,114)	(209,153)	(506,711)
Proceeds on sale and at maturity	36,711	360,006	169,417	396,717	577,570
Change in held-to-maturity securities					
Acquisitions	(188,300)	(555,214)	(30,432)	(743,514)	(420,275)
Proceeds at maturity	190,122	382,545	21,997	572,667	333,030
Proceeds on sale of commercial mortgage loans	79,774	-	-	79,774	-
Change in securities purchased under reverse repurchase agreements	(338,459)	80,713	(110,313)	(257,746)	368,506
Additions to premises and equipment and software	(20,328)	(12,223)	(10,652)	(32,551)	(23,490)
Change in interest-bearing deposits with other banks	(86,970)	174,832	(189,326)	87,862	(547,139)
Cash paid for the acquisition of the MRS Companies	-	(198,693)	-	(198,693)	-
	(429,642)	125,005	(340,423)	(304,637)	(218,509)
Net change in cash and non-interest-bearing deposits with other banks	(13,397)	3,826	(5,164)	(9,571)	(1,182)
Cash and non-interest-bearing deposits with other banks at beginning of period	85,426	81,600	76,426	81,600	72,444
Cash and non-interest-bearing deposits with other banks at end of period	\$ 72,029	\$ 85,426	\$ 71,262	\$ 72,029	\$ 71,262
Supplemental disclosure about cash flows relating to operating activities:					
Interest paid during the period	\$ 120,116	\$ 211,083	\$ 121,058	\$ 331,199	\$ 297,318
Interest received during the period	259,712	300,892	247,827	560,604	550,183
Dividends received during the period	1,520	1,839	1,573	3,359	3,426
Income taxes paid (received) during the period	\$ 17,375	\$ 14,200	\$ 6,686	\$ 31,575	\$ 24,675

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

[1] Comparative figures have been prepared in accordance with IFRS. See Note 5.

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 April 30, 2012 were approved for issuance by the Board of Directors on June 6, 2012.

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 current Canadian generally accepted accounting principles. These financial statements are the second condensed interim consolidated financial statements of the Bank prepared under International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) in accordance with IAS 34, *Interim Financial Reporting*. The accounting policies have been applied consistently to all periods presented within these financial statements. The opening consolidated balance sheet, as at the transition date of November 1, 2010, has been prepared for the purposes of transition to IFRS, using accounting policies that the Bank plans to adopt in its annual consolidated financial statements as at and for the year ending October 31, 2012. Future changes to IFRS, which may be applied to the annual consolidated financial statements for the year ending October 31, 2012, could result in the restatement of these financial statements, including the transition adjustments recorded at the time of the changeover to IFRS. Note 5 includes the required disclosures under IFRS 1, *First-time Adoption of International Financial Reporting Standards*, with regards to the first-time adoption of IFRS and the differences from the Bank's previous accounting framework, Canadian generally accepted accounting principles (Canadian GAAP or GAAP).

These financial statements should be read in conjunction with the audited annual consolidated financial statements for the year ended October 31, 2011 prepared in accordance with GAAP. Certain disclosures which are required to be included in annual financial statements prepared in accordance with IFRS have been included in these financial statements.

The financial statements have been prepared under the historical cost convention, except for available-for-sale financial assets, financial assets and financial liabilities classified at fair value through profit or loss and all derivative contracts, which have been measured at fair value. Certain financial assets and liabilities may also reflect the effect of hedge accounting adjustments as detailed below.

The Bank presents its consolidated balance sheet broadly in order of liquidity and each balance sheet item includes both current and non-current balances, as applicable.

Basis of consolidation

The financial statements include the assets, liabilities and results of operations of the Bank and all of its subsidiaries after elimination of intercompany balances and transactions. The financial statements of the Bank's subsidiaries are prepared for the same reporting period as the Bank, using consistent accounting policies.

Consolidated subsidiaries

The principal subsidiaries of the Bank are listed in the table below. All the foregoing subsidiaries are incorporated or continued in Canada under the provisions of a federal act, except V.R. Holding Insurance Company Ltd, which is incorporated under the provisions of an act of Barbados.

B2B Trust	Laurentian Trust of Canada Inc.
M.R.S. Inc.	LBC Trust
M.R.S. Trust Company ^[1]	Laurentian Bank Securities Inc.
M.R.S. Securities Services Inc.	LBC Financial Services Inc.
M.R.S. Correspondent Corporation	LBC Investment Management Inc.
B2B Trustco	V.R. Holding Insurance Company Ltd

[1] Merged with B2B Trust as of April 16, 2012.

The Bank also consolidates special purpose entities (SPEs) when applicable consolidation criteria are met. Accordingly, the Bank is consolidating Venture Reinsurance Ltd, an entity partially owned by V.R. Holding Insurance Company Ltd.

Reclassification of comparative figures

Certain comparative figures have been reclassified to conform to current period presentation, but did not result from the IFRS changeover. The nature of these adjustments in the financial statements is as follows.

Reclassification of certain mortgage loans

Mortgage loans on residential real estate development properties and projects which were previously reported in residential mortgage loans on the consolidated balance sheet were reclassified to commercial mortgage loans to better reflect the nature of these loans. This reclassification amounted to \$550.5 million as at October 31, 2011, \$549.4 million as at April 30, 2011 and \$527.5 million as at November 1, 2010. Corresponding reclassifications of the provision for loan losses as well as impaired loans and allowances were made.

Investment income related to insurance activities

Investment income related to insurance activities amounting to \$0.2 million for the three-month period ended April 30, 2011 and \$0.3 million for the six-month period ended April 30, 2011, which was previously reported as part of credit insurance income, was reclassified to net interest income.

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. The most significant areas for which the Bank has made estimates are the impairment of assets, the fair value of financial instruments, pension plans and other employee future benefits, fair value of assets acquired and liabilities assumed as a result of business combinations, income taxes, as well as provisions and contingent liabilities. 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.

Note 3 details the judgment used in measuring the fair value of financial instruments. Other significant areas that require management's judgment and estimates are described below.

Impairment of assets

Allowances for loan losses

The allowances for loan losses adjust the value of loans to reflect management's estimate of losses incurred in the loan portfolios. These allowances are dependent upon management's estimates of the amounts and dates of future cash flows, the fair value of guarantees and realization costs, and the interpretation of the impact of market and economic conditions. Considering the materiality of the amounts and their inherent uncertainty, the use of estimates and assumptions that differ from those used in determining the allowances for loan losses could produce significantly different levels of allowances. A detailed description of the methods used to determine the allowances for loan losses can be found in Note 3.

2. Basis of Presentation [Cont'd]

Other financial assets

Financial assets classified in the available-for-sale and held-to-maturity categories are monitored on a quarterly basis to determine whether there is any objective evidence that they are impaired. In evaluating the decline in value, management exercises judgment and takes into account many facts specific to each investment and all the factors that could indicate that there is objective evidence of impairment. The Bank also uses judgment to determine when to recognize an impairment loss. The decision to record an impairment loss, its amounts and the period in which it is accounted could change if management's assessment of these factors were different. Refer to Note 3 for further details on the accounting of available-for-sale and held-to-maturity financial assets.

Goodwill and other intangible assets

For the purpose of impairment testing, goodwill is allocated to the Bank's cash generating units (CGUs) which represent the lowest level within the Bank at which goodwill is monitored for internal management purposes. An impairment test is performed annually and whenever there is an indication that the CGU may be impaired, unless certain specific criteria are met. The test compares the recoverable amount of the CGU to the carrying amount of its net assets. If the recoverable amount is less than carrying value, an impairment loss is charged to income.

For intangible assets with finite lives, an impairment test is performed whenever there is an indication that the asset may be impaired. The test compares the recoverable amount of the intangible asset to its carrying amount. If the recoverable amount is less than carrying value, an impairment loss is charged to income.

Management uses a number of significant estimates, including projected net income growth rates, future cash flows, the number of years used in the cash flow model and the discount rate of future cash flows to determine the recoverable amount of the CGU or intangible asset. Management considers these estimates are reasonable and consistent with the Bank's financial objectives. They reflect management's best estimates but include inherent uncertainties that are not under its control. Changes made to one or any of these estimates may significantly impact the calculation of the recoverable amount and the resulting impairment charge.

Pension plans and other Employee future benefits

Valuation of employee future benefits for defined benefit pension plans and other post-employment benefits is calculated by the Bank's independent actuaries based on a number of assumptions determined by management annually such as discount rates, expected returns on plan assets, future salary levels, health-care cost escalation, employee turnover rate and retirement age of employees. Considering the importance of accrued benefit obligations and plan assets, changes in assumptions could have a significant impact on the accrued benefit assets (liabilities), as well as, depending on the funding status of the plan, on pension plan and other employee future benefit expenses.

Business combination

Valuation of the identifiable assets and liabilities of the MRS Companies upon initial recognition was based on a number of assumptions determined by management such as estimates of future cash flows and discount rates. Changes in these assumptions could have had a significant impact on the amount of goodwill recognized. Refer to Note 15 for additional information on the assets acquired and liabilities assumed as a result of the acquisition of the MRS Companies.

Income taxes

Deferred income tax assets and liabilities reflect management's estimate of the value of loss carry-forwards, minimum tax carry-overs and other temporary differences. Asset value is determined using assumptions regarding the results of operations of future fiscal years, timing of reversal of temporary differences and tax rates on the date of reversals, which may well change depending on governments' fiscal policies. Moreover, management must assess whether it is more likely than not that deferred income tax assets will be realized prior to their expiration and, based on all available evidence, determine whether a valuation allowance is required on all or a portion of deferred income tax assets. In addition, to determine the provision for income taxes recorded in the consolidated statement of income, management interprets tax legislation in various jurisdictions. The use of different assumptions or interpretations could translate into significantly different income tax expenses.

Provisions and contingent liabilities

Management exercises judgment in determining whether a past event or transaction may result in the recognition of a provision or the disclosure of a contingent liability, for instance in the case of legal actions or pending litigations. Provisions are established when it becomes probable that an outflow of resources will be required to settle the obligation and the

amount can be reliably estimated. In addition to the Bank's management, for provisions related to legal actions or pending litigations, internal and external experts are involved in assessing the probability and in estimating any amounts involved. Changes in these assessments may lead to adjustments to the recognized provisions. In addition, the actual costs of resolving these claims may be substantially higher or lower than the amounts accrued for these claims.

3. Summary of Significant Accounting Policies

3.1 Financial instruments

The classification of financial instruments at initial recognition depends on the purpose and the Bank's intention for which the financial instruments were acquired and their characteristics.

Financial instruments at fair value through profit or loss

Financial instruments at fair value through profit or loss are comprised of financial instruments classified as held-for-trading and financial instruments designated by the Bank as at fair value through profit or loss upon initial recognition.

Financial instruments at fair value through profit or loss are initially recorded at fair value on the settlement date in the consolidated balance sheet. Subsequently, these financial instruments are remeasured at fair value and the realized and unrealized gains and losses are immediately recognized in the consolidated statement of income under income from treasury and financial market operations or income from brokerage operations. Interest income earned, amortization of premiums and discounts as well as dividends received are included in interest income using the accrual basis of accounting. Transaction costs and other fees associated with financial instruments at fair value through profit or loss are expensed as incurred.

Held-for-trading financial instruments

Financial instruments purchased for resale over a short period of time, obligations related to securities sold short, and derivatives not designated in hedge relationships are classified as held-for-trading.

Financial instruments designated as at fair value through profit or loss

Financial instruments, other than those held for trading, may be designated on a voluntary and irrevocable basis as at fair value through profit or loss provided that such designation:

- Eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the related gains and losses on different bases; or
- Pertains to an asset or liability that is managed and whose performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about such items is provided internally on that basis to the Bank's key management personnel; or
- Pertains to a contract containing one or more embedded derivatives that significantly modify the cash flows that otherwise would be required by the contract; and
- Allows for reliable measurement of the fair value of the financial instruments designated at fair value through profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale, or that are not classified as loans and receivables, held-to-maturity, held-for-trading or designated as at fair value through profit or loss. Available-for-sale financial assets are acquired for an indefinite period and may be sold to meet liquidity requirements or in response to changes in interest rates, exchange rates or equity instrument prices.

Available-for-sale financial assets are initially recorded at fair value on the settlement date including direct transaction costs and are subsequently remeasured at fair value in the consolidated balance sheet. Equity instruments that do not have a quoted market price in an active market and for which a reliable valuation cannot be obtained are recorded at cost. Unrealized gains and losses are recognized, net of applicable income taxes, in equity in an available-for-sale reserve included in the accumulated other comprehensive income until the financial assets are either sold or become impaired. On disposal of an available-for-sale financial asset, the accumulated unrealized gain or loss included in the available-for-sale

3. Summary of Significant Accounting Policies [Cont'd]

reserve is transferred to the consolidated statement of income for the period and reported under income from treasury and financial market operations.

Interest income is recognized on available-for-sale debt securities using the effective interest rate, calculated over the asset's expected life. Premiums and/or discounts arising on the purchase of dated securities are included in the calculation of their effective interest rates. Dividends are recognized in interest income on the ex-dividend date.

Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity, other than loans and receivables, which the Bank has the clear intention and ability to hold to maturity. These financial assets, including direct and incremental transaction costs, are initially recognized at fair value on the settlement date and measured subsequently at amortized cost, using the effective interest method, less any impairment losses.

Securities purchased under reverse repurchase agreements and obligations related to securities sold under repurchase agreements

The Bank enters into short-term purchases of securities under agreements to resell (reverse repurchase agreements) as well as short-term sales of securities under agreements to repurchase (repurchase agreements) at predetermined prices and dates. Given the low risk transfer associated with these purchases and sales, these agreements are treated as collateralized lending and borrowing.

Securities purchased under agreements to resell are not recognized as securities on the consolidated balance sheet and the consideration paid, including accrued interest, is recorded in securities purchased under reverse purchase agreements. The difference between the purchase and resale prices is recorded in net interest income and is accrued over the life of the agreement using the effective interest method. These agreements are classified as loans and receivables.

Securities sold under agreements to repurchase at a specified future date are not derecognized from the consolidated balance sheet. The corresponding cash received is recognized in the consolidated balance sheet with a corresponding obligation to return it, including accrued interest as a liability within obligations related to securities sold under repurchase agreements, reflecting the transaction's economic substance as a loan to the Bank. The difference between the sale and repurchase price is treated as interest and recognized over the life of the agreement using the effective interest method. These agreements are generally classified as financial liabilities at amortized cost.

Securities lending and borrowing

Securities lending and borrowing transactions are usually collateralized by securities or cash. The transfer of the securities to counterparties is only reflected on the consolidated balance sheet if the risks and rewards of ownership are also transferred. Cash advanced or received as collateral is recorded as an asset or liability.

Securities sold short

If securities purchased under agreements to resell are subsequently sold to third parties, the obligation to return the securities is recorded as a short sale within obligations related to securities sold short and measured at fair value with any gains or losses included in other income under income from treasury and financial market operations. These short sales are classified as held-for-trading liabilities.

Securities borrowed are not recognized on the consolidated balance sheet, unless they are then sold to third parties, in which case the obligation to return the securities is also recorded as a short sale.

Loans

Loans are non-derivative financial assets with fixed or determinable payments and are therefore classified as loans and receivables. However, financial assets quoted in an active market do not meet the necessary conditions to be classified as loans and receivables and must be classified as held-for-trading, available-for-sale or held-to-maturity. Moreover, loans that the Bank would intend to sell immediately or in the near term, as well as loans where the Bank may not recover substantially all of its initial investment other than because of credit deterioration, would be classified as held-for-trading.

Loans are initially recorded at fair value on the settlement date in the consolidated balance sheet. They are subsequently recorded at amortized cost using the effective interest method in the balance sheet, net of allowances for loan losses and any unearned interest. Interest income related to loans is accounted for using the accrual basis of accounting under the effective interest method. Commissions and origination fees received in respect of loans are considered to be adjustments to the loan yield and are recorded in interest income over the term of the loans. Loan origination and other fees paid are charged to interest income over the term of the loans. Fees received for loan prepayments are included in interest income upon prepayment.

Renegotiated loans

Subject to assessment on a case by case basis, the Bank may either restructure a loan or realize the collateral. Restructuring may involve extending the payment arrangements and agreeing to new loan conditions. Once the terms have been renegotiated any impairment is measured using the effective interest rate as calculated before the modification of terms and the loan is no longer considered as past due. The loans continue to be subject to impairment assessment, calculated using the loan's original effective interest rate.

Foreclosed assets

Assets acquired by way of settlement of a loan and held for sale are initially measured at fair value less estimated costs to sell, under other assets. The difference between the carrying amount of the loan prior to foreclosure and the amount at which the foreclosed assets are initially measured is recognized in the provision for loan losses.

Any future change in their fair value, but not in excess of the cumulative losses recognized subsequent to the foreclosure date, is recognized as other income in the consolidated statement of income. The revenues generated by foreclosed assets and operating expenses are included in other income and non-interest expenses. If the assets are to be held and used, they are initially measured at fair value and then accounted for in the same manner as similar assets acquired in the normal course of business.

Derecognition of financial assets

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire or when the contractual rights to the cash flows from the financial asset and substantially all risks and rewards of ownership of the asset are transferred to a third party. When a financial asset is derecognized in full, a gain or a loss is recognized in the consolidated statement of income for an amount equal to the difference between the carrying amount of the asset and the value of the consideration received.

Securitization

Mortgage loan securitization is part of the Bank's liquidity and capital management strategies. As such, the Bank participates in the *National Housing Act* (NHA) Mortgage-Backed Securities (MBS) program and also sells mortgage loans to other special purpose entities. Transfers of pools of mortgages under these programs do not result in derecognition of the mortgages from the Bank's consolidated balance sheet as the Bank retains substantially all the risks and rewards related to the loans. As such, securitized residential mortgages continue to be recognized in the consolidated balance sheet and accounted for as loans. In addition, these transactions result in the recognition of a debt related to securitization activities when cash is received as a result of the securitization transactions.

Impairment of financial assets

Impairment of available-for-sale financial assets

Financial assets classified in the available-for-sale category are monitored on a regular basis to determine whether there is any objective evidence that they are impaired. In evaluating the decline in value, the Bank takes into account many facts specific to each investment and all the factors that could indicate that there has been an impairment. The Bank also uses judgment to determine when to recognize an impairment loss.

For available-for-sale equity securities, a significant or prolonged decline in fair value below its cost is considered to be objective evidence of impairment. If the available-for-sale equity securities are impaired, the cumulative loss, measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any previous recognized impairment loss, is removed from the available-for-sale reserve and recognized in the consolidated statement of income in income from treasury and financial market operations. Impairment losses on equity securities are not

3. Summary of Significant Accounting Policies [Cont'd]

reversed through the consolidated income statement. Subsequent increases in fair value of the available-for-sale equity securities are recorded in the available-for-sale reserve whereas subsequent decreases in fair value are recognized in the consolidated statement of income.

For available-for-sale debt securities, objective evidence of impairment includes a significant financial difficulty of the issuer or counterparty, default or delinquency in interest or principal payments or probability that the borrower will enter bankruptcy or financial re-organization. The impairment loss represents the cumulative loss measured as the difference between amortized cost and current fair value, less any impairment loss previously recognized. Future interest income is calculated on the reduced carrying amount using the same interest rate as the one used to discount future cash flows in order to measure the impairment loss. A subsequent decline in the fair value of the instrument is also recognized in the income statement. If the fair value of a debt security increases in a subsequent period, the increase is recognized in the available-for-sale reserve. However, if the increase can be objectively related to an event that occurred after the impairment loss was recognized in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income. An increase in fair value in excess of impairment loss recognized previously in the consolidated statement of income is recognized in the available-for-sale reserve.

Impairment of held-to-maturity financial assets

Held-to-maturity financial assets are impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

The impairment loss is measured as the difference between the carrying amount of the asset, including accrued interest, and the present value of estimated expected future cash flows discounted at the asset's original effective interest rate.

Impairment of loans

A loan or a group of loans are impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event has an impact on the estimated future cash flows of the loan or a group of loans that can be reliably estimated.

There is an objective evidence of impairment if, for instance:

- there is reason to believe that a portion of the principal or interest cannot be collected as a result of significant financial difficulty of the issuer or counterparty; or
- the interest or principal repayment is contractually 90 days or more in arrears, unless the loan is fully secured or in the process of collection except for credit card balances; or
- the interest or principal is more than 180 days in arrears, except if the principal is guaranteed or insured by the Canadian government, a provincial government or a Canadian government agency; or
- the interest or principal is more than 365 days in arrears, regardless of guarantees.

At each balance sheet date, the Bank assesses whether objective evidence of impairment exists individually for each significant loan, or collectively for loans that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed loan, it includes the loan in a portfolio of loans with similar credit risk characteristics and collectively assesses them for impairment. Loans that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the carrying amount of the loan, including accrued interest, and the present value of estimated expected future cash flows. The carrying amount of the loan is reduced by the use of an allowance account and the amount of the loss is recognized in the consolidated statement of income as a component of the provision for loan losses.

The present value of the estimated future cash flows is discounted at the loan's original effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralized loan takes into account the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable. Once determined, the present value is accreted over the period from the initial recognition of the provision to the estimated eventual recovery of the loan's future value, resulting in the recording of interest in the statement of income, within interest income. If an impairment is later recovered, the recovery is credited to the provision for loan losses.

Collective allowances

A collective allowance is calculated for all individually insignificant loans for which no individual impairment tests are performed. In addition, a collective allowance is calculated for loans that have been assessed for impairment individually and found not to be impaired. These loans are assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred but not identified loss events for which there is objective evidence but whose effects are not yet evident.

To establish the collective allowance, the Bank uses a model based on the internal risk rating of credit facilities and on the related probability of default factors, as well as the loss given default associated with each type of facility. The probability of default and loss given default factors reflect the Bank's historical experience. The collective allowance is adjusted to reflect changes in the portfolios and credit policies and is maintained for each pool of loans with shared risk characteristics. This estimate includes consideration of economic and business conditions, management's judgment and the risks related to the model.

The allowance related to off-balance sheet exposures, such as letters of guarantee and certain undrawn amounts under approved credit facilities, is recognized in other liabilities.

Acceptances and customers' liabilities under acceptances

Acceptances represent an obligation for the Bank with respect to short-term negotiable instruments issued by the Bank's customers to third parties and guaranteed by the Bank. Acceptances are classified as other liabilities. The recourse against the customer in the event that these obligations give rise to a cash outlay is reported as a corresponding asset and classified as loans and receivables. Commissions earned are recorded in other income in the consolidated statement of income.

Derivatives and hedges

Derivatives are primarily used to manage the Bank's exposure to interest rate and currency risks and, occasionally, in trading activities or to serve the needs of customers.

All derivatives are recognized at fair value in other assets or liabilities, including derivatives embedded in financial instruments or other contracts that are not closely related to the financial instrument or to the host contract. Changes in fair value of derivatives are immediately recognized in income from treasury and financial market operations, except for derivatives designated as cash flow hedges as described below. Interest income and expenses related to derivatives are recognized in net interest income in the consolidated statement of income.

Hedge accounting

When using derivatives to manage its own risks, the Bank determines for each derivative whether hedge accounting is appropriate. If deemed appropriate, the Bank formally documents the hedging relationship, detailing among other things the type of hedge (fair value or cash flow hedge), the item being hedged, the risk management objective, the hedging strategy and the method used to measure its effectiveness. Hedge accounting is deemed appropriate where the derivative is highly effective in offsetting changes in the hedged item's fair value attributed to the hedged risk, both at the hedge's inception and on an ongoing basis. Effectiveness is generally reviewed every month using statistical regression models.

Fair value hedges

Fair value hedge transactions predominantly use interest rate swaps to hedge changes in fair value of assets, liabilities or firm commitments.

For these hedging relationships, the changes in the hedged item's fair value attributable to the hedged risk are recognized in the consolidated statement of income under income from treasury and financial market operations with a corresponding adjustment to the carrying amount of the hedged item in the consolidated balance sheet. Changes in fair value of the hedged item, to the extent that the hedging relationship is effective, are offset by changes in fair value of the hedging derivative. When the hedging relationship ceases to be effective or the hedging instrument is sold or terminated early, hedge accounting is discontinued prospectively. The cumulative adjustment to the carrying amount of the hedged item linked to a hedging relationship that ceases to be effective or for which the hedging derivative is terminated or sold is recognized in net interest income in the periods during which the hedged item affects income. Hedge accounting is also discontinued on the sale or early termination of the hedged item, whereupon the cumulative adjustment to the hedged item's carrying amount is immediately recognized in other income.

3. Summary of Significant Accounting Policies [Cont'd]

Cash flow hedges

Cash flow hedge transactions predominantly use interest rate swaps to hedge the variability in cash flows related to a variable rate asset or liability.

For these hedging relationships, the changes in fair value related to the effective portion of the hedge are recognized in other comprehensive income. Changes in fair value related to the ineffective portion of the hedge are immediately recognized in the consolidated statement of income. Changes in fair value recognized in other comprehensive income are reclassified in the consolidated statement of income under net interest income in the periods during which the cash flows comprising the hedged item affect income.

When the hedging relationship ceases to be effective or the hedging instrument is sold or terminated early, hedge accounting is discontinued prospectively. Changes in fair value recognized in other comprehensive income in respect of a cash flow hedging relationship that ceases to be effective or for which the hedging instrument is sold or terminated early are reclassified in the consolidated statement of income under net interest income in the periods during which the cash flows comprising the hedged item affect income. Hedge accounting is also discontinued on the sale or early termination of the hedged item, whereupon the changes in fair value recognized in accumulated other comprehensive income are then immediately reclassified in the consolidated statement of income under other income.

Deposits

Deposits are initially measured at fair value, which is normally the consideration received net of directly attributable transaction costs incurred. Subsequently, they are measured at amortized cost using the effective interest method. The commissions paid and other fees are added to interest expense over the term of the deposits. Deposits are classified as financial liabilities at amortized cost. Deposits are presented net of unamortized commissions and other fees on the consolidated balance sheet.

Indexed deposit contracts

Certain deposit obligations, such as equity-linked guaranteed investment certificates where the deposit obligation varies according to the performance of certain stock market indexes, may be subject to a guaranteed minimum redemption amount, such as the obligation to return the investor's initial investment at maturity. These obligations include an embedded derivative instrument that has to be accounted for separately. Accordingly, like all derivatives, it is recorded at fair value and changes in fair value are recognized in the consolidated statement of income under income from treasury and financial market operations. The deposit obligation, excluding the embedded derivative, is recorded at amortized cost using the effective interest method. The deposit obligation, including the embedded derivative, is reported in the consolidated balance sheet under personal deposits.

Debt related to securitization activities

Debt related to securitization activities is initially measured at fair value, which is normally the consideration received net of directly attributable transaction costs incurred. Subsequently, the debt is measured at amortized cost using the effective interest method and is classified as other liabilities. Interest expense is allocated over the expected term of the borrowing by applying the effective interest rate to the carrying amount of the liability.

Subordinated debt

Subordinated debt is initially measured at fair value, which is normally the consideration received net of directly attributable transaction costs incurred. Subsequently, the debt is measured at amortized cost using the effective interest method and is classified as other liabilities. Interest expense is allocated over the expected term of the borrowing by applying the effective interest rate to the carrying amount of the liability.

Measuring the fair value of financial instruments

Fair value is defined as the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable willing parties.

The fair value of a financial instrument on initial recognition is normally the transaction price, that is, the fair value of the consideration given or received. In certain circumstances, the initial fair value may be based on other observable market

transactions for the same instrument or on a valuation technique whose variables include only data from observable markets.

Subsequent to initial recognition, the fair values of financial instruments that have a quoted market price in an active market are generally based on bid prices for financial assets held and offer prices for financial liabilities. Where financial instruments have no quoted prices in active markets, fair values are determined using valuation techniques incorporating, among other things, current market prices for financial instruments with similar characteristics and risk profiles, contractual prices of the underlying instruments, yield curves and volatility factors. In certain cases, parameters not based on observable market data must also be used. The valuations may also be adjusted to reflect the uncertainty in these parameters. In particular, valuation adjustments may be made with respect to the liquidity or counterparty credit risk of financial instruments that have no available quoted market prices in an active market.

Fair values of derivatives are generally determined using valuation techniques incorporating certain observable data, such as current market prices and the contractual prices of the underlying instruments, yield curves and volatility factors. Given the use of judgment in applying many of the acceptable estimation and valuation techniques, fair values calculated may vary from one market participant to another. Fair value reflects market conditions on a given date and for this reason cannot be representative of future fair values. It also cannot be considered as being realizable in the event of immediate settlement of these instruments.

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is presented in the consolidated balance sheet when the Bank has a legally enforceable right to set off the recognized amounts and intends to settle on a net basis or to realize the asset and settle the liability simultaneously. Income and expense are not offset in the consolidated statement of income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Bank.

3.2 Premises and equipment

Premises and equipment are recorded at cost including expenditure that is directly attributable to the acquisition of the items, less accumulated depreciation and impairment losses. Additions and subsequent expenditures are capitalised only to the extent that they enhance the future economic benefits expected to be derived from the assets.

Depreciation

Depreciation is calculated using the straight-line method to write down the cost of premises and equipment to their residual values over their estimated useful lives. Land is not depreciated. The estimated useful lives are as follows:

	Period
Premises	25–40 years
Leasehold improvements	The lesser of term of the lease, plus initial renewal option, or useful life
Equipment and furniture	3–10 years
Computer hardware	5–10 years

The residual values underlying the calculation of depreciation of items of property are kept under review to take account of any change in circumstances. Useful lives and method of depreciation are also reviewed regularly, at a minimum at the end of each fiscal year, and adjusted if appropriate. These changes are treated as changes in accounting estimates.

Impairment

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is considered to be impaired and it is written down immediately to its recoverable amount. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assessing whether such events or circumstances exist is subject to management's judgment. No premises or equipment assets were impaired as at April 30, 2012 and 2011.

3. Summary of Significant Accounting Policies [Cont'd]

3.3 Goodwill and other intangible assets

Goodwill represents the excess of the cost of acquisition over the fair values of the identifiable net assets acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Bank's cash-generating units (CGUs) or group of CGUs, which are expected to benefit from the synergies of the combination. Each unit to which the goodwill is allocated represents the lowest level within the Bank at which the goodwill is monitored for internal management purposes, and is not larger than an operating segment. The Bank has allocated the goodwill from business combinations to the B2B Trust segment, as well as to a part of the Retail & SME Québec segment referred to as the Retail unit, which encompasses all branch activities and other retail banking activities in Québec.

Goodwill is reviewed for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired, by comparing the present value of expected future cash flows from the CGU with the carrying value of its net assets, including attributable goodwill. Impairment losses on goodwill are not reversed.

Intangible assets with finite lives mainly consisting of contractual relationships with financial intermediaries and customer relationships, as well as core deposits are amortized on a straight-line basis over their estimated useful life, which ranges from three to fourteen years. Software is amortized on a straight line basis over its estimated useful life, which ranges from five to ten years. Amortization of software is recorded in the consolidated statement of income under premises and technology, and amortization of other intangible assets is included in other non-interest expenses.

Intangible assets with finite lives are tested for impairment whenever circumstances indicate that the carrying value may not be fully recoverable. When the net carrying amount exceeds the estimated discounted future net cash flows, intangible assets with finite lives are considered impaired and are written down to their recoverable amount.

Any impairment arising from a decline in value of goodwill or intangible assets is charged to income in the period in which the losses are incurred.

3.4 Employee benefits

The Bank provides short-term benefits such as salary, health and life insurance, annual leave as well as other incentive plans. The Bank provides post-employment benefits, including pension plans, as well as, for certain retired employees, health and life insurance.

Short-term benefits

The Bank recognizes an expense when it has used services rendered by employees in exchange for employee benefits.

Post-employment benefits

The Bank has a number of funded defined benefit plans, including certain defined contribution portions. Funding is generally provided by both the Bank and the participating employees of the plans.

Defined benefit pension plans

Typically, defined benefit plans provide benefits based on years of service, age, contribution and average earning. The defined benefit asset or liability, recognized on the consolidated balance sheet, corresponds to the present value of the defined obligation less the fair value of the plan assets at the balance sheet date, together with adjustments for any unrecognized actuarial gains and losses and unrecognized non-vested past service cost.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred), as well as the effects of changes in actuarial assumptions. Net actuarial gains or losses are amortized when, at the beginning of the year, the unamortized balance of the gain or loss exceeds 10% of the greater of the accrued benefit obligation or the market value of plan assets. This excess would be amortized on a straight-line basis over the expected average remaining service life of the employee groups covered by the plans which varied from 4 to 11 years under the plans.

The present value of the defined benefit obligation is measured using the estimated future cash outflows discounted with interest rate of high-quality corporate bonds with a maturity approximating the terms of the related defined benefit obligations. Pension plan assets are measured at fair value.

The value of any pension plan asset is restricted to the sum of any actuarial losses and past service cost not yet recognized and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan. The cost of providing benefits under the plans is determined for each plan using the projected unit credit actuarial valuation method, which incorporates various parameters such as demographic assumptions, the probability that employees will leave before retirement age, salary inflation, a discount rate, and the general inflation rate.

Defined benefit costs recognized in the consolidated statement of income under Salaries and employee benefits consist of: [a] cost for the current year's service, [b] interest expense on the defined benefit obligation, [c] expected long-term return on plan assets, [d] amortization of actuarial gains or losses and [e] change in the valuation allowance.

Past service cost is recognized as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits vest immediately following the introduction of, or changes to, a pension plan, the past service cost is recognized immediately.

Defined contribution pension plans

As part of the pension plans, the Bank also operates defined contribution pension arrangements. The contribution payable to these defined contribution arrangements is in proportion to the services rendered to the Bank by the employees and is recorded as an expense under Salaries and employee benefits. Unpaid contributions are recorded as a liability.

Other post-employment benefits

The Bank offers other post-employment benefits to its employees such as a salary continuance plan during maternity leave and the payment of group insurance plan premiums during a disability period or maternity leave. In addition, certain retired employees have other retirement benefits, including health and life insurance. The costs related to these benefits are recognized during the employees' service life according to accounting policies similar to those applied to defined benefit pension plans.

3.5 Provisions and contingent liabilities

Provisions are liabilities of uncertain timing or amount. They are recognized when the Bank has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the cost can be reliably estimated.

Contingent liabilities are disclosed when the Bank has a possible obligation depending on whether some uncertain future event occurs, or a present obligation as a result of a past event but payment is not probable or the amount cannot be measured reliably.

3.6 Income taxes

The Bank uses the liability method of tax allocation and accounts for the deferred income tax assets and liabilities related to loss carry forwards and other temporary differences between the carrying amounts and the tax bases of assets and liabilities, in accordance with tax laws and rates enacted or substantively enacted on the date the differences are expected to reverse. A valuation allowance is established, as needed, to reduce the deferred income tax asset to the amount that is more likely than not to be realized. All amounts resulting from changes in tax rates are recorded in net income, except to the extent that it relates to items previously recognized outside net income, in which case they are recorded in equity.

3.7 Earnings per share

The Bank calculates its basic earnings per share by dividing net income for the period, after deduction of preferred share dividends, including applicable income taxes, as well as premiums on redemption of preferred shares, by the weighted average number of common shares outstanding for the period. Diluted earnings per share are calculated by dividing the

3. Summary of Significant Accounting Policies [Cont'd]

basic earnings, adjusted for the effects of potentially dilutive common shares, by the weighted average number of common shares outstanding adjusted for the period, inclusive of the effect of potentially dilutive common shares.

3.8 Insurance

Through an agreement with an unrelated insurance company, the Bank is engaged mainly in credit life and disability insurance activities. Insurance premiums are recognized as revenue, net of reinsurance, on a pro rata basis over the terms of the underlying policies. Insurance claims and changes in policy holder benefits estimates are recorded as incurred. These activities are presented in other income under credit insurance income.

3.9 Share-based payments

The Bank provides share-based compensation to certain employees and directors.

Compensation expense of equity instruments [share purchase options] is accrued based on the best estimate of the number of instruments expected to vest, with revisions made to that estimate if subsequent information indicates that actual forfeitures are likely to differ from initial estimates. Share purchase options are expensed with a corresponding increase in share-based payment reserve in equity.

Stock appreciation rights (SARs), restricted share units (RSUs), performance share units (PSUs) and deferred share units (DRSUs and DPSUs) are accounted for as cash-settled share-based payment awards and are expensed with a corresponding liability accrued based on the fair value of the Bank's common shares and, for PSUs, specific performance conditions. The change in the value of rights and units resulting from changes in the fair value of the Bank's common shares or changes in the specific performance conditions and credited dividends is recognized in income during the vesting period, partly offset by the effect of total return swaps used to manage the variability of the related rights and units.

Share-based compensation is recognized as compensation expense over the applicable vesting period.

The Bank's contributions related to the employee share purchase program are recognized as compensation expense.

3.10 Assets under administration and assets under management

The Bank administers and manages assets held by customers that are not recognized in the consolidated balance sheet. Revenues derived from the administration and management of these assets are recorded in other income, as the service is provided.

3.11 Translation of foreign currencies

The financial statements are presented in Canadian dollars which is the functional and reporting currency of all the entities of the group. Financial assets and financial liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rates prevailing at the consolidated balance sheet date. Income and expenses are translated at the average monthly exchange rates. Realized or unrealized gains and losses resulting from the translation of foreign currencies are included in other income.

3.12 Cash and cash equivalents

Cash and cash equivalents consist of cash and non-interest-bearing deposits with other banks, and are classified in the loans and receivables category. Cash comprises bank notes and coins.

3.13 Leases

The Bank entered into lease agreements for its premises and other contracts. These agreements are accounted for as operating leases as they do not transfer substantially all the risks and benefits incidental to ownership of the leased items. Operating lease payments are recognized in other non-interest expenses in the consolidated statement of income on a straight-line basis over the lease term.

3.14 Share Capital

Share issue Costs

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of applicable income taxes, from the proceeds.

Dividend on common shares

Dividends on common shares are recorded in equity in the period in which they are approved by the Bank's Board of Directors.

4. Future Accounting Changes

The following section summarizes the future accounting changes which will be applicable for the Bank in various annual periods beginning on November 1, 2012 at the earliest. The Bank has not yet assessed the impact of the adoption of these standards on its financial statements.

IFRS 9: Financial Instruments

In November 2009, the IASB issued, and subsequently revised 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, which is to be applied retrospectively, is effective for annual periods beginning on or after January 1, 2015, which will be November 1, 2015 for the Bank. 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.

The standard requires all financial assets to be classified in three categories (amortized cost, fair value through profit or loss and fair value through equity) based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Financial liabilities will be classified in the same categories as those defined in IAS 39, however measurement of financial liabilities under the fair value option has been modified with respect to the entity's own credit risk.

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, which will be November 1, 2013 for the Bank, and are to be applied retrospectively.

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.

4. Future Accounting Changes [Cont'd]

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. The standard eliminates the possibility of recognizing joint arrangements using the proportionate consolidation method as well as the distinction between jointly controlled assets and jointly controlled operations.

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

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, which will be November 1, 2013 for the Bank, and is to be applied prospectively. 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.

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, which will be November 1, 2013 for the Bank, and is to be applied retrospectively.

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 is presently used by the Bank, and requires that remeasurements be presented in other comprehensive income.

IAS 32: Financial Instruments: Presentation and IFRS 7: Financial instruments: Disclosures

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. In addition, in December 2011, the IASB issued related 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, which will be November 1, 2013 for the Bank, and are to be applied retrospectively.

IAS 1: Presentation of Financial Statements

In June 2011, the IASB issued amendments to IAS 1, *Presentation of Financial Statements* that require entities to group items presented in other comprehensive income on the basis of whether they might be reclassified to the consolidated statement of income in subsequent periods and items that will not be reclassified to the consolidated statement of income. The amendments did not address which items are presented in other comprehensive income and did not change the option to present items net of tax. The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012, which will be November 1, 2012 for the Bank, and are to be applied retrospectively. The Bank does not expect that the amendments will have a significant impact on the financial statements.

5. Adoption of IFRS

The Bank has adopted IFRS effective November 1, 2011. For periods up to and including the year ended October 31, 2011, the Bank prepared its consolidated financial statements in accordance with previous Canadian generally accepted accounting principles (Canadian GAAP). The Bank's consolidated financial statements for the year ending October 31, 2012 will be the first annual financial statements prepared in accordance with IFRS. The Bank's transition date was November 1, 2010 (the transition date) and the Bank has prepared its opening consolidated balance sheet as at that date. These financial statements have been prepared in accordance with accounting policies described in Note 3. The Bank will ultimately prepare its opening consolidated balance sheet and consolidated financial statements for 2011 and 2012 by applying existing IFRS with an effective date of October 31, 2012 or prior. Accordingly, the opening balance sheet and consolidated financial statements for 2011 and 2012 may differ from these financial statements.

This note explains how the transition from Canadian GAAP to IFRS affected the Bank's reported consolidated balance sheet and consolidated equity as at November 1, 2010, April 30, 2011 and October 31, 2011, as well as consolidated income for the three-month and six-month periods ended April 30, 2011. Consolidated comprehensive income is reported for the three-month and six-month periods ended April 30, 2011, and the twelve-month period ended October 31, 2011.

5.1 Exemptions and exceptions under IFRS 1

IFRS 1, *First-time Adoption of International Financial Reporting Standards*, provides the basis on how to adopt IFRS for the first time. It generally requires a first-time adopter to retrospectively apply all IFRS effective as at the end of its first annual reporting period (October 31, 2012 for the Bank). In addition, it contains certain exemptions and exceptions to the general principle of retrospective application in order to facilitate the transition to IFRS. The Bank analyzed these exceptions and exemptions in order to make choices that allow it to establish its opening balance sheet under IFRS. The information below corresponds to the exemptions and exceptions to the retrospective application of IFRS that the Bank has decided to apply.

Optional exemptions to retrospective application

The Bank applied certain optional exemptions to the retrospective application of IFRS when it prepared its opening balance sheet. The exemptions applied are described below:

a) Securitization

Generally, the Bank's securitization transactions would not meet IAS 39 derecognition criteria. IFRS 1 provides the option to grandfather certain securitization transactions occurring on or before an entity's transition date, or another date of the entity's choosing, instead of the current mandatory date of January 1, 2004. However, in line with OSFI's position, the Bank has applied IAS 39 derecognition requirements to past securitization transactions.

b) Designation of financial instruments

Under IAS 39, entities are permitted to make certain designations only upon initial recognition. IFRS 1 permits an entity to designate a previously recognized financial asset as available-for-sale or as a financial asset at fair value through profit or loss upon transition to IFRS.

Under Canadian GAAP, certain securities held as economic hedges of off-balance sheet securitization activities were designated as at fair value through profit or loss to reduce a recognition inconsistency that would otherwise have arisen from measuring these assets on a different basis than related seller-swaps. Under IFRS, these past securitization transactions do not meet the derecognition requirements and related seller swaps are not recognized on-balance sheet anymore. In order to realign revenue recognition for these transactions, the Bank re-designated these securities as available-for-sale. In addition, the accounting for past securitization transactions under IFRS led to the initial recognition and classification of replacement assets as detailed in Note 5.6(a).

For other financial instruments, the Bank maintained its existing designations as at November 1, 2010.

5. Adoption of IFRS [Cont'd]

c) Business combinations

IFRS 1 provides the option to apply IFRS 3, *Business Combinations*, prospectively from the transition date or retrospectively back to any prior business combination provided that IFRS 3 is applied consistently from that business combination through the transition date. The Bank opted to apply this exemption and elected November 1, 2000 as the date to restate prior business combinations. The value of goodwill and intangible assets was amended on the transition date as described in Note 5.6(e).

d) Employee benefits

Instead of restating the accounting of post-employment defined benefit plans, including unamortized actuarial gains and losses, from inception until the transition date as if IAS 19, *Employment Benefits*, had always been applied, the Bank elected, as permitted by IFRS 1, to recognize all unamortized cumulative actuarial gains and losses in the consolidated retained earnings at the date of transition to IFRS. The Bank also elected to disclose the defined benefit obligations, plan assets, deficit and experience adjustments on retirement benefit liabilities and assets prospectively from the date of transition, progressively building the data to present the four years of comparative information required under IFRS.

e) Share-based payments

According to IFRS 1, the Bank elected to use the optional exemption offered, which allows the Bank not to apply IFRS 2, *Share-based Payment*, retrospectively to share-based payment awards granted prior to November 7, 2002 and those that have vested before November 1, 2010. At the transition date, there was no adjustment related to these instruments as a result of this election.

Mandatory exceptions to retrospective application

When preparing its opening balance sheet, the Bank applied mandatory exceptions to the full retrospective application of IFRS, as described below:

a) Hedge accounting

Only hedging relationships that comply with IFRS hedge accounting criteria on the transition date are recognized as hedges on the transition date.

b) Estimates

The Bank did not use hindsight in order to create or revise estimates.

5.2 Reconciliation of balance sheet between Canadian GAAP and IFRS

The following tables present the reconciliation of balance sheet according to Canadian GAAP and the balance sheet recorded in accordance with IFRS. See Note 5.6 for an explanation of the nature of adjustments and reclassifications.

AS AT OCTOBER 31, 2011					
ITEM ^[1]	CANADIAN GAAP ^[2]	ADJUSTMENTS	RECLASSIFICATIONS	IFRS	
ASSETS					
Cash and non-interest-bearing deposits with other banks					
	\$ 81,600	\$ -	\$ -	\$ 81,600	
Interest-bearing deposits with other banks	a) 276,429	9,030	-	285,459	
Securities					
Available-for-sale	a) 1,096,333	-	1,011,742	2,108,075	
Held-to-maturity	a) -	885,822	-	885,822	
Held-for-trading	2,181,969	-	-	2,181,969	
Designated as at fair value through profit or loss	a) 1,011,742	-	(1,011,742)	-	
	4,290,044	885,822	-	5,175,866	
Securities purchased under reverse repurchase agreements					
	a) 318,753	401,564	-	720,317	
Loans					
Personal	n) 5,768,787	-	5,420	5,774,207	
Residential mortgage	a), n) 8,378,029	3,394,017	97,366	11,869,412	
Commercial mortgage	2,363,808	-	-	2,363,808	
Commercial and other	1,900,977	-	-	1,900,977	
Customers' liabilities under acceptances	179,140	-	-	179,140	
	18,590,741	3,394,017	102,786	22,087,544	
Allowances for loan losses	d) (149,743)	1,000	5,593	(143,150)	
	18,440,998	3,395,017	108,379	21,944,394	
Other					
Premises and equipment	m) 64,752	(3,044)	-	61,708	
Derivatives	a) 228,704	(443)	-	228,261	
Goodwill	e) 53,790	(24,566)	-	29,224	
Software and other intangible assets	f), m) 123,357	(9,408)	-	113,949	
Deferred tax assets	j) -	19,876	(15,716)	4,160	
Other assets	a), c), e), j), n) 612,024	(186,806)	(106,946)	318,272	
	1,082,627	(204,391)	(122,662)	755,574	
	\$ 24,490,451	\$ 4,487,042	\$ (14,283)	\$ 28,963,210	
LIABILITIES AND SHAREHOLDERS' EQUITY					
Deposits					
Personal	a), b) \$ 15,610,012	\$ (159)	\$ -	\$ 15,609,853	
Business, banks and other	a) 4,457,406	(50,978)	-	4,406,428	
	20,067,418	(51,137)	-	20,016,281	
Other					
Obligations related to securities sold short	1,471,254	-	-	1,471,254	
Obligations related to securities sold under repurchase agreements	36,770	-	-	36,770	
Acceptances	179,140	-	-	179,140	
Derivatives	a) 246,475	(116,506)	-	129,969	
Deferred tax liabilities	j) -	(17,244)	23,606	6,362	
Other liabilities	a), c), d), g), i), j), k), l) 912,190	27,419	(37,889)	901,720	
	2,845,829	(106,331)	(14,283)	2,725,215	
Debt related to securitization activities					
	a) -	4,760,847	-	4,760,847	
Subordinated debt					
	b) 242,512	39	-	242,551	
Shareholders' equity					
Preferred shares	210,000	-	-	210,000	
Common shares	259,492	-	-	259,492	
Share-based payment reserve	227	-	-	227	
Retained earnings	o) 818,207	(135,200)	-	683,007	
Accumulated other comprehensive income	a), b), h), j) 46,766	18,824	-	65,590	
	1,334,692	(116,376)	-	1,218,316	
	\$ 24,490,451	\$ 4,487,042	\$ (14,283)	\$ 28,963,210	

[1] See items in Note 5.6 Nature of adjustments.

[2] See Reclassification of comparative figures in Note 2 Basis of presentation.

5. Adoption of IFRS [Cont'd]

AS AT APRIL 30, 2011

ITEM ^[1]	CANADIAN GAAP ^[2]	ADJUSTMENTS	RECLASSIFICATIONS	IFRS	
ASSETS					
Cash and non-interest-bearing deposits with other banks					
a) \$	69,287	\$ 1,975	\$ -	\$ 71,262	
Interest-bearing deposits with other banks					
a)	641,777	4,756	-	646,533	
Securities					
Available-for-sale	a), h)	1,041,380	796	1,012,327	2,054,503
Held-to-maturity	a)	-	646,713	-	646,713
Held-for-trading		2,248,007	-	-	2,248,007
Designated as at fair value through profit or loss	a)	1,012,327	-	(1,012,327)	-
		4,301,714	647,509	-	4,949,223
Securities purchased under reverse repurchase agreements					
a)	443,456	182,712	-	626,168	
Loans					
Personal	n)	5,677,165	-	4,362	5,681,527
Residential mortgage	a), n)	7,976,899	3,185,279	90,566	11,252,744
Commercial mortgage		2,213,760	-	-	2,213,760
Commercial and other		1,823,234	-	-	1,823,234
Customers' liabilities under acceptances		187,400	-	-	187,400
		17,878,458	3,185,279	94,928	21,158,665
Allowances for loan losses	d)	(148,225)	6,684	5,336	(136,205)
		17,730,233	3,191,963	100,264	21,022,460
Other					
Premises and equipment	m)	63,952	(2,986)	-	60,966
Derivatives	a)	120,201	(1,482)	-	118,719
Goodwill	e)	53,790	(24,566)	-	29,224
Software and other intangible assets	f), m)	110,467	(10,053)	-	100,414
Deferred tax assets	j)	-	23,010	(1,838)	21,172
Other assets	a), c), j), n)	524,547	(174,803)	(99,903)	249,841
		872,957	(190,880)	(101,741)	580,336
		\$ 24,059,424	\$ 3,838,035	\$ (1,477)	\$ 27,895,982
LIABILITIES AND SHAREHOLDERS' EQUITY					
Deposits					
Personal	a), b)	\$ 15,563,425	\$ (52,733)	\$ -	\$ 15,510,692
Business, banks and other		4,063,085	-	-	4,063,085
		19,626,510	(52,733)	-	19,573,777
Other					
Obligations related to securities sold short		1,437,259	-	-	1,437,259
Obligations related to securities sold under repurchase agreements		205,923	-	-	205,923
Acceptances		187,400	-	-	187,400
Derivatives	a)	180,805	(51,217)	-	129,588
Deferred tax liabilities	j)	-	(12,909)	13,199	290
Other liabilities	a), c), d), g), i), j), k), l)	913,780	16,088	(14,676)	915,192
		2,925,167	(48,038)	(1,477)	2,875,652
Debt related to securitization activities					
a)	-	4,051,889	-	4,051,889	
Subordinated debt					
b)	241,640	43	-	241,683	
Shareholders' equity					
Preferred shares		210,000	-	-	210,000
Common shares		259,484	-	-	259,484
Share-based payment reserve		227	-	-	227
Retained earnings	o)	780,668	(127,127)	-	653,541
Accumulated other comprehensive income	a), b), h), j)	15,728	14,001	-	29,729
		1,266,107	(113,126)	-	1,152,981
		\$ 24,059,424	\$ 3,838,035	\$ (1,477)	\$ 27,895,982

[1] See items in Note 5.6 Nature of adjustments.

[2] See Reclassification of comparative figures in Note 2 Basis of presentation.

AS AT NOVEMBER 1, 2010

ITEM ^[1]	CANADIAN GAAP ^[2]	ADJUSTMENTS	RECLASSIFICATIONS	IFRS	
ASSETS					
Cash and non-interest-bearing deposits with other banks					
a) \$	70,537	\$ 1,907	\$ -	\$ 72,444	
Interest-bearing deposits with other banks					
a)	95,561	3,833	-	99,394	
Securities					
Available-for-sale	a), h)	1,103,744	1,281	1,033,836	2,138,861
Held-to-maturity	a)	-	559,457	-	559,457
Held-for-trading		1,496,583	-	-	1,496,583
Designated as at fair value through profit or loss	a)	1,658,478	-	(1,033,836)	624,642
		4,258,805	560,738	-	4,819,543
Securities purchased under reverse repurchase agreements					
a)	803,874	190,800	-	994,674	
Loans					
Personal	n)	5,630,788	-	5,415	5,636,203
Residential mortgage	a), n)	8,055,034	2,715,535	89,078	10,859,647
Commercial mortgage		2,166,375	-	-	2,166,375
Commercial and other		1,691,190	-	-	1,691,190
Customers' liabilities under acceptances		165,450	-	-	165,450
		17,708,837	2,715,535	94,493	20,518,865
Allowances for loan losses	d)	(138,143)	840	5,736	(131,567)
		17,570,694	2,716,375	100,229	20,387,298
Other					
Premises and equipment	m)	58,536	(2,809)	-	55,727
Derivatives	a)	162,610	(4,544)	-	158,066
Goodwill	e)	53,790	(24,566)	-	29,224
Software and other intangible assets	f), m)	112,369	(10,698)	-	101,671
Deferred tax assets	j)	-	18,416	29,579	47,995
Other assets	a), c), j), n)	585,362	(172,001)	(124,072)	289,289
		972,667	(196,202)	(94,493)	681,972
		\$ 23,772,138	\$ 3,277,451	\$ 5,736	\$ 27,055,325
LIABILITIES AND SHAREHOLDERS' EQUITY					
Deposits					
Personal	a), b)	\$ 15,396,911	\$ (42,060)	\$ -	\$ 15,354,851
Business, banks and other		4,250,819	-	-	4,250,819
		19,647,730	(42,060)	-	19,605,670
Other					
Obligations related to securities sold short		1,362,336	-	-	1,362,336
Obligations related to securities sold under repurchase agreements		60,050	-	-	60,050
Acceptances		165,450	-	-	165,450
Derivatives	a)	199,278	(84,043)	-	115,235
Deferred tax liabilities	j)	-	(13,977)	41,520	27,543
Other liabilities	a), c), d), g), i), j), k), l)	947,879	33,844	(35,784)	945,939
		2,734,993	(64,176)	5,736	2,676,553
Debt related to securitization activities					
a)	-	3,486,634	-	3,486,634	
Subordinated debt					
		150,000	-	-	150,000
Shareholders' equity					
Preferred shares		210,000	-	-	210,000
Common shares		259,363	-	-	259,363
Share-based payment reserve		243	-	-	243
Retained earnings	o)	741,911	(131,428)	-	610,483
Accumulated other comprehensive income	a), b), h), j)	27,898	28,481	-	56,379
		1,239,415	(102,947)	-	1,136,468
		\$ 23,772,138	\$ 3,277,451	\$ 5,736	\$ 27,055,325

[1] See items in Note 5.6 Nature of adjustments.

[2] See Reclassification of comparative figures in Note 2 Basis of presentation.

5. Adoption of IFRS [Cont'd]

5.3 Reconciliation of income statement between Canadian GAAP and IFRS

The following table presents the reconciliation of results according to Canadian GAAP and the results recorded in accordance with IFRS. See Note 5.6 for an explanation of the nature of adjustments.

FOR THE THREE MONTHS ENDED APRIL 30, 2011				
	ITEM ^[1]	CANADIAN GAAP ^[2]	ADJUSTMENTS	IFRS
Interest income				
Loans	a), d)	\$ 196,505	\$ 37,928	\$ 234,433
Securities	a)	15,418	2,781	18,199
Deposits with other banks	a)	1,581	8	1,589
Other, including derivatives	a), b)	15,507	(1,311)	14,196
		229,011	39,406	268,417
Interest expense				
Deposits		108,851	-	108,851
Debt related to securitization activities	a)	-	33,983	33,983
Subordinated debt		2,352	-	2,352
Other, including derivatives		1,166	-	1,166
		112,369	33,983	146,352
Net interest income		116,642	5,423	122,065
Other income				
Fees and commissions on loans and deposits	k)	28,211	(329)	27,882
Income from brokerage operations		16,592	-	16,592
Securitization income	a)	7,564	(7,564)	-
Credit insurance income		4,290	-	4,290
Income from treasury and financial market operations	a), b), h)	4,003	(10)	3,993
Income from sales of mutual funds		4,460	-	4,460
Income from registered self-directed plans		1,990	-	1,990
Other income		1,965	-	1,965
		69,075	(7,903)	61,172
Total revenue		185,717	(2,480)	183,237
Provision for loan losses	d)	12,000	(16)	11,984
Non-interest expenses				
Salaries and employee benefits	c), g)	75,416	(2,259)	73,157
Premises and technology	l), m)	34,845	109	34,954
Other	a), d), f), k)	24,563	(688)	23,875
		134,824	(2,838)	131,986
Income before income taxes		38,893	374	39,267
Income taxes	j)	8,751	(500)	8,251
Net income		\$ 30,142	\$ 874	\$ 31,016
Preferred share dividends, including applicable taxes		3,109	-	3,109
Net income available to common shareholders		\$ 27,033	\$ 874	\$ 27,907
Average number of common shares outstanding (in thousands)				
Basic		23,923	-	23,923
Diluted		23,946	-	23,946
Earnings per share				
Basic		\$ 1.13	\$ 0.04	\$ 1.17
Diluted		\$ 1.13	\$ 0.04	\$ 1.17

[1] See items in Note 5.6 Nature of adjustments.

[2] See Reclassification of comparative figures in Note 2 Basis of presentation.

FOR THE SIX MONTHS ENDED APRIL 30, 2011

	ITEM ^[1]	CANADIAN GAAP ^[2]	ADJUSTMENTS	IFRS
Interest income				
Loans	a), d)	\$ 402,776	\$ 74,073	\$ 476,849
Securities	a)	31,104	5,381	36,485
Deposits with other banks	a)	2,583	16	2,599
Other, including derivatives	a), b)	32,428	(3,124)	29,304
		468,891	76,346	545,237
Interest expense				
Deposits		222,362	-	222,362
Debt related to securitization activities	a)	-	65,858	65,858
Subordinated debt		6,731	-	6,731
Other, including derivatives		1,618	-	1,618
		230,711	65,858	296,569
Net interest income		238,180	10,488	248,668
Other income				
Fees and commissions on loans and deposits	k)	56,395	(170)	56,225
Income from brokerage operations		29,876	-	29,876
Securitization income	a)	16,454	(16,454)	-
Credit insurance income		9,493	-	9,493
Income from treasury and financial market operations	a), b), h)	9,090	1,032	10,122
Income from sales of mutual funds		8,567	-	8,567
Income from registered self-directed plans		4,074	-	4,074
Other income		3,067	-	3,067
		137,016	(15,592)	121,424
Total revenue		375,196	(5,104)	370,092
Provision for loan losses	d)	27,000	(3,559)	23,441
Non-interest expenses				
Salaries and employee benefits	c), g)	147,748	(5,903)	141,845
Premises and technology	l), m)	69,309	246	69,555
Other	a), d), f), k)	48,725	(1,062)	47,663
		265,782	(6,719)	259,063
Income before income taxes		82,414	5,174	87,588
Income taxes	j)	18,779	873	19,652
Net income		\$ 63,635	\$ 4,301	\$ 67,936
Preferred share dividends, including applicable taxes		6,218	-	6,218
Net income available to common shareholders		\$ 57,417	\$ 4,301	\$ 61,718
Average number of common shares outstanding (in thousands)				
Basic		23,922	-	23,922
Diluted		23,944	-	23,944
Earnings per share				
Basic		\$ 2.40	\$ 0.18	\$ 2.58
Diluted		\$ 2.40	\$ 0.18	\$ 2.58

[1] See items in Note 5.6 Nature of adjustments.

[2] See Reclassification of comparative figures in Note 2 Basis of presentation.

5. Adoption of IFRS [Cont'd]

5.4 Reconciliation of comprehensive income between Canadian GAAP and IFRS

The following table presents the reconciliation between the comprehensive income presented according to Canadian GAAP and the comprehensive income presented in accordance with IFRS. See Note 5.6 for an explanation of the nature of adjustments.

ITEM ^[1]	FOR THE	FOR THE	FOR THE
	THREE MONTHS	SIX MONTHS	YEAR ENDED
	ENDED	ENDED	OCTOBER 31
	APRIL 30	APRIL 30	OCTOBER 31
	2011	2011	2011
Comprehensive income - Canadian GAAP	\$ 27,713	\$ 51,465	\$ 146,357
Adjustments to net income			
Securitization	a) (2,588)	(5,591)	(13,000)
Hedge accounting	b) 69	349	150
Employee benefits	c) 1,897	3,795	7,803
Loan loss provisioning	d) 879	4,171	24
Business combination	e) -	-	(826)
Consolidation of B2B Trust	f) 217	435	870
Share-based payments	g) (286)	418	421
Securities	h) 246	321	319
Tax accounting	j) 604	604	796
Other	k), l), m) (164)	(201)	(329)
	874	4,301	(3,772)
Adjustments to other comprehensive income, net of income taxes			
Unrealized net gains (losses) on available-for-sale securities	a), b), h), j) (3,357)	(10,424)	(9,758)
Net change in value of derivatives designated as cash flow hedges	b), j) 255	(4,056)	101
	(3,102)	(14,480)	(9,657)
Comprehensive income - IFRS	\$ 25,485	\$ 41,286	\$ 132,928

[1] See items in Note 5.6 Nature of adjustments.

5.5 Reconciliation of equity between Canadian GAAP and IFRS

The following table presents the reconciliation of equity recorded according to GAAP and equity recorded in accordance with IFRS. See Note 5.6 for an explanation of the nature of adjustments.

ITEM ^[1]	AS AT OCTOBER 31	AS AT APRIL 30	AS AT NOVEMBER 1
	2011	2011	2010
Shareholders' equity - Canadian GAAP	\$ 1,334,692	\$ 1,266,107	\$ 1,239,415
Effect on retained earnings			
Securitization	a) (14,543)	(7,133)	(1,543)
Hedge accounting	b) 13	211	(138)
Employee benefits	c) (86,734)	(90,742)	(94,537)
Loan loss provisioning	d) (1,539)	2,608	(1,563)
Business combination	e) (22,061)	(21,234)	(21,234)
Consolidation of B2B Trust	f) (6,861)	(7,296)	(7,731)
Share-based payments	g) (156)	(159)	(577)
Securities	h) (889)	(887)	(1,208)
Tax accounting	j) (758)	(949)	(1,553)
Other	k), l), m) (1,672)	(1,546)	(1,344)
	(135,200)	(127,127)	(131,428)
Effect on the consolidated accumulated other comprehensive income, net of income taxes			
Available-for-sale reserve	a), b), h), j) 18,645	17,979	28,403
Cash flow hedge reserve	b), j) 179	(3,978)	78
	18,824	14,001	28,481
Shareholders' equity - IFRS	\$ 1,218,316	\$ 1,152,981	\$ 1,136,468

[1] See items in Note 5.6 Nature of adjustments.

5.6 Nature of adjustments

The following section details the adjustments to the consolidated balance sheet as at November 1, 2010, April 30, 2011 and October 31, 2011, as well as to the consolidated statement of income and the consolidated statement of comprehensive income for the three-month and six-month periods ended April 30, 2011, resulting from the IFRS changeover.

a) Securitization

The Bank securitizes residential mortgage loans primarily by participating to the Canada Mortgage Bonds Program (CMB Program) and through multi-seller conduits set up by large Canadian banks. According to Canadian GAAP, these securitization transactions met derecognition criteria and therefore were accounted for as transfers of receivables. Under IFRS, these transactions did not meet derecognition criteria and therefore were recorded as financing transactions.

The difference in accounting treatment between Canadian GAAP and IFRS for these securitization transactions has resulted in the following adjustments to the Bank's financial statements:

- Recognition of the securitized mortgages that were previously derecognized under Canadian GAAP in the consolidated balance sheet under IFRS; and recognition of related securitization liabilities not previously recognized under Canadian GAAP;
- Recognition of financial assets (the Replacement Assets consisting of cash, deposits with other banks, securities purchased under reverse repurchase agreements and securities) which were previously off-balance sheet to manage the maturity mismatch between the amortizing securitized mortgages and the off-balance sheet securitization liabilities related to the CMB Program;
- Elimination of securitization receivables and payables recognized on the consolidated balance sheet under Canadian GAAP, including deposit liabilities for cash accounts previously off-balance sheet and servicing liabilities related to retained interests, as well as securitization seller swaps;
- Reversal of gains and losses on securitization, including gains and losses on seller swaps¹ and retained interests, as well as amortization of servicing liability previously recognized in net income under Canadian GAAP;
- Recognition of interest income earned on the securitized mortgages and Replacement Assets not previously recognized under Canadian GAAP;
- Recognition of interest expense on the debt related to securitization activities not previously recognized under Canadian GAAP;
- Re-designation of certain securities with a fair value of \$1.0 billion as at November 1, 2010 as available-for-sale, which were previously designated as at fair value through profit or loss²; and
- As of the first quarter of 2011, as a result of these changes, the Bank also modified certain hedging relationships in order to realign income recognition on derivatives used to hedge securitization activities.

Overall, the difference in accounting treatment between Canadian GAAP and IFRS for these securitization transactions only results in differences as to the timing of the recognition of the cash flows in total comprehensive income. Ultimately, at the end of the life of each securitization pool, the same cumulative total amount of income will have been recognized in shareholders' equity both in Canadian GAAP and IFRS.

¹ As part of securitization transactions, the Bank enters into seller swaps which are designed to protect the conduits against interest rate and pre-payment risks. These seller swaps are derivatives and were therefore marked-to-market through the consolidated statement of income. Gains and losses on the seller swaps that were recognized in net income under Canadian GAAP were reversed under IFRS as the cash flows associated with these swaps are captured in the interest income recognized on the securitized mortgages and Replacement Assets and the interest expense recognized on the securitization liabilities under IFRS.

² These securities were designated as at fair value through profit or loss under Canadian GAAP in order to offset changes in the fair value of seller swaps. As seller swaps are no longer recognized under IFRS, the designation of these securities was amended.

5. Adoption of IFRS [Cont'd]

The adjustments to the consolidated balance sheets and income statements are summarized as follows:

Principal line items impacted – Balance sheet

	AS AT OCTOBER 31 2011	AS AT APRIL 30 2011	AS AT NOVEMBER 1 2010
ASSETS			
Increase in residential mortgage loans	\$ 3,394,017	\$ 3,185,279	\$ 2,715,535
Replacement assets			
Increase in cash and non-interest-bearing deposits with other banks	-	1,975	1,907
Increase in interest-bearing deposits with other banks	9,030	4,756	3,833
Increase in held-to-maturity securities	885,822	646,713	559,457
Increase in securities purchased under reverse repurchase agreements	401,564	182,712	190,800
	1,296,416	836,156	755,997
Decrease in derivatives	(443)	(1,482)	(4,544)
Decrease in other assets (retained interests and other)	(98,273)	(78,359)	(74,688)
Increase in total assets	\$ 4,591,717	\$ 3,941,594	\$ 3,392,300
LIABILITIES AND SHAREHOLDERS' EQUITY			
Decrease in personal deposits	\$ (332)	\$ (53,147)	\$ (42,313)
Decrease in business, banks and other deposits	(50,978)	-	-
Increase in debt related to securitization activities	4,760,847	4,051,889	3,486,634
Decrease in derivatives	(116,506)	(51,217)	(84,043)
Increase (decrease) in other liabilities	(4,084)	(11,372)	8,237
Increase in total liabilities	4,588,947	3,936,153	3,368,515
Increase in shareholders' equity			
Decrease in retained earnings	(14,543)	(7,133)	(1,543)
Increase in accumulated other comprehensive income	17,313	12,574	25,328
	2,770	5,441	23,785
Increase in liabilities and shareholders' equity	\$ 4,591,717	\$ 3,941,594	\$ 3,392,300

Principal line items impacted –Statement of income

	FOR THE THREE MONTHS ENDED APRIL 30 2011	FOR THE SIX MONTHS ENDED APRIL 30 2011
Increase in interest income		
Increase in interest income due to the recording of the securitized residential mortgage loans and replacement assets	\$ 39,733	\$ 77,586
Decrease in other interest income, including derivatives	(1,311)	(3,124)
	38,422	74,462
Increase in interest expense		
Increase in interest expense related to the recording of the debt related to securitization activities	33,983	65,858
Increase in net interest income	4,439	8,604
Decrease in other income		
Reversal of gains on sales and other income related to securitization activities	(7,564)	(16,454)
Other	(448)	95
	(8,012)	(16,359)
Increase in non-interest expenses	55	82
Decrease in income taxes	(1,040)	(2,246)
Decrease in net income	\$ (2,588)	\$ (5,591)

b) Hedge accounting

Under Canadian GAAP, the Bank used the shortcut method and the variable cash flow method to measure the ineffectiveness of certain hedging relationships. As these methods cannot be used under IFRS, the Bank has developed admissible substitute quantitative methods. Other hedging relationships that were already using methods admissible under IFRS have not been modified and did not require any adjustments on the transition date.

In addition, the Bank reviewed and modified certain hedging relationships designated under Canadian GAAP due to changes in accounting for securitization transactions as explained above. The impact of these changes is included in the securitization adjustments.

c) Employee benefits

Actuarial gains and losses

Under Canadian GAAP, actuarial gains and losses were amortized through income using a corridor approach over the estimated average remaining service life (EARSL) of employees. At the transition date, the Bank elected to use the exemption from retrospective application permitted by IFRS 1 and recorded the accumulated actuarial losses in retained earnings. Under IFRS, the Bank has elected that additional actuarial gains and losses recognized after the transition date will be amortized using a corridor approach.

Vested past service costs

Under Canadian GAAP, vested past service costs of defined benefit plans were amortized over the EARSL of plan participants from their grant date. Under IFRS, vested past service costs of defined benefit plans must be recognized in income immediately as granted. The Bank's net past service costs, at the transition date, were fully vested and were recognized in retained earnings.

Transitional obligation

Under Canadian GAAP, a transitional obligation resulting from the initial application of the accounting standard with respect to employee future benefits was amortized over the EARSL. Under IFRS, this transitional obligation could not be carried forward and was adjusted through retained earnings.

Fair value of plan assets

According to Canadian GAAP, the expected return on plan assets was recognized using the market-related value method, under which changes in the fair value of plan assets were spread over a three-year period. According to IFRS, the expected return on plan assets are measured using fair value on the reporting date.

As a result of the above, all unamortized cumulative net actuarial gains and losses, transitional obligation and past service costs were charged to retained earnings under IFRS for an amount of \$128.8 million (\$94.5 million net of taxes). As at November 1, 2010, other assets decreased by \$102.5 million (decreased by \$97.2 million and by \$91.8 million as at April 30, 2011 and October 31, 2011 respectively) and other liabilities increased by \$26.3 million as at November 1, 2010, April 30, 2011 and October 31, 2011. Amortization of actuarial losses and other deferred amounts for the three-month and six-month periods ended April 30, 2011, previously recognized in salaries and employee benefits, were reversed.

The table below reflects the new status of the plans as at October 31, 2011 and November 1, 2010.

	AS AT OCTOBER 31, 2011		AS AT NOVEMBER 1, 2010	
	PENSION PLANS	OTHER PLANS	PENSION PLANS	OTHER PLANS
Fair value of plan assets	\$ 426,900	\$ -	\$ 428,337	\$ -
Defined benefit obligation	447,404	35,196	413,218	34,463
Funded status – plan surplus (deficit)	(20,504)	(35,196)	15,119	(34,463)
Unamortized past service costs	525	-	-	-
Unamortized net actuarial loss	39,176	527	-	-
Defined benefit assets (liabilities) at end of year	\$ 19,197	\$ (34,669)	\$ 15,119	\$ (34,463)
Defined benefit assets included in other assets	\$ 26,897	\$ -	\$ 24,878	\$ -
Defined benefit liabilities included in other liabilities	\$ 7,700	\$ 34,669	\$ 9,759	\$ 34,463

d) Loan loss provisioning

As part of the IFRS conversion, the Bank improved its methodology to assess provisions for groups of similar loans (collective allowances). Collective allowances are established based on the risk rating of credit facilities and on parameters such as the related probability of default (loss frequency) and the loss given default (extent of losses) associated with each type of facility. Collective allowances are adjusted to reflect changes in the portfolios and credit policies and are maintained for each pool of loans with shared risk characteristics. These estimates include consideration of economic and business conditions, management's judgment and the risks related to the model. The improved methodology relies more heavily on the current status of the portfolios in accordance with IFRS requirements. The Bank had already estimated the collective allowance as of October 31, 2011 using the adjusted methodology in its Canadian GAAP financial statements.

5. Adoption of IFRS [Cont'd]

Under IFRS, as under Canadian GAAP, loan loss provisions must reflect the time value of money. Under Canadian GAAP, the accretion of the net present value of the written down amount of the loan due to the passage of time was recognized as a reduction of the provisions for loan losses. Under IFRS, the accretion must be recognized as interest income based on the original effective interest rate of the loan.

The adjustments to the provision for loan losses presented in the table below reflect the variation of the allowance due to the improved methodology for the three-month and six-month periods ended April 30, 2011 and the effect of reclassifications to net interest income and other non-interest expenses for both periods presented.

	FOR THE THREE MONTHS ENDED APRIL 30 2011	FOR THE SIX MONTHS ENDED APRIL 30 2011
Increase in net interest income (accretion on impaired loans)	\$ 985	\$ 1,885
Decrease (increase) in provision for loan losses	16	3,559
Decrease (increase) in other non-interest expenses (allowances for undrawn amounts)	231	400
	1,232	5,844
Decrease (increase) in income taxes	(353)	(1,673)
Increase (decrease) in net income	\$ 879	\$ 4,171

In addition, the allowance for undrawn amounts under approved credit facilities, previously reported with general allowances, was reclassified in other liabilities, for an amount of \$5.7 million as at November 1, 2010, \$5.3 million as at April 30, 2011, and \$5.6 million as at October 31, 2011. As a result of this reclassification and the adjustments described above, the allowances for loan losses decreased by \$6.6 million as at November 1, 2010, \$12.0 million as at April 30, 2011 and \$6.6 million as at October 31, 2011.

e) Business combination

The Bank elected November 1, 2000 as the date to restate prior business combinations which resulted in the restatement of the only business combination prior to transition. This acquisition pertains to the 43 branches acquired from another bank in Québec as at November 1, 2000. Under Canadian GAAP, for acquisitions completed in years 2000 and before, intangible assets were not necessarily identified separately and the excess of the purchase price over the net fair value of acquired assets was allocated to goodwill. Canadian GAAP did not require the restatement of this purchase equation. Under IFRS, intangible assets must be identified as part of the purchase equation. In addition, acquisition costs incurred must be expensed as incurred and cannot be capitalized as part of goodwill. The adjustment mainly resulted in the identification of specific intangible assets which were subsequently fully amortized prior to the transition date. The amount of deferred income tax and provision accounted for in the purchase equation was also modified.

Under Canadian GAAP, the Bank applied section 1581, *Business combination*, whereby acquisition costs were permitted to be capitalized. Under IFRS, acquisition costs related to the MRS transaction incurred during the three-month period ended October 31, 2011 (see Note 15) amounting to \$0.8 million, previously presented with other assets, were expensed in the consolidated statement of income.

f) Consolidation of B2B Trust

Under Canadian GAAP, the acquisition of the minority shareholders of B2B Trust in June 2004 was accounted for as a step acquisition and resulted in the accounting of an intangible asset related to contractual relationships with financial intermediaries and customer relationships. Under IFRS, the repurchase of the minority shareholders is considered an equity transaction as the Bank already had control of its subsidiary prior to the repurchase. As a result, under IFRS the excess of the purchase price over the book value of the minority interest was recognized in retained earnings, rather than allocated to the contractual and customer relationships intangible asset as required under Canadian GAAP. Consequently, the related amortization expense of that intangible recorded under Canadian GAAP was eliminated under IFRS. The restatement of the repurchase of the minority shareholders of B2B Trust resulted in a decrease of contractual and customer relationships, within other intangible assets, in the amount of \$10.5 million as at November 1, 2010, \$9.8 million as at April 30, 2011 and \$9.2 million as at October 31, 2011.

g) Share-based payments

Under Canadian GAAP, for the stock appreciation rights (SARs) settled in cash, the excess of the share price over the exercise price, reviewed on an ongoing basis, was recognized in income during the SARs' vesting period. Under IFRS, the

Bank is required to recognize as an expense the fair value of SARs during the vesting period. The Bank measures the fair value of the SARs using the Black and Scholes option pricing model, taking into account the terms and conditions upon which the SARs were granted. This difference led to an increase in other liabilities of \$0.8 million as at November 1, 2010, and \$0.2 million as at April 30, 2011 and October 31, 2011, and resulted in related adjustments to retained earnings and net income.

h) Securities

Canadian GAAP requires that investments in equity instruments that do not have a quoted market price in an active market be measured at cost. Under IFRS, these instruments must be measured at fair value if it can be reliably measured. This revaluation resulted in an increase in available-for-sale securities of \$1.3 million as at November 1, 2010, \$0.8 million as at April 30, 2011 and nil as at October 31, 2011 as these securities were entirely sold, and in an increase in accumulated other comprehensive income of \$1.0 million as at November 1, 2010, \$0.6 million as at April 30, 2011 and nil as at October 31, 2011.

Under Canadian GAAP, an impairment expense was recognized on available-for-sale securities when there was objective evidence of impairment and when that impairment was considered to be other than temporary. Under IFRS, an impairment of these securities should be recognized as soon as there is objective evidence of the impairment. As a result, unrealized gains and losses on identified securities recorded in accumulated other comprehensive income were adjusted. In addition, related adjustments to retained earnings and net income were made.

i) Contingencies

Under Canadian GAAP and IFRS, provisions are recorded if it is probable that a present obligation exists at the end of the reporting period and a reliable estimate of its amount can be made. However, under IFRS, the probability threshold is interpreted as slightly lower than in Canadian GAAP and the measurement of the liability may be different when there is many possible outcomes to the resolution of the contingencies. Consequently, the Bank reviewed all pending contingencies as at the opening balance sheet date and reviewed the recognition and valuation of its provisions. This entailed an increase of \$3.0 million in other liabilities as at November 1, 2010, April 30, 2011 and October 31, 2011 and related adjustments to retained earnings and net income.

j) Income taxes

The adjustment to total equity at the transition date essentially reflects the total tax recovery on all the adjustments from Canadian GAAP to IFRS. Significant components of the Bank's deferred income tax assets and liabilities as at October 31, 2011 and November 1, 2010 are now as follows.

	AS AT OCTOBER 31, 2011			AS AT NOVEMBER 1, 2010		
	CANADIAN GAAP	ADJUSTMENTS	IFRS	CANADIAN GAAP	ADJUSTMENTS	IFRS
Deferred income tax assets						
Allowances for loan losses	\$ 21,900	\$ (81)	\$ 21,819	\$ 22,068	\$ (263)	\$ 21,805
Premises and equipment	10,668	869	11,537	15,168	832	16,000
Provisions	7,282	143	7,425	4,804	124	4,928
Amount related to share-based payments	5,305	57	5,362	4,709	209	4,918
Tax loss carryforwards	3,222	-	3,222	-	-	-
Software	-	-	-	11,551	-	11,551
Defined benefit assets-pension plans	-	4,041	4,041	-	4,964	4,964
Other temporary differences	3,059	3,873	6,932	2,899	4,087	6,986
	\$ 51,436	\$ 8,902	\$ 60,338	\$ 61,199	\$ 9,953	\$ 71,152
Deferred income tax liabilities						
Defined benefit assets-pension plans	\$ 27,410	\$ (27,410)	\$ -	\$ 29,318	\$ (29,318)	\$ -
Securitization and securities	21,732	1,180	22,912	16,414	9,235	25,649
Deferred charges	17,149	-	17,149	15,640	-	15,640
Derivatives	16,110	-	16,110	8,118	-	8,118
Software	5,494	-	5,494	-	-	-
Other temporary differences	2,863	(1,988)	875	3,650	(2,357)	1,293
	90,758	(28,218)	62,540	73,140	(22,440)	50,700
Deferred income taxes, net	\$ (39,322)	\$ 37,120	\$ (2,202)	\$ (11,941)	\$ 32,393	\$ 20,452

5. Adoption of IFRS [Cont'd]

Under Canadian GAAP, changes in income taxes in a subsequent period were generally charged to the income statement regardless of where the underlying transaction was initially recorded. Under IFRS, deferred taxes that are related to items that have been charged to equity in previous periods are charged directly to equity in a manner consistent with the underlying transaction.

k) Customer loyalty programs

To promote the use of its credit cards, the Bank grants points that can be redeemed for goods or services. Under Canadian GAAP, the expected cost of these points was recognized as a liability and as a marketing expense. Under IFRS, the points must be accounted for as a separately identifiable component of the sales transactions in which they were granted, based on their estimated fair value. The related amounts are presented in other income under fees and commissions on loans and deposits. This adjustment resulted in an increase in other liabilities of \$0.4 million as at November 1, 2010, \$0.5 million as at April 30, 2011 and \$0.5 million as at October 31, 2011, and related adjustments to retained earnings and net income.

l) Operating lease incentives

Under Canadian GAAP, operating leases renegotiated prior to the end of the original lease term were accounted in accordance with the terms of the original lease contract until the end of the original lease term. Accordingly, any incentives received in order to renegotiate the lease were recognized as a reduction of rental expense on a straight-line basis over the term of the lease extension. Under IFRS, the Bank must recognize the benefit of incentives over the term of the renegotiated lease. As a result, the Bank reviewed the amortization periods of its reported operating lease incentives. This entailed a reduction in other liabilities of \$1.7 million as at November 1, 2010, \$1.6 million as at April 30, 2011 and \$1.4 million as at October 31, 2011 and related adjustments to retained earnings and net income.

m) Premises and equipment and software

Under Canadian GAAP, certain equipments and software were depreciated using the declining balance method and straight-line method. IFRS suggest that the depreciation method used should be applied consistently across various types of assets. In order to harmonize the depreciation methods, the Bank changed the depreciation method for certain equipments and software from declining balance to straight-line. This resulted in a reduction of premises and equipment and software of a combined \$3.0 million as at November 1, 2010, \$3.2 million as at April 30, 2011, and \$3.2 million as at October 31, 2011, and related adjustments to retained earnings and net income.

n) Reclassification of loan origination fees

Loan origination fees, previously presented in other assets, were reclassified to their respective loan accounts. This reclassification amounted to \$94.5 million as at November 1, 2010, \$94.9 million as at April 30, 2011, and \$102.8 million as at October 31, 2011.

o) Retained earnings

The adjustment to retained earnings at the transition date reflects the net impact of the adjustments from Canadian GAAP to IFRS listed above. See Section 5.5.

p) Adjustments to the consolidated statement of cash flows

The transition from Canadian GAAP to IFRS had no effect on actual cash flows. The presentation of certain cash flows included in financing and investing activities under Canadian GAAP, mostly related to the Bank's securitization activities as well as changes in loans and deposits were reclassified to operating activities under IFRS.

6. 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			FOR THE SIX MONTHS ENDED	
	APRIL 30 2012	JANUARY 31 2012	APRIL 30 2011	APRIL 30 2012	APRIL 30 2011
Realized net gains	\$ 1,789	\$ 471	\$ 999	\$ 2,260	\$ 2,911
Writedowns for impairment recognized in income	(572)	(31)	(69)	(603)	(69)
	\$ 1,217	\$ 440	\$ 930	\$ 1,657	\$ 2,842

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 APRIL 30, 2012			
	AMORTIZED COST	UNREALIZED GAINS	UNREALIZED LOSSES	FAIR VALUE
Securities issued or guaranteed				
by Canada ^[1]	\$ 1,243,232	\$ 12,471	\$ 12	\$ 1,255,691
by provinces	242,556	2,624	33	245,147
Other debt securities	401,683	6,124	213	407,594
Asset-backed securities	22,342	1,499	6	23,835
Preferred shares	65,501	1,699	324	66,876
Common shares and other securities	51,476	6,273	901	56,848
	\$ 2,026,790	\$ 30,690	\$ 1,489	\$ 2,055,991

	AS AT OCTOBER 31, 2011			
	AMORTIZED COST	UNREALIZED GAINS	UNREALIZED LOSSES	FAIR VALUE
Securities issued or guaranteed				
by Canada ^[1]	\$ 1,223,334	\$ 26,066	\$ -	\$ 1,249,400
by provinces	410,861	4,286	29	415,118
Other debt securities	303,797	7,396	560	310,633
Asset-backed securities	23,292	1,765	3	25,054
Preferred shares	57,142	1,172	1,385	56,929
Common shares and other securities	48,595	4,596	2,250	50,941
	\$ 2,067,021	\$ 45,281	\$ 4,227	\$ 2,108,075

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

6. Securities [Cont'd]

	AS AT APRIL 30, 2011			
	AMORTIZED COST	UNREALIZED GAINS	UNREALIZED LOSSES	FAIR VALUE
Securities issued or guaranteed				
by Canada ^[1]	\$ 1,248,150	\$ 23,499	\$ -	\$ 1,271,649
by provinces	397,716	3,242	3	400,955
Other debt securities	236,499	5,320	235	241,584
Asset-backed securities	26,435	1,750	-	28,185
Preferred shares	61,632	1,968	118	63,482
Common shares and other securities	42,438	6,680	470	48,648
	\$ 2,012,870	\$ 42,459	\$ 826	\$ 2,054,503

	AS AT NOVEMBER 1, 2010			
	AMORTIZED COST	UNREALIZED GAINS	UNREALIZED LOSSES	FAIR VALUE
Securities issued or guaranteed				
by Canada ^[1]	\$ 1,429,664	\$ 36,866	\$ 24	\$ 1,466,506
by provinces	407,449	4,498	-	411,947
Other debt securities	132,595	6,996	163	139,428
Asset-backed securities	24,694	1,278	53	25,919
Preferred shares	56,776	2,232	52	58,956
Common shares and other securities	30,932	5,558	385	36,105
	\$ 2,082,110	\$ 57,428	\$ 677	\$ 2,138,861

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

Financial instruments designated as at fair value through profit or loss

Management elected to designate certain securities as at fair value through profit or loss in order to reduce recognition inconsistency that would otherwise have arisen from recognizing gains and losses on different bases. No amounts related to these securities were recorded in income from treasury and financial market operations for the three-month period ended April 30, 2012 (nil for the three-month periods ended January 31, 2012 and April 30, 2011) and for the six-month period ended April 30, 2012 (\$2.1 million for the six-month period ended April 30, 2011).

Held-to-maturity

The following table presents the amortized cost of securities classified as held-to-maturity. Refer to Note 8 for additional information on these securities.

	AS AT APRIL 30, 2012	AS AT OCTOBER 31, 2011	AS AT APRIL 30, 2011	AS AT NOVEMBER 1, 2010
Securities issued or guaranteed by Canada ^[1]	\$ 1,043,361	\$ 872,523	\$ 633,417	\$ 546,144
Asset-backed commercial paper	13,296	13,299	13,296	13,313
	\$ 1,056,657	\$ 885,822	\$ 646,713	\$ 559,457

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

7. Loans¹

Loans and impaired loans

AS AT APRIL 30, 2012

	GROSS AMOUNT OF LOANS	GROSS AMOUNT OF IMPAIRED LOANS	INDIVIDUAL ALLOWANCES	COLLECTIVE ALLOWANCES	TOTAL ALLOWANCES
Personal	\$ 6,116,400	\$ 15,926	\$ -	\$ 34,212	\$ 34,212
Residential mortgage	12,279,486	14,717	-	1,595	1,595
Commercial mortgage	2,470,794	60,394	29,827	17,152	46,979
Commercial and other ^[1]	2,254,790	56,284	37,176	18,907	56,083
	\$ 23,121,470	\$ 147,321	\$ 67,003	\$ 71,866	\$ 138,869

AS AT OCTOBER 31, 2011

	GROSS AMOUNT OF LOANS	GROSS AMOUNT OF IMPAIRED LOANS	INDIVIDUAL ALLOWANCES	COLLECTIVE ALLOWANCES	TOTAL ALLOWANCES
Personal	\$ 5,774,207	\$ 14,395	\$ -	\$ 30,216	\$ 30,216
Residential mortgage	11,869,412	17,053	-	1,424	1,424
Commercial mortgage	2,363,808	62,541	22,129	22,183	44,312
Commercial and other ^[1]	2,080,117	69,736	47,321	19,877	67,198
	\$ 22,087,544	\$ 163,725	\$ 69,450	\$ 73,700	\$ 143,150

AS AT APRIL 30, 2011

	GROSS AMOUNT OF LOANS	GROSS AMOUNT OF IMPAIRED LOANS	INDIVIDUAL ALLOWANCES	COLLECTIVE ALLOWANCES	TOTAL ALLOWANCES
Personal	\$ 5,681,527	\$ 16,256	\$ -	\$ 32,558	\$ 32,558
Residential mortgage	11,252,744	16,186	-	3,793	3,793
Commercial mortgage	2,213,760	50,428	21,255	15,277	36,532
Commercial and other ^[1]	2,010,634	72,392	46,206	17,116	63,322
	\$ 21,158,665	\$ 155,262	\$ 67,461	\$ 68,744	\$ 136,205

AS AT NOVEMBER 1, 2010

	GROSS AMOUNT OF LOANS	GROSS AMOUNT OF IMPAIRED LOANS	INDIVIDUAL ALLOWANCES	COLLECTIVE ALLOWANCES	TOTAL ALLOWANCES
Personal	\$ 5,636,203	\$ 16,397	\$ -	\$ 31,547	\$ 31,547
Residential mortgage	10,859,647	20,914	-	3,498	3,498
Commercial mortgage	2,166,375	52,706	13,750	15,830	29,580
Commercial and other ^[1]	1,856,640	98,106	44,391	22,551	66,942
	\$ 20,518,865	\$ 188,123	\$ 58,141	\$ 73,426	\$ 131,567

[1] Including customers' liabilities under acceptances.

¹ Mortgage loans on residential real estate development properties and projects which were previously reported in residential mortgage loans on the consolidated balance sheet were reclassified to commercial mortgage loans to better reflect the nature of these loans. This reclassification amounted to \$550.5 million as at October 31, 2011, \$549.4 million as at April 30, 2011 and \$527.5 million as at November 1, 2010. Corresponding reclassifications of the provision for loan losses as well as impaired loans and allowances were made.

7. Loans [Cont'd]

Allowances for loan losses

	FOR THE SIX MONTHS ENDED			
	APRIL 30		APRIL 30	
	2012		2011	
	COMMERCIAL MORTGAGE LOANS	COMMERCIAL AND OTHER LOANS ⁽¹⁾	TOTAL INDIVIDUAL ALLOWANCES	TOTAL INDIVIDUAL ALLOWANCES
Individual allowances for loan losses				
Balance at beginning of period	\$ 22,129	\$ 47,321	\$ 69,450	\$ 58,141
Provision for loan losses recorded in the consolidated statement of income	8,195	1,998	10,193	15,314
Write-offs	-	(11,990)	(11,990)	(5,447)
Recoveries	-	(9)	(9)	14
Interest accrued on impaired loans	(497)	(144)	(641)	(561)
Balance at end of period	\$ 29,827	\$ 37,176	\$ 67,003	\$ 67,461

[1] Including customers' liabilities under acceptances.

	FOR THE SIX MONTHS ENDED					
	APRIL 30		APRIL 30		APRIL 30	
	2012		2011		2011	
	PERSONAL LOANS	RESIDENTIAL MORTGAGE LOANS	COMMERCIAL MORTGAGE LOANS	COMMERCIAL AND OTHER LOANS ⁽¹⁾	TOTAL COLLECTIVE ALLOWANCES	TOTAL COLLECTIVE ALLOWANCES
Collective allowances for loan losses						
Balance at beginning of period	\$ 30,216	\$ 1,424	\$ 22,183	\$ 19,877	\$ 73,700	\$ 73,426
Allowances for loan losses resulting from the acquisition of a subsidiary (see Note 15)	2,829	374	-	-	3,203	-
Provision for loan losses recorded in the consolidated statement of income	12,045	782	(4,752)	(768)	7,307	8,127
Write-offs	(12,050)	(840)	-	(71)	(12,961)	(13,508)
Recoveries	1,403	(6)	-	4	1,401	2,023
Interest accrued on impaired loans	(231)	(139)	(279)	(135)	(784)	(1,324)
Balance at end of period	\$ 34,212	\$ 1,595	\$ 17,152	\$ 18,907	\$ 71,866	\$ 68,744

[1] Including customers' liabilities under acceptances.

The allowance for undrawn amounts under approved credit facilities, which is recognized in other liabilities, amounted to \$5.9 million as at April 30, 2012, \$5.6 million as at October 31, 2011, \$5.3 million as at April 30, 2011 and \$5.7 million as at November 1, 2010

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 APRIL 30, 2012			
	1 DAY-31 DAYS	32 DAYS-90 DAYS	OVER 90 DAYS	TOTAL
Personal loans	\$ 95,266	\$ 25,390	\$ 4,066	\$ 124,722
Residential mortgage loans	272,113	35,991	23,814	331,918
	\$ 367,379	\$ 61,381	\$ 27,880	\$ 456,640

	AS AT OCTOBER 31, 2011			
	1 DAY-31 DAYS	32 DAYS-90 DAYS	OVER 90 DAYS	TOTAL
Personal loans	\$ 98,641	\$ 37,630	\$ 5,188	\$ 141,459
Residential mortgage loans	257,008	35,773	26,297	319,078
	\$ 355,649	\$ 73,403	\$ 31,485	\$ 460,537

	AS AT APRIL 30, 2011			
	1 DAY-31 DAYS	32 DAYS-90 DAYS	OVER 90 DAYS	TOTAL
Personal loans	\$ 120,289	\$ 30,704	\$ 6,876	\$ 157,869
Residential mortgage loans	304,791	45,524	29,168	379,483
	\$ 425,080	\$ 76,228	\$ 36,044	\$ 537,352

	AS AT NOVEMBER 1, 2010			
	1 DAY-31 DAYS	32 DAYS-90 DAYS	OVER 90 DAYS	TOTAL
Personal loans	\$ 103,203	\$ 26,478	\$ 7,160	\$ 136,841
Residential mortgage loans	277,957	32,053	32,820	342,830
	\$ 381,160	\$ 58,531	\$ 39,980	\$ 479,671

Sale of commercial mortgage loans

During the quarter ended April 30, 2012, the Bank sold \$77.0 million of commercial mortgage loans and recognized a \$3.1 million gain in other income.

8. Loan Securitization

The Bank securitizes residential mortgage loans primarily by participating to the Canada Mortgage Bond (CMB) program and through multi-seller conduits set up by large Canadian banks. As the Bank ultimately retains certain prepayment risk, interest rate risk and credit risk (for loans sold to multi-seller conduits only) related to the transferred mortgage loans, these are not derecognized and the securitization proceeds are recorded as securitization liabilities.

Canada Mortgage Bond program

Under the National Housing Act (NHA) mortgage-backed securities (MBS) program, the Bank issues securities backed by residential mortgage loans that are insured by the Canada Mortgage and Housing Corporation (CMHC) against borrowers' default (the NHA MBS). The Bank subsequently sells these NHA MBS to a special purpose trust set-up by the CMHC, the Canada Housing Trust (CHT), which finances the purchases by issuing the CMHC guaranteed CMB.

NHA MBS are amortizing assets that pay back principal and interest cash flows on a monthly basis. For their part, CMBs provide investors with a fixed interest coupon bond with semi-annual interest payments and repayment of principal on a specified maturity date. To address this difference in cash flows, the CHT enters into master swap agreements with approved financial institutions (Swap Counterparties). Under the swap, Swap Counterparties receive the monthly interest flows from the original NHA MBS and the Replacement Assets (see below), and in return provide the CHT with the regular interest payments required to pay out to investors under the terms of the CMB. In addition, under the swap agreement, the Swap Counterparties are responsible to reinvest the monthly principal flows from the NHA MBS on behalf of the CHT. The Swap Counterparties may only carry out this reinvestment in AAA-rated mortgage-backed securities and Canada guaranteed

8. Loan Securitization [Cont'd]

eligible assets (the Replacement Assets). Simultaneously, these Swap Counterparties conclude similar swap agreements with the Bank.

At the swap coupon settlement date, the Bank therefore pays/receives the difference between the amount collected from the original NHA MBS, as well as from the Replacement Assets, and the amount payable to investors under the terms of the CMB. Because the underlying cash flows associated with this interest rate swap are captured through the on-balance sheet recognition of the underlying assets and the associated securitization liabilities, these interest rate swaps are not recognized at fair value on the consolidated balance sheet and fair value changes are not recognized in the consolidated statement of income. The underlying cash flows of the interest rate swap are recognized on an accrual basis as described above. As at April 30, 2012, the notional amount of these swaps was \$5.0 billion compared to \$4.7 billion as at October 31, 2011, \$4.0 billion as at April 30, 2011 and \$3.3 billion as at November 1, 2010.

Assets related to securitization activities

As the above securitization transactions do not meet derecognition criteria, the securitized mortgage loans remain on balance sheet as residential mortgage loans. However, as the Bank's right, title and interest in the transferred mortgages are legally transferred to the CHT, these are considered pledged assets. If the Bank fails to make timely payment under an NHA MBS security, the CMHC may enforce the assignment to CMHC of the mortgages included in all the mortgage pools backing the securities issued. Interest income is accrued on these loans as for the Bank's other mortgage loans. In addition, the Replacement Assets are also recorded on balance sheet and are also considered pledged assets. Interest income is accrued on these securities as for other similar securities. The CMB holders and CMHC have no recourse to other assets of the Bank in the event of failure of debtors to pay when due.

Debt related to securitization activities

As these securitization transactions do not meet derecognition criteria, the proceeds received are recorded as a debt related to CMB transactions on the consolidated balance sheets of the Bank. Interest accrued on debt related to CMB transactions is based on the CMB coupon related to the series in which the Bank participated and is classified in other liabilities as accrued interest payable.

Multi-seller conduits

As part of transactions with multi-seller conduits, the Banks sells mortgage loans to trusts established for the limited purpose of securitization activities. These trusts fund such purchases mainly through the issuance of asset-backed commercial paper. Funding is reduced as mortgage loans are repaid.

Assets related to securitization activities

As the Bank provides credit enhancements for these transactions, they do not meet derecognition criteria and the securitized mortgage loans remain on balance sheet as residential mortgages. However, as the Bank's rights, title and interest in the transferred mortgages are legally transferred to the trusts, these are considered pledged assets. Interest income is accrued on these loans as for the Bank's other mortgage loans. The trusts have no recourse to other assets of the Bank in the event of failure of debtors to pay when due.

Debt related to securitization activities

As these securitization transactions do not meet derecognition criteria, the proceeds received are recorded as a debt related to multi-seller conduits on the consolidated balance sheet. Interest accrued on debt related to multi-seller conduit transactions is mainly based on the commercial paper issued by the trusts to fund the purchases and is classified in other liabilities as accrued interest payable.

Financial assets and associated financial liabilities not qualifying for derecognition

The following table summarizes the carrying amount maturity schedule and fair value of financial assets that did not qualify for derecognition and their associated financial liabilities included in the consolidated balance sheet.

AS AT APRIL 30, 2012				
	WITHIN 1 YEAR	1 TO 5 YEARS	TOTAL CARRYING AMOUNT	FAIR VALUE
Residential mortgage loans	\$ 1,340,834	\$ 2,345,307	\$ 3,686,141	\$ 3,736,037
Replacement Assets				
Cash and deposits with other banks	9,497	-	9,497	9,497
Securities purchased under reverse repurchase agreements	220,408	-	220,408	220,408
Other securities	821,736	234,921	1,056,657	1,057,360
Debt related to securitization activities (see below)	\$ 923,584	\$ 4,128,068	\$ 5,051,652	\$ 5,169,139

AS AT OCTOBER 31, 2011			
		CARRYING AMOUNT	FAIR VALUE
Residential mortgage loans		\$ 3,394,017	\$ 3,445,016
Replacement Assets			
Cash and deposits with other banks		9,030	9,030
Securities purchased under reverse repurchase agreements		401,564	401,564
Other securities		885,822	890,582
Debt related to securitization activities (see below)		\$ 4,760,847	\$ 4,904,049

AS AT APRIL 30, 2011			
		CARRYING AMOUNT	FAIR VALUE
Residential mortgage loans		\$ 3,185,279	\$ 3,211,454
Replacement Assets			
Cash and deposits with other banks		6,731	6,731
Securities purchased under reverse repurchase agreements		182,713	182,713
Other securities		646,713	650,208
Debt related to securitization activities (see below)		\$ 4,051,889	\$ 4,165,978

AS AT NOVEMBER 1, 2010			
		CARRYING AMOUNT	FAIR VALUE
Residential mortgage loans		\$ 2,715,535	\$ 2,775,073
Replacement Assets			
Cash and deposits with other banks		5,740	5,740
Securities purchased under reverse repurchase agreements		190,800	190,800
Other securities		559,457	563,725
Debt related to securitization activities (see below)		\$ 3,486,634	\$ 3,643,358

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

	FOR THE THREE MONTHS ENDED			FOR THE SIX MONTHS ENDED	
	APRIL 30 2012	JANUARY 31 2012	APRIL 30 2011	APRIL 30 2012	APRIL 30 2011
Carrying amounts of the mortgages transferred during the quarter related to new issuances under the CMB program	\$ 303,814	\$ 50,779	\$ 351,014	\$ 354,593	\$ 701,248
Carrying amounts of the mortgages transferred during the quarter as Replacement Assets under the CMB program	\$ 230,715	\$ 228,549	\$ 98,264	\$ 459,264	\$ 136,076

8. Loan Securitization [Cont'd]

The following table details the carrying amount of debt related to securitization activities.

MATURITY	RATE	NOMINAL VALUE	AS AT APRIL 30	AS AT OCTOBER 31	AS AT APRIL 30	AS AT NOVEMBER 1
			2012	2011	2011	2010
Debt related to CMB transactions						
March 2011	4.08 %	\$ 51,439	\$ -	\$ -	\$ -	\$ 51,410
June 2012	4.83	51,712	51,700	51,680	51,656	51,633
June 2012	4.03	66,542	66,527	66,489	66,449	66,410
December 2012	4.58	802,641	802,820	802,987	803,155	803,321
June 2013	3.98	249,118	248,781	248,640	248,502	248,366
June 2013	3.63	407,499	406,964	406,738	406,516	406,299
September 2013	3.58	155,944	155,761	155,699	155,638	155,577
December 2013	2.73	301,554	300,951	300,772	300,596	300,422
March 2014	2.25	169,231	168,864	168,770	168,676	168,584
June 2014	3.18	190,541	190,181	190,101	190,022	189,944
July 2014	3.20	62,796	62,732	62,718	62,705	62,691
September 2014	2.79	231,046	230,398	230,268	230,139	230,013
December 2014	2.80	50,639	50,487	50,459	50,432	50,405
March 2015	2.98	150,264	149,888	149,827	149,766	149,706
June 2015	3.20	325,637	324,581	324,423	324,267	324,115
December 2015	2.49	55,755	55,513	55,482	55,451	55,421
December 2015	2.78	351,028	349,479	349,278	349,081	-
June 2016	2.80	351,108	349,728	349,572	349,428	-
June 2016	2.81	395,984	397,858	398,074	-	-
December 2016	1.89	315,014	313,599	313,458	-	-
December 2016	1.88	50,152	50,513	-	-	-
June 2017	2.10 %	\$ 303,903	302,541	-	-	-
			5,029,866	4,675,435	3,962,479	3,314,317
Net fair value adjustment ^[1]			19,249	43,902	(9,510)	-
			5,049,115	4,719,337	3,952,969	3,314,317
Debt related to multi-seller conduits						
Until June 2012	2.07 % ^[2]		2,537	41,510	98,920	172,317
			\$ 5,051,652	\$ 4,760,847	\$ 4,051,889	\$ 3,486,634

[1] Carrying value of debt related to securitization activities reflects the impact of interest rate hedges in effective hedge relationships.

[2] The interest rate on the debt related to multi-seller conduits is based on the funding cost of the conduits and corresponds to the current asset-backed commercial paper rate issued by the conduits, plus related program fees.

9. Capital Stock

Common shares

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

	FOR THE SIX MONTHS ENDED			
	APRIL 30, 2012		APRIL 30, 2011	
	NUMBER OF SHARES	AMOUNT	NUMBER OF SHARES	AMOUNT
Common shares				
Outstanding at beginning of period	23,925,037	\$ 259,492	23,920,962	\$ 259,363
Issuance under the employee share purchase option plan	-	-	3,800	121
Issuance of new shares	1,325,100	63,009	-	-
Issuance costs, net of income taxes		(2,066)		-
Total common shares	25,250,137	\$ 320,435	23,924,762	\$ 259,484

On February 2, 2012, the Bank completed the issuance of 1,325,100 common shares for net proceeds of \$60.9 million.

Preferred shares

The outstanding amounts of preferred shares were as follows.

Issued and outstanding as at November 1, 2010, April 30, 2011, October 31, 2011 and April 30, 2012

	NUMBER OF SHARES	AMOUNT
Class A Preferred shares		
Series 9	4,000,000	\$ 100,000
Series 10	4,400,000	110,000
Total preferred shares	8,400,000	\$ 210,000

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

Dividends declared

On May 23, 2012, the Board of Directors declared regular dividends on the various series of preferred shares to shareholders of record on June 7, 2012.

At its meeting on June 6, 2012, the Board of Directors declared a dividend of \$0.47 per common share, payable on August 1, 2012, to shareholders of record on July 3, 2012.

Capital management

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

Regulatory guidelines issued by OSFI require banks to maintain a minimum Tier 1 capital ratio of at least 7% and a Total capital ratio of at least 10%. The Bank opted for the Standardized approach for credit risk and has chosen to use the Standardized Approach to account for operational risk. In addition, Canadian banks are required to ensure that their assets-to-capital multiple, which is calculated by dividing gross adjusted assets by Total capital, does not exceed a maximum level prescribed by OSFI. The Bank has complied with these requirements throughout the six-month periods ended April 30, 2012 and April 30, 2011.

Regulatory capital is detailed below.

	AS AT APRIL 30 2012	AS AT OCTOBER 31 ^[1] 2011	AS AT APRIL 30 ^[1] 2011
Tier I capital			
Common shares	\$ 320,435	\$ 259,492	\$ 259,484
Share-based payment reserve	227	227	227
Retained earnings	719,372	818,207	780,668
Non-cumulative preferred shares	210,000	210,000	210,000
Goodwill	(64,077)	(53,790)	(53,790)
Securitization-related and other deductions	(22,210)	(16,911)	(18,941)
	1,163,747	1,217,225	1,177,648
Adjustment for transition to measurement base under IFRS	81,579	-	-
Total- Tier I capital	1,245,326	1,217,225	1,177,648
Tier II capital			
Subordinated debt	243,426	242,512	241,640
Collective allowances	71,866	73,602	73,250
Securitization-related and other deductions	(17,478)	(16,499)	(14,704)
Total- Tier II capital	297,814	299,615	300,186
Total regulatory capital	\$ 1,543,140	\$ 1,516,840	\$ 1,477,834

[1] The amounts are presented in accordance with previous Canadian GAAP as filed with OSFI.

The Bank has elected to phase in the impact of conversion to IFRS on retained earnings.

10. Share Based Payments

Share purchase option plan

No new share options were granted during the first six months of 2012. Information relating to outstanding number of options is as follows.

	AS AT APRIL 30 2012	AS AT OCTOBER 31 2011	AS AT APRIL 30 2011	AS AT NOVEMBER 1 2010
	NUMBER	NUMBER	NUMBER	NUMBER
Share purchase options				
Outstanding at end of period	50,000	50,000	50,275	54,075
Exercisable at end of period	50,000	50,000	50,275	41,575

Restricted share unit plans

During the first quarter of 2012, under the restricted share unit plan, annual bonuses for certain employees amounting to \$1.8 million were converted into 41,422 entirely vested restricted share units. Simultaneously, the Bank also granted 25,703 additional restricted share units that will vest in December 2014. During the second quarter of 2012, the Bank granted 750 restricted share units valued at \$45.42 each that will vest in December 2014.

During the first quarter of 2012, under the restricted share unit plan for employees of the Capital Markets sector, annual bonuses for certain employees amounting to \$0.9 million were converted into 20,952 entirely vested restricted share units. This plan does not provide for any employer contribution and a third of the restricted share units are redeemed at each of the first three anniversary dates of the grant. There were no new grants during the second quarter of 2012.

Performance-based share unit plan

During the first quarter of 2012, under the revised performance-based share unit plan, the Bank granted 85,268 performance-based share units valued at \$43.84 each. The rights to these units will all vest after three years and upon meeting certain financial objectives. There were no new grants during the second quarter of 2012.

Stock-based compensation plan expense

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

	FOR THE THREE MONTHS ENDED			FOR THE SIX MONTHS ENDED	
	APRIL 30 2012	JANUARY 31 2012	APRIL 30 2011	APRIL 30 2012	APRIL 30 2011
Stock-based compensation plan expense	\$ (513)	\$ 752	\$ (472)	\$ 239	\$ 5,751
Effect of hedges	1,493	(397)	2,028	1,096	(4,970)
	\$ 980	\$ 355	\$ 1,556	\$ 1,335	\$ 781

The carrying amount of the liability relating to the cash-settled plans at April 30, 2012 was \$17.7 million (\$19.1 million at October 31, 2011, \$20.9 million at April 30, 2011 and \$17.4 million at November 1, 2010).

11. Post-Employment Benefits

	FOR THE THREE MONTHS ENDED			FOR THE SIX MONTHS ENDED	
	APRIL 30 2012	JANUARY 31 2012	APRIL 30 2011	APRIL 30 2012	APRIL 30 2011
Defined benefit pension plan expense	\$ 2,013	\$ 1,368	\$ 1,255	\$ 3,381	\$ 2,517
Defined contribution pension plan expense	1,519	1,370	1,263	2,889	2,471
Other plan expense	395	402	391	797	795
	\$ 3,927	\$ 3,140	\$ 2,909	\$ 7,067	\$ 5,783

12. Additional Information Regarding Other Comprehensive Income

	FOR THE THREE MONTHS ENDED								
	APRIL 30 2012			JANUARY 31 2012			APRIL 30 2011		
	AMOUNTS BEFORE INCOME TAXES	INCOME TAXES	AMOUNTS NET OF INCOME TAXES	AMOUNTS BEFORE INCOME TAXES	INCOME TAXES	AMOUNTS NET OF INCOME TAXES	AMOUNTS BEFORE INCOME TAXES	INCOME TAXES	AMOUNTS NET OF INCOME TAXES
Unrealized net gains (losses) on available- for-sale securities	\$ (5,190)	\$ 1,439	\$ (3,751)	\$ (2,038)	\$ 555	\$ (1,483)	\$ (1,101)	\$ (516)	\$ (1,617)
Reclassification of net (gains) losses on available- for-sale securities to net income	(1,217)	329	(888)	(440)	119	(321)	(999)	1,089	90
	(6,407)	1,768	(4,639)	(2,478)	674	(1,804)	(2,100)	573	(1,527)
Net change in value of derivatives designated as cash flow hedges	(32,885)	8,905	(23,980)	(10,320)	2,756	(7,564)	(5,584)	1,580	(4,004)
Other comprehensive income	\$ (39,292)	\$ 10,673	\$ (28,619)	\$ (12,798)	\$ 3,430	\$ (9,368)	\$ (7,684)	\$ 2,153	\$ (5,531)

	FOR THE SIX MONTHS ENDED					
	APRIL 30 2012			APRIL 30 2011		
	AMOUNTS BEFORE INCOME TAXES	INCOME TAXES	AMOUNTS NET OF INCOME TAXES	AMOUNTS BEFORE INCOME TAXES	INCOME TAXES	AMOUNTS NET OF INCOME TAXES
Unrealized net gains (losses) on available-for-sale securities	\$ (7,228)	\$ 1,994	\$ (5,234)	\$ (10,295)	\$ 1,739	\$ (8,556)
Reclassification of net (gains) losses on available-for-sale securities to net income	(1,657)	448	(1,209)	(2,911)	1,286	(1,625)
	(8,885)	2,442	(6,443)	(13,206)	3,025	(10,181)
Net change in value of derivatives designated as cash flow hedges	(43,205)	11,661	(31,544)	(23,010)	6,541	(16,469)
Other comprehensive income	\$ (52,090)	\$ 14,103	\$ (37,987)	\$ (36,216)	\$ 9,566	\$ (26,650)

13. Additional Information Regarding Financial Instruments

Derivatives

The following table presents the fair value of derivative contracts designated as hedging instruments.

	AS AT APRIL 30 2012	AS AT OCTOBER 31 2011	AS AT APRIL 30 2011	AS AT NOVEMBER 1 2010
Cash flow hedges	\$ 998	\$ 33,312	\$ (15,039)	\$ 16,464
Fair value hedges	17,369	41,068	(11,181)	17,506
	\$ 18,367	\$ 74,380	\$ (26,220)	\$ 33,970

Ineffective portions of hedging relationships

The following tables shows the ineffective portions of hedging relationships recognized in the consolidated statement of income.

	FOR THE THREE MONTHS ENDED			FOR THE SIX MONTHS ENDED	
	APRIL 30 2012	JANUARY 31 2012	APRIL 30 2011	APRIL 30 2012	APRIL 30 2011
Cash flow hedges	\$ 513	\$ 150	\$ 163	\$ 663	\$ 754
Fair value hedges	100	(364)	(34)	(264)	170
	\$ 613	\$ (214)	\$ 129	\$ 399	\$ 924

Other information on hedging relationships

The remaining balance of accumulated other comprehensive income related to cash flow hedges will be transferred into net income over the next 7 years.

14. Segmented Information

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

The Retail & SME-Québec segment provides a full range of savings, investment and financing products, and transactional products and services offered through its direct distribution network, which includes branches, electronic networks, a call centre and a mobile sales force. This business segment also offers Visa credit card services, insurance products and trust services. As well, it offers a wide range of commercial financial services to small and medium-sized enterprises in Québec.

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

The B2B Trust 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 and the Bank's capital market activities.

A fifth "Other segment" 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 conducted on an arm's length basis, with inter-segments revenues and costs being 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 APRIL 30, 2012

	RETAIL & SME-QUÉBEC	REAL ESTATE & COMMERCIAL	B2B TRUST	LAURENTIAN BANK SECURITIES & CAPITAL MARKETS	OTHER	TOTAL
Net interest income	\$ 76,096	\$ 22,049	\$ 30,689	\$ 696	\$ (1,206)	\$ 128,324
Other income	33,422	10,451	9,116	15,569	1,788	70,346
Total revenue	109,518	32,500	39,805	16,265	582	198,670
Provision for loan losses	4,855	1,755	890	-	-	7,500
Non-interest expenses	91,268	7,484	24,483	12,530	7,996	143,761
Costs related to an acquisition and other ^[1]	-	-	3,350	-	-	3,350
Income (loss) before income taxes	13,395	23,261	11,082	3,735	(7,414)	44,059
Income taxes (recovered)	2,737	6,292	2,953	956	(2,742)	10,196
Net income (loss)	\$ 10,658	\$ 16,969	\$ 8,129	\$ 2,779	\$ (4,672)	\$ 33,863
Average assets ^[2]	\$ 13,456,896	\$ 3,481,673	\$ 6,260,665	\$ 2,724,581	\$ 4,183,763	\$ 30,107,578

FOR THE THREE MONTHS ENDED JANUARY 31, 2012

	RETAIL & SME-QUÉBEC	REAL ESTATE & COMMERCIAL	B2B TRUST	LAURENTIAN BANK SECURITIES & CAPITAL MARKETS	OTHER	TOTAL
Net interest income	\$ 78,725	\$ 22,212	\$ 30,964	\$ 509	\$ (1,781)	\$ 130,629
Other income	31,803	8,006	8,143	14,146	1,017	63,115
Total revenue	110,528	30,218	39,107	14,655	(764)	193,744
Provision for loan losses	6,216	2,851	933	-	-	10,000
Non-interest expenses	91,260	7,756	23,422	12,160	5,762	140,360
Costs related to an acquisition and other ^[1]	-	-	2,660	-	-	2,660
Income (loss) before income taxes	13,052	19,611	12,092	2,495	(6,526)	40,724
Income taxes (recovered)	2,631	5,305	3,221	620	(2,015)	9,762
Net income (loss)	\$ 10,421	\$ 14,306	\$ 8,871	\$ 1,875	\$ (4,511)	\$ 30,962
Average assets ^[2]	\$ 13,302,967	\$ 3,310,962	\$ 6,009,674	\$ 2,683,211	\$ 4,398,536	\$ 29,705,350

FOR THE THREE MONTHS ENDED APRIL 30, 2011

	RETAIL & SME-QUÉBEC	REAL ESTATE & COMMERCIAL	B2B TRUST	LAURENTIAN BANK SECURITIES & CAPITAL MARKETS	OTHER	TOTAL
Net interest income	\$ 77,881	\$ 22,514	\$ 28,410	\$ 670	\$ (7,410)	\$ 122,065
Other income	33,215	7,851	2,419	17,202	485	61,172
Total revenue	111,096	30,365	30,829	17,872	(6,925)	183,237
Provision for loan losses	6,570	4,860	554	-	-	11,984
Non-interest expenses	90,162	7,004	15,666	14,126	5,028	131,986
Income (loss) before income taxes	14,364	18,501	14,609	3,746	(11,953)	39,267
Income taxes (recovered)	2,846	5,296	4,141	1,014	(5,046)	8,251
Net income (loss)	\$ 11,518	\$ 13,205	\$ 10,468	\$ 2,732	\$ (6,907)	\$ 31,016
Average assets ^[2]	\$ 12,548,528	\$ 3,049,248	\$ 5,353,356	\$ 2,588,177	\$ 3,875,967	\$ 27,415,276

[1] Costs related to the acquisition of the MRS Companies.

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

14. Segmented Information [Cont'd]

FOR THE SIX MONTHS ENDED APRIL 30, 2012						
	RETAIL & SME-QUÉBEC	REAL ESTATE & COMMERCIAL	B2B TRUST	LAURENTIAN BANK SECURITIES & CAPITAL MARKETS	OTHER	TOTAL
Net interest income	\$ 154,821	\$ 44,261	\$ 61,653	\$ 1,205	\$ (2,987)	\$ 258,953
Other income	65,225	18,457	17,259	29,715	2,805	133,461
Total revenue	220,046	62,718	78,912	30,920	(182)	392,414
Provision for loan losses	11,071	4,606	1,823	-	-	17,500
Non-interest expenses	182,528	15,240	47,905	24,690	13,758	284,121
Costs related to an acquisition and other ^[1]	-	-	6,010	-	-	6,010
Income (loss) before income taxes	26,447	42,872	23,174	6,230	(13,940)	84,783
Income taxes (recovered)	5,368	11,597	6,174	1,576	(4,757)	19,958
Net income (loss)	\$ 21,079	\$ 31,275	\$ 17,000	\$ 4,654	\$ (9,183)	\$ 64,825
Average assets ^[2]	\$ 13,379,086	\$ 3,395,380	\$ 6,133,790	\$ 2,703,669	\$ 4,292,329	\$ 29,904,254

FOR THE SIX MONTHS ENDED APRIL 30, 2011						
	RETAIL & SME-QUÉBEC	REAL ESTATE & COMMERCIAL	B2B TRUST	LAURENTIAN BANK SECURITIES & CAPITAL MARKETS	OTHER	TOTAL
Net interest income	\$ 158,329	\$ 45,609	\$ 57,222	\$ 1,442	\$ (13,934)	\$ 248,668
Other income	66,557	15,945	4,944	32,671	1,307	121,424
Total revenue	224,886	61,554	62,166	34,113	(12,627)	370,092
Provision for loan losses	14,254	8,237	950	-	-	23,441
Non-interest expenses	180,121	14,363	31,568	26,621	6,390	259,063
Income (loss) before income taxes	30,511	38,954	29,648	7,492	(19,017)	87,588
Income taxes (recovered)	5,959	11,151	8,403	2,038	(7,899)	19,652
Net income (loss)	\$ 24,552	\$ 27,803	\$ 21,245	\$ 5,454	\$ (11,118)	\$ 67,936
Average assets ^[2]	\$ 12,456,095	\$ 3,024,277	\$ 5,334,816	\$ 2,451,906	\$ 3,974,618	\$ 27,241,712

[1] Costs related to the acquisition of the MRS Companies.

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

15. Business Combination

On November 16, 2011, the Bank acquired 100% of the voting shares of MRS Companies¹. The MRS Companies, previously part of the Mackenzie Financial Corporation, provide trust and administrative services to dealers, advisors and investors in Canada. The Bank acquired the MRS Companies to combine them with B2B Trust in order to enhance its product and service offering for the Canadian financial advisor community, as well as to further diversify the Bank's revenue streams.

The financial statements include the results of the MRS Companies for the 167 days period from the acquisition date. From the date of acquisition, the MRS Companies have contributed approximately \$19.1 million to total revenue and \$3.2 million to the net income of the Bank. Had the Bank completed the acquisition on November 1, 2011, the MRS Companies would have contributed approximately \$20.7 million to total revenue and \$3.4 million to the net income of the Bank.

The preliminary fair value of the identifiable assets and liabilities of the MRS Companies on November 16, 2011 was as follows.

¹ The MRS Companies included: M.R.S. Inc.; M.R.S. Trust Company; M.R.S. Securities Services Inc.; and M.R.S. Correspondent Corporation.

	FAIR VALUE RECOGNISED ON ACQUISITION
ASSETS	
Interest-bearing deposits with other banks	\$ 426,654
Securities	145,567
Loans	333,073
Premises and equipment	262
Software and other intangible assets	23,028
Other assets	15,034
	943,618
LIABILITIES	
Deposits	725,540
Other liabilities	34,238
Subordinated debt	20,000
	779,778
Total identifiable net assets at fair value	163,840
Goodwill arising on acquisition	34,853
Purchase consideration transferred	\$ 198,693

The allocation of the purchase price for the MRS Companies is subject to refinement as the Bank completes the valuation of the assets acquired and liabilities assumed.

The fair value of loans as at November 16, 2011 was estimated at \$333.1 million. The gross amount of loans was \$335.3 million. As at November 16, 2011, the Bank expected to collect essentially all the contractual amounts, except for expected loan losses amounting to approximately \$3.2 million.

The goodwill recognized above is attributed to the expected synergies and other benefits from combining the assets and activities of the MRS Companies with those of the B2B Trust. The MRS Companies are part of the B2B Trust reporting segment; goodwill associated with this transaction was allocated to this segment. None of the recognized goodwill is expected to be deductible for income tax purposes.

As a result of the additional goodwill arising from the acquisition of the MRS Companies, the Bank's consolidated goodwill balance increased from \$29.2 million as at October 31, 2011 to \$64.1 million as at April 30, 2012.

Concurrent with the acquisition of the MRS Companies, the Bank and Mackenzie Investments also entered into a distribution agreement for a preferred series of Mackenzie mutual funds. Under this agreement, the Bank, as principal distributor, started to distribute a preferred series of Mackenzie mutual funds in January 2012. Income generated from sales of Mackenzie mutual funds is recorded in other income.

16. Events After the Reporting Period

Proposed acquisition of AGF Trust Company

On June 6, 2012, the Bank entered into an agreement pursuant to which B2B Trust, a subsidiary of the Bank, will acquire 100% of the voting shares of AGF Trust Company (AGF Trust) for a cash consideration corresponding to book value at closing of approximately \$242.0 million. The agreement also includes a contingent consideration of a maximum of \$20.0 million over five years if credit quality reaches certain criteria. AGF Trust, previously part of AGF Management Limited, offers retail loan and deposit products through financial advisors, mortgage brokers and deposit brokers. The transaction is expected to close in August 2012 subject to regulatory notifications and approvals.

Private placement

On June 6, 2012, the Bank entered into arm's length subscription agreements relating to a private placement of 2,867,383 subscription receipts, which will be issued at a price of \$41.85 per receipt and will be exchangeable, on a one-for-one basis, for common shares of the Bank. The offering of subscription receipts is expected to close, subject to the approval of the Toronto Stock Exchange, no later than June 15, 2012, and the proceeds of such offering will be placed in escrow until closing of the AGF Trust acquisition, at which point the subscription receipts will be automatically exchanged for common shares of the Bank. This agreement will provide net proceeds of \$115.1 million.

Shareholder Information

Head office

Tour Banque Laurentienne
1981 McGill College Avenue
Montréal, Québec H3A 3K3
Tel.: (514) 284-4500
ext. 5996
Fax: (514) 284-3396

Telebanking Centre, Automated Banking and Customer Service:

Montréal region:
(514) 252-1846
Toll-free:
1-800-252-1846
Website:
www.laurentianbank.ca
Telex: 145069

Transfer Agent and Registrar

Computershare Investor
Services
1500 University Street
Suite 700
Montréal, Québec H3A 3S8
Phone: 1-800-564-6253
(toll-free in Canada and
the United States)
or (514) 982-7555
(international direct dial)

Investors and analysts

Investors and analysts
may contact the Investor
Relations Department
at Head Office by calling
(514) 284-4500 ext. 7511.

Media

Journalists may contact the
Public Affairs and
Communications Department
at Head Office by calling
(514) 284-4500 ext. 7511.

Ombudsman's office

Laurentian Bank of Canada
1981 McGill College Avenue
14th Floor
Montréal, Québec H3A 3K3
(514) 284-7192
1-800-473-4782

Change of address and inquiries

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

Stock symbol and dividend payment

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

	STOCK SYMBOL CODE CUSIP	DIVIDEND RECORD DATE*	DIVIDEND PAYMENT DATE*
Common shares	51925D 10 6LB	First Business day of: January April July October	February 1 st May 1 st August 1 st November 1 st
Preferred shares			
Series 9	5195D 87 4 LB.PR.D	**	March 15
Series 10	5195D 86 6 LB.PR.E	**	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.

