LAURENTIAN BANK

SECOND QUARTER 2014

Report to Shareholders

For the period ended April 30, 2014

Laurentian Bank reports second quarter results

Highlights of the second quarter of 2014

- Financial highlights on a reported and adjusted basis for the second quarter of 2014:
  - Net income of $31.0 million
  - Return on common shareholders' equity of 9.2%
  - Diluted earnings per share of $0.99

  - Adjusted net income of $39.4 million
  - Adjusted return on common shareholders' equity of 11.9%
  - Adjusted diluted earnings per share of $1.29

- Commercial loan portfolio up 18% year-over-year
- Strong credit performance, with loan losses at $10.5 million
- Positive adjusted operating leverage
- Non tax-deductible charge of $4.1 million, impacting reported net income, as a result of the final settlement with AGF Management Limited of the contingent consideration related to the AGF Trust acquisition
- Successful issuance of $125.0 million Basel III-compliant Preferred Shares Series 13
- Quarterly common share dividend raised by $0.01 to $0.52 per share

Laurentian Bank of Canada reported adjusted net income of $39.4 million or $1.29 diluted per share for the second quarter of 2014, compared with $39.2 million or $1.24 diluted per share for the same period in 2013. Adjusted return on common shareholders' equity was 11.9% for the second quarter of 2014, compared with 12.2% for the same period in 2013. When including adjusting items[1], net income totalled $31.0 million or $0.99 diluted per share for the second quarter of 2014, compared with $33.8 million or $1.05 diluted per share for the second quarter of 2013. Return on common shareholders' equity was 9.2% for the second quarter of 2014, compared with 10.4% for the same period in 2013.

For the six months ended April 30, 2014, adjusted net income totalled $78.6 million or $2.57 diluted per share, compared with $78.4 million or $2.54 diluted per share in 2013. Adjusted return on common shareholders' equity was 11.8% for the six months ended April 30, 2014, compared with 12.4% for the same period in 2013. When including adjusting items, net income was $66.5 million or $2.15 diluted per share for the six months ended April 30, 2014, compared with $66.6 million or $2.13 diluted per share for the same period in 2013. Return on common shareholders' equity was 9.8% for the six months ended April 30, 2014, compared with 10.4% for the same period in 2013.

Commenting on the Bank's financial results for the second quarter of 2014, Réjean Robitaille, President and Chief Executive Officer, mentioned: “We delivered solid core earnings in the quarter, as we continued our targeted efforts to improve efficiency, maximize operating leverage, and deliver the synergies related to our acquired businesses. The sustained credit quality of the loan portfolio and rigorous control over expenses contributed to the good performance for the quarter. In an environment of consumer deleveraging and compressed margins, we maintain our focus on further developing our higher-margin commercial activities and growing income from non-interest sensitive sources in order to foster profitable revenue growth.”

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

Mr. Robitaille added: "I am pleased with the issuance of $125.0 million of Basel III compliant preferred shares which, combined with the expected redemption of $110.0 million of Series 10 preferred shares, strengthens our capital structure and helps to sustain our growth strategies."

Mr. Robitaille concluded: "As we move forward, we remain committed to enhancing value for our shareholders and we are working diligently to generate sustained earnings growth in each of our business segments. I am therefore pleased to announce that the Board of Directors has approved an increase in our quarterly common share dividend of $0.01 to $0.52 per share."

Caution Regarding Forward-looking Statements

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

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

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

With respect to the anticipated benefits from the acquisition AGF Trust Company[1] (AGF Trust) and the Bank's statements with regards to this transaction being accretive to earnings, such factors also include, but are not limited to: the fact that synergies may not be realized in the time frame anticipated; the ability to promptly and effectively integrate the businesses; reputational risks and the reaction of B2B Bank's or AGF Trust's customers to the transaction; and diversion of management time on acquisition-related issues.

The Bank does not undertake to update any forward-looking statements, whether oral or written, made by itself or on its behalf, except to the extent required by securities regulations.

Contents

Highlights **3**
Review of Business Highlights **4**
Management's Discussion and Analysis **4**
Unaudited Condensed Interim Consolidated Financial Statements **21**
Shareholder Information **44**

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

Highlights [1]

In thousands of Canadian dollars, except per share and percentage amounts (Unaudited)	FOR THE THREE MONTHS ENDED APRIL 30 2014	JANUARY 31 2014	VARIANCE	APRIL 30 2013	VARIANCE	FOR THE SIX MONTHS ENDED APRIL 30 2014	APRIL 30 2013	VARIANCE
Profitability								
Total revenue	**$ 216,890**	$ 216,109	— %	$ 214,850	1 %	**$ 432,999**	$ 428,764	1 %
Net income	**$ 30,989**	$ 35,525	(13)%	$ 33,839	(8)%	**$ 66,514**	$ 66,627	— %
Diluted earnings per share	**$ 0.99**	$ 1.16	(15)%	$ 1.05	(6)%	**$ 2.15**	$ 2.13	1 %
Return on common shareholders' equity [2]	**9.2 %**	10.5%		10.4%		**9.8%**	10.4%	
Net interest margin [2]	**1.68 %**	1.66%		1.68%		**1.67%**	1.66%	
Efficiency ratio [2]	**73.7 %**	73.6%		75.2%		**73.7%**	75.7%	
Operating leverage [2] [3]	**(0.1)%**	8.1%		1.3%		**2.8%**	n. m.	
Per common share								
Share price								
High	**$ 47.54**	$ 47.96		$ 45.41		**$ 47.96**	$ 45.97	
Low	**$ 45.00**	$ 44.34		$ 42.57		**$ 44.34**	$ 42.57	
Close	**$ 47.08**	$ 45.73	3 %	$ 44.21	6 %	**$ 47.08**	$ 44.21	6 %
Price / earnings ratio (trailing four quarters) [4]	**12.3x**	11.8x		n. m.		**12.3x**	n. m.	
Book value [2]	**$ 44.61**	$ 44.03	1 %	$ 41.75	7 %	**$ 44.61**	$ 41.75	7 %
Market to book value	**106 %**	104%		106%		**106%**	106%	
Dividends declared	**$ 0.51**	$ 0.51	— %	$ 0.49	4 %	**$ 1.02**	$ 0.98	4 %
Dividend yield [2]	**4.3 %**	4.5%		4.4%		**4.3%**	4.4%	
Dividend payout ratio [2]	**51.3 %**	44.1%		46.5%		**47.4%**	46.0%	
Adjusted financial measures								
Adjusted net income [2]	**$ 39,375**	$ 39,261	— %	$ 39,247	— %	**$ 78,636**	$ 78,363	— %
Adjusted diluted earnings per share [2]	**$ 1.29**	$ 1.29	— %	$ 1.24	4 %	**$ 2.57**	$ 2.54	1 %
Adjusted return on common shareholders' equity [2]	**11.9 %**	11.7%		12.2%		**11.8%**	12.4%	
Adjusted efficiency ratio [2]	**71.7 %**	71.8%		72.4%		**71.7%**	72.5%	
Adjusted operating leverage [2] [3]	**0.2 %**	4.9%		0.5%		**1.1%**	n. m.	
Adjusted dividend payout ratio [2]	**39.6 %**	39.6%		39.3%		**39.6%**	38.5%	
Financial position (in millions of Canadian dollars)								
Balance sheet assets	**$ 34,261**	$ 33,631	2 %	$ 34,480	(1)%			
Loans and acceptances	**$ 27,233**	$ 27,092	1 %	$ 27,035	1 %			
Deposits	**$ 23,759**	$ 23,804	— %	$ 23,809	— %			
Basel III regulatory capital ratios — All-in basis [5]								
Common Equity Tier I	**7.6 %**	7.6%		7.6%				
Tier 1	**10.0 %**	9.1%		9.1%				
Total	**13.3 %**	12.4%		12.6%				
Other information								
Number of full-time equivalent employees	**3,764**	3,850		4,254				
Number of branches	**153**	153		154				
Number of automated banking machines	**423**	422		423				

[1] Comparative figures reflect the adoption of amendments to IAS 19, *Employee Benefits*. Refer to Note 2 in the unaudited condensed interim consolidated financial statements.
[2] Refer to the non-GAAP financial measures section. Effective November 1, 2013, the Bank has modified its definition of common shareholders' equity, which is now better aligned with regulatory requirements. Book value per common share and return on common shareholders' equity measures for the quarters ended in 2013 have been amended accordingly.
[3] Quarterly growth rates are calculated sequentially. Operating leverage for the six months ended April 30, 2013 is not meaningful as 2012 results were not restated to reflect the adoption of amendments to IAS 19, *Employee Benefits*.
[4] Price / earnings ratios for the three months and six months ended April 30, 2013 are not meaningful as 2012 results were not restated to reflect the adoption of amendments to IAS 19, *Employee Benefits*.
[5] Regulatory capital ratios for 2013 are presented as filed with OSFI and have not been adjusted to include the impact of the adoption of amendments to IAS 19, *Employee Benefits*.

Review of Business Highlights

Personal & Commercial — ***Business services*** generated strong growth during the quarter. In particular, the commercial loan portfolio grew 18% year-over-year, approaching the $3.0 billion mark. The strategy of specialization is contributing to these excellent results. Recently hired account managers are becoming increasingly productive and delivering added value to clients. With respect to leasing and equipment financing, solid teams, systems and processes are now in place. The offer is being well received in the market and a strong pipeline is being built. The Business Services segment continues to be well positioned as one of the Bank's engines of growth. — ***Retail activities*** are benefitting from ongoing investments to improve the Bank's website. Thanks to significant enhancements made to the platform, the number of LBC*Direct* users has increased by 30% over the past six months. The Bank is committed to enhancing its internet offering to ensure that client needs, expectations and preferences are met.

B2B Bank added two new mortgage programs to its offering for mortgage brokers and their clients towards the end of the quarter, presenting one of the most comprehensive product lines in the industry. Along with insured and conventional mortgages, B2B Bank offers alternative and expanded mortgage solutions designed for borrowers who, due to their employment status or credit history, may not qualify for insured or conventional mortgage loans. This is yet another step to strengthen B2B Bank's position as a leader in serving financial advisors and brokers in Canada. Furthermore, the Bank reached a final settlement with AGF Management of the contingent consideration related to the AGF Trust acquisition for $10.0 million.

Laurentian Bank Securities hosted its first Annual Equity Small Cap Conference in April 2014. The event was very well received, with 35 corporate issuers presenting and almost 200 institutional investors from across Canada in attendance. This success underscores the expertise and reputation of the LBS Institutional Equity team and validates their strategic focus on the small cap market niche. This group is well positioned to further leverage their small cap capability.

Supporting all of the Bank's activities is a solid capital base. During the quarter, $125.0 million of preferred shares, Series 13, yielding 4.3% annually, was issued. Subsequent to quarter-end, it was announced that the $110.0 million preferred share issue, Series 10, yielding 5.3% annually, will be redeemed on June 15, 2014. The Bank's proactive approach to capital management ensures the optimization of capital and will contribute to lower overall funding costs.

The Bank released its Social Responsibility Report for fiscal 2013 in March 2014. As a responsible corporate citizen, the Bank carefully considers all of its stakeholders in the development of strategies and implementation of business decisions. Paying particular attention to its governance, whether it be the composition and diversity of the Board of Directors, managing relationships with its shareholders and financial markets, its human resource programs for officers and employees or its community involvement, the Bank ensures that its practices are effective and equitable for shareholders, customers, employees and partners alike.

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, 2014, and of how it performed during the three-month and six-month periods then ended. This MD&A, dated June 4, 2014, should be read in conjunction with the unaudited condensed interim consolidated financial statements for the period ended April 30, 2014, prepared in accordance with IAS 34 *Interim financial reporting,* as issued by the International Accounting Standards Board (IASB). Supplemental information on risk management, critical accounting policies and estimates, and off-balance sheet arrangements is also provided in the Bank's 2013 Annual Report.

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

Adoption of the amended IFRS accounting standard on employee benefits

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

Economic Outlook

North American economic growth resumed this spring. Prospects, particularly in the United States, are bright as US companies, consumers, workers and governments are all showing more confidence. Accordingly, the Federal Reserve has continued to reduce its stimulus asset purchase program and has begun to shift its focus on the near zero policy rate. However, as inflation remains low, interest rates are expected to increase only in the second half of 2015.

In Canada, the goods sector is better positioned to benefit from improving US demand and a lower currency. The services sector growth, driven to a larger extent by domestic demand, should however remain more modest. All-in, economic activity should continue to advance at a modest pace, around 2 %, for the remainder of 2014. Furthermore, inflation is expected to rise only moderately from its early 2014 trough. This should provide the Bank of Canada with the needed flexibility to postpone any increase to its rate policy until the end of 2015 at the earliest and, in any case, not before a Federal Reserve increase. The ensuing moderate increase in interest rates should not exert undue pressure on households and housing affordability and favour a soft landing in the Canadian housing sector.

2014 Financial Performance

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

2014 FINANCIAL OBJECTIVES [1]

	2014 OBJECTIVES	FOR THE SIX MONTHS ENDED APRIL 30, 2014
Adjusted return on common shareholders' equity	10.5% to 12.5%	**11.8%**
Adjusted net income (in millions of dollars)	$145.0 to $165.0	**$78.6**
Adjusted efficiency ratio	72.5% to 69.5%	**71.7%**
Adjusted operating leverage [2]	Positive	**1.1%**
Common Equity Tier I capital ratio — All-in basis	> 7.0%	**7.6%**

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

Based on the results for the six months ended April 30, 2014 and current forecasts, management believes that the Bank is in line to meet its objectives as set out at the beginning of the year. Good organic growth in the higher-margin commercial businesses, strategies to diversify other income, a disciplined management of expenses and strong credit quality are expected to remain the key drivers of the Bank's overall financial performance for the year.

Analysis of Consolidated Results

CONDENSED CONSOLIDATED RESULTS [1]

In thousands of Canadian dollars, except per share amounts (Unaudited)	FOR THE THREE MONTHS ENDED **APRIL 30 2014**	JANUARY 31 2014	APRIL 30 2013	FOR THE SIX MONTHS ENDED **APRIL 30 2014**	APRIL 30 2013
Net interest income	**$ 138,726**	$ 140,856	$ 140,430	**$ 279,582**	$ 282,774
Other income	**78,164**	75,253	74,420	**153,417**	145,990
Total revenue	**216,890**	216,109	214,850	**432,999**	428,764
Amortization of net premium on purchased financial instruments and revaluation of contingent consideration	**5,498**	1,136	1,224	**6,634**	2,280
Provision for loan losses	**10,500**	10,500	9,000	**21,000**	17,000
Non-interest expenses	**159,904**	159,133	161,630	**319,037**	324,723
Income before income taxes	**40,988**	45,340	42,996	**86,328**	84,761
Income taxes	**9,999**	9,815	9,157	**19,814**	18,134
Net income	**$ 30,989**	$ 35,525	$ 33,839	**$ 66,514**	$ 66,627
Preferred share dividends, including applicable taxes	**2,501**	2,501	4,059	**$ 5,002**	$ 6,592
Net income available to common shareholders	**$ 28,488**	$ 33,024	$ 29,780	**$ 61,512**	$ 60,035
Diluted earnings per share	**$ 0.99**	$ 1.16	$ 1.05	**$ 2.15**	$ 2.13

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

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

Adjusting items

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

IMPACT OF ADJUSTING ITEMS [1] [2]

In thousands of Canadian dollars, except per share amounts (Unaudited)	FOR THE THREE MONTHS ENDED **APRIL 30 2014**	JANUARY 31 2014	APRIL 30 2013	FOR THE SIX MONTHS ENDED **APRIL 30 2014**	APRIL 30 2013
Impact on net income					
Reported net income	**$ 30,989**	$ 35,525	$ 33,839	**$ 66,514**	$ 66,627
Adjusting items, net of income taxes					
Amortization of net premium on purchased financial instruments and revaluation of contingent consideration					
Amortization of net premium on purchased financial instruments	**1,026**	836	902	**1,862**	1,680
Revaluation of contingent consideration	**4,100**	—	—	**4,100**	—
Costs related to business combinations [3]					
MRS Companies integration related costs	**—**	474	1,332	**474**	5,650
AGF Trust integration related costs	**3,260**	2,426	3,174	**5,686**	4,406
	8,386	3,736	5,408	**12,122**	11,736
Adjusted net income	**$ 39,375**	$ 39,261	$ 39,247	**$ 78,636**	$ 78,363
Impact on diluted earnings per share					
Reported diluted earnings per share	**$ 0.99**	$ 1.16	$ 1.05	**$ 2.15**	$ 2.13
Adjusting items	**0.29**	0.13	0.19	**0.42**	0.42
Adjusted diluted earnings per share [4]	**$ 1.29**	$ 1.29	$ 1.24	**$ 2.57**	$ 2.54

[1] Comparative figures reflect the adoption of amendments to IAS 19, *Employee Benefits*. Refer to Note 2 in the unaudited condensed interim consolidated financial statements.
[2] Refer to the Non-GAAP Financial Measures section.
[3] Also referred to as Transaction and Integration Costs (T&I Costs).
[4] The impact of adjusting items on a per share basis does not add due to rounding for the three months ended April 30, 2014 and six months ended April 30, 2013.

Three months ended April 30, 2014 compared with the three months ended April 30, 2013

Net income was $31.0 million or $0.99 diluted per share for the second quarter of 2014, compared with $33.8 million or $1.05 diluted per share for the second quarter of 2013.

Adjusted net income was $39.4 million for the second quarter ended April 30, 2014, up marginally from $39.2 million for the same quarter of 2013, while adjusted diluted earnings per share was $1.29, compared with $1.24 diluted per share in 2013. The calculation of diluted earnings per share in the second quarter of 2013 included a final $1.5 million dividend on the Series 9 preferred shares redeemed in March 2013.

Total revenue

Total revenue increased by $2.0 million or 1% to $216.9 million in the second quarter of 2014, compared with $214.9 million in the second quarter of 2013, as 5% year-over-year growth in other income was partly offset by slightly lower net interest income.

Net interest income decreased by $1.7 million to $138.7 million for the second quarter of 2014, from $140.4 million in the second quarter of 2013. In the second quarter of 2014, the revenue impact of a lower level of personal loans was partially offset by interest recoveries resulting from favourable settlements in the commercial loan portfolio. Overall, margins were unchanged at 1.68% in the quarter, as the unfavourable repricing of maturing loans and deposits in the very low interest rate environment over the last twelve months was offset by the higher interest recoveries mentioned above and a better asset mix.

Other income increased by $3.7 million or 5% and amounted to $78.2 million in the second quarter of 2014, compared with $74.4 million in the second quarter of 2013. Higher income from brokerage operations, particularly in the small-cap equity markets, as well as continued solid mutual fund commissions mainly contributed to the year-over-year increase. These strong results were partly offset by lower income from treasury and financial market operations, mainly due to lower income from trading activities.

Furthermore, consistent with its syndication strategy, the Bank completed the sale of $102.4 million of commercial mortgage loans during the second quarter of 2014. This led to the recognition of a $3.7 million gain in other income, including $1.2 million reported in the Personal & Commercial business segment results and $2.5 million in the Other sector. In a similar transaction, a $3.7 million gain on sale of a $94.7 million commercial mortgage loan portfolio had been recorded during the second quarter of 2013.

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

For the second quarter of 2014, the line-item "Amortization of net premium on purchased financial instruments and revaluation of contingent consideration" amounted to $5.5 million, compared with $1.2 million in the second quarter of 2013. Results for the second quarter of 2014 include an additional $4.1 million non tax-deductible charge to reflect the impact of an agreement reached on May 30, 2014 with AGF Management Limited to settle the $20.0 million maximum contingent consideration, which was based on the credit performance of the acquired AGF Trust loan portfolio, for a lower total amount of $10.0 million. This amount will represent the final payment for the purchase of AGF Trust. The amortization of net premium on purchased financial instruments amounted to $1.4 million in the second quarter of 2014, essentially unchanged from the second quarter of 2013. Refer to Note 13 to the unaudited condensed interim consolidated financial statements.

Provision for loan losses

The provision for loan losses increased by $1.5 million to $10.5 million in the second quarter of 2014 from $9.0 million in the second quarter of 2013 as the Bank maintained its prudent approach to loan loss provisioning. Nonetheless, loan losses remained at a low level reflecting the overall underlying quality of the loan portfolios. Refer to the Risk Management section for additional information.

Non-interest expenses

Non-interest expenses decreased by $1.7 million to $159.9 million for the second quarter of 2014, compared with $161.6 million for the second quarter of 2013, mainly reflecting lower T&I Costs. The Bank's other non-interest expenses were held unchanged through tight cost control, acquisition synergies and process reviews.

Salaries and employee benefits decreased by $2.6 million or 3% to $84.4 million for the second quarter of 2014, compared with the second quarter of 2013, mainly due to lower headcount from acquisition synergies over the last twelve months and the optimization of certain activities in the fourth quarter of 2013. Regular salary increases, higher performance-based compensation and slightly higher expenses related to group insurance programs partly offset this decrease year-over-year.

Premises and technology costs increased by $3.0 million to $45.6 million compared with the second quarter of 2013. The increase mostly stems from higher IT costs related to ongoing business growth, regulatory requirements and enhanced on-line services. Higher amortization expenses related to completed regulatory IT projects and rental costs for IT development teams also contributed to the increase.

Other non-interest expenses decreased by $0.5 million to $25.4 million for the second quarter of 2014, compared with the second quarter of 2013. The decrease mainly reflects cost synergies in B2B Bank as well as the continued disciplined control over discretionary expenses throughout the Bank in light of a slower growth environment.

T&I Costs for the second quarter of 2014 totalled $4.4 million compared with $6.1 million a year ago, and mainly related to IT systems conversion costs, salaries, professional fees and other expenses as integration activities of AGF Trust operations are winding down.

The adjusted efficiency ratio was 71.7% in the second quarter of 2014, compared with 72.4% in the second quarter of 2013, mainly due to higher other income, integration synergies, continued rigorous cost control and efforts to streamline operations. The Bank continues to invest in strategic initiatives to ensure growth and efficiency in each of its business segments.

Income taxes

For the quarter ended April 30, 2014, the income tax expense was $10.0 million and the effective tax rate was 24.4%. The lower tax rate, compared to the statutory rate, mainly resulted from the favourable effect of holding investments in Canadian securities that generate non-taxable dividend income and the lower taxation level on revenues from foreign insurance operations. For the quarter ended April 30, 2013, the income tax expense was $9.2 million and the effective tax rate was 21.3%. Year-over-year, the higher effective tax rate for the quarter ended April 30, 2014 resulted from a $4.1 million non tax-deductible charge recorded as a result of the final settlement of the contingent consideration related to the AGF Trust acquisition. On an adjusted basis, the effective tax rate was 22.7% for the second quarter of 2014 compared with 22.1% for the second quarter of 2013.

Six months ended April 30, 2014 compared with the six months ended April 30, 2013

Net income was $66.5 million or $2.15 diluted per share for the six months ended April 30, 2014, compared with $66.6 million or $2.13 diluted per share for the six months ended April 30, 2013. Adjusted net income was $78.6 million for the six months ended April 30, 2014, essentially unchanged compared with $78.4 million in 2013, while adjusted diluted earnings per share was $2.57, compared with $2.54 diluted per share in 2013.

Total revenue

Total revenue increased by $4.2 million or 1% to $433.0 million in the six months ended April 30, 2014, compared with $428.8 million in the six months ended April 30, 2013. The year-over-year growth of 5% in other income was partly offset by lower net interest income.

Net interest income decreased by $3.2 million to $279.6 million for the six months ended April 30, 2014, from $282.8 million in the six months ended April 30, 2013, mainly reflecting a reduced level of personal loans and lower prepayment penalties on residential mortgage loans, partly offset by improved margins. When compared with the six months ended April 30, 2013, margins increased by 1 basis point to 1.67% for the six months ended April 30, 2014.

Other income increased by $7.4 million or 5% and amounted to $153.4 million in the six months ended April 30, 2014, compared with $146.0 million in the six months ended April 30, 2013. Higher lending fees stemming from increased business activity and loan prepayment penalties in the commercial portfolios amounting to $1.8 million in the first quarter of 2014 contributed to the year-over-year increase. Solid mutual funds commissions as well as higher insurance income and income from brokerage operations also contributed to the year-over-year increase. These strong improvements were partly offset by lower income from treasury and financial market operations mainly due to trading activities in the six months ended April 30, 2014. In addition, as noted above, the Bank recognized a $3.7 million gain on sale of a commercial mortgage portfolio during the second quarter of 2014, compared to a similar $3.7 million gain in the second quarter of 2013.

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

For the six months ended April 30, 2014, the line item "Amortization of net premium on purchased financial instruments and revaluation of contingent consideration" amounted to $6.6 million, compared with $2.3 million in the six months ended April 30, 2013. As noted above, an additional $4.1 million non tax-deductible charge was recorded in the second quarter of 2014 as a result of the final settlement of the contingent consideration for an amount of $10.0 million related to the AGF Trust acquisition. The amortization of net premium on purchased financial instruments amounted to $2.5 million in the six months ended April 30, 2014, essentially unchanged compared with the six months ended April 30, 2013. Refer to Note 13 to the unaudited condensed interim consolidated financial statements.

Provision for loan losses

The provision for loan losses increased by $4.0 million to $21.0 million in the six months ended April 30, 2014 from $17.0 million in the six months ended April 30, 2013. While still comparatively low, this reflects a return to more normalized overall loan losses from the 2013 levels. Refer to the Risk Management section for additional information.

Non-interest expenses

Non-interest expenses decreased by $5.7 million to $319.0 million for the six months ended April 30, 2014, compared with $324.7 million for the six months ended April 30, 2013. This mainly reflects lower T&I Costs while the Bank's other non-interest expenses were held unchanged through tight cost control and process reviews.

Salaries and employee benefits decreased by $8.2 million or 5% to $169.9 million for the six months ended April 30, 2014, compared with the six months ended April 30, 2013, mainly due to lower headcount from acquisition synergies over the last twelve months and the optimization of certain activities in the fourth quarter of 2013, partly offset by regular salary increases. Lower pension costs and lower performance-based compensation expense also contributed to the decrease year-over-year.

Premises and technology costs increased by $10.1 million to $91.6 million compared with the six months ended April 30, 2013. As noted above, the increase mostly stems from higher IT costs related to ongoing business growth, regulatory requirements and enhanced on-line services. Higher amortization expenses related to completed regulatory IT projects and rental costs also contributed to the increase.

Other non-interest expenses decreased by $2.3 million to $49.1 million for the six months ended April 30, 2014, from $51.4 million for the six months ended April 30, 2013. As cost synergies are being realized, the Bank continued to exercise disciplined control over discretionary expenses in light of a slower growth environment.

T&I Costs for the six months ended April 30, 2014 totalled $8.4 million compared with $13.7 million a year ago. They mainly related to IT systems conversion costs, salaries, professional fees, employee relocation costs and other expenses mostly for the integration of AGF Trust operations.

The adjusted efficiency ratio was 71.7% in the six months ended April 30, 2014, compared with 72.5% in the six months ended April 30, 2013. On the same basis, the Bank generated positive operating leverage of 1.1% year-over-year, mainly due to higher other income, integration synergies, continued rigorous cost control and efforts to streamline its operations.

Income taxes

For the six months ended April 30, 2014, the reported income tax expense was $19.8 million and the effective reported tax rate was 23.0%. The lower tax rate, compared to the statutory rate, mainly resulted from the favourable effect of holding investments in Canadian securities that generate non-taxable dividend income and the lower taxation level on revenues from foreign insurance operations. For the six months ended April 30, 2013, the income tax expense was $18.1 million and the effective tax rate was 21.4%. Year-over-year, the higher income tax rate for the six months ended April 30, 2014 resulted from a $4.1 million non tax-deductible charge recorded in the second quarter of 2014 as a result of the final settlement of the contingent consideration related to the AGF Trust acquisition. On an adjusted basis, the effective tax rate was 22.4% for the six months ended April 30, 2014 compared with 22.2% for the same period in 2013.

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

Net income was $31.0 million or $0.99 diluted per share for the second quarter of 2014 compared with $35.5 million or $1.16 diluted per share for the first quarter of 2014. Adjusted net income was $39.4 million or $1.29 diluted per share, compared with $39.3 million or $1.29 diluted per share for the first quarter of 2014.

Total revenue increased to $216.9 million in the second quarter of 2014, compared with $216.1 million in the previous quarter. Net interest income decreased by $2.1 million sequentially to $138.7 million in the second quarter of 2014, mainly due to three less days in the second quarter. Net interest income for the second quarter also included interest recoveries resulting from favourable settlements in the commercial loan portfolio. Net interest margin increased sequentially by 2 basis points to 1.68% in the second quarter of 2014, compared with 1.66% in the first quarter of 2014. This increase mainly resulted from interest recoveries, which more than compensated for modest loan and deposit margin tightening.

Other income increased by $2.9 million sequentially, largely due to a $3.7 million gain on sale of a $102.4 million commercial mortgage loan portfolio during the second quarter, as well as higher income from brokerage operations, partly offset by lower income from treasury and financial market operations. Other income for the first quarter of 2014 also included loan prepayment penalties in the commercial portfolios amounting to $1.8 million.

The line-item "Amortization of net premium on purchased financial instruments and revaluation of contingent consideration" amounted to $5.5 million in the second quarter of 2014, compared with $1.1 million for the last quarter mainly due to the final $4.1 million contingent consideration charge noted above. Refer to Note 13 to the unaudited condensed interim consolidated financial statements for additional information.

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

Non-interest expenses amounted to $159.9 million for the second quarter of 2014, compared with $159.1 million for the first quarter of 2014. T&I Costs increased to $4.4 million in the second quarter of 2014, compared with $3.9 million in the first quarter of 2014. Excluding T&I Costs, non-interest expenses were unchanged sequentially, mainly due to three less days in the second quarter which was partly offset by a full quarter of regular salary increases, as the Bank continued to carefully control costs.

Financial condition

CONDENSED BALANCE SHEET [1]

In thousands of Canadian dollars (Unaudited)	**AS AT APRIL 30 2014**	AS AT OCTOBER 31 2013	AS AT APRIL 30 2013
ASSETS			
Cash and deposits with other banks	**$ 215,508**	$ 208,838	$ 317,013
Securities	**4,532,598**	4,480,525	5,756,762
Securities purchased under reverse repurchase agreements	**1,582,181**	1,218,255	545,974
Loans and acceptances, net	**27,110,647**	27,113,107	26,920,674
Other assets	**820,062**	890,301	939,178
	$ 34,260,996	$ 33,911,026	$ 34,479,601
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits	**$ 23,758,753**	$ 23,927,350	$ 23,808,825
Other liabilities	**3,557,742**	3,129,918	3,347,240
Debt related to securitization activities	**4,896,007**	4,974,714	5,473,470
Subordinated debt	**446,485**	445,473	444,469
Liability related to preferred shares	**120,946**	—	—
Shareholders' equity	**1,481,063**	1,433,571	1,405,597
	$ 34,260,996	$ 33,911,026	$ 34,479,601

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

Balance sheet assets amounted to $34.3 billion at April 30, 2014, up $0.3 billion or 1% from year-end 2013. Over the last twelve months, balance sheet assets decreased by $0.2 billion.

Liquid assets

Liquid assets, including cash, deposits with other banks, securities and securities purchased under reverse repurchase agreements, totalled $6.3 billion as at April 30, 2014, an increase of $422.7 million or 7% compared with October 31, 2013. This higher level supports loan growth, particularly in the commercial loan portfolios, while maintaining diverse funding sources. Liquid assets as a percentage of total assets remained relatively unchanged at 18% compared with October 31, 2013. The Bank continues to prudently manage the level of liquid assets and to hold sufficient cash resources in order to meet its current and future financial obligations, under both normal and stressed conditions.

Loans

Loans and bankers' acceptances, net of allowances, stood at $27.1 billion as at April 30, 2014, unchanged compared with October 31, 2013. On a gross basis, continued organic growth in the higher-margin commercial loan portfolios more than offset the decrease in the personal loan and residential mortgage loan portfolios. Commercial loans, including bankers' acceptances, increased by $192.9 million or 7% since October 31, 2013, and commercial mortgage loans increased by $47.1 million or 2% over the same period as the Bank maintained its efforts to develop these growth engines. The sale of $102.4 million commercial mortgage loans during the second quarter of 2014 partially muted the growth in the underlying portfolio. Personal loans decreased by $166.1 million or 2% since October 31, 2013, mainly reflecting attrition in the investment loan portfolio. Residential mortgage loans decreased marginally by $69.8 million from October 31, 2013, mainly due to the combined effect of a slower growth environment in 2014 and the B2B Bank business segment's current focus on integration to build the foundation for future growth.

Deposits

Personal deposits stood at $19.2 billion as at April 30, 2014, relatively unchanged from October 31, 2013. Business and other deposits, which include institutional deposits decreased slightly by $0.1 billion or 1% since October 31, 2013 to $4.6 billion as at April 30, 2014. This is in line with the modest growth in the Bank's loan portfolio during the six-month period. Moreover, the Bank continues to focus on personal deposit gathering and maintaining this solid retail funding base. Personal deposits represented 81% of total deposits as at April 30, 2014, unchanged from year-end 2013.

Other Liabilities

Debt related to securitization activities and subordinated debt remained essentially unchanged compared with October 31, 2013 and stood at $4.9 billion and $0.4 billion respectively as at April 30, 2014.

On April 3, 2014, the Bank issued 5,000,000 Basel III-compliant Non-Cumulative Class A Preferred Shares, Series 13 (the "Preferred Shares Series 13"), at a price of $25.00 per share for gross proceeds of $125.0 million, $120.9 million net of issuance costs of $4.1 million, and yielding 4.3% annually. The Preferred Shares Series 13 are recorded as liabilities as the Bank may be required to convert any or all of the preferred shares into a variable number of common shares upon the occurrence of a non-viability trigger event. When declared, dividends on these preferred shares will be recorded in equity directly through retained earnings. Refer to Note 7 to the unaudited condensed interim consolidated financial statements for additional information.

Shareholders' equity

Shareholders' equity stood at $1,481.1 million as at April 30, 2014, compared with $1,433.6 million as at October 31, 2013. This increase resulted mainly from the net income contribution for the first six months, net of declared dividends. In addition, the issuance of 210,733 new common shares under the Shareholder Dividend Reinvestment and Share Purchase Plan further contributed to the increase in shareholders' equity. The Bank's book value per common share[1] appreciated to $44.61 as at April 30, 2014 from $43.19 as at October 31, 2013. There were 28,743,230 common shares and 20,000 share purchase options outstanding as at May 29, 2014.

Capital Management

Regulatory capital

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

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

In August 2013, OSFI issued a guideline clarifying the application of the Credit Valuation Adjustment (CVA). The CVA capital charge took effect as of January 1, 2014 and will be phased-in over a five-year period beginning in 2014. This had no significant impact on the regulatory capital ratios for the Bank.

As detailed in the table below, on an "all-in" basis, the Common Equity Tier 1, Tier 1 and Total capital ratios stood at 7.6%, 10.0% and 13.3%, respectively, as at April 30, 2014. These ratios meet all current requirements.

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

REGULATORY CAPITAL [1]

In thousands of Canadian dollars, except percentage amounts (Unaudited)	**AS AT APRIL 30 2014**	AS AT OCTOBER 31 2013	AS AT APRIL 30 2013
Regulatory capital			
Common Equity Tier 1 capital (A)	**$ 1,030,263**	$ 1,017,659	$ 1,018,515
Tier 1 capital (B)	**$ 1,356,413**	$ 1,222,863	$ 1,223,661
Total capital (C)	**$ 1,811,191**	$ 1,694,167	$ 1,698,448
Total risk-weighted assets (D) [2]	**$ 13,576,578**	$ 13,379,834	$ 13,428,594
Regulatory capital ratios			
Common Equity Tier 1 capital ratio (A/D)	**7.6%**	7.6%	7.6%
Tier 1 capital ratio (B/D)	**10.0%**	9.1%	9.1%
Total capital ratio (C/D)	**13.3%**	12.7%	12.6%

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

The Common Equity Tier 1 capital ratio held stable at 7.6% as at April 30, 2014, unchanged compared with October 31, 2013. As mentioned previously, effective November 1, 2013, the Bank adopted an amended version of IAS 19, *Employee Benefits* which reduced the Common Equity Tier 1 capital ratio by approximately 0.2%. This impact was essentially offset by internal capital generation during the six months ended April 30, 2014, including actuarial net losses on employee benefit plans, and re-invested dividends, which overall increased total equity, while risk-weighted assets only increased marginally.

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

On May 5, 2014, the Bank announced that it will redeem, on June 15, 2014, all of its 4,400,000 outstanding Non-Cumulative Class A Preferred Shares Series 10. Such preferred shares will be redeemed at a redemption price of $25.00 per share, together with the final declared dividends.

Basel leverage ratio requirement

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

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

Dividends

On May 21, 2014, the Board of Directors declared the regular dividend on the Preferred Shares Series 11, the final dividend on the Preferred Shares Series 10, as well as the initial dividend on the Preferred Shares Series 13, to shareholders of record on June 6, 2014. Concurrent impact of these dividends will be recorded in the third quarter of 2014. At its meeting on June 4, 2014, given the Bank's solid results, solid balance sheet and capital position, the Board of Directors approved an increase of $0.01 per share, or 2%, to the quarterly dividend and declared a dividend of $0.52 per common share, payable on August 1, 2014, to shareholders of record on July 2, 2014.

COMMON SHARE DIVIDENDS AND PAYOUT RATIO [1]

In Canadian dollars, except payout ratios (Unaudited)	FOR THE THREE MONTHS ENDED **APRIL 30 2014**	JANUARY 31 2014	APRIL 30 2013	FOR THE SIX MONTHS ENDED **APRIL 30 2014**	FOR THE YEARS ENDED OCTOBER 31 2013	OCTOBER 31 2012	OCTOBER 31 2011
Dividends declared per common share	**$ 0.51**	$ 0.51	$ 0.49	**$ 1.02**	$ 1.98	$ 1.84	$ 1.62
Dividend payout ratio [2]	**51.3%**	44.1%	46.5%	**47.4%**	52.0%	37.0%	34.8%
Adjusted dividend payout ratio [2]	**39.6%**	39.6%	39.3%	**39.6%**	40.3%	36.9%	32.9%

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

Risk Management

The Bank is exposed to various types of risks owing to the nature of its activities. These risks are mainly related to the use of financial instruments. In order to manage these risks, controls such as risk management policies and various risk limits have been implemented. These measures aim to optimize the risk/return ratio in all operating segments. Refer to the section "Risk Appetite and Risk Management Framework" on page 42 of the Bank's 2013 Annual Report for additional information.

Credit risk

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

PROVISION FOR LOAN LOSSES

In thousands of Canadian dollars, except percentage amounts (Unaudited)	FOR THE THREE MONTHS ENDED **APRIL 30 2014**	JANUARY 31 2014	APRIL 30 2013	FOR THE SIX MONTHS ENDED **APRIL 30 2014**	APRIL 30 2013
Provision for loan losses					
Personal loans	**$ 8,003**	$ 4,473	$ 7,455	**$ 12,476**	$ 15,513
Residential mortgage loans	**922**	648	872	**1,570**	2,279
Commercial mortgage loans	**(2,508)**	2,892	48	**384**	1,149
Commercial and other loans (including acceptances)	**4,083**	2,487	625	**6,570**	(1,941)
	$ 10,500	$ 10,500	$ 9,000	**$ 21,000**	$ 17,000
As a % of average loans and acceptances	**0.16%**	0.15%	0.14%	**0.16%**	0.13%

The provision for loan losses amounted to $10.5 million in the second quarter of 2014, unchanged from the first quarter of 2014 and up $1.5 million compared to the same quarter a year ago. For the six months ended April 30, 2014, provisions for loan losses increased by $4.0 million and amounted to $21.0 million compared with $17.0 million for the same period in 2013. Despite the gradual increase from the 2013 very low levels, the provision for loan losses remains low and reflects the strong credit quality of the Bank's loan portfolios and prolonged favourable credit conditions in the Canadian market.

Loan losses on personal loans slightly increased by $0.5 million compared with the second quarter of 2013. For the six months ended April 30, 2014, loan losses on personal loans decreased by $3.0 million, reflecting lower provisions in the investment loan and point-of-sale financing portfolios compared to last year due to the reduced exposure. On a sequential basis, loan losses on personal loans increased by $3.5 million, mostly explained by higher losses at B2B Bank in the second quarter of 2014 from the unsustainable low losses level in the first quarter.

Loan losses on residential mortgage loans were up marginally from the second quarter of 2013 and sequentially. For the six months ended April 30, 2014, loan losses on residential mortgage loans decreased slightly by $0.7 million year-over-year.

Loan losses on commercial mortgages and commercial loans remained very low and cumulatively amounted to $1.6 million in the second quarter of 2014, a year-over-year increase of $0.9 million. Favourable settlements and improvements in the commercial mortgage loan portfolio were offset by losses on commercial loans. On a sequential basis, loan losses in these portfolios decreased by a combined $3.8 million, mainly explained by favourable settlements and improvements on a limited number of impaired loans. For the six months ended April 30, 2014, loan losses on commercial mortgages and commercial loans totalled $7.0 million compared with a negative amount of $0.8 million for the same period in 2013. The year-over-year increase in loan losses mainly results from growth in the underlying portfolios, a higher amount of favourable settlements and improvements of commercial loans in 2013, which led to a net credit of $1.9 million in loan losses in the commercial loan portfolio last year.

IMPAIRED LOANS

In thousands of Canadian dollars, except percentage amounts (Unaudited)		**AS AT APRIL 30 2014**		AS AT OCTOBER 31 2013		AS AT APRIL 30 2013
Gross impaired loans						
Personal	**$**	**28,476**	$	13,971	$	21,243
Residential mortgages		**31,794**		32,651		21,972
Commercial mortgages		**13,360**		14,082		32,251
Commercial and other (including acceptances)		**33,653**		38,687		42,200
		107,283		99,391		117,666
Allowances for loan losses against impaired loans						
Individual allowances		**(27,440)**		(34,266)		(39,487)
Collective allowances		**(16,896)**		(12,049)		(12,802)
		(44,336)		(46,315)		(52,289)
Net impaired loans	**$**	**62,947**	$	53,076	$	65,377
Collective allowances against other loans	**$**	**(77,767)**	$	(69,275)	$	(62,079)
Impaired loans as a % of loans and acceptances						
Gross		**0.39%**		0.37%		0.44%
Net		**0.23%**		0.19%		0.24%

Gross impaired loans amounted to $107.3 million as at April 30, 2014, down sequentially from $113.9 million as at January 31, 2014, while up from $99.4 million as at October 31, 2013, as continued improvement in the commercial loan portfolio was more than offset by increases in impaired loans in the personal loan portfolio. Despite the increase, gross impaired loans remain historically low and borrowers continue to benefit from the favourable low interest rate environment and good business conditions in Canada.

Since the beginning of the year, individual allowances decreased by $6.8 million to $27.4 million mainly explained by favourable settlements on a limited number of impaired commercial loans. Collective allowances against impaired loans increased by $4.8 million over the same period, in-line with the higher impaired loans level. Net impaired loans, calculated as gross impaired loans less individual allowances and collective allowances against impaired loans, amounted to $62.9 million as at April 30, 2014, compared with $53.1 million as at October 31, 2013. At 0.23% of loans and acceptances as at April 30, 2014 and 0.19% as at October 31, 2013, net impaired loans continue to be at a low level and reflect management's continued prudent approach to provisioning of impaired loans.

Liquidity and funding risk

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

Regulatory developments concerning liquidity

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

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

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

Market risk

Market risk represents the financial losses that the Bank could incur following unfavourable fluctuations in the value of financial instruments subsequent to changes in the underlying factors used to measure them, such as interest rates, exchange rates or equity prices. This risk is inherent to the Bank's financing, investment, trading and asset and liability management (ALM) activities.

The purpose of ALM activities is to manage structural interest rate risk, which corresponds to the potential negative impact of interest rate movements on the Bank's revenues and economic value. Dynamic management of structural risk is intended to maximize the Bank's profitability while protecting the economic value of common shareholders' equity from sharp interest rate movements. As at April 30, 2014, the effect on the economic value of common shareholders' equity and on net interest income before taxes of a sudden and sustained 1% increase in interest rates across the yield curve was as follows.

STRUCTURAL INTEREST RATE SENSITIVITY ANALYSIS

In thousands of Canadian dollars (Unaudited)		**AS AT APRIL 30 2014**		AS AT OCTOBER 31 2013
Effect of a 1% increase in interest rates				
Increase in net interest income before taxes over the next 12 months	**$**	**4,455**	$	9,984
Decrease in the economic value of common shareholders' equity (Net of income taxes)	**$**	**(30,004)**	$	(22,746)

As shown in the table above, the sensitivity to changes in interest rates remained low as at April 30, 2014. Management continues to expect that long term rates will remain within a narrow range for now. These results reflect efforts to take advantage in the movement of short-term and long-term interest rates, while maintaining the sensitivity to these fluctuations within approved risk limits.

Segmented Information

This section outlines the Bank's operations according to its organizational structure. Services to individuals, businesses, financial intermediaries and institutional clients are offered through the three following business segments: Personal & Commercial, B2B Bank, and Laurentian Bank Securities & Capital Markets. The Bank’s other activities are grouped into the Other sector.

Realignment of reportable segments

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

Personal & Commercial [1]

In thousands of Canadian dollars, except percentage amounts (Unaudited)	FOR THE THREE MONTHS ENDED **APRIL 30 2014**	JANUARY 31 2014	APRIL 30 2013	FOR THE SIX MONTHS ENDED **APRIL 30 2014**	APRIL 30 2013
Net interest income	**$ 97,592**	$ 98,054	$ 92,572	**$ 195,646**	$ 190,673
Other income	**49,110**	48,630	48,768	**97,740**	92,297
Total revenue	**146,702**	146,684	141,340	**293,386**	282,970
Provision for loan losses	**7,436**	10,254	5,850	**17,690**	10,452
Non-interest expenses	**99,947**	99,809	103,156	**199,756**	206,036
Income before income taxes	**39,319**	36,621	32,334	**75,940**	66,482
Income taxes	**9,037**	8,343	7,500	**17,380**	15,112
Net income	**$ 30,282**	$ 28,278	$ 24,834	**$ 58,560**	$ 51,370
Efficiency ratio [2]	**68.1%**	68.0%	73.0%	**68.1%**	72.8%

[1] Comparative figures reflect the realignment of reportable segments and the adoption of amendments to IAS 19, *Employee Benefits*. Refer to Notes 2 and 12 in the unaudited condensed interim consolidated financial statements.
[2] Refer to the non-GAAP financial measures section.

The Personal & Commercial business segment's contribution to net income was $30.3 million in the second quarter of 2014 compared with $24.8 million in the second quarter of 2013.

Total revenue increased by $5.4 million from $141.3 million in the second quarter of 2013 to $146.7 million in the second quarter of 2014, mainly driven by higher net interest income, which increased by $5.0 million to $97.6 million. This increase reflects interest recoveries resulting from favourable settlements in the commercial loan portfolio, good volume growth in the commercial portfolios and improved margins. Other income increased by $0.3 million to $49.1 million in the second quarter of 2014, mainly due to higher mutual fund commissions and lending fees, offset by lower gains on loan sales. Consistent with the Bank's syndication strategy, the sale of a $102.4 million commercial mortgage loan portfolio was completed during the second quarter of 2014, which led to the recognition of a $3.7 million gain of which $1.2 million was recorded in the Personal & Commercial business segment. In a similar transaction, a $3.7 million gain on the sale of a $94.7 million commercial mortgage loan portfolio had been recorded during the second quarter of 2013 of which $3.1 million was recorded in Personal & Commercial.

Loan losses increased by $1.6 million from $5.9 million in the second quarter of 2013 to $7.4 million in the second quarter of 2014. Higher losses on personal and commercial loans compared to the 2013 low levels were partly offset by favourable settlements in the commercial mortgage loan portfolio. Non-interest expenses decreased by $3.2 million, from $103.2 million in the second quarter of 2013 to $99.9 million in the second quarter of 2014, mainly due to lower headcount from the optimization of certain activities in the fourth quarter of 2013 and disciplined control over discretionary expenses.

Compared with the first quarter of 2014, net income increased by $2.0 million, mainly as a result of interest recoveries, favourable settlements and improvement on a limited number of impaired loans, which more than offset the revenue impact of the three less days in the second quarter.

For the six months ended April 30, 2014, net income increased from $51.4 million to $58.6 million. Growth in commercial loan volumes of 18% year-over-year, a strong increase in other income and lower non-interest expenses contributed to this performance and compensated for higher loan losses. The efficiency ratio was 68.1% for the six months ended April 30, 2014, compared with 72.8% for the six months ended April 30, 2013. The segment generated positive operating leverage of 6.7% year-over-year, reflecting the Bank's priorities to diversify other income, grow commercial businesses and control costs rigorously.

B2B Bank [1]

In thousands of Canadian dollars, except percentage amounts (Unaudited)	FOR THE THREE MONTHS ENDED **APRIL 30 2014**	JANUARY 31 2014	APRIL 30 2013	FOR THE SIX MONTHS ENDED **APRIL 30 2014**	APRIL 30 2013
Net interest income	**$ 43,377**	$ 46,197	$ 47,195	**$ 89,574**	$ 96,607
Other income	**9,107**	9,102	8,884	**18,209**	17,940
Total revenue	**52,484**	55,299	56,079	**107,783**	114,547
Amortization of net premium on purchased financial instruments and revaluation of contingent consideration	**5,498**	1,136	1,224	**6,634**	2,280
Provision for loan losses	**3,064**	246	3,150	**3,310**	6,548
Non-interest expenses [2]	**30,971**	31,576	33,196	**62,547**	67,181
Costs related to business combinations [3]	**4,437**	3,949	6,136	**8,386**	13,693
Income before income taxes	**8,514**	18,392	12,373	**26,906**	24,845
Income taxes	**3,432**	4,959	3,283	**8,391**	6,564
Net income	**$ 5,082**	$ 13,433	$ 9,090	**$ 18,515**	$ 18,281
Efficiency ratio [4]	**67.5%**	64.2%	70.1%	**65.8%**	70.6%
Adjusted net income [4]	**$ 13,468**	$ 17,169	$ 14,498	**$ 30,637**	$ 30,017
Adjusted efficiency ratio [4]	**59.0%**	57.1%	59.2%	**58.0%**	58.6%

[1] Comparative figures reflect the adoption of amendments to IAS 19, *Employee Benefits*. Refer to Note 2 in the unaudited condensed interim consolidated financial statements.
[2] During the first quarter of 2014, the Bank retroactively adjusted its corporate expenses allocation methodology. As a result, non-interest expenses amounting to $1.0 million ($0.7 million net of income taxes) per quarter in 2013, which were previously reported in the Other sector, were reclassified to the B2B Bank business segment.
[3] Integration costs related to the integration of the MRS Companies and AGF Trust (T&I Costs).
[4] Refer to the non-GAAP financial measures section.

The B2B Bank business segment's contribution to adjusted net income was $13.5 million for the second quarter of 2014, down $1.0 million from $14.5 million for the second quarter of 2013. Reported net income for the second quarter of 2014 was $5.1 million compared with $9.1 million a year ago.

Total revenue decreased to $52.5 million in the second quarter of 2014 from $56.1 million in the second quarter of 2013. Net interest income decreased by $3.8 million to $43.4 million in the second quarter of 2014 compared with the corresponding period in 2013. This decrease resulted from the reduced level of investment loans as investors continue to deleverage, as well as margin compression on mortgage loans. Other income amounted to $9.1 million in the second quarter of 2014, up $0.2 million from the second quarter of 2013.

As shown above, the line item "Amortization of net premium on purchased financial instruments and revaluation of contingent consideration" increased by $4.3 million and amounted to $5.5 million in the second quarter of 2014 compared with $1.2 million for the second quarter of 2013. This increase mainly resulted from the additional $4.1 million non tax-deductible charge to reflect the impact of an agreement reached on May 30, 2014 with AGF Management Limited to settle the $20.0 million maximum contingent consideration related to the AGF Trust acquisition for a lower total amount of $10.0 million. Refer to Note 13 to the unaudited condensed interim consolidated financial statements.

Loan losses decreased by $0.1 million compared with the second quarter of 2013 and amounted to $3.1 million in the second quarter of 2014. Lower provisions in the investment loan portfolios due to the reduced exposure compared to last year were mostly offset by higher provisions on other personal loans.

Excluding T&I Costs, non-interest expenses decreased by $2.2 million or 7% to $31.0 million in the second quarter of 2014, compared with $33.2 million in the second quarter of 2013. As integration activities are winding down, T&I Costs for the second quarter of 2014 decreased to $4.4 million and mainly related to IT systems conversion costs, salaries, professional fees and other expenses for the integration of AGF Trust operations.

Compared with the first quarter of 2014, adjusted net income decreased by $3.7 million, mainly resulting from lower net interest income, which was impacted by the fewer number of days in the quarter and higher loan losses. These items, combined with the final contingent consideration charge mentioned above and slightly higher T&I Costs contributed to the $8.4 million decrease in reported net income over the same period.

For the six months ended April 30, 2014, adjusted net income was $30.6 million, $0.6 million higher than the same period of 2013, as the items impacting revenues, as detailed above, were compensated by higher spread earned on deposits year-over-year and lower loan losses. Reported net income for the six months ended April 30, 2014 remained relatively stable over the same period in 2013, mainly due to the same factors mentioned above and as a result of lower T&I Costs year-over-year.

Laurentian Bank Securities & Capital Markets [1]

In thousands of Canadian dollars, except percentage amounts (Unaudited)	FOR THE THREE MONTHS ENDED **APRIL 30 2014**	 JANUARY 31 2014	 APRIL 30 2013	FOR THE SIX MONTHS ENDED **APRIL 30 2014**	 APRIL 30 2013
Total revenue	**$ 17,590**	$ 16,165	$ 16,967	**$ 33,755**	$ 34,050
Non-interest expenses	**14,059**	13,087	12,959	**27,146**	26,433
Income before income taxes	**3,531**	3,078	4,008	**6,609**	7,617
Income taxes	**947**	826	1,033	**1,773**	1,961
Net income	**$ 2,584**	$ 2,252	$ 2,975	**$ 4,836**	$ 5,656
Efficiency ratio [2]	**79.9%**	81.0%	76.4%	**80.4%**	77.6%

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

Laurentian Bank Securities & Capital Markets business segment's contribution to net income decreased to $2.6 million in the second quarter of 2014, compared with $3.0 million in the second quarter of 2013. Total revenue increased by $0.6 million to $17.6 million in the second quarter of 2014 compared with $17.0 million in the second quarter of 2013, mainly as a result of higher underwriting fees in the small-cap equity markets. Non-interest expenses increased by $1.1 million to $14.1 million in the second quarter of 2014, mainly due to higher performance-based compensation, commissions and transaction fees, in-line with higher market-driven income.

For the six months ended April 30, 2014, net income decreased by $0.8 million compared with the same period last year. Total revenue decreased by $0.3 million to $33.8 million in the six months ended April 30, 2014, mainly as a result of lower underwriting fees in the fixed income market compared to strong results for the six months ended April 30, 2013, mainly during the first quarter of 2013. Non-interest expenses increased by $0.7 million to $27.1 million for the six months ended April 30, 2014, mainly due to higher performance-based compensation, commissions and transaction fees.

Other sector [1]

In thousands of Canadian dollars (Unaudited)	FOR THE THREE MONTHS ENDED **APRIL 30 2014**	 JANUARY 31 2014	 APRIL 30 2013	FOR THE SIX MONTHS ENDED **APRIL 30 2014**	 APRIL 30 2013
Net interest income	**$ (2,749)**	$ (4,078)	$ (407)	**$ (6,827)**	$ (6,257)
Other income	**2,863**	2,039	871	**4,902**	3,454
Total revenue	**114**	(2,039)	464	**(1,925)**	(2,803)
Non-interest expenses [2]	**10,490**	10,712	6,183	**21,202**	11,380
Loss before income taxes	**(10,376)**	(12,751)	(5,719)	**(23,127)**	(14,183)
Income taxes recovery	**(3,417)**	(4,313)	(2,659)	**(7,730)**	(5,503)
Net loss	**$ (6,959)**	$ (8,438)	$ (3,060)	**$ (15,397)**	$ (8,680)

[1] Comparative figures reflect the realignment of reportable segments and the adoption of amendments to IAS 19, *Employee Benefits*. Refer to Notes 2 and 12 in the unaudited condensed interim consolidated financial statements.
[2] During the first quarter of 2014, the Bank retroactively adjusted its corporate expenses allocation methodology. As a result, non-interest expenses amounting to $1.0 million ($0.7 million net of income taxes) per quarter in 2013, which were previously reported in the Other sector, were reclassified to the B2B Bank business segment.

The Other sector posted a negative contribution to net income of $7.0 million in the second quarter of 2014 compared with a negative contribution of $3.1 million in the second quarter of 2013.

Net interest income decreased to negative $2.7 million in the second quarter of 2014, compared with negative $0.4 million in the second quarter of 2013, mainly as a result of less favourable market conditions compared to a year ago impacting balance sheet management. Other income increased to $2.9 million in the second quarter of 2014, compared with $0.9 million in the second quarter of 2013, mainly as a result of the $2.5 million of the total $3.7 million gain related to the sale of $102.4 million of commercial mortgage loans during the second quarter of 2014, compared with a similar gain of $0.6 million in the second quarter of 2013. Non-interest expenses increased to $10.5 million in the second quarter of 2014 compared with $6.2 million in the second quarter of 2013, mainly due to higher unallocated technology expenses related to new initiatives aimed at improving IT infrastructure and on-line services.

On a sequential basis, net income improved by $1.5 million from the previous quarter due to higher total revenue, which includes the positive impact of the gain on the sale of commercial mortgage loans as discussed above.

For the six months ended April 30, 2014, the negative contribution to net income was $15.4 million, compared to negative $8.7 million for the six months ended April 30, 2013, mainly explained by non-interest expenses which increased by $9.8 million compared to 2013. The increase in non-interest expenses essentially results from unallocated costs related to systems for regulatory requirements as well as the new IT initiatives mentioned above.

Additional Financial Information - Quarterly Results [1]

In thousands of Canadian dollars, except per share and percentage amounts (Unaudited)	**APRIL 30 2014**	JANUARY 31 2014	OCTOBER 31 2013	JULY 31 2013	APRIL 30 2013	JANUARY 31 2013	OCTOBER 31 2012	JULY 31 2012
Net interest income	**$ 138,726**	$ 140,856	$ 141,437	$ 144,549	$ 140,430	$ 142,344	$ 142,411	$ 129,664
Other income	**78,164**	75,253	74,094	76,493	74,420	71,570	67,985	64,169
Total revenue	**216,890**	216,109	215,531	221,042	214,850	213,914	210,396	193,833
Gain on acquisition, amortization of net premium on purchased financial instruments and revaluation of contingent consideration	**5,498**	1,136	1,006	1,140	1,224	1,056	(23,795)	—
Provision for loan losses	**10,500**	10,500	10,000	9,000	9,000	8,000	8,000	7,500
Non-interest expenses	**159,904**	159,133	172,651	176,705	161,630	163,093	165,377	148,955
Income before income taxes	**40,988**	45,340	31,874	34,197	42,996	41,765	60,814	37,378
Income taxes	**9,999**	9,815	6,008	7,213	9,157	8,977	15,129	7,380
Net income	**$ 30,989**	$ 35,525	$ 25,866	$ 26,984	$ 33,839	$ 32,788	$ 45,685	$ 29,998
Earnings per share								
Basic	**$ 0.99**	$ 1.16	$ 0.82	$ 0.86	$ 1.05	$ 1.07	$ 1.51	$ 1.06
Diluted	**$ 0.99**	$ 1.16	$ 0.82	$ 0.86	$ 1.05	$ 1.07	$ 1.51	$ 1.06
Return on common shareholders' equity [2]	**9.2%**	10.5%	7.6%	8.1%	10.4%	10.3%	14.2%	10.1%
Balance sheet assets (in millions of Canadian dollars)	**$ 34,261**	$ 33,631	$ 33,911	$ 33,758	$ 34,480	$ 34,252	$ 34,937	$ 31,416
Adjusted financial measures								
Adjusted net income [2]	**$ 39,375**	$ 39,261	$ 33,919	$ 38,547	$ 39,247	$ 39,116	$ 36,186	$ 35,253
Adjusted diluted earnings per share [2]	**$ 1.29**	$ 1.29	$ 1.10	$ 1.27	$ 1.24	$ 1.30	$ 1.17	$ 1.27
Adjusted return on common shareholders' equity [2]	**11.9%**	11.7%	10.2%	12.0%	12.2%	12.5%	10.9%	12.1%

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

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

Accounting Policies

A summary of the Bank's significant accounting policies is presented in Notes 2 and 3 of the 2013 audited annual consolidated financial statements. Pages 58 to 61 of the 2013 Annual Report also contain a discussion of critical accounting policies and estimates which refer to material amounts reported in the consolidated financial statements or require management's judgement. The unaudited condensed interim consolidated financial statements for the second quarter of 2014 have been prepared in accordance with these accounting policies, except for accounting changes detailed below.

Accounting changes

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

Future accounting changes

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

Corporate Governance and Changes in Internal Control over Financial Reporting

During the second quarter ended April 30, 2014, there have been no changes in the Bank's policies or procedures and other processes that comprise its internal control over financial reporting which have materially affected, or are reasonably likely to materially affect, the Bank's internal control over financial reporting.

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

Non-GAAP Financial Measures

The Bank uses both generally accepted accounting principles (GAAP) and certain non-GAAP measures to assess performance. Non-GAAP measures do not have any standardized meaning prescribed by GAAP and are unlikely to be comparable to any similar measures presented by other companies. These non-GAAP financial measures are considered useful to investors and analysts in obtaining a better understanding of the Bank's financial results and analyzing its growth and profit potential more effectively. The Bank's non-GAAP financial measures are defined as follows:

Common shareholders' equity

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

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

Return on common shareholders' equity

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

Book value per common share

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

Net interest margin

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

Efficiency ratio and operating leverage

The Bank uses the efficiency ratio as a measure of its productivity and cost control. This ratio is defined as non-interest expenses as a percentage of total revenue. The Bank also uses operating leverage as a measure of efficiency. Operating leverage is the difference between total revenue and non-interest expenses growth rates. Quarterly growth rates are calculated sequentially (i.e. current period versus the immediately preceding period). Year-to-date growth rates are calculated year-over-year (i.e. current period versus the corresponding prior year period).

Dividend payout ratio

The dividend payout ratio is defined as dividends declared on common shares as a percentage of net income available to common shareholders.

Dividend yield

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

Adjusted financial measures

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

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

Laurentian Bank of Canada

Unaudited Condensed Interim Consolidated Financial Statements

As at and for the period ended April 30, 2014

Table of contents

Consolidated Balance Sheet	22
Consolidated Statement of Income	23
Consolidated Statement of Comprehensive Income	24
Consolidated Statement of Changes in Shareholders' Equity	25
Consolidated Statement of Cash Flows	26
Notes to the Condensed Interim Consolidated Financial Statements	27
1. General Information	27
2. Basis of Presentation	27
3. Future Accounting Changes	29
4. Securities	30
5. Loans	31
6. Loan Securitization	34
7. Liability Related to Preferred Shares	34
8. Share Capital	35
9. Share-Based Payments	37
10. Post-Employment Benefits	38
11. Financial Instruments - Fair Value	38
12. Segmented Information	39
13. Business Combinations	42

Consolidated Balance Sheet [1]

In thousands of Canadian dollars (Unaudited)	NOTES	AS AT APRIL 30 2014	AS AT OCTOBER 31 2013	AS AT APRIL 30 2013
ASSETS				
Cash and non-interest-bearing deposits with other banks		**$ 92,282**	$ 82,836	$ 83,512
Interest-bearing deposits with other banks		**123,226**	126,002	233,501
Securities	4			
Available-for-sale		**2,027,794**	1,679,067	2,151,551
Held-to-maturity		**390,045**	648,874	1,030,366
Held-for-trading		**2,114,759**	2,152,584	2,574,845
		4,532,598	4,480,525	5,756,762
Securities purchased under reverse repurchase agreements		**1,582,181**	1,218,255	545,974
Loans	5 and 6			
Personal		**7,079,386**	7,245,474	7,605,244
Residential mortgage		**14,665,381**	14,735,211	14,499,292
Commercial mortgage		**2,535,881**	2,488,826	2,434,514
Commercial and other		**2,651,025**	2,488,137	2,239,842
Customers' liabilities under acceptances		**301,077**	271,049	256,150
		27,232,750	27,228,697	27,035,042
Allowances for loan losses		**(122,103)**	(115,590)	(114,368)
		27,110,647	27,113,107	26,920,674
Other				
Premises and equipment		**74,535**	73,261	72,108
Derivatives		**126,777**	126,617	156,308
Goodwill		**64,077**	64,077	64,077
Software and other intangible assets		**208,779**	197,594	165,225
Deferred tax assets		**12,882**	21,588	32,470
Other assets		**333,012**	407,164	448,990
		820,062	890,301	939,178
		$ 34,260,996	$ 33,911,026	$ 34,479,601
LIABILITIES AND SHAREHOLDERS' EQUITY				
Deposits				
Personal		**$ 19,168,273**	$ 19,282,042	$ 19,535,193
Business, banks and other		**4,590,480**	4,645,308	4,273,632
		23,758,753	23,927,350	23,808,825
Other				
Obligations related to securities sold short		**1,436,150**	1,464,269	1,679,095
Obligations related to securities sold under repurchase agreements		**887,384**	339,602	394,725
Acceptances		**301,077**	271,049	256,150
Derivatives		**101,494**	102,041	96,626
Deferred tax liabilities		**1,884**	9,845	19,264
Other liabilities		**829,753**	943,112	901,380
		3,557,742	3,129,918	3,347,240
Debt related to securitization activities	6	**4,896,007**	4,974,714	5,473,470
Subordinated debt		**446,485**	445,473	444,469
Liability related to preferred shares	7	**120,946**	—	—
Shareholders' equity				
Preferred shares	8	**205,204**	205,204	205,146
Common shares	8	**456,032**	446,496	438,454
Share-based payment reserve	9	**91**	91	136
Retained earnings		**812,229**	776,256	732,032
Accumulated other comprehensive income		**7,507**	5,524	29,829
		1,481,063	1,433,571	1,405,597
		$ 34,260,996	$ 33,911,026	$ 34,479,601

[1] Comparative figures reflect the adoption of amendments to IAS 19, *Employee Benefits*. Refer to Note 2 for further information.
The accompanying notes are an integral part of the unaudited condensed interim consolidated financial statements.

Consolidated Statement of Income [1]

In thousands of Canadian dollars, except per share amounts (Unaudited)	NOTES	FOR THE THREE MONTHS ENDED APRIL 30 2014	JANUARY 31 2014	APRIL 30 2013	FOR THE SIX MONTHS ENDED APRIL 30 2014	APRIL 30 2013
Interest income						
Loans		**$ 260,326**	$ 269,084	$ 264,704	**$ 529,410**	$ 541,574
Securities		**10,136**	10,321	16,178	**20,457**	33,306
Deposits with other banks		**194**	181	499	**375**	1,413
Other, including derivatives		**10,167**	10,188	11,193	**20,355**	24,646
		280,823	289,774	292,574	**570,597**	600,939
Interest expense						
Deposits		**108,811**	114,020	112,525	**222,831**	233,948
Debt related to securitization activities		**29,140**	30,529	35,163	**59,669**	75,388
Subordinated debt		**3,933**	4,031	3,927	**7,964**	7,951
Other		**213**	338	529	**551**	878
		142,097	148,918	152,144	**291,015**	318,165
Net interest income		**138,726**	140,856	140,430	**279,582**	282,774
Other income						
Fees and commissions on loans and deposits		**32,964**	34,755	31,724	**67,719**	63,054
Income from brokerage operations		**16,992**	15,207	14,523	**32,199**	31,045
Income from investment accounts		**8,343**	8,027	7,894	**16,370**	15,752
Income from sales of mutual funds		**7,151**	6,580	5,415	**13,731**	10,555
Income from treasury and financial market operations		**2,766**	4,339	4,601	**7,105**	9,942
Insurance income, net		**4,744**	4,633	4,415	**9,377**	7,810
Other income		**5,204**	1,712	5,848	**6,916**	7,832
		78,164	75,253	74,420	**153,417**	145,990
Total revenue		**216,890**	216,109	214,850	**432,999**	428,764
Amortization of net premium on purchased financial instruments and revaluation of contingent consideration	13	**5,498**	1,136	1,224	**6,634**	2,280
Provision for loan losses	5	**10,500**	10,500	9,000	**21,000**	17,000
Non-interest expenses						
Salaries and employee benefits		**84,407**	85,540	86,977	**169,947**	178,136
Premises and technology		**45,642**	45,940	42,626	**91,582**	81,507
Other		**25,418**	23,704	25,891	**49,122**	51,387
Costs related to business combinations	13	**4,437**	3,949	6,136	**8,386**	13,693
		159,904	159,133	161,630	**319,037**	324,723
Income before income taxes		**40,988**	45,340	42,996	**86,328**	84,761
Income taxes		**9,999**	9,815	9,157	**19,814**	18,134
Net income		**$ 30,989**	$ 35,525	$ 33,839	**$ 66,514**	$ 66,627
Preferred share dividends, including applicable taxes		**2,501**	2,501	4,059	**5,002**	6,592
Net income available to common shareholders		**$ 28,488**	$ 33,024	$ 29,780	**$ 61,512**	$ 60,035
Average number of common shares outstanding (in thousands)						
Basic		**28,677**	28,570	28,287	**28,622**	28,227
Diluted		**28,684**	28,577	28,297	**28,630**	28,239
Earnings per share						
Basic		**$ 0.99**	$ 1.16	$ 1.05	**$ 2.15**	$ 2.13
Diluted		**$ 0.99**	$ 1.16	$ 1.05	**$ 2.15**	$ 2.13
Dividends declared per share						
Common share		**$ 0.51**	$ 0.51	$ 0.49	**$ 1.02**	$ 0.98
Preferred share - Series 9		**n.a.**	n.a.	$ 0.38	**n.a.**	$ 0.75
Preferred share - Series 10		**$ 0.33**	$ 0.33	$ 0.33	**$ 0.66**	$ 0.66
Preferred share - Series 11		**$ 0.25**	$ 0.25	$ 0.25	**$ 0.50**	$ 0.41

[1] Comparative figures reflect the adoption of amendments to IAS 19, *Employee Benefits*. Refer to Note 2 for further information.
The accompanying notes are an integral part of the unaudited condensed interim consolidated financial statements.

Consolidated Statement of Comprehensive Income [1]

In thousands of Canadian dollars (Unaudited)	FOR THE THREE MONTHS ENDED APRIL 30 2014	JANUARY 31 2014	APRIL 30 2013	FOR THE SIX MONTHS ENDED APRIL 30 2014	APRIL 30 2013
Net income	**$ 30,989**	$ 35,525	$ 33,839	**$ 66,514**	$ 66,627
Other comprehensive income, net of income taxes					
Items that may subsequently be reclassified to the statement of income					
Unrealized net gains (losses) on available-for-sale securities	**5,941**	758	1,484	**6,699**	2,600
Reclassification of net (gains) losses on available-for-sale securities to net income	**(1,236)**	(1,061)	(427)	**(2,297)**	(1,885)
Net change in value of derivatives designated as cash flow hedges	**(4,965)**	2,546	4,929	**(2,419)**	(5,114)
	(260)	2,243	5,986	**1,983**	(4,399)
Items that may not subsequently be reclassified to the statement of income					
Actuarial gains (losses) on employee benefit plans	**(2,012)**	5,634	(6,638)	**3,622**	(4,290)
Comprehensive income	**$ 28,717**	$ 43,402	$ 33,187	**$ 72,119**	$ 57,938

Income Taxes — Other Comprehensive Income

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

In thousands of Canadian dollars (Unaudited)	FOR THE THREE MONTHS ENDED APRIL 30 2014	JANUARY 31 2014	APRIL 30 2013	FOR THE SIX MONTHS ENDED APRIL 30 2014	APRIL 30 2013
Income tax expense (recovery) on:					
Unrealized net gains (losses) on available-for-sale securities	**$ 2,103**	$ 243	$ 508	**$ 2,346**	$ 941
Reclassification of net (gains) losses on available-for-sale securities to net income	**(449)**	(390)	(157)	**(839)**	(693)
Net change in value of derivatives designated as cash flow hedges	**(1,808)**	925	1,799	**(883)**	(1,871)
Actuarial gains (losses) on employee benefit plans	**(738)**	2,066	(2,434)	**1,328**	(1,573)
	$ (892)	$ 2,844	$ (284)	**$ 1,952**	$ (3,196)

[1] Comparative figures reflect the adoption of amendments to IAS 19, *Employee Benefits*. Refer to Note 2 for further information.
The accompanying notes are an integral part of the unaudited condensed interim consolidated financial statements.

Consolidated Statement of Changes in Shareholders' Equity [1]

FOR THE SIX MONTHS ENDED APRIL 30, 2014

				AOCI RESERVES				
In thousands of Canadian dollars (Unaudited)	PREFERRED SHARES (Note 8) [2]	COMMON SHARES (Note 8)	RETAINED EARNINGS	AVAILABLE-FOR-SALE SECURITIES	CASH FLOW HEDGES	TOTAL	SHARE-BASED PAYMENT RESERVE (Note 9)	TOTAL SHARE-HOLDERS' EQUITY
Balance as at October 31, 2013	$ 205,204	$ 446,496	$ 776,256	$ 9,536	$ (4,012)	$ 5,524	$ 91	$ 1,433,571
Net income			66,514					66,514
Other comprehensive income (net of income taxes)								
Unrealized net gains (losses) on available-for-sale securities				6,699		6,699		6,699
Reclassification of net (gains) losses on available-for-sale securities to net income				(2,297)		(2,297)		(2,297)
Net change in value of derivatives designated as cash flow hedges					(2,419)	(2,419)		(2,419)
Actuarial gains (losses) on employee benefit plans			3,622					3,622
Comprehensive income			70,136	4,402	(2,419)	1,983		72,119
Issuance of share capital		9,536						9,536
Dividends								
Preferred shares, including applicable taxes			(5,002)					(5,002)
Common shares			(29,161)					(29,161)
Balance as at April 30, 2014	$ 205,204	$ 456,032	$ 812,229	$ 13,938	$ (6,431)	$ 7,507	$ 91	$ 1,481,063

FOR THE SIX MONTHS ENDED APRIL 30, 2013

				AOCI RESERVES				
In thousands of Canadian dollars (Unaudited)	PREFERRED SHARES (Note 8)	COMMON SHARES (Note 8)	RETAINED EARNINGS	AVAILABLE-FOR-SALE SECURITIES	CASH FLOW HEDGES	TOTAL	SHARE-BASED PAYMENT RESERVE (Note 9)	TOTAL SHARE-HOLDERS' EQUITY
Balance as at November 1, 2012	$ 303,249	$ 428,526	$ 706,035	$ 12,201	$ 22,027	$ 34,228	$ 227	$ 1,472,265
Net income			66,627					66,627
Other comprehensive income (net of income taxes)								
Unrealized net gains (losses) on available-for-sale securities				2,600		2,600		2,600
Reclassification of net (gains) losses on available-for-sale securities to net income				(1,885)		(1,885)		(1,885)
Net change in value of derivatives designated as cash flow hedges					(5,114)	(5,114)		(5,114)
Actuarial gains (losses) on employee benefit plans			(4,290)					(4,290)
Comprehensive income			62,337	715	(5,114)	(4,399)		57,938
Issuance of share capital	(218)	9,928					(91)	9,619
Repurchase of share capital	(97,885)		(2,115)					(100,000)
Dividends								
Preferred shares, including applicable taxes			(6,592)					(6,592)
Common shares			(27,633)					(27,633)
Balance as at April 30, 2013	$ 205,146	$ 438,454	$ 732,032	$ 12,916	$ 16,913	$ 29,829	$ 136	$ 1,405,597

[1] Comparative figures reflect the adoption of amendments to IAS 19, *Employee Benefits*. Refer to Note 2 for further information.
[2] Excluding preferred shares presented as liabilities. Refer to Note 7 for further information.
The accompanying notes are an integral part of the unaudited condensed interim consolidated financial statements.

Consolidated Statement of Cash Flows [1]

In thousands of Canadian dollars (Unaudited)	FOR THE THREE MONTHS ENDED APRIL 30 2014	FOR THE THREE MONTHS ENDED JANUARY 31 2014	FOR THE THREE MONTHS ENDED APRIL 30 2013	FOR THE SIX MONTHS ENDED APRIL 30 2014	FOR THE SIX MONTHS ENDED APRIL 30 2013
Cash flows relating to operating activities					
Net income	**$ 30,989**	$ 35,525	$ 33,839	**$ 66,514**	$ 66,627
Adjustments to determine net cash flows relating to operating activities:					
Provision for loan losses	**10,500**	10,500	9,000	**21,000**	17,000
Net gain on disposal of available-for-sale securities	**(1,693)**	(1,702)	(769)	**(3,395)**	(2,763)
Gain on sale of commercial mortgage loans	**(3,686)**	—	(3,685)	**(3,686)**	(3,685)
Deferred income taxes	**106**	147	1,435	**253**	2,825
Depreciation of premises and equipment	**3,534**	4,495	3,990	**8,029**	7,655
Amortization of software and other intangible assets	**9,717**	9,872	8,843	**19,589**	17,747
Revaluation of contingent consideration	**4,100**	—	—	**4,100**	—
Change in operating assets and liabilities:					
Loans	**(250,580)**	130,456	(296,043)	**(120,124)**	(367,835)
Securities at fair value through profit and loss	**154,155**	(116,330)	(444,201)	**37,825**	(701,223)
Securities purchased under reverse repurchase agreements	**(658,360)**	294,434	371,033	**(363,926)**	85,228
Accrued interest receivable	**(4,222)**	(643)	(760)	**(4,865)**	7,853
Derivative assets	**43,727**	(43,887)	(24,838)	**(160)**	11,335
Deposits	**(45,185)**	(123,412)	41,332	**(168,597)**	(232,618)
Obligations related to securities sold short	**75,065**	(103,184)	(35,708)	**(28,119)**	329,163
Obligations related to securities sold under repurchase agreements	**404,750**	143,032	102,950	**547,782**	150,686
Accrued interest payable	**12,348**	(17,003)	(20,579)	**(4,655)**	(77,589)
Derivative liabilities	**(21,875)**	21,328	3,700	**(547)**	(4,241)
Other, net	**(50,550)**	17,414	(10,067)	**(33,136)**	(70,670)
	(287,160)	261,042	(260,528)	**(26,118)**	(764,505)
Cash flows relating to financing activities					
Change in acceptances	**6,757**	23,271	45,907	**30,028**	45,020
Change in debt related to securitization activities	**30,681**	(109,388)	229,159	**(78,707)**	(563,627)
Net proceeds from issuance of preferred shares liabilities	**120,946**	—	—	**120,946**	—
Repurchase of preferred shares	**—**	—	(100,000)	**—**	(100,000)
Net proceeds from issuance of common shares	**23**	10	3	**33**	683
Dividends, including applicable income taxes	**(2,394)**	(22,322)	(12,545)	**(24,716)**	(29,340)
	156,013	(108,429)	162,524	**47,584**	(647,264)
Cash flows relating to investing activities					
Change in available-for-sale securities					
Acquisitions	**(556,907)**	(964,112)	(381,451)	**(1,521,019)**	(741,005)
Proceeds on sale and at maturity	**668,023**	513,364	512,826	**1,181,387**	1,414,590
Change in held-to-maturity securities					
Acquisitions	**(58,153)**	(4,710)	(203,184)	**(62,863)**	(209,322)
Proceeds at maturity	**31,171**	290,521	35,406	**321,692**	625,707
Proceeds on sale of commercial mortgage loans	**106,084**	—	99,115	**106,084**	99,115
Additions to premises and equipment and software	**(19,660)**	(20,417)	(18,484)	**(40,077)**	(31,346)
Change in interest-bearing deposits with other banks	**(27,955)**	30,731	49,467	**2,776**	246,682
	142,603	(154,623)	93,695	**(12,020)**	1,404,421
Net change in cash and non-interest-bearing deposits with other banks	**11,456**	(2,010)	(4,309)	**9,446**	(7,348)
Cash and non-interest-bearing deposits with other banks at beginning of period	**80,826**	82,836	87,821	**82,836**	90,860
Cash and non-interest-bearing deposits with other banks at end of period	**$ 92,282**	$ 80,826	$ 83,512	**$ 92,282**	$ 83,512
Supplemental disclosure about cash flows relating to operating activities:					
Interest paid during the period	**$ 126,519**	$ 172,631	$ 173,667	**$ 299,150**	$ 397,445
Interest received during the period	**$ 272,508**	$ 288,466	$ 288,906	**$ 560,974**	$ 609,525
Dividends received during the period	**$ 2,130**	$ 1,954	$ 2,138	**$ 4,084**	$ 3,557
Income taxes paid during the period	**$ 2,510**	$ 9,769	$ 6,337	**$ 12,279**	$ 24,010

[1] Comparative figures reflect the adoption of amendments to IAS 19, *Employee Benefits*. Refer to Note 2 for further information.
The accompanying notes are an integral part of the unaudited condensed interim consolidated financial statements.

Notes to the Condensed Interim Consolidated Financial Statements

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

1. General Information

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

The unaudited condensed interim consolidated financial statements (financial statements) for the period ended April 30, 2014 were approved for issuance by the Board of Directors on June 4, 2014.

2. Basis of Presentation

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

These financial statements should be read in conjunction with the audited annual consolidated financial statements for the year ended October 31, 2013 prepared in accordance with IFRS. The accounting policies described in Note 3 to the audited annual consolidated financial statements have been applied consistently to all periods presented within these financial statements, except for accounting changes detailed below, the liability related to preferred shares discussed in Note 7 and the segment realignment discussed in Note 12.

Use of estimates and judgment

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

Accounting changes

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

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

2. Basis of presentation [Cont'd]

These amendments have been applied retrospectively by the Bank as of November 1, 2012 and its impact on the consolidated statement of income, consolidated statement of comprehensive income and consolidated balance sheet for prior periods is shown in the tables below. The adoption of this amended standard had no impact on cash flows. For the second quarter ended April 30, 2014, the adoption of these amendments increased salaries and employee benefits by $1.8 million ($1.3 million net of income taxes) and decreased other comprehensive income by $2.0 million. For the six months ended April 30, 2014, the adoption of these amendments increased salaries and employee benefits by $3.6 million ($2.6 million net of income taxes) and increased other comprehensive income by $3.6 million.

Adjustment to the Consolidated Statement of Income

In thousands of Canadian dollars, except per share amounts (Unaudited)	FOR THE THREE MONTHS ENDED APRIL 30 2013	FOR THE SIX MONTHS ENDED APRIL 30 2013	FOR THE YEAR ENDED OCTOBER 31 2013
Increase in salaries and employee benefits	$ 1,777	$ 3,556	$ 7,111
Decrease in income taxes	(477)	(954)	(1,908)
Decrease in net income	$ (1,300)	$ (2,602)	$ (5,203)
Decrease in basic and diluted earnings per share	$ 0.05	$ 0.09	$ 0.19

Adjustment to the Consolidated Statement of Comprehensive Income

In thousands of Canadian dollars (Unaudited)	FOR THE THREE MONTHS ENDED APRIL 30 2013	FOR THE SIX MONTHS ENDED APRIL 30 2013	FOR THE YEAR ENDED OCTOBER 31 2013
Decrease in net income	$ (1,300)	$ (2,602)	$ (5,203)
Increase (decrease) in actuarial gains and losses on employee benefit plans (net of income taxes)	(6,638)	(4,290)	20,645
Increase (decrease) in comprehensive income	$ (7,938)	$ (6,892)	$ 15,442

Adjustment to the Consolidated Balance Sheet

In thousands of Canadian dollars (Unaudited)	AS AT OCTOBER 31 2013	AS AT APRIL 30 2013	AS AT NOVEMBER 1 2012
Decrease in other assets - defined benefit plan assets	$ (34,244)	$ (21,774)	$ (21,773)
Increase in deferred tax assets	19,590	27,780	25,252
Increase in other liabilities - defined benefit plan liabilities	(38,768)	(81,762)	(72,343)
Net decrease in retained earnings	$ (53,422)	$ (75,756)	$ (68,864)

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

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

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

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

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

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

2. Basis of presentation [Cont'd]

IFRS 13: Fair Value Measurement

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

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

IFRS 7: Financial instruments: Disclosures

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

3. Future Accounting Changes

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

IFRS 9: Financial Instruments

In November 2009, the IASB issued, and subsequently amended in October 2010, IFRS 9, *Financial Instruments* as a first phase in its ongoing project to replace IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 provides new requirements for how an entity should classify and measure financial assets and liabilities that are currently in the scope of IAS 39.

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

In February 2014, the IASB tentatively decided to require entities to apply IFRS 9 for annual periods beginning on or after January 1, 2018, which would be November 1, 2018 for the Bank.

IAS 32: Financial Instruments: Presentation

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

4. Securities

Gains and losses recognized in income

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

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

	FOR THE THREE MONTHS ENDED			FOR THE SIX MONTHS ENDED	
	APRIL 30 2014	JANUARY 31 2014	APRIL 30 2013	**APRIL 30 2014**	APRIL 30 2013
Realized net gains	**$ 1,693**	$ 1,702	$ 769	**$ 3,395**	$ 2,763
Write-downs for impairment recognized in income	**(8)**	(251)	(185)	**(259)**	(185)
	$ 1,685	$ 1,451	$ 584	**$ 3,136**	$ 2,578

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, 2014
	AMORTIZED COST	**UNREALIZED GAINS**	**UNREALIZED LOSSES**	**FAIR VALUE**
Securities issued or guaranteed				
by Canada [1]	**$ 890,016**	**$ 121**	**$ 81**	**$ 890,056**
by provinces	**720,942**	**293**	**184**	**721,051**
Other debt securities	**194,378**	**6,662**	**68**	**200,972**
Preferred shares	**87,535**	**1,862**	**1,089**	**88,308**
Common shares and other securities	**69,123**	**13,927**	**225**	**82,825**
Asset-backed securities	**43,398**	**1,193**	**9**	**44,582**
	$ 2,005,392	**$ 24,058**	**$ 1,656**	**$ 2,027,794**

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

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

4. Securities [Cont'd]

	AS AT APRIL 30, 2013			
	AMORTIZED COST	UNREALIZED GAINS	UNREALIZED LOSSES	FAIR VALUE
Securities issued or guaranteed				
by Canada [1]	$ 1,022,719	$ 1,104	$ 5	$ 1,023,818
by provinces	504,235	1,142	—	505,377
Other debt securities	447,726	8,881	72	456,535
Preferred shares	75,839	1,809	551	77,097
Common shares and other securities	61,694	10,310	436	71,568
Asset-backed securities	15,894	1,262	—	17,156
	$ 2,128,107	$ 24,508	$ 1,064	$ 2,151,551

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

Held-to-maturity

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

	AS AT APRIL 30 2014	AS AT OCTOBER 31 2013	AS AT APRIL 30 2013
Securities issued or guaranteed by Canada [1]	**$ 327,606**	$ 620,784	$ 937,368
Asset-backed commercial paper	**62,439**	28,090	92,998
	$ 390,045	$ 648,874	$ 1,030,366

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

5. Loans

Loans and impaired loans

	AS AT APRIL 30, 2014					
				COLLECTIVE ALLOWANCES		
	GROSS AMOUNT OF LOANS	**GROSS AMOUNT OF IMPAIRED LOANS**	**INDIVIDUAL ALLOWANCES**	**AGAINST IMPAIRED LOANS**	**AGAINST OTHER LOANS**	**TOTAL ALLOWANCES**
Personal	**$ 7,079,386**	**$ 28,476**	**$ —**	**$ 9,675**	**$ 30,918**	**$ 40,593**
Residential mortgage	**14,665,381**	**31,794**	**—**	**3,030**	**6,327**	**9,357**
Commercial mortgage	**2,535,881**	**13,360**	**6,169**	**2,172**	**17,292**	**25,633**
Commercial and other [1]	**2,952,102**	**33,653**	**21,271**	**2,019**	**23,230**	**46,520**
	$ 27,232,750	**$ 107,283**	**$ 27,440**	**$ 16,896**	**$ 77,767**	**$ 122,103**

[1] Including customers' liabilities under acceptances of $301.1 million.

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

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

5. Loans [Cont'd]

AS AT APRIL 30, 2013

	GROSS AMOUNT OF LOANS	GROSS AMOUNT OF IMPAIRED LOANS	INDIVIDUAL ALLOWANCES	COLLECTIVE ALLOWANCES AGAINST IMPAIRED LOANS	COLLECTIVE ALLOWANCES AGAINST OTHER LOANS	TOTAL ALLOWANCES
Personal	$ 7,605,244	$ 21,243	$ —	$ 8,981	$ 29,799	$ 38,780
Residential mortgage	14,499,292	21,972	—	1,529	2,365	3,894
Commercial mortgage	2,434,514	32,251	14,052	137	16,878	31,067
Commercial and other [1]	2,495,992	42,200	25,435	2,155	13,037	40,627
	$ 27,035,042	$ 117,666	$ 39,487	$ 12,802	$ 62,079	$ 114,368

[1] Including customers' liabilities under acceptances of $256.2 million.

Individual allowances for loan losses

			FOR THE SIX MONTHS ENDED	
			APRIL 30 2014	APRIL 30 2013
	COMMERCIAL MORTGAGE LOANS	**COMMERCIAL AND OTHER LOANS [1]**	**TOTAL INDIVIDUAL ALLOWANCES**	TOTAL INDIVIDUAL ALLOWANCES
Balance at beginning of period	**$ 9,731**	**$ 24,535**	**$ 34,266**	$ 47,849
Provision for loan losses recorded in the consolidated statement of income	**(3,205)**	**(2,445)**	**(5,650)**	(789)
Write-offs	**(311)**	**(774)**	**(1,085)**	(7,063)
Recoveries	**—**	**17**	**17**	139
Interest accrued on impaired loans	**(46)**	**(62)**	**(108)**	(649)
Balance at end of period	**$ 6,169**	**$ 21,271**	**$ 27,440**	$ 39,487

[1] Including customers' liabilities under acceptances.

Collective allowances for loan losses

Collective allowances against impaired loans

					FOR THE SIX MONTHS ENDED	
					APRIL 30 2014	APRIL 30 2013
	PERSONAL LOANS	**RESIDENTIAL MORTGAGE LOANS**	**COMMERCIAL MORTGAGE LOANS**	**COMMERCIAL AND OTHER LOANS [1]**	**TOTAL COLLECTIVE ALLOWANCES**	TOTAL COLLECTIVE ALLOWANCES
Balance at beginning of period	**$ 7,008**	**$ 3,122**	**$ 254**	**$ 1,665**	**$ 12,049**	$ 12,492
Provision for loan losses recorded in the consolidated statement of income	**14,511**	**1,127**	**2,061**	**459**	**18,158**	12,911
Write-offs	**(14,558)**	**(523)**	**—**	**(16)**	**(15,097)**	(13,438)
Recoveries	**2,959**	**(477)**	**—**	**10**	**2,492**	1,413
Interest accrued on impaired loans	**(245)**	**(219)**	**(143)**	**(99)**	**(706)**	(576)
Balance at end of period	**$ 9,675**	**$ 3,030**	**$ 2,172**	**$ 2,019**	**$ 16,896**	$ 12,802

[1] Including customers' liabilities under acceptances.

5. Loans [Cont'd]

Collective allowances against other loans

	PERSONAL LOANS	RESIDENTIAL MORTGAGE LOANS	COMMERCIAL MORTGAGE LOANS	COMMERCIAL AND OTHER LOANS [1]	FOR THE SIX MONTHS ENDED APRIL 30 2014 TOTAL COLLECTIVE ALLOWANCES	APRIL 30 2013 TOTAL COLLECTIVE ALLOWANCES
Balance at beginning of period	**$ 32,953**	**$ 5,884**	**$ 15,764**	**$ 14,674**	**$ 69,275**	$ 57,201
Provision for loan losses recorded in the consolidated statement of income	**(2,035)**	**443**	**1,528**	**8,556**	**8,492**	4,878
Balance at end of period	**$ 30,918**	**$ 6,327**	**$ 17,292**	**$ 23,230**	**$ 77,767**	$ 62,079

[1] Including customers' liabilities under acceptances.

An allowance for undrawn amounts under approved credit facilities is also recognized in other liabilities and amounted to $7.4 million as at April 30, 2014, $7.5 million as at October 31, 2013 and $6.7 million as at April 30, 2013.

Loans past due but not impaired

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

				AS AT APRIL 30, 2014
	1 DAY-31 DAYS	**32 DAYS-90 DAYS**	**OVER 90 DAYS**	**TOTAL**
Personal loans	**$ 113,389**	**$ 29,969**	**$ 5,198**	**$ 148,556**
Residential mortgage loans	**286,902**	**42,842**	**24,430**	**354,174**
	$ 400,291	**$ 72,811**	**$ 29,628**	**$ 502,730**

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

				AS AT APRIL 30, 2013
	1 DAY-31 DAYS	32 DAYS-90 DAYS	OVER 90 DAYS	TOTAL
Personal loans	$ 97,837	$ 25,461	$ 4,034	$ 127,332
Residential mortgage loans	267,983	46,381	28,827	343,191
	$ 365,820	$ 71,842	$ 32,861	$ 470,523

Sale of commercial mortgage loans

During the quarter ended April 30, 2014, the Bank sold $102.4 million of commercial mortgage loans and recognized a $3.7 million gain in other income. In a similar transaction, the Bank sold $94.7 million of commercial mortgage loans and recognized a $3.7 million gain in other income during the quarter ended April 30, 2013.

6. Loan Securitization

Financial assets not qualifying for derecognition and associated financial liabilities

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

	AS AT APRIL 30 2014	AS AT OCTOBER 31 2013	AS AT APRIL 30 2013
Residential mortgage loans	**$ 4,342,310**	$ 4,241,310	$ 4,321,407
Replacement Assets			
Cash and deposits with other banks	**13,291**	12,099	11,349
Securities purchased under reverse repurchase agreements	**45,313**	8,410	13,361
Other securities	**390,045**	648,874	1,030,366
Debt related to securitization activities	**$ (4,896,007)**	$ (4,974,714)	$ (5,473,470)

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

	FOR THE THREE MONTHS ENDED			FOR THE SIX MONTHS ENDED	
	APRIL 30 2014	JANUARY 31 2014	APRIL 30 2013	**APRIL 30 2014**	APRIL 30 2013
Carrying amounts of mortgages transferred during the quarter related to new financing	**$ 251,684**	$ 239,295	$ 249,898	**$ 490,979**	$ 301,312
Carrying amounts of mortgages transferred during the quarter as Replacement Assets	**$ 73,761**	$ 91,968	$ 92,754	**$ 165,729**	$ 192,413

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

	FOR THE SIX MONTHS ENDED APRIL 30, 2014		
MATURITY	RATE	NOMINAL VALUE	**INITIAL CARRYING AMOUNT**
New issuance of debt related to the Canada Mortgage Bond program			
December 2018	2.38%	$ 236,655	**$ 238,686**
June 2019	2.01%	$ 252,259	**$ 251,115**

7. Liability Related to Preferred Shares

Issuance of preferred shares

On April 3, 2014, the Bank issued 5,000,000 Non-Cumulative Class A Preferred Shares, Series 13 (the “Preferred Shares Series 13”), at a price of $25.00 per share for gross proceeds of $125 million. For the initial five-year period ending on, but excluding, June 15, 2019, the holders of Preferred Shares Series 13 will be entitled to receive non-cumulative preferential quarterly dividends yielding 4.3% annually, as and when declared by the board of directors of the Bank. Thereafter, the dividend rate will reset every five years to be equal to the then current 5-Year Government of Canada bond yield plus 2.55%. Subject to certain conditions, holders may elect to convert any or all of their Preferred Shares Series 13 into an equal number of Non-Cumulative Class A Preferred Shares, Series 14 (the “Preferred Shares Series 14”) on June 15, 2019 and on June 15 every five years thereafter. Holders of the Preferred Shares Series 14 will be entitled to receive non-cumulative preferential floating rate quarterly dividends, as and when declared by the board of directors of the Bank, equal to the then 3-month Government of Canada treasury bill yield plus 2.55%.

The Preferred Shares Series 13 are recorded as liabilities as the Bank may be required to convert any or all of the preferred shares into a variable number of common shares upon the occurrence of a non-viability trigger event. This conversion feature is necessary for the shares to qualify as regulatory capital under Basel III. When declared, dividends on these preferred shares will be recorded in equity directly through retained earnings.

7. Liability Related to Preferred Shares [Cont'd]

The variation and outstanding number and amounts of the liability related to preferred shares were as follows.

	FOR THE SIX MONTHS ENDED		
	APRIL 30, 2014		
	NUMBER OF SHARES		**AMOUNT**
Class A Preferred shares Series 13			
Outstanding at beginning of period	**—**	**$**	**—**
Issuance of shares	**5,000,000**		**125,000**
Issuance cost	**n.a.**		**(4,054)**
Total liability related to preferred shares outstanding at end of period	**5,000,000**	**$**	**120,946**

8. Share Capital

Preferred shares

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

	FOR THE SIX MONTHS ENDED					
	APRIL 30, 2014			APRIL 30, 2013		
	NUMBER OF SHARES		**AMOUNT**	NUMBER OF SHARES		AMOUNT
Class A Preferred shares						
Series 9						
Outstanding at beginning of period	**n.a.**		**n.a.**	4,000,000	$	97,885
Repurchase of shares	**n.a.**		**n.a.**	(4,000,000)		(97,885)
Outstanding at end of period	**n.a.**		**n.a.**	—	$	—
Series 10						
Outstanding at beginning and end of period	**4,400,000**	**$**	**107,642**	4,400,000	$	107,642
Series 11						
Outstanding at beginning of period	**4,000,000**	**$**	**97,562**	4,000,000	$	97,722
Net issuance cost	**n.a.**		**—**	n.a.		(218)
Outstanding at end of period	**4,000,000**	**$**	**97,562**	4,000,000	$	97,504
Total preferred shares outstanding at end of period	**8,400,000**	**$**	**205,204**	8,400,000	$	205,146

Refer to Note 7, Liability Related to Preferred Shares, for information on the Class A Preferred Shares Series 13.

8. Share Capital [Cont'd]

Common shares

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

	FOR THE SIX MONTHS ENDED					
	APRIL 30, 2014			APRIL 30, 2013		
	NUMBER OF SHARES		**AMOUNT**	NUMBER OF SHARES		AMOUNT
Common shares						
Outstanding at beginning of period	**28,532,412**	**$**	**446,496**	28,117,520	$	428,526
Issuance under the Shareholder Dividend Reinvestment and Share Purchase Plan	**210,733**		**9,536**	213,957		9,248
Issuance under the employee share purchase option plan	**—**		**—**	20,000		680
Total common shares outstanding at end of period	**28,743,145**	**$**	**456,032**	28,351,477	$	438,454

Dividend reinvestment and share purchase plan

The Bank determined that reinvestments related to the dividend declared on March 5, 2014 would be made in Common Shares issued from treasury at a 2% discount. During the second quarter of 2014, 100,544 shares were legally issued under the Plan and are reported in the table above (110,189 shares in the first quarter of 2014 and 96,779 shares in the second quarter of 2013).

Dividends declared

On May 21, 2014, the Board of Directors declared the regular dividend on the Preferred Shares Series 11, the final dividend on the Preferred Shares Series 10, as well as the initial dividend on the Preferred Shares Series 13, to shareholders of record on June 6, 2014.

At its meeting on June 4, 2014, the Board of Directors declared a dividend of $0.52 per common share, payable on August 1, 2014, to shareholders of record on July 2, 2014.

Capital management

Regulatory capital

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

Furthermore, OSFI indicated that it expects deposit-taking institutions to attain target capital ratios without transition arrangements equal to or greater than the 2019 minimum capital ratios plus conservation buffer level (the "all-in" basis), including a minimum 7.0% Common Equity Tier 1 ratio target. The "all-in" basis includes all of the regulatory adjustments that will be required by 2019 but retains the phase-out rules for non-qualifying capital instruments.

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

On April 3, 2014, the Bank issued Basel III-compliant Preferred Shares, Series 13. Refer to Note 7 for additional information. The Bank also obtained regulatory approval to redeem at par on June 15, 2014 the Preferred Shares, Series 10 which are non-qualifying instruments under Basel III.

8. Share Capital [Cont'd]

The Bank has complied with current regulatory capital requirements throughout the six-month period ended April 30, 2014. Regulatory capital is detailed below.

	AS AT APRIL 30, 2014		AS AT OCTOBER 31, 2013 [1]	
	ALL-IN BASIS	**TRANSITIONAL BASIS**	ALL-IN BASIS	TRANSITIONAL BASIS
Common shares	**$ 456,032**	**$ 456,032**	$ 446,496	$ 446,496
Share-based payment reserve	**91**	**91**	91	91
Retained earnings	**812,229**	**812,229**	829,678	829,678
Accumulated other comprehensive income, excluding cash flow hedge reserve	**13,938**	**13,938**	9,535	9,535
Deductions from Common Equity Tier 1 capital [2]	**(252,027)**	**(50,405)**	(268,141)	n.a.
Common Equity Tier 1 capital	**1,030,263**	**1,231,885**	1,017,659	1,285,800
Non-qualifying non-cumulative preferred shares [3]	**205,204**	**205,204**	205,204	205,204
Qualifying non-cumulative preferred shares	**120,946**	**120,946**	—	—
Deductions from Tier 1 capital	**n.a.**	**(51,262)**	n.a.	(64,077)
Additional Tier 1 capital	**326,150**	**274,888**	205,204	141,127
Tier 1 capital	**1,356,413**	**1,506,773**	1,222,863	1,426,927
Subordinated debt [4]	**355,048**	**355,048**	399,429	399,429
Collective allowances	**102,045**	**102,045**	88,853	88,853
Deductions from Tier 2 capital	**(2,315)**	**(463)**	(16,978)	n.a.
Tier 2 capital	**454,778**	**456,630**	471,304	488,282
Total capital	**$ 1,811,191**	**$ 1,963,403**	$ 1,694,167	$ 1,915,209

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

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

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

[4] Net of an amount of $91.4 million ($46.0 million for 2013) due to the 10% phase-out per year of non-qualifying capital instruments under Basel III.

9. Share-Based Payments

Share purchase option plan

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

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

Restricted share unit plans

During the first quarter of 2014, under the restricted share unit plan, annual bonuses for certain employees amounting to $2.5 million were converted into 52,752 entirely vested restricted share units. Simultaneously, the Bank also granted 31,980 additional restricted share units valued at $47.08 each that will vest in December 2016. During the second quarter of 2014, the Bank granted 1,093 additional restricted share units valued at $45.76 and 657 additional restricted share units valued at $45.64, both which will vest in December 2016.

During the first quarter of 2014, under the restricted share unit plan for employees of the Capital Markets sector, annual bonuses for certain employees amounting to $1.4 million were converted into 29,744 entirely vested restricted share units. This plan does not provide for any employer contribution and a third of these restricted share units are redeemed in December at each of the first three anniversary dates of the grant. There were no new grants during the second quarter of 2014.

Performance-based share unit plan

During the first quarter of 2014, under the performance-based share unit plan, the Bank granted 173,197 performance-based share units valued at $47.08 each. The rights to these units will vest in December 2016 and upon meeting certain financial objectives. There were no new grants during the second quarter of 2014.

9. Share-Based I [Cont'd]

Share-based payment plan expense and related liability

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

	FOR THE THREE MONTHS ENDED			FOR THE SIX MONTHS ENDED	
	APRIL 30 2014	JANUARY 31 2014	APRIL 30 2013	**APRIL 30 2014**	APRIL 30 2013
Expense arising from cash-settled share-based payment plans	**$ 2,306**	$ 3,777	$ 1,540	**$ 6,083**	$ 5,134
Effect of hedges	**(1,241)**	248	(327)	**(993)**	(318)
	$ 1,065	$ 4,025	$ 1,213	**$ 5,090**	$ 4,816

The carrying amount of the liability relating to the cash-settled plans at April 30, 2014 was $32.6 million ($29.1 million at October 31, 2013 and $25.1 million at April 30, 2013).

10. Post-Employment Benefits

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

	FOR THE THREE MONTHS ENDED			FOR THE SIX MONTHS ENDED	
	APRIL 30 2014	JANUARY 31 2014	APRIL 30 2013	**APRIL 30 2014**	APRIL 30 2013
Defined benefit pension plan expense	**$ 4,182**	$ 4,263	$ 4,800	**$ 8,445**	$ 9,659
Defined contribution pension plan expense	**1,644**	1,653	1,730	**3,297**	3,444
Other plan expense	**340**	351	326	**691**	662
	$ 6,166	$ 6,267	$ 6,856	**$ 12,433**	$ 13,765

11. Financial Instruments – Fair Value

Determining fair value

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

Summary

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

In millions of Canadian dollars (Unaudited)	**AS AT APRIL 30, 2014**	
	CARRYING AMOUNT	**FAIR VALUE**
Loans	**$ 28,693**	**$ 28,926**
Deposits	**$ 23,759**	**$ 23,886**
Debt related to securitization activities	**$ 4,896**	**$ 4,955**

The carrying value of other financial instruments is equal to or approximates fair value. In addition, financial instruments recorded at fair value in the financial statements are classified in Level 2 of the fair value hierarchy, except for securities of $467.4 million which are classified in Level 1 as at April 30, 2014. Financial instruments recorded at fair value classified in Level 3 are not significant.There were no significant transfers between Level 1 and Level 2 of the hierarchy, or changes in fair value measurement methods in the period.

12. Segmented Information

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

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

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

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

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

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

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

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

	FOR THE THREE MONTHS ENDED APRIL 30, 2014				
	PERSONAL & COMMERCIAL	B2B BANK	LAURENTIAN BANK SECURITIES & CAPITAL MARKETS	OTHER	TOTAL
Net interest income	$ 97,592	$ 43,377	$ 506	$ (2,749)	$ 138,726
Other income	49,110	9,107	17,084	2,863	78,164
Total revenue (loss)	146,702	52,484	17,590	114	216,890
Amortization of net premium on purchased financial instruments and revaluation of contingent consideration	—	5,498	—	—	5,498
Provision for loan losses	7,436	3,064	—	—	10,500
Non-interest expenses	99,947	30,971	14,059	10,490	155,467
Costs related to business combinations [1]	—	4,437	—	—	4,437
Income (loss) before income taxes	39,319	8,514	3,531	(10,376)	40,988
Income taxes (recovered)	9,037	3,432	947	(3,417)	9,999
Net income (loss)	$ 30,282	$ 5,082	$ 2,584	$ (6,959)	$ 30,989
Average assets [2]	$ 18,073,794	$ 8,859,018	$ 3,216,949	$ 3,624,658	$ 33,774,419

[1] Costs related to the integration of the MRS Companies and AGF Trust.
[2] Assets are disclosed on an average basis as this measure is most relevant to financial institutions.

12. Segmented Information [Cont'd]

FOR THE THREE MONTHS ENDED JANUARY 31, 2014

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

FOR THE THREE MONTHS ENDED APRIL 30, 2013

	PERSONAL & COMMERCIAL	B2B BANK	LAURENTIAN BANK SECURITIES & CAPITAL MARKETS	OTHER	TOTAL
Net interest income	$ 92,572	$ 47,195	$ 1,070	$ (407)	$ 140,430
Other income	48,768	8,884	15,897	871	74,420
Total revenue (loss)	141,340	56,079	16,967	464	214,850
Amortization of net premium on purchased financial instruments	—	1,224	—	—	1,224
Provision for loan losses	5,850	3,150	—	—	9,000
Non-interest expenses [1]	103,156	33,196	12,959	6,183	155,494
Costs related to business combinations [2]	—	6,136	—	—	6,136
Income (loss) before income taxes	32,334	12,373	4,008	(5,719)	42,996
Income taxes (recovered)	7,500	3,283	1,033	(2,659)	9,157
Net income (loss)	$ 24,834	$ 9,090	$ 2,975	$ (3,060)	$ 33,839
Average assets [3]	$ 17,559,039	$ 9,371,919	$ 3,132,489	$ 4,142,302	$ 34,205,749

[1] During the first quarter of 2014, the Bank retroactively adjusted its corporate expenses allocation methodology. As a result, non-interest expenses amounting to $1.0 million per quarter in 2013, which were previously reported in the Other sector, were reclassified to the B2B Bank business segment. This change generated a $0.7 million decrease in B2B Bank's net income and a $0.7 million increase in the Other sector's net income per quarter in 2013.

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

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

12. Segmented Information [Cont'd]

FOR THE SIX MONTHS ENDED APRIL 30, 2014

	PERSONAL & COMMERCIAL	B2B BANK	LAURENTIAN BANK SECURITIES & CAPITAL MARKETS	OTHER	TOTAL
Net interest income	**$ 195,646**	**$ 89,574**	**$ 1,189**	**$ (6,827)**	**$ 279,582**
Other income	**97,740**	**18,209**	**32,566**	**4,902**	**153,417**
Total revenue (loss)	**293,386**	**107,783**	**33,755**	**(1,925)**	**432,999**
Amortization of net premium on purchased financial instruments and revaluation of contingent consideration	**—**	**6,634**	**—**	**—**	**6,634**
Provision for loan losses	**17,690**	**3,310**	**—**	**—**	**21,000**
Non-interest expenses	**199,756**	**62,547**	**27,146**	**21,202**	**310,651**
Costs related to business combinations [2]	**—**	**8,386**	**—**	**—**	**8,386**
Income (loss) before income taxes	**75,940**	**26,906**	**6,609**	**(23,127)**	**86,328**
Income taxes (recovered)	**17,380**	**8,391**	**1,773**	**(7,730)**	**19,814**
Net income (loss)	**$ 58,560**	**$ 18,515**	**$ 4,836**	**$ (15,397)**	**$ 66,514**
Average assets [3]	**$ 18,056,230**	**$ 8,924,614**	**$ 3,061,965**	**$ 3,667,375**	**$ 33,710,184**

FOR THE SIX MONTHS ENDED APRIL 30, 2013

	PERSONAL & COMMERCIAL	B2B BANK	LAURENTIAN BANK SECURITIES & CAPITAL MARKETS	OTHER	TOTAL
Net interest income	$ 190,673	$ 96,607	$ 1,751	$ (6,257)	$ 282,774
Other income	92,297	17,940	32,299	3,454	145,990
Total revenue (loss)	282,970	114,547	34,050	(2,803)	428,764
Amortization of net premium on purchased financial instruments	—	2,280	—	—	2,280
Provision for loan losses	10,452	6,548	—	—	17,000
Non-interest expenses [1]	206,036	67,181	26,433	11,380	311,030
Costs related to business combinations [2]	—	13,693	—	—	13,693
Income (loss) before income taxes	66,482	24,845	7,617	(14,183)	84,761
Income taxes (recovered)	15,112	6,564	1,961	(5,503)	18,134
Net income (loss)	$ 51,370	$ 18,281	$ 5,656	$ (8,680)	$ 66,627
Average assets [3]	$ 17,468,796	$ 9,403,313	$ 3,025,650	$ 4,526,018	$ 34,423,777

[1] During the first quarter of 2014, the Bank retroactively adjusted its corporate expenses allocation methodology. As a result, non-interest expenses amounting to $1.0 million per quarter in 2013, which were previously reported in the Other sector, were reclassified to the B2B Bank business segment. This change generated a $0.7 million decrease in B2B Bank's net income and a $0.7 million increase in the Other sector's net income per quarter in 2013.

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

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

13. Business Combinations

Contingent consideration

On August 1, 2012, the Bank acquired 100% of the outstanding shares of AGF Trust Company (AGF Trust). The agreement included a contingent consideration of a maximum of $20.0 million over five years if credit quality reached certain criteria, which was initially valued at $5.9 million. On May 30, 2014, the Bank reached an agreement with AGF Management Limited to settle the contingent consideration for a lower total amount of $10.0 million. Accordingly, the Bank recorded an additional $4.1 million non tax-deductible charge in the second quarter 2014 to reflect the impact of the agreement.

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

In the fourth quarter of 2012, the allocation of the purchase price of AGF Trust resulted in a gain of $24.3 million ($16.4 million net of income taxes) arising on acquisition as the estimated fair values of the net assets acquired exceeded the purchase price. The gain mainly represented the favourable effect of the discount or premium to reflect the then current market rates on purchased financial instruments, partly offset by the initial estimated fair value of the contingent consideration. The portion of the gain resulting from the revaluation of the purchased financial instruments is being amortized in net income over the estimated remaining term of the purchased financial instruments and amounted to $1.4 million for the three-month period ended April 30, 2014, essentially unchanged from the three-month period ended April 30, 2013.

Costs related to business combinations

During the quarter, the Bank incurred costs related to IT systems conversion costs, salaries, professional fees and other expenses for the integration of former AGF Trust operations. These costs were recognized directly in net income, under Costs related to business combinations.

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Shareholder Information

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Transfer Agent and Registrar
Computershare
Investor Services Inc.
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Ombudsman's office
Laurentian Bank of Canada
1981 McGill College Avenue
Suite 1420
Montréal, Québec H3A 3K3
514 284-7192
or 1 800 479-1244

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

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

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

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

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

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

Stock symbol and dividend record and payment dates

The common and preferred shares indicated below are listed on the Toronto Stock Exchange.	CUSIP CODE / STOCK SYMBOL	RECORD DATE*	DIVIDEND PAYMENT DATE*
Common shares	51925D 10 6 LB	First business day of:	
		January	February 1
		April	May 1
		July	August 1
		October	November 1
Preferred shares			
Series 10	51925D 86 6 LB.PR.E	**	March 15
Series 11	51925D 84 1 LB.PR.F	**	June 15
Series 13	51925D 82 5 LB.PR.H	**	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.

LAURENTIAN BANK