THIRD QUARTER 2014

Report to Shareholders

For the period ended July 31, 2014

Laurentian Bank reports third quarter results

Highlights of the third quarter of 2014

- Financial highlights on a reported and adjusted basis for the third quarter of 2014:
  - Net income of $40.1 million
  - Return on common shareholders' equity of 11.2%
  - Diluted earnings per share of $1.27

  - Adjusted net income increased 10% to $42.4 million
  - Adjusted return on common shareholders' equity of 11.9%
  - Adjusted diluted earnings per share up 6% to $1.35

- Positive adjusted operating leverage of 2.0% sequentially
- Commercial loan portfolio including BAs up 16% year-over-year
- Strong credit performance, with continued low loan losses of $10.5 million

Laurentian Bank of Canada reported adjusted net income of $42.4 million or $1.35 diluted per share for the third quarter of 2014 up 10% and 6% respectively, compared with $38.5 million or $1.27 diluted per share for the same period in 2013. Adjusted return on common shareholders' equity was 11.9% for the third quarter of 2014, compared with 12.0% for the same period in 2013. When including adjusting items[1], net income totalled $40.1 million or $1.27 diluted per share for the third quarter of 2014, compared with $27.0 million or $0.86 diluted per share for the third quarter of 2013. Return on common shareholders' equity was 11.2% for the third quarter of 2014, compared with 8.1% for the same period in 2013.

For the nine months ended July 31, 2014, adjusted net income totalled $121.0 million or $3.92 diluted per share, compared with $116.9 million or $3.81 diluted per share in 2013. Adjusted return on common shareholders' equity was 11.8% for the nine months ended July 31, 2014, compared with 12.2% for the same period in 2013. When including adjusting items, net income was $106.6 million or $3.42 diluted per share for the nine months ended July 31, 2014, compared with $93.6 million or $2.99 diluted per share for the same period in 2013. Return on common shareholders' equity was 10.3% for the nine months ended July 31, 2014, compared with 9.6% for the same period in 2013.

Commenting on the Bank's financial results for the third quarter of 2014, Réjean Robitaille, President and Chief Executive Officer, mentioned: “We continued to deliver solid core earnings in the quarter and maintained our targeted efforts to improve efficiency and maximize operating leverage. In an environment of slowing consumer loan demand and compressed margins, our rigorous control over expenses and the sustained credit quality of the loan portfolio contributed to the good performance for the quarter.”

Mr. Robitaille added: “We maintained our focus on further developing our higher-margin commercial activities as evidenced by a 16% increase in our commercial loan portfolio. Looking ahead, we will continue to grow income from non-interest sensitive sources in order to foster profitable revenue growth. Within our B2B Bank business segment, with most cost synergies related to our acquired businesses delivered, our efforts shift from integration to business development. We remain committed to unlocking value for our shareholders and we are working diligently to continuously improve our operations and generate sustained earnings growth in each of our business segments.”

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

Caution Regarding Forward-looking Statements

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

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

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

With respect to the anticipated benefits from the acquisition AGF Trust 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.

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

Highlights [1]

In thousands of Canadian dollars, except per share and percentage amounts (Unaudited)	FOR THE THREE MONTHS ENDED JULY 31 2014	APRIL 30 2014	VARIANCE	JULY 31 2013	VARIANCE	FOR THE NINE MONTHS ENDED JULY 31 2014	JULY 31 2013	VARIANCE
Profitability								
Total revenue	**$ 219,645**	$ 216,890	1%	$ 221,042	(1)%	**$ 652,644**	$ 649,806	—%
Net income	**$ 40,097**	$ 30,989	29%	$ 26,984	49 %	**$ 106,611**	$ 93,611	14%
Diluted earnings per share	**$ 1.27**	$ 0.99	28%	$ 0.86	48 %	**$ 3.42**	$ 2.99	14%
Return on common shareholders' equity [2]	**11.2%**	9.2 %		8.1 %		**10.3%**	9.6%	
Net interest margin [2]	**1.65%**	1.68 %		1.68 %		**1.66%**	1.66%	
Efficiency ratio [2]	**71.0%**	73.7 %		79.9 %		**72.8%**	77.2%	
Operating leverage [2] [3]	**3.7%**	(0.1)%		(6.4)%		**5.7%**	n. m.	
Per common share								
Share price								
High	**$ 51.92**	$ 47.54		$ 45.75		**$ 51.92**	$ 45.97	
Low	**$ 46.73**	$ 45.00		$ 42.41		**$ 44.34**	$ 42.41	
Close	**$ 51.55**	$ 47.08	9%	$ 45.05	14 %	**$ 51.55**	$ 45.05	14%
Price / earnings ratio (trailing four quarters) [4]	**12.2x**	12.3x		n. m.		**12.2x**	n. m.	
Book value [2]	**$ 45.10**	$ 44.61	1%	$ 42.60	6 %	**$ 45.10**	$ 42.60	6%
Market to book value [2]	**114%**	106 %		106 %		**114%**	106%	
Dividends declared	**$ 0.52**	$ 0.51	2%	$ 0.50	4 %	**$ 1.54**	$ 1.48	4%
Dividend yield [2]	**4.0%**	4.3 %		4.4 %		**4.0%**	4.4%	
Dividend payout ratio [2]	**40.9%**	51.3 %		58.0 %		**45.0%**	49.5%	
Adjusted financial measures								
Adjusted net income [2]	**$ 42,355**	$ 39,375	8%	$ 38,547	10 %	**$ 120,991**	$ 116,910	3%
Adjusted diluted earnings per share [2]	**$ 1.35**	$ 1.29	5%	$ 1.27	6 %	**$ 3.92**	$ 3.81	3%
Adjusted return on common shareholders' equity [2]	**11.9%**	11.9 %		12.0 %		**11.8%**	12.2%	
Adjusted efficiency ratio [2]	**70.3%**	71.7 %		73.3 %		**71.3%**	72.8%	
Adjusted operating leverage [2] [3]	**2.0%**	0.2 %		(1.4)%		**2.1%**	n. m.	
Adjusted dividend payout ratio [2]	**38.6%**	39.6 %		39.4 %		**39.2%**	38.8%	
Financial position (in millions of Canadian dollars)								
Balance sheet assets	**$ 34,328**	$ 34,261	—%	$ 33,758	2 %			
Loans and acceptances	**$ 27,275**	$ 27,233	—%	$ 27,189	— %			
Deposits	**$ 24,213**	$ 23,759	2%	$ 23,866	1 %			
Basel III regulatory capital ratios — All-in basis [5]								
Common Equity Tier I	**7.7%**	7.6 %		7.5 %				
Tier 1	**9.3%**	10.0 %		9.0 %				
Total	**12.4%**	13.3 %		12.6 %				
Other information								
Number of full-time equivalent employees	**3,740**	3,764		4,289				
Number of branches	**152**	153		153				
Number of automated banking machines	**420**	423		422				

[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 in 2013 have been amended accordingly.
[3] Quarterly growth rates are calculated sequentially. Operating leverage for the nine months ended July 31, 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 nine months ended July 31, 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*** continues to generate strong growth. The commercial loan portfolio increased by 16% year-over-year and commercial mortgages grew by 9%, excluding the sale of $102 million of commercial mortgage loans in the second quarter of 2014. The leasing and equipment financing division, launched only two quarters ago, is seeing an increase in the number of credit applications and is starting to build a solid pipeline. Business Services continues to be well positioned as a growth engine for the Bank. — ***Retail Services*** is becoming increasingly focused on the wealth management offer, with an emphasis on investment products such as deposits and mutual funds. To accommodate clients' need for more convenient and higher quality service and to enhance this offer, advisory branch hours were recently extended. Furthermore, the momentum in wealth management continued as income from mutual fund sales increased by 29% in the third quarter of 2014 compared to a year earlier.

B2B Bank is turning its attention towards business development, now that the integrations are almost completed. With a contribution from the new alternative and expanded mortgage solution successfully rolled out at the end of last quarter, mortgage loans increased by 2% sequentially or 8% on an annualized basis. B2B Bank is well positioned in the mortgage market, having among the most comprehensive offerings in Canada.

Laurentian Bank Securities’ focus on the small cap market is reaping benefits. During the quarter, underwriting fees related to small cap securities increased significantly. LBS’ broad research coverage, including sectors such as technology, base metals, industrials and healthcare should help drive investment banking opportunities.

Supporting all of the Bank’s activities is a solid capital base. After issuing $125 million of preferred shares in the second quarter, the $110 million Series 10 preferred share issue was redeemed on June 15, 2014. The Bank’s proactive capital management aims to optimize capital for all stakeholders.

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 July 31, 2014, and of how it performed during the three-month and nine-month periods then ended. This MD&A, dated August 28, 2014, should be read in conjunction with the unaudited condensed interim consolidated financial statements for the period ended July 31, 2014, prepared in accordance with IAS 34 *Interim financial reporting,* as issued by the International Accounting Standards Board (IASB). Supplemental information on risk management, critical accounting policies and estimates, and off-balance sheet arrangements is also provided in the Bank's 2013 Annual Report.

Additional information about the Laurentian Bank of Canada, including the Annual Information Form, is available on the Bank's website 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 third quarter of 2014.

Economic Outlook

North American economic growth accelerated this summer, led by the United States and despite the escalating geopolitical tensions. Accordingly, the Federal Reserve should end its accommodative asset purchase program this fall, gradually sowing the seeds for a modest increase in its policy rate in the second half of 2015.

While the discrepancy in economic performances between Western Canada and the rest of the country persists, improving US demand and a lower currency is gradually benefiting a broader number of sectors. In turn, Canadian economic activity and hiring are expected to advance at a slightly faster pace for the remainder of the year and during 2015,which should benefit both personal and commercial lending. As these conditions materialize, the Bank of Canada may start to increase its policy rate sometime before the end of 2015. In the housing sector, homebuilding activity stabilized at a demographic-driven level this summer, while the resale market appears more balanced, with prices generally increasing at a slow-to-moderate pace. As interest rates are expected to remain at historically low levels, all signs point to a soft landing for 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 NINE MONTHS ENDED JULY 31, 2014
Adjusted return on common shareholders' equity	10.5% to 12.5%	**11.8%**
Adjusted net income — Annual (in millions of dollars)	$145.0 to $165.0	**$121.0**
Adjusted efficiency ratio	72.5% to 69.5%	**71.3%**
Adjusted operating leverage [2]	Positive	**2.1%**
Common Equity Tier I capital ratio — All-in basis	> 7.0%	**7.7%**

[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 nine months ended July 31, 2014 and current forecasts, management believes that the Bank is in line to meet its objectives, within the range set out at the beginning of the year. In a slow revenue growth environment, disciplined management of expenses, strong credit quality, strategies to increase other income and good organic growth in the higher-margin commercial businesses were the key drivers of the Bank's good financial performance since the beginning of 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 **JULY 31 2014**	APRIL 30 2014	JULY 31 2013	FOR THE NINE MONTHS ENDED **JULY 31 2014**	JULY 31 2013
Net interest income	**$ 141,249**	$ 138,726	$ 144,549	**$ 420,831**	$ 427,323
Other income	**78,396**	78,164	76,493	**231,813**	222,483
Total revenue	**219,645**	216,890	221,042	**652,644**	649,806
Amortization of net premium on purchased financial instruments and revaluation of contingent consideration	**1,511**	5,498	1,140	**8,145**	3,420
Provision for loan losses	**10,500**	10,500	9,000	**31,500**	26,000
Non-interest expenses	**155,973**	159,904	176,705	**475,010**	501,428
Income before income taxes	**51,661**	40,988	34,197	**137,989**	118,958
Income taxes	**11,564**	9,999	7,213	**31,378**	25,347
Net income	**$ 40,097**	$ 30,989	$ 26,984	**$ 106,611**	$ 93,611
Preferred share dividends, including applicable taxes	**3,588**	2,501	2,520	**8,590**	9,112
Net income available to common shareholders	**$ 36,509**	$ 28,488	$ 24,464	**$ 98,021**	$ 84,499
Diluted earnings per share	**$ 1.27**	$ 0.99	$ 0.86	**$ 3.42**	$ 2.99

[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.

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]

	FOR THE THREE MONTHS ENDED			FOR THE NINE MONTHS ENDED	
In thousands of Canadian dollars, except per share amounts (Unaudited)	**JULY 31 2014**	APRIL 30 2014	JULY 31 2013	**JULY 31 2014**	JULY 31 2013
Impact on net income					
Reported net income	**$ 40,097**	$ 30,989	$ 26,984	**$ 106,611**	$ 93,611
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	**1,109**	1,026	840	**2,971**	2,520
Revaluation of contingent consideration	**—**	4,100	—	**4,100**	—
Costs related to business combinations [3]					
MRS Companies integration related costs	**—**	—	3,977	**474**	9,627
AGF Trust integration related costs	**1,149**	3,260	6,746	**6,835**	11,152
	2,258	8,386	11,563	**14,380**	23,299
Adjusted net income	**$ 42,355**	$ 39,375	$ 38,547	**$ 120,991**	$ 116,910
Impact on diluted earnings per share					
Reported diluted earnings per share	**$ 1.27**	$ 0.99	$ 0.86	**$ 3.42**	$ 2.99
Adjusting items	**0.08**	0.29	0.41	**0.50**	0.82
Adjusted diluted earnings per share [4]	**$ 1.35**	$ 1.29	$ 1.27	**$ 3.92**	$ 3.81

[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.

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

Net income was $40.1 million or $1.27 diluted per share for the third quarter of 2014, compared with $27.0 million or $0.86 diluted per share for the third quarter of 2013. Adjusted net income was $42.4 million for the third quarter ended July 31, 2014, up from $38.5 million for the same quarter of 2013, while adjusted diluted earnings per share was $1.35, compared with $1.27 diluted per share in 2013. Income available to common shareholders in the third quarter of 2014 included a final dividend on the Preferred Shares Series 10 redeemed in June 2014, a regular dividend on the Preferred Shares Series 11 and an initial partial dividend on the Preferred Shares Series 13 issued in April 2014. As a result, the calculation of diluted earnings per share included an additional one-time net $1.2 million (or $0.04 per share) charge for the third quarter of 2014.

Total revenue

Total revenue decreased by $1.4 million or 1% to $219.6 million in the third quarter of 2014, compared with $221.0 million in the third quarter of 2013, as lower net interest income year-over-year was partly offset by growth in other income.

Net interest income decreased by $3.3 million or 2% to $141.2 million for the third quarter of 2014, from $144.5 million in the third quarter of 2013, mainly due to the revenue impact of a lower level of high-margin personal loans and lower prepayment penalties on residential mortgage loans. Overall, margins decreased to 1.65% in the third quarter of 2014 from 1.68% in the third quarter of 2013, essentially for the same reasons.

Other income increased by $1.9 million or 2% and amounted to $78.4 million in the third quarter of 2014, compared with $76.5 million in the third quarter of 2013. Higher income from brokerage operations driven by improved activity in the small-cap equity underwriting market, as well as continued solid mutual fund commissions and lending fees contributed to the year-over-year increase. These good results were partly offset by lower income from treasury and financial market operations compared to the particularly strong performance of treasury activities in the third quarter of 2013, as well as lower deposit service charges as clients optimized their use of the Bank's offerings.

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

For the third quarter of 2014, the amortization of net premium on purchased financial instruments amounted to $1.5 million, compared with $1.1 million in the third quarter of 2013. Refer to Note 12 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 third quarter of 2014 from $9.0 million in the third quarter of 2013. Nonetheless, loan losses remained at a low level reflecting the overall underlying quality of the loan portfolios and the continued favourable credit environment. Refer to the Risk Management section below for additional information.

Non-interest expenses

Non-interest expenses decreased by $20.7 million to $156.0 million for the third quarter of 2014, compared with $176.7 million for the third quarter of 2013. This mostly reflects $13.0 million lower T&I Costs as integration work at B2B Bank winds down and a 5% decrease in the Bank's adjusted non-interest expenses through tight cost control, acquisition synergies and process reviews.

Salaries and employee benefits decreased by $6.5 million or 7% to $82.9 million for the third quarter of 2014, compared with the third quarter of 2013, mainly due to lower headcount from acquisition synergies realized over the last twelve months, the optimization of certain retail and corporate activities in the fourth quarter of 2013 and lower employee benefit expenses. Regular salary increases partly offset the decrease year-over-year.

Premises and technology costs increased by $1.0 million to $45.5 million compared with the third quarter of 2013. The increase mostly stems from higher technology costs related to ongoing business growth and enhanced on-line services.

Other non-interest expenses decreased by $2.2 million or 8% to $26.0 million for the third quarter of 2014, compared with the third quarter of 2013. The decrease mainly reflects the full impact of cost synergies in B2B Bank as well as the continued disciplined control over discretionary expenses throughout the Bank in light of a slower retail loan growth environment.

T&I Costs for the third quarter of 2014 totalled $1.6 million compared with $14.6 million a year ago. During the third quarter of 2014, T&I Costs mainly related to completing processes and harmonizing products. Integration of the AGF Trust operations and related T&I Costs are in their final stage and should be completed in the fourth quarter of 2014.

The adjusted efficiency ratio was 70.3% in the third quarter of 2014, compared with 73.3% in the third quarter of 2013, as integration synergies, continued rigorous cost control and efforts to improve operating costs are bearing fruit. As a result, adjusted operating leverage was 4.1% in the third quarter of 2014, with quarterly growth rates calculated versus the third quarter of 2013.

Income taxes

For the quarter ended July 31, 2014, the income tax expense was $11.6 million and the effective tax rate was 22.4%. 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 July 31, 2013, the income tax expense was $7.2 million and the effective tax rate was 21.1%. Year-over-year, the higher effective tax rate for the quarter ended July 31, 2014 resulted from the relatively higher level of domestic taxable income.

Nine months ended July 31, 2014 compared with the nine months ended July 31, 2013

Net income was $106.6 million or $3.42 diluted per share for the nine months ended July 31, 2014, compared with $93.6 million or $2.99 diluted per share for the nine months ended July 31, 2013. Adjusted net income was $121.0 million for the nine months ended July 31, 2014, compared with $116.9 million in 2013, while adjusted diluted earnings per share was $3.92, compared with $3.81 diluted per share in 2013.

Total revenue

Total revenue increased by $2.8 million to $652.6 million in the nine months ended July 31, 2014, compared with $649.8 million in the nine months ended July 31, 2013. The year-over-year growth in other income more than offset a modest decline in net interest income.

Net interest income decreased by $6.5 million to $420.8 million for the nine months ended July 31, 2014, from $427.3 million in the nine months ended July 31, 2013, mainly reflecting a reduced level of investment loans and lower prepayment penalties on residential mortgage loans. When compared with the nine months ended July 31, 2013, margins were unchanged at 1.66% for the nine months ended July 31, 2014, as a better loan mix offset slightly compressed margins.

Other income increased by $9.3 million or 4% and amounted to $231.8 million in the nine months ended July 31, 2014, compared with $222.5 million in the nine months ended July 31, 2013. Higher lending fees stemming from increased business activity and loan prepayment penalties in the commercial portfolio partly contributed to the year-over-year increase. Solid mutual fund commissions as well as higher income from brokerage operations and insurance income 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 lower income from trading activities in the nine months ended July 31, 2014.

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

For the nine months ended July 31, 2014, the line item "Amortization of net premium on purchased financial instruments and revaluation of contingent consideration" amounted to $8.1 million, compared with $3.4 million in the nine months ended July 31, 2013. The higher charge in 2014 essentially results from a $4.1 million non tax-deductible charge recorded in the second quarter to settle the contingent consideration related to the AGF Trust acquisition. The amortization of net premium on purchased financial instruments amounted to $4.0 million in the nine months ended July 31, 2014, compared with $3.4 million in the nine months ended July 31, 2013. Refer to Note 12 to the unaudited condensed interim consolidated financial statements.

Provision for loan losses

The provision for loan losses increased by $5.5 million to $31.5 million in the nine months ended July 31, 2014 from $26.0 million in the nine months ended July 31, 2013. While still low, this reflects a partial return to more normalized overall loan losses from the very low 2013 levels. Refer to the Risk Management section for additional information.

Non-interest expenses

Non-interest expenses decreased by $26.4 million to $475.0 million for the nine months ended July 31, 2014, compared with $501.4 million for the nine months ended July 31, 2013. This mainly reflects $18.3 million lower T&I Costs and a decrease in the Bank's adjusted non-interest expenses through tight cost control and process reviews as mentioned above.

Salaries and employee benefits decreased by $14.7 million or 5% to $252.9 million for the nine months ended July 31, 2014, compared with the nine months ended July 31, 2013, mainly due to lower headcount from acquisition synergies realized over the last twelve months and the optimization of certain retail and corporate activities in the fourth quarter of 2013, partly offset by regular salary increases. Lower pension costs and expenses related to group insurance programs also contributed to the decrease year-over-year.

Premises and technology costs increased by $11.0 million to $137.0 million for the nine months ended July 31, 2014. As noted above, the increase mostly stems from higher technology costs related to ongoing business growth 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 $4.4 million to $75.1 million for the nine months ended July 31, 2014, from $79.5 million for the nine months ended July 31, 2013. As mentioned above, as the bulk of cost synergies related to acquisitions have materialized, the Bank continued to exercise disciplined control over discretionary expenses in light of a slower growth environment.

T&I Costs for the nine months ended July 31, 2014 totalled $10.0 million compared with $28.3 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 the AGF Trust operations.

The adjusted efficiency ratio was 71.3% in the nine months ended July 31, 2014, compared with 72.8% in the nine months ended July 31, 2013. On the same basis, the Bank generated positive operating leverage of 2.1% year-over-year, mainly due to cost synergies related to acquisitions, continued rigorous cost control and efforts to improve its operations, as well as higher other income.

Income taxes

For the nine months ended July 31, 2014, the income tax expense was $31.4 million and the effective tax rate was 22.7%. The lower tax rate, compared to the statutory rate, resulted mainly 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 nine months ended July 31, 2013, the income tax expense was $25.3 million and the effective tax rate was 21.3%. Year-over-year, the higher effective tax rate for the nine months ended July 31, 2014 resulted from the relatively higher level of domestic taxable income considering 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.

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

Net income was $40.1 million or $1.27 diluted per share for the third quarter of 2014 compared with $31.0 million or $0.99 diluted per share for the second quarter of 2014. Adjusted net income was $42.4 million or $1.35 diluted per share, compared with $39.4 million or $1.29 diluted per share for the second quarter of 2014. As noted above, the calculation of diluted earnings per share in the third quarter of 2014 included a final dividend on the Preferred Shares Series 10 redeemed in June 2014, a regular dividend on the Preferred Shares Series 11 and an initial partial dividend on the Preferred Shares Series 13 issued in April 2014, which resulted in an additional one-time net $1.2 million ($0.04 diluted per share) charge for the third quarter of 2014.

Total revenue increased to $219.6 million in the third quarter of 2014, compared with $216.9 million in the previous quarter. Net interest income increased by $2.5 million sequentially to $141.2 million in the third quarter of 2014, mainly due to three more days in the third quarter. This increase was partly offset by lower interest recoveries resulting from favourable settlements in the commercial loan portfolio in the second quarter of 2014. Net interest margin decreased sequentially by 3 basis points to 1.65% in the third quarter of 2014, compared with 1.68% in the second quarter of 2014, mainly due to the lower interest recoveries.

Other income increased by $0.2 million sequentially despite a $3.7 million gain on the sale of a $102.4 million commercial mortgage loan portfolio during the second quarter of 2014. Higher fees and commissions on loans and card service revenues stemming from increased business activity, as well as higher income from treasury and financial market operations mainly contributed to the increase.

The line-item "Amortization of net premium on purchased financial instruments and revaluation of contingent consideration" amounted to $1.5 million in the third quarter of 2014, compared with $5.5 million for the last quarter which included the final $4.1 million contingent consideration charge noted above. Refer to Note 12 to the unaudited condensed interim consolidated financial statements for additional information.

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

Non-interest expenses amounted to $156.0 million for the third quarter of 2014, compared with $159.9 million for the second quarter of 2014. T&I Costs decreased to $1.6 million in the third quarter of 2014, compared with $4.4 million in the second quarter of 2014 and adjusted non-interest expenses decreased by 1% despite three more days in the third quarter. On the same basis, the Bank generated positive operating leverage of 2.0% sequentially, as the Bank's continued prudent cost control efforts are bearing fruit.

Financial condition

CONDENSED BALANCE SHEET [1]

In thousands of Canadian dollars (Unaudited)		**AS AT JULY 31 2014**		AS AT OCTOBER 31 2013		AS AT JULY 31 2013
ASSETS						
Cash and deposits with other banks	**$**	**155,281**	$	208,838	$	219,480
Securities		**4,424,262**		4,480,525		4,905,084
Securities purchased under reverse repurchase agreements		**1,804,421**		1,218,255		741,561
Loans and acceptances, net		**27,153,104**		27,113,107		27,074,649
Other assets		**791,087**		890,301		816,943
	$	**34,328,155**	$	33,911,026	$	33,757,717
LIABILITIES AND SHAREHOLDERS' EQUITY						
Deposits	**$**	**24,212,545**	$	23,927,350	$	23,866,365
Other liabilities		**3,327,750**		3,129,918		3,082,116
Debt related to securitization activities		**4,824,777**		4,974,714		4,952,060
Subordinated debt		**446,995**		445,473		444,962
Shareholders' equity		**1,516,088**		1,433,571		1,412,214
	$	**34,328,155**	$	33,911,026	$	33,757,717

[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 July 31, 2014, up $0.4 billion or 1% from year-end 2013. Over the last twelve months, balance sheet assets increased by $0.6 billion.

Liquid assets

Liquid assets, including cash, deposits with other banks, securities and securities purchased under reverse repurchase agreements, totalled $6.4 billion as at July 31, 2014, an increase of $476.3 million or 8% compared with October 31, 2013. This higher level of liquidity reflects the successful raising of institutional deposits since the beginning of the year in a slower loan growth environment as the Bank maintained diversified funding sources in anticipation of higher growth going forward. Liquid assets as a percentage of total assets were up marginally at 19% compared with October 31, 2013. The Bank continues to prudently manage the level of liquid assets and to hold sufficient cash resources from various sources 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 $27.2 billion as at July 31, 2014, up marginally from October 31, 2013. On a gross basis, continued organic growth in the higher-margin commercial loan portfolios outpaced the decrease in the investment loan portfolio, while the residential mortgage loan portfolio remained unchanged since the beginning of the year. Commercial loans, including bankers' acceptances, increased by $302.3 million or 11% since October 31, 2013 and 16% over the last 12 months, as the Bank continued to grow this portfolio and began to reap results from the launch of the new lease financing offer. Commercial mortgage loans increased by $82.5 million or 3% since October 31, 2013, despite a $102.4 million loan sale in the second quarter of 2014, as the Bank maintained its efforts to develop this portfolio. Personal loans decreased by $329.5 million or 5% since October 31, 2013, mainly reflecting attrition in the investment loan portfolio. Residential mortgage loans decreased marginally by $8.7 million from October 31, 2013, mainly due to the effect of a slower retail loan growth environment in 2014 in Eastern Canada.

Liabilities

Personal deposits stood at $18.8 billion as at July 31, 2014, decreasing slightly from $19.3 billion as at October 31, 2013. Business and other deposits increased by $0.8 billion or 17% since October 31, 2013 to $5.4 billion as at July 31, 2014, mainly explained by new deposits raised during the third quarter of 2014 as the Bank further diversified its funding sources. Personal deposits represented 78% of total deposits as at July 31, 2014, a slight decrease from year-end 2013, as the Bank saw a reduced level of brokered deposits to the benefit of more favourably priced institutional deposits. This ratio remains nonetheless well above the Canadian average and will help to meet upcoming Basel III liquidity requirements.

Debt related to securitization activities and subordinated debt remained relatively unchanged compared with October 31, 2013 and stood at $4.8 billion and $0.4 billion respectively as at July 31, 2014.

Shareholders' equity

Shareholders' equity stood at $1,516.1 million as at July 31, 2014, compared with $1,433.6 million as at October 31, 2013. This increase resulted mainly from the net income contribution for the nine-month period, net of declared dividends and the net effect of preferred share transactions detailed below. In addition, the issuance of 304,865 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 $45.10 as at July 31, 2014 from $43.19 as at October 31, 2013. There were 28,837,452 common shares and 20,000 share purchase options outstanding as at August 20, 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 ($2.9 million after income taxes), and yielding 4.3% annually. The Preferred Shares Series 13, which were initially recorded as liabilities as at April 30, 2014, were reclassified during the third quarter within shareholders' equity to align with the presentation retained by the Canadian banking industry and to better meet interested parties' expectations. Refer to Note 7 to the unaudited condensed interim consolidated financial statements for additional information.

On June 15, 2014, the Bank repurchased 4,400,000 Non-Cumulative Class A Preferred Shares, Series 10, yielding 5.3% annually, at a price of $25 per share, for an aggregate amount of $110.0 million.

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 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 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 has not nor is it expected to have a significant impact on the regulatory capital ratios for the Bank.

In April 2014, OSFI issued a revised CAR guideline, effective immediately, incorporating a number of clarifications to facilitate the interpretation of the guidance. The new guideline 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 7.7%, 9.3% and 12.4%, respectively, as at July 31, 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 JULY 31 2014**	AS AT OCTOBER 31 2013	AS AT JULY 31 2013
Regulatory capital			
Common Equity Tier 1 capital	**$ 1,051,085**	$ 1,017,659	$ 1,013,588
Tier 1 capital	**$ 1,270,718**	$ 1,222,863	$ 1,218,734
Total capital	**$ 1,705,687**	$ 1,694,167	$ 1,701,438
Total risk-weighted assets [2]	**$ 13,714,954**	$ 13,379,834	$ 13,471,849
Regulatory capital ratios			
Common Equity Tier 1 capital ratio	**7.7%**	7.6%	7.5%
Tier 1 capital ratio	**9.3%**	9.1%	9.0%
Total capital ratio	**12.4%**	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 increased to 7.7% as at July 31, 2014 compared with 7.6% as at 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 more than offset by internal capital generation during the nine months ended July 31, 2014, which increased total equity overall, while risk-weighted assets slightly increased.

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 now classified as equity on the balance sheet.

On June 15, 2014, the Bank redeemed all of its 4,400,000 outstanding Non-Cumulative Class A Preferred Shares, Series 10 at a redemption price of $25.00 per share, for an aggregate amount of $110.0 million.

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 unweighted 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. In its leverage ratio requirements draft guideline issued in July 2014, OSFI indicated that it will replace the ACM with the new Basel III leverage ratio as of January 1, 2015. OSFI is expected to issue a final leverage ratio requirements guideline later this year. Federally regulated deposit-taking institutions will be expected to have Basel III leverage ratios that exceed 3%.

Dividends

On August 20, 2014, the Board of Directors declared the regular dividend on the Preferred Shares Series 11 and Preferred Shares Series 13, to shareholders of record on September 8, 2014. At its meeting on August 28, 2014, the Board of Directors declared a dividend of $0.52 per common share, payable on November 1, 2014, to shareholders of record on October 1, 2014. These dividends will be recorded in the fourth quarter of 2014.

COMMON SHARE DIVIDENDS AND PAYOUT RATIO [1]

In Canadian dollars, except payout ratios (Unaudited)	FOR THE THREE MONTHS ENDED			FOR THE NINE MONTHS ENDED	FOR THE YEARS ENDED		
	JULY 31 2014	APRIL 30 2014	JULY 31 2013	**JULY 31 2014**	OCTOBER 31 2013	OCTOBER 31 2012	OCTOBER 31 2011
Dividends declared per common share	**$ 0.52**	$ 0.51	$ 0.50	**$ 1.54**	$ 1.98	$ 1.84	$ 1.62
Dividend payout ratio [2]	**40.9%**	51.3%	58.0%	**45.0%**	52.0%	37.0%	34.8%
Adjusted dividend payout ratio [2]	**38.6%**	39.6%	39.4%	**39.2%**	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			FOR THE NINE MONTHS ENDED	
	JULY 31 2014	APRIL 30 2014	JULY 31 2013	**JULY 31 2014**	JULY 31 2013
Provision for loan losses					
Personal loans	**$ 4,976**	$ 8,003	$ 6,135	**$ 17,452**	$ 21,648
Residential mortgage loans	**1,606**	922	4,645	**3,176**	6,924
Commercial mortgage loans	**3,759**	(2,508)	(3,141)	**4,143**	(1,992)
Commercial and other loans (including acceptances)	**159**	4,083	1,361	**6,729**	(580)
	$ 10,500	$ 10,500	$ 9,000	**$ 31,500**	$ 26,000
As a % of average loans and acceptances	**0.15%**	0.16%	0.13%	**0.16%**	0.13%

The provision for loan losses amounted to $10.5 million in the third quarter of 2014, unchanged from the second quarter of 2014 and up $1.5 million compared to the same quarter a year ago. For the nine months ended July 31, 2014, provisions for loan losses increased by $5.5 million and amounted to $31.5 million compared with $26.0 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 underlying strong credit quality of the Bank's loan portfolios and prolonged low interest rates in the Canadian market.

Loan losses on personal loans decreased by $1.2 million compared with the third quarter of 2013, mainly reflecting lower provisions in the point-of-sale financing and investment loan portfolios compared to last year due to the reduced exposure. For the nine months ended July 31, 2014, loan losses on personal loans decreased by $4.2 million, essentially due to lower losses from the reduced exposure in the investment and point-of-sale financing loan portfolios. On a sequential basis, loan losses on personal loans decreased by $3.0 million, mostly explained by lower losses at B2B Bank in the third quarter of 2014.

Loan losses on residential mortgage loans were down $3.0 million from the third quarter of 2013, as loan losses in 2013 were impacted by higher provisions on medium-sized residential real estate properties and projects. On a sequential basis, loan losses on residential mortgage loans increased slightly by $0.7 million, in line with growth in B2B Bank's prime and Alt-A residential mortgage loan portfolio. For the nine months ended July 31, 2014, loan losses on residential mortgage loans decreased by $3.7 million year-over-year, essentially for the same reasons mentioned above.

Loan losses on commercial mortgages and commercial loans cumulatively amounted to $3.9 million in the third quarter of 2014, a year-over-year increase of $5.7 million. Notably, loan losses in 2013 were impacted by a $3.5 million favourable settlement on a single commercial mortgage loan exposure. On a sequential basis, loan losses in these portfolios increased by a combined $2.3 million from low second quarter losses which benefitted from recoveries. For the nine months ended July 31, 2014, loan losses on commercial mortgages and commercial loans totalled $10.9 million compared with a negative amount of $2.6 million for the same period in 2013. The year-over-year increase in loan losses mainly results from growth in the underlying portfolios, as well as from lower favourable settlements and improvements in 2014 compared with 2013.

IMPAIRED LOANS

In thousands of Canadian dollars, except percentage amounts (Unaudited)	**AS AT JULY 31 2014**	AS AT OCTOBER 31 2013	AS AT JULY 31 2013
Gross impaired loans			
Personal	**$ 24,574**	$ 13,971	$ 15,008
Residential mortgages	**33,110**	32,651	25,784
Commercial mortgages	**12,759**	14,082	20,774
Commercial and other (including acceptances)	**35,546**	38,687	36,631
	105,989	99,391	98,197
Allowances for loan losses against impaired loans			
Individual allowances	**(27,563)**	(34,266)	(35,941)
Collective allowances	**(16,414)**	(12,049)	(11,541)
	(43,977)	(46,315)	(47,482)
Net impaired loans	**$ 62,012**	$ 53,076	$ 50,715
Collective allowances against other loans	**$ (78,245)**	$ (69,275)	$ (66,608)
Impaired loans as a % of loans and acceptances			
Gross	**0.39%**	0.37%	0.36%
Net	**0.23%**	0.19%	0.19%

Gross impaired loans amounted to $106.0 million as at July 31, 2014, up from $99.4 million as at October 31, 2013, but slightly down from $107.3 million as at April 30, 2014. Overall, continued improvement in the commercial loan portfolios since the beginning of the year 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 business conditions in Canada.

Since the beginning of the year, individual allowances decreased by $6.7 million to $27.6 million mainly explained by favourable settlements on a limited number of impaired commercial loans. Collective allowances against impaired loans increased by $4.4 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 $62.0 million as at July 31, 2014, compared with $53.1 million as at October 31, 2013. At 0.39% of loans and acceptances as at July 31, 2014 and 0.37% as at October 31, 2013, gross impaired loans continue to be at a low level.

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 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 July 31, 2014, the effect on the economic value of common shareholders' equity and on net interest income before taxes of a sudden and sustained 1% increase in interest rates across the yield curve was as follows.

STRUCTURAL INTEREST RATE SENSITIVITY ANALYSIS

In thousands of Canadian dollars (Unaudited)		**AS AT JULY 31 2014**		AS AT OCTOBER 31 2013
Effect of a 1% increase in interest rates				
Increase in net interest income before taxes over the next 12 months	**$**	**8,172**	$	9,984
Decrease in the economic value of common shareholders' equity (net of income taxes)	**$**	**(19,417)**	$	(22,746)

As shown in the table above, the sensitivity to changes in interest rates remained low as at July 31, 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 following three 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 minor 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 **JULY 31 2014**	APRIL 30 2014	JULY 31 2013	FOR THE NINE MONTHS ENDED **JULY 31 2014**	JULY 31 2013
Net interest income	**$ 99,591**	$ 97,592	$ 98,857	**$ 295,237**	$ 289,530
Other income	**50,854**	49,110	49,833	**148,594**	142,130
Total revenue	**150,445**	146,702	148,690	**443,831**	431,660
Provision for loan losses	**8,759**	7,436	6,469	**26,449**	16,921
Non-interest expenses	**102,355**	99,947	108,245	**302,111**	314,281
Income before income taxes	**39,331**	39,319	33,976	**115,271**	100,458
Income taxes	**9,378**	9,037	7,838	**26,758**	22,950
Net income	**$ 29,953**	$ 30,282	$ 26,138	**$ 88,513**	$ 77,508
Efficiency ratio [2]	**68.0%**	68.1%	72.8%	**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 11 in the unaudited condensed interim consolidated financial statements.
[2] Refer to the non-GAAP financial measures section.

The Personal & Commercial business segment's contribution to net income was $30.0 million in the third quarter of 2014 compared with $26.1 million in the third quarter of 2013.

Total revenue increased by $1.8 million from $148.7 million in the third quarter of 2013 to $150.4 million in the third quarter of 2014. Net interest income increased by $0.7 million to $99.6 million, reflecting good volume growth in the higher-margin commercial portfolios, partly offset by the lower level of prepayment penalties on residential mortgages. Other income increased by $1.0 million to $50.9 million in the third quarter of 2014, as higher mutual fund commissions and lending fees from underwriting activity more than compensated for lower deposit service charges.

Loan losses increased by $2.3 million from $6.5 million in the third quarter of 2013 to $8.8 million in the third quarter of 2014. The higher level of losses compared to a year ago, is mainly due to a $3.5 million favourable settlement on a single exposure recorded in the corresponding period in 2013, as the overall level of loan losses remains low.

Non-interest expenses decreased by $5.9 million or 5%, from $108.2 million in the third quarter of 2013 to $102.4 million in the third quarter of 2014, mainly due to lower salaries and other expenses from the optimization of certain retail activities in the fourth quarter of 2013 and disciplined control over discretionary expenses.

Compared with the second quarter of 2014, net income decreased by $0.3 million as the impact of three more days in the third quarter was offset by higher loan losses on commercial mortgage loans and slightly higher income taxes.

For the nine months ended July 31, 2014, net income increased 14% to $88.5 million compared with $77.5 million for the same period a year ago. This performance was mainly driven by organic growth in the commercial loan portfolio, up 16% year-over-year, a good increase in other income and lower non-interest expenses in retail services, partly offset by higher loan losses. The efficiency ratio was 68.1% for the nine months ended July 31, 2014, compared with 72.8% for the nine months ended July 31, 2013. The segment generated positive operating leverage of 6.7% year-over-year, reflecting the Bank's focus on rigorous cost control and growth in other income and commercial businesses.

B2B Bank [1]

In thousands of Canadian dollars, except percentage amounts (Unaudited)	FOR THE THREE MONTHS ENDED JULY 31 2014	APRIL 30 2014	JULY 31 2013	FOR THE NINE MONTHS ENDED JULY 31 2014	JULY 31 2013
Net interest income	**$ 44,402**	$ 43,377	$ 48,249	**$ 133,976**	$ 144,856
Other income	**8,804**	9,107	9,359	**27,013**	27,299
Total revenue	**53,206**	52,484	57,608	**160,989**	172,155
Amortization of net premium on purchased financial instruments and revaluation of contingent consideration	**1,511**	5,498	1,140	**8,145**	3,420
Provision for loan losses	**1,741**	3,064	2,531	**5,051**	9,079
Non-interest expenses [2]	**30,553**	30,971	32,138	**93,100**	99,319
Costs related to business combinations [3]	**1,564**	4,437	14,600	**9,950**	28,293
Income before income taxes	**17,837**	8,514	7,199	**44,743**	32,044
Income taxes	**4,802**	3,432	1,966	**13,193**	8,530
Net income	**$ 13,035**	$ 5,082	$ 5,233	**$ 31,550**	$ 23,514
Efficiency ratio [4]	**60.4%**	67.5%	81.1%	**64.0%**	74.1%
Adjusted net income [4]	**$ 15,293**	$ 13,468	$ 16,796	**$ 45,930**	$ 46,813
Adjusted efficiency ratio [4]	**57.4%**	59.0%	55.8%	**57.8%**	57.7%

[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 $15.3 million in the third quarter of 2014, down $1.5 million from $16.8 million in the third quarter of 2013. Reported net income in the third quarter of 2014 was $13.0 million compared with $5.2 million a year ago.

Total revenue decreased to $53.2 million in the third quarter of 2014 from $57.6 million in the third quarter of 2013. Net interest income decreased by $3.8 million to $44.4 million in the third quarter of 2014 compared with the corresponding period in 2013. This decrease resulted from the reduced level of high-margin investment loans as investors continue to deleverage, as well as margin compression on certain deposits. Other income amounted to $8.8 million in the third quarter of 2014, down $0.6 million from the third quarter of 2013, mainly impacted by lower income from self-directed accounts.

As shown above, the line item "Amortization of net premium on purchased financial instruments and revaluation of contingent consideration" increased by $0.4 million and amounted to $1.5 million in the third quarter of 2014 compared with $1.1 million for the third quarter of 2013. For additional information, refer to Note 12 to the unaudited condensed interim consolidated financial statements.

Loan losses decreased by $0.8 million compared with the third quarter of 2013 and amounted to $1.7 million in the third quarter of 2014. Lower provisions in the investment loan portfolios due to the reduced exposure compared to last year were partly offset by higher provisions on other personal loans.

Excluding T&I Costs, non-interest expenses decreased by $1.6 million or 5% to $30.6 million in the third quarter of 2014, compared with $32.1 million in the third quarter of 2013 mainly reflecting acquisition synergies. T&I Costs for the third quarter of 2014 decreased by $13.0 million to $1.6 million and mainly related to completing processes and harmonizing products. Integration activities are in their final stage and should be completed in the fourth quarter of 2014.

Compared with the second quarter of 2014, adjusted net income increased by $1.8 million, mainly resulting from lower loan losses in the third quarter of 2014 and three additional days of net income. These items, combined with the favourable impact of lower headcount, the decrease in T&I Costs and the $4.1 million non tax-deductible charge recorded in the second quarter to settle the contingent consideration related to the AGF Trust acquisition, contributed to the $8.0 million increase in reported net income over the same period.

For the nine months ended July 31, 2014, adjusted net income was $45.9 million, $0.9 million lower than the same period of 2013, as the items impacting revenues, as detailed above, were partly compensated by lower non-interest expenses and loan losses. Reported net income for the nine months ended July 31, 2014 increased by $8.0 million to $31.6 million, 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 **JULY 31 2014**	APRIL 30 2014	JULY 31 2013	FOR THE NINE MONTHS ENDED **JULY 31 2014**	JULY 31 2013
Total revenue	**$ 18,492**	$ 17,590	$ 16,040	**$ 52,247**	$ 50,090
Non-interest expenses	**14,341**	14,059	13,055	**41,487**	39,488
Income before income taxes	**4,151**	3,531	2,985	**10,760**	10,602
Income taxes	**1,114**	947	698	**2,887**	2,659
Net income	**$ 3,037**	$ 2,584	$ 2,287	**$ 7,873**	$ 7,943
Efficiency ratio [2]	**77.6%**	79.9%	81.4%	**79.4%**	78.8%

[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 increased to $3.0 million in the third quarter of 2014, compared with $2.3 million in the third quarter of 2013. Total revenue increased by $2.5 million to $18.5 million in the third quarter of 2014 compared with $16.0 million in the third quarter of 2013, mainly driven by improved activity in the small-cap equity underwriting market. Non-interest expenses increased by $1.3 million to $14.3 million in the third quarter of 2014, mainly due to higher performance-based compensation, commissions and transaction fees, in-line with higher market-driven income.

For the nine months ended July 31, 2014, net income amounted to $7.9 million, essentially unchanged compared with the same period last year. Total revenue increased by $2.2 million to $52.2 million in the nine months ended July 31, 2014, mainly as the business segment capitalized on growth opportunities in the small-cap equity underwriting market. Non-interest expenses increased by $2.0 million to $41.5 million for the nine months ended July 31, 2014, mainly for the same reasons explained above.

Other sector [1]

In thousands of Canadian dollars (Unaudited)	FOR THE THREE MONTHS ENDED **JULY 31 2014**	APRIL 30 2014	JULY 31 2013	FOR THE NINE MONTHS ENDED **JULY 31 2014**	JULY 31 2013
Net interest income	**$ (3,312)**	$ (2,749)	$ (3,271)	**$ (10,139)**	$ (9,528)
Other income	**814**	2,863	1,975	**5,716**	5,429
Total revenue	**(2,498)**	114	(1,296)	**(4,423)**	(4,099)
Non-interest expenses [2]	**7,160**	10,490	8,667	**28,362**	20,047
Loss before income taxes	**(9,658)**	(10,376)	(9,963)	**(32,785)**	(24,146)
Income taxes recovery	**(3,730)**	(3,417)	(3,289)	**(11,460)**	(8,792)
Net loss	**$ (5,928)**	$ (6,959)	$ (6,674)	**$ (21,325)**	$ (15,354)

[1] Comparative figures reflect the realignment of reportable segments and the adoption of amendments to IAS 19, *Employee Benefits*. Refer to Notes 2 and 11 in the unaudited condensed interim consolidated financial statements.
[2] During the first quarter of 2014, the Bank retroactively adjusted its corporate expenses allocation methodology. As a result, non-interest expenses amounting to $1.0 million ($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 $5.9 million in the third quarter of 2014 compared with a negative contribution of $6.7 million in the third quarter of 2013.

Net interest income remained essentially unchanged at negative $3.3 million in the third quarter of 2014. Other income decreased to $0.8 million in the third quarter of 2014, compared with $2.0 million in the third quarter of 2013, which was a stronger quarter in treasury activities and included higher net security gains. Non-interest expenses decreased to $7.2 million in the third quarter of 2014 compared with $8.7 million in the third quarter of 2013, mainly as a result of lower unallocated costs.

On a sequential basis, net loss improved by $1.0 million as lower non-interest expenses more than offset the impact of the $2.5 million gain on sale of commercial mortgage loans recorded in the second quarter of 2014.

For the nine months ended July 31, 2014, the negative contribution to net income was $21.3 million, compared to negative $15.4 million for the nine months ended July 31, 2013, mainly explained by non-interest expenses which increased by $8.3 million compared to 2013. The increase in non-interest expenses mainly results from unallocated technology expenses related to new initiatives aimed at improving IT infrastructure and on-line services.

Additional Financial Information - Quarterly Results [1]

In thousands of Canadian dollars, except per share and percentage amounts (Unaudited)	**JULY 31 2014**	APRIL 30 2014	JANUARY 31 2014	OCTOBER 31 2013	JULY 31 2013	APRIL 30 2013	JANUARY 31 2013	OCTOBER 31 2012
Net interest income	**$ 141,249**	$ 138,726	$ 140,856	$ 141,437	$ 144,549	$ 140,430	$ 142,344	$ 142,411
Other income	**78,396**	78,164	75,253	74,094	76,493	74,420	71,570	67,985
Total revenue	**219,645**	216,890	216,109	215,531	221,042	214,850	213,914	210,396
Gain on acquisition, amortization of net premium on purchased financial instruments and revaluation of contingent consideration	**1,511**	5,498	1,136	1,006	1,140	1,224	1,056	(23,795)
Provision for loan losses	**10,500**	10,500	10,500	10,000	9,000	9,000	8,000	8,000
Non-interest expenses	**155,973**	159,904	159,133	172,651	176,705	161,630	163,093	165,377
Income before income taxes	**51,661**	40,988	45,340	31,874	34,197	42,996	41,765	60,814
Income taxes	**11,564**	9,999	9,815	6,008	7,213	9,157	8,977	15,129
Net income	**$ 40,097**	$ 30,989	$ 35,525	$ 25,866	$ 26,984	$ 33,839	$ 32,788	$ 45,685
Earnings per share								
Basic	**$ 1.27**	$ 0.99	$ 1.16	$ 0.82	$ 0.86	$ 1.05	$ 1.07	$ 1.51
Diluted	**$ 1.27**	$ 0.99	$ 1.16	$ 0.82	$ 0.86	$ 1.05	$ 1.07	$ 1.51
Return on common shareholders' equity [2]	**11.2%**	9.2%	10.5%	7.6%	8.1%	10.4%	10.3%	14.2%
Balance sheet assets (in millions of Canadian dollars)	**$ 34,328**	$ 34,261	$ 33,631	$ 33,911	$ 33,758	$ 34,480	$ 34,252	$ 34,937
Adjusted financial measures								
Adjusted net income [2]	**$ 42,355**	$ 39,375	$ 39,261	$ 33,919	$ 38,547	$ 39,247	$ 39,116	$ 36,186
Adjusted diluted earnings per share [2]	**$ 1.35**	$ 1.29	$ 1.29	$ 1.10	$ 1.27	$ 1.24	$ 1.30	$ 1.17
Adjusted return on common shareholders' equity [2]	**11.9%**	11.9%	11.7%	10.2%	12.0%	12.2%	12.5%	10.9%

[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 judgment. The unaudited condensed interim consolidated financial statements for the third 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, offsetting and revenue from contracts with customers. 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 third quarter ended July 31, 2014, there have been no changes in the Bank's policies or procedures and other processes that comprise its internal control over financial reporting which have materially affected, or are reasonably likely to materially affect, the Bank's internal control over financial reporting.

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

Non-GAAP Financial Measures

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

Common shareholders' equity

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

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

Return on common shareholders' equity

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

Book value per common share

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

Net interest margin

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

Efficiency ratio and operating leverage

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

Dividend payout ratio

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

Dividend yield

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

Adjusted financial measures

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

Most of the adjusting items relate to gains and expenses that arise as a result of acquisitions. The gain on acquisition and ensuing amortization of net premium on purchased financial instruments are considered adjusting items since they represent, according to management, significant non-cash adjustments and due to their non-recurrence. 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.

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Laurentian Bank of Canada

Unaudited Condensed Interim Consolidated Financial Statements

As at and for the period ended July 31, 2014

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Consolidated Balance Sheet [1]

In thousands of Canadian dollars (Unaudited)	NOTES	AS AT JULY 31 2014	AS AT OCTOBER 31 2013	AS AT JULY 31 2013
ASSETS				
Cash and non-interest-bearing deposits with other banks		**$ 86,811**	$ 82,836	$ 91,090
Interest-bearing deposits with other banks		**68,470**	126,002	128,390
Securities	4			
Available-for-sale		**2,096,307**	1,679,067	2,077,626
Held-to-maturity		**97,786**	648,874	609,236
Held-for-trading		**2,230,169**	2,152,584	2,218,222
		4,424,262	4,480,525	4,905,084
Securities purchased under reverse repurchase agreements		**1,804,421**	1,218,255	741,561
Loans	5 and 6			
Personal		**6,915,950**	7,245,474	7,411,683
Residential mortgage		**14,726,535**	14,735,211	14,696,426
Commercial mortgage		**2,571,309**	2,488,826	2,444,977
Commercial and other		**2,700,858**	2,488,137	2,371,945
Customers' liabilities under acceptances		**360,674**	271,049	263,708
		27,275,326	27,228,697	27,188,739
Allowances for loan losses		**(122,222)**	(115,590)	(114,090)
		27,153,104	27,113,107	27,074,649
Other				
Premises and equipment		**72,250**	73,261	71,054
Derivatives		**119,810**	126,617	102,556
Goodwill		**64,077**	64,077	64,077
Software and other intangible assets		**209,764**	197,594	178,585
Deferred tax assets		**14,886**	21,588	28,222
Other assets		**310,300**	407,164	372,449
		791,087	890,301	816,943
		$ 34,328,155	$ 33,911,026	$ 33,757,717
LIABILITIES AND SHAREHOLDERS' EQUITY				
Deposits				
Personal		**$ 18,782,447**	$ 19,282,042	$ 19,249,777
Business, banks and other		**5,430,098**	4,645,308	4,616,588
		24,212,545	23,927,350	23,866,365
Other				
Obligations related to securities sold short		**1,579,354**	1,464,269	1,433,525
Obligations related to securities sold under repurchase agreements		**480,899**	339,602	383,886
Acceptances		**360,674**	271,049	263,708
Derivatives		**94,621**	102,041	87,040
Deferred tax liabilities		**517**	9,845	7,770
Other liabilities		**811,685**	943,112	906,187
		3,327,750	3,129,918	3,082,116
Debt related to securitization activities	6	**4,824,777**	4,974,714	4,952,060
Subordinated debt		**446,995**	445,473	444,962
Shareholders' equity				
Preferred shares	7	**219,633**	205,204	205,146
Common shares	7	**460,757**	446,496	442,447
Share-based payment reserve	8	**91**	91	91
Retained earnings		**824,925**	776,256	762,147
Accumulated other comprehensive income		**10,682**	5,524	2,383
		1,516,088	1,433,571	1,412,214
		$ 34,328,155	$ 33,911,026	$ 33,757,717

[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 JULY 31 2014	APRIL 30 2014	JULY 31 2013	FOR THE NINE MONTHS ENDED JULY 31 2014	JULY 31 2013
Interest income						
Loans		**$ 266,872**	$ 260,326	$ 274,778	**$ 796,282**	$ 816,352
Securities		**9,922**	10,136	13,053	**30,379**	46,359
Deposits with other banks		**201**	194	314	**576**	1,727
Other, including derivatives		**10,403**	10,167	10,217	**30,758**	34,863
		287,398	280,823	298,362	**857,995**	899,301
Interest expense						
Deposits		**112,232**	108,811	115,561	**335,063**	349,509
Debt related to securitization activities		**29,758**	29,140	33,950	**89,427**	109,338
Subordinated debt		**4,038**	3,933	4,033	**12,002**	11,984
Other		**121**	213	269	**672**	1,147
		146,149	142,097	153,813	**437,164**	471,978
Net interest income		**141,249**	138,726	144,549	**420,831**	427,323
Other income						
Fees and commissions on loans and deposits		**35,983**	32,964	35,033	**103,702**	98,087
Income from brokerage operations		**16,667**	16,992	14,449	**48,866**	45,494
Income from investment accounts		**7,772**	8,343	8,249	**24,142**	24,001
Income from sales of mutual funds		**7,546**	7,151	5,848	**21,277**	16,403
Income from treasury and financial market operations		**3,909**	2,766	5,840	**11,014**	15,782
Insurance income, net		**4,670**	4,744	4,793	**14,047**	12,603
Other income		**1,849**	5,204	2,281	**8,765**	10,113
		78,396	78,164	76,493	**231,813**	222,483
Total revenue		**219,645**	216,890	221,042	**652,644**	649,806
Amortization of net premium on purchased financial instruments and revaluation of contingent consideration	12	**1,511**	5,498	1,140	**8,145**	3,420
Provision for loan losses	5	**10,500**	10,500	9,000	**31,500**	26,000
Non-interest expenses						
Salaries and employee benefits		**82,938**	84,407	89,457	**252,885**	267,593
Premises and technology		**45,465**	45,642	44,491	**137,047**	125,998
Other		**26,006**	25,418	28,157	**75,128**	79,544
Costs related to business combinations	12	**1,564**	4,437	14,600	**9,950**	28,293
		155,973	159,904	176,705	**475,010**	501,428
Income before income taxes		**51,661**	40,988	34,197	**137,989**	118,958
Income taxes		**11,564**	9,999	7,213	**31,378**	25,347
Net income		**$ 40,097**	$ 30,989	$ 26,984	**$ 106,611**	$ 93,611
Preferred share dividends, including applicable taxes		**3,588**	2,501	2,520	**8,590**	9,112
Net income available to common shareholders		**$ 36,509**	$ 28,488	$ 24,464	**$ 98,021**	$ 84,499
Average number of common shares outstanding (in thousands)						
Basic		**28,775**	28,677	28,385	**28,674**	28,280
Diluted		**28,783**	28,684	28,393	**28,681**	28,291
Earnings per share						
Basic		**$ 1.27**	$ 0.99	$ 0.86	**$ 3.42**	$ 2.99
Diluted		**$ 1.27**	$ 0.99	$ 0.86	**$ 3.42**	$ 2.99
Dividends declared per share						
Common share		**$ 0.52**	$ 0.51	$ 0.50	**$ 1.54**	$ 1.48
Preferred share - Series 9		**n.a.**	n.a.	n.a.	**n.a.**	$ 0.75
Preferred share - Series 10		**$ 0.33**	$ 0.33	$ 0.33	**$ 0.98**	$ 0.98
Preferred share - Series 11		**$ 0.25**	$ 0.25	$ 0.25	**$ 0.75**	$ 0.66
Preferred share - Series 13		**$ 0.22**	n.a.	n.a.	**$ 0.22**	n.a.

[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 **JULY 31 2014**	APRIL 30 2014	JULY 31 2013	FOR THE NINE MONTHS ENDED **JULY 31 2014**	JULY 31 2013
Net income	**$ 40,097**	$ 30,989	$ 26,984	**$ 106,611**	$ 93,611
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	**2,453**	5,941	(5,277)	**9,152**	(2,677)
Reclassification of net (gains) losses on available-for-sale securities to net income	**(1,532)**	(1,236)	(685)	**(3,829)**	(2,570)
Net change in value of derivatives designated as cash flow hedges	**2,254**	(4,965)	(21,484)	**(165)**	(26,598)
	3,175	(260)	(27,446)	**5,158**	(31,845)
Items that may not subsequently be reclassified to the statement of income					
Actuarial gains (losses) on employee benefit plans	**(6,508)**	(2,012)	19,832	**(2,886)**	15,542
Comprehensive income	**$ 36,764**	$ 28,717	$ 19,370	**$ 108,883**	$ 77,308

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 **JULY 31 2014**	APRIL 30 2014	JULY 31 2013	FOR THE NINE MONTHS ENDED **JULY 31 2014**	JULY 31 2013
Income tax expense (recovery) on:					
Unrealized net gains (losses) on available-for-sale securities	**$ 831**	$ 2,103	$ (1,838)	**$ 3,177**	$ (897)
Reclassification of net (gains) losses on available-for-sale securities to net income	**(558)**	(449)	(252)	**(1,397)**	(945)
Net change in value of derivatives designated as cash flow hedges	**829**	(1,808)	(7,839)	**(54)**	(9,710)
Actuarial gains (losses) on employee benefit plans	**(2,386)**	(738)	7,273	**(1,058)**	5,700
	$ (1,284)	$ (892)	$ (2,656)	**$ 668**	$ (5,852)

[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 NINE MONTHS ENDED JULY 31, 2014

In thousands of Canadian dollars (Unaudited)	PREFERRED SHARES (Note 7)	COMMON SHARES (Note 7)	RETAINED EARNINGS	AOCI RESERVES AVAILABLE-FOR-SALE SECURITIES	AOCI RESERVES CASH FLOW HEDGES	AOCI RESERVES TOTAL	SHARE-BASED PAYMENT RESERVE (Note 8)	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			**106,611**					**106,611**
Other comprehensive income (net of income taxes)								
Unrealized net gains (losses) on available-for-sale securities				**9,152**		**9,152**		**9,152**
Reclassification of net (gains) losses on available-for-sale securities to net income				**(3,829)**		**(3,829)**		**(3,829)**
Net change in value of derivatives designated as cash flow hedges					**(165)**	**(165)**		**(165)**
Actuarial gains (losses) on employee benefit plans			**(2,886)**					**(2,886)**
Comprehensive income			**103,725**	**5,323**	**(165)**	**5,158**		**108,883**
Issuance of share capital	**122,071**	**14,261**						**136,332**
Repurchase of share capital	**(107,642)**		**(2,358)**					**(110,000)**
Dividends								
Preferred shares, including applicable taxes			**(8,590)**					**(8,590)**
Common shares			**(44,108)**					**(44,108)**
Balance as at July 31, 2014	**$ 219,633**	**$ 460,757**	**$ 824,925**	**$ 14,859**	**$ (4,177)**	**$ 10,682**	**$ 91**	**$ 1,516,088**

FOR THE NINE MONTHS ENDED JULY 31, 2013

In thousands of Canadian dollars (Unaudited)	PREFERRED SHARES (Note 7)	COMMON SHARES (Note 7)	RETAINED EARNINGS	AOCI RESERVES AVAILABLE-FOR-SALE SECURITIES	AOCI RESERVES CASH FLOW HEDGES	AOCI RESERVES TOTAL	SHARE-BASED PAYMENT RESERVE (Note 8)	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			93,611					93,611
Other comprehensive income (net of income taxes)								
Unrealized net gains (losses) on available-for-sale securities				(2,677)		(2,677)		(2,677)
Reclassification of net (gains) losses on available-for-sale securities to net income				(2,570)		(2,570)		(2,570)
Net change in value of derivatives designated as cash flow hedges					(26,598)	(26,598)		(26,598)
Actuarial gains (losses) on employee benefit plans			15,542					15,542
Comprehensive income			109,153	(5,247)	(26,598)	(31,845)		77,308
Issuance of share capital	(218)	13,921					(136)	13,567
Repurchase of share capital	(97,885)		(2,115)					(100,000)
Dividends								
Preferred shares, including applicable taxes			(9,112)					(9,112)
Common shares			(41,814)					(41,814)
Balance as at July 31, 2013	$ 205,146	$ 442,447	$ 762,147	$ 6,954	$ (4,571)	$ 2,383	$ 91	$ 1,412,214

[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 Cash Flows [1]

In thousands of Canadian dollars (Unaudited)	FOR THE THREE MONTHS ENDED **JULY 31 2014**	APRIL 30 2014	JULY 31 2013	FOR THE NINE MONTHS ENDED **JULY 31 2014**	JULY 31 2013
Cash flows relating to operating activities					
Net income	**$ 40,097**	$ 30,989	$ 26,984	**$ 106,611**	$ 93,611
Adjustments to determine net cash flows relating to operating activities:					
Provision for loan losses	**10,500**	10,500	9,000	**31,500**	26,000
Net gain on disposal of available-for-sale securities	**(2,099)**	(1,693)	(1,259)	**(5,494)**	(4,022)
Gain on sale of commercial mortgage loans	**—**	(3,686)	—	**(3,686)**	(3,685)
Deferred income taxes	**(920)**	106	(4,850)	**(667)**	(2,025)
Depreciation of premises and equipment	**4,082**	3,534	5,303	**12,111**	12,958
Amortization of software and other intangible assets	**9,893**	9,717	10,211	**29,482**	27,958
Revaluation of contingent consideration	**—**	4,100	—	**4,100**	—
Change in operating assets and liabilities:					
Loans	**(52,629)**	(250,580)	(162,534)	**(172,753)**	(530,369)
Securities at fair value through profit and loss	**(115,410)**	154,155	356,623	**(77,585)**	(344,600)
Securities purchased under reverse repurchase agreements	**(222,240)**	(658,360)	(195,587)	**(586,166)**	(110,359)
Accrued interest receivable	**3,199**	(4,222)	12,569	**(1,666)**	20,422
Derivative assets	**6,967**	43,727	53,752	**6,807**	65,087
Deposits	**453,792**	(45,185)	57,540	**285,195**	(175,078)
Obligations related to securities sold short	**143,204**	75,065	(245,570)	**115,085**	83,593
Obligations related to securities sold under repurchase agreements	**(406,485)**	404,750	(10,839)	**141,297**	139,847
Accrued interest payable	**(31,497)**	12,348	(48,475)	**(36,152)**	(126,064)
Derivative liabilities	**(6,873)**	(21,875)	(9,586)	**(7,420)**	(13,827)
Other, net	**28,035**	(51,675)	116,628	**(6,226)**	45,958
	(138,384)	(288,285)	(30,090)	**(165,627)**	(794,595)
Cash flows relating to financing activities					
Change in acceptances	**59,597**	6,757	7,558	**89,625**	52,578
Change in debt related to securitization activities	**(71,230)**	30,681	(521,410)	**(149,937)**	(1,085,037)
Net proceeds from issuance of preferred shares	**—**	122,071	—	**122,071**	—
Repurchase of preferred shares	**(110,000)**	—	—	**(110,000)**	(100,000)
Net proceeds from issuance of common shares	**15**	23	360	**48**	1,043
Dividends, including applicable income taxes	**(13,523)**	(2,394)	(12,179)	**(38,239)**	(41,519)
	(135,141)	157,138	(525,671)	**(86,432)**	(1,172,935)
Cash flows relating to investing activities					
Change in available-for-sale securities					
Acquisitions	**(666,685)**	(556,907)	(916,756)	**(2,187,704)**	(1,657,761)
Proceeds on sale and at maturity	**601,491**	668,023	981,163	**1,782,878**	2,395,753
Change in held-to-maturity securities					
Acquisitions	**(2,744)**	(58,153)	(56,908)	**(65,607)**	(266,230)
Proceeds at maturity	**295,003**	31,171	478,038	**616,695**	1,103,745
Proceeds on sale of commercial mortgage loans	**—**	106,084	—	**106,084**	99,115
Additions to premises and equipment and software	**(13,767)**	(19,660)	(27,309)	**(53,844)**	(58,655)
Change in interest-bearing deposits with other banks	**54,756**	(27,955)	105,111	**57,532**	351,793
	268,054	142,603	563,339	**256,034**	1,967,760
Net change in cash and non-interest-bearing deposits with other banks	**(5,471)**	11,456	7,578	**3,975**	230
Cash and non-interest-bearing deposits with other banks at beginning of period	**92,282**	80,826	83,512	**82,836**	90,860
Cash and non-interest-bearing deposits with other banks at end of period	**$ 86,811**	$ 92,282	$ 91,090	**$ 86,811**	$ 91,090
Supplemental disclosure about cash flows relating to operating activities:					
Interest paid during the period	**$ 178,345**	$ 126,519	$ 206,263	**$ 477,495**	$ 603,708
Interest received during the period	**$ 293,248**	$ 272,508	$ 312,307	**$ 854,222**	$ 921,832
Dividends received during the period	**$ 2,258**	$ 2,130	$ 1,756	**$ 6,342**	$ 5,313
Income taxes paid during the period	**$ 3,985**	$ 2,510	$ 3,794	**$ 16,264**	$ 27,804

[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 July 31, 2014 were approved for issuance by the Board of Directors on August 28, 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 presentation of preferred shares discussed in Note 7 and the segment realignment discussed in Note 11.

Use of estimates and judgment

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

Accounting changes

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

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

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 third quarter ended July 31, 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 $6.5 million. For the nine months ended July 31, 2014, the adoption of these amendments increased salaries and employee benefits by $5.3 million ($3.9 million net of income taxes) and decreased other comprehensive income by $2.9 million.

Adjustment to the Consolidated Statement of Income – Comparative Periods

In thousands of Canadian dollars, except per share amounts (Unaudited)	FOR THE THREE MONTHS ENDED JULY 31 2013	FOR THE NINE MONTHS ENDED JULY 31 2013	FOR THE YEAR ENDED OCTOBER 31 2013
Increase in salaries and employee benefits	$ 1,777	$ 5,333	$ 7,111
Decrease in income taxes	(477)	(1,431)	(1,908)
Decrease in net income	$ (1,300)	$ (3,902)	$ (5,203)
Decrease in basic and diluted earnings per share	$ 0.05	$ 0.13	$ 0.19

Adjustment to the Consolidated Statement of Comprehensive Income – Comparative Periods

In thousands of Canadian dollars (Unaudited)	FOR THE THREE MONTHS ENDED JULY 31 2013	FOR THE NINE MONTHS ENDED JULY 31 2013	FOR THE YEAR ENDED OCTOBER 31 2013
Decrease in net income	$ (1,300)	$ (3,902)	$ (5,203)
Increase (decrease) in actuarial gains and losses on employee benefit plans (net of income taxes)	19,832	15,542	20,645
Increase (decrease) in comprehensive income	$ 18,532	$ 11,640	$ 15,442

Adjustment to the Consolidated Balance Sheet – Comparative Periods

In thousands of Canadian dollars (Unaudited)	AS AT OCTOBER 31 2013	AS AT JULY 31 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	20,984	25,252
Increase in other liabilities - defined benefit plan liabilities	(38,768)	(56,434)	(72,343)
Net decrease in retained earnings	$ (53,422)	$ (57,224)	$ (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 July 2014, the IASB issued the final version of IFRS 9, *Financial Instruments*, which will be replacing IAS 39 *Financial Instruments: Recognition and Measurement*. This version supersedes all previous versions of IFRS 9 and is effective for annual periods beginning on or after January 1, 2018. IFRS 9 provides requirements for how an entity should classify and measure financial assets and liabilities, a new expected credit loss impairment model and a new general hedge accounting model.

Classification and Measurement
IFRS 9 requires all financial assets to be classified in three categories (amortized cost, fair value through profit or loss or fair value through other comprehensive income) based on the cash flow characteristics and the business model in which an asset is held.

Financial liabilities will be classified in the same categories as those defined in IAS 39. However, measurement of financial liabilities elected to be measured at fair value has been modified: IFRS 9 requires changes in the fair value of an entity's own credit risk to be recognized in other comprehensive income rather than in profit or loss. Early application of this modification, prior to any other changes in the accounting for financial instruments, is permitted by IFRS 9.

Impairment
IFRS 9 introduces a new expected-loss impairment model. Specifically, IFRS 9 requires entities to account for expected credit losses from when financial instruments are first recognized and to recognize full lifetime expected losses when certain conditions are met. The new model is accompanied by enhanced disclosure about expected credit losses and credit risk.

Hedge accounting
IFRS 9 introduces a new model for hedge accounting that aims to provide a better link between an entity's risk management strategy, the rationale for hedging and the impact of hedging on the financial statements. Accounting for macro hedging has been decoupled from IFRS 9 and will be considered and may be issued as a separate standard. The IFRS 9 hedge accounting model retains the three types of hedging relationships under IAS 39 (fair value, cash flow and net investment hedges), but includes changes to hedge effectiveness testing. The new standard also requires enhanced disclosure about risk management activities.

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.

3. Future Accounting Changes [Cont'd]

IFRS 15: Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers,* which establishes a comprehensive framework for the recognition, measurement and disclosure of revenues. IFRS 15 applies to all contracts with customers (except for contracts that are within the scope of the Standards on leases, insurance contracts and financial instruments) and replaces, amongst others, the previous revenue standards IAS 18, *Revenue* and the related interpretation on revenue recognition IFRIC 13, *Customer Loyalty Programmes*. The new standard also includes requirements for accounting for some costs that are related to a contract with a customer. IFRS 15 is effective for annual periods beginning on or after January 1, 2017, which will be November 1, 2017 for the Bank.

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 NINE MONTHS ENDED	
	JULY 31 2014	APRIL 30 2014	JULY 31 2013	**JULY 31 2014**	JULY 31 2013
Realized net gains	**$ 2,099**	$ 1,693	$ 1,259	**$ 5,494**	$ 4,022
Write-downs for impairment recognized in income	**(9)**	(8)	(322)	**(268)**	(507)
	$ 2,090	$ 1,685	$ 937	**$ 5,226**	$ 3,515

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 JULY 31, 2014
	AMORTIZED COST	**UNREALIZED GAINS**	**UNREALIZED LOSSES**	**FAIR VALUE**
Securities issued or guaranteed				
by Canada [1]	**$ 814,622**	**$ 66**	**$ 100**	**$ 814,588**
by provinces	**858,810**	**323**	**6**	**859,127**
Other debt securities	**194,617**	**6,688**	**60**	**201,245**
Preferred shares	**91,029**	**2,126**	**910**	**92,245**
Common shares and other securities	**70,427**	**14,516**	**235**	**84,708**
Asset-backed securities	**43,172**	**1,238**	**16**	**44,394**
	$ 2,072,677	**$ 24,957**	**$ 1,327**	**$ 2,096,307**

[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 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

AS AT JULY 31, 2013		AMORTIZED COST		UNREALIZED GAINS		UNREALIZED LOSSES		FAIR VALUE
Securities issued or guaranteed								
by Canada [1]	$	770,926	$	19	$	95	$	770,850
by provinces		681,003		684		37		681,650
Other debt securities		456,591		4,796		1,074		460,313
Preferred shares		77,237		643		1,905		75,975
Common shares and other securities		63,229		9,481		692		72,018
Asset-backed securities		15,652		1,220		52		16,820
	$	2,064,638	$	16,843	$	3,855	$	2,077,626

[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 JULY 31 2014		AS AT OCTOBER 31 2013		AS AT JULY 31 2013
Securities issued or guaranteed by Canada [1]	**$**	**61,446**	$	620,784	$	486,759
Asset-backed commercial paper		**36,340**		28,090		122,477
	$	**97,786**	$	648,874	$	609,236

[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 JULY 31, 2014								**COLLECTIVE ALLOWANCES**				
		GROSS AMOUNT OF LOANS		**GROSS AMOUNT OF IMPAIRED LOANS**		**INDIVIDUAL ALLOWANCES**		**AGAINST IMPAIRED LOANS**		**AGAINST OTHER LOANS**		**TOTAL ALLOWANCES**
Personal	**$**	**6,915,950**	**$**	**24,574**	**$**	**—**	**$**	**9,365**	**$**	**28,483**	**$**	**37,848**
Residential mortgage		**14,726,535**		**33,110**		**—**		**2,802**		**6,066**		**8,868**
Commercial mortgage		**2,571,309**		**12,759**		**6,013**		**1,991**		**21,327**		**29,331**
Commercial and other [1]		**3,061,532**		**35,546**		**21,550**		**2,256**		**22,369**		**46,175**
	$	**27,275,326**	**$**	**105,989**	**$**	**27,563**	**$**	**16,414**	**$**	**78,245**	**$**	**122,222**

[1] Including customers' liabilities under acceptances of $360.7 million.

5. Loans [Cont'd]

AS AT OCTOBER 31, 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	$ 7,245,474	$ 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.

AS AT JULY 31, 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	$ 7,411,683	$ 15,008	$ —	$ 6,549	$ 30,534	$ 37,083
Residential mortgage	14,696,426	25,784	—	2,565	5,316	7,881
Commercial mortgage	2,444,977	20,774	10,375	1,312	15,770	27,457
Commercial and other [1]	2,635,653	36,631	25,566	1,115	14,988	41,669
	$ 27,188,739	$ 98,197	$ 35,941	$ 11,541	$ 66,608	$ 114,090

[1] Including customers' liabilities under acceptances of $263.7 million.

Individual allowances for loan losses

			FOR THE NINE MONTHS ENDED	
			JULY 31 2014	JULY 31 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	**(3,359)**	**(1,719)**	**(5,078)**	(3,632)
Write-offs	**(312)**	**(1,254)**	**(1,566)**	(7,575)
Recoveries	**—**	**76**	**76**	140
Interest accrued on impaired loans	**(47)**	**(88)**	**(135)**	(841)
Balance at end of period	**$ 6,013**	**$ 21,550**	**$ 27,563**	$ 35,941

[1] Including customers' liabilities under acceptances.

Collective allowances for loan losses

Collective allowances against impaired loans

					FOR THE NINE MONTHS ENDED	
					JULY 31 2014	JULY 31 2013
	PERSONAL LOANS	**RESIDENTIAL MORTGAGE LOANS**	**COMMERCIAL MORTGAGE LOANS**	**COMMERCIAL AND OTHER LOANS [1]**	**TOTAL COLLECTIVE ALLOWANCES**	TOTAL COLLECTIVE ALLOWANCES
Balance at beginning of period	**$ 7,008**	**$ 3,122**	**$ 254**	**$ 1,665**	**$ 12,049**	$ 12,492
Provision for loan losses recorded in the consolidated statement of income	**21,922**	**2,994**	**1,939**	**753**	**27,608**	20,225
Write-offs	**(24,927)**	**(2,041)**	**—**	**(27)**	**(26,995)**	(22,292)
Recoveries	**5,707**	**(972)**	**—**	**24**	**4,759**	1,940
Interest accrued on impaired loans	**(345)**	**(301)**	**(202)**	**(159)**	**(1,007)**	(824)
Balance at end of period	**$ 9,365**	**$ 2,802**	**$ 1,991**	**$ 2,256**	**$ 16,414**	$ 11,541

[1] Including customers' liabilities under acceptances.

5. Loans [Cont'd]

Collective allowances against other loans

									FOR THE NINE MONTHS ENDED			
									JULY 31 2014		JULY 31 2013	
		PERSONAL LOANS		**RESIDENTIAL MORTGAGE LOANS**		**COMMERCIAL MORTGAGE LOANS**		**COMMERCIAL AND OTHER LOANS [1]**		**TOTAL COLLECTIVE ALLOWANCES**		TOTAL COLLECTIVE ALLOWANCES
Balance at beginning of period	**$**	**32,953**	**$**	**5,884**	**$**	**15,764**	**$**	**14,674**	**$**	**69,275**	$	57,201
Provision for loan losses recorded in the consolidated statement of income		**(4,470)**		**182**		**5,563**		**7,695**		**8,970**		9,407
Balance at end of period	**$**	**28,483**	**$**	**6,066**	**$**	**21,327**	**$**	**22,369**	**$**	**78,245**	$	66,608

[1] Including customers' liabilities under acceptances.

An allowance for undrawn amounts under approved credit facilities is also recognized in other liabilities and amounted to $7.9 million as at July 31, 2014, $7.5 million as at October 31, 2013 and $7.2 million as at July 31, 2013.

Loans past due but not impaired

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

								AS AT JULY 31, 2014
		1 DAY-31 DAYS		**32 DAYS-90 DAYS**		**OVER 90 DAYS**		**TOTAL**
Personal loans	**$**	**82,274**	**$**	**27,040**	**$**	**5,452**	**$**	**114,766**
Residential mortgage loans		**266,407**		**52,771**		**24,986**		**344,164**
	$	**348,681**	**$**	**79,811**	**$**	**30,438**	**$**	**458,930**

								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 JULY 31, 2013
		1 DAY-31 DAYS		32 DAYS-90 DAYS		OVER 90 DAYS		TOTAL
Personal loans	$	97,769	$	24,005	$	4,181	$	125,955
Residential mortgage loans		265,549		43,998		27,654		337,201
	$	363,318	$	68,003	$	31,835	$	463,156

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 JULY 31 2014	AS AT OCTOBER 31 2013	AS AT JULY 31 2013
Residential mortgage loans	**$ 4,218,378**	$ 4,241,310	$ 4,205,295
Replacement Assets			
Cash and deposits with other banks	**3,756**	12,099	3,478
Securities purchased under reverse repurchase agreements	**386,944**	8,410	33,283
Other securities	**97,786**	648,874	609,236
Debt related to securitization activities	**$ (4,824,777)**	$ (4,974,714)	$ (4,952,060)

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

	FOR THE THREE MONTHS ENDED			FOR THE NINE MONTHS ENDED	
	JULY 31 2014	APRIL 30 2014	JULY 31 2013	**JULY 31 2014**	JULY 31 2013
Carrying amounts of mortgages transferred during the quarter related to new financing	**$ 230,709**	$ 251,684	$ 211,311	**$ 721,688**	$ 512,623
Carrying amounts of mortgages transferred during the quarter as Replacement Assets	**$ 124,406**	$ 73,761	$ 111,450	**$ 290,135**	$ 303,863

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

	FOR THE NINE MONTHS ENDED JULY 31, 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%	$ 482,781	**$ 481,017**

7. Share Capital

Preferred shares

Repurchase of preferred shares

On June 15, 2014, the Bank repurchased 4,400,000 Non-Cumulative Class A Preferred Shares, Series 10, at a price of $25 per share, for an aggregate amount of $110.0 million.

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 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 are 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 may be required to be converted into a variable number of common shares upon the occurrence of a non-viability trigger event. The Preferred Shares Series 13, which were initially recorded as liabilities as at April 30, 2014, were reclassified during the third quarter within shareholders' equity to align with the presentation retained by the Canadian banking industry and to better meet interested parties' expectations.

7. Share Capital [Cont'd]

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

	FOR THE NINE MONTHS ENDED			
	JULY 31, 2014		JULY 31, 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 of period	**4,400,000**	**$ 107,642**	4,400,000	$ 107,642
Repurchase of shares	**(4,400,000)**	**(107,642)**	—	—
Outstanding at end of period	**—**	**$ —**	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 adjustment	**n.a.**	**—**	n.a.	(218)
Outstanding at end of period	**4,000,000**	**$ 97,562**	4,000,000	$ 97,504
Series 13				
Outstanding at beginning of period	**—**	**$ —**	n.a.	n.a.
Issuance of shares	**5,000,000**	**125,000**	n.a.	n.a.
Net issuance cost	**n.a.**	**(2,929)**	n.a.	n.a.
Outstanding at end of period	**5,000,000**	**$ 122,071**	n.a.	n.a.
Total preferred shares outstanding at end of period	**9,000,000**	**$ 219,633**	8,400,000	$ 205,146

Common shares

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

	FOR THE NINE MONTHS ENDED			
	JULY 31, 2014		JULY 31, 2013	
	NUMBER OF SHARES	**AMOUNT**	NUMBER OF SHARES	AMOUNT
Common shares				
Outstanding at beginning of period	**28,532,412**	**$ 446,496**	28,117,520	$ 428,526
Issuance under the Shareholder Dividend Reinvestment and Share Purchase Plan	**304,865**	**14,261**	296,195	12,901
Issuance under the employee share purchase option plan	**—**	**—**	30,000	1,020
Total common shares outstanding at end of period	**28,837,277**	**$ 460,757**	28,443,715	$ 442,447

Dividend reinvestment and share purchase plan

The Bank determined that reinvestments related to the dividend declared would be made in Common Shares issued from treasury at a 2% discount. During the third quarter of 2014, 94,132 shares were legally issued under the Plan and are reported in the table above (210,733 shares in the first six months of 2014).

Dividends declared

On August 20, 2014, the Board of Directors declared the regular dividend on the Preferred Shares Series 11 and Preferred Shares Series 13, to shareholders of record on September 8, 2014.

At its meeting on August 28, 2014, the Board of Directors declared a dividend of $0.52 per common share, payable on November 1, 2014, to shareholders of record on October 1, 2014.

7. Share Capital [Cont'd]

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 the Preferred Shares section above for additional information. The Bank also repurchased at par on June 15, 2014 the Preferred Shares, Series 10 which were non-qualifying instruments under Basel III.

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

	AS AT JULY 31, 2014		AS AT OCTOBER 31, 2013 [1]	
	ALL-IN BASIS	**TRANSITIONAL BASIS**	ALL-IN BASIS	TRANSITIONAL BASIS
Common shares	**$ 460,757**	**$ 460,757**	$ 446,496	$ 446,496
Share-based payment reserve	**91**	**91**	91	91
Retained earnings	**824,925**	**824,925**	829,678	829,678
Accumulated other comprehensive income, excluding cash flow hedge reserve	**14,859**	**14,859**	9,535	9,535
Deductions from Common Equity Tier 1 capital [2]	**(249,547)**	**(49,910)**	(268,141)	n.a.
Common Equity Tier 1 capital	**1,051,085**	**1,250,722**	1,017,659	1,285,800
Non-qualifying non-cumulative preferred shares [3]	**97,562**	**97,562**	205,204	205,204
Qualifying non-cumulative preferred shares	**122,071**	**122,071**	—	—
Deductions from Tier 1 capital	**n.a.**	**(51,262)**	n.a.	(64,077)
Additional Tier 1 capital	**219,633**	**168,371**	205,204	141,127
Tier 1 capital	**1,270,718**	**1,419,093**	1,222,863	1,426,927
Subordinated debt [4]	**355,048**	**355,048**	399,429	399,429
Collective allowances	**86,126**	**86,126**	88,853	88,853
Deductions from Tier 2 capital	**(6,205)**	**(1,241)**	(16,978)	n.a.
Tier 2 capital	**434,969**	**439,933**	471,304	488,282
Total capital	**$ 1,705,687**	**$ 1,859,026**	$ 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 Preferred Shares Series 9 and Series 10 repurchased by the Bank in the second quarter of 2013 and the third quarter of 2014 respectively.

[4] Net of an amount of $91.9 million ($46.0 million for 2013) due to the 10% phase-out per year of non-qualifying capital instruments under Basel III.

8. Share-Based Payments

Share purchase option plan

During the third 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 JULY 31 2014	AS AT OCTOBER 31 2013	AS AT JULY 31 2013
	NUMBER	NUMBER	NUMBER
Share purchase options outstanding and exercisable at end of period	**20,000**	20,000	20,000

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 of which will vest in December 2016. There were no new grants during the third quarter of 2014.

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 and third 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 and third quarter of 2014.

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 NINE MONTHS ENDED	
	JULY 31 2014	APRIL 30 2014	JULY 31 2013	**JULY 31 2014**	JULY 31 2013
Expense arising from cash-settled share-based payment plans	**$ 5,311**	$ 2,306	$ 1,811	**$ 11,394**	$ 6,945
Effect of hedges	**(3,899)**	(1,241)	(884)	**(4,892)**	(1,202)
	$ 1,412	$ 1,065	$ 927	**$ 6,502**	$ 5,743

The carrying amount of the liability relating to the cash-settled plans at July 31, 2014 was $38.1 million ($29.1 million at October 31, 2013 and $27.1 million at July 31, 2013).

9. Post-Employment Benefits

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

	FOR THE THREE MONTHS ENDED			FOR THE NINE MONTHS ENDED	
	JULY 31 2014	APRIL 30 2014	JULY 31 2013	**JULY 31 2014**	JULY 31 2013
Defined benefit pension plan expense	**$ 4,313**	$ 4,182	$ 4,912	**$ 12,758**	$ 14,571
Defined contribution pension plan expense	**1,707**	1,644	1,784	**5,004**	5,228
Other plan expense	**351**	340	336	**1,042**	998
	$ 6,371	$ 6,166	$ 7,032	**$ 18,804**	$ 20,797

10. Financial Instruments – Fair Value

Determining fair value

Fair value is defined as the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable willing parties. Fair value is best evidenced by an independent quoted market price when available. Otherwise, fair value is based on internally developed valuation techniques. Fair value measurements are categorized into levels within a fair value hierarchy based on the nature of valuation inputs (Level 1, 2 or 3). Additional information on the fair value hierarchy and the valuation methodologies used by the Bank to measure the fair value of financial instruments can be found in 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 JULY 31, 2014	
	CARRYING AMOUNT	FAIR VALUE
Loans	**$ 28,958**	**$ 29,174**
Deposits	**$ 24,213**	**$ 24,329**
Debt related to securitization activities	**$ 4,825**	**$ 4,877**

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 $468.0 million which are classified in Level 1 as at July 31, 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.

11. Segmented Information

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

Commencing November 1, 2013, the Bank reports its retail and commercial activities, which were previously reported in the Retail & SME-Québec and Real Estate & Commercial business segments, in the newly formed Personal & Commercial segment. The new business segment 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 sector. 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.

11. Segmented Information [Cont'd]

FOR THE THREE MONTHS ENDED JULY 31, 2014

	PERSONAL & COMMERCIAL	B2B BANK	LAURENTIAN BANK SECURITIES & CAPITAL MARKETS	OTHER	TOTAL
Net interest income	$ **99,591**	$ **44,402**	$ **568**	$ **(3,312)**	$ **141,249**
Other income	**50,854**	**8,804**	**17,924**	**814**	**78,396**
Total revenue (loss)	**150,445**	**53,206**	**18,492**	**(2,498)**	**219,645**
Amortization of net premium on purchased financial instruments	**—**	**1,511**	**—**	**—**	**1,511**
Provision for loan losses	**8,759**	**1,741**	**—**	**—**	**10,500**
Non-interest expenses	**102,355**	**30,553**	**14,341**	**7,160**	**154,409**
Costs related to business combinations [1]	**—**	**1,564**	**—**	**—**	**1,564**
Income (loss) before income taxes	**39,331**	**17,837**	**4,151**	**(9,658)**	**51,661**
Income taxes (recovered)	**9,378**	**4,802**	**1,114**	**(3,730)**	**11,564**
Net income (loss)	$ **29,953**	$ **13,035**	$ **3,037**	$ **(5,928)**	$ **40,097**
Average assets [2]	$ **18,219,862**	$ **8,794,768**	$ **3,290,959**	$ **3,724,744**	$ **34,030,333**

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.

11. Segmented Information [Cont'd]

FOR THE THREE MONTHS ENDED JULY 31, 2013

	PERSONAL & COMMERCIAL	B2B BANK	LAURENTIAN BANK SECURITIES & CAPITAL MARKETS	OTHER	TOTAL
Net interest income	$ 98,857	$ 48,249	$ 714	$ (3,271)	$ 144,549
Other income	49,833	9,359	15,326	1,975	76,493
Total revenue (loss)	148,690	57,608	16,040	(1,296)	221,042
Amortization of net premium on purchased financial instruments	—	1,140	—	—	1,140
Provision for loan losses	6,469	2,531	—	—	9,000
Non-interest expenses [1]	108,245	32,138	13,055	8,667	162,105
Costs related to business combinations [2]	—	14,600	—	—	14,600
Income (loss) before income taxes	33,976	7,199	2,985	(9,963)	34,197
Income taxes (recovered)	7,838	1,966	698	(3,289)	7,213
Net income (loss)	$ 26,138	$ 5,233	$ 2,287	$ (6,674)	$ 26,984
Average assets [3]	$ 17,695,157	$ 9,370,172	$ 3,218,420	$ 3,924,677	$ 34,208,426

FOR THE NINE MONTHS ENDED JULY 31, 2014

	PERSONAL & COMMERCIAL	**B2B BANK**	**LAURENTIAN BANK SECURITIES & CAPITAL MARKETS**	**OTHER**	**TOTAL**
Net interest income	**$ 295,237**	**$ 133,976**	**$ 1,757**	**$ (10,139)**	**$ 420,831**
Other income	**148,594**	**27,013**	**50,490**	**5,716**	**231,813**
Total revenue (loss)	**443,831**	**160,989**	**52,247**	**(4,423)**	**652,644**
Amortization of net premium on purchased financial instruments and revaluation of contingent consideration	**—**	**8,145**	**—**	**—**	**8,145**
Provision for loan losses	**26,449**	**5,051**	**—**	**—**	**31,500**
Non-interest expenses	**302,111**	**93,100**	**41,487**	**28,362**	**465,060**
Costs related to business combinations [2]	**—**	**9,950**	**—**	**—**	**9,950**
Income (loss) before income taxes	**115,271**	**44,743**	**10,760**	**(32,785)**	**137,989**
Income taxes (recovered)	**26,758**	**13,193**	**2,887**	**(11,460)**	**31,378**
Net income (loss)	**$ 88,513**	**$ 31,550**	**$ 7,873**	**$ (21,325)**	**$ 106,611**
Average assets [3]	**$ 18,111,373**	**$ 8,880,856**	**$ 3,139,136**	**$ 3,686,708**	**$ 33,818,073**

[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.

11. Segmented Information [Cont'd]

FOR THE NINE MONTHS ENDED JULY 31, 2013	PERSONAL & COMMERCIAL	B2B BANK	LAURENTIAN BANK SECURITIES & CAPITAL MARKETS	OTHER	TOTAL
Net interest income	$ 289,530	$ 144,856	$ 2,465	$ (9,528)	$ 427,323
Other income	142,130	27,299	47,625	5,429	222,483
Total revenue (loss)	431,660	172,155	50,090	(4,099)	649,806
Amortization of net premium on purchased financial instruments	—	3,420	—	—	3,420
Provision for loan losses	16,921	9,079	—	—	26,000
Non-interest expenses [1]	314,281	99,319	39,488	20,047	473,135
Costs related to business combinations [2]	—	28,293	—	—	28,293
Income (loss) before income taxes	100,458	32,044	10,602	(24,146)	118,958
Income taxes (recovered)	22,950	8,530	2,659	(8,792)	25,347
Net income (loss)	$ 77,508	$ 23,514	$ 7,943	$ (15,354)	$ 93,611
Average assets [3]	$ 17,545,079	$ 9,392,145	$ 3,090,613	$ 4,323,367	$ 34,351,204

[1] During the first quarter of 2014, the Bank retroactively adjusted its corporate expenses allocation methodology. As a result, non-interest expenses amounting to $1.0 million per quarter in 2013, which were previously reported in the Other sector, were reclassified to the B2B Bank business segment. This change generated a $0.7 million decrease in B2B Bank's net income and a $0.7 million increase in the Other sector's net income per quarter in 2013.
[2] Costs related to the integration of the MRS Companies and AGF Trust.
[3] Assets are disclosed on an average basis as this measure is most relevant to financial institutions.

12. Business Combinations

Contingent consideration

On August 1, 2012, the Bank acquired 100% of the outstanding shares of AGF Trust Company (AGF Trust). The agreement included a contingent consideration of a maximum of $20.0 million payable 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 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 $1.5 million for the three-month period ended July 31, 2014, compared with $1.1 million for the three-month period ended July 31, 2013.

Costs related to business combinations

The Bank has incurred costs related to IT systems conversion, 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.

Shareholder Information

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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 11	51925D 84 1 LB.PR.F	**	March 15
Series 13	51925D 82 5 LB.PR.H	**	June 15
			September 15
			December 15

* Subject to the approval of the Board of Directors.

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

LAURENTIAN BANK