



LAURENTIAN  
BANK

---

# SECOND QUARTER 2013

## Report to Shareholders

For the period ended April 30, 2013

---

### Laurentian Bank reports second quarter earnings and increases dividend by \$0.01 per share

#### Highlights of the second quarter 2013

- Net income of \$35.1 million, return on common shareholders' equity of 10.3%, and diluted earnings per share of \$1.10
  - Total revenue up 8% year-over-year
  - Loan losses remain low at \$9.0 million and impaired loans continue to improve
  - Continued effective cost control
  
  - Excluding adjusting items:
    - Adjusted net income of \$40.5 million, up 12% year-over-year
    - Adjusted return on common shareholders' equity of 12.1%
    - Adjusted diluted earnings per share of \$1.29
- 

Laurentian Bank of Canada reported net income of \$35.1 million or \$1.10 diluted per share for the second quarter ended April 30, 2013, compared with \$33.9 million or \$1.22 diluted per share for the second quarter of 2012. Return on common shareholders' equity was 10.3% for the second quarter of 2013, compared with 12.0% for the same period in 2012. Excluding adjusting items<sup>1</sup>, net income was up 12% to \$40.5 million or \$1.29 diluted per share for the second quarter of 2013, compared to \$36.3 million or \$1.31 diluted per share for the same period in 2012. Adjusted return on common shareholders' equity was 12.1% for the second quarter of 2013, compared with 13.0% for the same period in 2012.

For the six months ended April 30, 2013, net income totalled \$69.2 million or \$2.22 diluted per share, compared with \$64.8 million or \$2.38 diluted per share in 2012. Return on common shareholders' equity was 10.3% for the six months ended April 30, 2013, compared with 11.8% for the same period in 2012. Excluding adjusting items, net income was up 17% to \$81.0 million or \$2.63 diluted per share for the six months ended April 30, 2013, compared with \$69.2 million or \$2.56 diluted per share for the same period in 2012. Adjusted return on common shareholders' equity was 12.2% for the six months ended April 30, 2013, compared with 12.7% for the same period in 2012.

Commenting on the Bank's financial results for the second quarter of 2013, Réjean Robitaille, President and Chief Executive Officer, mentioned: "We delivered solid revenue and earnings growth and again generated positive operating leverage. Our acquisitions and other growth strategies have contributed to expanding the Bank's revenue base over the past year, while the excellent credit quality of the loan portfolio and disciplined control over expenses also yielded good results. In the midst of slowing loan demand and compressed margins, we continue to focus on growing the more profitable segments of our portfolios and are particularly directing our attention toward the integration of our recently acquired businesses."

Mr. Robitaille concluded: "In this environment, we remain committed to enhancing value for our shareholders and we are working diligently to unlock the value in each of our business segments. I am therefore pleased to announce that the Board of Directors has approved an increase in our quarterly common share dividend of \$0.01 to \$0.50 per share."

---

<sup>1</sup> 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 "Integrated Risk Management Framework" and other public filings available at [www.sedar.com](http://www.sedar.com).

With respect to the anticipated benefits from the acquisitions of the MRS Companies<sup>1</sup> and AGF Trust Company (AGF Trust) and the Bank's statements with regards to these transactions 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 MRS Companies' and AGF Trust's customers to the transactions; and diversion of management time on acquisition-related issues.

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

## Contents

Highlights .....	3
Review of Business Highlights .....	4
Management's Discussion and Analysis .....	5
Unaudited Condensed Interim Consolidated Financial Statements .....	23
Shareholder Information .....	44

<sup>1</sup> The MRS Companies include the renamed B2B Bank Financial Services Inc., B2B Bank Securities Services Inc. and B2B Bank Intermediary Services Inc. (B2B Bank Dealer Services), as well as MRS Trust, which was amalgamated with B2B Trust (now B2B Bank) as of April 16, 2012.

## Highlights

In thousands of Canadian dollars, except per share and percentage amounts (Unaudited)	FOR THE THREE MONTHS ENDED			FOR THE SIX MONTHS ENDED		
	APRIL 30 2013	APRIL 30 2012	VARIANCE	APRIL 30 2013	APRIL 30 2012	VARIANCE
<b>Profitability</b>						
Total revenue	\$ 214,850	\$ 198,670	8 %	\$ 428,764	\$ 392,414	9 %
Net income	\$ 35,139	\$ 33,863	4 %	\$ 69,229	\$ 64,825	7 %
Diluted earnings per share	\$ 1.10	\$ 1.22	(10)%	\$ 2.22	\$ 2.38	(7)%
Return on common shareholders' equity <sup>[1]</sup>	10.3%	12.0%		10.3%	11.8%	
Net interest margin <sup>[1]</sup>	1.68%	1.73%		1.66%	1.74%	
Efficiency ratio <sup>[1]</sup>	74.4%	74.0%		74.9%	73.9%	
<b>Adjusted measures</b>						
Adjusted net income <sup>[1]</sup>	\$ 40,547	\$ 36,302	12 %	\$ 80,965	\$ 69,221	17 %
Adjusted diluted earnings per share <sup>[1]</sup>	\$ 1.29	\$ 1.31	(2)%	2.63	\$ 2.56	3 %
Adjusted return on common shareholders' equity <sup>[1]</sup>	12.1%	13.0%		12.2%	12.7%	
Adjusted efficiency ratio <sup>[1]</sup>	71.5%	72.4%		71.7%	72.4%	
<b>Per common share</b>						
Share price						
High	\$ 45.41	\$ 47.65		\$ 45.97	\$ 48.68	
Low	\$ 42.57	\$ 43.90		\$ 42.57	\$ 41.12	
Close	\$ 44.21	\$ 44.03	— %	\$ 44.21	\$ 44.03	— %
Price / earnings ratio (trailing four quarters)				9.2x	9.9x	
Book value <sup>[1]</sup>				\$ 43.96	\$ 41.37	6 %
Market to book value				101%	106%	
Dividends declared	\$ 0.49	\$ 0.45	9 %	\$ 0.98	\$ 0.90	9 %
Dividend yield <sup>[1]</sup>	4.43%	4.09%		4.43%	4.09%	
Dividend payout ratio <sup>[1]</sup>	44.5%	37.0%		44.1%	37.8%	
<b>Financial position (In millions of Canadian dollars)</b>						
Balance sheet assets				\$ 34,474	\$ 30,708	12 %
Loans and acceptances				\$ 27,035	\$ 23,121	17 %
Deposits				\$ 23,809	\$ 21,061	13 %
<b>Basel III regulatory capital ratios - All-in basis <sup>[2]</sup></b>						
Common Equity Tier I				7.6%	n.a.	
Tier 1				9.1%	n.a.	
Total				12.6%	n.a.	
<b>Other information</b>						
Number of full-time equivalent employees				4,254	4,003	
Number of branches				154	158	
Number of automated banking machines				423	426	

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

[2] As defined in OSFI 2013 Capital Adequacy Requirements Guideline.

## Review of Business Highlights

Laurentian Bank's financial services boutiques were recently recognized by the Chain Store Age magazine's international Retail Store of the Year competition. The concept of financial services boutiques was developed by the Bank almost 10 years ago with the aim of improving client experience and satisfaction. These boutiques offer customers a warm and user-friendly environment and are based on the Bank's core values of proximity, accessibility and simplicity. Today, 40 branches deploy this concept, contributing to the 95% client satisfaction level.

With the CRM (client relationship management) system well entrenched in Retail operations, the Bank is now leveraging this tool. The CRM system was adapted to the SME sector and was recently rolled out to SME account managers. With this capability, SME clients will be better served and the Bank's strong growth in this sector will be perpetuated. The next step will be to further adapt the CRM system to the Real Estate and Commercial segment. This tool provides the Bank with a competitive advantage, particularly in the Québec market.

The mutual fund distribution agreement with Mackenzie Financial Corporation entered its second year and continues to be a win/win partnership. The RRSP season demonstrated good momentum in mutual fund sales as clients are pleased with the fund offering. Year-to-date sales were more than 50% ahead of the level attained a year earlier and mutual funds, as at April 30, 2013, totalled \$2.4 billion, an 18% increase from a year ago.

B2B Bank's focus on MRS has resulted in the integration being almost complete and on time and on budget. With B2B Bank having completed a satisfying RRSP campaign, achieving its RRSP volume objectives, it will now turn its attention to the AGF integration. Activities such as reviewing mortgage processes, credit reviews, program analysis and more are underway so as to gradually realize the expected synergies.

A hallmark of the client centric approach utilized in the Commercial and Real Estate segment relates to turn around time for loan approvals being among the best in the industry. A continuous review and streamlining of processes is resulting in improved efficiency for the segment and even faster and better service for the Bank's clients. This is evidenced by real estate loans and acceptances growing sequentially by 4% (excluding the sale of the \$94.7 million real estate portfolio in the second quarter of 2013).

Laurentian Bank Securities' client focus is contributing to its good performance with all business lines ahead of last year, despite a very challenging environment. Execution remains strong and business development is ongoing. In particular, with its good pipeline of investment banking transactions, LBS is well positioned to take advantage of a market recovery.

In March of this year, Isabelle Courville assumed her role as Chairwoman of the Bank's Board of Directors. Ms. Courville has been a director of the Bank since 2007. An engineer and a lawyer by profession, she was, until recently, President of Hydro-Québec Distribution. Her extensive knowledge of the Bank, combined with her impressive career accomplishments, make her an ideal candidate for the Chair's position.

## Management's Discussion and Analysis

This Management's Discussion and Analysis (MD&A) is a narrative explanation, through the eyes of management, of the Bank's financial condition as at April 30, 2013, and of how it performed during the three-month and six-month periods then ended. This MD&A, dated June 5, 2013, should be read in conjunction with the unaudited condensed interim consolidated financial statements for the period ended April 30, 2013, 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 2012 Annual Report.

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

### Economic Outlook

In North America, the U.S. economic recovery has continued to gain traction, but there are still some signs of weakness coming mostly from the labour market and the public sector, still deleveraging. Consequently, monetary policy should remain highly stimulative. The outlook for Canada remains unchanged: the economic recovery has lost momentum and is still expected to remain modest owing to a smaller contribution to growth from the public sector and a declining housing market. In that respect, the Bank expects the slowdown in the housing market to continue throughout 2013 since there are still imbalances between supply and demand. However, fundamentals should support demand over time and prevent a sharp correction in prices. In addition, the transition from economic growth driven by households and governments to growth driven by the external sector and private investment could take longer than anticipated. Private investment decisions in some key sectors may be delayed because of less favourable conditions and falling commodity prices. This situation has not put significant downward pressure on the Canadian dollar which remains elevated and contributes to preventing exports from edging higher. That said, the Bank has slightly revised downwards its forecasts and now expects real GDP to grow only by 1.5% in 2013 and 2.2% in 2014.

All in all, in the current environment, interest rates will remain lower for longer. With inflation expected to reach the 2% target only by mid-2015, the Bank anticipates the overnight target rate to remain on hold until at least the end of 2014. By that point, economic growth should have re-accelerated and "some modest withdrawal of monetary stimulus" would become more appropriate.

### 2013 Financial Objectives

The following table presents management's financial objectives for 2013 and the Bank's performance to date. These financial objectives are based on the assumptions noted on page 37 of the Bank's 2012 Annual Report under the title "Key assumptions supporting the Bank's objectives" and exclude adjusting items<sup>1</sup>.

#### 2013 FINANCIAL OBJECTIVES <sup>[1]</sup>

	2013 OBJECTIVES	FOR THE SIX MONTHS ENDED APRIL 30, 2013
Revenue growth	> 5%	9%
Adjusted efficiency ratio <sup>[1]</sup>	72.5% to 69.5%	71.7%
Adjusted net income (in millions of dollars) <sup>[1]</sup>	\$145.0 to \$165.0	\$81.0
Adjusted return on common shareholders' equity <sup>[1]</sup>	10.5% to 12.5%	12.2%
Common Equity Tier I capital ratio - All-in basis	> 7.0%	7.6%

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

Based on the results for the six months ended April 30, 2013 and current forecasts, management believes that the Bank is in line to meet its objectives as set out at the beginning of the year. Strong revenue growth stemming mainly from the AGF Trust acquisition, combined with a disciplined control of expenses and continued excellent credit quality have contributed to the overall good performance.

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

## Analysis of Consolidated Results

### CONSOLIDATED RESULTS

In thousands of Canadian dollars, except per share amounts (Unaudited)	FOR THE THREE MONTHS ENDED			FOR THE SIX MONTHS ENDED	
	APRIL 30 2013	JANUARY 31 2013	APRIL 30 2012	APRIL 30 2013	APRIL 30 2012
Net interest income	\$ 140,430	\$ 142,344	\$ 128,324	\$ 282,774	\$ 258,953
Other income	74,420	71,570	70,346	145,990	133,461
Total revenue	214,850	213,914	198,670	428,764	392,414
Gain on acquisition and amortization of net premium on purchased financial instruments	(1,224)	(1,056)	—	(2,280)	—
Provision for loan losses	9,000	8,000	7,500	17,000	17,500
Non-interest expenses	159,853	161,314	147,111	321,167	290,131
Income before income taxes	44,773	43,544	44,059	88,317	84,783
Income taxes	9,634	9,454	10,196	19,088	19,958
Net income	\$ 35,139	\$ 34,090	\$ 33,863	\$ 69,229	\$ 64,825
Preferred share dividends, including applicable taxes	4,059	2,533	3,165	6,592	6,331
Net income available to common shareholders	\$ 31,080	\$ 31,557	\$ 30,698	\$ 62,637	\$ 58,494
Earnings per share					
Basic	\$ 1.10	\$ 1.12	\$ 1.22	\$ 2.22	\$ 2.38
Diluted	\$ 1.10	\$ 1.12	\$ 1.22	\$ 2.22	\$ 2.38

### Adjusting items

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

#### IMPACT OF ADJUSTING ITEMS, NET OF INCOME TAXES

In thousands of Canadian dollars, except per share amounts (Unaudited)	FOR THE THREE MONTHS ENDED			FOR THE SIX MONTHS ENDED	
	APRIL 30 2013	JANUARY 31 2013	APRIL 30 2012	APRIL 30 2013	APRIL 30 2012
<b>Impact on net income</b>					
Reported net income	\$ 35,139	\$ 34,090	\$ 33,863	\$ 69,229	\$ 64,825
<b>Adjusting items, net of income taxes <sup>[1]</sup></b>					
Gain on acquisition and amortization of net premium on purchased financial instruments					
Amortization of net premium on purchased financial instruments	902	778	—	1,680	—
Costs related to business combinations and other <sup>[2]</sup>					
MRS Companies transaction and integration related costs	1,332	4,318	2,439	5,650	4,396
AGF Trust transaction and integration related costs	3,174	1,232	—	4,406	—
	5,408	6,328	2,439	11,736	4,396
Adjusted net income <sup>[1]</sup>	\$ 40,547	\$ 40,418	\$ 36,302	\$ 80,965	\$ 69,221
<b>Impact on diluted earnings per share</b>					
Reported diluted earnings per share	\$ 1.10	\$ 1.12	\$ 1.22	\$ 2.22	\$ 2.38
Adjusting items <sup>[1]</sup>	0.19	0.22	0.10	0.42	0.18
Adjusted diluted earnings per share <sup>[1][3]</sup>	\$ 1.29	\$ 1.34	\$ 1.31	\$ 2.63	\$ 2.56

[1] Refer to the Non-GAAP Financial Measures section.

[2] Also referred to as Transaction and Integration Costs (T&I Costs).

[3] The impact of adjusting items on a per share basis does not add due to rounding for the quarter ended April 30, 2012 and for the six months ended April 30, 2013.

### ***Three months ended April 30, 2013 compared to three months ended April 30, 2012***

Net income was \$35.1 million, or \$1.10 diluted per share, for the second quarter of 2013, compared with \$33.9 million, or \$1.22 diluted per share, for the second quarter of 2012.

Adjusted net income was up 12% year-over-year to \$40.5 million for the second quarter ended April 30, 2013, compared with \$36.3 million in 2012, while adjusted diluted net income per share was \$1.29, compared to \$1.31 diluted per share, in 2012. The calculation of diluted net income per share in the second quarter of 2013 includes a full second quarter dividend of \$1.0 million related to the recently issued Series 11 preferred shares, as well as the regular dividend on Series 10 preferred shares and a final dividend on the Series 9 preferred shares redeemed in March.

#### **Total revenue**

Total revenue increased by \$16.2 million or 8% to \$214.9 million in the second quarter of 2013, compared with \$198.7 million in the second quarter of 2012. The contribution from AGF Trust to total revenue amounted to \$18.8 million for the second quarter of 2013, including \$18.3 million reported in the B2B Bank business segment results and \$0.5 million related to treasury activities presented in the Other business segment's results.

Net interest income was up 9% to \$140.4 million for the second quarter of 2013, from \$128.3 million in the second quarter of 2012, essentially reflecting loan and deposit growth year-over-year, mainly from the purchased portfolios of AGF Trust, partly offset by lower margins. When compared to the second quarter of 2012, margins decreased by 5 basis points to 1.68% for the second quarter of 2013 and continued to be adversely impacted by the very low interest rate environment. Overall margin compression was muted by the maturing of high-coupon securitization liabilities, as well as the higher-yielding loans in the AGF Trust portfolios.

Other income totalled \$74.4 million in the second quarter of 2013, compared to \$70.3 million in the second quarter of 2012, a \$4.1 million or 6% increase reflecting improvements across most revenue streams. Higher fees and commissions on loans and deposits due to increased card service activity and fees, higher income from mutual funds reflecting new sales and improved financial markets, as well as better credit insurance income mainly contributed to the increase year-over-year. In addition, during the second quarter of 2013, consistent with its syndication strategy, the Bank completed the sale of \$94.7 million of commercial mortgage loans which led to the recognition of a \$3.7 million gain in other income, including \$3.1 million reported in the Real Estate & Commercial business segment results and \$0.6 million related to treasury activities presented in the Other business segment's results. In a similar transaction, a \$3.1 million gain on sale of a \$77.0 million commercial mortgage portfolio was recorded during the second quarter of 2012. These increases were partly offset by lower income from treasury and financial market operations, mainly due to lower net security gains.

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

For the second quarter of 2013, the charge related to the amortization of net premium on purchased financial instruments, presented on the line-item "Gain on acquisition and amortization of net premium on purchased financial instruments", amounted to \$1.2 million. Refer to Note 12 to the unaudited condensed interim financial statements for additional information on this item.

#### **Provision for loan losses**

The provision for loan losses increased by \$1.5 million to \$9.0 million in the second quarter of 2013 from \$7.5 million in the second quarter of 2012. This remains a very low level, considering the additional charge of \$2.5 million related to the AGF Trust loan portfolios. The overall level of losses reflects stable employment and business conditions in Canada and the underlying quality of the Bank's loan portfolios.

## Non-interest expenses

Non-interest expenses increased by \$12.7 million to \$159.9 million for the second quarter of 2013, compared to \$147.1 million for the second quarter of 2012. This resulted from the addition of current operating expenses of \$7.8 million related to AGF Trust and higher T&I Costs, as detailed below. Otherwise, the Bank's comparable non-interest expenses were up only 1% over the same period.

Salaries and employee benefits increased by \$5.9 million or 7% to \$85.2 million for the second quarter of 2013, compared to the second quarter of 2012. A \$4.6 million portion of the increase was due to the additional headcount resulting from the acquisition of AGF Trust. Regular salary increases, higher performance-based compensation, as well as higher pension costs, partly offset by lower other employee benefits costs, also impacted costs for the quarter.

Premises and technology costs increased by \$4.6 million or 12% to \$42.6 million compared to the second quarter of 2012, mostly stemming from higher rental costs related to additional square footage of leased premises for IT teams as well as higher IT costs and amortization expense related to completed IT development projects. As well, additional rental and IT costs totalling \$1.7 million resulted from the acquisition of AGF Trust.

Other non-interest expenses decreased by \$0.6 million to \$25.9 million for the second quarter of 2013, from \$26.5 million for the second quarter of 2012. The decrease is mainly attributable to favourable adjustments to sales taxes recorded in the second quarter of 2013, as well as the Bank's continued cost control efforts. The decrease was partly offset by \$1.6 million of other non-interest expenses that AGF Trust incurred in the second quarter of 2013.

T&I Costs for the second quarter of 2013 totalled \$6.1 million and mainly related to salary, professional fees and other expenses for the integration of AGF Trust of \$4.3 million, including a \$1.9 million charge related to an ongoing project to relocate all B2B Bank's employees in a single location. T&I Costs also included professional fees, salaries, IT systems conversions costs and other expenses for the integration of the MRS Companies. With regards to the MRS Companies, the integration process is progressing according to plan and overall budget. With only a few steps of the MRS Companies integration yet to be completed, B2B Bank has now turned to the execution of its integration plans for AGF Trust, which should be ongoing over the next four quarters.

The adjusted efficiency ratio was 71.5% in the second quarter of 2013, compared to 72.4% in the second quarter of 2012. On the same adjusted basis, at 1.2% year-over-year, operating leverage was again slightly positive for the second consecutive quarter, mainly due to the addition of AGF Trust, higher other income and the Bank's continued cost control initiatives.

## Income taxes

For the quarter ended April 30, 2013, the income tax expense was \$9.6 million and the effective tax rate was 21.5%. The lower tax rate, compared to the statutory rate, mainly resulted from the favourable effect of holding investments in Canadian securities that generate non-taxable dividend income and the lower taxation level on revenues from foreign insurance operations. For the quarter ended April 30, 2012, the income tax expense was \$10.2 million and the effective tax rate was 23.1%. Year-over-year, the lower income tax rate for the second quarter ended April 30, 2013 results from the higher level of revenues from foreign insurance operations.

## ***Six months ended April 30, 2013 compared to six months ended April 30, 2012***

Net income was \$69.2 million, or \$2.22 diluted per share, for the six months ended April 30, 2013, compared with \$64.8 million, or \$2.38 diluted per share, in 2012.

Adjusted net income was up 17% year-over-year to \$81.0 million for the six months ended April 30, 2013, compared with \$69.2 million in 2012, while adjusted diluted net income per share was up 3% to \$2.63, compared to \$2.56 diluted per share, in 2012. The calculation of diluted net income per share for the six months ended April 30, 2013 includes a \$6.6 million dividend charge related to preferred shares Series 9 and 10, as well as to the recently issued preferred shares Series 11, net of a one-time \$1.1 million favourable adjustment to reflect changes in taxation.

## **Total revenue**

Total revenue increased \$36.4 million or 9% to \$428.8 million for the six months ended April 30, 2013, compared with \$392.4 million for the six months ended April 30, 2012. The contribution from AGF Trust to total revenue amounted to \$38.6 million for the six months ended April 30, 2013, including \$37.4 million reported in the B2B Bank business segment results and \$1.2 million related to treasury activities included in the Other business segment's results.

Net interest income increased 9% to \$282.8 million for the six months ended April 30, 2013, compared with \$259.0 million for the same period in 2012, and is mainly explained by strong loan and deposit volume growth year-over-year from the purchased AGF Trust portfolios, which more than offset the effect of a decrease in net interest margin of 8 basis points over the same period. As noted above, the compression in net interest margin mainly resulted from the very low interest rate environment.

Other income was \$146.0 million for the six months ended April 30, 2013, compared to \$133.5 million for the same period in 2012, a 9% year-over-year increase stemming from improvements in most revenue streams, as noted above. In addition, mainly during the first quarter, income from brokerage operations increased by \$3.1 million as the Bank capitalized on growth opportunities in the fixed income market and benefited from stronger equity markets compared to a year ago. Also, income from investment accounts added \$1.3 million to the increase over the same period, mainly as a result of a full six-month contribution from B2B Bank Dealer Services in 2013. Finally, as noted above, the Bank recognized a \$3.7 million gain on sale of a commercial mortgage portfolio during the second quarter of 2013, compared to a \$3.1 million gain in the second quarter of 2012.

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

For the six months ended April 30, 2013, the charge related to the amortization of net premium on purchased financial instruments, presented on the line-item "Gain on acquisition and amortization of net premium on purchased financial instruments", amounted to \$2.3 million. Refer to Note 12 to the unaudited condensed interim financial statements for additional information on this item.

## **Provision for loan losses**

The provision for loan losses amounted to \$17.0 million for the six months ended April 30, 2013, a decrease of \$0.5 million or 3% from \$17.5 million for the six months ended April 30, 2012, despite a 17% increase in the loan portfolio stemming mainly from the AGF Trust acquisition. Provisions for the six months ended April 30, 2013 included a \$5.8 million charge related to the AGF Trust loan portfolios. This reflects the continued excellent credit conditions in the Canadian market and the quality of the Bank's loan portfolios. In addition, favourable settlements and overall improvements led to a net credit of \$1.9 million in loan losses in the commercial loan portfolio for the six months ended April 30, 2013.

## **Non-interest expenses**

Non-interest expenses totalled \$321.2 million for the six months ended April 30, 2013, compared to \$290.1 million for the six months ended April 30, 2012. Excluding current operating expenses related to AGF Trust of \$16.8 million and T&I Costs of \$13.7 million, non-interest expenses decreased by \$6.5 million or 2%.

Salaries and employee benefits increased by \$18.3 million or 12% to \$174.6 million compared to the six months ended April 30, 2012, mainly due to increased headcount from the acquisition of AGF Trust, as well as to regular salary increases, higher performance-based compensation and pension costs. These were partly offset by lower employee benefits costs and by savings from restructurings in 2012.

Premises and technology costs increased by \$6.3 million compared to the six months ended April 30, 2012, mainly stemming from rental and IT costs resulting from the acquisition of AGF Trust. Higher IT costs related to ongoing business growth and amortization expense related to completed IT development projects also contributed to the increase.

Other non-interest expenses decreased by \$1.3 million to \$51.4 million for the six months ended April 30, 2013, from \$52.6 million for the same period of 2012. The decrease is mainly attributable to expenses incurred in the early stage of the acquisition of the MRS Companies prior to their integration within B2B Bank in 2012, as well as to favourable adjustments to sales taxes for the six months ended April 30, 2013, compared to a year ago. These were partly offset by other non-interest expenses of AGF Trust for the six months ended April 30, 2013.

T&I Costs for the six months ended April 30, 2013 totalled \$13.7 million of which \$7.7 million related to IT, legal and communication expenses for the integration of the MRS Companies and \$6.0 million for salary, professional fees and other expenses for the integration of AGF Trust.

The adjusted efficiency ratio was 71.7% for the six months ended April 30, 2013, compared to 72.4% for the six months ended April 30, 2012. On the same adjusted basis, operating leverage was slightly positive year-over-year, as the addition of AGF Trust and continued cost control measures aimed at slowing expense growth combined with higher other income more than compensated for the impact of compressing margins.

### **Income taxes**

For the six months ended April 30, 2013, the income tax expense was \$19.1 million and the effective tax rate was 21.6%. The lower tax rate, compared to the statutory rate, mainly resulted from the favourable effect of holding investments in Canadian securities that generate non-taxable dividend income and the lower taxation level on revenues from foreign insurance operations. For the six months ended April 30, 2012, the income tax expense was \$20.0 million and the effective tax rate was 23.5%. Year-over-year, as noted above, the lower income tax rate for the six months ended April 30, 2013 reflects the higher level of revenues from foreign insurance operations, as well as miscellaneous tax recoveries.

### ***Three months ended April 30, 2013 compared to three months ended January 31, 2013***

Net income was \$35.1 million or \$1.10 diluted per share for the second quarter of 2013 compared with \$34.1 million or \$1.12 diluted per share for the first quarter of 2013.

Adjusted net income was \$40.5 million, or \$1.29 diluted per share, compared to \$40.4 million or \$1.34 diluted per share for the first quarter ended January 31, 2013. The calculation of diluted net income per share for the first quarter of 2013 included a one-time \$1.1 million favourable adjustment to preferred share dividends to reflect changes in taxation, and only a partial dividend on the recently issued Series 11 preferred shares.

Total revenue increased slightly to \$214.9 million in the second quarter of 2013, compared to \$213.9 million in the previous quarter. Net interest income decreased by \$1.9 million sequentially to \$140.4 million in the second quarter, mainly as a result of the three fewer days in the second quarter. Net interest margins increased sequentially by 5 basis points from 1.63% in the first quarter of 2013 to 1.68% in the second quarter of 2013. This resulted mainly from the maturing, halfway through the first quarter, of a high-coupon securitization liability and lower levels of lower-yielding securities. These items compensated for the lower sequential margins on loans and deposits related to the ongoing very low interest rate environment.

Other income increased by \$2.9 million sequentially, largely due to a \$3.7 million gain on sale of a \$94.7 million commercial mortgage loan portfolio during the second quarter, as well as higher credit insurance income resulting from a lower level of claims, partly offset by lower income from brokerage operations after a strong first quarter.

The charge related to amortization of net premium on purchased financial instruments, presented on the "Gain on acquisition and amortization of net premium on purchased financial instruments" line-item, amounted to \$1.2 million in the second quarter of 2013, compared to a \$1.1 million charge for the last quarter. Refer to Note 12 to the unaudited condensed interim financial statements for additional information on this item.

The provision for loan losses remained low at \$9.0 million for the second quarter of 2013, compared to \$8.0 million for the first quarter of 2013, reflecting the continued excellent quality of the portfolio. In the first quarter of 2013, the Bank had benefited from a \$2.0 million favourable settlement on a single commercial loan exposure while there was no single significant settlement during the second quarter.

Non-interest expenses amounted to \$159.9 million for the second quarter of 2013, compared to \$161.3 million for the first quarter of 2013. Excluding T&I Costs of \$6.1 million in the second quarter of 2013 and of \$7.6 million in the first quarter of 2013, non-interest expenses were essentially unchanged sequentially, as the Bank continued to apply tight cost control measures.

## Financial condition

### CONDENSED BALANCE SHEET

In thousands of Canadian dollars (Unaudited)	AS AT APRIL 30 2013	AS AT OCTOBER 31 2012	AS AT APRIL 30 2012
<b>ASSETS</b>			
Cash and deposits with other banks	\$ 317,013	\$ 571,043	\$ 696,280
Securities	5,756,762	6,142,961	5,294,610
Securities purchased under reverse repurchase agreements	545,974	631,202	978,063
Loans and acceptances, net	26,920,674	26,663,337	22,982,601
Other assets	933,172	928,283	756,920
	<b>\$ 34,473,595</b>	<b>\$ 34,936,826</b>	<b>\$ 30,708,474</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Deposits	\$ 23,808,825	\$ 24,041,443	\$ 21,060,754
Other liabilities	3,265,478	2,873,563	3,075,005
Debt related to securitization activities	5,473,470	6,037,097	5,051,652
Subordinated debt	444,469	443,594	243,426
Shareholders' equity	1,481,353	1,541,129	1,277,637
	<b>\$ 34,473,595</b>	<b>\$ 34,936,826</b>	<b>\$ 30,708,474</b>

Balance sheet assets stood at \$34.5 billion at April 30, 2013, down \$0.5 billion from year-end 2012. Over the last twelve months, balance sheet assets increased by \$3.8 billion or 12%, mainly due to the acquisition of AGF Trust.

### Liquid assets

Liquid assets, including cash, deposits with other banks, securities and securities purchased under reverse repurchase agreements, totalled \$6.6 billion at April 30, 2013, a \$0.7 billion decrease compared to October 31, 2012. This decrease is mainly due to the replacement assets used to reimburse \$0.8 billion of matured debt related to securitization activities during the first quarter 2013. Liquid assets as a percentage of total assets decreased marginally to 19% from 21% as at October 31, 2012. The Bank continues to prudently manage its liquidity levels and maintains sufficient cash resources in order to meet its current and future financial obligations, under both normal and stressed conditions.

### Loans

Net loans and bankers' acceptances stood at \$26.9 billion as at April 30, 2013, a \$0.3 billion increase compared to October 31, 2012. Residential mortgage loans increased by \$330.2 million or 2% over the same period, reflecting a modest slowing in mortgage loan demand in a cooling housing market. Commercial loans, including bankers' acceptances, increased by \$133.9 million or 6% from October 31, 2012 as the Bank capitalized on increased demand from its business clients. Commercial mortgage loans were relatively unchanged, as growth of \$85.6 million was more than offset by a loan sale of \$94.7 million during the second quarter. Personal loans decreased by \$200.8 million or 3% since October 31, 2012, mainly due to attrition in the acquired AGF Trust portfolios and more modest consumer loan demand.

### Deposits

Personal deposits stood at \$19.5 billion as at April 30, 2013, relatively unchanged from October 31, 2012. Business and other deposits, which include institutional deposits, were down \$0.4 billion since October 31, 2012 to \$4.3 billion as at April 30, 2013, as the Bank reduced the level of high-priced wholesale deposits as part of its funding management.

The Bank continues to actively manage its liquidity levels and to maintain diversified funding sources. It focuses its efforts on retail deposit gathering through its Retail & SME-Québec and B2B Bank business segments, which represented 82% of total deposits as at April 30, 2013. This solid funding base is a valuable asset in light of future regulatory liquidity requirements.

## Other Liabilities

Debt related to securitization activities stood at \$5.5 billion as at April 30, 2013, a net \$0.6 billion decrease since the beginning of the year considering the maturity of two issuances. During the six months ended April 30, 2013, the Bank also securitized \$493.7 million of residential mortgage loans, of which \$301.3 million was sold as part of a new Canada Mortgage Bond issuance and \$192.4 million was sold as Replacement Assets. Subordinated debt stood at \$444.5 million as at April 30, 2013, relatively unchanged from October 31, 2012.

## Shareholders' equity

Shareholders' equity stood at \$1,481.4 million as at April 30, 2013, compared with \$1,541.1 million as at October 31, 2012. This decrease mainly resulted from the repurchase on March 15, 2013 of the Class A Preferred Shares, Series 9, at par for \$100 million, partly offset by internal capital generation as well as from the issuance of 213,957 new common shares under the Shareholder Dividend Reinvestment and Share Purchase Plan. The Bank's book value per common share, excluding accumulated other comprehensive income, appreciated to \$43.96 as at April 30, 2013 from \$42.81 as at October 31, 2012. There were 28,351,668 common shares and 30,000 share purchase options outstanding as at May 29, 2013.

## Capital Management

### New regulatory capital requirements

In December 2012, the Office of the Superintendent of Financial Institutions Canada (OSFI) issued the final revised version of the Capital Adequacy Requirements Guideline (the Guideline) drawn on the Basel Committee on Banking Supervision (BCBS) capital guidelines, commonly referred to as Basel III. These new requirements took effect in January 2013 and generally provide more stringent capital adequacy standards. Institutions are expected to meet minimum risk-based capital requirements for exposure to credit risk, operational risk and, where they have significant trading activity, market risk.

Under the Guideline, minimum Common Equity Tier 1, Tier 1 and Total capital ratios were set at 3.5%, 4.5% and 8.0% respectively for 2013. These ratios include phase-in of certain regulatory adjustments between 2013 and 2019 and phase-out of non-qualifying capital instruments between 2013 and 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.

In its 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) early in the transition period, including a minimum 7.0% Common Equity Tier 1 ratio target by the first quarter of 2013. Furthermore, certain banks in Canada have been designated by OSFI as Domestic Systemically Important Banks (or D-SIBs). Under this designation, these banks will be asked to hold a further 1% of Tier 1 Common Equity by January 1, 2016. Laurentian Bank, however, has not been so designated. The "all-in" basis includes all of the regulatory adjustments that will be required by 2019 but retains the phase-out rules for non-qualifying capital instruments. OSFI also requires that Canadian deposit-taking financial institutions maintain an Asset to Capital Multiple.

The Guideline provides additional guidance regarding the treatment of non-qualifying capital instruments and specifies that certain capital instruments no longer qualify fully as capital as of January 1, 2013. The Bank's non-common capital instruments are considered non-qualifying capital instruments under Basel III and are therefore subject to a 10% phase-out per year beginning in 2013. These non-common capital instruments include Series 9, 10 and 11 preferred shares, as well as Series 2010-1 and 2012-1 subordinated Medium Term Notes. The Bank redeemed at par on March 15, 2013 the Series 9 preferred shares which were non-qualifying instruments under Basel III.

As detailed in the table below, on an "all-in" basis, the Common Equity Tier 1, Tier 1 and Total capital ratios stood at 7.6%, 9.1% and 12.6%, respectively, as at April 30, 2013. These ratios meet all present minimum requirements.

## REGULATORY CAPITAL

In thousands of Canadian dollars, except percentage amounts (Unaudited)	Basel III <sup>[1]</sup>		Basel II <sup>[2]</sup>	
	AS AT APRIL 30 2013		AS AT OCTOBER 31 2012	AS AT APRIL 30 2012
<b>Regulatory capital</b>				
Common Equity Tier 1 capital (A)	\$	1,018,515		n.a.
Tier 1 capital (B)	\$	1,223,661	\$ 1,460,253	\$ 1,245,326
Total capital (C)	\$	1,698,448	\$ 1,974,060	\$ 1,543,140
<hr/>				
<b>Total risk-weighted assets (D)</b>	<b>\$</b>	<b>13,428,594</b>	<b>\$ 13,436,433</b>	<b>\$ 11,935,860</b>
<hr/>				
<b>Regulatory capital ratios</b>				
Common Equity Tier 1 capital ratio (A/D)		7.6%		n.a.
Tier 1 capital ratio (B/D)		9.1%	10.9%	10.4%
Total capital ratio (C/D)		12.6%	14.7%	12.9%

[1] The amounts are presented on an "all-in" basis.

[2] The amounts are presented in accordance with Basel II as filed with OSFI.

The Common Equity Tier 1 capital ratio increased by approximately ten basis points from 7.5% as at January 31, 2013 to 7.6% as at April 30, 2013. The improvement is mainly explained by internal capital generation during the quarter which increased total equity, while total risk-weighted assets remained unchanged.

The Bank uses the Standardized Approach in determining credit risk capital and to account for operational risk. In 2012, the Bank initiated the process to adopt the advanced internal ratings-based (AIRB) approach to determine credit risk capital under Basel II. Currently, the Bank's capital requirements for credit risk under the Standardized Approach are not calculated on the same basis as its industry peers, as larger Canadian financial institutions predominantly use the more favourable AIRB approach. The Bank's adoption of the AIRB approach should strengthen its credit risk management, improve comparability, optimize regulatory capital and provide a level-playing field for credit underwriting activities.

### Proposal for new liquidity regulatory measures

In December 2009, the BCBS published proposals on new liquidity requirements, which introduced new global liquidity standards. The BCBS liquidity guidelines include minimum requirements for two regulatory measures, the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), which are scheduled for implementation in January 2015 and January 2018, respectively. The LCR establishes a common measure of liquidity risk and requires institutions to maintain sufficient liquid assets to cover a minimum of 30 days of cash flow requirements in a stressed situation. The NSFR describes a second common measure of liquidity establishing a minimum acceptable amount of stable funding based on the liquidity characteristics of a financial institution's assets and activities over a one-year horizon. Updates were also published in December 2010 and January 2013, providing additional information. At this stage, it is still too early to determine their definitive impact on liquidity requirements, considering some aspects of the proposals are yet to be finalized at both the international (BCBS) and national (OSFI) levels and may further change between now and when the final rules take effect. Nevertheless, the Bank is in the process of assessing differences between the current liquidity requirements and its liquidity data and reporting systems.

## Dividends

On May 22, 2013, the Board of Directors declared regular dividends on the various series of preferred shares to shareholders of record on June 7, 2013. At its meeting on June 5, 2013, given the Bank's solid balance sheet and capital position as well as its confidence in the Bank's strategies going forward, the Board of Directors approved an increase of \$0.01 per share, or 2%, to the quarterly dividend and declared a dividend of \$0.50 per common share, payable on August 1, 2013, to shareholders of record on July 2, 2013.

### COMMON SHARE DIVIDENDS AND PAYOUT RATIO

In Canadian dollars, except payout ratios (Unaudited)	FOR THE THREE MONTHS ENDED			FOR THE SIX MONTHS ENDED	FOR THE YEARS ENDED		
	APRIL 30 2013	JANUARY 31 2013	APRIL 30 2012	APRIL 30 2013	OCTOBER 31 2012	OCTOBER 31 2011	OCTOBER 31 2010
Dividends declared per common share	\$ 0.49	\$ 0.49	\$ 0.45	\$ 0.98	\$ 1.84	\$ 1.62	\$ 1.44
Dividend payout ratio <sup>[1][2]</sup>	44.5%	43.7%	37.0%	44.1%	37.0%	34.8%	31.1%

[1] Refer to the Non-GAAP Financial Measures section.

[2] The ratio for 2010 is presented in accordance with previous Canadian GAAP.

## Risk Management

The Bank is exposed to various types of risks owing to the nature of its activities. These risks are mainly related to the use of financial instruments. In order to manage these risks, controls such as risk management policies and various risk limits have been implemented. These measures aim to optimize the risk/return ratio in all operating segments. For additional information regarding the Bank's Integrated Risk Management Framework, please refer to the 2012 Annual Report.

### 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 SIX MONTHS ENDED	
	APRIL 30 2013	JANUARY 31 2013	APRIL 30 2012	APRIL 30 2013	APRIL 30 2012
<b>Provision for loan losses</b>					
Personal loans	\$ 7,455	\$ 8,058	\$ 5,856	\$ 15,513	\$ 12,045
Residential mortgage loans	872	1,407	498	2,279	782
Commercial mortgage loans	48	1,101	2,555	1,149	3,443
Commercial and other loans (including acceptances)	625	(2,566)	(1,409)	(1,941)	1,230
	\$ 9,000	\$ 8,000	\$ 7,500	\$ 17,000	\$ 17,500
As a % of average loans and acceptances	0.14%	0.12%	0.13%	0.13%	0.16%

The provision for loan losses amounted to \$9.0 million in the second quarter of 2013, an increase of \$1.0 million from the first quarter of 2013 and of \$1.5 million compared to a year ago, albeit remaining at a very low level. This overall level of loan losses reflects the excellent credit quality of the Bank's loan portfolios and prolonged favourable credit conditions in the Canadian market.

The year-over-year increase of \$1.6 million in loan losses on personal loans includes losses on the AGF Trust loan portfolios, partly offset by improvements in B2B Bank's collateralized investment loan portfolio. The provision on residential mortgage loans also increased by \$0.4 million compared to the second quarter of 2012, consistent with the higher loan volume.

Loan losses on commercial mortgages and commercial loans remained at a very low level during the second quarter of 2013, but increased by a combined \$2.1 million sequentially. The Bank had benefitted from a \$2.0 million favourable settlement on a single commercial loan exposure in the first quarter of 2013. The prolonged low level of loan losses continues to reflect the very strong credit quality of this portfolio.

## IMPAIRED LOANS

In thousands of Canadian dollars, except percentage amounts (Unaudited)	AS AT APRIL 30 2013	AS AT OCTOBER 31 2012	AS AT APRIL 30 2012
<b>Gross impaired loans</b>			
Personal	\$ 21,243	\$ 16,863	\$ 15,926
Residential mortgages	21,972	21,971	14,717
Commercial mortgages	32,251	36,672	60,394
Commercial and other (including acceptances)	42,200	52,517	56,284
	<b>\$ 117,666</b>	<b>\$ 128,023</b>	<b>\$ 147,321</b>
<b>Allowances for loan losses against impaired loans</b>			
Individual allowances	\$ (39,487)	\$ (47,849)	\$ (67,003)
Collective allowances	(12,802)	(12,492)	(11,592)
	<b>\$ (52,289)</b>	<b>\$ (60,341)</b>	<b>\$ (78,595)</b>
<b>Net impaired loans <sup>[1]</sup></b>	<b>\$ 65,377</b>	<b>\$ 67,682</b>	<b>\$ 68,726</b>
<b>Collective allowances against other loans</b>	<b>\$ (62,079)</b>	<b>\$ (57,201)</b>	<b>\$ (60,274)</b>
<b>Impaired loans as a % of loans and acceptances</b>			
Gross	0.44%	0.48%	0.64%
Net	0.24%	0.25%	0.30%

[1] Net impaired loans are now calculated as gross impaired loans less individual allowances and collective allowances against impaired loans.

Gross impaired loans amounted to \$117.7 million as at April 30, 2013, down 8% from \$128.0 million as at October 31, 2012 as credit quality remained strong during the quarter. The decrease since October 31, 2012 resulted from improvement in the retail and commercial loan portfolios, as borrowers continued to benefit from the favourable low interest rate environment, as well as the prevailing business conditions in Canada, partly offset by the impact of the purchased AGF Trust personal and residential mortgage loan portfolios.

Since the beginning of the year, individual allowances decreased by \$8.4 million to \$39.5 million, as a result of favourable settlements and overall improvement in the commercial loan portfolio. Net impaired loans, now calculated as gross impaired loans less individual allowances and collective allowances against impaired loans, amounted to \$65.4 million as at April 30, 2013, compared to \$67.7 million as at October 31, 2012, and totalled 0.24% of loans and acceptances, a slight decrease from October 31, 2012 and reflecting the prudent level of provisioning of impaired loans.

## Liquidity and funding risk

Liquidity and funding risk represents the possibility that the Bank may not be able to gather sufficient cash resources, when required and on reasonable conditions, to meet its financial obligations. There have been no material changes to the Bank's liquidity and funding risk management framework from year-end 2012. 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 risk appetite.

## Market risk

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

The purpose of ALM activities is to manage structural interest rate risk, which corresponds to the potential negative impact of interest rate movements on the Bank's revenues and economic value. Dynamic management of structural risk is intended to maximize the Bank's profitability while protecting the economic value of common shareholders' equity from sharp interest rate movements. As at April 30, 2013, the effect on the economic value of common shareholders' equity and on net interest income before taxes of a sudden and sustained 1% increase in interest rates across the yield curve was as follows.

#### STRUCTURAL INTEREST RATE SENSITIVITY ANALYSIS

In thousands of Canadian dollars (Unaudited)	AS AT APRIL 30 2013	AS AT OCTOBER 31 2012
Increase in net interest income before taxes over the next 12 months	\$ 15,640	\$ 16,701
Decrease in the economic value of common shareholders' equity (Net of income taxes)	\$ (15,764)	\$ (19,710)

As shown in the table above, the Bank maintained its short-term ALM sensitivity compared to October 31, 2012. These results reflect management's efforts to take advantage in the movement of short-term and long-term interest rates, while maintaining the sensitivity to these fluctuations within approved risk limits.

## Segmented Information

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

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

### Retail & SME-Québec

In thousands of Canadian dollars, except percentage amounts (Unaudited)	FOR THE THREE MONTHS ENDED			FOR THE SIX MONTHS ENDED	
	APRIL 30 2013	JANUARY 31 2013	APRIL 30 2012	APRIL 30 2013	APRIL 30 2012
Net interest income	\$ 72,690	\$ 76,855	\$ 76,096	\$ 149,545	\$ 154,821
Other income	38,260	35,436	33,422	73,696	65,225
Total revenue	110,950	112,291	109,518	223,241	220,046
Provision for loan losses	5,924	6,066	4,855	11,990	11,071
Non-interest expenses	93,386	92,981	91,268	186,367	182,528
Income before income taxes	11,640	13,244	13,395	24,884	26,447
Income taxes	1,978	2,034	2,737	4,012	5,368
Net income	\$ 9,662	\$ 11,210	\$ 10,658	\$ 20,872	\$ 21,079
Efficiency ratio <sup>[1]</sup>	84.2%	82.8%	83.3%	83.5%	82.9%

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

The Retail & SME-Québec business segment's contribution to net income was \$9.7 million in the second quarter of 2013, a 9% decrease compared with \$10.7 million in the second quarter of 2012.

Total revenue increased \$1.4 million from \$109.5 million in the second quarter of 2012 to \$111.0 million in the second quarter of 2013, as growth in other income compensated for lower net interest income. Net interest income decreased by \$3.4 million, as growth in loan and deposit volumes year-over-year, notably in the residential mortgage, home-equity lines of credit and SME loan portfolios, did not fully compensate for the decline in net interest margin stemming from the persistently low interest rate environment. Other income increased by 14% from \$33.4 million in the second quarter of 2012 to \$38.3 million for the same period in 2013 mainly due to higher fees on deposits as well as to higher income from sales of mutual funds reflecting new sales and better market performance compared to a year ago. Higher credit insurance income and higher revenues from card services due to increased activity also contributed to the increase year-over-year.

Loan losses increased from \$4.9 million in the second quarter of 2012 to \$5.9 million in the second quarter of 2013. This increase mainly reflects higher provisions on the SME portfolio, which benefitted from the reversal of provisions a year ago, partly offset by lower provisions required for personal lines of credit. Non-interest expenses increased by \$2.1 million or 2%, from \$91.3 million in the second quarter of 2012 to \$93.4 million in the second quarter of 2013. Higher salaries due to regular salary increases and additional headcount to enhance the SME-Québec sales force, as well as higher pension costs, mainly accounted for the increase, partly attenuated by the effect of restructurings in 2012.

The efficiency ratio was 84.2% in the second quarter of 2013, compared with 83.3% in the second quarter of 2012. The overall low interest rate environment is weighing on the segment's efficiency ratio, despite the segment maintaining its focus on SME segment growth, generating fee income and controlling costs.

Compared to the first quarter of 2013, net income decreased, mainly as the fewer number of days in the quarter impacted net interest income, as well as because of higher HST costs incurred since January 2013.

For the six months ended April 30, 2013, net income decreased by 1% to \$20.9 million essentially due to the combined effect of lower interest margins which more than offset growth in loan and deposit volumes and increased other income, as explained above. Owing to continued cost control initiatives, non-interest expenses for the six months ended April 30, 2013 were up only 2% year-over-year.

## Real Estate & Commercial

In thousands of Canadian dollars, except percentage amounts (Unaudited)	FOR THE THREE MONTHS ENDED			FOR THE SIX MONTHS ENDED	
	APRIL 30 2013	JANUARY 31 2013	APRIL 30 2012	APRIL 30 2013	APRIL 30 2012
Net interest income	\$ 20,179	\$ 21,555	\$ 22,049	\$ 41,734	\$ 44,261
Other income	10,503	8,086	10,451	18,589	18,457
Total revenue	30,682	29,641	32,500	60,323	62,718
Provision for loan losses	(74)	(1,464)	1,755	(1,538)	4,606
Non-interest expenses	8,383	8,414	7,484	16,797	15,240
Income before income taxes	22,373	22,691	23,261	45,064	42,872
Income taxes	5,974	6,059	6,292	12,033	11,597
Net income	\$ 16,399	\$ 16,632	\$ 16,969	\$ 33,031	\$ 31,275
Efficiency ratio <sup>[1]</sup>	27.3%	28.4%	23.0%	27.8%	24.3%

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

The Real Estate & Commercial business segment's contribution to net income slightly decreased by \$0.6 million or 3% to \$16.4 million in the second quarter of 2013, compared with \$17.0 million in the second quarter of 2012.

Total revenue decreased by \$1.8 million, from \$32.5 million in the second quarter of 2012 to \$30.7 million in the second quarter of 2013. This decrease is mainly explained by a reduction in net interest income, which was impacted by compressed margins in the second quarter of 2013. Other income for the quarter was relatively unchanged compared to last year. Consistent with the Bank's syndication strategy, the sale of a \$94.7 million commercial mortgage portfolio was completed during the quarter, which led to the recognition of a \$3.1 million gain in other income. In a similar transaction, a \$3.1 million gain on the sale of a \$77.0 million portfolio was also recorded during the second quarter of 2012. Loan losses decreased by \$1.8 million compared to a year ago and generated a net credit of \$0.1 million in the second quarter of 2013, reflecting the sound quality of the commercial mortgage loan portfolio as well as prolonged good credit conditions in Canada. Non-interest expenses increased by \$0.9 million to \$8.4 million in the second quarter of 2013 compared with \$7.5 million in the second quarter of 2012 essentially due to regular salary increases and higher allocated costs year-over-year.

Compared to the first quarter of 2013, net income was slightly down, essentially as a result of the fewer number of days in the second quarter which impacted net interest income and slightly less favourable loan losses, which more than offset the gain on the sale of commercial mortgage loans.

For the six months ended April 30, 2013, net income increased by \$1.8 million or 6% to \$33.0 million, mostly driven by improvements in loan losses, partly offset by lower net interest income due to lower margins as well as lower revenues from foreign exchange operations resulting from a more stable currency environment. Non-interest expenses increased by \$1.6 million compared to the six months ended April 30, 2012, mainly due to increased salaries and benefits and allocated costs as explained above.

## B2B Bank

In thousands of Canadian dollars, except percentage amounts (Unaudited)	FOR THE THREE MONTHS ENDED			FOR THE SIX MONTHS ENDED	
	APRIL 30 2013	JANUARY 31 2013	APRIL 30 2012	APRIL 30 2013	APRIL 30 2012
Net interest income	\$ 47,195	\$ 49,412	\$ 30,689	\$ 96,607	\$ 61,653
Other income	8,884	9,056	9,116	17,940	17,259
Total revenue	56,079	58,468	39,805	114,547	78,912
Gain on acquisition and amortization of net premium on purchased financial instruments	(1,224)	(1,056)	—	(2,280)	—
Provision for loan losses	3,150	3,398	890	6,548	1,823
Non-interest expenses	32,175	32,960	24,483	65,135	47,905
Costs related to business combinations and other <sup>[1]</sup>	6,136	7,557	3,350	13,693	6,010
Income before income taxes	13,394	13,497	11,082	26,891	23,174
Income taxes	3,557	3,583	2,953	7,140	6,174
Net income	\$ 9,837	\$ 9,914	\$ 8,129	\$ 19,751	\$ 17,000
Adjusted net income <sup>[2]</sup>	\$ 15,245	\$ 16,242	\$ 10,568	\$ 31,487	\$ 21,396
Efficiency ratio <sup>[2]</sup>	68.3%	69.3%	69.9%	68.8%	68.3%
Adjusted efficiency ratio <sup>[2]</sup>	57.4%	56.4%	61.5%	56.9%	60.7%

[1] Integration costs related to the acquisition of the MRS Companies and AGF Trust.

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

B2B Bank business segment's contribution to adjusted net income was \$15.2 million in the second quarter of 2013, up \$4.7 million or 44% from \$10.6 million in the second quarter of 2012. Reported net income for the second quarter of 2013 was \$9.8 million compared to \$8.1 million a year ago. The improvement essentially stems from the addition of the portion of AGF Trust's net income reported in B2B Bank's business segment, which totalled \$5.9 million in the second quarter of 2013, which more than offset the effect of tighter net interest margins.

Total revenue increased to \$56.1 million in the second quarter of 2013 compared with \$39.8 million in the second quarter of 2012. Net interest income increased by \$16.5 million compared to last year, to \$47.2 million in the second quarter of 2013, mainly due to higher loan and deposit volumes related to the acquisition of AGF Trust, which added \$17.8 million to net interest income in the quarter. Other income decreased by \$0.2 million to \$8.9 million in the second quarter of 2013, mostly as a result of slightly lower B2B Bank Dealer Services-sourced fees on investment accounts, partly offset by a \$0.5 million contribution from AGF Trust.

As shown above, the charge related to amortization of net premium on purchased financial instruments, presented on the line-item "Gain on acquisition and amortization of net premium on purchased financial instruments", amounted to \$1.2 million in the second quarter of 2013, compared to a \$1.1 million charge for the first quarter of 2013. Refer to Note 12 to the unaudited condensed interim financial statements for additional information on this item.

Loan losses increased from \$0.9 million in the second quarter of 2012 to \$3.2 million in the second quarter of 2013, mainly as a result of an additional \$2.5 million charge related to the AGF Trust portfolios, partly offset by lower loan losses in B2B Bank's collateralized investment loan portfolio.

Non-interest expenses, as shown in the table above, increased by \$7.7 million to \$32.2 million in the second quarter of 2013, compared with \$24.5 million in the second quarter of 2012. This increase includes current operating costs of \$7.8 million related to AGF Trust. Otherwise, expenses were essentially unchanged year-over-year, as higher allocated costs, as well as increased salary and pension costs, were offset by realized cost synergies. T&I Costs amounted to \$6.1 million for the second quarter of 2013, \$4.3 million from salaries, professional fees and other expenses for the integration of AGF Trust, including a \$1.9 million charge related to an ongoing project to relocate all B2B Bank's employees in a single location, and \$1.8 million of expenses incurred for the integration of the MRS Companies.

Compared to the first quarter of 2013, adjusted net income was slightly down, mainly as the fewer number of days in the quarter impacted net interest income, while other revenues and expenses remained relatively unchanged<sup>1</sup>.

<sup>1</sup> During the second quarter of 2013, the Bank's Corporate Treasury retroactively adjusted its loan transfer pricing with regards to the recently acquired AGF Trust insured mortgage loan portfolio. As a result, net interest income related to AGF Trust amounting to \$1.0 million for the first quarter ended January 31, 2013, which was previously reported in the Other sector, was reclassified to the B2B Bank's business segment. This change generated a \$0.7 million increase in B2B Bank's net income in the first quarter of 2013.

For the six months ended April 30, 2013, adjusted net income was \$31.5 million, \$10.1 million higher than the same period of 2012, essentially as a result of the \$11.0 million operating contribution of AGF Trust while cost synergies achieved on the MRS Companies transaction compensated for a decline in B2B Bank's contribution compared to last year. Reported net income for the six months ended April 30, 2013 was \$19.8 million, a 16% increase.

## Laurentian Bank Securities & Capital Markets

In thousands of Canadian dollars, except percentage amounts (Unaudited)	FOR THE THREE MONTHS ENDED			FOR THE SIX MONTHS ENDED	
	APRIL 30 2013	JANUARY 31 2013	APRIL 30 2012	APRIL 30 2013	APRIL 30 2012
Total revenue	\$ 16,967	\$ 17,083	\$ 16,265	\$ 34,050	\$ 30,920
Non-interest expenses	12,959	13,474	12,530	26,433	24,690
Income before income taxes	4,008	3,609	3,735	7,617	6,230
Income taxes	1,033	928	956	1,961	1,576
Net income	\$ 2,975	\$ 2,681	\$ 2,779	\$ 5,656	\$ 4,654
Efficiency ratio <sup>[1]</sup>	76.4%	78.9%	77.0%	77.6%	79.9%

[1] 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 second quarter of 2013, compared to \$2.8 million in the second quarter of 2012.

Total revenue was up 4% to \$17.0 million in the second quarter of 2013 compared with \$16.3 million for the same quarter of 2012. During the second quarter of 2013, the business segment benefited from improved market conditions for trading and retail brokerage activities compared to a year ago. Non-interest expenses increased by \$0.4 million to \$13.0 million in the second quarter of 2013, mainly due to slightly higher performance-based compensation, commissions and transaction fees, in-line with increased market-driven income.

For the six months ended April 30, 2013, net income increased by \$1.0 million or 22% compared to the same period last year. Operating leverage was positive year-over-year, as a result of higher revenues from better markets compared to a year ago.

## Other Sector

In thousands of Canadian dollars (Unaudited)	FOR THE THREE MONTHS ENDED			FOR THE SIX MONTHS ENDED	
	APRIL 30 2013	JANUARY 31 2013	APRIL 30 2012	APRIL 30 2013	APRIL 30 2012
Net interest income	\$ (704)	\$ (6,159)	\$ (1,206)	\$ (6,863)	\$ (2,987)
Other income	876	2,590	1,788	3,466	2,805
Total revenue	172	(3,569)	582	(3,397)	(182)
Non-interest expenses	6,814	5,928	7,996	12,742	13,758
Loss before income taxes	(6,642)	(9,497)	(7,414)	(16,139)	(13,940)
Income taxes recovery	(2,908)	(3,150)	(2,742)	(6,058)	(4,757)
Net loss	\$ (3,734)	\$ (6,347)	\$ (4,672)	\$ (10,081)	\$ (9,183)

The Other sector posted a negative contribution to net income of \$3.7 million in the second quarter of 2013 compared to a negative contribution of \$4.7 million in the second quarter of 2012 and a revised negative contribution of \$6.3 million in the first quarter of 2013<sup>1</sup>.

Net interest income slightly improved to negative \$0.7 million in the second quarter of 2013, compared to negative \$1.2 million in the second quarter of 2012, mainly as a result of the maturing of high-coupon securitization liabilities which more than offset a less favourable market positioning compared to a year ago. Other income for the second quarter of 2013 decreased to \$0.9 million, compared to \$1.8 million for the second quarter of 2012, essentially as a result of lower realized security gains.

<sup>1</sup> During the second quarter of 2013, the Bank's Corporate Treasury retroactively adjusted its loan transfer pricing with regards to the recently acquired AGF Trust insured mortgage loan portfolio. As a result, net interest income related to AGF Trust amounting to \$1.0 million for the first quarter ended January 31, 2013, which was previously reported in the Other sector, was reclassified to the B2B Bank's business segment. This change generated a \$0.7 million decrease in the Other sector's net income in the first quarter of 2013.

Non-interest expenses were down to \$6.8 million in the second quarter of 2013 compared to \$8.0 million in 2012. The decrease was largely due to lower employee benefits costs, combined with favourable adjustments to sales taxes recorded in the second quarter of 2013.

On a sequential basis, net interest income improved by \$5.5 million to negative \$0.7 million from negative \$6.2 million for the first quarter ended January 31, 2013, mainly due to the maturing, halfway through the first quarter, of a high-coupon securitization liability and a lower level of liquid assets.

For the six months ended April 30, 2013, the negative contribution to net income was \$10.1 million, compared to negative \$9.2 million for the six months ended April 30, 2012, as the decrease in net interest income mainly resulting from a high level of lower-yielding liquid assets early in the period more than offset the decrease in non-interest expenses, mainly due to the same reasons as noted above.

## Additional Financial Information - Quarterly Results

In thousands of Canadian dollars, except per share and percentage amounts (Unaudited)	APRIL 30 2013	JANUARY 31 2013	OCTOBER 31 2012	JULY 31 2012	APRIL 30 2012	JANUARY 31 2012	OCTOBER 31 2011	JULY 31 2011
Net interest income	\$ 140,430	\$ 142,344	\$ 142,411	\$ 129,664	\$ 128,324	\$ 130,629	\$ 126,391	\$ 129,426
Other income	74,420	71,570	67,985	64,169	70,346	63,115	56,031	56,407
Total revenue	214,850	213,914	210,396	193,833	198,670	193,744	182,422	185,833
Gain on acquisition and amortization of net premium on purchased financial instruments	(1,224)	(1,056)	23,795	—	—	—	—	—
Provision for loan losses	9,000	8,000	8,000	7,500	7,500	10,000	12,999	14,640
Non-interest expenses	159,853	161,314	165,377	148,955	147,111	143,020	137,152	133,896
Income before income taxes	44,773	43,544	60,814	37,378	44,059	40,724	32,271	37,297
Income taxes	9,634	9,454	15,129	7,380	10,196	9,762	5,562	8,225
Net income	\$ 35,139	\$ 34,090	\$ 45,685	\$ 29,998	\$ 33,863	\$ 30,962	\$ 26,709	\$ 29,072
Earnings per share								
Basic	\$ 1.10	\$ 1.12	\$ 1.51	\$ 1.06	\$ 1.22	\$ 1.16	\$ 0.99	\$ 1.09
Diluted	\$ 1.10	\$ 1.12	\$ 1.51	\$ 1.06	\$ 1.22	\$ 1.16	\$ 0.99	\$ 1.08
Return on common shareholders' equity <sup>[1]</sup>	10.3%	10.3%	14.2%	10.1%	12.0%	11.5%	9.9%	11.2%
Balance sheet assets (in millions of Canadian dollars)	\$ 34,474	\$ 34,249	\$ 34,937	\$ 31,416	\$ 30,708	\$ 29,921	\$ 28,963	\$ 28,239
<b>Adjusted measures</b>								
Adjusted net income <sup>[1]</sup>	\$ 40,547	\$ 40,418	\$ 36,186	\$ 35,253	\$ 36,302	\$ 32,919	\$ 33,375	\$ 29,072
Adjusted diluted earnings per share <sup>[1]</sup>	\$ 1.29	\$ 1.34	\$ 1.17	\$ 1.27	\$ 1.31	\$ 1.24	\$ 1.26	\$ 1.08
Adjusted return on common shareholders' equity <sup>[1]</sup>	12.1%	12.2%	10.9%	12.1%	13.0%	12.4%	12.7%	11.2%

[1] 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 2012 audited annual consolidated financial statements. Pages 71 to 73 of the 2012 Annual Report also contain a discussion of critical accounting policies and estimates which refer to material amounts reported in the consolidated financial statements or require management's judgement. The unaudited condensed interim consolidated financial statements for the second quarter of 2013 have been prepared in accordance with these accounting policies.

### Future accounting changes

The IASB has issued new standards and amendments to existing standards on financial instruments, consolidation, fair value measurement, employee benefits, offsetting and presentation of other comprehensive income. These future accounting changes will be applicable for the Bank in various annual periods beginning on November 1, 2013 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

In accordance with Canadian securities law, management has limited the scope of internal control over financial reporting and disclosure controls and procedures evaluation and excluded the controls, policies and procedures of AGF Trust, acquired by the Bank on August 1, 2012. AGF Trust's results are included in the unaudited condensed interim consolidated financial statements of the Bank for the period ended April 30, 2013. AGF Trust constituted approximately 10% of total assets, 9% of total liabilities, 9% of total revenue and 17% of total net income as at and for the six months ended April 30, 2013.

During the last quarter ended April 30, 2013, 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:

### **Return on common shareholders' equity**

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

### **Book value per common share**

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

### **Net interest margin**

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

### **Efficiency ratio and operating leverage**

The Bank uses the efficiency ratio as a measure of its productivity and cost control. This ratio is defined as non-interest expenses as a percentage of total revenue. The Bank also uses operating leverage as a measure of efficiency. Operating leverage is the difference between total revenue and non-interest expenses growth rates.

### **Dividend payout ratio**

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

### **Dividend yield**

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

### **Adjusted GAAP and non-GAAP measures**

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

Most of the adjusting items relate to gains and expenses that arise as a result of acquisitions. The gain on acquisition and ensuing amortization of net premium on purchased financial instruments are considered adjusting items since they represent, according to management, significant non-cash adjustments and due to their non-recurrence. Transaction and integration-related costs in respect of the MRS Companies and AGF Trust have been designated as adjusting items due to the significance of the amounts and the fact that some of these costs have been incurred with the intent to generate benefits in future periods.

# Laurentian Bank of Canada

## Unaudited Condensed Interim Consolidated Financial Statements

As at and for the period ended April 30, 2013

### Table of contents

Consolidated Balance Sheet .....	24
Consolidated Statement of Income .....	25
Consolidated Statement of Comprehensive Income .....	26
Consolidated Statement of Changes in Shareholders' Equity .....	27
Consolidated Statement of Cash Flows .....	28
Notes to the Condensed Interim Consolidated Financial Statements .....	29
1. General Information .....	29
2. Basis of Presentation .....	29
3. Future Accounting Changes .....	30
4. Securities .....	31
5. Loans .....	32
6. Loan Securitization .....	35
7. Share Capital .....	35
8. Share-Based Payments .....	38
9. Post-Employment Benefits .....	38
10. Additional Information Regarding Other Comprehensive Income .....	39
11. Segmented Information .....	39
12. Business Combinations .....	42

## Consolidated Balance Sheet

In thousands of Canadian dollars (Unaudited)	NOTES	AS AT APRIL 30 2013	AS AT OCTOBER 31 2012	AS AT APRIL 30 2012
<b>ASSETS</b>				
<b>Cash and non-interest-bearing deposits with other banks</b>		<b>\$ 83,512</b>	\$ 90,860	\$ 72,029
<b>Interest-bearing deposits with other banks</b>		<b>233,501</b>	480,183	624,251
<b>Securities</b>	4			
Available-for-sale		2,151,551	2,822,588	2,055,991
Held-to-maturity		1,030,366	1,446,751	1,056,657
Held-for-trading		2,574,845	1,873,622	2,181,962
		<b>5,756,762</b>	6,142,961	5,294,610
<b>Securities purchased under reverse repurchase agreements</b>		<b>545,974</b>	631,202	978,063
<b>Loans</b>	5 and 6			
Personal		7,605,244	7,806,067	6,116,400
Residential mortgage		14,499,292	14,169,095	12,279,486
Commercial mortgage		2,434,514	2,443,634	2,470,794
Commercial and other		2,239,842	2,150,953	2,087,886
Customers' liabilities under acceptances		256,150	211,130	166,904
		<b>27,035,042</b>	26,780,879	23,121,470
Allowances for loan losses		(114,368)	(117,542)	(138,869)
		<b>26,920,674</b>	26,663,337	22,982,601
<b>Other</b>				
Derivatives		156,308	167,643	161,807
Premises and equipment		72,108	71,871	66,308
Software and other intangible assets		165,225	159,973	142,401
Goodwill		64,077	64,077	64,077
Deferred tax assets		4,690	4,751	2,467
Other assets		470,764	459,968	319,860
		<b>933,172</b>	928,283	756,920
		<b>\$ 34,473,595</b>	\$ 34,936,826	\$ 30,708,474
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>Deposits</b>				
Personal		\$ 19,535,193	\$ 19,369,310	\$ 16,414,315
Business, banks and other		4,273,632	4,672,133	4,646,439
		<b>23,808,825</b>	24,041,443	21,060,754
<b>Other</b>				
Obligations related to securities sold short		1,679,095	1,349,932	1,352,007
Obligations related to securities sold under repurchase agreements		394,725	244,039	441,532
Acceptances		256,150	211,130	166,904
Derivatives		96,626	100,867	128,626
Deferred tax liabilities		19,264	16,128	1,408
Other liabilities		819,618	951,467	984,528
		<b>3,265,478</b>	2,873,563	3,075,005
<b>Debt related to securitization activities</b>	6	<b>5,473,470</b>	6,037,097	5,051,652
<b>Subordinated debt</b>		<b>444,469</b>	443,594	243,426
<b>Shareholders' equity</b>				
Preferred shares	7	205,146	303,249	205,527
Common shares	7	438,454	428,526	313,544
Share-based payment reserve	8	136	227	227
Retained earnings		807,788	774,899	730,736
Accumulated other comprehensive income		29,829	34,228	27,603
		<b>1,481,353</b>	1,541,129	1,277,637
		<b>\$ 34,473,595</b>	\$ 34,936,826	\$ 30,708,474

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

## Consolidated Statement of Income

In thousands of Canadian dollars, except per share amounts (Unaudited)	NOTES	FOR THE THREE MONTHS ENDED			FOR THE SIX MONTHS ENDED	
		APRIL 30 2013	JANUARY 31 2013	APRIL 30 2012	APRIL 30 2013	APRIL 30 2012
<b>Interest income</b>						
Loans		\$ 264,704	\$ 276,870	\$ 240,943	\$ 541,574	\$ 486,026
Securities		16,178	17,128	18,377	33,306	37,268
Deposits with other banks		499	914	1,276	1,413	2,300
Other, including derivatives		11,193	13,453	14,557	24,646	30,254
		<b>292,574</b>	<b>308,365</b>	<b>275,153</b>	<b>600,939</b>	<b>555,848</b>
<b>Interest expense</b>						
Deposits		112,525	121,423	104,653	233,948	212,326
Debt related to securitization activities		35,163	40,225	39,508	75,388	79,180
Subordinated debt		3,927	4,024	2,374	7,951	4,777
Other, including derivatives		529	349	294	878	612
		<b>152,144</b>	<b>166,021</b>	<b>146,829</b>	<b>318,165</b>	<b>296,895</b>
<b>Net interest income</b>		<b>140,430</b>	<b>142,344</b>	<b>128,324</b>	<b>282,774</b>	<b>258,953</b>
<b>Other income</b>						
Fees and commissions on loans and deposits		31,724	31,330	29,657	63,054	58,168
Income from brokerage operations		14,523	16,522	14,354	31,045	27,903
Income from investment accounts		7,894	7,858	7,648	15,752	14,449
Income from sales of mutual funds		5,415	5,140	4,488	10,555	8,817
Income from treasury and financial market operations		4,601	5,341	5,856	9,942	10,570
Credit insurance income		4,415	3,395	3,662	7,810	7,432
Other income		5,848	1,984	4,681	7,832	6,122
		<b>74,420</b>	<b>71,570</b>	<b>70,346</b>	<b>145,990</b>	<b>133,461</b>
<b>Total revenue</b>		<b>214,850</b>	<b>213,914</b>	<b>198,670</b>	<b>428,764</b>	<b>392,414</b>
<b>Gain on acquisition and amortization of net premium on purchased financial instruments</b>	12	(1,224)	(1,056)	—	(2,280)	—
<b>Provision for loan losses</b>	5	9,000	8,000	7,500	17,000	17,500
<b>Non-interest expenses</b>						
Salaries and employee benefits		85,200	89,380	79,282	174,580	156,314
Premises and technology		42,626	38,881	37,998	81,507	75,164
Other		25,891	25,496	26,481	51,387	52,643
Costs related to business combinations and other	12	6,136	7,557	3,350	13,693	6,010
		<b>159,853</b>	<b>161,314</b>	<b>147,111</b>	<b>321,167</b>	<b>290,131</b>
<b>Income before income taxes</b>		<b>44,773</b>	<b>43,544</b>	<b>44,059</b>	<b>88,317</b>	<b>84,783</b>
Income taxes		9,634	9,454	10,196	19,088	19,958
<b>Net income</b>		<b>\$ 35,139</b>	<b>\$ 34,090</b>	<b>\$ 33,863</b>	<b>\$ 69,229</b>	<b>\$ 64,825</b>
Preferred share dividends, including applicable taxes		4,059	2,533	3,165	6,592	6,331
<b>Net income available to common shareholders</b>		<b>\$ 31,080</b>	<b>\$ 31,557</b>	<b>\$ 30,698</b>	<b>\$ 62,637</b>	<b>\$ 58,494</b>
Average number of common share outstanding (in thousands)						
Basic		28,287	28,169	25,235	28,227	24,573
Diluted		28,297	28,182	25,253	28,239	24,591
<b>Earnings per share</b>						
Basic		\$ 1.10	\$ 1.12	\$ 1.22	\$ 2.22	\$ 2.38
Diluted		\$ 1.10	\$ 1.12	\$ 1.22	\$ 2.22	\$ 2.38
<b>Dividends declared per share</b>						
Common share		\$ 0.49	\$ 0.49	\$ 0.45	\$ 0.98	\$ 0.90
Preferred share - Series 9		\$ 0.38	\$ 0.38	\$ 0.38	\$ 0.75	\$ 0.75
Preferred share - Series 10		\$ 0.33	\$ 0.33	\$ 0.33	\$ 0.66	\$ 0.66
Preferred share - Series 11		\$ 0.25	\$ 0.16	n.a.	\$ 0.41	n.a.

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

## Consolidated Statement of Comprehensive Income

In thousands of Canadian dollars (Unaudited)	NOTES	FOR THE THREE MONTHS ENDED			FOR THE SIX MONTHS ENDED	
		APRIL 30 2013	JANUARY 31 2013	APRIL 30 2012	APRIL 30 2013	APRIL 30 2012
<b>Net income</b>		<b>\$ 35,139</b>	<b>\$ 34,090</b>	<b>\$ 33,863</b>	<b>\$ 69,229</b>	<b>\$ 64,825</b>
<b>Other comprehensive income, net of income taxes</b>	10					
Items that may subsequently be reclassified to the statement of income						
Unrealized net gains (losses) on available-for-sale securities		<b>1,484</b>	1,116	(3,751)	<b>2,600</b>	(5,234)
Reclassification of net (gains) losses on available-for-sale securities to net income		<b>(427)</b>	(1,458)	(888)	<b>(1,885)</b>	(1,209)
Net change in value of derivatives designated as cash flow hedges		<b>4,929</b>	(10,043)	(23,980)	<b>(5,114)</b>	(31,544)
		<b>5,986</b>	(10,385)	(28,619)	<b>(4,399)</b>	(37,987)
<b>Comprehensive income</b>		<b>\$ 41,125</b>	<b>\$ 23,705</b>	<b>\$ 5,244</b>	<b>\$ 64,830</b>	<b>\$ 26,838</b>

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

## Consolidated Statement of Changes in Shareholders' Equity

FOR THE SIX MONTHS ENDED APRIL 30, 2013

In thousands of Canadian dollars (Unaudited)	PREFERRED SHARES (Note 7)	COMMON SHARES (Note 7)	RETAINED EARNINGS	AOCI RESERVES (Note 10)			SHARE- BASED PAYMENT RESERVE (Note 8)	TOTAL SHARE- HOLDERS' EQUITY
				AVAILABLE- FOR-SALE SECURITIES	CASH FLOW HEDGES	TOTAL		
Balance as at October 31, 2012	\$ 303,249	\$ 428,526	\$ 774,899	\$ 12,201	\$ 22,027	\$ 34,228	\$ 227	\$ 1,541,129
Net income			69,229					69,229
Other comprehensive income (net of income taxes)								
Unrealized net gains (losses) on available-for-sale securities				2,600		2,600		2,600
Reclassification of net (gains) losses on available-for-sale securities to net income				(1,885)		(1,885)		(1,885)
Net change in value of derivatives designated as cash flow hedges					(5,114)	(5,114)		(5,114)
Comprehensive income			69,229	715	(5,114)	(4,399)		64,830
Issuance of share capital	(218)	9,928					(91)	9,619
Repurchase of share capital	(97,885)		(2,115)					(100,000)
Dividends								
Preferred shares, including applicable taxes			(6,592)					(6,592)
Common shares			(27,633)					(27,633)
Balance as at April 30, 2013	\$ 205,146	\$ 438,454	\$ 807,788	\$ 12,916	\$ 16,913	\$ 29,829	\$ 136	\$ 1,481,353

FOR THE SIX MONTHS ENDED APRIL 30, 2012

In thousands of Canadian dollars (Unaudited)	PREFERRED SHARES (Note 7)	COMMON SHARES (Note 7)	RETAINED EARNINGS	AOCI RESERVES (Note 10)			SHARE- BASED PAYMENT RESERVE (Note 8)	TOTAL SHARE- HOLDERS' EQUITY
				AVAILABLE- FOR-SALE SECURITIES	CASH FLOW HEDGES	TOTAL		
Balance as at October 31, 2011	\$ 205,527	\$ 252,601	\$ 694,371	\$ 22,216	\$ 43,374	\$ 65,590	\$ 227	\$ 1,218,316
Net income			64,825					64,825
Other comprehensive income (net of income taxes)								
Unrealized net gains (losses) on available-for-sale securities				(5,234)		(5,234)		(5,234)
Reclassification of net (gains) losses on available-for-sale securities to net income				(1,209)		(1,209)		(1,209)
Net change in value of derivatives designated as cash flow hedges					(31,544)	(31,544)		(31,544)
Comprehensive income			64,825	(6,443)	(31,544)	(37,987)		26,838
Issuance of share capital		60,943						60,943
Dividends								
Preferred shares, including applicable taxes			(6,331)					(6,331)
Common shares			(22,129)					(22,129)
Balance as at April 30, 2012	\$ 205,527	\$ 313,544	\$ 730,736	\$ 15,773	\$ 11,830	\$ 27,603	\$ 227	\$ 1,277,637

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

## Consolidated Statement of Cash Flows

In thousands of Canadian dollars (Unaudited)	FOR THE THREE MONTHS ENDED			FOR THE SIX MONTHS ENDED	
	APRIL 30 2013	JANUARY 31 2013	APRIL 30 2012	APRIL 30 2013	APRIL 30 2012
<b>Cash flows relating to operating activities</b>					
Net income	\$ 35,139	\$ 34,090	\$ 33,863	\$ 69,229	\$ 64,825
Adjustments to determine net cash flows relating to operating activities					
Provision for loan losses	9,000	8,000	7,500	17,000	17,500
Net gain on disposal of available-for-sale securities	(769)	(1,994)	(1,789)	(2,763)	(2,331)
Gain on sale of commercial mortgage loans	(3,685)	—	(3,102)	(3,685)	(3,102)
Deferred income taxes	1,912	1,867	11,016	3,779	387
Depreciation of premises and equipment	3,990	3,665	3,257	7,655	6,267
Amortization of software and other intangible assets	8,843	8,904	8,839	17,747	16,515
Change in operating assets and liabilities					
Change in loans	(296,043)	(71,792)	(384,552)	(367,835)	(797,999)
Change in securities at fair value through profit and loss	(444,201)	(257,022)	(46,116)	(701,223)	7
Change in accrued interest receivable	(760)	8,613	(10,939)	7,853	747
Change in derivative assets	(24,838)	36,173	67,440	11,335	66,454
Change in deposits	41,332	(273,950)	359,467	(232,618)	318,933
Change in accrued interest payable	(20,579)	(57,010)	27,040	(77,589)	(32,005)
Change in obligations related to securities sold short	(35,708)	364,871	2,985	329,163	(119,247)
Change in derivative liabilities	3,700	(7,941)	(13,128)	(4,241)	(1,343)
Other, net	(11,844)	(62,382)	13,390	(74,226)	63,644
	(734,511)	(265,908)	75,171	(1,000,419)	(400,748)
<b>Cash flows relating to financing activities</b>					
Change in acceptances	45,907	(887)	(39,349)	45,020	(12,236)
Change in obligations related to securities sold under repurchase agreements	102,950	47,736	80,910	150,686	404,762
Change in debt related to securitization activities	229,159	(792,786)	253,098	(563,627)	290,805
Redemption of subordinated debt of a subsidiary	—	—	—	—	(20,000)
Repurchase of preferred shares	(100,000)	—	—	(100,000)	—
Net proceeds from issuance of common shares	3	680	60,943	683	60,943
Dividends paid	(12,545)	(16,795)	(14,528)	(29,340)	(28,460)
	265,474	(762,052)	341,074	(496,578)	695,814
<b>Cash flows relating to investing activities</b>					
Change in available-for-sale securities					
Acquisitions	(381,451)	(359,554)	(102,192)	(741,005)	(209,153)
Proceeds on sale and at maturity	512,826	901,764	36,711	1,414,590	396,717
Change in held-to-maturity securities					
Acquisitions	(203,184)	(6,138)	(188,300)	(209,322)	(743,514)
Proceeds at maturity	35,406	590,301	190,122	625,707	572,667
Proceeds on sale of commercial mortgage loans	99,115	—	79,774	99,115	79,774
Change in securities purchased under reverse repurchase agreements	371,033	(285,805)	(338,459)	85,228	(257,746)
Additions to premises and equipment and software	(18,484)	(12,862)	(20,328)	(31,346)	(32,551)
Change in interest-bearing deposits with other banks	49,467	197,215	(86,970)	246,682	87,862
Cash paid for business combinations	—	—	—	—	(198,693)
	464,728	1,024,921	(429,642)	1,489,649	(304,637)
Net change in cash and non-interest-bearing deposits with other banks	(4,309)	(3,039)	(13,397)	(7,348)	(9,571)
Cash and non-interest-bearing deposits with other banks at beginning of period	87,821	90,860	85,426	90,860	81,600
<b>Cash and non-interest-bearing deposits with other banks at end of period</b>	<b>\$ 83,512</b>	<b>\$ 87,821</b>	<b>\$ 72,029</b>	<b>\$ 83,512</b>	<b>\$ 72,029</b>
<b>Supplemental disclosure about cash flows relating to operating activities</b>					
Interest paid during the period	\$ 173,667	\$ 223,778	\$ 120,116	\$ 397,445	\$ 331,199
Interest received during the period	288,906	320,619	259,712	609,525	560,604
Dividends received during the period	2,138	1,419	1,520	3,557	3,359
Income taxes paid during the period	\$ 6,337	\$ 17,673	\$ 17,375	\$ 24,010	\$ 31,575

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

## Notes to the Condensed Interim Consolidated Financial Statements

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

### 1. General Information

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

The unaudited condensed interim consolidated financial statements (financial statements) for the period ended April 30, 2013 were approved for issuance by the Board of Directors on June 5, 2013.

### 2. Basis of Presentation

These financial statements have been prepared in accordance with the *Bank Act*, which states that, except as otherwise specified by the Office of the Superintendent of Financial Institutions Canada (OSFI), the financial statements are to be prepared in accordance with current Canadian generally accepted accounting principles. These financial statements are prepared under International Financial Reporting Standards (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, 2012 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.

#### Accounting changes

##### ***IAS 1: Presentation of Financial Statements***

In June 2011, the IASB issued amendments to IAS 1, *Presentation of Financial Statements* that require entities to group items presented in other comprehensive income on the basis of whether they might be reclassified to the consolidated statement of income in subsequent periods and items that will not be reclassified to the consolidated statement of income. The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012. The amendments have been adopted by the Bank retroactively as of November 1, 2012. Since the amendments pertain to disclosure requirements only, they had no impact on the Bank's results or financial position.

#### 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.

### 3. Future Accounting Changes

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

#### **IFRS 9: Financial Instruments**

In November 2009, the IASB issued, and subsequently amended in October 2010, IFRS 9, *Financial Instruments* as a first phase in its ongoing project to replace IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9, which is to be applied retrospectively, is effective for annual periods beginning on or after January 1, 2015, which will be November 1, 2015 for the Bank. IFRS 9 provides new requirements for how an entity should classify and measure financial assets and liabilities that are currently in the scope of IAS 39.

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

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

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

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

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

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

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

#### **IFRS 13: Fair Value Measurement**

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

#### **IAS 19: Employee Benefits**

In June 2011, the IASB issued an amended version of IAS 19, *Employee Benefits*, which is effective for annual periods beginning on or after January 1, 2013, which will be November 1, 2013 for the Bank, and is to be applied retrospectively.

The amendments to IAS 19 eliminate the option to defer the recognition of gains and losses resulting from defined benefit plans, known as the "corridor method", which is presently used by the Bank, and requires that remeasurements be presented in other comprehensive income. The amendments also require recognition of expected return on plan assets in net income to be calculated based on the rate used to discount the defined benefit obligation.

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

In December 2011, the IASB issued amendments to IAS 32, *Financial Instruments: Presentation* to clarify its requirements for offsetting financial instruments. The amendments, which address inconsistencies in current practice when applying the offsetting criteria in IAS 32, are effective for annual periods beginning on or after January 1, 2014, which will be November 1, 2014 for the Bank, and are to be applied retrospectively. In addition, in December 2011, the IASB issued related amendments to IFRS 7, *Financial Instruments: Disclosures* to include new disclosure requirements that are intended to help users to better assess the effect or potential effect of offsetting arrangements on an entity's financial position. These amendments are effective for annual periods beginning on or after January 1, 2013, which will be November 1, 2013 for the Bank, and are to be applied retrospectively.

## 4. Securities

### Gains and losses recognized in income

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

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

	FOR THE THREE MONTHS ENDED			FOR THE SIX MONTHS ENDED	
	APRIL 30 2013	JANUARY 31 2013	APRIL 30 2012	APRIL 30 2013	APRIL 30 2012
Realized net gains	\$ 769	\$ 1,994	\$ 1,789	\$ 2,763	\$ 2,260
Write-downs for impairment recognized in income	(185)	—	(572)	(185)	(603)
	\$ 584	\$ 1,994	\$ 1,217	\$ 2,578	\$ 1,657

### Gains and losses recognized in comprehensive income

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

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

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

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

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

4. Securities [Cont'd]

	AS AT OCTOBER 31, 2012			
	AMORTIZED COST	UNREALIZED GAINS	UNREALIZED LOSSES	FAIR VALUE
Securities issued or guaranteed				
by Canada <sup>[1]</sup>	\$ 1,347,823	\$ 7,375	\$ 21	\$ 1,355,177
by provinces	700,681	1,958	28	702,611
Other debt securities	607,533	7,120	89	614,564
Preferred shares	71,956	1,436	592	72,800
Common shares and other securities	51,189	5,490	514	56,165
Asset-backed securities	19,919	1,372	20	21,271
	<b>\$ 2,799,101</b>	<b>\$ 24,751</b>	<b>\$ 1,264</b>	<b>\$ 2,822,588</b>

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

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

## Held-to-maturity

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

	AS AT APRIL 30 2013	AS AT OCTOBER 31 2012	AS AT APRIL 30 2012
Securities issued or guaranteed by Canada <sup>[1]</sup>	\$ 937,368	\$ 1,412,962	\$ 1,043,361
Asset-backed commercial paper	92,998	33,789	13,296
	<b>\$ 1,030,366</b>	<b>\$ 1,446,751</b>	<b>\$ 1,056,657</b>

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

## 5. Loans

### Loans and impaired loans

	AS AT APRIL 30, 2013					
	GROSS AMOUNT OF LOANS	GROSS AMOUNT OF IMPAIRED LOANS	INDIVIDUAL ALLOWANCES	COLLECTIVE ALLOWANCES		TOTAL ALLOWANCES
				AGAINST IMPAIRED LOANS	AGAINST OTHER LOANS	
Personal	\$ 7,605,244	\$ 21,243	\$ —	\$ 8,981	\$ 29,799	\$ 38,780
Residential mortgage	14,499,292	21,972	—	1,529	2,365	3,894
Commercial mortgage	2,434,514	32,251	14,052	137	16,878	31,067
Commercial and other <sup>[1]</sup>	2,495,992	42,200	25,435	2,155	13,037	40,627
	<b>\$ 27,035,042</b>	<b>\$ 117,666</b>	<b>\$ 39,487</b>	<b>\$ 12,802</b>	<b>\$ 62,079</b>	<b>\$ 114,368</b>

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

AS AT OCTOBER 31, 2012

	GROSS AMOUNT OF LOANS	GROSS AMOUNT OF IMPAIRED LOANS	COLLECTIVE ALLOWANCES			
			INDIVIDUAL ALLOWANCES	AGAINST IMPAIRED LOANS	AGAINST OTHER LOANS	TOTAL ALLOWANCES
Personal	\$ 7,806,067	\$ 16,863	\$ —	\$ 10,081	\$ 24,724	\$ 34,805
Residential mortgage	14,169,095	21,971	—	390	2,254	2,644
Commercial mortgage	2,443,634	36,672	14,070	—	16,406	30,476
Commercial and other <sup>[1]</sup>	2,362,083	52,517	33,779	2,021	13,817	49,617
	<b>\$ 26,780,879</b>	<b>\$ 128,023</b>	<b>\$ 47,849</b>	<b>\$ 12,492</b>	<b>\$ 57,201</b>	<b>\$ 117,542</b>

[1] Including customers' liabilities under acceptances of \$211.1 million.

AS AT APRIL 30, 2012

	GROSS AMOUNT OF LOANS	GROSS AMOUNT OF IMPAIRED LOANS	COLLECTIVE ALLOWANCES			
			INDIVIDUAL ALLOWANCES	AGAINST IMPAIRED LOANS	AGAINST OTHER LOANS	TOTAL ALLOWANCES
Personal	\$ 6,116,400	\$ 15,926	\$ —	\$ 8,751	\$ 25,461	\$ 34,212
Residential mortgage	12,279,486	14,717	—	261	1,334	1,595
Commercial mortgage	2,470,794	60,394	29,827	155	16,997	46,979
Commercial and other <sup>[1]</sup>	2,254,790	56,284	37,176	2,425	16,482	56,083
	<b>\$ 23,121,470</b>	<b>\$ 147,321</b>	<b>\$ 67,003</b>	<b>\$ 11,592</b>	<b>\$ 60,274</b>	<b>\$ 138,869</b>

[1] Including customers' liabilities under acceptances of \$166.9 million.

## Individual allowances for loan losses

	FOR THE SIX MONTHS ENDED			
	COMMERCIAL MORTGAGE LOANS	COMMERCIAL AND OTHER LOANS <sup>[1]</sup>	TOTAL INDIVIDUAL ALLOWANCES	TOTAL INDIVIDUAL ALLOWANCES
	APRIL 30 2013	APRIL 30 2012	APRIL 30 2013	APRIL 30 2012
Balance at beginning of period	\$ 14,070	\$ 33,779	\$ 47,849	\$ 69,450
Provision for loan losses recorded in the consolidated statement of income	523	(1,312)	(789)	10,193
Write-offs	—	(7,063)	(7,063)	(11,990)
Recoveries	2	137	139	(9)
Interest accrued on impaired loans	(543)	(106)	(649)	(641)
Balance at end of period	<b>\$ 14,052</b>	<b>\$ 25,435</b>	<b>\$ 39,487</b>	<b>\$ 67,003</b>

[1] Including customers' liabilities under acceptances.

## Collective allowances for loan losses

### Collective allowances against impaired loans

	FOR THE SIX MONTHS ENDED					
	PERSONAL LOANS	RESIDENTIAL MORTGAGE LOANS	COMMERCIAL MORTGAGE LOANS	COMMERCIAL AND OTHER LOANS <sup>[1]</sup>	TOTAL COLLECTIVE ALLOWANCES	TOTAL COLLECTIVE ALLOWANCES
	APRIL 30 2013	APRIL 30 2012	APRIL 30 2013	APRIL 30 2012	APRIL 30 2013	APRIL 30 2012
Balance at beginning of period	\$ 10,081	\$ 390	\$ —	\$ 2,021	\$ 12,492	\$ 18,557
Provision for loan losses recorded in the consolidated statement of income	10,438	2,168	154	151	12,911	5,379
Write-offs	(12,702)	(726)	—	(10)	(13,438)	(12,961)
Recoveries	1,466	(136)	—	83	1,413	1,401
Interest accrued on impaired loans	(302)	(167)	(17)	(90)	(576)	(784)
Balance at end of period	<b>\$ 8,981</b>	<b>\$ 1,529</b>	<b>\$ 137</b>	<b>\$ 2,155</b>	<b>\$ 12,802</b>	<b>\$ 11,592</b>

[1] Including customers' liabilities under acceptances.

5. Loans [Cont'd]

**Collective allowances against other loans**

					FOR THE SIX MONTHS ENDED	
	PERSONAL LOANS	RESIDENTIAL MORTGAGE LOANS	COMMERCIAL MORTGAGE LOANS	COMMERCIAL AND OTHER LOANS [1]	APRIL 30 2013 TOTAL COLLECTIVE ALLOWANCES	APRIL 30 2012 TOTAL COLLECTIVE ALLOWANCES
Balance at beginning of period	\$ 24,724	\$ 2,254	\$ 16,406	\$ 13,817	\$ 57,201	\$ 55,143
Provision for loan losses recorded in the consolidated statement of income	5,075	111	472	(780)	4,878	1,928
Allowances for loan losses resulting from the acquisition of a subsidiary	—	—	—	—	—	3,203
Balance at end of period	\$ 29,799	\$ 2,365	\$ 16,878	\$ 13,037	\$ 62,079	\$ 60,274

[1] Including customers' liabilities under acceptances.

An allowance for undrawn amounts under approved credit facilities is also recognized in other liabilities and amounted to \$6.7 million as at April 30, 2013, \$6.1 million as at October 31, 2012 and \$5.9 million as at April 30, 2012.

**Loans past due but not impaired**

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

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

	AS AT OCTOBER 31, 2012			
	1 DAY- 31 DAYS	32 DAYS- 90 DAYS	OVER 90 DAYS	TOTAL
Personal loans	\$ 93,935	\$ 23,938	\$ 4,307	\$ 122,180
Residential mortgage loans	244,088	40,896	34,446	319,430
	\$ 338,023	\$ 64,834	\$ 38,753	\$ 441,610

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

**Sale of commercial mortgage loans**

During the quarter ended April 30, 2013, the Bank sold \$94.7 million of commercial mortgage loans and recognized a \$3.7 million gain in other income. In a similar transaction, the Bank sold \$77.0 million of commercial mortgage loans and recognized a \$3.1 million gain in other income during the quarter ended April 30, 2012.

## 6. Loan Securitization

### Financial assets not qualifying for derecognition and associated financial liabilities

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

	AS AT APRIL 30 2013	AS AT OCTOBER 31 2012	AS AT APRIL 30 2012
Residential mortgage loans	\$ 4,321,407	\$ 4,442,556	\$ 3,686,141
Replacement Assets			
Cash and deposits with other banks	11,349	11,894	9,497
Securities purchased under reverse repurchase agreements	13,361	63,016	220,408
Other securities	1,030,366	1,446,751	1,056,657
Debt related to securitization activities	\$ (5,473,470)	\$ (6,037,097)	\$ (5,051,652)

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

	FOR THE THREE MONTHS ENDED			FOR THE SIX MONTHS ENDED	
	APRIL 30 2013	JANUARY 31 2013	APRIL 30 2012	APRIL 30 2013	APRIL 30 2012
Carrying amounts of mortgages transferred during the quarter related to new financing	\$ 249,898	\$ 51,414	\$ 303,814	\$ 301,312	\$ 354,593
Carrying amounts of mortgages transferred during the quarter as Replacement Assets	\$ 92,754	\$ 99,659	\$ 230,715	\$ 192,413	\$ 459,264

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

MATURITY	FOR THE SIX MONTHS ENDED APRIL 30, 2013		
	RATE	NOMINAL VALUE	CARRYING AMOUNT
<b>New issuance of debt related to CMB transactions</b>			
December 2017	1.73%	\$ 49,676	\$ 49,520
June 2018	1.81%	\$ 249,696	\$ 248,686

## 7. Share Capital

### Common shares

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

	FOR THE SIX MONTHS ENDED			
	APRIL 30, 2013		APRIL 30, 2012	
	NUMBER OF SHARES	AMOUNT	NUMBER OF SHARES	AMOUNT
Common shares				
Outstanding at beginning of period	28,117,520	\$ 428,526	23,925,037	\$ 252,601
Issuance of new shares	—	—	1,325,100	63,009
Issuance costs, net of income taxes	n.a.	—	n.a.	(2,066)
Issuance under the employee share purchase option plan	20,000	680	—	—
Shareholder Dividend Reinvestment and Share Purchase Plan	213,957	9,248	—	—
	<b>28,351,477</b>	<b>\$ 438,454</b>	25,250,137	\$ 313,544

7. Share Capital [Cont'd]

**Dividend reinvestment and share purchase plan**

On December 5, 2012 the Bank introduced its Shareholder Dividend Reinvestment and Share Purchase Plan to eligible Canadian shareholders. Participation in the plan is optional. Under the terms of the plan, dividends on common and preferred shares are reinvested to purchase additional common shares of the Bank. Shareholders also have the opportunity to make optional cash payments to acquire additional common shares. At the option of the Bank, the common shares may be issued from the Bank's treasury at an average market price with a discount of up to 5%, or from the open market at market price. The Bank determined that reinvestments related to the dividend declared on March 6, 2013 would be made in Common Shares issued from treasury at a 2% discount. Accordingly, on May 1, 2013, 96,779 shares were issued (117,178 shares on February 1, 2013).

**Preferred shares**

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

	FOR THE SIX MONTHS ENDED			
	APRIL 30, 2013		APRIL 30, 2012	
	NUMBER OF SHARES	AMOUNT	NUMBER OF SHARES	AMOUNT
<b>Class A Preferred shares</b>				
Series 9				
Outstanding at beginning of period	4,000,000	\$ 97,885	4,000,000	\$ 97,885
Repurchase of shares	(4,000,000)	(97,885)	—	—
Outstanding at end of period	—	—	4,000,000	97,885
Series 10				
Outstanding at beginning and end of period	4,400,000	107,642	4,400,000	107,642
Series 11				
Outstanding at beginning of period	4,000,000	97,722	n.a.	n.a.
Issuance cost, net of income taxes	n.a.	(218)	n.a.	n.a.
Outstanding at end of period	4,000,000	97,504	n.a.	n.a.
	<b>8,400,000</b>	<b>\$ 205,146</b>	<b>8,400,000</b>	<b>\$ 205,527</b>

**Dividends declared**

On May 22, 2013, the Board of Directors declared regular dividends on the various series of preferred shares to shareholders of record on June 7, 2013.

At its meeting on June 5, 2013, the Board of Directors declared a dividend of \$0.50 per common share, payable on August 1, 2013, to shareholders of record on July 2, 2013.

**Capital management**

**New regulatory capital requirements**

In December 2012, the Office of the Superintendent of Financial Institutions Canada (OSFI) issued the final revised version of the Capital Adequacy Requirements Guideline (the Guideline) drawn on the Basel Committee on Banking Supervision (BCBS) capital guidelines, commonly referred to as Basel III. These new requirements took effect in January 2013 and generally provide more stringent capital adequacy standards. Institutions are expected to meet minimum risk-based capital requirements for exposure to credit risk, operational risk and, where they have significant trading activity, market risk.

Under the Guideline, minimum Common Equity Tier 1, Total Tier 1 and Total capital ratios were set at 3.5%, 4.5% and 8.0% respectively for 2013. These ratios include phase-in of certain regulatory adjustments between 2013 and 2019 and phase-out of non-qualifying capital instruments between 2013 and 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.

In its 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 level (the "all-in" basis) early in the transition period, including a minimum 7.0% Common Equity Tier 1 ratio target by the first quarter of 2013. Furthermore, certain banks in Canada have been designated by OSFI as Domestic Systemically Important Banks (or D-SIBs). Under this designation, these banks will be asked to hold a further 1% of Tier 1 Common Equity by January 1, 2016. Laurentian Bank, however, has not been so designated. The "all-in" basis includes all of the regulatory adjustments that will be required by 2019 but retains the phase-out rules for non-qualifying capital instruments. OSFI also requires that Canadian deposit-taking financial institutions maintain an Asset-to-Capital Multiple.

The Guideline provides additional guidance regarding the treatment of non-qualifying capital instruments and specifies that certain capital instruments no longer qualify fully as capital as of January 1, 2013. The Bank's non-common capital instruments are considered non-qualifying capital instruments under Basel III and are therefore subject to a 10% phase-out per year beginning in 2013. These non-common capital instruments include Series 9, 10 and 11 preferred shares, as well as Series 2010-1 and 2012-1 subordinated Medium Term Notes. The Bank redeemed at par on March 15, 2013 the Series 9 preferred shares which were non-qualifying instruments under Basel III.

### **Regulatory capital**

The Bank has complied with current regulatory capital requirements throughout the six-month period ended April 30, 2013. Regulatory capital is detailed below.

	Basel III		Basel II <sup>[1]</sup>	
	ALL-IN BASIS	TRANSITIONAL BASIS	AS AT OCTOBER 31 2012	AS AT APRIL 30 2012
	AS AT APRIL 30 2013	AS AT APRIL 30 2013		
Common shares	\$ 438,454	\$ 438,454	\$ 428,526	\$ 320,435
Share-based payment reserve	136	136	227	227
Retained earnings	807,788	807,788	774,899	719,372
Accumulated other comprehensive income, excluding cash flow hedge reserve	12,916	12,916	n.a.	n.a.
Deductions from Common Equity Tier 1 capital	(240,779)	—	n.a.	n.a.
Common Equity Tier 1 capital	<b>1,018,515</b>	<b>1,259,294</b>	n.a.	n.a.
Non-cumulative preferred shares <sup>[2]</sup>	205,146	205,146	303,249	210,000
Deductions from Tier 1 capital	n.a.	(64,077)	(73,841)	(86,287)
Adjustment for transition to IFRS	n.a.	n.a.	27,193	81,579
Additional Tier 1 capital	205,146	141,069	n.a.	n.a.
Tier 1 capital	<b>1,223,661</b>	<b>1,400,363</b>	1,460,253	1,245,326
Subordinated debt <sup>[3]</sup>	399,429	399,429	443,594	243,426
Collective allowances	81,552	81,552	75,752	71,866
Deductions from Tier 2 capital	(6,194)	—	(5,539)	(17,478)
Tier 2 capital	<b>474,787</b>	<b>480,981</b>	513,807	297,814
<b>Total capital</b>	<b>\$ 1,698,448</b>	<b>\$ 1,881,344</b>	\$ 1,974,060	\$ 1,543,140

[1] The amounts are presented in accordance with Basel II as filed with OSFI.

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

[3] Net of an amount of \$44.4 million due to the 10% phase-out per year of non-qualifying capital instruments under Basel III.

## 8. Share-Based Payments

### Share purchase option plan

During the first six months of 2013, no new share options were granted and 20,000 share options were exercised. Information relating to outstanding number of options is as follows.

	AS AT APRIL 30 2013	AS AT OCTOBER 31 2012	AS AT APRIL 30 2012
	NUMBER	NUMBER	NUMBER
Share purchase options outstanding and exercisable at end of period	30,000	50,000	50,000

### Restricted share unit plans

During the first quarter of 2013, under the restricted share unit plan, annual bonuses for certain employees amounting to \$2.3 million were converted into 51,572 entirely vested restricted share units. Simultaneously, the Bank also granted 34,383 additional restricted share units valued at \$45.07 each that will vest by December 2015. There were no new grants during the second quarter of 2013.

During the first quarter of 2013, under the restricted share unit plan for employees of the Capital Markets sector, annual bonuses for certain employees amounting to \$1.3 million were converted into 27,904 entirely vested restricted share units. This plan does not provide for any employer contribution and a third of these restricted share units are redeemed at each of the first three anniversary dates of the grant. There were no new grants during the second quarter of 2013.

### Performance-based share unit plan

During the first quarter of 2013, under a performance-based share unit plan, the Bank granted 191,167 performance-based share units valued at \$45.07 each. The rights to these units will all vest after three years and upon meeting certain financial objectives. There were no new grants during the second quarter of 2013.

### Share-based payment plan expense and related liability

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

	FOR THE THREE MONTHS ENDED			FOR THE SIX MONTHS ENDED	
	APRIL 30 2013	JANUARY 31 2013	APRIL 30 2012	APRIL 30 2013	APRIL 30 2012
Expense arising from cash-settled share-based payment plans	\$ 1,540	\$ 3,594	\$ (513)	\$ 5,134	\$ 239
Effect of hedges	(327)	9	1,493	(318)	1,096
	\$ 1,213	\$ 3,603	\$ 980	\$ 4,816	\$ 1,335

The carrying amount of the liability relating to the cash-settled plans at April 30, 2013 was \$22.0 million (\$19.7 million at October 31, 2012 and \$17.7 million at April 30, 2012).

## 9. Post-Employment Benefits

	FOR THE THREE MONTHS ENDED			FOR THE SIX MONTHS ENDED	
	APRIL 30 2013	JANUARY 31 2013	APRIL 30 2012	APRIL 30 2013	APRIL 30 2012
Defined benefit pension plan expense	\$ 3,025	\$ 3,079	\$ 2,013	\$ 6,104	\$ 3,381
Defined contribution pension plan expense	1,730	1,714	1,519	3,444	2,889
Other plan expense	326	336	395	662	797
	\$ 5,081	\$ 5,129	\$ 3,927	\$ 10,210	\$ 7,067

## 10. Additional Information Regarding Other Comprehensive Income

	FOR THE THREE MONTHS ENDED									
	APRIL 30 2013			JANUARY 31 2013			APRIL 30 2012			
	AMOUNTS BEFORE INCOME TAXES	INCOME TAXES	AMOUNTS NET OF INCOME TAXES	AMOUNTS BEFORE INCOME TAXES	INCOME TAXES	AMOUNTS NET OF INCOME TAXES	AMOUNTS BEFORE INCOME TAXES	INCOME TAXES	AMOUNTS NET OF INCOME TAXES	
Unrealized net gains (losses) on available-for-sale securities <sup>[1]</sup>	\$ 1,992	\$ (508)	\$ 1,484	\$ 1,549	\$ (433)	\$ 1,116	\$ (5,190)	\$ 1,439	\$ (3,751)	
Reclassification of net (gains) losses on available-for-sale securities to net income	(584)	157	(427)	(1,994)	536	(1,458)	(1,217)	329	(888)	
	1,408	(351)	1,057	(445)	103	(342)	(6,407)	1,768	(4,639)	
Net change in value of derivatives designated as cash flow hedges <sup>[1]</sup>	6,728	(1,799)	4,929	(13,713)	3,670	(10,043)	(32,885)	8,905	(23,980)	
Other comprehensive income	\$ 8,136	\$ (2,150)	\$ 5,986	\$ (14,158)	\$ 3,773	\$ (10,385)	\$ (39,292)	\$ 10,673	\$ (28,619)	

[1] Items that may subsequently be reclassified to the statement of income

	FOR THE SIX MONTHS ENDED					
	APRIL 30 2013			APRIL 30 2012		
	AMOUNTS BEFORE INCOME TAXES	INCOME TAXES	AMOUNTS NET OF INCOME TAXES	AMOUNTS BEFORE INCOME TAXES	INCOME TAXES	AMOUNTS NET OF INCOME TAXES
Unrealized net gains (losses) on available-for-sale securities <sup>[1]</sup>	\$ 3,541	\$ (941)	\$ 2,600	\$ (7,228)	\$ 1,994	\$ (5,234)
Reclassification of net (gains) losses on available-for-sale securities to net income	(2,578)	693	(1,885)	(1,657)	448	(1,209)
	963	(248)	715	(8,885)	2,442	(6,443)
Net change in value of derivatives designated as cash flow hedges <sup>[1]</sup>	(6,985)	1,871	(5,114)	(43,205)	11,661	(31,544)
Other comprehensive income	\$ (6,022)	\$ 1,623	\$ (4,399)	\$ (52,090)	\$ 14,103	\$ (37,987)

[1] Items that may subsequently be reclassified to the statement of income

## 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 four business segments of the Bank are: Retail & SME-Québec, Real Estate & Commercial, B2B Bank, and Laurentian Bank Securities & Capital Markets.

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

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

The B2B 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 and the Bank's capital market activities.

A fifth "Other" segment encompasses the Bank's corporate functions, including Corporate Treasury.

11. Segmented Information [Cont'd]

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

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

FOR THE THREE MONTHS ENDED APRIL 30, 2013						
	RETAIL & SME-QUÉBEC	REAL ESTATE & COMMERCIAL	B2B BANK	LAURENTIAN BANK SECURITIES & CAPITAL MARKETS	OTHER	TOTAL
Net interest income	\$ 72,690	\$ 20,179	\$ 47,195	\$ 1,070	\$ (704)	\$ 140,430
Other income	38,260	10,503	8,884	15,897	876	74,420
Total revenue (loss)	110,950	30,682	56,079	16,967	172	214,850
Gain on acquisition and amortization of net premium on purchased financial instruments	—	—	(1,224)	—	—	(1,224)
Provision for loan losses	5,924	(74)	3,150	—	—	9,000
Non-interest expenses	93,386	8,383	32,175	12,959	6,814	153,717
Costs related to business combinations and other <sup>[1]</sup>	—	—	6,136	—	—	6,136
Income (loss) before income taxes	11,640	22,373	13,394	4,008	(6,642)	44,773
Income taxes (recovered)	1,978	5,974	3,557	1,033	(2,908)	9,634
Net income (loss)	\$ 9,662	\$ 16,399	\$ 9,837	\$ 2,975	\$ (3,734)	\$ 35,139
Average assets <sup>[2]</sup>	\$ 13,966,121	\$ 3,506,415	\$ 9,371,919	\$ 3,132,489	\$ 4,228,805	\$ 34,205,749

FOR THE THREE MONTHS ENDED JANUARY 31, 2013						
	RETAIL & SME-QUÉBEC	REAL ESTATE & COMMERCIAL	B2B BANK	LAURENTIAN BANK SECURITIES & CAPITAL MARKETS	OTHER	TOTAL
Net interest income <sup>[3]</sup>	\$ 76,855	\$ 21,555	\$ 49,412	\$ 681	\$ (6,159)	\$ 142,344
Other income	35,436	8,086	9,056	16,402	2,590	71,570
Total revenue (loss)	112,291	29,641	58,468	17,083	(3,569)	213,914
Gain on acquisition and amortization of net premium on purchased financial instruments	—	—	(1,056)	—	—	(1,056)
Provision for loan losses	6,066	(1,464)	3,398	—	—	8,000
Non-interest expenses	92,981	8,414	32,960	13,474	5,928	153,757
Costs related to business combinations and other <sup>[1]</sup>	—	—	7,557	—	—	7,557
Income (loss) before income taxes	13,244	22,691	13,497	3,609	(9,497)	43,544
Income taxes (recovered)	2,034	6,059	3,583	928	(3,150)	9,454
Net income (loss)	\$ 11,210	\$ 16,632	\$ 9,914	\$ 2,681	\$ (6,347)	\$ 34,090
Average assets <sup>[2]</sup>	\$ 13,896,951	\$ 3,391,666	\$ 9,433,684	\$ 2,922,296	\$ 4,990,098	\$ 34,634,695

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

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

[3] During the second quarter of 2013, the Bank's Corporate Treasury retroactively adjusted its loan transfer pricing with regards to the recently acquired AGF Trust insured mortgage loan portfolio. As a result, net interest income related to AGF Trust amounting to \$1.0 million for the first quarter ended January 31, 2013, which was previously reported in the Other sector, was reclassified to the B2B Bank's business segment. This change generated a \$0.7 million increase in B2B Bank's net income and a \$0.7 million decrease in the Other sector's net income in the first quarter of 2013.

FOR THE THREE MONTHS ENDED APRIL 30, 2012

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

FOR THE SIX MONTHS ENDED APRIL 30, 2013

	RETAIL & SME-QUÉBEC	REAL ESTATE & COMMERCIAL	B2B BANK	LAURENTIAN BANK SECURITIES & CAPITAL MARKETS	OTHER	TOTAL
Net interest income <sup>[3]</sup>	\$ 149,545	\$ 41,734	\$ 96,607	\$ 1,751	\$ (6,863)	\$ 282,774
Other income	73,696	18,589	17,940	32,299	3,466	145,990
Total revenue (loss)	223,241	60,323	114,547	34,050	(3,397)	428,764
Gain on acquisition and amortization of net premium on purchased financial instruments	—	—	(2,280)	—	—	(2,280)
Provision for loan losses	11,990	(1,538)	6,548	—	—	17,000
Non-interest expenses	186,367	16,797	65,135	26,433	12,742	307,474
Costs related to business combinations and other <sup>[1]</sup>	—	—	13,693	—	—	13,693
Income (loss) before income taxes	24,884	45,064	26,891	7,617	(16,139)	88,317
Income taxes (recovered)	4,012	12,033	7,140	1,961	(6,058)	19,088
Net income (loss)	\$ 20,872	\$ 33,031	\$ 19,751	\$ 5,656	\$ (10,081)	\$ 69,229
Average assets <sup>[2]</sup>	\$ 13,930,963	\$ 3,448,090	\$ 9,403,313	\$ 3,025,650	\$ 4,615,761	\$ 34,423,777

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

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

[3] During the second quarter of 2013, the Bank's Corporate Treasury retroactively adjusted its loan transfer pricing with regards to the recently acquired AGF Trust insured mortgage loan portfolio. As a result, net interest income related to AGF Trust amounting to \$1.0 million for the first quarter ended January 31, 2013, which was previously reported in the Other sector, was reclassified to the B2B Bank's business segment. This change generated a \$0.7 million increase in B2B Bank's net income and a \$0.7 million decrease in the Other sector's net income in the first quarter of 2013.

11. Segmented Information [Cont'd]

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

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

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

## 12. Business Combinations

### Contingent consideration

On August 1, 2012, the Bank acquired 100% of the outstanding shares of AGF Trust Company (AGF Trust). The agreement includes a contingent consideration of a maximum of \$20.0 million over five years if credit quality reaches certain criteria. The contingent consideration is recognized in other liabilities and amounted to \$5.9 million as at April 30, 2013 and \$5.9 million as at October 31, 2012.

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

In the fourth quarter of 2012, the preliminary 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 \$1.2 million for the three-month period ended April 30, 2013 and \$1.1 million for the three-month period ended January 31, 2013.

### Costs related to business combinations and other

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

**THIS PAGE INTENTIONALLY LEFT BLANK**

# Shareholder Information

## Head office

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

## Telebanking Centre, Automated Banking and Customer Service:

Tel.: 514 252-1846  
or 1 800 252-1846  
Website: [www.laurentianbank.ca](http://www.laurentianbank.ca)  
Swift Code: BLCM CA MM

## Transfer Agent and Registrar

Computershare  
Investor Services Inc.  
1500 University Street,  
Suite 700  
Montréal, Québec H3A 3S8

## 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. 7511 or 4926.

## Media

Journalists may contact the Public  
Affairs and Communications  
Department at Head Office by  
calling 514 284-4500  
ext. 7511 or 8232.

## 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 6LB	First Business day of: January April July October	February 1 May 1 August 1 November 1
Preferred shares			
Series 9	51925D 87 4 LB.PR.D	**	March 15
Series 10	51925D 86 6 LB.PR.E	**	June 15
Series 11	51925D 84 1 LB.PR.F	**	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.

